

Business Development Companies

3rd 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 shrugged off further increases in benchmark treasury yields, following stock indices higher instead. Median dividend yields for the group of BDCs fell to 8.7% at the end of the quarter, compared to 9.3% at the end of June. Advancing share prices outpaced growth in net asset value, pushing the median price/book ratio to 102.7% at September 30, 2013 from 100.5% at the prior quarter-end.

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. Dividend performance continues to drive share prices for yield-hungry investors: four of the above-median performers increased dividends during the quarter, compared to only one of the below-median group. Shares of tech-heavy GSVC advanced nearly 90% during the quarter, likely boosted by the announced IPO plans for portfolio company Twitter.

Excluding realized and unrealized portfolio gains and losses, financial results released during the quarter improved modestly from the prior quarter, primarily as a result of marginally higher effective asset yields (11.2% compared to 10.7% in the prior quarter). Including both realized and unrealized components, the analyzed BDCs reported a net loss on portfolio investments of \$70.2 million, or -0.2% of total assets. Sequentially, the pace of investment activity recovered in the second quarter, increasing to \$5.0 billion from \$3.5 billion in the first quarter. As some BDCs begin reaching down the capital structure of portfolio companies to garner yield, investors will likely be keeping a close eye on credit performance in coming quarters.

	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
	GSVC	\$7.86	\$14.82	88.5%	\$12.87	\$0.00	\$0.00	nm	115.2%	0.0%
	NGPC	\$6.13	\$7.43	21.2%	\$9.13	\$0.64	\$0.64	0.0%	81.4%	8.6%
	HTGC	\$13.94	\$15.25	9.4%	\$10.09	\$1.12	\$1.08	3.7%	151.1%	7.3%
	ACAS	\$12.67	\$13.75	8.5%	\$19.28	\$0.00	\$0.00	nm	71.3%	0.0%
	FULL	\$7.90	\$8.55	8.2%	\$8.01	\$0.92	\$0.92	0.4%	106.7%	10.8%
	MAIN	\$27.69	\$29.93	8.1%	\$18.72	\$1.92	\$1.86	3.2%	159.9%	6.4%
	GLAD	\$8.17	\$8.73	6.9%	\$8.60	\$0.84	\$0.84	0.0%	101.5%	9.6%
	TCAP	\$27.51	\$29.37	6.8%	\$15.62	\$2.16	\$2.16	0.0%	188.0%	7.4%
	SAR	\$17.65	\$18.72	6.1%	\$23.78	\$0.00	\$0.00	nm	78.7%	0.0%
	AINV	\$7.74	\$8.15	5.3%	\$8.16	\$0.80	\$0.80	0.0%	99.9%	9.8%
	MVC	\$12.59	\$13.06	3.7%	\$17.36	\$0.54	\$0.54	0.0%	75.2%	4.1%
	FDUS	\$18.71	\$19.40	3.7%	\$16.06	\$1.52	\$1.52	0.0%	120.8%	7.8%
	PSEC	\$10.80	\$11.17	3.4%	\$10.72	\$1.33	\$1.32	0.4%	104.2%	11.9%
	TCRD	\$15.19	\$15.61	2.8%	\$13.58	\$1.36	\$1.36	0.0%	114.9%	8.7%
	PNNT	\$11.05	\$11.28	2.1%	\$10.43	\$1.12	\$1.12	0.0%	108.1%	9.9%
	MCC	\$13.58	\$13.79	1.5%	\$12.65	\$1.48	\$1.44	2.8%	109.0%	10.7%
	BKCC	\$9.36	\$9.48	1.3%	\$9.37	\$1.04	\$1.04	0.0%	101.2%	11.0%
	TICC	\$9.62	\$9.74	1.2%	\$9.75	\$1.16	\$1.16	0.0%	99.9%	11.9%
	ARCC	\$17.20	\$17.29	0.5%	\$16.21	\$1.52	\$1.52	0.0%	106.7%	8.8%
	GBDC	\$17.50	\$17.33	-1.0%	\$15.12	\$1.28	\$1.28	0.0%	114.6%	7.4%
	FSC	\$10.45	\$10.29	-1.5%	\$9.90	\$1.15	\$1.15	0.0%	103.9%	11.2%
	SUNS	\$18.41	\$18.08	-1.8%	\$18.03	\$1.41	\$1.41	0.0%	100.3%	7.8%
	PFLT	\$14.14	\$13.78	-2.5%	\$13.98	\$1.05	\$1.05	0.0%	98.6%	7.6%
	HRZN	\$13.74	\$13.32	-3.1%	\$14.89	\$1.38	\$1.38	0.0%	89.5%	10.4%
	MCGC	\$5.21	\$5.04	-3.3%	\$5.14	\$0.50	\$0.50	0.0%	98.1%	9.9%
	SLRC	\$23.09	\$22.18	-3.9%	\$22.40	\$1.60	\$2.40	-33.3%	99.0%	7.2%
	GAIN	\$7.35	\$7.05	-4.1%	\$8.70	\$0.60	\$0.60	0.0%	81.0%	8.5%
	KCAP	\$11.26	\$8.95	-20.5%	\$8.24	\$1.00	\$1.12	-10.7%	108.6%	11.2%
MEDIAN (Top Half of Group)				6.8%				4	105.5%	7.6%
MEDIAN (Bottom Half of Group)				-1.7%				1	100.7%	9.9%
OVERALL MEDIAN				2.4%				5	102.7%	8.7%

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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