



FS Investment Corporation

QUARTER ENDED SEPTEMBER 30, 2018 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	Q3-18	Q2-18	Q3-17	9ME-18	9ME-17
Net investment income per share	\$ 0.23	\$ 0.19	\$ 0.21	\$ 0.63	\$ 0.61
Adjusted net investment income per share ^{2*}	\$ 0.24	\$ 0.19	\$ 0.21	\$ 0.63	\$ 0.61
Total net realized and unrealized gain (loss) per share	\$ (0.28)	\$ (0.32)	\$ 0.14	\$ (0.75)	\$ 0.07
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ (0.05)	\$ (0.13)	\$ 0.35	\$ (0.12)	\$ 0.68
Stockholder distributions per share ³	\$ 0.19000	\$ 0.19000	\$ 0.22275	\$ 0.57000	\$ 0.66825
Net asset value per share at period end	\$ 8.64	\$ 8.87	\$ 9.43	\$ 8.64	\$ 9.43
Weighted average shares outstanding	239,495,341	242,801,446	245,678,745	242,647,216	245,117,823
Shares outstanding, end of period	239,154,069	240,602,753	245,725,416	239,154,069	245,725,416

Portfolio Highlights

(in thousands)	Q3-18	Q2-18	Q3-17	9ME-18	9ME-17
Purchases	\$ 184,495	\$ 240,443	\$ 183,384	\$ 540,928	\$ 1,021,755
Sales and Redemptions	(223,419)	(350,253)	(225,483)	(789,617)	(900,360)
Net Portfolio Activity	\$ (38,924)	\$ (109,810)	\$ (42,099)	\$ (248,689)	\$ 121,395
Total fair value of investments	\$ 3,537,252	\$ 3,626,901	\$ 3,911,399	\$ 3,537,252	\$ 3,911,399
Total assets	\$ 3,698,671	\$ 3,882,958	\$ 4,135,463	\$ 3,698,671	\$ 4,135,463

*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)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Investments, at fair value	\$ 3,537,252	\$ 3,626,901	\$ 3,804,014	\$ 3,926,234	\$ 3,911,399
Portfolio Data					
Number of Portfolio Companies	92	109	94	100	104
Average Annual EBITDA of Portfolio Companies	\$ 92,500	\$ 107,700	\$ 82,400	\$ 85,700	\$ 91,700
Weighted Average Purchase Price of Debt Investments (as a % of par)	99.5%	99.5%	99.6%	99.5%	97.5%
% of Investments on Non-Accrual (based on fair value) ⁴	2.7%	0.2%	0.0%	0.2%	0.3%
Asset Class (based on fair value)					
Senior Secured Loans—First Lien	70%	67%	65%	64%	61%
Senior Secured Loans—Second Lien	4%	4%	4%	5%	5%
Senior Secured Bonds	5%	5%	4%	4%	5%
Subordinated Debt	10%	12%	13%	13%	14%
Collateralized Securities	1%	1%	1%	1%	1%
Equity/Other	10%	11%	13%	13%	14%
Portfolio Composition by Strategy (based on fair value)⁵					
Direct Originations	93%	90%	92%	92%	90%
Opportunistic	7%	9%	8%	7%	9%
Broadly Syndicated/Other	0%	1%	0%	1%	1%
Interest Rate Type (based on fair value)					
% Variable Rate	72.2%	69.8%	69.2%	69.4%	65.3%
% Fixed Rate	17.3%	19.6%	18.4%	17.8%	21.0%
% Income Producing Equity/Other Investments	2.5%	2.2%	2.3%	2.3%	2.7%
% Non-Income Producing Equity/Other Investments	8.0%	8.4%	10.1%	10.5%	11.0%
Yields (based on amortized cost)⁶					
Gross Portfolio Yield Prior to Leverage	9.6%	10.2%	10.0%	9.6%	9.4%
Gross Portfolio Yield Prior to Leverage—Excluding Non-Income Producing Assets	11.1%	11.1%	10.9%	10.5%	10.3%

