The Investcorp Newsletter

INVESTCORP

THE REVIEW

An Era of Change

Saudi Arabia National Transformation Plan

Investcorp's New Vision of Growth

Welcome

Investcorp has maintained momentum in its profitability and fundraising activities while continuing to bring the very highest quality investment opportunities from across our three business lines to our clients.

The trust that you - our clients and investors – continue to place in us is a critical part of Investcorp's ability to generate long-term sustainable value. For that, I thank you. Strong relationships sit at the heart of everything Investcorp does and should you ever wish to discuss something with me, I am always eager to hear from you.

Looking at deal activity over the past few months, Investcorp has been very active on both the Real Estate and Corporate Investment fronts. Here in the Gulf, the Firm acquired a minority stake in one of Saudi Arabia's leading supermarket and hypermarket groups, Bindawood Holding. Since its inception over 50 years ago, Bindawood has grown from a small trading business to one of the leading retailers in Saudi Arabia with two key brands - Bindawood and Danube. Businesses like Bindawood are at the core of Saudi Arabia's transition into a more consumer-driven economy and we are actively looking to invest in companies across the Kingdom that share its growth potential.

In Europe, we built on our long investment track record in security technology by acquiring SecureLink Group, a leading cybersecurity infrastructure and managed services provider. We see huge potential in SecureLink and we are working with the management team on a number of initiatives to expand its geographical footprint, helping it become a leading pan-European player.

Looking at the U.S. and on the exits front, we completed the sale of Veritext.

In other deal news, we were delighted to complete the acquisition of The Wrench Group in March. Wrench provides essential home maintenance and repair services to over 140,000 customers across Atlanta, Dallas, Houston and Phoenix, which are four of the fastest growing metropolitan areas in the U.S.

Real Estate has also been a highlight for Investcorp these past few months. Fiscal year to date, Investcorp has deployed $484m million in the asset class. This included a residential real estate portfolio of eight properties in Las Vegas, Denver, Chicago, Atlanta and Dallas; an office and industrial real estate portfolio of properties in Atlanta, San Francisco and Boston; five residential properties in Florida and Minnesota; and an office building in Washington, D.C.

I hope you enjoy this edition of The Review and I look forward to us bringing more investment opportunities to you in the months ahead.

Mohammed Al-Shroogi
Co-Chief Executive Officer

Contents

THE REVIEW

New opportunities

Over the past few months, I travelled around the GCC to visit as many of Investcorp's investors personally as possible to talk them through our new growth strategy and to thank them for their continued support and trust. At Investcorp, we pride ourselves on the strong ties we have with our investors and we are keen to maintain and strengthen these relationships so that we can deliver more value for you. For those of you that I have not been able to meet yet, I hope we will have the opportunity to do so in the coming months.

From a corporate perspective, the first half of our fiscal year marked another strong performance for Investcorp, particularly when you consider the weakening global economic climate and the volatility we have seen across markets. Against this challenging backdrop, Investcorp grew its net income by 12% to $50.9 million in the six months to 31 December 2015. This was achieved by continued strong transactional activity and placement momentum and solid asset-based returns on the Firm's portfolio of co-investments. Much of this can be attributed to the highest calibre of investment talent and executional excellence that we have here at Investcorp.

I am particularly excited to see Investcorp successfully launch a number of initiatives for our clients, all of which are a key part of the new strategic direction for Investcorp that was unveiled last year. On the Real Estate front, we have brought on board Neil Hasson to lead our investment team looking at opportunities in Europe. We already have a long and successful track record of investing in U.S. real estate, and we will leverage this to target core-plus opportunities in residential and commercial properties across Europe.

On the Hedge Funds side of the business, we recently launched three new Alt Beta funds. Alt Beta provides the unusual benefit of being negatively correlated with traditional asset class returns, along with liquidity, transparency, cost efficiency and diminished fraud risk. So far, we have been very pleased with the returns generated.

As well as growing organically, Investcorp bought the Hedge Fund of Funds business unit of SSARIS Advisors, which expanded our product lines as well as grew the Firm's assets under management. We are continuing to explore a number of other acquisitive growth opportunities in order to bring more high-quality investment opportunities to our clients.

Over the last six months, Investcorp hosted conferences in Istanbul and Muscat to discuss partnership and investment opportunities that support the growth of private and family-owned businesses. Investcorp also, and once again, hosted a large group of young business leaders from the GCC at a leading international business school for a week of seminars and workshops on leadership, innovation and management skills. This year, the Investcorp Leadership Program was held at the University of Oxford's Saïd Business School. I attended the program alongside this group of incredibly talented individuals and I would like to extend a personal thanks to all of those that attended and made the trip such a rewarding and engaging experience.

Mohammed Al Ardhi
Executive Chairman

Guest Feature

A Time of Change:
Saudi Arabia Vision 2030

Saudi Arabia made a bold and ambitious statement in April 2016 when it announced details of its Vision 2030. The plan will see significant change across a range of sectors as the Kingdom diversifies its economy, ending its dependence on the world's thirst for oil. In a series of interviews, Saudi Deputy Crown Prince Mohammed bin Salman explained how the country would rationalise subsidies and government spending, privatise state-owned assets and establish new sources of revenue, heralding a new era of growth for the Kingdom.

Central to the transformation plan is an initial public offering ('IPO') of Saudi Aramco. Saudi Arabia has said that by selling just 5% of Aramco that it can raise upwards of $2 trillion. These funds would then be used to seed the Kingdom's first sovereign wealth fund, which, if managed prudently, should result in more sustainable investing on the part of Saudi Arabia, delivering stable returns over the decades ahead.

The Review sat down with Investcorp's Head of Placement & Relationship Management, Tim Mattar, to talk about the changes happening in Saudi Arabia and what this means for investors.

