

Saratoga Investment Corp.

Fiscal Q1 2017 Shareholder Presentation

July 14, 2016



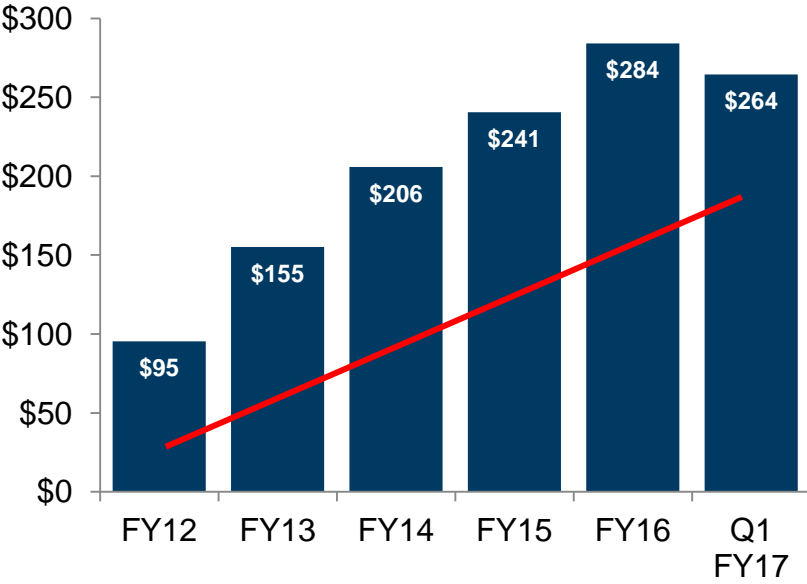
Continued Progress in Q1 2017

Fiscal first quarter highlights:

- Continued improvements in key performance metrics
 - NAV increased 1.6% to \$127.1 million from last quarter
 - NAV per share increased to \$22.11 from \$22.06 as compared to last quarter
 - Investment quality at our highest level ever
 - Over 98% of loan investments with highest rating
 - Return on equity of 10.4% for the quarter, beating industry average of -0.3%
- Consistent originations sustain assets under management despite significant redemptions
 - AUM up 179% from FY12, and up 1% from last year Q1
 - Originations and redemptions lumpy short-term - down 7% from last quarter
- Latest dividend of \$0.43 per share continuing increase in quarterly dividends, 139% increase in quarterly dividend size since program launch
 - Over-earning our current dividend - \$0.46 adjusted NII/share for Q1 2017
- Commenced ATM baby bonds offering in June 2015
 - Issued \$13.5 million of baby bonds through May 31, 2016
 - Existing available liquidity allows us to increase current AUM by 45%
- Exercised share repurchase plan
 - As of July 12, 2016, repurchased 79,224 shares - weighted average price of \$15.23 per share

Consistent Portfolio and Sustained Strong Credit Quality

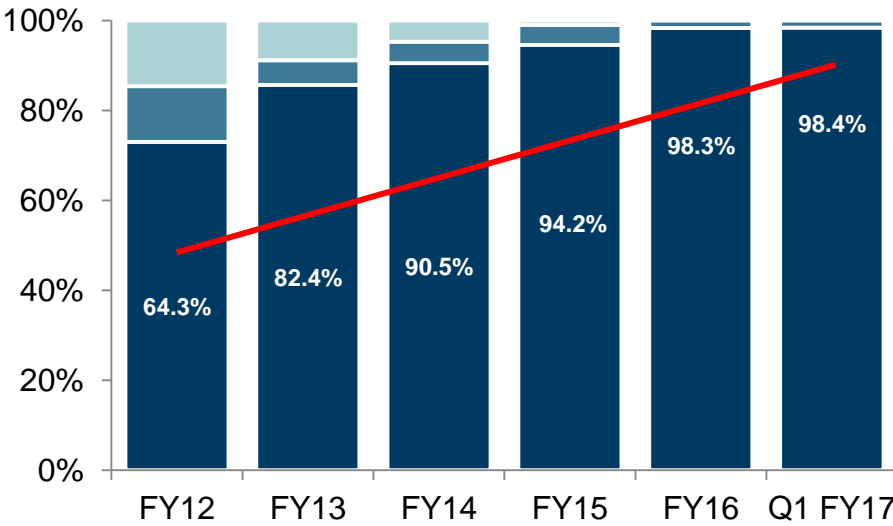
Asset Base Expansion Trend



■ Investments at Fair Value (\$ million)

Fair value of AUM decreased 7% since year-end reflecting redemptions, but has increased 179% since FY 2012

Overall Credit Quality Continues Strong



■ Strong ■ Satisfactory ■ Payment Default Risk

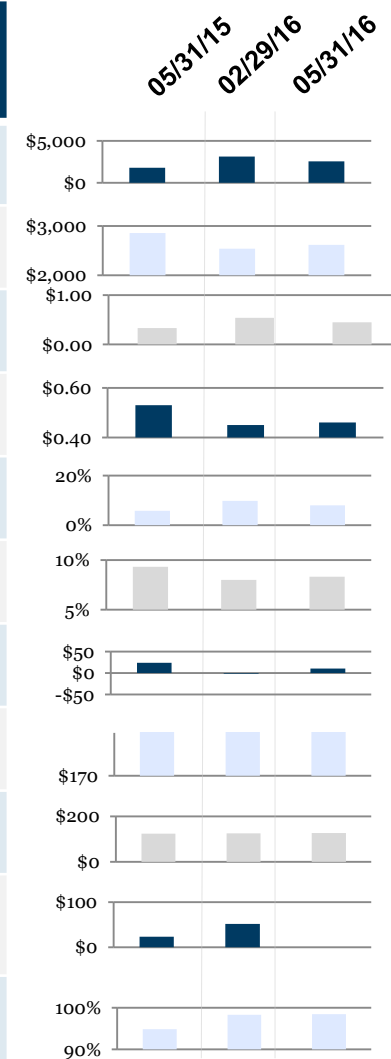
Over 98% of our SAR loan investments hold our highest internal rating; zero on non-accrual*

