

PROSPECT CAPITAL CORPORATION

NASDAQ: PSEC

MIDDLE MARKET FINANCE



FORWARD-LOOKING STATEMENTS AND DISCLAIMERS

Certain statements made by us in this presentation that are not historical facts or that relate to future plans, events or performances are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. Our actual results or actions may differ materially from those expressed in any forward-looking statements made by us. Forward-looking statements involve a number of risks of uncertainties including, but not limited to, the risks described under headings such as “Risk Factors” in our SEC filings. All forward-looking statements are qualified by those risk factors. All statements made by us in this presentation are further qualified in all respects by the information disclosed in our SEC filings. We disclaim any obligation to update our forward looking statements unless required by law.

Certain information discussed in this presentation (including information relating to portfolio companies) was derived from third-party sources and has not been independently verified and, accordingly, Prospect Capital Corporation makes no representation or warranty in respect of this information.

The following slides contain summaries of certain financial and statistical information about Prospect Capital Corporation. The information contained in this presentation is summary information that is intended to be considered in the context of our SEC filings and other public announcements that we may make, by press release or otherwise, from time to time. We undertake no duty or obligation to publicly update or revise the information contained in this presentation. In addition, information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. You should not view the past performance of Prospect Capital Corporation, or information about the market, as indicative of Prospect Capital Corporation’s future results. This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities of Prospect Capital Corporation.

All data in this presentation is as of 9/30/2024 unless noted.

PSEC OVERVIEW

Prospect Capital Corporation (PSEC) is the Largest Multi-Line BDC

LONG HISTORY LARGE SCALE

- ▶ With \$7.6B in total assets and a team of 130+ professionals, PSEC is one of the oldest and largest publicly traded BDCs
- ▶ Established 20-year track record that predates the Global Financial Crisis
- ▶ Invested over \$21B since inception across over 400 investments, exiting over 300 of these investments
- ▶ Scale allows PSEC to target larger, more credit-worthy middle-market companies
- ▶ BDC industry innovator with a long list of firsts by a BDC – convertible bond, medium term program notes, bond ATM, equity ATM, BDC acquisition, traded perpetual preferred, programmatic perpetual preferred, and others

INVESTMENT PORTFOLIO

- ▶ Strategy focused on risk reduction, capital preservation, and avoidance of “yield chasing” investments
- ▶ Intensive screening process (<2% book-to-look ratio) with a majority focus on senior and secured lending
- ▶ 117 portfolio investments in 33 different industries (with a particular focus on less cyclical industries)
- ▶ Portfolio comprised of 82% first lien, secured, or underlying secured assets
- ▶ Non-accrual loans remain low at 0.5%
- ▶ PSEC’s payment-in-kind interest can be an efficient funding mechanism for certain portfolio companies making accretive investments in their business with valuations substantially above PSEC’s debt cost basis
- ▶ Low cross-correlation investment strategies: middle-market lending (52%), middle-market lending / buyout (19%), real estate (19%), and subordinated structured notes (6%)⁽¹⁾
- ▶ Diversified real estate platform (NPRC) with 61 properties with standalone non-recourse financing and strong rent and net operating income (NOI) growth
 - NPRC focuses on various classes of developed and occupied real estate properties that generate current yields, including multi-family properties, student housing, and senior living, with a prioritization of properties that have historically attractive occupancy rates and recurring cash flow generation
 - Since 2020, NPRC has invested \$381M to acquire 27 new properties, as well as making additional investments to upgrade existing properties and drive increased NOI growth

Source: Company filings, investor presentations and management.

(1) Totals may not add to 100% given there are other smaller and non-core investment strategies.

PSEC OVERVIEW (CONTINUED)

Prospect Capital Corporation (PSEC) is the Largest Multi-Line BDC

SOLID FINANCIAL FOUNDATION

- ▶ Investment grade rated for 15 years and currently has 5 investment grade corporate credit ratings
- ▶ Laddered liability structure with long-term matched-book funding
- ▶ 48 credit facility lenders (recently extended credit facility – 5-year term to 2029)
- ▶ Successfully issued securities in an array of markets
 - Including multiple institutional bond issuances in 2021 at 3.364-3.706% coupons when interest rates were lower
 - Currently waiting for lower interest rates to potentially issue such paper, favoring other markets in the interim (disciplined balance sheet management)
- ▶ Retired multiple upcoming bond maturities and, as of today, PSEC has no debt maturing in CY2024 and only \$160M of remaining bond maturities until 2026
- ▶ Net debt leverage has remained low at 0.44x⁽¹⁾
- ▶ Access to diversified funding sources across multiple investor bases with an emphasis on unsecured term debt, representing 76% of all Prospect's indebtedness
- ▶ Low unfunded commitments at 0.6% of total assets

ATTRACTIVE RETURNS

- ▶ Net investment income less preferred dividends exceeded cash common distributions by 107% for LTM September 2024
- ▶ 94% of total investment income for the September 2024 quarter from interest income
- ▶ Monthly dividend of \$0.045/common share; current annualized dividend yield 10.4%⁽²⁾
- ▶ Since PSEC's inception in 2004 through January 2025 declared distribution, PSEC will have distributed \$4.4B and \$21.25 per share to common shareholders – 2.6x September 2024 NAV per share and 4.1x the stock price on 11/6/2024⁽³⁾
- ▶ Strong insider ownership of 27% (\$0.9B of net asset value)

PSEC HIGHLIGHTS

Management Team
(30+ Years, 27% Ownership)

Rigorous Risk Management with Low
0.5% Non-Accrual Loans and <2% Book
to Look Ratio

Highly Institutionalized Organization
with 130+ Employees

5.7x Middle-Market Portfolio Net
Leverage and \$105M EBITDA Avg

5 Investment-Grade Corporate
Credit Ratings

PROSPECT CAPITAL

Investment Portfolio with 117
Investments Across 33 Industries

\$7.6B Multi-Strategy Approach with
Multiple Origination Strategies

Low 44% Company Net Debt
to Equity Leverage

Over \$21B Cumulative Investments
with over 300 Exits

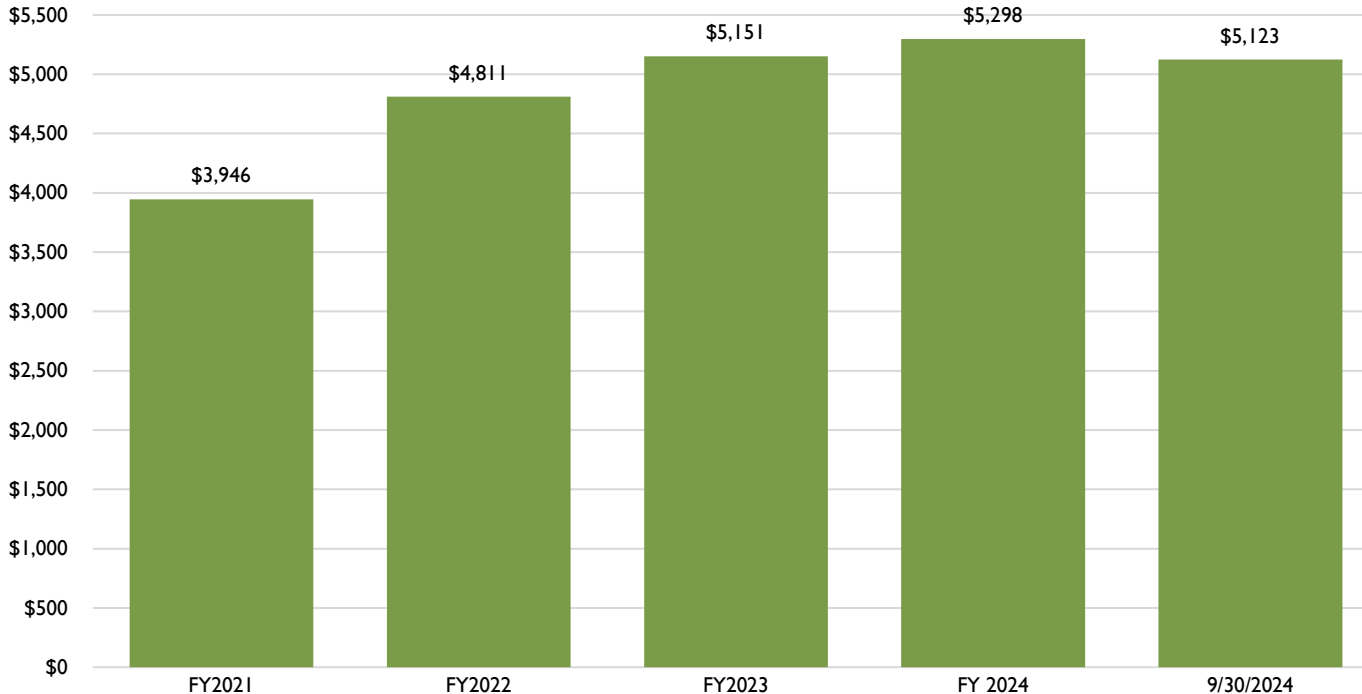
Diversified, Well Laddered, and
Unsecured Funding with \$4.9B of
Unencumbered Assets

SIGNIFICANT SCALE PROVIDES COMPETITIVE ADVANTAGE

- ▶ PSEC is one of the oldest and largest publicly traded BDCs with capital of \$9.2 billion⁽¹⁾
- ▶ Strategy focused on risk reduction, capital preservation, and avoidance of “yield chasing” investments

TOTAL EQUITY

(FY as of 9/30, \$ in millions)



Source: Company filings. Total equity is inclusive of preferred stock.

