



# FIDUS

INVESTMENT  
CORPORATION

Investor Presentation – November 2018

NASDAQ:  
Common Stock – FDUS  
5.875% Notes due 2023 - FDUSL



# Disclosure

Fidus Investment Corporation (“Fidus”) cautions that statements in this presentation that are forward-looking, and provide other than historical information, involve risks and uncertainties that may impact our future results of operations. The forward-looking statements in this presentation are based on current conditions and include statements regarding our goals, beliefs, strategies and future operating results and cash flows, including but not limited to the equivalent annual yield represented by our dividends declared, the tax attributes of dividends and the amount of leverage available to us. Although our management believes that the expectations reflected in any forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct. Those statements are made based on various underlying assumptions and are subject to numerous uncertainties and risks, including, without limitation: our continued effectiveness in raising, investing and managing capital; adverse changes in the economy generally or in the industries in which our portfolio companies operate; changes in laws and regulations that may adversely impact our operations or the operations of one or more of our portfolio companies; the operating and financial performance of our portfolio companies; retention of key investment personnel; competitive factors; and such other factors described under the caption “Risk Factors” and described in the sections regarding forward looking statements included in our filings with the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)). We undertake no obligation to update the information contained herein to reflect subsequently occurring events or circumstances, except as required by applicable securities laws and regulations.

This presentation is neither an offer to sell nor a solicitation of an offer to buy Fidus securities. An offering is made only by an applicable prospectus. This presentation must be read in conjunction with a prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of such a prospectus must be made available to you in connection with any offering.

## Investment Objective

- Long term focus on delivering stable dividends and growing net asset value per share, with an emphasis on capital preservation

## Investment Strategy

- Provide customized debt and equity financing solutions primarily to lower middle market companies based in the U.S.
  - \$668.5 million diversified investment portfolio in 66 companies as of September 30, 2018
  - Portfolio comprised of 66% second lien debt, 17% subordinated debt, 7% first lien debt and 10% equity-related securities on a cost basis

## Operating History & Structure

- Closed initial fund in May 2007 and licensed as Small Business Investment Company (SBIC)
- Initial public offering in June 2011 as externally managed Business Development Company (BDC)
  - Managed by Fidus Investment Advisors, LLC, a registered investment advisor
- Headquartered in Evanston, IL with regional offices in Charlotte, NC, Charleston, SC and New York, NY

# Investment Highlights

- Highly experienced and invested management team
- Lower middle market offers significant opportunity for attractive risk-adjusted returns
- Well established origination network
- Differentiated investment strategy focused on capital preservation
- Strong balance sheet and liquidity position support continued portfolio growth
- SBIC debt provides competitive advantage
- Stable and growing dividend, with attractive 11.5% dividend yield\* based on annualized regular dividend of \$1.56 per share

\*Based on \$13.52 closing price on October 30, 2018.

