

Saratoga Investment Corp.

**Fiscal Year End and Fourth Quarter
2016 Shareholder Presentation**

May 18, 2016



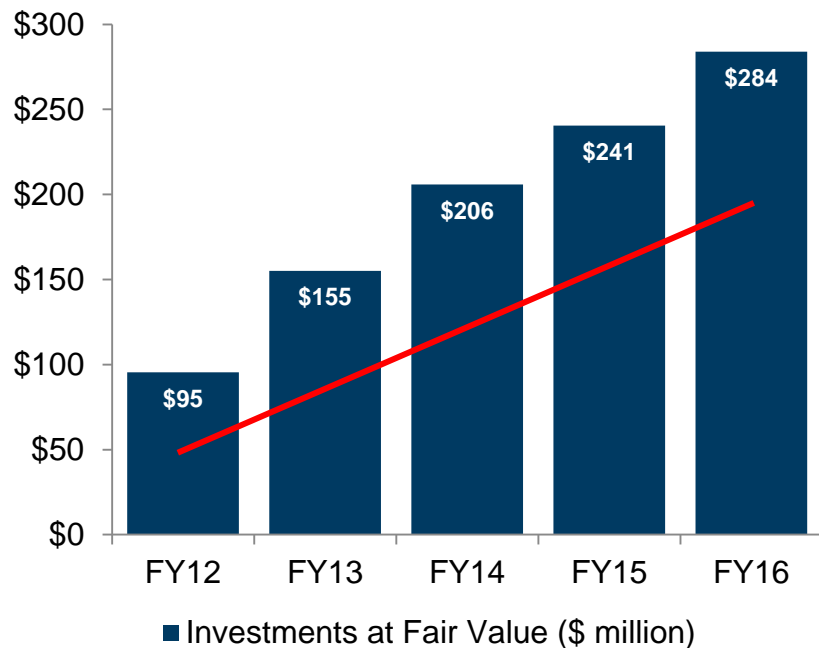
Continued to Achieve Significant Goals During FY 2016

Fiscal year and fourth quarter highlights:

- Continued improvements in key performance metrics
 - NAV increased 2.1% to \$125.1 million
 - Investment quality at our highest level ever
 - Over 98% of loan investments with highest rating
 - Return on equity of 9.4% LTM, beating industry average of 1.1%
- Consistent originations sustain assets under management despite significant redemptions
 - AUM up 199% from FY12, and up 18% since FY15 and Q3 FY16
- Latest dividend of \$0.41 per share continuing increase in quarterly dividends, 128% increase in quarterly dividend size since program launch
 - Total payout for fiscal year 2016 was \$2.36 per share, including quarterly and special dividends
 - Additional dividend of \$0.41 paid on April 27th, 2016
 - Over-earning our current dividend - \$0.48 average adjusted NII/share per quarter for FY 2016
- Commenced ATM baby bonds offering in June 2015
 - Issued \$13.4 million of baby bonds through February 29, 2016
 - Existing available liquidity allows us to increase current AUM by 35%
- Exercised share repurchase plan during the quarter
 - As of May 16th, 2016, repurchased 61,257 shares - weighted average price of \$14.89 per share

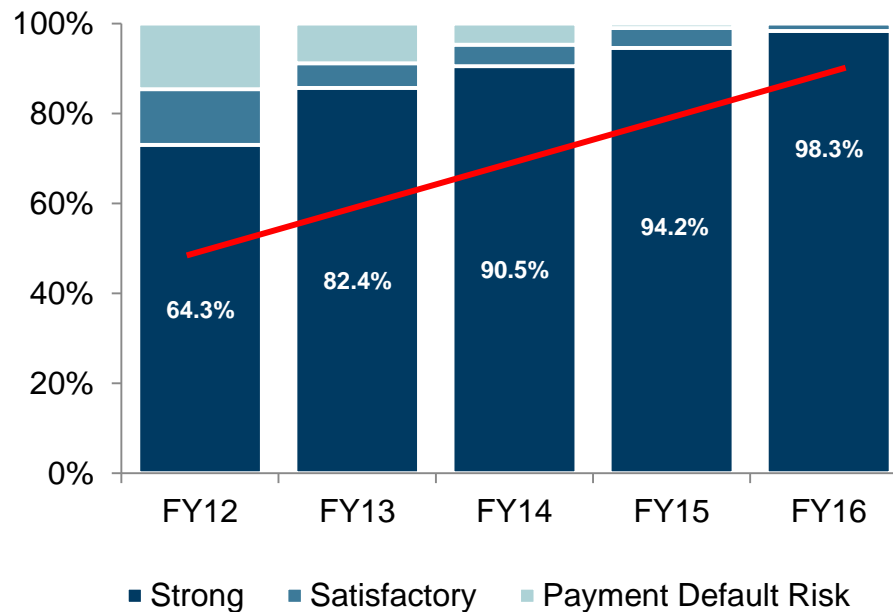
Increased Portfolio Growth and Quality

Asset Base Expansion Trend



Fair value of AUM increased 18% during FY16 and 199% since FY 2012

Overall Credit Quality Continues Strong



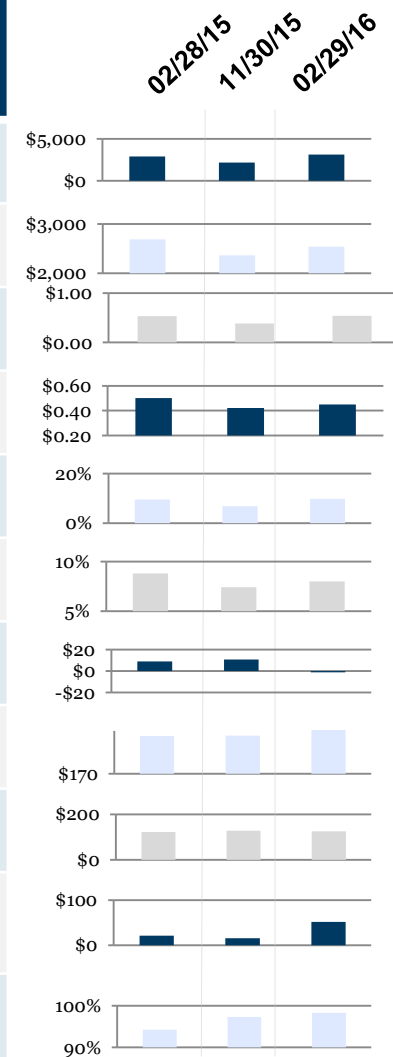
Over 98% of our SAR loan investments hold our highest internal rating; none are on non-accrual*

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

Financial Foundation Continues to Strengthen (Q4)

Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	Feb 28, 2015	Nov 30, 2015	Feb 29, 2016
Net investment income	\$2,888	\$2,150	\$3,100
Adjusted net investment income*	\$2,685	\$2,365	\$2,537
Net investment income per share	\$0.53	\$0.38	\$0.54
Adjusted net investment income per share*	\$0.50	\$0.42	\$0.45
Net investment income yield	9.5%	6.8%	9.8%
Adjusted net investment income yield*	8.8%	7.4%	8.0%
Return on Equity	8.9%	10.8%	(1.3%)
Fair value of investment portfolio	\$240.5	\$241.0	\$284.0
Total net assets	\$122.6	\$127.3	\$125.1
Investments in new/existing portfolio companies	\$20.9	\$15.3	\$51.8
Loan Investments held in "strong" credit ratings	94.2%	97.3%	98.3%

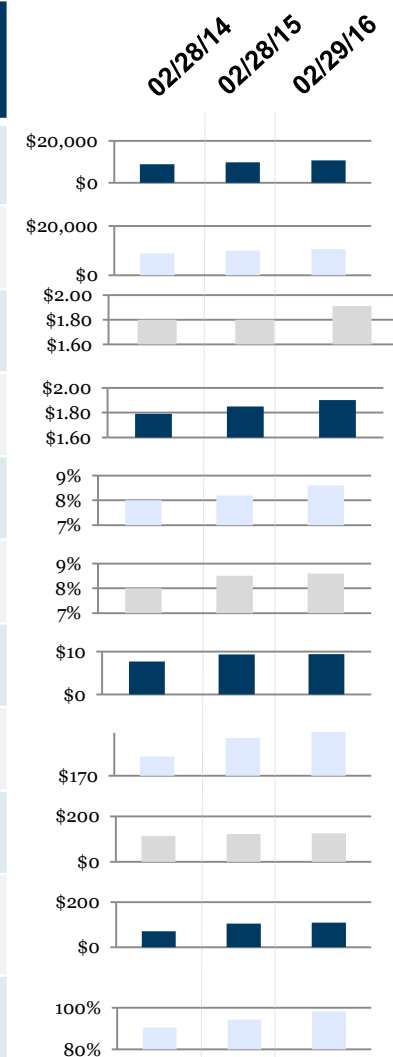


*Adjusted for accrued capital gains incentive fee expense, reconciliation to net investment income included in our fiscal fourth quarter 2016 earnings release.