1. How significant a moment is this for Investcorp in Saudi Arabia? What does it mean for your strategy in the Kingdom?

This is a hugely important moment for Saudi Arabia and we firmly believe that it will enhance the Kingdom's long-

Investcorp's Head of Placement and Relationship Management, on transformations in Saudi and positive momentum the market

term growth potential. From Investcorp's perspective, we see there being two fronts to what it means for our investment strategy.

Firstly, the creation of what could be the world's largest sovereign wealth fund means that Saudi Arabia will be looking to deploy more capital in markets around the world. For nearly 35 years, Investcorp has acted as a bridge between investors in the Gulf and investment opportunities in the West, which means we are ideally placed to facilitate this flow of capital from Saudi Arabia into Europe and the United States.

The second front is the reverse. As part of the Vision 2030 Plan, Saudi Arabia wants to diversify its economy and increase foreign investment in the Kingdom. We have been investing in Saudi Arabia for a long time and Vision 2030 will mean more opportunities for us to partner with the government and private businesses that are looking to attract growth capital from outside the country.

2. How bullish are you about investment opportunities in Saudi Arabia following this announcement?

We were bullish before this announcement and we are even more so now. The Saudi government has said it wants to encourage the growth of the private sector and for it to contribute much more to the overall economy. This is exactly the right strategy for Saudi Arabia's future and we are confident that Investcorp can play a key role in making it a success.

3. How will Vision 2030 affect Investcorp's portfolio companies?

A stronger private sector means more

Tim Mattar

jobs, a larger consumer class and a healthier economy overall – this can only be a good thing for our portfolio companies and the types of companies in which we invest.

Meanwhile, Saudi Arabia is also actively working towards increasing the number of companies listed on its stock exchange, the Tadawul, from the 160 or so we have today to somewhere towards the 1000 mark. For our portfolio companies, an IPO is very often an attractive way to fund growth so this encouragement from the Saudi government is a particularly interesting development.

4. The defence, mining and renewable energy sectors were highlighted as key sectors for the future of Saudi Arabia. Is Investcorp planning to increase its activity within these sectors?

These are not typical sectors that Investcorp invests in. We are structured in such a way that we add the most value to mid-sized companies, where we can provide operational support as well as financial support. As such, we will certainly look at opportunities in businesses that support these sectors – as we did when we invested in NDT Corrosion Control Services – but I don't envisage us being a significant player within these sectors, which tend to consist of larger companies.

5. Are there any other sectors that you think will benefit from the reforms and how will Investcorp respond?

We expect we will see the government focus on encouraging investment in sectors such as healthcare, education, business services and logistics. These sectors are critical to any economy and, typically, the private sector can significantly improve efficiencies. So naturally, we will be looking very closely at these types of sectors.

Investcorp announces strategy for next phase of growth

A new strategic direction to double assets under management over the medium term

In November 2015, Investcorp unveiled a new strategic direction for the Firm at its annual Investors' Conference in Bahrain. In a speech to investors and shareholders, Mohammed Al Ardhi, Executive Chairman of Investcorp, outlined details of the plan and said that Investcorp is aiming to increase its Assets under Management ('AUM') by more than 100% over the medium-term. Al Ardhi said that Investcorp will expand its product set, invest in people and it will not lose sight of the Firm's commitment to delivering the highest levels of client service. As Investcorp grows its AUM, the Firm will help its clients to grow their wealth in a disciplined way whilst seeking to effectively manage their risk.

Addressing the audience, Al Ardhi said, "Many of our client relationships are as old as this Firm and through our proven ability over 33 years, we've shown that we are as relevant to today's new generation of investors as we were when the Firm was founded by my predecessor Nemir Kirdar in 1982. It is with the deepest respect that I thank Nemir for leading this company for over three decades, and we owe a great deal to his years of dedicated service to the Firm.

"Investcorp has a solid brand, established over time thanks to the hard work of our world-class professionals. This strategy will guide Investcorp through its next phase of growth.

"In order for Investcorp to reach its ambitious targets, our priority is to add carefully selected services under the umbrella of our brand while striking the best balance between minimizing risk and growing profit."

By innovating its product set, Investcorp will enable investors to access new alternative investment opportunities, enhancing their ability to construct diversified portfolios across multiple markets with the objective of achieving attractive returns. Investcorp will leverage and maximize the huge depth of skills, relationships, resources and market knowledge that already exist around the Firm, reinforcing its role as the region's bridge between the Gulf and international markets. At the same time, Investcorp will remain committed to maintaining and building very close

relationships with its investors and shareholders. In the Gulf, an important part of this is being as close to its investors as possible. Investcorp recently opened an office in Doha, which builds on the Firm's existing presence in Bahrain, Riyadh and Abu Dhabi.

The acquisition of $180 Million Office Building in Washington, D.C.

Brian Kelley

Investcorp completed the acquisition of a Class A office building in Washington, D.C. for approximately $180 million. This acquisition is consistent with Investcorp's recent track record of acquiring top-quality, cash flowing properties in the U.S. and also represents the first acquisition under a new initiative focused on core-quality, long-term hold assets in key gateway markets.

733 10th Street (the 'Property'), is a 170,813 sq. ft., 100% occupied, luxury office building located in the heart of Washington, D.C.'s East End office submarket, in close proximity to high-end retail stores, premium hotels and restaurants, two major Metro Stations and well-known sports and entertainment venues.

Brian Kelley, Principal, Real Estate Investment at Investcorp, said, "The 733 10th Street property is a stable, prime asset offering what we believe to be resilient, long-term value in combination with attractive current yields. We are actively seeking additional core-quality, stable properties like 733 10th Street in a handful of major gateway markets to supplement our ongoing investment activity in core-plus, yield-oriented properties throughout the U.S."

Investcorp purchased the property with its joint venture partner, ScanlanKemperBard.

The fully-leased office building is in the heart of Washington, D.C.'s East End

Five New Residential Properties in Minneapolis and Boca Raton

Investcorp bought five residential properties in the metropolitan areas of Boca Raton, Florida and Minneapolis, Minnesota for approximately $220 million. The acquisitions are consistent with Investcorp's strategy to invest in desirable, high quality properties located in high demand markets providing attractive cash yields.

