INVESTCORP

Business Review

Fiscal Year 2017
For the period July 1, 2016 to June 30, 2017

"This has been a pivotal and successful year for Investcorp. We have made significant progress towards delivering on our ambitious growth strategy, as well as producing robust financial results for our investors. The Firm is making great headway executing a number of initiatives that are designed to diversify the Firm's client base, product offering, geographical reach and, ultimately, better serve the needs of our clients wherever they are in the world.

"We have seen strong returns to clients and record levels of activity, and our pipeline of strategic initiatives and investment opportunities remains very strong. There is real momentum across the business and we enter our new financial year with a fresh sense of confidence and ambition."

Mohammed Alardhi

Figures throughout may not add up due to rounding

FY17 Business Highlights

Growth initiatives

A number of strategic initiatives were launched or completed in FY17 to achieve Investcorp's medium-term objective of more than doubling assets under management, including:

Inorganic growth:

Acquisition of the Debt Management business from 3i, adding a new product capability in credit-based investments and approximately $11 billion in incremental AUM

Fundraising platform:

Focus on strengthening Gulf-based placement team yielding positive results with addition of 10 new members over the last two years helping the Firm achieve its highest ever deal-by-deal placement in the Gulf, totalling $1.1 billion

Continued progress on development and implementation of a global distribution capability across the Firm's current markets

AIS product suite continues to gain traction with global institutional investors, winning several mandates from new investors

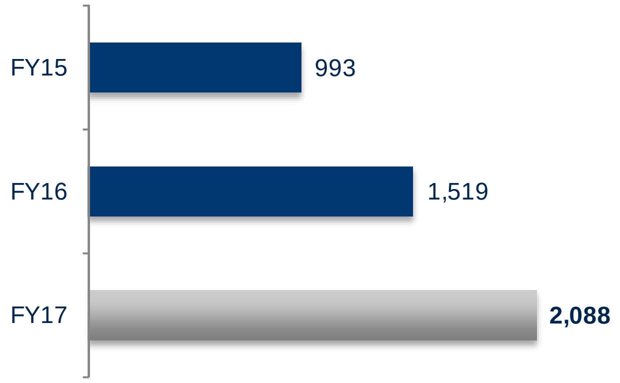
Investment platform:

Real estate club deal product well underway with acquisition of two high quality assets in Washington D.C. and Seattle, syndicated to a small group of investors

Full European real estate investment team in place with an active pipeline of investment opportunities – completed two deals in the United Kingdom

Launch of Investcorp's fourth Technology Fund which made two investments and reached a size of $215 million by the end of the year

Investment activity ($m)

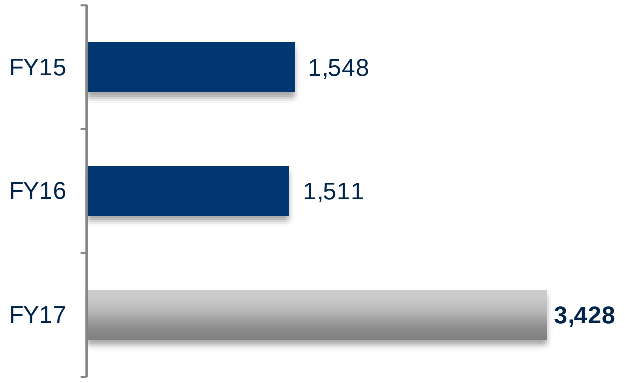


Strong levels of activity with $2.1 billion of aggregate investment across Investcorp's businesses, a 37% year-on-year increase

Deal-by-deal placement ($m)

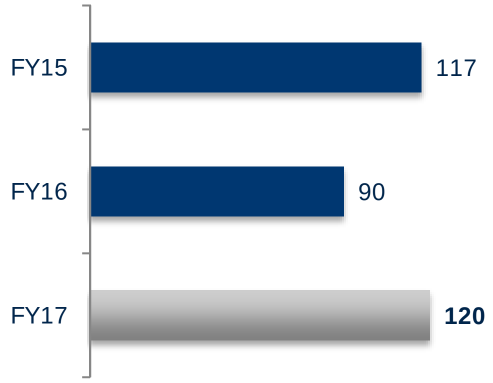
Investcorp raised more than $1.0 billion in new money from Gulf investors for the third year in a row, with the $1.1 billion this year representing the highest total in the Firm's history. Investcorp's investment in strengthening its Gulf placement team has been a key driving factor in performance

Realizations and distributions ($m)



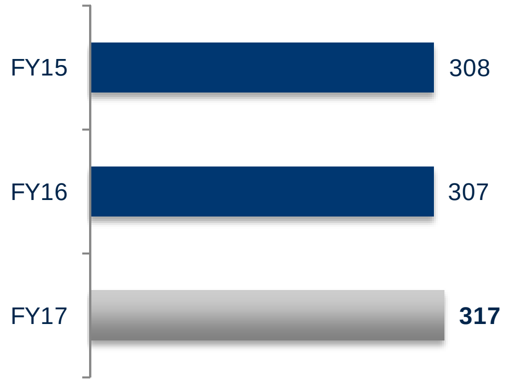
Distributions to Investcorp and its clients from investment realizations and other distributions more than doubled to $3.4 billion, the highest level in the Firm's history

Profit for the year ($m)



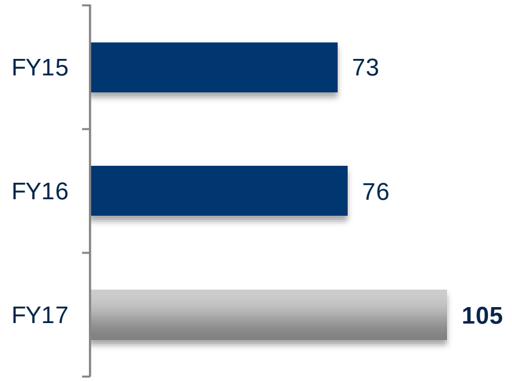
The rise in profit for the year is predominantly attributable to the contribution of the newly acquired credit management business and improved returns in real estate and alternative investment solutions

Fee income ($m)



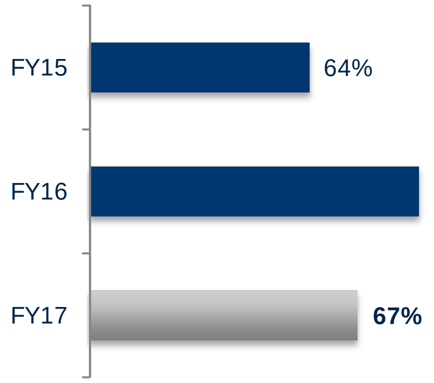
Fee income exceeded $300 million for the fifth consecutive year, reflecting the sustainability of Investcorp's client franchise and fee-generating business

Asset-based income ($m)



Asset-based income reflects a very strong turnaround of returns generated by real estate and alternative investment solutions and additional returns generated by the newly acquired credit management business

Cost-to-income



Interest expense decreased by 6% due to a combination of lower commitment fees and a lower cost of funding on funded liabilities. Operating expenses increased by 7% reflecting the ongoing expansion of Investcorp's capabilities and the investment in resources required for this growth.

FY17 Key Business Highlights

Shareholder KPIs

$1.25	**Fully diluted EPS**
12%	**Return on equity**
$11.10	**Book value per share**

Balance sheet KPIs

Jun-16	Jun-17	
$2.5b	$2.7b	**Total assets** increase reflects the acquisition of the credit management business
$1.0b	$1.1b	**Total equity** increase reflects the profit for the year
$854m	$984m	**Accessible liquidity** substantially covers next five years of debt
0.6x	0.4x	**Net leverage** remains well below 1.0x
30.3%	31.7%	**Basel III regulatory capital** well above CBB minimum requirements
0.6x	0.7x	**Co-investments** / **permanent & long-term capital** well below 1.0x

Fundraising ($m)

$819 Corporate investment

$518 Real estate

$838 Alternative investment solutions

$1,969 Credit management

*Total fundraising was **$4.1 billion** (FY16: $2.5 billion)*

***$628 million** placed with clients in corporate investments*

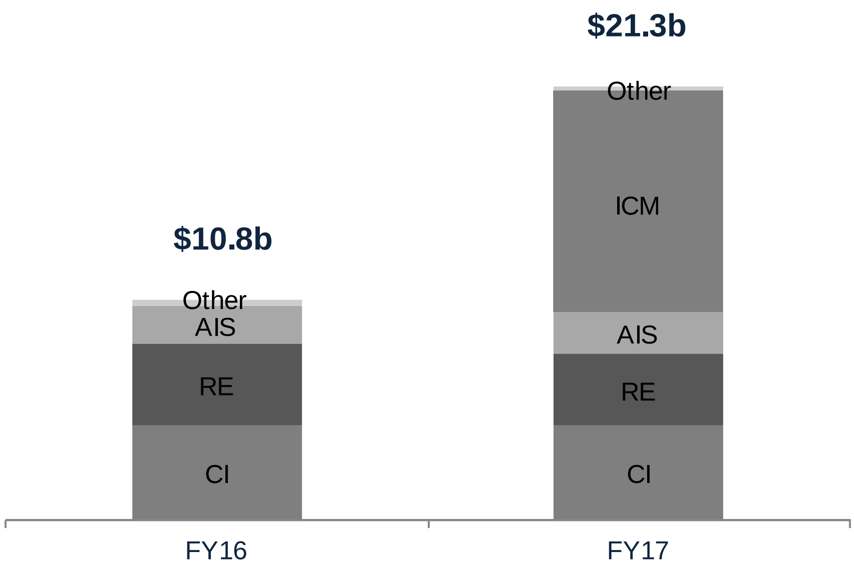
***$191 million** raised for a new technology fund*

***$518 million** placed with clients across five new real estate portfolios and one single-property club deal*

***$538 million** of inflows and advisory mandates for AIS. An additional $300 million mandate was signed but is expected to be funded in early FY18*

*Almost **$2 billion** was raised in credit management for one new European CLO, the resets of two older European CLOs and the refinancings of two older CLOs in the United States*

Total AUM ($b)



Corporate investment AUM was stable at $4.6 billion reflecting new investment activity offset by a similar level of distributions from realization activity

Real estate AUM increased by 17% to $2.1 billion reflecting continued high levels of investment activity for this business, including the first two European real estate investments

AUM in AIS decreased by 13% as redemptions net of performance more than offset new subscriptions during the year

The acquisition of the credit management business added $10.8 billion AUM

Investment Activity

PROUnlimited

AlixPartners

ARROWHEAD Engineered Products Inc.

AGERAS

calligo The trusted cloud®

ABAX

AGROMILLORA

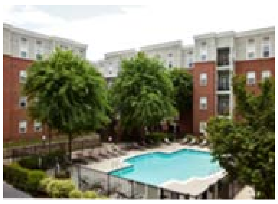
$604 million…

*…the aggregate capital deployed in five new **CI investments** and two add-on investments for existing portfolio companies; and an additional **$17 million** invested for Investcorp's new technology fund into two new investments. Another **$3 million** of additional capital was invested in an existing portfolio company*

$932 million…

*…the aggregate investment in two new CLOs for the new **credit management** business*

HARVEST CLO XVII	JAMESTOWN CLO X (Warehousing)
€408 million	$467 million
May 2017	June 2017




$533 million…

*…the aggregate capital deployed in five new **real estate portfolios**, including ten new properties which will form three new portfolios for placement in FY18 including a maiden portfolio for the recently-formed Real Estate Europe team*



Exits & Distributions

*Corporate investment exits included the sale of **Polyconcept**, the world's leading value-added supplier of promotional products; **Tyrrells,** a leading manufacturer of premium hand-cooked potato crisps and other snacks; **Optiv**, the largest holistic pure-play cyber security solutions provider in North America; **Randall-Reilly**, a leading diversified business-to-business media and data company focused on the trucking, infrastructure-oriented construction and industrial end markets in the United States; and the exit of **PRO Unlimited**, a leading software-enabled services company for the staffing and management of skilled professionals*

*Significant real estate exits included the realizations of five portfolios: **Diversified X** (with the sale of Park Tower); **Southeast Multifamily** (Bala Sands, Bay Pointe); **2013 Residential** (Eagle Crest, University Estates, University Village); **2012 Office** (Keystone Office Park Portfolio, Duke Bridges III); and **Houston Multifamily** (Cottages of Cypresswood, Green Tree Place and Westborough Crossing)*

Total realization proceeds and other distributions to Investcorp and its clients were $3.4 billion, including $1.2 billion related to the new credit management business

Investcorp’s key performance indicators*:

	FY13	FY14	FY15	FY16	FY17	5-year view (FY13-FY17)	
Fee income ($m)	309	316	308	307	317	1,557	(cumulative)
Asset-based income ($m)	32	48	73	76	105	334	(cumulative)
Gross operating income ($m)	341	363	381	383	422	1,890	(cumulative)
Cost-to-income ratio	69%	66%	64%	71%	67%	67%	(average)
Return on average assets	3%	4%	5%	4%	5%	4%	(average)
Return on ordinary shareholders’ equity	5%	11%	16%	10%	12%	11%	(average)
Diluted earnings per share ($)**	0.36	0.76	1.29	0.94	1.25	4.60	(cumulative)
Book value per share ($)**	6.95	7.38	9.00	10.15	11.10	60%	(cumulative growth)
Dividend per ordinary share ($)**	0.15	0.15	0.15	0.24	0.24	0.93	(cumulative)

* Restated for adoption of IFRS15 for FY13 to FY14

**The weighted average ordinary shares and the resulting metrics for FY13-FY15 have been realigned to reflect the share split executed in FY16

Purchase of 3i's Debt Management Business

In 2015, Investcorp's Executive Chairman, Mohammed Alardhi, set out a vision targeting growing assets under management ('AUM') by more than two times from $10 billion to $25 billion in the medium term and laid out a detailed strategy roadmap with key initiatives to pursue this objective.

In FY17, Investcorp announced a very significant step towards delivering against this growth vision, when it acquired the debt management business of 3i ('3iDM') from UK-based 3i Group PLC ('3i'), a leading global credit investment management platform.

The transaction, for a total consideration of approximately $316 million, significantly enhanced Investcorp's global franchise as a multi-asset class alternative investment manager by adding approximately $11 billion of assets under management, bringing the total to approximately $21 billion.

On completion of the transaction the two companies comprising the business became wholly-owned subsidiaries of Investcorp. Upon closing, the name of the business changed to Investcorp Credit Management ('ICM') and the entire team of approximately 50 employees made the physical move to Investcorp's offices in London, New York and Singapore. This transaction has enabled the business to leverage upon Investcorp's strategic commitment, capital and distribution capabilities and will support ICM in its next phase of global growth.

ICM is a leading global credit manager investing primarily in senior secured corporate debt issued by mid and large-cap corporates in Western Europe and the United States. ICM manage a range of closed and open-ended fund strategies on behalf of its clients, which include institutional and ultra-high-net-worth investors based around the world. The business is also a leading global CLO manager and has, to date, issued twenty 2.0 CLOs (post financial crisis deals) in Europe and the United States.

The transaction is the largest ever strategic acquisition made by Investcorp. It was fully funded through the existing balance sheet, and did not require any incremental debt financing or equity capital given a current strong capital and liquidity position with a regulatory capital adequacy ratio of 31.7% and accessible liquidity of $1.0 billion at the end of June 2017. These strong continuing levels of liquidity and capital after the transaction provide Investcorp with flexibility to fund additional strategic acquisitions where appropriate.

This acquisition has provided Investcorp with:

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

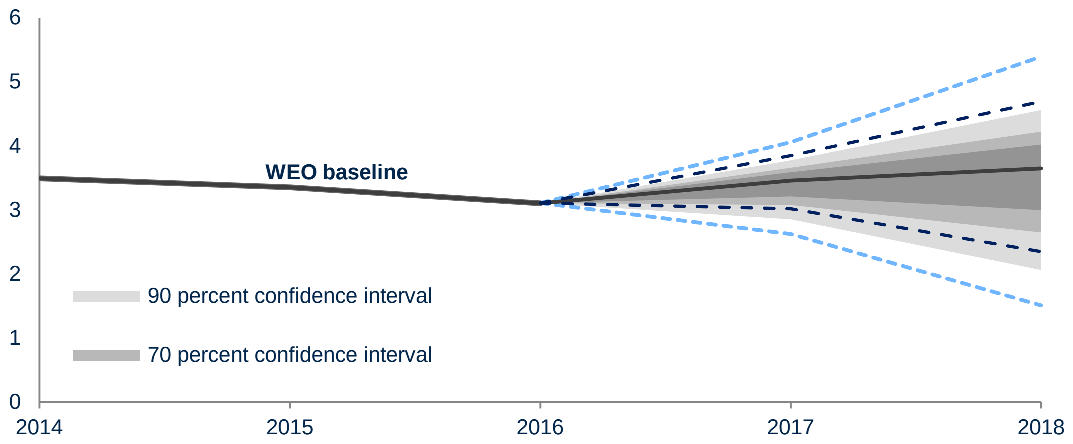
The complementary nature of ICM relative to Investcorp's existing businesses is expected to further cement Investcorp's position as a diversified multi-asset class alternative investments business, well positioned for long-term growth and to better serve Investcorp's clients and all stakeholders.

Business Environment[1]

Global recovery continues to gain momentum after the world economy gained further speed in the fourth quarter of 2016. The International Monetary Fund ('IMF') baseline projection for global growth in 2017 is 3.5% and 3.6% in 2018. The recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging market and developing economies, as conditions in stressed economies appear to be normalizing. However, uncertainty has increased, and factors such as low productivity growth and high income inequality continue to hold back a stronger recovery in advanced economies.

Prospects for World GDP Growth

(Percent change)



Source: World Economic Outlook April 2017, International Monetary Fund

Growth in the **United States** is projected to expand at a faster pace in 2017 and 2018 than in 2016, with a growth forecast of 2.3 and 2.5 percent respectively. The strong near term outlook reflects momentum from the second half of 2016 as well as a recovery in inventory accumulation, consumption growth and an assumed loose fiscal policy stance following the US elections. This anticipated shift has been reflected in market sentiment, most notably gains in equity markets.

However, downside risks remain over the medium term with much uncertainty surrounding economic policy. Most notably, the inward shift towards protectionism could lower global growth and reduce trade and cross-border investment flows. The aggressive rollback of financial regulation could also be a factor, as it could spur excessive risk taking, increasing the likelihood of a future financial crisis.

In the **Euro area**, the main event of the past year was the UK referendum in favor of leaving the European Union ('Brexit'). Spending in the UK was resilient following June 2016 and activity also surprised on the upside in Germany and Spain, which was a result of strong domestic demand. However on the whole, growth projections for the Euro area have been revised downward for 2017 to 2018, to 1.7 and 1.6 percent respectively. This is due in part to demographic headwinds and weak trend productivity which are likely to restrain growth. The unpredictability of the European Union's future relationship with the United Kingdom also plays a role. Additional factors for a dim medium-term outlook may also be an unresolved legacy of public and private debt leading to a high level of non-performing loans. Supporting the Euro's modest recovery may be a mildly expansionary fiscal stance,

1 Unless otherwise stated, all references to years are 'calendar year'.

accommodative financial conditions, a weaker euro and a potential spillover from a likely US fiscal stimulus.

On a regional basis, growth is expected to decrease modestly in Germany (1.6% in 2017 and 1.5% in 2018), Italy (0.8% in 2017 and 2018) and Spain (2.6% in 2017 and 2.1% in 2017). Growth is expected to increase modestly in France (1.4% in 2017 and 1.6% in 2018).

Growth in emerging market and developing economies is expected to rise to 4.5% in 2017 and 4.8% in 2018. This projected uptick is a reflection of stabilization for commodity exporters, some of which underwent adjustments following a drastic price drop in commodity prices in 2016. Much of the growth amongst emerging markets and developing economies remains uneven due to China's transition to a more sustainable pattern of growth less reliant on investment and commodity imports, high debt levels and slow medium-term growth prospects in advanced economies. Other major factors include political discord and geopolitical tensions in a number of countries.

The outlook across the **Middle East** region has continued to weaken reflecting lower headline growth in the region's oil exporters. This is driven mainly by the November 2016 OPEC agreement to cut oil production, masking the expected pick-up in non-oil growth. The continued regional conflicts are also expected to detract from economic activity. In Saudi Arabia, which is the region's largest economy, growth is expected to slow to 0.4% in 2017 due to lower oil production and continued fiscal consolidation but is expected to pick up in 2018 to 1.3%. Many countries within the Gulf Cooperation Council[2] ('GCC') are expected to experience a dip in growth rates in 2017 before experiencing a substantial uptick in 2018. In contrast, many of the region's oil importers are set to experience a continued acceleration with growth rising from 3.7% in 2016, to 4% in 2017 and 4.4% in 2018.

