



American



Capital



Senior Floating

# Q3 2016 SHAREHOLDER PRESENTATION

NOVEMBER 4, 2016

# DISCLAIMER

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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 <sup>(1)</sup>
- ◆ No incentive fee
- ◆ Other operating expenses capped at 0.75% of equity <sup>(2)</sup>

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 January 2014 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 its stockholders, an amendment and restatement of the management agreement to, among other things, extend the expense cap until December 31, 2020. The Annual Meeting of Stockholders is expected to be held prior to the end of 2016.

## Q3 2016 HIGHLIGHTS

- ◆ **Actively managed portfolio through periods of volatility**
  - ✓ Invested \$18.2 MM into 14 new loan obligors
  - ✓ Sold \$12.1 MM of investments and received \$11.7 MM of repayments <sup>(1)</sup>
- ◆ **\$0.31 per share net investment income, or \$3.1 MM**
  - ✓ Increased \$0.01 per share from Q2 2016 net investment income of \$0.30 per share
- ◆ **\$1.03 per share net earnings, or \$10.3 MM**
  - ✓ Consistent with Q2 2016 net earnings of \$1.03 per share
- ◆ **\$13.20 Net Asset Value (“NAV”) per share as of September 30, 2016, or \$132.0 MM**
  - ✓ \$0.75 per share increase from June 30, 2016 NAV per share of \$12.45
  - ✓ 8.3% economic return on NAV for Q3 2016, or 33.1% annualized
    - Composed of \$0.291 per share cash distributions to stockholders and \$0.75 increase in NAV per share
- ◆ **\$0.097 per share monthly cash distributions to stockholders (\$0.291 for the quarter)**
  - ✓ 8.8% annualized yield on the September 30, 2016 NAV per share
  - ✓ 10.5% annualized yield on the September 30, 2016 closing market price of \$11.03 per share

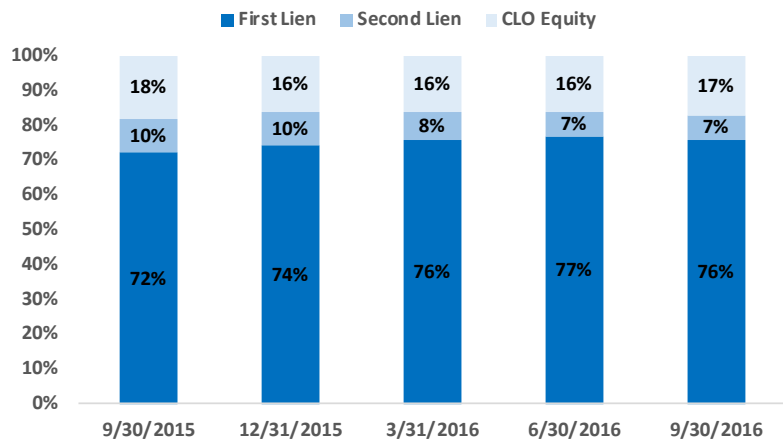
## Q3 2016 HIGHLIGHTS, CONTINUED

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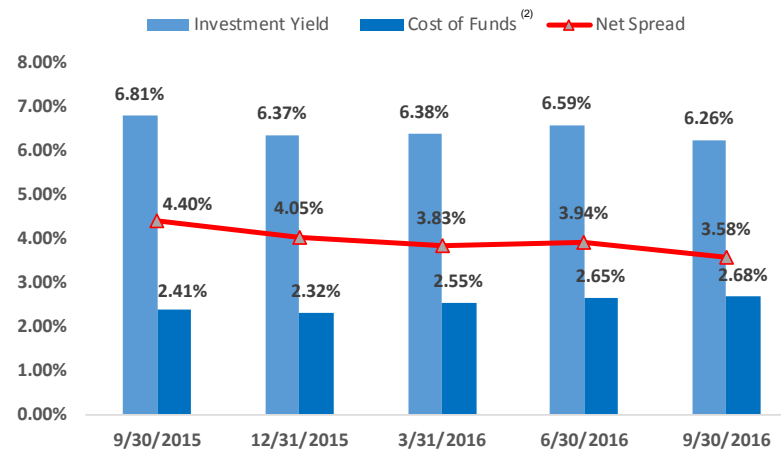
- ◆ **\$231.0 MM Investment Portfolio at fair value as of September 30, 2016**
  - ✓ \$175.7 MM in first lien floating rate loans
  - ✓ \$16.4 MM in second lien floating rate loans
  - ✓ \$38.9 MM in CLO equity
  
- ◆ **6.26% Investment Portfolio yield at cost as of September 30, 2016**
  - ✓ 33 basis point decrease from 6.59% yield at cost as of June 30, 2016 driven by our CLO Portfolio.
  
