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New Mountain Finance Corp
Form 10-Q
May 07, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended March 31, 2018

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

| Commission File Number | Exact name of registrant as specified in its charter, address of principal executive offices, telephone numbers and states or other jurisdictions of incorporation or organization | I.R.S. Employer Identification Number |
|------------------------|--|---------------------------------------|
| 814-00832 | New Mountain Finance Corporation 787 Seventh Avenue, 48th Floor New York, New York 10019 Telephone: (212) 720-0300 State of Incorporation: Delaware | 27-2978010 |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

| Description | Shares as of May 7, 2018 |
|--|--------------------------|
| Common stock, par value \$0.01 per share | 75,935,093 |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

New Mountain Finance Corporation

Consolidated Statements of Assets and Liabilities

(in thousands, except shares and per share data)

(unaudited)

| | March 31, 2018 | December 31, 2017 |
|--|-------------------|----------------------|
| Assets | | |
| Investments at fair value | | |
| Non-controlled/non-affiliated investments (cost of \$1,563,275 and \$1,438,889, respectively) | \$ 1,583,047 | \$ 1,462,182 |
| Non-controlled/affiliated investments (cost of \$152,521 and \$180,380, respectively) | 155,729 | 178,076 |
| Controlled investments (cost of \$229,862 and \$171,958, respectively) | 239,147 | 185,402 |
| Total investments at fair value (cost of \$1,945,658 and \$1,791,227, respectively) | 1,977,923 | 1,825,660 |
| Securities purchased under collateralized agreements to resell (cost of \$30,000 and \$30,000 respectively) | 25,200 | 25,212 |
| Cash and cash equivalents | 29,636 | 34,936 |
| Interest and dividend receivable | 36,767 | 31,844 |
| Receivable from affiliates | 651 | 343 |
| Other assets | 8,242 | 10,023 |
| Total assets | \$2,078,419 | \$ 1,928,018 |
| Liabilities | | |
| Borrowings | | |
| Holdings Credit Facility | \$355,663 | \$ 312,363 |
| Unsecured Notes | 235,000 | 145,000 |
| Convertible Notes | 155,385 | 155,412 |
| SBA-guaranteed debentures | 150,000 | 150,000 |
| NMFC Credit Facility | 95,000 | 122,500 |
| Deferred financing costs (net of accumulated amortization of \$17,885 and \$16,578, respectively) | (16,012) | (15,777) |
| Net borrowings | 975,036 | 869,498 |
| Payable for unsettled securities purchased | 29,841 | — |
| Management fee payable | 14,435 | 7,065 |
| Incentive fee payable | 13,105 | 6,671 |
| Interest payable | 7,201 | 5,107 |
| Payable to affiliates | 2,076 | 863 |
| Deferred tax liability | 812 | 894 |
| Other liabilities | 2,912 | 2,945 |
| Total liabilities | 1,045,418 | 893,043 |
| Commitments and contingencies (See Note 9) | | |
| Net assets | | |
| Preferred stock, par value \$0.01 per share, 2,000,000 shares authorized, none issued | — | — |
| Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 75,935,093 and 75,935,903 shares issued and outstanding, respectively | 759 | 759 |
| Paid in capital in excess of par | 1,053,468 | 1,053,468 |
| Accumulated undistributed net investment income | 39,083 | 39,165 |
| Accumulated undistributed net realized losses on investments | (76,475) | (76,681) |

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| | | |
|--|-------------|-------------|
| Net unrealized appreciation (depreciation) (net of provision for taxes of \$812 and \$894, respectively) | 16,166 | 18,264 |
| Total net assets | \$1,033,001 | \$1,034,975 |
| Total liabilities and net assets | \$2,078,419 | \$1,928,018 |
| Number of shares outstanding | 75,935,093 | 75,935,093 |
| Net asset value per share | \$13.60 | \$13.63 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Statements of Operations
(in thousands, except shares and per share data)
(unaudited)

| | Three Months Ended | |
|--|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Investment income | | |
| From non-controlled/non-affiliated investments: | | |
| Interest income | \$35,436 | \$32,876 |
| Dividend income | 486 | 39 |
| Non-cash dividend income | 1,324 | 12 |
| Other income | 2,868 | 2,265 |
| From non-controlled/affiliated investments: | | |
| Interest income | 102 | 647 |
| Dividend income | 845 | 1,004 |
| Non-cash dividend income | 4,009 | 644 |
| Other income | 302 | 298 |
| From controlled investments: | | |
| Interest income | 1,201 | 475 |
| Dividend income | 4,239 | 4,213 |
| Non-cash dividend income | 1,454 | 821 |
| Other income | 623 | 13 |
| Total investment income | 52,889 | 43,307 |
| Expenses | | |
| Incentive fee | 6,434 | 5,408 |
| Management fee | 8,692 | 7,614 |
| Interest and other financing expenses | 11,290 | 8,376 |
| Professional fees | 694 | 850 |
| Administrative expenses | 939 | 708 |
| Other general and administrative expenses | 410 | 466 |
| Total expenses | 28,459 | 23,422 |
| Less: management and incentive fees waived (See Note 5) | (1,322) | (3,156) |
| Less: expenses waived and reimbursed (See Note 5) | — | (470) |
| Net expenses | 27,137 | 19,796 |
| Net investment income before income taxes | 25,752 | 23,511 |
| Income tax expense | 16 | 80 |
| Net investment income | 25,736 | 23,431 |
| Net realized gains (losses): | | |
| Non-controlled/non-affiliated investments | 206 | 826 |
| Net change in unrealized appreciation (depreciation): | | |
| Non-controlled/non-affiliated investments | (3,521) | 7,979 |
| Non-controlled/affiliated investments | 1,809 | (296) |
| Controlled investments | (456) | (1,478) |
| Securities purchased under collateralized agreements to resell | (12) | (800) |
| Benefit for taxes | 82 | 755 |
| Net realized and unrealized gains (losses) | (1,892) | 6,986 |
| Net increase in net assets resulting from operations | \$23,844 | \$30,417 |

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| | | |
|---|------------|------------|
| Basic earnings per share | \$0.31 | \$ 0.44 |
| Weighted average shares of common stock outstanding - basic (See Note 11) | 75,935,093 | 69,718,968 |
| Diluted earnings per share | \$0.30 | \$ 0.40 |
| Weighted average shares of common stock outstanding - diluted (See Note 11) | 85,759,227 | 79,543,095 |
| Distributions declared and paid per share | \$0.34 | \$ 0.34 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Statements of Changes in Net Assets
(in thousands, except shares and per share data)
(unaudited)

| | Three Months Ended | |
|--|--------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Increase (decrease) in net assets resulting from operations: | | |
| Net investment income | \$25,736 | \$23,431 |
| Net realized gains on investments | 206 | 826 |
| Net change in unrealized (depreciation) appreciation of investments | (2,168 |) 6,205 |
| Net change in unrealized (depreciation) appreciation of securities purchased under collateralized agreements to resell | (12 |) (800) |
| Benefit for taxes | 82 | 755 |
| Net increase in net assets resulting from operations | 23,844 | 30,417 |
| Capital transactions | | |
| Distributions declared to stockholders from net investment income | (25,818 |) (23,704) |
| Reinvestment of distributions | — | 1,548 |
| Other | — | (81) |
| Total net decrease in net assets resulting from capital transactions | (25,818 |) (22,237) |
| Net (decrease) increase in net assets | (1,974 |) 8,180 |
| Net assets at the beginning of the period | 1,034,975 | 938,562 |
| Net assets at the end of the period | \$1,033,001 | \$946,742 |
| Capital share activity | | |
| Shares issued from the reinvestment of distributions | — | 66,306 |
| Shares reissued from repurchase program in connection with the reinvestment of distributions | — | 37,573 |
| Net increase in shares outstanding | — | 103,879 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | Three Months Ended | |
|--|-----------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Cash flows from operating activities | | |
| Net increase in net assets resulting from operations | \$23,844 | \$30,417 |
| Adjustments to reconcile net (increase) decrease in net assets resulting from operations to net cash provided by (used in) operating activities: | | |
| Net realized gains on investments | (206) | (826) |
| Net change in unrealized depreciation (appreciation) of investments | 2,168 | (6,205) |
| Net change in unrealized depreciation (appreciation) of securities purchased under collateralized agreements to resell | 12 | 800 |
| Amortization of purchase discount | (926) | (747) |
| Amortization of deferred financing costs | 1,307 | 988 |
| Amortization of premium on Convertible Notes | (27) | (27) |
| Non-cash investment income | (4,292) | (1,933) |
| (Increase) decrease in operating assets: | | |
| Purchase of investments and delayed draw facilities | (237,846) | (349,477) |
| Proceeds from sales and paydowns of investments | 87,141 | 133,801 |
| Cash received for purchase of undrawn portion of revolving credit or delayed draw facilities | 29 | 120 |
| Cash paid on drawn revolvers | (5,423) | (3,970) |
| Cash repayments on drawn revolvers | 7,092 | 1,159 |
| Interest and dividend receivable | (4,923) | (3,881) |
| Receivable from unsettled securities sold | — | (691) |
| Receivable from affiliates | (308) | (369) |
| Other assets | 1,781 | (967) |
| Increase (decrease) in operating liabilities: | | |
| Payable for unsettled securities purchased | 29,841 | 47,811 |
| Management fee payable | 7,370 | 6,258 |
| Incentive fee payable | 6,434 | 3,608 |
| Interest payable | 2,094 | 2,478 |
| Payable to affiliates | 1,213 | 276 |
| Deferred tax liability | (82) | (755) |
| Other liabilities | (101) | 298 |
| Net cash flows used in operating activities | (83,808) | (141,834) |
| Cash flows from financing activities | | |
| Distributions paid | (25,818) | (22,156) |
| Offering costs paid | — | (58) |
| Proceeds from Holdings Credit Facility | 94,500 | 165,600 |
| Repayment of Holdings Credit Facility | (51,200) | (122,200) |
| Proceeds from Unsecured Notes | 90,000 | — |
| Proceeds from NMFC Credit Facility | 65,000 | 122,500 |
| Repayment of NMFC Credit Facility | (92,500) | (10,000) |
| Other | — | (81) |

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| | | |
|--|----------|-----------|
| Deferred financing costs paid | (1,474) | (36) |
| Net cash flows provided by financing activities | 78,508 | 133,569 |
| Net decrease in cash and cash equivalents | (5,300) | (8,265) |
| Cash and cash equivalents at the beginning of the period | 34,936 | 45,928 |
| Cash and cash equivalents at the end of the period | \$29,636 | \$ 37,663 |
| Supplemental disclosure of cash flow information | | |
| Cash interest paid | \$7,577 | \$4,570 |
| Income taxes paid | 3 | 12 |
| Non-cash financing activities: | | |
| Value of shares issued in connection with the distribution reinvestment plan | \$— | \$988 |
| Value of shares reissued from repurchase program in connection with the distribution reinvestment plan | — | 560 |
| Accrual for offering costs | 944 | 540 |
| Accrual for deferred financing costs | 171 | 63 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments

March 31, 2018

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|---------------------|----------------------|------------------|----------------------------|---------------------------------------|----------|------------|-----------------------|
| Non-Controlled/Non-Affiliated Investments | | | | | | | | |
| Funded Debt Investments - United Kingdom | | | | | | | | |
| Shine Acquisition Co. S.à.r.l. / Boing US Holdco Inc.** | | | | | | | | |
| Consumer Services | Second lien (3) | 9.29% (L + 7.50%/Q) | 9/25/2017 | 10/3/2025 | \$ 40,353 | \$40,064 | \$40,480 | 3.92 % |
| Air Newco LLC** | | | | | | | | |
| Software | Second lien (3) | 11.37% (L + 9.50%/Q) | 1/30/2015 | 1/31/2023 | 40,000 | 39,068 | 39,600 | 3.83 % |
| Total Funded Debt Investments - United Kingdom | | | | | \$ 80,353 | \$79,132 | \$80,080 | 7.75 % |
| Funded Debt Investments - United States | | | | | | | | |
| Benevis Holding Corp. | | | | | | | | |
| Healthcare Services | First lien (2) | 8.50% (L + 6.32%/Q) | 3/15/2018 | 3/15/2024 | \$ 58,824 | \$58,824 | \$58,824 | |
| | First lien (3) | 8.50% (L + 6.32%/Q) | 3/15/2018 | 3/15/2024 | 20,691 | 20,691 | 20,691 | |
| | | | | | 79,515 | 79,515 | 79,515 | 7.70 % |
| AmWINS Group, Inc. | | | | | | | | |
| Business Services | Second lien (3) | 8.63% (L + 6.75%/Q) | 1/19/2017 | 1/25/2025 | 57,000 | 56,810 | 57,570 | 5.57 % |
| Alegeus Technologies, LLC | | | | | | | | |
| Healthcare Services | Second lien (3)(10) | 10.80% (L + 8.50%/Q) | 4/28/2017 | 10/30/2023 | 23,500 | 23,500 | 23,500 | |
| | Second lien (4)(10) | 10.80% (L + 8.50%/Q) | 4/28/2017 | 10/30/2023 | 22,500 | 22,500 | 22,500 | |
| | | | | | 46,000 | 46,000 | 46,000 | 4.45 % |

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| | | | | | | | |
|---|---------------------|-------------------------|------------|------------|--------|--------|---------------|
| Integro Parent Inc. | | | | | | | |
| Business Services | First lien (2) | 7.56% (L + 5.75%/Q) | 10/9/2015 | 10/31/2022 | 34,784 | 34,525 | 34,784 |
| | Second lien (3) | 11.02% (L + 9.25%/Q) | 10/9/2015 | 10/30/2023 | 10,000 | 9,922 | 9,800 |
| | | | | | 44,784 | 44,447 | 44,584 4.32 % |
| Severin Acquisition, LLC | | | | | | | |
| Software | Second lien (4)(10) | 10.63% (L + 8.75%/M) | 7/31/2015 | 7/29/2022 | 15,000 | 14,896 | 15,000 |
| | Second lien (3)(10) | 10.63% (L + 8.75%/M) | 2/1/2017 | 7/29/2022 | 14,518 | 14,368 | 14,518 |
| | Second lien (4)(10) | 10.63% (L + 8.75%/M) | 11/5/2015 | 7/29/2022 | 4,154 | 4,124 | 4,154 |
| | Second lien (4)(10) | 11.13% (L + 9.25%/M) | 2/1/2016 | 7/29/2022 | 3,273 | 3,249 | 3,273 |
| | Second lien (3)(10) | 10.88% (L + 9.00%/M) | 10/14/2016 | 7/29/2022 | 2,361 | 2,342 | 2,361 |
| | Second lien (3)(10) | 11.13% (L + 9.25%/M) | 8/8/2016 | 7/29/2022 | 1,825 | 1,810 | 1,825 |
| | Second lien (4)(10) | 11.13% (L + 9.25%/M) | 8/8/2016 | 7/29/2022 | 300 | 298 | 300 |
| | | | | | 41,431 | 41,087 | 41,431 4.01 % |
| Salient CRGT Inc. | | | | | | | |
| Federal Services | First lien (2) | 7.63% (L + 5.75%/M) | 1/6/2015 | 2/28/2022 | 39,882 | 39,445 | 40,380 3.91 % |
| Tenawa Resource Holdings LLC (13) Tenawa Resource Management LLC | | | | | | | |
| Energy | First lien (3)(10) | 10.50% (Base + 8.00%/Q) | 5/12/2014 | 10/30/2024 | 39,800 | 39,737 | 39,800 3.85 % |
| VetCor Professional Practices LLC | | | | | | | |
| Consumer Services | First lien (4) | 8.56% (L + 6.25%/Q) | 5/15/2015 | 4/20/2021 | 19,062 | 18,955 | 19,085 |
| | First lien (2) | 8.56% (L + 6.25%/Q) | 5/15/2015 | 4/20/2021 | 7,694 | 7,591 | 7,704 |
| | | | 2/24/2017 | 4/20/2021 | 5,990 | 5,884 | 5,998 |

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|----------------------------------|---------------------------|-----------|-----------|--------|--------|--------|--------|
| First lien (3)(11) - Drawn | 8.56% (L + 6.25%/Q) | | | | | | |
| First lien (4) | 8.56% (L + 6.25%/Q) | 5/15/2015 | 4/20/2021 | 2,644 | 2,627 | 2,647 | |
| First lien (3)(11) - Drawn | 8.56% (L + 6.25%/Q) | 6/24/2016 | 4/20/2021 | 1,881 | 1,865 | 1,884 | |
| First lien (2) | 8.56% (L + 6.25%/Q) | 3/31/2016 | 4/20/2021 | 1,628 | 1,603 | 1,630 | |
| First lien (4) | 8.56% (L + 6.25%/Q) | 5/15/2015 | 4/20/2021 | 494 | 487 | 494 | |
| | | | | 39,393 | 39,012 | 39,442 | 3.82 % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|--------------------------------------|-------------------------|---------------------|----------------------------------|--|----------|---------------|-----------------------------|
| Frontline Technologies Group Holdings, LLC | | | | | | | | |
| Education | First lien (2)(10) | 8.38% (L + 6.50%/M) | 9/18/2017 | 9/18/2023 | \$ 16,708 | \$16,592 | \$16,583 | |
| | First lien (4)(10) | 8.38% (L + 6.50%/M) | 9/18/2017 | 9/18/2023 | 22,557 | 22,400 | 22,388 | |
| | | | | | 39,265 | 38,992 | 38,971 | 3.77 % |
| NM GRC Holdco, LLC | | | | | | | | |
| Business Services | First lien (2)(10) | 7.80% (L + 5.50%/Q) | 2/9/2018 | 2/9/2024 | 38,930 | 38,739 | 38,735 | 3.75 % |
| Kronos Incorporated | | | | | | | | |
| Software | Second lien (2) | 10.02% (L + 8.25%/Q) | 10/26/2012 | 11/1/2024 | 36,000 | 35,520 | 37,425 | 3.62 % |
| Valet Waste Holdings, Inc. | | | | | | | | |
| Business Services | First lien (2)(10) | 8.14% (L + 6.25%/M) | 9/24/2015 | 9/24/2021 | 29,250 | 29,018 | 29,250 | |
| | First lien (2)(10) | 8.14% (L + 6.25%/M) | 7/27/2017 | 9/24/2021 | 3,722 | 3,690 | 3,722 | |
| | First lien (3)(10)(11) - Drawn | 8.89% (L + 7.00%/M) | 9/24/2015 | 9/24/2021 | 600 | 593 | 600 | |
| | | | | | 33,572 | 33,301 | 33,572 | 3.25 % |
| Navicure, Inc. | | | | | | | | |
| Healthcare Services | Second lien (3) | 9.38% (L + 7.50%/M) | 10/23/2017 | 10/31/2025 | 31,470 | 31,385 | 31,627 | 3.06 % |
| Evo Payments International, LLC | | | | | | | | |
| Business Services | Second lien (2) | 10.88% (L + 9.00%/M) | 12/8/2016 | 12/23/2024 | 25,000 | 24,827 | 25,250 | |
| | Second lien (3) | 10.88% (L + 9.00%/M) | 12/8/2016 | 12/23/2024 | 5,000 | 5,052 | 5,050 | |
| | | | | | 30,000 | 29,879 | 30,300 | 2.93 % |
| Wirepath LLC | | | | | | | | |

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| | | | | | | | | |
|---|----------------------------|----------------------|------------|------------|--------|--------|--------|--------|
| Distribution & Logistics Ansira Holdings, Inc. | First lien (2) | 6.80% (L + 4.50%/Q) | 7/31/2017 | 8/5/2024 | 27,661 | 27,533 | 27,895 | 2.70 % |
| Business Services | First lien (2) | 8.80% (L + 6.50%/Q) | 12/19/2016 | 12/20/2022 | 25,855 | 25,748 | 25,790 | |
| | First lien (3)(11) - Drawn | 8.80% (L + 6.50%/Q) | 12/19/2016 | 12/20/2022 | 2,102 | 2,093 | 2,097 | |
| Trader Interactive, LLC | | | | | 27,957 | 27,841 | 27,887 | 2.70 % |
| Business Services | First lien (2)(10) | 7.85% (L + 6.00%/M) | 6/15/2017 | 6/17/2024 | 27,122 | 26,937 | 26,919 | 2.61 % |
| TW-NHME Holdings Corp. (20) National HME, Inc. | | | | | | | | |
| Healthcare Services | Second lien (4)(10) | 11.55% (L + 9.25%/Q) | 7/14/2015 | 7/14/2022 | 21,500 | 21,309 | 20,702 | |
| | Second lien (3)(10) | 11.55% (L + 9.25%/Q) | 7/14/2015 | 7/14/2022 | 5,800 | 5,740 | 5,585 | |
| Keystone Acquisition Corp. | | | | | 27,300 | 27,049 | 26,287 | 2.54 % |
| Healthcare Services | First lien (2) | 7.55% (L + 5.25%/Q) | 5/10/2017 | 5/1/2024 | 19,900 | 19,720 | 20,024 | |
| | Second lien (3) | 11.55% (L + 9.25%/Q) | 5/10/2017 | 5/1/2025 | 4,500 | 4,458 | 4,556 | |
| iPipeline, Inc. (Internet Pipeline, Inc.) | | | | | 24,400 | 24,178 | 24,580 | 2.38 % |
| Software | First lien (4)(10) | 9.14% (L + 7.25%/M) | 8/4/2015 | 8/4/2022 | 17,550 | 17,430 | 17,550 | |
| | First lien (4)(10) | 8.06% (L + 6.25%/M) | 6/16/2017 | 8/4/2022 | 4,566 | 4,546 | 4,543 | |
| | First lien (2)(10) | 8.04% (L + 6.25%/M) | 9/25/2017 | 8/4/2022 | 1,158 | 1,153 | 1,152 | |
| | First lien (4)(10) | 8.04% (L + 6.25%/M) | 9/25/2017 | 8/4/2022 | 509 | 507 | 507 | |
| | | | | | 23,783 | 23,636 | 23,752 | 2.30 % |

The accompanying notes are an integral part of these consolidated financial statements.

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|--|-----------------------|-------------------------|---------------------|----------------------------------|--|----------|---------------|-----------------------------|
| AAC Holding Corp. Education | First lien (2)(10) | 9.92% (L + 8.25%/M) | 9/30/2015 | 9/30/2020 | \$ 22,971 | \$22,781 | \$22,971 | 2.22 % |
| TWDiamondback Holdings Corp. (15) Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC) | | | | | | | | |
| Distribution & Logistics | First lien (4)(10) | 11.22% (L + 8.75%/Q) | 11/19/2014 | 11/19/2019 | 19,895 | 19,895 | 19,895 | |
| | First lien (3)(10) | 10.79% (L + 8.75%/Q) | 11/19/2014 | 11/19/2019 | 2,158 | 2,158 | 2,158 | |
| | First lien (4)(10) | 10.79% (L + 8.75%/Q) | 11/19/2014 | 11/19/2019 | 605 | 605 | 605 | |
| | | | | | 22,658 | 22,658 | 22,658 | 2.19 % |
| EN Engineering, LLC Business Services | First lien (2)(10) | 8.30% (L + 6.00%/Q) | 7/30/2015 | 6/30/2021 | 20,839 | 20,715 | 20,839 | |
| | First lien (2)(10) | 8.30% (L + 6.00%/Q) | 7/30/2015 | 6/30/2021 | 1,205 | 1,197 | 1,205 | |
| | | | | | 22,044 | 21,912 | 22,044 | 2.13 % |
| Avatar Topco, Inc. (23) EAB Global, Inc. | | | | | | | | |
| Education | Second lien (3) | 9.23% (L + 7.50%/Q) | 11/17/2017 | 11/17/2025 | 21,450 | 21,139 | 21,450 | 2.08 % |
| DigiCert Holdings, Inc. Business Services | Second lien (3) | 9.77% (L + 8.00%/M) | 9/20/2017 | 10/31/2025 | 20,176 | 20,079 | 20,378 | 1.97 % |
| OEConnection LLC Business Services | Second lien (3) | 10.46% (L + 8.00%/Q) | 11/22/2017 | 11/22/2025 | 20,213 | 19,943 | 20,213 | 1.96 % |
| Help/Systems Holdings, Inc. Software | Second lien (5) | 10.05% (L+ 7.75%/Q) | 3/23/2018 | 3/27/2026 | 20,231 | 20,130 | 20,130 | 1.95 % |

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| | | | | | | | | | |
|---|---------------------|----------------------|------------|------------|--------|--------|--------|------|---|
| DiversiTech Holdings, Inc. | | | | | | | | | |
| Distribution & Logistics | Second lien (3) | 9.81% (L + 7.50%/Q) | 5/18/2017 | 6/2/2025 | 19,500 | 19,319 | 19,744 | 1.91 | % |
| ABILITY Network Inc. | | | | | | | | | |
| Healthcare Information Technology | Second lien (3) | 9.54% (L + 7.75%/M) | 12/11/2017 | 12/12/2025 | 18,851 | 18,839 | 18,933 | 1.83 | % |
| AgKnowledge Holdings Company, Inc. | | | | | | | | | |
| Business Services | Second lien (2)(10) | 10.13% (L + 8.25%/M) | 7/23/2014 | 7/23/2020 | 18,500 | 18,417 | 18,500 | 1.79 | % |
| KeyPoint Government Solutions, Inc. | | | | | | | | | |
| Federal Services | First lien (2)(10) | 7.73% (L + 6.00%/M) | 4/18/2017 | 4/18/2024 | 18,173 | 18,012 | 18,355 | 1.78 | % |
| BackOffice Associates Holdings, L.L.C. | | | | | | | | | |
| Business Services | First lien (2)(10) | 9.38% (L + 7.50%/M) | 8/25/2017 | 8/25/2023 | 18,502 | 18,354 | 18,341 | 1.78 | % |
| SW Holdings, LLC | | | | | | | | | |
| Business Services | Second lien (4)(10) | 11.05% (L + 8.75%/Q) | 6/30/2015 | 12/30/2021 | 18,161 | 18,030 | 18,260 | 1.77 | % |
| VF Holding Corp. | | | | | | | | | |
| Software | Second lien (3)(10) | 10.88% (L + 9.00%/M) | 7/7/2016 | 6/28/2024 | 17,086 | 17,387 | 17,427 | 1.69 | % |
| DCA Investment Holding, LLC | | | | | | | | | |
| Healthcare Services | First lien (2)(10) | 7.56% (L + 5.25%/Q) | 7/2/2015 | 7/2/2021 | 17,408 | 17,306 | 17,408 | 1.69 | % |
| TIBCO Software Inc. | | | | | | | | | |
| Software | Subordinated (3) | 11.38%/S | 11/24/2014 | 12/1/2021 | 15,000 | 14,729 | 16,359 | 1.58 | % |
| Hill International, Inc.** | | | | | | | | | |
| Business Services | First lien (2)(10) | 7.63% (L + 5.75%/M) | 6/21/2017 | 6/21/2023 | 15,682 | 15,611 | 15,603 | 1.51 | % |
| FR Arsenal Holdings II Corp. | | | | | | | | | |
| Business Services | First lien (2)(10) | 9.31% (L + 7.25%/Q) | 9/29/2016 | 9/8/2022 | 15,317 | 15,189 | 15,348 | 1.49 | % |
| Netsmart Inc. / Netsmart Technologies, Inc. | | | | | | | | | |
| Healthcare Information Technology | Second lien (2) | 11.38% (L + 9.50%/Q) | 4/18/2016 | 10/19/2023 | 15,000 | 14,695 | 15,075 | 1.46 | % |
| Xactly Corporation | | | | | | | | | |
| Software | First lien (4)(10) | 9.14% (L + 7.25%/M) | 7/31/2017 | 7/29/2022 | 14,690 | 14,557 | 14,543 | 1.41 | % |

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|--|--------------------------------------|-------------------------|---------------------|----------------------------------|--|-----------|---------------|-----------------------------|
| Transcendia Holdings, Inc. | | | | | | | | |
| Packaging | Second lien (3) | 9.88% (L + 8.00%/M) | 6/28/2017 | 5/30/2025 | \$ 14,500 | \$ 14,313 | \$ 14,391 | 1.39 % |
| Peraton Holding Corp. (fka MHVC Acquisition Corp.) | | | | | | | | |
| Federal Services | First lien (2) | 7.56% (L + 5.25%/Q) | 4/25/2017 | 4/29/2024 | 13,994 | 13,953 | 14,099 | 1.36 % |
| Ministry Brands, LLC | | | | | | | | |
| Software | First lien (3) | 6.88% (L + 5.00%/M) | 12/7/2016 | 12/2/2022 | 2,985 | 2,973 | 2,985 | |
| | Second lien (3)(10) | 11.13% (L + 9.25%/M) | 12/7/2016 | 6/2/2023 | 7,840 | 7,790 | 7,840 | |
| | Second lien (3)(10) | 11.13% (L + 9.25%/M) | 12/7/2016 | 6/2/2023 | 2,160 | 2,146 | 2,160 | |
| | First lien (3)(10)(11) - Drawn | 6.78% (L + 5.00%/Q) | 12/7/2016 | 12/2/2022 | 600 | 597 | 600 | |
| | | | | | 13,585 | 13,506 | 13,585 | 1.32 % |
| Project Accelerate Parent, LLC | | | | | | | | |
| Business Services | Second lien (3)(10) | 10.19% (L + 8.50%/Q) | 1/2/2018 | 1/2/2026 | 13,473 | 13,308 | 13,305 | 1.29 % |
| American Tire Distributors, Inc. Distribution & Logistics | Subordinated (3) | 10.25%/S | 2/10/2015 | 3/1/2022 | 12,520 | 12,279 | 12,849 | 1.24 % |
| nThrive, Inc. (fka Precyse Acquisition Corp.) | | | | | | | | |
| Healthcare Services | Second lien (2)(10) | 11.63% (L + 9.75%/M) | 4/19/2016 | 4/20/2023 | 13,000 | 12,820 | 12,574 | 1.22 % |
| SSH Group Holdings, Inc. Education | | | 10/13/2017 | 10/2/2024 | 8,386 | 8,346 | 8,344 | |

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| | | | | | | | | | |
|---|--------------------------------------|-------------------------|------------|------------|--------|--------|--------|--------|--|
| | First lien (2)(10) | 7.45% (L + 5.00%/Q) | | | | | | | |
| | Second lien (3)(10) | 11.45% (L + 9.00%/Q) | 10/13/2017 | 10/2/2025 | 3,363 | 3,330 | 3,329 | | |
| | | | | | 11,749 | 11,676 | 11,673 | 1.13 % | |
| ProQuest LLC | | | | | | | | | |
| Business Services | Second lien (3) | 10.88% (L + 9.00%/M) | 12/14/2015 | 12/15/2022 | 11,620 | 11,447 | 11,620 | 1.12 % | |
| Zywave, Inc. | | | | | | | | | |
| Software | Second lien (4)(10) | 10.87% (L + 9.00%/Q) | 11/22/2016 | 11/17/2023 | 11,000 | 10,929 | 11,022 | | |
| | First lien (3)(10)(11) - Drawn | 6.57% (L + 5.00%/Q) | 11/22/2016 | 11/17/2022 | 500 | 496 | 500 | | |
| | | | | | 11,500 | 11,425 | 11,522 | 1.12 % | |
| Amerijet Holdings, Inc. | | | | | | | | | |
| Distribution & Logistics | First lien (4)(10) | 9.65% (L + 8.00%/M) | 7/15/2016 | 7/15/2021 | 9,455 | 9,405 | 9,494 | | |
| | First lien (4)(10) | 9.65% (L + 8.00%/M) | 7/15/2016 | 7/15/2021 | 1,576 | 1,567 | 1,582 | | |
| | | | | | 11,031 | 10,972 | 11,076 | 1.07 % | |
| Vectra Co. | | | | | | | | | |
| Business Products | Second lien (3) | 8.96% (L + 7.25%/M) | 2/23/2018 | 3/8/2026 | 10,788 | 10,748 | 10,896 | 1.05 % | |
| Masergy Holdings, Inc. | | | | | | | | | |
| Business Services | Second lien (2) | 9.80% (L + 7.50%/Q) | 12/14/2016 | 12/16/2024 | 10,500 | 10,448 | 10,583 | 1.02 % | |
| QC McKissock Investment, LLC (14) McKissock, LLC | | | | | | | | | |
| Education | First lien (2)(10) | 8.30% (L + 6.00%/Q) | 8/6/2014 | 8/5/2021 | 6,399 | 6,372 | 6,399 | | |
| | First lien (2)(10) | 8.30% (L + 6.00%/Q) | 8/6/2014 | 8/5/2021 | 3,051 | 3,040 | 3,051 | | |
| | First lien (2)(10) | 8.30% (L + 6.00%/Q) | 8/6/2014 | 8/5/2021 | 985 | 980 | 985 | | |
| | | | | | 10,435 | 10,392 | 10,435 | 1.01 % | |
| Idera, Inc. | | | | | | | | | |
| Software | Second lien (4) | 10.88% (L + 9.00%/M) | 6/27/2017 | 6/27/2025 | 10,000 | 9,859 | 10,200 | 0.99 % | |
| Quest Software US Holdings Inc. | | | | | | | | | |
| Software | First lien (2) | 7.27% (L + 5.50%/M) | 10/31/2016 | 10/31/2022 | 9,899 | 9,780 | 10,095 | 0.98 % | |
| PowerPlan Holdings, Inc. | | | | | | | | | |
| Software | Second lien (2)(10) | 10.88% (L + 9.00%/M) | 2/23/2015 | 2/23/2023 | 10,000 | 9,929 | 10,000 | 0.97 % | |

