



# FS Investment Corporation

QUARTER AND YEAR ENDED DECEMBER 31, 2015 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) <sup>1</sup>	Q4-15	Q3-15	Q4-14	FY-15	FY-14
Net investment income per share	\$ 0.23	\$ 0.26	\$ 0.28	\$ 1.10	\$ 0.97
Adjusted net investment income per share <sup>2*</sup>	\$ 0.24	\$ 0.21	\$ 0.24	\$ 1.03	\$ 0.99
Total net realized and unrealized gain (loss) on investments per share	\$ (0.55)	\$ (0.29)	\$ (0.33)	\$ (0.94)	\$ (0.19)
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ (0.32)	\$ (0.02)	\$ (0.04)	\$ 0.16	\$ 0.78
Stockholder distributions per share <sup>3</sup>	\$ 0.22275	\$ 0.22275	\$ 0.32275	\$ 0.89100	\$ 1.08425
<b>Net asset value per share at period end</b>	<b>\$ 9.10</b>	<b>\$ 9.64</b>	<b>\$ 9.83</b>	<b>\$ 9.10</b>	<b>\$ 9.83</b>
Weighted average shares outstanding	242,800,333	242,227,762	240,480,410	241,946,850	248,799,524
Shares outstanding, end of period	242,847,016	242,274,372	240,896,559	242,847,016	240,896,559

## Portfolio Highlights

(in thousands)	Q4-15	Q3-15	Q4-14	FY-15	FY-14
Purchases	\$ 563,346	\$ 283,968	\$ 536,854	\$ 1,647,620	\$ 2,178,075
Sales and Redemptions	(511,289)	(129,667)	(598,049)	(1,625,520)	(2,121,939)
<b>Net Portfolio Activity</b>	<b>\$ 52,057</b>	<b>\$ 154,301</b>	<b>\$ (61,195)</b>	<b>\$ 22,100</b>	<b>\$ 56,136</b>
Total fair value of investments	\$ 4,029,371	\$ 4,100,079	\$ 4,183,447	\$ 4,029,371	\$ 4,183,447
Total assets	\$ 4,149,663	\$ 4,264,904	\$ 4,354,886	\$ 4,149,663	\$ 4,354,886

\*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)	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
Investments, at fair value	\$ 4,029,371	\$ 4,100,079	\$ 4,007,381	\$ 4,161,683	\$ 4,183,447
<b>Portfolio Data</b>					
Number of Portfolio Companies	114	117	110	110	118
Average Annual EBITDA of Portfolio Companies	\$ 113,200	\$ 140,400	\$ 145,000	\$ 151,400	\$ 155,200
Weighted Average Purchase Price of Debt Investments (as a % of par)	98.3%	98.3%	98.3%	97.8%	97.4%
% of Investments on Non-Accrual (based on fair value) <sup>4</sup>	—	—	0.0%	0.5%	0.3%
<b>Asset Class (based on fair value)</b>					
Senior Secured Loans—First Lien	54%	47%	46%	53%	53%
Senior Secured Loans—Second Lien	15%	22%	21%	17%	17%
Senior Secured Bonds	6%	8%	9%	8%	8%
Subordinated Debt	11%	11%	12%	11%	11%
Collateralized Securities	2%	2%	3%	3%	3%
Equity/Other	12%	10%	9%	8%	8%
<b>Portfolio Composition by Strategy (based on fair value)<sup>5</sup></b>					
Direct Originations	85%	79%	77%	77%	75%
Opportunistic	12%	16%	19%	18%	19%
Broadly Syndicated/Other	3%	5%	4%	5%	6%
<b>Interest Rate Type (based on fair value)</b>					
% Variable Rate	66.8%	68.2%	66.4%	68.7%	69.0%
% Fixed Rate	21.6%	22.0%	24.1%	23.1%	23.3%
% Income Producing Equity/Other Investments	4.1%	3.6%	3.7%	3.1%	2.9%
% Non-Income Producing Equity/Other Investments	7.5%	6.2%	5.8%	5.1%	4.8%
<b>Yields (based on amortized cost)<sup>6</sup></b>					
Gross Portfolio Yield Prior to Leverage	9.8%	9.9%	9.9%	10.0%	10.0%
Gross Portfolio Yield Prior to Leverage—Excluding Non-Income Producing Assets	10.4%	10.4%	10.4%	10.5%	10.4%