- ◆ **2.68% cost of funds as of September 30, 2016**
  - ✓ 3 basis point increase from 2.65% cost of funds as of June 30, 2016 due to increase in LIBOR
  - ✓ Includes 2.27% interest expense, 0.31% unused facility fees and 0.10% amortization of debt financing costs
  
- ◆ **0.76x debt to equity ratio as of September 30, 2016**
  - ✓ Decreased 0.02x from 0.78x as of June 30, 2016 due primarily to an increase in the fair value of the portfolio
  - ✓ \$100.0 MM outstanding as of September 30, 2016

# ACSF HISTORICAL OVERVIEW

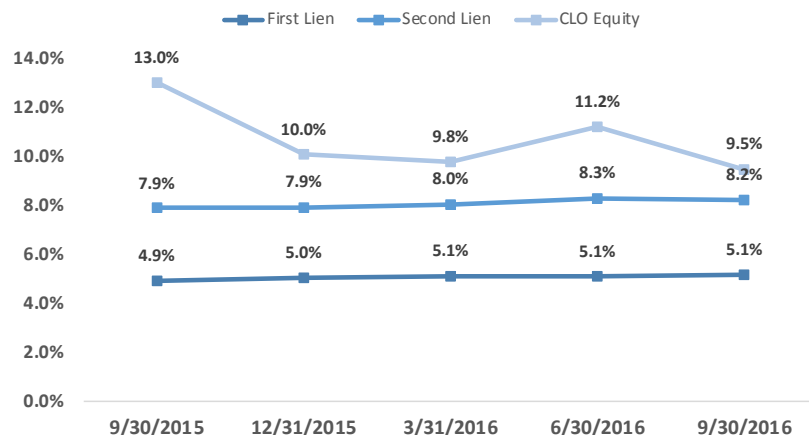
## Portfolio Composition at Fair Market Value <sup>(1)</sup>



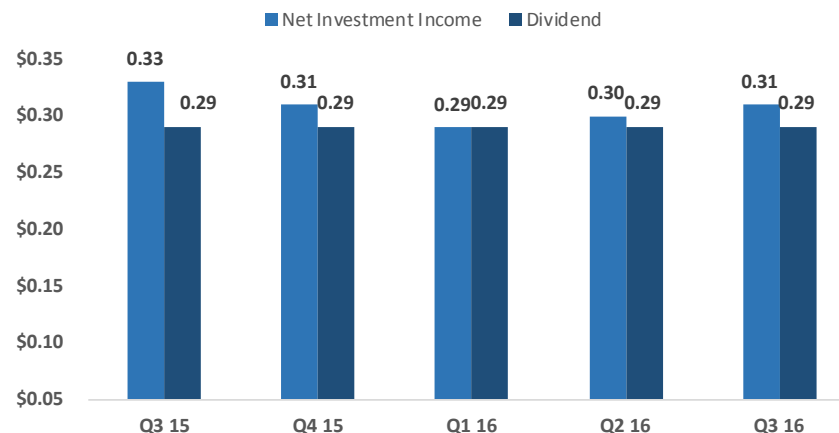
## Net Spread <sup>(1)</sup>



## Investment Portfolio Yields <sup>(1)</sup>



## Per Share Data



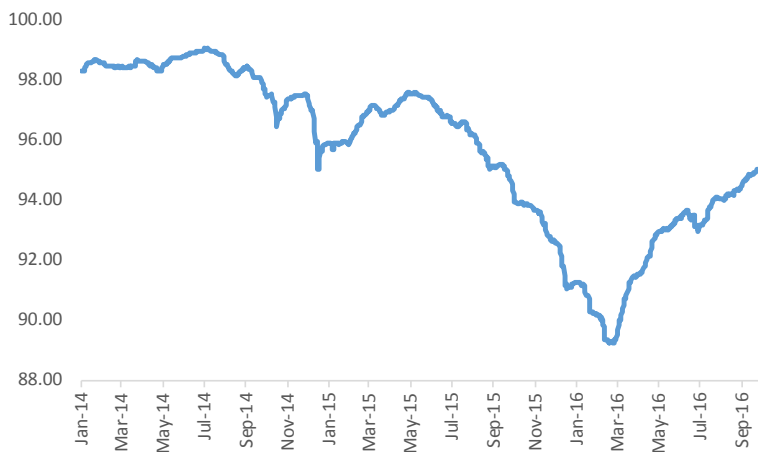
1. Information presented is as of each period-end and is not representative of the average during the quarter  
 2. Cost of funds represents the actual interest rate as of each period-end along with an estimate for the cost of unfunded fees based on debt outstanding plus amortization of debt financing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

