



Capital Southwest Corporation

Q1 2024 Earnings Presentation

August 8, 2023

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- This presentation contains forward-looking statements relating to, among other things, the business, market conditions, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements that are not statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, preceded by, followed by, or include words such as "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest and speak only as of the date of this presentation. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
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Conference Call Participants

Bowen S. Diehl

President and Chief Executive Officer

Michael S. Sarner

Chief Financial Officer

Chris Rehberger

VP Finance / Treasurer

CSWC Company Overview

CSWC is a middle-market lending firm focused on supporting the acquisition and growth of middle-market companies across the capital structure

- CSWC was formed in 1961, and elected to be regulated as a BDC in 1988
- Publicly-traded on Nasdaq: Common Stock (“CSWC”) and 7.75% Notes due 2028 (“CSWCZ”)
- Internally Managed BDC with RIC tax treatment for U.S. federal income tax purposes
- 28 employees based in Dallas, Texas
- Total Balance Sheet Assets of \$1.3 B as of June 30, 2023
- Operate Capital Southwest SBIC I, LP, a wholly-owned subsidiary
- Manage I-45 Senior Loan Fund (“I-45 SLF”) in partnership with Main Street Capital (NYSE: “MAIN”)
- Maintain investment grade issuer ratings of Baa3 from Moody's and BBB- from Fitch

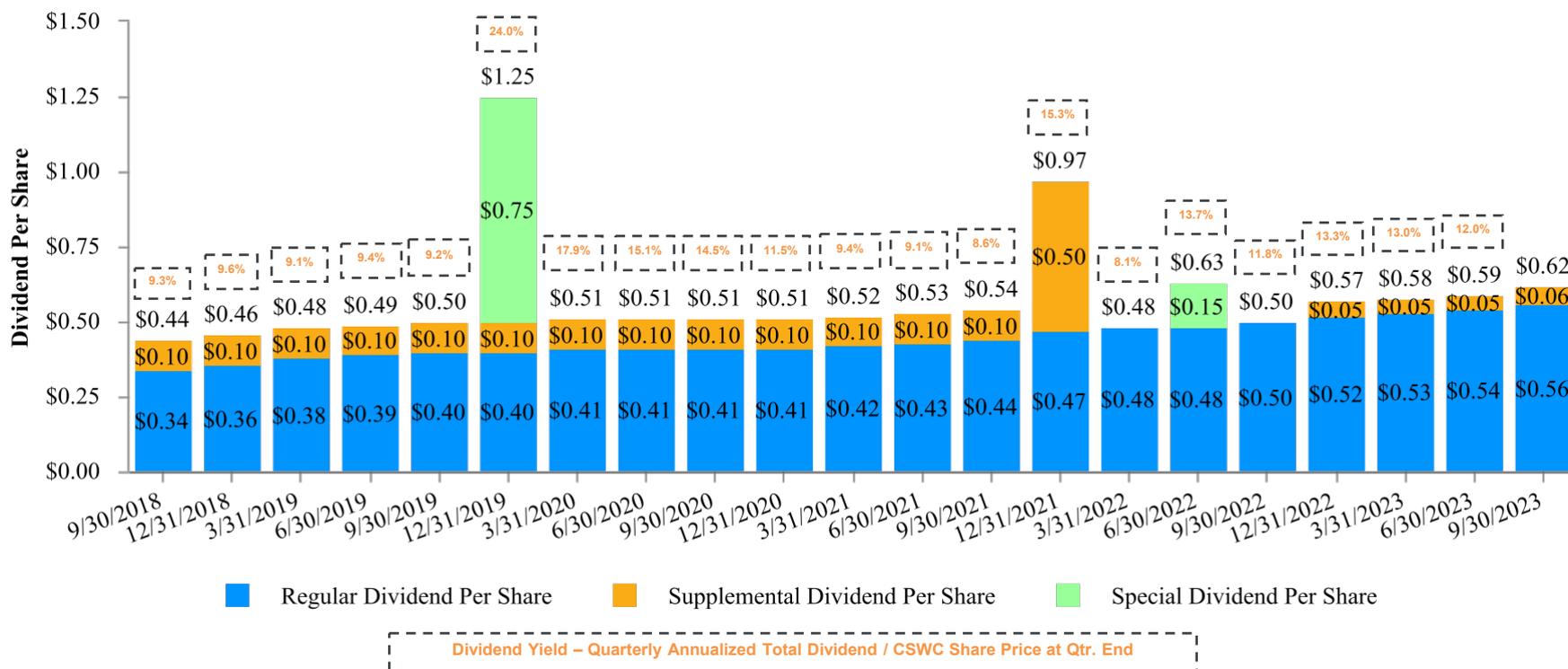
Q1 2024 Highlights

Financial Highlights

- Q1 2024 Pre-Tax Net Investment Income (“NII”) of \$25.0 MM or \$0.67 per share compared to \$0.65 per share in the prior quarter, an increase of 3%
- Increased Regular Dividend to \$0.56 per share for the quarter ending September 30, 2023, an increase of 3.7% compared to the \$0.54 per share Regular Dividend paid for the quarter ended June 30, 2023
 - Increased Supplemental Dividend to \$0.06 per share for the quarter ending September 30, 2023, compared to the \$0.05 per share Supplemental Dividend paid for the quarter ended June 30, 2023
- Investment Portfolio at Fair Value increased to \$1.29 B from \$1.21 B in prior quarter
 - \$111.9 MM in total new committed investments to six new portfolio companies and seven existing portfolio companies
 - \$3.4 MM in total proceeds from one equity exit generating an IRR of 13.0% and a realized gain of \$1.9 MM
- Issued \$71.9 MM in aggregate principal of 7.75% Notes due 2028 (Nasdaq: "CSWCZ")
- Raised \$45.6 MM in gross proceeds through Equity ATM Program during the quarter
 - Sold shares at weighted-average price of \$18.03 per share, or 110% of the prevailing NAV per share
- Regulatory Debt to Equity decreased to 0.87x in the quarter
- Received BBB- investment grade rating from Fitch Ratings in June 2023
- \$204 MM available on Credit Facility and \$21.3 MM in cash and cash equivalents as of quarter end
- Subsequent to quarter end, increased Credit Facility to \$435 MM and extended maturity to August 2028

