INVESTCORP

July - September 2010

Q1 FY11

Quarterly shareholder update

Investcorp is pleased to provide you with a quarterly progress report on business activities during the fiscal year-to-date period from July through September 2010. This is not an offer to sell, or a solicitation of an offer to buy, securities and, in particular, any of the following information that relates to Investcorp's investment products does not constitute an offer to sell, or a solicitation of an offer to buy, any such investment products.

MACRO ENVIRONMENT

For 2011, expected growth in advanced economies remains broadly unchanged at 2.5%. Somewhat stronger projected growth in the United States (owing to gathering momentum in private demand) is likely to be offset by slightly weaker projected growth in the Euro area.

Challenging the recovery in these economies are factors such as high levels of public and household debt, unemployment, and, in some cases, constrained bank lending. The impact on growth from further quantitative easing policies and fiscal spending cuts is also uncertain.

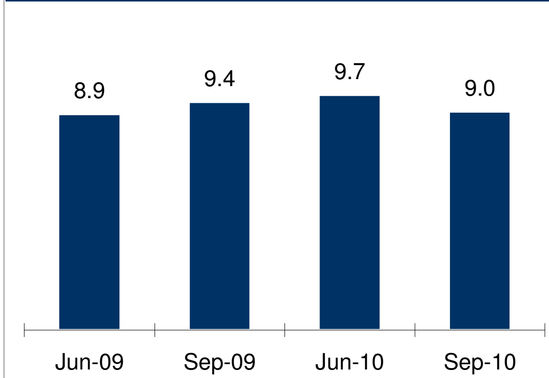
The countries of the Gulf Cooperation Council (GCC) are less impacted by the global context and are returning to relatively more stable growth, underpinned by higher oil prices that are supporting production, exports and government spending, and by the return of global trade and capital flows. Overall real GDP in the GCC is projected to expand by 4.4% in 2010 and 4.7% in 2011. This compares favorably with 0.3% growth in 2008 and is slightly above the forecast global growth rate in 2010/11. GDP growth underpinned by oil revenues will continue to support both regional investor and investment confidence

EXECUTIVE SUMMARY

Client activity

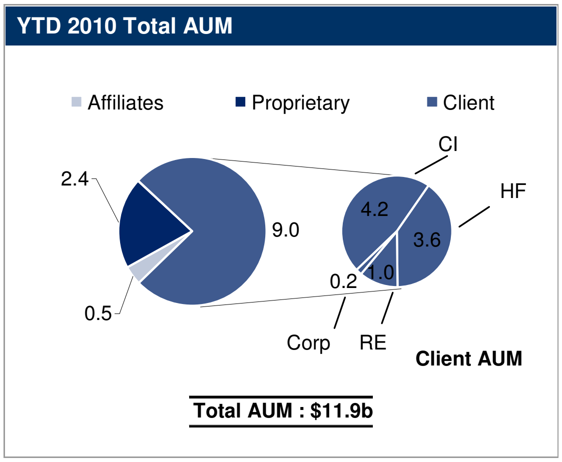
Client AUM fell by 7% to $9.0 billion in the first quarter. This was largely due to exit activity in the corporate investment and real estate portfolios combined with light placement activity in the traditionally slow summer months of July and August and in the Holy month of Ramadan and Eid in September. Hedge fund client AUM declined slightly due to redemptions net of performance of $155 million.

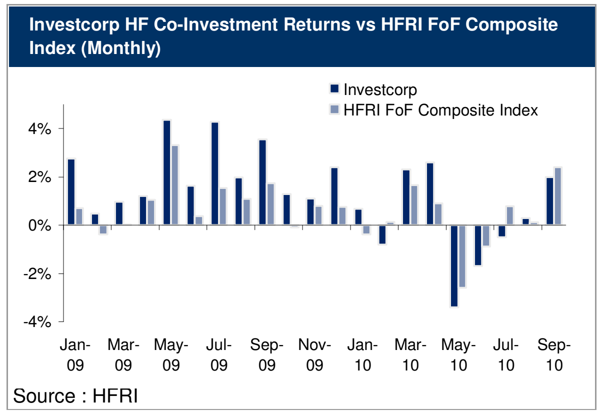
Ending Client AUM ($b)



Fundraising activity is expected to pick up during Q2 with the placement of the residual amount of Veritext and several significant mandates in the pipeline for hedge funds, including one of $200 million which was funded in late October. Investment activity has picked up in the pension and insurance sector in particular and this is providing Investcorp's institutional quality hedge fund platform with a significant pipeline of AUM prospects. The Gulf based placement team is currently placing Veritext (corporate investment) and W South Beach (real estate) with clients.

Total AUM, including Investcorp's proprietary co-investments, decreased by 6% to $11.9 billion compared to $12.7 billion at June 2010.





