Zacks Small-Cap Research

August 9, 2016

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Zacks Company Report Q2 – The Gain on Sale of ACT Lighting Impacts Q2 Positively

We believe the stock should trade at the industry average dividend yield of 10% or $13.60 per share.

Current Price (08/08/16)	$12.33
Valuation	**$13.60**

OUTLOOK

Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder. The company's target market is the lower middle-market, which management believes traditional lenders underserve. ABDC shares, which provide 11.0% dividend yield, trades at a discount to the company's $14.51 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$13.04**
52-Week Low	**$9.02**
One-Year Return (%)	**11.4**
Beta	**0.92**
Average Daily Volume (sh)	**31,064**
Shares Outstanding (mil)	**13.5**
Market Capitalization ($mil)	**$167**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**45**
Insider Ownership (%)	**4**
Annual Cash Dividend	**$1.36**
Dividend Yield (%)	**11.0**
5-Yr. Historical Growth Rates	
Sales (%)	**63.4**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**10.3**
P/E using 2016 Estimate	**8.0**
P/E using 2017 Estimate	**7.8**
Zacks Rank	**N/A**

Risk Level	**Low**
Type of Stock	**Small-Value**
Industry	**Fin-SBIC&Commrl**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	4.0 A	7.4 A	5.9 A	6.7 A	23.6 A
2015	8.2 A	8.5 A	8.5 A	8.7 A	33.9 A
2016	9.9 A	10.6 A	9.1 E	9.5 E	39.1 E
2017					40.6 E

Adjusted NII per Share
(before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	$0.23 A	$0.46 A	$0.34 A	$0.34 A	$1.34 A
2015	$0.37 A	$0.34 A	$0.38 A	$0.34 A	$1.43 A
2016	$0.41 A	$0.44 A	$0.35 E	$0.36 E	$1.55 E
2017					$1.59 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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KEY POINTS

- Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder.
- The company's $293.6 million portfolio is invested in 33 companies, with 83.1% in debt and 16.9% in equity.
- The company targets the lower middle-market, which is under served by traditional lenders.
- To mitigate its risk, the company conducts substantial due diligence, seeks rigorous financial covenants and diversifies its investments across a broad range of sectors and portfolio companies. Its largest sector, healthcare and pharmaceuticals, is 16% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 11.7%, down from 12.0% in Q1 2016 and 12.4% in Q4 2015 as newer investments are at lower yields but offer better collateral.
- At $12.33, the shares trade at a 15% discount to the company's $14.51 NAV (net asset value) / share. NAV has declined slightly from the $14.63 per share at the time of its May 2014 IPO.
- The company has a lower valuation than its peers, and a best-in-class management fee structure for investors. We believe that ABDC is worth at least $13.60 per share and should trade at a dividend rate closer to the average yield of its competitors of 10%

Q2 2016 Earnings

For the second quarter of 2016, the company reported total investment income of $10.6 million versus $8.5 million last year, a gain of 25%. Adjusted and net investment income was $5.9 million, or $0.44 per share versus $4.6 and $0.34 per share last year.

During the three months ended June 30, 2016, Alcentra recorded a net gain on investments of $1.7 million and a decrease in unrealized appreciation of assets of $5.9 million. Net asset value (NAV) was $191.1 million, or $14.16 per share as of June 30, 2016 versus $14.51 per share, on March 31, 2016 and $14.43 on December 31, 2015. During Q2 the company received proceeds from repayments and amortizations of $26.5 million and invested $39.3 million including in four new companies. Transactions in the quarter were:

April 4, 2016, **ACT Lighting** repaid the entirety of its debt and equity investments in the amount of $13.8 million. Alcentra received a 1.75x liquidation preference on the par value of its note, plus all accrued interest, and $1.5 million for Alcentra's warrant.

April 13, 2016, **Aphena Pharma Solutions** repaid a portion of its debt in the amount of $2 million.

April 22, 2016, **Radiant Logistics** (RLGT) repaid in full all amounts outstanding, plus accrued and unpaid interest, on the $25.0 million subordinated secured term loan from Alcentra Capital Corporation and Triangle Capital Corporation. The Subordinated Loan accrued interest at 10.5% per annum. The total repayment amount was approximately $25.9 million, consisting of outstanding principal of $25.0 million, accrued and unpaid interest of $0.16 million, a **prepayment premium of $0.75 million** and other related fees and expenses. Taking the prepayment proportionately that $300,000 to Alcentra.

May 2, 2016, Alcentra funded an $8.5 million 12.25% second lien debt investment in **Healthcare Associates of Texas, Inc.** to support its acquisition by Webster Capital. Health Care Associates was founded in 1991 in Irving, TX, and is an integrated physician practice group providing primary care and multi-specialty care in the Dallas-Fort Worth area.

