



FS Investment Corporation

QUARTER AND YEAR ENDED DECEMBER 31, 2016 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	Q4-16	Q3-16	Q4-15	FY-16	FY-15
Net investment income per share	\$ 0.21	\$ 0.20	\$ 0.23	\$ 0.85	\$ 1.10
Adjusted net investment income per share ^{2*}	\$ 0.23	\$ 0.20	\$ 0.24	\$ 0.87	\$ 1.03
Total net realized and unrealized gain (loss) on investments per share	\$ 0.00	\$ 0.27	\$ (0.55)	\$ 0.36	\$ (0.94)
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.21	\$ 0.47	\$ (0.32)	\$ 1.21	\$ 0.16
Stockholder distributions per share ³	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.89100	\$ 0.89100
Net asset value per share at period end	\$ 9.41	\$ 9.42	\$ 9.10	\$ 9.41	\$ 9.10
Weighted average shares outstanding	244,016,474	243,488,590	242,800,333	243,448,610	241,946,850
Shares outstanding, end of period	244,063,357	243,488,590	242,847,016	244,063,357	242,847,016

Portfolio Highlights

(in thousands)	Q4-16	Q3-16	Q4-15	FY-16	FY-15
Purchases	\$ 495,071	\$ 217,337	\$ 563,346	\$ 1,157,827	\$ 1,647,620
Sales and Redemptions	(715,567)	(290,764)	(511,289)	(1,588,498)	(1,625,520)
Net Portfolio Activity	\$ (220,496)	\$ (73,427)	\$ 52,057	\$ (430,671)	\$ 22,100
Total fair value of investments	\$ 3,726,816	\$ 3,937,526	\$ 4,029,371	\$ 3,726,816	\$ 4,029,371
Total assets	\$ 4,110,071	\$ 4,128,618	\$ 4,148,173	\$ 4,110,071	\$ 4,148,173

*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)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Investments, at fair value	\$ 3,726,816	\$ 3,937,526	\$ 3,934,628	\$ 3,866,748	\$ 4,029,371
Portfolio Data					
Number of Portfolio Companies	102	103	108	111	114
Average Annual EBITDA of Portfolio Companies	\$ 100,000	\$ 104,100	\$ 112,900	\$ 114,300	\$ 113,200
Weighted Average Purchase Price of Debt Investments (as a % of par)	98.6%	98.2%	98.1%	98.3%	98.3%
% of Investments on Non-Accrual (based on fair value) ⁴	0.2%	0.7%	0.3%	0.3%	—
Asset Class (based on fair value)					
Senior Secured Loans—First Lien	52%	52%	53%	54%	54%
Senior Secured Loans—Second Lien	16%	16%	15%	15%	15%
Senior Secured Bonds	4%	4%	5%	5%	6%
Subordinated Debt	12%	11%	11%	12%	11%
Collateralized Securities	2%	2%	2%	2%	2%
Equity/Other	14%	15%	14%	12%	12%
Portfolio Composition by Strategy (based on fair value)⁵					
Direct Originations	88%	85%	85%	86%	85%
Opportunistic	9%	12%	12%	11%	12%
Broadly Syndicated/Other	3%	3%	3%	3%	3%
Interest Rate Type (based on fair value)					
% Variable Rate	67.0%	65.2%	65.5%	66.2%	66.8%
% Fixed Rate	19.4%	20.4%	20.6%	21.6%	21.6%
% Income Producing Equity/Other Investments	2.7%	3.7%	3.7%	4.2%	4.1%
% Non-Income Producing Equity/Other Investments	10.9%	10.7%	10.2%	8.0%	7.5%
Yields (based on amortized cost)⁶					
Gross Portfolio Yield Prior to Leverage	9.1%	9.2%	9.3%	9.6%	9.8%
Gross Portfolio Yield Prior to Leverage—Excluding Non-Income Producing Assets	10.1%	10.2%	10.2%	10.4%	10.4%

