

Saratoga Investment Corp.

Fiscal Q3 2017 Shareholder Presentation

January 12, 2017



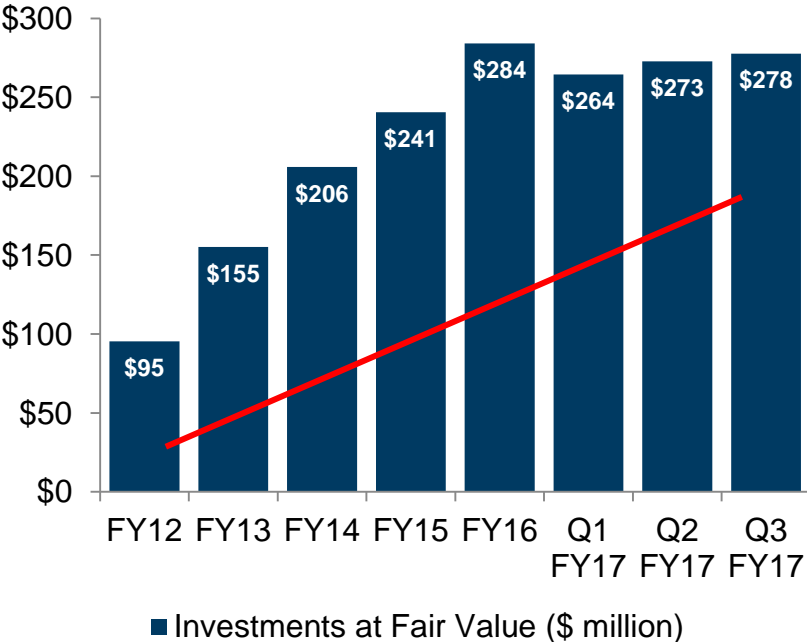
Continued Progress in Q3 2017

Fiscal third quarter highlights:

- Continued strengthening of financial foundation
 - Investment quality remains strong
 - 96.7% of loan investments with highest rating
 - Return on equity of 7.7% LTM (12.1% excluding legacy), beating industry average of 1.1%
- Consistent originations sustain assets under management despite significant repayments
 - AUM up 193% from FY12, up 15% from last year Q3, and up 2% from last quarter
 - \$30.1 million originations this quarter offset repayments of \$23.8 million
- Two important refinancings recently completed
 - CLO refinanced for second time – extends reinvestment period to October 2018
 - Baby bonds offering completed of \$74.5m – extends maturity by over three years and reduces interest rate by 75 bps
- Latest dividend of \$0.45 per share continuing increase in quarterly dividends
 - Over-earning our current dividend by 13% - \$0.53 adjusted NII/share for Q3 2017
- Base of liquidity remains strong
 - Existing available liquidity allows us to increase current AUM by 38%
- Exercised share repurchase plan
 - As of January 10, 2017, repurchased 218,491 shares - weighted average price of \$16.87 per share

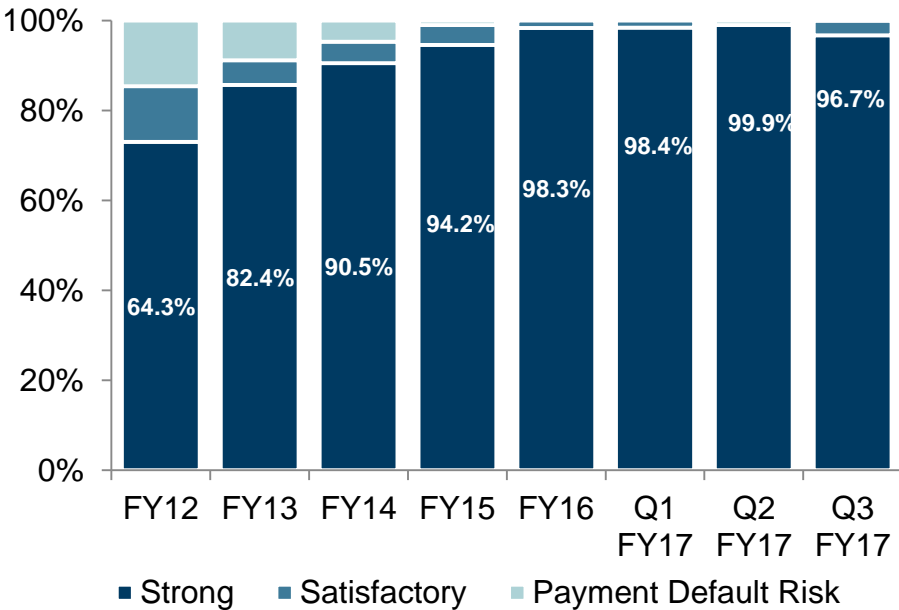
Consistent Portfolio and Sustained Strong Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 2% quarter-over-quarter, and has increased 193% since FY 2012

Overall Credit Quality Continues Strong



Over 96.7% of our SAR loan investments hold our highest internal rating; zero on non-accrual at quarter-end*

* Excludes our investment in our CLO, and our equity investments.

Strong Financial Foundation and Momentum

Key Performance Metrics for the Fiscal Quarter

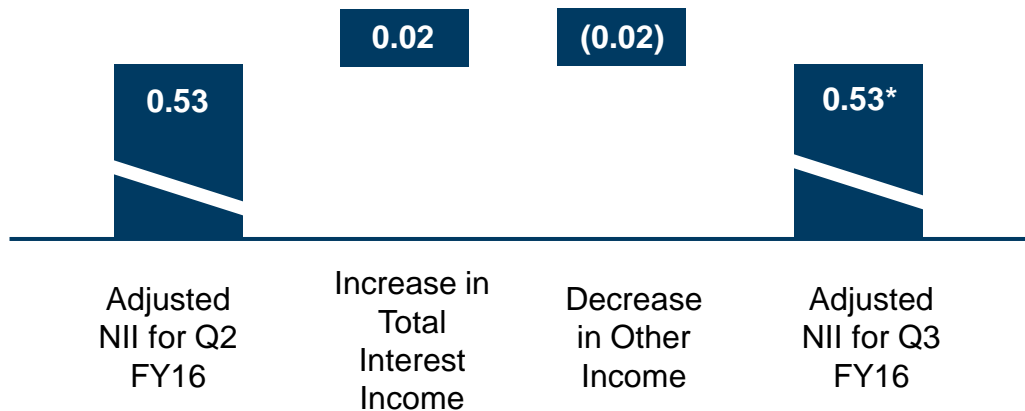
For the quarter ended and as of (\$ in millions except per share)	Nov 30, 2015	Aug 31, 2016	Nov 30, 2016
Net investment income	\$2,150	\$2,604	\$3,419
Adjusted net investment income*	\$2,349	\$3,050	\$3,050
Net investment income per share	\$0.38	\$0.45	\$0.60
Adjusted net investment income per share*	\$0.42	\$0.53	\$0.53
Net investment income yield	6.8%	8.1%	10.7%
Adjusted net investment income yield*	7.4%	9.5%	9.5%
Return on Equity – Last Twelve Months	11.9%	9.1%	7.7%
Fair value of investment portfolio	\$241.0	\$272.8	\$277.6
Total net assets	\$127.3	\$128.6	\$127.7
Investments in new/existing portfolio companies	\$15.3	\$55.7	\$30.1
Loan Investments held in “strong” credit ratings	97.3%	99.9%	96.7%



*Adjusted for accrued capital gains incentive fee expense, reconciliation to net investment income included in our fiscal second quarter 2017 earnings release.