Select Direct Origination Information

	Three Months Ended				
(dollar amounts in thousands)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
New Direct Originations					
Total Commitments (including unfunded commitments)	\$ 250,578	\$ 163,261	\$ 79,590	\$ 220,159	\$ 199,157
Exited Investments (including partial paydowns)	(125,119)	(288,451)	(186,236)	(159,678)	(169,035)
Net Direct Originations	\$ 125,459	\$ (125,190)	\$ (106,646)	\$ 60,481	\$ 30,122
New Direct Originations by Asset Class (including unfunded commitments)					
Senior Secured Loans—First Lien	85%	92%	90%	74%	85%
Senior Secured Loans—Second Lien	15%	—	5%	7%	2%
Senior Secured Bonds	—	—	—	11%	—
Subordinated Debt	—	—	1%	—	13%
Collateralized Securities	—	—	—	—	—
Equity/Other	—	8%	4%	8%	—
Average New Direct Origination Commitment Amount	\$ 27,842	\$ 14,842	\$ 13,265	\$ 16,935	\$ 49,789
Weighted Average Maturity for New Direct Originations	3/19/2024	7/16/2024	9/15/2023	10/8/2023	5/5/2023
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period ⁶	9.6%	11.5%	10.9%	8.6%	9.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations Funded during Period—Excluding Non-Income Producing Assets ⁶	9.6%	11.5%	10.9%	9.3%	9.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period ⁶	10.2%	10.5%	10.6%	8.9%	12.0%

	As of	
Characteristics of All Direct Originations held in Portfolio	9/30/2018	12/31/2017
Direct Originations, at fair value	\$ 3,277,054	\$ 3,606,608
Number of Portfolio Companies	73	75
Average Annual EBITDA of Portfolio Companies	\$ 89,500	\$ 68,600
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	5.7x	4.9x
% of Investments on Non-Accrual (based on fair value) ⁴	2.9%	—
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations ⁶	9.5%	9.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets ⁶	10.9%	10.4%

Quarterly Operating Results

Three Months Ended

(dollar amounts in thousands, except per share amounts)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Total investment income	\$ 94,519	\$ 95,575	\$ 101,018	\$ 110,861	\$ 103,691
Net expenses	(38,437)	(49,620)	(50,471)	(51,541)	(53,043)
Net investment income before taxes	\$ 56,082	\$ 45,955	\$ 50,547	\$ 59,320	\$ 50,648
Excise taxes	—	—	—	(5,259)	—
Net investment income	\$ 56,082	\$ 45,955	\$ 50,547	\$ 54,061	\$ 50,648
Total net realized and unrealized gain (loss) on investments	(67,422)	(77,293)	(37,622)	(39,307)	34,750
Net increase (decrease) in net assets resulting from operations	\$ (11,340)	\$ (31,338)	\$ 12,925	\$ 14,754	\$ 85,398
Per share¹					
Net investment income	\$ 0.23	\$ 0.19	\$ 0.21	\$ 0.22	\$ 0.21
Adjusted net investment income ²	\$ 0.24	\$ 0.19	\$ 0.21	\$ 0.24	\$ 0.21
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ (0.05)	\$ (0.13)	\$ 0.05	\$ 0.06	\$ 0.35
Stockholder distributions ³	\$ 0.19000	\$ 0.19000	\$ 0.19000	\$ 0.19000	\$ 0.22275
Weighted average shares outstanding	239,495,341	242,801,446	245,713,188	245,725,416	245,678,745
Shares outstanding, end of period	239,154,069	240,602,753	245,587,856	245,725,416	245,725,416