# MARKET UPDATE

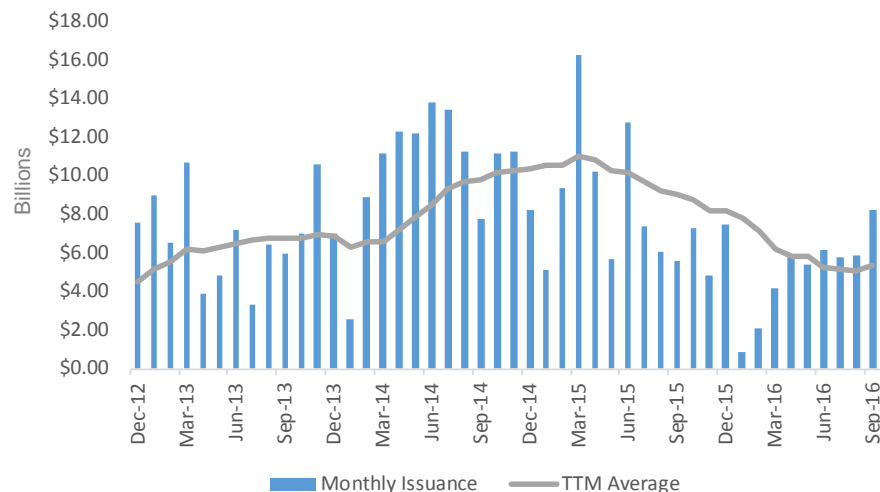
## LEVERAGED LOAN VOLUME AND PRICES RISE IN Q3 2016, AS ISSUER-FRIENDLY CONDITIONS PERSIST

- ◆ **The S&P/LSTA Leveraged Loan Index generated a 3.08% return in Q3 2016**
  - ✓ Technical factors continued to improve amid retail fund inflows, increased leveraged loan issuance and loan market outstandings decreased
  - ✓ Upward price momentum continued through the quarter, driven in part by post-Brexit rebounds
- ◆ **CLO equity prices continue to benefit from positive supply/demand technicals**
  - ✓ CLO fair values increased due to an improvement in loan prices and stronger bids as investors continued to adjust their clearing hurdles downward

S&P / LSTA Leveraged Loans Average Index Bid <sup>(1)</sup>



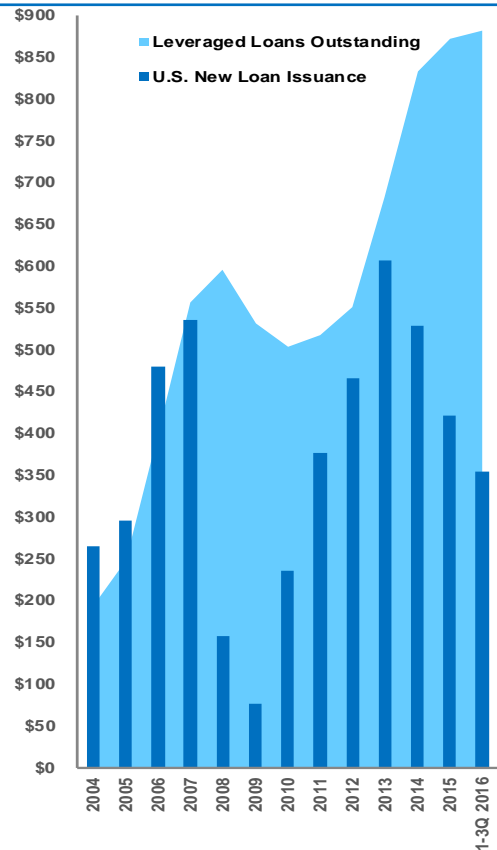
CLO Formation <sup>(1)</sup>



1. Source: S&P LCD

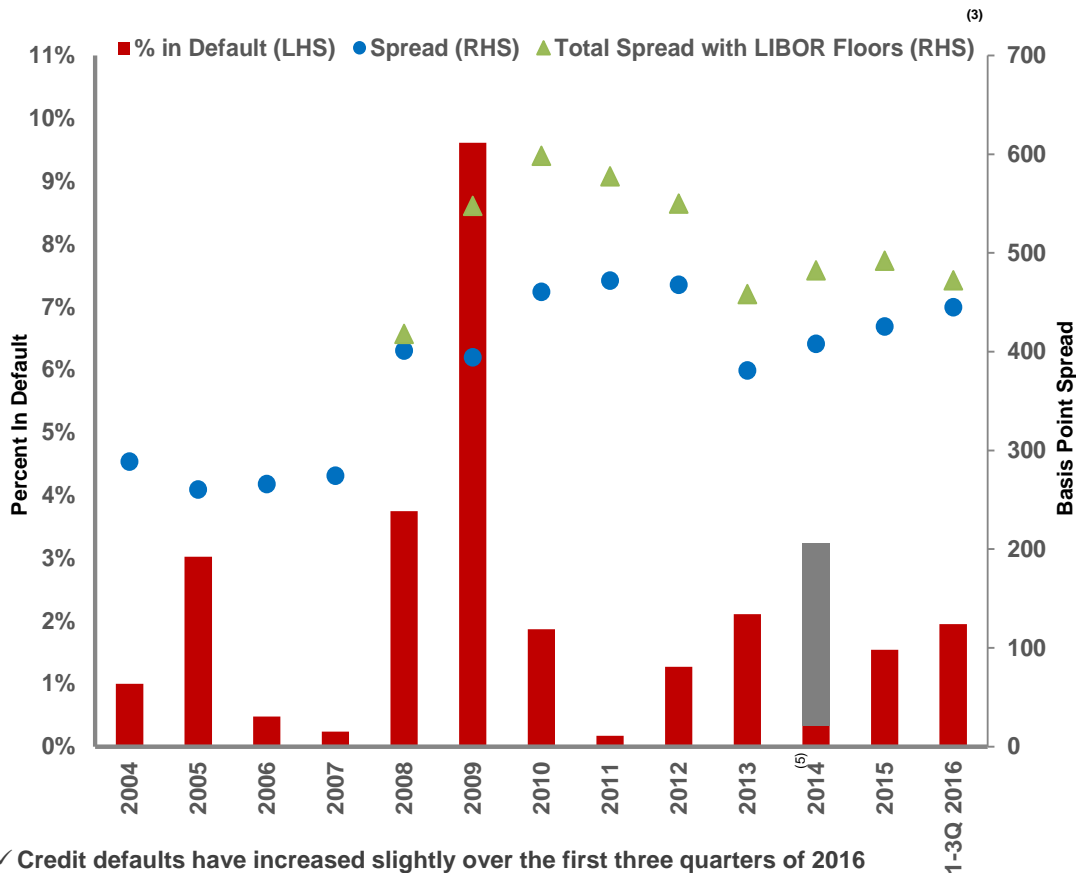
# LOAN MARKET ACTIVITY <sup>(1)(2)</sup>

