

Saratoga Investment Corp.

**Fiscal Third Quarter 2016
Shareholder Presentation**

January 14, 2016



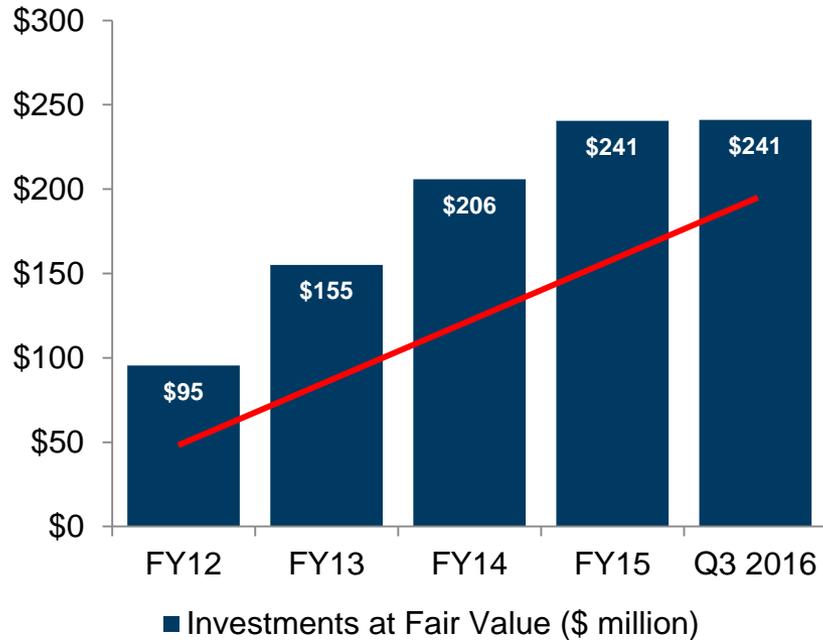
Remain Committed to Long-Term Strategy

Third quarter highlights:

- Continued improvements in key performance metrics
 - NAV increased 1.6% to \$127.3 million.
 - Investment quality at strongest level ever
 - Over 97% of loan investments with highest rating
 - Return on equity of 10.8% for Q3 and 12.9% YTD, beating industry average of 4.3%
- Consistent originations sustain assets under management amongst significant redemptions
 - AUM up 153% from FY12, down 4% since August 31, 2015 after \$27.9 million redemptions
 - Since quarter-end, new originations of \$31.2 million with minimal redemptions
- Declared new dividend of \$0.40 per share continuing increase in quarterly dividends, more than doubling our quarterly dividends in past 12 months
 - Represents dividend for quarter ended November 30, 2015, payable on February 29, 2016 for all stockholders of record on February 1, 2016
- Commenced ATM baby bonds offering in June 2015
 - Issued \$13.1 million of baby bonds through November 30, 2015

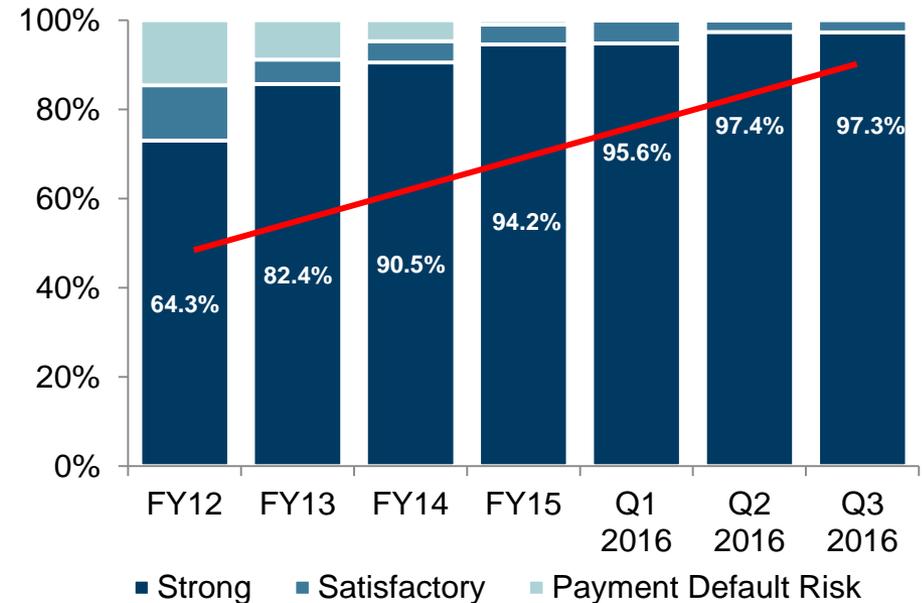
Portfolio Size and Quality Remains Strong

Asset Base Expansion Trend



Fair value of AUM increasing 153% since FY 2012 – Consistent 2016 quarterly originations offset by lumpy redemptions

Overall Credit Quality Continues Strong



Over 97% of SAR loan investments hold our highest internal rating*

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

Financial Foundation Remains Strong

Key Performance Metrics for the Quarter

For the quarter ended and as of (\$ in millions except per share)	Nov 30, 2014**	Aug 31, 2015	Nov 30, 2015
Net investment income	\$2.629	\$3.657	\$2.150
Adjusted net investment income*	\$2.849	\$2.893	\$2.349
Net investment income per share	\$0.49	\$0.66	\$0.38
Adjusted net investment income per share*	\$0.53	\$0.52	\$0.42
Net investment income yield	8.8%	11.8%	6.8%
Adjusted net investment income yield*	9.5%	9.3%	7.4%
Return on Equity	11.3%	4.0%	10.8%
Fair value of investment portfolio	\$241.2	\$252.1	\$241.0
Total net assets	\$120.8	\$125.3	\$127.3
Investments in new/existing portfolio companies	\$30.6	\$18.9	\$15.3
Loan Investments held in "strong" credit ratings	92.5%	97.4%	97.3%

