



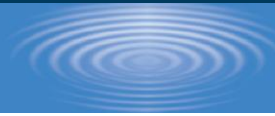
PROSPECT CAPITAL

PROSPECT CAPITAL CORPORATION

NASDAQ: PSEC

MIDDLE MARKET FINANCE AND PRIVATE EQUITY



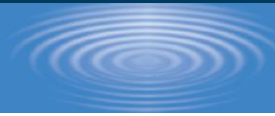


FORWARD-LOOKING STATEMENTS AND DISCLAIMERS

Certain statements made by us in this presentation that are not historical facts or that relate to future plans, events or performances are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. Our actual results or actions may differ materially from those expressed in any forward-looking statements made by us. Forward-looking statements involve a number of risks of uncertainties including, but not limited to, the risks described under headings such as “Risk Factors” in our SEC filings. All forward-looking statements are qualified by those risk factors. All statements made by us in this presentation are further qualified in all respects by the information disclosed in our SEC filings. We disclaim any obligation to update our forward looking statements unless required by law.

Certain information discussed in this presentation (including information relating to portfolio companies) was derived from third-party sources and has not been independently verified and, accordingly, Prospect Capital Corporation makes no representation or warranty in respect of this information.

The following slides contain summaries of certain financial and statistical information about Prospect Capital Corporation. The information contained in this presentation is summary information that is intended to be considered in the context of our SEC filings and other public announcements that we may make, by press release or otherwise, from time to time. We undertake no duty or obligation to publicly update or revise the information contained in this presentation. In addition, information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. You should not view the past performance of Prospect Capital Corporation, or information about the market, as indicative of Prospect Capital Corporation’s future results. This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities of Prospect Capital Corporation.



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 \$7.1 billion in capital under management⁽²⁾
- ▶ One of the largest teams in the industry focused on middle market lending (100+ professionals)
- ▶ Scale allows for large number of portfolio companies and improved opportunities for yield enhancement

BROAD ORIGINATION MIX

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

PROVEN INVESTMENT PHILOSOPHY

- ▶ Intensive screening process (<5% book-to-look ratio) with a majority focus on senior and secured lending
- ▶ 123 portfolio investments across 31 industries with 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
- ▶ Approximately 78% of assets unencumbered and prudent leverage

ATTRACTIVE VALUATION

- ▶ Historically covered monthly dividend of \$0.08333/share, current annualized yield 11.6%⁽¹⁾
- ▶ Potential for capital appreciation at ~10%⁽¹⁾ discount to NAV
- ▶ Established track record of outperformance; strong insider ownership of 6.7%

Source: Company filings, investor presentations and management.

(1) Pricing data as of 2/7/2017.

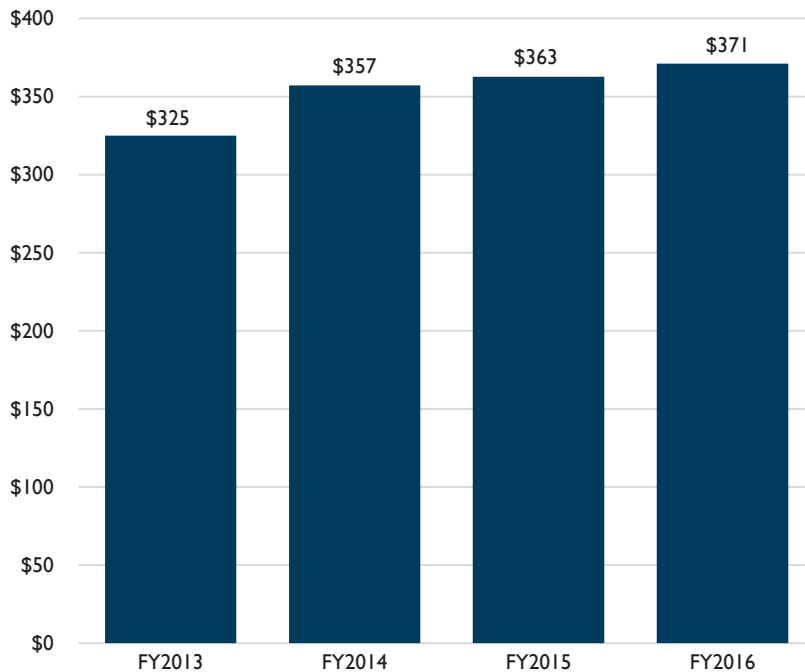
(2) Total assets as of 12/31/2016 plus undrawn credit facility.

SIGNIFICANT SCALE PROVIDES COMPETITIVE ADVANTAGE

- ▶ PSEC is one of the largest publicly traded BDCs with a market cap of ~\$3.1 billion⁽¹⁾ and capital under management of \$7.1 billion⁽²⁾
- ▶ Our scale allows us to target larger, more credit-worthy middle-market companies with one-stop financing solutions

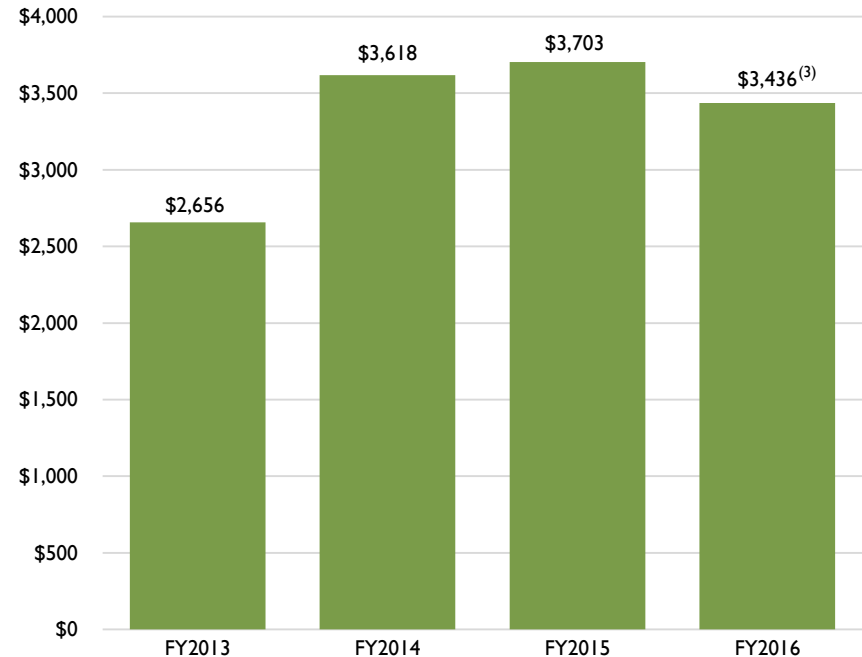
NET INVESTMENT INCOME

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



TOTAL EQUITY

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

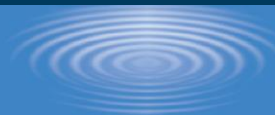


Source: Company filings

(1) As of 2/7/2017.

(2) Total assets as of 12/31/2016 plus undrawn credit facility.

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



EXPERIENCED AND BROAD TEAM

With over 100 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 35 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 20 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 34 years of experience, including GSC Group, Capital Trust and KPMG
- ▶ CPA, BA Moravian College

INVESTMENT TEAM

Investment Professionals **40**

BUSINESS DEVELOPMENT & IR

Business Development & Investor Relations Professionals **12**

ACCOUNTING & TAX

Accounting and Tax Professionals **28**

LEGAL

Legal Professionals **15**

ADMINISTRATION

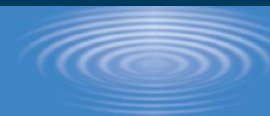
Administration Professionals **10**

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

FLEXIBLE ORIGINATION MIX

<p>PRIVATE EQUITY SPONSOR FINANCE (Non-Control)</p> <p>10-15% Target IRRs</p> <p>41% of Portfolio</p> <ul style="list-style-type: none"> ▶ Senior secured debt with significant junior / equity capital ▶ Stronger management / larger businesses ▶ Repeat business 	<p>DIRECT NON-SPONSOR LENDING (Non-Control)</p> <p>12-17% Target IRRs</p> <p>2% of Portfolio</p> <ul style="list-style-type: none"> ▶ Senior secured debt with lower leverage ▶ Higher yields from fewer lender competitors ▶ Proprietary call center 	<p>ONE-STOP YIELD BUYOUTS – OPERATINGCOS (Control)</p> <p>15-20% Target IRRs</p> <p>5% of Portfolio</p> <ul style="list-style-type: none"> ▶ One stop advantage (PSEC provides term debt) ▶ Current yield plus equity upside ▶ Management control
<p>ONE-STOP YIELD BUYOUTS – FINANCECOS (Control)</p> <p>18-25% Target IRRs</p> <p>8% of Portfolio</p> <ul style="list-style-type: none"> ▶ Consumer installment lending and auto finance ▶ Tax-efficient structure ▶ Strategic buyouts (Patriot Capital) 	<p>STRUCTURED CREDIT (Hybrid)</p> <p>13-20% Target IRRs</p> <p>18% of Portfolio</p> <ul style="list-style-type: none"> ▶ Diversified credit exposure, with default rate well below market ▶ Large, more liquid credits and attractively priced AAA funding ▶ Call control strategy 	<p>REAL ESTATE (Control)</p> <p>15-20% Target IRRs</p> <p>9% of Portfolio</p> <ul style="list-style-type: none"> ▶ Multi-family residential, student housing and self storage focus on fully developed properties ▶ Long-term funding from GSEs ▶ Diversified tenants
<p>ONLINE LENDING (Non-Control)</p> <p>13-20% Target IRRs</p> <p>7% of Portfolio</p> <ul style="list-style-type: none"> ▶ Online consumer loans and small business loans ▶ 1-5 year term ▶ Relationships with multiple platforms 	<p>AIRCRAFT LEASING (Control)</p> <p>10-18% Target IRRs</p> <p>1% of Portfolio</p> <ul style="list-style-type: none"> ▶ Current-yielding equity in aircraft securitizations and aircraft-ownership companies ▶ Diversity by aircraft type, geography, and operator 	<p>SYNDICATED DEBT (Non-Control)</p> <p>10-15% Target IRRs</p> <p>9% of Portfolio</p> <ul style="list-style-type: none"> ▶ Senior secured debt of larger borrowers in liquid market ▶ Active during market dislocation ▶ Less active during bull markets

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

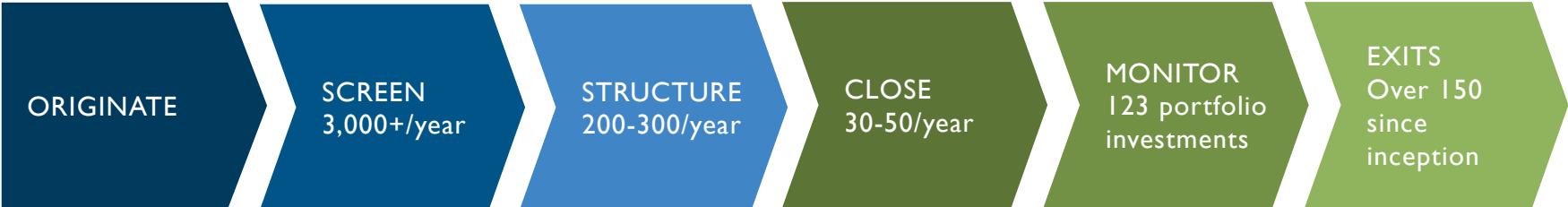
CONTACT DATABASE

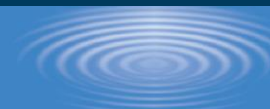
- ▶ 70,000+ contacts built over two decades
- ▶ Receive all transaction announcements, resulting in both in-bound opportunities and top-of-mind awareness

