

Saratoga Investment Corp.

**Fiscal Third Quarter 2018
Shareholder Presentation**

January 11, 2018



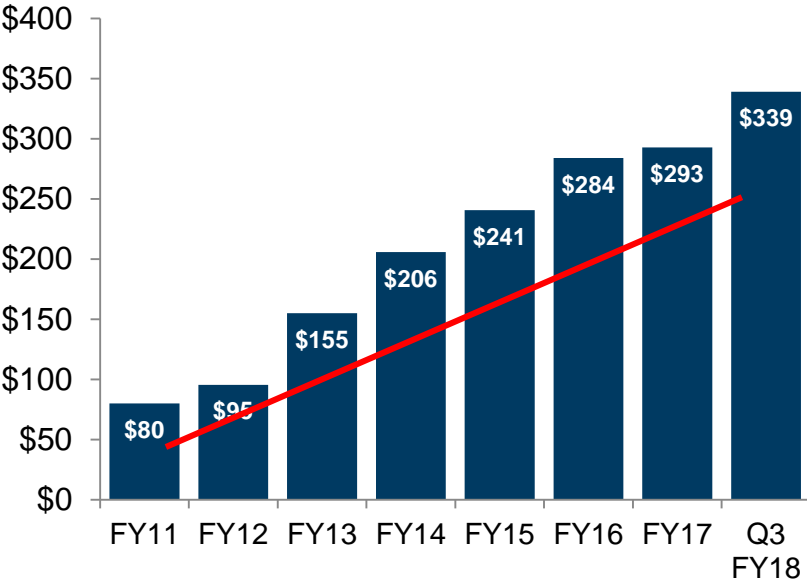
Continued Progress to Core Objectives in Q3 2018

Fiscal Third Quarter 2018 Highlights:

- Continued strengthening of financial foundation
 - Investment quality remains strong
 - 97.2% of loan investments with highest rating
 - Return on equity of 10.2% LTM, up from 8.3% last quarter and beating BDC industry mean of 8.4%
 - Gross Unlevered IRR of 12.4% on total unrealized portfolio as of November 30, 2017
 - Gross Unlevered IRR of 16.3% on \$234.6 million of total realizations
- Consistent strong long-term originations contribute to growing assets under management
 - AUM up 16% since year-end, up 324% since FY11
 - \$5.2 million of originations in Q3 offset repayments of \$1.8 million
- Latest dividend of \$0.49 per share continued thirteenth increase in quarterly dividends
 - Over-earning our current dividend by 10.2% - \$0.54 adjusted NII/share for LTM
- Base of liquidity remains strong - existing available liquidity allows us to increase current AUM by 20%
- ATM equity program – as of November 30, 2017, sold 266,113 shares for gross proceeds of \$6.0 million
 - Average price of \$22.49 per share
- Key performance indicators up in Q3 versus last year
 - Adjusted NII of \$3.3 million is up 7%, Adjusted NII per share of 54c is up 1c, Adjusted NII yield of 9.6% is up 10bps and NAV per share of \$22.58 is up 61c

Continued Asset Growth and Improving Credit Quality

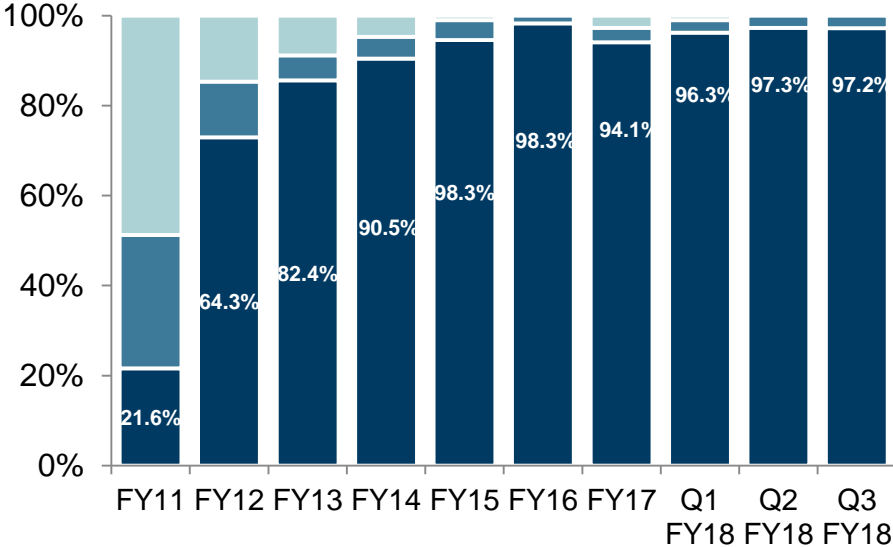
Asset Base Expansion Trend



■ Investments at Fair Value (\$ million)

Fair value of AUM increased 16% since year-end, and 324% since FY11

Credit Quality Improved Significantly



■ Performing ■ Underperforming ■ Expected loss of Principal

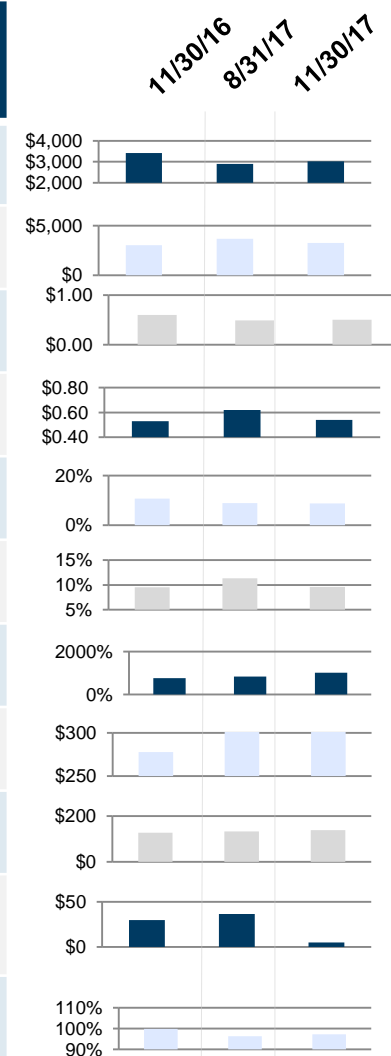
Over 97% of our SAR loan investments hold our highest internal rating; one on non-accrual at quarter-end*

* Excludes our investment in our CLO, and our equity and written-off legacy investments.

Q3 FY18: Strong Financial Foundation and Growth

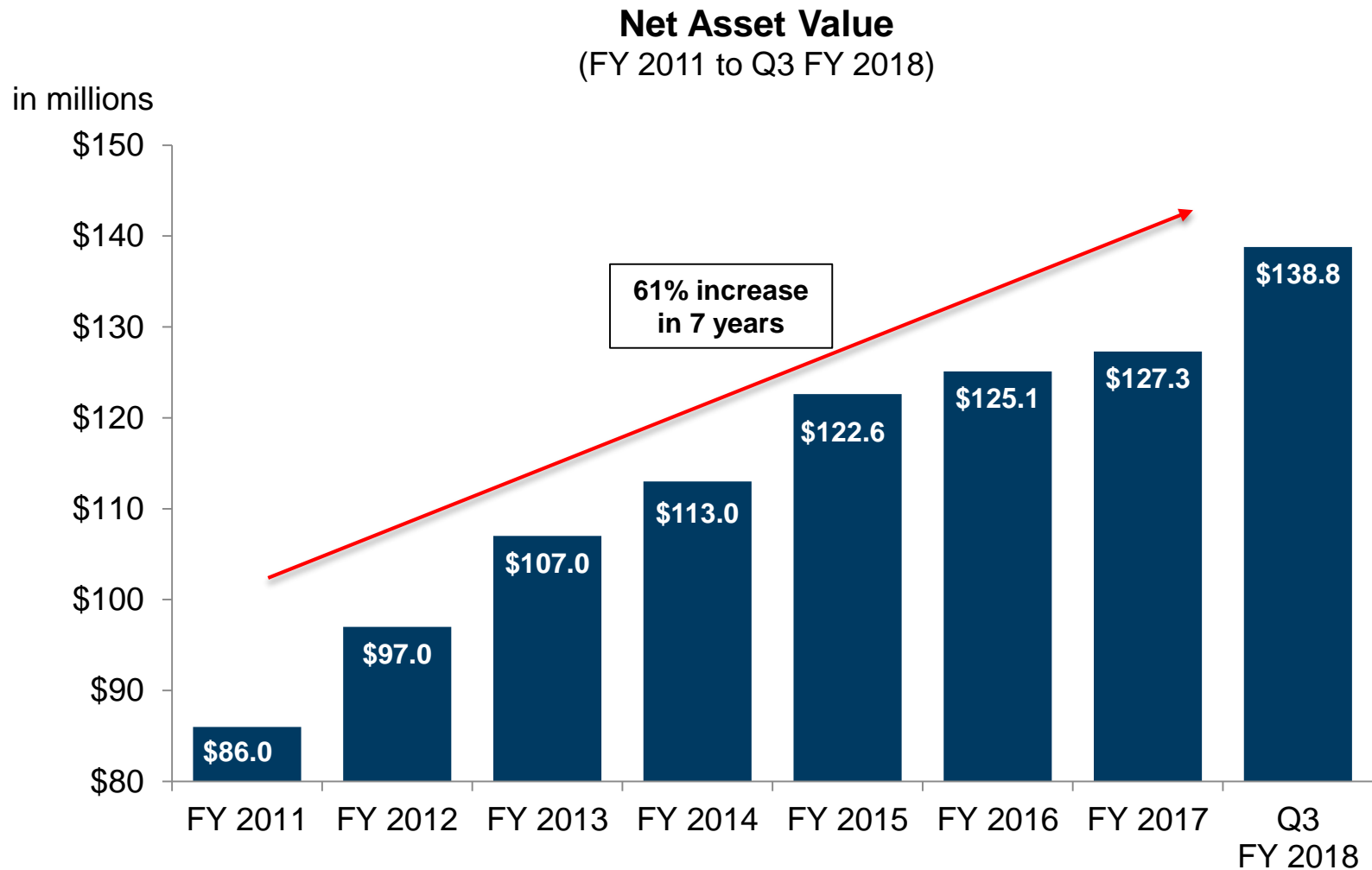
Key Performance Metrics for the Fiscal Quarter

For the quarter ended and as of (\$ in millions except per share)	Nov 30, 2016	Aug 31, 2017	Nov 30, 2017
Net investment income	\$3,419	\$2,891	\$3,015
Adjusted net investment income*	\$3,050	\$3,680	\$3,264
Net investment income per share	\$0.60	\$0.49	\$0.50
Adjusted net investment income per share*	\$0.53	\$0.62	\$0.54
Net investment income yield	10.7%	8.9%	8.8%
Adjusted net investment income yield*	9.5%	11.3%	9.6%
Return on Equity – Last Twelve Months	7.7%	8.3%	10.2%
Fair value of investment portfolio	\$277.6	\$333.0	\$338.8
Total net assets	\$127.7	\$133.5	\$138.8
Investments in new/existing portfolio companies	\$30.1	\$36.7	\$5.2
Loan Investments held in “strong” credit ratings	96.7%	97.3%	97.2%



*Adjusted for accrued capital gains incentive fee expense, and interest during call period and loss on extinguishment of existing baby bonds debt, reconciliation to GAAP net investment income included in our fiscal third quarter 2018 earnings release.

