

Quarterly Shareholder Update

Q1 FY2017

(QUARTER ENDED 30 SEPTEMBER 2016)

"In October Investcorp agreed to acquire 3i Group PLC's Debt Management Business (3iDM) using its existing solid balance sheet. This acquisition will mark a significant step towards the rapid realization of our firm's growth strategy and medium-term goal of bringing our AUM to \$25 billion. This deal will add a new and complementary asset class to our portfolio and strengthen our global footprint, mainly in Asia. It also validates the trust of our investors including Mubadala who recently joined our shareholders base.

I see the latest acquisition as a huge milestone for us and I look forward to sharing the news of its positive impact on our growth in the near future."

– Mohammed Al Ardhi, Executive Chairman

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Figures throughout may not add up due to rounding

Purchase of 3i's Debt Management Business

Last year, Investcorp's Executive Chairman, Mohammed Al Ardhi, set out a vision targeting growing assets under management (AUM) by more than two times from \$10 billion to \$25 billion in the medium term and laid out a detailed strategy roadmap with key initiatives to pursue this objective.

On October 25, Investcorp announced a very significant step towards delivering against this growth vision, when it signed an agreement to acquire the debt management business of 3i (3iDM) from UK-based 3i Group PLC (3i), a leading global credit investment management platform.

This is a transformational deal for Investcorp.

The proposed transaction, for a total consideration of £222 million (approximately \$271 million), significantly enhances Investcorp's global franchise as a multi-asset class alternative investment manager by adding approximately \$12 billion of assets under management, bringing the total to approximately \$23 billion.

The transaction is subject to various regulatory approvals and is expected to close in the first half of 2017.

3iDM is a leading global credit investment company managing funds which invest primarily in senior secured corporate debt issued by mid and large-cap corporates in Western Europe and the US. The business has a strong track record of consistent performance and growth, employing approximately 50 people in London, New York and Singapore. The existing management team of 3iDM will remain intact, with Jeremy Ghose continuing as CEO of the overall business and John Fraser continuing to oversee the US operations.

The transaction is the largest ever strategic acquisition made by Investcorp. It will be fully funded through the existing balance sheet, and will not require any incremental debt financing or equity capital given a current strong capital and liquidity position with a regulatory capital adequacy ratio in excess of 30 per cent and accessible liquidity of close to \$1 billion at the end of June 2016. Investcorp will continue to maintain strong levels of liquidity and economic capital adequacy after the transaction, giving it considerable flexibility to fund additional strategic acquisitions where appropriate.

This acquisition will provide Investcorp with:

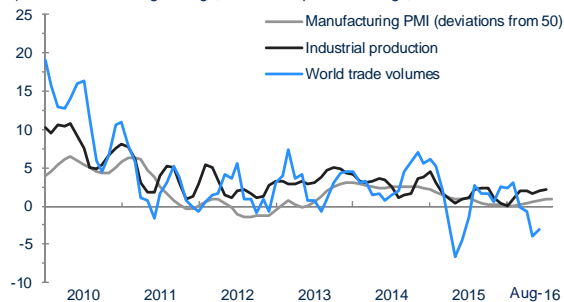
- A pool of highly talented and experienced credit investment professionals
- A product offering that is very complementary to Investcorp's existing product set, and one that meets the evolving needs of an increasingly sophisticated client base
- Access to a deeper pool of capital through 3iDM's existing network of institutional investors in the UK, the rest of Europe, the US and Asia

The complementary nature of 3iDM relative to Investcorp's existing businesses is expected to further cement Investcorp's position as a diversified multi-asset class alternative investments business; one that is well positioned for long-term growth and to better serve Investcorp's clients and all stakeholders.