Select Direct Origination Information

	Three Months Ended				
(dollar amounts in thousands)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
New Direct Originations					
Total Commitments (including unfunded commitments)	\$ 526,589	\$ 144,226	\$ 398,896	\$ 43,598	\$ 604,203
Exited Investments (including partial paydowns)	(598,468)	(198,010)	(386,600)	(113,615)	(318,719)
Net Direct Originations	\$ (71,879)	\$ (53,784)	\$ 12,296	\$ (70,017)	\$ 285,484
New Direct Originations by Asset Class (including unfunded commitments)					
Senior Secured Loans—First Lien	88%	94%	76%	20%	60%
Senior Secured Loans—Second Lien	5%	5%	6%	—	6%
Senior Secured Bonds	1%	—	2%	—	10%
Subordinated Debt	2%	—	3%	26%	12%
Collateralized Securities	—	—	—	—	—
Equity/Other	4%	1%	13%	54%	12%
Average New Direct Origination Commitment Amount	\$ 29,255	\$ 20,604	\$ 49,862	\$ 8,720	\$ 37,763
Weighted Average Maturity for New Direct Originations	6/20/2023	12/11/2021	7/21/2020	11/23/2025	10/10/2021
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period ⁶	8.8%	9.3%	9.1%	6.0%	10.6%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of New Direct Originations during Period—Excluding Non-Income Producing Assets ⁶	9.1%	9.3%	10.8%	10.9%	12.3%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Direct Originations Exited during Period ⁶	8.0%	8.6%	10.3%	9.0%	9.9%

	As of	
Characteristics of All Direct Originations held in Portfolio	12/31/2016	12/31/2015
Direct Originations, at fair value	\$ 3,264,395	\$ 3,434,588
Number of Portfolio Companies	67	71
Average Annual EBITDA of Portfolio Companies	\$ 64,600	\$ 61,500
Average Leverage Through Tranche of Portfolio Companies—Excluding Equity/Other and Collateralized Securities	4.8x	4.9x
% 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	9.1%	9.7%
Gross Portfolio Yield Prior to Leverage (based on amortized cost) of Funded Direct Originations—Excluding Non-Income Producing Assets ⁶	10.1%	10.4%

Quarterly Operating Results

Three Months Ended

(dollar amounts in thousands, except per share amounts)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Total investment income	\$ 108,978	\$ 100,557	\$ 110,211	\$ 103,063	\$ 114,763
Net expenses	(51,882)	(51,554)	(53,371)	(53,125)	(52,556)
Net investment income before taxes	\$ 57,096	\$ 49,003	\$ 56,840	\$ 49,938	\$ 62,207
Excise taxes	(5,554)	—	—	—	(6,056)
Net investment income	\$ 51,542	\$ 49,003	\$ 56,840	\$ 49,938	\$ 56,151
Total net realized and unrealized gain (loss) on investments	320	65,366	83,317	(62,035)	(134,619)
Net increase (decrease) in net assets resulting from operations	\$ 51,862	\$ 114,369	\$ 140,157	\$ (12,097)	\$ (78,468)
Per share¹					
Net investment income	\$ 0.21	\$ 0.20	\$ 0.23	\$ 0.21	\$ 0.23
Adjusted net investment income ²	\$ 0.23	\$ 0.20	\$ 0.24	\$ 0.21	\$ 0.24
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 0.21	\$ 0.47	\$ 0.58	\$ (0.05)	\$ (0.32)
Stockholder distributions ³	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275	\$ 0.22275
Weighted average shares outstanding	244,016,474	243,488,590	243,435,681	242,847,016	242,800,333
Shares outstanding, end of period	244,063,357	243,488,590	243,488,590	242,847,016	242,847,016

Year Ended

(dollar amounts in thousands, except per share amounts)	12/31/2016	12/31/2015
Total investment income	\$ 422,809	\$ 474,797
Net expenses	(209,932)	(203,651)
Net investment income before taxes	\$ 212,877	\$ 271,146
Excise taxes	(5,554)	(6,056)
Net investment income	\$ 207,323	\$ 265,090
Total net realized and unrealized gain (loss) on investments	86,968	(226,705)
Net increase (decrease) in net assets resulting from operations	\$ 294,291	\$ 38,385
Per share¹		
Net investment income	\$ 0.85	\$ 1.10
Adjusted net investment income ²	\$ 0.87	\$ 1.03
Net increase (decrease) in net assets resulting from operations (Earnings per Share)	\$ 1.21	\$ 0.16
Stockholder distributions ³	\$ 0.89100	\$ 0.89100
Weighted average shares outstanding	243,448,610	241,946,850
Shares outstanding, end of period	244,063,357	242,847,016

