

INVESTCORP

Quarterly Shareholder Update

Q1 FY2020

For the period July 1, 2019 to September 30, 2019

"We continued to make solid progress executing our growth strategy and we are confident in our ability to achieve our objectives, irrespective of market conditions.

We are leveraging this momentum to advance our evolution as a global, alternative asset manager. We have a strong balance sheet, ample liquidity and remain focused on capitalizing on our compelling opportunities to drive value for our shareholders and clients."

- Mohammed Alardhi, Executive Chairman

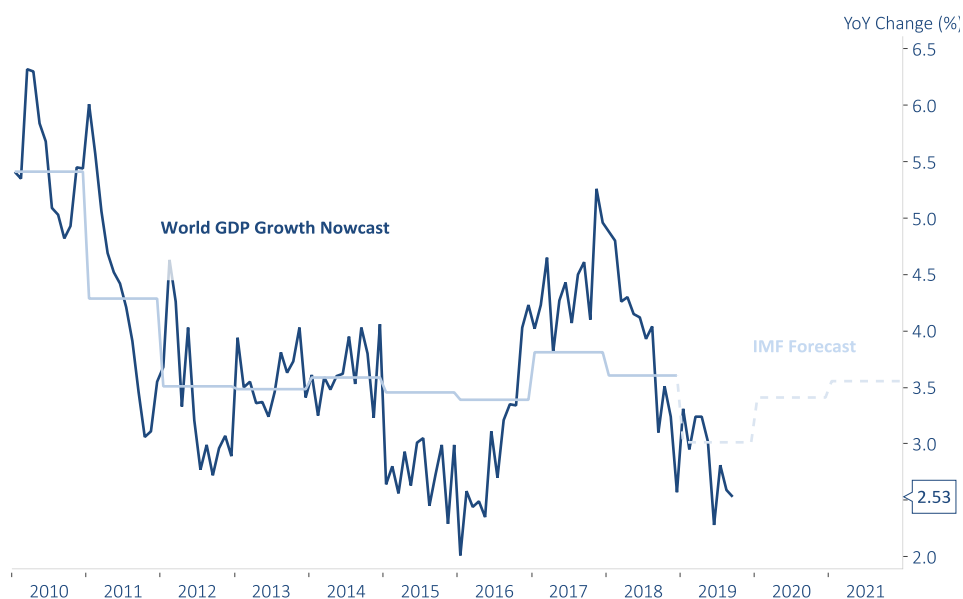
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Macro and Business Environment

Nowcast models indicate that the global economy is growing at a 2.7% rate, as of September 2019. Offering a real-time read on economic conditions, these measures are derived from standard econometric models incorporating a broad array of macroeconomic data. As the following chart shows, the decelerating trend since 2018 began has slowed growth to the point where it is now dangerously close to recessionary levels – in global terms, this generally refers to a rate below 2.5%.