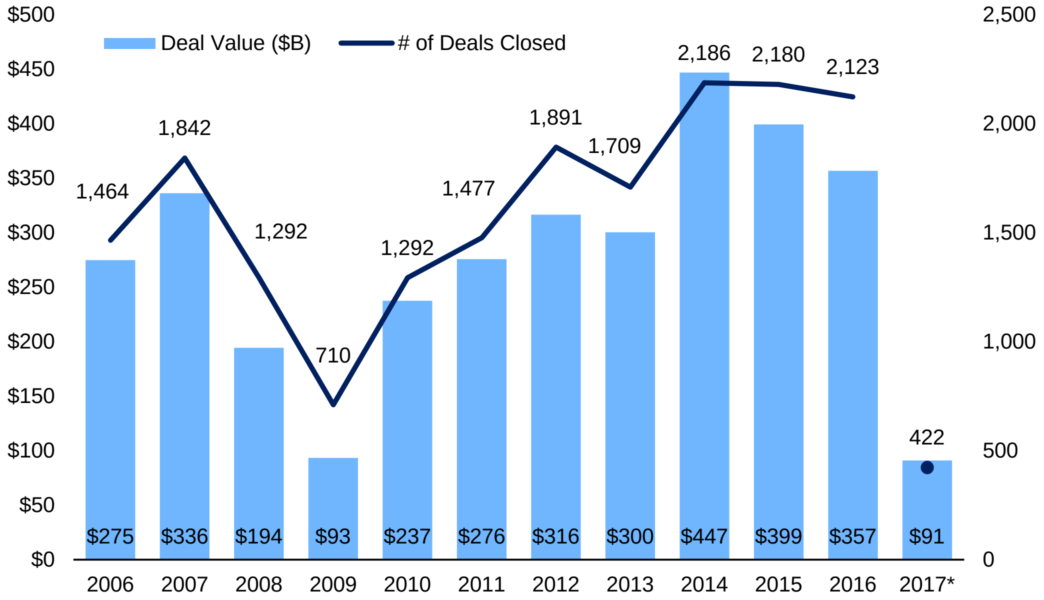
Corporate investment – North America and Europe

The private equity market in 2017 remains as competitive as in 2016. Global economic activity is picking up with a long-awaited cyclical recovery in investment, manufacturing, and trade, according to the World Economic Outlook by the IMF in April this year. Reduced pressure of deflation, prospects of a more global demand and optimistic financial markets are upside developments.

In the US, capital of $91 billion was invested in 422 transactions in Q1 2017, representing a 2.6% increase in deal value and a 24.5% decrease in number of transactions completed as compared to the prior year. This is due to the fact that the first quarter of 2017 saw an increase in larger middle-market deals driven primarily by increased amounts of dry powder. The median deal size rose to $238.5 million after two consecutive years of decreases. IT/Technology deals accounted for 20% of all PE deals in the US a trend that is expected to continue for the remainder of the year. Multiples in the US remain high due to increased competition among PE firms in the middle-market space.

2 The Gulf Cooperation Council consists of six Middle Eastern Countries: Bahrain, Kingdom of Saudi Arabia, Kuwait, Oman, Qatar, and the United Arab Emirates.

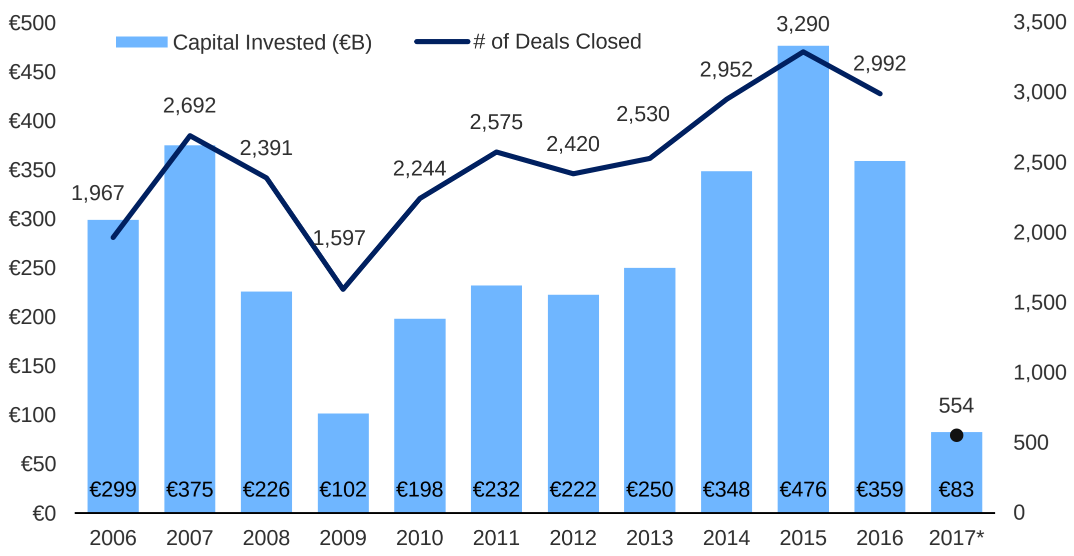
US PE deal flow by year



***As of March 31, 2017. Unknown values are estimated based on known figures.**
Source: Pitchbook 1Q 2017 US Breakdown Report

In Europe, deal flow started relatively strong in Q1 2017 despite an unknown political environment. Capital of €82.5 billion was deployed across 554 transactions in the first quarter of 2017 representing an 8% decrease in deal value and 7% increase in number of deals closed, respectively, over the same period in the prior year. The number of deals in IT/Technology noticeably stood out in Q1 2017 accounting for 20% of all PE deals in Europe, a situation similar to the US. This trend is expected to continue at least for the remainder of 2017 due to the attractiveness of recurring revenue models of software-as-a-service ('SaaS') businesses. Multiples in the first three months in Europe have slightly come down to 7.9x from 8.3x in Q1 2016.

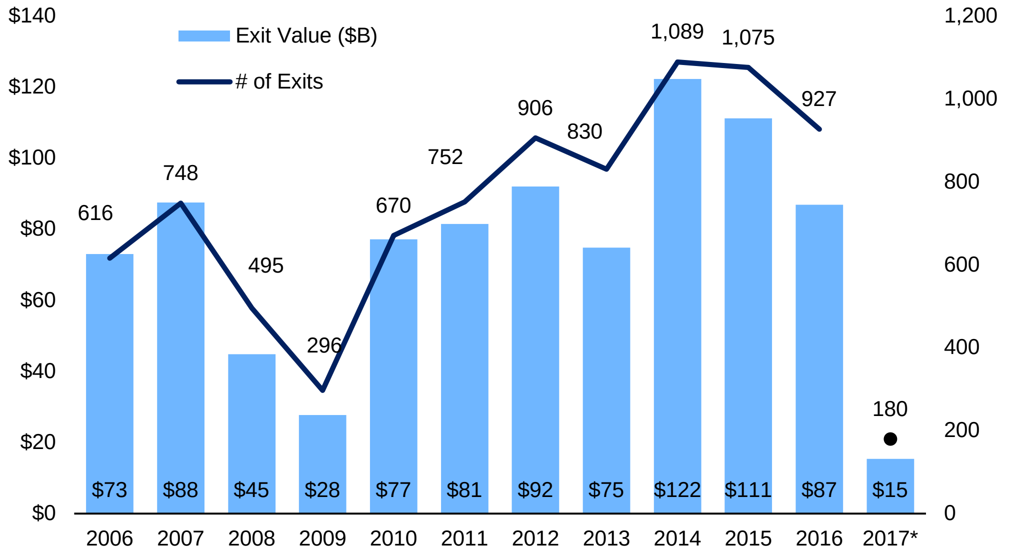
Europe PE deal flow



***As of March 31, 2017. Unknown values are estimated based on known figures.**
Source: Pitchbook 1Q 2017 European Breakdown Report

The US exit market was at its lowest level in more than three years in the first three months of 2017, with 180 transactions and an exit volume of $15 billion. This trend is expected to continue as most investments made prior to 2008 have already been sold and the majority of companies acquired from 2014-2016 are not yet ready for sale. However, IPO activity increased in Q1 2017 with 12 PE-backed IPOs of middle-market companies completed – the highest level since Q2 2015.

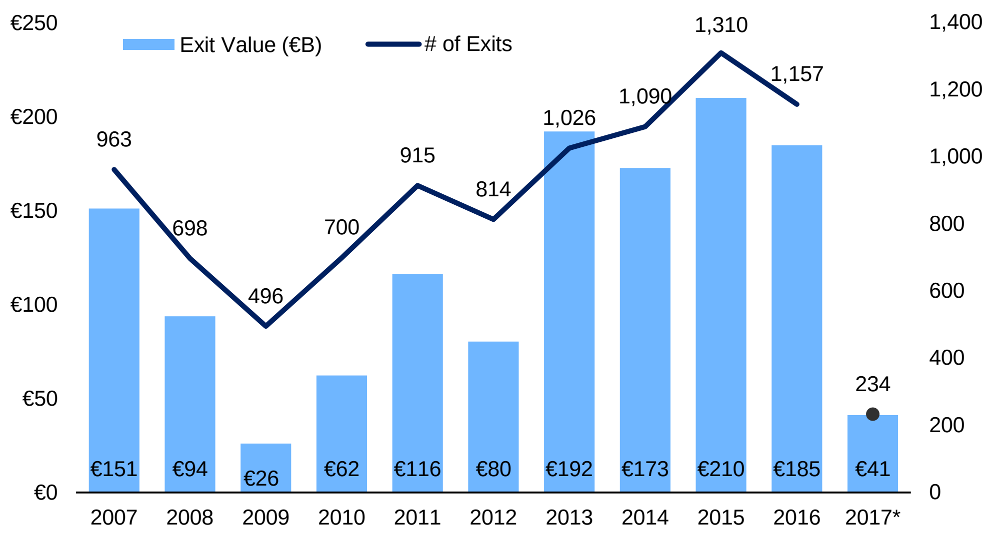
US PE-backed exits



***As of March 31, 2017. Unknown values are estimated based on known figures.**
Source: Pitchbook 1Q 2017 US Breakdown Report

The European exit market remained strong in the first three months of 2017. With 234 transactions and an exit volume of €41 billion, the value of exits is above Q1 2016 and the number of transactions also increased by circa 10%. IPO activities in 2017 are limited so far which is mainly caused by an unknown political environment in numerous European countries in early 2017. However, the market environment for IPOs could improve as the political situation becomes clearer after concerns about the elections in France and The Netherlands have faded and interest rates continue to be at a low level.

European PE-backed exits



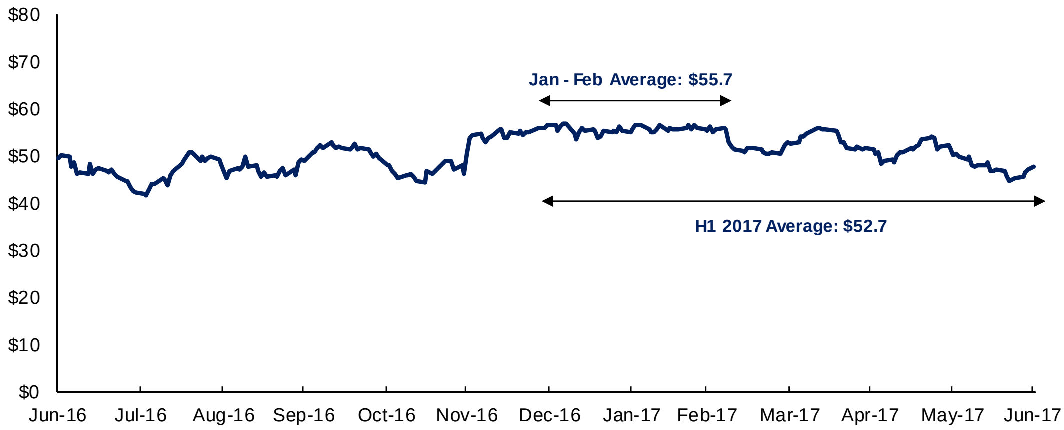
***As of March 31, 2017. Unknown values are estimated based on known figures.**
Source: Pitchbook 1Q 2017 European Breakdown Report

Overall, the private equity industry continues to see strong interest from investors in alternative assets with the emphasis on companies with strong top-line revenue growth.

Corporate investment – MENA

Crude oil prices averaged $56 per barrel during the first two months of 2017 as data from secondary sources showed that the OPEC and non-OPEC producers were adhering to their formal agreement reached in November 2016, to cut production by 1.2 million barrels per day ('mb/d') for a period of six months starting January 2017. However, oil prices dropped to nearly $50 per barrel in March on concerns over continued commitments of OPEC and non-OPEC members to reach targeted production cuts, larger than expected US crude oil inventories, and a strong recovery in US shale oil activity. On May 25, OPEC announced that it would extend cuts in oil output by nine months to March 2018, in hopes of reducing global crude oil inventories and supporting oil prices. The second half of 2017 is expected to witness a slower-than-expected market rebalancing on the back of higher production from Nigeria and Libya and a rebound in US shale output despite the OPEC's efforts to extend production cuts. Given this backdrop, the US Energy Information Administration ('EIA') forecasts Brent spot prices to average $53 per barrel in 2017.

Brent Crude Oil Price – June 30, 2016 – June 30, 2017 ($bbl)



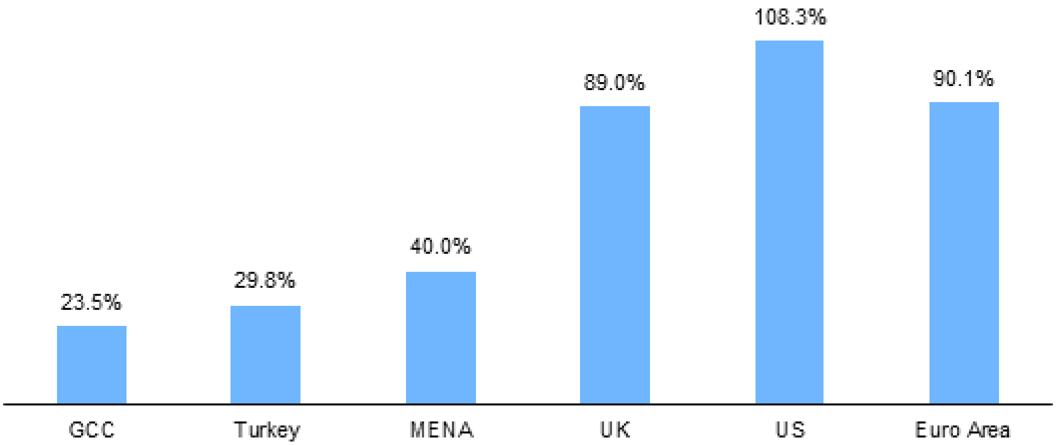
Source: Bloomberg

Given the slowdown in economic activity in the GCC region, the IMF projects GCC economies to grow at 0.9% in 2017 compared to 2.0% in 2016, with growth projected to pick up to 2.5% in 2018. Non-oil growth in the region is projected to strengthen from 2% in 2016 to 3% in 2017 as the pace of fiscal consolidation eases. Growth in Saudi Arabia is expected to slow to 0.4% in 2017 from 1.4% in 2016, due to lower oil production and ongoing fiscal consolidation, before picking up to 1.3% in 2018. Nonetheless, GCC countries continue to make significant efforts to consolidate public finances, rationalize subsidies and reduce fiscal deficits. In this context, the IMF expects the cumulative budget shortfall of the GCC countries through 2021 to be $240 billion, compared with a previous forecast of $350 billion in its 2016 outlook. The IMF also expects GCC countries to record a current account surplus of $26 billion in 2017 compared to a deficit of $28 billion in 2016.

Given the level of foreign exchange reserves, which remain in excess of $675 billion, and low levels of public debt, most of the GCC countries are well positioned to raise domestic and international debt through government bond issuances and finance their deficits.

The debt to GDP ratio of the GCC countries is expected to increase from 21.4% as of December 2016 to 23.5% by the end of 2017. While debt levels in the region have increased, they are expected to remain significantly lower than in the rest of the world (90% in the Euro area and 108% in the US), allowing GCC governments to continue to invest cautiously in large development projects and infrastructure.

2017E Government Debt (% GDP)



Source: International Monetary Fund

In line with 2016, the first half of 2017 saw GCC countries tapping the international debt markets in an effort to diversify their funding sources and reduce liquidity pressures in their domestic banking systems. Kuwait issued a dual-tranche $8 billion bond offering in the international debt markets with the offer being significantly oversubscribed at $29 billion, recording strong demand from both international and regional investors. Saudi Arabia raised $9 billion in its first global sukuk issue (Islamic bond structure) with investors placing orders in excess of $33 billion. Additionally, the Qatar Central Bank also sold $4.1 billion in domestic bonds this year.

Countries in the region continue to accelerate their reforms focusing on diversifying the economy and increasing the role of the private sector within their economies. A number of deals and agreements worth $380 billion were signed between Saudi Arabia and the US, following the US President's visit in May. Defense deals worth approximately $110 billion were signed including a landmark $6 billion defense agreement with Lockheed Martin which is expected to support around 450 jobs in Saudi Arabia. Saudi Aramco also signed joint venture agreements with major US companies valued at $50 billion. Saudi Arabia's Public Investment Fund ('PIF') also agreed to commit $20 billion to an infrastructure investment fund with Blackstone while also announcing plans to invest in a $90 billion technology investment fund to be managed by SoftBank.

GCC countries have signed a unified framework agreement with a view to introduce a value added tax ('VAT') starting in 2018. According to the IMF, the GCC economies could boost their GDP by approximately 1.5% if they implement a VAT of 5%.

While the GCC region witnessed a surge in debt issuances, the GCC stock exchanges remained bearish during the first half of the year due to uncertainty in oil prices, geopolitical developments and the generally volatile economic conditions globally. This resulted in relatively subdued IPO activity with no new issuances at all in the first half of 2017 compared to four issuances in Saudi Arabia in the first half of 2016 with total capital raised of $845 million. The pipeline for the remainder of the year into 2018, however, looks more favorable as transactions put on hold in 2016 are expected to come to market once economic reforms gain traction and as oil prices stabilize.

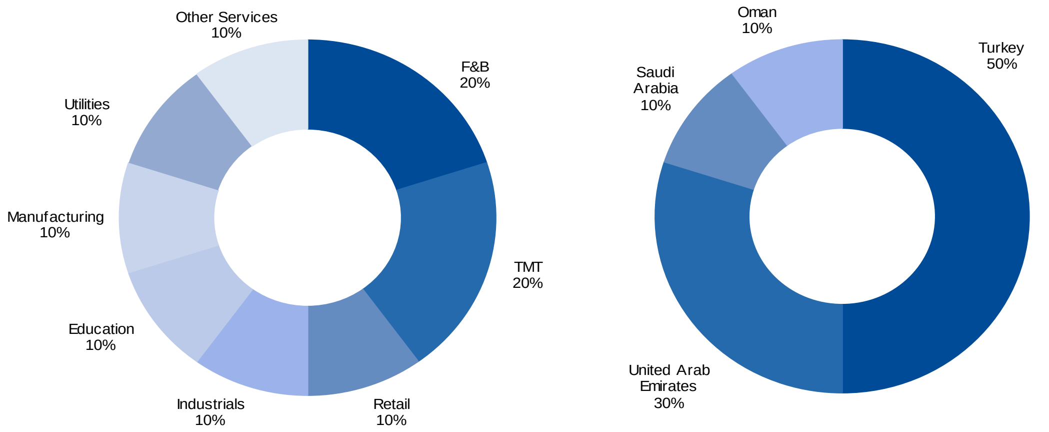
In the second half of 2016, Turkey witnessed a failed military coup attempt. Following this, in April 2017, a constitutional referendum was held throughout the country where amendments to the constitution proposed by the governing AKP party were approved. A key amendment was the introduction of a presidential system and executive presidency in the country, which is expected to come into effect following the presidential elections in November 2019.

Turkey's GDP growth reached 5.0% year-on-year in the first quarter of 2017, driven by an increase in government spending, private consumption and exports. Growth in public consumption was mainly driven by expansionary measures implemented by the government towards the end of 2016, which included a number of temporary tax reductions/exemptions and expanded investment incentives. The improvement in the country's price competitiveness linked to a weaker lira and improving demand from the European Union further added to export growth.

Following a steep depreciation of the Turkish Lira by 21% in 2016, the currency remained fairly stable at TL3.52:US$1 as of June 30, 2017, in line with 2016 year-end levels. As of June 2017, year-on-year inflation stood at 10.9% compared to the long-term inflation target of 5%. The current account deficit is expected to widen to 4.7% of GDP by the end of 2017 compared to 3.8% in 2016, on the back of lower tourism revenues and a moderate level of economic activity despite lower energy prices. While the IMF has not released a more recent update on Turkey, the full year 2017 GDP growth is projected at 2.5% compared to 2.9% in 2016. However, as the political environment stabilizes following the constitutional referendum, the long-term outlook for the Turkish economy continues to be positive, on account of the country's strong fundamentals such as its sizeable young population, its aspiring middle class, its entrepreneurial culture and its strategic geographical position as a trading hub.

Despite challenging market fundamentals, regional markets (GCC & Turkey) continue to attract the interest of equity investors on the basis of strong and positive long term fundamentals. In the first half of 2017, there were 63 M&A transactions in the region, of which 10 were private equity investments, compared to 22 private equity investments in the first half of 2016. The majority of the private equity investments were in the UAE and Turkey with the most active sectors being the food & beverage ('F&B') and the technology, media and telecommunications ('TMT') sectors. The regional private equity market remains active despite the fact that investors continue to face increased competition for attractive assets, both from existing family groups and larger, foreign private equity firms.

Breakdown of GCC and Turkey Private Equity Transactions in H1 2017



Source: Zawya, Merger Market, Investcorp Analysis as of July 2, 2017

Private equity firms continue to plan the exits of their mature portfolio companies, in order to return capital to investors and realize returns on their investments. The first half of 2017 witnessed three private equity exits in the GCC and two private equity exits in Turkey, to private buyers, compared to three in the GCC and three in Turkey during the first half of 2016.

