

INVESTCORP

Quarterly Shareholder Update

Q3 FY2019

For the period January 1, 2019 to March 31, 2019

“Our improved Q3 results are a testament to Investcorp’s ability to perform well despite ongoing challenges in global markets. This is due to our determination to expand globally, to increase our commitments from institutional clients and to offer a wider range of products to our clients.

Over the past few months we have achieved several firsts: our first private equity investment in China, our first acquisition of a private equity investment that was then fully placed in the US, and our first foothold into India with the acquisition of a private equity and real estate investment management business. The sale of The Wrench Group at the end of the most recent quarter was also a momentous achievement and it illustrated our ability to execute on every step of the value creation cycle.

We will remain focused on achieving our ambitious growth targets of reaching AUM of \$50 billion in the coming years while prudently managing our balance sheet and liquidity, and we believe that we are well positioned to continue delivering shareholder value and interesting investment opportunities to our clients”.

- Mohammed Alardhi, Executive Chairman

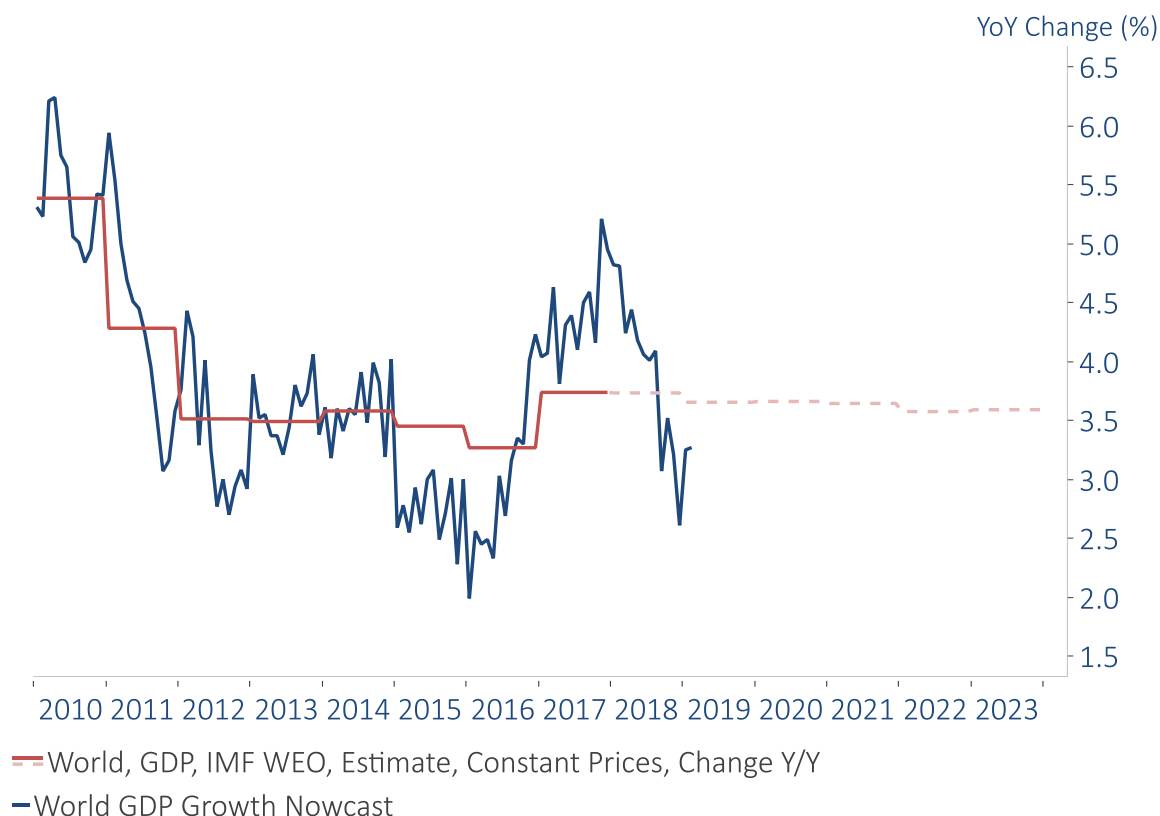
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Macro and Business Environment

The global growth outlook showed signs of stabilizing, after a slew of negative revisions in recent months. As can be seen in the chart below, measures of global economic growth have staged a mild rebound in recent weeks. Fading headwinds on the trade front, new stimulus measures in China, and a dovish stance by the Federal Reserve have all contributed to a significant easing of financial conditions since the December nadir. Sentiment has also rebounded from the depressed levels seen late last year.