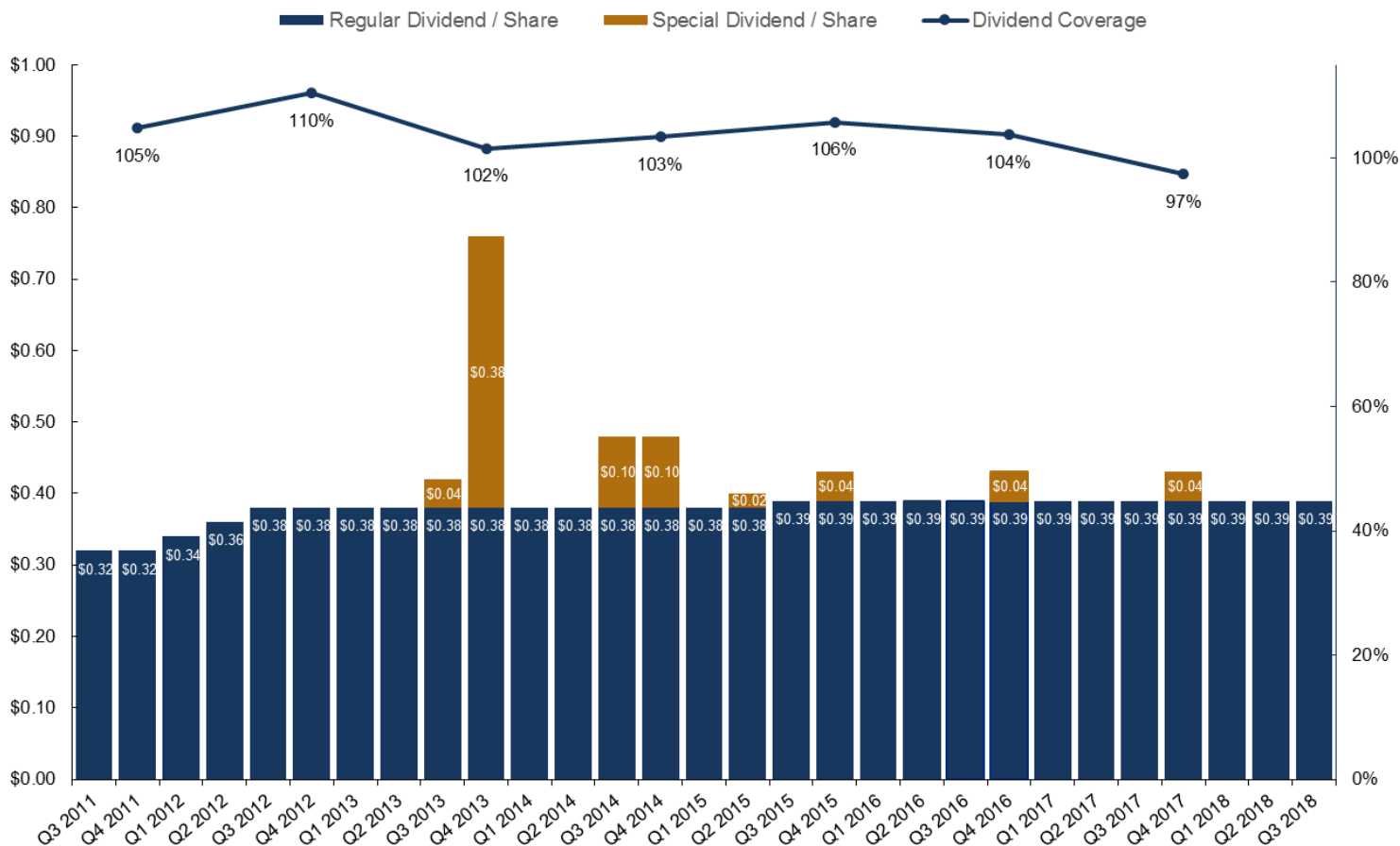
# Since June 2011 IPO\*

- **Maintained high quality of investment portfolio**
  - Investment portfolio of \$668.5 million in 66 companies as of September 30, 2018
  - Realized cumulative net capital gains of \$9.6 million
  - Fair Value / Cost of 108% at September 30, 2018
- **Increased regular quarterly dividend four times from initial \$0.32 per share**
  - Q1 2012 to \$0.34 per share
  - Q2 2012 to \$0.36 per share
  - Q3 2012 to \$0.38 per share
  - Q3 2015 to \$0.39 per share
- **Declared nine special dividends**
  - \$0.04 per share paid on September 26, 2013
  - \$0.38 per share paid on December 20, 2013
  - \$0.05 per share paid on July 31, 2014
  - \$0.05 per share paid on August 29, 2014
  - \$0.10 per share paid on December 19, 2014
  - \$0.02 per share paid on June 25, 2015
  - \$0.04 per share paid on December 11, 2015
  - \$0.04 per share paid on December 16, 2016
  - \$0.04 per share paid on December 27, 2017
  - \$0.04 per share payable on December 21, 2018
- **Completed six secondary equity offerings**
  - Raised net proceeds of approximately \$38.0 million in an offering that closed on September 11, 2012
  - Raised net proceeds of approximately \$28.9 million in an offering that closed on February 8, 2013
  - Raised net proceeds of approximately \$32.4 million in an offering that closed on September 30, 2014
  - Raised net proceeds of approximately \$43.7 million in an offering that closed on May 27, 2016
  - Raised net proceeds of approximately \$51.1 million in an offering that closed on November 29, 2016
  - Raised net proceeds of approximately \$32.3 million in an offering that closed on June 20, 2017
- **Completed one public debt offering**
  - Issued 5.875% notes due 2023 for net proceeds of approximately \$48.1 million that closed on February 2, 2018
- **Received second SBIC license in May 2013**

\*All numbers for the period June 30, 2011 to September 30, 2018

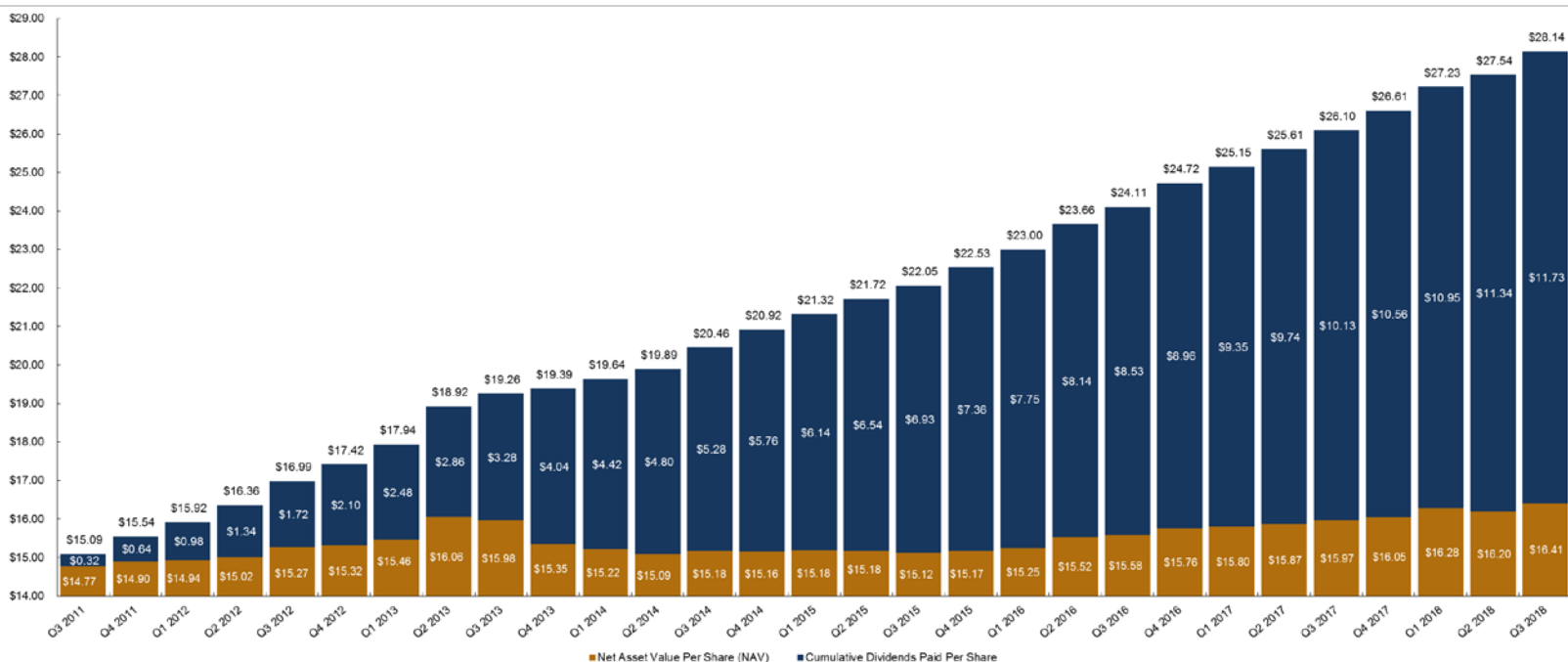
# Consistent Distributions and Dividend Coverage

- Adjusted net investment income has covered regular dividend on a cumulative basis
- Undistributed taxable income of \$0.34 per share as of September 30, 2018
- History of paying special dividends
- 11.5% annualized dividend yield (based on regular dividend and closing price on October 30, 2018)



# History of Capital Preservation

Generated cumulative net investment income and net realized gains in excess of cumulative regular dividends since IPO



# Experienced & Cohesive Management Team

- Senior management of Fidus Investment Advisors has an average of more than 25 years experience
  - Founding members have worked together for majority of last 20+ years
- Management team is meaningfully invested in the company

