The Investcorp Newsletter

INVESTCORP

THE REVIEW

Berlin Packaging: $1 Billion Back to Investors

Welcome

Now in our fourth decade, we have had the privilege and responsibility to bring interesting and unique investment opportunities to our clients. Throughout this time, we have built longstanding relationships, formed on the basis of mutual respect and trust, by making it a priority to always listen to our clients first, understand their needs and then deliver suitable solutions.

As our client base grows and their needs evolve, we too grow and evolve with them to ensure that, no matter what new opportunities or challengers may be presented, we are able to meet them and deliver strong returns.

During fiscal year 2014, we were pleased to return $1.3 billion in proceeds from realizations and distributions to our clients, and we have returned more than $5.7 billion over the past five years. As we look to fiscal year 2015, we are excited to deliver more value to our clients, following the sale of Berlin Packaging and other realizations we hope to achieve this year.

As ever, our clients are at the heart of everything we do. With this in mind we have organized successful investor-focussed events this year in Abu Dhabi and Berlin, and are busy preparing for our next event in Bahrain on October 29th and October 30th. We look forward to welcoming our clients along with senior political, business and media leaders.

As always, we remain committed to delivering value from our investment returns, through the breadth of our offerings, while maintaining a gold standard of client service.

Mohammed Al-Shroogi
President, Gulf Business

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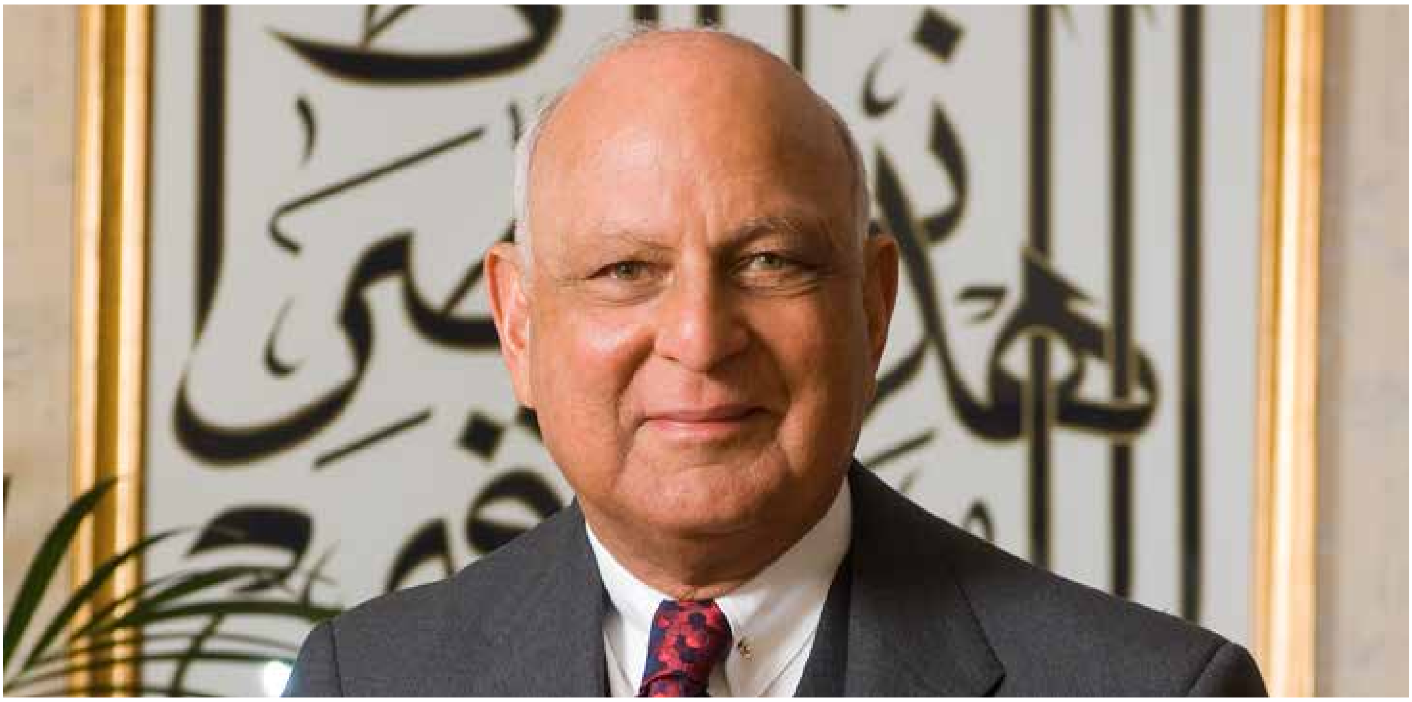
THE REVIEW

Positioned for continued growth



Welcome to this issue of The Review which comes to you almost exactly thirty years since the opening of our London office and our milestone acquisition of Tiffany.

