Initiation Coverage
Investcorp Capital PLC

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Investcorp Capital PLC

Multi-layered Income Profile Offers Strong Returns

Key Investment Highlights

We initiate coverage on Investcorp Capital PLC ("IVCC" or "the Company") with a target price of AED 2.71 per share. IVCC, an alternative investment management company to be listed on the ADX, operates through Capital Deployment and Capital Financing Services segments with asset exposure of USD 1,276 Mn as of June 2023.

Our investment view is supported by:

- *A balanced allotment across all asset classes, geographies, and sectors diversifies Investcorp Capital's risk*
- *Investcorp Capital benefits from attractive risk-adjusted returns and rising institutional demand for private market alternatives*
- *Gains from attractive fees generation through Capital Financing Services (CFS), leveraging Investcorp Group's strong global private capital-raising platform*
- *Multiple recurring income streams to provide profit and cash flow visibility*

Balanced Allotment Across All Asset Classes, Geographies, and Sectors Diversifies Investcorp Capital's Risk

Investcorp Capital has a well-diversified portfolio with over 75 corporate investments, 35 CLOs, a real estate portfolio of 783 buildings, and stakes in 11 asset management ventures, ensuring attractive diversification across strategies, geographies, sectors, and deployment styles. In FY2023, Investcorp Capital's total exposure stood at USD 1,276 Mn. Approximately two-thirds of this exposure is in developed markets, with North America accounting for 40% and Europe for 29% in June 2023. By diversifying across private equity, real estate, and private credit, the Company mitigates risk and minimizes the impact of potential losses from any single investment.

Investcorp Capital Benefits from Attractive Risk-Adjusted Returns and Rising Institutional Demand for Private Market Alternatives

Investcorp Capital has a favorable opportunity to capitalize on the growing alternative asset management sector, benefiting from consistent outperformance compared to public markets amid rising demand from institutional and private investors. The increasing demand for private market alternatives is fuelling attractive and long-term growth opportunities for IVCC in the investment sector. The high institutional demand led to the growth of the global alternatives industry, and the AUM in this space is expected to grow at a CAGR of 9.3% to USD 23.3 Tn in FY2027. The growing opportunity of the different asset classes of the alternatives industry is likely to have a significant positive impact on Investcorp Capital as it reflects increasing investor interest and demand for alternative investment strategies.

Investcorp Capital Gains from Attractive Fees Through CFS, Leveraging Investcorp Group's Strong Global Private Capital Raising Platform

Investcorp Capital benefits from a lucrative fee stream through its Capital Financing Services business, charging an 8% underwriting fee and having the capacity to underwrite assets up to USD 1 Bn including financing. Additionally, IVCC earns a commitment fee of 1.25% on untapped funds, resulting in a net IRR of approximately 10-12% annually. Investcorp Capital benefits from Investcorp Group's resilient fundraising capabilities, ensuring a steady flow of funding for investment opportunities. With 12 new investments syndicated since February 2022, totalling USD 1,068 Mn across various strategies, Investcorp Capital's quick syndication ability (100% within one year, 58% within six months) enables it to capitalize promptly on promising opportunities, optimizing its investment portfolio and generating attractive returns.

Multiple Recurring Income Streams to Provide Profit and Cash Flow Visibility

Investcorp Capital's diversified balance sheet exposure generates recurring income through a well-balanced investment portfolio across various asset classes. The Company recorded a recurring cash yield of 6.0% in FY2023, showing a notable increase from 5.8% in FY2022. Operating cashflow before investments recovered during FY2023 to USD 96 Mn, driven by a healthy performance of the Capital Deployment (CD) and CFS segment and cash inflow from working capital partially offset by an increase in unrealized profit. The Company plans to maintain a cash balance of USD 100 Mn, ensuring liquidity and operational flexibility with total capital of USD 1 Bn each for CFS and CD, while adhering to a prudent leverage policy not exceeding 0.3x equity, which signifies a reduced reliance on debt, leading to lower financial risk and ensuring a stable financial position.

Initiating Coverage

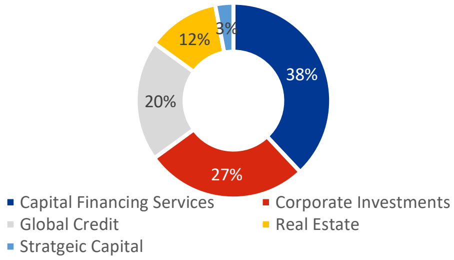
Sector: Financials

Analyst Name: Ahmad Banihani

Rating: BUY

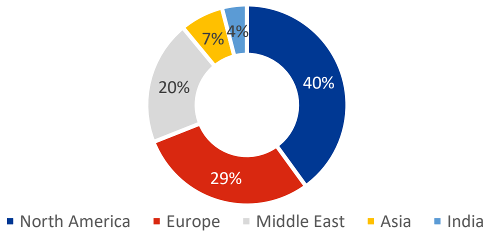
Current Price (AED)	1.98
Target Price (AED)	2.71
Upside/(Downside)	+37%
Market Cap (AED, Bn)	4.34
Shares Outstanding/Float	2,191.5M/626.1M

Diversified Asset Exposure Across Segment, FY2023



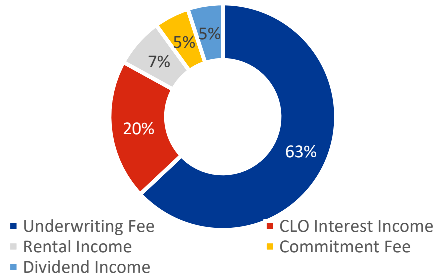
Source: Company Information

Global Spread by Region, FY 2023



Source: Company Information

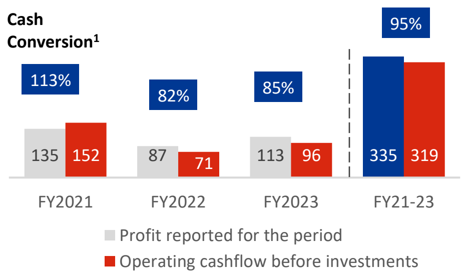
Multiple Recurring Income Streams[1], FY2024



Source: Company Information

Note: 1. Illustrative FY 2024 income split excluding unrealized gains (losses) on asset fair value, gains (losses) on sale of assets and performance fee rebate income

Profit for the year and cash conversion (USD Mn)



Source: Company Information

Note: 1. Cash conversion calculated as Operating cashflow before investments / Profit reported for the period, Fiscal year ended 30 June

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Introduction to Investcorp Group

A Global Independent Asset Manager Based in GCC with a Track Record of 40 Years

Investcorp Group, with an extended track record, is set to grow its AUM from USD 50 Bn to USD 100 Bn in the medium term along with, its commitment to create value for stakeholders across the different economic cycles

Investcorp Group ("IVC" or "the Group") is a leading global independent Asset Manager with a track record of more than 40 years and stands out as one of the early pioneers in alternative investments from the region on a global scale. For several decades now, Investcorp has been the GCC region's largest non-sovereign investment group. The Group serves over 4,000 active clients from the Gulf Cooperation Council (GCC) region, in addition to attracting the trust of more than 300 global institutional investors. The company's sustainability lies in the diversified client base, ensuring that no single investor accounts for more than 1% of the Assets Under Management (AUM).

Investcorp Group's journey is demonstrated by a remarkable track record of delivering attractive returns to GCC and worldwide investors through alternative investment offerings. The Group with USD 50 Bn of AUM is setting its sights on further growth, aiming to reach USD 100+ Bn in the medium term. The group operation is supported by approximately 500 dedicated employees spread across 14 offices ensuring efficient and effective service for its clients.

The Group maintains an extensive global footprint with consistent growth in AUM

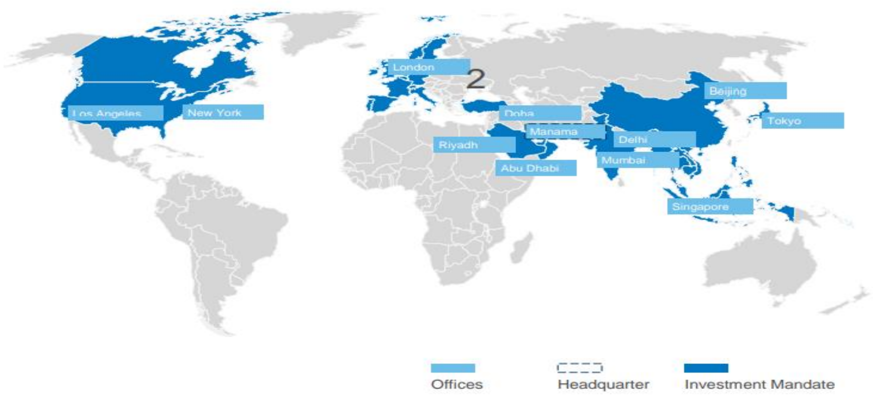
Investcorp Capital's substantial geographical presence drives global Investments across various geographies and regions

Investcorp Group boasts a robust global presence that is strategically positioned across various geographies and regions to capitalize on investment opportunities worldwide. With 14 offices in key financial hubs across the globe, the Group has established a global footprint with 500-plus employees. North America and Europe consist of almost 80% of the total invested capital of the Group.

IVC is headquartered in Manama, Bahrain, along with other GCC-based offices in Riyadh, Doha, and Abu Dhabi, which provides a deep understanding of the regional landscape and facilitates investments in the Gulf Cooperation Council countries and beyond. In North America, the company has offices in New York and Los Angeles, which allows it to tap into the thriving Corporate Investment, Real Estate, Insurance, Absolute Return investment, Strategic Capital, Infrastructure, and Global Credit Markets.

Investcorp Group marks its presence in Europe with offices in London to actively pursue investment opportunities in diverse European countries. Moreover, the Group's reach is expanding in Asia, with offices in Singapore, India, Japan and Beijing, enabling it to explore emerging opportunities in dynamic markets such as China, and Southeast Asia. By strategically positioning across these geographies, IVC leverages its global network and industry expertise to identify and capitalize on investment prospects, creating value for clients on a global scale.

Figure 1: Investcorp Group Global Presence



Source: Company Information

Investcorp Group owns a well-diversified investment portfolio across three continents and several business strategies

IVC's investment offerings are tailored to address the distinct opportunities and challenges presented by each continent

The Investcorp Group offers a wide range of investment opportunities across seven business strategies in three continents:

1. **Corporate Investments:** Investcorp Group's corporate investment division specializes in control buyouts, growth equity, and technology investments. The Group primarily targets middle-market private companies that demonstrate growth potential and are leaders in the industries. Investcorp Group’s corporate investments in the Middle East have a 14-year operating track record.

   As of March 2023, Investcorp Group had invested USD 1.6 Bn of capital, with over 50% of the investments focused in the Kingdom of Saudi Arabia (KSA). Along with industry knowledge and IVC's wider network and capabilities, the Group strives to enhance operational performance, expand market reach, and enhance long-term value for investments.

2. **Strategic Capital:** Investcorp Group's strategy is centered around acquiring minority interests in alternative asset managers, with a particular focus on general partners (GPs) who specialize in managing longer-duration private capital strategies. The company targets mid-sized GPs with a strong track record and promising growth prospects. The mid-market GP stakes focus on the longer duration private capital with approximately USD 1 Bn AUM. By acquiring minority stakes in these GPs, IVC aims to align with successful investment teams and benefit from their expertise and market insights. The approach allows IVC to diversify its exposure to alternative asset management classes while leveraging the growth potential of the selected GPs and their investment strategies.

Majority of the real estate investment is in residential and industrial sector providing resilience against economic cycles

3. **Real Estate:** Investcorp Group made c. USD 24 Bn in total investments in real estate space since the Group's inception. Most investments are focused on core plus, income-producing residential, and commercial real estate properties. Around 85% of IVC's real estate investments are located in North America. Investcorp Group's Real Estate investments have a long operating track record of 27 years.

Total credit management realization proceeds and other distributions to Investcorp Group and its clients amounted to USD 1.6 Bn over the period

4. **Infrastructure:** The main objective of the segment is to allocate funds towards both greenfield and brownfield projects in sectors that are considered essential for societal well-being. The sectors include healthcare, education, utilities, social housing, digital infrastructure, roads, and rail. The Group expanded its operations by launching a private infrastructure investment business specifically targeting North America.

5. **Global Credit:** The primary investment strategy of the group is to focus on investing in senior secured corporate debt and private debt issued by medium and large-sized corporations in the United States and Western Europe.

   Investcorp Group’s investment approach emphasizes carefully on asset selection by evaluating corporate and private debt investments based on various factors. Investcorp follows a dynamic portfolio management strategy that actively monitors and adjusts the portfolio based on changing market conditions.

6. **Insurance:** Investcorp Group ventured into the field of investment management services for insurance by acquiring the US-based life insurance company, Sunset Life, in 2021. the company has been rebranded as Ibexis.

   Investcorp offers a range of investment management services tailored specifically for the insurance industry. The services are designed to support the insurance company's objective of raising long-term capital. The primary method through which Ibexis assists in raising capital is by facilitating the distribution of annuity products.

7. **Absolute Return Investment:** ARI, launched in 1996, is a financial institution specializing in offering customized solutions to clients across various investment strategies. ARI's product offering is multi-manager portfolios.

   The portfolios comprise investments across different hedge fund strategies, private debt, and impact investments. Another component of ARI's product portfolio is the thematic special opportunity which focuses on specific sectors with unique investment opportunities. ARI aims to capitalize on potential market trends and generate favorable investment outcomes for its clients by concentrating on thematic investment areas.

IVC's emphasis on recurring fees along with the expansion of existing products, asset base and diversification of client base across geographies to strengthen its position

Investcorp maintains sufficient flexibility to facilitate future growth plans

The Group will continue to concentrate on the alternative investment space where five essential elements will form the foundation of the Investcorp Group's future strategy.

- **Growing recurring fees:** To further enhance the strategy of focusing on the business by upscaling the existing investment areas, IVC increases its emphasis on recurring fees to establish stable revenue streams to ensure long-term sustainability.
- **Expand existing products and develop new ones:** Investcorp Group aims to expand and allocate more resources, and capital to the existing investment areas to deepen their impact worldwide. The Group recently introduced Insurance Solutions Platform to provide investment management solutions to meet the requirements of insurers.
- **Diversify client base:** Investcorp aims to broaden and diversify the client base, which currently comprises both ultra-high-net-worth individuals and institutions. As per the records, Investcorp has a long-standing network of over 300 global institutional investors and 4,000-plus ultra-high-net-worth individual clients.
- **Grow business and diversify both geographical reach and asset base:** Investcorp Group strategizes its relevance in the world economy and aims to continue to become a meaningful contributor in the upcoming decades, more specifically in India, China, and, to an extent, Japan. IVC aims to participate actively in those regions through its investor and investment reach, which contributes to the world's GDP growth.
- **Continue leadership in ESG framework:** Investcorp Group promotes ESG initiatives by starting an anchor program at both the portfolio and investor levels that specify ESG principles. Historically, the Group reduced its emission intensity (per USD Mn revenue for Scope 1, Scope 2, and select Scope 3) from 56.1 tCO2e in FY2020 to 9.6 tCO2e in FY2022. *Here,* ***tCO2e*** *stand for tonnes (t) of carbon dioxide (CO2) equivalent (e)*

IVC recorded 15% CAGR growth in AUMs from FY2017-1H2023

Investcorp Group's plans to grow AUM from over USD 50 Bn to USD 100 Bn in the medium-term

Asset under Management (AUM) holds significant importance as it measures Investcorp Group's business operations. Total AUM in FY2022 increased to USD 42.7 Bn from USD 37.6 Bn as of FY2021 owing to a growth largely driven by AUM's organic growth across most asset classes. The growth in the AUM over the years reflects the significant level of trust and confidence investors placed in the Investcorp Group. Thus, AUM rose to USD 50.4 Bn in 1H2023. The most dominant asset class in client AUM continues to be credit management with 41% of the total AUM.

Total AUM under credit management experienced a marginal growth of 1.4% to USD 16.1 Bn in FY2022. The increase is primarily attributed to the issuance and pricing of multiple Collateralized

Loan Obligations (CLOs). However, the appreciation of the USD against the EUR throughout the year partially mitigated the growth in credit management client AUM.

Also, Real Estate acquisition and placements of various new portfolios and fundraising for the new Industrial Real Estate Venture are attributed to the increase in the asset class. Apart from this, the composition of AUM across other asset classes remained relatively in line with the previous years.

Figure 2: Investcorp Group's Total AUM (USD Bn)

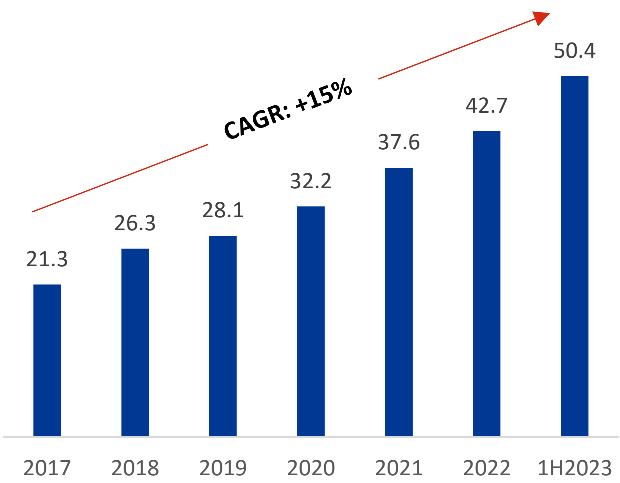
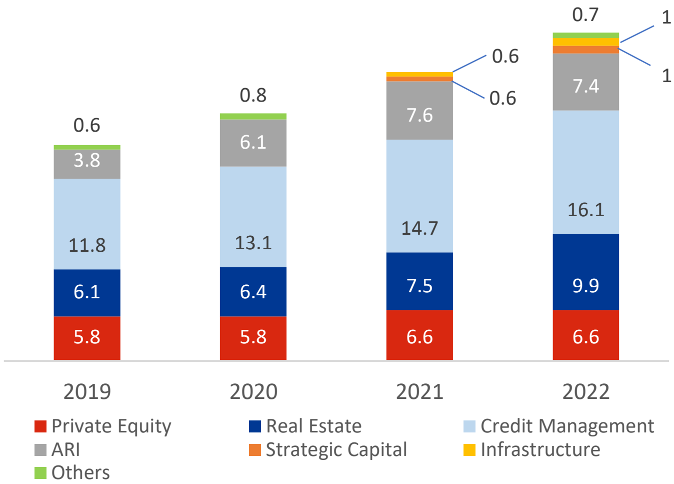


Figure 3: Group's Total AUM- by Asset Class (USD Bn)



Source: Company Information, includes assets managed by third parties, Note: Fiscal Year ends 30-Jun

Investcorp Group's Shareholding and Organizational Structure

Investcorp Group is a private company and counts Abu Dhabi Sovereign Wealth Fund, Mubadala, as one of its key shareholders

Investcorp Group is 100% owned by Investcorp Holdings B.S.C. (c). While Investcorp Holdings B.S.C. (c) is a privately held closed-end entity that is under management control. The management exercises voting rights over approximately **58% of Investcorp Holdings B.S.C. (c)**'s ordinary shares. The control also is exerted through two main avenues as stated below:

- The management holds an indirect interest of 28% in Investcorp Holdings B.S.C. (c)'s ordinary shares and
- The management also possesses voting control over the indirect shareholdings owned by approximately 55 Strategic Shareholders through proxy

Apart from management, other notable holders of Investcorp Holdings B.S.C. (c)'s ordinary shares include **Mubadala with a 20% stake**, and **Konoz Securities with a 10% stake**. The remaining **12%** of shares are owned by **diverse entities** without any significant concentration.

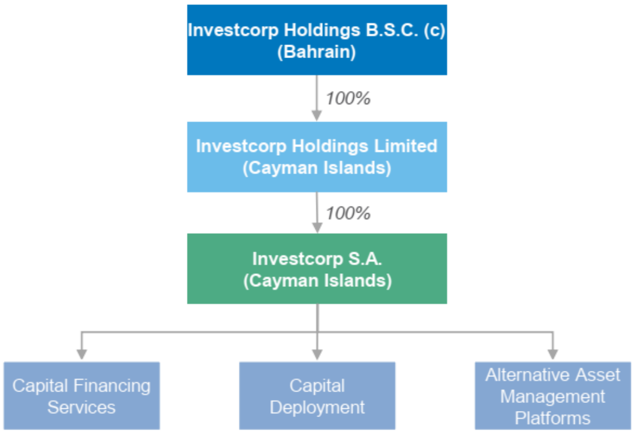
The dynamic leadership team driving Investcorp's success

The Investcorp Group leadership team comprises members from 50 different nationalities, with an average tenure of 10 years at the company

The leadership team at Investcorp Group is comprised of seasoned experts who hold crucial positions in shaping the company's strategic vision and supervising its operational activities. The team is structured to align with the group's strategy, with approximately 300 investment professionals and an additional 200 professionals in support functions.

H.E. Mohammed Alardhi holds the position of Executive Chairman at Investcorp, offering strategic guidance and leadership to the company. Within the leadership team, Hazem Ben-Gacem and Rishi Kapoor, Co-CEOs, are responsible for overseeing Investcorp Group's growth strategies, and business development, and ensuring alignment with IVC's strategic direction.

Figure 4: Organization chart of Investcorp Group (Pre-IPO)



Source: Company Information

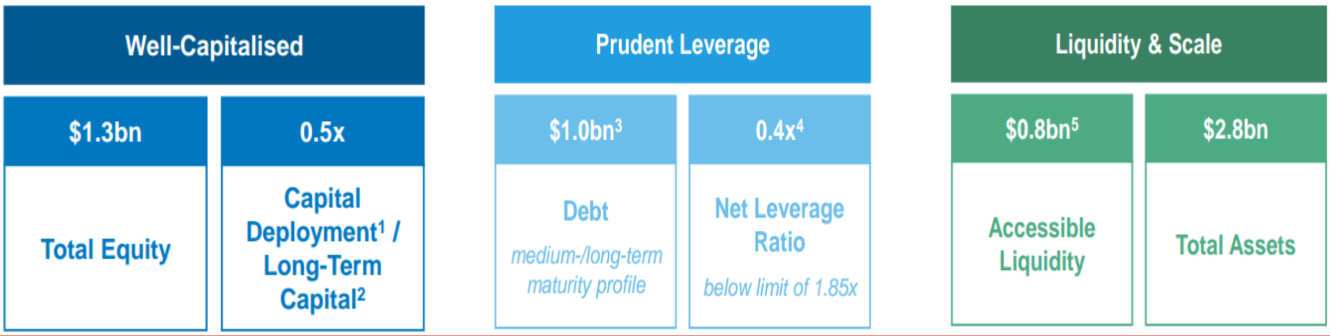
Investcorp Group's well-capitalized balance sheet provides initial capital for launching new strategies and support inorganic growth

IVC's healthy balance sheet provides initial capital to launch new strategies and support inorganic growth

Investcorp Group's healthy balance sheet serves as the foundation for launching new strategies and vehicles and facilitating inorganic growth. The Group strategically deploys capital across various asset classes, aligning its interests with those of its clients. With a healthy and robust balance sheet, Investcorp Group possesses USD 1.3 Bn of equity, maintains prudent leverage, and enjoys ample access to liquidity.

The group's medium-to-long-term debt maturity profile supports its ambitious growth objectives, with no significant debt maturities within the next 24 months. The total debt stood at USD 1.0 Bn with a net leverage ratio of 0.4x below the minimum covenant level of 1.85x. The Group recently raised USD 155 Mn through the preference capital sukuk like structure. It also refinanced and upsized the revolving credit facility from USD 430 Mn to USD 600 Mn, extending the tenure by over three years with retaining identical terms.

Figure 5: Investcorp Group Balance Sheet as of December 2022



Source: Company Information, Notes: As of 31-Dec-2022, unless otherwise stated.

1. Excludes underwriting and is net of facilities secured against ARI and CM co-investments.

2. Long term capital consists of JPY37 bn debt maturing in FY30, EUR36 Mn secured financings maturing in FY31, EUR20 Mn secured financing maturing in FY30, USD50 Mn debt maturing in FY32, deferred fees and total equity.

3. Excludes USD27 Mn short-term financing from repurchase agreements.

4. As reported, calculated in accordance with bank loan covenants and is net of liquidity, underwriting, and deferred fees.

5. Includes Islamic financing, cash, placements and other liquid assets and undrawn multi-currency syndicated revolving facility.

Global Investor Base and a Proven Fundraising Track Record

Long-standing relationships with high-net-worth individuals and healthy relationships with institutional investors provide a solid foundation for robust fundraising capacity

The Group has an established and proven track record of capital market access in challenging market conditions. This is fulfilled by the Group's strength in its diversified client base, spread across several geographical locations and segments. Additionally, IVC is continuously looking at innovative expansion of the investor base by exploring new avenues and adopting progressive approaches, the Group strives to attract a wider range of investors, enhance its network, and unlock new opportunities. Furthermore, the long-standing relationships with leading ultra-high-net-worth individuals and institutional investors in the GCC (Gulf Cooperation Council) region have been instrumental in this success.

Investcorp Group's total fundraising reached a record high of USD 7.4 Bn across private and institutional clients for new deal-by-deal offerings, fund products, and also by the SPAC company IPOs that the group sponsored. During the pandemic in FY2020 and FY2021, the fundraising impact was minimal and IVC raised USD 4.9 Bn and USD 4.3 Bn, respectively. IVC's robust deal-by-deal fundraising capacity placed over 80% of the available offerings in FY2023 despite the challenging global macroeconomic environment. The global presence covers the key institutions with a strong network in Asia for global credit.

Figure 6: Client AUM by Investor Base location

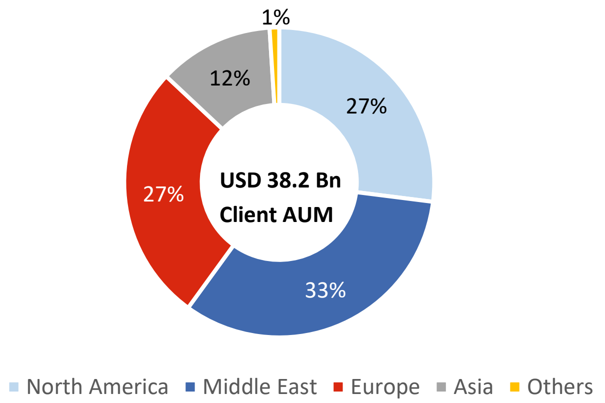
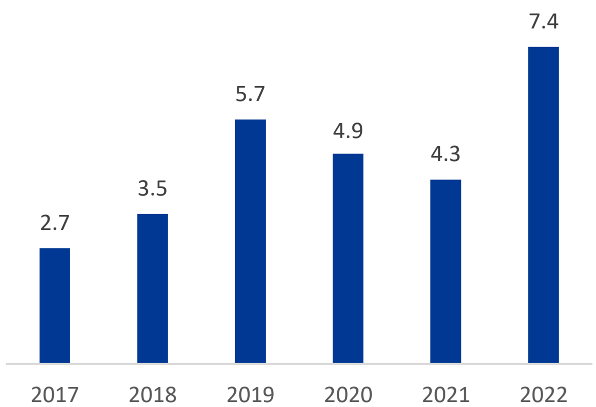


Figure 7: Investcorp Group's Fundraising Track Record (USD Bn)



Source: Company Information, Notes: Client AUM as of 30 June 2022 and excludes Affiliates & Co-investors AUM and Balance Sheet Co-investment AUM, Fiscal Year ends 30-Jun

Investcorp Group has a robust track record in delivering attractive returns across business strategies

Investcorp Group has a strong track record of achieving favorable outcomes in various business strategies. The Group consistently delivers appealing returns by implementing established investment principles, leveraging the extensive expertise accumulated over nearly four decades. Notable performance indicators include a 24% return on investments in North America and Europe over the past ten years, a 34.0% return on Technology Partners Fund IV, and an impressive 42.3% return on North America Private Equity investments from the 2016 vintage.

IVC demonstrated success in the real estate sector by implementing value-added strategies across different property types, resulting in attractive investment returns. Specifically, the real estate investments in North America have achieved a 15.5% Internal Rate of Return (IRR) and a Money on Invested Capital (MOIC) of 1.6x. The Group has shown impressive performance within specific real estate asset classes, including a 17.3% return in multifamily properties, an 18.3% return in student housing, a 14.8% return in retail properties, a 17.6% return in office spaces, and an exceptional 21.2% return in industrial properties.

Figure 8: Realized Return of Corporate Investments

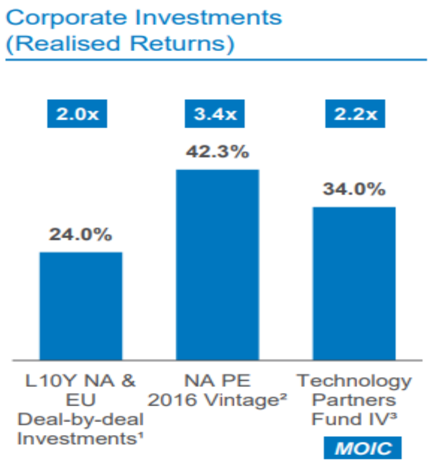
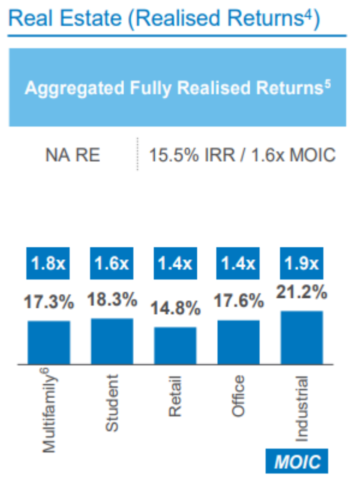


Figure 9: Realized Return of Real Estate [4]



*Source: Company Information, Notes: **1.** 14 deals realized from all North American and European deal-by-deal investments done since 1 January 2013. **2.** Refers to gross returns from. Fully exited assets from the "2016 Vintage", which is defined as all Investcorp North American corporate investments made since 2016 excluding the NAPE Fund investments. As of 30 June 2022. **3.** ITP IV gross return as at 30 June 2022. **4.** Represents gross return for North American investments since 1997. **5.** Represents gross return for global investments since 1996. 6. Over the past 10 years, realized multifamily investments yielded a 24.5% IRR and a 1.9x multiple.*

As of 30th June FY2022, Investcorp Group has 14% average annualized equity distributions of outstanding CLOs 2.0

Investcorp Group established a strong presence in the global credit market. As of June FY2022, IVC achieved an average annualized equity distribution of 14% from outstanding Collateralized Loan Obligations (CLOs) 2.0. The Group has a strong 19-year history of investing in the United States and Europe. Investcorp Group utilizes a global sourcing platform, supported by a robust balance sheet and exclusive distribution channels, to access appealing investment opportunities. The Strategic Capital division offers diversified exposure to recurring cash flows through management fee earnings, with the potential for increased returns through carried interest. The overall returns on Investcorp's balance sheet demonstrate successful diversification of capital invested in underlying funds, with a notable gross Internal Rate of Return (IRR) of 25% for Strategic Capital division.

Figure 10: Avg. Annual default rate andAvg. loss rate of Global Credit [1]

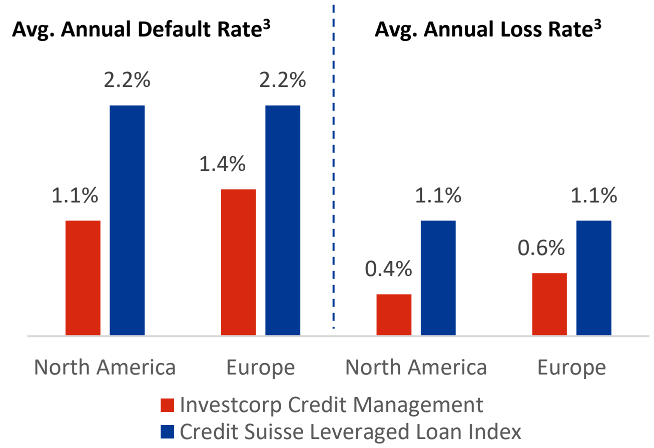


Figure 11: Return of Strategic Capital [2]

Source: Company Information, Notes: Average annualized equity distributions of outstanding CLOs 2.0 (as of June 30, 2022), Fiscal Year ends on 30 June

***1.** US data as of 2006-2021. EU data as of 2005-2021. **Default rate** reflects the notional par value of assets when entering default as a proportion of the total par outstanding at the beginning of the relevant year. Loss rate reflects the difference between the cost of assets when entering default and the recovery amount, as a proportion of the total outstanding par value at the beginning of the relevant year. change. **2.** Performance as of 31 December 2022 and is estimated, unaudited and subject to change. Gross figures do not reflect the deduction of management fees, partnership expenses, estimated carried interest or other Fund expenses. 3. US data as of 2006-2021. EU data as of 2005-2021. Default rate reflects the notional par value of assets when entering default as a proportion of the total par outstanding at the beginning of the relevant year. Loss rate reflects the difference between the cost of assets when entering default and the recovery amount, as a proportion of the total outstanding par value at the beginning of the relevant year. Change.*

Introduction to Investcorp Capital

Investcorp Capital – Pioneering the Growth of Alternative Asset Investment

Investcorp Capital PLC offers to raise USD 600 Mn in the Abu Dhabi Securities Exchange through the issuance of primary and secondary shares

Investcorp Group has continued to grow for over 40 years as a leading global asset manager and planning to carve-out a new entity named **Investcorp Capital PLC** ('IVCC" or "the Company"). Investcorp Capital PLC is a pioneering business that promotes the growth of alternative assets as a first-of-its-kind structure to be listed on the Abu Dhabi Securities exchange. IVCC plans to offer 643 Mn with a nominal value of USD 0.50 per share equally split between primary and secondary shares in the IPO. The amount raised in the IPO will depend on the final IPO price.

The carved-out entity will manage the business through two segments, including Capital Deployment (CD) and Capital Financing Services (CFS) segment. Investcorp Capital invests in a balanced portfolio, covering different asset classes, strategies, sectors, and geographies with a multi-layered return proposition. Post listing on Abu Dhabi Securities Exchange, Investcorp Group will be able to source capital from diversified sources to fund strategic growth opportunities and expand IVCC's Capital Financing Services (CFS). In addition, UAE equity investors will also be able to deploy capital in the alternative asset management sector and gain access to investment in private assets.

