

Saratoga Investment Corp.

**Fiscal First Quarter 2018
Shareholder Presentation**

July 13, 2017



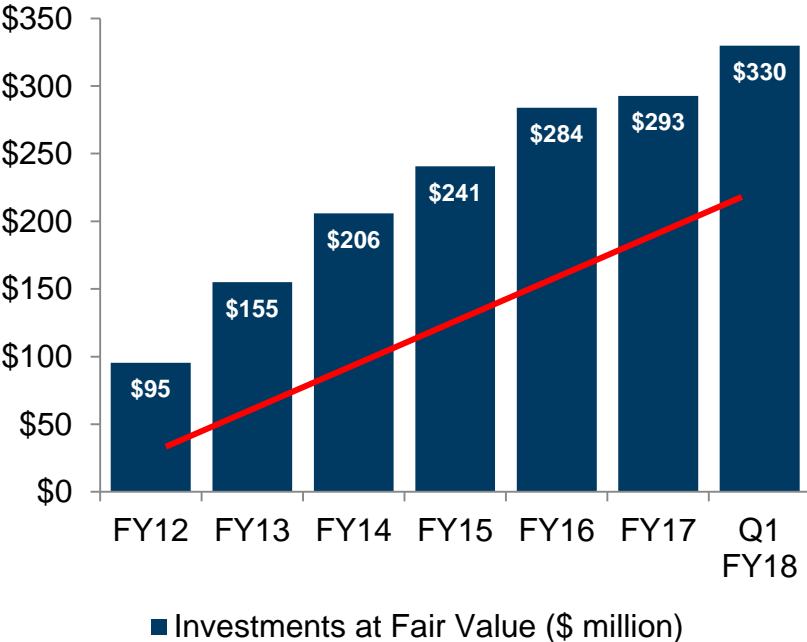
Continued Progress in Q1 2018

Fiscal first quarter 2018 highlights:

- Continued strengthening of financial foundation
 - Investment quality remains strong
 - 96.3% of loan investments with highest rating
 - Return on equity of 7.1% LTM (7.9% excluding legacy investments and interest and loss on extinguishment), and up from 3.4% last year
 - ROE is net of \$5.3 million unrealized loss on My Alarm Center
 - Gross Unlevered IRR of 12.2% on total unrealized portfolio as of May 31, 2017
 - Gross Unlevered IRR of 16.2% on \$210 million of total realizations
- Consistent originations grow assets under management with few repayments in Q1
 - AUM up 13% since last quarter, 247% up since FY12
 - \$45.0 million of originations in Q1 offset repayments of \$5.9 million
- Amended agreement with Madison Capital Funding that extends commitment/maturity dates by over three years and reduces floor and commitment fee of senior secured revolving credit facility
- Latest dividend of \$0.47 per share continued eleventh increase in quarterly dividends
 - Over-earning our current dividend by 9% - \$0.51 adjusted NII/share for LTM
- Base of liquidity remains strong - existing available liquidity allows us to increase current AUM by 19%
- ATM equity program – as of July 11, 2017, sold 117,354 shares for gross proceeds of \$2.6 million
 - Average price of \$22.49 per share

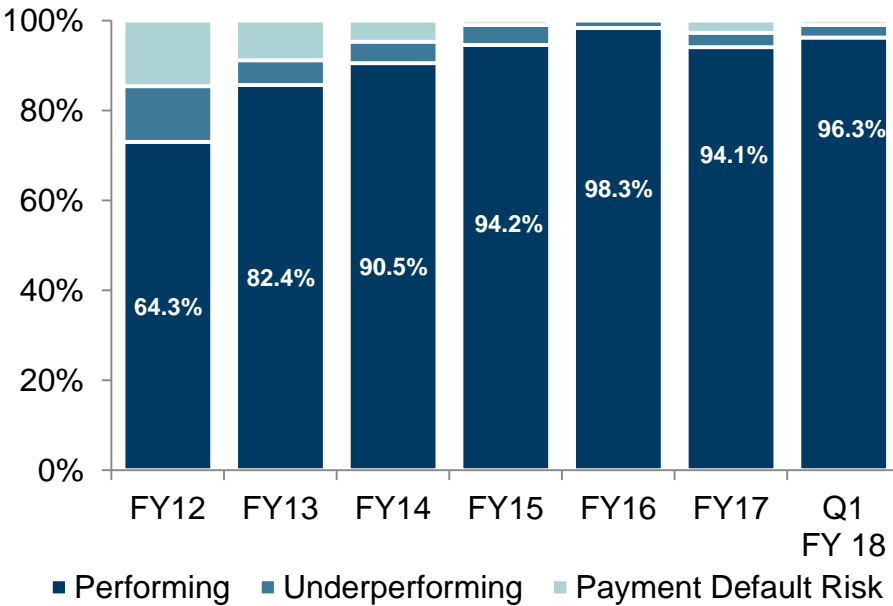
Continued Asset Growth and Solid Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 13% quarter-over-quarter, 25% since Q1 last year and 247% since FY12

Overall Credit Quality Continues Strong



Over 96% of our SAR loan investments hold our highest internal rating; two on non-accrual at quarter-end*

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

Q1 FY18: Strong Financial Foundation and Momentum

Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	May 31, 2016	Feb 28, 2017	May 31, 2017
Net investment income	\$2,539	\$1,100	\$3,504
Adjusted net investment income*	\$2,613	\$2,872	\$2,944
Net investment income per share	\$0.44	\$0.19	\$0.60
Adjusted net investment income per share*	\$0.46	\$0.49	\$0.50
Net investment income yield	8.0%	3.5%	11.0%
Adjusted net investment income yield*	8.3%	8.8%	9.2%
Return on Equity – Last Twelve Months	3.4%	9.0%	7.1%
Fair value of investment portfolio	\$264.4	\$292.7	\$329.7
Total net assets	\$127.1	\$127.3	\$127.6
Investments in new/existing portfolio companies	\$0.00	\$41.1	\$45.0
Loan Investments held in “strong” credit ratings	98.4%	94.1%	96.3%