(1) Total assets as of 9/30/2024 plus undrawn revolving credit facility, which includes \$2,121.5 million of commitments from 48 lenders.

EXPERIENCED AND BROAD TEAM

With Over 130 Professionals, Prospect has One of the Largest Teams Focused on the Middle Market

SENIOR EXECUTIVES

John Barry – Chairman and CEO

- ▶ Co-founder of PSEC
- ▶ 46 years of experience, including Merrill Lynch, Rothschild and Davis Polk
- ▶ JD Harvard, AB Princeton

Grier Eliasek – President and COO

- ▶ Co-founder of PSEC
- ▶ 28 years of experience; previously a consultant at Bain & Company
- ▶ MBA Harvard, BS Chemical Engineering University of Virginia

Kristin Van Dask – CFO

- ▶ Joined Prospect Capital Management in 2008
- ▶ 23 years of experience, including an investment advisor, E&Y and Arthur Andersen
- ▶ BS Towson University

Daria Becker – Head of Administration

- ▶ Joined Prospect Capital Management in 1998
- ▶ 39 years of experience, including Lexington, Citigroup and a family office
- ▶ BA Wellesley College

INVESTMENT TEAM

Investment Professionals **55**

CLIENT ADVISORY & IR

Client Advisory & Investor Relations Professionals **14**

FINANCE, ACCOUNTING, TAX

Finance, Accounting, and Tax Professionals **24**

LEGAL

Legal Professionals **12**

ADMINISTRATION

Administration Professionals **28**

130+ person organization helps drive originations through superior scale and market coverage

LOW CORRELATION INVESTMENT STRATEGIES

MIDDLE-MARKET LENDING – 52%

- U.S. companies with EBITDA typically up to \$150M
- Senior and secured loans with third-party first loss equity
- Sole / lead investor focus with repeat business
- Sponsor-owned and non-sponsor-owned companies
- Diverse portfolios by borrower and industry

\$15.0B
INVESTED

19
YEAR TRACK
RECORD

340
INVESTMENTS

SUBORDINATED STRUCTURED NOTES – 6%

- Primary and secondary investments – relative value
- Majority and minority investments – benefits to each
- Diverse underlying portfolios, BDC 30% basket
- Prospect LTM default rate 15% lower than market⁽¹⁾

\$1.7B
INVESTED

14
YEAR TRACK
RECORD

48
INVESTMENTS

MIDDLE-MARKET LENDING / BUYOUT – 19%

- U.S. companies with EBITDA typically up to \$150M
- Senior and secured loans plus control private equity
- High current income plus equity upside (barbell income)

\$1.6B
INVESTED

21
YEAR TRACK
RECORD

16
INVESTMENTS

REAL ESTATE – 19%

- Primarily multifamily properties with value-add potential
- Class B/C properties in secondary/tertiary markets
- Garden-style low-rise and mid-rise properties
- Subordination of third-party cash flows
- High current income plus equity upside (49 exits)

\$1.6B
INVESTED

12
YEAR TRACK
RECORD

110
INVESTMENTS

(1) Management for PSEC and S&P Capital IQ for leveraged loan market.

Totals may not add to 100% given there are other smaller and non-core investment strategies. Real estate investment count by distinct properties.

SUPERIOR DEAL FLOW AND DISCIPLINED EXECUTION

3,000+ Opportunities Sourced Annually with <2% of Initially Screened Investments Advancing to Closing

| SYSTEMATIC CALLING EFFORT | COLD-CALLING EFFORT | MANAGEMENT RELATIONSHIPS | CONTACT DATABASE | IN-BOUND OPPORTUNITIES |
|--|---|--|--|---|
| <ul style="list-style-type: none"> ▶ PE sponsors <ul style="list-style-type: none"> • 100+ top tier relationships ▶ Other intermediaries <ul style="list-style-type: none"> • ~3,200 total ▶ Syndication/Club relationships | <ul style="list-style-type: none"> ▶ Small-to-mid cap companies with identified financing needs ▶ Dedicated in-house call center ▶ Proprietary deal flow | <ul style="list-style-type: none"> ▶ From past and present portfolio companies ▶ Add-on investments, new investments, assistance with due diligence and post-closing value add | <ul style="list-style-type: none"> ▶ 40,000+ contacts built over two decades ▶ Receive all transaction announcements, resulting in both in-bound opportunities and top-of-mind awareness | <ul style="list-style-type: none"> ▶ From scale, longevity, and visibility of PSEC ▶ \$9.2 billion of capital⁽¹⁾ |

Disciplined underwriting and execution helps to keep credit losses low



Source: Company filings, management.

(1) Total assets as of 9/30/2024 plus undrawn revolving credit facility, which includes \$2,121.5 million of commitments from 48 lenders.

PORTFOLIO OVERVIEW

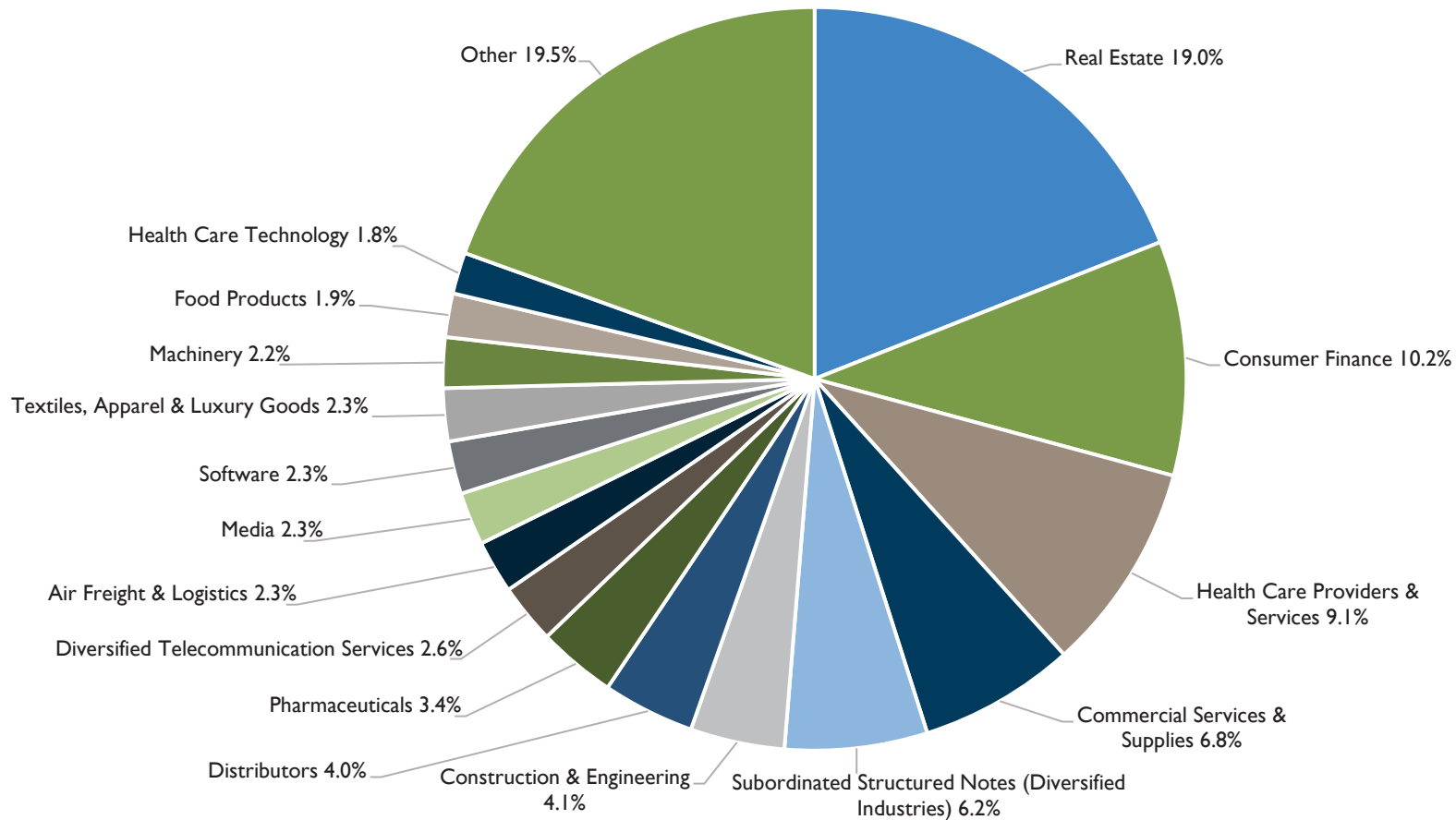
- ▶ \$7.6 billion total assets, including 117 investments
- ▶ Secured investment focus with 76% of portfolio comprised of 1st lien and other secured debt
- ▶ 82% underlying secured asset mix
- ▶ 11.8% annualized current yield across performing interest bearing investments
- ▶ 9.7% annualized current yield across all investments
- ▶ 94% interest income as a percentage of total investment income
- ▶ 5.7x middle-market portfolio net leverage⁽¹⁾
- ▶ \$105 million middle-market portfolio EBITDA⁽¹⁾
- ▶ Portfolio is invested across 33 industries
- ▶ PSEC is the sole or lead investor in 78% of overall portfolio

Source: Company filings, management. All data as of, or for the quarter ended, 9/30/2024.

(1) Includes portfolio company debt through PSEC's investment in portfolio company capital structure. See Appendix "Middle-Market Loan Portfolio Company Weighted Average EBITDA and Net Leverage" herein for further information.

