

Saratoga Investment Corp.

Fiscal Q2 2015 Shareholder Presentation

October 15, 2014

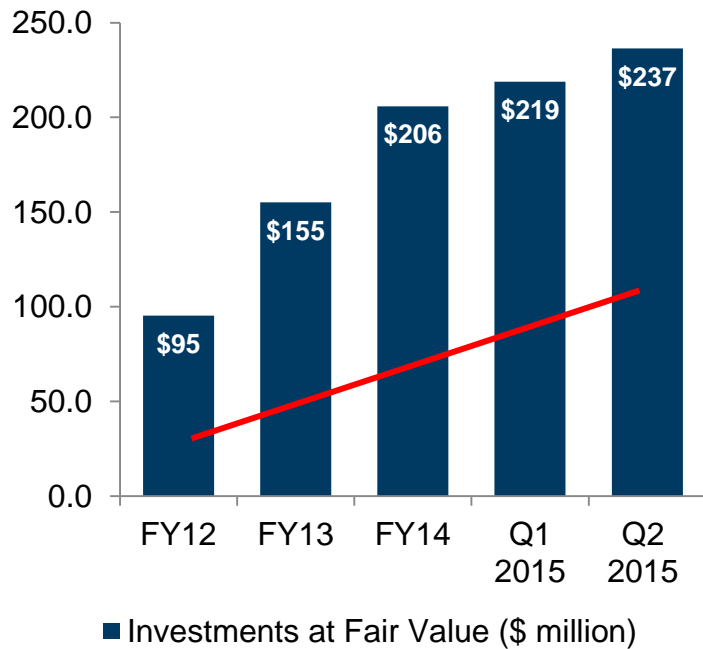


Achieved Significant Strategic Goals

- Continued to increase our assets under management
 - Up 8% in Q2 and 15% year-to-date
- Sustained improvement in our investment quality and credit
- Amended revolving credit facility
 - Extended commitment termination and maturity dates by three years
 - Reduced borrowing rate by 150bps and lower administrative costs
- Announced new quarterly cash-paying dividend policy
- Introduced dividend reinvestment plan
- Approved open market share repurchase plan

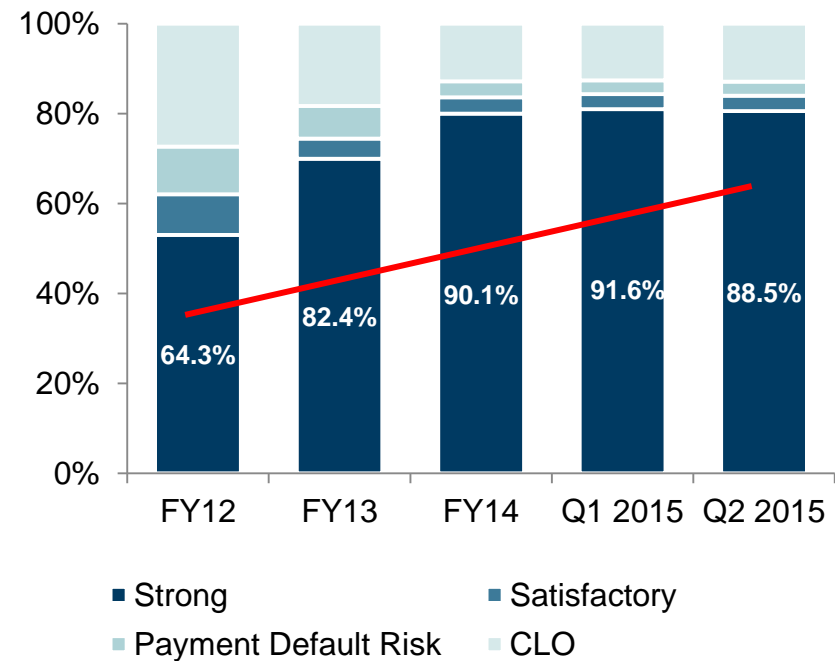
Increased Portfolio Growth and Quality

Committed to Asset Base Expansion



Fair value of AUM continued to increase - up more than 8% since last quarter, and 15% year-to-date

Overall Credit Quality Remains Strong



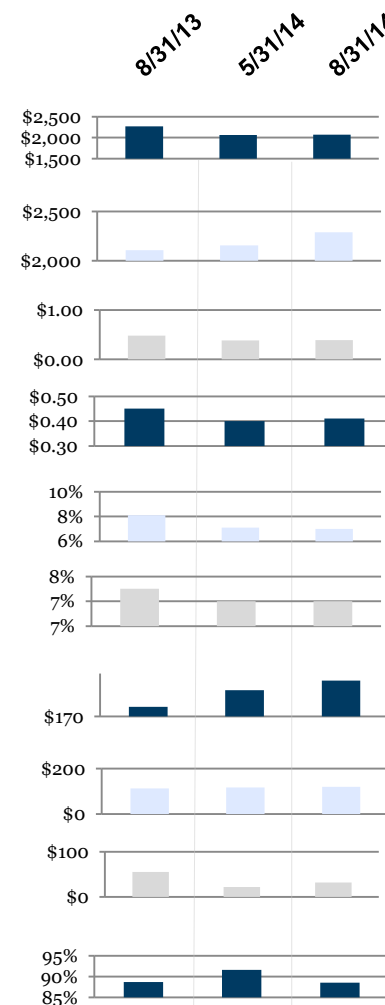
Over 88% of SAR loan investments hold our highest internal rating*