May 5, 2016, Alcentra funded an $8.25 million 13% senior subordinated debt and $500,000 equity investment in **Metal Powder Products**, LLC of Westfield, Indiana. It provides custom-engineered powder metallurgy product solutions to customers in a variety of industries.

June 6, 2016, Alcentra Capital Corporation provided $10 million to QRC Technologies to support its acquisition by DC Capital Partners, a private equity firm. QRC designs, develops, and services a host of proprietary Radio Frequency products and provides comprehensive integrated solutions primarily for government, military, and law enforcement agencies. QRC was founded in 1987 and is headquartered in Fredericksburg, Virginia.

Consolidated Statements of Changes in Net Assets

	June 30, 2016	March 31, 2016	% Change
Increase (decrease) in net assets resulting from operations			
Net investment income	5,898,346	5,604,892	5%
Net realized gain (loss) on investments	1,650,766	(8,883,124)	NM
Net change in unrealized appreciation (depreciation) on investments	(5,866,776)	7,801,854	-175%
Benefits/(Provision) for taxes on unrealized gain on investments	(287,167)	(209,864)	37%
Net increase (decrease) in net assets resulting from operations	1,395,169	4,313,758	-68%
Capital transactions			
Offering costs	(99,380)	(66,255)	50%
Repurchase of common stock (10,509 and 0 shares, respectively)	(189,622)	(115,828)	64%
Net increase (decrease) in net assets resulting from capital transactions	(289,002)	(182,083)	59%
Distributions to shareholders from:			
Net investment income	(4,586,817)	(4,595,700)	0%
Realized gains	0	-	
Total distributions to shareholders	(4,595,700)	(4,595,700)	0%
Total increase (decrease) in net assets	(3,480,650)	(464,025)	650%
Net assets at beginning of period	194,568,186	195,032,211	0%
Net assets at end of period	191,087,536	194,568,186	-2%

RECENT EVENTS

Two events have already occurred in Q3:

On July 20, 2016, Alcentra invested $13.0 million in Limbach Holdings (OTCQB: LMBH) (13% Cash/3% PIK Subordinated Note). According to its web site, Limbach was founded in 1901 and is the 12th largest mechanical systems solutions firm in the US. It “provides building infrastructure services, with an expertise in the design, installation and maintenance of HVAC and mechanical, electrical, and plumbing systems for a diversified group of commercial and institutional building owners. Limbach employs more than 1,300 employees in 14 offices throughout the United States.“

On August 1, 2016, DBI Holding LLC repaid its senior subordinated notes ($9.6 million), senior PIK notes ($9.2 million) and warrants ($9.7 million) for total proceeds of $28.5 million. Alcentra realized a gain of $9.7 million on its warrants.