Professionals	Role	Prior Experience
Edward H. Ross	Chairman of the Board, CEO, Chairman of Investment Committee	Allied Capital, Wachovia
Thomas C. Lauer	President, Director, Member of Investment Committee	Allied Capital, GE Capital, Wachovia
Shelby E. Sherard	Chief Financial Officer Chief Compliance Officer	Prologis, Grubb & Ellis, SiteStuff, Morgan Stanley, Jones Lang LaSalle
John H. Grigg	Member of Investment Committee, Senior Origination Professional	First Union, Bowles Hollowell Conner, Merrill Lynch
Robert G. Lesley, Jr.	Member of Investment Committee	Chapter IV Investors, Blue Point Capital Partners, Wachovia
John J. Ross, II	Member of Investment Committee	Wachovia, Bowles Hollowell Conner
Thomas J. Steiglehner	Member of Investment Committee	TPG Specialty Lending, Sixth Street Partners, Silver Point Capital, Foothill Capital, Gleacher & Co.
W. Andrew Worth	Member of Investment Committee	Allied Capital, Credit Suisse, Wachovia
Michael J. Miller	Head of Business Development, Senior Origination Professional	Allied Capital, JP Morgan
J. Stephen Dockery	Senior Origination Professional	Wachovia, First Union, Bowles Hollowell Connor, Robinson Bradshaw & Hinson
Edward P. Imbrogno	Senior Origination Professional	Wachovia, First Union, Bowles Hollowell Connor



# Significant Opportunities in Lower Middle Market

- **Large, fragmented market**
  - More than 100,000 companies in the lower middle market
  - Target companies with annual revenues between \$10 and \$150 million
- **Underserved by traditional capital providers**
  - Exacerbated by credit crisis which led to exit of many traditional capital providers
- **Long-term investment demand from predominantly private companies with limited access to the capital markets**
- **Opportunity for attractive risk-adjusted returns**
  - Lower leverage
  - Higher transaction IRRs

**Fidus Is Well Positioned in the Lower Middle Market**

# Well Established Origination Network

- **Broad network of long-standing relationships in lower middle market**
  - Built from many years of investing and advising in this market
  - Quality of relationships and reputations are important
- **Directly originate investment opportunities across multiple channels**
  - Financial sponsors
  - Fundless sponsors
  - Intermediaries
  - Other capital providers

# Differentiated Investment Strategy

- **Provide custom-tailored debt and equity financing solutions for lower middle market companies**
  - Finance event-driven transactions such as leveraged buyouts, refinancings, recapitalizations, acquisitions and growth capital
    - No turnarounds or distressed situations
  - Partnership approach with long term investment perspective
  
- **Disciplined investment process<sup>(1)</sup>**
  - Highly selective, credit based approach
  - Focus on investments in industries we know well
  - Proactive risk management
  
- **Target investments between \$5 - \$30 million per portfolio company**
  - Second lien and subordinated debt
  - First lien / unitranche debt
  - Equity, including preferred, common and/or warrants

**Emphasis on Capital Preservation with Upside Potential**

(1) See Appendix for investment process details

# Focused Criteria & Approach

- Companies with:
  - Proven business models with strong free cash flow characteristics
    - Annual EBITDA of \$3 to \$20 million
  - Experienced management teams with meaningful equity ownership
  - Niche market leaders with defensible market positions
  - Diversified customer and supplier bases
  - Significant invested equity capital to support our debt investments
  - Viable exit strategies
  
- Focus on industries where investment team has prior experience:
  - Aerospace and defense
  - Business services
  - Consumer products and services (including retail, food and beverage)
  - Healthcare products and services
  - Industrial products and services
  - Information technology services
  - Niche manufacturing
  - Transportation and logistics
  - Value-added distribution
  - Energy services

# Benefits of SBIC Funding

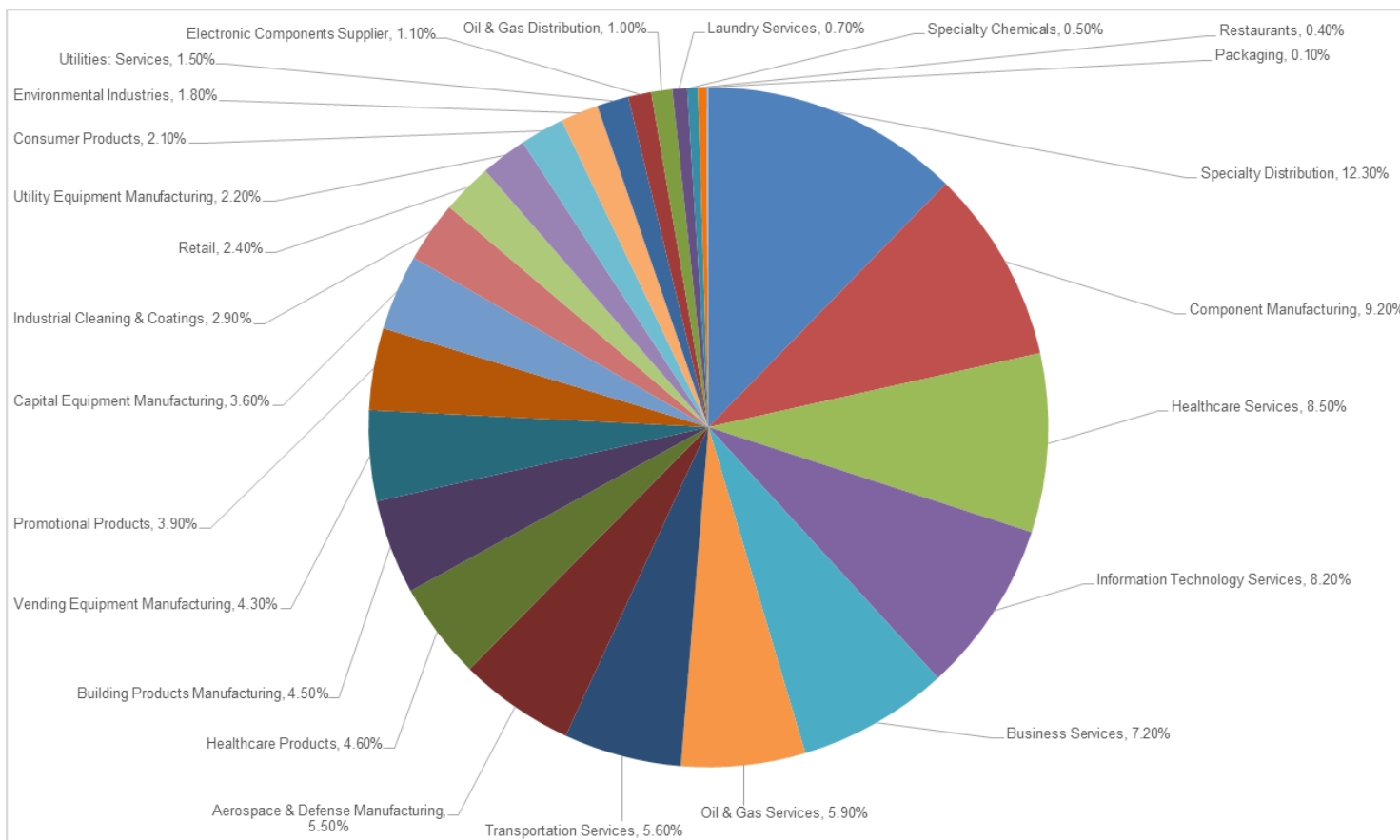
- SBIC licenses provide long-term committed funding facility
  - Access to low cost, fixed rate, long-term funds
  - Maximum of \$350 million in SBA debentures for three or more SBICs under common control
- 10-year loans with attractive terms
  - No financial covenants
  - Interest only
- Attractive fixed interest rates
- With exemptive relief from the SEC, SBA debentures are excluded from debt for purposes of BDC asset coverage requirements