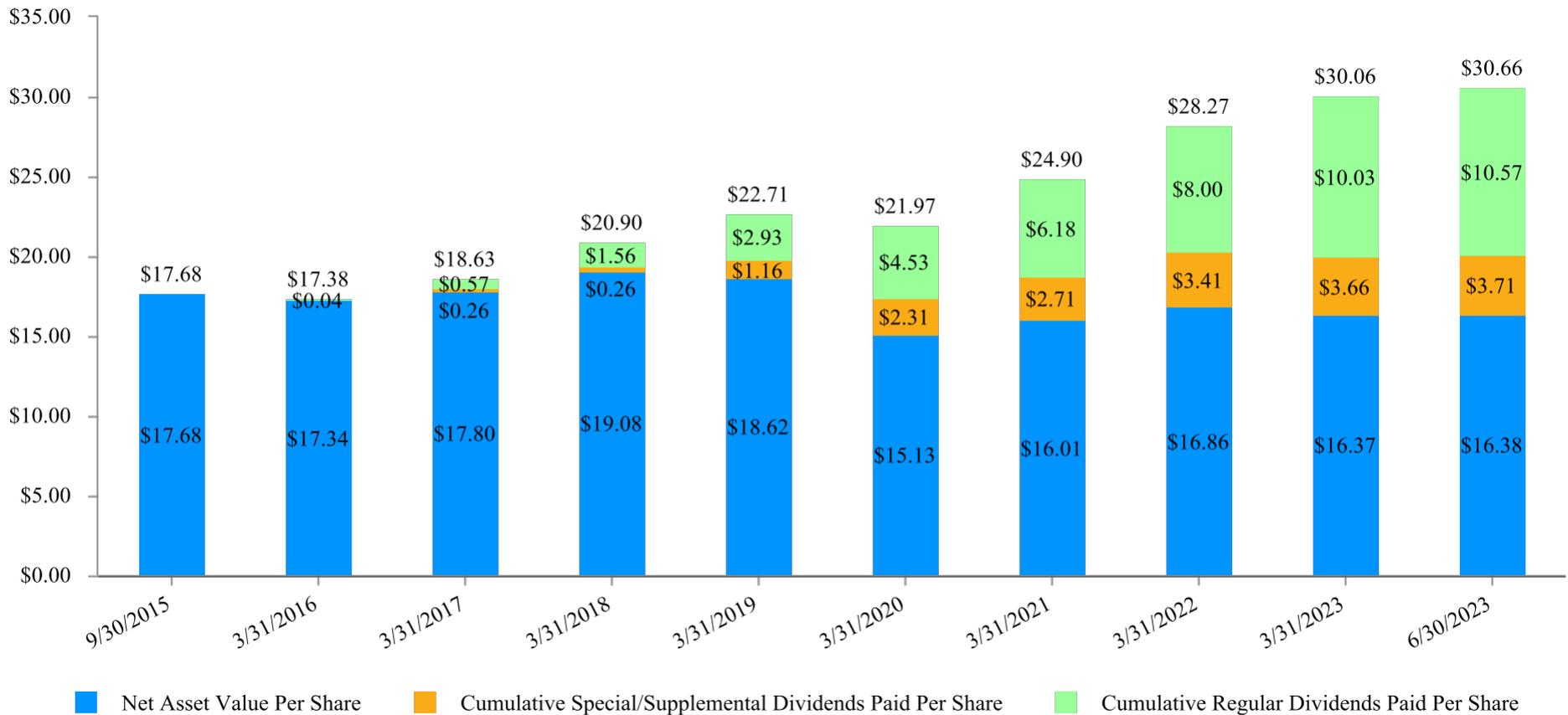
Track Record of Consistent Dividends Continues

- In the last twelve months ended 6/30/2023, CSWC generated \$2.46 per share in Pre-Tax NII and paid out \$2.09 per share in Regular Dividends
 - LTM Pre-Tax NII Regular Dividend Coverage of 118%
- Cumulative Pre-Tax NII Regular Dividend Coverage of 109% since December 2015
- Total of \$3.77 per share Special and Supplemental Dividends declared since December 2015
- Estimated Undistributed Taxable Income ("UTI") of \$0.34 per share as of June 30, 2023



History of Value Creation

Total Value (Net Asset Value + Cumulative Dividends Paid) Increase from Credit Strategy of \$12.98 per share through 6/30/2023



Credit Investment Strategy

CORE: Lower Middle Market (“LMM”): CSWC led or Club Deals

- Companies with EBITDA between \$3 MM and \$20 MM
- Typical leverage of 2.0x – 4.0x Debt to EBITDA through CSWC debt position
- Commitment size up to \$35 MM with hold sizes generally \$5 MM to \$35 MM
- Both sponsored and non-sponsored deals
- Securities include first lien, unitranche, and second lien
- Frequently make equity co-investments alongside CSWC debt

