May 8, 2019

Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: NAV Improves But Management Continues to Pursue Strategic Alternatives to Increase Shareholder Value

We believe the stock should trade at $10.00 per share based on increasing NAV, successful progress made in the portfolio pivot and efforts to decrease the discount to NAV.

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 8.7% regular dividend, trade at a 26% discount to the company's $11.17 NAV (net asset value) / share.

Current Price (05/07/19)	$8.27
Valuation	**$10.00**

SUMMARY DATA

52-Week High	**$8.50**
52-Week Low	**$5.63**
One-Year Return (%)	**36.7**
Beta	**0.6**
Average Daily Volume (sh)	**37,475**
Shares Outstanding (mil)	**12.9**
Market Capitalization ($mil)	**$106**
Short Interest Ratio (days)	**1.0**
Institutional Ownership (%)	**30**
Insider Ownership (%)	**1**
Annual Cash Dividend	**$0.72**
Dividend Yield (%)	**8.7**
5-Yr. Historical Growth Rates	
Sales (%)	**13.5**
Earnings Per Share (%)	**-9.2**
Dividend (%)	**-10.8**
P/NII using TTM Price/NII	**8.6**
P/NII using 2019 Estimate	**10.5**
P/NII using 2020 Estimate	**10.3**
Zacks Rank	**N/A**

Risk Level	**Below Average**
Type of Stock	**Small Value**
Industry	**Fin-SBIC&Commercl**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	9.2 A	8.3 A	7.6 A	8.2 A	33.4 A
2018	8.2 A	7.3 A	6.6 A	7.0 A	29.0 A
2019	6.4 A	6.2 E	6.2 E	6.3 E	25.1 E
2020					24.5 E

Adjusted NII Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	$0.34 A	$0.36 A	$0.34 A	$0.28 A	$1.32 A
2018	$0.27 A	$0.25 A	$0.22 A	$0.27 A	$1.01 A
2019	$0.22 A	$0.19 E	$0.19 E	$0.19 E	$0.79 E
2020					$0.80 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.

- As of March 31, the company's $214 million portfolio was composed of 29 investments, comprised of 28 companies, and one rated CLO debt instrument. It was invested 92% in debt and 8% in equity.

- The company originally targeted the lower middle-market, but new management is rotating the portfolio to larger middle-market private equity backed transactions. It considers the middle market $15 million - $75 million in EBITDA. Management believes this is a more prudent place to invest this late in the credit cycle. It is also beginning to invest overseas where it can take advantage of the company's strengths and network and its President is now located in London.

- 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 is business services at 27.4% of the total investment portfolio followed by healthcare services at 27.1%.

- Only one company, Southern Technical Institute, is on non-accrual. There are still seven others on the watch list: Alarm Capital, Battery Solutions, Conisus, Envocore, IGT, Palmetto Moon, and XGS. The weighted average yield on the company's debt portfolio was again 11.2% this quarter.

- Alcentra is suffering from increased competition in the lending market that is pushing down rates. It also had a number of investments that went sour. These investments have been written down to where there most could provide upside in the future.

- At $8.27, the shares trade at a **26% discount to the company's $11.17 NAV** (net asset value) per share, improved from the 31% last quarter. NAV has declined from the $14.63 per share at the time of its May 2014 IPO, but has been on the rise for the past three quarters since new management took over. The company is actively working to revamp the portfolio and decrease the discount of the stock price to the NAV. At its current price, Alcentra's current dividend yield is 8.7%, below the average of 9.7%.

- While past dividend cuts have stung investors, new management has rapidly culled the losing investments from the portfolio, which should lessen the chance for future declines in NAV. With assets redeployed there is the potential for higher earnings, which could lead to an increased dividend in the future and thus further price appreciation. Stock buybacks are also still in effect increasing NAV. Net expenses have decreased due to the permanent management fee reduction and temporary management fee waiver that commenced in May 2018. In addition management is pursing strategic alternatives up to and including the sale of the company to increase shareholder value due to shareholder activist urging. All these efforts combined should lead to stock price appreciation going forward.

WHAT'S NEW

Alcentra Capital's reported Q1 2019 earnings. The new management team continues to execute on its strategy of rotating toward a larger middle market, senior secured debt portfolio. Its goal is to both improve earnings and to decrease the discount of the stock price to NAV. In pursuit of that goal it is also buying back stock which also increases NAV. Since January 1, 2018, Alcentra has repurchased approximately 9.5% of its shares outstanding. As of May 6, 2019, it had $5.7 million of repurchase authority remaining under the current repurchase program.

Q1 2019 Earnings

NAV again increased in Q1 over Q4 and the stock price to NAV discount decreased to 26% from 31% the previous quarter and 43% the quarter before that. This was aided by the buying back of 229,729 shares, for $1.5 million during the quarter. Given the discount of the stock price to NAV, buying back stock is now low risk way to provide return to shareholders.

For the first quarter of 2019, the company reported total investment income of $6.4 million versus $8.2 million last year, a decline of 21%. This decrease was due primarily to two prepayment penalties totaling $1.4 million received in the first quarter of 2018, along with the continued transition of the portfolio to lower-yielding senior secured loans. Net investment income was $2.9 million, or $0.22 per share versus $3.8 million and $0.27 per share last year.

Of the 28 portfolio companies, there were two write-downs this quarter totally $3.2 million: Battery Solutions ($0.5 million) and Envocore ($2.7 million.) Five positions were written up totaling $2.7 million: Champion One ($0.2 million), Conisus ($1.7 million), Lugano ($0.2 million), Superior Controls ($0.6 million and the Goldentree CLO ($0.03 million.) The portfolio value decreased to $214 million from $235 million in Q4 2018.