# Select Direct Origination Information

	Three Months Ended				
(dollar amounts in thousands)	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
<b>New Direct Originations</b>					
Total Commitments (including unfunded commitments)	\$ 604,203	\$ 192,637	\$ 494,661	\$ 192,643	\$ 258,562
Exited Investments (including partial paydowns)	(318,719)	(35,090)	(623,554)	(146,077)	(88,376)
<b>Net Direct Originations</b>	<b>\$ 285,484</b>	<b>\$ 157,547</b>	<b>\$ (128,893)</b>	<b>\$ 46,566</b>	<b>\$ 170,186</b>
<b>New Direct Originations by Asset Class (including unfunded commitments)</b>					
Senior Secured Loans—First Lien	60%	69%	64%	89%	36%
Senior Secured Loans—Second Lien	6%	20%	24%	10%	—
Senior Secured Bonds	10%	1%	—	—	29%
Subordinated Debt	12%	7%	4%	0%	19%
Collateralized Securities	—	—	—	—	7%
Equity/Other	12%	3%	8%	1%	9%
Average New Direct Origination Commitment Amount	\$ 37,763	\$ 12,842	\$ 29,098	\$ 24,080	\$ 23,506
Weighted Average Maturity for New Direct Originations	10/10/2021	10/8/2021	9/6/2020	12/26/2019	11/19/2021
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period <sup>6</sup>	10.6%	9.0%	9.1%	10.0%	8.7%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period—Excluding Non-Income Producing Assets <sup>6</sup>	12.3%	9.3%	9.9%	10.1%	10.5%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period <sup>6</sup>	9.9%	10.8%	10.7%	8.5%	9.1%

	As of	
<b>Characteristics of All Direct Originations held in Portfolio</b>	<b>12/31/2015</b>	<b>12/31/2014</b>
Direct Originations, at fair value	\$ 3,434,588	\$ 3,147,946
Number of Portfolio Companies	71	52
Average Annual EBITDA of Portfolio Companies	\$ 61,500	\$ 47,200
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	4.9x	4.6x
% of Investments on Non-Accrual	—	—
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations <sup>6</sup>	9.7%	9.7%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets <sup>6</sup>	10.4%	10.1%



# Quarterly Operating Results

## Three Months Ended

(dollar amounts in thousands, except per share amounts)	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
Total investment income	\$ 114,763	\$ 103,668	\$ 147,731	\$ 108,635	\$ 113,385
Net expenses	(52,556)	(39,902)	(54,207)	(56,986)	(39,930)
<b>Net investment income before taxes</b>	<b>\$ 62,207</b>	<b>\$ 63,766</b>	<b>\$ 93,524</b>	<b>\$ 51,649</b>	<b>\$ 73,455</b>
Excise taxes	(6,056)	—	—	—	(5,400)
<b>Net investment income</b>	<b>\$ 56,151</b>	<b>\$ 63,766</b>	<b>\$ 93,524</b>	<b>\$ 51,649</b>	<b>\$ 68,055</b>
Total net realized and unrealized gain (loss) on investments	(134,619)	(69,045)	(41,818)	18,777	(78,244)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ (78,468)</b>	<b>\$ (5,279)</b>	<b>\$ 51,706</b>	<b>\$ 70,426</b>	<b>\$ (10,189)</b>
<b>Per share<sup>1</sup></b>					
Net investment income	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.21	\$ 0.28
Adjusted net investment income <sup>2</sup>	\$ 0.24	\$ 0.21	\$ 0.35	\$ 0.23	\$ 0.24
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ (0.32)	\$ (0.02)	\$ 0.21	\$ 0.29	\$ (0.04)
Stockholder distributions <sup>3</sup>	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.32275
Weighted average shares outstanding	242,800,333	242,227,762	241,653,069	241,084,292	240,480,410
Shares outstanding, end of period	242,847,016	242,274,372	241,702,625	241,101,342	240,896,559

