



# *Capital Southwest Corporation* *Investor Presentation*

May 2018

# Forward-Looking Statements

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- This presentation contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things, the business, 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.
- For a further discussion of some of the risks and uncertainties applicable to Capital Southwest and its business, see Capital Southwest's Annual Report on Form 10-K for the fiscal year ended March 31, 2017 and its subsequent filings with the Securities and Exchange Commission. Other unknown or unpredictable factors could also have a material adverse effect on Capital Southwest's actual future results, performance, or financial condition. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements. Capital Southwest does not assume any obligation to revise or to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, or otherwise, except as may be required by law.

# CSWC Senior Management

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## **Bowen S. Diehl**

- Joined Capital Southwest in March 2014
- Former Co-Head of Sponsor Finance Group at American Capital
- 15 years of investing experience in middle market debt and equity
- BE – Vanderbilt University. MBA – UT Austin
- Lives in Dallas with wife and three children



## **Michael S. Sarner**

- Joined Capital Southwest in June 2015
- Former SVP Treasurer at American Capital
- 20 years of financial, treasury and BDC experience
- BA – James Madison. MBA – George Washington University
- Certified Public Accountant
- Lives in Dallas with wife and three children

# Capital Southwest Corporation

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***Business Development Company focused on providing acquisition and growth capital to middle-market companies***

- Founded in 1961 (became a BDC in 1988)
- Publicly-traded: NASDAQ “CSWC” (Common Stock) and “CSWCL” (Notes)
- 19 employees based in Dallas, Texas
- January 2015: relaunched CSWC as a middle market lending firm
  - ✓ Liquidated majority of legacy equity assets
  - ✓ Completed tax free spin off of wholly-owned industrial assets in September 2015
  - ✓ Implemented credit strategy that fits extensive track record of investment team
- Manage over \$800 MM of investable capital
  - ✓ CSWC Balance Sheet Assets of over \$400MM
  - ✓ Unused committed credit facility capacity of \$165 MM
  - ✓ I-45 Senior loan fund of \$250 MM

# What is a “BDC”?

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## “Business Development Company”

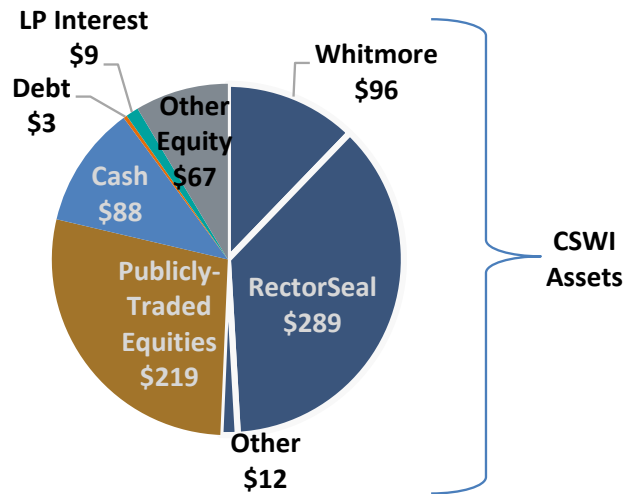
- Closed end investment fund regulated under the Investment Company Act of 1940
- For tax purposes, very similar to REITs
  - ✓ Invest in income generating securities (loans rather than real estate)
  - ✓ Distribute earnings to shareholders
  - ✓ Do not pay corporate tax on earnings (if distributed)
- Typically public companies
  - ✓ Permanent (perpetual) capital
  - ✓ Give public shareholders (tax efficient) exposure to the private credit market
- Subject to various regulatory limitations
  - ✓ Limits on asset concentrations
  - ✓ Limits on control equity investing
  - ✓ Limited to 1:1 Debt-to-Equity (200% Asset Coverage)
    - ✓ Omnibus Spending Bill (Mar 2018) increased to 2:1 leverage (150% Asset Coverage)

# Pre-2015 Challenges

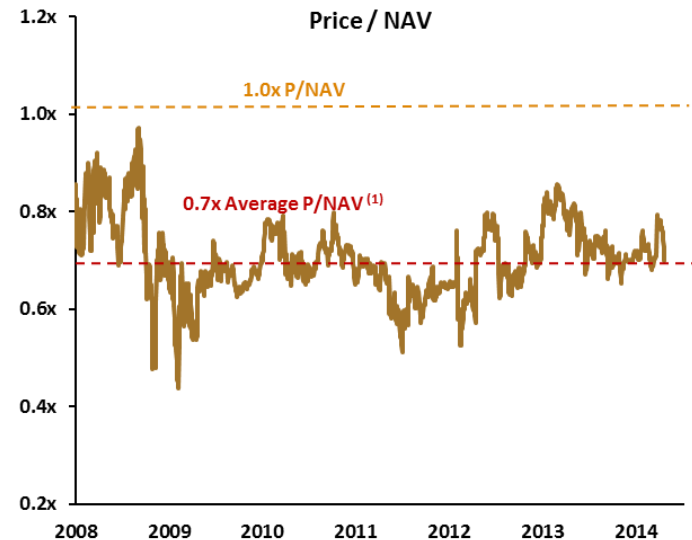
- Until spin off announcement, CSWC traded at a significant discount to NAV
  - ✓ Virtually 100% of CSWC's portfolio was invested in equity
  - ✓ There was significant concentration in two industrial companies, with very large embedded capital gains
  - ✓ Did not pay meaningful dividend

## Asset Allocation – 6/30/14

(\$ in millions)



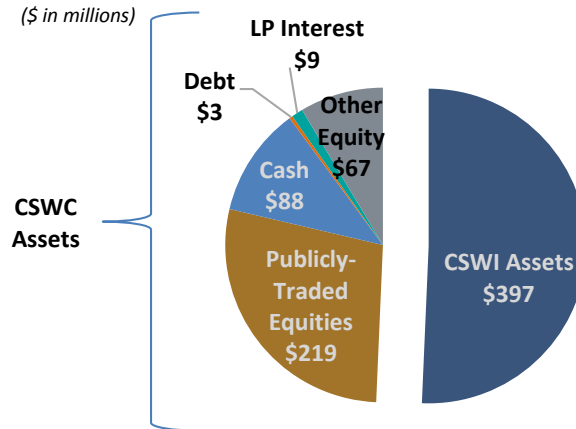
## Significant Market Discount to NAV



(1) Average P/NAV from 1/2/08 to 9/30/14

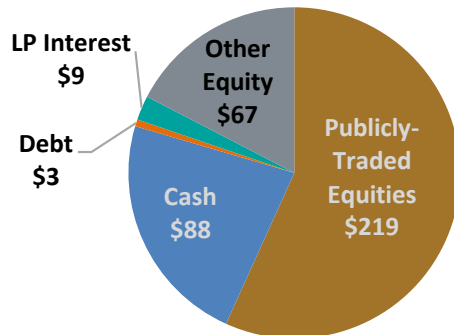
# Solution: 2015 Tax Free Spin of Industrial Assets