Financial Foundation Continues to Strengthen (FY16)

Key Performance Metrics for the Fiscal Year

For the fiscal year ended and as of (\$ in millions except per share)	Feb 28, 2014**	Feb 28, 2015	Feb 29, 2016
Net investment income	\$8,874	\$9,674	\$10,678
Adjusted net investment income*	\$8,804	\$9,978	\$10,633
Net investment income per share	\$1.80	\$1.80	\$1.91
Adjusted net investment income per share*	\$1.79	\$1.85	\$1.90
Net investment income yield	8.0%	8.2%	8.6%
Adjusted net investment income yield*	8.0%	8.5%	8.6%
Return on Equity	7.7%	9.3%	9.4%
Fair value of investment portfolio	\$205.8	\$240.5	\$284.0
Total net assets	\$113.4	\$122.6	\$125.1
Investments in new/existing portfolio companies	\$70.3	\$104.9	\$109.2
Loan Investments held in "strong" credit ratings	90.5%	94.2%	98.3%



*Adjusted for accrued capital gains incentive fee expense, reconciliation to net investment income included in our fiscal year 2016 earnings release.

** Prior periods revised for adjustments outlined in notes to the financial statements included in the Form 10-K



Significant Dry Powder Available

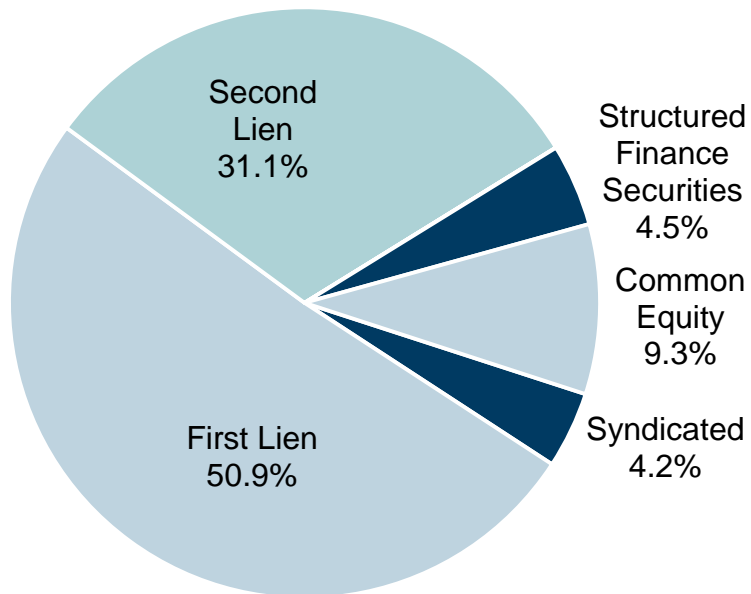
(As of Feb 29, 2016)	Total Borrowing Capacity	Outstanding	Available Liquidity
Secured Revolving Credit Facility	\$45.0 million	\$0.0 million	\$45.0 million
SBA Debentures	\$150.0 million	\$103.7 million	\$46.3 million
Publicly-Traded Notes (at fair value)	\$60.2 million	\$60.2 million	\$0.0 million
Cash and Cash Equivalents	\$7.0 million	\$0.0 million	\$7.0 million
Total Available Liquidity:			\$ 98.3 million*

* Ability to grow AUM by 35% without any new external financing

Portfolio Composition and Yield

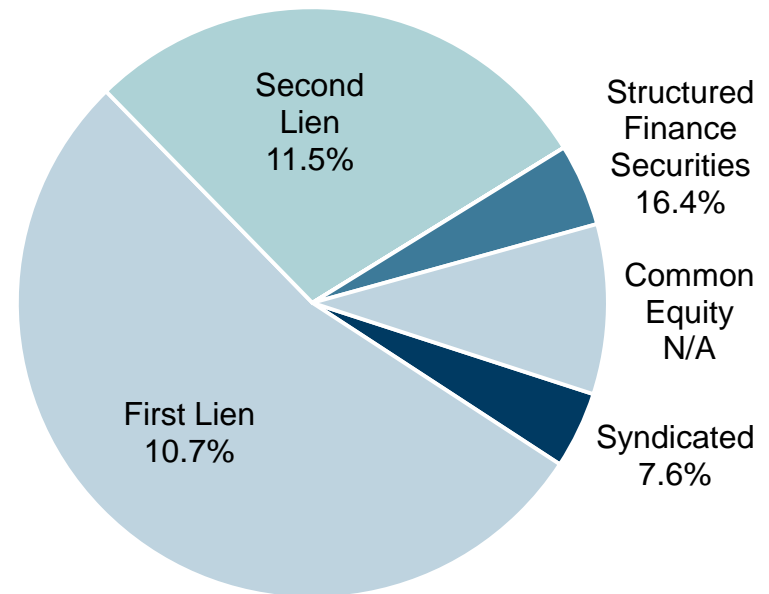
Portfolio Composition – \$284m

(Based on Fair Values
as of February 29, 2016)



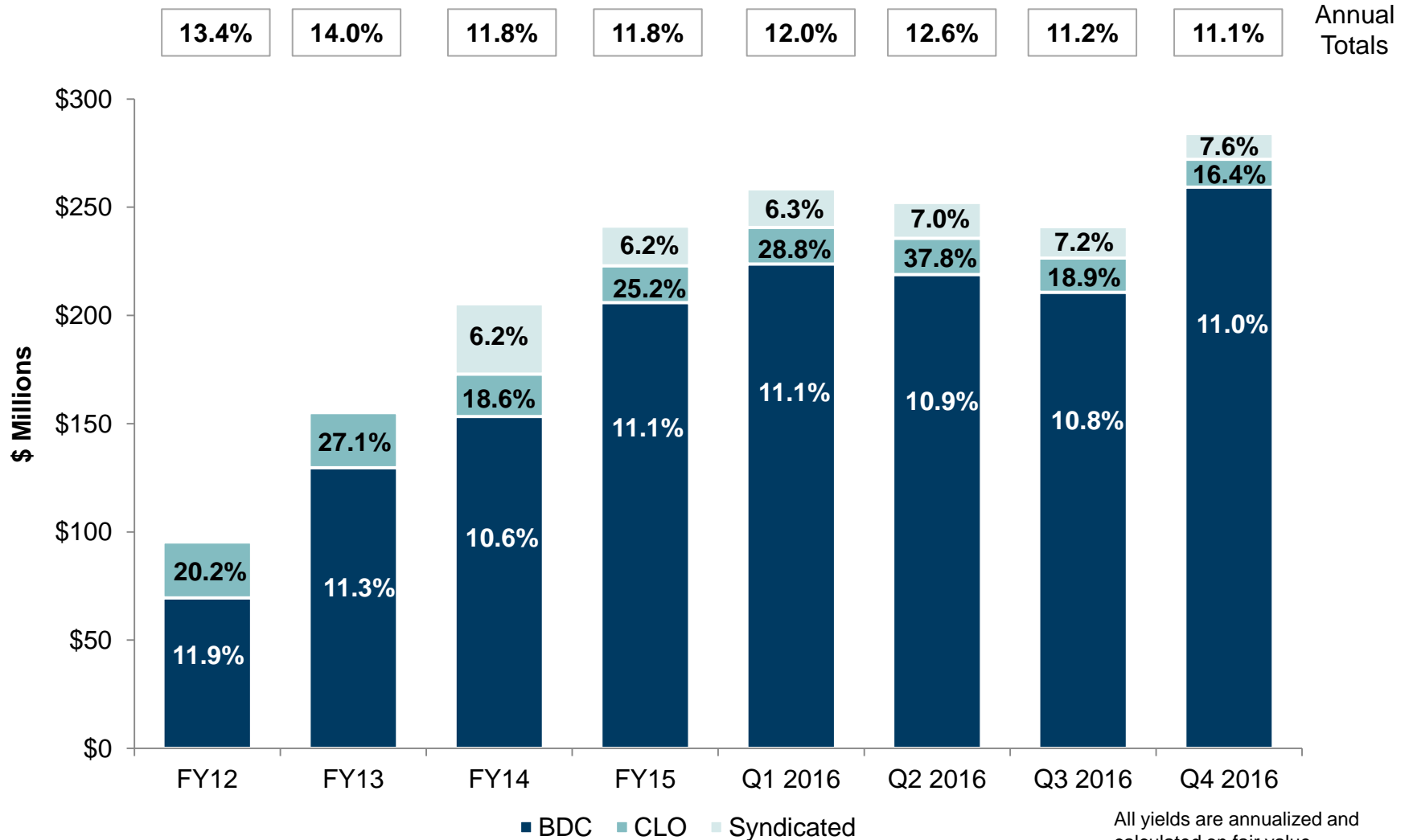
Portfolio Yield – 11.1%

(Weighted Average
Current Yield of Existing Portfolio)