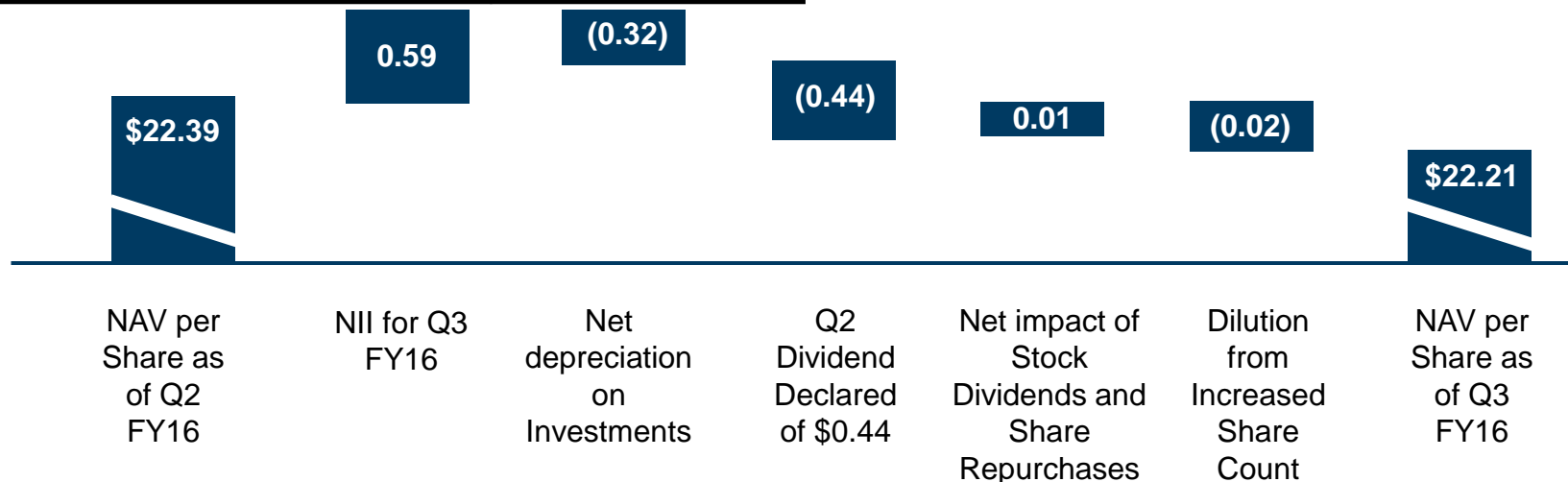
Reconciliation of NII and NAV per Share

Reconciliation of Quarterly NII per Share

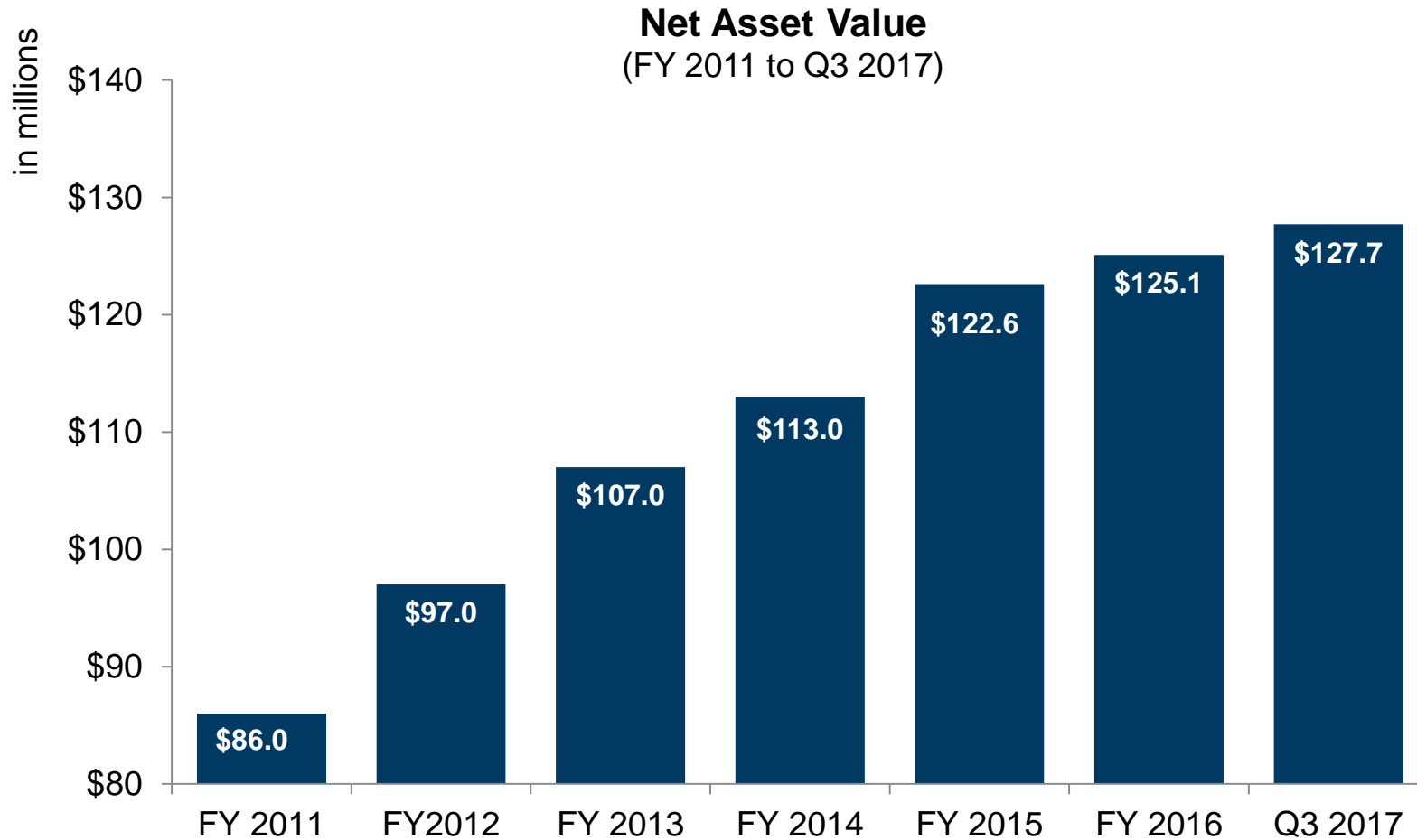


- Impact to adjusted NII from lower operating expenses and lower weighted average shares outstanding was minimal
- Impacts are shown net of incentive fee

Reconciliation of Quarterly NAV per Share



NAV Continues to Benefit from Realizations



Significant Dry Powder Available

(As of November 30, 2016)	Total Borrowing Capacity	Outstanding	Available Liquidity
Secured Revolving Credit Facility	\$45.0 million	\$0.0 million	\$45.0 million
SBA Debentures	\$150.0 million	\$112.7 million	\$37.3 million
Publicly-Traded Notes (at fair value)	\$62.3 million	\$62.3 million	\$0.0 million
Cash and Cash Equivalents	\$23.3 million	\$0.0 million	\$23.3 million
Total Available Liquidity (at quarter-end):			\$ 105.6 million
Incremental cash from 2023 Baby Bonds Offering in December 2016			\$10.0 million
Total Available Liquidity (following new Baby Bonds):			\$ 115.6 million*

* Ability to grow AUM by 41.6% without any new external financing

Impact of Baby Bonds Refinancing

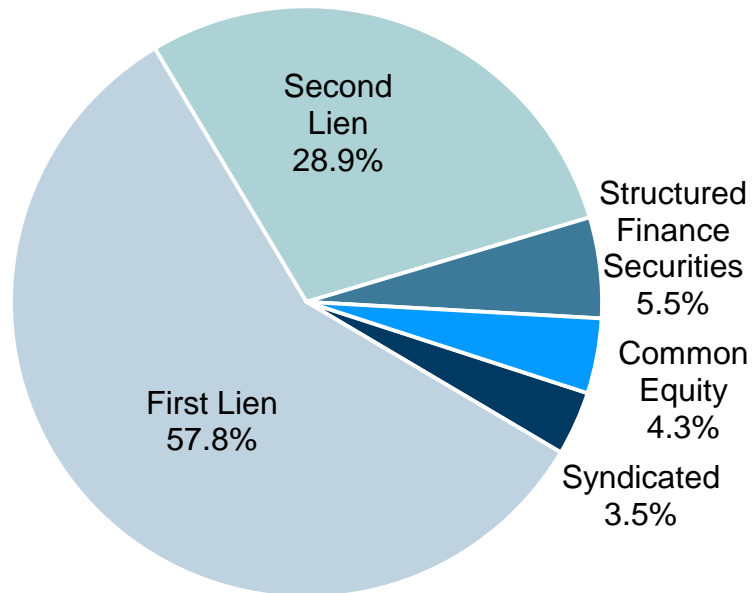
Two non-recurring financial impacts related to Q4 baby bonds refinancing:

1. Write-down of deferred financing costs related to 2020 baby bonds
 - Approx. \$1.6 million as of November 30, 2016
 - To be disclosed as loss on extinguishment of debt, non-recurring
2. Additional interest expense related to capital decision to only call the 2020 bonds once the 2023 bonds have been issued:
 - Prudent cash management
 - Standard call period of 30 days
 - Approximate impact of additional interest on 2020 baby bonds is \$0.4 million in Q4 2017

Portfolio Composition and Yield

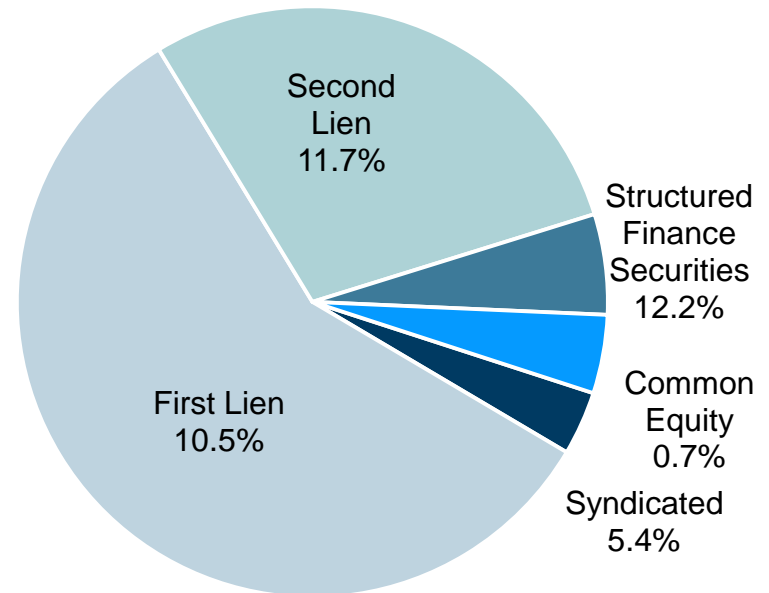
Portfolio Composition – \$277.6m

(Based on Fair Values
as of November 30, 2016)



