INVESTCORP

Business Review

Fiscal Year 2016
For the period July 1, 2015 to December 31, 2015

"This has been a half of continued momentum for Investcorp as we've continued to grow our profitability and maintain a strong balance sheet in what have been tough markets in almost all asset classes, in all markets. We have maintained our prudent approach to investing, and we believe this approach enables us to deliver sustainable returns to our loyal and growing community of investors throughout the cycle. The performance of our corporate investments, the outperformance of our hedge funds, and the continued strength of our US real estate business underlines this ability.

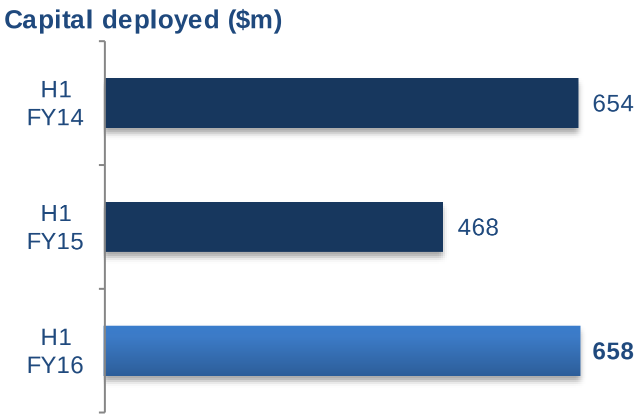
At the same time, we recognize the importance of investing in the long-term growth of the Firm. We have seen our investor base expand on the back of our investment in growing our presence in the Gulf to four countries, and throughout this period of solid performance we continued to attract and retain the highest calibre of investment talent and executional excellence available in the market today.

Looking ahead as we embark on the delivery of our growth strategy, we intend to retain our vigilance in these markets and to continue to meet our commitment to our investors to provide attractive alternative investment opportunities in the Gulf, in Europe and in the US."

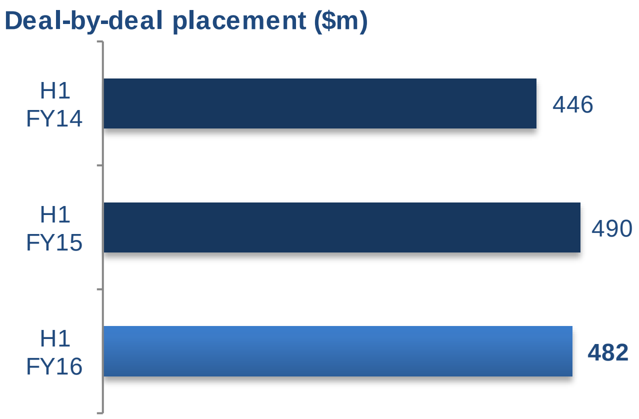
Mohammed Al Ardhi, Executive Chairman

Figures throughout may not add up due to rounding

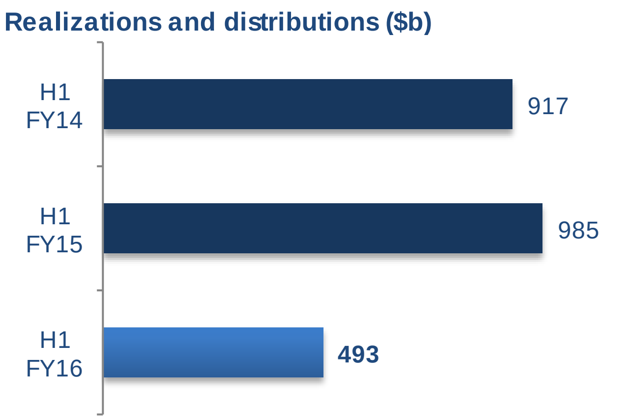
Business highlights



Record investment activity totaling $657 million (an increase of 40% year-on-year) for corporate investment and real estate - reflecting sustained transaction momentum

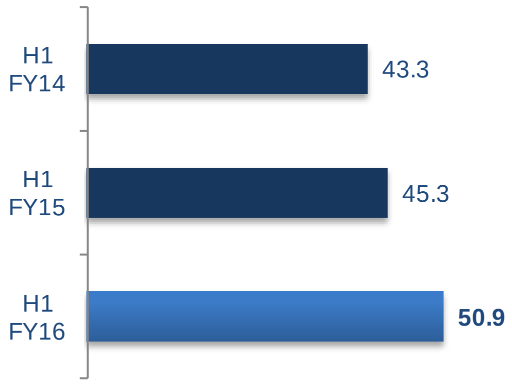


Client demand for deal-by-deal products remained strong. Real Estate placement activity grew by 47% to $249 million



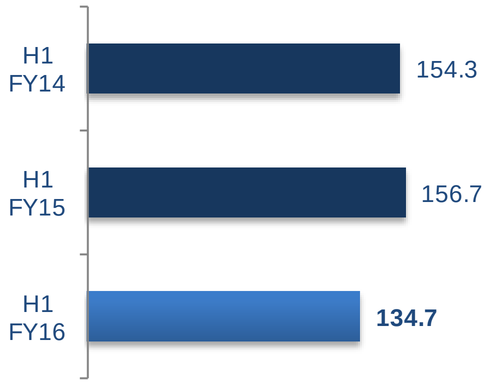
Returned $0.5 billion from realizations, dividends and other distributions from the corporate investment, real estate and special opportunities investment portfolios

Net income ($m)



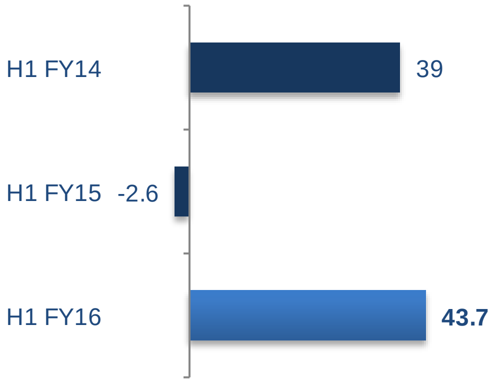
Despite volatile market conditions, net income for the period increased by 12% to $50.9 million

Fee income ($m)



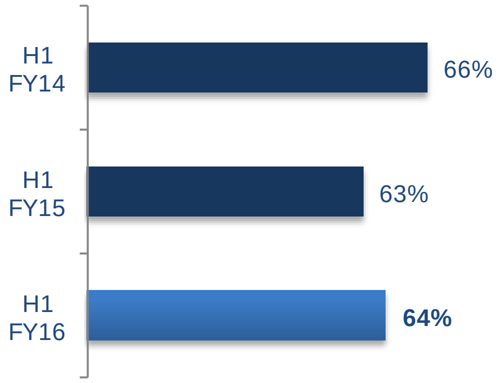
Decline in fee income primarily due to a normalization of exit-related performance fees, relative to last year. Last year comparative includes exceptionally high fees from the exit of Berlin Packaging H1 FY15

Asset-based income ($m)



Strong growth in asset-based income driven by a robust performance in the corporate investment portfolio as well as the benefit of stronger economic growth, particularly in the US.

Cost-to-income



Total expenses as a percentage of net revenues increased slightly reflecting an 11% increase in headcount to support business growth

H1 FY16 Key Business Highlights

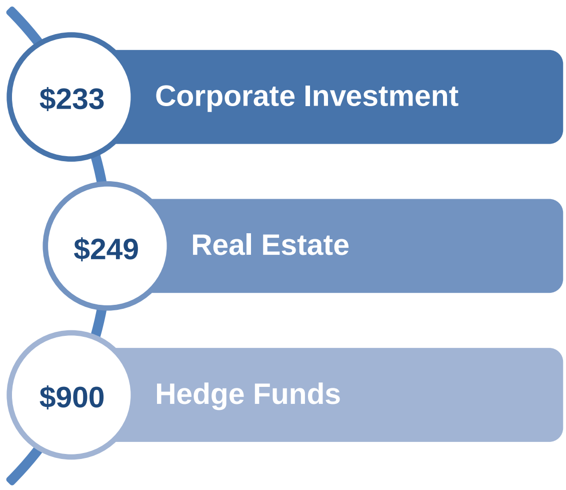
Shareholder KPIs

$0.71	Fully diluted EPS
12%	Return on equity
$9.51	Book value per share

Balance sheet KPIs

Jun-15	Dec-15	
$2.2b	$2.3b	**Total assets** increase reflects higher current new deal underwriting
$0.9b	$0.9b	**Total equity** stable
$864m	$724m	**Accessible liquidity** substantially covers debt maturities through 2018
0.7x	0.9x	**Net leverage** remains below 1.0x
28.7%	27.6%	**Basel III regulatory capital** well above CBB minimum requirements
0.8x	0.8x	**Co-investments** / **permanent & long-term capital**

Fundraising ($m)



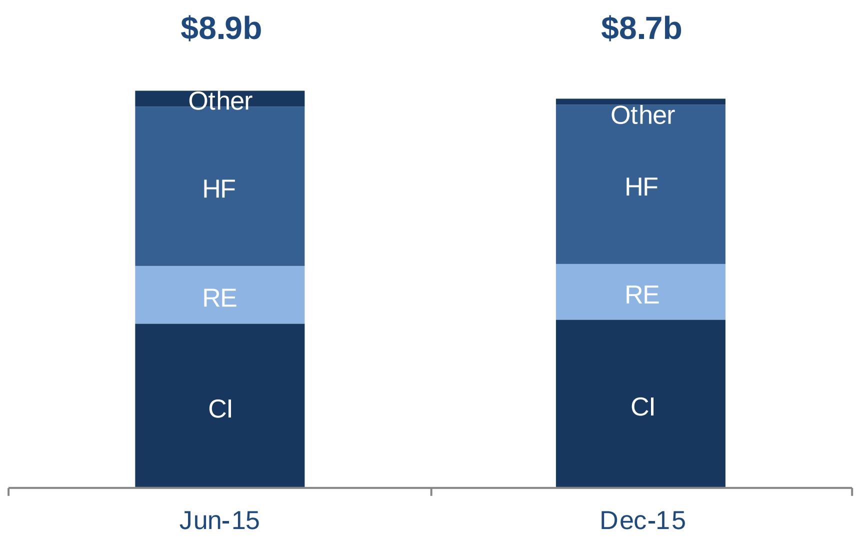
*Total deal-by-deal fundraising in the Gulf was **$482 million** (H1 FY15: $490 million)*

***$233 million** in aggregate placed with clients in corporate investments, including three new deals*

***$249 million** placed with clients across two new real estate portfolios*

***$900 million** of inflows and advisory mandates for hedge funds*

Client AUM ($b)



Corporate investment client AUM increased 2.5% to $3.8 billion reflecting new deal placement activity offset by distributions from realized investments

Real Estate and Hedge Fund client AUM remained stable at $1.25 billion and $3.6 billion, respectively

Investment Activity

POC

Consumer products

Bindawood

Consumer products

SecureLink

Technology

$314 million…

*…the aggregate capital deployed in three new **CI investments**; and an additional **$42 million** invested via a fund into an existing portfolio company*

2015 Residential Properties II

Colorado, Georgia, Illinois, Nevada, Texas

2015 Office & Industrial Properties

California, Georgia, Massachusetts

$344 million…

*…the aggregate capital deployed in two new **real estate portfolios** and three new properties to form part of a new portfolio*

Exits & Distributions

Veritext
Industrial services

Autodistribution
Distribution

N&W
Industrial products

*Corporate Investment exits included the sale of **Veritext**, a leading national provider of deposition and litigation support services; **Autodistribution**, a leading independent distributor of auto, truck and industrial spare parts in France; **N&W**, a leading manufacturer of food and beverage vending machines*

*Significant Real Estate exits included the sale of the following properties: Multifamily properties at **Villages at Meyerland** and **Bristol Square** in Texas; the **Residence Inn Manhattan Beach**, California; **Broadway Webster** office building in California; and **Coral Palm Plaza**, Florida*

Total realization proceeds and other distributions to Investcorp and its clients, from exits that closed in H1 FY6 were $493 million

Residence Inn Manhattan Beach
California

Villages at Meyerland
Texas

Bristol Square
Texas

Broadway Webster
California

Coral Palm Plaza
Florida

Investcorp's key performance indicators:

	H1 FY12*	H1 FY13*	H1 FY14*	H1 FY14 (restated)	H1 FY15	**H1 FY16**
Gross operating income ($m)	92.5	152.9	174.9	158.1	154.0	**178.4**
Cost-to-income ratio (%) **	92%	66%	58%	66%	63%	**64%**
Return on average assets (%) **	0.4%	2.9%	5.0%	3.6%	4.1%	**4.5%**
Return on ordinary shareholders' equity	1.0%	7.7%	12.0%	8.7%	10.4%	**12.1%**

* As reported prior to the adoption of IFRS 15
** Annualized return

Business Environment[1]

Global economic activity remained relatively subdued in 2015, as decelerating growth in developing countries has partly offset the benefits of a modest recovery in developed nations. Global growth continues to be affected by the gradual slowdown and ongoing rebalancing of the Chinese economy, lower prices of raw commodities and crude oil, as well as the policy change of the Federal Reserve in the United States. As the US economy remained on track for moderate growth and the labor market started to show lesser signs of slack, the US central bank lifted its monetary rate in December.

The International Monetary Fund ('IMF')[2] expects global growth to reach 3.6% in 2016, modestly up from its 2015 growth projection of 3.1%. This slight acceleration of growth for this year is expected to originate from the continued uneven recovery of most advanced economies. The dynamics in most emerging markets remain challenged as these countries suffer the consequences of lower commodity prices and slow growth in China.

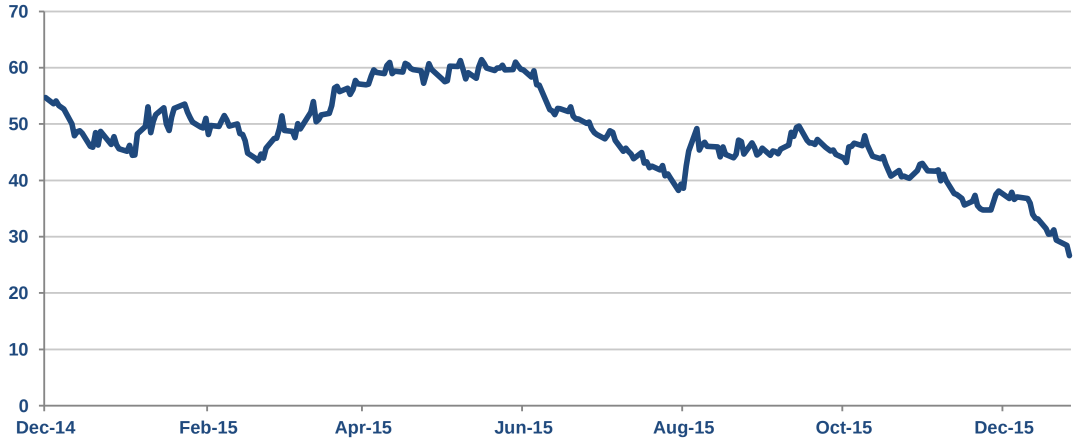
Growth in the United States came in above expectations in 2015, following a difficult start to the year including the negative effects of a prolonged dock workers' strike on the US West Coast as well as a dire winter. In spite of these temporary disruptions at the beginning of the year, the underlying conditions for growth remained solid, notably a healing labor market (increased employment in non-manufacturing sectors), lower energy costs and increasingly positive consumer sentiment. An improving housing market has also supported the recovery, aided by the completion of household deleveraging from the Global Financial Crisis ('GFC'), household wealth surpassing pre-GFC levels and improvements in credit availability. Looking across sectors, the economy continued to be driven by the relative strength of the consumer, as consumption of services remained high. Manufacturing struggled to keep its momentum, negatively affected by the rise in the US dollar and weak external demand. Headline inflation suffered from temporary setbacks with the follow-though effects of lower commodity prices but core inflation remained on its slow upward trend. These positive developments supported the Federal Reserve's decision to engage in a gradual pace of monetary tightening, including the first rate hike since the financial crisis in December. Recent estimates from the IMF suggest output in the US will continue to grow modestly by 2.6% in 2016, following a 2.5% projected trajectory in 2015[2].

In Europe, growth also strengthened from late 2014 to 2015 spurred by lower oil prices, diminished fiscal drags and an ample liquidity provision through the European Central Bank's ('ECB') quantitative easing and targeted longer-term refinancing operations ('TLTRO'). The lower currency has made a positive impact, with the European export sector a key beneficiary. Credit conditions continued to ease, although at a modest pace, suggesting a greater momentum in the European economy. However, growth has remained uneven across regional economies. While some nations' economies, such as Spain's, are expected to post a strong growth of 2.5% in 2016, others' such as Greece's remain mired in weak and depressed states with limited growth potential. The Euro area grew by 1.5% in 2015 and is expected to grow by 1.6% in 2016[2]. As the uncertainty regarding Greece's future role in the Euro area abates following the July 13th agreement, investment should pick up across the currency bloc. That being said, the European economy is also exposed to the challenges of emerging market economies, in particular through its banking system and industrial sectors.

[1] Unless otherwise stated, all references to years are 'calendar year'
[2] IMF World Economic Outlook, October 2015

Emerging market economies have been experiencing a more difficult environment over the past year. The ongoing rebalancing of the Chinese economy and the downward pressure this effort has made on commodity prices has been a key driver of this relative underperformance. Additionally, many open economies struggle from large capital outflows as investors reassess opportunities in a regime of higher interest rates in the United States. Past excesses in credit creation and the slow process of addressing these imbalances suggest a more limited contribution to global growth from emerging economies.

WTI Crude Oil prices in $ per barrel



Source: Bloomberg

In the Gulf countries, growth has been held back by reduced export revenue from lower oil prices. Growth in the Middle East and North Africa ('MENA') was 2.5% in 2015 and is expected to be 3.9% in 2016[3]. These projections from the IMF assume however higher oil prices and do not reflect the recent declines observed across commodity markets in the early weeks of the year. So far, governments from GCC countries have maintained supportive policies by running larger deficits. These counter-cyclical policies should cushion to some extent the growth deceleration to be expected from lower oil revenues.