IN-BOUND OPPORTUNITIES

- ▶ From scale, longevity, and visibility of Prospect
- ▶ \$7.1 billion of capital under management (including undrawn credit facility)

Disciplined underwriting and execution helps to keep credit losses low

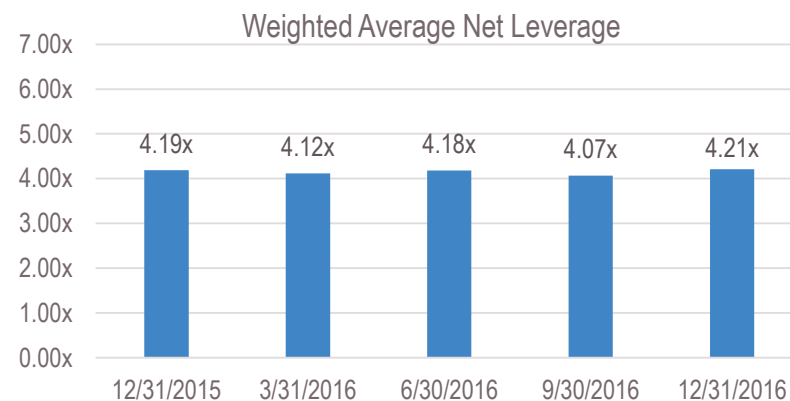
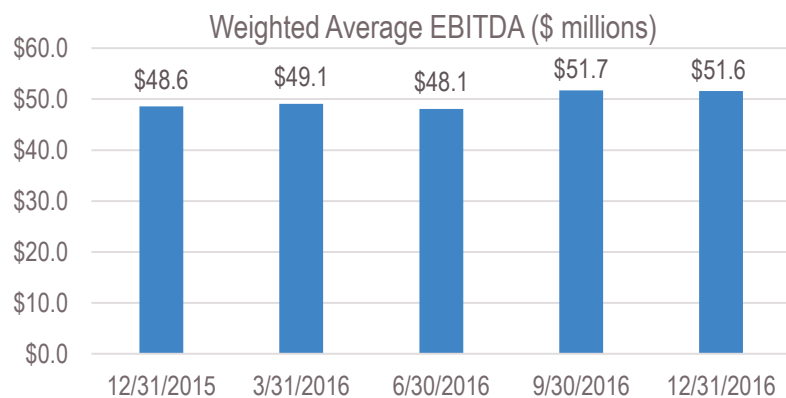




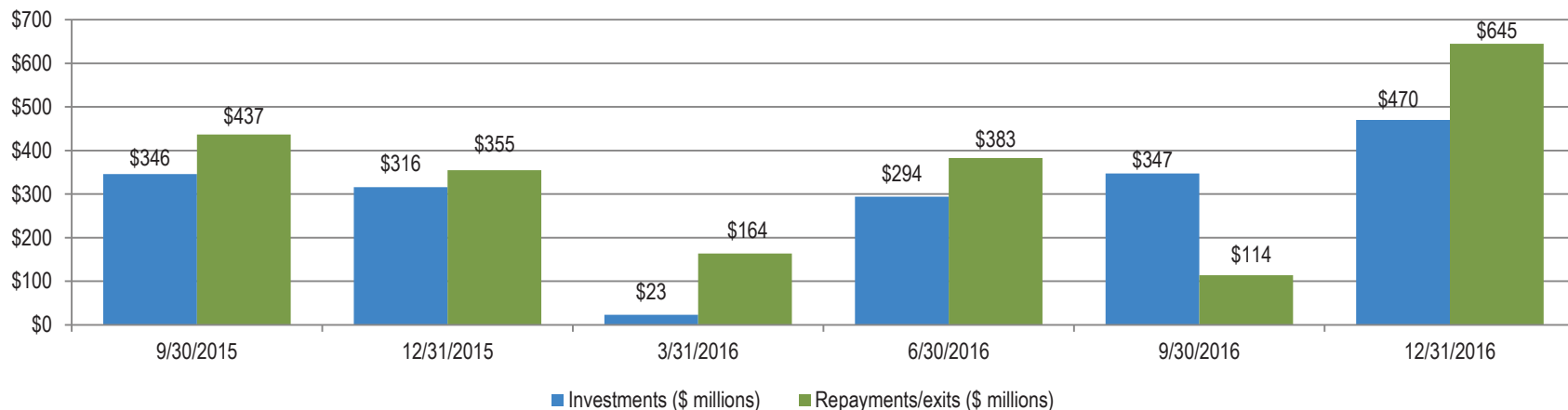
CONSERVATIVE APPROACH DRIVES CAPITAL PRESERVATION

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

Weighted Average Portfolio Company EBITDA and Net Leverage⁽¹⁾



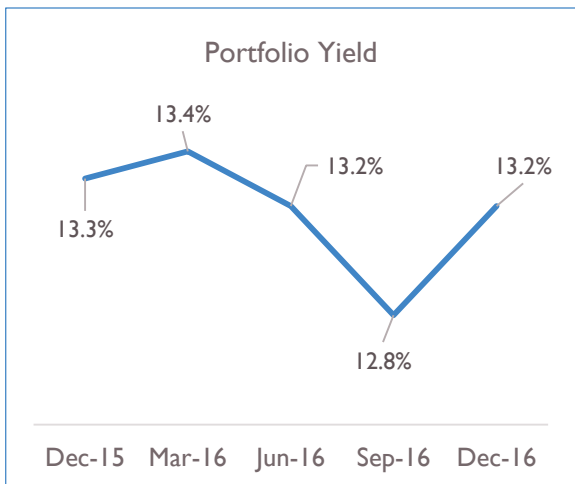
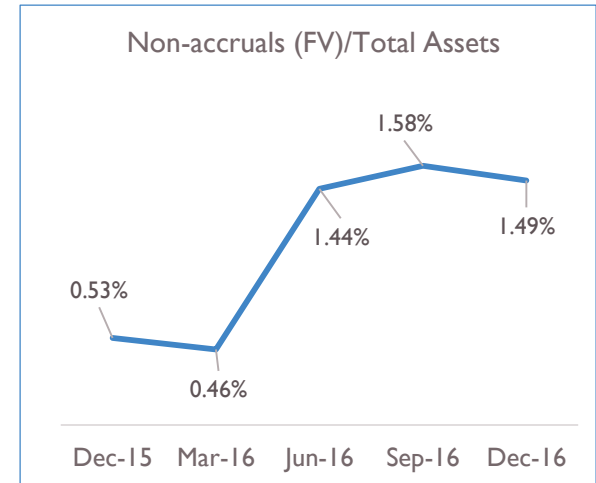
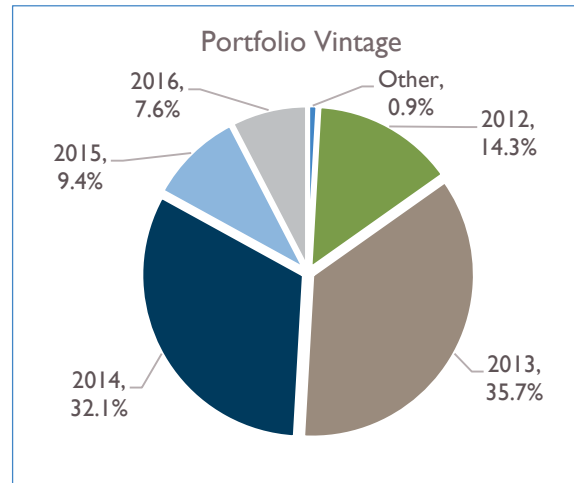
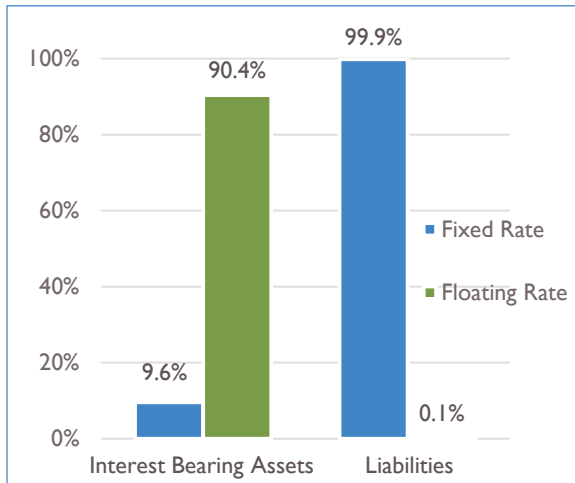
Quarterly Portfolio Activity



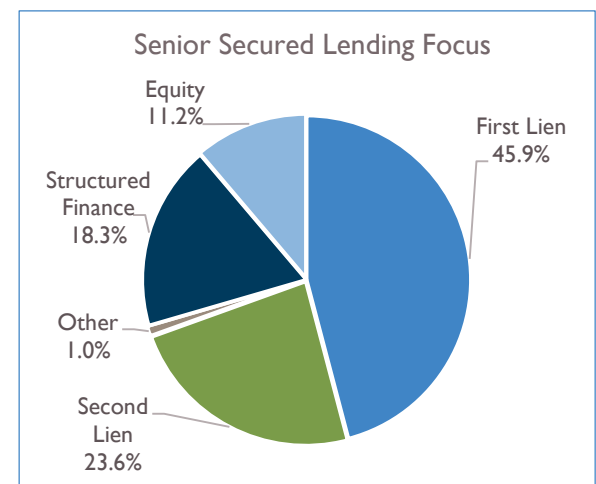
Source: Company filings, management.

