

**Item 1 – Cover Page**

**Investcorp Investment Advisers Limited**

**P.O. Box 5340, Manama, Bahrain**

**+011 973 1753 2000**

**This Brochure was last updated**

**September 28, 2015**

**Private Equity Advisory Services**

Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Investcorp Investment Advisers Limited (“IIAL” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Brian Murphy, Chief Compliance Officer, at 917-332-5719; [bmurphy@investcorp.com](mailto:bmurphy@investcorp.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

IIAL is registered with the SEC as an investment adviser. IIAL’s registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, serve as information for you to use to determine to hire or retain IIAL as your adviser.

Additional information about IIAL also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link “Investment Adviser Search,” select “Investment Adviser Firm” and type in IIAL’s name). The results will provide you with both Parts 1 and 2 of IIAL’s Form ADV.

## **Item 2 – Material Changes**

The following sections of this Form ADV brochure have been materially amended since IIAL's September 29, 2014 Form ADV annual amendment: Item 4 (Advisory Business). Item 4 has been amended to update the Firm's assets under management as of June 30, 2015.

Item 8 "Methods of Analysis, Investment Strategies and Risk of Loss" was updated with respect to methods of analysis of the PE funds post-acquisition.

Item 10 "Other Financial Industry Activities and Affiliations" has been updated to identify IIAL as a commodity pool operator registered with the Commodity Futures Trading Commission.

Item 11 "Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading" has been revised to reflect the new monetary limit on gifts given and received under IIAL's Code of Ethics.

### Item 3 -Table of Contents\*

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	5
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9 – Disciplinary Information .....	17
Item 10 – Other Financial Industry Activities and Affiliations .....	18
Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	19
Item 12 – Brokerage Practices.....	22
Item 13 – Review of Accounts .....	22
Item 14 – Client Referrals and Other Compensation .....	23
Item 15 – Custody .....	23
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities .....	24
Item 18 – Financial Information.....	24

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\* A NOTE ABOUT THE FORMAT OF THIS BROCHURE: The SEC requires all investment advisers to organize their disclosure documents according to specific categories, some of which may not pertain to a particular adviser's business. Where a required category is not relevant to our business, we list the category and state that it does not apply.

## **Item 4 – Advisory Business**

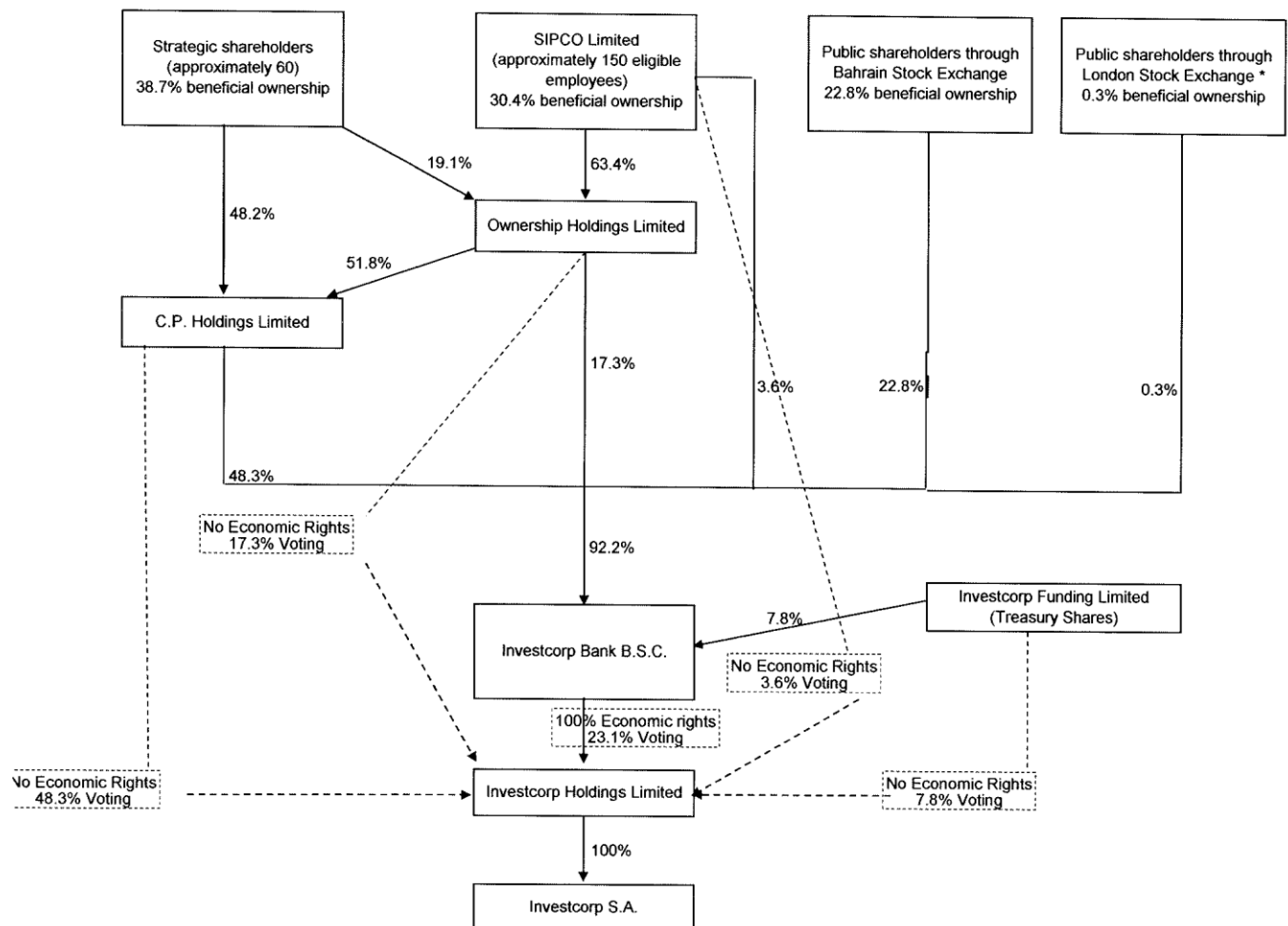
Investcorp Investment Advisers Limited (“IIAL” or the “Firm”) was formed in 2005 as part of Investcorp Group, whose primary operating entity is Investcorp Bank B.S.C. (“Investcorp”). Investcorp, founded in 1982, is a leading, global provider of alternative investments with assets under management across hedge funds, private equity, and real estate. Investcorp is the parent company of Investcorp S.A. (“S.A.”). IIAL is 100% directly owned by S.A. IIAL is a management company for Investcorp hedge funds and private equity funds. This Brochure discusses the business practices of IIAL only in connection with its private equity advisory services. Please see the Firm’s other Brochure for a discussion of the Firm’s business practices in connection with its hedge fund advisory services.