In Boca Raton, we have acquired three student housing properties, with 892 beds and a 98 percent occupancy rate, these properties are the only off-campus, purpose-built, student housing facilities in the nearby area. The residential properties located in the suburbs of Minneapolis, Meanwhile, the Minneapolis portfolio comprises two multifamily apartment buildings with 854 units and an average occupancy rate of 95 percent. Minneapolis has the lowest unemployment rate in the U.S. at 2.9%.

"As the home ownership rate in the U.S. continues to decline, rental properties are in high demand," said Herb Myers, Managing Director, Real Estate Investment at Investcorp. "All five of these properties are located in major metropolitan areas with strong market fundamentals including solid rent growth and high occupancy rates. We believe the unique Boca Raton properties serve a growing student population in the area, and the Minneapolis multifamily properties have significant upside potential associated with exterior and interior upgrades."

$400 Million Office and Industrial Portfolio

Babak Sultani

Investcorp adds $400 million Office and Industrial Portfolio in the major U.S. markets of Atlanta, Boston and San Francisco

Investcorp has acquired a portfolio of office and industrial properties in the metropolitan areas of Atlanta, San Francisco and Boston for approximately $400 million. These acquisitions are consistent with Investcorp's strategy to invest in well-occupied properties with healthy cash flows located in major U.S. markets displaying strong economic fundamentals and employment growth.

The entire industrial portfolio and one of the three office properties are located in the greater Atlanta area, and should be set to benefit from its highly diversified and growing economy. As the business capital of the Southeast, Atlanta boasts some of the highest job and population growth projections in the country. The remaining properties are located in the high-performing sub-markets of San Francisco and Boston, which benefit from strong technology, biotechnology, and healthcare driven office demand.

Babak Sultani, Principal, Real Estate Investment at Investcorp, said, "Atlanta, San Francisco, and Boston are top business destinations with some of the most attractive job and rental growth stories of recent years. All of the properties in this portfolio are well-occupied with strong, stable cash flows and diversified tenant bases, and thus are well aligned with our investment strategy of working with local operating partners to add value to properties that already provide an attractive current yield."

Investcorp partnered with several local and regional operating partners to acquire the properties. The properties acquired total more than 5.5 million square feet with an average occupancy rate of approximately 85 percent. Investcorp plans to add value to the properties through upgrades, renovations and capital investment.

Corporate Investment

The Wrench Group

A leading provider of air conditioning, plumbing and other essential home maintenance and repair services in the United States

Investcorp successfully acquired The Wrench Group, which was formerly controlled by Alpine Investors, Skylight Capital, and Wrench management. The Wrench Group provides essential home maintenance and repair services, including heating, ventilation and air conditioning, plumbing and electrical services.

The Company operates in a large and fragmented $200 billion market and has demonstrated consistent growth through all economic cycles. The Wrench Group currently serves over 140,000 customers throughout the Atlanta, Dallas, Houston and Phoenix markets, four of the fastest growing metropolitan areas in the United States. It is marketed regionally through four prominent brands: Coolray, Berkeys, Abacus and Parker & Sons. With approximately $150 million in revenue for 2015, The Wrench Group is positioned as a leading provider of home services in each of its markets due to high brand recognition and commitment to exceptional customer service. We believe that the Company is poised for continued growth in existing and new markets.

"Investcorp is excited to partner with The Wrench Group's outstanding management team. The team has distinguished itself by achieving substantial growth in each of the Company's markets while providing superior customer service," said David Tayeh, Head of Corporate Investment for North America at Investcorp. "We plan to support the Company in continuing to build upon its current successes by capitalizing on best practices across the enterprise, continuing the strong organic growth in its current regions, and strategically expanding into attractive markets."

David Tayeh

As part of the transaction, management will continue in their current roles with the Company and retain a meaningful interest in Wrench. Collin Hathaway, Managing Partner of Skylight Capital and Chairman of Wrench said, "We spent the past five years identifying and partnering with the best regional companies, leaders and cultures in the non-discretionary home service space. Investcorp shares our commitment to our team, our customers and our industry and we are thrilled to have them as a partner and resource."

Graham Weaver, Founder and Partner of Alpine Investors added: "The management team at Wrench has built a world class, durable company that continues to provide incredible service and value to thousands of customers throughout the U.S. We are honored to have Investcorp, a first rate and experienced investor, as a partner to help the Company realize its potential."

The Wrench Group

Cybersecurity service provider SecureLink

Established platform to develop a leading IT security solutions company in Europe

Last year, Investcorp purchased SecureLink Group NV, whose management and initial founders will reinvest and hold a meaningful minority position in the Company as part of the transaction.

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

Carsten Hagenbucher

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. Headquartered in the Netherlands and Belgium and active in the Benelux region, Investcorp believes that SecureLink is ideally positioned to expand its geographical footprint and become a leading pan-European player.

Carsten Hagenbucher, Managing Director in Investcorp’s Corporate Investment team in London, said: “Investcorp has a long investment track record in security technology on both sides of the Atlantic. In SecureLink, we have found a formidable and customer-oriented cybersecurity solutions provider, a platform from which we seek to drive a pan-European expansion strategy. We are impressed by SecureLink’s entrepreneurial management team and we look forward to partnering with them as we seek to implement an accelerated growth strategy, both organically and through add-on acquisitions.”

Marco Barkmeijer, Chief Executive Officer, SecureLink, added: “Ever since our formation, SecureLink has been focused on delivering exceptional client service in the area of cybersecurity, a focus that has enabled us to become a leading cybersecurity infrastructure and managed services provider in our home markets. Through continued organic growth as well as acquisitions we now stand ready to take SecureLink to the next level. In Investcorp, we believe we have found the right partner for the next part of our journey, and look forward to benefiting from their industry insights, global network and growth enabling capital base to help us become the leading pan-European player.”

