



GLADSTONE INVESTMENT

Quarterly Overview
March 31, 2018

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This presentation may include forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or David Dullum; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates, regulation or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a regulated investment company and as a business development company; and (9) those factors listed under the caption “Risk Factors” in our Form 10-K, Form 10-Q, registration statements and related prospectus supplements, and other documents we may file with the Securities and Exchange Commission (“SEC”) from time to time.

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Gladstone Investment | Overview ⁽¹⁾

BDC differentiated through buyout investment strategy

Publicly traded business development company

- NASDAQ Listed: Common Stock Symbol “GAIN” | market cap of \$329.8 million as of 3/31/18
- Three series of preferred stock listed under the symbols “GAINO,” “GAINN” and “GAINM” with dividend rates of 6.75%, 6.50% and 6.25%, respectively
- \$1+ billion invested since 2005 IPO

Buyout structure provides upside potential with strong downside protection

- Primary equity investor - Lead majority of prospective transactions often partnering with existing management teams
- Differentiated approach - Turnkey provider of equity & secured debt to effect change of control buyouts
 - Target mix of 25% equity & 75% debt (at cost)
 - Traditional BDCs typically have equity exposure of 5 - 10%
- Monthly distributions from interest on debt investments and other investment income
- Supplemental distributions to shareholders from capital gains on investment exits

Dedicated lower middle market focus

- Target lower middle market companies (EBITDA of \$3 - \$20 million) domiciled in the United States
- Focused on businesses that are cash-flow positive (no early stage) and have strong management teams
- Industry agnostic with investments in manufacturing, business services/distribution, and consumer products

Diversified portfolio across industry and geography

- Current portfolio is diversified across 33 companies in 17 industries and 16 states
- \$610+ million in total assets at fair value

Experienced management team with proven track record

- Externally managed by an SEC-registered investment adviser, Gladstone Management Corporation, and administrator with over 60 professionals
- 8 investment professionals dedicated exclusively to Gladstone Investment Corporation
- Proven investment track record across multiple economic cycles

Note: (1) All information as of 3/31/18.

Investment Highlights

Leveraged buyout investor with history of increasing distributions and realizing capital gains

1

Focus on Risk Management & Equity Value Creation

Strive for prudent purchase multiples in companies with strong growth prospects. GAIN's investment discipline and risk management approach yield attractive risk-adjusted returns.

2

Strong and Growing Distributions

GAIN has consistently raised regular monthly distributions to shareholders, having never missed a monthly distribution since its IPO in 2005. The regular distribution was increased to \$0.80/share annual run-rate in April 2018.

3

Outperformance Compared to Industry Peers ⁽¹⁾

GAIN has outperformed industry peers in return of equity ("ROE") and total return over the past three years. GAIN's three year average ROE is 14% vs. industry peers of 5% and GAIN's total return over a three year period is 81% vs. industry peers of 11%.

4

Significant Equity Positions Drive Upside Potential and Supplemental Distributions

Proactive board participant and driver of value creation within the portfolio. Significant equity ownership provides basis for managing downside risk and making supplemental distributions from capital gains. Realized buyout investments with cash-on-cash equity returns of 3.3x.

5

Actively Investing in New Buyout Opportunities

GAIN continues to add to its portfolio and made two new buyout investments in FY 2018, deploying over \$59 million in capital.

Note: (1) See slide 15 for details.

Investment Focus and Process

Investment Focus

- Target stable lower middle market companies with EBITDA of \$3 - 20 million
- Investment size (debt & equity) up to \$30 million (typically 25% equity & 75% debt)
- GAIN leads or co-leads prospective transactions
- Focused on cash-flow positive businesses with proven competitive advantages and strong management teams
- Sector agnostic with interest in manufacturing, business services / distribution, and consumer products

Investment Structures

- Secured 1st or 2nd lien term debt with current interest rates in the low to mid teens, generally with a success fee due upon a change of control. 5 year term without amortization.
- Revolver may be provided with the expectation of refinancing shortly after close
- Preferred equity is typically participating with a stated dividend of around 8%
- Management option pool range of 10 – 25%