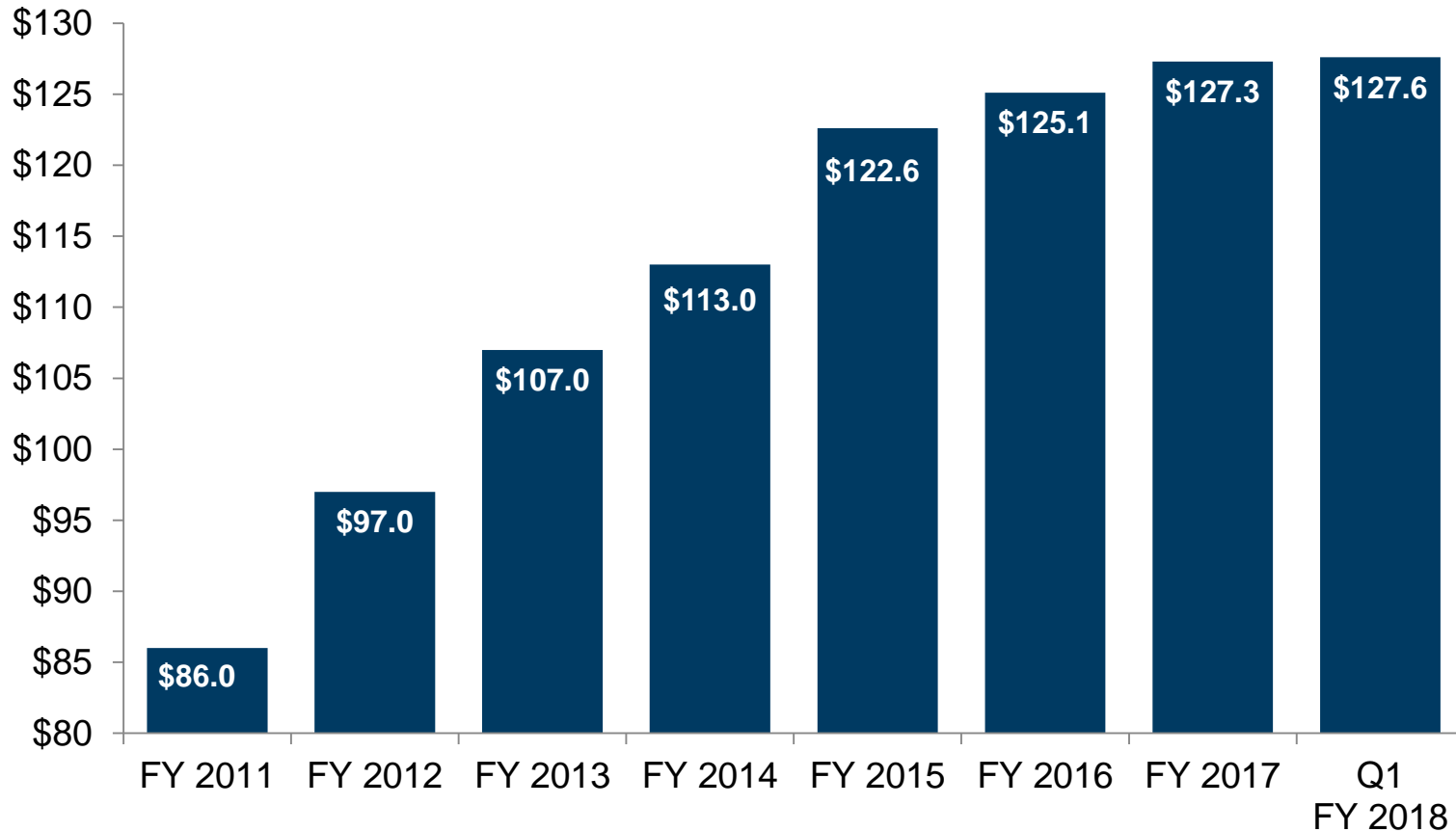


*Adjusted for accrued capital gains incentive fee expense, and interest during call period and loss on extinguishment of existing baby bonds debt, reconciliation to GAAP net investment income included in our fiscal first quarter 2018 earnings release.

NAV Continues to Benefit from Realizations

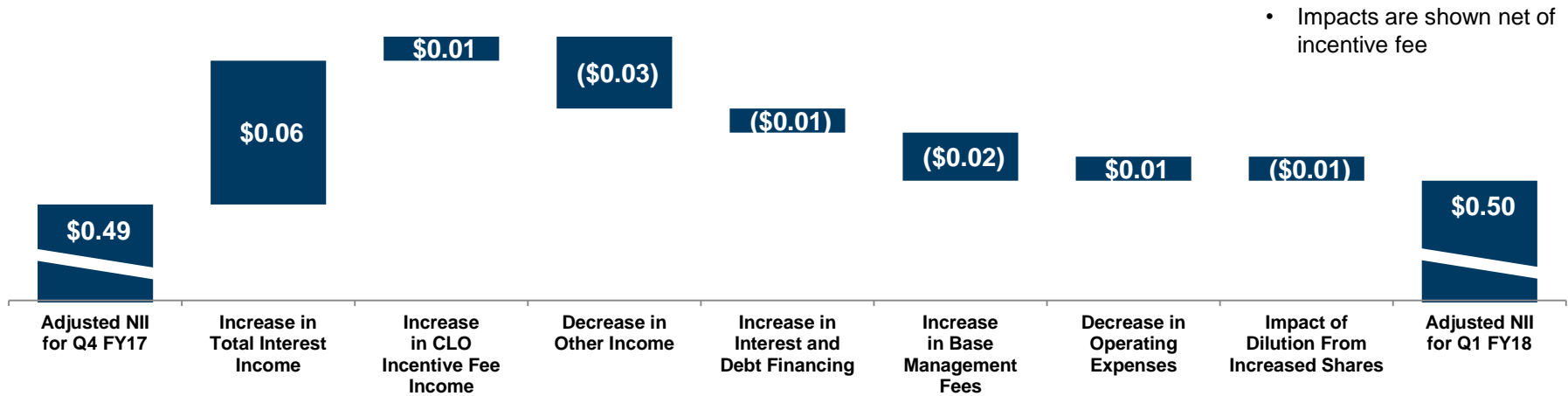
Net Asset Value
(FY 2011 to Q1 FY 2018)

in millions

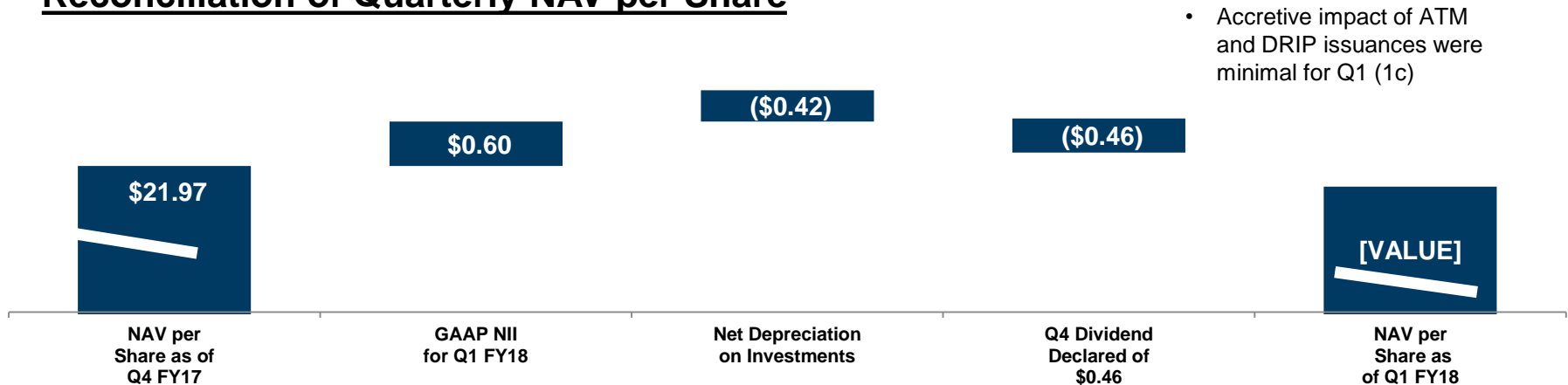


Quarterly Reconciliation of NII and NAV per Share

Reconciliation of Quarterly NII per Share



Reconciliation of Quarterly NAV per Share



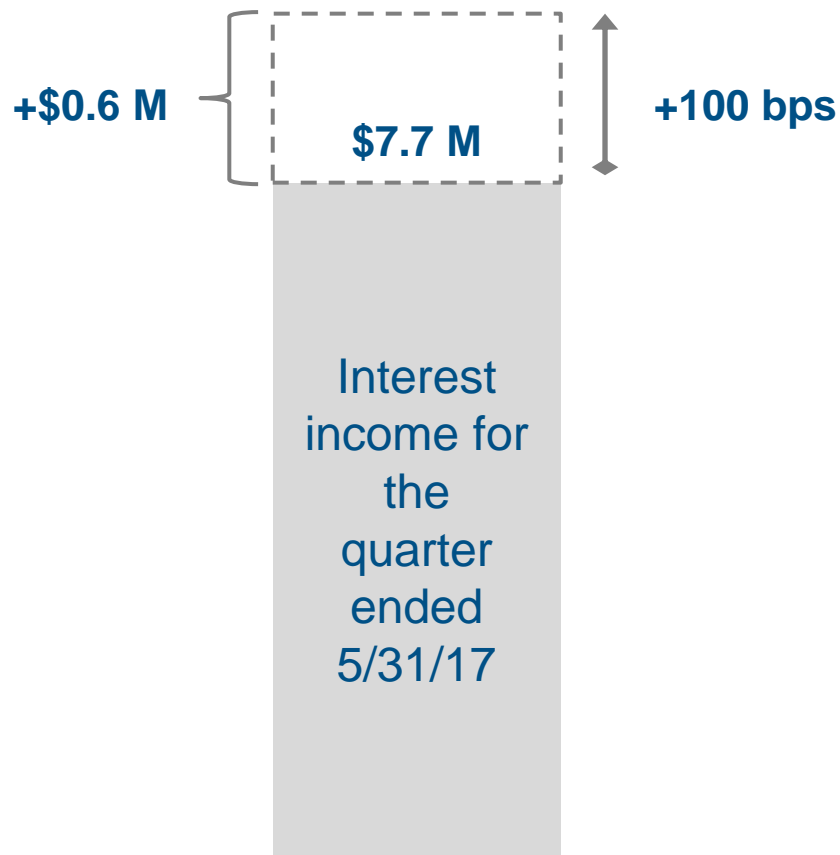
Significant Dry Powder Available

(As of May 31, 2017)	Total Borrowing Capacity	Outstanding	Available Liquidity	Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility	\$45.0 million	\$24.5 million	\$20.5 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)	\$78.1 million	\$78.1 million	\$0.0 million	7 Years	Fixed
Cash and Cash Equivalents	\$27.8 million	\$0.0 million	\$27.8 million	-	-
Total Available Liquidity (at quarter-end): \$ 63.6 million					

