

Saratoga Investment Corp.

**Fiscal Second Quarter 2018
Shareholder Presentation**

October 12, 2017



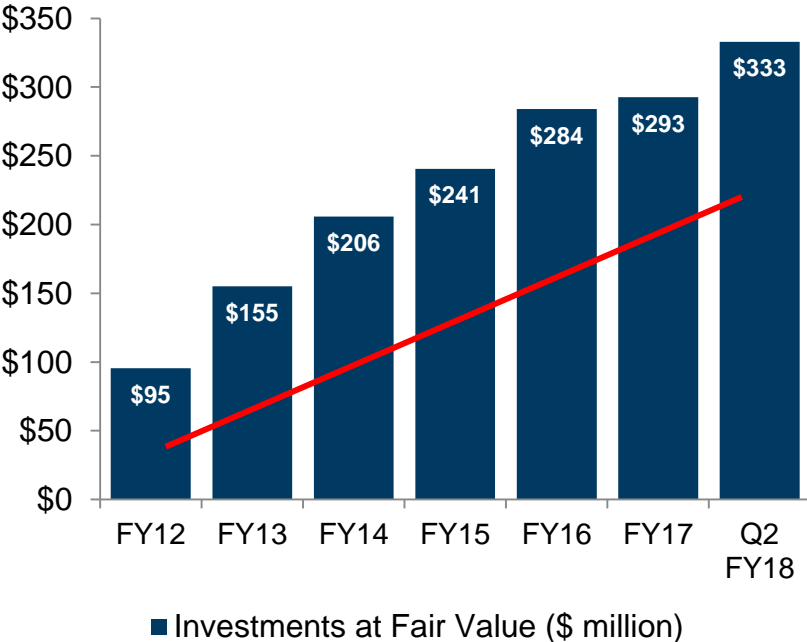
Continued Progress to Core Objectives in Q2 2018

Fiscal Second Quarter 2018 Highlights:

- Continued strengthening of financial foundation
 - Investment quality remains strong
 - 97.3% of loan investments with highest rating
 - Return on equity of 8.3% LTM
 - ROE is net of \$7.7 million realized loss on My Alarm Center, offset by \$2.0 million of other realized gains
 - Gross Unlevered IRR of 12.5% on total unrealized portfolio as of August 31, 2017
 - Gross Unlevered IRR of 16.3% on \$234.6 million of total realizations
- Consistent strong originations maintain assets under management despite large repayments in Q2
 - AUM up 14% since year-end, up 251% since FY12
 - \$36.7 million of originations in Q2 offset repayments of \$37.9 million
- Latest dividend of \$0.48 per share continued twelfth increase in quarterly dividends
 - Over-earning our current dividend by 11.5% - \$0.62 adjusted NII/share for LTM
- Base of liquidity remains strong - existing available liquidity allows us to increase current AUM by 21%
- ATM equity program – as of August 31, 2017, sold 117,354 shares for gross proceeds of \$2.6 million
 - Average price of \$22.49 per share
- Key performance indicators all up in Q2 versus Q1
 - Adjusted NII of \$3.7 million is up 21%, Adjusted NII per share of 62c is up 9c, Adjusted NII Yield of 11.3% is up 210bps and NAV per share of \$22.37 is up 68c

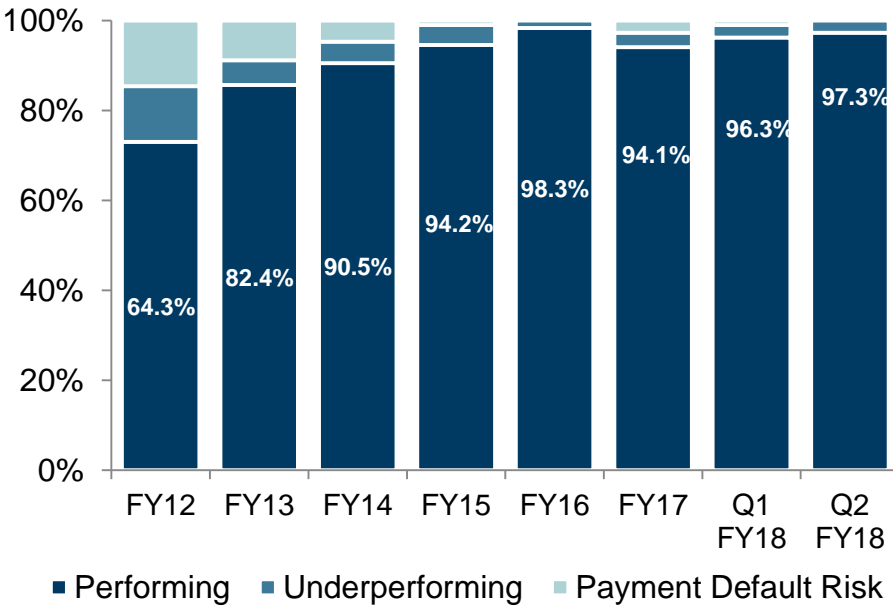
Continued Asset Growth and Solid Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 14% since year-end and 251% since FY12

Overall Credit Quality Continues Strong



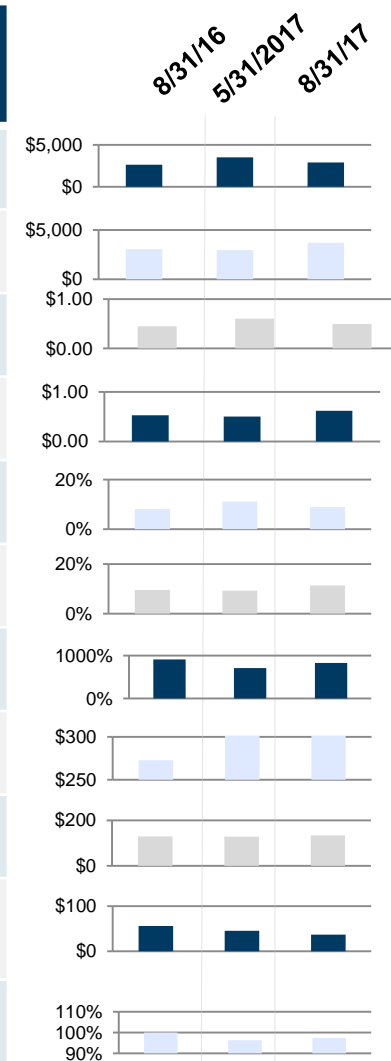
Over 97% of our SAR loan investments hold our highest internal rating; one on non-accrual at quarter-end*

* Excludes our investment in our CLO, and our equity and written-off legacy investments.

Q2 FY18: Strong Financial Foundation and Growth

Key Performance Metrics for the Fiscal Quarter

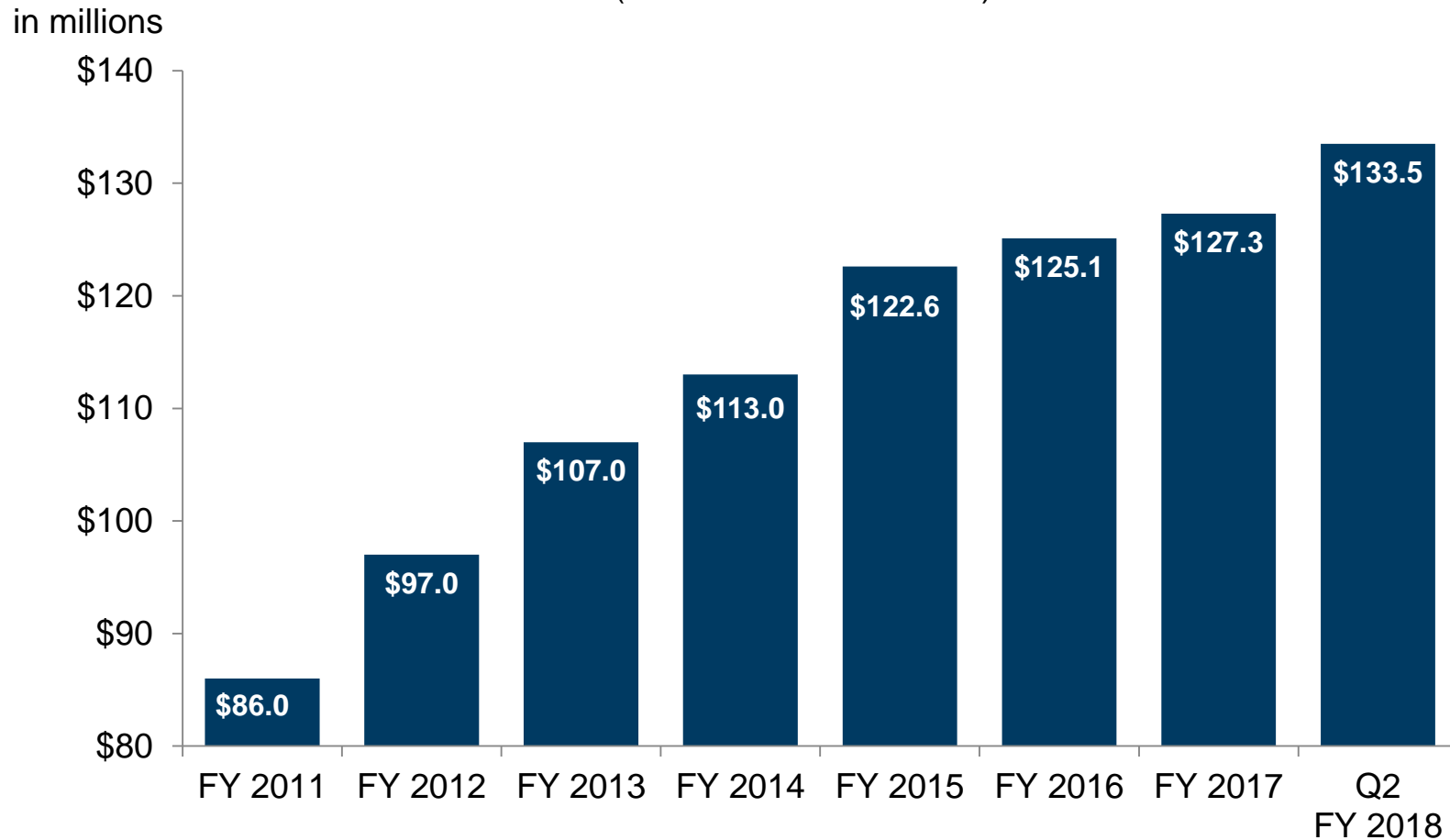
For the quarter ended and as of (\$ in millions except per share)	Aug 31, 2016	May 31, 2017	Aug 31, 2017
Net investment income	\$2,604	\$3,504	\$2,891
Adjusted net investment income*	\$3,050	\$2,944	\$3,680
Net investment income per share	\$0.45	\$0.60	\$0.49
Adjusted net investment income per share*	\$0.53	\$0.50	\$0.62
Net investment income yield	8.1%	11.0%	8.9%
Adjusted net investment income yield*	9.5%	9.2%	11.3%
Return on Equity – Last Twelve Months	9.1%	7.1%	8.3%
Fair value of investment portfolio	\$272.8	\$329.7	\$333.0
Total net assets	\$128.6	\$127.6	\$133.5
Investments in new/existing portfolio companies	\$55.7	\$45.0	\$36.7
Loan Investments held in “strong” credit ratings	99.9%	96.3%	97.3%