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

PORTFOLIO OVERVIEW: \$5.9 BILLION IN ASSETS ACROSS 123 INVESTMENTS



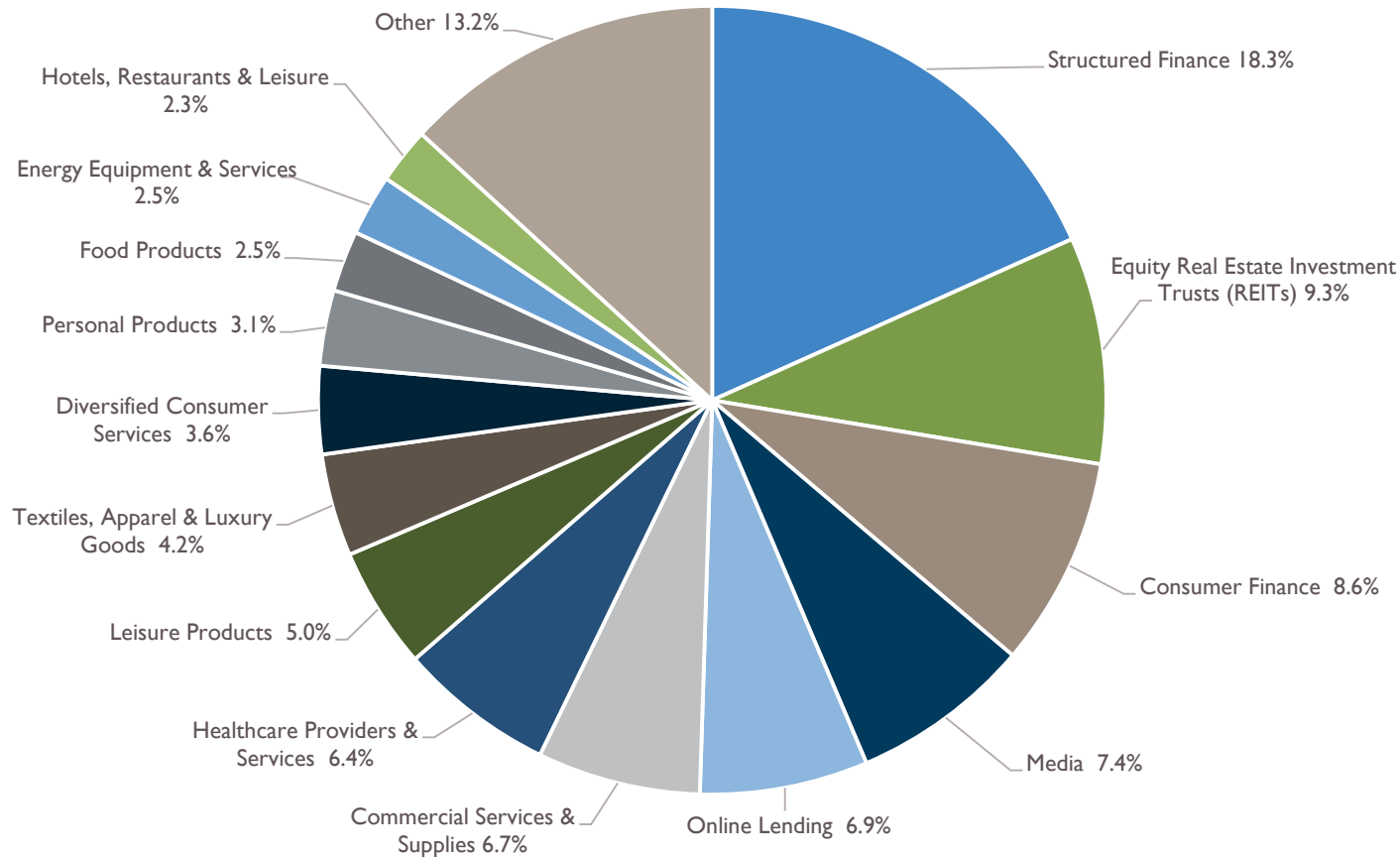
Top 10 Investments		
Portfolio Company	% Assets	Type
National Property REIT Corp. ⁽¹⁾	9.0%	Real Estate
First Tower Finance Company LLC	5.8%	Buyout
Instant Web, LLC	5.4%	1st Lien
Broder Bros., Co.	3.9%	1st Lien
InterDent, Inc.	3.4%	1st Lien
Pacific World Corporation	2.8%	1st Lien
Arctic Glacier U.S.A., Inc.	2.4%	2nd Lien
PGX Holdings, Inc.	2.3%	2nd Lien
United Sporting Companies, Inc.	2.3%	2nd Lien
PrimeSport, Inc.	2.0%	1st Lien



Source: Company filings, management. PSEC portfolio data as of 12/31/2016.
 (1) Includes 61 separate properties; excludes approximately 6.4% in assets related to online lending.

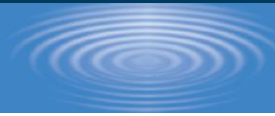
WELL DIVERSIFIED PORTFOLIO INVESTED IN 31 DIFFERENT INDUSTRIES

PSEC's portfolio at fair value (12/31/2016)



Low energy asset concentration of 2.6%⁽¹⁾, 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.
 (1) Includes 0.1% from the Oil, Gas & Consumable Fuels industry, which is displayed in the above graph within "Other".



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

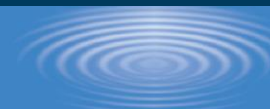
- ▶ Access to diversified funding sources across multiple investor bases
- ▶ Emphasis on unsecured term debt with no financial covenants or cross defaults with revolving credit facility
- ▶ Credit facility rating of Aa3 by Moody's
- ▶ Prospect's corporate credit rating is BBB+ by Kroll and BBB- by S&P

ISSUANCE	COUPON	AMOUNT (millions)	OUTSTANDING (millions)	MATURITY
SR. UNSECURED CONVERTIBLE NOTES				
▶ April 2012 - \$11.40	5.375%	\$130.0	\$129.5	10/15/2017
▶ August 2012 - \$11.88	5.750%	\$200.0	\$200.0	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
SR. UNSECURED RETAIL NOTES				
▶ Prospect Capital InterNotes®	3.375% - 7.00% ⁽¹⁾	\$1,051.7	\$962.1	April 2017 - Oct 2043
▶ Prospect Baby Bond (NYSE: PBB)	6.25%	\$199.3	\$199.3	6/15/2024
SR. UNSECURED INSTITUTIONAL TERM DEBT				
▶ March 2013	5.875%	\$250.0	\$250.0	3/15/2023
▶ April 2014	5.000%	\$300.0	\$300.0	7/15/2019
SR. SECURED CREDIT FACILITY – 21 LENDERS				
	1ML + 2.25%	\$885.0	–	3/27/2020
	5.355%⁽²⁾		\$2,632.9	

Source: Company filings, management.
As of 12/31/2016.

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

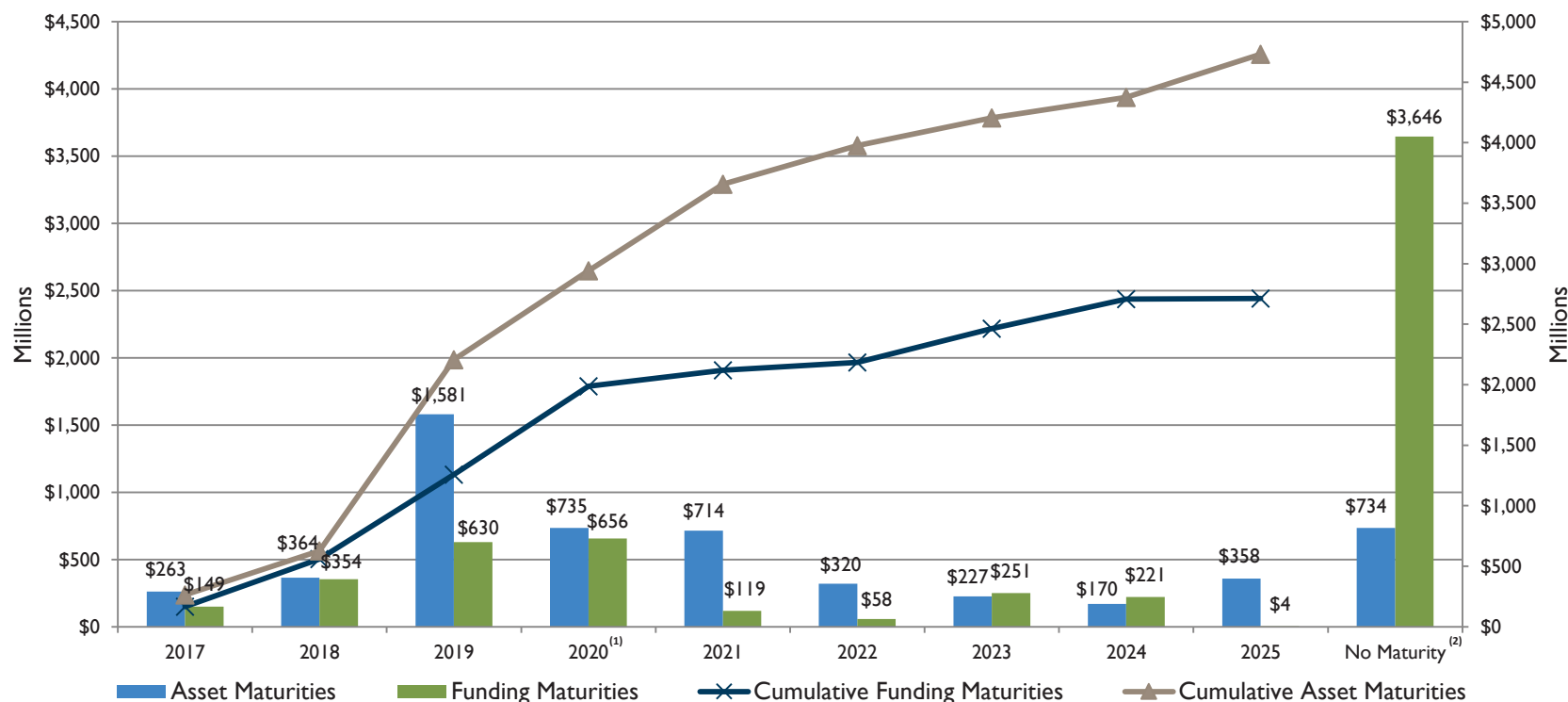
(2) Weighted average interest rate excluding amortization, accretion, and undrawn facility fees.



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 ~19% since 2011
- ▶ Approximately \$3.4 billion of Prospect's funding is in the form of equity, which does not mature



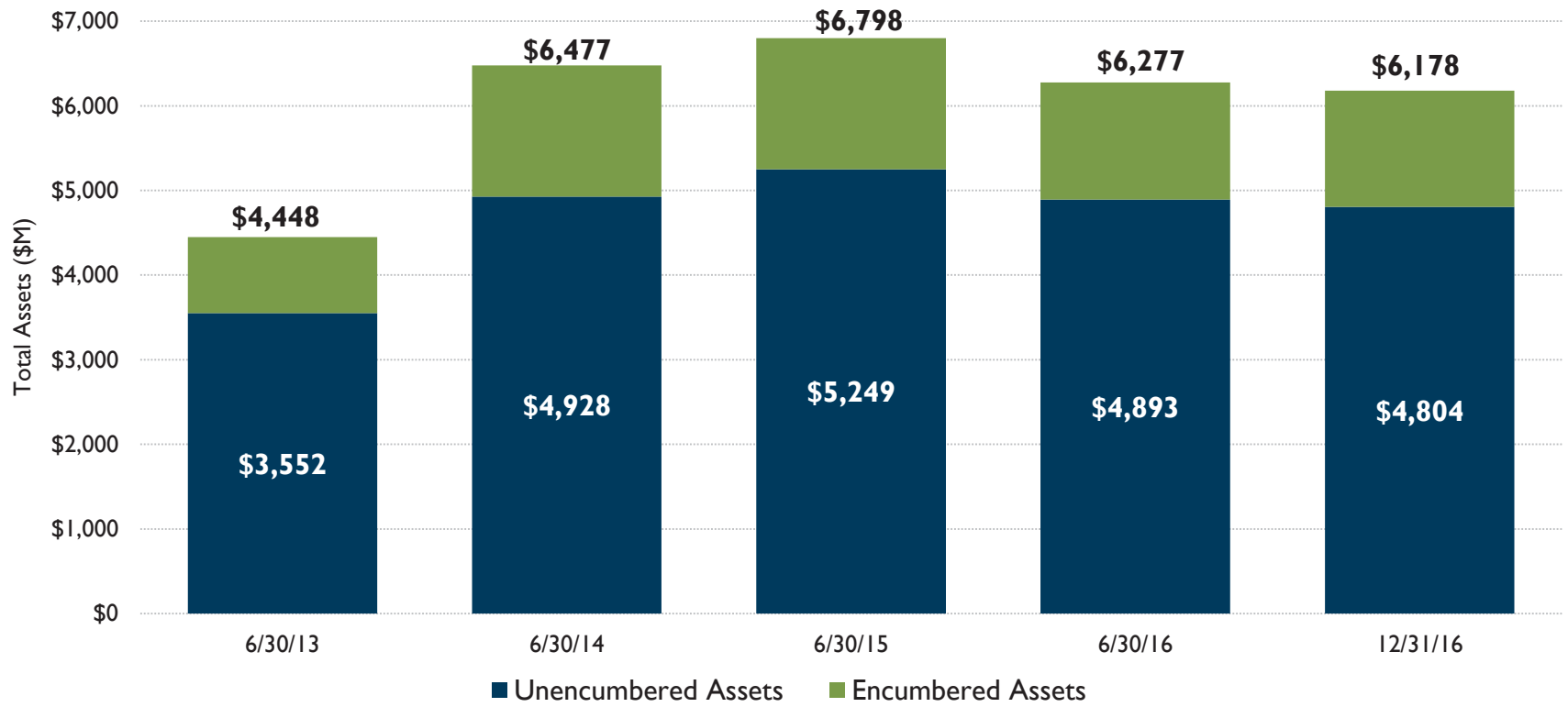
Source: Company filings and management.
As of 12/31/2016.