Investcorp Capital is a leading alternative investment structure and the first of its kind to be listed on the Abu Dhabi Securities exchange. This brings IVC's outstanding global asset management capability to the Abu-Dhabi stock exchange. The investors in IVCC will benefit from the listing, as it provides them exposure to alternative investments with the expertise and long track record of Investcorp Group. IVCC intends to offer ADX public market investors exposure to tailored private assets and earn recurring underwriting fees by providing a capital solution function that will fund the private assets.

The two segments of Investcorp Capital Limited support a highly attractive investment and distribution platform through Capital Deployment and Capital Financing Services

Investcorp Capital has two segments namely:

- **Capital Deployment:** Capital Deployment division has a total exposure of USD 783 Mn as of 30 June 2023 and is focused on building and managing a portfolio of alternative investments which is exposed to corporates, real estate, global credit and strategic capital. The investments in this asset class are made directly or via funds through equity or by providing financing. Capital Deployment division earns income through dividends, interest, and rental income, and profit sharing in addition to capital gain (realized and unrealized) after disposing of the assets. The division also earns money through performance fee rebates.
- **Capital Financing Services:** Total exposure for the Capital Financing Services is USD 493 Mn as on 30 June 2023 where the fee is earned through underwriting and warehousing transactions. CFS bridges the gap between Investcorp Capital's ability to purchase a transaction and place it either directly or into a fund vehicle. Currently, Investcorp's plans to boost the financing capacity to USD 1 Bn.

Investcorp Capital's Governance Structure

Investcorp Capital's relationship committee plays a critical role in monitoring the implementation of agreements made with the Investcorp Group

Investcorp Capital has a Board of Directors made up of nine members. The board consists of a non-independent Chairman, four independent directors and remaining non-independent directors. The board's main responsibility is to provide strategic oversight of the Company's management and business affairs.

Investcorp Capital's governance is the board's responsibility and will be exercised through three committees: Audit, Nomination and Remuneration, and Relationship Committee. The Audit Committee members comprises of Investcorp Capital's management as the committee also participates in the quarterly valuation processes which is carried out by IVCC. The committee takes the responsibility to independently review the valuations that are presented for evaluation and adapt to the valuations which are approved at the Investcorp Capital committee meetings.

The Relationship Committee at Investcorp Capital comprises a minimum of three members, all of whom are independent. The primary focus lies in overseeing the Company's management, business, and operational aspects, specifically when potential conflicts of interest arise with Investcorp Group. Additionally, the committee is responsible for reviewing and approving investments that fall outside the predefined investment parameters.

Figure 12: Investcorp Group structure post IPO

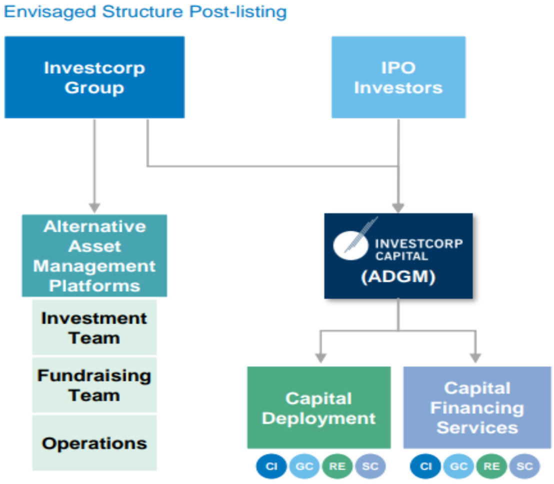
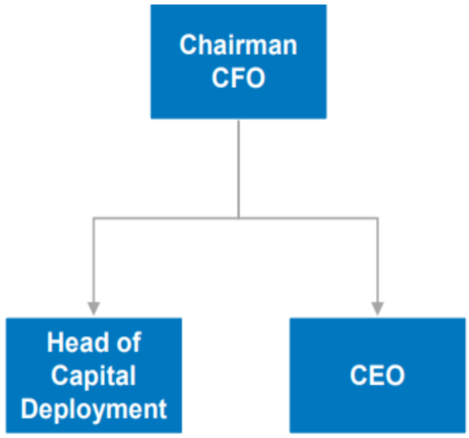


Figure 13: Composition of IVCC Audit committee



Source: Company Information

Investcorp Capital has two segments:

Capital Financing Services

Overview of the Capital Financing Services

Investcorp Capital deployed USD 493 Mn across CFS segment with an exposure of USD 165 Mn to corporate investments, USD 11 Mn global credit, USD 206 Mn real estate, USD 36 Mn to strategic capital and the remaining USD 75 Mn as receivable from CFS segment

IVC's CFS segment boasts a remarkable track record spanning over 40 years of fundraising on a year-on-year basis. With a robust global capital-raising capability, the Group has successfully raised over USD 20 Bn in the last five years.

The Company has a client network of international institutional investors with a strong presence in the US and Europe, further enhancing its long-standing private wealth network in the Gulf region. The client base includes a strong network of c.5000+ clients in the Gulf and 300 global institutional investors. The extensive network is supported by Investcorp Capital underwriting those exposures on its balance sheet and allowing Investcorp Group to syndicate it out to the client base.

With a stable and recurring fee-driven business model, Investcorp Capital consistently earns an impressive 8% per annum on the underwritten exposure. Investcorp Capital's investment strategy aims to earn a target gross internal rate of return (IRR) of approximately 20-25%, translating to a net IRR of around 10-12% after considering the cost of leverage into account.

Capital Financing Services Business model

Capital financing services generate contractual and recurring income via underwriting investment opportunities which

Investcorp Group recommends investments for underwriting to Investcorp Capital for capital deployment. These recommendations go beyond investment analysis where the fundraising and relationship teams meticulously evaluate the risk and return profile to ensure appropriate syndication to clients. Investcorp Capital further screens and approves the investments for the placement and investment committee and later proceeds for capital deployment. The Investcorp

Investcorp Group recommends

Group helps Investcorp Capital in syndicating these assets to the clients. As the funds are collected Investcorp Capital recoups the capital deployed along with the underwriting fee. The process repeats annually, with approximately 3-4 times churn throughout the year.

Investcorp Capital charges a minimum underwriting fee of 8%, which may vary depending on the asset class and product. The available capacity for Investcorp Capital to underwrite the asset is up to USD 1 Bn. Once allocated funds are not fully utilized, Investcorp Capital earns a commitment fee of 1.25% on the untapped amount. As a result, Investcorp Capital achieves a recurring cash yield of around 10-12% on an annualized basis.

CFS asset exposure (including receivables) is well diversified among the asset classes, with 39% allocated to Corporate Investments and 49% allocated to Real Estate. The remaining 9% with Strategic capital and 3% in Global Credit.

Figure 14: CFS segment Asset lifecycle

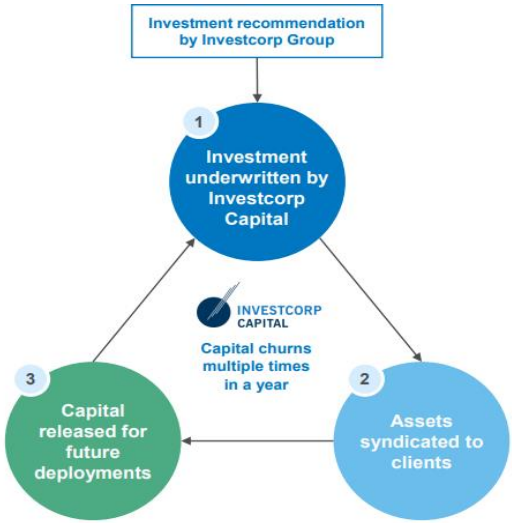
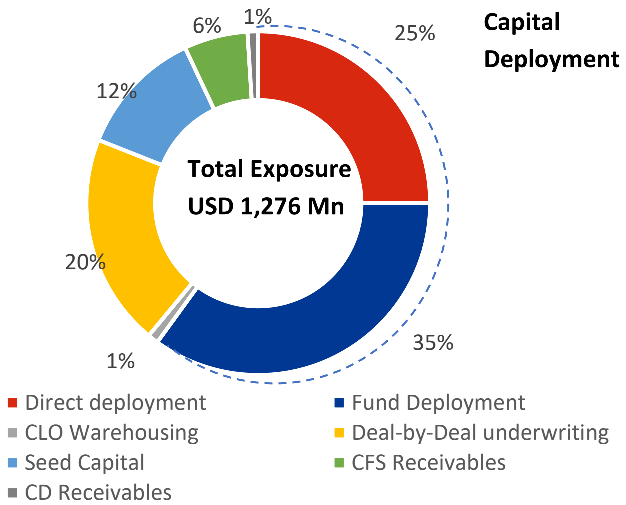


Figure 15: Deployment style by segment (as of June 2023)



Source: Company Information, Notes: As of June-23, Fiscal Year ends 30-Jun

CFS underwriting and syndication process

The process of deal-by-deal underwriting is primarily focused on real estate and corporate investments

CFS segment mainly does syndication for three verticals:

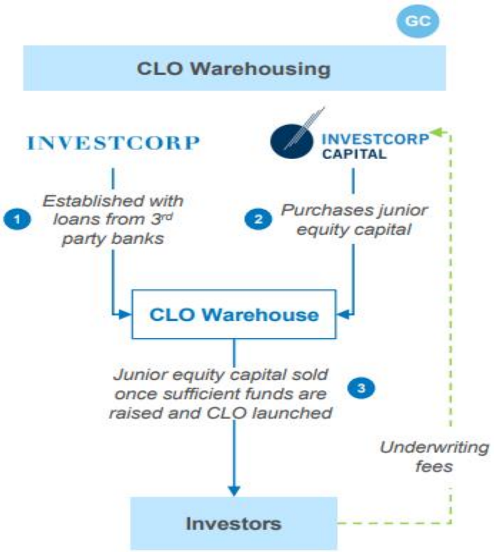
A. **Deal-by-Deal Underwriting**: Deal-by-Deal is served to an ultra-high-net-worth and private wealth client base in the Gulf region with an average time horizon of 3 to 4 months. Following is the process for the operational model of deal-by-deal underwriting:
   1. Identification of Investments by Investcorp Group.
   2. Screening and selection of the appropriate investments by Investcorp Capital. IVCC then purchases the Investments and holds on its balance sheet until the syndication.
   3. Investments are later syndicated to the investors by Investcorp Group.
   4. Investors pay the underwriting fees to Investcorp Capital.

CLO warehousing process is mainly focused on Global credits asset class

B. **CLO Warehousing:** The primary focus of CLO Warehousing lies in the global credit asset class, typically with an average time frame ranging from 3 to 9 months. The subsequent process outlines the operational model for CLO underwriting:
   1. Investcorp Group arranges and establishes loans from third-party banks for the funding of CLO warehouse.
   2. Investcorp Capital identifies and evaluates the CLO by purchasing the junior/senior equity capital.
   3. Once sufficient funds are raised, CLO is launched and junior/senior equity capital is sold by Investcorp Capital to the Investors.
   4. Investors then pay the underwriting fees to Investcorp Capital.

Figure 16: Operational Model for Deal-by-Deal Underwriting

Figure 17: Operational Model for CLO Warehousing



Source: Company Information

Seed capital investment creates a private equity fund for the Limited Partners

C. **Seed Capital:** Seed capital refers to the initial establishment of a fund. Seed capital is focused on Corporate Investments, Global Credit, Real Estate, and Strategic Credit with an average time horizon of 6 to 9 months. The process for the operational model of the seed capital includes:

1. Investcorp Group identifies assets for investment which requires seed capital.
2. Investcorp Capital recognizes and holds the purchased investment on the balance sheet.
3. Investcorp Group creates the PE fund, and the asset is sold to the PE fund by the IVC
4. The investment is completed once the private equity fund pays the underwriting fee to Investcorp Capital.

Figure 18: Operational Model for Seed Capital

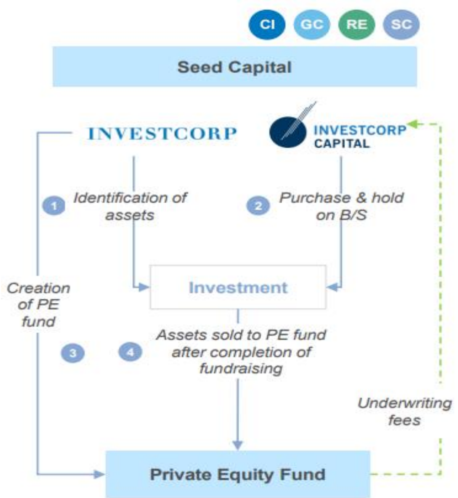
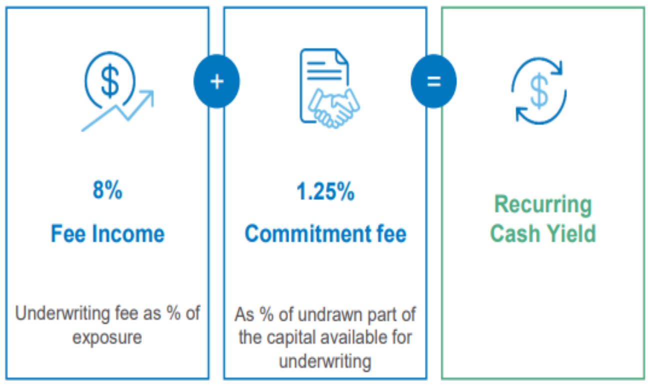


Figure 19: Stable and Recurring Income Profile for CFS



Source: Company Information

Capital Deployment Services

Capital deployment Services and its expertise with different asset classes

Investcorp Capital has a total asset exposure including receivables of USD 783 Mn as of June 2023

The Capital Deployment segment within Investcorp Capital plays a crucial role in effectively deploying capital across a diverse range of asset classes and investment opportunities. IVCC leverages the Group's remarkable 41-year track record in the middle market private equity transactions space, cementing its expertise in corporate investment strategies. With a team of approximately 90 dedicated investment professionals, Investcorp has successfully invested USD 20 Bn of assets into middle-market private equity investments since 1983.

IVC has a track record of 19 years of managing high quality assets in the global credit

IVC's senior secured corporate and private debt strategies boast a remarkable 19-year track record, supported by a team of approximately 48 investment professionals. The Company holds a global rank of 13th in managing CLO assets and delivers annual equity distributions of around 14%. With a focus on mid and large-cap corporates, Investcorp Capital provides investors with attractive and secure investment opportunities in the corporate debt space.

Investcorp's real estate strategy achieved a gross internal rate of return (IRR) of 15.5% and 1.6x money over invested capital (MOIC)

Investcorp Group is an established and prominent investor in commercial, residential, and industrial properties, backed by an impressive 27-year track record. With a team of over 150 professionals dedicated to real estate investments in North America. IVC possesses extensive knowledge and expertise in the sector. Notably, the Company holds the distinction of being the number one Gulf-based investor in US real estate. This recognition is a testament to Investcorp Group's commitment to identifying and capitalizing on attractive real estate opportunities in the US market.

IVC specializes in mid-market general partner (GP) stakes with a longer duration focus on private capital. The Company has a track record of four years, supported by a team of eight experienced investment professionals. Investcorp Group manages c.USD 1 Bn under assets under management (AUM) in the mid-market GP stakes strategy. IVC's mid-market GP stakes strategy boasts a gross internal rate of return (IRR) of approximately 25% and a gross MOICof approximately 1.3x.

Figure 20: Investcorp Capital's CD Segment total asset exposure by asset classes

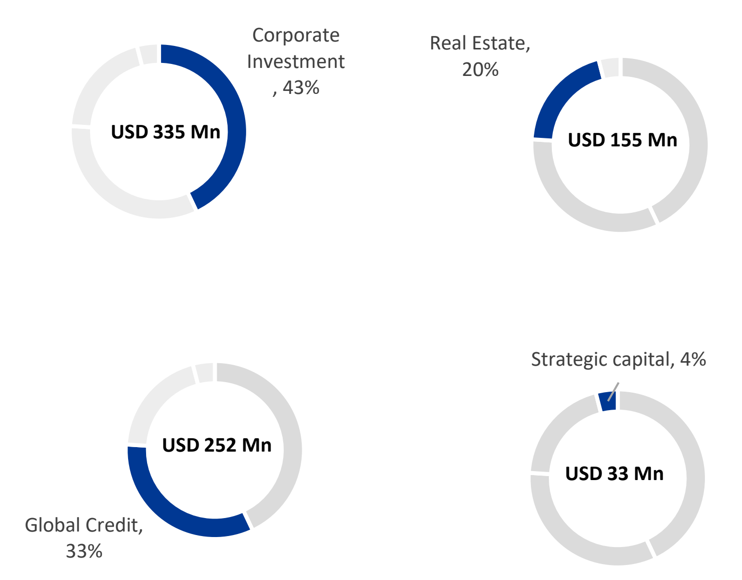
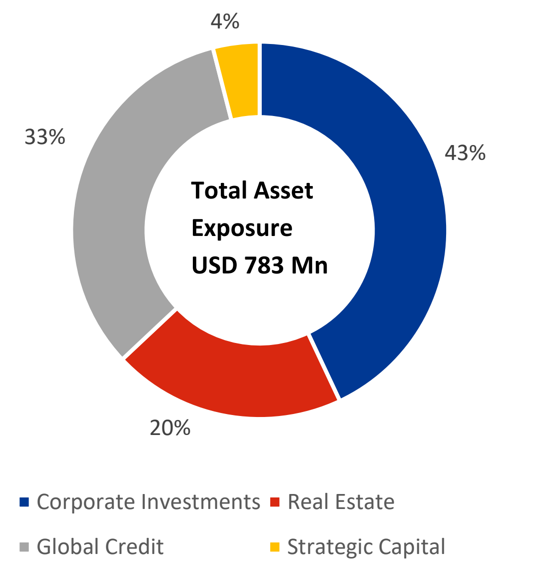


Figure 21: IVCC CD Segment exposure by asset class



Source: Company Information, Notes: Asset exposure as % of Investcorp Capital's total gross asset exposure includes receivables as of June-23, Fiscal Year ends 30-Jun

CD diversified and well-balanced portfolio poised for NAV growth along with income generation

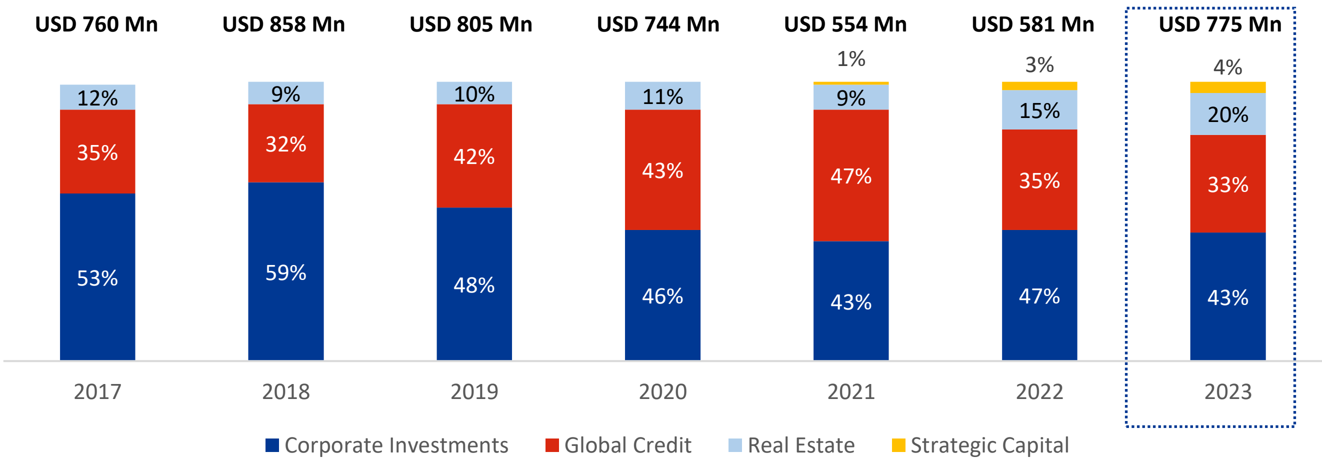
Investcorp Capital aims to capitalize on opportunities for growth and diversification through asset allocation between different asset classes and geographies

Investcorp Capital's well-balanced investment portfolio initially focuses on growing the net asset value (NAV), through diversification. The main objective is to generate income and achieve capital appreciation across the four major asset classes.

In June FY2017, 53% of the capital was allocated to corporate investments, however by FY2020, it reduced to 46%. As of FY2023, the initial capital deployed in corporate investments stood at 43%. During FY2017, Investcorp Group made significant corporate investments in Southeast Asia (SEA) and China, including key acquisitions in global credits. In FY2018, the total asset exposure including receivables amounted to USD 858 Mn, and new strategies were introduced to focus on strategic capital. Additionally, Investcorp Capital expanded its real estate investments in India in FY2019.

As of FY2023, the total asset exposure stood at USD 783 Mn (including receivables). During FY2023, the Company expanded its real estate investment into MENA region. The allocation of assets in JuneFY2023 is as follows: 43% corporate investments, 33% global credits, 20% real estate, and 4% strategic capital.

Figure 22: CD Segment Asset Exposure breakdown by strategy[1]



Source: Company Information, [1]Data for FY17-FY20 aligned to the FY21-FY23 Carve-Out In-scope assets, Asset exposure is excluding receivables

Investcorp scales along with product and geographic diversification

Investcorp Capital is expanding and venturing into various asset classes, actively pursuing geographic diversification by implementing new strategies across different regions. The approach reflects Investcorp Capital's commitment to exploring opportunities in diverse markets and broadening the investment portfolio

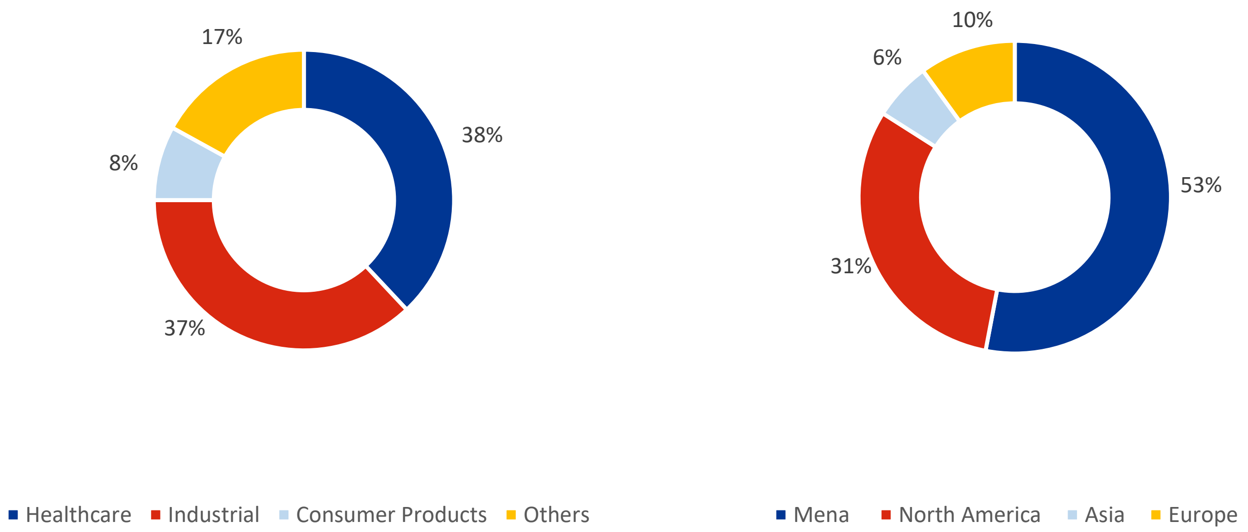
Investcorp Capital's corporate investments primarily target the healthcare and industrial sectors across North America and the MENA region. The strategy aims to capitalize on opportunities in specific industries and regions, ensuring a well-rounded and diversified investment portfolio for IVCC.

The Company's global credit asset class expanded its exposure through organic and inorganic initiatives. IVCC established 22 new CLOs (Collateralized Loan Obligations) between FY2017 and FY2022 in addition to the acquisition of three CLOs since 2016. This contributed to an approximate USD 20 Bn AUM (at the time of acquisition) for Investcorp Capital.

Real estate established a strong presence in North America and subsequently expanded its reach to Europe and Asia. As an asset class, real estate consistently accounted for approximately 86% of Investcorp Group's AUM since 1996 in North America. Recently, IVC launched two new investments comprising 115 properties in Europe. Furthermore, the Group made acquisitions in the MENA region, including a warehouse in KSA in FY2022, and operating two funds in India since FY2019.

Since FY2019, Investcorp Group has been actively involved in establishing and expanding its strategic capital initiatives to showcase IVC's commitment to growth and diversification in the investment landscape. The Group formed partnerships with ten general partners (GP) and accumulated significant GP assets under management (AUM) of around USD 64 Bn. Strategic Capital Partners II is newly launched by IVC.

Figure 23: Investcorp Capital CD Segment Corporate Investments asset exposure by industry and different geographies as of June 2023



Source: Company information. Note: Asset Exposure includes receivables as of Jun-23

CD segment revenue exposed to diversified sources of income with visibility on recurring cash flows

Investcorp Capital's focus is on leveraging diverse income sources to achieve strong cash yields and net asset value (NAV) appreciation

Investcorp Capital's diversified source of income is designed to capitalize on strong cash yields and turnover activity. Investcorp Capital strategically deploys investments across various asset classes such as corporate investments, real estate, strategic capital, and global credit and derives income levers from these diverse sources. For instance, real estate investments generate recurring rental income, while the global credit asset provides recurring income from debt and interest earnings assets whereas strategic capital generates dividend income and cash distributions from partnerships with alternative asset managers.

Investcorp Capital aims to provide a reliable and consistent income stream to drive capital gains for investors

Investcorp Capital also realizes gross operating income from successful investments, including both realized gains (losses) and unrealized gains (losses) from these investments. Additionally, Investcorp Group earns a performance fee if the investment in the fund or direct investment meets the hurdle rate. Out of this, 10% of the performance fee is rebated to Investcorp Capital. IVCC will earn performance fee rebates in corporate investments, real estate and strategic capital. By emphasizing Net Asset Value (NAV) appreciation, Investcorp Capital aims to secure potential capital gains for its investors. Investcorp Capital's cash outflows involve deployments and receive cash inflows from various sources including rental incomes, interest payments, realizations, and performance fees rebate. The Company's focus on maintaining a consistent cash yield and overall income return enables it to drive capital gains through a diversified investment portfolio.

Figure 24: Investcorp Capital income generation from different asset class

	CI Corporate Investments	GC Global Credit	RE Real Estate	SC Strategic Capital
Income levers	*NAV appreciation*	*Interest income*	*NAV appreciation* *Rental Income*	*NAV appreciation* *Dividend income*
	• Realised and unrealised gains (losses) and performance fee rebate	• **Recurring** income from debt / interest-earning assets	• **Recurring** income from real estate assets • Fair value gains (losses) and performance fee rebate	• Cash distribution from partnerships with alternative asset managers • Fair value gains and performance fee rebate
P&L Gross operating income	+ Realised gains (losses) + Unrealised gains (losses) + Performance fee rebate	+ Interest income + Realised gains (losses) + Unrealised gains (losses)	+ Rental income + Realised gains (losses) + Unrealised gains (losses) + Performance fee rebate	+ Dividend income + Realised gains (losses) + Unrealised gains (losses) + Performance fee rebate
Cashflows	+ Realisations + Performance fee rebate - Deployments	+ Realisations + Interest payments - Deployments	+ Rental income + Realisations + Performance fee rebate - Deployments	+ Realisations + Performance fee rebate - Deployments
	= Predictable strong cash yield and turnover			

Source: Company Information

Investcorp Capital - Environmental, Social, and Corporate Governance

Investcorp Capital's Sustainability Strategy and Approach

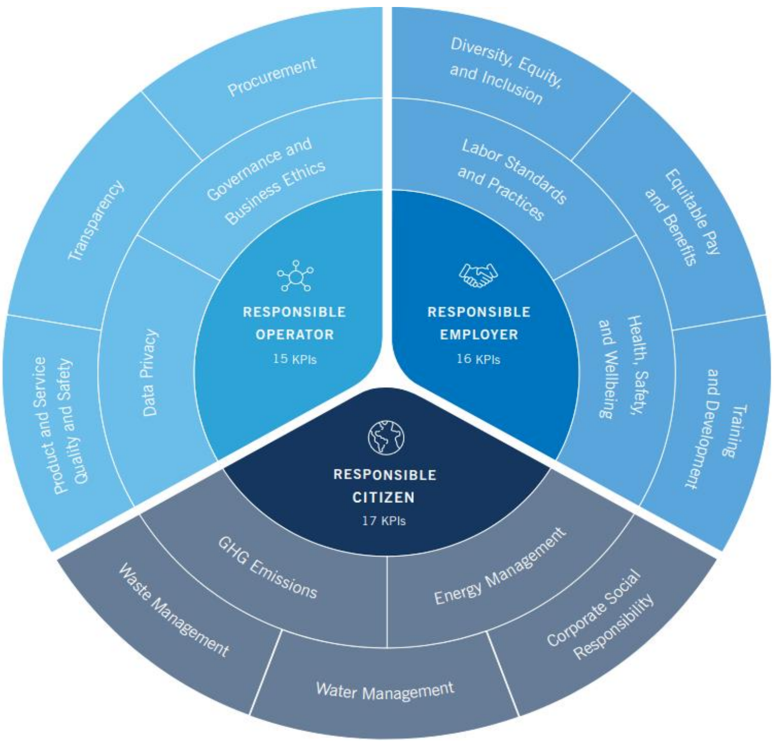
Investcorp Capital's Responsible Business Framework Consists of Three Pillars: Responsible Operator, Responsible Employer, and Responsible Citizen

As stipulated by the management, Investcorp Capital's Environmental, Social, and Governance (ESG) targets will align with the Investcorp Group's corresponding targets and sustainability commitments and the transition to a zero-carbon economy. IVC Group is committed to building high-performing sustainable businesses, fostering significant social change, and transitioning towards a zero-carbon economy. IVCC's responsible business framework encompasses three pillars of responsibility, each encompassing five universally significant ESG issues that are considered vital for its business.

Responsible Operator: Being a responsible operator serves as a crucial foundation for establishing trust and confidence with all stakeholders. This pillar entails IVC Capital taking responsibility for data collection and usage, emphasizing data protection practices, and providing ongoing data awareness training.

- **Responsible Employer**: Being a responsible employer entails creating an environment that offers individuals access to growth opportunities, quality training, and development, enabling them to acquire essential skills for their future requirements. This includes the Company's policy of providing equal employment opportunities and linking remuneration to contributions towards the firm's ESG and DE&I (Diversity, Equity, and Inclusion) objectives.
- **Responsible Citizen**: Being a responsible citizen involves being aware of the potential implications of global climate shifts and the efficient use of natural resources on financial stability and the global economy. It also entails incorporating environmental considerations into office designs, minimizing direct impact on the environment, providing comprehensive ESG disclosures, and switching to renewable electricity in London and New York

Figure 25: Responsible Business Framework



Source: Company Information: The Responsible Business framework comprises three pillars of responsibility, encompassing 15 dimensions and 48 Key Performance Indicators (KPIs)

Building Carbon Accounting Resilience

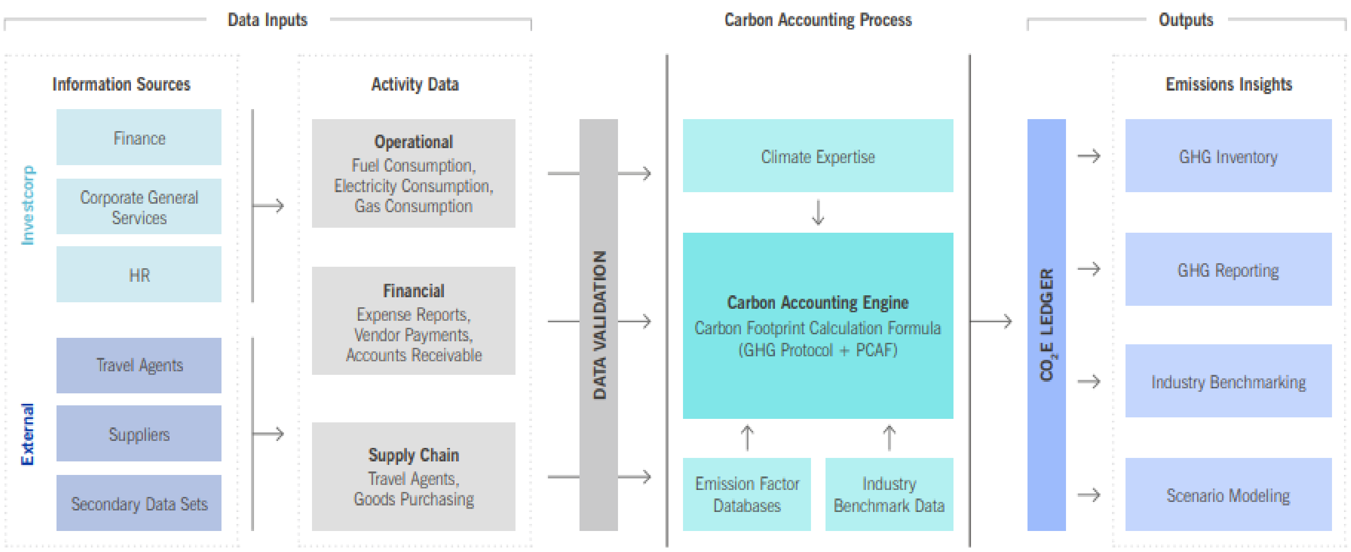
Carbon Accounting Process will improve data to enhance Investcorp Capital's ability to understand the carbon impact of its business decisions and identify emissions reduction opportunities

All over the globe, companies face a considerable data challenge when it comes to effectively managing their greenhouse gas (GHG) emissions inventories. In FY2021, IVC Group had to coordinate collecting and evaluating energy consumption and other data from 14 locations across 10 countries. This involved dealing with 17 external suppliers and multiple individual internal data owners, resulting in approximately 296,000 individual source data points.

