

Saratoga Investment Corp.

**Fiscal Second Quarter 2019
Shareholder Presentation**

October 11, 2018



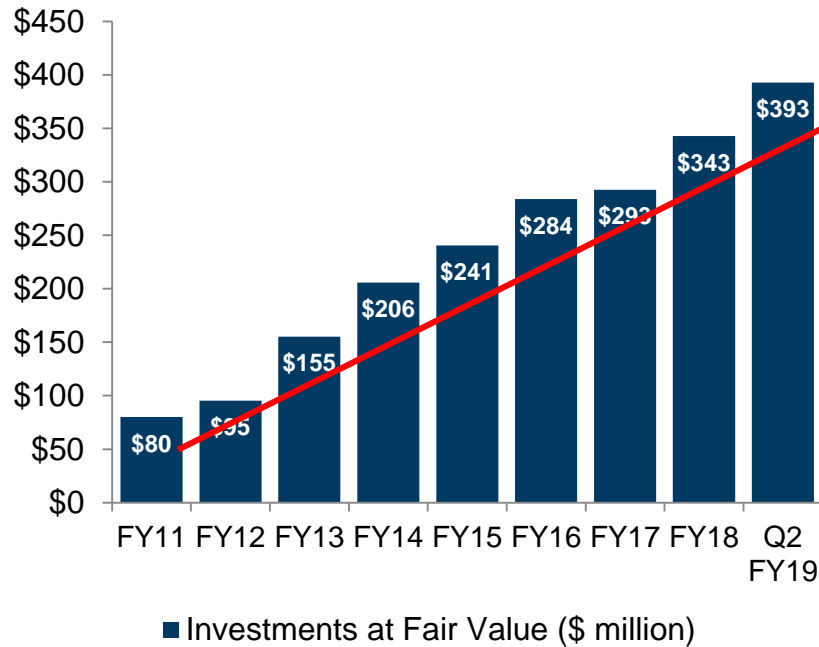
Continued Growth and Outperformance in Q2 2019

Fiscal Second Quarter 2019 Highlights:

- Continued strengthening of financial foundation
 - Investment quality remains strong
 - 99.4% of loan investments with highest internal rating
 - LTM ROE of 11.6% for Q2 FY19, up from 8.3% last year and beating BDC industry mean of 9.9%
 - Gross Unlevered IRR of 13.2% on total unrealized portfolio as of August 31, 2018
 - Gross Unlevered IRR of 13.4% on \$299.1 million of total realizations
- Consistent strong long-term originations contribute to growing assets under management
 - AUM up 14% since last quarter, up 154% over past five years
 - Four new portfolio companies this quarter, seven new platforms since May 2018
- Latest dividend of \$0.52 per share continued sixteenth increase in quarterly dividends
 - Over-earning our fully diluted Q2 NII pf \$0.64 per share by 23%
- Base of capital and liquidity remains strong
 - Issued \$28.75 million in new equity at 8.4% premium to NAV;
 - Increased share float by 1.15 million shares, or 43%
 - Raised \$40.0 million of new seven-year fixed rate notes, ticker “SAF”
 - Received ‘Green light’ letter from SBA for second SBIC license
- Key performance indicators up in Q2 versus last year
 - Adjusted NII of \$4.8 million is up 29%, Adjusted NII per share of 69c is up 7c, Adjusted NII yield of 11.9% is up 60bps and NAV per share of \$23.16 is up \$0.79, or 3.5%

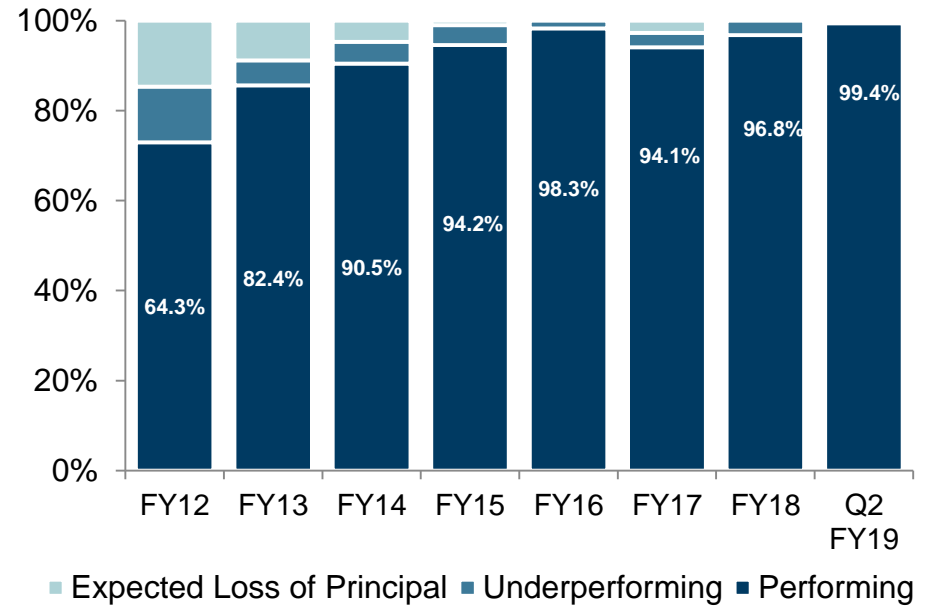
Continued Asset Growth and Strong Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 14% quarter-over-quarter and 391% since FY11

Overall Credit Quality Continues Strong



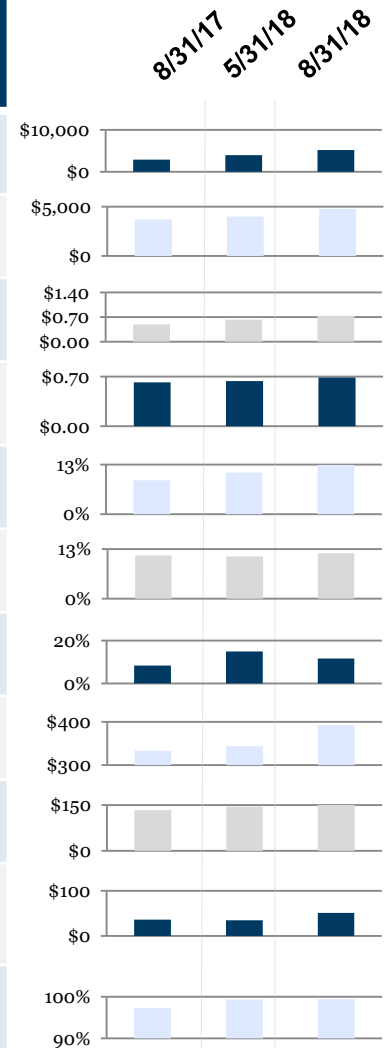
Over 99% of our SAR loan investments hold our highest internal rating; highest level ever; two on non-accrual at quarter-end*

* Excludes our investment in our CLO, and our equity and written-off legacy investments.

Q2 FY19: Strong Financial Foundation and Momentum

Key Performance Metrics for the Fiscal Quarter

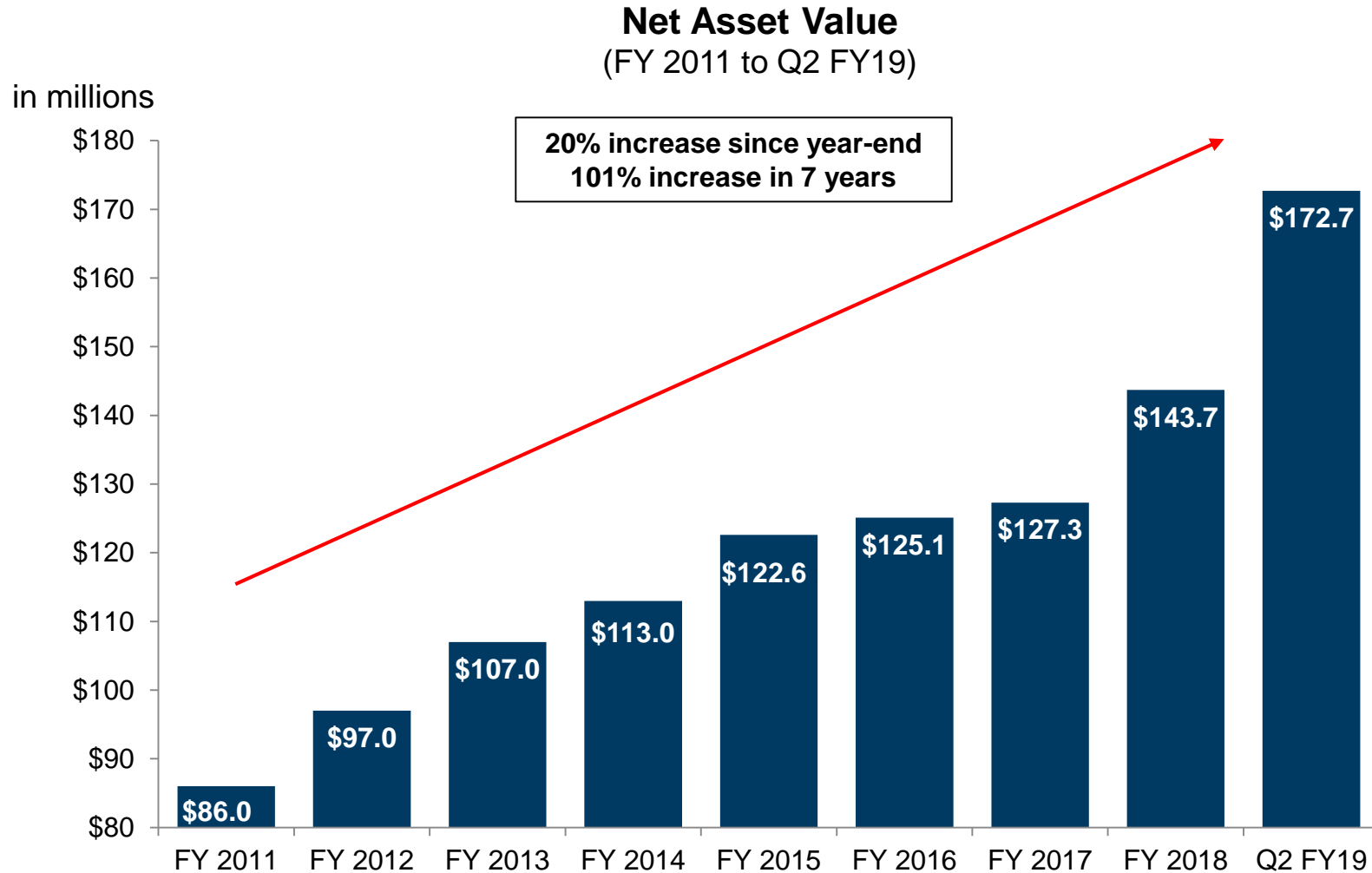
For the quarter ended and as of (\$ in millions except per share)	Aug 31, 2017	May 31, 2018	Aug 31, 2018
Net investment income	\$2,891	\$3,928	\$5,144
Adjusted net investment income*	\$3,680	\$4,000	\$4,761
Net investment income per share	\$0.49	\$0.63	\$0.74
Adjusted net investment income per share*	\$0.62	\$0.64	\$0.69
Net investment income yield	8.9%	10.9%	12.9%
Adjusted net investment income yield*	11.3%	11.1%	11.9%
Return on Equity – Last Twelve Months	8.3%	14.9%	11.6%
Fair value of investment portfolio	\$333.0	\$343.4	\$392.9
Total net assets	\$133.5	\$144.8	\$172.7
Investments in new/existing portfolio companies	\$36.7	\$35.2	\$51.7
Loan Investments held in “strong” credit ratings	97.3%	99.3%	99.4%



*Adjusted for accrued capital gains incentive fee expense, reconciliation to GAAP net investment income included in our fiscal second quarter 2019 earnings release.