Macro and Business Environment

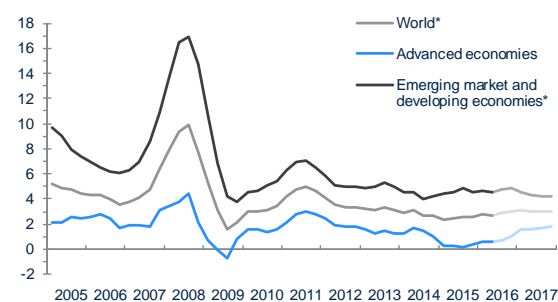
Recent months saw a subdued level of global economic activity, mainly due to the impact of Brexit on developed countries and below-expectation growth in the US. Global trade contracted, while industrial production remained modest. Headline inflation generally remained stable or increased slightly across developed and emerging countries. The continuation of accommodative monetary policy across the globe has put further downward pressure on global interest rates.

World Trade, Industrial Production, and Manufacturing PMI
(Three-month moving average; annualized percent change, unless noted otherwise)



Source: World Economic Outlook October 2016, International Monetary Fund

Global Aggregates: Headline Inflation



* Excludes Venezuela

Source: World Economic Outlook October 2016, International Monetary Fund

In **developed economies**, there is still sizable uncertainty in the longer term with regards to the aftermaths of Brexit. Although market reaction was modest initially, the ultimate impact remains unclear, as the outcome of institutional and trade arrangements between the UK and the EU is unknown. **Emerging markets** saw improved market sentiment as a result of lower interest rate expectations, policy support to growth in China, and some stability in commodity prices. However, prospects differ dramatically across countries and regions, as emerging Asia generally shows robust growth and sub-Saharan Africa undergoes a sharp slowdown.

The **US** economy saw weaker-than-expected growth in the past few quarters, as the projected recovery in Q2 CY16 failed to materialize. This lack of growth is largely attributed to the weakness in non-residential investment and the drawdown in inventories. These reflect the continued decline in capital spending in the energy sector, the impact of recent dollar strength on investment in export-oriented industries, and possibly the financial market volatility and recession fears of late 2015 and early 2016. Consumption growth has remained strong – supported by a robust labor market and strong payrolls – however not enough to offset the weakness.

Growth in the **Euro area** declined in Q2 CY16, after a strong Q1 number boosted by mild weather and consequent strong construction activity. Domestic demand – notably investment – decelerated in some of the larger euro area economies after several quarters of stronger-than-expected growth. The impact of Brexit has been muted thus far, but the longer-term consequences are still unknown.

Elsewhere in **emerging Europe**, economic activity was generally stable, although the situation in Turkey became more uncertain in the aftermath of the attempted coup in July. The **Middle East** continues to face challenges with subdued oil prices, the fallout from geopolitical tensions, and civil conflict in some countries.

In **emerging Asia**, China's growth stabilized within the authorities' target range of 6.5-7.0% on policy support and strong credit growth. Robust consumption and a further rotation in activity from industry to services point to progress towards internal demand and supply-side structure. India's economy continued to recover strongly, benefiting from a large improvement in the terms of trade and effective policy actions.

Business Activity

Corporate Investment

In July, Investcorp agreed to sell **Polyconcept** to an affiliate of Charlesbank Capital Partners, LLC, a middle-market private equity firm. Investcorp worked closely with senior management to transform the business into the global leader that it is today, supporting a series of strategic acquisitions and realizing success through expanding into new markets, launching new product categories, building out a key digital presence and implementing significant operational enhancements. Polyconcept is now the leading value-added supplier in the \$30 billion promotional products industry. Sourcing products from hundreds of manufacturers, the company then customizes them on behalf of its 35,000 reseller customers and ships the products to end-consumers (typically businesses) located in the United States, Europe and across the world.

In August, Investcorp and portfolio company SecureLink announced the acquisition of **Nebulas**, the UK's largest independent cybersecurity service provider. Founded in 2001, Nebulas provides a broad range of IT security products and services including managed security services and cyber threat intelligence to predominantly mid to large enterprises in the UK. Combined with the acquisition of Scandinavia's Coresec in June, SecureLink and Nebulas will operate across six countries in Europe, employ over 550 members of staff and generate more than €235 million in revenue.