Building on the momentum we reported in our last issue, we have continued to be active on all fronts. The last few months have seen a series of exciting acquisitions and successful realisations along with further work to enhance the personal service offered to our Gulf investors, the hiring of top-tier professionals across the business and the continued diversification of our funding base.

These initiatives have contributed to another strong financial year for Investcorp and, importantly, for our investors. This summer we were delighted to announce a 25% increase in our net income, $2 billion of new funds raised and an 84% increase in earnings per share. These results continue the momentum of the last five years and reflect the investments we have made in our business.

Since our inception, we have earned a powerful reputation as a global institution offering clients a bridge into attractive corporate, real estate and hedge fund investment opportunities in the US, Europe and the Gulf. Our record speaks for itself: to date, we have co-invested with our clients in 155 corporate investment transactions and 302 real estate properties with a total value of over $48 billion. In the process, we have built a world-class organisation with an exemplary culture and remarkable success in generating attractive returns. We continue to be guided by our core principles of reliability, transparency, sound judgment and outstanding client service, all of which govern our interaction with our clients and the wider communities in which we operate.

As the global economic outlook improves and our investments continue to deliver returns for our shareholders, we will continue to invest in our business, our investor franchise and our product capabilities, hiring senior and qualified talent and seeking, as always, to remain close to our clients.

Our success lies in our expert and dedicated teams and our combined commitment to achieving strong results for our clients. I would like to thank our clients for their continued trust and every member of the Investcorp team for the contributions they have made – and continue to make in ensuring our success and marking our place as a true industry leader.

Thank you all.

Nemir Kirdar

Investcorp announces succession planning

Investcorp announces management structure

Under new leadership, Investcorp will continue to set the standard for superior client service in the industry

In October, Investcorp announced its executive management succession planning. Following Nemir Kirdar's decision to retire as Executive Chairman and CEO at the end of the current fiscal year on 30 June 2015, the Investcorp Board of Directors Nominating Committee and the Board of Directors accepted his recommendation that non-executive Board Director Mohammed Al Ardhi be appointed as Executive Chairman.

Mohammed Al Ardhi has been a non-executive Board Director of Investcorp since September 2008 and also serves on Investcorp's Corporate Governance Committee. He is Chairman of the National Bank of Oman and of Rimal Investments, which is active in real estate, the oil and gas industry and information technology. He serves on the International Advisory Board of The Brookings Institution in Washington D.C. and as a trustee of the Eisenhower Fellowships, Philadelphia.

Additionally, Mr Kirdar recommended, and the Board of Directors Nominating Committee and the Board of Directors approved the appointment of Mohammed Al-Shroogi, President, Gulf Business, and Rishi Kapoor, Chief Financial Officer, as Co-CEOs.

Mohammed Al-Shroogi joined Investcorp in 2009. As President, Gulf Business, he oversees all of Investcorp's activities in the Gulf region. Mohammed joined Investcorp from Citigroup where he was Division Executive for the Middle East and North Africa region and CEO for the United Arab Emirates. Mohammed had a distinguished, 30-year career with Citigroup in Bahrain, London and the UAE.

Rishi Kapoor joined Investcorp from Citicorp in 1992 and has been the firm's Chief Financial Officer since 2003. In this role, Rishi is responsible for the overall financial management of Investcorp, including its balance sheet investments, asset and liability management, strategic development, treasury activities and risk management.

These appointments will be effective from 1 July 2015 and are subject to regulatory approval from the Central Bank of Bahrain. Mohammed Al Ardhi will lead Investcorp's strategy and act as an ambassador among our clients in the Gulf, as well as represent the bank in the West. Mohammed Al-Shroogi and Rishi Kapoor will be responsible for day-to-day management of Investcorp, globally.

Commenting on the appointments, Nemir Kirdar, said: "I step down satisfied that

Mohammed Al Ardhi

Mohammed Al-Shroogi

Rishi Kapoor

Investcorp is now firmly established as a global financial institution. The Board's appointment of Mohammed Al Ardhi as Executive Chairman and Mohammed Al-Shroogi and Rishi Kapoor as Co-CEOs will mark the next chapter in Investcorp's development. Mohammed Al Ardhi is a valued and respected member of the Board and I have no doubt in his ability to lead the firm as Executive Chairman, and both Mohammed Al-Shroogi and Rishi Kapoor have proved themselves outstanding leaders. Their complementary skills and experience will ensure continuity and further upward momentum at Investcorp."

Mr Al Ardhi added: "I am honoured by this opportunity to serve Investcorp and its investors. Nemir Kirdar has built one of the world's most respected and admired organisations with origins in the Middle East. His contribution and that of Investcorp go far beyond investors and have benefited very many companies and economies around the globe. Having been a Board member for some time, I look forward to continuing the journey, working with Investcorp's excellent management team to build on Nemir Kirdar's legacy and fulfil his vision for the organisation."

