

INVESTCORP

Global. Diverse. Resilient.

INVESTCORP ANNUAL REPORT 2020



A Strong and Agile Global Partner

The COVID-19 pandemic introduced unprecedented global challenges this year. Against these headwinds, Investcorp demonstrated the resiliency and capabilities of our unique global platform. As we build on our growing strength and agility, we continue to remain focused on delivering on what our clients, shareholders and stakeholders seek: enduring value.



CONTINUING GROWTH, EXPANSION & DIVERSIFICATION

Despite the challenges presented by COVID-19, 2020 still represents an important chapter in Investcorp's transformation into one of the world's leading global alternative asset managers, with assets under management increasing by 15% to a record US \$32.2 billion.



CONVENING INVESTORS AND LEADERS

Prior to the pandemic, Investcorp conducted a focused set of events to bring our leadership and investors, thought leaders, government officials and other stakeholders together. This included our Investors Conference in Bahrain, our Alternatives Symposium in New York and an executive seminar in Japan.

COMMITTED TO ESG PRINCIPLES AND ACTIONS

We take pride in our firmwide commitment to Environmental, Social and Governance (ESG) performance and recognize that our purpose goes beyond excellence in alternative investing. As a business, we accelerated our adoption of a common ESG framework, with an initial aim of becoming fully ESG aligned right at the outset for all our investment activities in India as a pilot, and then propagating these across the rest of the Firm worldwide.



EMBRACING DIVERSITY & INCLUSION AT OUR CORE

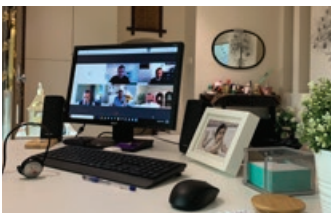


At Investcorp, we see Diversity & Inclusion (D&I) as a growing strength of the firm, and believe that having a diverse mix of skills, perspectives and expertise is a key driver for success. In a deliberate and measured way, D&I considerations are shaping our talent acquisition, policies and culture. We have appointed a D&I Champion and leads for each of our offices to ensure that diversity measures are taken and being enhanced across the firm with a focus on each geography.



VIRTUAL RECRUITING

Our disciplined and urgent response to the global pandemic included an immediate shift of our recruiting efforts to the digital environment, taking advantage of the proliferation of tools for face-to-face interactions online. We have also expanded our suite of e-learning and created digital workshops for new hires.



SEAMLESS TRANSITION TO WORKING FROM HOME

The global pandemic changed the way the world had to work. Early on, our entire workforce converted to working from home, and we continue to sustain hybrid work arrangements. COVID-19 will have lasting impacts, but our will to succeed and our proven agility are seeing us through.

Investcorp was built to be a resilient global firm. Since launching our global growth strategy in 2015, with discipline and purpose, we have become more global and increasingly diverse, while maintaining a clear focus on mitigating risk and on being a good partner to our investors.

These differentiating qualities move us forward, as we work to create value for all of our stakeholders.

01	Message to Shareholders
04	COVID-19 Response
06	Our Global Progress
14	Business at a Glance
16	Financial Review

MESSAGE TO SHAREHOLDERS

The Board of Directors of Investcorp is pleased to submit the consolidated audited financial statements for Investcorp's 37th fiscal year ended June 30, 2020.

Dear Shareholders,

Thank you for your ongoing support, partnership and trust in Investcorp as we continue to navigate the unprecedented global impact of COVID-19 together. In our nearly 40 years of operations, we have experienced and succeeded through many crises by staying resilient, prudently managing risks and capturing opportunities.

We recognize this crisis offers its own unique challenges as one of the most trying macro-shocks economies around the world have experienced. Although we did not predict a pandemic, our Firm has been actively preparing for a global, economic slowdown over the past several years. In fact, the progress we have delivered building a more diverse, global and multi-asset class platform has helped drive our resiliency and mitigate the negative impact from COVID-19.

The challenging environment and the associated effects from COVID-19 resulted in a net loss attributable to shareholders of (US \$165 million) for FY20 compared to a net profit of US \$131 million in FY19. The fully diluted loss per share for FY20 was (US \$2.57) compared to fully diluted earnings per share of US \$1.47 in FY19. While we are disappointed in our FY20 results, we remain confident in our growth strategy and our ability to continue our history of emerging from each market downturn even stronger. Our performance this year is further evidence of Investcorp's resilience and commitment to driving disciplined growth. We entered the coronavirus crisis and also approach our 2021 fiscal year in a position of strength with a robust balance sheet, US \$1.2 billion in accessible liquidity, and an increasingly global and diversified platform managed by world-class investment professionals.

Diversification Strategy and Strong Capital and Liquidity Positions Supporting Resilience

Continuous diversification across geographies, clients and products translated into a broad-based increase in AUM to a record US \$32.2 billion, an increase of 15% from US \$28.1 billion in June 2019.

The Firm achieved significant levels of investment activity in FY20 of US \$3.1 billion (US \$2.9 billion in FY19), while placement and fundraising of US \$4.9 billion (US \$5.7 billion in FY19) and distributions of US \$2.6 billion (US \$4.0 billion in FY19) remained strong.

Total shareholders' equity (excluding non-controlling interests) as of June 30, 2020, was US \$867 million, down 24% compared to US \$1,145 million as of June 30, 2019. Total assets at the end of FY20 were US \$2,123 million compared to US \$2,361 million as of FY19, representing a 10% decline. The recommendation this year for distribution of preferred and ordinary dividends is US \$22 million. The proposed ordinary dividend per share is US \$0.10 versus US \$0.30 for FY19.

The COVID-19 crisis impacted the Firm's profitability as fee income contracted to US \$288 million for FY20, a decline of 23% compared to US \$376 million for FY19. The sharp recession originating from the crisis also

affected the Firm's asset-based income, with a (US \$110 million) loss reported for FY20, compared to a gain of US \$89 million in FY19. The loss was largely attributable to negative valuation results related to a limited number of assets operating in challenged industries, mainly retail. However, prudent capital and liquidity management served the Firm well during the unprecedented crisis, allowing management to focus on employees' safety and business continuity for all stakeholders.

Growth, Expansion and Diversification Strategy Continued Amidst Challenging Market Conditions

Despite the challenges presented by COVID-19, 2020 still represents an important chapter in Investcorp's transformation into one of the world's leading global alternative asset managers. Several key strategic transactions and initiatives were completed to further broaden and institutionalize our distribution platform, scale businesses and source investments from new growth areas.

Private Equity AUM (including strategic investments) remained steady at US \$5.8 billion, and new fundraising was largely offset by exits and COVID-19-related write-downs. We raised \$668 million via deal-by-deal and fund investments. Notable exits during the year included the sale of TPx Communications, a provider of network and communications services; the sale of Tiryaki Agro, the leading supply manager of organic and conventional agro commodities in the US, Europe and the Middle East; and the sale of SecureLink Group, one of the largest cybersecurity infrastructure and managed services providers in Europe.

Real Estate AUM increased by 5% during the year to US \$6.4 billion due to the acquisition and placement of new portfolios. In the US, Investcorp once again ranked among the top foreign buyers and sellers of US real estate, including exiting seven portfolios. This contributed to total real estate realization proceeds and other distributions to Investcorp and its clients of US \$687 million, increasing by 4% from FY19. Following Investcorp's expansion into the European real estate market in 2017, 2020 showed continued progress on the division's growth ambitions, with the value of the total European real estate platform rising to approximately US \$930 million in AUM. The team completed several landmark acquisitions over the period that helped to further expand its presence in continental Europe.

Investcorp also raised \$65 million of anchor commitments to launch an Indian Real Estate Direct Lending Initiative that will focus on providing financing to projects in the affordable and mid-market housing segment in the top seven cities in India. BAE Systems Pension Funds Investment Management Limited is the cornerstone investor for the initiative.

Investcorp Absolute Return Investments business (ARI) entered into a joint venture with Tages Capital to create Investcorp-Tages Limited, combining complementary footprints to create a global absolute return platform with more than US \$6.0 billion in revenue-generating assets, including customized portfolios, seeding and other investment solutions, which represents a 61% increase from 2019. US \$859 million was raised for the Firm's hedge funds partnerships platform, US \$108 million was raised for special opportunities portfolios, and US \$42 million was raised for the Firm's multi-manager solutions platform.

Investcorp also raised the initial amount of approximately US \$100 million of new commitments for the first fund of the newly formed Strategic Capital Group, which focuses on acquiring minority equity stakes in mid-sized alternative asset managers.

The Credit Management business (ICM) also continued its upward growth trajectory despite COVID-19. AUM increased by 11% to US \$13.1 billion, primarily due to the issuance/pricing of five new CLOs and the acquisition of CM Investment Partners.

Fundraising for two fully subscribed funds was completed during the pandemic, reflecting the confidence of clients in Investcorp's ability to navigate challenging markets as well as the strength of its brand in the investment community. In May 2020, Investcorp announced the fully subscribed final closing of approximately €340 million in commitments for Italian Distressed Loan Fund II and in June 2020 it held the final closing of the Mount Row (Levered) Credit Fund with capital commitments of €318 million.

Lastly, we continued to expand our global footprint in Asia. We have launched an investment platform jointly with China Resources and Fung Investments, the first-ever private equity platform dedicated solely to investing in food brands in Asia, specifically China, Singapore and greater Southeast Asia. In April the fund had its first closing at US \$275 million.

Strengthening Culture and Commitments to Our People and Communities

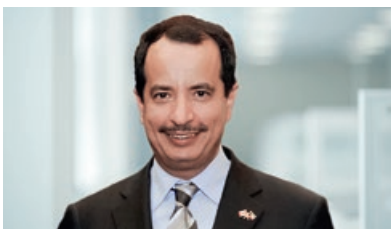
Consistent with Investcorp's commitment to our stakeholders and communities, we continued to advance initiatives across all businesses and geographies as evidence of our continuing desire to be a good corporate citizen. These efforts ranged from enhancing our Diversity & Inclusion practices to strengthening our commitment to ESG and playing our part in helping to address the many urgent public health and economic needs stemming from the pandemic.

This year Investcorp elected six new international members to its Board of Directors and created a new Diversity & Inclusion (D&I) Champion role to enhance our D&I practices globally. This work has already resulted in the implementation of new talent acquisition, retention and engagement policies. As a global firm comprised of 44 nationalities among our approximately 450 global employees, we have always drawn strength from our diversity and believe it is a success driver for our business. We are committed to continuing to foster an open and inclusive work environment to further reinforce our culture and talent as competitive advantages.

Outlook

While the short-term economic outlook remains uncertain due to the ongoing pandemic, we remain committed to advancing our ambitious, yet prudent, growth strategy. Our medium-term objective of reaching US \$50 billion AUM remains unchanged and is increasingly within our sights. As we move forward, we will continue to leverage our fundamental strengths, including our world-class talent, robust balance sheet, and increasingly global and diversified platform to meet our clients' needs with innovative investment solutions. We remain well-positioned to continue to navigate challenges from the coronavirus pandemic that may lie ahead and we are confident that we will emerge stronger on the other side, as our Firm always has.

On behalf of the Investcorp Board of Directors, we would also like to extend our condolences following the passing of our highly respected founder, Nemir Kirdar, and our former Chairman of the Board, H.E. Abdulrahman Al-Ateeqi. They were both instrumental in building a business focused on core values of trust, integrity and respect, and we are grateful for their contributions to the Firm. The foundations they built have inevitably been key in Investcorp's ability to weather this challenging period and we are committed to continue building upon their strong legacies of success.



Dr. Yousef Hamad Al-Ebraheem
Chairman of the Board of Directors



Mohammed Mahfoodh Alardhi
Executive Chairman

Resilient

Taking Action During a Global Pandemic

This year that has so challenged the world has shown that Investcorp is a resilient, agile firm everywhere we do business.

The purposeful diversification we have undergone has strengthened the firm and will help us navigate the waters ahead. In light of the COVID-19 pandemic, we have been actively managing our portfolios to mitigate risks and protect our investments while seeking to identify opportunities created by market dislocations.

The arc of our evolution remains clear: more geographies and types of both deals and clients, growing lines of business, and deepening our relationships with clients.

Investcorp remains well-positioned to achieve our long-term objectives. Our advantages include a solid foundation, robust balance sheet, world-class team, proven strategies and history of driving value across cycles — as well as an unwavering focus on serving our clients, shareholders, partners and communities.

Supporting Our Communities in Response to COVID-19

In response to the coronavirus outbreak, we and our portfolio companies focused immediately on leveraging our expertise and resources to help those in need. These efforts included providing critical equipment, free services and generous donations to support our communities across our global footprint. As a firm, Investcorp has sponsored 2,000+ free meals for tenants and communities across our US residential properties, donated 25,000 face masks and 65,000 medical gowns in Asia, and contributed US \$1 million to the Royal Humanitarian Foundation to support its COVID-19 relief campaign in the Kingdom of Bahrain.

For specific positive impacts and contributions from our many portfolio companies, please see our [ESG Highlights Report](#).

2,000+

free meals for tenants and communities in the US

25,000

face masks donated in Asia



WORKING FROM ANYWHERE AND EVERYWHERE

When COVID-19 emerged as a global threat, we initiated a rapid, seamless, technology-smart transition to a new way of working that ensured business continuity and best-in-class client service. Virtually overnight, our approximately 450 global employees successfully adapted to working remotely. Since then, we have developed and refined hybrid work arrangements and new behaviors that minimize social contact while still maintaining strong human connections among our people and stakeholders.



Diverse

As People, as Investors and as a Firm

ESTABLISHING DIVERSITY AS A STRENGTH IN ASIA

As we grow, we look to bring diverse outlooks to our new offices and clients around the world. In Mumbai and Singapore, we are consciously building diverse teams that both reflect these markets and bring fresh perspectives to them. Since entering Asia in 2017, we have grown our headcount to approximately 40 professionals and \$3.2B in AUM.

\$3.2B
AUM in Asia



We are a diverse firm and working to become even more so. Everywhere we invest, we see the advantages this brings.

Diversity within our ranks is a growing strength of Investcorp, bringing insights and perspectives together in a culture of mutual respect to fuel an engine of innovation and growth across our firm. Our progress on Diversity & Inclusion (D&I) continues to build momentum, driven by a firmwide commitment to expand awareness and achieve results. See our [ESG Highlights Report](#) for more on this vital topic.

Diversification of geographies and asset classes makes us stronger and better able to withstand shocks to the global and regional economies, such as COVID-19 has brought. The more global we become, and as our array of alternative solutions expands, the more we can employ our highly selective, disciplined approach to identifying and acting on opportunity. This expands our ability to mitigate risk. So, even as we grow, we strengthen our resiliency and agility.



China Everbright Partnership

We have enhanced our collaboration with China Everbright, combining investment teams to invest in the Chinese technology sector.



4X+

NephroPlus Capital Investment

We invested in NephroPlus, which has the largest network of dialysis centers in India — over four times larger than the second-largest player — with over 140,000 dialysis sessions per month in 196 centers across more than 115 cities. NephroPlus has a strong focus on patient-centric care and is a pioneer in managing dialysis departments of hospitals via long-term outsourcing contracts.



Direct Lending Initiative

We have raised US \$65 million for last mile funding in the affordable and mid-market housing segment in the top seven cities in India. We believe that the Indian affordable housing segment represents a sizable and attractive market opportunity catalyzed by urbanization and structural reforms.

Executive Tour of Asia

A delegation of executives led by Executive Chairman Mohammed Alardhi and Co-CEOs Rishi Kapoor and Hazem Ben-Gacem met with existing and potential investors and partners at stops in Bangkok, Beijing, Jakarta, Singapore and Tokyo, highlighted by a series of receptions Investcorp arranged with Eisenhower Fellows.

We create and tailor alternative investments to offer our individual and institutional clients compelling opportunities, drawing on our collective insight as well as our entrepreneurial approach, personalized service, and the expanding breadth of our global assets and resources.

Collaborative innovation is core to the strength, agility and resiliency of our strategy and our Firm, as we continue to diversify, scale and globalize our distribution platform while further enhancing our client offerings.

Investcorp continues to make bold moves in our traditional markets and create powerful new partnerships on the global stage, leveraging our experienced judgment and analytic expertise. Private equity, real estate investment and smart new partnerships remain important drivers of our ambitious long-term global growth strategy on the path to US \$50 billion in assets under management.

Fortune Fish & Gourmet Capital Investment

A leading superregional specialty distributor of seafood and gourmet food products in the United States, Fortune Fish & Gourmet is a founding member of Sea Pact, an alliance of companies dedicated to improving the sustainability of global seafood supply chains.



\$930M

European Real Estate Platform Continues Growth

Launched in 2017, our European Real Estate business delivered continued progress this year, growing its platform to approximately US \$930 million in AUM. We entered the Belgium market through the €88 million acquisition of The Bridge, Coca-Cola's Belgian headquarters, which also represented Investcorp's first sale and leaseback real estate transaction in Europe. In another first, we entered the Dutch market through the acquisition of a €52 million grade A office property, The Mark, in Rotterdam's Brain Park office park.

Investcorp-Tages Launched

Investcorp Absolute Return Investments business (ARI) entered into a joint venture with Tages Capital to create Investcorp-Tages Limited, combining complementary footprints to create a global absolute return platform with more than US \$6.0 billion in revenue-generating assets, including customized portfolios, seeding and other investment solutions, which represents a 63% increase from 2019.



Vivaticket Acquisition

Vivaticket is a leading global provider of integrated ticketing software solutions with 2,200 clients across 50+ countries, including Disney World, FC Barcelona and the Louvre Museum, as well as direct to customers via vivaticket.it.



Tiryaki Agro Exit

Marking the first exit of our portfolio in Turkey, Tiryaki Agro is the world's largest supplier of organic grains and oilseeds, with annual sales of around US \$1.3 billion.

\$1.3B

Innovative

Smart Solutions Built on Insight



VENTURING INTO FOOD BRANDS ACROSS ASIA

We have launched the first-ever private equity platform dedicated solely to investing in food brands in Asia, in partnership with China Resources, one of the world's largest owners and distributors of food brands in Greater China, and Fung Strategic Holdings Limited. The food platform will focus on tapping into the country's emerging middle class and their growing taste for new, healthier and more premium brands.

Disciplined

Guided Growth

FORTIFYING THE BALANCE SHEET

One of Investcorp's key priorities over the past several years has been a continued focus on fortifying our balance sheet during this extended period of purposeful diversification, expansion and growth. This focus remains in place with constant monitoring and any necessary adjustments.

At Investcorp, our ambition is tempered by our disciplined approach to growth. We continue to make progress toward achieving our goals, even amidst an uncertain global macroeconomic backdrop that became further distorted by COVID-19.

A disciplined, responsible global firm with a long-term view on success, we were already well-prepared for any disruptions that global events could bring to our markets, our investors and our people as we pursued ambitious growth.

Well before the global pandemic, we invested in fortifying the balance sheet, because it has always made good business sense to do so, especially in a time of growth. Even when making bold moves, Investcorp has always approached risk with prudence and foresight.

Investcorp will continue to focus on investing in businesses and assets poised for growth and value creation, utilizing our proven, prudent and disciplined approach. As our history and progress attest, we are also dedicated to enhancing our transparency and corporate governance to further strengthen the trust that our shareholders, clients and portfolio companies have placed in our firm.

Investcorp Board adds new members

Adding to the global dimensions of our Board, the newest members include:

Joachim Faber

former Chairman of the Supervisory Board of Deutsche Boerse AG.

John William Fraser

former Chief Investment Officer of our Credit Management business.

Gregory Kam Leung So

former Secretary for Commerce and Economic Development of Hong Kong.

Dr. Mazen Fakeeh

President of Saudi's Fakeeh Care Group and a member of the Board of Trustees of the Saudi Commission for Healthcare Specialists.

H.E. Eng. Abdullatif Al Othman

owner and CEO of Al Othman Engineering Consultants and former Governor and Chairman of the Saudi Arabian General Investment Authority.



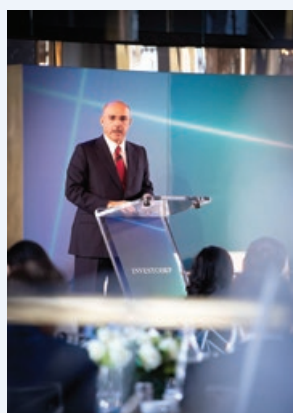
Investcorp continues to grow and expand into new areas of opportunity. As we add to our lines of business and the asset classes we offer, we continue to extend our connections to our investors and stakeholders.

We have always seen value in close, personal connections, and have regularly convened investors and stakeholders in purpose-driven formal gatherings. This will continue in the new normal of maintaining strong connections virtually.

Prior to the sudden rise of the COVID-19 pandemic, in late 2019 and early 2020, we invested ourselves in the following in-person events. Such events bring together groups of prominent professionals across a range of industries to discuss the most critical issues shaping global markets and their impact on various sectors and local economies.

Tokyo Seminar

Reiterating Investcorp's focus on building strong, long-term relationships in Japan, Executive Chairman Mohammed Alardhi welcomed leading Japanese professionals at an exclusive dinner seminar event in Tokyo. Co-hosting were Co-CEO Rishi Kapoor, Global Head of Credit Management Jeremy Ghose and Global Head of Distribution Tim Mattar. Topics included perspectives on Japan's economy and lessons to take away in the current global environment of low interest rates.



India Information Sessions

Investcorp held its India Information Sessions for investors and other stakeholders in Mumbai, home of our recently established India office. Insightful discussions ranged from investment opportunities in the market to trends in the real estate sector and perspectives from private equity-backed entrepreneurs, as well as the megatrends shaping the global economy over the next three decades, utilizing the results of Investcorp's annual survey.

Alternatives Symposium

Investcorp was pleased to bring together more than 160 attendees representing approximately US \$17 trillion in assets under management for our Annual Alternatives Symposium in New York City, which featured numerous panel discussions and fireside chats.

Davos 2020

At the World Economic Forum in Davos, the Investcorp delegation included Executive Chairman Mohammed Alardhi and Co-CEOs Rishi Kapoor and Hazem Ben-Gacem. The theme of the event, 'Stakeholders for a Cohesive and Sustainable World,' is an important topic that we believe can lead to the creation of more valuable investments across asset classes.

Milken MEA Summit

An extensive Investcorp delegation participated in Milken Institute Middle East & Africa Summit 2020 in Abu Dhabi. Executive Chairman Mohammed Alardhi spoke in a panel titled 'Opportunity in the Middle East: A Road Less Traveled,' where he discussed how the GCC economy has evolved. Investcorp also hosted a private session, 'Winning Formulas for Investing in the GCC.'

Networked

Global Connections

250 attendees

BRINGING OUR INVESTORS TOGETHER

Investcorp welcomed 250 attendees to our Investors Conference in Bahrain, held under the patronage of His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister. Speakers and investors from the US, Europe, India, China, Indonesia and the Gulf opined on an array of topics, including key global economic trends, private equity, wealth management, infrastructure, real estate and new growth markets.



AT A GLANCE

OUR BUSINESS

Investcorp is a leading, global alternative investment manager for individuals, families and institutional investors, offering diverse strengths and proven resilience. Since our founding in 1982, we have built a global reputation for superior performance, innovation and service. We continue to execute on an ambitious, albeit prudent, growth strategy of global and asset class diversification. Through a disciplined investment approach across each of our lines of business, our focus remains on generating value for all of our stakeholders.

AUM increased by 14.6% to
\$32.2B

Fee income-to-opex ratio of
105%

Investment activity
increased by 8% to
\$3.1B

\$1.2B+
Total Accessible Liquidity



PRIVATE EQUITY

Our PE teams operate across North America, Europe, Asia, India and the MENA region. We also have a special team, Investcorp Technology Partners, that focuses on investing in growing technology companies. With more than \$43 billion in transaction value, our past and present portfolios include more than 195 investments across a range of sectors.



REAL ESTATE INVESTMENT

Since its inception in 1996, our global real estate investments have totaled approximately US \$18 billion in over 800 properties across the US, Europe and now India. We rank among the most active foreign real estate investors in the US, with annual transaction volumes of approximately US \$2 billion.



ABSOLUTE RETURN INVESTMENTS

Our global ARI platform, Investcorp-Tages Limited, is a 50/50 joint venture with Tages Capital, with over US \$6 billion in revenue-generating assets. Investcorp-Tages combines complementary strengths, expertise and footprints to serve investors as a leading global multi-manager investment firm with a culture of continuous product innovation and full alignment of interests.



CREDIT MANAGEMENT

Investcorp Credit Management is a leading global credit manager with approximately US \$13 billion in assets under management. Based in London and New York, the business manages funds that invest primarily in senior secured corporate credit and private debt issued by mid- and large-cap corporates in the US and Western Europe.



STRATEGIC CAPITAL

Launched in 2019, our Strategic Capital group focuses on acquiring minority equity interests in alternative asset managers with strong track records, exceptional teams and attractive growth prospects.

FINANCIAL REVIEW

CONTENTS

18 Business Review

18 Message from the Executive Chairman

18 Business Highlights

31 Environmental, Social and Governance

32 Diversity and Inclusion

33 Business Environment

49 Discussion of Results

58 Assets Under Management

62 Portfolio Review

79 Ownership Structure, Corporate Governance and Regulation

93 Balance Sheet

95 Risk Management

100 Consolidated Financial Statements: June 30, 2020

BUSINESS REVIEW

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

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

Mohammed Alardhi, Executive Chairman

BUSINESS HIGHLIGHTS

GROWTH INITIATIVES

A number of strategic initiatives have been completed and several are well underway to realize Investcorp’s medium-term objective of reaching \$50 billion in assets under management, including:

Inorganic Growth

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

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

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

Fundraising Platform

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

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

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

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

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

Investment Platform

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

COVID-19

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

PEOPLE AND OPERATIONS

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

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

TECHNOLOGY

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

LIQUIDITY

Investcorp entered the crisis with a solid capital and liquidity position. As the situation evolves, Investcorp's balance sheet has capital to cushion mark-to-market declines and ample liquidity to support a stress case scenario. Total balance sheet equity is \$0.9 billion, which fully supports co-investments on the balance sheet. Investcorp currently

BUSINESS REVIEW

has accessible liquidity in excess of \$1.2 billion and no debt maturing until mid-2023. Investcorp remains positive and focused on the key competitive advantages of a solid balance sheet, its strong investor franchise, and a long-dated track record of performance through global crises that will position the Firm to successfully navigate through this environment.

VALUATION APPROACH AT JUNE 30, 2020

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

PORTFOLIO MANAGEMENT

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

SUPPORTING OUR COMMUNITIES IN RESPONDING TO COVID-19

Investcorp is committed to helping the communities in which it operates address the many urgent needs stemming from the COVID-19 pandemic. The Firm believes its responsibility goes beyond excellence in investing to support broader issues of social good across all aspects of Investcorp's business and geographies.

The Firm, along with its portfolio companies across the world, are leveraging their expertise and resources to help those in need, providing critical equipment, free services and generous donations.

NORTH AMERICA

Investcorp	sponsored 2,000+ free meals for tenants and communities across our US residential properties.
AlixPartners	is supporting numerous pro-bono engagements to help companies retool manufacturing to produce critical medical supplies.
Fortune International	partnered with Chicago-based Lakeview Pantry to donate food and supplies to families impacted by COVID-19.
ICR	donated 7,000+ masks to its local communities, and medical workers at Norwalk Hospital and St. Vincent's Hospital in Connecticut as well as Emory Hospital in Atlanta.
Revature	launched a program to provide 2,000+ hours of free virtual coding courses to essential workers and their families.
United Talent Agency	committed US \$1 million to be donated to social justice causes and organizations and more.

EUROPE

ABAX	supported local municipalities leverage its telematics solutions to digitalize critical, societal infrastructure and enable contact tracing with the coronavirus.
Avira	introduced free trial versions of its premium antivirus software suite “Prime” for consumers in regions most affected by COVID-19.
Dainese	launched a new campaign (protect those who protect us) – to raise funds to provide medical equipment to protect doctors and healthcare professionals.
Eviivo	launched www.staysforheroes.com together with its customers to provide 15,000 hotel rooms across the UK for NHS staff and key workers.
Impero	is offering a freemium version of the company’s “back:drop” solution to customers in the educational sector.
Softgarden	launched www.jobs2live.de initiative, a free job portal for essential jobs across Germany.
Ubisense	is using its real-time location system to help companies return-to-work safely with social distancing and contact tracing.

MIDDLE EAST & NORTH AFRICA

Investcorp	contributed US \$1 million to the Royal Humanitarian Foundation to support its COVID-19 relief campaign in the Kingdom of Bahrain.
Al Borg Medical Laboratories	provided 20,000+ COVID-19 tests in Saudi Arabia and the UAE.
Namet	donated 14 ventilators to 4 hospitals in Turkey.
Reem Hospital	opened an 80-bed hospital in Abu Dhabi in 15 days in response to the pandemic.
Theeb Rent A Car	supported the mobility of individuals with special needs in Saudi Arabia by providing specialized retrofitted cars for free, and also donated 100,000 Saudi Riyals to the “Health Endowment Fund”.
Tiryaki Agro	donated 95 tons of grains and pulses to various municipalities across Turkey.

ASIA

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

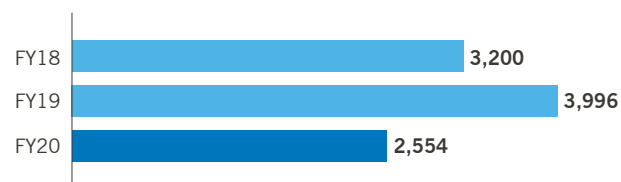
BUSINESS REVIEW

Investment activity (\$m)

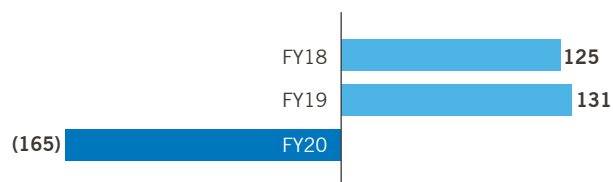
Significant levels of activity achieved with \$3.1 billion of aggregate investment across Investcorp's businesses, a 8% year-on-year increase

Deal-by-deal placement (\$m)

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

Realizations and distributions (\$m)

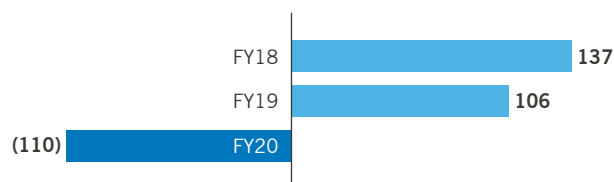
Distributions to Investcorp and its clients from investment realizations and other distributions decreased to \$2.6 billion

Results for the year (\$m)

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

Fee income (\$m)

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

Asset-based income (\$m)

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

Fee income / operating expenses

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

BUSINESS REVIEW

Shareholder KPIs

(\$2.57)

Fully diluted EPS

\$10.07

Book Value per share

Balance sheet KPIs

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

Investcorp's key performance indicators:

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

* Excluding tax

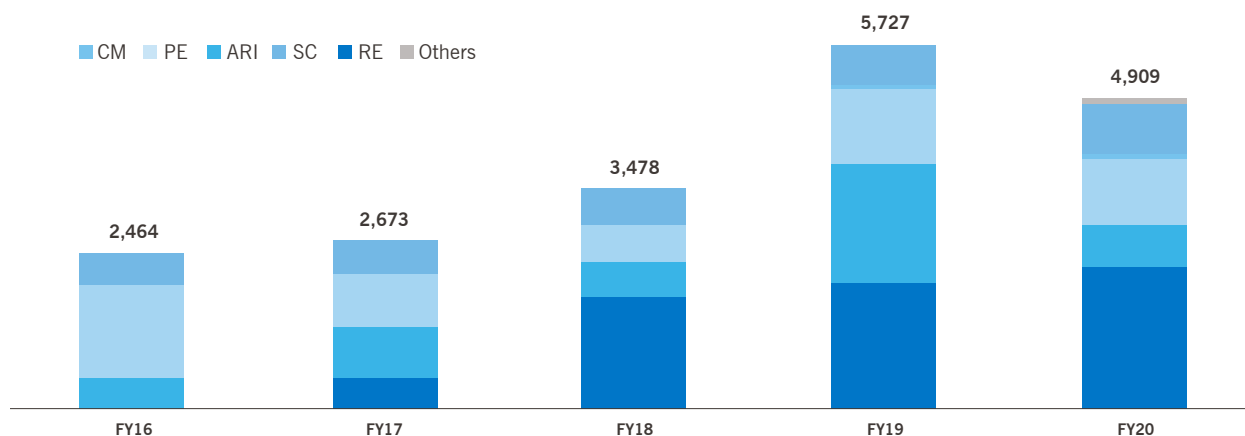
Total AUM (\$ billions)

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

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

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

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

**Total Fundraising – by asset class (\$ millions)**

BUSINESS REVIEW

FUNDRAISING (\$ MILLIONS)

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

Private Equity

\$668

\$599 million raised from clients in private equity deal-by-deal investments including new commitments into institutional investor programs

Private equity deal-by-deal fundraising includes the placement of Vivaticket, Acura, NephroPlus and Fortune International

\$70 million raised from clients for the Asia Food Fund

Real Estate

\$795

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

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

Absolute Return Investments

\$1,011

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

\$108 million was raised for special opportunities portfolios

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

\$2 million was raised for alt-risk premia

Credit Management

\$2,249

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

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

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

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

Strategic Capital

\$98

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

Banque Pâris Bertrand

\$26

\$26 million raised for Banque Pâris Bertrand private banking products

INVESTMENT ACTIVITY

Private Equity

\$624 million

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



ZoloStays
Consumer services
Bengaluru, India



Avira
Technology – Security
Tettnang, Germany



Fortune International
Distribution –
Supply chain services
Illinois, US



NephroPlus
Healthcare
Hyderabad, India



Intergrow
Packaged foods
Kerala, India



Bewakoof
Consumer & retail
Mumbai, India



Vivaticket
Business services
Bologna, Italy



Contentserv
Technology – Big data
Ermatingen, Switzerland

Credit Management

\$1.8 billion

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

Jamestown CLO XIV
(Warehoused from FY19)
\$357 million

Harvest CLO XXII
(Warehoused from FY19)
€220 million

Harvest CLO XXIII
(Warehoused from FY19)
€406 million

Jamestown CLO XV
\$402 million

Harvest CLO XXIV
€199 million

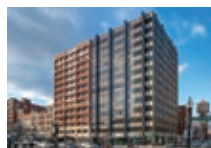
Mount Row (Levered)
Credit Fund
€118 million

BUSINESS REVIEW

Real Estate

\$627 million

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

**2019 US INDUSTRIAL & LOGISTICS PORTFOLIO****Type:** Industrial properties**Locations:** Charlotte Metro, North Carolina; Chicago Metro, Illinois and Dallas Metro, Texas**No. of properties:** 76**UK INDUSTRIAL & LOGISTICS III PORTFOLIO****Type:** Industrial and logistics properties**Locations:** St Helens¹, Uddingston¹, Blantyre¹, Manchester¹, Birmingham¹, Leeds² and Livingston¹**No. of properties:** 10**535-545 BOYLSTON STREET****Type:** Multi-tenanted office property**Location:** Boston, Massachusetts**No. of properties:** 1**2020 RESIDENTIAL PROPERTIES PORTFOLIO****Type:** Residential properties**Locations:** Denver, Colorado³; Fort Lauderdale, Florida and Austin, Texas³**No. of properties:** 5**2020 SOUTHEAST INDUSTRIAL & LOGISTICS PORTFOLIO****Type:** Industrial properties**Locations:** Atlanta Metro, Georgia and Memphis Metro, Tennessee**No. of properties:** 50**EUROPEAN OFFICE PORTFOLIO****Type:** Office properties**Locations:** Munich, Germany; Rotterdam, Netherlands and Brussels, Belgium**No. of properties:** 3**2019 MULTIFAMILY II PORTFOLIO³****Type:** Residential properties**Locations:** Orlando, Florida; Tampa, Florida; Philadelphia, Pennsylvania; Atlanta, Georgia; Raleigh, North Carolina and St. Louis, Missouri**No. of properties:** 11¹ Signed and purchased in FY18 / FY19² One property signed and purchased in FY19, one in FY20³ Signed and purchased in FY19

EXITS AND DISTRIBUTIONS

Private Equity

\$470 million

Total **private equity realization** proceeds and other distributions to Investcorp and its clients.



TPx Communications

Tech & Telecom
California, US



Tiryaki Agro

Consumer products –
Trading and logistics
Istanbul, Turkey



SecureLink Group

Technology – Security
Wommelgem, Belgium

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

BUSINESS REVIEW

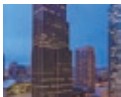
Real Estate

\$687million

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

Significant real estate exits included the realizations of seven portfolios: **Diversified VII Portfolio** (with the sale of Cheshire); the sale of **901 Fifth Avenue** (single asset portfolio); **2015 Residential II Portfolio** (with the sale of Bel Air Las Colinas); **2015 Office and Industrial Portfolio** (with the sale of Tower Plaza); **Boston & Denver Commercial Portfolio** (with the sale of Arapahoe & Inverness); **Southland and Arundel Mezzanine Portfolio** (with the realization of Southland Mezz) and **Chicago and Boston Industrial Portfolio** (with the sales of Chicago Cold Storage and Boston Metro Industrial Portfolio II)

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

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

Other Realizations and Distributions

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Adoption of Environmental, Social & Governance (ESG) Practices

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

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

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

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

BUSINESS REVIEW

DIVERSITY AND INCLUSION

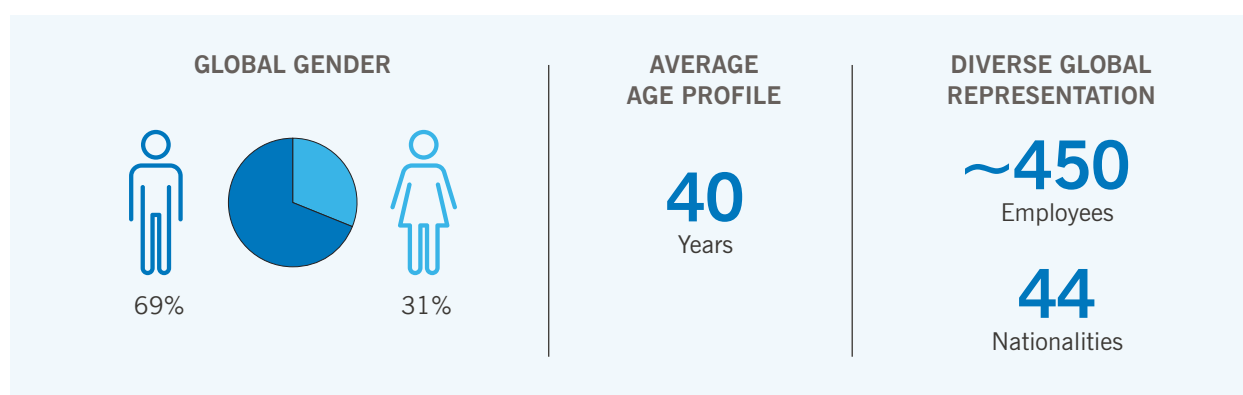
Commitment to Fostering a Diverse & Inclusive Workplace

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

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

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

The Firm today employs approximately 450 employees representing 44 nationalities.