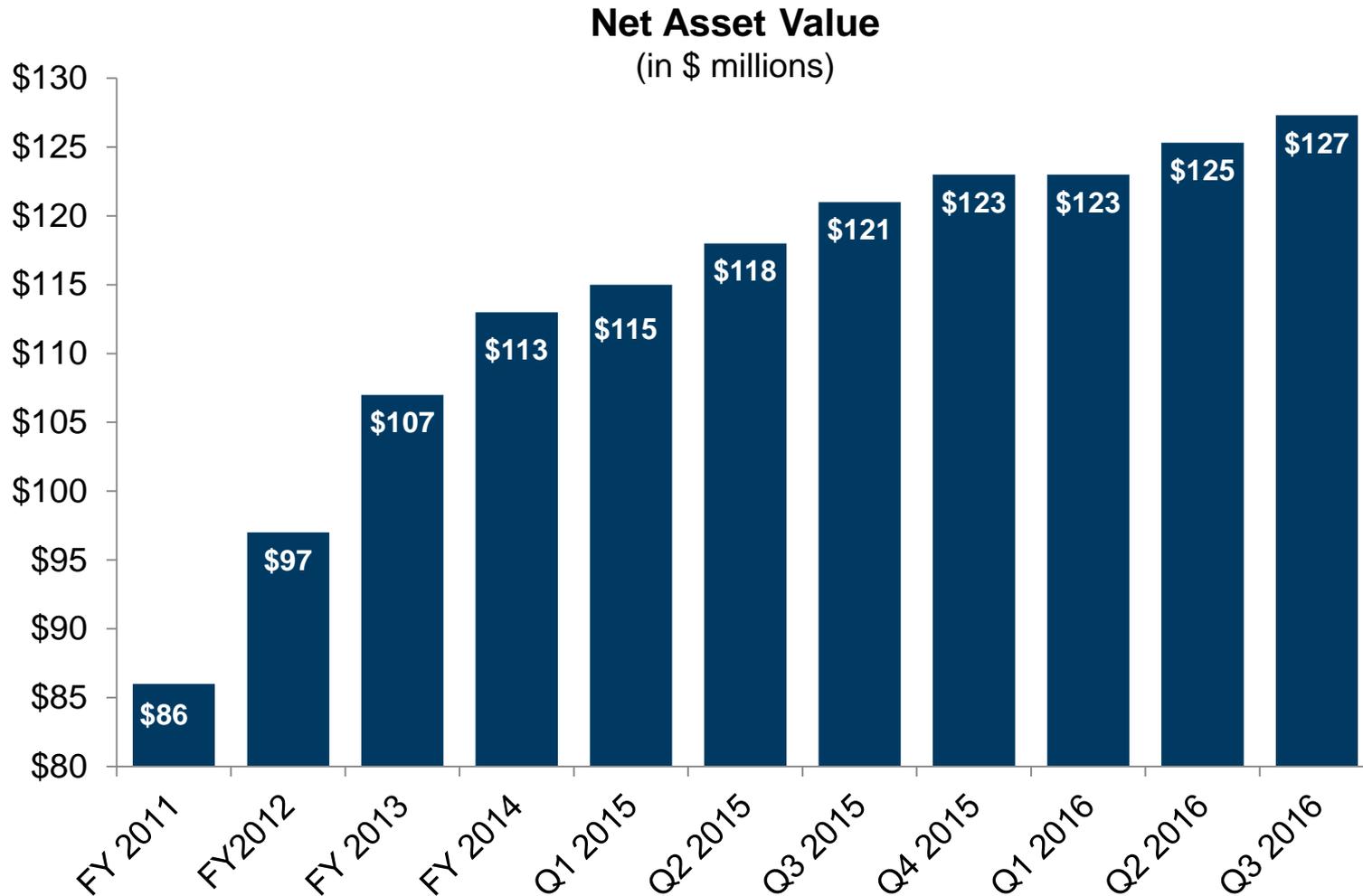


*Adjusted for accrued capital gains incentive fee expense, reconciliation to net investment income included in our fiscal third quarter 2016 earnings release.

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



Net Asset Value Consistently Growing



Significant Dry Powder Available

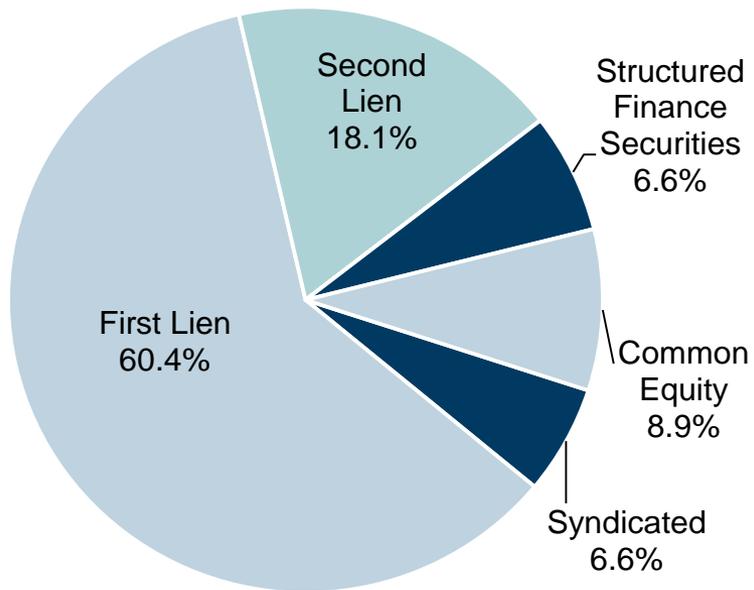
(As of Nov 30, 2015)	Total Borrowing Capacity	Outstanding	Available Liquidity
Secured Revolving Credit Facility	\$45.0 million	\$0.0 million	\$45.0 million
SBA Debentures	\$150.0 million	\$79.0 million	\$71.0 million
Publicly-Traded Notes (at fair value)	\$61.5 million	\$61.5 million	\$0.0
Cash and Cash Equivalents	\$27.2 million	\$0.0	\$27.2 million
Total Available Liquidity:			\$143.2 million*

* Ability to grow AUM by over 60% without any new external financing

Portfolio Composition and Yield

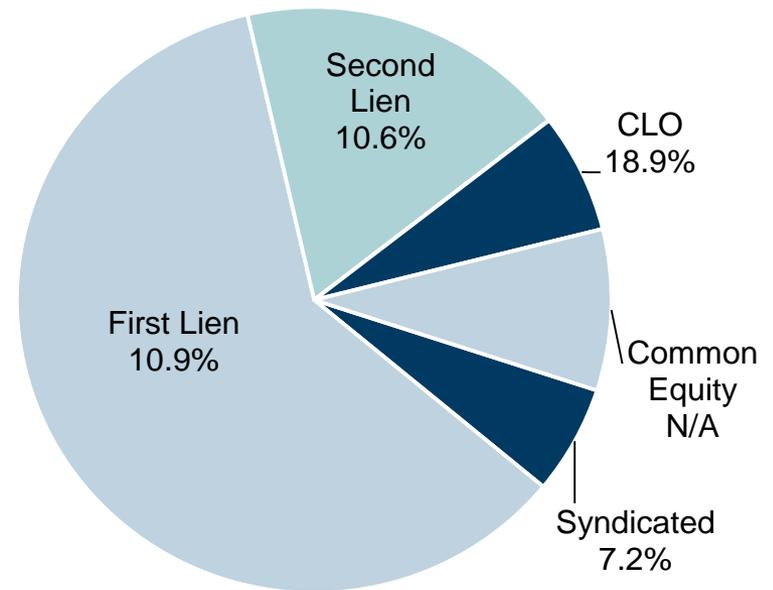
Portfolio Composition – \$241m

(Based on Fair Values
as of November 30, 2015)