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|---|-----------------------|--------------------------|---------------------|----------------------------------|--|----------|---------------|-----------------------------|
| FPC Holdings, Inc. | | | | | | | | |
| Distribution & Logistics | Second lien (3) | 10.88% (L + 9.00%/Q) | 3/28/2018 | 5/19/2023 | \$ 10,116 | \$ 9,711 | \$ 9,711 | 0.94 % |
| WD Wolverine Holdings, LLC | | | | | | | | |
| Healthcare Services | First lien (2) | 7.38% (L + 5.50%/Q) | 2/22/2017 | 8/16/2022 | 9,750 | 9,486 | 9,671 | 0.94 % |
| Pelican Products, Inc. | | | | | | | | |
| Business Products | Second lien (2) | 10.13% (L + 8.25%/Q) | 4/9/2014 | 4/9/2021 | 9,500 | 9,531 | 9,548 | 0.92 % |
| J.D. Power (fka J.D. Power and Associates) | | | | | | | | |
| Business Services | Second lien (3) | 10.80% (L + 8.50%/Q) | 6/9/2016 | 9/7/2024 | 9,333 | 9,232 | 9,473 | 0.92 % |
| Harley Marine Services, Inc. | | | | | | | | |
| Distribution & Logistics | Second lien (2) | 12.00% (L + 10.25%/M) | 12/18/2013 | 12/20/2019 | 9,000 | 8,937 | 8,955 | 0.87 % |
| JAMF Holdings, Inc. | | | | | | | | |
| Software | First lien (3)(10) | 9.82% (L + 8.00%/Q) | 11/13/2017 | 11/11/2022 | 8,757 | 8,675 | 8,670 | 0.84 % |
| Autodata, Inc. (Autodata Solutions, Inc.) | | | | | | | | |
| Business Services | Second lien (3) | 9.01% (L + 7.25%/M) | 12/12/2017 | 12/12/2025 | 7,406 | 7,388 | 7,517 | 0.73 % |
| MH Sub I, LLC (Micro Holding Corp.) | | | | | | | | |
| Software | Second lien (3) | 9.28% (L + 7.50%/Q) | 8/16/2017 | 9/15/2025 | 7,000 | 6,933 | 7,101 | 0.69 % |
| DG Investment Intermediate Holdings 2, Inc. (aka Convergent Technologies Holdings, LLC) | | | | | | | | |
| Business Services | Second lien (3) | 9.05% (L + 6.75%/Q) | 1/29/2018 | 2/2/2026 | 6,732 | 6,699 | 6,833 | 0.66 % |

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First American Payment
Systems, L.P.

| | | | | | | | | |
|---|-----------------------------------|-------------------------|-----------|------------|-------|-------|-------|--------|
| Business Services | First lien (2) | 6.44% (L + 4.75%/M) | 1/3/2017 | 1/5/2024 | 6,688 | 6,630 | 6,763 | 0.66 % |
| CP VI Bella Midco, LLC | | | | | | | | |
| Healthcare Services | Second lien (3) | 8.63% (L + 6.75%/M) | 1/25/2018 | 12/29/2025 | 6,732 | 6,699 | 6,741 | 0.65 % |
| Pathway Partners Vet Management Company LLC | | | | | | | | |
| Consumer Services | Second lien (4) | 9.88% (L + 8.00%/M) | 10/4/2017 | 10/10/2025 | 5,556 | 5,528 | 5,527 | |
| | Second lien (4)(11) - Drawn | 9.88% (L + 8.00%/M) | 10/4/2017 | 10/10/2025 | 698 | 694 | 694 | |
| | | | | | 6,254 | 6,222 | 6,221 | 0.60 % |
| Solera LLC / Solera Finance, Inc. | | | | | | | | |
| Software | Subordinated (3) | 10.50%/S | 2/29/2016 | 3/1/2024 | 5,000 | 4,797 | 5,588 | 0.54 % |
| Applied Systems, Inc. | | | | | | | | |
| Software | Second lien (3) | 9.30% (L + 7.00%/Q) | 9/14/2017 | 9/19/2025 | 4,923 | 4,923 | 5,102 | 0.49 % |
| ADG, LLC | | | | | | | | |
| Healthcare Services | Second lien (3)(10) | 10.88% (L + 9.00%/M) | 10/3/2016 | 3/28/2024 | 5,000 | 4,936 | 5,037 | 0.49 % |
| Vencore, Inc. (fka The SI Organization Inc.) | | | | | | | | |
| Federal Services | Second lien (3) | 10.63% (L + 8.75%/Q) | 6/14/2016 | 5/23/2020 | 4,400 | 4,355 | 4,439 | 0.43 % |
| Affinity Dental Management, Inc. | | | | | | | | |
| Healthcare Services | First lien (2)(10) | 8.30% (L + 6.00%/Q) | 9/15/2017 | 9/15/2023 | 4,344 | 4,304 | 4,301 | 0.42 % |
| York Risk Services Holding Corp. | | | | | | | | |
| Business Services | Subordinated (3) | 8.50%/S | 9/17/2014 | 10/1/2022 | 3,000 | 3,000 | 2,820 | 0.27 % |
| Ensemble S Merger Sub, Inc. | | | | | | | | |
| Software | Subordinated (3) | 9.00%/S | 9/21/2015 | 9/30/2023 | 2,000 | 1,948 | 2,110 | 0.20 % |

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|--|------------------------------|--------------------------|------------------|----------------------------|---------------------------------------|-------------|-------------|-----------------------|
| Education Management Corporation (12) | | | | | | | | |
| Education Management II LLC | | | | | | | | |
| Education | First lien (2) | 10.25% (P + 5.50%/Q)(24) | 1/5/2015 | 7/2/2020 | \$211 | \$205 | \$50 | |
| | First lien (3) | 10.25% (P + 5.50%/Q)(24) | 1/5/2015 | 7/2/2020 | 119 | 116 | 28 | |
| | First lien (2) | 13.25% (P + 8.50%/Q)(24) | 1/5/2015 | 7/2/2020 | 475 | 437 | 7 | |
| | First lien (3) | 13.25% (P + 8.50%/Q)(24) | 1/5/2015 | 7/2/2020 | 268 | 246 | 4 | |
| | | | | | 1,073 | 1,004 | 89 | 0.01 % |
| Total Funded Debt Investments - United States | | | | | \$1,442,480 | \$1,432,395 | \$1,446,005 | 139.98 % |
| Total Funded Debt Investments Equity - Hong Kong | | | | | \$1,522,833 | \$1,511,527 | \$1,526,085 | 147.73 % |
| Bach Special Limited (Bach Preference Limited)** | | | | | | | | |
| Education | Preferred shares (3)(10)(22) | — | 9/1/2017 | — | 60,711 | \$5,991 | \$5,988 | 0.58 % |
| Total Shares - Hong Kong | | | | | | \$5,991 | \$5,988 | 0.58 % |
| Equity - United States | | | | | | | | |
| Avatar Topco, Inc. | | | | | | | | |
| Education | Preferred shares (3)(10)(23) | — | 11/17/2017 | — | 35,750 | \$36,372 | \$36,321 | 3.52 % |

| | | | | | | | | | |
|--|--------------------------|---|------------|---|-----------|-------|-------|------|------|
| Tenawa Resource Holdings LLC (13) QID NGL LLC | | | | | | | | | |
| Energy | Ordinary shares (7)(10) | — | 5/12/2014 | — | 5,290,997 | 5,291 | 7,855 | | |
| | Preferred shares (7)(10) | — | 10/30/2017 | — | 620,706 | 621 | 970 | | |
| | | | | | | 5,912 | 8,825 | 0.85 | % |
| TWDiamondback Holdings Corp. (15) | | | | | | | | | |
| Distribution & Logistics | Preferred shares (4)(10) | — | 11/19/2014 | — | 200 | 2,000 | 4,508 | 0.44 | % |
| TW-NHME Holdings Corp. (20) | | | | | | | | | |
| Healthcare Services | Preferred shares (4)(10) | — | 7/14/2015 | — | 100 | 1,000 | 409 | | |
| | Preferred shares (4)(10) | — | 1/5/2016 | — | 16 | 158 | 64 | | |
| | Preferred shares (4)(10) | — | 6/30/2016 | — | 6 | 68 | 25 | | |
| | Preferred shares (3)(10) | — | 3/29/2018 | — | 40 | 162 | 162 | | |
| | | | | | | | 1,388 | 660 | 0.06 |
| Ancora Acquisition LLC | | | | | | | | | |
| Education | Preferred shares (6)(10) | — | 8/12/2013 | — | 372 | 83 | 393 | 0.04 | % |

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|---|----------------------|------------------|------------------|----------------------------|---------------------------------------|-------------|-------------|-----------------------|---|
| Education Management Corporation (12) | | | | | | | | | |
| Education | Preferred shares (2) | — | 1/5/2015 | — | 3,331 | \$200 | \$— | | |
| | Preferred shares (3) | — | 1/5/2015 | — | 1,879 | 113 | — | | |
| | Ordinary shares (2) | — | 1/5/2015 | — | 2,994,065 | 100 | 11 | | |
| | Ordinary shares (3) | — | 1/5/2015 | — | 1,688,976 | 56 | 6 | | |
| | | | | | | 469 | 17 | — | % |
| Total Shares - United States | | | | | | \$46,224 | \$50,724 | 4.91 | % |
| Total Shares Warrants - United States ASP LCG Holdings, Inc. | | | | | | \$52,215 | \$56,712 | 5.49 | % |
| Education | Warrants (3)(10) | — | 5/5/2014 | 5/5/2026 | 622 | \$37 | \$452 | 0.04 | % |
| Ancora Acquisition LLC | | | | | | | | | |
| Education | Warrants (6)(10) | — | 8/12/2013 | 8/12/2020 | 20 | — | — | — | % |
| Total Warrants - United States | | | | | | \$37 | \$452 | 0.04 | % |
| Total Funded Investments | | | | | | \$1,563,779 | \$1,583,249 | 153.26 | % |
| Unfunded Debt Investments - United States VetCor Professional Practices LLC | | | | | | | | | |
| Consumer Services | First lien (3)(11) - | — | 5/15/2015 | 4/20/2021 | \$ 2,700 | \$(27 |) \$3 | | |

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| | | | | | | | | | |
|---|---------------|---|------------|------------|--------|------|---|----|-------|
| | Undrawn | | | | | | | | |
| | First lien | | | | | | | | |
| | (3)(11) - | — | 12/29/2017 | 12/29/2019 | 6,671 | (58 |) | 8 | |
| | Undrawn | | | | | | | | |
| | | | | | 9,371 | (85 |) | 11 | — % |
| DCA Investment Holding, LLC | | | | | | | | | |
| Healthcare Services | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 7/2/2015 | 7/2/2021 | 2,100 | (21 |) | — | |
| | Undrawn | | | | | | | | |
| | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 12/20/2017 | 7/2/2021 | 13,465 | (118 |) | — | |
| | Undrawn | | | | | | | | |
| | | | | | 15,565 | (139 |) | — | — % |
| iPipeline, Inc. (Internet Pipeline, Inc.) | | | | | | | | | |
| Software | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 8/4/2015 | 8/4/2021 | 1,000 | (10 |) | — | — % |
| | Undrawn | | | | | | | | |
| Valet Waste Holdings, Inc. | | | | | | | | | |
| Business Services | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 9/24/2015 | 9/24/2021 | 3,150 | (39 |) | — | — % |
| | Undrawn | | | | | | | | |
| Ministry Brands, LLC | | | | | | | | | |
| Software | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 12/7/2016 | 12/2/2022 | 400 | (2 |) | — | — % |
| | Undrawn | | | | | | | | |
| Zywave, Inc. | | | | | | | | | |
| Software | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 11/22/2016 | 11/17/2022 | 1,500 | (11 |) | — | — % |
| | Undrawn | | | | | | | | |
| Ansira Holdings, Inc. | | | | | | | | | |
| Business Services | First lien | | | | | | | | |
| | (3)(11) - | — | 12/19/2016 | 12/20/2018 | 1,700 | (9 |) | (4 |) — % |
| | Undrawn | | | | | | | | |
| JAMF Holdings, Inc. | | | | | | | | | |
| Software | First lien | | | | | | | | |
| | (3)(10)(11) - | — | 11/13/2017 | 11/11/2022 | 750 | (8 |) | (8 |) — % |
| | Undrawn | | | | | | | | |
| Pathway Partners Vet Management Company LLC | | | | | | | | | |
| Consumer Services | Second lien | | | | | | | | |
| | (4)(11) - | — | 10/4/2017 | 10/10/2025 | 1,746 | (9 |) | (9 |) — % |
| | Undrawn | | | | | | | | |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|--|------------------|------------------|----------------------------|---------------------------------------|---------|------------|-----------------------|
| Xactly Corporation | | | | | | | | |
| Software | First lien (3)(10)(11) - Undrawn | — | 7/31/2017 | 7/29/2022 | \$992 | \$(10) | \$(10) | — % |
| Trader Interactive, LLC | | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 6/15/2017 | 6/15/2023 | 1,673 | (13) | (13) | — % |
| NM GRC Holdco, LLC | | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 2/9/2018 | 2/9/2024 | 11,563 | (29) | (29) | — % |
| BackOffice Associates Holdings, LLC | | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 8/25/2017 | 8/24/2018 | 3,448 | (13) | (13) |) |
| | First lien (3)(10)(11) - Undrawn | — | 8/25/2017 | 8/25/2023 | 2,586 | (23) | (23) |) |
| | | | | | 6,034 | (36) | (36) |) — % |
| Affinity Dental Management, Inc. | | | | | | | | |
| Healthcare Services | First lien (3)(10)(11) - Undrawn | — | 9/15/2017 | 3/15/2019 | 11,584 | (29) | (29) |) |
| | First lien (3)(10)(11) - Undrawn | — | 9/15/2017 | 3/15/2023 | 1,737 | (17) | (17) |) |
| | | | | | 13,321 | (46) | (46) |) (0.01) % |
| Frontline Technologies Group Holdings, LLC | | | | | | | | |
| Education | First lien (3)(10)(11) - Undrawn | — | 9/18/2017 | 9/18/2019 | 7,738 | (58) | (58) |) (0.01) % |
| Total Unfunded Debt Investments - United States | | | | | \$76,503 | \$(504) | \$(202) |) (0.02) % |

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| | | | | | | | | | |
|-------------------------------|--------------|--------|------------|------------|------------|-------------|-------------|--------|---|
| Total | | | | | | | | | |
| Non-Controlled/Non-Affiliated | | | | | | \$1,563,275 | \$1,583,047 | 153.24 | % |
| Investments | | | | | | | | | |
| Non-Controlled/Affiliated | | | | | | | | | |
| Investments (25) | | | | | | | | | |
| Funded Debt Investments - | | | | | | | | | |
| United States | | | | | | | | | |
| Permian Holdco 1, Inc. | | | | | | | | | |
| Permian Holdco 2, Inc. | | | | | | | | | |
| Energy | Subordinated | 14.00% | 10/31/2016 | 10/15/2021 | \$2,077 | \$2,077 | \$2,077 | | |
| | (3)(10) | PIK/Q* | | | | | | | |
| | Subordinated | 14.00% | 10/31/2016 | 10/15/2021 | 1,070 | 1,070 | 1,070 | | |
| | (3)(10)(11) | PIK/Q* | | | | | | | |
| | | | | | 3,147 | 3,147 | 3,147 | 0.30 | % |
| Total Funded Debt Investments | | | | | \$3,147 | \$3,147 | \$3,147 | 0.30 | % |
| - United States | | | | | | | | | |
| Equity - United States | | | | | | | | | |
| HI Technology Corp. | | | | | | | | | |
| Business Services | Preferred | | 3/21/2017 | — | 2,768,000 | \$105,155 | \$107,450 | 10.40 | % |
| | (3)(10)(21) | — | | | | | | | |
| NMFC Senior Loan Program I | | | | | | | | | |
| LLC** | | | | | | | | | |
| Investment Fund | Membership | | 6/13/2014 | — | — | 23,000 | 23,000 | 2.23 | % |
| | (3)(10) | — | | | | | | | |
| Sierra Hamilton Holdings | | | | | | | | | |
| Corporation | | | | | | | | | |
| Energy | Ordinary | | 7/31/2017 | — | 25,000,000 | 1,501 | 11,208 | | |
| | (2)(10) | — | | | | | | | |
| | Ordinary | | 7/31/2017 | — | 2,786,000 | 1,281 | 1,248 | | |
| | (3)(10) | — | | | | | | | |
| | | | | | | 12,782 | 12,456 | 1.21 | % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|---------------------------------------|---------------------|---------------------|----------------------------------|--|-----------|---------------|-----------------------------|
| Permian Holdco 1, Inc. | | | | | | | | |
| Energy | Preferred shares (3)(10)(17) | — | 10/31/2016 | — | 1,616,302 | \$7,087 | \$8,890 | |
| | Ordinary shares (3)(10) | — | 10/31/2016 | — | 1,366,452 | 1,350 | 786 | |
| | | | | | | 8,437 | 9,676 | 0.94 % |
| Total Shares - United States | | | | | | \$149,374 | \$152,582 | 14.78 % |
| Total Funded Investments Total | | | | | | \$152,521 | \$155,729 | 15.08 % |
| Non-Controlled/Affiliated Investments | | | | | | \$152,521 | \$155,729 | 15.08 % |
| Controlled Investments (26) | | | | | | | | |
| Funded Debt Investments - United States | | | | | | | | |
| Edmentum Ultimate Holdings, LLC (16) | | | | | | | | |
| Edmentum Inc. (fka Plato, Inc.)(Archipelago Learning Inc.) | | | | | | | | |
| Education | Second lien (3)(10) | 7.00% PIK/Q* | 2/23/2018 | 12/9/2021 | \$10,657 | \$9,906 | \$9,859 | |
| | Second lien (3)(10)(11) - Drawn | 5.00% PIK/Q* | 6/9/2015 | 6/9/2020 | 4,881 | 4,881 | 4,881 | |
| | Subordinated (3)(10) | 8.50% PIK/Q* | 6/9/2015 | 6/9/2020 | 4,588 | 4,584 | 4,588 | |
| | Subordinated (2)(10) | 10.00% PIK/Q* | 6/9/2015 | 6/9/2020 | 17,188 | 17,188 | 13,751 | |
| | Subordinated (3)(10) | 10.00% PIK/Q* | 6/9/2015 | 6/9/2020 | 4,228 | 4,228 | 3,383 | |
| | | | | | 41,542 | 40,787 | 36,462 | 3.53 % |

UniTek Global Services,
Inc.

| | | | | | | | | | |
|-----------------------------------|-----------------------------------|-------------------------|-----------|-----------|----------|----------|----------|------|---|
| Business Services | First lien (2)(10) | 10.81% (L + 8.50%/Q) | 1/13/2015 | 1/13/2019 | 10,846 | 10,846 | 10,846 | | |
| | First lien (2)(10) | 10.81% (L + 7.50%/M) | 1/13/2015 | 1/13/2019 | 799 | 799 | 799 | | |
| | Subordinated (2)(10) | 15.00% PIK/Q* | 1/13/2015 | 7/13/2019 | 2,079 | 2,079 | 2,079 | | |
| | Subordinated (3)(10) | 15.00% PIK/Q* | 1/13/2015 | 7/13/2019 | 1,244 | 1,244 | 1,244 | | |
| | | | | | 14,968 | 14,968 | 14,968 | 1.45 | % |
| Total Funded Debt | | | | | | | | | |
| Investments - United States | | | | | \$56,510 | \$55,755 | \$51,430 | 4.98 | % |
| Equity - Canada | | | | | | | | | |
| NM APP Canada Corp.** | | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 9/13/2016 | — | — | \$7,345 | \$8,234 | 0.80 | % |
| Total Shares - Canada | | | | | | \$7,345 | \$8,234 | 0.80 | % |
| Equity - United States | | | | | | | | | |
| NMFC Senior Loan Program II LLC** | | | | | | | | | |
| Investment Fund | Membership interest (3)(10) | — | 5/3/2016 | — | — | \$79,400 | \$79,400 | 7.69 | % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|---------------------------------|---------------------|---------------------|----------------------------------|--|-----------|---------------|-----------------------------|
| UniTek Global Services, Inc. | | | | | | | | |
| Business Services | Preferred shares (2)(10)(18) | — | 1/13/2015 | — | 22,487,269 | \$20,107 | \$20,413 | |
| | Preferred shares (3)(10)(19) | — | 6/30/2017 | — | 11,379,603 | 11,380 | 11,380 | |
| | Preferred shares (3)(10)(18) | — | 1/13/2015 | — | 6,214,411 | 5,557 | 5,641 | |
| | Ordinary shares (2)(10) | — | 1/13/2015 | — | 2,096,477 | 1,925 | 6,787 | |
| | Ordinary shares (3)(10) | — | 1/13/2015 | — | 1,993,749 | 531 | 6,454 | |
| | | | | | | 39,500 | 50,675 | 4.91 % |
| NM GLCR LLC | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 2/1/2018 | — | — | 14,750 | 14,750 | 1.43 % |
| NM CLFX LP | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 10/6/2017 | — | — | 12,538 | 12,538 | 1.21 % |
| NM KRLN LLC | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 11/15/2016 | — | — | 7,510 | 8,328 | 0.80 % |
| NM DRVT LLC | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 11/18/2016 | — | — | 5,152 | 5,446 | 0.53 % |
| NM APP US LLC | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 9/13/2016 | — | — | 5,080 | 5,206 | 0.50 % |
| NM JRA LLC | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 8/12/2016 | — | — | 2,043 | 2,215 | 0.21 % |
| Edmentum Ultimate Holdings, LLC (16) | | | | | | | | |
| Education | Ordinary shares (3)(10) | — | 6/9/2015 | — | 123,968 | 11 | 84 | |
| | Ordinary shares (2)(10) | — | 6/9/2015 | — | 107,143 | 9 | 72 | |
| | | | | | | 20 | 156 | 0.02 % |
| | | | | | | \$165,993 | \$178,714 | 17.30 % |

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| | | | | | | | | | |
|---|--------------------|-----------|------------|-----------|-------|-----------|-----------|-------|---|
| Total Shares - United States | | | | | | | | | |
| Total Shares | | | | | | \$173,338 | \$186,948 | 18.10 | % |
| Warrants - United States | | | | | | | | | |
| Edmentum Ultimate Holdings, LLC (16) | Warrants (3)(10) — | 2/23/2018 | 5/5/2026 | 1,141,846 | \$769 | \$769 | 0.07 | % | |
| Education | | | | | | | | | |
| UniTek Global Services, Inc. | Warrants (3)(10) — | 6/30/2017 | 12/31/2018 | 526,925 | — | — | — | % | |
| Business Services | | | | | | | | | |
| Total Warrants - United States | | | | | | \$769 | \$769 | 0.07 | % |
| Total Funded Investments | | | | | | \$229,862 | \$239,147 | 23.15 | % |
| Unfunded Debt Investments - United States | | | | | | | | | |
| UniTek Global Services, Inc. | First lien | | | | | | | | |
| Business Services | (3)(10)(11) - | 1/13/2015 | 1/13/2019 | \$ 2,048 | \$— | \$— | | | |
| | Undrawn | | | | | | | | |
| | First lien | | | | | | | | |
| | (3)(10)(11) - | 1/13/2015 | 1/13/2019 | 758 | — | — | | | |
| | Undrawn | | | | | | | | |
| | | | | 2,806 | — | — | — | % | |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

| Portfolio Company, Location and Industry (1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity / Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|-----------------------------------|------------------|------------------|----------------------------|---------------------------------------|-------------|-------------|-----------------------|
| Edmentum Ultimate Holdings, LLC (16) Edmentum, Inc. (fka Plato, Inc.) (Archipelago Learning, Inc.) | Second lien (3)(10)(11) - Undrawn | — | 6/9/2015 | 6/9/2020 | \$ 2,568 | \$— | \$— | — % |
| Total Unfunded Debt Investments - United States | | | | | \$ 5,374 | \$— | \$— | — % |
| Total Controlled Investments | | | | | | \$229,862 | \$239,147 | 23.15 % |
| Total Investments | | | | | | \$1,945,658 | \$1,977,923 | 191.47 % |

(1) New Mountain Finance Corporation (the “Company”) generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). These investments are generally subject to certain limitations on resale, and may be deemed to be “restricted securities” under the Securities Act.

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. (“NMF Holdings”) as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7. Borrowings, for details.

(3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. Borrowings, for details.

(4) Investment is held in New Mountain Finance SBIC, L.P.

(5) Investment is held in New Mountain Finance SBIC II, L.P.

(6) Investment is held in NMF Ancora Holdings, Inc.

(7) Investment is held in NMF QID NGL Holdings, Inc.

(8) Investment is held in New Mountain Net Lease Corporation.

(9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually

- (A). For each investment the current interest rate provided reflects the rate in effect as of March 31, 2018.
- (10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. Fair Value, for details.
- Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net of the impact of paydowns and cash paid for drawn revolvers or delayed draws.
- (11) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.
- (12) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.
- (13) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.
- (14) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.
- (15) The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes and ordinary equity in Edmentum Ultimate Holdings, LLC and holds a second lien revolver in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.
- (16) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (17) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (19)

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

March 31, 2018

(in thousands, except shares)

(unaudited)

- (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
- (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB
- (23) Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.
- (24) Investment is on non-accrual status. See Note 3. Investments, for details.
- Denotes investments in which the Company is an "Affiliated Person", as defined in the Investment Company Act of 1940, as amended (the "1940 Act"), due to owning or holding the power to vote 5.0% or more of the outstanding
- (25) voting securities of the investment but not controlling the company. Fair value as of March 31, 2018 and December 31, 2017, along with transactions during the three months ended March 31, 2018 in which the issuer was a non-controlled/affiliated investment, is as follows:

| Portfolio Company | Fair Value at December 31, 2017 | Gross Additions (A) | Gross Redemptions (B) | Net Realized Gains (Losses) | Net Change in Unrealized Value at March 31, 2018 | Interest Income | Dividend Income | Other Income |
|---|---------------------------------|---------------------|-----------------------|-----------------------------|--|-----------------|-----------------|--------------|
| Edmentum Ultimate Holdings, LLC/Edmentum Inc. | \$ 24,858 | \$ — | \$ (24,858) | \$ — | \$ — | \$ — | \$ — | \$ — |
| HI Technology Corp. | 105,155 | — | — | — | 2,295 | — | 3,750 | — |
| NMFC Senior Loan Program I LLC | 23,000 | — | — | — | — | — | 845 | 295 |
| Permian Holdco 1, Inc. / Permian Holdco 2, Inc. | 12,733 | 702 | — | — | (612) | 102 | 259 | 7 |
| Sierra Hamilton Holdings Corporation | 12,330 | — | — | — | 126 | — | — | — |
| Total Non-Controlled/Affiliated Investments | \$ 178,076 | \$ 702 | \$ (24,858) | \$ — | \$ 1,809 | \$ 102 | \$ 4,854 | \$ 302 |

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, (A) payment-in-kind ("PIK") interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement of an existing portfolio company into this category from a different category.

Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to (B) investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

Denotes investments in which the Company is in "Control", as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of March 31, (26) 2018 and December 31, 2017, along with transactions during the three months ended March 31, 2018 in which the issuer was a controlled investment, is as follows:

| Portfolio Company | Fair Value at | Gross Additions | Gross Redemptions | Net Realized Gains (Losses) | Net Change in Unrealized Value at | Interest Income | Dividend Income | Other Income |
|-------------------|---------------|-----------------|-------------------|-----------------------------|-----------------------------------|-----------------|-----------------|--------------|
|-------------------|---------------|-----------------|-------------------|-----------------------------|-----------------------------------|-----------------|-----------------|--------------|

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| | December 31, 2017 | | (A) | (B) | Gains (Losses) | Appreciation (Depreciation) | March 31, 2018 | | | |
|---|-------------------|-----------|-----|-----|----------------|-----------------------------|----------------|----------|--------|--------|
| Edmentum Ultimate Holdings, LLC/Edmentum Inc. | \$ — | \$ 37,873 | \$ | — | — | — | \$ 37,387 | \$ 779 | \$ — | \$ 385 |
| NM APP Canada Corp. | 7,962 | — | — | — | 272 | 8,234 | — | — | 184 | — |
| NM APP US LLC | 5,138 | — | — | — | 68 | 5,206 | — | — | 130 | — |
| NM CLFX LP | 12,538 | — | — | — | — | 12,538 | — | — | 365 | — |
| NM DRVT LLC | 5,385 | — | — | — | 61 | 5,446 | — | — | 120 | — |
| NM JRA LLC | 2,191 | — | — | — | 24 | 2,215 | — | — | 50 | — |
| NM GLCR LLC | — | 14,750 | — | — | — | 14,750 | — | — | 425 | — |
| NM KRLN LLC | 8,195 | — | — | — | 133 | 8,328 | — | — | 345 | — |
| NMFC Senior Loan Program II LLC | 79,400 | — | — | — | — | 79,400 | — | — | 2,620 | — |
| UniTek Global Services, Inc. | 64,593 | 1,578 | — | — | (528) | 65,643 | 422 | — | 1,454 | 238 |
| Total Controlled Investments | \$ 185,402 | \$ 54,201 | \$ | — | — | \$ 239,147 | \$ 1,201 | \$ 5,693 | \$ 623 | |

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK (A) interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement of an existing portfolio company into this category from a different category.

Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to (B) investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

* All or a portion of interest contains PIK interest.

The accompanying notes are an integral part of these consolidated financial statements.

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March 31, 2018

(in thousands, except shares)

(unaudited)

Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act.

** Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of March 31, 2018, 10.2% of the Company’s total investments were non-qualifying assets.

| Investment Type | March 31, 2018 | |
|-------------------|------------------|---------------------------|
| | Percent of Total | Investments at Fair Value |
| First lien | 37.31 | % |
| Second lien | 39.16 | % |
| Subordinated | 3.43 | % |
| Equity and other | 20.10 | % |
| Total investments | 100.00 | % |

| Industry Type | March 31, 2018 | |
|-----------------------------------|------------------|---------------------------|
| | Percent of Total | Investments at Fair Value |
| Business Services | 32.87 | % |
| Software | 14.89 | % |
| Healthcare Services | 13.36 | % |
| Education | 9.41 | % |
| Distribution & Logistics | 5.94 | % |
| Investment Fund | 5.18 | % |
| Consumer Services | 4.35 | % |
| Federal Services | 3.91 | % |
| Energy | 3.74 | % |
| Net Lease | 2.87 | % |
| Healthcare Information Technology | 1.72 | % |
| Business Products | 1.03 | % |
| Packaging | 0.73 | % |
| Total investments | 100.00 | % |

| Interest Rate Type | March 31, 2018 | |
|--------------------|------------------|---------------------------|
| | Percent of Total | Investments at Fair Value |
| Floating rates | 87.74 | % |
| Fixed rates | 12.26 | % |
| Total investments | 100.00 | % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|--------------------------------|----------------------|------------------|--------------------------|---------------------------------------|----------|------------|-----------------------|
| Non-Controlled/Non-Affiliated Investments | | | | | | | | |
| Funded Debt Investments - United Kingdom | | | | | | | | |
| Air Newco LLC** | | | | | | | | |
| Software | Second lien (3) | 10.94% (L + 9.50%/Q) | 1/30/2015 | 1/31/2023 | \$40,000 | \$39,033 | \$39,000 | 3.77 % |
| Shine Acquisition Co. S.à.r.l / Boing US Holdco Inc.** | | | | | | | | |
| Consumer Services | Second lien (3) | 8.88% (L + 7.50%/Q) | 9/25/2017 | 10/3/2025 | 40,353 | 40,056 | 40,656 | 3.93 % |
| Total Funded Debt Investments - United Kingdom | | | | | \$80,353 | \$79,089 | \$79,656 | 7.70 % |
| Funded Debt Investments - United States | | | | | | | | |
| AmWINS Group, Inc. | | | | | | | | |
| Business Services | Second lien (3) | 8.32% (L + 6.75%/M) | 1/19/2017 | 1/25/2025 | \$57,000 | \$56,804 | \$57,606 | 5.57 % |
| Alegeus Technologies, LLC | | | | | | | | |
| Healthcare Services | Second lien (3)(10) | 10.19% (L + 8.50%/Q) | 4/28/2017 | 10/30/2023 | 23,500 | 23,500 | 23,500 | |
| | Second lien (4)(10) | 10.19% (L + 8.50%/Q) | 4/28/2017 | 10/30/2023 | 22,500 | 22,500 | 22,500 | |
| | | | | | 46,000 | 46,000 | 46,000 | 4.44 % |
| PetVet Care Centers LLC | | | | | | | | |
| Consumer Services | First lien (2)(10) | 7.69% (L + 6.00%/Q) | 6/8/2017 | 6/8/2023 | 34,527 | 34,409 | 34,872 | |
| | First lien (3)(10)(11) - Drawn | 7.55% (L + 6.00%/Q) | 6/8/2017 | 6/8/2023 | 8,646 | 8,616 | 8,733 | |
| | | | 6/8/2017 | 6/8/2023 | 2,200 | 2,192 | 2,200 | |

