# Q1 2016 Shareholder Presentation

May 3, 2016

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The following slides contain summaries of certain financial and statistical information about the Company. They should be read in conjunction with our periodic reports that are filed from time-to-time with the SEC.

# American Capital Senior Floating

## The Company

- A publicly traded, business development company ("BDC") that invests in and manages a portfolio comprised primarily of diversified investments in senior first lien and second lien floating rate loans to large, U.S. based corporate borrowers (collectively, the "Loan Portfolio") and in equity and debt investments in Collateralized Loan Obligations ("CLOs" or "CLO Portfolio") that are collateralized by senior floating rate loans
- Externally managed by American Capital ACSF Management, LLC, a subsidiary of a wholly owned portfolio company of American Capital, Ltd.

## Our Investment Objective

- Seek to provide our investors attractive, risk-adjusted returns over the long term, primarily through current income, while seeking to preserve our capital

## Our Investment Strategy

- Disciplined investment approach
- Fundamental analysis of each credit
- Relative value approach to asset selection

## Our Team

- Senior investment team has extensive experience investing across the loan space with over 20 years of investment experience, on average
- History of outperformance within the broadly syndicated loan market
- Managed investments through one of the worst credit and economic cycles

## Our Fee Structure

- Management fee of 0.8% on assets [(1)]
- No incentive fee
- Other operating expenses capped at 0.75% of equity [(2)]

1. Excludes cash and cash equivalents and net unrealized appreciation or depreciation
2. The current management agreement caps other operating expenses (as defined in the management agreement) for the first two years following the IPO. ACSF's manager has agreed to extend the expense cap until the date of ACSF's 2016 Annual Meeting of Stockholders, at which time ACSF expects to submit to a vote of stockholders, an amendment and restatement of the management agreement to, among other things, extend the expense cap until December 31, 2020.

# Q1 2016 HIGHLIGHTS

- **Actively managed portfolio through periods of volatility**
  - ✓ Invested $9.0 MM into 9 new loan obligors and 2 new CLO equity positions
  - ✓ Sold $8.4 MM of investments and received $14.6 MM of repayments [1]
- **$0.29 per share net investment income, or $2.9 MM**
  - ✓ Decreased $0.02 per share from Q4 2015 net investment income of $0.31 per share
- **$0.22 per share net earnings, or $2.2 MM**
  - ✓ $1.66 per share improvement from Q4 2015 net loss from operations of $(1.44) per share, primarily driven by $0.2 million net unrealized appreciation on the Investment Portfolio for the quarter ended March 31, 2016 as compared to $16.8 million net unrealized depreciation for the quarter ended December 31, 2015
- **$11.72 Net Asset Value ("NAV") per share as of March 31, 2016, or $117.2 MM**
  - ✓ $0.07 per share decrease from December 31, 2015 NAV of $11.79 per share
- **$0.097 per share monthly cash distribution to stockholders ($0.291 for the quarter)**
  - ✓ 9.9% annualized yield on the March 31, 2016 NAV per share
  - ✓ 11.6% annualized yield on the March 31, 2016 closing market price of $10.03 per share
- **$216.0 MM Investment Portfolio at fair value as of March 31, 2016**
  - ✓ $164.2 MM in first lien floating rate loans
  - ✓ $17.9 MM in second lien floating rate loans
  - ✓ $33.8 MM in CLO equity
  - ✓ $0.1 MM in common equity

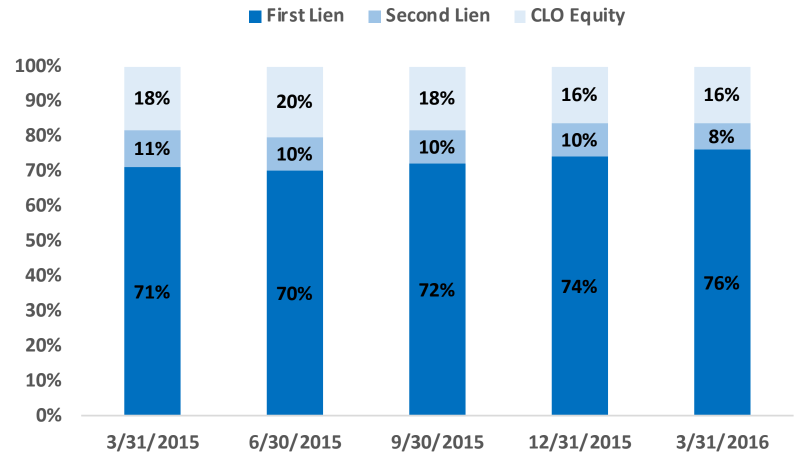
1. Includes entire amount of distributions received from our CLO Portfolio