Quarterly Operating Results Detail

	Three Months Ended				
(in thousands)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Investment income					
From non-controlled/unaffiliated investments:					
Interest income	\$ 88,007	\$ 93,380	\$ 92,319	\$ 99,452	\$ 101,654
Fee income	14,350	4,214	15,335	1,642	9,685
Dividend income	2,727	—	—	—	980
From non-controlled/affiliated investments:					
Interest income	2,732	2,013	1,112	967	975
Fee income	119	—	633	—	790
Dividend income	—	—	—	224	299
From controlled/affiliated investments:					
Interest income	1,043	950	812	778	380
Total investment income	\$ 108,978	\$ 100,557	\$ 110,211	\$ 103,063	\$ 114,763
Operating expenses					
Management fees	\$ 18,022	\$ 17,872	\$ 17,574	\$ 17,812	\$ 18,408
Capital gains incentive fees ⁷	—	—	—	—	(2,657)
Subordinated income incentive fees	12,885	12,250	14,210	12,485	13,375
Administrative services expenses	629	750	900	1,196	1,409
Accounting and administrative fees	260	243	235	228	260
Interest expense	18,817	18,283	18,064	18,894	19,428
Directors' fees	359	277	274	229	338
Other general and administrative expenses	910	1,879	2,114	2,281	1,995
Total operating expenses	\$ 51,882	\$ 51,554	\$ 53,371	\$ 53,125	\$ 52,556
Net investment income before taxes	\$ 57,096	\$ 49,003	\$ 56,840	\$ 49,938	\$ 62,207
Excise taxes	(5,554)	—	—	—	(6,056)
Net investment income	\$ 51,542	\$ 49,003	\$ 56,840	\$ 49,938	\$ 56,151

Quarterly Gain/Loss Information

	Three Months Ended				
(in thousands)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Realized gain/loss					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$ (44,471)	\$ 2,363	\$ (7,648)	\$ (13,779)	\$ (20,291)
Controlled/affiliated investments	—	(26)	—	—	—
Net realized gain (loss) on foreign currency	66	86	94	84	(9)
Total net realized gain (loss)	\$ (44,405)	\$ 2,423	\$ (7,554)	\$ (13,695)	\$ (20,300)
Unrealized gain/loss					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	\$ 42,461	\$ 64,039	\$ 86,922	\$ (54,703)	\$ (123,595)
Non-controlled/affiliated investments	4,696	(4,463)	1,919	6,367	7,632
Controlled/affiliated investments	(5,239)	4,354	705	1,633	743
Net change in unrealized appreciation (depreciation) on secured borrowing	(16)	(33)	—	—	—
Net change in unrealized gain (loss) on foreign currency	2,823	(954)	1,325	(1,637)	901
Total net unrealized gain (loss)	\$ 44,725	\$ 62,943	\$ 90,871	\$ (48,340)	\$ (114,319)
Total net realized and unrealized gain (loss)	\$ 320	\$ 65,366	\$ 83,317	\$ (62,035)	\$ (134,619)

Quarterly Balance Sheets

	As of				
(in thousands, except per share amounts)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Assets					
Investments, at fair value	\$ 3,726,816	\$ 3,937,526	\$ 3,934,628	\$ 3,866,748	\$ 4,029,371
Cash	264,594	112,648	43,197	71,376	80,807
Foreign currency, at fair value	4	1,013	973	—	1,180
Receivable for investments sold and repaid	75,921	27,160	11,772	7,614	66
Interest receivable	36,106	49,014	48,945	45,482	34,600
Deferred financing costs	5,828	573	857	1,139	1,420
Prepaid expenses and other assets	802	684	820	470	729
Total assets	\$ 4,110,071	\$ 4,128,618	\$ 4,041,192	\$ 3,992,829	\$ 4,148,173
Liabilities					
Payable for investments purchased	\$ 5,748	\$ 6,984	\$ 1,303	\$ 2,627	\$ —
Credit facilities payable	619,932	81,286	57,854	32,728	34,625
Unsecured notes payable	1,070,701	990,333	989,642	988,958	988,274
Repurchase agreement payable	—	650,000	650,000	725,000	800,000
Secured borrowing, at fair value	2,880	2,863	—	—	—
Stockholder distributions payable	54,364	54,236	54,236	54,093	54,093
Management fees payable	18,022	17,872	17,574	17,812	18,415
Accrued capital gains incentive fees	—	—	—	—	—
Subordinated income incentive fees payable	12,885	12,250	14,210	12,485	13,374
Administrative services expense payable	516	714	898	978	946
Interest payable	20,144	16,113	19,837	13,696	22,061
Directors' fees payable	281	204	225	230	282
Other accrued expenses and liabilities	7,221	1,308	1,091	1,484	7,175
Total liabilities	\$ 1,812,694	\$ 1,834,163	\$ 1,806,870	\$ 1,850,091	\$ 1,939,245
Stockholders' equity					
Preferred stock, \$0.001 par value	—	—	—	—	—
Common stock, \$0.001 par value	\$ 244	\$ 243	\$ 243	\$ 243	\$ 243
Capital in excess of par value	2,261,040	2,270,010	2,270,010	2,264,345	2,264,345
Accumulated undistributed net realized gains on investments and gain/loss on foreign currency	(104,274)	(64,574)	(66,997)	(59,443)	(45,748)
Accumulated undistributed (distributions in excess of) net investment income	148,026	141,160	146,393	143,791	147,946
Net unrealized appreciation (depreciation) on investments and secured borrowing and gain/loss on foreign currency	(7,659)	(52,384)	(115,327)	(206,198)	(157,858)
Total stockholders' equity	\$ 2,297,377	\$ 2,294,455	\$ 2,234,322	\$ 2,142,738	\$ 2,208,928
Total liabilities and stockholders' equity	\$ 4,110,071	\$ 4,128,618	\$ 4,041,192	\$ 3,992,829	\$ 4,148,173
Net asset value per share of common stock at period end	\$ 9.41	\$ 9.42	\$ 9.18	\$ 8.82	\$ 9.10

