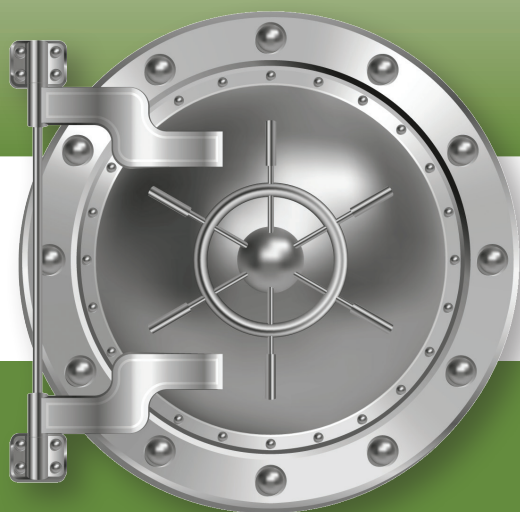


# BLUE VAULT™



## Nontraded BDC

## Industry Review

## Third Quarter 2016

[www.BlueVaultPartners.com](http://www.BlueVaultPartners.com)

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## Metric Definitions and Explanations

**A Portfolio Details** Includes a summary of the portfolio holdings for the current period as reported on the BDC's balance sheet. Items categorized as investments include debt investments, preferred equity, common equity and other short-term investments. Cash and Cash Equivalents include cash on the balance sheet and other cash-like liquid assets.

This section also includes a current overview of the BDC's investment strategy as it relates to the types of investments it makes, the industries the fund is focused on and the size of companies the fund plans to invest in. Specifics found in this section include number of portfolio companies and the investment management advisor. Also included is whether the company employs a Total Return Swap (TRS) and the value of the assets in the TRS.

The initial offering date is defined as the date the BDC was considered "effective" by the SEC and began raising money in its public offering. The number of months indicates how long the BDC has been raising capital and the anticipated offering close date is the date the BDC anticipates closing the BDC to new investments. The current price per share and reinvestment price per share are based on either the most recent offering price or the most recent price published.

**B Gross Dollars Raised** – Defined as the sales of nontraded BDC shares plus shares purchased through dividend reinvestment.

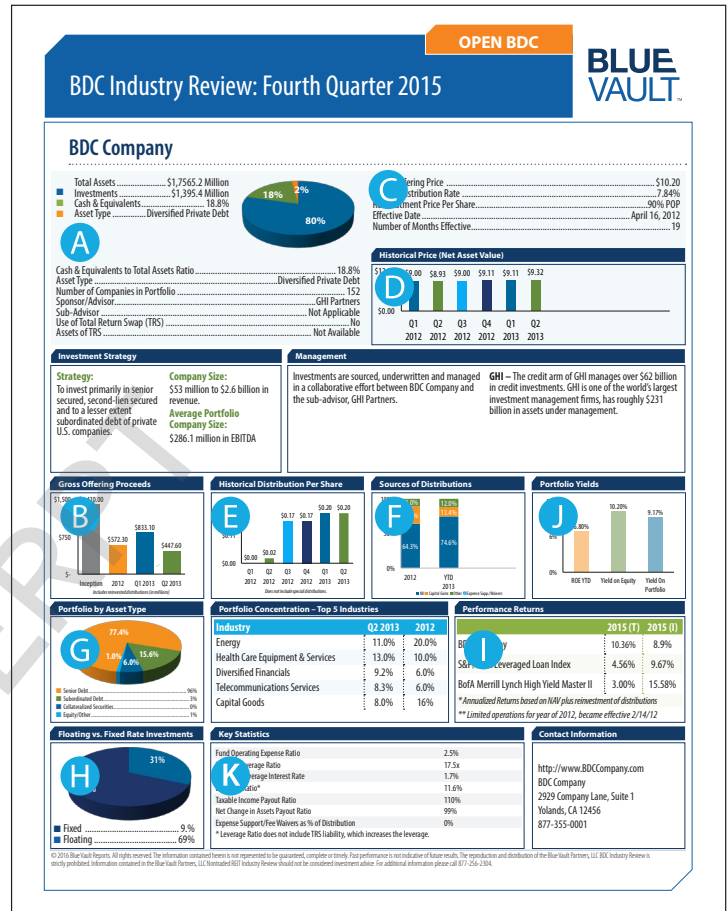
**C Public Offering Price (POP)** – The price at which shares are offered to the public. The offering price changes whenever a material change in the Net Asset Value (NAV) occurs.

**D Net Asset Value (NAV) Per Share** – The sum of the fair value of the total assets minus the total liabilities divided by the total number of shares outstanding. This number is reported publicly at least every quarter.

**E Current Distribution Rate & Historical Distribution** – The annualized distribution rate for the current quarter. Historical distribution shows the per share distribution amount in dollars.

**F Sources of Distributions**

*Note – comparisons may differ due to the fact that some funds use GAAP numbers and some use tax numbers for showing sources of distributions. In funds showing taxable income sources of distributions, unpaid incentive fees and other fees may show as "Other" for sources of distributions.*



**Net Investment Income** – Income earned from investments during the quarter or year less investment and operating expenses. Expense support or the reimbursement of expense support may be subtracted from or added, respectively, to operating expenses. This portion of income is the recurring portion and should represent where the majority of distributions are coming from.

