

INVESTCORP

Quarterly Shareholder Update

Q1 FY2018

For the period July 1, 2017 to September 30, 2017

"Investcorp continues to make significant progress in the execution of its ambitious growth strategy. We are well on the way to becoming a truly global institution with a client-base spanning the Gulf, US, Europe and Asia, and ultimately allowing us to better serve their investment needs.

During the quarter, the firm completed the assembly of seed assets for its first ever investment portfolio in Europe, the UK Industrial & Logistics portfolio. This is the first step in the firm's ambition to build on its success in the US, where it is one of the biggest international real estate investors. Our US real estate team also made a significant contribution in the quarter, acquiring an apartment property in suburban Atlanta, Georgia for a purchase price of \$94 million.

Our Corporate Investment team has been busy putting investors' money to work, with the completion of the acquisition of Abax, a Norwegian telematics company, which was originally signed in June 2017. In addition, Investcorp's fourth technology fund announced the completion of the acquisition of Impero, a software provider, during the period. These investments reflect the Firm's strategy of investing in growing middle market businesses with strong cash flows that demonstrate the potential to establish themselves as industry leaders.

The high levels of new investment activity during the period was balanced by a series of successful realizations, including three real estate properties and the corporate investment portfolio company Esmaglass, the leading worldwide producer of ceramic colors and glazes.

In addition, we are excited about the prospect of launching our first Middle East health-care fund with a focus on investments in Saudi Arabia. We see huge opportunities arising from the privatization plans in the region.

To represent our new globally focused business we recently welcomed the appointment of Dr Mohamed A. El-Erian, Chief Economic Advisor at Allianz and chair of its International Advisory Board, and Deepak Parekh, Chairman of HDFC Limited, India's leading Financial Services conglomerate, to Investcorp's International Advisory Board.

I am truly excited about what the future holds for Investcorp and look forward to building upon the positive momentum achieved during the period."

- Mohammed Alardhi, Executive Chairman

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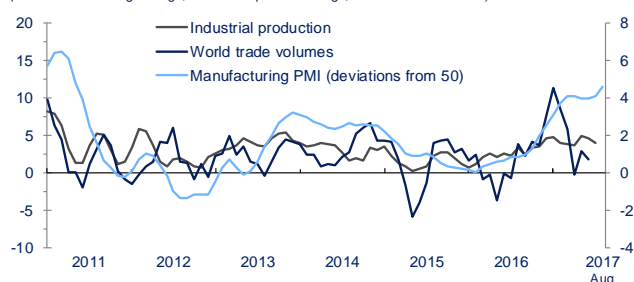
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Macro and Business Environment

Recent months saw a pickup of global economic activity, reflecting domestic demand in advanced economies and China and other large emerging market economies. This has spurred stronger manufacturing activity as seen in the figures below. Headline inflation has diminished since the spring due to the oil price weakness beginning to exert downward pressure, especially in emerging market and developing countries.

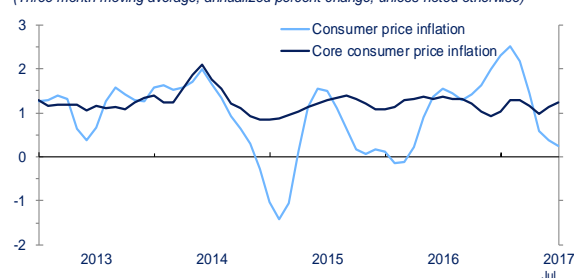
World Trade, Industrial Production, and Manufacturing PMI

(Three-month moving average; annualized percent change, unless noted otherwise)



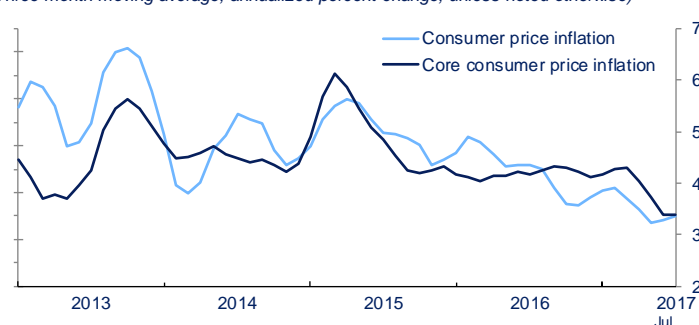
Advanced Economies

(Three-month moving average; annualized percent change, unless noted otherwise)