Financing Arrangements

Financing Arrangements as of December 31, 2016	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+2.50%	\$ 44,932*	\$ 255,068	April 3, 2018
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

* Borrowings in Euros. Euro balance outstanding of €42,575 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.06 as of December 31, 2016 to reflect total amount outstanding in U.S. dollars.

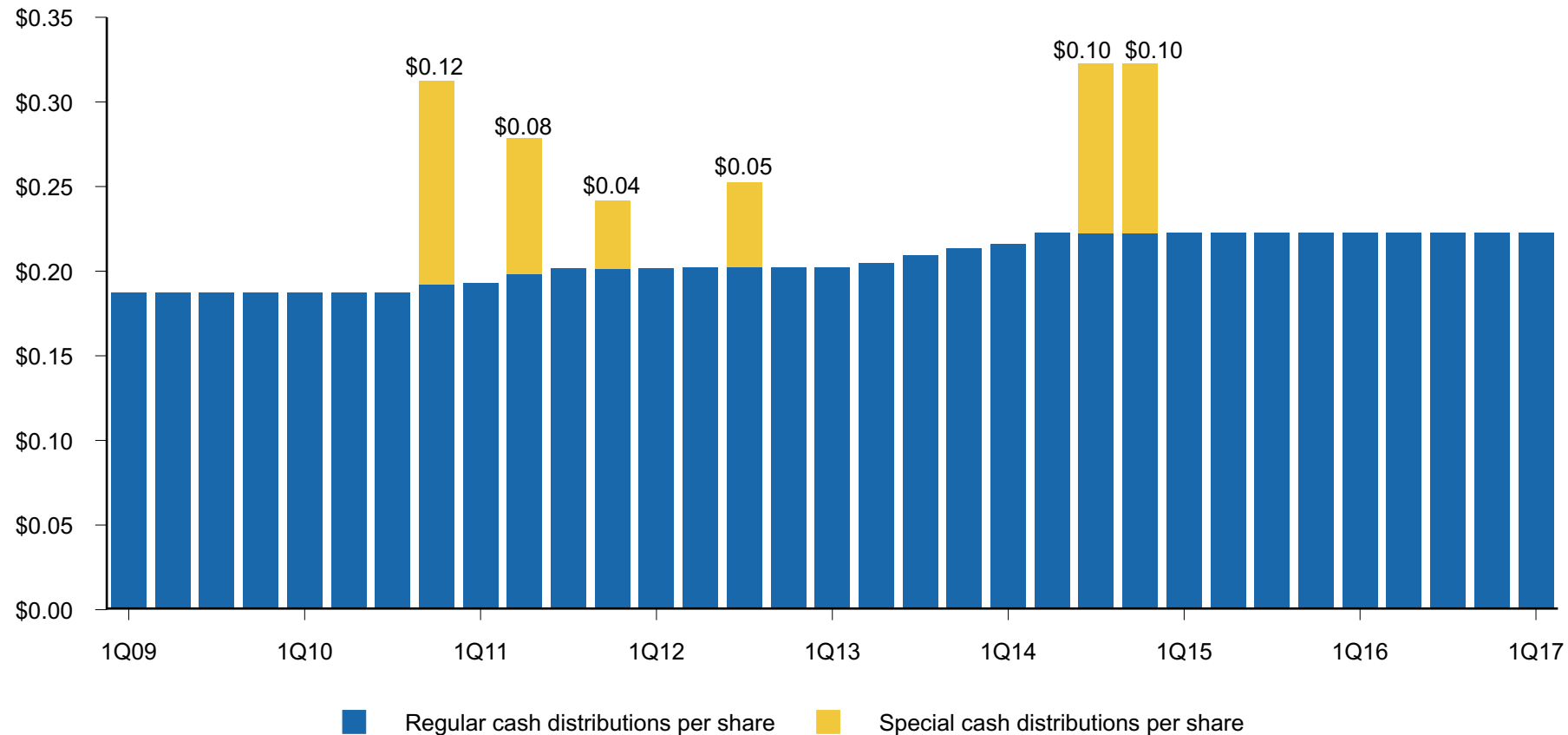
Total debt outstanding under financing arrangements	\$1,702,789
Debt/equity ratio ⁸	74.1%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.2%
% of debt outstanding at fixed interest rates	63.4%
% of debt outstanding at variable interest rates	36.6%