Secure Link Infrastructure Security Solutions

Bindawood

Investcorp partners with the Bindawood family and acquires a minority stake in one of the leading supermarket and hypermarket chains in Saudi Arabia

Yasser Bajsair

Investcorp acquired a minority stake in one of Saudi Arabia's leading supermarket and hypermarket groups, Bindawood Holding.

Since its inception over 50 years ago, Bindawood has grown from a small trading business to one of the leading retailers in Saudi Arabia, and it currently manages two key brands - Bindawood and Danube - across 40 hypermarkets and supermarkets in major Saudi Arabian cities, including Makkah, Medina, Jeddah, Riyadh and Khobar. Today, the Group employs more than 7,000 people.

The Bindawood brand is focused on the mid-range customer segment and the pilgrims in the holy cities. Meanwhile, Danube appeals to higher-end customers by stocking higher-price point products.

Yasser Bajsair, Managing Director at Investcorp in the Kingdom of Saudi Arabia, said, "Consumer spending in Saudi Arabia has strongly benefited from economic and population growth over the last five years. This trend is expected to continue going forward, and we believe that the Company is ideally positioned to capture this growth. There is a very strong management team in place and we are eager to lend our expertise to help bring this exciting brand to even more consumers across the Kingdom."

Dr. Abdulrazzaq Bindawood, Chairman of the Board of Bindawood Holding, said, "Investcorp brings valuable expertise to help us structure our growth across Saudi Arabia and institutionalize the Company. We spent a long time evaluating the options available to us and we are looking forward to beginning this new chapter in our history with Investcorp as our partner."

Bindawood Holding is Investcorp's sixth portfolio company in Saudi Arabia and follows the Firm's acquisition in July 2015 of a majority stake in NDT Corrosion Control Services, Saudi Arabia's largest industrial testing services company. Investcorp's other investments in Saudi Arabia include Leejam, the owner and operator of the leading fitness chain "Fitness Time"; Theeb, the leading car rental business; Al Yusr Industrial Contracting Company (AYTB), a leading provider of industrial services outsourcing solutions; and L'azurde, a leading designer, manufacturer and distributor of gold jewellery.

Sale of Veritext completed

Earlier in 2016, Investcorp sold VText Holdings, Inc. ("Veritext" or the "Company") to private equity firm Pamplona Capital Management.

Founded in 1997, Veritext is the leader in deposition and litigation support services. Veritext provides law firms, Fortune 500 corporations and regulatory agencies with national coverage, state-of-the-art facilities, highly skilled court reporters, advanced technology and unparalleled client service.

During Investcorp's ownership, Veritext doubled its sales force, completed 16 strategic add-on acquisitions, opened two offices in new markets, invested in technology and marketing, and built a robust corporate structure. Investcorp helped Veritext differentiate itself in the market by upgrading its technology platform using innovative, customer-friendly technologies, streamlining the deposition process, and enhancing delivery flexibility. Proprietary video, advanced mobile apps, and flexible remote services combined with unmatched security ensure that Veritext clients have the best tools available to meet their complex needs.

Discussion in Oman on investing in family businesses

Investcorp hosted a conference in Muscat to discuss investment opportunities that can support the sustainable growth of family businesses throughout the Gulf.

The conference, 'Investing in Family Businesses in the Gulf', was attended by over 100 guests, including investment professionals who shared their insights, and a number of family business executives who discussed their experiences of growing alongside a private equity partner.

Mohammed Al Ardhi said in his opening remarks, "With the global economy currently going through a period of significant volatility and with oil prices at their lowest for a decade, it is critical that family businesses in this region continue to innovate and diversify."

"Having the right partnerships and networks is also crucial to business success and given the current environment, this is more important than ever. Investcorp has been investing in family businesses around the world for over thirty years and is on an ambitious growth journey to continue building upon this unparalleled platform in the Gulf. When you combine this international experience with our deep roots in the regional markets, it positions us as the ideal partner for Omani businesses that are looking to maximise their full potential."

Harsh Shethia, Managing Director at Investcorp for Oman said, "Investcorp is one of the oldest and most experienced investors in family businesses globally. In the last seven years we have brought our expertise to the Gulf, deploying over $1.2 billion of equity in regional businesses. Investcorp has also been active in realizing value from its investments, with exit proceeds of $7 billion in the last five years from companies and property investments."

Also speaking at the event were Mohammed Al-Shroogi, Co-Chief Executive Officer of Investcorp; Fahad Al Haqbani Co-founder and Chief Executive Officer of Fitness Time and Wassim Hammoude, Principal, Corporate Investment MENA at Investcorp.

...more in Muscat

In 2016, The Executive Chairman spoke at the 11th annual Harvard Arab World Conference, in Muscat, Oman, about the importance of collaboration, saying, "While it is true that one individual can come up with an idea, it is more often the interchange and collaboration between different minds that enables an idea to take wing."

In Oman as well, Al Ardhi attended the Sovereign and Pension Funds Conference, where he spoke about the current state of the investment industry and global markets and discussed the changes that face the industry, including the rise of impact investing through the growing number of Millennials in the workforce.

Investcorp Partners Conference in Turkey

In March 2016, Investcorp hosted a conference in Istanbul to discuss partnership opportunities that support the growth of private and family-owned businesses in Turkey.

The conference, called the 'Investcorp Partners Meeting', was attended by over 50 guests and held at the Çirağan Palace Kempinski Istanbul.

Speaking at the event were investment professionals who shared knowledge on investment trends and thought leadership in the private equity industry. Also discussed was the significance of strategic partnerships in boosting the growth of family businesses, through the provision of financial capital, as well as operational and portfolio management expertise.

Investcorp's Executive Chairman, Mohammed Al Ardhi said, "Since 2007, we have made investments in four different companies, and have succeeded in building a strong network and understanding of the Turkish market. Turkey is one of the largest economies in the MENA region, with strong market fundamentals and a solid private sector, and we remain excited about the country's potential for growth."