Board Chairman Abdul-Rahman Al-Ateeqi commented: "While institutions continue in perpetuity, the time inevitably comes for changes in leadership. Having founded Investcorp in 1982, Nemir Kirdar has now led it for over three decades. Under his leadership, Investcorp has become a world-class organisation, global in its outlook and culture, exemplifying the highest standards of the financial industry and generating attractive returns for its stakeholders. Its reputation for reliability, transparency, sound judgement and client service is second to none and the firm has been profitable in all but one of its 32 years of existence – an achievement few financial institutions can rival. With this remarkable legacy, I have no doubt that Investcorp will continue to excel and to carry forward the values, the principles and the vision on which it was founded."

Nemir Kirdar founded Investcorp in 1982, successfully leading the company for more than three decades. Under Mr Kirdar's leadership, Investcorp has established itself as a bridge for Gulf investors to investment opportunities across Europe, US and the Gulf and has become universally recognized for its excellent performance in global alternative investments. Mr Kirdar has more recently overseen Investcorp's continued to expansion into new markets in the Middle East such as the Kingdom of Saudi Arabia and Turkey. Under new leadership, Investcorp will continue to set the standard for superior client service in the industry, focusing on our core market of institutional and high-net-worth clients in the Gulf region and growing our franchise with selected new clients.

Berlin Packaging: $1 Billion Back to Investors

In August, Investcorp announced that it had agreed to sell Berlin Packaging, a leading supplier of rigid packaging products and services in North America, for $1.43B. The sale is the culmination of a successful seven-year partnership with Berlin Packaging and is a quintessential example of Investcorp's approach to growing portfolio companies and maximizing value from due diligence to exit.

Investcorp acquired Berlin Packaging in 2007 but the initial process started three years earlier when the firm began tracking the packaging sector and identified Berlin Packaging as one of the most prominent players in the industry. Even before the first discussion with Berlin, Investcorp had developed a strong conviction about the industry. The diverse end-markets served offered stability of demand through economic cycles while fragmentation in both the customer and supplier base offered companies like Berlin the unique opportunity to be a high value-add partner to both constituents. There were multiple ways to grow the business, which already had strong margins and generated strong free cash flows. In addition, the fragmentation of packaging suppliers meant that there was an opportunity to further accelerate growth through acquisitions. Above all, Berlin was led by a best-in-class management team that was excited to continue to grow the business.

After more than two years of following the industry, Investcorp met with Berlin Packaging's CEO, Andrew Berlin. Mr. Berlin was intrigued by Investcorp's knowledge of the packaging sector and realized that while Berlin Packaging continued to achieve impressive results, it required additional resources to progress to its next stage of growth. Andrew was also impressed by Investcorp's long history of successfully partnering with family-owned businesses and founder entrepreneurs to help grow their companies while preserving the strong culture that drives their success.

The investment ultimately closed during a tumultuous period in the financial markets and the Great Recession provided a challenging backdrop to the early days of the investment. During this downturn, when a lot of companies were scaling back, the team saw an opportunity to accelerate growth and continued to make investments in the salesforce, global sourcing capabilities and business development professionals. These investments in concert with the continued operational excellence allowed Berlin to gain share rapidly and position it for long-term success.

“Investcorp is a true partner that was committed and eager to support our company’s short and long term objectives. I will always remember Investcorp’s contributions and thank the team there for their partnership and friendship over the last seven years.”

Andrew Berlin, Chairman and CEO of Berlin Packaging, commented on his relationship with Investcorp: “Investcorp is a true partner that was committed and eager to support our company’s short and long term objectives. Although market conditions suggested scaling back during the downturn, we viewed it as an opportune time to invest meaningful resources into our sales operations - positioning us to better serve our customers and drive growth for our business. I will always remember Investcorp’s contributions and thank the team there for their partnership and friendship over the last seven years.”

In addition to encouraging strong organic growth, Investcorp supported Berlin’s desire to grow through four separate add-on acquisitions - All-Pak and Continental Packaging Solutions in 2010 and Lerman Container and United States Container Corporation in 2012, strengthening the company’s footprint and capabilities. Importantly, when it became necessary to support the Company with additional capital to fund the acquisition of All-Pak in 2009, both Investcorp and Andrew Berlin were excited to put in additional equity, given the strong conviction in the industry and the business model.

Through our collaborative efforts, Berlin Packaging was able to grow organically at double the rate of the broader packaging industry and quadruple profitability over the course of our partnership.

After more than seven years of ownership, given Berlin’s financial performance and ongoing momentum, the scarcity value for great businesses and the status of the debt markets, Investcorp determined that a sale was the next logical step in our relationship and an opportune time to maximize the returns for our shareholders. After a very competitive process including several interested parties, we were able to reach an agreement with Oak Hill Capital to acquire Berlin for $1.43B.

