Quarterly Shareholder Update

Q3 FY2014
(QUARTER ENDED 31 MARCH 2014)

Our successful track record is the result of the skill, dedication, vision and creativity of our outstanding people, who have been drawn from a global pool of talent. They ensure that we continue our mission to excel in every one of our chosen markets, products and business areas. Looking ahead, we are determined to maintain the clarity of our direction. We will continue to focus our creative energy on maximizing our ever-expanding potential and maintaining our cutting-edge competitive advantage. Nemir A. Kirdar, Executive Chairman and Chief Executive Officer

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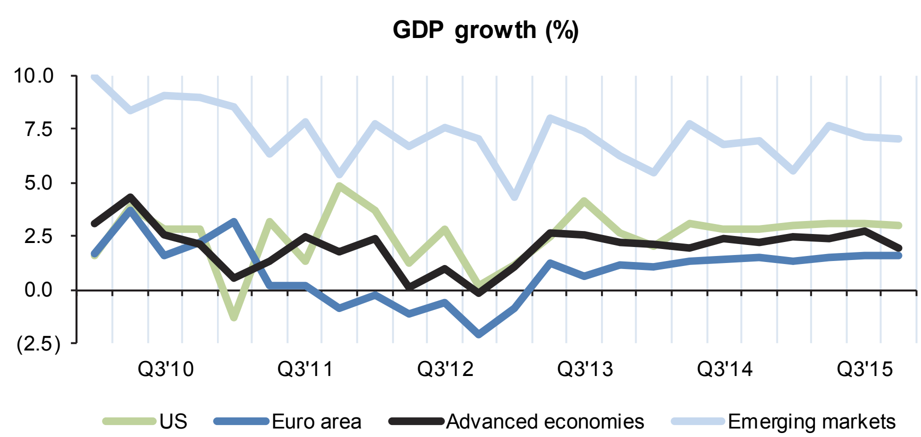
Macro Environment

According to the latest IMF World Economic Outlook Report (WEO, April 2014), expectations are for global economic growth to reach 3.6% in 2014, from 3.0% in 2013.

Whilst the IMF predicts a continued strong rate of growth into 2015, at 3.9%, this growth is expected to come from advanced economies. Volatility in emerging markets remains an area of concern for investors, with a need for monetary tightening and structural reforms in these economies to help stimulate growth.

With growth most likely to be driven by advanced economies, the US seems set to continue to play a core role, with the IMF's WEO predicting a growth rate of 2.75% this year. US growth surpassed expectations in the latter half of calendar year 2013, and this was further buoyed by consumer spending and domestic demand. Some commentators have pointed to the impact of the unusually difficult winter, which has impacted the economy in early 2014, but a relatively quick bounce-back is anticipated. The IMF predicts that the US growth rate will increase to 3.0% in 2015.



Source: IMF World Economic Outlook April 2014

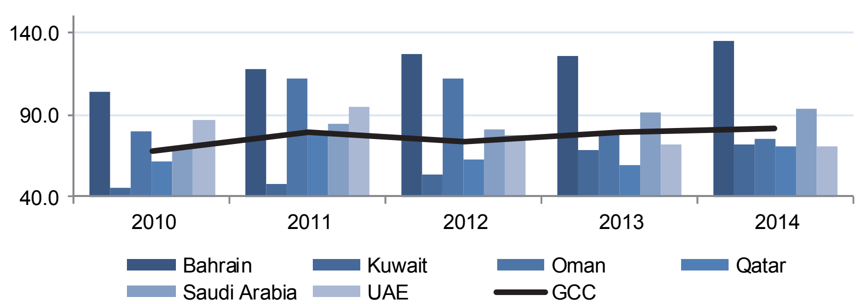
Across the Atlantic, the economic picture for the Eurozone appears to be stabilizing, with evidence of recovery in advanced economies, following a period of decline in growth up until the second quarter of calendar year 2013. The Eurozone looks set to expand by 1.0% or more this year, a significant improvement on last year's contraction, with the expectation of a return to growth for even some of the peripheral economies. Some economies in the region have surpassed expectations, such as the UK with a recovery in full swing coupled with increased consumer and business confidence.

