

Saratoga Investment Corp.

**Fiscal First Quarter 2016
Shareholder Presentation**

July 15, 2015

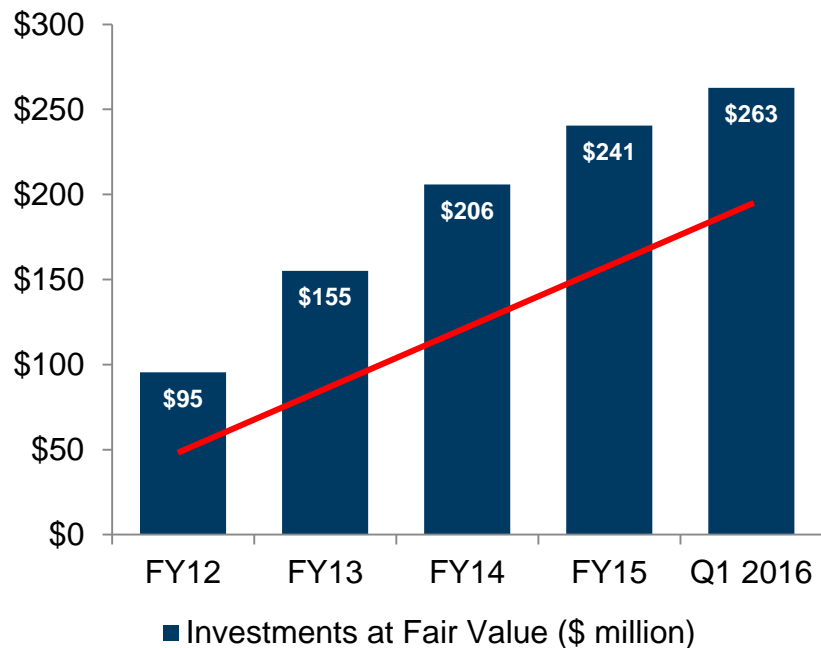


Maintaining Momentum Through Q1 2016

- Important strategic corporate milestones reached
 - Continued quarterly cash-paying dividend policy
 - Paid \$1.00 special dividend on June 5, 2015
 - Declared new dividend of \$0.33 per share on July 8, 2015 continuing increase in quarterly dividends
 - Represents dividend for quarter ended May 31, 2015, payable on August 31, 2015 for all stockholders of record on August 3, 2015
 - Received “green light” from SBA for second license in April 2015
 - Commenced ATM baby bonds offering in June 2015
 - Issued \$5.7 million of baby bonds through July 14, 2015 at 1.3% average premium
- Expanded shareholder base and additional analyst coverage added
- Continued to increase our assets under management
 - Up 9% year-to-date and up 176% from FY12
- Sustained improvement in our investment quality and credit
 - Over 95% of loan investments with highest rating
- Continued key performance metrics improvement
 - Adjusted NII up 33%; Adjusted NII Yield up 180 bps to 9.3%; Adjusted NII per share up 33% to \$0.53, and ROE up 1780bps to 24.0%

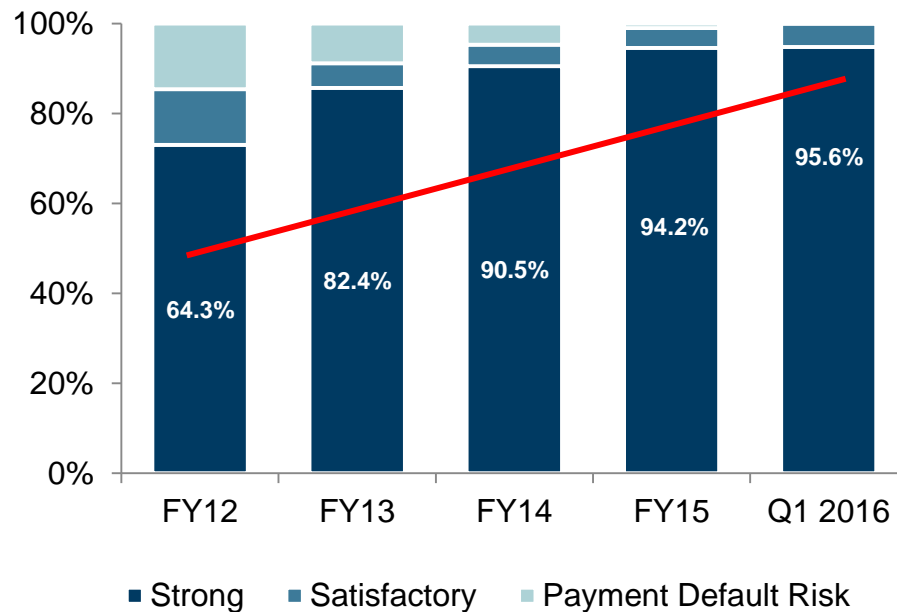
Increased Portfolio Growth and Quality

Committed to Asset Base Expansion



Fair value of AUM increased 9% during Q1 2016, and 176% since FY 2012

Overall Credit Quality Remains Strong



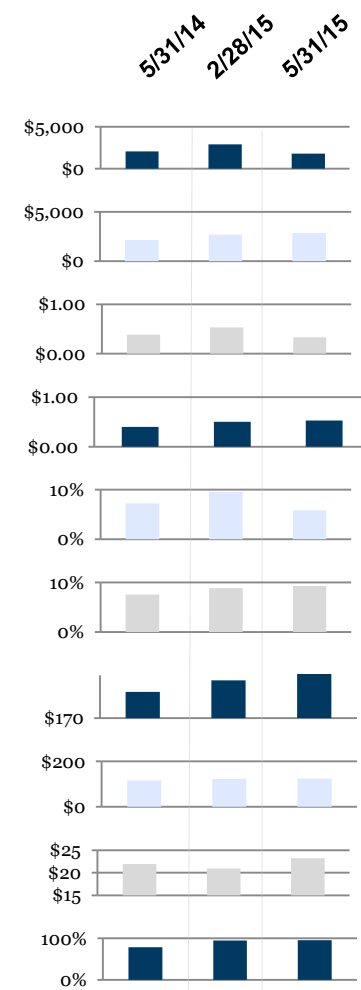
Over 95% of SAR loan investments hold our highest internal rating*