In 2021, Investcorp Group made a strategic decision to implement carbon accounting software, streamlining and digitizing its climate-related data system. This move aims to improve operational efficiency in carbon accounting and strengthens Investcorp Capital's ability to meet investor expectations and comply with evolving regulatory standards. Moreover, the enhanced data will empower Investcorp Capital to gain a deeper understanding of the carbon impact of its business decisions, identify opportunities for emissions reduction, and effectively manage associated risks, satisfying the demands of various stakeholders and contributing to sustainable business practices.

An environmental audit was conducted on IVC Group's major offices in New York, London, and Bahrain to assess the potential measures that could be implemented to drive further progress aligned with their commitment to support the Paris Agreement's goal of limiting global warming to well-below two degrees Celsius and striving to limit it to 1.5 degrees. The environmental audit identified various measures to improve energy efficiency within the offices, aiming to reduce carbon emissions and generate cost savings. These measures are categorized into five areas: Energy efficiency, Optimization, Heat decarbonization, Renewables, Retrofits, and building fabric upgrades.

Figure 26: Carbon Accounting Process



Source: Company Information, The process has enabled The Group to effectively address certain knowledge gaps related to carbon accounting within its portfolio companies, several of which have recently initiated their own assessments of carbon footprints

Global Carbon Management Program

The global carbon management program was launched to support portfolio companies in measuring and managing carbon emissions to reduce environmental impact

Global Carbon Management Program's objective is to help IVC Group's portfolio companies to measure their carbon emissions, establish transition roadmaps, and identify essential initiatives to minimize their environmental impacts. The program focuses on enhancing skills to understand climate concepts and carbon accounting, ensuring consistency in calculating carbon emissions for each portfolio company, and implementing confidence measures for data accuracy. Following a successful pilot, IVC Group's ESG team is extending the program to private equity portfolio companies across North America, Europe, the Middle East, and Asia.

The Global Carbon Management Program includes the following stages:

Stage 1: Baseline

- Determine organizational boundaries
- Identify energy consumption and other activity data sources
- Develop a GHG inventory and establish emissions baseline

Stage 2: Mitigate

- Identify high-impact low-cost carbon reduction initiatives
- Identify climate-related risks
- Identify climate-related risk management

Stage 3: Prepare

- Define a climate governance structure
- Develop a long-term and interim climate strategy
- Establish appropriate reduction targets

Stage 4: Reduce

- Define a climate governance structure
- Develop a long-term and interim climate strategy
- Establish appropriate reduction targets

IVCC'S future plan that aligned with IVC Group involves two stages to support portfolio companies in addressing climate change. The first stage focuses on building capabilities to formulate GHG inventories, establish emissions baselines, and identify low-cost carbon reduction initiatives. Access to climate-related training materials and tools will also be provided. In the subsequent stage, the program will extend to support companies in conducting climate risk assessments, developing climate management strategies, and creating long-term decarbonization roadmaps. By enhancing climate skills, capacity, and sustainability governance, the companies aim to navigate the challenges associated with transitioning to a less carbon-intensive global economy.

Annual GHG Emissions

In FY2022, the combined emissions amounted to 4,980.4 metric tons of carbon dioxide equivalent (tCO2e)

In FY2022, the combined emissions from Scope 1, Scope 2, and Scope 3 sources amounted to 4,980.4 metric tons of carbon dioxide equivalent (tCO2e). In this reporting period, there was a slight overall decrease in Scope 1 and Scope 2 emissions. The reduction was achieved by incorporating more renewable electricity into the Group's operations. However, the decrease was partially offset by increased activity levels stemming from the inclusion of additional office locations in the assessment, an expansion in the number of employees, and the gradual return of staff to the office.

Nearly half of The Group's reported Scope 3 emissions were attributed to business travel, which experienced a 37% increase compared to the previous year. The rise was primarily driven by an upsurge in commercial air travel, accounting for 89% of the total business travel emissions.

Despite the increase, total emissions from business travel remained notably lower than pre-pandemic levels due to improved travel practices and continued reliance on video-conferencing technologies.

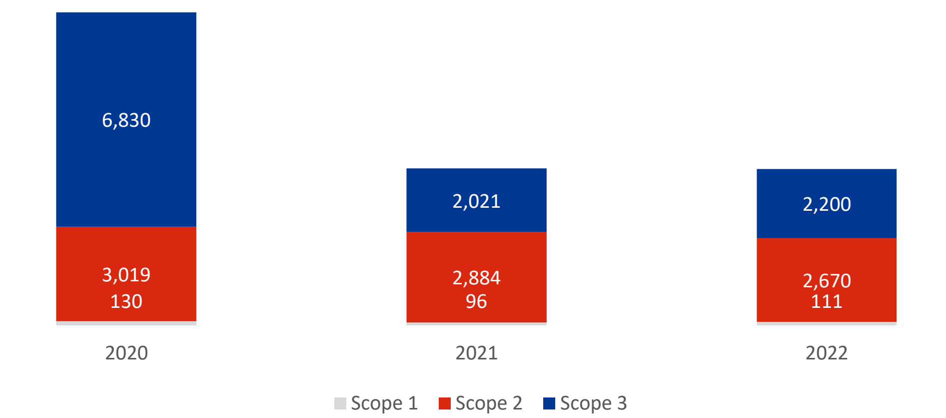
Total operational GHG emissions breakdown by source:

In Tons of CO2e (tCO2e), market-based

Emissions Source	FY2020	FY2021	FY2022
Scope 1	**130.2**	**95.9**	**110.5**
Scope 2	**3,018.9**	**2,884.4**	**2,669.9**
Scope 3 (select)	**6,830.9**	**2,020.9**	**2,200.0**
Fuel and Energy Related Activities	486.0	742.2	752.8
Business Travel	5,640.2	793.3	1,084.1
Commuting & Teleworking	658.7	485.7	363.1
Upstream Leased Assets	46.0	0	0
Total GHG Emissions	**9,980.0**	**5,001.2**	**4,980.4**
Emissions intensity per FTE1	**22.2**	**11.8**	**10.2**
Emissions intensity per USD Mn Revenue	**56.1**	**10.8**	**9.6**

Source: Company Information

Figure 27: GHG Emissions - (In Tons of CO2e (tCO2e))



Source: Company Information, The process has enabled The Group to effectively address certain knowledge gaps related to carbon accounting within its portfolio companies, several of which have recently initiated their own assessments of carbon footprints,

Energy Consumption

IVC Group witnessed a significant surge in the consumption of renewable energy

In FY2022, IVC Group combined fuel and electricity consumption reached 5,318 MWh. About 67% of the consumption took place in Bahrain, where renewable electricity sources are limited. Despite this constraint, IVC Group witnessed a remarkable surge in the adoption of renewable energy, nearly tripling its consumption compared to FY2021. Consequently, the proportion of total energy derived from renewable sources increased to 8.2%.

Energy Consumption

All figures in kWh	FY2020	FY2021	FY2022
Electricity	**4,985,135.4**	**4,783,428.6**	**4,756,359.8**
From renewable sources	0	144,727.1	433,390.9
Fuels	**628,280.2**	**465,200.3**	**561,293.2**

Source: Company Information

Transitioning to a Zero-Carbon Economy

Addressing the direct climate impacts of IVCC's operations, supporting the transition of assets across core investing lines of business, and financing the energy transition as the world moves towards a zero-carbon economy.

Investcorp Group has undertaken a series of measures to support the objective of transitioning to a zero-carbon economy. These measures include:

- **Executing initiatives that address the direct impact on the environment:** By enhancing its understanding of the environmental effects of its business operations, Investcorp Capital aims to optimize energy usage, adopt carbon accounting measures, and promote a circular economy. These efforts contribute to positive societal outcomes and align with the Company's commitment to sustainable practices, benefiting the firm's reputation, attracting responsible investors, and fostering long-term growth and resilience in the ever-evolving investment landscape.
- **Prioritizing climate action across the portfolio companies:** Investcorp Group's global carbon management program expands to encompass all global private equity investments in the upcoming year, Investcorp Capital stands to gain further insights into its portfolio companies' environmental performance, leading to more informed decision-making, improved sustainability practices, and increased attractiveness to responsible investors who prioritize environmental and social responsibility. The program's success aligns with Investcorp Capital's commitment to sustainable investment practices, bolstering the firm's reputation as a responsible and forward-thinking investment partner.
- **Investing in the decarbonization of business and society:** Investcorp Capital acknowledges that the transition to a low-carbon economy will demand a significant level of investment. However, Investcorp Capital also recognizes the vast economic potential it presents for investors worldwide. Therefore, the Company is diligently studying how to allocate capital to support companies and consumers in its efforts to decarbonize business activities and everyday behaviors.

Environment: Key Statistics - Investcorp Group

- 3x increase in renewable energy use across its global operations
- 'Green Mark' certification process underway for offices in Singapore
- IVC Group's London offices are powered entirely by renewable sources of electricity

Corporate Governance

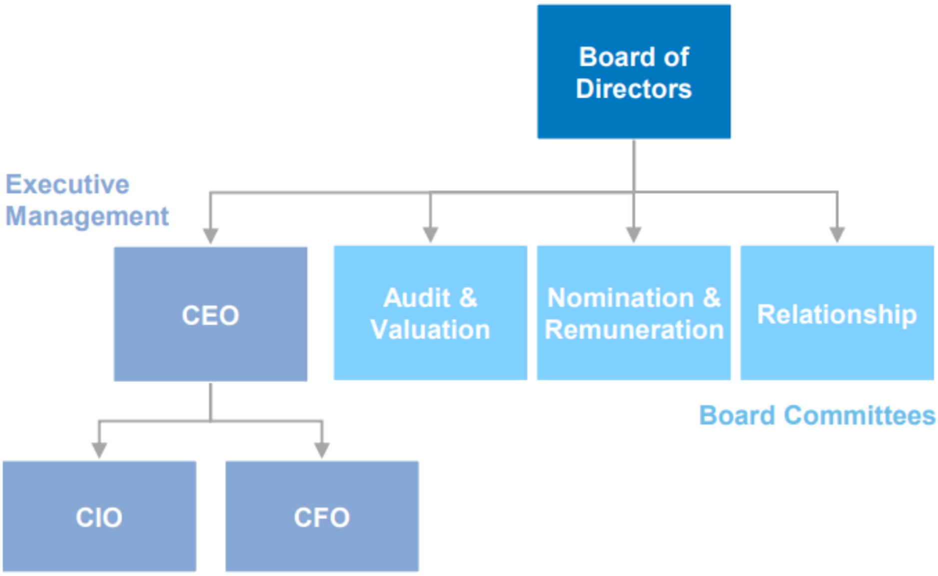
IVCC's corporate governance includes a Board of Directors, an Audit Committee, a Nomination & Remuneration Committee, a Relationship Committee, and an Executive Management team overseeing strategy and investments

- **Board of Directors:** The Board of Directors is responsible for providing strategic oversight of management and business affairs. The board comprises nine members, including a non-independent chairman, four non-independent members, and four independent members.
- **Audit Committee:** The Audit Committee's role involves overseeing corporate governance, risk management, legal and compliance matters, financial and non-financial reporting, internal control, and internal and statutory audits. Additionally, the committee is responsible for supervising the valuation process, reviewing and approving Investcorp Capital's valuation policy and procedures manual on an annual basis, and collaborating with auditors to obtain their perspectives on valuation matters. The committee consists of 3 members, out of whom 2 members are independent and 1 member is non-independent.
- **Nomination and Remuneration Committee:** The Nomination and Remuneration Committee is responsible for overseeing remuneration arrangements, senior appointments, succession planning, and board evaluation. The committee consists of 3

members, out of whom 2 members are independent and 1 member is non-independent.

- **Relationship Committee:** The Relationship Committee is responsible for overseeing management, business, and operational matters of the Company, addressing potential conflicts of interest with Investcorp Group, reviewing and approving investments beyond Investment Parameters, and ensuring the proper implementation of agreements with IVC Group. The committee consists of at least three independent members.
- **Executive management:** The Executive Management team comprises the Chief Executive Officer, Chief Investment Officer, and Chief Financial Officer. Executive Management is accountable for executing IVCC's strategy, evaluating and sanctioning investments within the Investment Parameters, and ensuring that the performance of Investcorp Group and other service providers is in accordance with agreements and meets set standards.

Figure 28: Investcorp Capital: Corporate governance



Source: Company Information

Building High-Performing Businesses

Building high-performing businesses through thoughtful sustainability governance practices, meaningful collaboration with stakeholders, and the leveraging of data to inform decisions

Steps taken by Investcorp Capital to build a sustainable and a high performing business:

- **Strengthening the effectiveness of sustainability governance and controls**
  - Investcorp Capital is continuously working to enhance responsible investing practices in its core investment businesses and improve the effectiveness of internal controls related to sustainability activities and reporting. After successfully collecting data on sustainability practices from companies in its private equity portfolio, IVCC is now exploring ways to improve sustainability-related governance and establish targets to drive positive change.
- **Utilizing insights derived from data analysis**

  Investcorp Capital aims to expand its data collection efforts, encompassing both internal operations and its investment portfolio. By utilizing a combination of qualitative and quantitative data, IVCC seeks to derive valuable insights that inform the design and implementation of initiatives for long-term value creation. The Company plans to assess how technology can be leveraged to enhance the accessibility, availability, and quality of the collected data.

- **Building capacity through training and collaborative partnerships**
  - IVCC will continue to provide investment professionals access to sustainability-related tools, training, and resources to effectively meet evolving expectations. The Company plans to strengthen collaboration within the organization, fostering knowledge sharing and encouraging teams to adapt to social and environmental changes cohesively. Furthermore, Investcorp Capital aims to advance sustainable and responsible investing practices across private markets through collaborative partnerships with industry bodies.

Corporate Governance: Key Statistics – Investcorp Group

- 40 private equity portfolio companies surveyed across 13 locations.
- 78% of companies surveyed have a data privacy policy in place.
- 98% of our European leveraged loan borrowers were ESG rated.
- All of IVC Group's European credit funds have aggregate ESG ratings that are average or above.

Key Investment Highlights

Investcorp Capital Continues to Benefit from Investcorp Group's Strong Sourcing Capabilities

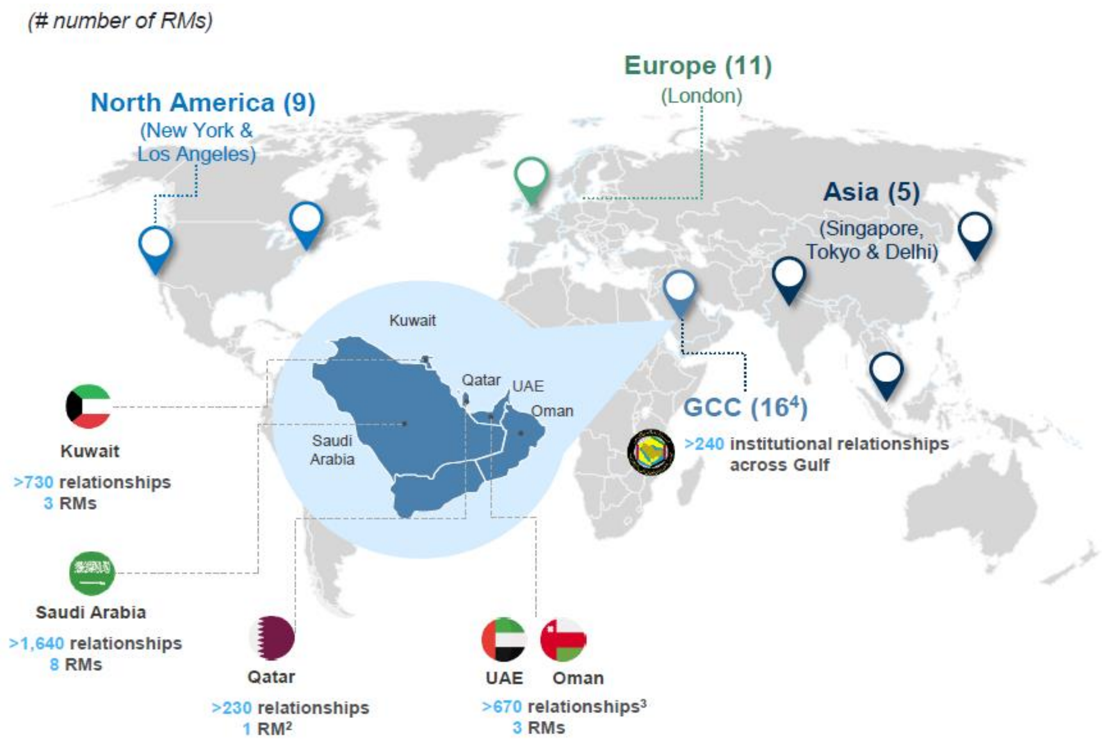
Investcorp Group has established key relationships spanning over the decades with c.60% of AUM from private clients investing with the Group on a recurring basis over the last 10+ years and USD c.6 Bn raised from strategic Gulf SWFs and pension funds

Investcorp Group's Long-Standing Relationship with Reputed Industry Partners Across All Investment Activity

Investcorp Capital will benefit from Investcorp Group's experience to source unique and attractive opportunities across strategies, asset classes and geographies. The Group's presence spans four global geographies and encompasses six Gulf countries. With a global reach, the coverage extends to institutional and retail clients worldwide, supported by an international team of approximately 80 professionals. The Group's client base includes ultra-high-net-worth individuals, merchant families, business owners, sovereign wealth funds, pension funds, endowments, insurers, family offices, and private wealth channels. Investcorp Group has a vast network of over 5,000 relationships cultivated over the years and successfully distributes a diverse range of institutional products, offering 12-14 products annually.

The team comprises experienced client administrators, assistants, product and distribution specialists, strategy experts, relationship manager support, and dedicated client services professionals, ensuring exceptional support for the clients. The strategic growth areas of Investcorp Capital depend on the Group's institutional fundraising and UHNWI fundraising plans in South-East Asia with a focus on distribution partners and launching a proprietary digital investment platform targeting new client segments.

Figure 29: Global coverage of institutional and retail clients with an international team of 80 Professionals[1]



Source: Company Information, Note: 1. Includes RMs and other operational staff. 2 Qatar and Saudi Eastern Province are covered by the same team. 3 Head of UAE & Oman also covers Oman, with the remainder of the team covering only UAE. 4 Including RM with coverage across GCC

Key industry partners facilitating efficient investment activities include JLL, CIBC, Paul Hastings, BH Properties, CBRE, and others

Investcorp Group's real estate business segment has longstanding and strong relationships with reputable industry partners, covering the full spectrum of investment activities. These partnerships include deal sourcing partners, granting access to off-market opportunities; financing institutions, offering flexible financing with favorable terms; tax and legal counsel, providing tax-efficient structures to optimize investor returns; operating partners, ensuring hands-on management and leasing oversight; and leasing agents, implementing proactive leasing strategies. The collaboration with esteemed partners such as JLL, CIBC, Paul Hastings, BH Properties, CBRE, and others bolsters Investcorp Capital's real estate investment capabilities, facilitating efficient deal sourcing, financial support, tax optimization, expert management, and effective property leasing.

Figure 30: Investcorp Group Real Estate Business Industry Partners

Source: Company Information

Investcorp Capital will Continue to Benefit from Investcorp Group Expertise

Well-defined and mutually beneficial agreements between Investcorp Group and Investcorp Capital

Investcorp Group and Investcorp Capital have a clearly defined and mutually beneficial relationship between them. The relationship is governed by four primary agreements that include Master Service Agreement, Capital Service Commitment Agreement, Long-term Investment Referral Agreement, and Financing Agreement.

- **Master Service Agreement:** It is a three-year term agreement that outlines the support function services provided by Investcorp Group to Investcorp Capital, including administration, finance, accounting, HR, IT, and more.
- **Capital Service Commitment Agreement:** It is a 15-year term agreement that governs the Capital Financing Services business, including the responsibilities of Investcorp Group and Investcorp Capital through the investment process.
- **Long-term Investment Referral Agreement:** It is a 15-year term agreement that covers the Capital Deployment business and the respective roles and responsibilities of Investcorp Group and Investcorp Capital throughout the investment process.
- **Financing Agreement:** It is a four-year term agreement that establishes the terms of the financing arrangement between Investcorp Group and Investcorp Capital.

Investcorp Capital has a Well-Defined Investment Mandate and Process Enabling it to Identify Favorable Investment Opportunities

Investcorp Capital follows a rigorous investment screening and approval process

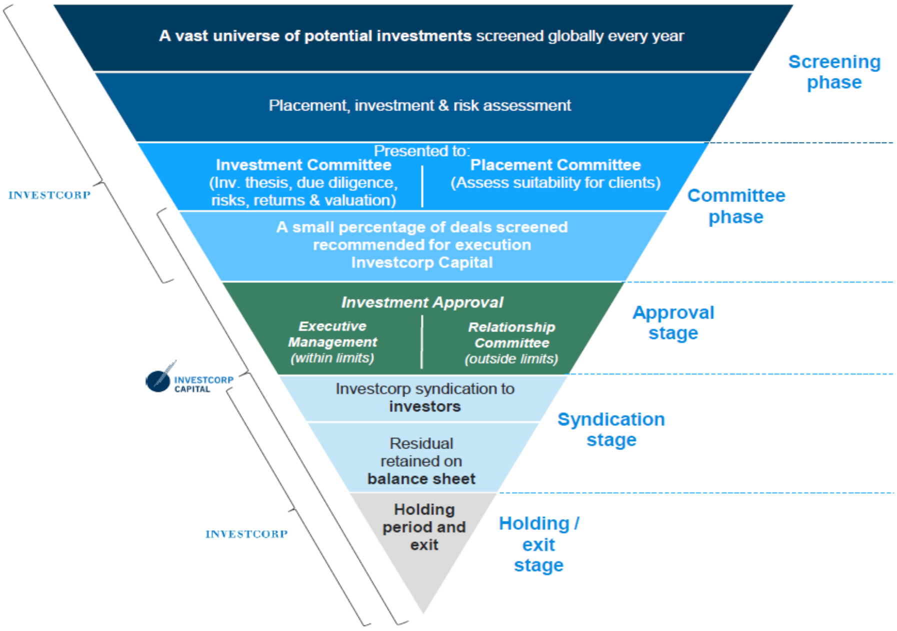
Both Investcorp Group and Investcorp Capital have well-defined investment processes to screen, identify and exit investments, including investments within existing asset classes, sectors, and geographies. The investment process includes:

- **Screening phase:** Investcorp Group has a rigorous screening process to screen investment opportunities across the globe, assessing its suitability for further consideration by the Group's Investment and Placement Committees
- **Committee phase:** Investcorp Group implements a rigorous evaluation process for investments, involving the Investment and Placement Committees. Only a small percentage of deals are recommended to Investcorp Capital, and there is continuous coordination as investments progress through the committee process
- **Approval stage:** Investcorp Capital's management has final authority to approve investments that align with the pre-defined Investment Parameters, while the final approval for investments outside these parameters' rests with the Investcorp Relationship Committee.
- **Syndication stage:** After receiving approval for an investment, Investcorp Group will aim to place a specified portion of the investment, while Investcorp Capital will retain the remaining position.
- **Holding or exit stage**: Following the acquisition, Investcorp Group will actively monitor and optimize investments to generate ongoing value, providing regular updates to Investcorp Capital on the status. Investcorp Group will also oversee the process of realizing assets when necessary.

Investcorp Capital management will have final approval of all investments that are within the defined parameters, while the Board of Directors handles final approval for any investments that fall outside these parameters. Additionally, investment parameters will be reviewed by Investcorp Capital management during the annual budgeting process, and the final approval lies with the Board of Directors

Moreover, the well-defined investment process ensures that thorough research and due diligence are conducted before making investment decisions. This disciplined approach enhances risk management and enables Investcorp Capital to identify and assess potential risks and rewards associated with each investment. Furthermore, Investcorp Capital will be able to achieve its financial goals, manage risks effectively by allocating resources and delivering favorable outcomes for its investors and clients.

Figure 31: Investcorp Capital Investment Mandate and Process



Source: Company Information

Structural Demand for Private Markets Alternatives Driving Investcorp Capital's Growth

Investcorp Capital Benefits from Attractive Risk-Adjusted Returns and Rising Institutional Demand

Growth in the alternatives industry's AUM is positively impacting Investcorp Capital, creating opportunities for increased investments and potential expansion of its portfolio

Investcorp Capital has a favorable opportunity to capitalize on the growing alternative asset management sector, benefiting from consistent outperformance compared to public markets amid rising demand from institutional and private investors. The increasing demand for private market alternatives is fuelling attractive and long-term growth opportunities for Investcorp Capital in the investment sector. Private equity, private real estate, and private debt outperformed the public markets during FY2010 to 1Q23. The high institutional demand led to the growth of the global alternatives industry AUM from USD 4.1 Tn in FY2010 to USD 13.7 Tn in FY2021 and is further expected to grow at a CAGR of 9.3% to USD 23.3 Tn in FY2027. As per the Boston Consulting (BCG) report, a substantial amount of growth in the alternatives space is driven by investments in private debt and real estate, both of which are slated to see their AUM grow by 10.8% annually over FY2022-2027.

The growing opportunity of the different asset classes of the alternatives industry has a significant impact on Investcorp Capital as it reflects increasing investor interest and demand for alternative investment strategies, such as private equity, real estate, venture capital, private credit, infrastructure, and natural resources. In our opinion, the increased demand for alternative investments can have several positive effects on Investcorp Capital:

- **Expanded Investment Opportunities**: With more capital flowing into the alternative market, a wider pool of investment opportunities is coming into the market. This helps Investcorp Capital gains access to a broader range of investment opportunities, enabling it to diversify its portfolio and pursue potentially higher-yielding assets across various sectors and geographies.
- **Enhanced Portfolio Performance:** The ability to select from a wider pool of investments allows IVCC to seek attractive risk-adjusted returns, improvement in liquidity is likely to help

identify better exit opportunities. These together are likely to help IVCC potentially outperform traditional asset classes.

- **Attracting Institutional Investors:** Institutional investors, such as pension funds, endowments, and sovereign wealth funds, often allocate a portion of their portfolios to alternative investments to enhance returns and diversify risk. With the growing interest in alternative asset management, Investcorp Capital attracts more institutional investors, leading to increased capital inflows.
- **Strategic Growth Opportunities:** As Investcorp Capital's AUM grows, it opens doors for strategic growth opportunities, such as expanding its investment offerings, entering new markets, or establishing partnerships with other industry players

Figure 32: Sharpe Ratio by Asset Class (2010 - 1Q23)[1]

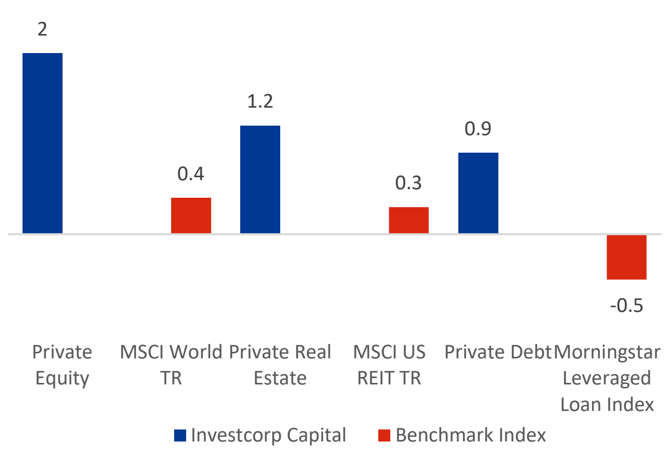
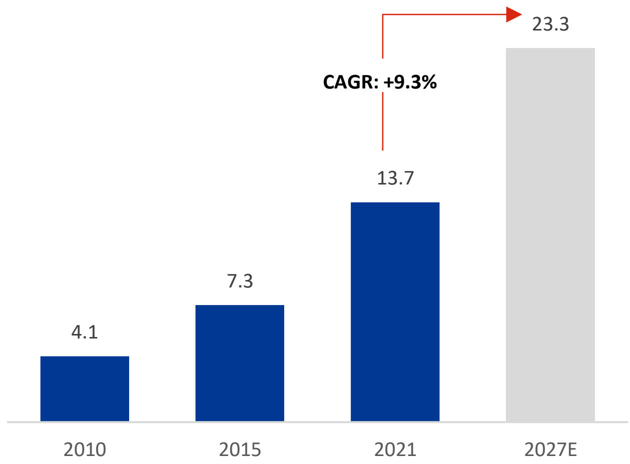


Figure 33: Alternatives Industry AuM (USD Tn)[2]



Source: Company Information, *Note: 1. Future of Alternatives 2027 press release. Total global assets under management including hedge funds. 2. Bloomberg, Sharpe Ratio risk free rate assumed to be 10-year US Treasury rate as of 31 March 2023, Fiscal Year ends 30-Jun*

Diversified and Attractive Sets of Private Exposures Across all Investment Portfolios

Balanced Allotment Across All Asset Classes, Geographies and Sector Diversifies Investcorp Capital's Risk

Balanced capital allocation across Capital Deployment and Capital Financing Services with a total exposure of USD 1,276 Mn in June 2023

Investcorp Capital has a well-diversified set of private exposures ensuring attractive diversification through a wide range of strategies, geographies, sectors, and deployment styles. The Group's balance sheet was allocated between Capital Deployment and Capital Financing Services. With a significant number of single investments, Investcorp Capital boasted a diverse portfolio, including over 75 corporate investments, 35 CLOs (Collateralized Loan Obligations), a real estate portfolio comprising more than 783 buildings, and stakes in 11 other asset management ventures. Balancing the allocation of capital across portfolios and investments and diversifying geographic and sector exposure plays a crucial role in mitigating risk for Investcorp Capital. By diversifying across different portfolios and investment types, such as private equity, real estate, and private credit, Investcorp Capital spreads its risk and reduces the impact of potential losses from any single investment.

The Group has a total exposure or gross asset value of USD 1,276 Mn in June 2023. A significant portion of the exposure, approximately two-thirds is into developed markets, with North America leading the way at 40%, followed by Europe at 29%. Additionally, the Middle East accounted for 20% of the total exposure, while the remaining portion was distributed between India and other parts of Asia. The Group's global presence will allow Investcorp Capital to tap into diverse investment opportunities across different markets and asset classes. The

Company's ability to leverage local market knowledge and establish relationships with investors and industry players globally has been an essential factor in its successful investment strategies.

Figure 34: Diversification with Multiple Strategies

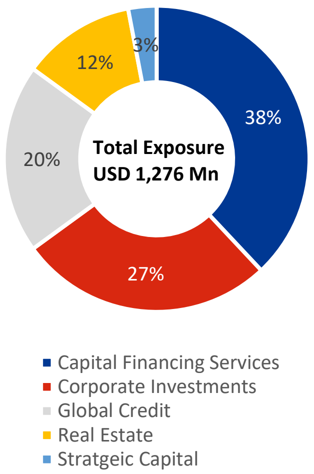


Figure 35: Various Deployment Styles

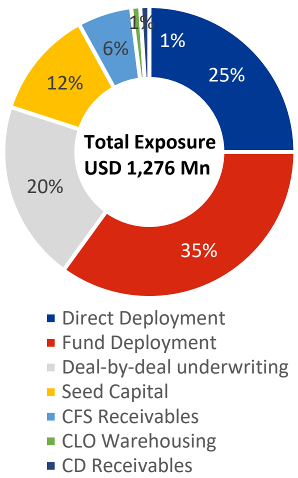
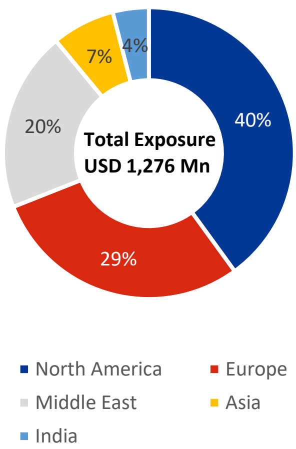


Figure 36: Global spread



Source: Company Information, Pie charts represent split of total exposure as of Jun-2023, unless otherwise stated; total exposure refers to gross asset value

IVC Group's focus on Healthcare and Industrial sector across MENA and North America

As of June 2023, Investcorp Capital's Corporate Investments had a total exposure excluding receivables of USD 500 Mn. The majority of the exposure that is 53% is in the industrial or business services sectors, while 26% is in the healthcare sector. In the same period, Investcorp Capital's Real Estate Portfolio had a total exposure of USD 361 Mn. Within the real estate portfolio, the industrial and logistics sector accounted for 58% of the exposure, making it the most attractive and strong-performing sector. Additionally, the residential sector represented 23% of the exposure and also performed well.