PORTFOLIO INVESTED IN 33 DIFFERENT INDUSTRIES

PSEC's Portfolio at Fair Value (9/30/2024)



RIGOROUS AND INDEPENDENT VALUATION PROCESS

| | |
|--|--|
| <p>INDEPENDENT THIRD-PARTY VALUATION</p> | <ul style="list-style-type: none"> ▶ Every investment is valued quarterly and has been valued since inception at fair value by a third-party ▶ Third-party valuation agents complete a review of all investments on an independent basis (i.e., not merely on a “positive / negative assurance review” or “sampling” basis) |
| <p>SENIOR PORTFOLIO MANAGER</p> | <ul style="list-style-type: none"> ▶ Preliminary valuation discussions are documented and discussed with senior Prospect Capital Corporation management |
| <p>AUDIT COMMITTEE</p> | <ul style="list-style-type: none"> ▶ PSEC’s Independent Audit Committee reviews the preliminary valuations, including asking questions and receiving supplemental information as required by PSEC’s Audit Committee ▶ PSEC’s Independent Audit Committee approves all valuations |
| <p>PSEC’S BOARD OF DIRECTORS</p> | <ul style="list-style-type: none"> ▶ PSEC’s majority independent board of directors determines the fair value of each investment in the portfolio based on the third-party valuations and recommendations from PSEC’s Audit Committee ▶ To date, the Board’s final valuations have never been outside the range provided by the third-party valuation firm |

DIVERSIFIED FUNDING SOURCES

- ▶ Access to diversified funding sources across multiple investor bases
- ▶ Emphasis on unsecured term debt with no financial covenants or cross defaults with revolving credit facility
- ▶ PSEC's corporate credit rating is BBB- by S&P, Baa3 by Moody's, BBB- by Kroll, BBB(low) by DBRS, and BBB by Egan-Jones

| ISSUANCE | ORIGINAL AMOUNT (millions) | OUTSTANDING (millions) | MATURITY |
|---|----------------------------|------------------------|---------------------|
| SENIOR SECURED CREDIT FACILITY ⁽¹⁾ | \$2,121.5 | \$547.2 | 6/28/2029 |
| SENIOR UNSECURED INSTITUTIONAL TERM DEBT | | | |
| ▶ January 2021 | \$400.0 | \$387.7 | 1/22/2026 |
| ▶ May 2021 | \$300.0 | \$300.0 | 11/15/2026 |
| ▶ September 2021 | \$300.0 | \$300.0 | 10/15/2028 |
| SENIOR UNSECURED CONVERTIBLE NOTES | | | |
| ▶ February 2019 | \$201.3 | \$156.2 | 3/1/2025 |
| SENIOR UNSECURED RETAIL NOTES | | | |
| ▶ Prospect Capital InterNotes® | \$645.3 | \$603.3 | Feb 2025 - Mar 2052 |

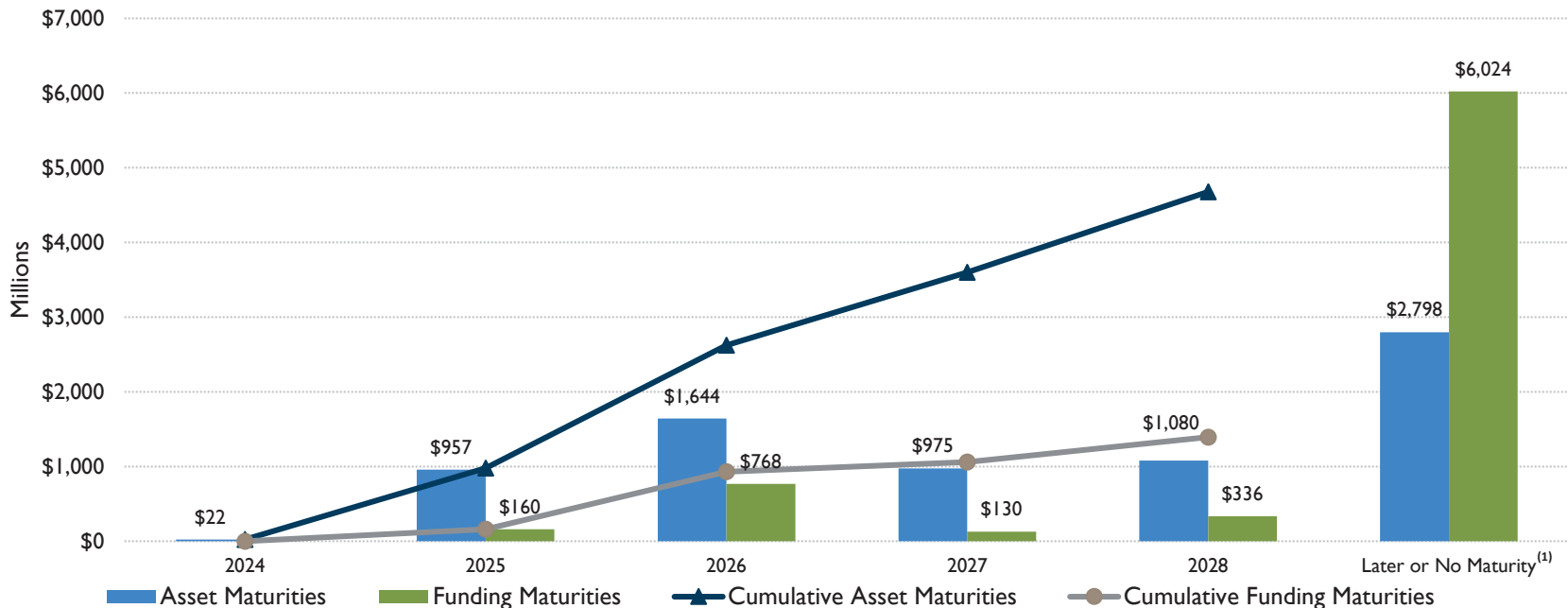
Source: Company filings and management.

(1) Includes \$2,121.5 million of commitments from 48 lenders.

LONG-TERM, MATCHED-BOOK FUNDING LOCKS IN ATTRACTIVE SPREADS

PSEC's Well-Laddered Funding Sources Match the Tenor of its Investments

- ▶ Maturity date for revolving credit facility is June 2029; average daily utilization rate of 23.7% since 2011
- ▶ \$5.1 billion of PSEC's funding is in the form of equity, which does not mature
- ▶ Unsecured bonds have 3.9 year weighted average remaining term

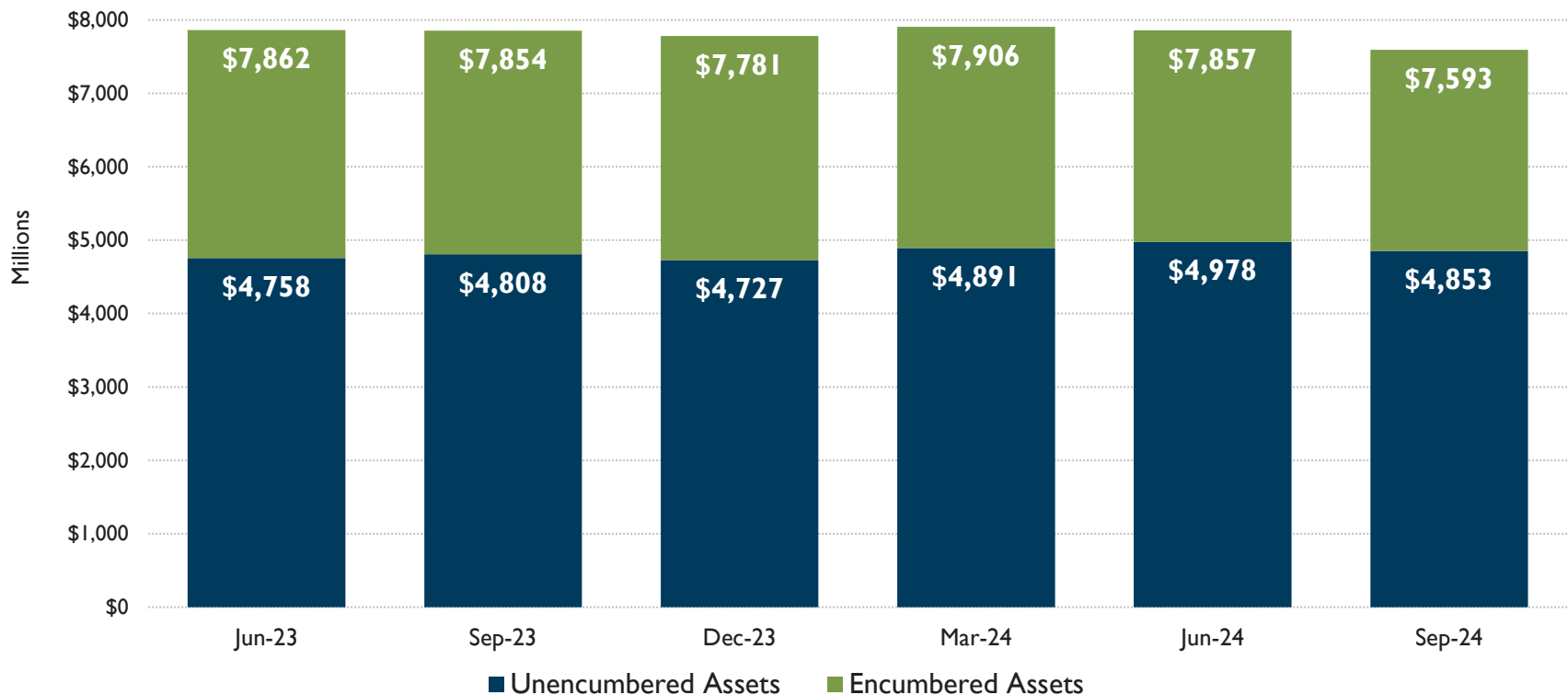


Source: Company filings and management.