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

Financial Foundation Continues to Strengthen

Key Performance Metrics for the Quarter

For the quarter ended and as of (\$ in millions except per share)	May 31, 2014**	Feb 28, 2015	May 31, 2015
Net investment income	\$2,063	\$2,888	\$1,771
Adjusted net investment income*	\$2,155	\$2,685	\$2,855
Net investment income per share	\$0.38	\$0.53	\$0.33
Adjusted net investment income per share*	\$0.40	\$0.50	\$0.53
Net investment income yield	7.2%	9.5%	5.8%
Adjusted net investment income yield*	7.5%	8.8%	9.3%
Fair value of investment portfolio	\$218.7	\$240.5	\$262.7
Total net assets	\$115.2	\$122.6	\$123.5
Investments in new/existing portfolio companies	\$21.6	\$20.9	\$23.2
Loan Investments held in "strong" credit ratings	78.5%	94.2%	94.8%



*Adjusted for accrued capital gains incentive fee expense, reconciliation to net investment income included in our fiscal first quarter 2016 earnings release.

** Prior periods revised for adjustments outlined in notes to the financial statements included in the Form 10-K

Significant Dry Powder Available

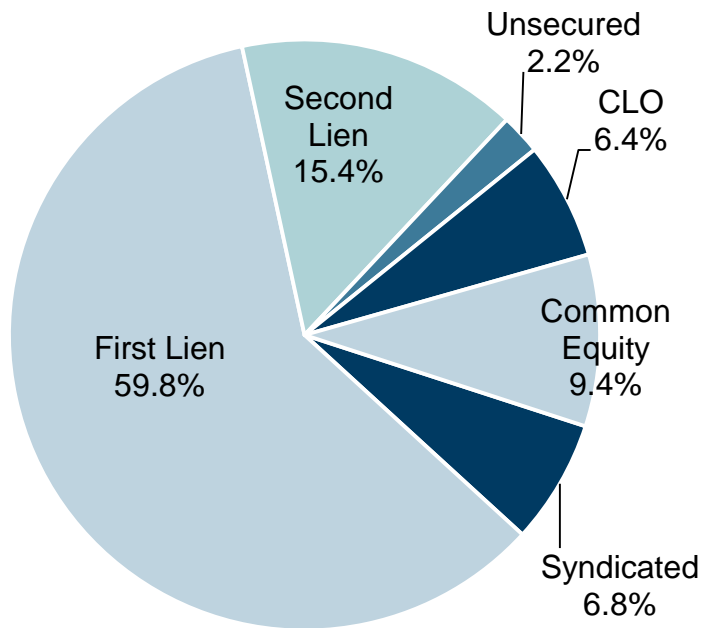
	Total Borrowing Capacity (As of May 31, 2015)	Outstanding (As of May 31, 2015)	Available Liquidity (As of May 31, 2015)
Secured Revolving Credit Facility	\$45.0 million	\$11.8 million	\$33.2 million
SBA Debentures	\$150.0 million	\$79.0 million	\$71.0 million
Publicly-Traded Notes (at fair value)	\$49.7 million	\$49.7 million	\$0.0
Cash and Cash Equivalents	\$6.6 million	\$0.0	\$6.6 million
Total Available Liquidity:			\$110.8 million*

* Ability to grow AUM by over 42% without any external financing

Portfolio Composition and Yield

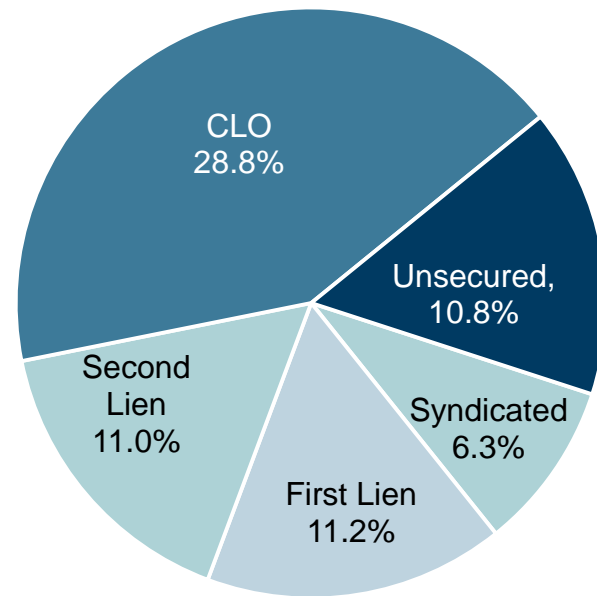
Portfolio Composition – \$263m

(Based on Fair Values
as of May 31, 2015)