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

Financial Foundation Continues to Strengthen

Key Performance Metrics

For the quarter ended and as of (\$ in millions except per share)	Aug 31, 2013	May 31, 2014	Aug 31, 2014
Net investment income	\$2,272	\$2,060	\$2,073
Adjusted net investment income	\$2,109	\$2,155	\$2,289
Net investment income per share	\$0.48	\$0.38	\$0.39
Adjusted net investment income per share*	\$0.45	\$0.40	\$0.43
Net investment income yield	8.1%	7.1%	7.0%
Adjusted net investment income yield*	7.5%	7.4%	7.7%
Fair value of investment portfolio	\$187.8	\$218.7	\$236.8
Total net assets	\$112.4	\$116.7	\$119.8
Investments in new/existing portfolio companies	\$54.9	\$21.6	\$31.8
Loan Investments held in "strong" credit ratings	88.7%	91.6%	88.5%



* Adjusted for accrued capital gains incentive fee expense, reconciliation to net investment income included in our fiscal second quarter 2015 earnings release.

Significant Dry Powder Available

	Total Borrowing Capacity (As of Aug 31, 2014)	Outstanding (as of Aug 31, 2014)	Available Liquidity (as of Aug 31, 2014)
Secured Revolving Credit Facility	\$45 million	\$8.9 million	\$36.1 million
SBA Debentures	\$150 million	\$64 million	\$86 million
Publicly-Traded Notes (at fair value)	\$49.0 million	\$49.0 million	\$0
Cash and Cash Equivalents	\$3.5 million	\$0	\$3.5 million
Total Available Liquidity:			\$125.6 million*

* Ability to grow AUM by 53% without any external financing

Important Credit Facility Amendment

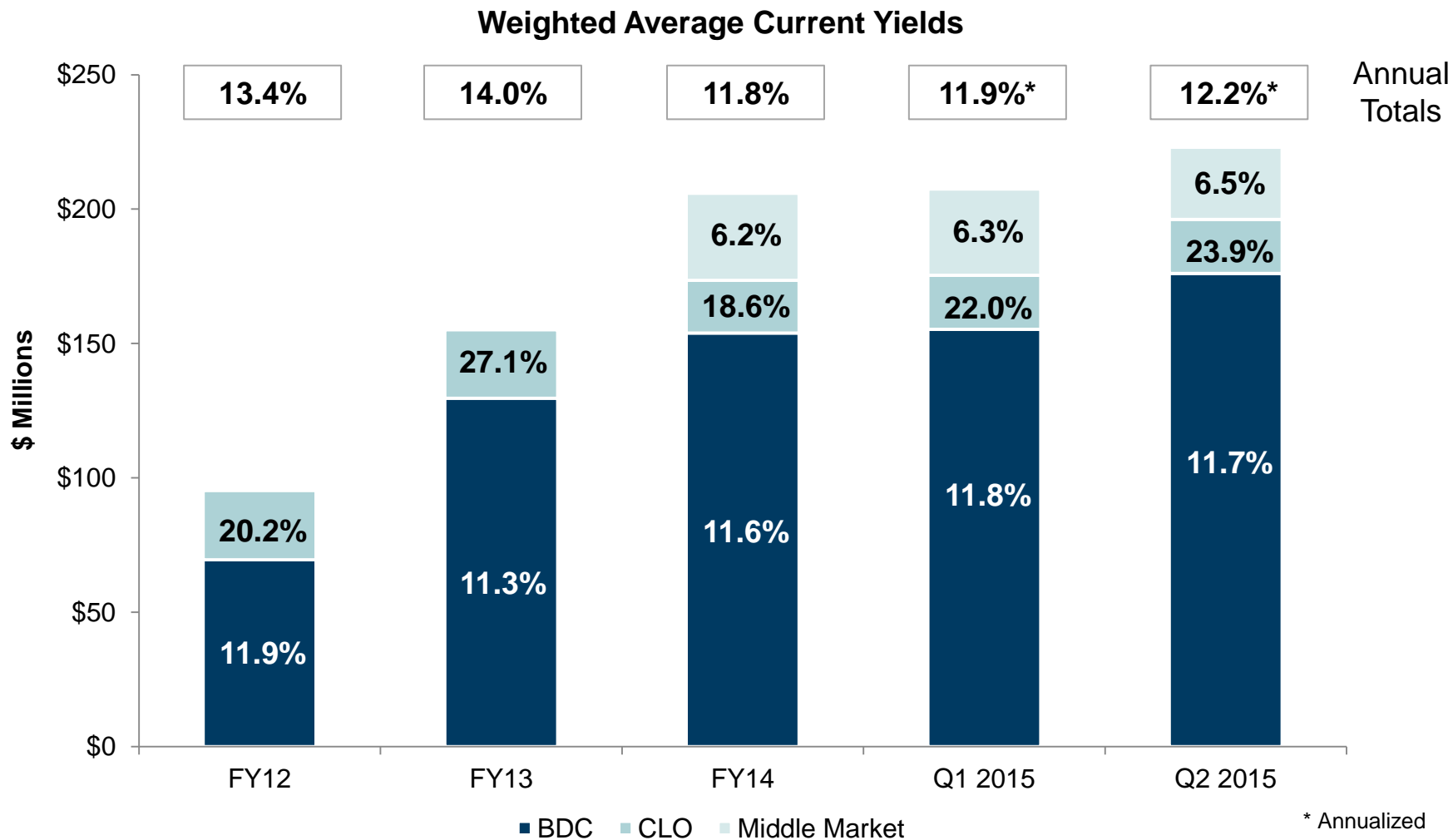
- Achieved significant extensions
 - Commitment termination date extended:
 - February 24, 2015 → September 17, 2017
 - Maturity date extended:
 - February 24, 2020 → September 17, 2022

