



FS Investment Corporation

QUARTER ENDED JUNE 30, 2017 FINANCIAL INFORMATION

Important Disclosure Notice

This presentation may contain certain forward-looking statements, including statements with regard to the future performance of FS Investment Corporation (FSIC, the Company, we or us). Words such as “believes,” “expects,” “projects” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption in FSIC's operations or the economy due generally to terrorism or natural disasters, future changes in laws or regulations and conditions in FSIC's operating area, and the price at which shares of common stock may trade on the New York Stock Exchange LLC (NYSE). Certain of these factors are enumerated in the filings FSIC makes with the Securities and Exchange Commission (SEC). FSIC undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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This presentation contains certain financial measures that have not been prepared in accordance with U.S. generally accepted accounting principles (GAAP). FSIC uses these non-GAAP financial measures internally in analyzing financial results and believes that the presentation of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing FSIC's financial results with other business development companies.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with FSIC's consolidated financial statements prepared in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the table on page 15 included in this presentation and investors are encouraged to review the reconciliation in the table and the related footnotes.

Dollar amounts herein (except for per share amounts) are presented in thousands. Certain figures in this presentation have been rounded.

Financial and Portfolio Highlights

Financial Highlights

(all per share amounts are basic and diluted) ¹	Q2-17	Q1-17	Q2-16	6ME-17	6ME-16
Net investment income per share	\$ 0.19	\$ 0.22	\$ 0.23	\$ 0.40	\$ 0.44
Adjusted net investment income per share ^{2*}	\$ 0.19	\$ 0.22	\$ 0.24	\$ 0.40	\$ 0.44
Total net realized and unrealized gain (loss) per share	\$ (0.11)	\$ 0.04	\$ 0.34	\$ (0.07)	\$ 0.09
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.08	\$ 0.26	\$ 0.58	\$ 0.33	\$ 0.53
Stockholder distributions per share ³	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.44550	\$ 0.44550
Net asset value per share at period end	\$ 9.30	\$ 9.45	\$ 9.18	\$ 9.30	\$ 9.18
Weighted average shares outstanding	245,107,405	244,554,969	243,435,681	244,832,713	243,141,349
Shares outstanding, end of period	245,153,010	244,599,661	243,488,590	245,153,010	243,488,590

Portfolio Highlights

(in thousands)	Q2-17	Q1-17	Q2-16	6ME-17	6ME-16
Purchases	\$ 298,682	\$ 539,689	\$ 389,802	\$ 838,371	\$ 445,419
Sales and Redemptions	(310,569)	(364,308)	(413,039)	(674,877)	(582,167)
Net Portfolio Activity	\$ (11,887)	\$ 175,381	\$ (23,237)	\$ 163,494	\$ (136,748)
Total fair value of investments	\$ 3,899,777	\$ 3,924,168	\$ 3,934,628	\$ 3,899,777	\$ 3,934,628
Total assets	\$ 4,110,120	\$ 4,286,351	\$ 4,041,192	\$ 4,110,120	\$ 4,041,192

*See page 15 hereof for reconciliations between net investment income per share and adjusted net investment income per share.

Endnotes begin on page 16.

Select Historical Information

	As of				
(dollar amounts in thousands)	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Investments, at fair value	\$ 3,899,777	\$ 3,924,168	\$ 3,726,816	\$ 3,937,526	\$ 3,934,628
Portfolio Data					
Number of Portfolio Companies	107	108	102	103	108
Average Annual EBITDA of Portfolio Companies	\$ 88,600	\$ 86,100	\$ 100,000	\$ 104,100	\$ 112,900
Weighted Average Purchase Price of Debt Investments (as a % of par)	97.2%	97.2%	98.6%	98.2%	98.1%
% of Investments on Non-Accrual (based on fair value) ⁴	0.0%	0.0%	0.2%	0.7%	0.3%
Asset Class (based on fair value)					
Senior Secured Loans—First Lien	60%	57%	52%	52%	53%
Senior Secured Loans—Second Lien	7%	9%	16%	16%	15%
Senior Secured Bonds	4%	4%	4%	4%	5%
Subordinated Debt	15%	15%	12%	11%	11%
Collateralized Securities	1%	2%	2%	2%	2%
Equity/Other	13%	13%	14%	15%	14%
Portfolio Composition by Strategy (based on fair value)⁵					
Direct Originations	88%	87%	88%	85%	85%
Opportunistic	10%	10%	9%	12%	12%
Broadly Syndicated/Other	2%	3%	3%	3%	3%
Interest Rate Type (based on fair value)					
% Variable Rate	66.5%	65.5%	67.0%	65.2%	65.5%
% Fixed Rate	20.6%	21.8%	19.4%	20.4%	20.6%
% Income Producing Equity/Other Investments	2.5%	2.7%	2.7%	3.7%	3.7%
% Non-Income Producing Equity/Other Investments	10.4%	10.0%	10.9%	10.7%	10.2%
Yields (based on amortized cost)⁶					
Gross Portfolio Yield Prior to Leverage	9.4%	9.3%	9.1%	9.2%	9.3%
Gross Portfolio Yield Prior to Leverage—Excluding Non-Income Producing Assets	10.4%	10.2%	10.1%	10.2%	10.2%