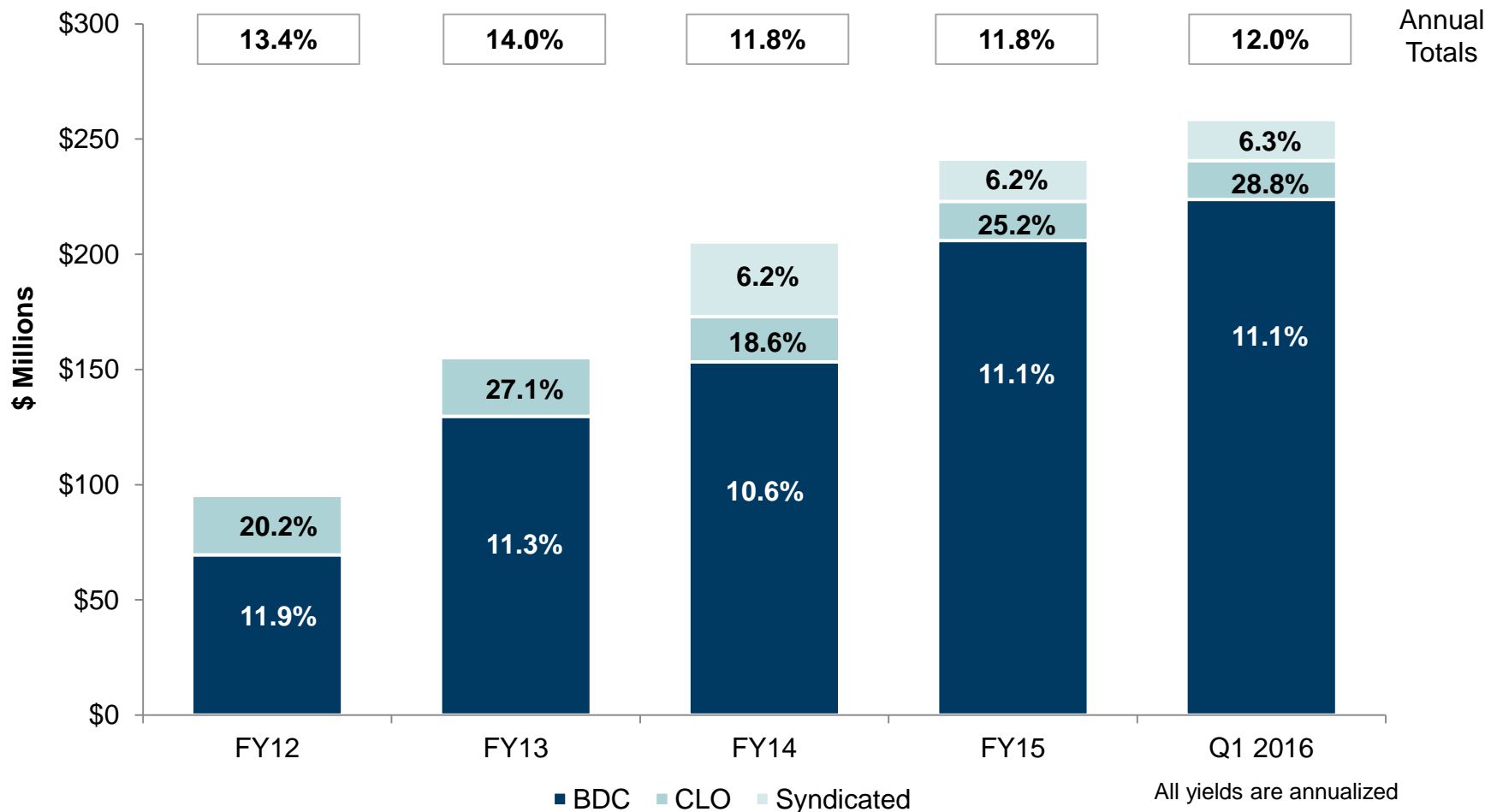
Portfolio Yield – 12.0%

(Weighted Average
Current Yield of Existing Portfolio)