# Advantageous Regulatory Framework

- **Operate as a Business Development Company (BDC)**
  - Regulated by SEC 1940 Act
  - Publicly-traded, private investment company
  - Asset diversification requirements reduce investment concentration risk
  - Maximum debt-to-equity ratio of 1:1 (excluding SBA debt) allows for modest return enhancement
  
- **Regulated Investment Company (RIC) tax structure**
  - Eliminates corporate level income tax
  - Efficient tax structure providing high yield to investors
    - Greater than 90% of annual income distributed to shareholders
  - Pass through capital gains to investors
  
- **Small Business Investment Company (SBIC) subsidiary**
  - Regulated by SBA
  - Access to low cost, fixed rate, long-term funds
  - Maximum of \$350 million in SBA debentures for three or more SBICs under common control

# Diversified Investment Portfolio

Fair Value of Investments of \$668.5 million as of September 30, 2018

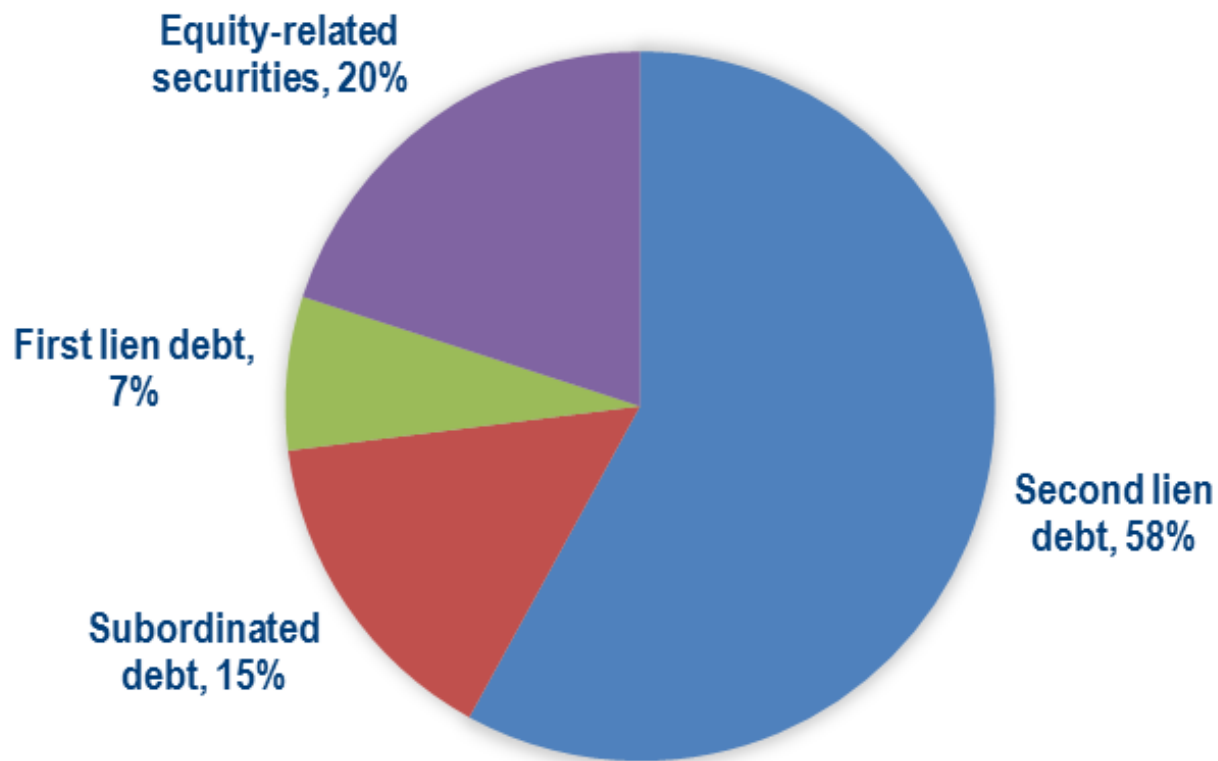


**65 Active Portfolio Companies Across 25 Industry Segments <sup>(1)</sup>**

<sup>(1)</sup> Residual investments in one portfolio company that has sold its underlying operations