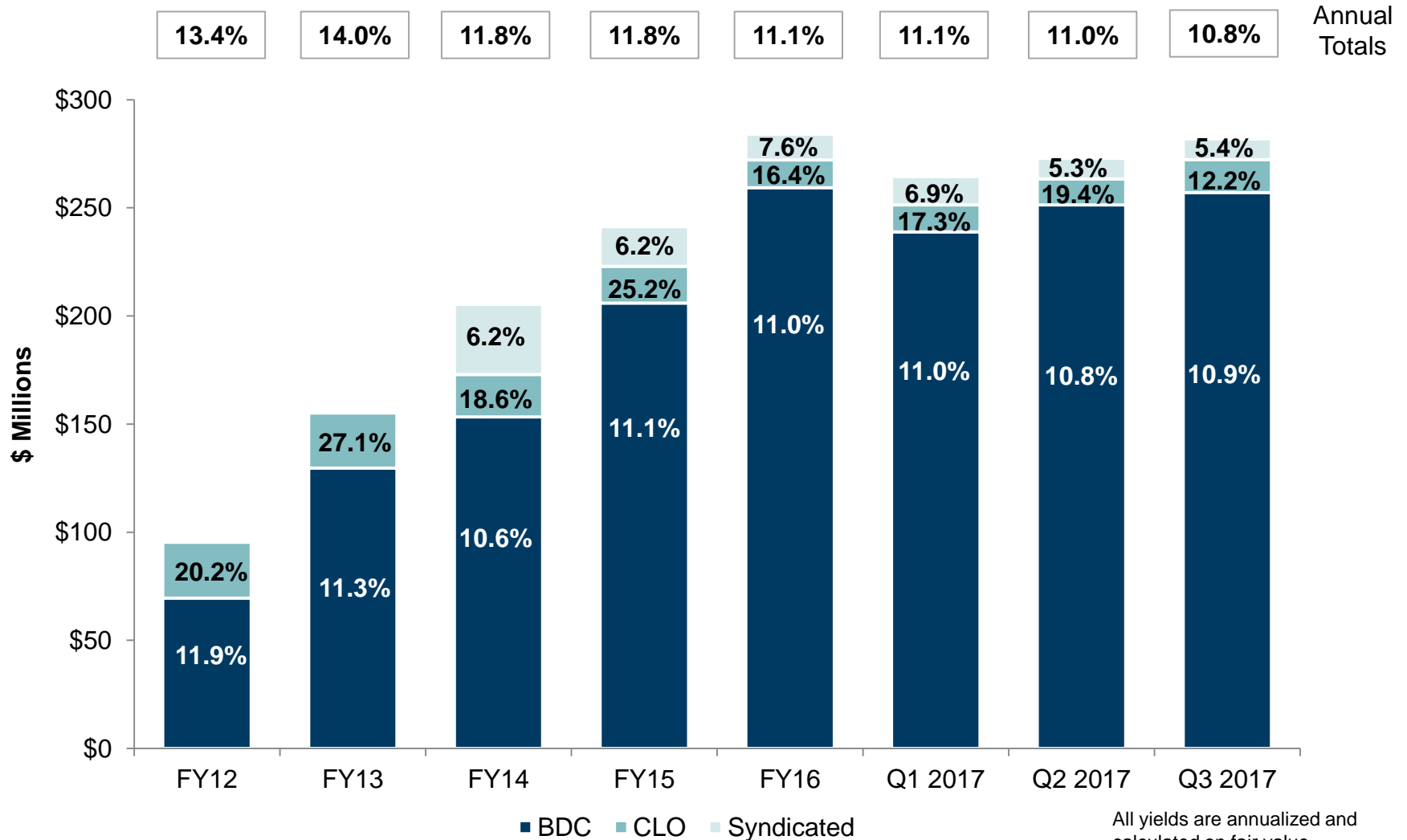
Portfolio Yield – 10.8%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

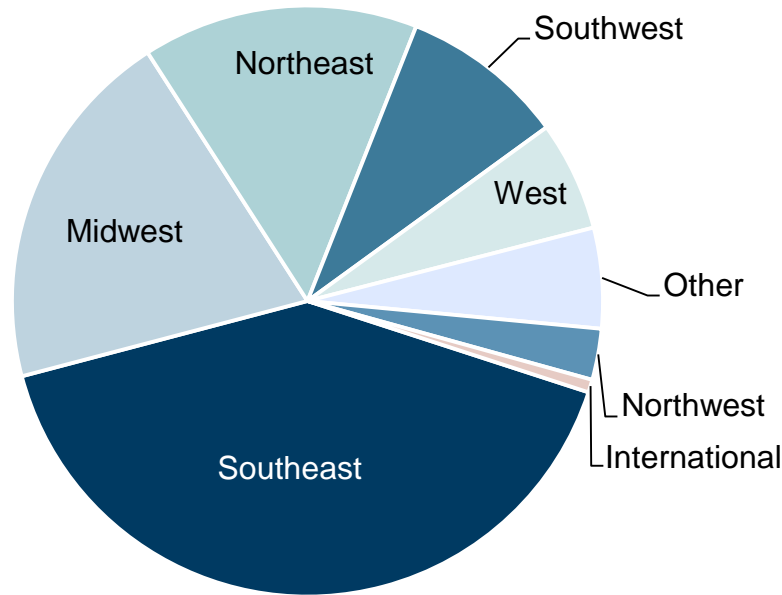
Weighted Average Current Yields



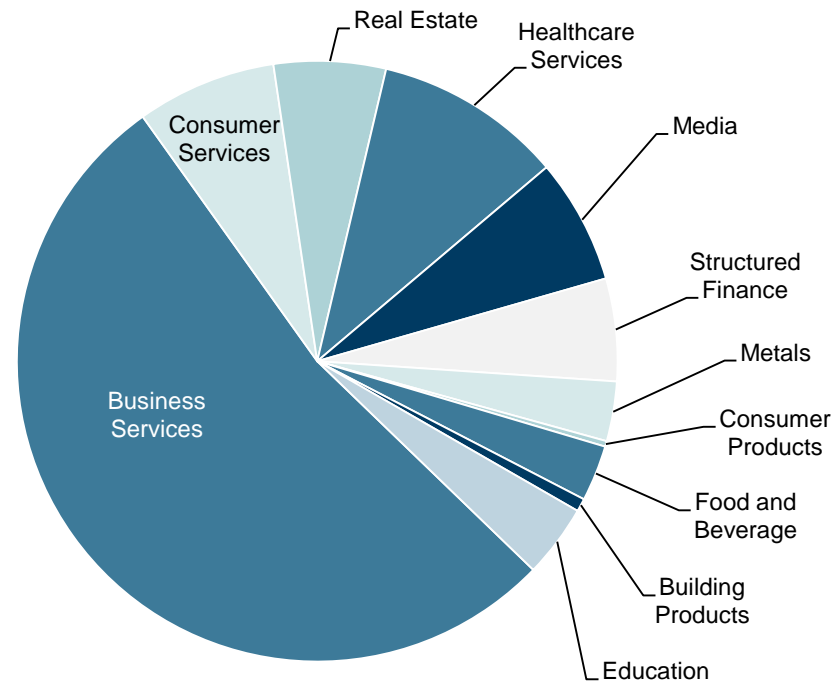
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