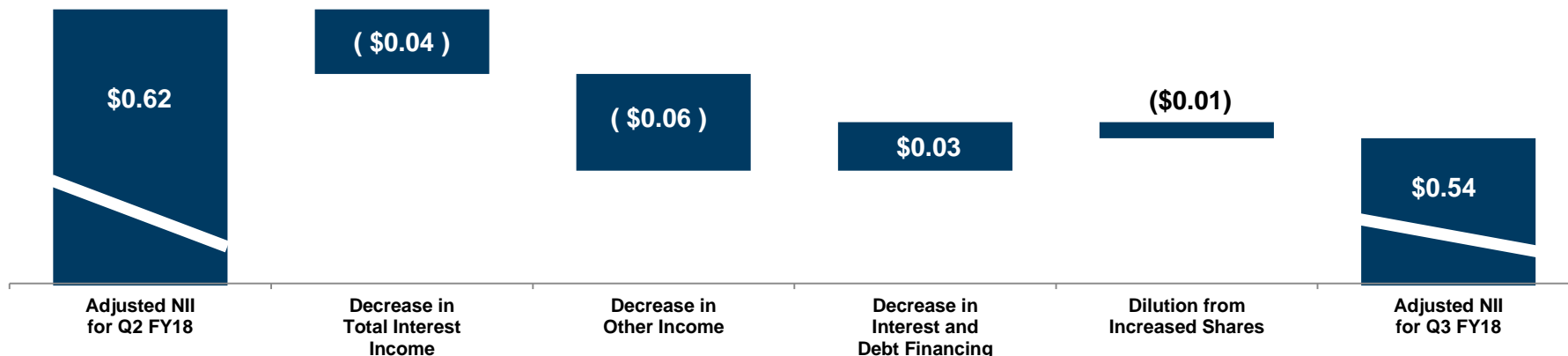
NAV Continues to Benefit from Realizations



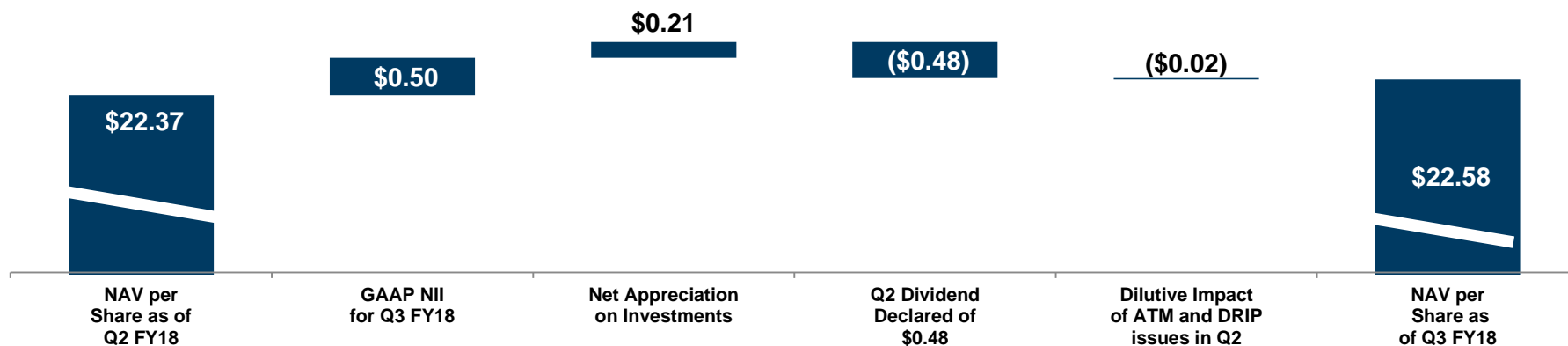
Quarterly Reconciliation of NII and NAV per Share

Reconciliation of Quarterly NII per Share

- Impacts are shown net of incentive fee



Reconciliation of Quarterly NAV per Share



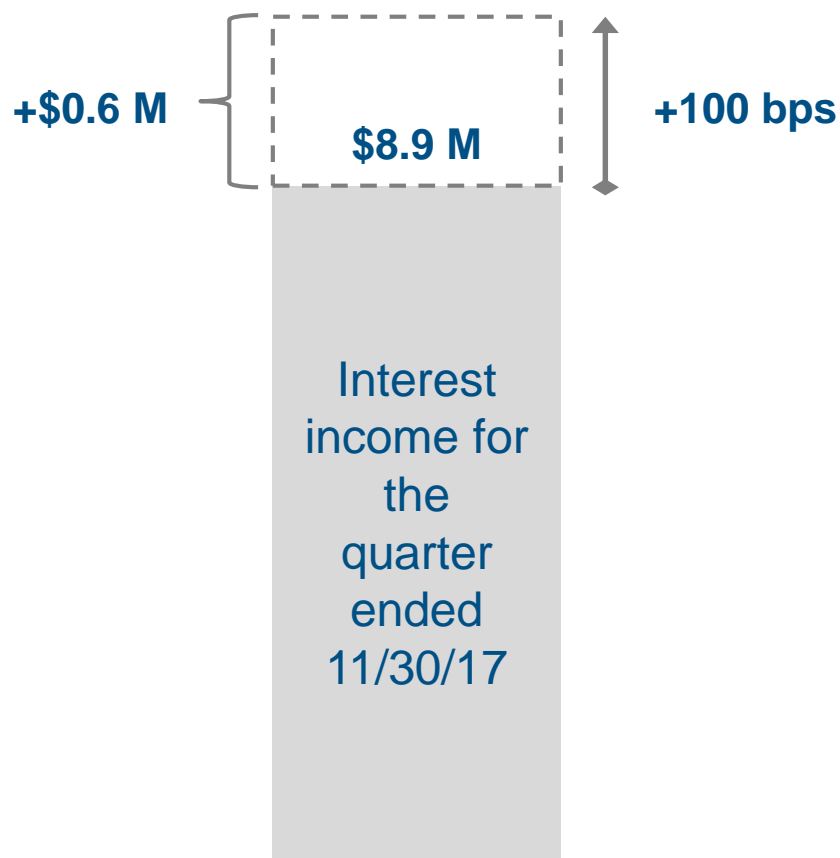
Significant Dry Powder Available

(As of Nov 30, 2017)	Total Borrowing Capacity	Outstanding	Available Liquidity	Maturity Period	Fixed / Floating Rate
Secured Revolving Credit Facility	\$45.0 million	\$1.0 million	\$44.0 million	8 Years	Floating
SBA Debentures	\$150.0 million	\$134.7 million	\$15.3 million	6-10 years	Fixed
Publicly-Traded Notes (at fair value)	\$78.3 million	\$78.3 million	\$0.0 million	7 Years	Fixed
Cash and Cash Equivalents	\$8.7 million	\$0.0 million	\$8.7 million	-	-
Total Available Liquidity (at quarter-end): \$ 68.0 million					

* Ability to grow AUM by 20% without any new external financing

SAR Benefits from Increased Interest Rates

Interest Income Grows with Higher Interest Rates

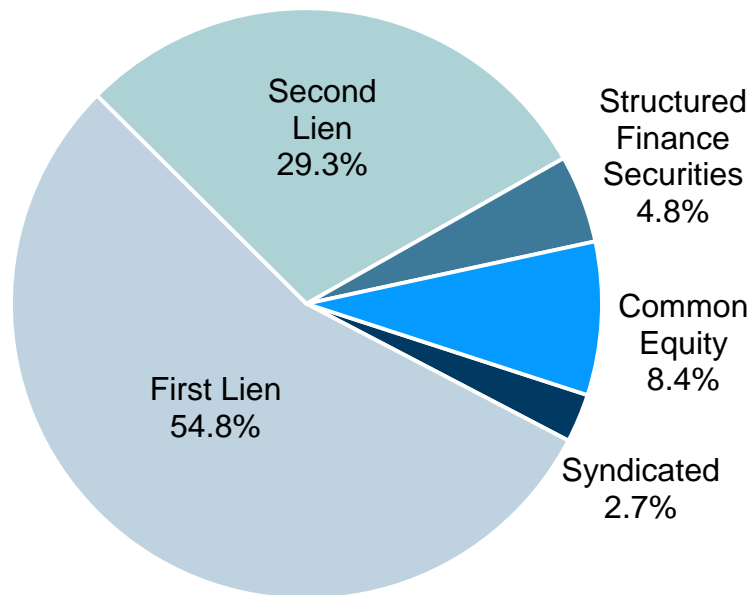


- 84% of SAR lending at floating rates
- Hypothetical 1% change in interest rates would result in ~\$0.6 million increase in interest income over the quarter (\$2.4 million per year)
 - Assumes investments as of 11/30/17 outstanding for full quarter and no change to existing rate terms

Portfolio Composition and Yield

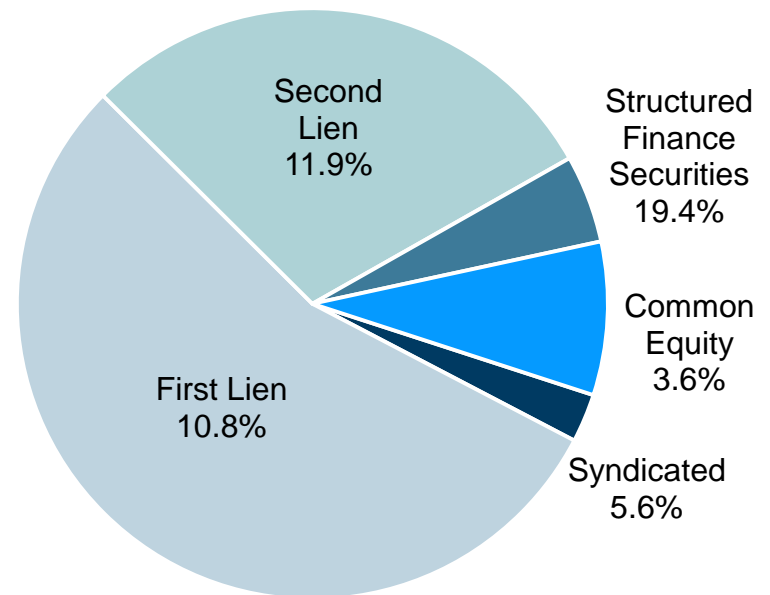
Portfolio Composition – \$338.8 m

(Based on Fair Values
as of November 30, 2017)