Select Direct Origination Information

	Three Months Ended				
(dollar amounts in thousands)	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
New Direct Originations					
Total Commitments (including unfunded commitments)	\$ 197,084	\$ 429,407	\$ 526,589	\$ 144,226	\$ 398,896
Exited Investments (including partial paydowns)	(218,280)	(322,068)	(598,468)	(198,010)	(386,600)
Net Direct Originations	\$ (21,196)	\$ 107,339	\$ (71,879)	\$ (53,784)	\$ 12,296
New Direct Originations by Asset Class (including unfunded commitments)					
Senior Secured Loans—First Lien	97%	81%	88%	94%	76%
Senior Secured Loans—Second Lien	—	1%	5%	5%	6%
Senior Secured Bonds	1%	2%	1%	—	2%
Subordinated Debt	—	15%	2%	—	3%
Collateralized Securities	—	—	—	—	—
Equity/Other	2%	1%	4%	1%	13%
Average New Direct Origination Commitment Amount	\$ 15,160	\$ 35,784	\$ 29,255	\$ 20,604	\$ 49,862
Weighted Average Maturity for New Direct Originations	12/17/2022	3/2/2023	6/20/2023	12/11/2021	7/21/2020
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period ⁶	9.6%	9.8%	8.8%	9.3%	9.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period—Excluding Non-Income Producing Assets ⁶	9.7%	10.0%	9.1%	9.3%	10.8%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period ⁶	9.9%	9.1%	8.0%	8.6%	10.3%

	As of	
Characteristics of All Direct Originations held in Portfolio	6/30/2017	12/31/2016
Direct Originations, at fair value	\$ 3,443,288	\$ 3,264,395
Number of Portfolio Companies	74	67
Average Annual EBITDA of Portfolio Companies	\$ 68,800	\$ 64,600
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	4.7x	4.8x
% of Investments on Non-Accrual (based on fair value)	—	0.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations ⁶	9.4%	9.1%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets ⁶	10.3%	10.1%

Quarterly Operating Results

Three Months Ended

(dollar amounts in thousands, except per share amounts)	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Total investment income	\$ 98,695	\$ 106,064	\$ 108,978	\$ 100,557	\$ 110,211
Net expenses	(52,235)	(53,474)	(51,882)	(51,554)	(53,371)
Net investment income before taxes	\$ 46,460	\$ 52,590	\$ 57,096	\$ 49,003	\$ 56,840
Excise taxes	—	—	(5,554)	—	—
Net investment income	\$ 46,460	\$ 52,590	\$ 51,542	\$ 49,003	\$ 56,840
Total net realized and unrealized gain (loss) on investments	(28,018)	10,803	320	65,366	83,317
Net increase (decrease) in net assets resulting from operations	\$ 18,442	\$ 63,393	\$ 51,862	\$ 114,369	\$ 140,157
Per share¹					
Net investment income	\$ 0.19	\$ 0.22	\$ 0.21	\$ 0.20	\$ 0.23
Adjusted net investment income ²	\$ 0.19	\$ 0.22	\$ 0.23	\$ 0.20	\$ 0.24
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.08	\$ 0.26	\$ 0.21	\$ 0.47	\$ 0.58
Stockholder distributions ³	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275
Weighted average shares outstanding	245,107,405	244,554,969	244,016,474	243,488,590	243,435,681
Shares outstanding, end of period	245,153,010	244,599,661	244,063,357	243,488,590	243,488,590

Six Months Ended

(dollar amounts in thousands, except per share amounts)	6/30/2017	6/30/2016
Total investment income	\$ 204,759	\$ 213,274
Net expenses	(105,709)	(106,496)
Net investment income before taxes	\$ 99,050	\$ 106,778
Excise taxes	—	—
Net investment income	\$ 99,050	\$ 106,778
Total net realized and unrealized gain (loss) on investments	(17,215)	21,282
Net increase (decrease) in net assets resulting from operations	\$ 81,835	\$ 128,060
Per share¹		
Net investment income	\$ 0.40	\$ 0.44
Adjusted net investment income ²	\$ 0.40	\$ 0.44
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.33	\$ 0.53
Stockholder distributions ³	\$ 0.44550	\$ 0.44550
Weighted average shares outstanding	244,832,713	243,141,349
Shares outstanding, end of period	245,153,010	243,488,590

Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Investment income					
From non-controlled/unaffiliated investments:					
Interest income	\$ 82,516	\$ 79,719	\$ 88,007	\$ 93,380	\$ 92,319
Fee income	9,546	19,530	14,350	4,214	15,335
Dividend income	—	—	2,727	—	—
From non-controlled/affiliated investments:					
Interest income	4,052	4,290	2,732	2,013	1,112
Fee income	2	29	119	—	633
From controlled/affiliated investments:					
Interest income	2,579	2,496	1,043	950	812
Total investment income	\$ 98,695	\$ 106,064	\$ 108,978	\$ 100,557	\$ 110,211
Operating expenses					
Management fees	\$ 18,367	\$ 18,367	\$ 18,022	\$ 17,872	\$ 17,574
Subordinated income incentive fees	11,617	13,147	12,885	12,250	14,210
Administrative services expenses	742	734	629	750	900
Accounting and administrative fees	255	265	260	243	235
Interest expense	19,617	19,439	18,817	18,283	18,064
Directors' fees	274	271	359	277	274
Other general and administrative expenses	1,363	1,251	910	1,879	2,114
Total operating expenses	\$ 52,235	\$ 53,474	\$ 51,882	\$ 51,554	\$ 53,371
Net investment income before taxes	\$ 46,460	\$ 52,590	\$ 57,096	\$ 49,003	\$ 56,840
Excise taxes	—	—	(5,554)	—	—
Net investment income	\$ 46,460	\$ 52,590	\$ 51,542	\$ 49,003	\$ 56,840

Quarterly Gain/Loss Information

	Three Months Ended				
(in thousands)	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Realized gain/loss					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$ (14,147)	\$ (48,447)	\$ (44,471)	\$ 2,363	\$ (7,648)
Non-controlled/affiliated investments	—	305	—	—	—
Controlled/affiliated investments	—	(52,879)	—	(26)	—
Net realized gain (loss) on foreign currency	61	123	66	86	94
Total net realized gain (loss)	\$ (14,086)	\$ (100,898)	\$ (44,405)	\$ 2,423	\$ (7,554)
Unrealized gain/loss					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	\$ (9,458)	\$ 129,260	\$ 42,461	\$ 64,039	\$ 86,922
Non-controlled/affiliated investments	(5,602)	(12,328)	4,696	(4,463)	1,919
Controlled/affiliated investments	4,132	(4,499)	(5,239)	4,354	705
Net change in unrealized appreciation (depreciation) on secured borrowing	—	(10)	(16)	(33)	—
Net change in unrealized gain (loss) on foreign currency	(3,004)	(722)	2,823	(954)	1,325
Total net unrealized gain (loss)	\$ (13,932)	\$ 111,701	\$ 44,725	\$ 62,943	\$ 90,871
Total net realized and unrealized gain (loss)	\$ (28,018)	\$ 10,803	\$ 320	\$ 65,366	\$ 83,317

Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016
Assets					
Investments, at fair value	\$ 3,899,777	\$ 3,924,168	\$ 3,726,816	\$ 3,937,526	\$ 3,934,628
Cash	141,387	53,015	264,594	112,648	43,197
Foreign currency, at fair value	1,321	669	4	1,013	973
Receivable for investments sold and repaid	30,555	252,782	75,921	27,160	11,772
Income receivable	28,609	47,044	36,106	49,014	48,945
Deferred financing costs	7,708	8,246	5,828	573	857
Prepaid expenses and other assets	763	427	802	684	820
Total assets	\$ 4,110,120	\$ 4,286,351	\$ 4,110,071	\$ 4,128,618	\$ 4,041,192
Liabilities					
Payable for investments purchased	\$ 10,800	\$ 40,000	\$ 5,748	\$ 6,984	\$ 1,303
Credit facilities payable	634,914	755,128	619,932	81,286	57,854
Unsecured notes payable	1,071,983	1,071,263	1,070,701	990,333	989,642
Repurchase agreement payable	—	—	—	650,000	650,000
Secured borrowing, at fair value	2,893	2,891	2,880	2,863	—
Stockholder distributions payable	54,607	54,485	54,364	54,236	54,236
Management fees payable	18,367	18,367	18,022	17,872	17,574
Subordinated income incentive fees payable	11,617	13,147	12,885	12,250	14,210
Administrative services expense payable	559	346	516	714	898
Interest payable	22,288	17,463	20,144	16,113	19,837
Directors' fees payable	266	270	281	204	225
Other accrued expenses and liabilities	1,122	1,356	7,221	1,308	1,091
Total liabilities	\$ 1,829,416	\$ 1,974,716	\$ 1,812,694	\$ 1,834,163	\$ 1,806,870
Stockholders' equity					
Preferred stock, \$0.001 par value	—	—	—	—	—
Common stock, \$0.001 par value	\$ 245	\$ 245	\$ 244	\$ 243	\$ 243
Capital in excess of par value	2,271,623	2,266,389	2,261,040	2,270,010	2,270,010
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	(219,258)	(205,172)	(104,274)	(64,574)	(66,997)
Accumulated undistributed (distributions in excess of) net investment income	137,984	146,131	148,026	141,160	146,393
Net unrealized appreciation (depreciation) on investments and secured borrowing and gain/loss on foreign currency	90,110	104,042	(7,659)	(52,384)	(115,327)
Total stockholders' equity	\$ 2,280,704	\$ 2,311,635	\$ 2,297,377	\$ 2,294,455	\$ 2,234,322
Total liabilities and stockholders' equity	\$ 4,110,120	\$ 4,286,351	\$ 4,110,071	\$ 4,128,618	\$ 4,041,192
Net asset value per share of common stock at period end	\$ 9.30	\$ 9.45	\$ 9.41	\$ 9.42	\$ 9.18