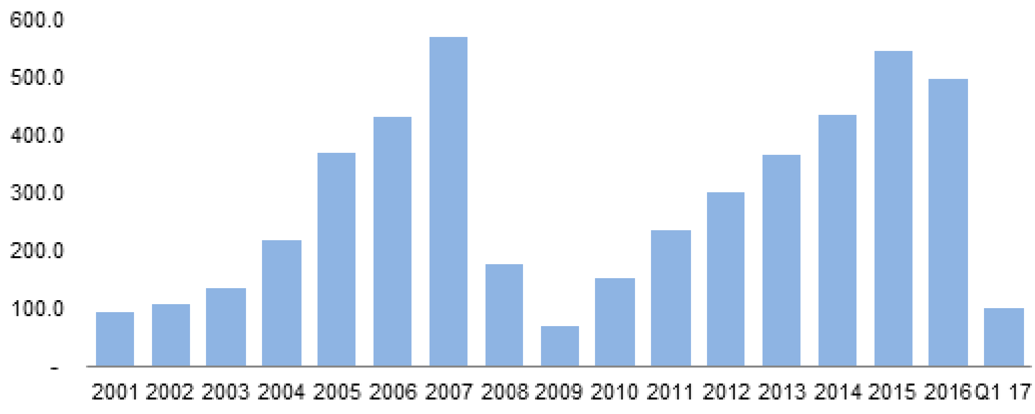
In summary, despite the current oil price trends, geopolitical tensions and volatility in capital markets, the region continues to be buoyed by favorable demographic trends, continued government expenditure in key sectors, increasing the role of the private sector within the GCC economies and relatively low debt levels. Deal flow and IPO activity, though tempered, should both create a healthy environment for strong and well-capitalized firms, such as Investcorp, to find attractive corporate investment opportunities in the region.

Real estate investment – North America

Commercial real estate market fundamentals in the United States remain healthy across most asset classes in a majority of metropolitan areas. A relatively stable US economy continues to drive demand for US property with an increase in leasing activity, market rents and values. US job growth has slowed slightly, with the US adding two million jobs through June 2017, down from 2.5 million for the same prior year period. However the unemployment rate stands at 4.4% as of June 2017 (versus 4.9% in June 2016). In addition, US consumer confidence remains high. These mostly positive trends continue to have a favorable impact on the office, multifamily, retail, industrial and hospitality sectors.

US real estate transaction volume is down 12% year-to-date through May 2017 versus the same period last year. However, overall activity is still at elevated levels compared to historical averages. Prices have held steady and cap rates remain largely unchanged from a year ago. Further, operating fundamentals remain solid. Even though the Fed raised rates, the spread between cap rates and Treasuries is wide enough that the interest rate increase did not result in higher cap rates. Capital flows into the US should continue to remain strong because the US is seen as a safe haven relative to other countries.

Transaction Volume ($b)



Source: Real Capital Analytics, Inc. 2017

US **office market** fundamentals remained sound through Q1 2017. Office-using employment remained resilient and expanded for the 30th straight quarter, adding over 129,000 jobs. Tech markets and low-cost markets in the south and west saw the highest office-using job growth. According to CBRE, rent growth year-over year slowed to 4.9% and vacancy ticked up for the quarter to 13.0%, due to an increase in new supply. The top markets for construction were New York City, San Jose, San Francisco, Washington D.C., Dallas and Seattle. Leasing demand continues to be led by the high-tech and financial sectors. Low oil prices continue to impact major leasing activity in the energy markets such as Houston, Tulsa and Oklahoma City. Many southern and western markets, such as Tampa, Phoenix, and Orlando, outperformed other markets due to increased job growth and limited new construction.

US **retail market** fundamentals remained healthy through the first quarter of 2017 due to consistent demand and relatively low supply. According to CBRE, net absorption was positive for the 24th consecutive quarter. Demand was strongest in neighborhood, community and smaller shopping centers. Demand remained relatively weak at power centers and lifestyle and mall properties due to big-box and department store closures. Vacancy decreased slightly during the quarter to 7.0% from 7.3% in Q1 2016 the lowest level in more than a decade. Rent growth remained resilient as retail net asking rents increased for a 13th consecutive quarter – up 6% from Q1 2016. Retail sales, excluding sales at gasoline stations, increased by 4.3% year-over-year as demand drivers such as employment and personal income remain relatively strong. New supply increased during Q1 2017, but completions still remain below average compared to prior years.

Growth in the **industrial market** continued throughout the first quarter of 2016. Per CBRE, demand outpaced new supply for the 28th consecutive quarter. Increased consumer spending and a strong dollar have helped drive industrial demand. Industrial leasing demand continues to be led by three industries – e-commerce, food and beverage, and third party logistics companies. Demand continued to be broad-based, with strong growth in core distribution markets such as Atlanta, Dallas/Fort Worth, the Inland Empire region of Southern California, Houston and Cincinnati. The US industrial availability rate ticked up slightly to 8%, the first increase in the past 26 quarters. The San Francisco peninsula, Oakland, Orange County and Los Angeles led the way with the lowest availability rates, all below 4%. Low availability rates and strong leasing demand have resulted in sustained rental growth. The average net asking rent grew 2.1% in Q1 2017 and was up 7.4% year-over-year (CBRE). Construction is under way in many markets although supply remains limited.

US market fundamentals in the **‘for rent’ multifamily market** softened slightly in Q1 2017 but still remain healthy. According to CBRE, the vacancy rate of 4.9% was flat for the quarter and year-over-year rent growth of 4.1% remains above the historical average. Demand is strong due to favorable demographics and shifting lifestyle preferences favoring renting rather than owning. As of Q1 2017, the national home-ownership rate remained unchanged at 63.6%. While urban fundamentals and millennial demand are still solid, suburban markets are also improving, led by baby boomer demand. However, supply has been on the uptick. Quarterly supply increased by 2.9% during Q1 2017. Markets that saw the biggest increase in supply for the four quarters ended in Q1 2017 were New York, Washington D.C., and Dallas/Fort Worth. Demand in each of these markets remains solid.

The US **hospitality market** strengthened slightly in Q1 2017. According to STR, Inc., demand growth grew by 2.8% year-over-year and supply increased by 1.9%, which pushed up national occupancy levels to 61.1% in Q1 2017, a 0.9% increase from Q1 2016. Average daily rate increases remained modest at 2.5% but combined with a higher occupancy level resulted in revenue per available room growth of 3.4%. A strong US dollar weakened demand in many gateway cities that rely more heavily on tourism spending. Washington, D.C. had the best year-over-year performance due to high demand during the inauguration weekend. Other markets with strong performance were Salt Lake City, Tucson and San Diego. Markets that saw the biggest increase in supply for 2016 were Cleveland, Houston and Oahu.

Real estate investment – Europe

In the wake of the Brexit vote last summer, political uncertainty in the UK has continued into 2017. Prime Minister Theresa May’s ‘Brexit election’ in June did not succeed as her Conservative Party lost their parliamentary majority. Although the Tories managed to build a coalition government with the Democratic Unionist Party, the result represents a serious setback for the Prime Minister’s hard Brexit stance and it will likely lead to a softer approach to Brexit negotiations.

The UK economy slowed in the opening months of this year as rising prices in the wake of the Brexit vote took their toll on consumer spending. GDP grew just 0.2% in the first quarter of 2017, a marked change of pace from the 0.7% growth in the final three months of 2016.

The UK inflation rate currently stands at a near four-year high of 2.9%. The fall in the value of Sterling since last year's Brexit referendum has led to increased costs of imports. The higher-than-expected inflation figure will intensify the debate over how long the Bank of England can leave interest rates at the record low of 0.25%. Inflation is well above the Bank’s 2% target, but policymakers seem happy to tolerate some overshoot, supporting growth and employment as the UK prepares to begin Brexit negotiations.

The UK real estate market continues to see a decline in investment volumes. For the first five months of 2017 investment volumes stood at £17.2 billion, down 20% on 2016 and 47% on 2015.

Whilst investment has continued to flow from the Far East (c. over £3 billion in 2017), there has been a decline from almost every other source. Similarly, domestic investment is down 30% versus 2016 and 45% versus 2015.

The fall in investment has been sharpest in London, where volumes at the end of Q1 were down 46% against their peak in Q4 2015. Whilst this is a significant reduction, it should be noted that more than £22 billion was invested in the 12 months to the end of May 2017, a third more than in Paris, Europe's second biggest market. Domestic investment in Central London offices has fallen to the lowest level recorded.

This slowdown in deal volume seems to be the means by which the market has adjusted to the new investment environment and though prices have declined, the extent of the decline is in contrast to the larger corrections of 2008-2009. In fact, with few, if any, forced sellers in the market and many players sitting on their hands, the lower volumes are likely to continue in the short term.

In London, prices have largely been sustained by overseas players diversifying their portfolios, while outside London, UK councils have emerged as some of the most active players in the market as they invest cheap public money in real estate to supplement falling income from central government.

European investment volume dropped 16% year-on-year to €53.5 billion in Q1 2017. This decline masks the underlying strength in some of Europe's biggest real estate markets. Germany continues to be the destination of choice for investors, with investment up 33% compared to a year ago. The fall in investment volumes in France was in some part a function of the uncertainty generated by the presidential election.

Cross-border investment volumes in Europe have climbed back up above 50% of the total market in Q1 2017, having dipped below this benchmark in 2016. One of the reasons is the consistent flows of intra-European cross border investment. Global players, driven by a slowdown from the US based investors, have reduced their market share to around 25% from a peak of 35%.

Political risk notwithstanding, the consensus is that the fundamentals of the European real estate market remain strong.

As regards pricing, the inward movement in transaction yields seems to have stabilized. While some commentators express worries about high prices, property still looks relatively attractive when compared to European government bonds.

Alternative investment solutions

FY17 was positive for the hedge funds industry with positive performance of +6.4%, as measured by the HFRI Fund of Funds Composite Index, compared to performance of -5.4% for FY16.

Hedge funds

Equity long/short hedge funds had a strong year, with US and Asia Pacific managers outperforming. The group benefitted from the tailwinds of higher equity markets and a rebound in alpha generation after a difficult fiscal year 2016. Drivers of alpha for the year included positive contributions from factor and sector positioning, with the industry capitalizing on long exposures in equity growth and technology stocks most notably. Lower pairwise correlation across equities and lower volatility also proved to offer a more constructive environment for stock picking, allowing hedge funds to focus on equities' idiosyncratic drivers. Finally, managers were prescient in raising their levels of net market exposure throughout the second half of 2016.

Discretionary global macro funds underperformed this fiscal year, posting a net return of -2.5%. That said, there has been meaningful dispersion in the peer group. For instance, emerging markets focused funds strongly outperformed the universe of funds focused on developed markets alone. An environment characterized by extremely low realized volatility across most asset classes as well as numerous trend reversals in fixed income, currencies and commodities proved difficult to trade for macro funds.

CTA[3] funds were the worst performing group within hedge funds. The universe was the worst affected by the major trend reversals that affected macro asset classes over the past 12 months. Only long equity positioning helped mitigate the extent of the losses registered in trading fixed income, energy futures or currencies.

Fixed income relative value was a welcome bright spot amid macro oriented strategies. The universe was able to profit from a high velocity of flows and continued micro dislocations in developed countries' fixed income markets. Lower competition from proprietary trading desks and higher barriers to entry in a world where balance sheet capacity is scarce and expensive has helped funds deliver higher returns with very limited directional exposure.

Convertible arbitrage also performed well, posting a net return of 9.3% according to HFR. The strong performance can be explained by the recovery of the asset class, after the large dislocation observed over the first quarter of 2016. Relatively high carry and cheap valuations offered a particularly strong opportunity set to hedge funds.

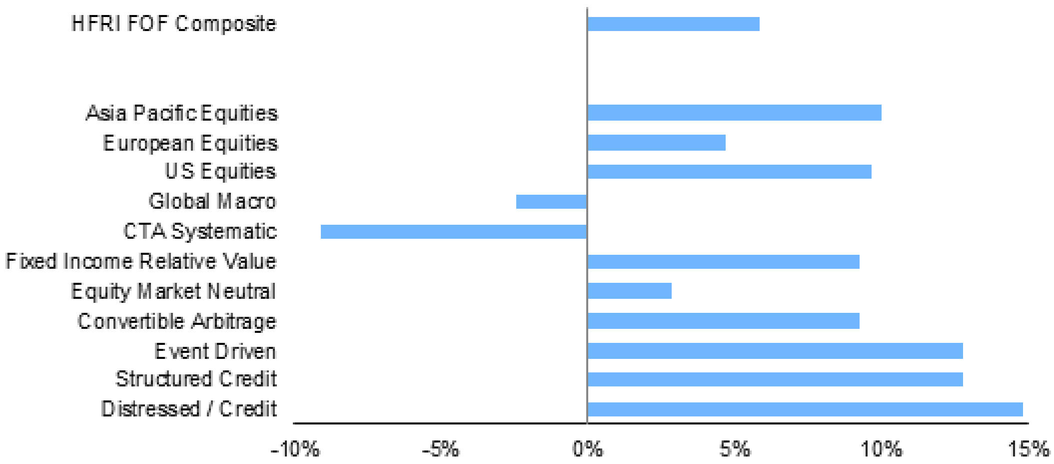
Equity market neutral had a mixed year. Lower equity volatility generally proved challenging for statistical arbitrage models. Quantitative arbitrage models were supported by the strong returns to the equity value factor as financial markets reflated in the second half of 2016. Year-to-date, value exposure detracted while growth, momentum and defensive factors outperformed.

Event driven hedge funds were among this year's top performers, with a net gain of 12.8%. Alpha generation recovered strongly in the universe after a dismal 2016. Fairly elevated net market exposures, positive exposure to the equity value style and strong returns from stock picking alpha were the major drivers of this remarkable performance. Special situation hedge funds were the largest contributors, with mid double-digits performance. Merger arbitrage strategies delivered high single digit returns, riding merger spread compression driven by lower equity volatility and corporate credit spreads.

Long-biased **credit** strategies rank first in the industry's league tables this year. Both distressed and structured credit hedge funds were able to post mid- double digits returns. Hedge funds were well positioned to capture and monetize these opportunities including historically high credit spreads relative to fundamentals, an elevated liquidity premium and a dislocated CDS basis. The recovery and stabilization of energy markets was the key catalyst that helped support the broader rally of credit markets, further helped by stronger macro-economic fundamentals in H2 2016.

3 Commodity Trading Advisors, often used to refer to systematic macro strategies

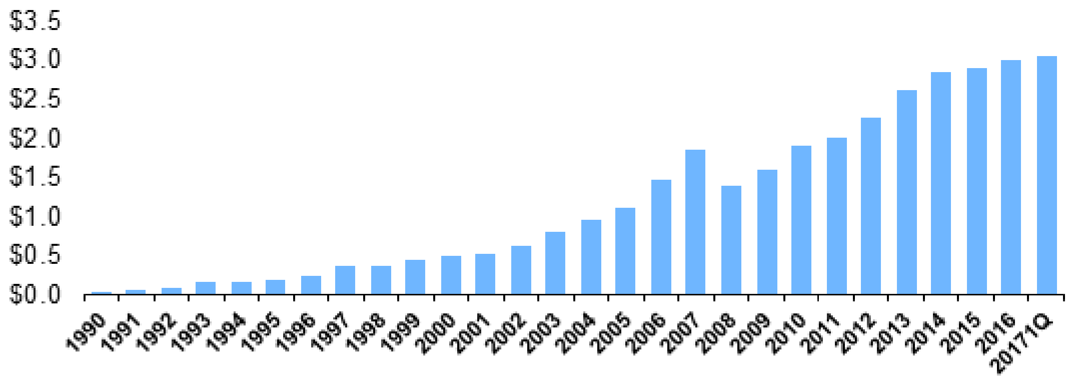
Performance of hedge fund strategies (July 2016 – June 2017)



Source: Per Trac, Investcorp

As can be seen in the chart below, the hedge fund industry growth has slowed since 2014, primarily due to challenging returns and investors' reassessments of their portfolio allocations. The hedge funds industry experienced estimated investor inflows of $44 billion during 2015, but experienced estimated investor outflows of $70 billion in 2016 and $5 billion in Q1 2017. Positive performance in the second half of 2016 and Q1 2017 has helped the industry maintain its asset level in spite of redemptions and, as of March 31, 2017, total hedge fund industry assets were $3.1 trillion. The number of new hedge fund launches has decelerated in the recent past. In spite of the recent industry slow-down, it is anticipated that the hedge funds industry will continue to experience an upward trend in assets in the future.

Hedge fund industry assets under management



Source: HFR Industry Reports © HFR, Inc. Q1 2017, www.hedgefundresearch.com.

Alternative risk premia

In alternative risk premia, foreign exchange strategies proved particularly profitable over the past 12 months. This standout performance was the result of a strong contribution from developed markets value signals and the tailwind earned from carry strategies. Only trend following materially underperformed, particularly within the G10 currency universe. The contribution from equity factors was more mixed, with broadly positive returns from index strategies and a more challenged picture for cross-sectional cash equity factors. Trend following, carry and mean reversion were all profitable in equity indices, but only value and quality ended positively in single-name equities. Low beta and momentum strategies strongly underperformed in the later part of 2016 but have gradually recovered in 2017. Similarly, the performance of commodity strategies was mixed. There were positive returns from carry curve and congestion strategies, but the underperformance of cross-sectional carry and momentum signals unfortunately dominated the asset class contribution. Finally, fixed income algorithms broadly suffered from limited carry opportunities and numerous price reversals that proved costly to trend following models.

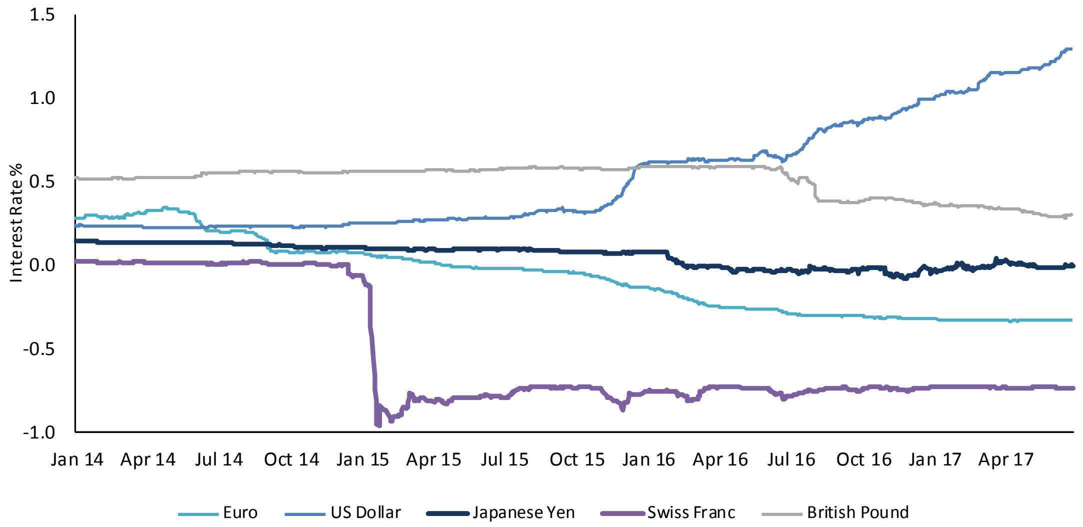
There continues to be significant interest in alternative risk premia by the institutional investor community although there continues to be divergence among various investors in their stage of adoption of risk premia investments into their respective portfolios. Some investors are starting to research the space and conduct due diligence on managers while others have made significant risk premia allocations. As risk premia is expected to experience significant growth in the next few years, investment managers are responding to this increase in demand with several new product launches in the recent years. These launches have primarily been by existing investment platforms which are diversifying their product offerings into risk premia.

Credit management

Low (or in some countries negative) interest rates, improving economic conditions and stability in commodity markets all contributed to support for the US and European leveraged loan markets in the latter half of 2016 and first half of 2017. Accommodative monetary policy in most developed economies kept interest rates at or close to historic lows, with Japanese, Swiss and European short term rates remaining below zero. Although US rates began to move upward, increases have been modest as the Fed has been cautious about tightening due to limited signs of inflationary pressures. This environment created significant liquidity and a search for yield in fixed income markets, driving investors towards credit investments to generate returns. Demand for credit products was also supported by a solid US economy and improving economic trends across Europe, resulting in strong fundamentals across both regions. US GDP accelerated during this period, reaching 2.6% for the second calendar quarter of 2017, while most European economies demonstrated positive trends fueled by aggressive European Central Bank policy. 2016 loan default rates, a key indicator of leveraged loan market health, remained close to thirty year lows.