*Adjusted for accrued capital gains incentive fee expense, and interest during call period and loss on extinguishment of existing baby bonds debt, reconciliation to GAAP net investment income included in our fiscal second quarter 2018 earnings release.

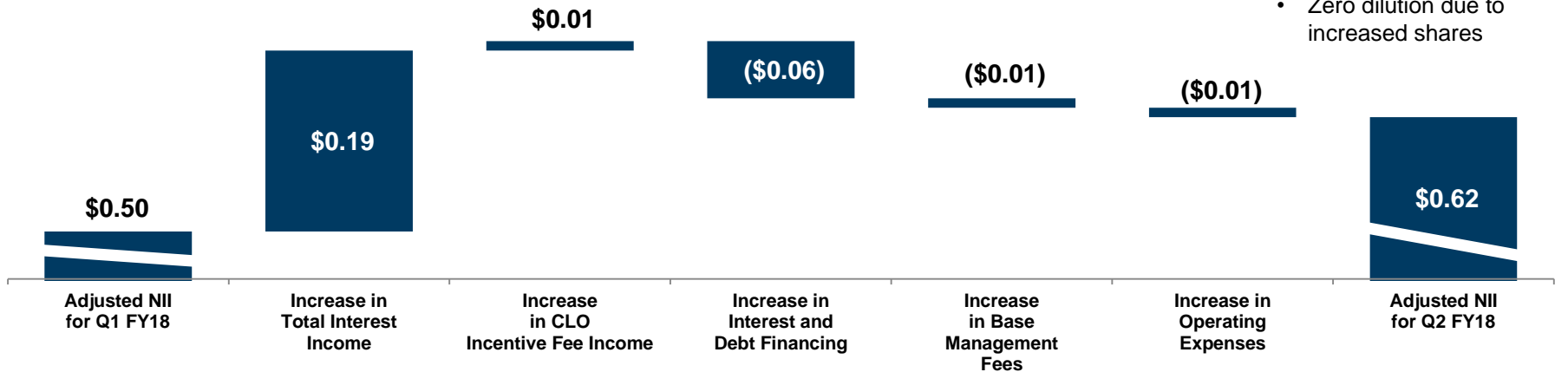
NAV Continues to Benefit from Realizations

Net Asset Value
(FY 2011 to Q2 FY 2018)



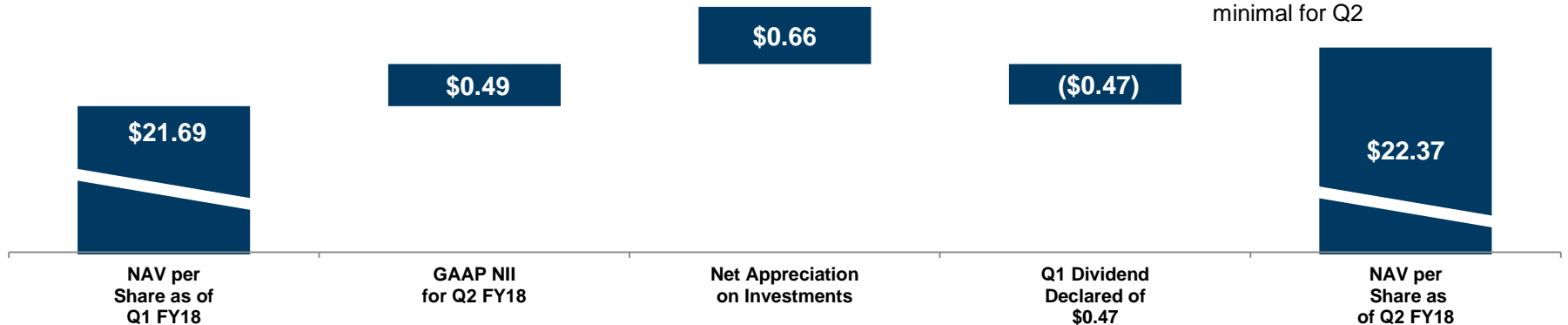
Quarterly Reconciliation of NII and NAV per Share

Reconciliation of Quarterly NII per Share



- Impacts are shown net of incentive fee
- Zero dilution due to increased shares

Reconciliation of Quarterly NAV per Share



- Accretive impact of ATM and DRIP issuances were minimal for Q2

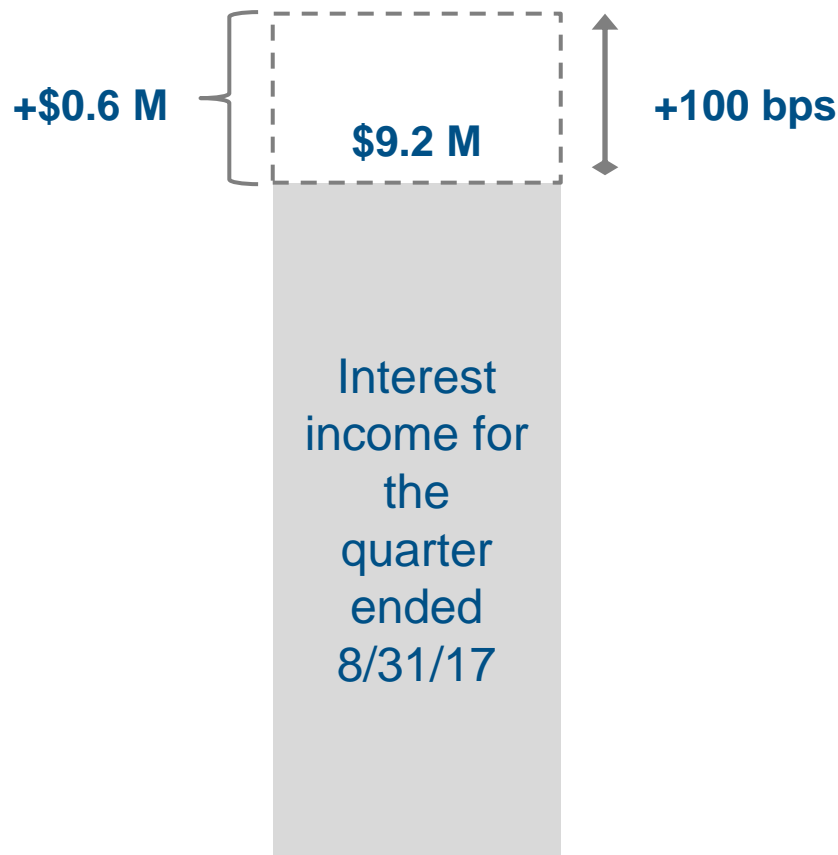
Significant Dry Powder Available

(As of Aug 31, 2017)	Total Borrowing Capacity	Outstanding	Available Liquidity	Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility	\$45.0 million	\$10.0 million	\$35.0 million	8 Years	Floating
SBA Debentures	\$150.0 million	\$134.7 million	\$15.3 million	6-10 years	Fixed
Publicly-Traded Notes (at fair value)	\$77.9 million	\$77.9 million	\$0.0 million	7 Years	Fixed
Cash and Cash Equivalents	\$18.4 million	\$0.0 million	\$18.4 million	-	-
Total Available Liquidity (at quarter-end): \$ 68.7 million					

