



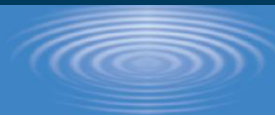
PROSPECT CAPITAL

# PROSPECT CAPITAL CORPORATION

NASDAQ: PSEC

MIDDLE MARKET FINANCE AND PRIVATE EQUITY





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## WHY PROSPECT?

Prospect Capital is one of the largest multi-line Business Development Companies (BDCs), providing debt financing to private middle-market companies and investing in other credit-related strategies

### SIGNIFICANT SCALE

- ▶ Founded in 2004, PSEC is one of the largest BDCs with ~\$6.1 billion in capital under management<sup>(1)</sup>
- ▶ Scale allows us to target larger, more credit-worthy middle-market companies with one-stop financing solutions
- ▶ One of the largest teams in the industry focused on middle market lending (90+ professionals)

### BROAD ORIGINATION MIX

- ▶ Multiple yield-oriented origination strategies with upside potential
- ▶ Differentiated strategies drive high net yields
- ▶ Superior and proprietary deal flow channels

### PROVEN INVESTMENT PHILOSOPHY

- ▶ Intensive screening process (<5% book-to-look ratio) with a majority focus on senior and secured lending
- ▶ Diverse portfolio of 120 investments across 33 industries and low non-accruals
- ▶ Independent third-party portfolio valuations

### SOLID FINANCIAL FOUNDATION

- ▶ Investment grade ratings from S&P and Kroll
- ▶ Laddered liability structure with long-term matched-book funding
- ▶ Over 75% of assets unencumbered and prudent leverage

### ATTRACTIVE VALUATION

- ▶ Monthly dividend of \$0.06/share, current annualized yield ~12.5%<sup>(2)</sup>
- ▶ Potential for capital appreciation based on discount to NAV
- ▶ Established historical track record and strong insider ownership of 6.8%

Source: Company filings, investor presentations and management.

(1) Total assets as of 9/30/2017 plus estimated debt capacity.

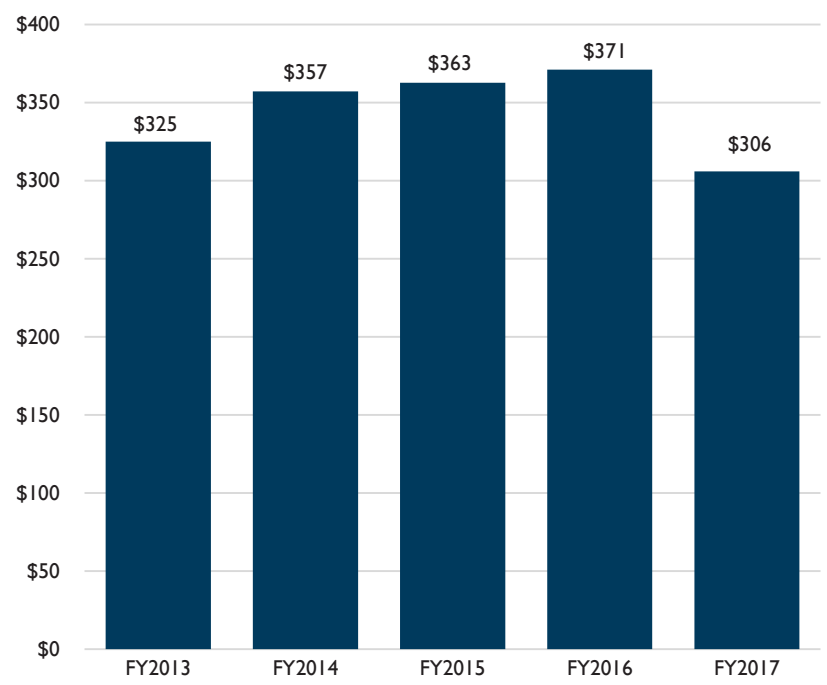
(2) Pricing data as of 11/6/2017.

# SIGNIFICANT SCALE PROVIDES COMPETITIVE ADVANTAGE

- ▶ PSEC is one of the largest publicly traded BDCs with capital under management of ~\$6.1 billion<sup>(1)</sup>
- ▶ Capital preservation strategy resulted in lower origination activity
- ▶ Lower originations and spread compression led to lower net investment income in FY 2017

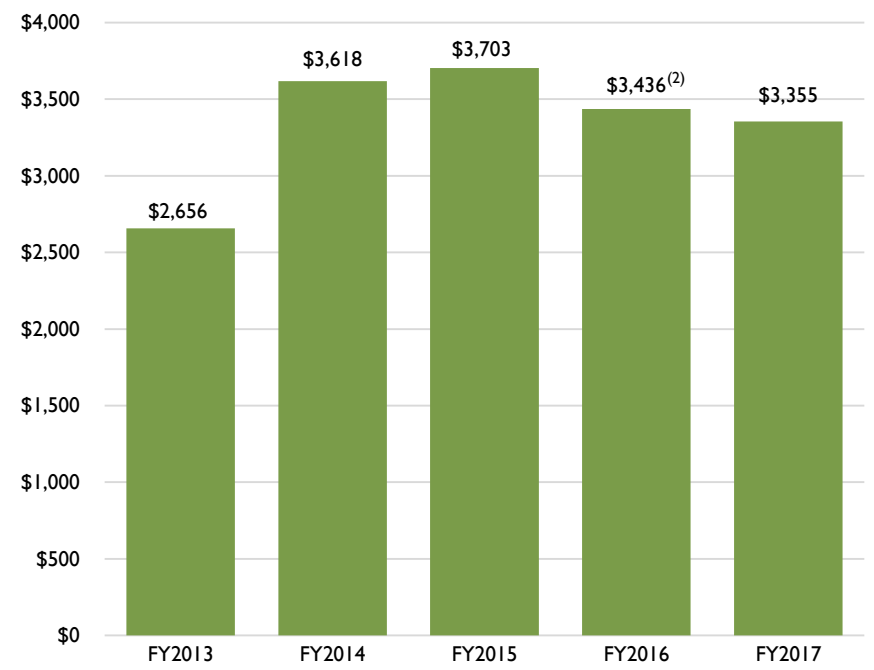
## NET INVESTMENT INCOME

(FY as of 6/30, \$ in millions)



## TOTAL EQUITY

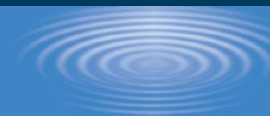
(FY as of 6/30, \$ in millions)



Source: Company filings

(1) Total assets as of 9/30/2017 plus estimated debt capacity.

(2) Company repurchased 4.7 million shares for \$34.1 million in FY2016.



# EXPERIENCED AND BROAD TEAM

With over 90 professionals, the Prospect team is one of the largest focused on the middle market

## SENIOR EXECUTIVES

### John Barry – Chairman and CEO

- ▶ Co-founder of Prospect Capital Corporation
- ▶ Over 39 years of experience, including Merrill Lynch, Rothschild and Davis Polk
- ▶ JD Harvard, AB Princeton

### Grier Eliasek – President and COO

- ▶ Co-founder of Prospect Capital Corporation
- ▶ Over 21 years of experience; previously a consultant at Bain & Company
- ▶ MBA Harvard, BS Chem. Eng. Univ. of Virginia

### Brian Oswald – CFO and CCO

- ▶ Joined Prospect Capital Corporation in 2008
- ▶ Over 35 years of experience, including GSC Group, Capital Trust and KPMG
- ▶ CPA, BA Moravian College

### INVESTMENT TEAM

Investment Professionals **37**

### BUSINESS DEVELOPMENT & IR

Business Development & Investor Relations Professionals **15**

### ACCOUNTING & TAX

Accounting and Tax Professionals **22**

### LEGAL

Legal Professionals **12**

### ADMINISTRATION

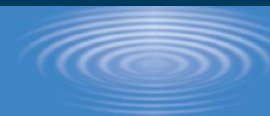
Administration Professionals **10**

90+ person organization helps drive originations through superior scale and market coverage

# FLEXIBLE ORIGINATION MIX

<p><b>PRIVATE EQUITY SPONSOR FINANCE</b> (Non-Control)</p> <p><b>9-13%</b> Target IRRs</p> <p><b>39.3% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Senior secured debt with significant junior / equity capital</li> <li>▶ Stronger management / larger businesses</li> <li>▶ Repeat business</li> </ul>	<p><b>DIRECT NON-SPONSOR LENDING</b> (Non-Control)</p> <p><b>11-16%</b> Target IRRs</p> <p><b>1.5% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Senior secured debt with lower leverage</li> <li>▶ Higher yields from fewer lender competitors</li> <li>▶ Proprietary call center</li> </ul>	<p><b>ONE-STOP YIELD BUYOUTS – OPERATINGCOS</b> (Control)</p> <p><b>14-25%</b> Target IRRs</p> <p><b>5.9% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ One stop advantage (PSEC provides term debt)</li> <li>▶ Current yield plus equity upside</li> <li>▶ Management control</li> </ul>
<p><b>ONE-STOP YIELD BUYOUTS – FINANCECOS</b> (Control)</p> <p><b>15-25%</b> Target IRRs</p> <p><b>8.4% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Consumer installment lending and auto finance</li> <li>▶ Tax-efficient structure</li> <li>▶ Strategic buyouts (Patriot Capital)</li> </ul>	<p><b>STRUCTURED CREDIT</b> (Hybrid)</p> <p><b>13-17%</b> Target IRRs</p> <p><b>17.0% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Diversified credit exposure, with default rate well below market</li> <li>▶ Large, more liquid credits and attractively priced AAA funding</li> <li>▶ Call control strategy</li> </ul>	<p><b>REAL ESTATE</b> (Control)</p> <p><b>14-18%</b> Target IRRs</p> <p><b>11.2% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Multi-family residential, student housing and self storage focus on fully developed properties</li> <li>▶ Long-term funding from GSEs</li> <li>▶ Diversified tenants</li> </ul>
<p><b>ONLINE LENDING</b> (Non-Control)</p> <p><b>13-15%</b> Target IRRs</p> <p><b>6.7% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Online consumer loans and small business loans</li> <li>▶ 1-5 year term</li> <li>▶ Relationships with multiple platforms</li> </ul>	<p><b>AIRCRAFT LEASING</b> (Control)</p> <p><b>10-18%</b> Target IRRs</p> <p><b>1.2% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Current-yielding equity in aircraft securitizations and aircraft-ownership companies</li> <li>▶ Diversity by aircraft type, geography, and operator</li> </ul>	<p><b>SYNDICATED DEBT</b> (Non-Control)</p> <p><b>9-13%</b> Target IRRs</p> <p><b>8.8% of Portfolio</b></p> <ul style="list-style-type: none"> <li>▶ Senior secured debt of larger borrowers in liquid market</li> <li>▶ Active during market dislocation</li> <li>▶ Less active during bull markets</li> </ul>

**Multiple origination channels allow PSEC to be selective in funding new investment opportunities**



# SUPERIOR DEAL FLOW AND DISCIPLINED EXECUTION

3,000+ opportunities sourced annually with <5% of initially screened investments advancing to closing

### SYSTEMATIC CALLING EFFORT

- ▶ PE sponsors
  - ~200 Tier 1 relationships
- ▶ Other intermediaries
  - ~4,000 total
- ▶ Syndication/Club relationships

### COLD-CALLING EFFORT

- ▶ Small-to-mid cap companies with identified financing needs
- ▶ Dedicated in-house call center
- ▶ Proprietary deal flow

### MANAGEMENT RELATIONSHIPS

- ▶ From 175+ past and present portfolio companies
- ▶ Add-on investments, new investments, assistance with due diligence and post-closing value add