Financing Arrangements as of September 30, 2016	Type of Financing Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
(in thousands)					
ING Credit Facility	Revolving Credit Facility	L+2.50%	\$ 81,286**	\$ 218,714	April 3, 2018
JPM Facility	Repurchase Agreement	3.25%	\$ 650,000	\$ —	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
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 €42,963 has been converted to U.S. dollars at an exchange rate of €1.00 to \$1.12 as of September 30, 2016 to reflect total amount outstanding in U.S. dollars.

Total debt outstanding under financing arrangements	\$1,734,143
Debt/equity ratio ⁸	75.6%
Weighted average effective interest rate on borrowings (including non-usage fees)	4.0%
% of debt outstanding at fixed interest rates	95.1%
% of debt outstanding at variable interest rates	4.9%

Distribution History⁹

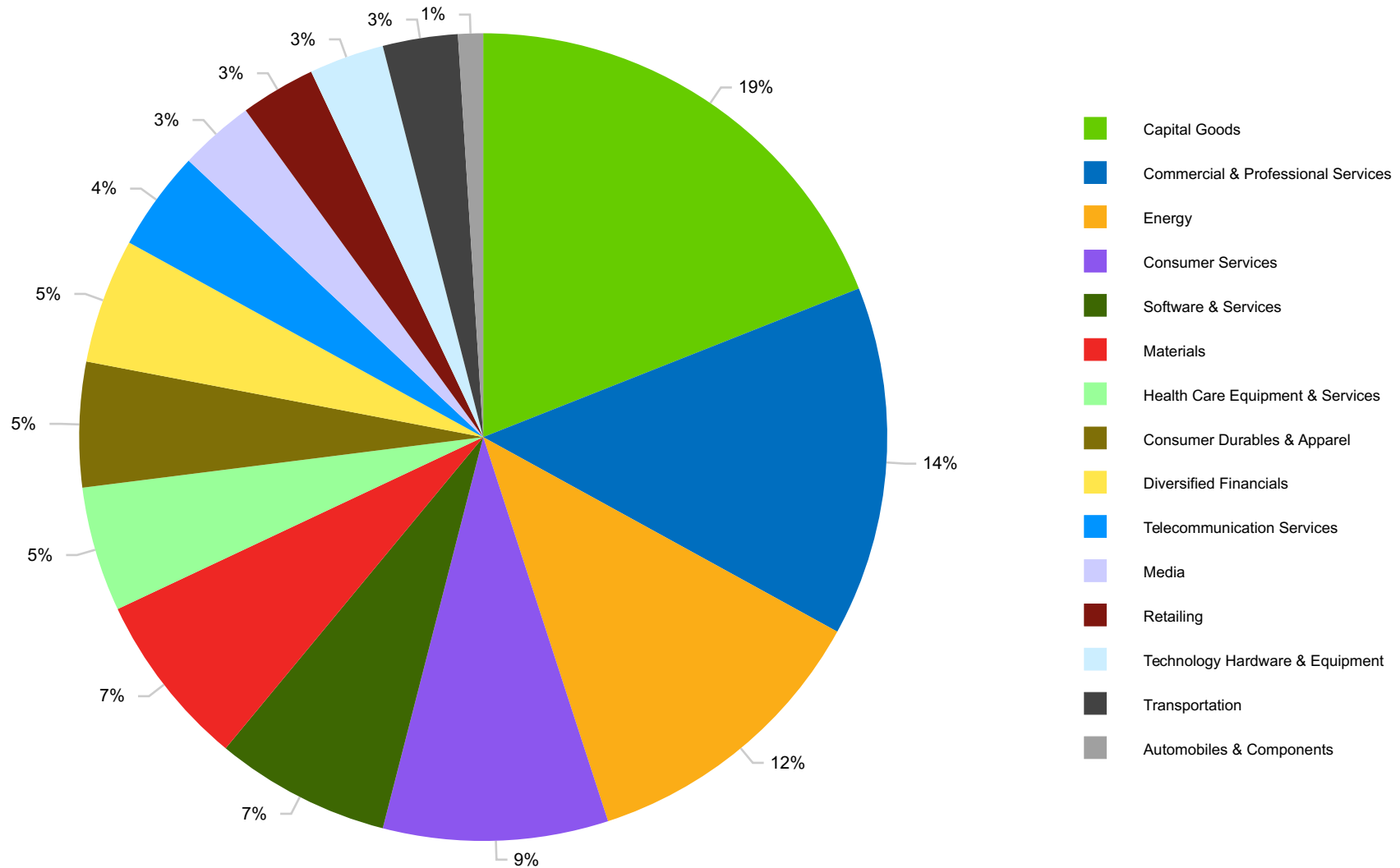


- On March 1, 2017, the Company announced a regular quarterly cash distribution of \$0.22275 per share, which will be paid on or about April 4, 2017 to stockholders of record as of the close of business on March 22, 2017.
- As of December 31, 2016, FSIC had approximately \$153.6 million (\$0.63 per share based on shares outstanding) of undistributed net investment income and approximately \$73.2 million (\$0.30 per share based on shares outstanding) of accumulated capital losses on a tax basis.