* Ability to grow AUM by 21% without any new external financing

SAR Benefits from Increased Interest Rates

Interest Income Grows with Higher Interest Rates

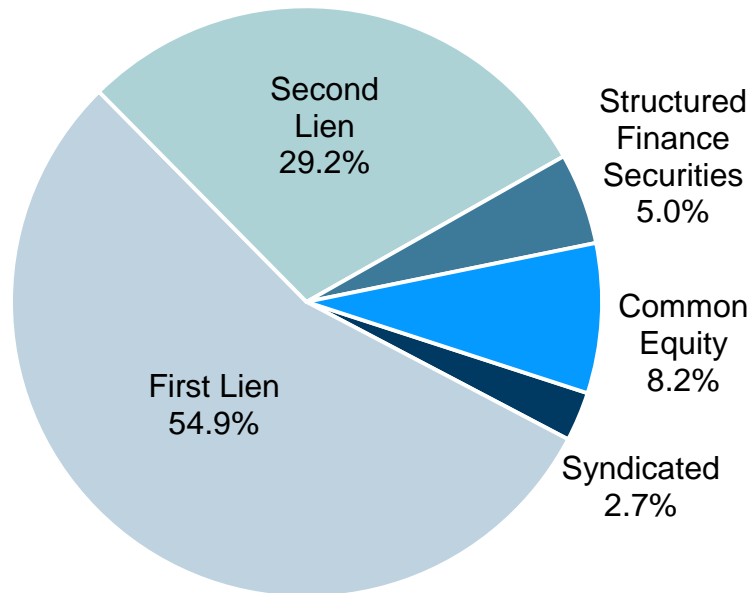


- 84% of SAR lending at floating rates
- Hypothetical 1% change in interest rates would result in ~\$0.6 million increase in interest income over the quarter (\$2.3 million per year)
 - Assumes investments as of 8/31/17 outstanding for full quarter and no change to existing rate terms

Portfolio Composition and Yield

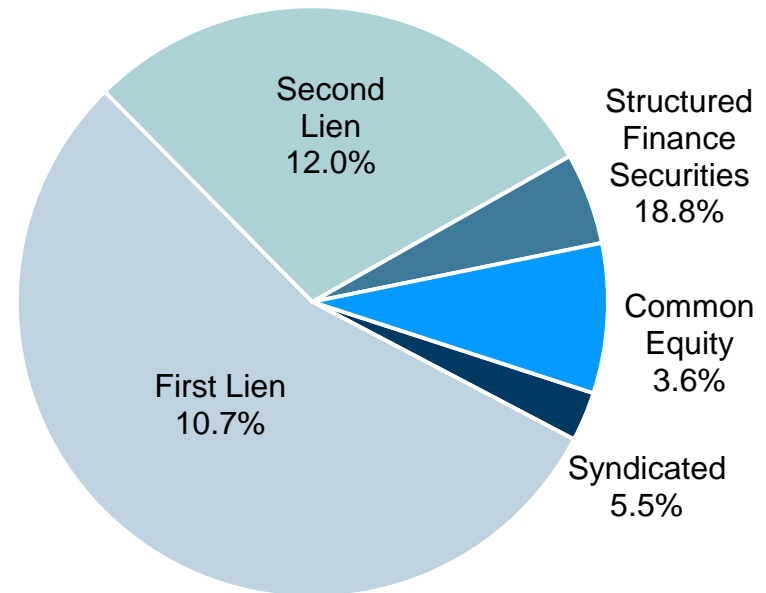
Portfolio Composition – \$333.0 m

(Based on Fair Values
as of August 31, 2017)



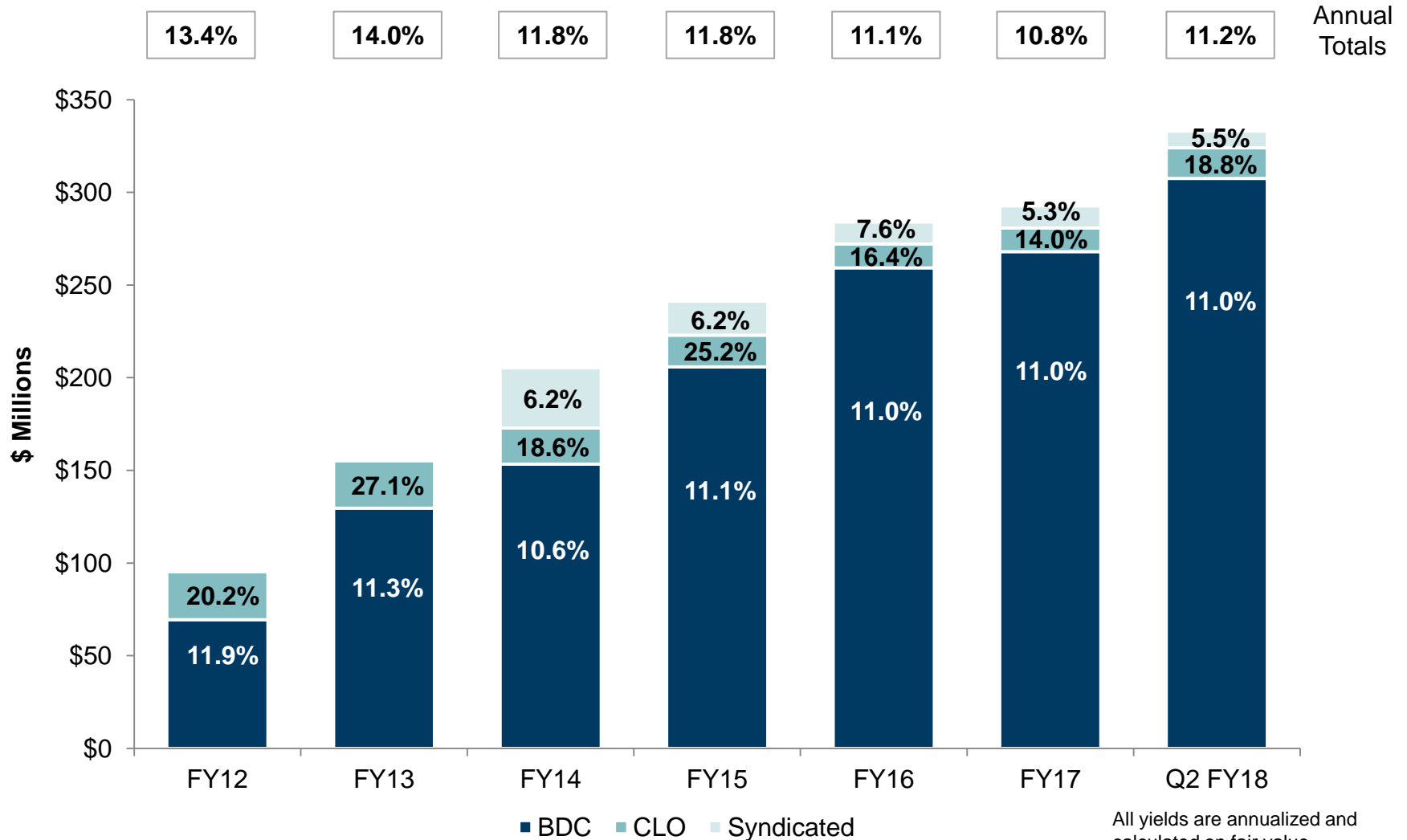
Portfolio Yield – 11.2%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

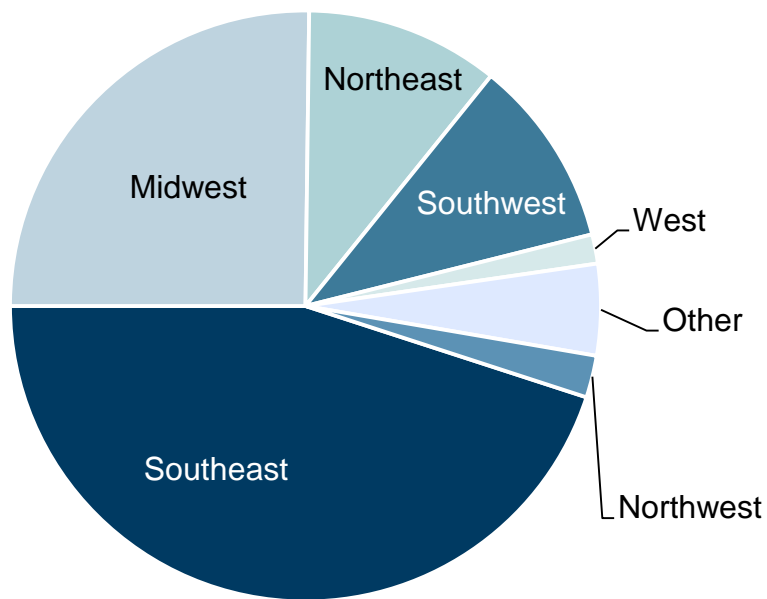
Weighted Average Current Yields



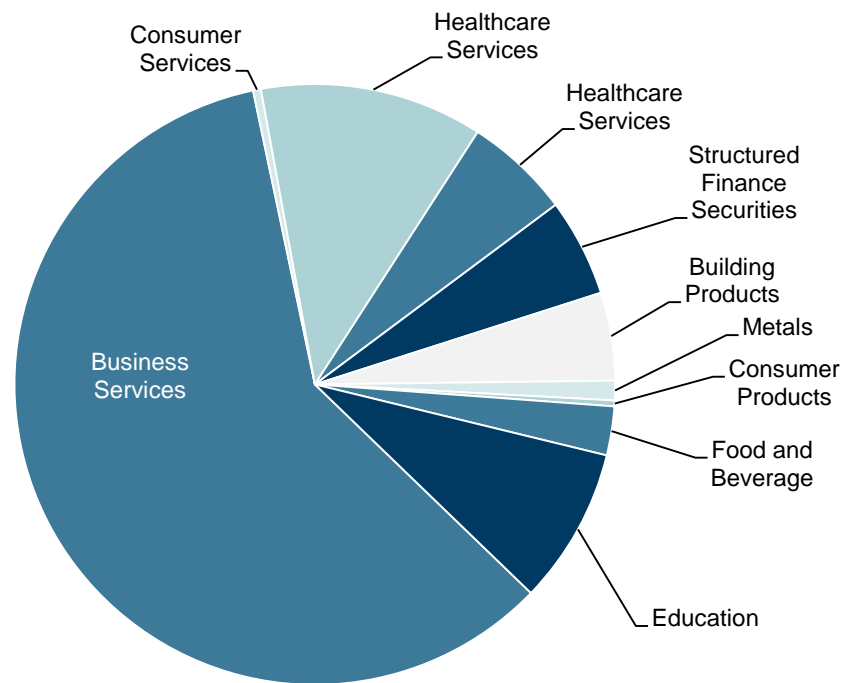
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

