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Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Q2: NII Stabilizes and Special Dividend of $0.15 Paid In July

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.

Current Price (08/07/19)	$8.22
Valuation	**$10.00**

OUTLOOK

Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon. The company's target market is the lower middle-market, which management believes traditional lenders underserve. New management has revamped the portfolio to higher quality and the stock has been outperforming the BDC index. Management has also be pursuing strategic alternatives to reduce its discount to NAV. ABDC shares, which provide 8.8% regular dividend, now trade at a 25% discount to the company's $11.02 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$8.69**
52-Week Low	**$5.63**
One-Year Return (%)	**41.3**
Beta	**0.6**
Average Daily Volume (sh)	**15,952**
Shares Outstanding (mil)	**12.9**
Market Capitalization ($mil)	**$106**
Short Interest Ratio (days)	**1.3**
Institutional Ownership (%)	**36**
Insider Ownership (%)	**1**
Annual Cash Dividend	**$0.72**
Dividend Yield (%)	**8.8**
5-Yr. Historical Growth Rates	
Sales (%)	**6.8**
Earnings Per Share (%)	**-10.5**
Dividend (%)	**-15.4**
P/NII using TTM Price/NII	**9.0**
P/NII using 2019 Estimate	**9.9**
P/NII using 2020 Estimate	**10.3**
Zacks Rank	**N/A**

Risk Level	**Low**
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	6.1 A	6.0 E	6.0 E	24.5 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	$0.20 A	$0.19 E	$0.19 E	$0.80 E
2020					$0.80 E

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

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WHAT'S NEW

Alcentra Capital's reported Q2 2019 earnings. The new management team has rotated to 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 had been buying back stock which also increases NAV. Since January 1, 2018, Alcentra has repurchased approximately 9.5% of its shares outstanding. It has $5.7 million of repurchase authority remaining under the current repurchase program. It did not buy back any stock in Q2 2019. We believe this is because its parameter of percent discount to NAV was not met.

Q2 2019 Earnings

For the second quarter of 2019, the company reported total investment income of $6.1 million versus $7.3 million last year, a decline of 15%. This decrease was due to the continued portfolio rotation of legacy investments to investments more senior in the capital structure of its portfolio companies, and the associated decrease in weighted-average yields. Net investment income was $2.5 million, or $0.20 per share versus $3.5 million and $0.25 per share last year. NAV decreased from Q1 because of a $0.15 special dividend, and the stock price to NAV discount decreased slightly to 25% from 26% the previous quarter.

Of the 28 portfolio companies, there were three write-downs this quarter totaling $0.5 million:

- Aegis Toxicology – debt valuation adjusted lower based upon mark to market ($0.1 million)
- Impact Group – debt valuation was adjusted lower due to financial performance ($0.3 million)
- Manna Pro – debt valuation adjusted lower based upon incremental funding price ($0.1 million)

Four positions were written up this quarter, totaling $1.0 million:

- Aperio – based on recent market trade at higher price ($0.4 million)
- Cambium – based on recent sale of a portion of our position ($0.1 million)
- Conisus – based on improved financial performance ($0.4 million)
- Goldentree Loan Management (CLO) – mark to market of CLO debt ($0.1 million)

The portfolio value increased to $219 million from $214 million in Q1 2019. Net asset value (NAV) was **$11.02 per share** as of June 30, 2019 versus $11.01 per share, on June 30, 2018.

- During Q2 the company invested $29 million and received proceeds from repayments, loan dispositions and amortization on investments of approximately $22.1 million.

New portfolio company investments were:

- Investment of $5.0 million in the first lien tranche and $5.0 million in the second lien tranche of **Perforce Software, Inc.**;
- Investment of $7.0 million in the first lien tranche of **Digital Room Holdings, Inc**.

Existing portfolio company investments and committed capital funding:

- Investment of $6.1 million in the first lien tranche of **Manna Pro Products**, LLC.
- Investment of $4.8 million in the second lien tranche of **Pharmalogic Holdings Corp**.
- Investment of $1.0 million in the second lien tranche of **BayMark Health Services**, Inc.

Subsequent Events

On July 3, 2019, the Company paid a quarterly dividend of $0.18 per share and a special dividend of $0.15 per share to stockholders of record as of June 28, 2019.

On August 5, 2019, the Board approved the 2019 third quarter dividend of $0.18 per share for stockholders of record as of September 26, 2019, payable on October 3, 2019.

KEY POINTS

- Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon.