* Ability to grow AUM by 19% without any new external financing

SAR Benefits from Increased Interest Rates

Interest Income Grows with Higher Interest Rates

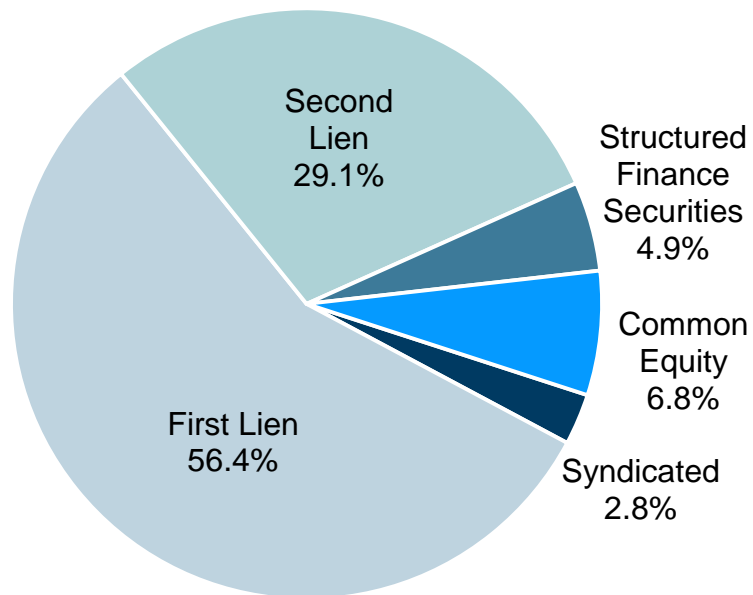


- 85% of SAR lending at floating rates
- Hypothetical 1% change in interest rates would result in ~\$0.6 million increase in interest income over the quarter (\$2.6 million per year)
 - Assumes investments as of 5/31/17 outstanding for full quarter and no change to existing rate terms

Portfolio Composition and Yield

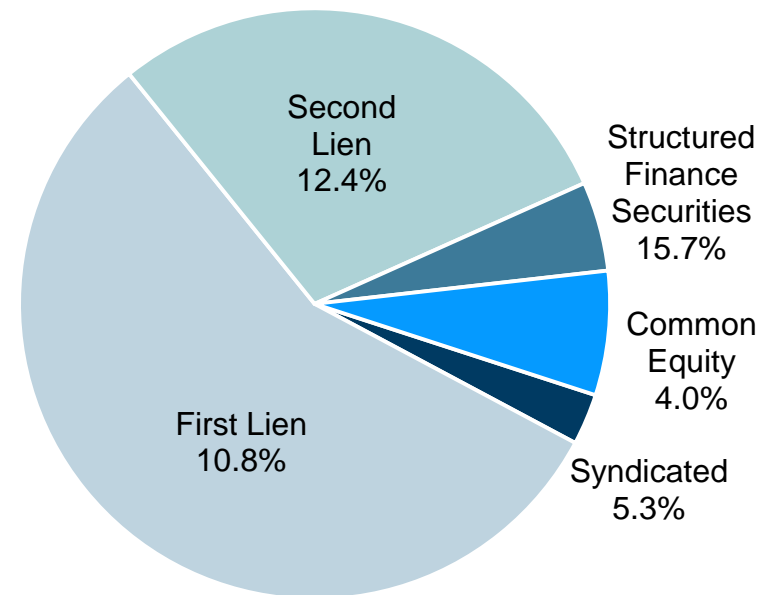
Portfolio Composition – \$329.7 m

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



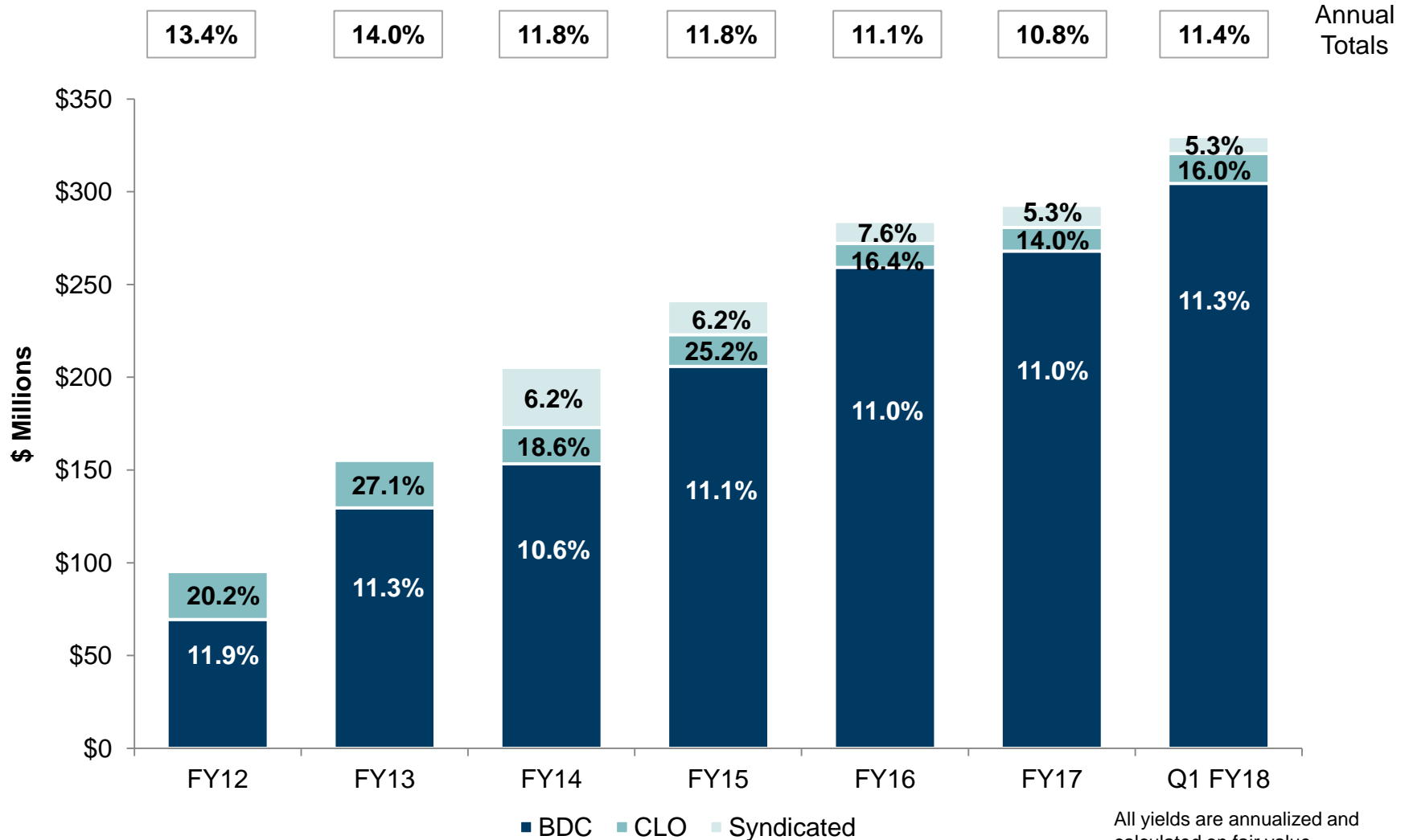
Portfolio Yield – 11.4%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