# Q1 2016 Highlights, *continued*

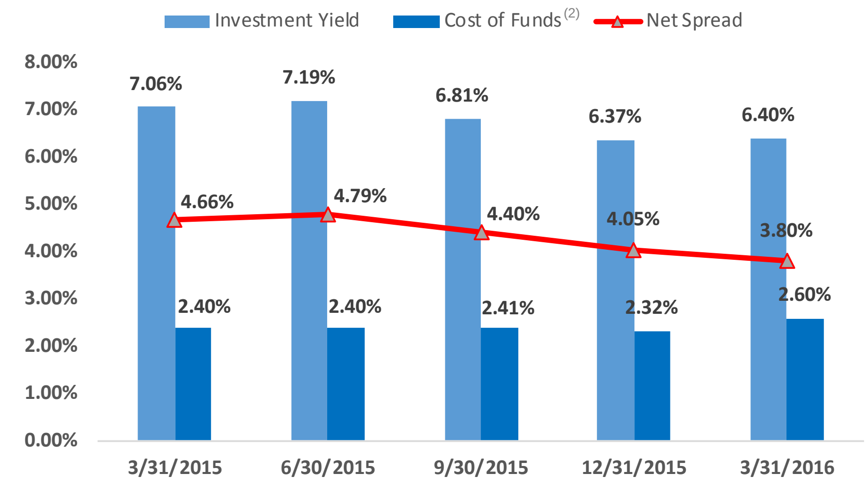
- **6.40% Investment Portfolio yield at cost as of March 31, 2016**
  - ✓ 3 basis point increase from 6.37% yield at cost as of December 31, 2015
- **2.60% cost of funds as of March 31, 2016**
  - ✓ 28 basis point increase from 2.32% cost of funds as of December 31, 2015 due to an increase in LIBOR and the unused facility fee
  - ✓ Includes 2.21% interest expense, 0.30% for unused facility fees and 0.09% for amortization of debt financing costs
- **0.84x debt to equity ratio as of March 31, 2016**
  - ✓ Decreased 0.09x from 0.93x as of December 31, 2015
  - ✓ $98.8 MM outstanding as of March 31, 2016

# ACSF Historical Overview

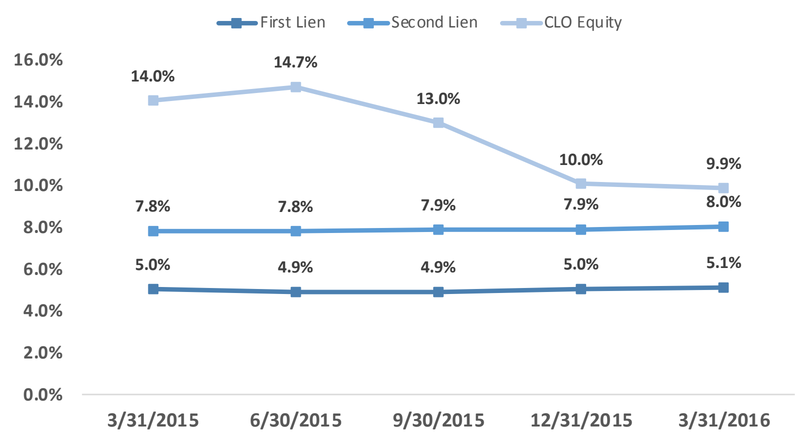
## Portfolio Composition at Fair Value (1)



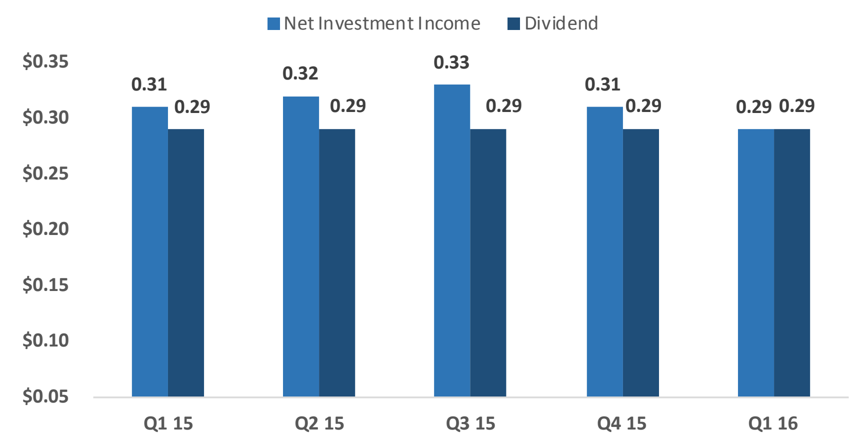

## Net Spread (1)




## Investment Portfolio Yields (1)




## Per Share Data

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1. Information presented is as of each period-end and is not representative of the average during the quarter.
2. Cost of funds represents the actual interest rate as of each period-end along with an estimate for the cost of unfunded fees based on debt outstanding plus amortization of debt financing costs.