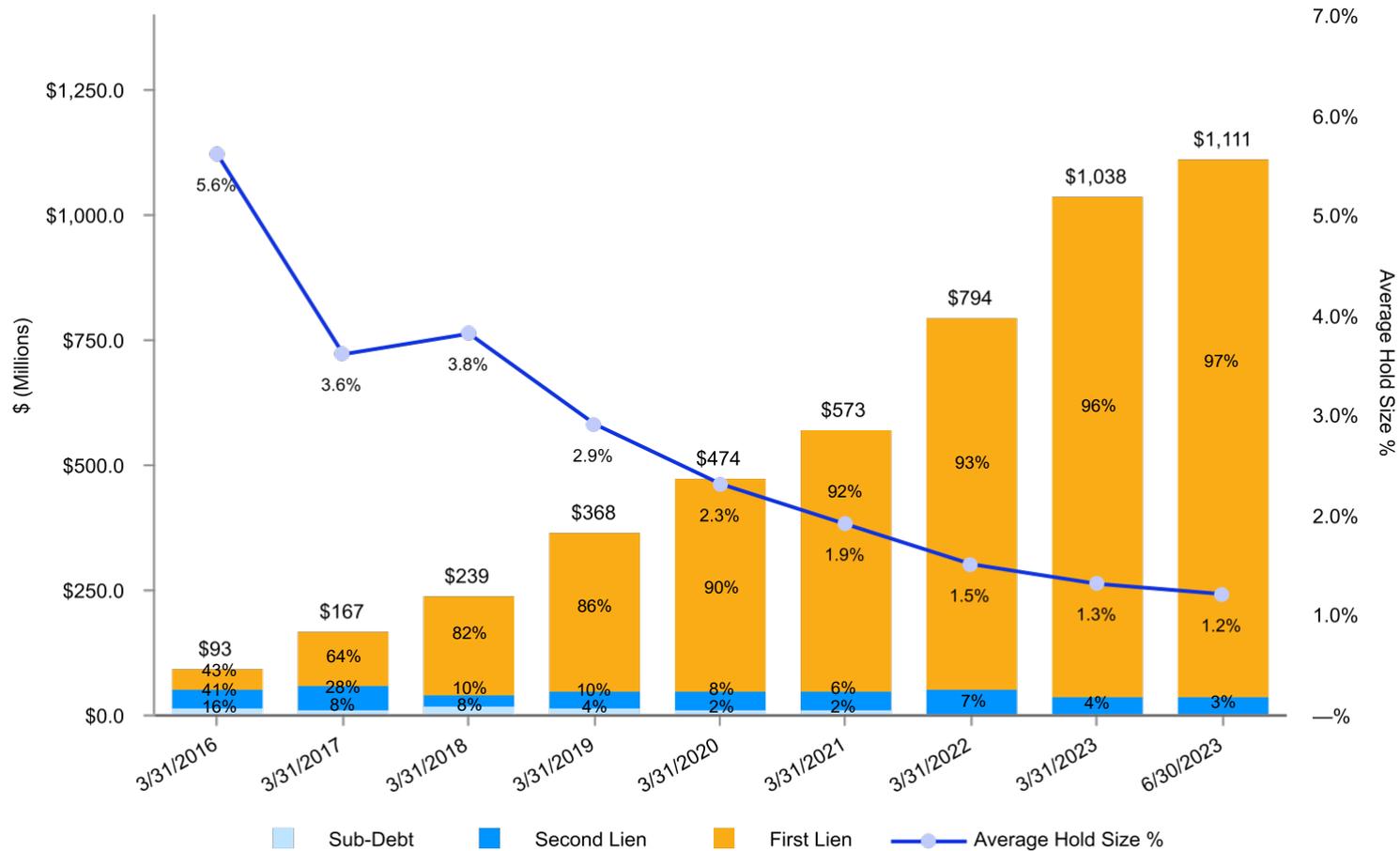
OPPORTUNISTIC: Upper Middle Market (“UMM”): Club, First and Second Lien

- Companies typically have in excess of \$20 MM in EBITDA
- Typical leverage of 3.5x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 MM to \$20 MM
- Floating rate first and second lien debt securities

Credit Portfolio Heavily Weighted Towards First Lien Investments

97% of credit portfolio in first lien senior secured loans with an average investment hold size of 1.2% as of 6/30/23

Credit Portfolio Heavily Weighted to First Lien



Q1 2024 Originations

\$111.9 MM in total new committed investments to six new portfolio companies and seven existing portfolio companies

- \$94.3 MM funded at close

Portfolio Originations		Q1 2024				
Name	Industry	Type	Total Debt Funded at Close (\$000s)	Total Equity Funded at Close (\$000s)	Unfunded Commitments at Close (\$000s)	Debt Yield to Maturity
Edge Autonomy Holdings, LLC	Aerospace & defense	First Lien	\$22,500	\$—	\$4,000	12.4%
FS Vector, LLC	Business services	First Lien / Equity	\$18,000	\$1,000	\$2,000	13.1%
Bond Brand Loyalty ULC	Media & marketing	First Lien / Equity	\$18,000	\$1,000	\$2,000	13.2%
Heat Trak, LLC	Consumer products & retail	First Lien / Warrants	\$11,500	\$—	\$—	14.9%
HH-Inspire Acquisition, Inc.	Healthcare services	First Lien / Equity	\$8,036	\$306	\$765	13.8%
LKC Technologies, Inc.	Healthcare products	First Lien / Equity	\$6,500	\$1,000	\$2,000	13.4%
ITA Holdings Group, LLC (DBA Apollo MedFlight)	Transportation & logistics	First Lien	\$—	\$—	\$6,494	14.2%
Roof OpCo, LLC	Consumer services	First Lien / Equity	\$4,889	\$250	\$—	12.7%
Automatan, LLC (DBA Inspire Automation)	Business services	First Lien	\$1,000	\$—	\$—	12.7%
Lash OpCo	Consumer products & retail	First Lien	\$—	\$—	\$343	12.2%
Other Equity Co-Investments	Various	Equity	\$—	\$312	\$—	N/A
Total / Wtd. Avg			\$90,425	\$3,868	\$17,602	13.2%

Track Record of CSWC Exits Continues

\$3.4 MM in total proceeds from one portfolio company exit

- During the quarter, CSWC exited one equity investment, generating proceeds of \$3.4 MM and an IRR of 13.0%
- Cumulative IRR of 14.1% on 68 portfolio company exits generating \$802 MM in proceeds since launch of credit strategy in January 2015

Portfolio Exits		Q1 2024			
Name	Industry	Type	Net Proceeds (\$000s)	Realized Gain / (Loss) (\$000s)	IRR
Chandler Signs	Business Services	Equity	\$3,402	\$1,902	13.0%
Total / Wtd. Avg			\$3,402	\$1,902	13.0%

CSWC Investment Portfolio Composition

Maintaining appropriate portfolio leverage while receiving attractive risk-adjusted returns