**Net Realized Gains** – Gains or losses from investments that were sold in the quarter or year. Although it is an important component of income to the fund, realized gains can be unpredictable and may not be consistent from quarter to quarter.

**Expense Support** – Expenses paid for by the advisor, sponsor or affiliated holding company during the quarter or year. Typically expense support is given at the beginning of the fund's lifecycle and tapers off as the fund begins to make investments and generate income and capital gains. These expenses are typically reimbursed to the sponsor or advisor over time. This number may also include fee waivers by the fund.

## Metric Definitions and Explanations

**Net Change in Net Assets (Net Change in Assets)** – The GAAP measure for earnings, which includes net investment income, realized and unrealized capital gains, as well as certain accruals such as unearned performance incentive fees.

**Net Taxable Income** – The tax-basis of earnings, which includes net investment income, realized capital gains, gains on TRS Assets and foreign exchange and other derivatives. Taxable income is what is reported on an investor's 1099 to reconcile distributions into taxable income, capital gains and return of capital.

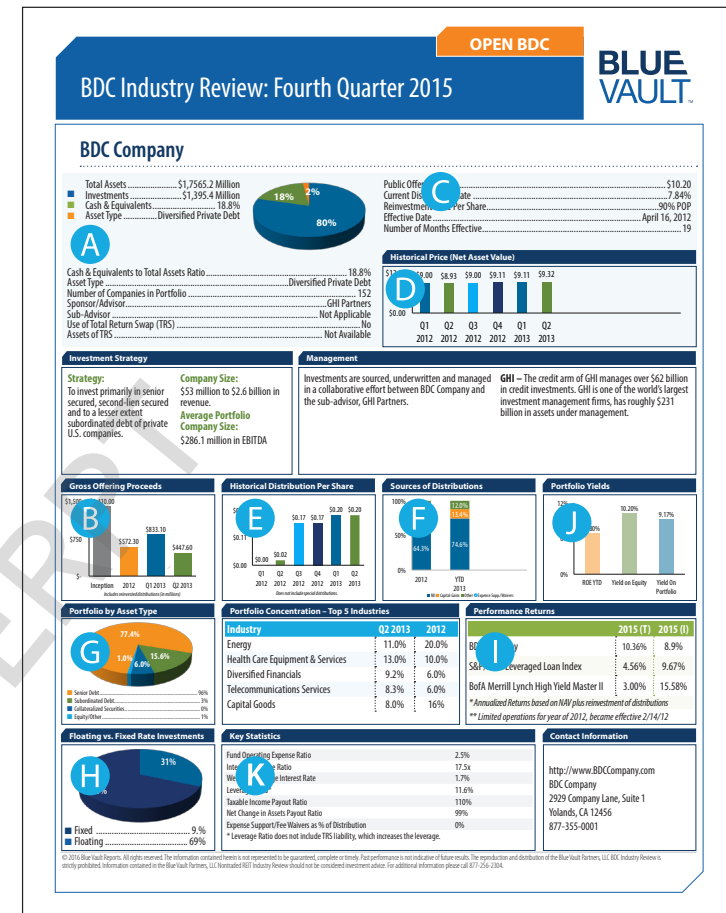
**Net Change in Assets Payout Ratio** – Calculated as the year-to-date total distributions divided by the year-to-date net change in net assets. The metric is designed to determine how much of the distribution is derived from the net change in assets, or GAAP-related earnings. Beyond the beginning stages of the fund, the ratio should be below or close to 100%.

**Taxable Income Payout Ratio** – Calculated as the year-to-date total distributions divided by the estimated year-to-date net taxable income. The metric is designed to determine how much of the distribution is derived from taxable income. Beyond the beginning stages of the fund, the ratio should be below or close to 100%.

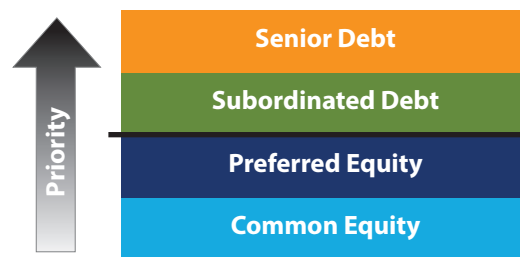
**Expense Support % of Distribution** – Calculated as the year-to-date total expense support divided by the year-to-date distribution. This measures the amount of distributions that are provided through the sponsor/advisor's expense support agreement.

**Fund Operating Expense Ratio** – Calculated as the operating expenses (not including interest expenses) for the fund year-to-date divided by average net assets year-to-date starting with the beginning balance of the year. This ratio measures operational efficiency and impact of management fees and administrative expenses on the fund.

**G Portfolio by Asset Type** – The percentage of investments that appear as senior debt, subordinated debt, preferred stock or common stock as it relates to total investment assets. The priority of repayment refers to the priority each investor receives in repayment in the event of bankruptcy. This is sometimes referred to as the capital stack.



### Capital Stack



**H Floating Rate and Fixed Rate Investments** – Calculated as the total dollar amount of floating rate debt investments divided by the total dollar amount of debt investments. The same calculation is done for fixed rate debt investments. Generally for debt investors, fixed rate debt is preferred during times of falling interest rates and floating rate debt is preferred during times of rising interest rates. This section *does not* cover equity and other securities.