Figure 37: Corporate Investment Sectors[1]

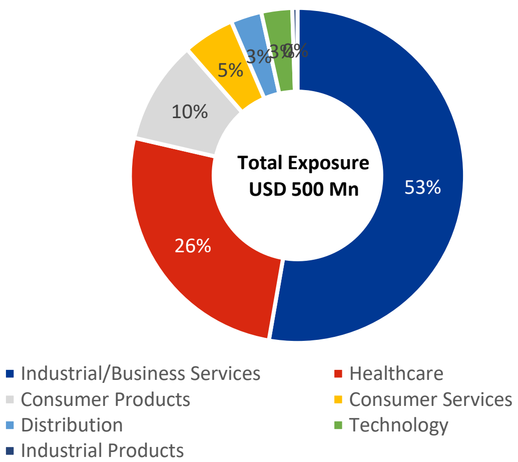
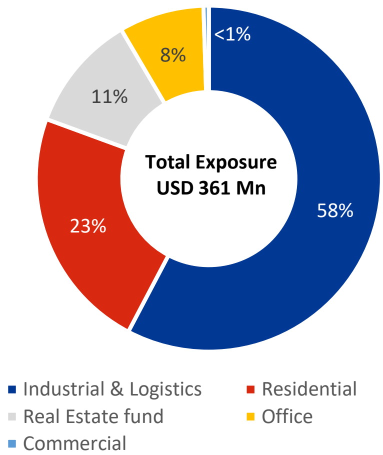


Figure 38: Real Estate Portfolio by Asset Type[2]



Source: Company Information, Fiscal Year ends 30-Jun, *Note: 1. Including corporate investments exposures within capital deployment and capital financing services segments, excluding "receivables and other assets 2. Including real estate exposures within capital deployment and capital financing services segments and excluding "receivables and other assets".*

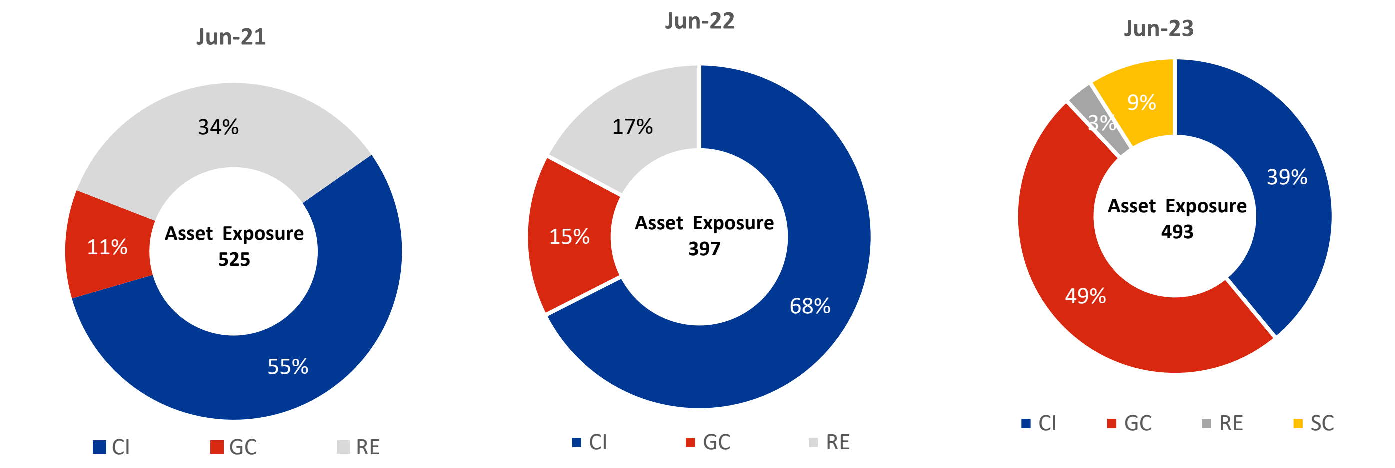
Investcorp Capital has a Diversified Balance Sheet Exposure leading to Recurring Income

Capital Financing Service's asset exposure including receivable grew from USD 397 Mn in FY2022 to USD 493 Mn in FY2023 and is expected to grow to USD 800 Mn and stabilize afterwards

Investcorp Capital has achieved a well-balanced asset mix between its Capital Deployment (CD) and Capital Financing Services (CFS) operating segments. The diversification has resulted in a robust source of income and a well-structured balance sheet, which has translated into strong cash flow for the business. The asset exposure in Investcorp Capital's Capital Financing Services has demonstrated significant growth, rising from USD 397 Mn in FY2022 to USD 493 Mn in FY2023, including receivable of USD 75 Mn. Furthermore, the asset exposure in Capital Financing Services is expected to increase to USD 800 Mn in the short term and stabilize afterward. Investcorp Capital offers underwriting and warehousing facilities within its Capital Financing Services, effectively acting as a bridge between investment execution and distribution. The division operates a stable and recurring fee-driven business that earns an 8% underwriting fee on underwritten exposure and has available capital of USD 1 Bn specifically allocated for underwriting purposes. The capital employed in the CFS segment was churned 3.8x times on average in FY2023. In 2023, IVCC has expertise across diversified asset classes where Real Estate accounts for 49% of IVCC Capital Financing Services, followed by 39% of Corporate Investment.

Investcorp Capital's diversified balance sheet exposure serves as a source of recurring income through various channels. The Company generates ongoing income streams from different sources by maintaining a well-balanced investment portfolio across multiple asset classes, including private equity, real estate, and private credit. Investcorp Capital receives regular distributions from portfolio companies within its private equity investments as it achieves profitability or exits successful deals. Additionally, real estate investments can yield recurring rental income from the properties owned or managed. Moreover, the company's holdings in global credit instruments can generate regular interest income and returns, contributing to its overall revenue. The diverse exposure across industries and regions further enhances the stability of its income streams, reducing dependency on any single market or sector.

Figure 39: Investcorp Capital- Capital Financing Services Asset Exposure



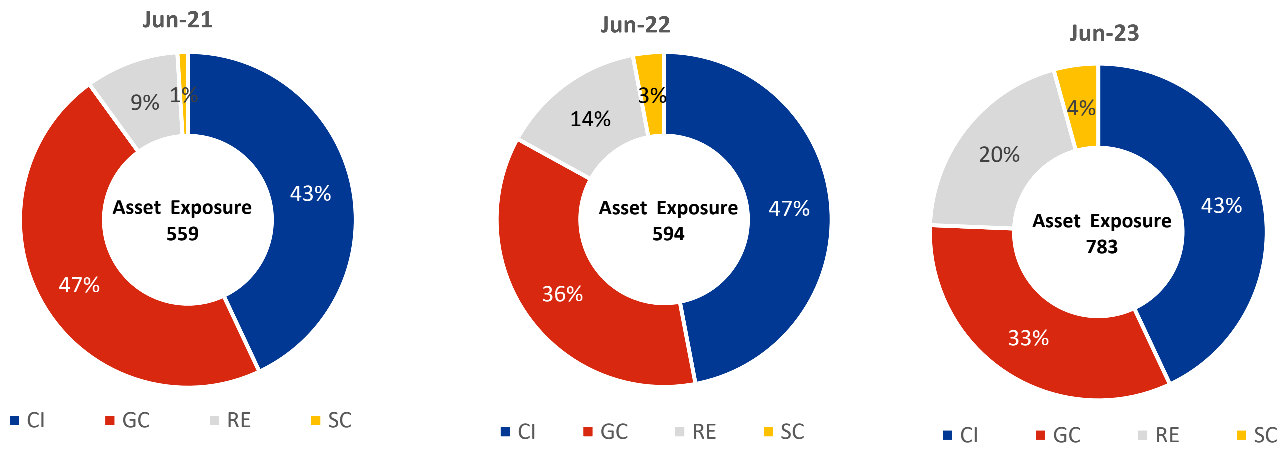
Source: Company Information, Note: Fiscal Year ends 30-Jun, SC reported Nil exposure in FY2021 and FY2022

Capital Deployment asset exposure, including receivable rose significantly from USD 594 Mn in FY2022 to USD 783 Mn in FY2023

Investcorp Capital established a strong presence in the global credit market. As of June 2023, IVCC achieved an average annualized equity distribution of 16% from outstanding Collateralized Loan Obligations (CLOs). The largest capital exposure in the global credit asset class stood at less than 5% as compared to the total exposure of global credit. Investcorp's largest capital deployment is assisting the company in risk management by providing a more diversified investment portfolio. By allocating substantial capital across various assets and sectors, the company can mitigate risk and reduce potential negative impacts on its overall performance.

The asset exposure including receivables for Capital Deployment grew from USD 559 Mn in June 2021 to USD 783 Mn in June 2023. Capital Deployment offers exposure to both corporate investments and real estate. It deploys capital through equity and financing directly or indirectly through funds, enabling the company to diversify its investment opportunities and strategies. Within Capital Deployment, Corporate Investments and Global Credit sector accounts for 43% and 33% respectively. Furthermore, Investcorp Group's balance sheet not only supports its existing strategies but also provides the initial capital required to launch new investment strategies and vehicles that also facilitates the IVCC's growth.

Figure 40: Investcorp Capital- Capital Deployment Asset Exposure



Source: Company Information, Note: Fiscal Year ends 30-Jun

Investcorp Capital's Business Strategies Support Strong Track Record of Delivering Attractive Returns

Investcorp Capital has a Diversified Set of Private Equity Strategies Pipped for Gross Returns

Corporate Investments included investment in a growth-oriented, diversified portfolio primed for high return, historically portfolio generated a gross IRR of 24% and a gross MOIC of 2.0x…

Over the course of 41 years, Investcorp Group has established a remarkable track record in middle-market private equity transactions, with exposure totaling USD 332 Bn, which translates to a substantial and diversified portfolio for Investcorp Capital, reducing concentration risk and enhancing its ability to withstand market fluctuations. With a dedicated team of approximately 90 investment professionals, the Company has successfully invested USD 20 Bn into 245 companies since 1983, leading Investcorp Capital to gain access to skilled resources, enabling it to identify and capitalize on attractive investment opportunities in the middle-market private equity space. IVCC's corporate investments focus on high-growth businesses that demonstrate a strong purpose, delivering consistent returns of 24% Gross IRR and 2.0x Gross Multiple on Invested Capital (MOIC). IVCC's Corporate Investment segment surpassed its target, achieving a gross IRR of 24% compared to the targeted 15% and maintaining a MOIC of 2.0x. Notable performance indicators include a 24% return on investments in North America and Europe over the past decade, a 34.0% return on Technology Partners Fund IV, and an impressive 42.3% return on North America Private Equity investments from the 2016 vintage. In India, IVCC's Corporate Investment has recorded significant performance, boasting a 32.5% IRR and a gross MOIC of 1.9x.

… with a focus on investments in the Middle East with an asset exposure

Corporate Investment in the Middle East: IVCC Corporate Investments' current portfolio is strategically focused on Industrials and Healthcare sectors, driven by favorable macroeconomic tailwinds in the GCC markets. The Company has achieved strong exits in the region, with a total

of USD 197 Mn and North America with exposure of USD 88 Mn

of six exits, including Redington, Bindawood Holdings, Gulf Cryo, L'azurde Company, Leejam Sports, and Theeb Rent a Car, resulting in a realized value of USD 745 Mn and a gross MOIC of 1.8x. Among these exits, four were through IPOs, generating USD 556 Mn and a gross MOIC of 1.9x. The successful exits reflect Investcorp Capital's adeptness in identifying attractive investment opportunities and realizing value for its investors in the GCC region

Corporate Investment in North America: IVCC Corporate Investments' current portfolio in North America is diversified across various industry verticals. The Company has achieved strong exits in the region, with a total of 13 exits, resulting in net MOIC of 2.1x and gross MOIC of 3.4x on selected exists.

Figure 41: IVCC Corporate Investment: Realized Gross MOIC

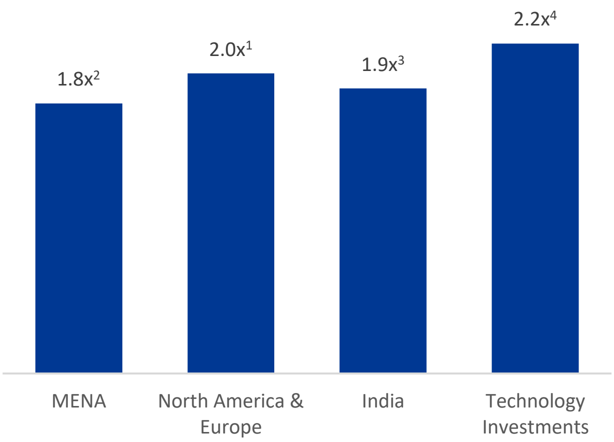
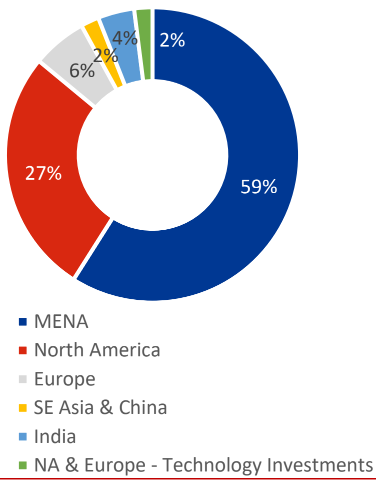


Figure 42: IVCC Corporate Investment: % of CI Exposure



Source: Company Information, Note: 1. L10Y NA & EU Deal-by-deal Investments for North America and Europe (14 deals realized from all North American and European deal-by-deal investments done since 1 January 2013). 2. Investcorp Group GCC track record (does not include Turkey) 3. India MOIC As of 30 June 2022, including co-investments; Gross MOIC and Gross IRR in USD terms 4. Technology Investments MOIC includes Technology Partners Fund IV Gross return as of 30 June 2022., Fiscal Year ends 30-June

Investcorp Group's Global Real Estate Investment Facilitates Efficient Capital Management and Strategic Growth Opportunities for Investcorp Capital

Investcorp Capital has over 783 individual investments in its current portfolio along with a targeted yield of 7%-8% earned across different properties.

Investcorp Capital benefits significantly from Investcorp Group's established reputation and expertise in real estate investments. The impressive 27-year track record and deployment of over USD 24 Bn in 1,250 buildings demonstrate Investcorp Group's success in identifying and capitalizing on attractive opportunities in the real estate market. It provides Investcorp Capital with a strong foundation and track record to build upon, instilling confidence in both existing and potential investors. Moreover, with a dedicated team of over 150 professionals focused on real estate investments in North America, Investcorp Group's extensive knowledge and expertise in the sector offers valuable insights and support to Investcorp Capital's real estate investment strategy. The real estate business segment focuses on core plus & light-value add income-producing properties, with a current portfolio comprising of more than 600 buildings in the portfolio. The segment has delivered consistent returns of 15.5% realized returns and 1.6x Gross MOIC, reflecting its strong performance in the real estate investment landscape.

The consistent return of 15.5% reflects IVCC's ability to generate steady income from its real estate investments, contributing to overall financial stability. Additionally, achieving a MOIC of 1.6x demonstrates Investcorp Capital's success in selling real estate assets at a value higher than its initial investment, indicating positive returns on those investments. Moreover, successful real estate exits with attractive MOICs allow Investcorp Capital to recycle capital and reinvest in new opportunities, further expanding its real estate portfolio and capturing potential market upside. Overall, the combination of consistent returns, attractive exit multiples, and capital recycling reinforces Investcorp Capital's position as a capable and successful player in the real estate investment market.

Investcorp Capital Global Credit Portfolio Delivers Consistent Equity Distributions of an Average of 14% p.a., Generating a Steady Income

IVCC Global Credit maintains a strong emphasis on credit quality, reflected by the historic outperformance against the indices

Investcorp Group has an impressive 19-year track record in its senior secured corporate and private debt strategies, supported by a team of around 48 investment professionals. IVC ranks 13th globally in managing CLO assets and has achieved an average annualized equity distribution of 14% from outstanding Collateralized Loan Obligations (CLOs) 2.0. Focusing on mid and large-cap corporates, Investcorp Capital offers secure and attractive investment opportunities in the corporate debt market. In the US, IVCC's average annual default rate and loss rate during FY2010-2022 were 0.6% and 0.2% respectively, outperforming the index average of 1.8% and 0.8% respectively. Similarly, its average annual default rate and loss rate in the Europe during FY2010-2022 stood at 0.9% and 0.4% respectively, surpassing the index average of 2.1% and 1.0% respectively.

Figure 43: IVCC Europe Loss Rates (2018-2021) [1,2,3,4,5]

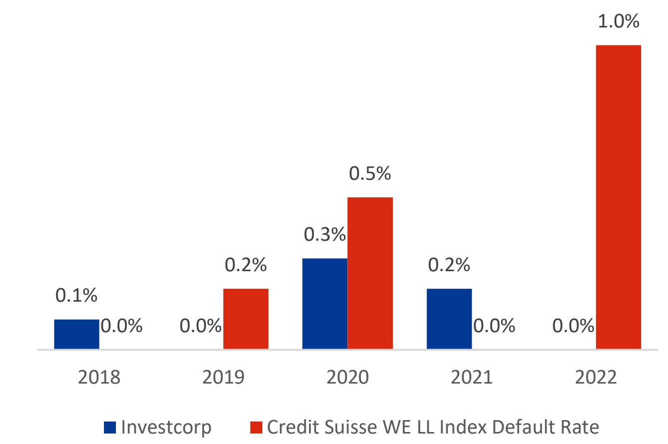
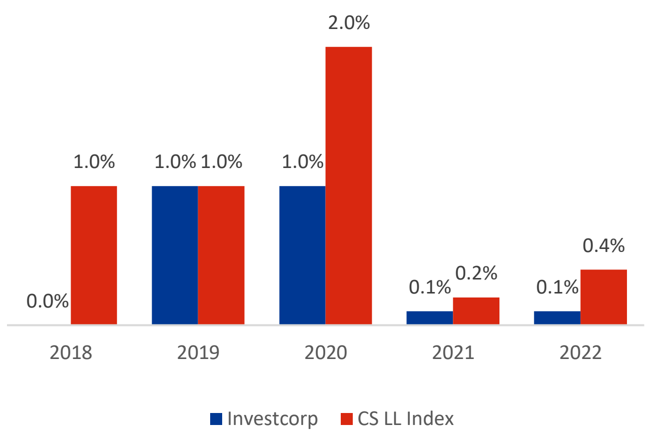


Figure 44: IVCC US Loss Rates (2018-2021)



Source: Company Information

Note: Fiscal Year ends 30-Jun 1. Defaults are defined as assets missing interest or principal payments or undergoing restructuring.

2. The default rate reflects the total par value of assets that entered in default in the contemplated year as a proportion of the European CLO AUM, excluding previously defaulted assets at the start of the year.

3 Recovery rates are the total received, in the form of cash and par value of restructured securities following a workout, from assets that entered default within that year, as a proportion of the total par value of assets when entering default (salthough the actual recovery may be realized in a later year).

4 Loss rate reflects the difference between the notional par value of assets (when entering default) and the realized or unrealized recovered amount, as a proportion of the total outstanding par value at the end of the relevant year.

5 There may be differences between the methodologies used in the Credit Suisse benchmark and the IC M approach.

Investcorp Capital Gains from Attractive Fees Through CFS, Leveraging Investcorp Group's Strong Global Private Capital Raising Platform

Investcorp Capital Generates Contractual and Recurring Income via Underwriting Investment Opportunities

Investcorp Capital charges 8% underwriting fee, with up to USD 1 Bn capacity for asset underwriting, and

Investcorp Capital benefits from a lucrative fee stream through its Capital Financing Services business, leveraging Investcorp Group's strong private capital-raising platform in the Gulf and globally. The CFS segment focuses on three verticals: Deal-by-Deal Underwriting, CLO Warehousing, and Seed Capital. Investcorp Capital charges an underwriting fee of 8%, with the capacity to underwrite assets up to USD 1 Bn. If allocated funds are not fully utilized, Investcorp Capital earns a commitment fee of 1.25% on the untapped amount. In addition, the segment

earn a 1.25% commitment fee on untapped funds

earns a recurring cash yield of approximately 8% annually on the utilized capital. The asset exposure of CFS is well diversified across various asset classes, 49% to Real Estate, 39% to corporate investments, 9% to Strategic Capital and 3% allocated to Global Credit. Investcorp Group recommends investments to Investcorp Capital for capital deployment. Additionally, Investcorp Group's recommendations for underwriting investments provide Investcorp Capital with a stream of attractive investment opportunities vetted by experienced teams, increasing the likelihood of identifying profitable ventures. The fundraising and relationship teams thoroughly assess the risk and return profile to ensure suitable syndication to clients.

Investcorp Group's constantly evolving asset exposure driven by efficient underwriting and syndication allows Investcorp Capital to access a diverse range of investment opportunities and optimize its investment portfolio

Investcorp Group's expertise and proven track record in swiftly syndicating investments offer Investcorp Capital the advantage of optimizing available capital efficiently. The Group's resilient fundraising capabilities, demonstrated by successful asset placements during challenging market conditions such as interest rate hikes and the Russia-Ukraine conflict, ensure a steady flow of funding for investment opportunities for Investcorp Capital. With 12 new investments syndicated since February 2022, totalling approximately USD 1,068 Mn, Investcorp Group's proficiency spans across various strategies, with six investments in RE (Real Estate), five in CI (Corporate Investments) and one in GC (Global Credit). The ability to syndicate 100% of investments within one year and 58% within six months enables Investcorp Capital to quickly capitalize on promising opportunities, enhancing its potential to generate attractive returns and optimize its investment portfolio.

New investments syndicated since Feb 2022

Assets	Strategy	Date of investment	Value syndicated (USD Mn)	Months to syndication
2022 Residential Prop. Portfolio	RE	Oct-22	165	9
Boston & Minn. Prop. Portfolio	RE	Dec-22	122	6
CrossCountry	CI	Jun-22	105	10
Eficode	CI	Dec-22	127	6
Florida Residential Portfolio	RE	Jun-22	131	7
India Education Infra Portfolio	RE	Jul-22	18	2
Italian Office Portfolio	RE	Apr-22	115	3
S&S Truck Parts	CI	Mar-22	86	7
Shearer Supply	CI	Mar-23	70	1
Student HMO Portfolio	RE	Jan-22	38	3
Sunrise Produce	CI	Sep-22	66	4
Investcorp US Pvt. Institutional	GC	Jun-22	25	8

Source: Company Information

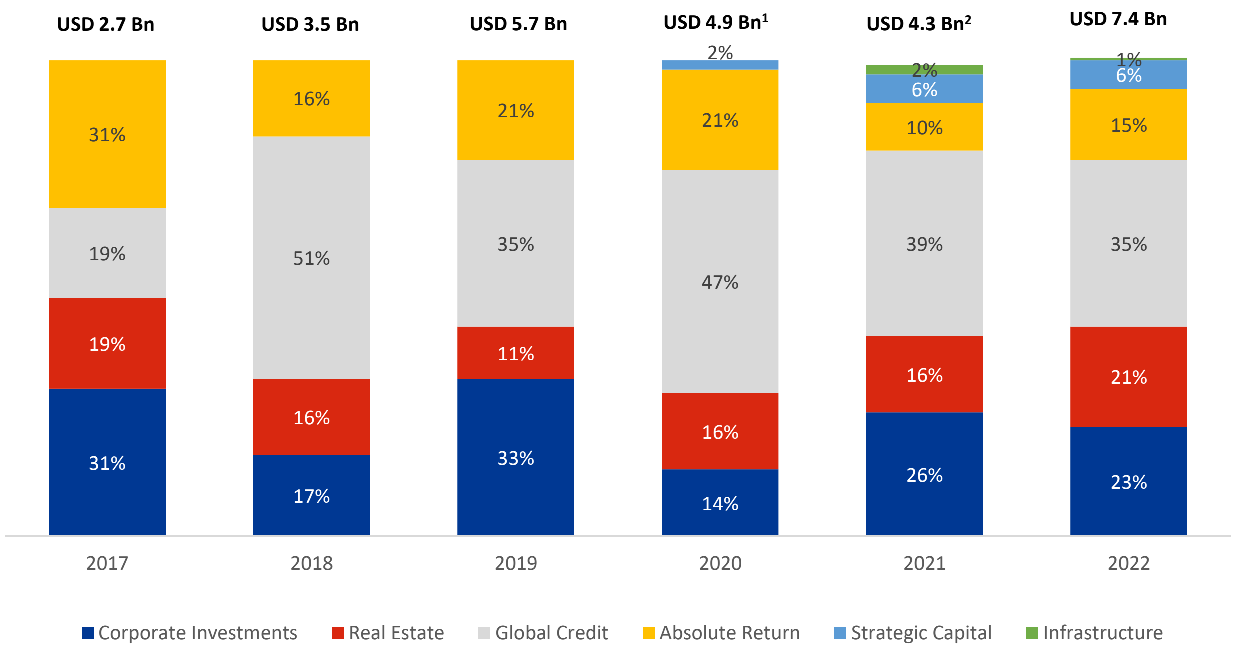
Strong Track Record of Successful Fund Raising Across Asset Classes

Investcorp Group has recorded resilient fundraising through market cycles and raised USD 28.5 Mn since FY2017

Investcorp Capital benefits from Investcorp Group's well-established relationships in private wealth and its focused approach, which serve as a strong foundation for robust fundraising capabilities. With enduring key relationships and approximately 60% of AUM coming from private clients over the last ten years, Investcorp Capital enjoys a stable and recurring source of investment from these trusted partners. Furthermore, the successful fundraising of approximately USD 6 Bn from strategic Gulf Sovereign Wealth Funds (SWFs) and pension funds over last 10+ years, further enhances Investcorp Capital's ability to attract significant capital for its investment ventures. Despite the challenging global macroeconomic environment, Investcorp Capital's deal-by-deal fundraising capacity remains resilient, with over 80% of available offerings placed in FY2023. The commitments from Program Clients also play a significant role, covering 40-45% of deal-by-deal investment offerings, providing stability and support to the fundraising process. Looking ahead, strategic growth areas where the Group has institutional fundraising and UHNWI fundraising plans in South-East Asia with distribution partners and launching a proprietary digital investment platform to target new client segments offer Investcorp Capital valuable opportunities for expansion and accessing untapped markets.

Investcorp Capital gains substantial benefits from Investcorp Group's global presence and strong network with key institutions. With a robust presence in Asia for Global Credit and access to large institutions like endowments and insurance companies in North America, Investcorp Capital enjoys enhanced opportunities to tap into a diverse pool of institutional investors. This access to a wide range of institutions significantly strengthens Investcorp Capital's fundraising capabilities and opens doors to potential lucrative investment partnerships. The global reach and strong institutional connections offered by Investcorp Group provide Investcorp Capital with a competitive advantage in attracting significant capital and expanding its institutional client base, ultimately fuelling its growth and success in the investment landscape.

Figure 45: Fund Raising during FY2017-2022



Source: Company Information

Note: 1 Includes USD 62 Mn of uninvited commitments from a cross asset mandate and USD 26 Mn raised for Banque Paris Bertrand private banking products. 2. Includes USD 252 Mn of fundraising relating to the issuance of Investcorp Series E Preference Shares, Fiscal Year ends 30-Jun

Attractive Recurring Income and Stable Cash Flow Generation Across Most Strategies

Multiple recurring income streams to provide profit and cash flow visibility

Generation of recurring fee-based income from Capital Financing Services complemented by asset-based income from Capital Deployment

Investcorp Capital operates through two main segments: Capital Deployment and Capital Financing Services. These segments invest in multiple strategic avenues, including Corporate Investments, Real Estate, Global Credit, and Strategic Capital and earn income through capital deployment income and transaction fees. The Capital Deployment segment primarily earns asset-based income like Interest income from global credit, rental income from real estate, dividend income from strategic capital, and capital gains from corporate investments. Conversely, the Capital Financing Services segment primarily generates recurring income through underwriting and commitment fees.

Total revenue rose 18.2% YOY to USD 117 Mn in FY2023. The growth is mainly driven by a expansion in revenue both from CFS and CD segments. CFS segment revenue grew 7.1% YOY to USD 45 Mn in FY2023 and CD segment revenue grew 26.3% YOY to USD 72 Mn in FY2023. In addition, interest and dividend income rose from USD 19 Mn in FY2022 to USD 25 Mn in FY2023 due to a growth in interest income and dividend income from real estate. Realized and unrealized gain on investment made CD segment rose from USD 38 Mn in FY2022 to USD 47 Mn in FY2023.

Figure 46: Segmental revenue break-up (USD Mn)

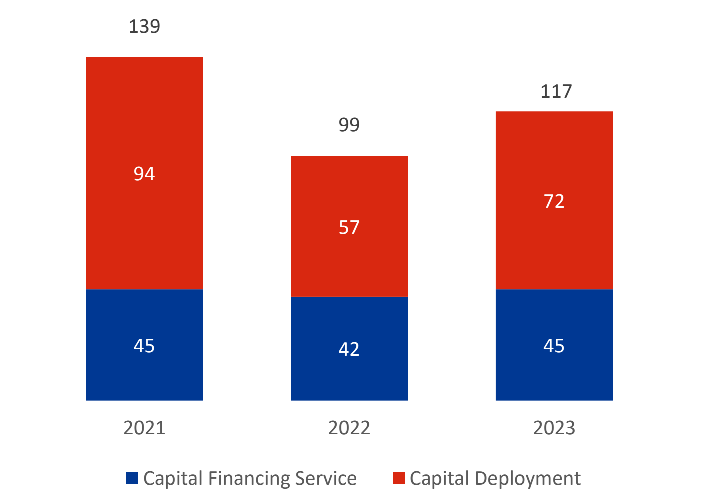
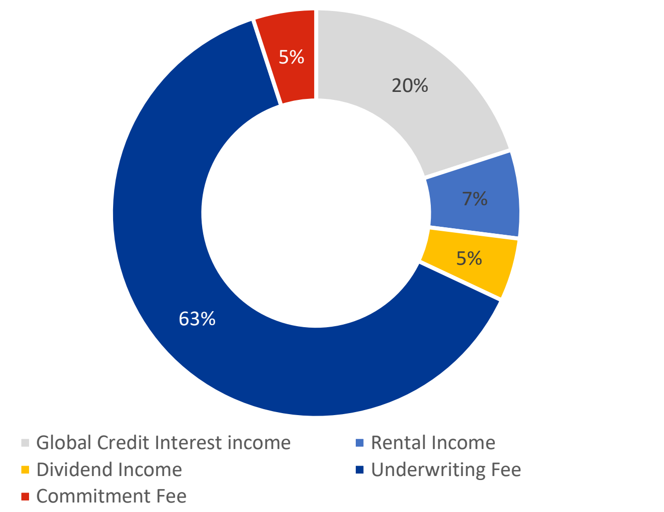


Figure 47: Segmental revenue distribution[1]



Source: Company Information: FY21-22 Carve-out financial statements, FY2023 Management Accounts

[1]Figure 47 illustrates the income distribution for FY 2024, excluding unrealized gains (losses) on asset fair value, gains (losses) on the sale of assets, and performance fee rebate income, Fiscal Year ends 30-Jun

Plans to maintain even capital exposure across CFS and CD segment in the forecasted period

Constantly evolving asset exposure driven by efficient underwriting and syndication with 100% of investments syndicated within 1-year and 56% within six months

The capital exposure of CFS segment stood at USD 192 Mn in FY2020 and later rose to USD 493 Mn in FY2023 including a receivables balance of USD 75 Mn. During FY2020 until FY2023, the CFS segment deployed USD 3.5 Bn to acquire assets and realized USD 3.3 Bn through syndication. The Company made net new acquisition of USD 1,143 Mn assets during FY2023 as compared to USD 1,337 Mn in FY2022. IVCC completed the syndication of USD 1,039 Mn deals in FY2023 compared to USD 1,378 Mn in FY2022. IVCC acquired a total of 24 investments and divested 21 through syndication in FY2022. In FY2023 the Company acquired USD 1,143 Mn and syndicated USD 1,039 Mn deals. It made 18 new investments and syndicated 18 deals in FY2023. This reflects the effective execution of investment activities and a consistent portfolio churn.

Consistent turn-over of the Capital Deployment asset exposure, with allocation between asset classes driven by market conditions

IVCC's capital exposure including receivable to the CD segment rose marginally from USD 559 Mn in FY2020 to USD 783 Mn in FY2023. During FY2020-23, the segment made new acquisitions of USD 450 Mn while realized USD 558 Mn worth of assets. In addition, it also recorded a fair value movement of USD 109 Mn and other movements of USD 34 Mn which included add-on funding and foreign currency translation adjustment during the same period. The investments in the portfolio are well spread across varying maturities ensuring a consistent return of asset exposure. Market conditions drive the investment allocation between asset classes.

Both CFS and CD Segments strategically invested capital across multiple asset classes, ensuring a well-diversified portfolio.

Investcorp Capital is targeting an equity capital base of USD 1.5 Bn post-IPO. As a result, the total capital available would amount to USD 2.1 Bn, including USD 600 Mn of revolving credit facility

(RCF) secured from IVC. The Company plans to maintain a cash balance of USD 100 Mn which will be maintained at all times, ensuring liquidity and operational flexibility, resulting in the total capital available for deployment equal to USD 1 Bn each for CFS and CD. The Capital Deployment business will be financed entirely through equity and retained earnings, while the Capital Financing Services will be supported by cash available through the RCF. The leverage policy of IVCC dictates that the maximum leverage ratio should not exceed 0.3 times the equity, which signifies a reduced reliance on debt, leading to lower financial risk and ensuring a stable financial position.

Figure 48: Capital Exposure - Capital Financing Services (USD, Mn)

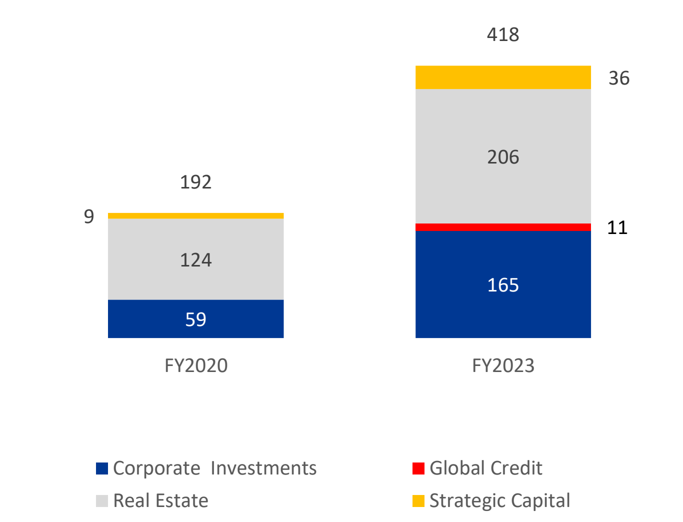
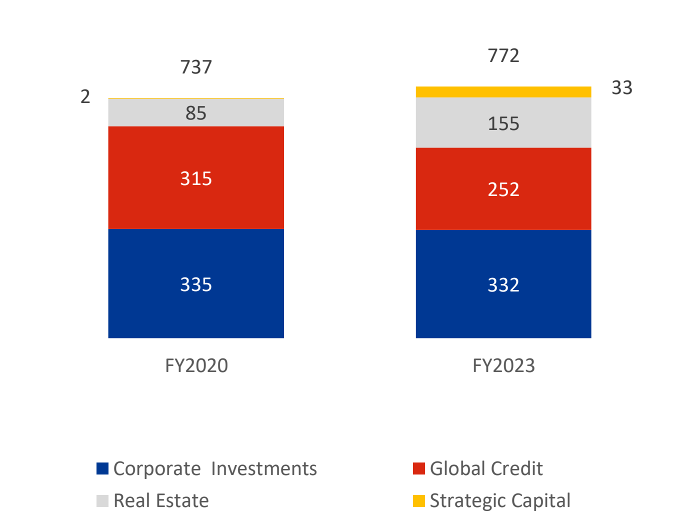


Figure 49: Capital Exposure – Capital Deployment (USD, Mn)



Source: Company Information: FY21-22 Carve-out financial statements, FY2023 Management Accounts, Fiscal Year ends 30-Jun

An attractive business model supporting strong and stable cash flow generation, offering appealing returns with a low-cost base

IVCC generated stable cash flows from FY2021 to FY2023 generating USD 319 Mn in operating cash flow before investments translating into a cash conversion ratio of 95%

The majority of the gross operating income is realized annually and is primarily driven by underwriting fee-based income from CFS and operating income from global credit and real estate, with realized/unrealized capital gain from the movement in investments. The operating cash flow before investments declined 53.4% YOY to USD 71 Mn in FY2022 mainly due to a decline in profit before tax, accompanied by a fall in adjustments for unrealized gains and investment in working capital. However, operating cashflow before investments recovered during FY2023 to USD 96 Mn driven by a healthy performance of the CD and CFS segment and cash inflow from working capital partially offset by an increase in unrealized loss. The Company on average managed to convert c. 91% of profit into operating cashflow before investments. This cash conversion indicates efficient management of operations.