Following the sale, Kevin Nickelberry, Managing Director at Investcorp, stated, “Andrew Berlin and the entire Berlin Packaging management team have done an outstanding job of building a market leading company with a highly differentiated business model and a track record of strong financial performance. We are proud of what we accomplished with the Berlin Packaging team and we wish them continued success.”

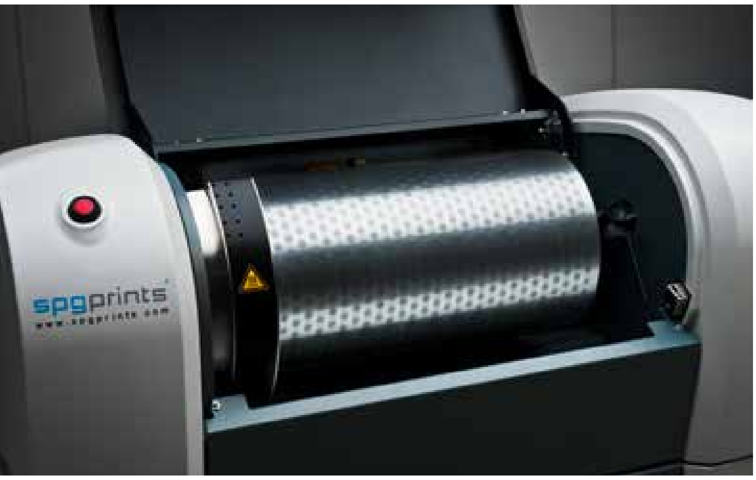
berlin™ PACKAGING

Andrew Berlin

Kevin Nickelberry

SPG Prints:
global provider for rotary screen and digital printing

Teaming up with the management team to enable expansion into new markets



Established in 1947, SPGPrints is the leading global provider of integrated solutions for rotary screen and digital printing for textiles and graphic applications, and the leading manufacturer of precision metal components for a broad range of applications. Headquartered in Boxmeer, The Netherlands, the Company is represented in more than 100 countries worldwide and in 2013 generated revenue of €214 million, a large share of which was from emerging markets.

In July, Investcorp acquired SPGPrints from funds managed by Bencis Capital Partners for an enterprise value of €240 million.

Commenting on the acquisition, Carsten Hagenbucher, a Principal in Investcorp's corporate investment team in London, said, "We have followed SPGPrints for a long time and were attracted by its differentiated, global rotary screen business, its innovative digital inks activities, attractive precision metals offering and entrepreneurial management team. We're excited to now have the opportunity to partner with management as we seek to help accelerate the Company's growth both organically and through appropriate add-on acquisitions, and to drive continued international expansion. There are many parallels to other portfolio companies in which we have invested and we look forward to applying such knowledge to SPGPrints, particularly with respect to digital inks."

Mr D.W. Joustra, Chief Executive Officer of SPGPrints, added, "We were impressed by Investcorp's long track record of working with the management teams of its portfolio companies to help them expand into new markets on an international scale. With a truly global presence, we believe that Investcorp is a complementary partner for SPGPrints and one that will provide us with the solid capital base required to help us realise the full growth potential of the business, including add-on acquisitions."

spgprints®


TAKING ON
CHALLENGES
AND WINNING
CHALLENGES
TAKING
ON

Sur La Table taps industry veteran to lead the company into its next phase of growth

In October, Sur La Table, a specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses in North America, appointed industry veteran Diane Neal to lead the company into its next phase of growth as its new CEO. Ms. Neal joins Sur La Table with over 30 years of consumer and retail experience and has held leadership positions at a number of prominent multi-billion dollar brands. Most recently Ms. Neal served as chief executive officer and president of Bath & Body Works, Inc. She currently serves on the boards of several retail companies, including Abercrombie & Fitch Co. and Fossil Group Inc. Ms. Neal succeeds Jack Schwefel, who served as the company's CEO from 2007 to September 2014.

"Diane's experience and understanding of what it takes to build a leading brand is exactly what Sur La Table needs as the company enters its next stage of growth in new and existing markets," said Kevin Nickelberry, Managing Director at Investcorp. "We look forward to working with Diane and benefitting from her talent, business acumen and leadership experience as the company continues to execute its growth strategy."

Investcorp acquired Sur La Table from the Behnke family and investment firm, Freeman Spogli & Co. in 2011. At the time of the acquisition, Investcorp recognized Sur La Table as a market leading, multi-channel retailer with a unique product offering and a high level of customer service. The company benefits from a loyal customer base and offers a broad selection of the best culinary brands and an assortment of innovative kitchenware products. Sur La Table sells its products through physical stores, a widely distributed catalog and a premium online platform, all of which are independently profitable.

Since acquiring the business in 2011, Investcorp has worked with Sur La Table's management team to execute the company's growth strategy. With Investcorp's strategic and financial support, Sur La Table has expanded its online business while growing physical stores from 86 to 119 locations and almost doubling the number of cooking class locations. Sur La Table currently operates the largest avocational cooking school in the US, offering classes in 54 locations that attract 100,000 people to its stores each year.