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

Strong Financial Foundation and Momentum

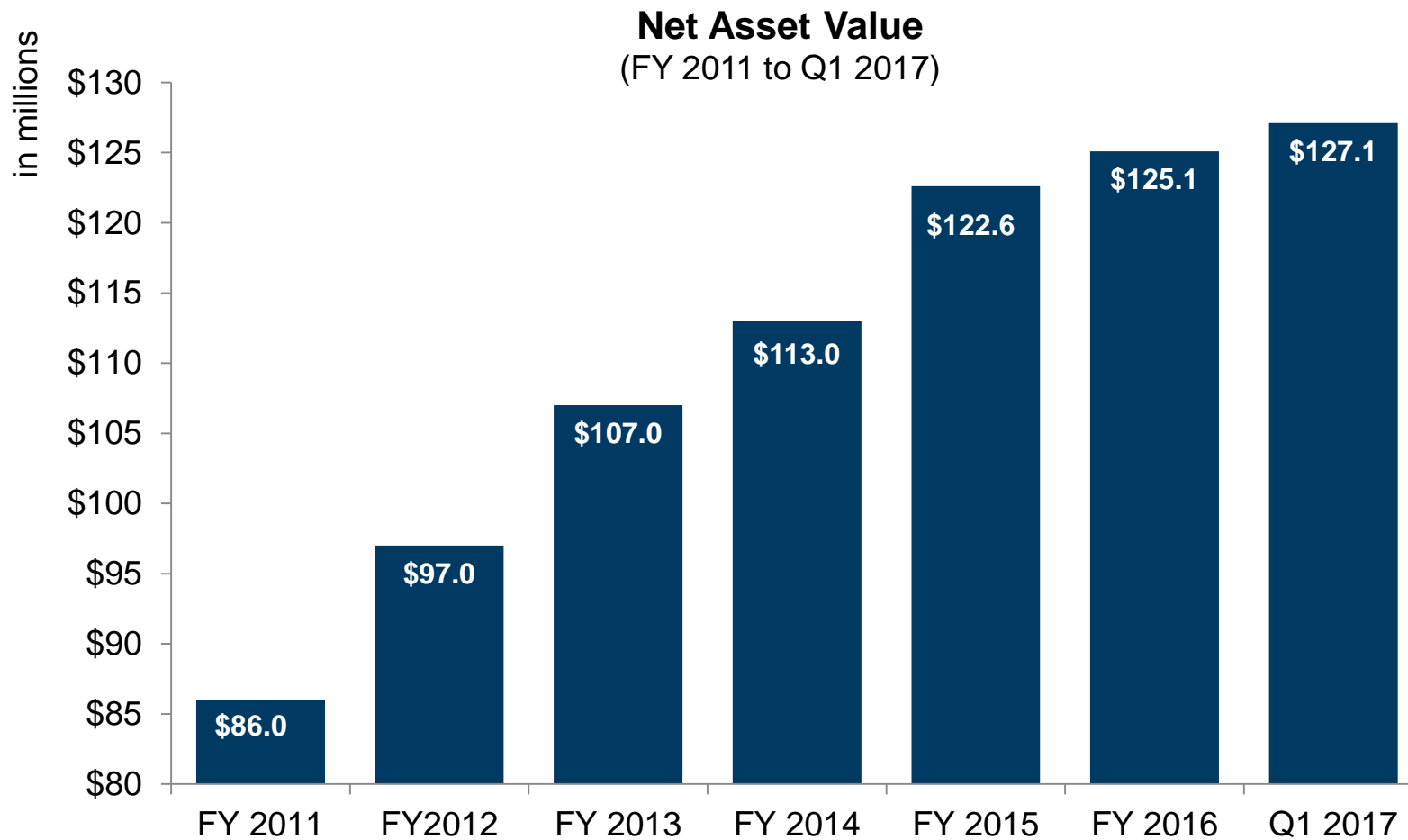
Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	May 31, 2015	Feb 29, 2016	May 31, 2016
Net investment income	\$1,771	\$3,100	\$2,539
Adjusted net investment income*	\$2,858	\$2,537	\$2,613
Net investment income per share	\$0.33	\$0.54	\$0.44
Adjusted net investment income per share*	\$0.53	\$0.45	\$0.46
Net investment income yield	5.8%	9.8%	8.0%
Adjusted net investment income yield*	9.3%	8.0%	8.3%
Return on Equity	24.0%	(1.3%)	10.4%
Fair value of investment portfolio	\$262.7	\$284.0	\$264.4
Total net assets	\$123.5	\$125.1	\$127.1
Investments in new/existing portfolio companies	\$23.2	\$51.8	\$0.0
Loan Investments held in "strong" credit ratings	94.8%	98.3%	98.4%



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

NAV Continues to Increase



Significant Dry Powder Available

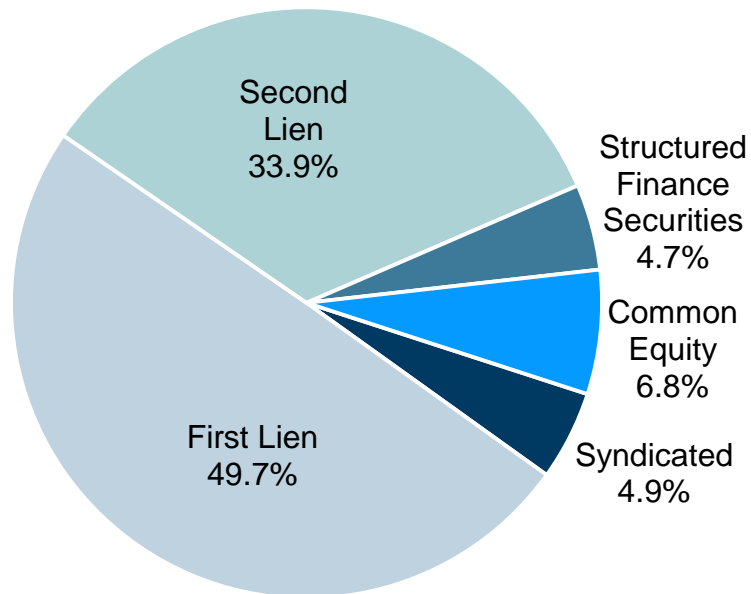
(As of May 31, 2016)	Total Borrowing Capacity	Outstanding	Available Liquidity
Secured Revolving Credit Facility	\$45.0 million	\$0.0 million	\$45.0 million
SBA Debentures	\$150.0 million	\$103.7 million	\$46.3 million
Publicly-Traded Notes (at fair value)	\$62.8 million	\$62.8 million	\$0.0 million
Cash and Cash Equivalents	\$27.5 million	\$0.0 million	\$27.5 million
Total Available Liquidity:			\$ 118.8 million*

* Ability to grow AUM by 45% without any new external financing

Portfolio Composition and Yield

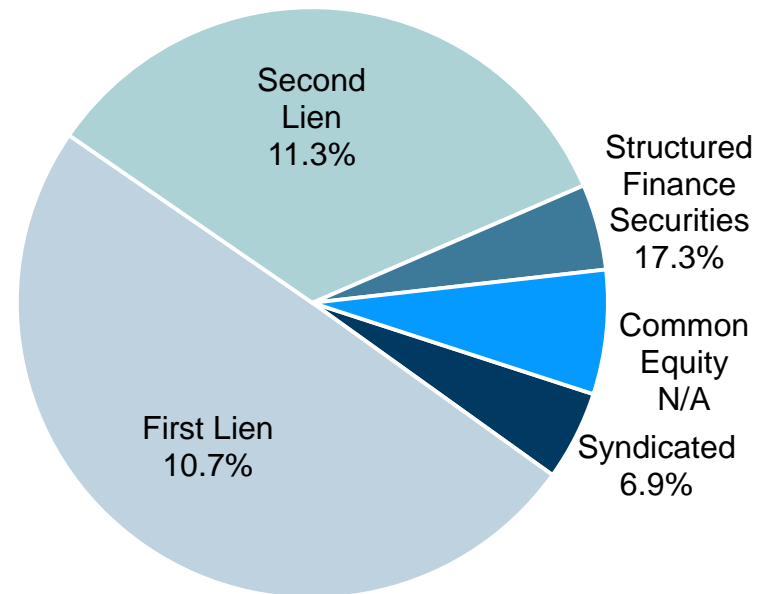
Portfolio Composition – \$264.4m

(Based on Fair Values
as of May 31, 2016)