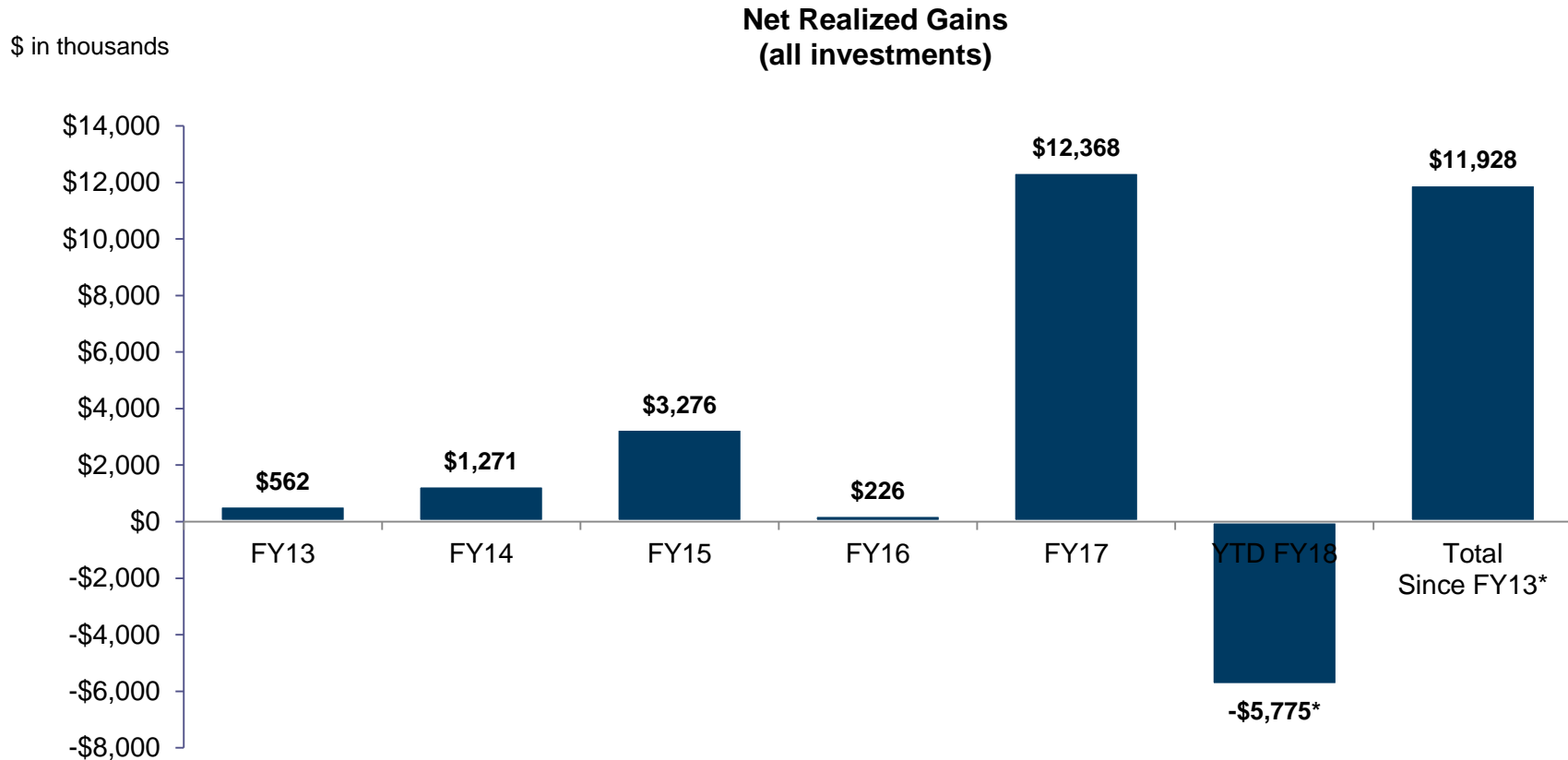


Investments across 9 distinct industries



Net Realized Gains Help Protect Shareholder Capital

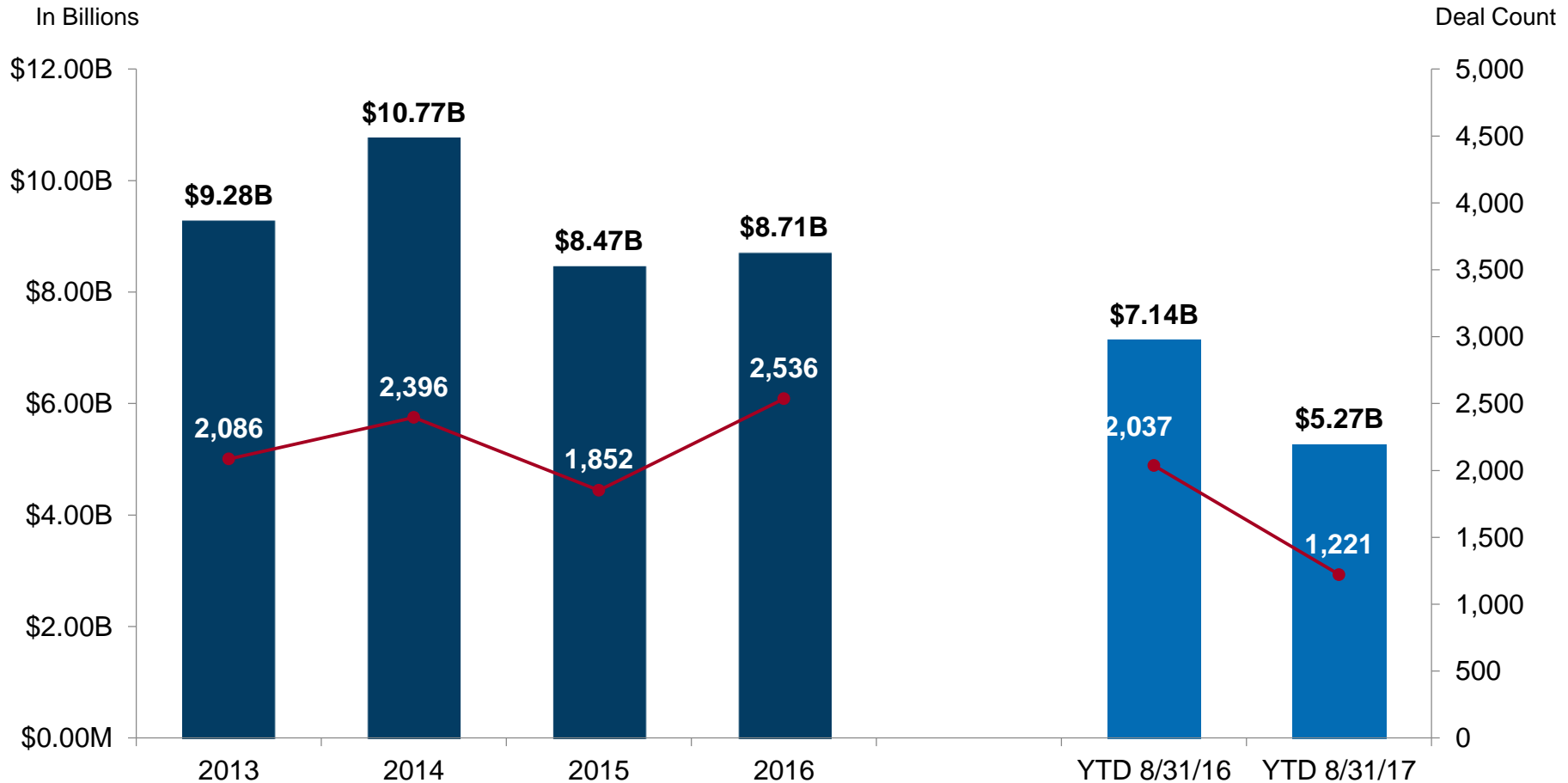
Cumulative net realized gains reflect portfolio credit quality



* Reflects realized loss on My Alarm Center investment of \$7.7m less \$1.9m in other realized gains

US Deal Activity Below \$25m Continues to Decrease

- YTD August transactions for US deals below \$25 million down by 40% over same period calendar 2016



Source: PitchBook Data, Inc.