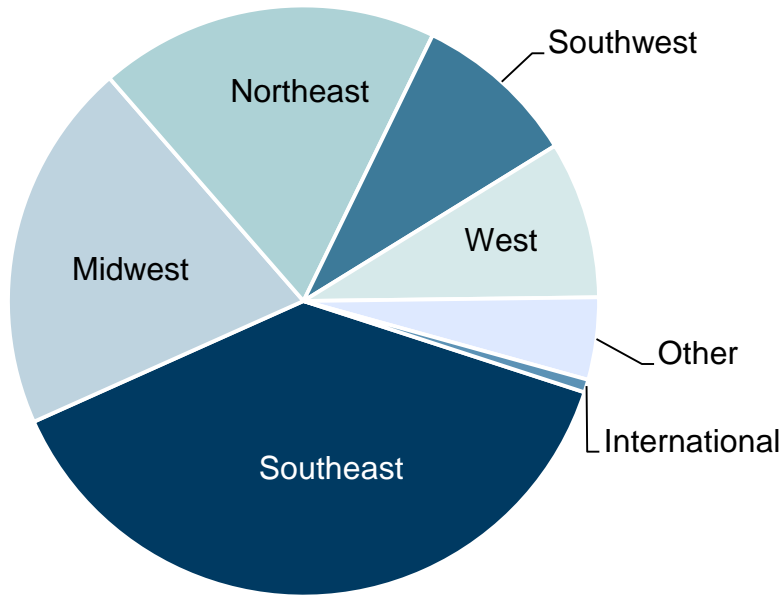
Yield of BDC Remains Strong and Consistent