## Year Ended

(dollar amounts in thousands, except per share amounts)	12/31/2015	12/31/2014
Total investment income	\$ 474,797	\$ 464,819
Net expenses	(203,651)	(217,411)
<b>Net investment income before taxes</b>	<b>\$ 271,146</b>	<b>\$ 247,408</b>
Excise taxes	(6,056)	(5,400)
<b>Net investment income</b>	<b>\$ 265,090</b>	<b>\$ 242,008</b>
Total net realized and unrealized gain (loss) on investments	(226,705)	(47,227)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 38,385</b>	<b>\$ 194,781</b>
<b>Per share<sup>1</sup></b>		
Net investment income	\$ 1.10	\$ 0.97
Adjusted net investment income <sup>2</sup>	\$ 1.03	\$ 0.99
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.16	\$ 0.78
Stockholder distributions <sup>3</sup>	\$ 0.89100	\$ 1.08425
Weighted average shares outstanding	241,946,850	248,799,524
Shares outstanding, end of period	242,847,016	240,896,559



# Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
<b>Investment income</b>					
From non-controlled/unaffiliated investments:					
Interest income	\$ 101,654	\$ 99,468	\$ 115,773	\$ 103,939	\$ 107,119
Fee income	9,685	3,290	25,721	4,696	5,820
Dividend income	980	—	5,519	—	147
From non-controlled/affiliated investments:					
Interest income	975	910	718	—	—
Fee income	790	—	—	—	—
Dividend income	299	—	—	—	299
From controlled/affiliated investments:					
Interest income	380	—	—	—	—
<b>Total investment income</b>	<b>\$ 114,763</b>	<b>\$ 103,668</b>	<b>\$ 147,731</b>	<b>\$ 108,635</b>	<b>\$ 113,385</b>
<b>Operating expenses</b>					
Management fees	\$ 18,408	\$ 18,852	\$ 19,103	\$ 19,038	\$ 19,551
Capital gains incentive fees <sup>7</sup>	(2,657)	(13,811)	(8,355)	3,748	(15,662)
Subordinated income incentive fees	13,375	12,485	21,271	13,905	13,089
Administrative services expenses	1,409	900	882	991	1,203
Stock transfer agent fees	(6)	30	30	80	36
Accounting and administrative fees	260	261	285	276	399
Interest expense	19,428	19,352	19,048	17,299	19,035
Directors' fees	338	232	229	227	232
Other general and administrative expenses	2,001	1,601	1,714	1,422	2,047
<b>Total operating expenses</b>	<b>\$ 52,556</b>	<b>\$ 39,902</b>	<b>\$ 54,207</b>	<b>\$ 56,986</b>	<b>\$ 39,930</b>
<b>Net investment income before taxes</b>	<b>\$ 62,207</b>	<b>\$ 63,766</b>	<b>\$ 93,524</b>	<b>\$ 51,649</b>	<b>\$ 73,455</b>
Excise taxes	(6,056)	—	—	—	(5,400)
<b>Net investment income</b>	<b>\$ 56,151</b>	<b>\$ 63,766</b>	<b>\$ 93,524</b>	<b>\$ 51,649</b>	<b>\$ 68,055</b>



# Quarterly Gain/Loss Information

	Three Months Ended				
(in thousands)	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
<b>Realized gain/loss</b>					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$ (20,291)	\$ (21,246)	\$ (24,174)	\$ 3,285	\$ 4,648
Net realized gain (loss) on foreign currency	(9)	266	(1,007)	110	(58)
<b>Total net realized gain (loss)</b>	<b>\$ (20,300)</b>	<b>\$ (20,980)</b>	<b>\$ (25,181)</b>	<b>\$ 3,395</b>	<b>\$ 4,590</b>
<b>Unrealized gain/loss</b>					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	\$ (123,595)	\$ (74,848)	\$ (24,301)	\$ 10,589	\$ (85,148)
Non-controlled/affiliated investments	7,632	27,220	8,050	1,345	(2,092)
Controlled/affiliated investments	743	—	—	—	—
Net change in unrealized gain (loss) on foreign currency	901	(437)	(386)	3,448	4,406
<b>Total net unrealized gain (loss)</b>	<b>\$ (114,319)</b>	<b>\$ (48,065)</b>	<b>\$ (16,637)</b>	<b>\$ 15,382</b>	<b>\$ (82,834)</b>
<b>Total net realized and unrealized gain (loss) on investments</b>	<b>\$ (134,619)</b>	<b>\$ (69,045)</b>	<b>\$ (41,818)</b>	<b>\$ 18,777</b>	<b>\$ (78,244)</b>





# Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
<b>Assets</b>					
Investments, at fair value	\$ 4,029,371	\$ 4,100,079	\$ 4,007,381	\$ 4,161,683	\$ 4,183,447
Cash	80,807	85,609	273,749	83,894	95,205
Foreign currency, at fair value	1,180	326	13,167	4,986	1,639
Receivable for investments sold and repaid	66	24,221	7,909	40,961	8,976
Interest receivable	34,600	50,419	40,108	59,245	51,814
Deferred financing costs	2,910	3,281	14,925	12,238	13,097
Prepaid expenses and other assets	729	969	1,106	1,345	708
<b>Total assets</b>	<b>\$ 4,149,663</b>	<b>\$ 4,264,904</b>	<b>\$ 4,358,345</b>	<b>\$ 4,364,352</b>	<b>\$ 4,354,886</b>
<b>Liabilities</b>					
Payable for investments purchased	\$ —	\$ —	\$ 995	\$ 832	\$ 28,095
Credit facilities payable	34,625	31,812	32,624	174,005	188,827
Unsecured notes payable	989,764	989,159	1,000,000	725,000	725,000
Repurchase agreement payable	800,000	800,000	800,000	950,000	950,000
Stockholder distributions payable	54,093	53,965	53,838	53,706	17,885
Management fees payable	18,415	18,845	19,081	19,073	19,560
Accrued capital gains incentive fees	—	2,657	16,468	24,823	21,075
Subordinated income incentive fees payable	13,374	12,490	21,271	13,905	13,089
Administrative services expense payable	946	401	765	613	1,410
Interest payable	22,061	18,417	21,810	14,983	15,850
Directors' fees payable	282	219	288	288	296
Deferred financing costs payable	—	—	—	—	473
Other accrued expenses and liabilities	7,175	980	1,662	1,412	6,340
<b>Total liabilities</b>	<b>\$ 1,940,735</b>	<b>\$ 1,928,945</b>	<b>\$ 1,968,802</b>	<b>\$ 1,978,640</b>	<b>\$ 1,987,900</b>
<b>Stockholders' equity</b>					
Preferred stock, \$0.001 par value	—	—	—	—	—
Common stock, \$0.001 par value	\$ 243	\$ 242	\$ 242	\$ 241	\$ 241
Capital in excess of par value	2,264,345	2,272,178	2,266,517	2,260,554	2,258,548
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	(45,748)	(43,105)	11,972	37,153	33,758
Accumulated undistributed (distributions in excess of) net investment income	147,946	150,183	106,286	66,601	68,658
Net unrealized appreciation (depreciation) on investments and gain/loss on foreign currency	(157,858)	(43,539)	4,526	21,163	5,781
<b>Total stockholders' equity</b>	<b>\$ 2,208,928</b>	<b>\$ 2,335,959</b>	<b>\$ 2,389,543</b>	<b>\$ 2,385,712</b>	<b>\$ 2,366,986</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,149,663</b>	<b>\$ 4,264,904</b>	<b>\$ 4,358,345</b>	<b>\$ 4,364,352</b>	<b>\$ 4,354,886</b>
<b>Net asset value per share of common stock at period end</b>	<b>\$ 9.10</b>	<b>\$ 9.64</b>	<b>\$ 9.89</b>	<b>\$ 9.90</b>	<b>\$ 9.83</b>



# Financing Arrangements

Financing Arrangements as of December 31, 2015	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Broad Street Credit Facility	Revolving Credit Facility	L+1.50%	\$ —	\$ 125,000	January 19, 2016
ING Credit Facility	Revolving Credit Facility	L+2.50%	\$ 34,625*	\$ 265,375	April 3, 2018
JPM Facility	Repurchase Agreement	3.25%	\$ 800,000	\$ —	April 15, 2017
4.000% Notes due 2019	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	\$ 325,000	\$ —	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	\$ 275,000	\$ —	May 15, 2022

\* Amount includes borrowings in U.S. dollars and Euros. Euro balance outstanding of €29,125 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.09 as of December 31, 2015 to reflect total amount outstanding in U.S. dollars.