However, fundamental risks in the Euro region remain, including the potential for delayed policy initiatives, the risk of a reversal of key initiatives setting the recovery back, and high unemployment leading to deep-rooted dis-satisfaction with reform. One aspect of the economic environment which will remain crucial is the sustained period of low inflation. March 2014 saw inflation fall to 0.5%, the sixth consecutive month that the rate of inflation has been below 1.0%, raising fears that the Eurozone risks a damaging period of deflation, with an increasing debt burden.

The ongoing situation in Ukraine is a cause for concern in the Eurozone and beyond. The IMF announced a rescue package worth as much as $18 billion in March, in a bid to aid Ukraine's economy, and this has been bolstered to $27 billion with contributions from Europe and the US. Investor fears are further exacerbated by the increased uncertainty regarding the impact of sanctions on Russia, and the ability of Ukraine to repay its debt obligations and put in place effective economic policies to stabilize the economy and stimulate growth.

Looking at the GCC, which remains dependent on oil prices to a certain degree, the region is considered by the IMF to have substantial buffers to withstand large, albeit short-lived, shocks to oil prices. Budget breakeven oil prices in most Gulf Arab producers are creeping upwards, as governments continue to push through investment stimulus programs despite flatter production.

Budget breakeven oil prices for GCC countries ($bbl)

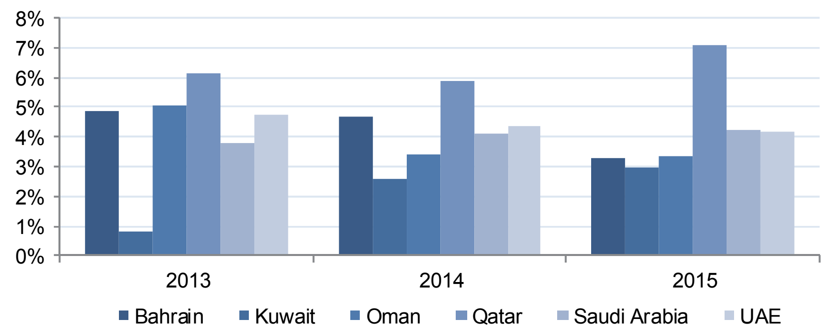


Source:Zaw ya

In particular, the budget break-even oil price in Saudi Arabia is now estimated at above $93 per barrel, compared to $91 per barrel in 2013. The IMF has noted that although fiscal positions have been weakening across the GCC economies over the past several years, most still have substantial buffers to withstand short-term oil price fluctuations.

Amongst the non-oil exporting countries in the Middle East, the IMF predicts growth at around 3.0% in 2014 before rising to 4.0% in 2015. The gap in performance between the non-oil economies and the GCC should narrow as the region benefits from a global economic recovery, and increasing exports to Europe.

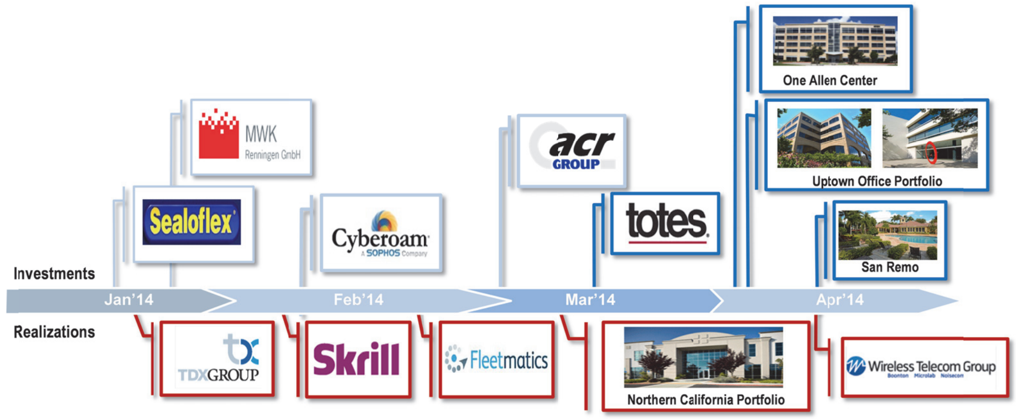
GDP growth for GCC countries (%)



Source: IMF World Economic Outlook April 2014

Growth for 2014 and 2015 are projected

Investment and Realization Activities



Corporate Investments

The corporate investment team acquired one new company and made four add-on acquisitions during the quarter, deploying $105 million of equity. Investcorp and our clients received $361 million from realization proceeds and other distributions in the quarter.