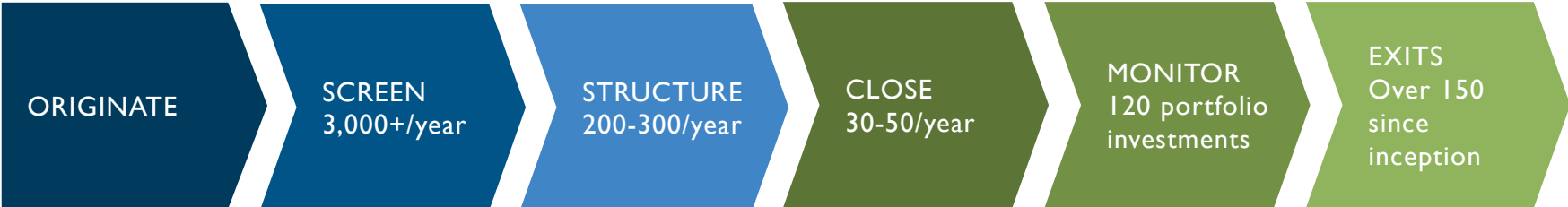
### CONTACT DATABASE

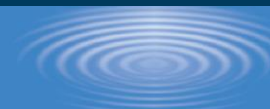
- ▶ 50,000+ contacts built over two decades
- ▶ Receive all transaction announcements, resulting in both in-bound opportunities and top-of-mind awareness

### IN-BOUND OPPORTUNITIES

- ▶ From scale, longevity, and visibility of Prospect
- ▶ ~\$6.1 billion of capital under management

Disciplined underwriting and execution helps to keep credit losses low

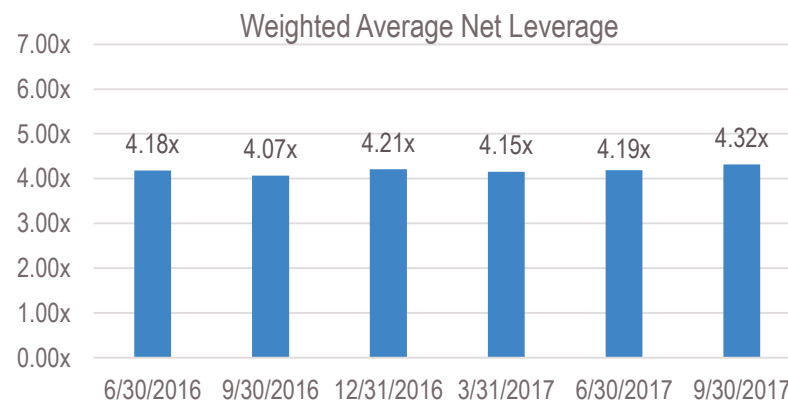
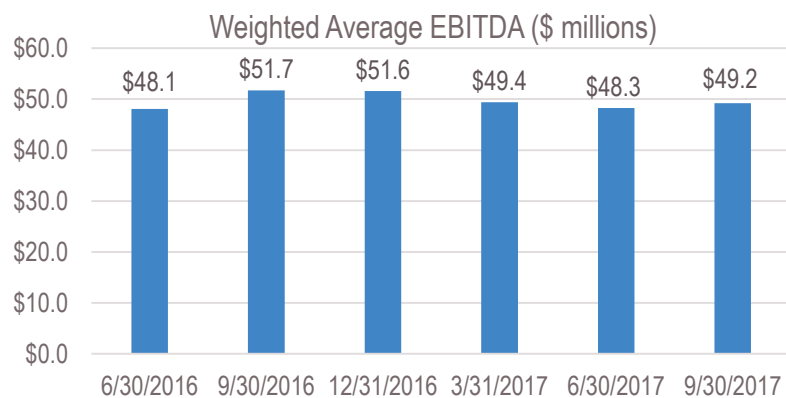




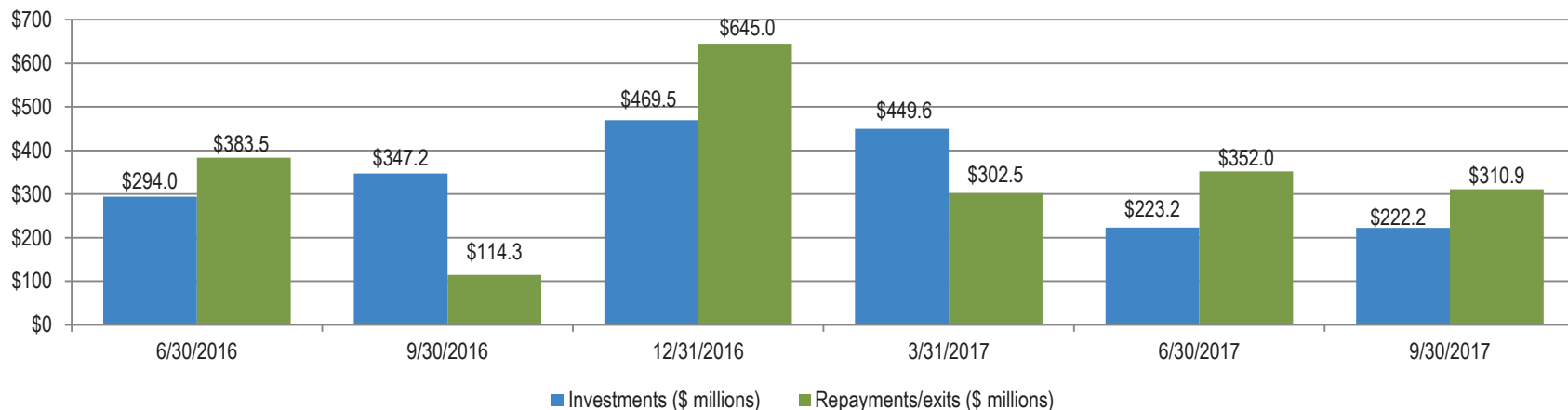
# CONSERVATIVE APPROACH DRIVES CAPITAL PRESERVATION

PSEC generally invests in middle market companies with \$5 - \$150 million of annual EBITDA

## Weighted Average Portfolio Company EBITDA and Net Leverage<sup>(1)</sup>



## Quarterly Portfolio Activity

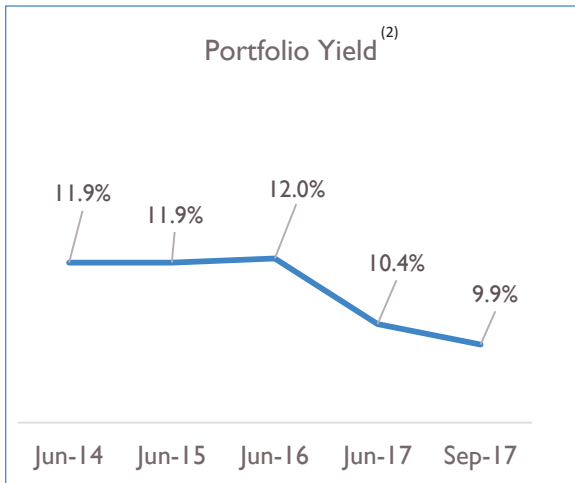
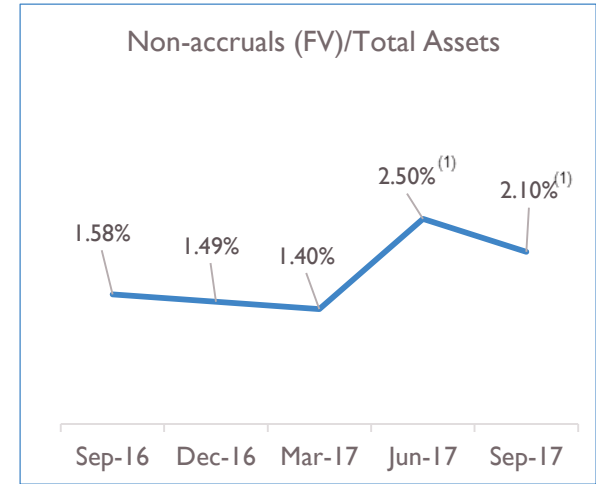
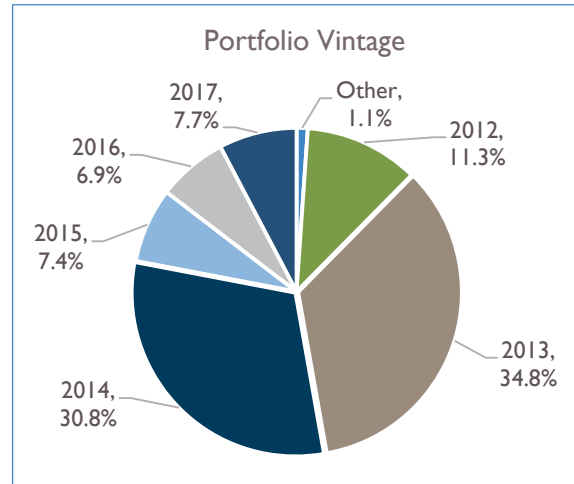
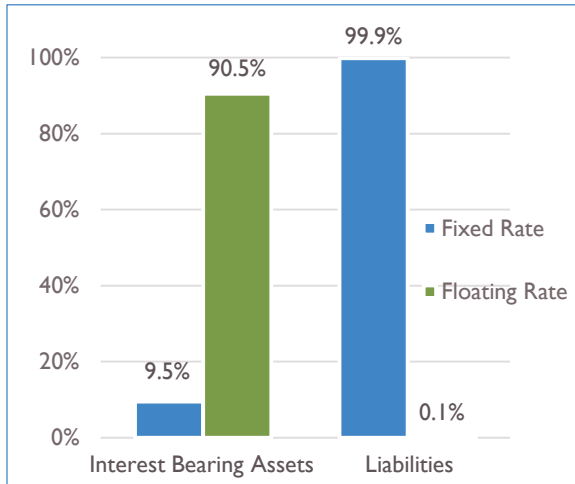


Source: Company filings, management.

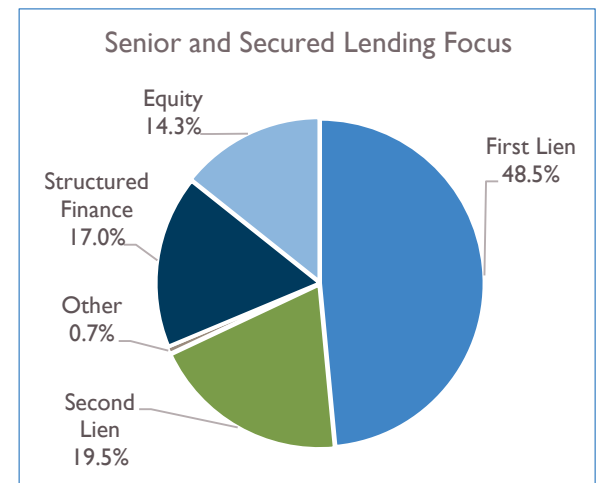
(1) Includes debt through Prospect's investment and excludes 3<sup>rd</sup> party debt.



# PORTFOLIO OVERVIEW: \$5.7 BILLION IN ASSETS ACROSS 120 INVESTMENTS



Top 10 Investments		
Portfolio Company	% Assets	Type
National Property REIT Corp. <sup>(3)</sup>	10.6%	Real Estate
First Tower Finance Company LLC	6.2%	Buyout
Instant Web, LLC	5.9%	1st Lien
Broder Bros., Co.	3.8%	1st Lien
InterDent, Inc.	3.4%	1st Lien
Pacific World Corporation	3.1%	1st Lien
Matrixx Initiatives, Inc.	2.6%	1st Lien
Centerfield Media Holding Company	2.3%	1st Lien
PGX Holdings, Inc.	2.3%	2nd Lien
PrimeSport, Inc.	1.8%	1st Lien

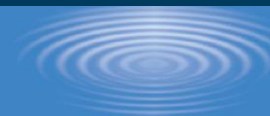


Source: Company filings, management. PSEC portfolio data as of 9/30/2017.