## Metric Definitions and Explanations

**Floating Rate Debt** – Debt that has a variable rate that changes based on changes in key interest rate indicators such as LIBOR, Fed Funds rate, Prime rate, Treasury yields, etc. Many times, the debt will be quoted as the indicator plus a spread amount. An example would be LIBOR + 250, which means the current LIBOR rate plus 2.50% is the current interest rate. Additionally, many floating rate loans have a floor at which the minimum interest rate can be.

**Fixed Rate Debt** – Debt that has a fixed interest rate for a set period of time.

### I Performance

**Total Returns** – The GAAP reported total return year-to-date. For full year total returns, the number is the annual return.

**S&P/LSTA U.S. Leveraged Loan Index** – capitalization-weighted syndicated loan index based upon market weightings, spreads and interest payments. The index seeks to mirror the market-weighted performance of the largest institutional leveraged loans. This index can be used to compare floating rate debt performance.

**Bank of America Merrill Lynch High Yield Index** – a commonly used benchmark index for high yield corporate bonds. It is administered by Merrill Lynch. The index is a measure of the broad high yield market, unlike the Merrill Lynch BB/B Index, which excludes lower-rated securities. This index can be used to compare fixed rate/high yield debt performance.

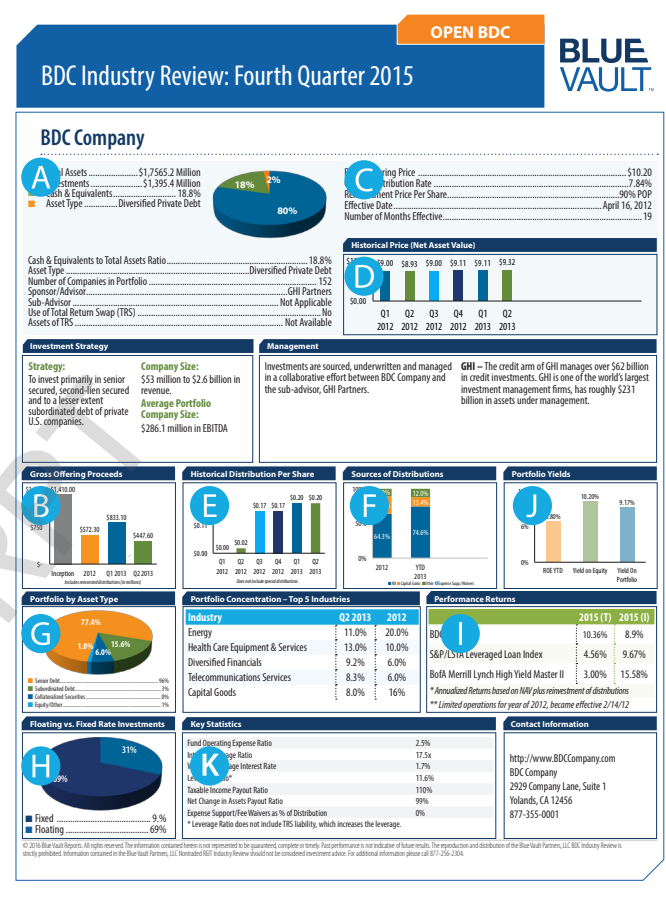
### J Portfolio Yields

**Return on Equity (ROE)** – Calculated as the annualized Net Change in Assets from Operations (GAAP earnings measure), a line item that includes net investment income, realized and unrealized gains/losses, divided by the average total equity year-to-date.

**Yield on Equity** – Calculated as the annualized total investment income for the quarter divided by average equity for the period.

**Yield on Portfolio** – Calculated as the annualized total investment income for the quarter divided by the average total dollar amount of investments for the period.

### K Key Statistics



**Total Return Swaps (TRS)** – An investment vehicle designed to give the fund additional interest payments and capital gains without having to purchase the assets and hold on the balance sheet. Cash collateral and payments to the institution holding the investments are typically required. The fund essentially “borrows” the TRS to benefit from the investment income and capital gains derived from it.

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## Nontraded BDC Industry Highlights and Capital Market Overview

### Nontraded BDC Industry Facts (as of September 30, 2016)

- \$23.4 billion in assets under management
- Average yield of 7.52%
- \$1.5 billion in capital raised the nine months ended September 30, 2016.
- The top-three funds raised 63.6% of the total industry raise and the top-four raised 71.2%
- Fourteen funds currently raising capital
- Five closed funds
- One BDC was acquired (Credit Suisse Park View BDC, Inc.)
- One BDC now listed (FS Investment Corporation [NYSE:FSIC])
- Two funds in registration

### Capital Markets Update

#### Capital Raise Remains Anemic

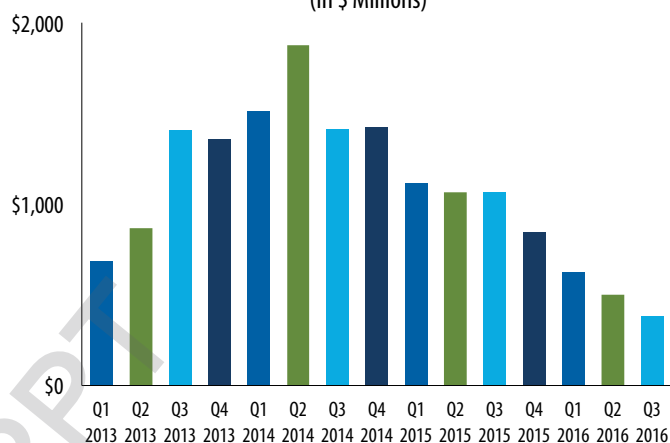
Capital raise again was light in the second quarter of 2016, at approximately \$382.5 million.