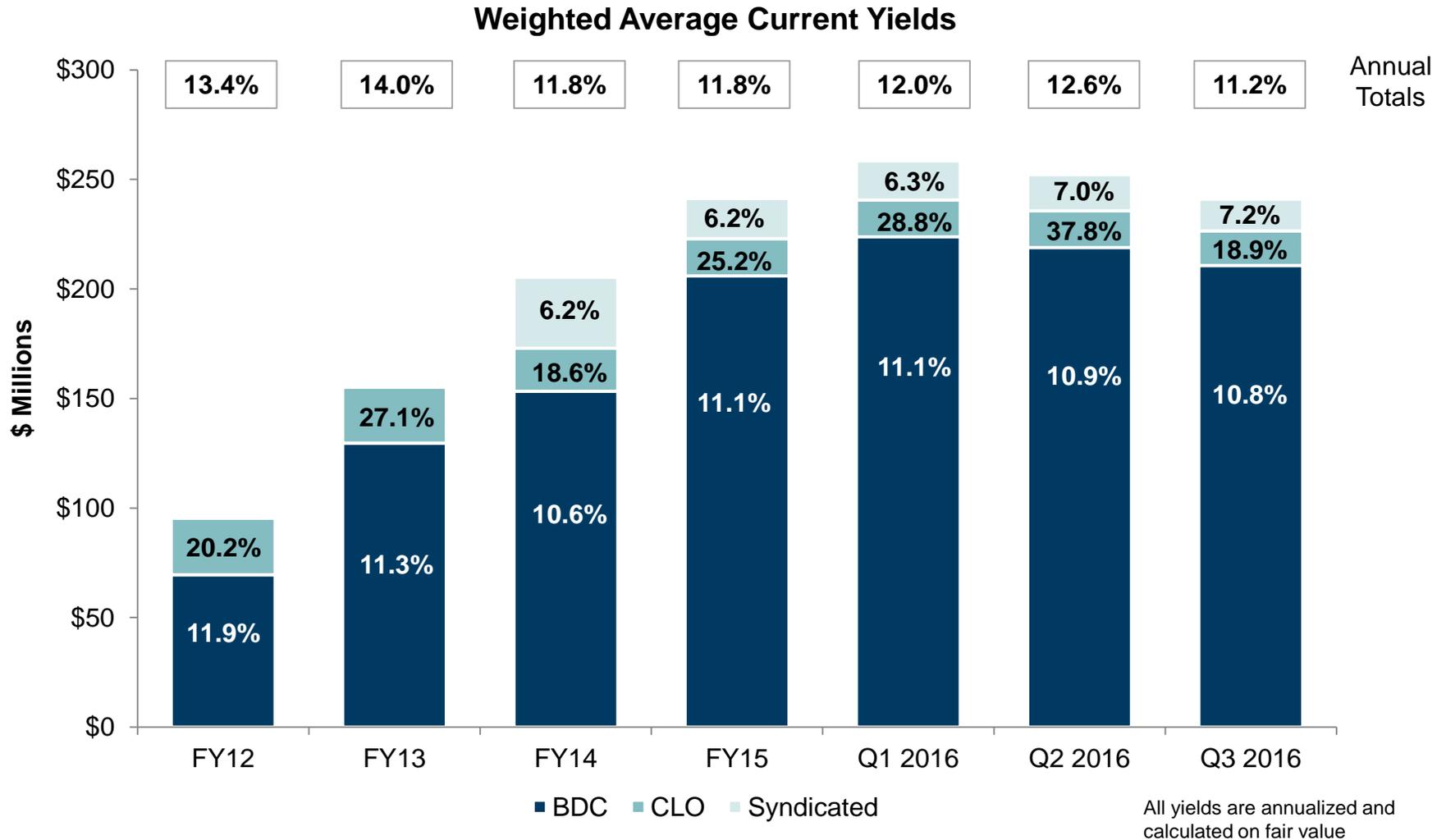


Portfolio Yield – 11.2%

(Weighted Average
Current Yield of Existing Portfolio)