Financing Arrangements

Financing Arrangements as of June 30, 2017	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Hamilton Street Credit Facility	Revolving Credit Facility	L+2.50%	\$ 150,000	\$ —	December 15, 2021
ING Credit Facility	Revolving Credit Facility	L+2.25%	\$ 59,914*	\$ 267,586	March 16, 2021
Locust Street Credit Facility	Term Loan Credit Facility	L+2.68%	\$ 425,000	\$ —	November 1, 2020
4.000% Notes due 2019	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	\$ 405,000	\$ —	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	\$ 275,000	\$ —	May 15, 2022
Partial Loan Sale	Secured Borrowing	L+4.50% (1% floor)	\$ 2,857	\$ —	July 29, 2022

* Amount includes borrowings in U.S. dollars and Euros. Euro balance outstanding of €41,984 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.14 as of June 30, 2017 to reflect total amount outstanding in U.S. dollars.

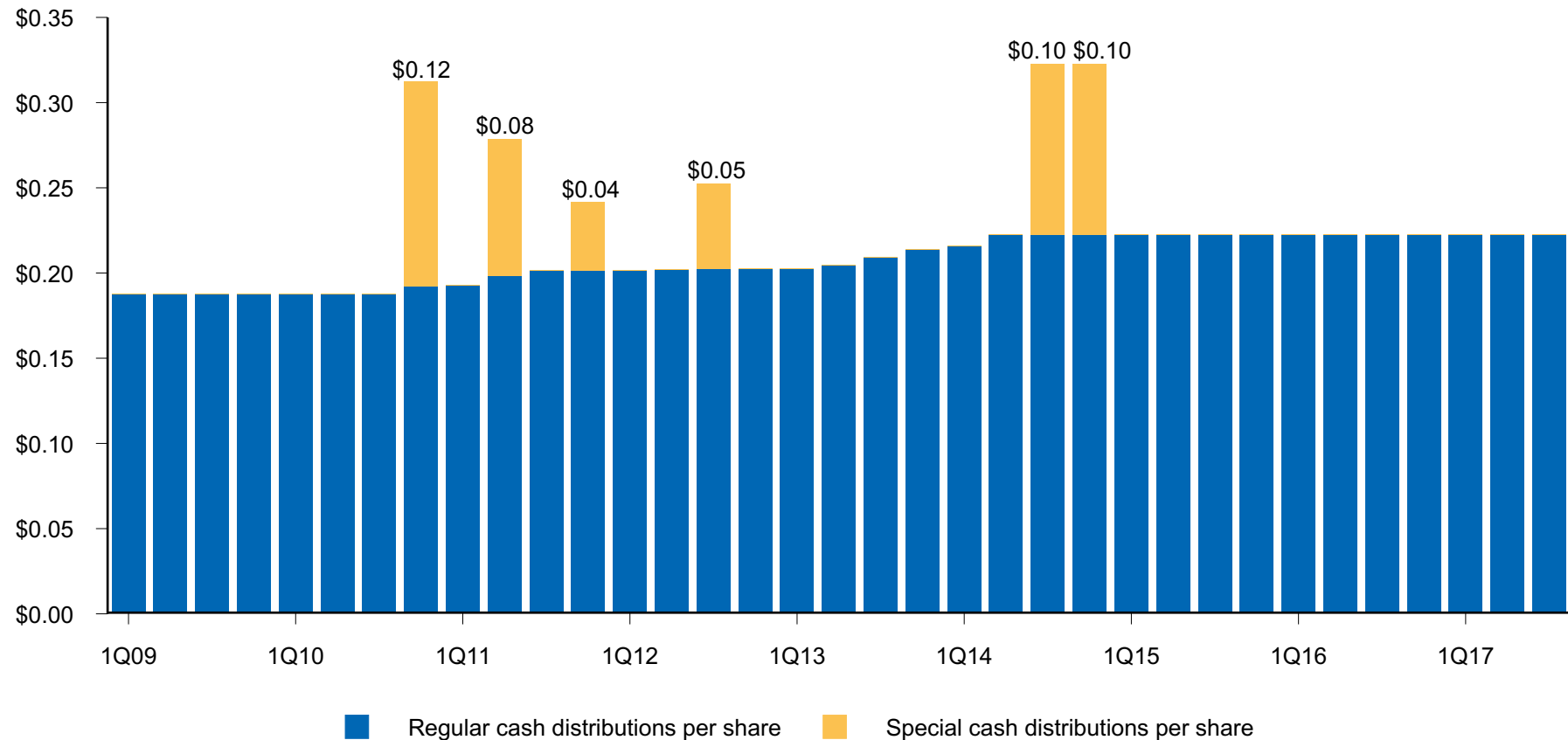
Total debt outstanding under financing arrangements	\$1,717,771
Debt/equity ratio ⁷	75.3%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.2%
% of debt outstanding at fixed interest rates	62.9%
% of debt outstanding at variable interest rates	37.1%