With the appointment of Diane Neal, Investcorp believes that Sur La Table is well-positioned to build on its success and progress to the next phase of its growth. The company's plans for future growth include the addition of stores in existing and new markets; the expansion of the direct sales channel; continuing to grow the gift registry; continuing refinement of the operating model as the company leverages its established infrastructure; driving same-store sales; and expansion of the ever-evolving culinary program.

Commenting on her appointment as Sur La Table's CEO, Diane Neal stated: "I am truly excited to be taking on this role and joining a market-leading company in Sur La Table. I look forward to building on the company's unique product offering and exceptional customer service to offer consumers the best kitchenware shopping experience, whether it's in-store or online."

Sur la table
THE ART & SOUL OF COOKING

Sale of SourceMedia completed

In early August Investcorp completed the sale of SourceMedia, a diversified business-to-business media company to Observer Capital having originally acquired the business, inclusive of its Accuity affiliate, from the Thomson Corporation in 2004.

Through Investcorp's stewardship, SourceMedia made significant investments and changes to the business that advanced its digital-first strategy, significantly diversifying its revenue mix to incorporate digital media, marketing services, events and new categories such as research. In addition, Investcorp spun out Accuity, and worked with its management to position the business as the leading U.S. provider of payment efficiency and risk reduction solutions for global financial institutions. Investcorp sold Accuity to Reed Elsevier in September 2011.

The sale of SourceMedia, the terms of which were not disclosed, followed a highly active year for Investcorp's corporate investment group, which deployed $609 million across five acquisitions during the fiscal year ending June 30, 2014 and executed eight corporate investment realizations during the same period.

Commenting on the sale, Jonathan Dracos, Head of Corporate Investment North America and Real Estate Investment at Investcorp said, "We are pleased to have collaborated with SourceMedia's talented management team to make strategic investments that broadened the company's revenue sources and positioned it for continued success with Observer Capital. The sale of SourceMedia demonstrates Investcorp's ability to add value to its portfolio companies across all economic cycles."

Doug Manoni, Chief Executive Officer of SourceMedia added, "SourceMedia's partnership with Investcorp has been highly successful and we thank them for their support over the last several years. Through our collective efforts, we were able to develop and implement a highly-successful digital strategy and evolved our business to a digital-first publishing, marketing solutions, and performance-based marketing company – driven by the needs of our dynamic customer base. I greatly appreciate Investcorp's support of our business and look forward to working with Observer Capital to continue strengthening our portfolio of services on behalf of our clients and subscribers."

Management of Investcorp meets at Pennyhill Park

In early September, all Managing Directors and Principals at Investcorp met at Pennyhill Park, Surrey, UK - a key event on the Investcorp calendar. This meeting provided an opportunity to review the development of the Firm as well as discuss feedback on each LOB taken from the appraisal process. Contributions were made from across the business and each LOB got the chance to present a business update with opportunities for Q&A.

In parallel and as a fun element the whole group was able to take part in a series of team-oriented activities, which included navigating the course on 6-wheel all-terrain vehicles that have tank-like controls, testing their ability to work as a team on balance machines, and practice their balancing skills on the low ropes, where they were suspended only centimeters from the ground, but needed to work as a group in order to make it over as fast as they can.

Preparing for a rising interest rate environment in the United States

Richard Kramer

The financial crisis in 2009 was marked by the S&P 500 index touching a 13-year low of 677. Since then financial markets have experienced a robust recovery, most vividly illustrated by the trebling of the S&P 500 index to a high of 2,011, accompanied by a decline in volatility in the markets. A key driver of the improved state of the financial markets has been the Federal Reserve's monetary policy, most notably its zero interest rate policy ("ZIRP") and its quantitative easing ("QE") programs which injected liquidity into the financial markets to support asset prices. The federal funds rate has remained at a rock-bottom low target of near 0% for an unprecedented 69 months, and counting.

This has created a 'risk-on' environment and investors have actively deployed capital across a range of asset classes. Corporate investments and real estate properties have benefited from the improving macroeconomic environment which has seen a steady decline in the unemployment rate together with growth in GDP which reached an annualised rate of 4.2% in Q2 2014 in the United States. Consensus estimates expect the US economy to expand at 3% per annum over the next 18 months and the

A changing interest rate environment creates substantial uncertainties. Evaluating and understanding risk is an integral part of investing capital.

unemployment rate to decline to 5%.

However, such an environment can lead to inflation of asset prices, which if left unchecked can ultimately result in unsustainable valuation "bubbles". With this risk in mind, against a data set indicating a healthy economy, the Federal Reserve is poised to transition out of monetary "easing" towards monetary "tightening" – by raising interest rates. A recent poll asked 1,000 institutional investors what they believed to be the most significant financial risk to the markets over the next twelve months. The number one answer was geopolitics, and the second was the Federal Reserve's monetary policy.