Investcorp Investment Advisers LLC (“IIA LLC”), an SEC registered investment adviser, is an affiliate of IIAL and carries out some functions related to the management of the Investcorp private equity funds. Please see Item 10, “Other Financial Industry Activities and Affiliations” for additional information on IIAL’s arrangements with its affiliates.

### Ownership Structure

IIAL is 100% directly owned by Investcorp S.A. The following chart shows the ownership structure for Investcorp S.A.

31-Dec-12



IIAL serves as adviser to Investcorp’s private equity funds and other investment vehicles (the “PE Funds”) which invest primarily in equity and equity-related securities of private and public companies through negotiated transactions (the “Portfolio Companies”).

### Private Equity Advisory Services

As an investment adviser to the PE Funds, IIAL typically:

- Identifies and evaluates potential investment opportunities in Portfolio Companies;
- Negotiates investments in Portfolio Companies;
- Monitors investments in Portfolio Companies; and

- Manages and determines the disposition of investments in Portfolio Companies.

From time-to-time, supervised persons of IIAL or affiliated entities may also serve on the boards of directors of Portfolio Companies or otherwise advise, or act to influence or control, the management of Portfolio Companies.

Affiliates of IIAL may agree to perform some of the investment advisory services to be provided to the PE Funds. The specific advisory services provided to a PE Fund are individually negotiated between IIAL, and its affiliates, and each PE Fund, and may include without limitation some or all of the advisory services generally described above.

Certain PE Funds co-invest in investments in Portfolio Companies made by affiliates of IIAL on a pro rata basis. Employees of IIAL may be involved in providing advice both to IIAL's affiliates as well as to the PE Funds in connection with these investments. Affiliates of IIAL may also invest directly in PE Funds.

IIAL's advisory services for the PE Funds are further described in the confidential information memoranda and organizational documents of the PE Funds, as well as below under Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss."

IIAL's assets under management ("AUM") in PE Funds were \$1.1 billion as of June 30, 2015, all of which were managed on a discretionary basis. IIAL's total AUM in the PE Funds and hedge funds it manages was \$3 billion as of June 30, 2015, all of which were managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

IIAL and its affiliates provide investment advisory and management services in connection with private equity investments and receive fees for such services. Depending on the particular client, these fees typically include a management fee of up to 2.5% per year of a client's committed capital or assets under management. Depending on the particular client, IIAL receives its fee quarterly or semi-annually in advance or in arrears during the term of the PE Fund. Any fees charged in advance will be refunded pro-rata in the event of termination of an advisory relationship. The management fee may be paid from investment proceeds, investors' capital, or other funds or assets.

With respect to certain PE Funds, the management fee earned by IIAL and its affiliates may be reduced by a percentage of certain fees received by IIAL and certain of its affiliates,

including: private equity activity fees, such as fees paid by Portfolio Companies in consideration for services rendered in connection with the acquisition of a Portfolio Company (e.g., advisory services regarding third party financing) as well as consulting or monitoring services in connection with post-acquisition operations; and fees received upon exiting an investment. With certain PE Funds, these offsets may reduce management fees for a given period below zero, and, if so, such offsets may be carried forward, reducing future management fees.

IIAL's affiliates may also receive a carried interest allocation of up to 20% of profits realized from the sale of investments in Portfolio Companies.

Specifics on IIAL's and its affiliates' management fees and compensation in connection with a PE Fund are set forth in the offering and/or organizational documents for each PE Fund.

Each PE Fund generally bears the costs and expenses incurred in connection with the organization of the PE Fund and the general partner (or other managing entity) of the PE Fund (which is typically an affiliate of IIAL) as well as all expenses relating to the PE Fund's operations. Subject to the organizational documents of the particular PE Fund, the general partner (or other managing entity) and IIAL (and any other adviser or sub-adviser to the PE Fund) will generally be responsible for all of their own day-to-day operating expenses, including office overhead and compensation of employees.

Costs and expenses incurred in connection with the purchase and sale of investments in Portfolio Companies (e.g., legal, financial, accounting, or consulting costs; the costs of other advisers or any lenders, investment banks, or other financing sources; and travel expenses) generally shall be charged to the PE Funds. Such costs and expenses may be prorated between the PE Fund and IIAL's affiliates based on the amount of the PE Fund's investment when the PE Fund co-invests with IIAL's affiliates. A PE Fund may also bear a pro rata portion of all fees and expenses incurred in connection with any co-investment transactions that are not consummated.

Certain PE Funds invest in tandem with other PE Funds. Although such parallel funds typically have the same economic terms, the structure of such PE Funds may differ. To the extent certain organizational and other expenses are incurred by one PE Fund, they may be borne by that PE Fund as well as the parallel PE Fund.

Certain PE Funds may offer co-investment opportunities to one or more of their investors. Co-investing investors shall pay their own separate expenses with respect to due diligence, legal, accounting, administration, management and disposition of co-investment securities, and will reimburse the PE Fund if the PE Fund incurs additional expenses as a result of the

investor's co-investment.

IIAL's affiliates may receive transaction fees from the PE Funds in connection with the consummation, holding or disposition of investments in Portfolio Companies or the termination of proposed but unconsummated Portfolio Company investments. Affiliates of IIAL may also charge the Portfolio Companies other fees, including structuring fees, underwriting fees, and management fees, a portion of which may also be chargeable to the PE Fund.

Specifics on the costs and expenses charged in connection with a PE Fund are set forth in the offering and/or organizational documents of the PE Funds. Please also see Item 12, "Brokerage Practices" for a discussion of IIAL's brokerage practices in connection with the PE Funds.