Financing Arrangements as of March 31, 2017	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Hamilton Street Credit Facility	Revolving Credit Facility	L+2.50%	\$ 150,000	\$ —	December 15, 2021
ING Credit Facility	Revolving Credit Facility	L+2.25%	\$ 180,128**	\$ 147,372	March 16, 2021
Locust Street Credit Facility	Term Loan Credit Facility	L+2.68%	\$ 425,000	\$ —	November 1, 2020
4.000% Notes due 2019	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	\$ 405,000	\$ —	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	\$ 275,000	\$ —	May 15, 2022
Partial Loan Sale	Secured Borrowing	L+4.50% (1% floor)	\$ 2,857	\$ —	July 29, 2022

** Amount includes borrowings in U.S. dollars and Euros. Euro balance outstanding of €42,188 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.07 as of March 31, 2017 to reflect total amount outstanding in U.S. dollars.

Total debt outstanding under financing arrangements	\$1,837,985
Debt/equity ratio ⁷	79.5%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.0%
% of debt outstanding at fixed interest rates	58.8%
% of debt outstanding at variable interest rates	41.2%

Distribution History⁸

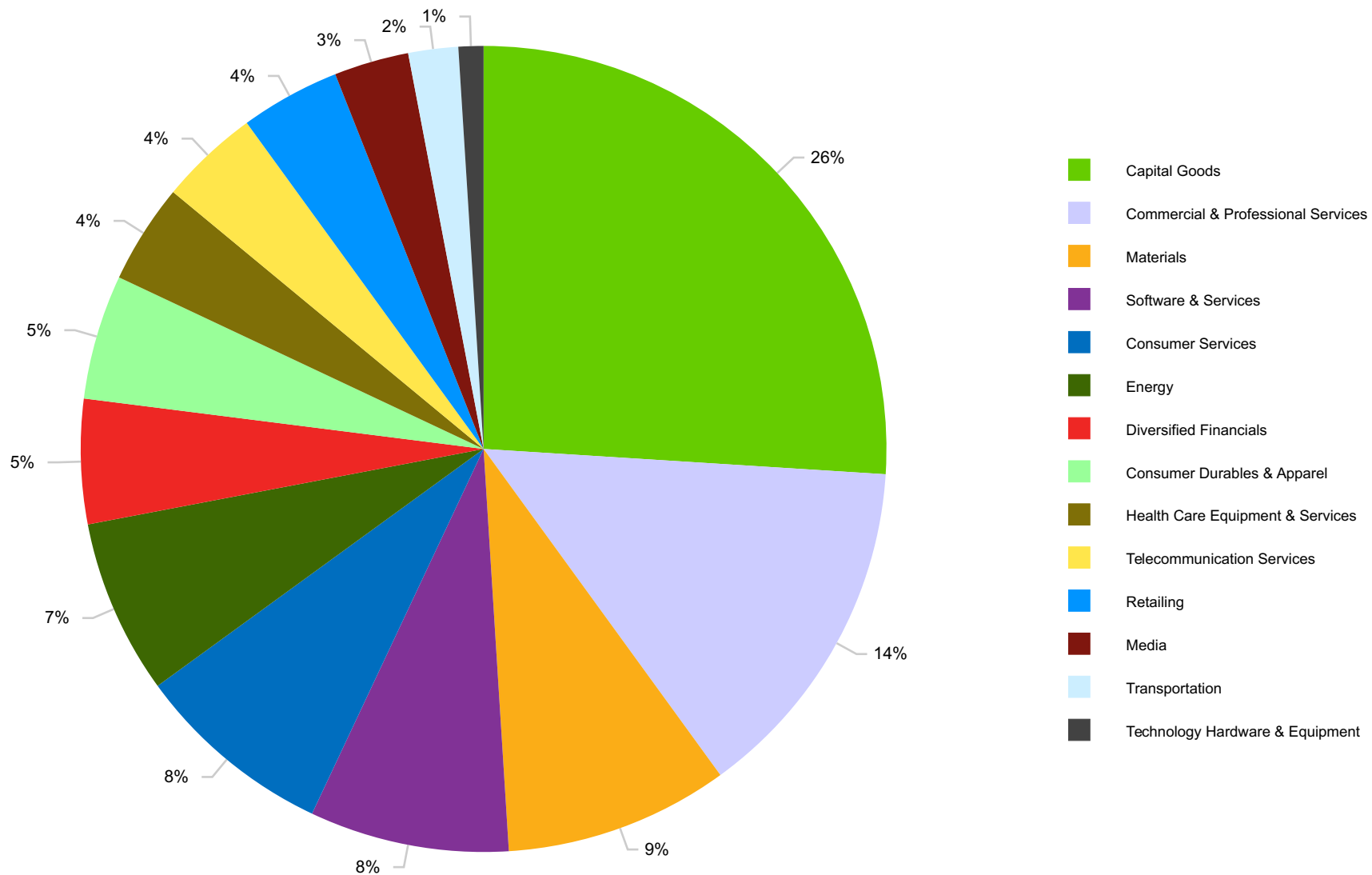


- On August 9, 2017, the Company announced a regular quarterly cash distribution of \$0.22275 per share, which will be paid on or about October 3, 2017 to stockholders of record as of the close of business on September 20, 2017.
- As of June 30, 2017, FSIC had approximately \$145.3 million (\$0.59 per share based on shares outstanding) of undistributed net investment income and approximately \$169.2 million (\$0.69 per share based on shares outstanding) of accumulated capital losses on a tax basis.