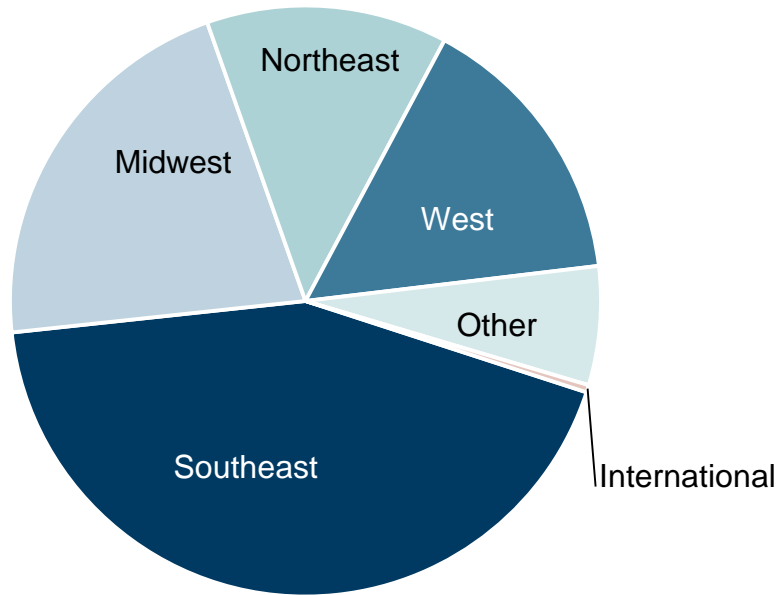
Yield of BDC Remains Strong

Weighted Average Current Yields

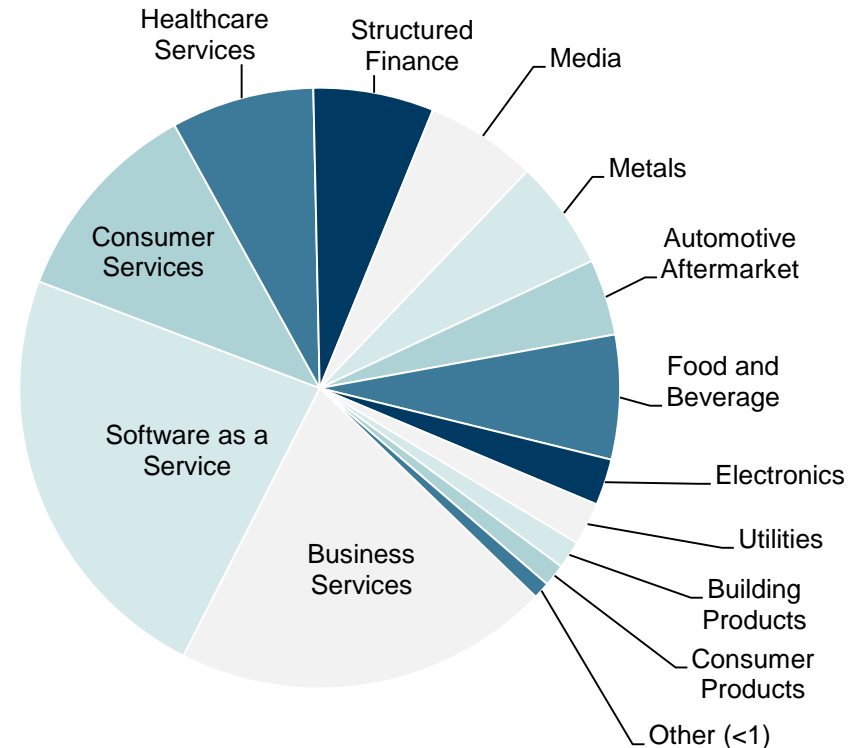


Diversified Across Industry and Geography

Investments diversified geographically



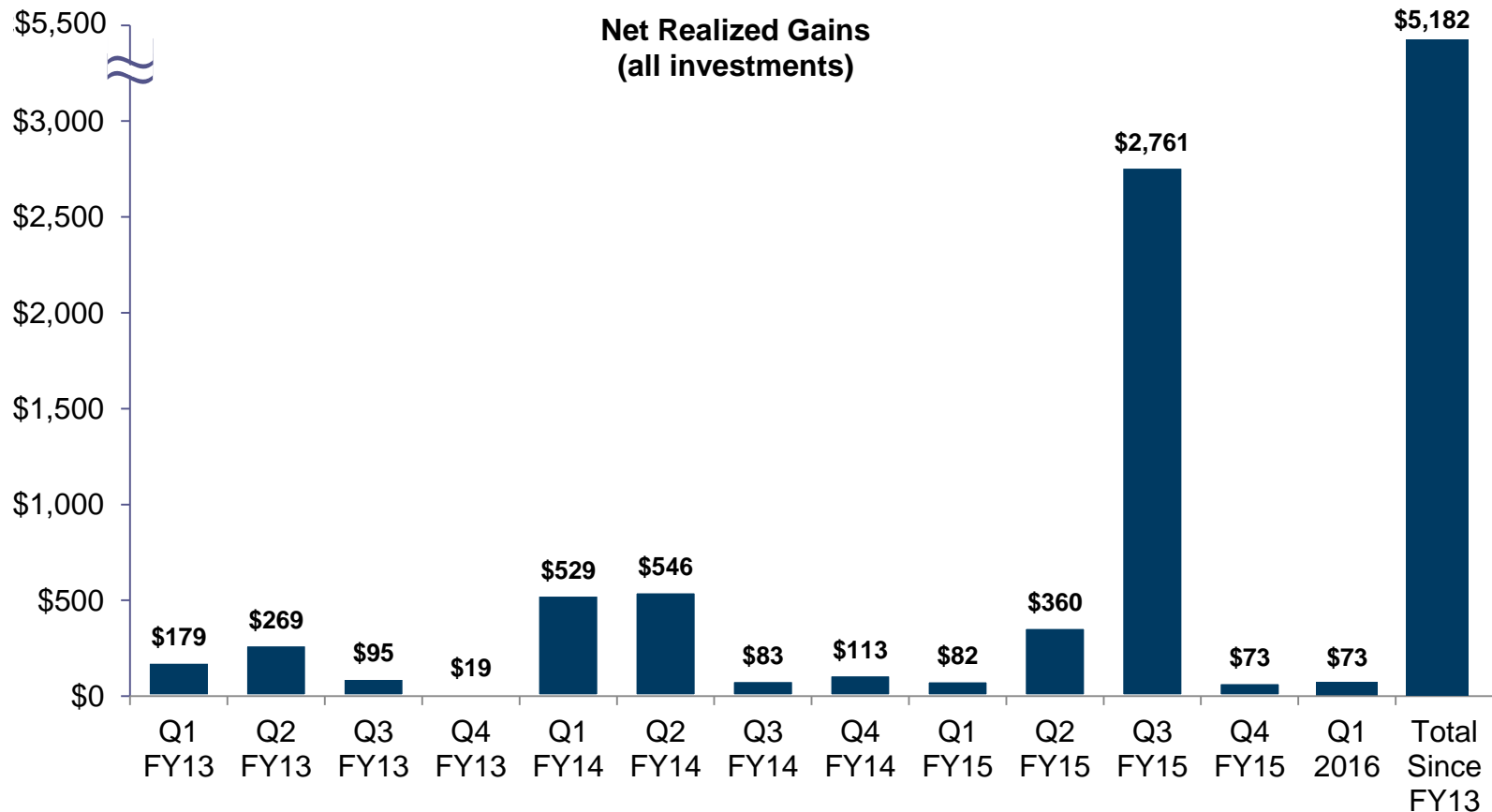
Investments across 15 distinct industries



Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality

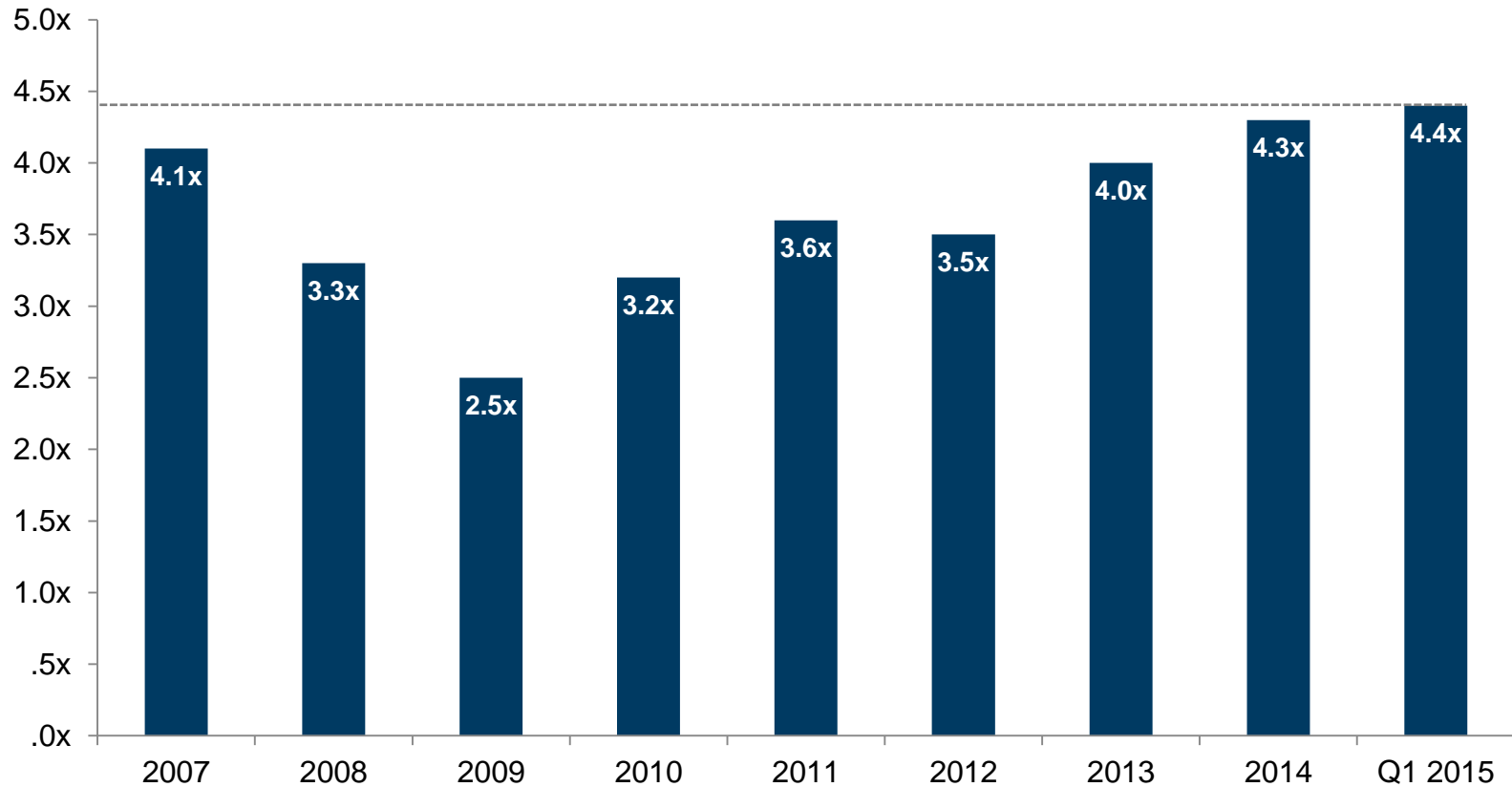
\$ in thousands



Middle-Market Leverage Multiples Surpass Pre-Crisis Levels

(Defined as Issuers with EBITDA of \$50 Million or Less)