#### Side Letters

IIAL or its affiliates may enter into an agreement with an investor in a PE Fund, in consideration for investing in the PE Fund, commonly known as a "side letter." Pursuant to the side letter the investor may receive, among other benefits, "most favored nation" terms and/or a commitment from IIAL and its affiliates to structure investments so as to avoid double carried interest and management fees. These benefits may not be available to all investors.

#### Negotiation of Fees; Waivers

The fees payable by the PE Funds may be negotiated on a case-by case basis. IIAL or its affiliates may waive all or a portion of the management fee or carried interest up to a specified amount that would otherwise be charged advisory clients who are former senior managers of Portfolio Companies in which IIAL's affiliates have invested. Similarly, IIAL may waive all or a portion of the management fee or carried interest up to a specified amount that would otherwise be charged advisory clients who have strategic or other important relationships with the PE Fund or IIAL and its affiliates. Employees or affiliates of IIAL, including the PE Funds' general partners, and consultants to or family members of such persons, may also receive a reduction in the management fee.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

As stated in Item 5, "Fees and Compensation" above, IIAL's affiliates may receive a carried interest in PE Funds, which is a type of performance fee arrangement. In addition,



employees of IIAL and its affiliates may participate in executive compensation programs that are linked to the performance of certain PE Fund investments. IIAL's supervised persons may also receive incentive compensation in connection with advisory services they provide to IIAL's affiliates with respect to private equity investments. IIAL will structure any performance fee arrangement that is subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the Advisers Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

Performance-based fee arrangements may create an incentive for IIAL to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement. Such compensation also may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

As stated in Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss," a PE Fund may have similar investment objectives and strategies as other PE Funds. As a result, IIAL may face conflicts of interest in allocating investment opportunities.

In addition, certain PE Funds may co-invest in Portfolio Companies on a pro rata basis alongside IIAL's affiliates; other non-fund clients of IIAL's affiliates; or officers, directors and employees of IIAL's affiliates (the "Other Investcorp Investors"). Employees of IIAL may be involved in providing investment advice both to IIAL's affiliates and to the PE Funds in connection with these investments. The relationships and arrangements between IIAL and its affiliates and the Other Investcorp Investors are different from the relationships between IIAL and its affiliates and the PE Funds. As a result of these different interests and arrangements, IIAL and its affiliates will face conflicts of interest when making decisions regarding the timing, structure, financing and disposition of investments in Portfolio Companies. For example,

- Affiliates of IIAL may receive compensation for placing direct or indirect investments of Other Investcorp Investors in Portfolio Companies. For PE Funds that invest in Portfolio Companies on a pro-rata basis, this could provide an incentive for an investment to be made so that an IIAL affiliate may earn a placement fee, rather than because it is in the best interest of the PE Fund.
- In making decisions about the making, management and disposition of investments in Portfolio Companies, IIAL will consider the interests of its affiliates and such interests may differ from the interests of the PE Funds and their investors with regard to, for example, strategic objectives, risk tolerance, liquidity needs or other matters.

- The Other Investcorp Investors have typically not committed in advance to invest in Portfolio Companies selected by IIAL or its affiliates.
- The fees paid by IIAL's affiliates for IIAL's and IIA LLC's advisory services may be different from the fees paid by a PE Fund. For example, the fees charged to IIAL's affiliates may be more or less than the fees charged to the PE Funds. In addition, the advisory fees that certain Other Investcorp Investors pay to IIAL's affiliates may be different from the fees paid by the PE Funds to IIAL or its affiliates.
- As noted above in this Item 6, IIAL's supervised persons may receive incentive compensation in connection with advisory services they provide to IIAL's affiliates, which may create an incentive for such supervised persons to favor the accounts of IIAL's affiliates.
- Because certain PE Funds co-invest in Portfolio Companies alongside the Other Investcorp Investors on a pro-rata basis, the inability (or unwillingness) of Other Investcorp Investors to invest in a Portfolio Company could adversely affect the ability of the PE Funds to make a similar investment in such company.
- The Other Investcorp Investors are concentrated in the Arabian Gulf region. This concentration means that instability in that region or neighboring countries could decrease the funds available to Other Investcorp Investors to invest, thus adversely affecting the PE Funds' ability to invest.
- Certain Other Investcorp Investors may not be controlled or owned by IIAL or its affiliates. As a result, investment relationships between IIAL's affiliates and such Other Investcorp Investors may be terminable by such Other Investcorp Investors. Any change in the investment relationship between IIAL's affiliates and the Other Investcorp Investors could inhibit the PE Funds' ability to consummate investments or may impact decisions regarding the management or disposition of investments in Portfolio Companies in a way that is not in the best interest of the PE Funds or their investors.
- The Other Investcorp Investors may include persons and entities organized in different jurisdictions that have conflicting tax interests. As a result, certain investments in Portfolio Companies may be structured in the most tax efficient manner for one or more of the Other Investcorp Investors which may have adverse tax consequences for the PE Funds and their investors.

IIAL has procedures designed and implemented to ensure that all PE Funds are treated

fairly and equally, and to prevent the conflicts raised by performance fees and side-by-side management from influencing the allocation of investment opportunities among PE Funds. IIAL will seek to act in a manner it believes in good faith to be fair to the applicable accounts, including the PE Funds, under the circumstances, although there can be no assurance that any conflict will be resolved in favor of a PE Fund or its investors.

## **Item 7 – Types of Clients**

We provide investment advice to pooled investment vehicles formed under foreign or domestic laws and which may operate as exempt investment pools under the Investment Company Act of 1940. Persons or entities that are solicited to participate in U.S. private investment vehicles, and U.S. persons solicited to invest in non-U.S. private investment vehicles, must be “qualified purchasers” and generally are not themselves our clients. Solicitation of non-U.S. persons or entities will be conducted pursuant to applicable law, as further described in the PE Funds’ offering or subscription documents.

