



I INVESTING C CREATING G GROWING

Business model has proven its strength; we look forward with confidence

The last 18 months have been unparalleled by almost any measure. The speed with which society and the economy moved from cautious optimism in February 2020 to later facing deep uncertainty tested people and businesses everywhere. ICG was not immune to this. As we looked ahead to FY21 we were expecting to continue our growth trajectory, including launching several new strategies. Circumstances changed, causing us to pivot quickly during the first quarter of our financial year to focus on protecting our people, engaging with our clients on the potential impacts on fund investments, and working with our portfolio companies to ensure that they had the financial and operational resilience to navigate the new environment. I am proud of how our employees responded and worked together during this period, and I would like to take this opportunity to thank them for their continued contribution to the success of ICG.

Against that backdrop, ICG continued to grow and develop. We furthered our Environmental, Social and Governance (ESG) agenda, invested in our talent,

and broadened our product offering through new strategies such as Life Sciences. We grew our Third Party AUM by 19%, expanded our client base by 8% and increased our headcount by 15%.

Client demand for our strategies in the year was materially higher than we had initially anticipated in an off-cycle year amid a challenging environment, with total fundraising of \$10.6bn – our third largest year on record. The levels of activity were very high across both deployment and realisations: we deployed \$7.2bn of Third Party AUM in our direct investment funds, realised \$5.1bn of Third Party Fee Earning AUM to underpin our investment performance, and seeded investments for new strategies as a prelude to them raising third party funds in the future.

Today, we report impressive results and announce our 11th consecutive year of dividend growth. Our business model, which is built on long-term relationships, local presence, and the visibility of future Third Party Fee Income from our closed-end funds, has proved itself throughout this extraordinary period.

Procession House

With the Group's workforce having expanded rapidly in recent years, the Group moved to a new London office in September 2020. In keeping with the principles to which the Group holds itself accountable, various measures have been taken to ensure that both the fit-out and the building itself meet high ESG standards.

Situated near Blackfriars Bridge on the edge of the City of London, Procession House features:

- Efficient lighting and controls
- Sustainably sourced insulation
- 100% renewable energy
- Sustainably sourced finishes such as polishes and varnishes
- Water metering and the installation of efficient taps
- VOC and CO₂ monitoring of the air quality in the floor spaces
- Targeting to achieve >90% diversion from landfill rates



Fundraising success drives AUM growth

Raising \$10.6bn of Third Party AUM in an off-cycle year is a particularly strong performance and, reflecting the increasing breadth of our platform, we had a total of 16 strategies raise capital during the financial year.

Senior Debt Partners IV, our direct-lending strategy which charges fees on invested capital, raised \$3.9bn of Third Party AUM during the year. This brought the total Third Party AUM raised for Senior Debt Partners IV to \$7.6bn at 31 March 2021. Towards the end of the financial year we launched Strategic Equity IV, our flagship GP-led secondaries strategy. This strategy charges fees on committed capital from the date of its first close, which was held on 19 March 2021, and had raised \$1.3bn at 31 March 2021.

Capital Market Investments raised a total of \$3.4bn, of which \$1.2bn was in liquid funds and \$2.2bn was in CLOs. Our liquid funds performed strongly and experienced net inflows during the year. The CLO market has been improving during the second half of financial year, enabling us to raise three new CLO vehicles (two in the US and one in Europe). We have also taken advantage of narrowing spreads by amending the terms of two existing CLOs to lock-in enhanced future returns.

The remaining \$2.0bn of fundraising included \$545m for two strategies that were raising first-time funds during the year (\$297m for Infrastructure Equity and \$248m for Sale and Leaseback), \$524m for Recovery Fund II and \$442m in aggregate for two Real Estate Debt strategies.

As we continue to build our franchise, we expect to raise larger funds for established strategies and to build demand for new strategies. The success we are experiencing in both our flagship and earlier-stage funds is a clear lead indicator of our long-term growth opportunities.