- Lowered combined rate by 150bps

Margin Rate			
Base Rate		LIBOR	
Current	New	Current	New
4.50%	3.75%	5.50%	4.75%

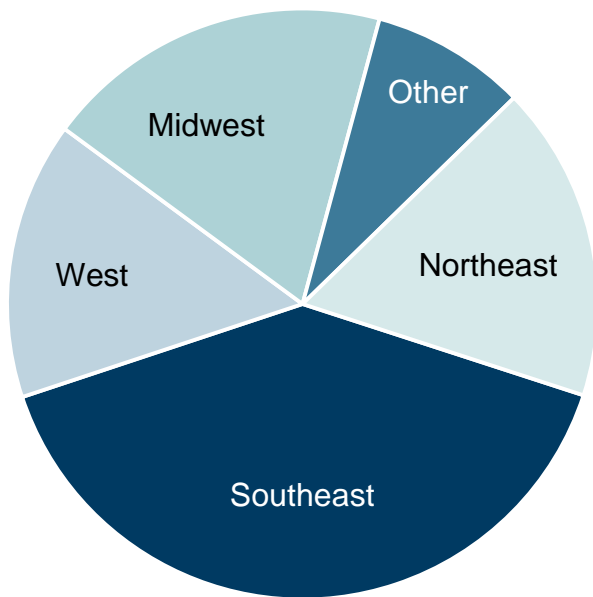
Floor			
Base Rate		LIBOR	
Current	New	Current	New
3.00%	2.25%	2.00%	1.25%

Yield of BDC Remains Stable

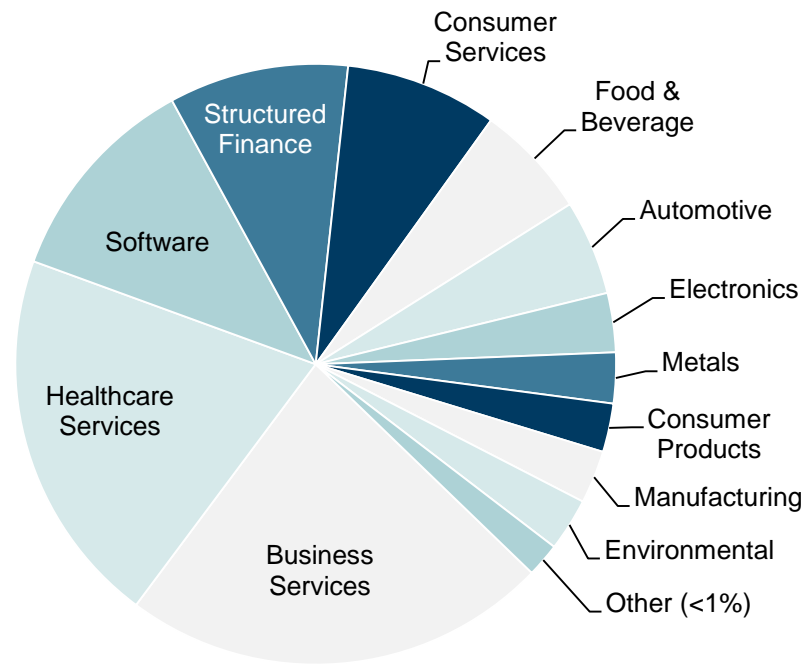


Diversified Across Industry and Geography

Investments diversified across the U.S.