### Requirements for Opening or Maintaining Accounts

The minimum required investment commitment varies among the PE Funds, and in certain circumstances the minimum investment requirement may be waived. The offering documents for each specific PE Fund contain detailed information concerning the relevant minimum investment requirements.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### Investment Strategies

IIAL’s investment strategy may vary among the PE Funds, although IIAL typically aims to engage in control-oriented buy-out investments, expansion stage venture investments, corporate carveouts, take-private transactions and PIPEs (private investments in public equity). IIAL generally targets companies with solid market positions, steady cash flow, and strong downside protection that can benefit from a renewed strategic focus, the introduction of more sophisticated management techniques, and best practices to increase revenues and improve margins. There can be no assurance that IIAL will achieve the investment objectives of the PE Funds, and a loss of investment may be possible. As set forth in Item 5 and Item 6 above, certain PE Funds co-invest in Portfolio Companies

alongside the Other Investcorp Investors on a pro-rata basis or invest on a parallel basis with other PE Funds.

### Methods of Analysis

IIAL and its affiliates employ rigorous and comprehensive internal processes throughout the investment cycle, including deal sourcing, screening and post-acquisition management, including, as examples, (i) the establishment of due diligence plans and a review of due diligence findings, (ii) the implementation of an “Alignment Phase” immediately following the acquisition of a Portfolio Company during which core strategic goals and measurement metrics are established, (iii) cross-fertilization of best practices across Portfolio Companies and, (iv) ongoing engagement post acquisition through the life of an investment ownership. PE Fund investments and certain other decisions generally must be pre-approved by an Investment Committee.

### **Conflicts of Interest Related to the Management of PE Funds**

The officers and employees of IIAL, and its affiliates, who play key roles in managing a PE Fund may spend a significant portion of their time on matters other than, or only tangentially related to, the PE Funds. Conflicts of interest may arise in allocating their time and resources between the PE Funds and their other undertakings.

IIAL and its affiliates may engage in other activities which conflict with their duties to or interest in the PE Funds. In particular, they may receive compensation from Portfolio Companies with respect to certain services offered to such companies.

As discussed in Item 6, “Performance-Based Fees and Side-by-Side Management,” a PE Fund may have investment objectives and strategies that are similar to those of other PE Funds. In addition, non-PE Fund clients of IIAL or its affiliates may have investment objectives that are similar to one or more of the PE Funds. As a result, IIAL and its affiliates may face conflicts of interest in allocating investment opportunities. In such cases, IIAL and its affiliates will seek to act in a manner they believe in good faith to be fair to the applicable accounts under the circumstances.

IIAL’s affiliates may invest in the PE Funds. Significant investment by such entities in the PE Funds may operate to align, to some extent, the interests of IIAL and its affiliates with the interests of the investors in the PE Funds, although IIAL’s affiliates have other economic interests which may compete with their PE Fund investments.

As stated in Item 5, “Fees and Compensation” and Item 6, “Performance-Based Fees and Side-by-Side Management,” IIAL’s affiliates may receive a carried interest in the PE Funds and employees of IIAL and its affiliates may participate in executive compensation programs that are linked to the performance of certain PE Fund investments. IIAL’s supervised persons may also receive incentive compensation in connection with the advisory services they provide to IIAL’s affiliates and/or may receive incentive fees for referring leads which result in Portfolio Company investments. These fees may cause IIAL and its affiliates and employees to make referrals and/or investments in Portfolio Companies that are more speculative than they would otherwise make in the absence of such compensation, or to favor accounts which pay higher performance based compensation.

IIAL and its employees may learn material, non-public information about public Portfolio Companies in which the PE Funds invest. IIAL and its employees may also learn material, non-public information about public companies with which other, private Portfolio Companies do business through representation on such Portfolio Company’s board of directors or otherwise. Knowledge of such material, non-public information creates a potential opportunity for insider trading. As discussed in Item 11, “Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading,” IIAL has developed and implemented policies and procedures which it believes are reasonably designed to detect and prevent insider trading violations.

IIAL or one of its affiliates may be responsible for valuing the assets of the PE Funds. In such instances the valuation methodologies used by the affiliates may be approved by a committee of PE Fund investors pursuant to the terms of the applicable PE Fund organizational documents.

IIAL may utilize the expertise of highly skilled third-party specialists to, among other tasks, assist IIAL in evaluating proposed investments. Such third-party consultants may have interests or engage in activities that conflict with the interests of the PE Funds.

As stated in Item 5, “Fees and Compensation,” IIAL receives a management fee during the term of the PE Fund, which could create an incentive for IIAL to delay the disposition of Portfolio Companies and the winding up of the PE Fund in order to accrue additional management fees. IIAL will at all times perform its services to the PE Funds in good faith and in compliance with its Code of Ethics, which requires IIAL’s supervised persons to carry out their duties in the best interests of the PE Funds .

Certain PE Funds co-invest in Portfolio Companies alongside Other Investcorp Investors. The relationships and arrangements between IIAL and its affiliates and the Other

Investcorp Investors are different from the relationships between IIAL and its affiliates and the PE Funds, which creates a conflict of interest for IIAL when making decisions regarding the timing, structure, financing and disposition of a PE Fund's Portfolio Companies. These conflicts of interest are discussed in Item 6, "Performance-Based Fees and Side-By-Side Management."

IIAL's affiliates may provide financing to Portfolio Companies, directly or indirectly. Conflicts may arise between the interests of the PE Fund and those of IIAL's affiliates in the structuring, negotiation, pricing or disposition of a PE Fund's investment in such Portfolio Companies.

IIAL's affiliates may invest in the voting securities of a Portfolio Company in circumstances where a PE Fund is investing in the non-voting securities of a Portfolio Company. IIAL's affiliates may sell all or a portion of their share of a Portfolio Company investment as part of their syndication process at a price that is greater than cost, and the PE Fund may not have a right to participate in such sales.

### **General Risks**

Managing a PE Fund involves a number of risks, some of which are summarized below. This document does not purport to be a complete disclosure of all risks that may be relevant to a decision to invest in the PE Funds. Prospective investors must rely upon their own examination of, and ability to understand, the nature of their investment, including the risks involved, in making a decision to invest. There can be no assurance that the PE Funds will be able to achieve their investment objectives or that investors will receive a return of their capital. In addition, IIAL and its affiliates may encounter potential conflicts of interest, some of which are summarized above.