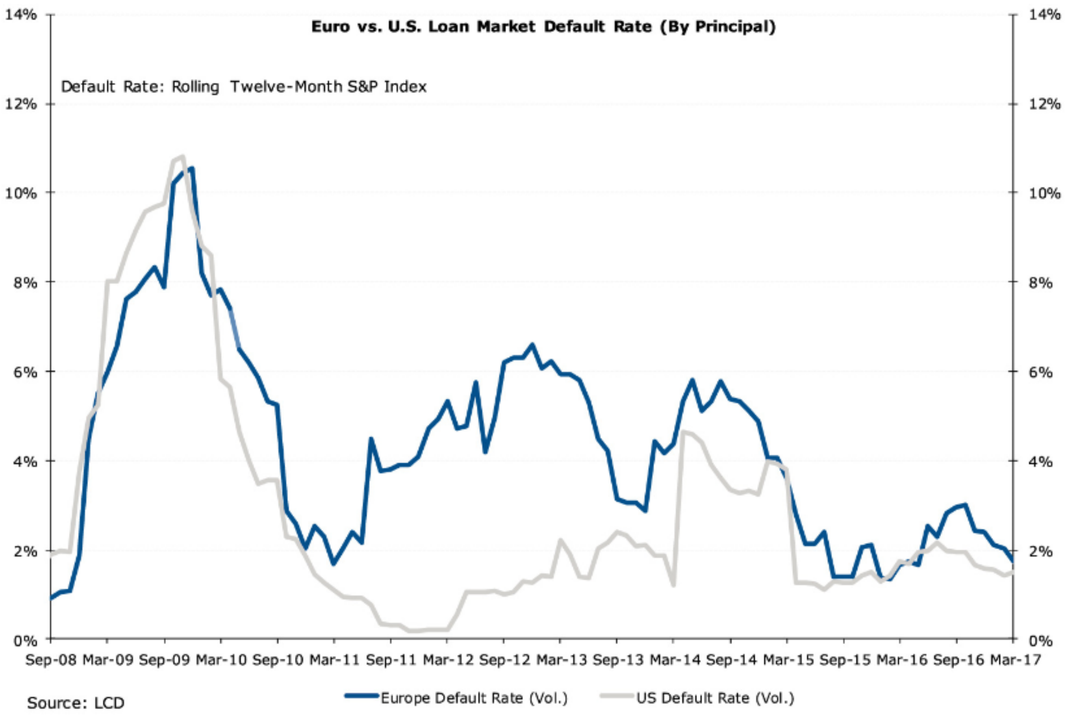
Short-Term Global Interest Rates

January 2014 – June 2017



US and European Loan Market Default Rates (by Principal)

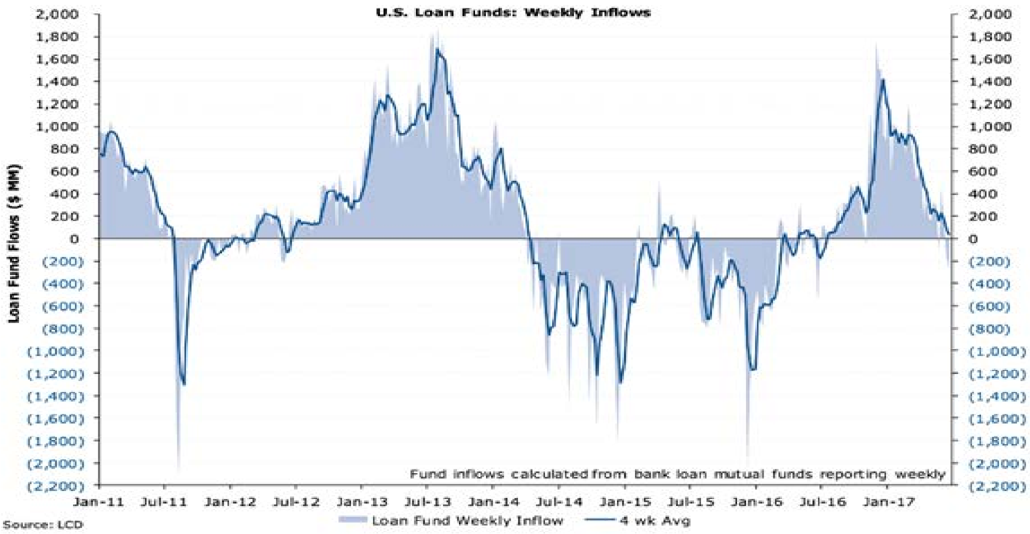
September 2008 to March 2017



These conditions have resulted in substantial flows of capital into the US and European leveraged loan markets. For the 12 months ended June 30, 2017, US loan mutual funds experienced net inflows of $32 billion. During the same period, US and European CLO formation added another $97.3 billion and €17.9 billion of capital to their respective markets. Institutional separately managed accounts focused at least partially on loans also saw significant growth. While market liquidity increased and demand for loans grew, supply failed to keep pace. Private equity sponsored transaction volume proved modest as PE firms struggled to find value, borrowers locked in historically low rates by refinancing with high yield bonds and solidly performing companies used free cash flow to repay loan debt. US and European new money loan issuance has equaled less than 35% and 40%, respectively, of total loan issuance since the middle of 2016.

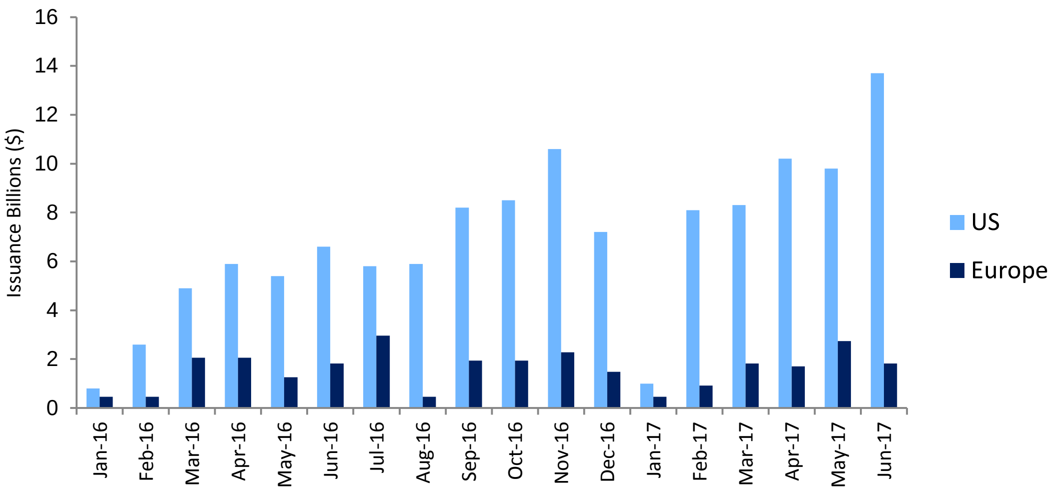
US Loan Mutual Fund Flows by Week

January 2011 to June 2017



US and European New Issue CLO Issuance by Month

January 2016 to June 2017



Source: LCD, Intex, S&P, Moody's, Wells Fargo Securities
FX Rate as at June 30, 2017

Excess demand created a very strong secondary market bid for loans, driving prices up from depressed levels reached in early 2016. At the end of June 2016, less than 10% of loans in both the US and European loan markets traded above 100. By the end of 2016, over 70% of loans in each market traded above this level. As a result, the US and European loan markets generated total returns of 9.9% and 6.5%, respectively for calendar year 2016. US outperformance was driven by the recovery from -0.4% total return in 2015. European loans significantly outperformed the US in 2015 and therefore had less upside opportunity in 2016. Both markets demonstrated continued strength in the first half of 2017, with US and European loans returning 2.0% and 2.1%, respectively.

The downside of strong demand for loans and limited new money supply is decreasing yields and credit spread compression. Increasing secondary market prices pushed US and European loan market yields (to a three-year expected life) down by 21bp and 88bp, respectively, in the second half of 2016. The three year discount margin ('DM') declined by 120bp to 461bp in the US and 68bp to 522bp in Europe during the same period. As spreads fell, borrowers aggressively pursued opportunities to reduce funding costs. Given loans generally have very limited to no call protection, borrowers can take advantage of market strength to lower borrowing costs by refinancing/repricing their loans at lower credit spreads when market conditions are supportive. Such activity began to increase in the second half of 2016 and accelerated in the first half of 2017. Over 50% of the loans outstanding in each of the US and European loan markets were refinanced/repriced at lower spreads during the 12 months ended June 30, 2017, with the first half of 2017 accounting for the bulk of this activity. Loan DMs consequently narrowed another 19bp to 442bp in the US and 119bp to 403bp in Europe during this period.

Several industry sectors and certain borrowers have failed to perform in line with the market trends noted above. Retail companies are under pressure due to changing consumer buying patterns and continued expansion by companies such as Amazon into new market segments. Independent power producers have suffered from low electricity prices in some major markets and competition from renewable energy providers. Oil and gas exploration and production companies remain subject to volatility in energy markets and concern that commodity prices will be range-bound for the foreseeable future. Investors are quick to exit investments in more aggressively leveraged borrowers that fail to meet market performance expectations. These sectors and companies create pockets of weakness that can negatively impact portfolios with excessive exposure.

These conditions have created challenges for loan investors. Along with tighter credit spreads and lower yields, leverage multiples have crept higher and loan terms have become increasingly borrower friendly. While some investors will reach for yield at the expense of credit quality and participate in issuance by weaker companies, more disciplined investors have had to accept lower returns in order to remain invested in loans of borrowers with acceptable credit quality and be increasingly vigilant to avoid market potholes such as those highlighted above. Despite lower spreads and pockets of increased risk, loan investors continue to see value in attractive loss adjusted returns supported by underlying economic strength, low default rates, modest increases in short term interest rates (at least in the US) and good relative value versus many alternative fixed income markets.

Discussion of Results

Profit for the Year

Profit for the year 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') and real estate ('RE') products, accrued returns on credit management ('CM') exposures and realized changes in the fair value of alternative investment solutions ('AIS') products.

Profit for the year of $120.3 million for FY17 was 34% higher than profit for the year for the prior fiscal year ('FY16'), primarily driven by higher gross operating income that reflects the return on investments being made in resources and infrastructure to support the firm's medium-term strategy for growth in AUM and related fee income. Investcorp's FY17 results represent a return on equity ('ROE') of 12% and fully diluted earnings per share ('EPS') of $1.25 per ordinary share.

Income ($m)	FY17	FY16	% Change B/(W)
Fee income	316.5	307.5	3%
Asset-based income	105.2	76.0	38%
Gross operating income	**421.7**	**383.5**	**10%**
Provisions for impairment	(4.1)	(8.2)	50%
Interest expense	(57.5)	(60.9)	6%
Operating expenses	(239.9)	(224.3)	(7%)
Profit for the year	**120.3**	**90.1**	**34%**
Basic earnings per ordinary share ($)	1.28	0.97	32%
Fully diluted earnings per ordinary share ($)	1.25	0.94	33%

Fee income increased marginally to $316.5 million (FY16: $307.5 million) reflecting continuing strong levels of activity across the business. Asset-based income increased 38% to $105.2 million (FY16: $76.0 million). This was driven by the contribution of the newly acquired credit management business and improved returns in real estate and AIS which had both recorded losses in FY16.

Interest expense decreased by 6% due to a combination of lower commitment fees and lower cost of funding on funded liabilities. Operating expenses increased by 7% to $239.9 million (FY16: $224.3 million) reflecting the expansion of Investcorp's capabilities and the resources required to deliver them.

Fee Income

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

Summary of fees ($m)	FY17	FY16	% Change B/(W)
AIS fees	12.0	9.6	26%
CM fees	15.3	-	100%
Other management fees	108.2	87.8	23%
AUM Fees	**135.5**	**97.4**	**39%**
Activity fees	161.3	169.5	(5%)
Performance fees	19.7	40.6	(52%)
Deal fees	**181.0**	**210.1**	**(14%)**
Fee income	**316.5**	**307.5**	**3%**

Total fee income in FY17 increased to $316.5 million (FY16: $307.5 million). This is the fifth consecutive year where fee income has exceeded $300 million, reflecting the sustainability of Investcorp's client franchise and fee-generating business.

AUM fees were $135.5 million in FY17, 39% higher than FY16. The increase was primarily the result of an increase in management fees from CI and RE investments due to the growth in AUM in these two asset classes over the last year. The growth was also helped by the contribution of the newly acquired CM business.

Deal fees decreased in FY17 to $181.0 million, mainly driven by lower performance fees relative to FY16. Performance fees decreased by 52% relative to FY16 reflecting the lower performance of the underlying CI portfolio. Activity fees decreased by 5% to $161.3 million (FY16: $169.5 million). The decrease reflects the impact of regional and global political and economic factors causing uncertainty and temporarily affecting investor sentiment and the pace of placement in the Gulf, particularly in the first half of the year. The overhang of uncertainty also led to a deliberate slowdown by the Firm in making new investments, particularly in real estate, at the start of the year. However, the pace of new investment activity picked up significantly in the second half of the year.

Asset-based Income

Asset-based income is earned on Investcorp's CI, RE, CM and AIS co-investments held on the balance sheet, including invested liquidity. Asset-based income includes unrealized changes in the fair value of CI and RE co-investments, accrued returns on CM exposures and realized changes in the fair value of AIS co-investments.

Gross asset-based income during FY17 increased by $29.2 million versus FY16 to a net gain of $105.2 million, primarily driven by the strong turnaround of returns generated by RE and AIS and additional returns generated by the newly acquired CM business. The improvement in RE and AIS returns was offset by declines in CI asset-based income from $100.8 million in FY16 to $19.2 million in FY17. Treasury and other asset-based income increased to $13.3 million from higher treasury trading and returns on cash and other liquidity.

Asset-based income ($m)	FY17	FY16	% Change B/(W)
Corporate investment	19.2	100.8	(81%)
Alternative investment solutions	15.8	(27.7)	>100%
Real estate investment	23.4	(1.5)	>100%
Credit management	33.5	-	100%
Treasury and other asset-based income	13.3	4.4	>100%
Gross asset-based income	**105.2**	**76.0**	**38%**

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

CI asset-based income KPIs ($m)	FY17	FY16	% Change B/(W)
Asset-based income	19.2	100.8	(81%)
Average co-investments	561.3	611.0	(8%)
Absolute yield	3.4%	16.5%	(13.1%)

CI asset-based income in FY17 was negatively impacted by two main factors. Returns and exit expectations for investments in the MENA and Turkey region were impacted by the uncertain geopolitical situation and economic softness driven by low oil prices. Investments in the US and Europe generally performed well. However, investments in the retail sector were affected by economic turbulence in that industry.

AIS asset-based income KPIs ($m)	FY17	FY16	% Change B/(W)
Asset-based income	15.8	(27.7)	>100%
Average co-investments	278.3	442.8	(37%)
Absolute yield	5.7%	(6.2%)	11.9%

AIS returns rebounded from a loss in FY16 to deliver 5.7% in FY17. The positive performance was primarily driven by Investcorp's hedge fund partnership investments.

RE asset-based income KPIs ($m)	FY17	FY16	% Change B/(W)
Asset-based income	23.4	(1.5)	>100%
Average co-investments	311.7	271.8	15%
Absolute yield	7.5%	(0.6%)	8.1%

RE asset-based income is primarily driven by rental yields. The higher income in FY17 compared to last year reflects the return made on increased amounts of underwritten investments. RE returns in FY16 were also exceptionally low due to a significant fair value write down in one legacy (pre-2009) asset.

CM asset-based income KPIs ($m)	FY17	FY16	% Change B/(W)
Asset-based income	33.5	-	100%
Average co-investments	279.6	-	100%
Absolute yield	12.0%	-	100%

The newly acquired CM business contributed $33.5 million to asset-based income. The information shown in the table above is for the period from acquisition of the business to the end of FY17 in June 2017. The income primarily represents returns on CLO co-investment exposures, which delivered steady returns during the period, which were supported by active management of the CLO funds by the credit management team.

The table below shows the average yields on balance sheet co-investments for each of the last five fiscal years by asset class.

Asset yields	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**Average (FY13 – FY17)**
Corporate investment	0.0%	2.6%	6.8%	16.5%	3.4%	5.9%
Alternative Investment Solutions	6.6%	7.2%	2.0%	(6.2%)	5.7%	3.1%
Real estate investment	0.1%	(3.6%)	5.5%	(0.6%)	7.5%	1.7%
Credit management	-	-	-	-	12.0%	12.0%
Average co-investment yield	1.6%	2.9%	5.0%	5.4%	6.4%	4.3%

Interest Expense

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 6% to $57.5 million in FY17 from $60.9 million in FY16. The decrease was due to a combination of lower commitment fee and lower cost of funding on funded liabilities, as shown in the table below.

Interest expense ($m)	**FY17**	**FY16**	**Change H/(L)**
Total interest expense	**57.5**	**60.9**	**(3.5)**
Average short-term interest-bearing liabilities	597.9	505.1	92.8
Average medium- and long-term interest-bearing liabilities	821.5	801.3	20.2
Average interest-bearing liabilities	1,419.4	1,306.4	113.0
Interest expense on funded liabilities[(a)]	50.6	51.5	(0.9)
Average cost of funding on funded liabilities	3.56%	3.94%	(0.38%)

(a) Does not include commitment fee and other facility costs on undrawn revolvers.

Operating Expenses

Operating expenses increased by 7% to $239.9 million in FY17 from $224.3 million in FY16. The increase generally reflects the ongoing expansion of Investcorp's capabilities and the investment in resources required for this growth. Staff compensation, which includes fixed and variable components, increased by 4%. This was primarily due to an 18% increase in global headcount across the Gulf, Europe and the US. Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment increased by 11%. Despite the increase in expenses, total expenses, as a percentage of net revenues, improved to 67% in FY17 from 71% in FY16, reflecting the enhanced profitability of the Firm.

Operating expenses ($m)	FY17	FY16	Change H/(L)
Staff compensation	150.2	143.8	6.3
Other personnel costs and charges	10.5	8.1	2.5
Other operating expenses	79.1	72.4	6.8
Total operating expenses	**239.9**	**224.3**	**15.6**
Full time employees ('FTE') at end of period	388	328	60
Staff compensation per FTE ('000)	387.1	438.5	(12%)
Other operating expenses per FTE ('000)	204.0	220.6	(8%)
Total staff compensation / total operating expenses	63%	64%	(2%)
Operating expenses / Net revenue[a]	67%	71%	(5%)

(a) Net revenue represents profit for the year before operating expenses

Balance Sheet

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	Jun-17	Jun-16
Total assets	$2.7 billion	$2.5 billion
Leverage[a]	1.3x	1.5x
Net leverage ratio[b]	0.4x	0.6x
Shareholders' equity	$1.1 billion	$1.0 billion
Co-investments[c] / long-term capital[d]	0.7x	0.6x
Capital adequacy ratio	31.7%	30.3%
Residual maturity – medium- and long-term facilities	66 months	75 months

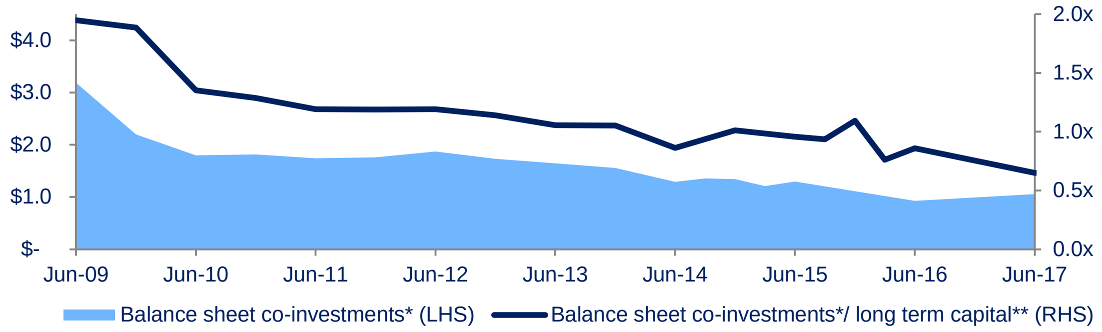
(a) Calculated in accordance with bond covenants.
(b) Calculated in accordance with bank loan covenants and is net of liquidity, underwriting and deferred fees.
(c) Excludes underwriting and is net of revolving facilities secured against alternative investment solutions co-investments.
(d) JPY 37 billion debt maturing in 2030 and $50 million debt maturing in 2032, deferred fees and total equity.

Assets

Assets ($m)	Jun-17	Jun-16	Change H/(L)
Cash and other liquid assets	562	425	136
CI, RE and AIS underwriting	460	493	(33)
ICM co-investments	259	-	259
AIS co-investments	236	316	(80)
CI and RE co-investments	618	707	(89)
Other (working capital and fixed assets)	521	555	(35)
Total assets	**2,656**	**2,497**	**159**
Co-investment assets (excluding underwriting)	**1,113**	**1,023**	**90**

At June 30 2017, total assets were $2.7 billion, 6% higher than at June 30, 2016. Total co-investments increased by $90 million to $1.1 billion, primarily driven by $259 million of new co-investments recorded on acquisition of the credit management business, which was partially offset by a decrease in CI, RE and AIS co-investments. The decrease in CI, RE and AIS co-investments reflects realizations and redemptions net of new acquisitions. As at June 30, 2017, gross co-investments in AIS were $236 million of which $14 million was utilized to secure amounts drawn under a bi-lateral revolving facility.

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



* Excludes underwriting and is net of the amount of a bilateral revolving facility (which is secured against AIS co-investments when drawn)
** Long-term capital consists of JPY 37 billion debt maturing in 2030, $50 million debt maturing in 2032, total equity and deferred fees

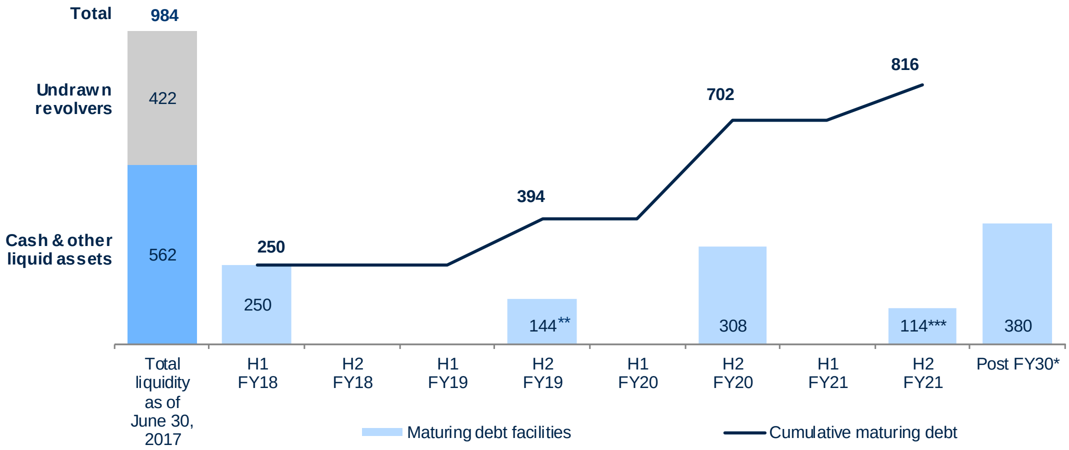
Investcorp focuses on maintaining a co-investment to long-term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. As at June 30, 2017 the aggregate level of co-investments net of a $14 million[4] revolving credit facility secured against AIS co-investments remained fully covered by permanent and long-term sources of capital.