GDP Growth of GCC Countries (%)

	2013	2014	2015	2016P	2017P
Bahrain	5.3	4.5	3.4	3.2	2.8
Kuwait	0.8	0.1	1.2	2.5	2.7
Oman	4.7	2.9	4.4	2.8	2.0
Qatar	4.6	4.0	4.7	4.9	4.2
Saudi Arabia	2.7	3.5	3.4	2.2	2.9
UAE	4.3	4.6	3.0	3.1	3.2
GCC	3.6	3.6	3.4	3.2	3.3

Source: IMF Regional Economic Outlook, October 2015 and IMF World Economic Outlook, October 2015

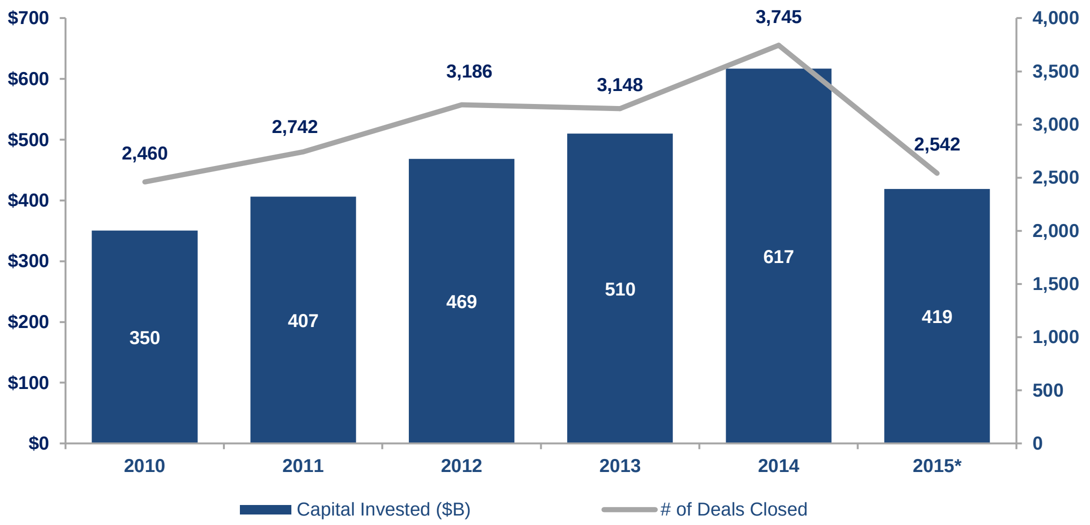
[3] IMF World Economic Outlook, October 2015

Corporate investment – North America and Europe

The US private equity market experienced an active year in 2014, both in number of deals and value of transactions, but showed initial signs of declining activity by the end of the year that carried into 2015. Private equity-led deal activity within the US finished 2014 with 3,745 transactions and $617 billion of capital invested, which is the highest amount over the previous four years. The increased activity was facilitated by large amounts of un-invested capital, ready for deployment; continued low interest rates; and the ready availability of covenant-lite financing terms from lenders. The strong level of activity throughout most of 2014 showed signs of tapering off towards the fourth quarter and this trend carried over into the first half of 2015.

The first three quarters of 2015 produced 2,542 transactions and $419 billion of capital invested, approximately 9% and 8% less, respectively, compared to the same period in 2014. Although investors cannot specifically time a slowdown, expectations are that purchase price multiples cannot remain at their recent elevated levels and that the supply-demand equilibrium for quality mid-market investments shall adjust accordingly.

US PE Deal Flow by Year

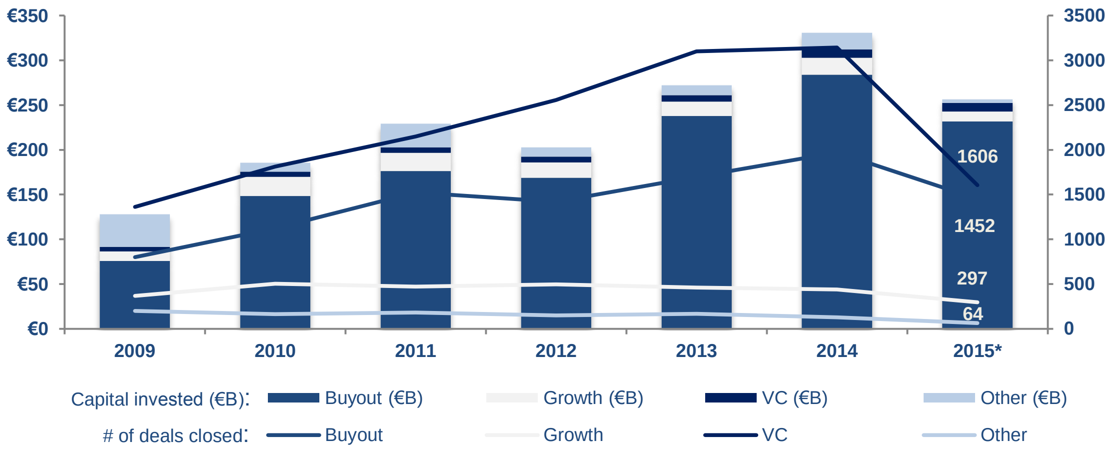


Source: Pitchbook Q4 2015 U.S. Private Equity Breakdown Report

***As of September 30, 2015. Note: Calendar years.**

The European private equity ('PE') market experienced an active year in 2015. Deal count at the end of Q3 was behind the high watermark reached in 2014 but volumes exceeded those observed in the continent in each of the 2010 to 2013 periods. Although the macro environment in Europe is stable with no meaningful recovery anticipated, the deal pipeline has remained relatively full. Businesses ripe for operational improvement or growth capital and managers and owners looking to retire are providing pockets of opportunity. European PE investors are armed with high levels of funds available to be invested, which support healthy purchase price multiples in the market.

European PE Deal Flow by Year

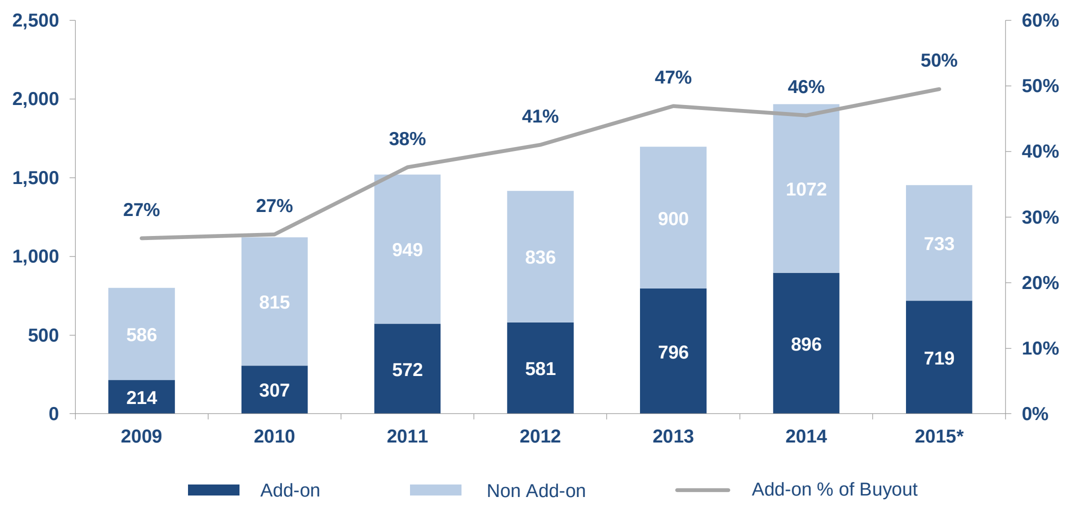


Source: Pitchbook Q4 2015 European PE Breakdown

***As of September 30, 2015. Note: Calendar years.**

The trend of increasing add-ons as a percentage of buyout activity highlights the increasing importance of acquisitive growth strategies. Investors are placing more capital to work through add-on acquisitions that can accelerate growth and provide synergies to increase the value of their existing portfolio. In the first nine months of 2015, in Europe, 50% of transactions were add-on acquisitions compared to 46% in 2014 and 27% in 2009-2010.

European Buyouts vs. Add-ons

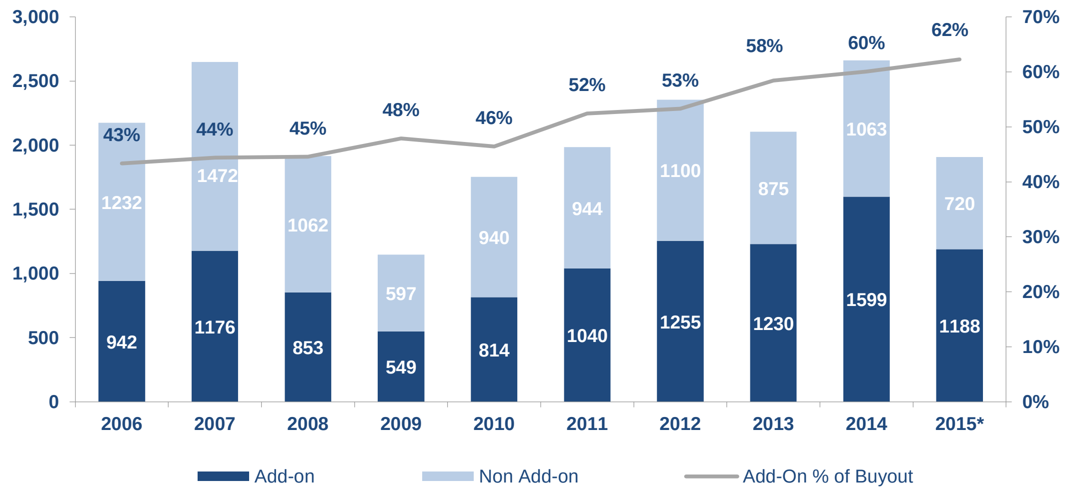


Source: Pitchbook Q4 2015 European PE Breakdown

***As of September 30, 2015. Note: Calendar years.**

Similar to Europe, add-on acquisitions continue to make up more transaction activity than historically has been the case in the US. Add-on acquisition levels have steadily increased from 46% in 2010 to 62% of US private equity transactions in the first nine months of 2015. The slowdown in the acquisition of larger mid-market businesses reflects a decline in supply following on from active deal activity years post-GFC. Add-on acquisitions and minority positions have gained in popularity due to their lower valuation multiples compared to larger buyouts. Owners of complementary businesses find add-on acquisitions to be accretive due to the benefits of revenue and expense synergies. The market has therefore produced more reasonably priced transactions for a particularly defined group of potential buyers.

US Buyouts: Add-ons vs. non add-ons

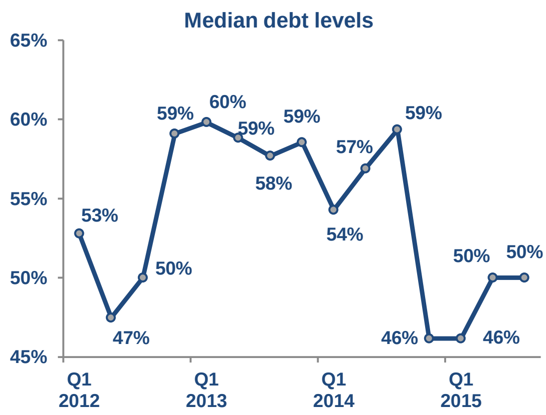


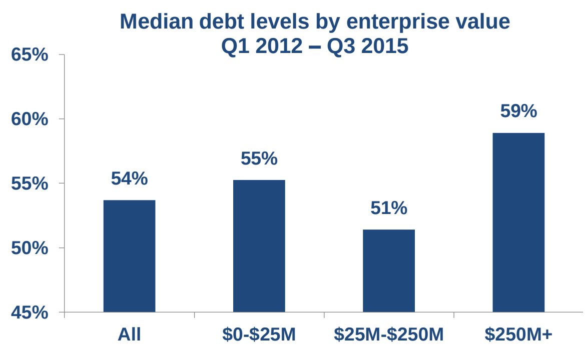
Source: Pitchbook Q4 2015 US PE Breakdown

***As of September 30, 2015. Note: Calendar years.**

Regulators have become increasingly wary of the increased levels of debt used to facilitate payment of record purchase price multiples for transactions in recent years. They have given strong recommendations to lenders not to offer excess leverage for the fear it may become rapidly onerous on companies if the current macro environment reverses. Evidenced by the rapid decline of acquisition debt multiples in recent quarters, lenders have appeared to heed these recommendations. If PE investors cannot continue to access similar amounts of leverage to achieve a targeted level of return, purchase price multiples should come down from their current elevated levels. However, driven by the pressure to invest capital and a healthy supply of strong performing assets, valuation multiples have in fact gone up over the past two years. As these factors begin to wane, the lofty valuation expectations are becoming more challenging to justify.

Median PE debt levels





Source: Pitchbook Q4 2015 Global PE Deal Multiples and Trend Reports

Recent median EV/EBITDA multiples, that reached historic highs in 2012 and have shown recent signs of decline, still remain high particularly within the larger middle market space where many private equity firms are placing more focus. A strong reason for valuations remaining high is the vast sums of un-deployed capital chasing a declining supply of good mid-market investments. Nearly 1,000 active buyout firms started 2014 with $400 billion of undrawn commitments available for deployment. Over the course of 2015, buyout firms remained active in fundraising and held $450 billion of dry powder, increasing demand for an already declining supply. As a result of continued high multiples, investors in the mid-market are expected to become more selective in order to justify and generate appropriate risk-adjusted returns for investors.

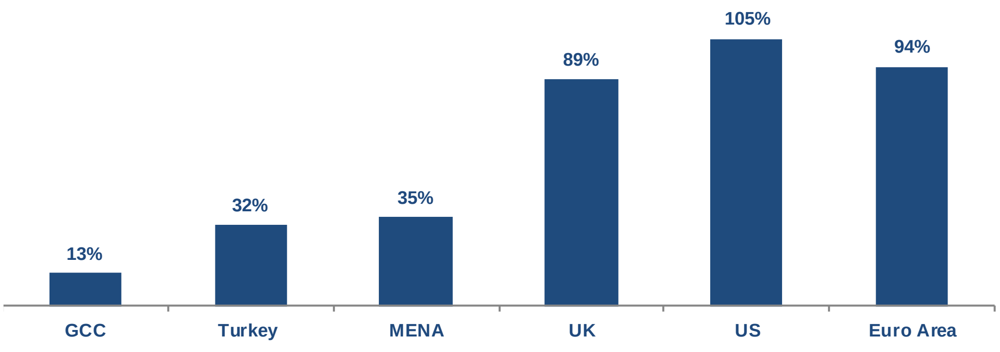
Corporate investment – MENA

During the second half of 2015, the price of oil continued to decrease, mainly driven by lower than expected demand for oil, particularly in China, coupled with supply growth in US shale production and OPEC's decision to maintain high production levels. During this period, the price of oil has averaged around $52 per barrel, and analysts estimate that this low oil price environment will continue to hold in the near future until demand-supply imbalances correct themselves.

In light of such developments, GCC countries have made efforts to consolidate public finances and rationalize subsidies in an attempt to control and reduce their fiscal deficits. Government expenditure across the GCC is forecast to contract in 2016, leading to real non-oil GCC economic growth of 2% in 2016, compared to 4% in 2015[4].

Nonetheless, GCC economies have accumulated large public holdings of foreign assets and have maintained low debt levels that can help buffer some of the impact on financial stability and reduce cuts in government spending. GCC countries have in excess of $800 billion in reserves and debt/GDP of only 13% (vs. 94% in Europe and 105% in US), enabling GCC governments to continue to invest in large development projects and infrastructure.

Government Debt (% GDP)



Source: IMF Regional Economic Outlook, October 2015

Saudi Arabia, the GCC's largest economy, has budgeted a deficit in 2016 of $87 billion (based on average price per barrel of $45), compared to a deficit of $97 billion (15% of GDP) in 2015. Despite a contraction of 13.8% in budgeted expenditure, Saudi Arabia is still expected to invest $225 billion in projects, thereby fuelling growth in the local economy. Dubai has approved a spending budget in 2016

[4] Zawya.com, November 2015

of $12.6 billion, up 12% compared to 2015, with the government committing to maintain the size of its investments in infrastructure over the next five years. Qatar's 2016 budget assumes a decrease of 7.3% in its expenditure to reach $168 billion, resulting in a deficit of $12.8 billion. Saudi Arabia is financing the deficit through liquidation of assets and increased leverage. Qatar has announced plans to finance its deficit through debt issuance placed with both local and foreign lenders.

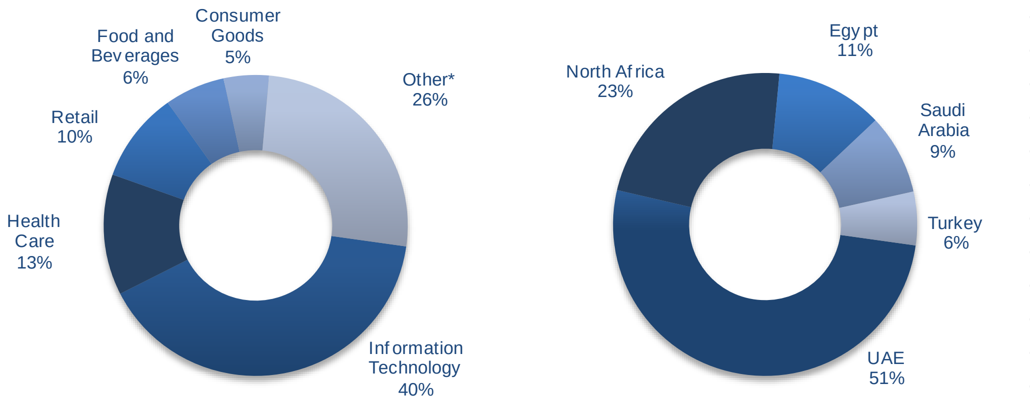
The GCC IPO market witnessed six transactions during 2015 compared to 17 transactions in 2014, representing a year-on-year decline of approximately 65%. As such, capital raised from public markets during 2015 amounted to $1.5 billion, compared to $10.9 billion in 2014. Within the GCC IPO market, Saudi Arabia continued to be the most active with four out of the six regional listings. The relatively subdued activity is mainly attributable to the volatility in the local stock exchanges due to the instability in oil prices, regional geopolitical tensions, together with the slowing of the Chinese economy which has impacted global financial markets. As such, issuers have put listing plans on hold until market conditions improve.

