INVESTCORP

Quarterly Shareholder Update

Q3 FY2017

For the period January 1, 2017 to March 31, 2017

"Over the course of the third quarter, we continued to focus on growing the business and we have built up great momentum with the Investcorp Credit Management team now fully on board. We also inaugurated a new office in Singapore which is being utilized by the Credit Management team. Globally, Investcorp is now a team of 390 people, working together seamlessly across borders for our clients and our shareholders.

"On the deals front, after less than two and a half years since we made our initial investment, we were pleased to return around $454 million to Investcorp, co-investors and Investcorp's clients through the partial exit of PRO Unlimited. This deal demonstrates Investcorp's ability to create significant value by investing in companies operating in sizable and growing sectors. Meanwhile, our investment in AlixPartners was a great example of how Investcorp is able to partner with other blue chip investors on specific deals. Real Estate also made a significant contribution in the quarter, acquiring a multifamily housing property in New York and a portfolio of three industrial properties in Boston for a combined purchase price of $274 million.

Investcorp continues to focus on offering high quality investment opportunities and we are confident that, with deals such as Al Borg medical labs in Saudi Arabia being oversubscribed, our clients recognize the value we bring."

- Mohammed Alardhi, Executive Chairman

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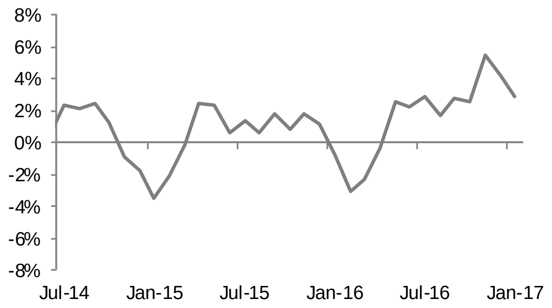
Figures throughout may not add up due to rounding

Macro and Business Environment

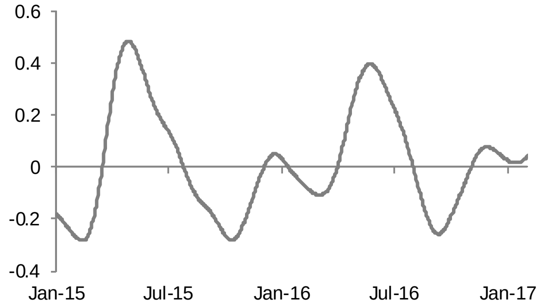
The global economy is currently in an Inflationary macro regime, with both growth and inflation accelerating, accompanied by an unusually delayed rotation into cyclicals. Over the first half of 2017 recent acceleration in global growth has consolidated, accompanied by rising inflation. As a result, return expectations for risk assets are modestly constructive, consistent with this Inflationary macro regime. Developed equity markets look on track for mid- to high single-digit returns with positive but more dispersed returns across emerging markets. In fixed income, we expect front-end yields to continue moving higher over the year, reflecting solidifying growth as well as a continuation of Federal Reserve tightening. Last year's excess demand for safe-haven asset markets has now shifted to excess supply and so should support higher interest rates along the Treasury curve. In credit, high yield spreads ex-energy are unlikely to tighten further in the US or Euro area versus investment grade ('IG') debt, and our views are neutral with respect to this sector as a whole.