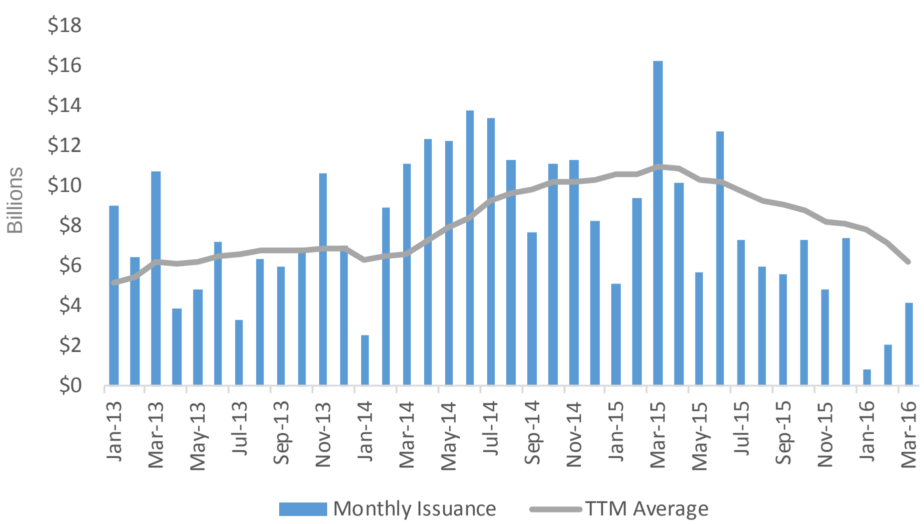
# MARKET UPDATE

## LOAN MARKET PRICES REBOUND, VOLUMES REMAIN SUBDUED

- **The S&P/LSTA Leveraged Loan Index was up 1.55% in the first quarter**
  - ✓ Due to improved inflows, the Index gained 2.76% in March 2016
    - Largest monthly increase since October 2011 and first monthly gain since May 2015
  - ✓ Overall market liquidity remains "tight" – dealers keep less inventory to offer buyers, less balance sheet capital available to sellers, leading to greater volatility
- **CLO issuance was the lowest since Q1 2012**
  - ✓ January and February 2016 issuance was anemic at $2.9 B combined but improved to $4.2 B in March 2016

**S&P / LSTA Leveraged Loans Average Index Bid (1)**


**CLO Formation (1)**

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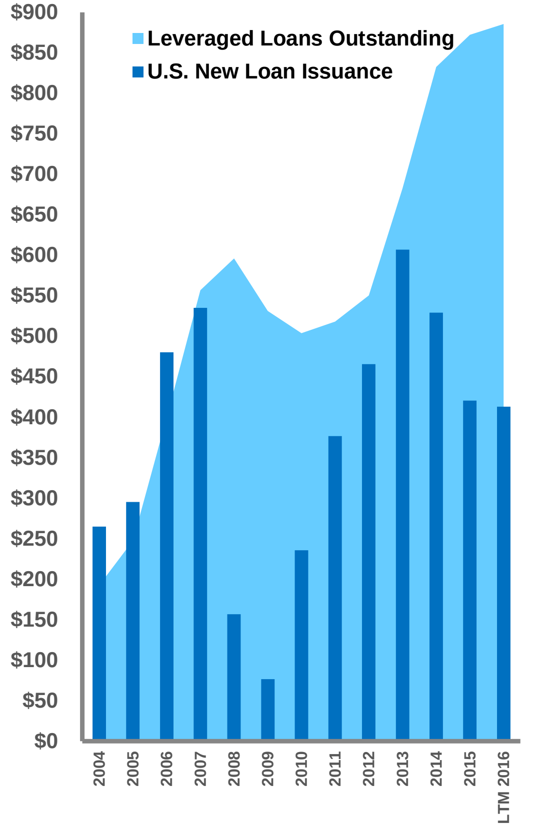
1. Source: S&P LCD

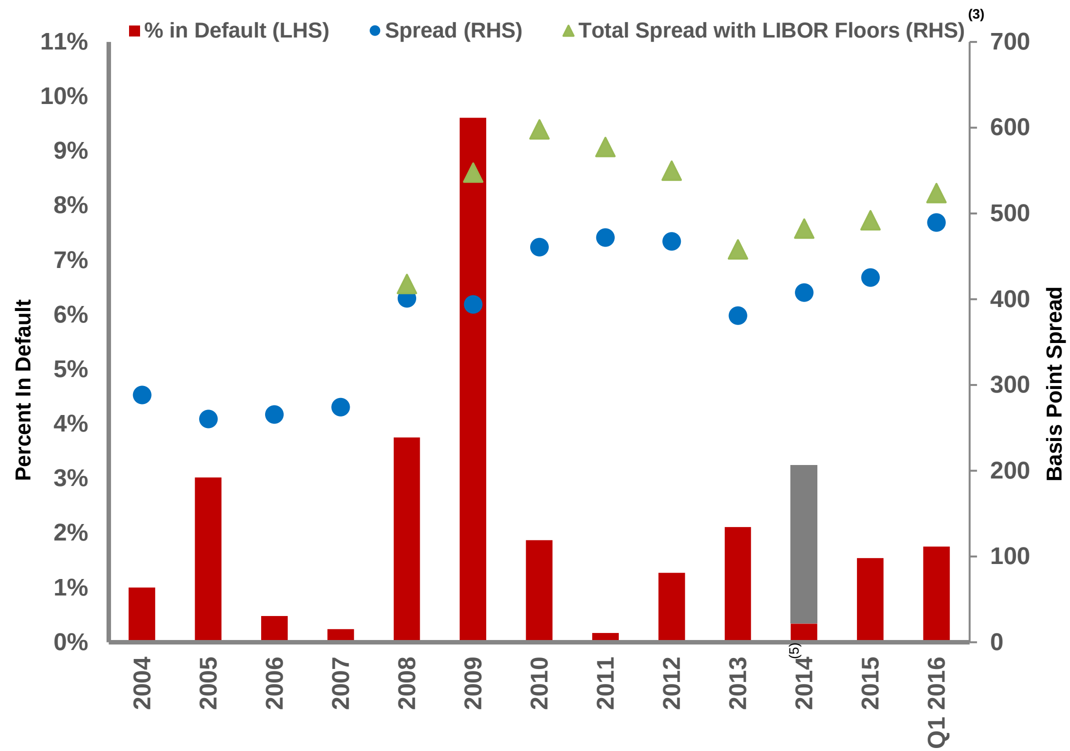
# LOAN MARKET ACTIVITY [1][2]