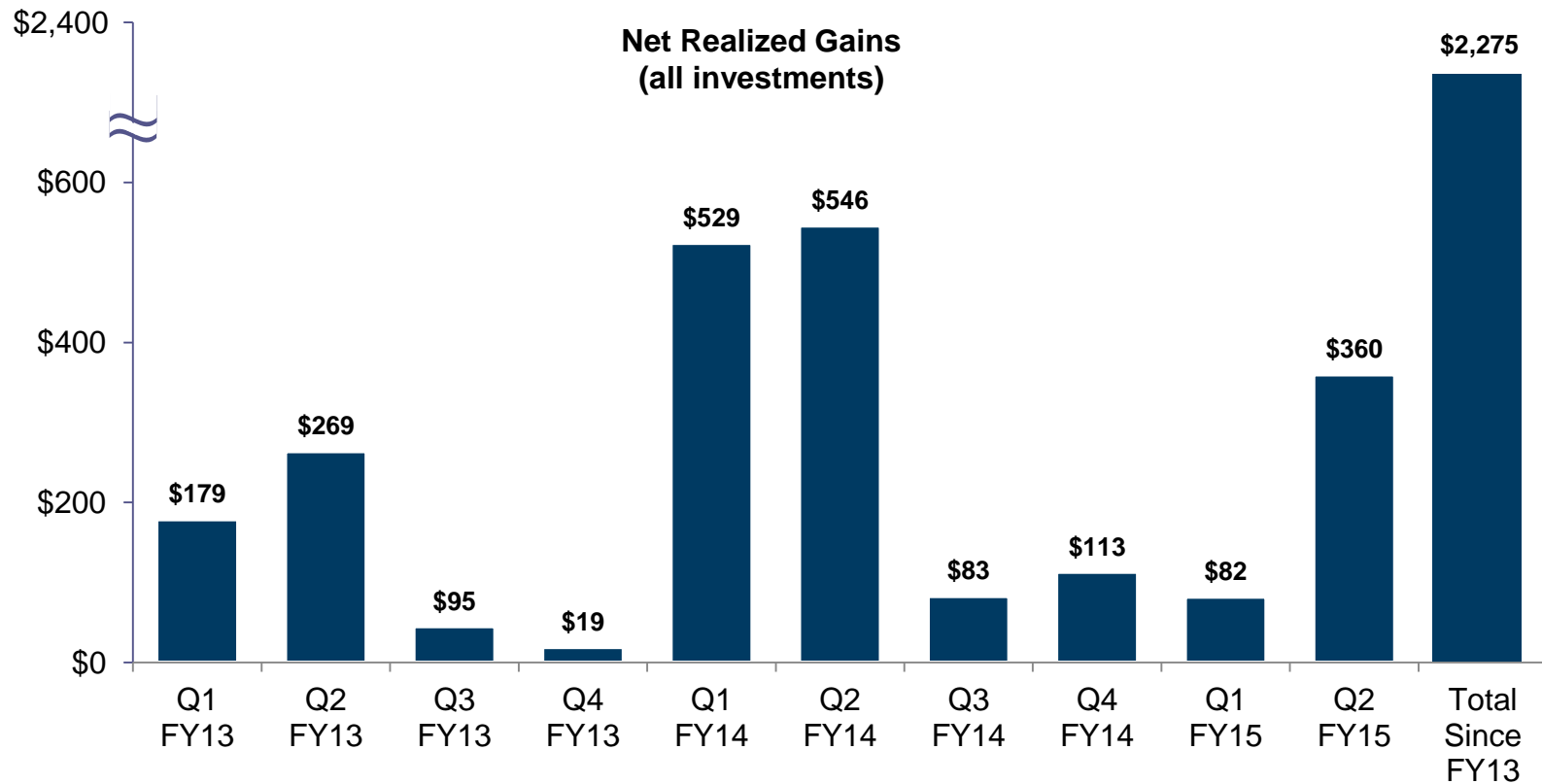
Investments across 18 distinct industries