Global GDP Aggregate Nowcast



Source: Goldman Sachs, Morgan Stanley, Investcorp, Macrobond

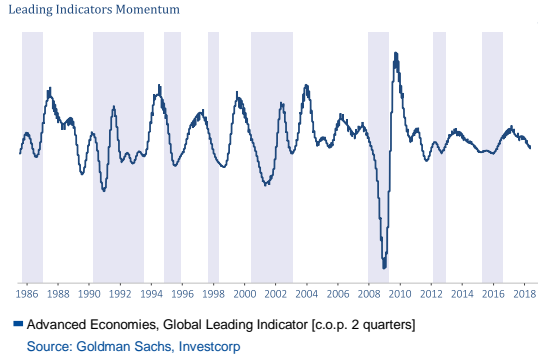
That said, macroeconomic data continues to paint a mixed picture, weighed down in part by concerns that last year's slowdown could prove deeper and longer than expected. While risky assets are discounting many of the issues that undermined confidence during 2018, Investcorp believes caution is warranted against the backdrop of still-tenuous US-China trade negotiations and the potential for Section 232 tariffs on European automobile imports. Investors will likely want to see the threat of escalating trade frictions fully recede before gaining conviction that a slower pace of interest rate normalization is enough to get the economy back on track.

The near-term outlook also depends on whether Chinese fiscal and monetary authorities can avoid a hard landing using the gradual stimulus approach they favor. In Investcorp's view, calibration risk remains elevated; prior financing channel structural reforms and favoritism toward state-owned enterprises (SOEs) could prove to be major hurdles to a successful recovery in domestic activity.

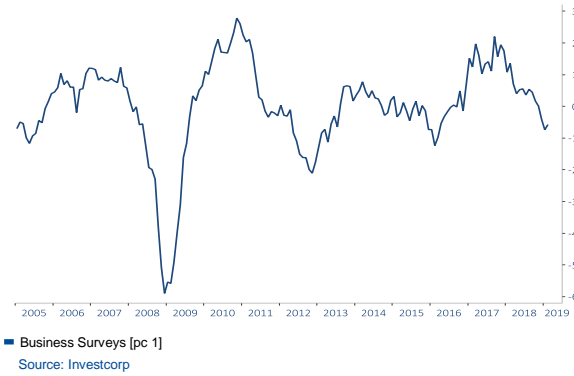
Meanwhile, global leading indicators remain weak, as evidenced by the first chart below, though downside momentum has been slowing and there are hints of stabilization in the corporate sector. Recent asset price appreciation suggests investors are growing more optimistic and less concerned about a Fed-induced recession in the short run, but readings from proprietary indicators that rely on principal component analysis to isolate the

dominant trend from several time series – highlighted in the subsequent three charts – are not yet flashing a green light. Business sentiment, for instance, has only just edged higher following a multi-month slide, while trade volumes in Europe (Germany, France, Sweden, United Kingdom, Switzerland) and Southeast Asia (South Korea, Hong Kong, Taiwan, Japan, Singapore) have slowed. Global consumer sentiment is still heading south.