Net asset value (NAV) was **$11.17 per share** as of March 31, 2018 versus $11.13 per share, on December 31, 2018. During Q1 the company exited or received proceeds from repayments, loan dispositions and amortizations on investments of $50 million and invested $26 million.

In the quarter the company made the following investments:

- **Aegis Sciences Corporation** – A first lien term loan ($7.3 million) at LIBOR + 5.50%. Aegis operates a forensic toxicology and healthcare sciences laboratory that provides science-driven drug testing and consulting services in the United States.

- **Cambium Learning Group** – A second lien term loan ($4.7 million) at LIBOR + 8.50%. Cambium Learning Group is a leading provider of digital resources and instructional products for Pre-k through 12 schools, districts, teachers, and students.

- **Clanwilliam Group Ltd.** – Add-on first lien investment ($0.3 million) at EURIBOR + 7.00%.

- **Institutional Shareholder Services** – A first lien term loan ($3.0 million) at LIBOR + 4.50% and a second lien term loan ($1.9 million) at LIBOR + 8.50%. ISS provides proxy advisory, corporate governance and ESG analytic solutions to financial market participants.

- **GGC Aperio Holdings** – A first lien term loan ($8.5 million) at LIBOR + 5.0%. Aperio manages domestic and international equity portfolios for ultra-high net worth individuals via large financial intermediaries, including registered investment advisors, broker-dealers, and family offices.

Subsequent Events

On April 1 and 2, 2019, the Company received total funds of **$7.0 million** in connection with a debt and equity **repayment** from Champion ONE, (consisting of $1.1 million in equity value and the principal amount of $5.9 million, respectively).

On April 3, 2019, Superior Controls, Inc. **repaid its debt and equity for $8.5 million** (consisting of the principal amount of $7.1 million and $1.4 million in equity value).

On April 4, 2019, the company paid a dividend to stockholders of record as of March 29, 2019 of $0.18 per share.

On April 4, 2019, the board announced that it had entered into a formal review process to evaluate strategic alternatives for the company, including a sale of the company, a business combination, and other strategic transactions. The board authorized its Committee of Independent Directors to lead the process.

On April 10, 2019, the Company **sold $5.0 million of the first lien loan** of Impact Group at 99.5% of par value.

On May 3, 2019, the Board approved the 2019 second quarter **dividend of $0.18 per share** for stockholders of record as of June 28, 2019, payable July 3, 2019. The Board also approved a **special spillover dividend of $0.15 per share** for the stockholders of record as of June 28, 2019, payable July 3, 2019. The board declared the special dividend because of overearning the quarterly dividend in 2018.

On May 3, 2019, the Adviser agreed to a continued temporary waiver of 25 basis points across the entire base management fee breakpoints under the Investment Advisory Agreement, effective from May 1, 2019 to April 30, 2020.

INVESTMENT PORTFOLIO

Alcentra has one investment on non-accrual:

Southern Technical Institute has three campuses in Florida where it teaches healthcare through four programs to train certified nursing assistants: home health aide, phlebotomy technician, patient care assistant, and hemodialysis technician. The value was **written down zero** from an original $15.8 million. The company is awaiting resolutions of issues outside of its control.

There are another seven companies still on the watch list:

Alarm Capital Alliance was founded in 2000 is headquartered in Newton Square, Pennsylvania. It is a security and alarm monitoring company. ACA services households and small commercial businesses across the United States through its security services and home automation technologies.

Battery Solutions was again written down during Q1, this time by $0.5 million based upon recent financial performance. The company, established in 1992 and headquartered in Wixom, MI, is North America's largest provider of battery recycling solutions. With three locations, two in Michigan and one in Mesa, AZ, BSL offers customized battery recycling solutions which include program design, collection systems, logistics, disassembly, chemistry identification, battery sorting, material recovery, regulatory compliance, and documentation to corporations, governments, municipalities, and households.

Conisus was written up in the quarter by $1.7 million due to financial improvement. It was founded in 1999 in Atlanta. It is a leading outsourced medical service provider specializing in promotional drug marketing and continuing medical education ("CME") services to the oncology and hematology biopharmaceutical industry.

Envocore Energy Solutions equity was again written down this time by $2.7 million during Q1 again due to financial performance. It was founded in 1991 and is located in Gambrills, MD. It is the leading provider of custom energy (lighting & water) efficiency services to Energy Service Companies (ESCos) and utility clients. The company acts as a sub-contractor to these clients and performs design, engineering, and installation.

IGT had a slight write down of equity of $100,000. It is a global provider of maintenance, repair and operations (MRO) services and parts for the industrial gas turbine market. IGT primarily serves the power generation, industrial, and aerospace end-markets and was formed from the acquisition of two companies: PAS IRE and TRS Services, one in Ireland and one in Houston.