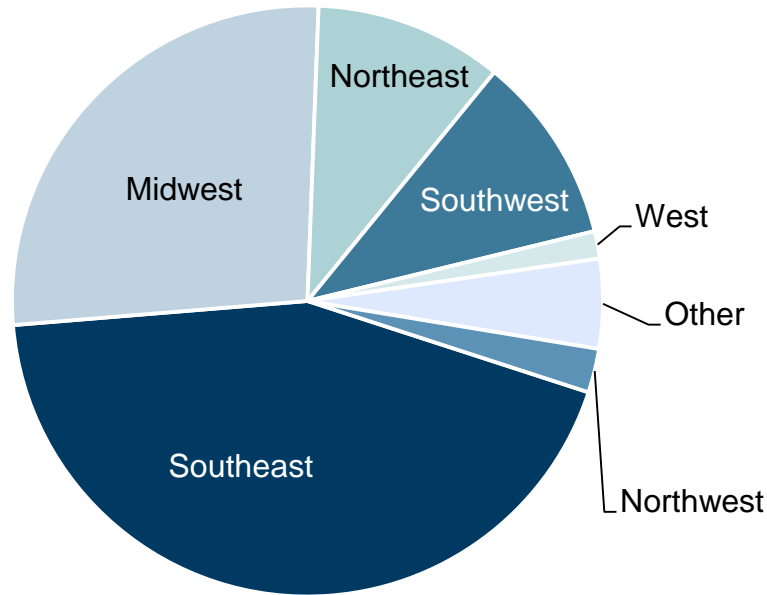
Weighted Average Current Yields



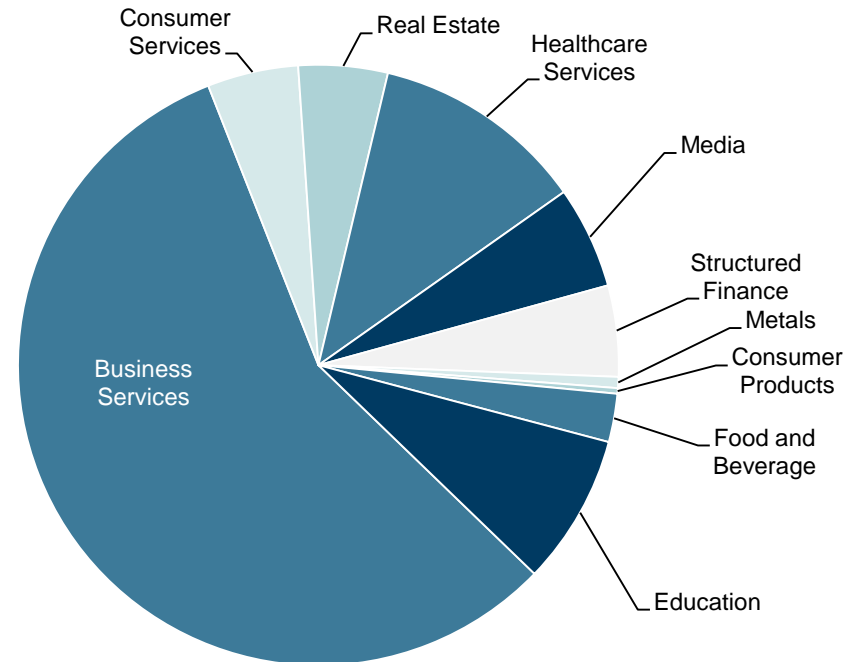
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

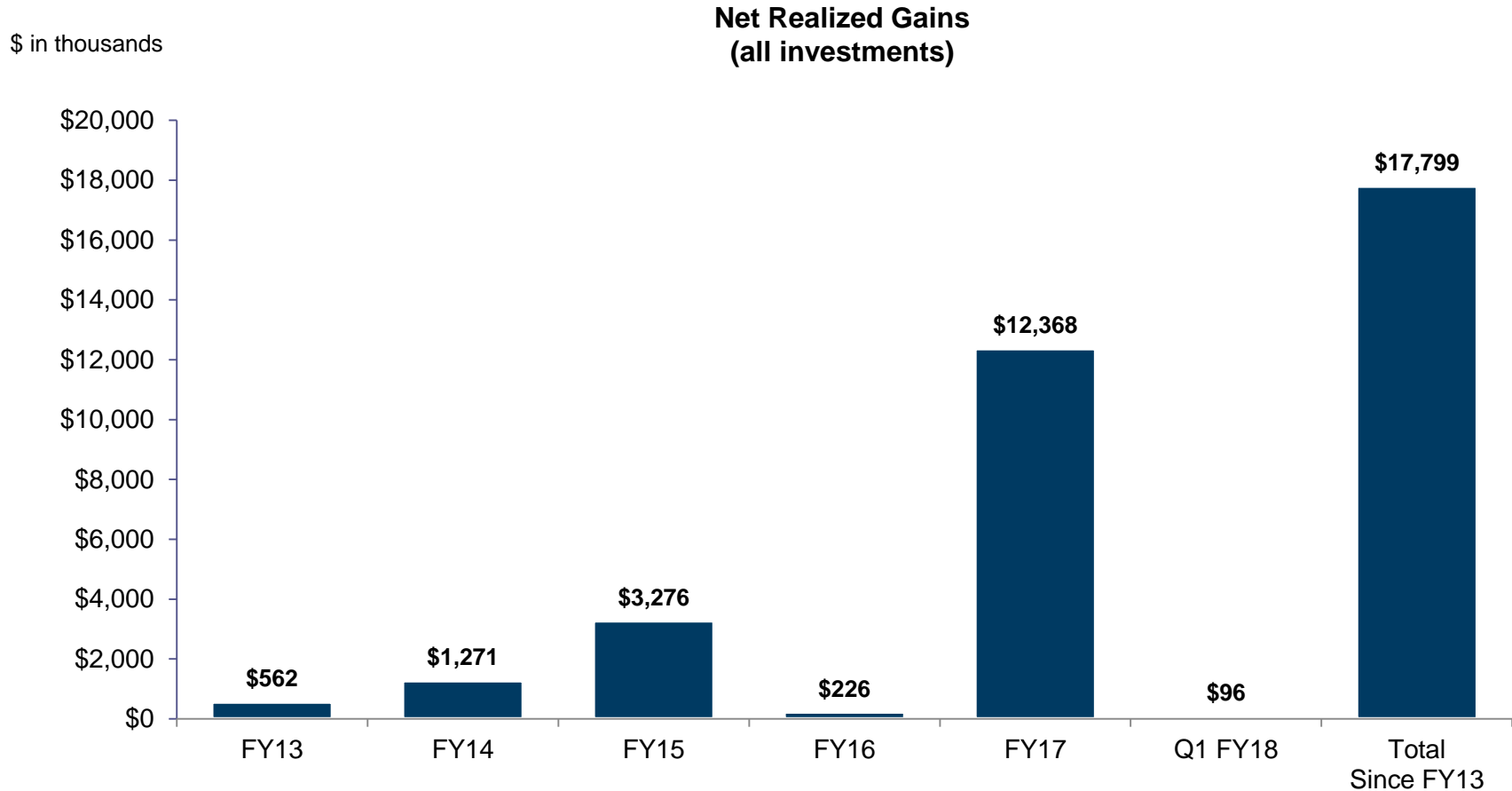


Investments across 10 distinct industries



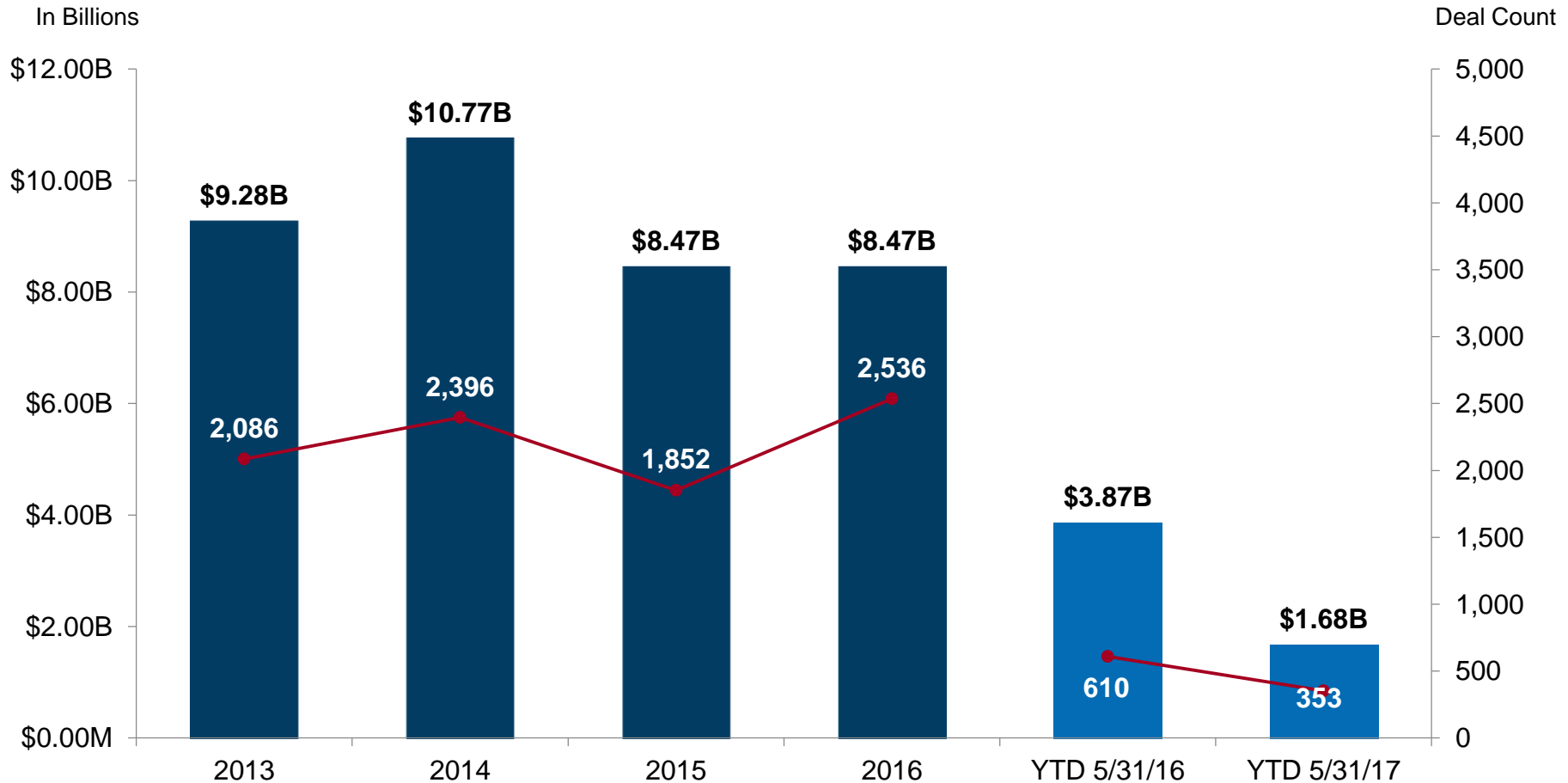
Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality



US Deal Activity Below \$25m Continues to Decrease

- YTD May transactions for US deals below \$25 million down by 42% over same period calendar 2016



Source: PitchBook Data, Inc.