KEY HIGHLIGHTS

**TALENT ACQUISITION**

The Firm launched a hiring strategy which will be implemented commencing FY21, where before making a final offer for any open position, a shortlist of candidates will be considered and at least half of whom shall be diverse

**TRAINING & DEVELOPMENT**

All employees and new hires will be required to undergo mandatory unconscious bias, diversity and inclusion training on an annual basis

**DIVERSE TEAMS**

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

INVESTCORP LEADERSHIP COMMITMENT

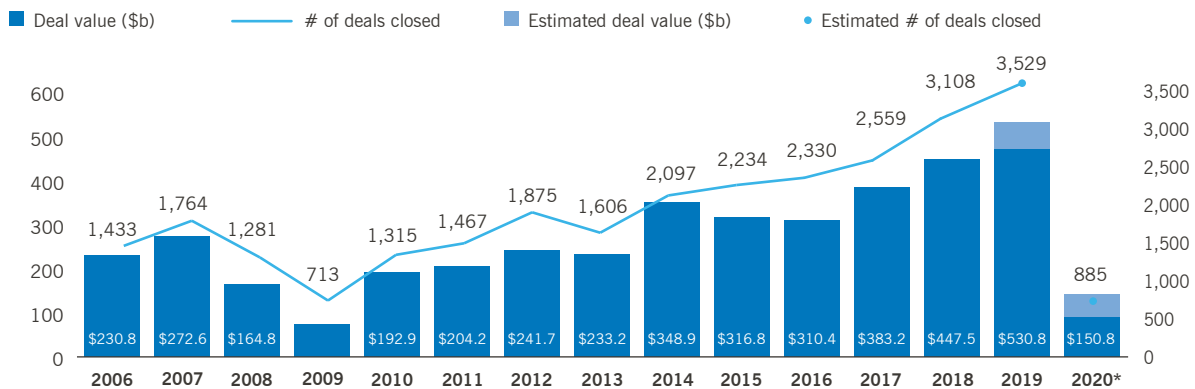


BUSINESS ENVIRONMENT

PRIVATE EQUITY – NORTH AMERICA AND EUROPE

In the US, 2019 calendar year¹ was another record-setting year for both deal value and transaction count. During the first quarter (Q1) of 2020, US middle market deal activity kept up with the elevated levels of 2019, with 885 middle-market transactions completed totaling \$150.8 billion in deal value – increases of 14.2% and 31.3% year-over-year, respectively. According to Pitchbook, the value of these deals is the highest quarterly figure ever. However, the majority of Q1 deals were negotiated before the COVID-19 pandemic. The impact of COVID-19 on the US private equity (PE) middle-market will not materialize until the second quarter (Q2) and beyond.

US PE deal flow by year



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

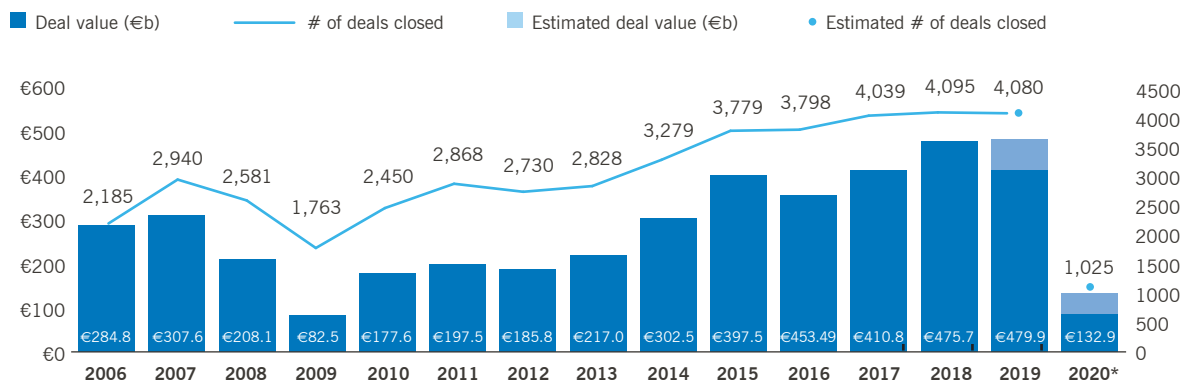
Source: Pitchbook Q1 2020 US Breakdown Report

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

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

BUSINESS REVIEW

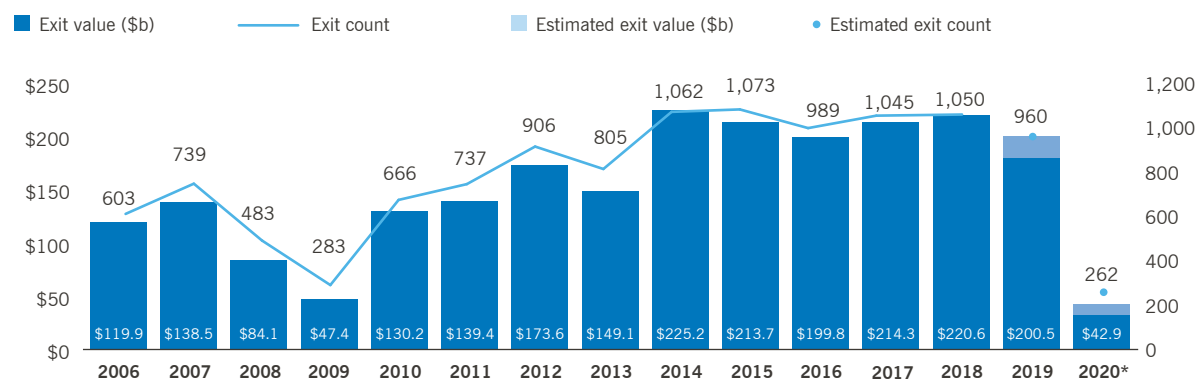
Europe PE deal activity



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

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

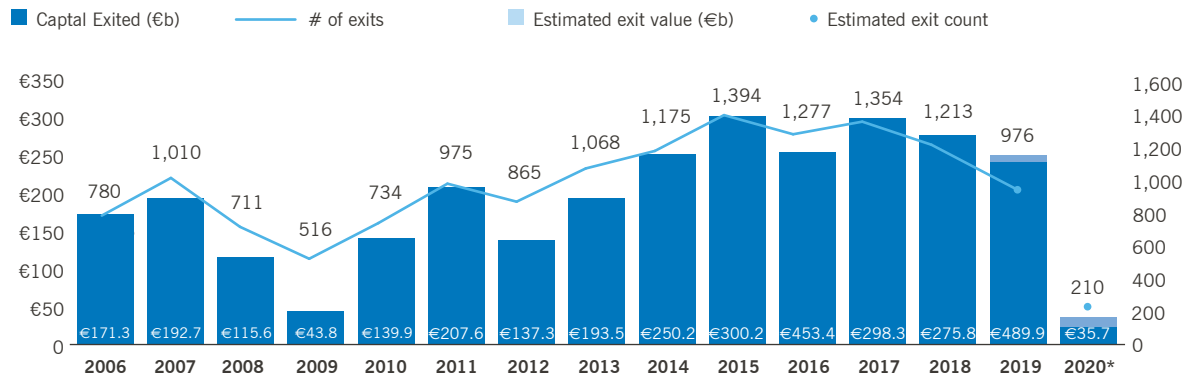
US PE-backed exits



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

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

European PE exit activity



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

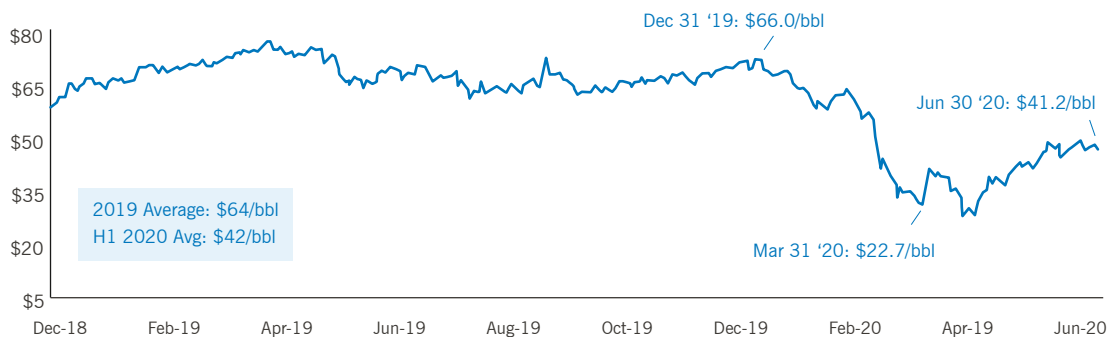
Source: Pitchbook Q1 2020 European Breakdown Report

PRIVATE EQUITY – MENA

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

On the supply side, the OPEC+ reconvened in April 2020 and agreed to cut output by a historic 9.7 million barrels per day from May 2020 through the end of June 2020. On June 6, 2020, OPEC+ agreed to extend the production cuts for an additional month until the end of July 2020. The cuts would then begin to taper from August 2020 through to the end of 2020 whereby 7.7 million barrels per day (bpd) would be taken offline, followed by 5.8 million bpd from January 2021 through April 2022. Oil prices in Q2 2020 also strengthened on the back of a slow recovery in demand, as several countries eased lockdown restrictions, as well as organic oil production cuts in the U.S. Overall, crude oil prices averaged at \$42 per barrel during the first half (H1) of 2020. The U.S. Energy Information Administration in its July 2020 report projects oil prices to average \$41 per barrel in the second half (H2) of 2020 gradually recovering to \$50 per barrel in 2021.

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



Source: Bloomberg

BUSINESS REVIEW

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

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

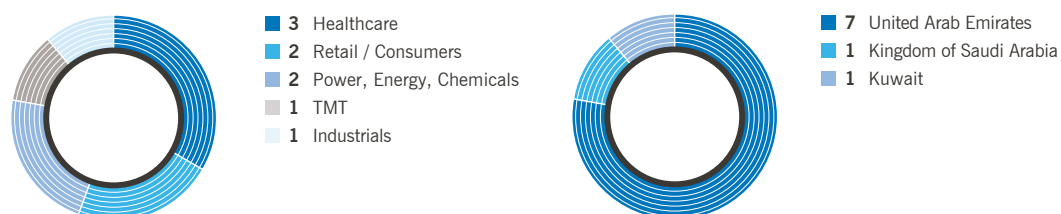
In its June 2020 World Economic Outlook update, the International Monetary Fund (IMF) revised its 2020 and 2021 real GDP growth forecasts for Saudi Arabia to -6.8% in 2020 (-2.3% forecasted in April 2020) and +3.1% in 2021 (+2.9% forecasted in April 2020). Saudi Arabia's budget deficit is projected at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

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

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

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

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



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

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

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

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

PRIVATE EQUITY – INDIA

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

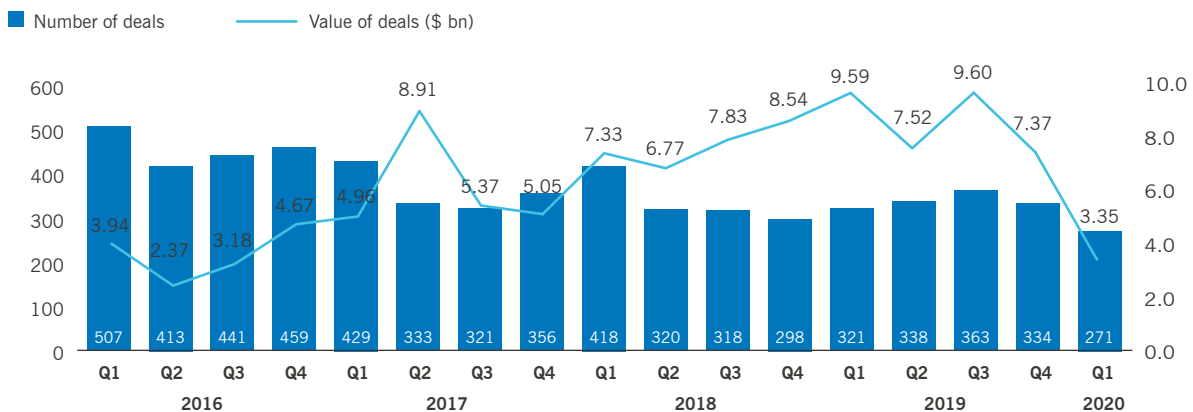
Q1 2020 has been tough for PE activity due to the COVID-19 pandemic and the ensuing global slowdown. In terms of overall activity, deal activity was at its lowest in the last five years, with 271 deals of \$3.35 billion.

Deal Overview

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

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

Deals Overview (by quarter)



Source: VC Edge

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

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

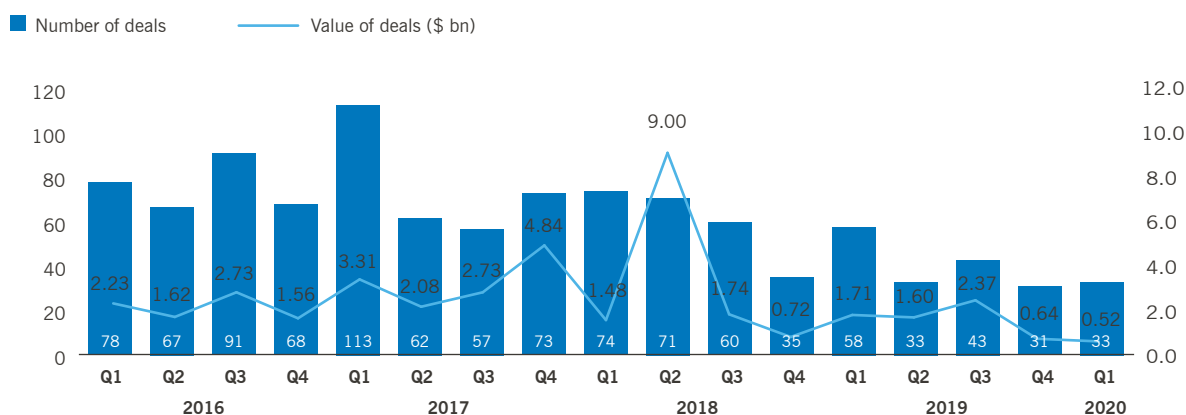
Exit Overview

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

BUSINESS REVIEW

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

Exits Overview (by quarter)

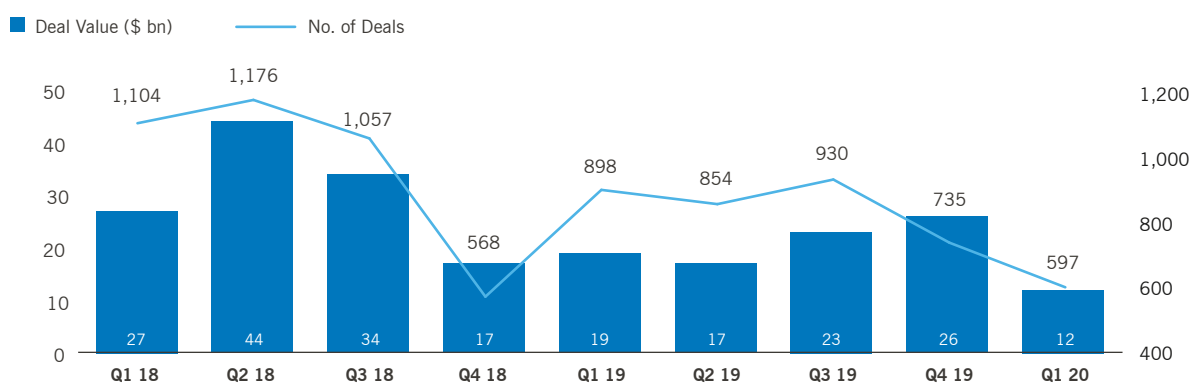


Source: VC Edge

PRIVATE EQUITY – ASIA

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

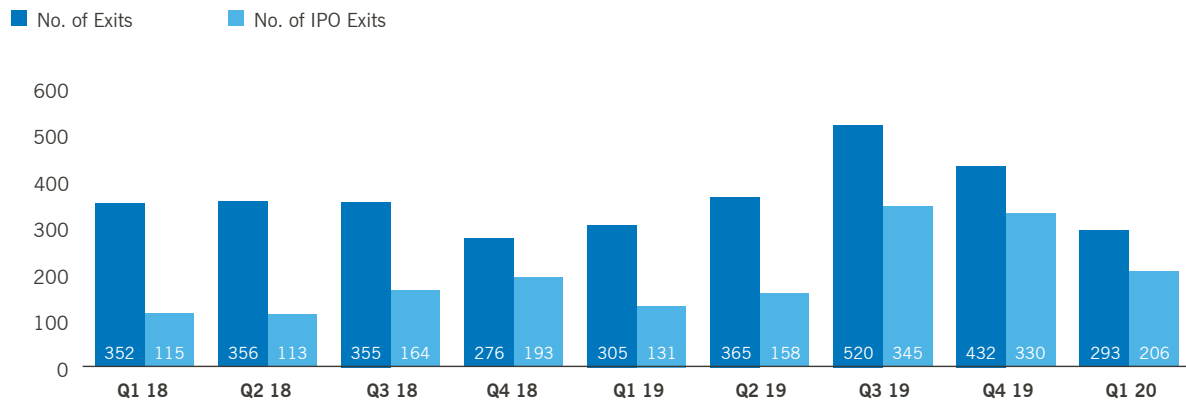
China PE deal activity



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

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

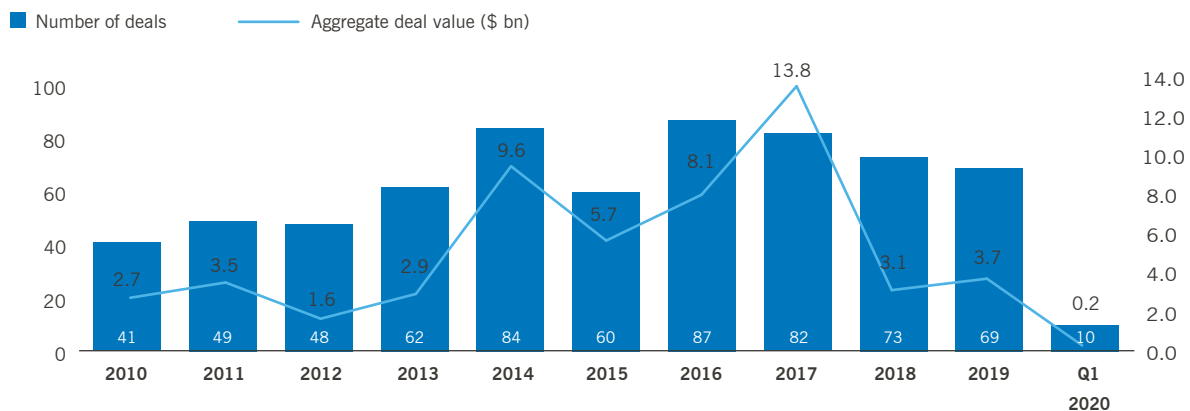
China PE exit activity



Source: PEdata as of March 31, 2020.

In Southeast Asia¹, PE investment activities have also been hit by COVID-19, with 2020 showing a noticeable slowing of deal activity versus recent years. Only 10 buyout deals closed in Q1 20 across ASEAN markets, putting 2020 on track to have the lowest number of deals since 2010. PE backed exits have similarly declined with only three PE backed companies managing to achieve an exit in Q1 2020.

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

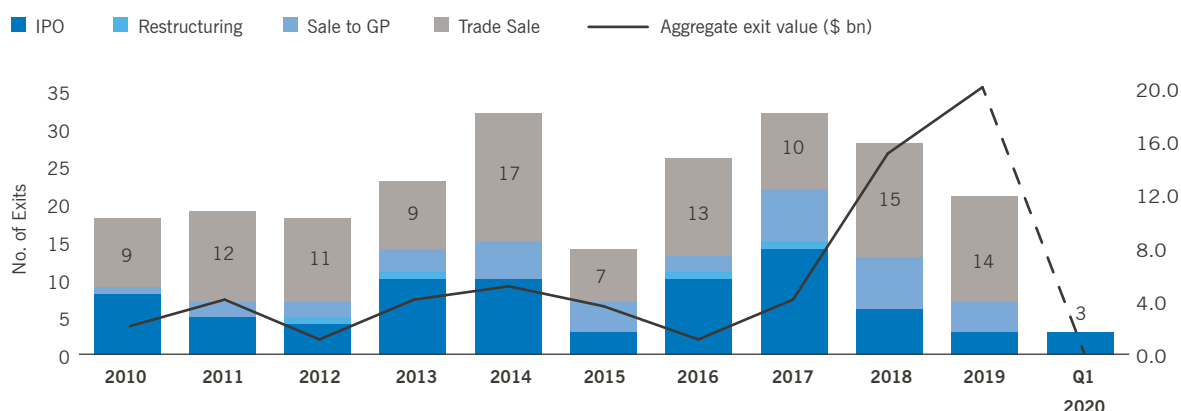


Source: Preqin data as of June 30, 2020

¹ Southeast Asia & ASEAN are used interchangeably referring to nations in the Association of Southeast Asian Nations (Singapore, Malaysia, Indonesia, Brunei, Thailand, Vietnam, Cambodia, Laos, Myanmar and the Philippines)

BUSINESS REVIEW

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



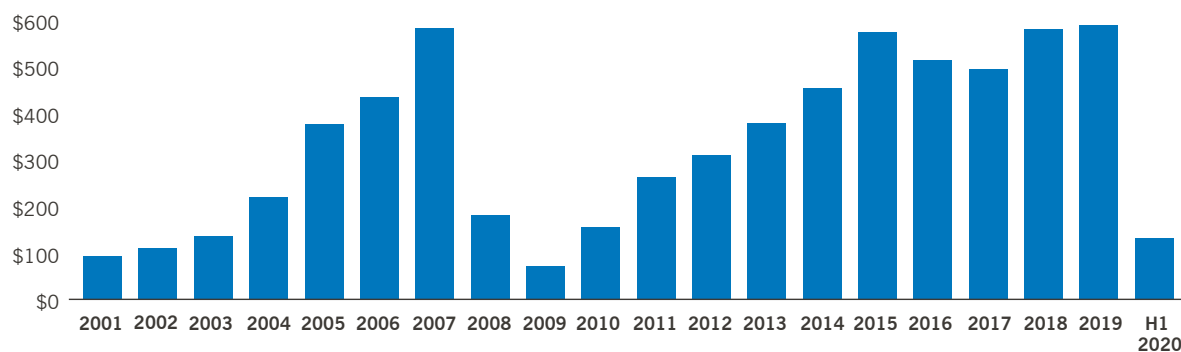
Source: Preqin data as of June 30, 2020

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

REAL ESTATE INVESTMENT – NORTH AMERICA

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

Transaction Volume (\$ billions)



Source: Real Capital Analytics, Inc. 2020

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

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

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

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

BUSINESS REVIEW

REAL ESTATE INVESTMENT – EUROPE

United Kingdom

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

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

Germany

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

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

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

The Netherlands

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

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

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

Belgium

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

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

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

REAL ESTATE INVESTMENT – INDIA

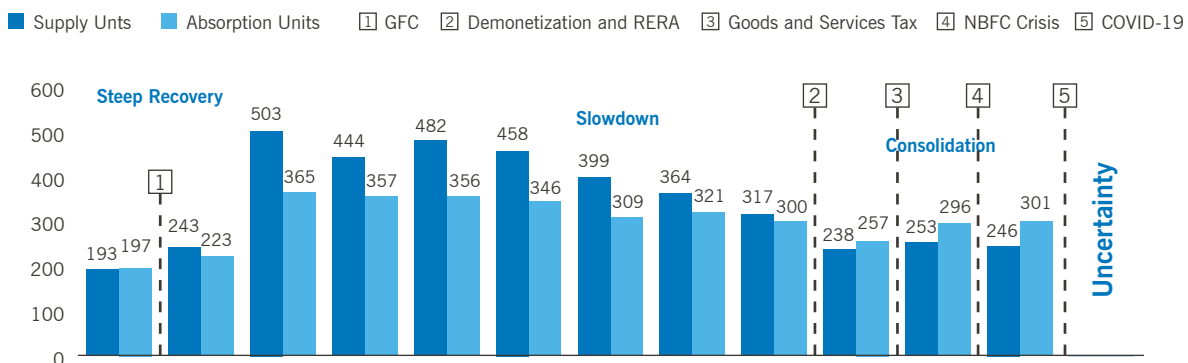
The sector witnessed an overall investment of \$6.8 billion in 2019 (\$238 million, year-to-date 2020). The residential sector received approximately \$717 million in 2019 (\$40 million, year-to-date 2020), the commercial sector received approximately \$2.9 billion in 2019 (\$41 million, year-to-date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

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

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

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

Supply and Absorption ('000 units)



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

BUSINESS REVIEW

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

In 2019, most of the activity occurred in the information technology and information technology enabled services (IT/ITES) sector, including artificial intelligence (AI) and data security accounting for 41% of transacted volume in H2 2019, compared to 31% in the previous period. Co-working spaces have seen prolific growth in 2019. Space taken by these operators has quintupled since H1 2017 to 5.5 million sq. ft in H1 2019, backed by a strong and growing demand for co-working spaces by entrepreneurs, tech start-ups and even big multi-national firms. IT/ITES and co-working occupiers drove new leasing activity during Q1 2020. While the share of IT/ITES occupiers in leasing increased to 56% in Q1 2020, co-working operators accounted for 13% of the leasing activity.

Impact of COVID-19 on the sector

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

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

ABSOLUTE RETURN INVESTMENTS

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

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

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

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

Global macro discretionary funds were marginally positive over FY20 with the HFRI Macro index up 0.4%. The global macro strategy held up well in a very treacherous environment in Q1 2020. Though the average performance of managers has been marginally positive, there is a significant dispersion in returns across the industry. The demarcation in performance is primarily driven by how well managers navigated through February and March. The most successful managers recognised quickly (i.e. in early February) the potential ramifications of the COVID-19 virus and adjusted their portfolios accordingly. This entailed tilting portfolios to a "risk-off" profile through a combination of the following positioning: directionally net short equities; long volatility (through VIX products or option structures); long duration positions (particularly in the front part of the curve that is most sensitive to policy actions) or short credit. Managers with long biased exposure, particularly to emerging markets, that did not reduce or hedge their exposures performed

poorly. Not only did managers have to navigate the downdraft of markets in March, they also had to navigate the sharp subsequent rebound that in some cases caused bearishly positioned managers to give back significant gains. Nevertheless, a plethora of trading opportunities opened up in areas such as global FX as volatility levels rose from multi-year low levels and across commodities markets as dislocations occurred in the oil futures markets and economically sensitive sectors reacted violently to market events.

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

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

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

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

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

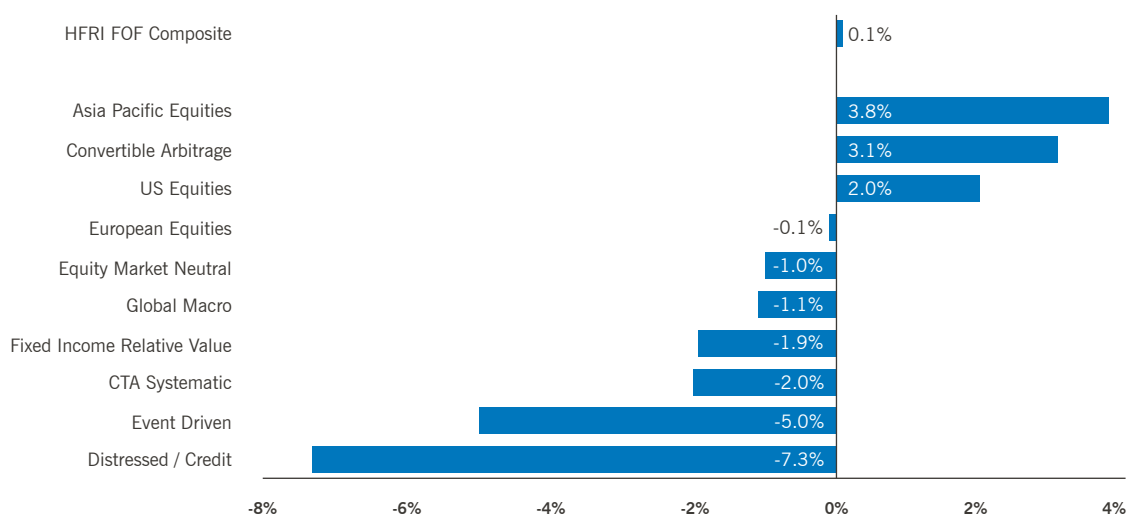
Equity long/short (L/S) hedge funds finished the fiscal year with positive performance as the HFRI: Equity L/S (Total) index was up 0.97%. Positive returns amidst a global pandemic and resulting economic shutdown speak volumes to the effect of central bank intervention. Equity markets were overwhelmed by the COVID-19 outbreak across the globe. The impact was relatively limited on Q1 earnings but left an unprecedented uncertainty for the upcoming reporting seasons. The crisis triggered a massive and quick intervention from Central Banks and governments, that brought a

BUSINESS REVIEW

large amount of liquidity to the market, resulting in one of the shortest bear markets ever seen. US large cap tech drove performance and the best performers were those that embraced such positioning. More important was timing – those that avoided selling at lows and instead increased exposure went on to see strong gains.

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

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



Source: PerTrac, Investcorp

CREDIT MANAGEMENT

LOAN MARKET OVERVIEW

During H1 2020 the Credit Suisse Leveraged Loan Index returned -4.76%, with most of the decline coming in March as the wave of COVID-19 related lockdowns rolled across the world. In the U.S, the March return of -12.46% was the second worst monthly performance (behind only October 2008) in loan market history and led to Q1 2020 returns of -13.19%, the worst quarterly return since Q4 2008. Equally extraordinary has been the rally and recovery in the markets seen since March. Q2 2020 saw the US loan market return 9.71%, which was the strongest quarterly return in over a decade, with the average price of the index recovering to 89.47%, up from the market nadir of 76.48% on March 23. Given the relatively weak economic backdrop, this rally has to some extent been more incredible than the initial March 2020 market rout and is a testament to both the power of global government stimulus and to the relatively defensive characteristics of leveraged loan markets¹.

However, underlying market fundamentals remain problematic. The COVID-19 pandemic has created the most significant global recession in history with the initial impact of economic shutdown on corporate earnings still to be learned through the Q2 results cycle (in July and August 2020) and the longer term impacts unlikely to be known until H2 2020 and 2021. Reflecting the economic damage, rating agency downgrades have increased significantly over H1 2020, with 32% of the S&P US Leveraged Loan Index downgraded in the five months ending May 2020². Default rates are rising, with the trailing twelve month default rate at 3.2% for the US versus 1.8% at the start of the calendar year³. Moody's forecasts global default rates to peak in 2021 at approximately 13%, albeit this forecast includes investment grade and high yield in addition to loans and is focussed on higher COVID-19 risk sectors such as Hotels, Gaming/Leisure, and Energy.⁴

Despite this backdrop, the US loan markets continued to function. Opportunistic buyers stepped in to take advantage of discounted loan prices not seen since the Great Financial Crisis. Demand from separately managed accounts, insurance companies, high yield accounts, as well as other non-traditional buyers more than offset year-to-date retail outflows totalling \$22.1 billion. The CLO market remained open through the crisis, although understandably year-to-date issuance of \$35 billion is down significantly on the \$65 billion of issuance seen at the same point in 2019. Meanwhile supply has been constrained; US primary institutional loan issuance totalling \$134 billion at the end of June 2020 was \$11 billion, or 8%, below the \$145 billion print seen for H1 2019.⁵

Across the Atlantic, the story was very similar. The Credit Suisse Western European Leveraged Loan Index returned -2.93% in H1 2020. While March posted a monthly record decline of -13.37%, the European market rallied returning 12.21% in Q2, and the average price of the index recovered to 92.74%, up from the March 24th nadir of 78.3%.⁶ Technical conditions were more favourable in Europe. While demand dynamics were similar to the US market, Europe was not affected by mutual fund outflows. On the supply side, new issue was slower to restart, with no primary issuance of any note seen in March or April 2020. However, primary issuance restarted in May 2020 and has been modest post COVID-19. New CLO issuance continues to significantly lag 2019 with €10 billion of new issuance in the six months to June 2020, compared to €15 billion for the same period in 2019.⁷

1 Credit Suisse Leveraged Loan Index data, 30 June 2020

2 S&P/LCD News, 3 June 2020

3 S&P/LCD ELLI Default Rates data, 30 June 2020

4 Moody's Investor Services – April 2020 Default Report (11 May 2020)

5 S&P/LCD News, Investor Technical Data, 30 June 2020

6 Credit Suisse Western European Loan Index (hedged to USD), 30 June 2020

7 S&P/LCD News Euro Loan and Technical Data, 30 June 2020

BUSINESS REVIEW

LOAN MARKET OUTLOOK

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

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

DISCUSSION OF RESULTS

RESULTS FOR THE YEAR

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

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

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

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

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

BUSINESS REVIEW

FEE INCOME

Fee income has two components: (i) AUM fees which include management and administrative fees on aggregate client investments under management in PE, RE and SC deals, as well as all fees from client investments in ARI and CM; and (ii) deal fees which are generated and earned from transactional activities related to direct investments (PE, RE and special opportunities portfolios (SOPs)), including their initial acquisition, subsequent placement and eventual exit, plus performance fees on PE, RE and SC assets under management (AUM) for value added during the ownership period.

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

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

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

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

ASSET-BASED INCOME

Asset-based income is earned on Investcorp's PE, RE, CM, ARI and SC co-investments held on the balance sheet, including invested liquidity and strategic investments. Asset-based income includes unrealized changes in fair value of co-investments in Investcorp's PE, RE, ARI, SC products and strategic investments, rental yields on RE co-investments and accrued returns and impairment losses on CM exposures.

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

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

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

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

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

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

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

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

BUSINESS REVIEW

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

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

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

INTEREST EXPENSE

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

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

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

OPERATING EXPENSES

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

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

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

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

BALANCE SHEET

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	Jun-20	Jun-19
Total assets	\$2.1 billion	\$2.4 billion
Leverage ^(a)	1.2x	1.1x
Net leverage ratio ^(b)	0.6x	0.4x
Shareholders' equity	\$0.9 billion	\$1.1 billion
Co-investments ^(c) / long-term capital ^(d)	0.6x	0.5x
Residual maturity – medium- and long-term facilities	72 months	73 months

(a) Calculated in accordance with bond covenants.

(b) Calculated in accordance with bank loan covenants and is net of liquidity, underwriting and deferred fees.

(c) Excludes underwriting and is net of facilities secured against ARI and CM co-investments.

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

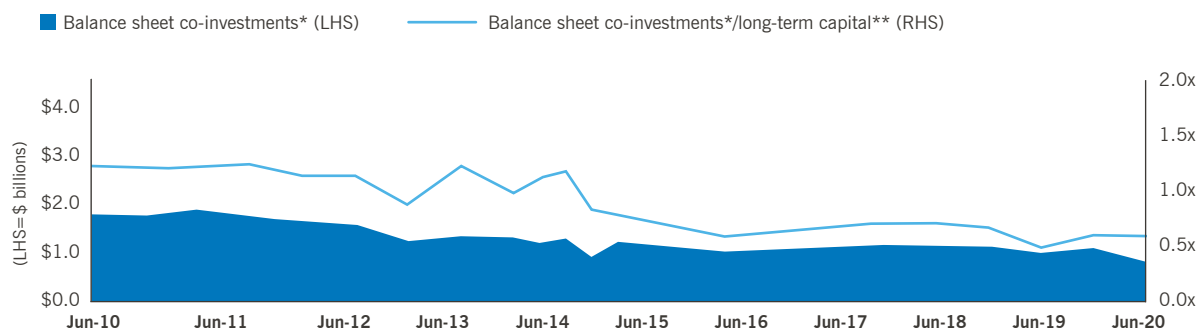
BUSINESS REVIEW

ASSETS

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

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

Co-investments are funded entirely by a combination of long-term and permanent sources of capital



* Excludes underwriting and is net of the amount of a secured facilities (which are secured against CM co-investments)

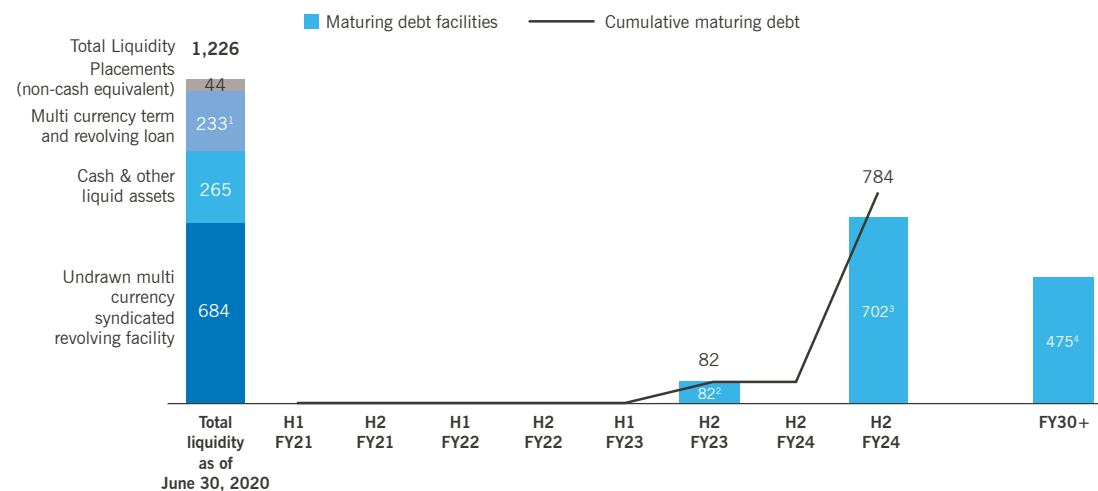
** Long term capital consists of JPY37 billion debt maturing in FY30, \$42 million secured financings maturing in FY31, \$42 million debt maturing in FY32, \$50m debt maturing in FY33, deferred fees and total equity

Investcorp focuses on maintaining a co-investment to long-term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. Prudent capital and liquidity management has served the Firm well during this unprecedented crisis. Despite the impact of the COVID-19 pandemic on the total share capital of Investcorp, as at June 30, 2020 the aggregate level of co-investments remained fully covered by permanent and long-term sources of capital.