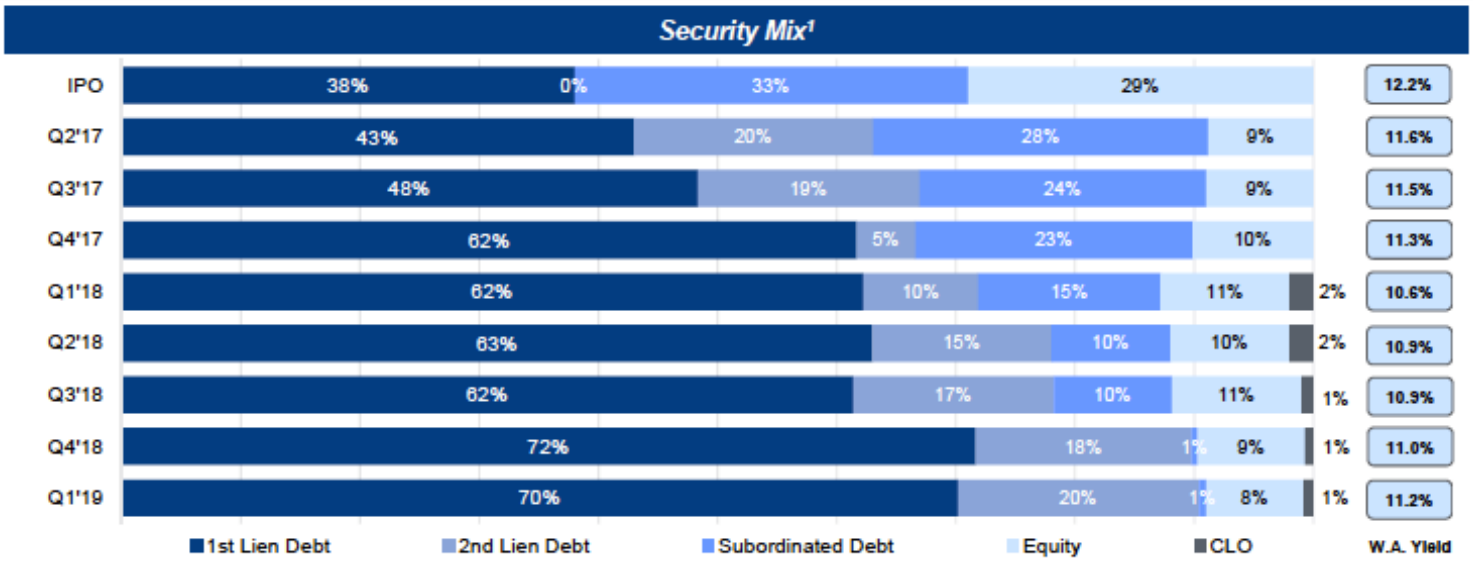
Palmetto Moon, LLC was valued down by $300,000 based upon its recent financial performance. It is a specialty retailer of outdoor active lifestyle apparel and accessories, college lifestyle apparel, and state & local-themed apparel headquartered in Mt. Pleasant, South Carolina. Its stores are located in traditional malls, power centers, and outlet malls primarily in South Carolina (one unit in Georgia).

Xpress Global Systems
XGS is 40-year-old transportation company that serves the needs of the floor covering industry as a trucking company and logistics supplier. It is located in Chattanooga, Tennessee. XGS was written down in Q4 by $2.3 million based on the closing of sale of the company.

Investment Mix

On March 31, 2019, $214 million was invested in 29 investments. The portfolio then was 70% senior secured first lien debt, 20% senior secured second lien debt, 1% mezzanine debt, and 8% equity investments and 1% CLO.

Portfolio Characteristics



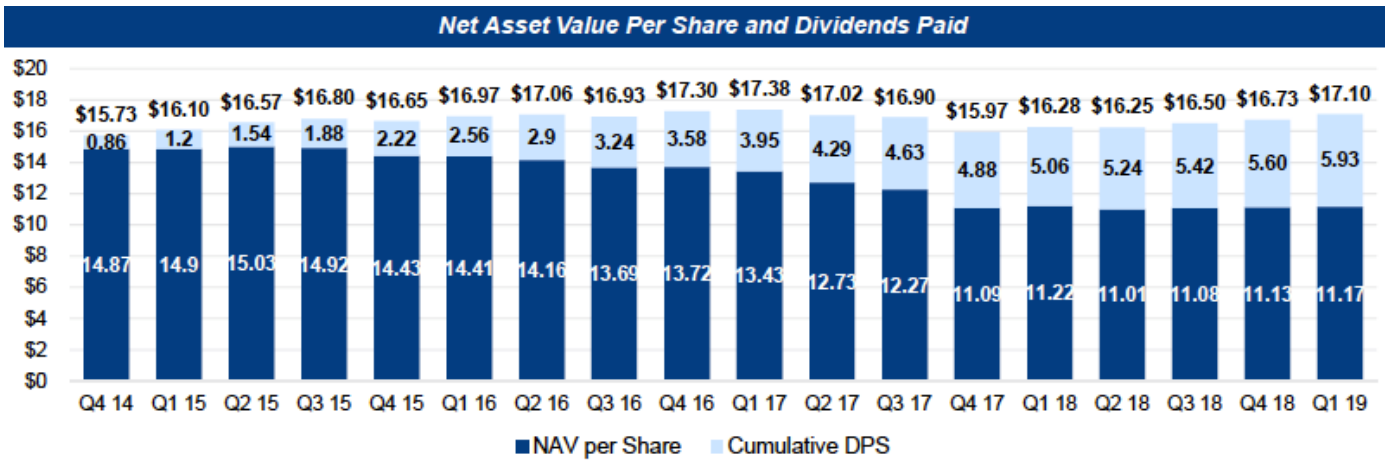
7.4% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $7.7 million. The value of the largest portfolio company, Healthcare Associates of Texas, was $20.6 million and it is 10% of the portfolio. The largest industry sector is business services at 18.4% of value of the portfolio.

