

Saratoga Investment Corp.

**Fiscal Second Quarter 2016
Shareholder Presentation**

October 14, 2015



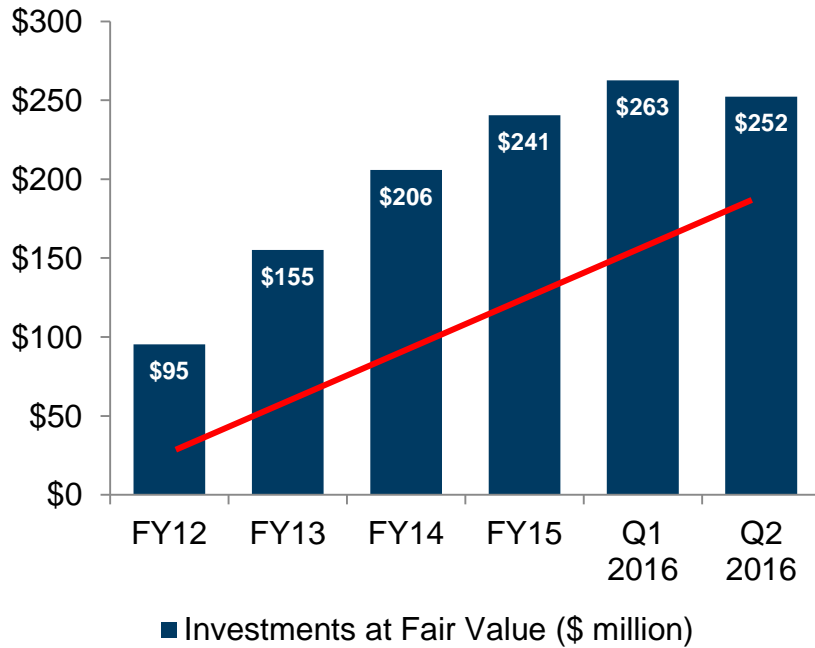
Continuing Momentum Through Q2 2016

Second quarter highlights:

- Consistent originations sustain assets under management amongst significant redemptions
 - AUM up 165% from FY12, down 4% since May 31, 2015 after \$27.4m redemptions
 - Continued to improve our investment quality and credit
 - Over 97% of loan investments with highest rating
- Continued improvements in key performance metrics year-over-year
 - Adjusted NII up 25%, Adjusted NII Yield up 150bps and Adjusted NII per share up 21%
- Declared new dividend of \$0.36 per share continuing increase in quarterly dividends and doubling of quarterly dividends in 12 months
 - Represents dividend for quarter ended August 31, 2015, payable on November 30, 2015 for all stockholders of record on November 2, 2015
- Continuing formal application toward second SBIC license following “green light” letter
- Commenced ATM baby bonds offering in June 2015
 - Issued \$8.9 million of baby bonds through August 31, 2015 at 1.4% average premium
- Formal share repurchase plan utilized - program also increased and extended to October 2016
- Continuing shareholder outreach and expansion

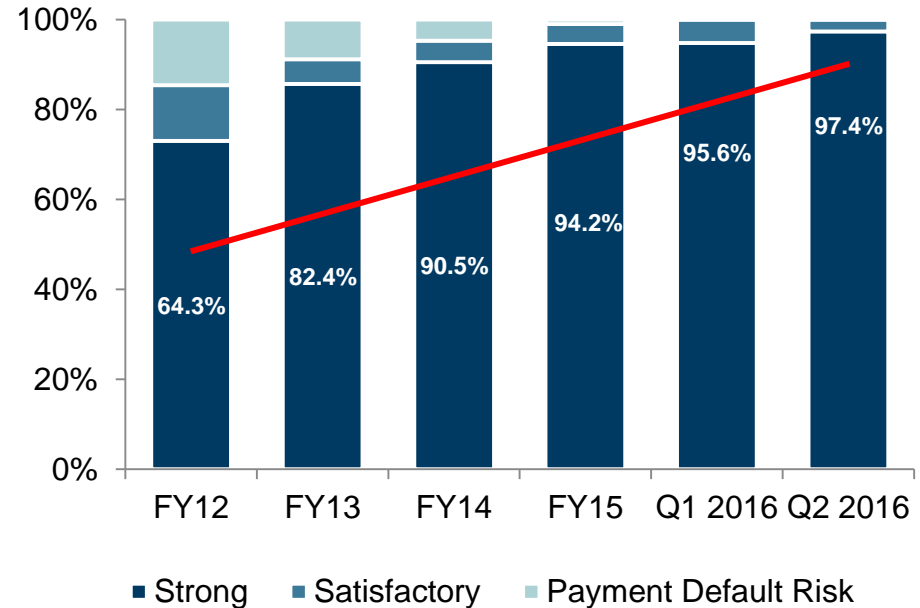
Increased Portfolio Growth and Quality

Asset Base Expansion Trend



Fair value of AUM decreased 4% during Q2 2016, while increasing 165% since FY 2012

Overall Credit Quality Continues Strong



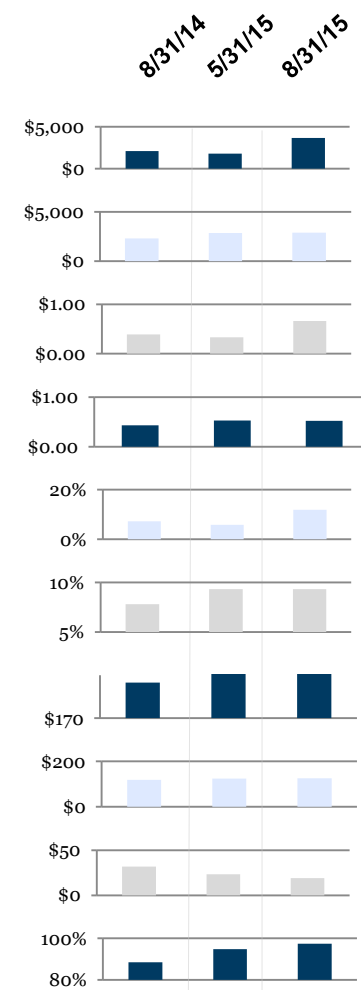
Over 97% of SAR loan investments hold our highest internal rating*