Emerging Market and Developing Economies

(Three-month moving average; annualized percent change, unless noted otherwise)



Source: World Economic Outlook October 2017, International Monetary Fund

In **developed economies**, demand and output have continued to grow in the first half of 2017 and are expected to continue in the period ahead, fueled by accommodative monetary policies, easy financial conditions and the prospect of supportive tax and regulatory reforms in the US and parts of Europe. Prospects for growth in **emerging markets** such as sub-Saharan Africa, the Middle East and Latin America continue to be lackluster, due to weak productivity growth and lower commodity revenues.

Market sentiment has remained strong in the **US** despite some weakness in consumption in the first quarter of 2017. Business investment has continued to strengthen mainly due to a recovery in the energy sector. The weakness that has been seen in the dollar so far this year has helped loosen conditions in the US, while currency strength has spurred only a modest tightening in the Euro area. Taken together, financial conditions continue to be positive, bolstered by rising equity prices, narrowing credit spreads, and historically low bond yields.

Growth in the **Euro area** is expected to gather strength this year due to tailwinds from stronger private consumption, investment and external demand. The notable exception is the United Kingdom, where higher consumer prices could stifle the economy due to the strong depreciation of the pound, an impact of the Brexit vote.

In **emerging Asia**, China's growth continues to be supported by high domestic demand. Core inflation has remained broadly stable (about 2% in July) and China's integration with global markets has remained on track, while macroeconomic concerns regarding economic imbalances and capital outflows are fading amid measured government intervention.

Business Activity

Corporate Investment

In July, Investcorp agreed to sell portfolio company **Esmalglass-Itaca** ('Esmalglass') to global private equity firm Lone Star Fund X for an enterprise value of €605 million. Esmalglass is the leading worldwide producer of ceramic colors and glazes. Investcorp acquired Esmalglass in July 2012 and has worked with the management team to solidify the company's position across international markets and extend its product offering, establishing it as the leading business in the ceramic colors and glazes sector. Under Investcorp's ownership, EBITDA has 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.

In August, Investcorp's fourth Technology Fund announced that the acquisition of **Impero Holdings Limited** ('Impero') was completed for an enterprise value of £27.5 million. Impero is the UK's number one provider of online student safety, classroom and school network management software. The transaction marks Investcorp's third technology deal in the lower middle market in the past nine months.

Other corporate investment news

In July, portfolio company **Georg Jensen** won the award for Fine Jewelry Brand of the Year in the UK, recognizing and celebrating industry excellence at the 25th annual UK Jewelry Awards.

In July, CI Europe's portfolio company, **POC**, was chosen as 'Brand of the year 2017' by the Bicycle Brand Contest ('BBC'). The BBC, established by the German Design Council, focuses on companies in the bicycle industry and their partners. The winners, which are selected as an acknowledgement of excellent product and communication design in the industry, are chosen by an independent jury of experts. Also in July, **POC's** helmets were worn by the Cannondale-Drpac Pro Cycling Team in the Tour de France 2017. Currently POC's 'kit partnership' with the Cannondale-Drpac team sees the riders equipped with POC jerseys, shorts, socks, helmets and eyewear.

Real Estate

In July, Investcorp announced its first two real estate investments in Europe with the acquisition of two logistics facilities; one in Doncaster, one of the most important distribution locations in the UK, and one on the Sutton Fields Estate, the largest estate within Hull. The assets were acquired for a total consideration of approximately £35 million, in partnership with UK-focused real estate investment group, Brydell Partners. In September, a further seven industrial properties across the UK were acquired comprising 691,929 sq. ft. across three single-let distribution warehouses and four multi-let light industrial properties throughout England and Scotland. Together these nine properties formed the first portfolio for the Real Estate Europe team: the **UK Industrial and Logistics Portfolio**.

In the US, **Overlook at Berkeley Lake**, an apartment property totaling 660 units located in suburban Atlanta, Georgia, was acquired in September.