LIQUIDITY

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

Liquidity cover (\$ millions)



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

2 Syndicated revolving facilities

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

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

LIABILITIES

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

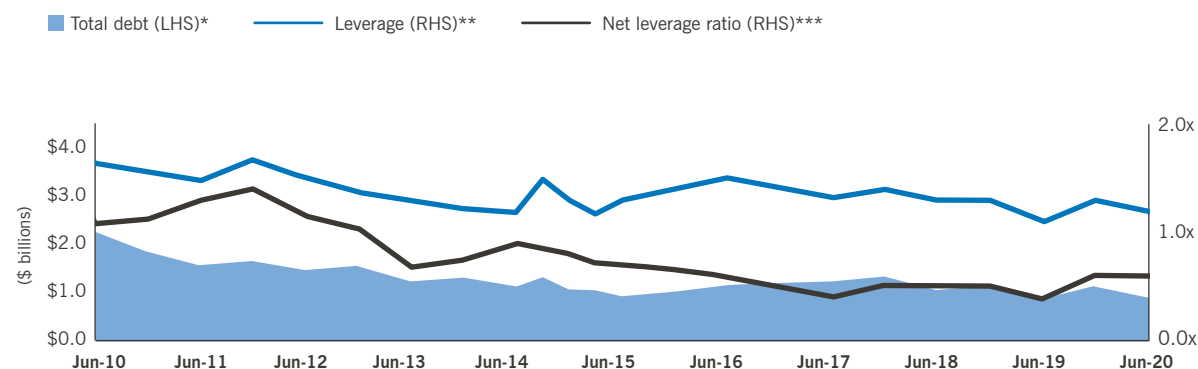
Liabilities (\$ millions)	Jun-20	Jun-19	Change H/(L)
Short-term financing	261	375	(114)
Medium and long-term debt	611	514	97
Total debt	872	889	(17)
Lease liability	109	-	109
Deferred fees	62	63	(1)
Other liabilities ^(a)	212	264	(52)
Total liabilities	1,255	1,216	39

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

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

BUSINESS REVIEW

Financial leverage



* Total debt is defined as short-term financing and medium and long-term debt

** Calculated in accordance with bond covenants. Liabilities are net of transitory balances

*** Calculated in accordance with bank loan covenants, net of liquidity, underwriting and deferred fees

Leverage, as defined for financial covenants principally in Investcorp's outstanding bond and note issues, is calculated after deducting any transitory liabilities from the aggregate level of liabilities on the balance sheet, and has remained low in line with Investcorp's medium-term objectives to maintain comfortable covenant headroom.

Net leverage, as defined in the 4-year syndicated revolving credit facility, is calculated by deducting cash, underwriting balances and deferred fees (arising from the introduction of IFRS 15) from liabilities.

CREDIT RATINGS

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

In April 2020, Fitch Ratings re-affirmed Investcorp's credit ratings at BB and revised the outlook to 'Stable' from 'Positive'. "The outlook revision reflects Fitch's view of the impact the global coronavirus pandemic will have on Investcorp's ability to execute on its strategic initiatives over the next 12-18 months, including continued growth in AUM, the institutionalization of its investor base and the ability to expand committed capital fund structures. While Fitch believes there is upside potential to Investcorp's ratings over time, it will likely be pushed out beyond Fitch's outlook horizon."

"The rating affirmation reflects Fitch's view that recent steps taken by Investcorp to de-risk its balance sheet and shore up liquidity will allow the firm to withstand an economic downturn. The ratings also reflect the locked-in nature of most of Investcorp's fee streams, its strong client franchise and high degree of brand name recognition in the Gulf, supported by its investment track record and long-term relationships in the region."¹

In June 2020, Moody's re-affirmed Investcorp's credit ratings at Ba2, and revised outlook to 'Negative' from Stable. "The change in the company's outlook to negative from stable reflects the expected impact the economic downturn prompted by the coronavirus will have on Investcorp's financial performance. Moody's expects to see this impact through declines in the level of deal fees and fair value of the company's significant co-investment portfolio which will negatively impact earnings and leverage metrics. Somewhat offsetting these negative factors, we expect Investcorp's level of AUM, liquidity and equity to remain resilient, and for revenue to benefit from the growing contribution of AUM-related fees in recent years."

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

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

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

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

EQUITY

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

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

BUSINESS REVIEW

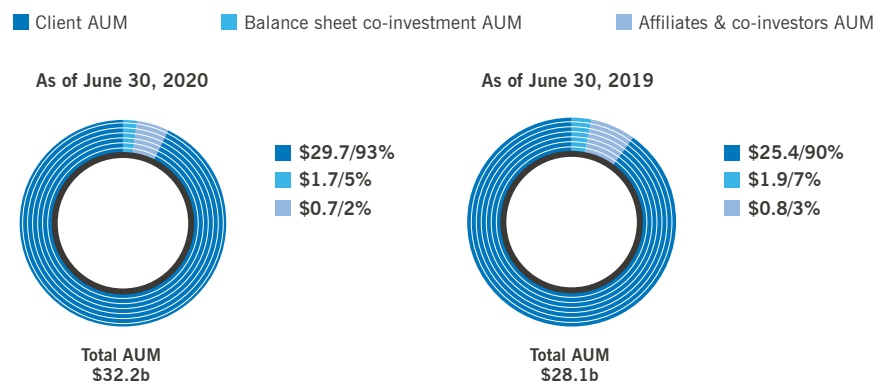
ASSETS UNDER MANAGEMENT

ASSETS UNDER MANAGEMENT ('AUM')^{1 2 3}

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

Total assets under management

(\$b)



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

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

1 Includes \$3.7 billion (June 30, 2019: \$2.9 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM. In May 2020, Investcorp entered into a joint venture with Tages Group through which the ARI business is transferred to the joint venture. During the year, the AUM introduced by Tages Group amounted to \$1.7 billion (June 30, 2019: Nil). Further, as at June 30, 2020, the total AUM held through the joint venture amounted to \$6.0 billion (June 30, 2019: Nil)

2 Real estate investments AUM is stated at gross asset value

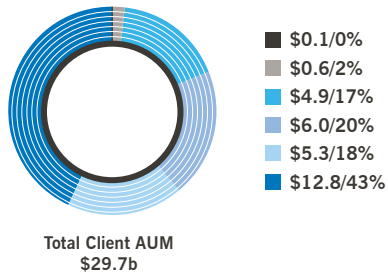
3 Includes Group's commitment of \$4 million (June 30, 2019: \$4 million) to a private equity deal and \$15 million (June 30, 2019: Nil) to a real estate fund

Total client assets under management

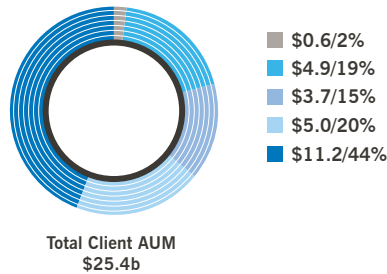
(\$b)

- Private equity investments
- Absolute return investments
- Real estate investments
- Credit management investments
- Strategic capital investments
- Client balances with trust

As of June 30, 2020



As of June 30, 2019



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

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

BUSINESS REVIEW

KEY AUM METRICS (BY ASSET CLASS)

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

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

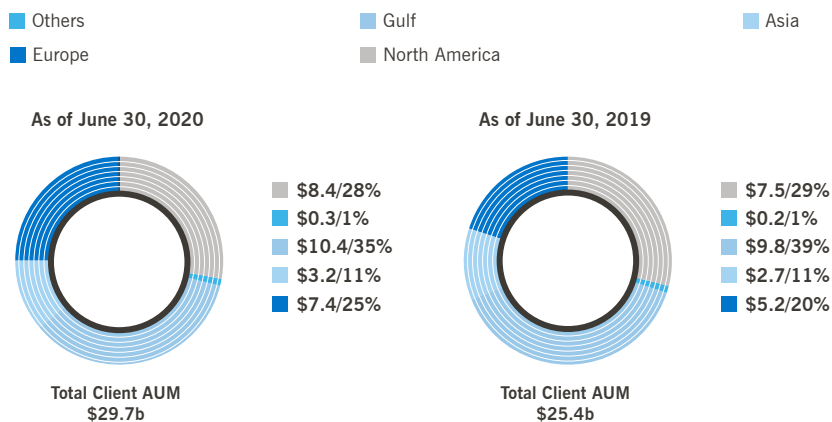
Credit management investments (\$ millions)	Jun-20	Jun-19	% change B/(W)
Client AUM			
Closed-ended funds	12,492	10,975	14%
Open-ended funds	314	258	22%
Total client AUM – at period end	12,806	11,233	14%
Average total client AUM	12,020	11,180	8%

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

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

Regional split of clients' assets under management

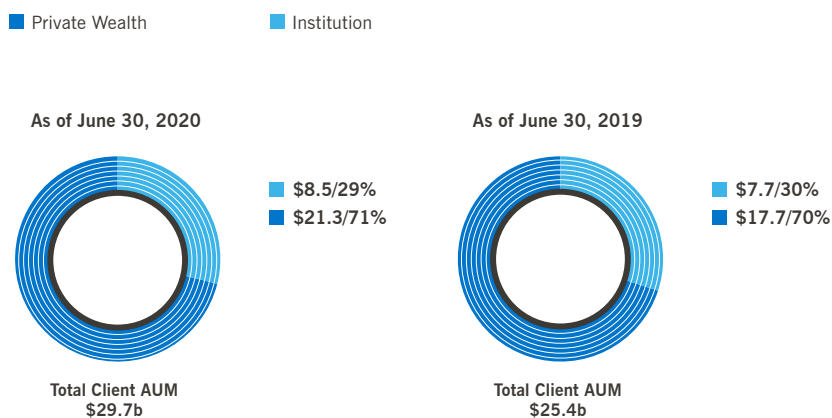
(\$b)



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

Composition of clients' assets under management by client type

(\$b)



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

BUSINESS REVIEW

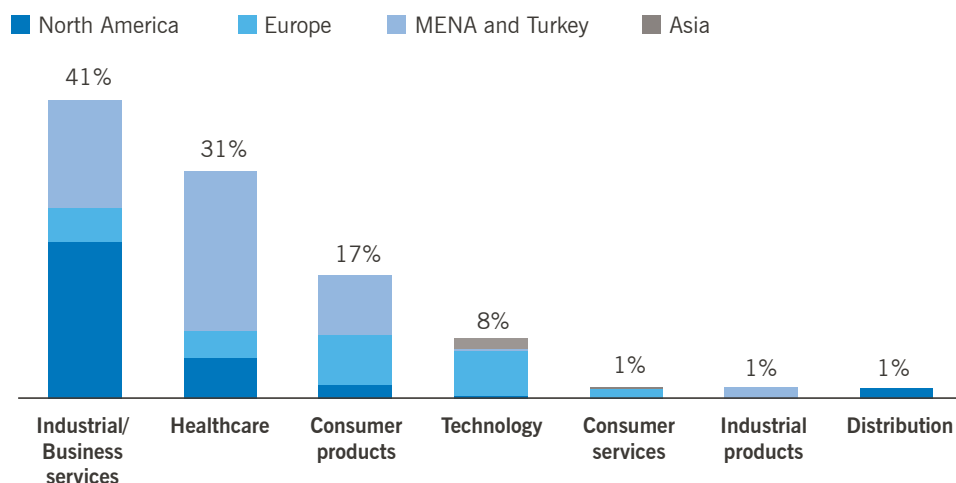
PORTFOLIO REVIEW

PRIVATE EQUITY

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

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

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



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

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

PE NORTH AMERICA

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

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Fortune International	January 2020	Distribution – Supply chain services	Illinois, US



A leading provider of premium seafood, cheese and other gourmet products in the United States

www.fortunefishco.net

Revature	February 2019	Business services – Technology enabled services	Virginia, US
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A leading technology talent development company

www.revature.com

Health Plus Management	January 2019	Business services – Healthcare	New York, US
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A market leader in clinical practice management in the physical medicine and rehabilitation market

www.healthplusmgmt.com

United Talent Agency	August 2018	Business services – Media	California, US
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The third largest talent agency in the world

www.unitedtalent.com

ICR	March 2018	Business services – Data & Information services	Connecticut, US
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A leading strategic communications and advisory firm

www.icrinc.com

KS Group	March 2018	Consumer products – Supply chain services	New Jersey, US
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A value-added, industry-leading distributor of quality replacement auto body parts

www.ksiautoparts.com

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
AlixPartners	January 2017	Business services – Knowledge & professional services	New York, US



A leading global business advisory firm

www.alixpartners.com

Arrowhead Engineered Products	October 2016	Consumer products – Supply chain services	Minnesota, US
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A market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles

www.arrowheadep.com

PRO Unlimited	October 2014 / May 2017	Business services – Technology enabled services	Florida, US
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A leading provider of software and services that enable large enterprises to more effectively manage their contingent workplace

www.prounlimited.com

Paper Source	September 2013	Consumer products – Specialty retail	Illinois, US
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A vertically-integrated, cross-channel retailer, offering a premium selection of uniquely designed and curated gifts, stationery, and crafting supplies

www.paper-source.com

Sur La Table	July 2011	Consumer products – Specialty retail	Washington, US
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A specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses

www.surlatable.com

PE EUROPE

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

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Vivaticket	September 2019	Business services	Bologna, Italy

VIVATICKET

A leading global provider of integrated ticketing software solutions to the leisure and entertainment, sport, culture and tradeshow industries.

www.vivaticket.com

Cambio	February 2019	Business services – Healthcare	Stockholm, Sweden
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CAMBIO



Leading Scandinavian provider of Electronic Health Record (EHR) software and services as well as eHealth solutions to the primary and social care sector

www.cambio.se

Acura	March 2018	Business services – Healthcare	Frankfurt am Main, Germany
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A leading platform company to execute on a buy-and-build strategy in the German dental market

www.acura-zahnaerzte.de

Kee Safety	October 2017	Industrial products	Birmingham, UK
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A leading global provider of fall protection solutions and products associated with working at height

www.keesafety.com

ABAX	June 2017	Business services – Technology enabled services	Larvik, Norway
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A leading developer and supplier of vehicle and fleet tracking systems technology

www.abax.co.uk

Agromillora	December 2016	Consumer products – Agriculture	Barcelona, Spain
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The leading global developer of high yielding plants and trees

www.agromillora.com

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Corneliani	June 2016	Consumer products – Specialty retail	Mantova, Italy
 CORNELIANI <i>Corneliani</i>	An Italian luxury menswear brand www.corneliani.com		
POC	October 2015	Consumer products	Stockholm, Sweden
	A provider of premium ski and bicycle gear products www.pocsports.com		
Dainese	January 2015	Consumer products	Vicenza, Italy
	A leading manufacturer of safety apparel for motorcycle and other dynamic sports www.dainese.com		
SPGPrints	August 2014	Industrial products	Boxmeer, The Netherlands
	A leading global manufacturer of digital printing systems for textile and graphics www.spgprints.com		
Georg Jensen	November 2012	Consumer products – Specialty retail	Copenhagen, Denmark
GEORG JENSEN ESTABLISHED 1904	A global luxury brand that designs, manufactures and distributes jewelry, watches, fine silverware and high-end homeware www.georgjensen.com		

PE TECHNOLOGY

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

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Avira	May 2020	Technology – Security	Tettnang, Germany



Avira

A multinational cybersecurity software solutions firm

www.avira.com

Contentserv	August 2019	Technology – Big data	Ermatingen, Switzerland
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contentserv



A leading provider of Product Information Management software

www.contentserv.com

Ubisense	December 2018	Technology – Big data	Cambridge, UK
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A market leader in enterprise location intelligence solutions

www.ubisense.net

softgarden	September 2018	Technology – Big data	Berlin, Germany
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A fast-growing Human Resource software provider

www.softgarden.io

Impero	July 2017	Technology - Security	Nottingham, UK
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A leading online student safety, classroom and network management software

www.imperosoftware.com

Ageras	March 2017	Technology – Internet / mobility	Copenhagen, Denmark
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A fast-growing online marketplace for professional services

www.ageras.com

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Calligo	November 2016	Technology – Big data	St Helier, Jersey
 A fast-growing provider of cloud solutions www.calligo.cloud			
eviivo	March 2011	Technology – Internet / mobility	London, UK
 A leading European software provider for small and medium-sized accommodation businesses www.eviivo.com			
OpSec Security Group	March 2010	Technology - Security	Newcastle, UK
 A global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection www.opsecsecurity.com			
kgb	April 2006	Technology – Big data	New York, US
 A global independent provider of directory assistance and enhanced information services www.kgb.com			

PE MENA

As of June 30, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the MENA region was \$164 million invested across thirteen companies. The portfolio listing shown below includes Hydrasun, even though it is headquartered in Aberdeen, UK, as it is a portfolio company of the Gulf Opportunity Fund.

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Reem Integrated Healthcare	April 2018	Healthcare	Abu Dhabi, United Arab Emirates



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

Al Borg Medical Laboratories	November 2016	Healthcare	Jeddah, Saudi Arabia
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A leading private laboratory network in the GCC

www.alborglaboratories.com

Bindawood Holding	December 2015	Consumer products – Grocery retail	Jeddah, Saudi
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A leading chain of supermarkets and hypermarkets

www.bindawoodholding.com

NDT Corrosion Control Services Co.	July 2015	Industrial services	Dammam, Saudi Arabia
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A leading industrial testing and inspection services provider in the GCC

www.ndtcorrosion.com

Arvento Mobile Systems	March 2015	Business services – Technology enabled services	Ankara, Turkey
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The leading fleet telematics company in Turkey, offering wide range of technology products and solutions

www.arvento.com

Namet	November 2013	Consumer products	Istanbul, Turkey
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The largest integrated producer of fresh cut and packaged processed red meat products in Turkey

www.namet.com.tr

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Al Yusr Industrial Contracting Company W.L.L.	October 2013	Industrial Services	Jubail, Saudi Arabia
 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			
Theeb Rent a Car Co.	June 2013	Consumer services	Riyadh, Saudi Arabia
 A leading car rental and leasing company in Saudi Arabia www.theeb.com.sa			
Hydrasun Group Holdings Ltd.	March 2013	Industrial services	Aberdeen, Scotland
 A leading specialist provider of products and solutions to the international oil and gas industry www.hydrasun.com			
Automak Automotive Company	October 2012	Industrial services	Kuwait
 A leading player in the fleet leasing and rental business in Kuwait www.automak.com			
ORKA Holding	September 2012	Consumer products – Specialty retail	Istanbul, Turkey
 One of Turkey's leading branded menswear retailers www.orkagroup.com			
Tiryaki Agro	September 2010	Consumer products – Trading and logistics	Istanbul, Turkey
 A leading trader and supply chain manager of agro commodities in Turkey and globally www.tiryaki.com.tr			
L'azurde	March 2009	Consumer products	Riyadh, Saudi Arabia
 The Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market www.lazurde.com			

PE ASIA

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

Portfolio Company Name	Acquired	Industry Sector	Headquarters
ZoloStays	June 2020	Consumer services	Bengaluru, India



The leading full-stack managed living services provider in India

www.zolostays.com

NephroPlus	November 2019	Healthcare	Hyderabad, India
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The leading dialysis service provider in India

www.nephroplus.com

India Consumer Growth Portfolio	February 2019	Consumer & retail / Financial services / Healthcare	India
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A diversified portfolio of leading high-growth consumer companies in India. The portfolio currently comprises seven high-growth consumer companies: Nephroplus, Bewakoof, Intergrow, CityKart, Zolostays, ASG Hospital and InCred

China Pre-IPO Technology Portfolio	September 2018	Technology	Predominantly in China, together with one US-based company with significant China angle
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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

BUSINESS REVIEW

ABSOLUTE RETURN INVESTMENTS ('ARI')

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

Exposure Profile

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

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

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

Performance

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

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

Liquidity

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

Strategy Outlook

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

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

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

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

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

BUSINESS REVIEW

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

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

REAL ESTATE INVESTMENT

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

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

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

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

REAL ESTATE PORTFOLIO LISTING

Investcorp co-investment by year (\$ millions)	Properties # vs. current*	Sector	Geographic location***	Carrying value end of	
				Jun-20	Jun-19
Diversified VII	4 / 0	–	–		
US Hotels Portfolio	9 / 1	–	–		
Vintage FY07				0	3
Southland & Arundel Mill Mezz	n.a. **	–	–		
Vintage FY12				0	0
2013 Office II	5/1	–	–		
Vintage FY13				0	1
Canal Center	4/3	Office	VA		
Vintage FY15				1	1
2015 Residential II	8 / 0	–	–		
2015 Office & Industrial	79 / 0	–	–		
Boca Raton & Minneapolis Residential	5 / 1	Residential	FL		
733 Tenth Street	1 / 1	Office	DC		
Vintage FY16				2	5
2016 Residential	10 / 1	Residential	IN		
Boston & Denver Commercial	20 / 0	–	–		
901 Fifth Street	1 / 0	–	–		
New York & California Multifamily	2 / 2	Residential	CA / NY		
Chicago & Boston Industrial	6 / 0	Industrial	MA / IL		
Vintage FY17				3	9
Florida & Arizona Multifamily	6 / 6	Residential	FL / AZ		
UK Industrial Logistics	9 / 9	Industrial	GBR		
Midtown Manhattan Office	2 / 2	Office	NY		
2018 Residential	5 / 5	Residential	IL / FL / GA / TX		
UK Industrial Logistics II	9 / 9	Industrial	GBR		
2018 Warehouse	38 / 38	Industrial	AZ / MN / IL / TX		
Vintage FY18				19	19
German Office 2018	2 / 2	Office	GER		
US Industrial & Logistics	56 / 55	Industrial	TX / IL / DE / MN / AZ		
2018 Multifamily	6 / 6	Residential	FL / TX / UT		
2019 Multifamily	8 / 8	Residential	NC / TX / AZ / GA / FL		
Frankfurt and Hamburg	2 / 2	Office / Industrial	GER		
US Distribution Center	8 / 8	Industrial	IL / OH / AZ / FL / NC / MO/ OH / TX		
Vintage FY19				13	21
2019 Multifamily II	11 / 11	Residential	GA / FL / PA / NC / MO		
UK Industrial & Logistics III	10 / 10	Industrial	GBR		
2019 US Industrial and Logistics	75 / 75	Industrial	IL / NC / TX		
535-545 Boylston Street	1 / 1	Office	MA		
2020 Residential Properties	5 / 5	Residential	CO / TX / FL		
2020 European Office	3 / 3	Office	GER / BEL / NDL		
2020 Southeast Industrial & Logistics	50 / 50	Industrial	GA / TN		
Vintage FY20				32	6
Others				1	1
Sub-total	461 / 315			70	66
New portfolios under construction	1 / 1			1	2
Total including new portfolios under construction	462 / 316			71	68

* Portfolios which have been realized in this current reporting period, reflecting a current property count of 0 (zero), are retained in this chart as they contribute to the carrying value of the previous period.

** Mezzanine investments.

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

BUSINESS REVIEW

STRATEGIC CAPITAL INVESTMENTS

Investcorp seeks to acquire minority interests in alternative asset managers, particularly general partners (GPs) who manage longer duration, private capital strategies (e.g., private equity, private credit, real estate, etc.) with a focus on those with strong track records, exceptional teams, and attractive growth prospects. Targets are typically well-established, mid-sized alternative asset managers who have the resources and infrastructure to attract top talent, retain large, sophisticated investors, and build a lasting business.

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

CREDIT MANAGEMENT

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

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

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

Assets under management – Investcorp credit management (\$ millions)

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

1 Fiscal year groupings are based on the closing date of a CLO

2 % of equity cash distribution over par value of equity at launch

3 The first payment date is not due as of June 30, 2020

4 Other funds include Global Fund, European Market Fund, Mount Row Levered Fund, Investcorp Credit Management BDC and Risk Retention Fund.

Collateralized Loan Obligations ('CLOs')

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

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

The GIF¹ produced a net return of -1.2% for FY 2020. Since inception in August 2015, the Fund's annualized net return is 3.01%.

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

Chart 1: Global Income Fund performance vs the benchmark

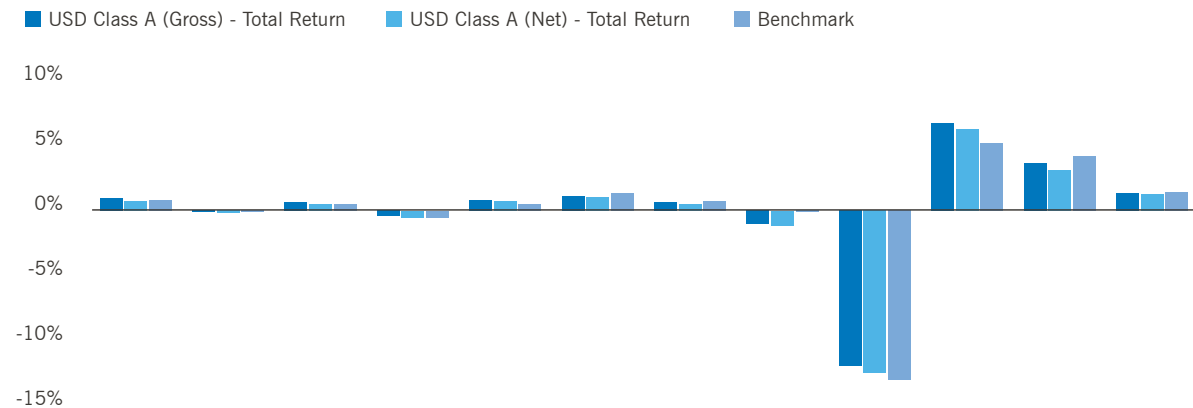
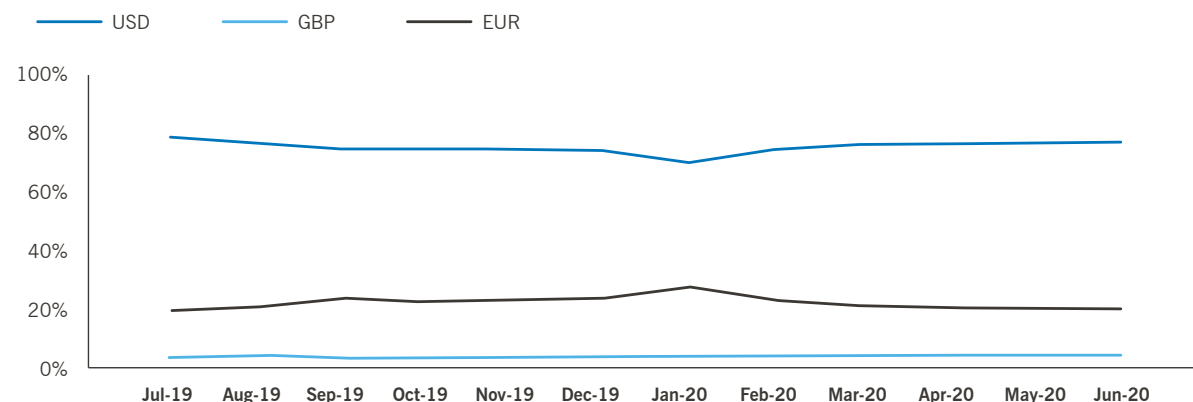


Chart 2: Currency Exposure



¹ USD Share Class

BUSINESS REVIEW

Mount Row (Levered) Credit Fund

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

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".

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE AND REGULATION

At June 30, 2020, Investcorp Holdings B.S.C. ('Investcorp Holdings' or 'Investcorp') is domiciled in Bahrain and has shares listed on the Bahrain Bourse. Within the Investcorp group of companies, Investcorp Holdings is the principal parent entity and owns a 100% economic interest in Investcorp Holdings Limited ('IHL'), its Cayman Islands-based subsidiary. In turn, IHL owns a 100% economic interest in Investcorp S.A. ('ISA'), domiciled in the Cayman Islands as a holding company. The significant subsidiaries of Investcorp Holdings are discussed in Note 1 (iv) to the consolidated financial statements of Investcorp Holdings. Investcorp Holdings and its consolidated subsidiaries are referred to interchangeably as 'Investcorp' and the 'Investcorp Group'.

OWNERSHIP STRUCTURE

Overview

Investcorp Holdings' ownership and subsidiary structure is designed to ensure that:

- the interests of Investcorp Holdings' strategic shareholder group, comprised of certain Investcorp Holdings directors, prominent Gulf individuals and institutional shareholders, together with public shareholders, are closely aligned with those of management; and
- Investcorp Holdings effectively operates as a management-controlled entity.

Substantially all of the Investcorp Group's assets and operations are owned and controlled by ISA. As a result, substantially all of the Investcorp Group's commercial risks are held outside of the Middle East.

Shareholding structure

The shareholding structure of Investcorp Holdings is outlined in Note 1 (iii) to the consolidated financial statements of Investcorp Holdings. At June 30, 2020, Investcorp Holdings is owned by public shareholders, management and strategic shareholders. Public shareholders own approximately 47.1% of the Ordinary Shares of Investcorp Holdings which are tradable on the Bahrain Bourse and are held predominantly by Gulf-based nationals and institutions, including a stake of 10% held by Kono Securities Company SPC and a stake of 20% held indirectly by Mubadala Investment Company PJSC. SIPC Limited ('SIPCO'), a Cayman Islands entity that administers the Investcorp Group incentive compensation plans, directly and indirectly owns 18.76% of Investcorp Holdings' ordinary shares.

The 18.76% of Investcorp Holdings' Ordinary Shares owned indirectly by SIPCO represents:

- management and other current and former Investcorp Group employees' (171 current and former employees in the aggregate) ownership of beneficial interests in 9.1% of Investcorp Holdings' Ordinary Shares through Investcorp Employee Share Ownership Plans (each such plan an 'ISOP'), which includes 1.6% acquired but unvested shares under an ISOP; and
- treasury shares, amounting to 9.66% of Investcorp Holdings' Ordinary Shares that are held for potential acquisition by employees pursuant to an ISOP.

The ownership of beneficial interests in Investcorp Holdings by management and other employees is implemented through the ISOPs. The ISOPs are deferred remuneration programs pursuant to which management and other employees buy their allocated beneficial interests in Investcorp Holdings utilizing variable (incentive) remuneration. These plans are intended to promote stakeholder alignment, encouraging management to focus on long-term value creation and prudent control of balance sheet risks.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

Cayman Islands country risk/Control of the Investcorp Group: creditor protection mechanisms

As at June 30, 2020, assets comprising 98.4% of the book value of the Investcorp Group's consolidated assets were owned directly or indirectly by ISA, which is a subsidiary of IHL.

In order to separate voting control from economic ownership, IHL has issued (1) ordinary shares which carry voting rights, but do not carry economic rights; (2) Series A Preference Shares, which carry both voting and economic rights; and (3) Series B Preference Shares, which only carry economic rights. As at June 30, 2020, Investcorp Holdings holds 21.0% of the voting shares of IHL (through its ownership of IHL Series A Preference Shares) and it holds 100% of the non-voting shares of IHL (through its ownership of IHL Series B Preference Shares). The IHL Series A Preference Shares and the IHL Series B Preference Shares owned by Investcorp Holdings give it 100% of the economic ownership of IHL and, therefore, 100% ownership of the 98.4% of the book value of the Investcorp Group's consolidated assets owned directly or indirectly by ISA.

Under the Articles of Association of IHL, in the event of the occurrence of any event, or a series of events, of an adverse nature that are reasonably likely to materially impair Investcorp Holdings' ability to perform its obligations, cause a change of control of Investcorp Holdings or prevent it from continuing normal business activities, the Designated Representatives, who are certain of Investcorp Holdings' senior executive officers and certain of Investcorp Holdings' Directors, have the power to declare that an 'investment protection event' has occurred. Examples of circumstances that would constitute an 'investment protection event' include the hostile invasion of Bahrain by the forces of a foreign state, the nationalization of Investcorp Holdings or substantial interference in the conduct of business that is reasonably likely to result in a material adverse change in the business, operations, assets or financial condition of Investcorp Holdings. Should the Designated Representatives declare that an investment protection event has occurred, the IHL Series A Preference Shares and Series B Preference Shares held by Investcorp Holdings will be automatically redeemed for nominal consideration. If the investment protection event is not temporary, IHL will issue shares and cause them to be delivered to the shareholders of Investcorp Holdings so that each shareholder will own shares directly in IHL that are economically equivalent in all respects to the shares that they own in Investcorp Holdings.

As at June 30, 2020, Ownership Holdings Limited ('OHL'), a Cayman Islands company, has control of 51.4% of Investcorp Holdings' Ordinary Shares directly and through CP Holdings Limited ('CPHL'), a Cayman Islands company. CPHL is controlled by OHL which, in turn, has SIPCO as its largest shareholder. Strategic shareholders and SIPCO indirectly own the balance of CPHL and OHL. SIPCO also holds 1.4% of Investcorp Holdings' Ordinary Shares directly.

As a result of the Investcorp Holdings ownership structure, the directors of SIPCO, comprised of certain Investcorp Holdings Directors and senior executive officers who are also the directors of OHL's sole director, which is a Cayman Islands corporation, have the ability to control the voting of 52.9% of the Ordinary Shares of Investcorp Holdings.

Investcorp's senior management (Investcorp's Managing Directors) hold beneficial interests in Investcorp Holdings' Ordinary Shares through the ISOPs. No current member of senior management of Investcorp directly holds Investcorp Ordinary Shares. Certain members of senior management hold Investcorp Holdings Preference Shares.

Information regarding the ownership and trading of Investcorp Holdings' Ordinary Shares and Preference Shares by Investcorp Holdings' Directors and the ownership and trading of Investcorp Holdings Preference Shares by certain members of senior management is provided in the Investcorp Holdings Fiscal Year 2020 Corporate Governance Report ('Fiscal Year 2020 Corporate Governance Report') which is a supplement to this Annual Report. The Fiscal Year 2020 Corporate Governance Report is also available on Investcorp's website (www.investcorp.com).

As reported above, an aggregate of 52.9%¹ of Investcorp Holdings' Ordinary Shares are held by SIPCO, OHL and CPHL, each of which is a Cayman Islands company.

The table below shows the distribution by nationality of the holders of the 47.1%¹ of Investcorp Holdings' Ordinary Shares that are held by public shareholders and tradable on the Bahrain Bourse.

Nationality	Number of Shares	Ownership
Bahraini	11,445,148	14.3%
British	203,400	0.3%
Cayman Islander	846,200	1.1%
Emirati	16,966,228	21.2%
Indian	2,300	0.0%
Jordanian	700	0.0%
Kuwaiti	1,519,900	1.9%
Lebanese	37,050	0.0%
Omani	436,700	0.5%
Qatari	865,700	1.1%
Saudi	5,281,400	6.6%
Swiss	64,000	0.1%
Virgin Islands, British	44,600	0.1%
Total	37,713,326	47.1%¹

The table below shows the distribution by nationality of the holders of Investcorp Holdings' Preference Shares.

Nationality	Number of Shares	Ownership
Bahraini	11,688	9.5%
British	857	0.7%
Canadian	367	0.3%
Cayman Islander	49,618	40.3%
Emirati	1,427	1.2%
French	357	0.3%
Indian	178	0.1%
Jordanian	287	0.2%
Kuwaiti	43,462	35.3%
Lebanese	178	0.1%
New Zealander	54	0.0%
Omani	6,471	5.3%
Qatari	1,230	1.0%
Saudi Arabian	4,535	3.7%
Swiss	2,173	1.8%
Syrian	357	0.3%
Total	123,239	100.0%¹

¹ Numbers may not add up due to rounding.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

The tables below show the distribution of ownership of Investcorp Holdings' Ordinary Shares and Preference Shares by size of shareholding.

June 30, 2020			
	No. of shares	No. of shareholders	% of total outstanding shares
Ordinary shares			
Less than 1%	13,713,326	257	17.1%
1% up to less than 5%	1,138,713	1	1.4%
5% up to less than 10%	7,833,561	1	9.8%
10% up to less than 20%	8,000,000	1	10.0%
20% and greater	49,314,400	2	61.6%
	80,000,000	262	100%

June 30, 2020			
	No. of shares	No. of shareholders	% of total outstanding shares
Preference shares			
Less than 1%	15,131	53	12.3%
1% up to less than 5%	16,471	6	13.4%
5% up to less than 10%	8,918	1	7.2%
10% up to less than 20%	20,127	1	16.3%
20% and greater	62,592	2	50.8%
	123,239	63	100%

CORPORATE GOVERNANCE

Overview

Investcorp views corporate governance as the manner in which members of the Board of Directors, shareholders, investors, management and employees of Investcorp are organized and how they operate in practice. Good corporate governance involves keeping business practice above reproach and thus retaining the trust and confidence of all the stakeholders who enable Investcorp to operate, thrive and prosper.

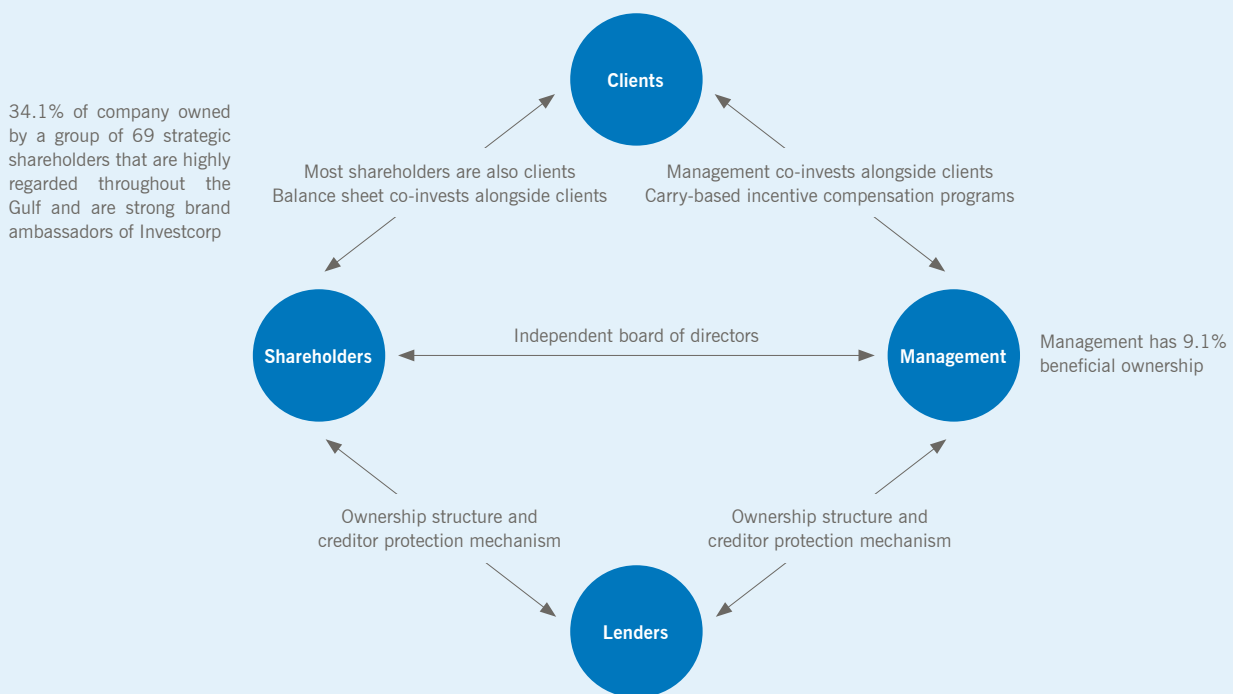
Investcorp makes large investments in mostly illiquid asset classes such as corporate and real estate investments. Through its regulated subsidiaries in the various jurisdictions where it operates, it places a large proportion of these investments with clients and retains a portion for its own balance sheet. These investment activities operate with above-average risk levels and have led to the development of a comprehensive risk management infrastructure and strong corporate governance over the past 38 years. Investcorp's corporate governance practices have been structured around the following three principles:

- i. alignment of interests among shareholders, clients and management combined with protection of lenders' interests;
- ii. transparency of reporting and actions plus proactive risk control; and
- iii. collective decision-making.