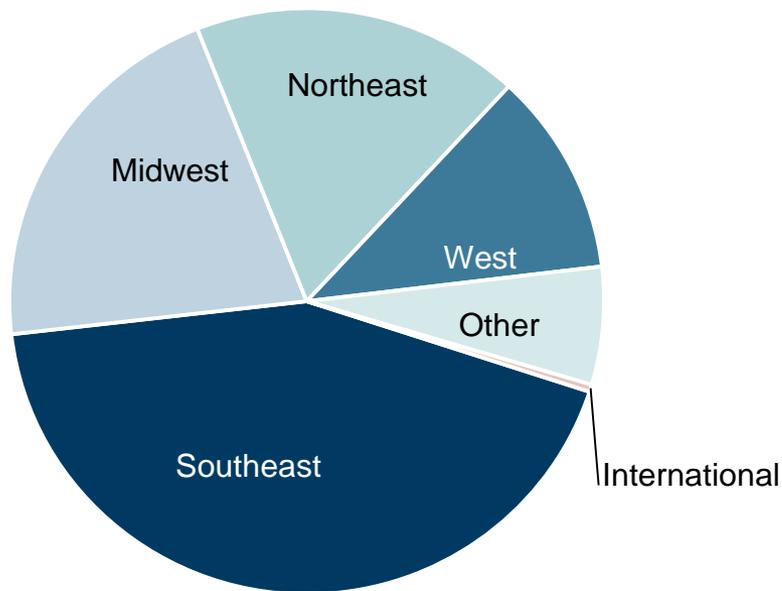


Yield of BDC Remains Strong and Consistent

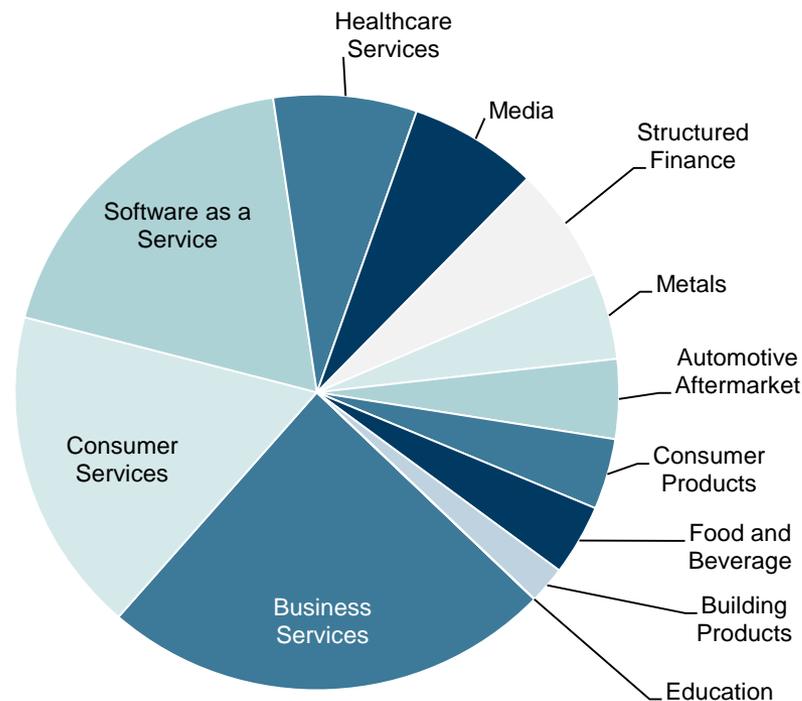


Diversified Across Industry and Geography

Investments diversified geographically

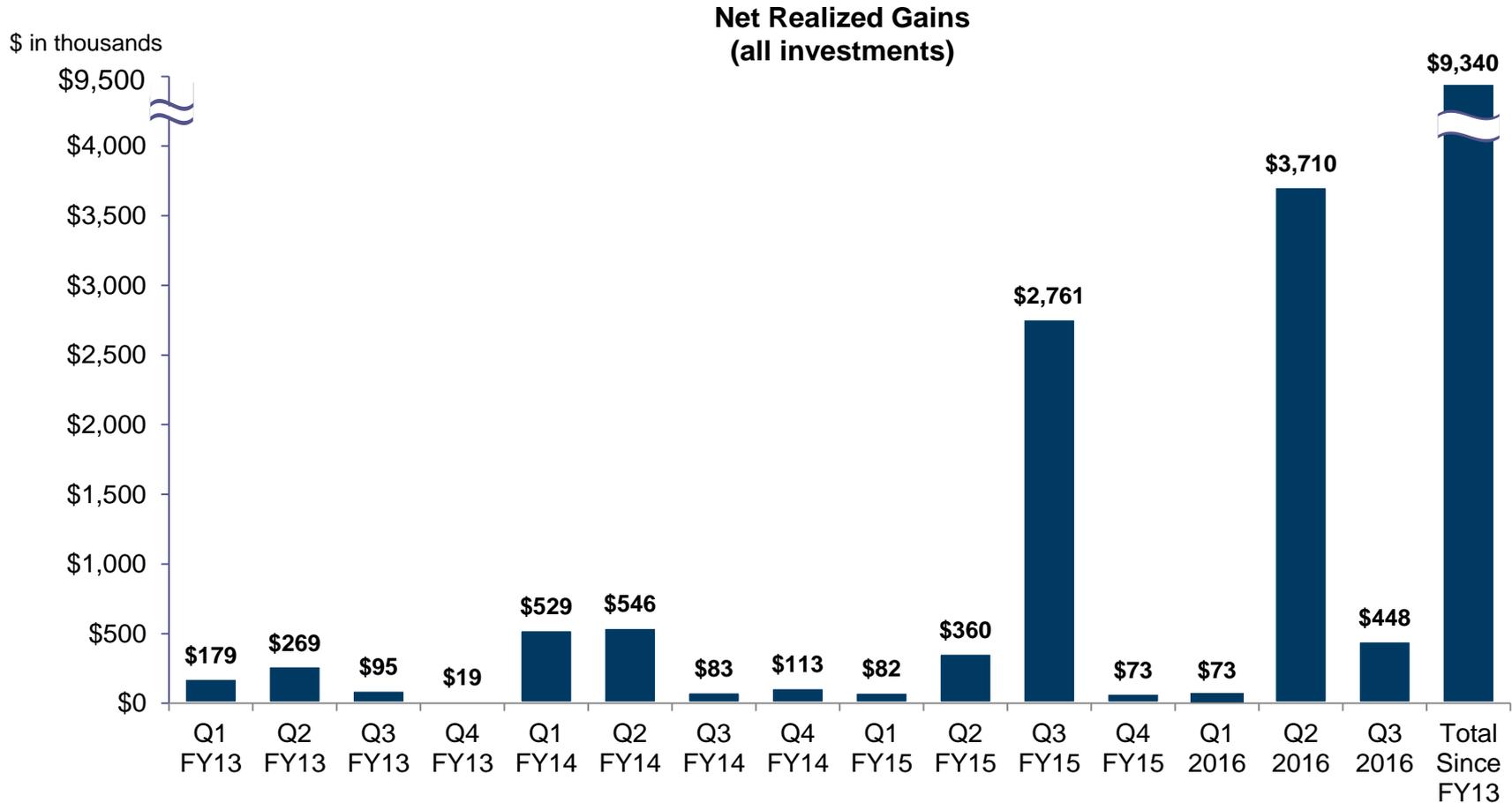


Investments across 12 distinct industries



Net Realized Gains Help Protect Shareholder Capital

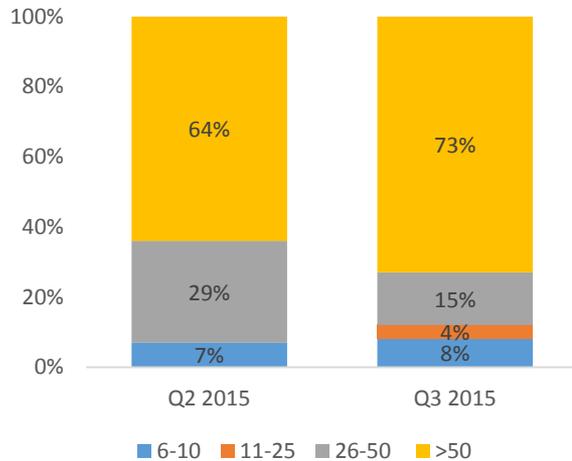
Cumulative net realized gains reflect portfolio credit quality



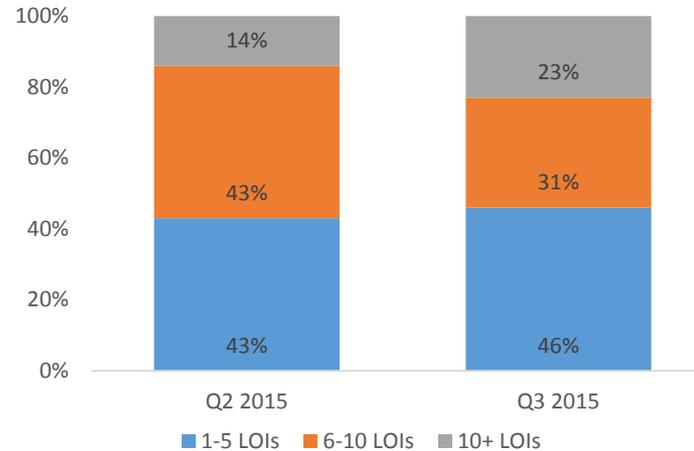
Both Opportunities and Closings Reduced

Quarterly survey of junior debt participants to measure market conditions and transaction terms for Q3 2015.