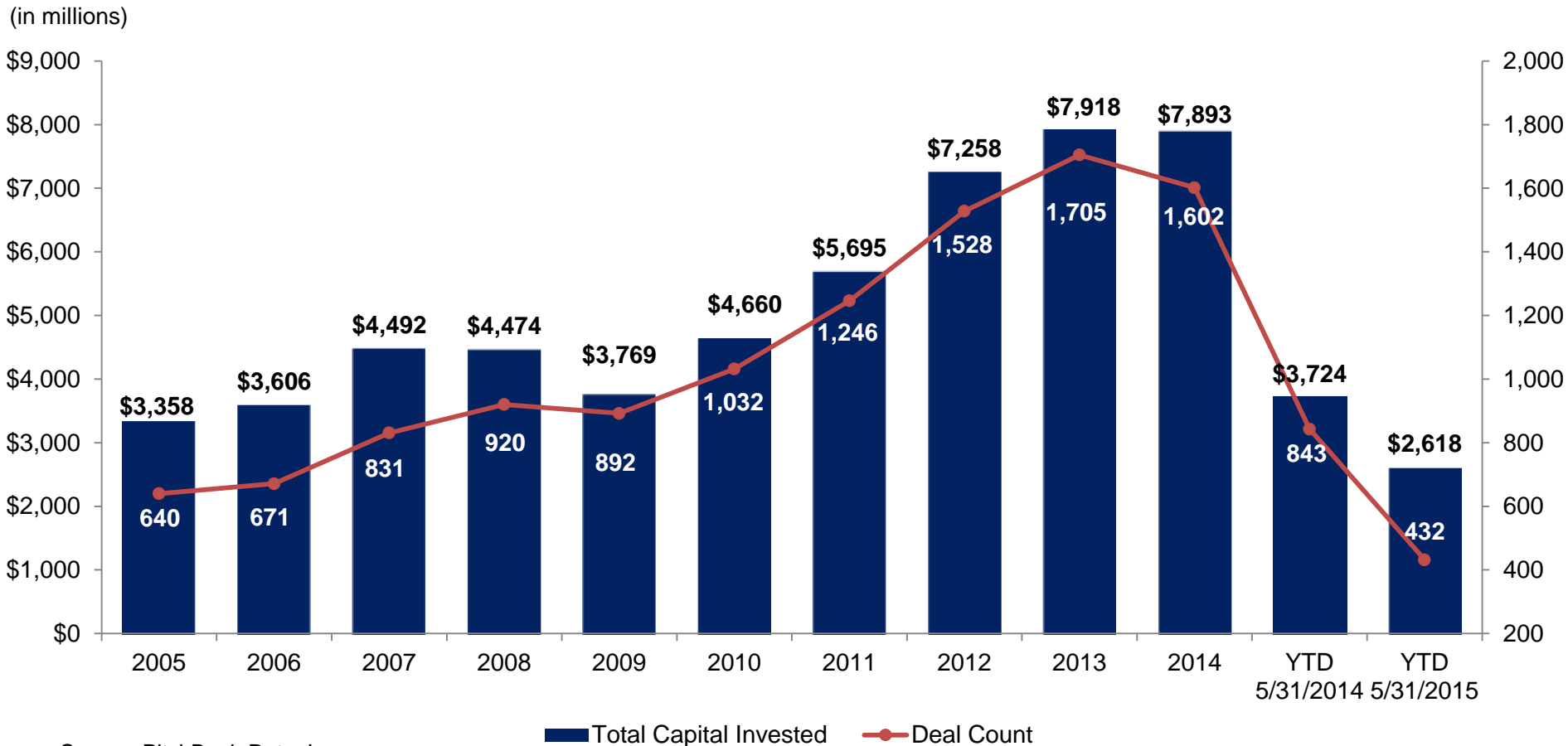
Middle Market Senior Debt Multiples (LBO Transactions)



Source: Lincoln International

Deal Sizes in US Below \$25m Significantly Down

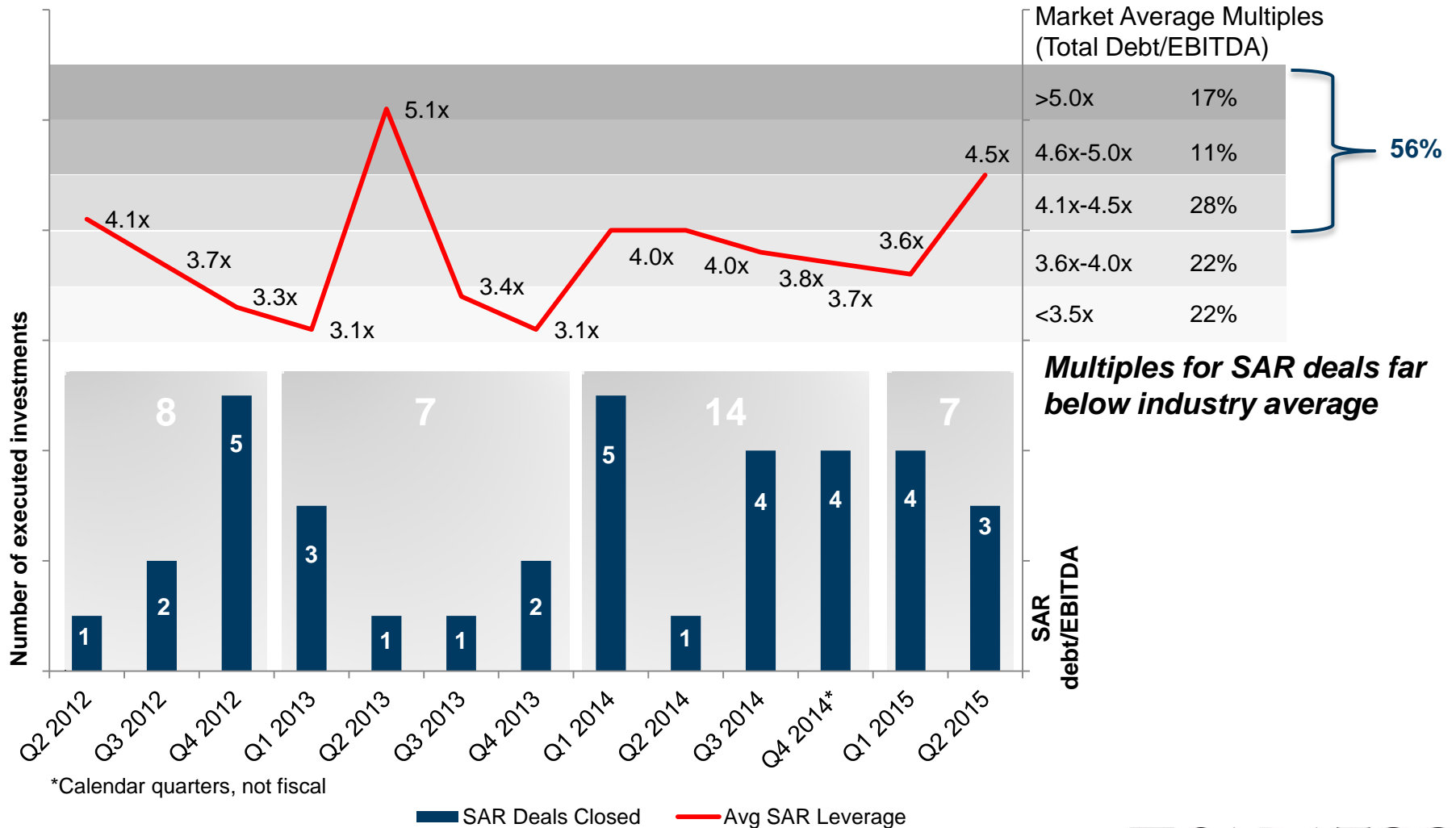
2015 calendar year off to tepid start, with only 49% of the deals from the same period last year