Investment Portfolio

Industry Diversification

As of June 30, 2017, based on fair value

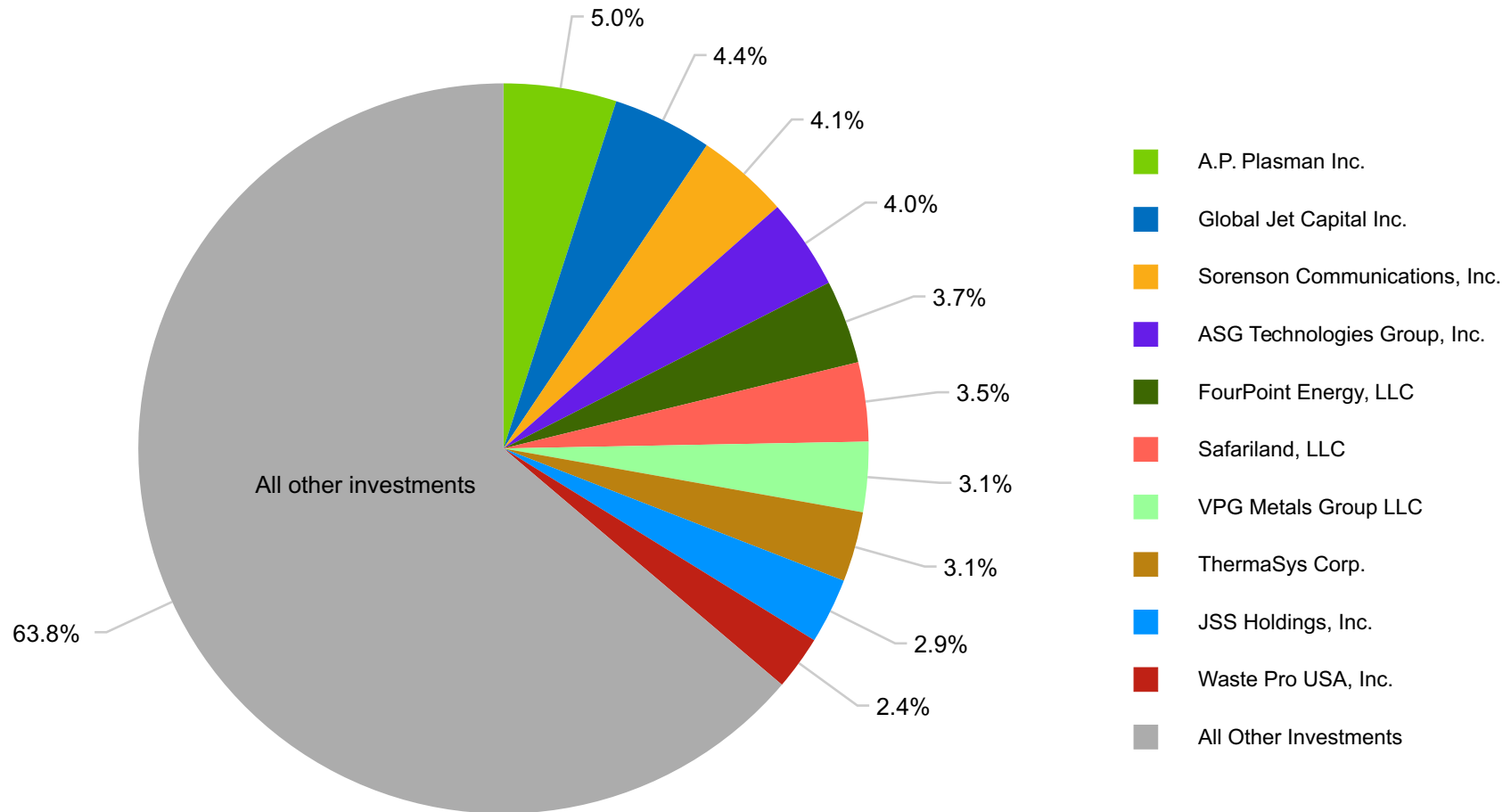


- As of June 30, 2017, FSIC's three largest industry concentrations based on fair value were Capital Goods (26%); Commercial & Professional Services (14%); and Materials (9%).
- As of June 30, 2017, FSIC's portfolio assets in Automobiles & Components and Semiconductors & Semiconductor Equipment amounted to less than 1% based on fair value.

Issuer Concentration

Issuer Concentration

Top ten portfolio companies as of June 30, 2017, based on fair value and excluding unfunded commitment amounts



- FSIC's top ten portfolio companies by fair value represent 36.2% of the Company's total portfolio as of June 30, 2017.

Portfolio Asset Quality

As of

Investment Rating ⁹	June 30, 2017		March 31, 2017		June 30, 2016	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$ 309,333	8%	\$ 405,256	10%	\$ 494,919	12%
2	3,350,996	86%	3,237,441	83%	2,713,013	69%
3	228,351	6%	238,109	6%	637,662	16%
4	—	—	—	—	24,392	1%
5	11,097	0%	43,362	1%	64,642	2%
Total	\$ 3,899,777	100%	\$ 3,924,168	100%	\$ 3,934,628	100%

Investment Rating⁹ Summary Description

1	Investment exceeding expectations and/or capital gain expected.
2	Performing investment generally executing in accordance with the portfolio company's business plan—full return of principal and interest expected.
3	Performing investment requiring closer monitoring.
4	Underperforming investment—some loss of interest or dividend possible, but still expecting a positive return on investment.
5	Underperforming investment with expected loss of interest and some principal.

Reconciliation of Non-GAAP Financial Measures¹

	Three Months Ended									
	6/30/2017		3/31/2017		12/31/2016		9/30/2016		6/30/2016	
GAAP net investment income per share	\$	0.19	\$	0.22	\$	0.21	\$	0.20	\$	0.23