Also amongst the topics discussed at the conference were the economic outlook of the Gulf, Europe and US, as well as best practices in corporate investments.

Both Mohammed Al Shroogi and Rishi Kapoor, Co-Chief Executive Officers at Investcorp were amongst the speakers at the event; as well as Savio Tung, Senior Advisor at Investcorp.

Rishi Kapoor gives keynote address at Oman Oil & Gas Forum

On February 25, 2016, Rishi Kapoor gave a keynote address to the guests of Oman Society For Petroleum Service (OPAL) inaugural Oil & Gas Forum, on the global economic outlook and its interplay with crude.

Industry leaders were present to discuss and find solutions to the impact of falling oil prices on Oman's economy and jobs.

OPAL is a society for oil and gas companies in Oman with nearly 370 members consisting of major oil producers, contractors and services providers.

North America CEOs Conference in Miami

On February 7, 2016, CEOs of Investcorp's portfolio companies attended a two-day event in Miami, hosted by Investcorp's Corporate Investment North America team led by David Tayeh.

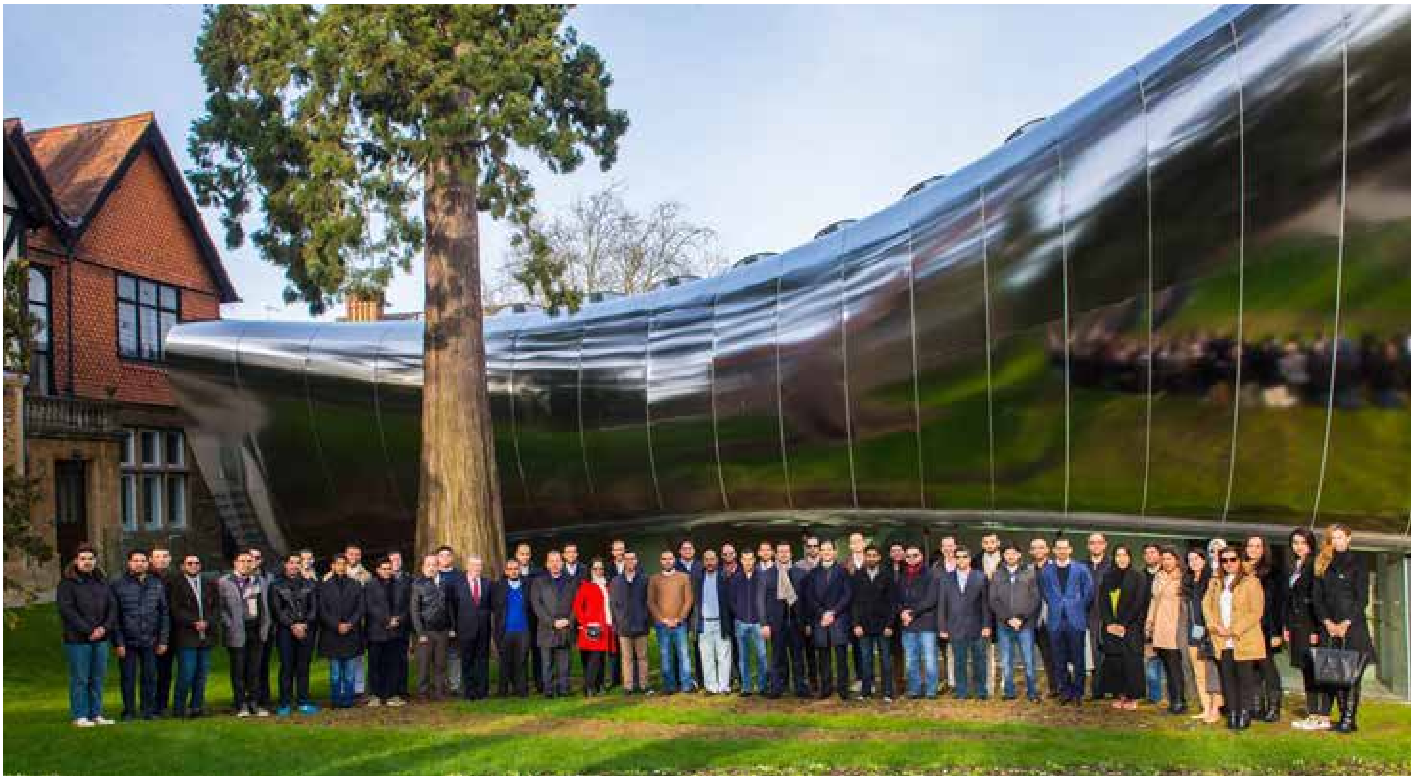
Mohammed Al Ardhi, the Executive Chairman, commenced the evening with a speech about Investcorp's investment philosophy and the strong partnerships it forms through working together with CEOs and management teams.

David Gergen, senior political analyst at CNN and a former adviser to four US presidents, joined as a guest speaker and the speeches were followed by a dinner. The second day of the conference took off with interactive panel discussions on innovation and the use of technology, human resources and talent management, and creating growth.

Speech at London Business School

In November 2015, Mohammed Al Ardhi, Executive Chairman of Investcorp spoke at the London Business School 14th Annual Middle East Conference, in London, addressing the audience about leadership in various forms, from the position of individuals as well as the examples that can be set by communities and corporations. He also discussed the importance of fostering a dynamic culture of entrepreneurship and the influence of educational experiences in building a solid foundation for future leaders.