4 The secured revolving facility has a contractual size of $175 million. As of June 30, 2017, based on the amount of eligible collateral, the effective available facility size was $14 million.

Liquidity

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was $984 million (June 30, 2016: $854 million) and substantially covers all outstanding medium-term debt maturing over the next three years.

Liquidity cover ($m)



* JPY 37 billion ($330 million at current exchange rates) debt maturing in 2030 and $50 million maturing in 2032

** CHF 125 million ($130 million at current exchange rates) plus drawn secured bi-lateral revolving facility

*** Syndicated undrawn revolving facilities

Liabilities

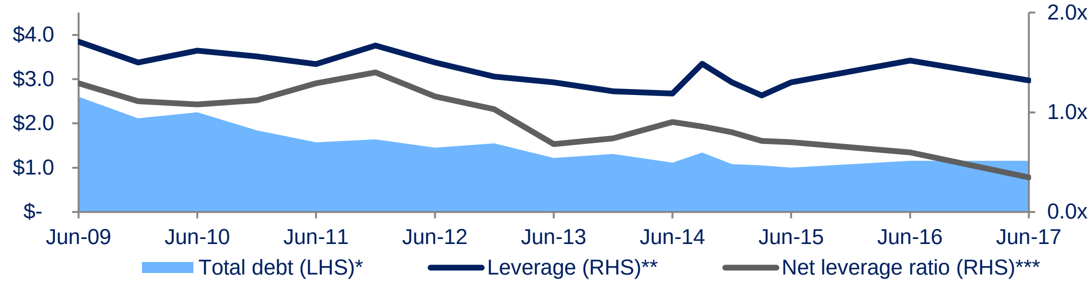
Total liabilities increased by $31 million to $1.5 billion at June 30, 2017.

Liabilities ($m)	Jun-17	Jun-16	Change H/(L)
Term and institutional accounts	185	124	61
Call accounts	249	130	119
Medium-term debt	382	403	(21)
Long-term debt	410	479	(69)
Total debt	**1,225**	**1,136**	**89**
Deferred fees	87	93	(6)
Other liabilities[(a)]	199	251	(52)
Total liabilities	**1,511**	**1,480**	**31**

(a) Payables and accrued expenses and negative fair value of derivatives.

The decrease in medium-term debt was primarily due to repayment of drawn revolvers. The decrease in long-term debt, the majority of which is denominated in Japanese Yen, was primarily due to the depreciation of the Yen against the US Dollar. Currency translation risks are fully hedged, and hence there is no material impact on profit for the year from this or other exchange rate movements.

Financial leverage



* Total debt is defined as call accounts, term and institutional accounts, 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, underwriting and deferred fees

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 of liabilities on the balance sheet, and has remained low in line with Investcorp's medium-term objectives to maintain comfortable covenant headroom.

Net leverage, as defined in the four-year syndicated revolving credit facility, is calculated by deducting cash, underwriting balances and deferred fees (arising from the introduction of IFRS 15) from liabilities.

Credit Ratings

Investcorp held its annual rating review with both Moody's and Fitch in October. Moody's reaffirmed the Ba2 rating and maintained a Negative outlook. The semi-annual credit opinion released in May 2017 did not change Moody's rating and outlook on Investcorp. Following the yearly review, Fitch Ratings re-affirmed Investcorp's credit ratings at BB in November 2016 and upgraded the outlook to 'positive' from 'stable'.

Agency	**Rating grade**	**Comment**
Moody's Investor Service	Ba2 / Negative outlook	Rating confirmed in published Semi Annual Credit Opinion in May 2017
Fitch Ratings	BB / Positive Outlook	Rating confirmed and outlook upgraded to Positive in Nov 2016

Equity

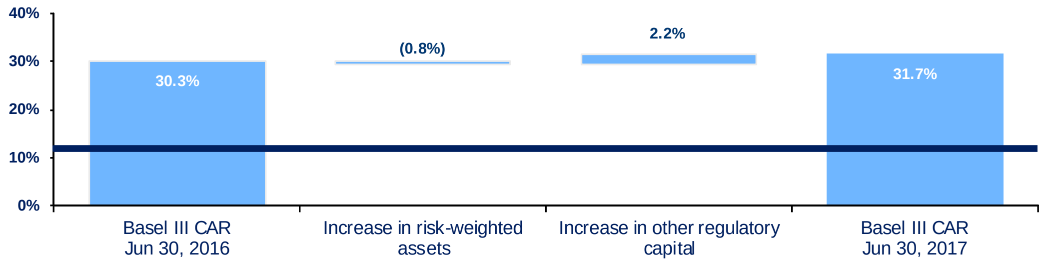
Equity ($m)	Jun-17	Jun-16	Change H/(L)
Ordinary shareholders' equity	884	750	134
Preference share capital	223	223	-
Proposed appropriations	44	45	(1)
Fair value and revaluation adjustments	(6)	(1)	(5)
Net book equity	**1,145**	**1,017**	**128**

Net equity at June 30, 2017 was $1.1 billion. The increase in FY17 primarily relates to an increase in retained earnings from profit for the year. Book value per ordinary share as of June 30, 2017 was $11.10 (FY16: $10.15).

Capital Adequacy

Investcorp's capital adequacy ratio ('CAR') at June 30, 2017 was 31.7% (June 30, 2016: 30.3%), reflecting an increase in risk-weighted assets offset by an increase in regulatory capital. The CAR is comfortably in excess of the Central Bank of Bahrain's ('CBB') regulatory minimum requirement of 12.5%.

Regulatory capital adequacy ratio (CAR)



The CBB has designated Investcorp as a Domestic Systemically Important Bank ('DSiB'). As a result of this designation, Investcorp is 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 satisfy a higher minimum regulatory capital threshold.

Shareholder Base

At June 30, 2017, Investcorp remains a management-controlled company, with management, in concert with strategic shareholders, controlling the voting of 50.4% of Investcorp's ordinary shares and 49.6 % of the ordinary shares is split between owners holding 49.5% in ordinary shares on the Bahrain Bourse, and 0.1% of beneficial ownership through unlisted GDRs.

Investment Activity

New Acquisitions: Corporate Investment

Investcorp targets the acquisition of attractive corporate investment opportunities in North America, Europe, the Gulf region, and Turkey. In addition, it continues to support its existing portfolio companies to increase their 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.

The aggregate capital deployed in corporate investments during FY17 was $623 million. $604 million was deployed across five new corporate investments and two new add-ons, $17 million was invested through Investcorp's fourth technology fund in two new investments, and $3 million of additional capital was invested in an existing portfolio company. In addition, Investcorp completed the acquisition of Al Borg Medical Laboratories which was signed in June 2016 and included in FY16 equity deployment but was only publicly announced upon completion of the acquisition in November 2016.

Arrowhead

A market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles.

Date of Investment	**October 2016**
Investors	**Deal-by-deal**
Industry Sector	**Industrial services – supply change services**
Headquarters	**Minnesota, US**

Al Borg Medical Laboratories*

A leading private laboratory network in the GCC.

Date of Investment	**November 2016**
Investors	**Deal-by-deal**
Industry Sector	**Healthcare**
Headquarters	**Jeddah, Saudi Arabia**

**Capital deployed in FY16.*

Calligo

A fast-growing provider of cloud solutions.

Date of Investment	**November 2016**
Investors	**Technology fund**
Industry Sector	**Technology – big data**
Headquarters	**St Helier, Jersey**

Agromillora

The leading global developer of high yielding plants and trees.

Date of Investment	December 2016
Investors	Deal-by-deal
Industry Sector	Consumer products
Headquarters	Barcelona, Spain

AlixPartners

A leading global business advisory firm.

Date of Investment	January 2017
Investors	Deal-by-deal
Industry Sector	Business services – knowledge & professional services
Headquarters	New York, US

Ageras

A fast-growing online marketplace for professional services.

Date of Investment	March 2017
Investors	Technology fund
Industry Sector	Technology – internet/mobility
Headquarters	Copenhagen, Denmark

PRO Unlimited

A leading provider of software and services that enable large enterprises to more effectively manage their contingent workforce.

Date of Investment	May 2017
Investors	Deal-by-deal
Industry Sector	Business services – tech enabled services
Headquarters	Florida, US

ABAX

An international market leader in the development and supply of vehicle and fleet tracking systems technology.

Date of Investment	June 2017
Investors	Deal-by-deal
Industry Sector	Business services – technology enabled services
Headquarters	Larvik, Norway

Other corporate investment activity

A number of Investcorp's corporate investment portfolio companies made add-on acquisitions to increase value as part of their business plans. Such add-on acquisitions enable the companies to increase revenues, for example by developing market share, by entering new markets and geographies, or by extending services or product ranges.

July 2016: CI Europe portfolio company **SecureLink** acquired **Nebulas**, the UK's largest independent cybersecurity service provider. Founded in 2001, Nebulas provides a broad range of IT security products and services to predominantly mid to large enterprises in the UK. Combined with the acquisition of Scandinavia's Coresec in June, SecureLink and Nebulas will operate across six countries in Europe and employ over 530 members of staff.

December 2016: CI North America portfolio company **Arrowhead** acquired **Stens**, a distributor of aftermarket replacement parts to the outdoor power equipment, golf, and industrial end markets. Based in Indiana, Stens' offerings include non-discretionary, high-wear parts, including engine components, blades, chains, belts, and electrical components for use in mowers, chainsaws, snow blowers, trimmers, and other applications.

May 2017: Recently, Investcorp has implemented additional initiatives to address the challenges facing **Totes**. These initiatives include significant updates at the senior management team, enhancing the go-to-market strategy, and improvements to the cost structure. Additionally, Investcorp provided additional capital in June 2017 to support the incoming senior management team and facilitate the growth initiatives implemented.

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

September 2016: CI North America portfolio company **TelePacific** received regulatory approval to close the acquisition of **DSCI** that was announced in March 2016. The addition of DSCI, a leading provider of managed services in the Northeast of the US, is a significant milestone in TelePacific's successful transformation from a market-leading regional business telecommunications provider to a major player in the rapidly consolidating and evolving managed services universe. TelePacific will now have more than 50% of its business in the managed services segment and a complete set of products that can be deployed nationwide.

January 2017: **Arrowhead** made a second acquisition with **J&N Electric** as part of the company's growth strategy to consolidate its market share. A family-owned business based in Cincinnati, J&N distributes mission critical aftermarket replacement rotating electrical parts and accessories to over 4,000 domestic and international customers.

January 2017: CI North America portfolio company **Wrench** signed an agreement to acquire **Baker Brothers Rotovision, Inc.** ('Baker'), a leading Dallas-based residential heating, ventilation and air conditioning ('HVAC') and plumbing service provider. Baker was identified early in Wrench's initial 180-day plan as an acquisition target given the firm's strong brand reputation and financial performance.

March 2017: CI Europe portfolio company **SecureLink** announced an agreement to acquire **iT-Cube,** Germany's leading cybersecurity and managed security services provider. Headquartered in Munich, iT-Cube Systems successfully operates as a full service provider for IT security for more than 15 years in the DACH (Germany, Austria, Switzerland) region. With over 70 employees, including highly qualified strategy consultants, technology experts and security analysts at designing, developing, implementing and managing leading cybersecurity solutions, the company is trusted by an extensive range of loyal, high-caliber clients including well-known corporations.

March 2017: CI MENA portfolio company **NDTCCS** announced the add-on acquisition of a majority stake in **Hi-Tech Inspection Services LLC** ('Hi-Tech'). Established in 1996, Hi-Tech offers a complete range of non-destructive testing, post-weld heat treatment and specialized inspection services to clients in Oman engaged in the oil and gas, manufacturing and construction sectors. Hi-Tech employs over 600 specialized technicians and has an estimated market share of over 35% in Oman.

May 2017: Veco, a division of CI Europe portfolio company **SPGPrints,** announced the acquisition of **Reith Laser**, a specialist Micro Machining Laser Company that supplies precision components into high-tech industrial customers.

May 2017: **Arrowhead**, along with The Riverside Company, added **Interparts** to its platform. Based in New York, Interparts distributes branded aftermarket replacement products for the powersports, industrial and automotive aftermarkets. Interparts' primary product lines include axles, joints and components, which all require frequent replacement and repair throughout the lifecycle of a vehicle.

New Acquisitions: Real Estate

Investcorp focuses on the acquisition of existing core and core-plus commercial and residential real estate assets situated in many of the 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 FY17 was $533 million.

2016 Residential Properties Portfolio

Shari'ah compliant equity ownership interests in a student housing portfolio in Tampa, Florida (4050 Lofts*), a student housing portfolio in Indianapolis, Indiana (The Avenue*), three student housing communities and three apartment complexes in Raleigh, North Carolina (Raleigh Student Housing Portfolio* and Raleigh Multifamily Portfolio), an apartment complex in Phoenix, Arizona (Villa Blanco*) and an apartment complex in Nashville, Tennessee (Arbors of Brentwood).

*signed and purchased in FY16

Number of properties	**10**

Boston & Denver Commercial Portfolio

Shari'ah compliant equity ownership interests in four office and laboratory buildings in Cambridge, Massachusetts (Blackstone Science Square), four industrial/warehouse buildings in Boston, Massachusetts (Boston Metro Industrial Portfolio), two office buildings in Denver, Colorado (Centerpoint I & II*), seven office/flex buildings in Centennial, Colorado (Arapahoe Business Park*) and three office/flex buildings in Englewood, Colorado (345 Inverness*).

*signed and purchased in FY16

Number of properties	**20**

New York & California Multifamily Portfolio

Shari'ah compliant equity ownership interests in a 795-unit, town-home style, apartment complex in Bellport, New York (Atlantic Point) and a 556-unit, garden style, apartment complex in Grand Terrace, California (Highlands Apartment Homes).

Number of properties	**2**

Villas at Green Valley

Shari'ah compliant equity ownership interest in Villas at Green Valley, a 609-unit, garden style, apartment complex in Henderson, Nevada.

Number of properties	**1**

Chicago & Boston Industrial Portfolio

Shari'ah compliant equity ownership interests in three refrigerated warehouse/logistics properties in Chicago, Illinois and a two warehouse/logistics properties and a one flex property in Boston, Massachusetts.

Number of properties	**6**

In Europe, two industrial properties have been acquired in the north east of England. A maiden investment for the recently-formed RE Europe team, these two properties will be combined with subsequent UK industrial acquisitions to form a UK industrial portfolio that will be placed in FY18.

Eight additional properties were acquired in the US during the second half of FY17. These properties will form part of two new portfolios to be placed in FY18.

Credit Management

Collateralized Loan Obligations ('CLOs')

In the four-month period from the transaction close, in March 2017, to the end of the fiscal year in June 2017, a total of $932 million of investments related to the issuance of new CLOs were made. The team in Europe closed a new CLO, Harvest XVII, at €408 million. In addition, the US team also priced a new US CLO, Jamestown X, a $612 million deal, which was upsized from the initial target of $500 million due to strong demand throughout the capital structure. This US deal closed on July 12, 2017. A total of $467 million had been invested before the end of the fiscal year and is included in the investment activity for FY17.

During this period, ICM's European team have also worked upon two resets. An existing CLO, Harvest VII (originally priced in August 2013), was reset in March. The reset of the rated notes (€280 million) took effect in April. In June, Harvest XI (originally issued in March 2015) was also reset. The original equity tranche of €46 million remains unchanged, with the new liabilities taking the total size of the deal to €414 million. The reset option on a CLO is similar to an 'amend and extend' option on a loan; the underlying loans in the fund remain in place and the original rated notes are repaid and new notes issued. A new structure is put in place for the new notes that will be issued that allows the CLO manager to extend the life of the deal and reinvestment period, change and update terms in the fund documents and extend the period for which management fees will be generated.

Meanwhile, in the US, Jamestown V (originally priced in December 2014) was refinanced in March. The refinancing of $327 million of notes closed in April. Finally, in May, the refinancing of $407 million notes for Jamestown III closed.

Realizations & Distributions

Total realization proceeds and other distributions to Investcorp and its clients were $3.4 billion in FY17.

Corporate Investment Realizations

Total corporate investment realization proceeds and other distributions to Investcorp and its clients were $1.9 billion in FY17.

Polyconcept

The world's leading value-added supplier of promotional products.

Date of Investment	June 2005
Date of Realization	August 2016
Investors	Deal-by-deal
Industry Sector	Industrial products

Tyrrells

A leading manufacturer of premium hand-cooked potato crisps and other snacks.

Date of Investment	August 2013
Date of Realization	September 2016
Investors	Deal-by-deal
Industry Sector	Consumer products – retail

Optiv

The largest holistic pure-play cyber security solutions provider in North America.

Date of Investment	November 2012*
Date of Realization	February 2017
Investors	Deal-by-deal
Industry Sector	Technology – security

** Original investment in FishNet.*

Randall-Reilly

A leading diversified business-to-business media and data company focused on the trucking, infrastructure-oriented construction and industrial end markets in the US.

Date of Investment	February 2008
Date of Realization	June 2017
Investors	Deal-by-deal
Industry Sector	Business services

PRO Unlimited

A leading software-enabled services company for the staffing and management of skilled professionals

Date of Investment	October 2014
Date of Realization	May 2017
Investors	Deal-by-deal
Industry Sector	Business services – Tech enabled services

In July, Investcorp agreed to sell **Polyconcept** to an affiliate of Charlesbank Capital Partners, LLC, a middle-market private equity firm. Investcorp worked closely with senior management to transform the business into the global leader that it is today, supporting a series of strategic acquisitions and realizing success through expanding into new markets, launching new product categories, building out a key digital presence and implementing significant operational enhancements. During the 2008 global recession, the company was significantly affected with EBITDA falling over 40%. While the North American business rebounded, the European business continued to struggle due to the prolonged economic slump in Europe. In 2012, Investcorp brought in a new senior management team to turn around the ailing European business, reduce costs, and mirror the North American go-to-market strategy. As a result of these actions, the European operations were stabilized and returned to growth in 2014.

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

In February 2017, Investcorp, together with co-investment partners Blackstone and Sverica, completed the sale of **Optiv Security** to KKR. Investcorp originally invested in Optiv through the acquisition of FishNet Security in November 2011. During the hold period Investcorp completed four acquisitions and merged with Accuvant (the second largest player in the industry and a Blackstone portfolio company). As a result, with the merger, over the four year period revenues and EBITDA tripled and Investcorp created one of the largest pure-play cyber security services providers.

In October 2014, Investcorp first invested in **PRO Unlimited**. In April 2017, it had signed a definitive agreement to sell to Harvest Partners. However, it had re-invested in the company alongside Harvest Partners and will continue to have a significant minority stake with meaningful influence.

In June 2017, Investcorp completed the sale of **Randall-Reilly** to Aurora Capital Partners. Due to the recession shortly after Investcorp's acquisition in 2008, Investcorp and its clients invested additional equity in Randall-Reilly to reduce debt and provide covenant relief. With this capital infusion and Investcorp's help over the hold period, the company successfully transformed from its legacy print business to an industry-leading B2B data and data-driven digital marketing solutions firm focused on the trucking, construction, agriculture and select other industrial end markets.

In July 2017, Investcorp signed a definitive agreement to sell **Esmalglass,** a leading global producer of ceramic colors and glazes, to private equity firm Lone Star Fund X. Under Investcorp's ownership, EBITDA was doubled, with strong organic growth in the color business complemented by the company's acquisition of Fritta in 2015, which enabled Esmalglass to strengthen its position in the glazes market. Throughout this period, Esmalglass has also become a market leader in ceramic digital solutions – such as inkjet inks, digital effects and digital glazes – which have revolutionized the ceramic tile industry. The sale is subject to regulatory approval and is expected to close in H1 FY18.

Other Transactional Activities

August 2016: The sale of **CSIdentity**, a Technology Fund III investment, to Experian was completed in August. CSIdentity is a market leading provider of enterprise level identity theft protection technology solutions to businesses and government agencies.

December 2016: In December, CI North America portfolio company **PRO Unlimited,** via an amendment to its existing debt facility, paid a dividend to its shareholders. The newly revised facility will support the company's continued strong growth, while also at a reduced interest rate. This represents the second dividend recapitalization of the company since Investcorp's acquisition in October 2014.

January 2017: Investcorp fully monetized its remaining stake in the CI Europe portfolio company **Welcome Break**. As a result of a successful refinancing, the company redeemed its outstanding PIK note that had been accruing at a 16.25% rate for the past four years. Wecome Break is one of the UK's leading independent motorway service operators with 27 sites across the UK attracting approximately 85 million motorway customers annually. Under a newly hired management team, a significant number of operational initiatives were launched to improve the profitability of the business.

April 2017: CI North America portfolio company **AlixPartners** announced it has successfully upsized its term loan to pay a $295 million distribution to investors. The transaction will refinance AlixPartners' current debt outstanding with a new seven-year term loan.