Table 1: Investments as of March 31, 2019

Company	Cost	Fair Value	$ Change	% Change	% of Portfolio
Aegis Sciences Corp.	7,294,204	7,292,162	(2,042)	0%	3%
Battery Solutions	6,854,203	5,149,849	(1,704,354)	-25%	2%
BayMark Health Services	6,940,633	7,000,000	59,367	1%	3%
Black Diamond Rentals	11,239,976	11,239,976	-	0%	5%
Cambian Learning Group	8,499,343	8,499,342	(1)	0%	4%
CGGR Operations	14,746,555	14,845,053	98,498	1%	7%
Clanwilliam Group Ltd	6,412,743	6,327,682	(85,061)	-1%	3%
Conisus	12,677,834	8,239,996	(4,437,838)	-35%	4%
Envocore Holding	19,367,615	16,608,000	(2,759,615)	-14%	8%
Epic Healthcare Staffing	9,783,053	9,818,236	35,183	0%	5%
GGC Aperio Holdings	8,528,999	8,528,999	-	0%	4%
Goldentree Loan Mgt CLO	1,948,952	1,773,096	(175,856)	-9%	1%
Healthcare Associates of Texas	20,571,183	20,571,183	-	0%	10%
Impact Group	18,858,202	18,847,614	(10,588)	0%	9%
Institutional Shareholder Services	4,910,650	4,910,437	(213)	0%	2%
IGT	1,481,712	271,789	(1,209,923)	-82%	0%
Lugano Diamonds & Jewelry	6,928,876	7,591,000	662,124	10%	4%
Manna Pro Products	1,313,511	1,319,512	6,001	0%	1%
Medsurant Holdings, LLC	8,705,903	8,729,396	23,493	0%	4%
Metal Powder Products	500,000	666,047	166,047	33%	0%
My Alarm Center LLC	5,485,401	1,023,999	(4,461,402)	-81%	0%
Palmetto Moon	5,197,948	4,741,933	(456,015)	-9%	2%
PharmaLogic Holdings	11,271,099	11,340,000	68,901	1%	5%
Pinstripe Holdings	9,804,991	9,807,000	2,009	0%	5%
Sandvine Corp	4,413,222	4,415,000	1,778	0%	2%
Southern Technical Institute	5,695,988	-	(5,695,988)	-100%	0%
Superior Controls	7,492,961	8,482,000	989,039	13%	4%
Wedding Wire	4,950,524	4,950,000	(524)	0%	2%
Xpress Global Systems	1,254,000	760,000	(494,000)	-39%	0%
Total	233,130,281	213,749,301	(19,380,980)	-8%	100%

DIVIDENDS

In order to maintain preferential tax treatment, BDCs such as Alcentra must distribute a minimum of 90% of their income to shareholders. Since August of 2014, the company had paid a regularly scheduled quarterly dividend of $0.34 but had cut that to $0.18. This quarter it declared the regular $0.18 dividend and a special overflow dividend of $0.15. The $0.18 quarterly dividend equates to a $0.72 regular annual dividend and a current yield of 8.7%



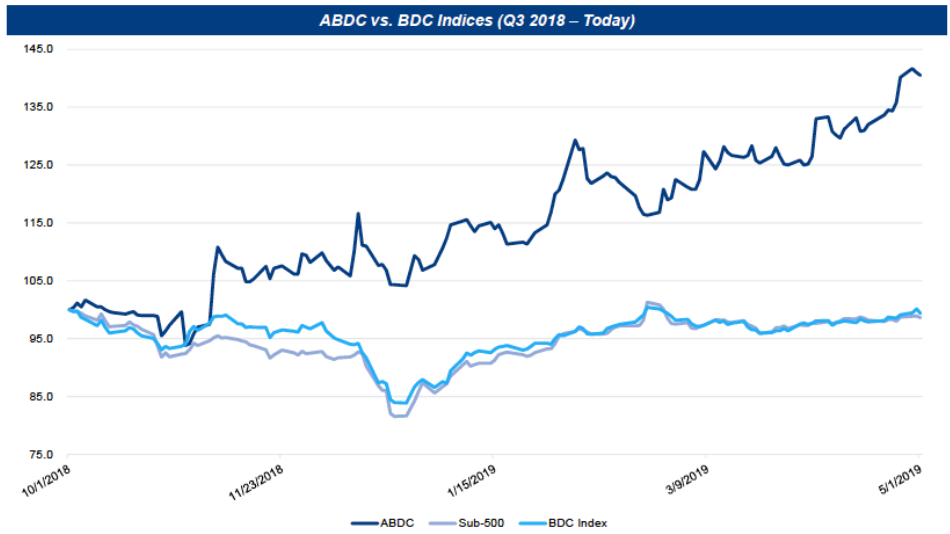
COMPETITION

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

ABDC Performance vs. BDC Indices

As of Q3 2018, ABDC has significantly outperformed both the broader BDC index, and the sub-500 index



Source: S&P Capital IQ
Note: BDC Index reflects the performance of the constituents of the Wells Fargo BDC Index. Sub-500 reflects performance of such BDCs with under $500 million in total assets

Alcentra had been underperforming the BDC index but since new management has arrived, it is outperforming. As noted on the following table, on an NAV basis, BDC industry shares trade at an average 6.7% premium to share price. There is a wide valuation gap among the BDCs as shown below. Alcentra stock currently trades at a lower than average dividend yield of 8.7% versus the average at 9.7%, but the second highest discount to NAV at 26%. Management is working to close that discount. Recently shareholder activists have urged management to pursue strategic alternatives up to an including the sale of the company or its portfolio. If that were to happen, liquidation value should be closer to NAV.