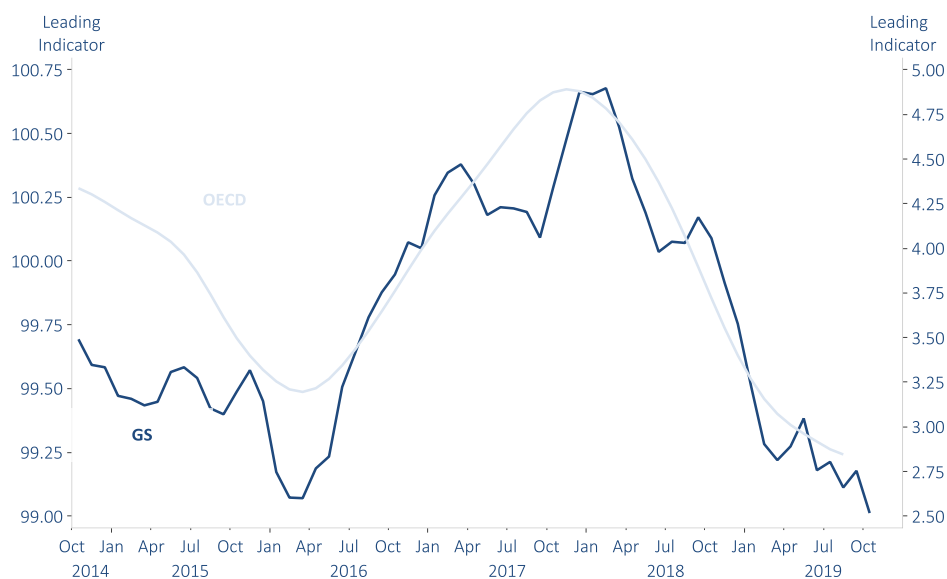
Global GDP Aggregate Nowcast



Source: Goldman Sachs, Morgan Stanley, Investcorp, Macrobond

Aggregate measures paint a somewhat more benign picture. As the following chart illustrates, global leading economic indicators from both the OECD and the sell-side have shown signs of stabilization in recent months. Following the sharp slide in last year's second half, downside momentum has been losing steam, signaling a shallower contraction and heightened prospects for a bottom in economic activity.

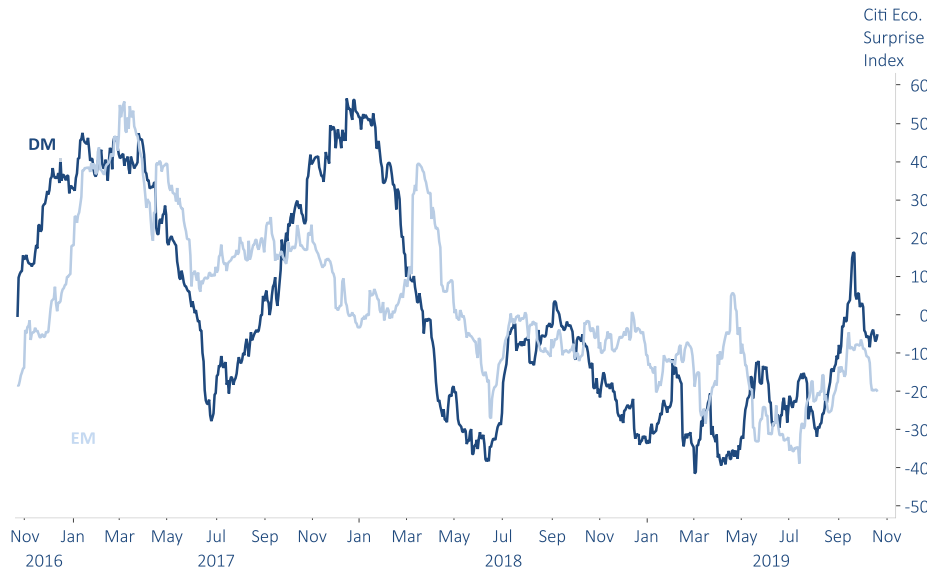
OECD – GS Leading Indicators



Source: Goldman Sachs, OECD, Investcorp, Macrobond

Macroeconomic surprise indices also offer some reason for optimism. As shown below, economic reports have been outpacing forecasts in recent times, suggesting improving fortunes, though Investcorp is hesitant to read too much into this alone. Historically, economic surprise indices have tended to be mean-reverting, with positive surprises today often paving the way for negative surprises tomorrow. Growth might not be as weak as economists have been expecting, but it is worth keeping in mind that convincing evidence of an upside reacceleration is yet to be seen.