Three-month acceleration:
Investcorp Developed Markets GLEI*



*Global Leading Economic Indicator
Source: Investcorp

Three-month acceleration:
PriceStats Developed Markets Inflation

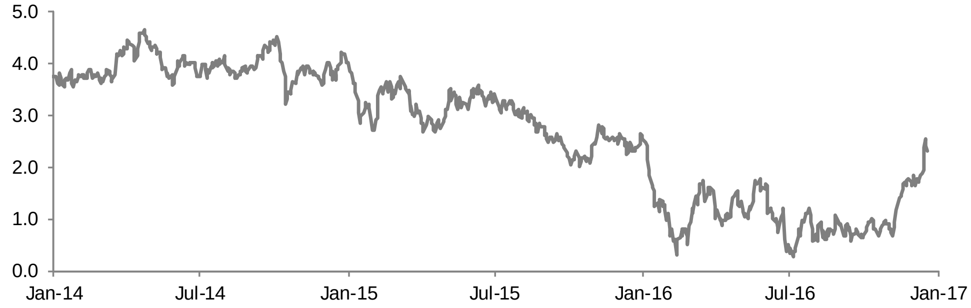


Source: State Street Global Markets, Investcorp

It is expected that the current demand-supply imbalance in oil markets will support prices at current levels with a slow shift toward higher prices of $60-65 a barrel. Higher prices should support credit valuations and, to a lesser extent, the outlook for convertible bonds as 2017 progresses. US, Canadian, and UK equity markets will likely also benefit. The rest of the commodity complex appears set for a solid year, well-positioned to benefit from a stabilizing Chinese economy.

As the Federal Reserve moves forward with its historically unprecedented tightening cycle, the supply of Treasuries is on track to start to outstrip demand by mid-year if a US fiscal stimulus is enacted as expected. While purchases by G7 central banks will offset some of the sales stemming from drawdowns of FX reserves in Asia, the long end of the Treasury curve should no longer resemble that of the 2003-2006 bond conundrum period. During that earlier span, yields at the long end declined even as the FOMC hiked the federal funds rate multiple times. As front-end rates climb over the course of 2017, curve flattening appears likely. Core inflation continued to pick up over 2016; if there is little slack remaining in the labor market once the temporary effects of a higher dollar diminish, inflation will almost certainly move higher as we move into 2018.

Federal Reserve Rate Hike Expected in Next 12 Months



Source: Morgan Stanley, Bloomberg

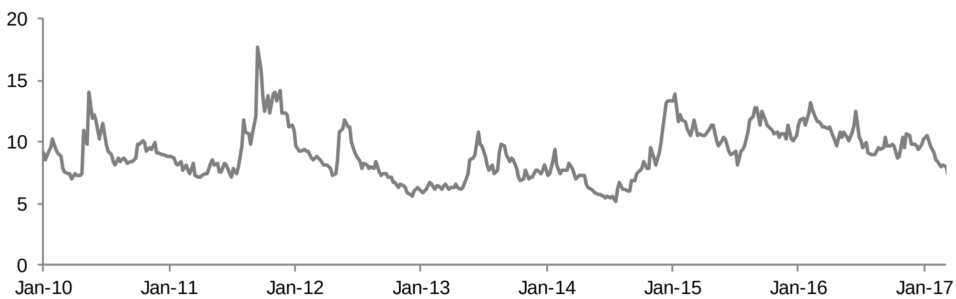
Growth prospects for emerging market ('EM') economies have improved in recent months with the stabilization in oil prices and surprisingly encouraging growth data out of China. Since the Global Financial Crisis, many EM's 'dirty floats' to the US dollar led them to import excessive monetary stimulus from Federal Reserve QE programs. At present, the most vulnerable are those with high external funding needs and significant dollar exposures, including Turkey, South Africa, Indonesia, Malaysia, and Brazil.

Higher interest rates, a stronger dollar, and associated tighter external financial conditions will continue to be headwinds over 2017, especially for Latin American economies. Most Asian economies, meanwhile, should benefit from the recent pick-up in global manufacturing indicators, particularly new orders relative to inventories. The expected flattening of the US yield curve over 2017 will also be a headwind for EM financial institutions, as the substantial capital inflows of the past few years reverse course and become outflows, drawn to the higher carry available in the US.

For EM sovereign debt, defaults still appear un-likely. Balance sheets are in better shape than they were in the run-up to the 1998 crisis because recent issuance has largely been denominated in local currencies. Recent inflows to EM sovereign debt markets also suggest the risks to our cautious outlook may be skewed to the upside.

Finally, China begins 2017 in better shape than a year ago, as policymakers have used a short-term credit stimulus to soften the economic impact of the ongoing deleveraging cycle. We expect to see stable and modest growth next year as the Chinese economy continues to respond to the recent credit stimulus while policymakers slowly reorient it toward more sustainable sources of demand.

EM FX Risk Indicator



Source: Barclays, Bloomberg

Business Activity

Corporate Investment

In January, CI North America portfolio company **Arrowhead** acquired J&N Electric ('J&N'), a family-owned business based in Ohio which distributes replacement rotating electrical parts and accessories to over 4,000 domestic and international customers. This is the second add-on acquisition for Arrowhead since Investcorp's investment in Arrowhead in October 2016, having completed the acquisition of Stens in December 2016. Both acquisitions are strategically significant add-ons for Arrowhead, increasing its market footprint in an industry valued at $28 billion and bringing its service reach to 40,000 customers globally.