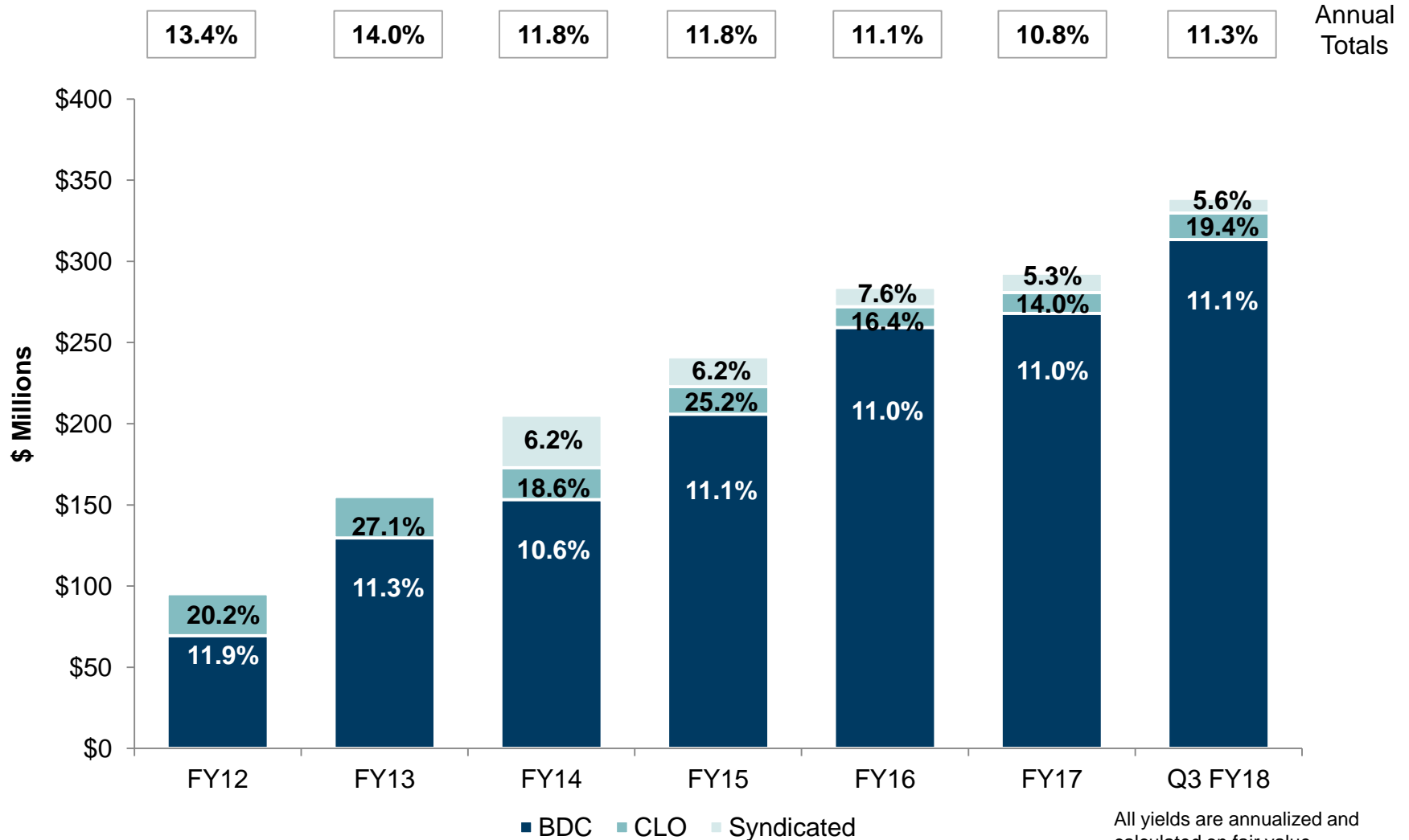
Portfolio Yield – 11.3%

(Weighted Average
Current Yield of Existing Portfolio)



Yield of BDC Remains Strong and Consistent

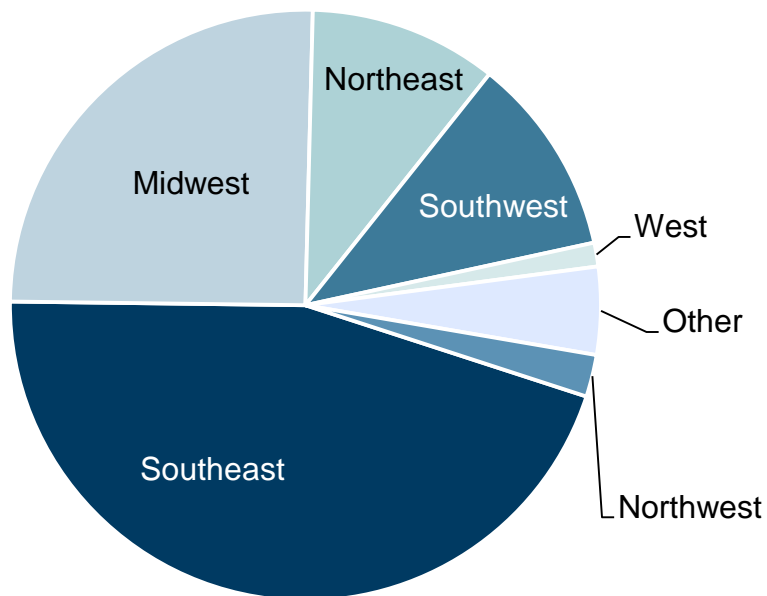
Weighted Average Current Yields



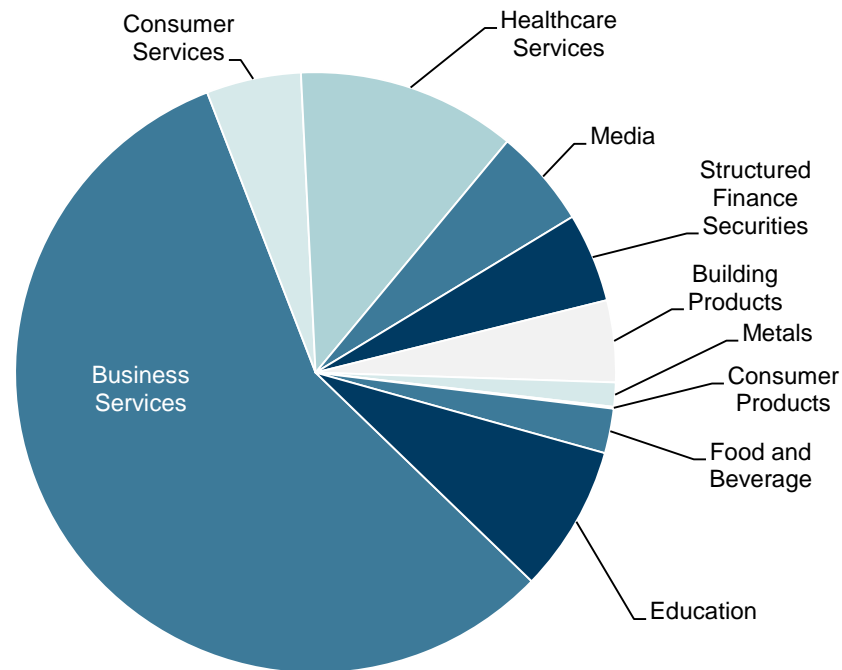
All yields are annualized and calculated on fair value