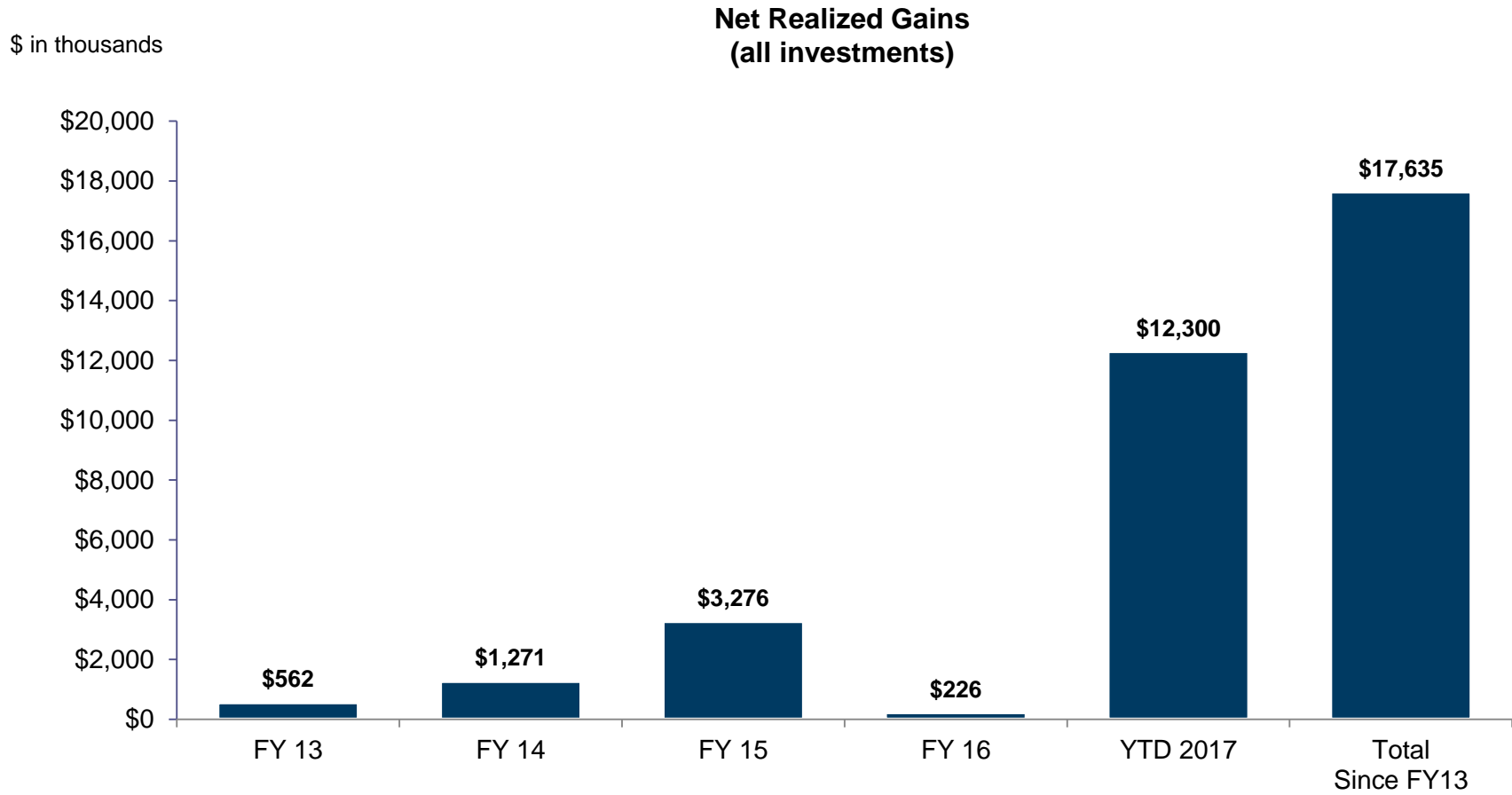


Investments across 11 distinct industries



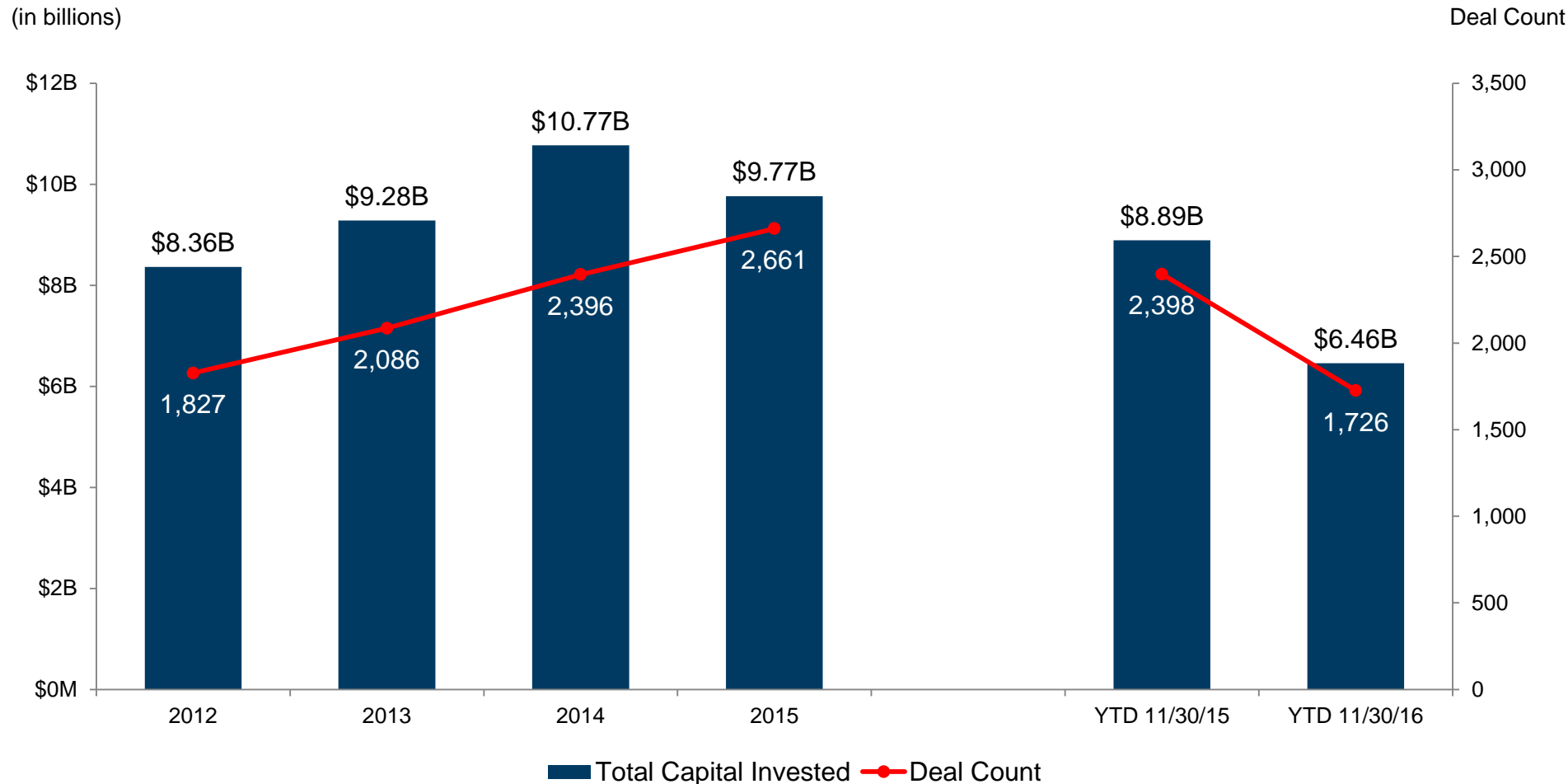
Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality



US Deal Activity Below \$25m Continues to Decrease

- 2015 transactions for US deals below \$25 million was up 11% from 2014
- YTD 2016 trending much lower - down 28% year-over-year (11 months)



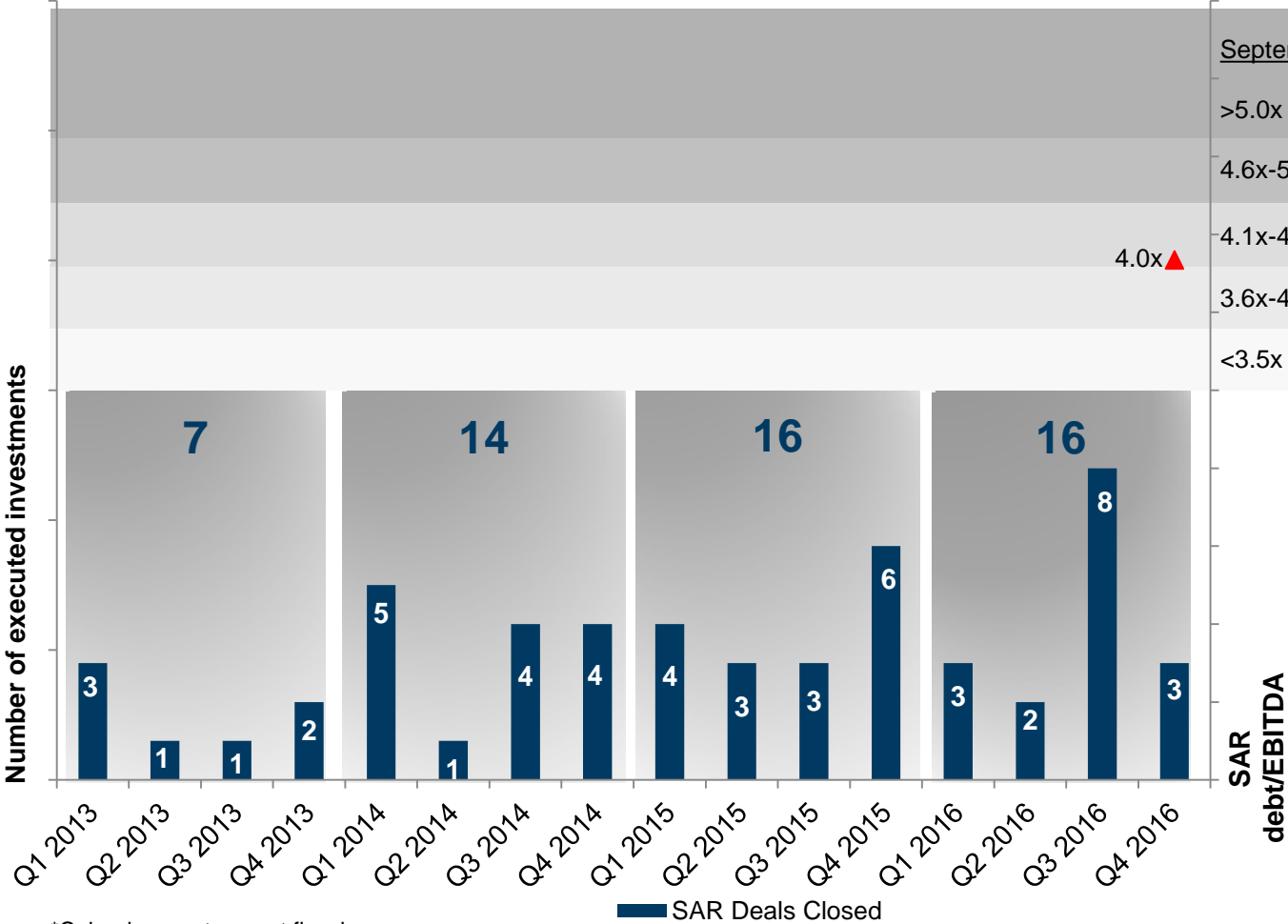
Source: Pitchbook 2016, Calendar years.

