INVESTCORP

Business Review

Fiscal Year 2015
For the period July 1, 2014 to December 31, 2014

"Our stable growth trajectory continues to deliver results for our investors. We have experienced strong levels of client interest in our products, underscoring the importance investors place on Investcorp's ability to provide attractive internationally diversified investment opportunities. Looking ahead, we will continue to seek to identify and secure a steady flow of investment opportunities worldwide, and provide the investment bridge between the Gulf and Western markets that our clients have come to rely on for more than 30 years."

Nemir A. Kirdar

Numbers may not add up due to rounding

Business highlights[1]

Net income

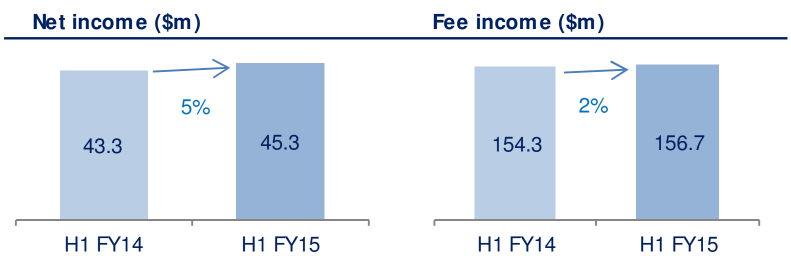
- Investcorp continued its momentum of growth in overall profitability with **net income** for the period up 5% to $45.3 million (H1 FY14: $43.3 million).

- Total **fee income** increased to $156.7 million (H1 FY14: $154.3 million), driven by higher management and transactional fees despite a challenging market backdrop.

- **Asset based income** declined by $6.5 million versus H1 FY14 as a result of negative returns on our hedge fund co-investments caused by large drawdowns on investments in select single managers. This loss offset an improved return performance on corporate investment and real estate co-investments compared to H1 FY14.

- Total **interest expense** decreased by 6% to $29.0 million (H1 FY14: $30.8 million) due to lower average levels of interest-bearing debt.

- **Operating expenses** decreased 5% to $78.2 million (H1 FY14: $82.5 million) due to lower personnel costs.



Balance sheet

- Total **assets** as at December 31, 2014 were 9% lower at $2.1 billion (FY14: $2.3 billion) as a result of several investment realizations.

- **Accessible liquidity** of $0.8 billion almost fully covers all outstanding medium term debt maturing over the next four years.

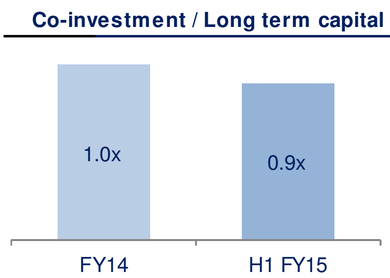
- **Co-investments** excluding underwriting were lower at $1.3 billion (FY14: $1.5 billion) and are fully funded by a combination of long term and permanent sources of funding.

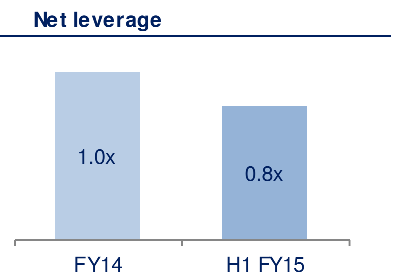
1 Certain comparative numbers have been restated for early adoption of IFRS 15

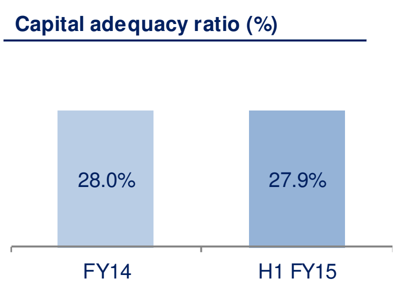
- **Net leverage** declined to 0.8x from 1.0x in June 30, 2014.

- Investcorp continues to utilize surplus capital resources to redeem preference shares, thereby boosting earnings per share for ordinary shareholders, while at the same time maintaining its capital adequacy ratio. The **capital adequacy ratio** was 27.9% (pro forma Basel III: 27.2%), comfortably in excess of the Central Bank of Bahrain's requirement of 12%.

- In August 2014, the Central Bank of Bahrain confirmed Investcorp's designation as a **Domestic Systemically Important Bank** ('DSIB'), underlining the importance of Investcorp's franchise and the significant position it occupies in Bahrain, the wider Gulf region, and globally.







Fundraising and client activity

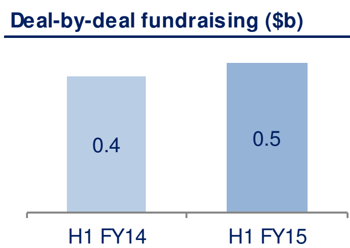
- Total **deal-by-deal fundraising** in the Gulf was $490 million, an increase of 10% (H1 FY14: $446 million).

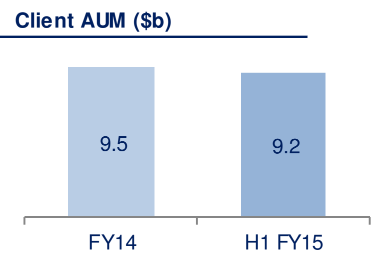
- Total **client AUM** decreased by 3% to $9.2 billion at December 31, 2014 from $9.5 billion at June 30, 2014 due to several investment realizations and net hedge fund redemptions.

- **Corporate investment placement** was $321 million which represented a 13% increase over the $285 million placed in H1 FY14. This included placement of the remaining amount of Totes, a deal acquired in the last quarter of FY14, the full placement of SPGPrints, a deal signed in June 2014; and PRO Unlimited, a new deal acquired in H1 FY15. Dainese, the most recent investment, was also offered for placement during the second half of December 2014.

- **Real estate placement**, across two new portfolios, was $169 million, a 32% increase over $128 million placed in H1 FY14. This included the full placement of the 2014 Office and Industrial portfolio and the Canal Center portfolio. Investors continue to have a strong appetite for investment opportunities in US real estate as a way to gain exposure to the solid growth of the US economy.

- New **subscriptions into hedge funds** from institutional investors were $150 million against a backdrop of a challenging investment environment in the second half of calendar 2014.





Investment and portfolio activity

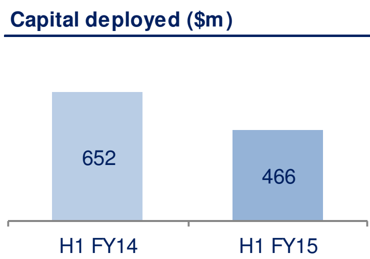
- Aggregate equity deployed in new **corporate investments** during H1 FY15 was $249 million in two deals: PRO Unlimited, the leading US-based provider of software and services for the contingent workforce market; and Dainese, a founder managed and globally renowned Italian brand for motorcycle and other dynamic sports markets.

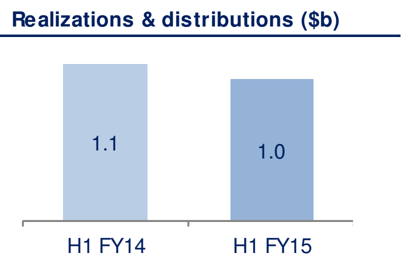
- On average, Investcorp's direct investments in 25 mid-market companies in the US, Europe and MENA increased their **aggregate EBITDA** by approximately 8.1% year-on-year.

- The aggregate equity deployed in new **real estate investments** in H1 FY15 was $217 million across two new portfolios, two new properties to be formed into a third portfolio and a recapitalization of Investcorp's investment in the Best Western President Hotel.

- Total **realization** proceeds and other distributions to Investcorp and its clients totaled $985 million.

- **Realization activity** for the period included completion of the sale of SourceMedia, a diversified business-to-business media company, to Observer Capital; the sale of Berlin Packaging to Oak Hill Capital Partners for $1.43 billion; the partial realization of FishNet Security through a merger agreement with Accuvant, Inc.; and the partial realization of Asiakastieto, the leader in the Finnish credit information market.





Key performance indicators

5 years key ratios	H1 FY11	H1 FY12	H1 FY13	H1 FY14	H1 FY14 (restated)	H1 FY15
Gross operating income ($m)	168.7	92.5	152.9	174.9	158.1	154.0
Return on average assets (%)*	3.6%	0.4%	2.9%	5.0%	3.6%	4.1%
Return on average total equity (%)*	11.4%	1.0%	7.7%	12.0%	8.7%	10.4%
Cost-to-income ratio (%)	60%	92%	66%	58%	66%	63%

*Annualized return

Executive Management

- Following Nemir Kirdar's decision to retire as Executive Chairman and CEO at the end of the current fiscal year on June 30, 2015, current board member Mohammed Al Ardhi will become Executive Chairman, while Mohammed Al-Shroogi, President, Gulf Business, and Rishi Kapoor, Chief Financial Officer, will take over as Co-CEOs.

Business environment[2]

Macroeconomic developments over the past six months have been mixed, leaving commentators more cautiously optimistic about the outlook for the global business environment compared to last year.

An accumulation of negative growth surprises for Europe, Japan, and China over the first half of 2014 crystallized into broad-based concerns about a deteriorating global economic outlook in late summer. By October 2014, the IMF lowered its 2014 global growth forecast by half a percentage point to 3.3% and its 2015 growth forecast to 3.8%. It has now further lowered its 2015 forecast to 3.5[3]%. By contrast, the US economy consistently exceeded expectations over the year following a rough start of an unusually severe and disruptive winter.

Despite this tepid global growth outlook, by the close of the year, equity markets in the US, Japan, and China all posted significant gains, with the S&P reaching a record high. Equity markets in Europe ended the year flat or up modestly, reflecting the cumulative effects of several protracted sell-offs.

Moving into 2015, global growth is expected to accelerate led by an increasingly dynamic US economy while global inflation decelerates with the fall in oil prices. Global demand, both consumer and firm spending, generally remained strong through the end of 2014 though accompanied by an unusual divergence in the growth outlook across developed markets, which reflected their uneven progress in deleveraging following the Global Financial Crisis. Whilst the basic global growth outlook is benign, downside risks include unexpected effects of the normalization of Fed policy, the fragile state of the credit cycle in emerging markets and spillover effects of a lower growth regime in China.

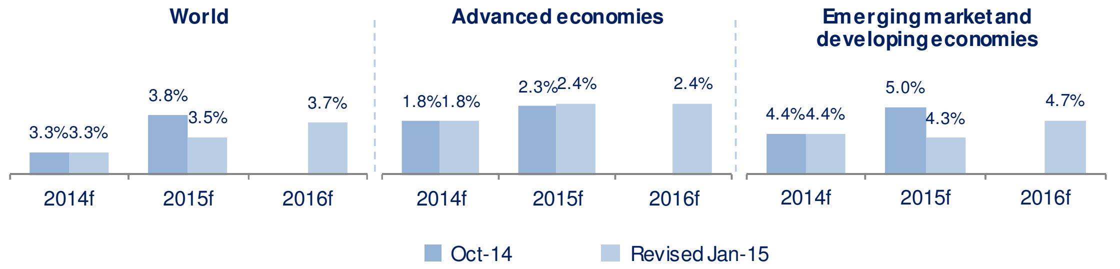
In addition, dramatic price declines in commodity markets in late 2014 generated a number of concerns amongst investors, the most pressing being how long it would last and the macro implications of a “new normal” around a sub-$70 oil price regime in the medium term. Investcorp’s view is that the decline in oil prices reflects an industry shakeout that will persist through at least the first half of 2015. Oil prices will likely continue to remain below fair value in early 2015 as OPEC refrains from cutting production despite the rapidly growing supply from US and Canadian shale producers. As this shakeout matures and higher cost North American producers exit from shale production, oil should return to $60-80 per barrel by 2016.

Like oil, foreign exchange markets experienced dramatic moves over 2014. Going forward, Investcorp expects the US dollar to continue to strengthen during 2015. Its movements with respect to the Yen and Euro should reflect widening rate differentials from the increasingly divergent monetary policies of the US Federal Reserve (‘Fed’), the Bank of Japan and the ECB.

2 Unless otherwise stated, all references to years are ‘calendar year’

3 IMF World Economic Outlook Update, January 2015

IMF World Economic Outlook projections and revisions (% year-over-year)



Source: IMF World Economic Outlook Update January 2015

US economy grows above trend

Since the summer, the US economy has continued to surprise on the upside relative to expectations, with broad-based and accelerating growth and low, stable inflation. Steady job creation, improving housing conditions, stronger investment and a fiscal drag near zero should combine to maintain real GDP growth above trend through 2015 as core inflation continues to tick up.

Downside risks to this rosy view come primarily from the recent appreciation of the US dollar, which will increase the drag on real GDP growth from falling exports and rising imports. This headwind should be offset to a large extent by the decline in oil prices, however, which should persist through at least second half of 2015.

The Fed's tapering of its asset purchasing program over 2014 reflected this broad-based and growing optimism regarding the US outlook – as did the market's muted reaction to this tapering. This all contributed to strong performance for the S&P 500 index, which returned 13.7% in 2014, and now stands at record levels.

Europe's modest growth outlook

In contrast with the US, Europe is exhibiting many different flavors of recovery. The Euro-area continues to be held back by weak credit conditions, a trend which appears unlikely to reverse even after the announcement of the results of the ECB's Asset Quality Review in late October. While only a dozen banks "failed" the review, the remainder have little incentive to reverse the deleveraging process which began in 2009. Euro-area banks have worked through roughly a quarter of the process of balance sheet shrinkage that needs to occur to support a healthy lending environment.

The announcement by the ECB of a new QE program in late January 2015 should be supportive of business sentiment, but its impact on the Euro-area's growth – forecast to be 1.2%[4] in 2015, up from 0.8% in 2014 – should be fairly muted.

Likewise, the recent sharp depreciation in the Euro should stimulate exports. But given that external demand was already a bright spot in a muddle-through growth environment, it is not clear that this additional currency boost will materially impact the growth outlook.

4 IMF World Economic Outlook Update, January 2015

Moderate growth in the Gulf

A strengthening US dollar is also expected to lead to tighter monetary policy in countries that manage their currencies pegged to the US dollar, as is the case for most Gulf Cooperation Council ('GCC') economies. This headwind comes as oil prices have fallen below the IMF's estimated fiscal breakeven levels for many in the region, and are expected to remain near their current levels through at least early 2015.

Government spending has been a key driver of the region's strong headline growth over the past few years, with marked accelerations in Saudi Arabia and Oman. Despite many GCC governments' continued focus on diversifying the sources of domestic demand, the recent decline in oil prices could provide a headwind to growth over 2015. Over the past decade the region has grown by approximately 6% per year on average, but is expected to grow by a modest 4.4% in 2014 and 4.5% in 2015[5].

Whilst GCC countries will continue to grow, albeit at a slower pace than previously, nations with uncertain domestic situations will likely continue to depress growth rates in the region as a whole. The UAE looks to be the most resilient country in the MENA region, with its non-oil sector contribution increasing in 2014 due to a pick-up in the tourism and property sectors. The World Expo 2020 award should also support growth, which is forecast to be 4.5% in 2015, just above the 2014 level of 4.3%. Qatar's public investment program in preparation for hosting the 2022 World Cup should also support its growth which is expected to rise to 7.7% in 2015 from 6.5% in 2014.

Arab stocks exhibited considerable volatility late in 2014, though most ended up modestly for the year, with Dubai equities up 12%. The main downside risk for 2015 is the potential impact of low oil prices on confidence and risk appetite in the region.

GDP growth of GCC countries and Turkey vs. World (%)

	2012	2013	2014f	2015f	2016f
Bahrain	3.4	5.3	3.9	2.9	3.1
Kuwait	8.3	(0.4)	1.4	1.8	1.8
Oman	5.8	4.8	3.4	3.4	3.6
Qatar	6.1	6.5	6.5	7.7	7.8
Saudi Arabia	5.8	4.0	4.6	4.5	4.4
UAE	4.7	5.2	4.3	4.5	4.4
Turkey	2.1	4.1	3.0	3.0	3.7
World	3.4	3.3	3.3	3.8	4.0

Source: IMF World Economic Database Outlook October 2014

The high-net worth population in the Gulf region continued to grow over the past few years according to McKinsey's Private Banking Report. It is estimated that total high-net worth wealth in the region will increase to $3.3 trillion by 2015, from $2.2 trillion in 2012. Saudi Arabia will account for about 40% of the total wealth pool in the GCC, followed by the UAE, Kuwait and Qatar (with about 22%, 15% and 12% shares of high-net worth wealth respectively). This wealth is largely dominated by family-owned businesses, which account for 40% of non-oil GDP in the GCC.

Turkey rebound expected over the medium term

Recent oil price declines should be a boon to emerging markets oil importers such as Turkey. Following a period of economic and political turmoil in 2013, Turkey's growth is expected to slow from 4.1% in 2013 to 3% in 2014

5 IMF Regional Economic Outlook: Middle East and Central Asia, October 2014

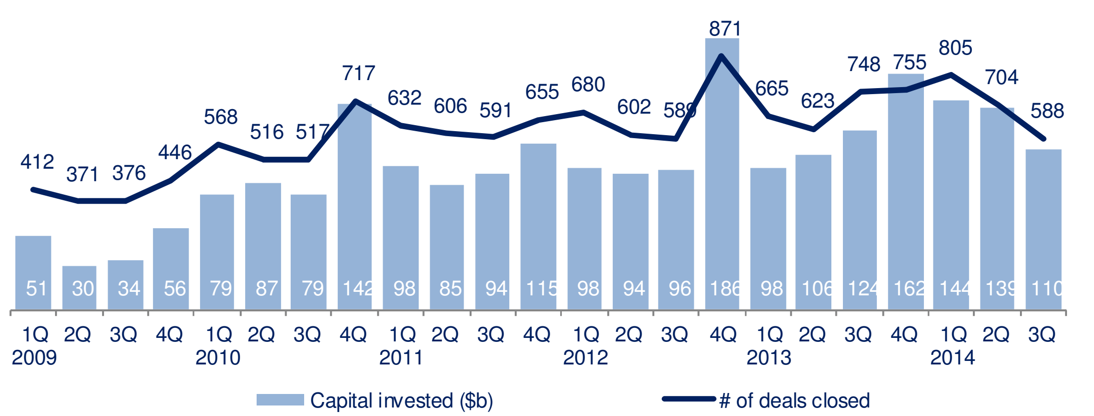
and 2015 as consumption responds with a lag to higher interest rates, a weaker Turkish Lira, and tighter financial conditions. Its large current account deficit has shown some modest improvement with the depreciation of the currency while consumption continues to be supported by lower oil prices. The country continues to be held in high regard as a medium to long term investment prospect with the IMF forecasting an average of 3.5% year-on-year growth to 2019. Furthermore, due to (i) lower global energy prices, (ii) softer food prices, and (iii) a currency impact, analysts estimate inflation will drop down to 6% y-o-y by the end of calendar year 2015.