Diversified Across Industry and Geography

Investments diversified geographically

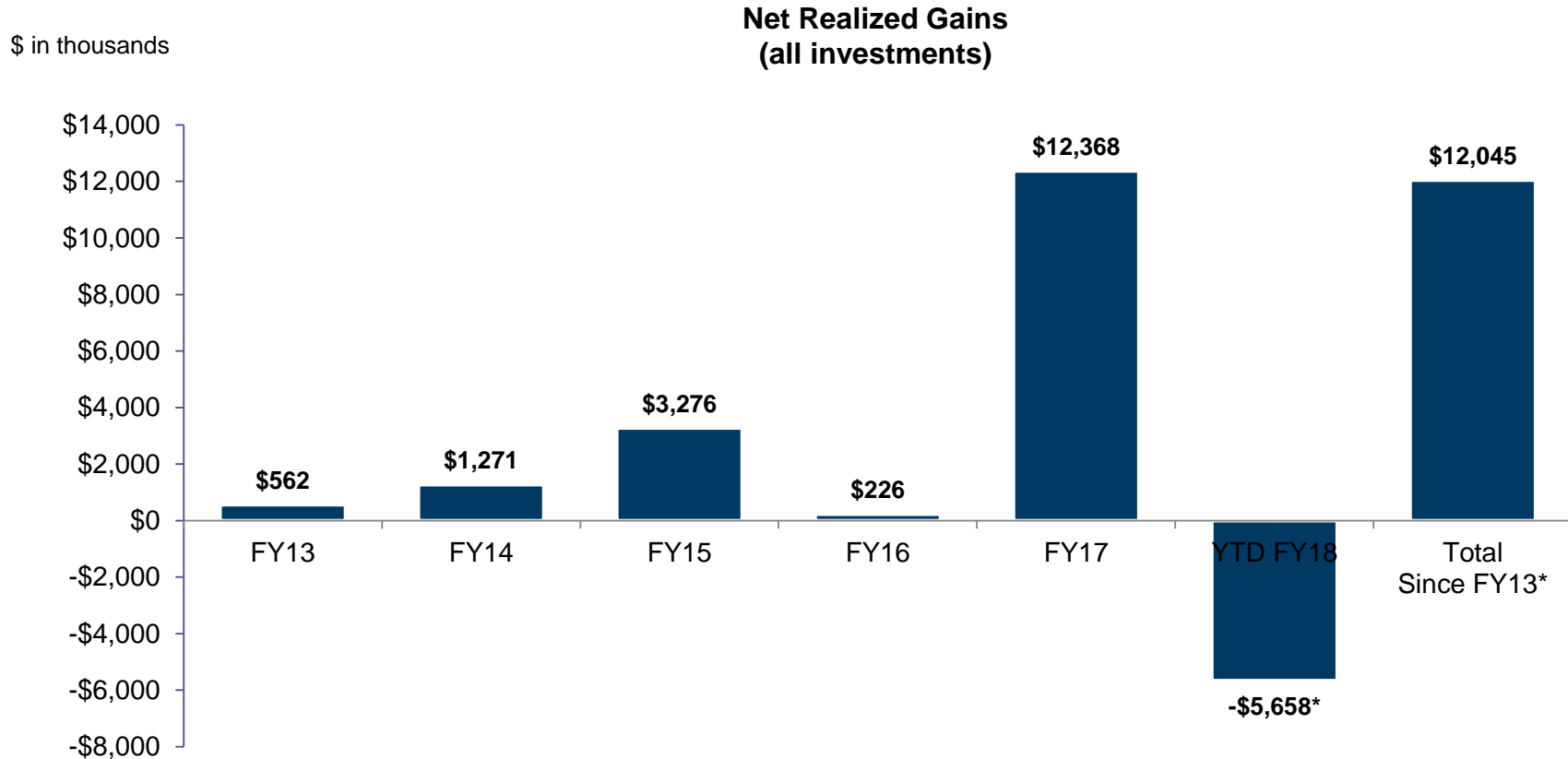


Investments across 9 distinct industries



Net Realized Gains Help Protect Shareholder Capital

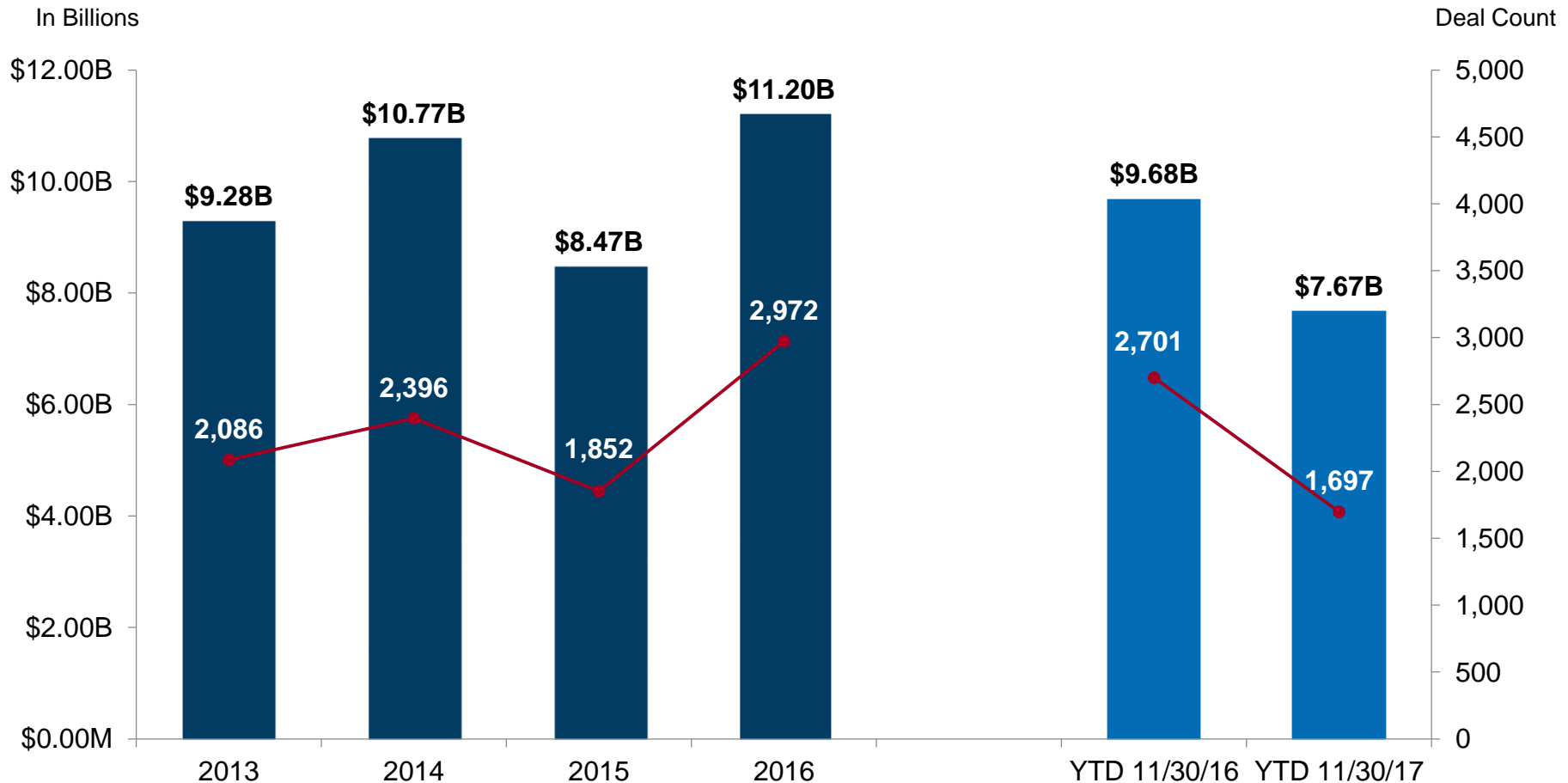
Cumulative net realized gains reflect portfolio credit quality



* Reflects realized loss on My Alarm Center investment of \$7.7m less \$2.0m in other realized gains

US Deal Activity Below \$25m Continues to Decrease

- YTD November transactions for US deals below \$25 million down by 37% over same period last year



Source: PitchBook Data, Inc.

■ Total Capital Invested

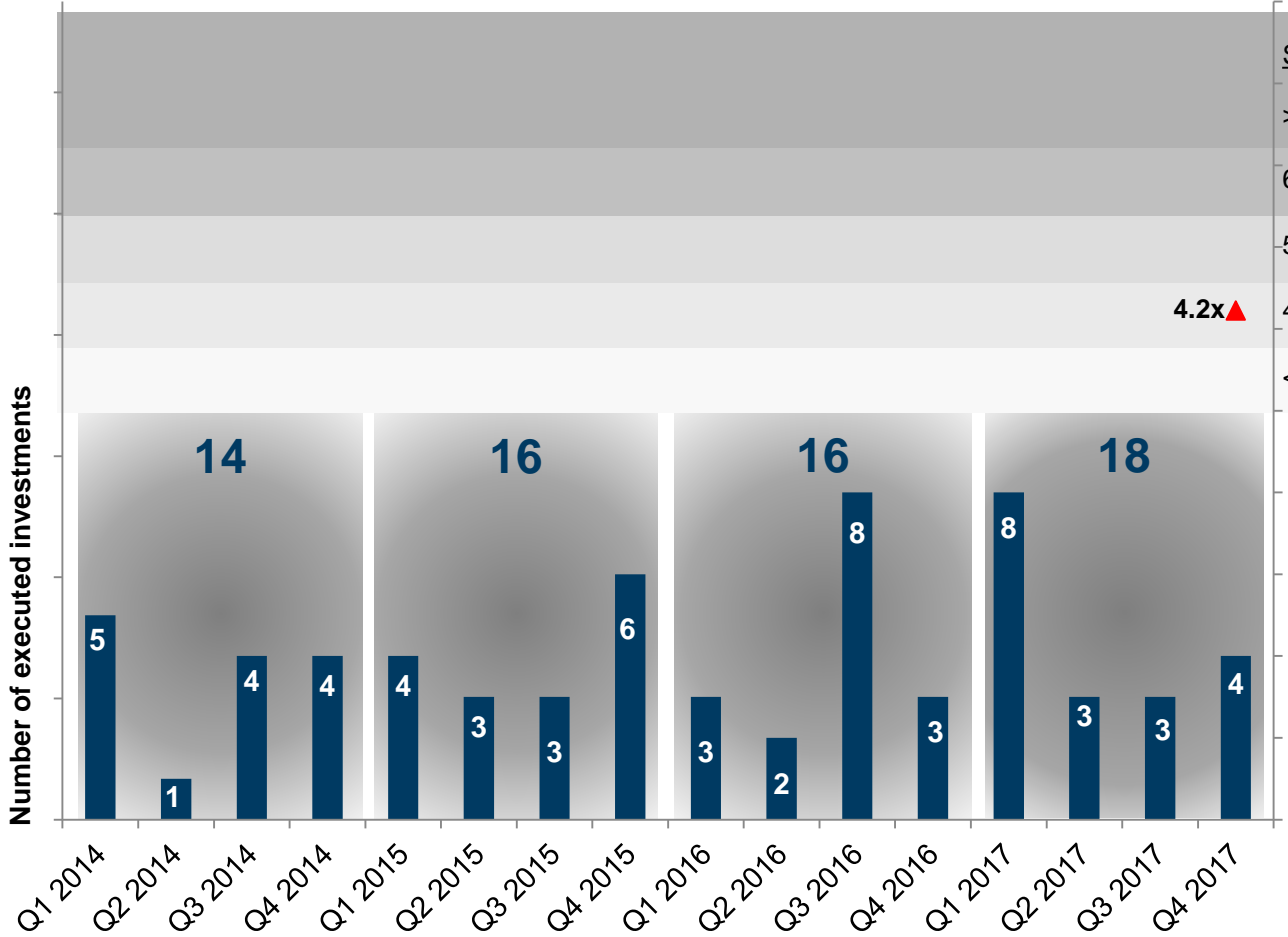
● Deal Count

Exercising Disciplined Investment Judgment While Growing Origination Pace

SAR Debt Multiples/Deals Closed (2014-2017)

Total Portfolio Leverage is 4.2x

Market Average Multiples
(Total Debt/EBITDA)



September 30, 2017*		June 30, 2017*	
>7.0x	0.0%	>7.0x	0.0%
6.0x-6.9x	33.4%	6.0x-6.9x	60.0%
5.0x-5.9x	50.0%	5.0x-5.9x	30.0%
4.0x-4.9x	8.3%	4.0x-4.9x	10.0%
<4.0x	8.3%	<4.0x	0.0%

4.2x▲

Multiples for SAR deals at low end of industry average

Market averages significantly over 5.0x

SAR debt/EBITDA

*Calendar quarters, not fiscal

■ SAR Deals Closed
▲ Weighted Average SAR leverage across portfolio

Source: S&P Global market Intelligence US:Q4 2017, issuers with EBITDA less than or equal to \$50m. The data has limitations due to a small sample size but that it does reflect trend toward increasing leverage



Robust Pipeline During Tough Execution Market

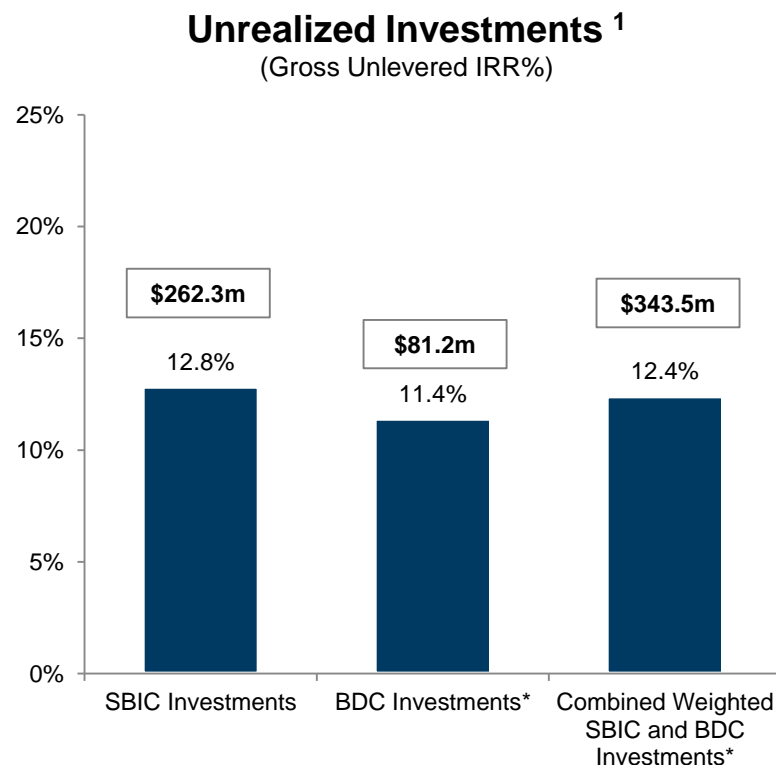
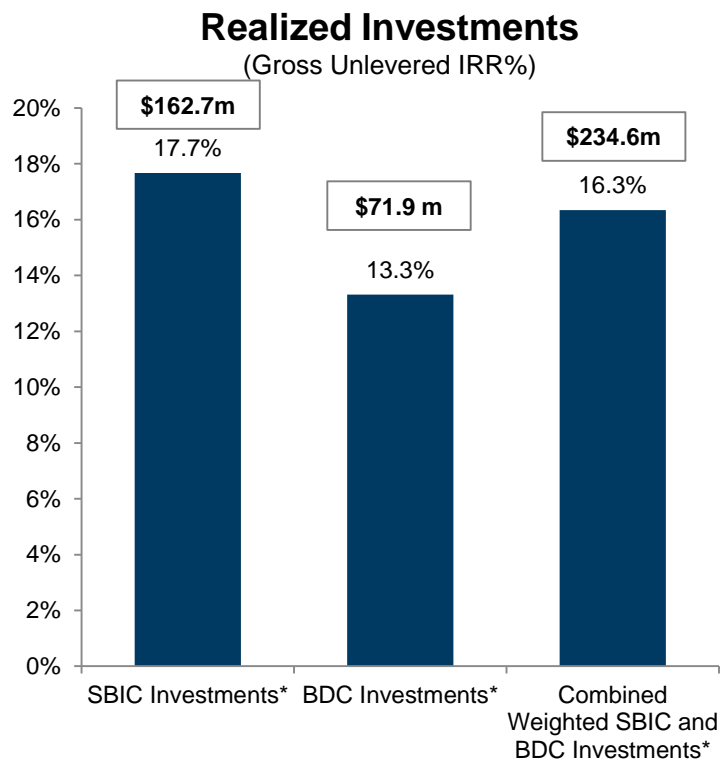
Despite a difficult market to close deals, the number of new business opportunities is increasing for us, yet we remain as disciplined as ever.