- The company originally targeted the lower middle-market, but new management has rotated 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 now investing 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 21.4% of the total investment portfolio followed by healthcare services at 20.3%.

- As of June 30, the company's $219 million portfolio was composed of 29 investments, comprised of 28 companies, and one rated CLO debt instrument. It was invested 93% in debt and 7% in equity.

- Only one portfolio company, Southern Technical Institute, is on non-accrual. Impact Group was added to the watch list so there are now eight others on the watch list in addition to Southern Technical: Alarm Capital, Battery Solutions, Conisus, Envocore, IGT, Impact, Palmetto Moon, Southern Technical, and XGS. The weighted average yield on the company's debt portfolio was 10.7% this quarter, down from 11.2% last quarter as higher yielding investments were repaid and LIBOR declined.

- At $8.22, the shares trade at a **25% discount to the company's $11.02 NAV** (net asset value) per share, down 1.3% from the March quarter after having paid a special $0.15 dividend to stockholders of record as of June 28, 2019. NAV is virtually flat with last year's quarter. NAV has declined from the $14.63 per share at the time of its May 2014 IPO, but has been on the rise since new management took over when considering the special dividend. New management has revamped the portfolio and decreased the discount of the stock price to the NAV. At its current price, Alcentra's current dividend yield, not including the special dividend is 8.8%, still below the average of 10.0%.

- 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 still possible when parameters are met also increasing NAV. 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 could lead to stock price appreciation going forward.

INVESTMENT PORTFOLIO

Alcentra has the same one investment on non-accrual:

Southern Technical Institute has three campuses in Florida where it teaches 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 eight companies 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, 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 again in the quarter by based on improved financial performance by $400,000 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 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 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.

Impact Group was added to the watch list this quarter. Impact is a sales and marketing agency, which provides outsourced sales, marketing, and merchandising services to consumer packaged goods companies. Impact represents over 900 CPG companies, with a focus on small to mid-sized brands that benefit the most from an outsourced sales model as they have limited in-house sales capabilities and geographic reach. It was founded in 1994 and is based in Boise, Idaho. The investment in Impact is valued at $13.5 million, which reflects a write-down of $335,000.

Palmetto Moon, LLC 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).

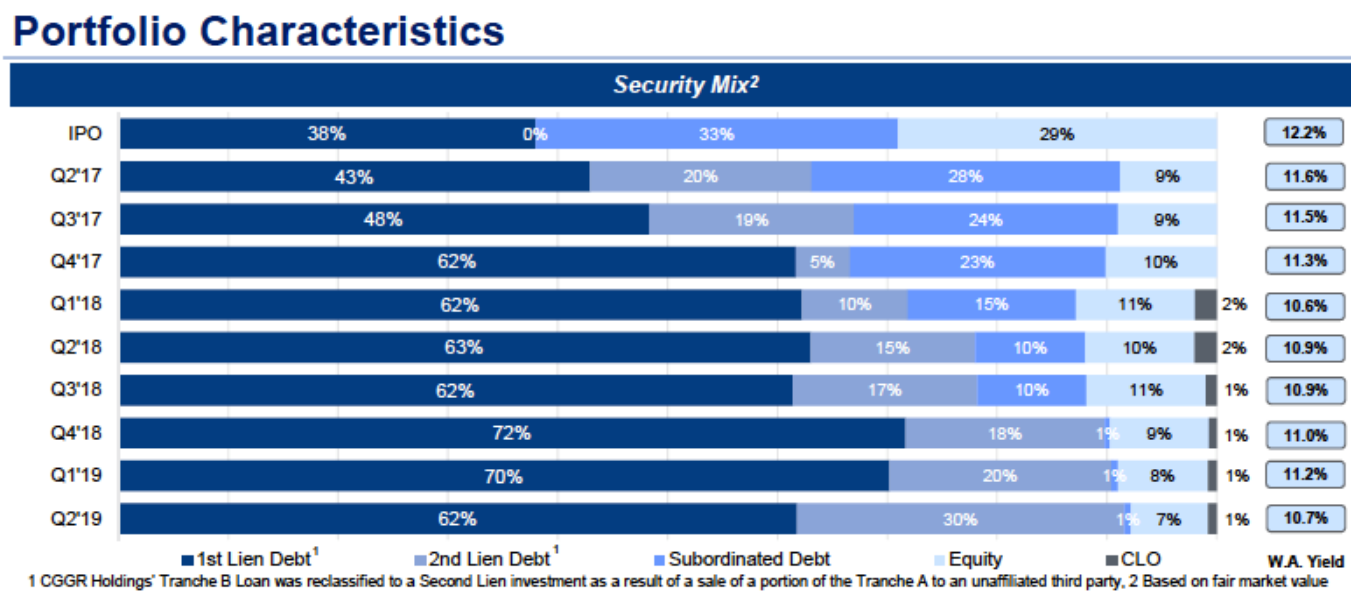
Xpress Global Systems
XGS is 40-year-old transportation company that serves the needs of the floor covering industry as a trucking company and logistics supplier. It is located in Chattanooga, Tennessee.