At June 30, 2020, Investcorp Holdings' corporate governance is subject to the Central Bank of Bahrain's Rulebook volume 6 High Level Controls Module, ('Module HC') and the Bahrain Ministry of Industry, Commerce and Tourism's Corporate Governance Code ('Governance Code'). Please see the Fiscal Year 2020 Corporate Governance Report for disclosure regarding Investcorp's compliance with Module HC and the Governance Code.

i. Alignment of interests. A central tenet of Investcorp's philosophy is to ensure that interests among shareholders, clients and management are optimally aligned and that lender interests are well protected. The diagram below summarizes the key factors that drive this alignment.

Good alignment of interest between key stakeholders



CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

The alignment of interest is ensured by the following mechanisms:

Co-investments: Clients of the Investcorp Group, shareholders and management all participate in each of Investcorp's investment products. Investcorp retains a stake in each private equity, real estate, strategic capital transaction or fund, placing the balance with clients, through its regulated subsidiaries in the various jurisdictions where it operates. Investcorp also invests a portion of its assets in the absolute return investment products of Investcorp-Tages Limited and the products of the credit management business. Hence, through ownership of Investcorp, shareholders indirectly participate in each of the investment products.

In addition, Investcorp's employees co-invest alongside the Investcorp Group clients and Investcorp in these investment products. As a result, all three groups are collectively exposed to the same risks and share the same outcomes. This emphasis on co-investment ensures that all stakeholders are motivated to grow Investcorp and enhance its value through the generation of superior risk-adjusted returns in each of the Investcorp Group products.

Performance-based incentive compensation: In addition, consistent with industry practice, Investcorp's investment professionals participate in performance-based investment carried interest programs whereby a certain variable portion of exit proceeds due to investors from the realization of their investments is shared with the investment professionals, provided that a certain pre-established minimum client investment performance objective is satisfied on the underlying investment.

In addition, the overall compensation paid to members of senior management and other Investcorp executives is highly correlated with Investcorp's net income. Investcorp's net income is driven by its ability to acquire, place, manage and realize investments and realize gains from investments on its balance sheet (franchise value). The franchise value, in turn, depends on management's ability to provide long-term value to the Investcorp Group clients and shareholders and protection for its creditors.

Furthermore, all of Investcorp's employees at the level of Principal and Managing Director who are above designated levels of remuneration are required to defer a percentage of their variable (incentive) remuneration and utilize a portion of that deferred remuneration to purchase beneficial interests in Investcorp Holdings' Ordinary Shares through the ISOPs. These beneficial interests are subject to vesting requirements.

In this manner, Investcorp's executive compensation programs play a critical role in aligning management's interests with the interests of shareholders, clients and lenders.

The aggregate amount of compensation paid to senior management in respect of FY20, including variable remuneration that is required to be deferred and utilized to purchase beneficial interests in Investcorp Holdings' Ordinary Shares that are subject to vesting requirements, is disclosed in Note 29 of the consolidated financial statements of Investcorp Holdings.

The names of the members of senior management and information regarding their roles within Investcorp and their professional backgrounds is included in the Managing Directors, Principals and Professional Staff section of this Annual Report.

Further information regarding the Investcorp Group's remuneration policies and practices is provided in the Fiscal Year 2020 Corporate Governance Report.

ii. Transparency and risk control. Transparency at Investcorp involves the open and proactive discussion of issues and problems with all stakeholders. The role and nature of the Board of Directors and its standing committees and Investcorp's management structure are vital elements of an Investcorp Group-wide framework for mitigating risks, allocating resources and making decisions with full accountability based on all relevant information.

Board of Directors

Under the Articles of Association of Investcorp Holdings at June 30, 2020, the Board of Directors consists of not less than five and not more than 15 Directors, and the number of Directors is determined by shareholder resolution.

At the September 2019 Ordinary General Meeting ("September 2019 OGM"), out of the 12 then current Directors of Investcorp Holdings B.S.C. ("Investcorp Holdings"), 3 were re-appointed for a three year term expiring at the September 2022 Ordinary General Meeting (the "September 2022 OGM"), and 12 Directors were elected for a three year term expiring at the September 2022 OGM, a total of 15. Of the 12 directors elected at the September 2019 OGM, 6 Directors were current members of the Board of Directors and 6 Directors were elected for the first time.

At the meeting of the Board of Directors held on September 23, 2019, Dr. Yousef Hamad Al-Ebraheem was re-appointed as the Chairman of the Board of Directors and Mr. Khalid Rashid Al Zayani was re-appointed as the Vice-Chairman of the Board of Directors, each appointment effective that same day.

In March 2020, Sir Gerry Grimstone who was elected to the Board of Directors for the first time at the September 2019 OGM informed the Board of Directors that following his appointment to the United Kingdom's House of Lords as the British Minister for UK Investment, he was obligated to resign from all commercial interests. His resignation was accepted and as at June 30, 2020 the total number of Directors appointed to the Company's Board of Directors was 14.

There is no cumulative voting in Director elections.

Each Director has signed a formal written appointment letter agreement which addresses a number of matters, including the Director's duties and responsibilities in serving on the Board of Directors, the fact that annual remuneration for service as a Director is subject to the approval of the shareholders of Investcorp Holdings and his entitlement to access independent professional advice when needed. There are no arrangements in effect relating to the termination of any Director.

The Board of Directors that was appointed or elected at the September 2019 OGM received a formal induction as part of the Company's formal induction program for new Directors. This induction included briefings on (i) the duties and responsibilities of Directors; and (ii) Investcorp's investing lines of business.

The Board of Directors is ultimately accountable and responsible for overseeing the strategy and business performance of Investcorp and its subsidiaries. The specific responsibilities of the Board of Directors are as follows:

- ensuring that financial statements are prepared which accurately disclose the Company's financial position;
- monitoring management performance;
- convening, and preparing the agenda for, shareholders meetings;
- setting up a mechanism to regulate transactions with related parties in order to minimize conflicts of interest and preventing abusive related party transactions;
- selecting, monitoring and, when necessary, replacing key executives and overseeing succession planning;
- aligning key executive and Directors' remuneration with the longer-term interests of the Company and the Shareholders;
- ensuring a formal Directors nomination and election process;
- ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- assuring equitable treatment of shareholders, including minority shareholders;

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

- the ongoing obligations in respect of the listing requirements, including but not limited to issues relating to disclosure, dissemination of price sensitive information and other communication, and the prevention of market abuse and insider trading;
- compliance with the Company's founding documentation, including but not limited to its Memorandum and Articles of Association and other relevant by-laws and resolutions;
- ensuring that any loans provided by the Company are approved by the Directors in accordance with their authority for such items, including the respective limits and other relevant terms;
- adopting the commercial and financial policies associated with the Company's business performance and achievement of its objectives;
- drawing, overseeing and periodically reviewing the Company's plans, policies, strategies and key objectives;
- setting and generally supervising the regulations and systems of the Company's internal control systems;
- determining the Company's optimal capital structure, strategies and financial objectives and approving annual budgets;
- monitoring the Company's major capital expenditures, and possessing and disposing of assets;
- approving Investcorp's semi-annual and annual financial statements and presenting them to the annual OGM; and
- forming specialized committees of Board of Directors as required by the nature of the Company's activity and as provided in the regulatory requirements.

The Directors' names, years of service on the Board of Directors, other directorships held by them, attendance of Board of Directors meetings held during Fiscal Year 2020 and details of the aggregate sitting fees paid and remuneration proposed to be paid to the Directors in respect of Fiscal Year 2020 are reported in the Fiscal Year 2020 Corporate Governance Report.

The approval of the Board of Directors is required for material matters, including the business plan and budget for each fiscal year, capital markets and other financing transactions, Investcorp Group-wide risk limits and employee remuneration plans.

During Fiscal Year 2020, all of the Directors of Investcorp Holdings other than H.E. Mohammed Bin Mahfoodh Bin Saad Alardhi, the Executive Chairman of Investcorp Holdings, were non-executive Directors. The current Board of Directors has only been in place since the September 2019 OGM, and therefore, a full year has not yet passed since their appointment or election. The Board of Directors have deferred the determination of the independence of its members to the September 2020 meeting of the Board of Directors to ensure a full 12 month period of activities of Investcorp and the new Board of Directors itself.

The Board of Directors has established three Standing Committees as follows: the Audit and Risk Committee, the Corporate Governance Committee and the Nomination and Remuneration Committee. Each Standing Committee is described below:

The **Audit and Risk Committee** is responsible for the oversight of Investcorp Holdings' internal audit, external audit, risk management and compliance functions. Investcorp Holdings' external auditor and the head of the Internal Audit department, the General Counsel, in his capacity as the person overseeing the global compliance function and the head of the Risk Management department report to the Audit and Risk Committee.

The members of the Audit and Risk Committee are appointed by the Board of Directors, and at June 30, 2020, the Committee had four members. Consistent with Module HC, none of the members of the Audit and Risk Committee has any other Board responsibilities that could conflict with his obligations as a member of the Audit and Risk Committee. The Audit and Risk Committee is required to meet at least four times each fiscal year.

The responsibilities of the Audit and Risk Committee include:

External Audits and Financial Statements

- meeting with the external auditors twice a year;
- selecting, appointing, remunerating or, where appropriate, terminating the external auditor, subject to ratification by the Board and the Shareholders;
- reviewing the independence of the external auditor, on an annual basis;
- reviewing and discussing the audit scope and results with the external auditor, and clarifying any difficulties and obstacles that have prevented it from accessing required information or documents, as well as any disputes or disagreements with management;
- reviewing and discussing the Company's annual and interim financial statements;
- coordinating the activities of the external auditor and the internal auditor, if any such activities are required;
- reviewing the Executive Chairman's and the Chief Financial Officer's certifications of the financial statements on an annual and interim basis, ensuring that such annual and interim financial statements as prepared present a true and fair view, in all material respects of the Company's financial condition and results of operations in accordance with applicable accounting standards;
- recommending any additional or specific audit required in respect of the financial statements; and
- discussing any management letter provided by the external auditor.

Accounting and Internal Controls and Systems

- examining and reviewing the internal control system and submit a written report on its opinion and recommendations on an annual basis;
- reviewing the Company's accounting and financial practices, and the integrity of the financial control, internal control and financial statements; and
- reviewing and discussing possible improprieties in financial reporting or other matters, and ensure arrangements are in place for independent investigation and follow-up regarding such matters.

Internal Audits

- reviewing internal audit reports and following up on the implementation of the corrective measures related to the comments contained therein;
- using the audit findings as an independent check on the information received from management about the Company's operations and performance and the effectiveness of the internal controls;
- reviewing, discussing and making recommendations on the selection, appointment and termination of the Head of the Internal Audit Department, and the budget allocated to the Internal Audit Department, and monitoring the responsiveness of management to the recommendations of the Committee and its findings;
- reviewing and discussing the adequacy and efficiency of the Internal Audit staff, internal control procedures and any changes therein;
- reviewing and approving the internal audit policies;
- approving the risk-based internal audit plan and any deviation thereto; and
- reviewing annually with the Head of Internal Audit, and other members of management as appropriate, the independence of internal auditing and any unwarranted restrictions on internal audit scope, communications, access, and resources, including personnel and externally contracted resources.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

Compliance

- reviewing the budget allocated to the Compliance Department;
- reviewing the Compliance control procedures and any changes therein; and
- monitoring the Company's compliance with legal and regulatory requirements.

Risk Management

- reviewing the risk management plan and following up on its implementation, ensuring that the plan addresses the:
 - main risks that the Company may face and the probability of these risks occurring;
 - mechanisms to identify, measure and follow up on these risks;
 - mechanisms to periodically detect and report risks, including new risks; and
 - ways to mitigate, and if possible to avoid, the effects of the risks.
- reviewing the Company's risk management policies periodically;
- developing an executive program for the Company's risk management; and
- periodically receiving analytical reports on the risk status of the Company.

Other Duties

- reviewing and approve changes to the relevant policies and procedures manuals that fall under the scope of the Audit and Risk Committee;
- conducting any special investigations it deems necessary to meet its responsibilities, including any investigation required to be conducted by the Whistleblowing Procedures; and
- reviewing and supervising the implementation of, enforcement of and adherence to The Investcorp Group Code of Conduct.

The **Corporate Governance Committee** is responsible for overseeing Investcorp Holdings' corporate governance. The members of the Corporate Governance Committee are appointed by the Board of Directors, and at June 30, 2020, the Committee had three members. The Corporate Governance Committee is required to meet at least twice each fiscal year.

The Corporate Governance Committee's responsibilities include:

- developing and recommending to the Board changes from time to time in Investcorp's written corporate governance guidelines, which shall constitute Investcorp's corporate governance policy framework and shall include or refer to the principles and numbered directives of the Governance Code;
- reviewing and evaluating the adequacy of its Terms of Reference annually and recommend to the Board any changes it deems appropriate;
- overseeing Investcorp's implementation of the Governance Code;
- overseeing the development of a formal and tailored induction programme for newly appointed Directors, to which current Directors must be invited;
- overseeing Director's Corporate Governance educational activities; and
- performing any other activities consistent with its Terms of Reference and Investcorp's By-laws, as it or the Board deems appropriate.

In addition, as required by Investcorp's Conflicts of Interest Policies and Procedures for Members of the Board of Directors, Senior Management and Controlled Function Personnel (the 'Conflicts of Interest Policies and Procedures'), the Corporate Governance Committee is responsible for considering any report of an actual or potential conflict of interest involving any Director, any member of senior management or any less senior executive performing a Controlled Function (collectively, 'Covered Persons') and making a recommendation to the Board of Directors regarding such actual or potential conflict of interest.

The **Nomination and Remuneration Committee** functions as (i) a nominating committee and (ii) a remuneration committee; The members of the Nomination and Remuneration Committee are appointed by the Board of Directors, and at June 30, 2020, the Committee had four members. The Committee is required to meet at least two times a year.

When acting as a nominating committee, its responsibilities include:

- making recommendations to the Board from time to time as to changes the Committee believes to be desirable to the size and composition of the Board or any committee of the Board;
- identifying persons qualified to become Executive Chairman, Chief or Co-Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of Investcorp considered appropriate by the Board, with the exception of the nomination of the Head of Internal Audit, which will be the responsibility of the Audit and Risk Committee;
- whenever a vacancy arises (including a vacancy resulting from an increase in the size of the Board), identifying persons qualified to become members of the Board and recommend to the Board a person to fill the vacancy either through appointment by the Board or through shareholder election;
- considering any criteria approved by the Board and such other factors as it deems appropriate. These may include judgment, specific skills, experience with other comparable businesses, the relation of a candidate's experience with that of other Board members, and other factors;
- making recommendations to the Board regarding candidates for Board memberships to be included by the Board on the agenda for the next annual shareholders meeting;
- considering all candidates for Board membership recommended by the shareholders and any candidates proposed by management;
- identifying Board members qualified to fill vacancies on any committee of the Board and recommend to the Board that such person be appointed to such committee;
- overseeing succession planning and design a plan for orderly succession and replacement of officers including replacement in the event of an emergency or other unforeseeable vacancy, ensuring appropriate resources are available;
- making recommendations to the Board from time to time as to changes the Committee believes to be desirable in the structure and job descriptions of Investcorp's officers including the Executive Chairman and Co-Chief Executive Officers, and prepare terms of reference for each vacancy stating the job responsibilities, qualifications needed and other relevant matters, including integrity, technical and managerial competence, and experience; and
- recommending persons to fill specific officer vacancies including Executive Chairman and Co-Chief Executive Officers, considering criteria such as those referred to above.

When acting as a remuneration committee, its responsibilities include:

- considering and making specific recommendations to the Board regarding Investcorp's remuneration policies (which policies should be approved by the shareholders) and individual remuneration packages for each director and specified executive officers or other senior officers;
- considering, and making recommendations to the Board regarding, remuneration to be paid to Directors based on their attendance of Board meetings and performance, subject to compliance with Article 188 of the Bahrain Commercial Companies Law;

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

- considering and approving remuneration packages for certain specified executive officers or other senior officers, as well as the total variable remuneration to be distributed, taking into account all forms of remuneration, including salaries, fees, expenses, bonuses, deferred remuneration and other employee benefits, ensuring that such compensation is consistent with Investcorp's corporate values and reflects an evaluation of performance in implementing agreed corporate goals, objectives, strategy; provided, however, that the Committee may consider Investcorp's performance and shareholder return relative to comparable companies, and, in considering and approving remuneration to the Co-Chief Executive Officers and Executive Chairman, the Committee may consider awards to the Executive Chairman and Co-Chief Executive Officers in past years and the value of remuneration awards to chief executive officers at comparable companies;
- approving individual remuneration packages for other Managing Directors and Principals, taking into account all forms of remuneration referred to above, ensuring that such compensation is consistent with Investcorp's corporate values and reflects an evaluation of performance in implementing agreed corporate goals, objectives, strategy and business plans;
- approving, monitoring and reviewing the remuneration system to ensure the system operates as intended; and
- retaining and overseeing outside consultants or firms for the purpose of determining director or officer remuneration, administering remuneration plans or related matters.

The names of the members of each of the Standing Committees, their attendance at their relevant Standing Committee meetings during Fiscal Year 2020 and the remuneration proposed to be paid to Directors for their Standing Committee service during Fiscal Year 2020 is reported in the Fiscal Year 2020 Corporate Governance Report.

During Fiscal Year 2020, the Board of Directors evaluated the performance of the Board of Directors as a whole, each Standing Committee and each Director and the Board will continue such evaluations each year going forward. Information regarding the evaluation conducted during Fiscal Year 2020 is presented in the Fiscal Year 2020 Corporate Governance Report.

A report regarding the evaluations conducted each year is also provided at each OGM.

For information regarding related party transactions, please see Note 30 to the consolidated financial statements of Investcorp Holdings.

The Board of Directors has adopted the Conflicts of Interest Policies and Procedures that apply to all Covered Persons. A conflict of interest exists when any activity, interest or relationship of a Covered Person interferes with or could reasonably be expected to interfere with the Covered Person's ability to act in the best interests of Investcorp, including if a Covered Person has a personal interest in a transaction to which Investcorp is or may become a party. The policy provides that a Covered Person's investment in Investcorp securities, Investcorp transactions and/or Investcorp products on the same terms as are extended to other similarly situated persons, which includes non-Covered Persons, will not be considered to give rise to a conflict of interest.

The Conflicts of Interest Policies and Procedures prohibit Covered Persons from engaging in certain activities, including participating in any discussion or decision-making or vote that involves a subject in which a conflict of interest exists, and requires the disclosure of any existing or potential conflict of interest with respect to any Director to the Executive Chairman's Office who will in turn report it to the Corporate Governance Committee. The Corporate Governance Committee is required to consider the matter and report to the Board of Directors, which ultimately must determine how to proceed and whether to approve any transaction in which a conflict of interest exists. If a conflict of interest involves a Director, that Director should not participate in any Board of Directors discussion regarding, or vote on, that transaction.

Additionally, each member of senior management and each other Controlled Function Personnel should report any actual or potential conflict of interest to the Chief Administrative Officer who will in turn report it to the Corporate Governance Committee. The Corporate Governance Committee is required to consider the matter and report to the Board of Directors regarding such actual or potential conflict of interest. Such member of senior management or other Controlled Function Personnel should not be present at any meeting of the Corporate Governance Committee at which the actual or potential conflict of interest is discussed.

To ensure that any existing or potential conflict of interest is identified, Covered Persons are required to periodically complete a questionnaire. The questionnaire requires disclosure of the companies in which directorships are held and interests held in other entities (whether as a shareholder of 5% or more of the voting shares, a manager or some other form of significant participation).

The Board of Directors has adopted the Investcorp Group Code of Conduct, which applies to the Directors of Investcorp Holdings and all Investcorp employees. On an annual basis, all Investcorp employees are required to certify in writing their compliance with the Code of Conduct. A copy of the Code of Conduct is printed as an Annex to the Fiscal Year 2020 Corporate Governance Report.

Transparency for other stakeholders

It is the policy of Investcorp Holdings to provide to its shareholders, clients, creditors and other stakeholders public disclosure that is fair, transparent, comprehensive and timely, and the Board of Directors has adopted a Public Disclosure Policy and Procedures Statement which includes internal review procedures to ensure that the standards of this policy are satisfied. In accordance with this Policy and Procedures Statement, all information relating to Investcorp that is publicly disclosed is made available on Investcorp's website promptly after such disclosure is made and Investcorp Holdings' financial statements for at least the last five years are maintained on the Investcorp website at all times. A copy of the Public Disclosure Policy and Procedures also is available on Investcorp's website.

In addition to publishing its annual audited financial statements, Investcorp Holdings publishes its unaudited financial statements for the first six months of its financial year (July-December) and shareholder updates for the first three (July-September) and nine months of its financial year (July-March). An annual shareholders meeting, in addition to the OGM, provides further information and an opportunity for an exchange of opinions and ideas. The Investors Relationship Management ('IRM') team members of the various Investcorp regulated subsidiaries and several senior members of the management team also periodically meet with shareholders in one-to-one meetings. Clients have direct, ongoing access to the relevant members of the IRM team of the various Investcorp regulated subsidiaries and investment professionals. Clients are provided with a detailed written review of each investment in their portfolio every six months, and they regularly meet with IRM team members of the various Investcorp regulated subsidiaries to discuss their current portfolio and new investment opportunities. Periodically, clients have the opportunity to meet the management teams of their portfolio companies. Lenders receive semi-annual updates on the health of the business and have direct, ongoing access to the members of the finance team, usually through one-to-one communications.

iii. Investcorp's management structure and collective decision-making. Investcorp's senior management team adopts a collective decision-making style, which is reflected by the committees described below.

The Executive Chairman and the two Co-Chief Executive Officers of Investcorp Holdings comprise an Executive Committee which meets frequently to discuss Investcorp's business and performance on a high level basis.

The members of the Executive Committee, together with the Chief Administrative Officer, the Chief Financial Officer, the senior executives in charge of Investcorp's investing lines of business (the 'Investing LOBs'), the Head of IRM, the Head of Risk Management and the General Counsel comprise the Operating Committee. The Operating Committee meets monthly to discuss Investcorp's business and performance on a more granular level.

Each Investing LOB has an Investment Committee. Each Investment Committee will meet to consider a proposed investment or disposition up to three times in the case of Private Equity and Real Estate.

The Investment Committee for an LOB within Private Equity comprises senior executives within that LOB, a Co-Chief Executive Officer and the head of Risk Management.

The Investment Committee for Real Estate Investments is comprised of senior Real Estate executives, a Co-Chief Executive Officer and the head of Risk Management.

ICM, reflecting its operations in both the US and European markets, operates two regional Investment Committees drawing on the experience of senior investors active in each market. ICM also operates a global committee which combines senior ICM management with experienced investors from both regional committees to oversee those particular ICM managed strategies which operate on a global basis across all ICM investment markets.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

The role of each Investment Committee is to evaluate each proposed investment and disposition based on its risk-return profile as well as its overall suitability to Investcorp's franchise and balance sheet and in the context of Private Equity and Real Estate Investments to determine whether to recommend to the Investment Council that it approve the investment or the disposition. Where a decision is being made in the context of a fund or account managed or advised by an Investcorp subsidiary (e.g. ICM) the suitability of that investment or disposal for the fund concerned, having due regard to the fund's investment strategy, fund documentation and applicable regulatory principles and regulations, will be evaluated by the relevant ICM investment committee.

Potential investments that are proposed to be placed with clients of the Investcorp regulated subsidiaries are reviewed at an early stage by the Placement Committee, which is comprised of senior IRM executives. The role of the Placement Committee is to assess the attractiveness of a potential investment to clients, which is relevant to Investcorp's underwriting risk.

All investments and dispositions are subject to the final approval of the Investment Council, which is comprised of Bahrain-based senior executives including the Executive Chairman, the Co-Chief Executive Officers, the Chief Financial Officer, the Chief Administrative Officer, and the head of Treasury.

The Financial and Risk Management Committee guides and assists with the overall management of Investcorp's risk profile on an enterprise-wide basis subject to the approval of the Audit and Risk Committee and the Board of Directors. The Committee is comprised of senior management drawn from key areas of Investcorp and includes the Co-Chief Executive Officers, Chief Financial Officer, the head of Treasury, the head of Risk Management, the heads of Investing LOBs and the head of IRM.

REGULATION

In September 2019, Investcorp voluntarily surrendered its wholesale banking license and as at June 30, 2020 is a holding company with a portion of its Ordinary Shares listed on the Bahrain Bourse and as such is subject to the regulations of the Bahrain Bourse.

As at June 30, 2020 the Investcorp Group has 17 regulated entities as follows:

Investcorp Financial Services B.S.C. is licensed and regulated by the Central Bank of Bahrain as a category 1 investment business firm to (i) arrange deals in financial instruments, (ii) manage financial instruments, (iii) advise on financial instruments and (iv) operate collective investment undertakings in Bahrain.

Investcorp Securities Limited ("ISL") acts as an arranger of corporate finance and real estate transactions and manages collective investment undertakings as a small authorized UK AIFM. ISL is registered with and regulated by the UK Financial Conduct Authority (the 'FCA') as an IFPRU 50K limited license firm. In the U.S., ISL is also registered with the US Securities and Exchange Commission (the 'SEC') as an Investment Adviser.

Investcorp Credit Management EU Limited ("ICMEU") provides portfolio management services to Collateralised Loan Obligation issuer vehicles and other funds which invest in senior secured loans. ICMEU is also registered with and regulated by the FCA as an IFPRU 50K limited license firm in the UK. In the US, ICMEU has also been deemed an Exempt Reporting Adviser with the SEC.

N.A. Investcorp LLC is registered with and regulated by the SEC and the US Financial Industry Regulatory Authority ("FINRA") as a broker-dealer.

Investcorp Credit Management US LLC is registered with and regulated by the SEC as an investment adviser.

Investcorp Investment Advisers LLC is registered with and regulated by the SEC as an investment adviser, and as a commodity pool operator by the US Commodities Futures Trading Commission ('CFTC') and the US National Futures Association ('NFA').

Investcorp Investment Advisers Limited (“IIAL”) is registered with and regulated by the SEC as an investment adviser, and as a commodity pool operator by the CFTC and the NFA. IIAL is also registered and regulated by the Cayman Islands Monetary Authority (‘CIMA’).

Investcorp Management Services Limited is registered with and regulated by CIMA in connection with the performance of investment-related services.

Investcorp Saudi Arabia Financial Investments Co. is licensed by the Capital Market Authority (‘CMA’) to carry on arranging, advising, managing and providing custody services and to market the Investcorp Group’s investment products in Saudi Arabia.

Investcorp Investments LLC is licensed by the Qatar Financial Centre Regulatory Authority to market the Investcorp Group’s investment products in and from the Qatar Financial Centre.

Investcorp Asia Financial Services Private Limited is a registered fund management company regulated by the Monetary Authority of Singapore to market the Investcorp Group’s investment products and provide asset management services in Singapore.

Investcorp India Asset Managers Private Limited is approved by the Securities and Exchange Board of India (‘SEBI’) to act as the investment manager to certain investment funds that are registered with SEBI as Alternative Investment Funds (AIFs).

CM Investment Partners LLC is registered with and regulated by the SEC as an investment advisor.

Mercury Capital Advisors, LLC is registered with and regulated by the SEC and the FINRA as a broker-dealer.

Mercury Capital Advisors, LLP is registered with and regulated by the FCA as an authorised investment manager

Mercury Capital Access, LLC is registered with and regulated by the SEC as investment adviser.

Mercury Capital Advisors Asia, LLC is registered with the Japan Financial Services Agency Kanto Local Finance Bureau as a Financial Instruments Business Operator Engaging in a Type II Financial Instruments Business.

As at June 30, 2020, Investcorp has a representative office in Abu Dhabi licensed by the Central Bank of the United Arab Emirates, the license of which will be relinquished as Investcorp is in the process of establishing an alternative presence in the United Arab Emirates. License applications in relation to Investcorp’s subsidiaries in Luxembourg and Switzerland are also in process with completion expected in Fiscal Year 2021.

BALANCE SHEET

Investcorp’s overall philosophy is to maintain a conservative balance sheet, based on an adequate level of liquidity and access to medium-term funding, modest leverage and capital adequacy sufficient to cover extreme economic shocks. Investcorp’s Finance group has oversight and responsibility for management of the balance sheet structure and implements strategy and policies within a framework set by the Financial and Risk Management Committee (FRMC), under the oversight of the Board of Directors’ Audit and Risk Committee and the Board of Directors.

This conservative approach to balance sheet management is a deliberate strategy to mitigate the impact of refinancing and liquidity risk on Investcorp’s core business model of originating and syndicating alternative asset investments, and its ongoing commitment to stakeholder alignment by way of co-investing its balance sheet alongside investors in all its products. It also seeks to mitigate the impact on the business from market liquidity stresses or forced refinancing of debt facilities during sustained periods of economic difficulty. It therefore targets to finance its entire portfolio of illiquid co-investments with permanent capital (equity), long dated debt and also debt secured by such co-investments.

Ratings

Investcorp recognizes the value of an investment-grade rating and is aiming for that objective over the medium term. Rating agencies and lenders profile Investcorp as non-Gulf based credit risk, given that almost all of the Group’s assets are held under Investcorp S.A., a non-Gulf entity. As a matter of course, certain debt covenants require that Investcorp S.A. owns at least 95% of Investcorp’s consolidated group assets.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

Some of the key themes referred to by the rating agencies in their reports are:

- strong client franchise with a high degree of brand name recognition and respect in the Gulf region;
- diversification benefits inherent to the business model from an increasingly globalized distribution platform and the establishment and growth of new business lines;
- the strength and longevity of tenure of the management team; and
- the conservative balance sheet management approach for liquidity, funding and capital.

Following the global financial crisis in FY09, rating agencies have repeatedly pointed to Investcorp's balance sheet risk arising from co-investment activities as a significant source of potential earnings and leverage stress in extreme scenarios. Investcorp recognized these challenges by deleveraging and strengthening its balance sheet through risk reduction and capital raising measures in order to support an eventual return to an investment grade credit rating in the future.

Liquidity management

Investcorp targets an adequate level of accessible liquidity to meet peak levels of underwriting activity, operational cash to cover near term operating expenses and interest payments; and contractual debt repayments. This is achieved by a combination of on-balance sheet liquidity, held in the form of invested short tenor liquid assets and off-balance sheet liquidity in the form of committed medium-term revolving credit facilities provided by close relationship banks. Such facilities are mainly used in the normal course of business for acquisition underwriting of new corporate investment or real estate investment deals prior to placement with clients, which can take up to six months after the deal is closed. Bank revolvers, therefore, supplement core liquidity, and together they provide a pool of accessible liquidity to underwrite multiple acquisitions, without having to redeem or dispose of co-investments in order to meet short-term working capital requirements.

The credit environment, lender preferences and the reliability of interbank markets will dictate the actual mix between off-balance sheet and on-balance sheet liquidity that Investcorp chooses to hold at any particular time.

Investcorp stress tests its liquidity on a regular basis to ensure that it has sufficient cash in the near-term to meet unforeseen obligations. This worst-case stress scenario assumes: (i) the disappearance of almost all short-term funding sources; (ii) accelerated repayment of client balances; and (iii) a need to provide additional capital support to portfolio companies.

Funding structure

The conservative approach to balance sheet structure is also applied to Investcorp's funding activity. Investcorp's strategy is to maintain strong lender relationships, provide lenders with regular dialogue on business developments and financial results, and to be responsive on issues and questions that arise. A prudent approach to financial management has led to a deliberate strategy to secure long- and medium-term funding from a geographically diverse lender base. Investcorp has a positive structural funding gap where the average maturity of liabilities has consistently been longer than the average maturity of its assets. This has been achieved from the traditional global medium-term club and syndicated bank loan markets, together with capital markets transactions such as public bonds and private placements with institutional investors.

Refinancing requirements are managed to avoid maturity concentration in any given period, and the Company continually reviews opportunities to access new financing markets or sources with new funding products.

Investcorp's medium-term funding therefore comprises committed bank facilities (drawn and revolving), capital markets notes and bonds and a portion of committed client balances that are not at call. When the financing environment permits, this pool is targeted to have staggered maturities to reduce repayment or refinancing concentration and to match the medium-term nature of Investcorp's working capital cycle. Investcorp's long-term funding comprises private placements with international insurers with residual maturities of approximately 10 years.

A combination of high liquidity and committed term funding with actively managed maturities aims to provide adequate coverage, in a worst-case scenario, for all near- and medium-term debt repayments.

Leverage

Consistent with its overall conservative approach to balance sheet management, Investcorp aims to maintain a moderate leverage ratio, using debt where appropriate and ensuring a sufficient amount of accessible liquidity for peak underwriting of new acquisitions.

Investcorp's debt covenants contain a 'leverage' and a 'net leverage' calculation.

Leverage is calculated as total liabilities (excluding temporary liabilities that are generally transient in nature with expected maturities of less than three months) divided by the equity capital base. Two event-specific activities temporarily inflate total liabilities. The first is the drawdown of revolving credit facilities to fund the underwriting of corporate investments and real estate investments before they are placed with clients. These are self-liquidating on receipt of client funds. The second is the receipt of transitory client funds relating to proceeds from deal exits, prior to distribution to clients. These are also self-liquidating. Investcorp does not count these two temporary liabilities in its leverage calculations unless they remain on the balance sheet for more than three months.

The leverage calculation above reflects a very basic measure of financial risk. It does not give any benefit to the fact that a proportion of borrowed money may be retained in the form of cash. Net leverage however calculates leverage as total liabilities less the sum of balance sheet cash, other liquid assets and funded underwriting.

Investcorp is comfortable with its leverage levels, given that a continuous and thorough analysis of risks on the balance sheet is used to determine and ensure capital adequacy under severely stressed scenarios.

While Investcorp does manage its balance sheet with the leverage ratio in mind, it also focuses on risk capital, which is, in Investcorp's opinion, a more holistic measure of the risks on the balance sheet and is described in the following section on Risk Management. Investcorp aims to size its capital base so it can withstand a prolonged stressed environment as well as event risks, while maintaining cash flow and liquidity, sufficient to cover interest and debt repayment obligations.

RISK MANAGEMENT

Investcorp takes an enterprise-wide approach to risk management, and the proactive identification and mitigation of all embedded risks is an integral part of the corporate decision-making process.

The Asset and Liability Council ('ALCO') which is chaired by the Chief Financial Officer and includes the head of Risk Management, head of Treasury and other senior members of the Finance group, assesses and reviews various balance sheet risks arising from treasury activities on an on-going basis and decides on mitigation strategies for these risks. The ALCO is overseen by the Financial and Risk Management Committee, which is the risk management oversight committee that evaluates all tactical actions proposed and undertaken to manage the balance sheet and attendant risks from the standpoint of Investcorp's business model, funding profile, liquidity position, capital base and on-going operations in line with the Audit and Risk Committee and Board approved risk policies manual. In addition, separate risk review forums are used for each line of business to determine specific risks surrounding each new investment, and actions to be taken in an effort to mitigate these risks.

TYPES OF RISK¹

Investcorp groups its predominant risks under the following categories:

- counterparty credit risk Note 27(i)*;
- credit risk measurement Note 27(ii)*;
- funding liquidity risk Note 27(iii)*;
- concentration risk Note 27(iv)*;
- foreign currency risk Note 27(v)(a)*;

1 * References are to footnotes in the fiscal 2020 Investcorp Holdings B.S.C. consolidated financial statements.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

- interest rate risk Note 27(v)(b)*;
- equity price risk Note 27(v)(c)*; and
- operational risk Note 27(vi)*.

Investcorp has developed tools in conjunction with leading risk management consultants to perform detailed risk analysis, specifically addressing the investment and concentration risks of each individual line of business.

Interest rate/currency risk management

Assets and liabilities give rise to interest rate risk if changes to the level of interest rates impact the value of future cash flows generated from assets or the value of future cash flows paid in respect of liabilities. The exposure of Investcorp's balance sheet to interest rate risk is frequently measured and monitored using risk management tools that provide in-depth analysis across investment and funding sources. The amount of interest rate sensitivity of the balance sheet at June 30, 2020 is shown in Note 27(v)(b)* of the financial statements of Investcorp Holdings B.S.C.

Investcorp's management team maintains a strategic position, unchanged from prior years, that shareholders' equity is best protected from interest rate risk in the long run by maintaining a floating rate funding strategy. Overlaying this strategy, Investcorp uses a combination of interest rate derivatives in order to protect against large movements in interest rates, while at the same time preserving the benefit of potential lower rates.

Investcorp does not take any material foreign exchange positions on its assets and liabilities denominated in currencies other than US dollars. Investcorp systematically hedges significant non-dollar asset and liability exposures in the forward foreign exchange market or by using currency derivatives. The small amount of residual net foreign currency exposure is shown in Note 27(v)(a)* of the consolidated financial statements of Investcorp Holdings B.S.C.

Line of business investment risks

Private equity investment. Private equity investment risk is a significant component of the balance sheet and is, therefore, a key focus of analysis for the risk management team. The investment risk that is particular to the mid-cap private equity investment – North America, Europe, Asia & India business is mitigated by a set of tools that are used at all stages of the investment process. At pre-acquisition, the risk management team works alongside the deal team to implement risk analyses based on the target company's business plan. This enables identification of how the target company might perform under various scenarios, focusing, where appropriate, on specific characteristics of the deal. Sensitivity analysis and risk contribution of identified drivers to the main outcomes (EBITDA, IRR) are essential elements of the risk assessment. The analysis is performed in addition to the extensive due diligence undertaken by the private equity investment team and enables the measurement of the target company's risk compared to previous deals undertaken by Investcorp, as well as the fit of the target company from a client portfolio and balance sheet retention perspective.

All investment proposals are scrutinized rigorously by the Investment Committee prior to final approval by the Investment Council.

Once a company is acquired, Investcorp takes a portfolio approach to evaluate the risk impact of the investment on the balance sheet. The risk management team regularly performs such risk analyses to ascertain how the risks of the portfolio change over time and how it relates to internal limits and guidelines. Individual underwriting and sector exposure limits are imposed in order to manage any concentration risks. Finally, when exiting a portfolio company, hedging strategies may be used to mitigate risks associated with the exit process and to protect the expected realization proceeds from downside risks.