Leadership program
for young Gulf business leaders at University of Oxford



Group Photo at Investcorp Building, St. Anthony's College

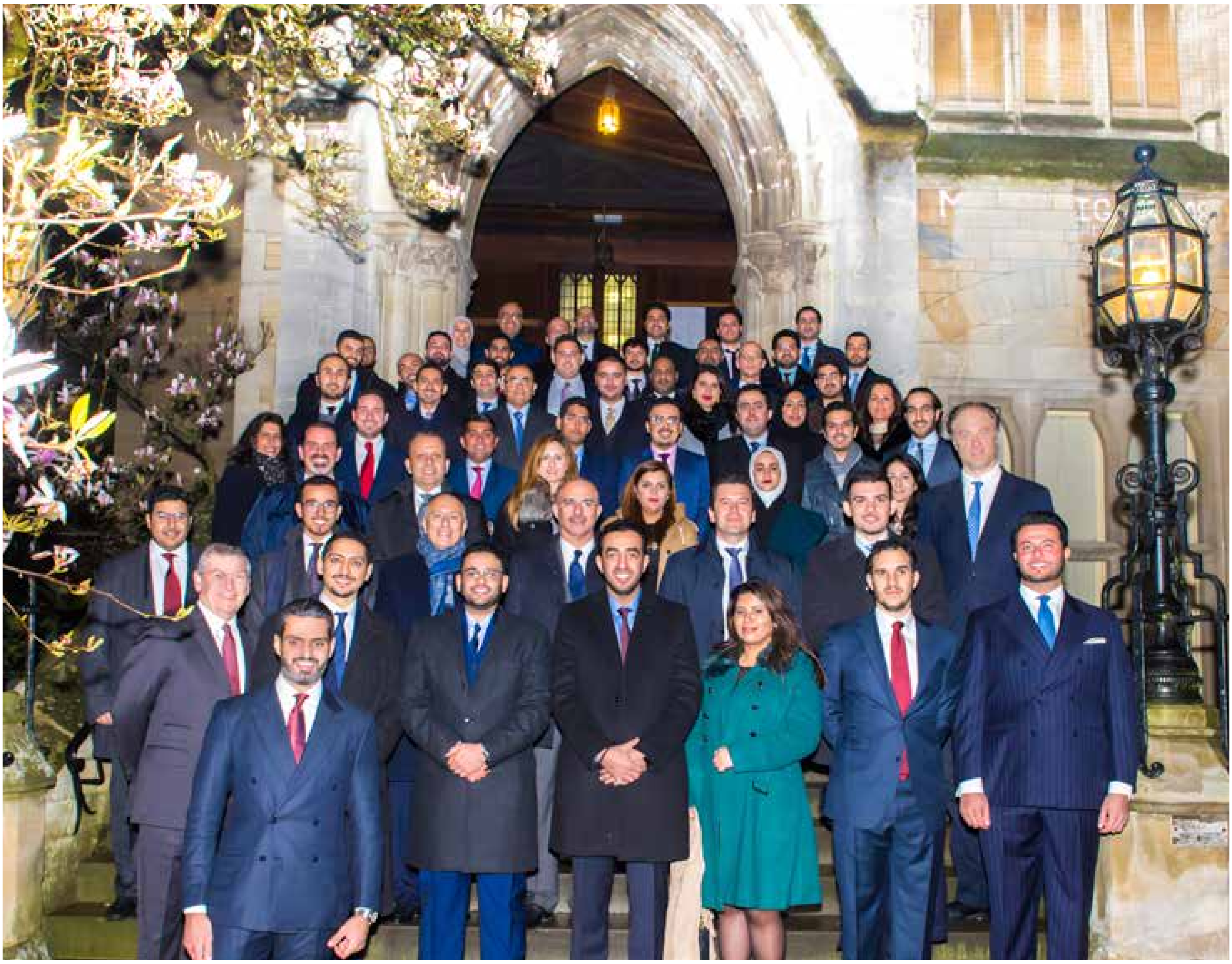
41 young business leaders from the GCC attended the four-day program

Earlier in 2016, Investcorp organized its annual Investcorp Leadership Program at the University of Oxford's Saïd Business School, between 29 March and 1 April 2016. 41 aspiring young business leaders from the GCC attended the four-day program, which is part of Investcorp's on-going commitment to further develop human capital in the Gulf by providing a platform to foster knowledge sharing and promote understanding of critical issues influencing the global economy and business world.

This year's edition of the Investcorp Leadership Program was specifically designed by Investcorp and Oxford Saïd to equip the next generation of Arab professionals with the leadership, innovation and management skills necessary to succeed against the increasingly challenging dynamics of the world today. Attendees were provided with a platform to debate some of the most critical trends and issues shaping business, with distinguished faculty members and globally recognized experts.

Mohammed Al-Ardhi, Executive Chairman of Investcorp, said, "Since its inception Investcorp has acted as a bridge between the Gulf and the

West. This role is more than creating investment opportunities and we have a responsibility to support the next generation of Arab business leaders by providing them with the tools to strengthen their leadership and business skills. It is this generation that will lead Middle Eastern economies and societies to the next stages of prosperity. We see great potential in these young professionals and we are proud to have created a developmental path for them to enhance their capabilities and enrich their knowledge."



Group Photo at Balliol College

Hedge Funds

Investcorp Enhances Hedge Fund Seeding Business

Lionel Erdely

Investcorp has enhanced its hedge fund platform by adding two strategic relationships to its Hedge Fund Seeding Business – Kinneret Group and Nut Tree Capital Management. Kinneret Group ("Kinneret") takes a purely quantitative approach to hedge fund investing, while Nut Tree Capital Management ("Nut Tree") is an alternative credit investment manager. Both funds are based in New York.

Lionel Erdely, Head and Chief Investment Officer of Hedge Funds at Investcorp, said, "We set up the Seeding Business in 2004 in order to provide investors with access to select investment talent backed by an institutional platform. While Kinneret and Nut Tree may differ in style, both are hugely experienced and serve as great additions to Investcorp's hedge fund platform."

Kinneret is run by Mony Rueven, a 33-year industry veteran, with 12 years spent at the D.E. Shaw Group, widely recognized as one of the pioneers and most respected quantitative investment firms in the hedge fund industry. Mr. Rueven is joined by other senior colleagues from D.E. Shaw, which include Dr. Alexander Wang and J. Andrew Lindholm. Kinneret seeks to identify long and 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.

