

Saratoga Investment Corp.

Fiscal Q2 2017 Shareholder Presentation

October 13, 2016



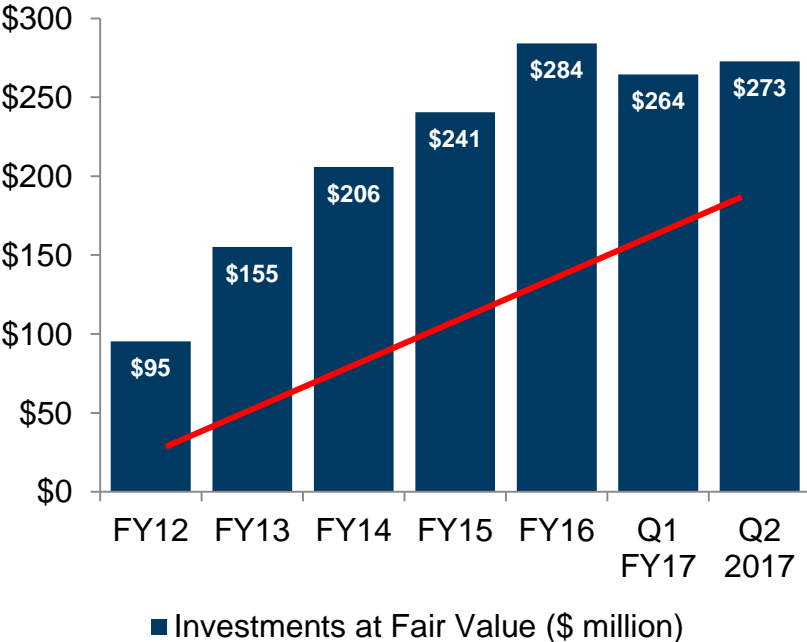
Continued Progress in Q2 2017

Fiscal second quarter highlights:

- Continued improvements in key performance metrics
 - NAV increased 1.1% to \$128.6 million since last quarter
 - NAV per share increased to \$22.39 per share from \$22.11 last quarter
 - Investment quality at our highest level ever
 - 99.9% of loan investments with highest rating
 - Return on equity of 16.5% for the quarter, and 9.1% LTM, beating industry average of -1.1%
- Consistent originations sustain assets under management despite significant redemptions
 - AUM up 186% from FY12, up 8% from last year Q2, and up 3% from last quarter
 - Record level of \$55.7 million originations this quarter offset redemptions of \$50.3 million
- Latest dividend of \$0.44 per share continuing increase in quarterly dividends, 144% increase in quarterly dividend size since program launch
 - Over-earning our current dividend - \$0.53 adjusted NII/share for Q2 2017
- Base of liquidity remains strong
 - Existing available liquidity allows us to increase current AUM by 42%
- Exercised share repurchase plan
 - As of October 11, 2016, repurchased 199,797 shares - weighted average price of \$16.73 per share

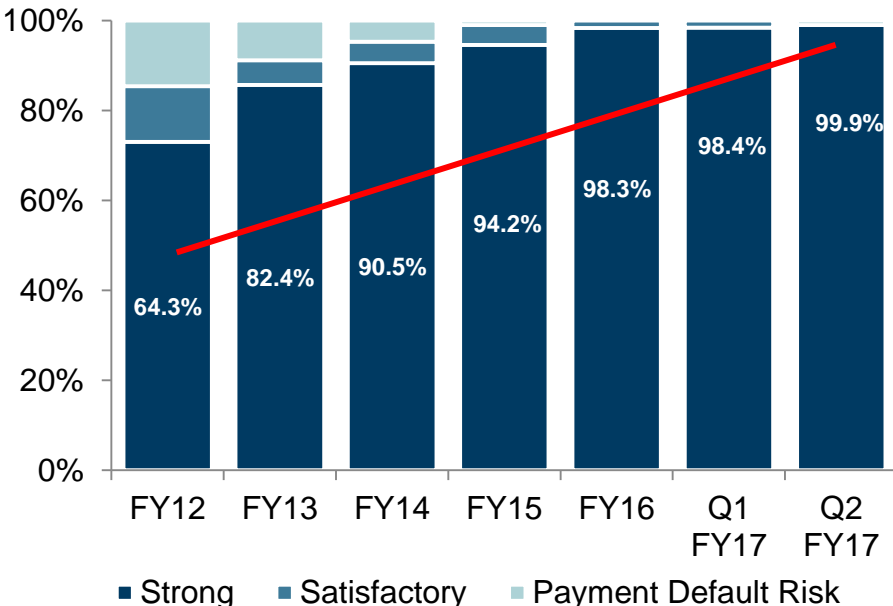
Consistent Portfolio and Sustained Strong Credit Quality

Asset Base Expansion Trend



Fair value of AUM increased 3% quarter-over-quarter, and has increased 186% since FY 2012

Overall Credit Quality Continues Strong



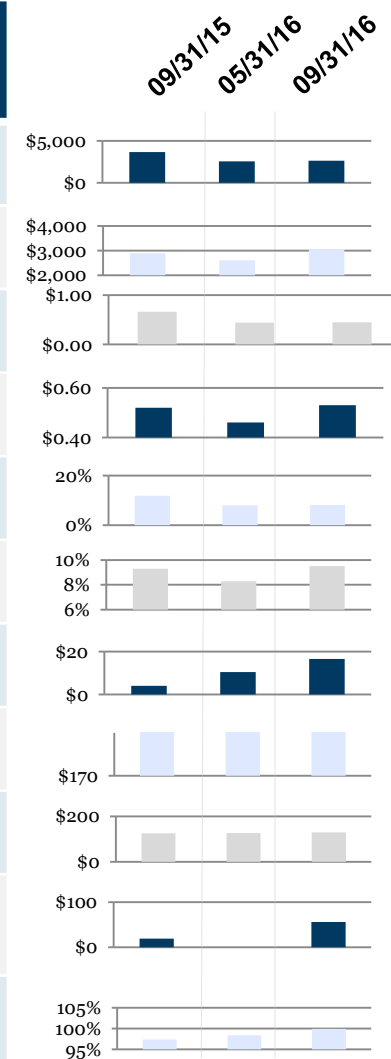
Over 99.9% of our SAR loan investments hold our highest internal rating; zero on non-accrual*