## CSWC Pre-Spinoff - 6/30/14



## CSWC Portfolio - 6/30/2014 <sup>(1)</sup>

(\$ in millions)



**1+1=3**

**Mkt Value Increase:  
~ \$500 MM**

**Cumulative Dividends:  
\$30 MM**

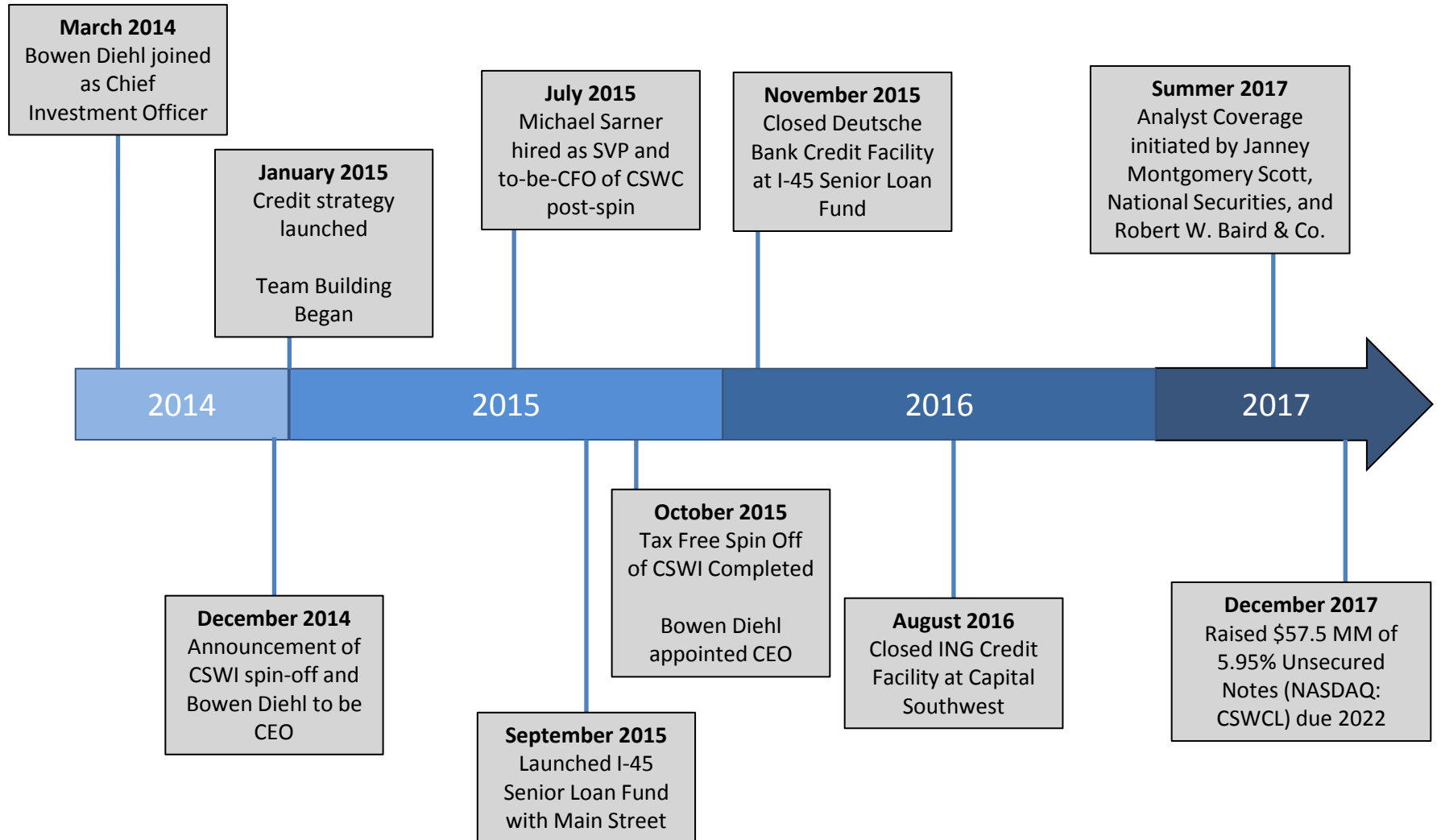
## CSW Industrials, Inc.<sup>(2)</sup>

NASDAQ Ticker	CSWI
Market Cap	\$726.6 million
Debt	\$40.7million
Revenue	\$358.8 million
EBITDA	\$65.9 million
EBITDA Multiple	11.2x

(1) 6/30/2014 portfolio mix is pro forma for the spin off of the CSW Industrials companies

(2) Data from CapitalIQ on 4/25/2018.

# Major Milestones of Transformation





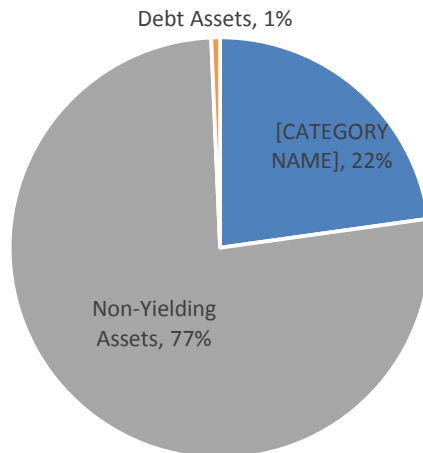
# Portfolio Rotation to Income Generation

Since June 2014, CSWC has transformed its investment portfolio increasing income earning assets from 1% of the investable portfolio to 89%

- Exited 22 legacy portfolio equity investments, generating \$228 MM in proceeds
- Invested \$340 MM in 44 middle-market credit investments on balance sheet
- Invested \$385 MM in 81 middle-market credits within I-45 Senior Loan Fund (“I-45 SLF”)

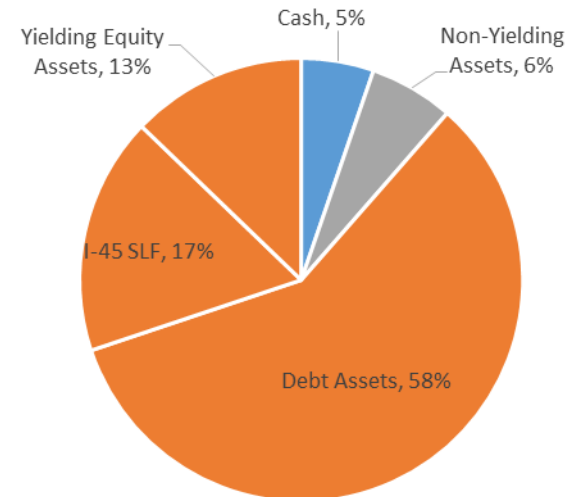
**6/30/2014 (excl. CSWI Companies)**

*1% of Total Assets Generating Recurring Income*



**12/31/2017 Investable Assets**

*89% of Total Assets Generating Recurring Income*



# Two Pronged Investment Strategy

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

- Companies with EBITDA between \$3 MM and \$15 MM
- Typical leverage of 2x – 4x Debt to EBITDA through CSWC debt
- Commitment size up to \$20 MM with hold sizes generally \$10 to \$15 MM
- Both Sponsored and Non-sponsored deals
- Securities include first lien, unitranche, second lien and subordinated debt
- Frequently make equity co-investments alongside CSWC debt

