

Saratoga Investment Corp. Announces Fiscal Second Quarter 2018 Financial Results

NEW YORK, Oct. 11, 2017 /PRNewswire/ -- Saratoga Investment Corp. (NYSE: SAR) ("Saratoga Investment" or "the Company"), a business development company, today announced financial results for its 2018 fiscal second quarter.

Summary Financial Information

The Company's summarized financial information is as follows:

	<u>For the quarter</u> <u>ended and as of</u> <u>August 31, 2017</u>	<u>For the quarter</u> <u>ended and as of</u> <u>May 31, 2017</u>	<u>For the quarter</u> <u>ended and as of</u> <u>August 31, 2016</u>
	(\$ in thousands except per share)		
AUM	332,970	329,690	272,804
NAV	133,460	127,609	128,563
NAV per share	22.37	21.69	22.39
Investment Income	10,254	8,707	8,448
Net Investment Income per share	0.49	0.60	0.45
Adjusted Net Investment Income per share	0.62	0.50	0.53
Earnings per share	1.15	0.17	0.92
Return on Equity - last twelve months	8.3%	7.1%	9.1%
- annualized quarter	21.1%	3.2%	9.5%

"In the fiscal second quarter of 2018, we continued to build on our core objectives by improving the size and quality of our asset base, efficiently utilizing our diversified sources of cost-effective, long-term and flexible liquidity, building a robust pipeline of available deal sources and broadening our appeal to investors," said Christian L. Oberbeck, Chairman and Chief Executive Officer of Saratoga Investment. "We are pleased that the incremental earnings power of our increased asset base and greater scale is evident in our earnings results this quarter. This has all occurred within a competitive environment that remains challenging, while our originations and credit quality continue to be strong. Our performance metrics reflect improvement with quarterly increases in nearly all of them - an increase in adjusted NII per share to \$0.62, adjusted NII Yield to 11.3%, LTM ROE to 8.3% and NAV per share to \$22.37. We also saw net realized and unrealized gains on investments of \$4.0 million this quarter, which increased our NAV. Importantly, we increased our dividend for the twelfth consecutive quarter, announcing a \$0.01 increase to \$0.48 per share. We continue to out-earn our dividend payments, important fundamentally and a differentiator for us in the marketplace. Our year-over-year dividend growth has been 9.3%, which places us at the top of the BDC industry with respect to this metric. We also remain well-structured for the current rising interest rate environment, with over 84% of our investments having floating-rate interest rates and all of our debt, except for our revolving credit facility, being fixed-rate."

Michael J. Grisius, President and Chief Investment Officer, added, "This fiscal quarter has demonstrated the competitiveness of our financial offerings and the productivity of our new business pipeline. Our ability to grow our high-quality asset base in today's market with the high pace of redemptions is a testament to our business development and origination team. The percentage of credits that bear our highest rating remains exceptionally high at 97%. Throughout challenging market conditions, our origination activities have been marked by ever increasing deal flow coupled with a relentless focus on quality discipline. This competing tension always exists in our industry, but we believe our demonstrated ability to maintain the appropriate balance between the need for quality versus quantity is one of our greatest assets going forward, particularly as our competitive environment continues to intensify and upward pressure on valuation multiples and enterprise values persists."

As of August 31, 2017, Saratoga Investment increased its assets under management ("AUM") to \$333.0 million, an increase of 1.0% from \$329.7 million as of May 31, 2017, an increase of 13.8% from \$292.7 million as of February 28, 2017, and an increase of 22.1% from \$272.8 million as of August 31, 2016. The increase this quarter reflects originations of \$36.7 million, offset by repayments of \$37.9 million. Including realized and unrealized gains, Saratoga Investment's portfolio has continued to grow this quarter and remains strong, with a continued high level of investment quality in loan investments, with 97.3% of our loans at our highest internal rating for this quarter.

As a result, total investment income increased to \$10.3 million for the quarter ended August 31, 2017, up 17.8% from \$8.7 million for the quarter ended May 31, 2017 and up 21.4% from \$8.4 million for the quarter ended August 31, 2016. This

increased investment income was generated from an investment base that has grown significantly, resulting in higher interest income as well as increased incentive fee income generated from the Company's CLO investment. The investment income increase was offset by (i) increased debt and financing expenses from higher outstanding Notes payable, revolving debt outstanding with Madison Capital Funding and SBA debentures this quarter, reflective of the growing investment and asset base, (ii) increased base management fees generated from the management of this larger pool of investments and (iii) increased total expenses, excluding interest and debt financing expenses, base management fees and incentive fees, reflecting primarily higher professional fees due to increased Sarbanes-Oxley ("SOX") activities now that the Company qualifies as an accelerated filer next year.