Investment Portfolio - Statistics		
(in \$000's)	3/31/2023	6/30/2023
	Total CSWC Portfolio	Total CSWC Portfolio
Number of Portfolio Companies	85	89
Total Cost	\$1,139,352	\$1,206,225
Total Fair Value	\$1,155,132	\$1,233,456
Average Hold Size Debt Investments (at Fair Value)	\$13,303	\$13,548
Average Hold Size Equity Investments (at Fair Value)	\$2,218	\$2,150
% First Lien Investments (at Fair Value)	86.6%	87.2%
% Second Lien Investments (at Fair Value)	3.1%	2.8%
% Subordinated Debt Investments (at Fair Value)	0.1%	0.1%
% Equity (at Fair Value) ⁽¹⁾	10.2%	9.9%
Wtd. Avg. Yield on Debt Investments ⁽²⁾	12.8%	12.9%
Wtd. Avg. Yield on Total Investments ⁽³⁾	12.1%	12.6%
Wtd. Avg. EBITDA of Issuer (\$MM's) ⁽⁴⁾	\$21.0	\$20.2
Wtd. Avg. Leverage through CSWC Security ⁽⁵⁾	4.0x	3.8x

Note: All metrics above exclude the I-45 SLF

(1) At June 30, 2023 and March 31, 2023, we had equity ownership in approximately 64% and 62%, respectively, of our investments

(2) The weighted-average annual effective yields were computed using the effective interest rates during the quarter for all debt investments at cost as of June 30, 2023, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments

(3) The weighted average annual effective yields on total investments were calculated by dividing total investment income, exclusive of non-recurring fees, by average total investments at fair value

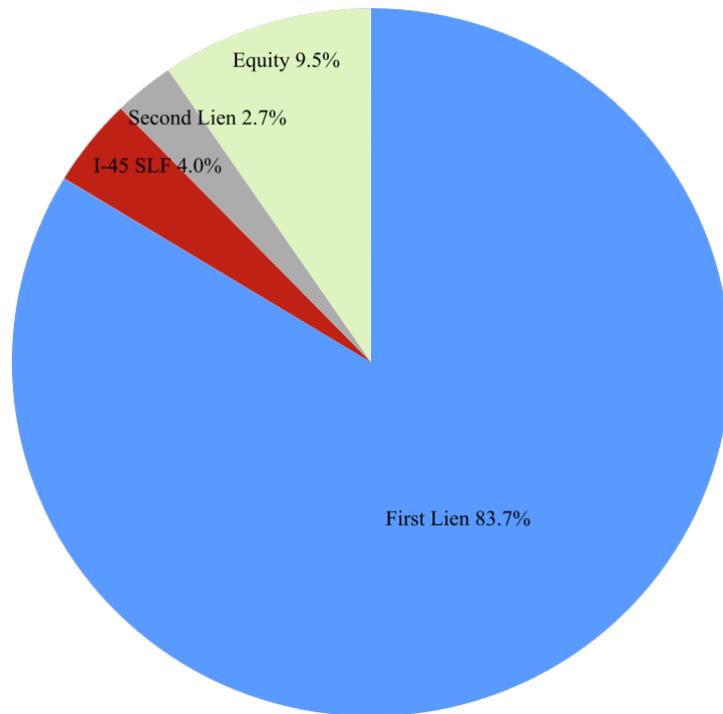
(4) Includes CSWC debt investments only. Weighted average EBITDA metric is calculated using investment cost basis weighting. For both quarters ended June 30, 2023 and March 31, 2023, nine portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

(5) Includes CSWC debt investments only. Calculated as the amount of each portfolio company's debt (including CSWC's position and debt senior or pari passu to CSWC's position, but excluding debt subordinated to CSWC's position) in the capital structure divided by each portfolio company's adjusted EBITDA. Weighted average leverage is calculated using investment cost basis weighting. For both quarters ended June 30, 2023 and March 31, 2023, nine portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

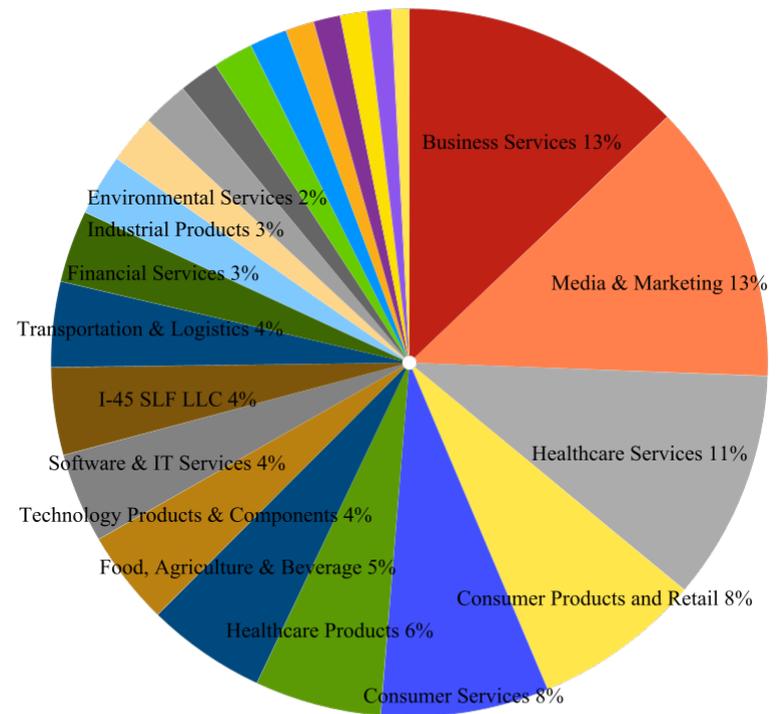
CSWC Portfolio Mix as of June 30, 2023 at Fair Value

Current Investment Portfolio of \$1.3 B continues to be diverse across industries

Current Investment Portfolio (By Type)



Current Investment Portfolio (By Industry)



(Note 1) I-45 SLF consists of 95% first lien senior secured debt

(Note 2) Equity represents equity co-investments across 57 portfolio companies

Quarter-over-Quarter Investment Rating Migration

Approximately 96% of all debt investments are currently rated a "1" or "2" as credit portfolio continues to demonstrate strong performance