Balance sheet co-investments

The table below shows the absolute returns on Investcorp's co-investments by asset class for the quarter:

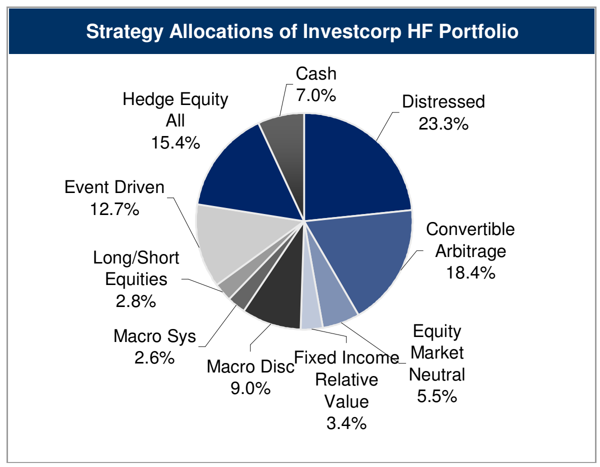
Asset Yields	H1 FY10	H2 FY10	Q1 FY11
Corporate Investment	5.6%	7.2%	0.1%
Real Estate	-12.1%	-22.5%	2.8%
Hedge Funds (Non-$ Weighted)	15.3%	-0.9%	1.8%
Total*	**3.8%**	**0.9%**	**0.6%**

**Including Corporate*

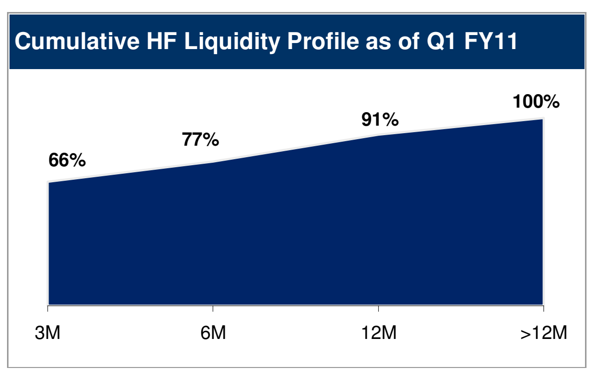
Unrealized fair value changes on corporate investments in the US and Europe were flat for the quarter. Real estate fair values were positive, in contrast to the trend of downward fair value adjustments seen over the last 18 months.

The return earned by Investcorp on its hedge fund co-investment was 1.8%. The return on a gross basis, after adjusting for the effect of leverage, was approximately 1%. This return reflects flat performance in July and August, consistent with the experience in the first six months of 2010, followed by a strong up tick in performance in September.

Details of the strategy allocations across the total portfolio in Investcorp's hedge funds co-investments at September 30, 2010 are shown below:



More than two-thirds of the hedge fund co-investment portfolio can be monetized within three months.



Investcorp Silverback Arbitrage Limited, a fund managed by one of Investcorp's seeded single managers won the 2010 Lipper Hedge Fund award in the Hedge Fund Convertible Arbitrage category,

Balance sheet management

Key balance sheet metrics are summarized in the table below.

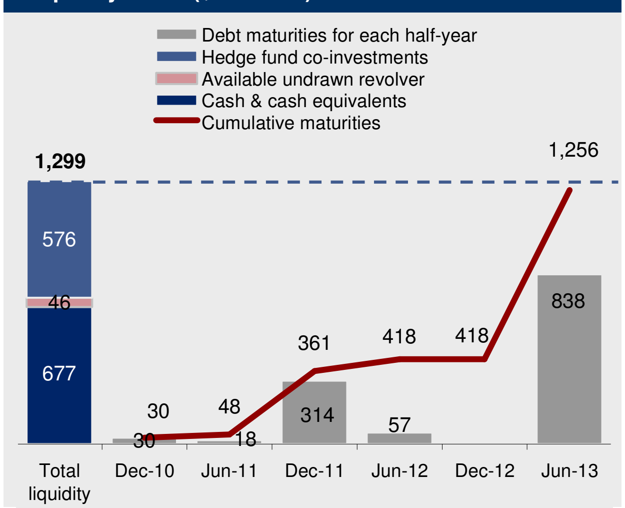
Key metrics	Sep-10	Jun-10
Financial leverage *	1.8x	1.6x
Total liquidity ** ($m)	1,299	1,440
Hedge fund co-investment	576	537
Co-investments/equity	1.9x	1.8x
Regulatory risk asset ratio (Basel II)	21.3%	22.9%

* Calculated in accordance with loan agreement covenants

** Cash, placement with financial institutions, undrawn revolvers and HF co-investments

Investcorp's total liquidity remains sufficient to cover maturing debt over the next three years.

Liquidity cover ($ millions)



Sale proceeds from exit activity in the first quarter were used to pay down $125m in revolvers post quarter end.

The chart below shows Investcorp's current public credit ratings. All three rating agencies have recently completed their annual rating reviews on Investcorp. Investcorp expects the release of updated credit opinions by the end of the calendar year.

Agency rating		
CAPITAL intelligence	Moody's Investors Service	FitchRatings
BBB+ Stable Outlook	Ba2 Negative Outlook	BB+ Negative Outlook
Rating and Outlook Confirmed in March 2010	Rating and Outlook Confirmed in February 2010	Rating and Outlook Confirmed in January 2010

On August 18, 2010, Investcorp gave notice of its intention to cancel its GDR listing on the London Stock Exchange with effect from October 4, 2010. A voluntary tender offer for the purchase of GDRs at a tender price of $4.76 per GDR was launched at the same time.