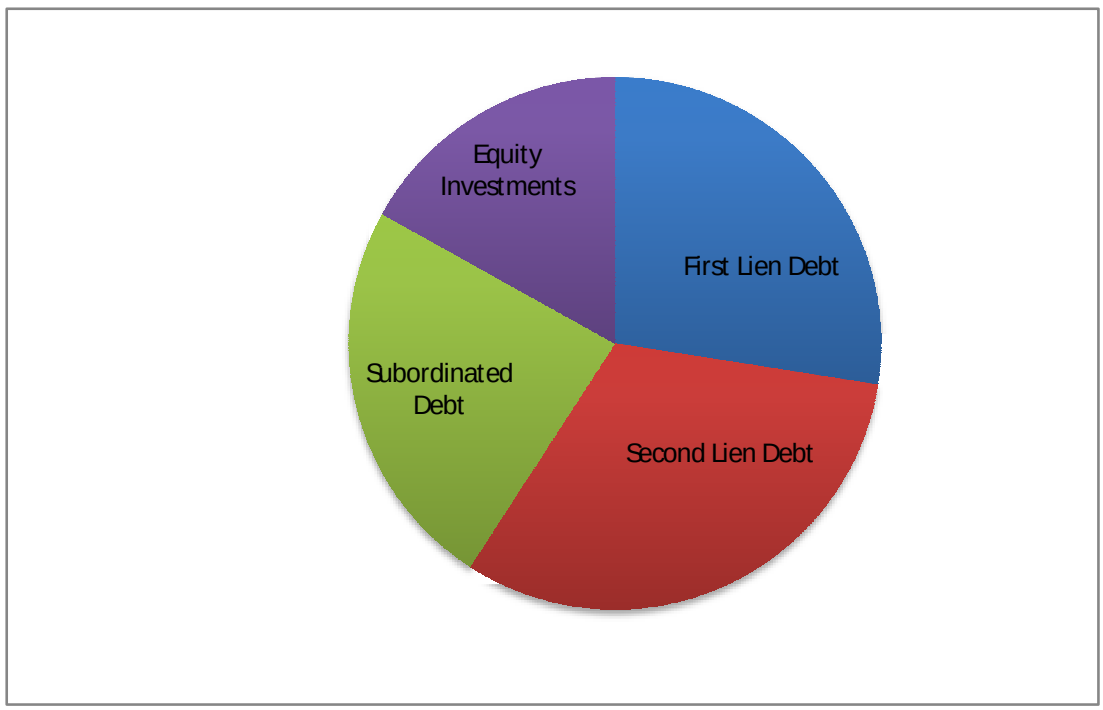
Q3 2016 Estimate

Given the lack revenue generating transactions or M&A in the quarter so far, we do not expect Q3 to be as strong as Q2 2016. As a result we are looking for revenue of $9.1 million and $0.34 versus $8.5 million and $0.35.

INVESTMENT PORTFOLIO

As of June 30, 2016 $294 million was invested in 33 companies. Since then it has added one more.

The portfolio then was 27.5% first lien debt, 31.7% second lien debt, 23.9% mezzanine debt, and 16.9% equity investments. The company is still trying to reach its goal of reducing equity to about 10% - 15% of its total investment portfolio. On June 30, 2016, 43% of the investments were fixed rate, with the balance floating rate, and the company's average investment was valued at $9.0 million at amortized cost. The largest industry sector was healthcare and pharmaceuticals, which was 16% of the portfolio.



Watch List

New to the watch list is Xpress Global Systems LLC, of Chattanooga, TN. It is the leading, one-stop floor coverings logistics provider for floor covering products, including all types of hard surfaces, rugs, and carpet. We believe it has near 200 employees. Xpress recently made a large upgrade to its fleet in the short term it is hitting profitability. Alcentra believes the investment be written down short term, but then

should move back up over time. This quarter the company valued the debt at $3.3 million down from $5.0 million (cost) and the warrants were valued at zero from $489,000 cost.

Black Diamond is Alcentra's only exposure to the current difficulties facing the energy sector. In the March quarter, the market value of the investment in Black Diamond was reduced to $10.2 million, in this June quarter, it was reduced again to $9.5 million showing, an unrealized loss of $4.2 million. Alcentra has a Senior Secured First Lien with Black Diamond with a dividend of 12% cash and 5% PIK that comes due July 8, 2018. The company is based in Houston and owned by Basin Holdings based in NYC. It rents and services drill pipe, landing strings, heavy-weight drill pipe, drill collars, tubing, blow-out preventers and handling tools. Additionally, it offers drill pipe management, guidance, inspection and handling services as well as engineering to analyze well diagram, mud reports, runs hydraulics, slip crushing, landing string design, drill string design, torque and drag.

Table 1: Investments as of June 30, 2016

Company	Industry
A2Z Wireless	Telecom
Alpine Waste	Waste Services
Aphena Pharma Solutions	Packaging
Battery Solutions	Environmental Services
Bioventus	Healthcare
Black Diamond Rentals	**Oil & Gas Services**
Tunnel	Waste Services
Conisus	Healthcare Marketing / Media
Dentistry for Children	Healthcare: Dentistry
FST Technical Services	Semiconductor Services
Graco Supply & Integrated Services	Aerospace & Defense
GST AutoLeather	Automotive
Healthcare Associates of Texas	Healthcare
IGT	Industrials
Limbach Facility Services	Engineering Services
Media Storm	Advertising, Printing & Publishing
Medsurant Holdings, LLC	Healthcare Business Services
Metal Powder Products	Manufacturing
My Alarm Center LLC	Security/ Alarm Services
Nation Safe Drivers	Automotive
National Technologies Inc.	Telecom Services
NWN Acquisition Holding Company	Business Services
PharmaLogic	Healthcare / Nuclear Pharmacies
QRC Technologies	Technology
Response Team 1	Restoration Services
Show Media	Advertising, Printing & Publishing
Southern Technical Institute	Educational Services
Stancor	Manufacturing
Superior Controls	Healthcare
Triton Technologies	Telecom
Wholesome Sweeteners	Beverage, Food & Tobacco
Xpress Global Systems	**Transportation & Logistics**

Source: Company Filings

DIVIDENDS

In order to maintain preferential tax treatment, BDCs such as Alcentra must distribute a minimum of 90% of their income to shareholders. The company targets a 9.0% dividend yield. Based on its dividend history, with a regularly scheduled quarterly dividend of $0.34 since August of 2014, Alcentra has met that goal. The $0.34 quarterly dividend equates to a $1.36 annual dividend and a current yield of 11.0%.

COMPETITION

The company competes primarily with traditional and alternative lenders that are also targeting the middle to lower middle markets. The other lenders it frequently sees looking at the same deals as it are OFS Capital Management, FIdus Investment Corp (FDUS), Triangle Capital Corp (TCAP) and Saratoga.