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



- ✓ \$882 B of loans outstanding at the end of Q3 2016 <sup>(4)</sup>
- ✓ New-issue pipeline of \$43.3B in leveraged loans <sup>(2)</sup>

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



- ✓ Credit defaults have increased slightly over the first three quarters of 2016
- ✓ Spreads decreased compared to Q2 2016 due to increasing LIBOR rate

1. Commonly referred to as the Leveraged Loan Market  
 2. Source: S&P LCD Weekly Institutional Loan Market Technicals as of October 19, 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 September 30, 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.

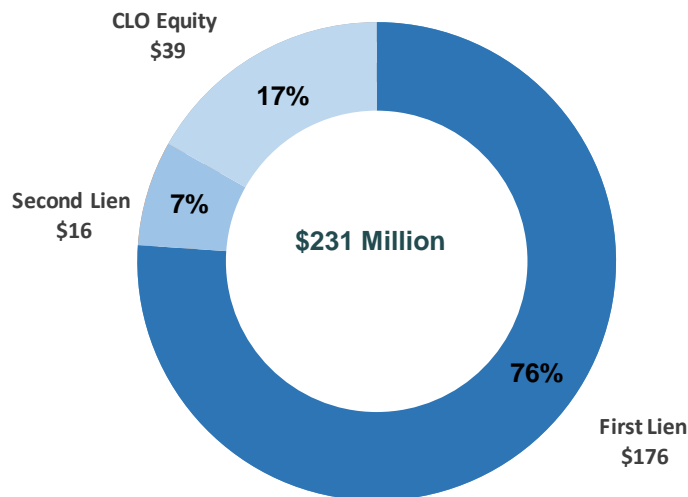


# ACSF INVESTMENT PORTFOLIO OVERVIEW <sup>(1)</sup>

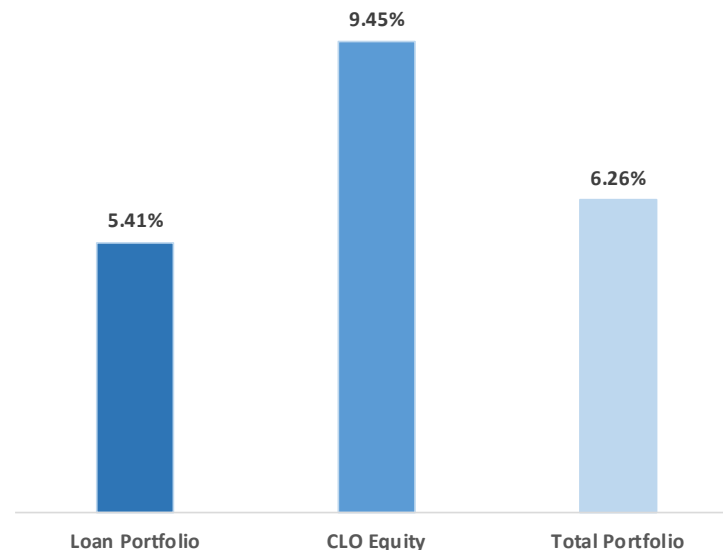
- ◆ \$231 MM in senior floating rate loans and CLO equity investments
- ◆ Portfolio yield at cost of 6.26% as of September 30, 2016
- ◆ Diversified across 162 portfolio companies <sup>(2)</sup> with 1.5% maximum concentration and an average concentration of 0.6% per portfolio company <sup>(3)</sup>