# Diversified Investment Portfolio

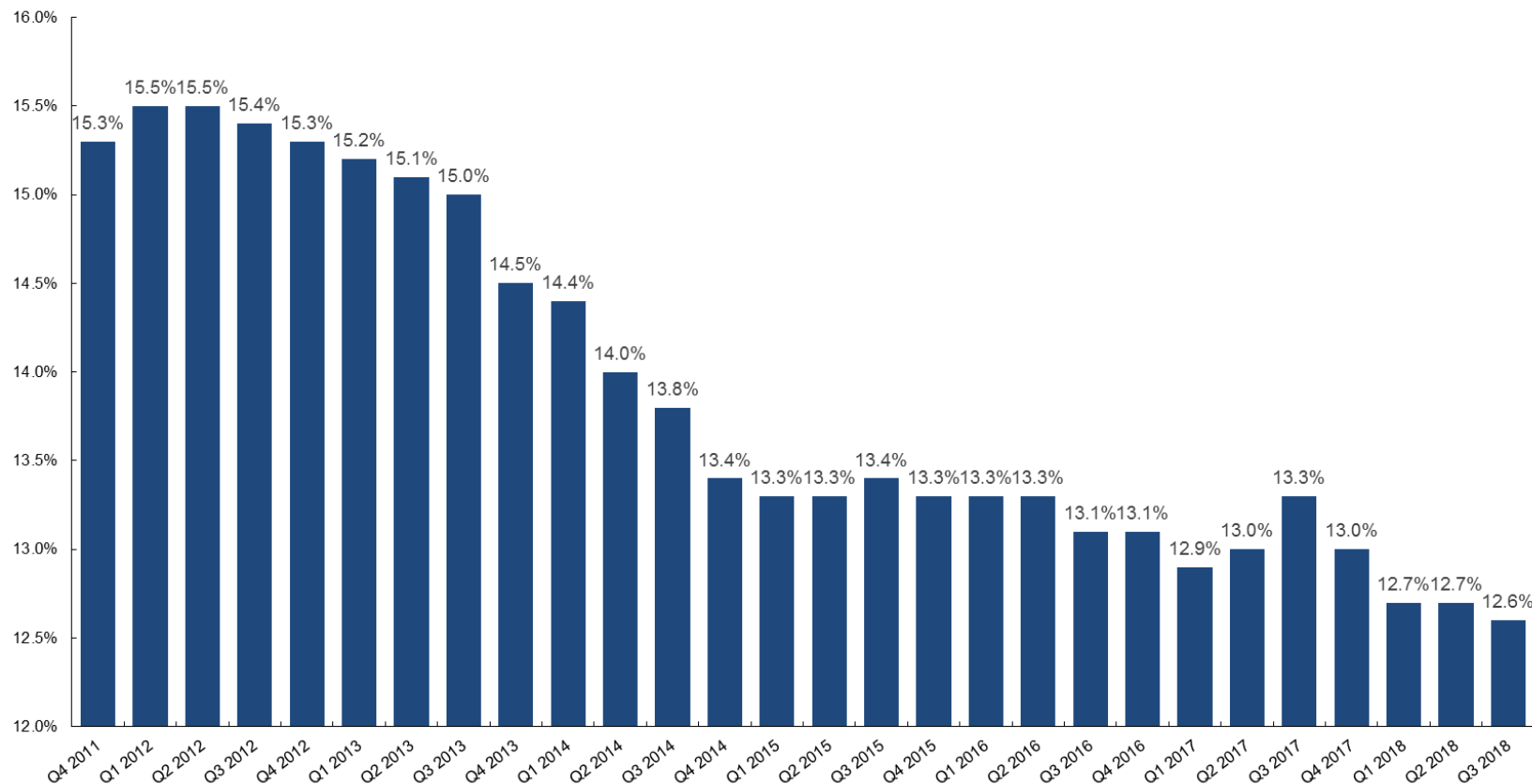
Fair Value of Investments of \$668.5 million as of September 30, 2018





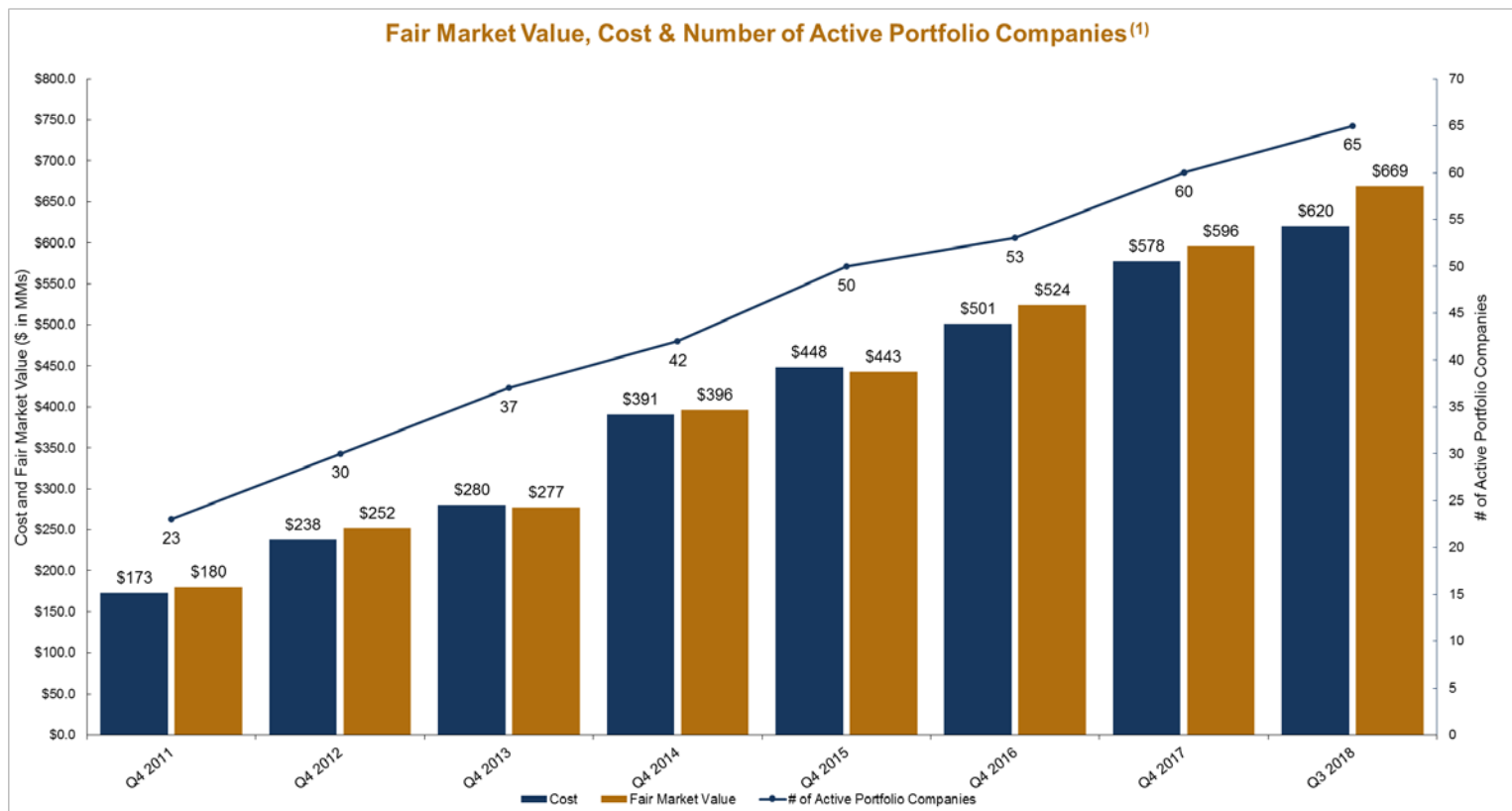
# High Yielding Debt Portfolio

**Weighted Average Yield on Debt (1)**



(1) Weighted average yield calculated based on effective interest rates for all debt investments at cost at end of period, including accretion of original issue discount and loan origination fees but excluding investments on non-accrual, if any.