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

Financial Foundation Continues Strong

Key Performance Metrics for the Quarter

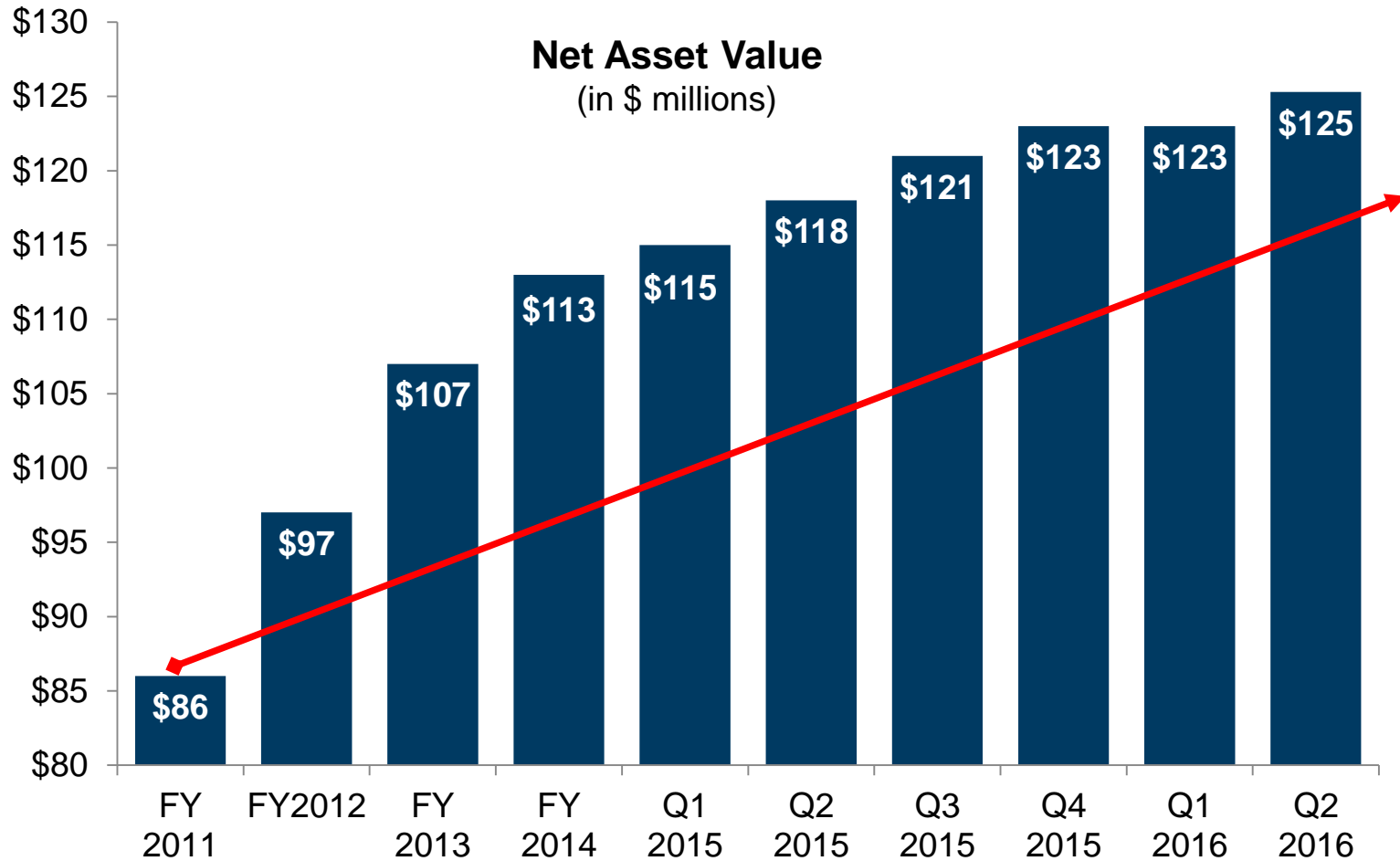
For the quarter ended and as of (\$ in millions except per share)	Aug 31, 2014**	May 31, 2015	Aug 31, 2015
Net investment income	\$2,093	\$1,771	\$3,657
Adjusted net investment income*	\$2,310	\$2,855	\$2,893
Net investment income per share	\$0.39	\$0.33	\$0.66
Adjusted net investment income per share*	\$0.43	\$0.53	\$0.52
Net investment income yield	7.2%	5.8%	11.8%
Adjusted net investment income yield*	7.8%	9.3%	9.3%
Fair value of investment portfolio	\$236.3	\$262.7	\$252.1
Total net assets	\$118.3	\$123.5	\$125.3
Investments in new/existing portfolio companies	\$31.7	\$23.2	\$18.9
Loan Investments held in "strong" credit ratings	88.5%	95.6%	97.4%



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

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

Net Asset Value Consistently Growing



Significant Dry Powder Available

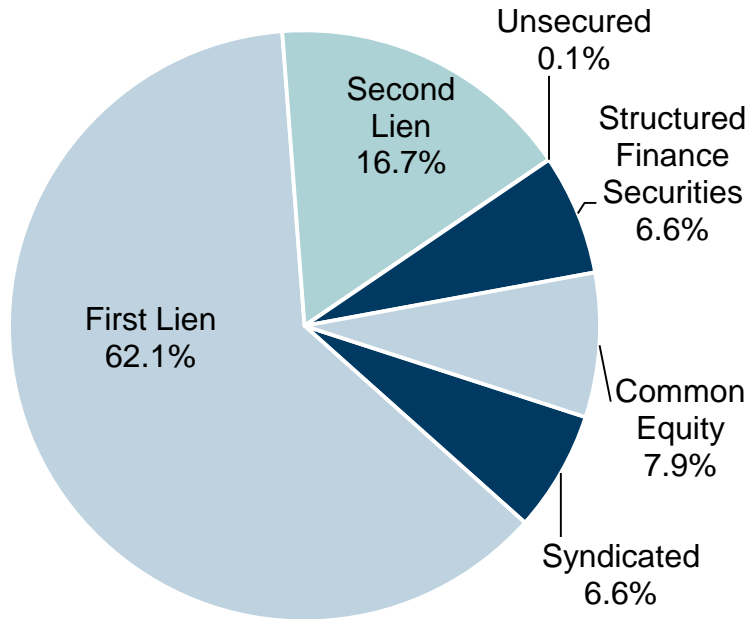
	Total Borrowing Capacity (As of Aug 31, 2015)	Outstanding (As of Aug 31, 2015)	Available Liquidity (As of Aug 31, 2015)
Secured Revolving Credit Facility	\$45.0 million	\$2.0 million	\$43.0 million
SBA Debentures	\$150.0 million	\$79.0 million	\$71.0 million
Publicly-Traded Notes (at fair value)	\$57.5 million	\$57.5 million	\$0.0
Cash and Cash Equivalents	\$12.6 million	\$0.0	\$12.6 million
Total Available Liquidity:			\$126.6 million*