Source: PitchBook Data, Inc.

Exercising Disciplined Investment Judgment

SAR Debt Multiples/Deals Closed (2012-2015)

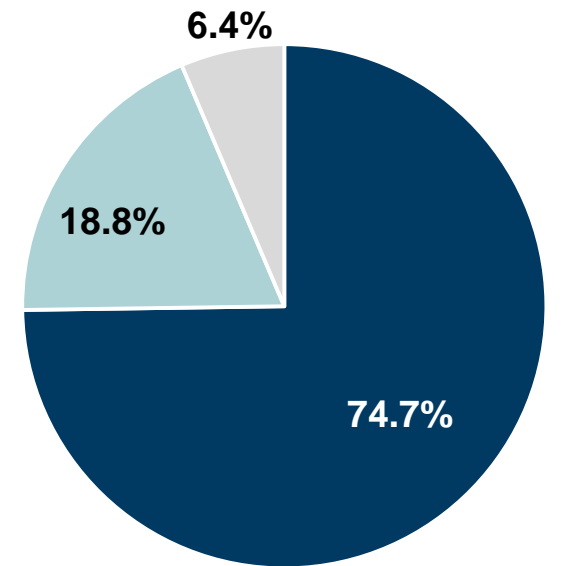


Source: KeyBanc Capital Markets
Calendar quarters, not fiscal

SBIC Portfolio Primarily Senior Debt

- SBIC portfolio consists of 31 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 3.7x.
 - 74.7% of the SBIC portfolio consists of senior debt investments, relatively unchanged from last quarter.
 - 18.8% of the SBIC portfolio consists of second lien/subordinated debt investments.