In January, Investcorp fully monetized its remaining stake in **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.

CI MENA portfolio company **L'azurde** announced in January 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.

In January, CI North America portfolio company **Wrench** signed an agreement to acquire Baker Brothers Rotovision, Inc. ('Baker'), a leading Dallas-based residential HVAC & 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.

In February, Investcorp acquired a minority stake in global advisory firm, **AlixPartners**. Founded in 1981, AlixPartners works with clients to help them restore, grow and create sustainable value in high-impact situations. Its services comprise performance improvement; turnaround and restructuring; investigations, disputes and risk; digital transformation; and transformative leadership. AlixPartners is composed of 1,600 professionals, spread across 25 offices on four continents.

In February, Investcorp completed the sale of **Optiv**, after its announcement to sell the company in December 2016. Together with co-investment partners Blackstone and Sverica, Investcorp sold Optiv to KKR for an enterprise value of $1.9 billion. Investcorp originally invested in Optiv through the acquisition of FishNet Security in November 2011. During its holding period Investcorp completed four acquisitions and merged the company with Accuvant. Optiv serves more than 7,500 clients in 76 countries, including 71 of the Fortune 100 and 604 of the Fortune 1000. Optiv is the number one distributor for many of the established and emerging security software vendors and hardware manufacturers.

In March, 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.

In March, Investcorp's Technology Fund IV reached an agreement to acquire a majority stake in **Ageras**, a fast-growing online marketplace matching small and medium-sized enterprises ('SMEs') and micro-businesses with professional services providers such as accountants and lawyers. Despite receiving no external investment until

Investcorp's acquisition, Ageras grew its revenues by approximately 60% over its last financial year and, in 2016, connected approximately 16,600 customers to professional service providers successfully. Ageras operates in five markets, Denmark, Sweden, Norway, Holland and Germany from its Copenhagen headquarters.

As part of the sale of previous Investcorp portfolio company **Tyrrells** (to Amplify Snack Brands, Inc. in September 2016), and following the expiry of the six-month lock-up period, Investcorp has sold the approximately 1.79 million Amplify shares it had received as partial consideration under the terms of the original sale transaction. As a result, in May 2017, clients/investors received approximately £9.0 million in distributions.

Other corporate investment news

In February, CI Europe portfolio company, **Dainese** announced it will sponsor Sky Racing Team VR46 for the 2017 racing season. True to their mission of advocating and delivering safety in dynamic sports, Dainese will support the young Italian riders Francesco Bagnaia, Stefano Manzi, Andrea Migno and Nicolò Bulega in Moto2 and Moto3 Championships.

In February, 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'.

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.

In March, 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.

In March, CI Europe hosted a conference in the London office for all of the CI Europe and CI Tech Advisory Directors. The team provided the Advisory Directors with an overview of Investcorp's strategic activities including the recent acquisition of the Credit Management business. A detailed update was also given on the CI Europe business and portfolio companies. The topic of two round table discussions were 'Improved deal sourcing' and 'Cooperation in the portfolio with the Advisory Directors'.

Real Estate

In February, the assembly of the **New York and California Multifamily Portfolio** was completed with the acquisition of the Atlantic Point apartment complex located in Bellport, New York. This has been combined with the apartment complex Highlands Apartment Homes, located in Grand Terrace, California which was acquired in October 2016. The combined portfolio was acquired for a purchase price of approximately $300 million.

Two assets have also been acquired to form the **Chicago and Boston Industrial Portfolio** for placement in Q4 FY17 as follows:

- Boston Metro Industrial Portfolio, acquired in March, consists of two warehouse/logistics properties and one flex property located in Boston, Massachusetts. The three properties, containing over 1.1 million sq. ft., have a current average occupancy of 96%.