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| | | | | | | | | |
|---|--------------------------------------|-------------------------------|------------|------------|--------|--------|--------|--------|
| | First lien (3)(10)(11) - Drawn | 9.50% (P + 5.00%/Q) | | | 45,373 | 45,217 | 45,805 | 4.43 % |
| Integro Parent Inc. | | | | | | | | |
| Business Services | First lien (2) | 7.16% (L + 5.75%/Q) | 10/9/2015 | 10/31/2022 | 34,873 | 34,601 | 34,786 | |
| | Second lien (3) | 10.63% (L + 9.25%/Q) | 10/9/2015 | 10/30/2023 | 10,000 | 9,920 | 9,800 | |
| Severin Acquisition, LLC | | | | | | | | |
| Software | Second lien (4)(10) | 10.32% (L + 8.75%/M) | 7/31/2015 | 7/29/2022 | 15,000 | 14,891 | 15,000 | |
| | Second lien (3)(10) | 10.32% (L + 8.75%/M) | 2/1/2017 | 7/29/2022 | 14,518 | 14,361 | 14,518 | |
| | Second lien (4)(10) | 10.32% (L + 8.75%/M) | 11/5/2015 | 7/29/2022 | 4,154 | 4,123 | 4,154 | |
| | Second lien (4)(10) | 10.82% (L + 9.25%/M) | 2/1/2016 | 7/29/2022 | 3,273 | 3,248 | 3,273 | |
| | Second lien (3)(10) | 10.57% (L + 9.00%/M) | 10/14/2016 | 7/29/2022 | 2,361 | 2,341 | 2,361 | |
| | Second lien (3)(10) | 10.82% (L + 9.25%/M) | 8/8/2016 | 7/29/2022 | 1,825 | 1,810 | 1,825 | |
| | Second lien (4)(10) | 10.82% (L + 9.25%/M) | 8/8/2016 | 7/29/2022 | 300 | 298 | 300 | |
| Salient CRGT Inc. | | | | | | | | |
| Federal Services | First lien (2) | 7.32% (L + 5.75%/M) | 1/6/2015 | 2/28/2022 | 40,894 | 40,421 | 41,251 | 3.99 % |
| Tenawa Resource Holdings LLC (13) Tenawa Resource Management LLC | | | | | | | | |
| Energy | First lien (3)(10) | 10.50% (Base + 8.00%/Q) | 5/12/2014 | 10/30/2024 | 39,900 | 39,835 | 39,900 | 3.86 % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|----------------------------|---------------------|------------------|--------------------------|---------------------------------------|-----------|------------|-----------------------|
| VetCor Professional Practices LLC Consumer Services | First lien (4) | 7.69% (L + 6.00%/Q) | 5/15/2015 | 4/20/2021 | \$ 19,111 | \$ 18,996 | \$ 19,134 | |
| | First lien (2) | 7.69% (L + 6.00%/Q) | 5/15/2015 | 4/20/2021 | 7,714 | 7,603 | 7,724 | |
| | First lien (3)(11) - Drawn | 7.69% (L + 6.00%/Q) | 2/24/2017 | 4/20/2021 | 6,005 | 5,891 | 6,013 | |
| | First lien (4) | 7.69% (L + 6.00%/Q) | 5/15/2015 | 4/20/2021 | 2,650 | 2,632 | 2,654 | |
| | First lien (2) | 7.69% (L + 6.00%/Q) | 6/24/2016 | 4/20/2021 | 1,632 | 1,606 | 1,634 | |
| | First lien (4) | 7.69% (L + 6.00%/Q) | 3/31/2016 | 4/20/2021 | 495 | 487 | 496 | |
| | First lien (3)(11) - Drawn | 7.69% (L + 6.00%/Q) | 5/15/2015 | 4/20/2021 | 1,426 | 1,412 | 1,428 | |
| | | | | | 39,033 | 38,627 | 39,083 | 3.78 % |
| Frontline Technologies Group Holdings, LLC | Education | 8.09% (L + 6.50%/Q) | 9/18/2017 | 9/18/2023 | 16,750 | 16,629 | 16,625 | |
| | First lien (2)(10) | 8.09% (L + 6.50%/Q) | 9/18/2017 | 9/18/2023 | 22,613 | 22,450 | 22,444 | |
| | First lien (4)(10) | 8.09% (L + 6.50%/Q) | 9/18/2017 | 9/18/2023 | 22,613 | 22,450 | 22,444 | |
| | | | | | 39,363 | 39,079 | 39,069 | 3.77 % |
| Kronos Incorporated | Software | 9.63% (L + 8.25%/Q) | 10/26/2012 | 11/1/2024 | 36,000 | 35,508 | 37,449 | 3.62 % |
| Valet Waste Holdings, Inc. | | | | | | | | |

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|--|----------------------------|----------------------|------------|------------|--------|--------|--------|--------|
| Business Services | First lien (2)(10) | 8.57% (L + 7.00%/M) | 9/24/2015 | 9/24/2021 | 29,325 | 29,078 | 29,325 | |
| | First lien (2)(10) | 8.57% (L + 7.00%/M) | 7/27/2017 | 9/24/2021 | 3,731 | 3,697 | 3,731 | |
| | | | | | 33,056 | 32,775 | 33,056 | 3.19 % |
| Evo Payments International, LLC | | | | | | | | |
| Business Services | Second lien (2) | 10.57% (L + 9.00%/M) | 12/8/2016 | 12/23/2024 | 25,000 | 24,824 | 25,250 | |
| | Second lien (3) | 10.57% (L + 9.00%/M) | 12/8/2016 | 12/23/2024 | 5,000 | 5,052 | 5,050 | |
| | | | | | 30,000 | 29,876 | 30,300 | 2.93 % |
| Wirepath LLC Distribution & Logistics | | | | | | | | |
| Ansira Holdings, Inc. | First lien (2) | 6.87% (L + 5.25%/Q) | 7/31/2017 | 8/5/2024 | 27,731 | 27,598 | 28,112 | 2.72 % |
| Business Services | First lien (2) | 8.19% (L + 6.50%/Q) | 12/19/2016 | 12/20/2022 | 25,920 | 25,809 | 25,855 | |
| | First lien (3)(11) - Drawn | 8.19% (L + 6.50%/Q) | 12/19/2016 | 12/20/2022 | 2,107 | 2,097 | 2,102 | |
| | | | | | 28,027 | 27,906 | 27,957 | 2.70 % |
| TW-NHME Holdings Corp. (20) | | | | | | | | |
| National HME, Inc. | | | | | | | | |
| Healthcare Services | Second lien (4)(10) | 10.95% (L + 9.25%/Q) | 7/14/2015 | 7/14/2022 | 21,500 | 21,301 | 21,646 | |
| | Second lien (3)(10) | 10.95% (L + 9.25%/Q) | 7/14/2015 | 7/14/2022 | 5,800 | 5,737 | 5,839 | |
| | | | | | 27,300 | 27,038 | 27,485 | 2.66 % |
| Navicure, Inc. Healthcare Services | | | | | | | | |
| Trader Interactive, LLC | Second lien (3) | 8.86% (L + 7.50%/M) | 10/23/2017 | 10/31/2025 | 26,952 | 26,819 | 27,154 | 2.62 % |
| Business Services | First lien (2)(10) | 7.50% (L + 6.00%/M) | 6/15/2017 | 6/17/2024 | 27,190 | 26,999 | 26,986 | 2.61 % |
| | | | | | | | | |
| Marketo, Inc. Software | | | | | | | | |
| | First lien (3)(10) | 11.19% (L + 9.50%/Q) | 8/16/2016 | 8/16/2021 | 26,820 | 26,509 | 26,820 | 2.59 % |
| Keystone Acquisition Corp. Healthcare Services | | | | | | | | |
| | First lien (2) | 6.94% (L + 5.25%/Q) | 5/10/2017 | 5/1/2024 | 19,950 | 19,764 | 20,087 | |
| | Second lien (3) | 10.94% (L + 9.25%/Q) | 5/10/2017 | 5/1/2025 | 4,500 | 4,457 | 4,511 | |
| | | | | | 24,450 | 24,221 | 24,598 | 2.38 % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

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(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|-----------------------|---------------------------|---------------------|-----------------------------|--|----------|---------------|--------------------------------|
| iPipeline, Inc. (Internet Pipeline, Inc.) | | | | | | | | |
| Software | First lien (4)(10) | 8.82% (L + 7.25%/M) | 8/4/2015 | 8/4/2022 | \$ 17,589 | \$17,464 | \$17,589 | |
| | First lien (4)(10) | 7.74% (L + 6.25%/M) | 6/16/2017 | 8/4/2022 | 4,577 | 4,556 | 4,554 | |
| | First lien (2)(10) | 7.74% (L + 6.25%/M) | 9/25/2017 | 8/4/2022 | 1,161 | 1,155 | 1,155 | |
| | First lien (4)(10) | 7.74% (L + 6.25%/M) | 9/25/2017 | 8/4/2022 | 511 | 508 | 508 | |
| | | | | | 23,838 | 23,683 | 23,806 | 2.30 % |
| AAC Holding Corp. | | | | | | | | |
| Education | First lien (2)(10) | 9.62% (L + 8.25%/M) | 9/30/2015 | 9/30/2020 | 23,161 | 22,953 | 23,161 | 2.24 % |
| BackOffice Associates Holdings, LLC | | | | | | | | |
| Business Services | First lien (2)(10) | 8.06% (L + 6.50%/M) | 8/25/2017 | 8/25/2023 | 22,869 | 22,679 | 22,669 | 2.19 % |
| TWDiamondback Holdings Corp. (15) Diamondback Drugs of Delaware, L.L.C. (TWDiamondback II Holdings LLC) | | | | | | | | |
| | | | 11/19/2014 | 11/19/2019 | 19,895 | 19,895 | 19,895 | |

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| | | | | | | | | | |
|-------------------------------------|---------------------|----------------------|------------|------------|--------|--------|--------|--------|--|
| Distribution & Logistics | First lien (4)(10) | 10.49% (L + 8.75%/Q) | | | | | | | |
| | First lien (3)(10) | 10.44% (L + 8.75%/Q) | 11/19/2014 | 11/19/2019 | 2,158 | 2,158 | 2,158 | | |
| | First lien (4)(10) | 10.44% (L + 8.75%/Q) | 11/19/2014 | 11/19/2019 | 605 | 605 | 605 | | |
| EN Engineering, LLC | | | | | 22,658 | 22,658 | 22,658 | 2.19 % | |
| Business Services | First lien (2)(10) | 7.69% (L + 6.00%/Q) | 7/30/2015 | 6/30/2021 | 20,893 | 20,760 | 20,893 | | |
| | First lien (2)(10) | 7.69% (L + 6.00%/Q) | 7/30/2015 | 6/30/2021 | 1,208 | 1,200 | 1,208 | | |
| Avatar Topco, Inc (23) | | | | | 22,101 | 21,960 | 22,101 | 2.14 % | |
| EAB Global, Inc. | | | | | | | | | |
| Education | Second lien (3) | 8.99% (L + 7.50%/M) | 11/17/2017 | 11/17/2025 | 21,450 | 21,132 | 21,236 | 2.05 % | |
| DigiCert Holdings, Inc. | | | | | | | | | |
| Business Services | Second lien (3) | 9.38% (L + 8.00%/Q) | 9/20/2017 | 10/31/2025 | 20,176 | 20,077 | 20,347 | 1.97 % | |
| DiversiTech Holdings, Inc. | | | | | | | | | |
| Distribution & Logistics | Second lien (3) | 9.20% (L + 7.50%/Q) | 5/18/2017 | 6/2/2025 | 19,500 | 19,315 | 19,744 | 1.91 % | |
| ABILITY Network Inc. | | | | | | | | | |
| Healthcare Information Technology | Second lien (3) | 9.21% (L + 7.75%/M) | 12/11/2017 | 12/12/2025 | 18,851 | 18,839 | 18,945 | 1.83 % | |
| KeyPoint Government Solutions, Inc. | | | | | | | | | |
| Federal Services | First lien (2)(10) | 7.35% (L + 6.00%/Q) | 4/18/2017 | 4/18/2024 | 18,413 | 18,243 | 18,597 | 1.80 % | |
| AgKnowledge Holdings Company, Inc. | | | | | | | | | |
| Business Services | Second lien (2)(10) | 9.82% (L +) | 7/23/2014 | 7/23/2020 | 18,500 | 18,409 | 18,500 | 1.79 % | |

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|-------------------------------------|------------------------|----------------------------|------------|------------|--------|--------|--------|--------|--|
| | | 8.25%/M) | | | | | | | |
| VF Holding Corp. | | | | | | | | | |
| Software | Second lien (3)(10) | 10.57% (L + 9.00%/M) | 7/7/2016 | 6/28/2024 | 17,086 | 17,396 | 17,598 | 1.70 % | |
| DCA Investment Holding, LLC | | | | | | | | | |
| Healthcare Services | First lien (2)(10) | 6.94% (L + 5.25%/Q) | 7/2/2015 | 7/2/2021 | 17,453 | 17,344 | 17,453 | 1.69 % | |
| OEConnection LLC | | | | | | | | | |
| Business Services | Second lien (3) | 9.69% (L + 8.00%/Q) | 11/22/2017 | 11/22/2025 | 16,841 | 16,548 | 16,841 | 1.63 % | |
| TIBCO Software Inc. | | | | | | | | | |
| Software | Subordinated (3) | 11.38%/S | 11/24/2014 | 12/1/2021 | 15,000 | 14,714 | 16,378 | 1.58 % | |
| American Tire Distributors, Inc. | | | | | | | | | |
| Distribution & Logistics | Subordinated (3) | 10.25%/S | 2/10/2015 | 3/1/2022 | 15,520 | 15,267 | 16,063 | 1.55 % | |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|--------------------------------------|-------------------------|------------------|--------------------------|---------------------------------------|-----------|------------|-----------------------|
| Hill International, Inc.** | | | | | | | | |
| Business Services Netsmart Inc. / Netsmart Technologies, Inc. | First lien (2)(10) | 7.32% (L + 5.75%/M) | 6/21/2017 | 6/21/2023 | \$ 15,721 | \$ 15,648 | \$ 15,642 | 1.51 % |
| Healthcare Information Technology Transcendia Holdings, Inc. | Second lien (2) | 10.98% (L + 9.50%/Q) | 4/18/2016 | 10/19/2023 | 15,000 | 14,686 | 15,075 | 1.46 % |
| Packaging SW Holdings, LLC | Second lien (3) | 9.57% (L + 8.00%/M) | 6/28/2017 | 5/30/2025 | 14,500 | 14,309 | 14,391 | 1.39 % |
| Business Services Peraton Holding Corp. (fka MHVC Acquisition Corp.) | Second lien (4)(10) | 10.44% (L + 8.75%/Q) | 6/30/2015 | 12/30/2021 | 14,265 | 14,167 | 14,331 | 1.38 % |
| Federal Services Ministry Brands, LLC | First lien (2) | 6.95% (L + 5.25%/Q) | 4/25/2017 | 4/29/2024 | 14,030 | 13,987 | 14,135 | 1.37 % |
| Software | First lien (3) | 6.38% (L + 5.00%/Q) | 12/7/2016 | 12/2/2022 | 2,993 | 2,980 | 2,993 | |
| | First lien (3)(10)(11) - Drawn | 6.57% (L + 5.00%/M) | 12/7/2016 | 12/2/2022 | 1,000 | 995 | 1,000 | |
| | Second lien (3)(10) | 10.63% (L + 9.25%/Q) | 12/7/2016 | 6/2/2023 | 7,840 | 7,788 | 7,840 | |
| | Second lien (3)(10) | 10.63% (L + 9.25%/Q) | 12/7/2016 | 6/2/2023 | 2,160 | 2,146 | 2,160 | |

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|---|--------------------------------------|-------------------------|------------|------------|--------|--------|--------|--------|
| | | | | | 13,993 | 13,909 | 13,993 | 1.35 % |
| nThrive, Inc. (fka Precyse Acquisition Corp.) | | | | | | | | |
| Healthcare Services | Second lien (2)(10) | 11.32% (L + 9.75%/M) | 4/19/2016 | 4/20/2023 | 13,000 | 12,813 | 12,702 | 1.23 % |
| FR Arsenal Holdings II Corp. | | | | | | | | |
| Business Services | First lien (2)(10) | 8.81% (L + 7.25%/Q) | 9/29/2016 | 9/8/2022 | 12,356 | 12,252 | 12,373 | 1.19 % |
| Amerijet Holdings, Inc. | | | | | | | | |
| Distribution & Logistics | First lien (4)(10) | 9.57% (L + 8.00%/M) | 7/15/2016 | 7/15/2021 | 10,403 | 10,344 | 10,458 | |
| | First lien (4)(10) | 9.57% (L + 8.00%/M) | 7/15/2016 | 7/15/2021 | 1,734 | 1,724 | 1,743 | |
| | | | | | 12,137 | 12,068 | 12,201 | 1.18 % |
| SSH Group Holdings, Inc. | | | | | | | | |
| Education | First lien (2)(10) | 6.69% (L + 5.00%/Q) | 10/13/2017 | 10/2/2024 | 8,407 | 8,366 | 8,365 | |
| | Second lien (3)(10) | 10.69% (L + 9.00%/Q) | 10/13/2017 | 10/2/2025 | 3,363 | 3,330 | 3,329 | |
| | | | | | 11,770 | 11,696 | 11,694 | 1.13 % |
| ProQuest LLC | | | | | | | | |
| Business Services | Second lien (3) | 10.55% (L + 9.00%/M) | 12/14/2015 | 12/15/2022 | 11,620 | 11,440 | 11,620 | 1.12 % |
| Xactly Corporation | | | | | | | | |
| Software | First lien (4)(10) | 8.82% (L + 7.25%/M) | 7/31/2017 | 7/29/2022 | 11,600 | 11,492 | 11,484 | 1.11 % |
| Zywave, Inc. | | | | | | | | |
| Software | Second lien (4)(10) | 10.42% (L + 9.00%/Q) | 11/22/2016 | 11/17/2023 | 11,000 | 10,927 | 11,011 | |
| | First lien (3)(10)(11) - Drawn | 8.50% (P + 4.00%/Q) | 11/22/2016 | 11/17/2022 | 200 | 199 | 200 | |
| | First lien (3)(10)(11) - Drawn | 6.57% (L + 5.00%/Q) | 11/22/2016 | 11/17/2022 | 250 | 248 | 250 | |
| | | | | | 11,450 | 11,374 | 11,461 | 1.11 % |
| QC McKissock Investment, LLC (14) | | | | | | | | |
| McKissock, LLC | | | | | | | | |
| Education | First lien (2)(10) | 7.94% (L + 6.25%/Q) | 8/6/2014 | 8/5/2021 | 6,415 | 6,386 | 6,415 | |
| | First lien (2)(10) | 7.94% (L + 6.25%/Q) | 8/6/2014 | 8/5/2021 | 3,058 | 3,046 | 3,058 | |
| | First lien (2)(10) | 7.94% (L + 6.25%/Q) | 8/6/2014 | 8/5/2021 | 987 | 983 | 987 | |

10,460 10,415 10,460 1.01 %

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(in thousands, except shares)

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|--|------------------------|-------------------------|---------------------|-----------------------------|--|----------|---------------|--------------------------------|
| Masergy Holdings, Inc. Business Services | Second lien (2) | 10.19% (L + 8.50%/Q) | 12/14/2016 | 12/16/2024 | \$ 10,000 | \$ 9,943 | \$ 10,144 | 0.98 % |
| Idera, Inc. Software | Second lien (4) | 10.57% (L + 9.00%/M) | 6/27/2017 | 6/27/2025 | 10,000 | 9,856 | 10,100 | 0.97 % |
| Quest Software US Holdings Inc. Software | First lien (2) | 6.92% (L + 5.50%/Q) | 10/31/2016 | 10/31/2022 | 9,899 | 9,775 | 10,071 | 0.97 % |
| PowerPlan Holdings, Inc. Software | Second lien (2)(10) | 10.57% (L + 9.00%/M) | 2/23/2015 | 2/23/2023 | 10,000 | 9,927 | 10,000 | 0.97 % |
| WD Wolverine Holdings, LLC Healthcare Services | First lien (2) | 7.07% (L + 5.50%/M) | 2/22/2017 | 8/16/2022 | 9,813 | 9,534 | 9,512 | 0.92 % |
| Pelican Products, Inc. Business Products | Second lien (2) | 9.94% (L + 8.25%/Q) | 4/9/2014 | 4/9/2021 | 9,500 | 9,533 | 9,500 | 0.92 % |
| J.D. Power (fka J.D. Power and Associates) Business Services | Second lien (3) | 10.19% (L + 8.50%/Q) | 6/9/2016 | 9/7/2024 | 9,333 | 9,230 | 9,473 | 0.91 % |
| Harley Marine Services, Inc. Distribution & Logistics | Second lien (2) | 10.63% (L + 9.25%/Q) | 12/18/2013 | 12/20/2019 | 9,000 | 8,929 | 8,955 | 0.86 % |
| JAMF Holdings, Inc. Software | | | 11/13/2017 | 11/11/2022 | 8,757 | 8,672 | 8,670 | 0.84 % |

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|---|------------------------|-------------------------|------------|------------|-------|-------|-------|--------|--|
| Autodata, Inc. (Autodata Solutions, Inc.) Business Services | First lien (3)(10) | 9.41% (L + 8.00%/Q) | | | | | | | |
| MH Sub I, LLC (Micro Holding Corp.) Software | Second lien (3) | 8.82% (L + 7.25%/Q) | 12/12/2017 | 12/12/2025 | 7,406 | 7,387 | 7,387 | 0.71 % | |
| First American Payment Systems, L.P. Business Services | First lien (2) | 7.14% (L + 5.75%/M) | 1/3/2017 | 1/5/2024 | 6,844 | 6,783 | 6,880 | 0.66 % | |
| Solera LLC / Solera Finance, Inc. Software | Subordinated (3) | 10.50%/S | 2/29/2016 | 3/1/2024 | 5,000 | 4,791 | 5,650 | 0.55 % | |
| Pathway Partners Vet Management Company LLC Consumer Services | Second lien (4) | 9.57% (L + 8.00%/M) | 10/4/2017 | 10/10/2025 | 5,556 | 5,527 | 5,527 | 0.53 % | |
| Applied Systems, Inc. Software | Second lien (3) | 8.69% (L + 7.00%/Q) | 9/14/2017 | 9/19/2025 | 4,923 | 4,923 | 5,106 | 0.49 % | |
| ADG, LLC Healthcare Services | Second lien (3)(10) | 10.57% (L + 9.00%/M) | 10/3/2016 | 3/28/2024 | 5,000 | 4,934 | 5,038 | 0.49 % | |
| Vencore, Inc. (fka The SI Organization Inc.) Federal Services | Second lien (3) | 10.44% (L + 8.75%/Q) | 6/14/2016 | 5/23/2020 | 4,400 | 4,350 | 4,450 | 0.43 % | |
| Affinity Dental Management, Inc. Healthcare Services | First lien (2)(10) | 7.59% (L + 6.00%/Q) | 9/15/2017 | 9/15/2023 | 4,344 | 4,302 | 4,301 | 0.41 % | |
| York Risk Services Holding Corp. Business Services | Subordinated (3) | 8.50%/S | 9/17/2014 | 10/1/2022 | 3,000 | 3,000 | 2,940 | 0.28 % | |
| Ensemble S Merger Sub, Inc. Software | Subordinated (3) | 9.00%/S | 9/21/2015 | 9/30/2023 | 2,000 | 1,946 | 2,125 | 0.20 % | |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|------------------------------|---------------------|------------------|--------------------------|---------------------------------------|-------------|-------------|-----------------------|
| Education Management Corporation (12) | | | | | | | | |
| Education Management II LLC | | | | | | | | |
| Education | First lien (2) | 5.85% (L + 4.50%/Q) | 1/5/2015 | 7/2/2020 | \$211 | \$205 | \$82 | |
| | First lien (3) | 5.85% (L + 4.50%/Q) | 1/5/2015 | 7/2/2020 | 119 | 116 | 46 | |
| | First lien (2) | 8.85% (L + 7.50%/Q) | 1/5/2015 | 7/2/2020 | 475 | 437 | 10 | |
| | First lien (3) | 8.85% (L + 7.50%/Q) | 1/5/2015 | 7/2/2020 | 268 | 247 | 6 | |
| | | | | | 1,073 | 1,005 | 144 | 0.01 % |
| Total Funded Debt Investments - United States | | | | | \$1,319,560 | \$1,309,577 | \$1,325,328 | 128.05 % |
| Total Funded Debt Investments Equity - Hong Kong | | | | | | | | |
| Bach Special Limited (Bach Preference Limited)** | | | | | | | | |
| Education | Preferred shares (3)(10)(22) | — | 9/1/2017 | — | 58,868 | \$5,807 | \$5,806 | 0.56 % |
| Total Shares - Hong Kong Equity - United States | | | | | | \$5,807 | \$5,806 | 0.56 % |

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| | | | | | | | | | |
|---|------------------------------------|---|------------|---|-----------|----------|----------|------|---|
| Avatar Topco, Inc. (23) | | | | | | | | | |
| Education | Preferred shares (3)(10)(23) | — | 11/17/2017 | — | 35,750 | \$35,220 | \$35,204 | 3.40 | % |
| Tenawa Resource Holdings LLC (13) QID NGL LLC | | | | | | | | | |
| Energy | Ordinary shares (7)(10) | — | 5/12/2014 | — | 5,290,997 | 5,291 | 8,154 | | |
| | Preferred shares (7)(10) | — | 10/30/2017 | — | 620,706 | 621 | 1,007 | | |
| | | | | | | 5,912 | 9,161 | 0.88 | % |
| TWDiamondback Holdings Corp. (15) | | | | | | | | | |
| Distribution & Logistics | Preferred shares (4)(10) | — | 11/19/2014 | — | 200 | 2,000 | 4,508 | 0.44 | % |
| TW-NHME Holdings Corp. (20) | | | | | | | | | |
| Healthcare Services | Preferred shares (4)(10) | — | 7/14/2015 | — | 100 | 1,000 | 944 | | |
| | Preferred shares (4)(10) | — | 1/5/2016 | — | 16 | 158 | 149 | | |
| | Preferred shares (4)(10) | — | 6/30/2016 | — | 6 | 68 | 58 | | |
| | | | | | | 1,226 | 1,151 | 0.11 | % |
| Ancora Acquisition LLC | | | | | | | | | |
| Education | Preferred shares (6)(10) | — | 8/12/2013 | — | 372 | 83 | 393 | 0.04 | % |
| Education Management Corporation (12) | | | | | | | | | |
| Education | Preferred shares (2) | — | 1/5/2015 | — | 3,331 | 200 | — | | |
| | Preferred shares (3) | — | 1/5/2015 | — | 1,879 | 113 | — | | |
| | Ordinary shares (2) | — | 1/5/2015 | — | 2,994,065 | 100 | 10 | | |
| | Ordinary shares (3) | — | 1/5/2015 | — | 1,688,976 | 56 | 6 | | |

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| | | | | |
|----------------|----------|----------|------|---|
| Total Shares - | 469 | 16 | 0.00 | % |
| United States | \$44,910 | \$50,433 | 4.87 | % |
| Total Shares | \$50,717 | \$56,239 | 5.43 | % |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

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(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|----------------------------------|------------------|------------------|--------------------------|---------------------------------------|-------------|-------------|-----------------------|
| Warrants - United States ASP LCG Holdings, Inc. | | | | | | | | |
| Education | Warrants (3)(10) | — | 5/5/2014 | 5/5/2026 | 622 | \$37 | \$1,089 | 0.11 % |
| Ancora Acquisition LLC | | | | | | | | |
| Education | Warrants (6)(10) | — | 8/12/2013 | 8/12/2020 | 20 | — | — | — % |
| YP Equity Investors, LLC | | | | | | | | |
| Media | Warrants (5)(10) | — | 5/3/2012 | 5/8/2022 | 5 | — | — | — % |
| Total Warrants - United States | | | | | | \$37 | \$1,089 | 0.11 % |
| Total Funded Investments | | | | | | \$1,439,420 | \$1,462,312 | 141.29 % |
| Unfunded Debt Investments - United States | | | | | | | | |
| PetVet Care Centers LLC | | | | | | | | |
| Consumer Services | First lien (3)(10)(11) - Undrawn | — | 6/8/2017 | 6/8/2019 | \$4,439 | \$(16) | \$44 | 0.00 % |
| VetCor Professional Practices LLC | | | | | | | | |
| Consumer Services | First lien (3)(11) - Undrawn | — | 5/15/2015 | 4/20/2021 | 1,274 | (13) | 2 | |

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| | | | | | | | | | | |
|---|--|---|------------|------------|--------|------|---|-----|------|----------|
| | First lien (3)(11) - Undrawn | — | 12/29/2017 | 12/29/2019 | 8,552 | (75 |) | 11 | | |
| | | | | | 9,826 | (88 |) | 13 | 0.00 | % |
| DCA Investment Holding, LLC | | | | | | | | | | |
| Healthcare Services | First lien (3)(10)(11) - Undrawn | — | 7/2/2015 | 7/2/2021 | 2,100 | (21 |) | — | | |
| | First lien (3)(10)(11) - Undrawn | — | 12/20/2017 | 12/20/2019 | 13,465 | (118 |) | — | | |
| | | | | | 15,565 | (139 |) | — | — | % |
| iPipeline, Inc. (Internet Pipeline, Inc.) | | | | | | | | | | |
| Software | First lien (3)(10)(11) - Undrawn | — | 8/4/2015 | 8/4/2021 | 1,000 | (10 |) | — | — | % |
| Valet Waste Holdings, Inc. | | | | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 9/24/2015 | 9/24/2021 | 3,750 | (47 |) | — | — | % |
| Zywave, Inc. | | | | | | | | | | |
| Software | First lien (3)(10)(11) - Undrawn | — | 11/22/2016 | 11/17/2022 | 1,550 | (12 |) | — | — | % |
| Marketo, Inc. | | | | | | | | | | |
| Software | First lien (3)(10)(11) - Undrawn | — | 8/16/2016 | 8/16/2021 | 1,788 | (27 |) | — | — | % |
| Ansira Holdings, Inc. | | | | | | | | | | |
| Business Services | First lien (3)(11) - Undrawn | — | 12/19/2016 | 12/20/2018 | 1,700 | (9 |) | (4 |) | (0.00)% |
| JAMF Holdings, Inc. | | | | | | | | | | |
| Software | First lien (3)(10)(11) - Undrawn | — | 11/13/2017 | 11/11/2022 | 750 | (8 |) | (8 |) | (0.00)% |
| Xactly Corporation | | | | | | | | | | |
| Software | First lien (3)(10)(11) - Undrawn | — | 7/31/2017 | 7/29/2022 | 992 | (10 |) | (10 |) | (0.00)% |

Pathway
Partners Vet
Management
Company LLC

| | | | | | | | | | | | |
|-------------------|-------------------------------------|---|-----------|------------|-------|-----|---|-----|---|-------|----|
| Consumer Services | Second lien (4)(11) - Undrawn | — | 10/4/2017 | 10/10/2019 | 2,444 | (12 |) | (12 |) | (0.00 |)% |
|-------------------|-------------------------------------|---|-----------|------------|-------|-----|---|-----|---|-------|----|

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value |
|---|--|------------------|------------------|--------------------------|---------------------------------------|-------------|-------------|
| Trader Interactive, LLC | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 6/15/2017 | 6/15/2023 | \$1,673 | \$(13) | \$(13) |
| BackOffice Associates Holdings, LLC | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 8/25/2017 | 8/24/2018 | 3,448 | (13) | (13) |
| | First lien (3)(10)(11) - Undrawn | — | 8/25/2017 | 8/25/2023 | 2,586 | (23) | (23) |
| | | | | | 6,034 | (36) | (36) |
| Affinity Dental Management, Inc. | | | | | | | |
| Healthcare Services | First lien (3)(10)(11) - Undrawn | — | 9/15/2017 | 3/15/2019 | 11,584 | (29) | (29) |
| | First lien (3)(10)(11) - Undrawn | — | 9/15/2017 | 3/15/2023 | 1,738 | (17) | (17) |
| | | | | | 13,322 | (46) | (46) |
| Frontline Technologies Group Holdings, LLC | | | | | | | |
| Education | First lien (3)(10)(11) - Undrawn | — | 9/18/2017 | 9/18/2019 | 7,738 | (58) | (58) |
| Total Unfunded Debt Investments - United States Total | | | | | \$72,571 | \$(531) | \$(130) |
| Non-Controlled/Non-Affiliated Investments | | | | | | \$1,438,889 | \$1,462,182 |
| Non-Controlled/Affiliated Investments(24) | | | | | | | |

Funded Debt Investments -
United States

Edmentum Ultimate
Holdings, LLC (16)
Edmentum, Inc. (fka Plato,
Inc.) (Archipelago Learning,
Inc.)

| | | | | | | |
|--|--|------------|------------|-----------|-----------|-----------|
| Education | Second lien (3)(10)(11) - 5.00%/M Drawn | 6/9/2015 | 6/9/2020 | \$3,172 | \$3,172 | \$3,172 |
| | Subordinated 8.50% (3)(10) PIK/Q* | 6/9/2015 | 6/9/2020 | 4,491 | 4,486 | 4,491 |
| | Subordinated 10.00% (2)(10) PIK/Q* | 6/9/2015 | 6/9/2020 | 16,760 | 16,760 | 13,408 |
| | Subordinated 10.00% (3)(10) PIK/Q* | 6/9/2015 | 6/9/2020 | 4,123 | 4,123 | 3,298 |
| | | | | 28,546 | 28,541 | 24,369 |
| Permian Holdco 1, Inc. Permian Holdco 2, Inc. | | | | | | |
| Energy | Subordinated 14.00% (3)(10) PIK/Q* | 10/31/2016 | 10/15/2021 | 2,007 | 2,007 | 2,007 |
| | Subordinated (3)(10)(11) - 14.00% Drawn PIK/Q* | 10/31/2016 | 10/15/2021 | 696 | 696 | 696 |
| | | | | 2,703 | 2,703 | 2,703 |
| Total Funded Debt Investments - United States | | | | \$31,249 | \$31,244 | \$27,072 |
| Equity - United States HI Technology Corp. | | | | | | |
| Business Services | Preferred shares — 3/21/2017 — (3)(10)(21) | | | 2,768,000 | \$105,155 | \$105,155 |
| NMFC Senior Loan Program I LLC** | | | | | | |
| Investment Fund | Membership interest — 6/13/2014 — (3)(10) | | | — | 23,000 | 23,000 |

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|--|---------------------------------|---------------------|---------------------|-----------------------------|--|------------|---------------|--------------------------------|
| Sierra Hamilton Holdings Corporation | | | | | | | | |
| Energy | Ordinary shares (2)(10) | — | 7/31/2017 | — | 25,000,000 | 11,501 | \$ 11,094 | |
| | Ordinary shares (3)(10) | — | 7/31/2017 | — | 2,786,000 | 1,281 | 1,236 | |
| | | | | | | 12,782 | 12,330 | 1.19 % |
| Permian Holdco 1, Inc. | | | | | | | | |
| Energy | Preferred shares (3)(10)(17) | — | 10/31/2016 | — | 1,569,226 | 6,829 | 8,631 | |
| | Ordinary shares (3)(10) | — | 10/31/2016 | — | 1,366,452 | 1,350 | 1,399 | |
| | | | | | | 8,179 | 10,030 | 0.97 % |
| Edmentum Ultimate Holdings, LLC (16) | | | | | | | | |
| Education | Ordinary shares (3)(10) | — | 6/9/2015 | — | 123,968 | 11 | 262 | |
| | Ordinary shares (2)(10) | — | 6/9/2015 | — | 107,143 | 9 | 227 | |
| | | | | | | 20 | 489 | 0.05 % |
| Total Shares - United States | | | | | | \$ 149,136 | \$ 151,004 | 14.59 % |
| Total Funded Investments | | | | | | \$ 180,380 | \$ 178,076 | 17.21 % |
| Unfunded Debt | | | | | | | | |
| Investments - United States | | | | | | | | |
| Edmentum Ultimate Holdings, LLC (16) | | | | | | | | |