Turkey's geographical location, young population and vibrant private sector suggest a promising outlook if its macroeconomic policies maintain a focus on long-term sustainable growth. Fitch Ratings recently reaffirmed Turkey's sovereign 'BBB-' investment grade rating, owing to its healthy banking system, narrowing current-account deficit and resilience to external shocks.

Corporate investment – North America and Europe

Buyout activity in the US private equity market is expected to decline in terms of both capital invested and deal count for 2014. The year began with a strong Q1; 805 completed deals, the second highest quarterly performance over the past five years (Q4 2012 was the best quarterly performance, but that quarter's performance may be considered an outlier as the massive sell-offs in the quarter were ahead of impending tax changes). Although Q1 2014 started strongly, levels of activity declined 13% and 16% over the next two quarters respectively, falling to 588 deals in Q3 2014, the lowest quarterly deal volume over the past four years.

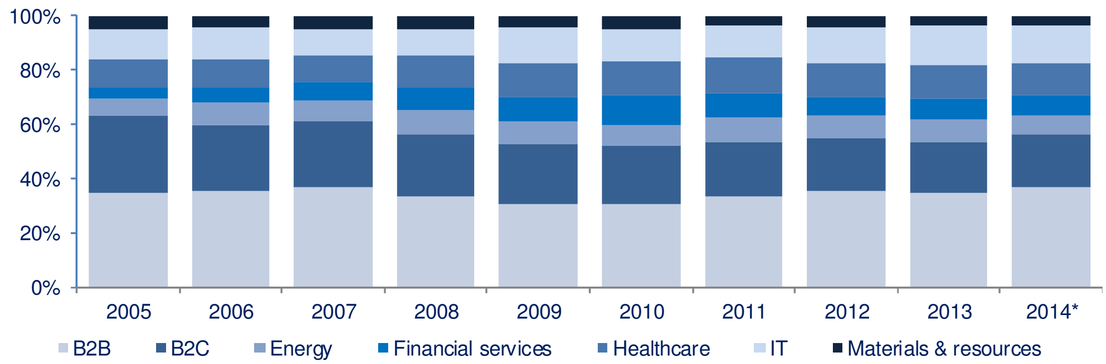
US private equity deal flow by quarter



Source: Pitchbook
Note: calendar years

Of the transactions completed within the US middle market, the B2B sector represented 42% of all transactions, an increase over 2013, followed by the B2C sector at 19%.

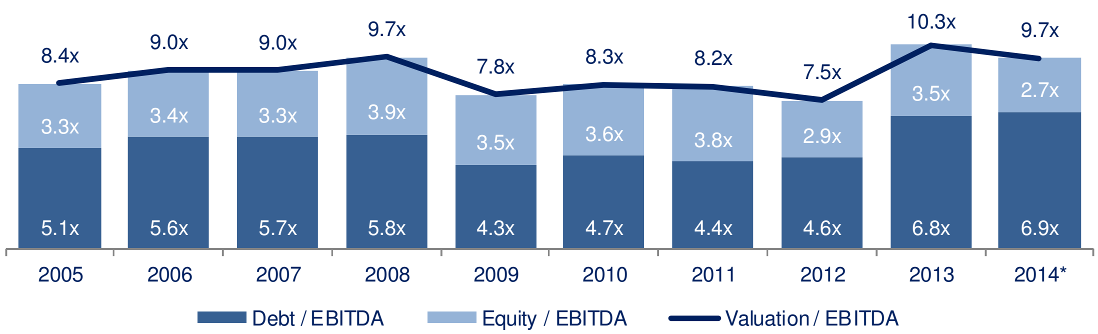
US middle market deal flow by industry



Source: Pitchbook
*As of September 30, 2014
Note: calendar years

Good businesses continue to fetch high purchase price multiples. The median multiple of Earnings Before Interest, Taxes, Depreciation, and Amortization ('EBITDA') in 2014 was 9.7x, albeit lower than the prior year level, but at the same level as the pre-crisis period. In this environment, investors are completing transactions by taking advantage of high levels of debt available at low-interest rates and liberal financing terms. The median US buyout transaction was 72% funded by debt in 2014 compared to 66% in 2013.

Median EBITDA multiples for buyouts



Source: Pitchbook
*As of September 30, 2014
Note: calendar years

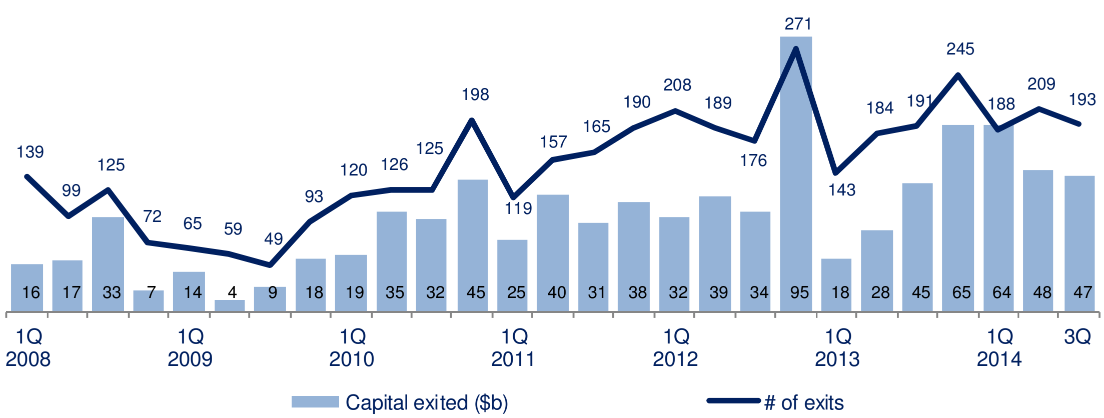
The demand for increased levels of debt stems from private equity firms seeking to boost returns in a period of frothy valuations. However, the Fed, Office of the Comptroller of the Currency and Federal Deposit Insurance Corp. warned banks to avoid, among other metrics that regulators consider risky, excessive financing that would leverage a company with debt it would not be able to amortize or manage within a reasonable amount of time. The guidance would effectively limit the debt of a company to no more than six times EBITDA.

While the expectation is that leverage will trend downward from current levels, banks have continued to provide leverage at levels comparable with those available before the financial crisis. Post the financial crisis, banks consider private equity as a lower risk alternative as buyouts were not known to be major contributors to the financial crisis and did not generate massive losses for most banks that supported this type of financing.

Sellers are taking advantage of the market's high valuations, and exit activity has been extremely active. In the US, Q3 2014's 193 exits for a total value of $47 billion represented the fifth consecutive quarter above $45 billion. Since the crisis, there have only been two other quarters that surpassed this threshold.

Over the last few years, private equity exits have been approximately split as follows: 60% acquired by corporates, 30% acquired by other private equity firms (referred to as a secondary buyouts), and 10% through Initial Public Offerings ('IPOs'). Due to the recent improving exit activity, all three major exit types in Q3 2014 have already matched or surpassed their prior year totals.

US private equity exit flow by quarters



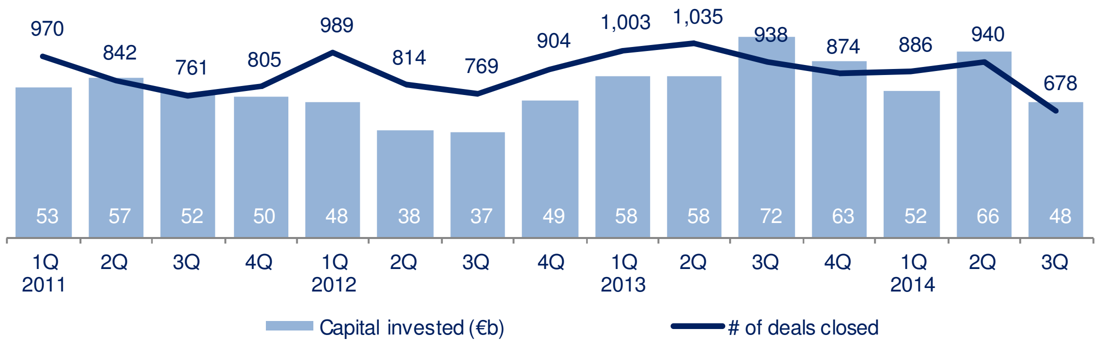
Source: Pitchbook

Note: calendar years

Buyout activity in Europe for 2014 is also expected to be lower than the previous year, by both deal count and value. Similar to the US, Q3 2014 was a challenged quarter; 678 completed deals valued at €48 billion, a dramatic 30% decline from Q2 2014. However, these figures are misleading when compared to the underlying optimism that lenders and investors have in Europe. Despite the challenging macro environment in many areas of Europe, businesses can benefit from the expertise and discipline provided by private equity ownership. In recent buyout processes, a lot of attention has been given to promising assets where lenders have supported the investment thesis by making credit readily available to private equity sponsors. European private equity has been an attractive alternative to lenders who had to reallocate their financing activity during the crisis.

Senior debt has recently become more available to European businesses, traditionally financed by high-yield bonds and unitranche lending. Additionally, many US banks are also becoming more engaged in financing European private equity transactions, supporting the general optimism in the region.

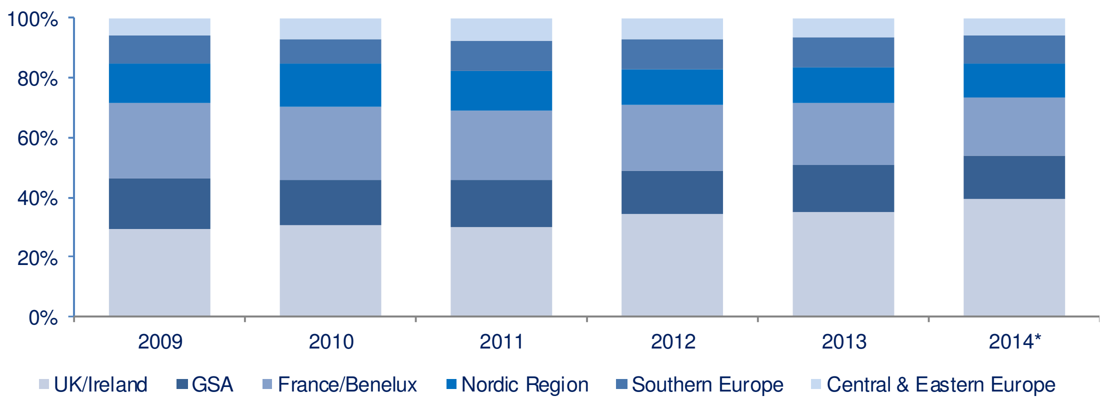
Europe private equity deal flow by quarter



Source: Pitchbook
Note: calendar years

Deal counts in Q3 2014 are down over the prior year in every region. Nevertheless, the UK and Ireland has shown the most activity, representing nearly 40% of all transaction volume through September 2014. The increase in the share of deal count has been at the expense of all other regions in Europe which have demonstrated decreased volume. The strength of the UK economy since the recession, and the ability of private equity backed companies to list on the London Stock Exchange, has supported this increase in transaction activity.

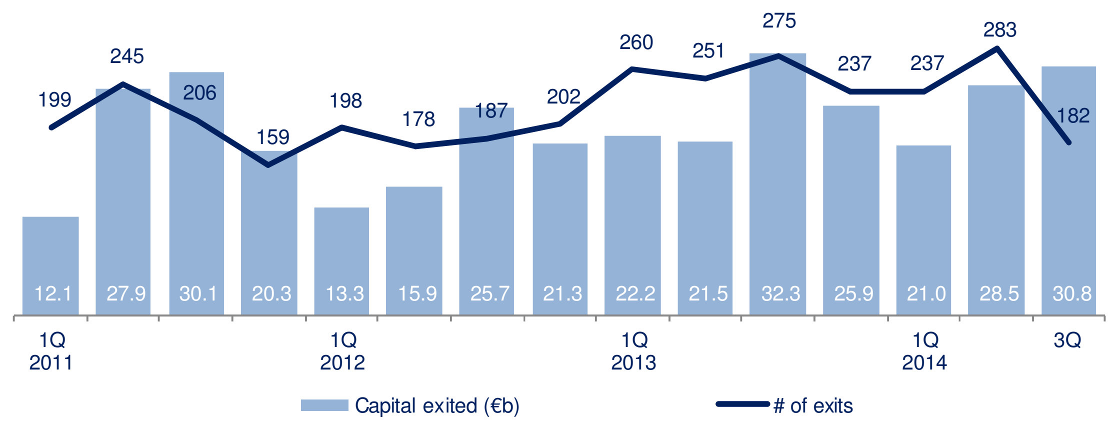
Europe private equity deal flow (#) by region



Source: Pitchbook
*As of September 30, 2014
Note: calendar years

Similar to the US, the value of European private equity exits has been trending upward, althouth the absolute number of transactions is down. Over the last few years, on a capital weighted basis, over 50% of exits have been through corporate acquisition, while 34% have been secondary buyouts and 14% through IPOs.

Europe private equity exit flow by quarters

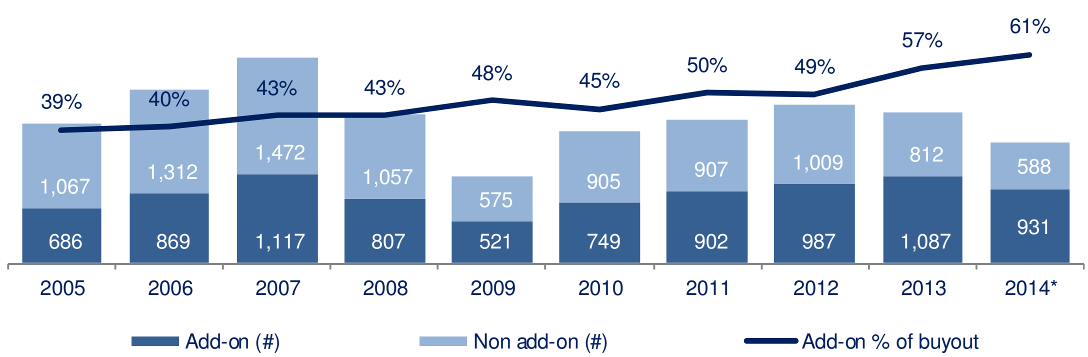


Source: Pitchbook
Note: calendar years

A notable development in recent deal activity is the growing proportion of add-on acquisitions relative to new deal buyouts. Given current frothy valuations for investing in new and less familiar businesses, investors are placing more capital to work through smaller add-on acquisitions within their current portfolio. Similarly, minority positions have also gained in popularity due to their lower valuation multiples in comparison to controlling positions in new deal investments.

Add-on acquisitions as a percentage of all buyout transactions have been steadily increasing in both the US and Europe. From around a 40% level pre-crisis, the add-on acquisition share of buyout transactions in the US has reached 61% in 2014.

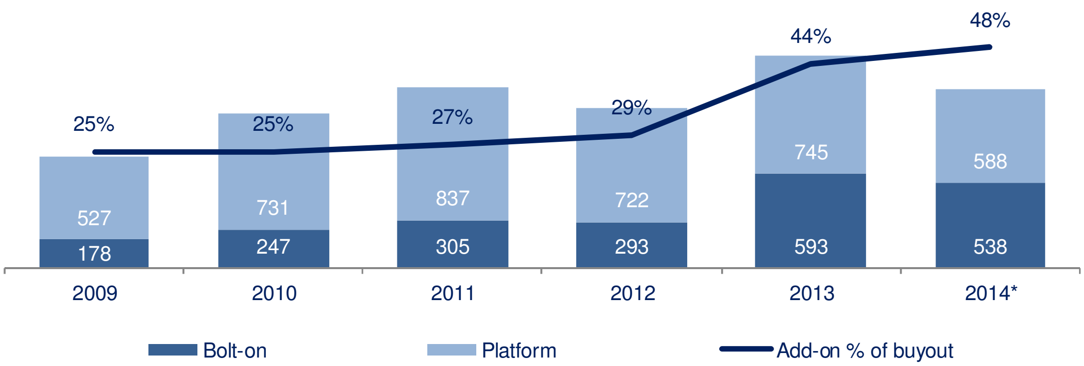
Buyouts: add-ons vs. non add-ons (US)



Source: Pitchbook
*As of September 30, 2014
Note: calendar years

European figures are lower for each of the comparative periods. However, the trend is the same as in the US. 48% of all buyout investments in Europe were add-ons in the first half of 2014, up from 29% through 2012.

Buyouts vs. bolt-ons (Europe)

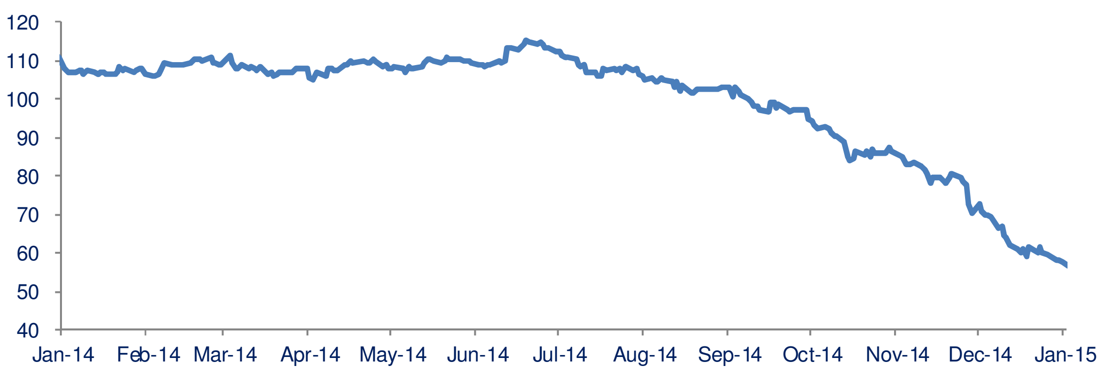


Source: Pitchbook
*As of September 30, 2014
Note: calendar years

Corporate investment – MENA

The expansion of non-oil sectors over the last few years driven by relatively high levels of government expenditure will help buffer the GCC, to some extent, from pressures resulting from significantly lower oil prices. Oil prices, which had initially increased during early 2014 as a result of geopolitical tensions in Libya, Iraq and Syria, declined significantly during the second half 2014 as the world witnessed an unprecedented price slump in the oil market. This is mainly attributed to lower than expected demand for oil, particularly in China, together with supply growth in US shale production and OPEC maintaining production quotas.