Table 1: Investments as of June 30, 2019

Company	Cost	Fair Value	$ Change	% Change
Aegis Sciences Corp.	7,280,818	7,162,215	(118,603)	-2%
Battery Solutions	6,953,565	5,098,537	(1,855,028)	-27%
BayMark Health Services	7,893,042	8,000,000	106,958	1%
Black Diamond Rentals	10,955,419	10,955,419	-	0%
Cambian Learning Group	6,602,021	6,673,836	71,815	1%
CGGR Operations	14,457,969	14,567,996	110,027	1%
Clanwilliam Group Ltd	6,570,730	6,559,381	(11,349)	0%
Conisus	12,677,834	8,679,689	(3,998,145)	-32%
Digital Room Holdings	6,895,000	6,895,950	950	0%
Envocore Holding	18,816,473	16,101,944	(2,714,529)	-14%
Epic Healthcare Staffing	10,807,734	10,849,395	41,661	0%
GGC Aperio Holdings	8,244,193	8,619,188	374,995	5%
Goldentree Loan Mgt CLO	1,949,886	1,828,490	(121,396)	-6%
Healthcare Associates of Texas	20,445,328	20,445,329	1	0%
Impact Group	13,858,297	13,523,085	(335,212)	-2%
Institutional Shareholder Services	4,906,057	4,906,111	54	0%
IGT	1,481,712	270,734	(1,210,978)	-82%
Manna Pro Products	7,328,732	7,330,600	1,868	0%
Medsurant Holdings, LLC	8,710,483	8,729,396	18,913	0%
Metal Powder Products	500,000	665,961	165,961	33%
My Alarm Center LLC	5,485,400	1,023,603	(4,461,797)	-81%
Palmetto Moon	4,816,914	4,346,403	(470,511)	-10%
Perforce Software	9,825,000	9,925,000	100,000	1%
PharmaLogic Holdings	16,034,637	16,100,000	65,363	0%
Pinstripe Holdings	9,789,167	9,792,500	3,333	0%
Sandvine Corp	4,414,967	4,417,330	2,363	0%
Southern Technical Institute	5,695,988	-	(5,695,988)	-100%
Wedding Wire	4,952,134	4,952,896	762	0%
Xpress Global Systems	1,254,000	795,212	(458,788)	-37%
Total	239,603,500	219,207,200	(20,396,300)	-9%

Investment Mix

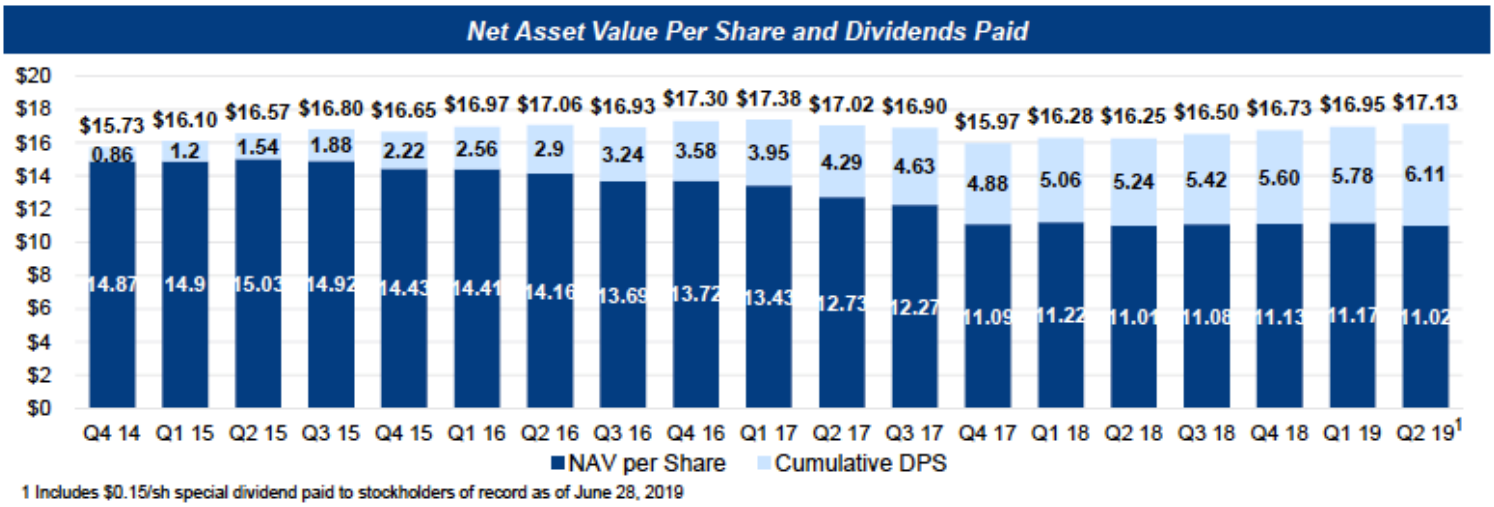
On June 30, 2019, $219 million was invested in 29 investments. The portfolio then was 62% senior secured first lien debt, 30% senior secured second lien debt, 1% mezzanine debt, and 7% equity investments and 1% CLO.