Transactions Viewed

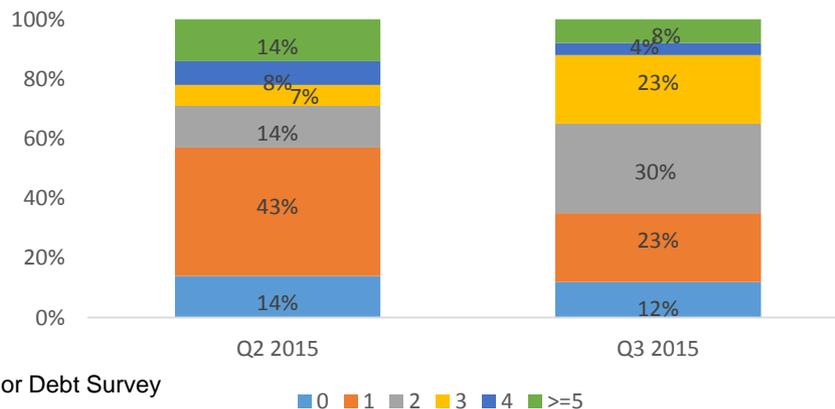


LOIs Submitted



88% reviewed > 25 opportunities vs. 89% and 93% in prior two quarters

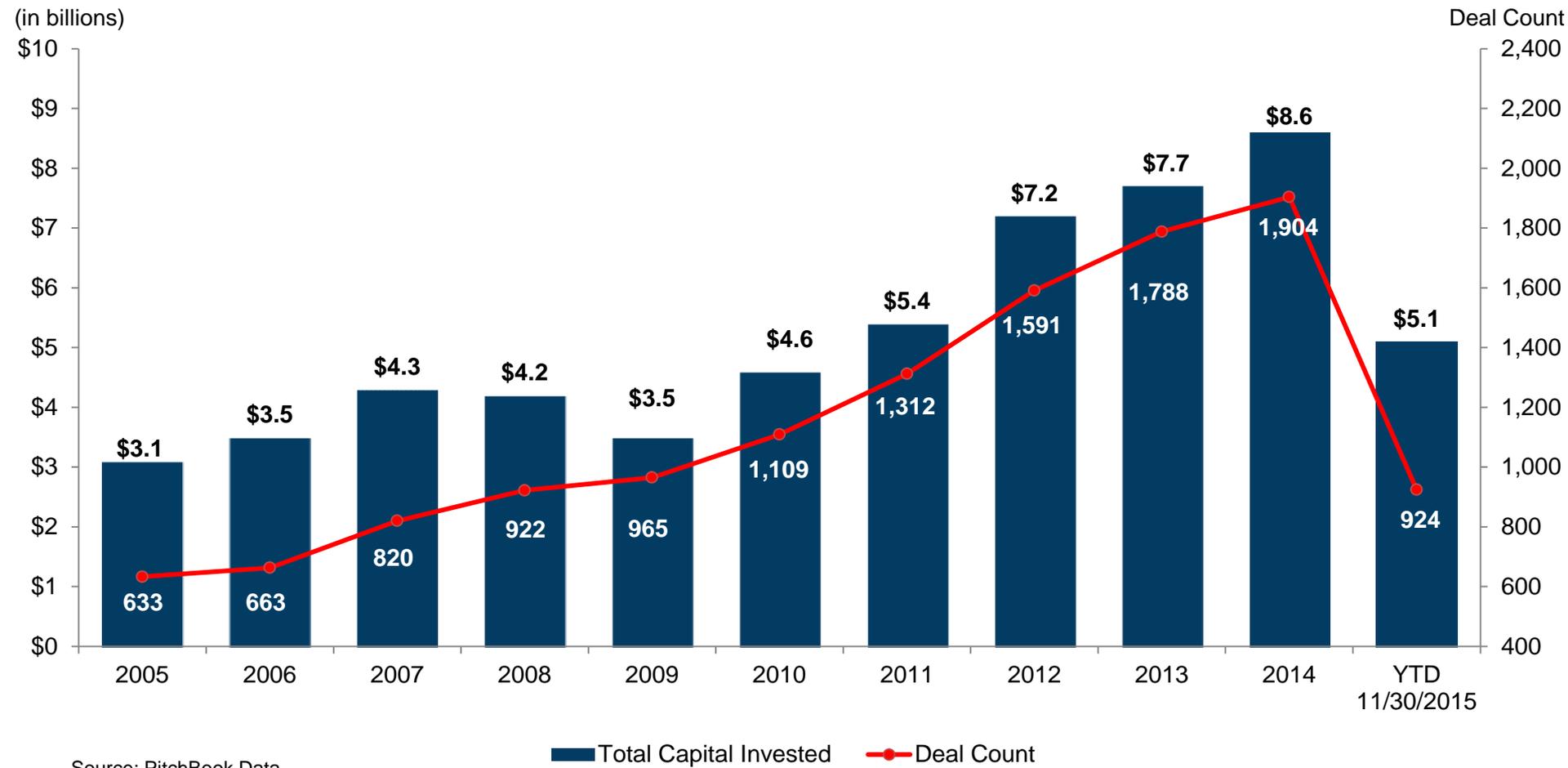
Transactions Closed



Closings down 36% over Q2 and 15% over Q1

US Deal Activity Below \$25m Continues to Decrease

2015 transactions for US deals below \$25 million was down about 47% from the previous year.