**No Assurance of Investment Return.** The success of the PE Funds largely depends on the ability of IIAL and its affiliates to identify suitable investments and to negotiate advantageous terms relating to such investments. IIAL may not be able to execute the PE Funds' investment objectives or generate returns to investors commensurate with the risks of investing in the types of transactions described herein. An investment in the PE Funds should only be considered by persons who can afford a loss of their entire investment. Past performance of IIAL is not necessarily indicative of future results, and there can be no assurance that the PE Funds will be successful in investing fully their committed capital or attaining attractive returns.

**General Economic Conditions, Political and Regulatory Risks, and Catastrophic**

**Events.** General economic conditions, including interest rates and the price and value of securities, may affect the value of a PE Fund's Portfolio Companies. In addition, a PE Fund's Portfolio Companies may be adversely affected by political developments and catastrophic and other force majeure events such as fire, earthquake, terrorist attacks and other similar events. Legal, tax, and regulatory changes also may adversely affect the PE Funds.

**Reliance on Key Personnel.** Investors will have no opportunity to participate in the day-to-day operations, including investment and disposition decisions, of the PE Funds. The success of the PE Funds will significantly depend upon the skill and expertise of IIAL's and its affiliates' investment professionals. Such professionals may not continue to be associated with IIAL or its affiliates throughout the term of a PE Fund, and any departure or resignation of any key professionals could have an adverse impact on the performance of a PE Fund.

**Tax Risks.** The PE Funds may generate taxable income to the investors without a corresponding cash distribution. The structure of a PE Fund or of any investment therein may not be tax-efficient for any particular investor. Prospective investors should consult their own tax advisors with reference to their specific tax situations, including any applicable U.S. state or local or non-U.S. taxes and, in the case of U.S. tax exempt and non-U.S. investors, with reference to any special issues that an investment may raise for such investors.

**Diverse Investor Base.** The PE Funds' investors may have conflicting investment, tax, and other interests with respect to investments. In selecting and structuring investments appropriate for the PE Funds, the investment and tax objectives of the PE Funds and their respective investors as a whole will be considered, not the investment, tax or other objectives of any particular investor individually.

**Recourse to PE Fund Assets; Indemnification.** A PE Fund's assets, including any investment made by the PE Fund and any funds held by the PE Fund, are available to satisfy all liabilities and other obligations of the PE Fund. Such obligations include a PE Fund's obligation to indemnify IIAL, its affiliates and others for liabilities incurred in connection with the affairs of the PE Fund. Recourse to a PE Fund's assets could have an adverse impact on the interests of investors. A PE Fund's obligation to indemnify IIAL and its affiliates may limit investors' rights against such parties.

**Investments Outside of the United States.** Although the PE Funds will generally invest in companies whose primary business is in the United States or Europe, the Fund may make other investments outside the U.S. and Europe. Such other investments are subject to

risks related to (i) greater price fluctuations and market volatility, less liquidity and smaller capitalization of securities markets; (ii) certain economic, social and political risks, including exchange control regulations and restrictions on foreign investments and repatriation of capital, and to a lesser extent, the risks of political, economic or social instability; and (iii) the possible imposition of foreign taxes on income and gains recognized with respect to such investments.

**Foreign Currency and Exchange Rate Risks.** The income and gains received by a PE Fund may be denominated in several different currencies. However, the PE Funds' books will be maintained, and the contributions and distributions from the PE Fund generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments and interest and dividends received by a PE Fund. In addition, the PE Funds may incur costs in converting investment proceeds and principal from one currency to another.

**Hedging Risks; Intermediary Risks.** In order to reduce the risk of adverse movements in currency exchange rates and the securities prices of its investments, certain PE Funds may employ hedging techniques through the purchase of swaps, derivatives and other similar instruments. There can be no guarantee that suitable hedging instruments will be available at the time when a PE Fund wishes to use them. Additionally, in the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be achieved and the PE Fund may be exposed to a risk of loss. Certain of the PE Funds' hedging transactions may be undertaken through brokers, banks or other organizations and the PE Funds will be subject to risk of default, insolvency or fraud of such organizations. There can be no assurance that any money advanced to such organizations will be repaid or that the PE Funds will have any recourse in the event of default. The collection, transfer and deposit of bearer instruments and cash expose the PE Funds to a variety of risks including theft, loss and destruction.

**Side Letters.** As discussed in Item 5, "Fees and Compensation," the PE Funds may enter into one or more side letters or similar agreements with certain investors pursuant to which the investor receives specific rights, benefits or privileges that are not made available to investors generally. Such agreements will be disclosed only to those actual or potential investors that have separately negotiated with a PE Fund for the right to review such agreements.



## **Investment Risks Relevant to PE Funds**

**Nature of Leveraged Investments.** The PE Funds' Portfolio Companies are often highly leveraged. Investments in equity securities of highly leveraged companies involve a high degree of risk. In general, highly leveraged companies are inherently more sensitive to declines in company revenues and to increases in company expenses as well as any rise in interest rates. There can be no assurance that a Portfolio Company will generate sufficient cash necessary to service its debt obligations. In addition, equity securities are often subordinated to large amounts of senior and mezzanine debt and are typically unsecured, which means that distributions to equity holders are available only after satisfaction of claims of senior and mezzanine creditors and any senior classes of equity. Therefore, in the event that a Portfolio Company does not generate adequate cash flow to service its debt obligations, the PE Fund may suffer a partial or total loss of invested capital. Under certain circumstances, payments to a PE Fund and distributions by the PE Fund to investors may be reclaimed if any such payment is later determined to have been an unlawful preferential payment by the Portfolio Company.

**Investments in Emerging Companies.** Certain PE Funds may invest a significant portion of their assets in the securities of smaller, less established Portfolio Companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Emerging companies tend to have smaller capitalizations and fewer resources and, therefore, are more vulnerable to financial failure. Such companies may face intense competition from established companies with greater resources and capabilities. Emerging companies also have shorter operating histories on which to judge future performance. Investments in more mature companies in the expansion or profitable stage also involve substantial risks. These companies typically have obtained capital to expand rapidly, and the significant changes can cause problems in sales, manufacturing and general management. These companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small.