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

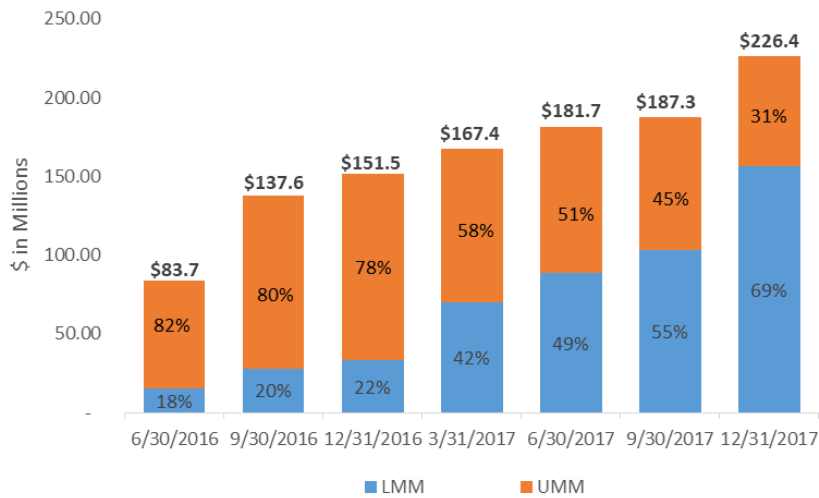
- Companies typically have in excess of \$50 MM in EBITDA
- Typical leverage of 3x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes generally \$5 to \$10 MM
- Floating Rate First and Second Lien debt securities
- More liquid assets relative to Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

# Robust Lower Middle Market First Lien Portfolio

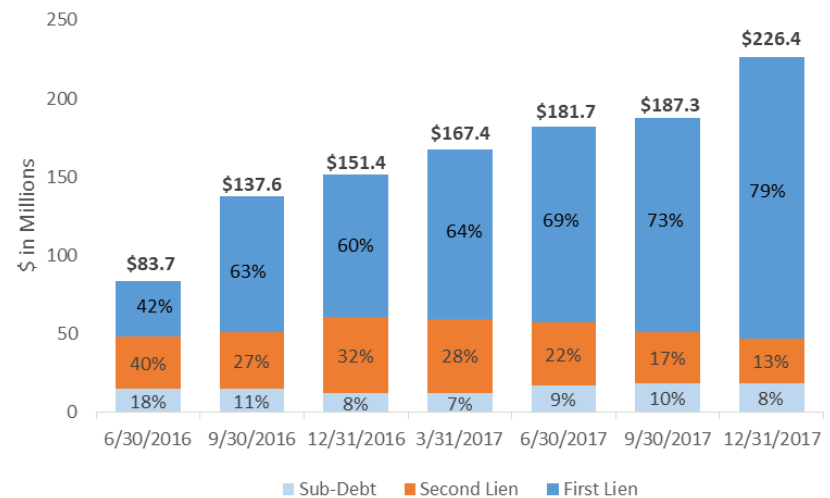
## CSWC Balance Sheet Portfolio continues to migrate to LMM and 1<sup>st</sup> Lien Investments

- LMM Investments have increased to 69% of the credit portfolio at 12/31/17 from 18% at 6/30/16
- First Lien Investments have increased to 79% of the credit portfolio at 12/31/17 from 42% at 6/30/16

### Robust LMM Portfolio Growth



### Originations Heavily Weighted to First Lien



# CSWC Portfolio Asset Mix by Market

## Lower Middle Market 1<sup>st</sup> Lien portfolio growth continues

Investment Portfolio - Statistics at 12/31/17		
US\$ in 000s	Lower Middle Market <sup>(1)</sup>	Upper Middle Market
Number of Portfolio Companies	17	11
Total Cost	\$185,821	\$69,449
Total Fair Value	\$229,889	\$70,074
Average Hold Size (at Cost)	\$10,931	\$6,314
% First Lien Investments (at Cost)	73.4%	59.7%
% Second Lien Investments (at Cost)	0.0%	40.3%
% Subordinated Debt Investments (at Cost)	10.2%	0.0%
% Equity (at Cost)	16.4%	0.0%
Wtd. Avg. Yield <sup>(2)(3)</sup>	11.5%	10.2%
Wtd. Avg. EBITDA of Issuer (\$MM's) <sup>(3)</sup>	\$8.9	\$88.1
Wtd. Avg. Leverage through CSWC Security <sup>(3)(4)</sup>	3.4x	4.3x

Note: All metrics above exclude the I-45 Senior Loan Fund

1. At December 31, 2017, we had equity ownership in approximately 70.6% of our LMM investments
2. The weighted-average annual effective yields were computed using the effective interest rates for all debt investments at cost as of December 31, 2017, including accretion of original issue discount but excluding fees payable upon repayment of the debt instruments and any debt investments on non-accrual status. As of December 31, 2017, there were no investments on non-accrual status. Weighted-average annual effective yield is higher than what an investor in shares in our common stock will realize on its investment because it does not reflect our expenses or any sales load paid by an investor.
3. Weighted average metrics are calculated using investment cost basis weighting
4. 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. Management uses this metric as a guide to evaluate relative risk of its position in each portfolio debt investment

# Senior Loan Fund (“I-45”)

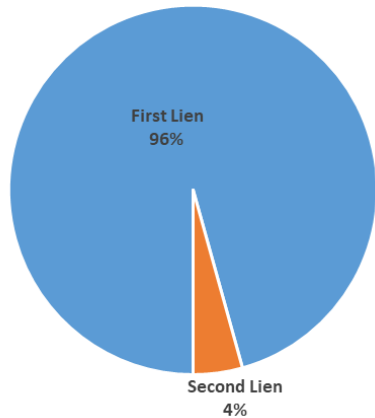
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- Joint Venture with Main Street Capital Corporation (NASDAQ: MAIN)
- Fund invests in predominately Upper Middle Market first lien loans
- Total target fund size of \$250 MM
  - ✓ Total Equity Commitment of \$85 MM from CSWC (80%) and MAIN (20%)
  - ✓ Total Debt Commitment of \$165 MM through Credit Facility led by Deutsche Bank
- Recurring Run-rate ROE to CSWC of over 13%, paid quarterly, with upside through fees and realized gains on prepayments
- CSWC and MAIN jointly control Board of Managers
  - ✓ Capital raising, fund tracking, monitoring, and financial reporting are managed by CSWC
  - ✓ Origination capabilities are a joint effort between CSWC and MAIN
  - ✓ All credit decisions are joint/unanimous between CSWC and MAIN
- I-45 fully disclosed in CSWC financials, but “off-balance sheet” for purposes of BDC Regulatory Leverage Test