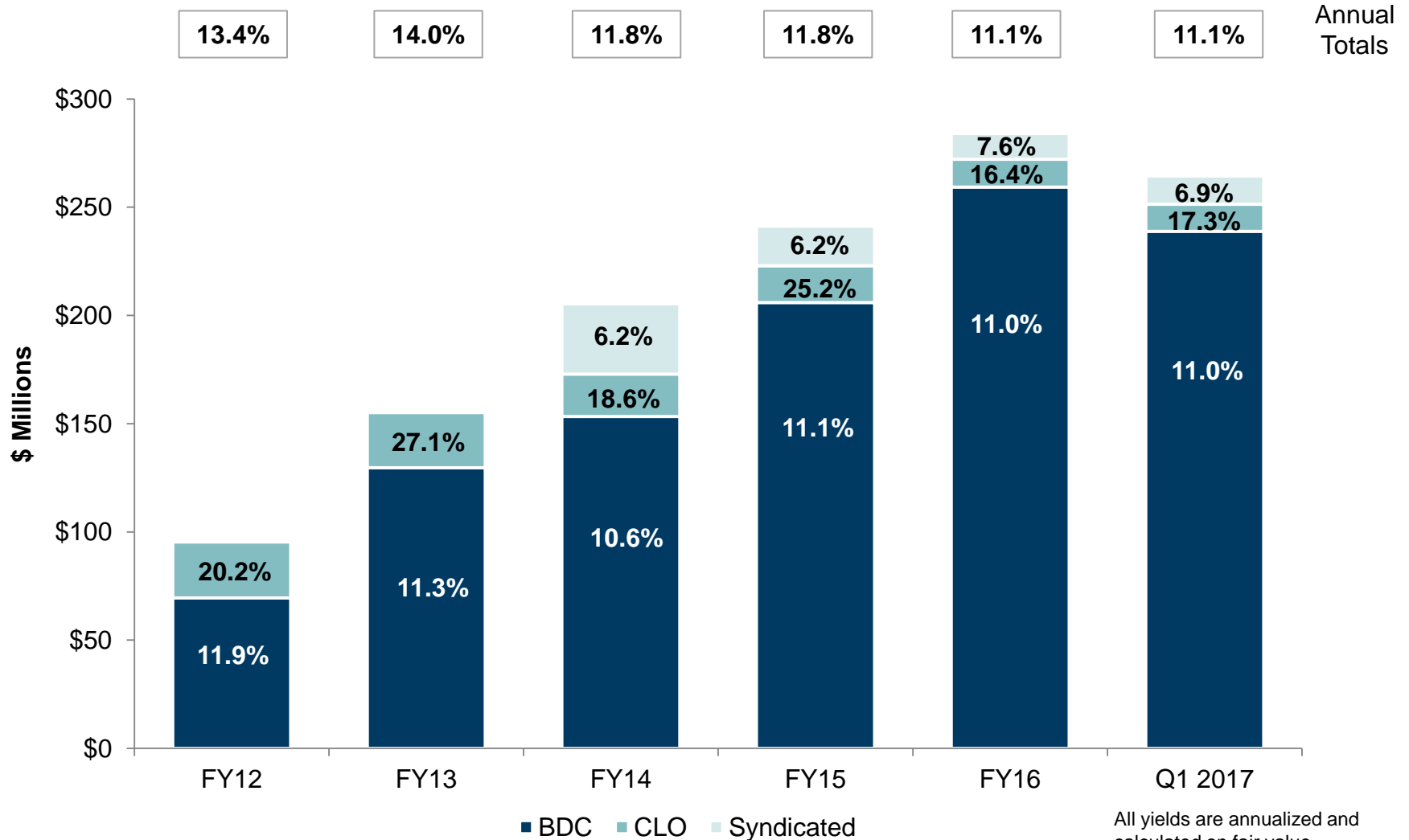
Portfolio Yield – 11.1%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

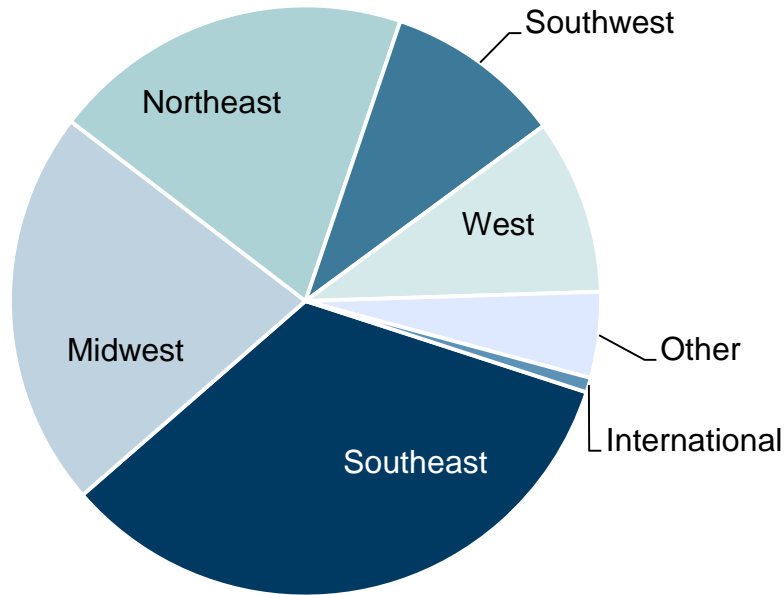
Weighted Average Current Yields



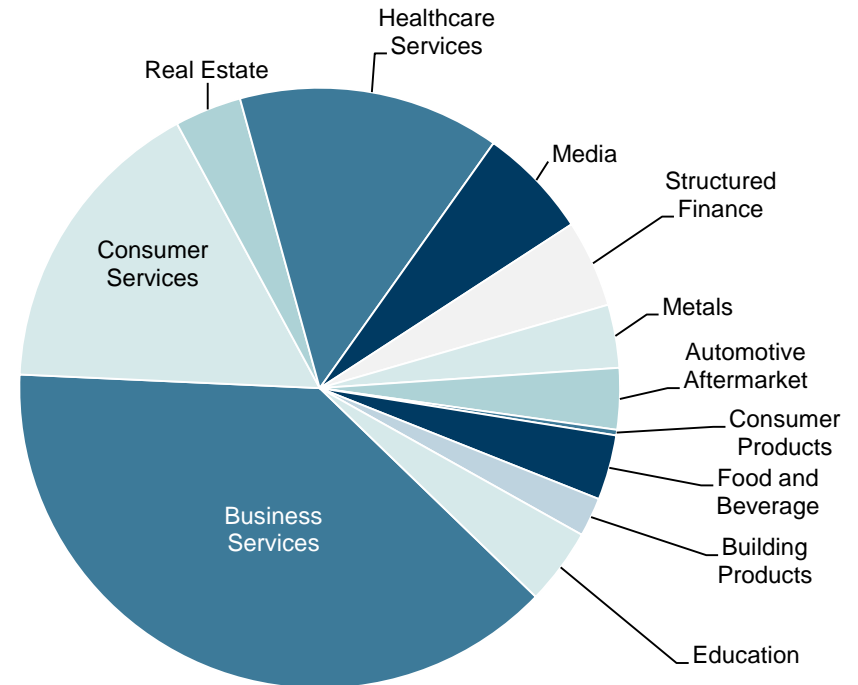
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