As in Investcorp's private equity investment – North America, Europe, Asia & India business, the investment objective in each of the technology and MENA funds is to achieve returns that justify the risk being taken. The higher risks of technology and MENA investing are alleviated through board level representation with appropriate minority protections.

Throughout the investment cycle, there is a strong emphasis on due diligence and proactive post-investment management.

1 * References are to footnotes in the fiscal 2020 Investcorp Holdings B.S.C. consolidated financial statements.

Absolute Return Investments. ARI multi-manager solutions' portfolio risk is managed both from a market strategy and manager selection perspective. The most prevalent market risks emanate from an unfavorable market environment or from strategy-specific risks such as illiquidity. Manager risks include style drift, underperformance, excessive risk taking, fraud/valuation errors and legal/documentation errors. These risks are mitigated through manager due diligence and selection, diversification, use of separate accounts, monitoring, stress testing, transparency and control of leverage. The availability of portfolio detail, including through pre-negotiated transparency with hedge funds managers, enables a more complete risk analysis, as well as meaningful strategy-specific exposure and profit attribution analyses.

The various risks related to the multi-manager solutions portfolio are monitored and managed through a well-developed process and infrastructure that provides significant mitigants. The risk management philosophy is to diversify the multi-manager solutions portfolio across managers and strategies. Allocations to individual managers are capped at a certain percentage of the portfolio to protect against manager concentration risks. Manager selection is based on extensive due diligence with an emphasis on investment style, philosophy and risk management discipline. Each manager's track record is analyzed, focusing on performance in periods of market volatility, while the manager's operating infrastructure is also reviewed regularly to ensure the presence of appropriate controls and procedures. A 'watch list' is maintained for those managers whose risk profiles or performance levels deviate from targeted guidelines, with a view to redeeming the investment with such managers if the deviations are not corrected.

The risk management function monitors and analyses ARI portfolios independent of the investment team. Among the risks monitored are basis risk, concentration risk, scenario risk and tail risk. The function also conducts analysis on strategy and asset class, stress tests and historical scenarios, exposure by strategy, security type, sectors, regions and counterparty exposure and liquidity.

While investment in ARI is designed to have a low level of correlation to various markets, liquidity can temporarily decrease during periods of extreme stress, and correlations between previously uncorrelated strategies may increase, as occurred during the last quarter of calendar year 2008 and occurred to a lesser extent during 2011. The ARI team is mindful of these risks and has incorporated specific actions in its asset allocation, monitoring guidelines and separate accounts in order to cushion or mitigate these risks during periods of extreme market volatility and stress.

Real estate investment. Risk management strategies used for private equity investment are also employed to mitigate risks associated with the acquisition and retention of real estate investments. The real estate investment team further mitigates specific risk in three ways:

- concentration on high quality, income producing properties with high occupancy rates;
- establishment of partnerships with regional professionals, providing access to local knowledge and reputation; and
- use of capital structures aimed at protecting properties against the negative impact of interest rate and/or occupancy fluctuations.

To this end, the team monitors interest rate and occupancy sensitivities on each property, both prior to acquisition and during the ownership phase. This process serves to identify and assess conditions and levels that may cause the property to incur cash flow difficulties.

The team is proactive in managing properties that show signs of potential difficulties. Risk management tools are used at all stages of the real estate investment process from pre-acquisition through to realization. During pre-acquisition, the risk management team works alongside the real estate investment team to implement a detailed risk analysis based on the target investment's financial projections. This allows identification of how the property might perform under various scenarios, focusing, where appropriate, on specific characteristics of the investment. In addition to this analysis, the extensive due diligence undertaken by the real estate team allows Investcorp to gauge the target property's risk compared to previous deals undertaken, as well as to gauge the fit of the target property from both client portfolio and balance sheet retention perspectives.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

Once an investment is made, Investcorp takes a portfolio approach to evaluate the risk impact of the investment on the balance sheet. The risk management team regularly performs such risk analyses to ascertain how the risks of the portfolio change over time and how they relate to internal investment exposure limits and guidelines.

Credit management investment. The credit management line of business investment risk represents risks primarily associated with collateralized loan obligations (CLOs), and the underlying credit investment, managed by the investment team.

The investment team follows investment policy guidelines to screen new investment opportunities and identify any actual or potentially material risk during the pre-investment due diligence phase. The investment team also checks for compliance with applicable local and international laws and regulations and, where appropriate, relevant international standards. The investment team monitors performance of underlying investments against agreed action plans, targets and timetables.

Risk management systematically assesses and reports on fund exposures including rating actions, price movements, sector exposures and performance, as well as portfolio management actions.

During the warehouse and risk retention phase, Investcorp takes a portfolio approach to evaluate the impact of the investment on the balance sheet to continually assess the exposures relative to the internal investment exposure limits and guidelines. Risk management runs multiple scenarios based on varying assumptions for prepayments, defaults and recoveries to assess how the portfolio would behave under different market cycles. The impact on cash flows from ratings downgrade and default of specific loans is also assessed to measure the downside risk in the portfolio.

Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Investcorp includes in this definition legal risk but excludes reputational and strategic risks.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. Internal audit makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp carries 'Errors and Omissions' insurance against the legal risks arising from its business.

Investcorp applies the Basic Indicator Approach ('BIA') to measure operational risk and also is implementing a Board of Directors approved operational risk management framework. Under the BIA approach, Investcorp's average gross income over the preceding three financial years is multiplied by a fixed alpha coefficient which has been set at 15%. The operational risk management framework consists of the following: 1) 'Risk Control and Self-Assessment': Self-assess operational risks by going through key business processes end-to-end, 2) Evaluate the adequacy of existing process controls, 3) Implement control modifications to reduce operational risks and determine residual risks and 4) Monitor and report operational risk events to senior management.

ADEQUACY OF ECONOMIC CAPITAL

Investcorp uses an enterprise VaR-like approach to determine economic capital adequacy for the combination of all balance sheet risks, while maintaining sufficient flexibility to facilitate future growth plans and protect against periods of prolonged and extreme stress in the company's operating environment, execution or performance.

Investcorp uses a risk-based capital allocation approach as the main tool to manage internal economic capital. Over the years, Investcorp has been continuously assessing its economic capital methodology to take into account any increased risk premium, volatility and correlation for all asset classes. In designing the risk capital methodology, Investcorp strives to maintain a risk capital allocation that is independent of any specific market recovery expectations, accounting rule changes and correlation assumptions. Investcorp continues to use the conservative assumption of 100% correlation between asset classes to provide an embedded cushion for protection against model risk inherent in model choice, model parameters estimation and model errors. Most importantly, the correlation constraint allows for an embedded cushion that will be counter-cyclical, since it is set for crisis like situations when asset correlation goes to one. Investcorp also applies the requirement to establish an explicit equity capital surplus (equal to total book equity capital including deferred fees minus total economic capital charges) that is set and monitored by ALCO. The economic capital surplus covers new business initiatives, residual non-legal operational risk and market tail-risk stress events and provides for a buffer against potential exposures, as opposed to already capitalized existing exposures, under normal and stressed market conditions. Reviews of these risks and the adequacy of the economic capital allocation model and equity capital surplus are conducted on a regular basis. The risk management team applies back-testing and stress-testing methodologies to continually assess the adequacy of the economic capital allocation model for each business line and applies the Long Range Plan (LRP), which is based on a 5-year Monte Carlo simulation, to insure the robustness of the capital base under stress conditions.

This conservative approach to economic capital takes into account the illiquid nature of the underlying portfolios of private equity and real estate co-investments and, where possible, models other non-investment assets using a collateral based VaR like model. The economic capital allocation is the linear sum of independently assessed risk capital charges for each investment asset, non-investment assets (receivables, advances, etc.) and the positive impact of any tail risk hedging strategies executed for the Investcorp balance sheet.

INVESTCORP HOLDINGS B.S.C.

Consolidated Financial Statements: June 30, 2020

CONTENTS

Independent Auditors' Report to the Shareholders of Investcorp Holdings B.S.C.	102
Consolidated Statements of Profit or Loss and Other Comprehensive Income	106
Consolidated Statement of Financial Position	107
Consolidated Statement of Changes In Equity	108
Consolidated Statement of Cash Flows.....	110

Notes to the consolidated financial statements

1. Organization	111
2. Assets under management	114
3. Business combination	115
4. Segment reporting	115
5. Categories of financial assets and financial liabilities.....	121
6. Operating expenses	122
7. Income tax	123
8. Receivables and prepayments.....	123
9. Advances	124
10. Underwritten and warehoused investments	124
11. Private equity co-investments	125
12. Credit management co-investments	126
13. Absolute return investments co-investments	126
14. Real estate co-investments	127
15. Strategic capital co-investments	127
16. Strategic investments and intangible assets	128
17. Premises, equipment and other assets	129
18. Provisions for impairment.....	130
19. Payables and accrued expenses	130
20. Financing.....	131
21. Deferred fees	132
22. Share capital and reserves.....	132
23. Other reserves	133
24. Earnings, book value and dividends per share.....	134
25. Derivative financial instruments	134
26. Commitments and contingent liabilities.....	137
27. Risk management	138
28. Fair value of financial instruments	149
29. Employee compensation	152
30. Related party transactions	153
31. Significant accounting policies	154

Supplementary disclosures (unaudited)

Impact of current economic situation.	163
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVESTCORP HOLDINGS B.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**Opinion**

We have audited the accompanying consolidated financial statements of Investcorp Holdings B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Valuation of unquoted investments, related fair value changes and performance fees

Key audit matter

The Group's investment portfolio comprises of a number of unquoted private equity (disclosed as private equity, strategic capital and strategic investments in the consolidated statement of financial position), credit management, real estate investments and investments in an associate and joint ventures (included within strategic investments in the consolidated statement of financial position). The Group has used a combination of discounted cash flow analysis approach, PE multiples-based approach and bids or indicative prices, where available, obtained from potential buyers engaged in the sale process to determine the fair value of these investments.

Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management. The exit value is dependent on a number of factors and will be determined at the time of realisation and therefore despite the valuation policy adopted and judgments made by management, the final sales value may differ materially from the valuation at the year end.

This was a key area of focus of our audit given the significance of the judgments and estimates made by management to support the valuations.

The risk around these judgments and estimates made by management has increased in the current year due to continuously evolving impacts of COVID-19 pandemic on valuations.

There are multiple performance fee arrangements in place and the process of determining these fees relies on manual calculations. Due to the complexities inherent in the arrangements and the manual nature of the recognition process, there is a risk that the performance fees are incorrectly calculated or recognised in the wrong period.

Refer to the critical accounting estimates and judgments and disclosures of investments in notes 11, 12, 14, 15, 16 (A), 16 (B), 16 (D), 28, and 31 to the consolidated financial statements.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we have obtained the following sections of the 2020 Annual Report, and the remaining sections are expected to be made available to us after that date.

- Message to shareholders
- Business Highlights
- Discussion of Results

How the key audit matter was addressed in the audit

We obtained an understanding of management's processes and controls for determining the fair valuation of unquoted investments. This included discussing with management the valuation governance structure and protocols around their oversight of the valuation process.

We attended calls with the management of a sample of investee companies, accompanied by our valuation specialists to corroborate our understanding of, and gain specific insights into, the underlying investments.

For a sample of unquoted investments, we obtained and reviewed the relevant documents supporting the valuations and the assumptions used. We also corroborated key inputs in the valuation models such as earnings and net debt to the source data. We checked the mathematical accuracy of the valuation models for the sample selected.

With the assistance of our valuations specialists, we formed an independent range for the key assumptions used in the valuation of a sample of unquoted investments, with reference to the relevant industry and market valuation considerations. We derived a range of fair values using our assumptions and other qualitative risk factors. We compared these ranges with management's assumptions, and discussed our results with management.

We have considered the impact of COVID-19 pandemic throughout the procedures performed on the valuations of the selected sample of unquoted investments, by challenging whether the valuation methodologies and assumptions used are appropriate.

On a sample basis, we re-performed the performance fee calculations and compared the basis of computation with the terms of the performance fee agreements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVESTCORP HOLDINGS B.S.C.

Other information included in the Group's 2020 Annual Report (continued)

- Assets Under Management
- Portfolio Review

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

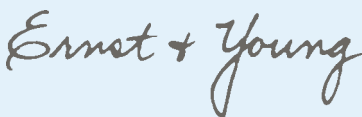
From the matters communicated to the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We report that:

- a) as required by the Bahrain Commercial Companies Law,
 - i. the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
 - ii. the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements; and
 - iii. satisfactory explanations and information have been provided to us by management in response to all our requests.
- b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 30 June 2020 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.
- c) As required by Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:
 - i. has appointed a Corporate Governance Officer; and
 - ii. has a board approved written guidance and procedures for corporate governance.

The partner in charge of the audit resulting in this independent auditor's report is Ashwani Siotia.



Partner's registration no. 117
5 August 2020
Manama, Kingdom of Bahrain

INVESTCORP HOLDINGS B.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

\$millions	2020	2019	Notes	Page
FEE INCOME				
AUM fees	170	181		
Deal fees	118	195		
Fee income (a)	288	376		115
ASSET-BASED INCOME				
Private equity investment	(96)	12		
Credit management investment	(22)	22		
Absolute return investments	(5)	8		
Real estate investment	31	29		
Strategic investments	(27)	5		128
Treasury and other income	9	13		
Asset based (loss) income (b)	(110)	89		
Gross operating income (a) + (b)	178	465		115
Provisions for impairment	(26)	(4)	18	130
Interest expense	(40)	(51)		115
Operating expenses	(275)	(268)	6	122
(LOSS) PROFIT BEFORE TAX	(163)	142		
Income tax expense	(2)	(11)	7	123
(LOSS) PROFIT FOR THE YEAR	(165)	131		
(Loss) profit for the year attributable to :				
Equity holders of the parent	(165)	131		
Non-controlling interest	0	–		
	(165)	131		
EARNINGS PER SHARE				
Basic earnings per ordinary share (\$)	(2.57)	1.52	24	134
Fully diluted earnings per ordinary share (\$)	(2.57)	1.47	24	134

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2020

\$millions	2020	2019	Notes	Page
(LOSS) PROFIT FOR THE YEAR	(165)	131		
Other comprehensive (loss) income that will be recycled to statement of profit or loss				
Fair value movements – cash flow hedges	(2)	2		
Movements – Fair value through other comprehensive income investments	(14)	(3)		
Other comprehensive loss that will not be recycled to statement of profit or loss				
Movements – Fair value through other comprehensive income investments	(29)	(6)		
Other comprehensive loss	(45)	(7)		
TOTAL COMPREHENSIVE (LOSS) INCOME	(210)	124		
Total comprehensive (loss) income attributable to:				
Equity holders of the parent	(210)	124		
Non-controlling interest	0	–		
	(210)	124		


DR. YOUSEF HAMAD AL-EBRAHEEM
Chairman

MOHAMMED MAHFOODH
SAAD AL ARDHI
Executive Chairman

The attached Notes 1 to 31 are an integral part of these consolidated financial statements.

INVESTCORP HOLDINGS B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

\$millions	June 30, 2020	June 30, 2019	Notes	Page
ASSETS				
Cash, placements and other liquid assets	309	390		
Positive fair value of derivatives	45	44	25	134
Receivables and prepayments	285	364	8	123
Advances	158	82	9	124
Underwritten and warehoused investments	192	334	10	124
Co-investments				
Private equity investment	339	491	11	125
Credit management investment	317	332	12	126
Absolute return investments	81	112	13	126
Real estate investment	71	68	14	127
Strategic capital investment	2	-	15	127
Total co-investments	810	1,003		
Strategic investments and intangible assets	189	107	16	128
Premises, equipment and other assets	135	37	17	129
TOTAL ASSETS	2,123	2,361		
LIABILITIES AND EQUITY				
LIABILITIES				
Payables and accrued expenses	186	241	19	130
Negative fair value of derivatives	26	23	25	134
Financing	981	889	20	131
Deferred fees	62	63	21	132
TOTAL LIABILITIES	1,255	1,216		
EQUITY				
Preference share capital	123	123	22	132
Ordinary shares at par value	200	200	22	132
Reserves	296	321		
Treasury shares	(104)	(74)		
Retained earnings	335	540		
Ordinary shareholders' equity excluding proposed appropriations and other reserves	727	987		
Proposed appropriations	22	38		134
Other reserves	(5)	(3)	23	133
Non-controlling interests	1	-		
TOTAL EQUITY	868	1,145		
TOTAL LIABILITIES AND EQUITY	2,123	2,361		



DR. YOUSEF HAMAD AL-EBRAHEEM
Chairman



MOHAMMED MAHFOODH
SAAD AL ARDHI
Executive Chairman

The attached Notes 1 to 31 are an integral part of these consolidated financial statements.

INVESTCORP HOLDINGS B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

		Ordinary shareholders' equity excluding proposed appropriations and other reserves				
	Preference share capital	Ordinary share capital	Share premium	Treasury shares	Retained earnings	Statutory reserve
\$millions						
Balance at July 1, 2018	123	200	229	(5)	447	100
Total comprehensive income	–	–	–	–	131	–
Depreciation on revaluation reserve transferred to retained earnings	–	–	–	–	0	–
Treasury shares purchased during the year - net of sales and vesting	–	–	–	(61)	–	–
Gain on vesting of treasury shares	–	–	8	(8)	–	–
Approved appropriations for fiscal 2018 paid	–	–	–	–	–	–
Proposed appropriations for fiscal 2019	–	–	–	–	(38)	–
Balance at June 30, 2019	123	200	237	(74)	540	100
Balance at July 1, 2019	123	200	237	(74)	540	100
Restatement arising from adoption of IFRS 16	–	–	–	–	(2)	–
Balance at July 1, 2019	123	200	237	(74)	538	100
Total comprehensive loss	–	–	–	–	(165)	–
Transferred to retained earnings upon derecognition	–	–	–	–	(16)	–
Depreciation on revaluation reserve transferred to retained earnings	–	–	–	–	0	–
Treasury shares purchased during the year - net of sales and vesting	–	–	–	(28)	–	–
Gain on vesting of treasury shares	–	–	2	(2)	–	–
Acquisition of subsidiaries	–	–	–	–	–	–
Approved appropriations for fiscal 2019 paid	–	–	–	–	–	–
Proposed appropriations for fiscal 2020	–	–	–	–	(22)	–
Balance at June 30, 2020	123	200	239	(104)	335	100

The attached Notes 1 to 31 are an integral part of these consolidated financial statements.

			Other Reserves				
Fair value reserve	Total	Proposed appropriations	Cash flow hedges	Revaluation reserve on premises and equipment	Total	Non-controlling interests	Total equity
(7)	964	41	(9)	4	(5)	–	1,123
(9)	122	–	2	–	2	–	124
–	0	–	–	(0)	(0)	–	–
–	(61)	–	–	–	–	–	(61)
–	–	–	–	–	–	–	–
–	–	(41)	–	–	–	–	(41)
–	(38)	38	–	–	–	–	–
(16)	987	38	(7)	4	(3)	–	1,145
(16)	987	38	(7)	4	(3)		1,145
–	(2)	–	–	–	–	–	(2)
(16)	985	38	(7)	4	(3)	–	1,143
(43)	(208)	–	(2)	–	(2)	0	(210)
16	–	–	–	–	–	–	–
–	0	–	–	(0)	(0)	–	–
–	(28)	–	–	–	–	–	(28)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	1	1
–	–	(38)	–	–	–	–	(38)
–	(22)	22	–	–	–	–	–
(43)	727	22	(9)	4	(5)	1	868

INVESTCORP HOLDINGS B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

\$millions	2020	2019	Notes	Page
OPERATING ACTIVITIES				
(Loss) profit before tax	(163)	142		
Adjustments for non-cash items in profit before tax :				
Depreciation and amortization	24	12		122
Provisions for impairment	26	4	18	130
Employee deferred awards	33	27		
Operating (loss) profit adjusted for non-cash items	(80)	185		
Changes in:				
Operating capital				
Placements (non-cash equivalent)	(44)	2		
Receivables, prepayments and advances	(24)	(94)	8, 9	123, 124
Underwritten and warehoused investments	142	112	10	124
Payables and accrued expenses	(56)	(29)	19	130
Deferred fees	(1)	(9)	21	132
Co-investments	151	147	11 to 15	125-127
Fair value of derivatives	5	36		
Income taxes paid	(12)	(9)		
NET CASH FROM OPERATING ACTIVITIES	81	341		
FINANCING ACTIVITIES				
Financing - net of transaction costs and new issuances	(25)	(150)	20	131
Treasury shares purchased - net of sales	(45)	(84)		
Dividends paid	(38)	(41)		
NET CASH USED IN FINANCING ACTIVITIES	(108)	(275)		
INVESTING ACTIVITIES				
Acquisition of subsidiaries	(21)	–		
Investment in associates and joint ventures	(6)	(39)	16	128
Other strategic investments	(61)	–	16	128
Investment in premises and equipment	(10)	(6)		
NET CASH USED IN INVESTING ACTIVITIES	(98)	(45)		
Net (decrease) increase in cash and cash equivalents	(125)	21		
Cash and cash equivalents at beginning of the year	390	369		
Cash and cash equivalents at end of the year	265	390		
Cash and cash equivalents comprise of:				
Cash and short-term funds	130	57		
Placements with financial institutions and other liquid assets	135	333		
	265	390		
Additional cash flow information				
\$millions	2020	2019		
Interest paid	(39)	(51)		
Interest received	40	40		
Additional liquidity information				
\$millions	2020	2019		
Cash and cash equivalents at end of the year	265	390		
Placements (non-cash equivalent)	44	–		
Available / undrawn balances	917	686	20	131
Total available liquidity at end of the year	1,226	1,076		

The attached Notes 1 to 31 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

1. ORGANIZATION**(i) Incorporation**

Investcorp Holdings B.S.C. (the “Company” or “Parent”), formerly Investcorp Bank B.S.C., is incorporated in the Kingdom of Bahrain as a Bahraini Shareholding Company with limited liability. The Company is listed on the Bahrain Bourse. The ultimate parent of the Group is SIPCO Holdings Limited (“SHL”) incorporated in the Cayman Islands. The Company is a holding company owning various subsidiaries (together the “Group” or “Investcorp”). The activities of the Company are substantially transacted through its subsidiaries and joint ventures.

Prior to September 2, 2019, the Parent was operating under a Wholesale Banking License issued by the Central Bank of Bahrain (the “CBB”). During fiscal year 2019, the Group re-aligned its structure in Bahrain taking into account the evolution of the CBB’s regulatory framework for wholesale banks and investment firms, as well as the development of Investcorp’s business model. The Group (i) incorporated a category 1 investment business firm in Bahrain called Investcorp Financial Services BSC (c) (“IFS”), and (ii) engaged with clients, strategic partners and other stakeholders to transition the Parent’s regulated marketing, placement and MENA private equity investment advisory and asset management services to IFS.

On September 2, 2019, with the approval of shareholders, the CBB and the local Ministry of Industry, Commerce and Tourism, the Parent completed the process of transition and converted from a wholesale bank into a holding company. Other Investcorp group entities will continue to be subject to local regulatory oversight in all of the countries in which they conduct regulated activities.

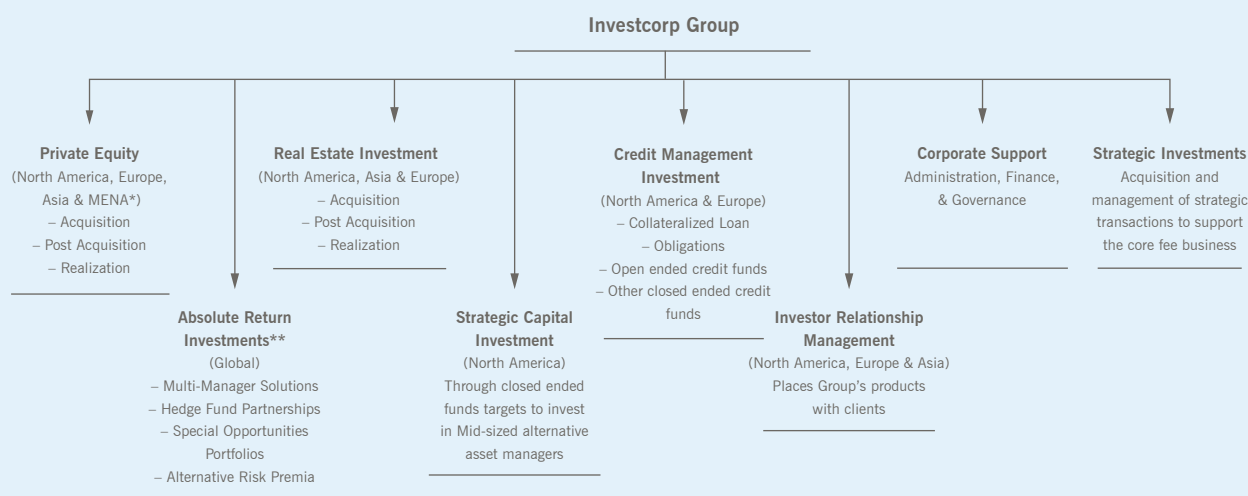
The registered office of the Company is at Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Company is registered under commercial registration number 12411-1 issued by the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

The consolidated financial statements for the year ended June 30, 2020 were authorized for issue in accordance with a resolution of the Board of Directors effective on August 5, 2020.

(ii) Activities

The Group performs two principal roles (a) to act as an intermediary by bringing global investment opportunities to its clients, and (b) to act as a principal investor by co-investing with its clients in each of its investment products.

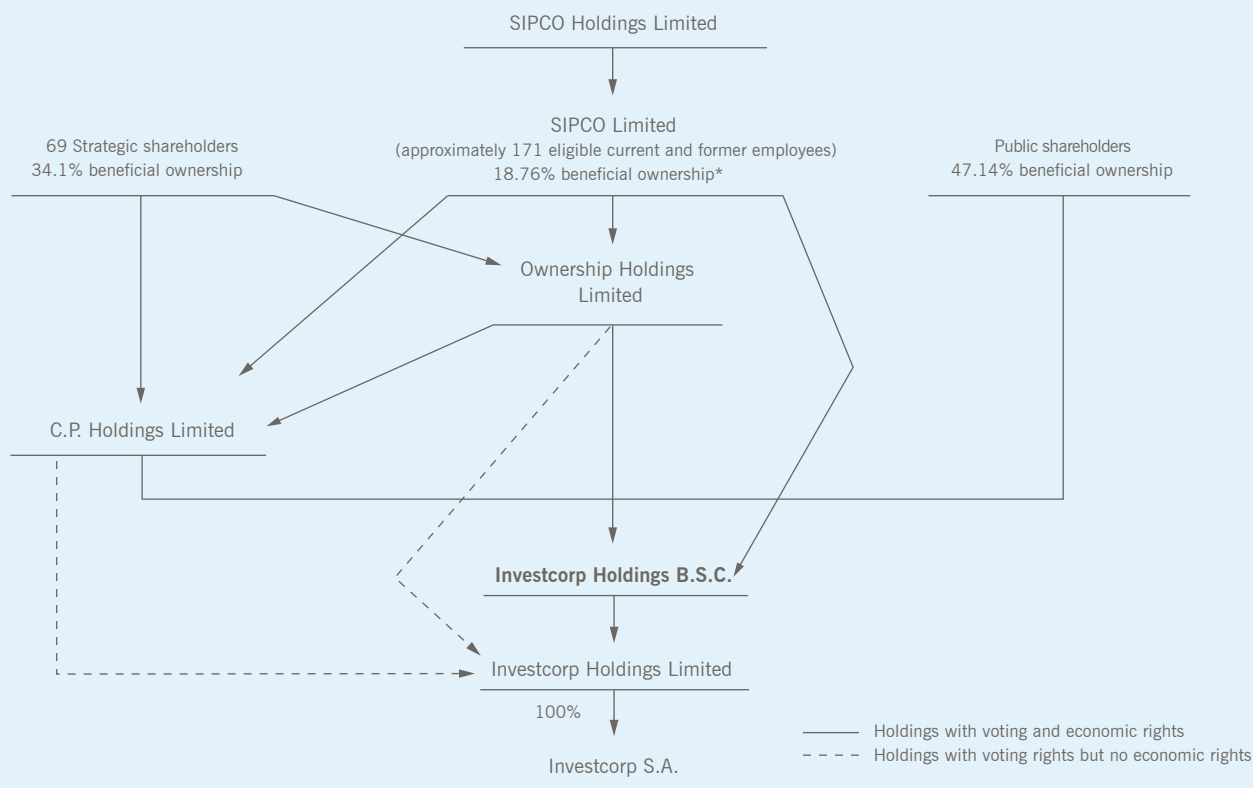
In performing its principal roles, the Group provides products in five investment asset classes. The investment asset classes in which the Group specializes are private equity investments, credit management investments, absolute return investments, real estate investments and strategic capital investments. Each of the asset classes is comprised of its own dedicated team of investment professionals and is supported by a common investment relationship management (previously called “placement and relationship management”) team and corporate support units.



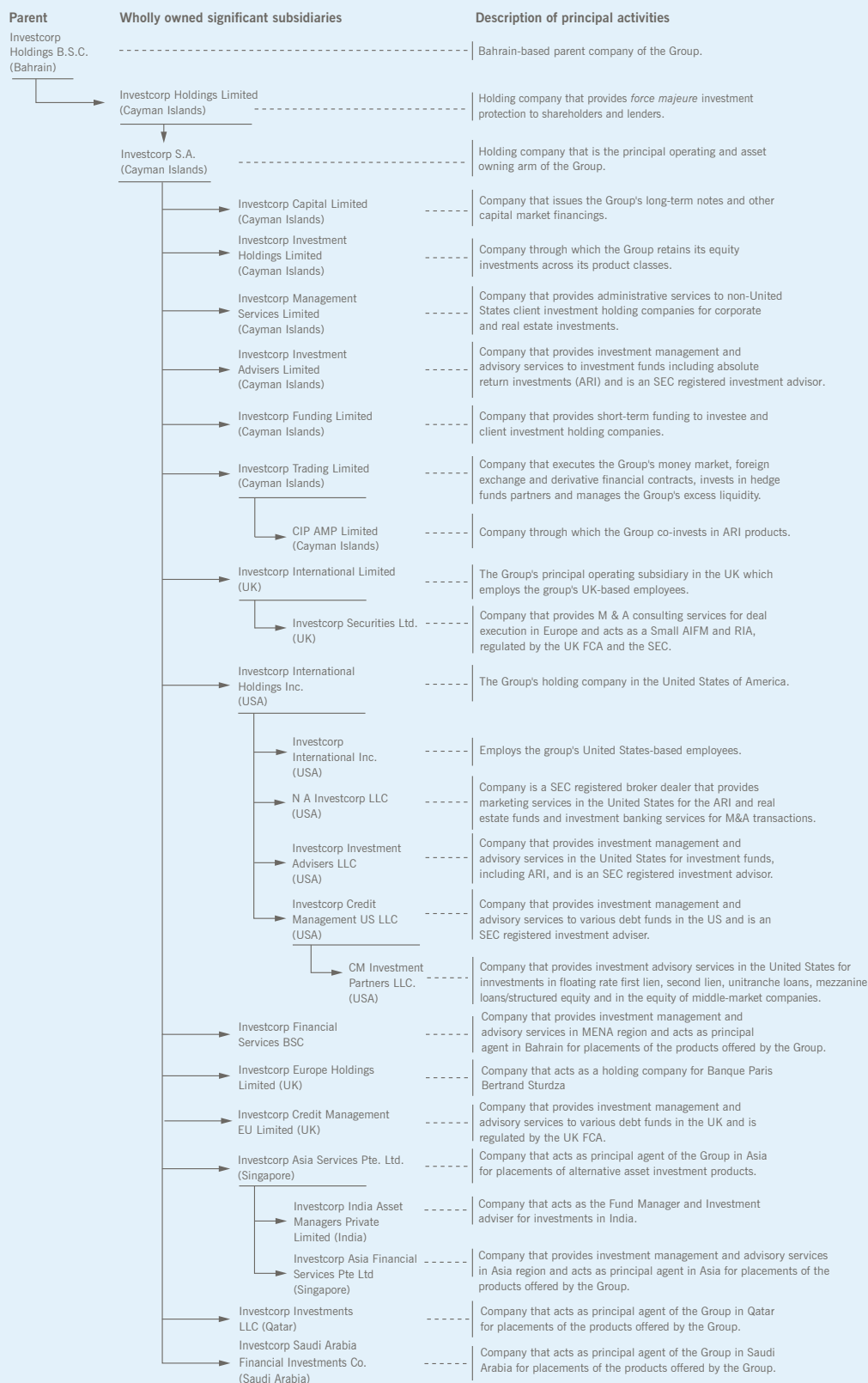
* Includes Turkey

** In May 2020, Investcorp entered into a joint venture with Tages Group to which the ARI business was transitioned (Note 3).

June 30, 2020



IHL in turn has a 100% economic and voting interest in Investcorp S.A. (“ISA”), a Cayman Islands holding company. ISA is the principal asset-holding operating entity within the Group and, consistent with covenants contained in the Group’s medium and long-term debt agreements, the Group holds at least 95% of its assets through ISA or subsidiaries that are owned directly or indirectly by ISA. The Group structure along with its significant subsidiaries is illustrated below:



INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

2. ASSETS UNDER MANAGEMENT

The Group's clients participate in products offered under its five investment asset classes. Total assets under management ("AUM") in each product category at the year end are as follows:

\$millions	June 30, 2020				June 30, 2019			
	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Private equity investment								
Closed-end committed funds	1,170	93	144	1,407	996	39	19	1,054
Closed-end invested funds	1,488	58	16	1,562	1,402	77	21	1,500
Deal-by-deal	2,251	269*	143	2,663	2,544	398*	177	3,119
Deal-by-deal underwriting	–	59	16	75	–	52	–	52
Total private equity investment	4,909	479	319	5,707	4,942	566	217	5,725
Credit management investment								
Closed-end invested funds	12,001	294	–	12,295	10,890	322	–	11,212
Closed-end committed funds	491	34	–	525	85	34	–	119
Open-end invested funds	314	10	–	324	258	10	–	268
Warehousing	–	0	–	0	–	5	266	271
Total Credit management investment	12,806	338	–	13,144	11,233	371	266	11,870
Absolute return investments**								
Multi-manager solutions	2,939	28	3	2,970	1,436	29	–	1,465
Hedge funds partnerships	2,479	24	–	2,503	2,110	30	–	2,140
Special opportunities portfolios	564	29	2	595	104	43	–	147
Alternative risk premia	40	–	–	40	38	10	–	48
Total absolute return investments	6,022	81	5	6,108	3,688	112	–	3,800
Real estate investment								
Closed-end committed funds	65	15*	–	80	–	–	–	–
Closed-end invested funds	119	–	–	119	134	–	–	134
Deal-by-deal***	5,134	565	316	6,015	4,820	588	306	5,714
Deal-by-deal underwriting***	–	125	66	191	–	278	–	278
Total real estate investment	5,318	705	382	6,405	4,954	866	306	6,126
Strategic Capital investment								
Closed-end invested funds	87	40	6	133	–	–	–	–
Deal-by-deal	28	–	–	28	–	–	–	–
Total strategic capital investment	115	40	6	161	–	–	–	–
Strategic investments								
Strategic and other investments	–	74	–	74	–	18	–	18
Total strategic investment	–	74	–	74	–	18	–	18
Client balances with trusts	567	–	–	567	576	–	–	576
Total	29,737	1,717	712	32,166	25,393	1,933	789	28,115
Associate's assets under management****	6,000	–	–	6,000	576	–	–	576
Summary by products:								
Closed-end committed funds	1,235	108	144	1,487	996	39	19	1,054
Closed-end invested funds	1,694	98	22	1,814	1,536	77	21	1,634
Credit management funds	12,806	338	–	13,144	11,233	366	–	11,599
Absolute return investments	6,022	81	5	6,108	3,688	112	–	3,800
Deal-by-deal***	7,413	834	459	8,706	7,364	986	483	8,833
Underwriting and warehousing***	–	184	82	266	–	335	266	601
Client monies held in trust	567	–	–	567	576	–	–	576
Strategic and other investments	–	74	–	74	–	18	–	18
Total	29,737	1,717	712	32,166	25,393	1,933	789	28,115
Associate's assets under management****	6,000	–	–	6,000	5,661	–	–	5,661
Summary by asset classes:								
Private equity investment	4,909	479	319	5,707	4,942	566	217	5,725
Credit management investment	12,806	338	–	13,144	11,233	371	266	11,870
Absolute return investments	6,022	81	5	6,108	3,688	112	–	3,800
Real estate investment***	5,318	705	382	6,405	4,954	866	306	6,126
Strategic capital investment	115	40	6	161	–	–	–	–
Client monies held in trust	567	–	–	567	576	–	–	576
Strategic and other investments	–	74	–	74	–	18	–	18
Total	29,737	1,717	712	32,166	25,393	1,933	789	28,115
Associate's assets under management****	6,000	–	–	6,000	5,661	–	–	5,661

* Includes Group's commitment of \$4 million (June 30, 2019: \$4 million) to a private equity deal and \$15 million (June 30, 2019: nil) to a real estate fund.

** Stated at gross value of the underlying exposure. Also, includes \$3.7 billion (June 30, 2019: \$2.9 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM. In May 2020, Investcorp entered into a joint venture with Tages Group through which the ARI business is transferred to the joint venture. During the year, the AUM introduced by Tages Group amounted to \$1.7 billion (June 30 2019: Nil). Further, as at June 30, 2020, the total AUM held through the joint venture amounted to \$6.0 billion (2019: Nil)

*** Real estate investment stated at gross asset value.

**** Represents AUM managed by an associate where Investcorp is entitled to net return based on the proportionate indirect ownership of the associate.

In the above table, all absolute return investments, strategic capital investments, strategic investments and real estate investment exposures and Investcorp's co-investment amounts for private equity investment and certain credit management exposures are stated at current fair values while the other categories are stated at their cost.

Certain of the Group's clients invest their cash with various trusts (the "Trusts"). These Trusts are controlled by an independent third-party trustee, who have appointed a subsidiary of Investcorp for providing management services. The Trusts' balances are invested in highly liquid assets, which have a credit rating no lower than that of Investcorp, or are lent to the Group under a multicurrency term and revolving loan facility.

Client investments with the trusts earn the return generated from the investment of such assets, with a guaranteed minimum return equivalent to inter-bank based market rates.

Trust funds and other clients assets including, affiliates and co-investors, are managed in a fiduciary capacity by the Group. The Group has no entitlement to these assets and clients bear all of the risks and earn a majority of the rewards on their investments, subject to normal management and performance fee arrangements. Accordingly, these assets are not included in the Group's consolidated statement of financial position.