* Ability to grow AUM by over 50% without any external financing

Portfolio Composition and Yield

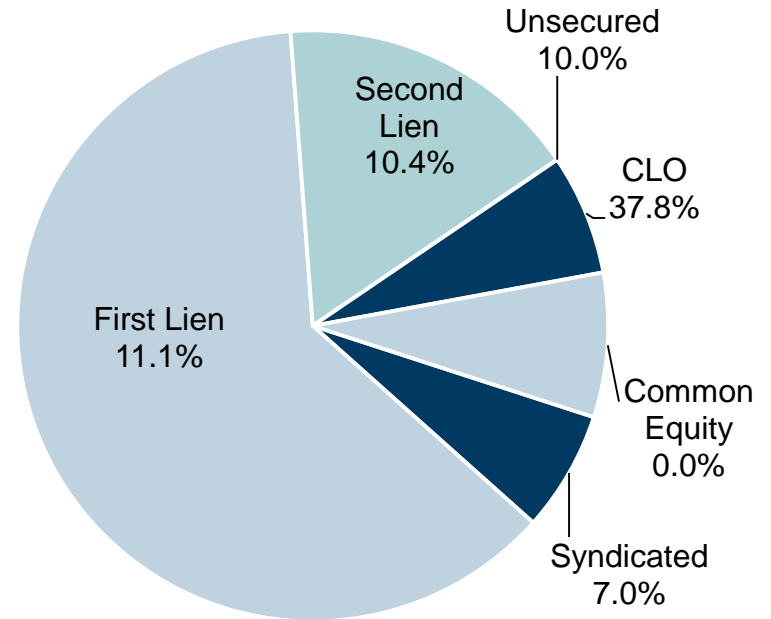
Portfolio Composition – \$252m

(Based on Fair Values
as of August 31, 2015)



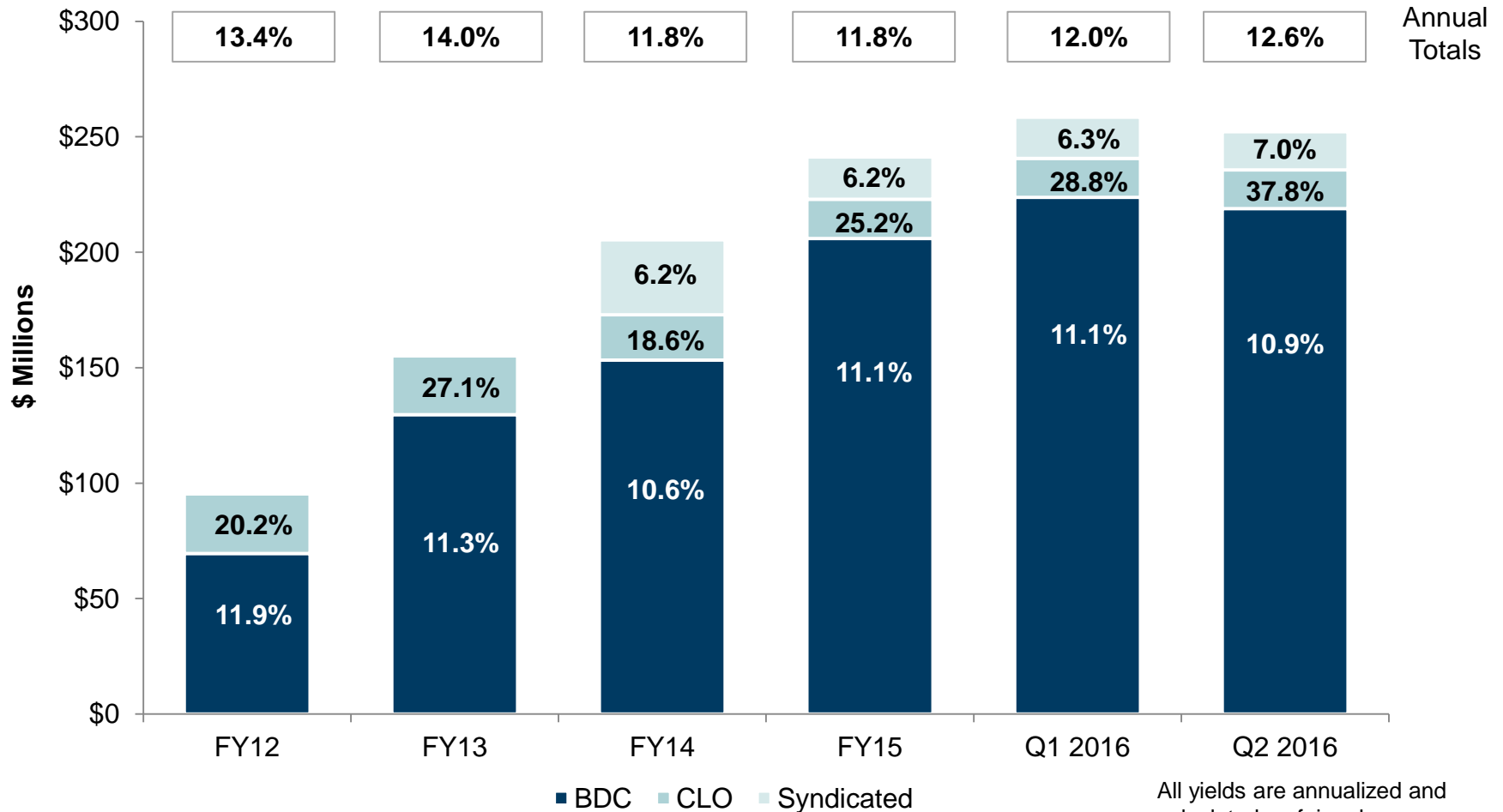
Portfolio Yield – 12.6%

(Weighted Average
Current Yield of Existing Portfolio)