## Portfolio Composition at Fair Value <sup>(1)</sup>

\$ in Millions



## Portfolio Yield at Cost <sup>(1)</sup>

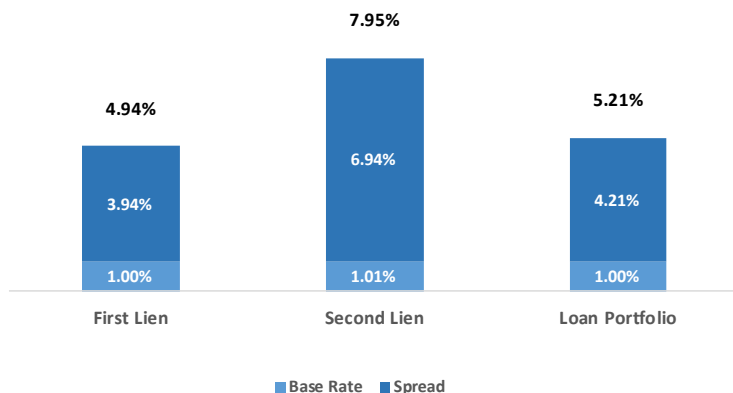


1. As of September 30, 2016  
 2. Number of portfolio companies includes individual loan obligors combined with the number of CLO issuers  
 3. Maximum and average concentration percentage based on total portfolio

# ACSF LOAN PORTFOLIO OVERVIEW<sup>(1)</sup>

- ◆ **\$192 MM in senior floating rate loans**
- ◆ **Loan Portfolio is diversified across industries and obligors**
  - ✓ 140 portfolio companies with 1.5% maximum obligor concentration<sup>(2)</sup>
  - ✓ Average loan obligor represents 0.6% of Total Portfolio at fair value
  - ✓ Invested across 46 different industries<sup>(3)</sup>
- ◆ **5.41% Loan Portfolio yield at cost as of September 30, 2016**
  - ✓ 6 bps increase from 5.35% yield at cost as of June 30, 2016
- ◆ **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<sup>(4)</sup>



## Top 10 Industries<sup>(3) (5) (6)</sup>

	<u>% Loans</u>	<u>% Portfolio</u>
Software	12.5%	10.4%
Health Care Providers & Services	12.0%	10.0%
Media	7.9%	6.6%
Insurance	6.2%	5.1%
Commercial Services & Supplies	5.8%	4.8%
Hotels, Restaurants & Leisure	4.8%	4.0%
Aerospace & Defense	4.5%	3.7%
Containers & Packaging	3.4%	2.9%
Food Products	3.1%	2.6%
Capital Markets	2.4%	2.0%
<b>Top 10 Industries</b>	<b>62.6%</b>	<b>52.0%</b>

1. As of September 30, 2016  
 2. Obligor concentration of Total Portfolio  
 3. 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.  
 4. Based on weighted-average principal outstanding as of September 30, 2016  
 5. Based on fair value as of September 30, 2016  
 6. May not foot due to rounding

# ACSF LOAN PORTFOLIO CREDIT QUALITY

◆ **Portfolio quality as of September 30, 2016**

- ✓ Two investments on non-accrual representing 0.6% of the Loan Portfolio at par and less than \$0.01 per share of annual coupon interest forgone
  - One loan is in payment default
  - Any future cash received from investments on non-accrual will be applied as a reduction to cost basis
- ✓ Approximately 70% of our Loan Portfolio consisted of loans with a facility credit rating by S&P of at least “B” or higher

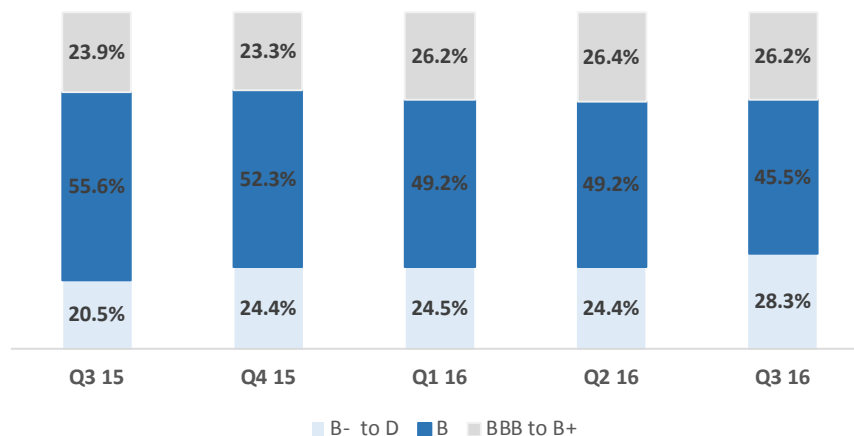
◆ **Weighted average cost of our Loan Portfolio is approximately par vs a weighted average fair value of 97.1% of par**