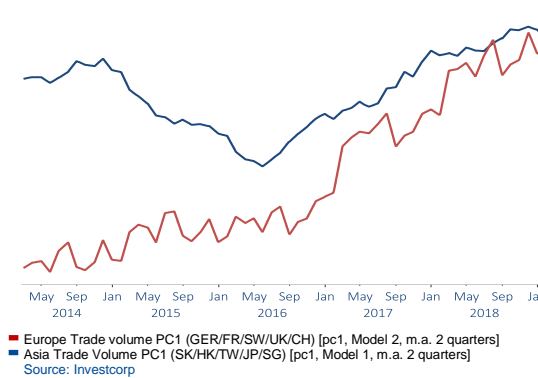
Global Leading Economic Indicators – Growth



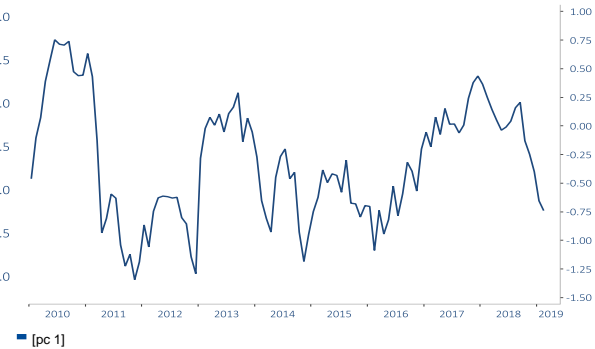
Global Business Sentiment – Bottoming Out?



World Trade Volume (Europe, Southeast Asia) – Turning Lower

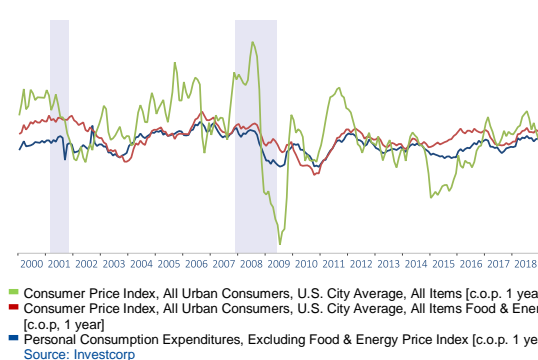


Global Consumer Sentiment – Few Signs of a Rebound (Yet)

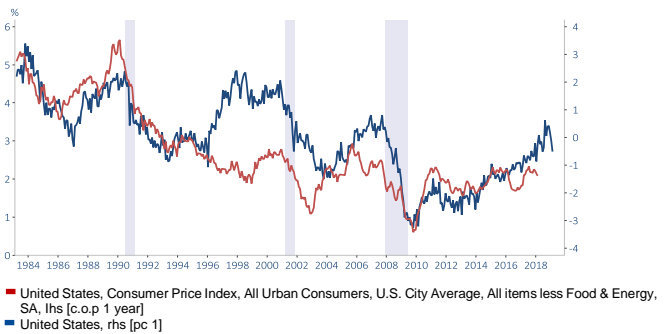


With respect to inflation, upside pressures stemming from limited capacity have been somewhat offset by secular headwinds, including technological innovation, organized labor’s diminished bargaining power, and expectations that remain anchored to the subdued trend of the post financial crisis era. As indicated by the following two charts, inflation in the US – as well as across developed markets – continues to be below central bank targets; in fact, recent Fed communications suggest it is comfortable with an overshoot above the 2% level. With monetary policy near the zero-bound, higher inflation readings should give policymakers greater accommodative leeway during the next downturn, allowing for lower real interest rates. That said, it is not clear whether subdued price trends will carry on for the foreseeable future.

US Inflation Measures



US CPI and Composite Wages Indicator – a Cyclical High?



Business Activity

Private Equity

In January, Investcorp's Private Equity team in North America ("PE-NA") announced its acquisition of **Health Plus Management, LLC** ("Health Plus"), a provider of business management and operations services for independent physician practices in the physical medicine and rehabilitation market. Based in Long Island, New York, Health Plus provides physician-owned practices with an effective administrative solution for outsourcing non-medical, front and back office operations. Services include site selection and buildout, front and back office management, marketing, human resources support, technology and reporting. Health Plus supports physicians across all phases of growth – from start-up and launch of new sites to practice expansion and improvement of efficiencies within well-established practices.