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

Strong Financial Foundation and Momentum

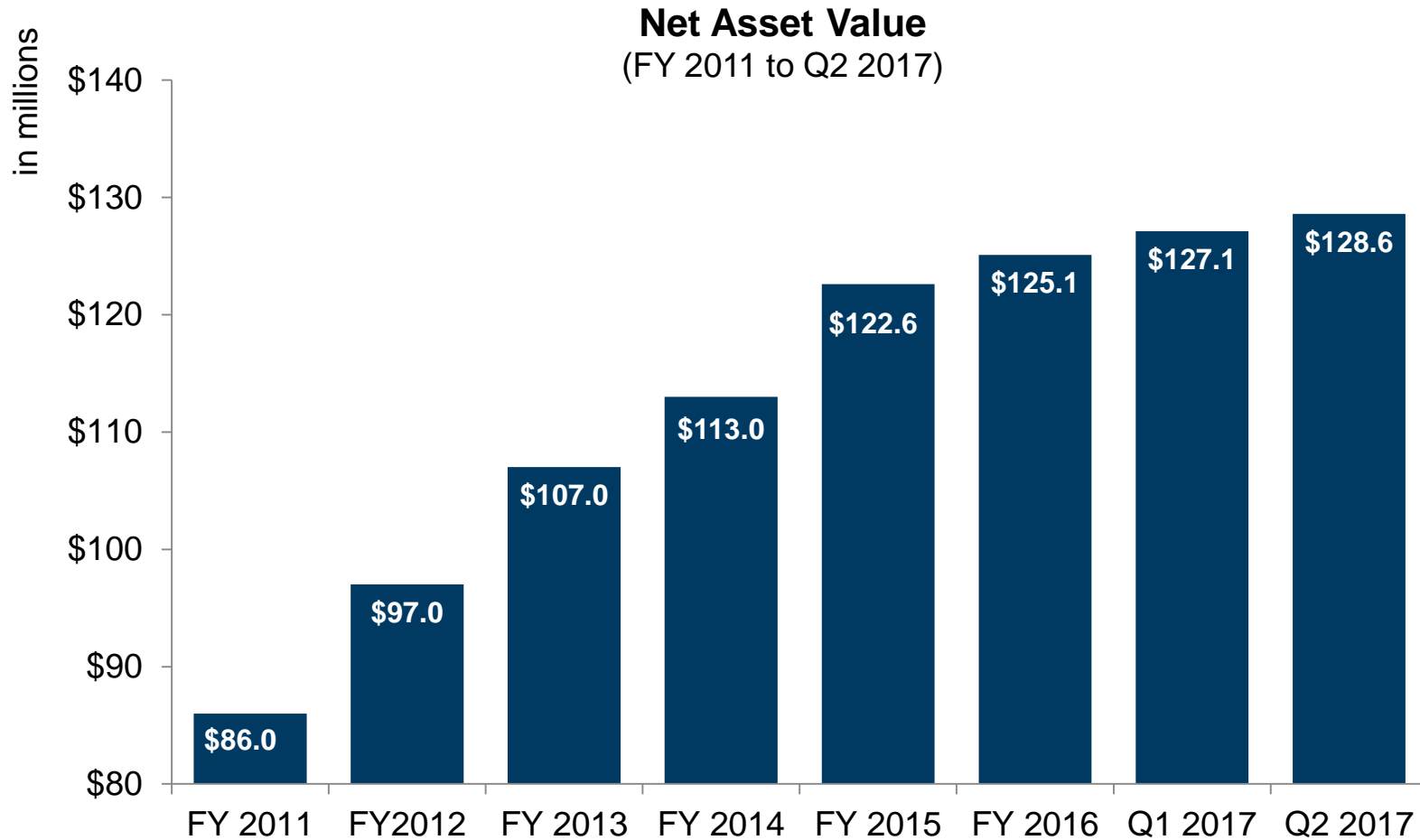
Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	Aug 31, 2015	May 31, 2016	Aug 31, 2016
Net investment income	\$3,657	\$2,539	\$2,604
Adjusted net investment income*	\$2,893	\$2,613	\$3,050
Net investment income per share	\$0.66	\$0.44	\$0.45
Adjusted net investment income per share*	\$0.52	\$0.46	\$0.53
Net investment income yield	11.8%	8.0%	8.1%
Adjusted net investment income yield*	9.3%	8.3%	9.5%
Return on Equity	4.0%	10.4%	16.5%
Fair value of investment portfolio	\$252.1	\$264.4	\$272.8
Total net assets	\$125.3	\$127.1	\$128.6
Investments in new/existing portfolio companies	\$18.9	\$0.0	\$55.7
Loan Investments held in "strong" credit ratings	97.4%	98.4%	99.9%



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

NAV Continues to Benefit from Realizations



Significant Dry Powder Available

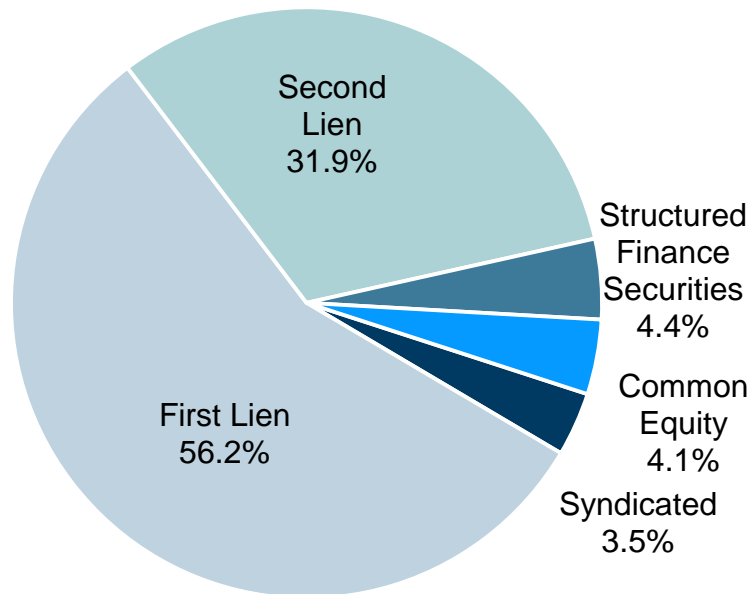
(As of August 31, 2016)	Total Borrowing Capacity	Outstanding	Available Liquidity
Secured Revolving Credit Facility	\$45.0 million	\$0.0 million	\$45.0 million
SBA Debentures	\$150.0 million	\$103.7 million	\$46.3 million
Publicly-Traded Notes (at fair value)	\$63.3 million	\$63.3 million	\$0.0 million
Cash and Cash Equivalents	\$22.9 million	\$0.0 million	\$22.9 million
Total Available Liquidity:			\$ 114.2 million*