Why is the Federal Reserve's monetary policy such a risk? History tells us that in 13 of the 16 times the Federal Reserve raised rates, the market went into a correction or bear market in the six months before the rate hikes began. In short, the Federal Reserve needs to successfully balance the effect of raising rates – akin to applying a brake on economic growth – without suffocating what is still a recovering global economy.

A changing interest rate environment creates substantial uncertainties. Evaluating and understanding risk is an integral part of investing capital. Risks that may become more prominent once interest rates begin to rise include:

- Cyclical businesses may experience reduced demand for goods and services in a tightening liquidity environment (for instance as capital investment expenditures decline) and consequently will generate lower earnings and slower earnings growth;
- Borrowers – whether corporates or real estate owners – face paying higher interest costs which may lower earnings, cash flows and distributions;
- Investors may require higher yields and have less appetite to lend to weaker credits potentially leading to higher default rates; and
- As a consequence of the above, there is a potential risk of a damaging spiral of declining asset prices and higher interest costs against a backdrop of slower economic growth.

While there are risks, the underlying premise for raising interest rates is the existence of strong underlying economic fundamentals capable of absorbing interest rate hikes and continuing to drive economic growth and prosperity.

Awareness of the potential risks and evaluating the sensitivity of businesses or real estate properties to different interest rate scenarios allows for an assessment of the risk/return profile of a potential investment – an important ingredient in identifying and securing successful investment opportunities. Assessing the impact of increasing interest rates and considering alternatives to protect against interest rate spikes such as interest caps or options, long term fixed rate debt and/or minimal covenants are examples of risk mitigation actions.

Anticipating the changing environment enables investors to deploy capital to maximise opportunities and mitigate risks. In this environment, Investcorp continues to focus on companies with resilient growth engines, creating value from organic growth, add-on acquisitions, operational cost cutting and strategic re-positioning. Real estate properties in markets with solid growth drivers and financed with stable capital structures are well positioned for a rising rate environment. Hedge funds can benefit from an increased opportunity set due to higher volatility of assets as investors seek to rebalance their portfolios. Investcorp pro-actively seeks investments that it believes are well positioned to perform in a rising interest rate environment in the US.

Richard Kramer
Managing Director, Risk Management

Richard Kramer joined Investcorp in 2011 from Credit Suisse where he was a Managing Director. Having started as an analyst in 1997 in the CS First Boston M&A department, Richard worked in M&A, equity and debt capital markets as well as Regional Management in London and Singapore.

Richard holds an MSc from the London School of Economics, a BA from Tufts University and a CEP diplome from Sciences Po, Paris.

New real estate acquisitions in high growth US markets

In September, Investcorp acquired a portfolio of office and industrial properties in Durham, NC, Seattle, WA and Jacksonville, FL for approximately $250 million. The combined properties consist of nearly 2.2 million square feet and have an average occupancy rate of 87 percent.

Ryan Bassett, Principal in Investcorp's Real Estate Group said:

"These properties provide significant diversification across product types and tenants and are located in fast-growing markets with strong demand generators. We believe that the portfolio is already well-positioned with stable cash flows, and with additional leasing improvements, we think these assets demonstrate good upside potential as the U.S. economy continues to recover."

As of June 30, 2014 Investcorp's real estate group had approximately $1.4 billion in assets under management. Investcorp deployed $312 million in real estate investments in the fiscal year ending June 30, 2014.

The new real estate assets consist of the following properties:

- Meridian Corporate Center, Durham, North Carolina: This Class A corporate office park is adjacent to the globally renowned Research Triangle Park (RTP), one of the most dynamic and prominent research parks in the world. The property comprises nine buildings and includes a diverse mix of tenants and products that range from Class A midrise office assets to single story R&D. The property's asset mix is well-positioned to attract tenants in the medical, life sciences, technology and engineering industries, which are all driving forces behind Raleigh's fast-expanding population. This acquisition follows Investcorp's 2012 acquisition of three properties in the Raleigh market, which was recently named by Forbes as the fastest growing city in the U.S.
- Highlands Campus Tech Centre, Bothell, Washington: This three-building campus consists of Class A office and flex space constructed in1999 and is situated on Seattle's desirable Eastside. The campus is occupied by a diverse mix of tenants and is well-occupied. The economy in the Seattle metro area is strong and benefitting from job and income growth generated by the technology, software, healthcare, aerospace and life sciences sectors.
- Flagler Center, Jacksonville, Florida: This12-building portfolio is highly diversified across tenants and product types, including a mix of multi-story and single-story Class A office buildings as well as bulk industrial buildings. Built between 1997 and 2008, this portfolio contains some of the newest commercial real estate assets in Jacksonville.