Deal Sourcing

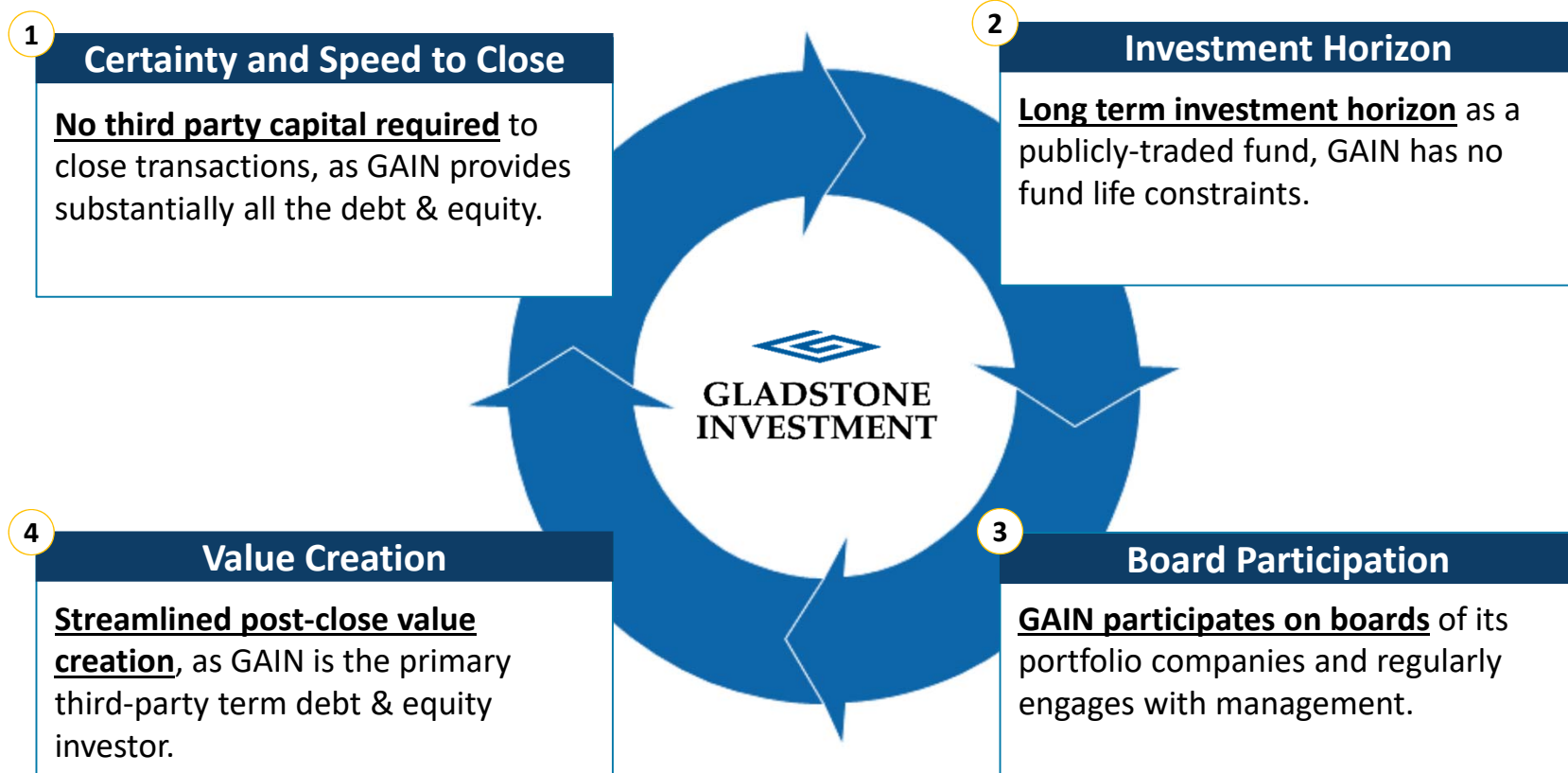
- Source opportunities from regional investment banks, M&A advisory firms, and industry executives
- Regionally focused sourcing strategy, spearheaded by every member of the investment team
- Debt & equity from single investor provides competitive advantage by improving the certainty of close and decreasing deal complexity

Due Diligence

- Typical due diligence period 45 to 60 days after executing letter of intent
- Thorough multi-disciplinary approach – blending internal industry experience, onsite visits and management assessments, supplemented with third party quality of earnings reports, industry studies, management assessments, and customary legal and insurance investigations