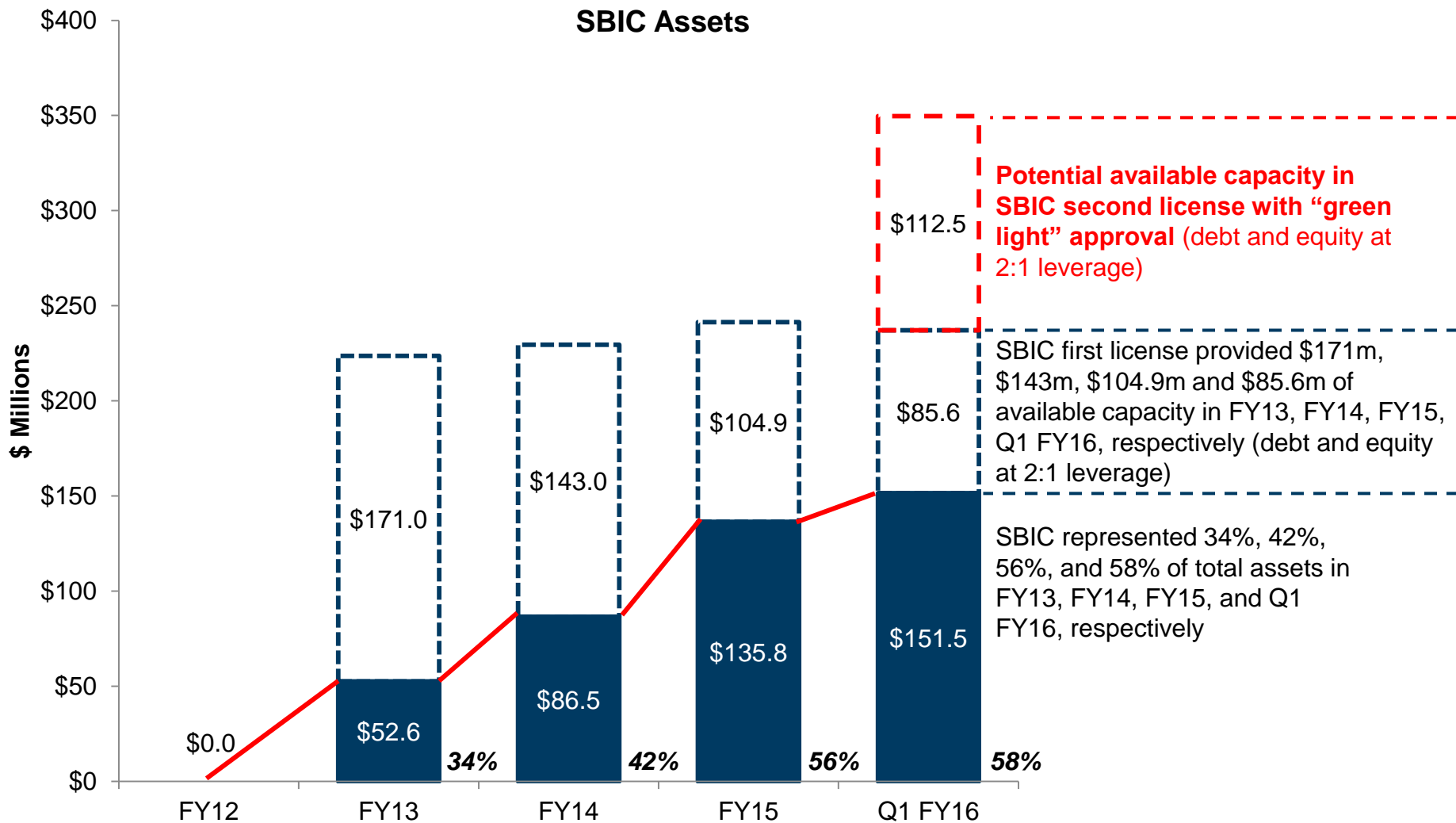
Composition of SBIC Portfolio ¹



- Senior Debt
- Second Lien/Subordinated Debt
- Equity/Warrants

¹ Based on market value as of May 31, 2015

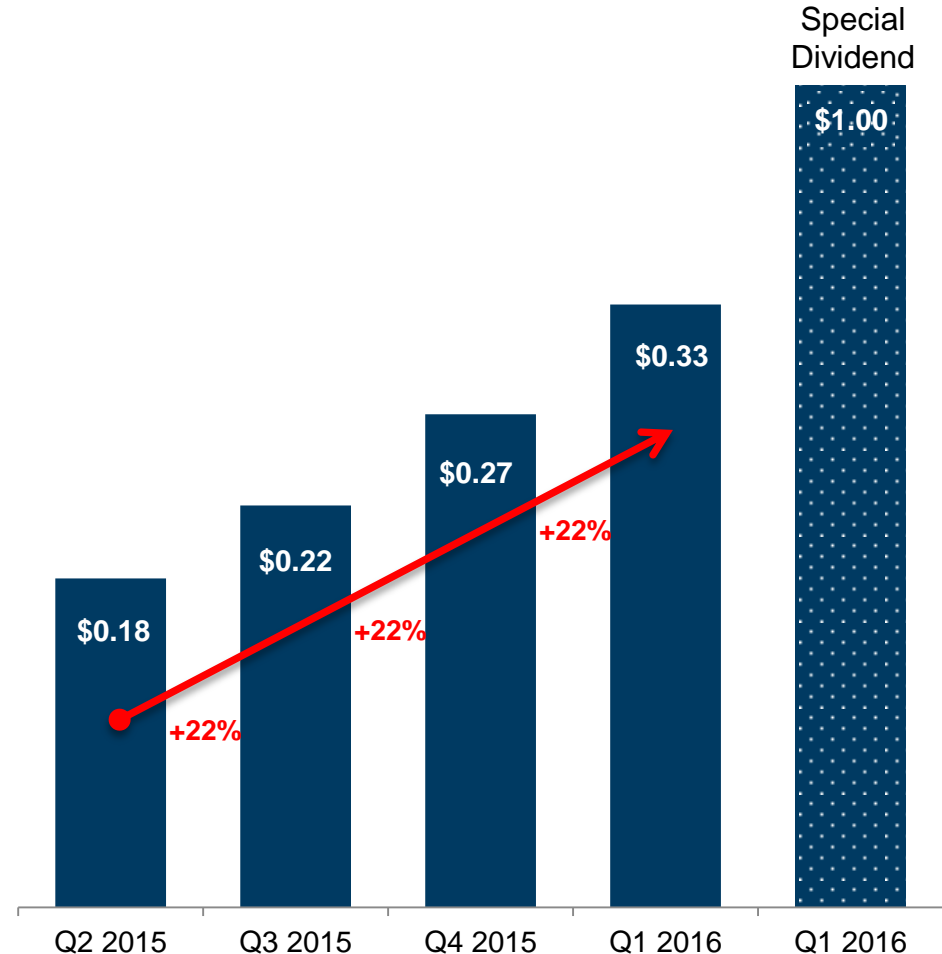
SBIC Assets Continue to Grow



Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Announced special dividend pursuant to DRIP, and meeting RIC requirements in Q2
- Declared Q1 dividend of \$0.33, another increase of 22% from last quarter

Dividends Per Share



Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

▶ **Growing dividend**

Paying at current dividend yield of approx. 7.7%, grown consistently by 22% past three quarters

▶ **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 42%

▶ **Strong earnings per share and NII Yield**

Attractive NII per share and high teens ROE generated from strong risk-adjusted portfolio returns and SBIC 2-to-1 leverage

▶ **Continued expansion of assets under management**

Assets under management has steadily grown despite tightening of the credit market

▶ **No write-downs**

High quality portfolio a result of careful and disciplined capital deployment. Numerous BDCs now suffering significant value adjustments.

▶ **Limited oil & gas exposure**

Will not be facing potential write-downs as a result of significant exposure to energy/oil/gas investments

Objectives for the Next Quarter

- 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 SBIC financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
 - Net Asset Value
 - Stock Values

Questions?



SARATOGA
INVESTMENT CORP.