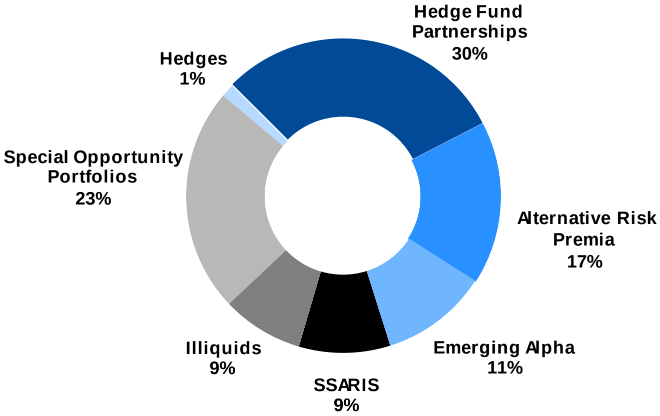
- Chicago Industrial Portfolio, acquired in April, consist of three distinct refrigerated warehouse/logistics properties located in Chicago, Illinois. The three properties, totaling 710,548 sq. ft., have a current average occupancy of 98%.

Keystone Office Park Portfolio, a 2012 Office Properties Portfolio, was realized in March. This realization completes the sale of all assets in this portfolio.

Alternative Investment Solutions

The balance sheet co-investment portfolio delivered returns of 0.9% in Q3 FY17. The positive performance was primarily driven by Investcorp's hedge fund partnerships and emerging alpha manager investments. The SSARIS portfolio and illiquid investments also contributed positively. Special opportunity portfolio investments were unchanged, while returns from alternative risk premia investments detracted slightly for the quarter.

Investcorp hedge funds co-investment as of March 31, 2017



Alternative Risk Premia Outlook

Equity

- Positive on equity value
- Neutral on equity carry

Fixed Income

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

Commodity

- Neutral on commodity strategies

FX

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

Strategy Outlook

- Modestly positive on equity strategies
- Modestly negative on credit strategies
- Modestly positive on event driven strategies
- Positive on global macro
- Positive on relative value strategies including fixed income relative value and volatility arbitrage

Credit Management

As part of the strategy to more than double assets under management ('AUM') in the medium term, Investcorp recently acquired UK-based 3i Group PLC's debt management business, previously known as 3i Debt Management. The transaction was completed on March 3, 2017, at which point 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 will enable 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 with an AUM of over $11.2 billion across 37 different funds. The team invests primarily in senior secured corporate debt issued by mid and large-cap corporates in Western Europe and the US. 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 US.

With a senior management team averaging over 25 years of credit experience in building resilient portfolios across various market cycles, ICM has a long track record of market outperformance, low default rates and developing attractive income-generating products. The team has long-standing, close relationships with equity sponsors, intermediaries and banks providing a competitive advantage in both sourcing and trading investments.

Loan Market Commentary (for the quarter ending March 2017)

- High EV multiples have led to a slowdown of private equity primary buyout transactions, despite record levels of dry powder. This has resulted in a limited supply of new institutional loans in both the US and Europe.
- With robust demand for senior secured loans globally, the majority of existing loans are currently trading above par.
- Many borrowers have taken advantage of favorable loan market conditions to reprice or refinance loans during the last six months. Repricing and refinancing volume reached record levels in Q3 FY17.
- There is suggestion of a potential spread price floor being reached, with push back from CLO managers due to arbitrage compression and ongoing repricing risk resulting in signs of softness in secondary markets.
- Despite some amount of credit spread tightening, ICM believe that loans, which have historically outperformed during a rising interest rate environment, continue to offer an attractive risk-adjusted return relative to other longer duration fixed income asset classes.

Global Portfolio Review[1]

- With current strong market conditions, both the US and European teams looked to optimize their portfolios and selectively sold lower rated assets.
- The portfolio remains underweight in commodity related sectors, including Energy and Metals/Mining and, more recently, Retail.

1 Portfolio positions as at March 31, 2017

Collateralized Loan Obligations ('CLOs')

In Europe, Q3 saw the pricing of one new deal, one reset and one refinancing:

- Harvest XVII was priced at €414 million on March 24. This was the first new issuance CLO for Investcorp since the acquisition of the Credit Management business. The weighted cost of capital on the transaction was the lowest level achieved year to date in European 2.0 CLOs.
- An existing CLO, Harvest VII (originally priced in August 2013), was reset on March 8. The reset of the rated notes (€280 million) took effect on April 12.
- In January 2017 the AAA and AA notes (€290 million) on Harvest VIII were refinanced (originally priced in March 2014).