Calendar	2014	Δ	2015	Δ	2016	Δ	2017
Deals Sourced	480	28%	613	5%	645	12%	722
Term Sheets	48	40%	67	(28%)	48	2%	49
Deals Executed (new and follow-on)	14	14%	16	-	16	13%	18

- 50% of deal flow from private equity sponsors
- 50% of deals from private companies without institutional ownership
- Saratoga issues an average of 13 term sheets per quarter
- ~ 80% of term sheets are issued for transactions involving a private equity sponsor
- Decrease from 2015 reflects inconsistent current quality
- Saratoga closes an average of 4 new deals or follow-ons per quarter, ~2% of deals reviewed
- Approximately 40% were follow-ons the past year
- One new portfolio company in the past quarter and seven in the LTM period

*Calendar quarters, not fiscal quarters

Demonstrated Strong Track Record



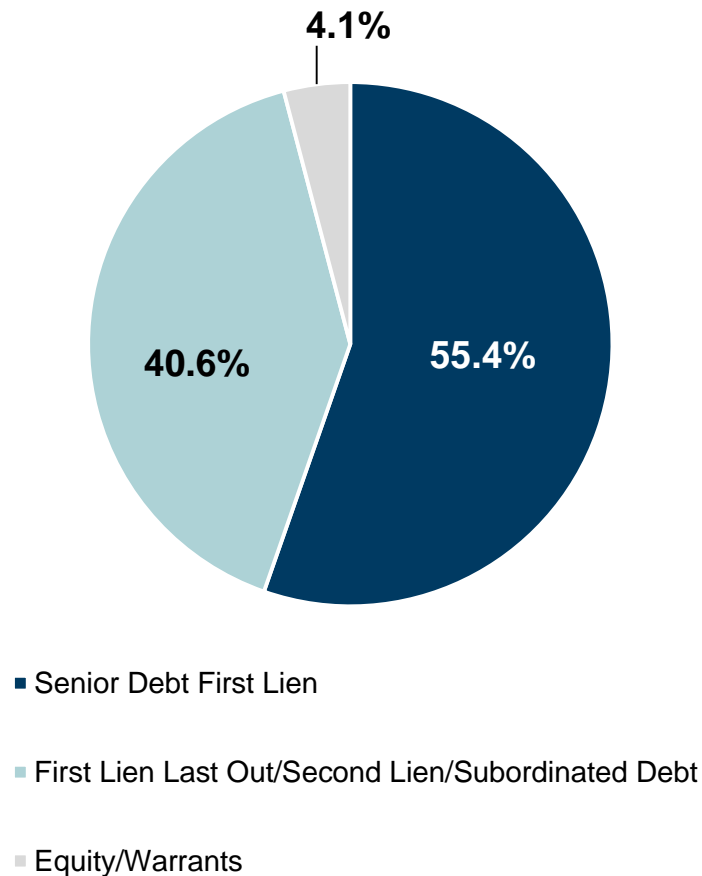
Track Records as of 11/30/17

¹ IRRs for unrealized investments include fair value through 11/30/17 and accrued interest through 11/30/17
 * 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 investments in 22 portfolio companies 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 4.28x¹.
 - 55.4% of the SBIC portfolio consists of senior debt investments, in line with the 55.6% in August 2017
 - 40.6% of the SBIC portfolio consists of first lien, last out or second lien/subordinated debt investments, almost unchanged from 40.3% in August 2017