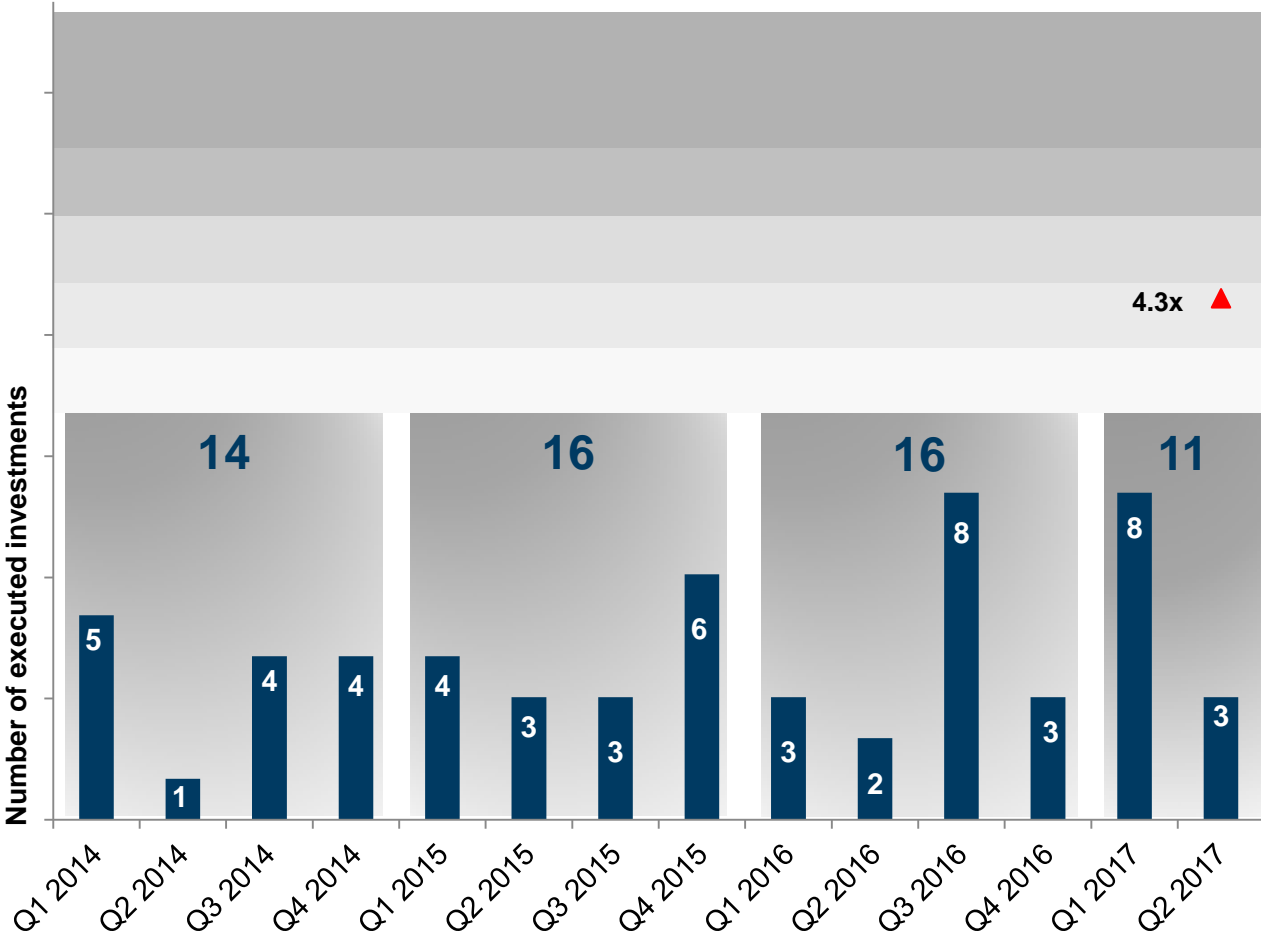
■ Total Capital Invested ● Deal Count

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2014-2017)

Total Portfolio Leverage is 4.4x

Market Average Multiples
(Total Debt/EBITDA)



March 31, 2017		December 31, 2016	
>7.0x	10.0%	>7.0x	11.1%
6.0x-6.9x	10.0%	6.0x-6.9x	11.1%
4.0x-5.9x	60.0%	4.0x-4.9x	44.4%
<4.0x	20.0%	<4.0x	33.3%

Multiples for SAR deals at low end of industry average

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

*Calendar quarters, not fiscal

■ SAR Deals Closed
▲ Weighted Average SAR leverage across portfolio

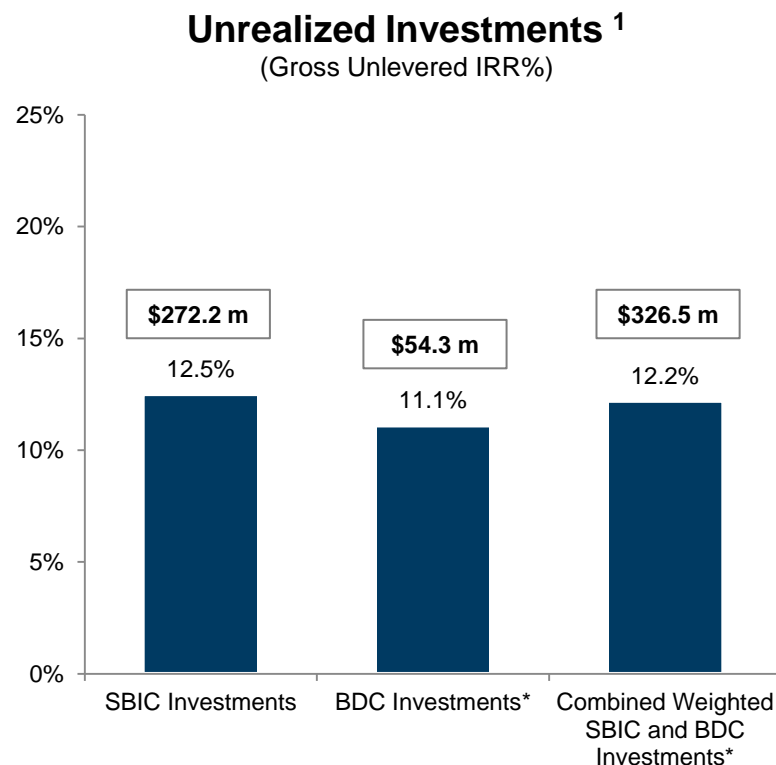
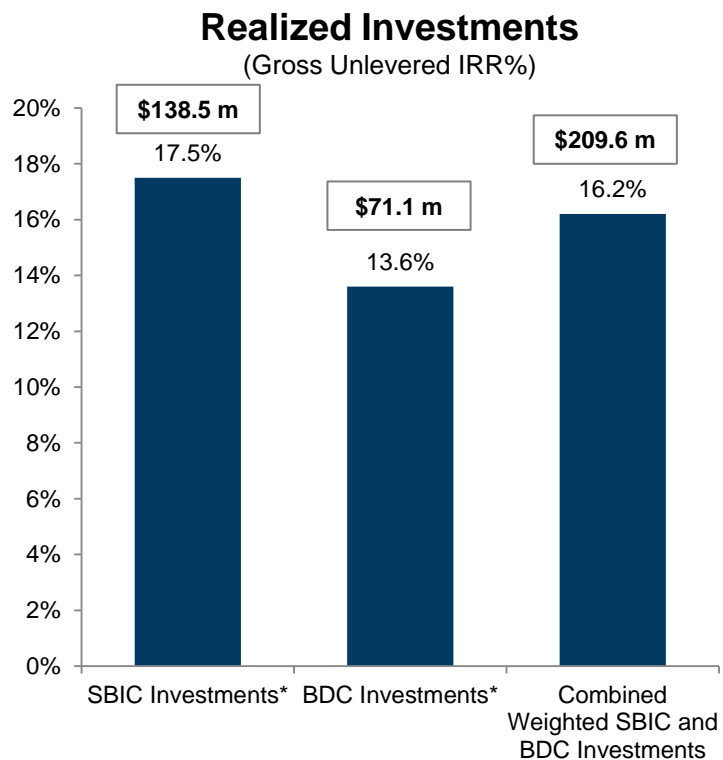