NOTE: For calculation purposes, Q2 FY19 reflects the impact of the equity offering for half the quarter (to weighted average number of shares and yield/ROE calcs),.

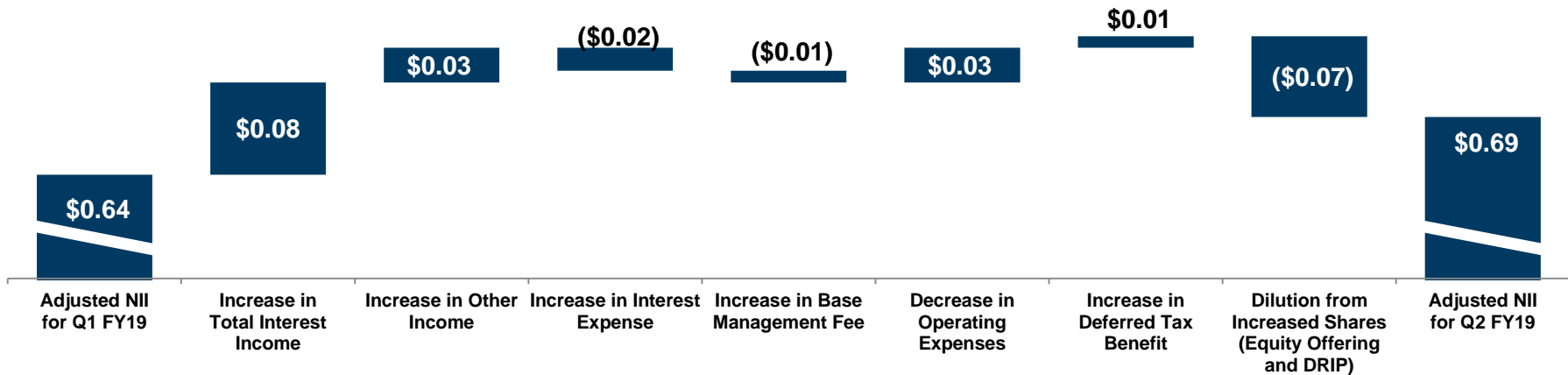
NAV Continues to Benefit from Performance



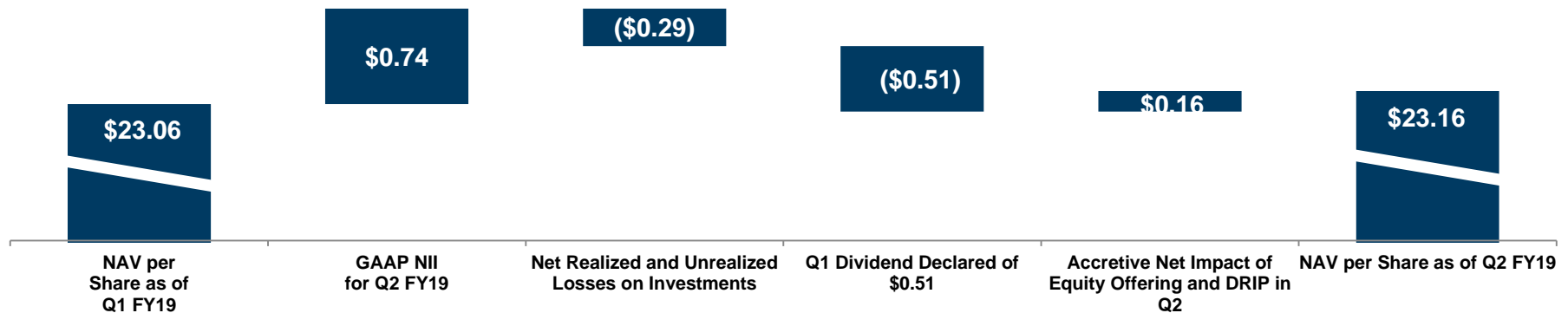
Quarterly Reconciliation of NII and NAV per Share

- Impacts are shown net of incentive fee

Reconciliation of Quarterly Adjusted NII per Share



Reconciliation of Quarterly NAV per Share



Significant Dry Powder Available

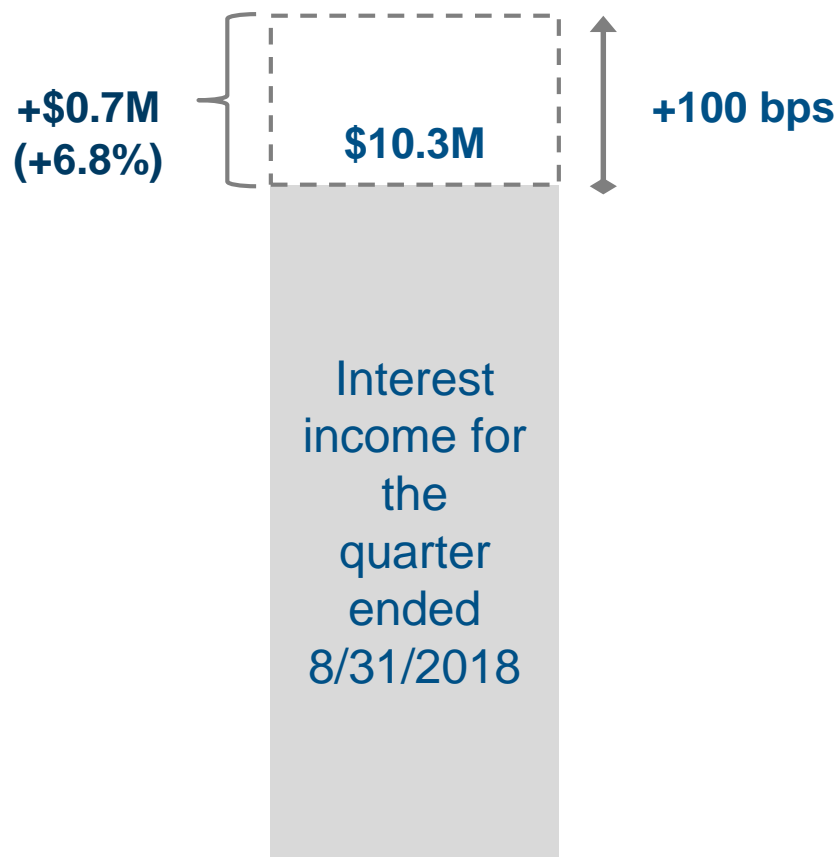
(As of Aug 31, 2018)		Total Borrowing Capacity	Outstanding	Available Liquidity	Remaining Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility		\$45.0 million	\$0.0 million	\$45.0 million	7 Years	Floating
SBA Debentures		\$150.0 million	\$150.0 million	\$0.0 million	5-10 years	Fixed
Publicly-Traded Notes (at fair value)	SAB	\$77.7 million	\$77.7 million	\$0.0 million	5 Years	Fixed
	SAF	\$40.5 million	\$40.5 million	\$0.0 million	7 Years	Fixed
Cash and Cash Equivalents		\$43.3 million	\$0.0 million	\$43.3 million	-	-

Total Available Liquidity (at quarter-end): \$ 88.3 million

- Ability to grow AUM by 22% without any new external financing
- Subsequent to quarter-end, most of the cash and cash equivalents has been invested

SAR Benefits from Increased Interest Rates

Interest Income Grows with Higher Interest Rates

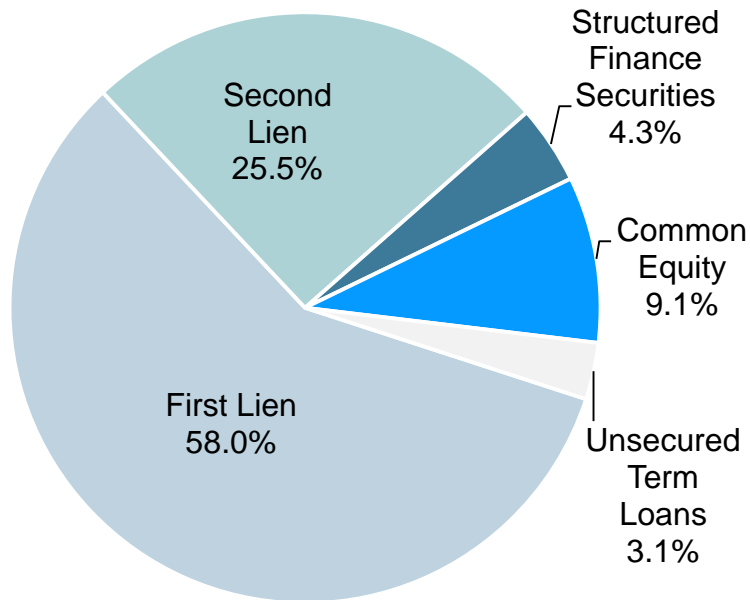


- 81.5% of SAR lending at floating rates
- Hypothetical 1% change in interest rates would result in ~\$0.7 million increase in interest income over the quarter (\$2.8 million per year)
 - Assumes investments as of 8/31/2018 outstanding for full quarter and no change to existing rate terms