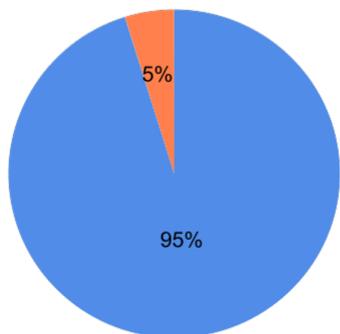
Investment Rating	3/31/2023			Investment Rating Upgrades			Investment Rating Downgrades			6/30/2023		
	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)	# of Loans	Fair Value (\$MM)	% of Portfolio (FV)
1	10	\$153.1	14.8%	1	\$9.0	0.8%	—	\$—	—%	11	\$155.8	14.0%
2	81	\$839.5	80.9%	—	\$—	—%	—	\$—	—%	91	\$912.3	82.1%
3	5	\$44.7	4.3%	—	\$—	—%	—	\$—	—%	5	\$42.9	3.9%
4	4	\$0.3	—%	—	\$—	—%	—	\$—	—%	—	\$—	—%
Wtd. Avg. Investment Rating (at Cost)	1.93									1.91		

Note: We utilize an internally developed investment rating system to rate the performance and monitor the expected level of returns for each debt investment in our portfolio. The investment rating system takes into account both quantitative and qualitative factors of the portfolio company and the investments held therein. Investment Ratings range from a rating of 1, which represents the least amount of risk in our portfolio, to 4, which indicates that the investment is performing materially below underwriting expectations

I-45 SLF Portfolio Overview

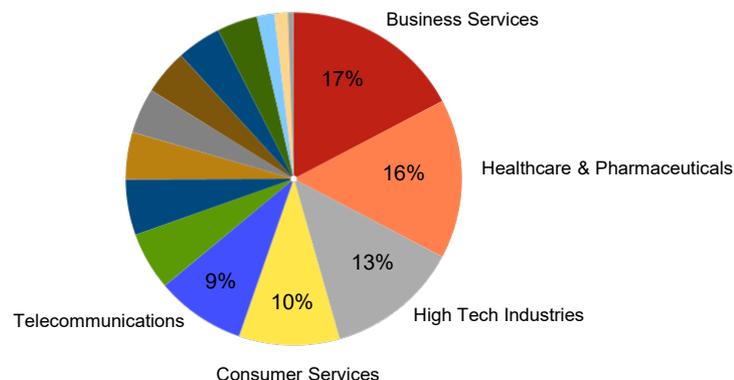
I-45 SLF loan portfolio of \$132 MM is 95% first lien senior secured debt

Current I-45 Portfolio (By Type)



■ First Lien ■ Non-First Lien

Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
<i>(In Thousands)</i>	<u>9/30/2022</u>	<u>12/31/2022</u>	<u>3/31/2023</u>	<u>6/30/2023</u>
Total Investments at Fair Value	\$168,610	\$160,998	\$143,712	\$131,723
Fund Leverage (Debt to Equity) at Fair Value	1.73x	1.75x	1.34x	1.20x
Number of Issuers	39	39	36	33
Wtd. Avg. Issuer EBITDA ⁽¹⁾	\$81,162	\$81,865	\$74,955	\$70,692
Avg. Investment Size as a % of Portfolio	2.6%	2.6%	2.8%	3.0%
Wtd. Avg. Net Leverage on Investments ⁽¹⁾⁽²⁾	4.4x	4.5x	4.8x	4.9x
Wtd. Avg. Spread to LIBOR / SOFR	6.3%	6.3%	6.3%	6.4%
Wtd. Avg. Duration (Yrs)	3.3	2.9	2.6	2.4

(1) For the quarter ended June 30, 2023, three portfolio companies are excluded from this calculation due to a reported debt to adjusted EBITDA ratio that was not meaningful