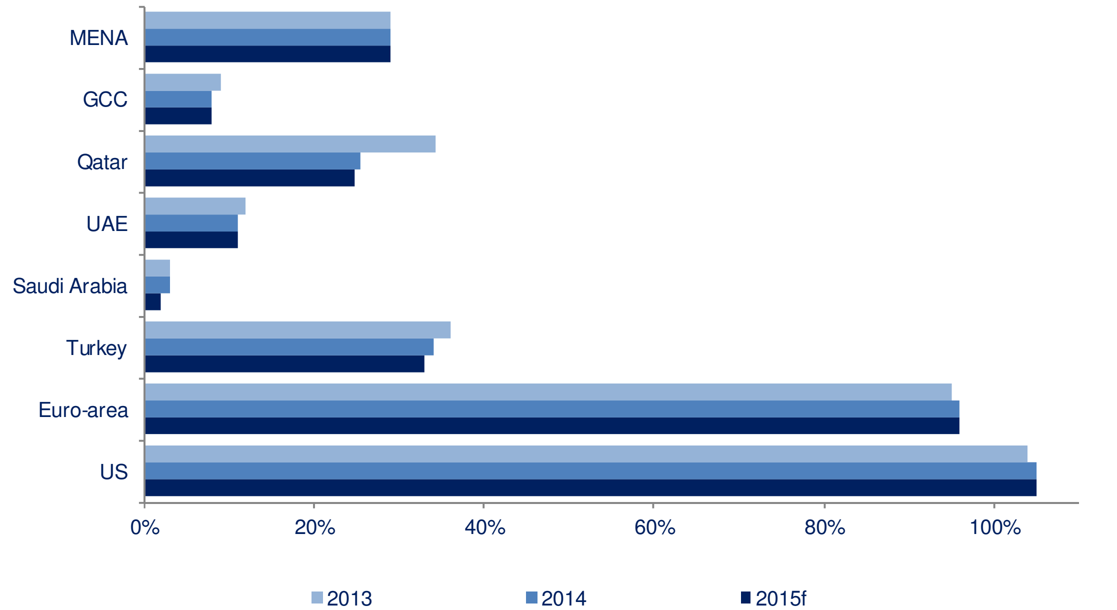
2014 evolution of oil price ($)



Source: Bloomberg

While the recent trend of falling oil prices has created significant volatility in GCC capital markets, large public holdings of foreign assets coupled with low debt levels across rich oil producing nations (Saudi Arabia, UAE and Qatar) is expected to mitigate the adverse impact of lower oil prices on economic activity in the short run. Furthermore, public spending on infrastructure is expected to continue, albeit at a slower pace.

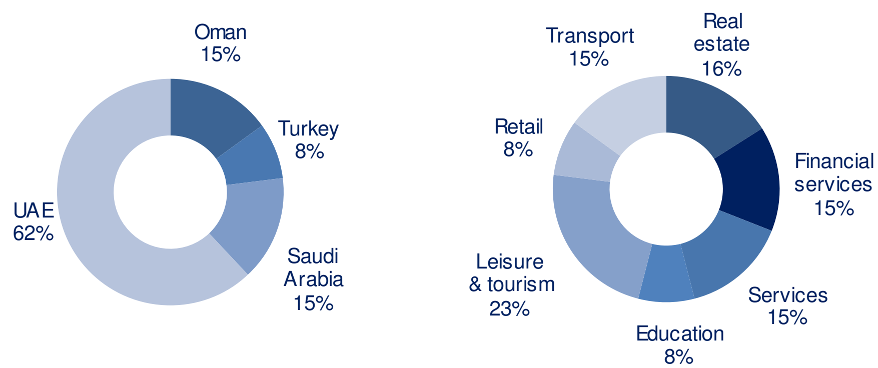
Government debt (% of GDP)



Source: IMF World Economic Outlook October 2014

Despite more challenging market fundamentals, regional markets continue to attract the interest of investors, albeit at a slightly slower pace, as governments move to diversify away from oil. Private equity investments by regional players in these markets stood at 13 transactions in the first half of FY15, compared to 20 in the same period last year. A majority of these investments were in the UAE, Turkey, Oman and Saudi Arabia, and were primarily in the services, leisure & tourism, transport and real estate sectors. Regional private equity investors continue to face increased competition for attractive assets, both from existing family groups and larger foreign private equity firms. However, with lower oil prices and increased volatility in the capital markets, valuations may temper slightly going forward.

Breakdown of private equity transactions in H1 FY15



Source: Zawya Private Equity Monitor and Investcorp analysis

Private equity firms continue to plan for exits for their mature portfolio companies, so that investors can receive cash distributions and realize a return on their investments. However, with slightly challenging market fundamentals, private equity exits, both to private buyers and through IPOs, decreased from eight in the first half of FY14 to four in H1 FY15, although there was a more pronounced improvement in exit values compared to the previous year. The majority of these exits were in Saudi Arabia and UAE.

During Q1 FY15, IPO volumes were robust as companies listed on the exchanges with high valuations and oversubscriptions given the overall positive market sentiment. However, Q2 FY15 witnessed lower IPO volumes as several companies delayed their listings due to the weakness and volatility of the markets. A total of 6 IPOs listed on GCC stock exchanges raised $8.9 billion with an average oversubscription of 23.0x, compared to 7 IPOs in the first half of FY14, which raised $1.8 billion at an average oversubscription of 5.8x.

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

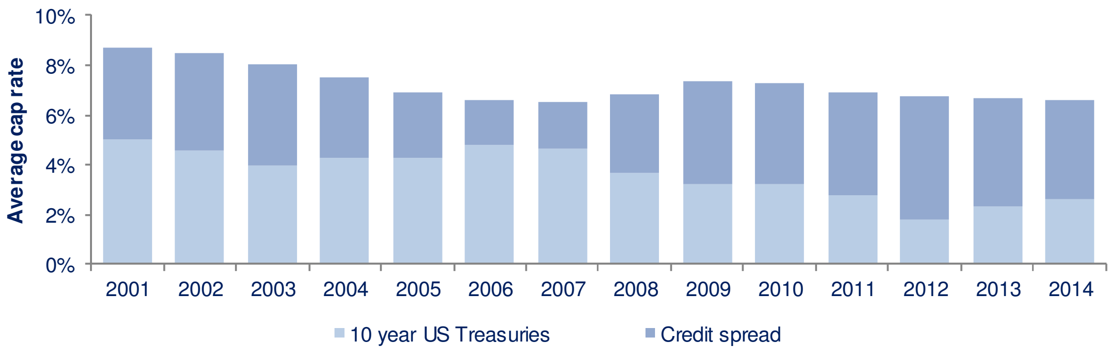
Real estate investment

Commercial property markets in the US have continued to demonstrate a steady improvement in asset values since 2010, and are beginning to move along the cycle from recovery to expansion. According to the Moody's and RCA Commercial Property Price Index, in 2014, real estate values in aggregate reached the previous highs of December 2007. However, further analysis indicates that the major metro areas (including New York, Los Angeles, San Francisco, Boston, Chicago and Washington D.C.) have exceeded peak pricing while the non-major metro areas are still well below peak. As institutional and foreign capital continues to gravitate towards the perceived safety of major markets, value conscious investors continue to find opportunities in secondary and tertiary markets.

Property appreciation has been driven as much by the capital markets as by improvements in real estate fundamentals. Interest rates have remained low, despite expectations of rising rates driven by the Fed's reduction in asset purchases. Yet an unsettled geopolitical environment has led to greater demand for US Treasuries and a 10 year interest rate of 2.17% at the end of December, considerably lower than at the beginning of 2014. The relative stability of the US has also resulted in a surge of foreign acquisitions of US property, totaling $50 billion of purchases in 2014. The growth in foreign investment has been led by Asian investors, most notably Chinese buyers, and is expected to continue into 2015. In addition, easy access to inexpensive and flexible debt capital has helped to fuel price appreciation. Commercial-mortgage backed securities ('CMBS') issuance in 2014 will exceed the prior year, and while the government–chartered Fannie Mae and Freddie Mac have decreased lending volume, local and regional banks have taken up the slack through increased commercial loan origination.

A rise in interest rates may concern property investors, since higher interest rates can lead to an increase in property cap rates. However, while cap rates for certain asset classes are approaching the low watermark of 2007, interest rates today are much lower and the spread between cap rates and interest rates, at over 400 basis points, remains near historical highs. As a result, a modest and gradual increase in interest rates can readily be absorbed by a decrease in credit spreads, leading to little or no change in cap rates.

Cap rate spread to 10 year US Treasuries



Source: Real Capital Analytics, Inc. 2014 and Federal Reserve
Note: calendar years

Beyond the capital markets, the strength of the US economy is driving demand for US property and an increase in rents and values. US job growth has been averaging 230,000 per month, with unemployment at 5.6% as of December 2014, down from 7.0% a year earlier. US consumer spending, which accounts for two-thirds of economic activity in the US, continued to accelerate through December, driven by improving consumer confidence and the boost in household disposable income from declining oil prices. These trends create demand for office space to accommodate new workers, demand for retail and industrial space to service consumers and businesses, and demand for hotel rooms for leisure and business travel.

US office market fundamentals have improved throughout the first three quarters of 2014 with significant net absorption, and national vacancy rates, per CBRE Group, have fallen to 14.1%, the lowest level since 2008. The strong performance of this sector has been driven by steady job growth throughout the year and modest levels of new construction. Since demand for new office space often lags job growth (due to existing lease constraints), the expectation is that there will continue to be positive absorption in 2015. Leasing demand has been led by the high-tech sector, followed by financial services, business services, creative industries, legal and health care/life sciences. Both central business districts ('CBD') and suburban markets have seen a decrease in vacancies and an increase in average rents, but the downtown markets have outperformed the non-CBD locations. Development of new office space is on the rise, but the level of new construction is well below the 20 year average and is largely concentrated in a few major markets, including larger cities in Texas, New York, Washington D.C., the San Francisco Bay Area and Seattle.

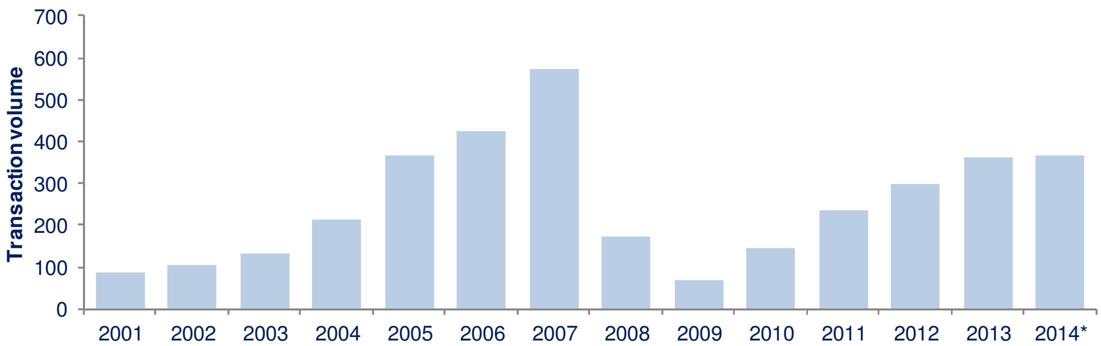
Employment and personal income are the two main drivers of demand for retail space, so the environment should support growth in the retail sector. In fact, there has been modest net absorption in the national retail market and asking rents are on the rise. CBRE Group pegs the national retail vacancy rate at 11.5% as of the end of Q3 2014. But retail real estate performance varies widely by category. Class A "fortress" malls in strong markets continue to outperform most other retail developments; Class B malls, particularly in high growth areas in the Sunbelt and coastal markets, are benefitting from strategic repositioning. Beyond regional malls, retail real estate performance is polarized. Luxury retail, especially in urban locations, continues to perform well, as do value-oriented retailers, including outlet centers, deep discounters and even some power centers, although many big box retailers are downsizing their prototypical footprint. Retail sales growth has been highest for motor vehicles, food services, health & personal care and building materials. E-commerce has seen a large year-over-year increase, but it still represents less than 8% of total retail sales. The 2014 holiday season retail sales were good, fueled further by the decline in oil prices that has given consumers extra cash.

The industrial sector has experienced 18 consecutive quarters of positive absorption, with the national vacancy rate declining to 10.6% in the third quarter of 2014, per CBRE Group. Growth in US GDP has been due, in part, to increases in business investment, industrial production, import/export and distribution, all of which benefit the industrial real estate sector. Rents are increasing in most markets, but are still below the peak levels of 2007. Development is on the rise, but new product is almost entirely focused on big box/e-commerce distribution space and is concentrated in a few markets, including Texas, Central New Jersey, Baltimore and the Inland Empire.

The “for sale” housing sector, historically one of the primary drivers of the US economy, has continued to be sluggish. Despite improving demographics and increased earnings which support household formation, there has been only modest growth in the single family housing market. Housing starts have been vacillating up and down over the last several years. This trend, however, has benefitted the multifamily sector. “For rent” multifamily properties have been buoyed by household income growth and a release in pent-up household formation in the wake of the recession. Americans’ growing propensity to rent accommodation instead of buying has further increased demand for multifamily housing; the homeownership rate in the US is 65%, a 20 year low. As a result, rental rate growth for multifamily properties has exceeded inflation in the majority of US metro areas. Markets with the strongest demand growth have been concentrated in the south and west. However, new development is on the rise; new building permit issuance for multifamily properties in the US are above the 20 year average, with the most construction activity in San Francisco, New York, the Texas metro areas, Boston and Orange County.

Similarly, the rising US economy has benefitted the hospitality market. Increased leisure, business, group and international travel has led to a boost in occupancy in 2014. Average hotel occupancy has increased 150 basis points to 63.8%, nearing pre-recession peak occupancy of 65%. New development, while on the increase, is still less than half of the long term average of new hotel room deliveries. The majority of room additions are in the premium select-service category, catering to budget conscious business and leisure travelers. Average revenue per available room (“RevPAR”) in the hotel market has increased 6.5% over the prior year. While room rates have started to increase in this high-demand environment, the impact of internet booking channels has limited hoteliers’ ability to push rates higher. Still, 2014 marks the fifth consecutive year of improving hotel operating fundamentals. The bigger future challenge for hotel operators will be managing increasing operating costs (especially labor, insurance and taxes) and the cost of deferred or franchise-required capital improvements after years of operating on tight capital budgets.

Commercial real estate transaction volume ($b)



Source: Real Capital Analytics, Inc. 2014
*As of November 2014
Note: calendar years

Through November 2014, commercial real estate sales transaction volume had already exceeded full year 2013 at $365 billion. Total volume is estimated by HFF to hit $430 billion for the year. The largest increase in activity has been in the retail and hospitality sectors. Both domestic and foreign investors are continuing to find investment in real estate assets in the US to be very attractive.

Hedge funds

The first half of fiscal year 2015 was moderate for the hedge funds industry. During this period, hedge funds generated average returns of 1.2% as measured by the HFRI Fund of Funds Composite Index. During the same six months in the previous fiscal year, hedge funds had generated a return of 5.4%. The drop in returns is reflective of the macro environment that hedge funds have faced in the last six months.

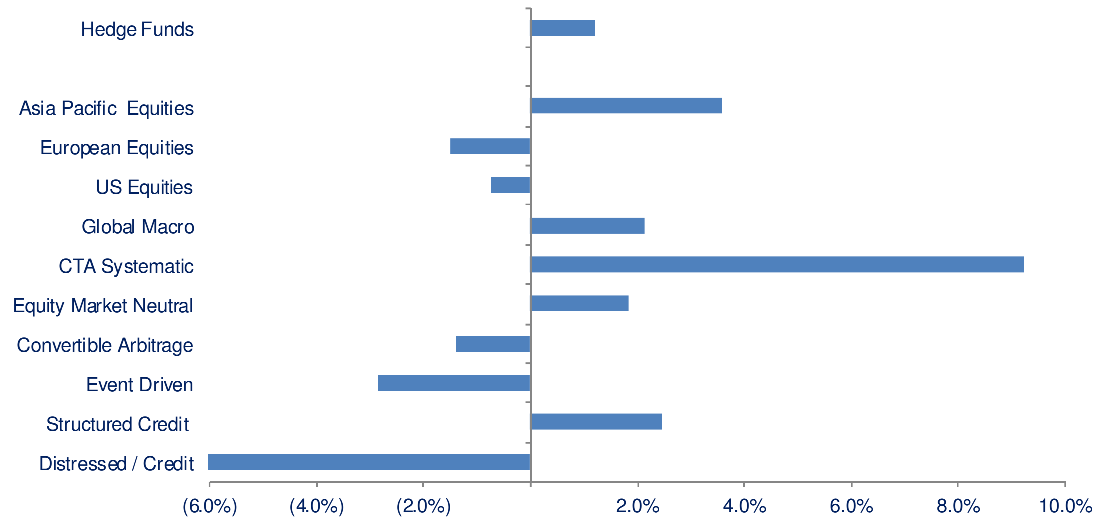
Macroeconomic developments over the past six months have been mixed, leaving commentators more cautiously optimistic about the outlook for the global business environment than one year ago. A slow accumulation of negative growth surprises for Europe, Japan, and China over the first half of 2014 crystallized into broad-based concerns about a deteriorating global growth outlook in the late summer.

Overall hedge fund returns have been moderate and there has been a divergence in returns across underlying hedge fund strategies. The enviroment has been strongly in favor of systematic trend following strategies that were able to fully exploit the steady drop in oil prices, a strong dollar movement and trends in fixed income. Equity market neutral strategies benefitted from global diversificaton with several factors performing well in emerging markets. Fundamental strategies, on the other hand, both equity and credit strategies, suffered from volatility in the respective underlying asset classes. For example, during the month of October, when risk assets experienced a rapid pullback, some hedge funds were forced to cut their gross and net exposure levels within their portfolios and therefore did not fully participate in the subsequent rebound.

Some of the crowded trades such as the failed AbbVie/Shire merger detracted from returns of some equity managers when idiosyncratic events caused the trades to move against them. Within equities, strategies that were focused on Asia Pacific were able to generate positive returns. Structured credit strategies trading in RMBS and CMBS showed resilience and did not experience a technical sell-off unlike the corporate credit markets that had a significant drawdown. The convertible universe has been overweight the energy sector and the sustained drop in oil prices has negatively impacted the environment for convertible arbitrage strategies.

The divergence in returns of hedge fund strategies highlights the importance of asset allocation within a multi-strategy portfolio construct.