Portfolio Composition and Yield

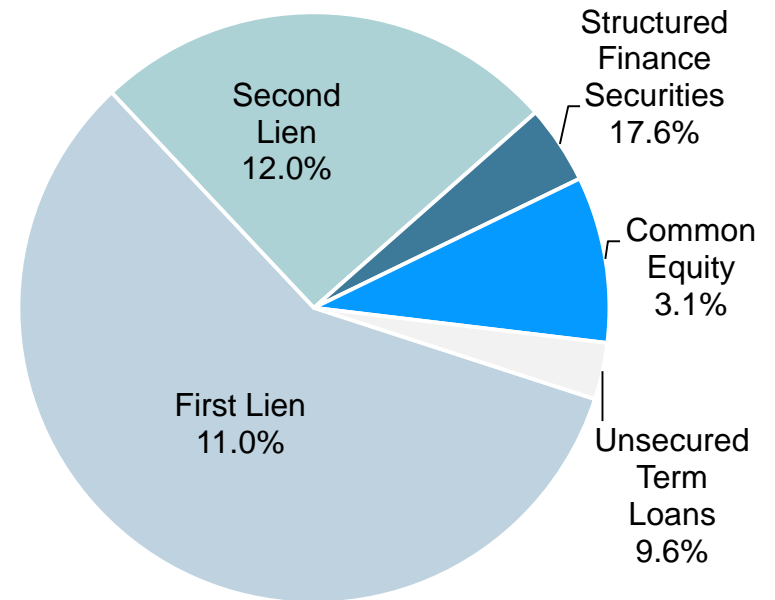
Portfolio Composition – \$392.9 m

(Based on Fair Values
as of August 31, 2018)



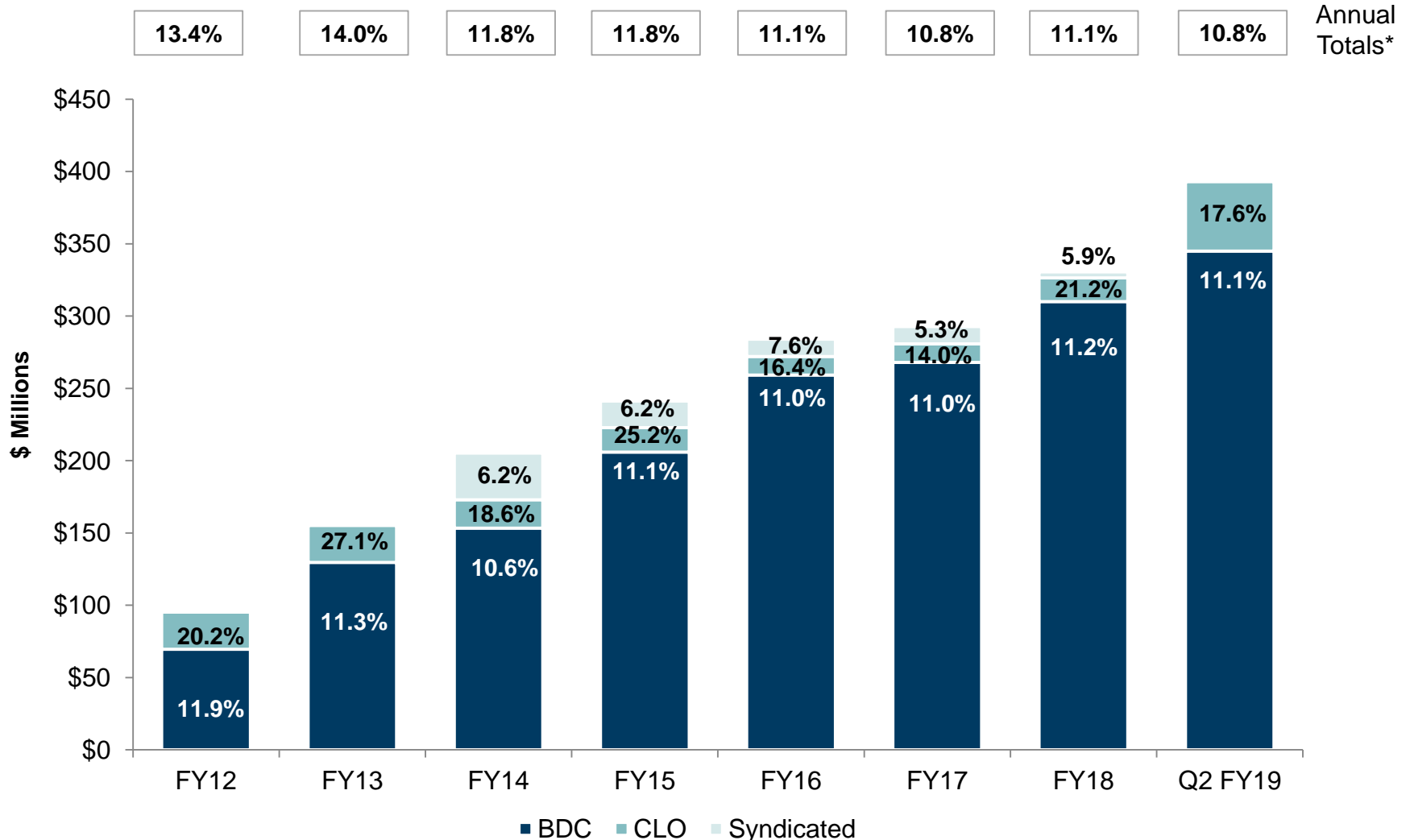
Portfolio Yield – 10.8%

(Weighted Average Current
Yield of Existing Total Portfolio)



Yield of BDC Remains Strong and Consistent

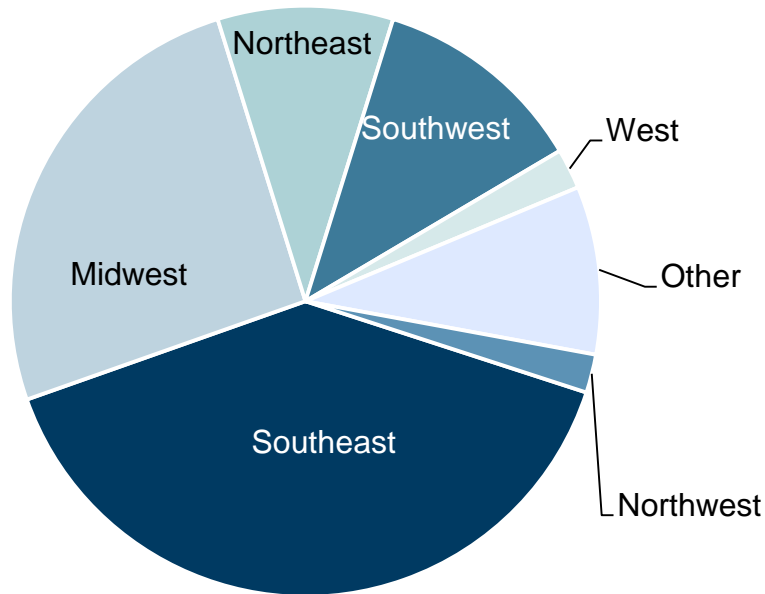
Weighted Average Current Yields



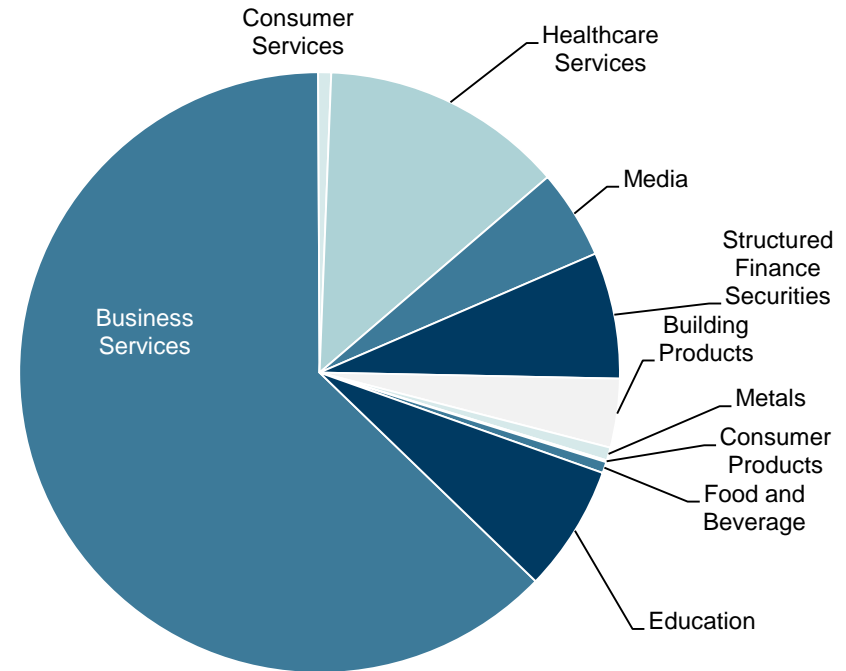
Annual total yields on full portfolio. BDC, CLO and Syndicated yields are annualized and calculated on fair value of interest earning assets.