Jed Nussbaum, an experienced credit investor who was most recently a Partner at multi-billion dollar credit hedge fund Redwood Capital Management, founded Nut Tree in June 2015. He is joined by team members with investing and operations experience at industry leading firms including KKR, GLG, Goldman Sachs, and Scout Capital. Nut Tree pursues a fundamental credit strategy by investing in both stressed and distressed opportunities across North America. The fund seeks investment opportunities often defined by complex, potentially undervalued situations at mid-market companies.

Discussing the two managers, Lionel Erdely said, "Although Investcorp's hedge fund team has a long history investing in quantitative-oriented hedge funds, Kinneret is the team's first strategic relationship with such a manager. In recognition of the growing investor demand within the industry for differentiated and uncorrelated liquid strategies, we are pleased to have established this relationship."

"Nut Tree's recent launch comes at an opportune time for distressed credit investing. We believe its available dry powder to invest leaves it well-positioned to identify attractive investment opportunities and we are looking forward to working with the team."

Alternative Beta: A discussion with Rebecca Hellerstein

For this edition of the Review, we sat down with Rebecca Hellerstein, our Head of Cross-Asset Investments, to talk about Investcorp's approach to Alternative Beta investing.

Q: What can you tell us about alternative beta risk premiums?

A: Alternative beta risk premiums are a source of uncorrelated returns. They are mainly supported by three elements: a strong theoretical basis, a clear underlying economic or behavioral rationale, and a robust empirical validation. They are distinct from "alpha" because of their transparency, liquidity, scalability, and accessibility and represent the new "building blocks" of asset allocation. Unlike traditional betas, alternative beta strategies reflect more nuanced sources of return where significant value can be added through research, implementation, and trading strategy decisions.

Q: What is Investcorp's strategy for investing in alternative beta?

A: We invest in a variety of alternative beta risk premiums such as Value, Carry and Momentum, across major asset classes, such as equities, fixed income, FX and commodities. The primary characteristic of our alternative beta portfolios is a broadly diversified, multi-strategy, multi-asset, long/short investment approach with zero to low net market exposure to traditional asset classes. Our dynamic portfolio management adjusts exposures over a 6- to 12-month horizon to reflect current trends as well as anticipated macroeconomic and market environments. It also has a risk/return profile that is similar to that of a typical diversified hedge-fund portfolio with greater liquidity, transparency, and a more efficient cost structure.

Q: What would you say about the benefits of investing in alternative beta?

A: Alternative beta investing, at its core, is a guiding philosophy to understand sources of return at the deepest, most granular level. The increasing adoption of this new paradigm by institutional investors has stemmed from a variety of motivations. These can be summarized in four points: firstly, the continued evolution in our understanding of returns; secondly, the reduction of barriers to access these new "building blocks"; thirdly, the quest for truly uncorrelated investments; and, lastly, the desire for lower fees, better liquidity, and increased transparency.

Q: In your view, why is now a good time to invest in this strategy?

A: We are potentially in a secular long-term environment of low market returns. Coupled with the recent volatility in the macro environment and markets, we see an increase in the need for both new sources of return and true diversification in an institutional portfolio.

Q: What is Investcorp's edge in alternative beta?

A: We have a highly experienced team with Cross-Asset and Alternative Risk Premia expertise. This team has worked intensively to create proprietary quantitative and qualitative research that enables us to produce unique factor articulation and to dynamically allocate to alternative beta strategies within a "cycle-aware" framework. Cycle-aware allocations accounted for about 40% of our funds' return since going live in June of last year, in a challenging macro and markets environment.

Investcorp Hires Neil Hasson For Entry Into European Real Estate

Investcorp appointed Neil Hasson as a Managing Director to spearhead its European real estate investment initiative. Mr. Hasson joins as the Firm targets the European property sector in line with its strategy to diversify its range of investment products, marking another significant step in driving the Firm's future growth.

Building on the track record of the Firm's U.S. team, Mr. Hasson is responsible for developing Investcorp's European real estate investment business with an initial focus on core-plus opportunities in residential and commercial properties across the United Kingdom, Germany, France, Italy and Spain. He is now based in London and reports to Investcorp's Head of Real Estate Investment, Jonathan Dracos, based in New York.

Mr. Hasson has nearly three decades of experience in real estate investment. He was previously a Senior Managing Director at Macquarie Group, responsible for the firm's European real estate lending business. Prior to this, Mr. Hasson spent seven years at Citi Property Investors, where he was Head of Europe and Chief Investment Officer of CPI Capital Partners Europe, a €1.15 billion pan-European real estate fund. He started his career at Goldman, Sachs & Co., followed by four years at Donaldson Lufkin & Jenrette where he was a Managing Director. A University of Cape Town graduate in Electrical Engineering, Mr. Hasson holds an MBA with distinction from The Warton School, University of Pennsylvania.