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2012-2016)

Total Portfolio Leverage is 4.0x

Market Average Multiples
(Total Debt/EBITDA)



September 30, 2016		June 30, 2016	
>5.0x	12.5%	>5.0x	8.3%
4.6x-5.0x	25.0%	4.6x-5.0x	8.3%
4.1x-4.5x	25.0%	4.1x-4.5x	41.7%
3.6x-4.0x	25.0%	3.6x-4.0x	16.7%
<3.5x	12.5%	<3.5x	25.0%

Multiples for SAR deals below industry average

Market averages increased this quarter – overall more aggressive for high quality credits

*Calendar quarters, not fiscal

■ SAR Deals Closed
▲ Weighted Average SAR leverage across portfolio

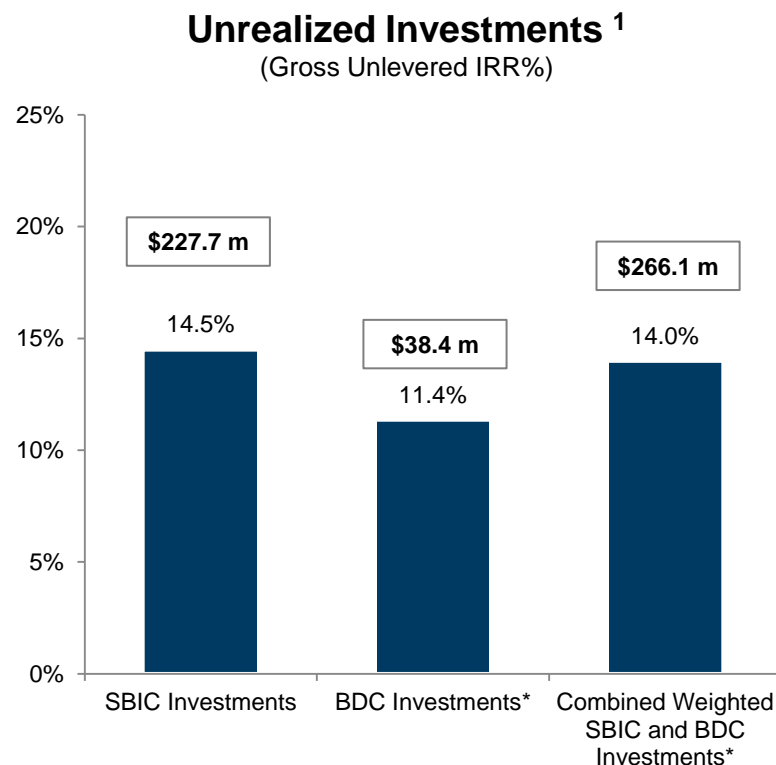
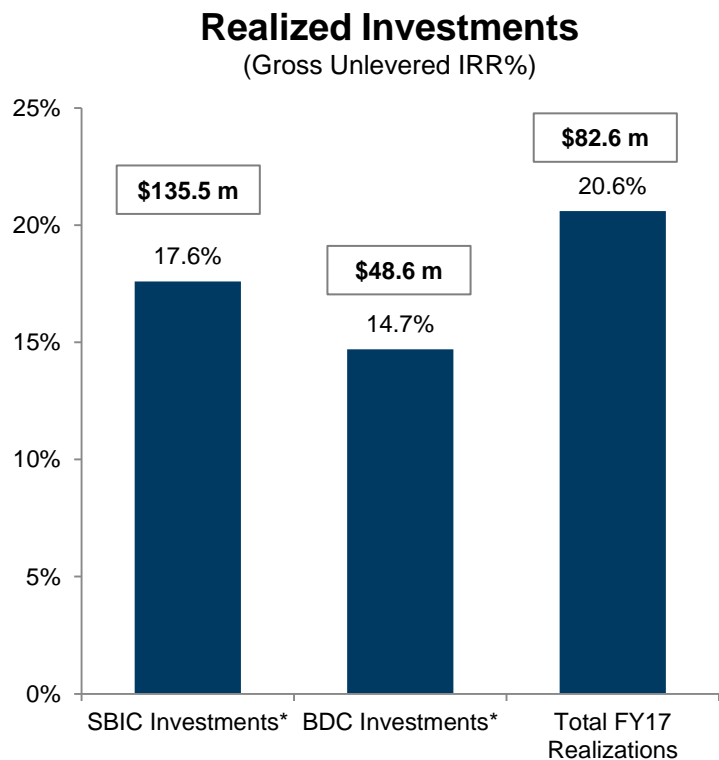


Robust Pipeline During Tough Execution Market

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	2013	Δ	2014	Δ	2015	Δ	2016	
Deals Sourced	448	7%	480	28%	613	5%	645	<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	50	(2%)	48	40%	67	(28%)	48	<ul style="list-style-type: none"> • Saratoga issues an average of 13 terms sheets per quarter • ~ 80% of term sheets are issued for transactions involving a private equity sponsor. • Decrease reflects inconsistent quality
Deals Executed	7	100%	14	14%	16	-	16	<ul style="list-style-type: none"> • Saratoga closes an average of 4 deals per quarter, 2.5% of deals reviewed • Unchanged volume despite more deals being sourced reflects inconsistent quality

Demonstrated Strong Track Record



Track Records as of 11/30/16

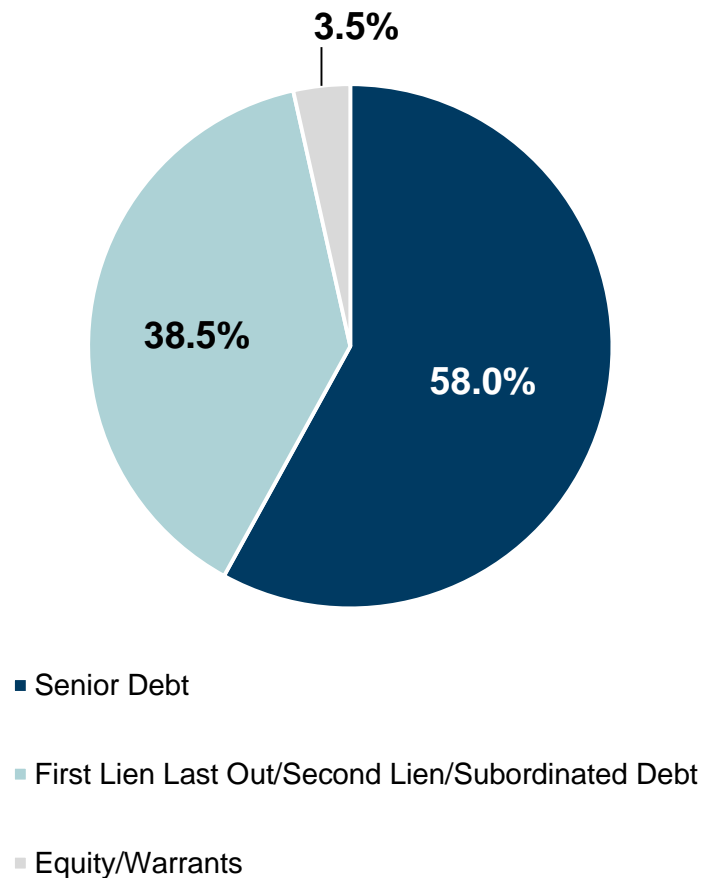
¹ IRRs for unrealized investments include fair value through 11/30/16 and interest through 12/31/16

* 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 20 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 3.7x¹.
 - 58.0% of the SBIC portfolio consists of senior debt investments, up from 54.6% in August 2016
 - 38.5% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, down from 41.9% in August 2016

