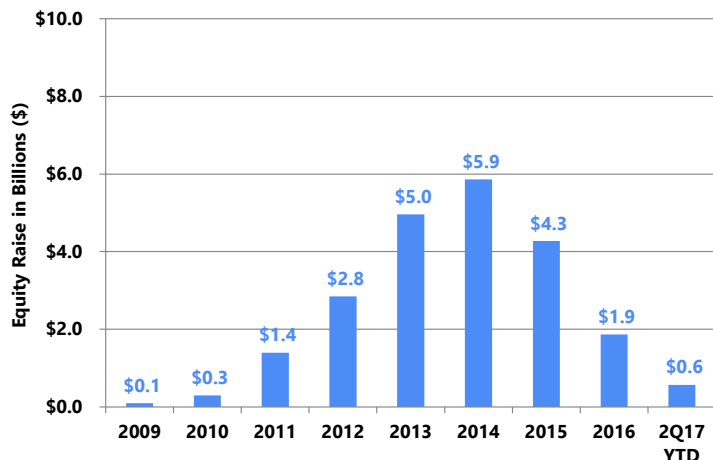


# Non-Listed BDC Market Snapshot

## 2nd Quarter 2017

### Non-Listed BDC Historical Capital Raise Summary



For 2Q17 YTD, non-listed BDCs posted another fundraising decline with only \$568 million equity raised, which is a 39% decline from the fundraising pace in 2016. After a record \$5.9 billion in 2014, non-listed BDCs fundraising declined to \$1.9 billion in 2016, which was a steep 68% decline in two years. Several factors contributed to 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 led to declining NAVs in 2015 and early 2016. Rising credit risk is an important factor that will have a greater impact in 2017.

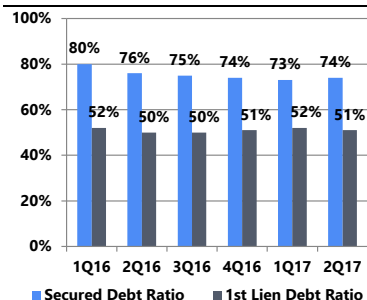
### Non-Listed BDC 2Q17 Capital Raise Detail

(\$ in millions)

Effective Non-Listed BDCs	2Q17
FS Investment Corporation III	\$66
FS Investment Corporation IV	\$66
Cion Investment Corporation (Icon)	\$26
HMS Income Fund (Hines)	\$24
Owl Rock Capital II	\$18
Corporate Capital Trust II (CNL)	\$16
Sierra Income Corporation	\$14
Carey Credit Income Fund - I	\$12
Terra Income Fund 6	\$11
NexPoint Capital (Highland)	\$8
Other Non-Listed BDCs	\$3
<b>Total Effective Non-Listed BDCs</b>	<b>\$263</b>

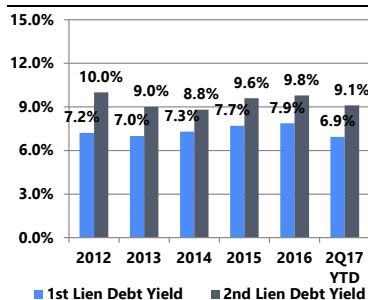
In 2Q17, open non-listed BDCs had their lowest quarterly capital raise in the last five years. In 1Q12, non-listed BDCs raised \$633 million led by the same two sponsors that still dominate the non-listed BDC market. Franklin Square, which has had the highest market share since creating the space, led 2Q17 fundraising with a 50% market share for its two open non-listed BDCs in the top two fundraising spots. FS Investment III was the top non-listed BDC fundraiser with \$66 million raised in 2Q17 followed by FS Investment IV with \$66 million equity.

### Secured Debt Ratios



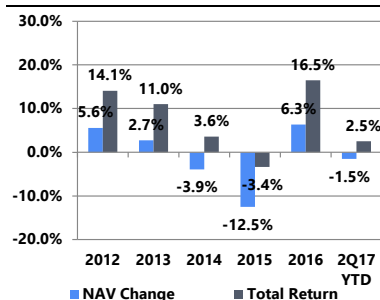
Non-listed BDCs increased their secured debt ratios in 2Q17. Secured debt ratios increased from 73% in 1Q17 to 74% in 2Q17, while first lien debt ratios decreased slightly to 51% in 2Q17. With the recent decline in private debt market prices and higher market yields, non-listed BDCs have been able to obtain comparable secured debt at higher investment yields.

### Investment Yields



With declining market prices, first and second lien debt yields increased in late 2015 and early 2016. First lien debt ratios decreased from 7.9% to 6.9% for 2Q17 YTD. Second lien debt yields declined from 9.8% to 9.1% for 2Q17 YTD. With these high yields and high fixed interest rates on unsecured debt, non-listed BDCs had gross yields of 9.3% for 2Q17 YTD.

### Non-Listed BDC Returns



For 2Q17 YTD, non-listed BDCs had lower positive returns after record highs in 2016. Net asset values had a 1.5% decrease in 2Q17, after a 6.3% NAV increase in 2016. With lower NAVs and high distribution rates, total returns were a low 2.5% for 2Q17 YTD, which is well below 16.5% in 2016. Investors should monitor credit risk of non-listed BDCs with lower total returns.