In January, Investcorp announced that it signed a secondary transaction in relation to a number of assets from its European private equity portfolio, under a new fund arrangement, subject to receipt of relevant regulatory approval and other customary closing conditions. The new fund will be capitalized with approximately \$1 billion of aggregate commitments. Collier Capital's current fund, **Collier International Partners VII**, will underwrite the new fund, with Investcorp retaining a continued interest in the portfolio through a meaningful GP commitment to the fund. The transaction also includes fresh capital for any follow-on investments, future investments and co-investments. Investcorp's Private Equity team in Europe ("PE-Europe") will manage both the assets acquired through the secondary transaction and the fund's new capital, as it continues to invest in mid-market buyout transactions across Europe. The transactions closed in April.

In February, PE-NA announced its acquisition of a controlling stake in **Revature**, a US-based leading technology talent development company. Revature, one of the largest employers of university graduates in the US, offers no-cost coding immersion programs that are the first in the industry to address the growing technology skills gap. Revature's unique model provides turn-key talent acquisition services for its Fortune 500 and consulting clients. For customers, Revature recruits, develops and deploys enterprise-ready technology talent that enables these corporates to succeed. For university graduates, Revature provides coding immersion programs that offer pathways to building careers as technology professionals.

Also in February, PE-Europe announced that it has signed an agreement to acquire a majority interest in **Cambio Healthcare System AB** ("Cambio") from Valedo Partners Fund II AB and a group of minority investors. Cambio's management team and co-founders will continue to hold a meaningful stake in the company. Cambio operates in the Electronic Health Records ("EHR") market, offering software solutions for acute, primary, social and person-centred care. Cambio promotes a holistic view on health and social care and offers an EHR agnostic solution for clinical decision support applicable for all branches of health and social care. The company, which has grown rapidly in recent years, has customers primarily in Sweden, Denmark and the United Kingdom, with more than 220,000 users of its software solutions. Cambio is headquartered in Stockholm, Sweden and has approximately 550 employees, of which the majority are dedicated to research and development as well as software maintenance.

In March 2019, Investcorp agreed to the sale of **The Wrench Group** ("Wrench"), a leading provider of home maintenance and repair services in the United States, to Leonard Green & Partners, a Los Angeles-based private equity firm. Investcorp, in partnership with management, acquired Wrench in 2016. At the time of acquisition, Wrench was comprised of four like-minded, locally operated companies with market leading positions in Atlanta, Dallas, Houston and Phoenix. The management owners' collaborative approach and entrepreneurial spirit helped transform the business from a group of local businesses to a leading integrated national platform.

Today, Wrench is a market leader with divisions in Atlanta, Dallas, Denver, Houston, Phoenix, Sarasota and Tampa markets. The sale is expected to close in Q4 FY19.

Other private equity news

In January, Investcorp's portfolio company, **ICR** closed its first add-on acquisition in its 20+ year history with its acquisition of Westwicke Partners. Westwicke is a healthcare-focused strategic communications firm providing investor relations and capital markets advisory services. Westwicke will expand ICR's presence in the healthcare market, while ICR will provide Westwicke with several add-on service offerings, including PR and digital.

In February, Investcorp's portfolio company, U.S. TelePacific Holdings Corp. dba **TPx Communications** ("TPx"), a leading provider of unified communications and cloud-focused management IT services, and Pensare Acquisition Corp. (NASDAQ: WRLS; "Pensare"), a special purpose acquisition company, entered into a merger agreement pursuant to which TPx will, subject to the completion of the proposed transaction, become a Nasdaq-listed public company. The closing of the transaction is still pending and subject to a number of conditions, including regulatory approvals and a successful private placement, which is taking longer than expected due to market conditions. If a transaction with Pensare does not occur, Investcorp expects that it will continue to pursue exit options with other potential acquirors.

In March, Investcorp's portfolio company, **NDT Corrosion Control Services Co.** (NDT CCS) announced the acquisition of International Inspection Center Co. ("Intrex"), Kuwait's largest provider of industrial non-destructive testing ("NDT") and inspection services. Investcorp acquired a majority stake in NDT CCS in July 2015 from the Al Shuwayer Group. NDT CCS is an essential testing and inspection service provider for the industrial sector namely the oil and gas and petrochemical industry. Under Investcorp's ownership, NDT CCS has become a leading pan-GCC player through implementation of an organic and inorganic growth strategy.