Net investment income on a weighted average per share basis was \$0.49 for the quarter ended August 31, 2017. Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income on a weighted average per share basis was \$0.62. This compares to adjusted net investment income per share of \$0.50 for the quarter ended May 31, 2017 and \$0.53 for the quarter ended August 31, 2016, reflecting an increase of 24.0% and 17.0%, respectively.

Net investment income yield as percentage of average net asset value ("Net Investment Income Yield") was 8.9% for the quarter ended August 31, 2017. Adjusted for the incentive fee accrual related to net unrealized capital gains, the Net Investment Income Yield was 11.3%. In comparison, Net Investment Income Yield was 11.0% and 8.1% for the quarters ended May 31, 2017 and August 31, 2016, respectively. Adjusted Net Investment Income Yield was 9.2% and 9.5% for the same quarters, respectively.

Net Asset Value ("NAV") was \$133.5 million as of August 31, 2017, an increase of \$5.9 million from \$127.6 million as of May 31, 2017, and an increase of \$6.2 million from \$127.3 million as of February 28, 2017.

- For the six months ended August 31, 2017, \$1.5 million of net realized and unrealized gains, and \$6.4 million of net investment income were earned, offset by \$5.5 million of dividends declared. In addition, \$1.1 million of stock dividend distributions were made through the Company's dividend reinvestment plan ("DRIP") and \$2.6 million of shares were sold through the Company's At-the-Market ("ATM") equity offering.

NAV per share was \$22.37 as of August 31, 2017, compared to \$21.69 as of May 31, 2017 and \$21.97 as of February 28, 2017.

- For the six months ended August 31, 2017, NAV per share increased by \$0.40 per share, primarily reflecting the \$2.4 million, or \$0.41 per share increase in net assets (net of the \$0.93 dividend paid during the first and second fiscal quarter 2018). This was slightly offset by the \$0.01 dilutive impact of the quarter's share issuances, with the dilutive impact of the 55,318 shares issued under the DRIP almost entirely offset by the 117,354 shares issued under the Company's ATM offering above net asset value.

Return on equity for the last twelve months ended August 31, 2017 was 8.3%, compared to 9.1% for the comparable period last year.

Earnings per share for the quarter ended August 31, 2017 was \$1.15 (including \$4.0 million net gain on investments), compared to earnings per share of \$0.17 for the quarter ended May 31, 2017 and \$0.92 for the quarter ended on August 31, 2016.

Investment portfolio activity for the quarter ended August 31, 2017:

- Cost of investments made during the period: \$36.7 million
- Principal repayments during the period: \$37.9 million

Additional Financial Information

For the fiscal quarter ended August 31, 2017, Saratoga Investment reported net investment income of \$2.9 million, or \$0.49 on a weighted average per share basis, and a net gain on investments of \$4.0 million, or \$0.67 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$6.9 million, or \$1.15 on a weighted average per share basis. The \$4.0 million net gain on investments was comprised of \$9.8 million in net unrealized appreciation on investments, offset by \$5.8 million in net realized loss on investments. The net realized loss was due primarily to the recognition of a \$7.7 million realized loss on Saratoga Investment's My Alarm Center, LLC investment as a result of the completion of a sales transaction, where its position in the second lien term loan was transferred to preferred (Class A and Class B) and common equity. The realized loss was partially offset by a \$1.8 million realized gain on the sale of Saratoga Investment's Mercury Network equity investment. The net unrealized appreciation was due primarily to (i) net unrealized depreciation being adjusted to zero to reflect the recognition of the \$5.9 million net realized loss on the two realizations above, (ii) \$2.1 million unrealized appreciation on Saratoga Investment's Easy Ice investment, (iii) \$0.7 million unrealized appreciation on the Saratoga CLO F-Note investment and (iv) \$0.7 million unrealized appreciation on the Elyria investment.