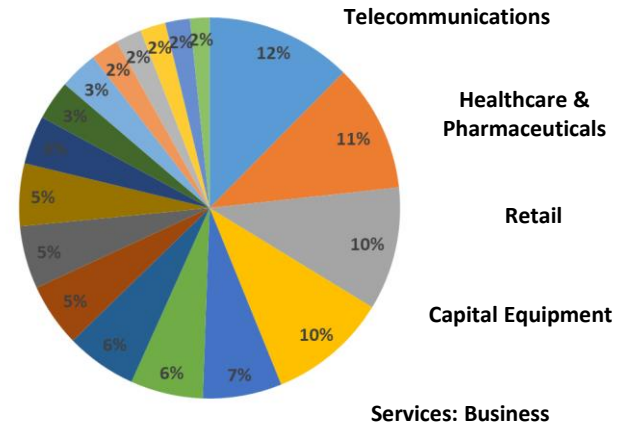
# I-45 has Remained Granular/Diverse as it has Grown

I-45 loan portfolio of \$218 MM is 96% first lien and generates attractive risk adjusted returns

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics				
	<u>3/31/2017</u>	<u>6/30/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>
Total Debt Investments at Fair Value	\$200,243	\$209,863	\$223,807	\$217,964
Number of Issuers	43	46	46	44
Wtd. Avg. Issuer EBITDA	\$81,417	\$80,909	\$79,009	\$73,392
Avg. Investment Size as a % of Portfolio	2.3%	2.2%	2.2%	2.3%
Wtd. Avg. Net Leverage on Investments <sup>(1)</sup>	3.0x	3.5x	3.5x	3.3x
Wtd. Avg. Yield	7.9%	7.9%	7.7%	7.4%
Wtd. Avg. Duration (Yrs)	4.3	4.9	4.8	4.7

(1) Through I-45 Security

# Key Highlights since launch of Credit Strategy

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- Built investment and finance teams made up of people with long track records of investing in the middle market
  - ✓ Of the 19 employees, 16 joined CSWC since launching the middle market lending strategy
- **CSWC**: Invested \$340 MM in 44 middle-market companies
  - ✓ No non-accruals
  - ✓ 17 exits generating weighted average IRR of 19%
- **I-45 SLF**: Invested \$385 MM in 81 middle-market credits assets
  - ✓ No non-accruals
  - ✓ 32 exits generating weighted average IRR of 13%
- Obtained Wall Street analyst coverage from 4 firms

# CSWC Capitalization

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- \$200 MM Credit Facility: led by ING (nine banks)
  - ✓ Accordion up to \$250 MM
  - ✓ \$35 MM drawn as of 12/31/2017
  - ✓ Matures November 2021; L + 300 with step-down to L + 275
- \$57.5 MM December 2022 Notes: Trades under the ticker “CSWCL”
  - ✓ Matures December 2022
  - ✓ 5.95% Fixed
- Balance Sheet Cash: Approximately \$21 MM as of 12/31/17
- \$165 MM I-45 Credit Facility: led by DB (four banks)
  - ✓ \$134 MM drawn as of 12/31/17
  - ✓ Matures July 2022; L + 240
- Regulatory Leverage (Debt/Equity): 0.3x to 1.0x
  - ✓ Well below current the 1:1 regulatory limitation



# Capital Raised to Increase Leverage and Earnings

*Capitalization in place today to achieve leverage of 0.85x, allowing for potential to increase earnings significantly*

- \$165 MM currently undrawn on credit facility (\$200 MM total committed)
- Significant potential NII growth from committed capital

<b>Current Capitalization (12/31/17)</b>	<b>Debt Outstanding (\$MM)</b>
Credit Facility Drawn	\$35.0
December 2022 Notes Outstanding (Net of Issuance Cost)	\$55.2
Total Debt Outstanding	\$90.2

Current Leverage (12/31/17) 0.30X

Committed Availability on Credit Facility \$165.0

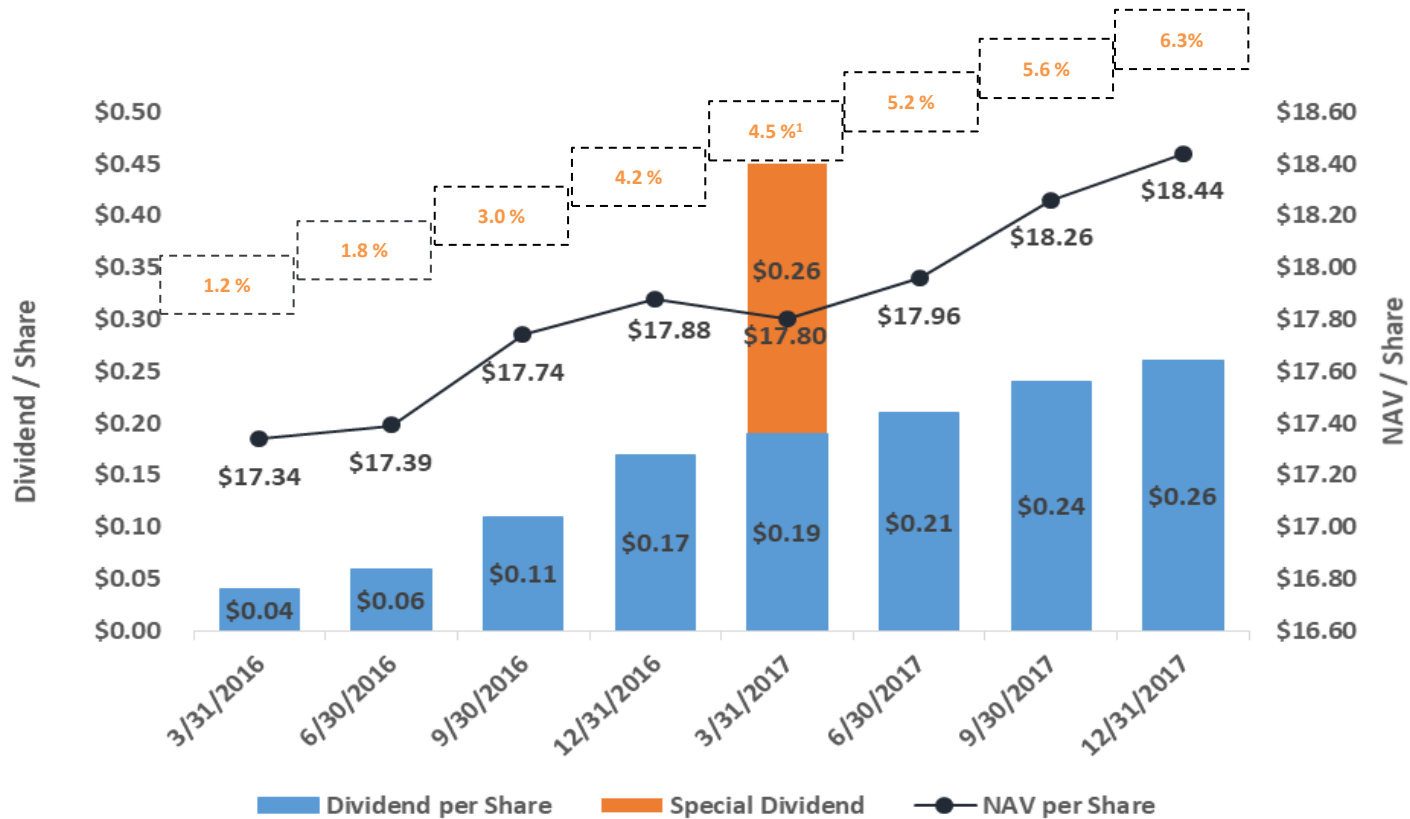
Pro Forma Leverage with Credit Availability Invested 0.85X