Many financial advisors and broker dealers are still holding off on sales of funds due to the massive regulatory changes over the past two years. Sponsors are implementing new structures and more fee-based advisor friendly fees.

The hope is that capital raise will begin to pick up as the fees in these fund types are lowered and financial advisors regain comfort in their businesses.

Unfortunately, during this time of very low capital raise, BDCs are producing some of the best returns since the beginning of the industry. Investors are the ones that lose in this scenario. Investors that typically would have been placed into BDCs were not this year. They have missed out on significant income and total returns, which are discussed in the next section.

BDC Capital Raise By Quarter  
(in \$ Millions)



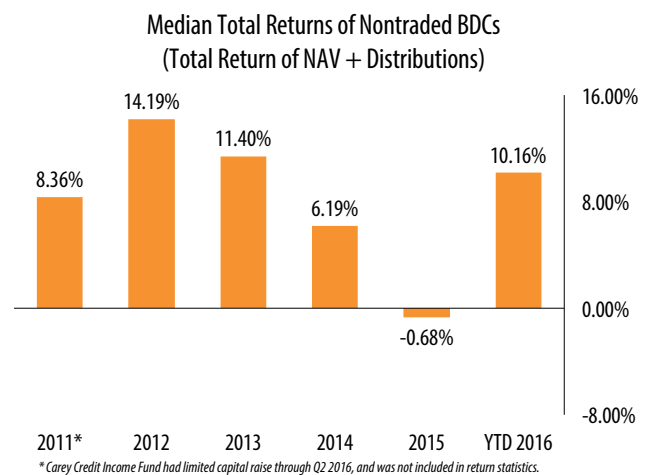
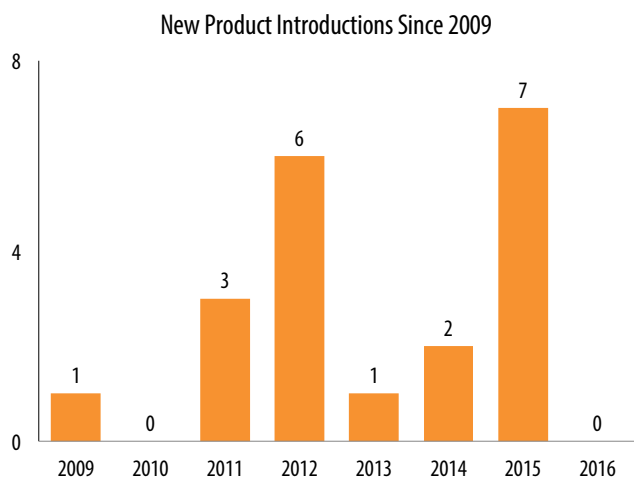
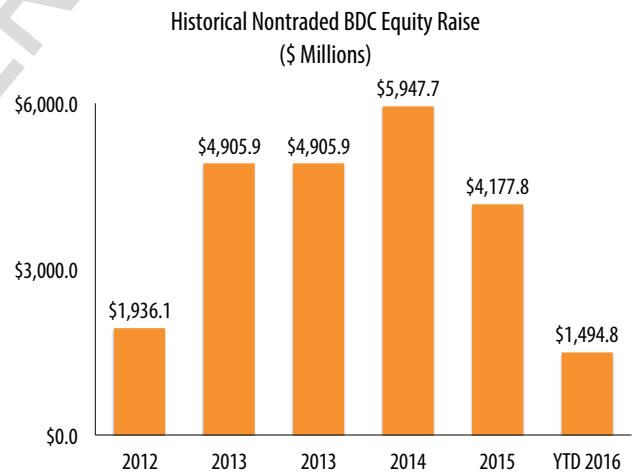
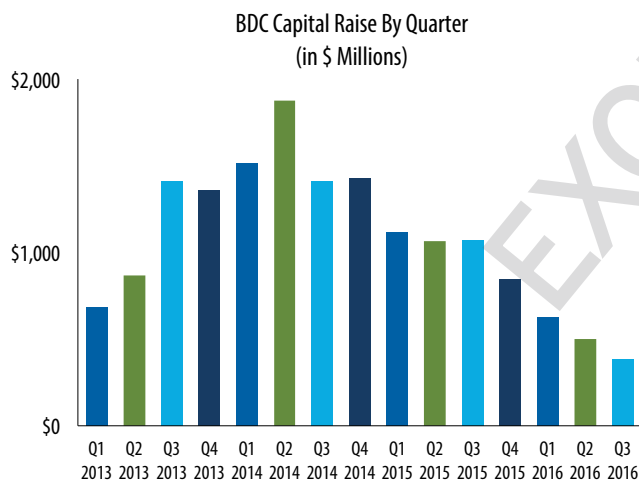
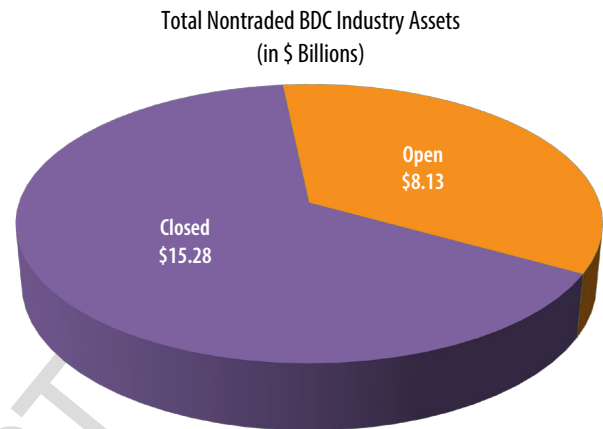
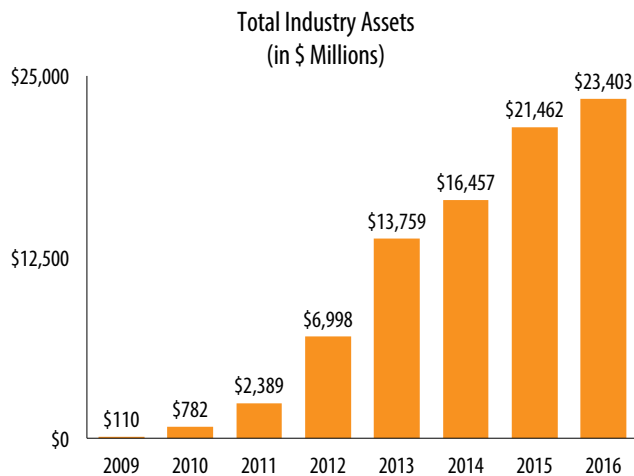
### Best Return Performance in Years for BDCs