(1) Includes 1.3% and 1.1% for the June 2017 quarter and September 2017 quarter, respectively, from USC, which timely paid income-producing, contractual interest in both quarters.

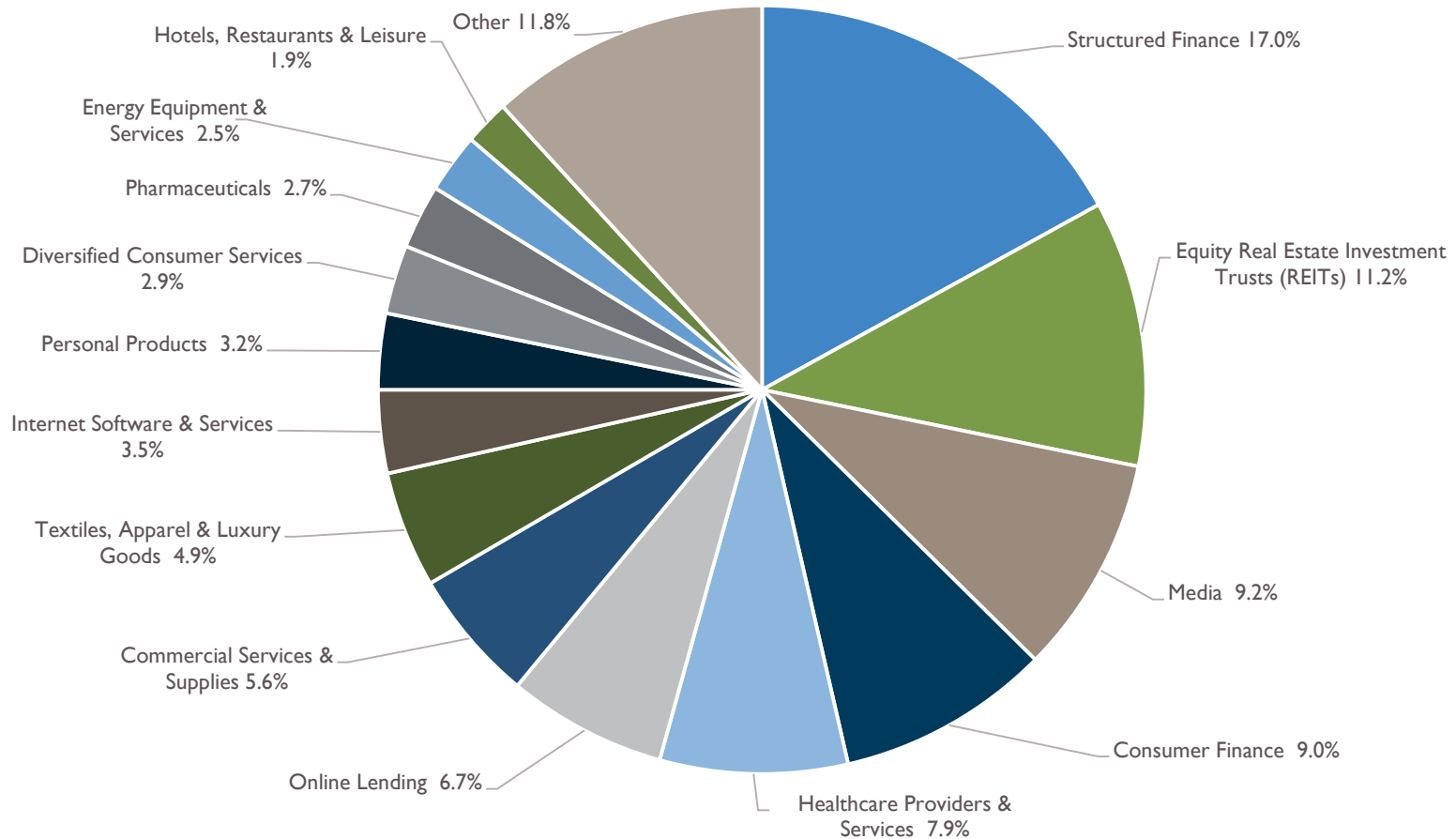
(2) Annualized current yield across all investments.

(3) Includes 59 separate properties; excludes approximately 6.3% in assets related to online lending.



# WELL DIVERSIFIED PORTFOLIO INVESTED IN 33 DIFFERENT INDUSTRIES

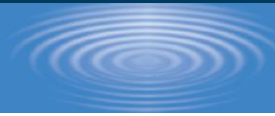
## PSEC's portfolio at fair value (9/30/2017)



Low energy asset concentration of 2.5%, the majority of which is secured debt

Source: Company filings, management.

Note: Structured Finance represents PSEC's investments in CLOs which are broadly invested across many industries.



## PSEC EMPLOYS A RIGOROUS AND INDEPENDENT VALUATION PROCESS

### INDEPENDENT THIRD-PARTY VALUATION

- ▶ Every investment is marked quarterly and has been marked since inception at fair value by a third-party
- ▶ Third-party valuation agents complete a review of all assets with positive assurance (i.e., not merely a “negative assurance” process)

### SENIOR PORTFOLIO MANAGER

- ▶ Preliminary valuation discussions are documented and discussed with senior Prospect management

### AUDIT COMMITTEE

- ▶ Prospect’s Independent Audit Committee reviews the preliminary valuations
- ▶ Prospect Capital Management and the third-party valuation agent respond to and supplement any information required by Prospect’s Audit Committee

### PROSPECT’S BOARD OF DIRECTORS

- ▶ Prospect’s majority independent board of directors determines the fair value of each investment in the portfolio based on the third-party valuations and recommendations from Prospect’s Audit Committee
- ▶ To date, the Board’s final valuations have never been outside the range provided by the third-party valuation firm

## DIVERSIFIED FUNDING SOURCES

- ▶ Access to diversified funding sources across multiple investor bases
- ▶ Emphasis on unsecured term debt with no financial covenants or cross defaults with revolving credit facility
- ▶ Credit facility rating of Aa3 by Moody's
- ▶ Prospect's corporate credit rating is BBB+ by Kroll and BBB- by S&P

ISSUANCE	COUPON	AMOUNT (millions)	OUTSTANDING (millions)	MATURITY
<b>SR. UNSECURED CONVERTIBLE NOTES</b>				
▶ April 2012 - \$11.40	5.375%	\$130.0	\$50.7	10/15/2017
▶ August 2012 - \$11.88	5.750%	\$200.0	\$85.4	3/15/2018
▶ December 2012 - \$12.53	5.875%	\$200.0	\$200.0	1/15/2019
▶ April 2014 - \$12.40	4.750%	\$400.0	\$392.0	4/15/2020
▶ April 2017 - \$9.98	4.950%	\$225.0	\$225.0	7/15/2022
<b>SR. UNSECURED RETAIL NOTES</b>				
▶ Prospect Capital InterNotes®	3.75% - 7.00% <sup>(1)</sup>	\$916.0	\$916.0	Nov 2017 - Oct 2043
▶ Prospect Baby Bond (NYSE: PBB)	6.25%	\$199.3	\$199.3	6/15/2024
<b>SR. UNSECURED INSTITUTIONAL TERM DEBT</b>				
▶ March 2013	5.875%	\$250.0	\$250.0	3/15/2023
▶ April 2014	5.000%	\$300.0	\$300.0	7/15/2019
<b>SR. SECURED CREDIT FACILITY – 21 LENDERS</b>				
	1ML + 2.25%	\$885.0	–	3/27/2020
	<b>5.33%<sup>(2)</sup></b>		<b>\$2,618.5</b>	

Source: Company filings, management.  
As of 9/30/2017.

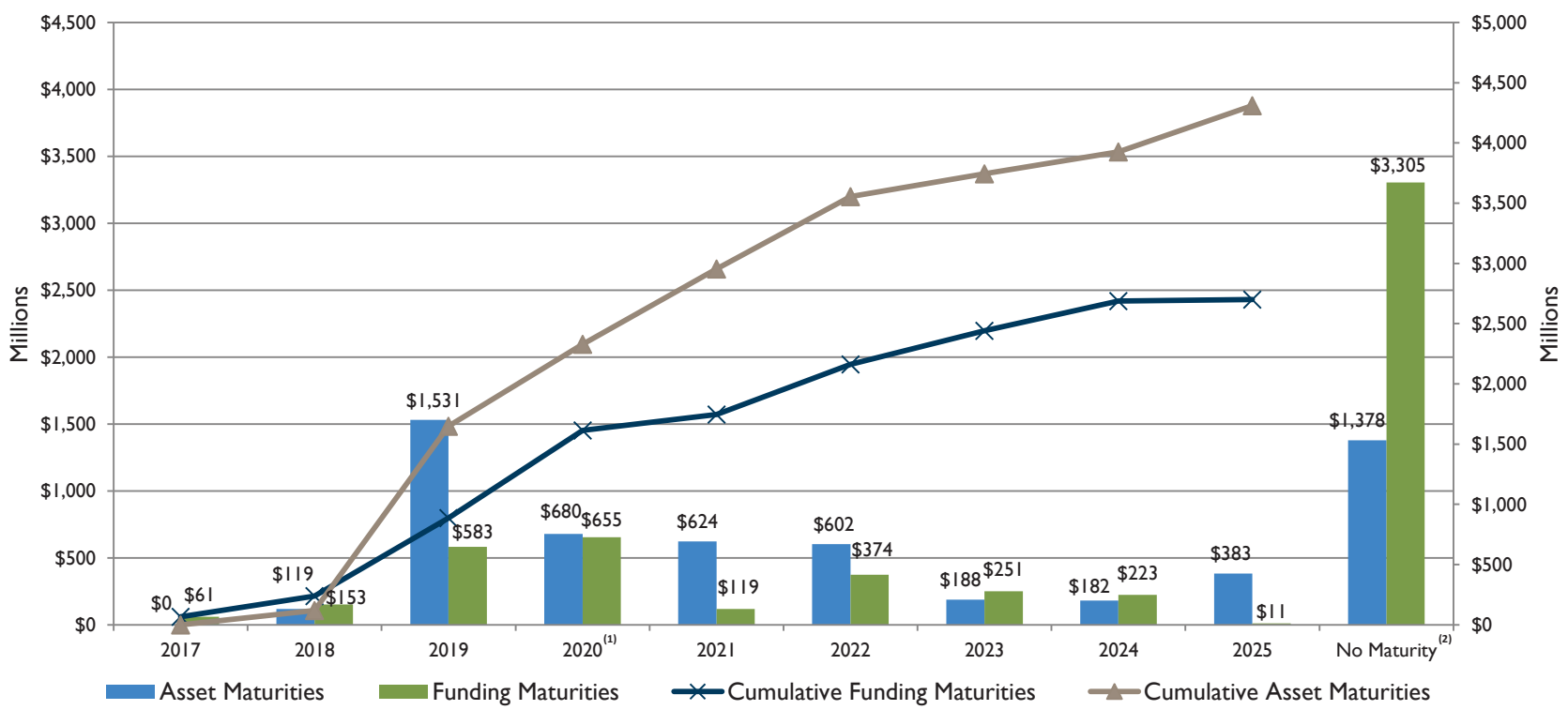
(1) Includes \$1,445,000 of floating rate notes.