## Loans Outstanding and U.S. New Loan Issuance ($ in Billions)




- ✓ $885 B of loans outstanding at the end of Q1 2016 [4]
  - New-issue pipeline of $37.7B in leveraged loans [2]

## Lagging 12-Month Default Rate – Principal Amount in Relation to the Average Yearly Spread




- ✓ Credit defaults remain relatively benign
- ✓ Spreads continue to be enhanced by the presence of LIBOR floors

1. Commonly referred to as the Leveraged Loan Market
2. Source: S&P LCD Weekly Institutional Loan Market Technicals as of April 20, 2016
3. Data from S&P LCD based on average of quarterly data
4. Data from S&P LCD's Leveraged Lending Review, based on par amount of loans outstanding as of March 31, 2016
5. Total leveraged loans in default for 2014 is approximately 3.24%; excluding one significant default, Energy Futures Holdings Corp ("TXU") which is shaded in gray, approximately 0.34% of loans were in default.

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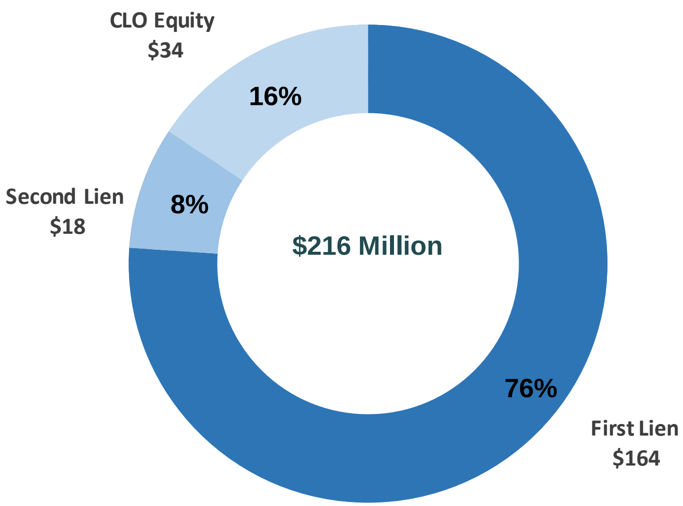
# ACSF INVESTMENT PORTFOLIO OVERVIEW [1]

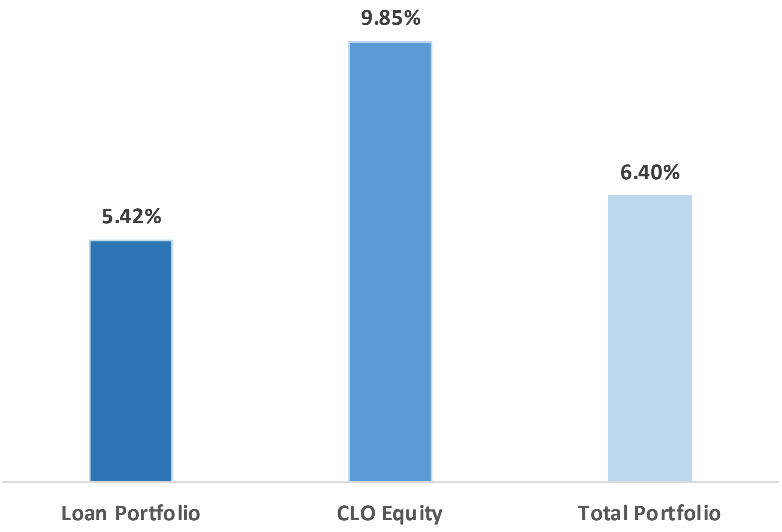
- $216 MM in senior floating rate loans and CLO equity investments
- Portfolio yield at cost of 6.40% as of March 31, 2016
- Diversified across 150 portfolio companies [2] with 1.6% maximum concentration and an average concentration of 0.7% per portfolio company [3]

## Portfolio Composition at Fair Value [1]

$ in Millions




## Portfolio Yield at Cost [1]

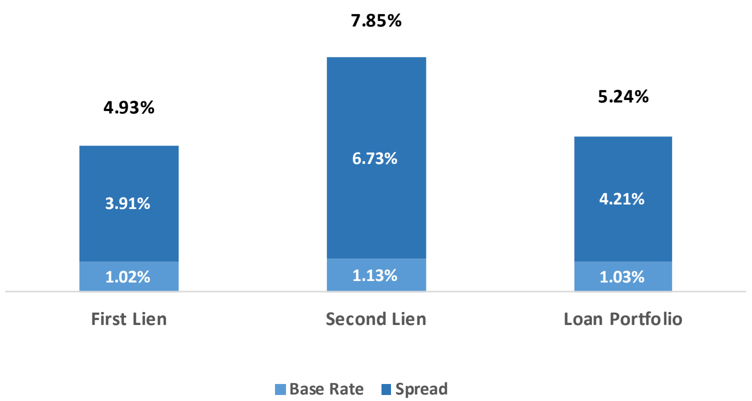



1. As of March 31, 2016
2. Number of portfolio companies includes individual loan obligors combined with the number of CLO issuers
3. Maximum and average concentration percent based on total portfolio