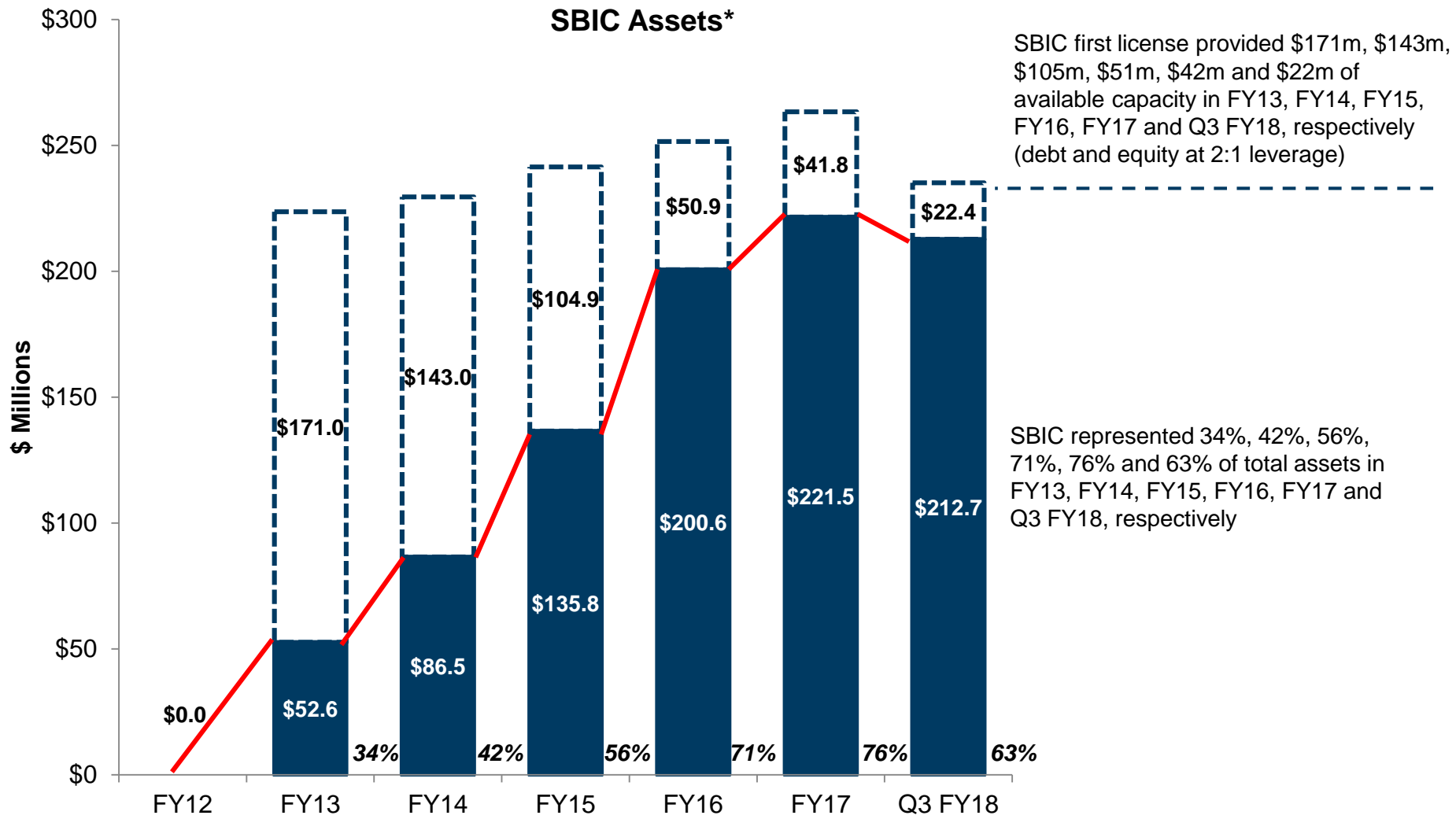
Composition of SBIC Portfolio ²



¹Excludes two loans underwritten using recurring revenue metrics

²Based on market value as of November 30, 2017

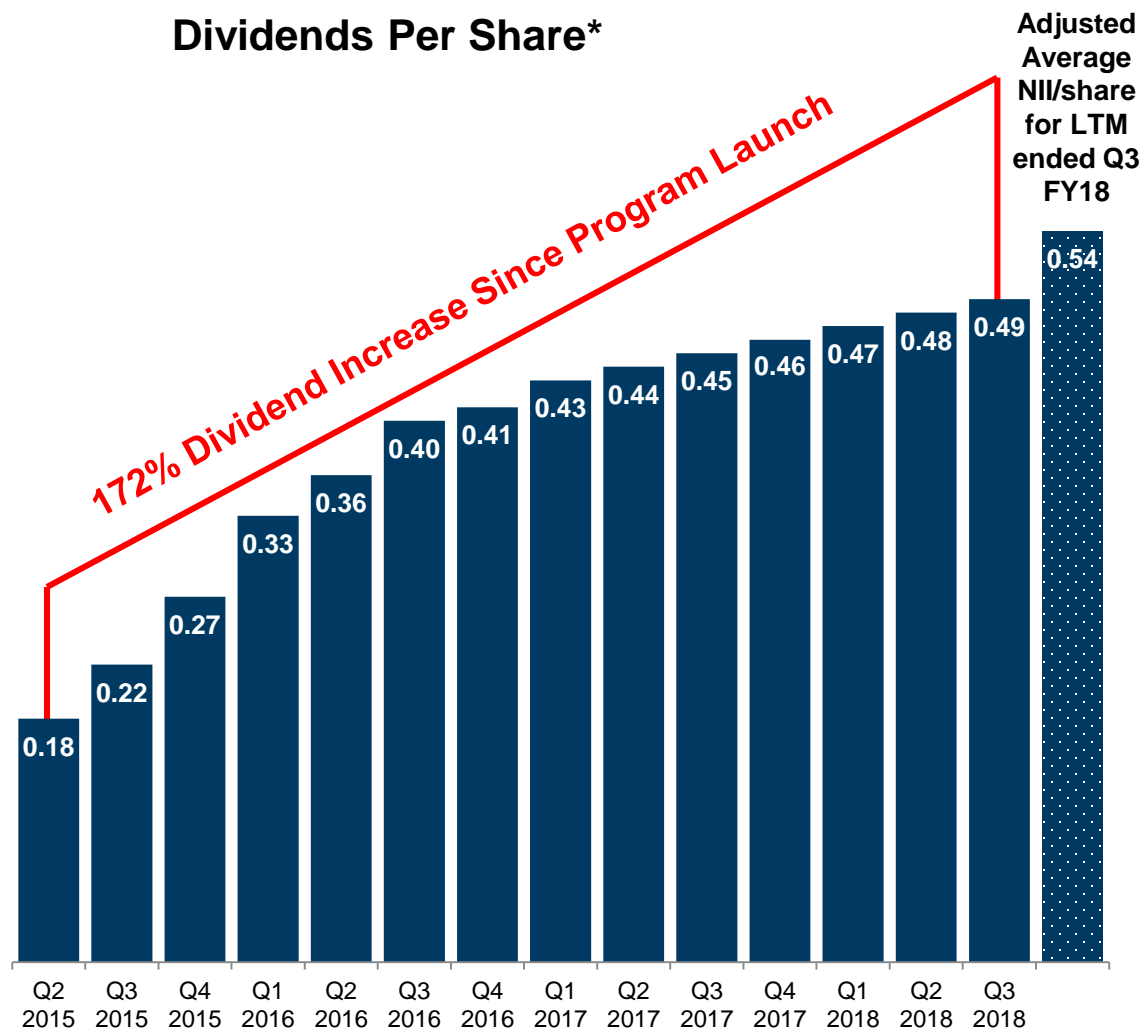
SBIC Assets Close to Fully Funded



* At Fair Value as of November 30, 2017

Dividends Continue to Increase

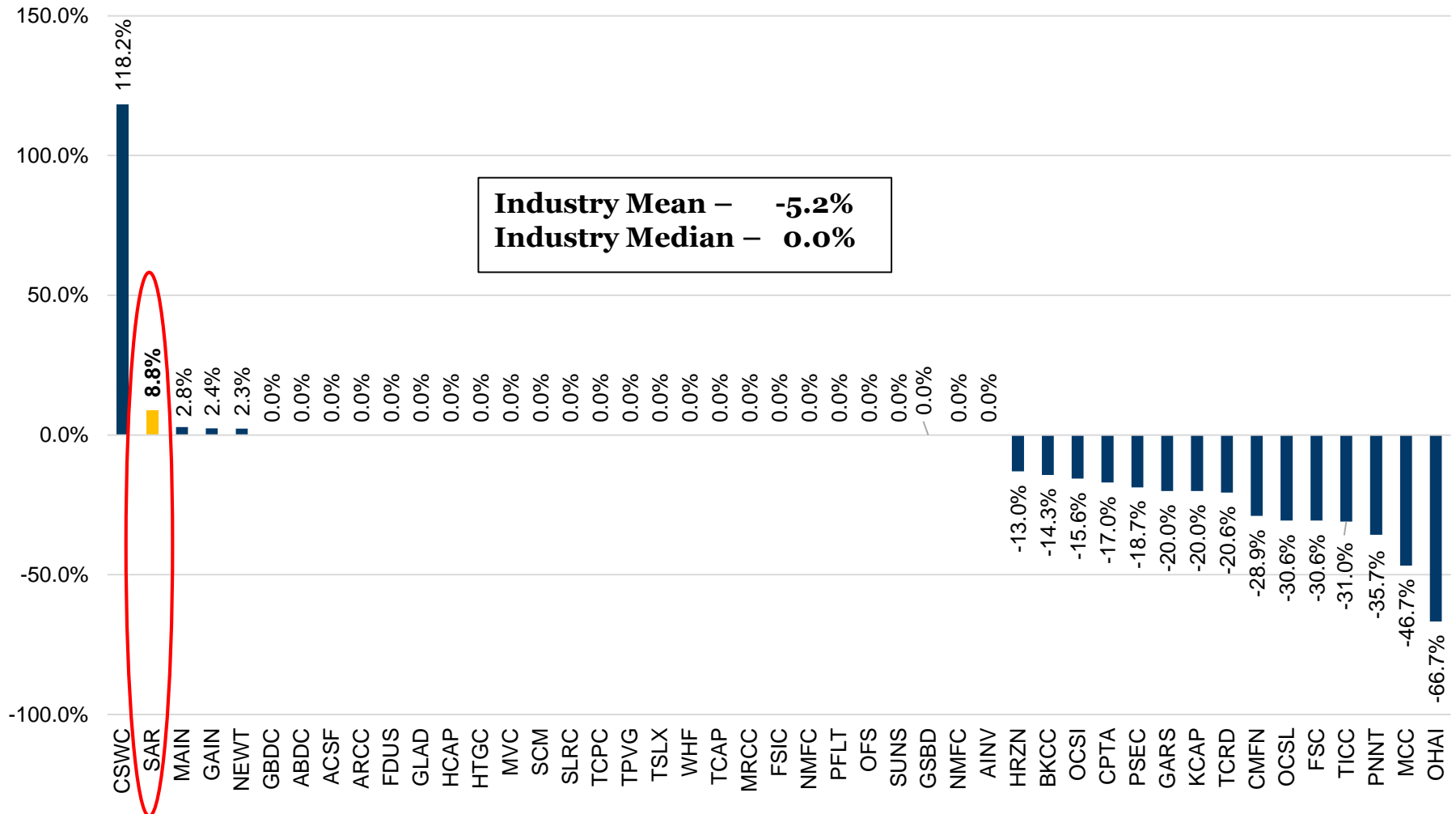
- Established dividend policy to pay regular quarterly cash dividends to stockholders pursuant to dividend reinvestment plan (“DRIP”)
- Increased dividend by 172% since program launch
- Declared Q3 2018 dividend of \$0.49, an increase of \$0.01 (2%)
- Overearning our dividend currently (10.2% on average LTM NII per share)



*Excludes special dividend of \$0.20 per share paid on September 5, 2016

Saratoga Growing Dividends the Past Thirteen Quarters

Year-Over-Year Quarterly Dividend Growth at Top of Industry

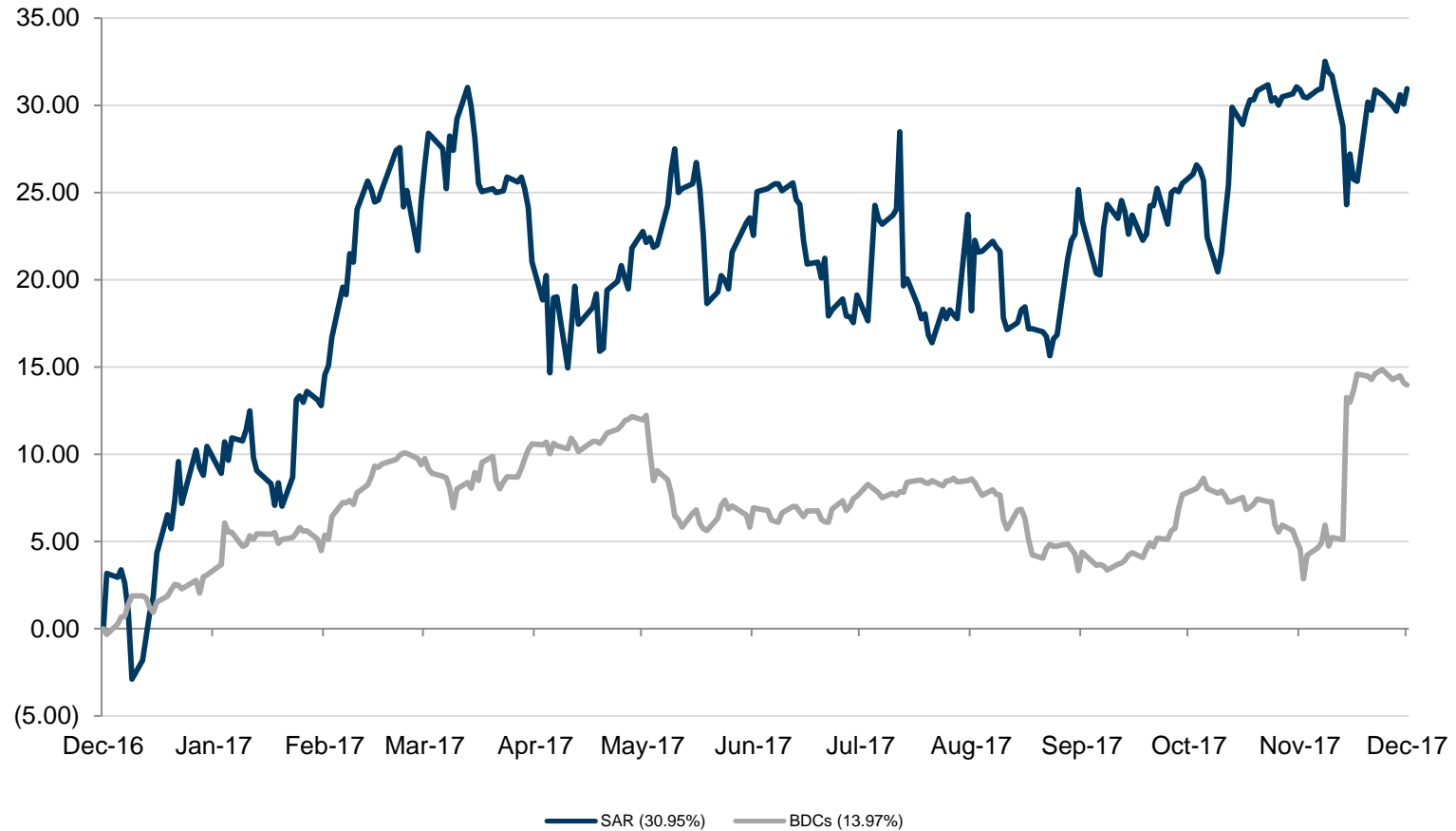


Source: Raymond James report as of 12/15/17

SAR LTM Total Return Outperforms BDC Index

LTM Total Return (%)
(Dec 2016 to Dec 2017)

SAR +31% vs. BDC Index +14%



Source: Keefe, Bruyette & Woods

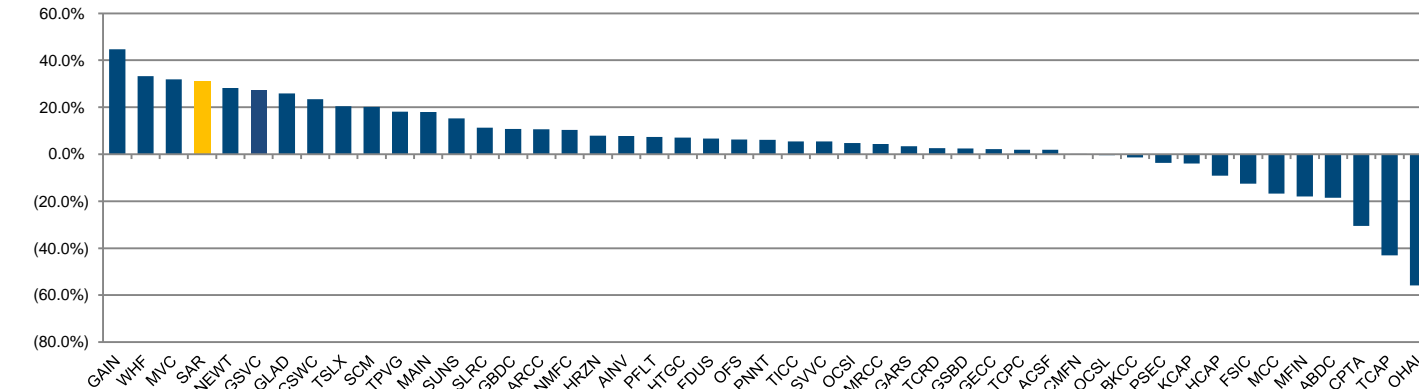
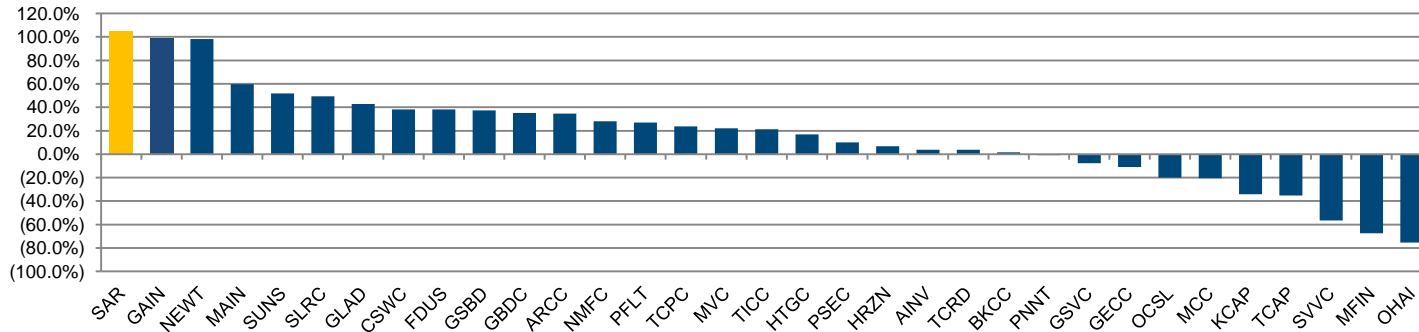
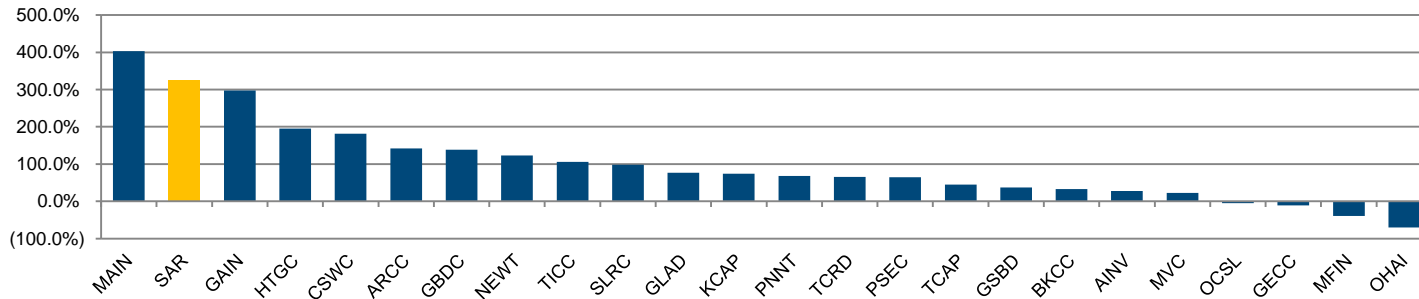
Performance at Top of BDC Industry