(2) Weighted average interest rate excluding amortization, accretion, and undrawn facility fees.

# LONG-TERM, MATCHED-BOOK FUNDING LOCKS IN ATTRACTIVE SPREADS

PSEC's well-laddered funding sources match the tenor of its investments

- ▶ Revolving credit facility does not mature until March 2020; average utilization rate of 16% since 2011
- ▶ Approximately \$3.3 billion of Prospect's funding is in the form of equity, which does not mature



Source: Company filings and management.

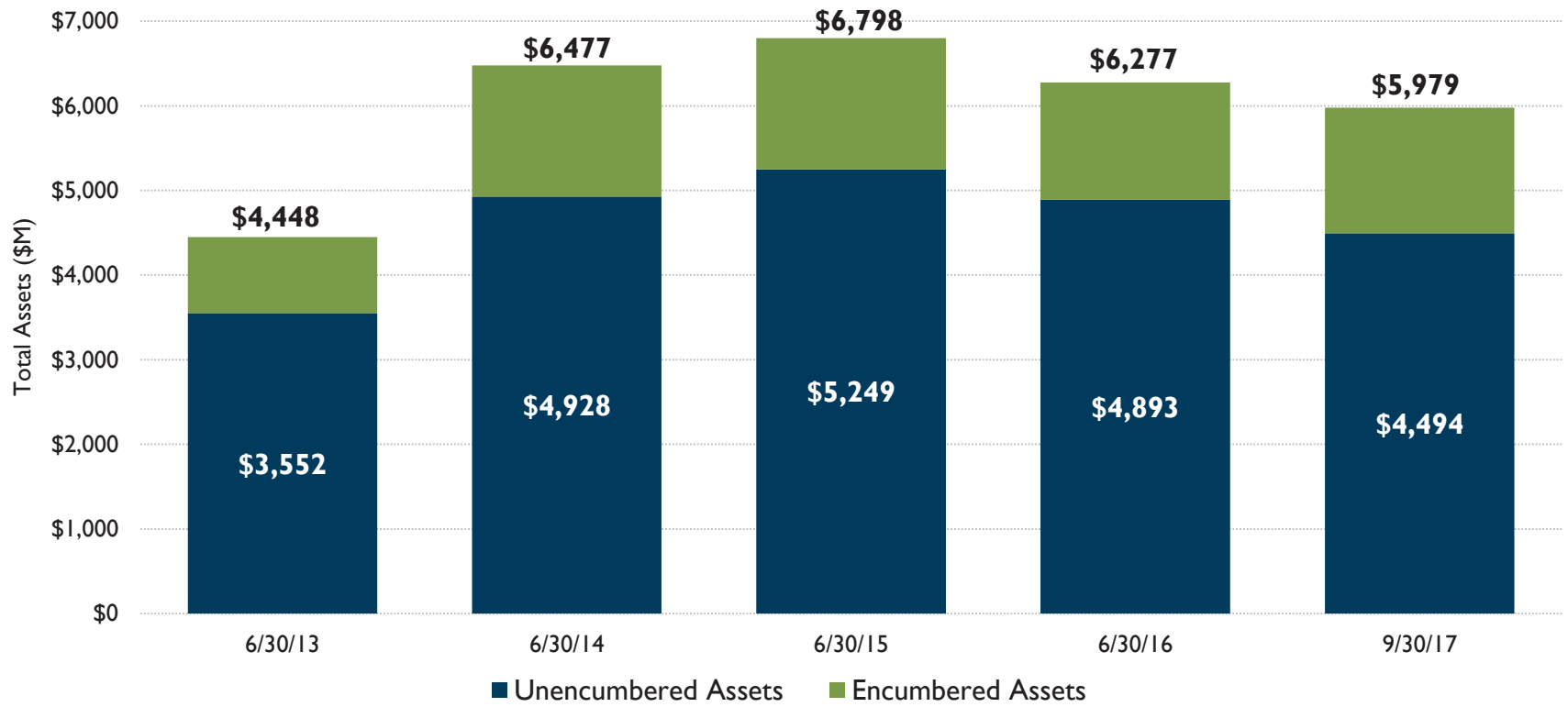
As of 9/30/2017.

(1) Funding maturity includes credit facility.

(2) Includes investments, equity capital, and debt capital maturing after 2025.

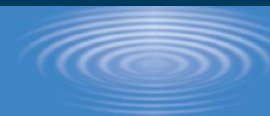
# UNENCUMBERED ASSETS PROVIDE FINANCIAL FLEXIBILITY

Approximately \$4.5 billion of unencumbered assets, representing over 75% of total assets

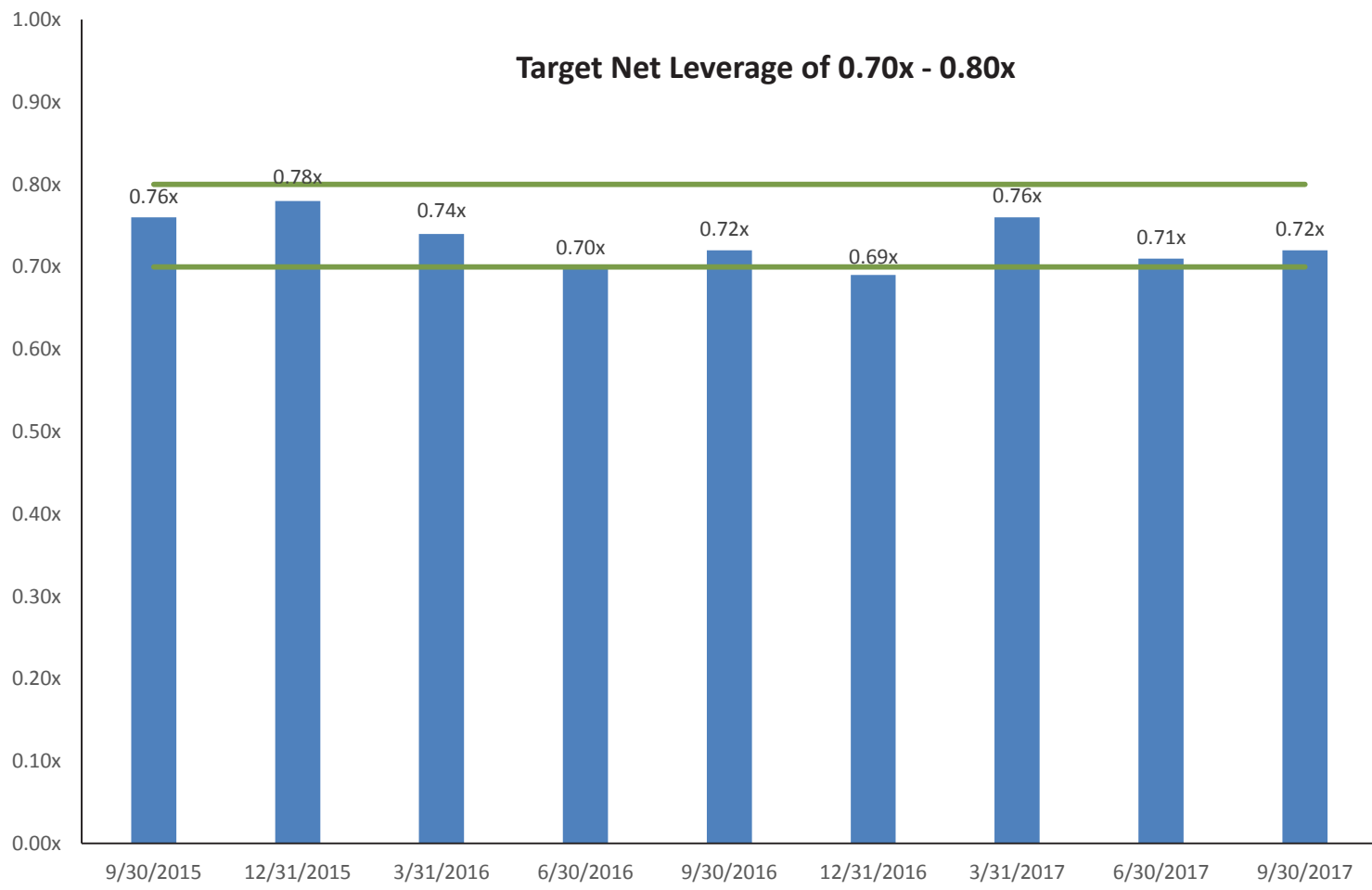


**High level of unencumbered assets reduces risk in the event of a market downturn**

Source: Company filings and management.



# PRUDENT NET LEVERAGE CONSISTENTLY WITHIN TARGET RANGE

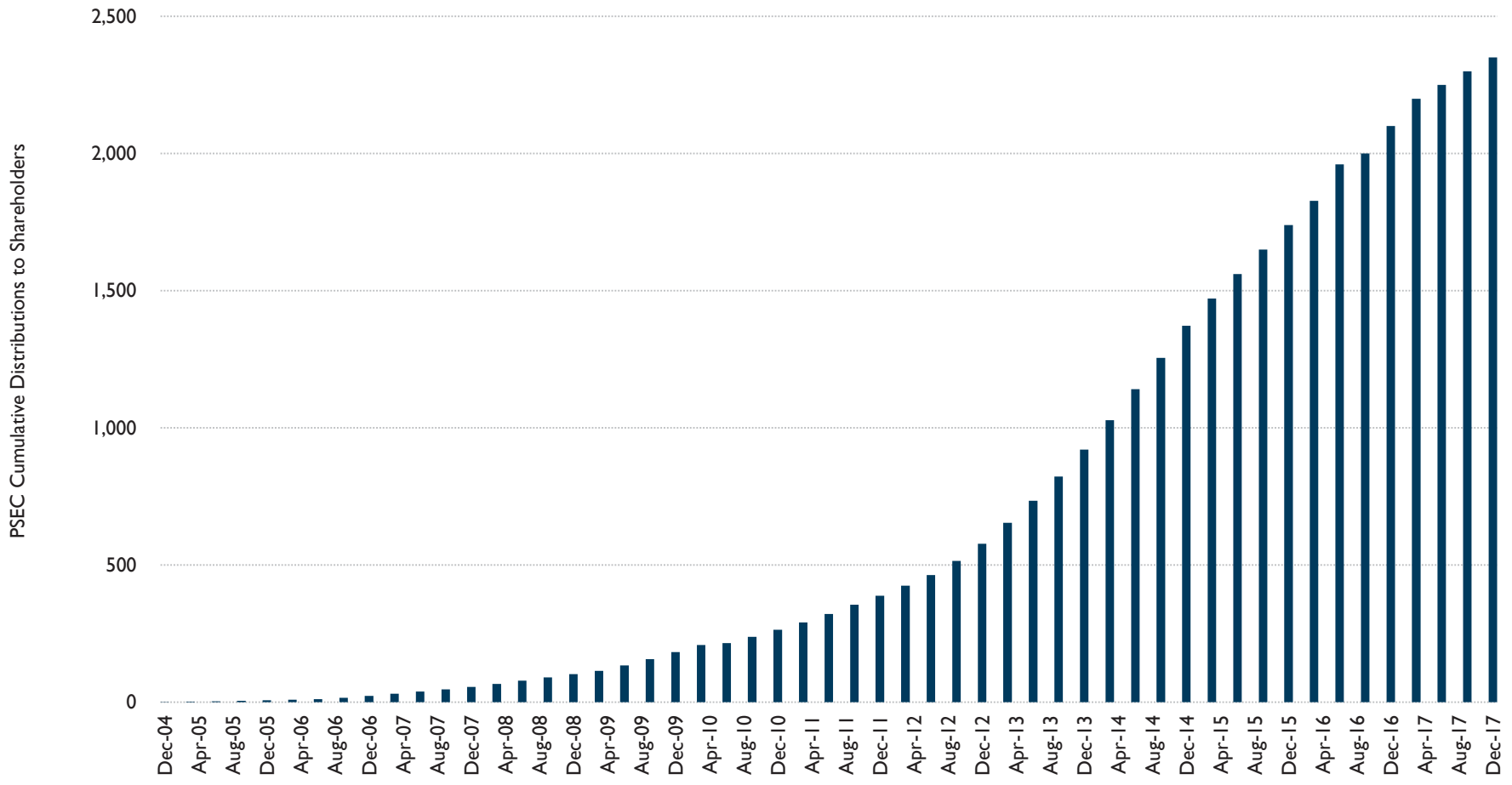




# PSEC CUMULATIVE DISTRIBUTIONS TO SHAREHOLDERS

\*

Cumulative distributions of \$16.26 per share totaling more than \$2.43 billion since 2004 IPO  
(\$ in millions)