Performance of hedge fund strategies* (July - December 2014)

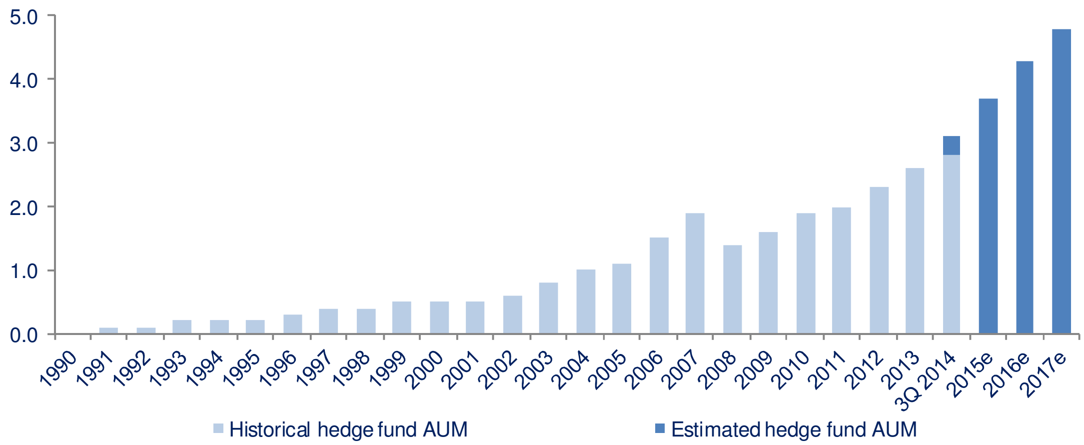


*Strategy benchmark returns are sourced from various external data providers

Although the performance of hedge funds in 2014 was affected by the adverse macro environment, global growth is expected to accelerate in 2015 and the forecast environment bodes well for most of the hedge fund strategies and it is expected that hedge funds can generate above average returns in the next six months, albeit with higher volatility.

The hedge funds industry has continued to experience inflows and new fund launches during the last twelve months. As of September 2014, total industry assets reached an estimated $2.8 trillion. While performance has been moderate overall, it has also brought about further distinction between winners and losers with wide dispersion of returns among hedge funds. Many top-quality hedge funds were able to deliver strong performance during recent market volatility, underscoring the importance of a robust manager selection process.

Hedge fund industry assets under management ($ trillion)



Source: AUM data is up to 3Q 2014 from HFR Industry Reports © HRF, Inc. Third Quarter 2014 HFR Global Hedge Fund industry Report, w w w .hedgefundresearch.com & AUM projections from 2014 Citi Prime Finance Publication, June 2014

Hedge funds as an asset class, and the ways in which investors invest in them, have continued to evolve. Following the 2008 financial crisis, investors were very focused on liquidity and generally shied away from illiquid investments. However, there now appears to be a divergence in that trend, resulting from a weak return environment for the asset class. There are many investors who are increasingly willing to sacrifice liquidity in favor of enhanced returns. As a result, two trends are emerging: one toward more liquid alternatives and one toward less liquid investments.

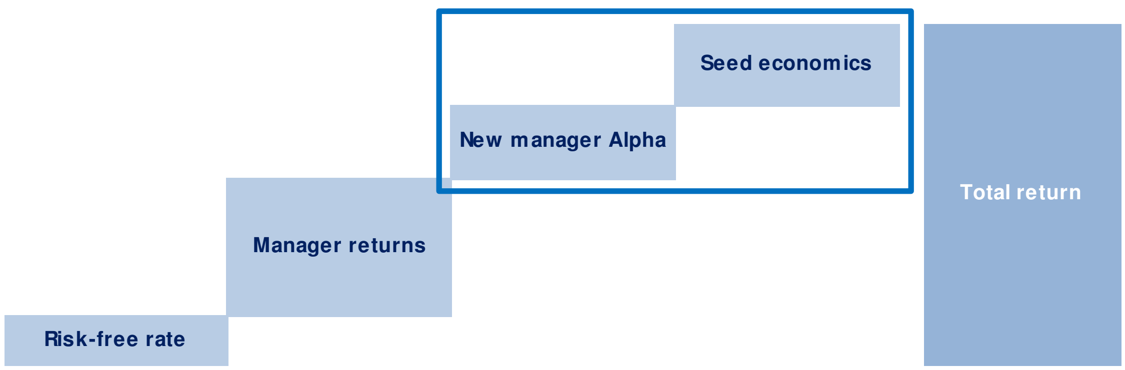
Two prominent product structures providing liquidity include 40 Act Funds (funds that offer hedge fund strategies in mutual fund format with enhanced liquidity, no incentive fees and leverage limits) and UCITS funds that have become very popular among institutional investors in Europe. More illiquid co-investment portfolios have also been attracting investor appetite. Co-investment portfolios are concentrated portfolios invested in a small number of security positions and are offered by hedge funds to investors at low fees but with a two to three year lock-up period. They allow the manager to go beyond the concentration or liquidity limits typically found in the manager's flagship product.

Hedge fund structures on liquidity spectrum:

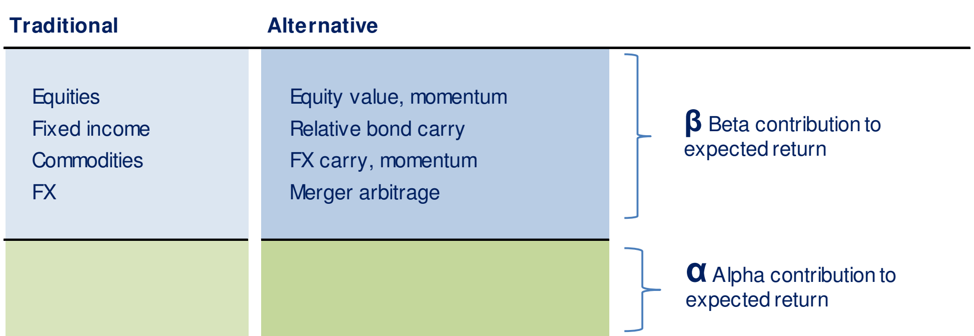
Examples:		
40 ACT Funds / UCITS	Typical hedge funds	Co-investment portfolios
Attributes:		
Daily / weekly / liquidity No incentive fees	Monthly / quarterly / yearly Management and incentive fees	Locked for 2-3 years Lower management fees; plus incentive fees

In order to enhance returns, investors are actively seeking investments in managers with lower assets under management or a shorter track record. In a recent JP Morgan survey of institutional investors nearly one-third of the respondents invested in at least one or two new hedge fund launches in 2014. The attractiveness of investments in new managers is not only the potential for higher alpha but also lower fees compared to fees charged by established managers. Founder share classes that are offered to investors at an early stage impose a fee burden that is significantly low. In certain cases, these early stage investors also get the chance to lock in future capacity if and when the fund grows. Sophisticated investors are willing to provide seed capital or co-seed with other partners and lock up capital in exchange for a share of the economics resulting from the growth of the hedge fund.

Alpha from seeding



Another important market development is the steady increase in investor interest in risk factor-based investing, referred to as “Alternative Beta”. Examples of such risk factors include Equity Dividend, Rates Carry and FX Momentum. Invetor interest is fueled by a recognition that hedge fund returns have a significant systematic component that can be captured efficiently by investing in factor portfolios. It is expected that Alternative Beta will grow significantly over the next five to ten years and will grow to be a material part of hedge fund portfolios. However, not all investors see Alternative Beta a way to get passive exposure to hedge funds or as a hedge fund substitute. Some are evaluating Alternative Beta as an enhancement to their equity portfolios, while some are viewing this as a fixed income substitute. Others look at Alternative Beta as a portfolio completion tool or as a hedging overlay.



Investcorp expects the hedge funds industry to continue to be a dynamic asset class and evolve as investors evaluate their portfolio needs, and seek innovative ways to enhance investment returns.

Discussion of results

Following the publication of new IFRS guidelines for recognition of "Revenue from Contracts with Customers", Investcorp has reviewed and revised its revenue recognition policies accordingly and early adopted the new requirements of IFRS 15. Consistent with IFRS guidelines for adoption of revised accounting standards, this has resulted in the restatement of certain line items on Investcorp's historical financial statements presented as comparatives. For details, please refer to Note 1(b) of the Interim Condensed Consolidated Financial Statements for the period ended December 31, 2014. Income for H1 FY14 and balance sheet items as at June 30, 2014 referred to in this discussion for comparison have therefore been restated to reflect the new requirements under IFRS 15.

Net income

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

Net income of $45.3 million for H1 FY15 was 5% higher than the comparative period last year, continuing to show strong levels of fee income generated from sustained growth in activity across acquisitions, realizations and fundraising.

Income ($m)	**H1 FY15**	**H1 FY14 (Restated)**	**% Change B/(W)**
Fee income	156.7	154.3	2%
Asset based income	(2.6)	3.9	>(100%)
Gross operating income	**154.0**	**158.1**	**(3%)**
Provisions for impairment	(1.5)	(1.5)	3%
Interest expense	(29.0)	(30.8)	6%
Operating expenses	(78.2)	(82.5)	5%
Net income	**45.3**	**43.3**	**5%**
Basic earnings per ordinary share ($)	73	72	1%
Fully diluted earnings per ordinary share ($)	71	70	2%

Fee income increased by 2% to $156.7 million from $154.3 million in H1 FY14, primarily driven by management fees from CI and RE investments and transactional activity fees from acquisitions, placements and exits. Asset based income declined by $6.5 million versus H1 FY14 primarily as a result of a 2.3% loss in hedge funds during the period, although this was partially offset by improved return performance in both CI and RE compared to H1 FY14.

Interest expense declined by 6% reflecting lower levels of indebtedness on medium term and long term facilities. Operating expenses decreased by 5% to $78.2 million (H1 FY14: $82.5 million) primarily driven by lower compensation and other operating expenses.

Fee income

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

Summary of fees ($m)	H1 FY15	H1 FY14 (Restated)	% Change B/(W)
Hedge fund fees	10.3	15.2	(32%)
Other management fees	44.0	34.4	28%
AUM fees	**54.3**	**49.6**	**10%**
Activity fees	86.1	78.3	10%
Performance fees	16.3	26.5	(39%)
Deal fees	**102.4**	**104.8**	**(2%)**
Fee income	**156.7**	**154.3**	**2%**

Total fee income in H1 FY15 increased to $156.7 million (H1 FY14: $154.3 million). Higher management fees and deal activity fees were offset by a decrease in performance fees and hedge fund fees.

AUM fees were $54.3 million in H1 FY15, 10% higher than H1 FY14. HF fees declined by $4.9 million, reflecting lower absolute returns compared to the previous period and a decreased level of client assets under management. Other management fees increased by 28% to $44.0 million in H1 FY15 primarily as a result of an increase in client assets under management for CI and RE during the current period.

Deal fees remained strong in H1 FY15 at $102.4 million. Activity fees increased by 10% to $86.1 million reflecting a higher level of acquisition and deal-by-deal placement volumes. This was offset by a decline in performance fees relative to H1 FY14 which had included a strong contribution from the sale of Fleetmatics in that period.

Asset based income

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

Gross asset based income during H1 FY15 declined by $6.5 million versus last year to a net loss of $2.6 million (H1 FY14: $3.9 million income), primarily driven by negative returns in HF.

Asset based income ($m)	H1 FY15	H1 FY14	% Change B/(W)
Corporate investment	0.7	(9.6)	>100%
Hedge funds	(10.3)	17.9	>(100%)
Real estate investment	5.6	(5.6)	>100%
Treasury and other asset-based income	1.4	1.2	23%
Gross asset based income	**(2.6)**	**3.9**	**>(100%)**

HF returns for H1 FY15 reflect large performance drawdowns on investments with select single managers, resulting in an overall loss of 2.3%. CI asset based income was flat during H1 FY15. Overall, fair value gains across a majority of the CI portfolio were offset by mark to market reductions in the value of a couple of investments. RE asset based income, primarily driven by rental yields on the post-2009 portfolio, turned around to deliver $5.6 million in H1 FY15 versus a loss of $5.6 million in H1 FY14. Treasury and other asset based income increased marginally to $1.4 million.

The tables below summarize the primary drivers of asset-based income for CI, HF and RE:

CI asset based income KPIs ($m)	H1 FY15	H1 FY14	% Change B/(W)
Asset based income	0.7	(9.6)	>100%
Average co-investments (excluding underwriting)	828.5	890.7	(7%)
Absolute yield	0.1%	(1.1%)	1.2%

HF asset based income KPIs ($m)	H1 FY 15	H1 FY14	% Change B/(W)
Asset based income	(10.3)	17.9	>(100%)
Average co-investments*	457.7	342.6	34%
Absolute yield	(2.3%)	5.2%	(7.5%)

*H1 FY14 exposure is stated net of non-recourse leverage. H1 FY15 exposure is stated gross. On a gross basis, H1 FY14 was approximately $488 million.

RE asset based income KPIs ($m)	H1 FY15	H1 FY14	% Change B/(W)
Asset based income	5.6	(5.6)	>100%
Average co-investments	222.4	246.8	(10%)
Absolute yield	2.5%	(2.3%)	4.8%

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

Asset yields	H1FY13	H2FY13	H1FY14	H2FY14	H1FY15
Corporate investment	0.0%	0.0%	(1.1%)	3.7%	0.1%
Real estate investment	(2.1%)	2.1%	(2.3%)	(1.3%)	2.5%
Hedge funds (net)	1.7%	5.1%	5.2%	2.0%	(2.3%)
Average co-investment yield *	0.3%	1.1%	0.2%	2.7%	(0.3%)

* Includes treasury and other asset based income

CI returns over the last few years have been depressed by the fall in value of a couple of the larger legacy exposures in the co-investment portfolio which has largely offset the positive performance in the rest of the portfolio. RE returns have started to improve as the impact of value declines in the pre-2009 portfolio has reduced in size over time. The post-2009 real estate portfolio continues to perform well and is delivering targeted levels of on-going cash-on-cash rental yields. Hedge fund industry returns based on the HFRI Fund of Funds Composite Index were modestly positive in H1 FY15 with an absolute return of 1.2% over the period. While Investcorp's fund-of-funds' portfolios outperformed the benchmark, the large performance drawdowns experienced by select single managers affected overall returns, resulting in a negative yield.

Interest expense

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 6% to $29.0 million in H1 FY15 from $30.8 million. The decline was principally due to lower average levels of interest-bearing debt outstanding in H1 FY15 which decreased to $1,299 million (H1 FY14: $1,489 million). The funding mix remained stable, with short term liabilities representing one-third of the total.

The average cost of drawn funding was slightly lower year-on-year by 0.2% as shown in the table below.

Interest expense ($m)	H1 FY15	H1 FY14	Change H/(L)
Total interest expense	29.0	30.8	(1.8)
Average short term interest-bearing liabilities	454	537	(83)
Average medium and long term interest-bearing liabilities	845	953	(107)
Average interest-bearing liabilities	**1,299**	**1,489**	**(190)**
Interest expense on funded liabilities*	23.8	28.9	(5.1)
Average cost of funding on funded liabilities	**3.6%**	**3.8%**	**(0.2%)**

*Does not include commitment fee and other facility costs on undrawn revolvers

Operating expenses

Operating expenses decreased by 5% to $78.2 million in H1 FY15 from $82.5 million in H1 FY14. Staff compensation, which includes fixed and variable components, decreased by 6% due to lower variable compensation accrual. Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment decreased by 4%. Total expenses, as a percentage of net revenues, dropped to 63% in H1 FY15 from 66% in H1 FY14.

Operating expenses ($m)	H1 FY15	H1 FY14	Change
Staff compensation	40.0	42.7	(6%)
Other personnel costs and charges	4.1	6.8	(40%)
Other operating expenses	34.1	33.0	3%
Total operating expenses	**78.2**	**82.5**	**(5%)**
Full time employees (FTEs) at end of period	296	275	21
Staff compensation per FTE ('000)	135.3	155.2	(13%)
Other operating expenses per FTE ('000)	115.1	120.1	(4%)
Total staff compensation / total operating expenses	51%	52%	(1%)
Operating expenses / Net revenue*	63%	66%	(2%)

*Net revenue represents net income before operating expenses

Balance sheet

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	Dec-14	Jun-14 (Restated)
Total assets	$ 2.1 billion	$ 2.3 billion
Leverage*	1.3x	1.2x
Net leverage ratio**	0.8x	1.0x
Shareholders' equity	$ 0.8 billion	$ 0.9 billion
Co-investments*** / long term capital****	0.9x	1.0x
Capital adequacy ratio	27.9%	28.0%
Capital adequacy ratio (Basel III pro forma)	27.2%	27.5%
Residual maturity - medium and long term facilities	81 months	87 months

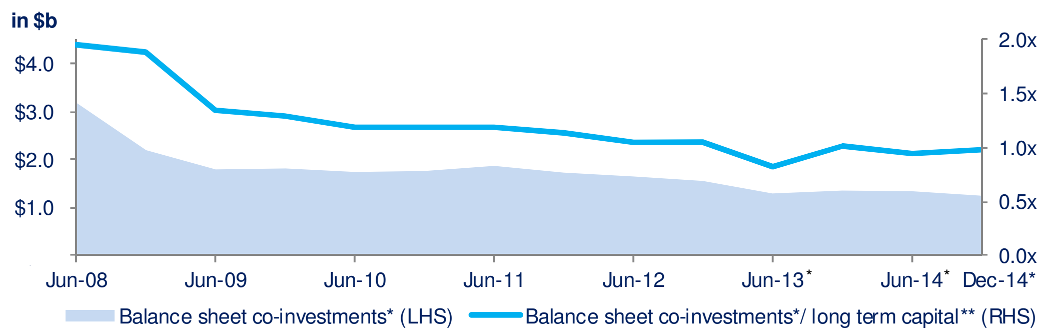
* Calculated in accordance with bond covenants
** Calculated in accordance with bank loan covenants which is net of liquidity and underwriting and excludes impact of early adoption of IFRS 15
*** Excludes underwriting and is net of revolving facilities secured against hedge fund co-investments
**** JPY 37 billion debt maturing in 2030 and $50 million debt maturing in 2032, deferred fees and total equity

Assets

Assets ($m)	Dec-14	Jun-14 (Restated)	Change H/(L)
Cash & other liquid assets	233	227	6
CI & RE underwriting	114	112	2
HF co-investments	439	476	(37)
CI & RE co-investments (excluding underwriting)	857	1,041	(184)
Other (working capital & fixed assets)	455	447	8
Total assets	**2,099**	**2,304**	**(205)**
Co-investment assets (excluding underwriting)	**1,296**	**1,517**	**(221)**

At December 31, 2014, total assets were $2.1 billion, 9% lower than at June 30, 2014. The drop in CI and RE co-investments reflects the realization of Berlin Packaging, which was the largest individual co-investment at the end of FY14 and the lower carrying value, in USD terms, of CI co-investments in Europe due to exchange rate movements[6]. As at December 31, 2014, gross exposure in hedge funds was $439 million of which $50 million was utilized to secure amounts drawn under a bi-lateral $175 million revolving facility.

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



* Excludes underwriting and is net of total facilities which are secured against hedge funds when drawn

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

Investcorp focuses on maintaining a co-investment to long term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. As at December 31, 2014 the aggregate level of co-investments net of a $175 million revolving facility secured against hedge funds remained fully covered by permanent and long term sources of capital.