The sale of **CSIdentity**, a Technology Fund II investment, to Experian was completed in August. CSIdentity is a market leading provider of enterprise level identity theft protection technology solutions to businesses and government agencies.

In September, portfolio company **TelePacific** received regulatory approval to close the acquisition of **DSCI** that was announced in March. The addition of DSCI, a leading provider of managed services in the Northeast of the US, is a significant milestone in TelePacific's successful transformation from a market-leading regional business telecommunications provider to a major player in the rapidly consolidating and evolving managed services universe. TelePacific will now have more than 50% of its business in the managed services segment and a complete set of products that can be deployed nationwide.

In September, Investcorp announced the successful completion of the sale of portfolio company **Tyrrells** to Amplify Snack Brands for an enterprise value of £300 million. Based in Herefordshire, UK, Tyrrells is a premium manufacturer of hand-cooked potato and vegetable crisps as well as other snacks such as popcorn. Investcorp acquired Tyrrells in August 2013 for £100m and has overseen an extensive transformation of the Company in which sales and EBITDA more than doubled and employee numbers grew by over 70% globally. International markets now account for close to 40% of sales compared to 20% three years ago.

In October, Investcorp successfully completed a new industrial corporate investment in the US. The company is a leading supplier and distributor of critical aftermarket parts for primarily off-highway vehicles. Further details on this transaction are expected to be announced in H2 FY17.

Other corporate investment news

In July, CI North America portfolio company **PRO Unlimited** was named the world's second largest managed service provider (MSP). According to the 2016 MSP Market Developments Report published by Staffing Industry Analysts (SIA), PRO Unlimited demonstrates extensive global reach with services in 87 countries, 49 with full billing, and support of 26 languages.

In August, CI MENA portfolio company **Leejam (Fitness Time)** was ranked in International Health, Racquet & Sports Club Association's global top 20 rankings, making it the first company in the Middle East, Africa or Southeast Asia to be featured within the list. Investcorp acquired a 25% stake in Leejam in September 2013.

In September, CI Europe portfolio company **Georg Jensen** won a prestigious award in Danish design for their Urkiola line, designed by Spanish architect and designer Patricia Urquiola. CI Europe's Georg Jensen team attended the award event together with Danish Crown princess Mary, the Firm's business partners, press and competitors.

Real Estate

A new portfolio, **2016 Residential Properties Portfolio**, was assembled between May and September. The portfolio of ten properties, acquired for approximately \$148 million, has a current average occupancy of 97%.

- **4050 Lofts**, acquired in Q4 FY16, is a 722-bed student housing portfolio serving students attending the University of South Florida in Tampa.
- **The Avenue**, acquired in Q4 FY16, is a 358-bed student housing portfolio serving students attending Indiana University-Purdue University Indianapolis.
- **Raleigh Student Housing Portfolio**, acquired in Q4 FY16, consists of 890 beds across three student housing communities (UV 2505, College Inn and Campus West) serving students attending the North Carolina State University.
- **Raleigh Multifamily Portfolio**, acquired in September, consists of 830 units across three multifamily complexes (Bridgeport, Duraleigh Woods and Sailboat Bay) located in Raleigh, North Carolina.
- **Villa Blanco**, acquired in Q4 FY16, is a 379-unit apartment complex located in Tempe, Arizona and is located within one of the best districts in Phoenix, Kyrene School District.
- **Arbors of Brentwood**, acquired in August, is a 346-unit apartment complex located in Nashville, Tennessee, the fourth largest city in the Southeast and one of the fastest growing areas in the US.

Park Tower, a US Diversified X investment, was realized in August. This realization completes the sale of all assets in this portfolio.