In July and August the office properties of **3400 Carlisle** and **2811 McKinney** located in Dallas, Texas were realized from the 2014 Diversified Properties Portfolio. **One Allen Center** and **San Remo** are the only remaining assets in this portfolio.

Orion at Orpington, a 624-bed student housing asset in Orlando, Florida from the 2015 Residential Properties Portfolio was realized in September.

Alternative Investment Solutions

The balance sheet co-investment portfolio delivered returns of 1.8% in Q1 FY18. The positive performance was primarily driven by Investcorp's hedge fund partnerships and emerging alpha manager investments. The SSARIS portfolio, special opportunity portfolio investments, illiquid investments and alternative risk premia investments also contributed positively.

Nut Tree Capital Management ('Nut Tree') delivered 3.6% during the quarter and has returned 38.1%¹ since inception in February 2016. Fund assets have grown to \$490 million as of October 1, 2017. Nut Tree focuses on mid-market distressed credit, stressed/event-driven credit and value equities.

Emerging Alpha, a concentrated portfolio of Investcorp's highest conviction ideas in the emerging manager space, delivered estimated net returns of 4.1% for the quarter and received its first client allocation from a US endowment.

The **Investcorp Special Opportunities Italian Distressed Loan Fund**, Investcorp's first institutional special opportunities fund, closed in August at \$135 million with a multinational group of investors. The fund invests in non-performing loans ('NPLs') secured by residential and commercial real estate in Italy. Early performance is tracking ahead of expectations, with gross MOIC on fully-resolved loans of approximately 1.39x.

Alternative Risk Premia Outlook

Equity

- Neutral on equity value
- Neutral on low beta

Fixed Income

- Modestly negative on fixed income carry
- Modestly negative on fixed income trend following strategies

Commodity

- Neutral on carry and momentum
- Positive on carry curve

FX

- Neutral on momentum, value and FX mean reversion
- Modestly positive on FX carry

Hedge Funds Strategy Outlook

Equities

- Neutral on equity strategies

Credit

- Modestly negative on corporate credit
- Neutral on corporate distressed and structured credit

Event Driven

- Modestly positive on event-driven strategies

Global Macro

- Positive on macro discretionary
- Neutral on macro systematic

Relative Value

- Positive on fixed income relative value
- Neutral on convertible arbitrage and volatility arbitrage

¹ Fund performance is based on returns (net of all fees and expenses and reflecting the reinvestment of dividends or other earnings) of Nut Tree Offshore Fund Ltd. General Series shares that have a management fee of 1.75% and an incentive fee of 20% and reflect the growth of the relevant Fund's assets since inception of the Fund (February 1, 2016). Information presented may not take into account (i) variations in fees, investment restrictions or other differences between various investors, (ii) the impact of any contractual arrangements between the funds and an investor, (iii) the impact of the timing of subscriptions and redemptions and (iv) differences in tax treatment and other factors affecting investors in the offshore fund. As a result, the information may not reflect actual performance for any specific investor. Rather, the information is intended to provide investors with generalized performance and exposure statistics for each fund. Results may differ for investors in the domestic fund and the offshore fund. Performance returns and calculations based on those returns are unaudited and subject to change upon final NAV calculation and verification by the Fund Administrator. Past performance is not indicative of future results.

Credit Management

The US and European loan markets remained robust in the third calendar quarter of 2018, supported by accommodative monetary policy, low interest rates, healthy and improving economies and solid credit fundamentals.

CLO market conditions in the US and Europe in many ways mirror those of the underlying loan markets. Growing ranks of CLO debt and equity investors have fueled demand for CLOs, resulting in strong bids in the secondary market and decreasing credit spreads for new issues.

ICM continued to take advantage of these strong CLO market conditions in FY18 by pursuing issuance of a new CLO and refinancings or resets of four existing CLOs. In the US, Investcorp closed a new CLO, Jamestown X, in July and refinanced Jamestown VI, also in July. In Europe, Harvest X was refinanced in July, Harvest IX was reset in August and Harvest XII was reset in September. Both refinancings resulted in significant borrowing cost savings, while the two Harvest resets lowered debt costs and materially improved investing flexibility.