Meridian Corporate Center, North Carolina

Highlands Campus Tech Centre, Washington

Flagler Center, Florida

Meridian Corporate Center, North Carolina

New Advisory Directors in Europe

In July, we announced the appointment of four new Corporate Investment Advisory Directors in Europe to provide senior external counsel to Investcorp by helping us assess potential investment opportunities and support portfolio company management. Their collective knowledge and experience will be invaluable as we identify and execute attractive investment opportunities and support our portfolio company management teams to build world-class businesses.

The four new Advisory Directors are:

Brendan Harris

Brendan Harris is currently the CEO and Chairman of the Board of Froosh AB, the market leader in the fast-growing Scandinavian market for fruit smoothies. He began his career as a consumer marketer with Unilever and has had an extensive career across Europe, the USA and Africa, primarily in the non-alcoholic beverage industry.

Joan Julià Dinarès

Joan Julià Dinarès has 25 years of top-level executive experience in different industries with a global exposure. Joan has been a Managing Partner at S&E Partners since 2006 and is a Board Member for several companies as well as CEO for Parkare.

Guy Leymarie

Guy Leymarie is the founder of AnimA Associates, based in Tokyo. Prior to this, Guy served as CEO of De Beers Diamond Jewellers and Cartier International. He also serves as a Director of Georg Jensen.

Philip Walters MBE

Philip Walters MBE is currently Chairman of the GL Education Group and Chair of the independent educational publisher, Rising Stars. He is also a non-executive Director of Encyclopedia Britannica (London), of Nelson Croom, the leading supplier of online training and assessment for UK professional bodies, Scottish Book Source, the leading book distributor for Scottish publishers, and CABI, a not-for-profit international organization that improves lives by solving problems in agriculture and the environment.

Brendan Harris

Joan Julià Dinarès

Guy Leymarie

Philip Walters MBE

Investcorp owned L'azurde continues with expansion in Cairo

Investcorp acquired a 70% stake in L'azurde, one of the world's largest gold and jewellery manufacturers and a leading Middle East brand, in 2009. L'azurde was founded by Mr. Abdul Aziz Al Othaim. Over three decades, it has developed into a market leading business with a well-known brand, high quality product and design, strong manufacturing and distribution capabilities, and economies of scale advantages. According to a recent Forbes Arabia study, L'azurde is one of the best known brands in the Arab world.

Since working with Investcorp, L'azurde's business has gone from strength to strength, and most recently it has expanded into the Egyptian market.

L'azurde opened its first flagship shop at Cairo Festival City in June of this year, a location it shares with top retail brands such as Ikea, M&S, Kidzenia, Zara, H&M, Armani and Faces. Since its opening L'azurde's store sales have outperformed key jewelry retailers, with increased consumer interest in the retailer's products. Building on this success, L'azurde also plans to open a store in the largest mall in Cairo – the Mall of Arabia – in 2015, alongside international brands such as, Virgin, Zara, Gap, Spinneys and Samsonite.

L'AZURDE

$400 million Revolving Credit Facility signed

In mid-June, Investcorp signed a $400 million Revolving Credit Facility (RCF) among a syndicate of banks. The facility attracted more than $650 million in commitments from 14 banks, resulting in a significant scaling down of all lenders' commitments together with a slight increase in the aggregate deal size.

The RCF replaces Investcorp's current 3-year multi-currency bank facility (maturity Sept 2015) and extends the tenor of the borrower's bank debt to over four years. Maturing in July 2018, the facility also smoothes and extends Investcorp's liability profile, following its successful Swiss bond debut and the company's medium term debt portfolio now has an average maturity of 45 months, compared to 26 months as at December 2013.

The facility attracted more than $650 million in commitments from 14 banks, resulting in a significant scaling down of all lenders' commitments together with a slight increase in the aggregate deal size.

Global macro outlook

The recent bout of market volatility, while puzzling to many market participants, has more generally been attributed to a deteriorating global growth outlook. A slow accumulation since July of negative growth surprises for Europe and China finally crystallized into a view – articulated by the IMF at the start of October - that anemic foreign growth could derail the US recovery. Weak industrial production numbers for August, also reported in early October, seemed to show that global industry had failed to rebound following a mid-year stall. Meanwhile, rapidly declining commodity prices were interpreted as still more concrete confirmation of a global slowdown – with perhaps even a worldwide recession looming on the horizon.

In addition to this macro backdrop, market commentators suggested a number of possible triggers for the switch to risk-off sentiment: among them, frothy valuations, a lack of sellers of volatility (a major role played by PIMCO), and rebalancing of large VIP multi-strategy hedge funds following underperformance of their bets on Fannie and Freddie shares. Then there is the impact of ISIS, the spread of Ebola disease, and run-of-the-mill profit taking on risk sentiment. As in any Agatha Christie murder mystery, everyone is a suspect.

It is not possible to substantiate the role of any of these proximate triggers, in our view, and they are less relevant than the shifting view of underlying economic conditions that left the market vulnerable to a sharp reversal of sentiment.