3. BUSINESS COMBINATION

During the year, the Group acquired a majority ownership interest in CM Investment Partners LLC ("CMIP"), a company incorporated in the US. This was achieved through the acquisition of 76% of equity positions in CMIP. CMIP is an investment adviser to CM Finance Inc., a company incorporated in the US, which primarily invests in floating rate first lien, second lien and unitranche loans, but also selectively invests in mezzanine loans/structured equity and in the equity of middle-market companies through warrants and other instruments. The total identifiable net assets of the business as at the date of acquisition were \$5.8 million. Further, goodwill of \$12.9 million was recognized on the acquisition of the business as this transaction will leverage upon the current distribution capabilities in the U.S. and alternative product offerings globally. As of June 30, 2020, the assets under management relating to CMIP amounted to \$270.6 million.

Further, the Group also acquired a majority ownership interest in IVC Titan Acquisition LLC ("Titan"), a company incorporated in the US, through the acquisition of 80% of equity positions in Titan. Titan is a multifamily real estate investment manager with a full service property management affiliate. Titan manages investments throughout the Southeast, Northeast, Midwest and Texas. The total identifiable net assets of the business as at the date of acquisition were \$0.2 million. Further, provisional goodwill of \$2.3 million was recognized on the acquisition of the business.

CMIP and Titan are consolidated with Investcorp Group. The non-controlling interests in the consolidated financial statements represents the remaining 24% of equity position in CMIP and 20% of equity position in Titan.

During the year, Investcorp entered into a 50/50 joint venture agreement with Tages Group, a leading European alternative asset management firm. The new joint venture is named Investcorp-Tages Limited (the "JV") and has been structured as a standalone entity which will manage the absolute return investments of the combined entities. The Group's management believes that the JV will be able to better serve the evolving needs of more globally diversified investors for absolute return investments with a broader array of products across strategies and geographies with an expanded footprint and deeper bench of talent. As of June 30, 2020, the assets under management relating to Joint venture amounted to \$6.1 billion. The investment in JV is carried at fair value.

4. SEGMENT REPORTING

A. REPORTING SEGMENTS

The business segments reported are based on the two primary reporting segments into which the Group classifies its activities.

(i) Fee Business

The Group acts as an intermediary by acquiring, managing and realizing investments for institutional and high net worth clients. The Group operates through centers in the Arabian Gulf, the US, Europe, India and Singapore. The Group's clients primarily include institutional and high net worth clients in Arabian Gulf states and institutional investors in the United States, Europe and Asia. Fee income is earned throughout the life cycle of investments by providing intermediary services to clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

(ii) Co-investment Business

The Group co-invests along with its clients in the investment products it offers to clients. Income from these co-investments in private equity investment deals, absolute return investments, real estate investment deals, strategic capital investment and credit management investment deals are earned during the life cycle of the investments either in form of fair value changes or cash flows in form of dividends, interest and rental yields.

B. ASSET CLASSES AND PRODUCTS

The Group classifies its two primary reporting segments further on the basis of asset classes and products:

Asset Classes	Products
(1) Private equity investment	– Deal by deal offerings – Closed-end fund(s)
(2) Credit management investment	– Open-end fund(s) – Closed-end fund(s)
(3) Absolute return investments	– Multi-manager solutions – Hedge fund partnerships – Alternative risk premia – Special opportunities portfolios
(4) Real estate investment	– Deal by deal offerings – Closed-end fund(s)
5) Strategic capital investments	– Closed-end fund(s)

The asset classes, together with their related product offerings, are described in further detail below:

(i) Private equity Investment (PE)

The PE teams are based in London, New York, the Kingdom of Bahrain, Singapore and India. The PE teams based in London and New York arrange private equity investments in mid-size companies, in North America and Western Europe, with a strong track record and potential for growth. The PE team based in the Kingdom of Bahrain and India primarily looks at growth capital investments in the wider MENA region (including Turkey) and India respectively. The PE team in Singapore will start looking into opportunities in Asian markets once fully operational. These PE investments are placed primarily on a deal-by-deal basis and are also offered through conventional fund structures to investors. The Group retains a small portion as a co-investment.

(ii) Credit Management Investment (CM)

The CM teams are based in London and New York. The teams primarily manage Investcorp's CM business which includes proprietary co-investments as well as client assets under management. The CM teams' business activity comprises of launching and managing of CLO funds in North America and Europe with an approximate size of each fund of US\$500 million / €400 million and development and management of other debt funds that invest in debt of companies in North America and Europe. The business aims to achieve consistent outperformance against market returns for debt investors through active and diversified portfolio management.

(iii) Real Estate Investment (RE)

The RE teams are based in New York, London and India. The RE teams in North America and Europe arrange investments in properties with strong cash flows and/or potential for attractive capital gains over a three to five year holding period. Several properties are assembled into diversified portfolios that are then placed with the Group's investor base in the Arabian Gulf states and United States, with the Group retaining a small portion as a co-investment. Further, the Group also provides its investor base with mezzanine investment opportunities through fund structures, with the Group retaining a small portion as a co-investment. The RE India business currently has two active funds. The funds provide structured senior credit within the residential real estate sector.

(iv) Strategic capital Investment (SC)

The Group is executing an investment strategy, through a fund structure, focused on acquiring minority interests in alternative asset managers, particularly GPs who manage longer-duration private capital strategies (e.g. private equity,

private credit, real estate). Through the New York-based team, the Group focuses on GPs with strong track records, exceptional teams, and attractive growth prospects.

(v) Absolute Return Investments (ARI)

Prior to transitioning into a JV structure during the year, the ARI team, primarily operating from New York, managed Investcorp's ARI business which included proprietary co-investments as well as client assets under management. During the year, the ARI business was transitioned to the JV (Note 3). The JV now primarily operates out of New York and London. The ARI business continues to comprise of managing investments in multi-manager solutions, special opportunities portfolios, alternative risk premia funds and hedge fund partnership products. The business aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other asset classes, through a diversified portfolio of investments.

C. REVENUE GENERATION

(i) Fee income

There are several components of fees that are earned from providing intermediary services to clients and investee companies.

AUM fees

AUM fees consist of:

- management, administrative and recurring consulting fees earned on PE, RE and SC investments from client's investment holding companies, investee companies and closed-end funds;
- management, performance and other fees earned on CM assets under management;
- management, performance and other fees earned on ARI assets under management before the transition of the ARI business to the JV (Note 3); and
- fee paid by the ARI JV for services provided by Investcorp Group.

Deal fees

Deal fees are comprised of activity fees and performance fees on PE, RE and SC investments.

Activity fees comprise fees earned by the Group from investee companies in connection with new PE or RE acquisitions. This also includes part of the placement fees earned by the Group from clients at the time of placing a new investment with them (usually as a percentage of the total subscription from a client), and ancillary fees that are earned from investee companies for providing consulting services.

Performance fees on PE and RE deals are calculated as a portion of the gain earned by clients on investments that exceed a specified hurdle performance/rate.

(ii) Asset based income

This includes realized as well as unrealized gains and losses on investments which are measured at Fair Value Through Profit or Loss ("FVTPL"), interest on all debt instruments, rental income distributions from RE co-investments and impairment on all debt instruments classified as Fair Value Through other comprehensive income ("FVOCI") or held at amortized cost.

All other income that is common to the Group (such as income arising from the deployment of the Group's excess liquidity and interest earned on other advances) is classified as treasury and other income.

D. SEGREGATION OF ASSETS

Assets directly attributable to the Co-investment Business are primarily in the form of co-investments by the Group in each asset class, and any associated working capital items. All other assets, including cash and receivables, are recorded under the Fee Business.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

E. ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

Total equity allocated to the Fee Business is determined by the amount of economic capital needed to support ongoing underwriting activity and associated working capital requirements. The remaining amount of total equity is allocated to the Co-investment Business. Revaluation reserves and other components of equity are allocated to the relevant reporting segment on the basis of the asset or liability to which they relate.

Having determined the assets directly attributable to each reporting segment, and the economic capital requirements, the Group allocates liabilities (debt funding) to each reporting segment based on the relative maturity profile of the segment's assets. Long term debt including loans secured by co-investments in CM are allocated to the Co-investment Business to the extent possible with the residual being allocated to Fee Business. Short term financing, medium term debt, other associated working capital and the fair value of derivatives are allocated to the Fee Business. The allocation of liabilities determined above, in turn, drives the allocation of interest expense for each reporting segment.

F. ALLOCATION OF OPERATING EXPENSES

A portion of the operating expenses for the Co-investment Business are allocated using a fixed rate charge on the aggregate co-investments, excluding underwriting, at the beginning and middle of the year. There is an additional potential expense for the co-investment business in the form of incentive payments if the net asset based income from the Co-investment Business exceeds a certain hurdle. All residual operating expenses are allocated to the Fee Business.

G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS

The consolidated statements of profit or loss by reporting segments are as follows:

\$millions	2020	2019
FEE BUSINESS		
AUM fees		
Private equity investment	76	97
Credit management investment	55	50
Absolute return investments	14	13
Real estate investment	22	21
Strategic capital investment	3	–
Total AUM fees	170	181
Deal fees		
Private equity investment	57	127
Credit management investment	0	1
Absolute return investments	–	–
Real estate investment	61	67
Total deal fees	118	195
Asset based income		
Strategic investments	(27)	5
Treasury and other income	9	13
Total asset based (loss) income	(18)	18
Gross income attributable to fee business (a)	270	394
Provisions for impairment	(26)	(4)
Interest expense (b)	(12)	(12)
Operating expenses attributable to fee business (c)*	(270)	(262)
FEE BUSINESS (LOSS) PROFIT (d)	(38)	116
CO-INVESTMENT BUSINESS		
Asset-based income		
Private equity investment	(96)	12
Credit management investment	(22)	22
Absolute return investments	(5)	8
Real estate investment	31	29

Gross (loss) income attributable to co-investment business (e)	(92)	71
Interest expense (f)	(28)	(39)
Operating expenses attributable to co-investment business (g)*	(7)	(17)
CO-INVESTMENT BUSINESS (LOSS) PROFIT (h)	(127)	15
(LOSS) PROFIT FOR THE YEAR (d) + (h)	(165)	131
Gross operating income (a) + (e)	178	465
Gross operating expenses (c) + (g)	(277)	(279)
Interest expense (b) + (f)	(40)	(51)

* Including income tax expense.

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues during the year (2019: nil).

\$118.3 million (2019: \$166.9 million) of deal fees relates to activity fees and (\$0.8) million of net performance fee reversal was recognized during the year (2019: \$27.8 million).

Treasury and other income includes \$10.6 million (2019: \$11.5 million) of interest income. CM asset based income includes \$18.0 million (2019: \$26.5 million) of interest income.

None of the Group's customers have generated ten percent or more of the Group's total revenues reported above.

All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues and cashflows by region has not been presented. Notes 11, 12, 14 and 27 (iv) present the geographical split of assets and off-balance sheet items.

The cashflows generated from the business segments and asset classes have been presented under the operating activities in the cashflow statement, as these arose in the normal course of the business.

The consolidated statements of financial position by reporting segments are as follows:

	June 30, 2020		
	Co-investment Business	Fee Business	Total
\$millions			
Assets			
Cash, placements and other liquid assets	–	309	309
Positive fair value of derivatives	–	45	45
Receivables and prepayments	49	236	285
Advances	–	158	158
Underwritten and warehoused investments	–	192	192
Co-investments			
Private equity investment	339	–	339
Credit management investment	317	–	317
Absolute return investments	81	–	81
Real estate investment	71	–	71
Strategic capital investment	2	–	2
Strategic investments and intangible assets	47	142	189
Premises, equipment and other assets	–	135	135
Total assets	906	1,217	2,123

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

	June 30, 2020		
	Co- investment Business	Fee Business	Total
\$millions			
Liabilities and Equity			
Liabilities			
Payables and accrued expenses	5	181	186
Negative fair value of derivatives	–	26	26
Financing	335	646	981
Deferred fees	–	62	62
Total liabilities	340	915	1,255
Total equity	566	302	868
Total liabilities and equity	906	1,217	2,123

	June 30, 2019		
	Co- investment Business	Fee Business	Total
\$millions			
Assets			
Cash, placements and other liquid assets	–	390	390
Positive fair value of derivatives	–	44	44
Receivables and prepayments	100	264	364
Advances	–	82	82
Underwritten and warehoused investments	–	334	334
Co-investments			
Private equity investment	491	–	491
Credit management investment	332	–	332
Absolute return investments	112	–	112
Real estate investment	68	–	68
Strategic investments and intangible assets	14	93	107
Premises, equipment and other assets	–	37	37
Total assets	1,117	1,244	2,361
Liabilities and Equity			
Liabilities			
Payables and accrued expenses	18	223	241
Negative fair value of derivatives	–	23	23
Financing	396	493	889
Deferred fees	–	63	63
Total liabilities	414	802	1,216
Total equity	703	442	1,145
Total liabilities and equity	1,117	1,244	2,361

5. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows categories of the Group's financial assets and financial liabilities at the year end.

	June 30, 2020				
\$millions	FVTPL Investments	FVOCI Investments	Items at amortized cost	Derivatives	Total
Financial assets					
Cash, placements and other liquid assets	132	–	177	–	309
Positive fair value of derivatives	–	–	–	45	45
Receivables	–	–	242	–	242
Advances	–	–	158	–	158
Underwritten and warehoused investments	192	–	–	–	192
Co-investments					
Private equity investment	303	36	–	–	339
Credit management investment	1	179	137	–	317
Absolute return investments	75	6	–	–	81
Real estate investment	41	30	0	–	71
Strategic capital investments	–	2	–	–	2
Strategic Investments	72	46	–	–	118
Total financial assets	816	299	714	45	1,874
Non-financial assets					
Prepayments					43
Premises, equipment and other assets					135
Intangible assets					71
Total assets					2,123
Financial liabilities					
Payables and accrued expenses	–	–	186	–	186
Negative fair value of derivatives	–	–	–	26	26
Financing*	–	–	981	–	981
Total financial liabilities	–	–	1,167	26	1,193
Non-financial liabilities					
Deferred fees					62
Total liabilities					1,255

* Adjusted for related fair value hedges.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

June 30, 2019

\$millions	FVTPL Investments	FVOCI Investments	Items at amortized cost	Derivatives	Total
Financial assets					
Cash, placements and other liquid assets	0	–	390	–	390
Positive fair value of derivatives	–	–	–	44	44
Receivables	–	–	325	–	325
Advances	–	–	82	–	82
Underwritten and warehoused investments	334	0	–	–	334
Co-investments					
Private equity investment	477	14	–	–	491
Credit management investment	16	133	183	–	332
Absolute return investments	104	8	–	–	112
Real estate investment	64	4	–	–	68
Strategic investments	38	14	–	–	52
Total financial assets	1,033	173	980	44	2,230
Non-financial assets					
Prepayments					39
Premises, equipment and other assets					37
Intangible assets					55
Total assets					2,361
Financial liabilities					
Payables and accrued expenses	–	–	241	–	241
Negative fair value of derivatives	–	–	–	23	23
Financing*	–	–	889	–	889
Total financial liabilities	–	–	1,130	23	1,153
Non-financial liabilities					
Deferred fees					63
Total liabilities					1,216

* Adjusted for related fair value hedges.

6. OPERATING EXPENSES

\$millions	2020	2019
Staff compensation and benefits	164	174
Other personnel and compensation charges	18	14
Professional fees	35	25
Travel and business development	9	12
Administration and research	18	18
Technology and communication	9	8
Premises and depreciation expense	22	17
Total	275	268

7. INCOME TAX

The Group's current tax expense and deferred tax expense amounts to \$1.9 million (2019: \$9 million) and \$0.1 million (2019: \$2 million) respectively. The current tax liability amounts to \$2 million (June 30, 2019: \$5 million). The deferred tax asset amounts to \$10.5 million (June 30, 2019: \$10.6 million) as shown in Note 8. The deferred tax asset relates to an excess of depreciation over capital allowances amounting to \$1.4 million (June 30, 2019: \$2.6 million), losses available for offset against future taxable income and other intangibles amounting to \$2.0 million (June 30, 2019: \$1.1 million) and deferred compensation amounting to \$7.1 million (June 30, 2019: \$6.9 million).

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities in their respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits.

The effective tax rates for the Group's significant subsidiaries operating in the following tax based jurisdictions are as follows:

	2020	2019
United States	21%	31%
United Kingdom	19%	20%
Kingdom of Saudi Arabia	20%	20%
India	36%	36%
Qatar	10%	10%

8. RECEIVABLES AND PREPAYMENTS

\$millions	June 30, 2020	June 30, 2019
Subscriptions receivable	111	146
Receivables from investee and holding companies	88	98
Investment disposal proceeds receivable	29	81
Accrued interest receivable	6	7
Prepaid expenses	32	28
Deferred tax asset (see Note 7)	11	11
Other receivables	11	6
	288	377
Provisions for impairment (see Note 18)	(3)	(13)
Total	285	364

Receivables arise largely from subscriptions by clients to the Group's investment products, fees earned in respect of the Group's investment management, investment performance and other transactional services, interest accruals on advances and proceeds due from investment disposals.

Subscriptions receivable represent amounts due from clients for participation in the Group's deal by deal investment products. These arise in the normal course of the Group's placement activities and are recorded when clients sign a binding agreement confirming their participation in an investment offering. These are typically collected over the short-term, and, in the interim period prior to receipt of cash, are collateralized by clients' other investment assets with Investcorp.

Receivables from investee and holding companies include fees and other receivables, which are due from investee companies and performance fee receivables from holding companies accrued on client assets under management.

Investment disposal proceeds receivable includes proceeds due from contracted disposals of private equity investments and real estate investments. They also include redemption proceeds receivable from underlying investment managers relating to the Group's ARI co-investments.

Accrued interest receivable represents interest receivable on placements with financial institutions.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

9. ADVANCES

	June 30, 2020	June 30, 2019
\$millions		
Advances to investment holding companies	97	81
Advances to employee investment programs	3	16
Advances to PE closed-end funds	64	3
	164	100
Provisions for impairment (see Note 18)	(6)	(18)
Total	158	82

Advances to investment holding companies arise largely as a result of the Group extending working capital advances to companies established for client participation in the Group's investment products. These advances carry interest at market rates.

Advances to employee investment programs represent the amounts advanced by the Group on behalf of employees in connection with their co-investment in the Group's investment products. These advances carry interest at benchmark interbank rates plus a margin, and are collateralized by the underlying investments, resulting in a low risk to the Group.

Advances to the PE closed-end funds represent amounts invested on behalf of the Group's clients in the acquisitions and expenses of the funds in the interim period prior to receipt of the associated capital call from clients.

The advances, in management's opinion, represent a low risk to the Group.

10. UNDERWRITTEN AND WAREHOUSED INVESTMENTS

	June 30, 2020					June 30, 2019				
	North America	Europe	MENA	India	Total	North America	Europe	MENA	India	Total
\$millions										
Underwritten investments										
Private equity investment:										
Industrial/ Business Services	–	–	–	–	–	36	–	–	–	36
Consumer products	–	–	–	–	–	15	–	–	–	15
Industrial Products	0	–	–	–	0	–	–	–	–	–
Distribution	43	–	–	–	43	–	–	–	–	–
Security	–	0	–	–	0	–	–	–	–	–
Consumer services	–	–	–	16	16	–	–	–	–	–
Total private equity investment	43	0	–	16	59	51	–	–	–	51
Real estate investment:										
Core/Core Plus	92	32	–	–	124	236	42	–	–	278
Total real estate investment	92	32	–	–	124	236	42	–	–	278
Strategic capital investment:										
Business Services	9	–	–	–	9	–	–	–	–	–
Total strategic capital investment	9	–	–	–	9	–	–	–	–	–
Warehoused investments										
Credit management Investments										
CLO Investments	–	–	–	–	–	5	–	–	–	5
Total credit management investment	–	–	–	–	–	5	–	–	–	5
Total	144	32	–	16	192	292	42	–	–	334

At the time the Group acquires an investment it earmarks a significant portion of each investment for placement with investors and classifies this as an underwritten and warehoused investment. These investments are placed with the investors over the underwriting period which typically can take up to 6 months.

The Group's current underwritten investment balances are classified as FVTPL.

11. PRIVATE EQUITY CO-INVESTMENTS

\$millions	June 30, 2020	June 30, 2019
PE co-investments - target retention	305	491
PE co-investments - available for sale	34	-
Total	339	491

PE co-investments – target retention represents co-investments on which the Group targets to earn income in form of fair value changes or dividend cashflows throughout the AUM period as per the business model.

The Group has also earmarked a portion of certain PE co-investments for sale to investors and clients. This portion is classified as available for sale as the Group intends to realize these investments in the short to medium term.

The Group's PE co-investments are carried at fair value.

	June 30, 2020					June 30, 2019				
\$millions	North America	Europe	MENA*	Asia**	Total	North America	Europe	MENA*	Asia	Total
Consumer Products	6	23	28	–	57	57	32	24	–	113
Consumer Services	–	–	4	1	5	–	–	5	–	5
Distribution	3	–	–	–	3	–	–	–	–	–
Healthcare	6	12	73	1	92	7	49	83	–	139
Industrial Products	–	3	–	–	3	7	7	–	–	14
Industrial/ Business Services	58	9	51	–	118	44	8	61	–	113
Telecom**	–	–	–	–	–	91	–	–	–	91
Big Data	1	11	–	4	16	1	9	–	4	14
Internet/Mobility	–	2	1	–	3	–	–	1	–	1
Security	–	8	–	–	8	–	1	–	–	1
Total target retention	74	68	157	6	305	207	106	174	4	491
Industrial/ Business Services	13	8	–	–	21	–	–	–	–	–
Healthcare	13	–	–	–	13	–	–	–	–	–
Total available for sale	26	8	–	–	34	–	–	–	–	–
Total PE Coinvestments	100	76	157	6	339	207	106	174	4	491

* Including Turkey.

** Represents co-investments in China and India

The fair value of unquoted co-investments is determined wherever possible using valuations implied by material financing events for the specific investment in question that involve third party capital providers operating at arms' length. An example of a material event would be where a sale is imminent and credible bids have been received from third parties or valuations have been received from banks engaged in the sale process. In these cases, the fair value would be established with reference to the range of bids received and based on management's assessment of the most likely realization value within that range. Another example of a material event would be where an arm's length financing transaction has occurred recently that is (a) material in nature, (b) involves third parties, and (c) attaches an implicit value to the company. In the event that such a recent third-party measure of specific fair value for an individual investment is not available, the fair value is determined by using a multiples-based approach applied to the most recent and relevant operating performance metric of the underlying company, typically EBITDA and sometimes sales. The multiple used is taken from a universe of comparable publicly listed companies, recent M&A transactions involving comparable companies, and multiples implied by Discounted Cash Flow ("DCF") analysis. Management exercises its judgment in choosing the most appropriate multiple, on a consistent basis, from within the universe referred to above.

Of the above, co-investments amounting to \$36 million (June 30, 2019: \$14.0 million) are classified as FVOCI investments. For FVOCI investments, during the year, a loss of \$23.2 million (2019: \$0.4 million) was recognized in other comprehensive income and nil (2019: nil) amount was recycled to retained earnings on derecognition.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

12. CREDIT MANAGEMENT CO-INVESTMENTS

\$millions	June 30, 2020	June 30, 2019
European CLO Investments	220	274
US CLO Investments	71	48
Risk Retention Fund	26	10
Total	317	332

The Group's co-investments in CM investment mainly represents co-investments in collateralized loan obligations (CLOs) managed by the CM team and are classified as FVTPL and FVOCI debt investments, except for certain European positions that are carried at amortised cost.

The Group had invested in a risk retention fund, the purpose of the risk retention fund is to generate income from long term investments in debt instruments including to act as an originator and invest in CLO warehouse first loss tranches and hold a minimum of 5% in CLOs via the equity tranche to meet European risk retention rule for CLOs to be managed by CM business. The interests in the risk retention fund is in the form of profit participating notes which give the Group full rights to the proportionate profits and losses. The investment is classified as FVOCI.

In relation to investments carried at amortised cost and FVOCI, interest income on these debt instruments is recognized using the effective interest rate ("EIR"). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instruments or, when appropriate a shorter period, to the net carrying amount of the debt instruments at the reporting date. The amortised cost of the CLO debt instrument will be adjusted if there is a revision in estimates of projected cashflows from the underlying CLO investments. The adjusted amortised cost is calculated based on the original set EIR. The accrual based on EIR and any losses arising from impairment of such investments are included in asset based income in the consolidated statement of profit or loss.

The fair value of CLO co-investments categorized as FVOCI or FVTPL co-investments is determined on the basis of inputs from independent third parties including broker quotes and internal management assessment of the projected cashflows.

Of the above, co-investments amounting to \$179 million (June 30, 2019: \$132.7 million) are classified as FVOCI investments. For FVOCI investments, during the year, a loss of \$16.4 million (2019: \$3.4 million) was recognized in other comprehensive income and nil (2019: nil) amount was recycled to retained earnings on derecognition..

Certain of the Group's CLO co-investments amounting to \$84 million (June 30, 2019: \$84 million) are utilized to secure amounts drawn under repurchase agreements. At June 30, 2020, \$84 million (June 30, 2019: \$84 million) was the outstanding balance from financing under repurchase agreements (See Note 20).

13. ABSOLUTE RETURN INVESTMENTS CO-INVESTMENTS

The Group's ARI co-investments, primarily classified as FVTPL investments, comprise the following:

\$millions	June 30, 2020	June 30, 2019
Multi-manager solutions	28	29
Hedge funds partnerships	24	30
Alternative risk premia	-	10
Special opportunities portfolios	29	43
Total	81	112

The fair value of the Group's ARI co-investments is determined based on the net asset value of the underlying funds as reported by the administrators of these funds. Significant controls are built into the determination of the net asset values of the various investments, including the appointment of third party independent fund administrators, use of separate accounts for increased transparency and an independent verification of the prices of underlying securities through a dedicated operational risk group unit.

The valuations of the Group's ARI co-investments which are classified under Level 3 of the fair value hierarchy (see Note 28) are closely monitored by the Group. Management holds regular discussions with the investment managers and uses pricing which is reflective of the investment's fair value.

Of the above, co-investments amounting to \$5.7 million (June 30, 2019: \$8.0 million) are classified as FVOCI investments. For FVOCI investments, during the year, a loss of \$1.3 million (2019: gain of \$0.2 million) was recognized in other comprehensive income and \$4.8 million (2019: nil) of losses were recycled to retained earnings on derecognition. These investments comprise funds which are not immediately available for redemption due to the liquidity profile of the instruments held by the underlying managers and are classified as Level 3 investments in the fair value hierarchy.

Of the above, co-investments amounting to \$11 million (June 30, 2019: \$23.7 million) are subject to a lock up-period. Such investments are classified as Level 2 investments in the fair value hierarchy.

14. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are carried at fair value.

\$millions Portfolio Type	June 30, 2020				June 30, 2019			
	North America	Europe	India	Total	North America	Europe	India	Total
Core/Core Plus	52	18	1	71	60	7	–	67
Debt	–	–	–	–	0	–	–	0
Opportunistic	–	–	–	–	1	–	–	1
Total	52	18	1	71	61	7	–	68

Those investments that are developed and leased out are fair valued based on the estimated future cash flows from the underlying real estate assets and using prevailing capitalization rates for similar properties in the same geographical area, or DCF analysis.

Debt investments in real estate properties carried at amortised cost amount to nil (June 30, 2019: \$0.1 million).

Investments which are classified as FVOCI investments amounted to \$30.1 million (June 30, 2019: \$4.2 million). For FVOCI investments, during the year, \$1.9 million (2019: \$3.7 million) of losses were recognized in other comprehensive income and \$6.5 million (2019: nil) of losses were recycled to retained earnings on derecognition. All other investments are classified as FVTPL.

15. STRATEGIC CAPITAL CO-INVESTMENTS

The Group has introduced a new asset class during the year called 'Strategic Capital' which has resulted from the launch of a new strategy. The new strategy will target investments in mid-sized managers across different alternative asset classes.

Co-investments for this new asset class are initially recorded at acquisition cost (being the initial fair value) and will be re-measured to fair value at each reporting date, with resulting unrealized gains or losses being recorded as fair value changes in other comprehensive income.

Valuation techniques for measuring the fair value of the strategic co-investments are similar to techniques used for valuations of private equity co-investments of the Group. The Group's current strategic capital co-investments were located in United States.

The current strategic capital co-investments are carried at FVOCI. During the year, a gain of \$0.2 million (2019: nil) was recognized in other comprehensive income and nil (2019: nil) amount was recycled to retained earnings on derecognition.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

16. STRATEGIC INVESTMENTS AND INTANGIBLE ASSETS

\$millions	June 30, 2020	June 30, 2019
Investment in associates	41	38
Investment in joint ventures	3	–
Intangible assets	71	55
Other strategic investments	74	14
Total	189	107

16(A) INVESTMENT IN ASSOCIATES

During the year ended June 30, 2019, the Group acquired a 46.51% indirect ownership stake in the ordinary shares of Banque Pâris Bertrand, a private bank based in Geneva and Luxembourg which provides investment advisory services and customized investment solutions to high net-worth individuals, family offices and institutional clients mainly from Switzerland and Europe.

This investment is designated at fair value through profit and loss. Investment in an associate is initially recorded at acquisition cost (being the initial fair value) and is re-measured to fair value at each reporting date, with the resulting unrealized gains or losses being recorded as fair value changes in the consolidated statement of profit or loss. The fair value of investment in associate is determined by using a multiples-based approach applied to the most recent performance metric (typically EBITDA or AUM) of the underlying company.

The Group has no further commitments towards the associate and there are no restrictions on any fund flows of the associate.

16(B) INVESTMENT IN JOINT VENTURES

During the year, the Group invested \$2.7 million to form a joint venture with Tages Group, a leading European alternative investment manager. The Group's management believes that the joint venture would establish a mutually beneficial construct that would best position the Group's absolute return business ("ARI") for future growth.

The Group has no further commitments towards the joint ventures and there are no restrictions on any fund flows of the joint ventures.

16(C) INTANGIBLE ASSETS

\$millions	June 30, 2020	June 30, 2019
Management Contracts	5	5
Goodwill	66	50
Total	71	55

Intangible assets were primarily recognized on the acquisition of the credit management business acquired through business combination.

Management contracts represent the right to manage European and US CLOs and new management contracts acquired on the acquisition of CMIP. The contracts have a useful life of 5 years from the date of acquisition and are amortized accordingly.

The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on-balance sheet is impaired. No impairment was recognized in 2020 as the result of the goodwill impairment assessment. A discount rate of 14.5% was applied to the cash flow projections used in the impairment analysis. An increase/decrease of 1% in the discount rate would not result in the impairment of the goodwill.

The movement in intangible assets is set out in the below table:

\$millions	Goodwill	Management Contracts	Total
Balance at July 1, 2018	49	6	55
Additions during the year	1	–	1
Amortization during the year	–	(1)	(1)
Balance at June 30, 2019	50	5	55
Additions during the year (Note 3)	16	2	18
Amortization during the year	–	(2)	(2)
Balance at June 30, 2020	66	5	71

16(D) OTHER STRATEGIC INVESTMENTS

Other strategic investments represent the following types of investments of the Group:

1. Investments made for strategic reasons; and
2. Instruments obtained on disposal of exited investments.

Strategic investments in equity instruments are held primarily as FVOCI investments. For FVOCI investments, during the year, nil (2019: \$0.5 million) amount of dividend income was recognized in the consolidated statement of profit or loss and \$0.7 million (2019: \$3.5 million) of losses were recognized in other comprehensive income. During the year, \$4.8 million (2019: nil) of losses were recycled to retained earnings on derecognition.

Valuation techniques for measuring the fair value of other strategic investments are the same as those used for PE co-investments.

17. PREMISES, EQUIPMENT AND OTHER ASSETS

\$millions	June 30, 2020	June 30, 2019
Premises, equipment and other assets	36	37
Right-of-use assets	99	–
Total	135	37

On adoption of IFRS 16, the Group recognized right-of-use assets of \$106 million. The Group recognizes right of use of assets at the commencement date of the lease of office premises. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term. During the year, the Group has recognised a depreciation expense of \$8.7 million on its right of use assets.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

18. PROVISIONS FOR IMPAIRMENT

Impairment provisions are as follows:

\$millions Categories	Balance At beginning	Charge	Write-off	At end*
12 months to June 30, 2020				
Receivables (Note 8)	13	5	(15)	3
Advances (Note 9)	18	21	(33)	6
Co-investments – debt	1	–	–	1
Cash, placements and other liquid assets	0	–	–	0
Total	32	26	(48)	10

* Of the total provision, \$2.1 million relates to stage 1, \$2 million relates to stage 2 and \$5.7 million relates to stage 3 assets. Of the stage 1 and 2 provision, \$3.3 million relates to advances. During the year, there was a movement in loss allowance of \$1.4 million from stage 2 to stage 3 assets.

\$millions Categories	Balance At beginning	Charge	Write-off	At end*
12 months to June 30, 2019				
Receivables (Note 8)	12	1	–	13
Advances (Note 9)	15	3	–	18
Co-investments – debt	1	–	–	1
Cash, placements and other liquid assets	0	–	–	0
Total	28	4	–	32

* Of the total provision, \$1.5 million relates to stage 1, \$2.6 million relates to stage 2 and \$24.3 million relates to stage 3 assets. Of the stage 1 and 2 provision, \$2.7 million relates to advances. During the year, there was a movement in loss allowance of \$0.2 million from stage 1 to stage 2 assets.

19. PAYABLES AND ACCRUED EXPENSES

\$millions	June 30, 2020	June 30, 2019
Unfunded deal acquisitions	38	13
Vendor and other payables	90	132
Accrued expenses - employee compensation	48	83
Tax liability	5	7
Accrued interest payable	5	6
Total	186	241

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed but have not been funded as of the year end.

Accrued expenses for employee compensation primarily consists of the incentive and retention component of the Group's overall employee related costs.

20. FINANCING

Amounts outstanding represent the drawn portion of the following medium-term revolvers and long-term funded facilities:

		June 30, 2020		June 30, 2019	
\$millions	Final Maturity	Facility Size	Current outstanding	Facility Size	Current outstanding
SHORT-TERM FINANCING					
Call, term and institutional accounts	Call		–		375
Multi currency term and revolving loan	Call		261		–
TOTAL SHORT-TERM FINANCING			261		375
MEDIUM-TERM DEBT					
REVOLVING CREDIT					
Multi currency syndicated revolving facility	June 2023*	82*	–	436	–
Multi currency syndicated revolving facility	June 2024*	352*	100	–	–
US Dollar syndicated revolving facility	March 2024	350	–	250	–
TOTAL MEDIUM-TERM DEBT			100		–
LONG-TERM DEBT					
PRIVATE NOTES					
JPY 37 Billion Private Placement	March 2030		332		332
\$50 Million Private Placement	July 2032		50		50
SECURED FINANCING					
Repurchase agreement	October 2030		20		20
Repurchase agreement	April 2031		22		22
Repurchase agreement	October 2031		21		21
Repurchase agreement	July 2031		21		21
TOTAL LONG-TERM DEBT			466		466
LEASE LIABILITY			109		–
Foreign exchange translation adjustments			8		10
Fair value adjustments relating to interest rate hedges			52		45
Transaction costs of borrowings			(15)		(7)
TOTAL FINANCING			981		889

* During July 2020, the facility maturity was extended (refer Medium term facilities below)

Short term financing

As disclosed in note 1, the Parent converted from a wholesale bank into a holding company. As a result, the Parent transferred out its balances maintained under call, term and institutional accounts of clients to various trusts (the "Trusts") controlled by an independent third party trustee, who have appointed a subsidiary of Investcorp for providing management services except for a small portion of call accounts which has been maintained in a separate bank account with the approval of the CBB. This portion is now presented within other payables. Further, call, term and institutional accounts were presented separately on the consolidated statement of financial position as of June 30, 2019.

During the year, the Group signed a multicurrency term and revolving loan facility with the Trusts. As per the terms, Investcorp Group can drawdown the entire balance available in the Trust. The balance available in Trust may vary from time to time and hence the balance available to Investcorp Group will also accordingly change. The amount drawdown under this facility is repayable on demand. As of June 30, 2020, the undrawn balance from Trusts amounted to \$233 million.

Medium term facilities

All medium-term facilities, carry floating rates of interest when drawn. Revolvers carry a fixed rate of commitment fees when undrawn. The syndicated revolving facilities are subject to certain customary covenants, including maintaining certain minimum levels of net worth and operating below maximum leverage ratios.

During the year, the Group has amended and extended one of the revolving credit facilities maturing in December 2020 resulting in an increase in facility size from \$250 million to \$350 million and extended maturity to March 2024.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

Also in July 2020, the Group amended and extended the other revolving credit facility of \$436 million maturing in March 2023 to a credit facility of \$82 million maturing in June 2023 and a credit facility of \$352 million maturing in June 2024.

Medium term facilities are all floating rate instruments with average margin over LIBOR of 275 basis points.

Private Notes

Long-term notes issued by the Group carry fixed rates of interest and are governed by covenants contained in the relevant agreements. Such covenants include maintaining certain minimum levels of net worth and operating below a maximum leverage ratio. The private notes are fixed rate instruments, However through hedging the Group incurs a floating rate interest cost on these notes with margins over LIBOR of 100 basis points to 265 basis points.

Secured Financing

Secured financing relates to financing obtained under repurchase transaction arrangements entered into by the Group, with underlying assets being CLO co-investment exposures in Europe. The financings carry variable rates of interest. Each financing arrangement has a specified repurchase date at which the Group will repurchase the underlying CLO asset at a pre-determined repurchase price.

Lease Liabilities

Upon adoption of IFRS 16, the Group has recognized lease liabilities of \$108.1 million, \$7 million of which is classified as payable within the next 12 months with the remainder classified as due for payment after 12 months. This is further explained in Note 31 of the consolidated financial statements. During the year, the Group has recognized a interest expense of US\$ 3.5 million on its lease liabilities.

The Group recognizes lease liabilities at the commencement date of the lease measured at the present value of lease payments to be made over the lease term.

21. DEFERRED FEES

	June 30, 2020	June 30, 2019
\$millions		
Deferred fees relating to placements	60	61
Deferred fees from investee companies	2	2
Total	62	63

Deferred fees relating to placements represent a portion of placement fees received from investors at the time of placement, the recognition of which is deferred to future periods concurrent with the services to be rendered.

During the current financial year, income recognized through amortization of deferred fees amounted to \$29.4 million (2019: \$40.6 million).

22. SHARE CAPITAL AND RESERVES

The Company's share capital at year end is as follows:

	June 30, 2020			June 30, 2019		
	No. of shares	Par value \$	\$millions	No. of shares	Par value \$	\$millions
Authorized share capital						
– Ordinary shares	400,000,000	2.50	1,000	400,000,000	2.50	1,000
– Preference and other shares	1,000,000	1,000	1,000	1,000,000	1,000	1,000
			2,000			2,000
Issued share capital						
– Ordinary shares	80,000,000	2.50	200	80,000,000	2.50	200
– Preference shares	123,239	1,000	123	123,239	1,000	123
			323			323

Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business (see note 27).