Diversified Across Industry and Geography

Investments diversified geographically

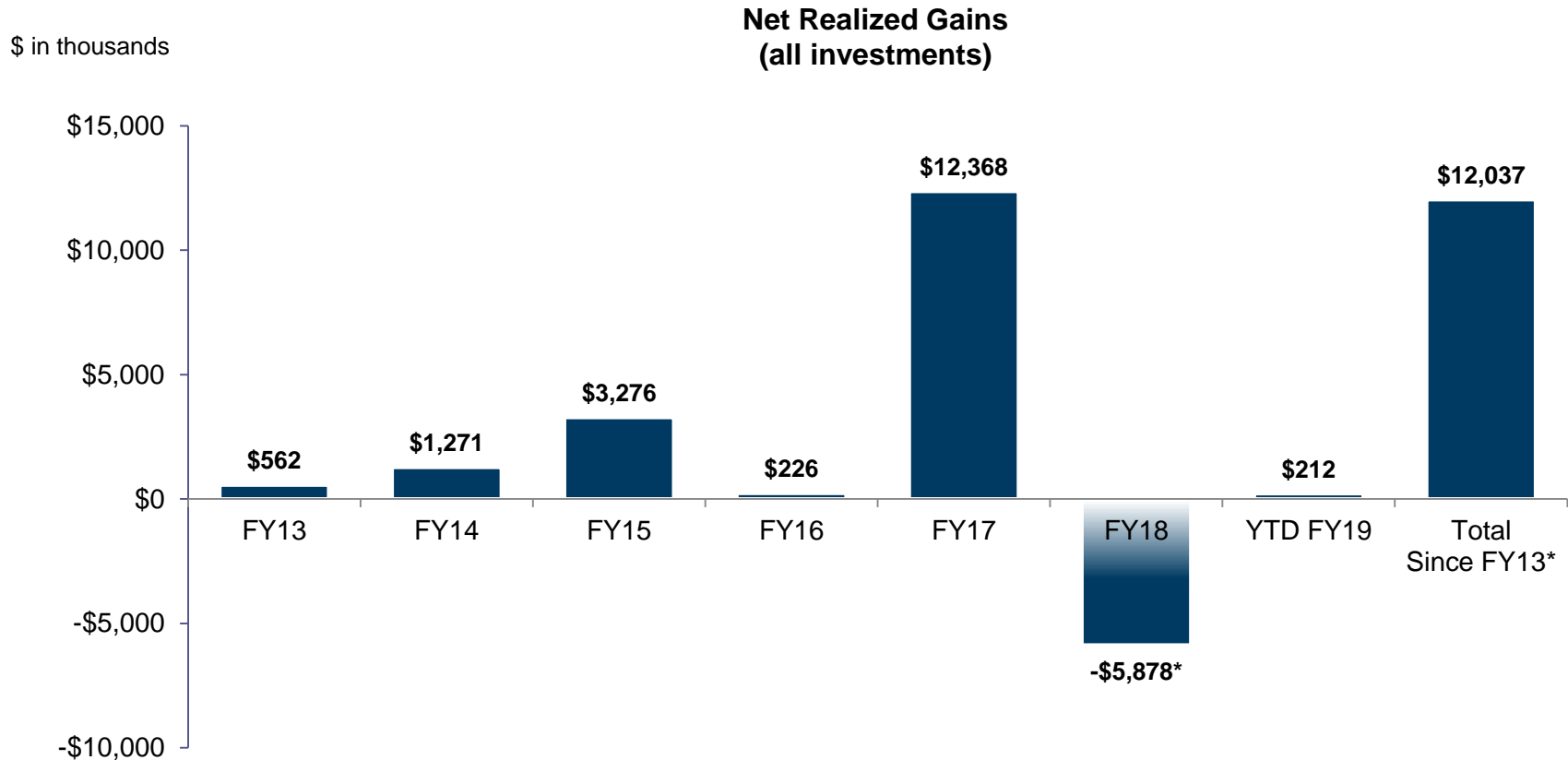


Investments across 10 distinct industries



Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality

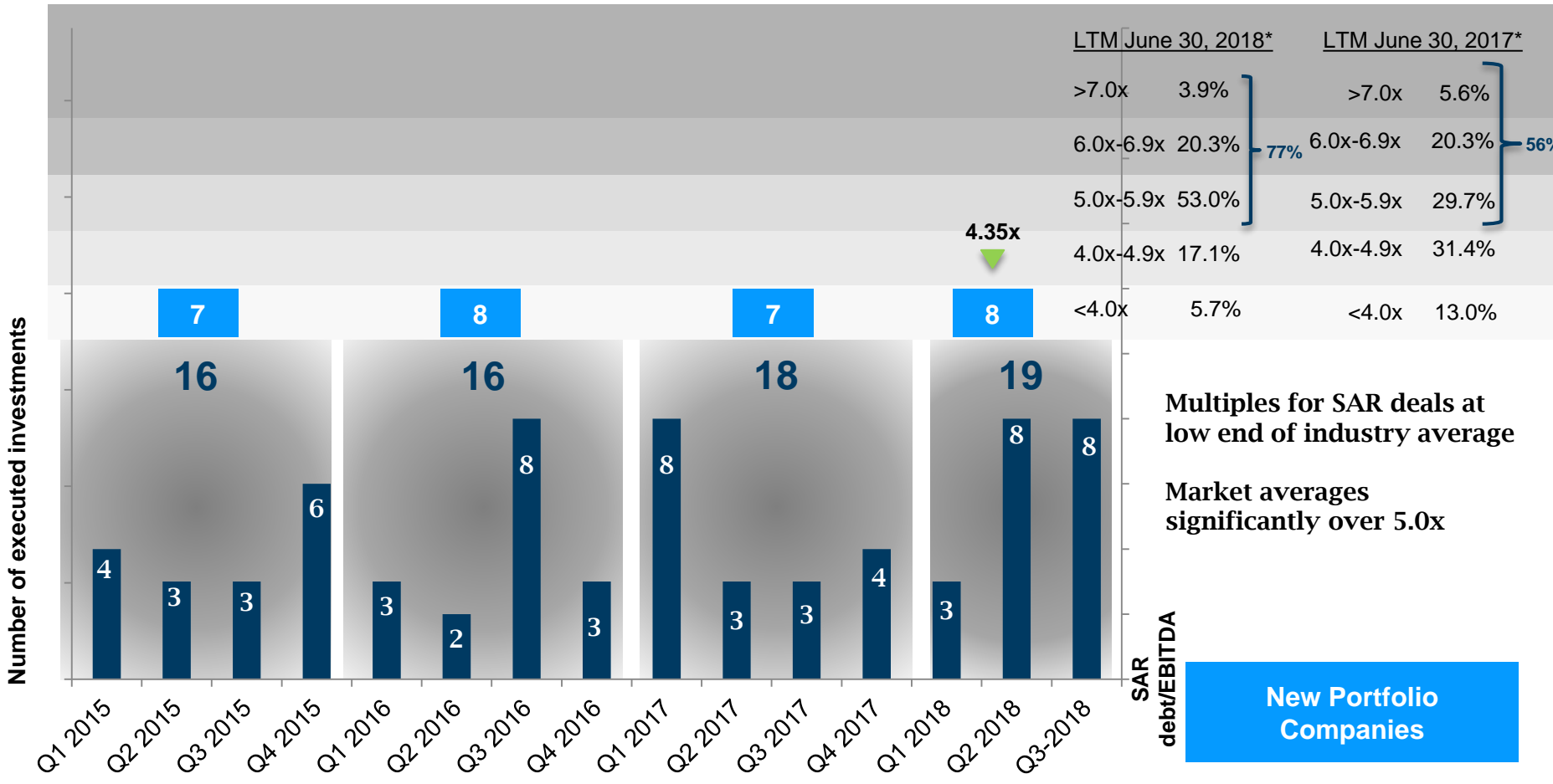


* Reflects realized loss on My Alarm Center investment of \$7.7m less \$1.8m in other realized gains in FY18.

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2015-2018)
Total Portfolio Leverage is 4.35x¹

Market Average Multiples
 (Total Debt/EBITDA)



Multiples for SAR deals at low end of industry average
Market averages significantly over 5.0x

New Portfolio Companies

*Calendar quarters, not fiscal

■ SAR Deals Closed ▲ Weighted Average SAR leverage across portfolio

Source: S&P Global market Intelligence US:Q2 2018, issuers with EBITDA less than or equal to \$50m. The data has limitations due to a small sample size but that it does reflect trend toward increasing leverage.

¹Excludes nine loans underwritten using recurring revenue metrics.

Robust and Growing Pipeline During Tough Execution Market

The number of new business opportunities is increasing for us, yet we remain as disciplined as ever.

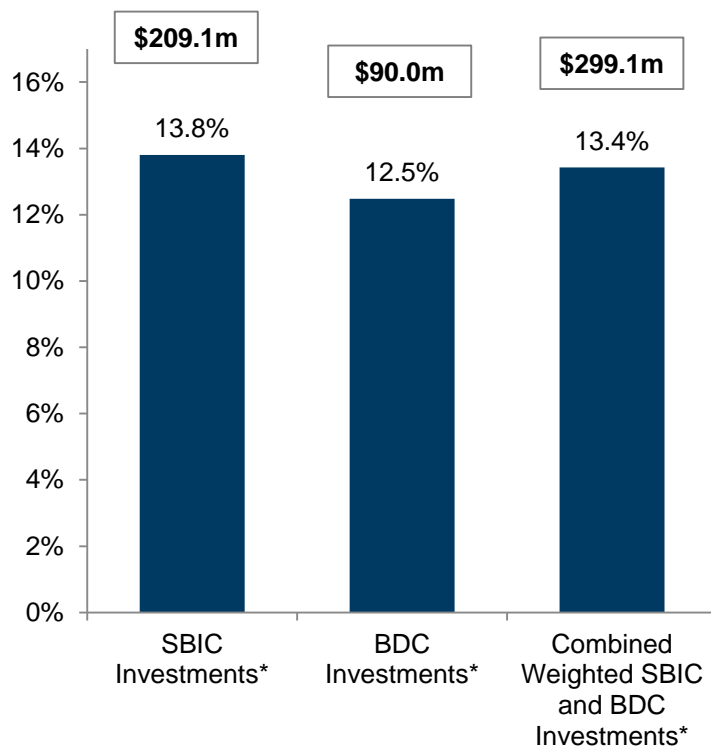
Calendar*	2015	Δ	2016	Δ	2017	Δ	LTM Sept 2018	
Deals Sourced	613	5%	645	28%	722	20%	866	<ul style="list-style-type: none"> • 50% of deal flow from private equity sponsors • 50% of deals from private companies without institutional ownership • Saratoga maintains investment discipline which is demonstrated by passing on ~65 deals a year that other firms close
Term Sheets	67	(28%)	48	2%	49	53%	75	<ul style="list-style-type: none"> • Saratoga issues an average of 18 term sheets per quarter, or 8% of deals reviewed • ~ 80% of term sheets are issued for transactions involving a private equity sponsor
Deals Executed (new and follow-on)	16	-	16	13%	18	22%	22	<ul style="list-style-type: none"> • Saratoga closes an average of 5 new deals or follow-ons per quarter, ~2% of deals reviewed
New portfolio companies	7		8		7		9	<ul style="list-style-type: none"> • Nine new portfolio companies in the past twelve months

*Calendar quarters, not fiscal quarters.