New corporate investments

Investcorp signed a definitive agreement for the acquisition of **totes>>ISOTONER Corporation**, the world's leading designer, marketer and distributor of functional accessories including umbrellas, cold weather and footwear products, from MidOcean Partners in a joint partnership with Freeman Spogli & Co. Totes was founded in 1923 and headquartered in Cincinnati, Ohio. The company has become synonymous with the multi-billion functional accessories market and holds a leading position in all of its served markets. In the US, totes»Isotoner products are sold through department stores, mass merchants, drug stores, specialty retailers, and online retailers. The company also maintains a significant international presence, with offices located throughout Europe and Asia.

The acquisition is expected to close in Q2 CY14.

Add-on acquisitions by existing portfolio companies

Icopal acquired **Sealoflex**, a multinational manufacturer of high performance waterproofing systems based in the US with a sales organization in both the US and the UK. Icopal also completed the acquisition of **MWK**, a German-based manufacturer of high-end PVC membranes for Wolfin. Both acquisitions, which support Icopal's strategy to be a multi-material waterproofing group, closed in January 2014.

Sophos, a portfolio company held in the Investcorp Technology Partners III fund, acquired an India-based network security solutions provider, **Cyberoam Technologies** (previously owned by Carlyle). Cyberoam operates in the fast growing Unified Threat Management ("UTM") segment which Sophos entered into through the acquisition of Astaro in 2011. Cyberoam is headquartered in India and will expand Sophos' client base and provide the company with crucial engineering scale and talent.

Autodistribution acquired **ACR**, a multi-specialist of automotive replacement parts in France founded in 1993 with nine distribution platforms across France. The acquisition allows Autodistribution to leverage on ACR's product expertise and specialized logistic strengths for future growth. The acquisition was partly funded by the issuance of €240 million of senior secured notes in January 2014.

Corporate investment realizations

We completed the realization of **TDX Group** in January to Equifax Inc. for £200 million (approximately $327 million). TDX Group is the UK's largest debt placement services and debt management platform company providing businesses with technology, data and advisory solutions to improve debt liquidation and the fair treatment of consumers in financial arrears. In 2008, the Investcorp Technology Partners III fund acquired a substantial minority stake in TDX, becoming the largest and only institutional shareholder alongside TDX's three founders. Approximately $112 million of proceeds have been distributed to investors following the realization.

We completed the sale of a majority stake in **Skrill Group**. The transaction valued Skrill at an enterprise value of €600 million (approximately $800 million). Investcorp and our clients have received approximately $229 million of distributions from the realization while continuing to retain a significant minority stake in Skrill.

The phased realization of **Fleetmatics** has now been completed with the sale of the small number of remaining shares in early April 2014, returning approximately $16 million of realization proceeds to Investcorp and its clients. Fleetmatics is a leading global provider of fleet management solutions for commercial fleet vehicles. Proceeds of over $600 million in aggregate have been distributed to Investcorp and clients over the past 18 months from the realization of Fleetmatics.

Investcorp Technology Ventures I fund has sold its' investment in the publicly traded company, **Wireless Telecom Group** at $2.00 per share. This was the remaining stake from the Fund's original 2003 purchase of Willtek, a wireless testing equipment business. With this sale, Atrenta remains the only significant investment in Investcorp Technology Ventures I fund.

Real Estate

The real estate team closed the purchase of three investments, deploying $42 million of equity. Total real estate realization proceeds and other distributions to Investcorp and its clients in the quarter were $17 million.