VALUATION

Chart 5. Wells Fargo BDC Index versus Alcentra

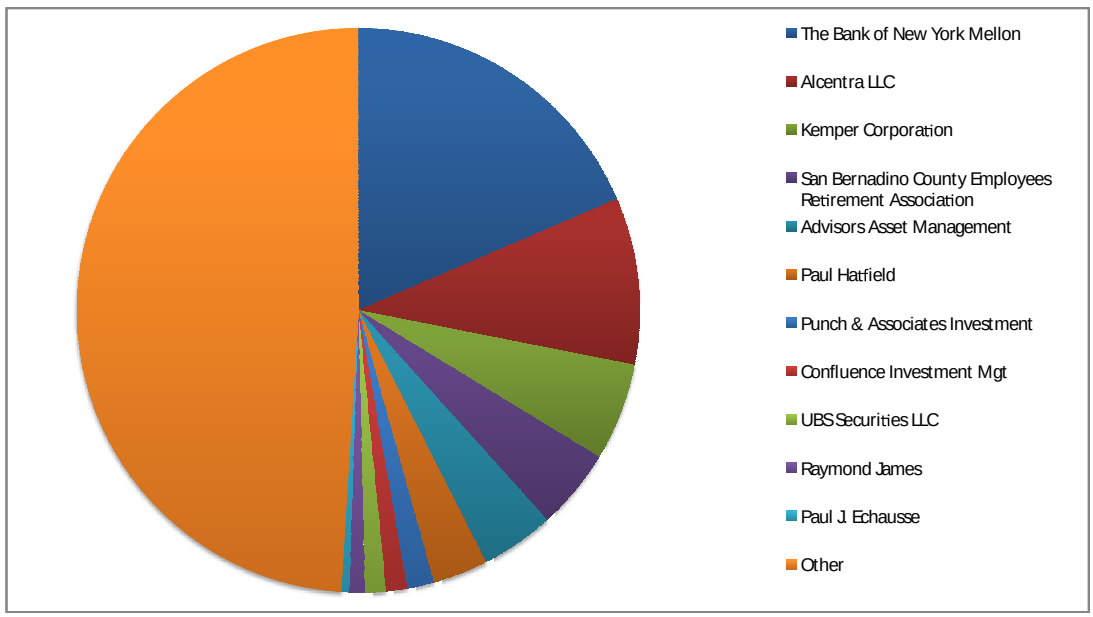


Source: Yahoo! Finance

As noted, on an NAV basis, the shares trade at a 15% discount. Although there is a fairly wide valuation gap among the BDCs shown in the table below, ABDC's discount is steeper than the average, owning in part to the decline of its NAV to the above noted $14.51 per share from $14.63 per share at the time of its May 2014 IPO. We believe the stock should trade at the industry average of 10% or $13.60 per share. This implies at least an 10% upside. It also trades significantly below the industry average Discount to NAV as seen below.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$12.33	$13.04	$9.02	$1.36	11.0%	$14.51	15.0%
American Capital	ACAS	16.54	16.62	11.92	0	0.0%	20.77	20.4%
Apollo Investment Corp	AINV	5.69	6.92	4.26	0.81	14.3%	6.90	17.5%
Ares Capital Corp	ARCC	15.37	16.17	11.01	1.64	10.7%	16.62	7.5%
BlackRock Capital Investm	BKCC	8.48	10.2	5.88	0.89	10.5%	9.13	7.1%
Fidus Investment Corp.	FDUS	15.80	16.2	7.49	1.58	10.0%	15.52	-1.8%
Fifth Street Finance Corp.	FSC	5.92	6.77	4.4	0.78	13.3%	8.15	27.4%
Garrsion Capital Inc.	GARS	10.44	14.95	9.29	1.39	13.3%	13.32	21.6%
Gladstone Capital Corp.	GLAD	8.32	9.25	4.71	0.90	10.8%	7.95	-4.7%
KCAP Financial	KCAP	4.12	5.48	2.62	0.61	14.9%	5.45	24.4%
Main Street Capital Corp.	MAIN	34.54	34.7	24.21	2.26	6.5%	21.11	-63.6%
Newtek Business Services	NEWT	13.67	19.18	9.37	1.39	10.2%	14.11	3.1%
Triangle Capital Corp.	TCAP	19.78	23.19	14.91	1.79	9.1%	14.82	-33.5%
TriplePoine Venture Growth	TPVG	11.14	12.74	8.83	1.43	12.9%	13.05	14.6%
Average					$1.13	10%	$12.58	2%

INSIDER HOLDINGS



RISKS

We believe the company faces risks that confront the overall BDC sector. These include:

- **Interest rate risk:** We believe the company faces the risk of a rising interest rate environment, although management believes that as it continues to rebalance some of the equity in its portfolio to debt and continues to expand the debt portfolio, it could benefit from a potential increase in interest rates in terms of net investment income.