Weighted Average Current Yields

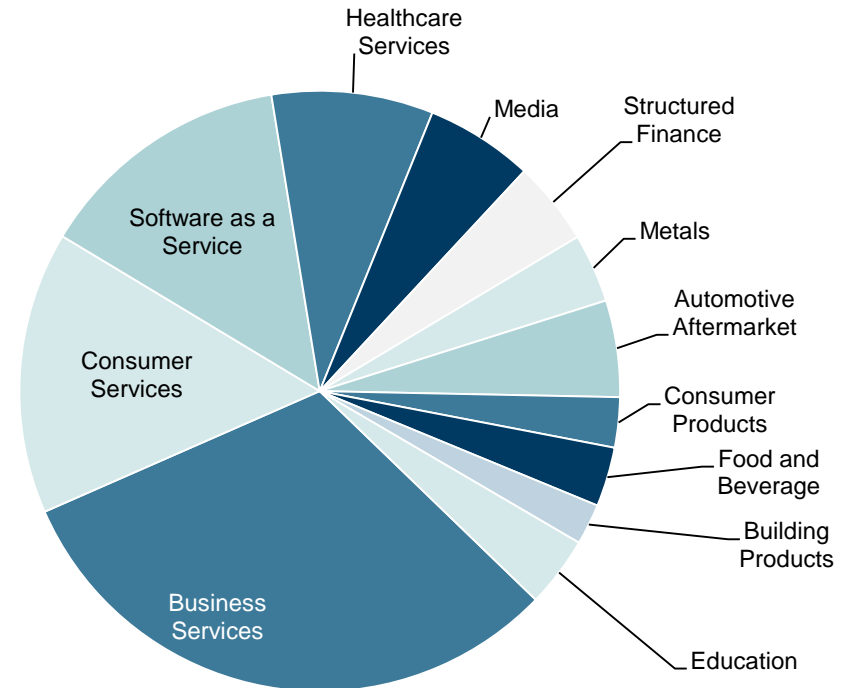


Diversified Across Industry and Geography

Investments diversified geographically

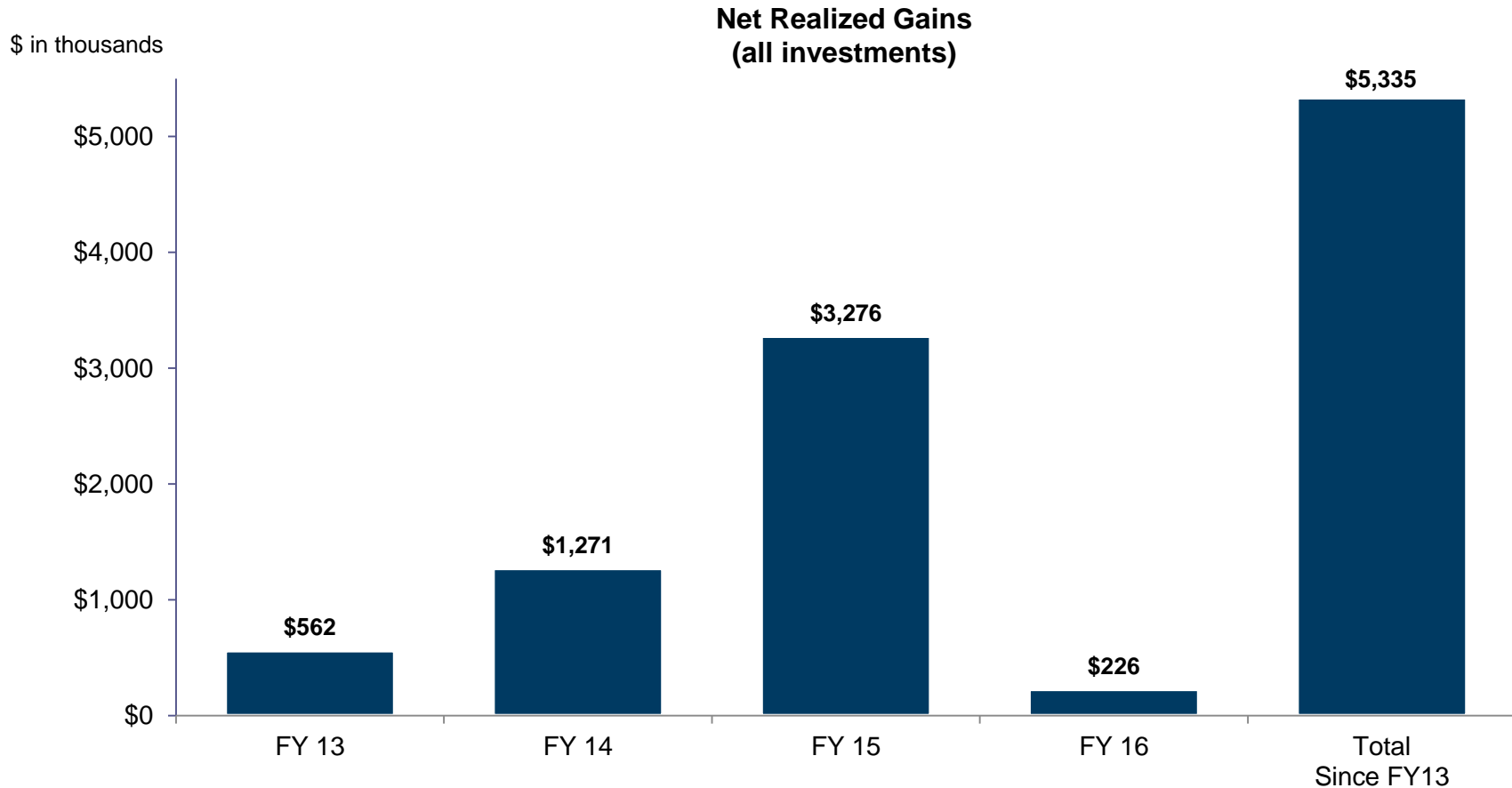


Investments across 12 distinct industries



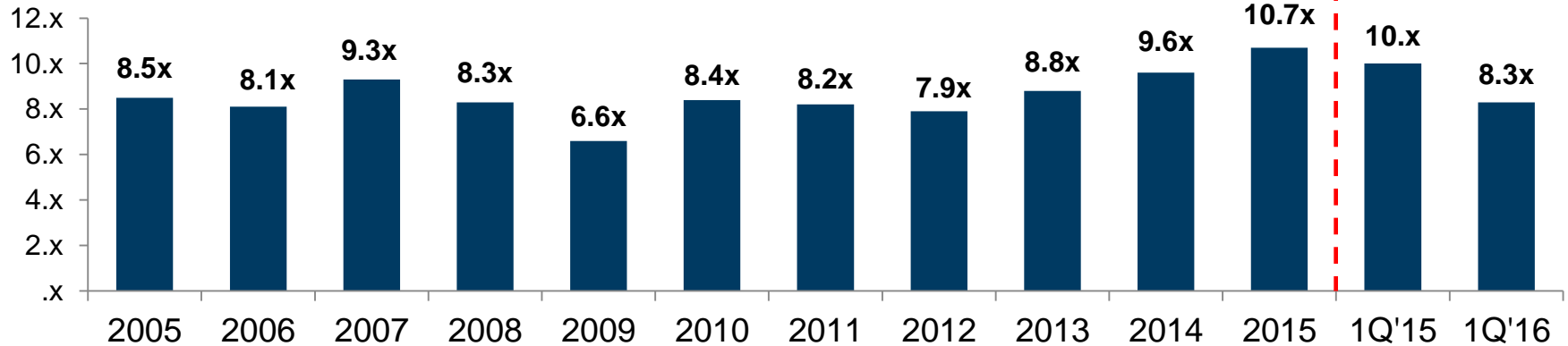
Net Realized Gains Help Protect Shareholder Capital

Cumulative net realized gains reflect portfolio credit quality

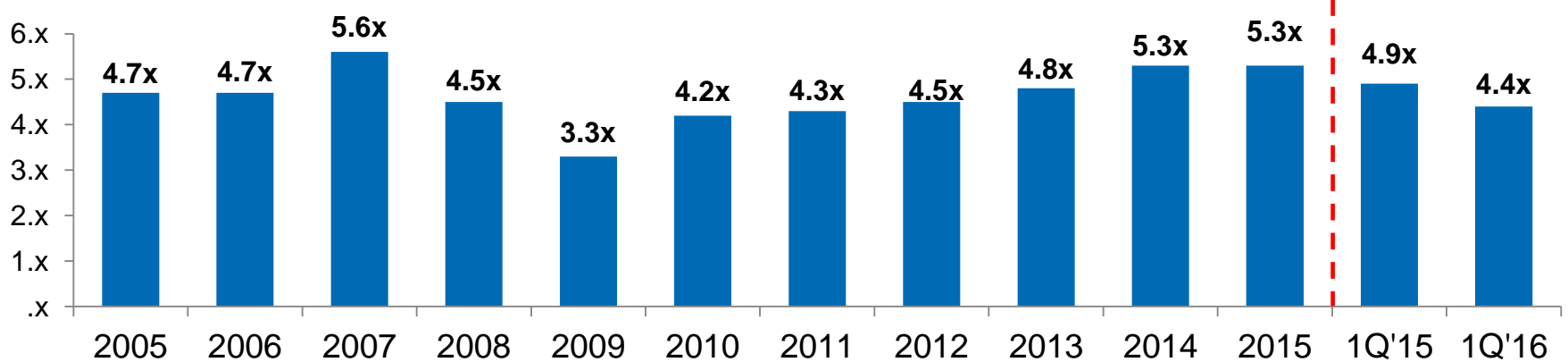


Have Multiples Really Stabilized?

Average Purchase Price Multiple – LBOs (EBITDA<\$50M)



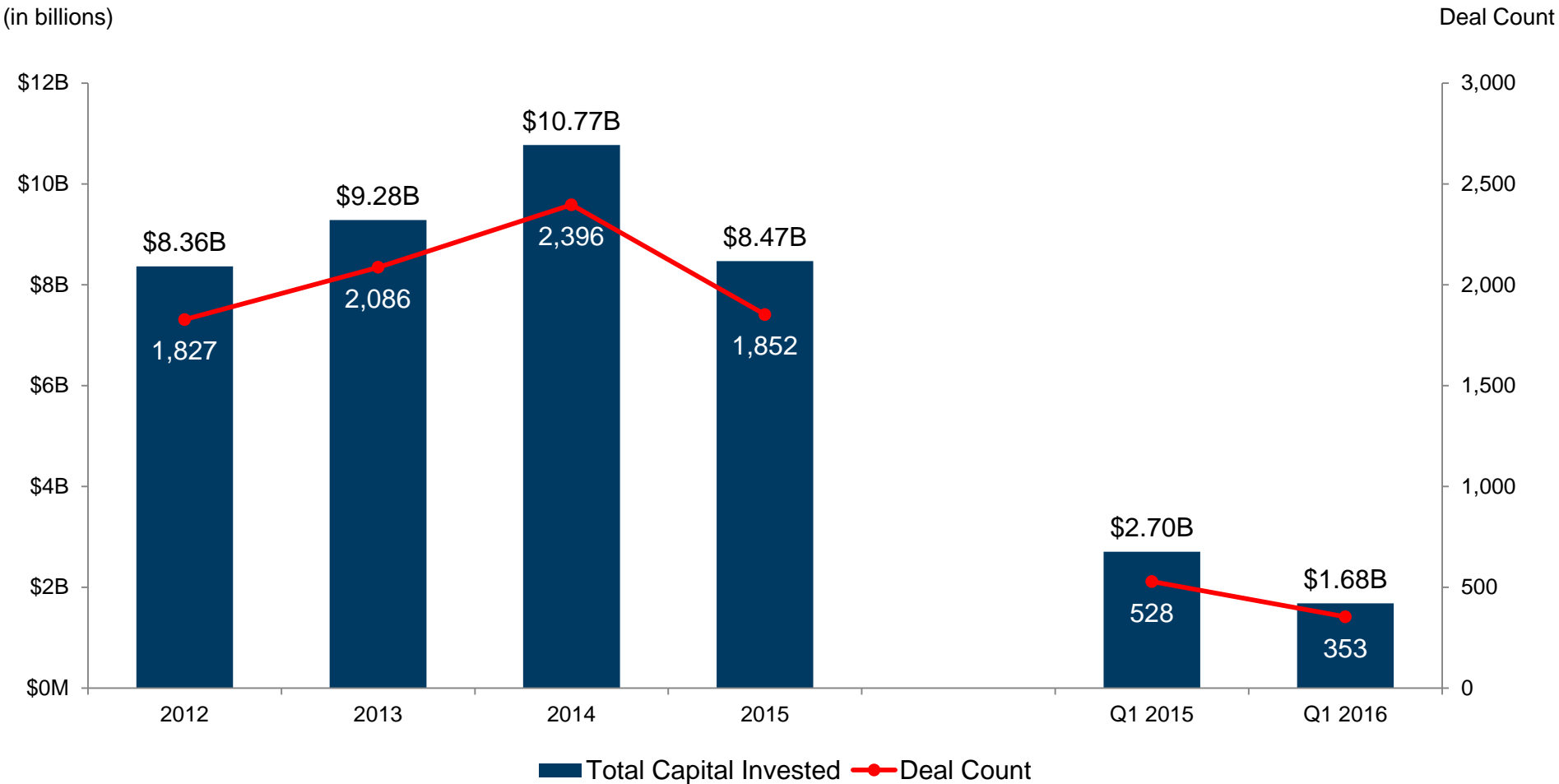
Average Debt Multiple of Middle-Market LBO Loans



Source: Standard & Poor Leveraged Commentary & Data

US Deal Activity Below \$25m Continues to Look Tepid

- 2015 transactions for US deals below \$25 million was down about 23% from the previous year.
- 2016 down 33% after one quarter

