

2017 Shareholders Letter

Dear Fellow Shareholders:

We are pleased to report that the fiscal year ended March 31, 2017 was another period of growth for our company and continued strong distributions to shareholders. Besides producing solid operating results, we also executed on our plan to generate realized gains through the strategic sale of certain of our portfolio companies. We begin the new fiscal year with a portfolio of what we believe to be quality investments, with limited exposure to high risk business segments, such as the energy industry. We are excited about the growth opportunities for our company and remain focused on our goal of investing in established, quality businesses with excellent management teams.

The following highlights significant accomplishments during the fiscal year ended March 31, 2017 and the subsequent period:

- Paid twelve monthly distributions of \$0.0625 per common share for a total per common share of \$0.75 for the year;
- Recognized net unrealized appreciation on investments of \$6.9 million;
- Invested an aggregate of \$71.2 million in two new and various existing portfolio companies;
- Generated net realized gains on investments of \$15.6 million primarily from the strategic exit of two of our portfolio companies;
- Completed a public offering of 2.3 million shares of our Series D Term Preferred Stock for gross proceeds of \$57.5 million in September 2016;
- Redeemed all 1.6 million outstanding shares of our Series A Term Preferred Stock at their liquidation value in September 2016;
- Amended and extended our credit facility in November 2016, which, among other things, favorably impacted our cost to borrow and our net available borrowings;
- Subsequent to year end, increased our monthly distributions from \$0.0625 to \$0.064 per common share in April 2017, representing an over 2% increase, for annual rate of \$ 0.77 per common share;
- Subsequent to year end, declared a supplemental distribution of \$0.06 per common share in April 2017 to be paid in June 2017 and expected to be primarily made from undistributed net capital gains;
- Subsequent to year end, generated net proceeds of approximately \$19 million on the strategic exit of another of our portfolio companies with a cost basis of \$16.4 million; and
- Subsequent to year end, completed a public offering of approximately 2.3 million common shares for gross proceeds of \$21.2 million.

We have continued to experience positive results across our portfolio of businesses and achieved another year of increased operating performance with over \$22 million in net investment income, an increase of over 8% compared to the prior year. This increase was the result of higher total investment income and lower expenses. This, together with our portfolio fair valued at 95.5% of its cost basis at year end, resulted in a net asset value of

\$9.95 per share compared to \$9.22 at the prior year end. During the year, we made investments of approximately \$54 million in two new portfolio companies. As of March 31, 2017, our portfolio consisted of 35 companies with a total invested cost basis of approximately \$525 million. Our investments are primarily in companies where we have a significant stock ownership. We make these investments in partnership with the management teams of those companies and occasionally with other investors. With our amended credit facility and recent equity capital raise, we believe we are well positioned to fund our growth objectives.

From inception in 2005 through March 31, 2017, we have successfully sold ten buyout companies, and, in the aggregate, these liquidity events have generated approximately \$84 million in realized gains and approximately \$20 million in other income upon exit, for a total increase to our net assets of approximately \$104 million. We will continue to build on these activities and proactively manage strategic sales of our portfolio companies during the upcoming fiscal years with the intent to realize capital gains. Based on our activity level, we are hopeful to continue making additional supplemental distributions in the upcoming fiscal year and beyond.

We are committed to covering our monthly distribution to common stockholders with net investment income generated in the current year or prior years, which we again accomplished for the fiscal year ended March 31, 2017. We are also committed to maintaining, and over time, increasing our monthly distribution to common stockholders, as we were able to do in April 2017.

We have a strong and experienced management team which strives to build our portfolio of investments. We remain true to our investment thesis of creating secure, recurring income from our debt investments to pay monthly distributions, while seeking to generate capital gains from our equity investments. We believe our investment strategy will continue to reward stockholders, as demonstrated by our increased regular distribution rate, supplemental distributions declared, and potential for additional supplemental distributions in the future. We are confident that our strict adherence to investment fundamentals and our code of ethics will continue to make us an attractive investment choice.

The 2017 Annual Meeting of Stockholders of Gladstone Investment Corporation will be held on Thursday, August 3, 2017, at 11:00 a.m. EDT. The 2017 Annual Meeting of Stockholders will be a completely “virtual meeting.” You will receive information on how to participate, if you so choose, along with your proxy materials, in the mail.

Please visit our website at www.GladstoneInvestment.com for further information. While you are on the website, please sign up for our email notices to keep up to date on all of our companies’ activities. You can also now follow us on Facebook at “The Gladstone Companies” and on Twitter at “GladstoneComps.”

We are looking forward to the 2018 fiscal year and are hopeful we can deliver even better financial results from our portfolio.

Thank you for your continued support.

David Gladstone
Chairman of the Board and Chief Executive Officer

Terry L. Brubaker
Vice Chairman of the Board and Chief Operating Officer

David A. R. Dullum
President