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Edmentum, Inc. (fka
Plato, Inc.) (Archipelago
Learning, Inc.)

| | | | | | | | | |
|--|--|---|------------|-----------|-----------|-----------|----------|---|
| Education | Second lien (3)(10)(11) - — Undrawn | 6/9/2015 | 6/9/2020 | \$1,709 | \$— | \$— | — | % |
| Permian Holdco 1, Inc. Permian Holdco 2, Inc. | Subordinated (3)(10)(11) - — Undrawn | 10/31/2016 | 10/15/2021 | 342 | — | — | — | % |
| Total Unfunded Debt Investments - United States | | | | \$2,051 | \$— | \$— | — | % |
| Total Non-Controlled/Affiliated Investments Controlled Investments(25) Funded Debt Investments - United States | | | | | \$180,380 | \$178,076 | 17.21 | % |
| UniTek Global Services, Inc. | | | | | | | | |
| Business Services | First lien (2)(10) | 10.20% (L + 8.50%/Q) 9.84% (L + 7.50% + 1.00% PIK/Q)* | 1/13/2015 | 1/13/2019 | \$10,846 | \$10,846 | \$10,846 | |
| | First lien (2)(10) | 15.00% PIK/Q* | 1/13/2015 | 7/13/2019 | 2,003 | 2,003 | 2,003 | |
| | Subordinated (3)(10) | 15.00% PIK/Q* | 1/13/2015 | 7/13/2019 | 1,198 | 1,198 | 1,198 | |
| Total Funded Debt Investments - United States | | | | 14,844 | 14,844 | 14,844 | 1.43 | % |
| Equity - Canada NM APP Canada Corp.** | | | | \$14,844 | \$14,844 | \$14,844 | 1.43 | % |
| Net Lease | Membership interest (8)(10) | — | 9/13/2016 | — | \$7,345 | \$7,962 | 0.77 | % |
| Total Shares - Canada | | | | | \$7,345 | \$7,962 | 0.77 | % |

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Portfolio Company, Location and Industry(1) | Type of Investment | Interest Rate(9) | Acquisition Date | Maturity/Expiration Date | Principal Amount, Par Value or Shares | Cost | Fair Value | Percent of Net Assets |
|---|------------------------------|------------------|------------------|--------------------------|---------------------------------------|----------|------------|-----------------------|
| Equity - United States | | | | | | | | |
| NMFC Senior Loan Program II LLC** | | | | | | | | |
| Investment Fund | Membership interest (3)(10) | — | 5/3/2016 | — | — | \$79,400 | \$79,400 | 7.67 % |
| UniTek Global Services, Inc. | | | | | | | | |
| Business Services | Preferred shares (2)(10)(18) | — | 1/13/2015 | — | 21,753,102 | 19,373 | 19,288 | |
| | Preferred shares (3)(10)(18) | — | 1/13/2015 | — | 6,011,522 | 5,353 | 5,330 | |
| | Preferred shares (3)(10)(19) | — | 6/30/2017 | — | 10,863,583 | 10,864 | 10,864 | |
| | Ordinary shares (2)(10) | — | 1/13/2015 | — | 2,096,477 | 1,925 | 7,313 | |
| | Ordinary shares (3)(10) | — | 1/13/2015 | — | 1,993,749 | 531 | 6,954 | |
| | | | | | | 38,046 | 49,749 | 4.81 % |
| NM CLFX LP | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 10/6/2017 | — | — | 12,538 | 12,538 | 1.21 % |
| NM KRLN LLC | | | | | | | | |
| Net Lease | Membership interest | — | 11/15/2016 | — | — | 7,510 | 8,195 | 0.79 % |

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| | | | | | | | | | |
|---|--|---|------------|------------|----------|-------------|-------------|-------|-----|
| | (8)(10) | | | | | | | | |
| NM DRVT LLC | | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 11/18/2016 | — | — | 5,152 | 5,385 | 0.52 | % |
| NM APP US LLC | | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 9/13/2016 | — | — | 5,080 | 5,138 | 0.50 | % |
| NM JRA LLC | | | | | | | | | |
| Net Lease | Membership interest (8)(10) | — | 8/12/2016 | — | — | 2,043 | 2,191 | 0.21 | % |
| Total Shares - United States | | | | | | \$149,769 | \$162,596 | 15.71 | % |
| Total Shares Warrants - United States | | | | | | \$157,114 | \$170,558 | 16.48 | % |
| UniTek Global Services, Inc. | | | | | | | | | |
| Business Services | Warrants (3)(10) | — | 6/30/2017 | 12/31/2018 | 526,925 | \$— | \$— | — | % |
| Total Warrants - United States | | | | | | \$— | \$— | — | % |
| Total Funded Investments | | | | | | \$171,958 | \$185,402 | 17.91 | % |
| Unfunded Debt Investments - United States | | | | | | | | | |
| UniTek Global Services, Inc. | | | | | | | | | |
| Business Services | First lien (3)(10)(11) - Undrawn | — | 1/13/2015 | 1/13/2019 | \$ 2,048 | \$— | \$— | | |
| | First lien (3)(10)(11) - Undrawn | — | 1/13/2015 | 1/13/2019 | 758 | — | — | | |
| | | | | | 2,806 | — | — | — | % |
| Total Unfunded Debt | | | | | | \$ 2,806 | \$— | \$— | — % |
| Investments - United States | | | | | | | | | |
| Total Controlled Investments | | | | | | \$171,958 | \$185,402 | 17.91 | % |
| | | | | | | \$1,791,227 | \$1,825,660 | 176.4 | % |

Total
Investments

(1) New Mountain Finance Corporation (the "Company") generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

(2) Investment is pledged as collateral for the Holdings Credit Facility, a revolving credit facility among the Company as Collateral Manager, New Mountain Finance Holdings, L.L.C. ("NMF Holdings") as the Borrower, Wells Fargo Securities, LLC as the Administrative Agent, and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian. See Note 7. Borrowings, for details.

(3) Investment is pledged as collateral for the NMFC Credit Facility, a revolving credit facility among the Company as the Borrower and Goldman Sachs Bank USA as the Administrative Agent and the Collateral Agent and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust as Lenders. See Note 7. Borrowings, for details.

(4) Investment is held in New Mountain Finance SBIC, L.P.

(5) Investment is held in NMF YP Holdings, Inc.

(6) Investment is held in NMF Ancora Holdings, Inc.

(7) Investment is held in NMF QID NGL Holdings, Inc.

(8) Investment is held in New Mountain Net Lease Corporation.

(9) All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (L), the Prime Rate (P) and the alternative base rate (Base) and which resets monthly (M), quarterly (Q), semi-annually (S) or annually (A). For each investment the current interest rate provided reflects the rate in effect as of December 31, 2017.

(10) The fair value of the Company's investment is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 4. Fair Value, for details.

(11) Par Value amounts represent the drawn or undrawn (as indicated in type of investment) portion of revolving credit facilities or delayed draws. Cost amounts represent the cash received at settlement date net the impact of paydowns and cash paid for drawn revolvers or delayed draws.

(12) The Company holds investments in Education Management Corporation and one related entity of Education Management Corporation. The Company holds series A-1 convertible preferred stock and common stock in Education Management Corporation and holds a tranche A first lien term loan and a tranche B first lien term loan in Education Management II LLC, which is an indirect subsidiary of Education Management Corporation.

(13) The Company holds investments in three related entities of Tenawa Resource Holdings LLC. The Company holds 4.77% of the common units in QID NGL LLC (which at closing represented 98.1% of the ownership in the common units in Tenawa Resource Holdings LLC), class A preferred units in QID NGL LLC and a first lien investment in Tenawa Resource Management LLC, a wholly-owned subsidiary of Tenawa Resource Holdings LLC.

(14) The Company holds investments in QC McKissock Investment, LLC and one related entity of QC McKissock Investment, LLC. The Company holds a first lien term loan in QC McKissock Investment, LLC (which at closing represented 71.1% of the ownership in the Series A common units of McKissock Investment Holdings, LLC) and holds a first lien term loan and a delayed draw term loan in McKissock, LLC, a wholly-owned subsidiary of McKissock Investment Holdings, LLC.

(15) The Company holds investments in TWDiamondback Holdings Corp. and one related entity of TWDiamondback Holdings Corp. The Company holds preferred equity in TWDiamondback Holdings Corp. and holds a first lien last out term loan and a delayed draw term loan in Diamondback Drugs of Delaware LLC, a wholly-owned subsidiary of TWDiamondback Holdings Corp.

(16)

The Company holds investments in Edmentum Ultimate Holdings, LLC and its related entities. The Company holds subordinated notes and ordinary equity in Edmentum Ultimate Holdings, LLC and holds a second lien revolver in Edmentum, Inc. and Archipelago Learning, Inc., which are wholly-owned subsidiaries of Edmentum Ultimate Holdings, LLC.

- (17) The Company holds preferred equity in Permian Holdco 1, Inc. that is entitled to receive cumulative preferential dividends at a rate of 12.0% per annum payable in additional shares.
- (18) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 13.5% per annum payable in additional shares.
- (19) The Company holds preferred equity in UniTek Global Services, Inc. that is entitled to receive cumulative preferential dividends at a rate of 19.0% per annum payable in additional shares.
- (20) The Company holds equity investments in TW-NHME Holdings Corp., and holds a second lien term loan investment in National HME, Inc., a wholly-owned subsidiary of TW-NHME Holdings Corp.
- (21) The Company holds convertible preferred equity in HI Technology Corp that is accruing dividends at a rate of 15.0% per annum.
- (22) The Company holds preferred equity in Bach Special Limited (Bach Preference Limited) that is entitled to receive cumulative preferential dividends at a rate of 12.25% per annum payable in additional shares.
- (23) The Company holds preferred equity in Avatar Topco, Inc., and holds a second lien term loan investment in EAB Global, Inc., a wholly-owned subsidiary of Avatar Topco, Inc. The preferred equity is entitled to receive cumulative preferential dividends at a rate of L + 11.00% per annum.

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

Denotes investments in which the Company is an “Affiliated Person”, as defined in the Investment Company Act of 1940, as amended (the “1940 Act”), due to owning or holding the power to vote 5.0% or more of the outstanding (24) voting securities of the investment but not controlling the company. Fair value as of December 31, 2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a non-controlled/affiliated investment is as follows:

| Portfolio Company | Fair Value at December 31, 2016 | Gross Additions (A) | Gross Redemptions (B) | Net Realized Gains (Losses) (C) | Net Change in Unrealized Appreciation (Depreciation) (D) | Fair Value at December 31, 2017 | Interest Income | Dividend Income | Other Income |
|---|---------------------------------|---------------------|-----------------------|---------------------------------|--|---------------------------------|-----------------|-----------------|--------------|
| Edmentum Ultimate Holdings, LLC/Edmentum Inc. | \$ 23,247 | \$ 10,912 | \$ (5,381) | \$ — | \$ (3,920) | \$ 24,858 | \$ 2,538 | \$— | \$— |
| HI Technology Corp. | — | 105,155 | — | — | — | 105,155 | — | 11,667 | — |
| NMFC Senior Loan Program I LLC | 23,000 | — | — | — | — | 23,000 | — | 3,498 | 1,156 |
| Permian Holdco 1, Inc. / Permian Holdco 2, Inc. | 11,193 | 1,916 | — | — | (376) | 12,733 | 270 | 960 | 30 |
| Sierra Hamilton Holdings Corporation | — | 12,782 | — | — | (452) | 12,330 | — | — | — |
| Total Non-Controlled/Affiliated Investments | \$ 57,440 | \$ 130,765 | \$ (5,381) | \$ — | \$ (4,748) | \$ 178,076 | \$ 2,808 | \$ 16,125 | \$ 1,186 |

(A) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind (“PIK”) interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.

(B) Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

(25) Denotes investments in which the Company is in “Control”, as defined in the 1940 Act, due to owning or holding the power to vote 25.0% or more of the outstanding voting securities of the investment. Fair value as of December 31, 2017 and December 31, 2016 along with transactions during the year ended December 31, 2017 in which the issuer was a controlled investment, is as follows:

| Portfolio Company | Fair Value at December 31, 2016 | Gross Additions (A) | Gross Redemptions (B) | Net Realized Gains (Losses) (C) | Net Change in Unrealized Appreciation (Depreciation) (D) | Fair Value at December 31, 2017 | Interest Income | Dividend Income | Other Income |
|------------------------------------|---------------------------------|---------------------|-----------------------|---------------------------------|--|---------------------------------|-----------------|-----------------|--------------|
| New Mountain Net Lease Corporation | \$ 27,000 | \$— | \$ (27,000) | \$ — | \$— | \$— | \$— | \$— | \$— |
| NM APP CANADA CORP | — | 7,345 | — | — | 617 | 7,962 | — | 911 | — |
| NM APP US LLC | — | 5,080 | — | — | 58 | 5,138 | — | 594 | — |

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| | | | | | | | | | |
|---------------------------------|------------|-----------|--------------|------|------------|------------|----------|-----------|--------|
| NM CLFX LP | — | 12,538 | — | — | — | 12,538 | — | 341 | — |
| NM DRVT LLC | — | 5,152 | — | — | 233 | 5,385 | — | 520 | — |
| NM JRA LLC | — | 2,043 | — | — | 148 | 2,191 | — | 232 | — |
| NM KRLN LLC | — | 7,510 | — | — | 685 | 8,195 | — | 736 | — |
| NMFC Senior Loan Program II LLC | 71,460 | 7,940 | — | — | — | 79,400 | — | 12,406 | — |
| UniTek Global Services, Inc. | 56,361 | 14,777 | (4,006) | — | (2,539) | 64,593 | 1,709 | 4,415 | 819 |
| Total Controlled Investments | \$ 154,821 | \$ 62,385 | \$ (31,006) | \$ — | —\$ (798) | \$ 185,402 | \$ 1,709 | \$ 20,155 | \$ 819 |

Gross additions include increases in the cost basis of investments resulting from new portfolio investments, PIK (A) interest or dividends, the amortization of discounts, reorganizations or restructurings and the movement at fair value of an existing portfolio company into this category from a different category.

Gross redemptions include decreases in the cost basis of investments resulting from principal collections related to (B) investment repayments or sales, reorganizations or restructurings and the movement of an existing portfolio company out of this category into a different category.

* All or a portion of interest contains PIK interest.

Indicates assets that the Company deems to be “non-qualifying assets” under Section 55(a) of the 1940 Act.

** Qualifying assets must represent at least 70.0% of the Company’s total assets at the time of acquisition of any additional non-qualifying assets. As of December 31, 2017, 11.0% of the Company’s total investments were non-qualifying assets.

The accompanying notes are an integral part of these consolidated financial statements.

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New Mountain Finance Corporation

Consolidated Schedule of Investments (Continued)

December 31, 2017

(in thousands, except shares)

| Investment Type | December 31, 2017 | |
|-------------------|---|---|
| | Percent of Total Investments at Fair Value | |
| First lien | 37.99 | % |
| Second lien | 37.41 | % |
| Subordinated | 3.85 | % |
| Equity and other | 20.75 | % |
| Total investments | 100.00 | % |

| Industry Type | December 31, 2017 | |
|-----------------------------------|---|---|
| | Percent of Total Investments at Fair Value | |
| Business Services | 31.85 | % |
| Software | 16.33 | % |
| Healthcare Services | 9.60 | % |
| Education | 9.48 | % |
| Consumer Services | 7.18 | % |
| Distribution & Logistics | 6.15 | % |
| Investment Fund | 5.61 | % |
| Federal Services | 4.30 | % |
| Energy | 4.06 | % |
| Net Lease | 2.27 | % |
| Healthcare Information Technology | 1.86 | % |
| Packaging | 0.79 | % |
| Business Products | 0.52 | % |
| Total investments | 100.00 | % |

| Interest Rate Type | December 31, 2017 | |
|--------------------|---|---|
| | Percent of Total Investments at Fair Value | |
| Floating rates | 87.48 | % |
| Fixed rates | 12.52 | % |
| Total investments | 100.00 | % |

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements of
New Mountain Finance Corporation

March 31, 2018

(in thousands, except share data)

(unaudited)

Note 1. Formation and Business Purpose

New Mountain Finance Corporation (“NMFC” or the “Company”) is a Delaware corporation that was originally incorporated on June 29, 2010 and completed its initial public offering (“IPO”) on May 19, 2011. NMFC is a closed-end, non-diversified management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). As such, NMFC is obligated to comply with certain regulatory requirements. NMFC has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Since NMFC’s IPO, and through March 31, 2018, NMFC raised approximately \$614,581 in net proceeds from additional offerings of its common stock.

New Mountain Finance Advisers BDC, L.L.C. (the “Investment Adviser”) is a wholly-owned subsidiary of New Mountain Capital, L.L.C. (“New Mountain Capital”, defined as New Mountain Capital Group, L.L.C. and its affiliates). New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages the Company’s day-to-day operations and provides it with investment advisory and management services. New Mountain Finance Administration, L.L.C. (the “Administrator”), a wholly-owned subsidiary of New Mountain Capital, provides the administrative services necessary to conduct the Company’s day-to-day operations.

The Company’s wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. (“NMF Holdings”), is a Delaware limited liability company whose assets are used to secure NMF Holdings’ credit facility. NMF Ancora Holdings Inc. (“NMF Ancora”), NMF QID NGL Holdings, Inc. (“NMF QID”) and NMF YP Holdings Inc. (“NMF YP”), the Company’s wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). The Company consolidates its tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of portfolio companies. Additionally, the Company has a wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. (“NMF Servicing”), that serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. (“SBIC I”) and its general partner, New Mountain Finance SBIC G.P., L.L.C. (“SBIC I GP”), were organized in Delaware as a limited partnership and limited liability company, respectively. New Mountain Finance SBIC II, L.P. (“SBIC II”) and its general partner, New Mountain Finance SBIC II G.P., L.L.C. (“SBIC II GP”), were also organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are consolidated wholly-owned direct and indirect subsidiaries of the Company. SBIC I and SBIC II received a license from the United States (“U.S.”) Small Business Administration (the “SBA”) to operate as small business investment companies (“SBICs”) under Section 301(c) of the Small Business Investment Act of 1958, as amended (the “1958 Act”). The Company’s wholly-owned subsidiary, New Mountain Net Lease Corporation (“NMNLC”), a Maryland corporation, was formed to acquire commercial real properties that are subject to “triple net” leases and has qualified and intends to continue to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code.

The Company’s investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans.

Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose the Company to the risks associated with second lien and subordinated loans to the extent the Company invests in the “last out” tranche. In some cases, the Company’s investments may also include equity interests. The primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to the Company, SBIC I and SBIC II’s investment objective is to generate current income and capital appreciation under the investment criteria used by the Company. However, SBIC I and SBIC II’s investments must be in SBA eligible small businesses. The Company’s portfolio may be concentrated in a limited number of industries. As of March 31, 2018, the

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Company's top five industry concentrations were business services, software, healthcare services, education and distribution & logistics.

Note 2. Summary of Significant Accounting Policies

Basis of accounting—The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Company is an investment company following accounting and reporting guidance in Accounting Standards Codification Topic 946, Financial Services—Investment Companies, ("ASC 946"). NMFC consolidates its wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, NMNLC, SBIC I, SBIC I GP, SBIC II, SBIC II GP, NMF Ancora, NMF QID and NMF YP.

The Company's consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for all periods presented. All intercompany transactions have been eliminated. Revenues are recognized when earned and expenses when incurred. The financial results of the Company's portfolio investments are not consolidated in the financial statements.

The Company's interim consolidated financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X. Accordingly, the Company's interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2018.

Investments—The Company applies fair value accounting in accordance with GAAP. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are reflected on the Company's Consolidated Statements of Assets and Liabilities at fair value, with changes in unrealized gains and losses resulting from changes in fair value reflected in the Company's Consolidated Statements of Operations as "Net change in unrealized appreciation (depreciation) of investments" and realizations on portfolio investments reflected in the Company's Consolidated Statements of Operations as "Net realized gains (losses) on investments".

The Company values its assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, the Company's board of directors is ultimately and solely responsible for determining the fair value of the portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available and any other situation where its portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. The Company's quarterly valuation procedures are set forth in more detail below:

(1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.

Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are (2) valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.

Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and, if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and

b. For investments other than bonds, the Company looks at the number of quotes readily available and performs the following procedures:

i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained.

ii.

Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below).

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(3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:

- a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;
- b. Preliminary valuation conclusions will then be documented and discussed with the Company's senior management; If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which the Company does not have a readily available market quotation will be reviewed by an independent valuation firm engaged by the Company's board of directors; and
- c. When deemed appropriate by the Company's management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of a commitment not completely funded may result in a negative fair value until it is called and funded.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period and the fluctuations could be material.

See Note 3. Investments, for further discussion relating to investments.

New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLC's investments are disclosed on the Company's Consolidated Schedule of Investments as of March 31, 2018.

Below is certain summarized property information for NMNLC as of March 31, 2018:

| Portfolio Company | Tenant | Lease Expiration Date | Location | Total Square Feet | Fair Value as of March 31, 2018 |
|---------------------|-----------------------------------|-----------------------------|--|-------------------------|---|
| NM GLCR LLC | Artic Glacier U.S.A. | 2/28/2038 | Los Angeles, CA/ San Diego, CA/ Bakersfield, CA/ East Bay, CA | 214 | \$ 14,750 |
| NM CLFX LP | Victor Equipment Company | 08/31/2033 | Denton, TX | 423 | 12,538 |
| NM KRLN LLC | Kirlin Group, LLC | 6/30/2029 | Rockville, MD | 95 | 8,328 |
| NM APP Canada Corp. | A.P. Plasman, Inc. | 9/30/2031 | Ontario, Canada | 436 | 8,234 |
| NM DRVT LLC | FMH Conveyors, LLC | 10/31/2031 | Jonesboro, AR | 195 | 5,446 |
| NM APP US LLC | Plasman Corp, LLC / A-Brite LP | 9/30/2033 | Fort Payne, AL/Cleveland, OH | 261 | 5,206 |
| NM JRA LLC | J.R. Automation Technologies, LLC | 1/31/2031 | Holland, MI | 88 | 2,215 |
| | | | | | \$ 56,717 |

Collateralized agreements or repurchase financings—The Company follows the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—Secured Borrowing and Collateral, (“ASC 860”) when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These

transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase

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amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2018 and December 31, 2017, the Company held one collateralized agreement to resell with a cost basis of \$30,000 and \$30,000, respectively, and a carrying value of \$25,200 and \$25,212, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from the Company at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter.

Cash and cash equivalents—Cash and cash equivalents include cash and short-term, highly liquid investments. The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near maturity that there is insignificant risk of changes in value. These securities have original maturities of three months or less. The Company did not hold any cash equivalents as of March 31, 2018 and December 31, 2017.

Revenue recognition

Sales and paydowns of investments: Realized gains and losses on investments are determined on the specific identification method.

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. The Company has loans and certain preferred equity investments in the portfolio that contain a payment-in-kind (“PIK”) interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three months ended March 31, 2018 and March 31, 2017, the Company recognized PIK and non-cash interest from investments of \$1,674 and \$868, respectively, and PIK and non-cash dividends from investments of \$6,787 and \$1,477, respectively.

Dividend income on common equity is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. Dividend income on preferred securities is recorded as dividend income on an accrual basis to the extent that such amounts are deemed collectible.

Non-accrual income: Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized PIK interest or dividends are not reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual investments may be recognized as income or applied to principal depending upon management’s judgment of the ultimate outcome. Non-accrual investments are restored to accrual status when past due principal and interest is paid and, in management’s judgment, are likely to remain current.

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees, structuring fees, upfront fees, management fees from a non-controlled/affiliated investment and other miscellaneous fees received and are typically non-recurring in nature. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date. Other income may also include fees from bridge loans. The Company may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received by the Company for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

Interest and other financing expenses—Interest and other financing fees are recorded on an accrual basis by the Company. See Note 7. Borrowings, for details.

Deferred financing costs—The deferred financing costs of the Company consist of capitalized expenses related to the origination and amending of the Company’s borrowings. The Company amortizes these costs into expense over the

stated life of the related borrowing. See Note 7. Borrowings, for details.

Deferred offering costs—The Company's deferred offering costs consist of fees and expenses incurred in connection with equity offerings and the filing of shelf registration statements. Upon the issuance of shares, offering costs are charged as a direct reduction to net assets. Deferred offering costs are included in other assets on the Company's Consolidated Statements of Assets and Liabilities.

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Income taxes—The Company has elected to be treated, and intends to comply with the requirements to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, the Company is not subject to U.S. federal income tax on the portion of taxable income and gains timely distributed to its stockholders.

To continue to qualify and be subject to tax as a RIC, the Company is required to meet certain income and asset diversification tests in addition to distributing at least 90.0% of its investment company taxable income, as defined by the Code. Since U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences between taxable income and the results of operations for financial reporting purposes may be permanent or temporary in nature. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

For U.S. federal income tax purposes, distributions paid to stockholders of the Company are reported as ordinary income, return of capital, long term capital gains or a combination thereof.

The Company will be subject to a 4.0% nondeductible federal excise tax on certain undistributed income unless the Company distributes, in a timely manner as required by the Code, an amount at least equal to the sum of (1) 98.0% of its respective net ordinary income earned for the calendar year and (2) 98.2% of its respective capital gain net income for the one-year period ending October 31 in the calendar year.

Certain consolidated subsidiaries of the Company are subject to U.S. federal and state income taxes. These taxable entities are not consolidated for income tax purposes and may generate income tax liabilities or assets from permanent and temporary differences in the recognition of items for financial reporting and income tax purposes.

For the three months ended March 31, 2018 and March 31, 2017, the Company recognized a total income tax benefit of approximately \$66 and \$675, respectively, for the Company's consolidated subsidiaries. For the three months ended March 31, 2018 and March 31, 2017, the Company recorded current income tax expense of approximately \$16 and \$80, respectively, and deferred income tax benefit of approximately \$82 and \$755, respectively.

As of March 31, 2018 and December 31, 2017, the Company had \$812 and \$894, respectively, of deferred tax liabilities primarily relating to deferred taxes attributable to certain differences between the computation of income for U.S. federal income tax purposes as compared to GAAP.

The Company has adopted the Income Taxes topic of the Accounting Standards Codification Topic 740 ("ASC 740"). ASC 740 provides guidance for income taxes, including how uncertain income tax positions should be recognized, measured, and disclosed in the financial statements. Based on its analysis, the Company has determined that there were no uncertain income tax positions that do not meet the more likely than not threshold through December 31, 2017. The 2014 through 2017 tax years remain subject to examination by the U.S. federal, state, and local tax authorities.

Distributions—Distributions to common stockholders of the Company are recorded on the record date as set by the board of directors. The Company intends to make distributions to its stockholders that will be sufficient to enable the Company to maintain its status as a RIC. The Company intends to distribute approximately all of its net investment income on a quarterly basis and substantially all of its taxable income on an annual basis, except that the Company may retain certain net capital gains for reinvestment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions declared on behalf of its stockholders, unless a stockholder elects to receive cash.

The Company applies the following in implementing the dividend reinvestment plan. If the price at which newly issued shares are to be credited to stockholders' accounts is equal to or greater than 110.0% of the last determined net asset value of the shares, the Company will use only newly issued shares to implement its dividend reinvestment plan. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Company's common stock on the New York Stock Exchange ("NYSE") on the distribution payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, the average of their electronically reported bid and ask prices.

If the price at which newly issued shares are to be credited to stockholders' accounts is less than 110.0% of the last determined net asset value of the shares, the Company will either issue new shares or instruct the plan administrator to purchase shares in the open market to satisfy the additional shares required. Shares purchased in open market transactions by the plan administrator will be allocated to a stockholder based on the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased in the open market. The number of shares of the Company's common stock to be outstanding after giving effect to payment of the distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of the Company's stockholders have been tabulated.

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Share repurchase program—On February 4, 2016, the Company's board of directors authorized a program for the purpose of repurchasing up to \$50,000 worth of the Company's common stock. Under the repurchase program, the Company was permitted, but was not obligated, to repurchase its outstanding common stock in the open market from time to time provided that it complied with the Company's code of ethics and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act), including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 29, 2017, the Company's board of directors extended the Company's repurchase program and the Company expects the repurchase program to be in place until the earlier of December 31, 2018 or until \$50,000 of its outstanding shares of common stock have been repurchased. During the three months ended March 31, 2018 and March 31, 2017, the Company did not repurchase any shares of the Company's common stock. The Company has previously repurchased \$2,948 of its common stock under the share repurchase program.

Earnings per share—The Company's earnings per share ("EPS") amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. Basic EPS is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted average number of shares of common stock outstanding during the period of computation. Diluted EPS is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted average number of shares of common stock assuming all potential shares had been issued, and its related net impact to net assets accounted for, and the additional shares of common stock were dilutive. Diluted EPS reflects the potential dilution, using the as-if-converted method for convertible debt, which could occur if all potentially dilutive securities were exercised.

Foreign securities—The accounting records of the Company are maintained in U.S. dollars. Investment securities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies on the respective dates of the transactions. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with "Net change in unrealized appreciation (depreciation) of investments" and "Net realized gains (losses) on investments" in the Company's Consolidated Statements of Operations.

Investments denominated in foreign currencies may be negatively affected by movements in the rate of exchange between the U.S. dollar and such foreign currencies. This movement is beyond the control of the Company and cannot be predicted.

Use of estimates—The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Company's consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Changes in the economic environment, financial markets, and other metrics used in determining these estimates could cause actual results to differ from the estimates used, and the differences could be material.

Dividend income recorded related to distributions received from flow-through investments is an accounting estimate based on the most recent estimate of the tax treatment of the distribution.

Note 3. Investments

At March 31, 2018, the Company's investments consisted of the following:

| Investment Cost and Fair Value by Type | Cost | Fair Value |
|--|-------------|-------------|
| First lien | \$734,071 | \$738,027 |
| Second lien | 766,631 | 774,515 |
| Subordinated | 69,223 | 67,918 |
| Equity and other | 375,733 | 397,463 |
| Total investments | \$1,945,658 | \$1,977,923 |

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Investment Cost and Fair Value by Industry

| | Cost | Fair Value |
|-----------------------------------|-------------|-------------|
| Business Services | \$633,138 | \$650,179 |
| Software | 287,848 | 294,622 |
| Healthcare Services | 264,881 | 264,355 |
| Education | 190,454 | 186,089 |
| Distribution & Logistics | 113,409 | 117,396 |
| Investment Fund | 102,400 | 102,400 |
| Consumer Services | 85,204 | 86,145 |
| Federal Services | 75,765 | 77,273 |
| Energy | 70,015 | 73,904 |
| Net Lease | 54,418 | 56,717 |
| Healthcare Information Technology | 33,534 | 34,008 |
| Business Products | 20,279 | 20,444 |
| Packaging | 14,313 | 14,391 |
| Total investments | \$1,945,658 | \$1,977,923 |

At December 31, 2017, the Company's investments consisted of the following:

Investment Cost and Fair Value by Type

| | Cost | Fair Value |
|-------------------|-------------|-------------|
| First lien | \$688,696 | \$693,563 |
| Second lien | 674,536 | 682,950 |
| Subordinated | 70,991 | 70,257 |
| Equity and other | 357,004 | 378,890 |
| Total investments | \$1,791,227 | \$1,825,660 |

Investment Cost and Fair Value by Industry

| | Cost | Fair Value |
|-----------------------------------|-------------|-------------|
| Business Services | \$566,344 | \$581,434 |
| Software | 291,445 | 298,172 |
| Healthcare Services | 174,046 | 175,348 |
| Education | 176,399 | 173,072 |
| Consumer Services | 129,311 | 131,116 |
| Distribution & Logistics | 107,835 | 112,241 |
| Investment Fund | 102,400 | 102,400 |
| Federal Services | 77,001 | 78,433 |
| Energy | 69,411 | 74,124 |
| Net Lease | 39,668 | 41,409 |
| Healthcare Information Technology | 33,525 | 34,020 |
| Packaging | 14,309 | 14,391 |
| Business Products | 9,533 | 9,500 |
| Total investments | \$1,791,227 | \$1,825,660 |

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During the first quarter of 2018, the Company placed its first lien positions in Education Management II LLC ("EDMC") on non-accrual status as EDMC announced its intention to wind down and liquidate the business. As of March 31, 2018, the Company's investment in EDMC placed on non-accrual status represented an aggregate cost basis of \$1,004, an aggregate fair value of \$89 and total unearned interest income of \$67 for the three months then ended. During the first quarter of 2017, the Company placed its entire first lien notes position in Sierra Hamilton LLC / Sierra Hamilton Finance, Inc. ("Sierra") on non-accrual status due to its ongoing restructuring. As of June 30, 2017, the Company's investment in Sierra placed on non-accrual status represented an aggregate cost basis of \$27,231, an aggregate fair value of \$12,725 and total unearned interest income of \$1,388 for the six months then ended. In July 2017, Sierra completed a restructuring which resulted in a material modification of the original terms and an extinguishment of the Company's original investment in Sierra. Prior to the extinguishment in July 2017, the Company's original investment in Sierra had an aggregate cost of \$27,307, an aggregate fair value of \$12,858 and total unearned interest income of \$1,687. The extinguishment resulted in a realized loss of \$14,449. As a result of the restructuring, the Company received common shares in Sierra Hamilton Holding Corporation. As of March 31, 2018, the Company's investment has an aggregate cost basis of \$12,782 and an aggregate fair value of \$12,456. As of March 31, 2018, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$23,963 and \$0, respectively. As of March 31, 2018, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$57,915. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of March 31, 2018. As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities and bridge facilities of \$23,716 and \$0, respectively. As of December 31, 2017, the Company had unfunded commitments in the form of delayed draws or other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments as of December 31, 2017.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by the Company. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions and, as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended for up to one year pursuant to certain terms of the SLP I Agreement. SLP I had a three year re-investment period. In June 2017, the re-investment period was extended for one additional year. SLP I invests in senior secured loans issued by companies within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93,000 of capital commitments and \$265,000 of debt from a revolving credit facility and is managed by the Company. The Company's capital commitment is \$23,000, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of March 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$351,541, debt outstanding of \$235,367 and capital that had been called and funded of \$93,000. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348,652, debt outstanding of \$223,667 and capital that had been called and funded of \$93,000. The Company's investment in SLP I is disclosed on the Company's Consolidated Schedules of Investments as of March 31, 2018 and December 31, 2017.