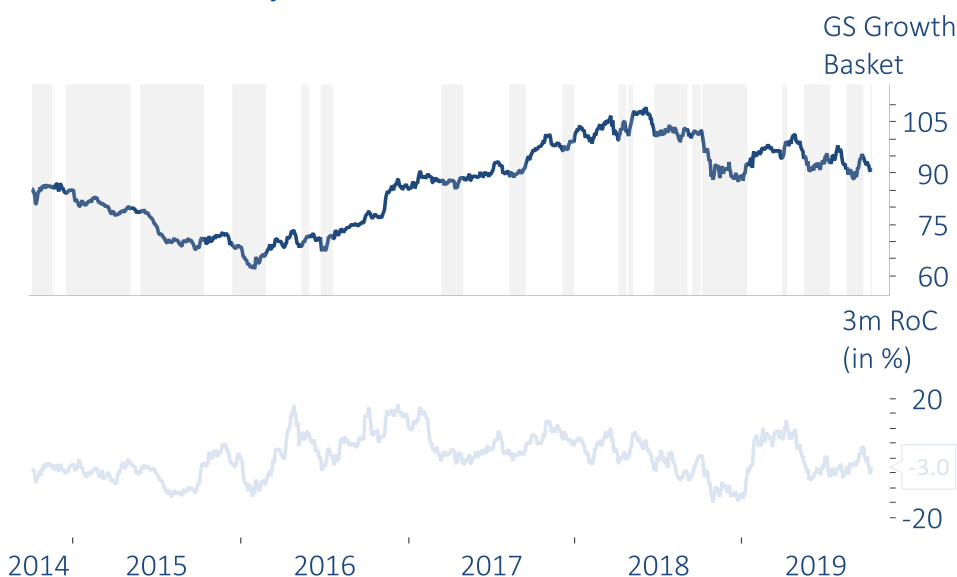
Economic Surprise Leading Indicators



Source: Goldman Sachs, OECD, Investcorp, Macrobond

Whether or not the low is in, hints of a turnabout may well be one reason why assets tied to growth have picked up recently. As can be seen in the chart below, the three-month rate of change of a gauge based on the performance of a basket of cyclical assets across foreign exchange, commodities and equity markets has rebounded toward neutral after dropping in August. Meanwhile, three-month momentum is no longer negative (i.e., not marked as gray). Combined with diminished hostilities on the trade front, hints that the worst may be over for the economy have likely been the impetus for renewed investor interest.

Global Growth Market Proxy



Source: Goldman Sachs, Investcorp, Macrobond

Regardless, the consumer sector remains a major source of resilience for the economy, bolstered by continued optimism at the grass roots level. As shown in the following chart, consumer sentiment has remained well behaved despite growing stress in manufacturing and heightened political and economic policy uncertainty. For the most part, robust real wage growth, decent household balance sheet strength, and low unemployment have more than offset the negatives.

Investcorp Global Consumer Confidence Indicator

Source: Investcorp, Macrobond

Business Activity

Private Equity

In July, Investcorp's Technology Partners announced its acquisition of a majority stake in **Contentserv**, a leading provider of Product Information Management ("PIM") software, for an undisclosed consideration. The acquisition is the sixth deal from its \$400 million Fourth Technology Fund and the second acquisition of a software company in the DACH (Germany-Austria-Switzerland) region within a year. Swiss headquartered Contentserv was founded in 2012 and has grown to become a global market leader in PIM software, as recognized by its top-tier vendor rankings from both Gartner and Forrester. Contentserv's PIM software suite allows customers to centrally store and manage detailed product-related information for distribution across multiple online and offline channels - thereby enabling companies to improve data quality and consistency and delivering a more compelling product experience (resulting in higher revenue conversion) to its end-customers in an increasingly complex ecommerce driven world.

In August, Investcorp agreed the sale of **TPx Communications** ("TPx") (formerly TelePacific) to affiliates of Siris, a leading private equity firm focused on investing and driving value creation in technology and telecommunications companies. TPx is a provider of network and communications services headquartered in Los Angeles. In business since 1998, TPx today provides an award-winning product line that includes unified communications, managed security, managed WAN, other managed IT services and network connectivity solutions. Serving approximately 30,000 business, government and not-for-profit customers with more than 50,000 locations across the US, TPx designs and delivers the comprehensive, performance guaranteed solutions that enable customers to effectively grow and manage their enterprises. The transaction is expected to close in Q3 or Q4 FY2020, subject to the satisfaction of regulatory approvals and other customary closing conditions.