Continuing to develop our client franchise

Through the year we enhanced our interaction with our clients, shifting to online Investor Days and increasing the frequency of communications. During periods of uncertainty, investors generally deploy more of their capital with established managers who have a strong track record and brand and with whom they already have relationships. We observed this trend during FY21, and were beneficiaries of it, whilst also continuing to grow our client base. At 31 March 2021 we had a global client base of 476 investors (31 March 2020: 439) from a broad range of countries and institutions.

The continued success and growth of our client franchise is underpinned by the strength of our Marketing and Client Relations team. During the year we made a number of senior strategic hires into that team to ensure that we maintain the highest standards of client service to support the continued growth of our client franchise.

Managing our portfolios for long-term performance

We have a long-term perspective, and focus on investing in businesses with strong market positions and exceptional management teams where we can deploy our capital to help companies grow and develop. Our ability to invest across the capital structure is a particular strategic strength and allows us to provide capital in the form most appropriate to the company's needs.

Our funds delivered strong performance in the year, in particular those funds that have a higher proportion of equity-type investments. Our investments benefited from both our constant focus on downside protection as well as meaningful exposure to growing sectors such as healthcare, software and education.

Successful realisations are an important part of managing our funds' portfolios, enabling us to underpin fund performance and to return proceeds to our clients at an appropriate cadence and valuation. We took advantage of attractive opportunities during this year to realise \$5.1bn of Third Party Fee Earning AUM.

Market environment

Market

Market activity

Description

- At the start of our financial year major equity indices globally were at or near their Covid-19 troughs, having fallen steeply during February and March 2020
- Through our financial year, markets rebounded strongly (FTSE 100 +23.1% and S&P 500 +63.6%), supported by substantial stimulus from governments and central banks
- The alternative asset management industry saw a slowdown in deal activity during H1 2020: the number of buyouts globally fell 24% compared to 2019¹, with the second quarter of the year being particularly impacted
- A strong recovery in volumes during the second half of 2020 combined with a c. 24% increase in average deal size compared to 2019¹ resulted in an 8% increase in global buyout deal value in 2020 compared to 2019. This was 7% above the five-year average globally and in Europe total deal value was 13% above the five-year average

Interest rates

- Global interest rates have been at historically low levels since the Global Financial Crisis and at the onset of the Covid-19 pandemic, core government bond yields fell further
- The strength of the economic recovery and the levels of government stimulus have led some market participants to ask whether inflation and interest rates may increase in the coming years
- This prompted a sharp rise in core government bond yields in late February 2021, driven by higher real yields as investors brought forward the expected date of central bank rate increases

Brexit

- The UK left the European Union (EU) on 31 January 2020, entering a transition period. This ended with a trade and cooperation agreement between the UK and EU which came into effect on 1 January 2021
- The UK and EU confirmed on 26 March 2021 that they have agreed a Memorandum of Understanding to continue talks and co-operation on financial services

Industry

Demand for alternatives

- Demand for alternatives is very strong, underpinned by investors' search for attractive risk-adjusted returns; the ability for investors to allocate a portion of their capital to longer-term investments that are less susceptible to public market movements; and the outperformance of private market investments compared to public markets
- Alternative assets under management have grown at 10% CAGR from 2010 to 2020² and are expected to grow at a similar rate from 2020 to 2025. Within that, Private Equity is expected to grow at 16% CAGR and Private Debt at 11% over the same period

Responsible investing

- The long-term trend towards focusing responsible investing continued in 2020 and 2021, and investors' interest in strategies which incorporate Environmental, Social and Governance (ESG) factors continued to increase against the backdrop of the Covid-19 pandemic

What this means for ICG

- Our diverse range of strategies and ability to invest across the capital structure mean that we are positioned to invest throughout economic cycles
- We generate fees from long-term closed-end funds and make investments on behalf of our clients for the long term. As such, short-term market moves do not materially impact our ability to generate sustainable profits or the performance of most of the funds that we manage
- Our Investment Company co-invests alongside our funds and therefore its performance will be correlated to the performance of the funds