During the quarter, 5.8 million GDRs, representing 7.3% of Investcorp's issued share capital, were purchased for a consideration of $27.6 million. A further 0.5 million of GDRs (0.6%) were acquired in October for the same per GDR price and an aggregate consideration of $2.4 million. The tender offer ended on October 1, 2010. Following the cancellation of the London listing of the GDRs on the October 4, 2010, Investcorp's shares continue to be listed on the Bahrain Stock Exchange. The remaining GDRs which were not tendered have either been converted to Ordinary Shares or are being held as unlisted GDRs. Holders continue to have the option to convert their unlisted GDRs into Ordinary Shares at any time.

INVESTMENT ACTIVITY

Transactional activity witnessed in FY10 has continued into the first quarter of FY11.

FleetPride, a company in the corporate investment US & Europe portfolio, announced two acquisitions: Heavy Vehicle Parts Inc (August 2010) and Southwest Brake & Parts Inc (September 2010). These acquisitions continue a chain of 14 acquisitions over the last two and a half years as FleetPride expands its business through strategic acquisitions.

A second company in the corporate investment US & Europe portfolio, **TelePacific**, entered into a definitive purchase agreement to acquire the assets of 01 Communications, a leading Competitive Local Exchange Carrier on the US West Coast. The acquisition will be funded through existing cash resources.

The corporate investment business in the Gulf made two investments via the Gulf Opportunity Fund I (GOF I) during the quarter.

GOF I signed its first add-on to an existing portfolio company, Redington Gulf. **Arena** is the second largest distributor of technology and related IT products in Turkey. The company was established in 1991 and has been listed on the Istanbul Stock Exchange since 2000. It distributes a large number of IT brands to over 8000 dealers and retailers in Turkey and recently received an EMEA award of the best IT distributor in South East Europe. The key benefit of this add-on is expansion into a new, attractive growth market at a reasonable acquisition price which is anticipated to increase the expected return on the Fund's Redington Gulf investment.

GOF I also signed a definitive agreement to invest $50 million in Turkish company, **Tiryaki Agro**. The capital will be mainly used to invest in new assets to further the company's growth. Tiryaki Agro's business is in the sourcing, processing, storage and trading of conventional and organic grains across Europe, Africa, the Middle East, the CIS, America and Asia. Tiryaki Agro has successfully expanded over nearly 50 years to become the leading trader and supply chain manager of agro products in Turkey. This is the fourth investment for GOF I.

REALIZATION ACTIVITY

Investcorp's corporate investment team exited two portfolio investments.

Associated Materials Inc. (AMI) was sold to Hellman & Friedman for $1.3 billion, in a transaction that closed in mid-October. AMI was acquired by Investcorp and its co-investors in 2005 for an equity value of $150 million. Based in Cuyahoga Falls, Ohio, AMI is a leading, vertically integrated manufacturer and distributor of exterior residential building products in North America. Under Investcorp's ownership, AMI underwent three successful refinancing transactions during the most challenging market environments of the last few years. New top-level management brought into the company made significant contributions, achieving cost savings of over $50 million, primarily in operational efficiencies and procurement. AMI also managed to contain revenue declines during the unprecedented challenges affecting the US housing market.

Aero Products was sold in October, for an enterprise value of $70 million to Coleman Inc., a marketer of outdoor products. Investcorp acquired Aero Products, a market leader in high quality air filled bedding products, in 2002.

Investcorp's US-based real estate business completed three sales during the quarter, generating more than $610 million in gross proceeds.

The team concluded the $119 million sale of **Maritime Plaza** to Corporate Office Properties Trust Inc. Maritime Plaza is one of three properties in the US Commercial Properties V Portfolio. Maritime Plaza I and II make up a two-building Class A office complex encompassing 362,000 square feet adjacent to the Washington Naval Yard. Investcorp acquired the complex in 2005 with Brickman Associates. Since then, Investcorp and Brickman have added 16,000 additional square feet of space, pared operating costs and obtained full lease capacity.

Investcorp also sold its stake in the Bellevue, W.A. office towers known as Bravern Office Commons. Investcorp, and its joint venture partner Schnitzer West, LLC, completed the sale to a client advised by Principal Global Investors for $410 million. The primary asset in the sale is the 750,000 square-foot office complex in two high-rise towers, recently leased in full to Microsoft. Investcorp originally invested in **The Bravern** in 2007 as part of a joint venture with Schnitzer West to develop a 1.6 million square-foot premium mixed-use development complex. In addition to the office space, the complex includes two luxury residential towers and a retail shopping center anchored by Neiman Marcus. The total value of the transaction at the time exceeded $800 million. Investcorp retains its stake in the two residential rental towers and the 305,000 square-foot luxury retail space that includes marquee brands Jimmy Choo, Hermes and Louis Vuitton. The sale proceeds will be used to delever the remaining Bravern development.

Upcoming financial calendar events

H1 FY11 half year-end announcement: Late January 2011

Q3 FY11 shareholder update: Late April 2011

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