Risk Management and Value Creation

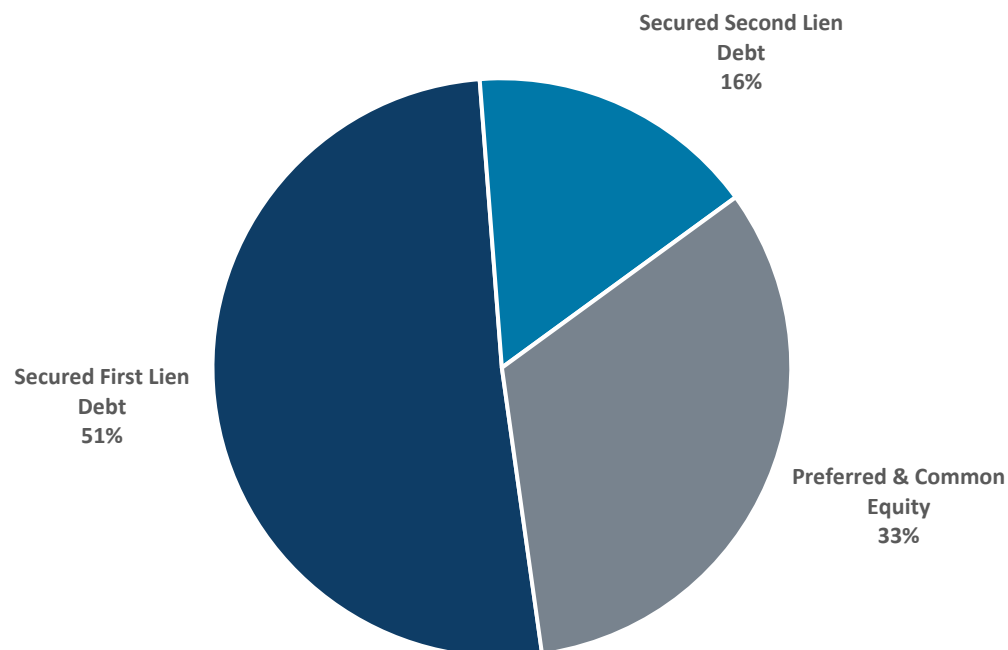
GAIN is a long-term investor, whose strategy of deploying debt & equity is designed to streamline post-close value creation



Upside Potential Driven by Focus on Equity Securities

- GAIN's equity ownership provides further upside to shareholders through capital gains and other income from successful exits
- Since inception, GAIN has generated \$105 million in net realized gains and dividends from portfolio companies on buyout exits

Meaningful Equity Component in GAIN Portfolio ⁽¹⁾



Approximately 33% of GAIN's portfolio at fair value is comprised of equity securities (typically preferred equity with common equity participation)

Note: (1) At fair value

Successful Realizations Enhance Shareholder Value

History of exits generating significant capital gains. GAIN's target investment mix of 75% debt and 25% equity provides potential for high returns through consistent current yield and capital appreciation at exit. Average buyout exit equity cash-on-cash return of 3.3x.

\$ in '000s

Company	Sector	Invest. Date	Exit Date	Invested Capital ⁽¹⁾			Equity Return at Exit ⁽²⁾	
				Total	Debt	Equity	Proceeds	CoC
Mitchell Rubber	Industrial	Apr-11	Apr-17	\$17,878	\$15,060	\$2,818	\$3,800	1.3x
Behrens Manufacturing	Industrial	Dec-13	Dec-16	\$12,898	\$9,975	\$2,923	\$8,858	3.0x
Acme Cryogenics	Industrial	Dec-06	Apr-16	\$24,093	\$14,915	\$9,178	\$31,068	3.4x
Funko	Consumer	May-13	Oct-15	\$10,805	\$9,500	\$1,305	\$19,901	15.2x
Cavert Wire	Industrial	Oct-07	Dec-13	\$24,050	\$19,871	\$4,179	\$11,909	2.8x
VenYu Solutions	Telecom	Oct-10	Aug-13	\$25,000	\$19,000	\$6,000	\$32,130	5.4x
Chase Doors	Industrial	Mar-06	Dec-10	\$34,090	\$27,068	\$7,022	\$17,338	2.5x
A. Stucki	Industrial	Mar-07	Jun-10	\$40,673	\$36,156	\$4,517	\$22,213	4.9x
Others	Various	N/M	N/M	\$43,460	\$34,906	\$8,554	\$4,633	0.5x
Total				\$232,947	\$186,451	\$46,496	\$151,849	3.3x