Nine Months Ended

(dollar amounts in thousands, except per share amounts)	9/30/2018	9/30/2017
Total investment income	\$ 291,112	\$ 308,450
Net expenses	(138,528)	(158,752)
Net investment income before taxes	\$ 152,584	\$ 149,698
Excise taxes	—	—
Net investment income	\$ 152,584	\$ 149,698
Total net realized and unrealized gain (loss) on investments	(182,337)	17,535
Net increase (decrease) in net assets resulting from operations	\$ (29,753)	\$ 167,233
Per share¹		
Net investment income	\$ 0.63	\$ 0.61
Adjusted net investment income ²	\$ 0.63	\$ 0.61
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ (0.12)	\$ 0.68
Stockholder distributions ³	\$ 0.57000	\$ 0.66825
Weighted average shares outstanding	242,647,216	245,117,823
Shares outstanding, end of period	239,154,069	245,725,416

Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Investment income					
From non-controlled/unaffiliated investments:					
Interest income	\$ 73,344	\$ 77,458	\$ 75,269	\$ 89,040	\$ 82,349
Paid-in-kind interest income	9,940	8,704	8,448	9,541	8,430
Fee income	4,342	2,993	2,453	7,055	5,005
Dividend income	345	—	7,355	—	21
From non-controlled/affiliated investments:					
Interest income	898	2,223	1,428	283	3,448
Paid-in-kind interest income	1,353	726	3,147	614	550
Fee income	20	—	—	1,617	1,232
From controlled/affiliated investments:					
Interest income	1,273	1,404	1,120	966	966
Paid-in-kind interest income	3,004	2,067	1,798	1,745	1,690
Total investment income	\$ 94,519	\$ 95,575	\$ 101,018	\$ 110,861	\$ 103,691
Operating expenses					
Management fees	\$ 14,259	\$ 15,313	\$ 17,854	\$ 18,025	\$ 18,038
Subordinated income incentive fees	—	10,906	11,999	12,871	12,662
Administrative services expenses	1,125	742	734	825	750
Accounting and administrative fees	210	249	254	240	254
Interest expense	20,671	20,782	20,053	20,204	19,885
Directors' fees	227	274	496	327	277
Other general and administrative expenses	1,945	1,579	1,632	1,624	1,177
Total operating expenses	\$ 38,437	\$ 49,845	\$ 53,022	\$ 54,116	\$ 53,043
Management fee waiver	—	(225)	(2,551)	(2,575)	—
Net expenses	\$ 38,437	\$ 49,620	\$ 50,471	\$ 51,541	\$ 53,043
Net investment income before taxes	\$ 56,082	\$ 45,955	\$ 50,547	\$ 59,320	\$ 50,648
Excise taxes	—	—	—	(5,259)	—
Net investment income	\$ 56,082	\$ 45,955	\$ 50,547	\$ 54,061	\$ 50,648

Quarterly Gain/Loss Information

	Three Months Ended				
(in thousands)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Realized gain/loss					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$ 23,888	\$ 40,736	\$ (4,351)	\$ (11,219)	\$ (24,767)
Non-controlled/affiliated investments	7	(10,083)	8	1,834	6,551
Controlled/affiliated investments	—	12	—	—	—
Net realized gain (loss) on secured borrowing	—	—	—	(21)	—
Net realized gain (loss) on foreign currency	5,993	36	61	82	(19)
Total net realized gain (loss)	\$ 29,888	\$ 30,701	\$ (4,282)	\$ (9,324)	\$ (18,235)
Unrealized gain/loss					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	\$ (104,254)	\$ (81,473)	\$ (17,501)	\$ (12,280)	\$ 29,820
Non-controlled/affiliated investments	7,610	(21,073)	(5,530)	(16,062)	16,951
Controlled/affiliated investments	5,753	(7,986)	(9,707)	(830)	7,408
Net change in unrealized appreciation (depreciation) on secured borrowing	—	—	—	56	3
Net change in unrealized gain (loss) on foreign currency	(6,419)	2,538	(602)	(867)	(1,197)
Total net unrealized gain (loss)	\$ (97,310)	\$ (107,994)	\$ (33,340)	\$ (29,983)	\$ 52,985
Total net realized and unrealized gain (loss)	\$ (67,422)	\$ (77,293)	\$ (37,622)	\$ (39,307)	\$ 34,750

Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Assets					
Investments, at fair value	\$ 3,537,252	\$ 3,626,901	\$ 3,804,014	\$ 3,926,234	\$ 3,911,399
Cash	98,535	194,604	209,609	134,932	176,445
Foreign currency, at fair value	1,430	6,174	5,448	3,810	2,546
Receivable for investments sold and repaid	27,681	19,552	1,195	3,477	1,896
Income receivable	23,380	32,239	32,352	30,668	38,811
Deferred financing costs	6,213	2,963	3,212	3,459	3,712
Deferred merger costs	3,422	—	—	—	—
Prepaid expenses and other assets	758	525	1,675	1,695	654
Total assets	\$ 3,698,671	\$ 3,882,958	\$ 4,057,505	\$ 4,104,275	\$ 4,135,463
Liabilities					
Payable for investments purchased	\$ 1,447	\$ 21,841	\$ 101	\$ 1,978	\$ 606
Credit facilities payable	474,700	553,656	639,205	638,571	637,669
Unsecured notes payable	1,075,615	1,074,883	1,074,160	1,073,445	1,072,714
Secured borrowing, at fair value	—	—	—	—	2,891
Stockholder distributions payable	45,481	46,029	46,683	46,704	54,733
Management fees payable	14,259	15,088	15,303	15,450	18,038
Subordinated income incentive fees payable	—	10,906	11,999	12,871	12,662
Administrative services expense payable	817	684	542	294	495
Interest payable	17,667	23,210	18,190	22,851	17,463
Directors' fees payable	268	261	490	276	267
Other accrued expenses and liabilities	1,556	1,622	870	7,112	1,232
Total liabilities	\$ 1,631,810	\$ 1,748,180	\$ 1,807,543	\$ 1,819,552	\$ 1,818,770
Stockholders' equity					
Preferred stock, \$0.001 par value	—	—	—	—	—
Common stock, \$0.001 par value	\$ 239	\$ 241	\$ 246	\$ 246	\$ 246
Capital in excess of par value	2,222,598	2,233,692	2,271,588	2,272,591	2,276,946
Retained earnings	(155,976)	(99,155)	(21,872)	11,886	39,501
Total stockholders' equity	\$ 2,066,861	\$ 2,134,778	\$ 2,249,962	\$ 2,284,723	\$ 2,316,693
Total liabilities and stockholders' equity	\$ 3,698,671	\$ 3,882,958	\$ 4,057,505	\$ 4,104,275	\$ 4,135,463
Net asset value per share of common stock at period end	\$ 8.64	\$ 8.87	\$ 9.16	\$ 9.30	\$ 9.43

Financing Arrangements

Financing Arrangements as of September 30, 2018	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Locust Street Credit Facility	Term Loan Credit Facility	L+2.68%	\$ 425,000	\$ —	November 1, 2020
Senior Secured Revolving Credit Facility	Revolving Credit Facility	L+1.75% - 2.00%*	\$ 52,041**	\$ 632,959	August 9, 2023
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

* The spread over LIBOR is determined by reference to the ratio of the value of the borrowing base to combined debt amount.

** Amount includes borrowing in Euros and Canadian dollars. Euro balance outstanding of €26,000 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.16 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$28,200 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.77 as of September 30, 2018 to reflect total amount outstanding in U.S. dollars.