- ✓ Loan Portfolio fair value price increased from 95.1% as of June 30, 2016 to 97.1% as of September 30, 2016, resulting in \$4.1 MM of net unrealized appreciation in Q3 2016

◆ **Only 3.6% of the Loan Portfolio at par has direct or indirect exposure to commodities sectors**

- ✓ Granular portfolio prevents over-concentrations in individual obligors or industries

**Loan Portfolio by S&P Facility Rating**



# ACSF CLO EQUITY PORTFOLIO OVERVIEW

- ◆ **\$38.9 MM of CLO equity <sup>(1)</sup> at fair value invested across 22 CLOs managed by 16 CLO Managers as of September 30, 2016**
  - ✓ Average fair value increased as a percentage of par by 2.5% due to improved market conditions
- ◆ **Weighted average accounting yield of 9.45% as of September 30, 2016 <sup>(2)</sup>**
  - ✓ Yield decreased from 11.16% as of June 30, 2016 due to yield compression from an increasing LIBOR curve
- ◆ **Cash distributions of \$3.4 MM versus GAAP income of \$1.9 MM**

## CLO Statistics (\$ in thousands)

	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Cash Received	\$3,433	\$3,665	\$3,600	\$3,084	\$3,365
GAAP Revenue	\$1,988	\$1,761	\$1,657	\$1,649	\$1,910
Fair Value as a % of Par	66.6%	52.0%	45.7%	50.1%	52.6%
Cost as a % of Par	81.1%	78.4%	74.6%	72.6%	70.7%
Average GAAP Accounting Yield during Period	14.7%	13.2%	10.0%	9.9%	11.2%
# of Cash Flowing <sup>(3)</sup>	17/19	19/20	20/22	22/22	22/22
Cumulative Cash Receipts as % of Original Cost <sup>(4) (5)</sup>	31.1%	34.9%	39.2%	43.7%	48.1%

1. Cost basis of \$52.3MM as of September 30, 2016

2. Yield calculated as of September 30, 2016 and will be the yield applied in Q4 2016

3. # 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.

4. Original cost only for CLOs that have begun to make quarterly distributions to ACSF and were held as of each reporting date

5. Cash received represents quarterly distributions and does not include proceeds from sales or complete exits of any CLO

# ACSF INVESTMENT PORTFOLIO ACTIVITY

(\$ in thousands)

For the Three Months Ended September 30, 2016

For the Nine Months Ended September 30, 2016

Portfolio (at fair value)	For the Three Months Ended September 30, 2016					For the Nine Months Ended September 30, 2016				
	First Lien	Second Lien	CLO Equity	Common Equity	Total Portfolio	First Lien	Second Lien	CLO Equity	Common Equity	Total Portfolio
Opening Balance	\$173,898	\$16,463	\$37,021	\$35	\$227,417	\$169,580	\$22,575	\$36,854	\$47	\$229,056
Purchases	15,701	2,515	-	-	18,216	52,719	5,137	1,493	-	59,349
Sales	(12,082)	-	-	-	(12,082)	(33,147)	(1,504)	-	-	(34,651)
Repayments <sup>(1)</sup>	(5,256)	(3,147)	(3,365)	-	(11,768)	(21,118)	(10,832)	(10,049)	-	(41,999)
Non-cash income accrual <sup>(2)</sup>	65	7	1,910	-	1,982	187	18	5,215	-	5,420
Net realized (loss) / gain	(177)	23	-	-	(154)	(1,497)	44	-	-	(1,453)
Net unrealized appreciation / (depreciation)	3,595	538	3,290	(28)	7,395	9,020	961	5,343	(40)	15,284
Ending Balance at fair value - as of June 30, 2016	\$175,744	\$16,399	\$38,856	\$7	\$231,006	\$175,744	\$16,399	\$38,856	\$7	\$231,006
Yield (at cost)	First Lien	Second Lien	CLO Equity	Common Equity	Total Portfolio	First Lien	Second Lien	CLO Equity	Common Equity	Total Portfolio
Opening Balance	5.06%	8.27%	11.16%	n/a	6.59%	5.03%	7.90%	10.04%	n/a	6.37%
Purchases	5.40%	8.02%	n/a	n/a	5.22%	5.32%	8.52%	37.75%	n/a	5.90%
Sales	(4.61%)	n/a	n/a	n/a	(4.54%)	(4.91%)	(8.98%)	n/a	n/a	(4.88%)
Repayments	(4.80%)	(8.67%)	(18.30%)	n/a	(9.78%)	(5.32%)	(7.76%)	(15.68%)	n/a	(8.47%)
Repricing <sup>(3)</sup> / Reforecast <sup>(4)</sup>	0.24%	n/a	(2.17%)	n/a	(1.90%)	(0.15%)	(0.25%)	(0.53%)	n/a	(0.41%)
Ending Yield (at cost) - as of June 30, 2016	5.13%	8.21%	9.45%	n/a	6.26%	5.13%	8.21%	9.45%	n/a	6.26%

1. Repayments for CLO equity reflect the amount of cash distributions from CLO investments received during the three months ended September 30, 2016.
2. Amount reflected in amortization/accretion of discount/premium for CLOs represents the income recognized during the three months ended September 30, 2016 using the effective interest method.
3. Repricing represents modifications of coupon rate for existing first and second lien loan investments which totaled \$5.4 million and \$0.0 million, respectively, during the three months ended September 30, 2016 and \$21.2 million and \$2.0 million, respectively, during the nine months ended September 30, 2016.
4. Reforecast applies to the CLO portfolio, which recalculates the effective yield each quarter and is reflected at cost.