Net Realized Gains Help Protect Shareholder Capital

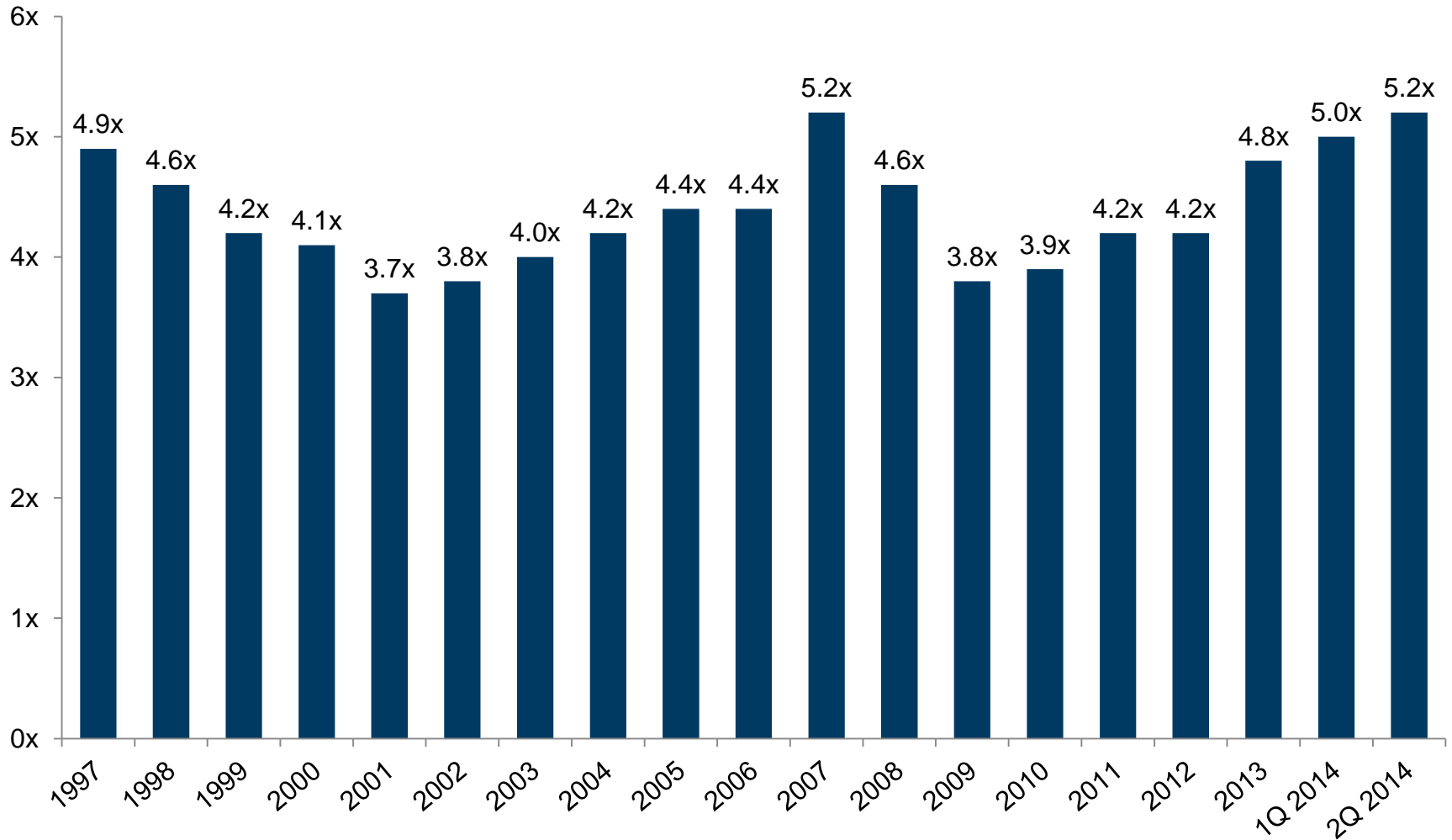
Consistent net realized gains reflect portfolio credit quality

\$ in thousands



Middle-Market Leverage Multiples Equal Pre-Crisis Levels

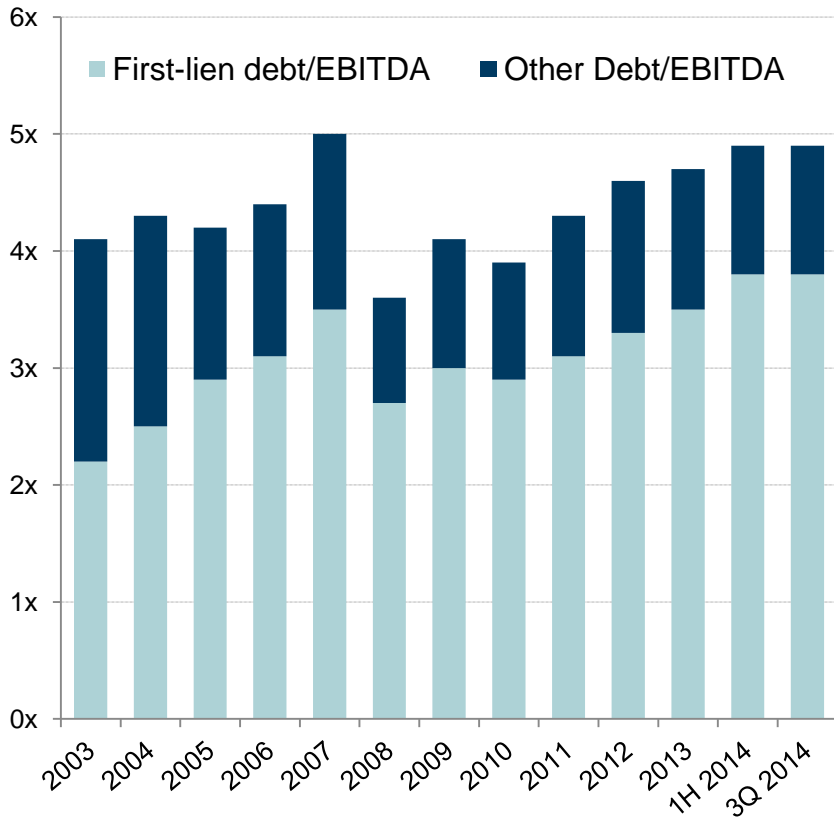
(Defined as Issuers with EBITDA of \$50 Million or Less)