Statutory reserve

The Bahrain Commercial Companies Law requires the maintenance of a statutory reserve equal to 50% of the Company's issued and paid up ordinary share capital of \$200 million, which amounts to \$100 million. The reserve is not available for distribution but can be utilized as stipulated by the Bahrain Commercial Companies Law.

Fair value reserve

Certain of the Group's PE, RE, ARI, SC, CM co-investments in equity instruments, strategic investments and certain CM debt instruments have been classified as FVOCI. The gains and losses arising on fair valuation of such investments is recorded in the fair value reserve account. Any gain or loss on realization of such PE, RE, ARI co-investments is recycled directly to retained earnings and any gain or loss on realization of such CM co-investments is recycled to retained earnings through profit or loss.

Treasury shares

7,731,712 (June 30, 2019: 5,603,338) ordinary shares were held as treasury shares, which includes 54,415 shares (June 30, 2019: 63,329 shares) that have been granted to employees as part of deferred remuneration but have not yet started vesting. 839,522 shares (June 30, 2019: 1,058,641 shares) that have been granted to employees and have commenced vesting, but have not fully vested as at June 30, 2020, are not counted as treasury shares.

Preference share capital

The preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carry a floating rate dividend, equal to the benchmark 12-month interbank rate + 9.75% per annum.

These preference shares are callable, at the Company's option, in part or in whole at par plus dividends due up to the call date.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval by the CBB and ordinary shareholders. The preference shares take priority over the Company's ordinary shares for payment of dividends and distribution of assets in the event of a liquidation or dissolution.

23. OTHER RESERVES

Other reserves consist of cash flow hedges and the revaluation reserve of premises and equipment recognized directly in equity.

Movements relating to other reserves are set out below:

\$millions	Cash flow hedges	Revaluation reserve on premises and equipment	Total
Balance at June 30, 2018	(9)	4	(5)
Net realized gain recycled to statement of profit or loss	0	—	0
Net unrealized gain for the year	2	—	2
Transfer of depreciation to retained earnings	—	(0)	(0)
Balance at June 30, 2019	(7)	4	(3)
Net realized loss recycled to statement of profit or loss	2	—	2
Net unrealized loss for the year	(4)	—	(4)
Transfer of depreciation to retained earnings	—	(0)	(0)
Balance at June 30, 2020	(9)	4	(5)

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

24. EARNINGS, BOOK VALUE AND DIVIDENDS PER SHARE

The Group's earnings per share for the year and proposed appropriations are as follows:

	2020	2019
(Loss) profit for the year (\$millions)	(165)	131
Less: Preference shares dividend – proposed (\$millions)	(15)	(16)
(Loss) profit attributable to ordinary shareholders (\$millions)	(180)	115
Weighted average ordinary shares for basic earnings per ordinary share (millions)	70	76
Basic earnings per ordinary share – on weighted average shares (\$)	(2.57)	1.52
Weighted average ordinary shares for fully diluted earnings per ordinary shares (millions)	70	78
Fully diluted earnings per ordinary share – on weighted average diluted shares (\$)	(2.57)	1.47
<i>Proposed appropriations:</i>		
Ordinary shares dividend (\$millions)	7	22
Preference shares dividend (\$millions)	15	16
	22	38

The proposed ordinary share dividend is 10 cents (2019: 30 cents) per share payable only on issued shares (excluding treasury shares), that are held on the date of approval of dividend by the ordinary shareholders.

The proposed preference share dividend of \$15 million (2019: \$15.6 million) represents an annual dividend on issued preference shares.

The book value per ordinary share at the year-end date is calculated by dividing the ordinary shareholders' equity (excluding unrealized changes relating to cash flow hedges, the revaluation reserve and proposed appropriations) by the number of ordinary shares outstanding at year end (taking into account the beneficial interest of management in all acquired unvested shares issued at year end). The fully diluted book value per ordinary share is \$10.07 per share (June 30, 2019: \$13.26 per share).

There was no dilution effect on the earning per share number for the year.

25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's management classifies hedges into two categories: (a) fair value hedges that hedge exposure to changes in fair value of a recognized asset or liability; and (b) cash flow hedges that hedge exposure to variability in cash flows that is attributable to a particular risk associated with either a recognized asset or liability or a forecasted transaction highly probable to occur.

Other derivatives

The Group does not actively engage in proprietary trading activities in derivatives. However, on occasion, the Group may need to undertake certain derivative transactions to mitigate economic risks under its asset-liability management and risk management guidelines that may not qualify for hedge accounting under IAS 39 (e.g. hedging of foreign currency risk on fair valued investments). Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the consolidated statement of profit or loss.

Valuation of derivatives

The Group values the majority of its derivative financial instruments using internal models. The models use market observable inputs including interest rate curves and both forward and spot prices for currencies. Derivative assets and liabilities included in Level 2 (see Note 28) represent interest rate swaps, cross currency swaps, currency forwards and option contracts. For derivatives that are not valued using internal models, the Group's policy is to rely on third party valuations, whilst benchmarking them against observable market data.

The Group's outstanding derivative financial instruments comprise the following:

Description \$millions	June 30, 2020			June 30, 2019		
	Notional value	Positive fair value*	Negative fair value	Notional value	Positive fair value*	Negative fair value
A) DERIVATIVES WHERE HEDGE ACCOUNTING IS APPLIED						
Currency risk being hedged using forward foreign exchange contracts						
i) Fair value hedges						
On balance sheet exposures	332	8	–	341	5	–
ii) Cash flow hedges						
Forecasted transactions	53	1	–	44	0	(0)
Coupon on long-term debt	45	1	–	46	1	–
Total forward foreign exchange contracts	430	10	–	431	6	(0)
Interest rate risk being hedged using interest rate swaps						
i) Fair value hedges – fixed rate debt	431	12	–	437	21	–
ii) Cash flow hedges – floating rate debt	25	–	(6)	25	–	(3)
Total interest rate hedging contracts	456	12	(6)	462	21	(3)
Total hedging derivatives	886	22	(6)	893	27	(3)
B) DERIVATIVES WHERE HEDGE ACCOUNTING IS NOT APPLIED						
Interest rate swaps	200	16	(16)	200	11	(11)
Forward foreign exchange contracts	1,093	4	(4)	1,457	6	(9)
Currency options	33	0	–	–	–	–
Options	57	3	(0)	–	–	–
Total other derivatives	1,383	23	(20)	1,657	17	(20)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS	2,269	45	(26)	2,550	44	(23)

* Net collateral received by the Group amounting to \$80.7 million has been taken against the fair values above (June 30, 2019: \$70.1 million).

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity:

	June 30, 2020				
	Notional amounts by term to maturity				
\$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	332	–	–	–	332
Interest rate swaps	–	–	–	431	431
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	51	47	–	–	98
Interest rate swaps	–	–	–	25	25
Other Derivatives:					
Interest rate swaps	–	–	150	50	200
Forward foreign exchange contracts	1,053	40	–	–	1,093
Cross currency swaps	33	–	–	–	33
Options	33	5	19	–	57
	1,502	92	169	506	2,269

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

June 30, 2019

Notional amounts by term to maturity					
\$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	341	–	–	–	341
Interest rate swaps	–	–	–	437	437
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	61	29	–	–	90
Interest rate swaps	–	–	–	25	25
Other Derivatives:					
Interest rate swaps	100	50	–	50	200
Forward foreign exchange contracts	1,434	23	–	–	1,457
	1,936	102	–	512	2,550

Fair value hedges

Gains arising from fair value hedges during the year ended June 30, 2020 were \$22.6 million (2019: losses of \$28.5 million) while the losses on the hedged items, attributable to interest rate and foreign currency risks, were \$25.1 million (2019: gains of \$30.5 million). These gains and losses are included in treasury and other income or interest expense, as appropriate, in the consolidated statement of profit or loss. Additionally, during the current financial year, there was a loss of \$2.5 million (2019: \$1.9 million) on derivative instruments classified as other derivatives.

Undiscounted cash flows for forecasted items hedged

The Group has hedged the following forecasted cash flows, which primarily relate to interest rate and foreign currency risks. The cash flows from the hedged item impact the consolidated statement of profit or loss in the following periods, assuming no adjustments are made to hedged amounts:

June 30, 2020

\$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Currency risk*					
Coupon on long-term debt	(6)	(6)	(48)	(60)	(120)
Operating expenses	–	(9)	–	–	(9)
Fee income	6	30	–	–	36
Interest rate risk*					
Interest on liabilities	(2)	(2)	(16)	(31)	(51)
	(2)	13	(64)	(91)	(144)

June 30, 2019					
\$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Currency risk*					
Coupon on long-term debt	(6)	(6)	(48)	(72)	(132)
Operating expenses	(6)	(6)	–	–	(12)
Fee income	11	23	–	–	34
Interest rate risk*					
Interest on liabilities	(2)	(2)	(18)	(37)	(59)
	(3)	9	(66)	(109)	(169)

* These forecasted fixed coupon payments have been hedged using interest rate swap derivative contracts as disclosed earlier in this note

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of profit or loss for the year ended June 30, 2020 was a gain of \$1.8 million (2019: loss of \$0.1 million).

26. COMMITMENTS AND CONTINGENT LIABILITIES

\$millions	June 30, 2020	June 30, 2019
Investment commitments to funds and co-investments	155	64
Investment commitments for strategic acquisitions (Note 3)	–	78
Non-cancelable operating leases:		
Up to 1 year	0	10
1 year to 5 years	0	39
Over 5 years	–	49
Total non-cancelable operating leases	0	98
Guarantees and letters of credit issued to third parties	22	21

Investment commitments to funds and co-investments represent the Group's unfunded co-investment commitments to various private equity, absolute return investments, credit management investments and strategic capital investments.

Non-cancelable operating leases as of June 30, 2019 related to the Group's commitments in respect of its New York, London, Riyadh, Abu Dhabi, Singapore, Qatar and India office premises. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised. Before the adoption of IFRS 16, the Group classified each of its leases as an operating lease. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases (except for short-term leases) and has recognized right-of-use assets for these leases. The Group has applied the practical expedient for its short-term leases since the date of initial application of the Standard (refer note 31).

Guarantees and letters of credit issued to third parties include financial guarantees provided to facilitate investee companies' on-going operations and leasing of equipment and facilities.

In addition, the Group has also issued indemnification letters and back stop guarantees in support of performance obligations of operating partners and investee companies in relation to real estate investments, which are covered under the Group's Errors and Omissions insurance policy.

The Group is engaged in litigation cases in various jurisdictions. The litigation cases involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group and accordingly, no provision has been made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

27. RISK MANAGEMENT

Risk management is an integral part of the Group's corporate decision-making process. The Financial and Risk Management Committee (FRMC) oversees the Group's risk management activities, and sets the Group's risk profile on an enterprise wide basis. The FRMC is comprised of members of senior management drawn from all key areas of the Group.

The Group's primary risk management objective is to support its business objectives with sufficient economic capital. The Group employs risk models to determine the capital needed to cover unexpected losses from investment or other risks. This capital amount is known as economic capital. The economic capital requirement for each reporting segment is determined for a one year horizon and subsequently aggregated to determine the total economic capital. This total economic capital is then stress tested under a dynamic VaR approach. The dynamic VaR is calculated by using a five-year planning horizon, a 99% one-tailed confidence level and by recognizing diversification benefits across asset classes.

In addition to determining an adequate economic capital allocation for each reporting segment, the risk management team has developed tools in conjunction with risk management consultants to perform detailed risk analyses that specifically address the investment risks in each individual line of business.

The principal risks associated with the Group's business, and the related risk management processes are explained below:

(i) Counterparty credit risk

The Group is exposed to counterparty credit risk on its short term funds, placements, fair value of derivatives, receivables, advances, debt investments and guarantees. The Group manages counterparty credit risk by setting limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. Counterparty credit risk in respect of derivative financial instruments is limited to those with positive fair values. With respect to the counterparty credit risk exposure arising from other financial assets, the Group has a maximum exposure equal to the carrying value of these instruments. The Group also actively attempts to mitigate counterparty credit risks, where possible, through documented netting and margin arrangements with counterparties, under ISDA and CSA agreements.

The risk management team maintains an overall external rating-based methodology for setting Board approved counterparty limits. For rated counterparties, credit ratings from at least two rating agencies are used for developing counterparty limits. All non-rated counterparties are screened through due diligence and credit analysis prior to the assumption of credit exposures to them by Investcorp. These non-rated counterparties are also categorized under the 'Standard' internal rating for financial reporting purposes.

The table below shows the relationship between the internal rating* and the category of the external rating grades:

Internal Rating	External Rating by S & P and Moody's
High	AAA to A
Standard	A- to B-

* The internal rating is used to determine provisions and impairments for financial reporting purposes.

Internal rating categories are summarized as follows:

High – there is a very high likelihood of the asset being recovered in full and collateral may be available.

Standard – whilst there is a high likelihood that the asset will be recovered and therefore, represents low risk to the Group, the asset may not be collateralized.

Counterparty credit risk exposure is considered as past due when payment is due according to the contractual terms but is not received. During the current and previous year, none of the advances (refer note 9) were restructured.

The table below analyses the Group's maximum counterparty credit risk exposures at year end without taking into account any credit mitigants.

June 30, 2020						
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	
	Stage 1	Stage 2	Stage 3			
	Credit risk rating					
\$millions	High	Standard				
Short-term funds, placements and other liquid assets	227	82	–	–	(0)	309
Positive fair value of derivatives	25	20	–	–	–	45
Receivables	–	135	108	2	(3)	242
Advances	–	158	–	6	(6)	158
Co-investments - debt	–	318	–	–	(1)	317
Guarantees	–	22	–	–	–	22
Total	252	735	108	8	(10)	1,093

June 30, 2019						
	Neither past due nor impaired (a)	Past due but not impaired (b)	Impaired (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	
	Stage 1	Stage 2	Stage 3			
	Credit risk rating					
\$millions	High	Standard				
Short-term funds, placements and other liquid assets	178	212	–	–	(0)	390
Positive fair value of derivatives	20	24	–	–	–	44
Receivables	–	183	143	12	(13)	325
Advances	–	85	–	15	(18)	82
Co-investments - debt	–	333	–	–	(1)	332
Guarantees	–	21	–	–	–	21
Total	198	858	143	27	(32)	1,194

The aging analysis of the past due but not impaired financial assets is given in the table below.

	June 30, 2020	June 30, 2019
\$millions		
Up to 1 month	14	42
> 1 up to 3 months	33	15
> 3 up to 6 months	40	10
> 6 months	21	76
Total	108	143

The financial assets that are past due but not impaired mainly relate to subscriptions receivable from clients. These assets are over-collateralized by all other assets under management on behalf of these clients. The collateral is revalued from time to time in the same manner as the Group's exposure to investments. The fair value of collateral that the Group holds relating to financial assets that are past due but not impaired at June 30, 2020 amounts to \$891.4 million (June 30, 2019: \$827.7 million).

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

The breakdown of provisions by geographical region and industry sector is as follows:

	June 30, 2020	June 30, 2019
\$millions		
Geographical Region		
North America	2	28
Europe	5	1
Other	3	3
Total	10	32

	June 30, 2019	June 30, 2018
\$millions		
Industry Sector		
Banking and Finance	3	7
Consumer products	1	2
Real estate	3	19
Technology and Telecom	1	1
Industrial Services	2	-
Healthcare	0	3
Total	10	32

Securitization

The Group provides fund management services to funds which invest in CLOs and funds which provide syndicated lending to a variety of institutions. The Group also acts as an originator and sponsor for certain CLO investments and co-invests through specific SPVs in the CLO investments. The CLO investments are held within a business model whose objective is to hold and sell assets in order to collect contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on CLO's respective waterfall and priorities of payment. The Group manages its risk relevant to the securitization activity in line with its risk management policies and procedures.

The Group's securitization exposures through the CLOs are in the rated and unrated tranches of the notes and varies from fund to fund. The Group does not hold securitization positions with trading intent or to hedge positions with trading intent. The Group has not established and does not manage any synthetic securitization structures nor does it securitize revolving exposures.

(ii) Credit Risk Measurement**Significant increase in credit risk**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, expert credit assessment and forward-looking information.

As a practical expedient, IFRS 9 provides a low credit risk ('LCR') operational simplification that if a financial instrument has low credit risk i.e. an investment grade credit rating, an entity is allowed to assume at the reporting date that no significant increase in credit risk has occurred.

The Group considers financial instruments with an external rating grade of 'investment grade' as LCR for the short-term liquid asset portfolio.

The receivables and advances of the Group are collateralized by the underlying investments. Hence, the Group considers fair-value movements of such investments and management judgement to assess whether there has been a significant increase in credit risk for its receivables and advances portfolio.

Measurement of ECL

The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). PD represents the likelihood of a borrower defaulting on its financial obligation. EAD is based on the amounts the Group expects to be owed at the time of default. LGD represents the group's expectation of the extent of loss on the exposure.

For the short-term liquid asset portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the period of 12 months, as published by the rating agencies, after adjusting for forward-looking macro-economic information.

For receivables and advances that arise in connection with the PE asset class, PDs are derived using an internal model and adjusted for forward-looking macro-economic information. PDs for receivables and advances of the RE asset class are derived based on internal categorization of the related investment and default rates published by a reputable rating agency adjusted for forward-looking macro-economic information.

For secured assets, LGDs are determined based on factors which impact the recoveries made post default. For unsecured assets, LGDs are based on regulatory guidelines.

The Group writes-off exposures if there is no reasonable expectation of recovery.

(iii) Funding liquidity risk

Funding liquidity risk is the risk that the Group will be unable to fund increases in assets and meet obligations when they fall due, without incurring unacceptable losses. To mitigate this risk, the Group implements a comprehensive liquidity risk management framework, which includes the use of risk limits, monitoring systems and scenario analyses that are incorporated into a contingency funding plan. The framework is subject to Board and senior management oversight. Liquidity management aims to arrange diversified funding sources and maintain comfortable and laddered debt maturities. The Group manages assets with liquidity in mind, and it monitors liquidity on a daily basis.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

The table below summarizes the maturity profile of the Group's assets and liabilities based on expected realizations.

June 30, 2020

\$millions	Up to 3 months	>3 months up to 1 year	Sub-Total up to 1 year	> 1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Non-cash items	Total
Assets								
Financial assets								
Cash, placements and other liquid assets	265	–	265	–	–	44	–	309
Positive fair value of derivatives	5	0	5	0	28	12	–	45
Receivables	167	4	171	71	–	–	–	242
Advances	22	56	78	80	–	–	–	158
Underwritten and warehoused investments	192	–	192	–	–	–	–	192
<i>Co-investments</i>								
Private equity investment	–	–	–	339	–	–	–	339
Credit management investment	7	33	40	112	165	–	–	317
Absolute return investments	23	44	67	14	–	–	–	81
Real Estate Investment	–	–	–	71	–	–	–	71
Strategic capital Investment	–	–	–	2	–	–	–	2
Strategic investments (excluding intangibles)	–	–	–	–	–	118	–	118
Total financial assets	681	137	818	689	193	174	–	1,874
Non-financial assets								
Prepayments	–	–	–	–	–	–	43	43
Premises, equipment and other assets	–	–	–	–	–	–	135	135
Intangibles	–	–	–	–	–	–	71	71
Total assets	681	137	818	689	193	174	249	2,123
Liabilities								
Financial liabilities								
Payables and accrued expenses	169	17	186	–	–	–	–	186
Negative fair value of derivatives	4	0	4	1	6	15	–	26
Financing	64	74	138	248	458	137	–	981
Total financial liabilities	237	91	328	249	464	152	–	1,193
Non-financial liability								
Deferred fees	–	–	–	–	–	–	62	62
Total liabilities	237	91	328	249	464	152	62	1,255
Net gap	444	46	490	440	(271)	22	187	868
Cumulative liquidity gap	444	490	490	930	659	681	868	

June 30, 2019

\$millions	Up to 3 months	>3 months up to 1 year	Sub-Total up to 1 year	>1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Non-cash items	Total
Assets								
Financial assets								
Cash, placements and other liquid assets	380	10	390	–	–	–	–	390
Positive fair value of derivatives	5	–	5	–	1	38	–	44
Receivables	208	10	218	107	–	–	–	325
Advances	12	13	25	57	–	–	–	82
Underwritten and warehoused investments	334	–	334	–	–	–	–	334
Investment in associate	–	–	–	–	–	38	–	38
<i>Co-investments</i>								
Private equity investment	–	73	73	432	–	–	–	505
Credit management investment	6	19	25	132	175	–	–	332
Absolute return investments	27	49	76	36	–	–	–	112
Real Estate Investment	–	–	–	68	–	–	–	68
Total financial assets	972	174	1,146	832	176	76	–	2,230
Non-financial assets								
Prepayments	–	–	–	–	–	–	39	39
Premises, equipment and other assets	–	–	–	–	–	–	37	37
Intangibles	–	–	–	–	–	–	55	55
Total assets	972	174	1,146	832	176	76	131	2,361
Liabilities								
Financial liabilities								
Payables and accrued expenses	162	22	184	18	–	–	–	202
Negative fair value of derivatives	9	–	9	–	3	11	–	23
Financing	159	34	193	217	84	434	–	928
Total financial liabilities	330	56	386	235	87	445	–	1,153
Non-financial liability								
Deferred fees	–	–	–	–	–	–	63	63
Total liabilities	330	56	386	235	87	445	63	1,216
Net gap	642	118	760	597	89	(369)	68	1,145
Cumulative liquidity gap	642	760	760	1,357	1,446	1,077	1,145	

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group relating to its financial liabilities and derivatives upon their respective earliest contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows (i.e. nominal plus interest) determined by using the forward yield curve to calculate future floating rate cash flows for the relevant periods.

June 30, 2020						
\$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Total
Financial liabilities						
Payables and accrued expenses	169	17	–	–	–	186
Financing	273	22	226	515	150	1,186
	442	39	226	515	150	1,372
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,366	41	33	–	–	1,440
Contractual amounts receivable	(1,375)	(41)	(33)	–	–	(1,449)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(4)	(5)	(37)	(42)	(3)	(91)
Commitments	78	7	38	22	10	155
Guarantees	–	–	22	–	–	22
Total undiscounted financial liabilities	507	41	249	495	157	1,449

June 30, 2019						
\$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	>5 years up to 10 years	>10 years up to 20 years	Total
Financial liabilities						
Payables and accrued expenses	162	22	18	–	–	202
Financing	161	55	303	98	493	1,110
	323	77	321	98	493	1,312
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,755	40	–	–	–	1,795
Contractual amounts receivable	(1,756)	(40)	–	–	–	(1,796)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(4)	(4)	(36)	(38)	(8)	(90)
Commitments	120	11	59	35	15	240
Guarantees	–	–	–	21	–	21
Total undiscounted financial liabilities	438	84	344	116	500	1,482

(iv) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's policies and procedures and the broad geographical and industry spread of its activities limit its exposure to any concentration risk. Additionally management has established credit limits for geographic and counterparty exposures, which are regularly monitored.

The distribution of assets and off-balance sheet items by geographical region and industry sector is as follows:

	June 30, 2020			June 30, 2019		
\$millions	Assets exposed to credit risk	Off-balance sheet items exposed to credit risk	Total credit risk exposure	Assets exposed to credit risk	Off-balance sheet items exposed to credit risk	Total credit risk exposure
Geographical Region						
North America	374	22	396	441	21	462
Europe	609	–	609	529	–	529
MENA*	75	–	75	195	–	195
Asia	13	–	13	8	–	8
Total	1,071	22	1,093	1,173	21	1,194

* Including Turkey.

	June 30, 2020			June 30, 2019		
\$millions	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Industry Sector						
Banking and Finance	716	–	716	821	–	821
Distribution	32	–	32	–	–	–
Consumer products	48	22	70	35	21	56
Consumer services	2	–	2	0	–	0
Healthcare	21	–	21	75	–	75
Industrial /business services	32	–	32	31	–	31
Industrial products	14	–	14	14	–	14
Real estate	60	–	60	127	–	127
Technology and Telecom	138	–	138	43	–	43
Others	8	–	8	27	–	27
Total	1,071	22	1,093	1,173	21	1,194

(v) Market price risk

The principal market related risks to which the Group is exposed are foreign currency risk, interest rate risk and equity price risk associated with its co-investments in absolute return investments, private equity investments, strategic capital investments, strategic investments, credit management investments and real estate investments, as well as on its debt financings. For the purpose of managing market price risks, the Group has established appropriate procedures and limits approved by the Board of Directors.

In addition, for internal risk assessments, the Group uses a variety of internal and external models to analyze the market price risks that may arise from adverse market movements.

Market price risk has been further detailed below under (a) foreign currency risk, (b) interest rate risk and (c) equity price risk.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

(v) (a) Foreign currency risk

The Group's overall policy is generally to hedge all non-US dollar denominated assets, liabilities and commitments, and a proportion of its assets denominated in US-pegged currencies, into US dollars utilizing currency risk management products. In the normal course of its business the Group utilizes forward foreign exchange contracts and other foreign exchange derivatives to manage its exposure to fluctuations in foreign exchange rates. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established exposure and Value at Risk ("VaR") risk limits.

The Group's significant net hedged and unhedged foreign currency positions are set out below.

\$millions	June 30, 2020		June 30, 2019	
	Net hedged exposure	Net unhedged exposure	Net hedged exposure	Net unhedged exposure
Long (Short)				
Bahraini Dinar*	18	(2)	–	23
Saudi Riyal*	83	(12)	–	0
Euro	224	0	50	0
Pounds Sterling	13	0	19	0
Swiss Francs	41	0	25	(0)
Japanese Yen	(344)	0	(344)	0
Swedish Krona	98	(0)	–	–
Norwegian Krona	4	0	–	–
	137	(14)	(250)	23

* Currency exchange rate currently pegged against the US Dollar.

Incidental unhedged positions are subjected to market risk calculation based on their VaR. VaR estimates the potential loss due to market movement of foreign exchange rates or volatility of those rates. Potential market movements of foreign exchange rates are derived from a study of their historical volatility. The risk methodology is based on the assumption that changes in foreign exchange rates follow a normal probability distribution over time. The characteristics of normal distribution are then used to assess portfolio risk. However, the Group's risk management team conducts back testing by comparing the daily VaR with the daily profit and loss to ensure the robustness of the VaR model.

The following table summarizes the 99% confidence level over a 1-day holding period VaR for the Group's foreign currency exposures.

\$millions	2020	2019
Average FX VaR	9	8
Year end FX VaR	13	4
Maximum FX VaR	46	46
Minimum FX VaR	4	3

The foreign exchange loss recognized in the consolidated statement of profit or loss as a result of incidental unhedged positions and costs of hedging against foreign exchange risk amounts to \$2.4 million (2019: \$1.9 million).

(v) (b) Interest rate risk

The Group closely monitors interest rate movements, and seeks to limit its exposure to such movements by managing the interest rate repricing structure of its assets and liabilities. The Group actively manages its interest rate repricing gap exposure, with a bias towards floating rates and with exposure limits that are approved by the Board of Directors. The Group does not take interest rate trading positions and all of its interest rate risk is typically in the Company's book where hedge accounting applies. The Group also utilizes interest rate related derivative financial instruments to manage its exposure to fluctuations in interest rates for specific transactions or groups of transactions.

A majority of the Group's interest earning assets and interest bearing liabilities carry floating rates of interest or if they carry fixed rates they have been hedged to floating rates of interest, except for the following:

- Credit management Investments amounting to \$317 million (June 30, 2019: \$332 million), which earn interest at an effective rate ranging between 2.7% to 18% (June 30, 2019: 2.7% to 15.7%) per annum.

The Group is currently assessing the impact of transition away from Libor on the consolidated financial statements.

The following table depicts the sensitivity of the Group's net income to a 200 basis points change in interest rates, with all other variables held constant. The sensitivity is based on the floating rate financial assets and financial liabilities (including items hedged back to floating rate) held at the year end.

\$millions	Sensitivity to profit/(loss) for +200 basis points	Sensitivity to profit/(loss) for -200 basis points
Currency	June 30, 2020	
Euro	(9)	1
Pounds Sterling	(0)	0
Japanese Yen	0	–
US Dollar	(2)	2
Others	(3)	0
Total	(14)	3

a) Figures in parenthesis above represent loss.

b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%.

\$millions	Sensitivity to profit/(loss) for +200 basis points	Sensitivity to profit/(loss) for -200 basis points
Currency	June 30, 2019	
Euro	(6)	1
Pounds Sterling	(0)	0
Japanese Yen	1	0
US Dollar	5	(3)
Others	(2)	0
Total	(2)	(2)

a) Figures in parenthesis above represent loss.

b) The downside case of -200bps impact is calculated with the assumption that the yield curve will not go below 0%.

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end.

(v) (c) Equity price risk

The Group's equity price risk arises primarily from its co-investments in private equity investment, real estate investment and absolute return investments.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

Co-investments in private equity investment, real estate investment and strategic capital investment

The Group manages the equity price risk of its co-investments in private equity investment and real estate investment on a portfolio basis as well as at the individual investment level.

The table below summarizes the sensitivity of the Group's co-investments in PE, RE and SC to changes in multiples / capitalization rates / discount rates/ quoted bid prices.

June 30, 2020									
\$millions	Factor	Change	Balance sheet exposure	Projected Balance Sheet Exposure		Impact on Income on FVTPL investments		Impact on Equity on FVOCI investments	
				For increase	For decrease	For increase	For decrease	For increase	For decrease
PE co-investments	EBITDA								
	Multiples**	+/- 0.5x	305*	317	293	11	(11)	1	(1)
	Revenue								
	Multiples	+/- 0.5x	11	12	10	1	(1)	0	(0)
				For decrease	For increase	For decrease	For increase	For decrease	For increase
RE co-investments***	Capitalization								
	Rate **	-/+ 1%	50*	66	40	14	(9)	2	(1)
				For decrease	For increase	For increase	For decrease	For increase	For decrease
Strategic capital co-investments	EBITDA								
	Multiples**	+/- 0.5x	2	2	2	-	-	(0)	0

June 30, 2019									
\$millions	Factor	Change	Balance sheet exposure	Projected Balance Sheet Exposure		Impact on Income on FVTPL investments		Impact on Equity on FVOCI investments	
				For increase	For decrease	For increase	For decrease	For increase	For decrease
PE co-investments	EBITDA								
	Multiples	+/- 0.5x	478*	490	466	12	(12)	0	(0)
	Revenue								
	Multiples	+/- 0.5x	8	9	7	1	(1)	0	(0)
				For decrease	For increase	For decrease	For increase	For decrease	For increase
RE co-investments***	Capitalization								
	Rate	-/+ 1%	64*	72	56	8	(8)	-	-

*Excludes exposures of \$40m (2019: \$229m) which are fair valued based on recent transaction prices or bids. The effect on equity due to a 5% change in the prices/bids for these investments will be \$2 million (2019: \$11.5m).

** Represents implied EBITDA Multiples and Capitalization Rate

*** Implied changes for investments valued using DCF model.

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of strategic co-investments except for the investment in associate and one strategic investment mentioned in Note 28.

Co-investments in absolute return investments

The Group manages the market price risk in its ARI portfolio through its market risk management framework that uses the VaR technique. VaR techniques produce estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels.

The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's Absolute Return Investments exposure.

\$millions	2020	2019
Average VaR	2	2
Year end VaR	1	2
Maximum VaR	2	3
Minimum VaR	1	2

(vi) Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Investcorp includes in this definition legal risk but excludes reputational and strategic risks.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. The internal audit department makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp carries errors and omissions insurance against legal risks arising from its business activities.

Investcorp applies the Basic Indicator Approach ('BIA') to measure operational risk and also is implementing a Board of Directors approved operational risk management framework. Under the BIA approach, the operational risk charge is calculated by taking Investcorp's average gross income over the preceding two years and current financial year and multiplying it by a fixed alpha coefficient (15 per cent). The operational risk management framework consists of the following: 1) "Risk Control and Self-Assessment": Self-assess operational risks by going through key business processes end-to-end, 2) Evaluate the adequacy of existing process controls, 3) Implement control modifications to reduce operational risks and determine residual risks and 4) Monitor and report operational risk events to senior management and the Board.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, on the basis that market participants act in their economic best interest.

The Group has established guidelines for the valuation of its investments which are reviewed by the Board of Directors and abides by guidelines issued under IFRS on valuation of investments and guidelines recommended by the International Private Equity and Venture Capital Association. The Group performs valuations of its investments on a quarterly basis. The business support teams work along with deal teams to prepare valuation packages in accordance with the valuation guidelines of the Group. The valuation packages are then presented to the Valuation Committee which is comprised of senior members of the Finance team and investing lines of business. The Valuation Committee has the final responsibility of reviewing and approving the fair value of all investments.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value adjustments arise from re-measurement of liabilities which are hedged, investments and derivatives. Nonetheless the actual amount that is realized in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted investments.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values except for certain assets and liabilities carried at amortized cost. The fair value of CLO co-investments carried at amortized cost amounts to \$136.8 million (June 30, 2019: \$189.3 million) as compared to the carrying value of \$137.4 million (June 30, 2019: \$183.2 million). The fair value of CLO co-investments is based on inputs from independent third parties including broker quotes and falls under Level 3 of the fair value hierarchy disclosure. The fair value of medium and long term debt amounts to \$425.4 million (June 30, 2019: \$431.0 million) as compared to the carrying value of \$510.8 million (June 30, 2019: \$513.7 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value hierarchy described below.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

During the current financial year, there was no transfer from level 3 to level 1 (2019: nil) under co-investments. Under absolute return investments, an exposure of \$5.6 million (June 30, 2019: \$8.0 million) is comprised of illiquid side pocket investments which are classified as Level 3. The year to date fair value changes on this ARI exposure amounts to a loss of \$1.2 million (June 30, 2019: gain of \$0.2 million) and the net redemptions amount to \$1.1 million (June 30, 2019: \$0.7 million).

The fair values of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques which are explained in Notes 11, 12, 13, 14, 15, 16 and 25 to the financial statements.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	June 30, 2020			
\$millions	Level 1	Level 2	Level 3	Total
Financial assets				
Placements and other liquid assets	132	–	–	132
Positive fair value of derivatives	–	45	–	45
Co-investments				
Private equity investment	4	–	335	339
Credit management investment	–	–	180	180
Absolute return investments	–	75	6	81
Real estate investment	–	–	71	71
Strategic capital investment	–	–	2	2
Investment in an associates and joint ventures*	–	–	44	44
Other strategic investments	–	–	74	74
Underwritten and warehoused investments**	–	–	192	192
Total financial assets	136	120	904	1,160
Financial liabilities				
Negative fair value of derivatives	–	26	–	26
Total financial liabilities	–	26	–	26

* The effect on consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in an associate will be US\$ 1.4 million. Further, the effect on consolidated statement of profit or loss due to change in multiple by 0.5% on other strategic investments will be US\$ 0.6 million.

** Underwritten investments amounting to \$278 million were placed with the clients during the year. Fair value loss of \$3.2 million was recognized on underwritten investments during the year.

June 30, 2019				
\$millions	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	–	44	–	44
Co-investments				
Private equity investment	5	–	486	491
Credit management investment	–	–	149	149
Absolute return investments	–	104	8	112
Real estate investment	–	–	68	68
Investment in an associates and joint ventures*	–	–	38	38
Other strategic investments	–	–	14	14
Underwritten and warehoused investments**	–	–	334	334
Total financial assets	5	148	1,097	1,250
Financial liabilities				
Negative fair value of derivatives	–	23	–	23

* The effect on consolidated statement of profit or loss due to change in multiple by 0.5x on Investment in an associate will be US\$ 1.1 million.

** Underwritten investments amounting to \$408 million were placed with the clients during the year. Fair value gain of \$3.1 million was recognized on underwritten investments during the year.

A reconciliation of the opening and closing amounts of Level 3 co-investment in private equity investment, real estate investment, credit management investment and investment in an associate is given below:

June 30, 2020						
\$millions	At beginning	Net new acquisitions*	Fair value movements**	Movements relating to realizations	Other movements***	At end
PE co-investments	486	62	(126)	(103)	16	335
ICM co-investments	149	64	(26)	(6)	(1)	180
RE co-investments	68	26	14	(38)	1	71
Strategic capital co-investments	–	2	0	–	–	2
Investment in associates and joint ventures	38	3	1	–	2	44
Other strategic investments	14	100	(28)	(9)	(3)	74
Total	755	257	(165)	(156)	15	706

* Includes investment in PE and RE of \$34.7 million and \$14.4 million that has been transferred from underwriting to co-investment.

** Includes \$31.9 million fair value loss on FVOCI investments and unrealized fair value loss of \$154.5 million on FVTPL investments.

*** Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees.

June 30, 2019						
\$millions	At beginning	Net new acquisitions*	Fair value movements**	Movements relating to realizations	Other movements***	At end
PE co-investments	605	106	8	(236)	3	486
ICM co-investments	65	97	(7)	(5)	(1)	149
RE co-investments	74	24	(4)	(25)	(1)	68
Investment in associates and joint ventures	0	32	5	0	1	38
Other strategic investments	21	–	(3)	(4)	–	14
Total	765	259	(1)	(270)	2	755

* Includes an investment in PE of \$38 million that has been transferred from underwriting to co-investment.

** Includes \$9.4 million fair value loss on FVOCI investments and unrealized fair value loss of \$21.4 million on FVTPL investments.

*** Other movements include add-on funding, foreign currency translation adjustments, deferred remuneration awards to employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

29. EMPLOYEE COMPENSATION

Investcorp has a clear and well-defined “pay for risk-adjusted long-term performance” philosophy that pervades its culture and motivates its employees to target delivery of consistent top-quartile performance. This philosophy is exhibited in Investcorp’s remuneration programs and it is reflected in its annual remuneration decisions.

The remuneration that is paid to Investcorp’s employees is divided into two fundamental components: (i) fixed remuneration, i.e., salary and benefits, and (ii) variable remuneration.

Variable remuneration, comprised of cash and awards under deferred remuneration programs, is remuneration that varies from year to year and the amount of which is dependent upon (i) the financial performance of Investcorp as a whole, (ii) the risk-adjusted performance of each employee’s respective line of business and (iii) the performance of the individual employee.

Investcorp extensively utilizes deferred remuneration programs as part of employees’ remuneration. These programs are comprised of investment carried interest and co-investment programs and share-linked programs as described briefly below.

Programs for Investment Profit Participation

The Group’s investment professionals in its private equity investment, real estate investment and placement and relationship management lines of business participate in investment carried interest programs, whereby a certain variable portion of exit proceeds due to investors from realization of their investments is shared with these professionals, provided certain pre-established minimum client return hurdles are satisfied. Netting mechanisms are used so that returns from investments that perform well are netted against other investments in which losses are sustained. Since this carry is awarded up front at the time of acquisition it has no significant value at the time of the award.