- **Credit risk:** Alcentra could make investments into companies that are not as creditworthy as management believes or some of the investments in its existing portfolio could experience deteriorating fundamental business results. Currently it has Black Diamond Rentals on its watch list.

- **Default risk:** Potential deterioration in the underlying fundamentals of a portfolio company or companies could lead to a default on loans that Alcentra expects repaid.

- **Dividend sustainability:** If the company experiences some deterioration in its underlying performance, it might be forced to reduce its dividend.

- **Competitive risk:** The company competes with alternative lenders such as other BDCs and, in some cases, with traditional lenders. Competition within its target lower middle market could increase.

INCOME STATEMENT

Dollars in Millions	2014				2014						
	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16 (est.)	31-Dec-16 (est.)	2015	2016E	2017E
Non-controlled, non-affiliated investments:											
Interest Income from portfolio investments	$4,157,559	$4,286,969	$5,133,259	$5,647,278	$5,267,543	$5,169,619	$6,000,000	$6,400,000	$19,225,065	$22,837,162	$24,207,392
Paid in kind int inc. from portfolio investments	735,724	1,166,440	439,608	786,729	1,351,088	1,008,525	500,000	500,000	3,128,501	3,359,613	3,527,594
Other income from portfolio investments	659,896	295,386	452,038	412,213	918,664	652,786	500,000	500,000	1,819,533	2,571,450	2,000,000
Dividend income from portfolio investments	-	302,874	-	-	-	-	-	-	302,874	-	-
Non-controlled, affiliated investments:											
Interest income from portfolio investments	1,219,056	988,949	1,001,296	1,021,703	910,323	785,044	785,044	785,044	4,231,004	3,265,455	3,428,728
Paid in kind int inc. from portfolio investments	611,499	631,046	655,205	734,531	851,139	634,025	634,025	634,025	2,632,281	2,753,214	2,890,875
Other income from portfolio investments	28,358	20,527	23,435	-	105,882	1,845,055	100,000	100,000	72,320	2,150,937	2,258,484
From controlled, affiliated investments:											
Interest income from portfolio investments	575,980	582,229	588,627	533,270	381,747	382,888	380,000	380,000	2,280,106	1,524,635	1,600,867
Paid in kind int inc. from portfolio investments	198,781	206,077	213,674	(458,810)	160,005	162,027	162,027	162,027	159,722	646,086	678,390
Other income from portfolio investments	37,800	27,043	-	-	-	-	-	-	64,843	-	-
TOTAL INVESTMENT INCOME	**$8,224,653**	**$8,507,540**	**$8,507,142**	**$8,676,914**	**$9,946,391**	**$10,639,969**	**$9,061,096**	**$9,461,096**	**$33,916,249**	**$39,108,552**	**$40,592,329**
	106%	15%	45%	30%	21%	25%	7%	9%	43.8%	15.3%	3.8%
Costs and expenses:											
Management fees	1,148,005	1,219,963	1,273,705	1,302,213	1,289,036	1,283,763	1,359,164	1,419,164	4,943,886	5,351,128	5,618,684
% of Sales	14%	14%	15%	15%	13%	12%	15%	15%			
Income-based incentive fee	1,807,567	397,028	546,027	521,295	790,727	926,158	724,888	756,888	3,271,917	3,198,660	3,358,593
	22%	5%	6%	6%	8%	9%	8%	8%			
Capital gains incentive fees	-	434,217	(434,217)	-	-	-	-	100,000	-	100,000	105,000
Professional fees	189,386	170,549	167,356	439,380	354,002	372,535	439,380	439,380	966,671	1,605,297	1,685,562
Valuation services	122,905	100,010	89,822	106,527	70,986	71,061	100,000	100,000	419,264	342,047	359,149
Interest and credit facility expense	605,888	1,067,118	1,197,553	1,271,454	1,308,944	1,334,510	1,310,000	1,320,000	4,142,013	5,273,454	5,537,127
Amortization of deferred financing costs	183,487	195,770	229,716	258,813	264,630	283,805	280,000	290,000	867,786	1,118,435	1,174,357
Director's fees	38,000	76,191	57,635	71,900	64,923	84,372	70,000	70,000	243,726	289,295	303,760
Insurance expense	69,535	68,006	67,449	67,341	66,610	65,771	65,771	65,771	272,331	263,923	277,119
Organization expense	-	-	-	-	-	-	-	-	-	-	-
Other expenses	84,173	129,339	170,052	108,389	131,641	319,648	108,389	108,389	491,953	668,067	701,470
TOTAL EXPENSES	4,248,946	3,858,191	3,365,098	4,147,312	4,341,499	4,741,623	4,457,592	4,669,592	15,619,547	18,210,306	19,120,821
Waiver of income-based incentive fee	1,001,467	-	-	-	-	-	-	-	1,001,467	-	-
NET EXPENSES	**$3,247,479**	**$3,858,191**	**$3,365,098**	**$4,147,312**	**$4,341,499**	**$4,741,623**	**$4,457,592**	**$4,669,592**	**$14,618,080**	**$18,210,306**	**$19,120,821**
NET INVESTMENT INCOME	**$4,977,174**	**$4,649,349**	**$5,142,044**	**$4,529,602**	**$5,604,892**	**$5,898,346**	**$4,603,504**	**$4,791,504**	**$19,298,169**	**$20,898,246**	**$21,471,507**
% Change	56.7%	-25.1%	11.9%	-0.5%	12.6%	26.9%	-10.5%	5.8%	6.2%	8.3%	2.7%
Adjusted NII/share	**$0.37**	**$0.34**	**$0.35**	**$0.34**	**$0.41**	**$0.44**	**$0.34**	**$0.36**	**$1.43**	**$1.55**	**$1.59**
% Change					13%	27%	-2%	6%			
Dividend per share	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$1.36	$1.36	$1.36
EPS	$0.37	$0.47	$0.24	$0.27	$0.32	$0.10	$0.27	$0.27	$1.35	$0.96	
NAV/share	$14.90	$15.03	$14.92	$14.33	$14.41	$14.51	$14.51	$14.52	$14.33	$14.52	$14.75
Avg shares outstanding	13,516,766	13,516,766	13,516,766	13,516,766	13,515,498	13,500,429	13,491,000	13,491,000	13,516,766	13,516,766	13,516,766