New real estate investments

We have acquired **One Allen Center**, a 150,509 square foot five story office property located in the North Dallas suburb of Allen in Texas. Allen is a fast growing residential area, where the population has grown by over 76% since calendar year 2000 and features an average household income of over $120,000.

We have acquired **Uptown Office Portfolio,** consisting of two Class A office buildings in the most desired commercial and residential locations in the city of Dallas, home to many of Dallas's notable hotels such as the Ritz Carlton, Mansion on Turtle Creek and Hotel Crescent Court. The two properties, **3400 Carlisle Street** (76,381 square foot) and **2911 McKinney Avenue** (94,095 square foot) are located within half a mile of each other, close to all major transportation outlets.

We have finalized a purchase and sale agreement to acquire the **San Remo** multi-family residential portfolio located in northwestern Broward County, Florida. San Remo consists of 180 Class A- garden style, "for rent", townhome units situated in 14-three-story buildings with attached garages on an 11.9 acre site.

A new real estate portfolio, **2014 Diversified**, will comprise the three acquisitions of One Allen Center, the Uptown Office Portfolio and San Remo, and will be targeted to be placed with clients in Q4 FY14.

Real estate realizations

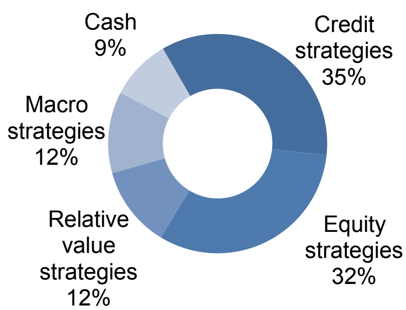
An office property, **5900 State Farm Drive** was sold from Northern California Portfolio. The portfolio now consists of 12 commercial office and industrial real estate properties located in Petaluma, California.

Hedge Funds

Our hedge funds co-investment portfolio delivered gross returns of 1.8% for the quarter. During the same period, the industry benchmark, the HFRI Fund of Funds Composite Index returned 0.2%.

The portfolio is now positioned with a positive tilt towards equity oriented strategies (event driven and hedged equities) and credit strategies (including structured credit and European distressed).

Investcorp hedge funds co-investment allocations



- We have a "**Positive**" rating on Special Situations/Event Driven strategies predicated on strong corporate balance sheets, a significant pick-up in deal flow and a very strong year for investor activism

- We have a "**Positive**" rating on Hedge Equities, and we see an expansion in the opportunity space for long-short equity managers with a greater dispersion of global equity returns and an environment that is suited for stock selection

- We remain "**Modestly Positive**" on Macro. We believe that the macro opportunity set will richen as we see an increase in policy divergences across the globe manifest itself in reduced asset correlations

- We continue to have a "**Modestly Positive**" rating on Structured Credit as a strategy. We expect residential mortgages to underperform their more recent past, as well as other parts of the structured credit markets. We continue to favor CMBS over RMBS, specifically mezzanine paper. We also favor off-the-run structured credit backed by non-performing loans and Trust Preferreds

- We remain "**Neutral**" on Equity Market Neutral strategies as we continue to see commoditized factor models delivering sub-optimal alphas in the developed markets

- Our "**Neutral**" rating on Fixed Income Relative Value is unchanged. We continue to structurally like Relative Value strategies as hedge funds step into the void left behind by the exit of bank proprietary trading desks. In addition, fixed income volatility is low, providing headwinds for the strategy

Investcorp provides initial seed and acceleration capital to emerging hedge funds. We have entered a strategic relationship with **Eyck Capital Management LLC** to provide it with acceleration capital while offering Investcorp and its investors' access to a specialized event-driven and distressed credit strategy spanning the European opportunity set. Founded in 2013, Eyck Capital is led by investment manager Khing Oei.

Prior to founding Eyck Capital Management, Mr. Oei was a managing principal and portfolio manager at Halcyon, a $13 billion multi-strategy hedge fund. Based in London, he also served as an investment committee member of the firm's European credit platform, which he built and co-managed. Mr. Oei previously worked at Fortress and in Goldman Sachs' European Special Situations Group.

