

Business Development Companies

2nd Quarter 2014 Stock Performance and Valuation Summary

Stock price performance and related measures for 28 publicly traded BDCs are summarized in the adjacent table. BDC share price performance was generally mixed during the quarter, with winners modestly outnumbering losers against a backdrop of healthy gains in major equity indices and rallying bond prices. Median dividend yields for the group of BDCs fell from 8.8% at the prior quarter end to 8.4%, and the median price/book ratio pushed back over 100%, increasing from 98.3% at March 31, 2014 to 100.7% at June 30, 2014.

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.

Tech-focused names (HRZN, HTGC and GSV) led the way, recovering after falling out of favor in the first quarter. The June removal of BDCs from Russell investment indices seems to have had little to no effect on returns during the quarter, following some downward pressure on prices upon announcement of the changes in the first quarter.

For the balance of 2014, we expect BDC financial performance will be driven by pricing on new originations and credit performance of existing assets. The intersection of the Fed's continuing zero-interest rate policy and more capital allocated to the middle market will likely force lenders to either accept lower yields on new loans at a given level of underwriting risk, or to accept greater risk in an effort to maintain yield. Of course, BDC investors are also hungry for yield so share prices may be able to withstand pressure on asset yields, although at the expense of total return.

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	Ticker	Price for 3/31/14	Price for 6/30/14	% Change	NAV per Share	Indicated Dividend Rate	Prior Dividend Rate	% Change	Price to NAV	Indicated Dividend Yield	
	Horizon Technology Finance Corporation	HRZN	\$12.51	\$14.62	16.9%	\$14.32	\$1.38	\$1.38	0.0%	102.1%	9.4%
	Hercules Technology Growth Capital, Inc.	HTGC	\$14.07	\$16.16	14.9%	\$10.58	\$1.24	\$1.24	0.0%	152.8%	7.7%
	Triangle Capital Corporation	TCAP	\$25.89	\$28.37	9.6%	\$15.72	\$2.16	\$2.16	0.0%	180.5%	7.6%
	Fidus Investment Corporation	FDUS	\$19.31	\$20.54	6.4%	\$15.22	\$1.52	\$1.52	0.0%	135.0%	7.4%
	GSV Capital Corp.	GSVC	\$10.14	\$10.57	4.2%	\$14.91	\$0.00	\$0.00	nm	70.9%	0.0%
	Fifth Street Finance Corp.	FSC	\$9.46	\$9.83	3.9%	\$9.81	\$1.10	\$1.00	10.0%	100.2%	11.2%
	PennantPark Investment Corporation	PNNT	\$11.05	\$11.46	3.7%	\$11.13	\$1.12	\$1.12	0.0%	102.9%	9.8%
	Apollo Investment Corporation	AINV	\$8.31	\$8.61	3.6%	\$8.67	\$0.80	\$0.80	0.0%	99.4%	9.3%
	MCG Capital Corporation	MCGC	\$3.79	\$3.92	3.4%	\$4.37	\$0.28	\$0.50	-44.0%	89.7%	7.1%
	PennantPark Floating Rate Capital Ltd.	PFLT	\$13.82	\$14.29	3.4%	\$14.46	\$1.08	\$1.08	0.0%	98.9%	7.6%
	Saratoga Investment Corp.	SAR	\$15.34	\$15.73	2.5%	\$21.36	\$0.00	\$0.00	nm	73.6%	0.0%
	THL Credit, Inc.	TCRD	\$13.80	\$14.00	1.4%	\$13.34	\$1.36	\$1.36	0.0%	104.9%	9.7%
	Ares Capital Corporation	ARCC	\$17.62	\$17.86	1.4%	\$16.42	\$1.52	\$1.52	0.0%	108.7%	8.5%
	TICC Capital Corp.	TICC	\$9.78	\$9.90	1.2%	\$9.78	\$1.16	\$1.16	0.0%	101.2%	11.7%
	Full Circle Capital Corporation	FULL	\$7.78	\$7.81	0.4%	\$7.20	\$0.80	\$0.80	0.0%	108.4%	10.3%
	Main Street Capital Corporation	MAIN	\$32.86	\$32.93	0.2%	\$20.14	\$1.98	\$1.98	0.0%	163.5%	6.0%
	Gladstone Capital Corporation	GLAD	\$10.08	\$10.06	-0.2%	\$9.79	\$0.84	\$0.84	0.0%	102.8%	8.3%
	Blackrock Kelso Capital Corporation	BKCC	\$9.17	\$9.11	-0.7%	\$9.59	\$0.84	\$1.04	-19.2%	95.0%	9.2%
	Golub Capital BDC, Inc.	GBDC	\$17.84	\$17.70	-0.8%	\$15.41	\$1.28	\$1.28	0.0%	114.9%	7.2%
	Solar Senior Capital Ltd.	SUNS	\$17.11	\$16.88	-1.3%	\$18.04	\$1.41	\$1.41	0.0%	93.6%	8.4%
	Prospect Capital Corporation	PSEC	\$10.80	\$10.63	-1.6%	\$10.68	\$1.33	\$1.33	0.0%	99.5%	12.5%
	KCAP Financial, Inc.	KCAP	\$8.41	\$8.24	-2.0%	\$7.62	\$1.00	\$1.00	0.0%	108.1%	12.1%
	Solar Capital Ltd.	SLRC	\$21.78	\$21.28	-2.3%	\$22.43	\$1.60	\$1.60	0.0%	94.9%	7.5%
	American Capital, Ltd.	ACAS	\$15.80	\$15.29	-3.2%	\$19.29	\$0.00	\$0.00	nm	79.3%	0.0%
	Medley Capital Corporation	MCC	\$13.61	\$13.06	-4.0%	\$12.69	\$1.48	\$1.48	0.0%	102.9%	11.3%
	MVC Capital, Inc.	MVC	\$13.55	\$12.95	-4.4%	\$16.42	\$0.54	\$0.54	0.0%	78.9%	4.2%
	NGP Capital Resources Company	NGPC	\$6.76	\$6.23	-7.8%	\$8.73	\$0.64	\$0.64	0.0%	71.4%	10.3%
	Gladstone Investment Corporation	GAIN	\$8.27	\$7.40	-10.5%	\$8.34	\$0.72	\$0.72	0.0%	88.7%	9.7%
	MEDIAN (Top Half of Group)									101.6%	8.1%
	MEDIAN (Bottom Half of Group)									97.3%	8.8%
	OVERALL MEDIAN									100.7%	8.4%

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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:

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- Fair value measurement process consulting
- Solvency and fairness opinions
- Regulatory review and litigation support
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- 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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