- Our main driver of profitability and growth is third-party fee income, which is not impacted by movements in interest rates
- Where our funds invest in a company's debt, these are typically 'floating rate' instruments where the portfolio company absorbs the impact of interest rate moves (which is typically hedged with a third party). Any rise in rates is therefore unlikely to impact our fund performance
- The majority of our debt at Group level is fixed rate

- We planned for a range of Brexit scenarios that might have impacted our employees, our business or our clients. In 2017 we established a fund manager in Luxembourg and opened an office with locally-based employees. This has allowed us to continue to service our existing European-domiciled funds and to passport these funds throughout the EU
- Throughout the Brexit process, the Group has advised and supported our EU national employees in the UK
- We will continue to monitor developments closely and will take necessary steps to ensure that any negative impacts of Brexit on our employees, our business and our clients are minimised

- The structural tailwinds supporting our AUM growth are expected to remain in place
- As clients seek to allocate more capital to alternatives, our track record, breadth of strategies and expertise in investing across the capital structure position us well to attract these assets
- We expect to benefit from the flight to quality due to our track record

- We aim to be an important voice in the alternative asset management space for ESG issues. We are an active participant in a number of industry forums
- A number of our funds have sustainable characteristics. We continually review opportunities to develop and enhance the ESG focus of our funds
- We implemented a number of measures during the year to build on our ESG practices, such as issuing an ESG-linked RCF, implementing SFDR reporting with the vast majority of our funds reporting under Article 8, extending our Exclusion List, and integrating a proprietary Climate Risk Assessment tool into our investment processes

Read more

- Our business model → page 12
- The valuation of our balance sheet → page 38

- Our business model → page 12
- Our debt facilities → page 38

- Brexit planning → page 50

- Our clients → page 3
- Our range of strategies → page 2

- Responsible investment → page 30
- ESG index → page 185

1. Bain: 2021 Global Private Equity Report
2. Preqin: Future of Alternatives 2025

ICG is well positioned to benefit from private market trends

Strong track record of investment performance

[Read more on page 38](#)

Structured and holistic approach to responsible investing

[Read more on page 30](#)

Multiple strategies to suit clients' investment objectives

[Read more on page 2](#)

Proven ability to innovate and pioneer new strategies in response to client demand and market opportunity

[Read more on page 16](#)

Large and sophisticated 'go-to-market' strategy through our client relations team

[Read more on page 7](#)

Scalable and unified operating platform

[Read more on page 12](#)

Integrated approach to ESG focussing on where we have the most material impact

We have a longstanding commitment to ESG, and we intend to stay at the forefront of this activity within our industry. Our priorities are to continue to integrate ESG systematically into all investment activities; to maintain transparent ESG communications with stakeholders; and to ensure our corporate behaviour models strong ESG practice. We have made progress against all these priorities during the year, and the Board has nominated Stephen Welton as the Non-Executive Director responsible for ESG matters.

Along with strong governance, which underpins all that we do, we see the greatest potential for ICG to make an impact in the areas of climate change and diversity and inclusion (D&I). I believe that in the short, medium and long term, continuing to make progress against our ESG objectives is critical for our business and for our stakeholder community.

Our investment activities present us with the most significant opportunity to make a positive impact. Each investment strategy uses our proprietary climate risk assessment tool in the initial investment process. This tool is used to assess each opportunity and considers both physical and transition risk (policy shifts, changing consumer demands and technological progress). Earlier this year we also strengthened our exclusion list to prevent any direct investment in companies which generate the majority of their revenue from coal, oil or gas. We currently have three sustainability-themed strategies: Infrastructure Equity, Sale and Leaseback and our Real Estate Partnership Capital VI fund. These strategies align with specific UN Sustainable Development Goals (SDGs), and all incorporate climate-focused SDGs including SDG 7 (Clean Energy) and SDG 13 (Climate Action). During the financial year the EU's Sustainable Finance Disclosure Regulation (SFDR) came into force, requiring funds to be categorised according to the extent to which they incorporate environmental and social criteria in their decision making. Most of our funds in the market are categorised as promoting environmental or social criteria (Article 8 under SFDR), and we are actively exploring strategies under Article 9 which have sustainable investment as their objective.