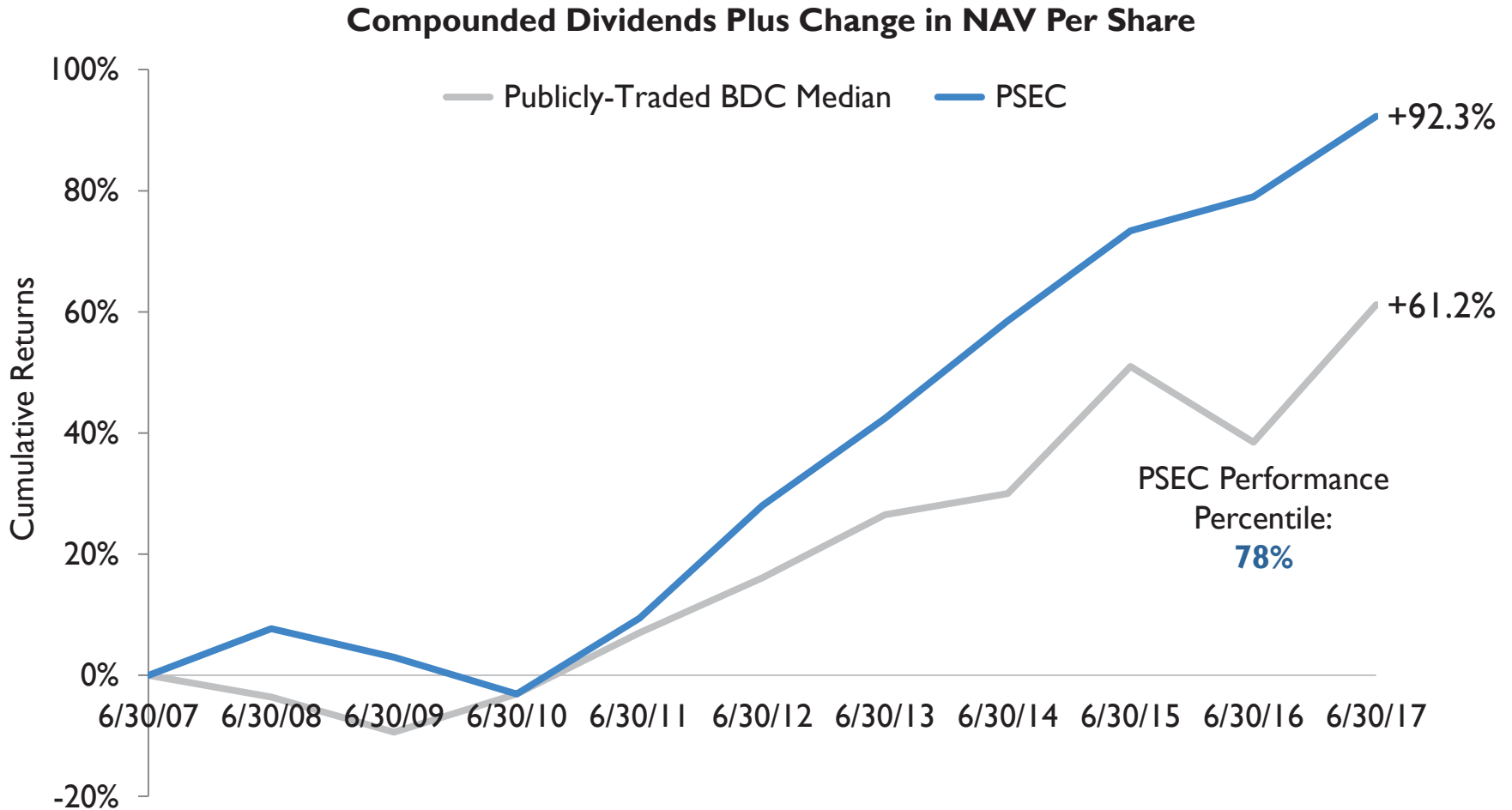




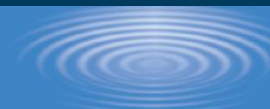


# DIFFERENTIATED PERFORMANCE

# PSEC HAS GENERATED SUPERIOR OPERATING RETURNS COMPARED WITH PUBLICLY-TRADED BDC MEDIAN OVER THE PAST 10 YEARS



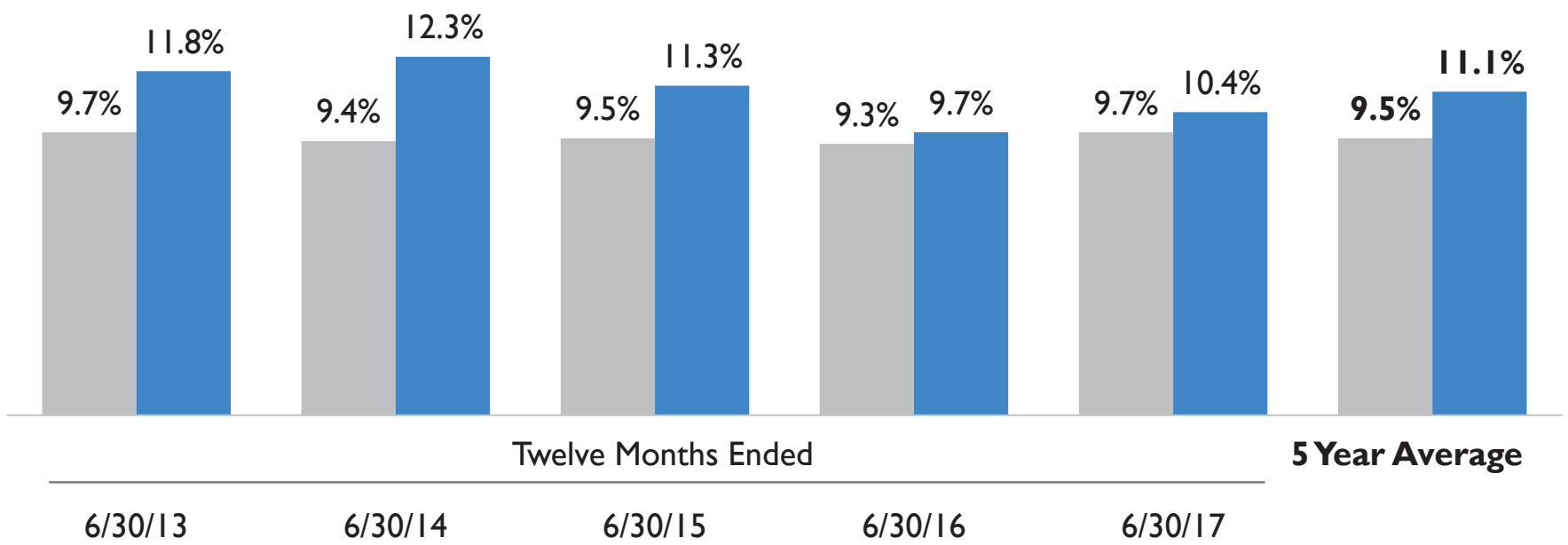
Note: Dividends plus change in net asset value compounded on a quarterly basis. Investors purchase and sell shares of PSEC common stock at prevailing market prices, which may be higher or lower than NAV. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Source: PSEC analysis of Capital IQ data as of 9/22/17 for the 19 BDCs for which there is quarterly data for the ten years ended 6/30/17.



# PSEC'S BOOK EQUITY DIVIDEND YIELD HAS OUTPERFORMED PUBLICLY-TRADED BDC MEDIAN OVER EACH OF THE PAST 5 YEARS

### Dividend / NAV (Dividend Yield)

Publicly-Traded BDC Median    PSEC



PSEC Performance Percentile:

**84%**

**95%**

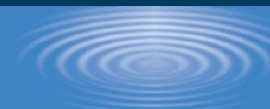
**82%**

**59%**

**81%**

**84%**

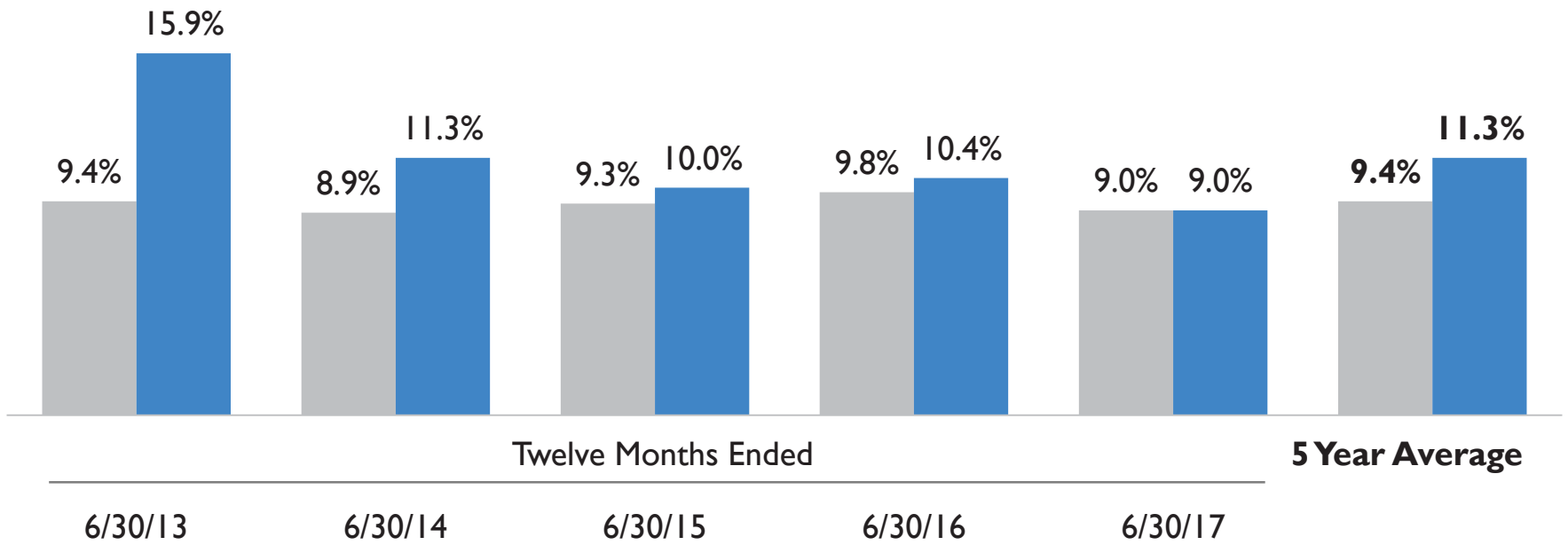
Note: Dividend yield calculated as dividends per share over twelve month period divided by NAV per share at the beginning of the period. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Approximately 10% of BDCs do not focus on generation of current income, which has the effect of making it easier for PSEC's net income, net investment income and dividends to exceed the BDC median. Source: PSEC analysis of Capital IQ data as of 9/22/17 of BDCs for which there is quarterly data for each entire period (38 for the twelve months ended 6/30/13, 43 for twelve months ended 6/30/14, 50 for twelve months ended 6/30/15, 50 for twelve months ended 6/30/16, and 49 for twelve months ended 6/30/17).