Portfolio commentary

During the quarter, Investcorp remained focused on addressing the challenges created by the significant volume of prepayments of existing portfolio holdings and thinner credit spreads on refinanced loans and new issues. Investcorp focused on keeping capital deployed without taking excess risk to deliver what Investcorp believe are appropriate risk adjusted returns. Investcorp found more opportunities in the primary market in both the US and Europe, where new issues offered modest incremental spread and original issue discounts versus secondary opportunities. Investcorp's teams took advantage of market strength to sell assets that had reached prices representing negligible additional upside and limited relative value as well as to trim or exit positions where downside risk appeared to be increasing. While always harder to do in a strong market, Investcorp continued to adhere to quality standards and, as a result, its portfolio default rates remain well below loan market rates due in part to limited exposure to sectors experiencing secular pressures such as Retail and those subject to commodity price volatility such as Energy and Metals/Mining.

ICM's two open end funds, the Global Floating Rate Income Fund and the Senior Loan Fund, generated net returns of 1.30% (USD share class) and 1.25%, respectively, for the quarter. Each exceeded the relevant benchmark by a modest amount without reaching for yield and buying higher risk assets to maintain yield. Investcorp's funds' performance was driven by minimizing credit issues and downside exposure while taking advantage of trading opportunities to drive modest capital appreciation.

Client Activities

AUM & Fundraising

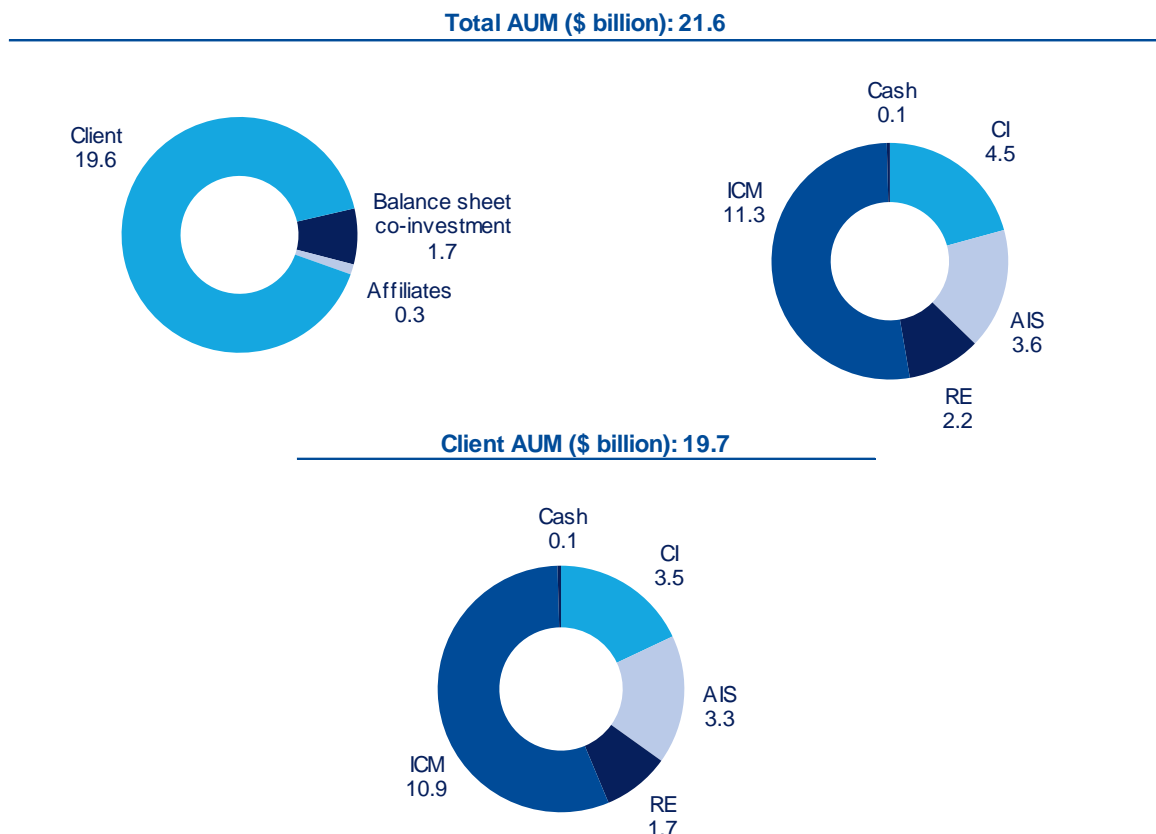
During the first quarter of the fiscal year, Investcorp launched **ABAX** and the **Florida and Arizona Multifamily Portfolio** across all markets. Investcorp also placed the residual amount of **AlixPartners** and the placement of **Agromillora, Arrowhead** and **PRO Unlimited II** continues.