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

Portfolio Composition and Yield

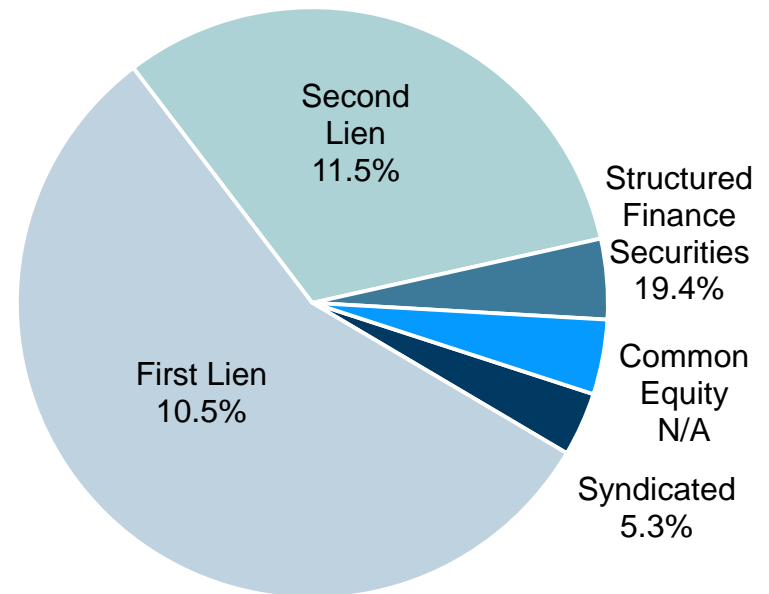
Portfolio Composition – \$272.8m

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



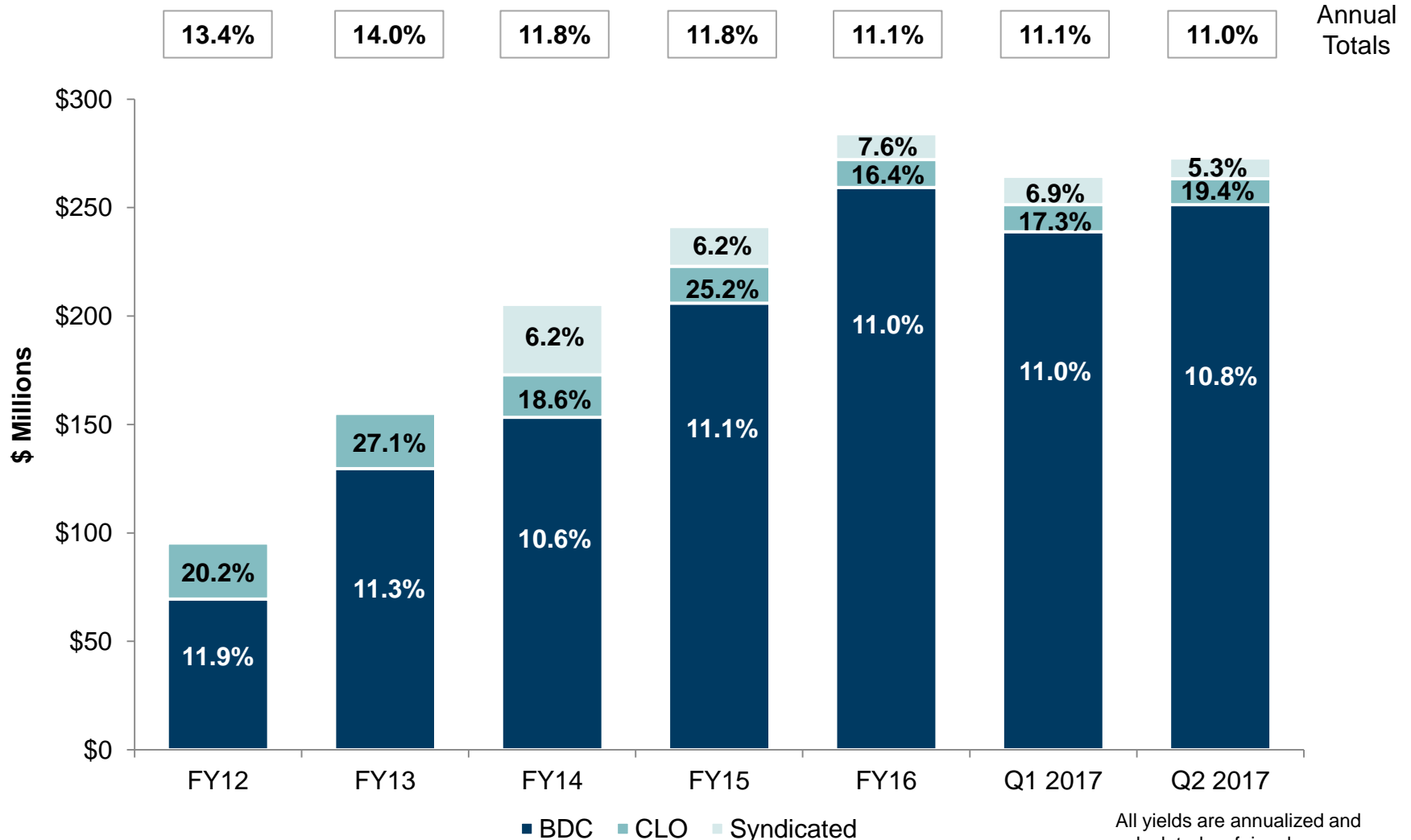
Portfolio Yield – 11.0%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

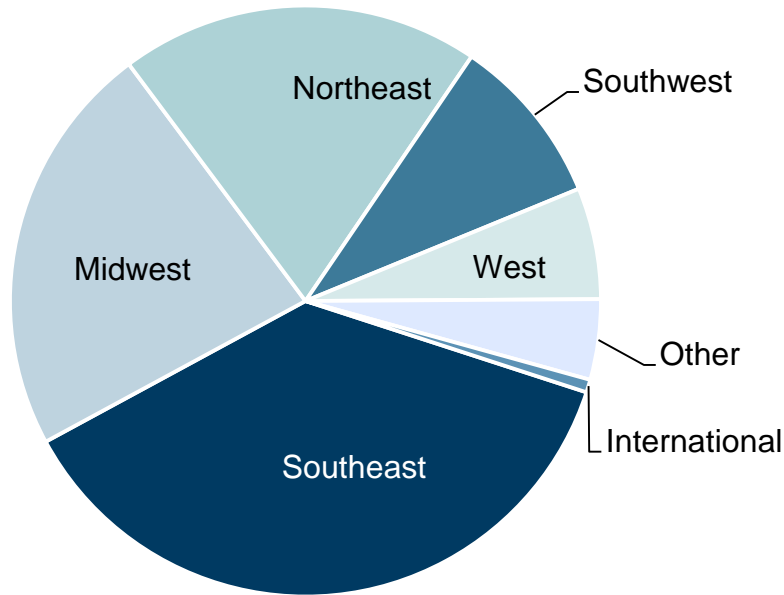
Weighted Average Current Yields



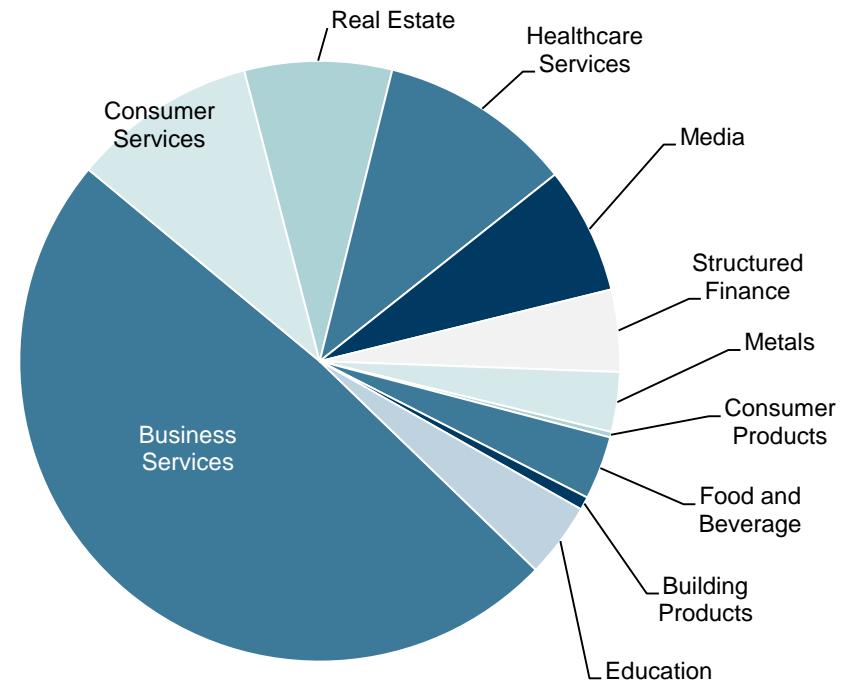
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