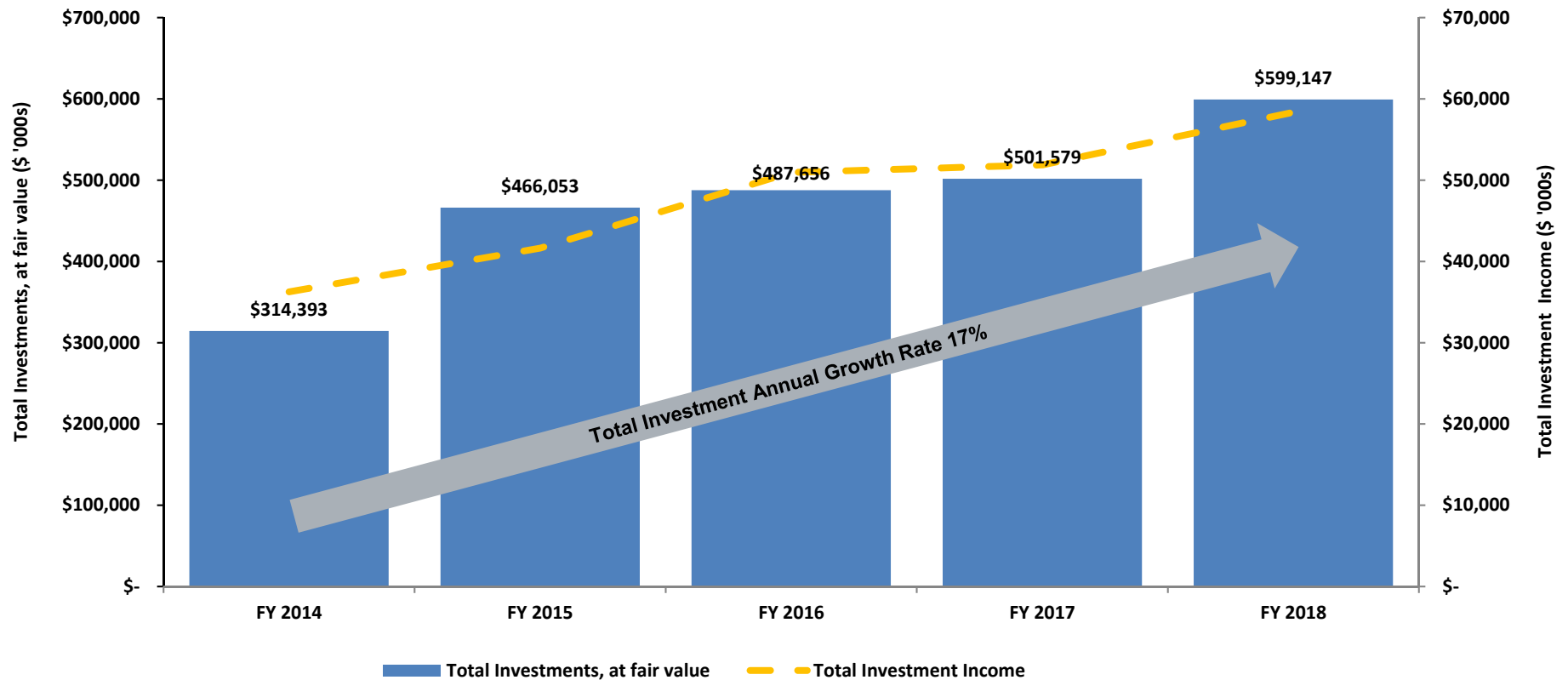
Notes: (1) Excludes line of credit commitments. (2) Includes all equity proceeds on exit (return of capital, realized gains, and dividends).

Growing Portfolio and Investment Income

From 3/31/2014 to 3/31/2018, we have:

- Made investments in 15 new companies, deploying new capital of approximately \$279 million;
- Exited 8 companies, returning \$77 million of invested capital and realizing approximately \$45 million of gains;
- Maintained a consistent yield on interest-bearing debt of approximately 13% ⁽¹⁾; and
- Earned other income, including dividends and success fees, ranging from 9% to 16% of total investment income.