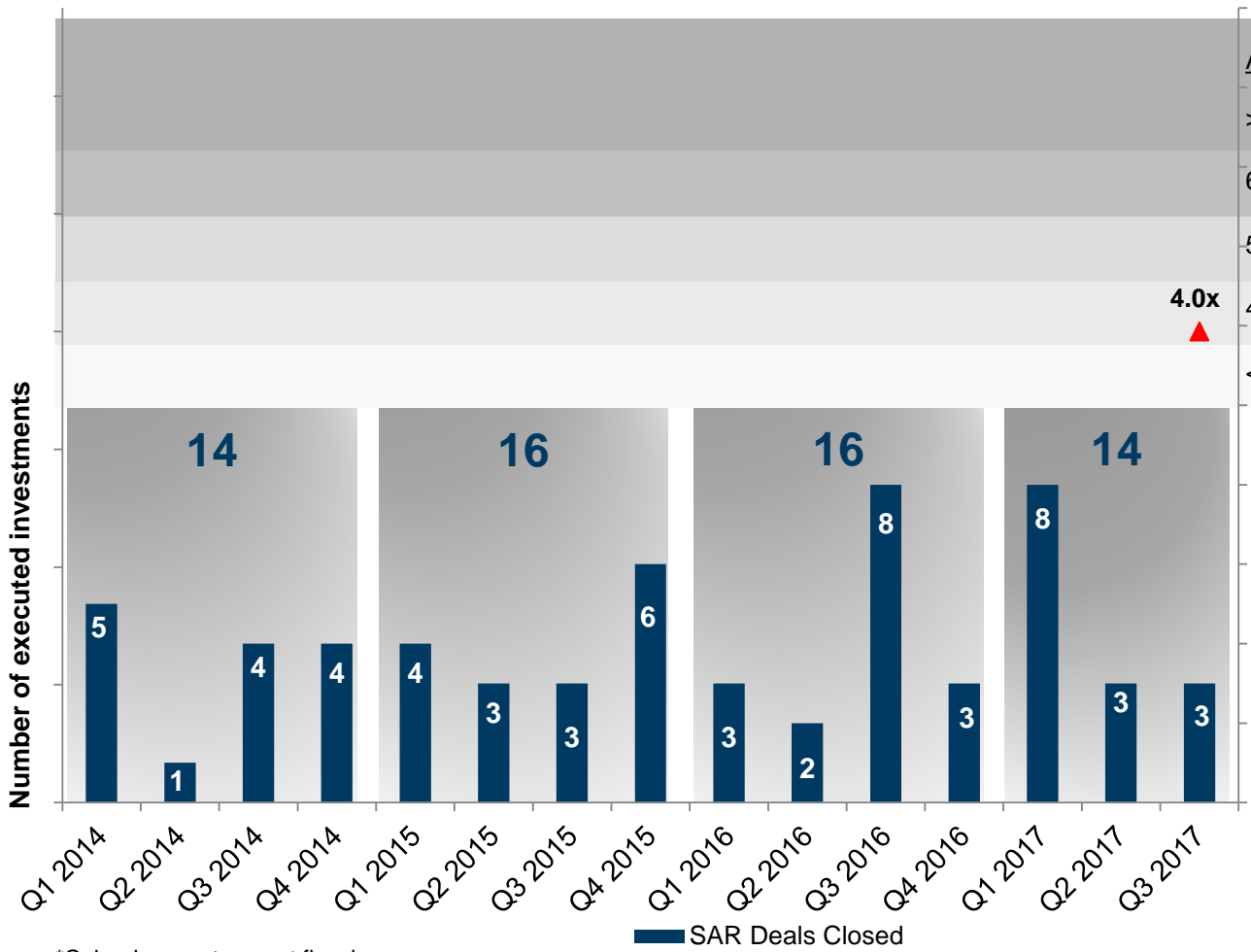
■ Total Capital Invested ● Deal Count

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2014-2017)

Total Portfolio Leverage is 4.0x

Market Average Multiples
(Total Debt/EBITDA)



August 31, 2017*		March 31, 2017*	
>7.0x	0.0%	>7.0x	10.0%
6.0x-6.9x	60.0%	6.0x-6.9x	11.1%
5.0x-5.9x	30.0%	5.0x-5.9x	22.2%
4.0x-4.9x	10.0%	4.0x-4.9x	22.2%
<4.0x	0.0%	<4.0x	33.3%

Multiples for SAR deals at low end of industry average

Market averages slightly increased this quarter

*Calendar quarters, not fiscal

■ SAR Deals Closed
▲ Weighted Average SAR leverage across portfolio

Source: S&P Global market Intelligence US:Q1 2017, issuers with EBITDA less than or equal to \$50m



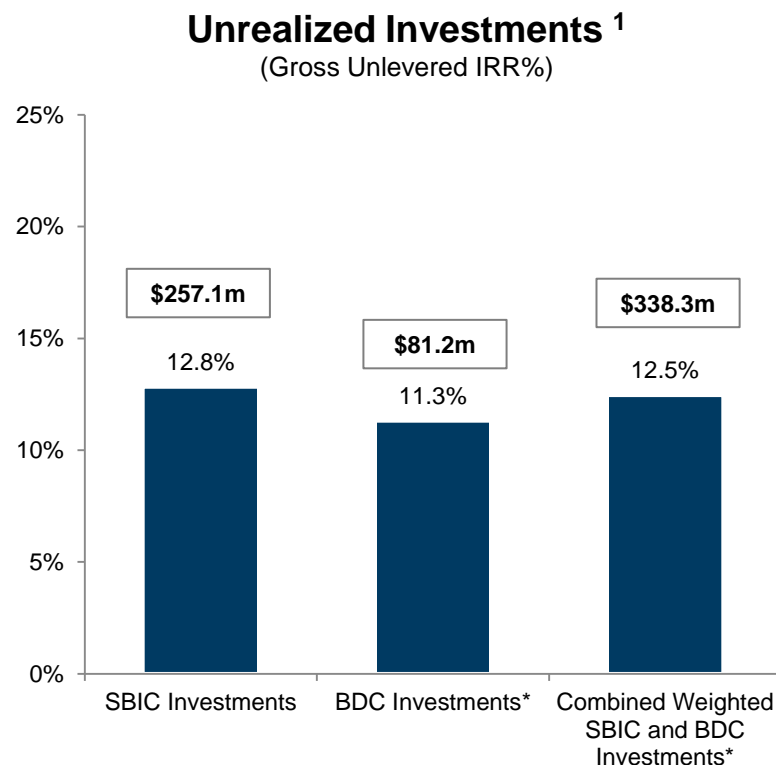
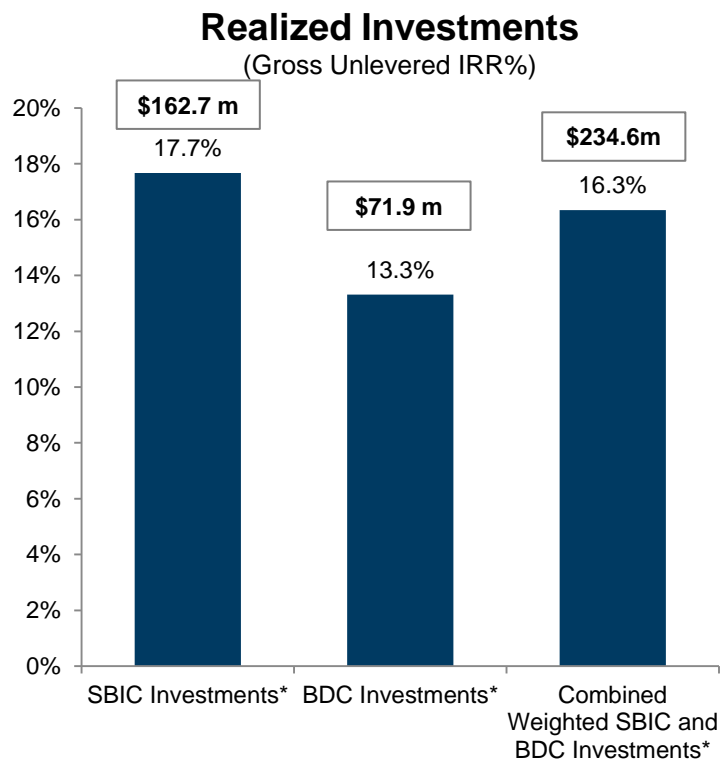
Robust Pipeline During Tough Execution Market

Despite a difficult market to close deals, the number of new business opportunities is increasing for us, yet we remain as disciplined as ever.

Calendar	2014	Δ	2015	Δ	2016	Δ	LTM Q3 2017	
Deals Sourced	480	28%	613	5%	645	5%	676	<ul style="list-style-type: none"> 50% of deal flow from private equity sponsors 50% of deals from private companies without institutional ownership
Term Sheets	48	40%	67	(28%)	48	13%	54	<ul style="list-style-type: none"> Saratoga issues an average of 14 term sheets per quarter ~ 80% of term sheets are issued for transactions involving a private equity sponsor Decrease from 2015 reflects inconsistent current quality
Deals Executed (new and follow-on)	14	14%	16	-	16	6%	17	<ul style="list-style-type: none"> Saratoga closes an average of 4 new deals or follow-ons per quarter, 2.5% of deals reviewed Approximately half were follow-ons the past year One new portfolio company the past quarter and seven in the LTM period