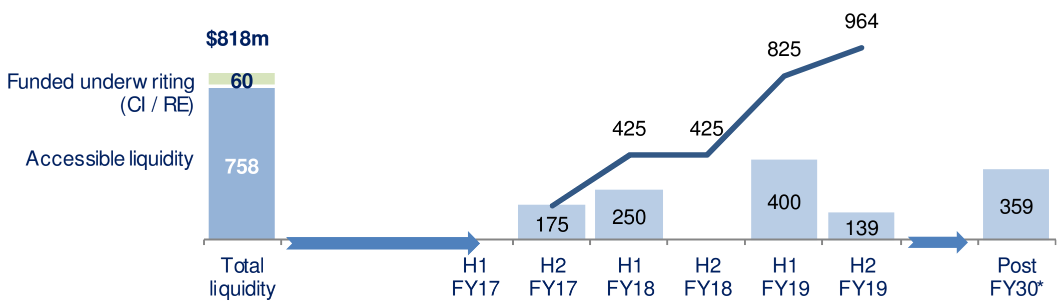
6 Investcorp hedges its non-USD denominated CI co-investments on the balance sheet against exchange rate movements. The weakening Euro has therefore had no material P&L impact. The offset to the decline in carrying value of CI co-investments resulting from a weakening Euro is reflected in changes in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

Liquidity

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was $0.8 billion (June 30, 2014: $0.7 billion) and almost fully covers all outstanding medium term debt maturing over the next four years.

HF co-investments continue to provide a further structural tier of liquidity but are now a less significant component, given the substantial reduction over the last five years in both the aggregate level of balance sheet assets and the absolute amount of HF co-investments. HF co-investments also have a focus on single manager seeding, which requires a commitment to lock-up periods. The monetization profile of Investcorp's $439 million HF co-investments at December 31, 2014 was 57% within three months, 67% within six months and 91% within twelve months. As at December 31, 2014, $50 million of HF co-investments were provided as collateral against secured revolving financing facilities.

Liquidity cover ($m)



*JPY 37 billion ($309 million at current exchange rates) debt maturing in 2030 and $50 million maturing in 2032

Liabilities

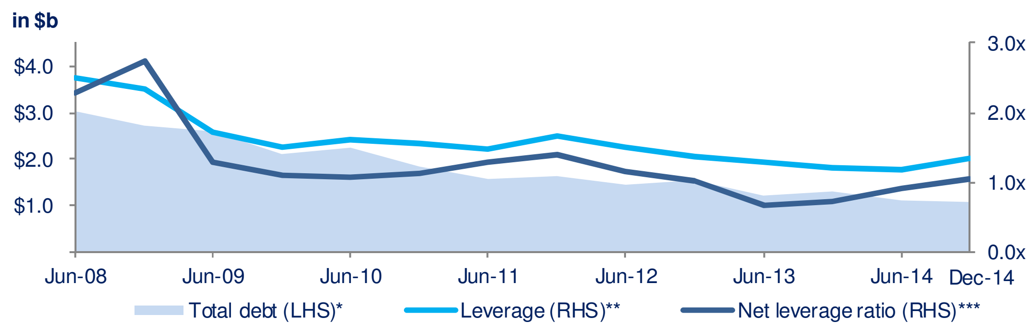
Total liabilities fell by $105 million to $1.3 billion at December 31, 2014.

Liabilities ($m)	Dec-14	Jun-14 (Restated)	Change H/(L)
Call accounts	126	96	30
Term and institutional borrowings	93	136	(43)
Medium term debt	423	497	(74)
Long term debt	369	410	(42)
Total debt	**1,011**	**1,139**	**(128)**
Deferred fees	92	83	9
Other liabilities*	178	164	14
Total liabilities	**1,281**	**1,386**	**(105)**

* Payables and accrued expenses, negative fair value of derivatives less prepaid transaction costs of borrowings

Total liabilities decreased by 8% during the current period. The decrease in medium term debt was primarily due to repayment of drawn revolvers which remain available for future drawdown as needed for funding new deal underwriting and working capital requirements. The reduction in long term debt was primarily due to the depreciation of the JPY against the USD. On an overall basis Investcorp's funding profile did not materially change during the six months ended December 31, 2014.

Financial leverage



* Total debt is defined as call accounts, term and institutional borrowings, medium and long term debt

** Calculated in accordance with bond covenants. Liabilities are net of transitory balances

*** Calculated in accordance with bank loan covenants, net of liquidity and underwriting and excludes impact of early adoption of IFRS 15

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

The net leverage covenant in the $400 million RCF due in 2008 is calculated by deducting cash and underwriting balances from liabilities and excludes the impact of adoption of the revised IFRS 15.

Credit ratings

In October 2014, Investcorp held its annual rating review with both Moody's and Fitch. Fitch Ratings re-affirmed Investcorp's credit ratings at BB in November 2014 and retained a stable outlook.

Agency	Rating grade	Comment
Moody's Investor Service	Ba2 / Stable outlook	Rating affirmed in Jan 2014 Outlook changed from negative to stable
Fitch Ratings	BB / Stable outlook	Rating and outlook confirmed in Nov 2014

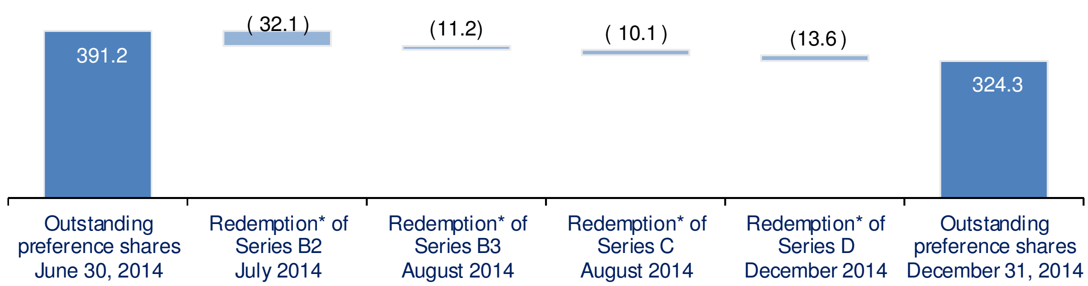
Equity

Equity ($m)	Dec-14	Jun-14 (Restated)	Change H/(L)
Ordinary shareholders' equity	504	463	41
Preference share capital	324	391	(67)
Proposed appropriations	-	63	(63)
Fair value & revaluation adjustments	(10)	1	(11)
Net book equity	**818**	**918**	**(100)**

Net book equity at December 31, 2014 was $0.8 billion. The decrease in H1 FY15 primarily relates to continued redemption / buyback of preference shares and the payment of dividends offset by the net income for the period.

In July and August 2014, Investcorp redeemed, in aggregate, a further 53,382 preference shares at par, for an aggregate consideration of $53.4 million. The redemptions occurred on the respective first call dates of the associated series of preference shares. Furthermore in December, all Series D preference shares outstanding were purchased at a price of $1,055 per share (including the accrued dividend), for an aggregate consideration of $14.3 million.

Movement in preference shares ($m)

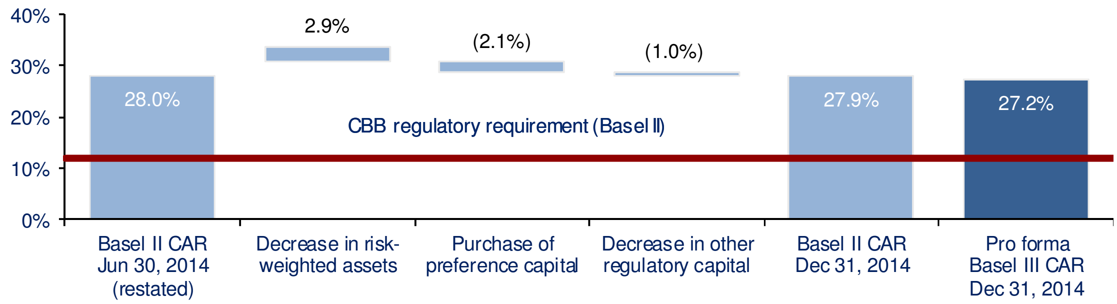


*Redemption amounts are stated at par value

Capital adequacy

The capital adequacy ratio ('CAR') at December 31, 2014 was 27.9% (June 30, 2014 restated: 28.0%), reflecting a decrease in risk-weighted assets offset by a reduction in regulatory capital resulting from the preference share redemptions. The CAR is comfortably in excess of the Central Bank of Bahrain's ('CBB') regulatory minimum requirement of 12%.

Regulatory capital adequacy ratio (CAR)



Investcorp continues to monitor the impact of Basel III on both its regulatory capital and its liquidity requirements. Following the issuance of a Basel III implementation plan in June 2013, the CBB released a first draft version of a revised Capital Adequacy Rulebook Module in December 2013, followed by a consultation process with licensed banks. In early July 2014, the CBB published the final module, which has been implemented from January 2015. The most extensive changes in the module are to the definition of capital, generally reflecting the Basel Committee proposals with respect to Pillar One (Capital Adequacy). The CBB will also circulate, in due course, proposed changes in respect of Pillar Two (Risk Management and Supervision), Pillar Three (Market Discipline) and Liquidity.

On the basis of the Capital Adequacy Rulebook Module published in early July 2014, Investcorp's Basel III CAR is not materially different to its capital adequacy reported under Basel II. As at December 31, 2014 the pro forma Basel III CAR was 27.2%.

In August 2014, the CBB confirmed Investcorp's designation as a Domestic Systemically Important Bank ("DSIB"). As a result of this designation, Investcorp will be subject to an increased frequency of prudential meetings and inspections by the CBB. Subject to a separate future assessment, the CBB may also require DSIBs to maintain a higher minimum regulatory capital threshold.

Shareholder base

At December 31, 2014, Investcorp remains a management controlled company, with management, in concert with strategic shareholders, controlling the voting of 76.9% of Investcorp's ordinary shares. The public float of 23.1% is split between owners holding 22.8% in ordinary shares on the Bahrain Bourse, and 0.3% of beneficial ownership through unlisted GDRs.

Segmental analysis

Net income by operating segment

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

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

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

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

Net income from fee business

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

Net income: fee business ($m)	H1 FY15	H1 FY14 (Restated)	% Change B/(W)
AUM fees	54.3	49.6	10%
Deal fees	102.4	104.7	(2%)
Treasury and other asset based income	1.4	1.2	23%
Gross revenue from fee business	**158.1**	**155.5**	**2%**
Provisions for impairment	(1.5)	(1.5)	3%
Interest expense	(15.7)	(19.0)	17%
Net revenue from fee business	**140.9**	**135.0**	4%
Operating expenses	(72.5)	(77.4)	6%
Net income from fee business	**68.4**	**57.5**	**19%**

Gross revenue from the fee business increased by 2% from $155.5 million in H1 FY14 to $158.1 million in H1 FY15, primarily driven by higher levels of deal activity during the year.

Please refer to Discussion of Results – Fee income for more detail on the performance in H1 FY15 compared to H1 FY14.

Net income from the fee business grew by 19% to $68.4 million in H1 FY15 from $57.5 million in H1 FY14. This was primarily driven by a 10% increase in AUM Fees, supplemented by a decrease in interest and operating expenses.

Net income from co-investment business

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

Net income: co-investment business ($m)	H1 FY15	H1 FY14 (Restated)	% Change B/(W)
Asset based income from hedge funds co-investments	(10.3)	17.9	>(100%)
Asset based income from corporate co-investments	0.7	(9.6)	>100%
Asset based income from real estate co-investments	5.6	(5.6)	>100%
Gross revenue from co-investment business	**(4.1)**	**2.7**	**>(100%)**
Interest expense	(13.3)	(11.8)	(12%)
Net revenue from co-investment business	**(17.3)**	**(9.1)**	(89%)
Operating expenses	(5.7)	(5.0)	(13%)
Net loss from co-investment business	**(23.0)**	**(14.2)**	**(62%)**

Net income from the Group's co-investment business was a loss of $23.0 million in H1 FY15 as compared to a loss of $14.2 million in H1 FY14. This was primarily due to the negative performance in HF, which resulted in a gross revenue loss.

Please refer to Discussion of Results – asset based income for more detail on the performance in H1 FY15 compared to H1 FY14.

Balance sheet by operating segment

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

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

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

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

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

As at December 31, 2014, the segmental balance sheets for the fee business and the co-investment business are shown in the table below:

	Fee business		Co-investment business		Total	
Balance sheet ($m)	**Dec-14**	**Jun-14 (Restated)**	**Dec-14**	**Jun-14 (Restated)**	**Dec-14**	**Jun-14 (Restated)**
Cash & other liquid assets	233.4	227.2	-	-	233.4	227.2
Loans & receivables	329.4	329.1	8.7	6.1	338.1	335.1
Co-investments (HF, CI, RE)	-	-	1,296.3	1,517.2	1,296.3	1,517.2
Underwriting	114.3	112.4	-	-	114.3	112.4
Other assets	117.1	112.2	-	-	117.1	112.2
Total assets	**794.2**	**780.8**	**1,305.0**	**1,523.3**	**2,099.1**	**2,304.1**
Call accounts	126.3	95.8	-	-	126.3	95.8
Term and institutional borrowings	93.1	135.7	-	-	93.1	135.7
Medium term debt	215.6	203.1	187.4	271.1	403.0	474.2
Long term debt	-	-	366.5	408.1	366.5	408.1
Deferred fees	91.9	82.7	-	-	91.9	82.7
Other liabilities	188.4	172.2	11.6	17.0	200.0	189.2
Total liabilities	**715.2**	**689.6**	**565.5**	**696.2**	**1,280.7**	**1,385.8**
Total equity	**79.0**	**91.3**	**739.5**	**827.1**	**818.5**	**918.4**
Total liabilities & equity	**794.2**	**780.8**	**1,305.0**	**1,523.3**	**2,099.1**	**2,304.1**

The total assets of the co-investment business decreased to $1.3 billion as compared to $1.5 billion at June 30, 2014, primarily due to the realization of Berlin Packaging in CI co-investments and lower CI Europe co-investment amounts, in dollar terms, due to the depreciation in the EUR and GBP versus the USD. In line with the decrease in total assets, the total liabilities allocated to the business segment also decreased.

The total assets of the fee business increased to $794.2 million, primarily driven by the higher level of receivables carried on the balance sheet on the reporting date which is in line with the increased placement activity during the period.

Equity allocation to the business segments reduced during the period, as a result of the overall reduction of equity due to buyback of preference shares and the payment of appropriations.

Investment activity

New acquisitions: Corporate investments

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

Total equity capital of $249 million was deployed in two new direct corporate investments during H1 FY15.

PRO Unlimited	**PRO Unlimited** A leading provider of software and services that enable large enterprises to more effectively manage their contingent workforce Date of investment: October 2014 Industry sector: Consumer services - business services Headquarters: Florida, US
DAINESE	**Dainese** One of the leading global brands in the protective gear market for motorcycling and other dynamic sports Date of investment: December 2014* Industry sector: Consumer products – retail Headquarters: Italy *Investment was closed in January 2015

The amount of aggregate equity deployment in H1 FY15 excludes the acquisition of SPGPrints below which was signed in late FY14 and closed in early H1 FY15.

spgprints	**SPGPrints B.V.** A leading global provider of integrated systems for the textile and graphic industries Date of investment: August 2014* Industry sector: Industrial products Headquarters: Boxmeer, The Netherlands *Transaction signed in June 2014 and closed in August 2014

Other corporate investment activities:

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

In August 2014, **Namet** acquired Marmara Besicilik ve Et Sanayi ve Ticaret A.S. ('Maret'), a 30 year old meat processing company as well as acquiring land owned by Maret. Established in 1984, Maret is considered to be the creator of sausage (frankfurter) in Turkey as well as one of the first advertisers in the delicatessen market. The Gulf Opportunity Fund I deployed $16 million to fund this add-on acquisition.

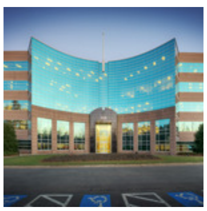
Other add-on investments are summarized below. No additional equity from Investcorp or its investors was required for these investments:

July 2014:	**Icopal** acquired a 49% stake in STS, an installation service company based in northern Denmark.
September 2014:	**GL Education** acquired The Test Factory, an assessment technology supplier based near Sunderland in the north-east of England. The Test Factory were a pioneer of digital assessment in schools a decade ago and their Testwise e-assessment platform is used in 7,000 UK schools and annually delivers two million digital tests globally. **Veritext** made three add-on acquisitions in September. AcuScribe Court Reporters is a provider of top-tier litigation support services throughout the state of Texas and nationwide. Merit Court Reporters LLC, has over 45 years as a provider of top-tier litigation support service to the legal community throughout the state of Texas. McGuire's Reporting Service, based in Chicago is a premier court reporting firm that has been servicing the needs of litigators throughout the state of Illinois for the past 37 years.

New acquisitions: Real estate investments

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

The aggregate equity deployed in new real estate investments in H1 FY15 was $217 million across two portfolios, two new properties to be included in a third portfolio and a recapitalization of its investment in the Best Western President Hotel.



2014 Office and Industrial Portfolio

Shari'ah compliant equity ownership interests in a three property office/flex space campus in Seattle, Oregon (Highland Tech Centre Campus*), a nine property office campus in Raleigh-Durham, North Carolina (Meridian Corporate Centre) and a 12 property office campus in Jacksonville, Florida (Flagler Center)

Number of properties: 24

*Signed and closed in FY14

Canal Center Portfolio

Shari'ah compliant equity ownership interest in a four office building campus located on the Potomac River waterfront in Alexandria, Virginia

Number of properties: 4

Orion on Orpington

Shari'ah compliant equity ownership interest in a 156-unit 452-bed student housing property based in Orlando, Florida

Number of properties: 1

Waterleaf*

Shari'ah compliant equity ownership interest in a 456-unit apartment property located in Vista, California

Number of properties: 1

*Investment was closed in January 2015

Realizations and distributions

Total realization proceeds and other distributions to Investcorp and its clients were $985 million in H1 FY15.

Corporate investments

SOURCEMEDIA™	**SourceMedia** A leading B2B provider of multimedia information to professionals in the banking, financial services and related technology markets Date of investment: November 2004 Date of realization: August 2014* Industry sector: Industrial services *Sale agreement signed in June 2014 and deal closed in August 2014
berlin™ PACKAGING Anything is Possible™	**Berlin Packaging** A leading supplier of custom and stock rigid packaging and related packaging solutions to large and small customers nationwide in end-markets such as food and beverage, household/personal care, healthcare and chemicals Date of investment: August 2007 Date of realization: October 2014 Industry sector: Distribution
fishnet™ SECURITY	**FishNet Security** Largest pure-play IT security solutions provider in North America Date of investment: November 2012 Date of partial realization: November 2014* Industry sector: Technology – IT services *Agreement to merge with Accuvant, Inc. signed in November 2014 and transaction closed in January 2015. Investcorp and its investors continue to own a material residual interest in the merged entity.