# ACSF LOAN PORTFOLIO OVERVIEW [(1)]

- **$182 MM in senior floating rate loans**
- **Loan Portfolio is diversified across industries and obligors**
  - ✓ 128 portfolio companies with 1.9% maximum obligor concentration [(2)]
  - ✓ Average loan obligor represents 0.8% of total Loan Portfolio
  - ✓ Invested across 46 different industries [(5)]
- **5.42% Loan Portfolio yield at cost as of March 31, 2016**
  - ✓ 4 bps increase from 5.38% yield at cost as of December 31, 2015
- **100% of our Loan Portfolio is in senior floating rate loans**
  - ✓ 100% of our Loan Portfolio has LIBOR floors (weighted-average LIBOR floor of 1.0%)

## Loan Portfolio Coupon Rates [(3)]




## Top 10 Industries [(4) (5) (6)]

| | % Loans | % Portfolio |
|---|---|---|
| Software | 12.6% | 10.7% |
| Health Care Providers & Services | 9.0% | 7.6% |
| Media | 7.2% | 6.1% |
| Insurance | 5.8% | 4.9% |
| Aerospace & Defense | 5.8% | 4.9% |
| Commercial Services & Supplies | 5.2% | 4.4% |
| Hotels, Restaurants & Leisure | 4.5% | 3.8% |
| Professional Services | 2.8% | 2.4% |
| Capital Markets | 2.8% | 2.3% |
| Food Products | 2.5% | 2.1% |
| **Top 10 Industries** | **58.2%** | **49.3%** |

1. As of March 31, 2016
2. Obligor concentration of total Loan Portfolio
3. Based on weighted-average principal outstanding as of March 31, 2016
4. Based on fair value as of March 31, 2016
5. Utilized Global Industry Classification Standard ("GICS") to classify the loan investments. The GICS was developed by MSCI, an independent provider of global indexes and benchmark-related products and services, and Standard & Poor's, an independent international financial data and investment services company and provider of global equity indexes.
6. May not foot due to rounding

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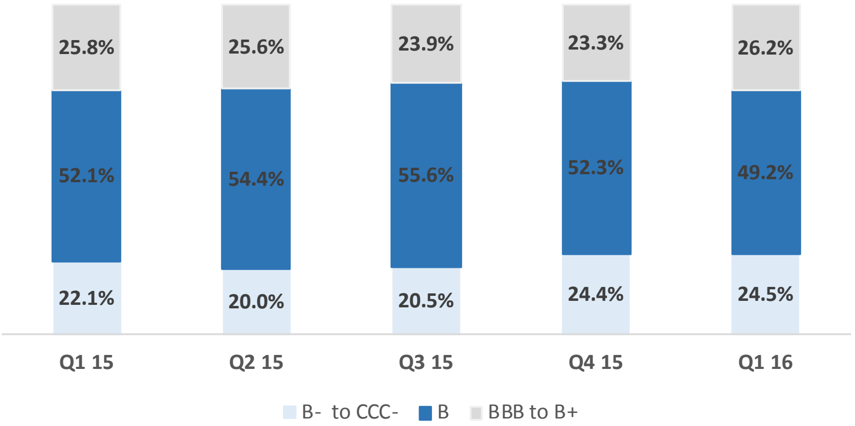
# LOAN PORTFOLIO CREDIT QUALITY

- **Portfolio quality as of March 31, 2016**
  - ✓ No loans in payment default
  - ✓ Two investments on non-accrual representing 0.71% of Loan Portfolio at cost and less than $0.01 per share of annual coupon interest forgone
    - Any future cash received from investments on non-accrual will be applied as a reduction to cost basis
  - ✓ Approximately 75% of our Loan Portfolio consisted of loans with a facility credit rating by S&P of at least "B" or higher
- **Weighted average cost of our Loan Portfolio is approximately par vs a weighted average fair value of 93.3% of par**
  - ✓ Loan Portfolio price increased from 92.7% as of December 31, 2015 to 93.3% as of March 31, 2016, resulting in $2.8 MM of net unrealized appreciation in Q1 2016
- **Only 4.5% of the Loan Portfolio at par has direct or indirect exposure to commodities sectors**
  - ✓ Granular portfolio prevents over-concentrations in individual obligors or industries
  - ✓ $1.5 MM, or 17%, of this subset of the Loan Portfolio with direct or indirect exposure to the commodities sector is not tied to the Exploration and Production sub-sector.

Loan Portfolio by S&P Facility Rating



# ACSF CLO EQUITY PORTFOLIO OVERVIEW

- **$33.8 MM of CLO equity [1] at fair value invested across 22 CLOs managed by 16 CLO Managers as of March 31, 2016**
- **Weighted average accounting yield of 9.85% as of March 31, 2016**
  - ✓ 19 basis point decrease from 10.04% as of December 31, 2015 due to a decrease in projected future cash flows
- **Cash distributions remain strong with Q1 2016 distributions of $3.6 MM versus GAAP income of $1.7 MM**
- **$1.1 MM credit loss write downs recognized on 3 CLO investments during Q1 2016**
  - ✓ No impact on GAAP cost basis
  - ✓ Cumulative credit loss write downs as of March 31, 2016 are $5.1 MM on 7 CLO investments
  - ✓ Income continues to accrue but $5.1 MM of GAAP cost basis will not amortize and will be recognized as a realized loss on sale or redemption of these investments

