

# Business Development Companies

## 4th Quarter 2012 Stock Performance and Valuation Summary

Stock price performance and related measures for 28 publicly traded BDCs are summarized in the adjacent table. The BDCs were not immune to the fiscal cliff flu during the fourth quarter, posting a median share price decline of 0.5% (compared to 1.0% for the S&P 500). Dividend yields for the sector remain robust, however, with six companies boosting payouts during the quarter, and only one BDC pulling back on dividends.

The bold line in the adjacent table divides the overall group into two sections, comprised of companies with share price appreciation above or below the median, respectively. In general, investors favored larger names during the quarter, with the above median group consisting of BDCs with average assets of \$1.6 billion, compared to an average of approximately \$600 million for the below median group. The market continues to embrace ACAS' repurchase strategy (which remains accretive to per share NAV). The share price decline for SAR reflects, in part, payment of a \$4.50 per share dividend in November.

Capital raising activity (IPOs, secondary offerings, and debt financing) maintained a reasonably brisk pace during the quarter as BDCs continue to be perceived as efficient intermediaries to capital-hungry middle market companies. We will provide a more detailed analysis of the BDCs' financial performance following release of fourth quarter financial statements.

	Ticker	Price for 9/28/12	Price for 12/31/12	% Change	NAV per Share	Annual Div. Rate	Price to Nav	Dividend Yield
American Capital Ltd	ACAS	\$11.35	\$12.03	6.0%	\$17.39	\$0.00	69.2%	0.0%
Apollo Investment Corp	AINV	\$7.88	\$8.35	6.0%	\$8.46	\$0.80	98.7%	9.6%
THL Credit Inc	TCRD	\$14.03	\$14.79	5.4%	\$13.21	\$1.32	112.0%	8.9%
Solar Capital Ltd	SLRC	\$22.92	\$23.91	4.3%	\$22.70	\$2.40	105.3%	10.0%
Solar Senior Capital Ltd	SUNS	\$17.91	\$18.66	4.2%	\$18.60	\$1.42	100.3%	7.6%
BlackRock Kelso Capital Corp	BKCC	\$9.72	\$10.06	3.5%	\$9.55	\$1.04	105.3%	10.3%
Medley Capital Corp	MCC	\$14.07	\$14.56	3.5%	\$12.52	\$1.44	116.3%	9.9%
PennantPark Investment Corp	PNNT	\$10.63	\$10.99	3.4%	\$10.22	\$1.12	107.5%	10.2%
Main Street Capital Corp	MAIN	\$29.51	\$30.16	2.2%	\$17.49	\$1.80	172.4%	6.0%
Ares Capital Corp	ARCC	\$17.14	\$17.50	2.1%	\$15.74	\$1.72	111.2%	9.8%
Hercules Technology Growth Capital Inc	HTGC	\$11.01	\$11.13	1.1%	\$9.42	\$0.96	118.2%	8.6%
Golub Capital BDC Inc	GBDC	\$15.90	\$15.98	0.5%	\$14.60	\$1.28	109.5%	8.0%
PennantPark Floating Rate Capital Ltd	PFLT	\$12.67	\$12.70	0.2%	\$13.98	\$1.00	90.8%	7.8%
MCG Capital Corp	MCGC	\$4.61	\$4.59	-0.4%	\$5.20	\$0.50	88.3%	10.9%
Triangle Capital Corp	TCAP	\$25.66	\$25.49	-0.7%	\$15.33	\$2.12	166.3%	8.3%
KCAP Financial Inc	KCAP	\$9.26	\$9.19	-0.8%	\$7.82	\$1.12	117.5%	12.2%
Fidus Investment Corp	FDUS	\$16.70	\$16.45	-1.5%	\$15.27	\$1.52	107.7%	9.2%
GSV Capital Corp	GSVC	\$8.63	\$8.43	-2.3%	\$13.45	\$0.00	62.7%	0.0%
TICC Capital Corp	TICC	\$10.40	\$10.12	-2.7%	\$9.85	\$1.16	102.7%	11.5%
NGP Capital Resources Co	NGPC	\$7.46	\$7.22	-3.2%	\$9.70	\$0.64	74.4%	8.9%
MVC Capital Inc	MVC	\$12.80	\$12.15	-5.1%	\$16.14	\$0.54	75.3%	4.4%
Fifth Street Finance Corp	FSC	\$10.98	\$10.42	-5.1%	\$9.92	\$1.15	105.0%	11.1%
Prospect Capital Corp	PSEC	\$11.52	\$10.87	-5.6%	\$10.88	\$1.32	99.9%	12.1%
Gladstone Capital Corp	GLAD	\$8.75	\$8.16	-6.7%	\$8.98	\$0.84	90.9%	10.3%
Horizovn Technology Finance Corp	HRZN	\$16.16	\$14.92	-7.7%	\$16.41	\$1.80	90.9%	12.1%
Full Circle Capital Corp	FULL	\$8.11	\$7.43	-8.4%	\$8.51	\$0.92	87.3%	12.4%
Gladstone Investment Corp	GAIN	\$7.82	\$6.96	-11.0%	\$8.93	\$0.60	77.9%	8.6%
Saratoga Investment Corp	SAR	\$18.29	\$15.40	-15.8%	\$27.20	\$4.25	56.6%	27.6%
<b>MEDIAN (Top Half of Group)</b>				<b>3.4%</b>			<b>106.4%</b>	<b>9.3%</b>
<b>MEDIAN (Bottom Half of Group)</b>				<b>-5.1%</b>			<b>90.9%</b>	<b>10.7%</b>
<b>OVERALL MEDIAN</b>				<b>-0.5%</b>			<b>101.5%</b>	<b>9.7%</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
- 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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