Asiakastieto

A leader in the Finnish credit information market

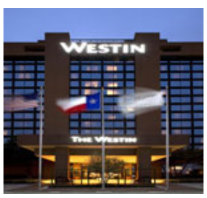
Date of investment: May 2008

Date of partial realization: December 2014*

Industry sector: Industrial services

*Partial repayment of original investment following a refinancing

Real estate investments



US Hotel Portfolio

A loan investment in the 2,828 room Procaccianti Hotel by the Mezzanine Fund

Date of realization: July and September 2014

Fund name: US Mezzanine Fund I

Credit Suisse 'IQ' CMBS

CMBS bond investment in the Credit Suisse Commercial Mortgage Trust by the Mezzanine Fund

Date of realization: July and September 2014

Fund name: US Mezzanine Fund I

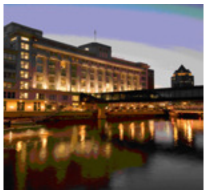
2200 – 2400 South McDowell

A 185,841 square foot industrial property

Date of realization: August 2014

Portfolio name: Northern California

Geographic location: California



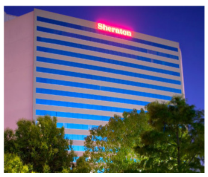
Residence Inn in Milwaukee

An eight-story 131 room hotel located in Milwaukee

Date of realization: September 2014

Portfolio name: Diversified VII (3 properties remaining in Portfolio)

Geographic location: Wisconsin



Sheraton Arlington

A strategically located hotel with a 311-room building and additional out-buildings for on-site use

Date of realization: October 2014

Portfolio name: Investcorp Real Estate Credit Fund I

Geographic location: Texas

Retail III

Comprised of eight retail properties totaling 1,653,726 square feet

Date of realization: December 2014

Portfolio name: Retail III

Geographic location: Ohio and Indiana

Other activities:

Investcorp's **Special Opportunities Portfolios** ('SOP I, II, III and IV') make quarterly distributions to clients. In SOP I, the firm successfully exited one of the remaining three positions and final distributions for this transaction were made in December 2014. SOP II and SOP III have initiated monetization programs and plan to start distributing profits and principal in H2 FY15.

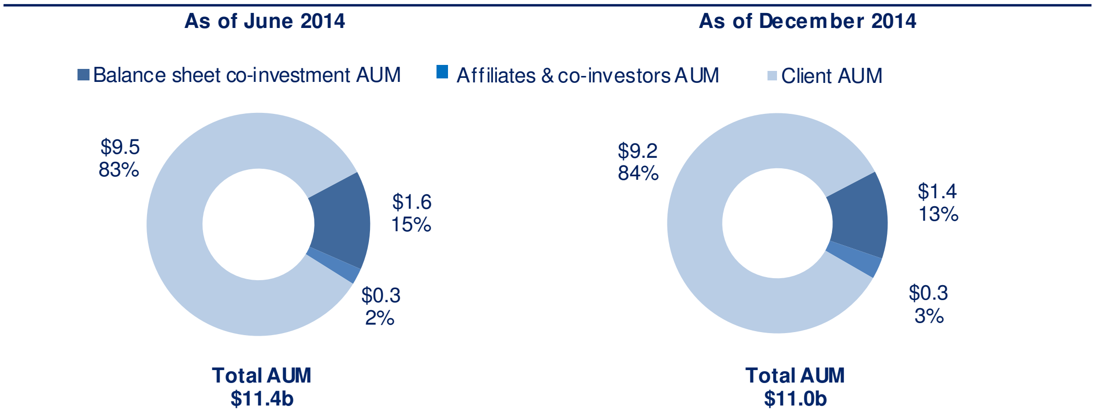
In its Single Manager Platform, Investcorp exited from one of its managers and decreased its exposure to a few other managers based on its views on specific strategies and managers. In December 2014, Investcorp fully redeemed from a fund managed by **Kingsguard Advisors LP**, a global macro firm specializing in fixed income.

Assets under management & fundraising

AUM[7]

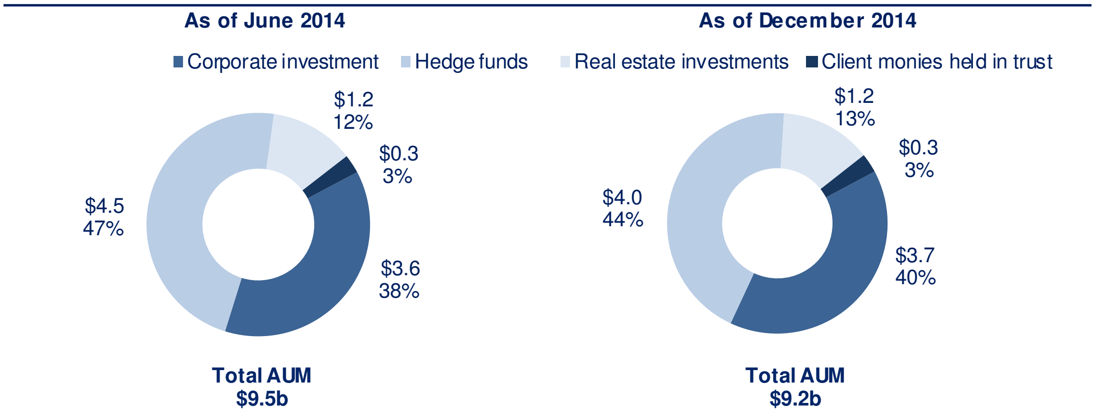
Please refer to the table in Note 2 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management ($b)



Total AUM decreased by 4% to $11.0 billion at December 31, 2014 from $11.4 billion at June 30, 2014 primarily due to a decrease in hedge funds client AUM.

Total client assets under management ($b)



Total client AUM decreased by 3% to $9.2 billion at December 31, 2014 from $9.5 billion at June 30, 2014.

The two most dominant asset classes in client AUM continue to be corporate investment (40%) and hedge funds (44%). Corporate investment client AUM in deal-by-deal products increased by 8% to $2.5 billion (June 30, 2014:

[7] Includes $2.1 billion (June 30, 2014:$2.5 billion) of single manager funds (including exposure in customized funds of hedge funds), managed by third party managers, where Investcorp receives fees calculated on the basis of AUM.

$2.3 billion), reflecting strong new deal placement activity offset by distributions from the sale of Berlin Packaging and Source Media. Client AUM in hedge funds decreased by 10%. A challenging investment environment in the second half of calendar 2014 resulted in reduction in AUM due to negative performance, compounded by redemptions outpacing new subscriptions.

Key AUM metrics (by asset class)

Corporate investment ($m)	Dec-14	Jun-14	% Change B/(W)
Client AUM			
Deal-by-deal investments	2,515	2,328	8%
Closed-end invested funds	1,140	1,247	(9%)
Total client AUM - at period end	**3,655**	**3,575**	**2%**
Average client AUM	3,615	3,530	2%

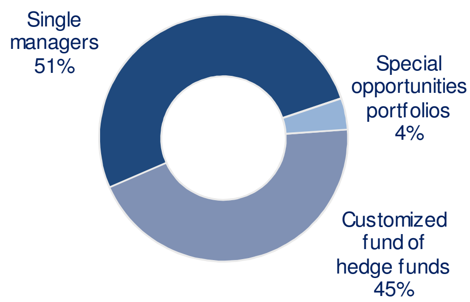
Real estate investment ($m)	Dec-14	Jun-14	% Change B/(W)
Client AUM			
Closed-end funds (Mezzanine/debt)	123	173	(29%)
Deal-by-deal investments	1,110	994	12%
Total client AUM - at period end	**1,233**	**1,167**	**6%**
Average client AUM	1,200	1,156	4%

Hedge funds ($m)	Dec-14	Jun-14	% Change B/(W)
Client AUM			
Customized fund of hedge funds	1,805	2,316	(22%)
Single managers	2,077	1,993	4%
Special opportunities portfolios	167	203	(18%)
Total client AUM - at period end	**4,049**	**4,513**	**(10%)**
Average total client AUM	4,281	4,102	4%

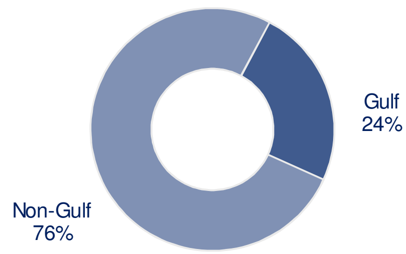
At December 31, 2014, hedge fund assets under management were $4.5 billion, of which $4.1 billion represented client assets and $0.4 billion represented Investcorp's balance sheet co-investment.

Hedge fund assets

By product type



By geography



As at December 31, 2014, approximately three-quarters of client assets in hedge funds were from US institutional investors with the balance held by Gulf private and institutional investors. During the first half of the fiscal year, single managers experienced capital inflows, whereas customized funds of hedge funds experienced outflows. As of December 31, 2014, single managers accounted for 51% of the total assets under management and customized fund of hedge funds represent 45% of the total. Special Opportunities Portfolios, placed on a deal-by-deal basis, account for 4% of invested client assets.

At December 31, 2014, more than 90% of hedge fund client assets under management were managed for a range of institutional clients including pension funds, insurance companies, endowments and foundations, and funds of hedge funds. This high level of institutional clients generally provides a more stable base for hedge funds AUM that Investcorp expects should remain relatively stable through market cycles.

Fundraising

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

Strong fundraising momentum in Investcorp's core Gulf markets continued in the first half of FY15, driven by continued client appetite for attractive alternative investments. Total deal-by-deal fundraising in the Gulf was $490 million, an increase of 10% from the $446 million raised in H1 FY14.

Corporate investment placement was $321 million which represented a 13% increase over the $285 million placed in H1 FY14. This included placement of the residual amount of Totes, a deal acquired in the last quarter of FY14; the full placement of SPGPrints, a deal signed in June 2014 and warehoused over the summer; and PRO Unlimited, a new deal acquired in H1 FY15. The team also commenced the placement of another new deal, Dainese, in the last half of December. Real estate placement, across two new portfolios, was $169 million, a 32% increase over $128 million placed in H1 FY14.

New subscriptions into hedge funds from institutional investors were $150 million. The pace of new fundraising activity slowed due to a more challenging and volatile investment environment for hedge funds in H1 FY15. Redemptions over the same period were $610 million resulting in a net reduction in client AUM of $460 million.

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

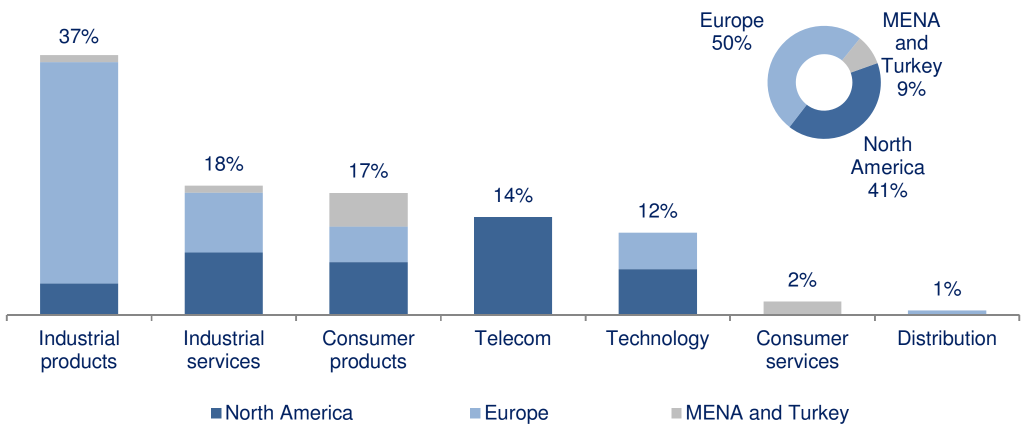
In October 2014, an investor's conference was hosted by Investcorp in Bahrain, attended by approximately 150 clients and prospective clients. The conference examined the theme of entrepreneurship, a quality core to the development of Investcorp's business and those of its portfolio companies. Peter Hiscocks, CEO, Executive Education, Cambridge Judge Business School, shared his insights on entrepreneurship in a speech to attendees. Investcorp's senior investment team provided in-depth updates on the corporate investment business from a US, European and MENA perspective, as well as presentations on the real estate and hedge funds businesses. CEOs from Investcorp's portfolio companies in the US, Europe, MENA and Turkey were also invited to provide their insights into current investment trends and opportunities within their industry segments. The special guests of honor were H.E. Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, and H.E. Mohammed Al Shaibani, CEO and Executive Director of Investment Corporation of Dubai.

Portfolio performance

Corporate investments

At December 31, 2014, the carrying value of Investcorp's balance sheet co-investment in corporate investments, excluding strategic investments and underwriting, was $645.3 million (40 companies) compared with $831.1 million at June 30, 2014 (39 companies). This represents 50% of total balance sheet co-investments at December 31, 2014 (FY14: 55% at June 30, 2014). Corporate investment underwriting at December 31, 2014 was $49.3 million (FY14: $85.8 million at June 30, 2014)

The corporate investment portfolio is diversified by sector and is predominantly located in North America and Europe.



Please refer to the table in Note 7 (a) of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the December 31, 2014 and June 30, 2014 carrying values by region and investment sector.

At December 31, 2014, Investcorp's aggregate CI North America co-investments were $264.4 million with 16 active portfolio companies (FY14: $385.6 million at June 30, 2014 across 16 portfolio companies). Aggregate CI Europe co-investments were $319.1 million with 14 active portfolio companies (FY14: $385.4 million at June 30, 2014 across 13 portfolio companies). Aggregate CI MENA co-investments (including Turkey) were $61.8 million with ten active portfolio companies (FY14: $60.1 million at June 30, 2014 across ten portfolio companies).

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

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

Please refer to the Corporate Investment Portfolio section which describes each of the CI North America, CI Europe and CI MENA portfolio companies. Please refer to the Investment activity, realizations and distributions section in the Business Review for portfolio company activities during H1 FY15.

Portfolio companies have performed well overall, reflecting Investcorp's value enhancement driven post acquisition approach. On average, Investcorp's direct investments in 25 mid-market companies in the US, Europe and MENA increased their aggregate EBITDA by approximately 8.1% year-on-year, benefitting from the steady improvement in the overall economic environment as well as from Investcorp's post-acquisition efforts to grow value. Aggregate EBITDA for these companies was approximately $1.1 billion and the average debt across the portfolio is relatively modest at 3.7x aggregate EBITDA.

The two significant realizations in H1 FY15, Berlin Packaging and FishNet Security, are both examples of the success of Investcorp's value enhancement approach during its period of ownership.

Berlin Packaging was acquired in August 2007 and under Investcorp's management, the company was able to grow organically through the Great Recession, expanding its specialty divisions as well as enhancing management talent. The company's organic growth was supplemented by completing four strategic acquisitions that helped almost quadruple EBITDA under Investcorp's ownership. Importantly, Investcorp supported the company's management team by raising an additional $50 million equity investment to fund the acquisition of All-Pak, a Pittsburgh, Pennsylvania-based supplier of rigid packaging solutions, hazardous materials packaging and laboratory packaging supplies primarily in the US. This acquisition in early 2010 allowed Berlin Packaging to gain significant scale with suppliers and enter higher profitability end-markets such as pharmaceuticals. In 2013, Investcorp completed a dividend recap of Berlin Packaging in partnership with Berlin Packaging's founders and management team. In aggregate, $963 million has been distributed to Investcorp and its clients in proceeds from the recap ($324 million) and the final sale ($639 million).

Since acquiring the company in 2012, **FishNet Security** has delivered strong organic growth and improved its profitability while continuously innovating its offerings to anticipate and address the complex challenges associated with cyber security. The transformative merger with Accuvant is a unique opportunity to take advantage of the attractive IT security market by bringing together the complementary strengths of two market leading organizations to accelerate growth and financial performance. The transaction will allow the new combined entity to provide a broader suite of services, more innovative solutions, greater expertise and expanded reach to innovate and meet customers' complex and rapidly expanding global information security needs. Investcorp will maintain a material minority equity interest in the new, combined company.

Hedge funds

At December 31, 2014, the balance sheet carrying value of Investcorp's co-investment in hedge funds was $439.4 million compared with $476.4 million at June 30, 2014. The amount represents 34% of total balance sheet co-investments at December 31, 2014.

Please refer to the table in Note 6 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the December 31, 2014 and June 30, 2014 carrying values.

Performance

During the first six months of the fiscal year, Investcorp's hedge funds co-investments delivered a return of -2.3%. During the same period, the industry benchmark, the HFRI Fund of Funds Composite Index returned +1.2%. The underperformance to the benchmark was largely due to the underperformance of a few funds on the single manager platform that were seeded by Investcorp. Returns in H1 FY15 on Investcorp's customized client portfolios have been top quartile.

Equity long / short managers in Investcorp's portfolio, specifically global managers and Asia-focused managers, posted a strong performance during the first half of FY15. While most event driven managers produced healthy returns during this period, the strategy posted moderately negative performance due to a large drawdown by one of the single managers. Macro systematic managers were able to successfully ride trends in the broad markets for foreign exchange, equity and fixed income. Other than structured credit managers who continued to generate steady returns, credit managers were moderately negative in performance. Convertible arbitrage managers' results were disappointing as they were negatively impacted by the sustained fall in energy prices. Results of macro discretionary managers were mixed, with some managers delivering strong returns while some delivered weak returns. Returns for equity market neutral managers were moderately negative, whereas returns for fixed income managers were moderately positive.

Investcorp's SOP II and SOP III initiated early monetization programs to mitigate concerns that recent de-risking in corporate credit and equity markets may cause a contagion that would negatively impact CMBS through technical selling. SOP IV continues to perform in-line with expectations, with overall cash flows somewhat ahead of original assumptions. During the first half, Investcorp fully redeemed from one of its single manager funds, managed by **Kingsguard Advisors, LP**, which invested in macro-driven opportunities in fixed income.

Liquidity

Investcorp's hedge funds co-investment portfolio is constructed so that a significant part of it is available for monetization within a three to six-month window. As of December 31, 2014, approximately 57% of Investcorp's hedge fund co-investment was contractually available for monetization within a three-month window, 67% was available within a six-month window and 91% was available within a twelve-month window.

Portfolio exposures

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

Total hedge funds co-investment exposure as at December 31, 2014 was $439.4 million, 8% lower than the $476.4 million of exposure as at June 30, 2014 due to a combination of negative performance and redemptions.