7.0% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $8.7 million. The value of the largest portfolio company, Healthcare Associates of Texas, was $20.4 million and it is 9.3% of the portfolio. The largest industry sector is business services at 21.4% of value of the portfolio.

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 cut that to $0.18. Last 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 8.8%



1 Includes $0.15/sh special dividend paid to stockholders of record as of June 28, 2019

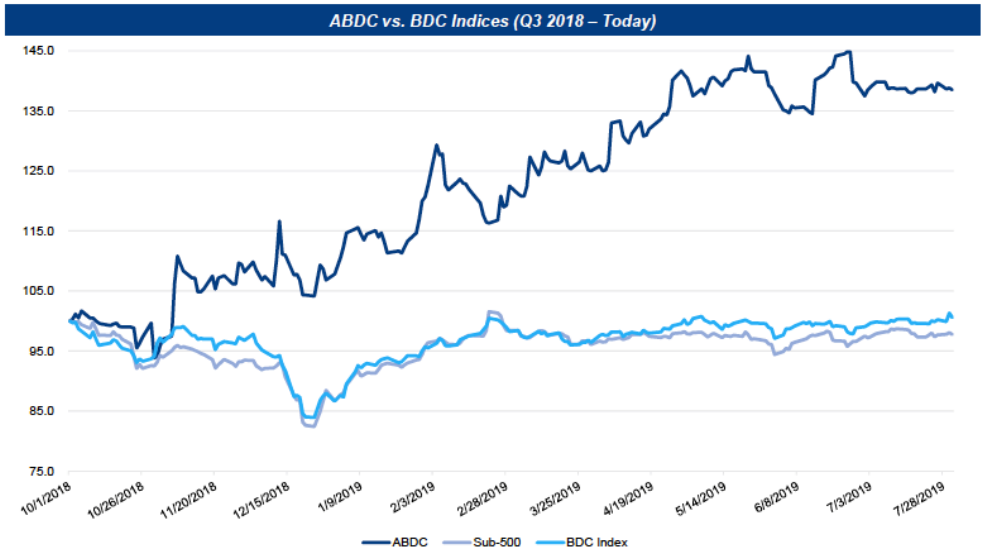
COMPETITION

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

Since Q3'18, 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 arrived, it is outperforming. As noted on the following table, on an NAV basis, BDC industry shares trade at an average 7.8% 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 8.8% versus the average at 10.0% when not including special dividends, but the highest discount to NAV at 25%. Management is working to close that discount, however we believe the discount was not high enough this quarter for management to buy back stock according to its parameters. Recently shareholder activists have urged management to pursue strategic alternatives up to an including the sale of the company or its portfolio, and management is looking at its options. If that were to happen, liquidation value should be closer to NAV.