(1) Includes investments, equity capital, and debt capital maturing after 2028. Funding maturity includes revolving credit facility. The facility, for which \$2,121.5 million of commitments from 48 lenders, matures in June 2029 with a revolving period extending through June 2028 followed by a one-year amortization period. Pricing for amounts drawn under the facility is one-month SOFR plus 2.05%.

UNENCUMBERED ASSETS PROVIDE FINANCIAL FLEXIBILITY

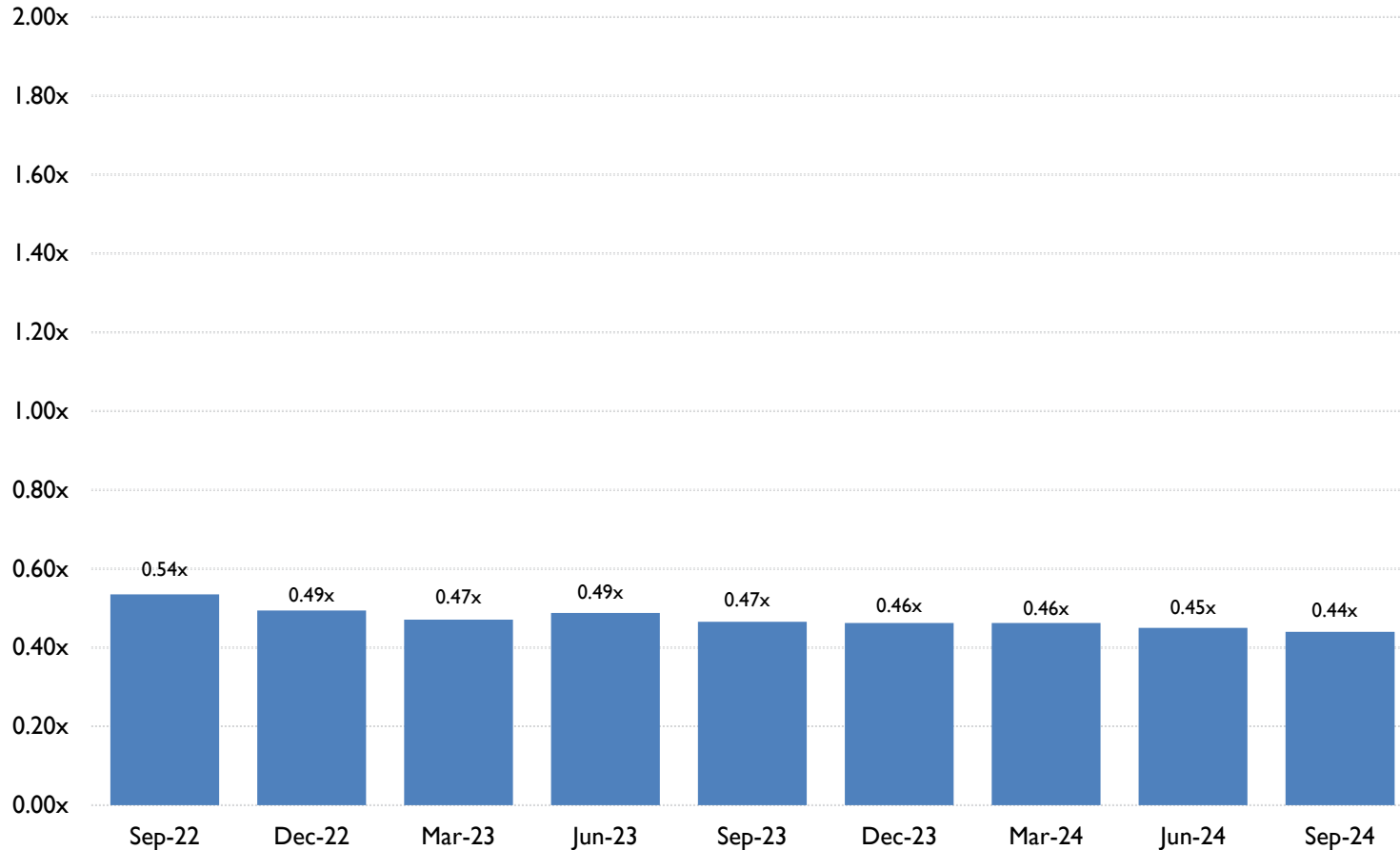
Approximately \$4.9 Billion of Unencumbered Assets, Representing 64% of Total Assets as of 9/30/2024



High level of unencumbered assets reduces risk in the event of a market downturn

PRUDENT NET DEBT LEVERAGE

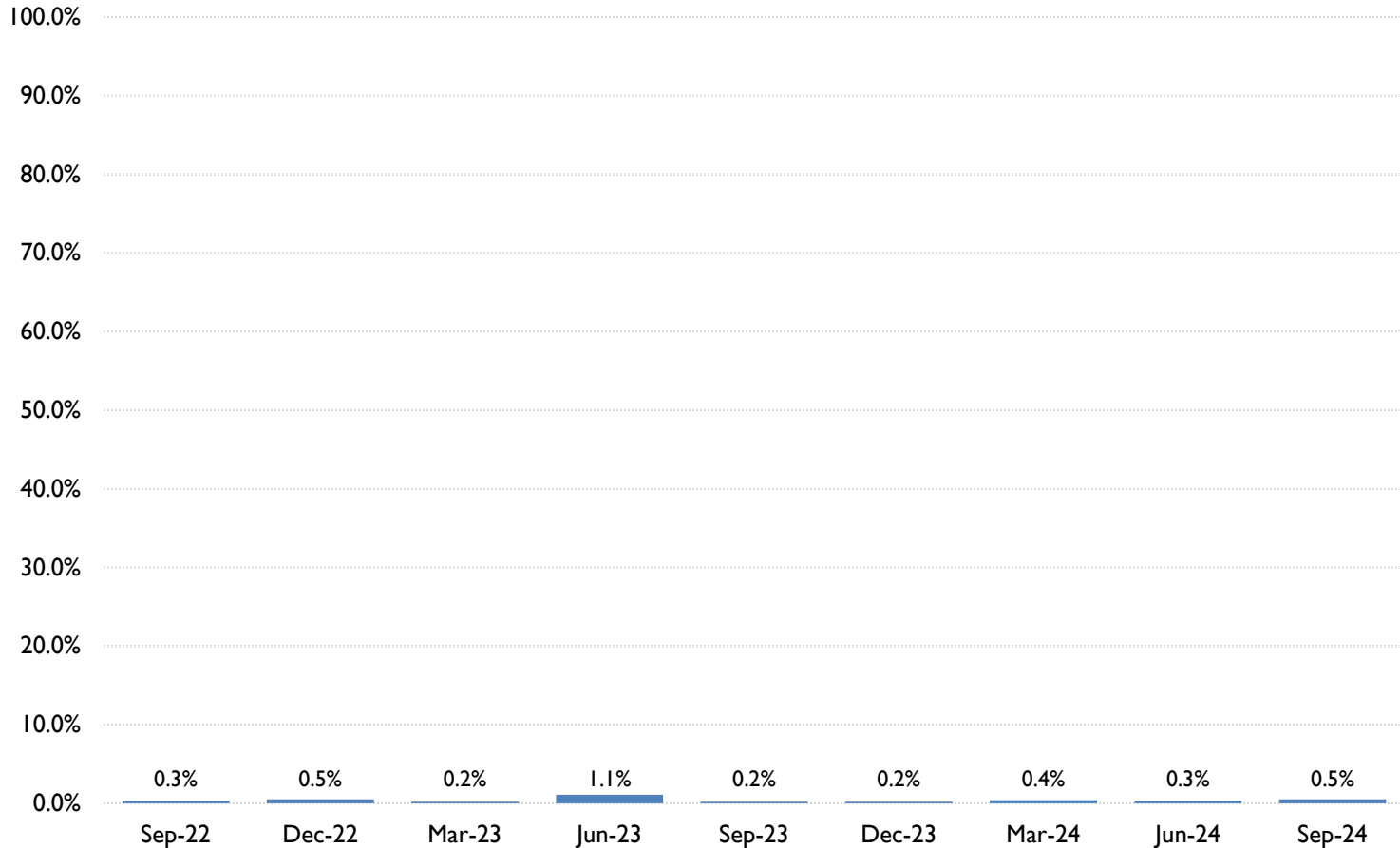
PSEC's Net Debt Leverage Has Remained Low at 0.44x as of 9/30/2024



Source: Company filings, management. Calculated as total principal debt minus cash and cash equivalents divided by total equity (including preferred stock).