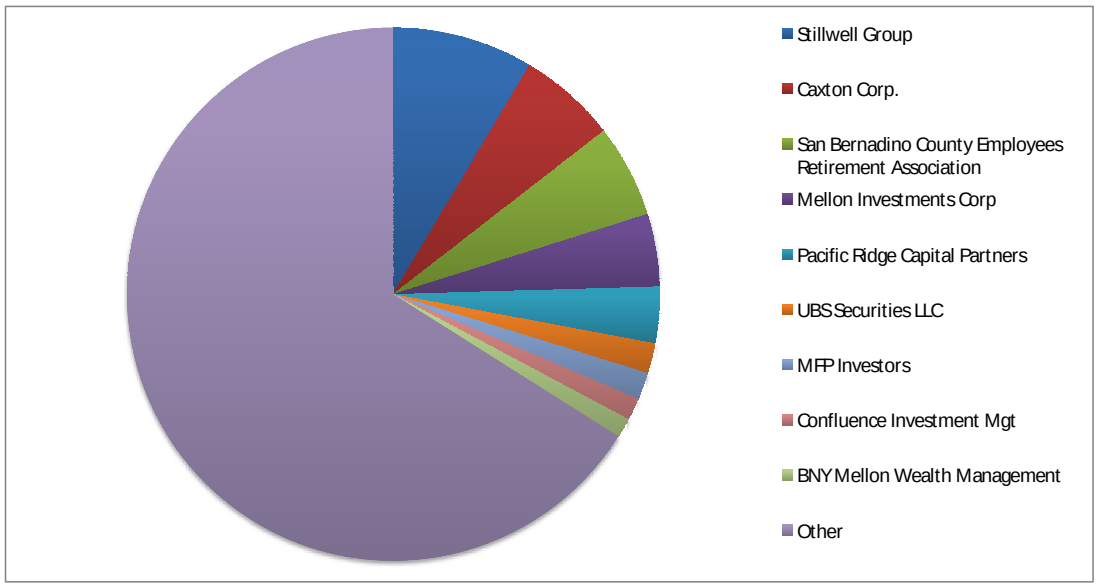
BDCs					Annualized			
Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$8.27	$8.58	$5.58	$0.72	8.7%	$11.13	25.7%
Apollo Investment Corp	AINV	15.88	18.00	12.05	$1.80	11.3%	19.03	16.6%
Ares Capital Corp	ARCC	17.87	18.07	14.50	$1.68	9.4%	17.21	-3.8%
BlackRock Capital Investm	BKCC	6.24	6.64	5.06	$0.72	11.5%	7.15	12.7%
Fidus Investment Corp.	FDUS	16.36	16.35	11.48	$1.56	9.5%	16.55	1.1%
Garrsion Capital Inc.	GARS	6.94	8.95	6.03	$0.92	13.3%	10.52	34.0%
Gladstone Capital Corp.	GLAD	9.49	9.87	6.41	$0.84	8.9%	8.11	-17.0%
KCAP Financial	KCAP	3.75	3.80	2.87	$0.40	10.7%	4.23	11.3%
Main Street Capital Corp.	MAIN	39.94	40.77	31.95	$2.28	5.7%	24.09	-65.8%
Newtek Business Services	NEWT	22.96	24.24	15.59	$1.60	7.0%	15.31	-50.0%
TriplePoint Venture Growth	TPVG	14.37	14.61	10.25	$1.44	10.0%	13.59	-5.7%
Average					$1.32	9.7%	$13.58	-6.7%

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.
- **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 has increased and the company anticipates future deals will have lower yields.