The Company, as an investment adviser registered under the Advisers Act, acts as the collateral manager to SLP I and is entitled to receive a management fee for its investment management services provided to SLP I. As a result, SLP I is classified as an affiliate of the Company. No management fee is charged on the Company's investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2018 and March 31, 2017, the Company earned approximately \$295 and \$290, respectively, in management fees related to SLP I, which is included in other income. As of March 31, 2018 and December 31, 2017, approximately \$586 and \$291, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months

ended March 31, 2018 and March 31, 2017, the Company earned approximately \$845 and \$1,004, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$939 and \$836, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between the Company and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies

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within the Company's core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from the Company and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement.

SLP II is capitalized with equity contributions which are called from its members, on a pro-rata basis based on their equity commitments, as transactions were completed. Any decision by SLP II to call down on capital commitments requires approval by the board of managers of SLP II. As of March 31, 2018, the Company and SkyKnight have committed and contributed \$79,400 and \$20,600, respectively, of equity to SLP II. The Company's investment in SLP II is disclosed on the Company's Consolidated Schedules of Investments as of March 31, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275,000 revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility will bear interest at a rate of LIBOR plus 1.60% per annum. As of March 31, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$372,099 and \$382,534, respectively, and debt outstanding under its credit facility of \$255,070 and \$266,270, respectively. As of March 31, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of March 31, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$5,906 and \$4,863, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of March 31, 2018 and December 31, 2017:

| | March 31, 2018 | | December 31, 2017 | |
|--|----------------|---|-------------------|---|
| First lien investments (1) | 376,233 | | 386,100 | |
| Weighted average interest rate on first lien investments (2) | 6.36 | % | 6.05 | % |
| Number of portfolio companies in SLP II | 32 | | 35 | |
| Largest portfolio company investment (1) | 17,281 | | 17,369 | |
| Total of five largest portfolio company investments (1) | 79,442 | | 81,728 | |

(1) Reflects principal amount or par value of investment.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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The following table is a listing of the individual investments in SLP II's portfolio as of March 31, 2018:

| Portfolio Company and Type of Investment | Industry | Interest Rate (1) | Maturity Date | Principal Amount or Par Value | Cost | Fair Value (2) |
|---|--------------------------|-------------------|---------------|-------------------------------|---------|----------------|
| Funded Investments - First lien: | | | | | | |
| Access CIG, LLC | Business Services | 5.63% (L + 3.75%) | 2/27/2025 | \$8,273 | \$8,232 | \$8,379 |
| ADG, LLC | Healthcare Services | 6.63% (L + 4.75%) | 9/28/2023 | 16,991 | 16,852 | 16,736 |
| ASG Technologies Group, Inc. | Software | 5.38% (L + 3.50%) | 7/31/2024 | 7,463 | 7,428 | 7,490 |
| AVSC Holding Corp. | Business Services | 5.13% (L + 3.25%) | 3/3/2025 | 1,500 | 1,496 | 1,503 |
| Beaver-Visitec International Holdings, Inc. | Healthcare Products | 7.30% (L + 5.00%) | 8/21/2023 | 14,775 | 14,656 | 14,849 |
| DigiCert, Inc. | Business Services | 6.52% (L + 4.75%) | 10/31/2024 | 10,000 | 9,952 | 10,129 |
| FPC Holdings, Inc. | Distribution & Logistics | 5.88% (L + 4.50%) | 11/18/2022 | 15,000 | 14,550 | 14,681 |
| Globallogic Holdings Inc. | Business Services | 6.05% (L + 3.75%) | 6/20/2022 | 9,677 | 9,615 | 9,762 |
| Greenway Health, LLC | Software | 6.55% (L + 4.25%) | 2/16/2024 | 14,887 | 14,823 | 15,036 |
| Idera, Inc. | Software | 6.38% (L + 4.50%) | 6/28/2024 | 12,588 | 12,472 | 12,729 |
| J.D. Power (fka J.D. Power and Associates) | Business Services | 6.55% (L + 4.25%) | 9/7/2023 | 13,324 | 13,276 | 13,390 |
| Keystone Acquisition Corp. | Healthcare Services | 7.55% (L + 5.25%) | 5/1/2024 | 5,373 | 5,325 | 5,407 |
| LSCS Holdings, Inc. | Healthcare Services | 6.40% (L + 4.25%) | 3/17/2025 | 4,400 | 4,378 | 4,389 |
| Market Track, LLC | Business Services | 6.55% (L + 4.25%) | 6/5/2024 | 11,910 | 11,856 | 11,940 |
| Medical Solutions Holdings, Inc. | Healthcare Services | 5.63% (L + 3.75%) | 6/14/2024 | 6,965 | 6,933 | 6,998 |
| Ministry Brands, LLC | Software | 6.88% (L + 5.00%) | 12/2/2022 | 2,132 | 2,123 | 2,132 |
| Ministry Brands, LLC | Software | 6.88% (L + 5.00%) | 12/2/2022 | 7,748 | 7,717 | 7,748 |
| Navex Global, Inc. | Software | 6.13% (L + 4.25%) | 11/19/2021 | 14,859 | 14,695 | 14,924 |
| Navicure, Inc. | Healthcare Services | 5.63% (L + 3.75%) | 11/1/2024 | 14,962 | 14,891 | 15,056 |
| OEConnection LLC | Business Services | 6.46% (L + 4.00%) | 11/22/2024 | 14,963 | 14,890 | 15,056 |
| Pathway Partners Vet Management Company LLC | Consumer Services | 6.13% (L + 4.25%) | 10/10/2024 | 1,878 | 1,868 | 1,882 |
| | | | 10/10/2024 | 6,945 | 6,913 | 6,963 |

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| | | | | | | | |
|--|---------------------|-------------------|------------|-----------|-----------|-----------|--|
| Pathway Partners Vet Management Company LLC | Consumer Services | 6.13% (L + 4.25%) | | | | | |
| Peraton Corp. (fka MHVC Acquisition Corp.) | Federal Services | 7.56% (L + 5.25%) | 4/29/2024 | 10,421 | 10,375 | 10,499 | |
| Poseidon Intermediate, LLC | Software | 6.13% (L + 4.25%) | 8/15/2022 | 14,852 | 14,849 | 14,926 | |
| Project Accelerate Parent, LLC | Business Services | 5.94% (L + 4.25%) | 1/2/2025 | 15,000 | 14,927 | 15,131 | |
| PSC Industrial Holdings Corp. | Industrial Services | 6.04% (L + 4.25%) | 10/11/2024 | 10,474 | 10,375 | 10,578 | |
| Quest Software US Holdings Inc. | Software | 7.27% (L + 5.50%) | 10/31/2022 | 9,899 | 9,780 | 10,095 | |
| Salient CRGT Inc. | Federal Services | 7.63% (L + 5.75%) | 2/28/2022 | 14,076 | 13,962 | 14,252 | |
| Severin Acquisition, LLC | Software | 6.64% (L + 4.75%) | 7/30/2021 | 14,850 | 14,793 | 14,999 | |
| Shine Acquisition Co. S.a.r.l./ Boing US Holdco Inc. | Consumer Services | 5.29% (L + 3.50%) | 10/3/2024 | 14,962 | 14,927 | 15,047 | |
| Sierra Acquisition Inc. | Food & Beverage | 6.13% (L + 4.25%) | 11/11/2024 | 3,741 | 3,723 | 3,772 | |
| WP CityMD Bidco LLC | Healthcare Services | 6.30% (L + 4.00%) | 6/7/2024 | 14,925 | 14,891 | 15,009 | |
| YI, LLC | Healthcare Services | 6.30% (L + 4.00%) | 11/7/2024 | 1,103 | 1,111 | 1,109 | |
| YI, LLC | Healthcare Services | 6.30% (L + 4.00%) | 11/7/2024 | 12,130 | 12,119 | 12,190 | |
| Zywave, Inc. | Software | 7.18% (L + 5.00%) | 11/17/2022 | 17,281 | 17,212 | 17,281 | |
| Total Funded Investments | | | | \$370,327 | \$367,985 | \$372,067 | |
| Unfunded Investments - First lien: | | | | | | | |
| Access CIG, LLC | Business Services | — | 8/27/2018 | \$1,727 | \$— | \$22 | |
| LSCS Holdings, Inc. | Healthcare Services | — | 9/17/2018 | 1,100 | (6) | (3) | |
| Pathway Partners Vet Management Company LLC | Consumer Services | — | 10/10/2019 | 1,142 | (6) | 3 | |
| YI, LLC | Healthcare Services | — | 11/7/2018 | 1,937 | (10) | 10 | |
| Total Unfunded Investments | | | | \$5,906 | \$(22) | \$32 | |
| Total Investments | | | | \$376,233 | \$367,963 | \$372,099 | |

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear (1) interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of March 31, 2018.

Represents the fair value in accordance with Accounting Standards Codification Topic 820, Fair Value (2) Measurements and Disclosures (“ASC 820”). The Company's board of directors does not determine the fair value of the investments held by SLP II.

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The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2017:

| Portfolio Company and Type of Investment | Industry | Interest Rate (1) | Maturity Date | Principal Amount or Par Value | Cost | Fair Value (2) |
|---|------------------------|----------------------|------------------|--|-----------|-------------------|
| Funded Investments - First lien | | | | | | |
| ADG, LLC | Healthcare Services | 6.32% (L + 4.75%) | 9/28/2023 | \$ 17,034 | \$ 16,890 | \$ 16,779 |
| ASG Technologies Group, Inc. | Software | 6.32% (L + 4.75%) | 7/31/2024 | 7,481 | 7,446 | 7,547 |
| Beaver-Visitec International Holdings, Inc. | Healthcare Products | 6.69% (L + 5.00%) | 8/21/2023 | 14,812 | 14,688 | 14,813 |
| DigiCert, Inc. | Business Services | 6.13% (L + 4.75%) | 10/31/2024 | 10,000 | 9,951 | 10,141 |
| Emerald 2 Limited | Business Services | 5.69% (L + 4.00%) | 5/14/2021 | 1,266 | 1,211 | 1,267 |
| Evo Payments International, LLC | Business Services | 5.57% (L + 4.00%) | 12/22/2023 | 17,369 | 17,292 | 17,492 |
| Explorer Holdings, Inc. | Healthcare Services | 5.13% (L + 3.75%) | 5/2/2023 | 2,940 | 2,917 | 2,973 |
| Globallogic Holdings Inc. | Business Services | 6.19% (L + 4.50%) | 6/20/2022 | 9,677 | 9,611 | 9,755 |
| Greenway Health, LLC | Software | 5.94% (L + 4.25%) | 2/16/2024 | 14,925 | 14,858 | 15,074 |
| Idera, Inc. | Software | 6.57% (L + 5.00%) | 6/28/2024 | 12,619 | 12,499 | 12,556 |
| J.D. Power (fka J.D. Power and Associates) | Business Services | 5.94% (L + 4.25%) | 9/7/2023 | 13,357 | 13,308 | 13,407 |
| Keystone Acquisition Corp. | Healthcare Services | 6.94% (L + 5.25%) | 5/1/2024 | 5,386 | 5,336 | 5,424 |
| Market Track, LLC | Business Services | 5.94% (L + 4.25%) | 6/5/2024 | 11,940 | 11,884 | 11,940 |
| McGraw-Hill Global Education Holdings, LLC | Education | 5.57% (L + 4.00%) | 5/4/2022 | 9,850 | 9,813 | 9,844 |
| Medical Solutions Holdings, Inc. | Healthcare Services | 5.82% (L + 4.25%) | 6/14/2024 | 6,965 | 6,932 | 7,043 |
| Ministry Brands, LLC | Software | 6.38% (L + 5.00%) | 12/2/2022 | 2,138 | 2,128 | 2,138 |
| Ministry Brands, LLC | Software | 6.38% (L + 5.00%) | 12/2/2022 | 7,768 | 7,735 | 7,768 |
| Navex Global, Inc. | Software | 5.82% (L + 4.25%) | 11/19/2021 | 14,897 | 14,724 | 14,971 |
| Navicure, Inc. | Healthcare Services | 5.11% (L + 3.75%) | 11/1/2024 | 15,000 | 14,926 | 15,000 |
| OEConnection LLC | Business Services | 5.69% (L + 4.00%) | 11/22/2024 | 15,000 | 14,925 | 14,981 |
| Pathway Partners Vet Management Company LLC | Consumer Services | 5.82% (L + 4.25%) | 10/10/2024 | 6,963 | 6,929 | 6,980 |

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| | | | | | | |
|---|--------------------------|-------------------|------------|-----------|-----------|-----------|
| Pathway Partners Vet Management Company LLC | Consumer Services | 5.82% (L + 4.25%) | 10/10/2024 | 291 | 290 | 292 |
| Peraton Corp. (fka MHVC Acquisition Corp.) | Federal Services | 6.95% (L + 5.25%) | 4/29/2024 | 10,448 | 10,399 | 10,526 |
| Poseidon Intermediate, LLC | Software | 5.82% (L + 4.25%) | 8/15/2022 | 14,881 | 14,877 | 14,955 |
| Project Accelerate Parent, LLC | Business Services | 5.94% (L + 4.25%) | 1/2/2025 | 15,000 | 14,925 | 15,038 |
| PSC Industrial Holdings Corp. | Industrial Services | 5.71% (L + 4.25%) | 10/11/2024 | 10,500 | 10,398 | 10,500 |
| Quest Software US Holdings Inc. | Software | 6.92% (L + 5.50%) | 10/31/2022 | 9,899 | 9,775 | 10,071 |
| Salient CRGT Inc. | Federal Services | 7.32% (L + 5.75%) | 2/28/2022 | 14,433 | 14,310 | 14,559 |
| Severin Acquisition, LLC | Software | 6.32% (L + 4.75%) | 7/30/2021 | 14,888 | 14,827 | 14,813 |
| Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc. | Consumer Services | 4.88% (L + 3.50%) | 10/3/2024 | 15,000 | 14,964 | 15,108 |
| Sierra Acquisition, Inc. | Food & Beverage | 5.68% (L + 4.25%) | 11/11/2024 | 3,750 | 3,731 | 3,789 |
| TMK Hawk Parent, Corp. | Distribution & Logistics | 4.88% (L + 3.50%) | 8/28/2024 | 1,671 | 1,667 | 1,686 |
| University Support Services LLC (St. George's University Scholastic Services LLC) | Education | 5.82% (L + 4.25%) | 7/6/2022 | 1,875 | 1,875 | 1,900 |
| Vencore, Inc. (fka SI Organization, Inc., The) | Federal Services | 6.44% (L + 4.75%) | 11/23/2019 | 10,686 | 10,673 | 10,835 |
| WP CityMD Bidco LLC | Healthcare Services | 5.69% (L + 4.00%) | 6/7/2024 | 14,963 | 14,928 | 15,009 |
| YI, LLC | Healthcare Services | 5.69% (L + 4.00%) | 11/7/2024 | 8,240 | 8,204 | 8,230 |
| Zywave, Inc. | Software | 6.61% (L + 5.00%) | 11/17/2022 | 17,325 | 17,252 | 17,325 |
| Total Funded Investments | | | | \$381,237 | \$379,098 | \$382,529 |
| Unfunded Investments - First lien | | | | | | |
| Pathway Partners Vet Management Company LLC | Consumer Services | — | 10/10/2019 | \$2,728 | \$(14) | \$7 |
| TMK Hawk Parent, Corp. | Distribution & Logistics | — | 3/28/2018 | 75 | — | 1 |
| YI, LLC | Healthcare Services | — | 11/7/2018 | 2,060 | (9) | (3) |
| Total Unfunded Investments | | | | \$4,863 | \$(23) | \$5 |
| Total Investments | | | | \$386,100 | \$379,075 | \$382,534 |

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.

(1) Represents the fair value in accordance with ASC 820. The Company's board of directors does not determine the fair value of the investments held by SLP II.

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Below is certain summarized financial information for SLP II as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and March 31, 2017:

| Selected Balance Sheet Information: | March 31, December 31, | |
|---|------------------------|------------|
| | 2018 | 2017 |
| Investments at fair value (cost of \$367,963 and \$379,075, respectively) | \$372,099 | \$ 382,534 |
| Receivable from unsettled securities sold | 19,466 | — |
| Cash and other assets | 7,585 | 8,065 |
| Total assets | \$399,150 | \$ 390,599 |
| Credit facility | \$255,070 | \$ 266,270 |
| Deferred financing costs | (1,818) | (1,966) |
| Payable for unsettled securities purchased | 34,636 | 15,964 |
| Distribution payable | 3,300 | 3,500 |
| Other liabilities | 3,191 | 2,891 |
| Total liabilities | 294,379 | 286,659 |
| Members' capital | \$104,771 | \$ 103,940 |
| Total liabilities and members' capital | \$399,150 | \$ 390,599 |

| Selected Statement of Operations Information: | Three Months Ended | |
|---|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Interest income | \$5,630 | \$ 5,173 |
| Other income | 22 | 214 |
| Total investment income | 5,652 | 5,387 |
| Interest and other financing expenses | 2,428 | 1,849 |
| Other expenses | 224 | 162 |
| Total expenses | 2,652 | 2,011 |
| Net investment income | 3,000 | 3,376 |

| | | |
|---|---------|----------|
| Net realized gains on investments | 453 | 1,108 |
| Net change in unrealized appreciation (depreciation) of investments | 677 | (106) |
| Net increase in members' capital | \$4,130 | \$ 4,378 |

For the three months ended March 31, 2018 and March 31, 2017, the Company earned approximately \$2,620 and \$3,434, respectively, of dividend income related to SLP II, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$2,620 and \$2,779, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

The Company has determined that SLP II is an investment company under ASC 946; however, in accordance with such guidance the Company will generally not consolidate its investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, Consolidation, concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, the Company does not consolidate SLP II.

Unconsolidated Significant Subsidiaries

In accordance with Regulation S-X Rule 10-01(b)(1), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under this rule. As of March 31, 2018, the Company did not have any significant unconsolidated subsidiaries under Regulation S-X Rule 10-01(b)(1).

Investment Risk Factors

First and second lien debt that the Company invests in is entirely, or almost entirely, rated below investment grade or may be unrated. Debt investments rated below investment grade are often referred to as “leveraged loans”, “high yield” or

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“junk” debt investments, and may be considered “high risk” compared to debt investments that are rated investment grade. These debt investments are considered speculative because of the credit risk of the issuers. Such issuers are considered more likely than investment grade issuers to default on their payments of interest and principal, and such risk of default could reduce the net asset value and income distributions of the Company. In addition, some of the Company’s debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. First and second lien debt may also lose significant market value before a default occurs. Furthermore, an active trading market may not exist for these first and second lien debt investments. This illiquidity may make it more difficult to value the debt.

Subordinated debt is generally subject to similar risks as those associated with first and second lien debt, except that such debt is subordinated in payment and/or lower in lien priority. Subordinated debt is subject to the additional risk that the cash flow of the borrower and the property securing the debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured and unsecured obligations of the borrower.

The Company may directly invest in the equity of private companies or, in some cases, equity investments could be made in connection with a debt investment. Equity investments may or may not fluctuate in value, resulting in recognized realized gains or losses upon disposition.

Note 4. Fair Value

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the inputs to valuation techniques used in measuring investments at fair value. The hierarchy classifies the inputs used in measuring fair value into three levels as follows:

Level I—Quoted prices (unadjusted) are available in active markets for identical investments and the Company has the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by ASC 820, the Company, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level II—Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Level II inputs include the following:

• Quoted prices for similar assets or liabilities in active markets;

• Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

• Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and

• Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level III—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

The inputs used to measure fair value may fall into different levels. In all instances when the inputs fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level of input that is significant to the fair value measurement in its entirety. As such, a Level III fair value measurement may include inputs that are both observable and unobservable. Gains and losses for such assets categorized within the Level III table below may include changes in fair value that are attributable to both observable inputs and unobservable inputs.

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period. Reclassifications impacting the fair value hierarchy are reported as transfers in/out of the respective leveling categories as of the beginning of the period in which the reclassifications occur.

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The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of March 31, 2018:

| | Total | Level I | Level II | Level III |
|-------------------|-------------|---------|-----------|-------------|
| First lien | \$738,027 | \$ — | \$88,636 | \$649,391 |
| Second lien | 774,515 | — | 336,379 | 438,136 |
| Subordinated | 67,918 | — | 39,726 | 28,192 |
| Equity and other | 397,463 | 17 | — | 397,446 |
| Total investments | \$1,977,923 | \$ 17 | \$464,741 | \$1,513,165 |

The following table summarizes the levels in the fair value hierarchy that the Company's portfolio investments fall into as of December 31, 2017:

| | Total | Level I | Level II | Level III |
|-------------------|-------------|---------|-----------|-------------|
| First lien | \$693,563 | \$ — | \$136,866 | \$556,697 |
| Second lien | 682,950 | — | 239,868 | 443,082 |
| Subordinated | 70,257 | — | 43,156 | 27,101 |
| Equity and other | 378,890 | 16 | — | 378,874 |
| Total investments | \$1,825,660 | \$ 16 | \$419,890 | \$1,405,754 |

The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2018, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at March 31, 2018:

| | Total | First Lien | Second Lien | Subordinated | Equity and other |
|--|-------------|------------|-------------|--------------|------------------|
| Fair value, December 31, 2017 | \$1,405,754 | \$556,697 | \$443,082 | \$27,101 | \$378,874 |
| Total gains or losses included in earnings: | | | | | |
| Net realized gains on investments | 97 | 97 | — | — | — |
| Net change in unrealized (depreciation) appreciation | (1,554) | (282) | (1,009) | (107) | (156) |
| Purchases, including capitalized PIK and revolver fundings | 198,319 | 134,287 | 44,106 | 1,198 | 18,728 |
| Proceeds from sales and paydowns of investments | (89,333) | (89,333) | — | — | — |
| Transfers into Level III(1) | 76,037 | 76,037 | — | — | — |
| Transfers out of Level III(1) | (76,155) | (28,112) | (48,043) | — | — |
| Fair Value, March 31, 2018 | \$1,513,165 | \$649,391 | \$438,136 | \$28,192 | \$397,446 |
| Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period: | \$(1,043) | \$229 | \$(1,009) | \$(107) | \$(156) |

(1) As of March 31, 2018, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

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The following table summarizes the changes in fair value of Level III portfolio investments for the three months ended March 31, 2017, as well as the portion of appreciation (depreciation) included in income attributable to unrealized appreciation (depreciation) related to those assets and liabilities still held by the Company at March 31, 2017:

| | Total | First Lien | Second Lien | Subordinated | Equity and other |
|--|-------------|------------|-------------|--------------|------------------|
| Fair value, December 31, 2016 | \$1,066,878 | \$530,601 | \$324,177 | \$24,653 | \$187,447 |
| Total gains or losses included in earnings: | | | | | |
| Net realized gains on investments | 311 | 19 | 292 | — | — |
| Net change in unrealized (depreciation) appreciation | (964) | 139 | 1,770 | 211 | (3,084) |
| Purchases, including capitalized PIK and revolver fundings | 196,404 | 37,058 | 44,020 | 739 | 114,587 |
| Proceeds from sales and paydowns of investments | (50,061) | (34,425) | (15,636) | — | — |
| Transfers into Level III(1) | 44,352 | 19,608 | 24,744 | — | — |
| Transfers out of Level III(1) | (57,881) | (26,032) | (31,848) | — | (1) |
| Fair Value, March 31, 2017 | \$1,199,039 | \$526,968 | \$347,519 | \$25,603 | \$298,949 |
| Unrealized (depreciation) appreciation for the period relating to those Level III assets that were still held by the Company at the end of the period: | \$(744) | \$359 | \$1,770 | \$211 | \$(3,084) |

(1) As of March 31, 2017, portfolio investments were transferred into Level III from Level II and out of Level III into Level II at fair value as of the beginning of the period in which the reclassification occurred.

Except as noted in the tables above, there were no other transfers in or out of Level I, II, or III during the three months ended March 31, 2018 and March 31, 2017. Transfers into Level III occur as quotations obtained through pricing services are not deemed representative of fair value as of the balance sheet date and such assets are internally valued. As quotations obtained through pricing services are substantiated through additional market sources, investments are transferred out of Level III. In addition, transfers out of Level III and transfers into Level III occur based on the increase or decrease in the availability of certain observable inputs.

The Company invests in revolving credit facilities. These investments are categorized as Level III investments as these assets are not actively traded and their fair values are often implied by the term loans of the respective portfolio companies.

The Company generally uses the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. The Company typically determines the fair value of its performing debt investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall underlying portfolio company's performance and associated financial risks. The following outlines additional details on the approaches considered:

Company Performance, Financial Review, and Analysis: Prior to investment, as part of its due diligence process, the Company evaluates the overall performance and financial stability of the portfolio company. Post investment, the Company analyzes each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. The Company also attempts to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of its original investment thesis. This analysis is specific to each portfolio company. The Company leverages the knowledge gained from its original due diligence process, augmented by this subsequent monitoring, to continually refine its outlook for each of its portfolio companies and ultimately form the valuation of its investment in each portfolio company. When an external event such as a purchase transaction, public offering or subsequent sale occurs, the Company will consider the pricing indicated by the external event to corroborate the private valuation.

For debt investments, the Company may employ the Market Based Approach (as described below) to assess the total enterprise value of the portfolio company, in order to evaluate the enterprise value coverage of the Company's debt investment. For equity investments or in cases where the Market Based Approach implies a lack of enterprise value coverage for the debt investment, the Company may additionally employ a discounted cash flow analysis based on the free cash flows of the portfolio company to assess the total enterprise value.

After enterprise value coverage is demonstrated for the Company's debt investments through the method(s) above, the Income Based Approach (as described below) may be employed to estimate the fair value of the investment.

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Market Based Approach: The Company may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. The Company considers numerous factors when selecting the appropriate companies whose trading multiples are used to value its portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. The Company may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of March 31, 2018 and December 31, 2017, the Company used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of its portfolio companies. The Company believes these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: The Company also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2018 and December 31, 2017, the Company used the discount ranges set forth in the table below to value investments in its portfolio companies.

The unobservable inputs used in the fair value measurement of the Company's Level III investments as of March 31, 2018 were as follows:

| Type | Fair Value as of March 31, 2018 | Approach | Unobservable Input | Range | | Weighted Average | |
|------------------|--|--------------------------|--------------------------|-----------------|--------|---------------------|-------|
| | | | | Low | High | | |
| First lien | \$424,391 | Market & income approach | EBITDA multiple | 2.0x | 20.0x | 11.6x | |
| | | | Revenue multiple | 1.3x | 6.0x | 3.2x | |
| | | | Discount rate | 7.0 % | 12.3 % | 9.5 % | |
| Second lien | 145,485 | Market quote | Broker quote | N/A | N/A | N/A | |
| | | | Other | N/A(1) | N/A | N/A | |
| | | | Market & income approach | EBITDA multiple | 7.5x | 16.8x | 12.7x |
| Subordinated | 247,912 | Market & income approach | Discount rate | 9.5 % | 13.3 % | 11.3 % | |
| | | | Market quote | Broker quote | N/A | N/A | N/A |
| | | | Market & income approach | EBITDA multiple | 4.5x | 12.3x | 9.0x |
| Equity and other | 190,224 | Market & income approach | Discount rate | 8.0 % | 14.5 % | 13.1 % | |
| | | | Market & income approach | EBITDA multiple | 2.5x | 18.0x | 11.1x |
| | | | Discount rate | 7.0 % | 23.2 % | 12.2 % | |
| Equity and other | 28,192 | Black Scholes analysis | Expected life in years | 8.0 | 8.0 | 8.0 | |
| | | | Volatility | 39.3 % | 39.3 % | 39.3 % | |
| | | | Discount rate | 3.0 % | 3.0 % | 3.0 % | |
| | \$1,513,165 | | | | | | |

(1) Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

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The unobservable inputs used in the fair value measurement of the Company's Level III investments as of December 31, 2017 were as follows:

| Type | Fair Value as of December 31, 2017 | Approach | Unobservable Input | Range | | Weighted Average |
|------------------|---|----------------------------|--------------------------|-----------------|--------|---------------------|
| | | | | Low | High | |
| First lien | \$458,543 | Market & income approach | EBITDA multiple | 2.0x | 20.0x | 11.8x |
| | | | Revenue multiple | 3.5x | 8.0x | 6.1x |
| | | | Discount rate | 6.5 % | 11.2 % | 9.2 % |
| Second lien | 98,154 220,597 | Market quote | Broker quote | N/A | N/A | N/A |
| | | | Market & income approach | EBITDA multiple | 8.0x | 16.0x |
| | | Market quote | Discount rate | 7.9 % | 12.5 % | 10.8 % |
| Other | Broker quote | | N/A | N/A | N/A | |
| | Subordinated | 215,098 7,387 27,101 | Market & income approach | EBITDA multiple | 4.5x | 11.8x |
| Revenue multiple | | | | 0.5x | 1.0x | 0.8x |
| Discount rate | | | | 7.9 % | 14.9 % | 12.8 % |
| Equity and other | 377,785 | Market & income approach | EBITDA multiple | 2.5x | 18.0x | 9.9x |
| | | | Revenue multiple | 0.5x | 1.0x | 0.8x |
| | | | Discount rate | 7.0 % | 23.6 % | 14.5 % |
| | 1,089 | Black Scholes analysis | Expected life in years | 8.3 | 8.3 | 8.3 |
| | | | Volatility | 39.4 % | 39.4 % | 39.4 % |
| | | | Discount rate | 2.4 % | 2.4 % | 2.4 % |
| | \$1,405,754 | | | | | |

(1) Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

Based on a comparison to similar BDC credit facilities, the terms and conditions of the Holdings Credit Facility and the NMFC Credit Facility (as defined in Note 7. Borrowings) are representative of market. The carrying values of the Holdings Credit Facility and NMFC Credit Facility approximate fair value as of March 31, 2018, as the facilities are continually monitored and examined by both the borrower and the lender. The carrying value of the SBA-guaranteed debentures and Unsecured Notes (as defined in Note 7. Borrowings) approximate fair value as of March 31, 2018 based on a comparison of market interest rates for the Company's borrowings and similar entities. The fair value of the Holdings Credit Facility, NMFC Credit Facility, SBA-guaranteed debentures and Unsecured Notes are considered Level III. The fair value of the Convertible Notes (as defined in Note 7. Borrowings) as of March 31, 2018 was \$160,047, which was based on quoted prices and considered Level II. See Note 7. Borrowings, for details. The carrying value of the collateralized agreement approximates fair value as of March 31, 2018 and is considered Level III. The fair value of other financial assets and liabilities approximates their carrying value based on the short-term nature of these items.

Fair value risk factors—The Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to each industry in which the Company's portfolio companies conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations and profitability of the Company's investments and/or on the fair value of the Company's investments. The Company's investments are subject to the risk of non-payment of scheduled interest or principal, resulting in a reduction in income to the Company and their corresponding fair valuations. Also, there may be risk associated with the concentration of investments in one geographic region or in certain industries. These events are beyond the control of the Company and cannot be predicted. Furthermore, the ability to liquidate investments and realize value is subject

to uncertainties.

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Note 5. Agreements

The Company entered into an investment advisory and management agreement (the “Investment Management Agreement”) with the Investment Adviser, which was most recently re-approved by the Company's board of directors on February 7, 2018. Under the Investment Management Agreement, the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, the Investment Adviser receives a fee from the Company, consisting of two components—a base management fee and an incentive fee.

Pursuant to the Investment Management Agreement, the base management fee is calculated at an annual rate of 1.75% of the Company’s gross assets, which equals the Company’s total assets on the Consolidated Statements of Assets and Liabilities, less (i) the borrowings under the SLF Credit Facility (as defined below) and (ii) cash and cash equivalents. The base management fee is payable quarterly in arrears, and is calculated based on the average value of the Company’s gross assets, which equals the Company’s total assets, as determined in accordance with GAAP, less the borrowings under the SLF Credit Facility and cash and cash equivalents at the end of each of the two most recently completed calendar quarters, and appropriately adjusted on a pro rata basis for any equity capital raises or repurchases during the current calendar quarter. The Company has not invested, and currently is not invested, in derivatives. To the extent the Company invests in derivatives in the future, the Company will use the actual value of the derivatives, as reported on the Consolidated Statements of Assets and Liabilities, for purposes of calculating its base management fee.

Since the IPO, the base management fee calculation has deducted the borrowings under the New Mountain Finance SPV Funding, L.L.C. Loan and Security Agreement, as amended and restated, dated October 27, 2010 (the “SLF Credit Facility”). The SLF Credit Facility had historically consisted of primarily lower yielding assets at higher advance rates. As part of an amendment to the Company’s existing credit facilities with Wells Fargo Bank, National Association, the SLF Credit Facility merged with the NMF Holdings Loan and Security Agreement, as amended and restated, dated May 19, 2011, and into the Holdings Credit Facility on December 18, 2014 (as defined in Note 7. Borrowings). The amendment merged the credit facilities and combined the amount of borrowings previously available. Post credit facility merger and to be consistent with the methodology since the IPO, the Investment Adviser will continue to waive management fees on the leverage associated with those assets that share the same underlying yield characteristics with investments leveraged under the legacy SLF Credit Facility, which as of March 31, 2018 and March 31, 2017 was approximately \$323,280 and \$322,346, respectively. The Investment Adviser cannot recoup management fees that the Investment Adviser has previously waived. For the three months ended March 31, 2018 and March 31, 2017, management fees waived were approximately \$1,322 and \$1,356, respectively.

