

Business Development Companies

2nd Quarter 2013 Stock Performance and Valuation Summary

Stock price performance and related measures for 28 publicly traded BDCs are summarized in the adjacent table. BDC share prices lagged the broader market indices during the quarter, as increasing interest rates took a toll, with only nine of the listed companies reporting advancing share prices. As Treasury yields on the benchmark 10-year note increased over 60 basis points during the second quarter, the overall median dividend yield for the group of BDCs ticked up to 9.3% at the end of the quarter, compared to 9.0% at the end of March. Growing net asset values further pressured price/book ratios, falling from a median of 103.1% at the prior quarter-end to 100.5% at June 30, 2013.

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. Smaller names tended to fare a bit better during the second quarter, with median assets for BDCs with above-median performance at approximately \$550 million, compared to approximately \$800 million for the below-median performers.

Financial results released during the quarter indicated robust returns on equity, boosted principally by significant realized and unrealized gains (totaling \$361 million for the group, compared to aggregate net investment income of \$479 million). Effective asset yields came under some pressure during the quarter, at 10.7% compared to 11.8% for the trailing twelve month period. Sequentially, the pace of investment activity slowed over 35% during the first quarter of 2013, with aggregate investing activity of \$3.5 billion for the group, compared to \$5.5 billion during the fourth quarter of 2012. Looking forward, the path of interest rates will likely be the primary driver of BDC returns, and investors may begin to more closely scrutinize the rate sensitivity of individual BDC strategies.

	Ticker	Price for 3/28/13	Price for 6/28/13	% Change	NAV per Share	Indicated Dividend Rate	Price to NAV	Indicated Dividend Yield
Hercules Technology Growth Capital Inc	HTGC	\$12.25	\$13.94	13.8%	\$10.00	\$1.08	139.4%	7.7%
MCG Capital Corp	MCGC	\$4.78	\$5.21	9.0%	\$5.18	\$0.50	100.6%	9.6%
Saratoga Investment Corp	SAR	\$16.46	\$17.65	7.2%	\$22.98	\$0.00	76.8%	0.0%
Golub Capital BDC Inc	GBDC	\$16.51	\$17.50	6.0%	\$14.80	\$1.28	118.2%	7.3%
KCAP Financial Inc	KCAP	\$10.77	\$11.26	4.5%	\$8.33	\$1.12	135.2%	9.9%
Full Circle Capital Corp	FULL	\$7.65	\$7.90	3.3%	\$8.00	\$0.92	98.8%	11.7%
THL Credit Inc	TCRD	\$14.98	\$15.19	1.4%	\$13.20	\$1.36	115.1%	9.0%
PennantPark Floating Rate Capital Ltd	PFLT	\$13.96	\$14.14	1.3%	\$14.10	\$1.05	100.3%	7.4%
Gladstone Investment Corp	GAIN	\$7.31	\$7.35	0.5%	\$9.10	\$0.60	80.8%	8.2%
Prospect Capital Corp	PSEC	\$10.91	\$10.80	-1.0%	\$10.71	\$1.32	100.8%	12.3%
Solar Capital Ltd	SLRC	\$23.49	\$23.09	-1.7%	\$23.00	\$2.40	100.4%	10.4%
Triangle Capital Corp	TCAP	\$27.99	\$27.51	-1.7%	\$15.32	\$2.16	179.6%	7.9%
MVC Capital Inc	MVC	\$12.83	\$12.59	-1.9%	\$16.56	\$0.54	76.0%	4.3%
PennantPark Investment Corp	PNNT	\$11.30	\$11.05	-2.2%	\$10.50	\$1.12	105.2%	10.1%
Fidus Investment Corp	FDUS	\$19.15	\$18.71	-2.3%	\$15.46	\$1.52	121.0%	8.1%
TICC Capital Corp	TICC	\$9.94	\$9.62	-3.2%	\$10.02	\$1.16	96.0%	12.1%
Solar Senior Capital Ltd	SUNS	\$19.20	\$18.41	-4.1%	\$18.25	\$1.41	100.9%	7.7%
GSV Capital Corp	GSVC	\$8.26	\$7.86	-4.8%	\$12.69	\$0.00	61.9%	0.0%
Ares Capital Corp	ARCC	\$18.10	\$17.20	-5.0%	\$15.98	\$1.52	107.6%	8.8%
Fifth Street Finance Corp	FSC	\$11.02	\$10.45	-5.2%	\$9.90	\$1.15	105.6%	11.0%
Horizon Technology Finance Corp	HRZN	\$14.61	\$13.74	-6.0%	\$15.12	\$1.38	90.9%	10.0%
BlackRock Kelso Capital Corp	BKCC	\$10.00	\$9.36	-6.4%	\$9.47	\$1.04	98.8%	11.1%
Apollo Investment Corp	AINV	\$8.36	\$7.74	-7.4%	\$8.27	\$0.80	93.6%	10.3%
Gladstone Capital Corp	GLAD	\$9.20	\$8.17	-11.2%	\$8.91	\$0.84	91.7%	10.3%
American Capital Ltd	ACAS	\$14.60	\$12.67	-13.2%	\$19.04	\$0.00	66.5%	0.0%
Main Street Capital Corp	MAIN	\$32.09	\$27.69	-13.7%	\$18.55	\$1.86	149.3%	6.7%
NGP Capital Resources Co	NGPC	\$7.11	\$6.13	-13.8%	\$9.05	\$0.64	67.7%	10.4%
Medley Capital Corp	MCC	\$15.85	\$13.58	-14.3%	\$12.73	\$1.44	106.7%	10.6%
MEDIAN (Top Half of Group)				1.3%			100.7%	8.6%
MEDIAN (Bottom Half of Group)				-6.2%			97.4%	10.2%
OVERALL MEDIAN				-2.3%			100.5%	9.3%

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.

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