(1) Funding maturity includes credit facility.

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

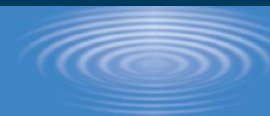
UNENCUMBERED ASSETS PROVIDE FINANCIAL FLEXIBILITY

Approximately \$4.8 billion of unencumbered assets, representing ~78% of total assets

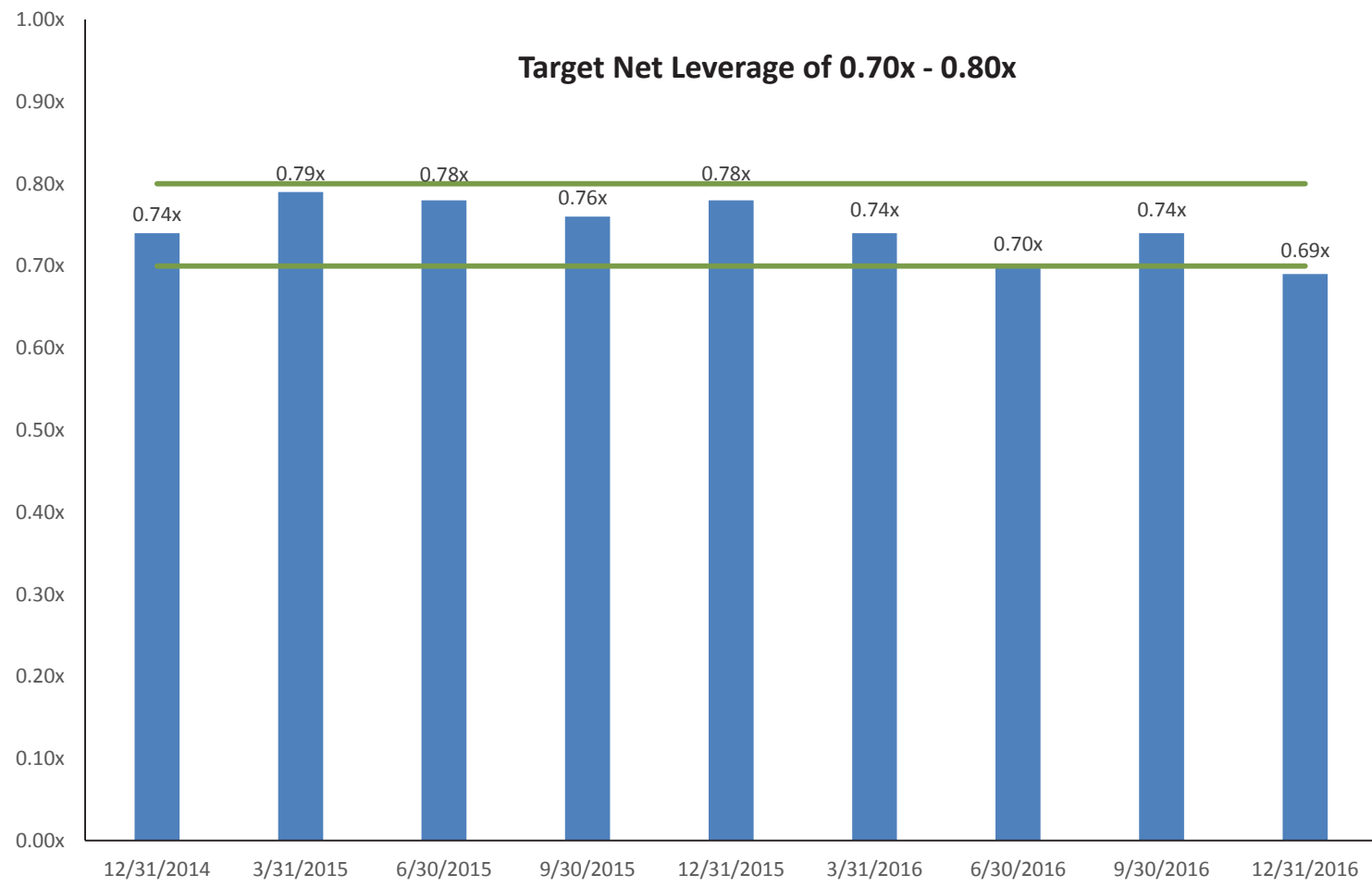


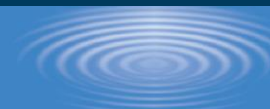
High level of unencumbered assets reduces risk in the event of a market downturn

Source: Company filings and management.



PRUDENT NET LEVERAGE CONSISTENTLY WITHIN TARGET RANGE

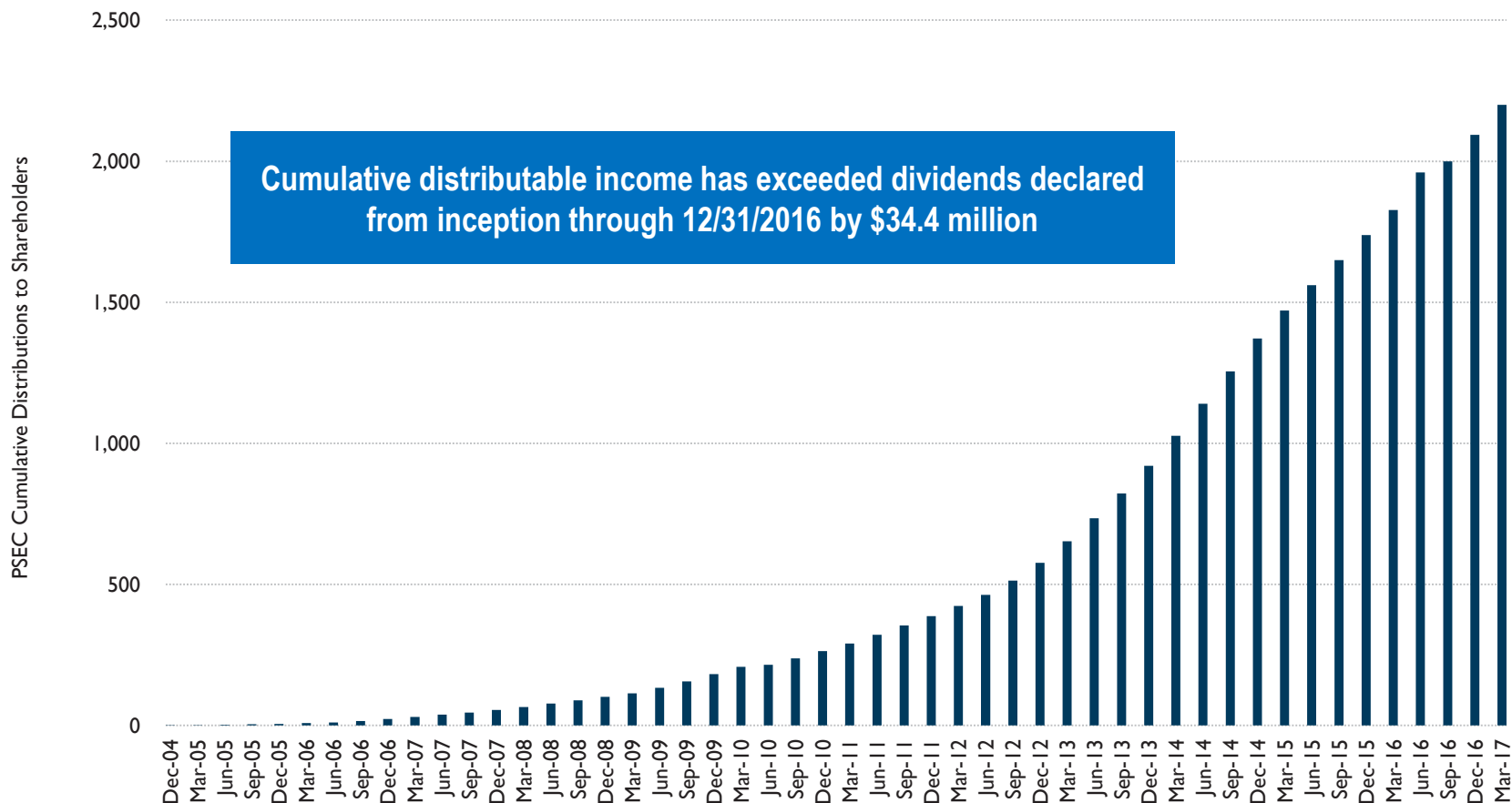




PSEC CUMULATIVE DISTRIBUTIONS TO SHAREHOLDERS

Cumulative distributions of \$15.62 per share totaling more than \$2.2 billion since 2004 IPO