June 2017: CI Europe portfolio company **SPGPrints** announced it has successfully refinanced its debt facilities enabling the company to distribute $75 million of proceeds to its shareholders, representing approximately 80% of the original invested equity value.

Real Estate Realizations

Total real estate realization proceeds and other distributions to Investcorp and its clients were $300 million in FY17.

Five portfolios were fully realized in FY17 with the sale of the Park Tower property from **Diversified X** (the other two properties, Bethesda Health Center and Ashford Apartments, were sold in 2013), the sale of Bala Sands and Bay Pointe properties from **Southeast Multifamily** (the other two properties, Citrus Park and Pineville, were sold in April 2016), the sale of Eagle Crest, University Estates and University Village properties from **2013 Residential** (the other properties, Chicago Multifamily portfolio, were sold in January 2016), the sale of Keystone Office Park Portfolio and Duke Bridges III from **2012 Office** (the other property, Broadreach Mezzanine Loan was sold in November 2015), and the sale of Cottages of Cypresswood, Green Tree Place and Westborough Crossing from **Houston Multifamily.**

A complete list of real estate properties realized in FY17 can be found below.

Flagler Center*

The industrial portion of the 1.35 million-square foot portfolio.

Date of Investment	August 2014
Date of Partial Realization	August 2016
Portfolio Name	2014 Office & Industrial Properties
Location	Jacksonville, Florida

**The remaining portion of the Flagler Center portfolio consists of over 1.0 million square feet in nine office and flex buildings.*

Park Tower

A 119,287-square foot office building.

Date of Investment	October 2011
Date of Realization	August 2016
Portfolio Name	Diversified X
Location	Long Beach, California

Duke Bridges III

A 160,263-square foot office building.

Date of Investment	October 2012
Date of Realization	August 2016
Portfolio Name	2012 Office Properties
Location	Dallas, Texas

Bala Sands

A 298-unit multifamily property.

Date of Investment	**November 2013**
Date of Realization	**September 2016**
Portfolio Name	**Southeast Multifamily**
Location	**Orlando, Florida**

Arundel Mills Mezzanine Loan

A 250-key dual-branded hotel property.

Date of Investment	**December 2011**
Date of Realization	**September 2016**
Portfolio Name	**Southland and Arundel Mezz Portfolio**
Location	**Arundel Mills, Maryland**

Eagle Crest

A 624-unit multifamily property.

Date of Investment	**October 2013**
Date of Realization	**September 2016**
Portfolio Name	**2013 Residential**
Location	**Las Vegas, Nevada**

Bay Pointe

A 368-unit multifamily property.

Date of Investment	**November 2013**
Date of Realization	**October 2016**
Portfolio Name	**Southeast Multifamily**
Location	**Tampa, Florida**

University Villages

A 348-unit student housing apartment complex.

Date of Investment	**August 2013**
Date of Realization	**November 2016**
Portfolio Name	**2013 Residential**
Location	**Austin, Texas**

University Estates

A 498-unit student housing apartment complex.

Date of Investment	**July 2013**
Date of Realization	**November 2016**
Portfolio Name	**2013 Residential**
Location	**Austin, Texas**

The Shops at Tech Ridge

A 332,845-square foot shopping center.

Date of Investment	**February 2011**
Date of Realization	**December 2016**
Portfolio Name	**Commercial VI**
Location	**Austin, Texas**

Keystone Office Park

A 285,874-square foot three-building portfolio.

Date of Investment	**September 2012**
Date of Realization	**March 2017**
Portfolio Name	**2012 Office**
Location	**Raleigh, North Carolina**

Stone Mountain Industrial Portfolio*

A 24,833-square foot industrial building in the Stone Mountain Industrial Park.

Date of Investment	**December 2015**
Date of Partial Realization	**March 2017**
Portfolio Name	**2015 Office & Industrial Properties**
Location	**Atlanta, Georgia**

**The remaining portion of the Stone Mountain Industrial portfolio consists of over 4.1 million square feet in 68 buildings.*

Cottages of Cypresswood

A 136-unit multifamily property.

Date of Investment	**June 2014**
Date of Realization	**June 2017**
Portfolio Name	**Houston Multifamily**
Location	**Houston, Texas**

Green Tree Place

A 212-unit multifamily property.

Date of Investment	**June 2014**
Date of Realization	**June 2017**
Portfolio Name	**Houston Multifamily**
Location	**Houston, Texas**

Westborough Crossing

A 271-unit multifamily property.

Date of Investment	**June 2014**
Date of Realization	**June 2017**
Portfolio Name	**Houston Multifamily**
Location	**Houston, Texas**

Other Realizations and Distributions

Investcorp's Special Opportunities Portfolio III made a final distribution to investors in January 2017. Special Opportunities Portfolio IV made distributions in January, April and June 2017. Special Opportunities Portfolio VI made distributions in July 2016, October 2016, January 2017, April 2017 and June 2017. A total of $14 million of distributions to Investcorp and its investors was made across all Special Opportunities Portfolios.

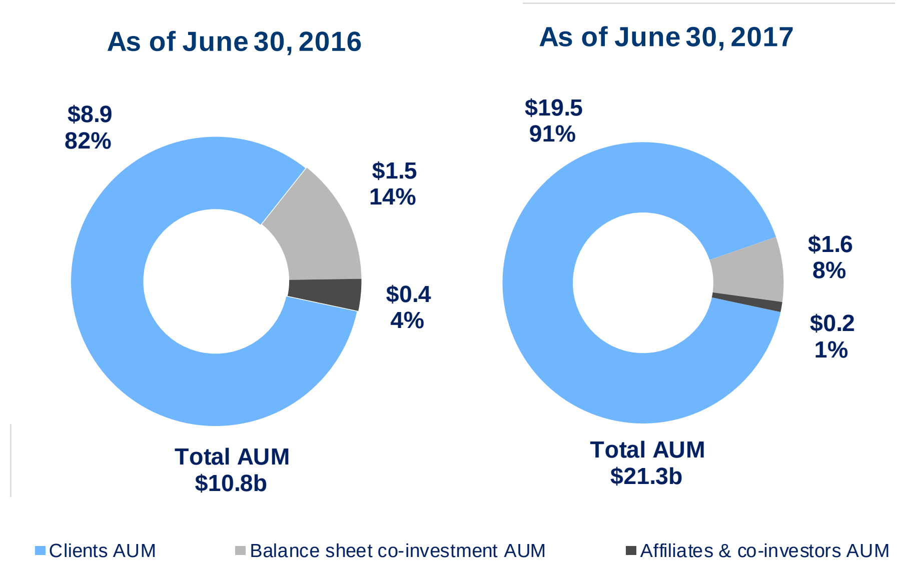
In addition, the newly acquired credit management business returned a total of $1.2 billion to Investcorp and its investors through realizations and other distributions from the CLOs managed by the team.

AUM & Fundraising

Assets under management ('AUM')[5]

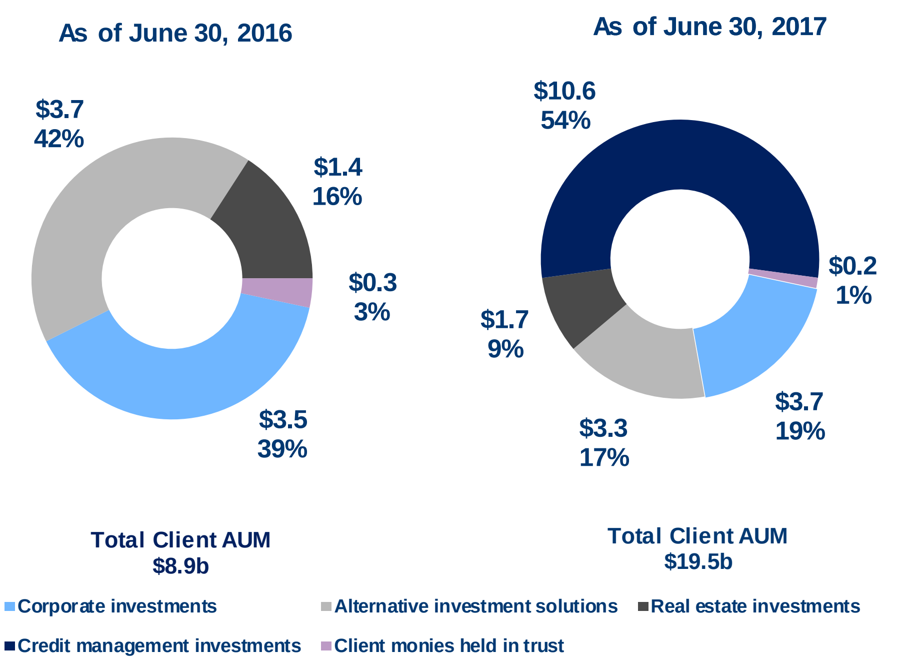
Please refer to the table in Note 3 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management ($b)



Total AUM nearly doubled to $ 21.3 billion at June 30, 2017 from $10.8 billion at June 30, 2016, largely due to the addition of $10.8 billion of AUM from the credit management business acquired in FY17.

Total client assets under management ($b)



5 Includes $2.0 billion (June 30, 2016: $2.5 billion) of hedge fund partnerships (including exposure in multi-manager solution), managed by third-party managers and assets subject to a non-discretionary advisory mandate, where Investcorp receives fees calculated on the basis of AUM.

Total client AUM more than doubled to $19.5 billion at June 30, 2017 from $8.9 billion at June 30, 2016. The increase was primarily driven by $10.6 billion of AUM added following the acquisition of the credit management business during the year. Real estate and corporate investments AUM also increased by 24% and 5% respectively, which was offset by a 12% decrease in AIS AUM.

Credit management is now the dominant asset class in client AUM with 54% of the total. With the increase in corporate investment AUM and the decline in AIS AUM over the last year, corporate investment client AUM is now the next largest asset class (19%), closely followed by AIS (17%). Corporate investment client AUM in deal-by-deal products increased marginally by 2%, to $2.73 billion (June 30, 2016: $2.68 billion). This increase reflected strong new deal placement activity offset by distributions from exits during the year, which included PRO Unlimited, Randall Reilly, Polyconcept and Tyrrells. Overall, corporate investment AUM increased by 5% driven by new fund raising for Investcorp's Technology Fund IV. The decline in AIS client AUM reflects funded new subscriptions during the year of $538 million offset by redemptions net of performance of $965 million.

Key AUM metrics (by asset class)

Corporate investment ($m)	Jun-17	Jun-16	% Change B/(W)
Client AUM			
Closed-end invested funds	944	821	15%
Deal-by-deal investments	2,728	2,671	2%
Total client AUM – at period end	**3,672**	**3,492**	**5%**
Average client AUM	3,583	3,583	-

Real estate investment ($m)	Jun-17	Jun-16	% Change B/(W)
Client AUM			
Closed-end funds (Mezzanine/debt)	33	33	-
Deal-by-deal investments	1,716	1,373	25%
Total client AUM – at period end	**1,749**	**1,406**	**24%**
Average client AUM	1,577	1,347	17%

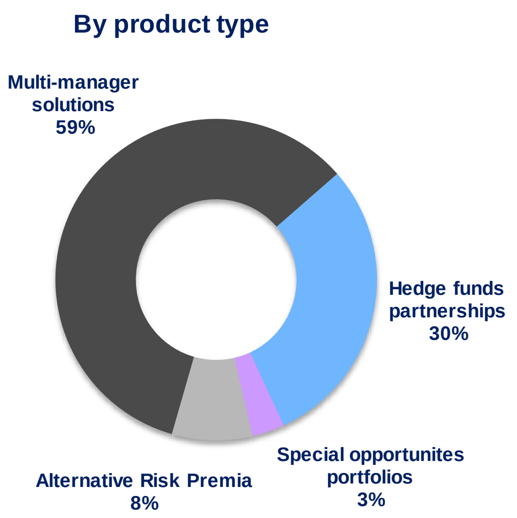
Credit management ($m)	Jun-17	Jun-16	% Change B/(W)
Client AUM			
Closed-end invested funds	10,186	-	100%
Open-end invested funds	398	-	100%
Total client AUM – at period end	**10,584**	**-**	**100%**
Average client AUM[6]	10,744	-	100%

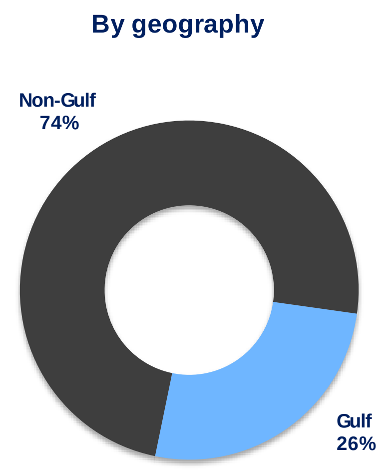
6 Period from closing of the acquisition in March 2017 to June 2017.

Alternative investment solutions ($m)	Jun-17	Jun-16	% Change B/(W)
Client AUM			
Multi-manager solutions	1,927	1,947	(1%)
Hedge funds partnerships	962	1,441	(33%)
Special opportunities portfolios	107	97	10%
Alternative Risk Premia	263	200	32%
Total client AUM – at period end	**3,259**	**3,685**	**(12%)**
Average total client AUM	3,472	3,639	(5%)

At June 30, 2017, AIS AUM in total was $3.5 billion, of which $3.3 billion represented client assets and $0.2 billion represented Investcorp's balance sheet co-investment.

Alternative investment solutions client assets under management





As at June 30, 2017, 74% of client assets in AIS were from US and Asian institutional investors with the balance held by Gulf private and institutional investors. During the fiscal year, special opportunities portfolios and alternative risk premia investments experienced net inflows while hedge fund partnerships AUM declined. Client AUM for multi-manager solutions was flat over the year. At June 30, 2017, substantially all of AIS 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.

Fundraising

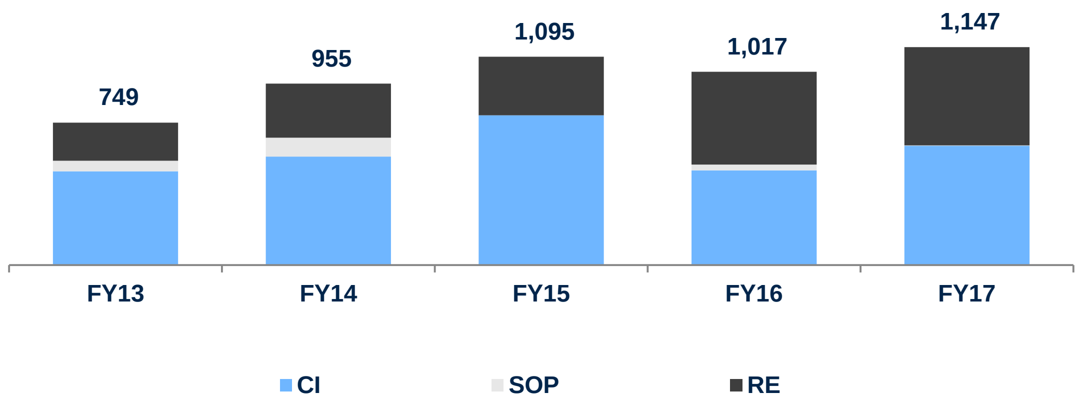
Investcorp's history, commitment and track record in the GCC region means it is trusted by Gulf investors to provide them with unique and non-traditional investment opportunities and services that are suitable for their risk return preferences. Investcorp is committed to ensuring its clients receive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

During FY17, strong fundraising momentum in Investcorp's core Gulf markets continued, driven by continued client appetite for attractive alternative investments. Total deal-by-deal fundraising in the Gulf was at an all time record of $1.1 billion and also marked the third year in a row that Investcorp has crossed the significant threshold of $1 billion raised from Gulf investors.

Corporate investment placement was $628 million, a 26% increase over $499 million placed in FY16. Placement in FY17 included an additional offering in SecureLink, relating to the acquisitions of Coresec in June 2016 and Nebulas in July 2016 (placed with existing investors in SecureLink and new investors); new offerings for Al Borg Medical Laboratories, Agromillora, Arrowhead, and AlixPartners; and a rollover minority investment offering in PRO Unlimited following the sale of the majority stake in May 2017 (placed with existing investors in PRO Unlimited and new investors).

Real estate placement, across five new portfolios and one single-property club deal, was $518 million, a 6% increase over $488 million placed in FY16.

Total deal-by-deal placement ($m)



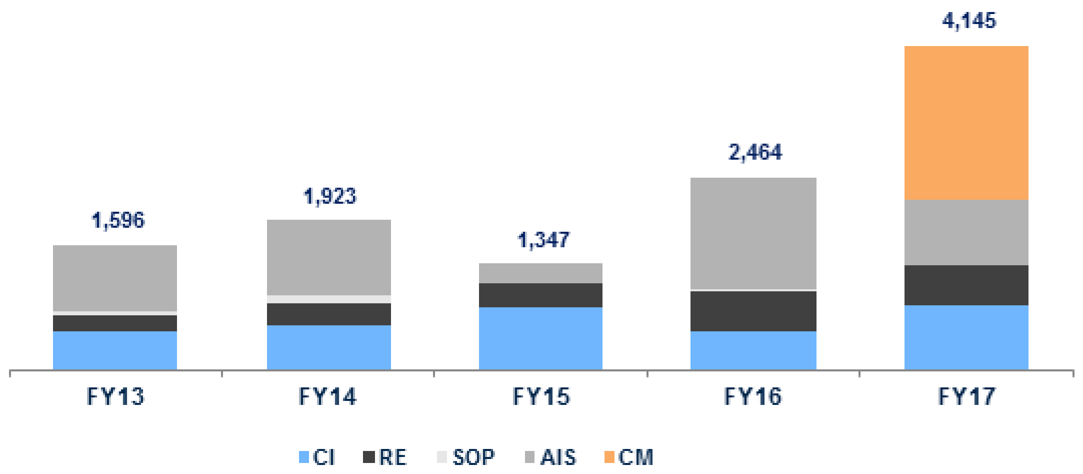
Investcorp’s fourth technology fund, established to invest in European lower middle-market tech-enabled companies, was launched in September 2016 with a first close in November. The fund builds on the successes of the first three funds that have seen Investcorp develop a strong reputation as a leading technology investor. A total of $191 million was raised from Gulf-based investors in FY17.

As outlined in more detail in the Investment Activity section, ICM continues to be a strong issuer of CLOs in both the US and in Europe; between the transaction close date and the end of the financial year, one CLO was issued and four CLOs were refinanced or reset, for a total value of $1.9 billion.

The AUM for the two open ended senior secured loan funds, the ICM Senior Loan Fund and the ICM Global Floating Rate Loan Fund, also remained stable and investors proved receptive and encouraged by the move to Investcorp. A total of $32 million in new subscriptions was raised in the period.

Total new subscriptions for AIS products in FY17 amounted to $538 million. An additional $300 million mandate was signed and will be funded in early FY18. Redemptions net of performance over the same period were $965 million resulting in a net decrease in client AUM of $427 million.

Total Fundraising – by product ($m)



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.

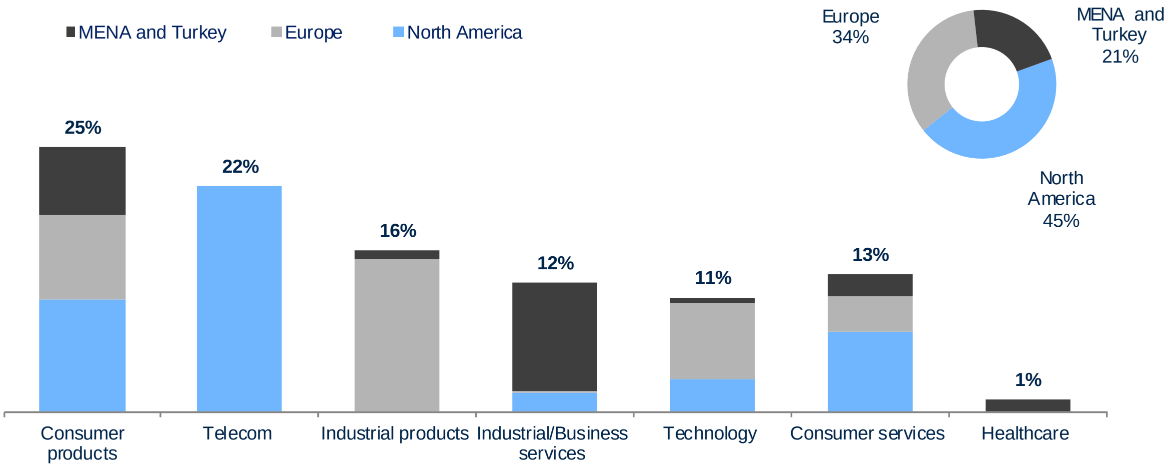
In November 2016, Investcorp hosted its annual two-day investors' conference in Abu Dhabi. The conference, with over 300 investors present from across the six GCC countries, was held under the patronage of His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces. His Highness Sheikh Hamed bin Zayed Al Nahyan, Chief of the Abu Dhabi Crown Prince's Court, His Highness Sheikh Nahayan Mabarak Al-Nahayan, UAE Minister of Culture and Knowledge Development, and His Highness Sheikh Hamdan bin Mubarak Al Nahyan, Minister of Higher Education and Scientific Research, were in attendance at the opening of the Conference. The opening saw a keynote speech by Her Excellency Reem Al Hashimy, UAE Minister of State for International Cooperation and Director General of Dubai Expo 2020 Bureau. Investcorp's Co–CEOs Mohammed Al-Shroogi and Rishi Kapoor outlined the roadmap for the future of the Firm and Executive Chairman Mohammed Alardhi provided closing remarks. Addressing the room of 300 investors, Mr. Alardhi highlighted Investcorp's achievements over the past 12 months including the agreement to purchase the credit management business of 3i Group plc which nearly doubled Investcorp's total AUM to more than $21 billion. He also emphasized the company's growth ambition – 'we are going to use this momentum as a springboard to the next step of the Investcorp journey.' Delegates at the Conference also heard from John Greenwood, Chief Economist of Invesco Ltd., who provided an overview of the global economy in the wake of Brexit and the US election. Meanwhile, Gordon Hewitt, Professor of Business Administration at Ross School of Business, discussed competitive innovation and a changing world.