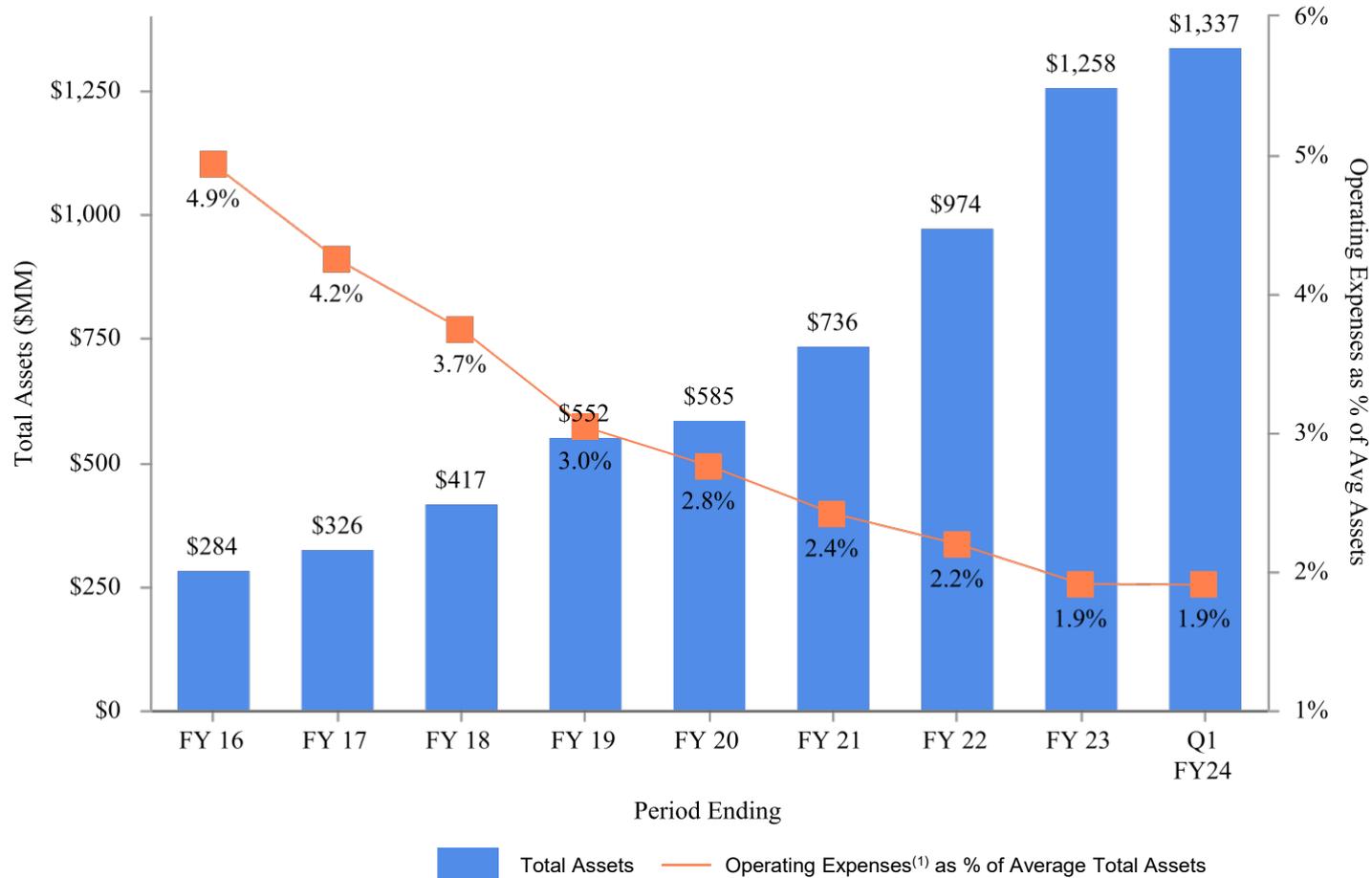
(2) Through I-45 SLF security

Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23
Investment Income				
Interest Income	\$22,119	\$27,639	\$31,622	\$34,819
PIK Interest Income	1,384	1,501	1,870	1,656
Dividend Income	2,527	2,382	2,207	2,703
Fees and Other Income	769	1,244	1,493	1,183
Total Investment Income	\$26,799	\$32,766	\$37,192	\$40,361
Expenses				
Cash Compensation	\$2,254	\$3,381	\$2,693	\$2,510
Share Based Compensation	1,060	992	832	963
General & Administrative	1,878	1,777	2,091	2,204
Total Expenses (excluding Interest)	\$5,192	\$6,150	\$5,616	\$5,677
Interest Expense	\$6,629	\$7,937	\$8,823	\$9,681
Pre-Tax Net Investment Income	\$14,978	\$18,679	\$22,753	\$25,003
Gains / Losses and Taxes				
Net Realized and Unrealized Gains (Losses)	\$(4,986)	\$(16,476)	\$(4,228)	\$(744)
Income Tax (Expense) / Benefit	(534)	746	(349)	(447)
Net increase in Net Assets Resulting from Operations	\$9,458	\$2,949	\$18,176	\$23,812
Weighted Average Diluted Shares Outstanding	27,988	31,381	35,244	37,598
Pre-Tax NII Per Diluted Weighted Average Share	\$0.54	\$0.60	\$0.65	\$0.67
Net Increase in Net Assets Per Dil. Wtd. Average Share	\$0.34	\$0.09	\$0.52	\$0.63