Programs for Investment Participation

Investment professionals and relationship managers also participate in a co-investment program pursuant to which they acquire an interest in the Investcorp Group’s investments that they manage at the Investcorp Group’s Consolidated Statement of Financial Position carrying value, thereby resulting in no gain or loss to Investcorp except for any potential impairment losses on the financing provided.

Under certain legacy co-investment programs, the Group provided financing at market rates to or on behalf of eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage varied on a product to product and program to program basis. The aggregate remaining amount of such financing provided to or on behalf of employees as of June 30, 2020 is \$3.4 million (June 30, 2019: \$15.9 million).

A portion of the deferred remuneration awarded to eligible employees is also in the form of co-investment exposures. These awards have different vesting conditions and are not transferable. An expense charge of \$14.0 million (2019: \$12.9 million) was taken by the Group based on management’s best estimate of the likely vesting of the awards.

Employee Share-Linked Plans

SHL sponsors various employee share-linked plans under which a portion of the deferred remuneration awarded to eligible employees is in the form of SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards that represent a beneficial interest in the ordinary shares of the Company. These SIPCO awards have different vesting periods and are not transferable.

SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards are granted to the employees at their fair value on the grant date. The fair value of SIPCO shares for purposes of the plans is estimated considering their non-transferability and the indirect nature of the underlying beneficial ownership. The value of SIPCO shares granted during the year is \$21.6 million (2019: \$20.1 million). The start and end date of the vesting period for each grant varies from plan to plan and is based on continued employment (unless employment is terminated due to death, disability or retirement) as well as satisfaction of certain performance conditions. The determination of the amount of expense to be recognized as compensation expense in any year is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

An expense charge of \$17.2 million (2019: \$12.8 million) was taken by the Group based on management's best estimate of the number of shares that are likely to vest. The grant date value of shares vested during the year amounted to \$26.8 million (2019: \$19.0 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	2020	2019
Granted during the year	1,638,163	1,768,622
Vested during the year	2,245,992	1,794,959
Forfeited during the year	191,621	219,785

The fair value of shares granted during the year amounted to \$21.7 million (2019: \$21.5 million). The fair value of shares forfeited during the year amounted to \$2.5 million (2019: \$2.7 million).

30. RELATED PARTY TRANSACTIONS

For the Group, related parties include its investee companies, companies that hold clients' investments (investment holding companies), client fund companies associated with ARI, SIPCO Limited and the Trusts.

It also includes major shareholders, directors and senior management of the Company, their immediate families and entities controlled, jointly controlled or significantly influenced by such parties. Income is earned or expense is incurred in the Group's transactions with such related parties in the ordinary course of business. The Group's management approves the terms and conditions of all related party transactions.

Although these companies are classified as related parties, the Group administers and manages the companies that hold clients' investments on a fiduciary basis on behalf of its clients who are third parties and are the beneficiaries of a majority of the economic interest from the underlying investments of these companies. As a result, the true nature of the Group's transactions with these companies is effectively at commercial terms as specified under pre-determined management agreements.

In addition to the compensation and benefits to employees disclosed in Note 29, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

\$millions		June 30, 2020	June 30, 2019
AUM fees	Investee and investment holding companies	135	134
Deal fees	Investee and investment holding companies	75	149
Asset based income	Investee companies	39	32
Interest expense	Investment holding companies	0	(4)
Operating expenses	Directors' remuneration	(2)	(1)
Operating expenses	Professional fees	(1)	(2)

Of the staff compensation for the year set out in Note 29 and assets noted above, \$60.6 million (2019: \$70.4 million) is attributable to senior management. Of the above mentioned remuneration of senior management, \$39.5 million (2019: \$49.6 million) is in the form of salaries and other short term benefits.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

In addition to the compensation and benefits to employees disclosed in Note 29, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2020			June 30, 2019		
\$millions	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Co-investments	810	–	–	1,012	–	–
Underwritten and warehoused investments	192	–	–	334	–	–
Strategic investments	71	–	–	38	–	–
Strategic shareholders	10	–	–	9	12	–
Investee companies	61	2	22	59	2	21
Investment holding companies	185	0	155	110	117	64
Financing	–	261	–	–	131	–
Directors and senior management	–	2	–	0	8	–
	1,329	265	177	1,562	270	85

31. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 4 and applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and the rules and procedures of the Bahrain Bourse.

The consolidated financial statements are prepared and presented in United States dollars, this being the functional currency of the Group, and rounded to the nearest millions (\$millions) unless otherwise stated. Certain prior year balances have been reclassified to conform to the current year presentation.

The significant accounting policies adopted in the preparation of these consolidated financial statements are the same as those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2019, except for IFRS 16 and investment in joint venture.

Adoption of IFRS 16

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group adopted IFRS 16 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect recognized in retained earnings as of July 1, 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases except for its short-term leases. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied. Lease liabilities were recognized based on the present value of the remaining lease payments as of the date of initial application.

The effect of adoption of IFRS 16 as at July 1, 2019 is described below:

a) Comparative information has not been restated. The differences in the carrying amounts of financial assets resulting from the adoption of IFRS 16 are recognized in retained earnings as at 1 July 2019. Accordingly, the information presented for fiscal year 2019 does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented for fiscal year 2020 under IFRS 16.

b) The following adjustments were made at the date of initial application.

- The right-of-use assets of \$106.3m were recognized and presented within Premises, equipment and other assets on the consolidated statement of financial position.
- The lease liabilities of \$108m were recognized and presented within Financing on the consolidated statement of financial position.
- The net effect of these adjustments had been recognized as a loss of \$1.7m in retained earnings.

c) New accounting policies with respect to right-of-use assets and lease liabilities (as summarized below) have been adopted and applied from the date of initial application of IFRS 16.

- The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
- The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognized right-of-use assets are depreciated on a straight-line basis over the lease term.
- At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees as applicable. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the short-term leases exemptions to leases with lease terms that end within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	\$millions
Operating lease commitments as at 30 June 2019	98
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	40
Operating lease commitments as at 30 June 2019 (gross, without discounting)	138
Weighted average incremental borrowing rate as at 1 July 2019	3.25%
Lease liabilities at 1 July 2019	108

New standards, amendments and interpretations issued but not yet effective

- Definition of a Business (Amendments to IFRS 3) - effective for annual periods beginning on or after 1 January 2020;
- Definition of Material (Amendments to IAS 1 and IAS 8) - effective for annual periods beginning on or after 1 January 2020;

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

- Interest Rate Benchmark Reform (Amendments to IFRS 9 and IFRS 7) - effective for annual periods beginning on or after 1 January 2020
- Classification of liabilities (Amendments to IAS 1) - Annual periods beginning on or after 1 January 2022
- Cost of property, plant and equipment (Amendment to IAS 16) - Annual periods beginning on or after 1 January 2022
- Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 - Annual periods beginning on or after 1 January 2022
- Taxation in fair value measurements (IAS 41 Agriculture)
- Subsidiary as a first-time adopter - (IFRS 1 First-time Adoption of International Financial Reporting Standards)
- Test for derecognition of financial liabilities (IFRS 9 Financial Instruments)

The Group's management is currently evaluating the impact of the above standard and amendments on the consolidated financial statements.

(i) Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the re-measurement at fair value of financial instruments under IFRS 9 and revaluation of premises and equipment.

(ii) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group has sufficient resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

(iii) Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries. A subsidiary is an entity which is controlled by the Group. Control is achieved when the Group is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect these returns through its power over the entity. The Group consolidates its subsidiaries excluding entities which meet the below criteria:

- a) Where there are contractual or other restrictions imposed on the Group's ability to appoint the majority of the Board of Directors, or
- b) Where a majority of the economic risk and reward accrues to third parties other than the Group, or
- c) Where the exception to consolidate subsidiaries of an Investment entity is applied, as defined in IFRS 10.

The Group qualifies as an investment entity as defined under IFRS 10, and as such, measures its investments in accordance with the requirements set out in the standard.

The results of all subsidiaries are included in the consolidated statement of profit or loss from the effective date of formation or acquisition. The financial statements of the Company's subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances, income and expenses have been eliminated on consolidation.

(iv) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

(v) Trade date accounting

Purchases and sales of financial assets that require delivery of the assets within a timeframe generally established by regulation or convention in the market place are recognized using the “trade date” accounting basis (i.e. the date that the entity commits to purchase or sell the asset).

(vi) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis.

(vii) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to:

- a) The determination of the fair values of FVTPL co-investments in private equity investments, credit management investments and real estate investments (see Notes 11, 12 and 14), the determination of performance fees on assets under management, impairment provisions for financial assets other than FVTPL investments and FVOCI equity investments (see Note 18) and allocation of placement fee to the performance obligations as described later.
- b) The determination of performance fees on assets under management are dependent on the performance of the underlying investments and thus are highly susceptible to factors outside the Group's influence
- c) The determination of cash flows which is the basis for performing the assessment of solely payments of principal and interest test on CLO co-investments which are being carried as debt instruments at amortized cost (see Note 12).

In the process of applying the Group's accounting policies, management has made judgments covered in the following section, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements.

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

(viii) Foreign currencies

A foreign currency transaction is recorded in the functional currency at the rate of exchange prevailing at the value date of the transaction. Monetary assets and liabilities in foreign currencies that are held at the Statement of Financial Position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on retranslation are recognized in the consolidated statement of profit or loss under treasury and other asset based income.

Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Non-monetary assets in foreign currencies that are stated at fair value are retranslated at exchange rates prevailing on the dates the fair values were determined. Gains and losses on fair valuation of FVTPL investments are taken to the consolidated statement of profit or loss.

Foreign currency differences arising from the translation of investments in respect of which an election has been made to present subsequent changes in FVOCI are recognized in the consolidated statement of other comprehensive income.

(ix) Income

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Asset based income from all FVTPL investments is recognized on the basis of realized and unrealized changes in fair value as at the end of the reporting period.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

Fee income is recognized when services are rendered. Performance fees are recognized when earned. Performance fees are calculated based on the underlying agreements and assuming all investments will be sold at their fair values at the reporting date. The actual amount of performance fees received will depend on cash realizations of these investments and the valuations may change in the next financial year.

Realized capital gains or losses on FVOCI equity investments are taken to retained earnings at the time of derecognition of the investment.

Revenue from contracts with customers

Placement fees are charged when an underwritten investment is placed with investors. Following the early adoption of IFRS 15, the Group has identified the performance obligations arising from its contracts with investors with whom the investments are placed. The portion of the fee relating to such performance obligations is deferred and recognized over the investment period.

Investcorp has reviewed and analyzed the terms of the contracts that it has entered into with its investors arising from the placement of its investments. Based on this review, the Group has determined the following two types of performance obligations that Investcorp is expected to satisfy:

- i. services provided by Investcorp during the year from purchase to the placement of the investment with investors, including deal identification, funding, underwriting, maintaining a placement infrastructure, preparing the marketing materials for each deal etc; and
- ii. services provided over the period of the investment as agreed with the investor at the time of placement.

Investcorp has allocated the placement fee to each of the above performance obligations. The Group completes all of its performance obligations described in (i) above before placing an investment with its investors. Accordingly, the fee relating to this performance obligation is recognized upfront upon placement of the investment with investors. This portion of the placement fee is included as part of deal fees.

A portion of the placement fee represents the amount received upfront for the performance obligation described in (ii) above. Accordingly, this component of the placement fee is deferred and recognized over time, as AUM fees, over the period of managing the investment.

(x) Expenses

Interest on borrowings represents funding cost and is calculated using the effective interest rate method, adjusted for gains or losses on related cash flow hedges.

(xi) Taxation of foreign operations

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on income from foreign subsidiaries is provided for in accordance with the fiscal regulations of the countries in which the respective Group entities operate.

Deferred taxation is provided for using the liability method on all temporary differences calculated at the rate at which it is expected to be payable. Deferred tax assets are only recognized if recovery is probable.

(xii) Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds, cash in transit, other liquid funds and placements with financial institutions that are readily convertible into cash and are subject to insignificant risk of changes in value.

(xiii) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. These are carried at cost less provision for impairment.

(xiv) Advances

Advances are stated at amortized cost, net of any impairment provisions.

(xv) Classification of financial assets**(a) Investments**

The group classifies the financial assets into various categories as set out in Note 5.

On initial investment, a debt investment is measured at amortized cost if the financial asset is held to collect contractual cash flows over the life of the asset and if those cash flows comprise solely of principal repayments and interest on the principal amount outstanding.

The Group also classifies strategic investments, certain real estate legacy investment portfolios, certain credit management investments and ARI investments as FVOCI investments.

All other investments including those over which the Group has significant influence are classified as FVTPL.

(b) Other liquid assets

Other liquid assets, which form part of “placements with financial institutions and other liquid assets”, are recorded at amortized cost less any impairment in value other than those assets which contain embedded derivatives requiring either separation of the embedded derivative or classification of the entire instrument as FVTPL assets. The management has designated such assets as FVTPL assets.

(xvi) Co-investments in private equity investment and real estate investment

The Group's co-investments in private equity investment and real estate investment are classified as FVTPL and FVOCI investments. FVTPL investments are initially recorded at acquisition cost (being the initial fair value) and are re-measured to fair value at each reporting date, with resulting unrealized gains or losses being recorded as fair value changes in the consolidated statement of profit or loss. Consequently, there are no impairment provisions for such investments.

FVOCI investments are initially recorded at fair value. These investments are then re-measured to fair value at each reporting date and any resulting change in value of these investments is taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported in equity is transferred to retained earnings.

Certain debt investments made in connection with the Group's co-investments in real estate investment are carried at amortized cost, less provision for impairment, if any.

(xvii) Co-investments in credit management investment

The Group's co-investments in credit management in US and any new exposure acquired during the year are classified as FVOCI debt investments and one investment is classified as FVTPL investment. All other credit management co-investment exposures are carried at amortised cost less any impairment provision. Interest income on amortized cost instruments is recognized using the effective interest rate (“EIR”).

FVOCI debt investments are initially recorded at fair value. Any subsequent fair value changes on such investments will be recognized directly in equity and any impairment in the carrying value will be recognized in the consolidated statement of profit or loss. At the time of derecognition, any cumulative gain or loss previously reported in equity is transferred to retained earnings through profit or loss. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

Any revision of estimated future cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount and a corresponding increase or decrease in consolidated statement of profit or loss.

(xviii) Co-investments in absolute return investments

The Group's co-investments in absolute return investments are classified as FVTPL and FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

The fair value changes in the FVOCI investments are taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported is transferred to retained earnings.

(xix) Co-investments in strategic capital investment

The Group's co-investments in strategic capital investments are classified as FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVOCI investments are recorded in the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported in equity is transferred to retained earnings.

(xx) Investment in associates and joint ventures

The Group's investment in associates and joint ventures is initially recorded at fair value and is re-measured at each reporting date, with resulting unrealized gains or losses being recorded in consolidated statement of profit or loss.

(xxi) Impairment and un-collectability of financial assets

The Group recognizes loss allowances in the consolidated statement of profit or loss for expected credit losses (ECL) on financial assets excluding investments classified as FVTPL and equity investments classified as FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

1. debt investment securities that are determined to have low credit risk at the reporting date; and
2. other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

For the purposes of calculation of ECL, the Group categorizes such financial assets into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1 – Performing: when such financial assets are first recognized, the Group recognizes an allowance based up to 12-month ECL.
- Stage 2 – Significant increase in credit risk: when such financial assets shows a significant increase in credit risk, the Group records an allowance for the ECL.
- Stage 3 – Impaired: the Group recognizes the lifetime ECL for such financial assets.

(xxii) De-recognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, any cumulative gain/ loss recognized in the consolidated statement of other comprehensive income in respect of equity investments designated at FVOCI is transferred directly to retained earnings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

(xxiii) Derivative financial instruments

Derivatives are stated at fair value determined by using prevailing market rates or internal pricing models.

Derivatives that qualify for hedge accounting are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 25.

For derivatives that do not qualify for hedge accounting, any gain or loss arising from changes in their fair value is taken to the consolidated statement of profit or loss.

(xxiv) Premises and equipment

Premises and equipment substantially comprise land, buildings and related leasehold improvements used by the Group as office premises.

The Company carries its building on freehold land and certain operating assets at revalued amounts, being the fair value of the assets at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying value. Any revaluation surplus is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized directly in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. A transfer from the asset revaluation reserve to retained earnings is made for any difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost of the asset.

All other items are recorded at cost less accumulated depreciation.

Premises and equipment are depreciated on a straight line basis over their estimated useful lives which are as follows:

Buildings on freehold land	25 years
Leasehold and building improvements	10 – 15 years
Operating assets	3 – 23 years

The above useful lives of the assets and methods of depreciation are reviewed and adjusted, if appropriate, at least at each financial year end.

(xxv) Intangible assets

Intangible assets comprise management contracts and goodwill recognized on the acquisition of the credit management business. Management contracts have a useful life of 5 years from the date of the acquisition and are amortized accordingly.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group tests goodwill for impairment annually. For other intangible assets, the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and if any, impairment loss is charged to the consolidated statement of profit or loss for the period.

INVESTCORP HOLDINGS B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

(xxvi) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and the terms of benefit plans approved by the Board of Directors (see Note 29).

Provisions are made when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(xxvii) Unfunded deal acquisitions

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed, but have not been funded, as of the reporting date.

(xxviii) Borrowings

Borrowings, represented by short term financing on call, medium-term revolvers, medium-term debt and long-term debt, are initially recognized at the fair value of consideration received and subsequently adjusted for the impact of effective fair value hedges. Securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it as a liability within financing, reflecting the transaction's economic substance as a loan to the Group.

The securities delivered repurchase agreements are not derecognized from the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership.

Transaction costs relating to borrowings are initially capitalized and deducted from the borrowings and subsequently recognized as interest expense over the expected life of these borrowings.

(xxix) Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. Any surplus arising from the subsequent sale of treasury shares at a price greater than cost is treated as non-distributable and included in a share premium reserve under equity. Any deficit arising from the subsequent sale of treasury shares at a price lower than cost is charged first against any previously established reserve from past transactions in treasury shares, and where such reserve is insufficient, then any difference is charged to retained earnings.

(xxx) Share awards

Share awards to employees are accounted and expense recognized over the vesting period. The determination of the amount to be recognized is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

(xxxi) Dividends

Proposed dividends are disclosed as appropriations within equity until the time they are approved by the shareholders. On approval by shareholders, these are transferred to liabilities.

SUPPLEMENTARY DISCLOSURES (UNAUDITED)**IMPACT OF CURRENT ECONOMIC SITUATION**

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

The COVID-19 crisis impacted the Group's profitability as fee income contracted to US\$288 million for FY20, a decline of 23% compared to US\$ 376 million for FY19. Despite reduced fee income, the increased reliance on recurring fee income, built over the recent years, along with recurring cash yield on Real Estate investments and treasury and other liquidity income, provided a broad cushion to absorb the Group's total operating expenses (including taxes) and interest expense of US\$ 317 million. The sharp recession originating from the crisis also affected the Group's asset-based income, causing US\$ 110 million loss reported for FY20, compared to a gain of US\$ 89 million in FY19 and higher provisions for impairment of US\$26 million. The loss was largely attributable to fair value declines and provisions against associated working capital assets related to a limited number of assets operating in secularly challenged industries, mainly retail.

The Group's management has made an assessment of going concern, taking into account both the Group's current performance and the Group's outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements.

The Group has good visibility on future management fees due to the long-term nature of the investments, underpinned by a strong and well capitalized balance sheet. The Group continues to monitor and follow closely the information released from governments, regulatory bodies and health organizations in the countries in which the Group and its portfolio companies operate, as well as receiving regular reports on the operational and financial performance of our portfolio companies.

As of June 30, 2020, total equity was US\$ 868 million and total accessible liquidity was in excess of US\$ 1.2 billion. Prudent capital and liquidity management have served the Group well during this unprecedented crisis allowing a focus on employees' safety and business continuity. The size of the balance sheet contracted by 10%, partly due to lower valuations, as a result of lower underwriting and improved working capital management. The impact from IFRS 16 (new standard defining how companies must account for operating leases) adoption, inflated the consolidated statement of financial position by approximately US\$ 100 million. Net debt increased to US\$ 672 million in FY20 from US\$ 499 million in FY19 due to IFRS 16 adoption and settlement of purchase of strategic investments. The Group continues to stay well within covenant defined ratios of the medium and long term debt. Furthermore, none of medium-term and long-term financing facilities of the Group are maturing before second half of 2023.

Continuous diversification across geographies, clients and products translated into a broad-based increase in Assets Under Management (AUM) to US\$ 32.2 billion, an increase of 15.0% from US\$ 28.1 billion in June 2019. Various strategic transactions and initiatives were completed during the period to further broaden the distribution platform, scale businesses and source investments from new growth areas.

Even during the Q4 lockdown period the Group managed to raise US\$ 0.9 billion through virtual roadshows and meetings with the closing of two fully subscribed funds in the Credit Management and Absolute Return Investment businesses. Investment activity was also solid with two acquisitions in Private Equity and the pricing of one new CLO. Several exits in Real Estate and Private Equity were realized in Q4FY20 at no discount to fair values.

This financial position and liquidity profile provide confidence that the Group has sufficient financial resources for the foreseeable future. Consequently, the Group's management believe that the Group is well positioned to manage its businesses and its liabilities as they fall due.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS

Ramzi AbdelJaber

Chief Administrative Officer
 Joined Investcorp: 2004
 Prior experience: The Middle East North Africa Financial Network (4), McKinsey & Co. (2), Integrated Business Solutions (1), Andersen Consulting (1)

Ghassan Abdulaal

Investor Relationship Management - Gulf
 Joined Investcorp: 2012
 Prior experience: Bahrain Mumtalakat Holding Company (3), KPMG (2), Investcorp (5)

Mohammed Alardhi

Executive Chairman
 Joined Investcorp: 2015
 Prior experience: Investcorp Board Member (7), National Bank of Oman S.A.O.G. Board Member (4), National Bank of Oman Chairman S.A.O.G. (2), Rimal Investment Holding Company L.L.C. (10)

Tarek AlMahjoub

Investor Relationship Management - Gulf
 Joined Investcorp: 2008
 Prior experience: Standard Chartered Bank (5), Al Ahli Bank of Kuwait (1), National Bank of Fujairah (1.5), Mashreq Bank (5)

Yusef Al Yusef

Investor Relationship Management - Gulf
 Joined Investcorp: 2005
 Prior experience: Arcapita Bank (4), Ahli United Bank (0.5), National Bank of Bahrain (4), Unilever (2)

Jan Erik Back

Chief Financial Officer
 Joined Investcorp: 2018
 Prior experience: SEB (10), Vattenfall (1.8), Skandia Group (8), Handelsbanken (11.5)

Yasser Bajsair

Investor Relationship Management - Gulf
 Joined Investcorp: 2010
 Prior experience: Global Investment House (1), Al Kabeer Merchant Finance Corporation (1), Arab National Bank (3)

Hazem Ben-Gacem

Co-Chief Executive Officer
 Joined Investcorp: 1994
 Prior experience: Credit Suisse First Boston (2)

Andrea Davis

Private Equity – Europe
 Joined Investcorp: 2014
 Prior experience: TDX Group (2), Fellowes Inc. (9), Willet (6)

F. Jonathan Dracos

Real Estate - US
 Joined Investcorp: 1995
 Prior experience: George Soros Realty Fund (1), Jones Lang Wootton Realty Advisors (5), Chemical Bank (3)

Ebrahim H. Ebrahim

Corporate and Investment Accounting
 Joined Investcorp: 1985
 Prior experience: Banque Paribas (3)

Firas El-Amine

Corporate Communications
 Joined Investcorp: 2007
 Prior experience: Dubai Holding (3), Alsalam Holding (2), Impact & Echo (2)

Dominic Elias

Compensation
 Joined Investcorp: 2010
 Prior experience: The Blackstone Group (0.5), Towers Perrin (1.5), Morgan Stanley (11)

Sean Elliott

Human Resources
 Joined Investcorp: 2005
 Prior experience: Ernst and Young (1.5), AT Kearney (5.5), Parkwell Management Consultants (2), British Army (8)

James Feeley

Credit Management
 Joined Investcorp: 2019
 Prior experience: Medley Management Inc. (4), WhiteSquall Capital Partners (3), CastleHill Investment Management LP (2), FriedbergMilstein (3), J.H. Whitney & Co. (3), Chase Securities Inc. (6), Fleet Bank (4)

John Franklin

Investor Relationship Management – US
 Joined Investcorp: 1997
 Prior experience: Citicorp (4)

Amit Gaiand

Private Equity – North America
 Joined Investcorp: 2010
 Prior experience: Lazard Frères & Co (3), JPMorgan (1)

Jeremy Ghose

Credit Management
 Joined Investcorp: 1988
 Prior experience: 3i (6), Mizuho (23)

Peter Goody

Credit Management
 Joined Investcorp: 2008
 Prior experience: 3i (6), Mizuho (2.5), Royal Bank of Scotland (22)

Neil Hasson

Real Estate - Europe
 Joined Investcorp: 2015
 Prior Experience: Macquarie (2), Citi (7), Donaldson, Lufkin & Jenrette (4)

Numbers in brackets indicate years of experience.
 List reflects staff employed at June 30, 2020.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS (continued)**Gareth Henry**

Investor Relationship Management - US
 Joined Investcorp: 2019
 Prior experience: Angelo Gordon & Co (2), Fortress Investment Group (8.5), Schroders (2), SEI Investments (1.5), Watson Wyatt (3)

Mark Horncastle

Legal and Compliance
 Joined Investcorp: 2017
 Prior experience: General Electric/ GE Capital (17), Nomura International (1), Freshfields (8)

Grahame Ivey

Investment Administration
 Joined Investcorp: 1988
 Prior experience: Touche Ross (7), John Laing Developments (2)

Christopher Jansen

CM Investment Partners
 Joined Investcorp: 2019
 Prior experience: CM Investment Partners (7), Stanfield Capital (12), Manufacturers Hanover Trust (7)

Gilbert Kamieniecky

Private Equity – Technology
 Joined Investcorp: 2005
 Prior experience: Morgan Stanley (2)

Rishi Kapoor

Co-Chief Executive Officer
 Joined Investcorp: 1992
 Prior experience: Citicorp (4)

Brian Kelley

Real Estate - US
 Joined Investcorp: 2001
 Prior experience: JP Morgan (4)

Kevin Keough

Private Equity – North America
 Joined Investcorp: 2017
 Prior experience: Arcapita (11), FirstEnergy Corp (7), McKinsey & Co. (10), US Army (5)

Richard Kramer

Risk Management
 Joined Investcorp: 2011
 Prior experience: Credit Suisse (14), Robert Fleming (2)

Daniel Lopez-Cruz

Private Equity – Europe
 Joined Investcorp: 2005
 Prior experience: Morgan Stanley (7), UBS (3), The Prudential Insurance Company of America (3), Arthur Andersen (1)

Walid Majdalani

Private Equity – MENA
 Joined Investcorp: 2007
 Prior experience: ABN AMRO Bank (10), Oracle Corporation (5)

Numbers in brackets indicate years of experience.
 List reflects staff employed at June 30, 2020.

Anthony Maniscalco

Strategic Capital
 Joined Investcorp: 2018
 Prior experience: Credit Suisse Anteil Capital Partners (2), The Blackstone Group (3), Barclays / Lehman (12), Bank of America (8)

Timothy Mattar

Investor Relationship Management - Gulf
 Joined Investcorp: 1995
 Prior experience: Banque Indosuez (5), Arthur Andersen (2), Grant Thornton (5)

Michael Mauer

CM Investment Partners
 Joined Investcorp: 2019
 Prior experience: CM Investment Partners (7), Icahn Capital (1), Citicorp (8), JP Morgan (13)

Steve Miller

Private Equity – North America
 Joined Investcorp: 2007
 Prior experience: Credit Suisse (2)

Herbert Myers

Real Estate - US
 Joined Investcorp: 2000
 Prior experience: JPMorgan Asset Management (4), Peter R Freidman (4)

Girish Nadkarni

Private Equity – India
 Joined Investcorp: 2019
 Prior experience: IDFC Alternatives (7), Rallis India (2), Tata Chemicals (2), Tata Industries (6), Tata Power (9)

Michael O'Brien

Real Estate - US
 Joined Investcorp: 2007
 Prior experience: ING Clarion Partners (12), Reichmann International/Quantum Realty Fund (1), Equitable Real Estate (2)

Jose Pfeifer

Private Equity – Europe
 Joined Investcorp: 2006
 Prior experience: Citigroup (2)

Anand Radhakrishnan

Investor Relationship Management – US
 Joined Investcorp: 2002
 Prior experience: The Carlyle Group (2), Robertson Stephens (2),

Abbas Rizvi

Financial Management
 Joined Investcorp: 2005
 Prior experience: Ernest & Young Bahrain (6)

Gaurav Sharma

Private Equity – India
 Joined Investcorp: 2019
 Prior experience: IDFC Alternatives (4), Prime Gourmet Private Limited (2.5), Providence Equity Partners (5), Deutsche Bank (5.5), Trinayana Auto (5)

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS (continued)

Harsh Shethia

Private Equity - India
 Joined Investcorp: 2002
 Prior experience: Goldman Sachs (2),
 Deloitte Consulting (4), Tata Consulting Services (2)

Babak Sultani

Investor Relationship Management - Gulf
 Joined Investcorp: 2008
 Prior experience: Addax Bank (2), Bahrain Financial
 Harbour (2), ReeMoon BDC (1), TAIB Bank (3), United
 Advertising Publications (1.5)

David Tayeh

Private Equity – North America
 Joined Investcorp: 2015
 Prior Experience: CVC Capital Partners (4),
 Investcorp International Inc. (11),
 Donaldson Lufkin & Jenrette. (4)

Daniele Vecchi

Financial Management – Treasury
 Joined Investcorp: 2016
 Prior experience: Transmed S.A.L. (1), Majid Al Futtaim
 Group (7), Panalpina World Transport (5), Nestle (9)

Ritesh Vohra

Real Estate - India
 Joined Investcorp: 2019
 Prior experience: IDFC Alternatives (7), Saffron Advisors
 (7), Entrepreneur (5), Jones Lang LaSalle (1), Chesterton
 Meghraj (1)

Philip Yeates

Credit Management
 Joined Investcorp: 2018
 Prior experience: N M Rothschild & Sons (24), NatWest
 Markets (4), Hill Samuel Merchant Bank (3), National
 Westminster Bank (6)

Duncan Zheng

Private Equity – Asia
 Joined Investcorp: 2020
 Prior experience: Nepoch/Pagoda (7), China Investment
 Corporation (1), Triton (5), Hicks Muse Tate & Furst (3),
 Salomon Smith Barney (2)

SENIOR AND PROFESSIONAL STAFF

Mohamed Aamer

Investor Relationship Management - Gulf

Nada Abdulghani

Corporate Communications

Ahmed Abdulrahim

Investor Relationship Management - Gulf

Habib Abdur-Rahman

Administration & Corporate Development

Edmond AbiSaleh

Private Equity – MENA

Shrooq Abualif

Investor Relationship Management - Gulf

Nabil AbuAyshe

Technology

Anugrah Aggarwal

Private Equity – India

Lorenzo Agostinelli

Financial Management – Treasury

Muna Ahmed

Legal & Compliance

Affan Ahmed

Real Estate - US

Abdulla Ahmed

Investor Relationship Management - Gulf

Naweed Akram

Technology

Khalifa Al Jalahma

Private Equity – MENA

Manal AlAlaiwat

Corporate General Services – Bahrain

Ahmed AlAlawi

Corporate and Investment Accounting

Loai Alarayedh

Investor Relationship Management - Gulf

Ayman Al-Arrayed

Corporate and Investment Accounting

Ashraf Alaydi

Legal & Compliance

Khaled Alalawi

Investor Relationship Management - Gulf

Abdulla AlBastaki

Human Resources

Daniel Albornoz

Credit Management

Yousef Alhozaimy

Investor Relationship Management - Gulf

Yasser Alkhaja

Investor Relationship Management - Gulf

Abdulrahman AlKhalifa

Investor Relationship Management - Gulf

Abdulla AlMannaei

Investor Relationship Management - Gulf

Feras AlMeri

Corporate and Investment Accounting

Tareq Almubarak

Business Analysis and Planning

Zachary Alpern

CM Investment Partners

Ahmed AlQaidoom

Corporate and Investment Accounting

Numbers in brackets indicate years of experience.
 List reflects staff employed at June 30, 2020.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

SENIOR AND PROFESSIONAL STAFF (continued)**Ali AlRahma**

Investor Relationship Management - Gulf

Mohammed AlSada

Investor Relationship Management - Gulf

Aala AlSaleh

Private Equity – MENA

Naser Alshakhoori

Corporate and Investment Accounting

Sara AlSharaf

Investment Administration

Hasan AlShuwaikh

Private Equity – MENA

Ahmed AlShuwaikh

Corporate and Investment Accounting

Mohamed AlTaweel

Corporate and Investment Accounting

Ahmed AlZayani

Investor Relationship Management - Gulf

Ameer Ameer

Investor Relationship Management - Gulf

Mohammed Aminuddin

Technology

Russell Arco

Real Estate - US

Ali Ardati

Investor Relationship Management - Gulf

Gaurav Babbar

Credit Management

Ali Bahman

Corporate and Investment Accounting

Matthew Bannon

CM Investment Partners

Ryan Bassett

Real Estate - US

Julian Bennet

Private Equity – Technology

Alexander Bennett

Real Estate - US

Guillaume Bertin

Credit Management

Thomas Best

Investment Administration

Kajetan Betz

Private Equity – Technology

Robert Bostock

Private Equity – Europe

Vitali Bourchtein

Private Equity – North America

Hugh Boyle

Investor Relationship Management – US

James Brailey

Credit Management

Elizna Brockway

Credit Management

Jesse Brundige

Real Estate - US

Kelly Byun

Real Estate - US

Camilla Campion-Awwad

Investor Relationship Management - Europe

Kieran Carmody

Credit Management

Enrique Casafont

Private Equity – North America

Helen Chan

Private Equity – Asia

Pankaj Chandhok

Technology

Dhanraj Chandiramani

Strategic Capital

Francis Chang

Business Support - NYLON

Jia Chen

Business Support – NYLON

Fortune Chigwende

Internal Audit and Controls

Shah Choudhury

Technology

Melanie Claydon

Human Resources

Edgar Coatman

Investor Relationship Management – US

Matthew Coleman

Private Equity - Asia

Anthony Colon

Credit Management

Philip Comerford

Private Equity – North America

Brian Cook

Credit Management

Dominic Courtman

Credit Management

Khaled Daair

Business Analysis and Planning

Sebastien De Bock

Private Equity – Europe

Pierre De La Rochefoucauld

Real Estate - Europe

Rocco DelGuercio

CM Investment Partners

Valentina Di Venuta

Private Equity – Europe

John Dibble Jr

CM Investment Partners

List reflects staff employed at June 30, 2020.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

SENIOR AND PROFESSIONAL STAFF (continued)

Dale Didulo

Technology

Alptekin Diler

Private Equity – MENA

Kevin Doherty

Credit Management

Darryl D'Souza

Business Support – NYLON

Gordon D'Souza

Private Equity – India

Vikas Dugar

Private Equity – India

Merime Durakovic

Legal & Compliance

Khulood Ebrahim

Investor Relationship Management - Gulf

Michael Emmet

Private Equity – North America

David Endler

Credit Management

Nicola Ferraris

Private Equity – Europe

Sean Ferris

Credit Management

David Fewtrell

Credit Management

Puralyn Fiel

Office of Executive Chairman

Melanie Figgeneer

Private Equity – Europe

Michael Flanagan

Corporate General Services – New York

Kirk Fleischer

Private Equity – North America

Christopher Fraser

Real Estate - US

Sunil Gaglani

Risk Management

Maxime Geraudie

Private Equity – Europe

Hasan Ghaith

Compensation

Yasmeen Ghali

Legal & Compliance

Benjamin Gilman

Real Estate - US

Johannes Glas

Investor Relationship Management - Gulf

Anshuman Goenka

Private Equity – India

Luis Gonzalez

Private Equity – Europe

Jannine Goolam

Technology

John Graves

Business Support - NYLON

Matthew Gross

Corporate Communications

Vineet Gupta

Investor Relationship Management - Gulf

Gerald Gurriet

Compensation

Fredrik Guster

Strategic Capital

Rira Ha

Credit Management

Sadeq Habib

Compensation

Wassim Hamoude

Private Equity – MENA

Ian Hansford

Human Resources

Mansoor Hasan

Technology

Husain Hashim

Corporate and Investment Accounting

Juergen Heilmann

Private Equity – Europe

Tobias Hemmerich

Real Estate - Europe

Shaun Hill

Internal Audit and Controls

Celia Ho

Business Support - Real Estate

William Hoffmann

Credit Management

Nahar Houthan

Investor Relationship Management - Gulf

Ahmed Husain

Financial Management

Sebastian Inger

Private Equity – Europe

Ahmed Isa

Corporate and Investment Accounting

Bahija Ismail

Corporate and Investment Accounting

Ayman Jaafar

Investment Administration

Abishek Jain

Real Estate – India

Kevin Jay

Private Equity – North America

Jay Jena

Technology

List reflects staff employed at June 30, 2020.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

SENIOR AND PROFESSIONAL STAFF (continued)

Sonia Jenkins

Compensation

Lisa Johnson

Investor Relationship Management – Asia

Raewyn Johnston

Legal & Compliance

Rosanne Johnston

Legal & Compliance

Sammy Jondi

Private Equity - MENA

Paul Kagan

Private Equity – North America

Michelle Kaler

Real Estate - US

Rahim Kandanuru

Technology

Narendra Karki

Technology

James Keary

Real Estate - US

Richard Keast

Credit Management

Dennis Kehrberg

Real Estate – Europe

Timothy Kelly

Real Estate - US

Brett Kenney

Business Support – NYLON

Dennis Kehrberg

Real Estate – Europe

Pierre Khaitrine

Private Equity – Europe

Garvin Kiernan

Credit Management

Jerry Kirby-Houlihan

Credit Management

Vrushali Kithany

Investment Administration

Nathalie Klein

Investor Relationship Management – US

Sergey Klevsky

Technology

Warren Knapp

Private Equity – North America

Georg Knoflach

Private Equity – Technology

Alexander Koeppen

Private Equity – Europe

Sanjay Kohli

Investor Relationship Management – Europe

Mihir Kothari

Investor Relationship Management - Gulf

Murali Krishna

Risk Management

Ajay Kumar

Real Estate – India

Nilesh Ladha

Corporate and Investment Accounting

Pakchau Lam

Financial Management

Barry Lane

Credit Management

Jonathan Lay

Legal & Compliance

David Lee

Strategic Capital

Geordy Lefevre

Credit Management

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