Real Estate

A new portfolio, **2019 Multifamily Portfolio**, was fully assembled during the quarter, with six investments acquired during Q2 FY19 (Stonehenge, Bel Air Park, Bel Air Plano, Highland Park, Park View and Village West) and two acquired in Q3 FY19 (Autumn Cove and Vista Grand). The portfolio includes 2,510 units for a total purchase price of \$330 million. The properties span the submarkets of five rapidly growing metro areas across the Southeast and Southwest states: North Carolina, Georgia, Florida, Arizona and Texas.

In January, an industrial and logistics property which will form part of the **UK Industrial and Logistic III Portfolio** was acquired. The property comprises four units totaling 220,164 sq. ft. and is located in Leeds, England.

In February, **Loretto Heights**, a class B, multifamily property totaling 312 units located in Denver, Colorado was acquired. The property is being warehoused for placement in FY20 alongside other to-be-acquired multifamily assets.

In March, Lyoner Stern, a multi-let office building located in Frankfurt, Germany which will form part of the **Frankfurt and Hamburg Properties Portfolio** was acquired. The asset comprises 28,114 square meters of office space.

Two assets were realized from the **Boca Raton & Minneapolis Residential Portfolio** with the sale of University View in January and University Square in February. Both properties are student housing complexes located in Boca Raton, Florida.

In March, the **2013 Commercial Properties Portfolio** was fully realized following the sale of Oracle & International Centre, a two building, 622,173 sq. ft. office complex located in Minneapolis, Minnesota.

Absolute Return Investments (“ARI”)

The balance sheet co-investment portfolio delivered returns of 0.9% in Q3 FY19. The positive performance was primarily driven by Investcorp’s hedge fund partnerships and special opportunity portfolio investments.

During the third quarter of FY19, there has been positive asset raising momentum with subscriptions totaling \$322 million, coming from several new clients. Investcorp’s Italian NPL II product saw the greatest inflows with new commitments totaling approximately \$183 million. Additionally, hedge fund partnerships saw significant inflows with subscriptions of \$140 million for Nut Tree Capital Management. There were total client redemptions / outflows of \$29 million during this quarter.

With the successful fundraising for Nut Tree Capital Management (“Nut Tree”) in this quarter and previously, the fund has reached \$1 billion in assets under management. Investcorp first announced its strategic relationship with Nut Tree in late 2015. Based in New York, Nut Tree is an opportunistic alternative credit investment manager that launched in February 2016 with \$100 million in assets under management, anchored by strategic capital from Investcorp. It is led by Founding Partner and Chief Investment Officer Jed Nussbaum who was previously a partner at Redwood Capital, a distressed credit manager. Jed has over 18 years of experience as an investor in the alternative credit markets.

The table below summarizes Investcorp’s latest outlook for alternative risk premia and hedge fund strategies.

Traditional Asset Classes

Equities

- Neutral on equities globally

Credit

- Modestly negative across IG, HY and EM

Rates

- Modestly negative on US Rates
- Mostly negative on European and Japanese rates

Commodity

- Modestly positive

Hedge Funds Strategy Outlook

Equities

- Neutral on equity strategies

Credit

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

Event Driven

- Neutral on event-driven strategies

Global Macro

- Mostly positive on macro discretionary
- Neutral on macro systematic

Relative Value

- Mostly positive on fixed income relative value and modestly positive equity market neutral
- Neutral on convertible arbitrage
- Slightly positive on volatility arbitrage

Credit Management

Portfolio commentary

ICM closed the \$450 million Jamestown XII CLO on March 13th. The deal has a 5-year reinvestment period and a 2 year non call period. The CLO is almost fully invested, and the team is now focused on optimizing the portfolio to add spread and build par.

The market was challenging with 5-year options open to only a handful of managers – those who are on the buy list of a limited number of investors. Investcorp had 11 investors in the book for the Jamestown XII CLO, many of whom invested across tranches. Three of these investors are new to the Jamestown platform.

ICM also successfully closed the €409 million Harvest CLO XXI transaction on March 22nd. The CLO has a 4.5-year reinvestment period. Good execution was achieved despite the challenging market conditions.