In real estate, placement continues for **Villas at Green Valley, Chicago and Boston Industrial Portfolio, New York and California Multifamily Portfolio**, and **2016 Residential Properties Portfolio**.

New AIS fundraising in the quarter totaled \$66 million.

Assets under Management ('AUM')²

As of September 30, 2017, Investcorp's total AUM across all products, including proprietary co-investments, was \$21.6 billion and total client AUM was \$19.7 billion.



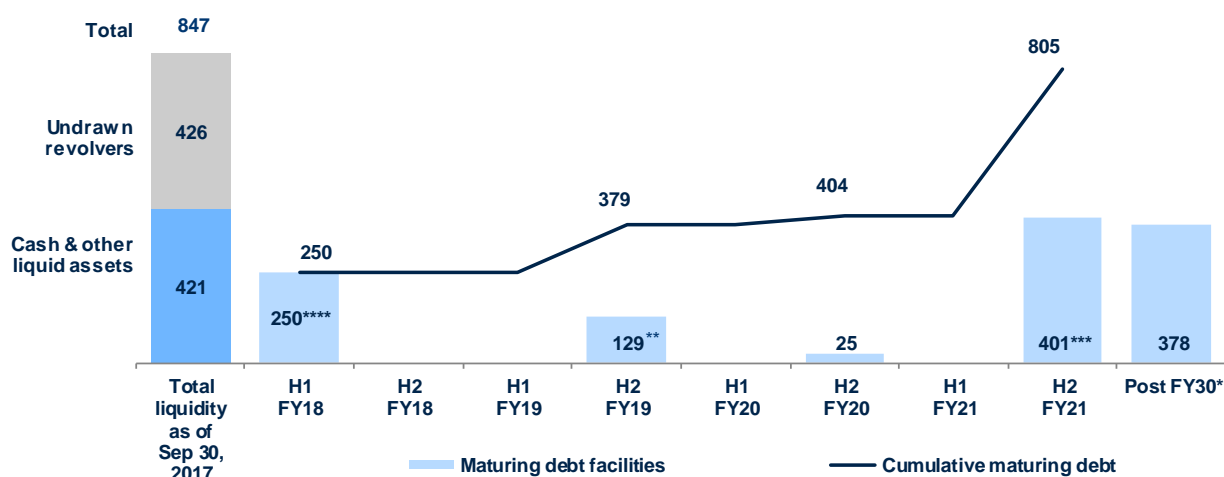
² AUM includes approximately \$2.0 billion of hedge fund partnerships (including exposure through multi-manager solutions), managed by third-party managers and assets subject to a non-discretionary advisory mandate, where Investcorp receives fees calculated on the basis of AUM.

Key Balance Sheet Metrics

	Sep'17	Jun'17
Total assets (\$ billion)	2.6	2.7
Leverage ratio ³	1.3x	1.3x
Net leverage ratio ⁴	0.4x	0.4x
Co-investments ⁵ /(total equity + long term capital ⁶)	0.7x	0.7x
Total accessible liquidity (\$ billion) ⁷	0.8	1.0

Co-investment assets, net of the \$50 million secured hedge fund facility, remain fully covered by permanent and long-term sources of capital.

Liquidity and Debt Maturity Profile (\$ million)



*JPY 37 billion (\$328 million at current exchange rates) debt maturing in 2030 and \$50 million maturing in 2032

**CHF 125 million (\$129 million at current exchange rates)

***Syndicated undrawn revolving facilities

****Repaid on November 1

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was \$847 million (June 30, 2017: \$984 million) and substantially covers all outstanding medium-term debt maturing over the next four years.