The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20.0% of the Company’s “Pre-Incentive Fee Net Investment Income” for the immediately preceding quarter, subject to a “preferred return”, or “hurdle”, and a “catch-up” feature. “Pre-Incentive Fee Net Investment Income” means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, upfront, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company’s operating expenses for the quarter (including the base management fee, expenses payable under an administration agreement, as amended and restated (the “Administration Agreement”), with the Administrator, and any interest expense and distributions paid on any issued and outstanding preferred stock (of which there are none as of March 31, 2018), but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of the Company’s net assets at the end of the immediately preceding calendar quarter, will be compared to a “hurdle rate” of 2.0% per quarter (8.0% annualized), subject to a “catch-up” provision measured as of the end of each calendar quarter. The hurdle rate is appropriately pro-rated for any partial periods. The calculation of the Company’s incentive fee with respect to the Pre-Incentive Fee Net Investment Income for each quarter is as follows:

No incentive fee is payable to the Investment Adviser in any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 2.0% (the "preferred return" or "hurdle").

100.0% of the Company's Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than or equal to 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser. This portion of the Company's Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than or equal to 2.5%) is referred to as the "catch-up". The catch-up provision is intended to provide the Investment Adviser with an incentive fee of 20.0% on all of the Company's Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply when the Company's Pre-Incentive Fee Net Investment Income exceeds 2.5% in any calendar quarter.

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20.0% of the amount of the Company's Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) is payable to the Investment Adviser once the hurdle is reached and the catch-up is achieved.

For the three months ended March 31, 2018 and March 31, 2017, incentive fees waived by the Investment Adviser were approximately \$0 and \$1,800, respectively. The Investment Adviser cannot recoup incentive fees that the Investment Adviser has previously waived.

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement) and will equal 20.0% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fee.

In accordance with GAAP, the Company accrues a hypothetical capital gains incentive fee based upon the cumulative net realized capital gains and realized capital losses and the cumulative net unrealized capital appreciation and unrealized capital depreciation on investments held at the end of each period. Actual amounts paid to the Investment Adviser are consistent with the Investment Management Agreement and are based only on actual realized capital gains computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from inception through the end of each calendar year as if the entire portfolio was sold at fair value.

The following table summarizes the management fees and incentive fees incurred by the Company for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | |
|---|-----------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Management fee | \$8,692 | \$7,614 |
| Less: management fee waiver | (1,322) | (1,356) |
| Total management fee | 7,370 | 6,258 |
| Incentive fee, excluding accrued capital gains incentive fees | \$6,434 | \$5,408 |
| Less: incentive fee waiver | — | (1,800) |
| Total incentive fee | 6,434 | 3,608 |
| Accrued capital gains incentive fees(1) | \$— | \$— |

As of March 31, 2018 and March 31, 2017, no actual capital gains incentive fee was owed under the Investment (1) Management Agreement by the Company, as cumulative net realized capital gains did not exceed cumulative unrealized capital depreciation.

The Company has entered into the Administration Agreement with the Administrator under which the Administrator provides administrative services. The Administrator maintains, or oversees the maintenance of, the Company's consolidated financial records, prepares reports filed with the United States Securities and Exchange Commission (the "SEC"), generally monitors the payment of the Company's expenses and oversees the performance of administrative and professional services rendered by others. The Company will reimburse the Administrator for the Company's allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations to the Company under the Administration Agreement. Pursuant to the Administration Agreement and further restricted by the Company, the Administrator may, in its own discretion, submit to the Company for reimbursement some or all of the expenses that the Administrator has incurred on behalf of the Company during any quarterly period. As a result, the amount of expenses for which the Company will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to the Company for reimbursement in the future. However, it is expected that the Administrator will continue to support part of the expense burden of the Company in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the

three months ended March 31, 2018 and March 31, 2017, approximately \$659 and \$412, respectively, of indirect administrative expenses were included in administrative expenses of which \$0 and \$412, respectively, of indirect administrative expenses were waived by the Administrator. As of March 31, 2018 and December 31, 2017, approximately \$1,074 and \$444, respectively, of indirect administrative expenses were included in payable to affiliates.

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The Company, the Investment Adviser and the Administrator have also entered into a Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company, the Investment Adviser and the Administrator a non-exclusive, royalty-free license to use the “New Mountain” and the “New Mountain Finance” names. Under the Trademark License Agreement, as amended, subject to certain conditions, the Company, the Investment Adviser and the Administrator will have a right to use the “New Mountain” and “New Mountain Finance” names, for so long as the Investment Adviser or one of its affiliates remains the investment adviser of the Company. Other than with respect to this limited license, the Company, the Investment Adviser and the Administrator will have no legal right to the “New Mountain” or the “New Mountain Finance” names.

Note 6. Related Parties

The Company has entered into a number of business relationships with affiliated or related parties.

The Company has entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

The Company has entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges office space for the Company and provides office equipment and administrative services necessary to conduct their respective day-to-day operations pursuant to the Administration Agreement. The Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to the Company under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance and compliance functions, and the compensation of the Company’s chief financial officer and chief compliance officer and their respective staffs.

The Company, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant the Company, the Investment Adviser and the Administrator a non-exclusive, royalty-free license to use the name “New Mountain” and “New Mountain Finance”.

The Company has adopted a formal code of ethics that governs the conduct of its officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to the Company’s investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company or for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that the Company should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff and consistent with the Investment Adviser’s allocation procedures. On December 18, 2017, the SEC issued an exemptive order (the “Exemptive Order”), which superseded a prior order issued on June 5, 2017, which permits the Company to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the Exemptive Order. Pursuant to the Exemptive Order, the Company is permitted to co-invest with its affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of the Company’s independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching in respect of the Company or its stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of the Company’s stockholders and is consistent with its then-current investment objective and strategies.

Note 7. Borrowings

Holdings Credit Facility—On December 18, 2014, the Company entered into the Second Amended and Restated Loan and Security Agreement, among the Company, as the Collateral Manager, NMF Holdings, as the Borrower, Wells

Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian, which is structured as a revolving credit facility and matures on December 18, 2019. On October 24, 2017 the Company entered into the Third Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), among the Company as the Collateral Manager, NMF Holdings as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian, which extended the maturity date to October 24, 2022.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495,000. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged

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assets, subject to approval by Wells Fargo Bank, National Association Agent. The Holdings Credit Facility is non-recourse to the Company and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires the Company to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments.

Effective April 1, 2018, the Holdings Credit Facility will bear interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | | | |
|---------------------------------|--------------------|---|-----------|---|
| | March 31, | | March 31, | |
| | 2018 | | 2017 | |
| Interest expense | \$3,126 | | \$2,709 | |
| Non-usage fee | \$212 | | \$184 | |
| Amortization of financing costs | \$616 | | \$397 | |
| Weighted average interest rate | 3.9 | % | 3.1 | % |
| Effective interest rate | 5.0 | % | 3.9 | % |
| Average debt outstanding | \$322,943 | | \$346,033 | |

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was \$355,663 and \$312,363, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among the Company, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, the Company entered into an amendment to the NMFC Credit Facility, which extended the maturity date to June 4, 2022. The NMFC Credit Facility is guaranteed by certain domestic subsidiaries of the Company and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

As of March 31, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$150,000. The Company is permitted to borrow at various advance rates depending on the type of portfolio investment, as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on the Company's Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

The NMFC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% per annum (as defined in the Senior Secured Revolving Credit Agreement).

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The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | |
|---------------------------------|--------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$852 | \$290 |
| Non-usage fee | \$57 | \$82 |
| Amortization of financing costs | \$112 | \$96 |
| Weighted average interest rate | 4.2 | % 3.3 |
| Effective interest rate | 5.1 | % 5.5 |
| Average debt outstanding | \$81,694 | \$34,661 |

As of March 31, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was \$95,000 and \$122,500, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, the Company closed a private offering of \$115,000 aggregate principal amount of unsecured convertible notes (the “Convertible Notes”), pursuant to an indenture, dated June 3, 2014 (the “Indenture”). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, the Company closed a public offering of an additional \$40,250 aggregate principal amount of the Convertible Notes. These additional Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115,000 aggregate principal amount of Convertible Notes that the Company issued on June 3, 2014.

The Convertible Notes bear interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014. The Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder’s option.

The following table summarizes certain key terms related to the convertible features of the Company’s Convertible Notes as of March 31, 2018.

| | March 31, 2018 |
|---|-------------------|
| Initial conversion premium | 12.5 % |
| Initial conversion rate(1) | 62.7746 |
| Initial conversion price | \$15.93 |
| Conversion premium at March 31, 2018 | 11.7 % |
| Conversion rate at March 31, 2018 (1)(2) | 63.2794 |
| Conversion price at March 31, 2018 (2)(3) | \$15.80 |
| Last conversion price calculation date | June 3, 2017 |

(1) Conversion rates denominated in shares of common stock per \$1 principal amount of the Convertible Notes converted.

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

The conversion price in effect at March 31, 2018 was calculated on the last anniversary of the issuance and will be (3)calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of \$0.34 per share per quarter and certain changes in control. Certain of

these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of \$14.05 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1 principal amount of the Convertible Notes. The Company has determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP.

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The Convertible Notes are unsecured obligations and rank senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries and financing vehicles. As reflected in Note 11. Earnings Per Share, the issuance is considered part of the if-converted method for calculation of diluted earnings per share.

The Company may not redeem the Convertible Notes prior to maturity. No sinking fund is provided for the Convertible Notes. In addition, if certain corporate events occur, holders of the Convertible Notes may require the Company to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The Indenture contains certain covenants, including covenants requiring the Company to provide financial information to the holders of the Convertible Note and the Trustee if the Company ceases to be subject to the reporting requirements of the Exchange Act. These covenants are subject to limitations and exceptions that are described in the Indenture.

The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | |
|---------------------------------|--------------------|-----------|
| | March 31, | March 31, |
| | 2018 | 2017 |
| Interest expense | \$1,941 | \$1,941 |
| Amortization of financing costs | \$293 | \$293 |
| Amortization of premium | \$(27) | \$(27) |
| Effective interest rate | 5.8 % | 5.8 % |
| Average debt outstanding | \$155,250 | \$155,250 |

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Convertible Notes was \$155,250 and \$155,250, respectively, and NMFC was in compliance with the terms of the Indenture on such dates.

Unsecured Notes—On May 6, 2016, the Company issued \$50,000 in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, the Company entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40,000 in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, the Company issued \$55,000 in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, the Company issued \$90,000 in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes" and together with the 2016 Unsecured Notes and 2017A Unsecured Notes, the "Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with the Company's other unsecured indebtedness, including the Company's Convertible Notes.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.87%, payable semi-annually on February 15 and August 15 of each year, which commences on August 15, 2018. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or the Company ceases to have an investment grade rating or (ii) the aggregate amount of the Company's unsecured debt falls below \$150,000. In each such event, the Company has the option to offer to prepay the Unsecured Notes at par, in which case holders of the

Unsecured Notes who accept the offer would not receive the increased interest rate. In addition, the Company is obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be the Company's investment adviser or if certain change in control events occur with respect to the Investment Adviser. The NPA contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, an option to offer to prepay all or a portion of the Unsecured Notes at par (plus a make-whole amount, if applicable), affirmative and negative covenants such as information reporting, maintenance of the Company's status as a BDC under the 1940 Act and a RIC under the Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at the Company or any subsidiary guarantor, as well as customary events of default with

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customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of the Company or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | |
|---------------------------------|--------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$2,592 | \$1,195 |
| Amortization of financing costs | \$162 | \$101 |
| Weighted average interest rate | 5.1 | % 5.3 |
| Effective interest rate | 5.4 | % 5.8 |
| Average debt outstanding | \$206,000 | \$90,000 |

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was \$235,000 and \$145,000, respectively, and the Company was in compliance with the terms of the NPA.

SBA-guaranteed debentures—On August 1, 2014 and August 25, 2017, SBIC I and SBIC II received SBIC licenses from the SBA to operate as SBICs.

The SBIC license allows SBICs to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to the Company, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC I and SBIC II over the Company's stockholders in the event SBIC I and SBIC II are liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150,000 as long as the licensee has at least \$75,000 in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of March 31, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75,000 and \$75,000, respectively, and SBA-guaranteed debentures outstanding of \$150,000 and \$150,000, respectively. As of March 31, 2018 and December 31, 2017, SBIC II had regulatory capital of \$2,500 and \$2,500, respectively, and no SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes the Company's SBA-guaranteed debentures as of March 31, 2018.

| Issuance Date | Maturity Date | Debenture Amount | Interest Rate | SBA Annual Charge |
|----------------------------------|-------------------|------------------|---------------|----------------------|
| Fixed SBA-guaranteed debentures: | | | | |
| March 25, 2015 | March 1, 2025 | \$ 37,500 | 2.517 % | 0.355 % |
| September 23, 2015 | September 1, 2025 | 37,500 | 2.829 % | 0.355 % |
| September 23, 2015 | September 1, 2025 | 28,795 | 2.829 % | 0.742 % |
| March 23, 2016 | March 1, 2026 | 13,950 | 2.507 % | 0.742 % |
| September 21, 2016 | September 1, 2026 | 4,000 | 2.051 % | 0.742 % |
| September 20, 2017 | September 1, 2027 | 13,000 | 2.518 % | 0.742 % |
| March 21, 2018 | March 1, 2028 | 15,255 | 3.187 % | 0.742 % |
| Total SBA-guaranteed debentures | | \$ 150,000 | | |

Prior to pooling, the SBA-guaranteed debentures bear interest at an interim floating rate of LIBOR plus 0.30%. Once pooled, which occurs in March and September each year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

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The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | |
|---------------------------------|--------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$1,160 | \$953 |
| Amortization of financing costs | \$124 | \$101 |
| Weighted average interest rate | 3.1 | % 3.2 |
| Effective interest rate | 3.5 | % 3.5 |
| Average debt outstanding | \$150,000 | \$121,745 |

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible small businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to the Company. SBICs are subject to an annual periodic examination by an SBA examiner to determine SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of March 31, 2018 and December 31, 2017, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

Note 8. Regulation

The Company has elected to be treated, and intends to comply with the requirements to continue to qualify annually, as a RIC under Subchapter M of the Code. In order to continue to qualify and be subject to tax as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90.0% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, intends to make and will continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal, state, and local income taxes (excluding excise taxes which may be imposed under the Code).

Additionally, as a BDC, the Company must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70.0% of its total assets are qualifying assets (with certain limited exceptions). In addition, the Company must offer to make available to all eligible portfolio companies managerial assistance.

Note 9. Commitments and Contingencies

In the normal course of business, the Company may enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company may also enter into future funding commitments such as revolving credit facilities, bridge financing commitments or delayed draw commitments. As of March 31, 2018, the Company had unfunded commitments on revolving credit facilities of \$23,963, no outstanding bridge financing commitments and other future funding commitments of \$57,915. As of December 31, 2017, the Company had unfunded commitments on revolving credit facilities of \$23,716, no outstanding bridge financing commitments and other future funding commitments of \$53,712. The unfunded commitments on revolving credit facilities and delayed draws are disclosed on the Company's Consolidated Schedule of Investments.

The Company also has revolving borrowings available under the Holdings Credit Facility and the NMFC Credit Facility as of March 31, 2018 and December 31, 2017. See Note 7. Borrowings, for details.

The Company may from time to time enter into financing commitment letters. As of March 31, 2018 and December 31, 2017, the Company had commitment letters to purchase investments in the aggregate par amount of \$24,033 and \$13,907, respectively, which could require funding in the future.

As of March 31, 2018, the Company owed \$12,000 related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. The Company will make semi-annual payments of \$3,000 beginning in June 2018 with the final payment due in December 2019. See Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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Note 10. Net Assets

The table below illustrates the effect of certain transactions on the net asset accounts of the Company:

| | Common Stock | | Paid in Capital in Excess of Par | Accumulated Undistributed Net Investment Income | Accumulated Undistributed Net Realized (Losses) Gains | Net Unrealized (Depreciation) Appreciation | Total Net Assets |
|---|--------------|------------|--|---|--|---|---------------------|
| | Shares | Par Amount | | | | | |
| Balance at December 31, 2017 | 75,935,093 | \$ 759 | \$ 1,053,468 | \$ 39,165 | \$ (76,681) | \$ 18,264 | \$ 1,034,975 |
| Distributions declared | — | — | — | (25,818) | — | — | (25,818) |
| Net increase (decrease) in net assets resulting from operations | — | — | — | 25,736 | 206 | (2,098) | 23,844 |
| Balance at March 31, 2018 | 75,935,093 | \$ 759 | \$ 1,053,468 | \$ 39,083 | \$ (76,475) | \$ 16,166 | \$ 1,033,001 |

Note 11. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase in the Company's net assets per share resulting from operations for the three months ended March 31, 2018 and March 31, 2017:

| | Three Months Ended March 31, 2018 | | March 31, 2017 |
|--|--|------------|-------------------|
| Earnings per share—basic | | | |
| Numerator for basic earnings per share: | \$23,844 | \$ 30,417 | |
| Denominator for basic weighted average share: | 75,935,093 | 69,718,968 | |
| Basic earnings per share: | \$0.31 | \$ 0.44 | |
| Earnings per share—diluted ⁽¹⁾ | | | |
| Numerator for increase in net assets per share | \$23,844 | \$ 30,417 | |
| Adjustment for interest on Convertible Notes and incentive fees, net | 1,553 | 1,553 | |
| Numerator for diluted earnings per share: | \$25,397 | \$ 31,970 | |
| Denominator for basic weighted average share | 75,935,093 | 69,718,968 | |
| Adjustment for dilutive effect of Convertible Notes | 9,824,127 | 9,824,127 | |
| Denominator for diluted weighted average share | 85,759,220 | 79,543,095 | |
| Diluted earnings per share | \$0.30 | \$ 0.40 | |

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive.

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Note 12. Financial Highlights

The following information sets forth the Company's financial highlights for the three months ended March 31, 2018 and March 31, 2017.

| | Three Months Ended | | | |
|---|--------------------|----|------------|---|
| | March 31, | | March 31, | |
| | 2018 | | 2017 | |
| Per share data(1): | | | | |
| Net asset value, January 1, 2018 and January 1, 2017, respectively | \$ 13.63 | | \$ 13.46 | |
| Net investment income | 0.34 | | 0.34 | |
| Net realized and unrealized gains (losses) | (0.03 |) | 0.10 | |
| Total net increase | 0.31 | | 0.44 | |
| Distributions declared to stockholders from net investment income | (0.34 |) | (0.34 |) |
| Net asset value, March 31, 2018 and March 31, 2017, respectively | \$ 13.60 | | \$ 13.56 | |
| Per share market value, March 31, 2018 and March 31, 2017, respectively | \$ 13.15 | | \$ 14.90 | |
| Total return based on market value(2) | (0.46 |)% | 8.09 | % |
| Total return based on net asset value(3) | 2.30 | % | 3.25 | % |
| Shares outstanding at end of period | 75,935,093 | | 69,821,693 | |
| Average weighted shares outstanding for the period | 75,935,093 | | 69,718,698 | |
| Average net assets for the period | \$ 1,033,023 | | \$ 946,651 | |
| Ratio to average net assets: | | | | |
| Net investment income | 10.10 | % | 10.04 | % |
| Total expenses, before waivers/reimbursements | 11.18 | % | 10.07 | % |
| Total expenses, net of waivers/reimbursements | 10.66 | % | 8.52 | % |
| Average debt outstanding—Holdings Credit Facility | \$ 322,943 | | \$ 346,033 | |
| Average debt outstanding—Convertible Notes | 155,250 | | 155,250 | |
| Average debt outstanding—SBA-guaranteed debentures | 150,000 | | 121,745 | |
| Average debt outstanding—Unsecured Notes | 206,000 | | 90,000 | |
| Average debt outstanding—NMFC Credit Facility | 81,694 | | 34,661 | |
| Asset coverage ratio(4) | 222.82 | % | 227.10 | % |
| Portfolio turnover | 4.41 | % | 7.50 | % |

(1) Per share data is based on weighted average shares outstanding for the respective period (except for distributions declared to stockholders, which is based on actual rate per share).

(2) Total return is calculated assuming a purchase of common stock at the opening of the first day of the year and a sale on the closing of the last business day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Company's dividend reinvestment plan.

(3) Total return is calculated assuming a purchase at net asset value on the opening of the first day of the year and a sale at net asset value on the last day of the period. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at the net asset value on the last day of the respective quarter.

(4) On November 5, 2014, the Company received exemptive relief from the SEC allowing the Company to modify the asset coverage requirement to exclude the SBA-guaranteed debentures from this calculation.

Note 13. Recent Accounting Standards Updates

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Financial Instruments—Overall Subtopic 825-10—Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 amends certain aspects of recognition, measurement, presentation and disclosure of financial assets and liabilities. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The new guidance must be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively

to equity investments that exist as

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of the date of adoption of ASU 2016-01. The Company is in the process of evaluating the impact that this guidance will have on the Company's consolidated financial statements and disclosures.

Note 14. Subsequent Events

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the three months ended March 31, 2018, except as discussed below.

On May 2, 2018, the Company's board of directors declared a second quarter 2018 distribution of \$0.34 per share payable on June 29, 2018 to holders of record as of June 15, 2018.

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Deloitte & Touche LLP

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of New Mountain Finance Corporation

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated statement of assets and liabilities of New Mountain Finance Corporation and subsidiaries (the "Company"), including the consolidated schedule of investments, as of March 31, 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the three-month periods ended March 31, 2018 and 2017, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of December 31, 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of assets and liabilities as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

May 7, 2018

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in management's discussion and analysis of financial condition and results of operations relates to New Mountain Finance Corporation, including its wholly-owned direct and indirect subsidiaries (collectively, "we", "us", "our", "NMFC" or the "Company").

Forward-Looking Statements

The information contained in this section should be read in conjunction with the financial data and consolidated financial statements and notes thereto appearing elsewhere in this report. Some of the statements in this report (including in the following discussion) constitute forward-looking statements, which relate to future events or our future performance or our financial condition. The forward-looking statements contained in this section involve a number of risks and uncertainties, including:

- statements concerning the impact of a protracted decline in the liquidity of credit markets;
- the general economy, including interest and inflation rates, and its impact on the industries in which we invest;
- our future operating results, our business prospects and the adequacy of our cash resources and working capital;
- the ability of our portfolio companies to achieve their objectives;
- our ability to make investments consistent with our investment objectives, including with respect to the size, nature and terms of our investments;
- the ability of New Mountain Finance Advisers BDC, L.L.C. (the "Investment Adviser") or its affiliates to attract and retain highly talented professionals;
- actual and potential conflicts of interest with the Investment Adviser and New Mountain Capital L.L.C. ("New Mountain Capital", defined as New Mountain Capital Group, L.L.C. and its affiliates); and
- the risk factors set forth in Item 1A.—Risk Factors contained in our annual report on Form 10-K for the year ended December 31, 2017.

Forward-looking statements are identified by their use of such terms and phrases such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "project", "seek", "should", "target", "will", "would" or similar. Actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Item 1A.—Risk Factors contained in our annual report on Form 10-K for the year ended December 31, 2017.

We have based the forward-looking statements included in this report on information available to us on the date of this report. We assume no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Although we undertake no obligation to revise or update any forward-looking statements, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the United States Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

We are a Delaware corporation that was originally incorporated on June 29, 2010 and completed our initial public offering ("IPO") on May 19, 2011. We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). As such, we are obligated to comply with certain regulatory requirements. We have elected to be treated, and intend to comply with the requirements to continue to qualify annually, as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). NMFC is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Since our IPO, and through March 31, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of common stock.

The Investment Adviser is a wholly-owned subsidiary of New Mountain Capital. New Mountain Capital is a firm with a track record of investing in the middle market. New Mountain Capital focuses on investing in defensive growth companies across its private equity, public equity and credit investment vehicles. The Investment Adviser manages our day-to-day operations and provides us with investment advisory and management services. New Mountain Finance Administration, L.L.C. (the "Administrator"), a wholly-owned subsidiary of New Mountain Capital, provides

the administrative services necessary to conduct our day-to-day operations.

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Our wholly-owned subsidiary, New Mountain Finance Holdings, L.L.C. (“NMF Holdings”), is a Delaware limited liability company whose assets are used to secure NMF Holdings’ credit facility. NMF Ancora Holdings Inc. (“NMF Ancora”), NMF QID NGL Holdings, Inc. (“NMF QID”) and NMF YP Holdings Inc. (“NMF YP”), our wholly-owned subsidiaries, are structured as Delaware entities that serve as tax blocker corporations which hold equity or equity-like investments in portfolio companies organized as limited liability companies (or other forms of pass-through entities). We consolidate our tax blocker corporations for accounting purposes. The tax blocker corporations are not consolidated for income tax purposes and may incur income tax expense as a result of their ownership of the portfolio companies. Additionally, our wholly-owned subsidiary, New Mountain Finance Servicing, L.L.C. (“NMF Servicing”), serves as the administrative agent on certain investment transactions. New Mountain Finance SBIC, L.P. (“SBIC I”) and its general partner, New Mountain Finance SBIC G.P., L.L.C. (“SBIC I GP”), were organized in Delaware as a limited partnership and limited liability company, respectively. New Mountain Finance SBIC II, L.P. (“SBIC II”) and its general partner, New Mountain Finance SBIC II G.P., L.L.C. (“SBIC II GP”), were also organized in Delaware as a limited partnership and limited liability company, respectively. SBIC I, SBIC I GP, SBIC II and SBIC II GP are our consolidated wholly-owned direct and indirect subsidiaries. SBIC I and SBIC II received licenses from the United States (“U.S.”) Small Business Administration (the “SBA”) to operate as a small business investment company (“SBIC”) under Section 301(c) of the Small Business Investment Act of 1958, as amended (the “1958 Act”). Our wholly-owned subsidiary, New Mountain Net Lease Corporation (“NMNLC”), a Maryland corporation, was formed to acquire commercial real properties that are subject to “triple net” leases and intends to qualify as a real estate investment trust, or REIT, within the meaning of Section 856(a) of the Code.

Our investment objective is to generate current income and capital appreciation through the sourcing and origination of debt securities at all levels of the capital structure, including first and second lien debt, notes, bonds and mezzanine securities. The first lien debt may include traditional first lien senior secured loans or unitranche loans. Unitranche loans combine characteristics of traditional first lien senior secured loans as well as second lien and subordinated loans. Unitranche loans will expose us to the risks associated with second lien and subordinated loans to the extent it invests in the “last out” tranche. In some cases, our investments may also include equity interests.

Our primary focus is in the debt of defensive growth companies, which are defined as generally exhibiting the following characteristics: (i) sustainable secular growth drivers, (ii) high barriers to competitive entry, (iii) high free cash flow after capital expenditure and working capital needs, (iv) high returns on assets and (v) niche market dominance. Similar to us, SBIC I’s and SBIC II’s investment objective is to generate current income and capital appreciation under our investment criteria. However, SBIC I’s and SBIC II’s investments must be in SBA eligible small businesses. Our portfolio may be concentrated in a limited number of industries. As of March 31, 2018, our top five industry concentrations were business services, software, healthcare services, education and distribution & logistics.

As of March 31, 2018, our net asset value was \$1,033.0 million and our portfolio had a fair value of approximately \$1,977.9 million in 89 portfolio companies, with a weighted average yield to maturity at cost for income producing investments (“YTM at Cost”) of approximately 11.1% and a weighted average yield to maturity at cost for all investments (“YTM at Cost for Investments”) of approximately 11.1%. The YTM at Cost calculation assumes that all investments, including secured collateralized agreements, not on non-accrual are purchased at cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. The YTM at Cost for Investments calculation assumes that all investments, including secured collateralized agreements, are purchased as cost on the quarter end date and held until their respective maturities with no prepayments or losses and exited at par at maturity. YTM at Cost and YTM at Cost for Investment calculations exclude the impact of existing leverage. YTM at Cost and YTM at Cost for Investments uses the London Interbank Offered Rate (“LIBOR”) curves at each quarter’s end date. The actual yield to maturity may be higher or lower due to the future selection of the LIBOR contracts by the individual companies in our portfolio or other factors.

Recent Developments

On April 12, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act (the “SBICA”). As a result, our asset coverage

requirements for senior securities will be changed from 200% to 150%, effective April 12, 2019. On the same day, the board of directors recommended the submission of a proposal for stockholders to approve the application of the 150% minimum asset coverage ratio to us at a special meeting of stockholders scheduled to be held on June 8, 2018. If the stockholder proposal is approved by the required votes of our stockholders at such special meeting of stockholders, we would become subject to the 150% minimum asset coverage ratio the day after such stockholder approval instead of April 12, 2019. Changing the asset coverage ratio would permit us to double our leverage, which would result in increased leverage risk and increased expenses.

On April 25, 2018, NMFC and SkyKnight Income II, LLC ("SkyKnight II") entered into a limited liability company agreement to establish a joint venture, NMFC Senior Loan Program III LLC ("SLP III"). NMFC and SkyKnight II have committed to provide \$80.0 million and \$20.0 million, respectively, of equity to SLP III. The purpose of the joint venture is to

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invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. All investment decisions must be unanimously approved by the investment committee of SLP III, which has equal representations from NMFC and SkyKnight II. On May 2, 2018, SLP III closed its \$300.0 million revolving credit facility with Citibank, N.A. which matures on May 2, 2023 and bears interest at a rate of LIBOR plus 1.70% per annum.

On April 27, 2018, we exited our investment in American Tire Distributors, Inc. ("ATD"), due to ATD's reported loss of its largest supplier. As of March 31, 2018, our investment in ATD had a cost basis of approximately \$12.3 million and a fair value of approximately \$12.8 million. The sale will result in a realized loss of approximately \$5.8 million for the quarter ended June 30, 2018.

On May 2, 2018, our board of directors declared a second quarter 2018 distribution of \$0.34 per share payable on June 29, 2018 to holders of record as of June 15, 2018.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

Basis of Accounting

We consolidate our wholly-owned direct and indirect subsidiaries: NMF Holdings, NMF Servicing, NMNLC, SBIC I, SBIC I GP, SBIC II, SBIC II GP, NMF Ancora, NMF QID and NMF YP. We are an investment company following accounting and reporting guidance as described in Accounting Standards Codification Topic 946, Financial Services—Investment Companies, ("ASC 946").

Valuation and Leveling of Portfolio Investments

At all times consistent with GAAP and the 1940 Act, we conduct a valuation of assets, which impacts our net asset value.

We value our assets on a quarterly basis, or more frequently if required under the 1940 Act. In all cases, our board of directors is ultimately and solely responsible for determining the fair value of our portfolio investments on a quarterly basis in good faith, including investments that are not publicly traded, those whose market prices are not readily available and any other situation where our portfolio investments require a fair value determination. Security transactions are accounted for on a trade date basis. Our quarterly valuation procedures are set forth in more detail below:

- (1) Investments for which market quotations are readily available on an exchange are valued at such market quotations based on the closing price indicated from independent pricing services.
- (2) Investments for which indicative prices are obtained from various pricing services and/or brokers or dealers are valued through a multi-step valuation process, as described below, to determine whether the quote(s) obtained is representative of fair value in accordance with GAAP.
 - a. Bond quotes are obtained through independent pricing services. Internal reviews are performed by the investment professionals of the Investment Adviser to ensure that the quote obtained is representative of fair value in accordance with GAAP and, if so, the quote is used. If the Investment Adviser is unable to sufficiently validate the quote(s) internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is valued similarly to those assets with no readily available quotes (see (3) below); and
 - b. For investments other than bonds, we look at the number of quotes readily available and perform the following procedures:
 - i. Investments for which two or more quotes are received from a pricing service are valued using the mean of the mean of the bid and ask of the quotes obtained;
 - ii. Investments for which one quote is received from a pricing service are validated internally. The investment professionals of the Investment Adviser analyze the market quotes obtained using an array of valuation methods (further described below) to validate the fair value. If the Investment Adviser is unable to sufficiently validate the quote internally and if the investment's par value or its fair value exceeds the materiality threshold, the investment is

valued similarly to those assets with no readily available quotes (see (3) below).

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(3) Investments for which quotations are not readily available through exchanges, pricing services, brokers, or dealers are valued through a multi-step valuation process:

a. Each portfolio company or investment is initially valued by the investment professionals of the Investment Adviser responsible for the credit monitoring;

b. Preliminary valuation conclusions will then be documented and discussed with our senior management;

c. If an investment falls into (3) above for four consecutive quarters and if the investment's par value or its fair value exceeds the materiality threshold, then at least once each fiscal year, the valuation for each portfolio investment for which we do not have a readily available market quotation will be reviewed by an independent valuation firm engaged by our board of directors; and

d. When deemed appropriate by our management, an independent valuation firm may be engaged to review and value investment(s) of a portfolio company, without any preliminary valuation being performed by the Investment Adviser. The investment professionals of the Investment Adviser will review and validate the value provided.

For investments in revolving credit facilities and delayed draw commitments, the cost basis of the funded investments purchased is offset by any costs/netbacks received for any unfunded portion on the total balance committed. The fair value is also adjusted for the price appreciation or depreciation on the unfunded portion. As a result, the purchase of a commitment not completely funded may result in a negative fair value until it is called and funded.

The values assigned to investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period and the fluctuations could be material.

GAAP fair value measurement guidance classifies the inputs used in measuring fair value into three levels as follows: Level I—Quoted prices (unadjusted) are available in active markets for identical investments and we have the ability to access such quotes as of the reporting date. The type of investments which would generally be included in Level I include active exchange-traded equity securities and exchange-traded derivatives. As required by Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), we, to the extent that we hold such investments, do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably impact the quoted price.

Level II—Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level I. Level II inputs include the following:

• Quoted prices for similar assets or liabilities in active markets;

• Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

• Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and

• Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level III—Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

The inputs used to measure fair value may fall into different levels. In all instances when the inputs fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level of input that is significant to the fair value measurement in its entirety. As such, a Level III fair value measurement may include inputs that are both observable and unobservable. Gains and losses for such assets categorized within the Level III table below may include changes in fair value that are attributable to both observable inputs and unobservable inputs.