Total debt outstanding under financing arrangements	\$1,834,625
Debt/equity ratio <sup>8</sup>	83.1%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.0%
% of debt outstanding at fixed interest rates	98.1%
% of debt outstanding at variable interest rates	1.9%

Financing Arrangements as of September 30, 2015	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
Broad Street Credit Facility	Revolving Credit Facility	L+1.50%	\$ —	\$ 125,000	December 18, 2015
ING Credit Facility	Revolving Credit Facility	L+2.50%	\$ 31,812**	\$ 268,188	April 3, 2018
JPM Facility	Repurchase Agreement	3.25%	\$ 800,000	\$ —	April 15, 2017
4.000% Notes due 2019	Unsecured Notes	4.00%	\$ 400,000	\$ —	July 15, 2019
4.250% Notes due 2020	Unsecured Notes	4.25%	\$ 325,000	\$ —	January 15, 2020
4.750% Notes due 2022	Unsecured Notes	4.75%	\$ 275,000	\$ —	May 15, 2022

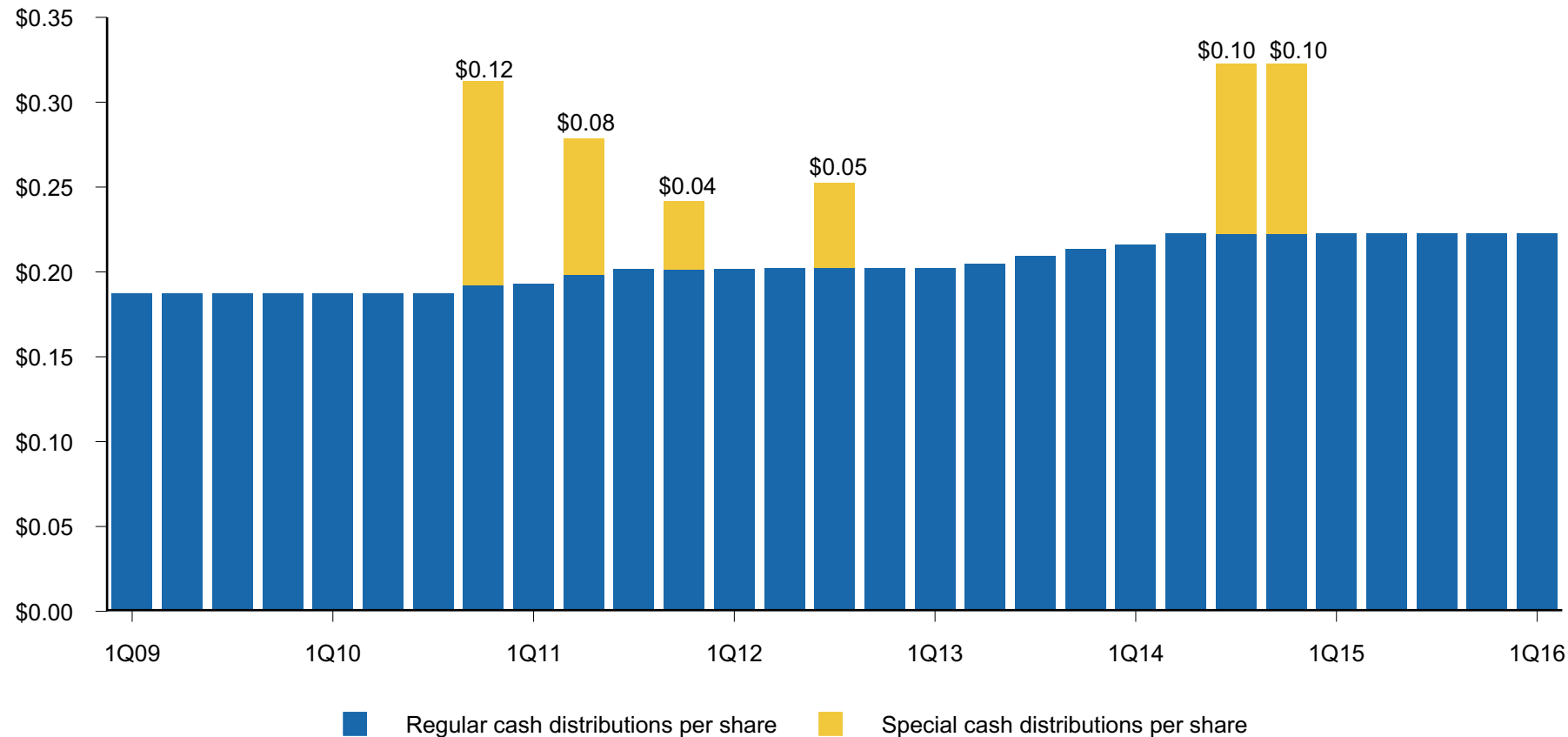
\*\* Amount includes borrowings in U.S. dollars and Euros. Euro balance outstanding of €28,500 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.12 as of September 30, 2015 to reflect total amount outstanding in U.S. dollars.