Plus capital gains incentive fees per share		—		—		—		—		—
Plus excise taxes per share		—		—		0.02		—		—
Plus one-time expenses per share		—		—		—		—		0.00
Adjusted net investment income per share ²	\$	0.19	\$	0.22	\$	0.23	\$	0.20	\$	0.24

	Six Months Ended			
	6/30/2017		6/30/2016	
GAAP net investment income per share	\$	0.40	\$	0.44
Plus capital gains incentive fees per share		—		—
Plus excise taxes per share		—		—
Plus one-time expenses per share		—		0.00
Adjusted net investment income per share ²	\$	0.40	\$	0.44

Endnotes

- 1) The per share data was derived by using the weighted average shares of our common stock outstanding during the applicable period. Per share numbers may not sum due to rounding.
- 2) Adjusted net investment income is a non-GAAP financial measure. We present adjusted net investment income for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; and (iii) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSIC's normal course of business (referred to herein as one-time expenses). We use this non-GAAP financial measure internally in analyzing financial results and believe that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing our financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of GAAP net investment income to adjusted net investment income can be found on page 15 of this presentation.
- 3) The per share data for distributions reflects the actual amount of distributions paid per share of our common stock during each applicable period.
- 4) We record interest income on an accrual basis. Generally, investments are placed on non-accrual when the collection of future interest and principal payments is uncertain.
- 5) We have identified and intend to focus on the following investment categories, which we believe will allow us to generate an attractive total return with an acceptable level of risk.