Although the oil price decline has negatively impacted the GCC countries, oil importing countries such as Turkey are expected to benefit. The country continues to be held in high regard as a medium- to long-term investment prospect with GDP growth for 2016 forecasted to be approximately 3.9% versus 3% in 2015. Turkey's current account deficit continues to improve on the back of a depreciating currency, boosting competitiveness and exports, whilst lower oil prices have reduced the energy import bill. In November 2015, Turkey held general elections resulting in a landslide victory for the AKP, the ruling party since 2002, which is expected to help political stability. As of December 2015, year-on-year inflation in Turkey increased to 8.8%, above the long-term inflation target of 5.0%, owing to increasing food prices, and the pass-through impact of the currency depreciation. The long-term outlook of the Turkish economy continues to be positive, on account of the country's solid fundamentals such as its sizeable young population and its strategic geographical position as a trading hub. Such market dynamics coupled with the current economic cyclicality requires a patient and selective approach by investors doing business in Turkey.

Despite challenging market fundamentals, regional markets (GCC & Turkey) continue to attract the interest of investors. During 2015, there were 65 M&A transactions in the region, of which 27 were private equity investments, compared to 31 in 2014. The majority of the private equity investments were in the UAE and Saudi Arabia, and were primarily in the healthcare, TMT[5] and retail sectors. Regional private equity investors continue to face increased competition for attractive assets, both from existing family groups and larger, foreign private equity firms. While the impact of lower oil prices has not yet tempered valuations, the market may begin to correct itself in the future, thereby normalizing valuations and sellers' expectations.

[5] 'TMT' = technology, media and telecommunications.

Breakdown of Private Equity Transactions in 2015



Source: Zawya Private Equity Monitor and Investcorp analysis

*** 'Other' includes, among others, Transport (5%), Education (3%), Services (3%) and Telecommunications (3%).**

Private equity firms continue to plan for exits for their mature portfolio companies, so that investors can receive cash distributions and realize a return on their investments. Notwithstanding the volatile economic environment, 2015 witnessed 13 private equity exits in the GCC, both to private buyers and through IPOs, compared to 32 in 2014. The majority of these exits were in the UAE.

In summary, despite the current oil price trends and volatility in capital markets, the region continues to be buoyed by favorable demographic trends, continued government expenditure in key sectors, large public holdings of foreign assets and relatively low debt levels. Deal flow and IPO activity, though slightly tempered, should continue to create a healthy environment for strong and well-capitalized firms, like Investcorp, to continue to find attractive corporate investment opportunities.

Real Estate investment

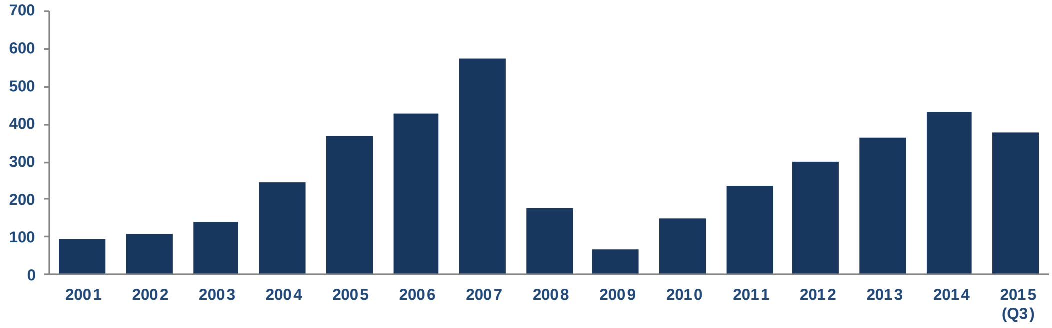
Commercial real estate market fundamentals in the United States continue to show steady improvement across most asset classes in a majority of metropolitan areas. Although there are some broader global economic concerns, a healthy US economy continues to drive demand for US property with an increase in leasing activity, market rents and values. US employment levels continue to grow steadily and the unemployment rate remains at 5%. As labor markets tighten, higher wage growth is beginning to make a long-awaited appearance. These positive trends are having a favorable impact on the office, multifamily, retail, industrial and hospitality sectors.

Given the improving fundamentals and strengthening US economy, demand for US real estate remains robust. Significant equity capital is flowing into the sector and debt financing continues to be readily available at attractive rates and terms. Direct investment into US commercial real estate properties reached $109 billion in Q3 2015, one of the largest quarters in recent history. Commercial real estate sales transaction volume for the first three quarters of 2015 exceeded the same prior year period by 26.2% at $380 billion, but is still well below the peak in 2007 of $442 billion (first three quarters). Both domestic and foreign investors are continuing to find investment in real estate assets in the US to be attractive, although there is strong competition between buyers. Cross-border capital represented 14% of all US acquisitions through Q3 2015. Canada remains the lead country source of capital, followed by

China and Germany. This gradual increase in rates by the Federal Reserve is not expected to have a significant impact on property values or transaction volume.

Transaction Volume

($ billions)



Source: Real Capital Analytics, Inc. 2015

Note: Calendar years.

The US **office market** remained resilient in Q3 2015, buoyed by increased office-using employment, which recorded its largest quarterly gain in 15 years. In spite of financial markets and global economic volatility, US office market fundamentals improved throughout the first three quarters of 2015. Net absorption was healthy, rent growth quickened, and per CBRE Group, the national vacancy rate fell to 13.4%. Leasing demand continues to be led by the high-tech and financial sectors, which accounted for one-third of major leasing activity year-to-date through Q3 2015. Both central business districts ('CBD') and suburban markets have seen a decrease in vacancies and an increase in average rents. New office space development is on the rise, but is still well below the 20-year average and is largely concentrated in a few major markets. At this point in time, it does not appear to be a major concern.

US **retail market** fundamentals continued to improve during the first three quarters of 2015 due to consistent demand and relatively low supply. According to CBRE, the Q3 2015 vacancy rate for all retail properties dropped to 8% and rental rates grew by 1.7% from the previous year. Employment and personal income are the two main drivers of demand for retail space. Strong job growth, evidence of wage growth, and the decline in gasoline prices, are supporting US economic activity. Real retail sales, excluding gasoline stations, are growing at their fastest pace since 1999. But retail real estate performance still varies by category. Class A properties, including high-end urban retail, in the most desirable locations, such as New York, Atlanta, Dallas and Charlotte, continue to thrive. Neighborhood, community and strip centers had the strongest demand among retail segments in Q3 2015. While demand remained relatively weak at large outdoor shopping malls, lifestyle centers and malls. Retail demand was strongest in New York, Atlanta and Chicago. The tightest markets in the country are San Francisco, Miami and Honolulu, all with vacancy rates of less than 5%. Total retail construction completions remain far below average compared to prior years. The construction pipeline is growing, although it is still well below pre-recession levels.

Growth in the **industrial market** continued throughout the 3rd quarter of 2015. Despite slowing slightly, the sector had its 22nd consecutive quarter of net absorption, per CBRE Group, the longest streak in more than 20 years. Demand was broad-based, with strong growth in both core distribution and key secondary markets, with Southern California and Chicago posting the highest net absorption. The US industrial vacancy rate hit a new cycle-low of 9.6%, the lowest since Q3 2001. The San Francisco peninsula, Orange County, Los Angeles, Cincinnati, and Miami led the way with the lowest vacancy rates. Low vacancy rates and strong leasing demand have resulted in sustained rental growth. The average net asking rent grew 1% in Q3 2015 and was up 4.3% year-over-year. Rents are just 4.4% below the previous cycle-high. The import market is closely tied to industrial demand as growing imports increase the need for warehouse and distribution space along the entire supply chain. Construction activity has increased to meet demand although supply is still tight in many markets across the US, particularly for Class A product.

Market fundamentals in the **'for rent' multifamily market** remain strong in Q3 2015. Americans' continued propensity to rent instead of own has further increased demand for multifamily housing: the homeownership rate in the US is at 63.7%. Per CBRE Group, Q3 2015 was the 7th consecutive quarter of positive net absorption across the nation's largest apartment markets, fueled by employment growth and demographically-driven demand. Year-on-year rent growth remained strong and stable, averaging 5.2%. Portland, Oakland, San Francisco and Denver recorded rent growth of twice the national average. New development is on the rise and is expected to peak in 2016. However, demand has generally been keeping pace with supply. Markets that saw the biggest increase in supply for the four quarters ended in Q3 2015 were Boston, Los Angeles and San Francisco.

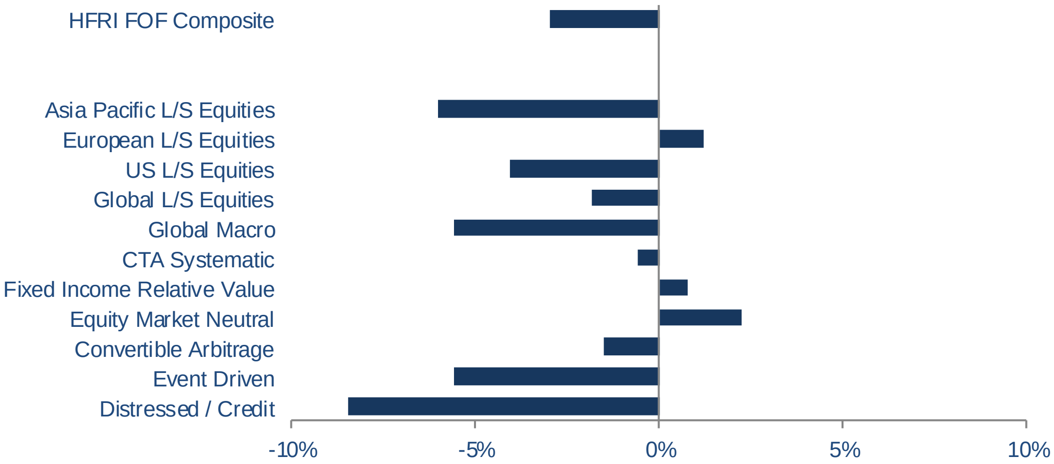
The US **hospitality market** continued to perform strongly during Q3 2015. Revenue per available room ('RevPAR') increased 6.8% for the first three quarters year-to-date of 2015. As demand continued to outpace supply in most US markets, occupancy levels are approaching or have achieved record highs. These record occupancy levels have allowed hotel operators in many cities to increase room rates, resulting in an average daily rate ('ADR') increase of 4.5% during Q3 2015. Western cities like San Jose-Santa Cruz, Oakland, Portland, and Los Angeles continue to lead the way in US-lodging performance. New supply increased by 1.2% in Q3 2015, still well below the annualized long-run average of 1.9%. Markets that are expected to see the biggest increase in supply for 2016 are New York, Miami, Seattle and Austin.

Hedge funds

The second half of CY15 was a challenging period for the hedge funds industry. During this period, hedge funds generated returns of -3.4% as measured by the HFRI Fund of Funds Composite index. This compares to +1.2% for the second half of CY14. This weaker performance is partly reflected in the volatile environment for risk assets, particularly over the summer period with the S&P 500 falling over 12% from mid-July to the lows in August before rapidly retracing losses through October and November.

The repeated bouts of volatility witnessed in global markets occurred within a climate of widespread anxiety regarding the pace of global growth, the Fed's readiness for liftoff, and a Chinese economy converging towards a lower growth equilibrium. Consensus expectations for global growth have continued to soften over the last six months, particularly driven by a loss of momentum in emerging markets ('EM') – particularly in Latin America. Developed markets have broadly held up with some encouraging signs of growth acceleration from the Euro area.

Performance of hedge fund strategies* (July – December 2015)

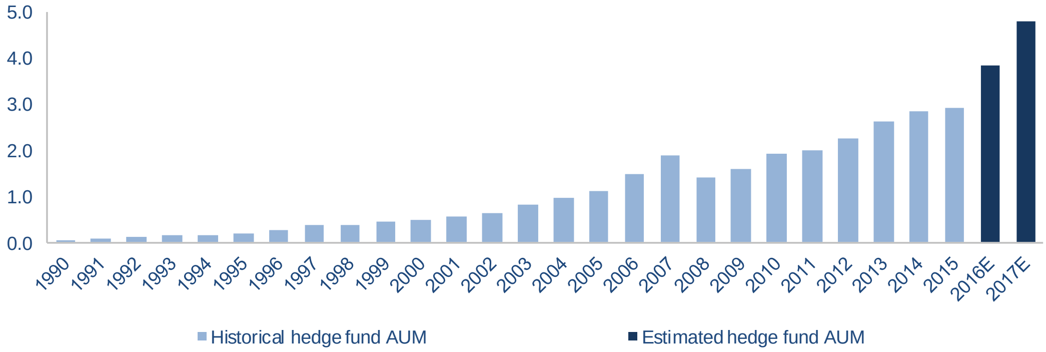


*** Strategy benchmark returns are sourced from various external providers.**

For 2015, most returns for risk assets were generated in the first half of the calendar year and then set back by the summer volatility. The US equity market ended 2015 marginally positive, Europe was stronger at around 5%, and emerging markets trailed as slowing China growth and strengthening dollar impacted sentiment.

Despite the subdued performance, industry assets under management are expected to increase significantly over the next few years.

Hedge fund industry assets under management ($ trillion)



Source: AUM data is through Q4 2015 from HFR® Global Hedge Fund Industry Report – Year End 2015, www.hedgefundresearch.com. AUM projections from 2014 Citi Prime Finance Publication, June 2014

Discussion of Results

Net Income

Net income includes fee income from client-centric activities and asset-based income from returns generated on balance sheet assets, including unrealized changes in fair value of co-investments in Investcorp's corporate investment ('CI'), real estate ('RE') and hedge fund ('HF') products.

Net income of $50.9 million for H1 FY16 was 12% higher than the comparative period last year, primarily driven by a strong performance in the Firm's asset-based income and with continued high levels of transactional activity and associated fee income.

Income ($m)	H1 FY16	H1 FY15	% Change B/(W)
Fee income	134.7	156.7	(14%)
Asset-based income	43.7	(2.6)	>100%
Gross operating income	**178.4**	**154.0**	**16%**
Provisions for impairment	(7.5)	(1.5)	>(100%)
Interest expense	(31.0)	(29.0)	7%
Operating expenses	(89.0)	(78.2)	14%
Net income	**50.9**	**45.3**	**12%**
Basic earnings per ordinary share ($)	0.74	0.73	0%
Fully diluted earnings per ordinary share ($)	0.71	0.71	0%

Asset-based income increased to $43.7 million, a significant turnaround from the loss of $2.6 million in H1 FY15. This was driven by robust performance in corporate investments, reflective of improving economic conditions, particularly in the US. Fee income decreased by 14% to $134.7 million from $156.7 million in H1 FY15, primarily driven by lower performance fees from hedge funds and the exceptionally high exit and performance fees on the exit of Berlin Packaging included in H1 FY15.

Interest expense increased by 7%, reflecting a higher average cost of funding. Operating expenses increased by 14% to $89.0 million (H1 FY15: $78.2 million) in line with the growth in operating income.

Fee Income

Fee income has two components: (i) AUM fees which includes management fees on aggregate client investments under management in corporate and real estate deals, as well as fees from client investments in hedge funds; and (ii) Deal fees which are generated and earned from transactional activities related to direct investments (corporate, real estate and special opportunities portfolios), including their initial acquisition, subsequent placement and eventual exit, plus performance fees for value added during the ownership period.

Summary of fees ($m)	H1 FY16	H1 FY15	% Change B/(W)
Hedge fund fees	4.9	10.3	(52%)
Other management fees	43.7	44.0	(1%)
AUM Fees	**48.6**	**54.3**	**(10%)**
Activity fees	75.3	86.1	(13%)
Performance fees	10.8	16.3	(34%)
Deal fees	**86.1**	**102.4**	**(16%)**
Fee income	**134.7**	**156.7**	**(14%)**

Total fee income in H1 FY16 decreased to $134.7 million (H1 FY15: $156.7 million).

AUM fees were $48.6 million in H1 FY16, 10% lower than H1 FY15. The decline was primarily the result of lower hedge fund fees, reflecting lower absolute returns to clients and consequently lower performance fees compared to the previous period; and a lower level of client assets under management. Other management fees remained flat in H1 FY16 as compared to H1 FY15.

Deal fees decreased in H1 FY16 to $86.1 million. Although acquisition activity was higher; and placement activity was at similar levels to H1 FY15, activity fees decreased by 13% to $75.3 million. This reflects a reduction in exit-related ancillary fees, where the comparative period includes an exceptionally high fee from the successful exit of Berlin Packaging. Performance fees also declined by 34% relative to H1 FY15 also reflecting the high performance fee from the exit of Berlin Packaging in H1 FY15.

Asset-based Income

Asset-based income is earned on Investcorp's corporate investment, real estate investment and hedge funds co-investments held on their balance sheet, including invested liquidity. Asset-based income includes unrealized changes in fair value of corporate and real estate co-investments.

Gross asset-based income during H1 FY16 increased by $46.3 million versus last year to a net gain of $43.7 million, primarily driven by strong returns in the corporate investment portfolio.

Asset-based income ($m)	H1 FY16	H1 FY15	% Change B/(W)
Corporate investment	40.4	0.7	>100%
Hedge funds	(1.9)	(10.3)	81%
Real estate investment	4.6	5.6	(19%)
Treasury and other asset-based income	0.6	1.4	(56%)
Gross asset-based income	**43.7**	**(2.6)**	**>100%**

CI asset-based income was strong during H1 FY16, reflecting an improving economic environment, particularly in the US and positive performance, in aggregate, across Investcorp's portfolio companies. Hedge funds returns for H1 FY16 reflect performance drawdowns on investments with select single managers, resulting in an overall loss of 0.4%. RE asset-based income, primarily driven by rental yields on investments acquired post-2009, delivered $4.6 million in H1 FY16 versus $5.6 million in H1 FY15. Treasury and other asset-based income decreased marginally to $0.6 million.