Source: Standard & Poor's Leveraged Commentary and Data

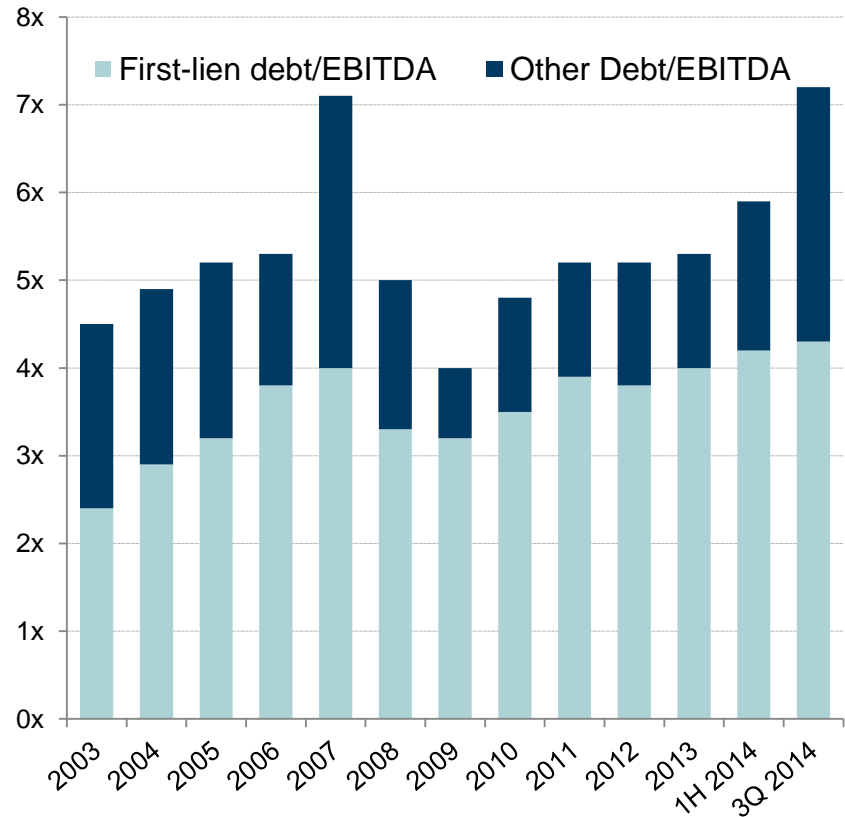
Broader Leverage Multiples Also at Historic Highs