OWNERSHIP



INCOME STATEMENT

Dollars in Millions	2018				2019							
	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19E	30-Sep-19E	31-Dec-19E	2017	2018	2019E	2020E
Non-controlled, non-affiliated investments:												
Interest Income from portfolio investments	$5,742,386	$5,865,711	$5,676,759	$5,450,756	$5,806,309	$5,600,000	$5,600,000	$5,700,000	$23,917,956	$22,735,612	$22,706,309	$22,000,000
Paid in kind int inc. from portfolio investments	199,650	45,481	107,164	151,844	84,504	100,000	100,000	100,000	1,156,486	504,139	384,504	300,000
Other income from portfolio investments	1,507,304	611,812	94,668	738,206	107,757	107,757	107,757	107,757	2,228,104	2,951,990	431,028	500,000
Dividend income from portfolio investments	30,756	30,756	30,756	30,756	-	-	-	-	171,083	123,024	-	-
Non-controlled, affiliated investments:												
Interest income from portfolio investments	77,453	129,080	58,881	40,790	36,479	70,000	70,000	80,000	1,318,924	306,204	256,479	300,000
Paid in kind int inc. from portfolio investments	123,126	90,004	96,816	96,676	96,413	96,413	96,413	96,413	2,209,418	406,622	385,652	400,000
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-	-
From controlled, affiliated investments:												
Interest income from portfolio investments	500,890	481,106	488,036	470,357	208,538	200,000	200,000	200,000	1,665,409	1,940,389	808,538	1,000,000
Paid in kind int inc. from portfolio investments	-	-	-	-	-	-	-	-	684,129	-	-	-
Other income from portfolio investments	-	-	-	-	87,116	-	-	-	-	-	87,116	-
TOTAL INVESTMENT INCOME	**$8,181,565**	**$7,253,950**	**$6,553,080**	**$6,979,385**	**$6,427,116**	**$6,174,170**	**$6,174,170**	**$6,284,170**	**$33,351,509**	**$28,967,980**	**$25,059,626**	**$24,500,000**
Yr-to-yr growth	-11%	-13%	-14%	-15%	-21%	-15%	-6%	-10%	-17.9%	-13.1%	-13.5%	-2.2%
Costs and expenses:												
Management fees	1,234,863	1,036,122	943,360	918,791	865,618	802,642	802,642	816,942	4,975,349	4,133,136	3,287,844	3,185,000
% of Sales	15%	14%	14%	13%	13%	13%	13%	13%	15%	14%	13%	13%
Income-based incentive fee	-	-	(43,805)	(360,384)	(487,124)	(280,925)	(240,793)	(245,083)	638,244	(404,189)	(1,253,924)	(424,398)
	0%	0%	-0.7%	-5.2%	-7.6%	-4.6%	-3.9%	-3.9%				
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	354,070	379,082	362,625	536,378	625,229	630,000	630,000	630,000	1,248,715	1,632,155	2,515,229	1,600,000
Valuation services	63,971	(10,038)	78,346	73,345	71,250	71,250	71,250	71,250	314,432	205,624	285,000	275,000
Interest and credit facility expense	1,694,887	1,745,485	1,705,992	1,503,203	1,417,450	1,450,000	1,450,000	1,450,000	6,434,924	6,649,567	5,767,450	6,100,000
Amortization of deferred financing costs	103,981	103,570	117,587	221,019	206,116	206,116	206,116	206,116	912,710	546,157	824,464	884,076
Director's fees	96,202	116,826	87,076	128,057	159,676	160,000	160,000	160,000	341,680	428,161	639,676	348,304
Insurance expense	55,988	56,519	57,076	57,075	55,835	55,835	55,835	55,835	239,048	226,658	223,340	240,000
Organization expense	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs	126,694	119,267	97,478	95,293	133,363	133,363	133,363	133,363	473,768	438,732	533,452	381,172
Consulting fees	305,038	176,702	54,152	120,031	111,601	112,000	112,000	112,000		655,923	447,601	100,000
Excise tax	329,575	-	-	-	468,432	460,000	460,000	460,000			1,848,432	1,848,432
Other expenses	40,136	156,108	284,764	478,298	62,448	62,448	62,448	150,000	778,920	959,306	337,344	337,344
TOTAL EXPENSES	4,405,405	3,879,643	3,744,651	3,771,106	3,689,894	3,862,729	3,902,861	4,000,423	16,357,790	15,471,230	15,455,908	14,874,930
Waiver of income-based incentive fee	-	109,281	157,227	153,132	144,270	135,832	135,832	138,252	1,330,420	419,640	554,185	500,000
NET EXPENSES	**$4,405,405**	**$3,770,362**	**$3,587,424**	**$3,617,974**	**$3,545,624**	**$3,726,898**	**$3,767,030**	**$3,862,172**	**$15,027,370**	**$15,051,590**	**$14,901,723**	**$14,374,930**
NET INVESTMENT INCOME	**$3,776,160**	**$3,483,588**	**$2,965,656**	**$3,361,411**	**$2,881,492**	**$2,447,272**	**$2,407,140**	**$2,421,998**	**$18,324,139**	**$13,916,390**	**$10,157,903**	**$10,125,070**
% Change	-17%	-28%	-47%	-17%	-24%	-30%	-19%	-28%	-18.2%	-24.1%	-27.0%	-0.3%
Adjusted NII/share	**$0.27**	**$0.25**	**$0.22**	**$0.25**	**$0.22**	**$0.19**	**$0.19**	**$0.19**	**$1.32**	**$1.01**	**$0.79**	**$0.80**
% Change	-21%	-30%	-43%	-12%	-16%	-25%	-14%	-24%	**-21%**	**-23%**	**-1%**	**-21%**
Dividend per share	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$0.18	$1.30	$0.72	$0.72	$0.72
EPS	$0.25	-$0.16	$0.23	$0.08	$0.15				-$1.37	$0.40		
NAV/share	$11.22	$11.01	$11.08	$11.13	$11.17	$11.01	$11.08	$11.09	$11.06	$11.13	$11.28	$11.21
Avg shares outstanding	14,198,651	13,753,054	13,530,129	13,440,660	12,906,379	12,875,566	12,750,000	12,700,000	13,928,869	13,721,109	12,807,986	12,700,000