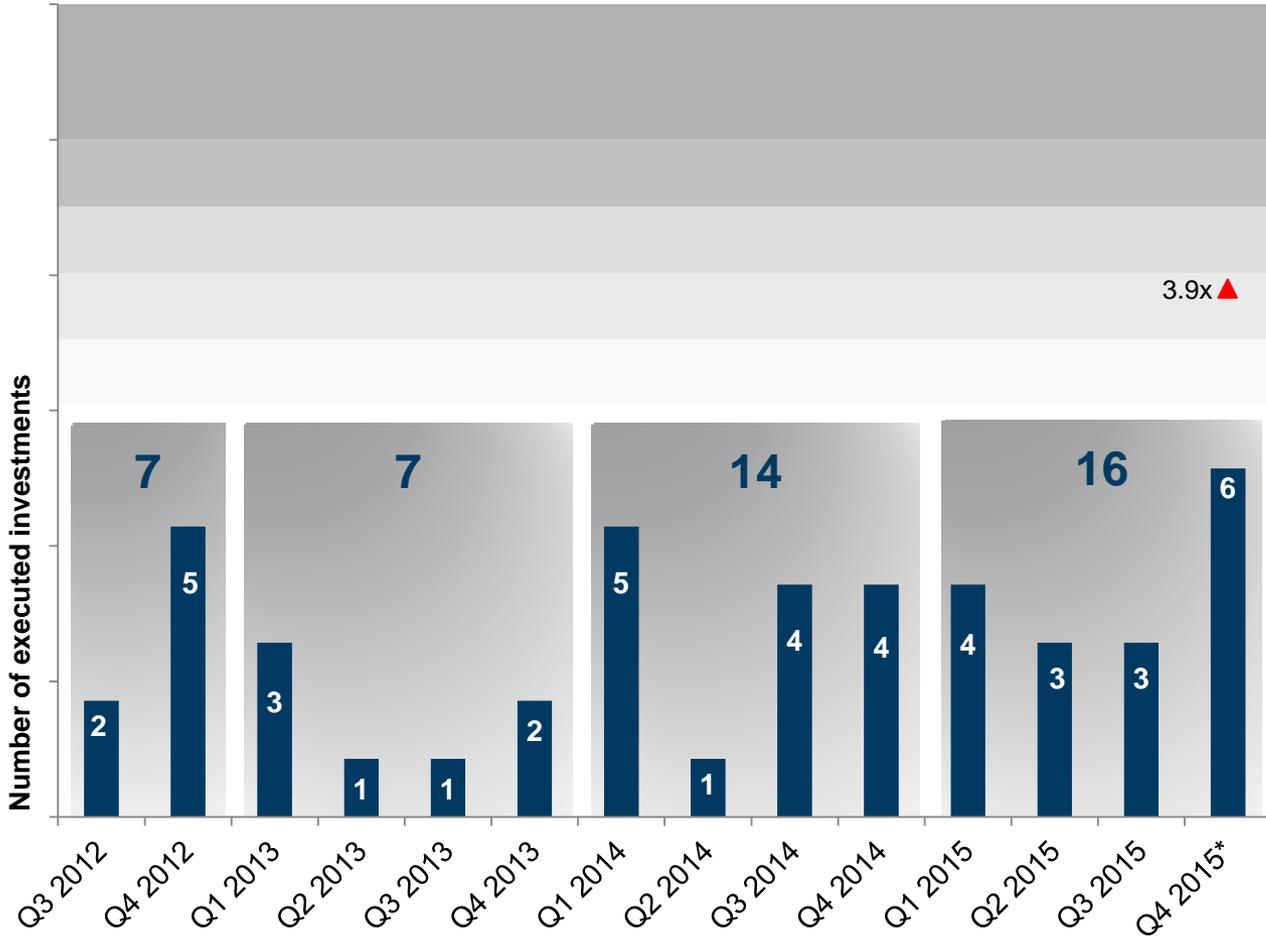
Source: PitchBook Data

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2012-2015)

Total Portfolio Leverage is 3.9x

Market Average Multiples
(Total Debt/EBITDA)



November 30, 2015		June 30, 2015	
>5.0x	8%	>5.0x	15%
4.6x-5.0x	23%	4.6x-5.0x	23%
4.1x-4.5x	31%	4.1x-4.5x	54%
3.6x-4.0x	23%	3.6x-4.0x	8%
<3.5x	15%	<3.5x	0%

3.9x ▲

Multiples for SAR deals well below industry average

Market averages remain high

SAR debt/EBITDA

*Calendar quarters, not fiscal

■ SAR Deals Closed

▲ Weighted Average SAR leverage across portfolio

Source: KeyBanc Capital Markets
Calendar quarters, not fiscal



Robust Pipeline During Tough Execution Market

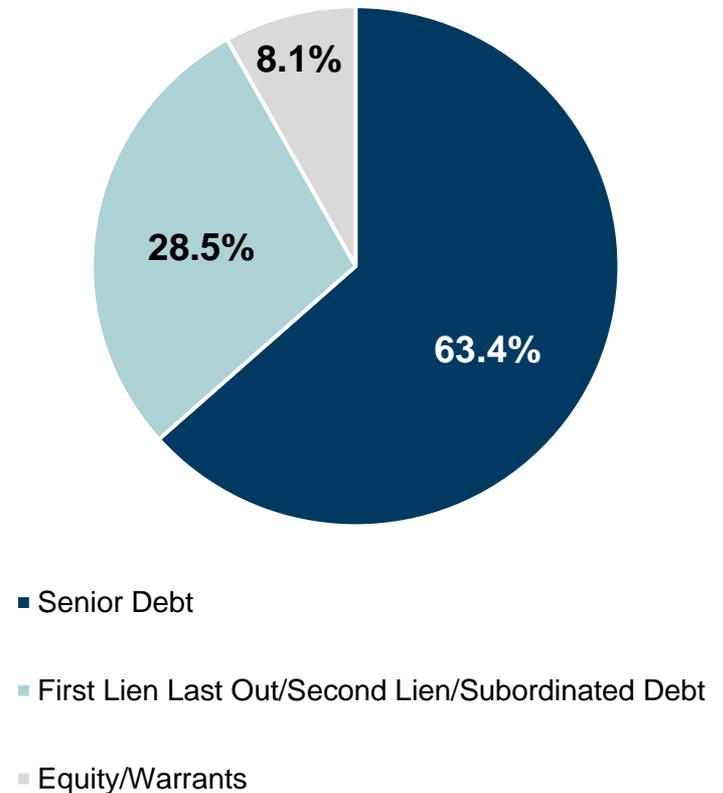
Despite a difficult market to close deals, the number of new business opportunities is increasing for us, yet we remain as disciplined as ever.

Calendar	2013	Δ	2014	Δ	2015	
Deals Sourced	448	7% →	479	27% →	609	<ul style="list-style-type: none"> 40% of deal flow from private equity sponsors 60% of deals from private companies without institutional ownership
Term Sheets	37	24% →	46	56% →	67	<ul style="list-style-type: none"> Saratoga issues an average of 17 terms sheets per quarter ~63% of term sheets are issued for transactions involving a private equity sponsor
Deals Executed	7	100% →	14	14% →	16	<ul style="list-style-type: none"> Saratoga closes an average of 4 deals per quarter, 2.6% of deals reviewed

SBIC Portfolio Primarily Senior Debt

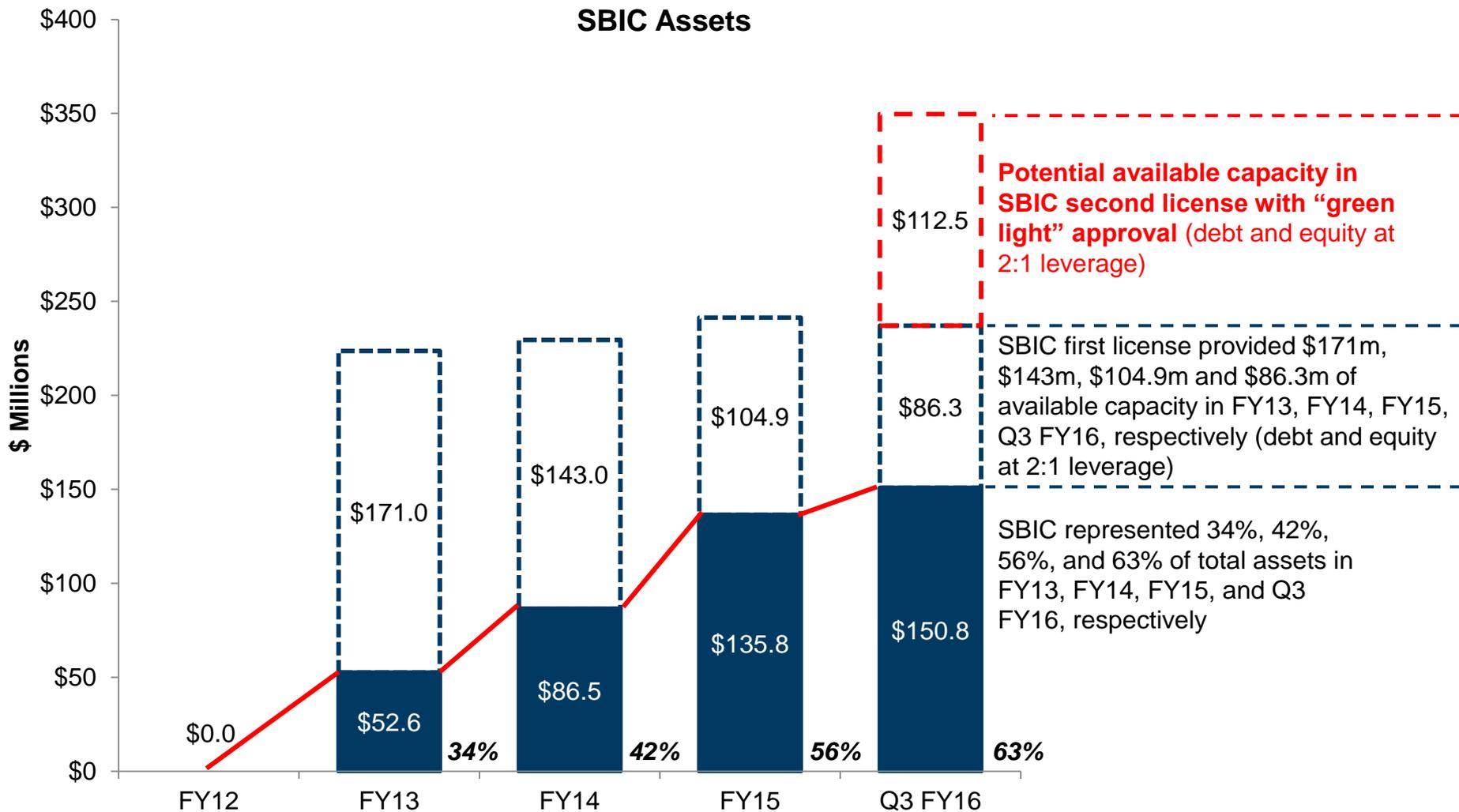
- SBIC portfolio consists of 28 investments across a range of industries. Compared to the broader loan market tracked by S&P and Thomson Reuters, SAR's leverage levels are lower.
- The weighted average leverage for all SBIC debt investments is 3.6x.
 - 63.4% of the SBIC portfolio consists of senior debt investments as of November 30, 2015.
 - 28.5% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments.