Eyck seeks to take advantage of opportunities within the capital structure of highly levered companies by investing in European special situations, distressed debt and stressed debt. The firm's focus is on fundamental research-driven investments, long or short, at the liquid end of the European opportunity set, including bonds, CDS, loans and equities, principally with an event-driven approach.

During the quarter, we also launched **Special Opportunity Portfolio IV** (SOP IV), a portfolio with the objective of providing investors access to the US residential non-performing loans market.

Q3 FY14 Client Activities

The third quarter of our fiscal year has been a very active period for our Gulf-based placement team, who have been placing the underwritten investments held on the balance sheet at 31 December, 2013.

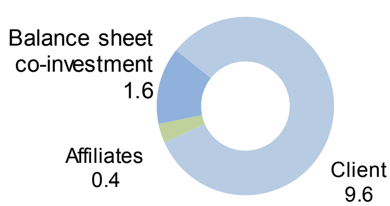
Placement Activity

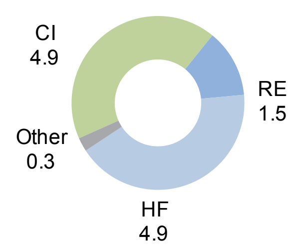
Total placement, excluding hedge funds, for the quarter was $271 million.

We initiated and substantially completed the placement of investments acquired in Q2 FY14, which consisted of Namet (corporate investments - MENA), SOP IV (hedge funds) and the Southeast Multifamily portfolio (real estate). We also continued the placement of Paper Source (corporate investments – North America) and the 2014 Office portfolio (real estate). The placement of the new corporate investment in Totes and the new real estate portfolio, 2014 Diversified, will commence in Q4 FY14.

In addition we received $217 million of new hedge fund subscriptions. As a consequence, total hedge fund assets under management have now almost reached the significant milestone level of **$5.0 billion**.

Total AUM: $11.6b



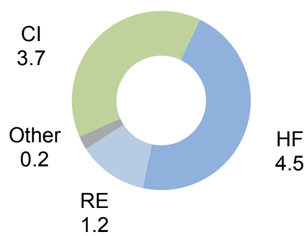


As of 31 March 2014, our total assets under management[1] across all products, including our proprietary co-investments, increased to **$11.6 billion** from $11.3 billion as of 31 December 2013.

[1] Assets under management includes approximately $2.3 billion of single manager funds managed by third party managers in respect of which fees are paid to Investcorp that are calculated on the basis of the assets under management managed by such third party managers.

Client assets under management increased to $9.6 billion from $9.2 billion as at 31 December 2013. Over the first three quarters of fiscal year 2014, client assets under management have increased by approximately 12%.

Client AUM: $9.6 billion



Berlin Conference

We hosted a three day conference in Berlin from March 17th to 19th. The conference provided Investcorp's key partners a forum to share and discuss geopolitical and economic insights from the Gulf, Europe and the US.

The event included addresses by distinguished speakers including His Excellency Amr Moussa, the former Secretary-General of the Arab League, and Dr. Tamara Cofman Wittes, Director of the Saban Center for Middle East Policy at the Brookings Institution and former Deputy Assistant Secretary for Near Eastern Affairs at the US Department of State.

Members of Investcorp's European Advisory Board, including His Excellency Kofi Annan, former Secretary-General of the United Nations, Dr. Ana Palacio, the former Foreign Affairs Minister of Spain and His Excellency Wolfgang Schüssel, the former Chancellor of Austria, discussed the critical issues impacting European and global economies.

Bundesminister Sigmar Gabriel, MdB, Vice Chancellor of Germany and Federal Minister of the Economy and Energy Affairs also attended the Gala dinner hosted at the Deutsches Historisches Museum.

Key Financial Metrics

Net income for the first nine months of FY14 continues to demonstrate the year-on-year growth momentum witnessed during the first six months and is 8% higher compared to the same period last year, driven by higher acquisition and placement activity.