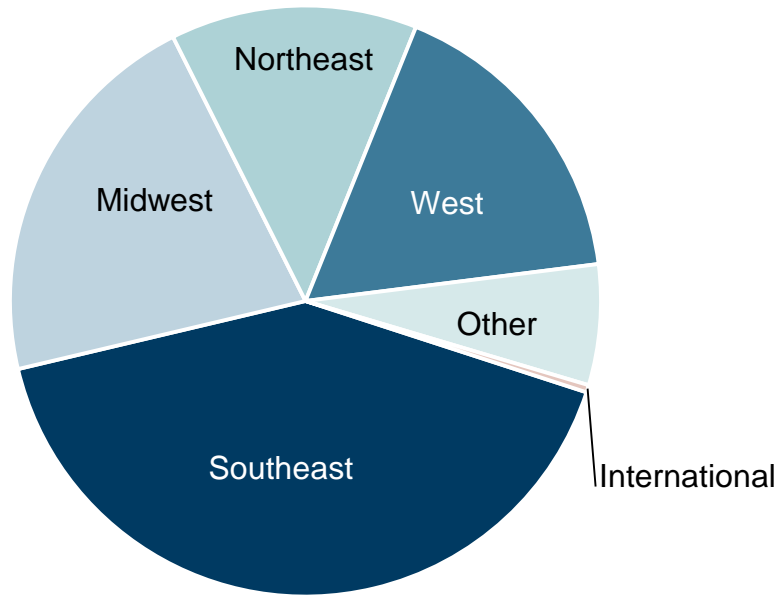
Yield of BDC Remains Strong

Weighted Average Current Yields

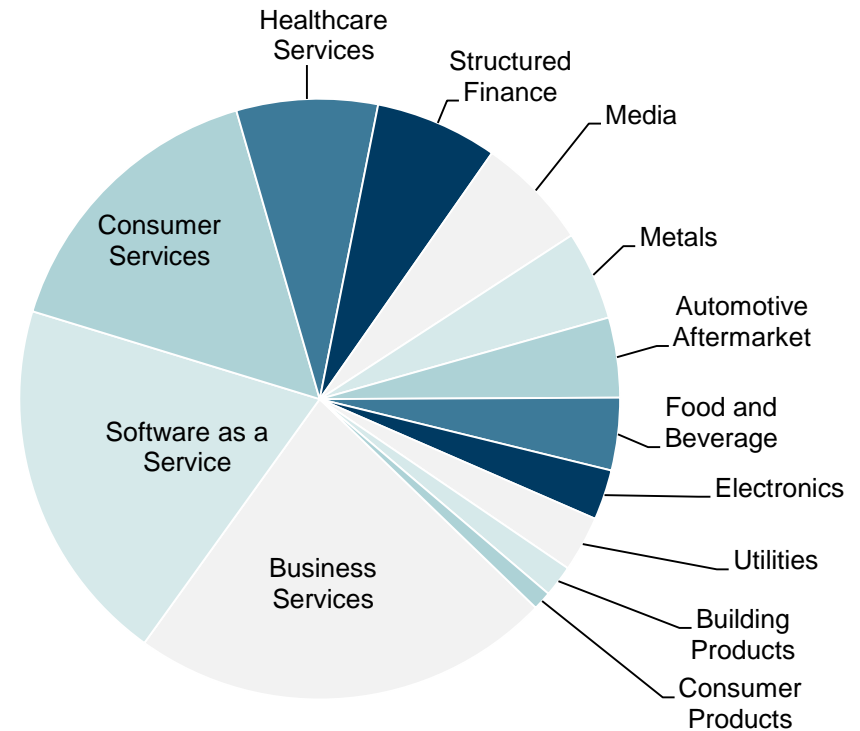


Diversified Across Industry and Geography

Investments diversified geographically

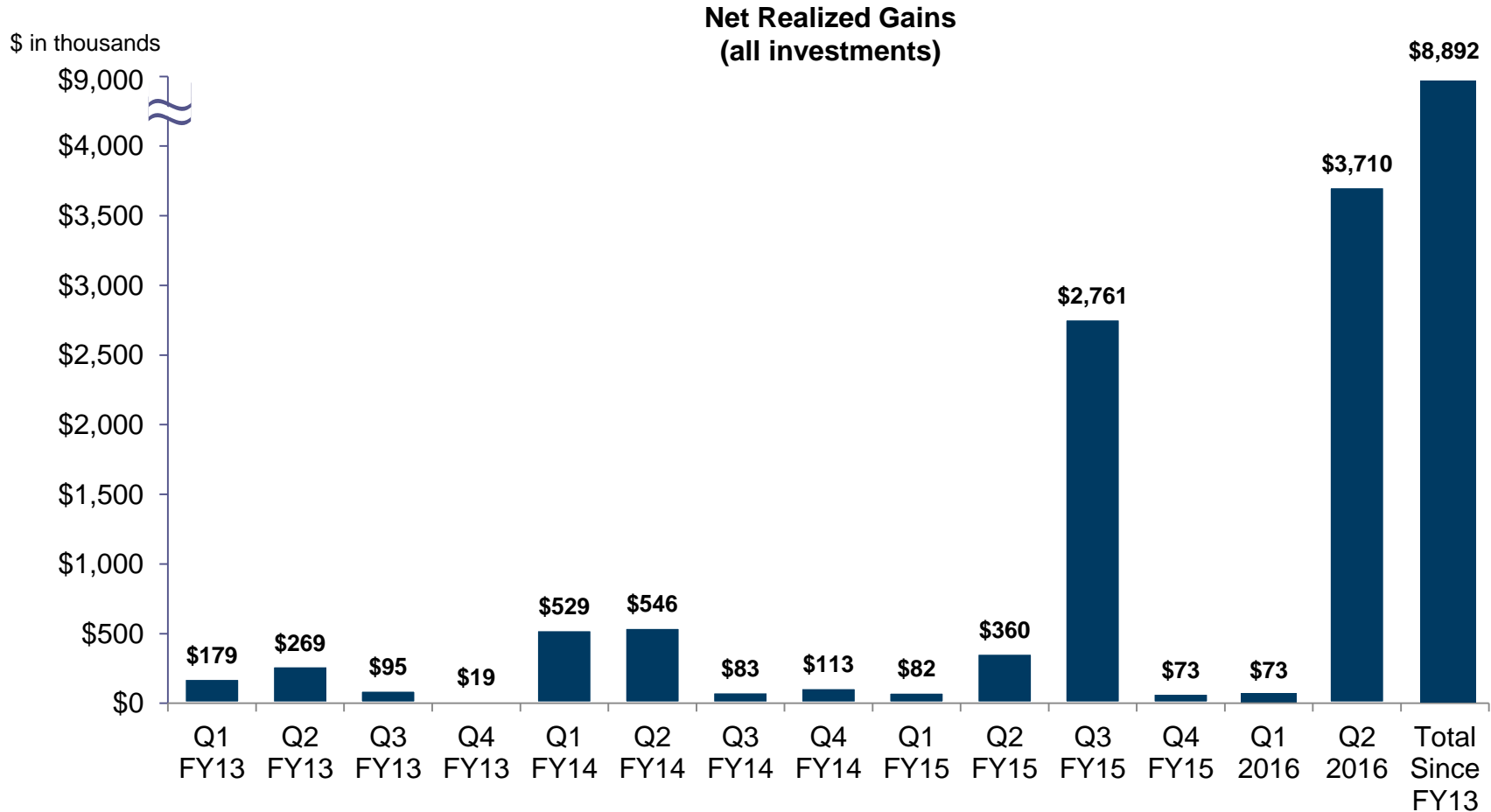


Investments across 13 distinct industries



Net Realized Gains Help Protect Shareholder Capital

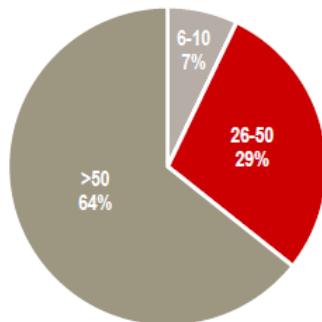
Cumulative net realized gains reflect portfolio credit quality



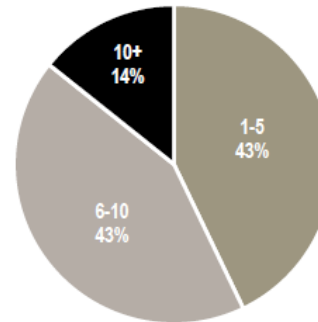
More Opportunities With Fewer Closings