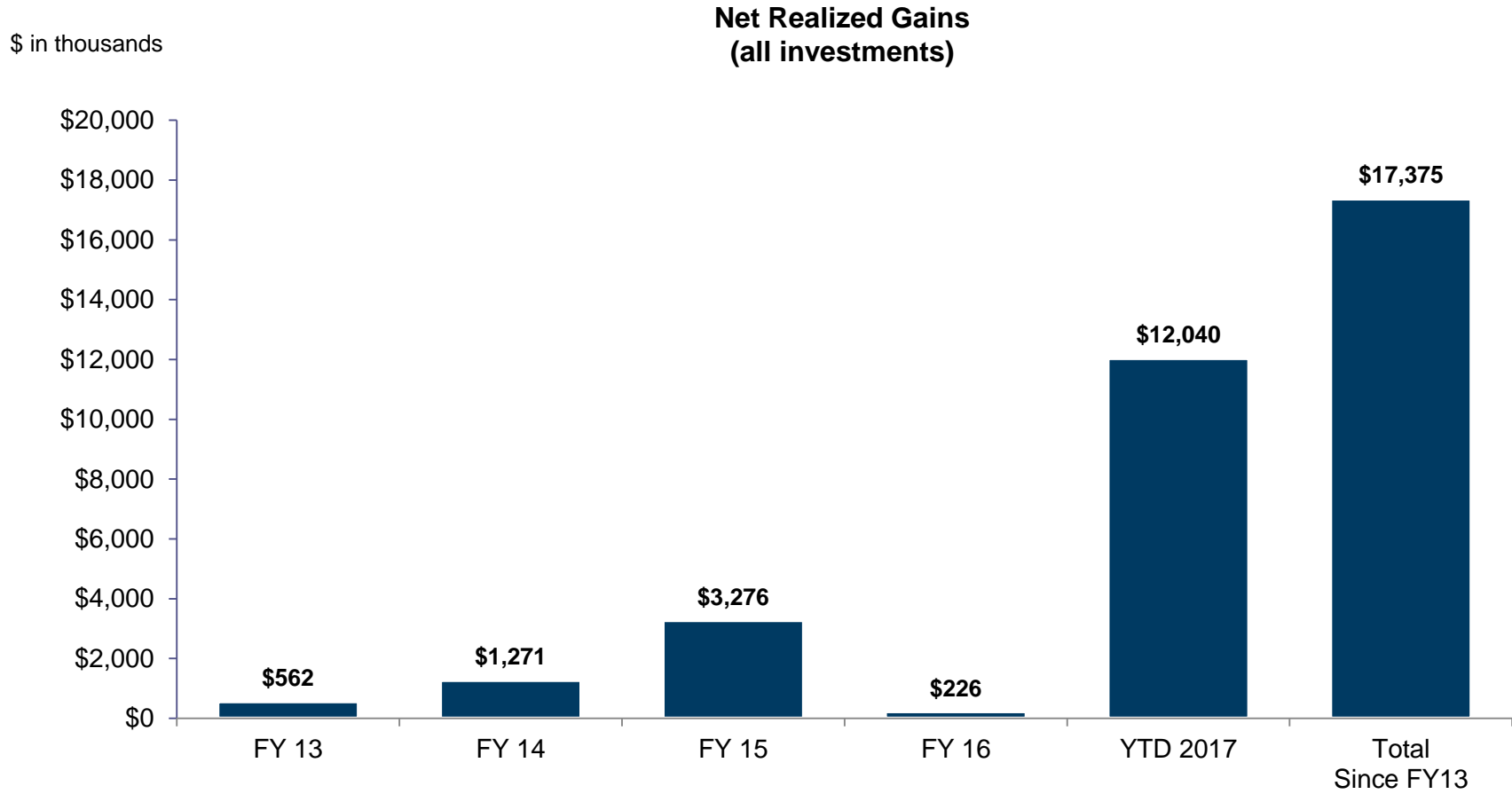


Investments across 12 distinct industries



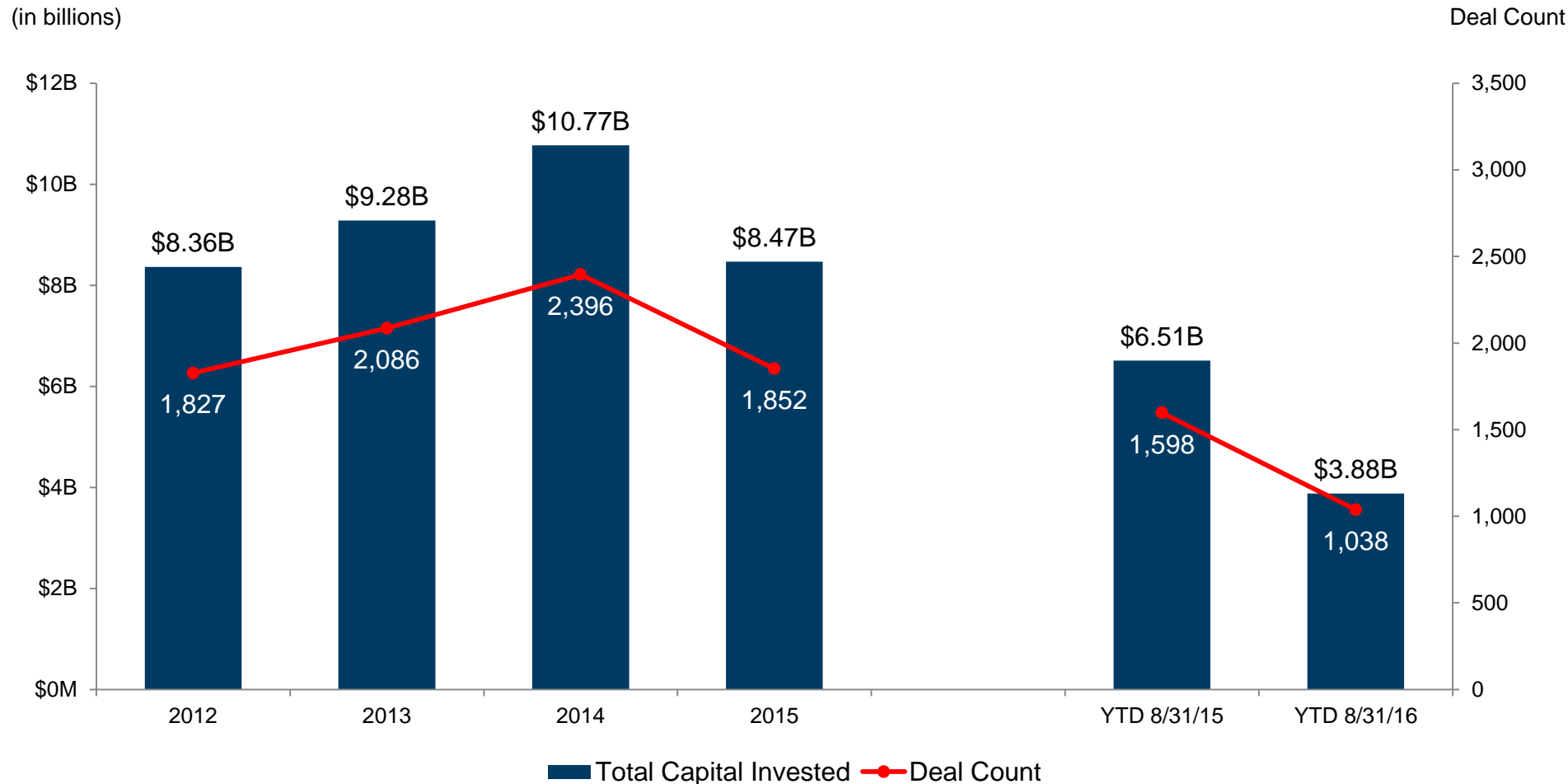
Net Realized Gains Help Protect Shareholder Capital