# Growing Portfolio Value



<sup>(1)</sup> Portfolio count excludes residual investments in portfolio companies that have sold their underlying operations

# Statements of Operations

(\$ in 000s, except per share data)

	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>	<u>Q3'18</u>
Total Investment Income	\$18,048	\$17,068	\$18,233	\$18,112	\$17,872
Expenses:					
Interest Expense	\$2,491	\$2,417	\$3,082	\$3,046	\$3,106
Base Management Fee	2,486	2,586	2,685	2,821	2,932
Incentive Fee	3,008	3,098	3,754	1,907	3,698
G&A Expense	870	1,089	1,204	1,313	825
Total Expenses	<u>\$8,855</u>	<u>\$9,190</u>	<u>\$10,725</u>	<u>\$9,087</u>	<u>\$10,561</u>
Net Investment Income before Taxes	<u>\$9,193</u>	<u>\$7,878</u>	<u>\$7,508</u>	<u>\$9,025</u>	<u>\$7,311</u>
Income Tax Expense (Benefit)	<u>4</u>	<u>191</u>	<u>131</u>	<u>67</u>	<u>(170)</u>
Net Investment Income	\$9,189	\$7,687	\$7,377	\$8,958	\$7,481
Net Gains (Losses) on Investments	<u>2,866</u>	<u>4,720</u>	<u>7,648</u>	<u>(1,314)</u>	<u>7,320</u>
Net Increase in Net Assets	<u>\$12,055</u>	<u>\$12,407</u>	<u>\$15,025</u>	<u>\$7,644</u>	<u>\$14,801</u>

Per Common Share Data:

Adjusted Net Investment Income <sup>(1)</sup>	\$0.40	\$0.35	\$0.36	\$0.36	\$0.37
Net Investment Income	\$0.38	\$0.31	\$0.30	\$0.37	\$0.31
Net Increase in Net Assets	\$0.49	\$0.51	\$0.61	\$0.31	\$0.61
Dividends Paid	\$0.39	\$0.43 <sup>2</sup>	\$0.39	\$0.39	\$0.39
Wtd. Avg. Shares Outstanding (000s)	24,482	24,494	24,498	24,463	24,463

<sup>1</sup> Adjusted net investment income, a non-GAAP measure, is net investment income excluding any capital gains incentive fee expense or (reversal) attributable to realized and unrealized gains and losses. See page 26 for reconciliation of net investment income to adjusted net investment income.

<sup>2</sup> Includes special dividend of \$0.04 per share

# Statements of Assets & Liabilities

*(\$ in 000s, except per share data)*

	<u>Q3'17</u>	<u>Q4'17</u>	<u>Q1'18</u>	<u>Q2'18</u>	<u>Q3'18</u>
Investments, at fair value					
Control Investments	\$ -	\$ 4,723	\$ 4,950	\$ 5,041	\$ 5,318
Affiliate Investments	135,515	123,011	127,775	127,816	133,202
Non-control/Non-affiliate Investments	425,394	468,574	499,470	513,325	529,983
Total Investments	<u>\$560,909</u>	<u>\$596,308</u>	<u>\$632,195</u>	<u>\$646,182</u>	<u>\$668,503</u>
Cash & Cash Equivalents	46,868	41,572	32,797	23,999	38,072
Other Assets	7,076	8,383	7,420	7,545	6,923
Total Assets	<u>\$614,853</u>	<u>\$646,263</u>	<u>\$672,412</u>	<u>\$677,726</u>	<u>\$713,498</u>
Long-Term Debt	\$216,300	\$242,800	\$264,500	\$271,500	\$301,500
Less: Deferred Financing Costs	(4,723)	(4,965)	(7,058)	(6,837)	(6,484)
Other Liabilities	12,108	15,155	16,812	16,802	16,960
Total Liabilities	<u>223,685</u>	<u>252,990</u>	<u>274,254</u>	<u>281,465</u>	<u>311,976</u>
Net Assets	<u>\$391,168</u>	<u>\$393,273</u>	<u>\$398,158</u>	<u>\$396,261</u>	<u>\$401,522</u>
NAV Per Common Share	\$15.97	\$16.05	\$16.28	\$16.20	\$16.41

# Key Takeaways

- Highly experienced and invested management team
- Lower middle market offers significant opportunity for attractive risk-adjusted returns
- Well established origination network
- Differentiated investment strategy focused on capital preservation
- Strong balance sheet and liquidity position support continued portfolio growth
- SBIC debt provides competitive advantage
- Stable and growing dividend, with attractive 11.5% dividend yield\* based on annualized regular dividend of \$1.56 per share

\*Based on \$13.52 closing price on October 30, 2018.

# Corporate Data

## Executive Officers

Edward H. Ross  
Chairman & CEO

Thomas C. Lauer  
President

Shelby E. Sherard  
CFO & CCO

## Independent Directors

Raymond L. Anstiss, Jr.

Charles D. Hyman

John A. Mazzarino

## Investment Advisor

John H. Grigg  
Partner

Robert G. Lesley, Jr.  
Partner

John J. Ross, II  
Partner

W. Andrew Worth  
Partner

Michael J. Miller  
Partner

J. Stephen Dockery, III  
Partner

Edward P. Imbrogno  
Partner

Thomas J. Steiglehner  
Partner

## Corporate Headquarters

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Suite 1005  
Evanston, IL 60201  
[www.fidus.com](http://www.fidus.com)

## Investor Relations

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[investorrelations@fidus.com](mailto:investorrelations@fidus.com)

Jody Burfening  
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212-838-3777  
[jburfening@lhai.com](mailto:jburfening@lhai.com)