LOW NON-ACCRUALS

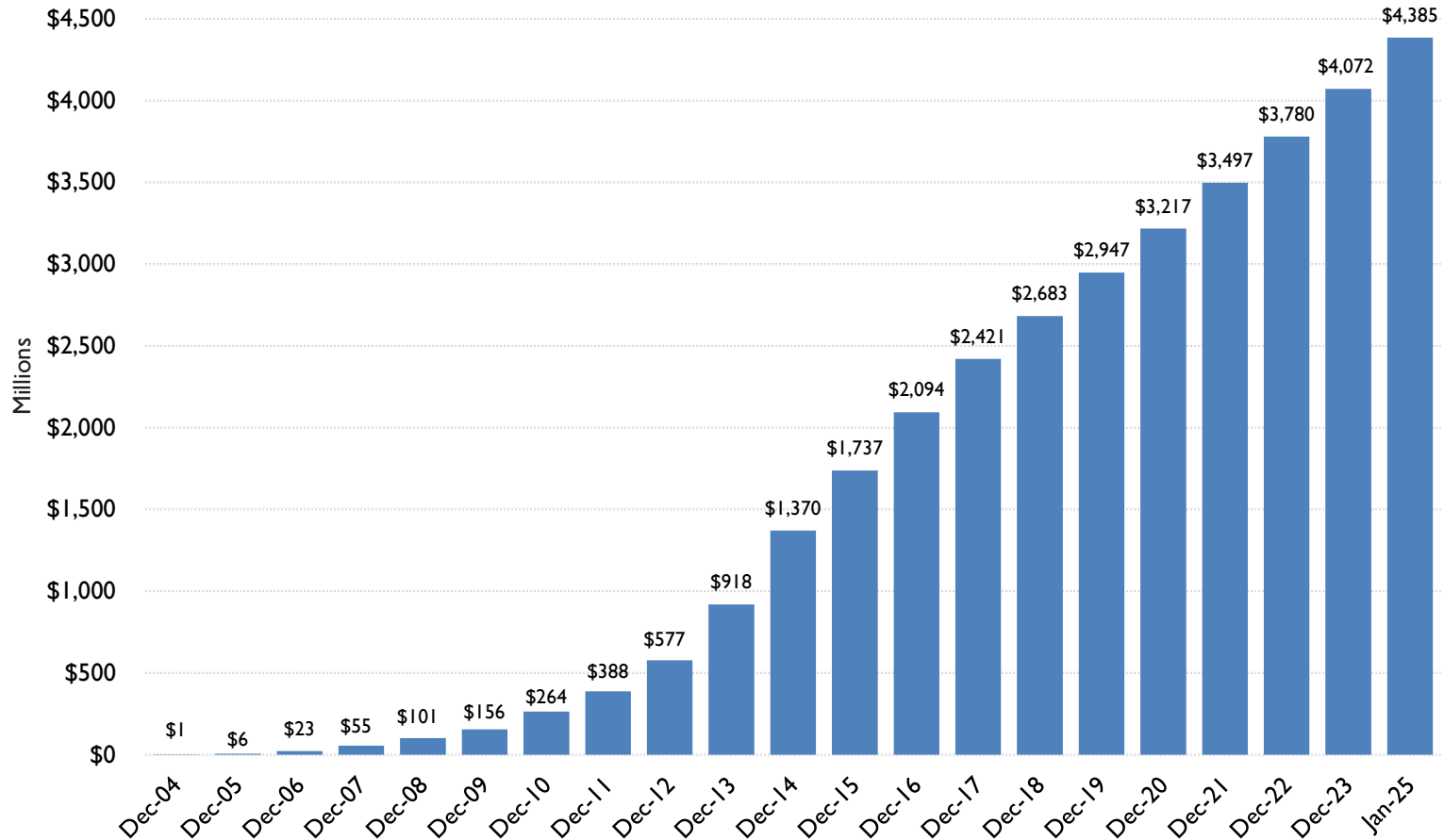
PSEC's Non-Accrual Loans Have Remained Low at 0.5% as of 9/30/2024



Source: Company filings, management. As a percentage of total assets (at fair market value).

PSEC CUMULATIVE DISTRIBUTIONS TO SHAREHOLDERS

Declared Cumulative Distributions of \$21.25 per Common Share Totaling Approximately \$4.4 Billion Since 2004 IPO

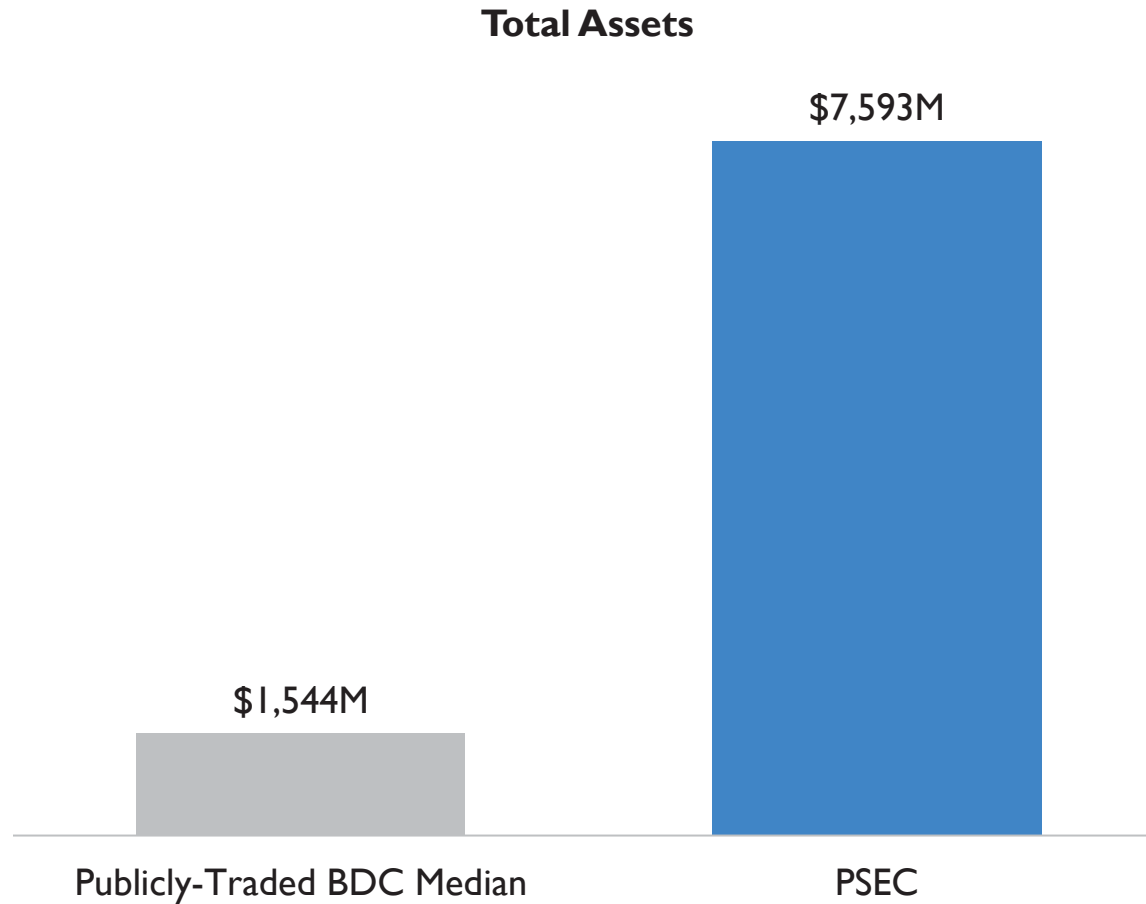


Source: Company filings, management.

Note: Declared dividends are through the January 2025 distribution. October 2024 through January 2025 distributions are estimated based shares outstanding as of 9/30/2024.

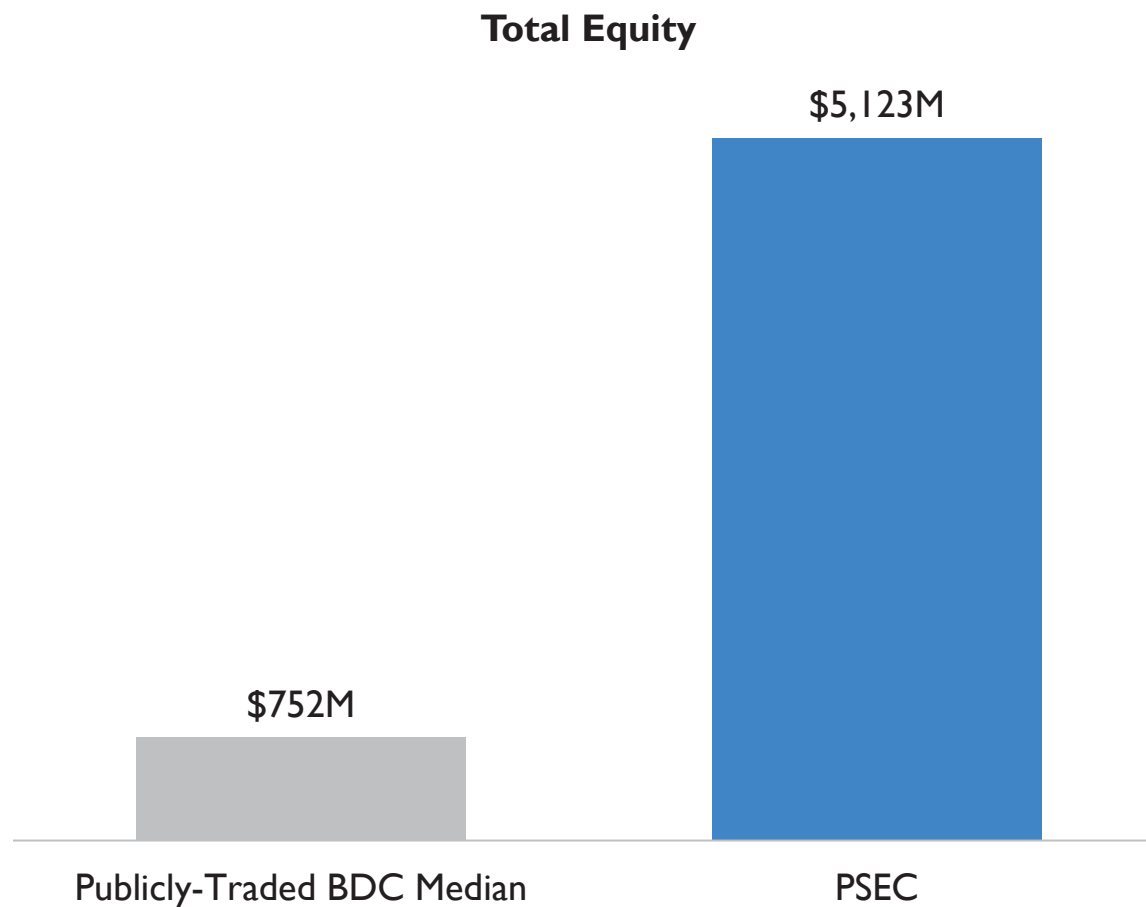
DIFFERENTIATED PERFORMANCE

PSEC'S SIGNIFICANT SCALE PROVIDES COMPETITIVE ADVANTAGE



Source: PSEC analysis of S&P Capital IQ data for 49 listed BDCs. PSEC as of 9/30/2024. Peer data for the quarter ending 6/30/2024; data may be materially different for the quarter ending 9/30/2024.