The ICM Senior Loan Fund generated a net return of 3.38% during the quarter and the ICM Global Income Fund generated a net return of 3.02% for the same period. While Investcorp always constructs the portfolios of its open-ended funds utilizing bottom-up fundamental analysis of individual credits with a focus on relative value, the investment team is mindful of macroeconomic trends. In the US this is the tenth year of an economic expansion post the financial crisis and the Federal Reserve's outlook has become more cautious, and the team remains mindful of downside risk to loans. Investcorp continues to believe a US recession is unlikely this year, however the investment team is carefully selecting loan issuers that it believes can withstand a trough in the economic cycle with sustainable cash flow and sufficient asset value to repay secured loans. Europe is further back in the economic cycle, but the team remains cautious given various issues such as Brexit, European elections and contagion from any US slowdown. Investcorp is maintaining its sell discipline and is reducing and eliminating positions which no longer provide appropriate risk-adjusted returns.

Client Activities

AUM & Fundraising

Deal-by-deal fundraising during the third quarter of the fiscal year included the continuing placement of the **China Pre-IPO Technology Portfolio** as well as the real estate **2018 Multifamily Portfolio**.

During the quarter, Investcorp launched the placement of three new private equity deals with investors in the Gulf and Asia - **India Consumer Growth Portfolio**, its first Indian private equity offering; **Revature** and **Health Plus Management**. Furthermore, Investcorp launched the placement of one new real estate portfolio, **2019 Multifamily Portfolio**.

Total new subscriptions for ARI products in the quarter amounted to \$322 million. Fundraising in credit management totalled \$930 million in the quarter. A total of \$905 million was raised from the issuance of one new CLO in the US, **Jamestown CLO XII**, and one European CLO, **Harvest CLO XXI**. New subscriptions into the two open-ended senior secured loan funds, the ICM Senior Loan Fund and the ICM Global Floating Rate Income Fund, totalled \$25 million.

Assets under Management ('AUM')¹²

As of March 31, 2019, total AUM across all products, including proprietary co-investments was \$26.7 billion and total client AUM was \$24.1 billion.

Total AUM (\$ billion): 26.7



Client AUM (\$ billion): 24.1



¹ AUM includes approximately \$2.1 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

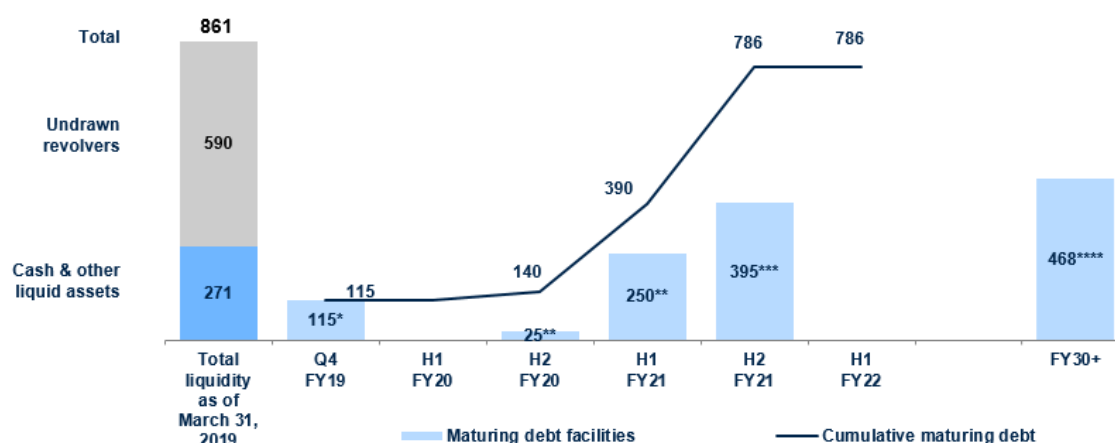
² Real estate investments are stated at gross asset value

Key Balance Sheet Metrics

	Mar'19	Dec'18
Total assets (\$ billion)	2.6	2.4
Leverage ratio ³	1.3x	1.3x
Net leverage ratio ⁴	0.5x	0.5x
Co-investments ⁵ /(total equity + long term capital ⁶)	0.6x	0.7x
Total accessible liquidity (\$ billion) ⁷	0.9	1.2

Co-investment assets remain fully covered by permanent and long-term sources of capital.