In August, the sale of the industrial portion of the 1.35 million square-foot **Flagler Center** portfolio was closed. The remaining portion of the Flagler Center portfolio, a 2014 Office & Industrial Properties Portfolio investment, consists of over 1.0 million square feet in nine office and flex buildings.

Duke Bridges III, a 2012 Office Properties Portfolio investment, was realized in August.

Eagle Crest, a 2013 Residential Properties Portfolio investment, was realized in September.

In September, the **Arundel Mills** mezzanine loan was paid off, the first of the two loans in the Southland and Arundel Mezz portfolio to be realized. The loan was secured by the 250-key dual-branded Hilton Garden Inn and Homeward Suites located in Maryland.

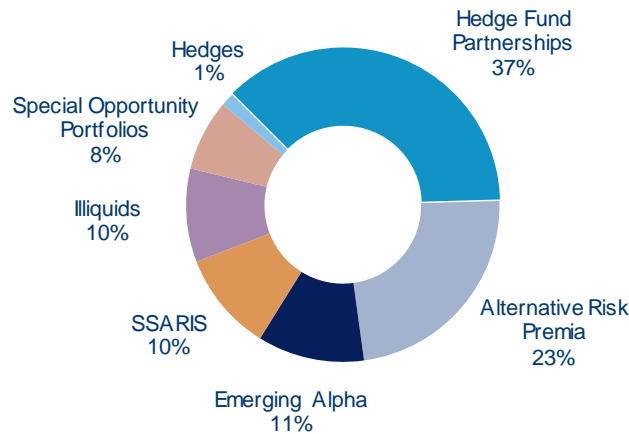
The last two remaining properties in the Southeast Multifamily Properties Portfolio were realized in Q1: **Bala Sands** in September and **Bay Pointe** in October.

Alternative Investment Solutions

The balance sheet co-investment portfolio delivered returns of 1.6% in Q1 FY17. The positive performance was primarily driven by Investcorp's hedge fund partnerships and emerging alpha investments. The SSARIS portfolio and illiquid investments also contributed positively, while returns from alternative risk premia and special opportunity portfolio investments detracted for the quarter.

Nut Tree Capital Management (Nut Tree), the latest seeded single manager, launched its fund on February 1, 2016 with a successful round of fundraising at the outset. The fund focuses on mid-market distressed credit, stressed/event-driven credit and value equities. Nut Tree has assets under management of \$287 million as of October 1, 2016.

Investcorp hedge funds co-investment as of September 30, 2016



Strategy Outlook

- Outlook on equity strategies, including special situations, is neutral
- Among event-driven strategies, a bifurcated stance of neutral on special situations and modestly positive on merger arbitrage has been maintained
- Remain positive on equity market neutral funds
- Modestly positive on the opportunity set available to global macro managers
- Neutral on credit strategies
- Modestly positive on convertible arbitrage

Alternative Risk Premia Outlook

Equity

- Outlook on equity low beta is neutral
- Positive on equity momentum
- A neutral outlook on equity quality, value and carry has been maintained
- Modestly negative on equity dividend
- Outlook on equity mean reversion is modestly positive

Fixed Income

- Modestly negative on fixed-income carry and momentum
- Neutral on fixed-income value

Commodity

- Modestly positive on commodity carry
- Outlook on commodity carry curve is neutral
- A modestly positive outlook on commodity momentum has been maintained

FX

- Neutral view on FX carry, momentum and value
- Modestly negative on FX momentum flow
- Modestly positive on FX mean reversion

Client Activities

AUM & Fundraising

The first two months of Investcorp's fiscal year were a quiet period for placement due to the summer break and the Holy Month of Ramadan. The placement of the new **SecureLink** add-on investment (**Coresec** and **Nebulas**) commenced in September and the placement of **Corneliani**, acquired in late FY16 continued. In real estate, placement of Investcorp's second club deal, **901 Fifth Avenue**, and the new **2016 Residential** portfolio also commenced in September.

New AIS fundraising in the quarter totaled \$334 million.