## CLO Statistics ($ in thousands)

| | Q1 15 | Q2 15 | Q3 15 | Q4 15 | Q1 16 |
|---|---|---|---|---|---|
| Cash Received | $3,244 | $3,283 | $3,433 | $3,665 | $3,600 |
| GAAP Revenue | $1,709 | $1,873 | $1,988 | $1,761 | $1,657 |
| Fair Value as a % of Par | 80.6% | 79.3% | 66.6% | 52.0% | 45.7% |
| Cost as a % of Par | 85.3% | 83.2% | 81.1% | 78.4% | 74.6% |
| Average GAAP Accounting Yield during Period | 13.7% | 14.1% | 14.7% | 13.2% | 10.9% |
| # of Cash Flowing [2] | 16/17 | 16/19 | 17/19 | 19/20 | 20/22 |
| Cumulative Cash Receipts as % of Original Cost [3] [4] | 20.9% | 26.1% | 31.1% | 34.9% | 39.2% |

1. Cost basis of $55.1 MM as of March 31, 2016
2. # of Cash Flowing represents the number of CLOs in the portfolio currently paying quarterly distributions. Due to timing of purchases, ACSF may not have received quarterly distributions from all of these investments in the quarters listed.
3. Original Cost only for CLOs that have begun to make quarterly distributions to ACSF and were held as of each reporting date
4. Cash received represents quarterly distributions and does not include proceeds from sales or complete exits

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# ACSF CLO Equity Portfolio Overview, continued

- **ACSF valuations are determined in accordance with GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date**
  - ✓ Due to the minimal amount of secondary trading activity for CLO equity, a combination of methods is utilized to determine the fair value: (1) Discounted Cash Flow, (2) Broker Quotes and (3) Comparable Transactions
- **During Q1 2016, ACSF recognized $(2.6) million of net unrealized depreciation, which was the result of a number of factors including:**
  - ✓ Increased required rate of return for this type of product resulting in a higher discount rate used in the DCF
  - ✓ Uptick in loan market defaults
  - ✓ Heightened illiquidity drove uncertainty around pricing levels
- **While valuations are down for the quarter, it is important to note the following:**
  - ✓ CLOs are non-mark-to-market vehicles and therefore are not forced sellers of their loan positions in a volatile pricing environment
  - ✓ ACSF's underwriting of the CLOs assumes a "base case" amount of defaults
  - ✓ CLO equity pricing will be volatile; however, ACSF is able to manage its leverage through trading of its more liquid loan portfolio
  - ✓ Cash distributions from CLO equity remain robust, with annualized cash-on-cash returns exceeding 20%

# ACSF INVESTMENT PORTFOLIO ACTIVITY

*($ in thousands)*

**For the Three Months Ended March 31, 2016**

| Portfolio (at fair value) | First Lien | Second Lien | CLO Equity | Equity | Total Portfolio |
|---|---|---|---|---|---|
| Opening Balance | $169,580 | $22,575 | $36,854 | $47 | $229,056 |
| Purchases | 7,062 | 440 | 1,493 | - | 8,995 |
| Sales | (6,911) | (1,504) | - | - | (8,415) |
| Repayments [1] | (7,702) | (3,321) | (3,600) | - | (14,623) |
| Non-cash income accrual [2] | 54 | 4 | 1,657 | - | 1,715 |
| Net realized (loss) / gain | (905) | 15 | - | - | (890) |
| Net unrealized (depreciation) / appreciation | 3,008 | (341) | (2,587) | 100 | 180 |
| **Ending Balance - March 31, 2016** | **$164,186** | **$17,868** | **$33,817** | **$147** | **$216,018** |

| Yield (at cost) | First Lien | Second Lien | CLO Equity | Equity | Total Portfolio |
|---|---|---|---|---|---|
| Opening Balance | 5.03% | 7.90% | 10.04% | n/a | 6.37% |
| Purchases | 6.10% | 7.55% | 37.75% | n/a | 9.68% |
| Sales | (4.72%) | (8.98%) | n/a | n/a | (4.96%) |
| Repayments | (4.71%) | (7.44%) | (13.79%) | n/a | (7.59%) |
| Repricing [3] / Reforecast [4] | (0.26%) | (0.25%) | (1.17%) | n/a | (1.07%) |
| **Ending Yield (at cost) - as of March 31, 2016** | **5.11%** | **8.02%** | **9.85%** | **n/a** | **6.40%** |

1. Repayments for CLO equity reflect the amount of cash distributions from CLO investments received during the three months ended March 31, 2016.
2. Amount reflected in amortization/accretion of discount/premium for CLOs represents the income recognized during the three months ended March 31, 2016 using the effective interest method.
3. Repricing represents modifications of coupon rate for existing first and second lien loan investments which totaled $3.9 million and $2.0 million, respectively, during the three months ended March 31, 2016
4. Reforecast applies to the CLO portfolio, which recalculates the effective yield each quarter and is reflected at cost.