BDC Total Return (%)

Past 7 years
since Saratoga
took over: 322%

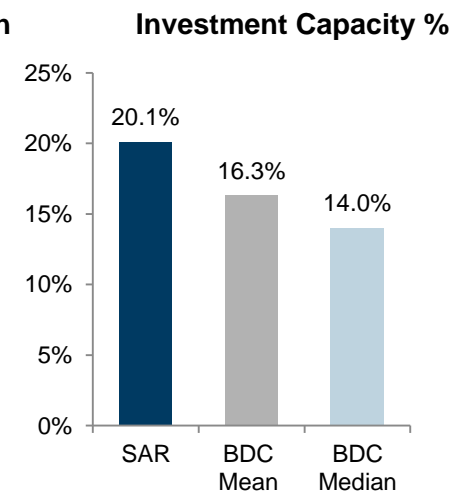
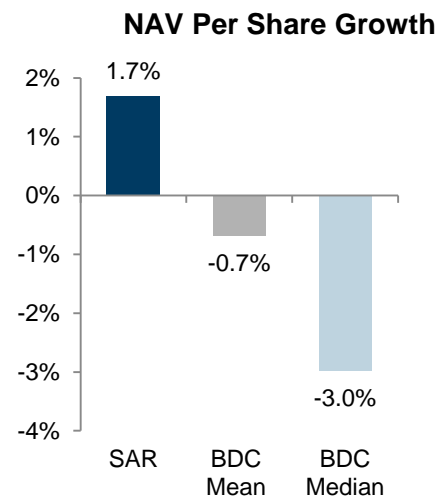
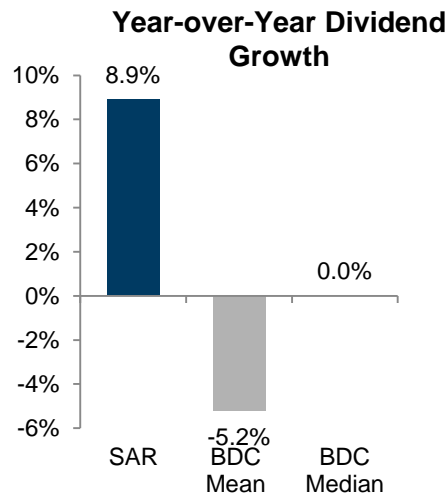
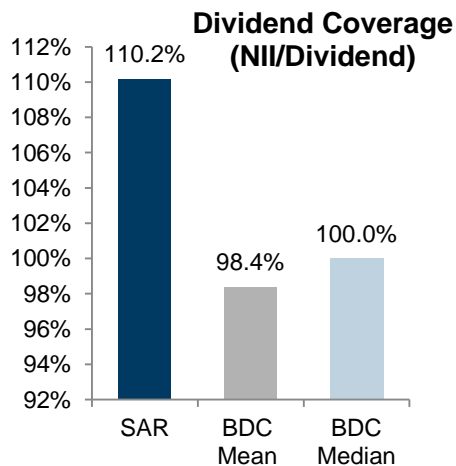
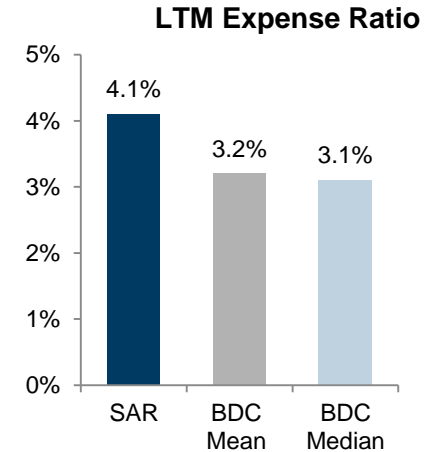
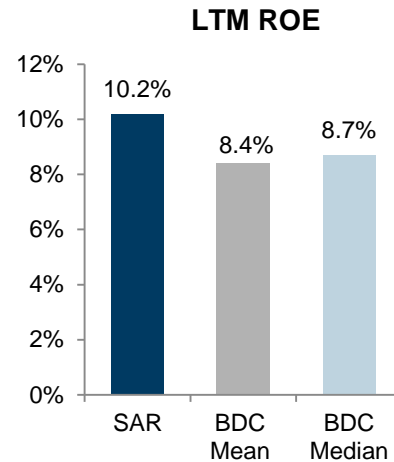
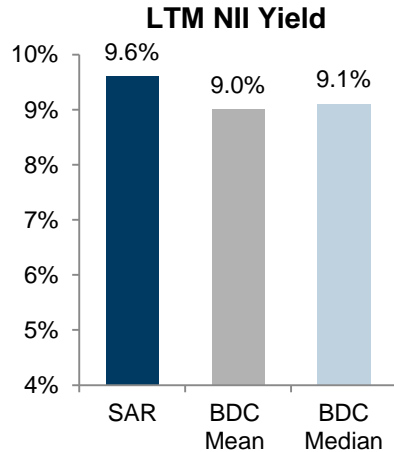
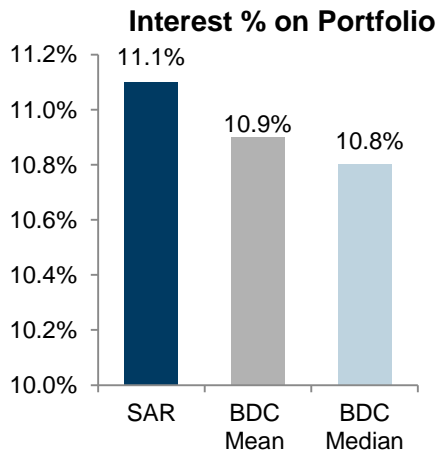
Last 3 years:
105%

Last 12 months:
31%



Source: Keefe, Bruyette & Woods

Strongly Differentiated Outperformance



Source: SNL Financial / Company Filings / Raymond James report as of 12/15/17 / Wells Fargo BDC Scorecard 9/12/17

Establishing Competitive Edge vs. Other BDCs

Outstanding performance characteristics

- ▶ **Strong and growing dividend** | Paying a current dividend yield of approx. 8.8%; increased quarterly dividend by 172% over past three years; significant management ownership of 25%
- ▶ **Strong return on equity** | LTM ROE of 10.2% factors in both investment income and net gains/losses
- ▶ **Ample low-cost, liquidity available** | Ample borrowing capacity still at hand through both credit facility and SBA debentures relative to competitors – can grow current asset base by 20%; maturity extended through recent successful baby bond offering and extension of credit facility
- ▶ **Solid earnings per share and NII Yield** | Attractive NII per share generated from strong risk-adjusted portfolio returns and favorable capital structure – next \$40 million of net investment growth very accretive
- ▶ **Commitment to AUM expansion** | Assets under management has steadily grown 324% since FY 2011 and 16% since year end with strong originations offsetting significant repayments
- ▶ **Well-positioned for higher interest rates** | Over 84% of our investments have floating interest rates, with all of our investments through their floors. Debt primarily at fixed rates
- ▶ **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, 97% of credits are the highest quality, 55% of investments are first lien, protected against potential interest rate risk of rising rates

Objectives for the Future

- 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.

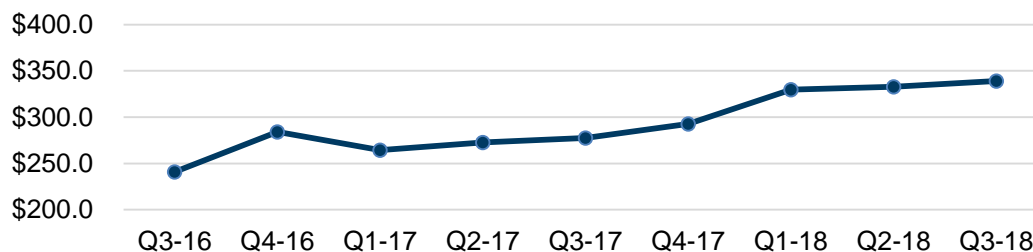


SARATOGA
INVESTMENT CORP.