**Illiquid Portfolio Investments; Distributions in Kind.** The PE Funds' investments will generally be highly illiquid. The return of capital and the realization of gains, if any, from a PE Fund's investment in a Portfolio Company typically will occur only upon the partial or complete disposition of such investment. A PE Fund typically does not sell its investments until a number of years after the investment is made. Therefore, dispositions of the PE Funds' investments may require a lengthy time period or may result in distributions in kind to investors. The PE Funds will typically invest in the securities of Portfolio Companies that are not publicly traded at the time of the investment and may never become publicly traded. These investments may be difficult to sell or otherwise liquidate and the risk of

investing in such companies is generally greater than the risk of investing in publicly traded companies. Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to publicly traded companies.

**Limited Number of Investments; Dependence on Performance of Certain**

**Investments.** The PE Funds may participate in a limited number of investments and, as a result, the performance of the PE Funds may be significantly adversely affected by the unfavorable performance of any single investment. Additionally, in order for a PE Fund to achieve attractive returns when at least one investment is likely to underperform, one or more of its other investments must perform well above expectations to avoid a loss by the PE Fund on its investments in the aggregate. There can be no assurance that this will be the case.

**Investment in Specific Sectors.** A PE Fund may invest in Portfolio Companies that are concentrated in a specific sector. There can be no assurance that the Portfolio Companies or the value of a PE Fund's investment will not be adversely affected by instability, fluctuation, overall decline or other developments within such sector.

**Restrictions on Transfer and Withdrawal.** Interests in the PE Funds have not been registered under the Securities Act of 1933 or any other applicable securities law. Investors generally may not sell, transfer, or pledge their interests except with the consent of the PE Fund management, which may be withheld in its sole discretion. Interests in the PE Funds generally will not be redeemable, and voluntary withdrawals will typically not be permitted, except when necessary under particular laws, statutes, and regulations or specifically provided in the PE Fund documents. No public market for interests in the PE Funds exist and none is expected to develop. Consequently, investors may be unable to liquidate their interests before the end of a PE Fund's term.

**Competition for Investments.** The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a high degree of uncertainty. The PE Funds compete with strategic buyers, other private equity funds, direct investment firms, individual and institutional investors and merchant banks, and IIAL may be unable to identify a sufficient number of attractive investment opportunities for the PE Funds, in which case it is possible that a PE Fund may never become fully invested.

**Non-Controlling Investments; Reliance on Portfolio Company Management.** The PE Funds may hold non-controlling interests in Portfolio Companies and, therefore, may have a limited ability to protect their positions in such Portfolio Companies. It is primarily the responsibility of Portfolio Company management to operate a Portfolio Company on a day-

to-day basis. Such management may not produce the expected results or may not remain with the companies.

**Risks Upon Disposition of Investments.** In connection with the disposition of an investment in a Portfolio Company, a PE Fund may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business or may be responsible for the contents of disclosure documents under applicable securities laws. A PE Fund may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by investors.

**Risks Arising from Provision of Managerial Assistance.** IIAL and its affiliates intend to actively monitor the investments of the PE Funds, including through representation on Portfolio Company boards of directors where appropriate. These activities could expose the assets of a PE Fund to claims by a Portfolio Company, its security holders, and its creditors including claims that the PE Fund is a controlling person and thus is liable for securities laws violations of a Portfolio Company. The existence of control rights could also have the effect of impairing the ability of the PE Fund to sell the related securities when, and upon the terms, it might otherwise desire, and it may subject a PE Fund to legal claims of breach of duty of loyalty, securities claims and other board-related claims. These activities also could result in certain liabilities in the event of the bankruptcy or reorganization of a Portfolio Company; could result in claims against a PE Fund if the designated directors violate their fiduciary or other duties to a Portfolio Company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws or other legal principles; and could expose a PE Fund to claims that it has interfered in the management to the detriment of a Portfolio Company.

**Follow-On Investments.** A PE Fund may be called upon to provide additional funding for its Portfolio Companies or have the opportunity to increase its investment in such Portfolio Companies. There can be no assurance that the PE Fund will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by a PE Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a Portfolio Company in need of such an investment or may diminish the PE Fund's ability to influence the Portfolio Company's future development.

**Projections.** IIAL and its affiliates may use projections developed internally or by a Portfolio Company concerning the Portfolio Company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the developer of the projections. The inaccuracy of certain assumptions, the failure to satisfy

certain financial requirements and the occurrence of other unforeseen events could impair the ability of a Portfolio Company to realize projected values and cash flow.

**Bankruptcy of Portfolio Companies.** The PE Funds may make investments in Portfolio Companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. federal and state, and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a PE Fund. There is also a risk that a court may subordinate a PE Fund's investment to other creditors or require the PE Fund to return amounts previously paid to it by a Portfolio Company that subsequently became insolvent or files for bankruptcy, a risk that could increase if the PE Fund has management rights in such Portfolio Company.

**Investments with Third Parties.** Third parties may also co-invest with the PE Funds and affiliates of IIAL through joint ventures or other entities. Such investments may involve additional risks to a PE Fund, including the possibility that a third party may have financial difficulties which have a negative impact on the investment or that a third-party may have economic or business interests which are inconsistent with those of the PE Fund. In addition, joint ventures and similar arrangements may allow a third party to take or block an action contrary to the interests of the PE Fund with respect to the investment.

**Dilution of Investors' Interest.** A PE Fund may have more than one closing. Investors who invest in a subsequent closing may participate in existing investments of the PE Funds, diluting the interest of existing investors therein. Although such new investors may contribute their pro rata share of previously made capital draws and the PE Fund's operating expenses, plus interest, there can be no assurance that this payment will reflect the fair value of the PE Fund's existing investments at the time the new investors invest. No independent counsel or investment adviser has been retained to represent the interest of investors in the PE Funds.

For additional information, investors should carefully review the offering and/or organizational documents for the PE Fund in which they wish to invest with particular emphasis on the sections discussing the PE Fund's investment strategy, risk factors, and conflicts of interest. Investors should also consult their legal and tax advisers before making an investment decision.

## **Item 9 – Disciplinary Information**

IIAL is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of IIAL or the integrity of IIAL's management. Neither

IIAL nor any of its supervised persons has been the subject of any legal or disciplinary event required to be disclosed on Form ADV.

## **Item 10 – Other Financial Industry Activities and Affiliations**

IIAL is registered as a commodity pool operator with the Commodity Futures Trading Commission and is a member of the National Futures Association in such capacity.