In September, Investcorp's private equity team in Europe ("PE-Europe") announced that it had signed an agreement to acquire **Ticket Holding S.à.r.l.** ("Vivaticket") from co-founders Luca Montebugnoli and Luana Sabattini, and other investors. Vivaticket's co-founders and management team will continue to remain involved in the business and hold a meaningful stake in the company. Established in 1999, Vivaticket is a leading global provider of tech-enabled ticketing management solutions to the leisure and entertainment, sport, culture and tradeshow industries. The company's software solutions are widely recognized for their sophistication, reliability, and ability to address the full customer experience from ticket purchasing to on-site activities. Vivaticket has an extensive global presence with approximately 2,200 clients spanning over 40 countries, including some of the world's leading brands such as Walt Disney World, Musée du Louvre and FC Barcelona, amongst others. Headquartered in Bologna, Italy, the company employs approximately 400 people and has established operations in 10 countries across Europe, the Middle East, North America, Latin America and Asia Pacific. The transaction closed in October 2019.

Other private equity news

In July, Investcorp's portfolio company, **United Talent Agency** ("UTA") announced that it had acquired a 55% stake in Klutch Sports Group ("KSG"), a leading basketball agency with a high quality, star-driven roster including LeBron James, Anthony Davis, Ben Simmons and Draymond Green. KSG will provide a strong brand and marquee agent upon which to build a broader UTA sports agency as well as significant incremental revenue opportunities by leveraging KSG's roster in other UTA areas such as marketing, endorsements, speaking and acting.

In August, Investcorp's portfolio company, **Sur La Table**, appointed Jason Goldberger as CEO and a member of the Board of Directors. Most recently, Mr. Goldberger was with Blue Nile, the largest online seller of diamond jewelry in the world, where he served as President, Chief Executive Officer and as a member of the Board of Directors, since 2017.

In September, Investcorp's portfolio company, **Health Plus Management** ("HPM"), announced the addition of five facilities to its rapidly expanding network of practices under management. HPM now supports and provides administrative solutions to more than 40 physician-owned facilities specializing in physical therapy, physiatry and pain management throughout New York and New Jersey. This fall, Health Plus Management will expand the range of musculoskeletal care practices it serves with the addition of a New York-based, multi-site orthopedic practice with surgical capabilities under HPM management.

Real Estate

A new portfolio, **UK Industrial and Logistic III Portfolio**, was fully assembled during the quarter, with one investment acquired in FY18, eight acquired during FY19 and one acquired in Q1 FY20. The portfolio consists of ten industrial and logistics properties located in four key regional hubs in the United Kingdom. One property is located in each of the following locations; St Helens, Uddingston, Blantyre, Manchester and Birmingham. Two properties are located in Leeds and three properties are located in Livingston.

In August, **Sunrise**, a multi-let office campus located in Munich, Germany which will form part of a new **European Real Estate Portfolio** was signed. The property comprises 30,300 square meters of office space, located in the Unterhaching submarket of Munich. The transaction closed in November 2019.

In September, **Charlotte Metro Distribution Portfolio**, a 10-building, 100% leased, Class A/B portfolio of industrial/logistics assets totaling 1.9 million square feet was acquired. Nine of the ten assets in the portfolio are located in the Charlotte, North Carolina metro, while one of the assets is located in the Greensboro, North Carolina metro.

In July, two asset were realized from the **Boca Raton & Minneapolis Residential Portfolio** with the sale of **Hampshire Hill**, a Class B, 534-unit, garden style housing apartment complex located in Bloomington, Minnesota and **Southwind Village**, a Class B, 320 unit townhouse style housing apartment complex located in Burnsville, Minnesota.

901 Fifth Avenue, a 41-story, Class A office building totaling 540,589 sq. ft. located in Seattle, Washington was also sold in July.

In August, the **2015 Residential Properties II Portfolio** was fully realized following the sale of **Bel Air Las Colinas**, a Class B, garden style apartment complex located in Dallas, Texas.

In September, Investcorp completed the sale of **Arbors of Brentwood**, a Class B, 346-unit, garden style housing apartment complex located in Nashville, Tennessee; **Raleigh Student Housing Portfolio**, three Class A student housing communities, totaling 890 beds, located in Raleigh, North Carolina and **Raleigh Multifamily Portfolio**, three Class B multifamily complexes, totaling 830 units, located in Raleigh, North Carolina from the **2016 Residential Portfolio**.