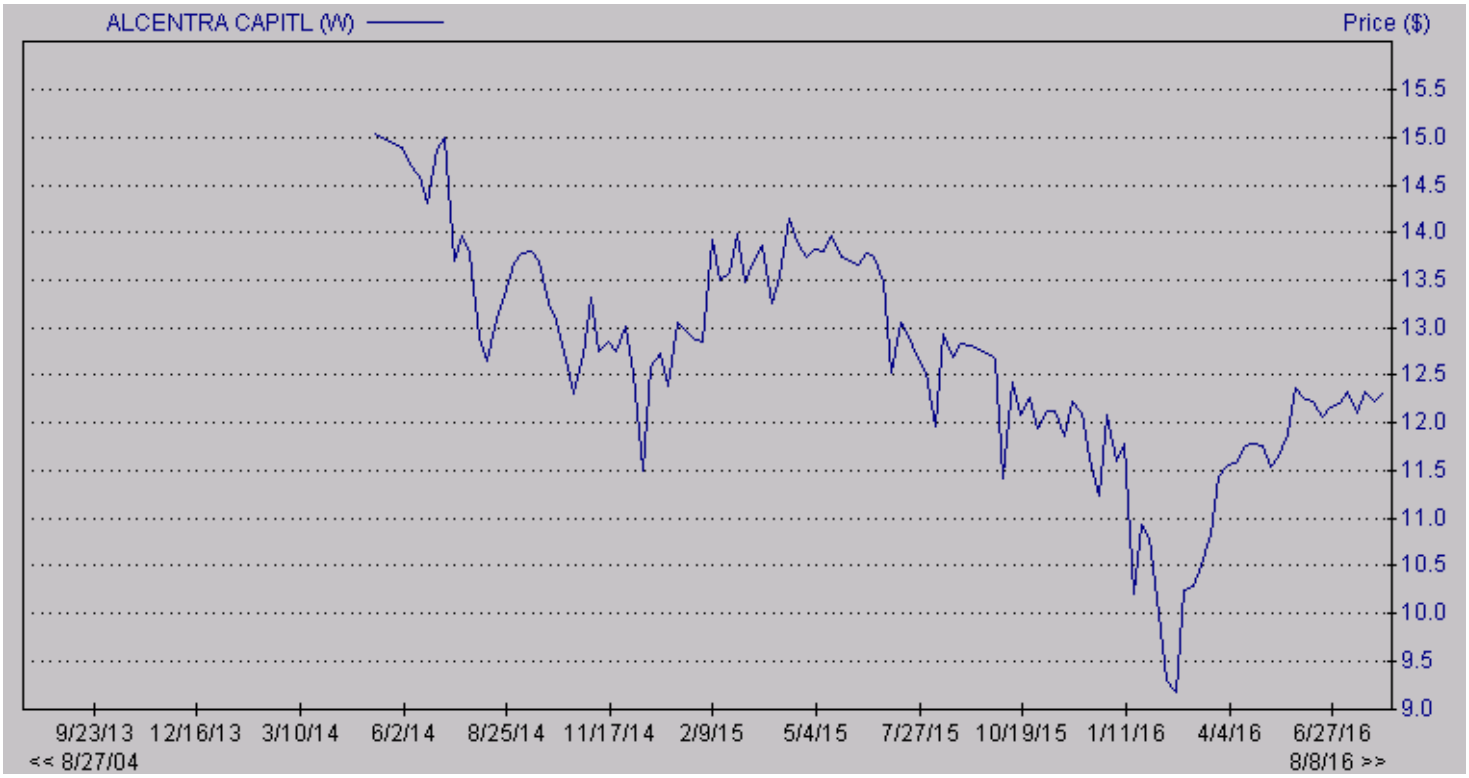
BALANCE SHEET

	June 30, 2016	Mar. 31, 2016	% Change	Dec. 31, 2015	% Change
Portfolio Investments					
Non-controlled, non-affiliated investments	$228,320,326	$205,364,448	11.2%	$221,349,073	-7.2%
Non-controlled, affiliates investments	$50,927,904	$62,734,755	-18.8%	$59,243,999	5.9%
Controlled, affiliated investments	14,390,754	14,291,727	0.7%	15,748,539	-9.3%
Total of portfolio investments	293,638,984	282,390,930	4.0%	296,341,611	-4.7%
Cash	5,038,752	3,831,847	31.5%	4,866,972	-21.3%
Dividends and interest receivable	1,517,925	1,431,211	6.1%	2,607,205	-45.1%
Receivable for investments sold	1,364,550	1,364,550	0.0%	0	NM
Deferred financing costs	1,801,484	1,960,553	-8.1%	2,183,881	-10.2%
Deferred note offering costs	0	0		0	NM
Deferred tax asset	927,632	1,213,698	-23.6%	1,382,408	-12.2%
Prepaid expenses and other assets	249,005	61,445	305.2%	113,730	-46.0%
Total assets	304,538,332	292,254,234	4.2%	307,495,807	-5.0%
Credit facility payable	$51,685,846	$42,709,057	21.0%	$63,504,738	-32.7%
Notes payable	50,130,063	44,120,163	13.6%	38,843,378	13.6%
Payable for investments purchased	0	0		0	
Other accrued expenses and liabilities	278,021	265,435	4.7%	271,801	-2.3%
