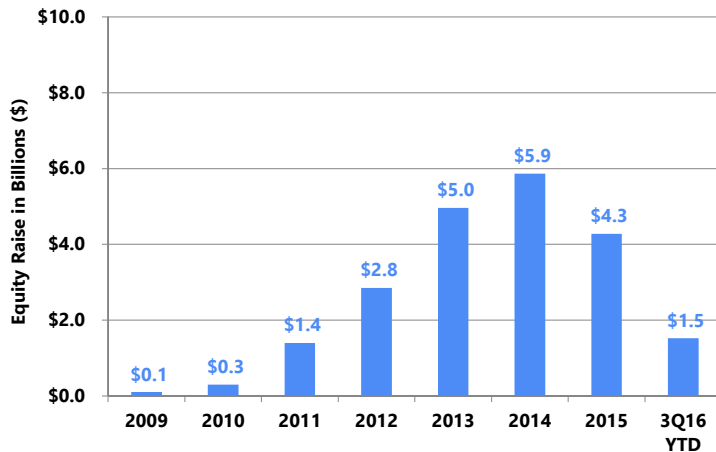


# Non-Listed BDC Market Snapshot

## 3rd Quarter 2016

### Non-Listed BDC Historical Capital Raise Summary



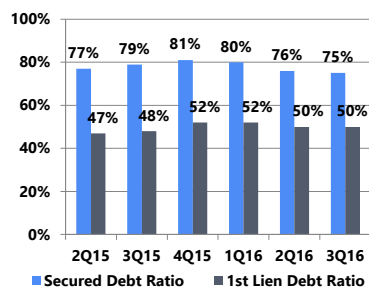
In 3Q16, non-listed BDCs posted another fundraising decline, after 2015 put an end to their fundraising growth streak. After a record \$5.9 billion in 2014, non-listed BDCs fundraising declined to \$4.3 billion in 2015. In 3Q16, non-listed BDCs raised only \$431 million, which is less than half of their 2015 fundraising pace. Several factors are behind the sharp decline in fundraising including regulatory changes regarding share valuation, the downfall of the largest non-listed sponsor due to multiple fraud charges at related companies, and disruptions in the high yield debt markets that have led to the recent declining net asset values. Rising credit risk is another important factor that will have a greater impact in 2017.

### Non-Listed BDC 3Q16 Capital Raise Detail

(\$ in millions)	
Effective Non-Listed BDCs	3Q16
FS Energy & Power Fund	\$145
FS Investment Corporation III	\$51
FS Investment Corporation IV	\$39
Corporate Capital Trust (CNL)	\$39
Carey Credit Income Fund 2016 T	\$35
Sierra Income Corporation	\$35
HMS Income Fund (Hines)	\$27
Cion Investment Corporation (Icon)	\$22
Corporate Capital Trust II (CNL)	\$20
NexPoint Capital (Highland)	\$11
Other Non-Listed BDCs	\$7
<b>Total Effective Non-Listed BDCs</b>	<b>\$431</b>

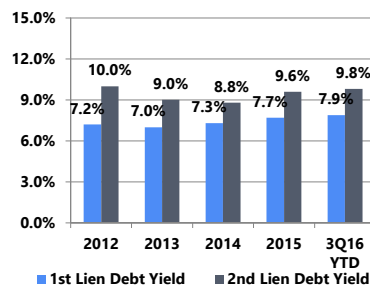
In 3Q16, open non-listed BDCs had their lowest quarterly capital raise in the last four years. In 1Q12, non-listed BDCs raised \$633 million led by the same two sponsors that still dominate the non-listed BDC market. Franklin Square, which has had the highest market share since creating the space, led 3Q16 fundraising with a 54% market share for its three open non-listed BDCs that held the top three fundraising spots. FS Energy & Power was the top non-listed BDC fundraiser with \$145 million raised in 3Q16, despite steep losses in 2015 and 1Q16 and rising credit risks.

### Secured Debt Ratios



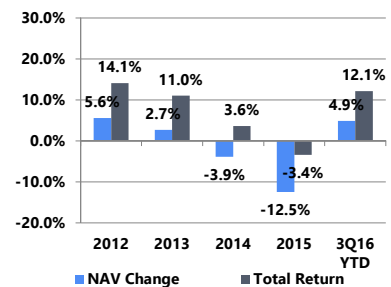
Non-listed BDCs maintained their secured debt ratios in 3Q16. Secured debt ratios decreased from 76% in 2Q16 to 75% in 3Q16, while first lien debt ratios remained unchanged at 50% in 3Q16. With the decline in private debt market prices and higher market yields, non-listed BDCs have been able to obtain comparable secured debt and first lien debt at higher yields.

### Investment Yields



With declining market prices, first and second lien debt yields increased in late 2015. For 3Q16 YTD, first lien debt ratios increased from 7.7% in 2015 to 7.9%. Second lien debt yields increased from 9.6% to 9.8% for 3Q16 YTD. With these high yields blended with high fixed rates on unsecured debt, non-listed BDCs increased their average gross yields to 9.2% for 3Q16.

### Non-Listed BDC Returns



For 3Q16 YTD, non-listed BDCs posted positive returns after two years of losses. Net asset values had a 4.9% increase for 3Q16 YTD after steep 12.5% NAV declines in 2015. With the increase in NAVs and high distribution rates, total returns for non-listed BDCs were a high 12.1% for 3Q16 YTD. Investors should monitor credit risk of non-listed BDCs with lower total returns.