Total debt outstanding under financing arrangements	\$1,831,812
Debt/equity ratio <sup>8</sup>	78.4%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.0%
% of debt outstanding at fixed interest rates	98.3%
% of debt outstanding at variable interest rates	1.7%



**FS INVESTMENT  
CORPORATION**  
A Business Development Company

# Distribution History<sup>9</sup>

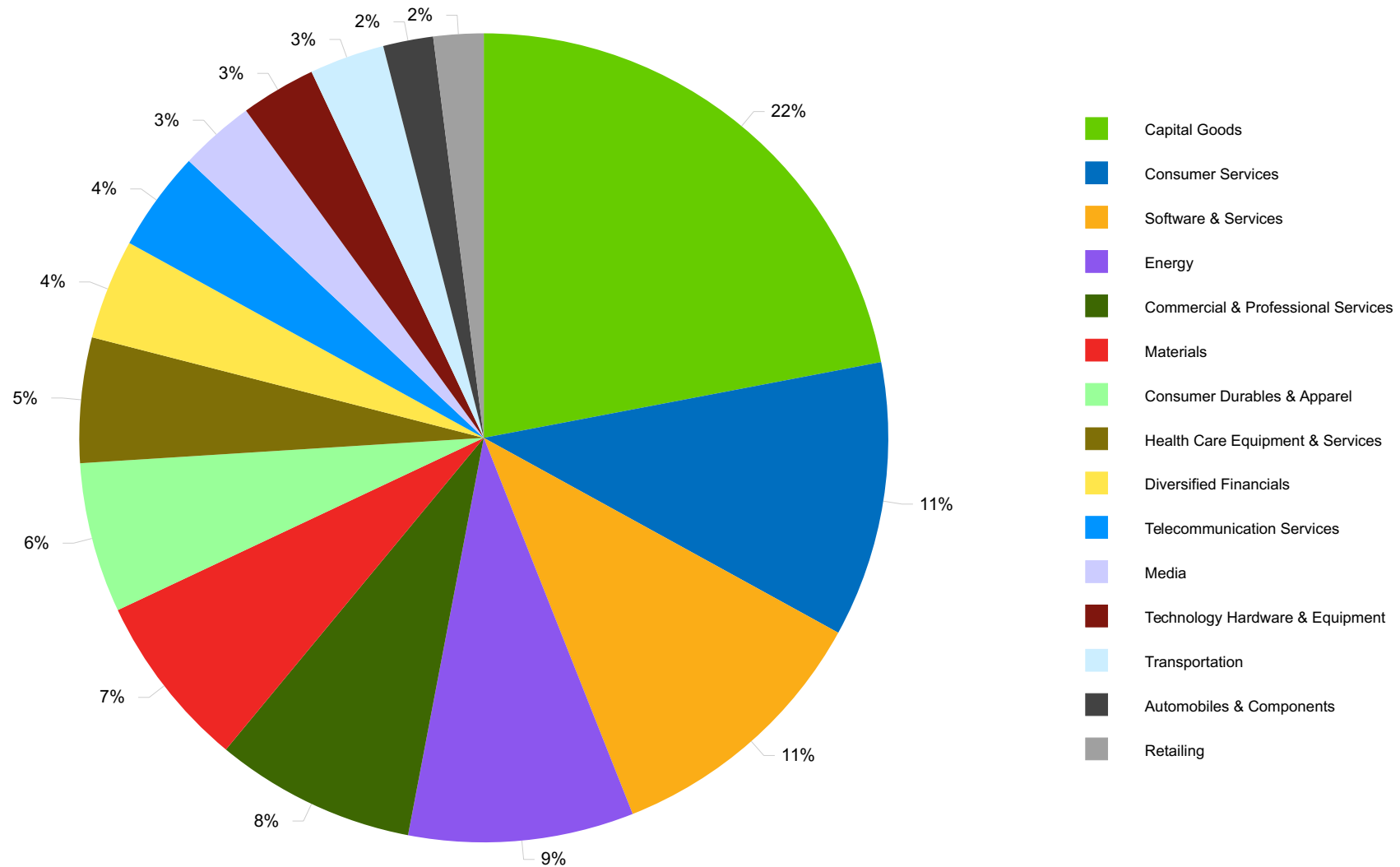


- On February 29, 2016, the Company announced a regular quarterly cash distribution of \$0.22275 per share, which will be paid on or about April 4, 2016 to stockholders of record as of the close of business on March 23, 2016.
- As of December 31, 2015, FSIC had approximately \$156.6 million (\$0.64 per share based on shares outstanding) of undistributed net investment income and approximately \$29.9 million (\$0.12 per share based on shares outstanding) of long-term capital losses on a tax basis.