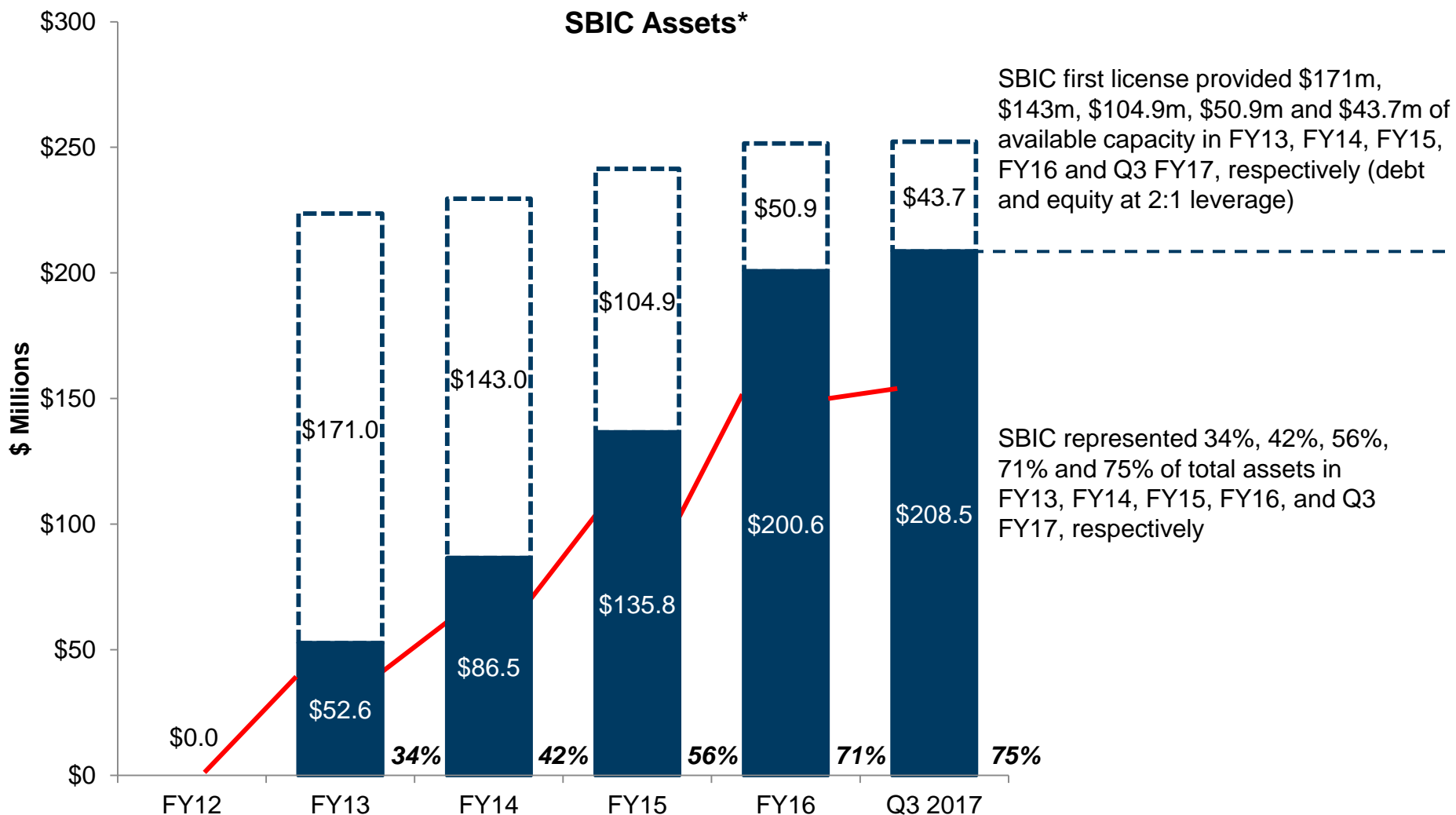
Composition of SBIC Portfolio ²



¹Excludes two loans underwritten using recurring revenue metrics

²Based on market value as of November 30, 2016

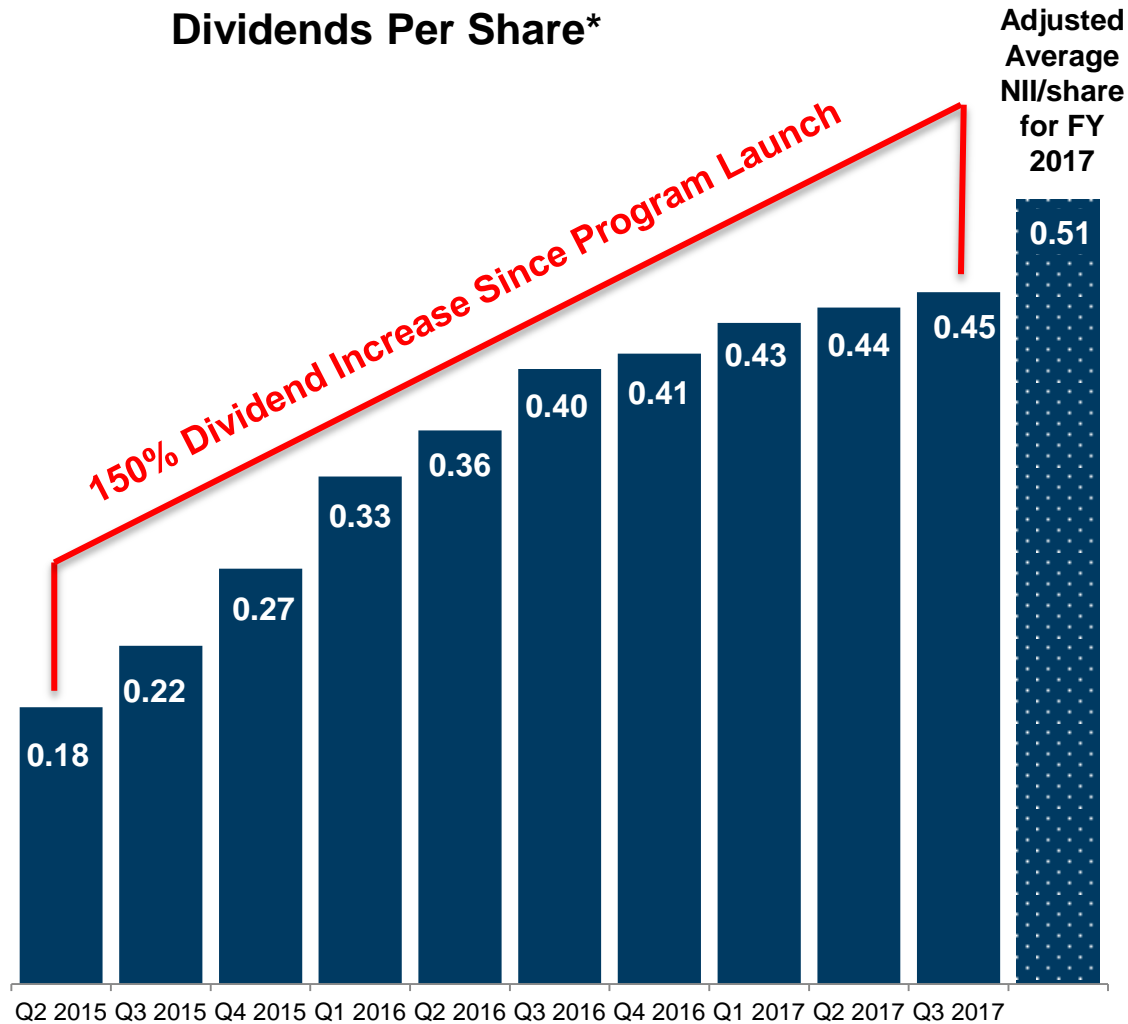
SBIC Assets Continue to Grow



* At Fair Value as of November 30, 2016

Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 150% since program launch
- Declared Q3 2017 dividend of \$0.45, an increase of \$0.01 (2%)
- Overearning our dividend currently (13% on average FY 2017)