Average leverage of all large-corporate issuers



Source: S&P Capital IQ LCD

Average leverage of all large-corporate LBOs

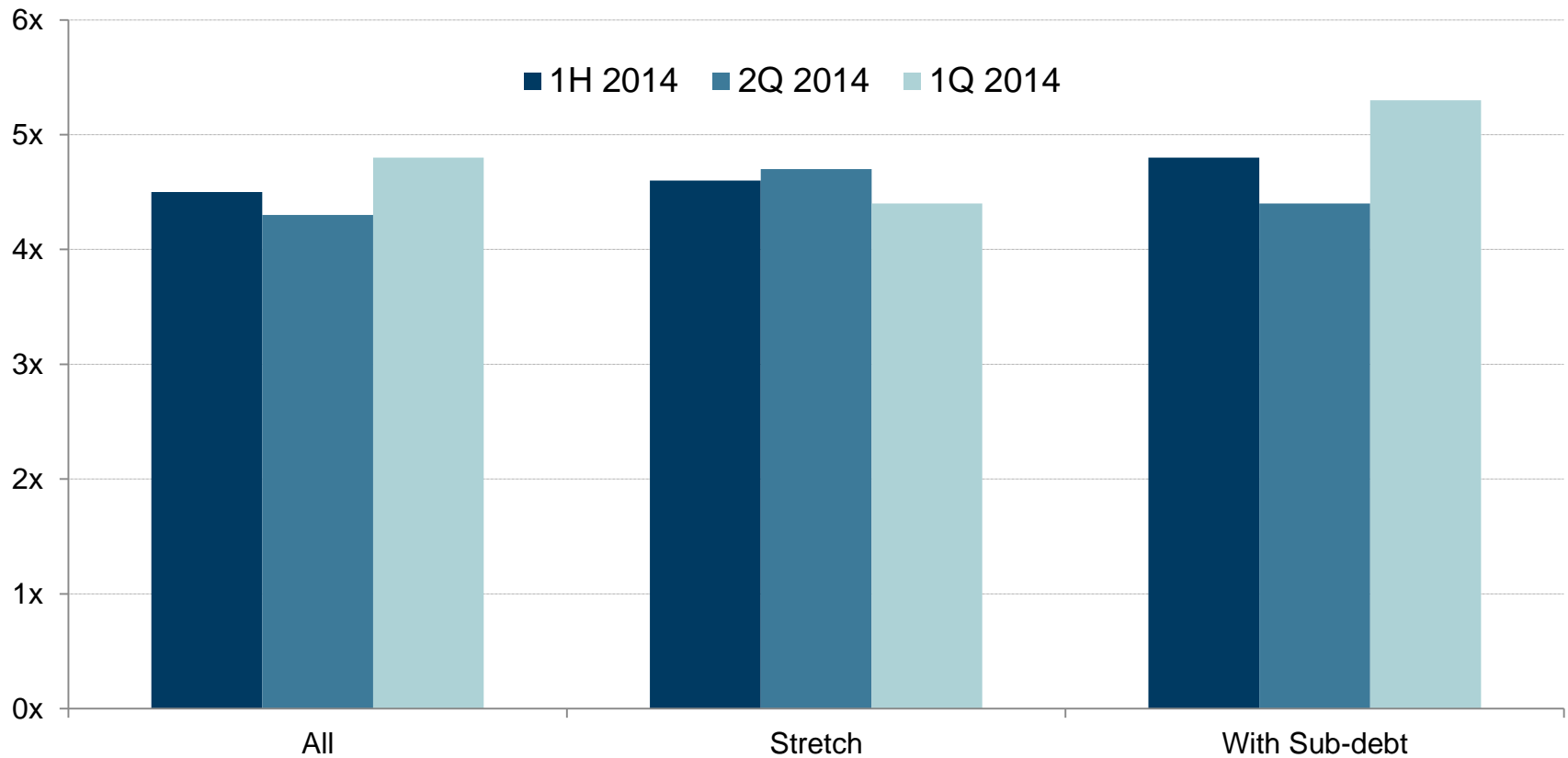


Source: S&P Capital IQ LCD

Lower Middle Market Less Aggressive

(Defined as Issuers with EBITDA of \$25 Million or Less)