Robust Pipeline During Tough Execution Market

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	2014	Δ	2015	Δ	2016	Δ	LTM Q2 2017	
Deals Sourced	480	28%	613	5%	645	6%	683	<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	6%	51	<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 quality
Deals Executed (new and follow-on)	14	14%	16	-	16	38%	22	<ul style="list-style-type: none"> Saratoga closes an average of 5 deals or follow-ons per quarter, 3.2% of deals reviewed Approximately half were follow-ons the past year Three new portfolio companies the past quarter and six the past two calendar quarters

Demonstrated Strong Track Record



Track Records as of 05/31/17

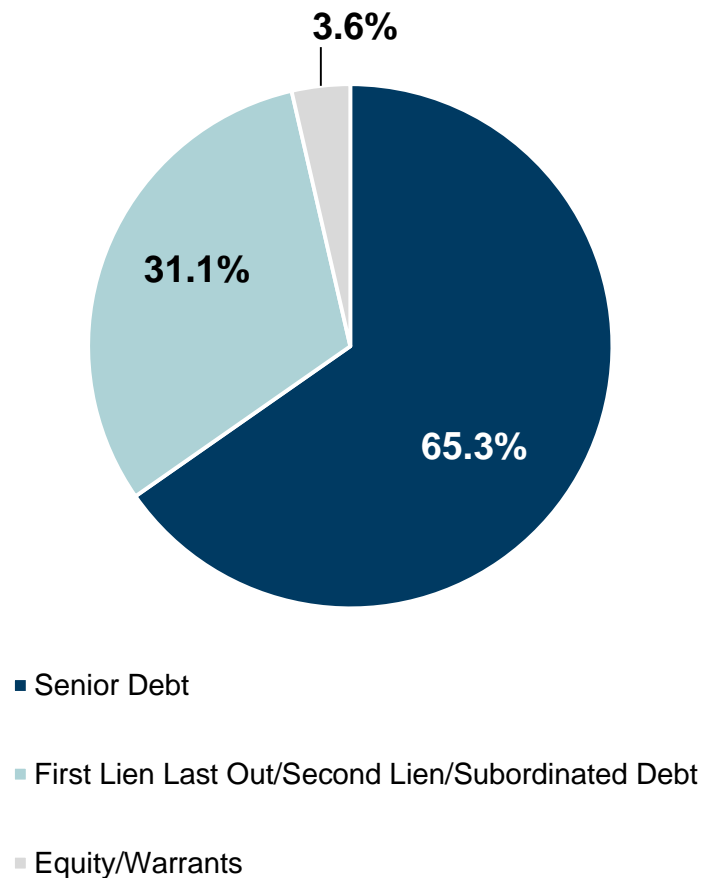
¹ IRRs for unrealized investments include fair value through 05/31/17 and interest through 06/30/17

* 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 22 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 4.4x¹.
 - 65.3% of the SBIC portfolio consists of senior debt investments, up from 62.0% in February 2017
 - 31.1% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, down from 34.5% in February 2017