Quarterly survey of junior debt participants to measure market conditions and transaction terms for Q2 2015.

Transactions Reviewed



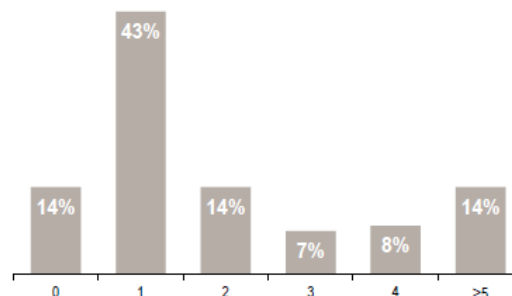
LOIs Submitted



93% > 25 opportunities v
84% and 89% in prior two
quarters

100% submitted 1+ LOI v
95% last quarter

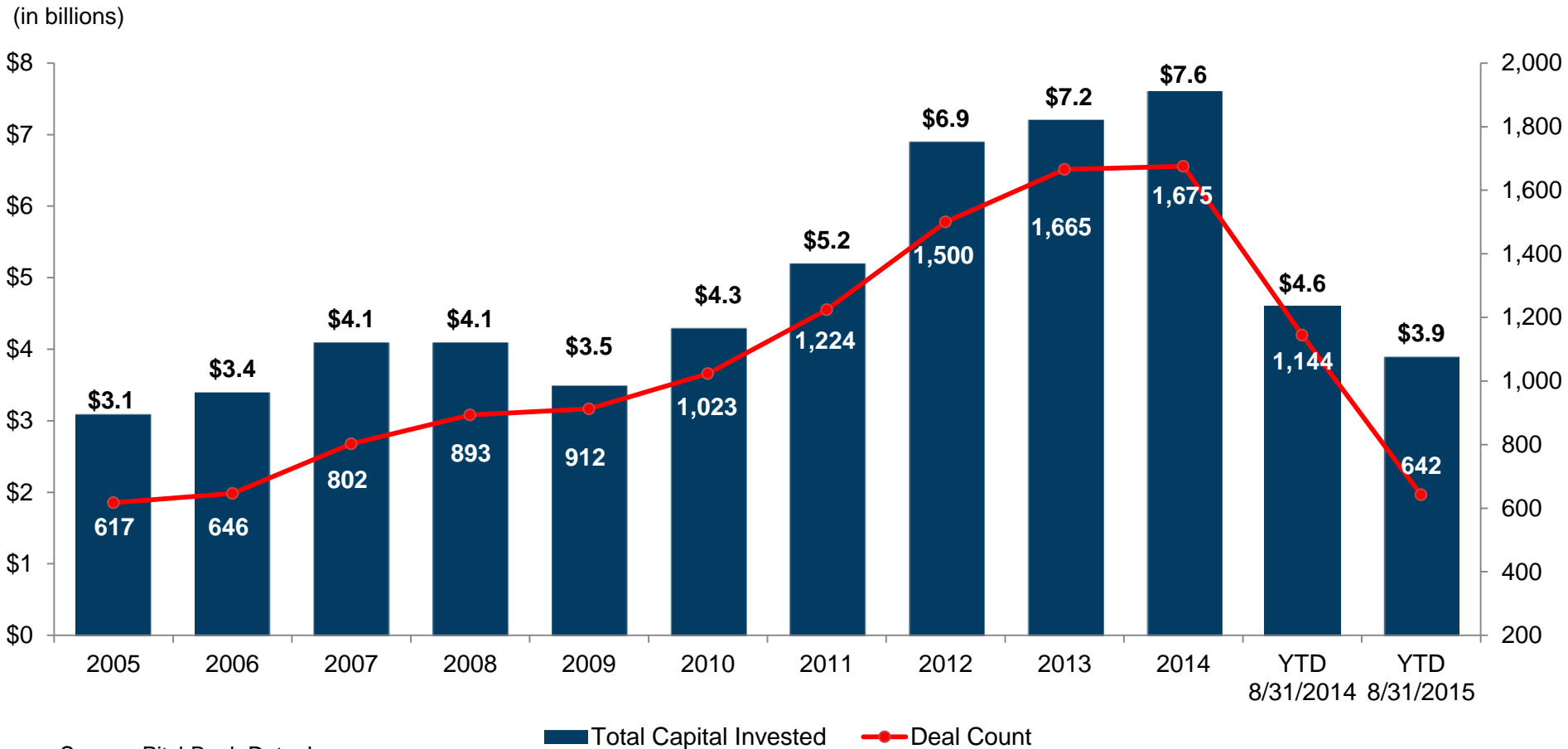
Transactions Closed



Only 43% closed more than
one transaction v 62% last
quarter

Deal Sizes in US Below \$25m Down Significantly

2015 transactions for US deals below \$25MM was down about 44% from the previous year.