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 35% year-over-year



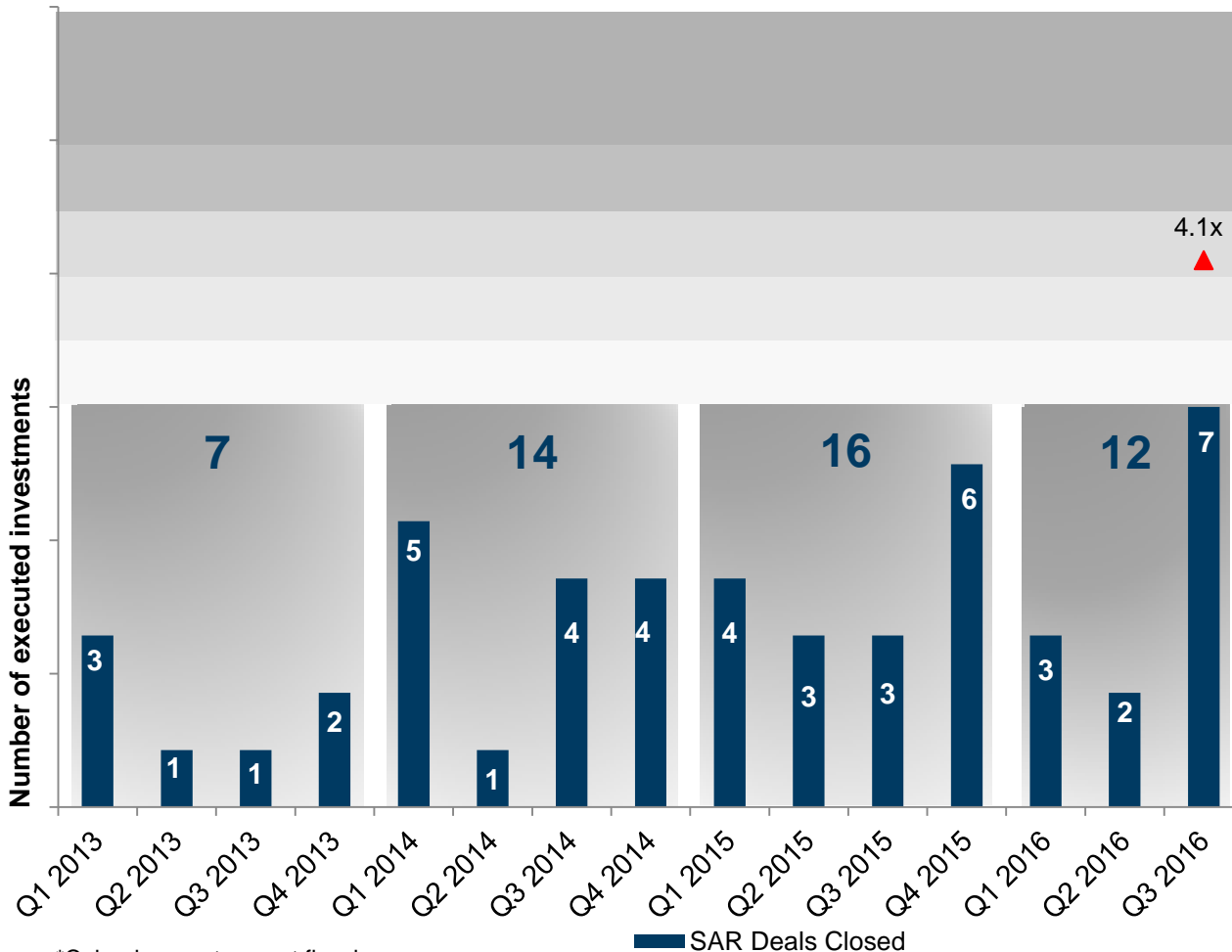
Source: Pitchbook 2016, Calendar years.

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2012-2016)

Total Portfolio Leverage is 4.1x

Market Average Multiples
(Total Debt/EBITDA)



June 30, 2016		March 31, 2016	
>5.0x	8.3%	>5.0x	12.5%
4.6x-5.0x	8.3%	4.6x-5.0x	18.8%
4.1x-4.5x	41.7%	4.1x-4.5x	43.8%
3.6x-4.0x	16.7%	3.6x-4.0x	25.0%
<3.5x	25.0%	<3.5x	0.0%

Multiples for SAR deals below industry average

Market averages decreased this quarter but remain high – more aggressive for high quality credits

*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 8/31/2016

Deals Sourced

448

7%
→

480

39%
→

613

2%
→

627

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

Term Sheets

50

2%
→

48

40%
→

67

(27%)
→

49

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

Deals Executed

7

100%
→

14

14%
→

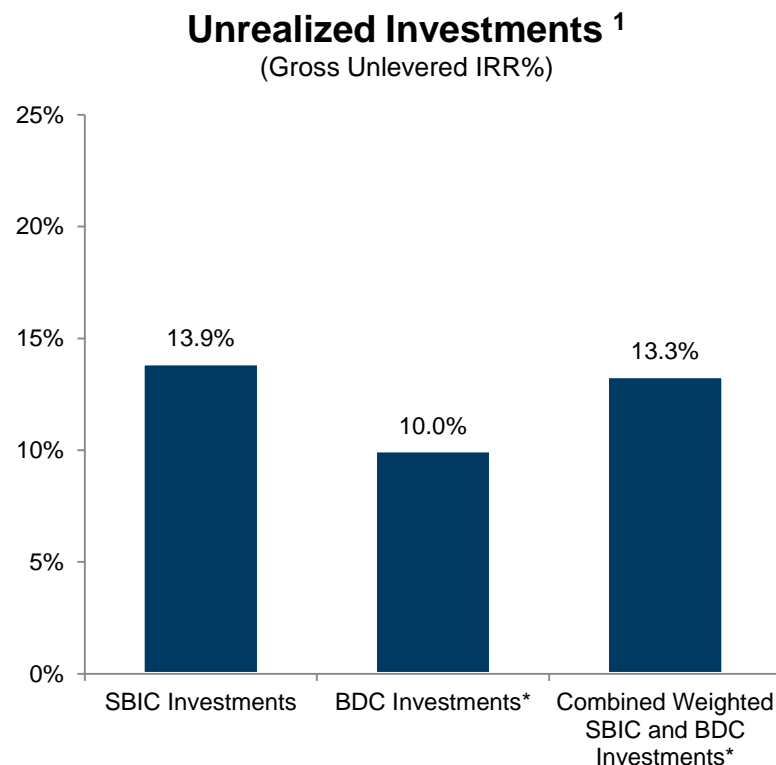
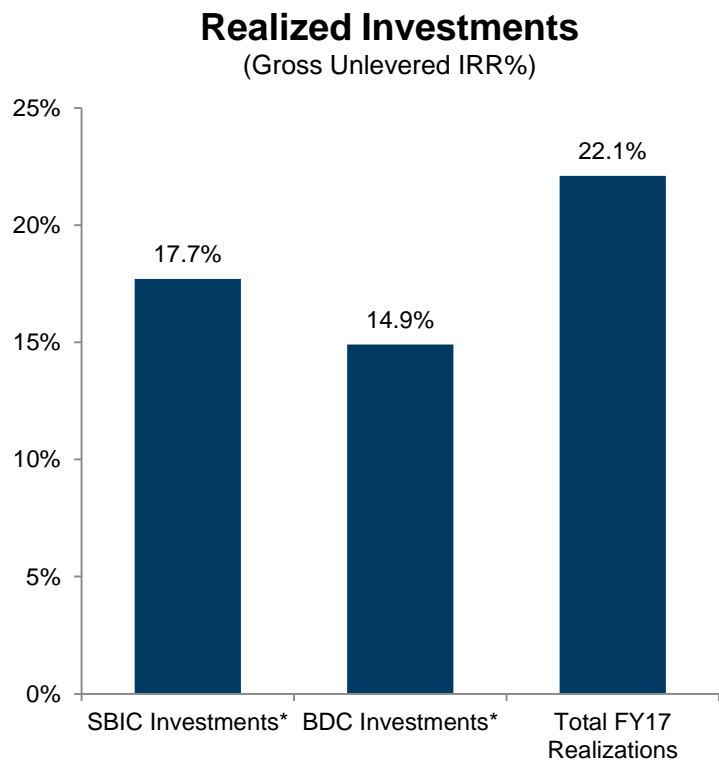
16