IVCC's total cost-to-income ratio increased from 7.2% in FY2021 to 11.1% in FY2022 primarily due to a 29% decline in operating income. The cost-to-income ratio during FY2023 fell to 8.5% post-bounce back in profit. The company's management acknowledges the rise in costs and seeks to implement cost-control measures to deliver favorable returns to shareholders through a strong recurring cash yield. It expects the cost-to-income ratio to amount to 4-5% in the medium term. Investcorp Capital recorded a recurring cash yield of 6.0% in FY2023, exhibiting a notable increase from the 5.8% recorded during FY2022. This increase was attributable to the improved performance of the Capital Financing Services segment. The return on equity (ROE) increased to 9.1% in FY2023 from 7.9% in FY2022, due to a 29.9% increase in the net profit during the period. IVCC CFS segment generated an average annual yield of 9% across business strategies during FY2021-23. While CD Segment generated an average annual IRR of 12% across business strategies during FY2021-23.

Figure 50: Cash Conversion Rate

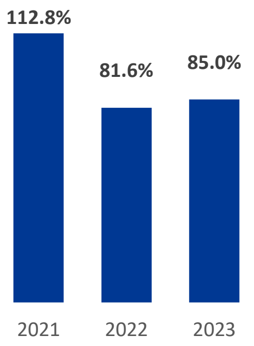


Figure 51: Cost-to-Income Ratio

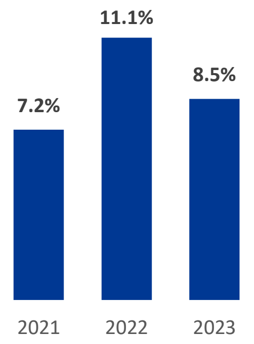


Figure 52: Recurring Cash Yield

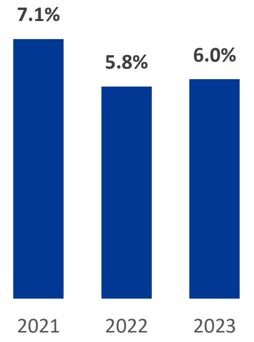
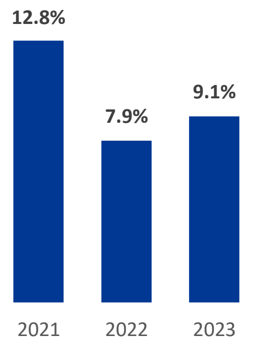


Figure 53: Return on Equity (ROE)



Source: Company Information: FY22-23 Carve-out financial statements, Fiscal Year ends 30-Jun

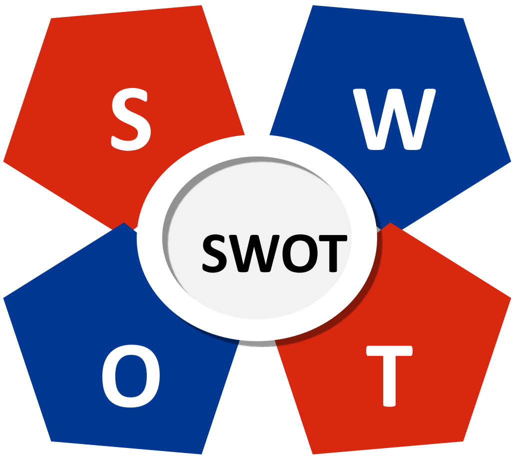
SWOT Analysis

STRENGTHS

- The presence of a diverse array of private exposures provides an attractive level of diversification across multiple strategies, geographies, sectors, and deployment styles
- Access to fee-generative capital financing services platform benefiting from the growing trend of private wealth expansion in the Middle East
- Global investor base with a long-standing network with leading ultra-high net worth and institutional investors
- An attractive business model supporting strong and stable cash flow generation, offering appealing returns with a low-cost base
- The Company possesses a sound balance sheet which will amount to USD 2.1 Bn Post-IPO, accompanied by a prudent policy of upholding a maximum leverage ratio of 0.3 of equity.
- Generates attractive risk-adjusted returns from investing mainly in non-investment grade corporate credit through CLOs and private credit funds

WEAKNESSES

- Investcorp Capital’s global presence puts it at risk of economic and market fluctuations, potentially impacting client investments due to downturns and geopolitical events
- Investcorp Capital operates within an industry where locating fitting alternative investments is hindered by competitive markets, diverse criteria, due diligence demands, and the need to align with investor objectives. This demands expertise, networks, and diligent research to make informed decisions effectively
- The sluggish private market growth in 2022 due to inflation, interest rate hikes, and geopolitical tensions weakens IVCC's fundraising potential, as cautious investor sentiment may hinder capital commitment. Negative returns in asset classes like private equity could further reduce investor confidence, posing challenges for IVCC's future fundraising efforts



OPPORTUNITIES

- Investcorp Capital can capitalize on the growing demand for alternative investment products by offering a diverse range of alternative investment options to cater to different investor preferences.
- Capitalizing on the ongoing digital transformation by investing in technology-driven companies and sectors
- Forming strategic partnerships with leading financial institutions and industry players to leverage each other's strengths and access new markets
- Capitalizing on the significant infrastructure development in the GCC region by investing in projects, offering financing solutions, and engaging in public-private partnerships across sectors like transportation, energy, and real estate.

THREATS

- The industry is undergoing transformation due to the increasing adoption of digital solutions by asset management companies, which is resulting in intensified competition. Increased competition may lead to fee pressures or loss of clients or assets under management.
- Changes in regulatory frameworks, both domestically and internationally, can pose a threat to the Company's operations.
- Failure to adapt to technology can hinder client retention, innovation, and operational efficiency for companies.

Highly Experienced Management Team

Experienced Management Team with Long Track Record in the Business

Highly experienced and well-rounded management team.

The Management team of Investcorp Capital comprises of Chief Executive Officer (CEO), Chief Investment Officer (CIO), and Chief Financial Officer (CFO). The management team at IVCC is highly experienced, with significant years of professional experience in the industry, and each member has worked for over 19 years at Investcorp Group.

Figure 54: Investcorp Capital's Management Team

Source: Company Information

Investcorp Capital - Management

Chief Executive Officer – Mr. Timothy Mattar

Mr. Timothy Mattaris is Chief Executive Officer of Investcorp Capital. He began his career as an auditor with Grant Thornton in 1983. Mr. Mattar joined Investcorp Group in 1995 after spending five years at Banque Indosuez. At IVC Group, he has held an array of positions, including Managing Director, Head of Placement and Relationship Management and Operating Committee Member, before leaving the firm in July 2022. Mr. Mattar is currently a Board member for Investcorp-Targes, a 50/50 Joint Venture between Investcorp and Targes, which operates as a multi-manager investment firm. He holds a BA (Hons) in History from London University and is a member of the Institute of Chartered Accountants in England and Wales.

Chief Investment Officer – Mr. Jonathan Dracos

Mr. Jonathan Dracos is Chief Investment Officer of Investcorp Capital. Mr. Dracos joined Investcorp Group in 1995 and he was appointed Head of Real Estate Investment in 2009. During his time at IVC Group, he has led the growth of the Real Estate business to be a consistent leader among foreign real estate investors. Before IVC Group, Mr. Dracos was on the Executive Committee of the USD 1.2 Bn George Soros Quantum Realty Fund, where he was Head of Disposition and Asset Management. He also previously served as a Senior Vice President for

Jones Lang Wootton Realty Advisors, overseeing a USD 500 Mn portfolio of real estate assets, and as a real estate lending officer for Chemical Bank. Mr. Dracos holds a BA in Economics from Duke University, North Carolina and an MBA from The Wharton School of the University of Pennsylvania. He is presently the Co-Chair of Project A.L.S., a member of the NYU Schack School of Real Estate Advisory Board, and on the Columbia University Medical Centre Board of Advisors.

Chief Financial Officer – Mr. Abbas Rizvi

Mr. Abbas Rizvi is Chief Financial Officer of Investcorp Capital (seconded by Investcorp Group). He joined Investcorp Group in 2004 and is currently Head of Financial Management. Prior to that, Mr. Rizvi worked in Ernst & Young Bahrain as an associate in the business risk services unit for a year. Previously, he spent more than five years at Ernst & Young Pakistan in audit and advisory services divisions. Mr. Rizvi is a Fellow member of the Institute of Chartered Accountants of Pakistan.

Investcorp Capital – Board of Directors

Board Member – Mr. Mohammed Bin Mahfoodh Alardhi

Mr. Mohammed Bin Mahfoodh Alardhi is the Executive Chairman of Investcorp Group. He joined IVC Group's Board in 2008 before becoming Executive Chairman in 2015. Before joining IVC Group, Mr. Alardhi had a distinguished military career, retiring as an Air Vice Marshal in the Royal Air Force of Oman. He holds a Bachelor of Science degree in Military Science and a Master in Public Administration from prestigious institutions. Apart from his role at Investcorp Group, Mr. Alardhi serves as Chairman of the Muscat Stock Exchange and Sohar International Bank, and he is involved in several advisory boards and councils globally.

Board Member – Mr. Hazem Ben-Gacem

Mr. Hazem Ben-Gacem is Investcorp Group's Co-Chief Executive Officer and oversees the firm's global investment activities in the infrastructure and technology sectors, all private equity activities in Europe, Middle East and Asia, as well as the firm's activities in the Middle East, Southeast Asia, China and Japan. He also leads the firm's private wealth and institutional investor relations globally and sits on the Investcorp Group's Executive, Operating, and Risk Management Committees. In addition to his position with IVC Group, Mr. Ben-Gacem is currently the chairman of the board of the Italian men's luxury apparel company Corneliani, the Hong Kong based premium food retailer City Super Supermarkets, and the Singaporean instant food business Viz Brands. Mr. Ben-Gacem holds a bachelor's degree with honors from Harvard University.

Board member – Mr. Rishi Kapoor

Mr. Rishi Kapoor is Investcorp Group's Co-Chief Executive Officer. He oversees the firm's Private Equity businesses in North America and India, as well as the Real Estate, Credit Management, Absolute Returns, Strategic Capital, and Insurance Solutions businesses globally. Prior to his appointment as Co-CEO, Mr. Kapoor held several senior management positions within Investcorp Group including as Chief Financial Officer between 2003 and 2015. He joined IVC Group from Citigroup in 1992. Mr. Kapoor holds a Bachelor's degree in Electrical and Computer Engineering from the Indian Institute of Technology (IIT), and an MBA from Duke University's Fuqua School of Business.

Board member – Mr. Jan Erik Back

Mr. Jan Erik Bak is the Chief Financial Officer of Investcorp Group. Mr. Erik has more than 30 years of industry experience, the majority of which was in senior finance roles of financial services firms, including SEB (Skandinaviska Enskilda Banken AB), Skandia and Handelsbanken. In these positions, his responsibilities included finance, treasury, investor relations, risk control and procurement functions. Mr. Erik holds a Bachelor degree from Uppsala University.

Board member – Mr. Yusef Al Yusef

Mr. Yusef Al Yusef is the Head of Investcorp Private Wealth platform in the Gulf. He joined IVC Group in October 2005 from Arcapita Bank, where he was Principal serving institutional and private clients in Kuwait and Qatar. Before Arcapita, Mr. Yusef worked for Ahli United Bank and National Bank of Bahrain and has also held positions with Unilever in Saudi Arabia and United Arab Emirates. Mr. Yusef holds a BSc in Accounting from the University of Bahrain.

Independent Board member – Dr. Nawal Al-Hosnay

Dr. Nawal Al-Hosnay is an independent Board Member and serves as the Permanent Representative of the United Arab Emirates (UAE) to the International Renewable Energy Agency. Additionally, she holds a position as a Board member of Sustainable Energy for All.

Independent Board member – Mr. Peter McKellar

Mr. Peter McKellar is an independent Board at IVCC. He previously served as the Head of Private Markets at Aberdeen and held the position of Chief Investment Officer (CIO) at Standard Life. Additionally, he is a Board Member at 3i.

Industry Overview

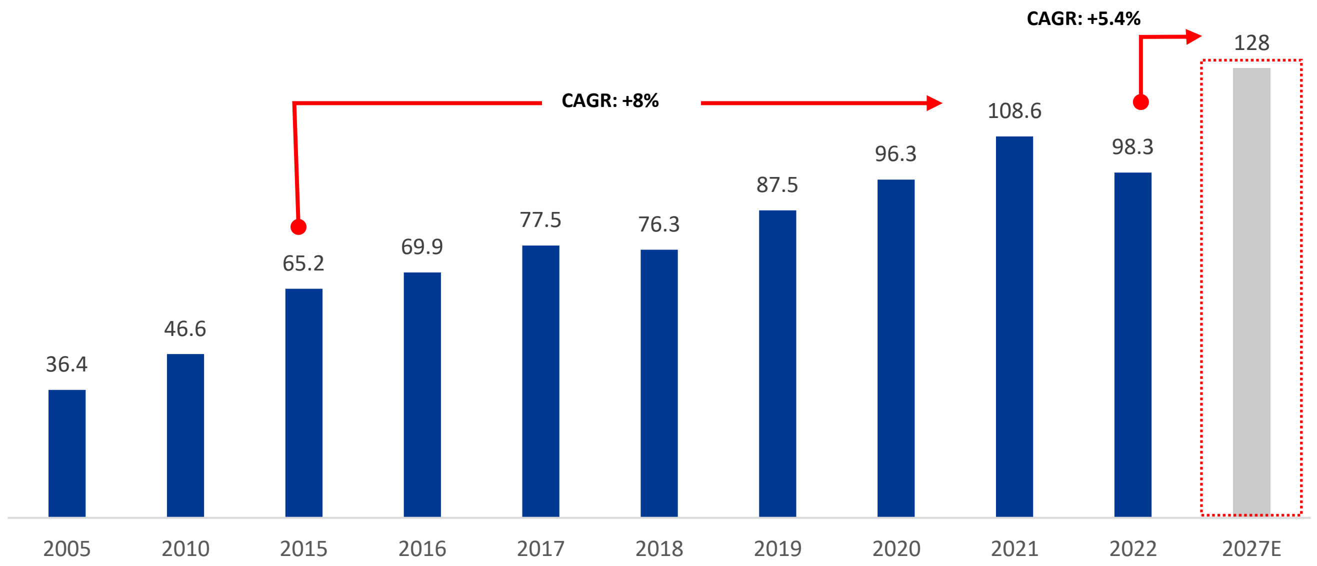
Global Assets under Management

The asset management sector is witnessing substantial growth in private markets, primarily fueled by the rising demand that stems from the adoption of innovative technologies

The accommodative monetary policy adopted by the global central banks since the 2008 Global Financial Crisis drove equity market returns. This boosted total assets under management (AUM) deployed across multiple asset classes. AUM grew at a CAGR of 5.1% from USD 36.4 Tn in 2005 to USD 46.6 Tn in 2010 and further expanded at a CAGR of 8.0% from USD 46.6 Tn in 2010 to USD 108.6 Tn in 2021 amid continued expansionary monetary policy. After the end of the accommodative monetary policy by global central banks in 2022, the global markets faced the heat with returns plummeting across debt and equity markets coupled with a decline in AUM by 10.5% to USD 98.3 Tn in 2022. This is the second-largest single-year decrease in global AUM since 2005. The decline is also a result of aggressive interest rate hikes by global central banks to tame surging inflation. The Fed adopted the most aggressive monetary policy, hiking interest rates by ten times from March 2022 to June 2023, from 0.00%-0.25% in March 2022 to 5.00%-5.25% in June 2023. However, this aggressive rate hike path is nearing its end as inflation starts to recede. The US annual consumer inflation declined from 4.0% in May 2023 to 3.0% in June 2023. However, it is still below the Fed's long-term target of 2%.

The decline in AUM in 2022 is an outcome of inflation, market volatility, and interest rate movements which are the biggest concerns for investors and asset managers. However, as global inflation and interest rates are expected to peak and expected to moderate down going forward, global asset under management are expected to grow at a CAGR of 5.5% from USD 98 Tn in 2022 to USD 128 Tn in 2027, according to a forecast from Boston Consulting Group. The global growth in AUM is supported by an expected increase in the AUM of passive investments from USD 21 Tn in 2022 to USD 31 Tn in 2027. It is the largest expected CAGR growth by passive investment vehicles among all asset classes. Growth in passive investments AUM is expected to be followed by AUM growth in alternative investments with a CAGR of 7.7% from USD 20 Tn in 2022 to USD 29 Tn in 2027.

Figure 55: Total global assets under management (USD, Tn)



Source: Boston Consulting Group (BCG) report titled "Global Asset Management 2023"

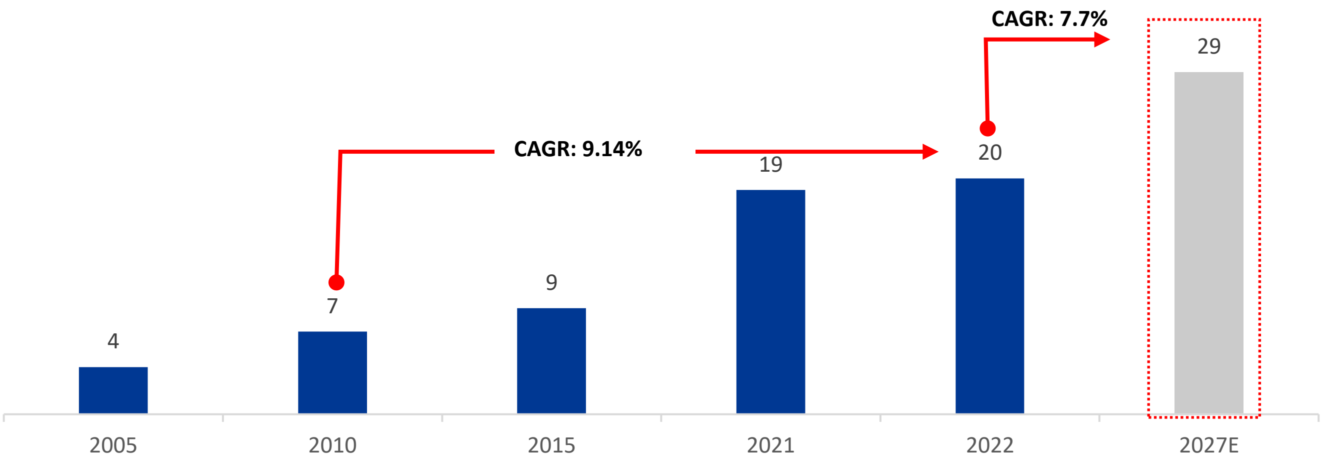
Growth in Alternative Investments remains promising going forward ……

Global Alternative Investments and Private Markets show strong and steady growth with a projected CAGR of 7.7% from FY2022 to FY2027

Alternative investments and the private market opportunities therein continue to be a bright spot for the asset management industry. From 2010 to 2022, the global AUM of alternative investments increased at an impressive CAGR of 9.1%, soaring from USD 7 Tn to USD 20 Tn. This positive momentum is expected to persist, with a projected CAGR of 7.7% from 2022 to 2027, bringing the total AUM of alternative asset management to USD 29 Tn over the next five years. The growth rate is anticipated to outpace the total AUM growth rate across most asset classes.

The significant expansion in the alternative investment industry is primarily fueled by the allocation of capital in private equity and private debt. These segments are expected to grow at CAGRs of 9.0% and 10.1%, respectively, during the next five years. Moreover, favorable conditions, such as technological advancements, product innovation, and regulatory reforms in specific markets, promote equal access to alternative investments. This combined progress is expected to drive continued success and opportunities for the asset management industry in the coming years.

Figure 56: AUM of alternative investments (USD Tn)



Source: Boston Consulting Group (BCG) report titled "Global Asset Management 2023"

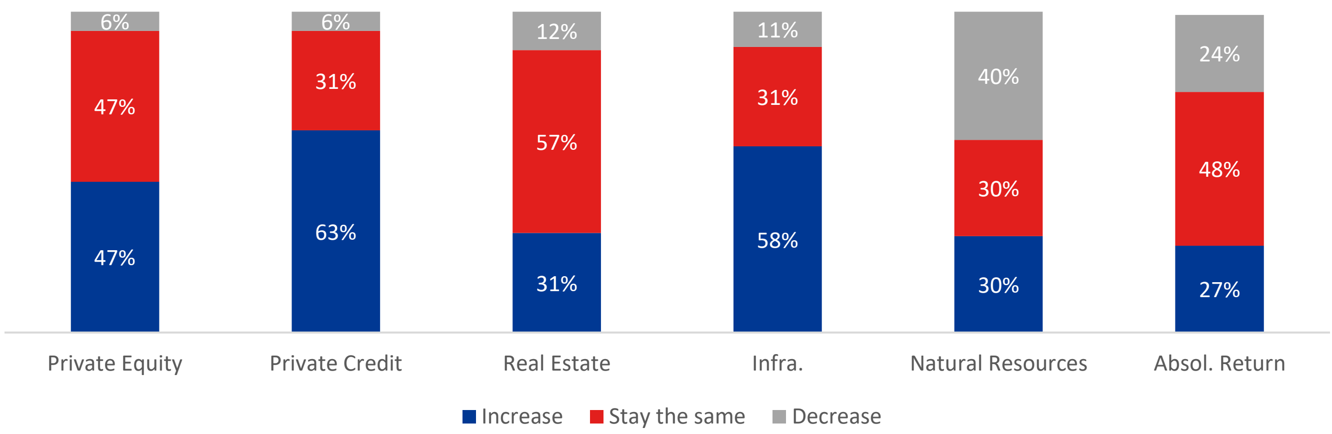
Alternative Investment growth will continue to outpace Active and other asset classes

Increased allocation to alternative investments will be driven by yields and diversification

In search of higher yields and diversification, the investors deployed higher investments toward alternative asset management. As a result, the size of the alternative investment industry outgrew the active management style over the years. During 2010-2022, the active management style grew at a CAGR of 4.0% from USD 28 Tn in FY2010 to USD 45 Tn in FY2022. Conversely, during the same period, alternatives rose more than double the pace from USD 7 Tn in FY2010 to USD 20 Tn. AUM of the alternative investments continues to outperform the active style. Alternative investments offer the potential for higher returns, particularly during periods of market volatility or when interest rates are low. For example, Investcorp Group Sharpe ratio from private equity investment stood at 2.0x from 2010 to 1Q23, while MSCI World Index generated 0.4x. The Sharpe ratio is calculated against the US 10-year treasury yield. In the real estate and private debt asset class, IVC generated a higher Sharpe ratio than its benchmark index, further encouraging investors' belief in alternative investments.

According to the recent Preqin Investor Survey (November 2022), there is a growing desire for private equity, which is driving compelling and enduring growth prospects for the alternative investments industry. Private equity, along with private real estate and private debt, outperformed the public markets from FY2010 to 1H2023. The rise in institutional demand contributed to the expansion of the global alternatives industry, as investors are increasing their allocation toward long-term investments. Of the total, 47% of the investors plan to increase their allocation to private equity, while 63% of the total will increase their allocation to private credit.

Figure 57: Institutional Investor's Demand and their Allocation in long-term Alternative Asset Classes



Source: Company Information

Recent Trends in the Alternative Investments

Private Market growth was subdued in 2022 in terms of fundraising and performance as compared to the previous year

The growth in the private market was subdued in 2022 compared to robust growth in the previous decade. The private market recorded strong growth in 2021 following the pandemic; however, several macro-economic and external factors impacted growth in 2022. High inflation in 2022 pressurized the global central banks to raise interest rates at a record pace. The end of loose monetary policy exacerbated the fall in asset prices, raising fears of economic slowdown. In addition, the Russia-Ukraine war amid rising commodity prices with disruption in the supply chain further increased risks to the global economy. These challenges led public markets to fall precipitately in 2022 while the private markets held the gains in the first half of 2022 but followed in the second half.

These factors led to a substantial and multiple impact on fundraising, AUM, and performance in private markets. Some regions recorded a steep decline, while a few showcased resilience.

Fundraising: The fundraising in the private markets totalled USD 1.2 Tn in 2022, matching the pre-pandemic level of 2019. While the fundraising declined 11.4% from the record level of USD 1.4 Tn in 2021. The quantum of fundraised is the third highest since 2006.

Total fundraising declined 11.4% to USD 1.2 Tn in 2022; however, it remained third best since 2006. North America is the only region to record positive fundraising in 2022

According to the McKinsey Private Review 2023 report, the denominator effect played a crucial role in the fundraising slowdown. Due to a fall in the public market, the value of institutional investor public investment fell faster than private market investments leading the institutional investors to increase allocation to private markets as a percentage of the overall portfolio. The decline in the value of the public market filled in the gap that existed between the target and actual allocation to the private market for some limited partners (LPs). While for others it resulted in overallocation to private market asset classes.

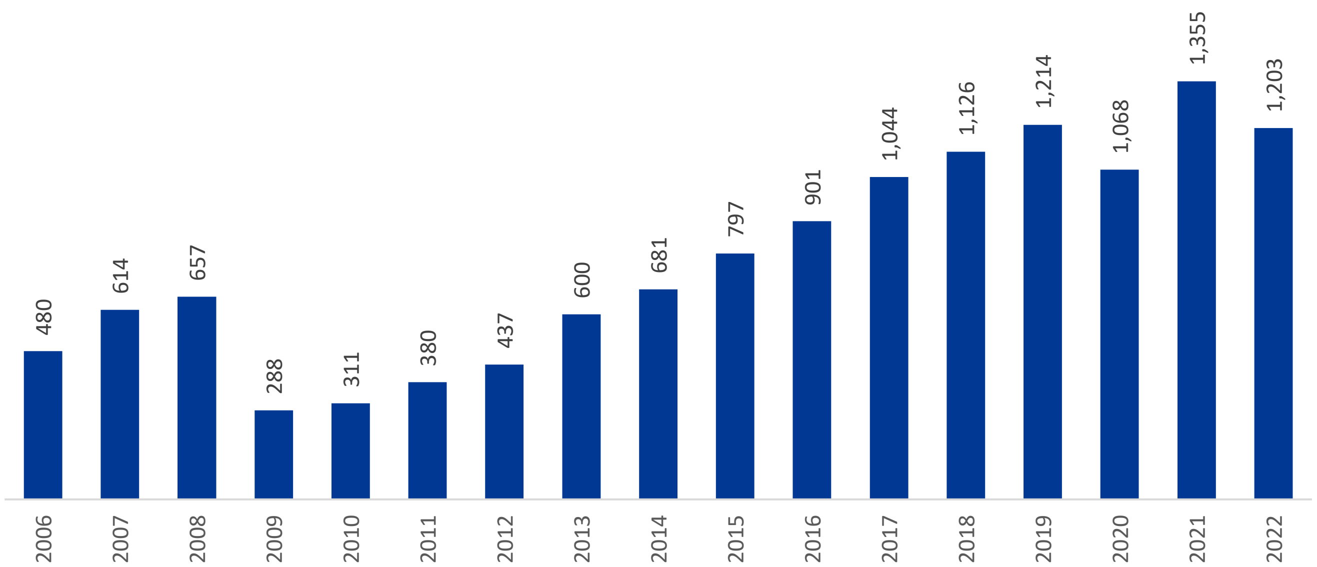
In terms of fundraising by region, North America accounted for two-thirds of private market fundraising and was the only region to record growth in fundraising in 2022. Fundraising in North America rose 2.4% to USD 799 Bn, driven by 82% growth in fundraising by natural resources and 11% by private credit, while closed-ended real estate funds recorded a decline of 22% during the period.

The fundraising headwind didn't impact all asset managers equally as investors shifted funds to larger asset managers in volatile market conditions. The funds with AUM higher than USD 5 Bn recorded an inflow of USD 551 Bn, 51% higher than 2021. While funds smaller than USD 1 Bn recorded a decline of 31% as compared to 2021. The shift in funds to large fund managers even continued in 2022 and a similar phenomenon played out in fund count too. The number of funds with less than USD 1 Bn assets fell 45% to 1,900, while funds with more than USD 5 Bn assets rose 40% to 39. The established general partners (GPs) who managed large funds continued to attract investment commitment despite a volatile and challenging fundraising year.

Private Markets continued to outperform public markets over the last two decade

Performance: Private markets continued to outperform public markets in 2022, the trend witnessed in the last two decades. The result is not surprising for the public market amid market volatility, private market valuation lags the public market due to a degree of valuation discretion. In addition, all asset classes of the private market recorded lower returns in 2022 compared to 2021. The private equity generated a net negative IRR of 9.2% YTD in September 2022, the only asset class in the private market to generate a negative return in 2022. Natural resources recorded a positive return for the second year in a row generating a positive return of 15.6%, the highest return among all the asset classes.

Figure 58: Total Funds raised by Private Market across the period (USD, Bn)



Source: McKinsey & Company report titled 'McKinsey Global Private Markets Review – March 2023'

The growing opportunity in the different asset classes of the alternatives industry

The private equity market stands out as a high-performing investment asset, consistently outperforming public markets and displaying strong and resilient returns over the long term

Private Equity: The global private equity market runs as the highest-performing asset class in the alternative investment industry. The private equity (PE) sector set exceptional fundraising and deal-making records of producing strong returns in FY2021, however, several macroeconomic factors of increasing debt costs, and declining public market valuations stifled the growth activity, and overall performance in FY2022.

In FY2021, the private equity markets witnessed a notable 15% decline in fundraising. During the year, Limited partners (LPs) predominantly directed the investments toward established funds while overlooking commitments to smaller and newer ventures. Mega funds emerged as prominent players, with 11 funds successfully raised over USD 10 Bn each, accumulating a total of USD 170 Bn in FY2022. Private markets exit volume declined as sponsors chose to retain the assets rather than sell them in a market with lower valuations.

Global Private Equity AUM is expected to grow at a CAGR of 9.0% in FY2027

- **Fundraising:** Amidst the evolving global economic landscape, private equity continues to demonstrate its fundraising prowess, benefitting from promising opportunities in emerging markets and a strategic focus on larger funds in North America. While all PE strategies experienced a decline in fundraising during the exceptional year of 2022, North American private equity-focused funds showed remarkable resilience, achieving the second-highest fundraising year. The success can be attributed to the shift towards larger funds in FY2022, with North America leading in the number of such significant funds compared to Europe and Asia. During the period from March 2022 to June 2023, the Federal Reserve implemented its most aggressive monetary policy, raising interest rates by 10 times, eventually reaching the peak. However, as inflation began to recede, the Fed's aggressive rate hike approach is now approaching the developmental signals of potentially shifting in the economic landscape, presenting new opportunities and challenges for private equity fundraising in the coming months. However, globally, private equity fundraising experienced a 15% decline, amounting to USD 655 Bn.

  The decline in the fundraising momentum is attributed to several macroeconomic factors that lead to a slowdown in private equity markets. Furthermore, the surge in fundraising in FY2021 was partially influenced by a backlog of funds that couldn't finalize the process in FY2020 due to the pandemic. However, the private equity market will continue to soar at its peak and stay true to its highest-performing asset class.

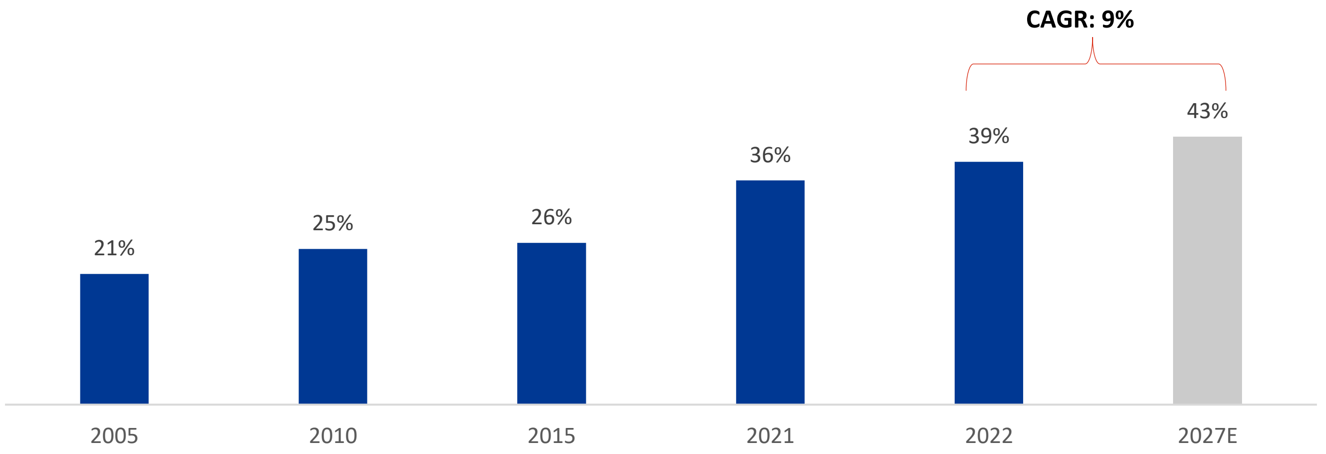
- **AUM:** Global PE AUM increased to USD 7.6 Tn by 1H2022 and continues a growth trend of an annual return of 22% since FY2017. In private markets, the AUM mix shifted over time with PE's dry powder, which surged to an unprecedented level, nearing USD 1.9 Tn in 2022. The inventory in hand of dry powder increased substantially to 1.4 years, up by 0.9 years in FY2021. However, as per the Boston Consulting Group (BCG), the asset class is expected to grow at a CAGR of 9.0% in FY2027.