## Securities Listing - NASDAQ

"FDUS" - Common Stock  
"FDUSL" - 5.875% Notes due 2023

## Transfer Agent

American Stock Transfer &  
Trust Company, LLC  
800-937-5449  
CUSIP: 316500107

## Research Coverage

Janney Montgomery Scott LLC  
Mitchel Penn, CFA

Keefe, Bruyette & Woods, Inc.  
Ryan Lynch, CFA, CPA

Ladenburg Thalmann & Co. Inc.  
Mickey M. Schleien, CFA

Oppenheimer & Co. Inc.  
Chris Kotowski

Raymond James & Associates, Inc.  
Robert J. Dodd, PhD

## Corporate Counsel

Eversheds Sutherland (US) LLP

# FIDUS

INVESTMENT  
CORPORATION



## Appendix

# Investment Portfolio as of September 30, 2018

\$ in '000s

Portfolio Company	Nature of Principal Business	Investment Types <sup>(1)</sup>	Cost	Fair Value
Accent Food Services, LLC	Vending Equipment Manufacturing	SL-Debt, Equity	\$ 30,327	\$ 28,719
Allied 100 Group, Inc.	Healthcare Products	Equity	1,250	1,684
American AllWaste LLC (dba WasteWater Transport Services)	Environmental Industries	SL-Debt, Equity	12,207	12,216
Apex Microtechnology, Inc.	Electronic Components Supplier	Equity, Warrant	1,388	7,174
AVC Investors, LLC (dba Auveco)	Specialty Distribution	SL-Debt, Equity	22,901	23,169
B&B Roadway and Security Solutions, LLC	Component Manufacturing	SL-Debt, Equity	10,540	10,477
Caldwell & Gregory, LLC	Laundry Services	SUB-Debt, Equity, Warrant	4,058	4,526
Cardboard Box LLC (dba Anthony's Coal Fired Pizza)	Restaurants	Equity	520	125
Consolidated Infrastructure Group Holdings, LP	Business Services	Equity	379	275
ControlScan, Inc.	Information Technology Services	SUB-Debt, Equity	7,723	8,383
CRS Solutions Holdings, LLC (dba CRS Texas)	Business Services	SL-Debt, Equity	9,760	9,808
EBL, LLC (EbLens)	Retail	SL-Debt, Equity	10,043	10,119
FAR Research Inc.	Specialty Chemicals	Equity	1,396	3,315
FDS Avionics Corp. (dba Flight Display Systems)	Aerospace & Defense Manufacturing	SL-Debt, Equity	6,983	5,318
Fiber Materials, Inc.	Aerospace & Defense Manufacturing	SL-Debt, Equity	5,031	6,288
Global Plasma Solutions, Inc.	Component Manufacturing	FL-Debt, Equity	9,097	9,097
Gurobi Optimization, LLC	Information Technology Services	SUB-Debt, Equity	21,415	21,893
Hilco Plastics Holdings, LLC (dba Hilco Technologies)	Component Manufacturing	SL-Debt, Equity	11,347	10,692
Hub Acquisition Sub, LLC (dba Hub Pen)	Promotional products	SL-Debt, Equity	25,172	26,353
Hunter Defense Technologies, Inc.	Aerospace & Defense Manufacturing	FL-Debt	9,900	9,900
IBH Holdings, LLC (fka Inflexion, Inc.)	Business Services	Equity	-	-
inthin Technology Solutions, Inc.	Information Technology Services	Royalty	185	-
K2 Industrial Services, Inc.	Industrial Cleaning & Coatings	SL-Debt, Equity	13,946	6,851
LNG Indy, LLC (dba Kinetrex Energy)	Oil & Gas Distribution	SL-Debt, Equity	5,985	6,626
Marco Group International OpCo, LLC	Industrial Cleaning & Coatings	SL-Debt, Equity	12,813	12,868
Medsurant Holdings, LLC	Healthcare Services	SL-Debt, Equity, Warrant	14,652	22,876
Mesa Line Services, LLC	Utilities: Services	SL-Debt, Equity	9,604	9,822
Microbiology Research Associates, Inc.	Healthcare Services	SUB-Debt, Equity	10,689	10,654
Midwest Transit Equipment, Inc.	Transportation services	SUB-Debt, Warrant	12,145	13,325
Mirage Trailers LLC	Utility Equipment Manufacturing	SL-Debt, Equity	8,223	9,198
New Era Technology, Inc.	Information Technology Services	Equity	750	852
NGT Acquisition Holdings, LLC (dba Techniks Industries)	Component Manufacturing	SUB-Debt, Equity	11,627	10,528
Oaktree Medical Centre, P.C. (dba Pain Management Associates)	Healthcare Services	FL-Debt	11,443	12,200
OMC Investors, LLC (dba Ohio Medical Corporation)	Healthcare Products	SL-Debt, Equity	10,449	8,912
Palmetto Moon, LLC	Retail	FL-Debt, Equity	5,996	5,774
Pfanstiehl, Inc.	Healthcare Products	SUB-Debt, Equity	7,046	20,171
Pinnergy, Ltd.	Oil & Gas Services	SL-Debt, Equity	9,991	39,118
Power Grid Components, Inc.	Specialty Distribution	SL-Debt, Equity	11,953	11,953
Plymouth Rock Energy, LLC	Business Services	SL-Debt	7,018	7,018



# Investment Portfolio as of September 30, 2018

\$ in '000s

Portfolio Company	Nature of Principal Business	Investment Types <sup>(1)</sup>	Cost	Fair Value
Pugh Lubricants, LLC	Specialty Distribution	SL-Debt, Equity	\$ 19,130	\$ 19,520
Restaurant Finance Co, LLC	Restaurants	SL-Debt	9,314	2,236
Revenue Management Solutions, LLC	Information Technology Services	SUB-Debt, Equity	11,096	12,703
Rhino Assembly Company, LLC	Specialty Distribution	SL-Debt, Equity	8,217	8,598
Road Safety Services, Inc.	Business Services	SL-Debt, Equity	10,603	10,603
Rohrer Corporation	Packaging	Equity	780	842
SES Investors, LLC (dba SES Foam)	Building Products Manufacturing	SL-Debt, Equity	4,666	2,785
Simplex Manufacturing Co.	Aerospace & Defense Manufacturing	SUB-Debt, Warrant	5,205	6,643
SimplyWell, Inc.	Healthcare Services	SL-Debt, Equity	10,607	10,686
Software Technology, LLC	Information Technology Services	SUB-Debt, Equity	11,253	11,283
SpendMend LLC	Business Services	SL-Debt, Equity	11,326	11,630
Steward Holding LLC (dba Steward Advanced Materials)	Aerospace & Defense Manufacturing	SL-Debt, Equity	8,508	8,615
The Kyjen Company, LLC (dba Outward Hound)	Consumer Products	SL-Debt, Equity	15,186	14,235
The Tranzonic Companies	Specialty Distribution	SUB-Debt, Equity	6,091	5,564
The Wolf Organization, LLC	Building Products Manufacturing	Equity	1,445	5,192
Thermoforming Technology Group LLC (dba Brown Machine Group)	Capital Equipment Manufacturing	SL-Debt, Equity	23,357	24,183
Tile Redi, LLC	Building Products Manufacturing	FL-Debt	10,117	10,054
Toledo Molding & Die, Inc.	Component Manufacturing	SL-Debt	9,992	10,000
TransGo, LLC	Component Manufacturing	SL-Debt, Equity	10,464	10,393
Trantech Radiator Products, Inc.	Utility Equipment Manufacturing	SL-Debt, Equity	6,682	5,793
UBEO, LLC	Business Services	SUB-Debt, Equity	7,739	7,739
United Biologics, LLC	Healthcare Services	Equity, Warrant	1,574	152
US GreenFiber, LLC	Building Products Manufacturing	SL-Debt, Equity	14,945	12,183
US Pack Logistics LLC	Transportation services	SL-Debt, Equity	8,843	9,229
Vanguard Dealer Services, L.L.C.	Business Services	Equity	481	1,145
Virginia Tile Company, LLC	Specialty Distribution	SL-Debt, Equity	12,319	13,603
Worldwide Express Operations, LLC	Transportation services	SL-Debt, Equity	13,881	14,617
			<b>\$ 619,773</b>	<b>\$ 668,503</b>