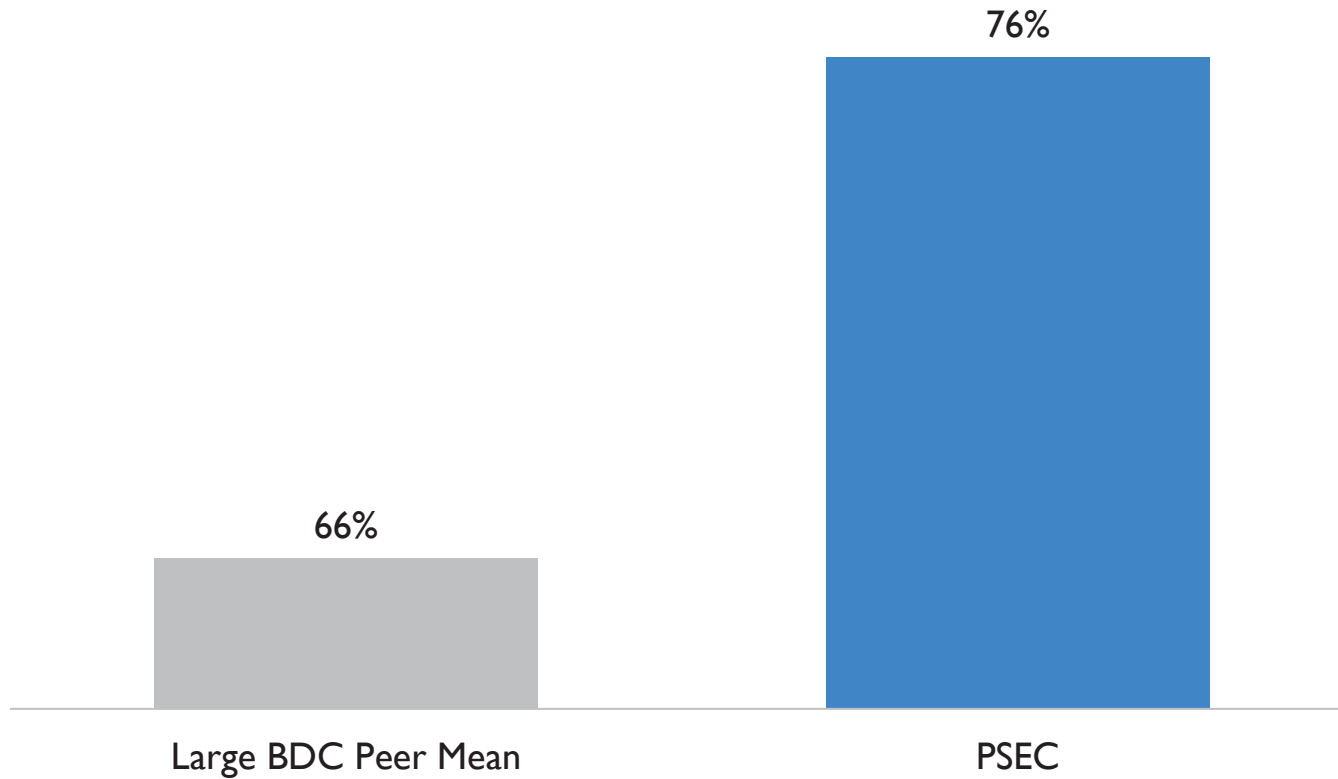
PSEC'S SIGNIFICANT SCALE PROVIDES COMPETITIVE ADVANTAGE



Source: PSEC analysis of S&P Capital IQ data for 49 listed BDCs. PSEC as of 9/30/2024. Peer data for the quarter ending 6/30/2024; data may be materially different for the quarter ending 9/30/2024. Total equity is inclusive of preferred stock.

PRUDENT ASSET SELECTION TO PROTECT NAV

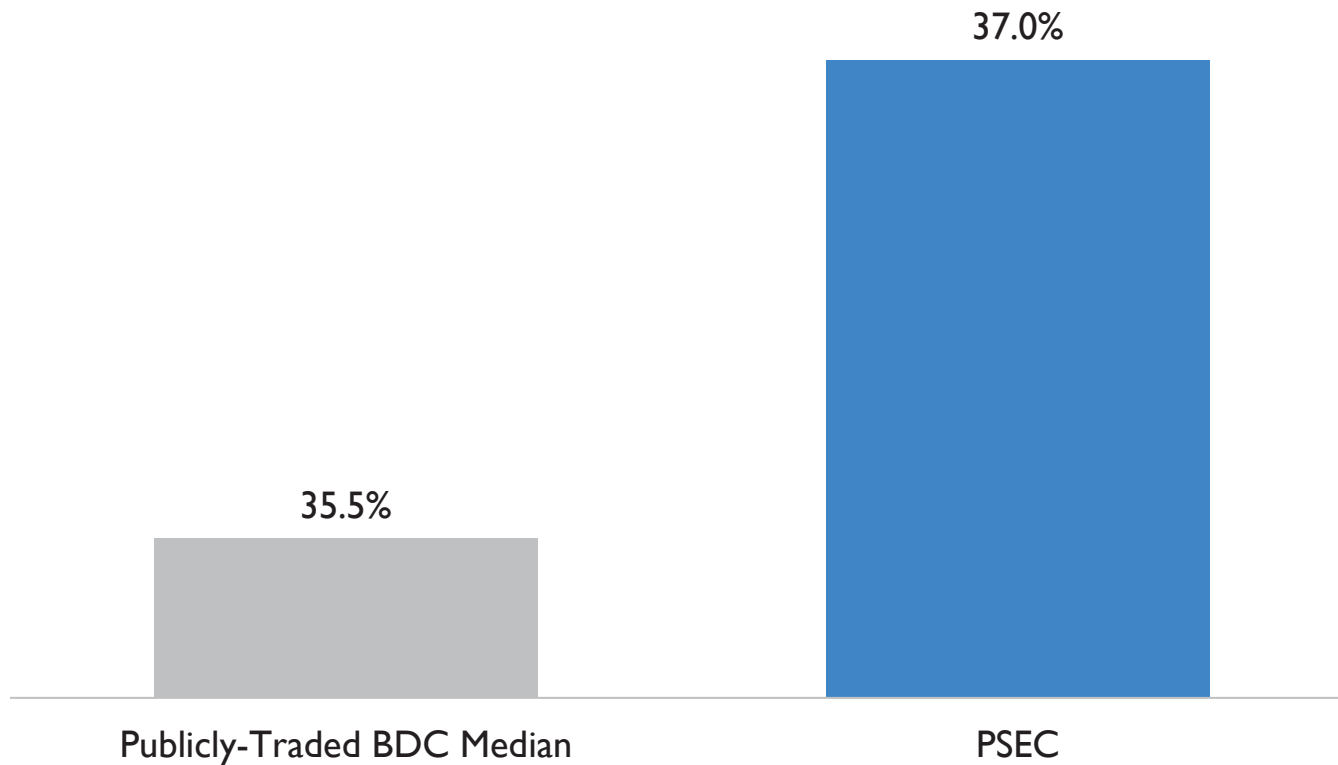
Non-Cyclical Investments



Source: PSEC analysis of public filings including the 5 largest listed BDC peers by total assets. PSEC as of 9/30/2024. Peer data for the quarter ending 6/30/2024; data may be materially different for the quarter ending 9/30/2024. Non-cyclical investments produce or distribute a good or service with recurring demand, and therefore are not correlated with the business cycle volatility. See Appendix "Non-Cyclical Investments" herein for further information. Non-Cyclical investments calculated as a percentage of total investment portfolio, measured by fair market value.