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# APPENDICES

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# BUSINESS ECONOMICS <sup>(1)</sup>

(unaudited)	As of		Three Months Ended	
	September 30, 2016	June 30, 2016	September 30, 2016	June 30, 2016
<b>Investment Yield <sup>(2)</sup></b>	<b>6.26%</b>	<b>6.59%</b>	<b>6.51%</b>	<b>6.39%</b>
Cost of Funds <sup>(3)</sup>	2.68%	2.65%	2.68%	2.65%
Leverage (D/E)	0.76x	0.78x	0.77x	0.80x
Effect of Leverage	2.72%	3.07%	2.96%	3.00%
<b>Leveraged Yield</b>	<b>8.98%</b>	<b>9.66%</b>	<b>9.47%</b>	<b>9.39%</b>
Management Fees	(1.54%)	(1.65%)	(1.59%)	(1.70%)
Other Expenses <sup>(4)</sup>	(0.85%)	(0.90%)	(0.87%)	(0.92%)
<b>Total Expenses</b>	<b>(2.39%)</b>	<b>(2.55%)</b>	<b>(2.46%)</b>	<b>(2.62%)</b>
Other Asset/Liability <sup>(5)</sup>	0.83%	1.32%	2.65%	3.10%
<b>Net Investment Income ROE</b>	<b>7.42%</b>	<b>8.43%</b>	<b>9.66%</b>	<b>9.87%</b>

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. The Annual Meeting of Stockholders is expected to be held prior to the end of 2016.

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.

# BALANCE SHEET

	September 30, 2016 (unaudited)	June 30, 2016 (unaudited)	March 31, 2016 (unaudited)	December 31, 2015	September 30, 2015 (unaudited)
<i>\$ in thousands, except per share data</i>					
<b>Assets</b>					
Investments, fair value	\$ 231,006	\$ 227,417	\$ 216,018	\$ 229,056	\$ 257,732
Cash and cash equivalents	4,724	3,181	2,607	2,474	2,247
Receivable for investments sold	4,975	3,675	-	3,096	2,007
Other assets	1,275	1,605	1,420	1,179	1,227
<b>Total assets</b>	<b>\$ 241,980</b>	<b>\$ 235,878</b>	<b>\$ 220,045</b>	<b>\$ 235,805</b>	<b>\$ 263,213</b>
<b>Liabilities</b>					
Credit facility payable	\$ 100,000	\$ 97,100	\$ 98,800	\$ 110,200	\$ 124,800
Payable for investments purchased	7,043	11,872	2,150	5,437	995
Distributions to stockholders payable	970	970	970	970	970
Management fee payable <sup>(1)</sup>	1,520	1,008	497	536	558
Other liabilities	463	383	441	733	634
<b>Total liabilities</b>	<b>109,996</b>	<b>111,333</b>	<b>102,858</b>	<b>117,876</b>	<b>127,957</b>
<b>Total net assets</b>	<b>131,984</b>	<b>124,545</b>	<b>117,187</b>	<b>117,929</b>	<b>135,256</b>
<b>Total liabilities and net assets</b>	<b>\$ 241,980</b>	<b>\$ 235,878</b>	<b>\$ 220,045</b>	<b>\$ 235,805</b>	<b>\$ 263,213</b>
<b>Net asset value per share</b>	<b>\$ 13.20</b>	<b>\$ 12.45</b>	<b>\$ 11.72</b>	<b>\$ 11.79</b>	<b>\$ 13.53</b>