In the US, one CLO was refinanced:

- Jamestown V (originally priced in December 2014) was refinanced on March 24. The refinancing of $327 million of notes closed on April 12.

CLO equity distributions remain strong. In Europe the average annualized distribution on our 2.0 CLOs is currently 17.7%. In the quarter ending March 2017 the average outperformance of ICM in Europe against the market was 0.8%. In the US the average annualized distribution of 2.0 CLOs is 17.9% with average outperformance in the quarter against the market of 0.1%[2].

Global Floating Rate Income Fund ('GIF')

The Global Floating Rate Income Fund was launched in August 2015. It is a long-only, open-ended fixed income portfolio containing a diverse global portfolio of primarily senior secured floating rate corporate loans, with daily NAV and twice monthly liquidity.

Senior Loan Fund ('SLF')

The Senior Loan Fund, established in July 2009, is a long-only, open ended fixed income portfolio investing in primarily US senior secured non-investment grade credit.

2 Source: Wells Fargo

Client Activities

AUM & Fundraising

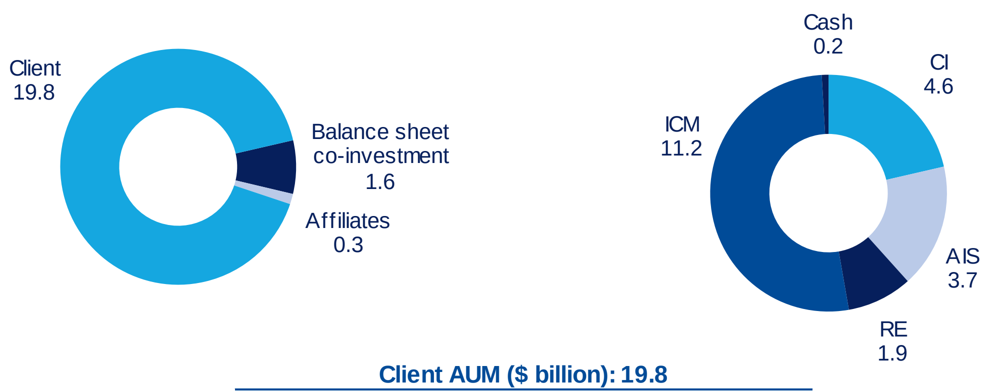
During the third quarter of the fiscal year we placed the residual amount of **Al Borg** as well as the second offering of the **SecureLink** investment: the add-ons of Coresec and Nebulas. The placement of **AlixPartners**, which was acquired in February, was launched during the quarter and had already made substantial progress with strong demand from clients by the end of the quarter. We also commenced the placement of **Arrowhead** and the **New York and California Multifamily** real estate portfolio.

New AIS fundraising in the quarter totaled $149 million.

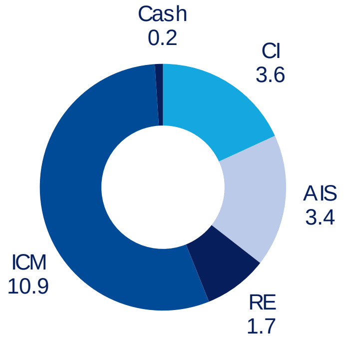
Assets under Management ('AUM')[3]

As of March 31, 2017, our total AUM across all products, including our proprietary co-investments was $21.7 billion and our total client AUM was $19.8 billion.