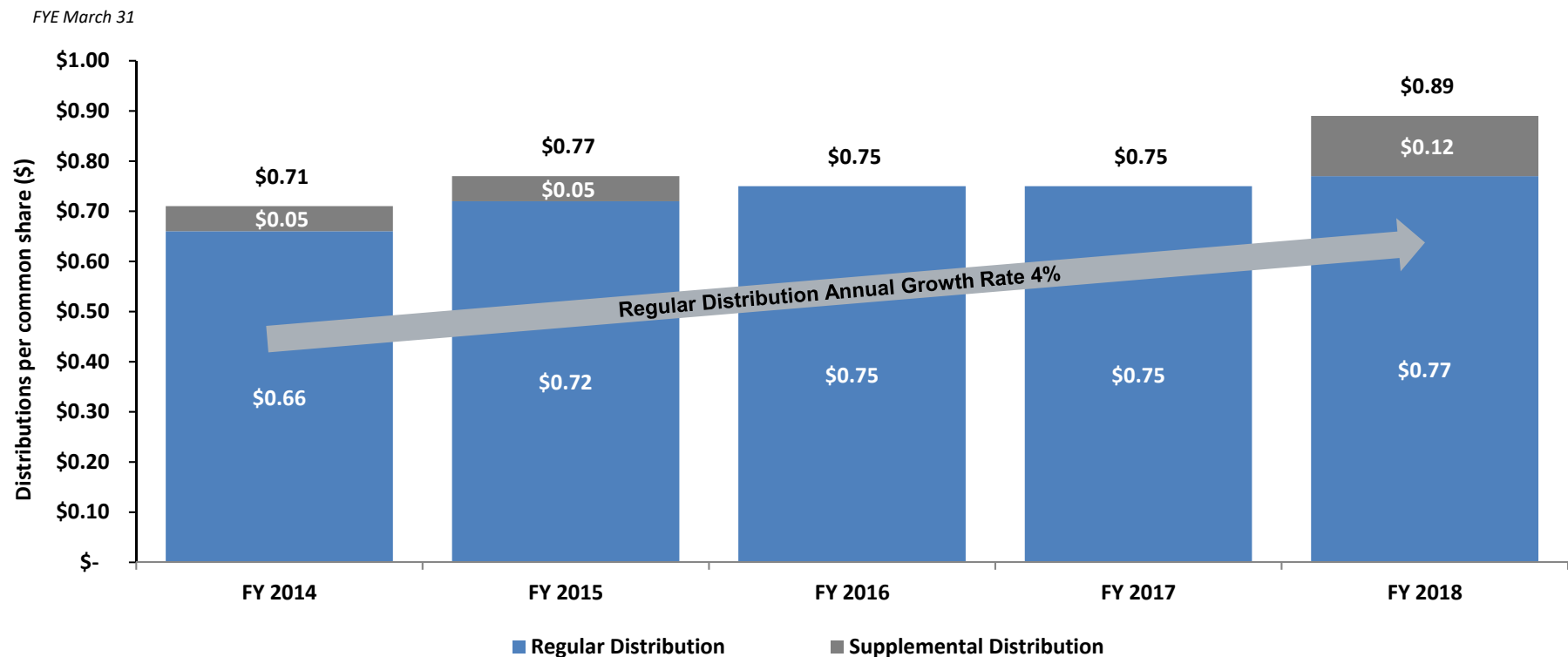
FYE March 31



Note: (1) Weighted average cash yield on interest-bearing investments, excluding loans on non-accrual status.