*Calendar quarters, not fiscal quarters

Demonstrated Strong Track Record



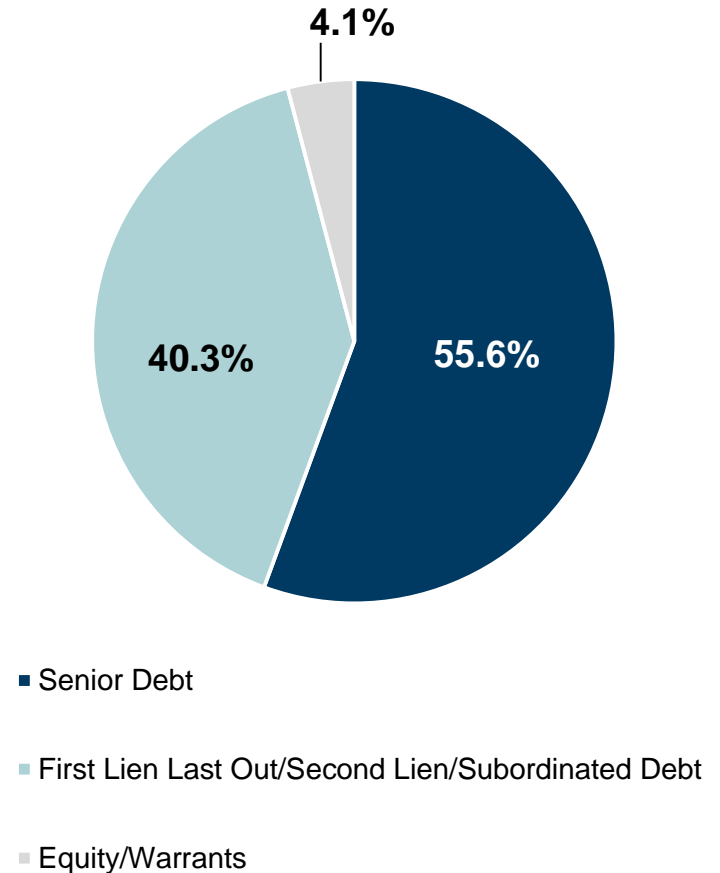
Track Records as of 08/31/17

¹ IRRs for unrealized investments include fair value through 08/31/17 and accrued interest through 8/31/17
 * SBIC investments represent all investments in the first license. BDC investments exclude investments existing when Saratoga management took over, and corporate financing investments.

SBIC Portfolio Primarily Senior Debt

- SBIC portfolio consists of 21 investments across a range of industries. Compared to the broader loan market tracked by S&P and Thomson Reuters, SAR's leverage levels are lower.
- The weighted average leverage for all SBIC debt investments is 4.3x¹.
 - 55.6% of the SBIC portfolio consists of senior debt investments, down from 65.3% in May 2017
 - 40.3% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, up from 31.1% in May 2017