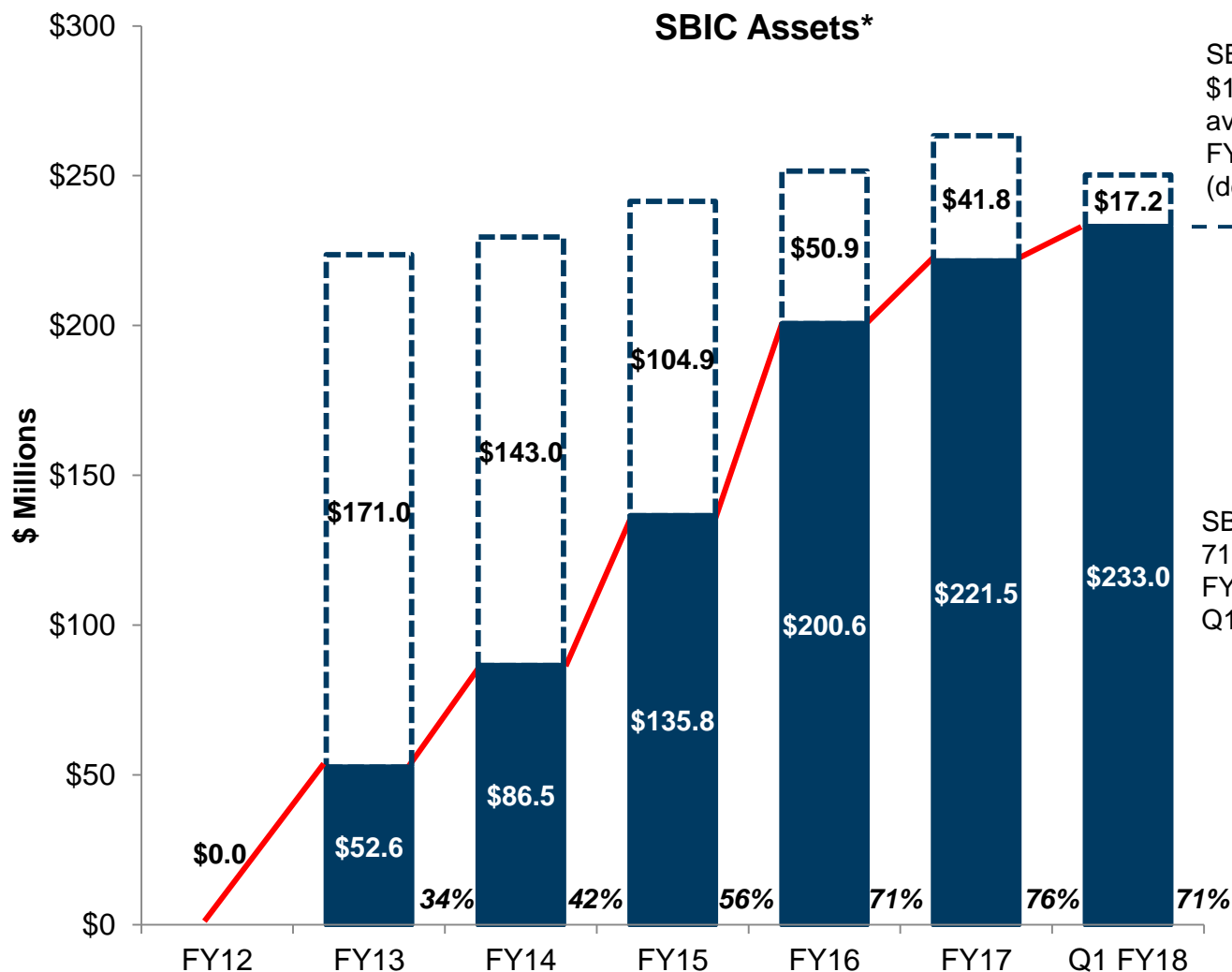
Composition of SBIC Portfolio ²



¹Excludes two loans underwritten using recurring revenue metrics

²Based on market value as of May 31, 2017

SBIC Assets Continue to Grow



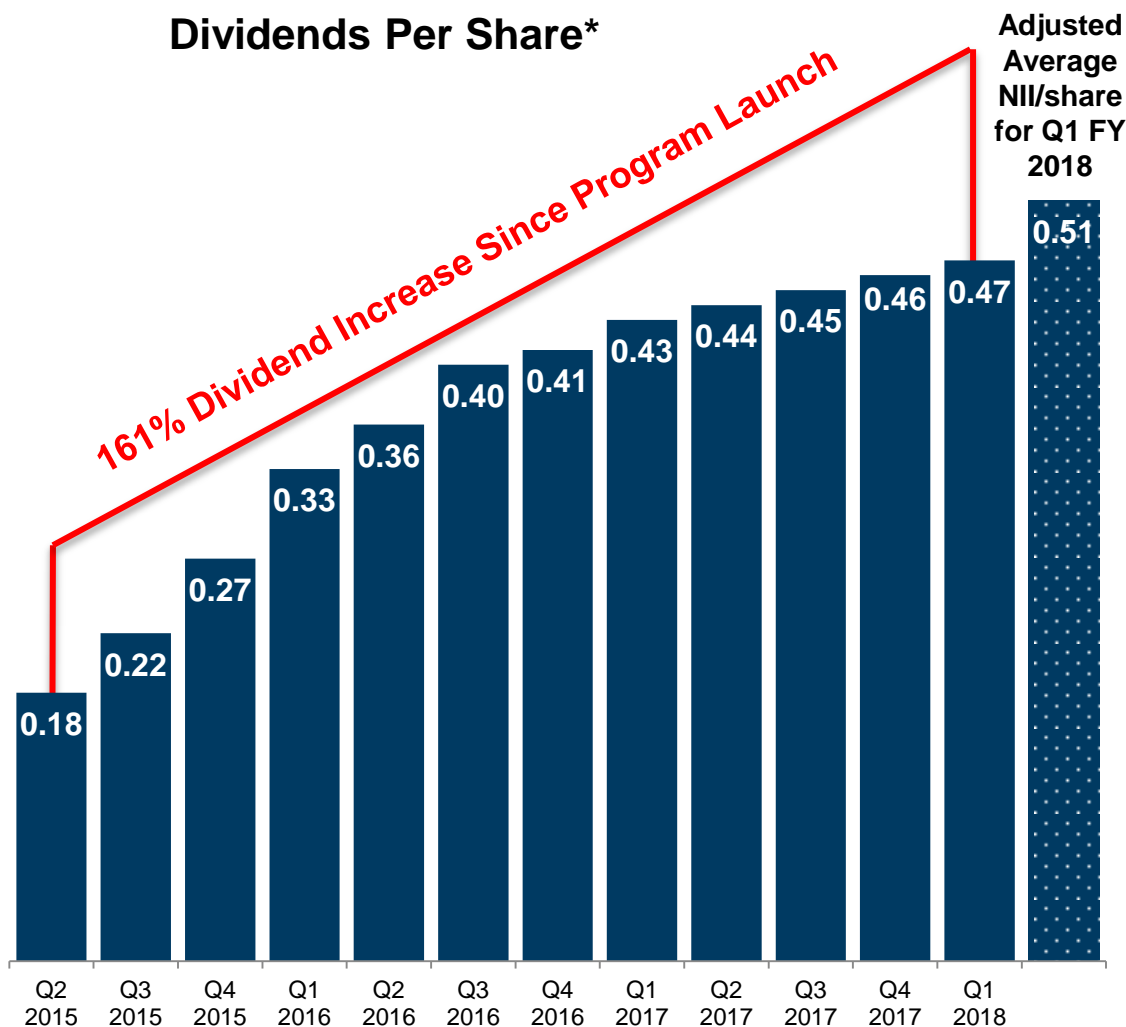
SBIC first license provided \$171m, \$143m, \$104.9m, \$50.9m, \$41.8m and \$17.2m of available capacity in FY13, FY14, FY15, FY16, FY17 and Q1 FY18, respectively (debt and equity at 2:1 leverage)

SBIC represented 34%, 42%, 56%, 71%, 76% and 71% of total assets in FY13, FY14, FY15, FY16, FY17 and Q1 FY18, respectively

* At Fair Value as of May 31, 2017

Dividends Continue to Increase

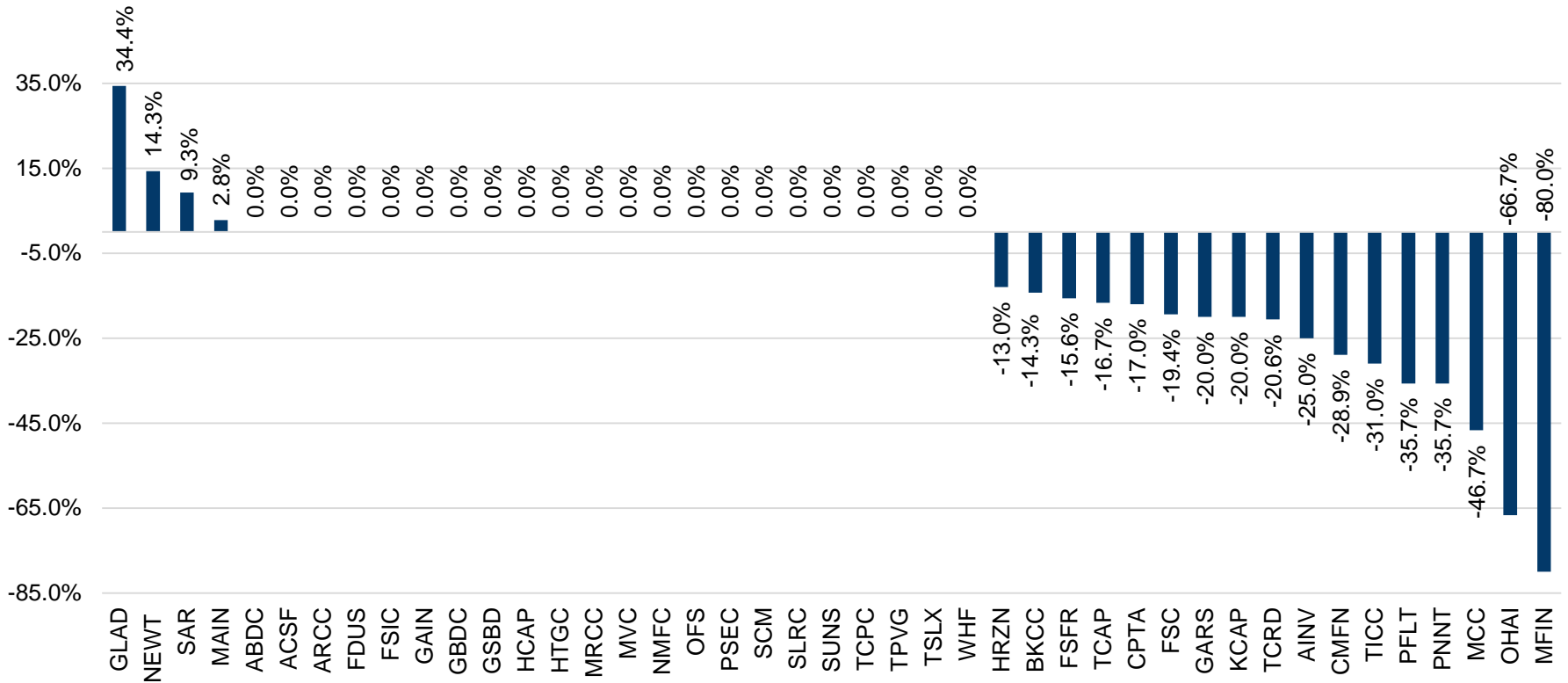
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 161% since program launch
- Declared Q1 2018 dividend of \$0.47, an increase of \$0.01 (2%)
- Overearning our dividend currently (9% on average LTM NII per share)