# *Advantages of Internally-Managed Structure*

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- Shareholders own both the asset manager and the managed investment assets
- Aligns management incentives with long term shareholder value creation
  - ✓ No separate management contract
  - ✓ Management owns same shares as shareholders
- Virtually 100% of incremental asset and portfolio income growth inures to shareholders
- Targeted 2.5% expense ratio less than economics of external management contracts

# Track Record of Dividend and NAV Growth Continues



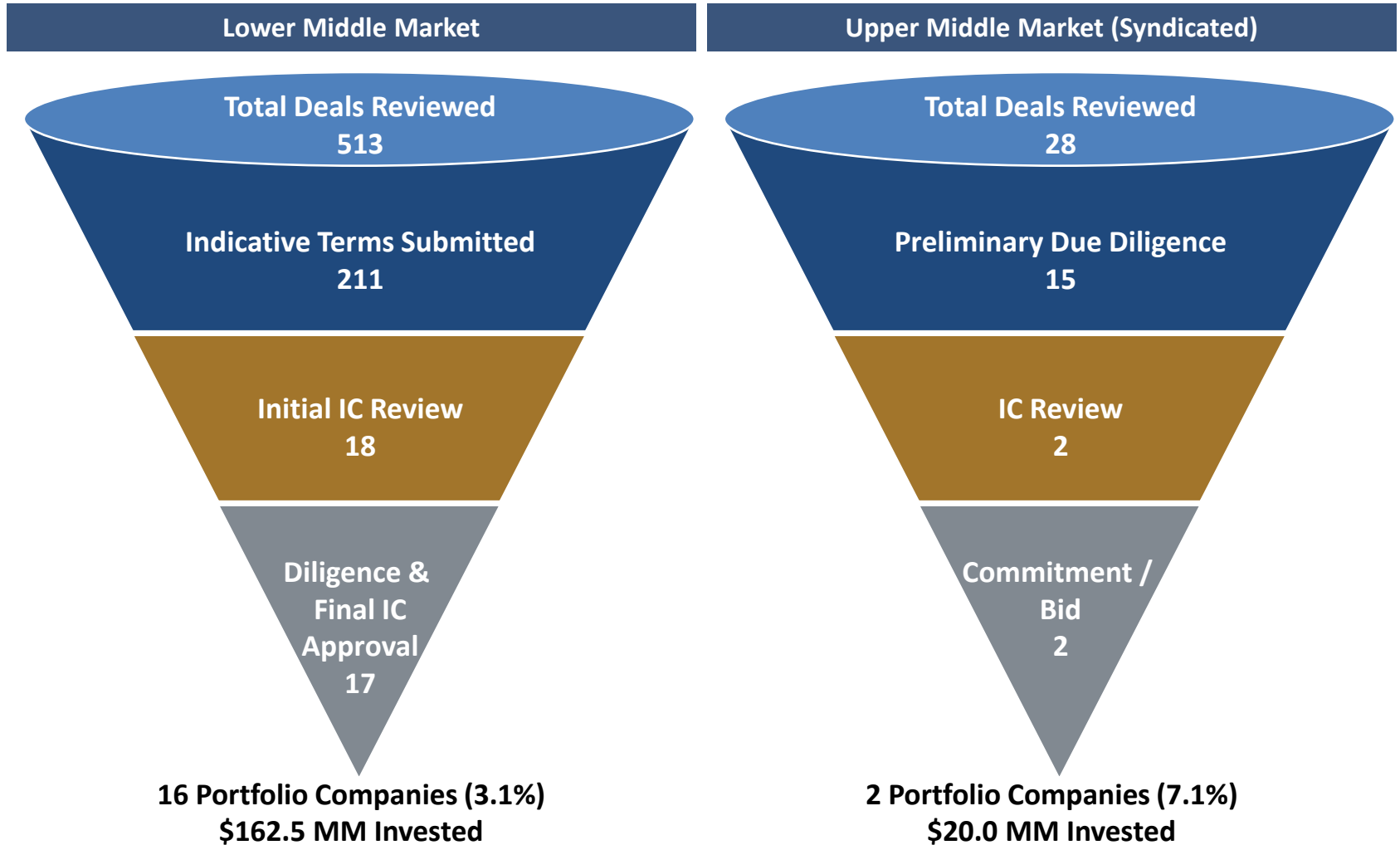
Dividend Yield – Annualized Quarterly Dividend / CSWC Share Price at Qtr. End

(1) The Special Dividend of \$0.26 is not included in the Dividend Yield calculation

# *Investment Process*

# Maintaining Investment Discipline as Pipeline Grows

541 Deals Reviewed, 18 deals or \$183 million closed in LTM ending 12/31/17



# CSWC Taps Into a Broad Network of Deal Sources

## Private Equity



## Intermediaries and Lending Partners



# Disciplined Investment Process: Investment Criteria

<b>Experienced Management Team with Meaningful Equity Ownership</b>	<ul style="list-style-type: none"><li>• Relevant experience and track record of success</li><li>• Significant economic interest in the future success of the company</li></ul>
<b>Sustainable Business Model</b>	<ul style="list-style-type: none"><li>• Differentiated product and/or service that gives company a sustainable reason to exist</li><li>• Leverageable cash flow with ability to maintain or grow margins</li></ul>
<b>Strong Competitive Position</b>	<ul style="list-style-type: none"><li>• Market leader in its business segments</li><li>• Quantifiable competitive advantage versus their competitors with barriers to entry</li></ul>
<b>Diversification of Customers and Suppliers</b>	<ul style="list-style-type: none"><li>• Inability for any one customer to significantly affect the company's financial performance and ability to service debt</li><li>• Sustainability of supply and cost of inputs</li></ul>
<b>Ability of Capital Structure to Sustain Economic Cycles</b>	<ul style="list-style-type: none"><li>• Capital structure appropriate for business model and industry</li><li>• Downside scenario modeling proves ability to sustain economic cycles while servicing debt with leverage inside enterprise value</li></ul>
<b>Significant Equity Value Supporting Debt</b>	<ul style="list-style-type: none"><li>• Significant underlying equity value to support debt in capital structure</li></ul>

