

# Business Development Companies

## 4th Quarter 2013 Stock Performance and Valuation Summary

Stock price performance and related measures for 28 publicly traded BDCs are summarized in the adjacent table. For a second straight quarter, BDC share prices followed equity markets higher in the face of an increasing yield curve. Median dividend yields for the group of BDCs slipped to 8.6% from 8.7% the prior quarter. The share price gains failed to keep pace with increases in net asset value, pressuring the median price/book ratio down to 101.4% (compared to 102.7% at September 30).

The bold line in the adjacent table divides the overall group into two sections, consisting of companies with share price appreciation above or below the median, respectively. Significant winners during the quarter include GAIN, MAIN and HTGC (each of whom increased dividends during the period) and ACAS (the beneficiary of continued accretive share repurchases). FSC and FULL were demoted on account of dividend cuts, and some of the Twitter-IPO glow faded from GSVC, as those shares gave back a portion of their third-quarter run.

Financial results released during the quarter indicate modest slippage on asset yields (with the aggregate effect asset yield for the group at 11.0%, compared to 11.2% the prior quarter). Inflows of investable funds through stock issuance and incremental new borrowings (\$1.85 billion) outpaced net investment origination (\$1.13 billion). Management teams will be anxious to put this money to work – it remains to be seen what the implications of this dry powder are for yields on new originations and dividend paying capacity. Ultimately, the health of the economy will determine whether loan demand from BDC customers will keep up with capital being supplied to BDCs by investors.

	Ticker	Price for 6/28/13	Price for 9/30/13	% Change	NAV per Share	Indicated Dividend Rate	Prior Dividend Rate	% Change	Price to NAV	Indicated Dividend Yield
Gladstone Investment Corp	GAIN	\$6.89	\$8.06	17.0%	\$9.12	\$0.72	\$0.60	20.0%	88.4%	8.9%
American Capital Ltd	ACAS	\$13.75	\$15.64	13.7%	\$19.54	\$0.00	\$0.00	nm	80.0%	0.0%
Fidus Investment Corp	FDUS	\$19.40	\$21.74	12.1%	\$15.98	\$1.52	\$1.52	0.0%	136.0%	7.0%
Gladstone Capital Corp	GLAD	\$8.60	\$9.57	11.3%	\$9.81	\$0.84	\$0.84	0.0%	97.6%	8.8%
Golub Capital BDC Inc	GBDC	\$17.33	\$19.11	10.3%	\$15.21	\$1.28	\$1.28	0.0%	125.6%	6.7%
Main Street Capital Corp	MAIN	\$29.77	\$32.69	9.8%	\$20.01	\$1.98	\$1.92	3.1%	163.4%	6.1%
Hercules Technology Growth Capital Inc	HTGC	\$14.97	\$16.40	9.6%	\$10.42	\$1.24	\$1.12	10.7%	157.4%	7.6%
Horizon Technology Finance Corp	HRZN	\$13.10	\$14.21	8.5%	\$14.95	\$1.38	\$1.38	0.0%	95.1%	9.7%
TICC Capital Corp	TICC	\$9.74	\$10.34	6.2%	\$9.90	\$1.16	\$1.16	0.0%	104.4%	11.2%
THL Credit Inc	TCRD	\$15.61	\$16.49	5.6%	\$13.38	\$1.36	\$1.36	0.0%	123.2%	8.2%
MVC Capital Inc	MVC	\$12.93	\$13.50	4.4%	\$17.36	\$0.54	\$0.54	0.0%	77.8%	4.0%
Apollo Investment Corp	AINV	\$8.15	\$8.48	4.0%	\$8.30	\$0.80	\$0.80	0.0%	102.2%	9.4%
PennantPark Investment Corp	PNNT	\$11.28	\$11.60	2.8%	\$10.49	\$1.12	\$1.12	0.0%	110.6%	9.7%
Ares Capital Corp	ARCC	\$17.29	\$17.77	2.8%	\$16.35	\$1.52	\$1.52	0.0%	108.7%	8.6%
Solar Capital Ltd	SLRC	\$22.18	\$22.55	1.7%	\$22.25	\$1.60	\$1.60	0.0%	101.3%	7.1%
Prospect Capital Corp	PSEC	\$11.06	\$11.22	1.4%	\$10.72	\$1.33	\$1.33	-0.4%	104.7%	11.8%
Solar Senior Capital Ltd	SUNS	\$17.97	\$18.22	1.4%	\$17.91	\$1.41	\$1.41	0.0%	101.7%	7.7%
NGP Capital Resources Co	NGPC	\$7.43	\$7.47	0.5%	\$9.22	\$0.64	\$0.64	0.0%	81.0%	8.6%
Medley Capital Corp	MCC	\$13.79	\$13.85	0.4%	\$12.70	\$1.48	\$1.48	0.0%	109.1%	10.7%
PennantPark Floating Rate Capital Ltd	PFLT	\$13.69	\$13.73	0.3%	\$14.10	\$1.08	\$1.05	2.9%	97.4%	7.9%
BlackRock Kelso Capital Corp	BKCC	\$9.48	\$9.33	-1.6%	\$9.38	\$1.04	\$1.04	0.0%	99.5%	11.1%
Saratoga Investment Corp	SAR	\$16.16	\$15.65	-3.2%	\$23.77	\$0.00	\$0.00	nm	65.8%	0.0%
Triangle Capital Corp	TCAP	\$29.37	\$27.65	-5.9%	\$15.94	\$2.16	\$2.16	0.0%	173.5%	7.8%
KCAP Financial Inc	KCAP	\$8.70	\$8.07	-7.2%	\$7.96	\$1.00	\$1.00	0.0%	101.4%	12.4%
Fifth Street Finance Corp	FSC	\$10.09	\$9.25	-8.3%	\$9.85	\$1.00	\$1.15	-13.0%	93.9%	10.8%
MCG Capital Corp	MCGC	\$4.91	\$4.40	-10.4%	\$5.10	\$0.50	\$0.50	0.0%	86.3%	11.4%
Full Circle Capital Corp	FULL	\$8.47	\$7.04	-16.9%	\$7.48	\$0.80	\$0.92	-12.6%	94.1%	11.4%
GSV Capital Corp	GSVC	\$14.82	\$12.09	-18.4%	\$13.16	\$0.00	\$0.00	nm	91.9%	0.0%
<b>MEDIAN (Top Half of Group)</b>				<b>9.0%</b>					<b>106.6%</b>	<b>8.4%</b>
<b>MEDIAN (Bottom Half of Group)</b>				<b>-2.4%</b>					<b>98.4%</b>	<b>9.6%</b>
<b>OVERALL MEDIAN</b>				<b>2.2%</b>					<b>101.4%</b>	<b>8.6%</b>