This compared to the fiscal quarter ended August 31, 2016 with net investment income of \$2.6 million, or \$0.45 on a weighted average per share basis, and a net gain on investments of \$2.7 million, or \$0.46 on a weighted average per share basis, resulting in a net increase in net assets from operations of \$5.3 million, or \$0.92 on a weighted average per share basis. The \$2.7 million net gain on investments consisted of \$5.9 million in net realized gains on investments and \$3.3 million in unrealized depreciation.

Adjusted for the incentive fee accrual related to net unrealized capital gains, the net investment income was \$3.7 million and \$3.0 million for the quarters ended August 31, 2017 and August 31, 2016, respectively - an increase of \$0.7 million year-over-year, or 20.7%.

Total expenses, excluding interest and debt financing expenses, base management fees and incentive management fees, increased from \$1.1 million for the quarter ended August 31, 2016 to \$1.2 million for the quarter ended August 31, 2017, decreasing from 1.4% of average total assets last year to 1.3% this year.

Portfolio and Investment Activity

As of August 31, 2017, the fair value of Saratoga Investment's portfolio was \$333.0 million (excluding \$18.4 million in cash and cash equivalents), principally invested in 31 portfolio companies and one collateralized loan obligation fund ("CLO"). The overall portfolio composition consisted of 54.9% of first lien term loans, 29.2% of second lien term loans, 5.0% of subordinated notes in a CLO, 2.7% of syndicated loans and 8.2% of common equity.

For the fiscal quarter ended August 31, 2017, Saratoga Investment invested \$36.7 million in new or existing portfolio companies and had \$37.9 million in aggregate amount of exits and repayments, resulting in net repayments of \$1.2 million for the year.

As of August 31, 2017, the weighted average current yield on Saratoga Investment's portfolio for the twelve months ended was 11.2%, which was comprised of a weighted average current yield of 10.7% on first lien term loans, 12.0% on second lien term loans, 18.8% on CLO subordinated notes, 5.4% on syndicated loans and 3.6% on equity interests.

As of August 31, 2017, 84.4% of Saratoga Investment's portfolio is in floating rate debt, with many of these investments having floors. For most of these investments, the relevant 1-month or 3-month LIBOR rate is currently above the floors. Pursuant to the disclosure included in Item 3 of Saratoga Investment's Form 10-Q for the quarter ended August 31, 2017, assuming that the investments as of August 31, 2017 were to remain constant for a full fiscal year and no actions were taken to alter the existing interest rate terms, a hypothetical change of 1.0% in interest rates would cause a corresponding increase of approximately \$2.3 million to interest income over twelve months.

During the quarter ended February 28, 2017, Saratoga Investment increased its first lien investment in Easy Ice, LLC to \$26.7 million to facilitate a change of control transaction at the company. Concurrent with this transaction, it also invested \$8.0 million in a significant preferred equity position. During the quarter ended August 31, 2017, Saratoga completed a subsequent recapitalization, resulting in repayment of \$10.2 million and conversion of the remaining \$16.5 million of Saratoga's investment into a second lien position. Concurrently, Easy Ice established a new senior credit facility with Madison Capital, reducing its total cost of capital and providing additional growth capital while completing the significant acquisition of a regional competitor in the Chicago market.

Liquidity and Capital Resources

As of August 31, 2017, Saratoga Investment had \$10.0 million in outstanding borrowings under its \$45 million senior secured revolving credit facility with Madison Capital Funding LLC. At the same time, Saratoga Investment had \$134.7 million SBA debentures outstanding, \$74.5 million of Baby Bonds (fair value of \$77.9 million) issued and an aggregate of \$18.4 million in cash and cash equivalents.

With \$35.0 million available under the credit facility and the \$15.3 million additional borrowing capacity at the SBIC subsidiary, as well as the \$18.4 million of cash and cash equivalents, Saratoga Investment has a total of \$68.7 million of undrawn borrowing capacity and cash and cash equivalents available as of August 31, 2017. The proceeds from the DRIP and ATM program totaled \$1.8 million of equity investments in the second fiscal quarter of 2018, for a total of \$3.8 million for the six months ended August 31, 2017. Saratoga Investment also has the ability to issue additional baby bonds through the existing shelf registration statement.

On March 16, 2017, Saratoga Investment entered into an equity distribution agreement with Ladenburg Thalmann & Co. Inc., through which Saratoga may offer for sale, from time to time, up to \$30.0 million of its common stock through an ATM offering. As of August 31, 2017, the Company sold 117,354 shares for gross proceeds of \$2.6 million at an average price of \$22.49 for aggregate net proceeds of \$2.6 million (net of transaction costs).