# APPENDICES

# BUSINESS ECONOMICS [1]

| (unaudited) | As of March 31, 2016 | As of December 31, 2015 | Three Months Ended March 31, 2016 | Three Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Investment Yield [2]** | **6.40%** | **6.37%** | **7.00%** | **6.98%** |
| Cost of Funds [3] | 2.60% | 2.32% | 2.52% | 2.33% |
| Leverage (D/E) | 0.84x | 0.93x | 0.90x | 0.91x |
| Effect of Leverage | 3.19% | 3.77% | 4.02% | 4.24% |
| **Leveraged Yield** | **9.59%** | **10.14%** | **11.02%** | **11.22%** |
| Management Fees | (1.71%) | (1.81%) | (1.70%) | (1.65%) |
| Other Expenses [4] | (0.96%) | (0.96%) | (0.95%) | (0.85%) |
| Total Expenses | (2.67%) | (2.77%) | (2.65%) | (2.50%) |
| Other Asset/Liability [5] | 1.79% | 1.77% | 1.45% | 0.69% |
| **Net Investment Income ROE** | **8.71%** | **9.14%** | **9.82%** | **9.41%** |

1. The business economics data in this table is for illustrative purposes only. Past performance is not an indication or a guarantee of future results. The data only includes financial information through NOI and does not include any unrealized or realized impacts that flow through net income.
2. Reflects the accounting yield used for financial reporting, which is determined based on the cost basis of each loan investment in conjunction with the coupon paid and amortization/accretion of discount/premium to contractual maturity date. The yield on the CLO portfolio is determined using the effective interest method based on projected cash flows that are updated quarterly.
3. Includes unused facility fees and amortized financing costs.
4. Other operating expenses are capped at 75 bps of adjusted NAV for the first 2 years following completion of the IPO. ACSF's manager has agreed to extend the expense cap until the date of ACSF's 2016 Annual Meeting of Stockholders, at which time ACSF expects to submit to a vote of stockholders, an amendment and restatement of the management agreement to, among other things, extend the expense cap until December 31, 2020.
5. Other Asset/Liability captures the impact to the NII ROE for non-income producing assets such as cash and prepaid expenses, timing differences for unsettled trades, difference between fair value and cost on investments and the impact of excise tax provisions.

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# BALANCE SHEET

| *$ in thousands, except per share data* | | March 31, 2016 (unaudited) | | December 31, 2015 | | September 30, 2015 (unaudited) | | June 30, 2015 (unaudited) | | March 31, 2015 (unaudited) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Investments, fair value | $ | 216,018 | $ | 229,056 | $ | 257,732 | $ | 272,191 | $ | 272,560 |
| Cash and cash equivalents | | 2,607 | | 2,474 | | 2,247 | | 2,458 | | 2,161 |
| Receivable for investments sold | | - | | 3,096 | | 2,007 | | 3,812 | | 13,932 |
| Other assets | | 1,420 | | 1,179 | | 1,227 | | 1,215 | | 1,442 |
| **Total assets** | **$** | **220,045** | **$** | **235,805** | **$** | **263,213** | **$** | **279,676** | **$** | **290,095** |
| **Liabilities** | | | | | | | | | | |
| Credit facility payable | $ | 98,800 | $ | 110,200 | $ | 124,800 | $ | 123,800 | $ | 127,800 |
| Payable for investments purchased | | 2,150 | | 5,437 | | 995 | | 8,400 | | 13,138 |
| Distributions to stockholders payable | | 970 | | 970 | | 970 | | 970 | | 2,900 |
| Management fee payable | | 497 | | 536 | | 558 | | 563 | | 578 |
| Other liabilities | | 441 | | 733 | | 634 | | 580 | | 553 |
| **Total liabilities** | | **102,858** | | **117,876** | | **127,957** | | **134,313** | | **144,969** |
| **Total net assets** | | **117,187** | | **117,929** | | **135,256** | | **145,363** | | **145,126** |
| **Total liabilities and net assets** | **$** | **220,045** | **$** | **235,805** | **$** | **263,213** | **$** | **279,676** | **$** | **290,095** |
| | | | | | | | | | | |
| **Net asset value per share** | **$** | **11.72** | **$** | **11.79** | **$** | **13.53** | **$** | **14.54** | **$** | **14.51** |

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# INCOME STATEMENT

| $ in thousands, except per share data | March 31, 2016 (unaudited) | December 31, 2015 (unaudited) | September 30, 2015 (unaudited) | June 30, 2015 (unaudited) | March 31, 2015 (unaudited) |
|---|---|---|---|---|---|
| | Three Months Ended | | | | |
| **Investment Income:** | | | | | |
| First lien | $ 2,239 | $ 2,370 | $ 2,429 | $ 2,401 | $ 2,432 |
| Second lien | 449 | 505 | 570 | 606 | 600 |
| CLO equity | 1,657 | 1,761 | 1,988 | 1,873 | 1,709 |
| **Total investment income** | **4,345** | **4,636** | **4,987** | **4,880** | **4,741** |
| **Expenses:** | | | | | |
| Interest and other debt related costs | 664 | 690 | 766 | 758 | 755 |
| Management fee | 497 | 536 | 558 | 563 | 578 |
| Other operating expenses, net [1] | 279 | 276 | 286 | 283 | 278 |
| **Total net expenses** | **1,440** | **1,502** | **1,610** | **1,604** | **1,611** |
| **Net investment income before taxes** | **2,905** | **3,134** | **3,377** | **3,276** | **3,130** |
| Income tax provision | (27) | (68) | (33) | (57) | (70) |
| **Net investment income** | **2,878** | **3,066** | **3,344** | **3,219** | **3,060** |
| **Net Realized and Unrealized (Loss) / Gain on Investments:** | | | | | |
| Net realized (loss) / gain on investments | (890) | (690) | (5) | 78 | 307 |
| Net unrealized appreciation / (depreciation) on investments | 180 | (16,793) | (10,537) | (150) | 424 |
| Income tax benefit | - | - | - | 11 | - |
| **Net realized and unrealized (loss) / gain on investments** | **(710)** | **(17,483)** | **(10,542)** | **(61)** | **731** |
| **Net increase (decrease) in net assets resulting from operations ("Net Earnings (Loss)")** | **$ 2,168** | **$ (14,417)** | **$ (7,198)** | **$ 3,158** | **$ 3,791** |
| | | | | | |
| **Net investment income per share** | **$0.29** | **$0.31** | **$0.33** | **$0.32** | **$0.31** |
| **Net Earnings (Loss)** | **$0.22** | **($1.44)** | **($0.72)** | **$0.32** | **$0.38** |
| **Distributions to stockholders per share** | **$0.29** | **$0.29** | **$0.29** | **$0.29** | **$0.29** |