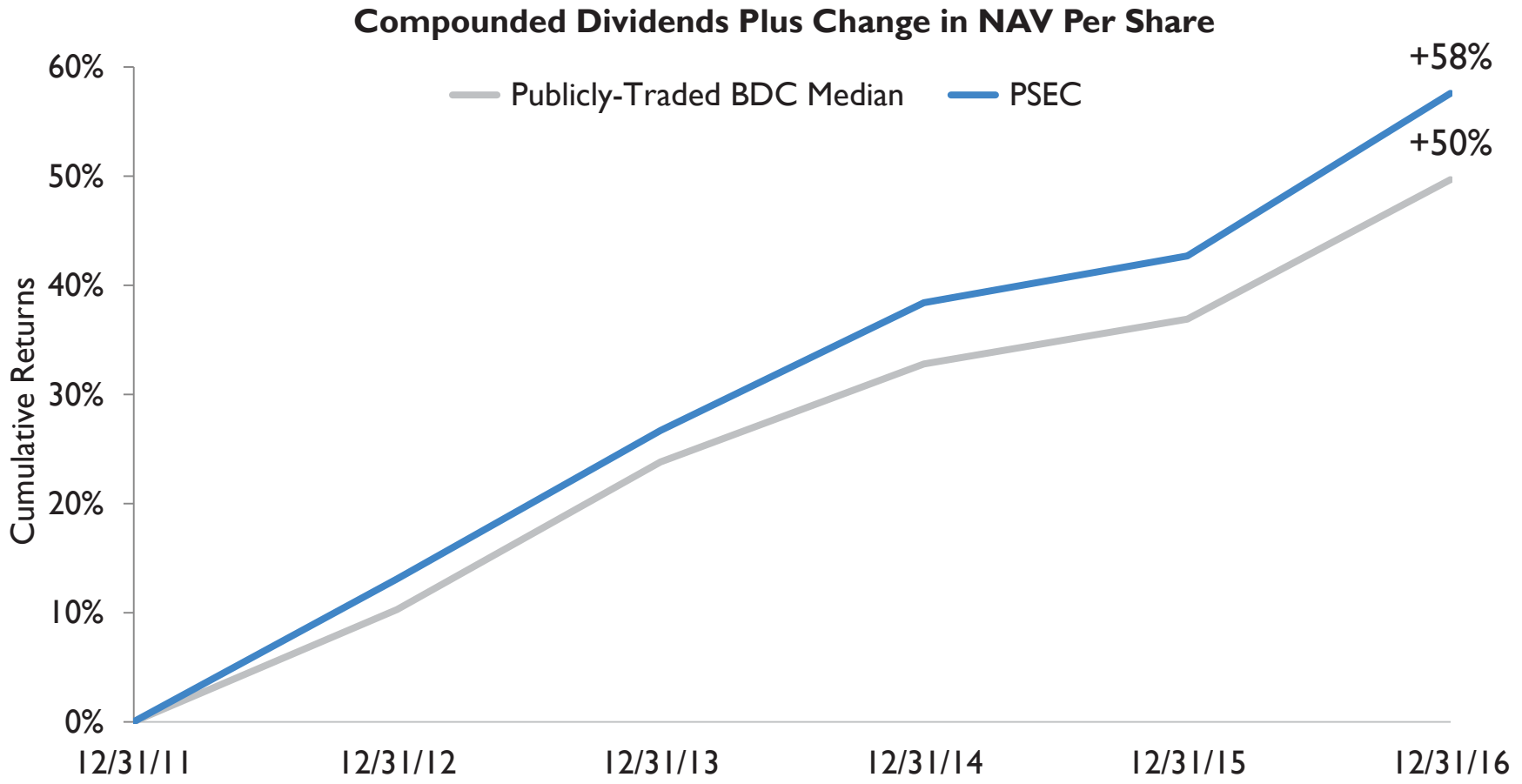
(\$ in millions)





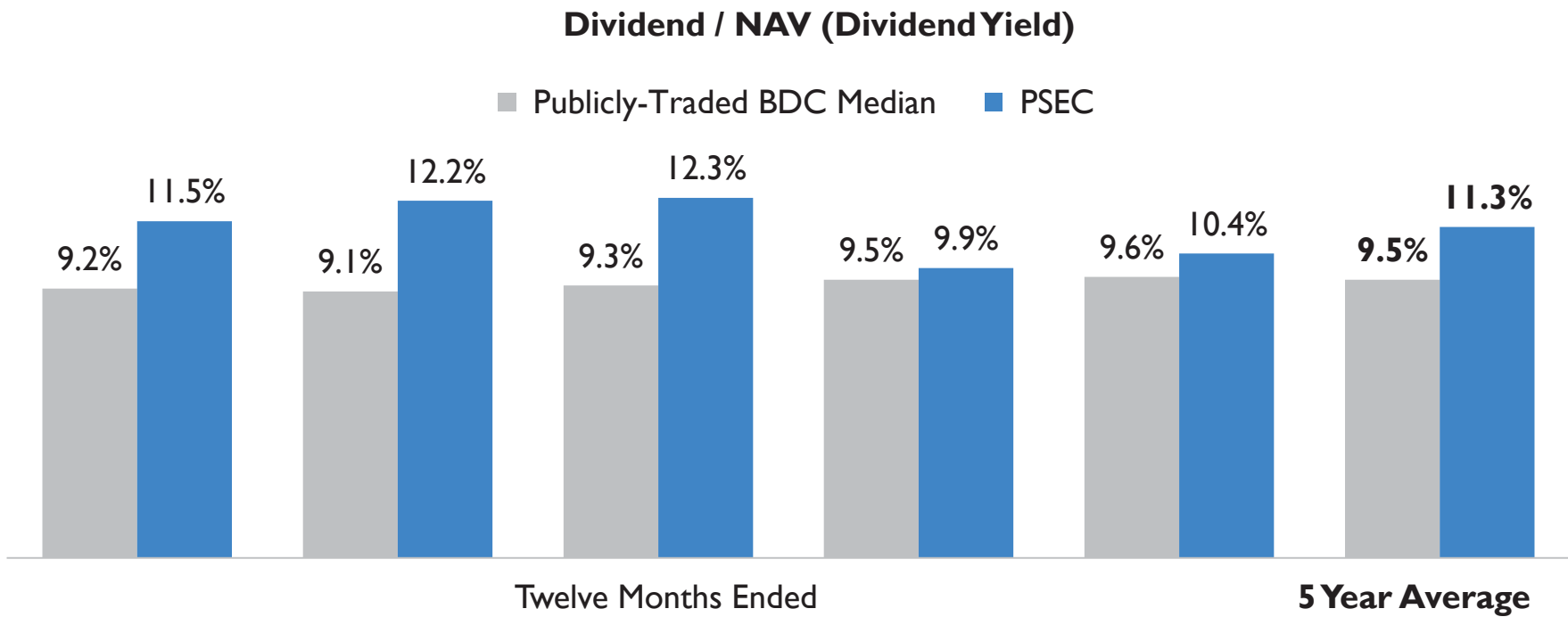
DIFFERENTIATED PERFORMANCE

PSEC HAS GENERATED SUPERIOR OPERATING RETURNS COMPARED WITH PUBLICLY-TRADED BDC MEDIAN OVER THE PAST 5 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 3/20/17 for the 35 BDCs for which there is quarterly data for the five years ended 12/31/16.

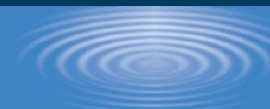
PSEC'S BOOK EQUITY DIVIDEND YIELD HAS OUTPERFORMED PUBLICLY-TRADED BDC MEDIAN OVER EACH OF THE PAST 5 YEARS



PSEC Performance Percentile:

81% **90%** **91%** **65%** **78%** **84%**

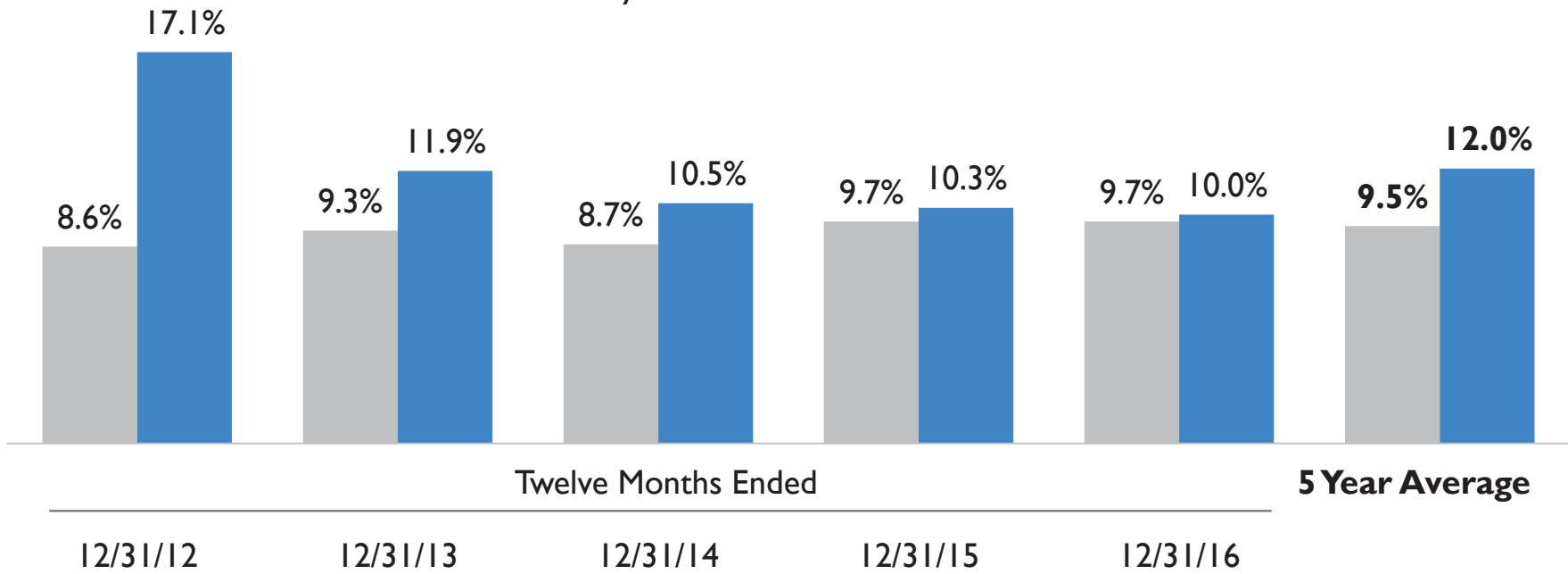
Note: Dividend yield calculated as dividends per share over twelve month period divided by NAV per share at the beginning of the period. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Approximately 14% of BDCs do not focus 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 3/20/17 of BDCs for which there is quarterly data for each entire period (37 for the twelve months ended 12/31/12, 42 for twelve months ended 12/31/13, 47 for twelve months ended 12/31/14, 50 for twelve months ended 12/31/15, and 50 for twelve months ended 12/31/16).



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

Net Investment Income / NAV (NII Yield)

■ Publicly-Traded BDC Median ■ PSEC



PSEC Performance Percentile:

100%

88%

78%

65%

58%

96%

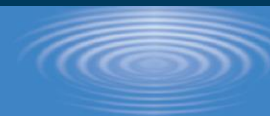
Note: Book equity earnings yield calculated as twelve month period net investment income divided by average of beginning and ending book value of equity. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Approximately 14% of 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 3/20/17 of BDCs for which there is quarterly data for each entire period (39 for the twelve months ended 12/31/12, 43 for twelve months ended 12/31/13, 47 for twelve months ended 12/31/14, 50 for twelve months ended 12/31/15, and 49 for twelve months ended 12/31/16).