- **Performance and Deals:** In 2022, the private equity (PE) sector experienced a decline in performance, albeit less than that of public markets. PE incurred losses for the first time in six years, with a nine-month trailing pooled net negative IRR of 9.2 %. The volatility of equity performance followed a substantial return of 39.5% in FY2021. In FY2022, negative returns were widespread across strategies, among which buyouts showed the strongest performance, with a pooled net negative IRR of 6.0% for the three quarters ending September 30, 2022. Growth and Venture Capital were exposed to tech, underperforming buyouts by recording pooled net negative IRRs of 14.9% and 14.7%, respectively. Tech-oriented strategies dragged down buyout returns, posting −11% after exceeding 35% in the previous two years. Tech performance in NASDAQ lost 32%, trailing the balance of the S&P 500 by 8% in 2022.

  Global private equity companies executed significantly fewer deals in 2022 than in 2021. Deal volume experienced a notable decline of 26%, amounting to USD 2.4 Tn, and the number of deals decreased by 16% to slightly under 60,000. Nevertheless, FY2022 still ranked as the second most active year for deal activity, primarily due to a robust 1H2022. However, 2H2022 witnessed a rapid slowdown in global deal activity, attributed to decreased debt availability and heightened economic uncertainty. Notably, deal volume in 1H2022 only decreased by 5% compared to the same period in 1H2021, while 2H2022 deal volume dropped significantly by 45%.

  The decline in deal volume is evident across all regions and strategies. Energy was the only sector to record growth in deal activity owing to higher commodity prices.

Figure 59: Percentage of total Alternative Investments AUM allocated to Private Equity



Source: Boston Consulting Group (BCG) report – Global asset management 2023

Global Private Debt fundraising hit a record of USD 224 Bn, paving the way for the fifth consecutive annual increase amid rapid growth and strong performance

Private Debt: The private debt market's rapid growth persisted despite facing macroeconomic headwinds which are attributed to the diversity of strategies. In FY2022, private debt set a new fundraising record, led by several successful mega-fund closures. Notably, in FY2022, mezzanine strategies gained significant popularity, achieving record fundraising totals and surpassing the previous year by more than three times. While direct lending fundraising experienced a slight decline from 2021, and still managed to raise over USD 100 Bn for the second consecutive year. Private debt market is not immune to the macroeconomic conditions however, a notable drop in the deal volumes is mainly driven by the slowdown in PE. The performance also experienced a decline from the high levels of 2021, as lower marks offset the gains from current yields.

- **Fundraising:** Global private debt fundraising reached a new peak, reaching USD 224 Bn in FY2022, displaying a 2.1% year-over-year growth and marking the fifth consecutive annual increase. Annual fundraising in private debt tripled since 2013 growing at a CAGR of 12%, this is the fastest among all private asset classes. Fundraising in North America grew 11% in FY2022, while fundraising in Europe and Asia declined 10% and 25% in US dollar terms. In 2022, fundraising for mezzanine lending reached an all-time high, surging by 2.4 times to USD 46 Bn. Special situations strategies also experienced significant growth, with fundraising increasing by 80% compared to the previous year. On the other hand, fundraising for distressed strategies declined sharply after two consecutive years of record highs. Since the onset of the pandemic in 2020, distressed and special situations strategies collectively raised over USD 200 Bn in the capital.

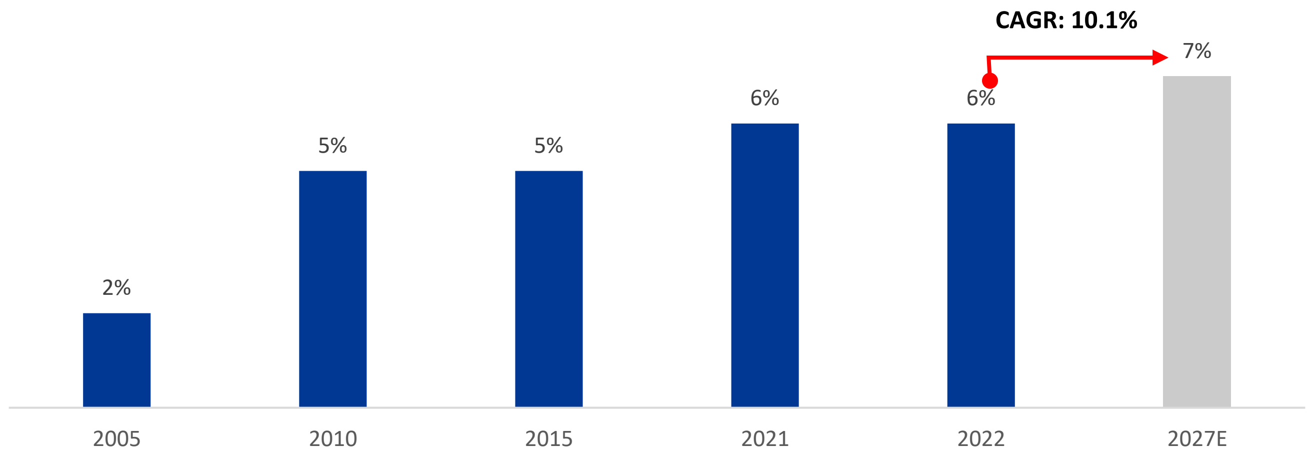
  In 2022, closed-end direct lending strategies raised a total of USD 114 Bn, showing a decline of 14% from the previous year. Despite this decline, 2022 still ranked as the second-highest fundraising year for direct lending, with capital raising surpassing USD 100 Bn for the second consecutive year. Investors increased their commitments to larger and more pedigreed debt funds across all private debt strategies. In FY2022, eleven funds of USD 5 Bn or more closed which accounted for 43% of the total private debt's fundraising.

Private Debt AUM surges to USD 1.3 Tn in June 2022 and is expected to reach USD 2.3 Tn by FY2027

  AUM: Private debt AUM totaled USD 1.3 Tn as of 30th June 2022, which is up by 12% from FY2021. With the robust performance of the private debt's AUM, it is expected to grow by USD 2.3 Tn by FY2027. North America remained the largest region, accounting for 62% of the total, roughly 2.3 times larger than Europe. Since FY 2009, the AUM in private debt has increased more than fivefold, with an impressive CAGR growth of 14%. Over 500 new managers entered the market, and the performance consistently surpassed public benchmarks. The expansion of the asset class has been mutually beneficial with the simultaneous growth of private equity, leading private lenders to occupy a dominant position in crucial segments by effectively replacing traditional banks.

- **Performance and Deals:** Over the period of the long term, private debt offered modest and low volatility returns among all private asset classes. The fund between 2009-19 vintages generated a net IRR of 9.3% at par with Infrastructure; however lower return as compared to PE and Real Estate. The private debt returns varied across strategies among them senior credit delivered the lowest return median return of 8% with the lowest dispersion of 3.9% varied between the top and bottom quartiles. Distressed and Mezzanine strategies delivered a higher median return with higher volatility. Mezzanine tranche return generated a superior median return as compared to distressed strategies generating a median return of 10.6% across the 2009-19 vintages. While distressed strategies recorded a median return of 9.1% across the same vintage.

Figure 60: Percentage of total Alternative Investments AUM allocated to Private Debt



Source: Boston Consulting Group (BCG) report – Global asset management 2023

The Real Estate asset class in closed-end funds is estimated to have reached a significant global AUM of USD 1.5 Tn in FY2022

Real Estate: Real estate as an asset class experienced substantial growth in the private capital industry with its characteristics of being a strong hedge against inflation. Several institutional investors allocated their investments to this segment due to its capacity to preserve real values, especially during heightened inflation. However, in FY2022, the real estate sector experienced a mix of positives and obstacles, amongst the other asset classes. The AUM of closed-end funds reached a new high every year since 2016. Nevertheless, total global real estate AUM in closed-end funds grew to a record high of USD 1.5 Tn in FY2022. The office, retail and hospitality segments most affected by the pandemic showed signs of stability in FY2022. The multifamily and industrial sectors benefited from the change in customer behavior, while rental rates softened after rising for the last two years.

- **Fundraising:** In 2022, fundraising for closed-end funds reached a total of USD 166 Bn, representing a 23% decrease from the previous year's record sum in FY2021. The fundraising outcomes varied across regions, with Asia-focused funds raising USD 25 Bn, while North America experienced a 22% decline, reaching USD 113 Bn. However, despite the challenges, opportunistic and value-add fundraising remained relatively resilient. The average size of opportunistic funds grew by an impressive 28% year over year, reaching USD 768 Mn, setting a new record. On the other hand, debt fundraising faced a decline of 47% year over year, amounting to USD 22 Bn. The drop is attributed to rising yields in traditional fixed-income investments. Despite recent market volatility, closed-end real estate funds demonstrated relatively consistent long-term returns. The median net Internal Rate of Return (IRR) for funds in vintage currently stands at 11.5%, surpassing all other private asset classes except Private Equity (PE).

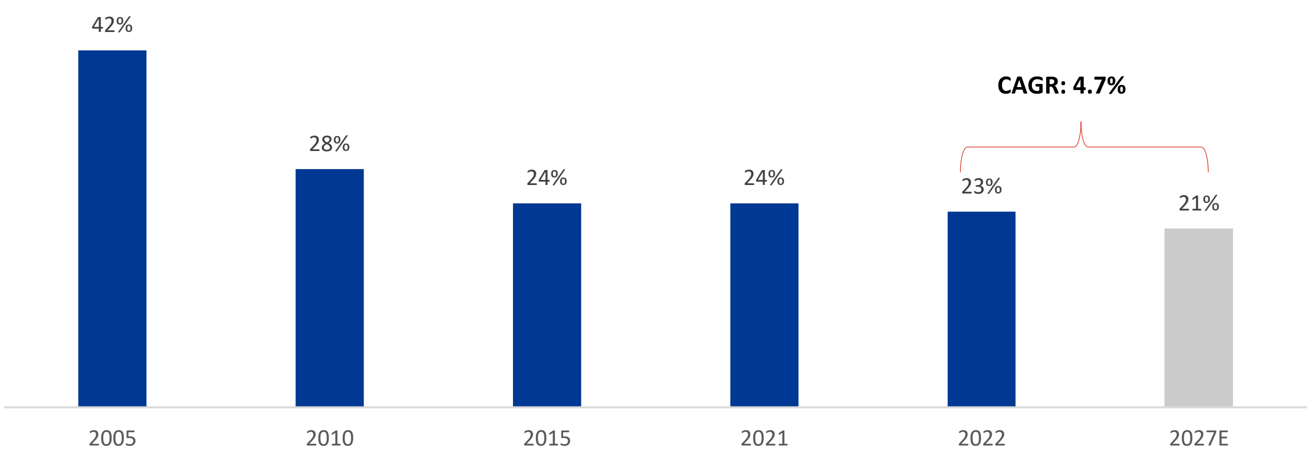
The average size of first-time funds that completed the fundraising during the initial three-quarters of FY2022, currently stands at USD 337 Mn, a notable increase from the USD 171 Mn average size observed in FY2021. In comparison to FY2021, fundraising experienced a significant decline as of FY2022, only 249 funds successfully closed during the year.

- **AUM:** Real estate investment witnessed significant expansion in global AUM since FY2010. Total global real estate AUM in closed-end funds grew to a record high of USD 1.5 Tn in 2022. Higher-risk strategies primarily drove the 17% year-on-year increase. Real Estate as an asset class is expected to grow at a notable CAGR growth rate of 4.7% in FY2027. The real estate sector is expected to continue and accelerate for the upcoming years, mainly propelled by higher-risk strategies and its attractive inflation-hedge nature, providing portfolio diversification opportunities.

  In North America, global AUM recorded a notable increase of 18%; in Europe, the growth is modest at 10%. The difference in AUM growth is primarily attributed to a 16% annualized decline in fundraising in Europe since FY2017. Real estate dry powder reached an all-time high of USD 469 Bn in 2022. The dry powder as a percentage of AUM increased by 2% points from last year's five-year low to 32%. Despite larger annual increases, dry powder investors remained consistent over the past five years, ranging from 30-35% of AUM.

- **Performance and Deals:** After a strong performance in FY2021, the return of closed-end real estate return declined in FY2022. The net IRR of pooled funds declined from 25.8% in FY2021 to 2.5% during 9M2022. Despite this decline, the long-term return of closed-end real estate funds remains consistent. The median net IRR for the funds in 2009-19 vintages stood at 11.5% higher than the return generated by all private asset classes except private equity. The global real estate deal volume reached USD 1.1 Tn, marking a 20% decrease from the bustling activity seen in FY2021. Despite the decline, the deal activity is the second most active year on record. North America led the deal volume with USD 698 Bn, experiencing a 17% decline compared to the previous year. In Asia-Pacific, deal activity decreased by 19% to USD 118 Bn, while Europe witnessed a 27% decline, reaching USD 324 Bn. Deal activity declined across various asset classes globally, except in the hospitality sector. Notably, retail deal volume showed resilience, reaching USD 145 Bn in 2022, which is 4% higher than FY2019. Retail rents also improved, reaching a 10-year high level in 2022. Additionally, retail vacancy at year-end 2022 decreased by 50 basis points compared to 2019 levels. The private real estate, including both closed-end and open-end funds, returns showed a stark contrast to the performance of public markets.

Figure 61: Percentage of total Alternative Investments AUM allocated to Real Estate



Source: Boston Consulting Group (BCG) report – Global asset management 2023

Macroeconomic Environment

The Global Economy Stabilizes Despite Challenges, To Support Investcorp Capital

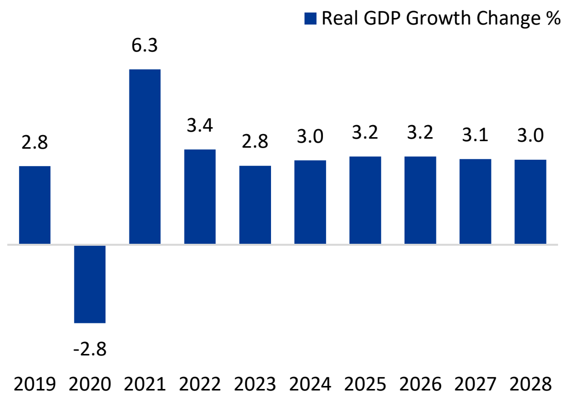
As per the IMF estimates, the global economy grew 3.4% in FY2022 and is expected to grow 2.8% in FY2023 and later bounce back to 3.0% in FY2024

The global economy faced challenges in FY2022 due to factors such as the fight against inflation, the war in Ukraine, and the resurgence of COVID-19 in China. However, despite these headwinds, real GDP was strong by the end of FY2022 due to stronger-than-expected private consumption and investment amid tight labor markets and greater-than-anticipated fiscal support. Thus, according to the IMF (World Economic Outlook, April 2023), the global economy grew 3.4% in FY2022 and is expected to moderate down to 2.8% in FY2023 and rise to 3.0% in FY2024 even as the economy continues to be impacted by the rising interest rates and the negative fallout of Russia-Ukraine war. Chinese economy rebounded strongly after reopening amid the lifting of COVID-19 restrictions. Supply chain disruptions caused by the pandemic are normalizing amid China's reopening. China took additional measures to boost growth such as monetary easing, tax relief to farms, early vaccination of the elderly, and efforts to complete unfinished real estate at the earliest. These measures will provide a boost to Chinese economic growth. In addition, the dislocation of commodity prices after Russia Ukraine war is also receding helping the global economy.

The IMF maintains a positive outlook with a bias towards downward risk marked with uncertainties around factors such as a severe health outcome in China, escalation of Russia's war in Ukraine, worsening debt distress due to tighter global financing conditions, and sudden market repricing in response to inflation news. There is a noticeable economic slowdown in advanced economies, particularly in the euro area and the United Kingdom, with projections of declining growth in FY2023, but expected to rebound in FY2024. Turbulence is building under the surface, as evidenced from recent banking instability, indicating a delicate situation. Surprisingly, inflation has been more persistent than anticipated, even though global inflation has declined. This persistence can be attributed to the reversal in energy and food prices. Core inflation has shown resilience, defying earlier expectations. Furthermore, according to IMF, the priority in most economies remains disinflation, with the deployment of macroprudential tools and stronger debt restructuring frameworks necessary to maintain financial and debt stability.

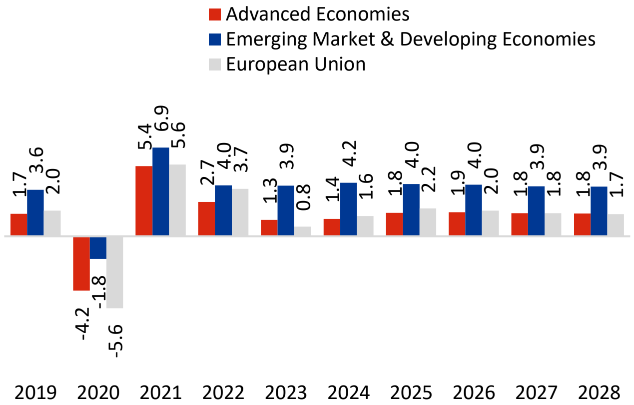
The global financial system faces risks again as downside risks persist. Investors focus on targeting institutions with excessive leverage, credit risk, or interest rate exposure or countries with weaker fundamentals. A sudden tightening of global financial conditions could impact credit conditions and public finances, especially in emerging markets. The major forces that shaped the world economy in 2022 are expected to continue in 2023 but with varying intensities. High debt levels limit fiscal policy responses to new challenges. Commodity prices have moderated, but geopolitical tensions remain due to the ongoing war in Russia and Ukraine. While economies like China are recovering from COVID-19 outbreaks, risks remain on the downside, including increased uncertainty from recent financial sector turmoil.

Figure 62: Change in World Real GDP – FY2019 – 2028 (%)



Source: IMF, World Economic Outlook, April 2023

Figure 63: Change in Real GDP Growth by Region – FY2019 – 2028 (%)



Source: IMF, World Economic Outlook, April 2023

Headline inflation rates projected to decline to 7.0% in FY2023 and further to 4.9% in FY2024

Global inflation is expected to decrease from 8.7% in FY2022 to 7.0% in FY2023 and 4.9% in FY2024, and most of the countries are expected to have lower inflation in FY2023. Global headline inflation has been declining since mid-2022 in US, Europe and Latin America due to a fall in fuel, and energy commodity prices. Central banks worldwide have been raising interest rates to dampen demand and reduce underlying inflation, leading to a slowdown in new home construction in many countries. However, despite the decline, headline and core inflation rates remain elevated in many major economies, compared to pre-2021 levels and above target. This decline in inflation is partly due to weaker global demand for fuel and nonfuel commodities, as well as the effects of monetary policy tightening on core inflation. Despite this projected disinflation in FY2023, inflation is still expected to remain above the pre-pandemic levels in the majority of economies. Decreasing global inflation benefits alternative asset management classes through reduced finance costs, diversification benefits, and global investment opportunities. Diversification helps to manage persistent inflation in the asset management industry.

Growth in advanced economies is forecasted to decelerate from 2.7% in FY2022 to 1.3% in FY2023

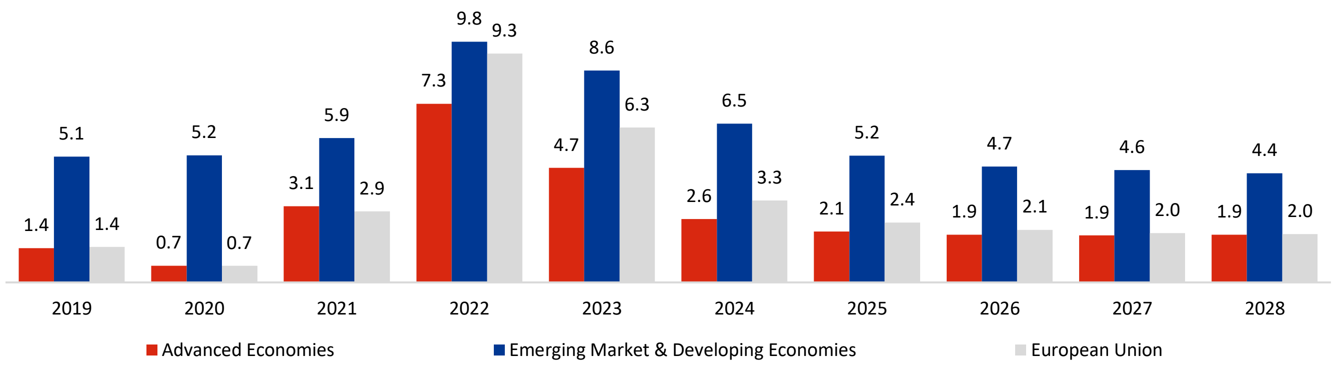
Advanced economies are expected to be particularly affected and would see a sharp decline in growth from 2.7% in FY2022 to 1.2% in FY2023, with most of the advanced economies experiencing a decline. In the United States, growth is expected to fall from 2.0% in FY2022 to 1.6% in FY2023 and further to 1.1% in 2024. In the euro area, growth is projected to bottom out at 0.8% in FY2023 before rising to 1.6% in FY2024. Economic growth in Japan is projected to rise to 1.3% in FY2023, with continued monetary and fiscal policy support from a depreciated yen and earlier delays in implementing projects.

As per the IMF, GDP for emerging markets and developing economies are projected to grow to 3.9% in FY2023

As per IMF, the global economy is projected to see modest growth over the next few years, with emerging markets and developing economies expected to lead the way. In particular, growth in emerging and developing Asia is expected to rise to 3.9% in FY2023 and 4.2% in FY2024, following a deeper-than-expected slowdown in growth in FY2022, largely due to a slowdown in the Chinese economy. China's real GDP is projected to rise to 5.2% in FY2023 and then moderate down to 4.5% in FY2024, as business dynamism and progress on structural reforms slow over the medium term.

India expects a slight moderation in growth from 6.8% in FY2022 to 5.9% in FY2023 before picking up to 6.3% in FY2024, despite external headwinds. Meanwhile, economic growth in the Middle East and Central Asia is expected to decline from 5.3% in FY2022 to 2.9% in FY2023. This is mainly attributed to the OPEC+ agreement to reduce oil production, which is expected to have a negative effect on growth. As per the IMF, even at the current oil price cap level of the G7 countries, Russian crude exports not severely affected and it continues to be sold at a discount to Brent Oil price trade non-sanctioning countries such as India and China. This could be a turning point for the economies of emerging and developing Europe.

Figure 64: Inflation by World Economies – FY 2019 –2028 (%)



Source: IMF, World Economic Outlook, April 2023

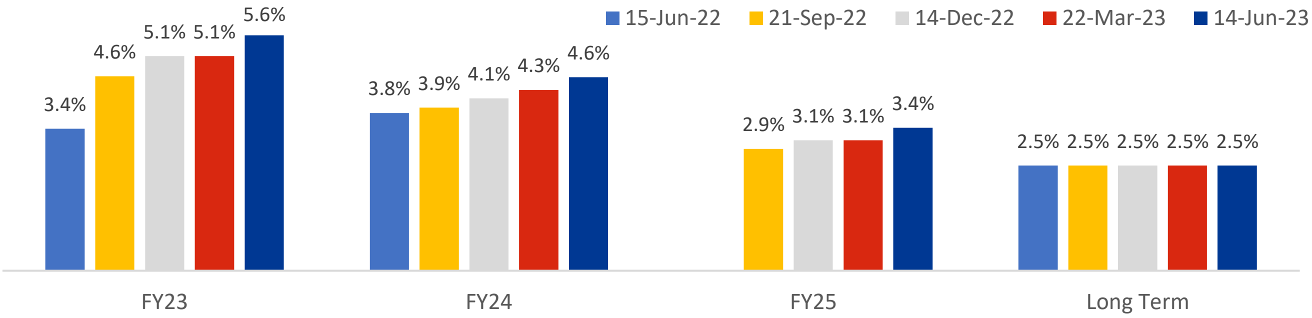
The End of Unprecedented Interest Rates Hikes

The Fed is expected to hike interest rates by 50 bps more in FY2023 based on the Fed projections provided in June 2023 meeting

In March 2022, the US Federal Reserve implemented a significant interest rate hike, with the majority of these increases occurring in FY2022. This action was taken in response to the escalating inflation, which was primarily driven by expansionary fiscal and monetary policies implemented worldwide to boost demand after the pandemic. After hiking the interest rates by seven times in 2022, the Federal Reserve hiked interest thrice in 2023. It hiked interest rates by 25 bps every time in 2023 slower than the hike in 2022. During the last policy meeting in June 2023, the Fed left the interest rate unchanged and stated the committee will evaluate further information and its potential impact on monetary policy. According to Fed projections, there will be a further two quarter-point interest rate hike lifting benchmark interest rates to 5.50%-5.75%. Additionally, supply chain disruptions, surges in commodity prices, and increased COVID cases in China, along with the ongoing Russia-Ukraine war, contributed to the inflationary pressures. All central banks across the globe are taking a decision to raise interest rates, which can pose challenges to economies. One of the potential consequences is the possibility of higher non-performing loans (NPLs), as borrowing costs increase. This can lead to difficulties for borrowers in repaying their loans, which in turn can negatively impact financial institutions and overall economic stability. Higher interest rates can also lead to lower growth, as borrowing becomes more expensive for businesses and consumers. This can result in reduced investment, decreased consumer spending, and an overall economic slowdown, which can further exacerbate the challenges faced by the economy.

During the FOMC meeting on 14th June 2023, the median projected rates indicated that the fed fund rate is expected to peak at 5.6% in FY2023, and gradually decline to 4.6% in FY2024. The US annual consumer inflation declined from 4.0% in May 2023 to 3.0% in June 2023. However, it is still below the Fed's long-term target of 2%.

Figure 65: Historic Fed Fund Rates & Forecasts (%)



Source: US Federal Reserve, New York Fed, IMF WEO April-23

GCC Economies Projected to Show Moderate Growth, and Steady Fiscal Position

The GCC economy is expected to grow at a slower rate in FY2023, majorly driven by the OPEC+ oil production cut and global economic slowdown

The Gulf Cooperation Council (GCC) experienced a significant economic boost and its real GDP grew 7.7% in FY2022, while the non-oil GDP expanded 4.9%. A strong increase in oil production and higher hydrocarbon prices primarily drove the growth. The real GDP growth rate in FY2023 is expected to slow down to 2.9% in FY2023 and further rise to 3.3% in FY2024 (as per IMF MENA and CE regional outlook April 2023). The deceleration in growth is mainly attributed to the contraction in hydrocarbon GDP, estimated to decline from 12.4% in FY2022 to 1.0% in FY2023 due to the OPEC+ production cut announcement and the prevailing global economic slowdown. The countries from the region further plan to extend the production cut to the end of 2024 to provide stability to oil prices. On the other hand, the non-oil GDP is expected to grow by 4.2% in FY2023 and further by 3.9% in FY2024 (as per IMF MENA and CE regional outlook April 2023). The non-oil sector in GCC is expected to mitigate the decline in hydrocarbon-related activities, primarily fueled by increased private consumption, higher fixed investments, and a more relaxed fiscal policy, responding to the relatively strong oil revenues in 2023.

The GCC countries are undertaking several structural reforms in the past few years to enhance the business environment, increase competitiveness, and focus on improving female labor force participation, especially in KSA. Despite the positive impact of the reforms, further efforts to diversify the economies of GCC countries are still required. Diversification aims to develop other sectors and industries, reducing the reliance on oil revenues and promoting more stable and sustainable growth.

The tourism sector rebounded and the hotel occupancy rate recovered and surpassed the pre-pandemic level in countries like Qatar and KSA. The employment rate in GCC continued to rise, reflecting the rebound of migrant employment majorly in countries like Bahrain, Oman, and KSA.

The fiscal position of GCC countries improved and fiscal balance stood at 6.0% in FY2022. Due to decline in oil production and lower hydrocarbon prices, fiscal balance is expected to decline to 2.4% and 1.6% in 2023 and 2024, respectively. The non-oil primary balance remained unchanged as compared to FY2021. Despite an average increase of about 4% of GDP in oil revenue for GCC countries, most countries managed to maintain stable primary current expenditure, demonstrating prudent fiscal measures. However, Kuwait and KSA showed higher capital expenditure. On the other hand, non-oil GCC exporters countries adopted a procyclical fiscal policy, resulting in a significant decline in non-oil primary balance.

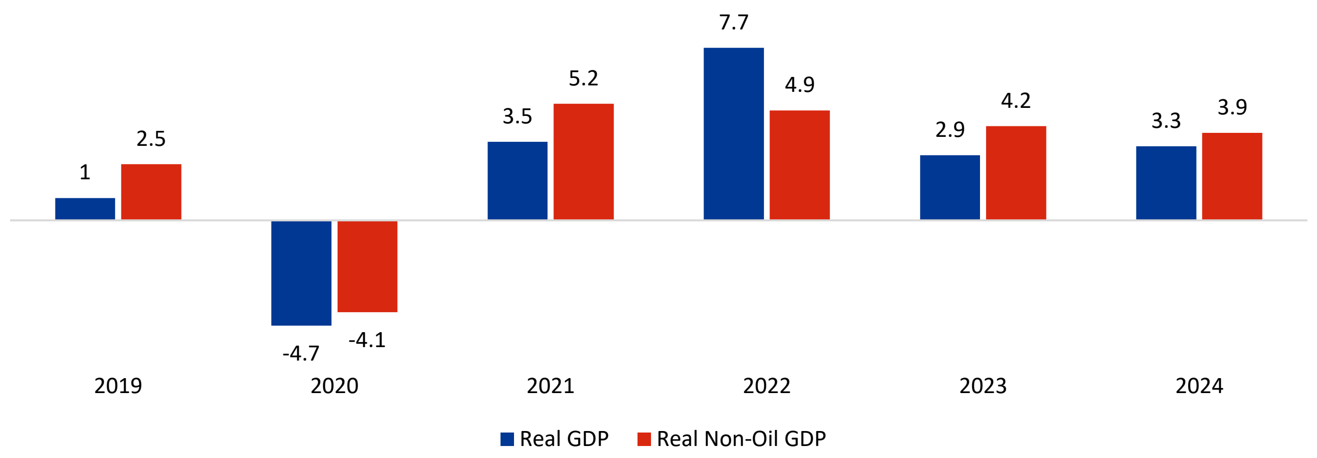
The GCC is expanding its financial presence in the MENA region and Pakistan through official financing, investments, and remittances. Over the past decade, GCC countries increased their foreign direct investment (FDI) in MENA economies and Pakistan and estimated to have invested USD 55 Bn in FY2021 (as per IMF).

The GCC countries adopted various initiatives to generate non-oil revenue, aiming to diversify their economies, reduce reliance on oil, and enhance fiscal sustainability. Several GCC nations, including KSA, Bahrain, Kuwait, Oman, and Qatar, have introduced strategic plans to achieve economic diversification and reduce oil revenue dependence. Kuwait is focusing on downstream economic diversification through asset acquisitions in different countries, while KSA's Vision 2030 emphasizes sectors like tourism, entertainment, manufacturing, logistics, and renewable energy, along with human capital development, infrastructure improvement, and foreign investment attraction.

Bahrain's Economic Vision 2030 prioritizes financial services, manufacturing, logistics, tourism, and real estate sectors, with initiatives aimed at foreign investment promotion and fostering innovation. Oman's Vision 2040 targets tourism, logistics, manufacturing, mining, and fisheries diversification. Qatar's National Vision 2030 concentrates on developing finance, education, healthcare, and tourism sectors while fostering research, innovation, and infrastructure improvement.

On the other hand, the UAE has been actively investing in infrastructure, human capital development, regulatory reforms, and initiatives to attract foreign investment, promote entrepreneurship, and create a favorable business environment. These measures demonstrate GCC countries' commitment to diversifying their economies, fostering sustainable and resilient economic growth for the future.

Figure 66: Gulf Cooperation Council Real GDP & Real Non-Oil GDP (Annual Growth %)



Source: IMF, Regional Economic Outlook – Middle East and Central Asia, April 2023

Figure 67: UAE – PMI

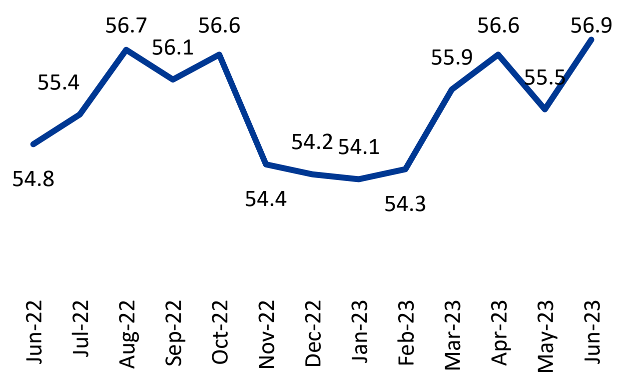
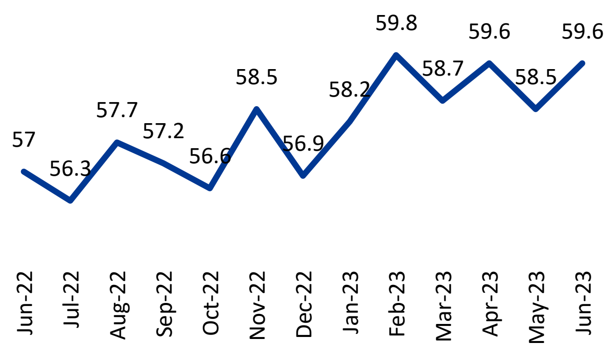


Figure 68: Saudi Arabia – PMI



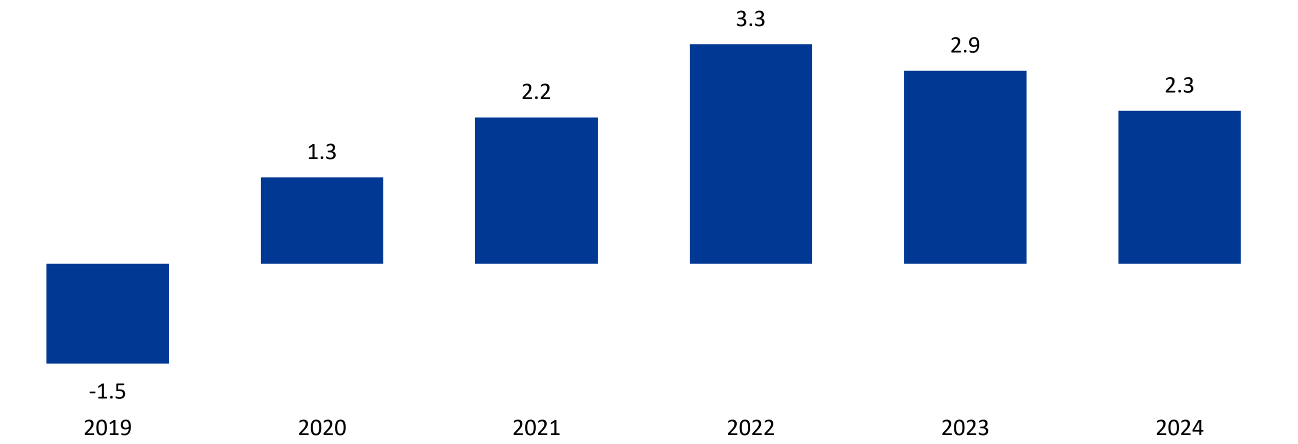
Source: Trading Economics

Inflation Outlook for GCC Economies

GCC inflation rate is projected to decline in FY2023 and FY2024 which is driven by price caps and subsidies on utilities

The GCC Economies' inflation increased to 3.3% in FY2022 from 2.2% in FY2021 and it is expected to decline to 2.9% and 2.3% in FY2023 and FY 2024 respectively according to IMF (Regional Economic Outlook Middle East and Central Asia, April 2023). The decrease in inflation is primarily attributed to government intervention, of implementation of price caps on specific products, and subsidies on essential items and utilities. The inflation rate in major GCC countries remained relatively lower, and the inflationary pressure was offset by the strengthening of the US dollar and limited share of food in the consumer price index basket in 4Q22. Inflation across the GCC has been significantly lower than in most advanced and emerging market economies amid repeated interest rate increases, while its members' economies remain on a growth trajectory. The inflation trend in the GCC in FY2022 significantly impacted by a substantial rise in Food and Beverage inflation. Kuwait's food and beverage CPI reached 7.5% in March 2023, followed by Bahrain's 4.8% growth in the same period.