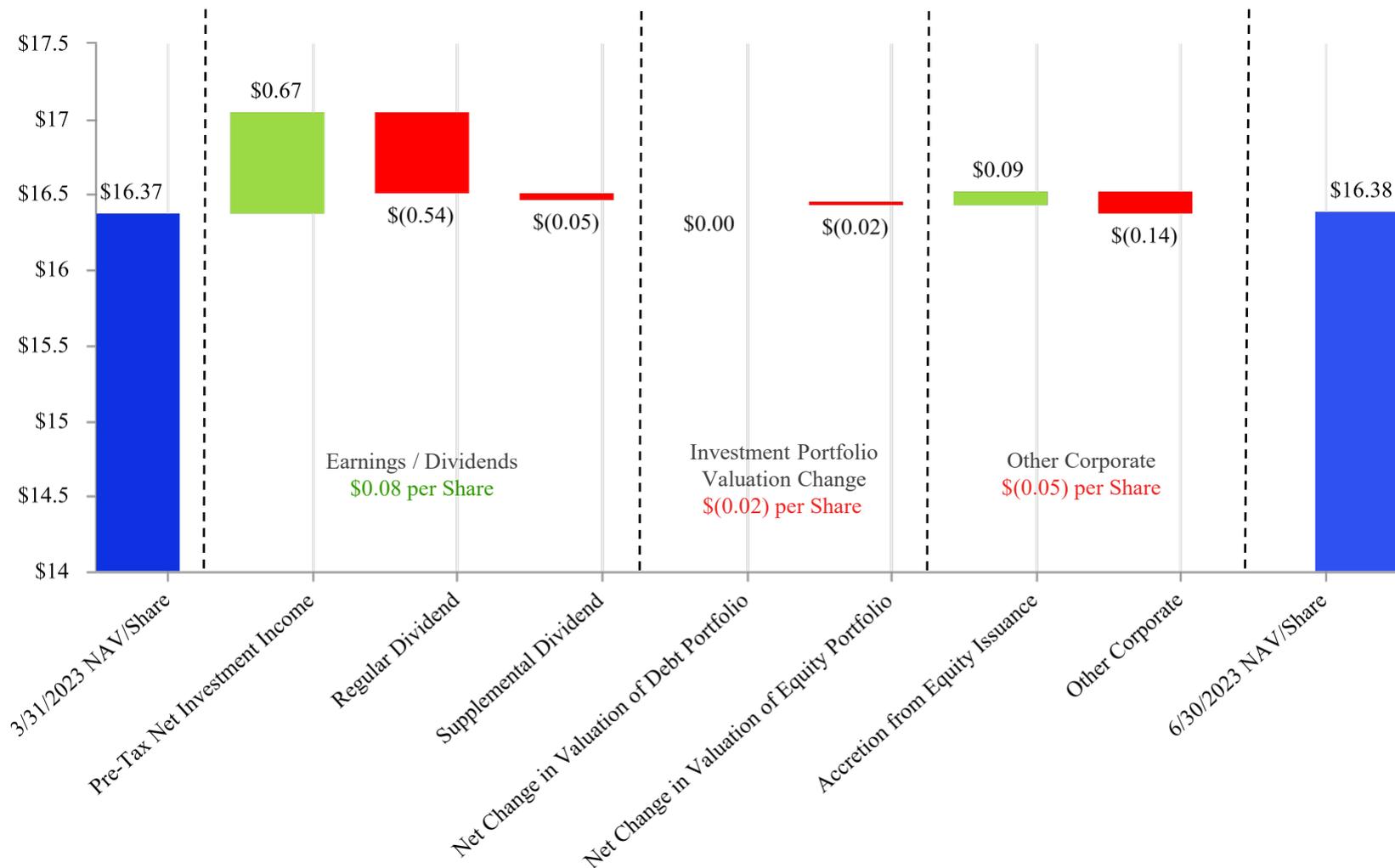
Operating Leverage Trend

Continue to realize operating efficiencies of internally managed structure



Note: Operating Leverage calculated as last twelve months operating expenses (excluding interest expense) divided by average annual assets
 (1) Operating expenses exclude interest expense

NAV per Share Bridge for Quarter Ended 6/30/2023



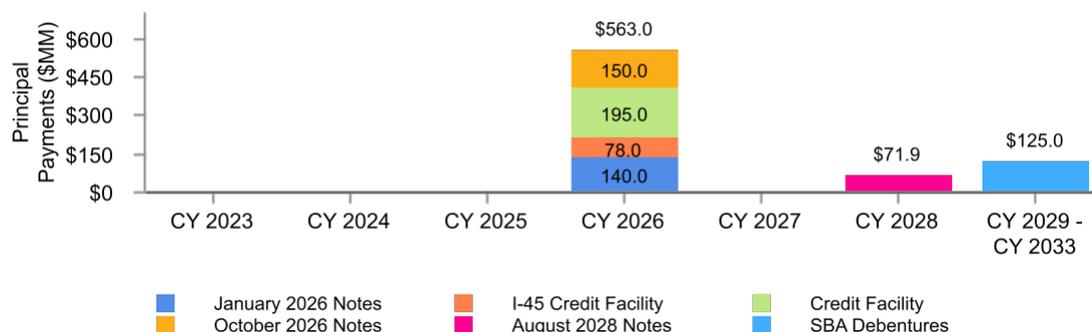
Note: "Other Corporate" consists primarily of \$(0.13) per share dilution from annual issuance of RSUs

Significant Unused Debt Capacity with Long-Term Duration

Earliest debt maturity occurs in January 2026

Facility	Total Commitments	Interest Rate	Maturity	Principal Drawn	Undrawn Commitment
January 2026 Notes ⁽¹⁾	\$140.0 MM	4.50%	January 2026	\$140.0 MM	N/A
I-45 Credit Facility ⁽²⁾	\$100.0 MM	Term SOFR + 2.41%	March 2026	\$78.0 MM	\$22.0 MM
Credit Facility ⁽³⁾	\$400.0 MM	Term SOFR + 2.15%	August 2026	\$195.0 MM	\$204.4 MM ⁽⁴⁾
October 2026 Notes ⁽⁵⁾	\$150.0 MM	3.375%	October 2026	\$150.0 MM	N/A
August 2028 Notes ⁽⁶⁾	\$71.9 MM	7.75%	August 2028	\$71.9 MM	N/A
SBA Debentures	\$130.0 MM	4.13% ⁽⁷⁾	September 2031 ⁽⁸⁾	\$125.0 MM	\$5.0 MM ⁽⁹⁾

Long-Term Debt Obligations (Calendar Year)



(1) Redeemable in whole or in part at any time prior to October 31, 2025, at par plus a "make whole" premium, and thereafter at par

(2) CSWC owns 80% of the equity and 50% of the voting rights of I-45 SLF with a joint venture partner

(3) Subsequent to quarter end, the total commitments available increased to \$435 million and the maturity was extended to August 2028

(4) Net of \$0.6 MM in letters of credit outstanding

(5) Redeemable in whole or in part at any time prior to July 1, 2026, at par plus a "make whole" premium, and thereafter at par

(6) Redeemable in whole or in part at Capital Southwest's option on or after August 1, 2025

(7) Weighted average interest rate of all pooled and unpooled SBA Debentures for the three months ended June 30, 2023

(8) First pooled SBA Debentures mature on September 1, 2031

(9) Current statutes and regulations permit SBIC I to borrow up to \$175 million in SBA Debentures with at least \$87.5 million in regulatory capital, subject to SBA approval

Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23
Assets				
Portfolio Investments	\$1,056,931	\$1,150,046	\$1,206,388	\$1,285,318
Cash & Cash Equivalents	30,238	21,686	21,585	21,278
Other Assets	26,002	30,425	29,711	30,407
Total Assets	\$1,113,171	\$1,202,157	\$1,257,684	\$1,337,003
Liabilities				
SBA Debentures	\$77,553	\$100,582	\$116,330	\$121,352
January 2026 Notes	138,883	138,967	139,051	139,135
October 2026 Notes	146,893	147,078	147,263	147,448
August 2028 Notes	—	—	—	69,327
Credit Facility	240,000	225,000	235,000	195,000
Other Liabilities	34,118	29,043	29,632	28,540
Total Liabilities	\$637,447	\$640,670	\$667,276	\$700,802
Shareholders Equity				
Net Asset Value	\$475,724	\$561,487	\$590,408	\$636,201
Net Asset Value per Share	\$16.53	\$16.25	\$16.37	\$16.38
Regulatory Debt to Equity	1.11x	0.91x	0.88x	0.87x

Portfolio Statistics

Continuing to build a well performing credit portfolio

<i>(In Thousands)</i>	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23
Portfolio Statistics				
Fair Value of Debt Investments	\$903,451	\$990,298	\$1,037,595	\$1,110,915
Average Debt Investment Hold Size	\$12,906	\$13,382	\$13,303	\$13,548
Fair Value of Debt Investments as a % of Par	96%	96%	96%	97%
% of Investment Portfolio on Non-Accrual (at Fair Value)	0.9%	0.3%	0.3%	1.7%
Weighted Average Investment Rating ⁽¹⁾	1.95	1.96	1.93	1.91
Weighted Average Yield on Debt Investments	10.59%	11.97%	12.78%	12.94%
Fair Value of All Portfolio Investments	\$1,056,931	\$1,150,046	\$1,206,388	\$1,285,318
Weighted Average Yield on all Portfolio Investments	10.29%	11.70%	12.11%	12.64%
Investment Mix (Debt vs. Equity) ⁽²⁾⁽³⁾	91% / 9%	90% / 10%	90% / 10%	90% / 10%