PSEC HAS GENERATED HIGHER TOTAL RETURNS

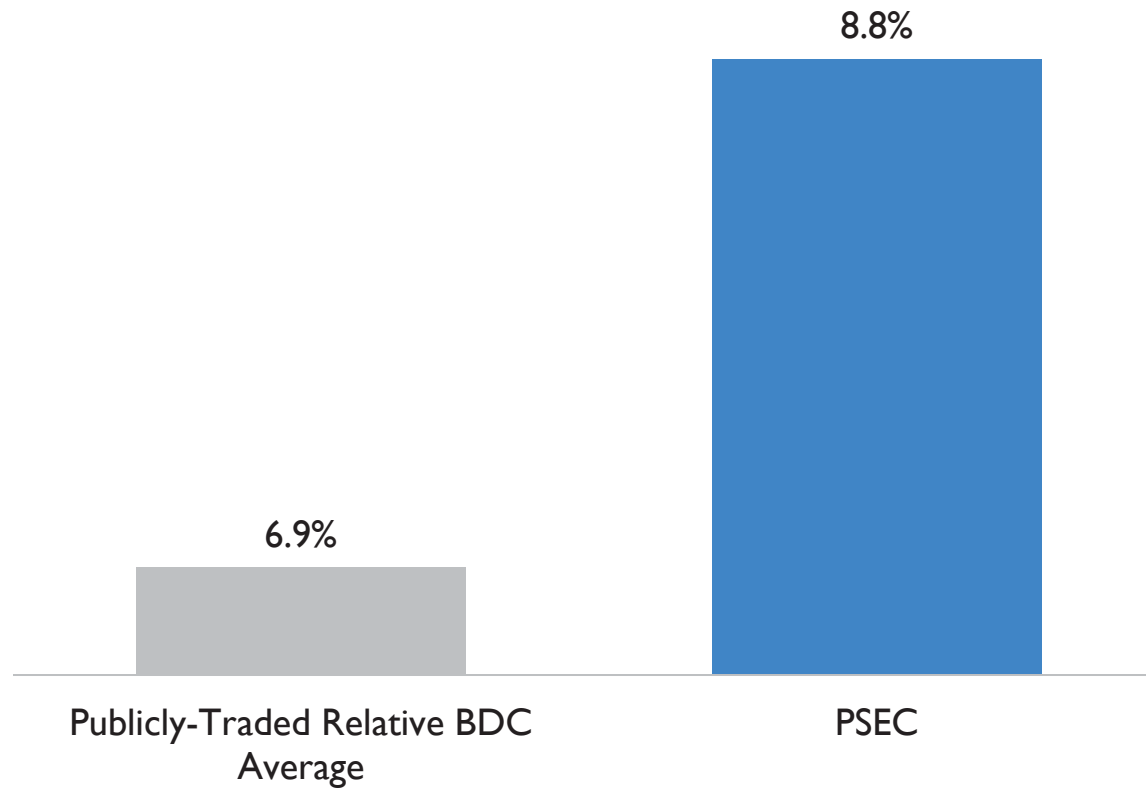
5-Year Total Increase in NAV plus Dividends



Note: Calculated as change in NAV per share plus dividends in the aggregate time period. Information related to past performance, while potentially helpful as an evaluative tool, is not indicative of future results. PSEC analysis of S&P Capital IQ data for 42 listed BDC peers for which there is quarterly data for the five years ended 6/30/2024.

PSEC HAS GENERATED HIGHER EQUITY RETURNS

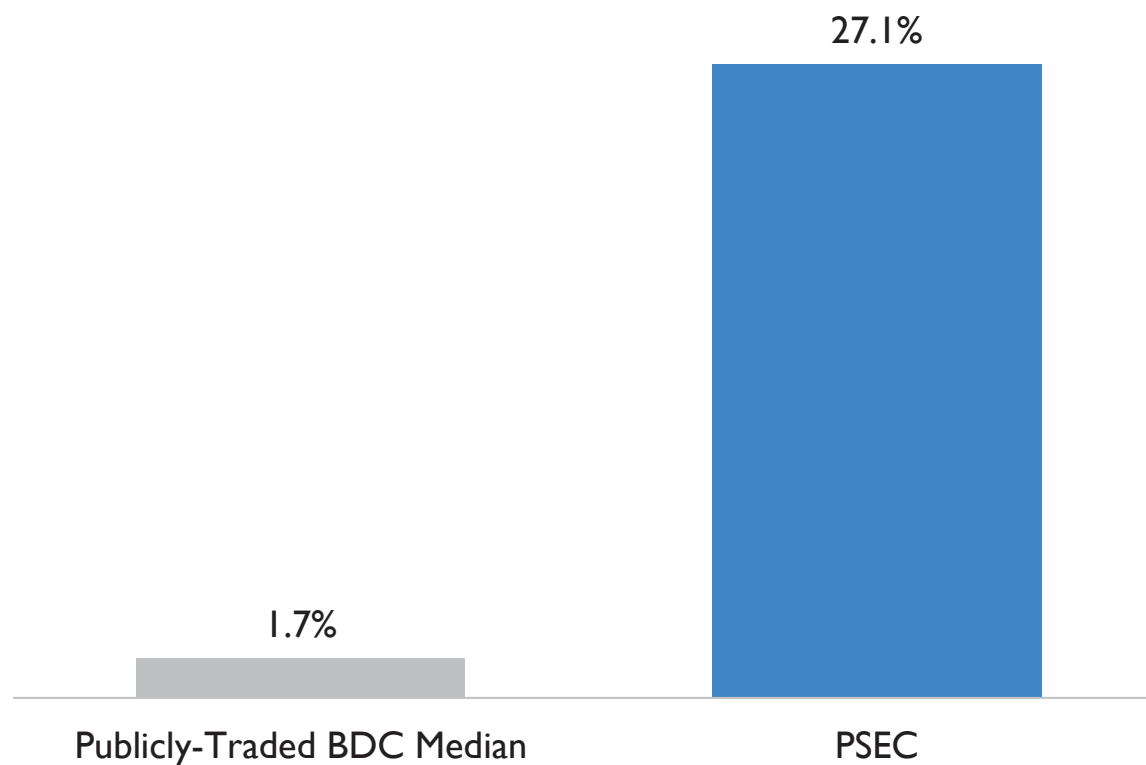
Historical GAAP ROE



Source: Raymond James 2Q24 ROE Quarterly Analysis. Relative BDC Average for historical risk adjusted (GAAP) ROE is the average of peers over the same time frame.

SENIOR MANAGEMENT IS A SIGNIFICANT INVESTOR IN PSEC

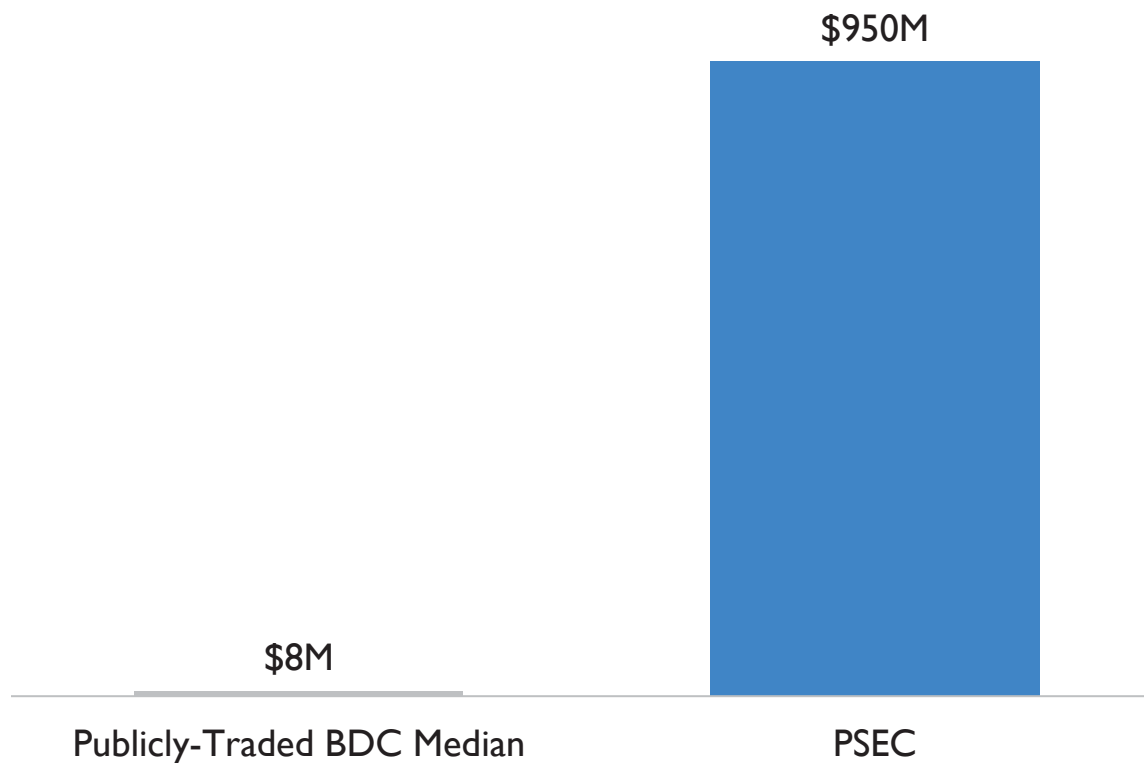
Insider Ownership – Percentage



Source: For PSEC as of 9/30/2024 and includes 10.1% share ownership through the John and Daria Barry Foundation. PSEC senior management has not sold any of such investments in PSEC. PSEC analysis of S&P Capital IQ data for 49 listed BDC peers as of 11/4/2024.

SENIOR MANAGEMENT IS A SIGNIFICANT INVESTOR IN PSEC

Insider Ownership – Based on NAV



Source: For PSEC as of 9/30/2024 and includes 10.1% share ownership through the John and Daria Barry Foundation. PSEC senior management has not sold any of such investments in PSEC. PSEC analysis of S&P Capital IQ data for 49 listed BDC peers as of 11/4/2024. Peers based on insider ownership percentages multiplied by NAV as of 6/30/2024; data may be materially different for the quarter ending 9/30/2024.