The tables below summarize the primary drivers of asset-based income for corporate investment, hedge funds and real estate investment.

CI asset-based income KPIs ($m)	H1 FY16	H1 FY15	% Change B/(W)
Asset-based income	40.4	0.7	>100%
Average co-investments (excluding underwriting)	605.6	828.5	(21%)
Absolute yield	6.2%	0.1%	6.1%

HF asset-based income KPIs ($m)	H1 FY16	H1 FY15	% Change B/(W)
Asset-based income	(1.9)	(10.3)	81%
Average co-investments	442.1	457.7	(3%)
Absolute yield	(0.4%)	(2.3%)	1.9%

RE asset-based income KPIs ($m)	H1 FY16	H1 FY15	% Change B/(W)
Asset-based income	4.6	5.6	(19%)
Average co-investments	265.9	222.4	20%
Absolute yield	1.7%	2.5%	(0.8%)

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

Asset yields	H1 FY16	H2 FY15	H1 FY15	H2 FY14	H1 FY14
Corporate investment	6.2%	9.8%	0.1%	3.7%	(1.1%)
Real Estate investment	1.7%	2.0%	2.5%	(1.3%)	(2.3%)
Hedge Funds (net)	(0.4%)	4.3%	(2.3%)	2.0%	5.2%
Average co-investment yield	3.2%	3.8%	(0.3%)	2.7%	0.2%

Corporate investment returns have improved steadily over the last few years due to an improving macro-economic environment and growing profitability across the underlying portfolios companies. Steady real estate returns reflect strong performance of the post-2009 real estate portfolios which continue to deliver targeted levels of on-going rental yields. Real estate returns in FY14 were negatively impacted by valuation write downs on legacy (pre-FY09) investments. During the first six months of FY16, Investcorp's hedge funds co-investments delivered a return of -0.4%. During the same period, the industry benchmark, the HFRI Fund of Funds Composite Index returned -2.9%. The outperformance to the benchmark is due to a strong relative performance across the portfolio including fund of funds and alternative beta investments.

Interest Expense

Total interest expense, including commitment fees on undrawn revolving credit facilities, increased by 7% to $31.0 million in H1 FY16 from $29.0 million. The increase was principally due to a higher average cost of funding on drawn debt. This was partly offset by lower average levels of outstanding interest-bearing debt in H1 FY16 which decreased to $1,235.2 million (H1 FY15: $1,299.0 million). The funding mix remained stable, with short-term liabilities representing one-third of the total.

The average cost of drawn funding was higher year-on-year by 0.7% as shown in the table below.

Interest expense ($m)	H1 FY16	H1 FY15	Change H/(L)
Total interest expense	**31.0**	**29.0**	**2.0**
Average short-term interest-bearing liabilities	412.6	454.0	(41.4)
Average medium- and long-term interest-bearing liabilities	822.6	845.0	(22.1)
Average interest-bearing liabilities	**1,235.2**	**1,299.0**	**(63.8)**
Interest expense on funded liabilities[a]	26.4	23.8	2.6
Average cost of funding on funded liabilities	**4.3%**	**3.6%**	**0.7%**

(a) Does not include commitment fee and other facility costs on undrawn revolvers.

Operating Expenses

Operating expenses increased by 14% to $89.0 million in H1 FY16 from $78.2 million in H1 FY15. Staff compensation, which includes fixed and variable components, increased by 20.9%. This was primarily due to the 11% increase in headcount to support business growth. Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment increased by 6.4%. Total expenses, as a percentage of net revenues, increased slightly to 64% in H1 FY16 from 63% in H1 FY15.

Operating expenses ($m)	H1 FY16	H1 FY15	Change
Staff compensation	48.4	40.0	8.4
Other personnel costs and charges	5.8	4.1	1.7
Other operating expenses	34.9	34.1	0.8
Total operating expenses	**89.0**	**78.2**	**10.8**
Full time employees ('FTE') at end of period	319	296	23
Staff compensation per FTE ('000)	151.6	135.3	12%
Other operating expenses per FTE ('000)	109.3	115.1	(5%)
Total staff compensation / total operating expenses	54%	51%	3%
Operating expenses / Net revenue[a]	64%	63%	1%

(a) Net revenue represents net income before operating expenses.

Balance Sheet

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	Dec-15	Jun-15
Total assets	$2.3 billion	$2.2 billion
Leverage[(a)]	1.5x	1.3x
Net leverage ratio[(b)]	0.9x	0.7x
Shareholders' equity	$0.9 billion	$0.9 billion
Co-investments[(c)] / long-term capital[(d)]	0.8x	0.8x
Capital adequacy ratio	27.6%	28.7%
Residual maturity – medium- and long-term facilities	69 months	75 months

(a) Calculated in accordance with bond covenants.

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

(c) Excludes underwriting and is net of revolving facilities secured against hedge fund co-investments.

(d) JPY37 billion debt maturing in 2030 and $50 million debt maturing in 2032, deferred fees and total equity.

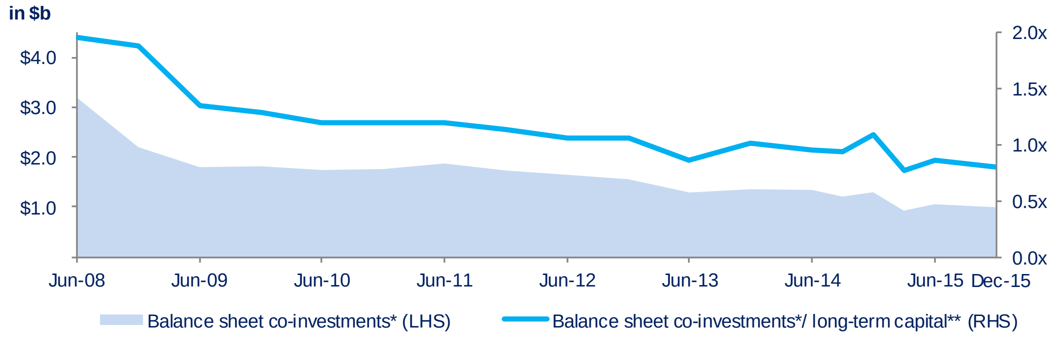
Assets

Assets ($m)	Dec-15	Jun-15	Change H/(L)
Cash and other liquid assets	299	339	(40)
CI and RE underwriting	289	88	201
HF co-investments	442	421	21
CI and RE co-investments (excluding underwriting)	729	810	(81)
Other (working capital and fixed assets)	560	503	57
Total assets	**2,318**	**2,161**	**157**
Co-investment assets (excluding underwriting)	**1,171**	**1,231**	**(60)**

At December 31 2015, total assets were $2.3 billion, 7.3% higher than at June 30, 2015, primarily because of an increase in underwriting held for placement. The fall in CI and RE co-investments reflects realizations net of new acquisitions and a lower carrying value, in USD terms, of CI co-investments in Europe due to exchange rate movements[6]. As at December 31 2015, gross exposure in hedge funds was $442 million of which $50 million was utilized to secure amounts drawn under a bi-lateral $175 million revolving facility.

6 Investcorp hedges its non-USD denominated CI co-investments on the balance sheet against exchange rate movements. The weakening Euro has therefore had no material P&L impact. The offset to the decline in carrying value of CI co-investments resulting from a weakening Euro is reflected in changes in the fair value of derivatives.

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



* Excludes underwriting and is net of the amount of a bilateral revolving facility (which is secured against hedge funds when drawn)

** Long-term capital consists of JPY 37 billion debt maturing in 2030, $50 million debt maturing in 2032, total equity and deferred fees

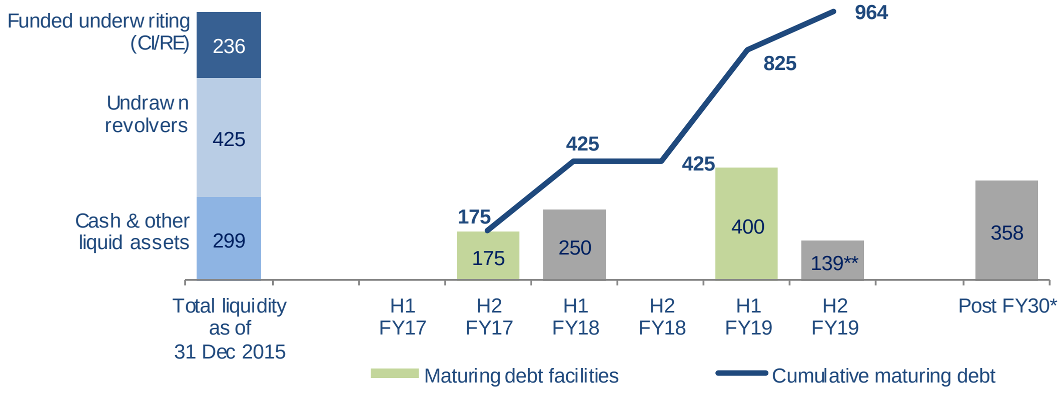
Investcorp focuses on maintaining a co-investment to long-term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. As at December 31, 2015 the aggregate level of co-investments net of a $175 million revolving facility secured against hedge funds remained fully covered by permanent and long-term sources of capital.

Liquidity

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was $724 million (June 30, 2015: $864 million) and substantially covers all outstanding medium-term debt maturing over the next three years.

Hedge fund co-investments continue to provide a further structural tier of liquidity but are now a less significant component, given the substantial reduction over the last five years in both the aggregate level of balance sheet assets and the absolute amount of hedge fund co-investments. Hedge fund co-investments also have a focus on single manager seeding, which requires a commitment to lock-up periods. The monetization profile of Investcorp's $442 million hedge fund co-investments at December 31, 2015 was 74% within three months, 77% within six months and 85% within twelve months. As at December 31, 2015, $50 million of hedge fund co-investments were provided as collateral against secured revolving financing facilities.

Liquidity cover ($m)



*JPY 37 billion ($302 million at current exchange rates) debt maturing in 2030 and $50 million maturing in 2032

** CHF 125 million ($125 million at current exchange rates)

Liabilities

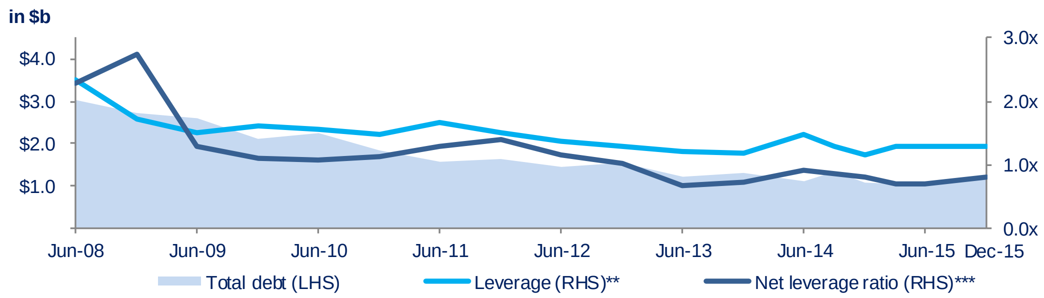
Total liabilities increased by $150 million to $1.4 billion at December 31, 2015.

Liabilities ($m)	Dec-15	Jun-15	Change H/(L)
Term and institutional borrowings	187	38	149
Call accounts	139	101	38
Medium-term debt	511	435	76
Long-term debt	368	348	20
Total debt	**1,205**	**922**	**283**
Deferred fees	93	100	(7)
Other liabilities[(a)]	131	258	(127)
Total liabilities	**1,429**	**1,279**	**150**

(a) Payables and accrued expenses, negative fair value of derivatives less prepaid transaction costs of borrowings.

The increase in medium-term debt reflects a partial drawdown of the syndicated bank revolver in order to fund new deal underwriting. The change in long-term debt was primarily due to the appreciation of the Japanese Yen against the US Dollar. Other liabilities at June 30, 2015 include $104 million for preference shares that were redeemed in July 2015.

Financial leverage



* Total debt is defined as call accounts, term and institutional borrowing, medium- and long-term debt
** Calculated in accordance with bond covenants. Liabilities are net of transitory balances
*** Calculated in accordance with bank loan covenants, net of liquidity, underwriting and deferred fees

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

Net leverage, as defined in the $400 million revolver due 2018, is calculated by deducting cash and underwriting balances from liabilities and excludes the impact of the adoption of the revised IFRS 15.

Credit Ratings

Investcorp held its annual rating review with both Moody's and Fitch in H1 FY16. Investcorp's credit ratings remain unchanged at Ba2/BB with a stable outlook.

Agency	Rating grade	Comment
Moody's Investor Service	Ba2 / Stable outlook	Credit Opinion published Oct 2015
Fitch Ratings	BB / Stable Outlook	Ratings Navigator published Dec 2015

Equity

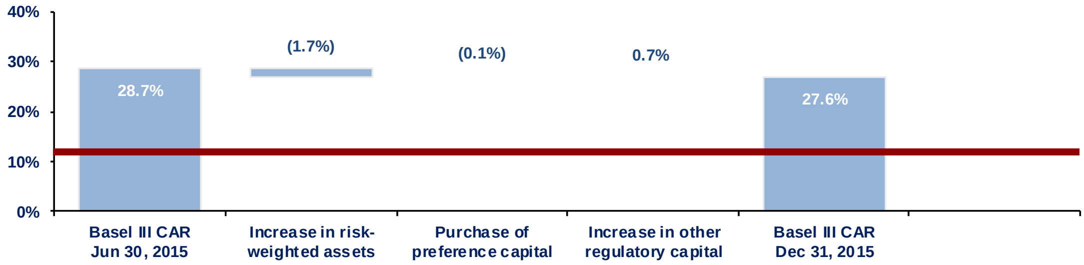
Equity ($m)	Dec-15	Jun-15	Change H/(L)
Ordinary shareholders' equity	672	624	48
Preference share capital	223	225	(2)
Proposed appropriations	-	42	(42)
Fair value and revaluation adjustments	(6)	(9)	3
Net book equity	**889**	**882**	**7**

Net equity at December 31, 2015 remained stable at $889 billion. Net income for the period was substantially offset by the payment of FY15 dividends and other appropriations.

Capital Adequacy

Investcorp's capital adequacy ratio ('CAR') at December 31, 2015 was 27.6% (June 30, 2015: 28.7%), reflecting an increase in risk-weighted assets offset by an increase in regulatory capital. The CAR is comfortably in excess of the Central Bank of Bahrain's ('CBB') regulatory minimum requirement of 12.5%.

Regulatory capital adequacy ratio (CAR)



The CBB has designated Investcorp as a Domestic Systemically Important Bank ('DSiB'). As a result of this designation, Investcorp will be subject to an increased frequency of prudential meetings and inspections by the CBB. Subject to a separate future assessment, the CBB may also require DSIBs to maintain a higher minimum regulatory capital threshold.

Shareholder Base

At December 31, 2015, Investcorp remains a management-controlled company, with management, in concert with strategic shareholders, controlling the voting of 66.9% of Investcorp's ordinary shares. The public float of 33.1% is split between owners holding 32.2% in ordinary shares on the Bahrain Bourse, and 0.9% of beneficial ownership through unlisted GDRs.

In September 2015, at an Extraordinary General Meeting (EGM) of shareholders, shareholders approved a proposal to split Investcorp Bank B.S.C. ordinary shares on a basis of 100:1. Each ordinary share, having a nominal value of US$250 per share, has been split into 100 ordinary shares, having a nominal value of US$2.50 per share, resulting in: (i) an increase in the number of the authorized ordinary shares from 4,000,000 to 400,000,000; and (ii) an increase in the number of the issued ordinary shares from 800,000 to 80,000,000.

Segmental Analysis

Net Income by Operating Segment

Investcorp's activities are classified into two primary operating segments: a fee business and a co-investment business.

The fee business earns income generated from transactional activity and management of client AUM. The co-investment business earns asset-based income on balance sheet co-investments in Investcorp's corporate investment, real estate and hedge fund products. Asset-based income arising from treasury and other activities is attributed to the fee business.

This classification reflects a commonly used approach for a hybrid firm such as Investcorp, where the overall business can be considered a combination of fee income and investment income-generating components, essentially the combination of an asset management business and a principal investment business. As the fee and co-investment businesses are clearly distinct, separate financial disclosure of the two segments should enhance stakeholders' understanding of Investcorp's business model. This is especially important as the fee business continues to evolve as the dominant contributor to Investcorp's overall financial performance.

A portion of the aggregate operating expenses are allocated to the co-investment business on an ex-ante basis using a fixed fee that is charged on total balance sheet co-investments at the beginning and middle of the year. Variable compensation expenses are also allocated to the co-investment business based on the firm's overall compensation ratio. All residual operating expenses are attributable to the fee business.

Interest expense is allocated between the two operating segments based on the average balances of interest bearing liabilities utilized by each segment for its operations.

Net Income from Fee Business

A detailed analysis of the net income for the fee business is shown in the table below.

Net income: fee business ($m)	H1 FY16	H1 FY15	% Change B/(W)
AUM fees	48.6	54.3	(10%)
Deal fees	86.1	102.4	(16%)
Treasury and other asset-based income	0.6	1.4	(56%)
Gross revenue from fee business	**135.3**	**158.1**	**(14%)**
Provisions for impairment	(7.5)	(1.5)	>100%
Interest expense	(19.4)	(15.7)	23%
Net revenue from fee business	**108.4**	**140.9**	**(23%)**
Operating expenses	(82.0)	(72.5)	13%
Net income from fee business	**26.4**	**68.4**	**(61%)**

Gross revenue from the fee business decreased by 14% from $158.1 million in H1 FY15 to $135.3 million in H1 FY16. The decrease in the period was primarily driven by lower levels of deal activity, which led to a fall in deal fees, and lower hedge funds fees.

Please refer to Discussion of Results – Fee Income *for more detail on the performance in H1 FY16 compared to H1 FY15.*

Net income from the fee business decreased to $26.4 million in H1 FY16 from $68.4 million in H1 FY15. This was primarily driven by the 14% decrease in gross fees income, an increase in interest expense by 25% and a one off increase in provisions for impairment by $6 million.