# PSEC'S BOOK EQUITY NET INVESTMENT INCOME YIELD HAS OUTPERFORMED PUBLICLY-TRADED BDC MEDIAN OVER THE PAST 5 YEARS

## Net Investment Income / NAV (NII Yield)

Publicly-Traded BDC Median PSEC



PSEC Performance Percentile:

**100%**
**84%**
**67%**
**63%**
**48%**
**92%**

Note: Book equity earnings yield calculated as twelve month period net investment income divided by average of beginning and ending book value of equity. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Approximately 10% of BDCs do not focus on generation of current income, which has the effect of making it easier for PSEC's net income, net investment income and dividends to exceed the BDC median. Source: PSEC analysis of Capital IQ data as of 9/22/17 of BDCs for which there is quarterly data for each entire period (40 for the twelve months ended 6/30/13, 45 for twelve months ended 6/30/14, 50 for twelve months ended 6/30/15, 50 for twelve months ended 6/30/16, and 49 for twelve months ended 6/30/17).



## PSEC HAS POSTED AN AVERAGE ANNUAL RETURN ON NET ASSETS OF 8.7% WITH POSITIVE RETURNS IN ~87% OF THE FULL QUARTERLY PERIODS

	March	June	September	December	Annual	Cumulative
2004	-	-	(0.9%)	1.3%		<b>0.4%</b>
2005	0.9%	7.3%	1.4%	2.5%	<b>12.5%</b>	<b>12.9%</b>
2006	2.8%	5.7%	2.6%	1.2%	<b>12.9%</b>	<b>27.5%</b>
2007	1.7%	1.6%	2.8%	(1.1%)	<b>5.1%</b>	<b>34.0%</b>
2008	(0.3%)	6.1%	3.3%	1.5%	<b>10.8%</b>	<b>48.4%</b>
2009	3.5%	(0.2%)	(1.1%)	(2.2%)	<b>(0.0%)</b>	<b>48.4%</b>
2010	4.0%	2.2%	3.4%	3.8%	<b>14.0%</b>	<b>69.2%</b>
2011	3.7%	2.7%	3.6%	5.7%	<b>16.5%</b>	<b>97.1%</b>
2012	4.1%	2.6%	2.8%	2.2%	<b>12.1%</b>	<b>120.9%</b>
2013	1.8%	3.2%	2.9%	2.8%	<b>11.0%</b>	<b>145.3%</b>
2014	2.4%	2.0%	2.3%	2.3%	<b>9.3%</b>	<b>168.2%</b>
2015	2.2%	2.6%	0.8%	(2.6%)	<b>2.8%</b>	<b>175.8%</b>
2016	2.2%	2.8%	2.4%	2.9%	<b>10.7%</b>	<b>205.3%</b>
2017	0.6%	1.5%	0.4%			<b>212.7%</b>
Total Return Average 2004 – 2017					<b>8.7%<sup>(1)</sup></b>	

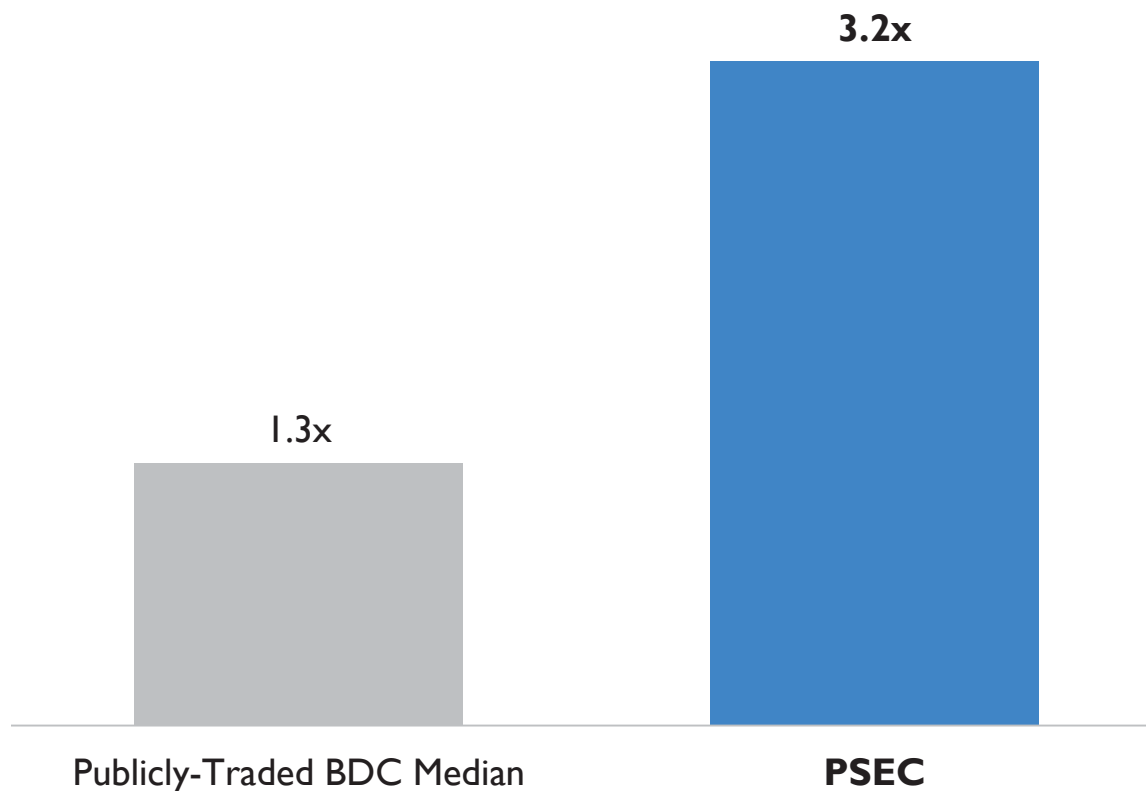
Source: Company filings. Quarterly returns based on the line item "net increase in net assets resulting from operations" on the income statement. To calculate a quarterly return rate, quarterly returns were divided by the sum of the net asset value from the prior quarter's filing (beginning net asset value) and half of the change in paid-in capital between the prior quarter and the then-current quarter. Annual and cumulative figures derived from compounding of quarterly returns.

1. Total return average was calculated by taking the geometric average of all quarterly returns and then annualizing this return by multiplying it by four.

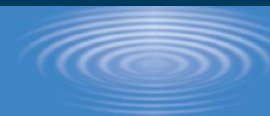


# PSEC HAS GENERATED SUPERIOR RISK-ADJUSTED OPERATING RETURNS FOR THE TRAILING FIVE YEARS ENDED 6/30/17

## Returns / Volatility – Trailing 5 Years

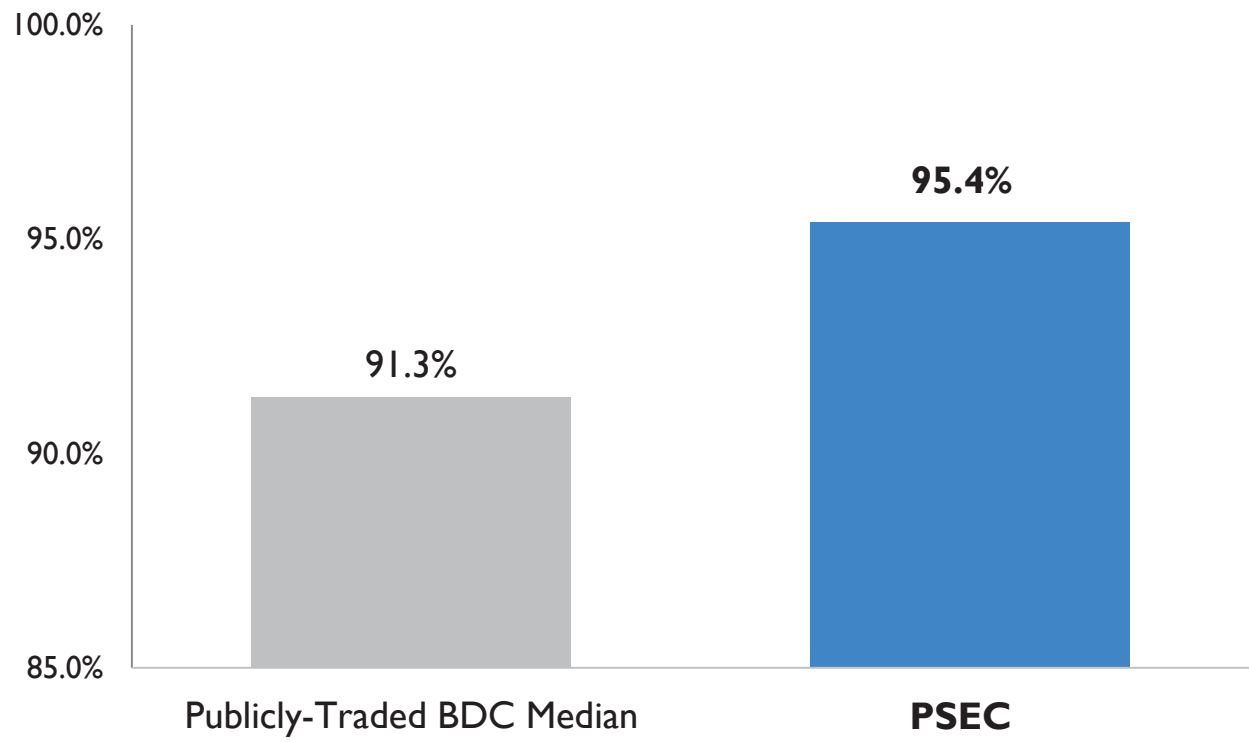


Note: Returns calculated as change in net asset value per share plus dividends. Volatility measured as one standard deviation in returns. Returns and volatility are measured on a quarterly basis and annualized to calculate returns / volatility ratio. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Source: PSEC analysis of Capital IQ data as of 9/22/17 for the 35 BDCs for which there is quarterly data for the five years ended 6/30/17.