Neil Hasson

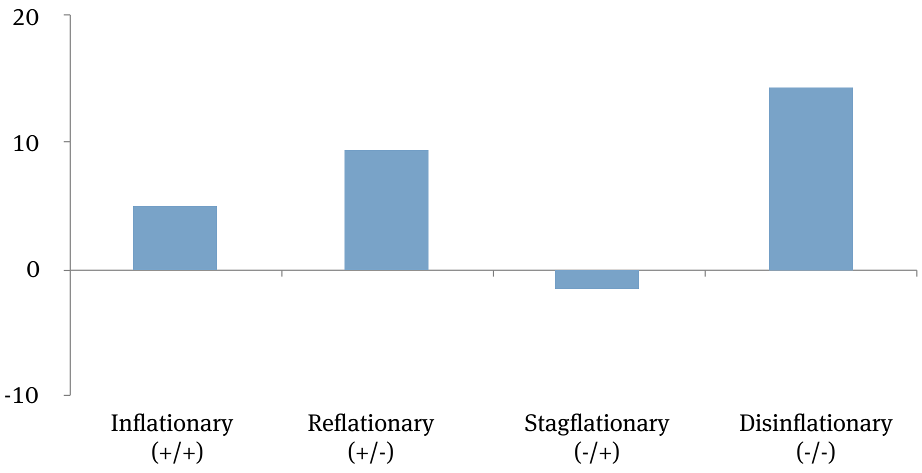
Global macro outlook


Rebecca Hellerstein

Global markets have survived remarkable bouts of volatility during the past three months. The turbulence occurred against a backdrop of widespread anxiety about the pace of global growth following the Fed's December liftoff, premised largely on concerns that the central bank had acted prematurely. Consensus expectations for global growth have stabilized in the wake of January's noisy downside surprises, reflecting a favorable consolidation of economic momentum in the U.S., Europe and, to some extent, China. That said, the outlook has darkened for Japan, where the pace of economic activity continues to falter; consensus expectations took a major step downward in the first quarter. This mixed economic picture contrasts with the ongoing deceleration of inflation in most developing markets ('DM'), a trend that has become increasingly apparent. This puts us on the cusp of a potential transition in the business cycle, and, as a result, in markets.

In fact, while concerns about economic conditions have been somewhat overwrought, the combination of less-

Average Equity Returns by Macro Environment



than-robust growth and a slowing pace of price increases has stirred fears that a disinflationary macro environment may devolve into something more unpleasant. Some participants were apparently spooked by the prospect that the global economy is heading toward stagflation, where inflation accelerates while growth deteriorates. Such a combination has historically been associated with significant drawdowns in equities and other risk assets.

Regional Outlook

United States. First quarter economic releases bolstered our (and others') confidence in the underlying strength of the U.S. economy. The labor market has been a standout performer, marked by strong payroll gains and accelerating wage growth. Despite the recent pullback, the dollar remains a headwind, though more for earnings than the real economy.

The Fed's decision to raise interest rates in December stemmed largely from its focus on measures that reflect the health of the domestic economy—most notably, above-trend growth in private domestic demand, labor market tightening, and evidence of a Phillips curve in play in inflation dynamics. Core inflation had begun to pick up earlier this year, before the second leg down in oil prices, and has resumed its upward momentum. Evidence of diminishing slack in the labor market is again becoming apparent as the temporary effects of lower oil prices and a higher dollar fade. Under the circumstances, it is a good bet that inflation will be moving higher.

Euro Area. The region's modest recovery has continued to gain traction since our last update, driven by lower energy prices, unusually accommodative monetary policies, and a weaker currency. That said, we believe the challenging environment for European banks will persist; business models are fundamentally challenged by negative interest rates and a more arduous regulatory regime, with increasingly stringent capital requirements. Despite some recent downside surprises in German sentiment data, positive trade conditions, further monetary easing and, perhaps, some fiscal spending should keep the economic rebound on track.

Japan. Japan's economy has until recently been supported by a combination of accommodative monetary policy, lower commodity prices, and a weaker currency. However, all have recently reversed course, leading to diminishing consensus expectations regarding the country's macro outlook. Worse still, last quarter's unexpected strengthening of the yen threatens to become a major headwind for the rest or the year, not least because it reflects the BoJ's complete loss of credibility among market participants, owing to its failed negative interest rate policy.

Emerging Markets. Growth prospects for this segment have picked up amid an improved outlook for oil prices. A strong dollar and tighter external financial conditions will continue to be a drag, especially for Latin American economies; most Asian economies, meanwhile, remain in an extended inventory cycle, though that may slowly be coming to an end. Geopolitical risks will likely play a greater role in MENA economies over the next few years, which may buoy oil prices and EM economies more generally.

China. In early January, the People's Bank of China ('PBoC') caught many investors off-guard by cutting the value of the yuan at its daily fixing. This plunged markets into yet another volatility episode, with investors fearing the worst for the world's second largest economy. Assets linked to Chinese growth were pummeled as investors priced in a hard landing, massive currency devaluation, and a fresh bout of global deflationary pressures. But as the following chart from Goldman Sachs shows, a yawning gap opened up between Chinese economic fundamentals and the markets' discounting of growth (as proxied by a cross-asset basket of instruments sensitive to Chinese economic conditions). The disparity was exacerbated by a lack of transparency regarding the PBoC agenda and investor doubts about the veracity of Chinese government statistics.

INVESTCORP

INVESTCORP BANK B.S.C.
Investcorp House
P.O. Box 5340
Manama
Kingdom of Bahrain
Telephone: +973 17 532 000
investcorp.bahrain@investcorp.com

INVESTCORP INTERNATIONAL LTD.
Investcorp House
48 Grosvenor Street
London W1K 3HW
United Kingdom
Telephone: +44 (0)20 7629 6600
investcorp.london@investcorp.com

INVESTCORP INTERNATIONAL INC.
280 Park Avenue
New York, NY 10017
United States of America
Telephone: +1 212 599 4700
investcorp.newyork@investcorp.com

INVESTCORP SAUDI ARABIA FINANCIAL INVESTMENTS CO.
Al Faisaliah Tower, 29th Floor
P.O. Box 61992, Riyadh 11575
Kingdom of Saudi Arabia
Telephone: +966 11 484 7600
investcorp.riyadh@investcorp.com

INVESTCORP BANK B.S.C. - ABU DHABI
Al Sila Tower, 8th floor
Abu Dhabi Global Market Square
Al Maryah Island, P.O. Box 36961
Abu Dhabi, United Arab Emirates
Telephone:+971 2 501 8900
investcorp.abudhabi@investcorp.com

INVESTCORP INVESTMENTS LLC
Suite 701
Qatar Financial Centre – Tower 1
West Bay Area, P.O. Box 24995
Doha, State of Qatar
Telephone: +974 4496 7966
investcorp.doha@investcorp.com

www.investcorp.com