13%
→

18

- Saratoga closes an average of 4 deals per quarter, 2.5% of deals reviewed

Demonstrated Strong Track Record



Track Records as of 8/31/16

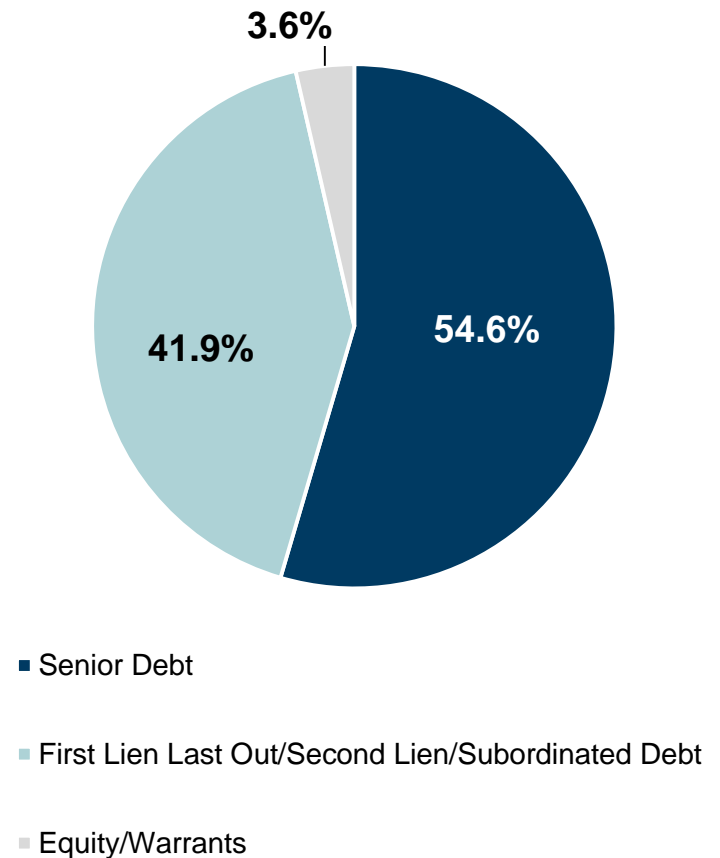
¹ IRRs for unrealized investments include fair value and interest through 8/31/16

* 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 20 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 3.9x¹.
 - 54.6% of the SBIC portfolio consists of senior debt investments, up from 49.2% in May 2016
 - 41.9% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, down from 45.0% in May 2016

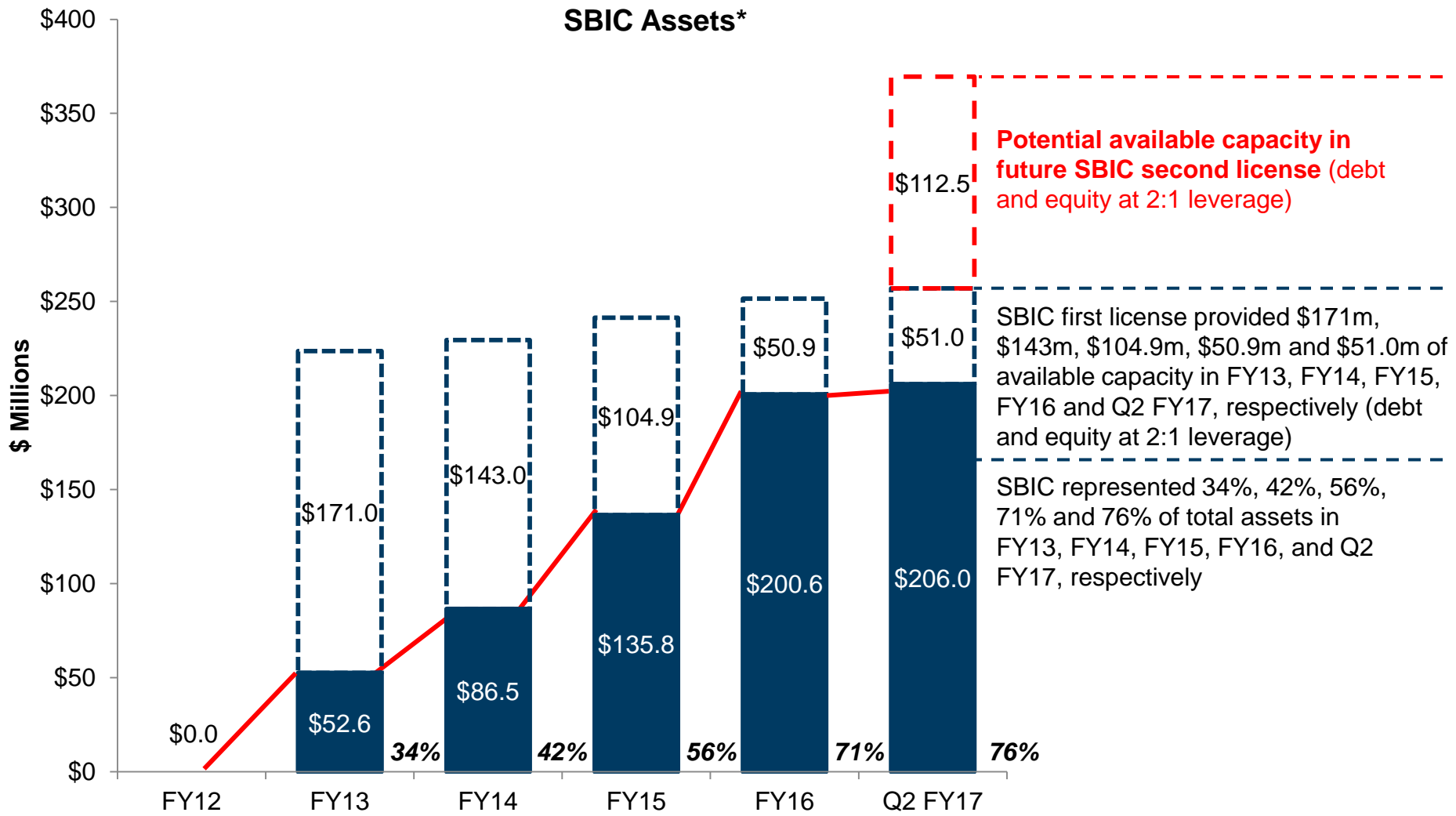
Composition of SBIC Portfolio ²



¹Excludes two loans underwritten using recurring revenue metrics

²Based on market value as of August 31, 2016

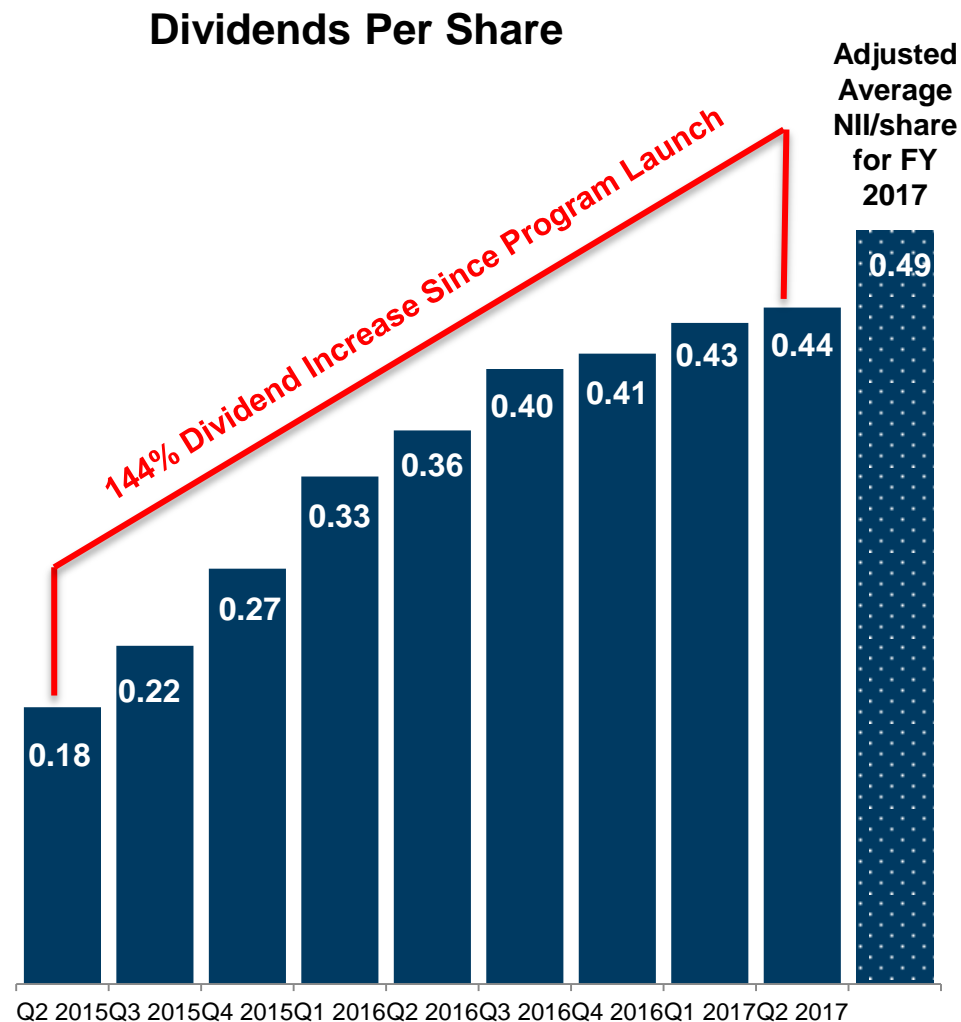
SBIC Assets Remain Steady



* At Fair Value as of August 31, 2016

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 \$0.20 per share pursuant to DRIP in Q2 2017, to meet RIC requirements
- Increased dividend by 144% since program launch
- Declared Q2 2017 dividend of \$0.44, an increase of \$0.01 (2%)
- Overearning our dividend currently (13% on average FY 2017)