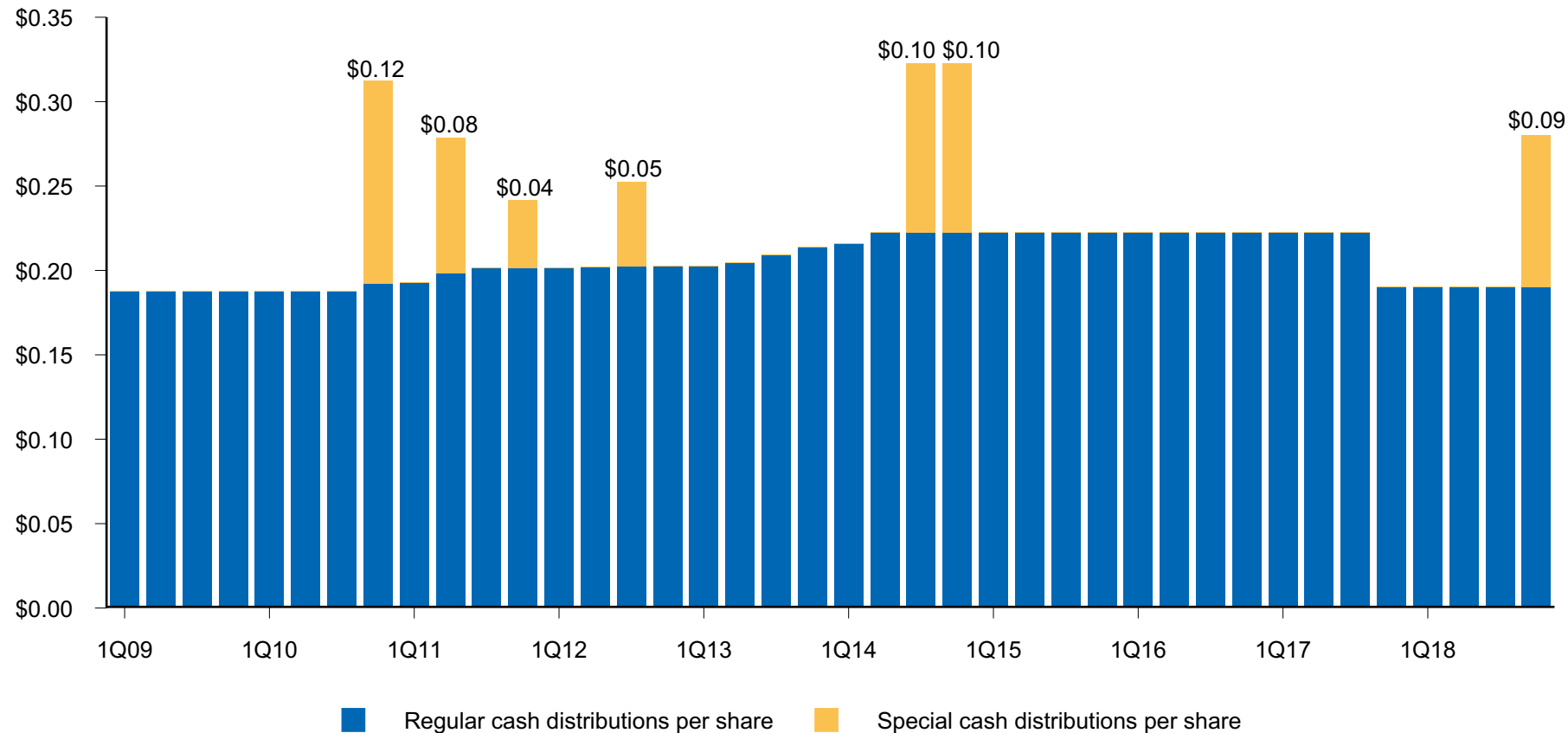
Total debt outstanding under financing arrangements	\$1,557,041
Debt/equity ratio ⁷	75.3%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.6%
% of debt outstanding at fixed interest rates	69.4%
% of debt outstanding at variable interest rates	30.6%

Financing Arrangements as of June 30, 2018	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Hamilton Street Credit Facility	Revolving Credit Facility	L+2.50%	\$ 67,000	\$ 83,000	December 15, 2021
ING Credit Facility	Revolving Credit Facility	L+2.25%	\$ 64,280***	\$ 263,220	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

*** Amount includes borrowing in Euros and Canadian dollars. Euro balance outstanding of €41,372 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.17 as of June 30, 2018 to reflect total amount outstanding in U.S. dollars. Canadian dollar balance outstanding of CAD \$20,987 has been converted to U.S. dollars at an exchange rate of CAD \$1.00 to \$0.76 as of June 30, 2018 to reflect total amount outstanding in U.S. dollars.