Portfolio Performance

Corporate Investment

At June 30, 2017, the carrying value of Investcorp's balance sheet co-investment in CI, excluding strategic investments and underwriting, was $514.6 million (38 companies) compared with $554.3 million at June 30, 2016 (36 companies). This represents 46% of total balance sheet co-investments at June 30, 2017 (FY16: 54% at June 30, 2016). CI underwriting at June 30, 2017 was $189.6 million (FY16: $167.1 million at June 30, 2016).

The corporate investment portfolio is diversified by sector and geography across North America, Europe and the MENA region.



Please refer to the table in Note 9 (A) of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2017 and June 30, 2016 carrying values of CI co-investments by region and investment sector.

At June 30, 2017, Investcorp's aggregate CI North America co-investments were $231.1 million with 12 active portfolio companies (FY16: $286.4 million at June 30, 2016 across 13 active portfolio companies). Aggregate CI Europe co-investments were $174.3 million with 12 active portfolio companies (FY16: $146.2 million at June 30, 2016 across nine portfolio companies). Aggregate CI MENA co-investments were $109.2 million with 14 active portfolio companies (FY16: $121.7 million at June 30, 2016 across 14 active 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 and launched a fourth technology fund in FY17.

For CI MENA investments, 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 Listing section in this Business Review which describes each of the CI North America, CI Europe and CI MENA portfolio companies. Please refer to the Investments and Realizations section for portfolio company activities during FY17.

On average, Investcorp's direct investments in mid-market companies in the US, Europe and MENA increased their aggregate EBITDA by approximately 6% 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 $1.3 billion and the average debt across the portfolio is relatively modest at 3.1x aggregate EBITDA.

The add-on investments and realizations in FY17, discussed previously in Investment Activity, reflect Investcorp's strong post-acquisition focus during its period of ownership.

Other corporate investment news

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

August 2016: CI MENA portfolio company **Leejam (Fitness Time)** was ranked in International Health, Racquet & Sports Club Association's global top 20 rankings, making it the first company in the Middle East, Africa or Southeast Asia to be featured within the list. Investcorp acquired a ~25% stake in Leejam in July 2013.

September 2016: CI Europe portfolio company **Georg Jensen** won a prestigious award in Danish design for their Urkiola line, designed by Spanish architect and designer Patricia Urquiola. Georg Jensen's management team attended the award event together with Danish Crown Princess Mary, the Firm's business partners, press and competitors.

October 2016: CI North America hosted a one-day conference for its portfolio companies' CFOs in New York. The objective was for the CFOs to meet each other, form relationships, share best practices and leverage the power of being part of Investcorp.

November 2016: CI Europe portfolio company **Dainese** announced that it will introduce SEA-GUARD, an innovative life jacket that the Emirates Team New Zealand crew will be wearing during the 2017 America's Cup races in Bermuda. The SEA-GUARD is fully ergonomic and designed to combine both protective and floating functions; Dainese is currently collecting data to equip the SEA-GUARD with their D-air protection system.

January 2017: CI MENA portfolio company **L'azurde** announced that it has approved the launch of the franchise brand, Amazing Jewelry. Amazing Jewelry was recently founded in Copenhagen, Denmark by Mr. Jesper Nielsen, former co-founder of Pandora Central Western Europe, a part of the Pandora Group. L'azurde acquired the franchise for Saudi Arabia, Egypt and seven other countries in the MENA region for a period of 25 years.

February 2017:	CI Europe portfolio company, **POC** was awarded a host of industry awards for several of its 2017/18 snow season innovations. For example: SPIN, a new patent pending helmet technology created to counter the effects of oblique impacts, was awarded the 'Outside - gear of the show' award at SIA. Whereas, POC Layer, which is a cut resistant performance base layer for ski racers, has been chosen as an ISPO 'Gold Winner'.
February 2017:	**Orka Group**, a CI MENA portfolio company held its fifth Annual International Resellers' Event in Istanbul in February. It hosted a delegation of 180 people from 80 countries, including Italy, Spain, Russia, Australia, South Africa and China, for 10 days. The Resellers' Meeting enables Orka Group not only to present Damat, D'S and Tween collections and brand plans set for this year, but also to announce its 50 new store openings target for 2017 to new countries including Sweden and Switzerland.
March 2017:	Investcorp's CI North America team held its first Digital Marketing Symposium for its portfolio companies' marketing executives to share successes and learn how to handle current challenges their companies are facing in the current market. The Symposium's day-long program included presentations and panel discussions led by the CINA team as well as from several portfolio companies including AlixPartners. This first-of-its-kind event allowed rich discussions and connectivity in the Investcorp portfolio companies network.
April 2017:	Under the patronage of the European Commission, Italy's seventh annual Le Fonti Awards for Innovation and Human Resources presented **Dainese**, a CI Europe portfolio company, with the Excellence of the Year/Innovation & Leadership award in hi-tech protective wear category and Cristiano Silei, CEO of the Dainese Group, with the 'CEO of the Year' award for innovation.
April 2017:	Francesco Pesci (former CEO of luxury menswear, Brioni) has agreed to serve on the CI Europe Advisory Board effective April 1. Prior to that he was the global commercial director of the jewelry business Damiani. Over the past six months he has joined Investcorp on the board of Georg Jensen and most recently joined the board of Damat in Turkey.
April 2017:	The **Dainese Group** submitted concepts to the Red Dot Design Award, the renowned international competition for design and innovation, and won three prestigious awards in the Product Design 2017 category for the Mugello R D-air® race suit, Pista GP R race helmet and Pro-Armor protectors.
April 2017:	CI North America portfolio company **TelePacific** has been renamed and rebranded to TPx Communications as part of the DSCI integration. The company has grown beyond its historical telecom roots and western US footprint. To reflect that, the company launched a new brand name to show its focus on hosted unified communications, managed IT and connectivity that serves business customers across the United States.

June 2017: Investcorp's CI Europe team hosted its first Digital Conference for its European portfolio companies. The objective of the conference was to re-affirm the centrality of Digital as a key value creation driver, as well as to inspire how Digital can transform businesses. The day was structured along 3 panels and one key note, delivered by AlixPartners.

June 2017: **SecureLink** was identified by Gartner as the European market leading managed security service. With 15 years of experience, five Cyber Defense Centers and more than 500 cyber security experts, SecureLink's offerings stand out and can be matched only by a few other companies in the industry.

Alternative Investment Solutions ('AIS')

At June 30, 2017, the balance sheet carrying value of Investcorp's co-investment in AIS was $236.3 million compared with $315.8 million at June 30, 2016. The amount represents 21% of total balance sheet co-investments at June 30, 2017. Please refer to the table in Note 11 of the Consolidate Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2017 and June 30, 2016 carrying values.

Exposure Profile

Investcorp has consistently maintained a co-investment in the AIS business, in-line with its philosophy of co-investing alongside its clients. Allocations were further reduced from FY16 levels due to the challenges faced by some hedge fund managers in the current market environment.

Total balance sheet AIS co-investment was $236.3 million at June 30, 2017, reflecting a reduction relative to the previous fiscal year end when Investcorp had a gross exposure of $315.8 million.

The exposure consists of investments in managers on the hedge fund partnerships platform, investments with managers on the multi-manager solutions platform, alternative risk premia investments and co-investments in special opportunities portfolios. As of June 30, 2017, Investcorp's balance sheet co-investment in hedge fund partnerships was $70.9 million, compared to $111.1 million as of June 30, 2017. This reflects redemptions from two managers based on Investcorp's outlook for the specific strategies of those managers. Investcorp reduced the allocation to the alternative risk premia product line by $20 million in November 2016, bringing the total allocation to this suite of products down to $38.7 million. Investcorp's exposure to special opportunities portfolios increased to $56.6 million from $14.8 million last year primarily due to the reclassification of $30 million of underwriting exposure to co-investment exposure for Special Opportunities Portfolio VI. The multi-manager solutions exposure declined from $130.1 million as of June 30, 2016 to $70.1 million reflecting a planned reduction in Investcorp's overall co-investment exposure to AIS to below $250 million.

Investcorp's AIS exposure is primarily through customized accounts, similar to the structures created for Investcorp's large institutional clients.

Performance

During FY17, Investcorp's AIS co-investment portfolio delivered returns of +5.7%. During the same period, the industry benchmark, HFRI Fund of Funds Composite Index, returned +6.4%.The market environment for Investcorp's invested managers has been mixed during this fiscal year. There were favorable conditions for fundamental strategies and more challenging conditions for systematic and factor-based strategies. The external liquid manager portfolio returned +8.6%, outperforming its respective benchmark by 2.0% over the full fiscal year. Managers with whom Investcorp has seed partnership arrangements delivered positive performance of 11.6% in FY17. Nut Tree Capital, the latest manager added to Investcorp's hedge fund partnerships platform in February 2016, returned +21.9% for the fiscal year. Investcorp's alternative risk premia investments generated negative performance during the fiscal year.

Special Opportunities Portfolio IV ('SOP IV') was launched in January 2014 and provides investors with access to US non-performing loans. Approximately 71% of the portfolio is now resolved or performing. The portfolio is in the final phase of harvesting with focus on returning cash to clients as the portfolio resolutions continue.

Special Opportunities Portfolio V ('SOP V') was launched in May 2016 and is the first SOP tranche offered exclusively to institutional investors. SOP V's objective is to provide these investors access to Italian secured non-performing loans for commercial and residential real estate that are purchased from regional Italian banks. Through June 2017 half of the deployed capital has been resolved and all pools are outperforming the base case business plan.

Special Opportunities Portfolio VI ('SOP VI') was launched in April 2016 and, like SOP IV, provides investors with access to US non-performing loans. Approximately 55% of the portfolio is now resolved or performing after only 14 months.

Liquidity

Investcorp's AIS co-investment portfolio is constructed so that a significant portion of it is available for monetization within a three to 12-month window. As of June 30, 2017, approximately 40% of Investcorp's AIS co-investment was contractually available for monetization within a three-month window and 72% was available within a 12-month window.

Alternative Investment Solutions Portfolio News

Strong performance and investor flows have taken fund assets at **Nut Tree Capital Management** ('Nut Tree'), Investcorp's latest hedge fund partnership from February 2016, to $420 million as of July 1, 2017. Jed Nussbaum, Nut Tree's founder and CIO won the Rising Star Award at the *Institutional Investor* hedge fund gala in June. Mr. Nussbaum is a former Partner at Redwood Capital Management and a 16-year investment industry veteran. Nut Tree pursues an all-weather fundamental credit strategy, focusing, on mid-market stressed and distressed credit and value equities across North America.

Investcorp launched a **Seeding Club** to provide a select group of investment partners with potential benefits that include: (i) access to the broad AIS manager sourcing network; (ii) access to the AIS infrastructure, expertise and capabilities; (iii) enhanced returns through seed economics; (iv) flexibility through a deal-by-deal opt-in structure; and (v) potential for additional capacity rights at negotiated terms.

Investcorp AIS, which celebrated its 20th anniversary this past year, **was again selected as a finalist** for the *Institutional Investor* Boutique Fund of Hedge Funds Manager award in 2017.

Strategy Outlook

Strategy	Positive	Moderately Positive	Neutral	Modestly Negative
Hedge Equities			■	
Special Situations / Event Driven			■	
Equity Market Neutral		■		
Macro Discretionary	■			
Macro Systematic		■		
Fixed Income Relative Value	■			
Corporate Credit				■
Corporate Distressed			■	
Structured Credit			■	
Convertible Arbitrage			■	
Volatility Arbitrage			■	

Looking forward to the next quarters, Investcorp has downgraded its outlook for **hedge equities** hedge funds to a neutral stance, on a lower expected contribution from the fund's beta exposure and stretched exposures in equity growth factors. In the meantime, Investcorp has revised its expectations for European markets upward and now hold a positive view on the region's equity funds. Investcorp's lower forecast for US equity markets is translated in a downgrade of **special situation** managers that continued to have expanded their net market exposures to historical highs. In the merger arbitrage space, Investcorp remains slightly positive as valuation indicators continue to point to fairly rich merger spreads, relative to their cross-asset valuation anchors. Investcorp also holds its constructive view on the **global macro** investment style that should continue to benefit from carry exposures while offering a faster response function in case of a change in the macro-economic regime. The performance of **equity market neutral** managers could be bifurcated between challenging market conditions for statistical arbitrage models on lower volatility and liquidity and a stronger outlook for quantitative arbitrage funds. **Fixed income relative value** remains a high conviction as greater velocity of flows and lower balance sheet capabilities from broker/dealers continue to support alpha generation. Investcorp's greater appetite for liquidity at this stage of the business cycle and the full resolution of last year's dislocations leave the Firm underweight **corporate credit** managers for the quarters to come. Investcorp believes the risk/reward has become skewed to the downside as a change in market volatility would likely have severe consequences for credit long/short strategies as spreads de-compress and the CDS basis and liquidity premium widen again. In **distressed**, Investcorp maintains its neutral stance with an opportunity set bifurcated with tepid return expectations in traditional corporate distressed on the basis of compressed credit spreads relative to various risk measures and a greater potential in non-corporate idiosyncratic themes. In **convertible arbitrage**, Investcorp holds its neutral outlook. Much of last year's exceptional cheapness has evaporated but there continue to be pockets of value and catalysts for managers to deliver on expectations. The same rational anchors Investcorp's perspective for **structured credit** hedge funds. Finally, **volatility arbitrage** managers have continued to underperform relatively, as volatility realizes close to historical lows. A change in market conditions would be necessary to see the universe deliver but Investcorp appreciates the value of that investment style in a portfolio, particularly at today's elevated equity valuations levels.

Alternative Risk Premia

Asset Class	Strategy	Positive	Moderately Positive	Neutral	Modestly Negative
Equities	Low Beta	■			
	Momentum		■		
	Quality			■	
	Value				■
	Carry			■	
	Mean Reversion				■
Fixed Income	Carry				■
	Momentum			■	
	Value				■
Commodities	Carry			■	
	Carry Curve		■		
	Momentum			■	
FX	Carry			■	
	Momentum			■	
	Value			■	

Equity

In equities, Investcorp has upgraded its outlook for low beta strategies, on positive signals from its financial conditions and trend following models. On the other hand, Investcorp has downgraded its expectations for momentum, quality and mean reversion. Mean reversion is likely to stay handicapped by an extremely low realized volatility environment. The change in Investcorp's macro models explains its more conservative stance on both momentum and quality.

Fixed Income

In fixed income, Investcorp remains underweight both carry and value strategies. Interest rate differentials have compressed again, leaving little potential returns from naïve carry implementations. The divergence of signals in the value universe continues to inspire caution for the coming quarters. Investcorp is holding its neutral stance on momentum.

Commodity

In the commodity universe, Investcorp holds no strong views on either carry or momentum. Signals for these two investment styles are mixed and do not offer sufficient support for a tactical view. That said, Investcorp remains constructive on the curve implementation of carry, with Investcorp's trend signals suggesting continued upside potential.

FX

In foreign exchange, Investcorp is neutral on the asset class overall. Investcorp believes a “Goldilocks” macro-economic environment, defined by robust enough growth and range-bound inflation expectations, could well support the carry trade a while longer. In that trade, Investcorp prefers an emerging markets implementation to the G10 currency universe. Investcorp continues to monitor the behavior of FX value, in the context of increased short-term uncertainty in the United Kingdom following the surprising results of the snap Parliamentary elections.

Real Estate Investment

At June 30, 2017, Investcorp’s RE balance sheet co-investments excluding underwriting totaled $79.1 million compared with $104.4 million at June 30, 2016. The amount represents 7% of total balance sheet co-investments at June 30, 2017.

Please refer to the table in Note 12 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2017 and June 30, 2016 carrying values by portfolio type. For details on RE underwriting, please refer to the table in Note 9 of the Consolidated Financial Statements of Investcorp Bank B.S.C.

RE co-investments were comprised of $75.4 million of marked-to-market equity investments and $3.7 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 a significant reduction in value for legacy pre-2009 investments as well as the impact of exits and new acquisitions and placements during the period.

Investcorp currently has 28 active real estate investment portfolios, including its two debt funds. As at June 30, 2017, 10 properties had been acquired and were being warehoused for formation into new portfolios to be offered to clients in FY18. At June 30, 2017, 21 of these portfolios were on or ahead of plan. The remaining seven, which are predominantly 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.

Investcorp targets existing office, retail, industrial, multifamily, student housing facilities and hospitality properties located in the 30 largest US metropolitan areas. The emphasis is on properties in proven locations with some opportunity for value enhancement over the investment term. Acquisitions are targeted that 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.

Investcorp currently has two funds which have invested in commercial real estate debt. The $176 million Investcorp Real Estate Credit Fund I, created in FY08, and the $100 million Investcorp Real Estate Credit Fund III, created in FY13 are both fully invested.

Investcorp co-investment	Properties #	Sector	Geographic	Carrying value end of	
by year ($m)	**vs. current ***		**location**	**Jun-17**	**Jun-16**
Diversified VI	3 / 1	Retail	SE		
Diversified VII	4 / 1	Industrial	E		
Hotel	9 / 4	Hotel	SE / SW / MW		
Vintage FY07				**8.3**	**10.9**
Gallivant - Times Square **	1 / 1	Hotel	E		
Diversified VIII	5 / 1	Hotel	MW		
Weststate	1 / 1	Opportunistic	W		
Vintage FY08				**3.6**	**21.2**
Commercial VI	3 / 1	Office	E		
Vintage FY11				**2.1**	**4.9**
Diversified X	3 / 0	-	-		
Southland & Arundel Mill Mezz	n.a. ***	Retail	SE		
Vintage FY12				**0.1**	**0.5**
2012 Office	4 / 0	-	-		
2013 Office	16 / 16	Office	SW / MW		
2013 Office II	5 / 5	Office	SE / W / SW		
Vintage FY13				**3.5**	**4.1**
2013 US Residential	6 / 0	-	-		
2013 US Commercial / 2014 Office	9 / 9	Office / Retail / Medical	W / MW / E		
Southeast Multifamily	4 / 0	-	-		
2014 Diversified	4 / 4	Office / Retail / Residential	SW / SE		
Houston Multifamily	3 / 0	-	-		
Vintage FY14				**12.1**	**17.3**
Canal Center	4 / 4	Office	E		
2014 Office and Industrial	24 / 21	Office / Industrial	E / SE / W		
2015 Residential	4 / 4	Residential	SE / W / E		
Atlanta Multifamily	2 / 2	Residential	SE		
Vintage FY15				**8.0**	**8.0**
2015 Residential II	8 / 8	Residential	W / MW / SW / SE		
2015 Office & Industrial	79 / 78	Office / Industrial	SE / W / E		
Boca Raton & Minneapolis Residential	5 / 5	Residential	SE / MW		
733 Tenth Street	1 / 1	Office	E		
Vintage FY16				**9.7**	**9.7**
2016 Residential	10 / 10	Residential	SW / MW / SE / E		
Boston & Denver Commercial	20 / 20	Office / Industrial	E / W		
901 Fifth Street	1 / 1	Office	W		
New York & California Multifamily	2 / 2	Residential	E / W		
Villas at Green Valley	1 / 1	Residential	W		
Chicago & Boston Industrial	6 / 6	Industrial	MW / E		
Vintage FY17				**14.1**	**8.8**
Others				**10.3**	**19.0**
Sub-total	**247 / 207**			**71.9**	**104.4**
New portfolios under construction	10 / 10			**7.2**	**N.A.**
Total including new portfolios under construction	257 / 217			**79.1**	**104.4**

* Portfolios which have been realized in this current reporting period, reflecting a current property count of 0 (zero), are retained in this chart as they contribute to the carrying value of the previous period.

** Previously known as Tryp by Wyndham. Includes support funding made after the initial acquisition date.

*** Mezzanine investments.

W=West, E=East, SW =Southwest, SE=Southeast, MW=Midwest

Credit Management

At June 30, 2017, Investcorp's CM balance sheet co-investments totaled $258.7 million. The amount represents 23% of total balance sheet co-investments at June 30, 2017.

Please refer to the table in Note 13 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2017 carrying value by geography.

The table below details the Investcorp co-investment exposure and total AUM by geography and by vintage year. Performance information consisting of the cash returned to equity holders to date is presented at a summarized level by vintage year.

Assets under management – Investcorp credit management ($m)

Fund Name [3]	Cash returned to equity to date % [1]	Total AUM Jun-17	Investcorp Co-investment Jun-17
1.0 Funds	118.52%	716	7
FY 2014	61.99%	814	33
FY 2015	48.24%	1,552	69
FY 2016	24.82%	1,377	63
FY 2017	6.94%	960	48
European CLO Funds		5,419	219
FY 2012	135.30%	8	0
FY 2013	77.22%	418	0
FY 2014	55.61%	1,263	0
FY 2015	41.75%	1,147	0
FY 2016	24.35%	1,011	20
FY 2017	3.40%	401	19
US CLO Funds		4,248	39
CLO under construction		467	0
Other Funds [2]		709	0
Other		1,176	0
Total		10,843	259

[1] % of equity cash distribution over par value of equity at launch.