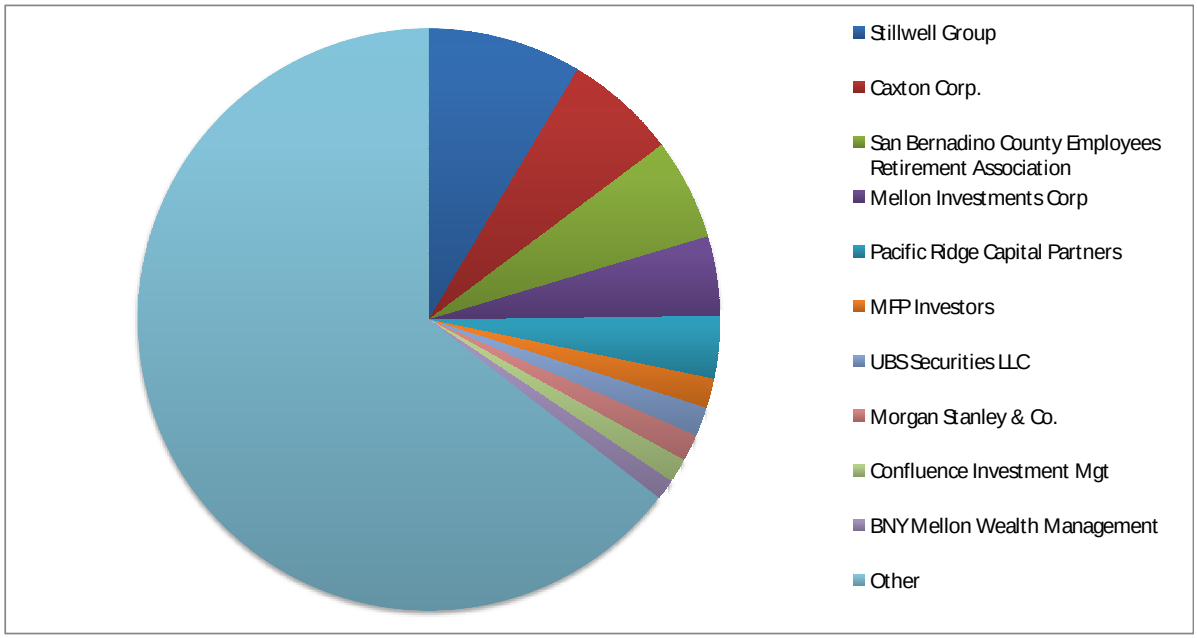
BDCs					Annualized			
Company	Ticker	Price	52-Week High	Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$8.22	$8.74	$5.58	$0.72	8.8%	$11.02	25.4%
Apollo Investment Corp	AINV	16.11	17.82	12.05	$1.80	11.2%	19.00	15.2%
Ares Capital Corp	ARCC	18.31	18.83	14.50	$1.68	9.2%	17.27	-6.0%
BlackRock Capital Investm	BKCC	5.44	6.64	5.06	$0.72	13.2%	6.82	20.2%
Fidus Investment Corp.	FDUS	14.63	16.50	11.48	$1.56	10.7%	16.29	10.2%
Garrsion Capital Inc.	GARS	6.96	8.84	6.03	$0.92	13.2%	8.23	15.4%
Gladstone Capital Corp.	GLAD	9.28	8.84	6.03	$0.84	9.1%	8.11	-14.4%
Main Street Capital Corp.	MAIN	41.71	42.93	31.95	$2.40	5.8%	24.41	-70.9%
Newtek Business Services	NEWT	20.42	24.24	15.59	$1.60	7.8%	15.31	-33.4%
TriplePoint Venture Growth	TPVG	15.17	15.37	10.25	$1.44	9.5%	14.19	-6.9%
Average					$1.44	10.0%	$14.40	-7.8%