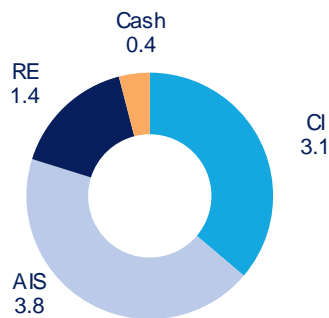
Assets under Management ('AUM')¹

As of September 30, 2016, our total AUM across all products, including our proprietary co-investments was \$10.4 billion and our total client AUM was \$8.7 billion.

Total AUM (\$ billion): 10.4



Client AUM (\$ billion): 8.7



¹ AUM includes approximately \$2.4 billion of single manager funds (including exposure through 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.

Investor Events

In September, AIS hosted an investor event on **Opportunities in Corporate Credit** at the Metropolitan Club in New York. David Cranston from the Business Development team introduced the keynote speaker, Jed Nussbaum, founder and CIO of Nut Tree Capital. Jed discussed his outlook on US high yield credit and opportunities in mid-market credit, in particular. Elena Ranguelova, Portfolio Strategist for AIS, moderated a panel which included Brian Tam from 50 South, John Patin from Allied World Assurance, Greg Berman from Investcorp and Jed Nussbaum. They discussed opportunities across the credit spectrum, including CLO equity and NPLs.

Under the patronage of the Crown Prince of Abu Dhabi, Investcorp will be hosting its annual **Investors Conference** in Abu Dhabi this year on November 9 and 10 at the Etihad Towers.

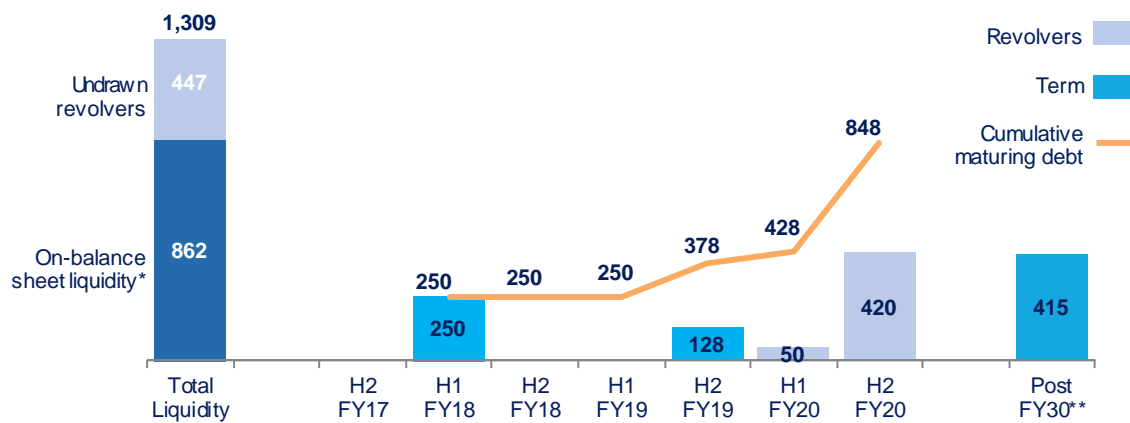
The agenda includes a keynote speech by HE Reem bint Ibrahim Al Hashimy, Minister of State for International Cooperation, United Arab Emirates, as well as interactive panels on investing in the services industry, and technology and cyber security, opportunities in US and European real estate and a presentation by John Greenwood, Chief Economist of Investco, on the outlook for emerging regions after Brexit, amongst others.

Key Balance Sheet Metrics

	Sep'16	Jun'16
Total assets (\$ billion)	2.8	2.5
Leverage ratio ²	1.9x	1.5x
Net leverage ratio ³	0.4x	0.6x
Capital adequacy ratio	27.1%	30.3%
Co-investments ⁴ /(total equity + long term capital ⁵)	0.6x	0.6x
Total accessible liquidity (\$ billion) ⁶	1.3	0.8

Co-investment assets, net of the \$50 million secured hedge fund facility, remain fully covered by permanent and long-term sources of capital.