A portion of Investcorp's aggregate co-investment exposure is invested in seeding managers on Investcorp's single manager platform that typically provide a return on capital through a combination of investment returns and a share of underlying manager revenues. As of December 31, 2014, Investcorp's balance sheet co-investment in single managers was $149.0 million, compared to $231.8 million as of June 30, 2014. This reduction was primarily due to a full redemption from one of the funds and reduction in exposure to other funds. Investcorp's remaining hedge funds exposure is primarily directed through customized accounts, similar to the structures Investcorp manages for its large institutional clients.

Strategy outlook

Currently the highest allocation within Investcorp's hedge funds co-investment portfolio is to the event driven strategy. This is consistent with the investment team's positive view on the strategy and reflects allocations to two managers on the single manager platform within this strategy. The allocations to the credit and long / short equity strategies represent the next highest exposure, followed by macro strategies. The portfolio's lowest allocation is to relative value strategies.

Strategy	Outlook
Hedge Equities	Positive
Special Situations / Event Driven	Positive
Macro	Positive
Corporate Credit	Modestly Positive
Equity Market Neutral	Modestly Positive
CTAs	Modestly Positive
Fixed Income Relative Value	Modestly Positive
Structured Credit	Neutral
Convertible Arbitrage	Modestly Negative
Distressed Credit	Modestly Negative

Investcorp remains **positive on Hedge Equities** and sees an expansion in opportunities for long-short equity managers. The US is the region with the most macro momentum, providing larger opportunities away from the large cap stocks. Loose ECB monetary policy and Euro depreciation should support profit growth in the Euro-area with downside risks from deflationary dynamics in the periphery and a broken credit system. Japan should benefit from a delay in consumption tax increases, currency weakness and US growth; and Asia Pacific as a whole should benefit from the global manufacturing cycle. Europe should particularly benefit from the recent equity market sell-off making stocks attractive from a technical perspective.

Investcorp is **positive on Special Situations / Event Driven** strategies based on strong corporate balance sheets in the US that, with cash in excess of $2.0 trillion, are flush. Corporate profit for companies in the S&P 500 Index is 9.6% and return on equity is around 14.6%. Investcorp believes that shareholder pressure (or activism) will lead to a sustained increase in event-driven activities including buybacks, mergers and recapitalizations. Investcorp continues to be positive about opportunities in investing in special situations with the risk to the downside from increased volatility in the equity and credit markets.

Investcorp is **positive on Macro** strategies. Investcorp believes that the macro opportunity set will richen as an increase in policy divergence across the globe manifests itself in reduced asset correlations and the formation of some price trends. Investcorp continues to see less opportunities for pure fixed income macro specialists in spite of the near term volatility that was observed in October 2014. Investcorp does, however, see opportunities for emerging markets specialists as the withdrawal of quantitative easing by the Fed is expected to have a disproportionate impact on leveraged emerging market balance sheets. Broadly, Investcorp believes that managers with the ability to trade sovereign credit should have a rich opportunity set.

Investcorp remains **modestly positive on Corporate Credit**, as valuations fully reflect the low default-rate environment and strong corporate balance sheets in the US. The rise in spreads in high yield does provide expected returns higher than mid 2014 and the strength of corporate balance sheets supports the thesis of a slow grinding down of spreads. The dispersion across corporate credit has increased significantly and provides great opportunity for long short credit managers.

Investcorp is **modestly positive on the Equity Market Neutral** strategy even as commoditized factor models are delivering sub-optimal alphas in the developed markets. However, returns to non-market factors are attractive in other parts of the world, especially the Asia Pacific region. Investcorp favors managers who are globally diversified and who can successfully time their factor exposures.

Investcorp is now **modestly positive on Commodity Trading Advisors (‘CTA’)**. The firm sees an emergence of trends in certain asset markets such as foreign exchange that bode well for trend following models. Recent structural suppression of volatility, particularly in fixed income markets due to quantitative easing, combined with potential long term reversals of fixed income markets have hampered quantitative trend-following models in the fixed income space and reversal of rates is a risk to the strategy. With a modest increase in volatility expected in the coming quarters, Investcorp continues to prize the ability of CTAs to diversify risks and provide downside protection if the markets were to face any turbulence.

Investcorp is changing its outlook to **modestly positive on the Fixed Income Relative Value** strategy. While the structural changes in fixed income markets have created a low volatility profile for the strategy, Investcorp believes that opportunities to trade rate volatility could pick up by mid 2015. In addition, Investcorp believes that Relative Value strategies should benefit as hedge funds step into the void left behind by the exit of bank proprietary trading desks.

Investcorp is now **neutral on Structured Credit** as a strategy. Investcorp expects Europe to outperform the US on the back of the proposed purchases of asset backed paper by the ECB but have general concerns about the liquidity induced volatility in the structured credit markets. Structured credit has benefited from a one way flow of long term money into the asset class over the last four years which will reverse leading to mark downs. Investcorp has anecdotally seen fairly wide bid / ask spreads on everything but the largest issues traded in size.

Investcorp’s **modestly negative** rating on the **Convertible Arbitrage** strategy is also unchanged. The convertible universe's overweight exposure to energy names remains a concern for the strategy. The valuation dynamics are not very attractive relative to credit and volatility markets. For arbitrage portfolios, credit spreads remain tight across all markets and below the historical average, discounts-to-theoretical levels are unattractive, and volatility – both realized and implied – remains at cyclical lows. The firm does, however, see some improvements in the issuance calendar which could provide some extra return opportunities.

Investcorp's outlook on **Distressed Credit remains modestly negative**. This is influenced by a low distressed ratio of 3% in corporate bonds. The firm has a more favorable view on European distressed versus US distressed for reasons of the supply from deleveraging European banks. Higher expected default rates and the fragmented jurisdictional presence across the continent create an added level of complexity, but also a more robust opportunity set. Investcorp also remains cautious about the increase in issuance of non-US high yield debt and the deterioration in the quality of the loans being made. The recent drop in energy prices could force some firms to restructure their debt, creating more opportunities.

Real estate investment

At December 31, 2014, Investcorp's real estate balance sheet co-investments excluding underwriting totaled $132.5 million compared with $130.0 million at June 30, 2014. The amount represents 10% of total balance sheet co-investments at December 31, 2014.

Please refer to the table in Note 8 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the December 31, 2014 and June 30, 2014 carrying values by portfolio type. For details on real estate underwriting, please refer to the table in Note 5 of the Interim Condensed Consolidated Financial Statements of Investcorp Bank B.S.C.

Real estate co-investments comprised $106.3 million of marked-to-market equity investments and $26.2 million of debt investments, held at net amortized cost inclusive of any provisions for impairment.

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

Investcorp currently has 27 active real estate investment portfolios, including its two debt funds. Two new properties were acquired and will be formed into a new portfolio during H2 FY15. At December 31, 2014, 23 of these were on or ahead of plan. The remaining four, which are pre-2009 portfolios that have been written down significantly in value already and are rated behind plan, are generally those holding hotel, condominium developments and offices in regions where the economic environment has been generally subdued. Overall, the strategy for these portfolios is to position them for medium to long term ownership in stable capital structures with modest or no additional capital investment requirements.

Investcorp co-investment by year ($m)	Properties # vs. current	Sector	Geographic location	Carrying value end of Dec-14	Carrying value end of Jun-14
Commercial IV	12 / 2	Office	E		
Vintage FY05				**0.1**	**0.1**
Retail IV	29 / 22	Retail	SW		
Vintage FY06				**2.3**	**3.6**
Diversified VI	3 / 2	Retail / Hotel	SE / SW / MW		
Diversified VII	4 / 3	Industrial / Office	E		
Hotel	9 / 4	Hotel	SE / SW / MW		
Vintage FY07				**17.6**	**20.5**
Diversified VIII	5 / 3	Office / Hotel	W / SW / MW		
Weststate	1 / 1	Opportunistic	W		
Best Western (mezzanine)	1 / 0	Hotel	E		
Vintage FY08				**11.2**	**16.6**
Commercial VI	3 / 3	Retail & Office	E / SE / SW		
Diversified IX	2 / 2	Office / Hotel	W		
Vintage FY11				**13.2**	**11.8**
Diversified X	3 / 1	Office	W		
Northern California	14 / 11	Diversified	W		
Southland & Arundel Mill Mezz	n.a. *	Retail / Hotel	SE / E		
Texas Apartment	5 / 5	Residential	SW		
Vintage FY12				**1.4**	**1.3**
2012 Office	4 / 4	Office	SW / SE / W		
Texas Apartment II	5 / 5	Residential	SW		
2013 Office	16 / 16	Office	SW / MW		
2013 Office II	5 / 5	Office	SE / W / SW		
Vintage FY13				**5.8**	**6.2**
2013 US Residential	6 / 6	Residential	SW / W		
2013 US Commercial / 2014 Office	9 / 9	Office / Retail / Medical	W / MW / E		
Southeast Multifamily	4 / 4	Residential	SE / E		
2014 Diversified	4 / 4	Office / Retail / Residential	SW / SE		
Houston Multifamily	3 / 3	Residential	SW		
Vintage FY14				**18.3**	**18.4**
Best Western (recap)	1 / 1	Hotel	E		
Canal Center	4 / 4	Office	E		
2014 Office and Industrial	24 / 24	Office / Industrial	E / SE / W		
Vintage FY15				**11.2**	**N.A.**
Others				**50.8**	**51.5**
Sub-total	**175 / 143**			**131.9**	**130.0**
Orion on Orpington	1 / 1	Residential	SE	(0.0)	
Waterleaf	1 / 1	Residential	W	0.7	
New portfolio under construction				**0.6**	**N.A.**
Total including new portfolio under construction				**132.5**	**130.0**

* Mezzanine investments
W=West, E=East, SW =Southw est, SE=Southeast, MW=Midw est

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

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

In addition to the deal-by-deal offering of equity and debt investments in US commercial real estate, Investcorp's clients have the opportunity to make debt investments through a fund format. Investcorp currently has one remaining fund which invests in and originates commercial real estate debt. The $176 million Investcorp Real Estate Credit Fund I, created in FY08, is fully deployed. The $100 million Investcorp Real Estate Credit Fund III, created in FY13, is currently still investing. Another fund, the $108 million US Mezzanine Fund I, created in FY07, sold its last two investments in H1 FY15.

Investcorp's real estate co-investment portfolio remains well diversified across sectors and geography. The two largest single exposures which are above 10% of the aggregate exposure is its $24.3 million investment in the Investcorp Real Estate Credit Fund I, which has two underlying investments remaining and its $13.9 million investment in the Investcorp Real Estate Credit Fund III. All individual non-fund exposures are less than 4% of total shareholders' equity.

Corporate investment portfolio

As of December 31, 2014, Investcorp's aggregate balance sheet co-investment was $645 million across 40 companies. Sections below provide a detailed overview of our 40 current portfolio companies.

CI North America

As of December 31, 2014, Investcorp's aggregate balance sheet co-investment in North America was $264 million across 15 companies.

Portfolio company name	Acquired	Industry sector	Location
PRO Unlimited	**Oct 2014**	**Consumer services – business services**	**Florida, US**
PRO Unlimited	Founded in 1991, PRO Unlimited delivers a full range of services to address procurement, management and compliance issues related to contingent workers, including independent contractors, consultants, temps and freelancers. PRO Unlimited operates in over 50 countries and provides services to some of the world's largest and most prestigious companies through its integrated, vendor-neutral software and services platform. **www.prounlimited.com**		
Totes>>Isotoner	**Apr 2014**	**Consumer products - retail**	**Ohio, US**
totes»ISOTONER®	Founded in 1923 and headquartered in Cincinnati, Ohio, totes» ISOTONER is the world's leading designer, marketer and distributor of functional accessories in the rain, cold weather and footwear categories. The Company's broad product portfolio includes umbrellas, gloves, hats, slippers and sandals. In 1997, Totes and ISOTONER merged to form the totes»ISOTONER Corporation. The Company offers quality products from two of the most recognized apparel brand names in the US and has a growing international presence in Europe and Asia. **www.totes-isotoner.com**		
Paper Source	**Sep 2013**	**Consumer products – specialty retail**	**Illinois, US**
PAPER SOURCE DO SOMETHING CREATIVE EVERY DAY	Paper Source is a multi-channel retailer offering a premium selection of uniquely designed and curated gifts, stationery and crafting supplies. The company operates 94 stores, which average 2,800 square feet of selling space. The company goes to market through retail stores, direct-to-consumer and wholesale channels. Paper Source offers over 8,300 Stock Keeping Units ('SKUs') across five main categories: gifts and toys, stationery, crafting, fine paper and gift wrap, and single greeting cards. **www.paper-source.com**		

Portfolio company name	Acquired	Industry sector	Location
FishNet Security	**Nov 2012**	**Technology – IT services**	**Kansas, US**

Headquartered in Kansas and founded in 1996, FishNet is the largest pure-play IT security solutions provider in North America. The company is exclusively focused on providing best-of-breed IT security solutions and services to large enterprises, government entities and small and medium sized businesses. FishNet combines long term relationships with vendors and extensive professional services capabilities to deliver a comprehensive suite of security solutions, including more than 75 security services that address complex, ever-evolving IT security threats. **www.fishnetsecurity.com**

FishNet announced its merger with its former competitor, Accuvant, Inc. The agreement was signed in November 2014 and the merger closed in January 2015. Following the merger, Investcorp and its clients will continue to hold a material investment in the merged entity.

Portfolio company name	Acquired	Industry sector	Location
Archway	**Jul 2012**	**Industrial services**	**Minnesota, US**

Archway offers three core services: distribution/fulfillment of not-for-sale marketing materials, transportation management services, and materials management services within the marketing fulfillment industry. Archway's customers are diverse and blue chip, and span ten different end markets including retail, consumer products, technology and communications, food and beverage, fast food restaurants, pharmaceutical, and prepaid cards. **www.archway.com**

Portfolio company name	Acquired	Industry sector	Location
Sur La Table	**Jul 2011**	**Consumer products – specialty retail**	**Washington, US**

Sur La Table is a specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses in North America. Offering a broad selection of the best culinary brands and an assortment of innovative kitchenware products, Sur La Table currently operates over 120 stores across the US with a widely distributed catalog and a premium online platform. The company provides items for cooking and entertaining and has a knowledgeable staff that provides high level service in its stores. Since acquisition, Sur La Table has almost doubled the number of cooking class locations, offering classes in over 55 stores serving well over 100,000 customers annually. Sur La Table has built a multi-channel business in which each channel is profitable on a standalone basis. **www.surlatable.com**

Portfolio company name	Acquired	Industry sector	Location
T3 Media	**Mar 2011**	**Technology – digital content**	**Colorado, US**
	T3 Media (formerly Thought Equity Motion) is a leading provider of cloud-based video management services to premium video content rights holders. The company operates through two primary lines of business, Licensing and Platform Services. In the Licensing business, T3 Media represents major video content rights owners and employs an active sales force to license footage in exchange for a percentage of the royalty payments received. In the Platform Services business, T3 Media ingests, digitizes and hosts video content on behalf of content rights owners. T3 Media provides content rights owners with virtual access and distribution capabilities in exchange for an annual subscription fee. The two business lines are complimentary with many customers utilizing both offerings. **www.t3media.com**		
Veritext	**Jul 2010**	**Industrial services – business services**	**New Jersey, US**
	Veritext is a leading national provider of deposition and litigation support services to law firms, Fortune 500 corporations and regulatory agencies in the US. The company's core product is the conversion of a witness's or expert's spoken testimony under oath into a certified written transcript. The company also provides other value-added services that capture additional information during the deposition and allow clients to manage the information more efficiently. Since the original acquisition transaction, Veritext has completed several add-on acquisitions in the court reporting space. The company has completed tuck-in acquisitions in markets such as California (Sarnoff, the #2 court reporting firm in the State and Stelding Reporters) and Ohio (Renillio the #1 court reporting firm in the State). These acquisitions have increased the company's geographic reach, added scale and created equity value through synergies. **www.veritext.com**		
OpSec	**Mar 2010**	**Technology – enterprise software**	**Colorado, US**
	OpSec Security Group is the global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection, to over 300 brand owners and over 50 governments worldwide. The company operates manufacturing facilities and laboratories in the US and the UK, and has sales operations in the Americas, Europe and Asia. **www.opsecsecurity.com**		
CSIdentity	**Dec 2009**	**Technology – enterprise software**	**Texas, US**
	CSIdentity is the technology leader in providing identity theft and fraud protection services to businesses and consumers. Founded in 2005, the company offers a comprehensive suite of business and personal security solutions targeting all aspects of identity theft. CSIdentity's solutions are used by Fortune 100 financial institutions, public pension funds, telecommunications companies and businesses that offer direct-to-consumer identity theft protection services. **www.csidentity.com**		

Portfolio company name	Acquired	Industry sector	Location
Randall-Reilly	**Feb 2008**	**Industrial services**	**Alabama, US**
	Randall-Reilly is a leading diversified business-to-business media and data company focused on the trucking, infrastructure-oriented construction and industrial end markets in the US. Its products include B2B trade publications, live events and trade shows, recruitment products and indoor advertising displays. In addition, its Equipment Data Associates business is an industry-leading collector and aggregator of industrial equipment purchase data that provides subscription-based sales lead generation and market intelligence products to the industrial equipment markets. **www.randallreilly.com**		
kgb	**Apr 2006**	**Technology – enterprise software**	**New York, US**
	kgb (formerly InfoNXX) is the world's largest independent provider of directory assistance and enhanced information services. kgb delivers solutions to wireless and landline carriers, corporations and educational institutions in North America, handling the majority of the '411' calls in the US that are delivered through a mobile phone. Furthermore, in the UK, kgb's 'The Number' 118 has become Britain's leading directory assistance service for consumers and businesses. The company also has operations in France, Germany, Ireland, Switzerland, Austria and Italy. **www.kgb.com**		
Polyconcept	**Jun 2005**	**Industrial products**	**Pennsylvania, US**
	Polyconcept is the world's largest supplier of promotional products, created by the combination of Polyconcept, Europe's leading generalist supplier of wearable and non-wearable promotional products, and Global Promo Group Inc., the number two non-wearable promotional product supplier in the US. In April 2011, Polyconcept North America acquired Trimark Sportswear Group, a leading Canadian apparel supplier, marking the fourth acquisition since the acquisition of Polyconcept in 2005 and its first move into the promotional apparel category. With the addition of Trimark, Polyconcept became Canada's largest supplier of both apparel and hard promotional goods under four industry leading brands (Leed's, Bullet Line, JournalBooks, and Trimark) **www.polyconcept.com**		
Magnum	**Jun 2005**	**Technology – digital content**	**California, US**
	Magnum Semiconductor is a leading provider of silicon, modules, software and IP for the professional broadcast infrastructure market. Magnum provides top of the line products, tools and technologies for the entire video content creation and distribution chain, from contribution and production through distribution over cable, satellite and IPTV to Over-the-Top video streaming. Magnum Semiconductor is headquartered in Milpitas, California, with sales and engineering offices in Canada, Europe, China and Korea. **www.magnumsemi.com**		

Portfolio company name	Acquired	Industry sector	Location
Spyglass by Atrenta	**Jun 2004**	**Technology – enterprise software**	**California, US**
	Atrenta is a provider of Electronic Design Automation software, supplying software tools used by the semiconductor industry for the verification of the design of integrated circuits. Atrenta offers a predictive approach to chip design by delivering automated analysis and verification solutions that find complex design problems and address downstream implementation and verification issues early in the design cycle. **www.atrenta.com**		
TelePacific	**Apr 2000**	**Telecom**	**California, US**
	TelePacific is a facility based Competitive Local Exchange Carrier headquartered in Los Angeles. In business since 1998, the Company provides services on TelePacific owned switches and network infrastructure, including local and long distance voice, dedicated internet access, private networking, and data transport services as well as bundled voice and internet solutions. In 2011, TelePacific closed on three add-on acquisitions broadening its product options, building scale and reducing its cost structure. Since its acquisition of TelWest, the company has continued its growth plan for the Texas business through implementation of its product suite and operating practices. **www.telepacific.com**		

CI Europe

As of December 31, 2014, Investcorp's aggregate balance sheet co-investment in Europe was $325 million across 14 companies.