Strong and Growing Monthly and Supplemental Distributions

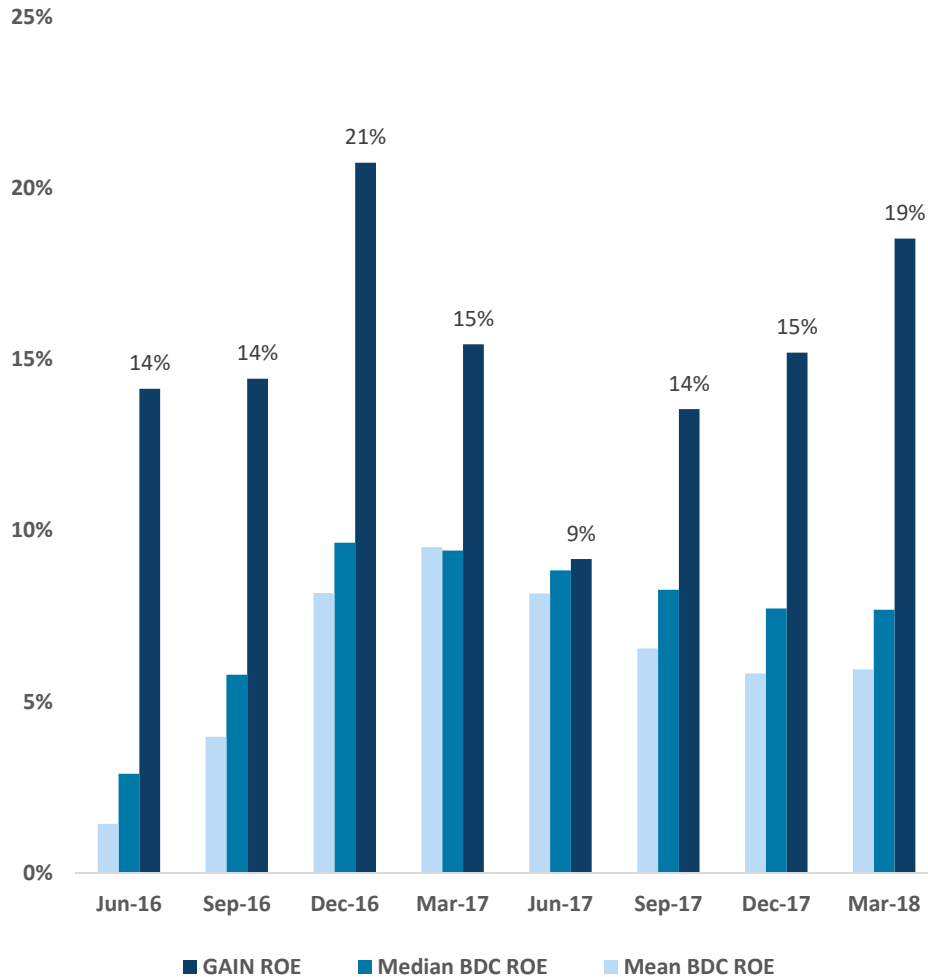
- From inception to 3/31/18, GAIN has paid 153 consecutive monthly distributions
- In addition to regular distributions, GAIN also seeks to pay supplemental distributions to shareholders, consisting of realized capital gains from portfolio company exits and other income
 - Expect supplemental distributions to continue being a contributor of shareholder returns, subject to board approval
 - In April 2018, declared a \$0.06 supplemental distribution to be paid in June 2018 (FY 2019)



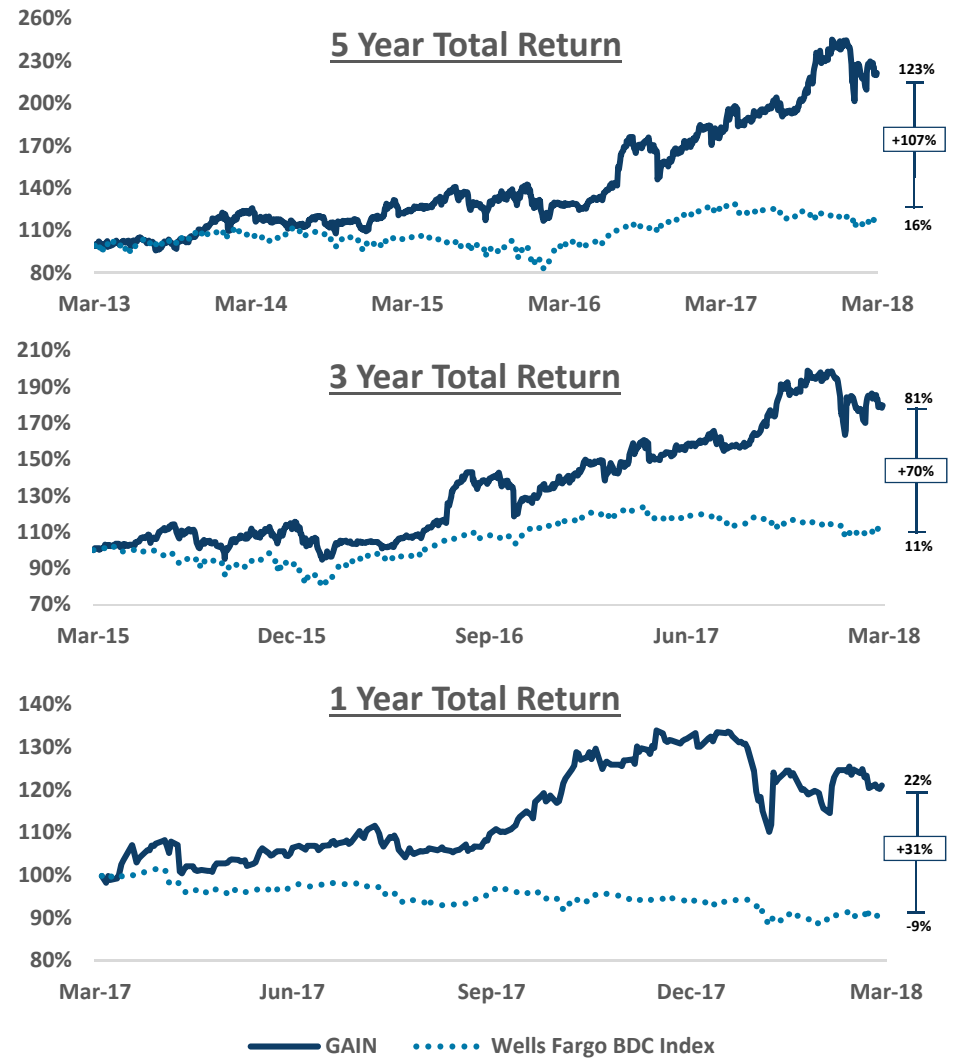
Note: (1) GAIN's regular annual distribution run-rate was increased to \$0.80 per share in April 2018.