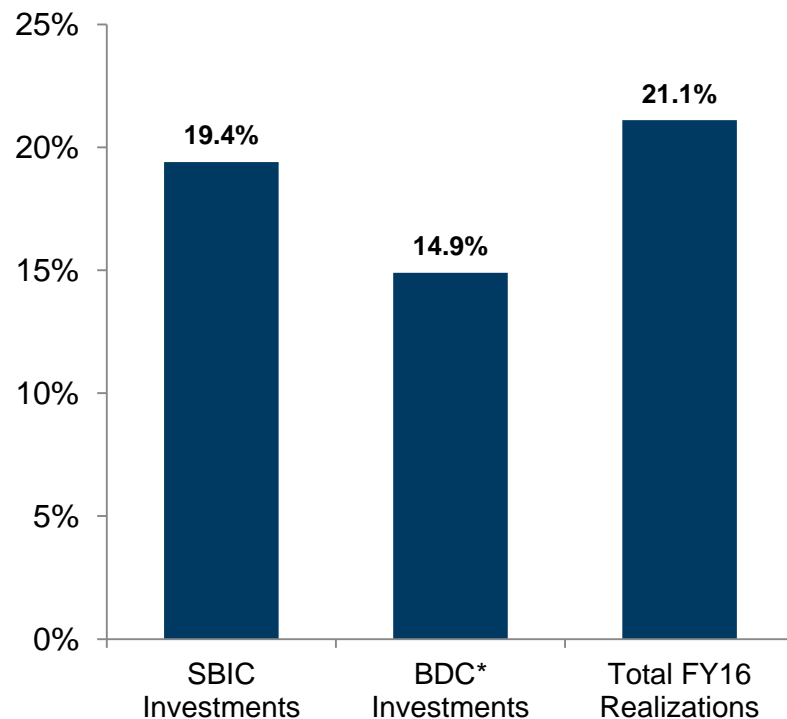


Source: Pitchbook 2016, Calendar quarters .

Demonstrated Strong Track Record

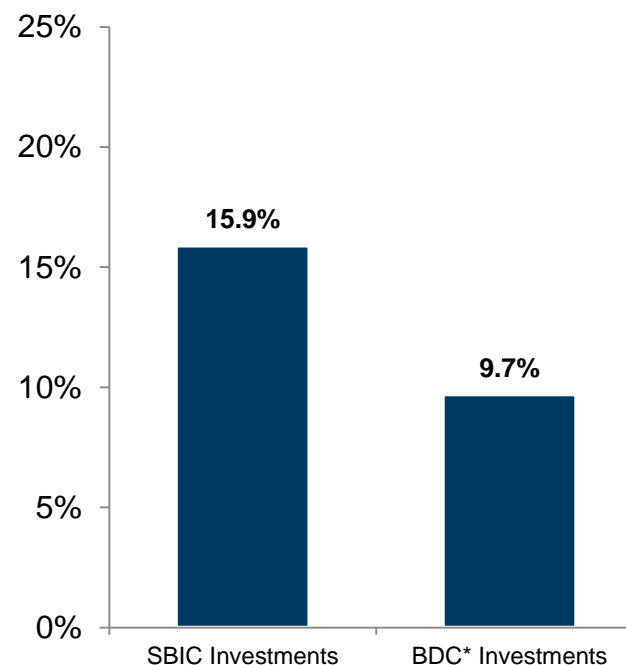
Realized Investments

(Gross Unlevered IRR%)



Unrealized Investments

(Gross Unlevered IRR%)



Track Records as of 3/31/16

* BDC Investments exclude investments existing when Saratoga management took over, and corporate financing investments

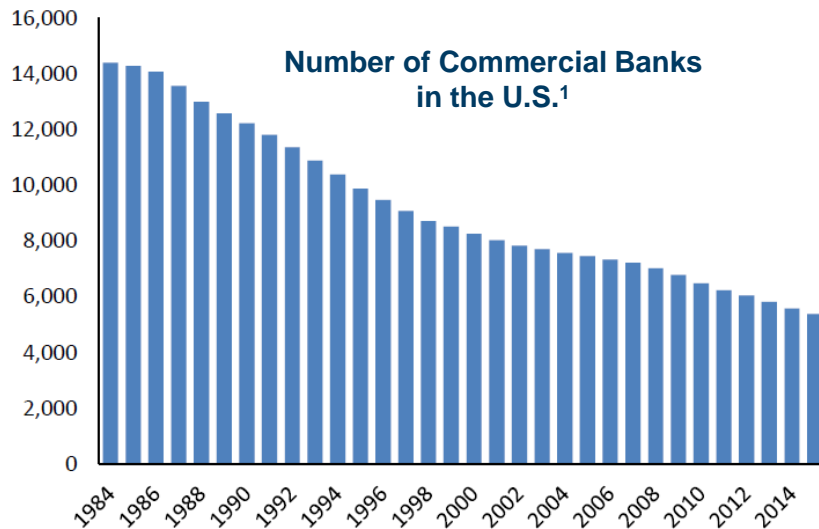
Long-Term Market Dynamics Are Positive

Powerful Secular Trends

- Banks continue to shift toward large borrowers
- Regulatory environment is a headwind for banks in the middle-market

Consistent Decline in Small Business Bank Lending Due to Consolidation and Regulation

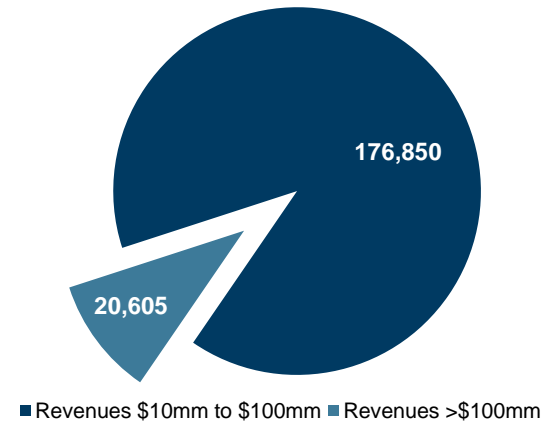
- Banks historically the main source of loans for small businesses
- Consistent decline in number of banks due to consolidation; larger banks focus on larger companies
- Increased regulation has made it more onerous for remaining banks to make small business loans



Large Market of Small Businesses Underserved by Traditional Asset Managers

- Over 175,000 companies in small business target market – businesses with between \$10mm and \$150mm in revenues
- Small businesses represent nearly 90% of all businesses
- Large asset managers not focused on small businesses
- Less than 8% of private capital is focused on small businesses