Portfolio company name	Acquired	Sector	Location
Dainese	**Dec 2014**	**Consumer products**	**Vicenza, Italy**
	Founded in 1972, Dainese is the most recognized and respected brand for safety and quality in the motorcycle and other dynamic sports market. Originally known for its competitive motorcycling racing wear, Dainese has subsequently diversified its product range and today provides protective gear for road and racing use alike, as well as for use in winter sports, biking and horse riding. In addition, through the AGV brand name, Dainese is one of the leading protective helmet manufacturers for the motorcycle market. Through its Dainese Technology Centre (D-Tec), a research and development technical center for the study of protective technology and the development of innovative products, the Company strives to ensure it remains at the forefront of innovation. **www.dainese.com** Transaction signed in December 2014 and closed in January 2015.		

Portfolio company name	Acquired	Industry sector	Location
SPG Prints	**Jun 2014**	**Industrial products**	**Netherlands**
	Based in Holland, SPGPrints is a leading global manufacturer of consumables for printed textiles and labels. The product offering primarily consists of consumables used in the printing process (rotary screens, lacquers, digital inks and digital engraving) complemented by a full range of printing systems/equipment and after sales spare-parts, installation and maintenance services. SPGPrints is represented in more than 100 countries worldwide and commands a leading market position in each of its segments. **www.spgprints.com** Transaction signed in June 2014 and closed in August 2014.		
Tyrrells	**Aug 2013**	**Consumer products - retail**	**Herefordshire, UK**
	Founded in 2002, Tyrrells has established itself as a leading crisps brand in the UK. The company offers high quality products and a distinctive brand, quintessentially English and entertaining, distinguishing it from the competition. Through continued innovation, new product launches, strong penetration of the retail channel and geographic expansion, Tyrrells has achieved market leading positions in the UK but also has expanded internationally in France, Germany, the Netherlands, Switzerland and Australia. Moreover, Tyrrells is one of the very few large scale European producers of vegetable crisps. The key drivers of growth and resilience of the premium hand-cooked crisps market are convenience, 'premiumization' and health consciousness. Going forward, the company's target market is expected to continue to enjoy growth rates exceeding that of the broader crisps market. **www.tyrrellscrisps.co.uk/**		
Georg Jensen	**Nov 2012**	**Consumer products – specialty retail**	**Denmark**
	Georg Jensen designs, manufactures and distributes luxury products ranging from high-end silverware to jewelry, watches and high-end homeware. The company, headquartered in Copenhagen, Denmark, and founded in 1904, has expanded internationally and now derives the majority of its revenue outside of Scandinavia. The Asia Pacific region currently accounts for a majority of Georg Jensen's 100 retail store portfolio and about 44% of its sales. With a history that spans 110 years, the Georg Jensen brand has a deep heritage in silversmith and represents quality craftsmanship and timeless designs. The brand is also endorsed by the Queen of Denmark. **www.georgjensen.com**		

Portfolio company name	Acquired	Industry sector	Location
Esmalglass	**Jul 2012**	**Industrial products**	**Villarreal, Spain**
esmalglass·itaca grupo	Esmalglass is one of five global producers serving the global ceramics intermediate products industry. Established in 1978 in Villarreal, Spain, Esmalglass produces ceramic glazes, ceramic colors and inkjet inks (an innovative and rapidly growing technology to decorate tile surfaces). The company has a strong market position in all segments of its target markets and services more than 1000 customers in 50 countries worldwide. The company generates more than half of its sales from emerging market economies including Brazil, the Middle East, and China. Its global activities are supported by three manufacturing plants in Spain and Brazil and mixing plants in Portugal, Italy, Russia and Indonesia. **www.esmalglass-itaca.com**		
GL Education Group	**Mar 2012**	**Industrial services – education**	**London, UK**
GL Education Group	Established more than 30 years ago, GL Education Group ("GLE") is the UK's leading independent provider of pupil assessments and school improvement solutions. GLE's "high stakes" assessments are used by teachers as a key determinant for making significant decisions about the direction and nature of pupils' learning paths. GLE delivers to more than 16,000 schools the tools they require to raise standards in children's education. GLE focuses on: (i) measuring a pupil's potential and abilities; (ii) measuring a pupil's performance in core skill development areas; and (iii) identifying any potential learning impediments (such as dyslexia and dyscalculia). This is achieved via GLE's full suite of cognitive ability, subject/curriculum based and psychological assessment products. GLE's assessments are complemented by supporting schools in their performance management through the provision of resources such as school self-evaluation and stakeholder surveys, data interpretation and analysis services and professional development support (teacher training). **www.gl-education.com**		
eviivo	**Mar 2011**	**Technology – enterprise software**	**London, UK**
eviivo	eviivo is the UK's leading software provider for small and medium-sized accommodation businesses to manage their online and offline bookings, allocate rooms, and allow for flexible pricing, invoice and process payments. The company partners with approximately 5,500 independent businesses in the UK and the Mediterranean region (France, Italy, Spain, Greece, Tunisia and Turkey), and includes B&Bs, guest accommodation, inns, farmhouses, cottages, restaurants with rooms and smaller boutique hotels. **www.eviivo.com**		
N&W	**Nov 2008**	**Industrial products**	**Valbrembo, Italy**
N&W	Headquartered in Valbrembo, Italy, N&W is the leading manufacturer of food and beverage vending machines used for selling items for immediate consumption. N&W is the market leader and only pan-European manufacturer offering a full suite of products in a market otherwise composed of smaller, regional players. The company manufactures (i) Hot & Cold vending machines that automatically prepare coffee, hot chocolate, tea and other drinks, (ii) Snack & Food vending machines, (iii) Can & Bottle vending machines, (iv) fully-automatic coffee machines for hotels, restaurants and cafeterias, and (v) coffee machines for use in offices. N&W employs approximately 1,370 people and operates its production facilities located in Italy. **www.nwglobalvending.com**		

Portfolio company name	Acquired	Industry sector	Location
CEME	**Jul 2008**	**Industrial products**	**Milan, Italy**
CEME	CEME is a leading manufacturer of fluid control components for consumer applications such as espresso machines and steam ironing systems. Ceme's product range includes solenoid pumps and valves, as well as electromechanical pumps for a broad range of industrial applications. The company's primary client base consists of well-established western European manufacturers including Nespresso, Saeco, De'Longhi, Philips and SEB. At the same time, Ceme is diversifying its customer base by focusing on developing its distribution network in China and the Far East. Ceme products are the global industry "reference" in coffee machines (solenoid pumps) and steam ironing systems (solenoid valves). Ceme operates four state-of-the-art production facilities located in Italy and China. **www.ceme.com**		
Sophos	**Jun 2008**	**Technology – enterprise software**	**Abingdon, UK**
SOPHOS	Sophos (formerly Utimaco Safeware AG) is a leading international provider of endpoint security and network access control solutions. Through an integrated architecture, its security solutions protect against intrusion and malicious software. Sophos' endpoint security solution provides a single set of policies to support a variety of operating systems, such as Windows, MAC OS, and Linux. Furthermore, Sophos has a network access control solution which extends its platform to the enforcement of security policies and aims to restrict network access to endpoints that comply with pre-defined IT policies. The company focuses on serving the enterprise market. **www.sophos.com**		
Asiakastieto	**May 2008**	**Industrial services**	**Helsinki, Finland**
asiakastieto.fi	Founded in 1961 and based in Helsinki, Finland, Asiakastieto Services Oy is the leader in the Finnish credit information market with approximately 74% market share, within which it is the dominant personal credit information database owner. At the core of AT's business are databases, which consolidate data gathered over several decades from multiple sources to create Finland's most extensive and comprehensive historical business and credit information database. The company has more than 20,000 customers spanning a range of industries including financial institutions, telecom operators, consumer credit companies, wholesalers, retailers and debt collection agencies, which require information to check and monitor the creditworthiness of potential and existing borrowers. **www.asiakastieto.fi/en**		
Icopal	**Jul 2007**	**Industrial products**	**Herlev, Denmark**
icopal	Established in 1876 as a manufacturer of roofing material, Icopal is today the world's leading producer of roofing and waterproofing membranes and the market leader in the Nordic countries in the area of roof installation services. The Company's product portfolio also includes construction materials for the protection of buildings and other structures and maintenance products. Icopal's products are primarily used for non-residential construction applications across Europe, with an increasing focus on the higher growth markets of Central and Eastern Europe. Icopal currently has 37 manufacturing sites and 90 offices throughout Europe and North America and employs approximately 3,400 people. **www.icopal.com**		

Portfolio company name	Acquired	Industry sector	Location
Skrill	**Mar 2007**	**Technology – digital content**	**London, UK**
	Skrill (formerly Moneybookers) is a leading independent online payments and Digital Wallets service. Skrill's offering includes an e-wallet, Payment Gateway, pre-paid vouchers, pre-paid debit cards, Person2Person money transfer, online bank transfer, invoice & installment, and mobile payment today. Skrill has grown the number of users from 2.6 million at the time of initial investment to over 36 million today. Skrill is available in 200 countries and territories, offering 100 local payment options and 40 currencies. 36 million account holders and 156,000 merchants already choose Skrill to pay and get paid globally. **www.skrill.com**		
Autodistribution	**Mar 2006**	**Distribution**	**Paris, France**
	Autodistribution is the leading independent distributor of car and heavy goods vehicle parts in France. With more than 5500 employees in France and 1000 in Poland, the Group's customers benefit from its experience and knowledge of multi-brand car and HGV parts, which it has acquired since its founding in 1962. In order to supplement its own distribution network, the Group has pioneered the creation of a consortium of Autodistribution independent distributors, comprised of 57 distributors of light and heavy goods vehicle parts. The Group provides its customers with a range of more than one million different car part listings from 350 suppliers and the distribution network is made up of 355 sales outlets in France. **www.autodistribution.com**		

CI MENA

As of December 31, 2014, Investcorp's aggregate balance sheet co-investment in MENA was $56 million across 10 companies.

Portfolio company name	Acquired	Sector	Location
Ticaret A.S. (Namet)	**Dec 2013**	**Consumer products**	**Istanbul, Turkey**
	Namet was established in 1998 and was acquired in 2005 by the Kayar family, the largest traders of livestock in Turkey since 1929. Since the acquisition by the Kayar family, Namet's brand has been significantly enhanced. Today, Namet processes and sells delicatessen (23% of sales), fresh cut meat (53% of sales), frozen & further processed meat products (19% of sales) and other products (6% of sales). Namet's product portfolio includes over 160 Stock Keeping Units ('SKUs') which are all Halal and non-pork and is sold to retail customers as well as to hotel, restaurant and catering ('HORECA') under the Namet brand and as private labels. **www.namet.com.tr**		

Portfolio company name	Acquired	Industry sector	Location
(AYTB)	Oct 2013	Industrial services	Jubail, Saudi Arabia
	AYTB was founded in 1979 in Jubail and over its 35 year history has made a significant contribution to the industrial growth of Saudi Arabia. The company supports the petrochemical and oil and gas sectors and supplies technical and logistical support, in addition to maintenance, construction, industrial cleaning as well as facility management, catering and accommodation services. AYTB's clients include many of the region's leading petrochemical and oil and gas companies, including SABIC and Saudi Aramco. The company employs over 5,000 people across its operations in Saudi Arabia and Qatar. **www.aytb.com**		
Leejam	Jul 2013	Consumer services	Saudi Arabia
	Leejam is the leading fitness club chain operator in Saudi Arabia and the region, operating under the "Fitness Time" brand. Established in 2007, Leejam is a family owned business founded by CEO Abdulmohsen Al Haqbani. Leejam operates a rapidly growing nationwide network with 73 clubs and over 100,000 members targeting various customer segments (e.g. FT Plus, FT Regular, FT Pro, etc.). Its service offering extends beyond a typical gym to include swimming pool, basketball, volleyball and football facilities. The fitness market in Saudi Arabia is highly fragmented and expected to grow at double digit rates over the next five years, mainly driven by strong demographics and macro fundamentals, growing health awareness and lack of entertainment substitutes. Leejam is the number one player in Saudi Arabia and Investcorp believes that it is uniquely positioned to capture strong market growth and further increase its market share. **www.fitnesstime.com.sa**		
Theeb Rent a Car Co.	Jun 2013	Consumer services	Saudi Arabia
	Theeb, a leading car rental company in Saudi Arabia, is a family owned business established in 1991 by the Al Theeb family in Riyadh. Theeb operates a fleet size of more than 11,000 vehicles with a wide network of 42 locations including fifteen international and regional airports in Saudi Arabia. Theeb primarily serves the "Individual" segment with short-term rental services. Theeb has built over the years a strong local brand and membership program with over 104,000 members. The car rental market in Saudi Arabia is highly fragmented and expected to grow at double digit rates over the next five years, driven by strong demographics and macro fundamentals, growth in airports and domestic travelers and an increasing number of business enterprises. **www.theeb.com.sa**		

Portfolio company name	Acquired	Industry sector	Location
Holdings Ltd.	**Mar 2013**	**Industrial services**	**Aberdeen, Scotland**
	Founded in 1976 in Aberdeen, Scotland, Hydrasun has international operational bases in the UK, the Middle East, the Netherlands, the Caspian Sea, Brazil, West Africa and the Gulf Coast of the US. Hydrasun is engaged in the integration, manufacture and testing of hydraulic equipment and fluid connectors for the offshore oil and gas sector. Its products and services are mainly used across the offshore oil and gas sector with further application in the petrochemical sector. The company employs over 600 personnel and has state-of-the-art engineering, production, manufacturing, training and warehousing facilities. Clients include British Petroleum, Emerson Group, General Electric and Hyundai. **www.hydrasun.com**		
Company	**Oct 2012**	**Industrial services**	**Kuwait**
Satisfaction is Standard	Founded in 2002 by Al Kharafi Projects Co. W.L.L. and Mr. Ghazi Omar, Automak is one of the few major players in the vehicles rental and fleet leasing business in Kuwait. Automak operates a fleet of in excess of 6,500 vehicles leased on a long term basis (24-36 months) primarily to key companies in the oil, public and corporate sectors in Kuwait and on a short-term basis in the spot rental market. Automak also provides a wide spectrum of services and products including quick service and distribution of spare parts, tires and lube oil. **www.automak.com**		
ORKA Group	**Sep 2012**	**Consumer products – specialty retail**	**Istanbul, Turkey**
"FASHION IS OUR BUSINESS"	ORKA Holding is one of the largest menswear retailers in Turkey with 158 directly operated stores (149 in Turkey & 9 in Europe). Founded in 1986 by Süleyman Orakçıoglu, Orka Group has become a respected provider of menswear in Turkey and in the region through its brands Damat, Tween and D'S Damat. All three of the ORKA brands operate in menswear, presenting a sophisticated fit range – suited to a broad customer base. The strength of each brand lies in its ability to meet the needs of its particular market, with differences in their offerings. Orka targets the Classic/High End segment with the Damat brand as well as the contemporary/Mid to High End segment with the Tween brand. Orka also has a more affordable brand (D'S Damat) targeting the Classic and Contemporary mid Segment. Damat is the #1 apparel brand in Turkey with an estimated 97% brand awareness. **www.orkagroup.com**		

Portfolio company name	Acquired	Industry sector	Location
Tiryaki Group	**Sep 2010**	**logistics**	**Istanbul, Turkey**
	Tiryaki Agro is the leading trader and supply chain manager of agro commodities in Turkey. Founded in Gaziantep, Turkey, in 1965 by the Tiryakioglu family, the company has expanded over two generations to become one of the most successful family businesses in Turkey with sales operations across the globe. Tiryaki Agro's business is in the sourcing, processing, storage and trading of conventional and organic grains (wheat, corn and barley), pulses (lentils, chickpeas, peas, beans, rice and bulgur), oil seeds (sunflower, sesame, canola and soybean), feed stuff and nuts (pistachios, almonds, walnuts and peanuts) across Europe, Africa, the Middle East, the CIS, America and Asia. The company has a team of approximately 700 professionals, has processing and storage facilities in Turkey and serves a broad customer base including food processors, retailers, governmental agencies and other agro wholesalers. **www.tiryaki.net**		
Gulf ;'Cryo	**Nov 2009**	**Industrial products**	**UAE and Kuwait**
	Established in 1953 as Kuwait Oxygen Company, Gulf Cryo is a manufacturer and distributor of industrial gases in the Middle East. The Company was founded and is majority-owned by the Al Huneidi family. Gulf Cryo manufactures industrial, medical and specialty gases for a wide range of industries and applications such as metal fabrication, welding, cutting, oil and gas, healthcare, and food and beverage. Gases include oxygen, nitrogen, argon, CO2, etc. and are delivered by pipeline, in bulk or in cylinders. Gulf Cryo is dual-headquartered in the UAE and Kuwait with operations in Kuwait, the UAE, Saudi Arabia, Qatar, Oman, Jordan, Egypt, Turkey and Iraq. **www.gulfcryo.com**		
L'azurde	**Mar 2009**	**Consumer products**	**Riyadh, Saudi Arabia**
	L'azurde is a family owned business established in 1980 in Saudi Arabia and currently has two large state-of-the-art industrial plants in Riyadh and Cairo. L'azurde is the Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market, and one of the largest gold jewelry manufacturers globally. The company has high quality products and designs, a diversified regional distribution network, strong manufacturing capabilities, and significant economies of scale advantages with approximately 1,000 wholesale relationships that span the MENA region. The MENA region is one of the largest jewelry markets in the world, in part due to a strong cultural attraction to gold jewelry. **www.lazurde.com**		