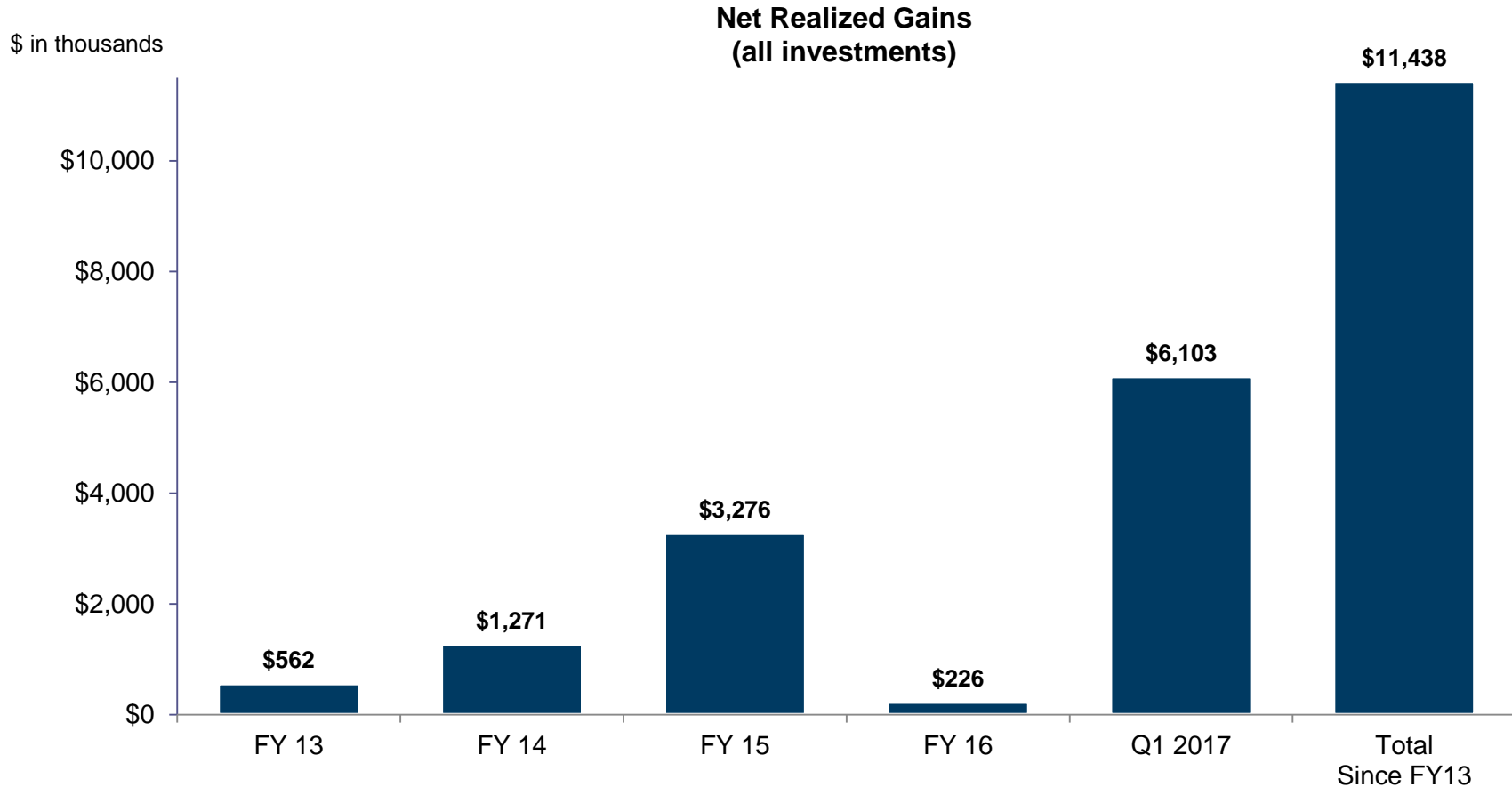


Investments across 12 distinct industries



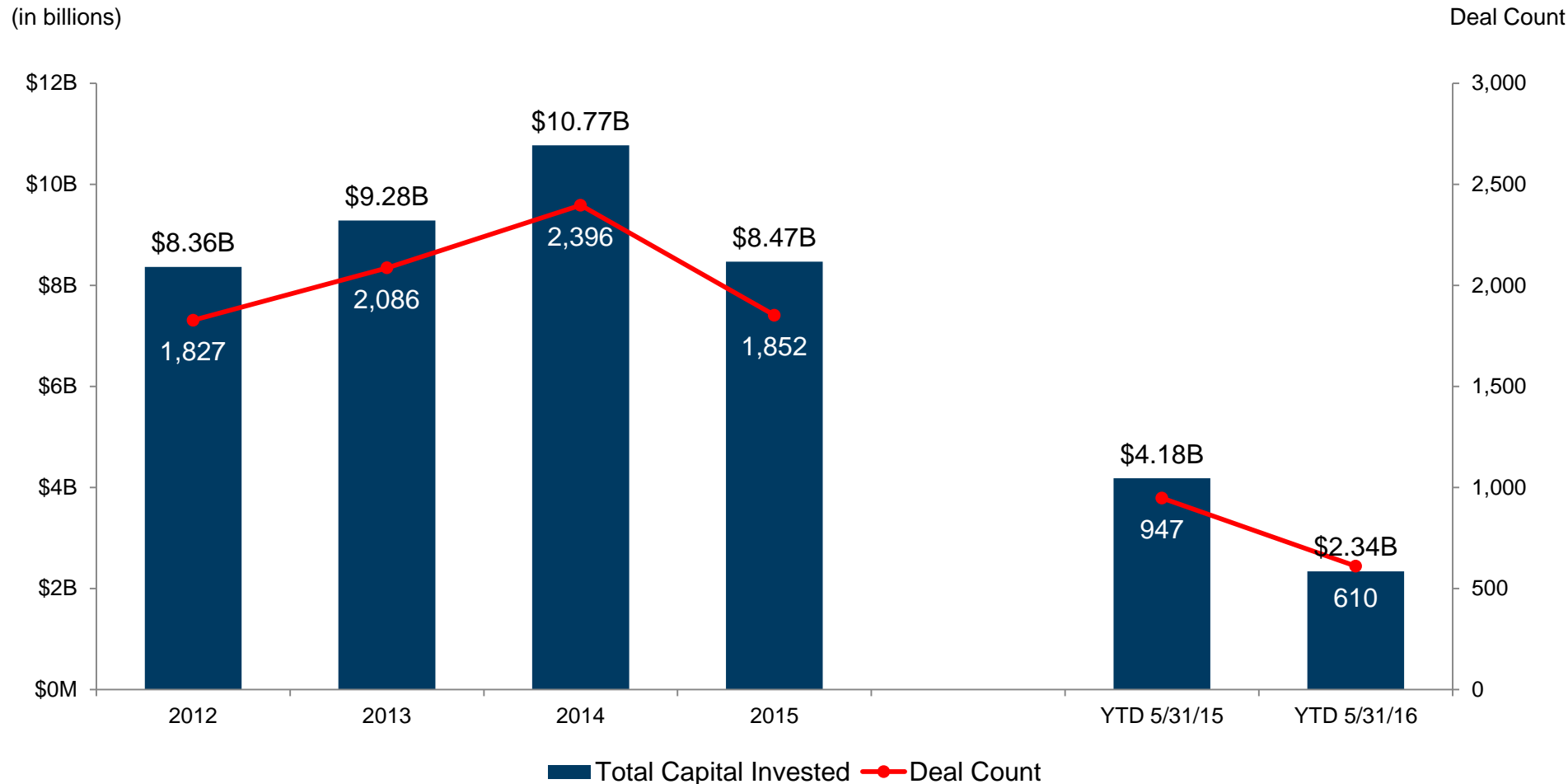
Net Realized Gains Help Protect Shareholder Capital

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 down 23% from last year
- YTD 2016 continues that trend - down 36% year-over-year