History of Driving High Shareholder Returns

Return on Equity Outperforming Industry Peers ⁽¹⁾



Greater Total Return vs. BDC Peers ⁽²⁾



Notes:
 (1) Source: Capital IQ, latest available quarterly data as of 5/15/2018. BDC peer group defined as participants in Wells Fargo BDC Index as of 5/15/2018. ROE defined as LTM NII +/- real & unrealized gains/losses divided by average NAV.
 (2) Total return as of 3/31/2018 inclusive of reinvested dividends. BDC peer group defined as Wells Fargo BDC Index.

Financial Highlights

	Three Months Ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Total investment income	\$ 15,419	\$ 16,184	\$ 13,132	\$ 13,620
Net investment income (NII)	3,244	7,531	5,750	5,435
Adjusted net investment income ⁽¹⁾	6,891	8,283	5,750	5,435
Realized gain / (loss)	189	25	(43)	1,165
Unrealized appreciation / (depreciation)	18,413	9,588	7,849	1,541
Weighted average shares	32,546	32,526	32,526	31,474
Distributions per share from NII	0.19	0.27	0.19	0.19
Distributions per share from realized gains	-	(0.01)	-	0.06
NII per weighted avg. share	0.10	0.23	0.18	0.17
Adjusted NII per weighted avg. share ⁽¹⁾	0.21	0.25	0.18	0.17
Distribution coverage ratio ⁽²⁾	157.7%	177.4%	208.6%	214.9%
Weighted average yield ⁽³⁾	12.6%	14.2%	12.8%	12.6%
ROE - NII ⁽⁴⁾	3.8%	9.0%	7.1%	7.0%
ROE - NII + realized/unrealized gain/loss ⁽⁴⁾	25.3%	20.6%	16.7%	10.5%
Portfolio, at fair value	\$ 599,147	\$ 566,379	\$ 520,174	\$ 486,770
Debt, including preferred stock at face value	251,246	240,846	200,946	178,246
Net asset value (NAV)	354,200	337,397	328,548	321,235
NAV per share	10.85	10.37	10.10	9.88

**GAIN's buyout
focus drives
capital gains
& outsized
ROE**

(1) See slide 12 for discussion on non-GAAP measure.

(2) Calculated by dividing (i) the sum of net investment income in excess of distributions at the end of the period and distributions to common stockholders from NII during the period by (ii) current period distributions from NII to common stockholders.

(3) Annualized weighted average yield on our interest-bearing investment portfolio.

(4) Annualized and based on average NAV.

Notes

Dollar and share amounts in thousands, except per share amounts.

The financial information above is not comprehensive and is without notes, so readers should obtain and carefully review the consolidated financial statements and notes contained therein of GAIN's Form 10-Qs and Form 10-K, as filed with the SEC for the respective periods.

Financial Highlights (Non-GAAP Measure)

Amount	Three Months Ended			
	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	<u>June 30, 2017</u>
Net investment income	\$ 3,244	\$ 7,531	\$ 5,750	\$ 5,435
(+) Capital gains-based incentive fee	3,647	752	-	-
Adjusted net investment income	6,891	8,283	5,750	5,435
Per Share Amount				
Net investment income, per share	0.10	0.23	0.18	0.17
(+) Capital gains-based incentive fee, per share	0.11	0.02	-	-
Adjusted net investment income, per share	0.21	0.25	0.18	0.17

Non-GAAP Financial Measure — Adjusted Net Investment Income: Adjusted net investment income represents net investment income, excluding the capital gains-based incentive fee. The Company uses this non-GAAP financial measure internally in analyzing financial results and believes that this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends for the Company. The Company's investment advisory agreement provides that a capital gains-based incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized losses and unrealized depreciation on investments for such year. However, under U.S. GAAP, a capital gains-based incentive fee is accrued if realized capital gains and unrealized appreciation of investments exceed realized capital losses and unrealized depreciation of investments. The Company believes that Adjusted net investment income is a useful indicator of operations exclusive of any capital gains-based incentive fee as net investment income does not include realized or unrealized investment activity associated with the capital gains-based incentive fee.

