

BDC Industry Review: First Quarter 2014



FS Investment Corporation II

Total Assets.....\$3,734.4 Million
 Investments.....\$3,307.4 Million
 Cash & Equivalents.....\$368.2 Million
 Other.....\$58.8 Million



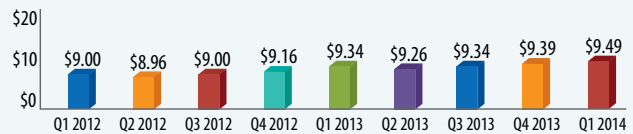
Last Offering Price:\$10.60
 Current Distribution Rate*:7.11%
 Reinvestment Price Per Share:.....Set by Board*
 Effective Date:.....February 14, 2012
 Offering Close Date:.....March 5, 2014

*Current distribution rate based on public offering price

Cash & Equivalents to Total Assets Ratio:.....9.9%
 Asset Type:Diversified Private Debt
 Number of Companies in Portfolio:205
 Sponsor/Advisor:Franklin Square Capital Partners
 Sub-Advisor:.....GSO – Blackstone
 Use of Total Return Swap (TRS):No*
 Assets of TRS:\$0 Million

*FS Investment Corporation II terminated the TRS agreement on June 13, 2013

Historical Price (Net Asset Value)



Investment Strategy

Strategy:

To invest primarily in senior secured, second-lien secured and to a lesser extent subordinated debt of private U.S. companies.

Company Size:

\$50 million to \$2.5 billion in revenue.

Average Portfolio Company Size:

\$262.9 million in EBITDA.

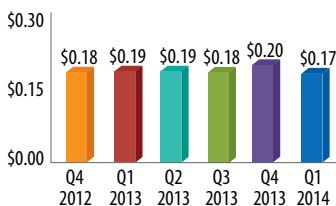
Management

Investments are sourced, underwritten and managed in a collaborative effort between Franklin Square (FS) Capital Partners and the sub-advisor, GSO Capital Partners, a Blackstone company.

GSO - Blackstone – The credit arm of Blackstone, GSO manages over \$66 billion in credit investments. Blackstone is one of the world's largest investment management firms, has roughly \$272 billion in assets under management.

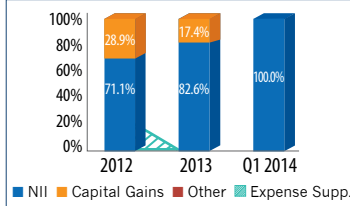
Franklin Square Capital Partners – An alternative investments firm founded in 2007 with an experienced team of investment professionals. The firm manages over \$11 billion in BDC assets.

Historical Distribution Per Share



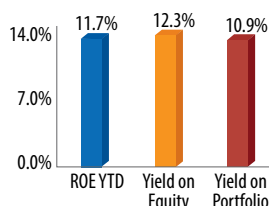
*Does not include special distributions

Sources of Distributions

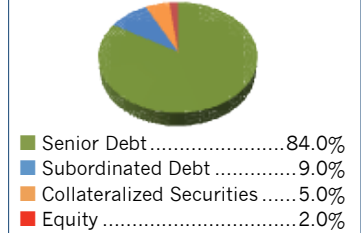


*Other may include other taxable income items.

Portfolio Yields



Portfolio by Asset Type



Portfolio Concentration – Top 5 Industries

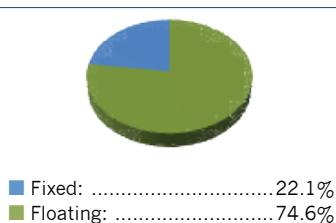
Industry	2014	2013
Consumer Services	14%	15%
Energy	14%	16%
Capital Goods	13%	8%
Software & Services	7%	7%
Diversified Financials	6%	8%

Performance Returns

	2014*	2013*	2012
FS Investment Corporation II	2.88%	8.19%	8.82%
S&P/LSTA Leveraged Loan Index	1.20%	5.25%	9.67%
BofA Merrill Lynch High Yield Master II	7.42%	7.42%	5.58%

* Annualized Returns based on NAV plus reinvestment of distributions
 ** Limited operations for year of 2012, became effective 2/14/12

Floating vs. Fixed Rate Investments



Key Statistics

Total Operating Expense Ratio	4.2%
Interest Coverage Ratio	9.5x
Weighted Average Interest Rate	3.3%
Leverage Ratio	19.3%
Taxable Income Payout Ratio	94.0%
Net Change in Assets Payout Ratio	63.7%
Expense Support as % of NII	0.0%

Contact Information

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* See additional notes on page 18.



Additional BDC Notes

Business Development Corporation of America

- Raised over \$330 million in equity in the first quarter, which is 63% of its entire year equity raise in 2013
- Nearly 27% of the portfolio is invested in other investment funds and vehicles

CIION Investment Corp.

- 100% floating rate investments
- TRS income and TRS capital gains provided for 89.5% of distribution
- Focus is on somewhat smaller middle market companies compared to industry; average portfolio company EBITDA of \$50.7 million

Corporate Capital Trust

- Total return leader for the quarter at 3.10% YTD
- Received a BBB- credit rating from Standard & Poor's
- Drew back on TRS leverage to just under \$40 million

FS Energy and Power Fund

- Net Investment Income covered 100% of distributions

FS Investment Corp. II

- Total assets reached \$3.7 billion in the quarter
- Over \$500 million in net new originations
- Closed to new investors on March 5, 2014
- Received a BBB- rating from Standard & Poor's, announced April 1, 2014

HMS Income Fund

- Portfolio is 100% invested in senior debt, 93% floating rate
- Continued focus on investing in lower middle market (LMM) companies
- Fee waivers (\$632,000 for the quarter) still being used to cover distributions

Sierra Income Corp.

- Fee waivers (\$632,000 for the quarter) still being used to cover distributions
- Over 13% in Oil and Gas sector
- Surpassed \$250 million in total assets