Nontraded BDCs posted a median return of 10.16% for the nine months ended September 30, 2016 (returns not seen since the 2012 and 2013 recovery). Blue Vault expects the year to close out 2016 with a total return of approximately 14%. The industry outperformed the S&P/LSTA Leveraged Loan Index performance of 8.49%, but underperformed the 15.32% of the Bank of America Merrill Lynch High Yield Index. However, the Leveraged Loan Index more closely reflects the portfolios of the nontraded BDC industry as a whole as BDCs are heavily weighted toward senior loans.

Index Total Returns	
Median Nontraded BDC Returns	10.16%
S&P/LSTA Leveraged Loan Index	8.49%
BofA Merrill Lynch High Yield Index	15.32%

The total return of the senior loan market, tracked by the S&P/LSTA Leveraged Loan Index, was 8.49% for the first nine months of 2016. You can see by the following chart that the leveraged loan market fully recovered the losses through Q1 2016 and printed highs above 2015 highs.

### BDC Overall Industry Summary



\* Carey Credit Income Fund had limited capital raise through Q2 2016, and was not included in return statistics.



## BDC Fee Comparison

Effective Nontraded BDCs		Maximum Front-End Fees				Trail	Management Fees / Ongoing Fees				Actual Operating Expenses
Fund Name	Sponsor/Advisor	Max. Sales Commission	Dealer- Mgr. Fee	Offering Expenses	Max. Total Load	Distribution Svc. Fee / Trail	AUM Fee	Incentive Fee Income/ Capital Gains	Preferred Return	Catch-Up Percent	Annualized Operating Expense Ratio (2016 YTD)*
Business Development Corporation of America	AR Global	7.00%	3.00%	1.50%	11.50%	N/A	1.50%	20.00%	7.00%	8.75%	4.62%
Carey Credit Income Fund (2016 T)	Carey Credit Advisors - W.P. Carey	3.00%	2.75%	1.50%	7.25%	0.90%	1.75%-2.00%	20.00%	7.50%	9.38%	6.29%
Carey Credit Income Fund (I)	Carey Credit Advisors - W.P. Carey	0.00%	3.00%		3.00%	N/A	1.75%-2.00%	20.00%	7.50%	9.38%	6.29%
CION Investment Corporation	CION Investment Group, LLC	7.00%	3.00%	1.50%	11.50%	N/A	2.00%	20.00%	7.50%	9.38%	2.90%
Corporate Capital Trust, Inc.	CNL Financial Group	7.00%	3.00%	1.10%	11.10%	N/A	2.00%	20.00%	7.00%	8.75%	3.42%
Corporate Capital Trust II	CNL Financial Group	2.00%	2.75%	1.50%	6.25%	1.25%	2.00%	20.00%	7.00%	8.75%	N/A
Freedom Capital Corp.	Freedom Capital Investment Advisors	7.00%	3.00%	1.50%	11.50%	N/A	2.00%	20.00%	5.50%	6.88%	N/A
FS Energy and Power Fund	FS Investments	7.00%	3.00%	1.50%	11.50%	N/A	2.00%	20.00%	6.50%	8.13%	3.56%
FS Investment Corporation II	FS Investments	7.00%	3.00%	1.50%	11.50%	N/A	2.00%**	20.00%	7.50%	9.38%	4.55%
FS Investment Corporation III	FS Investments	7.00%	3.00%	1.50%	11.50%	N/A	2.00%	20.00%	7.50%	9.38%	5.52%
FS Investment Corporation IV	FS Investments	2.20%	Paid by FS	0.75%	2.95%	1.40%	2.00%	20.00%	7.50%	9.38%	3.10%
Griffin-Benefit Street Partners BDC Corp.	Griffin Capital Corporation	7.00%	3.00%	1.50%	11.50%	N/A	2.00%	20.00%	7.00%	8.75%	N/A
HMS Income Fund, Inc.	Hines Securities	7.00%	3.00%	1.50%	11.50%	N/A	2.00%	20.00%	7.50%	9.38%	4.82%
MacKenzie Realty Capital, Inc	MacKenzie Capital Management	7.00%	3.00%	0.59%	10.59%	N/A	1.5%-3.0%	20.00%	7.00%	8.75%	N/A
NexPoint Capital, Inc.	NexPoint Capital/ Highland Capital Management	7.00%	1.00%	1.00%	9.00%	N/A	2.00%	20.00%	7.50%	9.38%	1.61%
Sierra Income Corporation	SIC Advisors - Medley Management	7.00%	2.75%	1.25%	11.00%	N/A	1.75%	20.00%	7.00%	8.75%	3.11%
Terra Income Fund 6, Inc.	Terra Capital Partners	3.00%	1.50%	1.50%	7.00%	1.00%	2.00%	20.00%	8.00%	10.00%	12.16%
Triton Pacific Investment Corporation	Triton Pacific Capital	7.00%	3.00%	2.00%	12.00%	N/A	2.00%	20.00%	8.00%	10.00%	N/A
VII Peaks Co-Optivist Income BDC II, Inc.	VII Peaks Capital	7.00%	3.00%	1.50%	11.50%	N/A	1.5%-2.0%	20.00%	8.00%	N/A	N/A