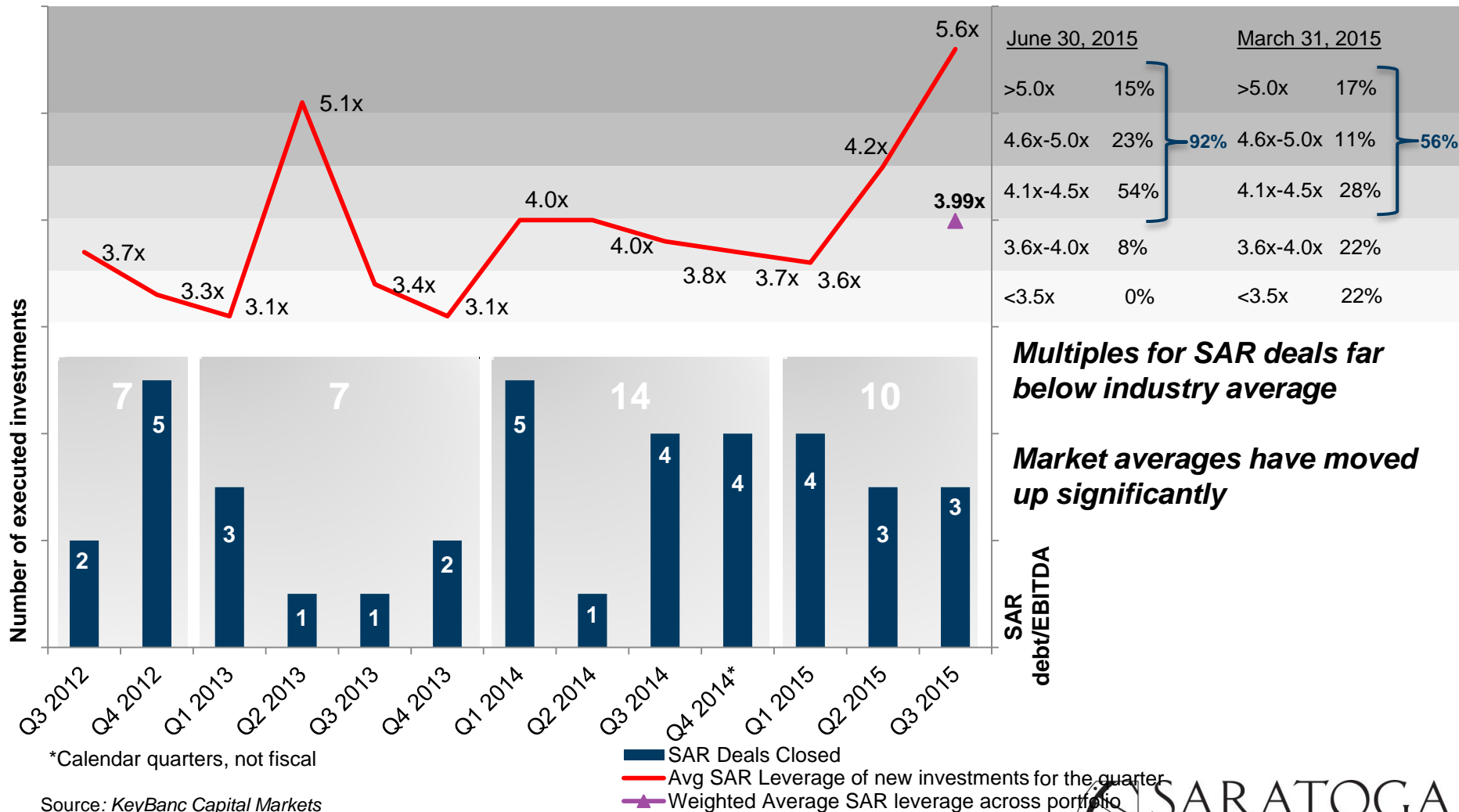
Source: PitchBook Data, Inc.

Exercising Disciplined Investment Judgment

SAR Debt Multiples/Deals Closed (2012-2015)

Total Portfolio Leverage is 3.99x

Market Average Multiples
(Total Debt/EBITDA)



*Calendar quarters, not fiscal

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.

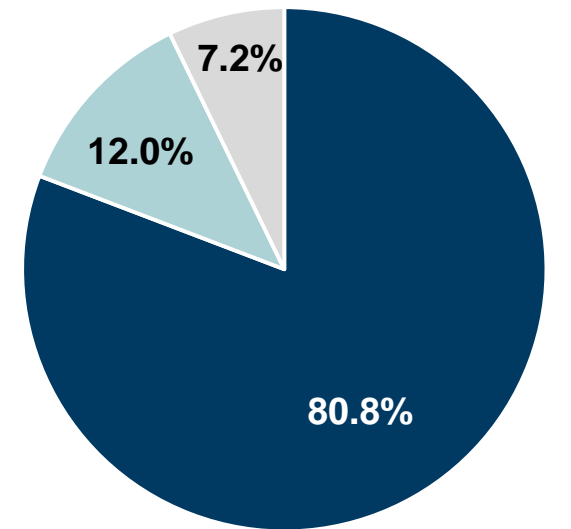
Calendar	2013	Δ	2014	Δ	2015*	
Deals Sourced	448	7% →	479	24% →	595	<ul style="list-style-type: none"> • 37% of deal flow from private equity sponsors • 63% of deals from private companies without institutional ownership
Term Sheets	37	24% →	46	24% →	57	<ul style="list-style-type: none"> • Saratoga issues an average of 14 terms sheets per quarter • ~60% of term sheets are issued for transactions involving a private equity sponsor
Deals Executed	7	(100%) →	14		12	<ul style="list-style-type: none"> • Saratoga closes an average of 3 deals per quarter, 2% of deals reviewed • Q4 historically strong

* Represents LTM September 2015

SBIC Portfolio Primarily Senior Debt

- SBIC portfolio consists of 31 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 3.9x.
 - 80.8% of the SBIC portfolio consists of senior debt investments, up from 74.7% in May 2015.
 - 12.0% of the SBIC portfolio consists of second lien/subordinated debt investments.