The inputs into the determination of fair value require significant judgment or estimation by management and consideration of factors specific to each investment. A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in the transfer of certain investments within the fair value hierarchy from period to period. Reclassifications impacting the fair value hierarchy are reported

as transfers in/out of the respective leveling categories as of the beginning of the period in which the reclassifications occur.

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The following table summarizes the levels in the fair value hierarchy that our portfolio investments fall into as of March 31, 2018:

| (in thousands) | Total | Level I | Level II | Level III |
|-------------------|-------------|---------|-----------|-------------|
| First lien | \$738,027 | \$ — | \$88,636 | \$649,391 |
| Second lien | 774,515 | — | 336,379 | 438,136 |
| Subordinated | 67,918 | — | 39,726 | 28,192 |
| Equity and other | 397,463 | 17 | — | 397,446 |
| Total investments | \$1,977,923 | \$ 17 | \$464,741 | \$1,513,165 |

We generally use the following framework when determining the fair value of investments where there are little, if any, market activity or observable pricing inputs. We typically determine the fair value of our performing debt investments utilizing an income approach. Additional consideration is given using a market based approach, as well as reviewing the overall underlying portfolio company's performance and associated financial risks. The following outlines additional details on the approaches considered:

Company Performance, Financial Review, and Analysis: Prior to investment, as part of our due diligence process, we evaluate the overall performance and financial stability of the portfolio company. Post investment, we analyze each portfolio company's current operating performance and relevant financial trends versus prior year and budgeted results, including, but not limited to, factors affecting its revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth, margin trends, liquidity position, covenant compliance and changes to its capital structure. We also attempt to identify and subsequently track any developments at the portfolio company, within its customer or vendor base or within the industry or the macroeconomic environment, generally, that may alter any material element of our original investment thesis. This analysis is specific to each portfolio company. We leverage the knowledge gained from our original due diligence process, augmented by this subsequent monitoring, to continually refine our outlook for each of our portfolio companies and ultimately form the valuation of our investment in each portfolio company. When an external event such as a purchase transaction, public offering or subsequent sale occurs, we will consider the pricing indicated by the external event to corroborate the private valuation.

For debt investments, we may employ the Market Based Approach (as described below) to assess the total enterprise value of the portfolio company, in order to evaluate the enterprise value coverage of our debt investment. For equity investments or in cases where the Market Based Approach implies a lack of enterprise value coverage for the debt investment, we may additionally employ a discounted cash flow analysis based on the free cash flows of the portfolio company to assess the total enterprise value.

After enterprise value coverage is demonstrated for our debt investments through the method(s) above, the Income Based Approach (as described below) may be employed to estimate the fair value of the investment.

Market Based Approach: We may estimate the total enterprise value of each portfolio company by utilizing market value cash flow (EBITDA) multiples of publicly traded comparable companies and comparable transactions. We consider numerous factors when selecting the appropriate companies whose trading multiples are used to value our portfolio companies. These factors include, but are not limited to, the type of organization, similarity to the business being valued, and relevant risk factors, as well as size, profitability and growth expectations. We may apply an average of various relevant comparable company EBITDA multiples to the portfolio company's latest twelve month ("LTM") EBITDA or projected EBITDA to calculate the enterprise value of the portfolio company. Significant increases or decreases in the EBITDA multiple will result in an increase or decrease in enterprise value, which may result in an increase or decrease in the fair value estimate of the investment. In applying the market based approach as of March 31, 2018, we used the relevant EBITDA multiple ranges set forth in the table below to determine the enterprise value of our portfolio companies. We believe these were reasonable ranges in light of current comparable company trading levels and the specific portfolio companies involved.

Income Based Approach: We also may use a discounted cash flow analysis to estimate the fair value of the investment. Projected cash flows represent the relevant security's contractual interest, fee and principal payments plus the assumption of full principal recovery at the investment's expected maturity date. These cash flows are discounted at a rate established utilizing a yield calibration approach, which incorporates changes in the credit quality (as measured by relevant statistics) of the portfolio company, as compared to changes in the yield associated with

comparable credit quality market indices, between the date of origination and the valuation date. Significant increases or decreases in the discount rate would result in a decrease or increase in the fair value measurement. In applying the income based approach as of March 31, 2018, we used the discount ranges set forth in the table below to value investments in our portfolio companies.

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The unobservable inputs used in the fair value measurement of our Level III investments as of March 31, 2018 were as follows:

| (in thousands) | | Range | | | | | |
|------------------|---------------------------------|--------------------------|--------------------------|------------------|--------|------------------|-------|
| Type | Fair Value as of March 31, 2018 | Approach | Unobservable Input | Low | High | Weighted Average | |
| First lien | \$424,391 | Market & income approach | EBITDA multiple | 2.0x | 20.0x | 11.6x | |
| | | | Revenue multiple | 1.3x | 6.0x | 3.2x | |
| | | | Discount rate | 7.0 % | 12.3 % | 9.5 % | |
| Second lien | 145,485 79,515 247,912 | Market quote | Broker quote | N/A | N/A | N/A | |
| | | | Other | N/A(1) | N/A | N/A | |
| | | | Market & income approach | EBITDA multiple | 7.5x | 16.8x | 12.7x |
| Revenue multiple | N/A | N/A | | N/A | | | |
| Discount rate | 9.5 % | 13.3 % | | 11.3 % | | | |
| Subordinated | 190,224 28,192 | Market quote | Broker quote | N/A | N/A | N/A | |
| | | | Market & income approach | EBITDA multiple | 4.5x | 12.3x | 9.0x |
| | | | | Revenue multiple | N/A | N/A | N/A |
| Discount rate | 8.0 % | 14.5 % | | 13.1 % | | | |
| Equity and other | 396,225 | Market & income approach | EBITDA multiple | 2.5x | 18.0x | 11.1x | |
| | | | Revenue multiple | N/A | N/A | N/A | |
| | | | Discount rate | 7.0 % | 23.2 % | 12.2 % | |
| | | Black Scholes analysis | Expected life in years | 8.0 | 8.0 | 8.0 | |
| | | | Volatility | 39.3 % | 39.3 % | 39.3 % | |
| | | | Discount rate | 3.0 % | 3.0 % | 3.0 % | |
| | \$1,513,165 | | | | | | |

(1) Fair value was determined based on transaction pricing or recent acquisition or sale as the best measure of fair value with no material changes in operations of the related portfolio company since the transaction date.

NMFC Senior Loan Program I LLC

NMFC Senior Loan Program I LLC ("SLP I") was formed as a Delaware limited liability company on May 27, 2014 and commenced operations on June 10, 2014. SLP I is a portfolio company held by us. SLP I is structured as a private investment fund, in which all of the investors are qualified purchasers, as such term is defined under the 1940 Act. Transfer of interests in SLP I is subject to restrictions and, as a result, such interests are not readily marketable. SLP I operates under a limited liability company agreement (the "SLP I Agreement") and will continue in existence until June 10, 2019, subject to earlier termination pursuant to certain terms of the SLP I Agreement. The term may be extended for up to one year pursuant to certain terms of the SLP I Agreement. SLP I had a three year re-investment period. In June 2017, the re-investment period was extended for one additional year. SLP I invests in senior secured loans issued by companies within our core industry verticals. These investments are typically broadly syndicated first lien loans.

SLP I is capitalized with \$93.0 million of capital commitments and \$265.0 million of debt from a revolving credit facility and is managed by us. Our capital commitment is \$23.0 million, representing less than 25.0% ownership, with third party investors representing the remaining capital commitments. As of March 31, 2018, SLP I had total investments with an aggregate fair value of approximately \$351.5 million, debt outstanding of \$235.4 million and capital that had been called and funded of \$93.0 million. As of December 31, 2017, SLP I had total investments with an aggregate fair value of approximately \$348.7 million, debt outstanding of \$223.7 million and capital that had been called and funded of \$93.0 million. Our investment in SLP I is disclosed on our Consolidated Schedule of Investments as of March 31, 2018 and December 31, 2017.

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We, as an investment adviser registered under the Advisers Act, act as the collateral manager to SLP I and are entitled to receive a management fee for our investment management services provided to SLP I. As a result, SLP I is classified as our affiliate. No management fee is charged on our investment in SLP I in connection with the administrative services provided to SLP I. For the three months ended March 31, 2018 and March 31, 2017, we earned approximately \$0.3 million and \$0.3 million, respectively, in management fees related to SLP I, which is included in other income. As of March 31, 2018 and December 31, 2017, approximately \$0.6 million and \$0.3 million, respectively, of management fees related to SLP I was included in receivable from affiliates. For the three months ended March 31, 2018 and March 31, 2017, we earned approximately \$0.8 million and \$1.0 million, respectively, of dividend income related to SLP I, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$0.9 million and \$0.8 million, respectively, of dividend income related to SLP I was included in interest and dividend receivable.

NMFC Senior Loan Program II LLC

NMFC Senior Loan Program II LLC ("SLP II") was formed as a Delaware limited liability company on March 9, 2016 and commenced operations on April 12, 2016. SLP II is structured as a private joint venture investment fund between us and SkyKnight Income, LLC ("SkyKnight") and operates under a limited liability company agreement (the "SLP II Agreement"). The purpose of the joint venture is to invest primarily in senior secured loans issued by portfolio companies within our core industry verticals. These investments are typically broadly syndicated first lien loans. All investment decisions must be unanimously approved by the board of managers of SLP II, which has equal representation from us and SkyKnight. SLP II has a three year investment period and will continue in existence until April 12, 2021. The term may be extended for up to one year pursuant to certain terms of the SLP II Agreement. SLP II is capitalized with equity contributions which were called from its members, on a pro-rata basis based on their equity commitments, as transactions were completed. Any decision by SLP II to call down on capital commitments required approval by the board of managers of SLP II. As of March 31, 2018, we and SkyKnight have committed and contributed \$79.4 million and \$20.6 million, respectively, of equity to SLP II. Our investment in SLP II is disclosed on our Consolidated Schedule of Investments as of March 31, 2018 and December 31, 2017.

On April 12, 2016, SLP II closed its \$275.0 million revolving credit facility with Wells Fargo Bank, National Association, which matures on April 12, 2021 and bears interest at a rate of LIBOR plus 1.75% per annum. Effective April 1, 2018, SLP II's revolving credit facility will bear interest at a rate of LIBOR plus 1.60% per annum. As of March 31, 2018 and December 31, 2017, SLP II had total investments with an aggregate fair value of approximately \$372.1 million and \$382.5 million, respectively, and debt outstanding under its credit facility of \$255.1 million and \$266.3 million, respectively. As of March 31, 2018 and December 31, 2017, none of SLP II's investments were on non-accrual. Additionally, as of March 31, 2018 and December 31, 2017, SLP II had unfunded commitments in the form of delayed draws of \$5.9 million and \$4.9 million, respectively. Below is a summary of SLP II's portfolio, along with a listing of the individual investments in SLP II's portfolio as of March 31, 2018 and December 31, 2017:

| (in thousands) | March 31, 2018 | December 31, 2017 |
|--|-------------------|----------------------|
| First lien investments (1) | 376,233 | 386,100 |
| Weighted average interest rate on first lien investments (2) | 6.36 % | 6.05 % |
| Number of portfolio companies in SLP II | 32 | 35 |
| Largest portfolio company investment (1) | 17,281 | 17,369 |
| Total of five largest portfolio company investments (1) | 79,442 | 81,728 |

(1) Reflects principal amount or par value of investments.

(2) Computed as the all in interest rate in effect on accruing investments divided by the total principal amount of investments.

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The following table is a listing of the individual investments in SLP II's portfolio as of March 31, 2018:

| Portfolio Company and Type of Investment | Industry | Interest Rate (1) | Maturity Date | Principal Amount or Par Value (in thousands) | Cost (in thousands) | Fair Value (2) (in thousands) |
|---|--------------------------|-------------------|---------------|--|---------------------|-------------------------------|
| Funded Investments - First lien: | | | | | | |
| Access CIG, LLC | Business Services | 5.63% (L + 3.75%) | 2/27/2025 | \$ 8,273 | \$ 8,232 | \$ 8,379 |
| ADG, LLC | Healthcare Services | 6.63% (L + 4.75%) | 9/28/2023 | 16,991 | 16,852 | 16,736 |
| ASG Technologies Group, Inc. | Software | 5.38% (L + 3.50%) | 7/31/2024 | 7,463 | 7,428 | 7,490 |
| AVSC Holding Corp. | Business Services | 5.13% (L + 3.25%) | 3/3/2025 | 1,500 | 1,496 | 1,503 |
| Beaver-Visitec International Holdings, Inc. | Healthcare Products | 7.30% (L + 5.00%) | 8/21/2023 | 14,775 | 14,656 | 14,849 |
| DigiCert, Inc. | Business Services | 6.52% (L + 4.75%) | 10/31/2024 | 10,000 | 9,952 | 10,129 |
| FPC Holdings, Inc. | Distribution & Logistics | 5.88% (L + 4.50%) | 11/18/2022 | 15,000 | 14,550 | 14,681 |
| Globallogic Holdings Inc. | Business Services | 6.05% (L + 3.75%) | 6/20/2022 | 9,677 | 9,615 | 9,762 |
| Greenway Health, LLC | Software | 6.55% (L + 4.25%) | 2/16/2024 | 14,887 | 14,823 | 15,036 |
| Idera, Inc. | Software | 6.38% (L + 4.50%) | 6/28/2024 | 12,588 | 12,472 | 12,729 |
| J.D. Power (fka J.D. Power and Associates) | Business Services | 6.55% (L + 4.25%) | 9/7/2023 | 13,324 | 13,276 | 13,390 |
| Keystone Acquisition Corp. | Healthcare Services | 7.55% (L + 5.25%) | 5/1/2024 | 5,373 | 5,325 | 5,407 |
| LSCS Holdings, Inc. | Healthcare Services | 6.40% (L + 4.25%) | 3/17/2025 | 4,400 | 4,378 | 4,389 |
| Market Track, LLC | Business Services | 6.55% (L + 4.25%) | 6/5/2024 | 11,910 | 11,856 | 11,940 |
| Medical Solutions Holdings, Inc. | Healthcare Services | 5.63% (L + 3.75%) | 6/14/2024 | 6,965 | 6,933 | 6,998 |
| Ministry Brands, LLC | Software | 6.88% (L + 5.00%) | 12/2/2022 | 2,132 | 2,123 | 2,132 |
| Ministry Brands, LLC | Software | 6.88% (L + 5.00%) | 12/2/2022 | 7,748 | 7,717 | 7,748 |
| Navex Global, Inc. | Software | 6.13% (L + 4.25%) | 11/19/2021 | 14,859 | 14,695 | 14,924 |
| Navicure, Inc. | Healthcare Services | 5.63% (L + 3.75%) | 11/1/2024 | 14,962 | 14,891 | 15,056 |
| OEConnection LLC | Business Services | 6.46% (L + 4.00%) | 11/22/2024 | 14,963 | 14,890 | 15,056 |
| Pathway Partners Vet Management Company LLC | Consumer Services | 6.13% (L + 4.25%) | 10/10/2024 | 1,878 | 1,868 | 1,882 |
| | | | 10/10/2024 | 6,945 | 6,913 | 6,963 |

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|--|---------------------|-------------------|------------|------------|------------|------------|--|
| Pathway Partners Vet Management Company LLC | Consumer Services | 6.13% (L + 4.25%) | | | | | |
| Peraton Corp. (fka MHVC Acquisition Corp.) | Federal Services | 7.56% (L + 5.25%) | 4/29/2024 | 10,421 | 10,375 | 10,499 | |
| Poseidon Intermediate, LLC | Software | 6.13% (L + 4.25%) | 8/15/2022 | 14,852 | 14,849 | 14,926 | |
| Project Accelerate Parent, LLC | Business Services | 5.94% (L + 4.25%) | 1/2/2025 | 15,000 | 14,927 | 15,131 | |
| PSC Industrial Holdings Corp. | Industrial Services | 6.04% (L + 4.25%) | 10/11/2024 | 10,474 | 10,375 | 10,578 | |
| Quest Software US Holdings Inc. | Software | 7.27% (L + 5.50%) | 10/31/2022 | 9,899 | 9,780 | 10,095 | |
| Salient CRGT Inc. | Federal Services | 7.63% (L + 5.75%) | 2/28/2022 | 14,076 | 13,962 | 14,252 | |
| Severin Acquisition, LLC | Software | 6.64% (L + 4.75%) | 7/30/2021 | 14,850 | 14,793 | 14,999 | |
| Shine Acquisition Co. S.a.r.l./ Boing US Holdco Inc. | Consumer Services | 5.29% (L + 3.50%) | 10/3/2024 | 14,962 | 14,927 | 15,047 | |
| Sierra Acquisition Inc. | Food & Beverage | 6.13% (L + 4.25%) | 11/11/2024 | 3,741 | 3,723 | 3,772 | |
| WP CityMD Bidco LLC | Healthcare Services | 6.30% (L + 4.00%) | 6/7/2024 | 14,925 | 14,891 | 15,009 | |
| YI, LLC | Healthcare Services | 6.30% (L + 4.00%) | 11/7/2024 | 1,103 | 1,111 | 1,109 | |
| YI, LLC | Healthcare Services | 6.30% (L + 4.00%) | 11/7/2024 | 12,130 | 12,119 | 12,190 | |
| Zywave, Inc. | Software | 7.18% (L + 5.00%) | 11/17/2022 | 17,281 | 17,212 | 17,281 | |
| Total Funded Investments | | | | \$ 370,327 | \$ 367,985 | \$ 372,067 | |
| Unfunded Investments - First lien: | | | | | | | |
| Access CIG, LLC | Business Services | — | 8/27/2018 | \$ 1,727 | \$— | \$ 22 | |
| LSCS Holdings, Inc. | Healthcare Services | — | 9/17/2018 | 1,100 | (6) | (3) | |
| Pathway Partners Vet Management Company LLC | Consumer Services | — | 10/10/2019 | 1,142 | (6) | 3 | |
| YI, LLC | Healthcare Services | — | 11/7/2018 | 1,937 | (10) | 10 | |
| Total Unfunded Investments | | | | \$ 5,906 | \$(22) | \$ 32 | |
| | | | | \$ 376,233 | \$ 367,963 | \$ 372,099 | |

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear (1) interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of March 31, 2018. (2) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

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The following table is a listing of the individual investments in SLP II's portfolio as of December 31, 2017:

| Portfolio Company and Type of Investment | Industry | Interest Rate (1) | Maturity Date | Principal Amount or Par Value (in thousands) | Cost (in thousands) | Fair Value (2) (in thousands) |
|---|---------------------|-------------------|---------------|---|------------------------|----------------------------------|
| Funded Investments - First lien | | | | | | |
| ADG, LLC | Healthcare Services | 6.32% (L + 4.75%) | 9/28/2023 | \$ 17,034 | \$ 16,890 | \$ 16,779 |
| ASG Technologies Group, Inc. | Software | 6.32% (L + 4.75%) | 7/31/2024 | 7,481 | 7,446 | 7,547 |
| Beaver-Visitec International Holdings, Inc. | Healthcare Products | 6.69% (L + 5.00%) | 8/21/2023 | 14,812 | 14,688 | 14,813 |
| DigiCert, Inc. | Business Services | 6.13% (L + 4.75%) | 10/31/2024 | 10,000 | 9,951 | 10,141 |
| Emerald 2 Limited | Business Services | 5.69% (L + 4.00%) | 5/14/2021 | 1,266 | 1,211 | 1,267 |
| Evo Payments International, LLC | Business Services | 5.57% (L + 4.00%) | 12/22/2023 | 17,369 | 17,292 | 17,492 |
| Explorer Holdings, Inc. | Healthcare Services | 5.13% (L + 3.75%) | 5/2/2023 | 2,940 | 2,917 | 2,973 |
| Globallogic Holdings Inc. | Business Services | 6.19% (L + 4.50%) | 6/20/2022 | 9,677 | 9,611 | 9,755 |
| Greenway Health, LLC | Software | 5.94% (L + 4.25%) | 2/16/2024 | 14,925 | 14,858 | 15,074 |
| Idera, Inc. | Software | 6.57% (L + 5.00%) | 6/28/2024 | 12,619 | 12,499 | 12,556 |
| J.D. Power (fka J.D. Power and Associates) | Business Services | 5.94% (L + 4.25%) | 9/7/2023 | 13,357 | 13,308 | 13,407 |
| Keystone Acquisition Corp. | Healthcare Services | 6.94% (L + 5.25%) | 5/1/2024 | 5,386 | 5,336 | 5,424 |
| Market Track, LLC | Business Services | 5.94% (L + 4.25%) | 6/5/2024 | 11,940 | 11,884 | 11,940 |
| McGraw-Hill Global Education Holdings, LLC | Education | 5.57% (L + 4.00%) | 5/4/2022 | 9,850 | 9,813 | 9,844 |
| Medical Solutions Holdings, Inc. | Healthcare Services | 5.82% (L + 4.25%) | 6/14/2024 | 6,965 | 6,932 | 7,043 |
| Ministry Brands, LLC | Software | 6.38% (L + 5.00%) | 12/2/2022 | 2,138 | 2,128 | 2,138 |
| Ministry Brands, LLC | Software | 6.38% (L + 5.00%) | 12/2/2022 | 7,768 | 7,735 | 7,768 |
| Navex Global, Inc. | Software | 5.82% (L + 4.25%) | 11/19/2021 | 14,897 | 14,724 | 14,971 |
| Navicure, Inc. | Healthcare Services | 5.11% (L + 3.75%) | 11/1/2024 | 15,000 | 14,926 | 15,000 |
| OEConnection LLC | Business Services | 5.69% (L + 4.00%) | 11/22/2024 | 15,000 | 14,925 | 14,981 |
| Pathway Partners Vet Management Company LLC | Consumer Services | 5.82% (L + 4.25%) | 10/10/2024 | 6,963 | 6,929 | 6,980 |
| | | | 10/10/2024 | 291 | 290 | 292 |

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|---|--|-------------------|------------|----------|------------|------------|------------|
| Pathway Partners Vet Management Company LLC | Consumer Services | 5.82% (L + 4.25%) | | | | | |
| Peraton Corp. (fka MHVC Acquisition Corp.) | Federal Services | 6.95% (L + 5.25%) | 4/29/2024 | 10,448 | 10,399 | 10,526 | |
| Poseidon Intermediate, LLC | Software | 5.82% (L + 4.25%) | 8/15/2022 | 14,881 | 14,877 | 14,955 | |
| Project Accelerate Parent, LLC | Business Services | 5.94% (L + 4.25%) | 1/2/2025 | 15,000 | 14,925 | 15,038 | |
| PSC Industrial Holdings Corp. | Industrial Services | 5.71% (L + 4.25%) | 10/11/2024 | 10,500 | 10,398 | 10,500 | |
| Quest Software US Holdings Inc. | Software | 6.92% (L + 5.50%) | 10/31/2022 | 9,899 | 9,775 | 10,071 | |
| Salient CRGT Inc. | Federal Services | 7.32% (L + 5.75%) | 2/28/2022 | 14,433 | 14,310 | 14,559 | |
| Severin Acquisition, LLC | Software | 6.32% (L + 4.75%) | 7/30/2021 | 14,888 | 14,827 | 14,813 | |
| Shine Acquisitoin Co. S.à.r.l / Boing US Holdco Inc. | Consumer Services | 4.88% (L + 3.50%) | 10/3/2024 | 15,000 | 14,964 | 15,108 | |
| Sierra Acquisition, Inc. | Food & Beverage Distribution & Logistics | 5.68% (L + 4.25%) | 11/11/2024 | 3,750 | 3,731 | 3,789 | |
| TMK Hawk Parent, Corp. | Distribution & Logistics | 4.88% (L + 3.50%) | 8/28/2024 | 1,671 | 1,667 | 1,686 | |
| University Support Services LLC (St. George's University Scholastic Services LLC) | Education | 5.82% (L + 4.25%) | 7/6/2022 | 1,875 | 1,875 | 1,900 | |
| Vencore, Inc. (fka SI Organization, Inc., The) | Federal Services | 6.44% (L + 4.75%) | 11/23/2019 | 10,686 | 10,673 | 10,835 | |
| WP CityMD Bidco LLC | Healthcare Services | 5.69% (L + 4.00%) | 6/7/2024 | 14,963 | 14,928 | 15,009 | |
| YI, LLC | Healthcare Services | 5.69% (L + 4.00%) | 11/7/2024 | 8,240 | 8,204 | 8,230 | |
| Zywave, Inc. | Software | 6.61% (L + 5.00%) | 11/17/2022 | 17,325 | 17,252 | 17,325 | |
| Total Funded Investments | | | | | \$ 381,237 | \$ 379,098 | \$ 382,529 |
| Unfunded Investments - First lien | | | | | | | |
| Pathway Partners Vet Management Company LLC | Consumer Services | — | 10/10/2019 | \$ 2,728 | \$(14) | \$ 7 | |
| TMK Hawk Parent, Corp. | Distribution & Logistics | — | 3/28/2018 | 75 | — | 1 | |
| YI, LLC | Healthcare Services | — | 11/7/2018 | 2,060 | (9) | (3) | |
| Total Unfunded Investments | | | | | \$ 4,863 | \$(23) | \$ 5 |
| Total Investments | | | | | \$ 386,100 | \$ 379,075 | \$ 382,534 |

All interest is payable in cash unless otherwise indicated. A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to the LIBOR (L), the Prime Rate (P) and the alternative base rate (Base). For each investment, the current interest rate provided reflects the rate in effect as of December 31, 2017.

(1) Represents the fair value in accordance with ASC 820. Our board of directors does not determine the fair value of the investments held by SLP II.

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Below is certain summarized financial information for SLP II as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and March 31, 2017:

| Selected Balance Sheet Information: | March 31, 2018 (in thousands) | December 31, 2017 (in thousands) |
|---|--|---|
| Investments at fair value (cost of \$367,963 and \$379,075, respectively) | \$372,099 | \$ 382,534 |
| Receivable from unsettled securities sold | 19,466 | — |
| Cash and other assets | 7,585 | 8,065 |
| Total assets | \$399,150 | \$ 390,599 |
| Credit facility | \$255,070 | \$ 266,270 |
| Deferred financing costs | (1,818) | (1,966) |
| Payable for unsettled securities purchased | 34,636 | 15,964 |
| Distribution payable | 3,300 | 3,500 |
| Other liabilities | 3,191 | 2,891 |
| Total liabilities | 294,379 | 286,659 |
| Members' capital | \$ 104,771 | \$ 103,940 |
| Total liabilities and members' capital | \$399,150 | \$ 390,599 |

| Selected Statement of Operations Information: | Three Months Ended | |
|---|--|--|
| | March 31, 2018 (in thousands) | March 31, 2017 (in thousands) |
| Interest income | \$5,630 | \$ 5,173 |
| Other income | 22 | 214 |
| Total investment income | 5,652 | 5,387 |
| Interest and other financing expenses | 2,428 | 1,849 |
| Other expenses | 224 | 162 |
| Total expenses | 2,652 | 2,011 |
| Net investment income | 3,000 | 3,376 |

| | | |
|---|---------|----------|
| Net realized gains on investments | 453 | 1,108 |
| Net change in unrealized appreciation (depreciation) of investments | 677 | (106) |
| Net increase in members' capital | \$4,130 | \$ 4,378 |

For the three months ended March 31, 2018 and March 31, 2017, we earned approximately \$2.6 million and \$3.4 million, respectively, of dividend income related to SLP II, which is included in dividend income. As of March 31, 2018 and December 31, 2017, approximately \$2.6 million and \$2.8 million, respectively, of dividend income related to SLP II was included in interest and dividend receivable.

We have determined that SLP II is an investment company under ASC 946; however, in accordance with such guidance we will generally not consolidate our investment in a company other than a wholly-owned investment company subsidiary. Furthermore, Accounting Standards Codification Topic 810, Consolidation, concludes that in a joint venture where both members have equal decision making authority, it is not appropriate for one member to consolidate the joint venture since neither has control. Accordingly, we do not consolidate SLP II.

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New Mountain Net Lease Corporation

NMNLC was formed to acquire commercial real properties that are subject to "triple net" leases. NMNLC's investments are disclosed on our Consolidated Schedule of Investments as of March 31, 2018.

Below is certain summarized property information for NMNLC as of March 31, 2018:

| Portfolio Company | Tenant | Lease Expiration Date | Location | Total Square Feet (in thousands) | Fair Value as of March 31, 2018 (in thousands) |
|---------------------|--------------------------------------|-----------------------|--|----------------------------------|--|
| NM GLCR LLC | Artic Glacier U.S.A. | 2/28/2038 | Los Angeles, CA/ San Diego, CA/ Bakersfield, CA/ East Bay, CA | 214 | \$ 14,750 |
| NM CLFX LP | Victor Equipment Company | 08/31/2033 | Denton, TX | 423 | 12,538 |
| NM KRLN LLC | Kirlin Group, LLC | 6/30/2029 | Rockville, MD | 95 | 8,328 |
| NM APP Canada Corp. | A.P. Plasman, Inc. | 9/30/2031 | Ontario, Canada | 436 | 8,234 |
| NM DRVT LLC | FMH Conveyors, LLC | 10/31/2031 | Jonesboro, AR | 195 | 5,446 |
| NM APP US LLC | Plasman Corp, LLC / A-Brite LP | 9/30/2033 | Fort Payne, AL/Cleveland, OH | 261 | 5,206 |
| NM JRA LLC | J.R. Automation Technologies, LLC | 1/31/2031 | Holland, MI | 88 | 2,215 |
| | | | | | \$ 56,717 |

Collateralized agreements or repurchase financings

We follow the guidance in Accounting Standards Codification Topic 860, Transfers and Servicing—Secured Borrowing and Collateral, (“ASC 860”) when accounting for transactions involving the purchases of securities under collateralized agreements to resell (resale agreements). These transactions are treated as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts, as specified in the respective agreements. Interest on collateralized agreements is accrued and recognized over the life of the transaction and included in interest income. As of March 31, 2018 and December 31, 2017, we held one collateralized agreement to resell with a cost basis of \$30.0 million and \$30.0 million, respectively, and a carrying value of \$25.2 million and \$25.2 million, respectively. The collateralized agreement to resell is guaranteed by a private hedge fund. The private hedge fund is currently in liquidation under the laws of the Cayman Islands. Pursuant to the terms of the collateralized agreement, the private hedge fund was obligated to repurchase the collateral from us at the par value of the collateralized agreement. The private hedge fund has breached its agreement to repurchase the collateral under the collateralized agreement. A claim has been filed with the Cayman Islands joint official liquidators to resolve this matter.

Revenue Recognition

Sales and paydowns of investments: Realized gains and losses on investments are determined on the specific identification method.

Interest and dividend income: Interest income, including amortization of premium and discount using the effective interest method, is recorded on the accrual basis and periodically assessed for collectability. Interest income also includes interest earned from cash on hand. Upon the prepayment of a loan or debt security, any prepayment penalties are recorded as part of interest income. We have loans and certain preferred equity investments in the portfolio that contain a payment-in-kind (“PIK”) interest or dividend provision. PIK interest and dividends are accrued and recorded as income at the contractual rates, if deemed collectible. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and generally due at maturity or when redeemed by the issuer. The PIK interest and dividends are added to the principal or share balances on the capitalization dates and are generally due at maturity or when redeemed by the issuer. For the three months ended March 31, 2018 and March 31, 2017, we

recognized PIK and non-cash interest from investments of \$1.7 million and \$0.9 million, respectively, and PIK and non-cash dividends from investments of \$6.8 million and \$1.5 million, respectively.

Dividend income on common equity is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. Dividend income on preferred securities is recorded as dividend income on an accrual basis to the extent that such amounts are deemed collectible.

Non-accrual income: Investments are placed on non-accrual status when principal or interest payments are past due for 30 days or more and when there is reasonable doubt that principal or interest will be collected. Accrued cash and un-capitalized PIK interest or dividends are reversed when an investment is placed on non-accrual status. Previously capitalized

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PIK interest or dividends are not reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual investments may be recognized as income or applied to principal depending upon management's judgment of the ultimate outcome. Non-accrual investments are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current.

Other income: Other income represents delayed compensation, consent or amendment fees, revolver fees, structuring fees, upfront fees, management fees from a non-controlled/affiliated investment and other miscellaneous fees received and are typically non-recurring in nature. Delayed compensation is income earned from counterparties on trades that do not settle within a set number of business days after trade date. Other income may also include fees from bridge loans. We may from time to time enter into bridge financing commitments, an obligation to provide interim financing to a counterparty until permanent credit can be obtained. These commitments are short-term in nature and may expire unfunded. A fee is received for providing such commitments. Structuring fees and upfront fees are recognized as income when earned, usually when paid at the closing of the investment, and are non-refundable.

Monitoring of Portfolio Investments

We monitor the performance and financial trends of our portfolio companies on at least a quarterly basis. We attempt to identify any developments within the portfolio company, the industry or the macroeconomic environment that may alter any material element of our original investment strategy.

We use an investment rating system to characterize and monitor the credit profile and expected level of returns on each investment in the portfolio. We use a four-level numeric rating scale as follows:

Investment Rating 1—Investment is performing materially above expectations;

Investment Rating 2—Investment is performing materially in-line with expectations. All new loans are rated 2 at initial purchase;

Investment Rating 3—Investment is performing materially below expectations and while significant loss is not expected, the risk of loss has increased since the original investment; and

Investment Rating 4—Investment is performing substantially below expectations and risks have increased substantially since the original investment. Payments may be delinquent. There is meaningful possibility that we will not recoup our original cost basis in the investment and may realize a substantial loss upon exit.

The following table shows the distribution of our investments on the 1 to 4 investment rating scale at fair value as of March 31, 2018:

| (in millions) | March 31, 2018 | | |
|---------------------|----------------|---------|---|
| Investment Rating | Fair Value | Percent | |
| Investment Rating 1 | \$172.2 | 8.7 | % |
| Investment Rating 2 | 1,805.2 | 91.3 | % |
| Investment Rating 3 | — | — | % |
| Investment Rating 4 | 0.5 | — | % |
| | \$1,977.9 | 100.0 | % |

As of March 31, 2018, all investments in our portfolio had an Investment Rating of 1 or 2 with the exception of two portfolio companies that had an Investment Rating of 4.