Total debt outstanding under financing arrangements	\$1,636,280
Debt/equity ratio ⁷	76.6%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.6%
% of debt outstanding at fixed interest rates	66.0%
% of debt outstanding at variable interest rates	34.0%

Distribution History⁸

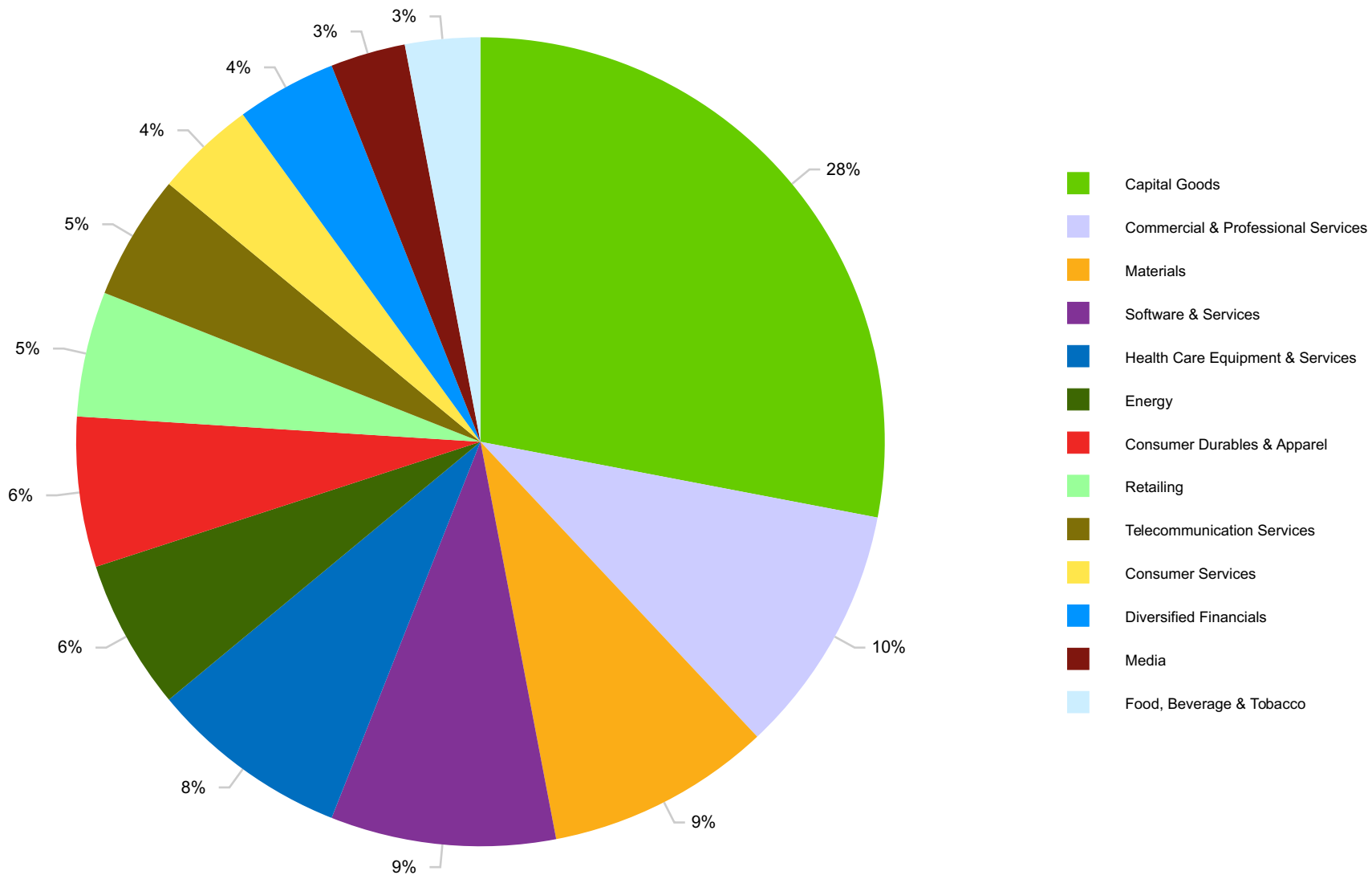


- On November 7, 2018, the Company announced a regular quarterly cash distribution of \$0.19 per share, which will be paid on or about January 2, 2019 to stockholders of record as of the close of business on December 12, 2018. On October 12, 2018, the Company’s board of directors declared a special distribution of \$0.09 per share, which will be paid on or about December 3, 2018 to stockholders of record as of the close of business on November 19, 2018.
- As of September 30, 2018, FSIC had approximately \$171.5 million (\$0.72 per share based on shares outstanding) of undistributed net investment income and approximately \$140.9 million (\$0.59 per share based on shares outstanding) of accumulated capital losses on a tax basis.