Liquidity cover (\$ million)



* CHF 115 million (\$115 million at current exchange rates)

** Syndicated revolving facilities

*** Syndicated revolving facilities - includes €100 million (\$112 million at current exchange rates)

**** JPY 37 billion (\$334 million at current exchange rates) debt maturing in FY30, €36 million (\$40 million at current exchange rates) debt maturing in FY31, €37 million (\$42 million at current exchange rates) debt maturing in FY32 & \$50 million maturing in FY33

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was \$861 million and substantially covers all outstanding medium-term debt maturing over the next three years.

³ Calculated in accordance with bond covenants

⁴ Calculated in accordance with bank loan covenants which is net of liquidity and underwriting

⁵ Excludes underwriting and is net of revolving facilities secured against absolute return investments and credit management co-investments

⁶ JPY 37 billion debt maturing in FY30, €36m debt maturing in FY31, \$50 million debt maturing in FY32, deferred fees and total equity

⁷ Cash, placements with financial institutions and undrawn revolvers

Credit Ratings

<u>Agency</u>	<u>Rating grade</u>	<u>Comment</u>
Moody's Investor Service	Ba2 / Stable Outlook	Rating and outlook confirmed in October 2018
Fitch Ratings	BB / Stable Outlook	Rating confirmed and outlook brought back to "Stable" in October 2018

Other Corporate News

Investcorp announces changes to its operational structure in Bahrain

Investcorp Bank B.S.C. is in the process of aligning its operational structure in Bahrain taking into account the evolution of the Central Bank of Bahrain's ("CBB") regulatory framework for wholesale banks and investment firms, as well as the development of Investcorp's business model. As a first step, Investcorp sought the CBB's guidance and agreement to proceed with the proposed realignment and thereafter applied for CBB's approval on the licensing of a Bahrain based Category 1 investment business firm called Investcorp Financial Services B.S.C(c) ("IFS"), a newly incorporated company wholly owned by Investcorp. The CBB's approval was granted on 18 December 2018.

Investcorp launches in India with acquisition of IDFC

In January, Investcorp announced the launch of its operations in India with the completion of its first deal, the acquisition of the Private Equity and Real Estate investment management businesses of IDFC Alternatives Limited, a subsidiary of IDFC Limited, a company listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE). This transaction marks Investcorp's entry into India and is in line with the firm's long-term strategy of expanding its investment footprint and client franchise globally. Later in February, Investcorp announced the launch of Investcorp India Asset Managers Limited and opening of its India office with \$450 million assets under management (AUM) and a team of 21 investment professionals.

Investcorp and Aberdeen Standard Investments launch joint venture for Gulf Infrastructure Investing

On February 13th, Investcorp and Aberdeen Standard Investments (ASI), a leading global asset manager, part of Standard Life Aberdeen plc announced the launch of their joint venture that will invest in social and core infrastructure projects in Gulf Cooperation Council countries. The joint venture will benefit from ASI's strong track-record of investing in 120 social infrastructure projects over the past 20 years and Investcorp's extensive private equity expertise and market reach in the Gulf.

Investcorp awarded "Firm of the Year" at the Private Equity International Awards

On March 11th, Investcorp announced that it has been named 'Firm of the Year: Middle East and Africa' in Private Equity International's 2018 Awards series. Private Equity International's regional awards recognize firms that have distinguished themselves in terms of investment activity, fundraising and overall performance in a particular geography. The winners of each category were determined by a public vote.

Investcorp was recognized in the category for its successful raising of \$7.3 billion across all its strategies, including more than \$1 billion of deal-by-deal capital in the Gulf, and the listing of Leejam Sports on the Saudi stock exchange. Leejam Sports is the first fitness chain to list in the region and the first company to list in Saudi Arabia in 2018.

Corporate Contact Information

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



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