Direct Originations: We intend to leverage our relationship with GSO / Blackstone Debt Funds Management LLC and its global sourcing and origination platform to directly source investment opportunities. Such investments are originated or structured for us or made by us and are not generally available to the broader market. These investments may include both debt and equity components, although we do not generally make equity investments independent of having an existing credit relationship. We believe directly originated investments may offer higher returns and more favorable protections than broadly syndicated transactions.

Opportunistic: We intend to seek to capitalize on market price inefficiencies by investing in loans, bonds and other securities where the market price of such investment reflects a lower value than deemed warranted by our fundamental analysis. We believe that market price inefficiencies may occur due to, among other things, general dislocations in the markets, a misunderstanding by the market of a particular company or an industry being out of favor with the broader investment community. We seek to allocate capital to these securities that have been misunderstood or mispriced by the market and where we believe there is an opportunity to earn an attractive return on our investment. Such opportunities may include event driven investments, anchor orders and collateralized securities.

Broadly Syndicated/Other: Although our primary focus is to invest in directly originated transactions and opportunistic investments, in certain circumstances we will also invest in the broadly syndicated loan and high yield markets. Broadly syndicated loans and bonds are generally more liquid than our directly originated investments and provide a complement to our less liquid strategies. In addition, and because we typically receive more attractive financing terms on these positions than we do on our less liquid assets, we are able to leverage the broadly syndicated portion of our portfolio in such a way that maximizes the levered return potential of our portfolio.

For additional details on these investment categories, see FSIC's quarterly report on Form 10-Q for the quarter ended June 30, 2017, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview".

Endnotes (Cont'd)

- 6) Gross portfolio yield represents the expected annualized yield to be generated on FSIC's investment portfolio based on the composition of the portfolio as of the applicable date. FSIC's estimated gross portfolio yield may be higher than an investor's yield on an investment in shares of FSIC's common stock because it does not reflect sales commissions or charges that may be incurred in connection with the purchase or sale of such shares, or operating expenses that may be incurred by FSIC. FSIC's estimated gross portfolio yield does not represent an actual investment return to stockholders, is subject to change and, in the future, may be greater or less than the rates set forth herein.
- 7) The debt/equity ratio is the ratio of total debt outstanding to stockholders' equity as of the applicable date.
- 8) The timing and amount of any future distributions on FSIC's shares of common stock are subject to applicable legal restrictions and the sole discretion of FSIC's board of directors.
- 9) In addition to various risk management and monitoring tools, FB Income Advisor, LLC uses an investment rating system to characterize and monitor the expected level of returns on each investment in FSIC's portfolio. For additional details, see FSIC's quarterly report on Form 10-Q for the quarter ended June 30, 2017, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Asset Quality."

Corporate Information

Board of Directors

Michael C. Forman

Chairman of the Board
Chief Executive Officer

David J. Adelman

Vice Chairman
President and Chief Executive Officer of Campus Apartments, Inc.

Michael J. Hagan

Lead Independent Director
Co-founder and Managing Director of Hawk Capital Partners

Gregory P. Chandler

Chief Financial Officer of Emtec, Inc.

Barry H. Frank

Partner with law firm of Archer & Greiner, P.C.

Thomas J. Gravina

Executive Chairman of GPX Enterprises, L.P.
Chief Executive Officer of Evolve IP, LLC

Jeffrey K. Harrow

Chairman of Sparks Marketing Group, Inc.

Michael Heller

President and Chief Executive Officer of Cozen O'Conner

Philip E. Hughes, Jr.

Vice Chairman of Keystone Industries
President of Sovereign Developers, LP

Pedro A. Ramos

President and Chief Executive Officer of The Philadelphia Foundation

Joseph P. Ujobai

Executive Vice President of SEI Investments Company
Managing Director of SEI Investments (Europe) Limited

Executive Officers

Michael C. Forman

Chairman of the Board
Chief Executive Officer

Gerald F. Stahlecker

President

Brad Marshall

Senior Portfolio Manager
Senior Managing Director, GSO / Blackstone

Zachary Klehr

Executive Vice President

Sean Coleman

Managing Director

William Goebel

Chief Financial Officer

James F. Volk

Chief Compliance Officer

Stephen S. Sypherd

Vice President, Treasurer and Secretary

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