Investment Portfolio

Industry Diversification

As of September 30, 2018, based on fair value

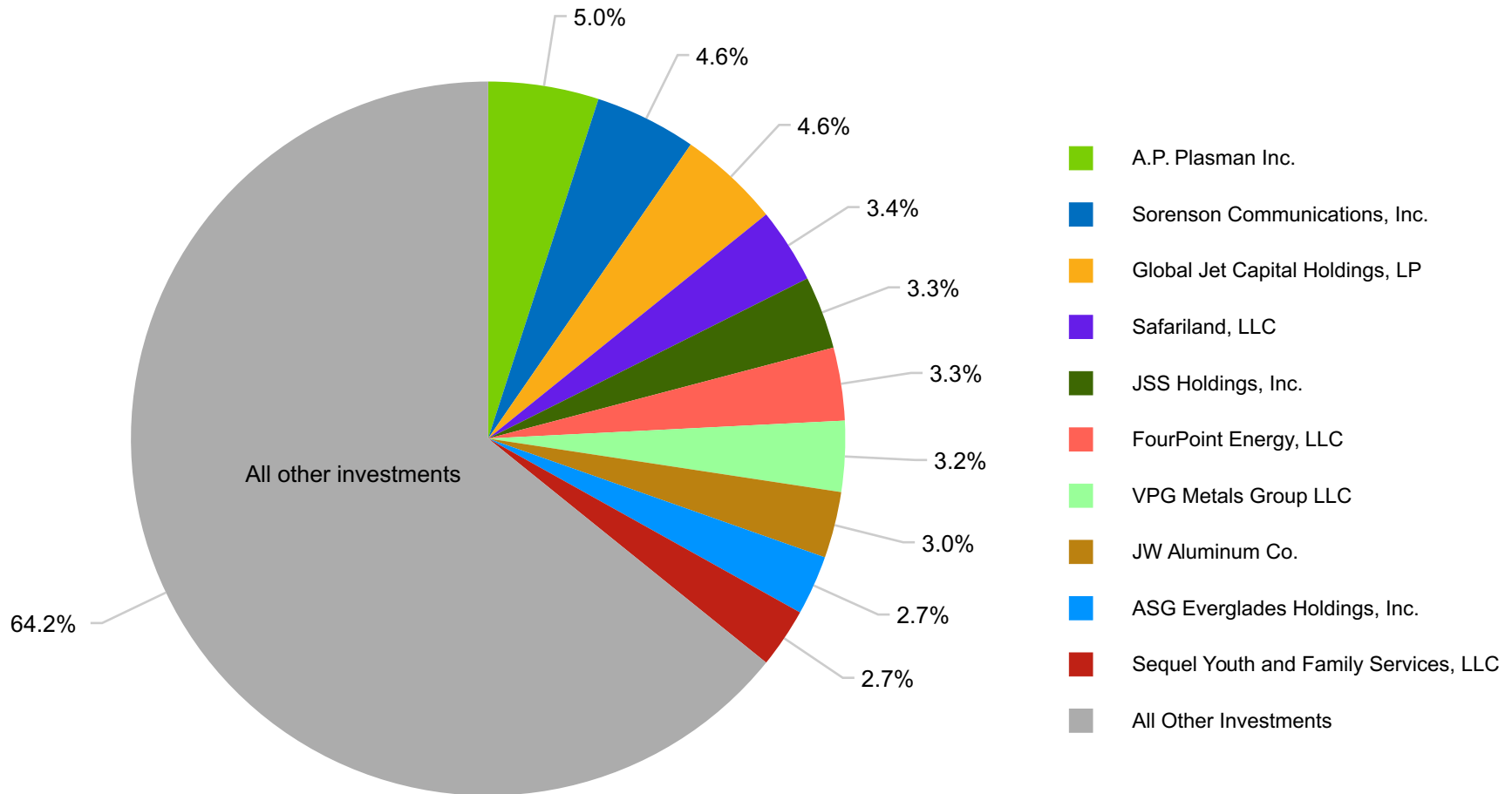


- As of September 30, 2018, FSIC's three largest industry concentrations based on fair value were Capital Goods (28%); Commercial & Professional Services (10%); and Materials (9%).
- As of September 30, 2018, FSIC's portfolio assets in Automobiles & Components, Transportation, Food & Staples Retailing and Technology Hardware & Equipment amounted to less than 1% based on fair value.

Issuer Concentration

Issuer Concentration

Top ten portfolio companies as of September 30, 2018, based on fair value and excluding unfunded commitment amounts



- FSIC's top ten portfolio companies by fair value represent 35.8% of the Company's total portfolio as of September 30, 2018.

Portfolio Asset Quality

As of

Investment Rating ⁹	September 30, 2018		June 30, 2018		September 30, 2017	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$ 140,094	4%	\$ 212,953	6%	\$ 444,424	11%
2	2,416,127	68%	2,419,765	67%	3,204,381	82%
3	852,523	24%	839,566	23%	212,817	6%
4	5,196	0%	126,962	3%	—	—
5	123,312	4%	27,655	1%	49,777	1%
Total	\$ 3,537,252	100%	\$ 3,626,901	100%	\$ 3,911,399	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									
	9/30/2018		6/30/2018		3/31/2018		12/31/2017		9/30/2017	
GAAP net investment income per share	\$	0.23	\$	0.19	\$	0.21	\$	0.22	\$	0.21
Plus capital gains incentive fees per share		—		—		—		—		—
Plus excise taxes per share		—		—		—		0.02		—
Plus one-time expenses per share ¹⁰		0.01		—		—		—		—
Adjusted net investment income per share ²	\$	0.24	\$	0.19	\$	0.21	\$	0.24	\$	0.21

	Nine Months Ended			