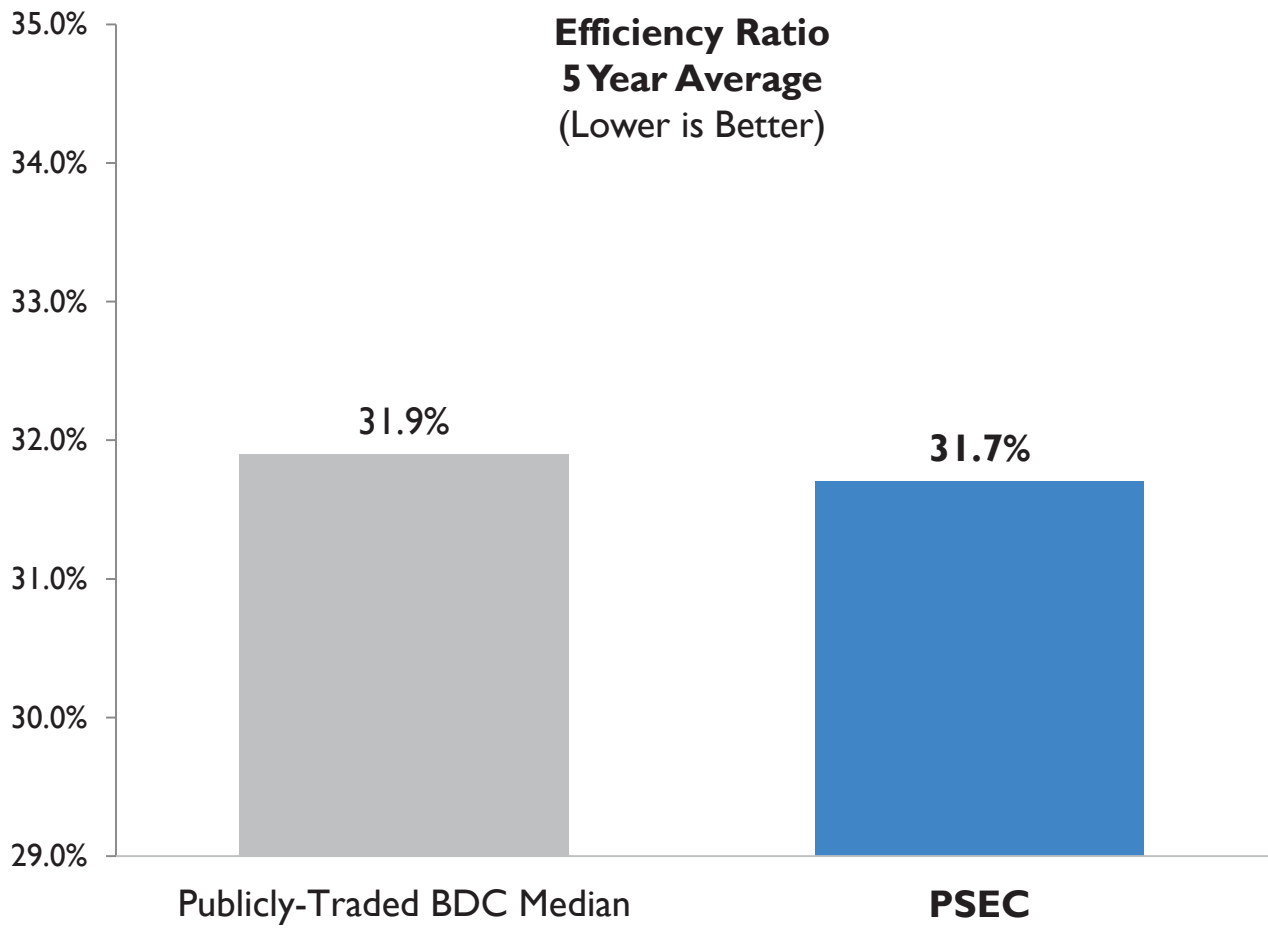
# PSEC CURRENTLY DERIVES A HIGHER PERCENTAGE OF INVESTMENT INCOME FROM RECURRING INTEREST PAYMENTS THAN THE PUBLICLY-TRADED BDC MEDIAN

**Interest Income / Total Investment Income**  
Twelve Months Ended 6/30/17



Source: PSEC analysis of public filings available as of 9/22/17 for quarters ending from 9/30/16 to 6/30/17. Approximately 10% of the BDCs do not focus on generation of current income, which has the effect of making it easier for PSEC to exceed the BDC median.

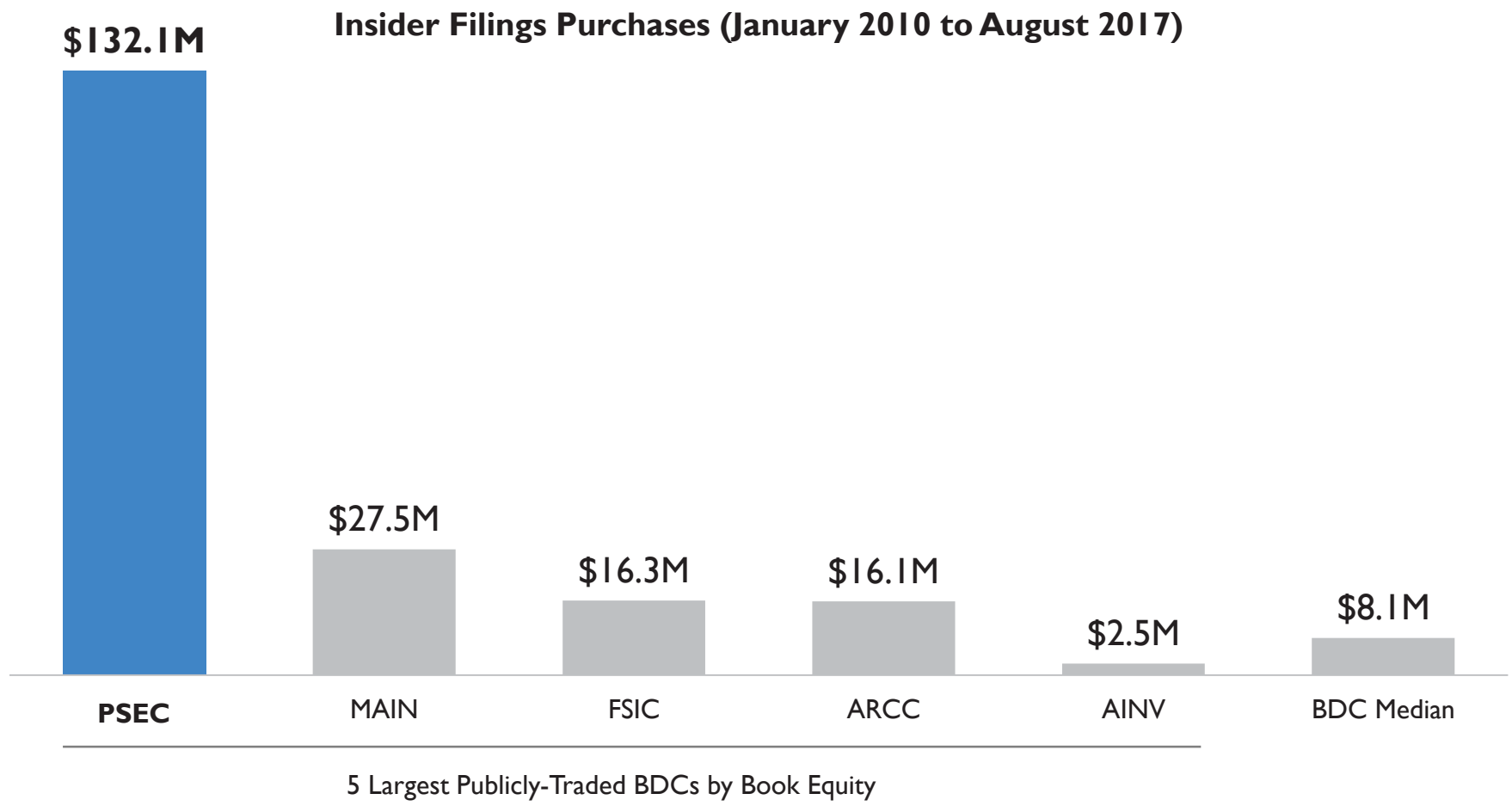
# PSEC'S EXPENSES (INCLUDING ALL MANAGEMENT FEES AND EXPENSES) COMPARE FAVORABLY TO THE PUBLICLY-TRADED BDC MEDIAN



Note: Efficiency ratio defined as non-financing operating expenses (including all management fees and expenses) divided by gross investment income. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Approximately 10% of BDCs do not focus on generation of current income, which has the effect of making it easier for PSEC's net income, net investment income, and dividends to exceed the BDC median. Source: PSEC analysis of Capital IQ data as of 9/22/17 for the 38 BDCs for which there is quarterly data for the five years ended 6/30/17.



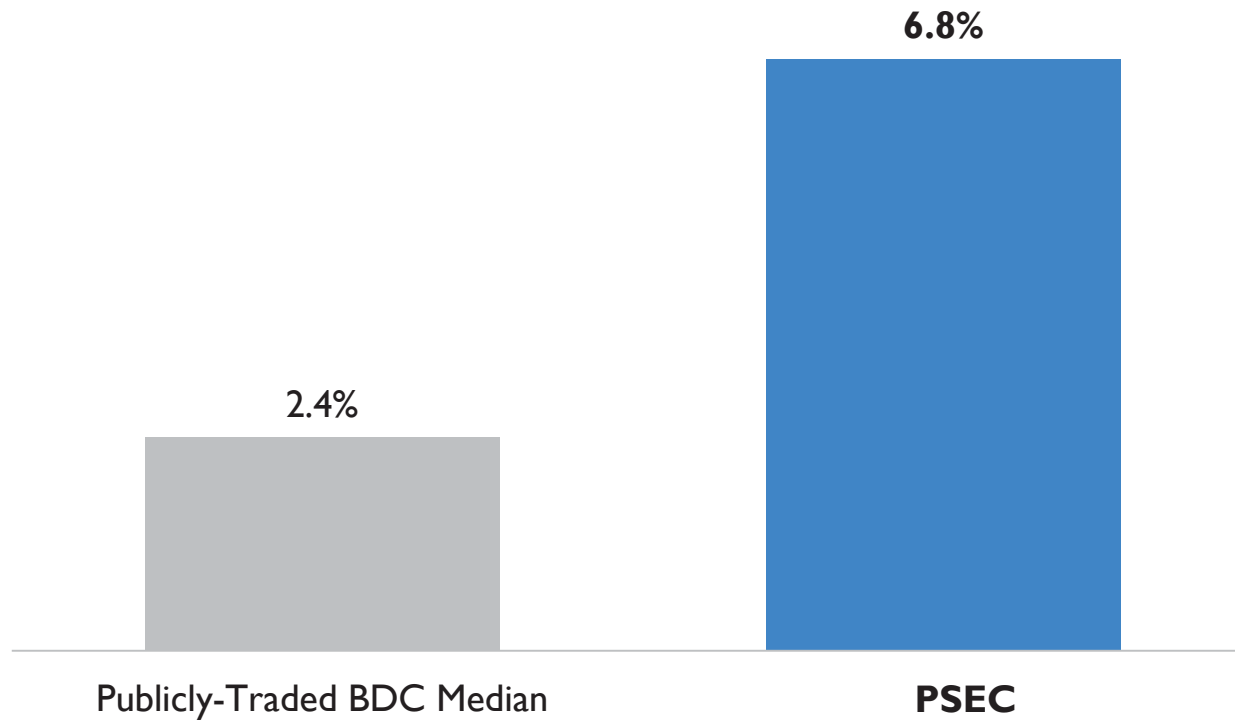
# SENIOR MANAGEMENT HAS MADE SIGNIFICANT INVESTMENTS IN PSEC



Source: PSEC analysis of 23 BDCs that have been active during this period. PSEC senior management has not sold any of such investments.