Share Repurchase Plan

In fiscal year 2015, the Company announced the approval of an open market share repurchase plan that allows it to repurchase up to 200,000 shares of its common stock at prices below its NAV as reported in its then most recently published financial statements. During fiscal year 2017, this share repurchase plan was extended for another year through October 2017, and increased to 600,000 shares of common stock. On October 10, 2017, the Company's board of directors extended the open market share repurchase plan for another year to October 15, 2018, leaving the number of shares unchanged at 600,000 shares of its common stock.

As of August 31, 2017, the Company purchased 218,491 shares of common stock, at the average price of \$16.87 for approximately \$3.7 million pursuant to this repurchase plan. There were no share repurchases during the quarter ended August 31, 2017.

Dividend

During fiscal year 2017, Saratoga Investment declared and paid dividends of \$1.93 per share, composed of \$0.41 for the quarter ended February 29, 2016, \$0.43 per share for the quarter ended May 31, 2016, \$0.44 per share for the quarter ended August 31, 2016, \$0.45 per share for the quarter ended November 30, 2016 and a special dividend of \$0.20 per share in the second quarter of fiscal year 2017.

Saratoga Investment has continued to pay quarterly dividends regularly throughout fiscal year 2018, including \$0.46 per share for the quarter ended February 28, 2017 and \$0.47 per share for the quarter ended May 31, 2017. On August 28, 2017, the Company declared a dividend of \$0.48 per share payable on September 26, 2017, to common stockholders of record on September 15, 2017. Shareholders had the option to receive payment of the dividend in cash, or receive shares of common stock, pursuant the Company's DRIP. Total dividends declared and paid during fiscal year 2018 thus far is \$1.41 per share.

2018 Fiscal Second Quarter Conference Call/Webcast Information

When: Thursday, October 12, 2017, 10:00 a.m. Eastern Time (ET)

Call: Interested parties may participate by dialing (877) 312-9208 (U.S. and Canada) or (678) 224-7872 (outside U.S. and Canada).

A replay of the call will be available from 1:00 p.m. ET on Thursday, October 12, 2017 through 1:00 p.m. ET on Thursday, October 19, 2017 by dialing (855) 859-2056 (U.S. and Canada) or (404) 537-3406 (outside U.S. and Canada), passcode for both replay numbers: 89176553.

Webcast: Interested parties may access a simultaneous webcast of the call and find the Q2 FY2018 presentation by going to the "Events & Presentations" section of Saratoga Investment's investor relations website, <http://ir.saratogainvestmentcorp.com/events.cfm>

About Saratoga Investment Corp.

Saratoga Investment Corp. is a specialty finance company that provides customized financing solutions to U.S. middle-market businesses. The Company invests primarily in senior and unitranche leveraged loans, mezzanine debt, and, to a lesser extent, equity to provide financing for change of ownership transactions, strategic acquisitions, recapitalizations and growth initiatives in partnership with business owners, management teams and financial sponsors. Saratoga Investment Corp.'s objective is to create attractive risk-adjusted returns by generating current income and long-term capital appreciation from its debt and equity investments. Saratoga Investment Corp. has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940 and is externally-managed by Saratoga Investment Advisors, LLC, an SEC-registered investment advisor focusing on credit-driven strategies. Saratoga Investment Corp. owns an SBIC-licensed subsidiary and manages a \$300 million Collateralized Loan Obligation (CLO) fund. It also owns 100% of the subordinated notes of the CLO. These diverse funding sources, combined with a permanent capital base, enable Saratoga Investment Corp. to provide a broad range of financing solutions.