Net Income from Co-Investment Business

A detailed analysis of the net income for the co-investment business is shown in the table below.

Net income: co-investment business ($m)	H1 FY16	H1 FY15	% Change B/(W)
Asset-based income from hedge funds co-investments	(1.9)	(10.3)	(81%)
Asset-based income from corporate co-investments	40.4	0.7	>100%
Asset-based income from real estate co-investments	4.6	5.6	(19%)
Gross revenue from co-investment business	**43.1**	**(4.1)**	**>(100%)**
Interest expense	(11.6)	(13.3)	(13%)
Net revenue from co-investment business	**31.5**	**(17.3)**	>100%
Operating expenses	(7.0)	(5.7)	(23%)
Net income from co-investment business	**24.5**	**(23.1)**	>100%

Net income from the Group's co-investment business was $24.5 million in H1 FY16 compared to a loss of $23.1 million in H1 FY15. This was primarily due to the positive asset-based performance in corporate and real estate investments.

Please refer to Discussion of Results – Asset-based Income *for more detail on the performance in H1 FY16 compared to H1 FY15.*

Balance Sheet by Operating Segment

The following methodology has been used for allocating assets, liabilities and equity to each of the fee and co-investment business segments:

Assets: All co-investments and related receivables, excluding underwriting, are allocated to the co-investment business. All other assets, including cash in transit associated with redemptions from hedge funds and realizations of corporate and real estate co-investments and associated advances are allocated to the fee business.

Liabilities: All long-term debt and a proportion of drawn medium-term debt, including secured loans, are allocated to the co-investment business. Client investment accounts, term and institutional borrowings and the residual amount of medium-term debt are allocated to the fee business.

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

At the beginning of each fiscal year, the amount of equity required for the fee business is re-assessed based on the next 12 months' planned investment and placement activity. As a result, any excess or shortfall in the assessed equity for the fee business will be moved either to, or from, the co-investment business.

As at December 31, 2015, the segmental balance sheets for the fee business and the co-investment business are shown in the table below.

	Fee business		Co-investment business		Total	
Balance sheet ($m)	**Dec-15**	**Jun-15**	**Dec-15**	**Jun-15**	**Dec-15**	**Jun-15**
Cash and other liquid assets	298.7	339.3	-	-	298.7	339.3
Advances and receivables	407.8	377.8	46.8	8.7	454.6	386.4
Co-investments (CI, HF, RE)	-	-	1,170.5	1,231.2	1,170.5	1,231.2
Underwriting	288.7	87.5	-	-	288.7	87.5
Other assets	105.4	117.0	-	-	105.4	117.0
Total assets	**1,100.7**	**921.6**	**1,217.3**	**1,239.8**	**2,318.0**	**2,161.4**
Call accounts	139.4	101.0	-	-	139.4	101.0
Term and institutional borrowings	187.2	37.7	-	-	187.2	37.7
Medium-term debt	460.5	332.3	50.2	84.7	510.7	417.1
Long-term debt	-	-	368.1	346.2	368.1	346.2
Deferred fees	92.7	100.3	-	-	92.7	100.3
Other liabilities	121.1	271.3	9.9	5.8	131.0	277.1
Total liabilities	**1,000.9**	**842.7**	**428.2**	**436.8**	**1,429.1**	**1,279.4**
Total equity	**99.8**	**78.9**	**789.1**	**803.1**	**888.9**	**882.0**
Total liabilities and equity	**1,100.7**	**921.6**	**1,217.3**	**1,239.8**	**2,318.0**	**2,161.4**

The total assets of the co-investment business decreased slightly over the six month period, primarily due to the realizations in CI and RE co-investments and lower CI Europe co-investment amounts, in dollar terms, due to the depreciation in the Euro and British Pound versus the US Dollar. In line with the decrease in total assets, the total liabilities allocated to the business segment also decreased.

The total assets of the fee business increased to $1.1 billion, primarily driven by the higher level of underwriting and receivables, in line with increased deal activity during the period.

Investment Activity

New Acquisitions: Corporate Investment

Investcorp targets the acquisition of attractive corporate investment opportunities in North America, Europe, the Gulf region, and Turkey. In addition, it continues to support its existing portfolio companies to increase their market share and expand their operational footprint through selected add-on acquisitions. The Firm seeks corporate investments that it believes offer its investors an attractive return profile, driven by proactive value creation initiatives, including revenue growth through expansion in new territories, business efficiency improvements and the strengthening of management teams.

The aggregate capital deployed in corporate investments during H1 FY16 was $356 million. $314 million was deployed across three new corporate investments and $42 million was invested through the Investcorp Technology Fund III into an existing portfolio company.

POC

A leading Swedish manufacturer of premium skiing and cycling helmets, apparel and accessories.

Date of Investment	**October 2015**
Industry Sector	**Consumer products**
Headquarters	**Stockholm, Sweden**

Bindawood

A leading chain of supermarkets and hypermarkets.

Date of Investment	**December 2015**
Industry Sector	**Consumer products – grocery retail**
Headquarters	**Jeddah, Saudi Arabia**

SecureLink

A leading provider of integrated cyber security products and services.

Date of Investment	**December 2015**
Industry Sector	**Technology – IT security services**
Headquarters	**Wommelgem, Belgium / Sliedrecht, Netherlands**

Other Corporate Investment Activities

A number of Investcorp's corporate investment portfolio companies made add-on acquisitions to grow value as part of their investment strategies. Such add-on acquisitions enable the companies to grow revenues, for example by developing market share, by entering new markets and geographies, or by extending services or product ranges.

October 2015: In October, Investcorp Technology Fund III increased its share ownership in OpSec Security Group, to become majority shareholders of the Company. Investcorp

Technology Fund III launched a take-private offer for OpSec, by offering to buy shares held by independent shareholders, by means of a court-sanctioned scheme of arrangement. The scheme was approved and the transaction subsequently closed in December.

Other add-on investments are summarized below. No additional equity from Investcorp or its investors was required for these investments.

July 2015: GL Assessment, one of the two business units that form **GL Education Group**, acquired by Investcorp in 2012, added Lucid Research, a specialist provider of assessments for children with Special Educational Needs and Disabilities (SEND) to its portfolio. The combination of assessments from Lucid and GL Assessment will provide schools with a complete SEND assessment package that includes assessments for dyslexia, visual stress, memory, reading and cognitive development.

August 2015: **Tyrrells** acquired **Yarra Valley Snack Foods**, a fast-growing premium snacks business making natural, organic and gluten-free products. Based in Australia, Yarra Valley Snack Foods employs around 85 people and generated sales of around AUS$17 million in FY15. This acquisition is a natural progression for Tyrrells, allowing it to build local manufacturing capacity to develop further opportunities throughout Asia, and act as a stepping stone for Tyrrells to build its international presence.

August 2015: t**otes>>ISOTONER** signed an exclusive license agreement with Pistil, a U.S. designer, manufacturer and distributor of headwear products.

August 2015: **Randall-Reilly** acquired **JiggyJobs.com**, expanding its already robust portfolio of driver recruiting services. The website brings with it a well-rounded online presence through its social media and blog, as well as a database of drivers to provide leads for Randall-Reilly clients.

September 2015: **Veritext** acquired **Tiffany Alley Global Reporting and Video**, a premier court reporting agency servicing the needs of litigators throughout the state of Georgia for the past 29 years.

November 2015: **Veritext** acquired **Cruz & Company, LLC**, a provider of court reporting services throughout New Jersey, in the US since 1998.

New Acquisitions: Real Estate

Investcorp focuses on the acquisition of existing core and core-plus commercial and residential real estate assets situated in the 30 largest and most diversified markets in the US. The firm seeks properties that can offer investors an attractive current return and the potential for capital appreciation through hands-on asset management, revenue improvements, expense rationalization and value-added capital improvements. The majority of real estate investments are structured in a Shari'ah compliant manner.

The aggregate equity deployed in new real estate investments in H1 FY16 was $344 million across two portfolios and three new properties to form part of a new portfolio.

2015 Residential Properties II Portfolio

Shari'ah compliant equity ownership interests in apartment complexes in the Las Vegas, Nevada metro area (Solis at Flamingo*), the Chicago, Illinois metro area (The Reserve at Hoffman Estates*), the Atlanta, Georgia metro area (Rosemont at Vinings Ridge), the Denver, Colorado metro area (Cherry Creek Club) and the Dallas/Fort Worth, Texas metro area (American Communities Portfolio of four apartment complexes).

*signed and purchased in FY15

Number of properties	**8**

2015 Office & Industrial Properties Portfolio

Shari'ah compliant equity ownership interests in five office buildings in the San Francisco, California metro area (Tower Plaza), three office buildings in the Boston, Massachusetts metro area (Ballardvale Office Portfolio), and two multi-tenant office buildings (Paces West) and sixty-nine industrial buildings (Stone Mountain Industrial Portfolio) both in the Atlanta, Georgia metro area.

Number of properties	**79**

Three new student housing properties in Boca Raton, Florida were acquired during December 2015. These properties will be part of a new portfolio to be placed during H2 FY16.

Hedge Fund Activities

In October, Investcorp's Hedge Funds business announced a strategic relationship with **Nut Tree Capital Management**, a New York-based alternative credit investment manager founded by Jed Nussbaum. Nut Tree Capital will pursue a fundamental credit strategy by investing in distressed, stressed and high yield value credit with some exposure to value and event-driven equity. Prior to launching Nut Tree Capital, Mr. Nussbaum was at Redwood Capital Management ('Redwood'), a $6.4 billion stressed and distressed credit hedge fund management firm, for 12 years where he served as a Partner from 2010 and as the Deputy Portfolio Manager of the Redwood Opportunity Fund from 2013 until his departure in early 2015. At Redwood, Mr. Nussbaum invested in the credit and equity of companies across a wide range of industries.

In November, the Firm announced the acquisition of the Hedge Fund of Funds business unit of **SSARIS Advisors, LLC**. SSARIS is an investment manager of absolute return hedge fund strategies and hedge fund of funds strategies headquartered in Wilton, Connecticut. With its approximately $800 million in discretionary and advisory assets, and clients across the US, Europe and Asia, it is expected that this acquisition will help grow Investcorp's existing Hedge Funds platform and is consistent with its long-term strategy and commitment to meet investor demand for innovative and customized solutions. Key members of SSARIS hedge fund of funds investment team joined Investcorp in November 2015.

In December, Investcorp also announced a strategic relationship with **Kinneret Group** (‘Kinneret’), a New York-based quantitative equity long/short asset manager. Kinneret was founded in 2011 by Mony Rueven, a 33-year industry veteran who previously spent 12 years at global investment and technology development firm, the D.E.Shaw Group. Kinneret seeks to identify long/short securities within the S&P 500 using a differentiated systematic approach that aims for consistent alpha, low net market exposure and minimal correlation to market and peer-group benchmarks. Kinneret’s leadership is comprised of a recognized senior team with deep experience in building and managing systematic, computer-driven, model-based trading organizations around paradigm shifts in global financial markets.

Realizations & Distributions

Total realization proceeds and other distributions to Investcorp and its clients were $493 million in H1 FY16.

Corporate Investment Realizations

Veritext

A leading national provider of deposition and litigation support services.

Date of Investment	**July 2010**
Date of Realization	**December 2015**
Investors	**Deal-by-deal**
Industry Sector	**Industrial services – business services**

Autodistribution

The leading independent distributor of auto, truck and industrial spare parts in France.

Date of Investment	**March 2006**
Date of Realization	**December 2015**
Investors	**Deal-by-deal**
Industry Sector	**Distribution**

N&W

A leading manufacturer of food and beverage vending machines.

Date of Investment	**November 2008**
Date of Realization	**December 2015***
Investors	**Deal-by-deal**
Industry Sector	**Industrial products**

* A d*efinitive sale agreement has been signed. The sale is expected to close in Q3 FY16*

In November 2015, Investcorp executed a block trade to sell its remaining minority stake in **Asiakastieto**. This transaction successfully concludes a multiple step exit process for the investment in Asiakastieto which started with a debt recapitalization in December 2014 and was followed by an IPO in March 2015. Asiakastieto was originally acquired in May 2008.

In December 2015, Investcorp executed a block trade to sell its remaining minority stake in **Skrill** following the sale of the company to Optimal Payments plc for €1.1 billion in July 2015. Skrill was originally acquired in March 2007.

Other Transactional Activities

In September, Investcorp completed a $19 million dividend distribution for PRO Unlimited. The transaction was used to pay accumulated interest and redeem a portion of the PIK notes held by investors

Real Estate Realizations

Paramount Hotel Mezzanine Loan

Secured by a 597-room hotel property.

Date of Realization	July 2015
Portfolio Name	Investcorp Real Estate Credit Fund III
Location	New York, New York

Villages at Meyerland

A 714-unit multifamily property.

Date of Realization	July 2015
Portfolio Name	Texas Apartment Portfolio II
Location	Houston, Texas metro area

Bristol Square

A 330-unit multifamily property.

Date of Realization	July 2015
Portfolio Name	Texas Apartment Portfolio II
Location	Austin, Texas metro area

Airport Technology Park

A six-building multi-tenant office park totaling 295,426 square feet.

Date of Realization	July 2015
Portfolio Name	Diversified Properties VIII
Location	Santa Clara, California

Residence Inn Manhattan Beach

A 176-room extended stay hotel.

Date of Realization	July 2015
Portfolio Name	Diversified Properties IX
Location	Manhattan Beach, California

Doubletree Westborough

A 223-room hotel.

Date of Realization	July 2015
Portfolio Name	Investcorp Real Estate Credit Fund (IRECF)
Location	Westborough, Massachusetts

Doubletree Commerce

A 201-room hotel.

Date of Realization	**October 2015**
Portfolio Name	**Investcorp Real Estate Credit Fund (IRECF)**
Location	**Commerce, California**

Doubletree Minneapolis

A 229-room hotel.

Date of Realization	**October 2015**
Portfolio Name	**Investcorp Real Estate Credit Fund (IRECF)**
Location	**Minneapolis, Minnesota metro area**

Broadreach Mezzanine Loan

Secured by two office buildings totaling 467,000 square feet.

Date of Realization	**November 2015**
Portfolio Name	**2012 Office Properties**
Location	**Denver, Colorado metro area**

Broadway Webster

A 98,585-square foot medical office building.

Date of Realization	**November 2015**
Portfolio Name	**Diversified Properties IX**
Location	**Oakland, California metro area**

Coral Palm Plaza

A 135,672-square foot retail center.

Date of Realization	**December 2015**
Portfolio Name	**Commercial Properties VI**
Location	**Coral Springs, Florida**

Penn Center East

A mixed-use complex comprising of seven office buildings, four stand-alone retail stores and one multi-tenant retail building totaling approximately 953,204 square feet.

Date of Realization	**December 2015**
Portfolio Name	**Diversified Properties VII**
Location	**Pittsburgh, Pennsylvania metro area**

Texas Retail Portfolio

A 2.4 million-square foot, 22-asset retail portfolio.

Date of Realization	**December 2015**
Portfolio Name	**Retail Properties IV (80%)** **Diversified Properties VI (20%)**
Location	**Houston, Dallas & San Antonio, Texas metro areas**

Other activities

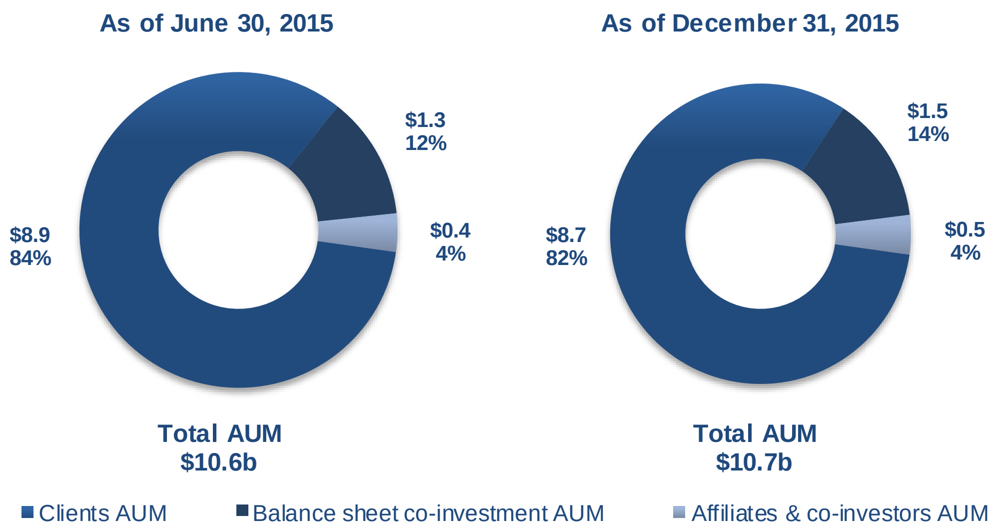
Investcorp's Special Opportunities Portfolio III completed the monetization program started earlier in the calendar year and final distributions were made in January 2016. Special Opportunities Portfolio IV made quarterly distributions in September and December 2015.

AUM & Fundraising

Assets under management (AUM)[7]

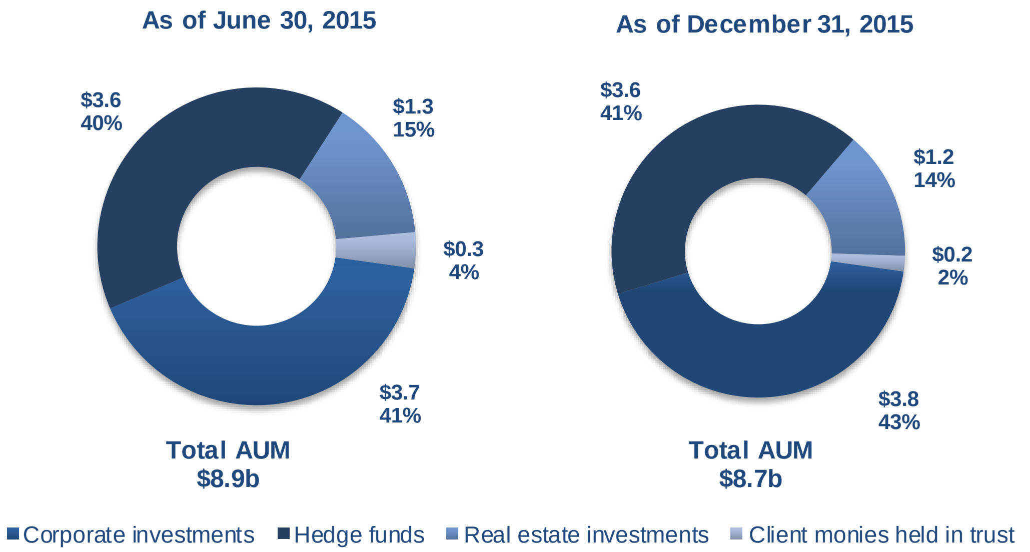
Please refer to the table in Note 2 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management ($b)



Total AUM increased slightly to $10.7 billion at December 31, 2015 from $10.6 billion at June 30, 2015.