Director's fee payable	72,500	79,000	-8.2%	37,025	113.4%
Professional fees payable	235,067	297,747	-21.1%	481,333	-38.1%
Interest and credit facility expense payable	974,292	1,256,030	-22.4%	813,222	54.5%
Management fee payable	1,283,763	1,289,036	-0.4%	1,302,213	-1.0%
Incentive fee payable	2,023,682	1,487,183	36.1%	1,081,797	37.5%
Distributions payable	4,586,816	4,595,700	-0.2%	4,595,700	0.0%
Unearned structuring fee revenue	1,354,846	803,769	68.6%	689,577	16.6%
Income taxes payable	825,900	782,928	5.5%	842,812	-7.1%
Deferred tax liability	0	0		0	
Total liabilities	113,450,796	97,686,048	16.1%	112,463,596	-13.1%
NET ASSETS					
Common stock	13,491	13,506	-0.1%	13,517	-0.1%
Paid in capital	197,181,027	197,470,014	-0.1%	197,652,086	-0.1%
Accumulated net realized gains	(4,440,768)	(6,091,534)	-27.1%	2,791,590	-318.2%
Undistributed net investment income	3,451,048	2,139,519	61.3%	1,130,327	89.3%
Net unrealized appreciation	(5,117,262)	1,036,681	-593.6%	(6,555,309)	-115.8%
Total net assets	**191,087,536**	**194,568,186**	-1.8%	**195,032,211**	-0.2%
Total liabilities and stockholders' deficit	304,538,332	292,254,234	4.2%	307,495,807	-5.0%
Net asset value per share	**14.16**	**$14.41**	-1.7%	**$14.43**	**-0.2%**