Number of Companies in the U.S. by Revenue²

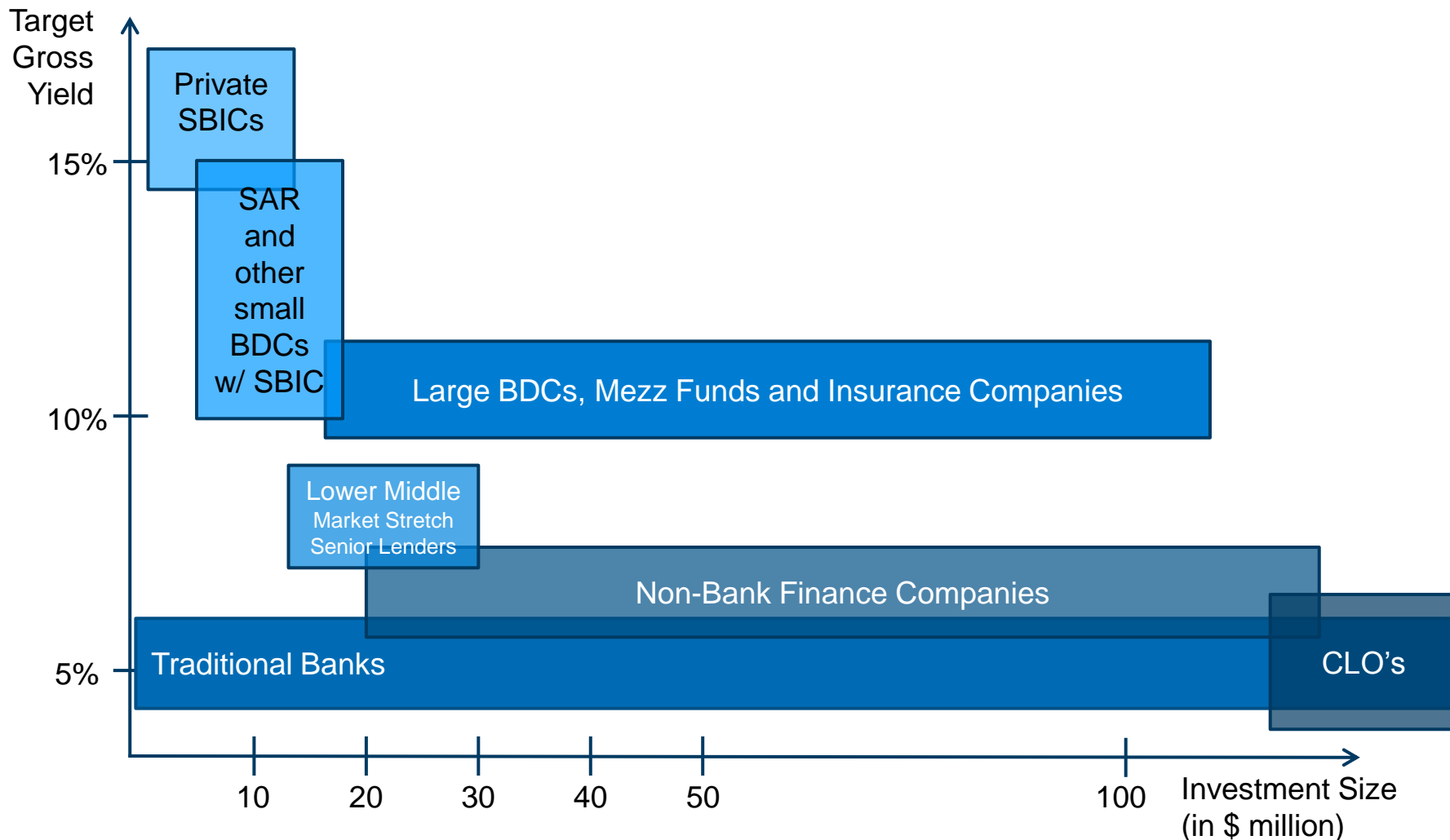


(1) Federal Financial Institutions Examination Council (US) -Commercial Banks in the U.S.

(2) U.S. Census, Dunn & Bradstreet. Businesses with between \$10 million and \$100 million of annual revenue represents a large segment of Star Mountain target marketplace.

Favorable Competitive Positioning

SAR occupies a very advantageous niche in the market

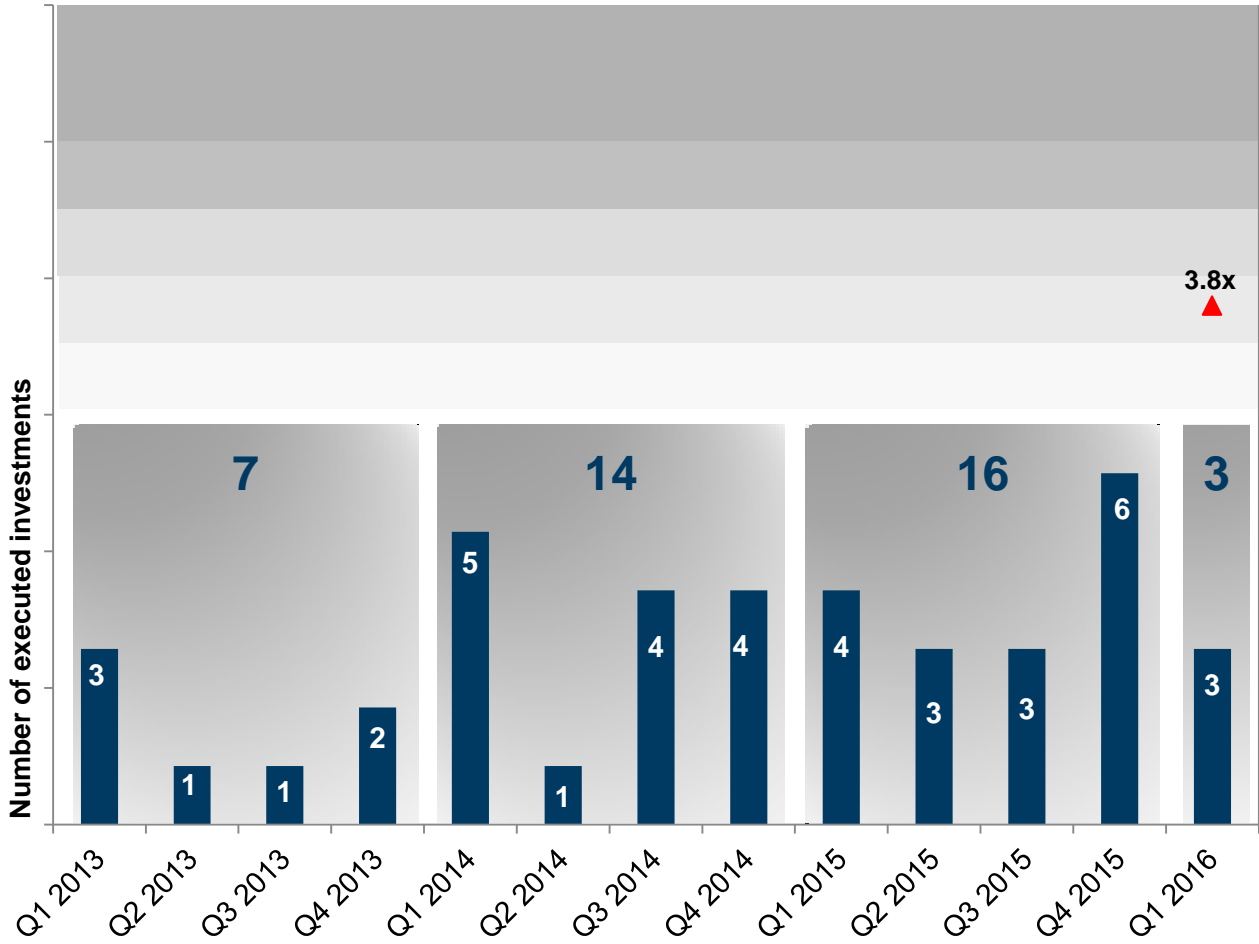


Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2012-2016)

Total Portfolio Leverage is 3.8x

Market Average Multiples
(Total Debt/EBITDA)



December 31, 2015		November 30, 2015	
>5.0x	0%	>5.0x	8%
4.6x-5.0x	22.2%	4.6x-5.0x	23%
4.1x-4.5x	22.2%	4.1x-4.5x	31%
3.6x-4.0x	22.2%	3.6x-4.0x	23%
<3.5x	33.3%	<3.5x	15%

44% (for 4.1x-5.0x range)
62% (for >4.0x range)

Multiples for SAR deals below industry average

Market averages came down, but remain above SAR

SAR debt/EBITDA

*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 2016

Deals Sourced

448

7%
→

480

39%
→

613

615

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

Term Sheets

50

2%
→

48

40%
→

67

56

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

Deals Executed

7

100%
→

14

14%
→

16

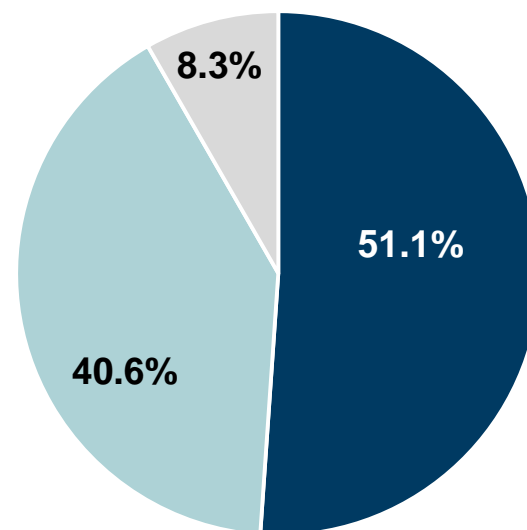
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- Saratoga closes an average of 3.5 deals per quarter, 2.3% of deals reviewed

SBIC Portfolio Primarily Senior Debt

- SBIC portfolio consists of 25 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.
 - 51.1% of the SBIC portfolio consists of senior debt investments as of November 30, 2015.
 - 40.6% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments.