Total client assets under management ($b)



[7] Includes $2.7 billion (June 30, 2015: $2.4 billion) of single manager funds (including exposure in customized funds of hedge funds), managed by third party managers and assets subject to a non-discretionary advisory mandate, where Investcorp receives fees calculated on the basis of AUM.

Total client AUM decreased by 1.5% to $8.7 billion at December 31, 2015 from $8.9 billion at June 30, 2015.

The two most dominant asset classes in client AUM continue to be corporate investment (43%) and hedge funds (41%). Corporate investment client AUM in deal-by-deal products increased by 4% to $2.7 billion (June 30, 2015: $2.6 billion), reflecting strong new deal placement activity offset by distributions from realized investments. Client AUM in hedge funds remained stable at $3.6 billion.

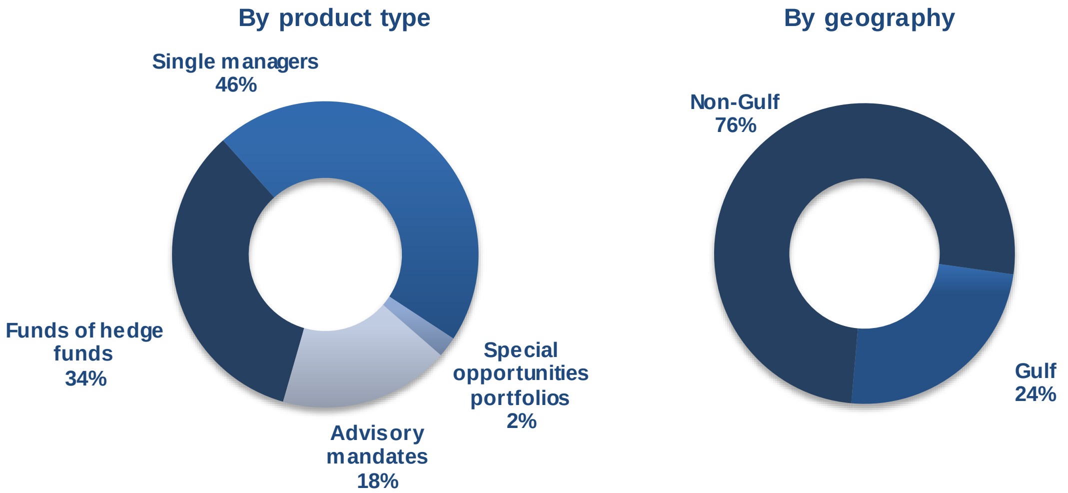
Key AUM metrics (by asset class)

Corporate investment ($m)	Dec-15	Jun-15	% Change B/(W)
Client AUM			
Closed-end invested funds	1,080	1,098	(2%)
Deal-by-deal investments	2,684	2,576	4%
Total client AUM – at period end	**3,764**	**3,674**	**2%**
Average client AUM	3,719	3,625	3%

Real estate investment ($m)	Dec-15	Jun-15	% Change B/(W)
Client AUM			
Closed-end funds (Mezzanine/debt)	21	97	(78%)
Deal-by-deal investments	1,227	1,190	3%
Total client AUM – at period end	**1,248**	**1,287**	**(3%)**
Average client AUM	1,268	1,227	3%

Hedge funds ($m)	Dec-15	Jun-15	% Change B/(W)
Client AUM			
Fund of hedge funds	1,216	1,389	(12%)
Single managers	1,643	2,094	(22%)
Special opportunities portfolio	78	109	(28%)
Advisory mandates	646	-	100%
Total client AUM – at period end	**3,583**	**3,592**	**(0.3%)**
Average total client AUM	3,588	4,053	(12%)

Hedge fund client assets under management



As at December 31, 2015, approximately three-quarters of client assets in hedge funds were from US institutional investors with the balance held by Gulf private and institutional investors. During the first half of the fiscal year, single managers and customized funds of hedge funds experienced outflows. At December 31, 2015, substantially all of hedge fund client assets under management were managed for a range of institutional clients including pension funds, insurance companies, endowments and foundations, and funds of hedge funds.

Fundraising

Investcorp provides alternative investment solutions to private and institutional investors in the six GCC countries and also international institutions. Investcorp's history, commitment and track record in the GCC region means it is trusted by Gulf investors to provide them with unique and non-traditional investment opportunities and services that are suitable for their risk return preferences. Investcorp is committed to ensuring its clients receive a 'best-in-class' service both regionally and internationally as it continues to strive to deliver strong, optimal and well-balanced investment returns.

Strong fundraising momentum in Investcorp's core Gulf markets continued in the first half of FY16, driven by continued client appetite for attractive alternative investments. Total deal-by-deal fundraising in the Gulf was $482 million as compared to $490 million raised in H1 FY15.

Corporate investment placement was $233 million. This included placement of the residual amount of NDT CCS, a deal acquired in the last quarter of FY15; an additional offering in Dainese, relating to the acquisition of POC (placed with existing investors in Dainese and new investors); and Bindawood Group, a new deal acquired in December 2015.

Real estate placement, across two new portfolios, was $249 million, a 47% increase over $169 million placed in H1 FY15.

The pace of new fundraising activity for hedge funds slowed due to a more challenging and volatile investment environment for the asset class in H1 FY16. However, $810 million of discretionary and advisory assets were added to the AUM on acquisition of SSARIS Advisors LLC. Redemptions net of performance and other subscriptions over the same period were $820 million resulting in a net reduction in client AUM of $10 million.

Investcorp continued to provide its hallmark high touch service to its Gulf clients by providing broad coverage and ongoing communication across the markets in the Gulf.

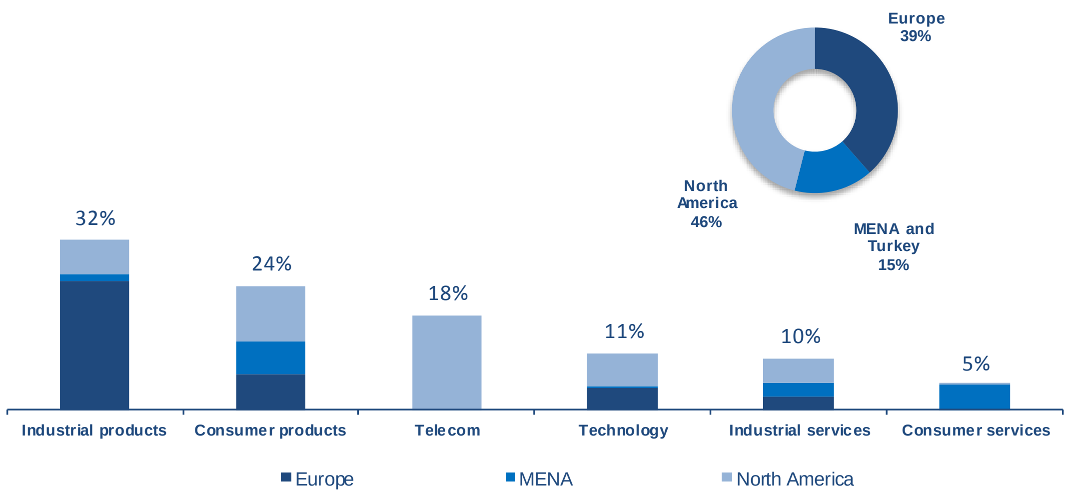
In November 2015, a two-day investors' conference was hosted by Investcorp in Bahrain. The conference, with over 300 investors present from across the six GCC countries, was attended by, among others, His Royal Highness Sheikh Salman bin Hamad bin Isa Al-Khalifa, the Crown Prince of Bahrain. Investcorp's Executive Chairman, Mohammed Al Ardhi, unveiled the Company's objectives to double its AUM over the medium term and expand its product set whilst remaining focused on delivering the highest client service levels. The conference also hosted senior management members from various Investcorp portfolio companies who shared information and updates on their businesses and their markets. Investcorp's senior leadership team also gave presentations and chaired panel discussions discussing the Firm's activities from a Middle East, North American and European perspective. Sir John Sawers, the former Chief of MI6, spoke to the audience on 'Order and Disorder in the World'.

Portfolio Performance

Corporate Investment

At December 31, 2015, the carrying value of Investcorp's balance sheet co-investment in corporate investments, excluding strategic investments and underwriting, was $553.4 million (38 companies) compared with $618.3 million at June 30, 2015 (42 companies). This represents 47% of total balance sheet co-investments at December 31, 2015 (FY15: 50% at June 30, 2015). Corporate investment underwriting at December 31, 2015 was $151.4 million (FY15: $34.9 million at June 30, 2015).

The corporate investment portfolio is diversified by sector and geography across North America, Europe and the MENA region.



Please refer to the table in Note 8 (A) of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the December 31, 2015 and June 30, 2015 carrying values of CI co-investments by region and investment sector.

At December 31, 2015, Investcorp's aggregate CI North America co-investments were $254.6 million with 14 active portfolio companies (FY15: $267.5 million at June 30, 2015 across 16 active portfolio companies). Aggregate CI Europe co-investments were $213.5 million with 11 active portfolio companies (FY15: $278.0 million at June 30, 2015 across 14 portfolio companies). Aggregate CI MENA co-investments were $85.3 million with 13 active portfolio companies (FY15: $72.9 million at June 30, 2015 across 12 active portfolio companies).

For investments in the technology sector, clients participate on a portfolio basis through dedicated technology funds, in which Investcorp is a co-investor, as well as through direct investments on a deal-by-deal basis. Investcorp has raised three technology funds to date.

For corporate investments in MENA, clients participate on a portfolio basis through a dedicated fund, the Gulf Opportunity Fund I, in which Investcorp is a co-investor, as well as through direct investments on a deal-by-deal basis.

Please refer to the Corporate Investment Portfolio Listing section in this Business Review which describes each of the CI North America, CI Europe and CI MENA portfolio companies. Please refer to the Investments and Realizations section for portfolio company activities during H1 FY16.

On average, Investcorp's direct investments in 31 mid-market companies in the US, Europe and MENA increased their aggregate EBITDA by approximately 10% year-on-year, benefitting from the steady improvement in the overall economic environment as well as from Investcorp's post-acquisition efforts to grow value. Aggregate EBITDA for these companies was approximately $1.5 billion and the average debt across the portfolio is relatively modest at 2.9x aggregate EBITDA.

The realizations in H1 FY16 discussed below reflect Investcorp's strong post-acquisition focus during its period of ownership.

Investcorp initially acquired an equity investment in **Autodistribution** in 2006. The deteriorating economic environment in France from early summer 2008 led to a sharp decline in demand in the automotive market, impacting Autodistribution severely and all other stakeholders operating in the market. This resulted in the need for rescue capital and a restructuring of the company's balance sheet. As a result, in March 2009, both TowerBrook Capital and Investcorp invested additional new equity into Autodistribution. TowerBrook became the majority shareholder and Investcorp retained a 16% equity stake. While there was no recovery of value for Investcorp and its clients from the initial equity investment, in May 2009, existing investors were offered participation alongside Investcorp in the additional equity, with the aim of providing an opportunity for existing investors to recover a substantial part of their initial investment. Under the guidance of Investcorp and TowerBrook, Autodistribution has been turned around successfully through a number of organic and inorganic growth initiatives and operational improvements.

In July 2010, Investcorp acquired **Veritext**. Founded in 1997, Veritext is the leading provider of deposition services and litigation support solutions. After an initial period of strengthening the platform and supplementing the management team, the Company focused on delivering shareholder value through a combination of growth and debt paydown in a softening litigation environment. Since Investcorp named Nancy Josephs as CEO in January 2014, Veritext has been able to accelerate its strategy on driving organic and inorganic growth. Over the period of her tenure, the business grew organically at 2x the industry rate and completed 13 tuck-in acquisitions.

A stewardship focus is particularly important when a portfolio company faces strong headwinds. This was the case with **N&W Vending SpA** ('N&W'), which was acquired by Investcorp in November 2008 jointly with Barclays Capital. In the months following the closing of the acquisition, as a result of the severe recessionary environment brought on by the financial crisis, N&W's business was affected by a severe market contraction with EBITDA dropping significantly, pushing up leverage multiples. Investcorp injected additional equity in the form of mezzanine debt to support the company and despite a challenging market worked tirelessly with N&W's management team to grow the business, improve profitability and maintain best in industry margins, After seven difficult years of ownership Investcorp signed a definitive agreement in December 2015 to sell N&W to a US investment firm at an enterprise valuation of €690 million.

Hedge Funds

At December 31, 2015, the balance sheet carrying value of Investcorp's co-investment in hedge funds was $441.8 million compared with $421.1 million at June 30, 2015. The amount represents 38% of total balance sheet co-investments at December 31, 2015.

Please refer to the table in Note 7 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the December 31, 2015 and June 30, 2015 carrying values.

Performance

During the first six months of FY16, Investcorp's hedge funds co-investments delivered a return of -0.4%. During the same period, the industry benchmark, the HFRI Fund of Funds Composite Index returned -2.9%. The significant outperformance to the benchmark is due to a strong relative performance across the portfolio including fund of funds and alternative beta investments. Returns in H1 FY16 on Investcorp's portfolio are top quartile for that period.

Investcorp's Alternative Beta funds posted strong performance during the first half of FY16 that translates to annualized double-digit returns, driven by strong factor performance within Equities, Fixed Income and Commodities. The best factor 'styles' were those that followed Momentum- and Carry-based investment strategies. The portfolios were highly diversified and generated performance with little correlations to traditional equity and fixed income benchmarks.

In the liquid portfolio, equity long/short manager performance was mixed during the first half of FY16. Funds that were short the energy sector and long idiosyncratic situations, in areas such as the internet space, outperformed while those that focused on discounted energy-related longs, emerging markets, and the banking sector in Europe underperformed. Overall, equity-focused funds outperformed relative to major world equity markets. Event-driven managers declined in the first half with losses driven primarily by merger-related healthcare names. However, several funds outperformed, including those with a larger European focus and lower net exposures. On a relative basis, event-driven managers outperformed their strategy index in each of the last three months of the first half. Credit managers declined in the first half of FY16 as spreads rose across nearly all asset classes. Despite the headwinds, credit funds outperformed their strategy index throughout the first half with performing corporate and structured credit funds outperforming those focused on distressed credit. Relative Value strategies generally held up well during the first half of FY16 but with some divergence in performance between sub-strategies. Performance from volatility arbitrage was particularly strong capturing option mispricing in popular event-driven names. Fixed income relative value was weaker over August and September as fixed income relationships that typically protect portfolio value in sharp market sell-offs failed to hold. Convertible arbitrage was generally weak due to residual energy exposure detracting from performance; however, this is a relatively small allocation in the co-investment portfolio. Equity market neutral was flat in October and November from short positioning in richly-valued Asian companies but the addition of the new single manager, Kinneret Group, in December led to a strong close to the first half of FY16. Macro discretionary and systematic managers contributed positively over the period, profiting from long interest rate duration (primarily European duration), long US dollar and long equity themes, particularly in July and November. However, a strong reversal in risk sentiment, post the US Federal Reserve's decision in December to increase the federal funds rate by 25 basis points, detracted from some of these fiscal year-to-date gains.

Investcorp's Special Opportunities Portfolio III ('SOP III') completed an early monetization program that was prompted by concerns in early CY2015 that de-risking in corporate credit and equity markets would cause a contagion that would negatively impact CMBS through technical selling. SOP IV continues to perform in-line with expectations, with more loans moving from non-performing status to a performing status, and overall cash flows ahead of original assumptions.

Liquidity

Investcorp's hedge funds co-investment portfolio is constructed so that a significant part of it is available for monetization within a three- to six-month window. As of December 31, 2015, approximately 62% of Investcorp's hedge fund co-investment was contractually available for monetization within a three-month window, 77% was available within a six-month window and 86% was available within a twelve-month window.

Portfolio exposures

Investcorp has consistently maintained a co-investment in the hedge funds business, in line with its philosophy of co-investing alongside its clients.

Total hedge funds co-investment exposure as at December 31, 2015 was $441.8 million, 4.9% higher than $421.1 million of exposure as at June 30, 2015, due to a combination of subscriptions net of redemptions and flat performance for the period.

A portion of Investcorp's aggregate co-investment exposure is invested in seeding managers on Investcorp's Single Manager Platform that typically provide a return on capital through a combination of investment returns and a share of underlying manager revenues. As of December 31, 2015, Investcorp's balance sheet co-investment in single managers was $134.4 million, compared to $96.7 million as of June 30, 2015. This increase was primarily due to a new strategic relationship with Kinneret Group ('Kinneret'), a New York-based quantitative equity long/short asset manager, as from December 1, 2015.

Investcorp's remaining hedge funds exposure is primarily through customized accounts, similar to the structures Investcorp manages for its large institutional clients. Approximately $63.6 million of Investcorp's aggregate co-investment exposure is also invested in Alternative Beta funds (compared to $39.9 million as of June 30, 2015) primarily due to the introduction of a new fund in August 2015.

Investcorp also has approximately $12.5 million of co-investment exposure (compared to $13.3 million as of June 30, 2015) invested in special opportunities portfolios.