Current Portfolio is Broad and Diversified

Manufacturing



Business Services/Distribution



Consumer Products



Geographic Diversification



Why own Gladstone Investment's Common Stock?

Consistent Monthly Distributions

- Annual yield of approximately 7% as of May 14, 2018
- Increased regular monthly distributions annual run-rate by 34% since April 2014 to \$0.80 per share as of April 2018
- Total distributions from NII coverage (accumulated and current period NII) of approx. 158% for the quarter ended March 31, 2018

Supplemental Distributions

- Supplemental distributions to be made from realized gains and net investment income
- Paid supplemental distributions of \$0.12 in 2017, \$0.05 in each of 2014 and 2013, and \$0.03 in 2012

Capital Gains Upside

- 33% of investments at fair value are invested in equity. Such investments do not generally contribute to our monthly distributions, but provide potential for capital gains that may be distributed as supplemental distributions

Strong Total Returns and ROE vs. Peers

- 1, 3, and 5 year total returns of 22%, 81%, and 123% vs. industry peers of -9%, 11%, and 16% ⁽¹⁾
- 1, 3, and 5 year average return on equity of 19%, 14%, and 14% vs. industry peers of 6%, 5%, and 7% ⁽²⁾

Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was less than 50% of total assets
- Strong liquidation coverage: fair value of assets represents 238% of all liabilities, including all preferred stock

Diversification and Liquidity

- Portfolio is diversified across 33 companies in 17 industries and 16 states
- Common stock is listed under GAIN

Experienced Management

- Led by an SEC-registered investment adviser and administrator with over 60 professionals with a successful track record of investing in lower middle market businesses

Notes: (1) Total return as of 3/31/2018 inclusive of reinvested dividends. BDC peer group defined as Wells Fargo BDC Index. (2) Source: Capital IQ, latest available quarterly data as of 5/15/2018. BDC peer group defined as participants in Wells Fargo BDC Index as of 5/15/2018. Average ROE defined as (A) 1, 3, and 5 year cumulative NII +/- real & unrealized gains/losses divided by (B) average NAV (defined as average of (i) beginning NAV, (ii) ending NAV, and (iii) NAV every 12 months throughout the period) divided by (C) 1, 3, or 5 (depending on the relevant time period being averaged).

Why own Gladstone Investment's Preferred Stock?

High Monthly Distributions

- Preferred annual dividends ranging from 6.25% to 6.75% are paid monthly and generally compare favorably to current fixed yield investment alternatives

Strong Dividend Coverage

- Strong coverage of the preferred dividends: NII before interest expense and preferred dividends for the twelve months ended March 31, 2018 would cover interest expense plus preferred dividends for the same period 2.7 times

Daily Liquidity for Investors

- Series of preferred stock are listed under GAINO, GAINN, and GAINM and have mandatory redemption dates

Conservative Balance Sheet with Low Leverage

- Low leverage: leverage was less than 50% of total assets
- Strong liquidation coverage: fair value of assets represents 238% of all liabilities, including all preferred stock

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Corporate Data

Executive Officers

David Gladstone
Chairman & CEO

Terry Lee Brubaker
COO & Vice Chairman

David Dullum
President

Julia Ryan
CFO & Treasurer

Research Coverage

Janney Montgomery Scott
Mitchel Penn

Jefferies & Company
Kyle Joseph

Ladenburg Thalmann
Mickey M. Schleien

Wedbush
Henry Coffey

Websites

Gladstone Investment:
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Investment Adviser:
www.gladstonemanagement.com

Information on all Gladstone Funds:
www.gladstone.com

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Michela A. English

Caren Merrick

John Outland

Anthony W. Parker

Walter H. Wilkinson, Jr

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Other

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Stradley Ronon Stevens & Young, LLP

Transfer Agent:
Computershare

Auditors:
PricewaterhouseCoopers LLP

NASDAQ Listings

Common: GAIN

Series B Term Preferred: GAINO

Series C Term Preferred: GAINN

Series D Term Preferred: GAINM

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