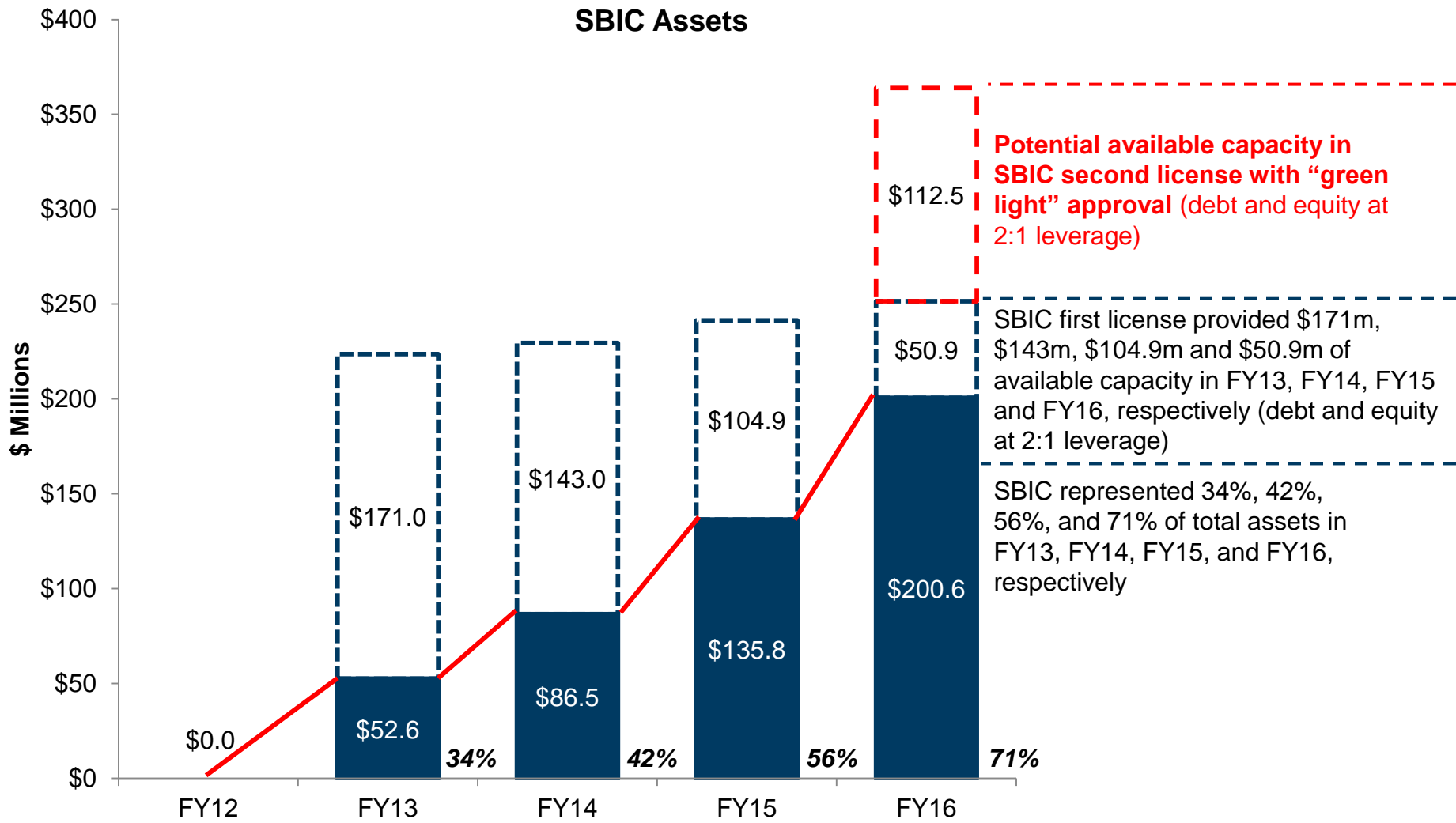
Composition of SBIC Portfolio ¹



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

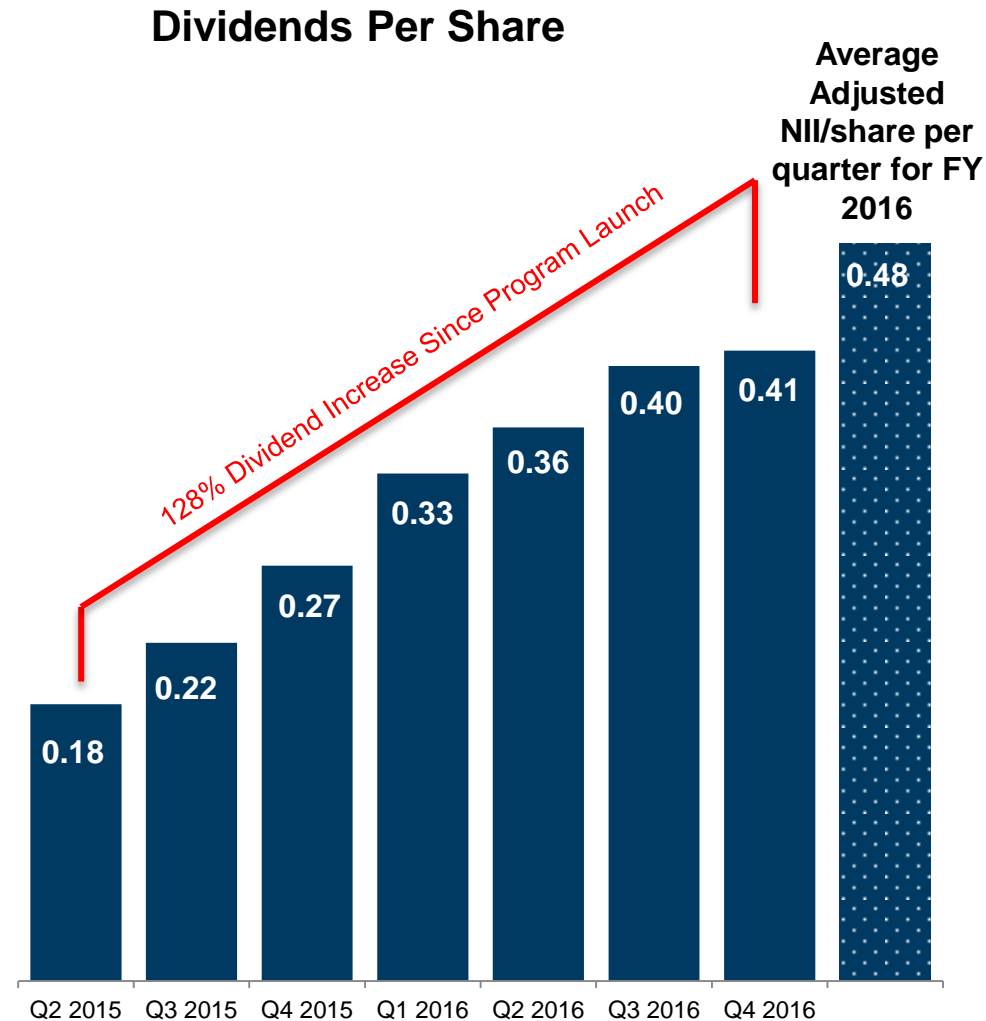
¹ Based on market value as of February 29, 2016

SBIC Assets Continue to Grow



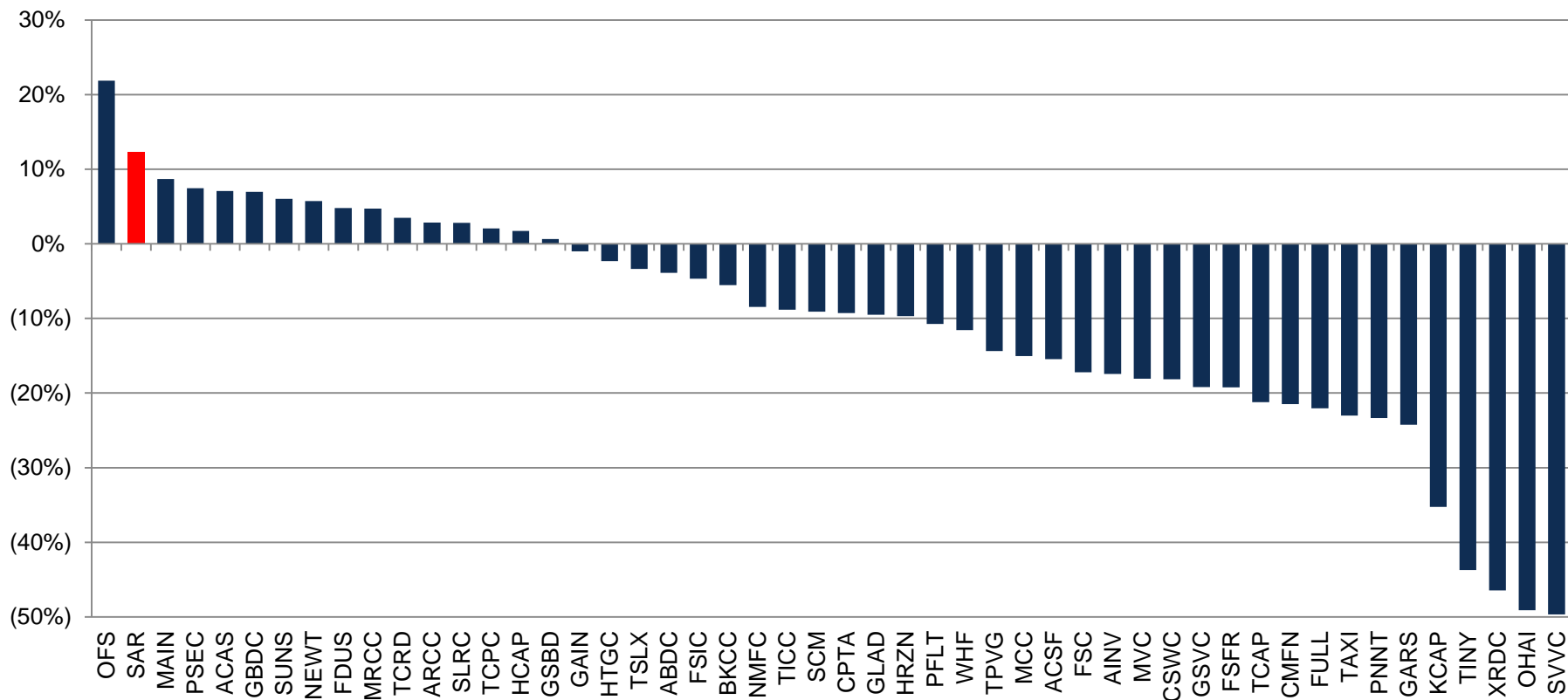
Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Announced special dividend of \$1 per share pursuant to DRIP in Q2, to meet RIC requirements
- Declared Q4 dividend of \$0.41, increasing our dividend by 52% in 12 months
- Significantly overearning our dividend currently (17% on average for the year, 10% on the current quarter)