BALANCE SHEET

	March 31, 2019	Dec. 31, 2018	Qtr-Qtr Growth %	March 31, 2018	Yr-Yr Growth %
ASSETS					
Portfolio investments, at fair value					
Non-controlled, non-affiliated at fair value	199,599,456	205,411,779	-3%	235,987,908	-15%
Non-controlled, affiliated at fair value	14,149,845	12,980,016	9%	18,721,815	-24%
Controlled, affiliated at fair value	-	16,406,021	-100%	15,477,140	-100%
Cash	4,362,418	11,049,499	-61%	13,421,745	-67%
Dividends and interest receivable	1,241,095	454,883	173%	1,634,770	-24%
Receivable for investments sold	7,797,809	644,733	1109%	644,733	1109%
Deferred financing costs	1,160,277	1,366,393	-15%	410,260	183%
Deferred tax asset	5,132,895	5,385,694	-5%	4,932,473	4%
Income tax asset	-	-	0%	669,331	-100%
Prepaid expenses and other assets	46,075	79,410	-42%	45,517	1%
TOTAL ASSETS	233,489,870	253,778,428	-8%	291,945,692	-20%
LIABILITIES					
Credit facility payable	28,568,305	28,536,441	0%	55,403,273	-48%
Notes payable	54,247,929	54,144,567	0%	53,874,529	1%
Payable for investments purchased	-	18,550,000	-100%	16,621,902	-100%
Other accrued expenses and liabiliities	466,521	535,096	-13%	917,732	-49%
Directors' fees payable	130,000	36,125	260%	72,250	80%
Professional fees payable	661,207	554,173	19%	551,938	20%
Interest and credit facility expense payable	1,529,992	1,069,139	43%	1,527,558	0%
Management fee payable	721,348	765,659	-6%	1,234,863	-42%
Income-based incentive fees payable	403,672	890,796	-55%	1,294,985	-69%
Distributions payable	2,433,102	2,433,102	0%	2,560,130	-5%
Unearned structuring fee revenue	59,540	81,643	-27%	660,983	-91%
Income tax liability	412,944	379,155	9%	-	NM
Consulting fees payable	-	-	0%	43,149	-100%
Total Liabilities	89,634,560	107,975,896	-17%	134,763,292	-33%
NET ASSETS					
Common stock	12,876	13,105	-2%	14,010	-8%
Additional paid-in capital	197,118,476	198,594,662	-1%	205,060,309	-4%
Distributable earnings (accumlated loss)	(53,276,042)	(52,805,235)	1%	(11,450,970)	365%
Total Net Assets	143,855,310	145,802,532	-1%	157,182,400	-8%
Total Liabilities and Net Assets	233,489,870	253,778,428	-8%	291,945,692	-20%
Net Asset Value Per Share	**$11.17**	**$11.13**	0%	**$11.22**	0%

