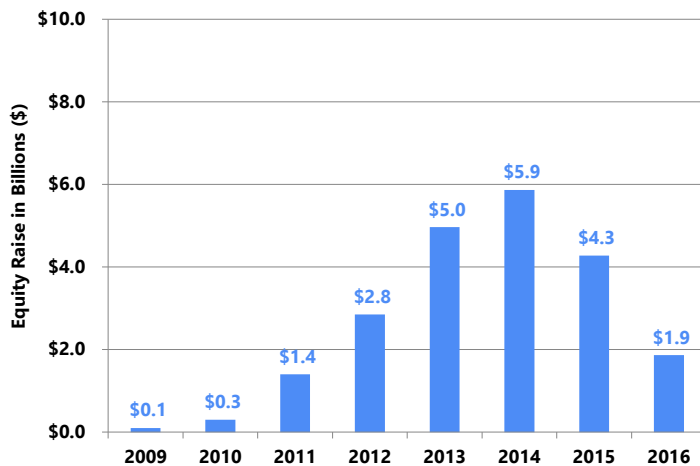


# Non-Listed BDC Market Snapshot

## 4th Quarter 2016

### Non-Listed BDC Historical Capital Raise Summary



In 4Q16, 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 2016, non-listed BDCs raised only \$1.9 billion, which is less than half of their 2015 fundraising total. 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.

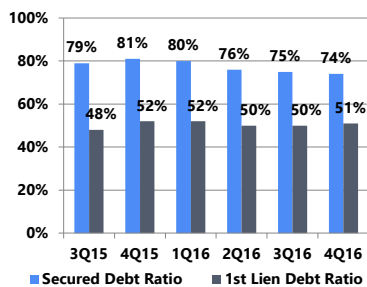
### Non-Listed BDC 4Q16 Capital Raise Detail

(\$ in millions)

Effective Non-Listed BDCs	4Q16
FS Energy & Power Fund	\$92
FS Investment Corporation III	\$49
FS Investment Corporation IV	\$49
Corporate Capital Trust (CNL)	\$39
Cion Investment Corporation (Icon)	\$24
HMS Income Fund (Hines)	\$21
Corporate Capital Trust II (CNL)	\$21
Sierra Income Corporation	\$16
NexPoint Capital (Highland)	\$11
Terra Income Fund 6	\$8
Other Non-Listed BDCs	\$11
<b>Total Effective Non-Listed BDCs</b>	<b>\$340</b>

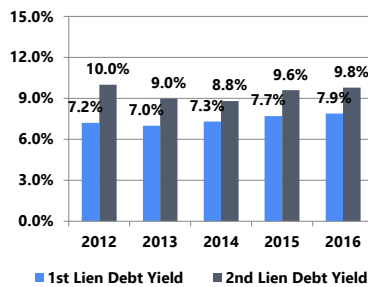
In 4Q16, open non-listed BDCs had their lowest quarterly capital raise in the last four years. In 1Q12, non-listed BDCs raised \$633 million led by the same two sponsors that still dominate the non-listed BDC market. Franklin Square, which has had the highest market share since creating the space, led 4Q16 fundraising with a 56% 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 \$92 million raised in 4Q16, despite steep losses in 2015 and 1Q16 and rising credit risks.

### Secured Debt Ratios



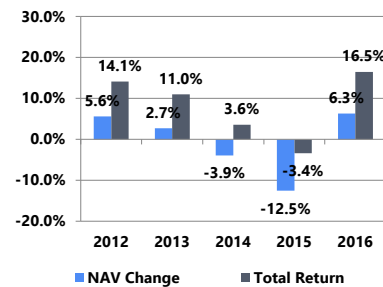
Non-listed BDCs reduced their secured debt ratios in 4Q16. Secured debt ratios declined from 75% in 3Q16 to 74% in 4Q16, while first lien debt ratios increased slightly to 51% in 4Q16. With the decline in private debt market prices and higher market yields, non-listed BDCs have been able to obtain comparable secured debt and first lien debt at higher investment yields.

### Investment Yields



With declining market prices, first lien debt and second lien debt yields increased in late 2015. In 2016, first lien debt ratios increased from 7.7% in 2015 to 7.9%. Second lien debt yields increased from 9.6% in 2015 to 9.8% in 2016. With these high yields blended with high fixed interest rates on unsecured debt, non-listed BDCs increased their average gross yields to 9.4% for 4Q16.

### Non-Listed BDC Returns



In 2016, non-listed BDCs posted positive returns after two years of losses. Net asset values had a 6.3% increase in 2016, after steep 12.5% NAV declines in 2015. With the increase in NAVs and the high current distribution rates, total returns for non-listed BDCs were a high 16.5% in 2016. Investors should monitor credit risk of non-listed BDCs with lower total returns.