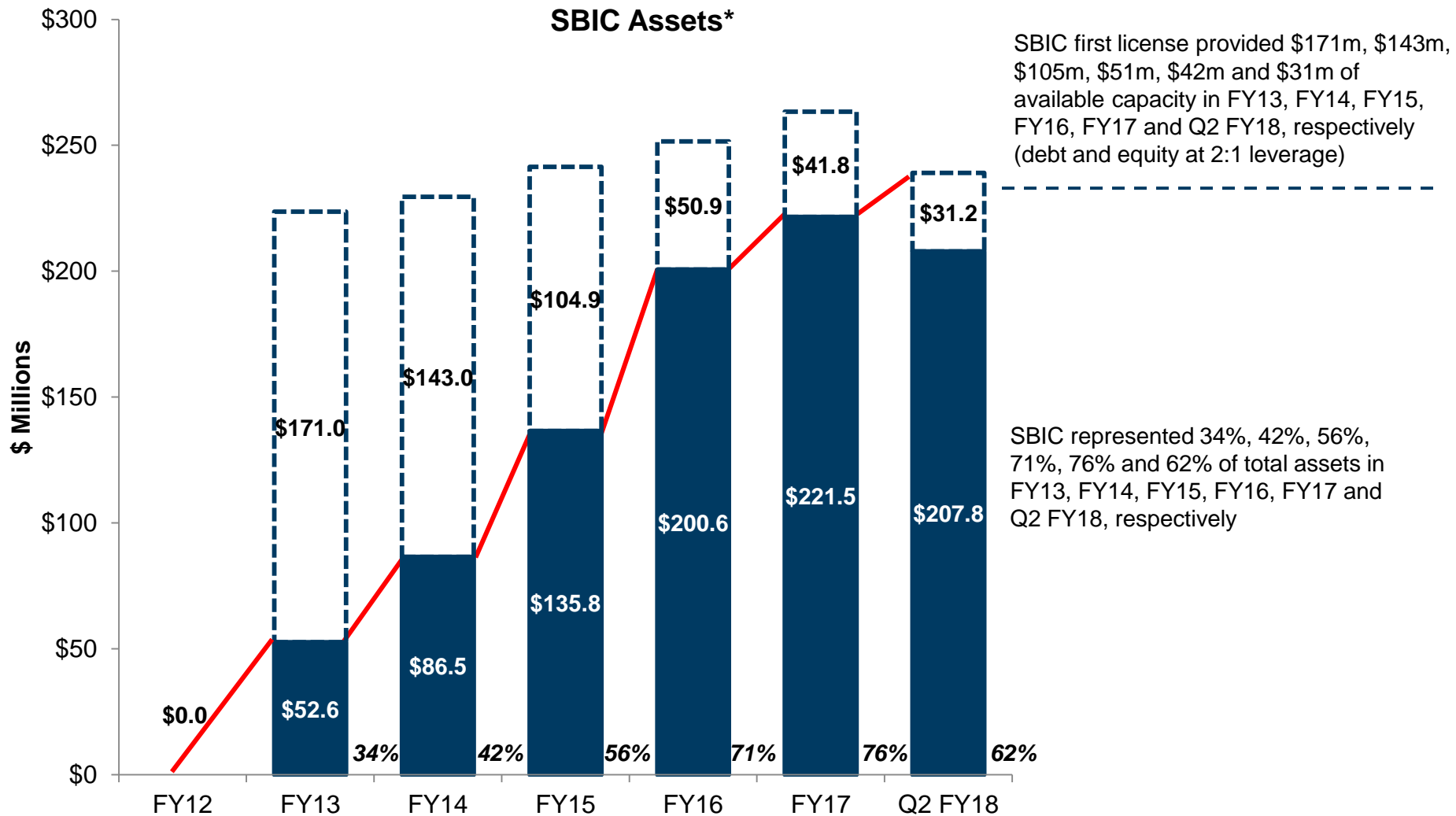
Composition of SBIC Portfolio ²



¹Excludes two loans underwritten using recurring revenue metrics

²Based on market value as of August 31, 2017

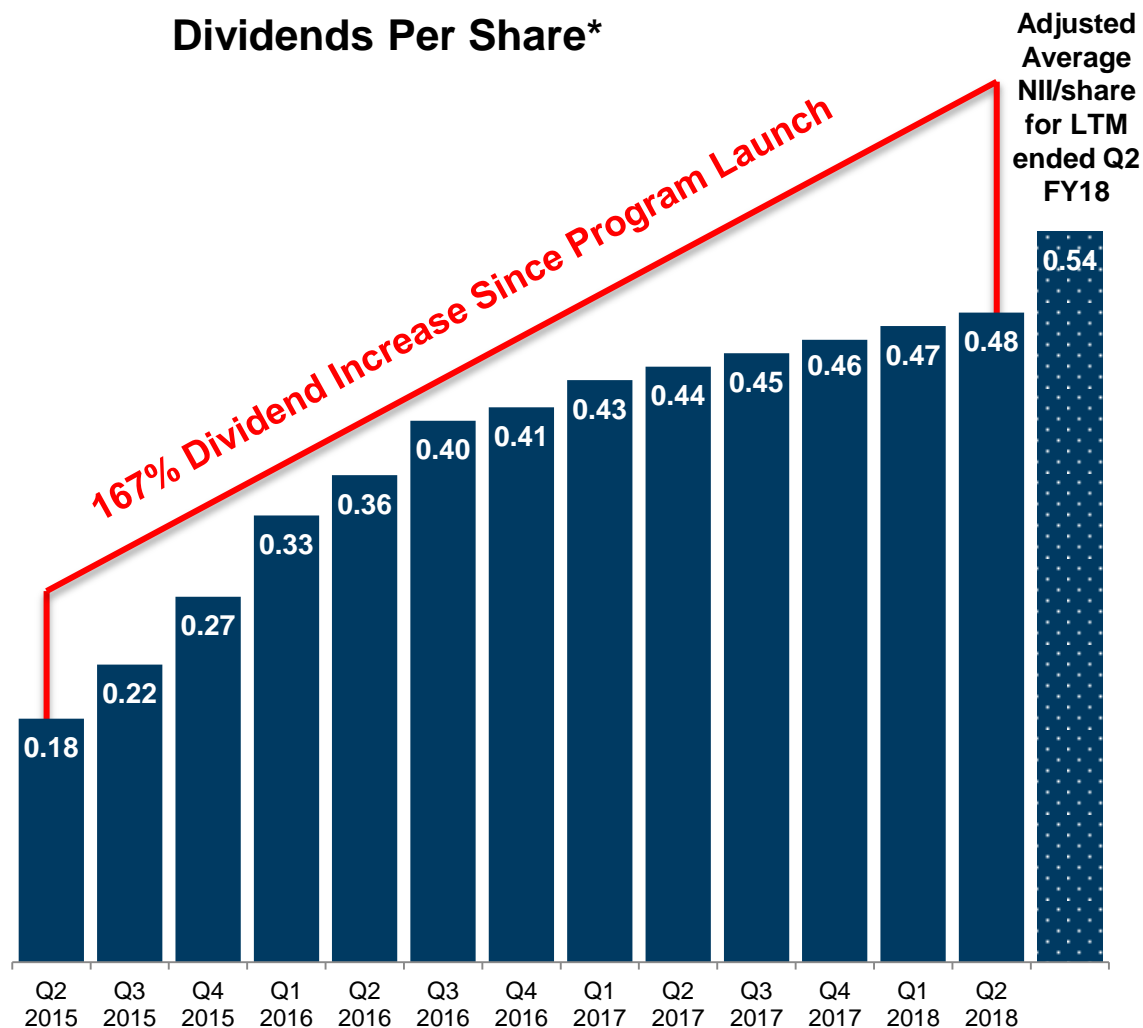
SBIC Assets Close to Fully Funded



* At Fair Value as of August 31, 2017

Dividends Continue to Increase

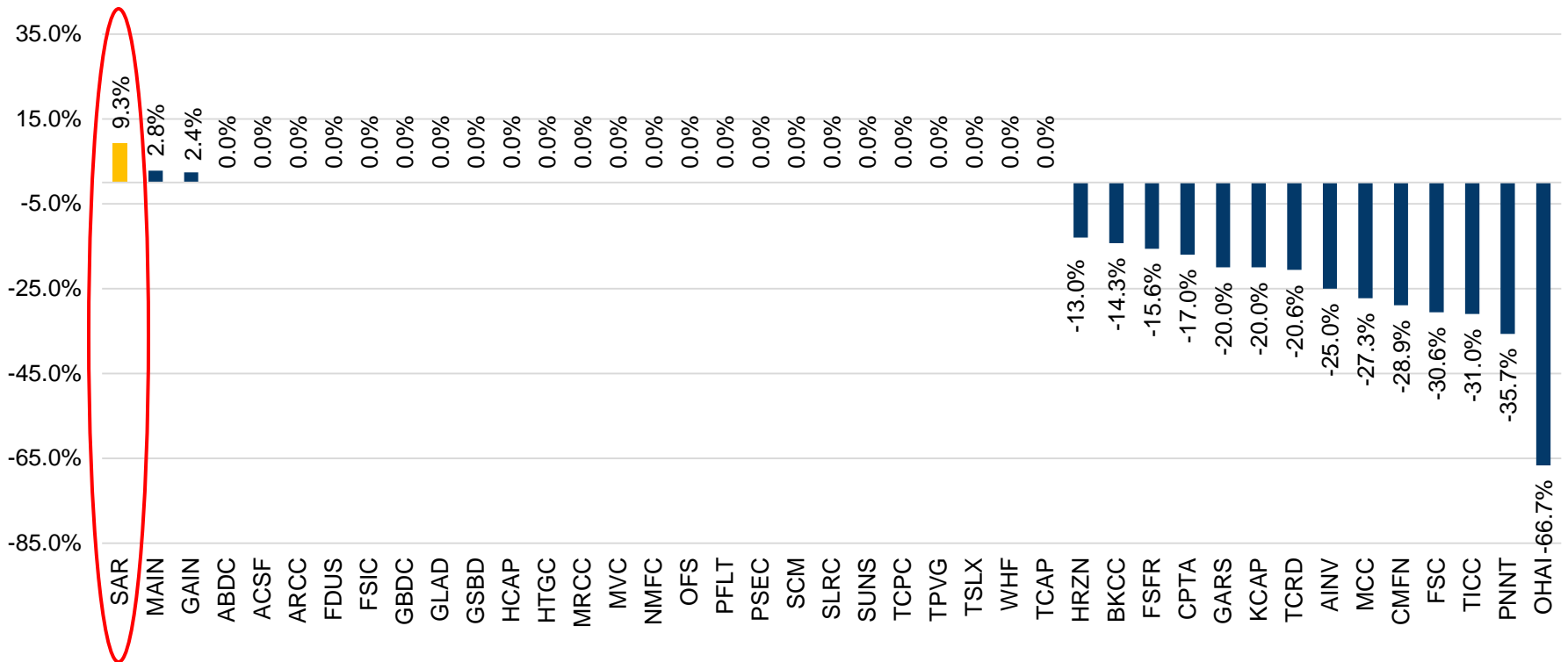
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 167% since program launch
- Declared Q2 2018 dividend of \$0.48, an increase of \$0.01 (2%)
- Overearning our dividend currently (11.5% on average LTM NII per share)



*Excludes special dividend of \$0.20 per share paid on September 5, 2016

Saratoga Growing Dividends the Past Twelve Quarters

Year-Over-Year Quarterly Dividend Growth Highest in Industry



Source: Raymond James report as of 9/15/17

SAR LTM Total Return Outperforms BDC Index

LTM Total Return (%)
(Sept 2016 to Sept 2017)

SAR +30% vs. BDC Index +9%



Source: Keefe, Bruyette & Woods

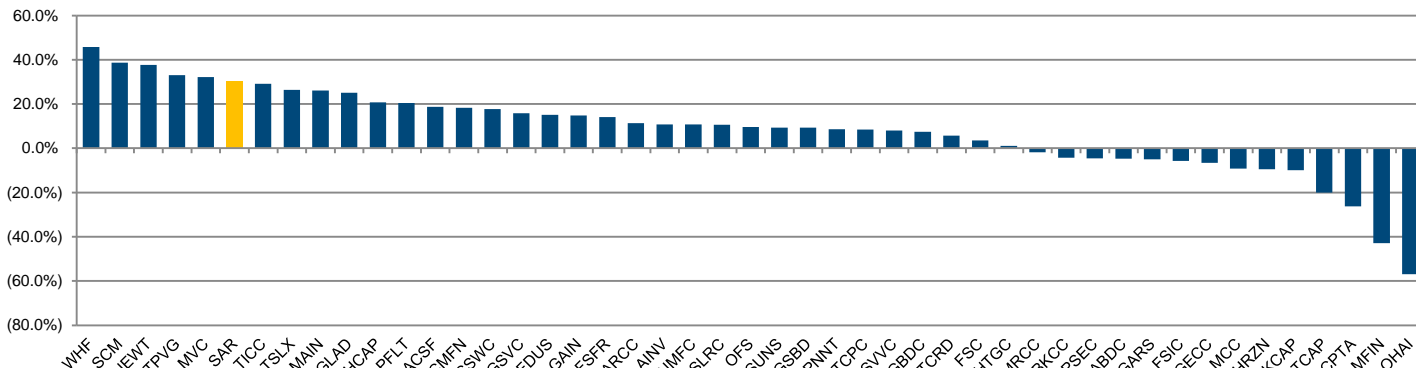
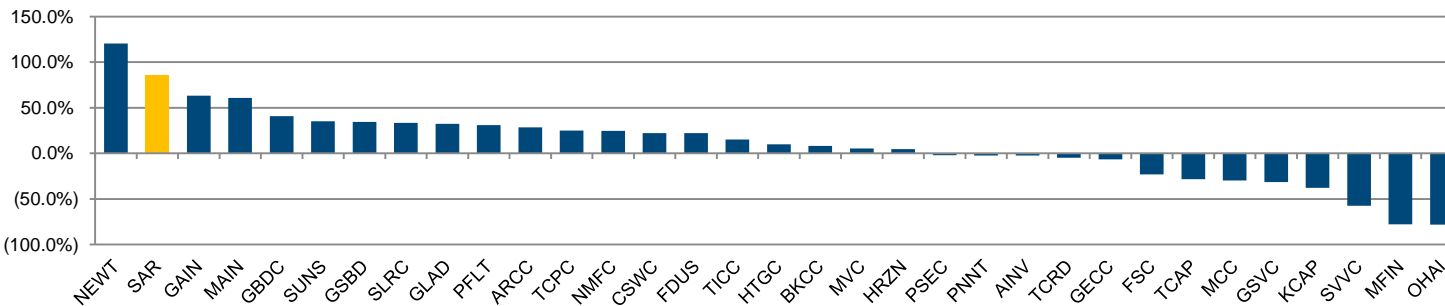
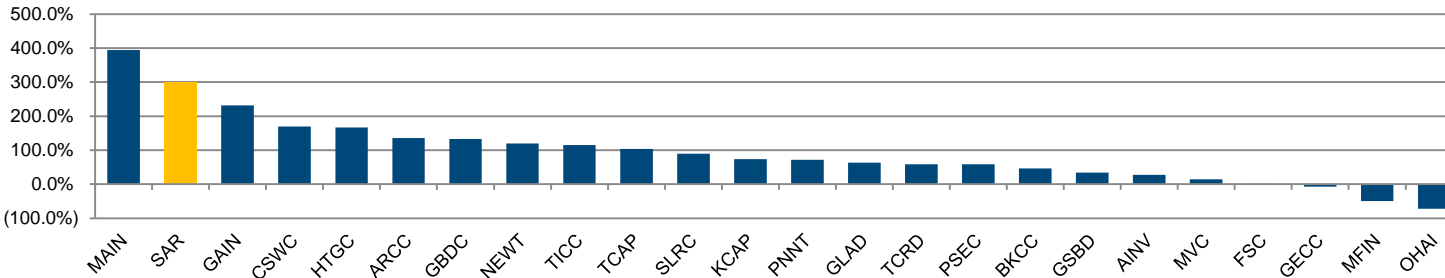
Performance at Top of BDC Industry

BDC Total Return (%)