	Dec'13	Mar'14
Total assets ($b)	2.4	2.4
Total accessible liquidity ($b)[2]	0.5	0.7
Accessible liquidity/(debt facilities maturing <5yr)	0.7x	0.8x
Total debt ($b)[3]	1.2	1.2
Leverage ratio[4]	1.3x	1.2x
Co-investments[5]/(total equity + long term capital[6])	1.0x	1.0x
Capital adequacy ratio (Basel II)	28.3%	29.2%
Capital adequacy ratio (Basel III)	27.7%	28.6%

Debt levels were unchanged over the quarter and leverage, calculated according to loan covenants, declined to 1.2x. Two secured financing facilities for hedge fund co-investments matured during the quarter and were refinanced with a new $175 million 3-year secured revolving facility.

Co-investment assets, net of the $175m new secured hedge fund facility, remain fully covered by permanent and long-term sources of capital.

We continue to hold comfortable levels of liquidity. Placement of underwritten deals held on the balance sheet at the end of Q2 FY14 has increased accessible cash liquidity by $0.2 billion to $0.7 billion as at 31 March 2014.

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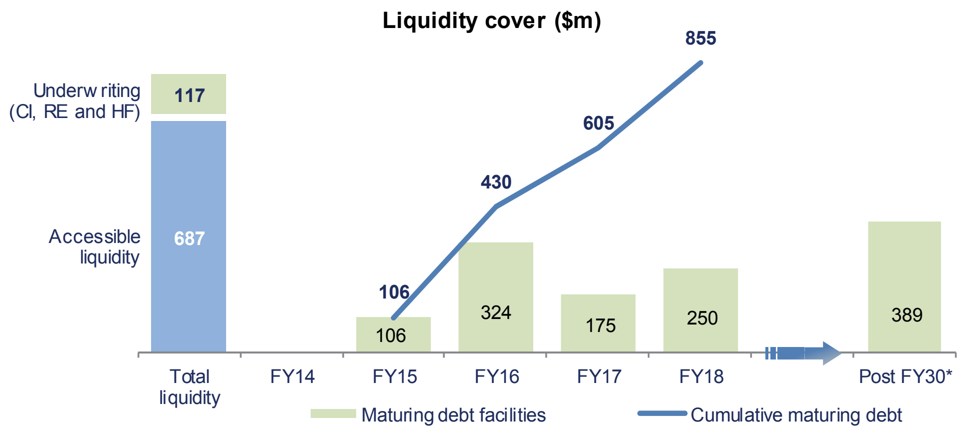
[2] Cash, placements with financial institutions and undrawn revolvers
[3] Client deposits and term debt
[4] Calculated in accordance with bank loan covenants
[5] Excludes underwriting and is net of the $175m facility secured against hedge funds
[6] JPY 37 billion debt maturing in 2030 and $50 million debt maturing in 2032

Further structural liquidity is provided by $467 million of hedge fund co-investments, of which $29 million was utilized as at 31 March 2014 to secure a drawdown under the new $175 million secured revolving facility. The monetization profile of hedge fund co-investments is 42.9% in six months.



*JPY 37 billion ($316 million at current exchange rates) debt maturing in 2030 and $50 million maturing in 2032

Credit ratings

Agency	Rating grade	Comment
Moody's Investor Service	Ba2 / **Stable outlook**	Rating affirmed in Jan 2014 **Outlook changed from negative to stable**
Fitch Ratings	BB / Stable outlook	Rating and outlook confirmed in Oct 2013

In January, Moody's affirmed our credit rating at Ba2 and changed the outlook from negative to stable. Moody's noted that the primary drivers for their rating action were successful efforts in terms of balance sheet deleveraging and reducing on-balance sheet risk, coupled with ongoing growth in fee revenue.

Other Updates

European Advisory Board

Alain Juppe, is the latest member of our prestigious European Advisory Board. Mr. Juppe is the Mayor of Bordeaux, and former Prime Minister of France. His political and professional career has included numerous positions from national delegate for education of the Rassemblement Pour la République (RPR) to Director of Finance and Economic Affairs of the City of Paris, European Deputy, Paris Deputy, Deputy Minister in the Ministry of the Economy, Finance and Privatisation and Secretary-General of the RPR. He became French Minister of Foreign Affairs in 1993 and was Prime Minister from 1995 to 1997.

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