IIAL and its affiliates manage and control the PE Funds. IIAL has arrangements that are material to its advisory business or the PE Funds with the following related persons:

Investcorp Bank B.S.C. ("Investcorp") is the parent company of Investcorp S.A. ("S.A."). IIAL is 100% directly owned by S.A. Investcorp has a wholesale banking license issued by the Central Bank of Bahrain ("CBB") and Investcorp and IIAL (by virtue of being an indirect subsidiary of Investcorp) are regulated by the CBB. Investcorp is authorized in Bahrain to advise clients on the relative merits of investing in Investcorp products and to arrange such investments, but is not registered in the U.S. and does not provide investment advice or act as a broker-dealer in the U.S. Employees of Investcorp provide support services to IIAL. Investcorp serves as administrator for one or more of the PE Funds.

Investcorp Investment Advisers LLC ("IIA LLC") is 100% directly owned by Investcorp International Holdings Inc. ("IIHI"). The parent company of IIHI is S.A. IIA LLC is a Delaware limited liability company and has its offices in New York. IIA LLC is registered in the U.S. as an investment adviser with the SEC. Pursuant to various agreements between IIAL, IIA LLC, their affiliates, and the PE Funds, IIA LLC may perform some of the investment management services to be provided to the PE Funds. In such circumstances, management fees and performance fees payable by the PE Funds will be apportioned between IIAL and IIA LLC. The aggregate amount of such fees paid by the PE Funds will not increase as a result of such arrangement.

N.A. Investcorp LLC ("NAILLC") is 100% directly owned by IIHI, the parent company of which is S.A. NAILLC has its offices in New York and is a FINRA member and an SEC registered broker-dealer. Certain management persons of the Firm are registered representatives of NAILLC. NAILLC may receive compensation from the PE Funds and/or Portfolio Companies for corporate finance, investment banking and mergers and acquisitions activities.

Investcorp Securities Limited ("ISL") is 100% directly owned by Investcorp International Limited, the parent company of which is S.A. ISL is incorporated in England and has its

office in London and is regulated by the UK Financial Services Authority. ISL provides due diligence and other support services to one or more of the PE Funds.

Investcorp Financial and Investment Services SA (“IFIS”) is 100% directly owned by AIBC Investcorp Holdings S.A., the parent company of which is S.A. IFIS is a Swiss entity and has its office in Neuchâtel, Switzerland. IFIS serves as a subadviser to one or more of the non-U.S. PE Funds.

IIAL is affiliated with the following additional entities, which serve as general partners of one or more of the PE Funds: Investcorp Technology Fund Limited Partnership; Investcorp Technology Fund II Limited Partnership; Investcorp Technology Fund III Limited Partnership; Investcorp Private Equity 2007 Fund GP, L.P.; Investcorp Technology Partners III, LLC; Investcorp Technology Ventures II, LLC; and Investcorp Coinvestment Manager, LLC.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

### Code of Ethics

Pursuant to Rule 204(A)-1 of the Advisers Act, we have adopted a written Code of Ethics (the “Code”) which includes policies and procedures designed to reduce actual and potential conflicts of interest and establish “best practices” standards to ensure that our Supervised Persons, as that term is defined in the Advisers Act, place the interests of our investors above their own personal interests.

The Code includes provisions relating to the following principles:

- As a registered investment adviser, IIAL has a fiduciary relationship with its clients. Therefore, all Supervised Persons must carry out their duties solely in the best interests of clients and free from all personal compromising influences and loyalties.
- IIAL's operations are governed by the Advisers Act and the rules and regulations that the SEC has promulgated thereunder. All Supervised Persons must comply with the Advisers Act and other applicable Federal securities laws and rules.
- Under no circumstances may Supervised Persons use confidential information about a client, or an actual or potential investment of a client, for the Supervised Person's own benefit. Nor may he/she divulge information about clients or potential or actual investments of clients to any person except as expressly authorized by the client or as

necessary to perform his/her duties on behalf of the Firm. Supervised Persons are expected to be knowledgeable about the Firm's privacy policy and to adhere to same.

- To the extent that a Supervised Person advises IIAL's clients, the Supervised Person must act with prudence and make sure his/her investment decisions for clients have a reasonable and adequate basis. Prior to taking action on behalf of clients, such Supervised Persons must analyze the investment opportunities in question and only take actions that are consistent with the stated objectives and constraints of the client. Neither IIAL nor any Supervised Person may favor the interests of one IIAL client over another. Although it may not be possible to treat each client identically in every single transaction, on the whole, no client or group of clients should be disadvantaged to benefit any other client or group of clients.
- No Supervised Person may directly or indirectly agree to share in the profits earned or losses incurred in any client's account.
- No Supervised Person may warrant or guarantee the future value of or return on any security or investment. Nor may he/she warrant or guarantee the success or profitability of any investment advice the Firm renders or any trading or investment strategy the Firm follows.
- No Supervised Person may make or receive a payment or gift in excess of \$250 per individual per year where the payment or gift relates to the business of the recipient's employer. This prohibition does not apply to gifts to or from persons with whom the Supervised Person has a family or other personal relationship that exists apart from his/her association with the Firm or any other Investcorp affiliated entity. This prohibition also does not apply to ordinary and usual business entertainment hosted by IIAL or any other Investcorp affiliated entity, so long as such entertainment is neither so frequent nor so extensive as to raise any question of propriety. Supervised Persons must report to the Firm's Compliance Department all gifts made or received in excess of \$100.
- Supervised Persons must not lend or borrow money, securities or commodities to or from a client.
- Except as expressly authorized by the Firm, no Supervised Person may directly or indirectly authorize or pay any rebate, bonus, fee or other consideration to any person for business sought or procured, or to any official of any governmental or regulatory body.
- Supervised Persons shall maintain and preserve all books, records, and accounts which accurately and fairly reflect financial transactions on behalf of the Firm or a client. No Supervised Person may make or cause to be made any false or misleading entry or record in the books, records or accounts of the Firm or a client.