CASH FLOW

Cash Flows from Operating Activities	March 31, 2015	June 30, 2015	Sept 30, 2015	Dec 31, 2015	Year 2015	March 31, 2016	June 30, 2016
Net increase in net assets resulting from operations	$4,991,891	$6,413,656	$3,254,449	-$2,048,222	$12,611,774	$4,313,758	$1,395,169
Adjustments:							
Net realized (gain) loss from portfolio investments	(254)	146,703	(244,000)	(2,625,441)	(2,722,992)	8,883,124	(1,650,766)
Net change in unrealized (appreciation) depreciation of port inves	(176,787)	(2,317,791)	3,228,470	10,907,312	11,641,204	(7,801,854)	5,866,776
Deferred tax asset	-	-	-	(1,382,408)	(1,382,408)	168,710	286,066
Deferred tax liability	159,983	221,384	(1,101,188)	2,416,825	1,697,004	-	-
Paid in-kind interest income from portfolio investments	(1,546,004)	(2,003,563)	(1,308,487)	(1,062,450)	(5,920,504)	(2,362,232)	(1,804,577)
Accretion of discount on debt securities	(208,115)	(68,843)	(73,619)	(93,980)	(444,557)	(99,533)	(104,106)
Purchases of portfolio investments	(21,982,468)	(30,559,822)	(21,239,546)	(22,819,728)	(96,601,564)	(30,178,654)	(39,376,739)
Net proceeds from sales/return of capital of portfolio invest.	15,519,311	16,542,288	15,989,831	8,289,227	56,340,657	45,509,830	25,821,358
Amortization of deferred financing costs	183,487	195,770	229,716	258,813	867,786	264,630	283,805
(Increase) decrease in operating assets:							
Dividends and interest receivable	655,120	(486,845)	(935,385)	(422,595)	(1,189,705)	1,175,994	(86,714)
Receivable for investments sold	4,753	-	-	-	4,753	(1,364,550)	-
Due from Limited Partners	-	-	-	-	-	-	-
Deferred note offering cost	(201,899)	201,899	-	-		-	-
Prepaid expenses and other assets	55,183	36,761	(152,830)	75,544	14,658	52,285	(187,560)
Increase (decrease) in operating liabilities:							
Payable for investments purchased	(8,717)	-	-	-	(8,717)	-	-
Other accrued expenses and liabilities	(359,853)	107,480	75,418	(90,661)	(267,616)	(6,366)	12,586
Due to affiliate	-	-	-	-	-	-	-
Directors' fees payable	(47,692)	37,250	(38,750)	525	(48,667)	41,975	(6,500)
Professional fees payable	(47,077)	155,710	(187,334)	150,406	71,705	(183,586)	(62,680)
Interest and credit facility expense payable	(61,783)	625,829	463,907	(431,207)	596,746	442,808	(281,738)
Management fee payable	532,337	71,958	53,742	28,508	686,545	(13,177)	(5,273)
Capital gains based incentive fee	-	434,217	(434,217)	-		-	-
Income-based incentive fees payable	806,100	397,028	546,027	(667,358)	1,081,797	405,386	536,499
Unearned structuring fee revenue	(22,958)	81,378	280,853	(167,035)	172,238	114,192	551,077
Income tax	(43,582)	186,048	(469)	655,543	797,540	(59,884)	42,972
Net cash used in operating activities	(1,799,024)	(9,581,505)	(1,593,412)	(9,028,382)	(25,396,332)	19,302,856	(8,770,345)
Cash Flows from Financing Activities:							
Financing costs paid	-	(112,501)	(697,362)	(255,284)	(1,065,147)	(41,302)	(124,736)
Offering costs paid	(56,911)	(1,030,253)	(47,530)	(182,254)	(1,316,948)	(190,470)	(232,480)
Proceeds from credit facility payable	52,531,684	49,920,343	45,200,000	107,450,000	255,102,027	16,500,000	35,000,000
Repayments of credit facility payable	(58,076,348)	(68,820,095)	(30,600,000)	(96,600,000)	(254,096,443)	(37,295,681)	(26,023,211)
Proceeds from notes payable	5,936,000	34,064,000	-	-	40,000,000	5,401,000	6,143,000
Distributions paid to shareholders	(4,595,700)	(4,595,701)	(4,595,700)	(4,595,701)	(18,382,802)	(4,595,700)	(4,595,701)
Repurchase of common stock					-	(115,828)	(189,622)
Capital contributions received from partners	-	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	(4,261,275)	9,425,793	9,259,408	5,816,761	20,240,687	(20,337,981)	9,977,250
Increase (decrease) in cash and cash equivalents	(6,060,299)	(155,712)	7,665,996	(3,211,621)	(5,155,645)	(1,035,125)	1,206,905
Cash at beginning of period	10,022,617	3,962,318	3,806,606	11,472,602	10,022,617	4,866,972	3,831,847
Cash and Cash Equivalents at End of Period	3,962,318	3,806,606	11,472,602	4,866,972	4,866,972	3,831,847	5,038,752
Supplemental and non-cash financing activities:							
Cash paid during the period for interest	544,105	1,313,690	1,431,744	1,857,795	3,870,973	866,136	1,616,248
Accrued offering costs	5,944	(3,459)	-	2,485	2,485	2,485	-
Accrued distributions payable	4,595,700	-	-	4,595,700	4,595,700	4,595,700	-

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