Forward Looking Statements

This press release contains certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors enumerated in this press release and the filings Saratoga Investment Corp. makes with the SEC. Saratoga Investment Corp. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financials

Consolidated Statements of Assets and Liabilities

	As of	
	<u>August 31, 2017</u>	<u>February 28, 2017</u>
	(unaudited)	
ASSETS		
Investments at fair value		
Non-control/Non-affiliate investments (amortized cost of \$295,295,973 and \$251,198,896, respectively)	\$ 289,721,139	\$ 242,531,514
Control investments (amortized cost of \$38,327,248 and \$49,283,536, respectively)	43,248,674	50,129,799
Total investments at fair value (amortized cost of \$333,623,221 and \$300,482,432, respectively)	332,969,813	292,661,313
Cash and cash equivalents	1,595,438	9,306,543
Cash and cash equivalents, reserve accounts	16,816,101	12,781,425
Interest receivable (net of reserve of \$895,998 and \$157,560, respectively)	3,773,660	3,294,450
Management and incentive fee receivable	255,134	171,106
Other assets	464,291	183,346
Receivable from unsettled trades	253,041	253,041
Total assets	<u>\$ 356,127,478</u>	<u>\$ 318,651,224</u>
LIABILITIES		
Revolving credit facility	\$ 10,000,000	\$ -
Deferred debt financing costs, revolving credit facility	(743,272)	(437,183)
SBA debentures payable	134,660,000	112,660,000
Deferred debt financing costs, SBA debentures payable	(2,794,750)	(2,508,280)
Notes payable	74,450,500	74,450,500
Deferred debt financing costs, notes payable	(2,513,115)	(2,689,511)
Base management and incentive fees payable	5,056,994	5,814,692
Accounts payable and accrued expenses	1,099,099	852,987
Interest and debt fees payable	3,038,528	2,764,237
Directors fees payable	60,500	51,500
Due to manager	353,386	397,505
Total liabilities	<u>\$ 222,667,870</u>	<u>\$ 191,356,447</u>
NET ASSETS		
Common stock, par value \$.001, 100,000,000 common shares		
authorized, 5,967,272 and 5,794,600 common shares issued and outstanding, respectively	\$ 5,967	\$ 5,795
Capital in excess of par value	194,222,453	190,483,931
Distribution in excess of net investment income	(26,799,657)	(27,737,348)
Accumulated net realized loss from investments and derivatives	(33,315,747)	(27,636,482)
Accumulated net unrealized depreciation on investments and derivatives	(653,408)	(7,821,119)
Total net assets	<u>133,459,608</u>	<u>127,294,777</u>
Total liabilities and net assets	<u>\$ 356,127,478</u>	<u>\$ 318,651,224</u>
NET ASSET VALUE PER SHARE	<u>\$ 22.37</u>	<u>\$ 21.97</u>
Asset Coverage Ratio	258.0%	271.0%

Saratoga Investment Corp.

Consolidated Statements of Operations
(unaudited)

<u>For the three months ended</u> <u>August 31, 2017</u>	<u>For the three months ended</u> <u>August 31, 2016</u>
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INVESTMENT INCOME

Interest from investments

Non-control/Non-affiliate investments	\$	7,183,757	\$	6,561,838
Payment-in-kind interest income from Non-control/Non-affiliate investments		298,957		184,265
Control investments		1,496,080		557,200
Payment-in-kind interest income from Control investments		207,624		-
Total interest income		9,186,418		7,303,303
Interest from cash and cash equivalents		6,493		6,401
Management fee income		375,957		374,657
Incentive fee income		162,358		-
Other income		522,440		763,633
Total investment income		10,253,666		8,447,994
OPERATING EXPENSES				
Interest and debt financing expenses		2,962,844		2,369,705
Base management fees		1,481,788		1,202,794
Professional fees		407,372		302,227
Administrator expenses		395,833		325,000
Incentive management fees		1,709,636		1,208,452
Insurance		66,165		70,658
Directors fees and expenses		60,000		60,422
General & administrative		287,201		304,955
Excise tax expense (credit)		(14,738)		-
Other expense		6,514		-
Total operating expenses		7,362,615		5,844,213
NET INVESTMENT INCOME		2,891,051		2,603,781
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				
Net realized gain (loss) from investments				
Non-control/Non-affiliate investments		(5,838,408)		5,936,750
Control investments		63,554		-
Net realized gain (loss) from investments		(5,774,854)		5,936,750
Net change in unrealized appreciation (depreciation) on investments				
Non-control/Non-affiliate investments		7,129,782		(3,857,810)
Control investments		2,623,880		588,897
Net change in unrealized appreciation (depreciation) on investments		9,753,662		(3,268,913)
Net gain on investments		3,978,808		2,667,837
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$	6,869,859	\$	5,271,618
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$	1.15	\$	0.92
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED		5,955,251		5,740,816

Saratoga Investment Corp.