## SENIOR MANAGEMENT IS A SIGNIFICANT INVESTOR IN PSEC

### Insider Ownership as of 9/22/17





# BDC OVERVIEW



## PUBLICLY TRADED BDCs

TOPIC	KEY CHARACTERISTICS
INVESTMENT STRATEGY	<ul style="list-style-type: none"> <li>▶ Current-yielding credit investments primarily in middle-market companies</li> <li>▶ To a lesser extent, other current-yielding investments</li> </ul>
REGULATION	<ul style="list-style-type: none"> <li>▶ Regulated as a Business Development Company (“BDC”) under Investment Company Act of 1940</li> <li>▶ Generally BDCs elect to be treated as a Regulated Investment Company (“RIC”) for U.S. federal income tax purposes</li> </ul>
INVESTMENTS LIMITATIONS	<ul style="list-style-type: none"> <li>▶ Generally, at least 70% of a BDC’s assets must be investments in U.S. non-financial sector operating companies that either have (a) no class of securities listed on a national securities exchange (i.e., private) or (b) a market cap less than \$250 million</li> </ul>
LEVERAGE LIMITATION	<ul style="list-style-type: none"> <li>▶ 1:1 debt-to-equity ratio (i.e. gross asset coverage must be at least 200%)</li> </ul>
DIVERSIFICATION REQUIREMENTS <sup>(1)</sup>	<ul style="list-style-type: none"> <li>▶ At least 50% of a BDC’s assets must consist of securities of an issuer in which the BDC owns less than 10% of the voting stock and in which the investment is less than 5% of the value of the BDC’s assets</li> <li>▶ No more than 25% of the value of the BDC’s assets may be invested in a single issuer (other than government securities or other RICs) or in two or more issuers that are controlled by the BDC and engaged in similar businesses</li> </ul>
INCOME RESTRICTIONS <sup>(1)</sup>	<ul style="list-style-type: none"> <li>▶ At least 90% of BDC income must be from investment sources such as interest, dividends, and gains / losses associated with investments in equity, debt, or other securities</li> </ul>
DISTRIBUTION REQUIREMENTS <sup>(1)</sup>	<ul style="list-style-type: none"> <li>▶ Must distribute at least 90% of taxable income to avoid U.S. federal income tax on all taxable income</li> <li>▶ Not subject to U.S. federal income tax on the income and net capital gains distributed to stockholders (provided that the above distribution requirement is met)</li> </ul>
VALUATION	<ul style="list-style-type: none"> <li>▶ Must mark portfolio to fair value on a quarterly basis for GAAP<sup>(2)</sup> purposes</li> </ul>

(1) Above criteria apply to BDCs that elect RIC treatment for U.S. federal income tax purposes.

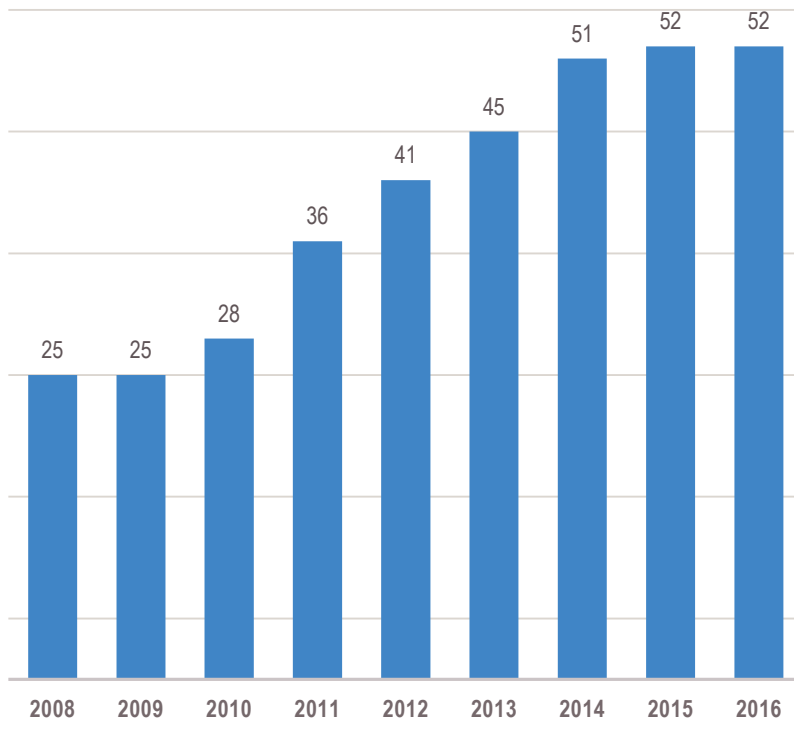
(2) GAAP is defined as Generally Accepted Accounting Principles.

## BDC PUBLIC MARKET LANDSCAPE

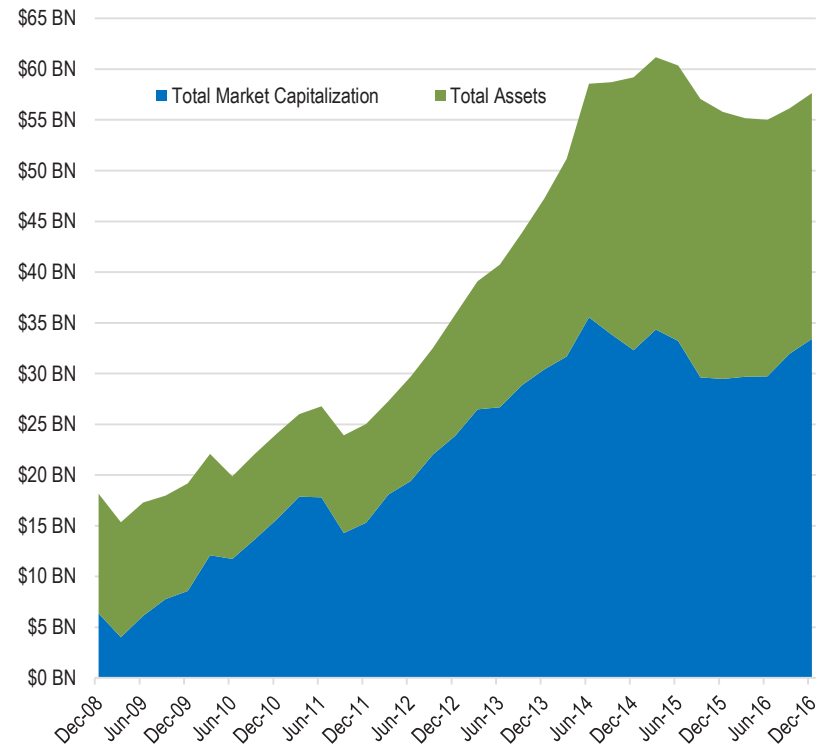
BDCs are benefitting from the reduction of capital provided by traditional lenders

- ▶ Reduced bank lending driven by regulation and consolidation
- ▶ Post-crisis shift of institutional debt investor demand to larger credits with greater liquidity

Number of Public BDCs



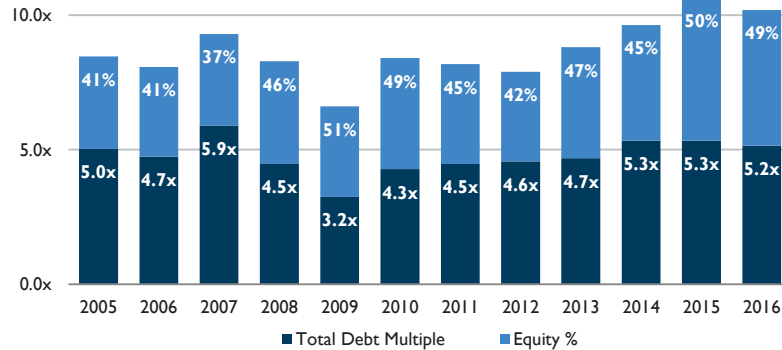
Public BDC Group – Total Assets and Market Cap



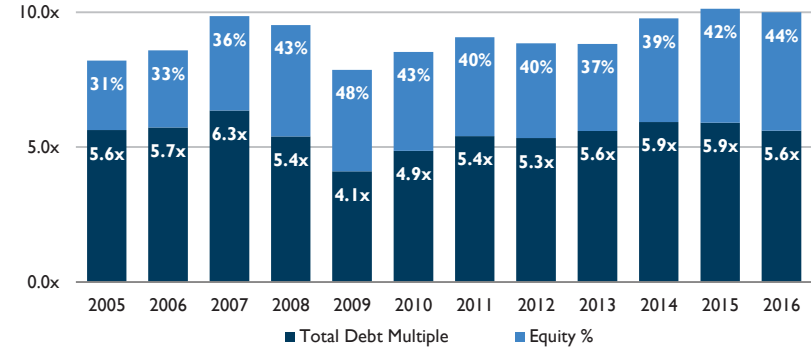
# HIGHER RISK-ADJUSTED RETURNS ON A CONSISTENT BASIS

## Middle Market Offers More Conservative Structures, Lower Defaults, and/or Higher Pricing

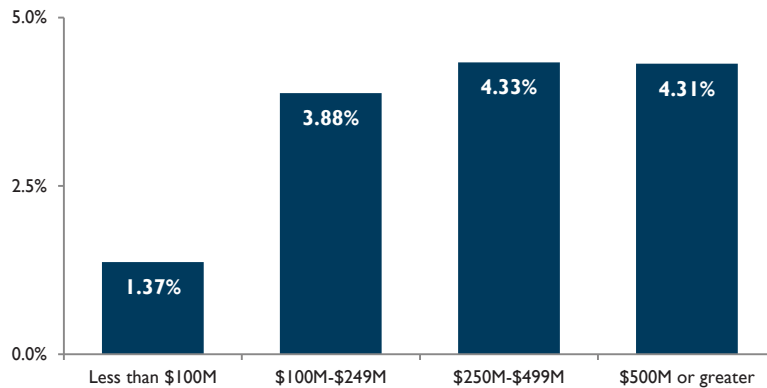
MIDDLE MARKET LBOs



LARGE CORPORATE LBOs



CUMULATIVE DEFAULT RATE BY FACILITY SIZE (1995-2016 Closings)



MIDDLE MARKET SPREAD PREMIUM<sup>(1)</sup>

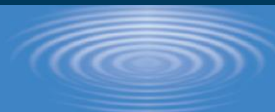


Source: S&P LCD Q4 2016 and Q1 2017 High-End Middle Market Lending Review. S&P LCD defines middle-market as EBITDA of \$50 million or less and large corporate as EBITDA of more than \$50 million.

1. Spread premium for middle-market leveraged loans over large corporate leveraged loans.



# APPENDIX



## FINANCIAL HIGHLIGHTS

In thousands, except per share data

<b>Statement of Operations</b>	<b>Quarter ended September 30, 2017</b>	<b>Quarter ended June 30, 2017</b>	<b>Quarter ended March 31, 2017</b>	<b>Quarter ended December 31, 2016</b>	<b>Quarter ended September 30, 2016</b>
Total investment income	\$158,579	\$166,702	\$171,032	\$183,480	\$179,832
Total operating expenses	94,847	97,024	97,952	99,075	100,913
Net investment income	63,732	69,678	73,080	84,405	78,919
Net realized and unrealized gain (loss) on investments & extinguishment of debt	(51,759)	(18,510)	(53,588)	16,475	2,508
Net increase (decrease) in net assets resulting from operations	\$11,973	\$51,168	\$19,492	\$100,880	\$81,366
Net increase (decrease) in net assets resulting from operations per share	\$0.03	\$0.14	\$0.05	\$0.28	\$0.23
Net investment income per share	\$0.18	\$0.19	\$0.20	\$0.24	\$0.22
Dividends per share	\$0.23	\$0.25	\$0.25	\$0.25	\$0.25
<b>Statement of Assets and Liabilities</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
Total investments at fair value	\$5,687,117	\$5,838,305	\$6,024,766	\$5,936,999	\$6,109,596
Cash and cash equivalents	264,517	318,083	111,804	203,911	132,240
Total assets	5,979,102	6,172,789	6,153,104	6,178,148	6,259,490
Revolving credit facility borrowings	—	—	—	—	44,000
Total liabilities	2,692,111	2,817,837	2,760,936	2,723,552	2,823,881
Net assets	\$3,286,991	\$3,354,952	\$3,392,168	\$3,454,596	\$3,435,609
Net asset value per share	\$9.12	\$9.32	\$9.43	\$9.62	\$9.60