Demonstrated Strong Track Record

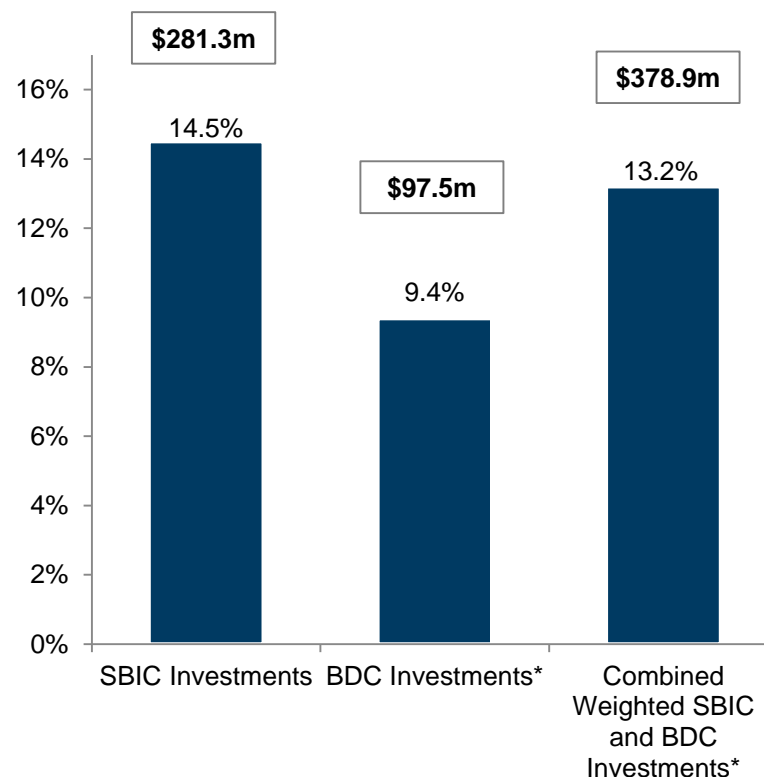
Realized Investments

(Gross Unlevered IRR%)



Unrealized Investments ¹

(Gross Unlevered IRR%)



Track Records as of 8/31/18

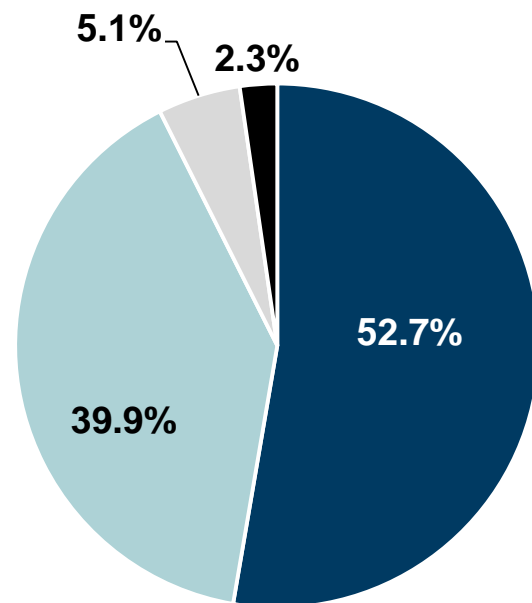
¹ IRRs for unrealized investments include fair value and accrued interest as of 8/31/18

* 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 investments in 23 portfolio companies 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 4.53x¹.
 - 52.7% of the SBIC portfolio consists of senior debt investments, down from 53.4% in May 2018.
 - 39.9% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, down from 43.2% in May 2018.

Composition of SBIC Portfolio²

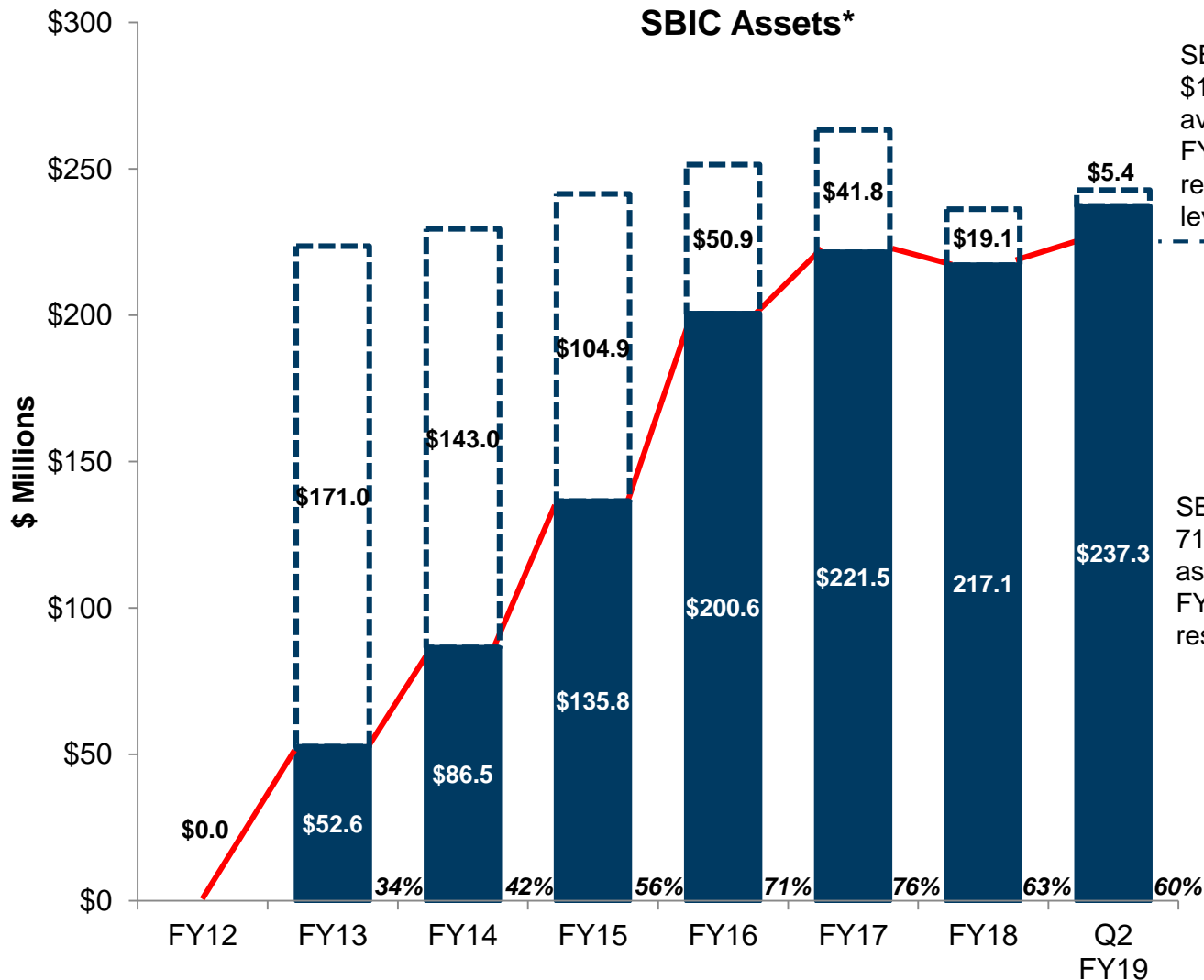


- Senior Debt First Lien
- First Lien Last Out/Second Lien/Subordinated Debt
- Equity/Warrants
- Unsecured/Subordinated

¹Excludes six loans underwritten using recurring revenue metrics.

²Based on market value as of August 31, 2018.

SBIC Assets Fully Funded



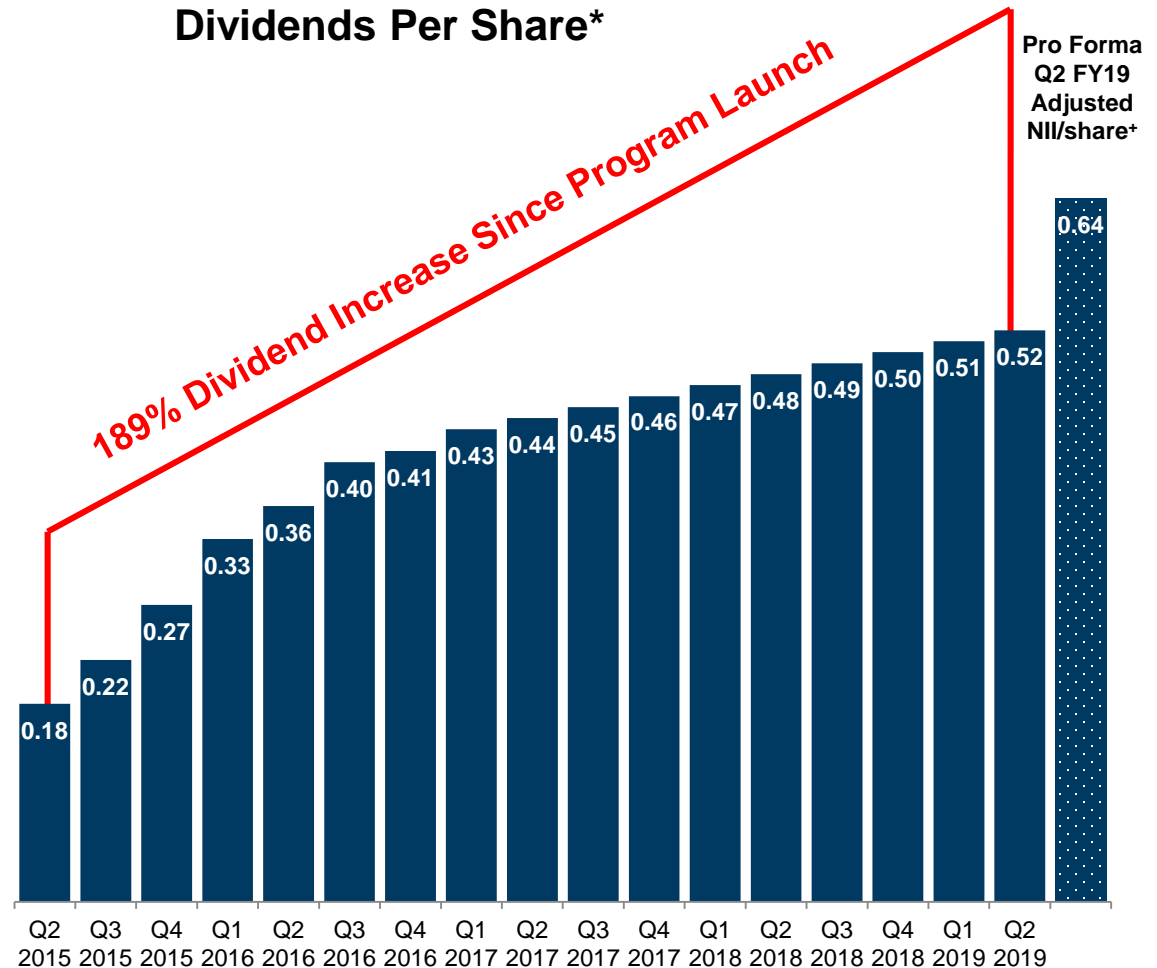
SBIC first license provided \$171m, \$143m, \$105m, \$51m, \$42m, \$19m and \$5m of available capacity in FY13, FY14, FY15, FY16, FY17, FY18 and Q2 FY19, respectively (debt and equity at 2:1 leverage)

SBIC represented 34%, 42%, 56%, 71%, 76%, 63% and 60% of total assets in FY13, FY14, FY15, FY16, FY17, FY18 and Q2 FY19, respectively

* At Fair Value as of August 31, 2018.

Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 189% since program launch
- Declared Q2 2019 dividend of \$0.52, an increase of \$0.01 (2%)
- Overearning our dividend currently (23.1% on pro forma adjusted Q2 FY19 NII per share)

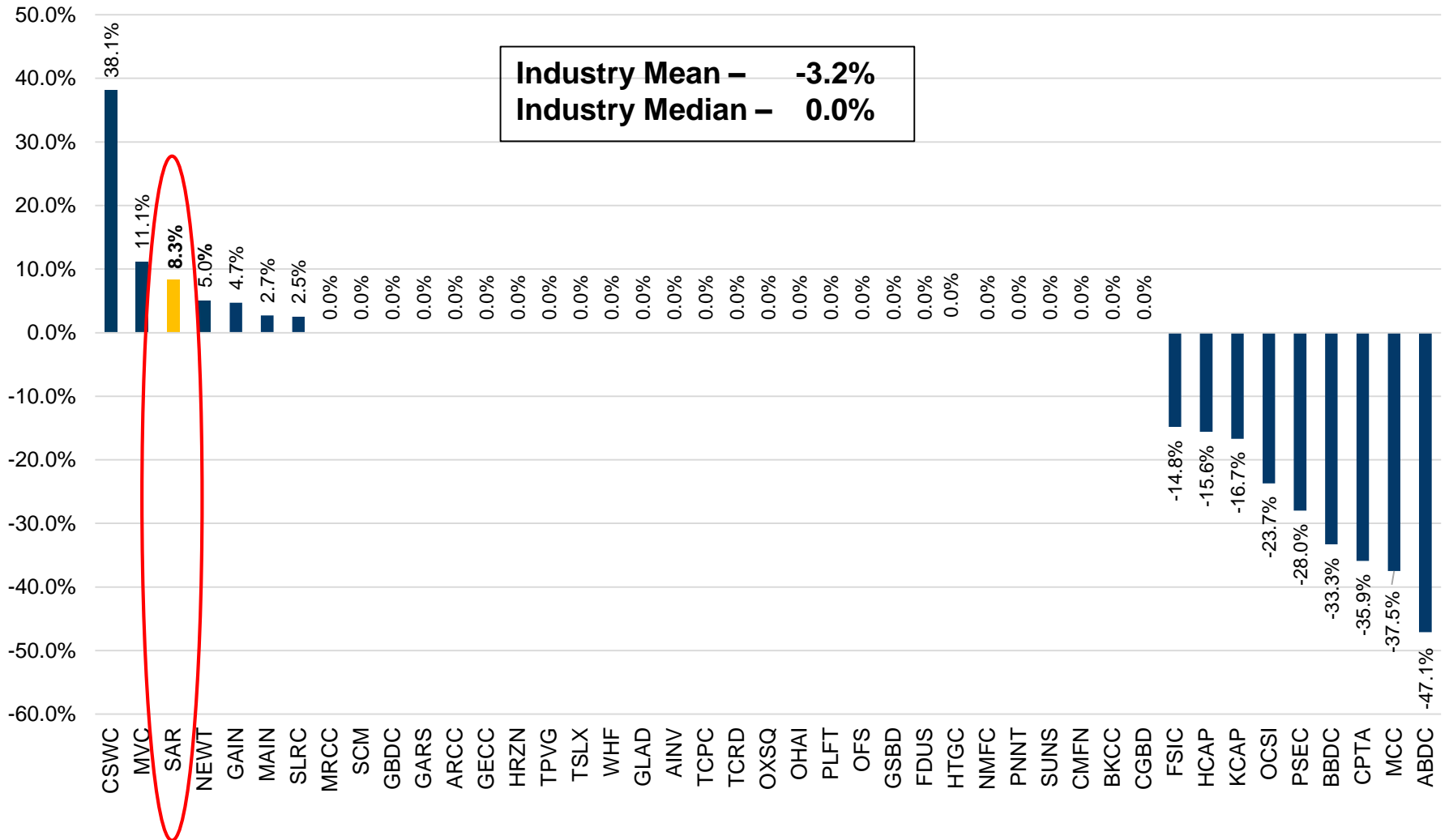


*Excludes special dividend of \$0.20 per share paid on September 5, 2016

+Pro forma reflects full impact of outstanding shares as of August 31, 2018

Saratoga Growing Dividends the Past Sixteen Quarters

Year-Over-Year Quarterly Dividend Growth at Top of Industry



Source: Raymond James report as of 9/28/18

SAR LTM Total Return Outperforms BDC Index

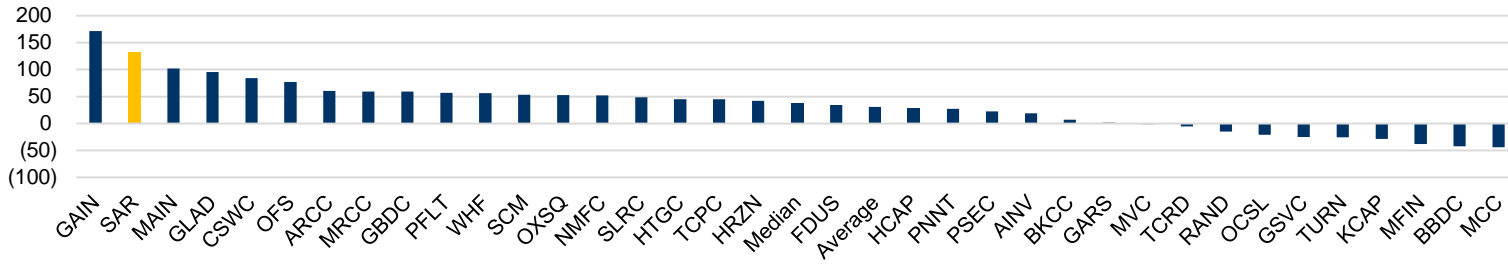
LTM Total Return (%)
(September 2017 to September 2018)

SAR +28% vs. BDC Index +9%

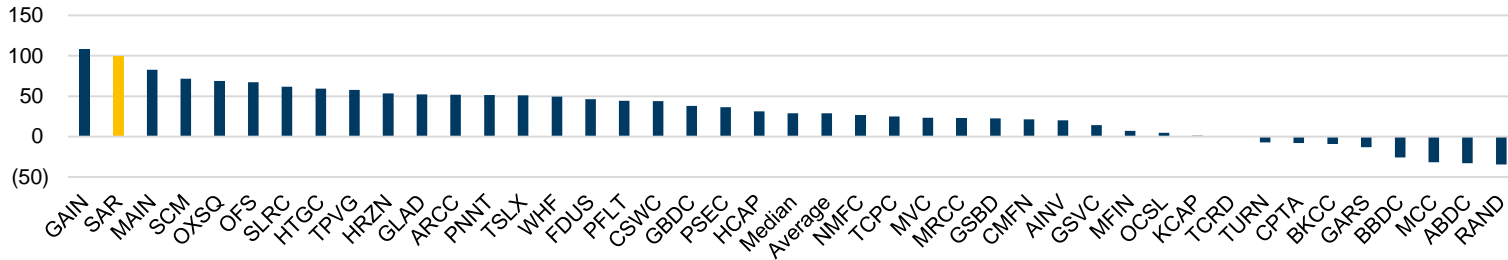


SAR Performance at Top of BDC Industry

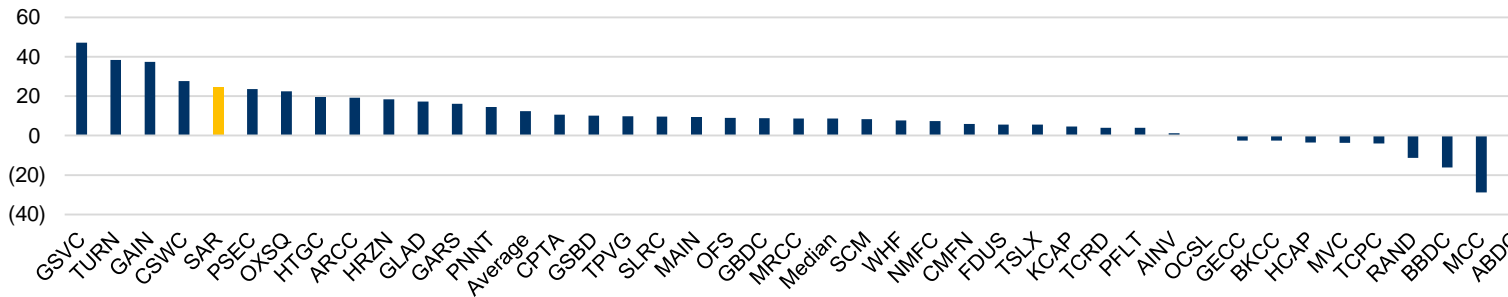
BDC Total Return (%)