APPENDIX

FINANCIAL HIGHLIGHTS

In thousands, except per share data

| Statement of Operations | Quarter ended September 30, 2024 | Quarter ended June 30, 2024 | Quarter ended March 31, 2024 | Quarter ended December 31, 2023 | Quarter ended September 30, 2023 |
|---|---|--|---|--|---|
| Total investment income | \$196,308 | \$212,260 | \$202,215 | \$210,942 | \$236,245 |
| Total operating expenses | 106,431 | 109,338 | 107,840 | 114,015 | 110,633 |
| Net investment income | 89,877 | 102,922 | 94,375 | 96,927 | 125,612 |
| Net realized and unrealized gain (loss) on investments & extinguishment of debt | (223,889) | (73,366) | 49,986 | (124,671) | (8,951) |
| Net increase (decrease) in net assets resulting from operations attributable to common stockholders | (165,069) | (9,050) | 113,891 | (51,436) | 94,011 |
| Net increase (decrease) in net assets resulting from operations per common share (basic and diluted) | (0.38) (0.38) | (0.02) (0.02) | 0.27 0.20 | (0.13) (0.13) | 0.23 0.18 |
| Net investment income per common share | 0.21 | 0.25 | 0.23 | 0.24 | 0.31 |
| Distributions per common share | \$0.18 | \$0.18 | \$0.18 | \$0.18 | \$0.18 |
| Statement of Assets and Liabilities | Quarter ended September 30, 2024 | June 30, 2024 | March 31, 2024 | December 31, 2023 | September 30, 2023 |
| Total investments at fair value | \$7,476,641 | \$7,718,243 | \$7,806,712 | \$7,631,846 | \$7,736,817 |
| Cash and cash equivalents | 57,022 | 85,872 | 53,480 | 97,289 | 68,907 |
| Total assets | 7,592,705 | 7,857,092 | 7,905,794 | 7,781,214 | 7,853,828 |
| Revolving credit facility borrowings | 547,231 | 794,796 | 906,376 | 864,049 | 915,021 |
| Total liabilities | 2,469,590 | 2,559,171 | 2,603,811 | 2,596,824 | 2,602,715 |
| Total equity | 5,123,115 | 5,297,921 | 5,301,983 | 5,184,390 | 5,251,113 |
| Net asset value per common share | 8.10 | 8.74 | \$8.99 | \$8.92 | \$9.25 |

Source: Company filings. Total equity is inclusive of preferred stock. Total liabilities excludes preferred stock.

PUBLICLY TRADED BDCs

| TOPIC | KEY CHARACTERISTICS |
|---|---|
| INVESTMENT STRATEGY | <ul style="list-style-type: none"> ▶ Current-yielding credit investments primarily in middle-market companies ▶ To a lesser extent, other current-yielding investments |
| REGULATION | <ul style="list-style-type: none"> ▶ Regulated as a Business Development Company (“BDC”) under Investment Company Act of 1940 ▶ Generally BDCs elect to be treated as a Regulated Investment Company (“RIC”) for U.S. federal income tax purposes |
| INVESTMENTS LIMITATIONS | <ul style="list-style-type: none"> ▶ Generally, at least 70% of a BDC’s assets must be investments in U.S. non-financial sector operating companies that either have (a) no class of securities listed on a national securities exchange (i.e., private) or (b) a market cap less than \$250 million |
| LEVERAGE LIMITATION ⁽¹⁾ | <ul style="list-style-type: none"> ▶ 2:1 debt-to-equity ratio (i.e., gross asset coverage must be at least 150%) |
| DIVERSIFICATION REQUIREMENTS ⁽²⁾ | <ul style="list-style-type: none"> ▶ At least 50% of a BDC’s assets must consist of securities of an issuer in which the BDC owns less than 10% of the voting stock and in which the investment is less than 5% of the value of the BDC’s assets |
| INCOME RESTRICTIONS ⁽²⁾ | <ul style="list-style-type: none"> ▶ At least 90% of BDC income must be from investment sources such as interest, dividends, and gains / losses associated with investments in equity, debt, or other securities |
| DISTRIBUTION REQUIREMENTS ⁽²⁾ | <ul style="list-style-type: none"> ▶ Must distribute at least 90% of taxable income to avoid U.S. federal income tax on all taxable income ▶ Not subject to U.S. federal income tax on the income and net capital gains distributed to stockholders (provided that the above distribution requirement is met) |
| VALUATION | <ul style="list-style-type: none"> ▶ Must mark portfolio to fair value on a quarterly basis for GAAP⁽³⁾ purposes |

(1) Effective 3/23/2018, the Small Business Credit Availability Act permits a BDC to change its asset coverage ratio from 200% to 150%.

(2) Above criteria apply to BDCs that elect RIC treatment for U.S. federal income tax purposes.

(3) GAAP is defined as Generally Accepted Accounting Principles.

MIDDLE-MARKET LOAN PORTFOLIO COMPANY WEIGHTED AVERAGE EBITDA AND NET LEVERAGE

Middle-Market Loan Portfolio Company Weighted Average Net Leverage (“Middle-Market Portfolio Net Leverage”) and Middle-Market Loan Portfolio Company Weighted Average EBITDA (“Middle-Market Portfolio EBITDA”) provide clarity into the underlying capital structure of PSEC’s middle-market loan portfolio investments and the likelihood that PSEC’s overall portfolio will make interest payments and repay principal.

Middle-Market Portfolio Net Leverage reflects the net leverage of each of PSEC’s middle-market loan portfolio company debt investments, weighted based on the current fair market value of such debt investments. The net leverage for each middle-market loan portfolio company is calculated based on PSEC’s investment in the capital structure of such portfolio company, with a maximum limit of 10.0x adjusted EBITDA. This calculation excludes debt subordinate to PSEC’s position within the capital structure because PSEC’s exposure to interest payment and principal repayment risk is limited beyond that point. Additionally, subordinated structured notes, other structured credit, real estate investments, investments for which EBITDA is not available, and equity investments, for which principal repayment is not fixed, are also not included in the calculation. The calculation does not exceed 10.0x adjusted EBITDA for any individual investment because 10.0x captures the highest level of risk to PSEC. Middle-Market Portfolio Net Leverage provides PSEC with some guidance as to PSEC’s exposure to the interest payment and principal repayment risk of PSEC’s overall debt portfolio. PSEC monitors its Middle-Market Portfolio Net Leverage on a quarterly basis.

Middle-Market Portfolio EBITDA is used by PSEC to supplement Middle-Market Portfolio Net Leverage and generally indicates a portfolio company’s ability to make interest payments and repay principal. Middle-Market Portfolio EBITDA is calculated using the EBITDA of each of PSEC’s middle-market loan portfolio companies, weighted based on the current fair market value of the related investments. The calculation provides PSEC with insight into profitability and scale of the portfolio companies within our overall debt investments.

These calculations include addbacks that are typically negotiated and documented in the applicable investment documents, including but not limited to transaction costs, share-based compensation, management fees, foreign currency translation adjustments and other nonrecurring transaction expenses.

Together, Middle-Market Portfolio Net Leverage and Middle-Market Portfolio EBITDA assist PSEC in assessing the likelihood that PSEC will timely receive interest and principal payments. However, these calculations are not meant to substitute for an analysis of PSEC’s our underlying portfolio company debt investments, but to supplement such analysis.

NON-CYCLICAL INVESTMENTS

Non-Cyclical investments provide insight into the composition of an investment portfolio. Non-cyclical investments produce or distribute a good or service with recurring demand, and therefore are not correlated with the business cycle volatility.

Non-Cyclical investments are calculated as a percentage of a total investment portfolio across the peers described below measured by fair market value.

BDC peers use varying industry classifications to define their respective portfolio's. PSEC management views the following industries as non-cyclical:

- PSEC industry classifications: Capital markets, commercial services & supplies, consumer finance, diversified consumer services, diversified telecommunication services, equity real estate investment trusts (REITs), food products, health care providers & services, health care technology, interactive media & services, IT services, media, personal care products, pharmaceuticals, professional services, software, and structured finance.
- BDC A industry classifications: Commercial services & supplies, containers and packaging, diversified consumer services, diversified telecommunication services, electric utilities, health care equipment & supplies, health care providers & services, health care technology, insurance, IT services, media, professional services, and software.
- BDC B industry classifications: Beverages, biotechnology, capital markets, commercial services and supplies, containers and packaging, diversified consumer services, diversified telecommunications services, food and staples retailing, food products, healthcare equipment and supplies, healthcare providers and services, health care technology, household products, insurance, IT services, life sciences tools & services, media, personal products, pharmaceuticals, professional services, software, and water utilities.
- BDC C industry classifications: Advertising and media, buildings and real estate, business services, consumer products, containers and packaging, education, food and beverage, healthcare equipment and services, healthcare providers and services, healthcare technology, household products, insurance, internet software and services, professional services, and telecommunications.
- BDC D industry classifications: Software & services, healthcare services, commercial & professional services, insurance services, consumer durables & apparel, consumer services, media & entertainment, food & beverage, and consumer staples distribution and retail.
- BDC E industry classifications: Commercial & professional services, consumer durables & apparel, consumer services, consumer staples distribution and retail, equity real estate investment trusts (REITs), food, beverage & tobacco, health care equipment & services, household & personal products, insurance, media & entertainment, pharmaceuticals, biotechnology & life sciences, software & services, and telecommunication services.