SAR LTM Total Return Outperforms BDC Index

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

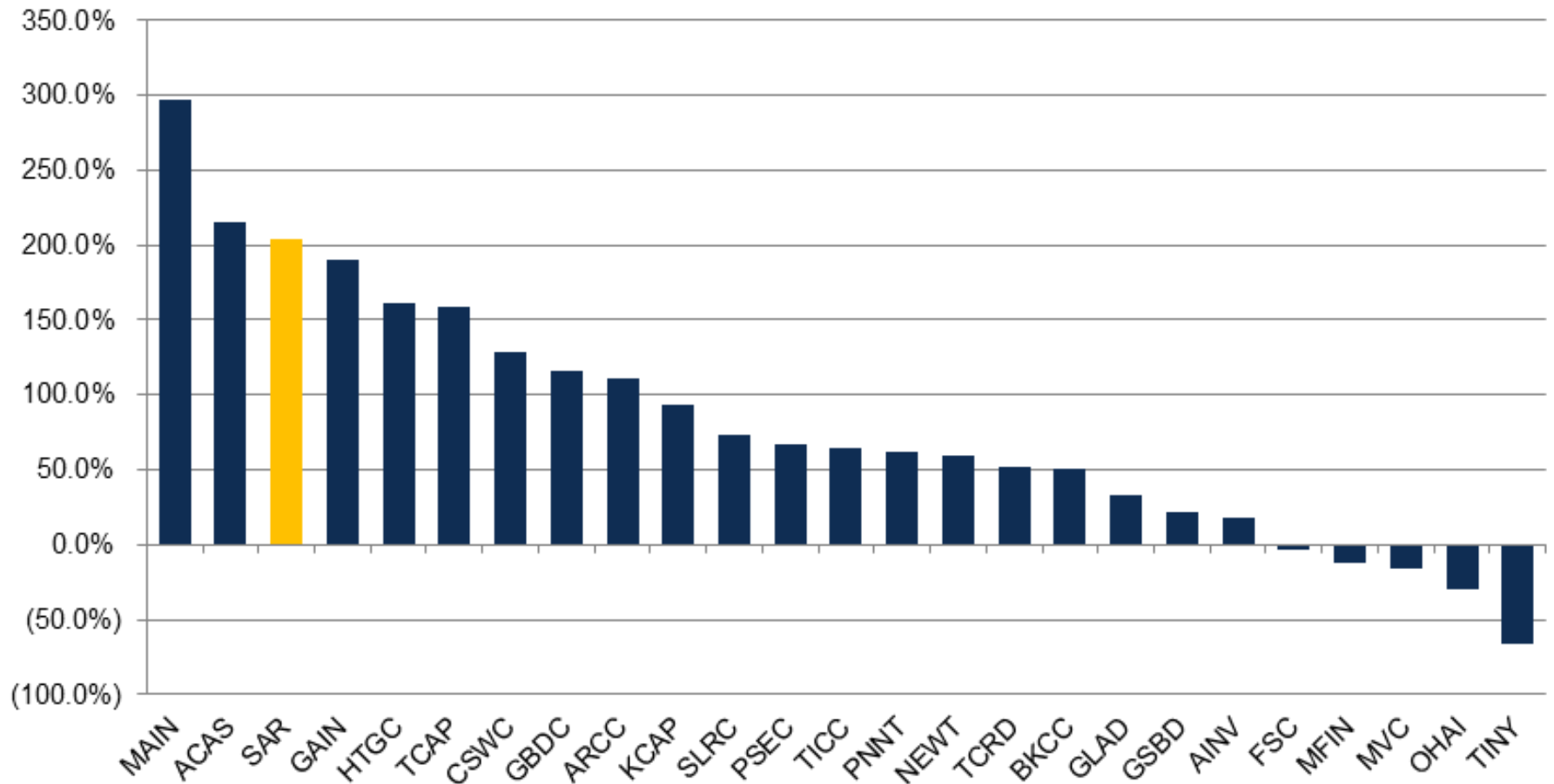
SAR +20.5% v BDC Index +13.2%



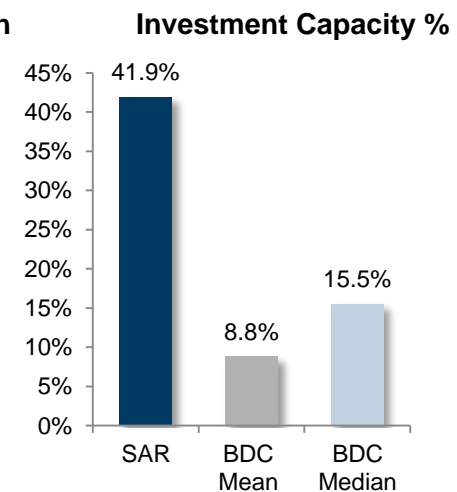
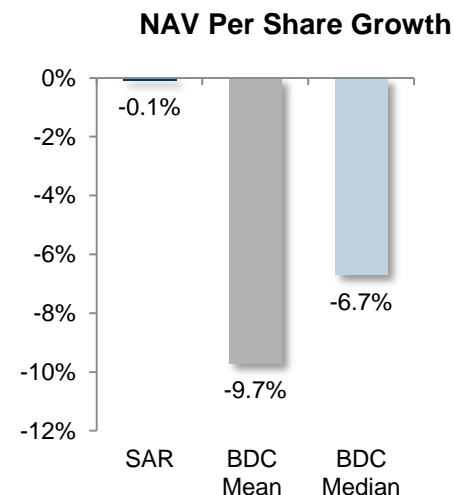
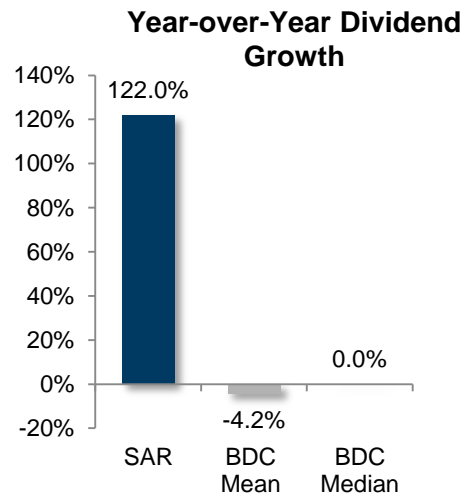
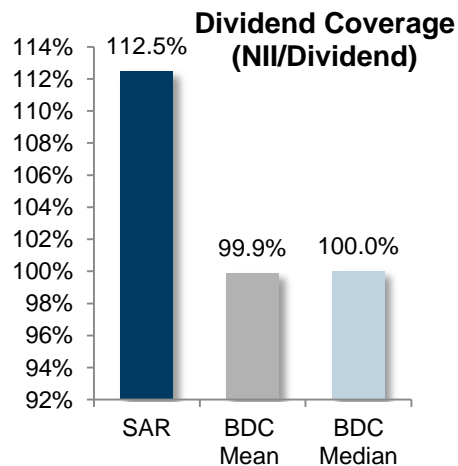
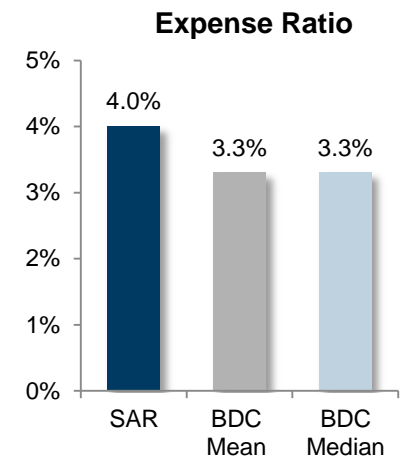
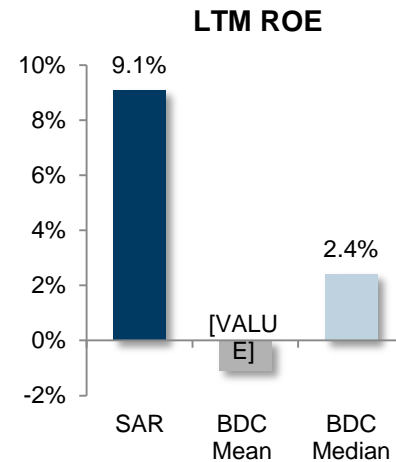
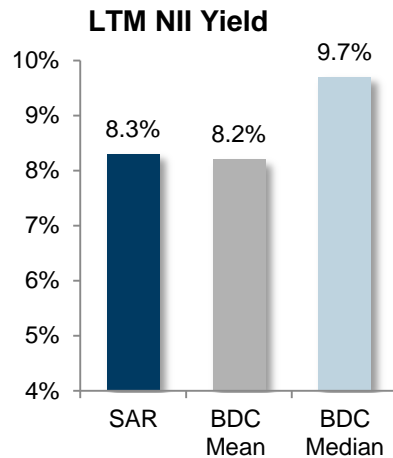
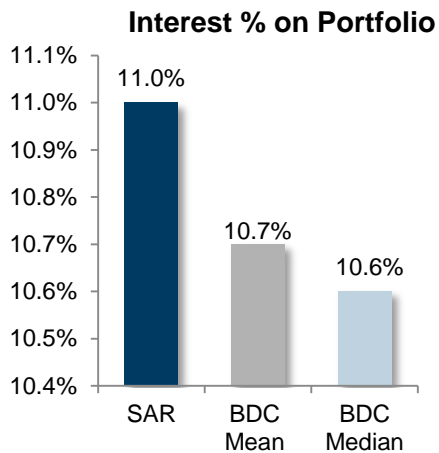
Source: Keefe, Bruyette & Woods

Performance at Top of BDC Industry

BDC Total Return (%)
(May 2010 to September 2016)
SAR – 203.9% over 6 years



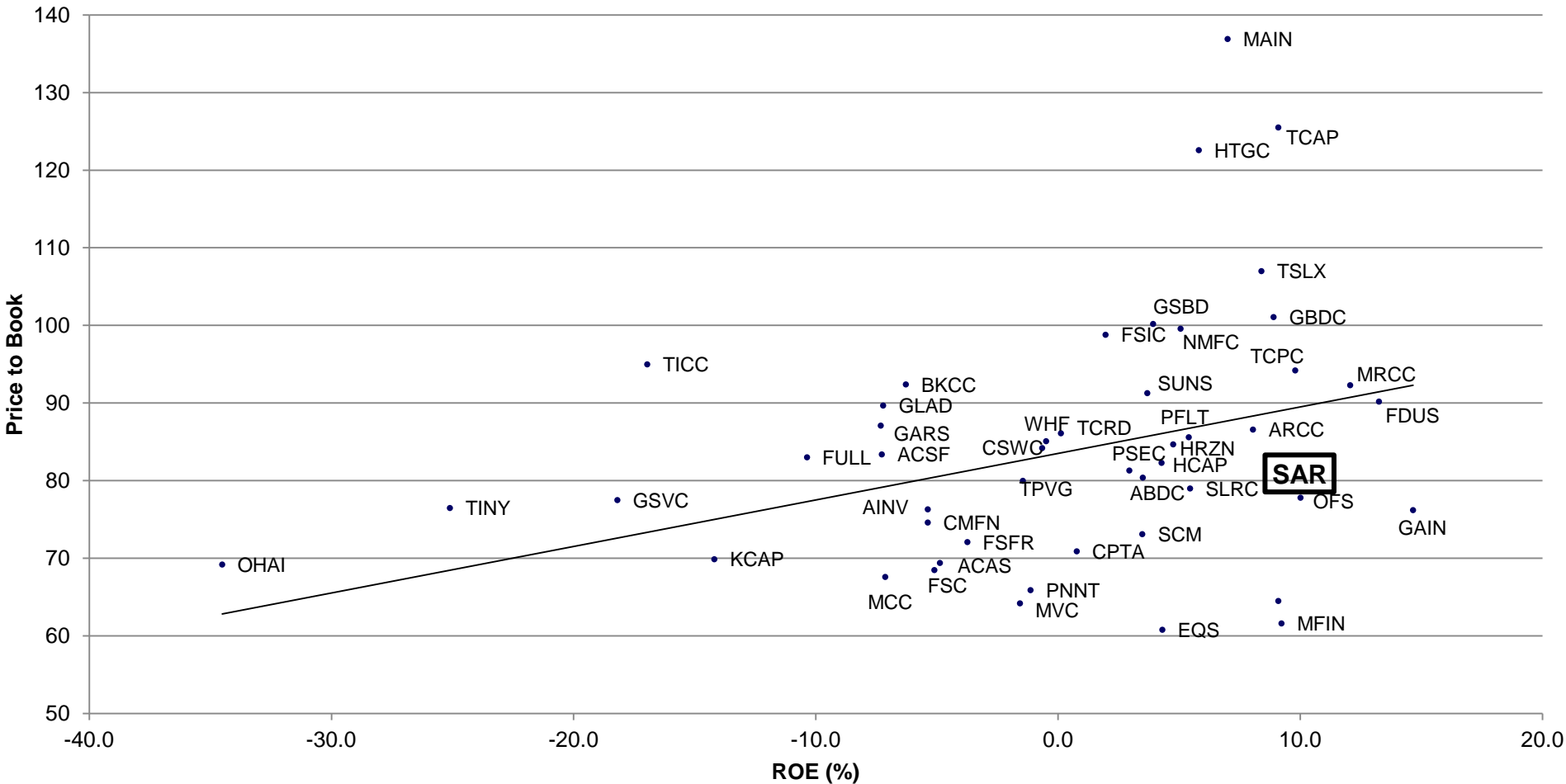
Strongly Differentiated Outperformance



Source: SNL Financial / Company Filings / Raymond James report as of 9/9/16 / Wells Fargo BDC Scorecard 9-1-2016

Attractive Balance Between Value and Return

BDCs - P/NAV versus ROE



Sources: Raymond James / Ladenburg

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. 9.8%; increased quarterly dividend by 144% over past two years

▶ Industry-leading return on equity

Quarterly return on equity of 16.5% factors in both investment income and net gains/losses, beats BDC LTM average of -1.1%

▶ 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 generated from strong risk-adjusted portfolio returns and favorable capital structure

▶ Commitment to AUM expansion

Assets under management has steadily grown 186% since FY 2012 with strong originations offsetting 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

▶ Attractive risk profile

SAR and SBIC leverage is below market averages, 99.9% of credits are the highest quality, 56% of investments are first lien, zero investments on non-accrual

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.