Figure 69: Gulf Cooperation Council Inflation (Annual Growth %)



Source: IMF, Regional Economic Outlook Middle East and Central Asia April 2023

Risk Management

Investcorp Capital will benefit from the well-established risk management framework of Investcorp Group, which includes sufficient controls to effectively handle investment and Conflict Risk

Investments, Liquidity, Operational and Others

Investcorp Holdings will be providing risk management services to Investcorp Capital based on Master Services Agreement, covering risk framework for Capital Financing Services, Capital Deployment and various other risk management domains. The respective business segment of IVCC will have their own risk factors. In CFS Segment, the main risk is the inability to syndicate a deal on time and later move the exposure to the CD Segment. While the CD Segment mainly faces a market risk to sell investments on time with a reasonable profit. The risk management services provided by IVC to IVCC include:

Capital Deployment:

- Managing asset/portfolio concentration risk
- Conducting stress testing and scenario analysis
- Monitoring limits, reviewing them, and reporting exceptions

Capital Financing Services:

- Underwriting risk management
- Overseeing the Investment / Placement Committee approval process
- Monitoring limits, reviewing them, and reporting exceptions

Other Risk Management Areas:

IVC Group will be extending risk management services to cover several other risk management areas, including - Liquidity, Credit, Market, Capital and Operational Risk

Conflicts Risk

The Relationship Committee will conduct oversight and monitoring of potential conflict of interest matters within Investcorp Group and Investcorp Capital. Additionally, the committee will offer recommendations to Investcorp Capital's Board regarding any identified conflicts of interest and changes in agreements.

Oversight and conflicts resolution:

- Conflicts related to underwriting or deployment services investment decisions, either when referred by the Executive Committee or outside of Investment Parameters
- The Committee will also look into conflicts arising from potential breaches of internal policies or any agreements
- Conflicts arising on account of constraints on financial resources and obligations.

Recommendations to the Investcorp Capital's Board:

- The Committee will provide its recommendations related to addressing any potential conflict of interest situations
- Recommendations regarding any changes in Agreements

Figure 70: Risk Management Framework

Source: Company Information

Investment Parameters

IVCC's investment parameter covers investments in the same asset classes, sectors, and geographical regions in which Investcorp Group currently invests. It will set boundaries for investment decisions, with predefined limits and final approval by IVCC management or the Relationship Committee

The investment parameters for Investcorp Capital encompass investments within the same asset classes, sectors, and geographical regions where Investcorp Group is currently investing. These parameters define the boundaries within which investments can be made. Key points regarding IVCC's investment parameters:

- Investments will be subject to predefined limits as outlined in the illustrative Investment Parameters thresholds below.
- The final approval for all investments that fall within the Investment Parameters rests with Investcorp Capital's management. Any investments that fall outside the predefined Investment Parameters will require the final approval of the Relationship Committee.
- Investcorp Capital's management will review the investment parameters during the annual budgeting process and the Relationship Committee will then provide the final approval for these parameters.

Investment Parameters Thresholds – Gross Exposure

Balance Sheet Exposure Limits	
Corporate Investments & Strategic Capital	<= USD 1,000 Mn
Real Estate	<= USD 700 Mn
Global Credit	<= USD 400 Mn
Capital Financing Services Limits	
Maximum balance sheet underwriting after benefit of program investors	<= USD 1,000 Mn
Concentration Limit	
Maximum notional exposure to single investments (% of Equity limit)	<=15%

Investment Parameters Thresholds – Region, Sector, Type

Corporate Investments Limits (% of exposure)	
US & Canada	<= 75%
UK & Eurozone	<= 75%
Country (excluding US)	<= 25%
Sector	<= 33%
Real Estate Limits (% of exposure)	
Sector	<= 60%
US state or Country (excluding US)	<= 30%
Global Credit Limits (% of exposure)	
US & Canada	<= 25%
UK & Eurozone	<= 75%

Source: Company Information

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Valuation Methodology

Target Fair Value Analysis

We arrive at Investcorp Capital fair value of 2.71 per share based on a mix of valuation methods

DCF, RELATIVE VALUATION, DDM and NAV

We have used a mix of the Dividend Discount Method, combined Discounted Cash Flow (DCF) & Comparable Company Method (CCM) and Net Asset Value Method (NAV) valuation methods to arrive at the fair value of InvestCorp Capital (IVCC). IVCC is a carved-out entity of Investcorp Group (IVC). IVC continued to grow for over 40 years as a leading global asset manager. IVCC is a pioneering business that promotes the growth of alternative assets. It is the first of its kind to be listed on the Abu Dhabi Stock Exchange. The newly established entity will oversee its operations through two distinct segments: Capital Deployment (CD) and Capital Financing Services (CFS). IVCC is dedicated to investing in a well-balanced portfolio that spans various asset classes, strategies, sectors, and geographic regions, offering a multifaceted approach to generating returns. Following its listing on the Abu Dhabi Stock Exchange, Investcorp Group will have access to a diverse range of funding sources to support strategic growth initiatives and expand the services offered by IVCC's Capital Financing Services (CFS). Furthermore, UAE equity investors can allocate their capital to the alternative asset management sector and gain access to invest in private assets. We have assigned equal weight to all three valuation multiples. The Company aims to offer a minimum dividend yield of 8% based on the asset exposure during the forecasted period. It even aims to maintain this payout in the following year. We have used a combined valuation of DCF and CCM valuation methods to value IVCC. In this valuation method, Capital Financing Services is valued using the DCF method as this segment generates consistent recurring revenue from underwriting and commitment fees contracted through the Investcorp Group. The Capital Deployment Segment is valued using the CCM valuation method primarily because this generates return through recurring yield as well as through capital gain. After that, we averaged the valuation arrived using Price-to-Book (PB) and Price-to-Earnings (PE) multiples to value the Capital Deployment segment since it takes into account both gains recorded through capital appreciation and recurring return on investment. IVCC is also valued using the NAV method since the value of the investments is reported at the fair value and at amortized cost by the company, making it easier to value it based on balance sheet numbers.

CONSOLIDATED VALUATION INVESTCORP CAPITAL

Name of Entity	Valuation (USD, Mn)	Weight (%)	Total Valuation (USD, Mn)
Valuation of the Investcorp Capital based on -			
Dividend Discount Valuation [DDM]	1,499	33.3%	500
Discounted Cash Flow [DCF] (CFS segment) + **Relative Valuation** (CD segment)	1,741	33.3%	580
Net Asset Valuation [NAV]	1,618	33.3%	540
Total Valuation (USD, Mn)			**1,619**
Total Valuation (AED, Mn)			**5,943**
Valuation (AED per share)			**2.71**

The performance of IVCC is analyzed in detail to arrive at their fair value estimates. We took a fair estimate across the companies' income statements and financial positions to arrive at its valuation.

1) Combined Discounted Cash Flow Valuation and Relative Valuation

We arrive at a value of USD 718 Mn for the CFS Segment

a. Discounted Cash Flow Valuation

We relied upon the guidance provided by the Company management for the next five financial years starting from FY2024 to FY2028 to arrive at the valuation using DCF methodology for CFS segment. We derived the Company's Terminal Value using the Gordon Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year Bahrain government bond yield of 6.7% (using the 10-year US treasury yield of 4.0% and added 10-year Bahrain CDS spread of 2.7% to arrive at 10-year Bahrain government bond yield), Country risk premium of 3.8%, and the average Beta of 1.00 for the Investment & asset Management and Brokerage & Investment Banking Sector. After applying all these, we arrived at the cost of equity of 10.5%. We have used a 10-Year US Government Yield and further added 10-year Bahrain Government CDS spread to arrive at an appropriate risk-free rate of Bahrain. We have used free cash flow to equity to arrive at the valuation using the DCF methodology for CFS segment.

I. DCF Valuation Investcorp Capital – CFS Segment

	FY2024	FY2025	FY2026	FY2027	FY2028
All figures in USD Mn, unless stated					
Net income	41	44	41	42	42
(+/-) Working Capital	-106	-9	-14	-4	2
Net change in debt	240	135	26	0	-1
Free Cash flow to Equity	**175**	**171**	**53**	**38**	**43**
Discount factor	*0.93*	*0.84*	*0.76*	*0.69*	*0.62*
Present Value of FCFE	**162**	**143**	**40**	**26**	**27**
Total Present value of FCFE					398
Terminal Value					320
Terminal growth rate					2.0%
Cost of Equity					10.5%
Equity Value					**718**

Source: FAB Securities Research

b. Relative Valuation

CD Segment is valued at USD 1,023 Mn using the average of PE and PB multiple

As stated earlier, CD Segment is valued separately using the CCM valuation since it generates the majority of the income from co-investment with IVC. The majority of the income of CD segment is generated through recurring income such as dividends, interest, and rental coupled with capital gain from the appreciation of investment. We used multiples of globally listed companies which hold investments across public and private companies. Also included private equity businesses since these companies too co-invest alongside funds. IVCC's forecasted invested Capital of CD Segment of FY2024 is used to value using PB multiple, while net income of FY2024 is used to calculate PE value of the segment.

We choose to value using the PB multiple as the investments of the company is reported at the market value, while the PE multiple factors in recurring income and capital appreciation from such investments. Also, this method is frequently used to assess the relative valuation of financial companies like Investcorp Capital.

II. Relative Valuation CD segment – PB Multiple

(All Figures in Million USD, unless stated)	
Based on PB Multiple	**FY2024**
Book Value (2024) – CD Segment	918
Peer Median Valuation	1.1x
Equity Value	**1,036**

Source: Company Information, FAB Securities Research

III. Relative Valuation CD segment – PE Multiple

(All Figures in Million USD, unless stated)	
Based on PE Multiple	**FY2024**
Net Income (2024) – CD Segment	72
Peer Median Valuation	14.1x
Equity Value	**1,011**

Source: Company Information, FAB Securities Research

IV. Consolidated Valuation of Capital Deployment Segment

(All Figures in Million USD, unless stated)	
Relative Valuation	
PB	1,036
PE	1,011
Average Equity Value	**1,023**

Peers Valuation

		PE		PB		Div. Yield	
Company. Name	Market Cap (USD, mn)	2023	2024	2023	2024	2023	2024
INVESTOR AB-B SHS	216,998	16.56x	20.02x	0.96x	0.95x	2.2%	2.3%
INDUSTRIVARDEN AB-A SHS	41,276	8.92x	20.21x	0.93x	0.91x	2.6%	2.7%
KINGDOM HOLDING CO	25,800	27.31x	25.36x	NA	NA	4.2%	4.2%
WENDEL	12,801	15.12x	17.35x	1.00x	0.90x	4.5%	4.6%
BLACKROCK INC	356,950	18.16x	15.97x	2.48x	2.37x	3.1%	3.3%
KKR & CO INC	193,772	18.16x	13.24x	2.05x	1.78x	1.1%	1.1%
BROOKFIELD CORP	191,903	18.56x	14.12x	1.18x	1.17x	0.9%	1.1%
TIKEHAU CAPITAL	14,147	19.39x	10.70x	1.17x	1.09x	3.6%	4.2%
INTERMEDIATE CAPITAL GROUP	17,962	27.98x	12.24x	1.98x	1.77x	6.0%	6.1%
SCHRODERS PLC	29,136	12.40x	11.50x	1.46x	1.40x	5.3%	5.5%
COMPASS DIVERSIFIED HOLDINGS	4,993	11.07x	13.31x	1.10x	1.07x	5.3%	5.3%
Average		**17.60x**	**15.82x**	**1.43x**	**1.34x**	**3.5%**	**3.7%**
Median		**18.16x**	**14.12x**	**1.18x**	**1.13x**	**3.6%**	**4.2%**
Max[1] (Quartile 3)		**18.98x**	**18.69x**	**1.85x**	**1.67x**	**4.9%**	**5.0%**
Min[2] (Quartile 1)		**13.76x**	**12.74x**	**1.03x**	**0.98x**	**2.4%**	**2.5%**

Source: Bloomberg, [1] Values correspond to Quartile 3, [2] Values correspond to Quartile 1

Using DDM approach, we arrive at a fair value of USD 1,499 Mn

2) Dividend Discount Valuation (DDM)

The company maintains a policy to declare regular dividends to shareholders in the forecasted period. It expects to pay annual dividend and maintain a minimum dividend yield of 8.0% on NAV over the medium term. All forecasted dividend is discounted to present value using the cost of equity. The cost of equity calculation is same as discussed above. We have used terminal growth rate of 2% to arrive at the terminal assuming the business continue to operate until perpetuity.

V. Dividend Discount Valuation

	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
All figures in USD million, unless stated					
Total Dividend	**115**	**117**	**117**	**127**	**138**
Discount factor	**0.93**	**0.84**	**0.76**	**0.69**	**0.62**
Present value of Dividend	**106**	**98**	**89**	**87**	**86**
Total Present value of Dividend					466
Terminal Value					1,033
Terminal growth rate					2.0%
Cost of Equity					10.5%
Equity Value					**1,499**

Sensitivity analysis generates the highest valuation of USD 1,901 Mn and the lowest valuation of USD 1,248 Mn

a) Sensitivity of DDM to Key Assumptions

Our DCF valuation is based on a cost of equity (COE) of 10.5%. A sensitivity analysis shows that a change of +/- 0.5% in the cost of equity and terminal growth rate will provide a valuation range of USD 1,248 to USD 1,901 Mn. The table below shows the sensitivity between the change in terminal growth rate and the cost of equity.

1. DDM Sensitivity to Cost of Equity and Terminal Growth rate

		Cost of Equity				
		9.5%	**10.0%**	**10.5%**	**11.0%**	**15.5%**
Terminal Growth	**1.0%**	1,545	1,458	1,381	1,311	1,248
	1.5%	1,618	1,522	1,437	1,360	1,292
	2.0%	1,700	1,593	1,499	1,415	1,340
	2.5%	1,793	1,673	1,569	1,476	1,394
	3.0%	1,901	1,766	1,648	1,545	1,454

Using NAV approach, we arrive at a fair value of USD 1,618 Mn

3) Net Asset Valuation (NAV)

The company engages in investment across diverse asset classes, strategies, sectors, and geographic region. The Net Asset Value (NAV) reflects the assets' value after deducting all liabilities. As such since all assets are reported at market value it would be appropriate to look at the NAV for valuation. NAV here corresponds to book value/invested capital of the firm. The NAV reported at the end of FY2023 is used to compute valuation and added expected IPO proceed to arrive at the NAV. This NAV is used for valuing the firm. We also applied peer median price-to-book multiple to the computed NAV post IPO proceed to arrive at the equity of IVCC.

VI. Net Asset Valuation

All figures in USD million, unless stated	
NAV as of FY2023	1,235
Proceeds from IPO	200
NAV	**1,435**
Peer Median Valuation	1.1x
Equity Value	**1,618**

Key Financial Metrics

Financial Performance at a Glance

Growth Dynamics

Investcorp Capital delivers multi-layered returns and underwriting fees with balanced asset exposure

Investcorp Group (IVC) is a leading global independent Asset Manager with its headquarters in Bahrain. IVC has been the GCC region's largest non-sovereign investment group. It boasts an impressive track record of over 40 years and manages assets worth more than USD 50 Bn, catering to a vast active client base of over 4,000 in GCC and 300 global institutional investors.

Investcorp Capital (IVCC) is a carve-out entity of Investcorp Group, specializing in providing Capital Financing Services (CFS) and Capital Deployment (CD). Investcorp Capital invests in a balanced portfolio, covering different asset classes, strategies, sectors, and geographies with a multi-layered return proposition. IVC generates diverse investment opportunities across various asset classes. IVCC, through its Capital Deployment Segment boasts a total assets exposure of USD 783 Mn (including receivables) as of FY2023, co-invests alongside IVC across all asset classes with the goal of generating cash yield and capital appreciation in addition to performance fee rebate. IVCC, through its Capital Financing Services with asset exposure of USD 493 Mn (including receivables), provides underwriting and warehousing solutions to the portion of the deals that are offered to co-investing partners to bridge the gap between investment execution and distribution through generating exceptional underwriting fees.

Investcorp Capital (IVCC) specializes in investing across four diverse asset classes: Corporate Investment, Global Credit, Real Estate, and Strategic Capital. IVCC's Corporate Investment targets businesses that generate consistent cash flow, stable revenue streams and substantial growth prospects. Within the Global Credit domain, IVCC aims to achieve attractive risk-adjusted returns by predominantly investing in non-investment grade corporate credit through ventures like Collateralized Loan Obligations (CLOs) and private credit funds. Through Real Estate, IVCC has established a significant presence in key regions such as the US, Europe, India, and the Middle East, with a particular focus on Industrial and Multifamily properties. Lastly, in Strategic Capital, IVCC adopts a strategic approach by taking minority positions in mid-sized alternative asset managers situated in North America, Europe, and Asia. Through its diversified investment strategies, IVCC seeks to maximize returns and deliver value to its stakeholders across the globe.

IVCC's Capital Deployment arm’s total capital exposure stood at USD 783 Mn as of FY2023. Out of which, it invested USD 335 Mn in Corporate Investment, USD 252 Mn in Global Credit, USD 155 Mn in Real Estate, and the remaining USD 33 Mn in Strategic Capital along with receivable balance of USD 8 Mn. Similarly, the Capital Financing services total assets exposure stood at USD 493 Mn (including receivables), out of which USD 165 Mn is deployed in Corporate Investment, USD 11 Mn to Global Credit, USD 206 Mn to Real Estate, USD 36 Mn to Strategic Capital along with receivables balance of USD 75 Mn.

Gross operating income declined in FY2022; however, it recovered in FY2023 with a revenue of USD 117 Mn supported by growth in both segments

Investcorp Capital generates revenue by three primary sources of income, which includes:

1) Underwriting fees from Capital Financing Services,
2) Recurring cash yield from interest income in the global credit business, and dividend income from Real Estate and Strategic Capital activities, and
3) Asset-based returns, through fair value gain and loss in corporate investments made in the private equity business.

Investcorp Capital earned a gross operating income of USD 117 Mn in FY2023. Out of this, it earned USD 47 Mn through gains on financial assets, USD 45 Mn from fee-based income, USD 17 Mn from Yield on Corporate Debt and the remaining USD 9 Mn from Dividend Income from

Real Estate. While during FY2022 gross operating income declined 28.8% from USD 139 Mn in FY2021 to USD 99 Mn in FY2022. This was mainly due to a decline in both the CFS and CD segments. The CFS segment's revenue dropped 6.7% to USD 42 Mn in FY2022, despite an increase in deal activity, primarily because of changes in the asset mix.

Similarly, the CD segment's revenue fell by 39.4% YoY to USD 57 Mn in FY2022 due to a one-time reversal recorded in the global credit business in FY2021, which did not reoccur in FY2022. Additionally, interest and dividend income declined from USD 34 Mn in FY2021 to USD 19 Mn in FY2022, primarily due to reduced exposure to global credit assets. This resulted in the recurring cash yield of 9.9%, 6.7%, and 7.8%, in FY2021, FY2022, and FY2023, respectively, with an average robust cash yield of 8.2%. IVCC's financial performance stood strong, with EBIT margins of 92.8% in FY2021, 88.9% in FY2022 and 91.5% in FY2023. The decline in EBIT margin in FY2022 was mainly due to a decline in top-line coupled with higher operating expenses which rose 10.0% to USD 11 Mn in FY2022, primarily due to higher staff compensation and benefits. The Cost-to-Income ratio averaged 9.0% during FY2021-FY2023.

During FY2023, the EBIT margin stood at 91.5%, with an EBIT of USD 107 Mn. Interest expenses rose to USD 2 Mn in FY2023 from USD 1 Mn in FY2022, while interest income also rose to USD 9 Mn in FY2023 from USD 3 Mn in FY2022. As a result, IVCC's net profit grew 29.5% YOY to USD 113 Mn in FY2023 from USD 87 Mn in FY2022, mainly due to a rise in top-line. ROE stood at 12.8% in FY2021, 7.9% in FY2022 and 9.1% in FY2023 with an average ROE of 9.9% during 2021-FY2023 across period.

IVCC operating cash flow before investment declined 53.4% YoY to USD 71 Mn in FY2022. It rebounded strongly during 2023 generating USD 96 Mn

The operating cash flow before investments declined significantly 53.4% to USD 71 Mn in FY2022 before rising to USD 96 Mn in FY2023. This decrease was primarily attributed to a drop in profit before tax, coupled with negative adjustment for unrealized gains/losses in FY2022 as compared to positive adjustment in FY2021 and investment in working capital. However, the operating cash flow before investments bounced back and generated USD 96 Mn during FY2023. This improvement was mainly driven by a robust performance of the CD and CFS segments, as well as a positive cash inflow from working capital partially offset by a negative adjustment on account of gain in unrealized gain/losses. IVCC generated a cumulative operating cashflow before investment of USD 319 Mn during FY2021-FY2023 representing a cash conversion ratio of 95% during the same period. The Company realized USD 18 Mn and USD 68 Mn through its CI and GC segments, respectively in FY2021-2023. Meanwhile, IVCC invested USD 56 Mn in CD real estate, USD 24 Mn in CD strategic capital, and USD 108 Mn in CFS segment during the same period. These investments expanded and strengthened the company's global presence and activities.

(USD, Mn)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Gross Operating Income	139	99	117	120	173	187	192	194
EBIT	129	88	107	114	164	179	183	186
Net Profit	135	87	113	116	156	164	168	170
Cost-to-income ratio	7.2%	11.1%	8.5%	4.7%	4.8%	4.4%	4.4%	4.5%
EBIT Margin	92.8%	88.9%	91.5%	95.3%	95.2%	95.6%	95.6%	95.5%
Net Margin	97.1%	87.9%	96.3%	96.8%	90.4%	87.5%	87.7%	87.8%
Leverage	-	-	-	0.16	0.26	0.27	0.26	0.25

Source: Company Information, FAB Securities research 2024-28

Financials

Capital Exposure

IVCC plans to have asset exposure of USD 2.1 Bn post IPO, equally distributed between CFS and CD segment

IVCC operates through two main segments, namely Capital Deployment and Capital Financing Services. As of FY2023, the company's total assets exposure amounts to USD 1,276 Mn (including receivables). Both the CFS and CD segments strategically invest capital across multiple asset classes, ensuring a well-diversified portfolio to optimize returns and manage risks effectively. Going forward, Investcorp Capital aims to have an equity capital base of USD 1.5 Bn post-IPO. This would result in a total capital of USD 2.1 Bn, including USD 600 Mn from a revolving credit facility (RCF) secured from IVC. To ensure sufficient liquidity and operational flexibility, the company plans to maintain a cash balance of USD 100 Mn at all times. This would mean that USD 1 Bn each would be available for deployment in the CFS and CD segments, respectively. The capital resources will enable IVCC to pursue its investment strategies and take advantage of opportunities in the market effectively.

Capital Financing Services:

The capital exposure of the CFS segment showed significant growth over the years. It started with asset exposure of USD 192 Mn (including receivables) in FY2020 and later rose to USD 418 Mn (excluding receivables) in FY2023. The CFS segment made new acquisitions worth of USD 3.6 Bn during FY2021 to FY2023. Simultaneously, it realized USD 3.3 Bn through syndication, indicating successful investment exits during the period from FY2021-FY23. In FY2022, the CFS segment made net new acquisitions of USD 1.34 Bn, a notable increase from the USD 1.08 Bn acquired during FY2021. Similarly, the syndication also increased, with USD 1.38 Bn completed in FY2022 compared to USD 0.92 Bn in FY2021. This shows the segment's active involvement in both acquisitions and exits, with a total of 24 investments made and 21 divested through syndication in FY2022. During FY2023, the CFS segment continued its effective execution of investment activities. It acquired assets worth USD 1.1 Bn and syndicated deals worth USD 1.0 Bn. The segment made 18 new investments and syndicated 18 deals in FY2023, indicating a consistent portfolio churn and ongoing commitment to active investment management. Post IPO, the maximum capacity for the CFS segment is set to increase to USD 1 Bn. This expansion will be financed with USD 400 Mn through equity, and the remaining USD 600 Mn will be supported through RCF. IVCC follows a prudent leverage policy that ensures the maximum leverage ratio does not exceed 0.3x of equity and helps in maintaining a stable financial position and reduce risk. This means the company will aim to have a relatively lower reliance on debt in comparison to its equity base, providing greater financial stability and mitigating potential risks associated with excessive debt. We expect the company to acquire cumulative net new investments of USD 6,340 Mn during FY2024-28 and syndicate USD 6,017 Mn with an average asset exposure of USD 773 Mn (including receivables) during FY2024-28. As a result of these investments, the company's average utilization of RCF is projected to be USD 363 Mn during the same period. Additionally, the leverage ratio is anticipated to average approximately 0.24x during FY2024-28. Overall, the growth in capital exposure, successful syndication, and consistent portfolio churn reflects IVCC's effective execution of investment strategies and its ability to adapt to market opportunities.

Capital Deployment Services

IVCC's capital exposure to the CD segment recorded a marginal increase, expanding from USD 737 Mn in FY2020 to USD 783 Mn in FY2023. During this timeframe, the segment made net new investments of USD 450 Mn, while successfully realized assets worth USD 558 Mn. Moreover, it recorded a fair value movement of USD 109 Mn and other movement of USD 34 Mn including add-on funding and foreign currency translation adjustments. IVCC's investment portfolio is thoughtfully diversified across various asset classes and maturities, ensuring a consistent return on asset exposure. The allocation of investments among different asset classes is carefully guided by prevailing market conditions, enabling strategic decision-making to optimize returns. Going forward, IVCC plans to deploy USD 100 Mn from the IPO of USD 200 Mn in the Capital Deployment segment, taking the total assets exposure to USD 1 Bn. After that, the Capital Deployment asset exposure is expected to grow by approximately USD 65 Mn per year during FY2024-2028.

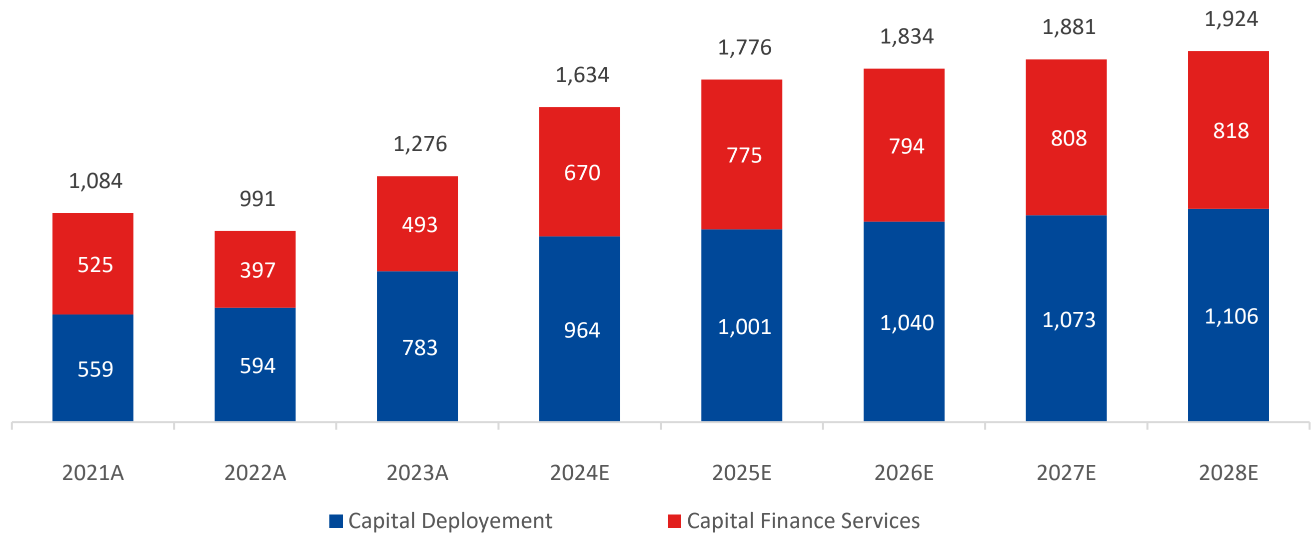
IVC holds 41 years of experience in investing in private equity, executing around 4-5 deals per annum. The company strategically invests in Corporate Investment assets across the globe. Out of the total investment of USD 335 Mn, IVCC allocated 57% (USD 192 Mn) in the MENA region and generated 1.8x money on invested capital (MOIC) historically. In North America, IVCC invested USD 84 Mn, Europe USD 13 Mn, generating an average gross IRR of 24% and MOIC of 2.0x. IVCC also allocated 1% (USD 4 Mn) in Southeast Asia including China and 4% (USD 14 Mn) in India. The investments in India generated gross MOIC of 1.9x and gross IRR of 32.5%. Additionally, USD 28 Mn invested in the technology sector in the USA and Europe, realizing a gross IRR of 34% and a gross MOIC of 2.2x. In addition, Corporate Investment asset exposure is expected to grow from USD 335 Mn in FY23 to USD 489 Mn in FY2028.

IVCC boasts an impressive 19-year track record of credit management, maintaining an average default rate of 0.6% in the USA compared to the index's average of 1.4% during 2010-22. In Europe, IVCC faired even better with an average default rate of 0.3% compared to the index average of 1.4% during 2010-22. Similarly, in the US, IVCC maintained a remarkably low loss rate with an average of 0.2% as opposed to the index average of 0.8%. IVCC's average loss rate in Europe averaged 0.1% compared to index average of 0.6% during 2010-22. With its extensive experience in credit management, IVCC successfully managed USD 201 Mn in CLOs across the US and Europe. Looking ahead, IVCC is expected to allocate additional fund from the IPO in FY2023 to the segment. Furthermore, it is anticipated that IVCC will realize USD 61 Mn through the Global credit asset class during FY2024-28. In addition, assets exposure of Global credit is expected to decline from USD 252 Mn in FY2023 to USD 231 Mn in FY2028. This indicates IVCC's continued commitment to maintaining strong performance and delivering positive outcomes in credit management and investment.

As of FY2023, IVCC's total asset exposure in the real estate sector amounts to USD 155 Mn. The distribution of investments within the real estate sector in FY2023 is as follows: USD 126 Mn is invested in the USA, USD 17 Mn in Europe, USD 9 Mn in India, and USD 3 Mn in the MENA region. IVC strategically focused on two primary sectors in real estate, allocating 38% of its investments to Multifamily properties, 46% to the Industrial sector, offices 11%, student housing 4% and the remaining to Education Infrastructure as of December 2022. We expect IVCC to allocate additional IPO proceeds to the sector during FY2024. Furthermore, the assets exposure to Real Estate is projected to grow to USD 281 Mn by FY2028, witnessing a cumulative capital appreciation of USD 16 Mn and new investments of USD 210 Mn during FY2024-28. This indicates IVCC's successful management of real estate investments and its potential for further growth and value creation in this asset class.

Strategic Investment is a newly established asset class for IVCC, with a total asset exposure of USD 33 Mn as of FY2023. The company's focus in this asset class is on acquiring minority stakes in alternative asset managers In North America, Europe and Asia. This segment is also expected to receive additional investment on receipt of IPO proceed. Moreover, IVCC is anticipated to additionally invest new capital of USD 46 Mn in the Strategic Investment asset class during FY2024-28. As a result, the total asset exposure for Strategic Capital is expected to grow from USD 33 Mn in FY2023 to USD 102 Mn by FY2028.