	9/30/2018		9/30/2017	
GAAP net investment income per share	\$	0.63	\$	0.61
Plus capital gains incentive fees per share		—		—
Plus excise taxes per share		—		—
Plus one-time expenses per share ¹⁰		0.01		—
Adjusted net investment income per share ²	\$	0.63	\$	0.61

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 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 September 30, 2018, 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, FS/KKR 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 September 30, 2018, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Asset Quality."
- 10) FSIC's one-time expenses for the three months and nine months ended September 30, 2018 were \$1,297 resulting from the acceleration of the remaining unamortized deferred financing costs associated with the closing of the Hamilton Street Credit Facility.

Corporate Information

Board of Directors

Michael C. Forman

Chairman of the Board
Chief Executive Officer

Todd C. Builione

President, KKR Credit and Markets

Gregory P. Chandler

Chief Financial Officer of Emtec, Inc.

Barry H. Frank

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

Michael J. Hagan

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

Jeffrey K. Harrow

Chairman of Sparks Marketing Group, Inc.

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

Todd C. Builione

President

Daniel Pietrzak

Chief Investment Officer

William Goebel

Chief Financial Officer and Treasurer

Stephen S. Sypherd

General Counsel and Secretary

James F. Volk

Chief Compliance Officer

Zachary Klehr

Executive Vice President

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