Composition of SBIC Portfolio ¹



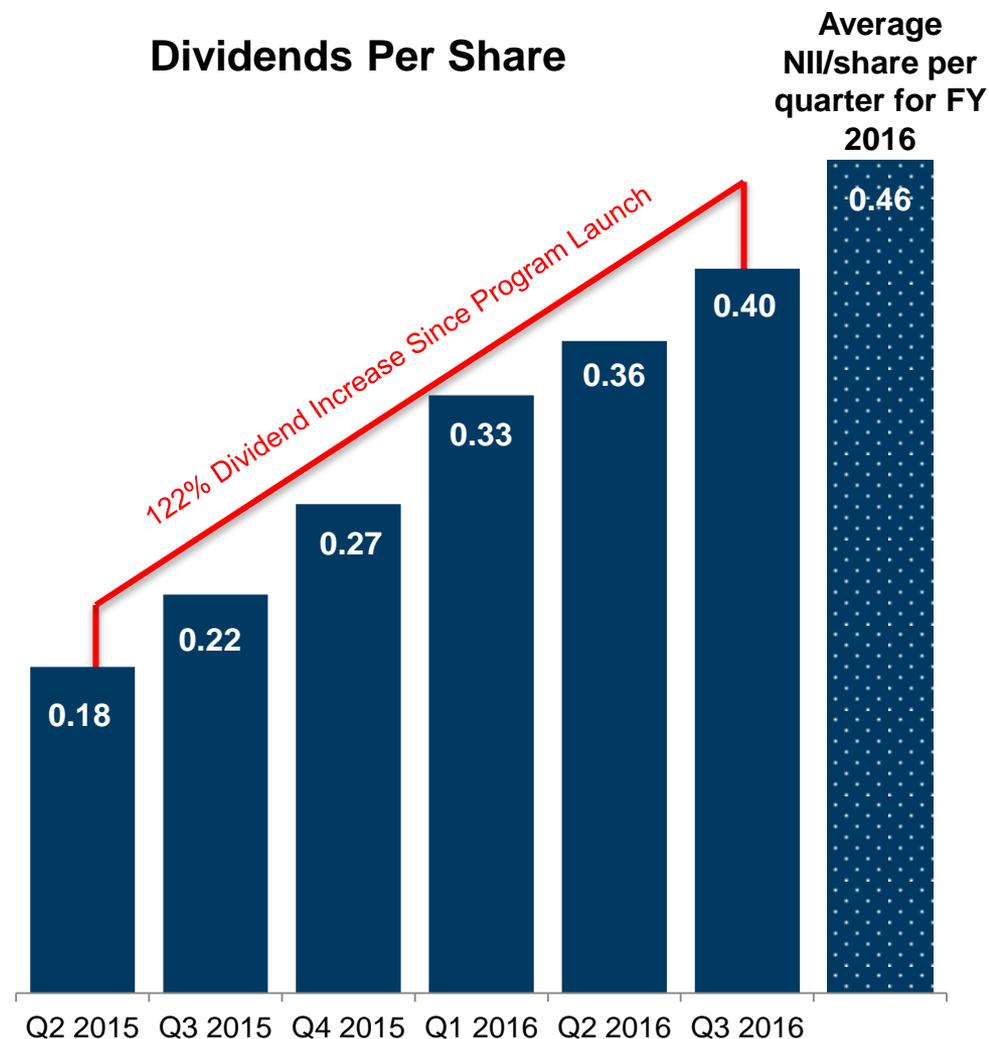
¹ Based on market value as of November 30, 2015