Past 5 years:
133%
Top 2

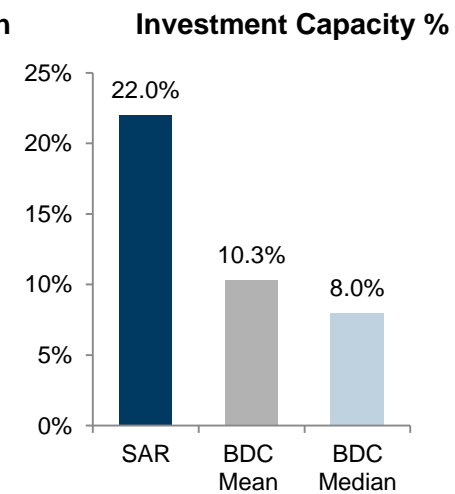
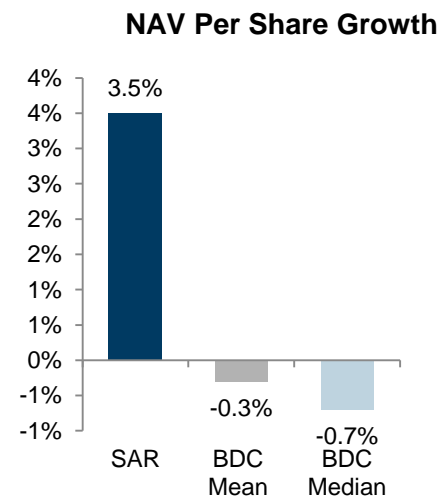
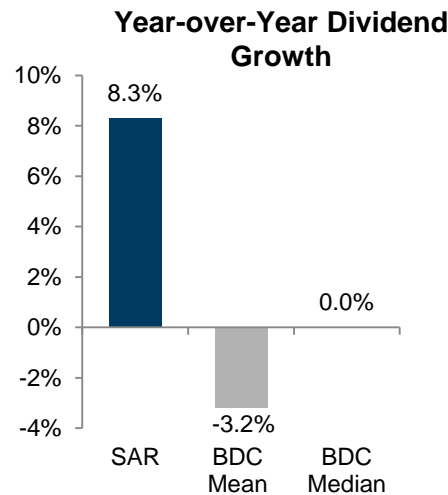
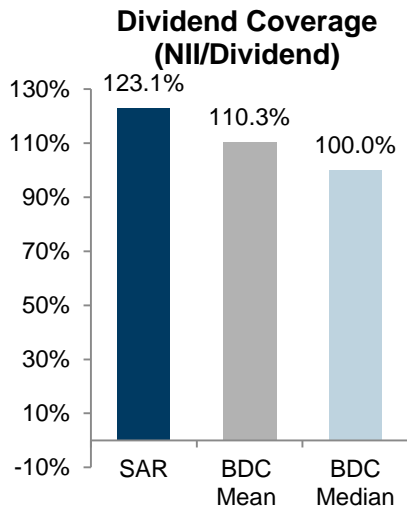
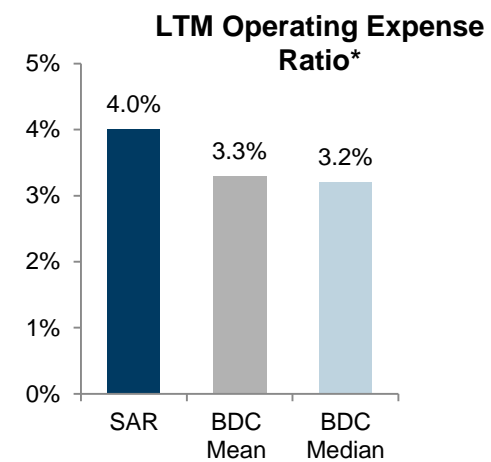
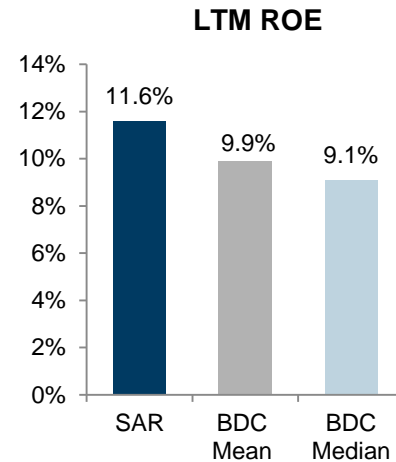
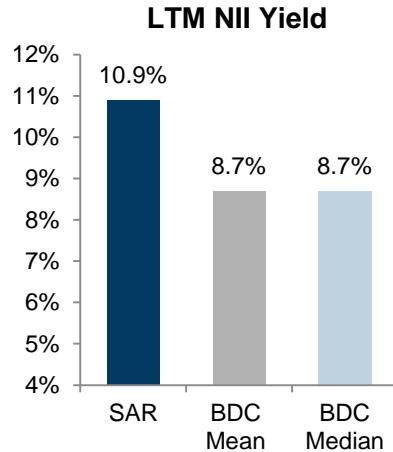
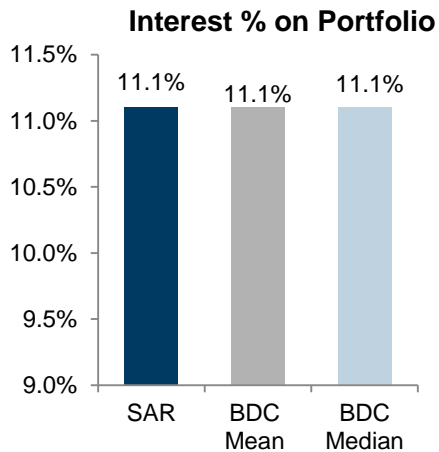


Last 3 years:
99%
Top 2



LTM:
28%
Top 5

Strongly Differentiated Outperformance



Source: SNL Financial / Company Filings / Raymond James report as of 09/14/18

* LTM Operating Expense Ratio defined as total operating expenses, net of interest and debt financing expenses, divided by average total assets.

Total operating expenses divided by net assets is 18.0%.

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Strong and growing dividend**
Paying a current dividend yield of approx. 8.9%; increased quarterly dividend by 189% over past four years; over-earning dividend by 23% (based on pro forma Q2 FY19 earnings); significant management ownership of 20%
- ▶ **Strong return on equity**
LTM ROE of 11.6% factors in both investment income and net gains/losses
- ▶ **Low-cost available liquidity**
Ample borrowing capacity still at hand through both credit facility and cash relative to competitors – can grow current asset base by 22% as of quarter ended August 31, 2018
- ▶ **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 491% since FY 2011 and 15% since year end with strong originations offsetting significant repayments
- ▶ **Well-positioned for higher interest rates**
Approx. 82% of our investments have floating interest rates, with all of our investments through their floors. Debt primarily at fixed rates and long-term, with new \$40.0m 7-year baby bond issued this past quarter. Obtained “BBB” investment grade rating.
- ▶ **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, 99% of credits are the highest quality, 58% of investments are first lien, protected against potential risk of rising interest rates

Objectives for the Future

- 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.



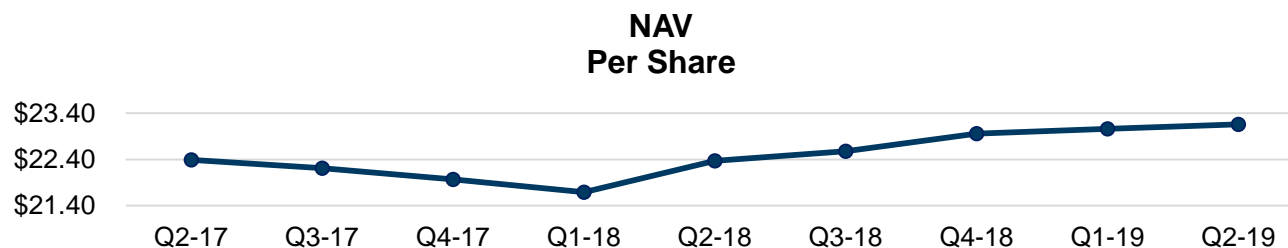
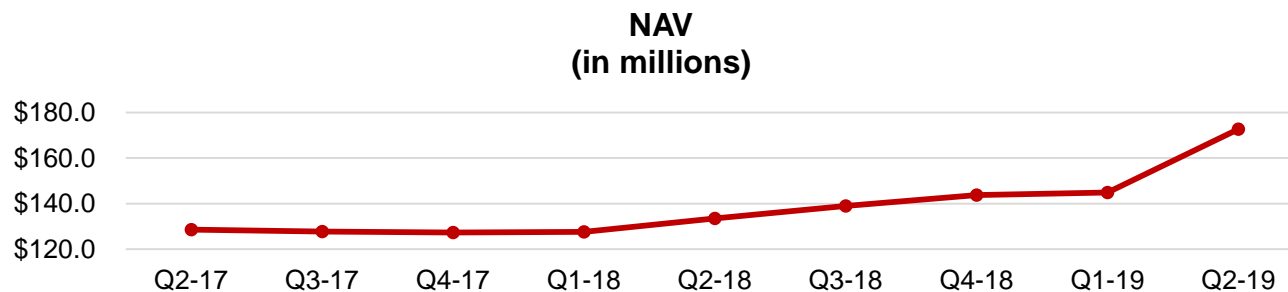
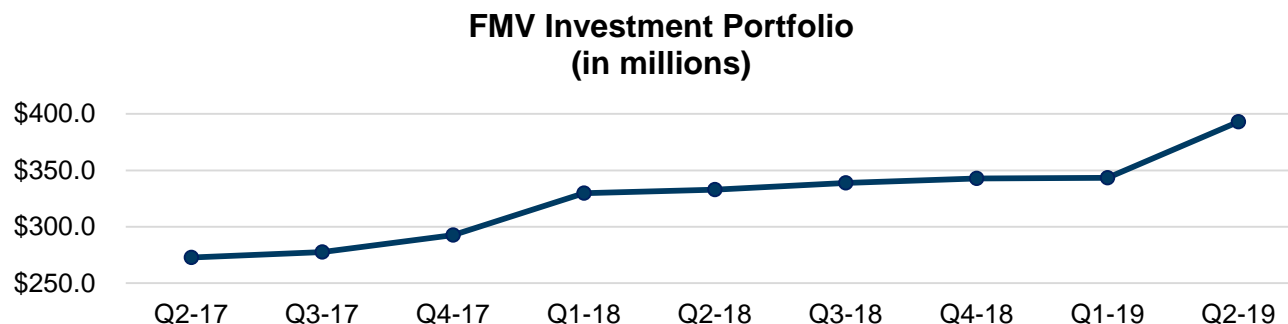
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KPIs – Balance Sheet

Period	FMV Investment Portfolio (in millions)
Q2-17	\$ 272.8
Q3-17	\$ 277.6
Q4-17	\$ 292.7
Q1-18	\$ 329.7
Q2-18	\$ 333.0
Q3-18	\$ 338.8
Q4-18	\$ 342.7
Q1-19	\$ 343.4
Q2-19	\$ 392.9

Period	NAV (in millions)
Q2-17	\$ 128.6
Q3-17	\$ 127.7
Q4-17	\$ 127.3
Q1-18	\$ 127.6
Q2-18	\$ 133.5
Q3-18	\$ 138.9
Q4-18	\$ 143.7
Q1-19	\$ 144.8
Q2-19	\$ 172.7

Period	NAV Per Share
Q2-17	\$ 22.39
Q3-17	\$ 22.21
Q4-17	\$ 21.97
Q1-18	\$ 21.69
Q2-18	\$ 22.37
Q3-18	\$ 22.58
Q4-18	\$ 22.96
Q1-19	\$ 23.06
Q2-19	\$ 23.16



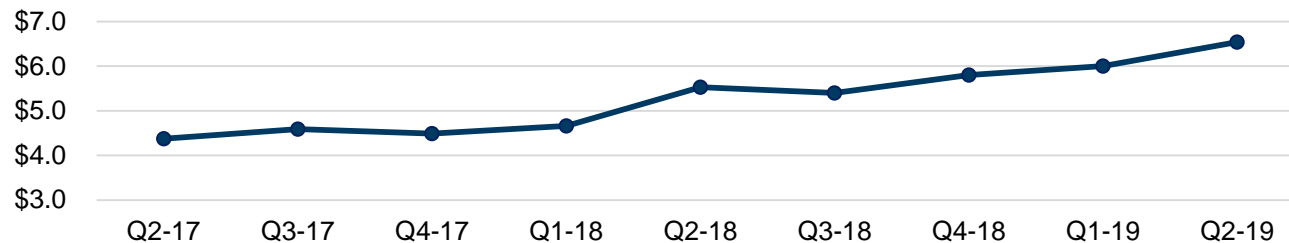
KPIs – Income Statement

Period	Net Interest Margin (in millions)
Q1-17	\$ 4.4
Q2-17	\$ 4.4
Q3-17	\$ 4.6
Q4-17	\$ 4.5
Q1-18	\$ 4.7
Q2-18	\$ 5.5
Q3-18	\$ 5.4
Q4-18	\$ 5.8
Q1-19	\$ 6.0
Q2-19	\$ 6.5