Investment Portfolio

Industry Diversification

As of December 31, 2016, based on fair value

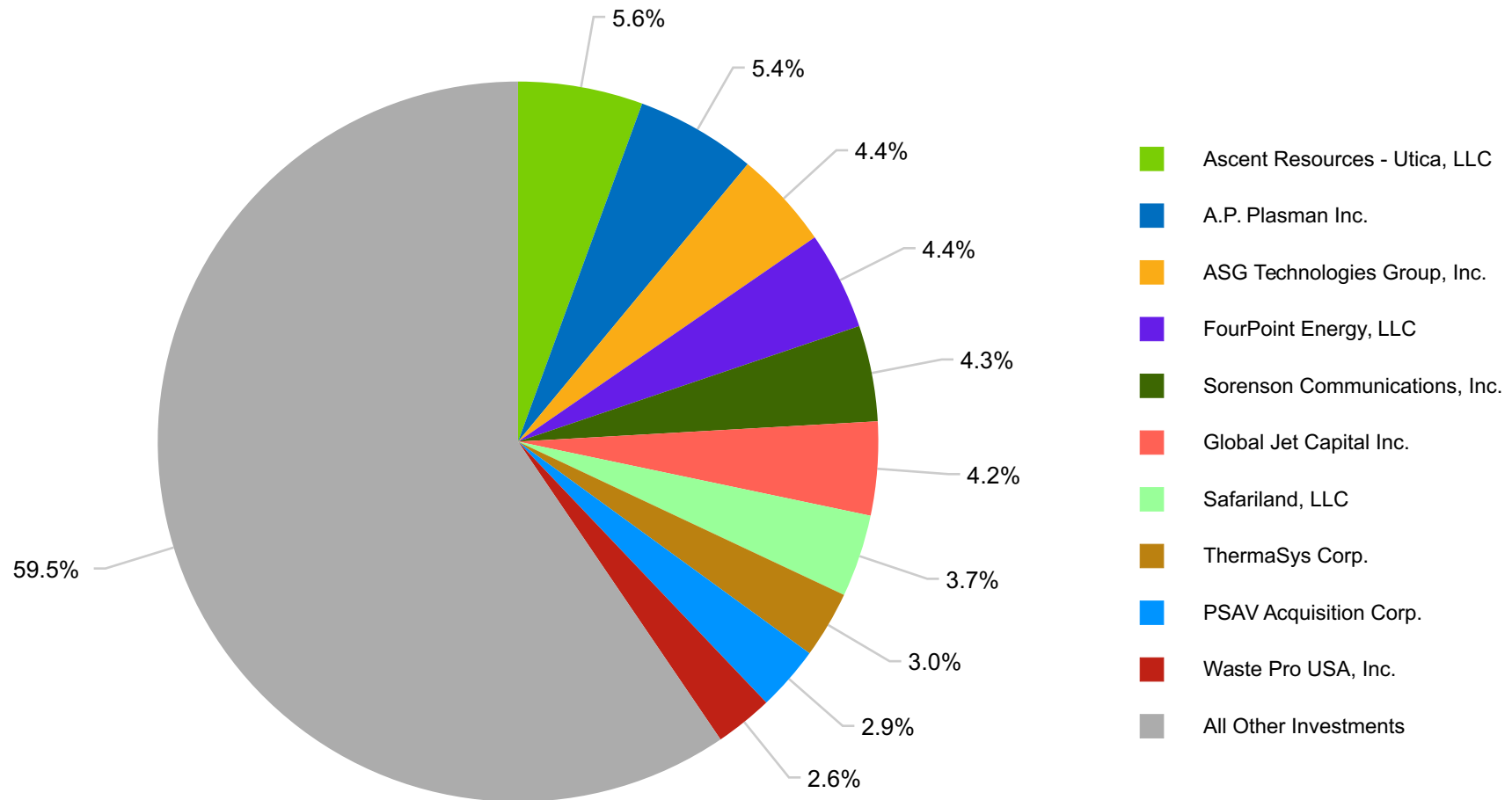


- As of December 31, 2016, FSIC's three largest industry concentrations based on fair value were Capital Goods (19%); Commercial & Professional Services (14%); and Energy (12%).
- As of December 31, 2016, FSIC's portfolio assets in Semiconductors & Semiconductor Equipment amounted to less than 1% based on fair value.

Issuer Concentration

Issuer Concentration

Top ten portfolio companies as of December 31, 2016, based on fair value and excluding unfunded commitment amounts



- FSIC's top ten portfolio companies by fair value represent 40.5% of the Company's total portfolio as of December 31, 2016.

Portfolio Asset Quality

As of

Investment Rating ¹⁰	December 31, 2016		September 30, 2016		December 31, 2015	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio	Fair Value	% of Portfolio
1	\$ 383,790	10%	\$ 431,575	11%	\$ 723,402	18%
2	3,049,433	82%	2,950,447	75%	2,748,923	68%
3	242,608	7%	471,146	12%	501,659	13%
4	—	—	26,289	1%	44,046	1%
5	50,985	1%	58,069	1%	11,341	0%
Total	\$ 3,726,816	100%	\$ 3,937,526	100%	\$ 4,029,371	100%

Investment Rating¹⁰ 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									
	12/31/2016		9/30/2016		6/30/2016		3/31/2016		12/31/2015	
GAAP net investment income per share	\$	0.21	\$	0.20	\$	0.23	\$	0.21	\$	0.23
Plus capital gains incentive fees per share		—		—		—		—		(0.01)
Plus excise taxes per share		0.02		—		—		—		0.02
Plus one-time expenses per share		—		—		0.00		0.00		—
Adjusted net investment income per share²	\$	0.23	\$	0.20	\$	0.24	\$	0.21	\$	0.24

	Year Ended	
	12/31/2016	12/31/2015
GAAP net investment income per share	\$ 0.85	\$ 1.10
Plus capital gains incentive fees per share	—	(0.09)
Plus excise taxes per share	0.02	0.02
Plus one-time expenses per share ¹¹	0.00	—
Adjusted net investment income per share²	\$ 0.87	\$ 1.03

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, 2016, 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) FSIC paid no capital gains incentive fees during the year ended December 31, 2016.
- 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, 2016, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Portfolio Asset Quality."
- 11) During the year ended December 31, 2016, FSIC incurred one-time expenses of \$938 relating to breakage fees associated with the partial paydown of the JPM Facility. These costs were partially offset by a \$188 reduction in FSIC's subordinated incentive fee on income due to the reduction in pre-incentive fee net investment income associated with this one-time expense.

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'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

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