(1) CSWC utilizes an internal 1 - 4 investment rating system in which 1 represents material outperformance and 4 represents material underperformance. All new investments are initially set to 2. Weighted average investment rating calculated at cost

(2) Excludes CSWC equity investment in I-45 SLF

(3) At Fair Value

Investment Income Detail

Constructing a portfolio of investments with recurring cash yield

(In Thousands)	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23
Investment Income Breakdown				
Cash Interest	\$21,173	\$26,619	\$30,712	\$33,703
Cash Dividends	2,527	2,382	2,208	2,703
PIK Income	1,384	1,501	1,869	1,656
Amortization of Purchase Discounts and Fees	963	1,062	969	1,172
Management/Admin Fees	329	310	369	380
Prepayment Fees & Other Income	423	892	1,065	747
Total Investment Income	\$26,799	\$32,766	\$37,192	\$40,361
Key Metrics				
Cash Income as a % of Investment Income ⁽¹⁾	95%	95%	95%	96%
% of Total Investment Income that is Recurring	98%	97%	97%	98%

(1) Includes Purchase Discounts and Fees previously received in cash

Key Financial Metrics

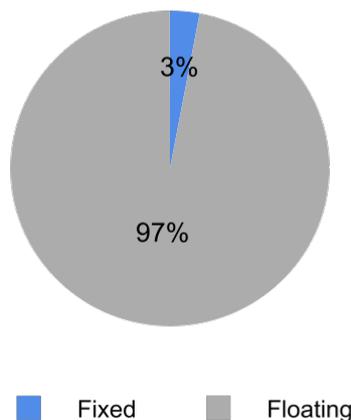
Strong Pre-Tax Net Investment Income and Dividend Yield driven by net portfolio growth and investment performance

	Quarter Ended 9/30/22	Quarter Ended 12/31/22	Quarter Ended 3/31/23	Quarter Ended 6/30/23
Key Financial Metrics				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.54	\$0.60	\$0.65	\$0.67
Pre-Tax Net Investment Income Return on Equity (ROE) ⁽¹⁾	12.94%	14.40%	15.89%	16.25%
Realized Earnings Per Wtd Avg Diluted Share	\$0.21	\$0.27	\$0.65	\$0.31
Realized Earnings Return on Equity (ROE) ⁽¹⁾	5.02%	6.43%	15.91%	7.65%
Earnings Per Wtd Avg Diluted Share	\$0.34	\$0.09	\$0.52	\$0.63
Earnings Return on Equity (ROE) ⁽¹⁾	8.17%	2.27%	12.69%	15.48%
Regular Dividends per Share	\$0.50	\$0.52	\$0.53	\$0.54
Supplemental / Special Dividends per Share	\$—	\$0.05	\$0.05	\$0.05
Total Dividends per Share	\$0.50	\$0.57	\$0.58	\$0.59

(1) Return on Equity is calculated as the quarterly annualized Pre-Tax NII, Realized Earnings, or Total Earnings, respectively, divided by equity at the end of the prior quarter

Interest Rate Sensitivity

Fixed vs. Floating Credit Portfolio Exposure ⁽¹⁾



Change in Base Interest Rates	Illustrative Annual NII Change (\$'s)	Illustrative Annual NII Change (\$ Per Share)
(200 bps)	(19,108,365)	(0.49)
(150 bps)	(14,331,274)	(0.37)
(100 bps)	(9,554,183)	(0.25)
(50 bps)	(4,777,091)	(0.12)
50 bps	4,777,091	0.12

(1) Portfolio Exposure includes I-45 SLF assets pro rata as a % of CSWC's equity investment in the fund

Note: Illustrative change in annual NII is based on a projection of CSWC's existing debt investments as of 6/30/2023, adjusted only for changes in Base Interest Rate. Base Interest Rate used in this analysis is 3-Month SOFR of 5.24% at 6/30/2023. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 97% floating rate debt assets and 100% floating rate liabilities

Corporate Information

Board of Directors

Inside Director

Bowen S. Diehl

Independent Directors

David R. Brooks

Christine S. Battist

Jack D. Furst

William R. Thomas

Ramona Rogers-Windsor

Senior Management

Bowen S. Diehl

President & Chief Executive Officer

Michael S. Sarner

Chief Financial Officer, Secretary & Treasurer

Joshua S. Weinstein

Senior Managing Director

Fiscal Year End

March 31

Independent Auditor

RSM US LLP
Chicago, IL

Corporate Counsel

Eversheds Sutherland (US) LLP

Corporate Offices & Website

8333 Douglas Avenue

Suite 1100

Dallas, TX 75225

<http://www.capitalsouthwest.com>

Investor Relations

Michael S. Sarner

Capital Southwest

214-884-3829

msarner@capitalsouthwest.com

Securities Listing

Nasdaq: "CSWC" (Common Stock)

Nasdaq: "CSWCZ" (7.75% Notes due 2028)

Transfer Agent

American Stock Transfer & Trust Company, LLC

800-937-5449

www.amstock.com

Industry Analyst Coverage

Firm	Analyst	Contact Information
Ladenburg Thalmann & Co., Inc.	Mickey M. Schleien, CFA	Direct: 305-572-4131
JMP Securities, LLC	Devin Ryan	Direct: 415-835-8900
Hovde Group	Erik Zwick	Direct: 617-510-1239
Jefferies, LLC	Kyle Joseph	Direct: 510-418-0754
Raymond James & Associates	Robert Dodd	Direct: 901-579-4560
Oppenheimer & Co., Inc.	Mitchel Penn	Direct: 212-667-7136
UBS Securities, LLC	Vilas Abraham	Direct: 212-713-3241