Total average debt ratios for issuers with EBITDA of \$25 million or less

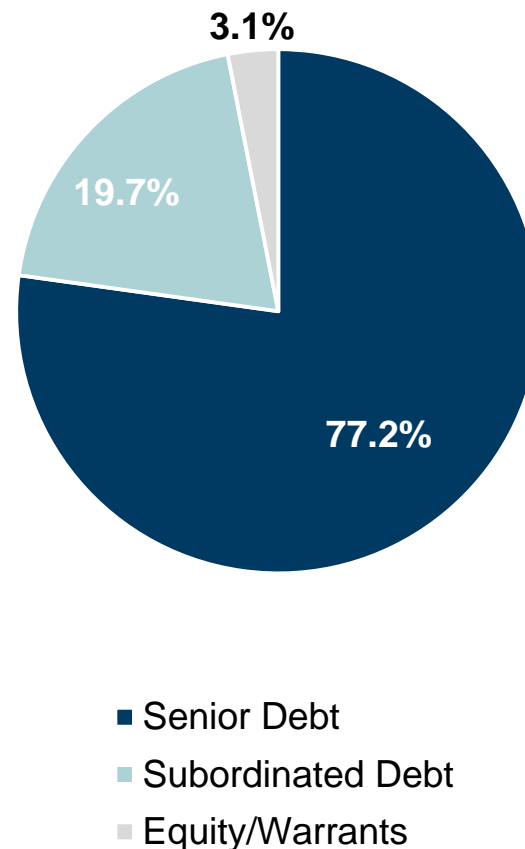


Source: Credit Estimates, S&P Capital IQ LCD

SBIC Portfolio Primarily Senior Debt

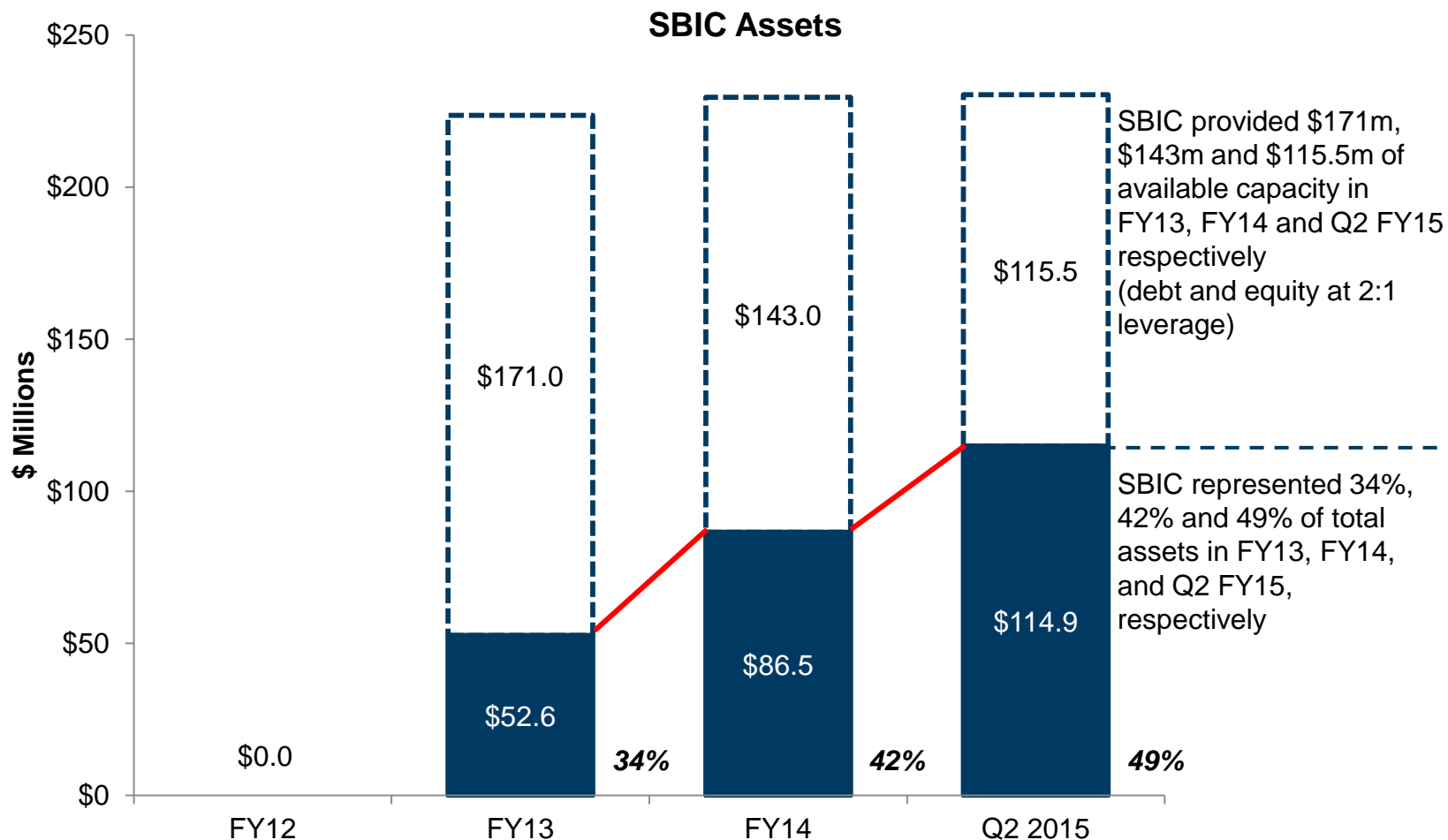
- SBIC portfolio consists of 27 investments across a range of industries. Compared to the broader loan market tracked by S&P and Thomson Reuters, SAR's leverage levels are lower.
- The weighted average leverage for all SBIC debt investments is 3.6x.
 - 77.2% of the SBIC portfolio consists of senior debt, up from 73.8% in May 2014
 - 19.7% of the SBIC portfolio consists of subordinated debt

Composition of SBIC Portfolio ¹



¹ Based on market value as of August 31, 2014

SBIC Assets Continue to Grow



Recent Corporate Updates (post quarter-end)

- Established dividend policy to pay regular quarterly cash dividends to stockholders
 - Q2 2015 dividend
 - \$0.18 per share paid on November 28, 2014 to stockholders of record on November 3, 2014
 - Q3 2015 dividend
 - \$0.22 per share paid on February 27, 2015 to stockholders of record on February 2, 2015
- Launched dividend reinvestment plan
- Approved open market share repurchase plan
 - Allows for buyback of 200,000 shares of common stock

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
- 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 our net asset and stock values

Questions?



SARATOGA
INVESTMENT CORP.