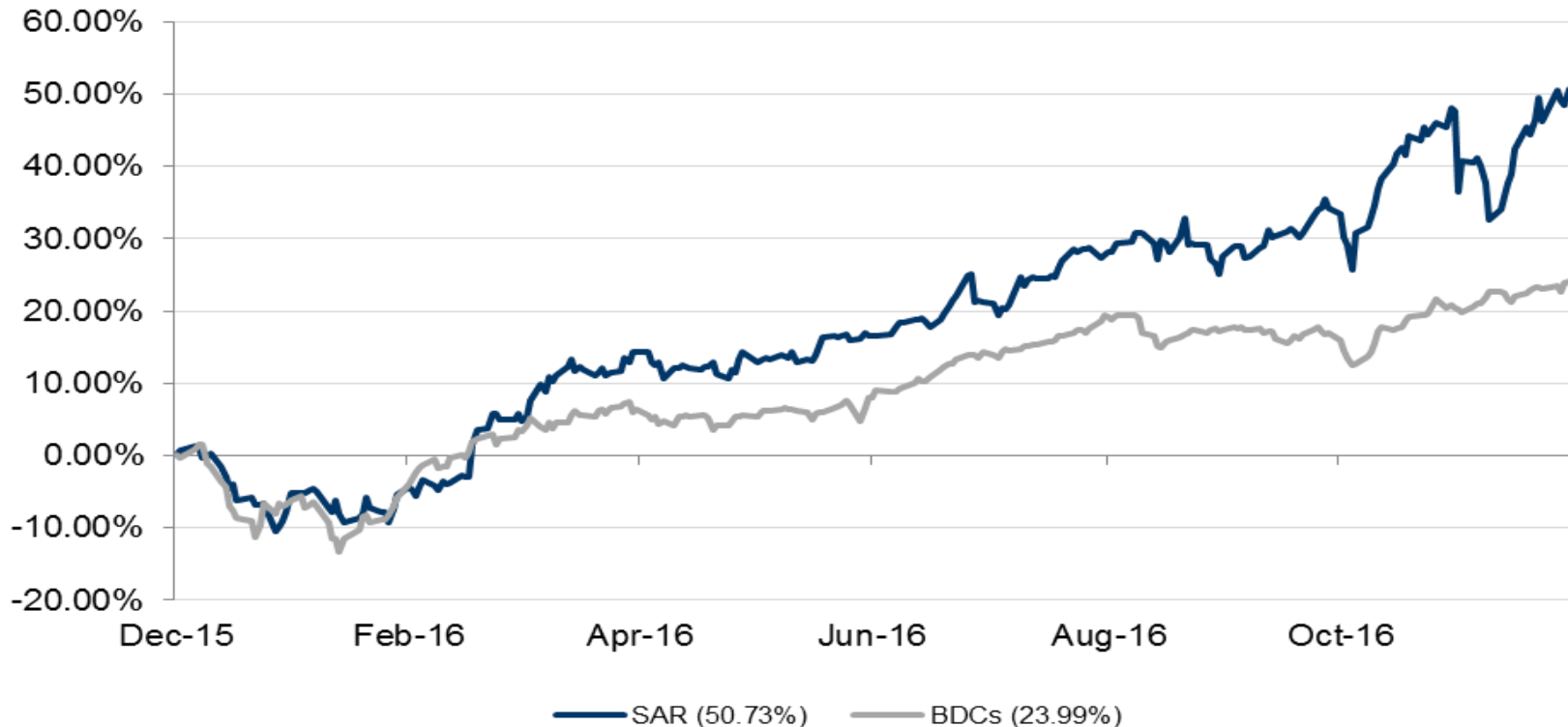


*Excludes special dividend of \$0.20 per share paid on September 5, 2016

SAR LTM Total Return Outperforms BDC Index

LTM Total Return (%)
(December 2015 to December 2016)

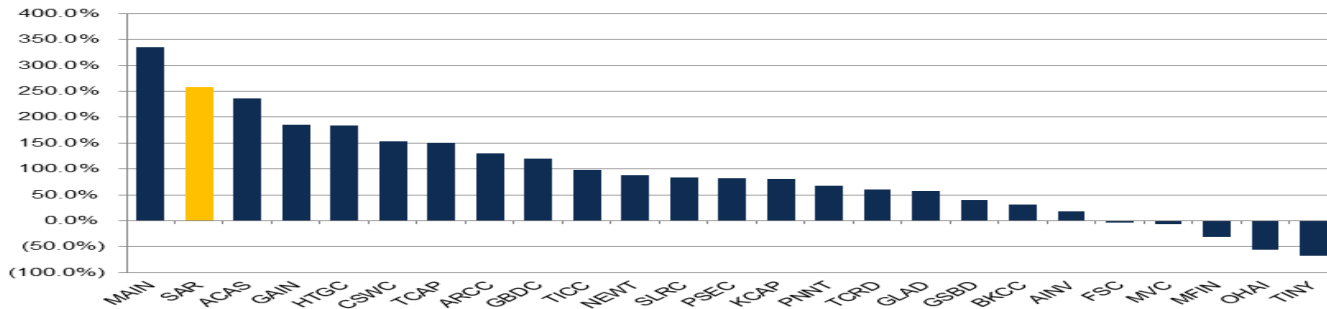
SAR +50.8% v BDC Index +24.0%



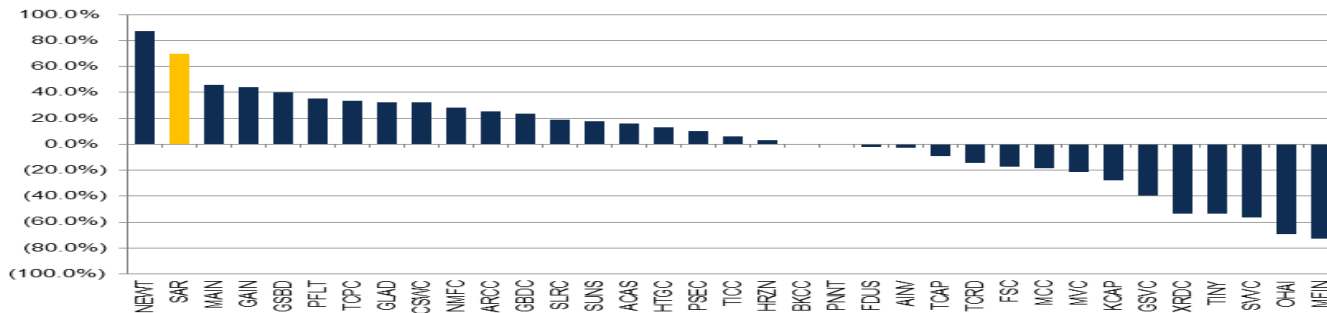
Source: Keefe, Bruyette & Woods

Performance at Top of BDC Industry

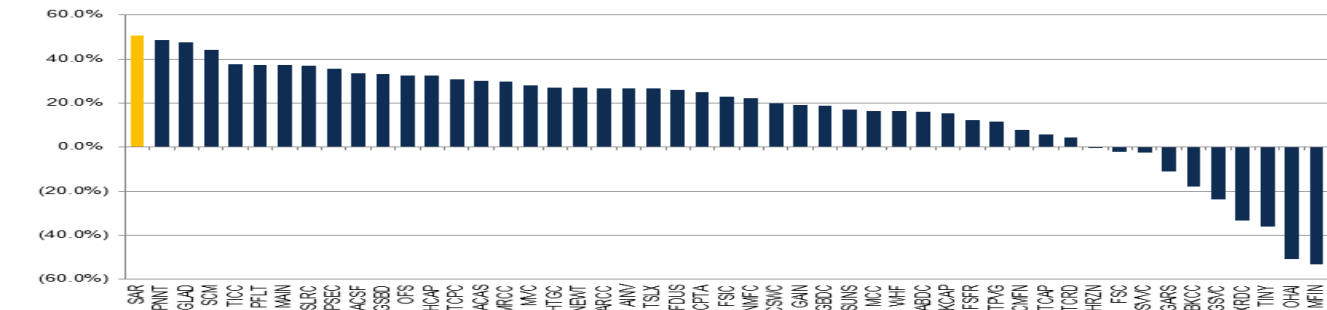
BDC Total Return (%)