Liquidity and Debt Maturity Profile (\$ million)



* Includes funded total return swaps with a financial counterparty, where the economic returns under the swaps are linked to Investcorp's \$250 million 8.25% notes due 2017

** JPY 37 billion (\$365 million at current exchange rates) debt maturing in 2030 and \$50 million maturing in 2032

Numbers may not add up due to rounding

In August, the size of the bilateral bank facility (collateralized, when drawn, by Investcorp's AIS co-investments) was reduced to \$50 million and the maturity date was extended from February 2017 to August 2019.

² Calculated in accordance with bond covenants

³ Calculated in accordance with bank loan covenants which is net of liquidity and underwriting

⁴ Excludes underwriting and is net of revolving facilities secured against hedge fund co-investments

⁵ JPY 37 billion debt maturing in 2030 and \$50 million debt maturing in 2032, deferred fees and total equity

⁶ Cash, placements with financial institutions and undrawn revolvers

Credit Ratings

Agency	Rating grade	Comment
Moody's Investor Service	Ba2 / Negative Outlook	<p>Rating affirmed in Oct 2016</p> <p>Rating confirmed in published Credit Opinion in Sep 2016</p> <p>Rating Outlook changed to Negative in Mar 2016</p>
Fitch Ratings	BB / Positive Outlook	<p>Rating affirmed and Rating Outlook changed to Positive in Nov 2016</p> <p>Rating report published in Jun 2016</p> <p>Ratings Navigator published Dec 2015</p>

In September, Moody's issued an updated credit opinion for Investcorp Bank B.S.C., affirming the Ba2 rating and retaining the negative outlook. Moody's primary methodology to analyze the Investcorp Group is now the 'Asset Manager' methodology. Moody's will continue to utilize the 'Banks' methodology but as a secondary analytical input.

The Ba2 rating was affirmed again last month after Investcorp had announced an agreement to acquire the debt management business of 3i Group PLC.

Fitch has affirmed the BB rating and revised the outlook to Positive from Stable. According to Fitch, the Positive Rating Outlook change reflects the potential franchise and earnings benefits that may accrue to Investcorp as a result of the equity investments by Mubadala and one other Gulf-based institution.

Other Corporate News

Investcorp Ordinary General Meeting

In September, Investcorp's Ordinary General Meeting (OGM) for shareholders took place in the Bahrain office. The meeting a report to shareholders on Investcorp's activities over the past fiscal year, shareholder approval of the distribution of dividends, the election of Board of Directors for a three year term and other matters. The meeting was chaired by the Chairman of the Board of Directors, Nemir Kirdar, and attended by members of the Board. Following the OGM, there was a press conference which was attended by key media in Bahrain. During the press conference Mr. Alardhi highlighted that Investcorp has had a successful year despite challenging market conditions and was distributing over \$700 million to investors in Q1 FY17.

Investcorp appoints Advisor to the Executive Committee

In September, Andy Stevens joined Investcorp as an advisor to the Executive Committee, providing strategic advisory services with a focus on the Company's growth initiatives to more than double its assets under management and net income over the medium term. Andy began his banking career in 1980 with Standard Chartered Bank holding roles in Asia, the GCC and Africa. In 1989, he joined Commercial Bank of Qatar where he was heavily involved in leading wholesale changes at the bank. In 1994, he was appointed as the Bank's first AGM of Retail Banking and was appointed CEO in 2001. Andy spearheaded the efforts that led to the acquisition of a 35% stake in the National Bank of Oman (NBO) in 2005, followed by the acquisition of 40% in United Arab Bank (UAB), Sharjah, UAE, in 2008.

Corporate Contact Information

Investcorp has offices located in Manama, Riyadh, Abu Dhabi, Doha, London and New York.



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