PSEC HAS POSTED AN AVERAGE ANNUAL RETURN ON NET ASSETS OF 9.4% WITH POSITIVE RETURNS IN OVER 87% OF THE FULL QUARTERLY PERIODS

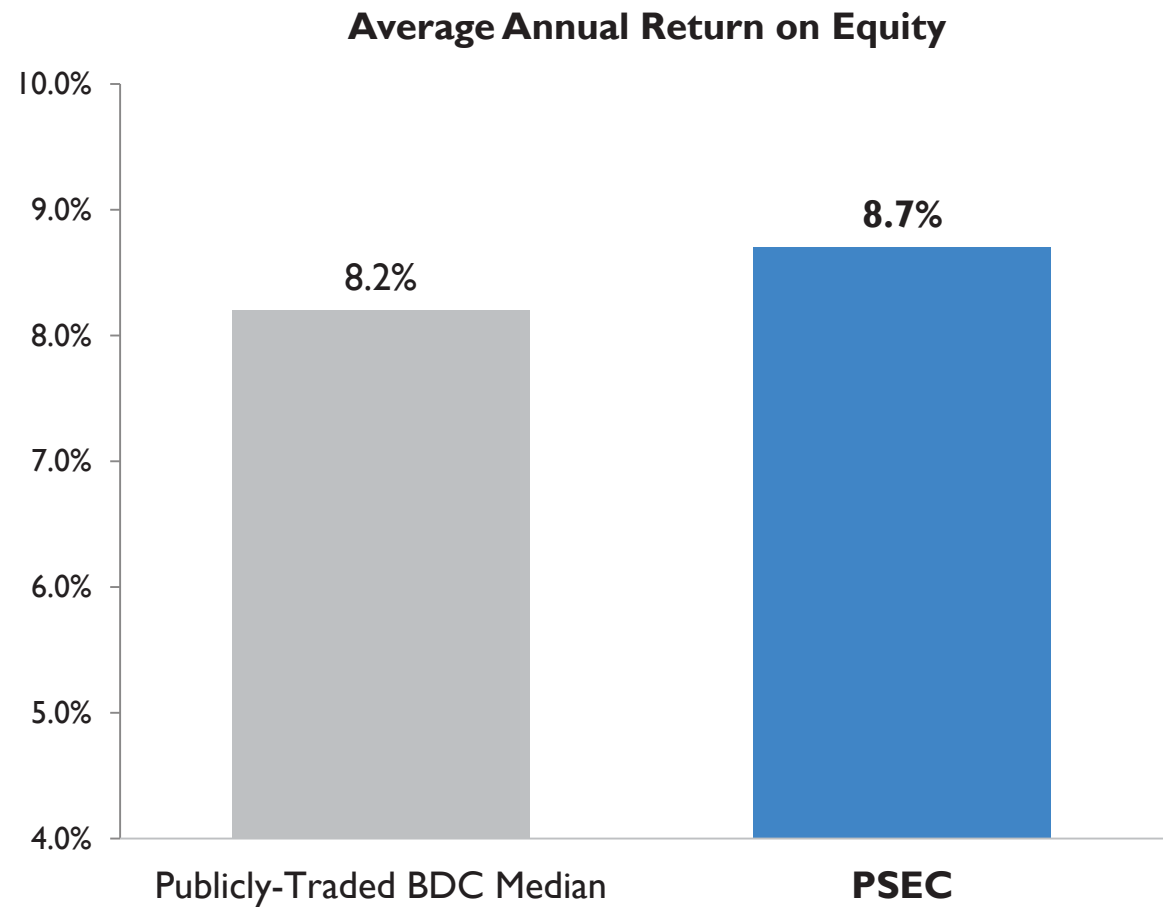
	March	June	September	December	Annual	Cumulative
2004*	-	-	(0.9%)	1.3%	0.7%	0.7%
2005	0.9%	7.3%	1.5%	2.6%	12.8%	13.6%
2006	3.0%	6.1%	2.8%	1.3%	13.9%	29.3%
2007	1.7%	1.6%	2.8%	(1.1%)	5.1%	35.9%
2008	(0.3%)	5.7%	3.2%	1.5%	10.3%	50.0%
2009	3.4%	(0.1%)	(1.1%)	(2.4%)	(0.3%)	49.5%
2010	3.5%	2.1%	3.0%	3.4%	12.5%	68.1%
2011	3.4%	2.5%	3.3%	5.3%	15.3%	93.8%
2012	3.9%	2.5%	2.7%	2.2%	11.8%	116.7%
2013	1.8%	3.1%	2.8%	2.7%	10.7%	139.9%
2014	2.3%	1.9%	2.2%	2.2%	8.9%	161.3%
2015	2.1%	2.4%	0.7%	(2.4%)	2.7%	168.3%
2016	1.9%	2.4%	2.0%	2.5%	9.2%	193.0%
Average 2005-2016					9.4%	

Source: Company filings. Quarterly returns based on the line item "net increase in net assets resulting from operations" on the income statement. To get 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 current quarter. Annual and cumulative figures derived from compounding of quarterly returns.

*Six month period for 2004 was post-IPO ramp up. September 2004 quarterly return was only a partial quarter and is excluded from calculation of 87% figure above.



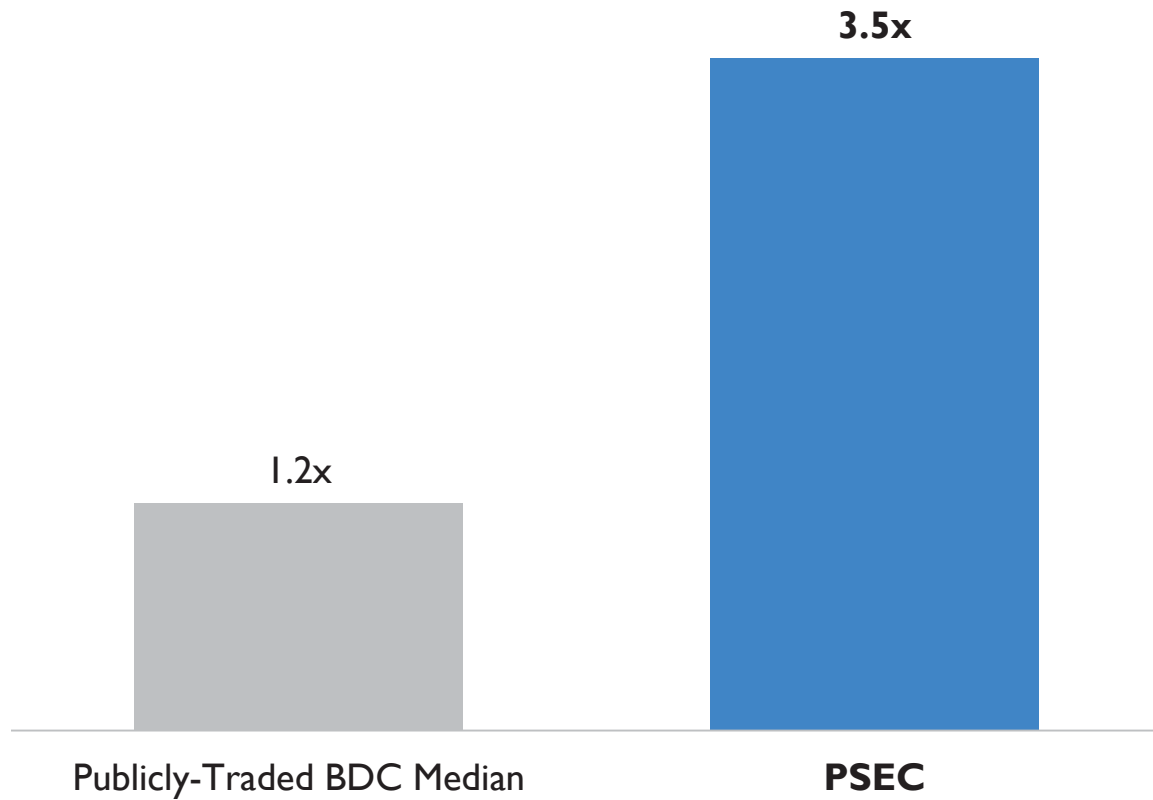
PSEC'S RETURN ON EQUITY HAS OUTPERFORMED PUBLICLY-TRADED BDC MEDIAN OVER THE TRAILING FIVE YEARS ENDED 12/31/16



Note: Return on equity defined as change in net assets resulting from operations per share divided by average of beginning and ending book value of common equity. 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 3/20/17 for the 38 BDCs for which there is quarterly data for the five years ended 12/31/16.

PSEC HAS GENERATED SUPERIOR RISK-ADJUSTED OPERATING RETURNS FOR THE TRAILING FIVE YEARS ENDED 12/31/16

Returns / Volatility – Trailing 5 Years

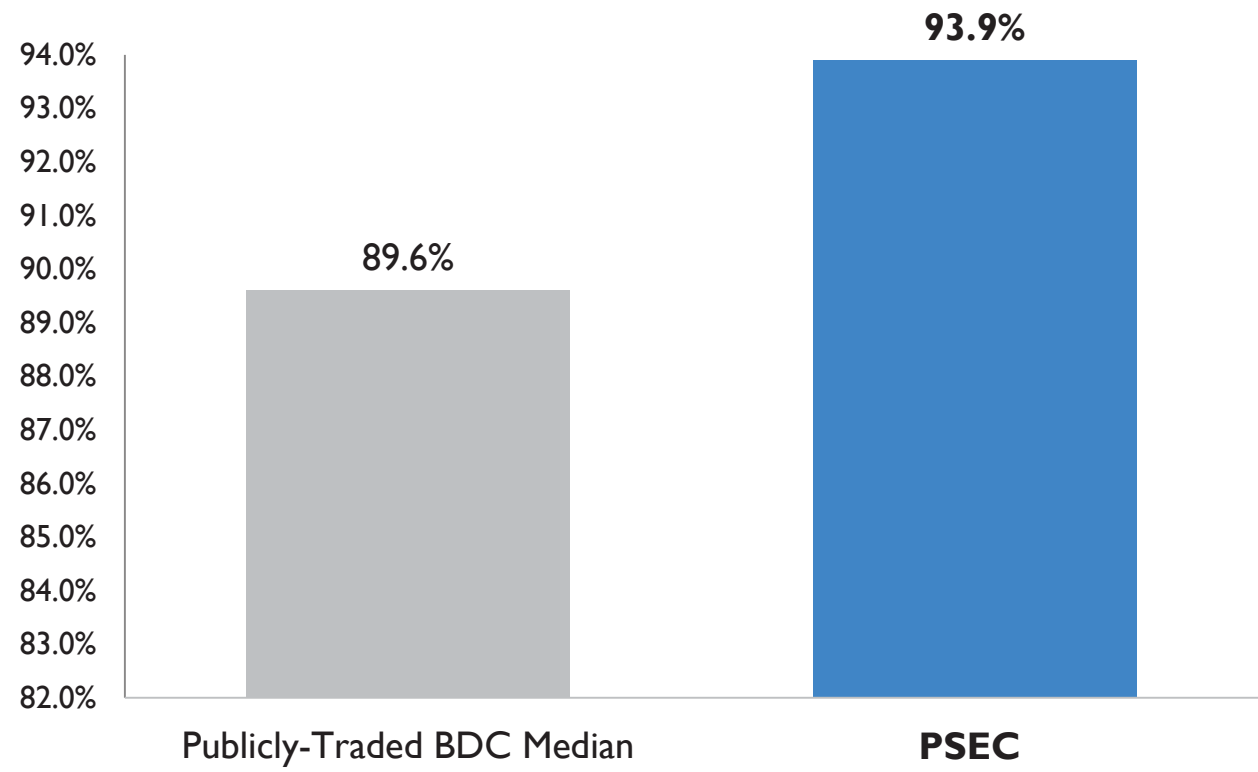


Note: Returns calculated as change in net asset value per share plus dividends. Volatility measured as one standard deviation in returns. Returns and volatility are measured on a quarterly basis and annualized to calculate returns / volatility ratio. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Source: PSEC analysis of Capital IQ data as of 3/20/17 for the 35 BDCs for which there is quarterly data for the five years ended 12/31/16.