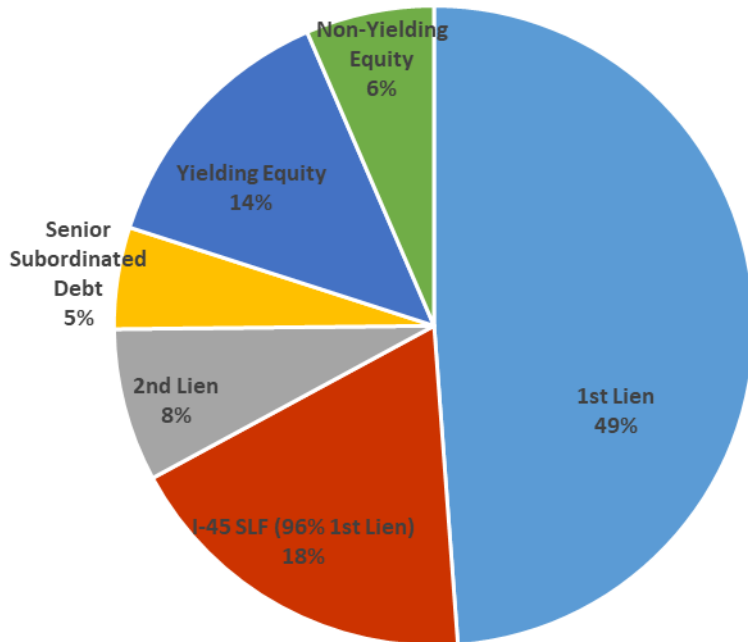
# *Investment Portfolio*



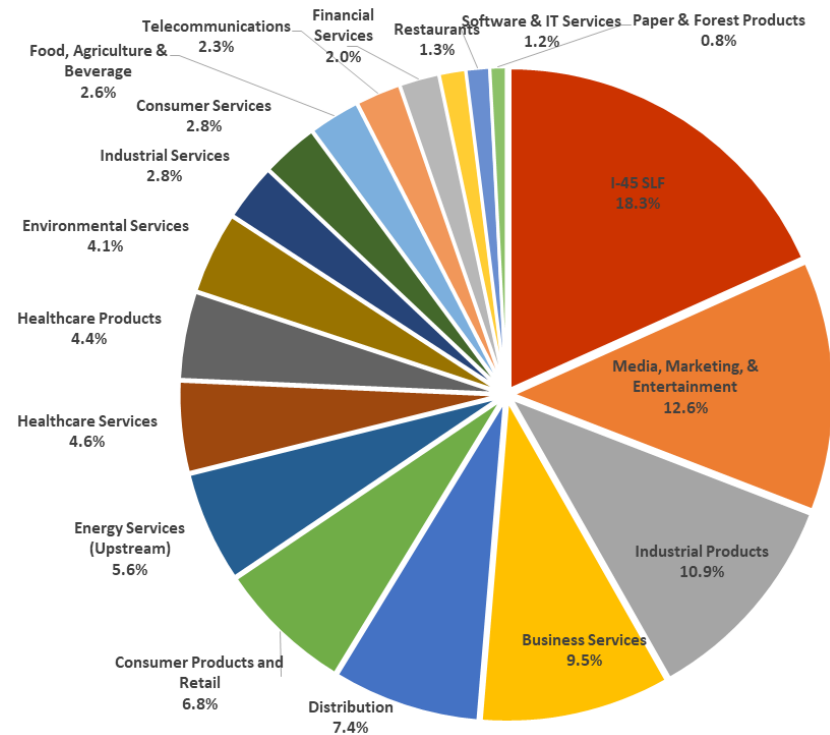
# CSWC Portfolio Mix as of 12/31/17 at Fair Value

Current Investment Portfolio of \$367 MM continues to be granular and diverse

Current Investment Portfolio (By Type)



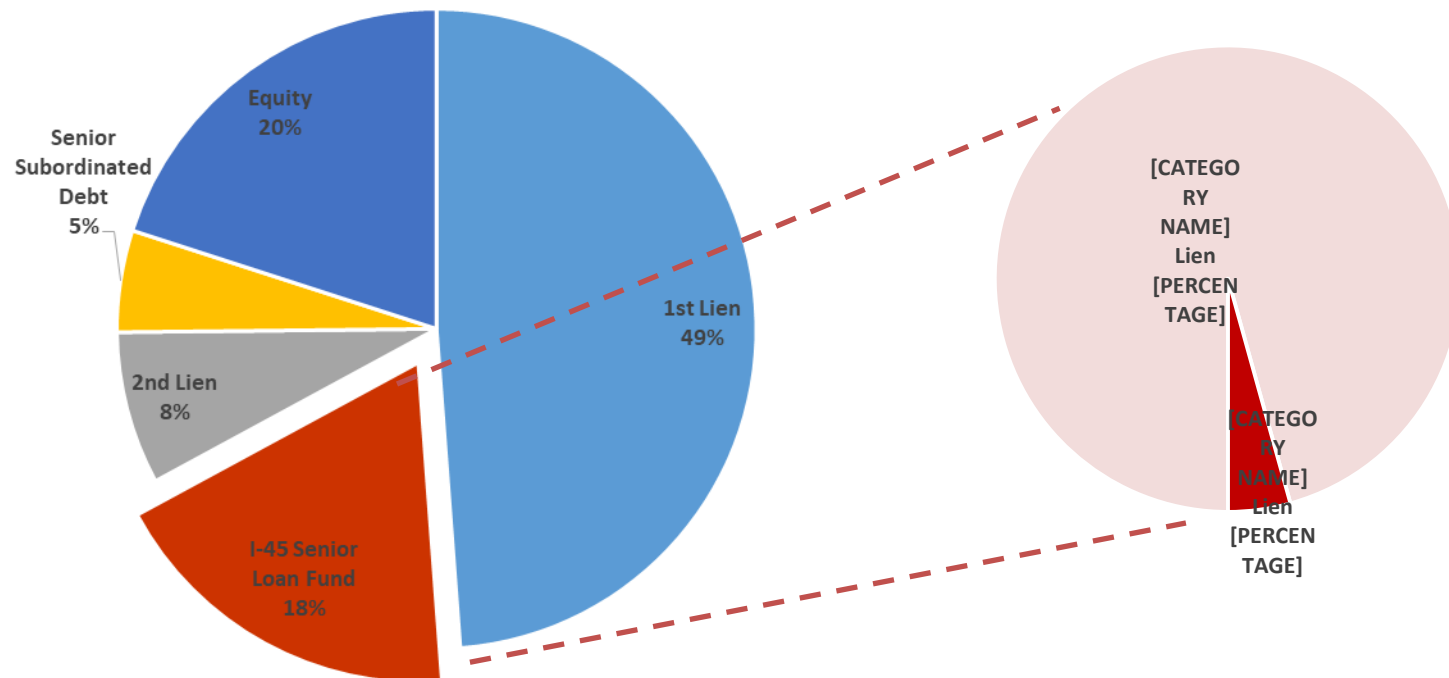
Current Investment Portfolio (By Industry)






## I-45 Asset Exposure is Predominantly UMM First Lien

- I-45 represents \$218 MM of asset exposure, all senior secured, and predominantly first lien
- Compliments CSWC's overall asset portfolio which is also predominantly senior secured