SBIC Assets Continue to Grow



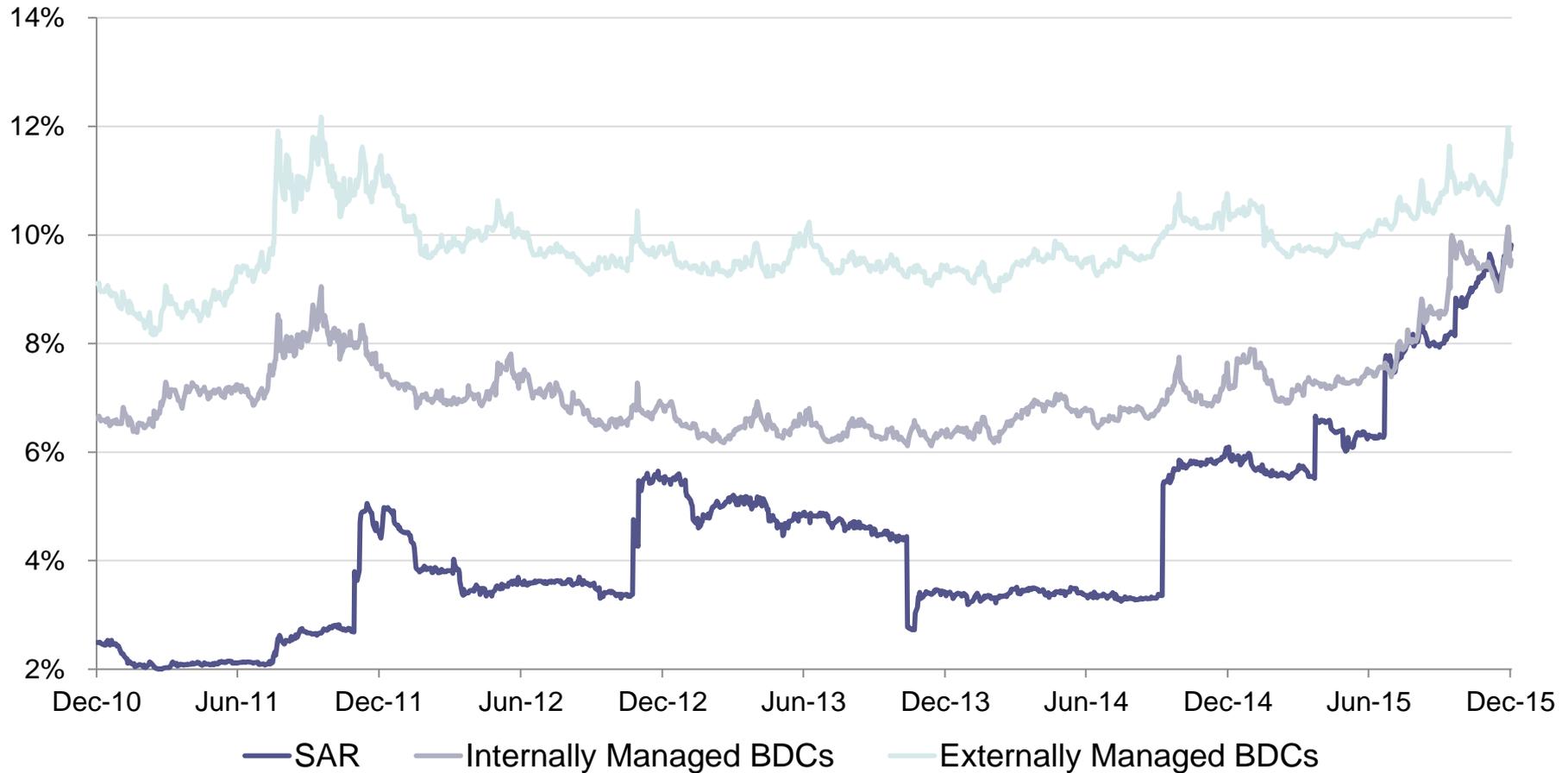
Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Announced special dividend of \$1 per share pursuant to DRIP in Q2, to meet RIC requirements
- Declaring Q3 dividend of \$0.40, more than doubling our quarterly dividend in 12 months (122%)
- Significantly overearning our dividend currently (15% on average for the year)



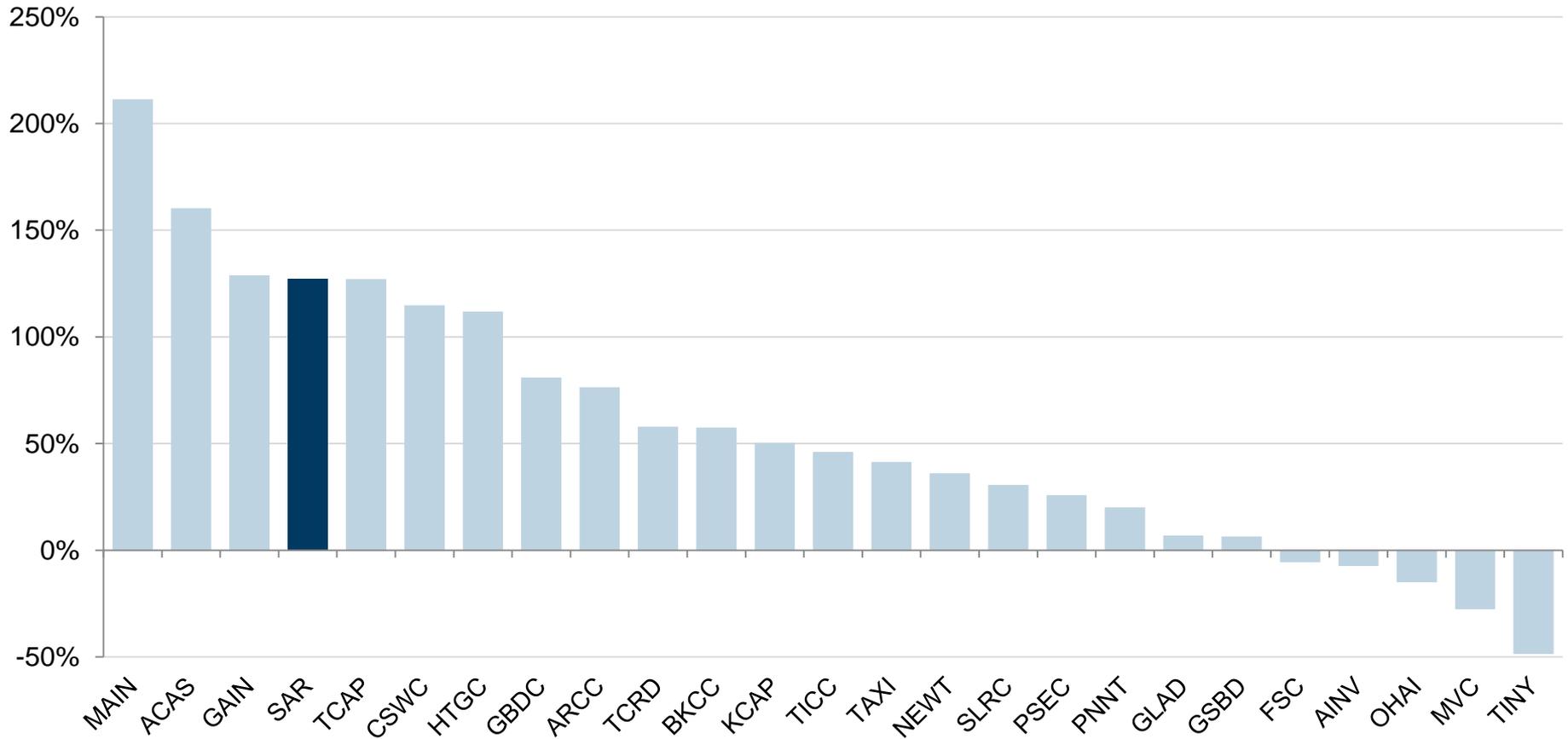
Strong Dividend Yield Growth Since 2010

Dividend Yield (%)
(Dec 2010 to Dec 2015)



Performance at Top of BDC Industry

BDC Total Return (%)
(May 2010 to Dec 2015)



SAR Total Return Outperforms BDC Index

LTM Total Return (%)
(Dec 2014 to Dec 2015)

SAR +15% v BDC Index -5%



Source: Keefe, Bruyette & Woods

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

▶ **Growing dividend**

Paying at current dividend yield of approx. 10.7%, more than doubled quarterly dividend over past 12 months

▶ **Industry-leading return on equity**

Year-to-date return on equity of 12.9% factors into both investment income and net gains/losses

▶ **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 60%

▶ **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

▶ **Commitment to AUM expansion**

Assets under management has steadily grown 153% since FY 2012 with strong originations despite significant redemptions

▶ **No realized 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 significant write-downs as a result of major direct 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
 - Return on Equity
 - Earnings per Share

Questions?



SARATOGA
INVESTMENT CORP.