(1) The Company's debt securities are classified as either First Lien Debt, Second Lien Debt or Subordinated Debt depending on the level security interest in the assets of the portfolio company as collateral in support of the repayment of such loans provided pursuant to agreements with the portfolio company. Refer to the Company's periodic 10-Q and 10-K filings with the SEC for additional information concerning these classifications.

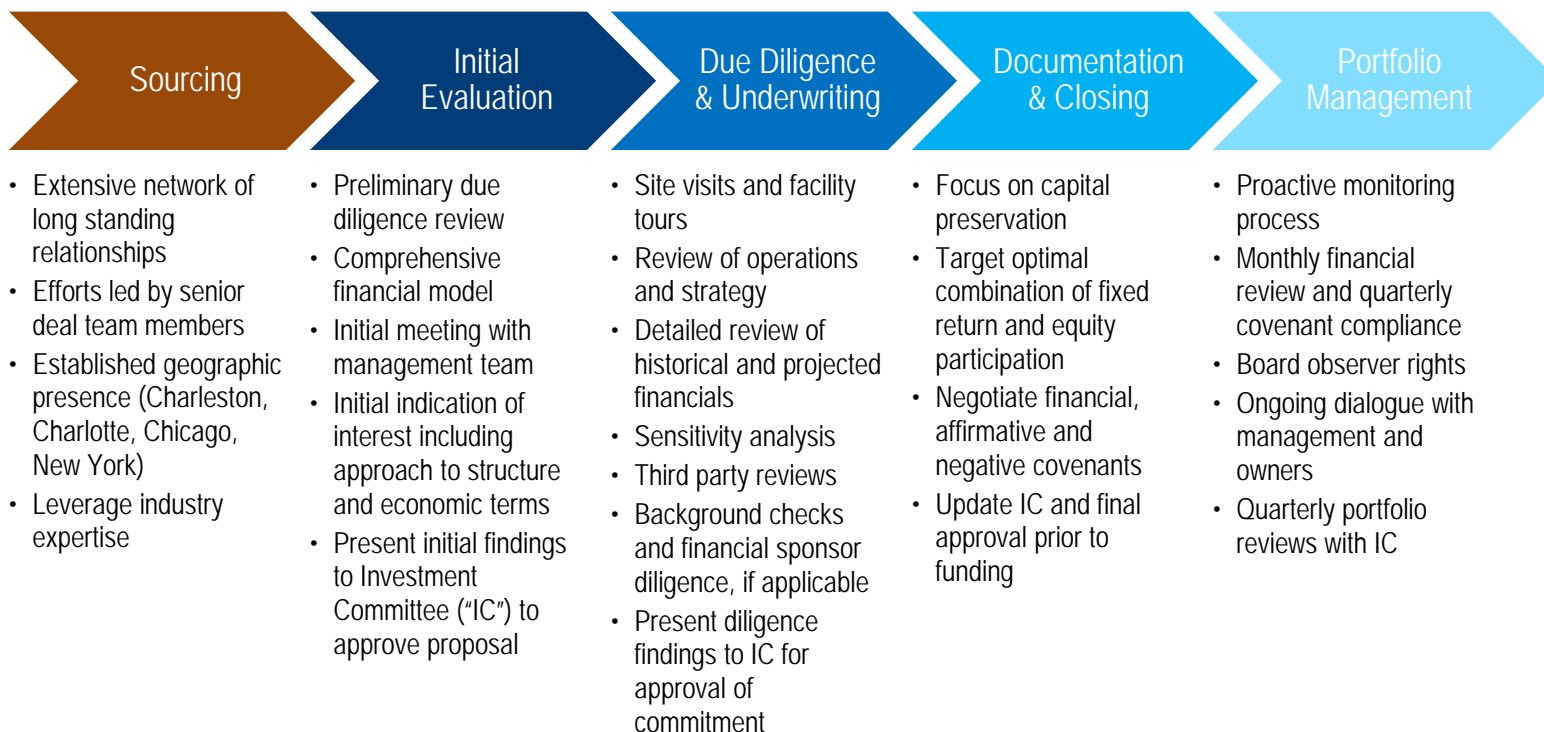
# Reconciliation of Adjusted Net Investment Income

The following are reconciliations of net investment income (NII) and NII per share computed in accordance with GAAP to Adjusted NII, a non-GAAP measure, and Adjusted NII per share which exclude capital gains incentive fee expense or (reversal) based on realized and unrealized capital gains and losses:

<b><u>(\$ in 000's)</u></b>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>
Net Investment Income	\$ 9,189	\$ 7,687	\$ 7,377	\$ 8,958	\$ 7,481
Capital Gains Incentive Fee Expense (Reversal)	573	944	1,530	(263)	1,464
Adjusted Net Investment Income <sup>(1)</sup>	<u>\$ 9,762</u>	<u>\$ 8,631</u>	<u>\$ 8,907</u>	<u>\$ 8,695</u>	<u>\$ 8,945</u>
<b><u>Per Share</u></b>					
Net Investment Income	\$ 0.38	\$ 0.31	\$ 0.30	\$ 0.37	\$ 0.31
Capital Gains Incentive Fee Expense (Reversal)	0.02	0.04	0.06	(0.01)	0.06
Adjusted Net Investment Income <sup>(1)</sup>	<u>\$ 0.40</u>	<u>\$ 0.35</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>	<u>\$ 0.37</u>

(1) Adjusted net investment income per share amounts are calculated as adjusted net investment income divided by weighted average shares outstanding for the period. Due to rounding, the sum of net investment income per share and capital gains incentive fee expense or (reversal) per share amounts may not equal the adjusted net investment income per share amount presented here.

# Disciplined Investment Process and Proactive Risk Management



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