Total AUM ($ billion): 21.7



Client AUM ($ billion): 19.8



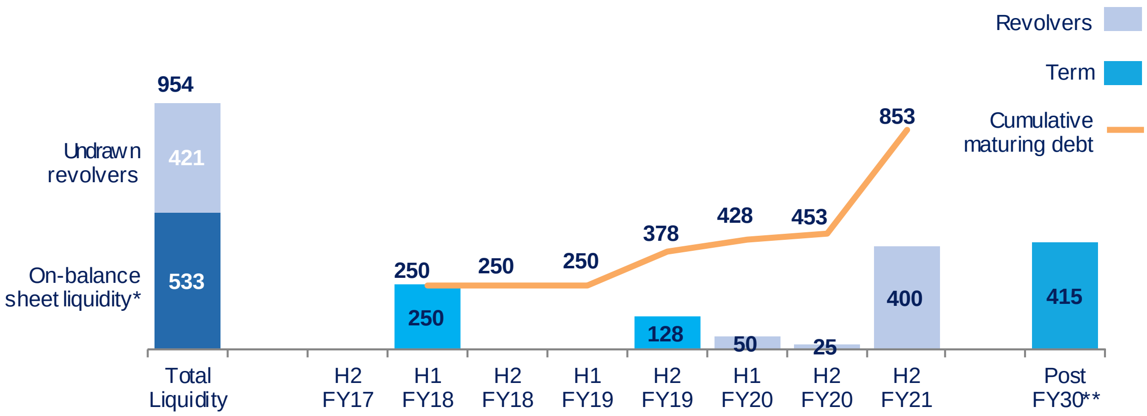
[3] AUM includes approximately $2.3 billion of hedge fund partnerships (including exposure through multi-manager solutions), managed by third party managers and assets subject to a non-discretionary advisory mandate, where Investcorp receives fees calculated on the basis of AUM.

Key Balance Sheet Metrics

	Mar'17	Dec'16
Total assets ($ billion)	2.6	2.7
Leverage ratio[4]	1.3x	1.7x
Net leverage ratio[5]	0.4x	0.5x
Co-investments[6]/(total equity + long term capital[7])	0.6x	0.6x
Total accessible liquidity ($ billion)[8]	1.0	1.2

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)



* Includes funded total return swaps with a financial counterparty, where the economic returns under the swaps are linked to Investcorp's $250 million 8.25% notes due 2017

** JPY 37 billion ($365 million at current exchange rates) debt maturing in 2030 and $50 million maturing in 2032

Numbers may not add up due to rounding

In February, we exercised the option to extend the Revolving Credit Facility from March 2020 to March 2021. Total participation in the extension totaled $400 million out of the $425 million original facility size.

During the month of March the second tranche of the sale of Investcorp ordinary shares to Mubadala Development Company, the Abu Dhabi based investment and development company, was completed following receipt of regulatory approvals. Mubadala's total ownership following completion of the sale is now 20%.

[4] Calculated in accordance with bond covenants
[5] Calculated in accordance with bank loan covenants which is net of liquidity and underwriting
[6] Excludes underwriting and is net of revolving facilities secured against hedge fund co-investments
[7] JPY 37 billion debt maturing in 2030 and $50 million debt maturing in 2032, deferred fees and total equity
[8] Cash, placements with financial institutions and undrawn revolvers

Credit Ratings

Agency	Rating grade	Comment
Moody's Investor Service	Ba2 / Negative Outlook	Rating affirmed in Oct 2016 Rating confirmed in published Credit Opinion in May 2017 Rating Outlook changed to Negative in Mar 2016
Fitch Ratings	BB / Positive Outlook	Rating affirmed and Rating Outlook changed to Positive in Nov 2016 Rating report published in Jun 2016 Ratings Navigator published Dec 2016

In September, Moody's issued an updated credit opinion for Investcorp Bank B.S.C., affirming the Ba2 rating and retaining the negative outlook. Moody's primary methodology to analyze the Investcorp Group is now the 'Asset Manager' methodology. Moody's will continue to utilize the 'Banks' methodology but as a secondary analytical input.

The Ba2 rating was confirmed earlier this month.

Fitch has affirmed the BB rating and revised the outlook to Positive from Stable. According to Fitch, the Positive Rating Outlook change reflects the potential franchise and earnings benefits that may accrue to Investcorp as a result of the equity investments by Mubadala and one other Gulf-based institution.

Other Corporate News

Investcorp's Annual Shareholder Conference

In January, Investcorp held its Annual Shareholder Conference in its Bahrain offices to discuss the strategic direction for FY18. 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.

Singapore Office Inauguration

On April 25, Investcorp inaugurated its office in Singapore in the presence of Mohammed Alardhi, the Firm's Executive Chairman. This is Investcorp's first office in Asia and follows the integration of the Investcorp Credit Management team, which brought with it an existing presence in Singapore, and is Investcorp's seventh office around the world.

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