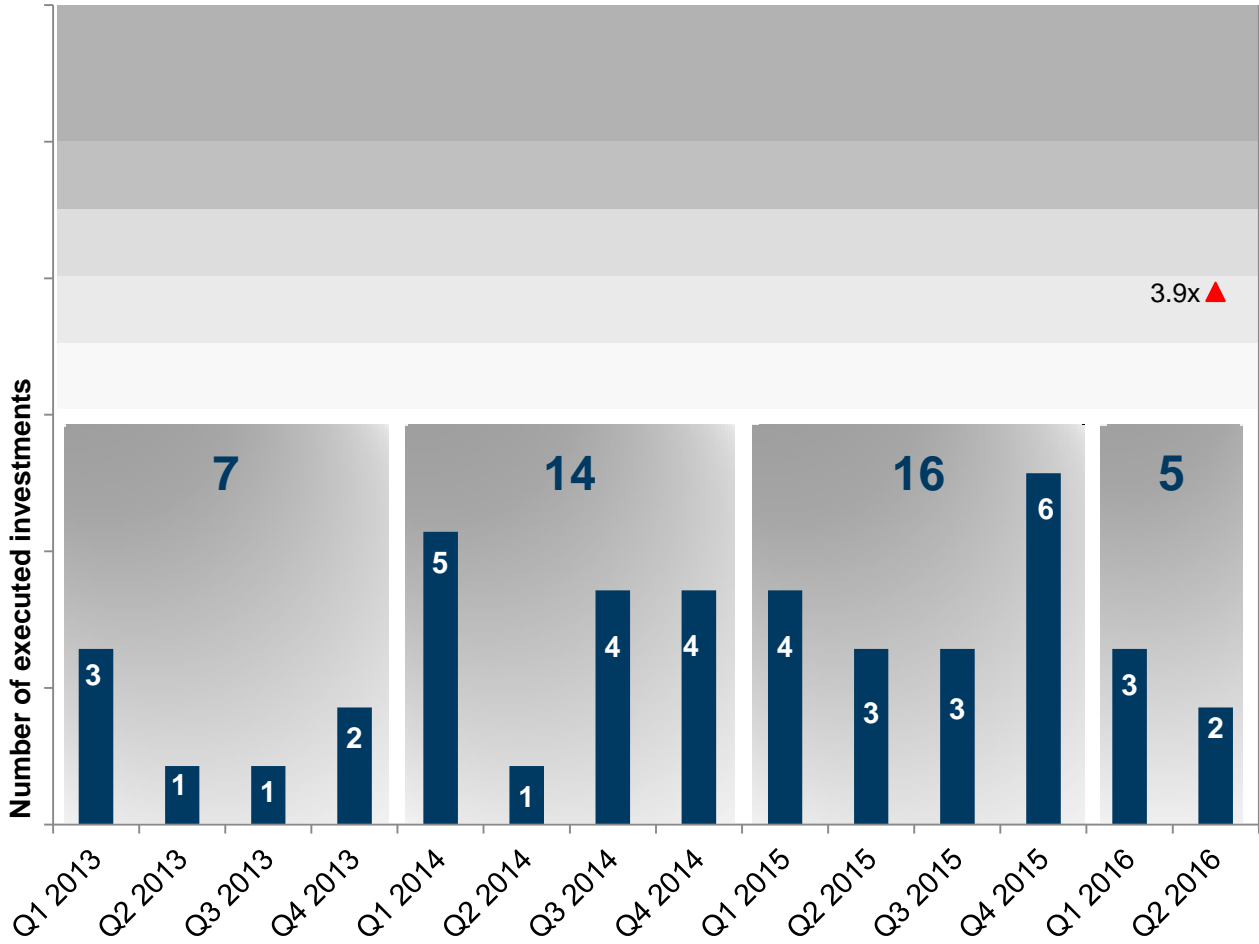
Source: Pitchbook 2016, Calendar quarters.

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2012-2016)

Total Portfolio Leverage is 3.9x

Market Average Multiples
(Total Debt/EBITDA)



March 31, 2016		December 31, 2015	
>5.0x	13%	>5.0x	0%
4.6x-5.0x	19%	4.6x-5.0x	22.2%
4.1x-4.5x	44%	4.1x-4.5x	22.2%
3.6x-4.0x	25%	3.6x-4.0x	22.2%
<3.5x	0%	<3.5x	33.3%

75% of SAR deals are in the 4.1x-5.0x range, compared to 44% of market averages.

Multiples for SAR deals below industry average

Market averages increased significantly this quarter

SAR debt/EBITDA

3.9x ▲

*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 LTM 6/30/16

Deals Sourced

448

7%
→

480

39%
→

613

2%
→

628

- 40% of deal flow from private equity sponsors
- 60% of deals from private companies without institutional ownership

Term Sheets

50

2%
→

48

40%
→

67

(19)%
→

54

- Saratoga issues an average of 15 terms sheets per quarter
- ~ 60% of term sheets are issued for transactions involving a private equity sponsor.

Deals Executed

7

100%
→

14

14%
→

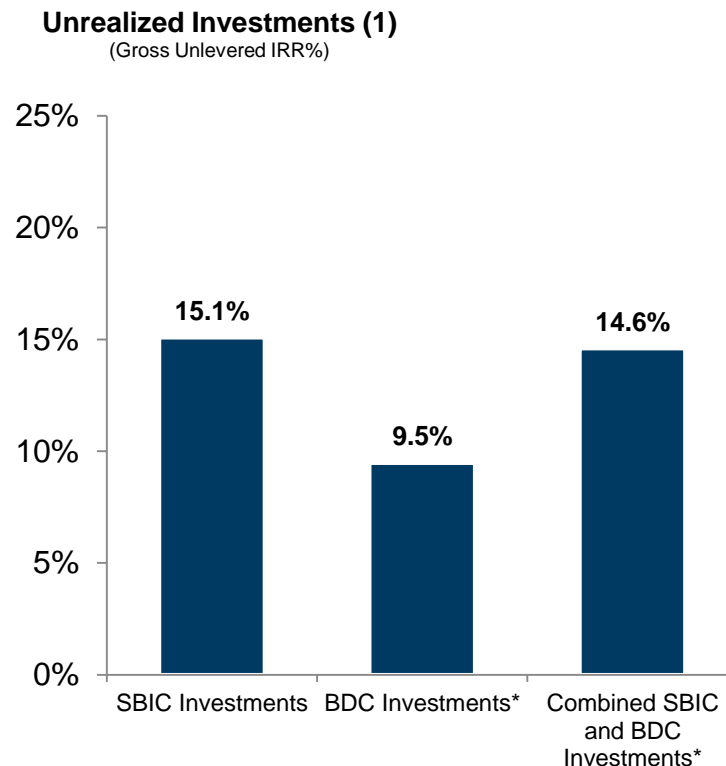
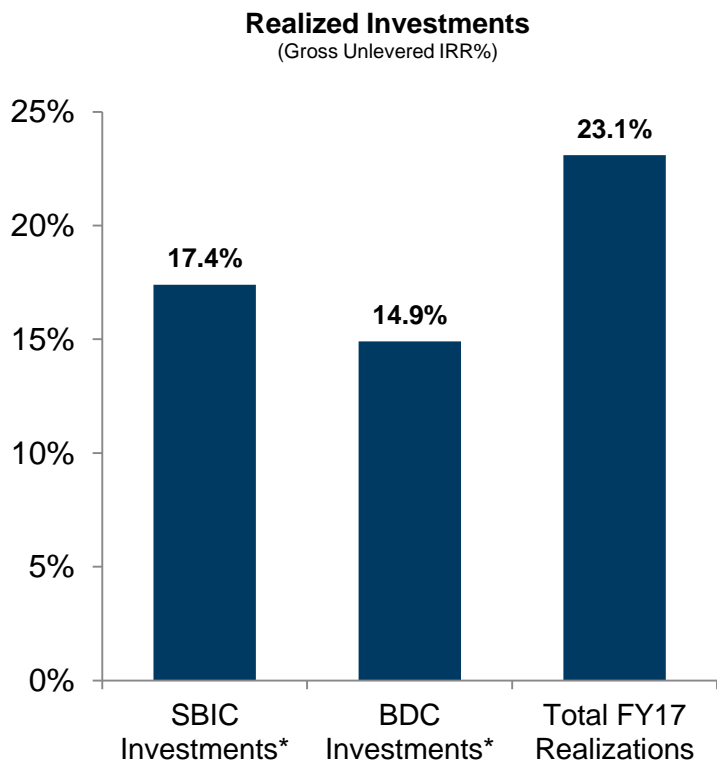
16