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 changing interest rate environment; it is currently suffering from a decline in rates, particularly LIBOR.
- **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-19	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	$5,753,089	$5,600,000	$5,580,000	$23,917,956	$22,735,612	$22,739,398	$22,000,000
Paid in kind int inc. from portfolio investments	199,650	45,481	107,164	151,844	84,504	28,797	28,797	28,797	1,156,486	504,139	170,895	300,000
Other income from portfolio investments	1,507,304	611,812	94,668	738,206	107,757	177,118	200,000	200,000	2,228,104	2,951,990	684,875	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	41,762	40,000	40,000	1,318,924	306,204	158,241	300,000
Paid in kind int inc. from portfolio investments	123,126	90,004	96,816	96,676	96,413	93,190	93,190	90,000	2,209,418	406,622	372,793	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	-	-	-	1,665,409	1,940,389	208,538	1,000,000
Paid in kind int inc. from portfolio investments	-	-	-	-	-	-	-	-	684,129	-	-	-
Other income from portfolio investments	-	-	-	-	87,116	45,979	45,000	30,000	-	-	208,095	-
TOTAL INVESTMENT INCOME	**$8,181,565**	**$7,253,950**	**$6,553,080**	**$6,979,385**	**$6,427,116**	**$6,139,935**	**$6,006,987**	**$5,968,797**	**$33,351,509**	**$28,967,980**	**$24,542,835**	**$24,500,000**
Yr-to-yr growth	-11%	-13%	-14%	-15%	-21%	-15%	-8%	-14%	-17.9%	-13.1%	-15.3%	-0.2%
Costs and expenses:												
Management fees	1,234,863	1,036,122	943,360	918,791	865,618	841,566	780,908	775,944	4,975,349	4,133,136	3,264,036	3,185,000
% of Sales	15%	14%	14%	13%	13%	14%	13%	13%	15%	14%	13%	13%
Income-based incentive fee	-	-	(43,805)	(360,384)	(487,124)	(204,867)	(234,272)	(232,783)	638,244	(404,189)	(1,159,047)	(424,398)
	0%	0%	-0.7%	-5.2%	-7.6%	-3.3%	-3.9%	-3.9%				
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	354,070	379,082	362,625	536,378	625,229	774,386	780,000	780,000	1,248,715	1,632,155	2,959,615	2,500,916
Valuation services	63,971	(10,038)	78,346	73,345	71,250	86,250	86,250	86,250	314,432	205,624	330,000	275,000
Interest and credit facility expense	1,694,887	1,745,485	1,705,992	1,503,203	1,417,450	1,322,878	1,300,000	1,300,000	6,434,924	6,649,567	5,340,328	5,340,328
Amortization of deferred financing costs	103,981	103,570	117,587	221,019	206,116	206,429	206,429	206,429	912,710	546,157	825,403	884,076
Director's fees	96,202	116,826	87,076	128,057	159,676	215,000	215,000	215,000	341,680	428,161	804,676	800,000
Insurance expense	55,988	56,519	57,076	57,075	55,835	91,492	91,492	91,492	239,048	226,658	330,311	240,000
Organization expense	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs	126,694	119,267	97,478	95,293	133,363	109,340	109,340	109,340	473,768	438,732	461,383	400,000
Consulting fees	305,038	176,702	54,152	120,031	111,601	133,315	140,000	140,000		655,923	524,916	500,000
Excise tax	329,575	-	-	-	468,432	(78,019)	(78,019)	(78,019)			234,375	234,375
Other expenses	40,136	156,108	284,764	478,298	62,448	251,851	251,851	251,851	778,920	959,306	818,001	818,001
TOTAL EXPENSES	4,405,405	3,879,643	3,744,651	3,771,106	3,689,894	3,749,621	3,648,979	3,645,504	16,357,790	15,471,230	14,733,997	14,753,298
Waiver of income-based incentive fee	-	109,281	157,227	153,132	144,270	140,261	132,154	131,314	1,330,420	419,640	547,998	500,000
NET EXPENSES	**$4,405,405**	**$3,770,362**	**$3,587,424**	**$3,617,974**	**$3,545,624**	**$3,609,360**	**$3,516,825**	**$3,514,190**	**$15,027,370**	**$15,051,590**	**$14,185,999**	**$14,253,298**
NET INVESTMENT INCOME	**$3,776,160**	**$3,483,588**	**$2,965,656**	**$3,361,411**	**$2,881,492**	**$2,530,575**	**$2,490,162**	**$2,454,607**	**$18,324,139**	**$13,916,390**	**$10,356,836**	**$10,246,702**
% Change	-17%	-28%	-47%	-17%	-24%	-27%	-16%	-27%	-18.2%	-24.1%	-25.6%	-1.1%
Adjusted NII/share	**$0.27**	**$0.25**	**$0.22**	**$0.25**	**$0.22**	**$0.20**	**$0.19**	**$0.19**	**$1.32**	**$1.01**	**$0.80**	**$0.80**
% Change	-21%	-30%	-43%	-12%	-16%	-22%	-12%	-24%	**-21%**	**-23%**	**1%**	**-22%**
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	$0.17			-$1.37	$0.40		
NAV/share	$11.22	$11.01	$11.08	$11.13	$11.17	$11.02	$11.08	$11.09	$11.06	$11.13	$11.29	$11.21
Avg shares outstanding	14,198,651	13,753,054	13,530,129	13,440,660	12,906,379	12,875,566	12,875,566	12,875,566	13,928,869	13,721,109	12,883,269	12,875,566