Strategy outlook

Looking ahead for 2016, we expect global growth to accelerate modestly, accompanied by a gentle rise in inflation. Along with the shift in US monetary policy, the spillover effects of a slower-growth regime in China, diminished liquidity across major asset markets and the uptick in inflation should prove to be a major headwind for equity markets as the year progresses. Consequently, we have downgraded our outlook for risk assets and pared down our return expectations for developed equity markets. Our views on fixed-income markets, by contrast, have not changed significantly. We expect front-end yields to keep moving higher, reflecting solidifying growth as well as a continuation of Fed tightening. The supply-demand imbalance in safe-haven asset markets should keep the long-end of the Treasury curve relatively flat, and thus, much less responsive to rising short-term rates than history would suggest. In credit, spreads ex-energy should tighten in both the US and Euro area in favor of high yield (HY) versus investment grade (IG) debt. There will be dislocations; however, as persistently low oil prices spur defaults in the energy sector. Our central scenario of a modest acceleration in growth led by developed markets (DM) is supported by our proprietary Global Leading Economic Indicator (GLEI) for the G7 economies.

Based on the above outlook we have tempered our asset allocation accordingly: trimming overall equity beta levels and adding to strategies that can weather an elevated volatility regime including macro discretionary, equity market neutral and volatility arbitrage. In addition, we look to be mindful of liquidity and to avoid hedge fund strategies that show evidence of ‘crowding effects’ of popular trades and themes that can further exacerbate volatility.

Investcorp’s Asset Allocation Views for Hedge Fund Strategies

Strategy	Change from previous quarter	Negative	Neutral	Positive	Comments
Hedged Equities	-	□□□	□	■□□	Modestly positive view of market β over a one-year horizon, more volatility.
US		□□□	□	■□□	Less compelling risk-reward, greater downside risk potential.
Euro area		□□□	□	■■□	Weaker euro, acceleration in growth should support profits, valuations; ECB is still adding liquidity.
Japan		□□□	□	■■□	Policy play, positive earnings momentum, and cleaned-up positioning.
Asia excl. Japan		□□□	□	■□□	Closer to China central bank put; overshoot of sentiment in the near term, but damaged credibility with international investors.
Special Situations / Event	-	□□□	□	■■□	Greater concerns over equity beta explain this quarter’s downgrade. Still opportunities in hard-catalyst situations and value in softer events, but volatility likely to remain and any recovery will be gradual.
Macro Discretionary		□□□	□	■■■	Opportunities to play dislocations in rates, FX, and commodity markets.
Corporate Credit		□□□	■	□□□	Better carry prospect but alpha picture remains challenged by structural factors (e.g., value style, liquidity).
Equity Market Neutral		□□□	□	■□□	Positive on alpha generation after positioning unwind, earnings season.

Macro Systematic		□□□	□	■□□	Trend following strategies have less room to run; mean reversion is in play.
Structured Credit		□□■	□	□□□	Minimal carry and limited upside potential after R&W claims. Asymmetric risk profile amid declining market liquidity and stalling HPA.
FI Relative Value		□□□	□	■□□	Interesting opportunities with higher volatility and velocity of flows, but technical dynamics are best understood by macro discretionary funds.
Convertible Arbitrage	+	□□□	■	□□□	Better valuations offer some support to the asset class and relative value trading.
Volatility Arbitrage		□□□	□	■■□	Promising environment for volatility trades.
Corporate Distressed		□■■	□	□□□	Distressed ratios rising in energy; upgrade watch over next six months.

Note: Dashboard represents expected mean returns over a one-year horizon as of Q1 2015. Changes in views are since Q4 2015.

Investcorp's Asset Allocation Views for Alternative Beta Risk Premiums

Strategy		Change from previous quarter	Negative	Neutral	Positive	Comments
Equities						
	Low Beta		□□□	□	■□□	Significant overlap with momentum; some risk on bond proxy exposure.
	Momentum		□□□	□	■■□	Better valuations after recent reversal; macro environment still supportive.
	Quality		□□□	□	■□□	Attractive hedge in current environment; potential shift in themes from return of capital to return on capital and de-leveraging.
	Value	+	□□□	□	■□□	Upgraded in anticipation of a bounce in oil prices in 2016.
Fixed-Income						
	Carry		□□□	□	■■□	Attractive dislocations on the front end if duration exposure can be managed.
	Momentum		□□□	□	■□□	Trend-following should monetize the divergence in DM monetary policies.
Commodities						
	Carry		□□□	□	■■■	Historically attractive carry profile with steep curves: as good as it gets.
	Momentum		□□□	□	■□□	Returns will follow a 'W' pattern, but a nimble tactical exposure should perform.
FX						
	Carry		□■■	□	□□□	EM crash risk outweighs any upside from 'trash rallies'.
	Momentum		□□□	□	■□□	Momentum has a bit further to run in DM and EM.

Note: Dashboard represents expected mean returns over a one-year horizon as of Q1 2015. Changes in views are since Q4 2015.

Real Estate Investment

At December 31, 2015, Investcorp's real estate balance sheet co-investments excluding underwriting totaled $126.1 million compared with $142.9 million at June 30, 2015. The amount represents 11% of total balance sheet co-investments at December 31, 2015.

Please refer to the table in Note 9 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the December 31, 2015 and June 30, 2015 carrying values by portfolio type. For details on real estate underwriting, please refer to the table in Note 6 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C.

Real estate co-investments were comprised of $115.3 million of marked-to-market equity investments and $10.8 million of debt investments, held at net amortized cost inclusive of any provisions for impairment.

Carrying values for Investcorp's real estate co-investment by vintage year are shown below. Carrying values reflect some reduction in value for legacy pre-2009 investments as well as the impact of exits and new acquisitions and placements during the period.

Investcorp currently has 27 active real estate investment portfolios, including its two debt funds. Three new properties were acquired and will be part of a new portfolio during H2 FY16. At December 31, 2015, 22 of these portfolios were on or ahead of plan. The remaining five, which are pre-2009 portfolios that have been written down significantly in value already and are rated behind plan, are generally those holding hotel, condominium developments and offices in regions where the economic environment has been generally subdued. Overall, the strategy for these portfolios is to position them for medium- to long-term ownership in stable capital structures with modest or no additional capital investment.

Investcorp co-investment by year ($m)	Properties # vs. current *	Sector	Geographic location	Carrying value end of Dec-15	Jun-15
Retail III	8 / 8	Retail	MW		
Retail IV	29 / 0				
Vintage FY06				**0.0**	**2.5**
Diversified VI	3 / 1	Retail	SE		
Diversified VII	4 / 1	Industrial	E		
Hotel	9 / 4	Hotel	SE / SW / MW		
Vintage FY07				**13.3**	**15.1**
Diversified VIII	5 / 1	Hotel	MW		
Weststate	1 / 1	Opportunistic	W		
Vintage FY08				**5.3**	**8.8**
Commercial VI	3 / 2	Retail & Office	E / SW		
Diversified IX	2 / 0				
Vintage FY11				**9.7**	**14.0**
Diversified X	3 / 1	Office	W		
Southland & Arundel Mill Mezz	n.a. **	Retail / Hotel	SE / E		
Vintage FY12				**0.5**	**0.6**
2012 Office	4 / 4	Office	SW / E		
Texas Apartment II	5 / 0				
2013 Office	16 / 16	Office	SW / MW		
2013 Office II	5 / 5	Office	SE / W / SW		
Vintage FY13				**4.1**	**4.6**
2013 US Residential	6 / 6	Residential	SW / W / MW		
2013 US Commercial / 2014 Office	9 / 9	Office / Retail / Medical	W / MW / E		
Southeast Multifamily	4 / 4	Residential	SE / E		
2014 Diversified	4 / 4	Office / Retail / Residential	SW / SE		
Houston Multifamily	3 / 3	Residential	SW		
Vintage FY14				**20.2**	**18.7**
Tryp by Wyndham	1 / 1	Hotel	E		
Canal Center	4 / 4	Office	E		
2014 Office and Industrial	24 / 24	Office / Industrial	E / SE / W		
2015 Residential Portfolio	4 / 4	Residential	SE / W / E		
Atlanta Multifamily Portfolio	2 / 2	Residential	SE		
Vintage FY15				**39.6**	**40.7**
2015 Residential II Portfolio	8 / 8	Residential	W / MW / SW / SE		
2015 Office & Industrial Portfolio	79 / 79	Office / Industrial	SE / W / E		
Vintage FY16				**2.6**	**0.3**
Others				**21.9**	**37.6**
Sub-total	**245 / 192**			**117.2**	**142.9**
New portfolio under construction				**8.9**	**N.A.**
Total including new portfolio under construction				**126.1**	**142.9**

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

** Mezzanine investments

W=West, E=East, SW =Southwest, SE=Southeast, MW=Midwest

Investcorp targets existing office, retail, industrial, multifamily and hospitality properties located in the 30 largest US metropolitan areas. The emphasis is on properties in proven locations with some opportunity for value enhancement over the investment term. Acquisitions are targeted that have strong cash flows, a proven operating history and high initial occupancy. While the majority of investments are in the form of common equity, they may also be structured as preferred equity and high-yield mortgage and mezzanine debt.

Post-acquisition, Investcorp actively manages its real estate investments with a dedicated team of asset managers and real estate financial controls specialists. Local knowledge is essential in any real estate investment. Investcorp's real estate team employs the skills of regional and national associates who may also have minority co-investments in each property. Investcorp builds value in its portfolio through hands-on expense management, revenue enhancement, modest capital improvement and/or property repositioning and creative capital structuring.

Investcorp currently has two funds which have invested in commercial real estate debt. The $176 million Investcorp Real Estate Credit Fund I, created in FY08, and the $100 million Investcorp Real Estate Credit Fund III, created in FY13 are both fully deployed.

Corporate Investment Portfolio Listing

As of December 31, 2015, Investcorp's aggregate balance sheet co-investment was $553 million across 38 companies. The below sections provide an overview of these 38 current portfolio companies.

CI North America

As of December 31, 2015, Investcorp's aggregate balance sheet co-investment in North America was $255 million across 14 companies.

Portfolio Company Name	**Nobel Learning Communities**
Acquired	**January 2015**
Industry Sector	**Consumer services – business services**
Headquarters	**Pennsylvania, US**

Founded in 1984, Nobel Learning operates a network of schools for private education in the US, from preschool through high school, with a commitment to outstanding education. The company also has an accredited online private school that offers college preparatory programs to students from countries worldwide. Nobel Learning is one of the largest private education operators in the US.

www.nobellearning.com

Portfolio Company Name	**PRO Unlimited**
Acquired	**October 2014**
Industry Sector	**Industrial services – business services**
Headquarters	**Florida, US**

Founded in 1991, PRO Unlimited delivers a full range of services to address procurement, management and compliance issues related to contingent workers, including independent contractors, consultants, temps and freelancers. PRO Unlimited operates in over 50 countries and provides services to some of the world's largest and most prestigious companies through its integrated, vendor-neutral software and services platform.

www.prounlimited.com

Portfolio Company Name	**totes»ISOTONER**
Acquired	**April 2014**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Ohio, US**

Founded in 1923 and headquartered in Cincinnati, Ohio, totes»ISOTONER is the world's leading designer, marketer and distributor of functional accessories in the rain, cold weather and footwear categories. The company's broad product portfolio includes umbrellas, gloves, hats, slippers and sandals. In 1997, Totes and ISOTONER merged to form the totes»ISOTONER Corporation. The company offers quality products from two of the most recognized apparel brand names in the US and has a growing international presence in Europe and Asia.

www.totes-isotoner.com

Portfolio Company Name	**Paper Source**
Acquired	**September 2013**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Illinois, US**

Paper Source is a multi-channel retailer offering a premium selection of uniquely designed and curated gifts, stationery and crafting supplies. The company operates 103 stores, which average 2,800 square feet of selling space. The company goes to market through retail stores, direct-to-consumer and wholesale channels. Paper Source offers over 8,300 Stock Keeping Units ('SKUs') across five main categories: gifts and toys, stationery, crafting, fine paper and gift wrap, and single greeting cards.

www.paper-source.com

Portfolio Company Name	**Optiv Security**
Acquired	**November 2012***
Industry Sector	**Technology – IT services**
Headquarters	**Colorado, US**

Optiv Security ('Optiv') is the largest holistic pure-play cyber security solutions provider in North America focusing exclusively on providing 'best-of-breed' IT Security solutions and services. Optiv has served more than 12,000 clients of various sizes across multiple industries, offering an extensive geographic footprint, and has premium partnerships with more than 300 of the leading security product manufacturers.

Optiv was created in 2015 as a result of a merger between FishNet Security (an Investcorp portfolio company) ('FishNet') and Accuvant.

**Original investment in FishNet*

www.optiv.com

Portfolio Company Name	**Sur La Table**
Acquired	**July 2011**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Washington, US**

Sur La Table is a specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses in North America. Offering a broad selection of the best culinary brands and an assortment of innovative kitchenware products, Sur La Table currently operates over 124 stores across the US with a widely distributed catalog and a premium online platform. The company provides items for cooking and entertaining and has a knowledgeable staff that provides high level service in its stores. Since acquisition, Sur La Table has almost doubled the number of cooking class locations, offering classes in over 57 stores serving well over 100,000 customers annually. Sur La Table has built a multi-channel business in which each channel is profitable on a standalone basis.

www.surlatable.com

Portfolio Company Name	Wazee Digital
Acquired	March 2011
Industry Sector	Technology – digital content
Headquarters	Colorado, US

Wazee Digital (formerly T3 Media) is a leading provider of cloud-based video management services to premium video content rights holders. The company operates through two primary lines of business, Licensing and Platform Services. In the Licensing business, Wazee Digital represents major video content rights owners and employs an active sales force to license footage in exchange for a percentage of the royalty payments received. In the Platform Services business, Wazee Digital ingests, digitizes and hosts video content on behalf of content rights owners. Wazee Digital provides content rights owners with virtual access and distribution capabilities in exchange for an annual subscription fee. The two business lines are complimentary with many customers utilizing both offerings.

www.wazeedigital.com

Portfolio Company Name	OpSec Security Group
Acquired	March 2010*
Industry Sector	Technology – enterprise software
Headquarters	Colorado, US

OpSec Security Group is the global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection, to over 300 brand owners and over 50 governments worldwide. The company operates manufacturing facilities and laboratories in the US and the UK, and has sales operations in the Americas, Europe and Asia.

**Additional shares acquired in October and December 2015*

www.opsecsecurity.com

Portfolio Company Name	CSIdentity
Acquired	December 2009
Industry Sector	Technology – enterprise software
Headquarters	Texas, US

CSIdentity is the technology leader in providing identity theft and fraud protection services to businesses and consumers. Founded in 2005, the company offers a comprehensive suite of business and personal security solutions targeting all aspects of identity theft. CSIdentity's solutions are used by Fortune 100 financial institutions, public pension funds, telecommunications companies and businesses that offer direct-to-consumer identity theft protection services.

www.csidentity.com

Portfolio Company Name	Randall-Reilly
Acquired	February 2008
Industry Sector	Industrial services – business services
Headquarters	Alabama, US

Randall-Reilly is a leading diversified business-to-business media and data company focused on the trucking, infrastructure-oriented construction and industrial end markets in the US. Its products include B2B trade publications, live events and trade shows, recruitment products and indoor advertising displays. In addition, its Equipment Data Associates ('EDA') business is an industry-leading collector and aggregator of industrial equipment purchase data that provides subscription-based sales lead generation and market intelligence products to the industrial equipment markets.

www.randallreilly.com

Portfolio Company Name	kgb
Acquired	April 2006
Industry Sector	Technology – enterprise software
Headquarters	New York, US

kgb (formerly InfoNXX) is the world's largest independent provider of directory assistance and enhanced information services. kgb delivers solutions to wireless and landline carriers, corporations and educational institutions in North America, handling the majority of the '411' calls in the US that are delivered through a mobile phone. Furthermore, in the UK, kgb's 'The Number' 118 has become Britain's leading directory assistance service for consumers and businesses. The company also has operations in France, Germany, Ireland, Switzerland, Austria and Italy.

www.kgb.com

Portfolio Company Name	Polyconcept
Acquired	June 2005
Industry Sector	Industrial products
Headquarters	Pennsylvania, US

Polyconcept is the world's largest supplier of promotional products, created by the combination of Polyconcept, Europe's leading generalist supplier of wearable and non-wearable promotional products, and Global Promo Group Inc., the number two non-wearable promotional product supplier in the US. In April 2011, Polyconcept North America acquired Trimark Sportswear Group, a leading Canadian apparel supplier, marking the fourth acquisition since the acquisition of Polyconcept in 2005 and its first move into the promotional apparel category. With the addition of Trimark, Polyconcept became Canada's largest supplier of both apparel and hard promotional goods under four industry leading brands (Leed's, Bullet Line, JournalBooks, and Trimark).

www.polyconcept.com

Portfolio Company Name	Magnum
Acquired	June 2005
Industry Sector	Technology – digital content
Headquarters	California, US

Magnum Semiconductor is a leading provider of silicon, modules, software and IP for the professional broadcast infrastructure market. Magnum provides top of the line products, tools and technologies for the entire video content creation and distribution chain, from contribution and production through distribution over cable, satellite and IPTV to Over-the-Top video streaming. Magnum Semiconductor is headquartered in Milpitas, California, with sales and engineering offices in Canada, Europe, China and Korea.

www.magnumsemi.com

Portfolio Company Name	TelePacific
Acquired	April 2000
Industry Sector	Telecom
Headquarters	California, US

TelePacific is a leading provider of network and communications services headquartered in Los Angeles. In business since 1998, the Company provides services on TelePacific owned switches and network infrastructure, including local and long distance voice, dedicated internet access, private networking, and data transport services as well as bundled voice and internet solutions. Since its acquisition of TelWest, the company has continued its growth plan for the Texas business through implementation of its product suite and operating practices.

www.telepacific.com

CI Europe

As of December 31, 2015, Investcorp's aggregate balance sheet co-investment in Europe was $213 million across 11[8] companies.