# Valuation Services for BDCs & Other Investment Funds

Business development companies are an important and growing source of funding for middle market companies. Along with private equity and other investment funds, BDCs provide billions of dollars of investment capital to private companies in every segment of the economy.

For over thirty years, Mercer Capital has met the valuation needs of the same middle market companies to which BDCs and other funds provide capital. We offer the following services for BDCs and other investment funds:

- Ongoing fair value measurement and review for portfolio investments
- Fair value measurement process consulting
- Solvency and fairness opinions
- Regulatory review and litigation support
- Purchase price allocation for portfolio companies
- Goodwill impairment testing for portfolio companies
- Equity compensation fair value measurement for portfolio companies
- Buy-sell agreement consulting and valuation dispute resolution

Mercer Capital's senior valuation professionals bring broad and deep experience to the range of valuation needs faced by BDCs and other investment funds.

For more information about Mercer Capital, visit [www.mercercapital.com](http://www.mercercapital.com).

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## Contact Us

**Travis W. Harms, CFA, CPA/ABV**  
901.322.9760  
[harmst@mercercapital.com](mailto:harmst@mercercapital.com)

**Tread B. Thompson, CPA**  
901.322.9753  
[thompsonst@mercercapital.com](mailto:thompsonst@mercercapital.com)

**Mercer Capital**  
5100 Poplar Avenue, Suite 2600  
Memphis, Tennessee 38137  
901.685.2120 (P)

[www.mercercapital.com](http://www.mercercapital.com)