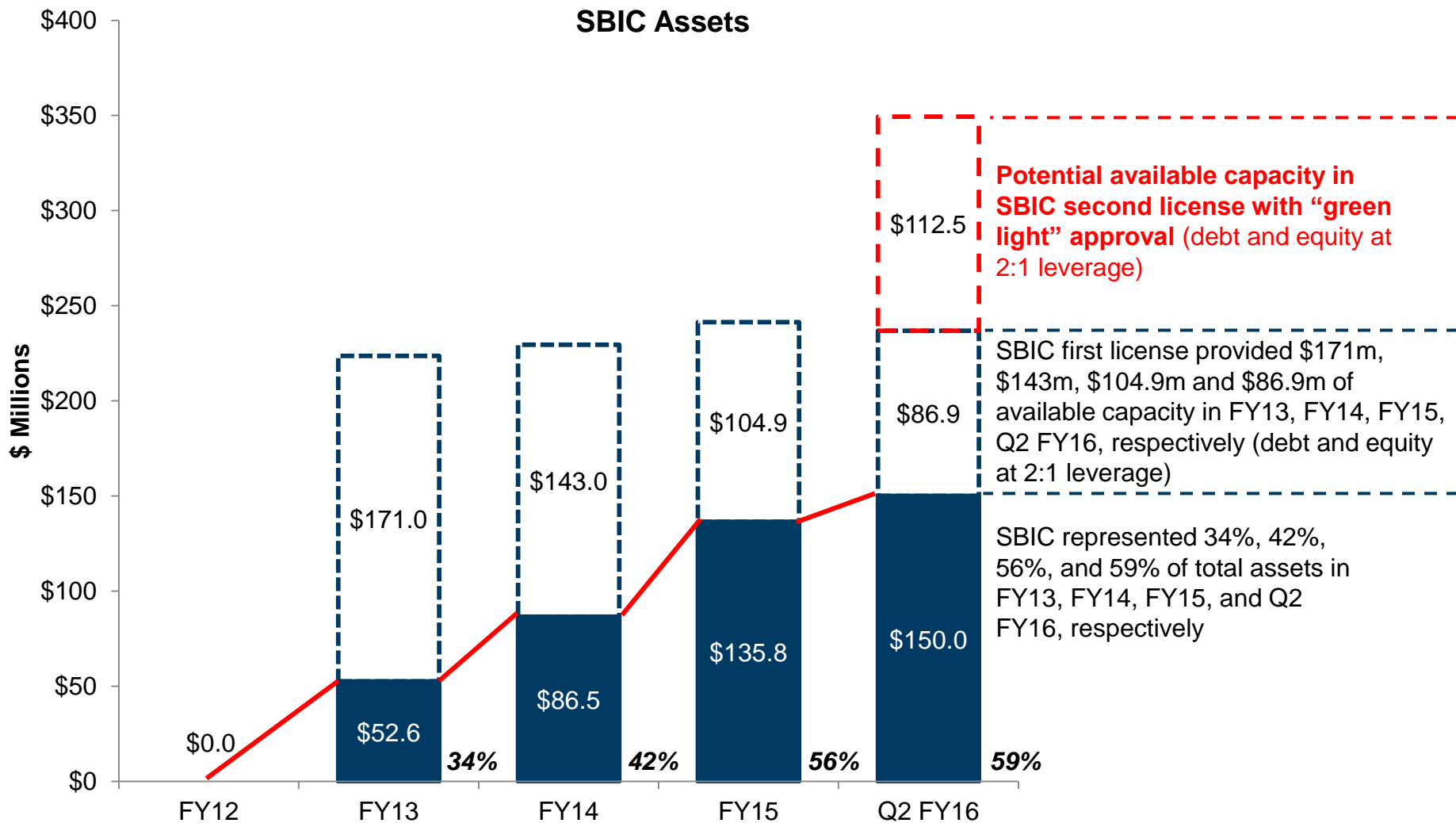
Composition of SBIC Portfolio ¹



- Senior Debt
- Second Lien/Subordinated Debt
- Equity/Warrants

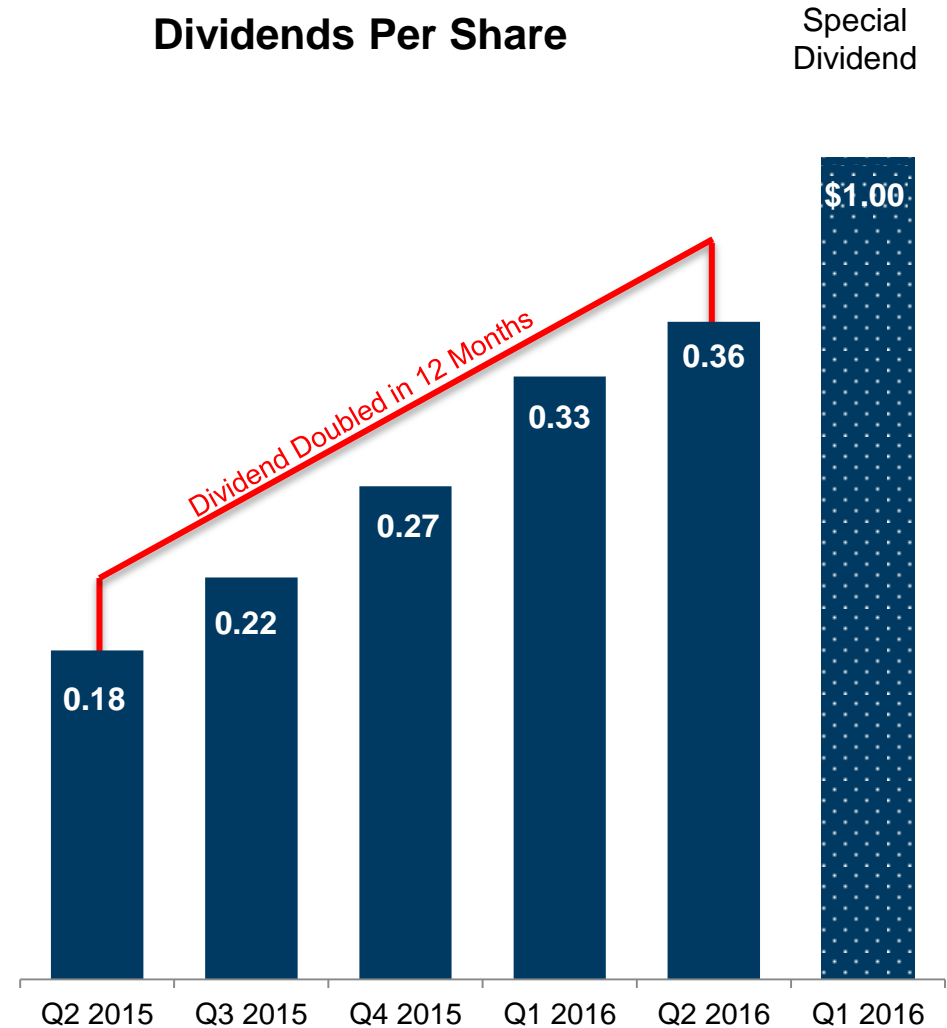
¹ Based on market value as of August 31, 2015