Portfolio Company Name	SecureLink
Acquired	December 2015
Industry Sector	Technology – IT security services
Headquarters	Wommelgem, Belgium Sliedrecht, Netherlands

Founded in 2003, SecureLink is a leading cybersecurity infrastructure and managed services provider, offering integrated security solutions for corporates and institutions in the upper mid-market. The Company provides advanced security solutions as well as managed security services ('MSS'), helping its customers to handle complex security challenges and requirements, mitigating risk exposure and delivering a reliable secure infrastructure that offers customers peace of mind.

www.securelink.be / www.securelink.nl

[8] Dainese and POC counted as one company.

Portfolio Company Name	POC
Acquired	October 2015
Industry Sector	Consumer products
Headquarters	Stockholm, Sweden

Established in 2004, POC is the leading manufacturer of premium skiing and cycling helmets, apparel and accessories. Acquired by Dainese in October 2015, POC, like Dainese, is a pioneer in innovative safety concepts for sportswear to provide athletes and consumers with the highest standard of personal protection. POC's line of products includes helmets, body armor, goggles, eyewear, gloves and gear, which are currently sold across 27 countries worldwide. Through technical collaboration with partners such as Volvo and Ericsson, POC is pioneering innovative safety concepts.

www.pocsports.com

Portfolio Company Name	Dainese
Acquired	December 2014
Industry Sector	Consumer products
Headquarters	Vicenza, Italy

Founded in 1972, Dainese is the most recognized and respected brand for safety and quality in the motorcycle and other dynamic sports market. Originally known for its competitive motorcycling racing wear, Dainese has subsequently diversified its product range and today provides protective gear for road and racing use alike, as well as for use in winter sports, biking and horse riding. In addition, through the AGV brand name, Dainese is one of the leading protective helmet manufacturers for the motorcycle market. Through its Dainese Technology Centre (D-Tec), an R&D technical centre for the study of protective technology and the development of innovative products, the Company strives to ensure it remains at the forefront of innovation.

www.dainese.com

Portfolio Company Name	SPGPrints
Acquired	June 2014
Industry Sector	Industrial products
Headquarters	Boxmeer, The Netherlands

Based in Holland, SPGPrints is a leading global manufacturer of consumables for printed textiles and labels. The product offering primarily consists of consumables used in the printing process (rotary screens, lacquers, digital inks and digital engraving) complemented by a full range of printing systems/equipment and after sales spare-parts, installation and maintenance services. SPGPrints is represented in more than 100 countries worldwide and commands a leading market position in each of its segments.

www.spgprints.com

Portfolio Company Name	**Tyrrells**
Acquired	**August 2013**
Industry Sector	**Consumer products – retail**
Headquarters	**Herefordshire, UK**

Founded in 2002, Tyrrells has established itself as a leading crisps brand in the UK. The company offers high quality products and a distinctive brand, quintessentially English and entertaining, distinguishing it from the competition. Through continued innovation, new product launches, strong penetration of the retail channel and geographic expansion, Tyrrells has achieved market leading positions in the UK but also has expanded internationally through acquisition in Australia and organically in France, Germany, the Netherlands, Switzerland and the US. Moreover, Tyrrells is one of the very few large scale European producers of vegetable crisps. The key drivers of growth and resilience of the premium hand-cooked crisps market are convenience, 'premiumization' and health consciousness.

www.tyrrellscrisps.co.uk

Portfolio Company Name	**Georg Jensen**
Acquired	**November 2012**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Copenhagen, Denmark**

Georg Jensen designs, manufactures and distributes luxury products ranging from high-end silverware to jewelry, watches and high-end home ware. The company, headquartered in Copenhagen, Denmark, and founded in 1904, has expanded internationally and now derives the majority of its revenue outside of Scandinavia. With a history that spans 110 years, the Georg Jensen brand has a deep heritage in silversmith and represents quality craftsmanship and timeless designs. The brand is also endorsed by the Queen of Denmark.

www.georgjensen.com

Portfolio Company Name	**Esmalglass**
Acquired	**July 2012**
Industry Sector	**Industrial Products**
Headquarters	**Villarreal, Spain**

Esmalglass Itaca ('Esmalglass') is one of the leading global producers serving the global ceramics intermediate products industry. Established in 1978 in Villarreal, Spain, Esmalglass produces ceramic glazes, ceramic colors and inkjet inks (an innovative and rapidly growing technology to decorate tile surfaces). The company has a strong market position in all segments of its target markets and services more than 1,000 customers in 50 countries worldwide. The company generates more than half of its sales from emerging market economies including Brazil, the Middle East, and China. Its global activities are supported by four manufacturing plants in Spain, Vietnam and Brazil and mixing plants in Portugal, Italy, Russia and Indonesia.

www.esmalglass-itaca.com

Portfolio Company Name	GL Education Group
Acquired	March 2012
Industry Sector	Industrial services – education
Headquarters	London, UK

Established more than 30 years ago, GL Education Group ('GLE') is the UK's leading independent provider of pupil assessments and school improvement solutions. GLE's 'high stakes' assessments are used by teachers in over 16,000 schools as a key determinant for making significant decisions about the direction and nature of pupils' learning paths. GLE focuses on: (i) measuring a pupil's potential and abilities; (ii) measuring a pupil's performance in core skill development areas; and (iii) identifying any potential learning impediments (such as dyslexia and dyscalculia). This is achieved via GLE's full suite of cognitive ability, subject/curriculum based and psychological assessment products. GLE's assessments are complemented by supporting schools in their performance management through the provision of resources such as school self-evaluation and stakeholder surveys, data interpretation and analysis services and professional development support (teacher training).
www.gl-education.com

Portfolio Company Name	eviivo
Acquired	March 2011
Industry Sector	Technology – enterprise software
Headquarters	London, UK

eviivo is the UK's leading software provider for small and medium-sized accommodation businesses to manage their online and offline bookings, allocate rooms, and allow for flexible pricing, invoice and process payments. The company partners with approximately 6,000 independent businesses in the UK and the Mediterranean region (France, Italy, Spain, Greece, Tunisia and Turkey), and includes B&Bs, guest accommodation, inns, farmhouses, cottages, restaurants with rooms and smaller boutique hotels.

www.eviivo.com

Portfolio Company Name	CEME
Acquired	July 2008
Industry Sector	Industrial products
Headquarters	Milan, Italy

CEME is a leading manufacturer of fluid control components for consumer applications such as espresso machines and steam ironing systems. CEME's product range includes solenoid pumps and valves, as well as electromechanical pumps for a broad range of industrial applications. The company's primary client base consists of well-established western European manufacturers including Nespresso, Saeco, De'Longhi, Philips and SEB. At the same time, CEME is diversifying its customer base by focusing on developing its distribution network in China and the Far East. CEME products are the global industry 'reference' in coffee machines (solenoid pumps) and steam ironing systems (solenoid valves).

www.ceme.com

Portfolio Company Name	**Sophos**
Acquired	**June 2008**
Industry Sector	**Technology – enterprise software**
Headquarters	**Abingdon, UK**

Sophos (formerly Utimaco Safeware AG) is a leading international provider of endpoint security and network access control solutions. Through an integrated architecture, its security solutions protect against intrusion and malicious software. Sophos' endpoint security solution provides a single set of policies to support a variety of operating systems, such as Windows, MAC OS, and Linux. Furthermore, Sophos has a network access control solution which extends its platform to the enforcement of security policies and aims to restrict network access to endpoints that comply with pre-defined IT policies. The company focuses on serving the enterprise market.

Sophos successfully completed its initial public offering and listed its shares on the premium segment at the London Stock Exchange in June 2015.

www.sophos.com

Portfolio Company Name	**Icopal**
Acquired	**July 2007**
Industry Sector	**Industrial products**
Headquarters	**Herlev, Denmark**

Established in 1876 as a manufacturer of roofing material, Icopal is today the world's leading producer of roofing and waterproofing membranes and the market leader in the Nordic countries in the area of roof installation services. The Company's product portfolio also includes construction materials for the protection of buildings and other structures and maintenance products. Icopal's products are primarily used for non-residential construction applications across Europe, with an increasing focus on the higher growth markets of Central and Eastern Europe. Icopal currently has 37 manufacturing sites and 90 offices throughout Europe and North America and employs approximately 3,400 people.

In January 2016, Investcorp signed a definitive agreement to sell Icopal to GAF, North America's largest roofing manufacturer, for an enterprise value of approximately €1 billion, subject to regulatory approvals. The sale is expected to close in Q4 FY16.

www.icopal.com

CI MENA

As of December 31, 2015, Investcorp's aggregate balance sheet co-investment in MENA was $85 million across 13 companies.

Portfolio Company Name	Bindawood Holding
Acquired	December 2015
Industry Sector	Consumer products – grocery retail
Headquarters	Jeddah, Saudi Arabia

Established in 1984, with 30 years of operations and a network of 40 stores across Saudi Arabia, the Bindawood group is one of the largest chains of supermarkets and hypermarkets in Saudi Arabia. The company is predominately focused in the Western regions of Jeddah, Makkah and Madinah, albeit having a growing presence in the Central and Eastern regions.

www.bindawood.com / www.danubeco.com

Portfolio Company Name	NDTCCS
Acquired	May 2015
Industry Sector	Industrial services
Headquarters	Dammam, Saudi Arabia

Established in 1975, NDT Corrosion Control Services Co. LLC ('NDTCCS') is the largest non-destructive testing ('NDT') service provider in Saudi Arabia employing over 650 technicians in Saudi Arabia and the UAE. NDT is an essential service which involves the evaluation and testing of pipes, pressure vessels, oil platforms and other key industrial components to identify faults, cracks or defects without causing damage. NDTCCS provides conventional and advanced NDT services for a range of industrial sectors including oil and gas, petrochemicals, mining, nuclear and utilities.

www.ndtcorrosion.com

Portfolio Company Name	Arvento
Acquired	March 2015
Industry Sector	Technology – infrastructure and others
Headquarters	Istanbul, Turkey

Established in 2005, Arvento Mobile Systems ('Arvento') is a provider of telematics solutions, delivered as a software-as-a-service, which provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage and other insights into their mobile workforce, enabling them to reduce their operating costs and increase their revenues. The company designs, develops and sells its own range of hardware products and software applications. The business has established itself as the market leader in Turkey as well as one of the leading players in the Kingdom of Saudi Arabia and the UAE. It is a multiple award winner for its technology and its rapid growth. According to an independent research published by ABI Research, Arvento is recognized as the world's fifth biggest telematics business.

www.arvento.com

Portfolio Company Name	**Namet**
Acquired	**December 2013**
Industry Sector	**Consumer products**
Headquarters	**Istanbul, Turkey**

Established in 1998 and acquired in 2005 by the Kayar family, Namet Gida Sanayi ve Ticaret A.S. ('Namet') is the largest integrated producer of fresh cut and packaged processed red meat products in Turkey. The company operates two farms in Urfa and Samsun with 30,000 livestock capacity catering to nearly 30% of their production need; an important competitive advantage in quality and inventory management. The company processes and sells unpacked and packed fresh cut meat (e.g. cut, diced and minced meat), delicatessen products (e.g. sujuk, pastrami, salami, sausages), frozen products (e.g. burger patties) and further processed products (e.g. meatballs, burgers, doner/shawarma and other marinated products). Products are sold under the Namet and Maret (acquired in September 2014) brands or as private label products to the retail and B2B (hotels/restaurants/catering) channels.

www.namet.com.tr

Portfolio Company Name	**AYTB**
Acquired	**October 2013**
Industry Sector	**Industrial services**
Headquarters	**Jubail, Saudi Arabia**

AYTB Al Yusr Industrial Contracting Company W.L.L. ('AYTB') was founded in 1979 in Jubail and over its 36 year history has made a significant contribution to the industrial growth of Saudi Arabia. The company supports the petrochemical and oil and gas sectors and supplies technical and logistical support, in addition to maintenance, construction, industrial cleaning as well as facility management, catering and accommodation services. AYTB's clients include many of the region's leading petrochemical and oil and gas companies, including SABIC and Saudi Aramco. The company employs over 6,000 people across its operations in Saudi Arabia and Qatar.

www.aytb.com

Portfolio Company Name	**Leejam**
Acquired	**July 2013**
Industry Sector	**Consumer services**
Headquarters	**Riyadh, Saudi Arabia**

Leejam is the leading fitness chain operator in Saudi Arabia, operating under the 'Fitness Time' brand. Established in 2007 and headquartered in Riyadh, Leejam operates over 100 fitness clubs and has 160,000 active members. Employing over 2,200 personnel, Leejam offers fitness clubs across three main segments targeting affluent (Fitness Time Plus), regular (Fitness Time) and budget customers (Fitness Time Pro). The company offers a wide range of facilities, including cardiovascular and weight training activities, in addition to swimming pools, and sports facilities catering for football, basketball, volleyball, tennis, squash and billiards, positioning Fitness Time as a 'social club' rather than simply a 'fitness gym'.

www.fitnesstime.com.sa

Portfolio Company Name	**Theeb Rent a Car Co.**
Acquired	**June 2013**
Industry Sector	**Consumer services**
Headquarters	**Riyadh, Saudi Arabia**

Theeb Rent a Car Co. ('Theeb') is the leading car rental company in Saudi Arabia primarily serving the 'individual' customer segment with short-term rental services. Established in 1991 and headquartered in Riyadh, Theeb operates a fleet size of over 14,000 vehicles with a wide network of 46 branches, including 15 at international and regional airports across Saudi Arabia. Over the years Theeb has built a strong local brand and membership program with over 120,000 members.

www.theeb.com.sa

Portfolio Company Name	**Hydrasun**
Acquired	**March 2013**
Industry Sector	**Industrial services**
Headquarters	**Aberdeen, Scotland**

Founded in 1976 in Aberdeen, Scotland, Hydrasun Group Holdings Ltd. ('Hydrasun') has international operational bases in the UK, the Middle East, the Netherlands, the Caspian Sea, West Africa and the Gulf Coast of the US. Hydrasun is engaged in the integration, manufacture and testing of hydraulic equipment and fluid connectors for the offshore oil and gas sector. Its products and services are mainly used across the offshore oil and gas sector with further application in the petrochemical sector. The company employs around 475 personnel and has state-of-the-art engineering, production, manufacturing, training and warehousing facilities. Clients include British Petroleum, Emerson Group, General Electric and Hyundai.

www.hydrasun.com

Portfolio Company Name	**Automak**
Acquired	**October 2012**
Industry Sector	**Industrial services**
Headquarters	**Kuwait**

Founded in 2002 by Al Kharafi Projects Co. W.L.L. and Mr. Ghazi Omar, Automak Automotive Company ('Automak') is one of the few major players in the vehicles rental and fleet leasing business in Kuwait. Automak operates a fleet of in excess of 7,000 vehicles leased on a long-term basis (24-36 months) primarily to key companies in the oil, public and corporate sectors in Kuwait and on a short-term basis in the spot rental market. Automak also provides a wide spectrum of services and products including quick service and distribution of spare parts, tires and lube oil.

www.automak.com

Portfolio Company Name	**Orka**
Acquired	**September 2012**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Istanbul, Turkey**

ORKA Holding ('Orka') is one of the largest menswear retailers in Turkey with 178 directly operated stores (161 in Turkey & 17 around the world). Founded in 1986 by Süleyman Orakçıoglu, Orka has become a respected provider of menswear in Turkey and in the region through its brands Damat, Tween and D'S Damat. All three of the Orka brands operate in menswear, presenting a sophisticated fit range – suited to a broad customer base. The strength of each brand lies in its ability to meet the needs of its particular market, with differences in their offerings. Orka targets the Classic/High End segment with the Damat brand as well as the contemporary/mid to high-end segment with the Tween brand. Orka also has a more affordable brand (D'S Damat) targeting the Classic and Contemporary mid Segment. Damat is the #1 apparel brand in Turkey with an estimated 97% brand awareness.

www.orkagroup.com

Portfolio Company Name	**Tiryaki**
Acquired	**September 2010**
Industry Sector	**Consumer products – trading and logistics**
Headquarters	**Istanbul, Turkey**

Tiryaki Agro ('Tiryaki') is the leading trader and supply chain manager of agro commodities in Turkey. Founded in Gaziantep, Turkey, in 1965 by the Tiryakioglu family, the company has expanded over two generations to become one of the most successful family businesses in Turkey with sales operations across the globe. Tiryaki's business is in the sourcing, processing, storage and trading of conventional and organic grains (wheat, corn and barley), pulses (lentils, chickpeas, peas, beans, rice and bulgur), oil seeds (sunflower, sesame, canola and soybean), feed stuff and nuts (pistachios, almonds, walnuts and peanuts) across Europe, Africa, the Middle East, the CIS, America and Asia. The company has a team of approximately 625 professionals, has processing and storage facilities in Turkey and serves a broad customer base including food processors, retailers, governmental agencies and other agro wholesalers.

www.tiryaki.net

Portfolio Company Name	**Gulf Cryo**
Acquired	**November 2009**
Industry Sector	**Industrial products**
Headquarters	**Kuwait and UAE**

Established in 1953, Gulf Cryo is a leading manufacturer, distributor and service provider of industrial gases in the Middle East. Gulf Cryo manufactures industrial, medical and specialty gases for a wide range of industries and applications such as metal fabrication, welding, cutting, oil and gas, healthcare, and food and beverage. Gases include oxygen, nitrogen, argon, and CO2, and are delivered by pipeline, in bulk or in cylinders. Gulf Cryo is dual-headquartered in the UAE and Kuwait with operations in Kuwait, the UAE, Saudi Arabia, Qatar, Oman, Jordan, Egypt, Turkey and Iraq.

www.gulfcryo.com

Portfolio Company Name	**L’azurde**
Acquired	**March 2009**
Industry Sector	**Consumer products**
Headquarters	**Riyadh, Saudi Arabia**

L’azurde is a family owned business established in 1980 in Saudi Arabia and currently has two large state-of-the-art industrial plants in Riyadh and Cairo. L'azurde is the Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market, and one of the largest gold jewelry manufacturers globally. The company has high quality products and designs, a diversified regional distribution network, strong manufacturing capabilities, and significant economies of scale advantages with approximately 1,000 wholesale relationships that span the MENA region. The MENA region is one of the largest jewelry markets in the world, in part due to a strong cultural attraction to gold jewelry.

www.lazurde.com