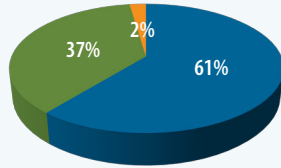
\* Annualized Operating Expense Ratio uses expenses stated on the income statement and does not take into account expense support or fee waivers. Total Operating Expense Ratio will likely be overstated during the fundraising stage of each fund. The average net assets used in the calculation is likely to be less than current net assets, causing the ratio to be higher than if the fund was stabilized.

\*\* FS Investment Corporation II - the Advisor has agreed to effectively reduce the asset management fee to 1.75% through waivers of approximately 0.25% of annual asset management fees.

# BDC Industry Review: Third Quarter 2016

## Corporate Capital Trust II

Total Assets .....	\$52.3 Million
Investments .....	\$31.8 Million
Cash & Equivalents .....	\$19.2 Million
Other .....	\$1.2 Million



Public Offering Price .....	\$9.75
Current Distribution Rate .....	6.00% (As of October 11, 2016)
Reinvestment Price Per Share .....	100% POP
Effective Date .....	October 9, 2015
Number of Months Effective .....	11

Cash & Equivalents to Total Assets Ratio .....	36.8%
Asset Type .....	Diversified Private Debt
Number of Companies in Portfolio .....	43
Sponsor/Advisor .....	CNL Financial Group
Sub-Advisor .....	KKR
Use of Total Return Swap (TRS) .....	No
Assets of TRS .....	Not Applicable

### Historical Price (Net Asset Value)



### Investment Strategy

#### Strategy:

To invest in senior and subordinated debt of medium and large-sized U.S. companies. Investments in companies may be accompanied by warrants, options, equity co-investments or other forms of equity

#### Company Size:

Greater than \$25 million in EBITDA

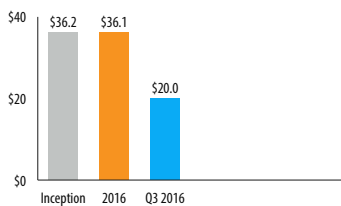
### Management

Investments are sourced, underwritten and managed in a collaborative effort by KKR and CNL Financial Group. Although the investment activity is primarily led by KKR, the partnership provides dual underwriting for investments.

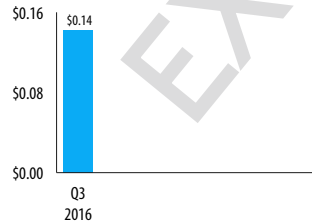
**KKR** – A global investments firm that manages over \$131 billion in assets. The firm was founded in 1976 and has completed 250 private equity transactions with a total value of more than \$480 billion.

**CNL Financial Group** – A private investment firm founded in 1973 that provides global real estate and alternative investment opportunities. CNL and its affiliates have formed or acquired companies with more than \$33 billion in assets.

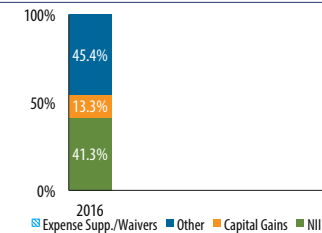
### Gross Offering Proceeds



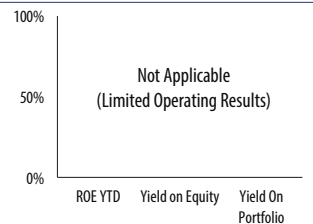
### Historical Distribution Per Share



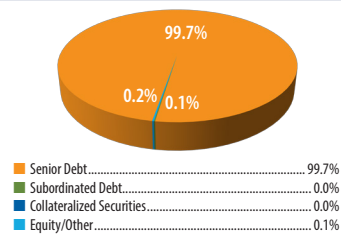
### Sources of Distributions



### Portfolio Yields



### Portfolio by Asset Type



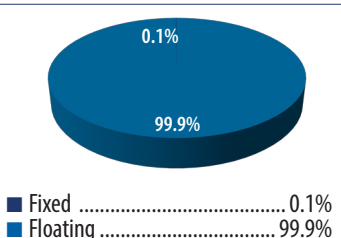
### Portfolio Concentration – Top 5 Industries