Performance at Top of BDC Industry

BDC Total Return (%)
 (May 2015 to May 2016)
 SAR 12.3% v BDC Index -2.0%



Strongly Differentiated Performance in Multiple Categories

Rank	LTM Return on Average Equity		Net Asset Value per Share Growth ⁽¹⁾		Total Capacity ⁽²⁾		Year-Over-Year Quarterly Dividend Growth ⁽²⁾	
	Company	Return	Company	Growth	Company	Capacity	Company	Growth
1.	OFS Capital	13.0%	Gladstone Investment Corp.	10.09%	TriplePoint Venture Growth BDC	51%	Saratoga Investment Corp.	51.9%
2.	Gladstone Investment Corp.	11.6	Saratoga Investment Corp.	7.64	American Capital	42	Main Street Capital Corp.	4.9
3.	Monroe Capital Corp.	10.9	Rand Capital Corp.	4.64	Pennant Park Floating	42	Gladstone Investment Corp.	4.2
4.	TCP Capital	10.6	OFS Capital Corp.	3.60	Saratoga Investment Corp.	35	Medallion Financial Corp.	4.2
5.	Medallion Financial Corp.	10.6	Equus Total Return Inc.	3.06	Hercules Capital, Inc.	19	Fidus Investment Corp.	2.6
6.	Fidus Investment Corp.	10.6	Medallion Financial Corp.	2.38	BlackRock Capital Investment Corporation	18	TPG Specialty Lending	2.6
7.	Main Street Capital Corp.	9.90	Main Street Capital Corp.	1.87	Solar Capital Ltd.	17	CM Financial	1.4
8.	Golub Capital BDC Inc.	9.74	Golub Capital BDC Inc.	1.64	Main Street Capital Corp.	16	American Capital Senior Floating	0.3
9.	Saratoga Investment Corp.	9.4	Monroe Capital Corp.	0.96	Triangle Capital Corporation	14	TICC Capital Corp.	0.0
10.	Triangle Capital Corporation	9.12	Fidus Investment Corp.	0.13	TCP Capital	13		
Mean		1.10%		(6.08)%		15.5%		(1.5)%
Median		3.10%		(4.07)%		8.5%		(0.0)%

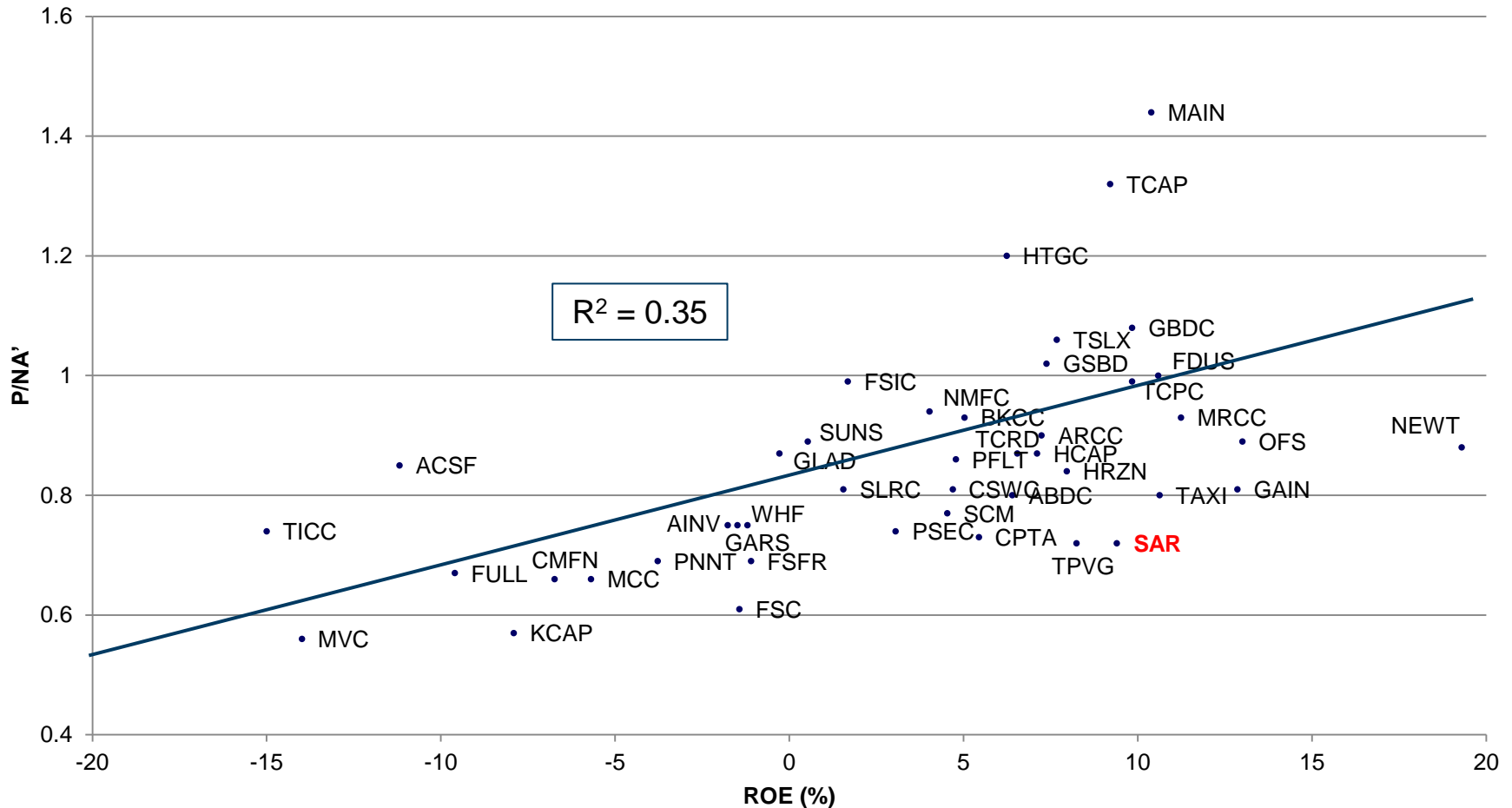
Source: SNL Financial and Company filings, complete list consist of 50 companies, most recent year

1) Wells Fargo BDC Scorecard + SAR; Total Capacity is Cash + Traditional Debt + SBIC

2) Raymond James BDC Industry Investment Banking Weekly Newsletter, Complete list consist of 46 companies

Attractive Balance Between Value and Return

BDCs – P/NAV versus ROE



Sources: Ladenburg Thalmann & Co., Inc., S&P Capital IQ

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. 10.0%; more than doubled quarterly dividend over past 18 months

▶ **Industry-leading return on equity**

Year-to-date return on equity of 9.4% factors in both investment income and net gains/losses

▶ **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 35%

▶ **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 199% since FY 2012 with strong originations despite 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

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.