BALANCE SHEET

	June 30, 2019	March 31, 2019	Qtr-Qtr Growth %	June 30, 2018	Yr-Yr Growth %
ASSETS					
Portfolio investments, at fair value					
Non-controlled, non-affiliated at fair value	204,633,762	199,599,456	3%	212,917,961	-4%
Non-controlled, affiliated at fair value	14,573,438	14,149,845	3%	17,987,393	-19%
Controlled, affiliated at fair value	-	-	0%	15,254,506	-100%
Cash	7,796,536	4,362,418	79%	12,704,301	-39%
Dividends and interest receivable	1,404,187	1,241,095	13%	2,715,171	-48%
Receivable for investments sold	2,674,457	7,797,809	-66%	669,733	299%
Deferred financing costs	1,066,348	1,160,277	-8%	419,191	154%
Deferred tax asset	4,263,462	5,132,895	-17%	5,955,112	-28%
Income tax asset	-	-	0%	644,319	-100%
Prepaid expenses and other assets	354,583	46,075	670%	208,562	70%
TOTAL ASSETS	236,766,773	233,489,870	1%	269,476,249	-12%
LIABILITIES					
Credit facility payable	26,565,008	28,568,305	-7%	58,553,273	-55%
Notes payable	54,357,269	54,247,929	0%	53,963,795	1%
Payable for investments purchased	5,925,000	-	NM	-	NM
Other accrued expenses and liabiliities	251,183	466,521	-46%	523,720	-52%
Directors' fees payable	197,154	130,000	52%	36,125	446%
Professional fees payable	886,641	661,207	34%	643,322	38%
Interest and credit facility expense payable	1,176,846	1,529,992	-23%	1,158,173	2%
Management fee payable	701,305	721,348	-3%	926,841	-24%
Income-based incentive fees payable	198,805	403,672	-51%	1,294,985	-85%
Distributions payable	4,248,937	2,433,102	75%	2,449,591	73%
Unearned structuring fee revenue	-	59,540	-100%	331,680	-100%
Income tax liability	320,630	412,944	-22%	-	NA
Total Liabilities	94,828,778	89,634,560	6%	119,881,505	-21%
NET ASSETS					
Common stock	12,876	12,876	0%	13,583	-5%
Additional paid-in capital	197,118,476	197,118,476	0%	202,161,682	-2%
Distributable earnings (accumlated loss)	(55,193,357)	(53,276,042)	4%	(31,726,764)	74%
Total Net Assets	141,937,995	143,855,310	-1%	149,594,744	-5%
Total Liabilities and Net Assets	236,766,773	233,489,870	1%	269,476,249	-12%
Net Asset Value Per Share	**$11.02**	**$11.17**	-1%	**$11.01**	0%