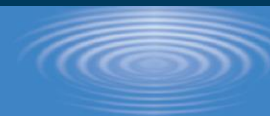


PSEC CURRENTLY DERIVES A HIGHER PERCENTAGE OF INVESTMENT INCOME FROM RECURRING INTEREST PAYMENTS THAN THE PUBLICLY-TRADED BDC MEDIAN

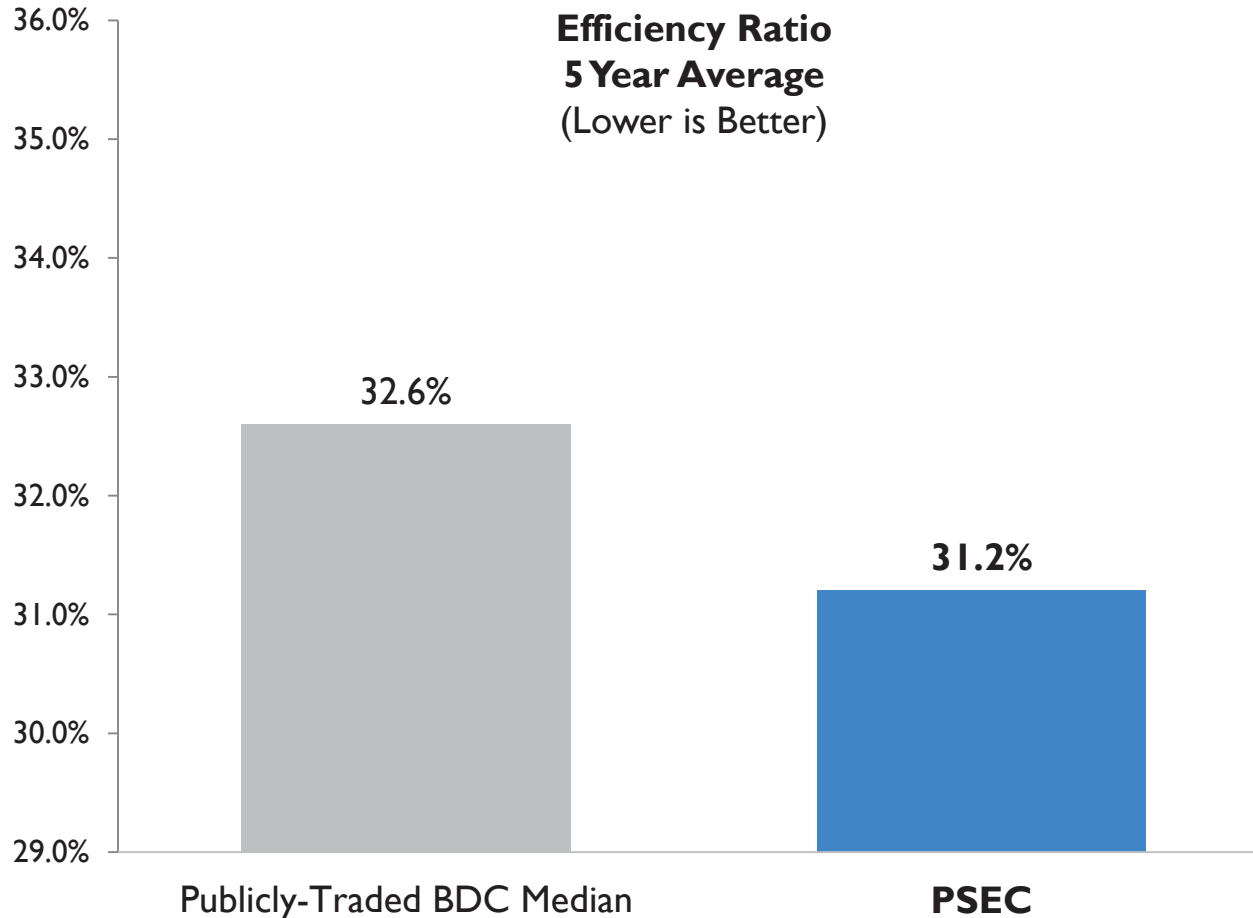
Interest Income / Total Investment Income
Twelve Months Ended 12/31/16



Source: PSEC analysis of public filings available as of 3/20/17 for quarters ending from 3/31/16 to 12/31/16. Approximately 14% 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.

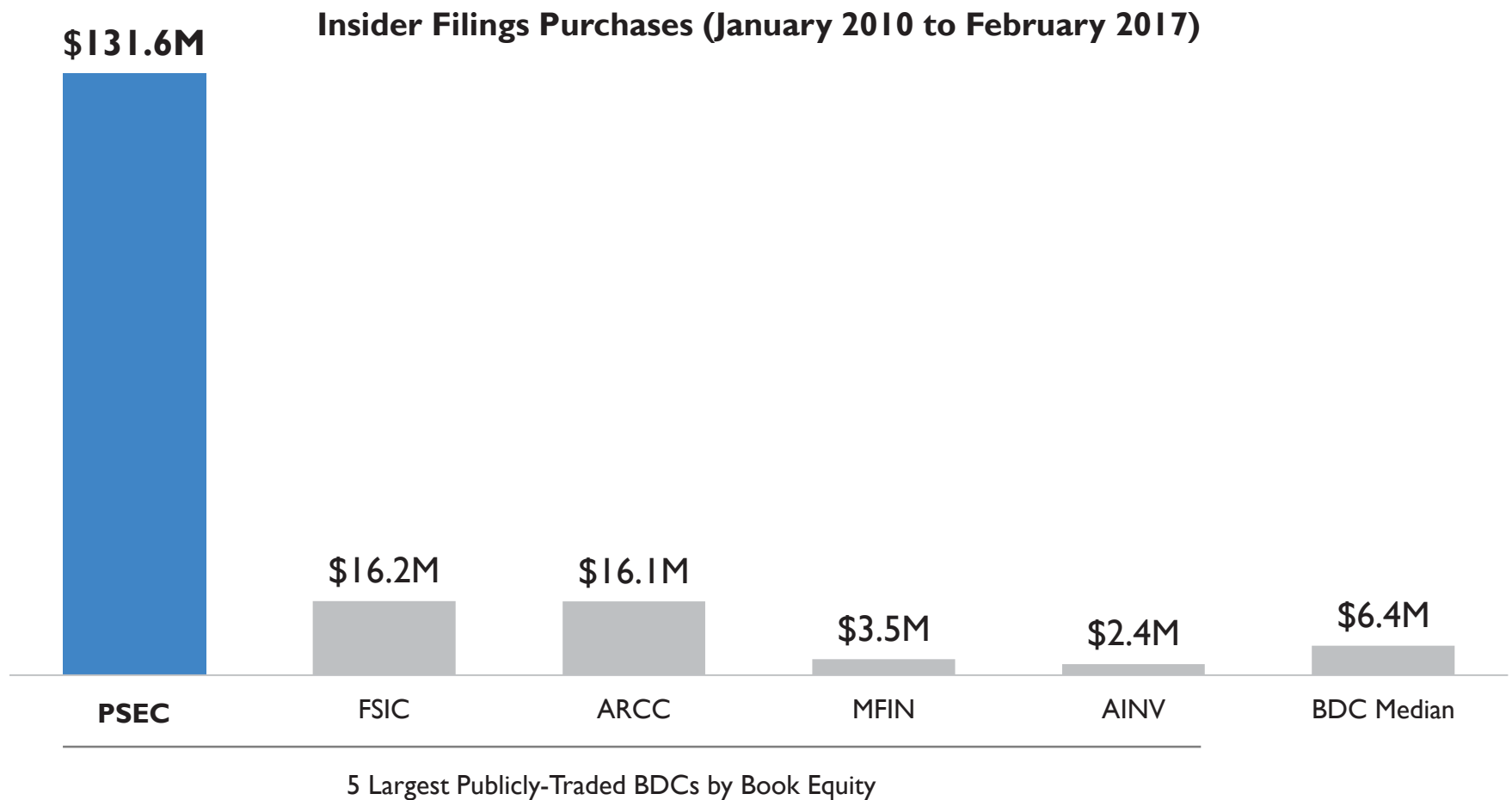


PSEC'S EXPENSES (INCLUDING ALL MANAGEMENT FEES AND EXPENSES) COMPARE FAVORABLY TO THE PUBLICLY-TRADED BDC MEDIAN

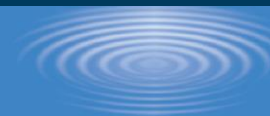


Note: Efficiency ratio defined as non-financing operating expenses (including all management fees and expenses) divided by gross investment income. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. Approximately 14% of BDCs 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 3/20/17 for the 37 BDCs for which there is quarterly data for the five years ended 12/31/16.

SENIOR MANAGEMENT HAS MADE SIGNIFICANT INVESTMENTS IN PSEC

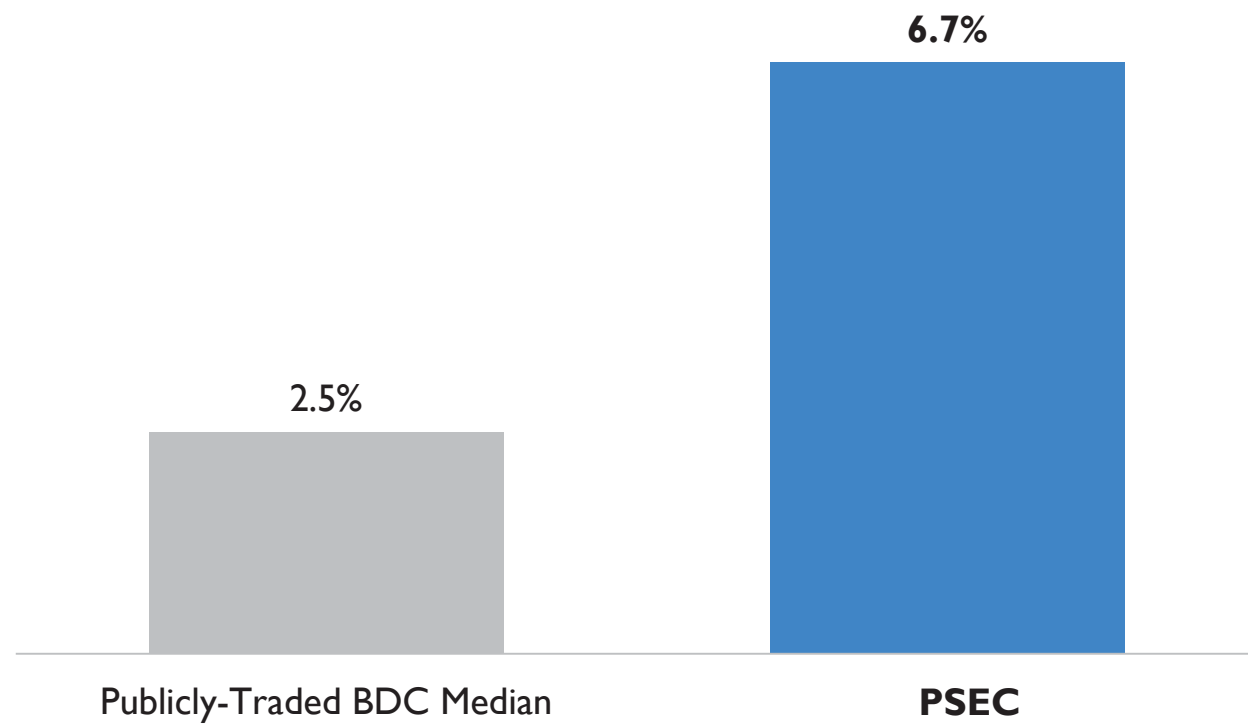


Source: PSEC analysis of 24 BDCs that have been active during this period. PSEC senior management has not sold any of such investments.