CASH FLOW

Cash Flows from Operating Activities	March 31, 2017	June 30, 2017	Sept 30, 2017	Dec 31, 2017	Year 2017	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2108	Year 2018	March 31, 2019
Net increase in net assets resulting from operations	$1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	(19,101,742)	$3,538,960	(2,239,011)	3,082,002	1,140,181	5,522,132	$1,962,295
Adjustments:											
Net realized (gain) loss from portfolio investments	1,049,239	(30,002)	10,405,655	9,999	11,434,891	14,815	20,275,794	38,933	15,076,636	35,406,178	522,300
Net change in unrealized (appreciation) depreciation of port inves	1,787,483	9,924,134	1,332,138	15,555,115	28,598,870	219,896	(13,533,478)	(744,922)	(12,522,955)	(26,581,459)	300,450
Deferred tax asset	(246,876)	13,423	(5,284,559)	1,847,861	(3,670,151)	2,489	(1,022,639)	589,643	(20,225)	(450,732)	252,799
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-
Paid in-kind interest income from portfolio investments	(901,673)	(365,536)	(1,496,157)	(1,286,667)	(4,050,033)	(322,776)	(135,485)	(203,980)	(248,520)	(910,761)	(180,917)
Accretion of discount on debt securities	(980,595)	(438,851)	(219,975)	(266,330)	(1,905,751)	(176,258)	(165,987)	(139,445)	(442,036)	(923,726)	(397,439)
Purchases of portfolio investments	(31,193,265)	(24,918,835)	(40,769,787)	(38,626,682)	(135,508,569)	(29,996,191)	(14,052,612)	(6,000,691)	(54,797,852)	(104,847,346)	(26,765,630)
Net proceeds from sales/return of capital of portfolio invest.	23,183,083	27,787,780	19,779,150	19,398,984	90,148,997	47,628,196	31,638,771	4,573,014	66,773,862	150,613,843	47,569,751
Amortization of deferred financing costs	285,563	288,048	232,807	106,292	912,710	103,981	103,570	117,587	221,019	546,157	206,116
Amortization of deferred note offering costs	98,410	105,418	111,726	158,214	473,768	126,694	119,267	97,478	95,293	438,732	133,363
(Increase) decrease in operating assets:											
Dividends and interest receivable	1,474,828	695,561	(1,713,624)	841,575	1,298,340	307,530	(1,080,401)	1,314,465	945,823	1,487,417	(786,212)
Receivable for investments sold	1,433,730	234,750	(250,000)	51,250	1,469,730	25,000	(25,000)	25,000	-	25,000	(7,153,076)
Income tax asset	(795,587)	223	(877)	47,833	(748,408)	79,077	25,012	29,538	614,781	748,408	-
Prepaid expenses and other assets	50,128	(158,786)	65,435	64,988	21,765	33,488	(163,045)	64,576	64,576	(405)	33,335
Increase (decrease) in operating liabilities:											
Payable for investments purchased	71,221	(71,221)	-	-	-	16,621,902	(16,621,902)	-	18,550,000	18,550,000	(18,550,000)
Other accrued expenses and liabilities	40,499	52,373	102,459	(29,907)	165,424	470,143	(394,012)	(152,276)	163,652	87,507	(68,575)
Due to affiliate	-	-	-	-	-	-	-	-	-	-	-
Directors' fees payable	(14,000)	(8,000)	12,417	(16,500)	(26,083)	3,333	(36,125)	42,375	(42,375)	(32,792)	93,875
Professional fees payable	85,846	(171,111)	142,678	159,175	216,588	3,483	91,384	(324,817)	235,668	5,718	828,382
Interest and credit facility expense payable	556,184	(431,423)	487,146	(371,243)	240,664	278,767	(369,385)	184,355	(273,389)	(179,652)	460,853
Management fee payable	1,249,568	(1,491,034)	70,066	134,981	(36,419)	(30,309)	(308,022)	786,133	(947,315)	(499,513)	(765,659)
Income-based incentive fees payable	(222,526)	(538,484)	(15,666)	-	(776,676)	-	-	(43,805)	(360,384)	(404,189)	(487,124)
Unearned structuring fee revenue	(64,825)	(59,817)	(50,024)	(275,000)	(449,666)	(64,670)	(329,303)	(56,660)	(193,377)	(644,010)	(22,103)
Income tax	(182,699)	-	-	-	(182,699)	43,149	(43,149)	-	379,155	379,155	33,789
Net cash used in operating activities	(2,205,186)	5,265,544	(18,670,476)	(15,864,332)	(31,474,450)	38,910,699	1,734,242	3,278,503	34,412,218	78,335,662	(2,779,427)
Cash Flows from Financing Activities:											
Issuance of common stock		10,853,602	-	-	10,853,602	-	-	-	(1,398,309)	(1,398,309)	-
Financing costs paid	(12,000)	(121,858)	(5,286)	-	(139,144)	-	(112,501)	(1,219,999)	1,332,500	-	-
Offering costs paid	(2,357)	(142,689)	(7,999)	(77,826)	(230,871)	-	(30,001)	(11,999)	-	(42,000)	(30,001)
Proceeds from credit facility payable	30,100,000	16,750,000	27,250,000	43,720,000	117,820,000	12,700,000	8,650,000	4,903,872	37,601,288	63,855,160	29,977,494
Repayments of credit facility payable	(22,300,000)	(28,550,000)	(2,600,000)	(13,800,000)	(67,250,000)	(47,000,000)	(5,500,000)	(9,000,000)	(63,457,704)	(124,957,704)	(30,059,997)
Proceeds from notes payable	-	-	-	-	-	-	-	-	-	-	-
Distributions paid to shareholders	(4,586,816)	(4,971,712)	(4,843,374)	(4,843,375)	(19,245,277)	(3,561,305)	(2,560,130)	(2,449,592)	(2,449,591)	(11,020,618)	(2,433,102)
Repurchase of common stock	(165,514)	-	-	(176,996)	(342,510)	(1,510,605)	(2,899,054)	(413,341)	(2,718,360)	(7,541,360)	(1,476,415)
Capital contributions received from partners	-	-	-	-	-	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	3,033,313	(6,182,657)	19,793,341	24,821,803	41,465,800	(39,371,910)	(2,451,686)	(8,191,059)	(31,090,176)	(81,104,831)	(4,022,021)
Effect of exchange rate changes on foreign cash	-	-	-	-	-	-	-	-	(64,288)	(64,288)	114,367
Increase (decrease) in cash and cash equivalents	828,127	(917,113)	1,122,865	8,957,471	9,991,350	(461,211)	(717,444)	(4,912,556)	3,257,754	(2,833,457)	(6,687,081)
Cash at beginning of period	3,891,606	-	3,802,620	4,925,485	3,891,606	13,882,956	13,421,745	12,704,301	7,791,745	13,882,956	11,049,499
Cash and Cash Equivalents at End of Period	4,719,733	(917,113)	4,925,485	13,882,956	13,882,956	13,421,745	12,704,301	7,791,745	11,049,499	11,049,499	4,362,418
Supplemental and non-cash financing activities:											
Cash paid during the period for interest	970,723	1,944,490	1,062,316	2,216,731	6,194,260	1,416,120	2,114,870	1,521,637	1,776,592	6,829,219	956,597
Accrued offering costs	2,485	-	-	-	2,485	2,485	-	-	-	2,485	2,485
Accrued distributions payable	4,971,712	(128,337)	-	(1,282,070)	3,561,305	2,560,130	(110,539)	-	(16,489)	2,433,102	2,433,102

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Consolidated Statements of Changes in Net Assets	Year End 2018	Year End 2017	Year End 2016	Year End 2015
Increase (decrease) in net assets resulting from operations				
Net investment income	13,916,390	18,324,139	22,409,186	19,298,169
Net realized gain (loss) on investments	(35,359,238)	(11,434,891)	(4,281,983)	2,722,992
Net change in unrealized appreciation (depreciation) on investments	26,517,171	(28,598,870)	(9,972,997)	(11,641,204)
Benefits/(Provision) for taxes on unrealized gain on investments	447,809	2,607,880	635,580	2,231,817
Net increase (decrease) in net assets resulting from operations	5,522,132	(19,101,742)	8,789,786	12,611,774
Capital transactions				
Offering costs	186,069	-	(165,635)	(186,069)
Issuance of common stock	-	10,853,602		
Repurchase of common stock	(7,541,360)	(342,510)	(775,622)	-
Net increase (decrease) in net assets resulting from capital transactions	(7,541,360)	10,511,092	(941,257)	(186,069)
Distributions to shareholders from:				
Net investment income	NA	(17,816,654)	(18,351,553)	(18,382,802)
Realized gains	NA	(403,112)	(4,596)	-
Total distributions to shareholders	(9,892,415)	(18,219,766)	(18,356,149)	(18,382,802)
Total increase (decrease) in net assets	(11,911,643)	(26,810,416)	(10,507,620)	(5,957,097)
Net assets at beginning of period	157,714,175	184,524,591	195,032,211	200,989,308
Net assets at end of period	145,802,532	157,714,175	184,524,591	195,032,211

HISTORICAL STOCK PRICE



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