CASH FLOW

Cash Flows from Operating Activities	Year 2017	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2108	Year 2018	March 31, 2019	June 30, 2019
Net increase in net assets resulting from operations	(19,101,742)	$3,538,960	(2,239,011)	3,082,002	1,140,181	5,522,132	$1,962,295	2,144,935
Adjustments:								
Net realized (gain) loss from portfolio investments	11,434,891	14,815	20,275,794	38,933	15,076,636	35,406,178	522,300	(1,604,042)
Net change in unrealized (appreciation) depreciation of port inves	28,598,870	219,896	(13,533,478)	(744,922)	(12,522,955)	(26,581,459)	300,450	1,015,320
Deferred tax asset	(3,670,151)	2,489	(1,022,639)	589,643	(20,225)	(450,732)	252,799	869,433
Deferred tax liability	-	-	-	-	-	-	-	-
Paid in-kind interest income from portfolio investments	(4,050,033)	(322,776)	(135,485)	(203,980)	(248,520)	(910,761)	(180,917)	(121,987)
Accretion of discount on debt securities	(1,905,751)	(176,258)	(165,987)	(139,445)	(442,036)	(923,726)	(397,439)	(600,630)
Purchases of portfolio investments	(135,508,569)	(29,996,191)	(14,052,612)	(6,000,691)	(54,797,852)	(104,847,346)	(26,765,630)	(31,970,339)
Net proceeds from sales/return of capital of portfolio invest.	90,148,997	47,628,196	31,638,771	4,573,014	66,773,862	150,613,843	47,569,751	27,823,779
Amortization of deferred financing costs	912,710	103,981	103,570	117,587	221,019	546,157	206,116	206,429
Amortization of deferred note offering costs	473,768	126,694	119,267	97,478	95,293	438,732	133,363	109,340
(Increase) decrease in operating assets:								
Dividends and interest receivable	1,298,340	307,530	(1,080,401)	1,314,465	945,823	1,487,417	(786,212)	(163,092)
Receivable for investments sold	1,469,730	25,000	(25,000)	25,000	-	25,000	(7,153,076)	5,123,352
Income tax asset	(748,408)	79,077	25,012	29,538	614,781	748,408	-	-
Prepaid expenses and other assets	21,765	33,488	(163,045)	64,576	64,576	(405)	33,335	(308,508)
Increase (decrease) in operating liabilities:								
Payable for investments purchased	-	16,621,902	(16,621,902)	-	18,550,000	18,550,000	(18,550,000)	5,925,000
Other accrued expenses and liabilities	165,424	470,143	(394,012)	(152,276)	163,652	87,507	(68,575)	(215,338)
Due to affiliate	-	-	-	-	-	-	-	-
Directors' fees payable	(26,083)	3,333	(36,125)	42,375	(42,375)	(32,792)	93,875	67,154
Professional fees payable	216,588	3,483	91,384	(324,817)	235,668	5,718	828,382	(495,914)
Interest and credit facility expense payable	240,664	278,767	(369,385)	184,355	(273,389)	(179,652)	460,853	(353,146)
Management fee payable	(36,419)	(30,309)	(308,022)	786,133	(947,315)	(499,513)	(765,659)	701,305
Income-based incentive fees payable	(776,676)	-	-	(43,805)	(360,384)	(404,189)	(487,124)	(204,867)
Unearned structuring fee revenue	(449,666)	(64,670)	(329,303)	(56,660)	(193,377)	(644,010)	(22,103)	(59,540)
Income tax	(182,699)	43,149	(43,149)	-	379,155	379,155	33,789	(92,314)
Net cash used in operating activities	(31,474,450)	38,910,699	1,734,242	3,278,503	34,412,218	78,335,662	(2,779,427)	7,796,330
Cash Flows from Financing Activities:								
Issuance of common stock	10,853,602	-	-	-	(1,398,309)	(1,398,309)	-	-
Financing costs paid	(139,144)	-	(112,501)	(1,219,999)	1,332,500	-	-	(112,500)
Offering costs paid	(230,871)	-	(30,001)	(11,999)	-	(42,000)	(30,001)	-
Proceeds from credit facility payable	117,820,000	12,700,000	8,650,000	4,903,872	37,601,288	63,855,160	29,977,494	21,628,841
Repayments of credit facility payable	(67,250,000)	(47,000,000)	(5,500,000)	(9,000,000)	(63,457,704)	(124,957,704)	(30,059,997)	(23,504,221)
Proceeds from notes payable	-	-	-	-	-	-	-	-
Distributions paid to shareholders	(19,245,277)	(3,561,305)	(2,560,130)	(2,449,592)	(2,449,591)	(11,020,618)	(2,433,102)	(2,246,415)
Repurchase of common stock	(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	41,465,800	(39,371,910)	(2,451,686)	(8,191,059)	(31,090,176)	(81,104,831)	(4,022,021)	(4,234,295)
Effect of exchange rate changes on foreign cash	-	-	-	-	(64,288)	(64,288)	114,367	(127,917)
Increase (decrease) in cash and cash equivalents	9,991,350	(461,211)	(717,444)	(4,912,556)	3,257,754	(2,833,457)	(6,687,081)	3,434,118
Cash at beginning of period	3,891,606	13,882,956	13,421,745	12,704,301	7,791,745	13,882,956	11,049,499	4,362,418
Cash and Cash Equivalents at End of Period	13,882,956	13,421,745	12,704,301	7,791,745	11,049,499	11,049,499	4,362,418	**7,796,536**
Supplemental and non-cash financing activities:								
Cash paid during the period for interest	6,194,260	1,416,120	2,114,870	1,521,637	1,776,592	6,829,219	956,597	1,676,024
Accrued offering costs	2,485	2,485	-	-	-	2,485	2,485	-
Accrued distributions payable	3,561,305	2,560,130	(110,539)	-	(16,489)	2,433,102	2,433,102	1,815,835

HISTORICAL STOCK PRICE



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