Absolute Return Investments (“ARI”)

The balance sheet co-investment portfolio delivered returns of -0.5% in Q1 FY20. The negative performance was primarily driven by Investcorp’s hedge fund partnerships. Steamboat was down an estimated 4.0% in Q1 FY20. Though calendar year 2019 has been strong for the fund, September in particular was challenging as Steamboat gave back a portion of its recent gains in its short equity book. Though the portfolio was diversified, their shorts rallied against them in what became a several standard deviation reversal of momentum and value factors. Steamboat’s stop-loss policies led to cutting several shorts that had detracted beyond key thresholds and overall gross positioning declined significantly. Shoals was down an estimated 2.3% in Q1 FY20. Shoals’ losses were driven almost entirely from an overall short market stance that the fund has embraced since early August. The bearish exposure stems from weak fundamental data and poor technical reporting coming out of the financial sector as low rates, reduced lending and weak consumer sentiment have weighed on earnings estimates. Though this bearish positioning led to outsized gains in August when the fund was up 2.0% while markets were down, the outcomes reversed in September.

During the first quarter of FY20, there has been positive asset raising momentum with subscriptions totaling \$159 million, coming from several new clients. Investcorp’s Italian NPL II product saw large inflows with new commitments totaling approximately \$77 million. Additionally, hedge fund partnerships saw significant inflows with subscriptions of \$86 million for Nut Tree Capital Management. With the successful fundraising for Nut Tree Capital Management (“Nut Tree”) in this quarter and previously, the fund has reached \$1.45 billion in assets under management. Nut Tree also anticipates launching an opportunistic Drawdown fund in early 2020. The Drawdown Fund will seek to mirror Nut Tree’s existing fund, while providing the opportunity to supplement credit exposure during market dislocations. There were total client redemptions / outflows of \$40 million during this quarter.

Investcorp has finalized an enhanced seed deal with an established FX proprietary trading house. Together a fund was set up to offer a multi-portfolio manager product trading FX and futures. The fund launched on October 1, 2019 with approximately \$65 million in assets.

The table below summarizes Investcorp’s latest outlook for traditional asset classes and hedge fund strategies.

Traditional Asset Classes

Equities

- Slightly negative on equities globally

Credit

- Slightly negative across investment grade and high yield
- Modestly positive on emerging markets

Rates

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

Event Driven

- Slightly negative on special situations
- Neutral on merger arbitrage

Global Macro

- Mostly positive on macro discretionary
- Neutral on macro systematic

Relative Value

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

Credit Management

On August 30th, ICM finalized the acquisition of CM Investment Partners LLC (“CMIP”). CMIP acts as the investment adviser to Investcorp Credit Management BDC Inc. and invests primarily in the debt of U.S. middle market companies. The acquisition was a milestone for ICM as it officially marks Investcorp’s entry into middle market lending in the U.S. and also further enhances the diverse platform offered to investors across the alternative asset management spectrum.

Portfolio commentary

The Harvest CLO XXII transaction closed on September 5th. This was the first deal to use the European Risk Retention Fund (“ELC”) which held its first close in May. The ELC took 75% of the equity. Weighted average cost of capital was 193bps, which was in line with recent tight prints in the market.

The Jamestown IX CLO was successfully refinanced on July 22nd. Investcorp had 12 investors in the book, 3 of which were new to the Jamestown platform. Pricing levels compared favourably to recent refinancings in the market.

The ICM Global Floating Rate Income Fund (“GIF”) continued to grow as net subscriptions totalled approximately \$56 million at the end of Q1. A net return of 1.00% was generated during the quarter and the NAV approached the \$325 million milestone (\$322 million at the end of Q1). The fund’s portfolio managers have been focused on portfolio optimization as well as continuing to consolidate the portfolio to increase concentration in higher quality assets.

The COP I fund paid its second distribution in July, with an annualized yield of 14.28%. COP I distributions have been ahead of PPM projections. The COP II portfolio is expected to be fully invested by the end of Q2.

Client Activities

AUM & Fundraising

Deal-by-deal fundraising during the first quarter of the fiscal year included the continuing placement of the private equity deals **Health Plus Management** and **Revature** as well as the real estate **2018 Multifamily** and **2019 Multifamily** Portfolios.