SENIOR MANAGEMENT IS A SIGNIFICANT INVESTOR IN PSEC

Insider Ownership as of 2/28/17



Source: PSEC analysis of Capital IQ data as of 3/20/17 for 51 BDCs. PSEC senior management has not sold any of such investments in PSEC.



BDC OVERVIEW



PUBLICLY TRADED BDCs

TOPIC	KEY CHARACTERISTICS
INVESTMENT STRATEGY	<ul style="list-style-type: none">▶ Current-yielding credit investments primarily in middle-market companies▶ To a lesser extent, other current-yielding investments
REGULATION	<ul style="list-style-type: none">▶ Regulated as a Business Development Company (“BDC”) under Investment Company Act of 1940▶ Generally BDCs elect to be treated as a Regulated Investment Company (“RIC”) for U.S. federal income tax purposes
INVESTMENTS LIMITATIONS	<ul style="list-style-type: none">▶ 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)
LEVERAGE LIMITATION	<ul style="list-style-type: none">▶ 1:1 debt-to-equity ratio (i.e. gross asset coverage must be at least 200%)
DIVERSIFICATION REQUIREMENTS ⁽¹⁾	<ul style="list-style-type: none">▶ 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▶ 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
INCOME RESTRICTIONS ⁽¹⁾	<ul style="list-style-type: none">▶ 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
DISTRIBUTION REQUIREMENTS ⁽¹⁾	<ul style="list-style-type: none">▶ Must distribute at least 90% of taxable income to avoid U.S. federal income tax on all taxable income▶ 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)
VALUATION	<ul style="list-style-type: none">▶ Must mark portfolio to fair value on a quarterly basis for GAAP⁽²⁾ purposes

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

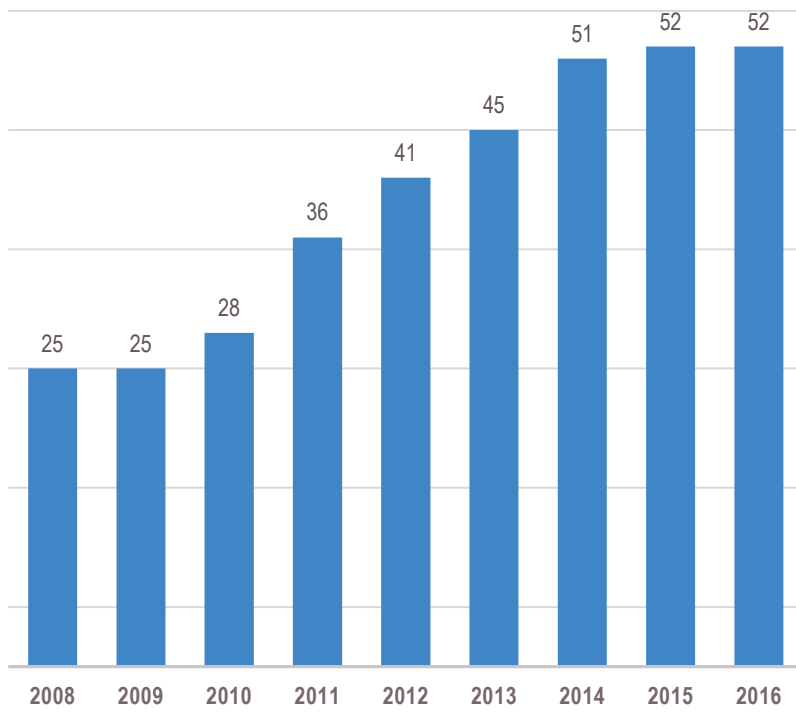
(2) GAAP is defined as Generally Accepted Accounting Principles.

BDC PUBLIC MARKET LANDSCAPE

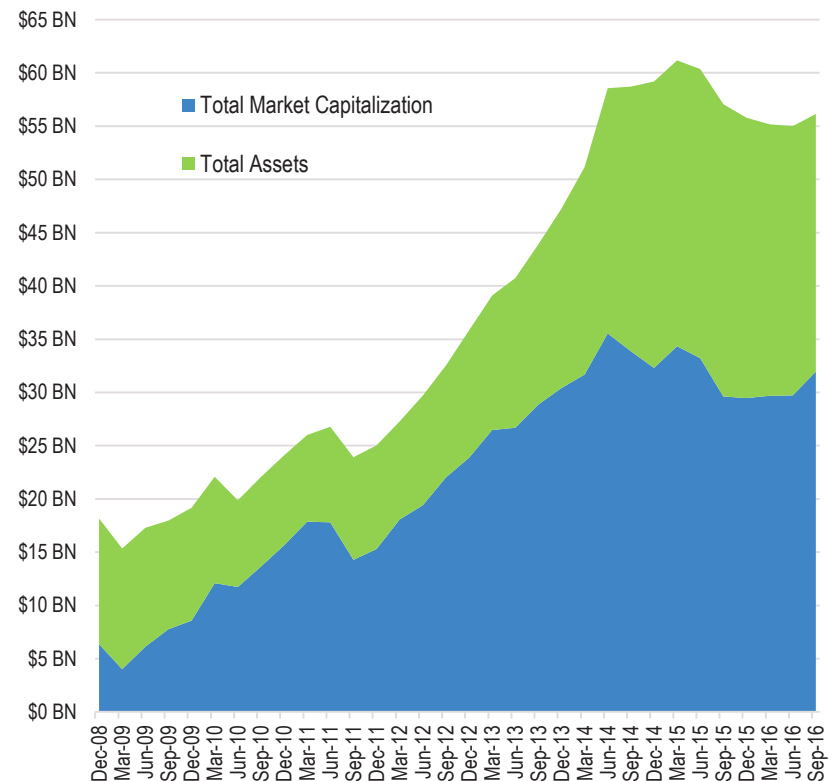
BDCs are benefitting from the reduction of capital provided by traditional lenders

- ▶ 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

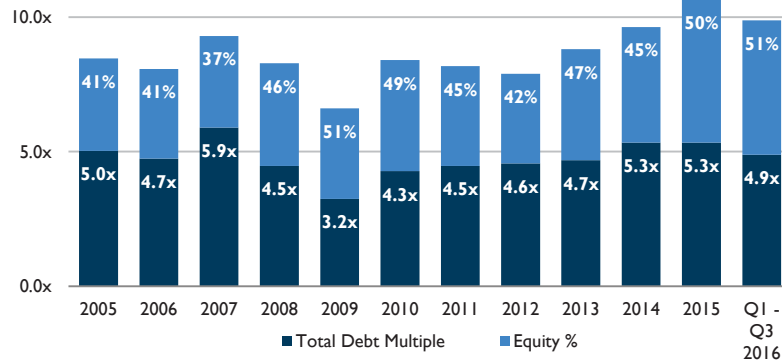


Source: Bloomberg.

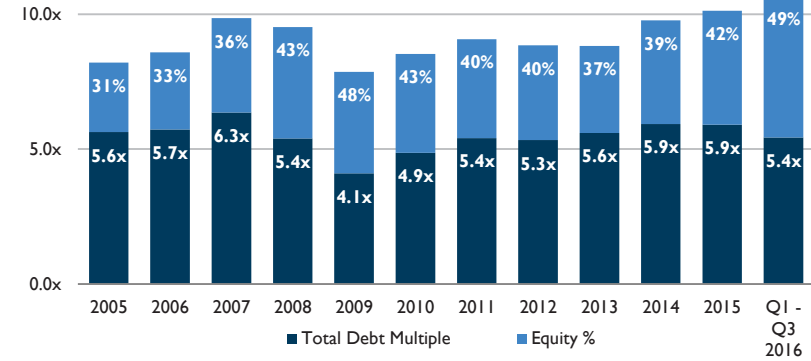
HIGHER RISK-ADJUSTED RETURNS ON A CONSISTENT BASIS

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

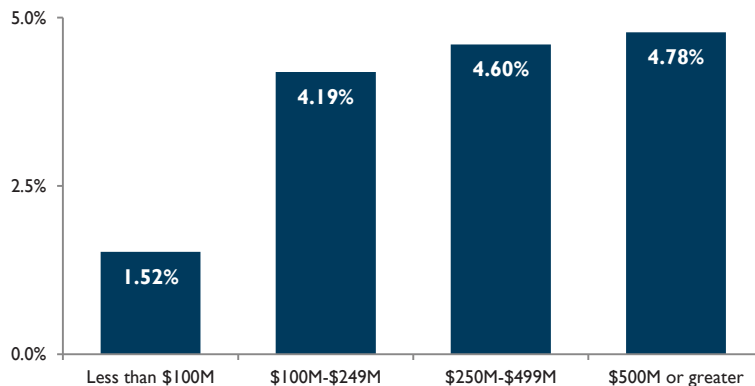
MIDDLE MARKET LBOs



LARGE CORPORATE LBOs



CUMULATIVE DEFAULT RATE BY FACILITY SIZE (1995-2015 Closings)



MIDDLE MARKET SPREAD PREMIUM⁽¹⁾



Source: S&P LCD Q3 2016 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

Statement of Operations	Quarter ended December 31, 2016	Quarter ended September 30, 2016	Quarter ended June 30, 2016	Quarter ended March 31, 2016	Quarter ended December 31, 2015
Total investment income	\$183,480	\$179,832	\$193,038	\$189,493	\$209,191
Total operating expenses	99,075	100,913	101,671	101,867	108,298
Net investment income	84,405	78,919	91,367	87,626	100,893
Net realized and unrealized gain (loss) on investments & extinguishment of debt	16,475	2,508	3,790	(12,118)	(196,013)
Net increase (decrease) in net assets resulting from operations	\$100,880	\$81,366	\$95,157	\$75,508	\$(95,120)
Net increase (decrease) in net assets resulting from operations per share	\$0.28	\$0.23	\$0.27	\$0.21	\$(0.27)
Net investment income per share	\$0.24	\$0.22	\$0.26	\$0.25	\$0.28
Dividends per share	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
Statement of Assets and Liabilities	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Total investments at fair value	\$5,936,999	\$6,109,596	\$5,897,708	\$6,005,105	\$6,179,670
Cash and cash equivalents	203,911	132,240	317,798	169,212	78,354
Total assets	6,178,148	6,259,490	6,276,707	6,246,328	6,330,372
Revolving credit facility borrowings	–	44,000	–	–	58,000
Total liabilities	2,723,552	2,823,881	2,840,790	2,823,912	2,898,945
Net assets	\$3,454,596	\$3,435,609	\$3,435,917	\$3,422,416	\$3,431,427
Net asset value per share	\$9.62	\$9.60	\$9.62	\$9.61	\$9.65