3 As per bond covenants.

4 As per bank loan covenants, excluding underwriting and liquidity.

5 Excludes underwriting.

6 JPY 37 billion maturing in 2030 and \$50m debt maturing in 2032, deferred fee income and total equity.

7 Cash, placements with financial institutions and undrawn revolvers.

Credit Ratings

Agency	Rating grade	Comment
Moody's Investor Service	Ba2 / Stable Outlook	Rating confirmed and outlook upgraded to Stable in October 2017
Fitch Ratings	BB / Positive Outlook	Rating and outlook confirmed in October 2017

Investcorp held its annual rating review with both Moody's and Fitch in October 2017. Moody's affirmed the Ba2 rating and revised the outlook to 'Stable' from 'Negative', reflecting the company's strong ability to raise and reinvest investors' money in the GCC. This also reflects the company's strong profitability as well as the ongoing improvement in earnings quality due to the growth of more stable and predictable asset management fees. Following the yearly review, Fitch Ratings re-affirmed Investcorp's credit ratings at BB in October 2017. The ratings outlook remains 'Positive'.

Other Corporate News

Founder Nemir Kirdar Steps Down

Investcorp founder, Nemir Kirdar, has stepped down as Chairman of the Board of Directors to enter full retirement. Dr. Yousef Al-Ebraheem, currently Vice Chairman, has been nominated as his successor and Mr. Khalid R. Al Zayani has been appointed Vice-Chairman of the Board.

Dr. Yousef Al-Ebraheem has served on Investcorp's Board of Directors since May 2014. Dr. Al-Ebraheem is the Advisor of Economic Affairs to His Highness the Amir of the State of Kuwait, having previously served as Kuwait's Minister of Finance, as well as its Minister of Planning, Minister of State for Administrative Development Affairs and Minister of Education and Higher Education.

From the founding of Investcorp in 1982 until 2015, Nemir Kirdar served as the CEO and Executive Chairman of the Firm. Over more than three decades under his guidance, Investcorp generated exceptional and consistent returns for its clients and shareholders, establishing the firm as a pillar of the Gulf investment community. Upon stepping down as CEO in 2015, Nemir served as the Chairman of the Board over the last two years. During this time Nemir was instrumental in helping shape the vision for the future of Investcorp.

New appointments to Investcorp's Advisory Board

In July, Investcorp announced that Dr. Mohamed A. El-Erian, Chief Economic Advisor at Allianz and chair of its International Advisory Board, has been appointed to Investcorp's Advisory Board. Dr. El-Erian, one of the most high-profile figures in global business and investment, has a distinguished career that includes senior roles in academia, international institutions and the private sector. He joins Investcorp's Advisory Board at a time when the Firm is achieving significant growth driven by an ambitious strategy.

In September, Investcorp announced that Deepak Parekh, Chairman of HDFC Limited, India's leading Financial Services conglomerate, has also been appointed to Investcorp's Advisory Board. Mr. Parekh has played a significant role in the development of the financial sector in India, playing a leading role in the diversification of the business into banking, asset management, insurance, real estate and education. Mr. Parekh has been a leading advisor to the government of India and was an active member of the committees that shape policy in critical insurance, banking and infrastructure reforms.

Investcorp's Ordinary General Meeting & Shareholder's Conference

In September, Investcorp's Ordinary General Meeting ('OGM') and the Extraordinary General Meeting ('EGM') for shareholders took place in the Bahrain office. The meeting was attended by a number of Board members, shareholders and their representatives.

The Executive Chairman, Mohammed Alardhi and Deputy Chairman of the board, Dr. Yousef Al Ebraheem represented the firm. The shareholders approved all agenda items. Following the EGM, Mohammed Al-Shroogi gave an update on Investcorp's business and financial performance during a press conference.

Investcorp's Shareholder Conference later took place correspondingly. The conference began with a welcome note and opening remarks by the Firm's Co-Chief Executive Officer Rishi Kapoor followed by a briefing by representatives from all Lines of Business offering their forecasts and strategic goals for FY18. The discussions encompassed the business environment of the year ahead as well as an FY18 financial outlook. The shareholders in attendance had the opportunity to raise matters of interest and generate a productive discussion regarding the agenda for the coming year.

Corporate Contact Information

Investcorp has offices located in Manama, Riyadh, Abu Dhabi, Doha, London, New York and Singapore.



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