Industry	2016 YTD
Capital Goods	27.3%
Software & Services	10.3%
Retailing	11.8%
Consumer Services	9.6%
Health Care Equipment & Services	13.4%

### Performance Returns

	2016 YTD
Corporate Capital Trust II	5.73%
S&P/LSTA Leveraged Loan Index	8.49%
BofA Merrill Lynch High Yield Index	15.32%

### Floating vs. Fixed Rate Investments



### Key Statistics

Fund Operating Expense Ratio	Not Applicable
Interest Coverage Ratio	0.0x
Weighted Average Interest Rate	0.00%
Leverage Ratio	0%
Taxable Income Payout Ratio	Not Applicable
Net Change in Assets Payout Ratio	Not Applicable
Expense Support/Fee Waivers as % of Distribution	0.0%
Limited Operations	

### Contact Information

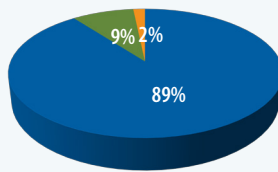
<http://www.cnlsecurities.com/invest-with-cnl/bdc-corporate-capital-trust-ii.html>  
 CNL Financial Group Inc.  
 450 S. Orange Ave.  
 Orlando, FL 32801  
 407-650-1000

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# BDC Industry Review: Third Quarter 2016

## FS Investment Corporation II

Total Assets .....	\$4,910.7 Million
Investments .....	\$4,401.6 Million
Cash & Equivalents .....	\$428.0 Million
Other .....	\$81.1 Million

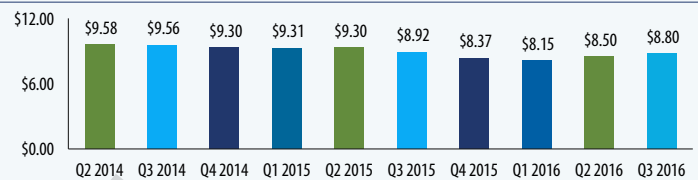


Last Offering Price .....	\$10.60
Current Distribution Rate* .....	7.11%
Reinvestment Price Per Share .....	Set by Board*
Effective Date .....	February 14, 2012
Offering Close Date .....	March 5, 2014
Cumulative Capital Raised during Offering (in Millions) .....	\$3,286.8

Cash & Equivalents to Total Assets Ratio .....	8.7%
Asset Type .....	Diversified Private Debt
Number of Companies in Portfolio .....	140
Sponsor/Advisor .....	FS Investments
Sub-Advisor .....	GSO – Blackstone
Use of Total Return Swap (TRS) .....	No*
Assets of TRS (fair value) .....	Not Applicable

\*FS Investment Corp. II terminated the TRS agreement on June 13, 2013

### Historical Price (Net Asset Value)



### Investment Strategy

**Strategy:**  
To invest primarily in senior secured, second-lien secured and to a lesser extent subordinated debt of private U.S. companies.

**Company Size:**  
\$50 million to \$2.5 billion in revenue.  
**Average Portfolio Company Size:**  
\$137.9 million in EBITDA for direct. \$73.8 million originations.

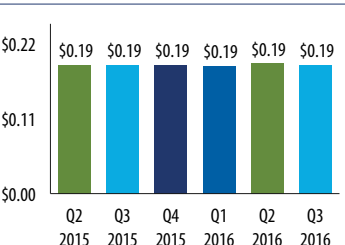
### Management

Investments are sourced, underwritten and managed in a collaborative effort between FS Investments and the sub-advisor, GSO Capital Partners, a Blackstone company.

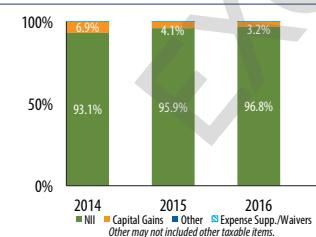
**GSO - Blackstone** – The credit arm of Blackstone, GSO manages over \$89 billion in credit investments. Blackstone is one of the world's largest investment management firm, has roughly \$361 billion in assets under management.

**FS Investments** – An alternative investments firm founded in 2007 with an experienced team of investment professionals. The firm manages \$18 billion in BDC assets.

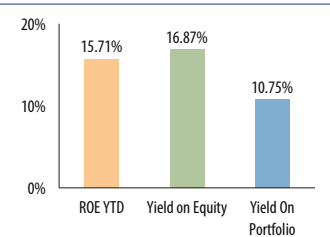
### Historical Distribution Per Share



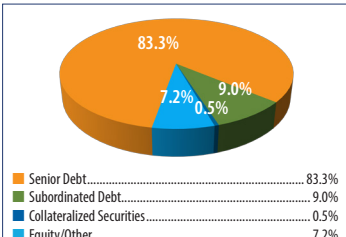
### Sources of Distributions



### Portfolio Yields



### Portfolio by Asset Type



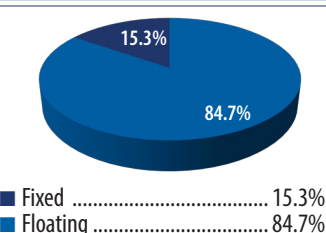
### Portfolio Concentration – Top 5 Industries

Industry	2016 YTD	2015
Energy	17.0%	14.0%
Consumer Services	13.0%	10.0%
Software & Services	10.0%	11.0%
Capital Goods	10.0%	11.0%
Materials	7.0%	7.0%