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

Saratoga Growing Dividends the Past Eleven Quarters

Year-Over-Year Quarterly Dividend Growth



Source: Raymond James report as of 4/13/17

SAR LTM Total Return Outperforms BDC Index

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

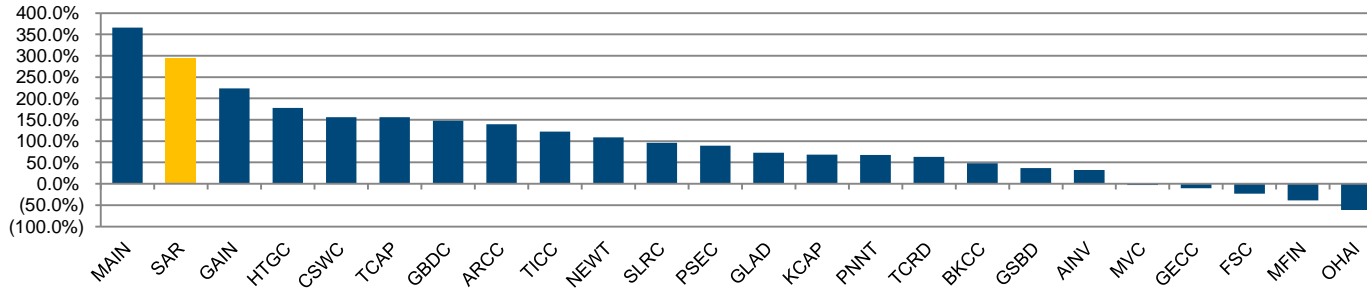
SAR +46.35% v BDC Index +23.01%



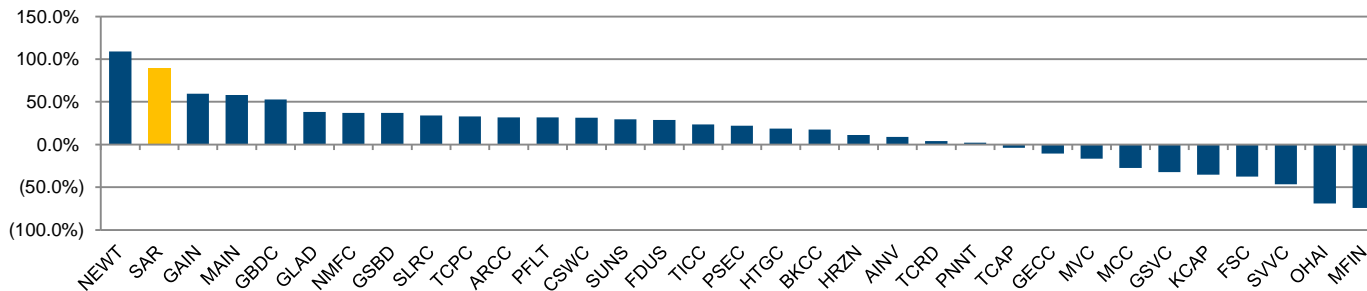
Source: Keefe, Bruyette & Woods

Performance at Top of BDC Industry

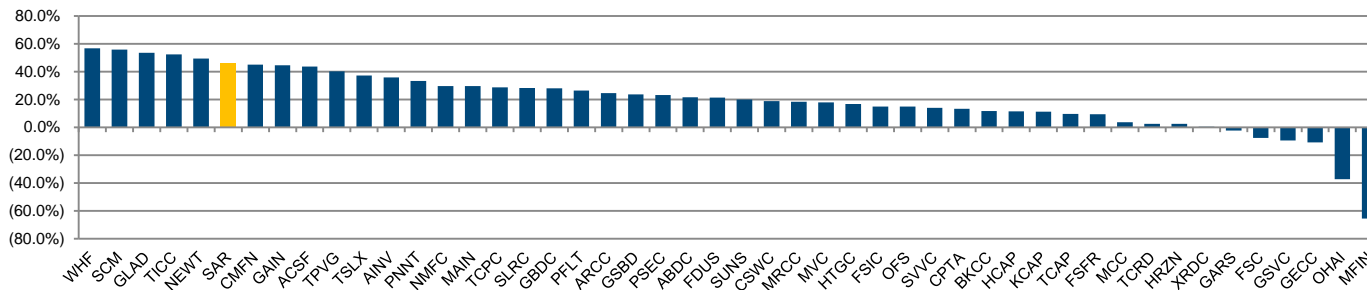
BDC Total Return (%)



**Past 7 years
since
Saratoga took
over: 293%**



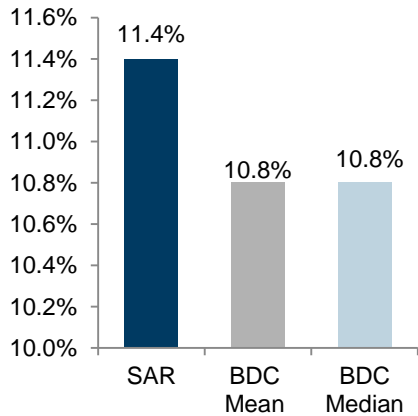
**Last 3 years:
89%**



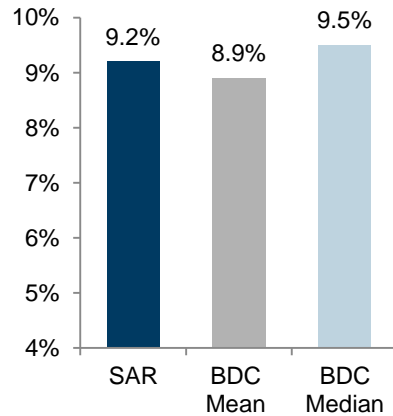
**Last 12 months:
46%**

Strongly Differentiated Outperformance

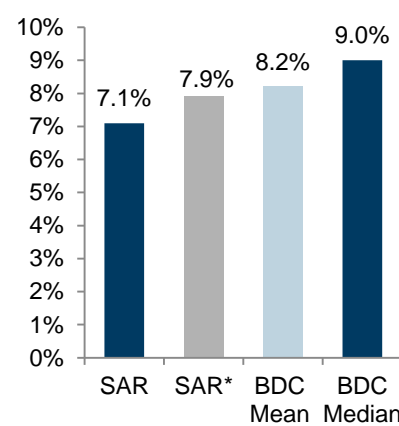
Interest % on Portfolio



LTM NII Yield

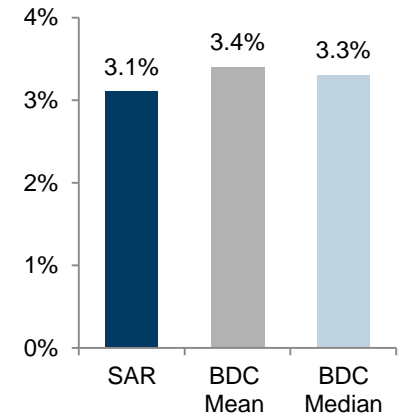


LTM ROE

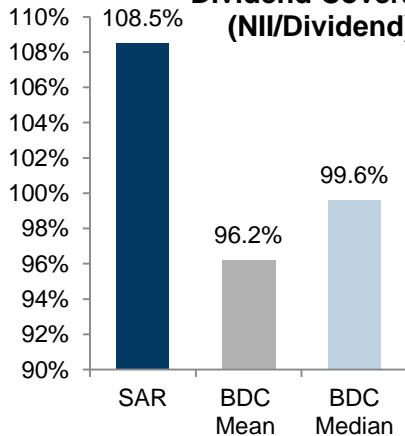


*Adjusted for interest and loss on extinguishment and legacy deals pre-Saratoga

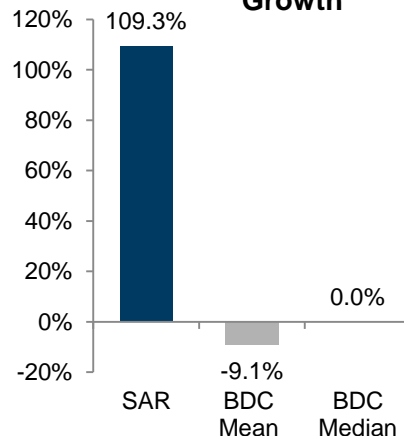
Expense Ratio



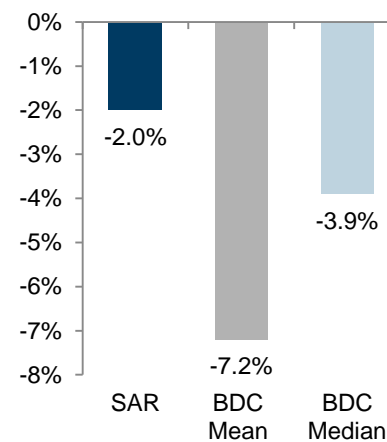
Dividend Coverage (NII/Dividend)



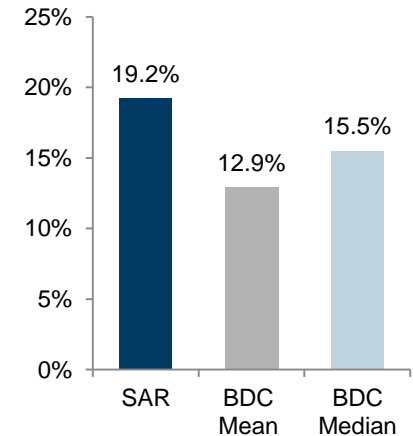
Year-over-Year Dividend Growth



NAV Per Share Growth



Investment Capacity %



Source: SNL Financial / Company Filings / Raymond James report as of 6/16/17 / Wells Fargo BDC Scorecard 9-1-2016

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Strong and growing dividend** | Paying a current dividend yield of approx. 8.8%; increased quarterly dividend by 161% over past three years
- ▶ **Solid return on equity** | LTM ROE of 7.1% factors in both investment income and net gains/losses, in line with BDC LTM average of 8.2% - excluding legacy investments and interest and loss on extinguishment, LTM ROE is 7.9%
- ▶ **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 19%; 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 247% since FY 2012 with strong originations offsetting significant repayments
- ▶ **Well-positioned for higher interest rates** | Over 85.1% 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, 96.3% of credits are the highest quality, 56.4% of investments are first lien, protected against potential interest rate risk of rising rates

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.