Past 7 years since Saratoga took over: 300%

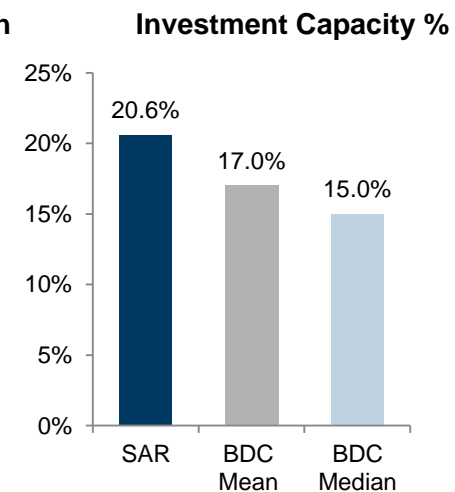
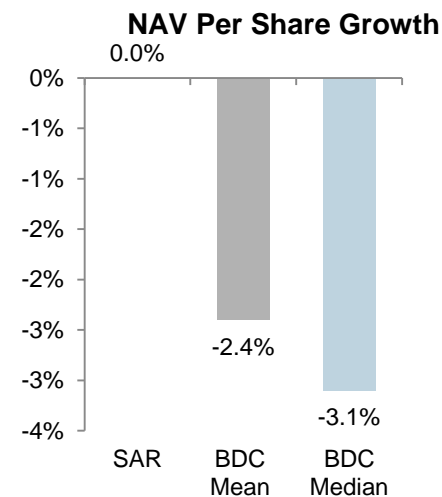
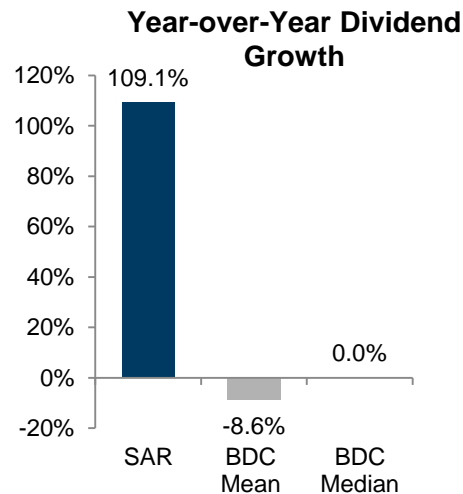
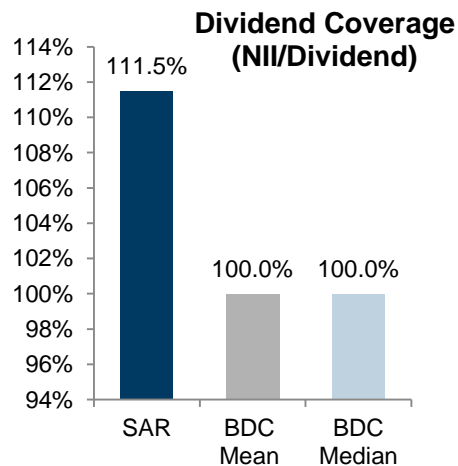
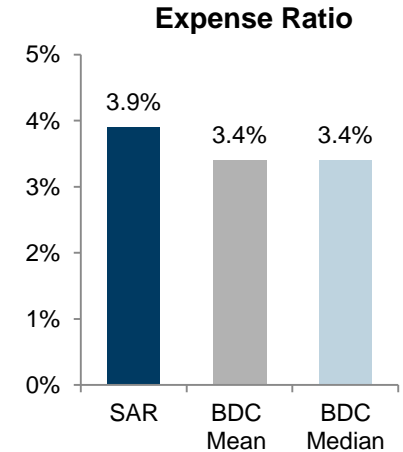
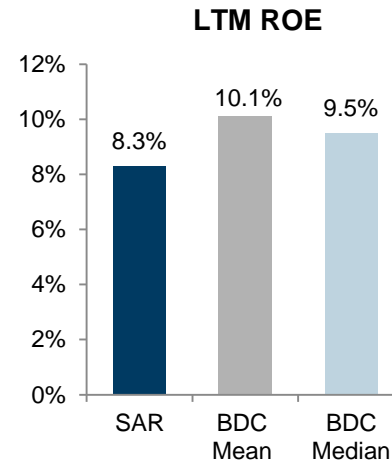
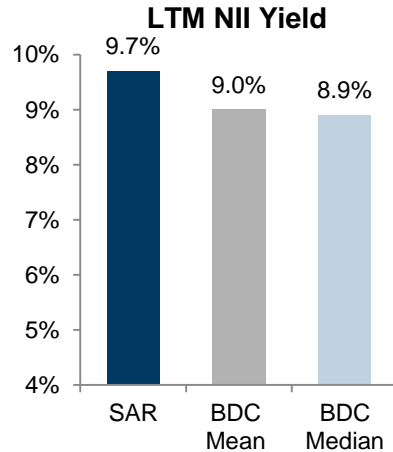
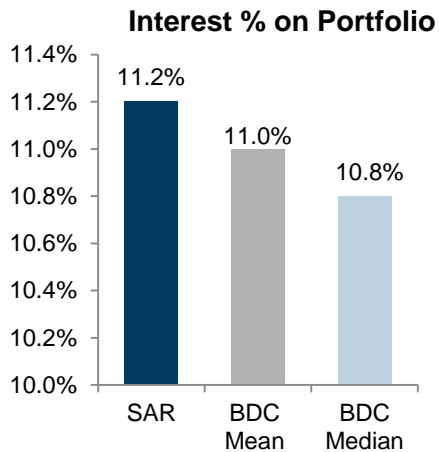
Last 3 years: 86%

Last 12 months: 30%



Source: Keefe, Bruyette & Woods

Strongly Differentiated Outperformance



Source: SNL Financial / Company Filings / Raymond James report as of 9/15/17 / Wells Fargo BDC Scorecard 9/12/17

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Strong and growing dividend** | Paying a current dividend yield of approx. 9.0%; increased quarterly dividend by 167% over past three years; significant management ownership of 26%
- ▶ **Solid return on equity** | LTM ROE of 8.3% factors in both investment income and net gains/losses
- ▶ **Ample low-cost, liquidity available** | Ample borrowing capacity still at hand through both credit facility and SBA debentures relative to competitors – can grow current asset base by 21%; maturity extended through recent successful baby bond offering and extension of credit facility
- ▶ **Solid earnings per share and NII Yield** | Attractive NII per share generated from strong risk-adjusted portfolio returns and favorable capital structure – next \$40 million of net investment growth very accretive
- ▶ **Commitment to AUM expansion** | Assets under management has steadily grown 251% since FY 2012 and 14% since year end with strong originations offsetting significant repayments
- ▶ **Well-positioned for higher interest rates** | Over 84.4% of our investments have floating interest rates, a significant portion of which have 75 to 100 basis point floors. Debt primarily at fixed rates
- ▶ **Limited oil & gas exposure** | Will not be facing significant write-downs as a result of major direct exposure to energy/oil/gas investments
- ▶ **Attractive risk profile** | SAR and SBIC leverage is below market averages, 97% of credits are the highest quality, 55% of investments are first lien, protected against potential interest rate risk of rising rates

Objectives for the Future

- Expand our asset base without sacrificing credit quality while benefitting from scale
- Increase our capacity to source, analyze, close and manage our investments by adding to our management team and processes
- Utilize benefits of fully deploying available financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
 - Net Asset Value
 - Return on Equity
 - Earnings per Share
 - Stock Values

Questions?



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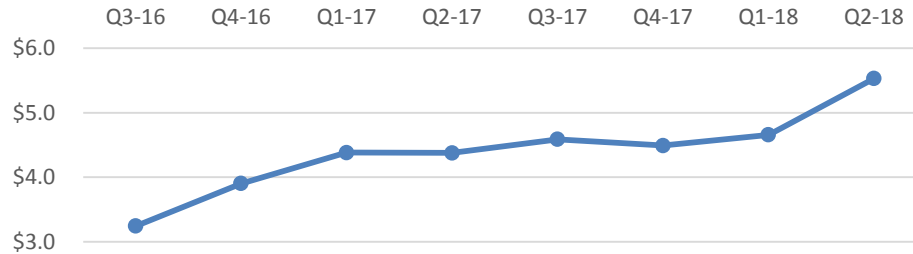


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KPIs –Income Statement– Q2 FY 2018

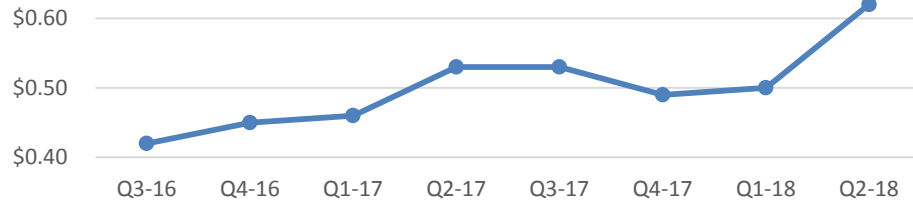
Period (Fiscal year)	Net Interest Margin (in millions)
Q3-16	\$ 3.2
Q4-16	\$ 3.9
Q1-17	\$ 4.4
Q2-17	\$ 4.4
Q3-17	\$ 4.6
Q4-17	\$ 4.5
Q1-18	\$ 4.7
Q2-18	\$ 5.5

**Net Interest Margin (excluding CLO)
(in millions)**



Period (Fiscal year)	NII Per Share
Q3-16	\$ 0.42
Q4-16	\$ 0.45
Q1-17	\$ 0.46
Q2-17	\$ 0.53
Q3-17	\$ 0.53
Q4-17	\$ 0.49
Q1-18	\$ 0.50
Q2-18	\$ 0.62

NII Per Share



Period (Fiscal year)	NII Yield
Q3-16	7.4%
Q4-16	8.0%
Q1-17	8.3%
Q2-17	9.5%
Q3-17	9.5%
Q4-17	8.8%
Q1-18	9.2%
Q2-18	11.3%

NII Yield