Consolidated Statements of Operations
(unaudited)

		For the six months ended August 31, 2017		For the six months ended August 31, 2016
INVESTMENT INCOME				
Interest from investments				
Non-control/Non-affiliate investments	\$	13,104,190	\$	13,181,951
Payment-in-kind interest income from Non-control/Non-affiliate investments		522,230		313,355
Control investments		2,831,466		1,089,326
Payment-in-kind interest income from Control investments		469,733		-
Total interest income		16,927,619		14,584,632
Interest from cash and cash equivalents		13,574		10,187
Management fee income		751,638		748,341
Incentive fee income		267,653		-

Other income	1,000,630	1,013,229
Total investment income	18,961,114	16,356,389
OPERATING EXPENSES		
Interest and debt financing expenses	5,486,450	4,737,761
Base management fees	2,872,815	2,429,951
Professional fees	791,703	661,526
Administrator expenses	770,833	650,000
Incentive management fees	1,885,732	1,936,732
Insurance	132,330	141,316
Directors fees and expenses	111,000	126,422
General & administrative	484,444	517,164
Excise tax expense (credit)	(14,738)	-
Other expense	45,045	13,187
Total operating expenses	12,565,614	11,214,059
NET INVESTMENT INCOME	6,395,500	5,142,330
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) from investments		
Non-control/Non-affiliate investments	(5,742,819)	12,039,655
Control investments	63,554	-
Net realized gain (loss) from investments	(5,679,265)	12,039,655
Net change in unrealized appreciation (depreciation) on investments		
Non-control/Non-affiliate investments	3,092,549	(9,794,258)
Control investments	4,075,162	1,171,478
Net change in unrealized appreciation (depreciation) on investments	7,167,711	(8,622,780)
Net gain on investments	1,488,446	3,416,875
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 7,883,946	\$ 8,559,205
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$ 1.33	\$ 1.49
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED	5,908,453	5,739,157

Supplemental Information Regarding Adjusted Net Investment Income, Adjusted Net Investment Income Yield and Adjusted Net Investment Income per share

On a supplemental basis, we provide information relating to adjusted net investment income, adjusted net investment income yield and adjusted net investment income per share, which are non-GAAP measures. These measures are provided in addition to, but not as a substitute for, net investment income, net investment income yield and net investment income per share. Adjusted net investment income represents net investment income excluding any capital gains incentive fee expense or reversal attributable to unrealized gains. The management agreement with our advisor provides that a capital gains incentive fee is determined and paid annually with respect to cumulative realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized and unrealized losses for such year. In addition, we accrue, but do not pay, a capital gains incentive fee in connection with any unrealized capital appreciation, as appropriate. As such, we believe that adjusted net investment income, adjusted net investment income yield and adjusted net investment income per share is a useful indicator of operations exclusive of any capital gains incentive fee expense or reversal attributable to unrealized gains. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. The following table provides a reconciliation of net investment income to adjusted net investment income, net investment income yield to adjusted net investment income yield and net investment income per share to adjusted net investment income per share for the three and six months ended August 31, 2017 and August 31, 2016.

	For the three months ended August 31		For the six months ended August 31	
	2017	2016	2017	2016
Net Investment Income	\$ 2,891,051	\$ 2,603,781	\$ 6,395,500	\$ 5,142,330
Changes in accrued capital gains incentive fee expense/reversal	789,244	445,752	228,976	520,415
Adjusted net investment income	3,680,295	3,049,533	6,624,476	5,662,745

Net investment income yield	8.9%	8.1%	9.8%	8.1%
Changes in accrued capital gains incentive fee expense/reversal	<u>2.4%</u>	<u>1.4%</u>	<u>0.4%</u>	<u>0.8%</u>
Adjusted net investment income yield ⁽¹⁾	11.3%	9.5%	10.2%	8.9%
Net investment income per share	\$ 0.49	\$ 0.45	\$ 1.08	\$ 0.90
Changes in accrued capital gains incentive fee expense/reversal	<u>\$ 0.13</u>	<u>\$ 0.08</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>
Adjusted net investment income per share ⁽²⁾	\$ 0.62	\$ 0.53	\$ 1.12	\$ 0.99

(1) Adjusted net investment income yield is calculated as adjusted net investment income divided by average net asset value.

(2) Adjusted net investment income per share is calculated as adjusted net investment income divided by weighted average common shares outstanding.

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