[2] Other funds include the Senior Loan Fund, Global Fund, European Middle Market Fund and COA Fund.

[3] Fiscal year groupings are based on the closing date of a CLO.

Collateralized Loan Obligations (‘CLOs’)

CLO equity distributions remained strong globally. In Europe, the average annualized cash distribution on Investcorp’s 2.0 CLOs as at June 30 was 16.8% and, in the US, was 16.3%. Two US CLO deals were realized during FY 2017, Fraser Sullivan CLO VII returned an IRR of 12.04% and Jamestown CLO I returned an IRR of 10.5%.

Open Ended Strategies

The ICM Global Floating Rate Income Fund[7] produced a net return of 0.87%, which exceeded the benchmark[8] by 2 basis points in the last quarter. Since inception in August 2015, the Fund’s annualized return of 4.26% has trailed the benchmark by 21 basis points.

The ICM Senior Loan Fund’s net return of 0.67% trailed the benchmark Credit Suisse Leveraged Loan Index by 8 basis points in the fourth quarter. For the past five years ended June 2017, the annualized net return of the Fund has exceeded the Index by 12 basis points (4.95% vs. 4.83%).

For the first time in several quarters the performance of the indices was not led by commodity related sectors or the lowest quality loans, to which Investcorp’s funds have less exposure. In this environment both funds were more successful in keeping pace with benchmark returns. Additionally, the Global Fund was more weighted towards the European market than the benchmark and, therefore, benefitted from Europe outperforming the US for the quarter.

7 USD Share Class.

8 The ‘Benchmark’ is the weighted average of the Credit Suisse Leveraged Loan Index and Credit Suisse Western European Loan Index hedged to the US dollar weighted by market value.

Corporate Investment Portfolio Listing

As of June 30, 2017, Investcorp's aggregate balance sheet co-investment was $514.6 million across 38 companies. The below sections provide an overview of these portfolio companies.

CI North America

As of June 30, 2017 Investcorp's aggregate balance sheet co-investment in North America was $231.1 million across 12 companies.

Portfolio Company Name	**AlixPartners**
Acquired	**January 2017**
Industry Sector	**Business services – knowledge & professional services**
Headquarters	**New York, US**

AlixPartners is a leading global business advisory firm that specializes in creating value and restoring performance of businesses around the world. Headquartered in New York City and founded in 1981 by Jay Alix to handle the turnaround of Electrical Specialties Company, it pioneered providing consulting services to companies in or near bankruptcy. Over time, AlixPartners has expanded its capabilities and now currently offers five different types of services across a wide range of industries and geographies: Enterprise Improvement, Financial Advisory Services, Information Management, Leadership & Organizational Effectiveness and Turnaround & Restructuring. The company has nine locations in the US and 16 other locations around the globe including South America, Europe, the Middle East and Asia. AlixPartners has over 1,400 employees, approximately 1,000 of whom are professionals, and over 160 Managing Directors.

www.alixpartners.com

Portfolio Company Name	**Arrowhead Engineered Products**
Acquired	**October 2016**
Industry Sector	**Industrial services - supply chain services**
Headquarters	**Minnesota, US**

Arrowhead is a market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles. Arrowhead offers the broadest selection of non-discretionary, replacement vehicle products and services to a diverse set of end markets including Utility/Powersports/Motorcycle, Agriculture, Industrial, Outdoor Power Equipment, Marine, Auto and Heavy Duty. Arrowhead has acquired three companies since Investcorp's investment in November 2016: Arrowhead recently has completed add-on acquisitions of aftermarket replacement parts providers Stens, J&N Electric, and Interparts. Both Stens and J&N Electric are highly complementary add-on acquisitions for Arrowhead and they significantly increase Arrowhead's scale in this attractive market. Interparts distributes branded aftermarket replacement products for the power sports, industrial and automotive aftermarkets.

www.arrowheadep.com

Portfolio Company Name	**The Wrench Group**
Acquired	**March 2016**
Industry Sector	**Consumer services**
Headquarters	**Georgia, US**

Wrench is a provider of home maintenance and repair services specializing in: heating, ventilation and air conditioning ('HVAC'), plumbing and electrical services. The company provides services to residential customers across four of the fastest-growing metropolitan areas in the United States (Atlanta, Georgia; Dallas, Texas; Houston, Texas; and Phoenix, Arizona).

www.wrenchgroup.com

Portfolio Company Name	**Nobel Learning Communities**
Acquired	**April 2015**
Industry Sector	**Business services – knowledge & professional services**
Headquarters	**Pennsylvania, US**

Founded in 1984, Nobel Learning operates a network of schools for private education in the US, from preschool through high school, with a commitment to outstanding education. The company also has an accredited online private school that offers college preparatory programs to students from countries worldwide. Nobel Learning is one of the largest private education operators in the US.

www.nobellearning.com

Portfolio Company Name	**PRO Unlimited**
Acquired	**October 2014 / May 2017**
Industry Sector	**Business services – tech enabled services**
Headquarters	**Florida, US**

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, temporary workers 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.

Investcorp originally invested in PRO Unlimited in October 2014. In May 2017, Investcorp sold a majority stake in PRO Unlimited to Harvest Partners and retained a minority stake.

www.prounlimited.com

Portfolio Company Name	**totes»ISOTONER**
Acquired	**May 2014**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Ohio, US**

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

Portfolio Company Name	**Paper Source**
Acquired	**September 2013**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Illinois, US**

Paper Source is a multi-channel retailer offering a premium selection of uniquely designed and curated gifts, stationery and crafting supplies. The company operates 119 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	**Sur La Table**
Acquired	**July 2011**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**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 136 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 its cooking class locations, 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	**Wazee Digital**	
Acquired	**March 2011**	
Industry Sector	**Technology – internet / mobility**	
Headquarters	**Colorado, US**	

Wazee Digital (formerly T3 Media) 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, Wazee Digital 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, Wazee Digital ingests, digitizes and hosts video content on behalf of content rights owners. Wazee Digital provides content rights owners with virtual access and distribution capabilities in exchange for an annual subscription fee. The two business lines are complementary with many customers utilizing both offerings.

www.wazeedigital.com

Portfolio Company Name	**OpSec Security Group**	
Acquired	**March 2010**	
Industry Sector	**Technology – security**	
Headquarters	**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

Portfolio Company Name	**kgb**	
Acquired	**April 2006**	
Industry Sector	**Technology – big data**	
Headquarters	**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

Portfolio Company Name	**TPx Communications**
Acquired	**April 2000**
Industry Sector	**Telecom**
Headquarters	**California, US**

TPx Communications (formerly TelePacific) is a leading provider of network and communications services headquartered in Los Angeles. In business since 1998, the Company provides services on self-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. 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.

In September 2016, TelePacific acquired DSCI, a hosted communications provider in the United States. The transaction transformed TelePacific into a managed services platform enabling the company to offer a full suite of products to its customers. In April 2017, TelePacific rebranded itself as TPx Communications.

www.tpx.com

CI Europe

As of June 30, 2017 Investcorp's aggregate balance sheet co-investment in Europe was $174.3 million across 12 companies.

Portfolio Company Name	**ABAX**
Acquired	**June 2017**
Industry Sector	**Business services – technology enabled services**
Headquarters	**Larvik, Norway**

Founded in 2003, ABAX has become one of Europe's fastest growing technology businesses and the leading telematics solution provider in the Nordics by developing and delivering sophisticated fleet tracking, electronic triplogs, equipment & vehicle control systems and order management systems. Headquartered in Larvik, Norway, the Company has approximately 350 employees and established operations across the Nordic region as well as in Poland, the Netherlands, the UK and China.

www.abax.co.uk

Portfolio Company Name	**Ageras**
Acquired	**March 2017**
Industry Sector	**Technology – internet/mobility**
Headquarters	**Copenhagen, Denmark**

Founded in 2012, Ageras is a fast-growing online marketplace connecting SMEs and micro-businesses with professional service providers such as accountants and lawyers across Scandinavia and Western Europe. Still run by its founders, the Company has successfully entered five markets (Norway, Sweden, the Netherlands and Germany alongside its home market of Denmark). Ageras' proprietary matching algorithm allows it to combine automation with high levels of service ensuring maximum customer satisfaction and an attractive ROI to its partners.

www.ageras.com

Portfolio Company Name	**Agromillora**
Acquired	**December 2016**
Industry Sector	**Consumer products**
Headquarters	**Barcelona, Spain**

Founded in 1986 in Barcelona, Agromillora is the leading global developer of high yielding plants and trees, with a key focus on permanent crops, including stone fruits, citrus, nuts, berries, olive trees and grape plants. The company pioneered the production and marketing of trees for high yielding olive orchards with the disruptive technology of super-high-density planting and has since been promoting similar agronomic improvements for a complete portfolio of high quality plants. With a global network of 11 production facilities and a commercial presence in nine countries, Agromillora reaches clients in over 25 countries.

www.agromillora.com

Portfolio Company Name	**Calligo**
Acquired	**November 2016**
Industry Sector	**Technology – big data**
Headquarters	**St Helier, Jersey**

Calligo is a fast-growing provider of cloud solutions focused on serving the global mid-tier enterprise segment. Founded in 2012, with the aim of leveraging jurisdictions across the globe that offer a robust data protection framework, Calligo provides a trusted cloud platform for hosting mid-tier enterprises, their data and applications. The company's proprietary cloud platform offers the highest levels of data privacy along with application performance guarantees, commercial flexibility and a personalized support service.

www.calligo.cloud

Portfolio Company Name	**Corneliani**
Acquired	**June 2016**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Mantova, Italy**

Founded in 1958, Corneliani is a luxury clothing brand. Best known for its men's suits and chic casualwear, it is one of the oldest independent Italian luxury brands. Corneliani benefits from a global sales presence in more than 65 countries through 10 directly operated stores, approximately 850 multibrand stores, more than 75 franchise stores and approximately 50 store-in-stores, including Harrods, Harvey Nichols, Saks Fifth Avenue and Bloomingdale's.

www.corneliani.com

Portfolio Company Name	**SecureLink**
Acquired	**December 2015**
Industry Sector	**Technology – security**
Headquarters	**Wommelgem, Belgium** **Sliedrecht, Netherlands**

Founded in 2003, SecureLink is a leading cybersecurity infrastructure and managed services provider, offering integrated security solutions for corporates and institutions in the upper mid-market. The Company provides advanced security solutions as well as managed security services ('MSS'), helping its customers to handle complex security challenges and requirements, mitigating risk exposure and delivering a reliable, secure infrastructure that offers peace of mind to customers. In June and July 2016, Investcorp together with SecureLink acquired Coresec and Nebulas. Operating in very similar markets, Coresec was established in 2003 and provides relevant security advice and hands-on assistance to its diverse client base across Scandinavia and the Netherlands. Coresec operates across seven offices and multiple 24/7 manned Network & Security Operation Centres. Nebulas, founded in 2001, provides a broad range of IT security products and services to predominantly mid to large enterprises in the United Kingdom. In March 2017, SecureLink announced an agreement to acquire iT-Cube, Germany's leading cybersecurity and managed security services provider. Headquartered in Munich, iT-Cube Systems successfully operates as a full service provider for IT security for more than 15 years in the DACH (Germany, Austria, Switzerland) region.

www.securelink.net

Portfolio Company Name	**Dainese**
Acquired	**January 2015**
Industry Sector	**Consumer products**
Headquarters	**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'), an R&D technical centre for the study of protective technology, the Company strives to ensure it remains at the forefront of innovation.

In October 2015, Investcorp together with Dainese acquired POC, a pioneer in innovative safety concepts for sportswear to provide athletes and consumers with the highest standard of personal protection. POC's line of products includes helmets, body armor, goggles, eyewear, gloves and gear, which are currently sold across 25 countries worldwide. Through technical collaboration with partners such as Volvo, POC is pioneering innovative safety concepts and has won more than 40 prestigious international safety, design, innovation and business awards.

www.dainese.com **www.pocsports.com**

Portfolio Company Name	**SPGPrints**
Acquired	**August 2014**
Industry Sector	**Industrial products**
Headquarters	**Boxmeer, The 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

Portfolio Company Name	**Georg Jensen**
Acquired	**November 2012**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Copenhagen, Denmark**

Based in Copenhagen, Georg Jensen is a global luxury brand that designs, manufactures and distributes jewellery, watches, fine silverware and high-end homeware. 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	**Esmalglass**
Acquired	**July 2012**
Industry Sector	**Industrial products**
Headquarters	**Villarreal, Spain**

Esmalglass Itaca ('Esmalglass') is one of the leading 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 1,000 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 four manufacturing plants in Spain, Vietnam and Brazil and mixing plants in Portugal, Italy and Indonesia.

In July 2017, Investcorp signed a definitive agreement to sell Esmalglass. The sale is subject to regulatory approval and is expected to close in H1 FY18.

www.esmalglass-itaca.com

Portfolio Company Name	**eviivo**
Acquired	**March 2011**
Industry Sector	**Technology – internet / mobility**
Headquarters	**London, UK**

eviivo is the UK's leading software provider for small and medium-sized accommodation businesses to manage their online and offline bookings, allocate rooms, allow for flexible pricing, invoice and process payments. With over 5,500 customers, eviivo's portfolio covers the breadth of the UK market and includes B&Bs, guest accommodation, inns, farmhouses, cottages, restaurants with rooms, and smaller boutique hotels.

www.eviivo.com

Portfolio Company Name	**CEME**
Acquired	**July 2008**
Industry Sector	**Industrial products**
Headquarters	**Milan, Italy**

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 and Philips. 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).

www.cemegroup.com

CI MENA

As of June 30, 2017, Investcorp's aggregate balance sheet co-investment in MENA was $109.2 million across 14 companies.

Portfolio Company Name	**Al Borg Medical Laboratories**
Acquired	**November 2016**
Industry Sector	**Healthcare**
Headquarters	**Jeddah, Saudi Arabia**

Established in 1999 in Jeddah, Al Borg has 52 laboratories across eight countries in the GCC and Africa, with a clear leadership position in Saudi Arabia. As the leading private medical laboratory chain in the GCC, Al Borg employs over 1,000 personnel and offers a wide range of routine and specialty medical laboratory testing services to hospitals, clinics, corporates and individuals.

www.alborglaboratories.com

Portfolio Company Name	**Bindawood Holding**
Acquired	**December 2015**
Industry Sector	**Consumer products – grocery retail**
Headquarters	**Jeddah, Saudi Arabia**

Established in 1984, with over 30 years of operations and a network of 54 stores across Saudi Arabia, the Bindawood group is one of the largest chains of supermarkets and hypermarkets in Saudi Arabia. The company is predominately focused in the Western regions of Jeddah, Makkah and Madinah, with a growing presence in the Central and Eastern regions.

www.bindawood.com / www.danubeco.com

Portfolio Company Name	**NDTCCS**
Acquired	**July 2015**
Industry Sector	**Industrial services**
Headquarters	**Dammam, Saudi Arabia**

Established in 1975, NDT Corrosion Control Services Co. LLC ('NDTCCS') is the largest non-destructive testing ('NDT') service provider in Saudi Arabia employing over 800 technicians in Saudi Arabia and the UAE. NDT is an essential service which involves the evaluation and testing of pipes, pressure vessels, oil platforms and other key industrial components to identify faults, cracks or defects without causing damage. NDTCCS provides conventional and advanced NDT services for a range of industrial sectors including oil and gas, petrochemicals, mining, nuclear and utilities. In February 2017, NDTCCS acquired a majority stake in Hi-Tech Inspection Services LLC ('Hi-Tech'), Oman's largest provider of NDT and inspection services employing over 600 technicians.

www.ndtcorrosion.com

Portfolio Company Name	**Arvento**
Acquired	**March 2015**
Industry Sector	**Business services – technology enabled services**
Headquarters	**Istanbul, Turkey**

Established in 2005, Arvento Mobile Systems ('Arvento') is a provider of telematics solutions, delivered as a software-as-a-service, which provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage and other insights into their mobile workforce, enabling them to reduce their operating costs and increase their revenues. The company designs, develops and sells its own range of hardware products and software applications. The business has established itself as the market leader in Turkey as well as one of the leading players in the Kingdom of Saudi Arabia and the UAE. It is a multiple award winner for its technology and its rapid growth. According to independent research published by ABI Research, Arvento is recognized as the world's fifth biggest telematics business.

www.arvento.com

Portfolio Company Name	**Namet**
Acquired	**December 2013**
Industry Sector	**Consumer products**
Headquarters	**Istanbul, Turkey**

Established in 1998 and acquired in 2005 by the Kayar family, Namet Gida Sanayi ve Ticaret A.S. ('Namet') is the largest integrated producer of fresh cut and packaged processed red meat products in Turkey. The company operates two farms in Urfa and Samsun with 40,000 livestock capacity supplying nearly 30% of the company's production needs; an important competitive advantage in quality and inventory management. The company processes and sells unpacked and packed fresh cut meat (e.g. cut, diced and minced meat), delicatessen products (e.g. sujuk, pastrami, salami, sausages), frozen products (e.g. burger patties) and further processed products (e.g. meatballs, burgers, doner/shawarma and other marinated products). Products are sold under the Namet and Maret (acquired in September 2014) brands or as private label products to the retail and B2B (hotels/restaurants/catering) channels.

www.namet.com.tr

Portfolio Company Name	AYTB
Acquired	**October 2013**
Industry Sector	**Industrial services**
Headquarters	**Jubail, Saudi Arabia**

AYTB Al Yusr Industrial Contracting Company W.L.L. ('AYTB') was founded in 1979 in Jubail and over its 38-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 6,000 people across its operations in Saudi Arabia and Qatar.

www.aytb.com

Portfolio Company Name	Leejam
Acquired	**July 2013**
Industry Sector	**Consumer services**
Headquarters	**Riyadh, Saudi Arabia**

Leejam is the leading fitness chain operator in Saudi Arabia, operating under the 'Fitness Time' brand. Established in 2007 and headquartered in Riyadh, Leejam operates over 110 fitness clubs and has over 210,000 active members. Employing over 3,200 personnel, Leejam offers fitness clubs across three main segments targeting affluent (Fitness Time Plus), regular (Fitness Time) and budget (Fitness Time Pro) customers. The company offers a wide range of facilities, including cardiovascular and weight training activities, in addition to swimming pools, and sports facilities catering for football, basketball, volleyball, tennis, squash and billiards, positioning Fitness Time as a 'social club' rather than simply a 'fitness gym'.

www.fitnesstime.com.sa

Portfolio Company Name	Theeb Rent a Car Co.
Acquired	**June 2013**
Industry Sector	**Consumer services**
Headquarters	**Riyadh, Saudi Arabia**

Theeb Rent a Car Co. ('Theeb') is the leading car rental company in Saudi Arabia primarily serving the 'individual' customer segment with short-term rental services and also recently started offering long-term leasing to the 'corporate' customer segment. Established in 1991 and headquartered in Riyadh, Theeb operates a fleet of over 13,500 vehicles with a wide network of 46 branches, including 13 at international and regional airports across Saudi Arabia. Over the years Theeb has built a strong local brand and membership program with over 180,000 members.

www.theeb.com.sa

Portfolio Company Name	**Hydrasun**
Acquired	**March 2013**
Industry Sector	**Industrial services**
Headquarters	**Aberdeen, Scotland**

Founded in 1976 in Aberdeen, Scotland, Hydrasun Group Holdings Ltd. ('Hydrasun') has international operational bases in the UK, the Netherlands, the Caspian Sea, 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 around 410 personnel and has state-of-the-art engineering, production, manufacturing, training and warehousing facilities. Clients include British Petroleum, Shell, General Electric and Aggreko.

www.hydrasun.com

Portfolio Company Name	**Automak**
Acquired	**October 2012**
Industry Sector	**Industrial services**
Headquarters	**Kuwait**

Satisfaction is Standard

Founded in 2002 by Al Kharafi Projects Co. W.L.L. and Mr. Ghazi Omar, Automak Automotive Company ('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 7,500 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

Portfolio Company Name	**Orka**
Acquired	**September 2012**
Industry Sector	**Consumer products – specialty retail**
Headquarters	**Istanbul, Turkey**

"Fashion is our business"

ORKA Holding ('Orka') is one of the largest menswear retailers in Turkey with 180 directly operated stores (162 in Turkey and 18 around the world). Founded in 1986 by Süleyman Orakçıoglu, Orka 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	**Tiryaki**
Acquired	**September 2010**
Industry Sector	**Consumer products – trading and logistics**
Headquarters	**Istanbul, Turkey**

Tiryaki Agro ('Tiryaki') 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'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 632 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.com.tr

Portfolio Company Name	**Gulf Cryo**
Acquired	**November 2009**
Industry Sector	**Industrial products**
Headquarters	**Kuwait and UAE**

Established in 1953, Gulf Cryo is a leading manufacturer, distributor and service provider of industrial gases in the Middle East. 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, and CO_2, 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, Oman, Jordan, Egypt, Turkey and Iraq.

www.gulfcryo.com

Portfolio Company Name	**L’azurde**
Acquired	**March 2009**
Industry Sector	**Consumer products**
Headquarters	**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.

In June 2016, L’azurde successfully completed its IPO on the Saudi Stock Exchange (Tawadul). Investcorp, through its Gulf Opportunity Fund I, retains a 38.85% stake in the company and representatives of the Investcorp Gulf Opportunity Fund I remain on the Board.

www.lazurde.com