KPIs – Balance Sheet – Q3 FY 2018

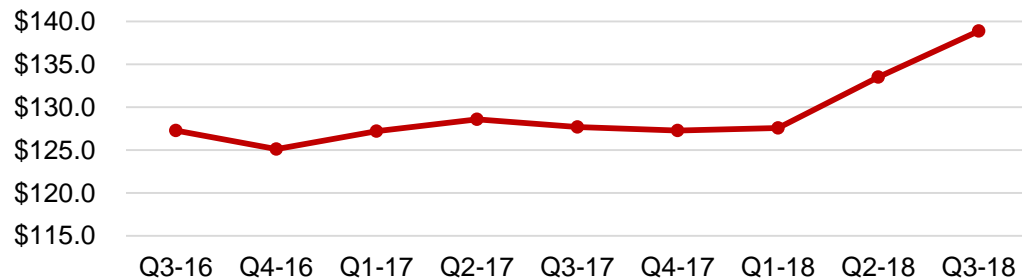
Period	FMV Investment Portfolio (in millions)
Q3-16	\$ 241.0
Q4-16	\$ 284.0
Q1-17	\$ 264.4
Q2-17	\$ 272.8
Q3-17	\$ 277.6
Q4-17	\$ 292.7
Q1-18	\$ 329.7
Q2-18	\$ 333.0
Q3-18	\$ 338.8

FMV Investment Portfolio (in millions)



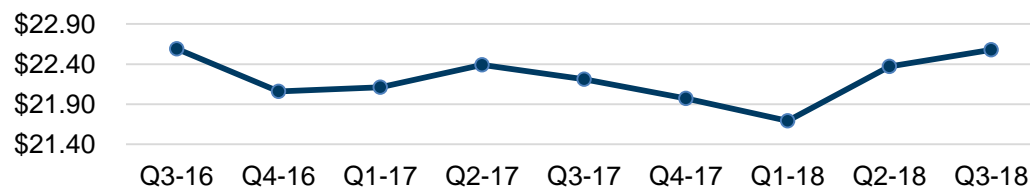
Period	NAV (in millions)
Q3-16	\$ 127.3
Q4-16	\$ 125.1
Q1-17	\$ 127.2
Q2-17	\$ 128.6
Q3-17	\$ 127.7
Q4-17	\$ 127.3
Q1-18	\$ 127.6
Q2-18	\$ 133.5
Q3-18	\$ 138.9

NAV (in millions)



Period	NAV Per Share
Q3-16	\$ 22.59
Q4-16	\$ 22.06
Q1-17	\$ 22.11
Q2-17	\$ 22.39
Q3-17	\$ 22.21
Q4-17	\$ 21.97
Q1-18	\$ 21.69
Q2-18	\$ 22.37
Q3-18	\$ 22.58

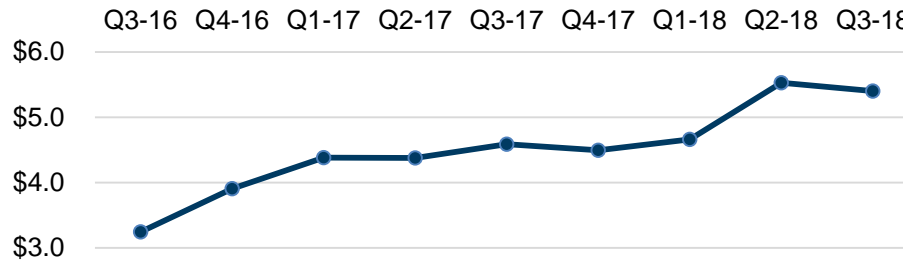
NAV Per Share



KPIs – Income Statement – Q3 FY 2018

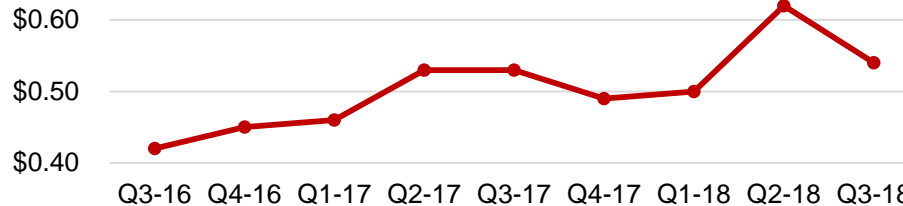
Period	Net Interest Margin (in millions)
Q3-16	\$ 3.2
Q4-16	\$ 3.9
Q1-17	\$ 4.4
Q2-17	\$ 4.4
Q3-17	\$ 4.6
Q4-17	\$ 4.5
Q1-18	\$ 4.7
Q2-18	\$ 5.5
Q3-18	\$ 5.4

**Net Interest Margin (excluding CLO)
(in millions)**



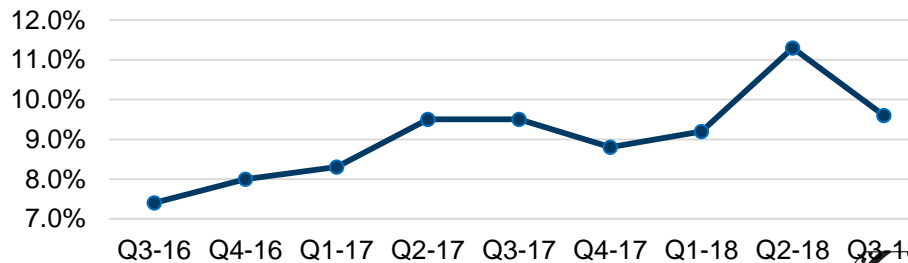
Period	NII Per Share
Q3-16	\$ 0.42
Q4-16	\$ 0.45
Q1-17	\$ 0.46
Q2-17	\$ 0.53
Q3-17	\$ 0.53
Q4-17	\$ 0.49
Q1-18	\$ 0.50
Q2-18	\$ 0.62
Q3-18	\$ 0.54

NII Per Share



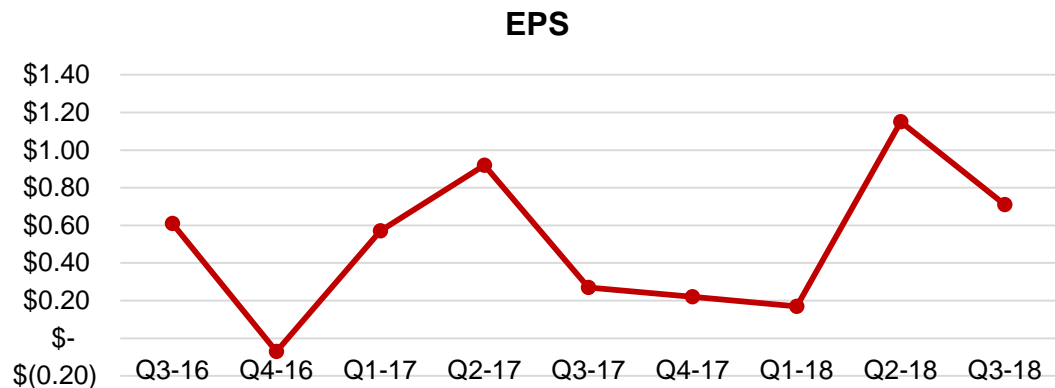
Period	NII Yield
Q3-16	7.4%
Q4-16	8.0%
Q1-17	8.3%
Q2-17	9.5%
Q3-17	9.5%
Q4-17	8.8%
Q1-18	9.2%
Q2-18	11.3%
Q3-18	9.6%

NII Yield

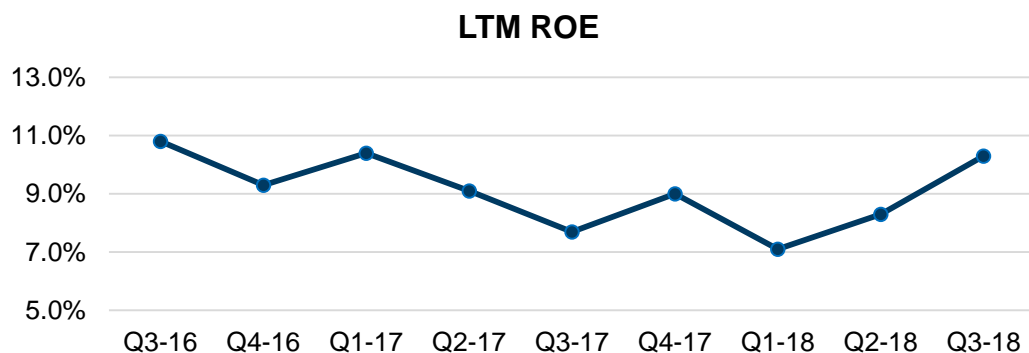


KPIs – Income Statement – Q3 FY 2018 (continued)

Period	EPS
Q3-16	\$ 0.61
Q4-16	\$ (0.07)
Q1-17	\$ 0.57
Q2-17	\$ 0.92
Q3-17	\$ 0.27
Q4-17	\$ 0.22
Q1-18	\$ 0.17
Q2-18	\$ 1.15
Q3-18	\$ 0.71



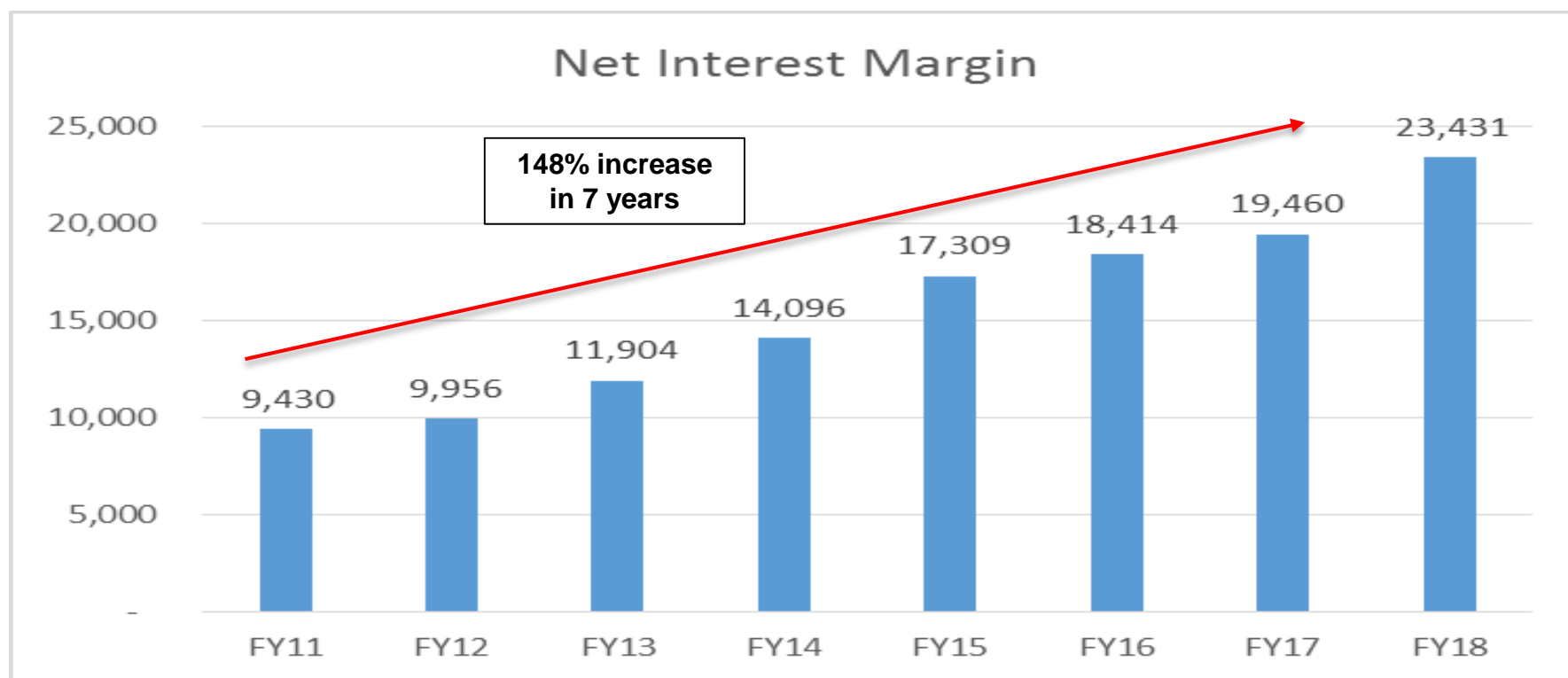
Period	LTM ROE
Q3-16	10.8%
Q4-16	9.3%
Q1-17	10.4%
Q2-17	9.1%
Q3-17	7.7%
Q4-17	9.0%
Q1-18	7.1%
Q2-18	8.3%
Q3-18	10.3%



KPIs - SAR Net Interest Margin

SAR has more than doubled its Net Interest Margin since taking over management

This increase despite the contribution of the CLO shrinking



Please note that FY18 is a simple annualization of the nine months ended November 30, 2017. Actual FY18 results may differ.