During the quarter, Investcorp launched the placement of one new real estate portfolio, **2019 Multifamily II Portfolio**.

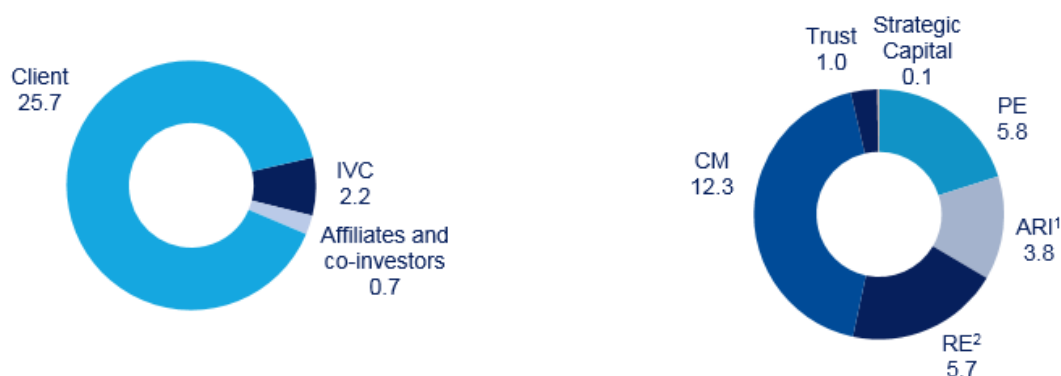
Total deal-by-deal fundraising amounted to \$72 million during the quarter.

Total new subscriptions for ARI products in the quarter amounted to \$159 million. Fundraising in credit management totalled \$541 million in the quarter. A total of \$462 million was raised from the issuance of one new European CLO, **Harvest CLO XXII**. New subscriptions into the open-ended senior secured loan fund, ICM Global Floating Rate Income Fund, totalled \$79 million.

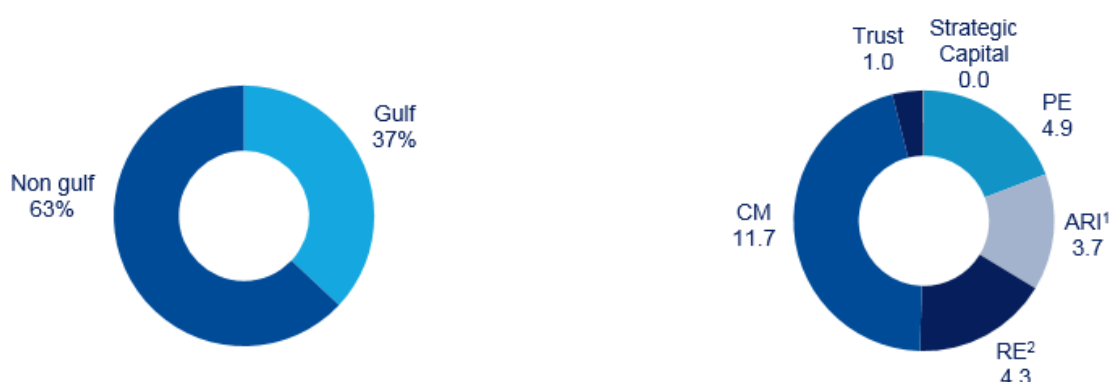
Assets under Management ('AUM')¹²

As of September 30, 2019, total AUM across all products, including proprietary co-investments was \$28.6 billion and total client AUM was \$25.7 billion.