As with all policies and procedures, our Code is designed to cover a variety of

circumstances and conduct. However, no policy or procedure can anticipate every potential conflict of interest that can arise in connection with the Firm's advisory business. Consequently, our Supervised Persons are expected to abide not only by the letter of the Code, but also by the spirit of the Code. Whether or not a specific provision of the Code addresses a particular situation, Supervised Persons must conduct their professional activities in accordance with the general principles contained in the Code and in a manner that is designed to avoid any actual or potential conflicts of interest.

We expect our Supervised Persons to conduct our affairs solely in the best interests of the Firm and not to engage in business or financial activities that may conflict with ours. Decisions regarding our business relationship with any other person or entity must be based solely upon valid business considerations. No Supervised Person may permit a business decision to be influenced by personal or other unrelated interests or factors.

Our Code of Ethics also covers the following topics: insider trading, conflicts of interest, political activities and contributions, participation in private securities transactions, privacy policy and outside business activities. Our Supervised Persons may from time to time serve as members of the boards of public and non-public companies. Such Supervised Persons must obtain the approval of our Compliance Department prior to accepting such role.

A copy of the Code of Ethics will be furnished upon request to any current or prospective client by contacting Brian Murphy, Chief Compliance Officer, at 917-332-5719; [bmurphy@investcorp.com](mailto:bmurphy@investcorp.com).

### Personal Trading

Our Code of Ethics addresses the personal trading activities of our Supervised Persons. Specifically, it requires Supervised Persons to report their personal securities holdings and transactions to the Firm's Compliance Department. Our Supervised Persons must obtain pre-approval from the Compliance Department prior to participating in any private securities transaction (whether external or internal). In the event that a Supervised Person seeks to invest in a U.S. limited offering, the Compliance Department will review the proposal to see if a client is considering a transaction in the same limited offering and if so whether the Supervised Person's proposed transaction interferes with the client's transaction. The Supervised Person's proposed investment is also reviewed to confirm it is not on terms more favorable than the terms of the client's investment.



## Participation or Interest in Client Transactions

As discussed in Item 4, “Advisory Business” and Item 8, “Methods of Analysis, Investment Strategies, and Risk of Loss” above, IIAL’s affiliates may invest in the same Portfolio Companies in which the PE Funds invest, although such investments may not be on the same terms or subject to the same fee arrangements. A PE Fund may also have investment strategies and objectives that are similar to those of other PE Funds, which may result in conflicts of interest for IIAL in the allocation of investment opportunities. In accordance with IIAL’s Code of Ethics, IIAL handles these relationships in the manner it believes in good faith to be fair to the applicable accounts under the circumstances.

## **Item 12 – Brokerage Practices**

A PE Fund Portfolio Company may engage investment banks in connection with purchase and sale transactions. IIAL may recommend certain investment banks for such purpose. In making such recommendations, IIAL’s main objective is to obtain best execution for the PE Funds.

IIAL does not receive research or other products or services from broker-dealers or third parties in connection with PE Fund securities transactions.

IIAL does not aggregate PE Fund purchase or sale transactions.

## **Item 13 – Review of Accounts**

IIAL and its affiliate, IIA LLC, apply a comprehensive and disciplined approach to post-acquisition management, focusing on driving operational improvements and growth initiatives by increasing management resources and improving management processes. Post-acquisition oversight is provided by regular meetings with Portfolio Company management. Each Portfolio Company is typically reviewed by IIA LLC at least twice a year by a Portfolio Review Committee, focusing on strategy, management talent, and resources required to execute a value enhancement plan. The Portfolio Review Committee tracks each Portfolio Company’s current progress against annual objectives.

Annually, each PE Fund furnishes a report to investors containing information about the relevant affairs of the PE Fund. Such annual reports may include a copy of the PE Fund’s audited financial statements and tax information necessary for the completion of income tax returns. The PE Funds may also furnish investors with other information and reports,

which may include quarterly or semi-annual reports outlining the PE Fund's portfolio and/or unaudited financial statements. In addition, the PE Funds may hold annual informational meetings for investors.

#### **Item 14 – Client Referrals and Other Compensation**

Other than the compensation discussed in Item 5, "Fees and Compensation" above, we do not have any oral or written arrangements where we receive any economic benefits for providing investment advice or other advisory services to our clients.

IIAL does not compensate any person that is not one of its supervised persons for client referrals.

#### **Item 15 – Custody**

IIAL is deemed to have custody of the funds and securities of certain U.S. PE Funds we provide investment management services to.

When applicable, we comply with the Advisers Act Custody Rule by undertaking to deliver audited financial statements to the investors/participants in such PE Funds within 120 days after the end of the fiscal year of the relevant PE Fund. These financial statements are:

- prepared in accordance with U.S. generally accepted accounting principles; and
- audited by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Investors/participants in the PE Funds should carefully review such financial statements.

#### **Item 16 – Investment Discretion**

Subject to any applicable co-investment requirements, see Items 4 and 6, IIAL generally has the authority to make investment decisions without obtaining specific PE Fund consent, although certain limitations may be placed on IIAL's discretionary authority by the terms of a PE Fund's organizational documents and related management agreements. IIAL is granted discretionary authority pursuant to the operating agreement of a PE Fund or

through a separate agreement. Please see Item 4, “Advisory Business” for more information.

## **Item 17 – Voting Client Securities**

IIAL has adopted proxy voting policies and procedures to address how IIAL will vote proxies, if applicable, for any U.S. PE Funds’ Portfolio Companies. If a conflict of interest arises between the interests of such a PE Fund and the interests of IIAL and its affiliates with respect to any proxy vote, IIAL’s proxy voting policies and procedures are designed to ensure the vote is not improperly influenced by the conflict. It is IIAL’s policy to vote proxies in the best interests of the applicable PE Fund, taking into account such factors as IIAL deems relevant in its sole discretion.

Current and prospective U.S. clients may obtain a copy of IIAL’s proxy voting policies and procedures and information with respect to specific proxy votes, if applicable, by contacting Brian Murphy, Chief Compliance Officer, at 917-332-5719 or [bmurphy@investcorp.com](mailto:bmurphy@investcorp.com).

## **Item 18 – Financial Information**

IIAL is required in this Item to provide you with certain financial information or disclosures about its financial condition. IIAL has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to PE Funds, and has not been the subject of a bankruptcy proceeding.