1. Other operating expenses are capped at 75 bps of adjusted NAV for the first 2 years following completion of the IPO. ACSF's manager has agreed to extend the expense cap until the date of ACSF's 2016 Annual Meeting of Stockholders, at which time ACSF expects to submit to a vote of stockholders, an amendment and restatement of the management agreement to, among other things, extend the expense cap until December 31, 2020.

American Capital Senior Floating

# INTEREST RATE SENSITIVITY (1)

## Loan Portfolio

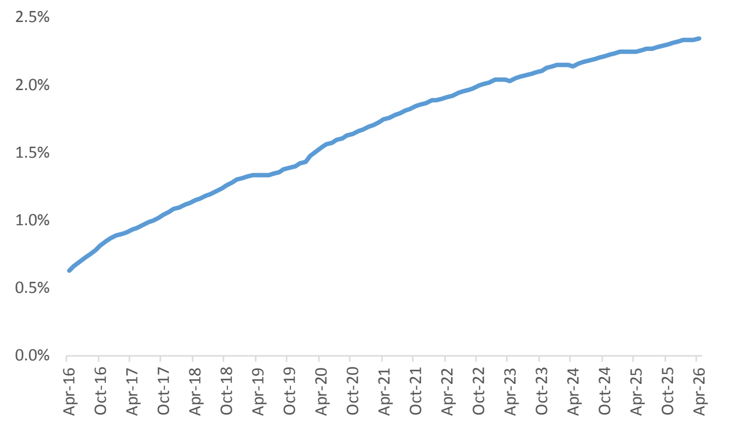
- **100% of our loan assets are floating rate**
- **100% of our loans assets have LIBOR floors (~1%)**
- **Our funding liabilities are floating rate**
- **Due to the presence of LIBOR floors there is a temporary asset-liability mismatch until LIBOR exceeds our asset floor**

| Increase to Libor | NII/Share Benefit (2) (3) |
|---|---|
| 1% | 0.02 |
| 2% | 0.11 |
| 3% | 0.21 |
| 4% | 0.30 |
| 5% | 0.40 |

## CLO Portfolio

- **Our CLO portfolio is backed by floating rate loans with similar LIBOR floors**
- **Funding within our CLO Portfolio is largely floating rate**
- **Income from our CLO Portfolio is recognized using the effective interest method, which utilizes forecasted cash flows**
- **Cash flows are modeled assuming a forward LIBOR curve, which incorporates current assumptions about future rates**
- **If LIBOR rises differently from current projections our CLO cash flows and income will be affected either positively or negatively depending on the direction and magnitude of the change**

Forward LIBOR Curve (4) (5)




1. As of March 31, 2016
2. Although management believes that this measure is indicative of our sensitivity to interest rates, it does not reflect any potential impact to the fair value of our investments as a result of changes to interest rates, nor does it adjust for potential changes in the credit market, credit quality, size and composition of the assets in our consolidated statements of assets and liabilities and other business developments that could affect the net increase/(decrease) in net assets resulting from operations or net investment income. Accordingly, no assurances can be given that actual results would not differ materially from those shown above.
3. The sensitivity analysis does not include the impact of rising interest rates on revenue from our CLO equity investments
4. 3 month LIBOR curve reflected on a monthly basis as of March 31, 2016
5. Any change to interest rates that is not in-line with the forward LIBOR curve used in the projections, in either the timing or magnitude of the change, will cause actual cash flows to differ from the current projections and will impact the related revenue recognized from these investments.

# CLO OVERVIEW

- **A Collateralized Loan Obligation ("CLO") is a securitization backed by a pool of corporate loans (typically rated first lien, senior secured, rated BB or B, with small allocation to second liens)**
- **Allows investors to invest at a range of risk / return tolerances where more seniority = lower risk = lower return**
- **The equity tranche gives investors an opportunity to earn a leveraged return on a diversified pool of senior secured loans, financed by term, non-recourse debt**
  - ✓ Term financing is unlike margin or repo based financing, which is exposed to mark-to-market risk
- **CLO equity profits from a funding gap (net asset yield less liability yield and management/administrative expenses)**
- **Each CLO has a Portfolio Manager ("PM") who is responsible for managing the portfolio assets**
  - ✓ The PM has discretion in managing assets within the specified investment and trading parameters set forth in the applicable indenture
  - ✓ PM receives a predetermined fee for managing the portfolio, normally 50 bps, and an incentive fee

## CLOs Offer Tranched Exposure to Leveraged Loans

### Indicative Capital Structure[1]


| Tranche | % of Cap. Structure |
|---|---|
| AAA | 58-61% |
| AA | 10-13% |
| A | 7-9% |
| BBB | 4-6% |
| BB | 4-6% |
| B | 0-2% |
| Equity | 9-11% |

1. Source: S&P LCD.