# INCOME STATEMENT

	Three Months Ended				
	September 30, 2016 (unaudited)	June 30, 2016 (unaudited)	March 31, 2016 (unaudited)	December 31, 2015 (unaudited)	September 30, 2015 (unaudited)
<i>\$ in thousands, except per share data</i>					
<b>Investment Income:</b>					
First lien	\$ 2,323	\$ 2,222	\$ 2,239	\$ 2,370	\$ 2,429
Second lien	356	401	449	505	570
CLO equity	1,910	1,649	1,657	1,761	1,988
<b>Total investment income</b>	<b>4,589</b>	<b>4,272</b>	<b>4,345</b>	<b>4,636</b>	<b>4,987</b>
<b>Expenses:</b>					
Interest and other debt related costs	665	640	664	690	766
Management fee	512	511	497	536	558
Other operating expenses, net <sup>(1)</sup>	281	278	279	276	286
<b>Total net expenses</b>	<b>1,458</b>	<b>1,429</b>	<b>1,440</b>	<b>1,502</b>	<b>1,610</b>
<b>Net investment income before taxes</b>	<b>3,131</b>	<b>2,843</b>	<b>2,905</b>	<b>3,134</b>	<b>3,377</b>
Income tax (provision) / benefit	(23)	125	(27)	(68)	(33)
<b>Net investment income</b>	<b>3,108</b>	<b>2,968</b>	<b>2,878</b>	<b>3,066</b>	<b>3,344</b>
<b>Net Realized and Unrealized Gain / (Loss) on Investments:</b>					
Net realized (loss) / gain on investments	(154)	(409)	(890)	(690)	(5)
Net unrealized appreciation / (depreciation) on investments	7,395	7,709	180	(16,793)	(10,537)
<b>Net realized and unrealized gain / (loss) on investments</b>	<b>7,241</b>	<b>7,300</b>	<b>(710)</b>	<b>(17,483)</b>	<b>(10,542)</b>
<b>Net increase (decrease) in net assets resulting from operations ("Net Earnings (Loss)")</b>					
	<b>\$ 10,349</b>	<b>\$ 10,268</b>	<b>\$ 2,168</b>	<b>\$ (14,417)</b>	<b>\$ (7,198)</b>
<b>Net investment income per share</b>	<b>\$0.31</b>	<b>\$0.30</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$0.33</b>
<b>Net Earnings (Loss) per share</b>	<b>\$1.03</b>	<b>\$1.03</b>	<b>\$0.22</b>	<b>(\$1.44)</b>	<b>(\$0.72)</b>
<b>Distributions to stockholders per share</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$0.29</b>

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. The Annual Meeting of Stockholders is expected to be held prior to the end of 2016.

# INTEREST RATE SENSITIVITY <sup>(1)</sup>

## Loan Portfolio

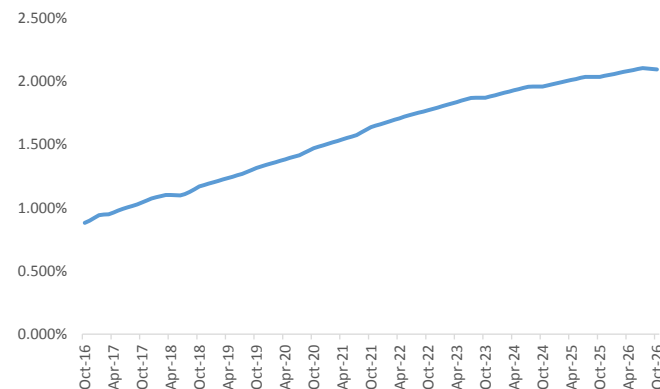
- ◆ 100% of our loan assets are floating rate
- ◆ 100% of our loans assets have LIBOR floors (~1%)
- ◆ Our funding liabilities are floating rate
- ◆ Due to the presence of LIBOR floors there is a temporary asset-liability mismatch until LIBOR exceeds our asset floor

Increase to Libor	NI/Share Benefit <sup>(2) (3)</sup>
1%	0.06
2%	0.16
3%	0.25
4%	0.35
5%	0.44

## 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 <sup>(4) (5)</sup>



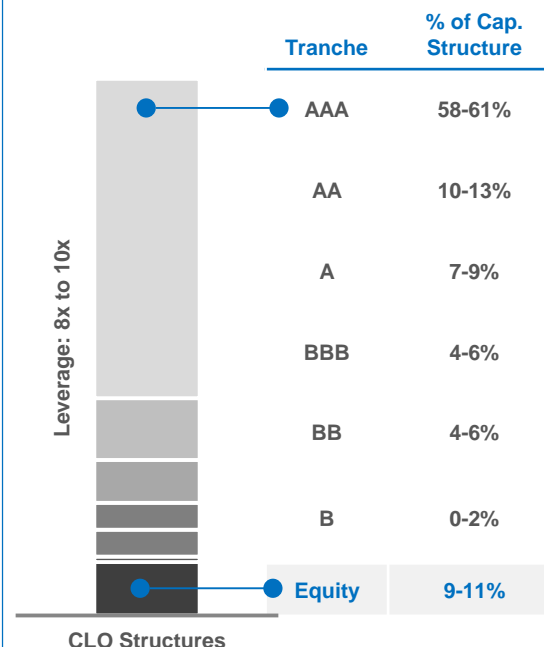
1. As of September 30, 2016
2. Although management believes that this measure is indicative of our sensitivity to interest rates, it does not reflect any potential impact to the fair value of our investments as a result of changes to interest rates, nor does it adjust for potential changes in the credit 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. Approximate annualized impact to the components of our results of operations from hypothetical base rate changes in interest rates to our Loan Portfolio and debt financing. 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 September 30, 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<sup>1</sup>



1. Source: S&P LCD.