At the Group level we issued an ESG-linked RCF during the year, in which the economic terms are linked to us achieving specific objectives relating to carbon emissions and climate change, including our commitment to reduce our Scope 1 and Scope 2 carbon emissions by 80% by 2030. From a D&I perspective we undertook a group-wide employee survey, continued our program of Board-level engagement with employees, brought together our various employee-led networks under a D&I Hub,

and supported several initiatives focussed on enhancing inclusion within our industry including #10000Blackinterns and Level20, and becoming a core partner of the US charitable organisation Seize Every Opportunity.

Well capitalised and resilient balance sheet bringing strategic benefits

Our balance sheet is a key strategic enabler for the Group. We use it to seed and accelerate new strategies, which drives long-term value for the Fund Management Company as these strategies mature. Commitments to our more mature strategies ensure alignment of interests between our shareholders, employees and clients.

Our balance sheet investment portfolio is widely diversified and is invested alongside our direct investment funds in circa 300 companies across 26 industries and 31 countries. Its value grew during the year from £2.2bn to £2.6bn, with the key driver being £376m of unrealised gains due to the strong performance of our funds.

During the year we continued to invest in our future growth by committing capital from our balance sheet to develop emerging strategies where the teams have not yet raised Third Party AUM. These commitments were made in respect of our Life Sciences strategy and, shortly after year end, our North American Private Equity and LP Secondaries strategies. These investments will accelerate raising third party funds for these strategies when market conditions allow. In addition to seeding new strategies, the balance sheet has invested alongside our clients to accelerate fundraising for our first vintage funds for Infrastructure Equity and Sale and Leaseback. Both developed a track record by investing balance sheet capital before launching their first funds.

The balance sheet is well capitalised, with a net gearing of 0.63x and available liquidity of £847m providing substantial flexibility to enable us to invest alongside our clients and to seed and accelerate new strategies.

Outlook: Capitalising on the substantial long-term growth opportunity

This year ICG has not only proven its operational and financial resilience, it has continued a trend of significant profitable growth.

The structural tailwinds supporting the growth of the alternative asset management industry remain intact, and we have an excellent brand and platform from which to execute on that opportunity. The power of our business model is now clearer than ever: we combine a global footprint with local teams, and have high visibility on future management fee income from our closed-end funds, and are able to invest across the capital structure.

2021 performance summary

We have made strong progress during the year against our strategic objectives:

- Record profits: Group Profit before Tax of £507.7m and Earnings per Share of 162.3p
- Strong fundraising: \$10.6bn raised, bringing Third Party AUM to \$56.2bn
- Growth in Third Party Fee Income: £333.7m during the year, an increase of 20% compared to FY20
- Well capitalised and resilient balance sheet: £846.9m total available liquidity including undrawn £550m ESG-linked RCF; NAV per share increased to 566p; net gearing of 0.63x
- Progressive dividend policy: total dividend up 10% at 56.0p per share

1 Grow AUM

\$10.6bn

Third Party AUM raised across 16 strategies, bringing total Third Party AUM to \$56bn

2 Invest

\$7.2bn

Third Party AUM deployed from our direct investment funds

3 Manage and realise

very strong portfolio performance and realisations of \$5.1bn of Third Party Fee Earning AUM

Results presented on an APM basis (see page 38)

Our confidence in our ability to execute on the opportunities available to us is underlined by our upgraded fundraising guidance: we now expect to raise \$40bn in aggregate in the four years to the end of FY25, with at least \$7bn raised in every financial year.

I am incredibly proud of the results the ICG team has achieved this year. FY22 has started well, with Europe VIII having its first close on 29 April 2021 and a strong pipeline of investments and realisations across all our strategies. We have a business model and financial profile that enable us to navigate the evolving and dynamic market conditions. We will continue to invest in our people and platform, while remaining disciplined and long-term in our approach to all that we do. I look forward with optimism and confidence that ICG is well placed to deliver substantial value to its stakeholders in the coming years.

Benoît Durteste
CEO and CIO