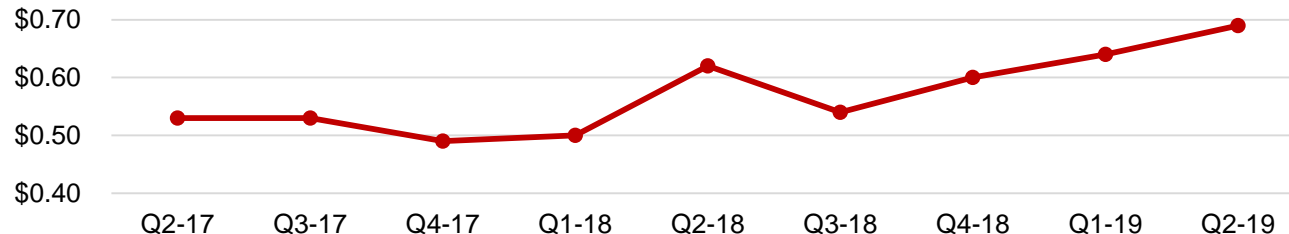
Period	NII Per Share
Q1-17	\$ 0.46
Q2-17	\$ 0.53
Q3-17	\$ 0.53
Q4-17	\$ 0.49
Q1-18	\$ 0.50
Q2-18	\$ 0.62
Q3-18	\$ 0.54
Q4-18	\$ 0.60
Q1-19	\$ 0.64
Q2-19	\$ 0.69

Period	NII Yield
Q1-17	8.3%
Q2-17	9.5%
Q3-17	9.5%
Q4-17	8.8%
Q1-18	9.2%
Q2-18	11.3%
Q3-18	9.6%
Q4-18	10.7%
Q1-19	11.1%
Q2-19	11.9%

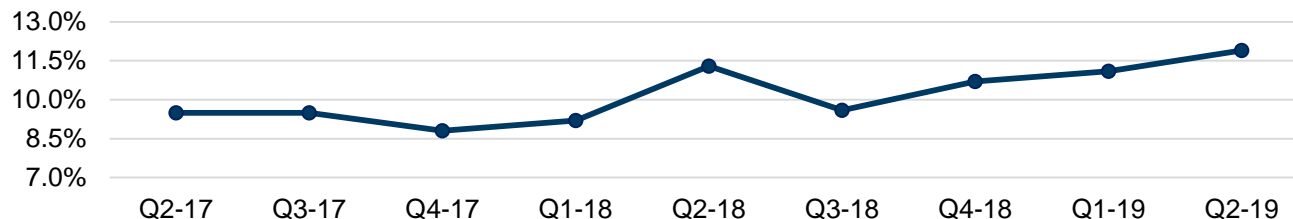
Net Interest Margin Excluding CLO
(in millions)



NII Per Share

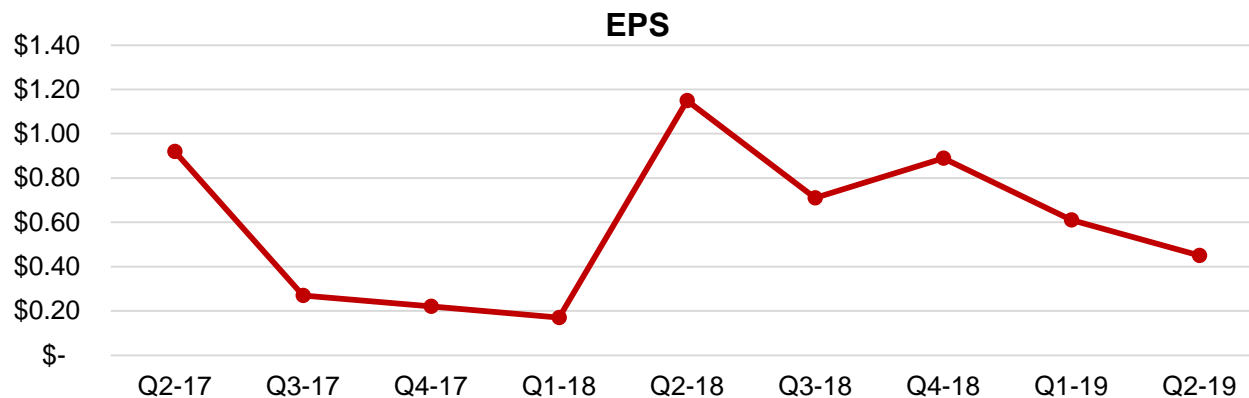


NII Yield

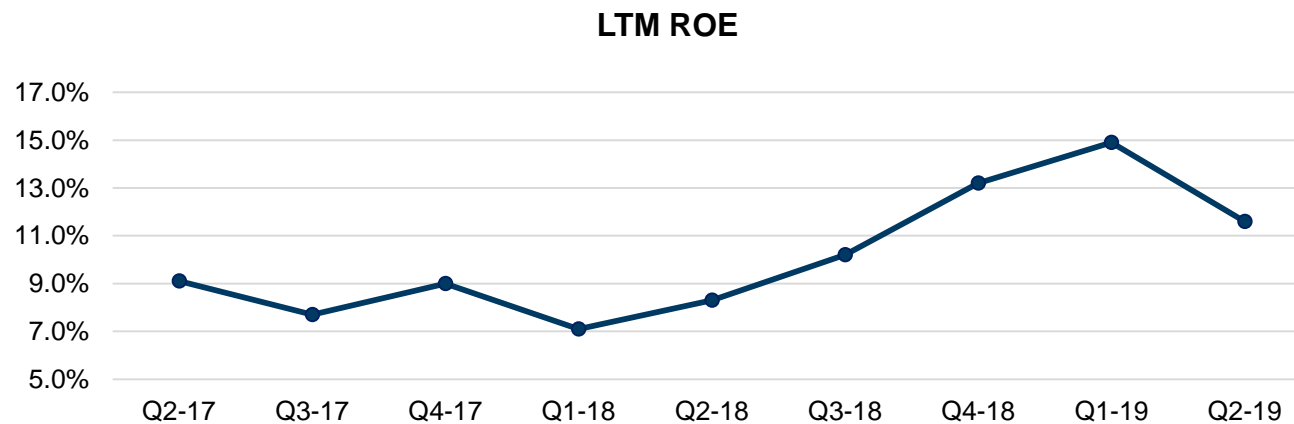


KPIs – Income Statement (continued)

Period	EPS
Q1-17	\$ 0.57
Q2-17	\$ 0.92
Q3-17	\$ 0.27
Q4-17	\$ 0.22
Q1-18	\$ 0.17
Q2-18	\$ 1.15
Q3-18	\$ 0.71
Q4-18	\$ 0.89
Q1-19	\$ 0.61
Q2-19	\$ 0.45



Period	LTM ROE
Q1-17	10.4%
Q2-17	9.1%
Q3-17	7.7%
Q4-17	9.0%
Q1-18	7.1%
Q2-18	8.3%
Q3-18	10.2%
Q4-18	13.2%
Q1-19	14.9%
Q2-19	11.6%



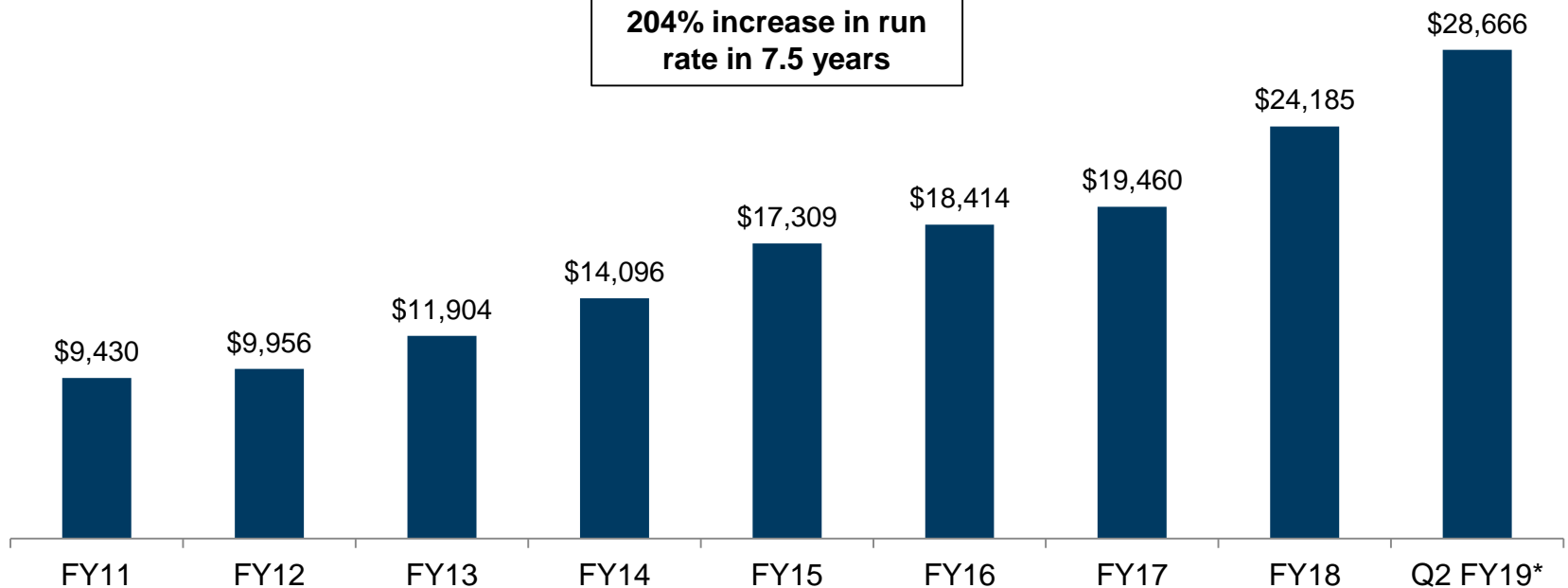
KPIs - SAR Net Interest Margin

SAR has more than tripled its Net Interest Margin since taking over management

This increase despite the contribution of the CLO shrinking

Net Interest Margin

204% increase in run rate in 7.5 years



*Q2 FY19 is a simple annualization of the six months ended August 31, 2018. Actual FY19 results might differ.