### Performance Returns

	2016 YTD	2015	2014	2013	2012
FS Investment Corporation II	12.36%	-1.94%	6.92%	10.81%	6.11%
S&P/LSTA Leveraged Loan Index	8.49%	-2.83%	0.99%	5.25%	9.67%
BofA Merrill Lynch High Yield Index	15.32%	-4.87%	2.50%	7.42%	15.58%

### Floating vs. Fixed Rate Investments



### Key Statistics

Fund Operating Expense Ratio	4.55%
Interest Coverage Ratio	4.5x
Weighted Average Interest Rate	3.13%
Leverage Ratio	39.6%
Taxable Income Payout Ratio	97.9%
Net Change in Assets Payout Ratio	56.5%
Expense Support/Fee Waivers as % of Distribution	0.0%

\*BDC only reports adjusted net investment income quarterly, may differ from taxable income

### Contact Information

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## Additional BDC Notes

### Business Development Corporation of America

- 5.4% of the portfolio was on non-accrual.
- On November 1, 2016, the Company's investment adviser was acquired by a subsidiary of Benefit Street Partners.
- 17.2% of the portfolio is invested in "Diversified Investment Vehicles", most notably CLOs.

### Carey Credit Income Fund

- 16.6% of the portfolio was invested in the technology sector and 16.0% was in the beverage, food and tobacco sector as of September 30, 2016.
- Senior debt accounted for 96% of the portfolio at the end of the quarter.
- The master fund was seeded by the sponsor and sub-advisor with \$50 million.
- 2017 T feeder fund became effective in October 2016.
- The 2016 T fund became effective July 24, 2015 and the I fund became effective July 31, 2015. Both funds are feeder funds that feed into the master fund (the metric reporting entity), Carey Credit Income Fund.

### CION Investment Corp.

- Low annualized operating expense ratio of 2.90%.
- 95.6% of the debt portfolio is invested in floating rate debt.

### Corporate Capital Trust

- 18.1% of the portfolio was invested in the Capital Goods sector.
- Originated investments accounted for \$2.6 billion, or 65% of the portfolio.
- The Company provided \$719 million in new originated investments during the nine months ended September 30, 2016.

### Corporate Capital Trust II

- The Company became effective October 9, 2015.

### Credit Suisse Parkview BDC

- Credit Suisse Parkview BDC was acquired by CION Investment Corp.

### FS Energy and Power Fund

- Highest capital raise for the nine months ended September 30, 2016 with \$476.7 million raised.
- 2nd highest total return performer with 22.23%.
- 4.5% of the portfolio is on non-accrual status.

### FS Investment Corp. II

- Largest BDC covered with total assets of \$4.9 billion.
- Significant concentration in the energy sector of 17% of the portfolio.
- 80% or \$3.5 billion of the portfolio is comprised of direct originations.
- The Company waived management fees as part of its agreement to effectively create a 1.75% gross asset management fee.

### FS Investment Corp. III

- Closed offering to broker dealer channel in February 2016, but offering remained open to RIA channel.
- The Company intends to reduce management fees from 2.0% of gross assets to 1.75% of gross assets in February 2017.
- 67% or \$2.1 billion of the portfolio is comprised of direct originations.

### FS Investment Corp. IV

- 35% of the portfolio is in the Software & Services industry and 29% is in the Consumer Services.
- The Company was declared effective in October 2015.

## Additional BDC Notes - Continued

### Griffin-Benefit Street Partners

- On March 15, 2016, the Company's board of directors determined that it was in the Company's and its stockholders' best interest to suspend the Offering. The board of directors' determination was based on the Adviser's belief that market conditions and the Company's current structure are not conducive to continuing the Offering. The Adviser proposed to the board of directors that the Company elect an alternative fund structure that is expected to reduce the Company's exposure to potential federal and state regulatory challenges and unfavorable market conditions non-traded BDCs faced in the fourth quarter of 2015 and the first quarter of 2016. Such alternative structures include an interval fund structure through which the Company may be allowed to consummate investments generally not otherwise available to BDCs. There can be no assurance the Company will resume the Offering or that it will be able to sell all of its shares in the Offering.
- The Company will continue to operate as a non-traded BDC unless and until both the board of directors and stockholders approve an alternative structure.
- The Company's transfer agent ceased accepting subscriptions on or after March 15, 2016, and issued refunds for all subscriptions received on or after March 4, 2016. The Company also sent written notification to its stockholders that the board of directors authorized suspending the DRP, effective March 15, 2016.

### HMS Income Fund

- Approximately 93% of the portfolio is invested in senior debt.
- No single industry makes up more than 10% of the portfolio, indicating a diversified portfolio from an industry perspective.

### NexPoint Capital

- Highest total return performer of 26.8% in the nine months ended September 30, 2016.
- No investments on non-accrual
- Waived \$1.55 million of management fees, dropping the effective annualized operating expense to 1.6%

### Sierra Income Corporation

- 16% of the portfolio was invested in business services.
- The company provided expense support of \$16.1 million for the nine months ended September 30, 2016.

### Terra Income Fund 6, Inc.

- Portfolio was made up of loans secured by 60% land investments, 21% hotel, and 19% office
- All data is as of the company's fiscal fourth quarter 2016 ending September 30, 2016.