SBIC Assets Continue to Grow



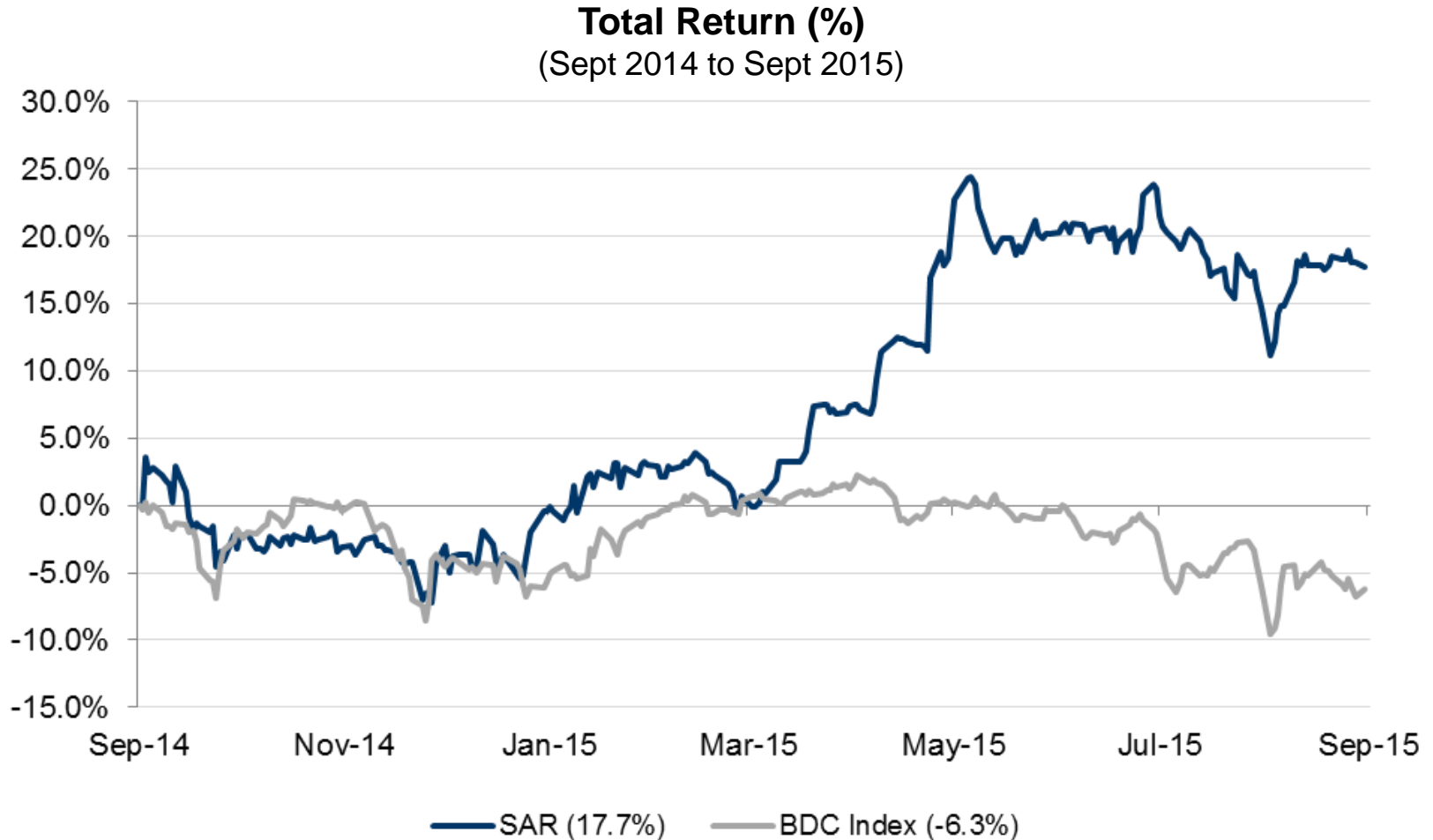
Dividends Continue to Increase

- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Announced special dividend pursuant to DRIP, and meeting RIC requirements in Q1
- Declared Q2 dividend of \$0.36, doubling our quarterly dividend in 12 months



SAR Total Return Outperforms BDC Index

While BDC Index is negative, SAR Total Return for LTM is 17.7%



Source: Keefe, Bruyette & Woods

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

▶ **Growing dividend**

Paying at current dividend yield of approx. 8.8%, doubled quarterly dividend over past 12 months

▶ **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 50%

▶ **Strong earnings per share and NII Yield**

Attractive NII per share and high teens ROE generated from strong risk-adjusted portfolio returns and SBIC 2-to-1 leverage

▶ **Commitment to AUM expansion**

Assets under management has steadily grown 165% since FY 2012

▶ **No realized write-downs**

High quality portfolio a result of careful and disciplined capital deployment. Numerous BDCs now suffering significant value adjustments.

▶ **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 Next Quarter

- 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 SBIC financing to build scale and increase our AUM and net investment income/yield, enabling us to achieve growth in:
 - Net Asset Value
 - Stock Values

Questions?



SARATOGA
INVESTMENT CORP.