### Current Investment Portfolio (By Type)



# Current CSWC Legacy Equity Portfolio

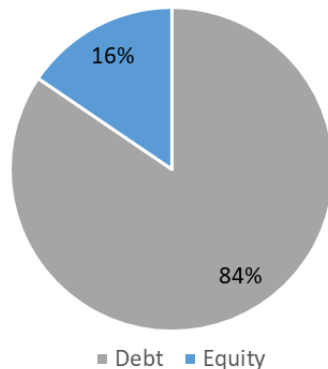
	Company	Date Invested	Type	Cost 12/31/17	Fair Value 12/31/17	Business Description
Legacy Equity Assets		11/4/97	Convertible Preferred & Common Equity	\$5.4 MM	\$40.1 MM	Provider of sensory technology and IoT connectivity to customers providing them critical information, including impact, vibration, tilt and temperature associated with their assets either during shipment or in place
		6/29/12	Convertible Preferred Equity	\$6.1 MM	\$15.8 MM	Manufactures, installs and rents spill containment system for oilfield applications
		4/9/13	Convertible Preferred Equity	\$8.0 MM	\$4.6 MM	Full-service corrosion control company providing the oil and gas industry with expertise in cathodic protection and asset integrity management
Total				<b>\$19.5 MM</b>	<b>\$60.5 MM</b>	

# Senior First Lien Floating Rate Bias

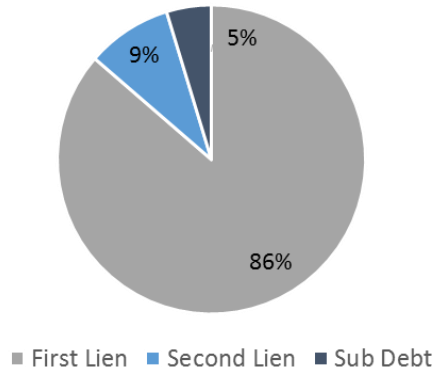
*CSWC Aggregate Portfolio Asset Exposure, Including I-45, is well positioned for a late-credit cycle, rising interest rate environment*

- 84% of all assets managed by CSWC are debt investments
- 86% of all debt assets managed by CSWC are first lien loans
- 95% of all debt assets managed by CSWC are floating rate investments

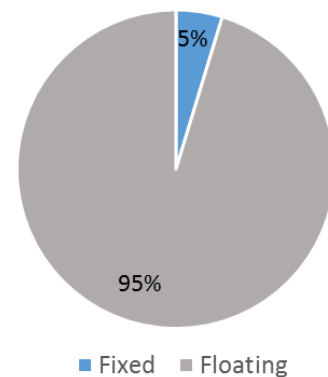
**Debt vs. Equity**  
(Inc. I-45)



**Portfolio Mix by Security**  
(Inc. I-45)



**Fixed vs. Floating**  
(Inc. I-45)

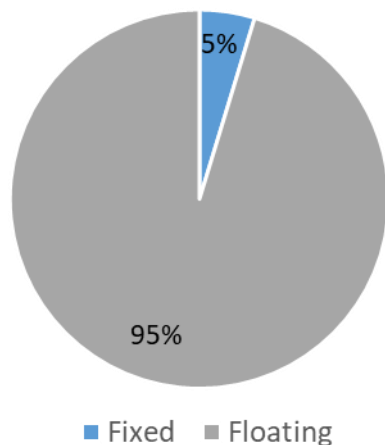


1. I-45 assets (fair value) are included in CSWC's portfolio pro rata as a % of our equity investment in the fund

# Interest Rate Sensitivity

## Debt Portfolio Exposure at 12/31/17 Well-Positioned for Rising Interest Rate Environment

### Fixed vs. Floating Portfolio Composition (1)



Change in Base Interest Rates	Illustrative NII Change (\$'s)	Illustrative NII Change (Per Share)
50 bps	\$1,214,016	\$0.08
100bps	\$2,428,032	\$0.15
150bps	\$3,642,047	\$0.23
200bps	\$4,856,063	\$0.30

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

Note: Illustrative change in NII is based on a projection of CSWC's existing debt investments as of 12/31/17, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

# *Appendix*

# Middle Market Loan Opportunity Set

	Upper Middle Market Syndicated 1 <sup>st</sup> Lien	Upper Middle Market Syndicated 2 <sup>nd</sup> Lien	Lower Middle Market Senior Secured Debt	Lower Middle Market Last Out Unitranche	Lower Middle Market Subordinated Debt	Lower Middle Market Equity Co-Invest
EBITDA Size	\$50 MM+	\$50 MM+	\$3 - \$6 MM	\$5 - \$15 MM	\$5 - \$15 MM	\$3 - \$15 MM
Closing Leverage	3.0x - 4.5x	5.0x - 6.0x	2.5x - 4.0x	3.5x - 4.5x	3.0x - 4.5x	NA
Target Inv. Hold Size	\$10 - \$15 MM	\$8 - \$10 MM	\$10 - \$20 MM	\$10 - \$20 MM	\$8 - \$10 MM	\$1 - \$3 MM
Investment Yield	7.0% - 8.0%	10.0% - 11.0%	9.0% - 11.0%	11.0% - 13.0%	12.0% - 14.0%	NA
Collateral Bucket	CSWC Credit Facility I-45 SLF	CSWC Credit Facility I-45 SLF	CSWC Credit Facility	CSWC Credit Facility	CSWC Credit Facility	CSWC Credit Facility

# Income Statement

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/17	Quarter Ended 6/30/17	Quarter Ended 9/30/17	Quarter Ended 12/31/17
<b>Investment Income</b>				
Interest Income	\$4,113	\$4,520	\$5,282	\$5,566
Dividend Income	\$3,002	\$3,004	\$3,088	\$3,149
Fees and Other Income	\$611	\$200	\$139	\$304
<b>Total Investment Income</b>	<b>\$7,726</b>	<b>\$7,724</b>	<b>\$8,509</b>	<b>\$9,019</b>
<b>Expenses</b>				
Cash Compensation	\$1,704	\$1,638	\$1,606	\$1,885
Share Based Compensation	\$382	\$368	\$384	\$479
General & Administrative	\$1,360	\$1,228	\$1,364	\$907
Spin-off Related Expenses	\$172	\$172	\$173	\$172
<b>Total Expenses (excluding Interest)</b>	<b>\$3,618</b>	<b>\$3,406</b>	<b>\$3,527</b>	<b>\$3,443</b>
Interest Expense	\$543	\$738	\$911	\$1,275
<b>Pre-Tax Net Investment Income</b>	<b>\$3,565</b>	<b>\$3,580</b>	<b>\$4,071</b>	<b>\$4,301</b>
<b>Taxes and Gain / (Loss)</b>				
Income Tax Benefit (Expense)	(\$284)	(\$144)	(\$134)	\$362
Net realized gain (loss) on investments	\$4,098	\$624	\$210	\$617
Net increase (decrease) in unrealized appreciation of investments	(\$1,402)	\$1,384	\$4,496	\$4,963
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$5,977</b>	<b>\$5,444</b>	<b>\$8,643</b>	<b>\$10,243</b>
Weighted Average Diluted Shares Outstanding	16,044	16,072	16,078	16,176
<b>Pre-Tax Net Investment Income Per Dil. Weighted Average Share</b>	<b>\$0.22</b>	<b>\$0.22</b>	<b>\$0.25</b>	<b>\$0.27</b>
<b>Quarterly Dividends per Share</b>	<b>\$0.19</b>	<b>\$0.21</b>	<b>\$0.24</b>	<b>\$0.26</b>