Total AUM (\$ billion): 28.6



Client AUM (\$ billion): 25.7



¹ AUM includes approximately \$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

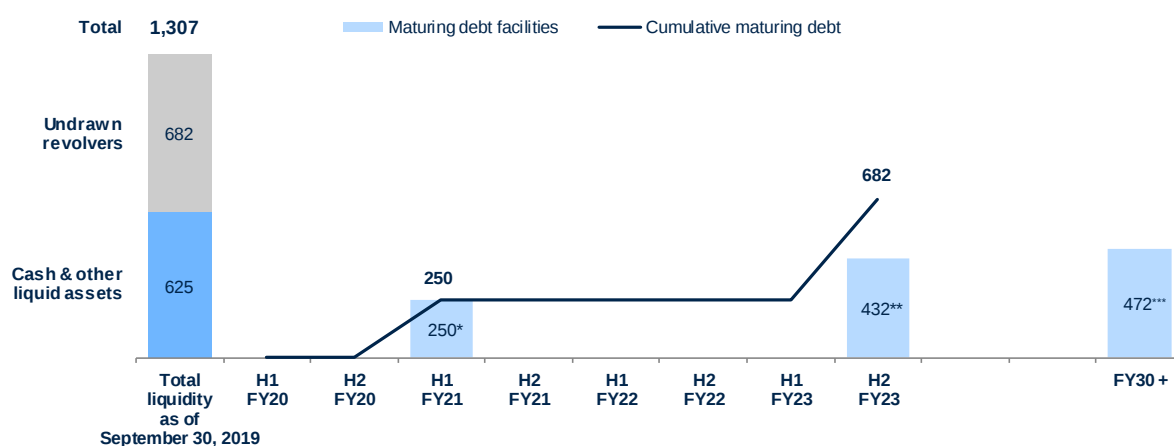
² Real estate investments are stated at gross asset value

Key Balance Sheet Metrics

	Sep'19	Jun'19
Total assets (\$ billion)	2.8	2.4
Leverage ratio ³	1.5x	1.1x
Net leverage ratio ⁴	0.5x	0.4x
Co-investments ⁵ /(total equity + long term capital ⁶)	0.6x	0.5x
Total accessible liquidity (\$ billion) ⁷	1.3	1.1

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

Liquidity cover (\$ million)



* Syndicated revolving facilities

** Syndicated revolving facilities - includes €76 million (\$83 million as at September 30, 2019 exchange rates)

*** JPY 37 billion (\$342 million as at September 30, 2019 exchange rates) debt maturing in FY30, €36 million (\$39 million as at September 30, 2019 exchange rates) debt maturing in FY31, €37 million (\$40 million as at September 30, 2019 exchange rates) debt maturing in FY32 & \$50 million debt maturing in FY33

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was \$1.3 billion and substantially covers all outstanding debt maturing over the next ten 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, €36 million debt maturing in FY31, €37 million debt maturing in FY32, \$50 million debt maturing in FY33, deferred fees and total equity

⁷ Cash, placements with financial institutions and undrawn revolvers

Credit Ratings

Agency	Rating grade	Comment
Fitch Ratings	BB / Positive Outlook	Rating confirmed and outlook revised to 'Positive' in October 2019
Moody's Investor Service	Ba2 / Stable Outlook	Rating and outlook confirmed in October 2019

Investcorp held its annual rating review with both Fitch and Moody's in September and October 2019. Fitch Ratings re-affirmed Investcorp's credit ratings at BB and revised the outlook to 'Positive' from Stable. "The Outlook revision reflects the Firm's significant progress executing on its strategic initiatives, including continued AUM growth, institutionalizing its investor base, balance sheet de-risking and expanding its offering of committed capital fund structures, which is expected to increase the scalability of the firm's business model and the stability of its management fees. The rating affirmation reflects the Firm's strong client franchise and high degree of brand name recognition in the Gulf, supported by its investment track record and long-term relationships in the region."

Moody's reaffirmed the Ba2 rating and 'Stable' outlook. "This reflects the Firm's solid market position in the GCC region as a leading alternative investment provider, its global franchise, healthy operating margins and good asset retention. The rating incorporates the company's adequate liquidity profile and the ongoing improvement in earnings quality due to the growth in more stable and predictable asset management fees."

Other Corporate News

New appointments to Investcorp's Advisory Board

In July, Investcorp announced the appointment of Professor Frederick Ma Si-Hang, the former Chairman of MTR Corporation, to Investcorp's International Advisory Board. Professor Ma – who is based in Hong Kong - has a wealth of experience in the banking and financial services sectors. He previously held senior positions at various global banks including JP Morgan Chase and the Royal Bank of Canada, as well as roles in public institutions including the Hong Kong Government Secretary for Financial Services and the Treasury and assumed the post of Secretary for Commerce and Economic Development in 2007.