(13)%
→

14

- Saratoga closes an average of 3.5 deals per quarter, 2.3% of deals reviewed

Demonstrated Strong Track Record



Track Records as of 6/30/16

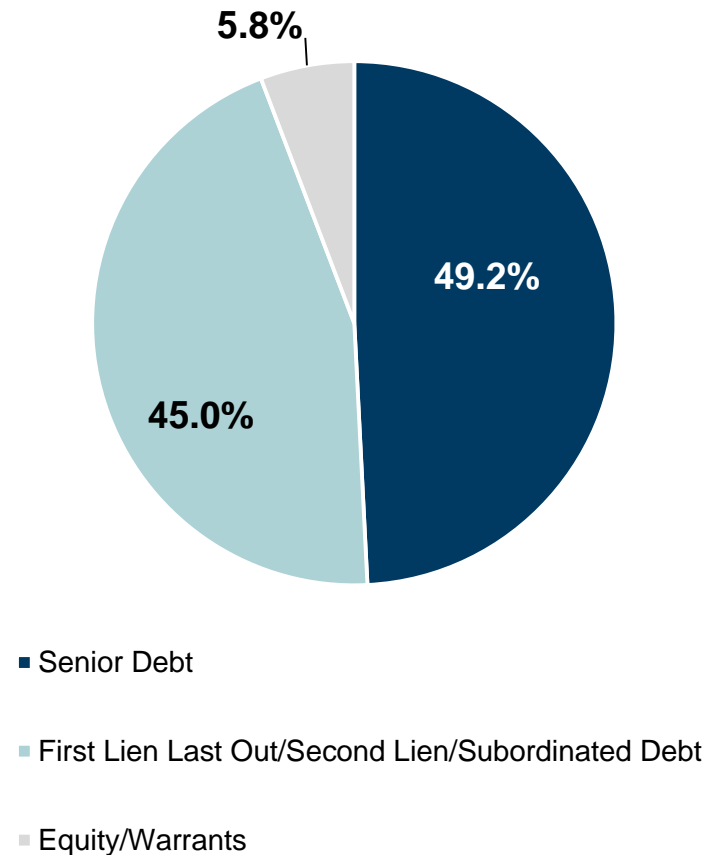
(1) IRRs for unrealized investments include fair value and interest through 5/31/16, but partial repayments through 6/30/16.

* 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

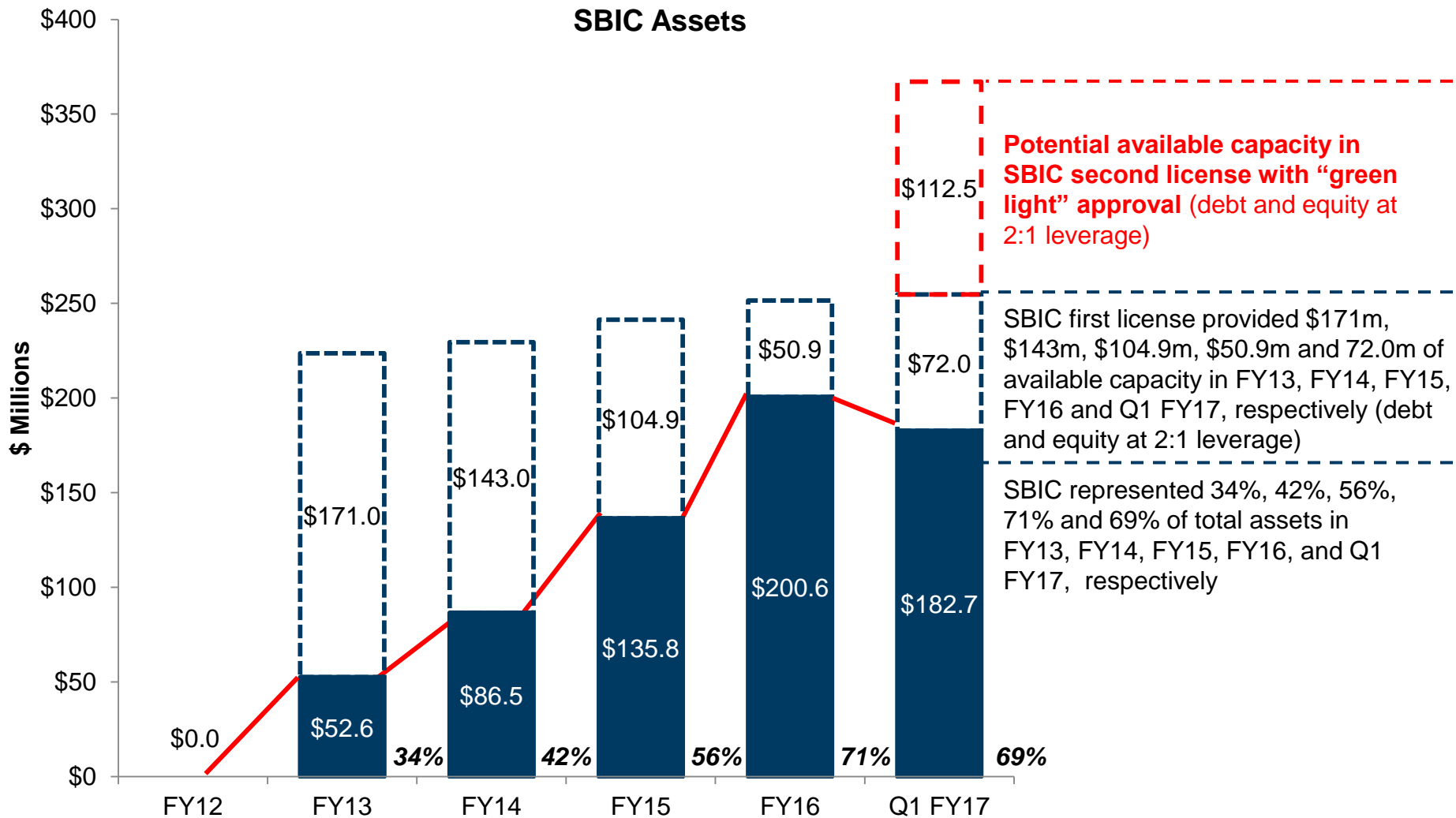
- SBIC portfolio consists of 23 investments across a range of industries. Compared to the broader loan market tracked by S&P and Thomson Reuters, SAR's leverage levels are lower.
- The weighted average leverage for all SBIC debt investments is 3.6x.
 - 49.2% of the SBIC portfolio consists of senior debt investments
 - 45.0% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments

Composition of SBIC Portfolio ¹



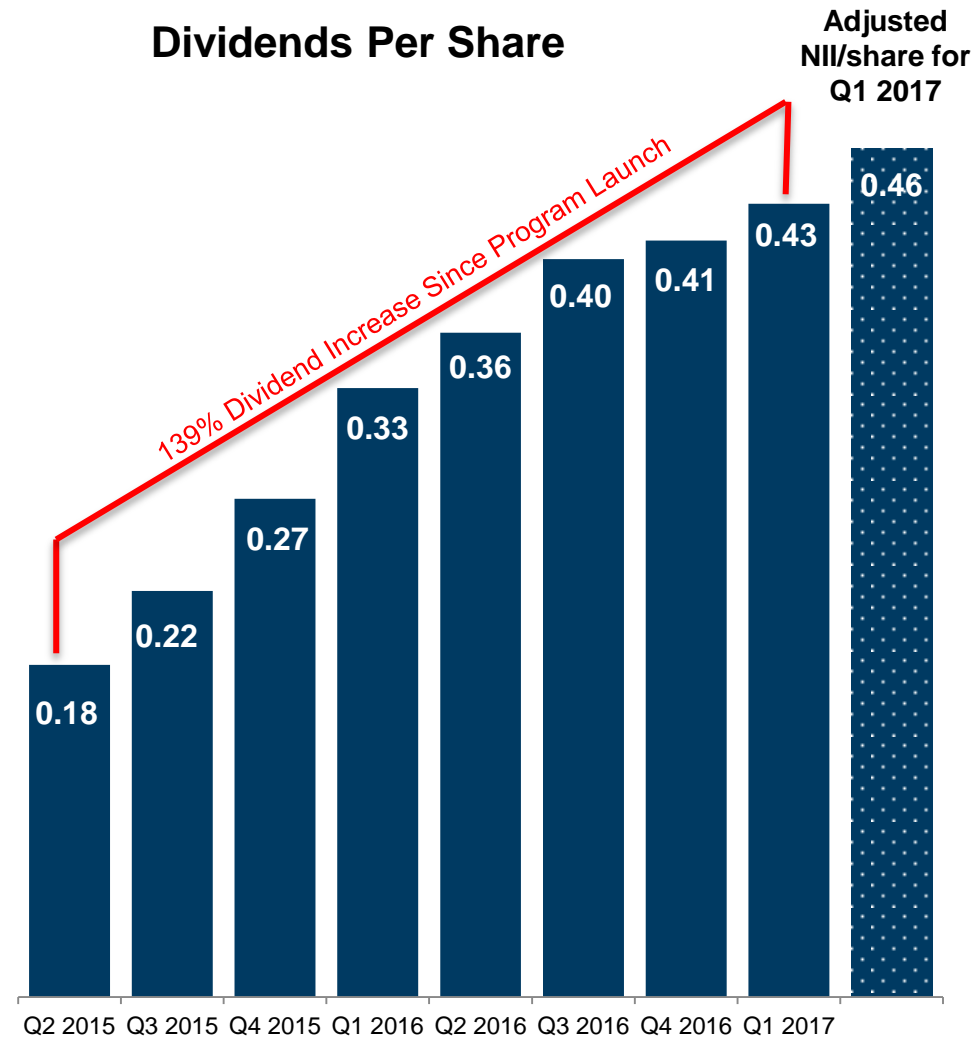
¹ Based on market value as of May 31, 2016

SBIC Assets Remain Steady



Dividends Continue to Increase

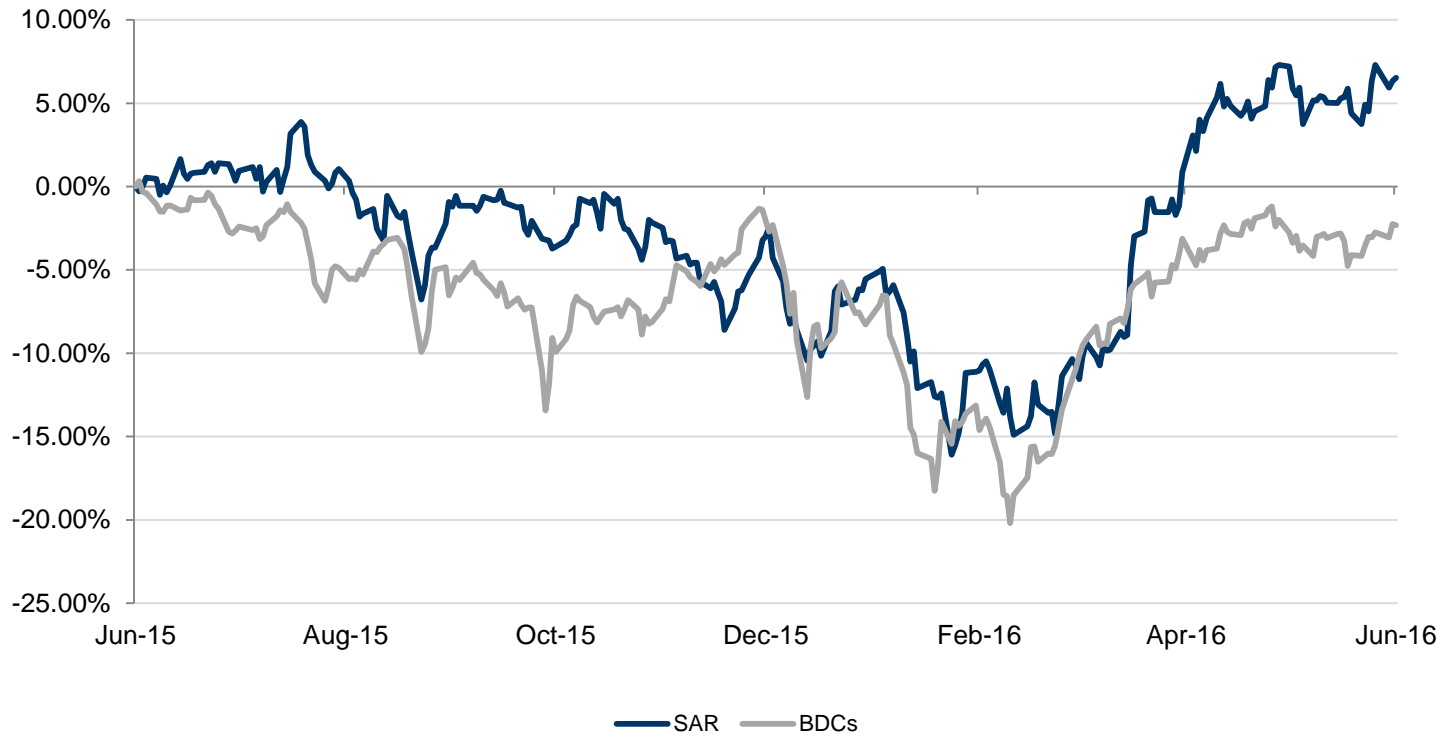
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Announced special dividend of \$1 per share pursuant to DRIP in Q2 2016, to meet RIC requirements
- Increased dividend by 139% since program launch
- Declared Q1 2017 dividend of \$0.43, an increase of \$0.02 (5%)
- Overearning our dividend currently (7% on Q1 2017)