Figure 71: Investcorp Capital – Capital Exposure (USD, Mn)



Source: Company Information, FAB Securities research FY2024-28

Revenue

Investcorp Capital expects revenue to grow at a CAGR of 10.7% from USD 117 Mn in FY2023 to USD 194 Mn in FY2028

Investcorp Capital earned a total gross operating income of USD 117 Mn in FY2023. Out of this, 59.8% is earned through recurring income and the remaining through capital gain. It earned USD 47 Mn or 40.2% through gains on financial assets, USD 45 Mn or 38.5% from fee-based income, and USD 25 Mn or 21.4% from recurring cash yield income from Global credit and Real Estate. Total revenue fell 28.8% from USD 139 Mn in FY2021 to USD 99 Mn in FY2022. This was mainly due to a decline in both the CFS and CD segments. CFS segment revenue dropped 6.7% to USD 42 Mn in FY2022, despite an increase in deal activity, primarily because of changes in the asset mix. Similarly, the CD segment's revenue fell 39.4% YoY to USD 57 Mn in FY2022 due to a one-time reversal recorded in the global credit business in FY2021, which did not recur in FY2022. Additionally, interest and dividend income declined from USD 34 Mn in FY2021 to USD 19 Mn in FY2022, primarily due to reduced exposure to global credit assets. However, topline bounced back to USD 117 Mn in FY2023, driven by rise in both CFS and CD segment. CFS segment rose 7.1% to USD 45 Mn driven by higher revenue from corporate investments, global credit and strategic capital partially offset decline in real estate income. Similarly, CD segment revenue grew 26.3% driven by gain on financial asset, high cash yield from global credit and real estate. This resulted in the recurring cash yield of 7.1%, 5.8%, and 6.0%, in FY2021, FY2022, and FY2023, respectively, with an average cash yield of 6.0% across the period. The top line is expected to grow at CAGR 10.7% from USD 117 Mn in FY2023 to USD 194 Mn in FY2028. The primary driver behind this expected growth is additional deployment of proceeds from IPO to the business segments, gain from capital appreciation and growth in recurring revenue from Capital Financing Services, dividend and interest income from real estate and global credit.

Capital Financing Services Segment:

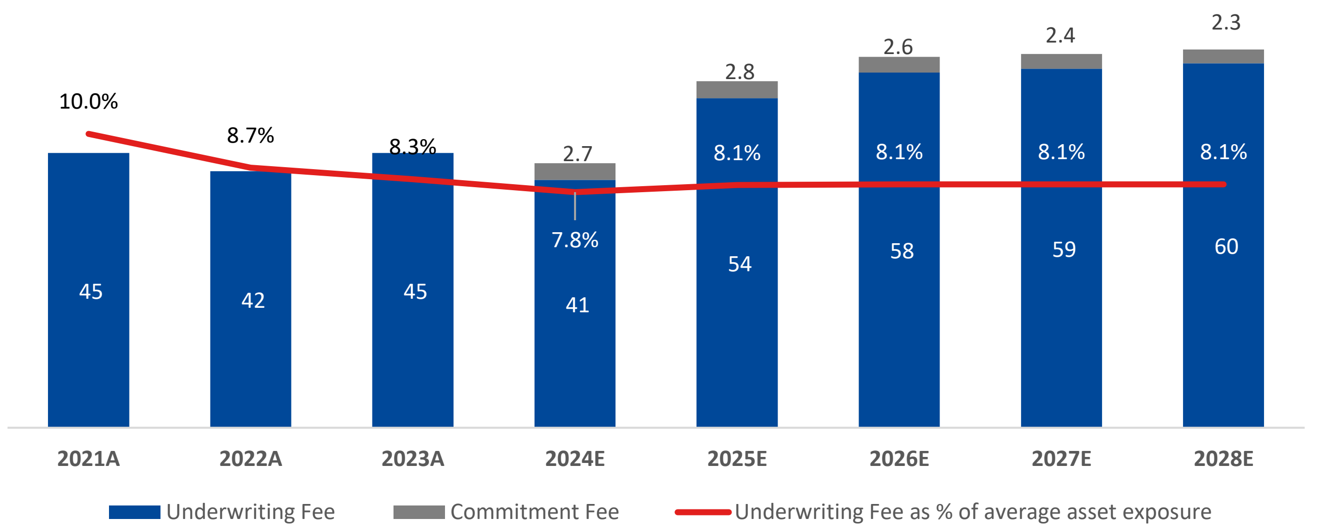
Investcorp Capital is forecasted to generate strong revenue growth in CFS segment with an

The asset exposure of the segment is expected to grow from USD 493 Mn in FY2023 to USD 670 Mn in FY2024 and expected to stabilize at this level going forward. This is also according to the management estimate. The Capital Financing Services segment is expected to generate an average underwriting fee yield of c. 8%, resulting in cumulative revenue of USD 284 Mn during FY2024-28. Within this segment, revenue from the Corporate Investment is projected to grow at a CAGR of 1.8% from USD 28 Mn in FY2023 to USD 31 Mn in FY2028, with an average yield of c. 8% on the

average underwriting yield of c. 8%

asset exposure during the forecasted period. The asset exposure in the Corporate Investment is expected to average USD 345 Mn during FY2024-28. The revenue from the Global Credit asset class is forecasted to grow at a CAGR of 4.6% from USD 3 Mn in FY2023 to USD 4 Mn in FY2028 and is expected to generate an average underwriting fee income of c. 10% during FY2024-28 based on asset exposure to the asset class. Global credit segment asset exposure declined during FY2023 due to fewer CLO issuance as a result of a slowdown in private equity activity. The CLO activity is also expected to increase once the market gets more clarity on the interest rates. The asset exposure of the global credit is expected to average USD 30 Mn during FY2024-28. Revenue from Real Estate is anticipated to grow at a CAGR of 12.6% from USD 13 Mn in FY2023 to USD 24 Mn in FY2028, with an average yield of c. 8% during the same period. The asset exposure of real estate is expected to average USD 273 Mn during FY2024-28. The underwriting fee from Strategic Capital is expected to average USD 2 Mn during FY2024-28 and also expected to yield an average of c. 8% from FY2024 to FY2028. Apart from underwriting fees, IVCC is expected to earn commitment fees on unutilized committed capital. The company is projected to earn a commitment fee of 1.25% on the undrawn part of the capital available for underwriting. It is anticipated that IVCC will earn a cumulative commitment fee of USD 13 Mn during FY2024 -28

Figure 72: Investcorp Capital – Revenue from Capital Financing Services (USD, Mn)



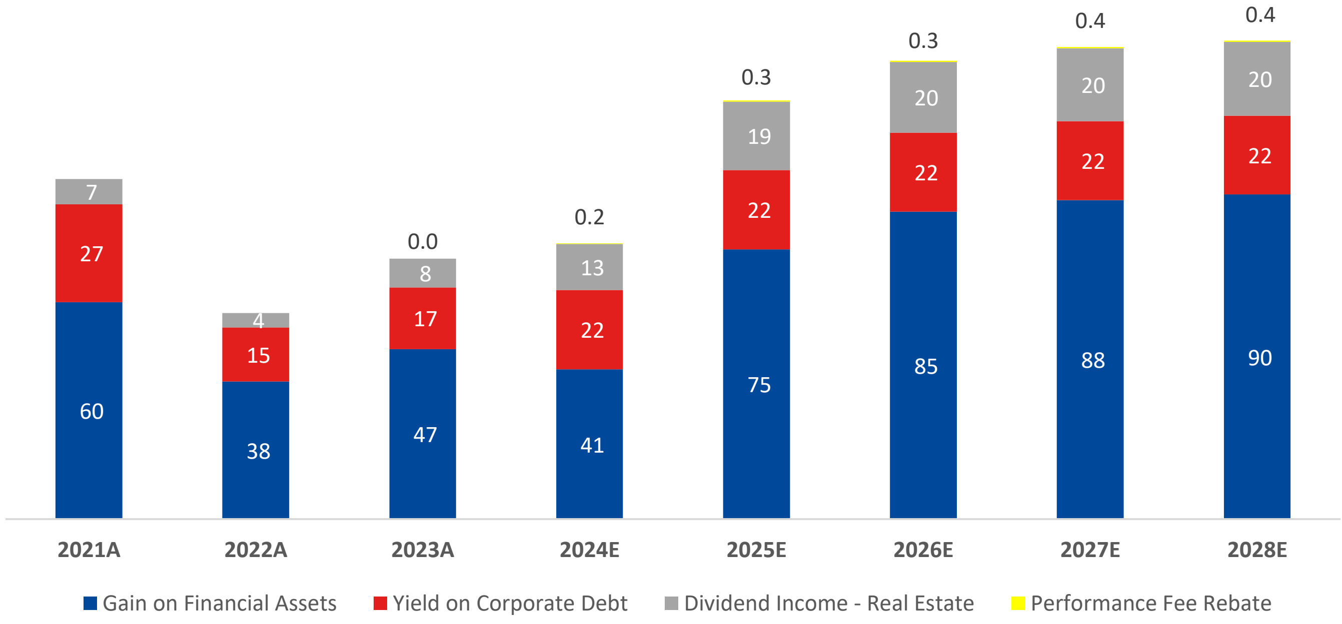
Source: Company Information, FAB Securities research FY2024-28

Capital Deployment:

IVCC is anticipated to generate strong cash yield and capital appreciation returns across multiple asset classes. Gross operating income of the segment is expected to grow at a CAGR of 12.9% from USD 72 Mn in FY2023 to USD 132 Mn in FY2028

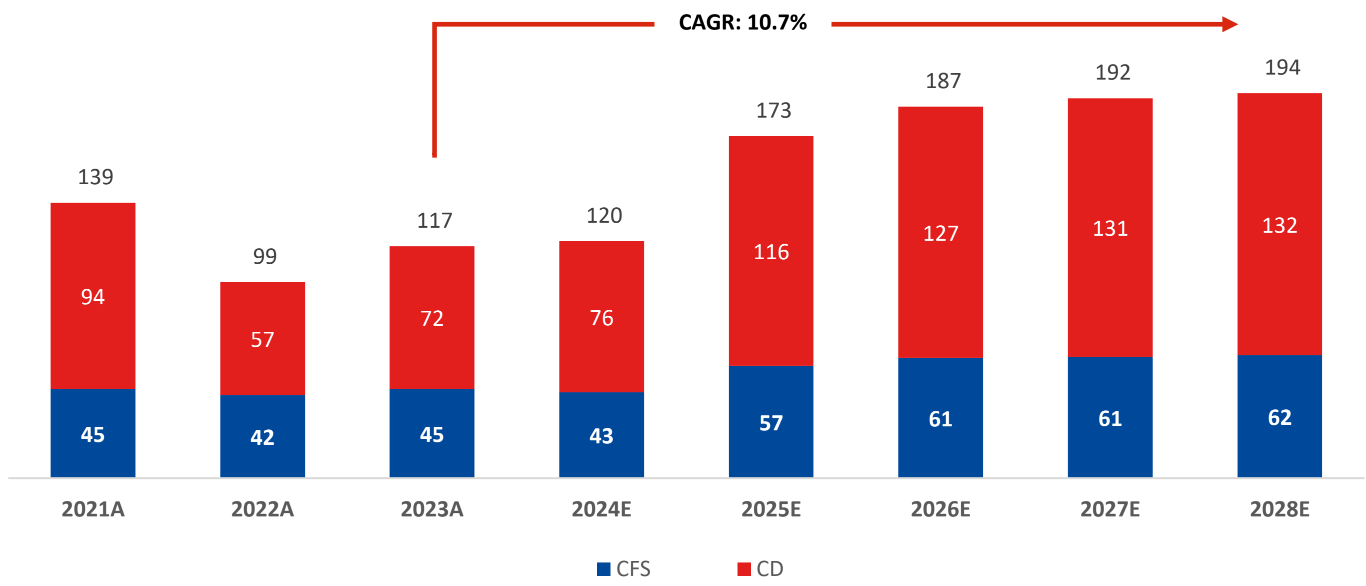
The asset exposure of the segment is expected to grow by USD 100 Mn post IPO to USD 964 Mn in FY2024. Revenue from Capital Deployment is expected to grow at CAGR 12.9% from USD 72 Mn in FY2023 to USD 132 Mn during FY2023-28. The Corporate Investment is expected to record a cumulative capital gain of USD 299 Mn during FY2024-28. This will result in the asset class to earn an IRR of c. 15% during FY2024-28. We anticipate IVCC corporate investment to exit a cumulative investment of USD 185 Mn during the forecasted period. Real Estate Asset Class is expected to generate a cumulative revenue of USD 92 Mn, with an average net cash yield of c. 7% during FY2024-28. Furthermore, IVCC is projected to earn an average IRR of c. 9% from the Real Estate asset class during FY2024-28. The Global Credit asset class is also anticipated to earn cumulative revenue of USD 109 Mn, with an average net cash yield of c. 9% and an average IRR of c. 9% during FY2024-28. Additionally, IVCC's global credit is expected to realize a total of USD 61 Mn from selling of investment during the same period. Similarly, the Strategic Capital segment is expected to earn a cumulative income of USD 42 Mn, with an average net cash yield of c. 12%. It is also expected to record an income from capital gain of USD 23 Mn and earn an IRR of c. 20% during FY2024-28. In addition to the mentioned income sources, IVCC's Capital Deployment segment is expected to earn performance rebate revenue of 5 basis points (Bps) over the total asset exposure of the segment. IVCC will earn a cumulative performance fee rebate of USD 1.6 Mn during the forecasted period. Performance fee rebate for the year is calculated based on total capital deployment multiplied by 5 basis points.

Figure 73: Investcorp Capital – Revenue from Capital Deployment Segment (USD, Mn)



Source: Company Information, FAB Securities research FY2023-28

Figure 74: Investcorp Capital – Gross Operating Income (USD, Mn)



Source: Company Information, FAB Securities research FY2024-28

Operating Expenses

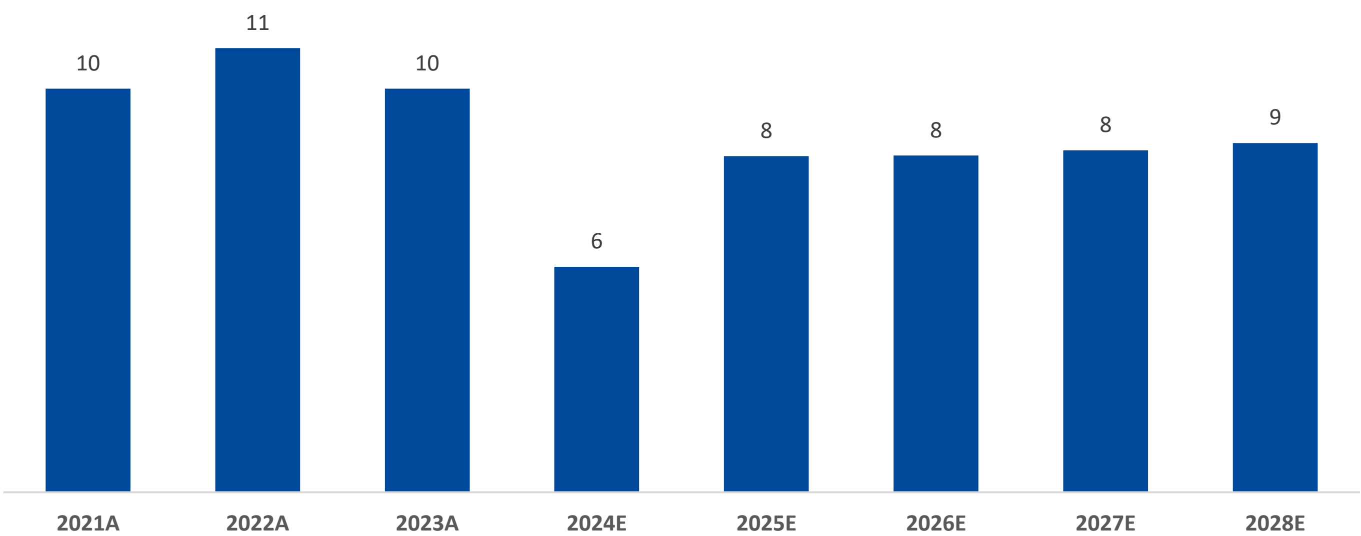
IVC and IVCC forge a collaborative partnership through Master Services Agreement. It will incur a cumulative corporate expense of USD 27 during FY2024-28 and an average direct cost of USD 2.5 Mn during FY2024-28

The IVCC's Master Services Agreement (the "MSA") establishes a clear framework for the relationship between IVC Holdings and IVC Capital. According to this agreement, IVC Holdings will provide services directly or arrange for its affiliated companies to offer services to IVC Capital. These services are offered on a non-exclusive basis and encompass various essential areas. IVC Group will handle general administrative tasks and provide support to ensure the smooth functioning of IVC Capital's operations. It will also manage financial matters, accounting processes, and reporting requirements. Additionally, IVC Holdings will assist IVC Capital in identifying and managing risks associated with its business activities. For human resources-related functions, IVC Group will offer or coordinate services to support IVC Capital's HR functions. The agreement also includes information technology services provided or arranged by IVC Group, such as system support and maintenance. IVC Group will play a role in ensuring effective governance and compliance with relevant regulations. It will provide legal services and support for audit-related activities to meet IVC Capital's requirements. The non-exclusive nature of the arrangement means that IVC Capital may choose to engage other service providers for these functions as well. The MSA sets the groundwork for a collaborative and efficient partnership between IVC Holdings and IVC Capital, enabling them to focus on their core business activities while leveraging the expertise and resources available within the organization. The MSA is anticipated to become effective upon the listing of Investcorp Capital PLC and will initially be valid for a period of 36 months. After the initial 36-month period, the MSA will automatically renew for consecutive 12-month periods unless one of the following conditions is met:

1) All the services specified in the MSA have expired or have been terminated. 2) The MSA itself has been terminated in accordance with its terms. IVCC under this agreement is anticipated to incur operating costs of 40 basis points (bps) of the net asset exposure per annum i.e., Cumulative of USD 27 Mn during FY2024-28.

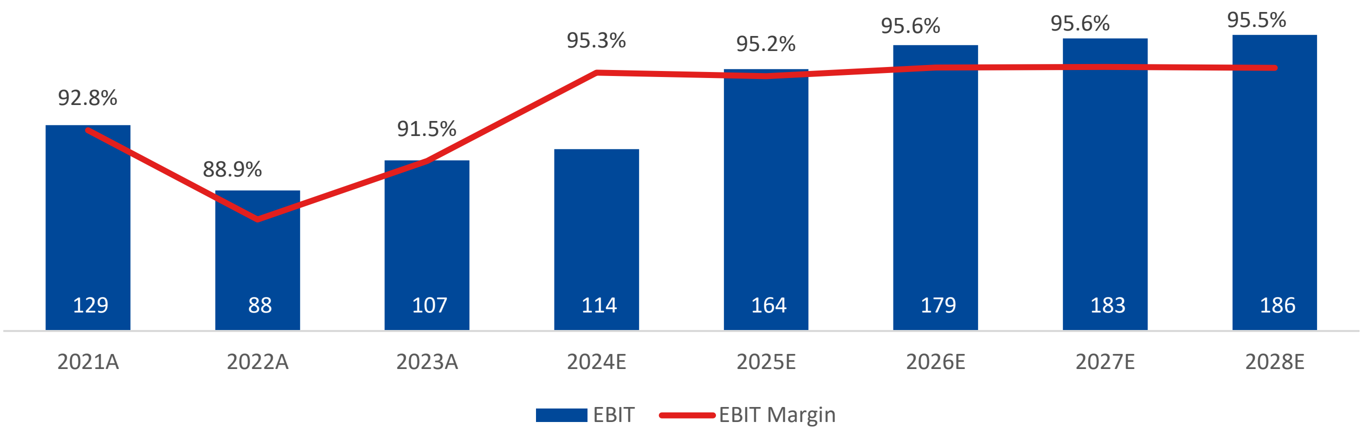
In addition to corporate expenses, the Company is also expected to incur expenses on direct cost which is anticipated to total USD 2.5 Mn per annum during the forecasted period. It will incur expenditure on various expenses such as employee costs, remuneration for the Board of Directors, audit fees, and other administrative costs. Resultantly, EBIT margin is expected average 95.4% during the forecasted period with a cost-to-income ratio of 4.6% during FY2024-28.

Figure 75: Investcorp Capital –Operating expenses (USD, Mn)



Source: Company Information, FAB Securities research FY2024-28

Figure 76: Investcorp Capital – EBIT & EBIT Margin (USD, Mn)



Source: Company Information, FAB Securities research FY2024-28

Interest Expenses and Income

IVCC is expected to incur a cumulative interest expense of USD 100 Mn during FY2024-28. This includes expenses incurred on RCF, refinancing arrangement and commitment fees

IVCC is expected to incur interest expense and commitment fees on the revolving credit facility (RCF), which will be used by the CFS Segment. The major interest expense is expected to be charged on the drawn amount of the RCF during the forecasted period. The interest on RCF will be charged at variable rate. The variable rate will include SOFR as the reference rate in addition to credit adjustment spread of 7 basis points with a margin of 275 basis point. The interest will only be charged on the drawn amount while the undrawn amount will pay a commitment fee of 0.96%. IVCC plans to maintain a maximum leverage ratio of 0.3x of equity during the forecasted period. The average RCF balance stood at USD 363 Mn during the forecasted period. CD Segment also borrowed through repurchase agreements. The agreement carries a variable interest rate and will be repurchased at the specified date. The cumulative interest expenses incurred on the drawn amount of the RCF, commitment fee and repurchase agreement totaled USD 100 Mn during FY2024-28.

On the other hand, IVCC is anticipated to earn interest income on the cash balance at a rate of 4.5% during FY2024-28. The company is expected to earn a total of USD 48 Mn in interest income during the same period.

TAX

No tax rate assumed on IVCC profitability awaiting additional guidance from authorities

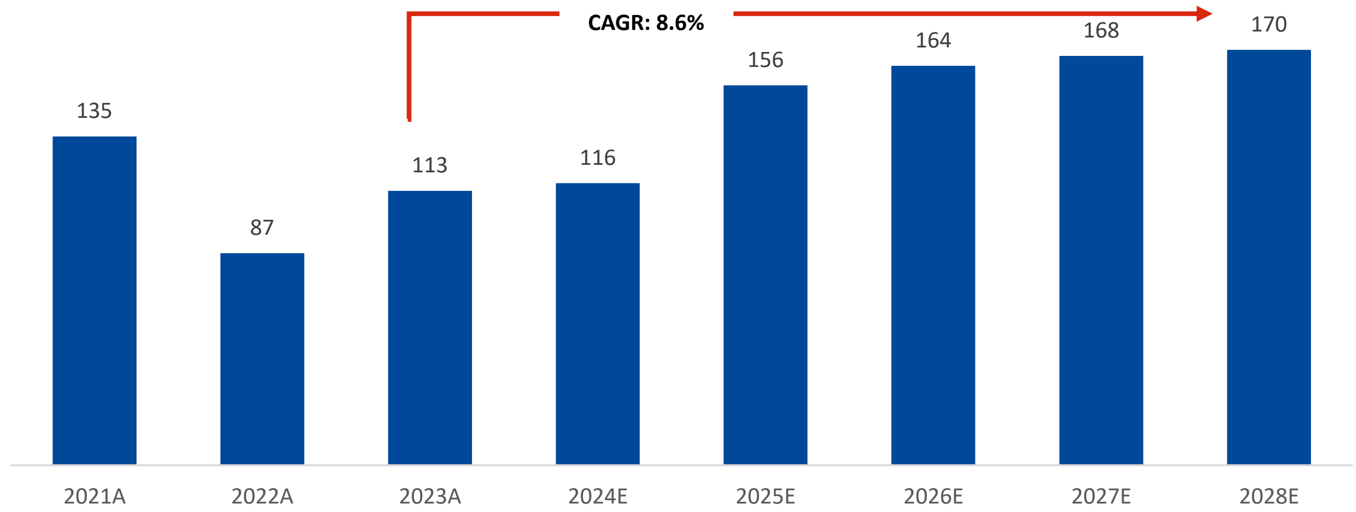
IVCC following carve-out from the IVC will be incorporated into Abu Dhabi Global Market (ADGM). On incorporation in Abu Dhabi, it is taxed in Abu Dhabi at the prevailing tax rate. We have not assumed any tax rate on the entity awaiting additional guidance from authorities.

Net Income

Net profit is expected to grow at a CAGR of 8.6% from USD 113 Mn in FY2023 to USD 170 Mn in FY2028 supported by robust growth in gross operating income and minimum operating expenses

Net profit declined 35.6% from USD 135 Mn in FY2021 to USD 87 Mn in FY2022 before bouncing back to USD 113 Mn in FY2023. This growth in the profit in FY2023 is driven by a growth in CFS and CD segment, coupled with lower operating expenses, higher interest income and lower taxes. IVCC maintained an average healthy recurring cash yield of 6.0% during FY2021-FY2023. Going forward, the net profit during the forecasted period is expected to grow at a CAGR of 8.6% from USD 113 Mn in FY2023 to USD 170 Mn in FY2028 due to robust gross operating income resulting from the addition of capital exposure balance in both segments growing up to USD 1 Bn and minimum operational expenses due to MSA with IVC. This is partially offset by an increase in finance cost due to an increase in utilization of RCF.

Figure 77: Investcorp Capital – Net Income (USD, Mn)



Source: Company Information, FAB Securities research FY2024-28

Dividend

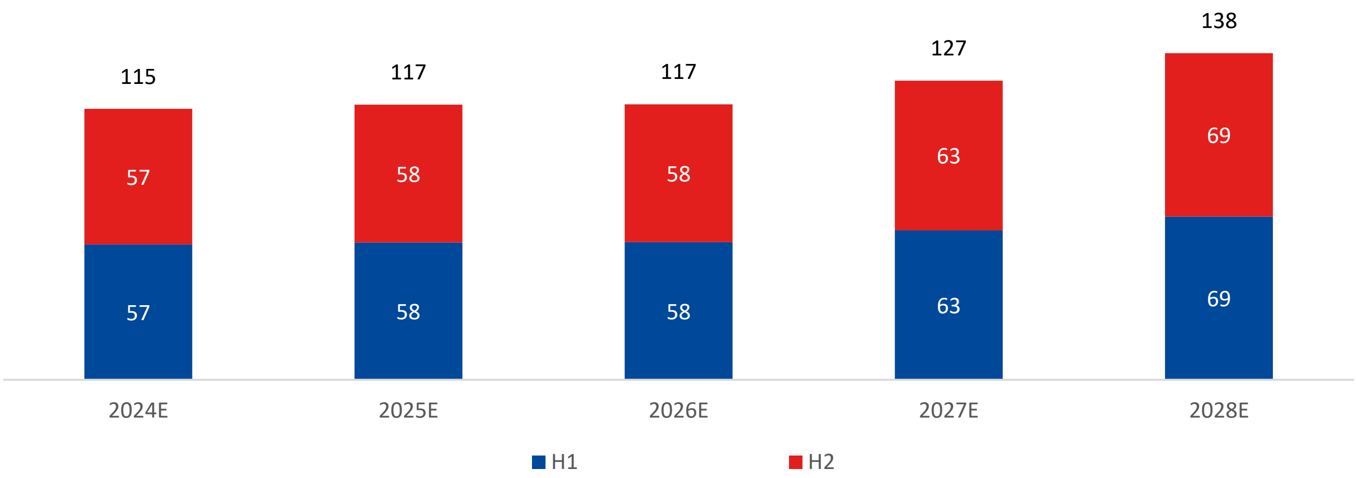
IVCC aims to provide 8% dividend yield on net asset exposure with a priority to IPO investors

IVCC is expected to pay a dividend after listing. The dividend is paid semi-annually with two equal instalments in February and October. Since the company fiscal year starts on 01 July and ends on 30 June, it plans to pay the first half dividend in the same fiscal year in February while second half dividend in the following fiscal year of October. It is targeting to pay at least a dividend yield of 8% of the net asset exposure. The dividend for FY2024 is calculated based on net exposure of FY2023 including proceeds from IPO. In the following year of FY2025 and FY2026, the dividend is paid based on the total net asset exposure as of 30 June 2024 and 30 June 2025, respectively. The Company expects to declare a dividend of USD 115 Mn during FY2024. IVCC is expected to declare a cumulative dividend of USD 613 Mn during FY2024-28.

Investcorp Group also proposed a dividend waiver in case IVCC doesn't generate sufficient cash flow and unable to pay dividend as agreed to the shareholders. It proposes waiver with following condition –

- During FY2024-26, IVCC will forgo its right to receive the dividend to the extent necessary to pay the intended minimum dividend of 8% to all other shareholders.
- The Group will be entitled to catch up on the waived amount in any subsequent period until the end of FY2026. including proceeds from the IPO
- Investcorp Group's right to catch up on any previously waived dividend will be expressly subordinated to the payment of at least 8% of the total net asset exposure to all other shareholders in the subsequent periods.
- The right to catch up (including any accumulated catch up in respect of prior financial years) will lapse upon the end of the FY2026.
- Investcorp Group's waiver and right to catch up on previous dividends during this three-year financial period will be embedded in Investcorp Capital's Articles thereby binding all shareholders.

Figure 78: Investcorp Capital – Dividend Declared to Shareholders (USD, Mn)



Source: Company Information, FAB Securities research FY2024-28

Income Statement

(USD, Mn)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue from capital services	45	42	45	43	57	61	61	62
Gain on financial assets	60	38	47	41	75	85	88	90
Yield on corporate debt	27	15	17	22	22	22	22	22
Dividend income- Real Estate	7	4	8	13	19	20	20	20
Performance Rebate	0	0	0	0	0	0	0	0
Gross Operating Income	**139**	**99**	**117**	**120**	**173**	**187**	**192**	**194**
Operating Expenses	-10	-11	-10	-6	-8	-8	-8	-9
EBIT	**129**	**88**	**107**	**114**	**164**	**179**	**183**	**186**
Interest Income	15	3	9	8	10	10	10	10
Interest Expenses	-2	-1	-2	-6	-18	-25	-25	-25
Profit Before Tax	**142**	**90**	**114**	**116**	**156**	**164**	**168**	**170**
Tax	-7	-3	-1	0	0	0	0	0
Net Profit	**135**	**87**	**113**	**116**	**156**	**164**	**168**	**170**

Source: Company Information, FAB Securities research

Key Ratios

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
YoY % Change								
Gross Operating Income	-	-28.8%	18.2%	2.2%	44.2%	8.7%	2.3%	1.3%
EBIT	-	-31.8%	21.6%	6.5%	44.0%	9.1%	2.3%	1.3%
Net Profit	-	-35.6%	29.5%	2.8%	34.7%	5.1%	2.5%	1.4%
% Margin								
EBIT Margin	92.8%	88.9%	91.5%	95.3%	95.2%	95.6%	95.6%	95.5%
Net Margin	97.1%	87.9%	96.3%	96.8%	90.4%	87.5%	87.7%	87.8%
Other KPIs								
Cost-to-income ratio	7.2%	11.1%	8.5%	4.7%	4.8%	4.4%	4.4%	4.5%
Operating cash flow before investments	152	71	96	112	195	233	248	249
Cash conversion	112.6%	81.6%	85.2%	96.4%	125.3%	141.9%	147.4%	145.9%
Leverage	-	-	-	0.16	0.26	0.27	0.26	0.25
NAV	1,058	1,107	1,235	1,457	1,460	1,492	1,538	1,576
Dividend Yield	-	-	-	8.0%	8.0%	8.0%	8.5%	9.0%
ROE	12.8%	7.9%	9.1%	7.9%	10.7%	11.0%	10.9%	10.8%
Recurring Cash yield	7.1%	5.8%	5.9%	6.1%	6.4%	6.3%	6.1%	6.0%
Capital Exposure								
Capital Financing Services	525	397	493	670	775	794	808	818
Capital Deployment	559	594	783	964	1,001	1,040	1,073	1,106

Source: Company Information, FAB Securities research

Balance Sheet

(USD, Mn)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Financial assets at amortized cost								
Cash at the End of the Year	0	0	0	113	113	119	118	112
Due from related parties	98	171	150	0	0	0	0	0
Receivables and other assets	175	96	83	84	92	89	82	80
Corporate debt	148	100	86	86	86	86	86	86
Financial assets at Fair Value								
Capital service- underwriting	355	314	418	620	715	719	730	742
Corporate investments	237	272	335	380	403	431	457	489
Corporate debt	110	104	166	151	151	151	151	145
Real estate	53	86	155	261	264	277	280	281
Strategic Capital	6	19	33	52	65	80	95	102
Total Assets	**1,182**	**1,162**	**1,426**	**1,748**	**1,889**	**1,953**	**1,999**	**2,036**
Equities and liabilities								
Liabilities								
Payables and accrued expenses	79	15	150	10	13	19	20	20
Financing	0	0	0	240	375	400	400	400
Repurchase Agreement	45	40	41	41	41	41	41	41
Total Liabilities	**124**	**55**	**191**	**291**	**429**	**461**	**461**	**460**
Equities								
Invested capital	1,058	1,107	1,235	1,457	1,460	1,492	1,538	1,576
Total Equity & Liabilities	**1,182**	**1,162**	**1,426**	**1,748**	**1,889**	**1,953**	**1,999**	**2,036**

Source: Company Information, FAB Securities research

Cash Flow

(USD, Mn)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash flow from operating activities								
Profit for the year	**142**	**90**	**114**	**116**	**156**	**164**	**168**	**170**
Adjustments for:								
Corporate Investments	97	-33	-67	-78	-56	-42	-26	-31
Corporate debt	60	43	-49	15	1	0	0	5
Real Estate	50	-30	-69	-107	-5	-14	-3	-1
Strategic Capital	-4	-13	-14	-21	-16	-15	-16	-7
Capital services	-231	128	-96	-202	-95	-5	-11	-11
Changes in working capital - assets	5	-8	5	-1	-8	3	7	1
Changes in working capital - liabilities	33	-65	135	-140	4	6	0	0
Tax paid	-4	-2	-1	0	0	0	0	0
Net Cash inflows from operating activities	**148**	**111**	**-42**	**-419**	**-20**	**97**	**121**	**128**
Cash flows from financing activities								
Movement in related party balance	-110	-111	41	150	0	0	0	0
Financing	-38	0	1	240	135	26	0	-1
Dividend	0	0	0	-57	-116	-117	-122	-133
Proceeds from IPO	0	0	0	200	0	0	0	0
Net Cash inflow/ outflow from financing activities	**-148**	**-111**	**42**	**533**	**19**	**-91**	**-122**	**-134**
Net (decrease)/ increase in cash and cash equivalents	**0**	**0**	**0**	**113**	**0**	**6**	**-1**	**-6**
Cash and cash equivalents at the beginning of the year	0	0	0	0	113	113	119	118
Cash and cash equivalents at the end of the year	**0**	**0**	**0**	**113**	**113**	**119**	**118**	**112**

Source: Company Information, FAB Securities research

أبـوظبـي الأول للأوراق المالية
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