# Investment Portfolio

## Industry Diversification

As of December 31, 2015, based on fair value

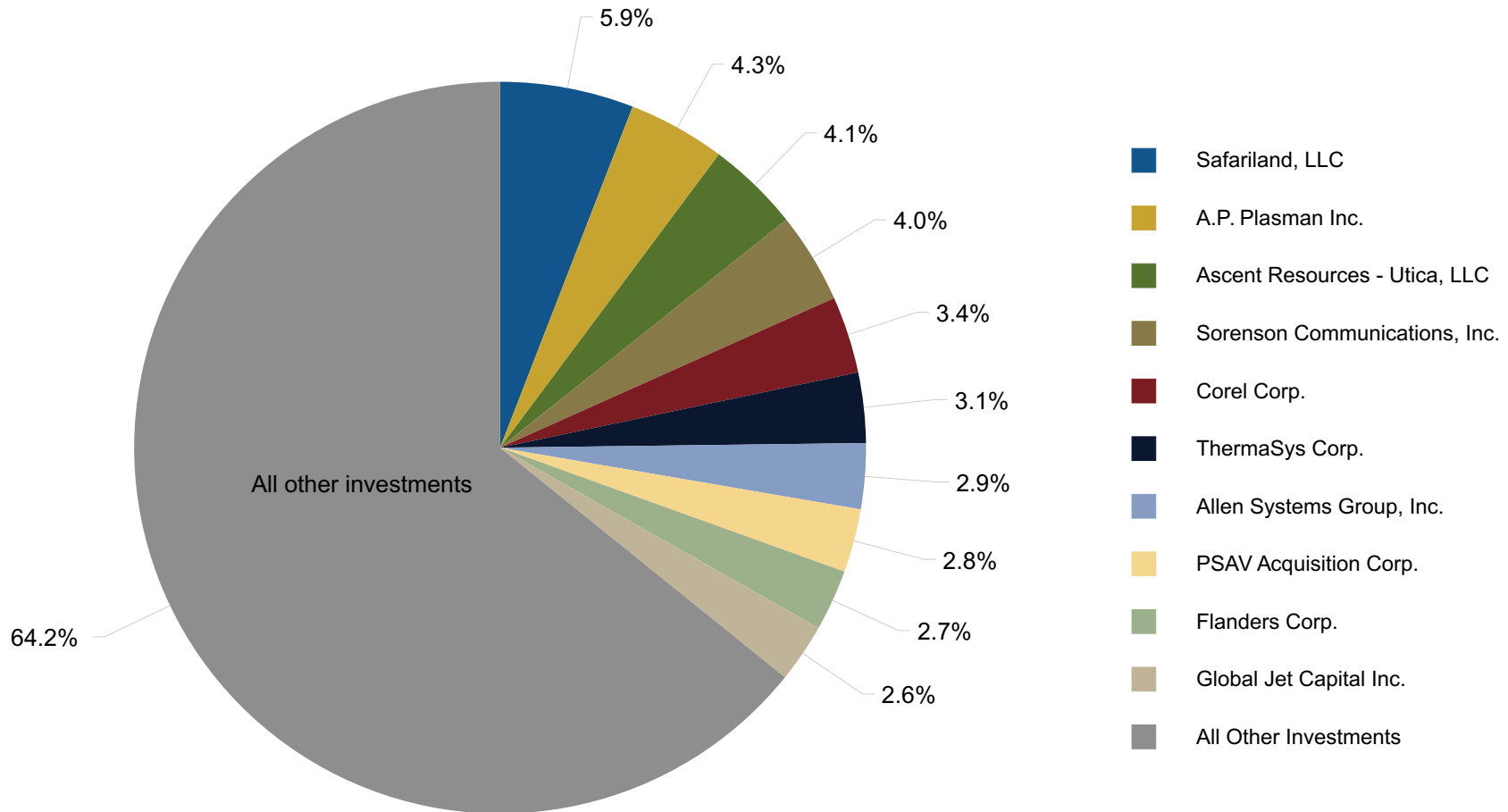


- As of December 31, 2015, FSIC's three largest industry concentrations based on fair value were Capital Goods (22%); Consumer Services (11%); and Software & Services (11%).
- As of December 31, 2015, FSIC's portfolio assets in Food, Beverage & Tobacco, and Semiconductors & Semiconductor Equipment amounted to less than 1% based on fair value.

# Issuer Concentration

## Issuer Concentration

Top ten portfolio companies as of December 31, 2015, 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 December 31, 2015.

# Portfolio Asset Quality

As of

Investment Rating <sup>10</sup>	December 31, 2015		September 30, 2015		December 31, 2014	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$ 723,402	18%	\$ 410,172	10%	\$ 484,332	12%
2	2,748,923	68%	3,076,590	75%	3,213,335	77%
3	501,659	13%	594,771	15%	434,620	10%
4	44,046	1%	18,546	0%	37,178	1%
5	11,341	0%	0	0%	13,982	0%
<b>Total</b>	<b>\$ 4,029,371</b>	<b>100%</b>	<b>\$ 4,100,079</b>	<b>100%</b>	<b>\$ 4,183,447</b>	<b>100%</b>

## Investment Rating<sup>10</sup> 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 Measures<sup>1</sup>

	Three Months Ended					
	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014	
GAAP net investment income per share	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.21	\$ 0.28	
Plus capital gains incentive fees per share	(0.01)	(0.06)	(0.03)	0.02	(0.07)	
Plus excise taxes per share	0.02	—	—	—	0.02	
Plus one-time expenses per share	—	—	—	—	0.01	
<b>Adjusted net investment income per share<sup>2</sup></b>	<b>\$ 0.24</b>	<b>\$ 0.21</b>	<b>\$ 0.35</b>	<b>\$ 0.23</b>	<b>\$ 0.24</b>	

	Year Ended	
	12/31/2015	12/31/2014
GAAP net investment income per share	\$ 1.10	\$ 0.97
Plus capital gains incentive fees per share	(0.09)	(0.04)
Plus excise taxes per share	0.02	0.02
Plus one-time expenses per share	—	0.04
<b>Adjusted net investment income per share<sup>2</sup></b>	<b>\$ 1.03</b>	<b>\$ 0.99</b>



# End Notes

- 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 the 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 annual report on Form 10-K for the year ended December 31, 2015, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview".



# End Notes (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) During the year ended December 31, 2015, FSIC reversed \$21,075 of capital gains incentive fees based on unrealized depreciation in its portfolio during such period. FSIC paid no capital gains incentive fees during the year ended December 31, 2015.
- 8) The debt/equity ratio is the ratio of total debt outstanding to stockholders' equity as of the applicable date.
- 9) 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.
- 10) In addition to various risk management and monitoring tools, FB Advisor 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 annual report on Form 10-K for the year ended December 31, 2015, 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.

### **Jeffrey K. Harrow**

Chairman of Sparks Marketing Group, Inc.

### **Michael Heller**

President and Chief Executive Officer of Cozen O'Connor

### **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

## Investor Relations Contact

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