# Balance Sheet

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 3/31/2017	Quarter Ended 6/30/2017	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017
<b>Assets</b>				
Portfolio Investments	\$286,880	\$306,582	\$321,860	\$367,120
Cash & Cash Equivalents	\$22,386	\$12,359	\$33,329	\$20,527
Deferred Tax Asset	\$2,017	\$1,858	\$1,846	\$2,080
Other Assets	\$14,469	\$10,391	\$11,635	\$13,123
<b>Total Assets</b>	<b>\$325,752</b>	<b>\$331,190</b>	<b>\$368,670</b>	<b>\$402,850</b>
<b>Liabilities</b>				
December 2022 Notes	\$0	\$0	\$0	\$55,236
Credit Facility	\$25,000	\$25,000	\$56,000	\$35,000
Payable for Unsettled Transaction	\$0	\$9,263	\$0	\$0
Other Liabilities	\$15,680	\$9,500	\$20,156	\$14,084
<b>Total Liabilities</b>	<b>\$40,680</b>	<b>\$43,763</b>	<b>\$76,156</b>	<b>\$104,320</b>
<b>Shareholders Equity</b>				
<b>Net Asset Value</b>	<b>\$285,072</b>	<b>\$287,427</b>	<b>\$292,514</b>	<b>\$298,530</b>
<b>NAV per Share</b>	<b>\$17.80</b>	<b>\$17.96</b>	<b>\$18.26</b>	<b>\$18.44</b>
Debt to Equity	0.09x	0.09x	0.19x	0.30x
Shares Outstanding at Period End	16,011	16,006	16,019	16,187

# Portfolio Statistics

*Continuing to build a well performing credit portfolio with no non-accruals*

	Quarter Ended 3/31/2017	Quarter Ended 6/30/2017	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017
<b>Portfolio Statistics</b>				
Fair Value of Debt Investments	\$167,447	\$181,725	\$187,316	\$226,441
Average Debt Investment Hold Size	\$6,698	\$7,269	\$7,805	\$8,709
Fair Value of Debt Investments as a % of Par	99%	99%	99%	99%
% of Debt Portfolio on Non-Accrual (at Fair Value)	0.0%	0.0%	0.0%	0.0%
Weighted Average Investment Rating <sup>(1)</sup>	1.9	2.0	2.0	2.0
Weighted Average Yield on Debt Investments	10.28%	10.51%	10.71%	10.95%
Total Fair Value of Portfolio Investments	\$286,880	\$306,582	\$321,860	\$367,120
Weighted Average Yield on all Portfolio Investments <sup>(2)</sup>	10.49%	10.43%	10.65%	10.55%
Investment Mix (Debt vs. Equity) <sup>(3)(4)</sup>	75% / 25%	76% / 24%	74% / 26%	75% / 25%
Investment Mix (Yielding vs. Non-Yielding) <sup>(4)</sup>	95% / 5%	95% / 5%	94% / 6%	94% / 6%

(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

(2) Includes dividends from Media Recovery, Inc. and I-45 Senior Loan Fund

(3) Excludes CSWC equity investment in I-45 Senior Loan Fund

(4) At Fair Value

# Investment Income Detail

## Constructing a portfolio of investments with recurring cash yield

- Recurring cash interest income continues to grow quarter over quarter
- Higher non-recurring prepayment fees in Q3 2018 versus previous quarter
- PIK income remains a minor portion of NII

<i>(In Thousands)</i>	Quarter Ended 3/31/17	Quarter Ended 6/30/17	Quarter Ended 9/30/17	Quarter Ended 12/31/17
<b>Investment Income Breakdown</b>				
Cash Interest	\$3,913	\$4,264	\$5,082	\$5,357
Cash Dividends	\$3,002	\$3,004	\$3,018	\$3,076
PIK Income	\$63	\$73	\$70	\$72
Amortization of purchase discounts and fees	\$136	\$183	\$200	\$209
Management/Admin Fees	\$115	\$128	\$139	\$146
Prepayment Fees & Other Income	\$497	\$72	\$0	\$159
<b>Total Investment Income</b>	<b>\$7,726</b>	<b>\$7,724</b>	<b>\$8,509</b>	<b>\$9,019</b>
<b>Key Metrics</b>				
Cash Income as a % of Investment Income	97%	97%	97%	97%
% of Total Investment Income that is Recurring <sup>(1)</sup>	90%	93%	97%	95%

(1) Non-Recurring income principally made up of acceleration of unamortized OID and prepayment fees

# Financial Highlights

*Solid Earnings Growth as portfolio continues to perform*

	Quarter Ended 3/31/2017	Quarter Ended 6/30/2017	Quarter Ended 9/30/2017	Quarter Ended 12/31/2017
<b>Financial Highlights</b>				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	\$0.22	\$0.22	\$0.25	\$0.27
Annualized Pre-Tax Net Investment Income Return on Equity (ROE)	4.97%	5.00%	5.64%	5.82%
Realized Earnings Per Wtd Avg Diluted Share	\$0.46	\$0.25	\$0.26	\$0.33
Annualized Realized Earnings ROE	10.29%	5.68%	5.75%	7.15%
Earnings Per Wtd Avg Diluted Share	\$0.37	\$0.34	\$0.54	\$0.63
Annualized Earnings Return on Equity (ROE)	8.33%	7.61%	11.97%	13.87%
Quarterly Dividends Per Share	\$0.19	\$0.21	\$0.24	\$0.26
Special Dividends per Share	\$0.26	\$0.00	\$0.00	\$0.00
NAV Per Share	\$17.80	\$17.96	\$18.26	\$18.44

# Corporate Information

## Board of Directors

### Inside Directors

Bowen S. Diehl

### Independent Directors

David R. Brooks

Jack D. Furst

T. Duane Morgan

William R. Thomas

John H. Wilson

## Senior Management

Bowen S. Diehl

*President & Chief Executive Officer*

Michael S. Sarner

*Chief Financial Officer, Secretary & Treasurer*

## Fiscal Year End

March 31

## Independent Auditor

RSM US

Chicago, IL

## Investor Relations

Michael S. Sarner

Capital Southwest

214-884-3829

[msarner@capitalsouthwest.com](mailto:msarner@capitalsouthwest.com)

## Corporate Counsel

Jones Day / Eversheds Sutherland

## Corporate Offices & Website

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13th Floor

Dallas, TX 75240

<http://www.capitalsouthwest.com>

## Securities Listing

NASDAQ: CSWC (Common Stock)

NASDAQ: CSWCL (Notes)

## Transfer Agent

American Stock Transfer & Trust Company, LLC

800-937-5449

[www.amstock.com](http://www.amstock.com)

## Industry Analyst Coverage

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