In September, Investcorp announced the appointment of Frances Fragos Townsend, Executive Vice President for Worldwide Government, Legal and Business Affairs at MacAndrews and Forbes Incorporated ("MacAndrews & Forbes") to Investcorp's International Advisory Board, as of August 1, 2019. Ms. Townsend brings more than 25 years of international policy, legal and business strategy experience. She has served as Executive Vice President of Worldwide Government, Legal and Business Affairs at MacAndrews & Forbes, a diversified global investment firm, since January 2013, and previously served as Senior Vice President of Worldwide Government, Legal and Business Affairs from October 2010 to December 2012. In her role, Ms. Townsend supports MacAndrews & Forbes' portfolio companies' growth, advising them on business development, legal and compliance issues across the globe.

Investcorp's Ordinary General Meeting & Shareholder's Conference

In September, Investcorp held its Ordinary General Meeting (OGM) of shareholders at Investcorp House in Bahrain. The OGM was held to discuss and approve Investcorp's business and financial performance for the fiscal year ended June 30, 2019 as well as other matters, including the election of the new Board of Directors. Six new members were elected to Investcorp's Board during the OGM, effective September 23, 2019. The newest members of the Board include Joachim Faber, Chairman of the Supervisory Board of Deutsche Boerse AG; Dr. Mazen Fakeeh, President of Saudi's Fakeeh Care Group and Dr. Soliman Fakeeh Hospital Company; John William Fraser, previously Chief Investment Officer of Investcorp Credit Management; Sir Gerry Grimstone, Chairman of the joint venture between Aberdeen Standard Investments and Investcorp; H.E. Eng. Abdullatif Al Othman, Owner and CEO of Al Othman Engineering Consultants and Gregory Kam Leung So, a former Secretary for Commerce and Economic Development of Hong Kong, and currently serves as an Independent Non-Executive Director of Orient Overseas International Limited, China Overseas Property Holdings Limited, and Aviva Life Insurance Company Limited.

The meeting was chaired by Investcorp's Chairman of the Board, Dr. Yousef Al-Ebraheem, and its Executive Chairman, Mohammed Alardhi.

Investcorp's Shareholder Conference took place later that same day. The meeting kicked off with a welcome note and opening remarks by Investcorp's Co-CEO, Rishi Kapoor, followed by a brief update on Investcorp's financial performance and activities over the past fiscal year ended June 2019

Corporate Contact Information

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

**Bahrain**

[Investcorp Holdings B.S.C.](#)

Investcorp House

PO BOX 5340

Manama

Tel +973 175 32000

Fax +973 175 30816

**UK**

[Investcorp International Ltd.](#)

Investcorp House

48 Grosvenor Street

London W1K 3HW

Tel +44 207 6296600

Fax +44 207 4990371

**USA**

[Investcorp International Inc.](#)

280 Park Avenue

New York, NY 10017

Tel +1 212 5994700

Fax +1 212 9837073

**Saudi Arabia**

[Investcorp Saudi Arabia
Financial Investments Co.](#)

Al Faisaliah Tower

29th Floor

Olaya District

PO Box 61992

Riyadh 11575

Tel +966 11 4847600

Fax +966 11 2730771

**Qatar**

[Investcorp Investments LLC](#)

Qatar Financial Centre

Tower 1

Suite 701

West Bay Area

PO Box 24995

Doha

Tel +974 4496 7966

Fax +974 4496 7960

**Singapore**

[Investcorp Asia Services Pte Ltd.](#)

138 Market Street

#24-04A CapitaGreen

Singapore 048946

Tel +65 6911 5300

**India**

[Investcorp India Asset Managers
Private Limited](#)

7th floor, Tower 1C, One
Indiabulls Centre

Senapati Bapat Marg,

Elphinstone Road (W)

Mumbai 400013, India

Tel +91 22 4222 2155

Fax +91 22 2421 0114