Past 6 years
since
Saratoga took
over: **257%**



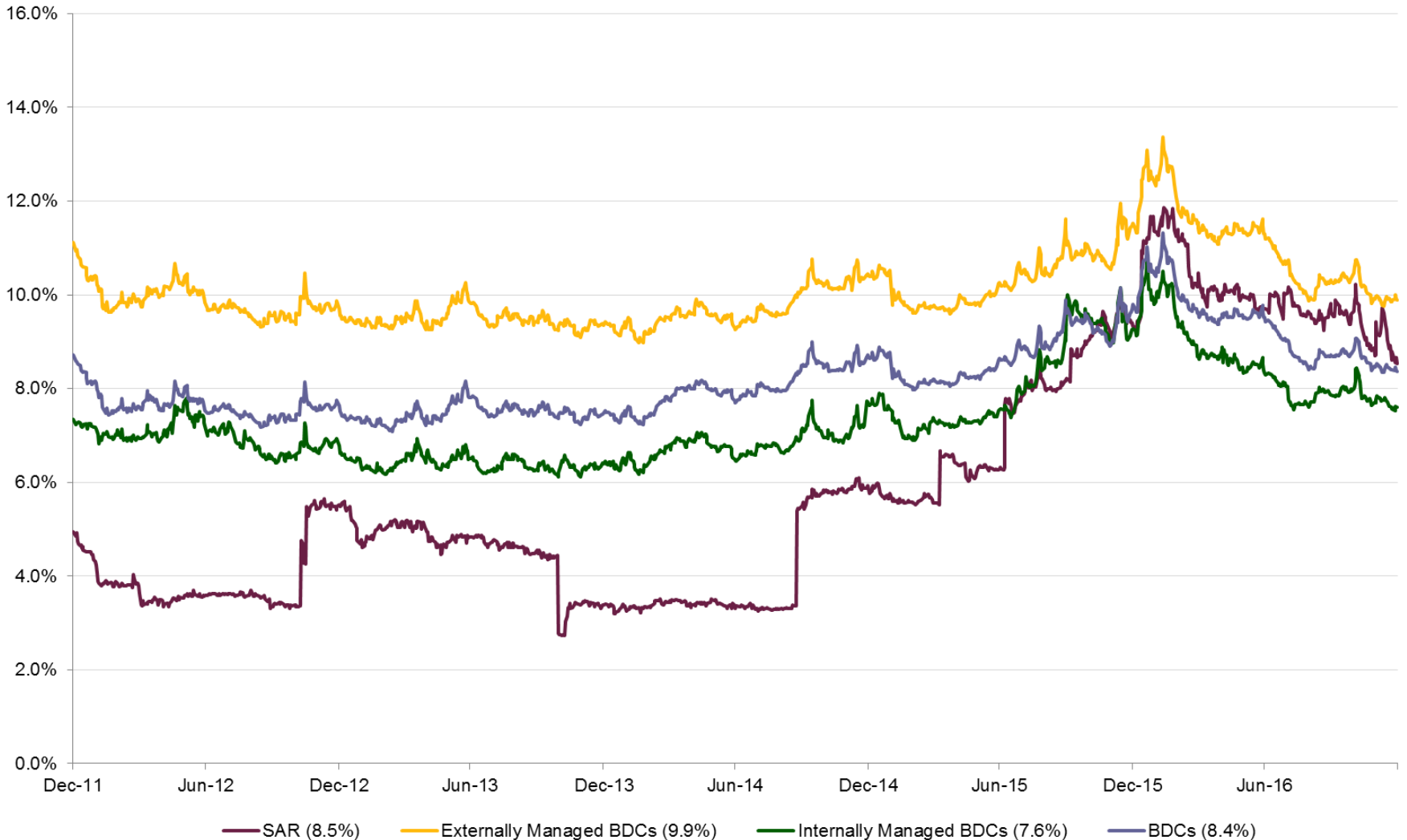
Last 3 years:
70%



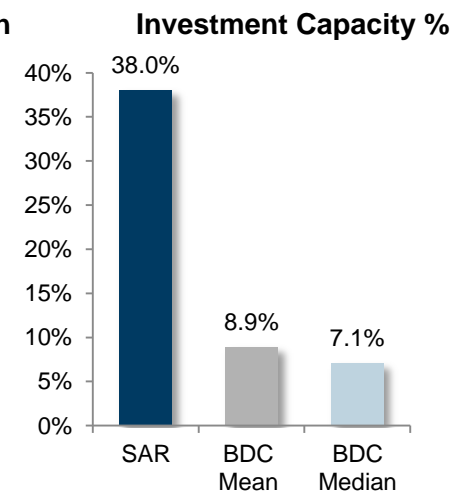
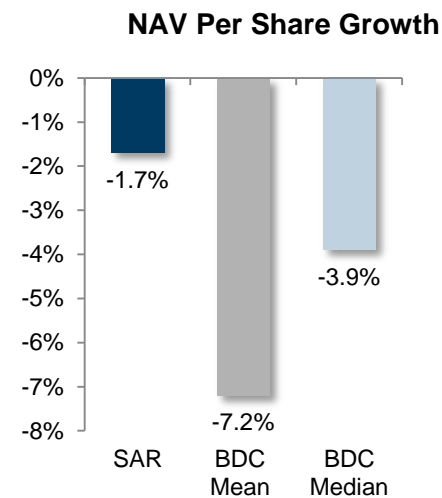
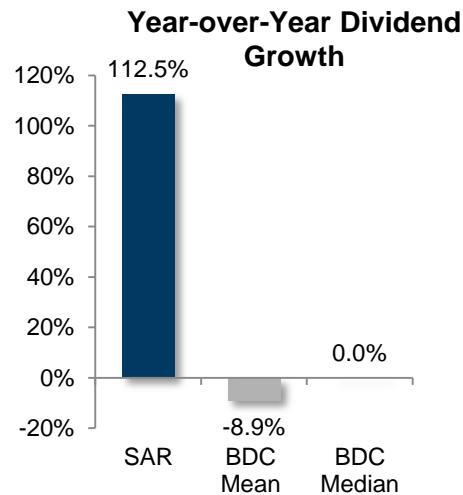
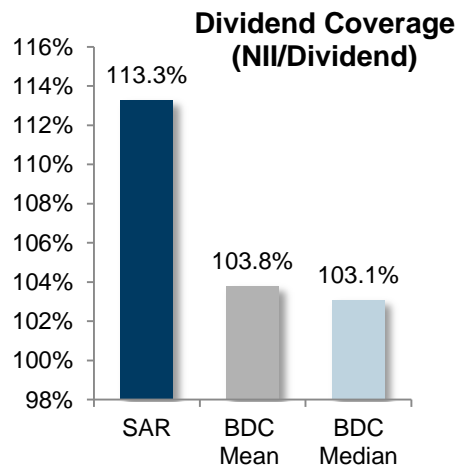
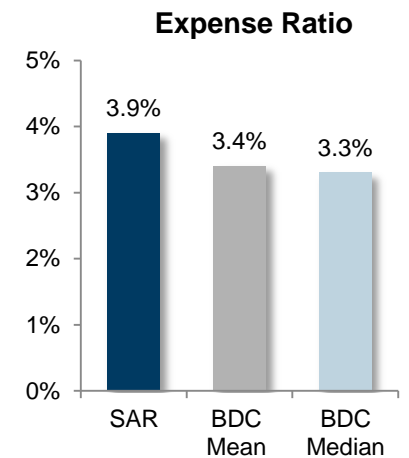
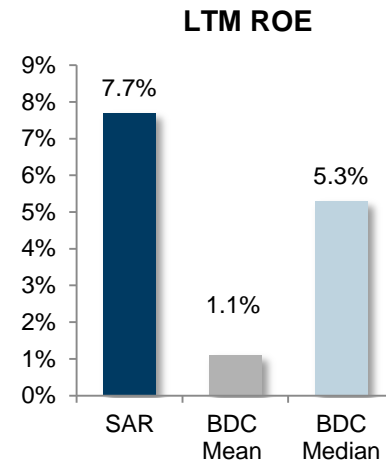
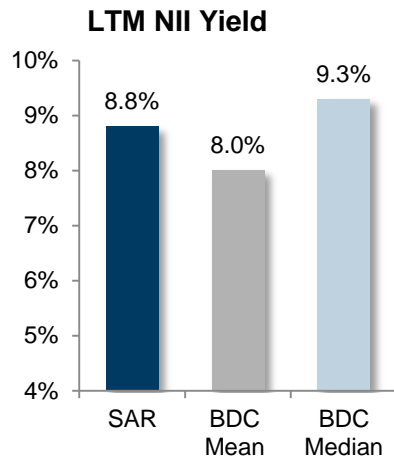
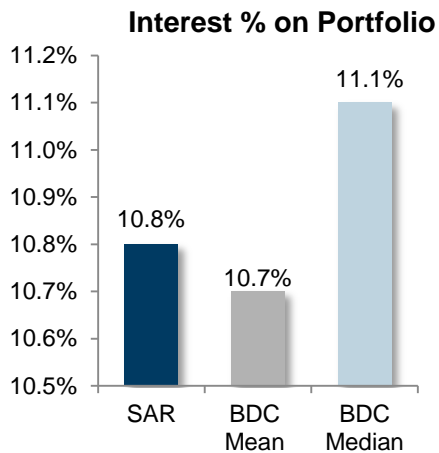
Last 12 months:
51%

SAR Dividend Yield Last 5 Years

Dividend Yield Since 12/30/2011



Strongly Differentiated Outperformance



Source: SNL Financial / Company Filings / Raymond James report as of 12/13/16 / Wells Fargo BDC Scorecard 9-1-2016

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

▶ Growing dividend

Paying a current dividend yield of approx. 9.0%; increased quarterly dividend by 150% over past two years

▶ Industry-leading return on equity

LTM ROE of 7.7% factors in both investment income and net gains/losses and significantly beats BDC LTM average of 1.1% - excluding legacy investments, LTM ROE is 12.1%

▶ Ample low-cost, liquidity available

Large borrowing capacity still at hand through both credit facility and SBA debentures relative to competitors – can grow current asset base by 38%; maturity extended through recent successful baby bond offering

▶ Solid earnings per share and NII Yield

Attractive NII per share generated from strong risk-adjusted portfolio returns and favorable capital structure

▶ Commitment to AUM expansion

Assets under management has steadily grown 193% since FY 2012 with strong originations offsetting significant repayments

▶ 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, 96.7% of credits are the highest quality, 58% of SBIC investments are senior debt, protected against potential interest rate risk with 82% floating rate assets and debt mainly fixed rate

Objectives for the Year Ahead

- 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?



SARATOGA
INVESTMENT CORP.