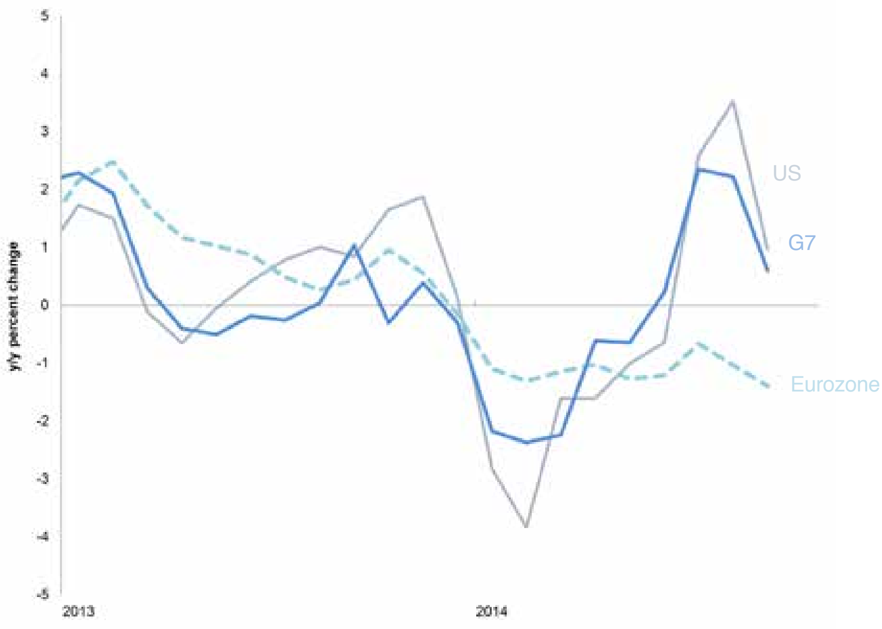
While we are challenging our views given markets' recent deterioration, we continue to expect global growth to remain positive through 2015, led by an increasingly self-sustaining US economy.

While there clearly has been a downgrade in the outlook for European growth over the past few months, this doesn't necesssarily translate into the dire scenario described above, for several reasons. First, global demand, both consumer and firm spending, has remained strong through Q3. Second, while at first glance production data look much weaker than expenditure data, this conclusion is flawed. The large drop in August's factory output numbers (most strikingly in Germany) followed an unusual stall in global auto production, from which the data have since rebounded. In addition, technical issues regarding the seasonal adjustment of the August data likely generated further downward biases. Third, the oil price decline has been driven in part by supply dynamics, and should also continue to support consumer expenditure in the US and Europe, thereby providing a boost to Q4 growth.

As a result, our views and portfolio positions have not changed, and we remain constructive on risk assets over a 12-month horizon. We expect the current earnings season, just getting underway, to help anchor markets to fundamentals. That said, we are constantly monitoring and reassessing the global macro environment to assess the implications for our three lines of business.

While we are challenging our views given recent deterioration across global markets, we continue to expect global growth to remain positive through 2015

Investcorp's Global Leading Indicators: Growth Diverges Across Developed Markets



Sources: Bloomberg, Investcorp.

Investcorp's Global Leading Indicators are designed to nowcast industrial production growth for the G-7, the US, and Eurozone by three-months relative to data releases. The latest prints for September, shown in the figure, indicate growth will continue to diverge through year's end across developed markets. They suggest continued weakness in the Eurozone through year's end and some payback in US data following the strong surge earlier in the Fall, but with the underlying trend remaining positive.

Rebecca Hellerstein

In September, Rebecca Hellerstein joined the firm's Hedge Funds business as a Managing Director in a newly created role as a Cross Asset Strategist.

Ms. Hellerstein has primary responsibility for fundamental cross asset and alternative risk factors research and will also focus on enhancing Investcorp's capabilities in liquid alternative strategies. Ms. Hellerstein will be a member of the Hedge Funds Strategic Outlook and Investment Committees and will report directly to Lionel Erdely, Head and Chief Investment Officer of Hedge Funds.

Commenting on the hire, Mr. Erdely said, "Cross asset research and alternative beta analysis have long been key components of our investment process. With her strong experience and credentials, Rebecca will make important contributions to enhance the performance of our investment solutions and to expand our Alternative Beta offering."

Before joining Investcorp, Ms. Hellerstein served as a Global Strategist in the Global Multi-Asset Group at JP Morgan Asset Management. Prior to that, she spent nine years at the Federal Reserve Bank of New York, most recently as a Senior Economist in the International Research Group. Ms. Hellerstein was awarded the President›s Award for Excellence by the Federal Reserve Bank of New York in 2007. A former adjunct associate professor at NYU's Stern School of Business, Ms. Hellerstein graduated Magna Cum Laude from Harvard College and obtained her Ph.D. in Economics from the University of California at Berkeley.

Rebecca Hellerstein

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