SAR LTM Total Return Outperforms BDC Index

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

SAR +6.5% v BDC Index -3.4%



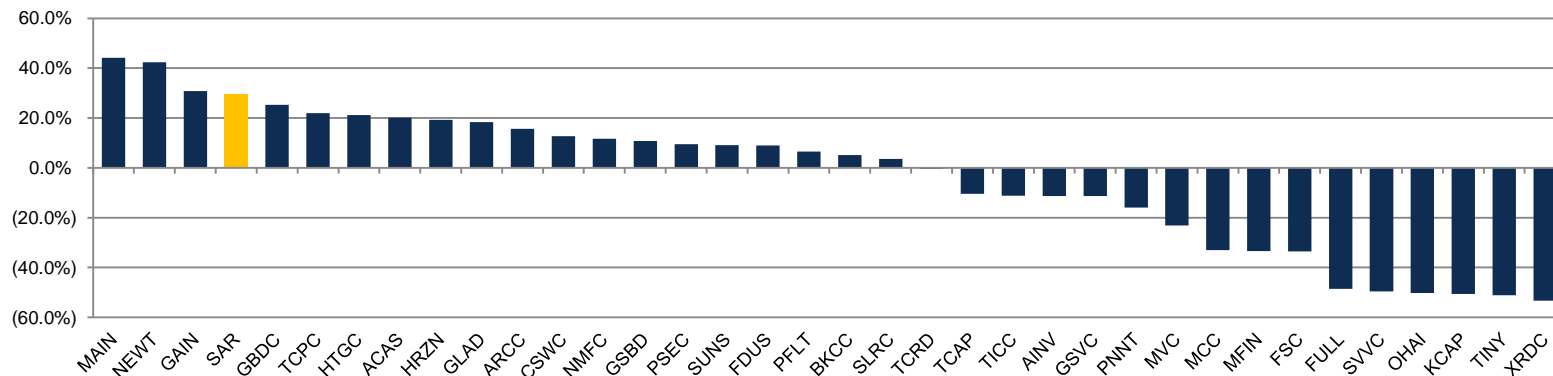
Source: Keefe, Bruyette & Woods

Performance at Top of BDC Industry

BDC Total Return (%)

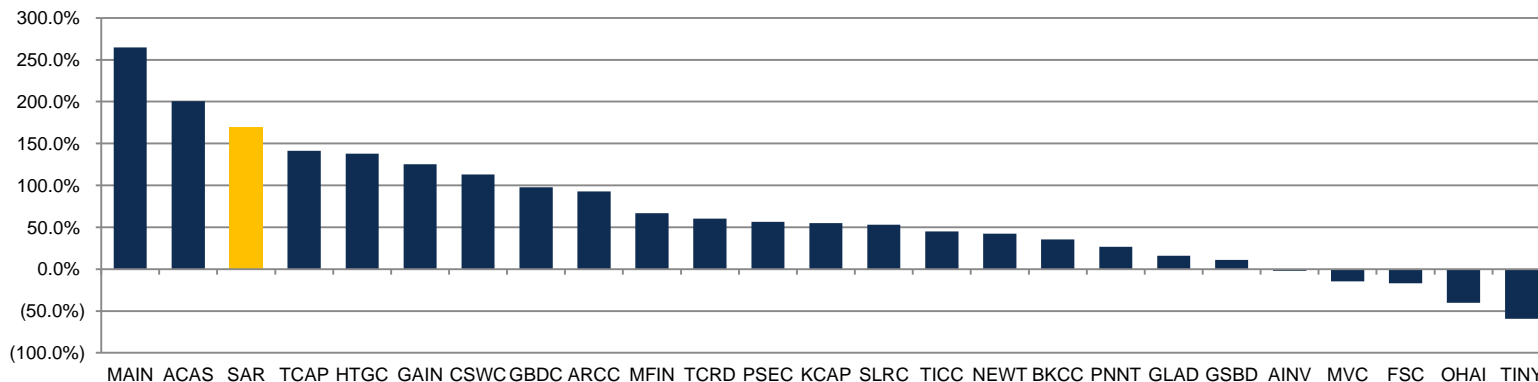
(June 2013 to June 2016)

SAR – 29.4% over 3 years

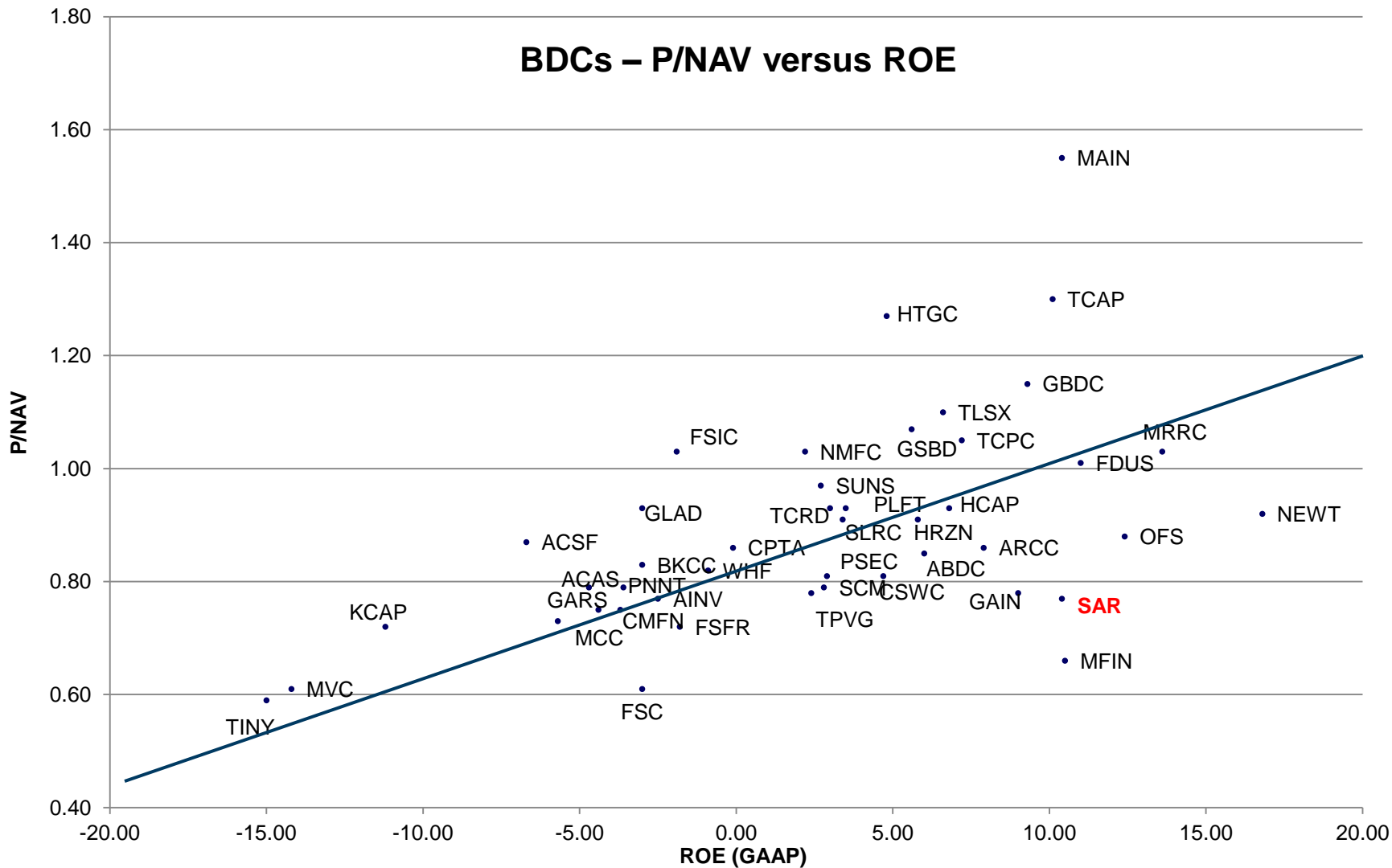


(May 2010 to June 2016)

SAR – 169% over 6 years



Attractive Balance Between Value and Return



Sources: Raymond James

Notes: Includes all publicly traded business development companies focused on debt investments paying regular dividends.

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

▶ **Growing dividend**

Paying a current dividend yield of approx. 10.1%; increased quarterly dividend by 139% over past twenty-one months

▶ **Industry-leading return on equity**

Quarterly return on equity of 10.4% factors in both investment income and net gains/losses, beats BDC LTM average of -0.3%

▶ **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 45%

▶ **Strong 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 179% since FY 2012 with strong originations despite significant redemptions

▶ **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 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.