During the first quarter of 2018, we placed our first lien positions in Education Management II LLC on non-accrual status as the portfolio company announced its intention to wind down and liquidate the business. Our first lien positions and our preferred and commons shares in Education Management Corporation ("EDMC") have an investment rating of 4. As of March 31, 2018, our investments in EDMC had an aggregate cost basis of \$1.5 million, an aggregate fair value of \$0.1 million and total unearned interest income of less than \$0.1 million for the three months then ended.

Our preferred shares and warrants in Ancora Acquisition LLC ("Ancora") have an investment rating of 4. As of March 31, 2018, our investments in Ancora had an aggregate cost basis of \$0.1 million and an aggregate fair value of \$0.4 million.

Portfolio and Investment Activity

The fair value of our investments was approximately \$1,977.9 million in 89 portfolio companies at March 31, 2018 and approximately \$1,825.7 million in 84 portfolio companies at December 31, 2017.

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The following table shows our portfolio and investment activity for the three months ended March 31, 2018 and March 31, 2017:

| (in millions) | Three Months Ended | |
|--|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| New investments in 21 and 24 portfolio companies, respectively | \$237.8 | \$ 349.4 |
| Debt repayments in existing portfolio companies | 84.0 | 99.1 |
| Sales of securities in 1 and 8 portfolio companies, respectively | 3.1 | 34.7 |
| Change in unrealized appreciation on 22 and 42 portfolio companies, respectively | 5.0 | 13.3 |
| Change in unrealized depreciation on 61 and 32 portfolio companies, respectively | (7.2) | (7.1) |
| Recent Accounting Standards Updates | | |

See Item 1.—Financial Statements—Note 13. Recent Accounting Standards for details on recent accounting standards updates.

Results of Operations for the Three Months Ended March 31, 2018 and March 31, 2017

| (in thousands) | Three Months Ended | |
|-------------------------|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Interest income | \$36,739 | \$ 33,998 |
| Total dividend income | 12,357 | 6,733 |
| Other income | 3,793 | 2,576 |
| Total investment income | \$52,889 | \$ 43,307 |

Our total investment income increased by approximately \$9.6 million for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. For the three months ended March 31, 2018, total investment income of \$52.9 million consisted of approximately \$32.8 million in cash interest from investments, approximately \$1.7 million in PIK and non-cash interest from investments, approximately \$1.3 million in prepayment fees, net amortization of purchase premiums and discounts of approximately \$0.9 million, approximately \$5.6 million in cash dividends from investments, \$6.8 million in PIK and non-cash dividends from investments and approximately \$3.8 million in other income. The 22% increase in total investment income primarily results from increased interest income due to rising LIBOR rates and prepayment fees from three different portfolio companies. The increase in dividend income of approximately \$5.6 million during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 was attributable to PIK and non-cash dividend income from five equity positions. The increase of approximately \$1.2 million of other income during the three months ended March 31, 2018, which represents fees that are generally non-recurring in nature, was primarily attributable to upfront, amendment and consent fees from twelve different portfolio companies.

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Operating Expenses

| (in thousands) | Three Months Ended | |
|---|-----------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Management fee | \$8,692 | \$7,614 |
| Less: management fee waiver | (1,322) | (1,356) |
| Total management fee | 7,370 | 6,258 |
| Incentive fee | 6,434 | 5,408 |
| Less: incentive fee waiver | — | (1,800) |
| Total incentive fee | 6,434 | 3,608 |
| Interest and other financing expenses | 11,290 | 8,376 |
| Professional fees | 694 | 850 |
| Administrative expenses | 939 | 708 |
| Other general and administrative expenses | 410 | 466 |
| Total expenses | 27,137 | 20,266 |
| Less: expenses waived and reimbursed | — | (470) |
| Net expenses before income taxes | 27,137 | 19,796 |
| Income tax expense | 16 | 80 |
| Net expenses after income taxes | \$27,153 | \$19,876 |

Our total net operating expenses increased by approximately \$7.3 million for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. Our management fee increased by approximately \$1.1 million, net of a management fee waiver, and our incentive fees increased by approximately \$2.8 million, net of an incentive fee waiver, for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. The increase in management fees and incentive fees from the three months ended March 31, 2017 to the three months ended March 31, 2018 was attributable to larger invested balances, driven by the proceeds from our April 2017 primary offering of our common stock, our unsecured notes issuances, our January 2018 unsecured notes issuance and our use of leverage from our revolving credit facilities and SBA-guaranteed debentures to originate new investments. Additionally, no incentive fees were waived for the three months ended March 31, 2018 as compared to an incentive fee waiver of \$1.8 million for the three months ended March 31, 2017.

Interest and other financing expenses increased by approximately \$2.9 million during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017, primarily due to our issuances of unsecured notes and higher drawn balances on our SBA-guaranteed debentures and NMFC Credit Facility (as defined below). Our total professional fees, total administrative expenses and total other general and administrative expenses remained relatively flat for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017.

Net Realized Gains (Losses) and Net Change in Unrealized Appreciation (Depreciation)

| (in thousands) | Three Months Ended | |
|---|-----------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Net realized gains on investments | \$206 | \$ 826 |
| Net change in unrealized (depreciation) appreciation of investments | (2,168) | 6,205 |
| Net change in unrealized (depreciation) appreciation securities purchased under collateralized agreements to resell | (12) | (800) |
| Benefit for taxes | 82 | 755 |
| Net realized and unrealized gains (losses) | \$(1,892) | \$ 6,986 |

Our net realized gains and unrealized losses resulted in a net loss of approximately \$1.9 million for the three months ended March 31, 2018 compared to net realized and unrealized gains resulting in a net gain of approximately \$7.0 million for the same period in 2017. As movement in unrealized appreciation or depreciation can be the result of

realizations, we look at net realized and unrealized gains or losses together. The net loss for the three months ended March 31, 2018 was primarily driven by the overall decrease in the market prices of our investments during the period. The benefit for income taxes was attributable to equity investments that are held as of March 31, 2018 in three of our corporate subsidiaries. The net gain for the three months ended March 31, 2017 was primarily driven by the overall increase in the market prices of our investments during the period.

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Liquidity and Capital Resources

The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes. Since our IPO, and through March 31, 2018, we raised approximately \$614.6 million in net proceeds from additional offerings of our common stock.

Our liquidity is generated and generally available through advances from the revolving credit facilities, from cash flows from operations, and, we expect, through periodic follow-on equity offerings. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 200.0% (or 150.0%, if certain requirements), are met after such borrowing.

At March 31, 2018 and December 31, 2017, we had cash and cash equivalents of approximately \$29.6 million and \$34.9 million, respectively. Our cash used in operating activities during the three months ended March 31, 2018 and March 31, 2017 was approximately \$83.8 million and \$141.8 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Borrowings

Holdings Credit Facility—On December 18, 2014, we entered into the Second Amended and Restated Loan and Security Agreement, among us, as the Collateral Manager, NMF Holdings, as the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent and Wells Fargo Bank, National Association, as the Lender and Collateral Custodian, which is structured as a revolving credit facility and matures on December 18, 2019. On October 24, 2017 we entered into the Third Amended and Restated Loan and Security Agreement (the "Holdings Credit Facility"), among us as the Collateral Manager, NMF Holdings as the Borrower and Wells Fargo Bank, National Association as the Administrative Agent and Collateral Custodian, which extended the maturity date to October 24, 2022.

The maximum amount of revolving borrowings available under the Holdings Credit Facility is \$495.0 million. Under the Holdings Credit Facility, NMF Holdings is permitted to borrow up to 25.0%, 45.0% or 70.0% of the purchase price of pledged assets, subject to approval by Wells Fargo Bank, National Association as Administrative Agent. The Holdings Credit Facility is non-recourse to us and is collateralized by all of the investments of NMF Holdings on an investment by investment basis. All fees associated with the origination or upsizing of the Holdings Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the Holdings Credit Facility. The Holdings Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Holdings Credit Facility requires us to maintain a minimum asset coverage ratio. The covenants are generally not tied to mark to market fluctuations in the prices of NMF Holdings investments, but rather to the performance of the underlying portfolio companies.

The Holdings Credit Facility bears interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.50% per annum for all other investments. Effective April 1, 2018, the Holdings Credit Facility will bear interest at a rate of LIBOR plus 1.75% per annum for Broadly Syndicated Loans (as defined in the Loan and Security Agreement) and LIBOR plus 2.25% per annum for all other investments. The Holdings Credit Facility also charges a non-usage fee, based on the unused facility amount multiplied by the Non-Usage Fee Rate (as defined in the Loan and Security Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the Holdings Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

| (in millions) | Three Months Ended | |
|------------------|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$3.1 | \$2.7 |
| Non-usage fee | \$0.2 | \$0.2 |

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| | | | | |
|---------------------------------|---------|---|---------|---|
| Amortization of financing costs | \$0.6 | | \$0.4 | |
| Weighted average interest rate | 3.9 | % | 3.1 | % |
| Effective interest rate | 5.0 | % | 3.9 | % |
| Average debt outstanding | \$322.9 | | \$346.0 | |

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As of March 31, 2018 and December 31, 2017, the outstanding balance on the Holdings Credit Facility was \$355.7 million and \$312.4 million, respectively, and NMF Holdings was in compliance with the applicable covenants in the Holdings Credit Facility on such dates.

NMFC Credit Facility—The Senior Secured Revolving Credit Agreement, as amended (together with the related guarantee and security agreement, the "NMFC Credit Facility"), dated June 4, 2014, among us, as the Borrower, Goldman Sachs Bank USA, as the Administrative Agent and Collateral Agent, and Goldman Sachs Bank USA, Morgan Stanley Bank, N.A. and Stifel Bank & Trust, as Lenders, is structured as a senior secured revolving credit facility and matures on June 4, 2019. On February 27, 2018, we entered into an amendment to the NMFC Credit Facility which extended the maturity date to June 4, 2022. The NMFC Credit Facility is guaranteed by certain of our domestic subsidiaries and proceeds from the NMFC Credit Facility may be used for general corporate purposes, including the funding of portfolio investments.

As of March 31, 2018, the maximum amount of revolving borrowings available under the NMFC Credit Facility was \$150.0 million. We are permitted to borrow at various advance rates depending on the type of portfolio investment as outlined in the Senior Secured Revolving Credit Agreement. All fees associated with the origination of the NMFC Credit Facility are capitalized on our Consolidated Statement of Assets and Liabilities and charged against income as other financing expenses over the life of the NMFC Credit Facility. The NMFC Credit Facility contains certain customary affirmative and negative covenants and events of default, including certain financial covenants related to asset coverage and liquidity and other maintenance covenants.

The NMFC Credit Facility generally bears interest at a rate of LIBOR plus 2.50% per annum or the prime rate plus 1.50% per annum, and charges a commitment fee, based on the unused facility amount multiplied by 0.375% per annum (as defined in the Senior Secured Revolving Credit Agreement).

The following table summarizes the interest expense, non-usage fees and amortization of financing costs incurred on the NMFC Credit Facility for the three months ended March 31, 2018 and March 31, 2017.

| (in millions) | Three Months Ended | |
|---------------------------------|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$0.9 | \$ 0.3 |
| Non-usage fee | \$0.1 | \$ 0.1 |
| Amortization of financing costs | \$0.1 | \$ 0.1 |
| Weighted average interest rate | 4.2 % | 3.3 % |
| Effective interest rate | 5.1 % | 5.5 % |
| Average debt outstanding | \$81.7 | \$ 34.7 |

As of March 31, 2018 and December 31, 2017, the outstanding balance on the NMFC Credit Facility was \$95.0 million and \$122.5 million, respectively, and NMFC was in compliance with the applicable covenants in the NMFC Credit Facility on such dates.

Convertible Notes—On June 3, 2014, we closed a private offering of \$115.0 million aggregate principal amount of unsecured convertible notes (the "Convertible Notes"), pursuant to an indenture, dated June 3, 2014 (the "Indenture"). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). As of June 3, 2015, the restrictions under Rule 144A under the Securities Act were removed, allowing the Convertible Notes to be eligible and freely tradable without restrictions for resale pursuant to Rule 144(b)(1) under the Securities Act. On September 30, 2016, we closed a public offering of an additional \$40.3 million aggregate principal amount of the Convertible Notes. These additional Convertible Notes constitute a further issuance of, rank equally in right of payment with, and form a single series with the \$115.0 million aggregate principal amount of Convertible Notes that we issued on June 3, 2014.

The Convertible Notes bear interest at an annual rate of 5.0%, payable semi-annually in arrears on June 15 and December 15 of each year, which commenced on December 15, 2014. The Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

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The following table summarizes certain key terms related to the convertible features of our Convertible Notes as of March 31, 2018.

| | |
|---|-------------------|
| | March 31, 2018 |
| Initial conversion premium | 12.5 % |
| Initial conversion rate (1) | 62.7746 |
| Initial conversion price | \$ 15.93 |
| Conversion premium at March 31, 2018 | 11.7 % |
| Conversion rate at March 31, 2018 (1)(2) | 63.2794 |
| Conversion price at March 31, 2018 (2)(3) | \$ 15.80 |
| Last conversion price calculation date | June 3, 2017 |

(1) Conversion rates denominated in shares of common stock per \$1.0 thousand principal amount of the Convertible Notes converted.

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

(3) The conversion price in effect at March 31, 2018 was calculated on the last anniversary of the issuance and will be calculated again on the next anniversary, unless the exercise price shall have changed by more than 1.0% before the anniversary.

The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in distributions in excess of \$0.34 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in distributions, are subject to a conversion price floor of \$14.05 per share. In no event will the total number of shares of common stock issuable upon conversion exceed 71.1893 per \$1.0 thousand principal amount of the Convertible Notes. We have determined that the embedded conversion option in the Convertible Notes is not required to be separately accounted for as a derivative under GAAP. The Convertible Notes are unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries and financing vehicles. The issuance is considered part of the if-converted method for calculation of diluted earnings per share.

We may not redeem the Convertible Notes prior to maturity. No sinking fund is provided for the Convertible Notes. In addition, if certain corporate events occur, holders of the Convertible Notes may require us to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100.0% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the repurchase date.

The Indenture contains certain covenants, including covenants requiring us to provide financial information to the holders of the Convertible Note and the Trustee if we cease to be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These covenants are subject to limitations and exceptions that are described in the Indenture.

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The following table summarizes the interest expense, amortization of financing costs and amortization of premium incurred on the Convertible Notes for the three months ended March 31, 2018 and March 31, 2017.

| (in millions) | Three Months Ended | |
|---------------------------------|--------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$1.9 | \$1.9 |
| Amortization of financing costs | \$0.3 | \$0.3 |
| Amortization of premium | \$— | (1)\$— (1) |
| Effective interest rate | 5.8 % | 5.8 % |
| Average debt outstanding | \$155.3 | \$155.3 |

(1) For the three months ended March 31, 2018 and March 31, 2017, the total amortization of premium was less than \$50 thousand.

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Convertible Notes was \$155.3 million and \$155.3 million, respectively, and NMFC was in compliance with the terms of the Indenture on such dates.

Unsecured Notes—On May 6, 2016, we issued \$50.0 million in aggregate principal amount of five-year unsecured notes that mature on May 15, 2021 (the "2016 Unsecured Notes"), pursuant to a note purchase agreement, dated May 4, 2016, to an institutional investor in a private placement. On September 30, 2016, we entered into an amended and restated note purchase agreement (the "NPA") and issued an additional \$40.0 million in aggregate principal amount of 2016 Unsecured Notes to institutional investors in a private placement. On June 30, 2017, we issued \$55.0 million in aggregate principal amount of five-year unsecured notes that mature on July 15, 2022 (the "2017A Unsecured Notes"), pursuant to the NPA and a supplement to the NPA. On January 30, 2018, we issued \$90.0 million in aggregate principal amount of five year unsecured notes that mature on January 30, 2023 (the "2018A Unsecured Notes" and together with the 2016 Unsecured Notes and 2017A Unsecured Notes, the "Unsecured Notes") pursuant to the NPA and a second supplement to the NPA. The NPA provides for future issuances of Unsecured Notes in separate series or tranches. The Unsecured Notes are equal in priority with our other unsecured indebtedness, including our Convertible Notes.

The 2016 Unsecured Notes bear interest at an annual rate of 5.313%, payable semi-annually on May 15 and November 15 of each year, which commenced on November 15, 2016. The 2017A Unsecured Notes bear interest at an annual rate of 4.760%, payable semi-annually on January 15 and July 15 of each year, which commenced on January 15, 2018. The 2018A Unsecured Notes bear interest at an annual rate of 4.87%, payable semi-annually on February 15 and August 15 of each year, which commences on August 15, 2018. These interest rates are subject to increase in the event that: (i) subject to certain exceptions, the Unsecured Notes or we cease to have an investment grade rating or (ii) the aggregate amount of our unsecured debt falls below \$150.0 million. In each such event, we have the option to offer to prepay the Unsecured Notes at par, in which case holders of the Unsecured Notes who accept the offer would not receive the increased interest rate. In addition, we are obligated to offer to prepay the Unsecured Notes at par if the Investment Adviser, or an affiliate thereof, ceases to be our investment adviser or if certain change in control events occur with respect to the Investment Adviser.

The NPA contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, an option to offer to prepay all or a portion of the Unsecured Notes at par (plus a make-whole amount, if applicable), affirmative and negative covenants such as information reporting, maintenance of our status as a BDC under the 1940 Act and a RIC under the Code, minimum stockholders' equity, minimum asset coverage ratio, and prohibitions on certain fundamental changes at NMFC or any subsidiary guarantor, as well as customary events of default with customary cure and notice, including, without limitation, nonpayment, misrepresentation in a material respect, breach of covenant, cross-default under other indebtedness of NMFC or certain significant subsidiaries, certain judgments and orders, and certain events of bankruptcy.

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The following table summarizes the interest expense and amortization of financing costs incurred on the Unsecured Notes for the three months ended March 31, 2018 and March 31, 2017.

| (in millions) | Three Months Ended | |
|---------------------------------|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$2.6 | \$ 1.2 |
| Amortization of financing costs | \$0.2 | \$ 0.1 |
| Weighted average interest rate | 5.1 % | 5.3 % |
| Effective interest rate | 5.4 % | 5.8 % |
| Average debt outstanding | \$206.0 | \$ 90.0 |

As of March 31, 2018 and December 31, 2017, the outstanding balance on the Unsecured Notes was \$235.0 million and \$145.0 million, respectively, and we were in compliance with the terms of the NPA.

SBA-guaranteed debentures—On August 1, 2014 and August 25, 2017, SBIC I and SBIC II received SBIC licenses from the SBA to operate as SBICs.

The SBIC license allows SBICs to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse to us, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with ten year maturities. The SBA, as a creditor, will have a superior claim to the assets of SBIC I and SBIC II over our stockholders in the event SBIC I and SBIC are liquidated or the SBA exercises remedies upon an event of default.

The maximum amount of borrowings available under current SBA regulations for a single licensee is \$150.0 million as long as the licensee has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of March 31, 2018 and December 31, 2017, SBIC I had regulatory capital of \$75.0 million and \$75.0 million, respectively, and SBA-guaranteed debentures outstanding of \$150.0 million and \$150.0 million, respectively. As of March 31, 2018 and December 31, 2017, SBIC II had regulatory capital of \$2.5 million and \$2.5 million, respectively, and no SBA-guaranteed debentures outstanding. The SBA-guaranteed debentures incur upfront fees of 3.425%, which consists of a 1.00% commitment fee and a 2.425% issuance discount, which are amortized over the life of the SBA-guaranteed debentures. The following table summarizes our SBA-guaranteed debentures as of March 31, 2018. (in millions)

| Issuance Date | Maturity Date | Debenture Amount | Interest Rate | SBA Annual Charge |
|----------------------------------|-------------------|------------------|---------------|-------------------|
| Fixed SBA-guaranteed debentures: | | | | |
| March 25, 2015 | March 1, 2025 | \$ 37.5 | 2.517 % | 0.355 % |
| September 23, 2015 | September 1, 2025 | 37.5 | 2.829 % | 0.355 % |
| September 23, 2015 | September 1, 2025 | 28.8 | 2.829 % | 0.742 % |
| March 23, 2016 | March 1, 2026 | 13.9 | 2.507 % | 0.742 % |
| September 21, 2016 | September 1, 2026 | 4.0 | 2.051 % | 0.742 % |
| September 20, 2017 | September 1, 2027 | 13.0 | 2.518 % | 0.742 % |
| March 21, 2018 | March 1, 2028 | 15.3 | 3.187 % | 0.742 % |
| Total SBA-guaranteed debentures | | \$ 150.0 | | |

Prior to pooling, the SBA-guaranteed debentures bear interest at an interim floating rate of LIBOR plus 0.30%. Once pooled, which occurs in March and September each year, the SBA-guaranteed debentures bear interest at a fixed rate that is set to the current 10-year treasury rate plus a spread at each pooling date.

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The following table summarizes the interest expense and amortization of financing costs incurred on the SBA-guaranteed debentures for the three months ended March 31, 2018 and March 31, 2017.

| (in millions) | Three Months Ended | |
|---------------------------------|--------------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| Interest expense | \$1.2 | \$1.0 |
| Amortization of financing costs | \$0.1 | \$0.1 |
| Weighted average interest rate | 3.1 % | 3.2 % |
| Effective interest rate | 3.5 % | 3.5 % |
| Average debt outstanding | \$150.0 | \$121.7 |

The SBIC program is designed to stimulate the flow of private investor capital into eligible smaller businesses, as defined by the SBA. Under SBA regulations, SBICs are subject to regulatory requirements, including making investments in SBA-eligible businesses, investing at least 25.0% of its investment capital in eligible small businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, regulating the types of financing, prohibiting investments in small businesses with certain characteristics or in certain industries and requiring capitalization thresholds that limit distributions to us. SBICs are subject to an annual periodic examination by an SBA examiner to determine the SBIC's compliance with the relevant SBA regulations and an annual financial audit of its financial statements that are prepared on a basis of accounting other than GAAP (such as ASC 820) by an independent auditor. As of March 31, 2018 and December 31, 2017, SBIC I and SBIC II were in compliance with SBA regulatory requirements.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of March 31, 2018 and December 31, 2017, we had outstanding commitments to third parties to fund investments totaling \$81.9 million and \$77.4 million, respectively, under various undrawn revolving credit facilities, delayed draw commitments or other future funding commitments.

We may from time to time enter into financing commitment letters or bridge financing commitments, which could require funding in the future. As of March 31, 2018 and December 31, 2017, we had commitment letters to purchase investments in an aggregate par amount of \$24.0 million and \$13.9 million, respectively. As of March 31, 2018 and December 31, 2017, we had not entered into any bridge financing commitments which could require funding in the future.

As of March 31, 2018 we owed \$12.0 million related to a settlement agreement with a trustee of Black Elk Energy Offshore Operations, LLC. We will make semi-annual payments of \$3.0 million beginning in June 2018, with the final payment due in December 2019.

Contractual Obligations

A summary of our significant contractual payment obligations as of March 31, 2018 is as follows:

| (in millions) | Contractual Obligations Payments Due by Period | | | | |
|-------------------------------|--|------------------|-------------|-------------|-------------------|
| | Total | Less than 1 Year | 1 - 3 Years | 3 - 5 Years | More than 5 Years |
| Holdings Credit Facility(1) | \$355.7 | \$ — | \$ — | \$ 355.7 | \$ — |
| Unsecured Notes(2) | 235.0 | — | — | 235.0 | — |
| Convertible Notes(3) | 155.3 | — | 155.3 | — | — |
| SBA-guaranteed debentures(4) | 150.0 | — | — | — | 150.0 |
| NMFC Credit Facility(5) | 95.0 | — | — | 95.0 | — |
| Total Contractual Obligations | \$991.0 | \$ — | \$ 155.3 | \$ 685.7 | \$ 150.0 |

Under the terms of the \$495.0 million Holdings Credit Facility, all outstanding borrowings under that facility (1)(\$355.7 million as of March 31, 2018) must be repaid on or before October 24, 2022. As of March 31, 2018, there was approximately \$139.3 million of possible capacity remaining under the Holdings Credit Facility.

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\$90.0 million 2016 Unsecured Notes will mature on May 15, 2021 unless earlier repurchased, \$55.0 million of (2) 2017A Unsecured Notes will mature on July 15, 2022 unless earlier repurchased and \$90.0 million in 2018A Unsecured Notes will mature on January 30, 2023 unless earlier repurchased.

(3) The \$155.3 million Convertible Notes will mature on June 15, 2019 unless earlier converted or repurchased at the holder's option.

(4) Our SBA-guaranteed debentures will begin to mature on March 1, 2025.

Under the terms of the \$150.0 million NMFC Credit Facility, all outstanding borrowings under that facility (\$95.0 million as of March 31, 2018) must be repaid on or before June 4, 2022. As of March 31, 2018, there was approximately \$55.0 million of possible capacity remaining under the NMFC Credit Facility.

We have entered into the Investment Management Agreement with the Investment Adviser in accordance with the 1940 Act. Under the Investment Management Agreement, the Investment Adviser has agreed to provide us with investment advisory and management services. We have agreed to pay for these services (1) a management fee and (2) an incentive fee based on our performance.

We have also entered into the Administration Agreement with the Administrator. Under the Administration Agreement, the Administrator has agreed to arrange office space for us and provide office equipment and clerical, bookkeeping and record keeping services and other administrative services necessary to conduct our respective day-to-day operations. The Administrator has also agreed to maintain, or oversee the maintenance of, our financial records, our reports to stockholders and reports filed with the SEC.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that are entered into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under the Investment Management Agreement and the Administration Agreement.

Distributions and Dividends

Distributions declared and paid to stockholders for the three months ended March 31, 2018 totaled approximately \$25.8 million.

The following table reflects cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the two most recent fiscal years and the current fiscal year to date:

| Fiscal Year Ended | Date Declared | Record Date | Payment Date | Per Share Amount (1) |
|-------------------|-------------------|--------------------|--------------------|----------------------------|
| December 31, 2018 | | | | |
| First Quarter | February 21, 2018 | March 15, 2018 | March 29, 2018 | \$ 0.34 |
| | | | | \$ 0.34 |
| December 31, 2017 | | | | |
| Fourth Quarter | November 2, 2017 | December 15, 2017 | December 28, 2017 | \$ 0.34 |
| Third Quarter | August 4, 2017 | September 15, 2017 | September 29, 2017 | 0.34 |
| Second Quarter | May 4, 2017 | June 16, 2017 | June 30, 2017 | 0.34 |
| First Quarter | February 23, 2017 | March 17, 2017 | March 31, 2017 | 0.34 |
| | | | | \$ 1.36 |
| December 31, 2016 | | | | |
| Fourth Quarter | November 4, 2016 | December 15, 2016 | December 29, 2016 | \$ 0.34 |
| Third Quarter | August 2, 2016 | September 16, 2016 | September 30, 2016 | 0.34 |
| Second Quarter | May 3, 2016 | June 16, 2016 | June 30, 2016 | 0.34 |
| First Quarter | February 22, 2016 | March 17, 2016 | March 31, 2016 | 0.34 |
| | | | | \$ 1.36 |

(1) Tax characteristics of all distributions paid are reported to stockholders on Form 1099 after the end of the calendar year. For the years ended December 31, 2017 and December 31, 2016, total distributions were \$100.9 million and \$88.8 million, respectively, of which the distributions were comprised of approximately 71.50% and 89.46%,

respectively, of ordinary income, 0.00% and 0.00%, respectively, of long-term capital gains and approximately 28.50% and 10.54%, respectively, of a return of capital. Future quarterly distributions, if any, will be determined by our board of directors.

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We intend to pay quarterly distributions to our stockholders in amounts sufficient to maintain our status as a RIC. We intend to distribute approximately all of our net investment income on a quarterly basis and substantially all of our taxable income on an annual basis, except that we may retain certain net capital gains for reinvestment.

We maintain an "opt out" dividend reinvestment plan on behalf of our common stockholders, pursuant to which each of our stockholders' cash distributions will be automatically reinvested in additional shares of common stock, unless the stockholder elects to receive cash. See Item 1— Financial Statements—Note 2. Summary of Significant Accounting Policies for additional details regarding our dividend reinvestment plan.

Related Parties

We have entered into a number of business relationships with affiliated or related parties, including the following:

We have entered into the Investment Management Agreement with the Investment Adviser, a wholly-owned subsidiary of New Mountain Capital. Therefore, New Mountain Capital is entitled to any profits earned by the Investment Adviser, which includes any fees payable to the Investment Adviser under the terms of the Investment Management Agreement, less expenses incurred by the Investment Adviser in performing its services under the Investment Management Agreement.

We have entered into the Administration Agreement with the Administrator, a wholly-owned subsidiary of New Mountain Capital. The Administrator arranges our office space and provides office equipment and administrative services necessary to conduct our respective day-to-day operations pursuant to the Administration Agreement. We reimburse the Administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations to us under the Administration Agreement, which includes the fees and expenses associated with performing administrative, finance, and compliance functions, and the compensation of our chief financial officer and chief compliance officer and their respective staffs. Pursuant to the Administration Agreement and further restricted by us, the Administrator may, in its own discretion, submit to us for reimbursement some or all of the expenses that the Administrator has incurred on our behalf during any quarterly period. As a result, the amount of expenses for which we will have to reimburse the Administrator may fluctuate in future quarterly periods and there can be no assurance given as to when, or if, the Administrator may determine to limit the expenses that the Administrator submits to us for reimbursement in the future. However, it is expected that the Administrator will continue to support part of our expense burden in the near future and may decide to not calculate and charge through certain overhead related amounts as well as continue to cover some of the indirect costs. The Administrator cannot recoup any expenses that the Administrator has previously waived. For the three months ended March 31, 2018, approximately \$0.7 million of indirect administrative expenses were included in administrative expenses, of which none of the indirect administrative expenses were waived by the Administrator. As of March 31, 2018, \$1.1 million of indirect administrative expenses were included in payable to affiliates.

We, the Investment Adviser and the Administrator have entered into a royalty-free Trademark License Agreement, as amended, with New Mountain Capital, pursuant to which New Mountain Capital has agreed to grant us, the Investment Adviser and the Administrator a non-exclusive, royalty-free license to use the name "New Mountain" and "New Mountain Finance".

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors. These officers and directors also remain subject to the duties imposed by the 1940 Act, the Delaware General Corporation Law and the Delaware Limited Liability Company Act.

The Investment Adviser and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, to our investment mandates. The Investment Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, the Investment Adviser or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with the Investment Adviser's allocation procedures. On December 18, 2017, the SEC issued an exemptive order (the "Exemptive Order"), which superseded a prior order issued on June 5, 2017, which permits us to co-invest in portfolio companies with certain funds or entities managed by the Investment Adviser or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act, subject to the conditions of the

Exemptive Order. Pursuant to the Exemptive Order, we are permitted to co-invest with our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain financial market risks, such as interest rate fluctuations. During the three months ended March 31, 2018, certain of the loans held in our portfolio had floating interest rates. As of March 31, 2018, approximately 86.8% of investments at fair value (excluding investments on non-accrual, unfunded debt investments and non-interest bearing equity investments) represent floating-rate investments with a LIBOR floor (includes investments bearing prime interest rate contracts) and approximately 13.2% of investments at fair value represent fixed-rate investments. Additionally, our senior secured revolving credit facilities are also subject to floating interest rates and are currently paid based on one-month floating LIBOR rates.

The following table estimates the potential changes in net cash flow generated from interest income and expenses, should interest rates increase by 100, 200 or 300 basis points, or decrease by 25 basis points. Interest income is calculated as revenue from interest generated from our portfolio of investments held on March 31, 2018. Interest expense is calculated based on the terms of our outstanding revolving credit facilities, convertible notes and unsecured notes. For our floating rate credit facilities, we use the outstanding balance as of March 31, 2018. Interest expense on our floating rate credit facilities is calculated using the interest rate as of March 31, 2018, adjusted for the hypothetical changes in rates, as shown below. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of March 31, 2018. These hypothetical calculations are based on a model of the investments in our portfolio, held as of March 31, 2018, and are only adjusted for assumed changes in the underlying base interest rates.

Actual results could differ significantly from those estimated in the table.

| Change in Interest Rates | Estimated Percentage Change in Interest Income Net of Interest Expense (unaudited) | | |
|--------------------------|--|------|---|
| | -25 Basis Points | 0.08 | % |
| Base Interest Rate | — | % | |
| +100 Basis Points | 7.89 | % | |
| +200 Basis Points | 15.91 | % | |
| +300 Basis Points | 23.92 | % | |

(1)Limited to the lesser of the March 31, 2018 LIBOR rates or a decrease of 25 basis points.

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of March 31, 2018 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic United States Securities and Exchange Commission filings is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in our internal control over financial reporting that occurred during the quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

The terms “we”, “us”, “our” and the “Company” refers to New Mountain Finance Corporation and its consolidated subsidiaries.

Item 1. Legal Proceedings

There have been no material changes during the three months ended March 31, 2018 to the Legal Proceedings discussed in Item 3. Legal Proceedings in our Annual Report on Form 10-K for the year ended December 31, 2017. We, and our consolidated subsidiaries, the Investment Adviser and the Administrator are not currently subject to any material pending legal proceedings threatened against us as of March 31, 2018. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes during the three months ended March 31, 2018 to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017.

The terms of our credit facilities may contractually limit our ability to incur additional indebtedness.

We will need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. We believe that having the flexibility to incur additional leverage could augment the returns to our stockholders and would be in the best interests of our stockholders. Even though our board of directors has approved a resolution permitting the Company to be subject to a 150% asset coverage ratio to be effective on April 12, 2019, and if we receive approval of our stockholders to be effective the day after a special stockholder’s meeting scheduled to be held on June 8, 2018, contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. Currently, our NMFC Credit Facility restricts our ability to incur additional indebtedness if after incurring such additional debt, our asset coverage ratio would be below 200%. We cannot assure you that we will be able to negotiate a change to our credit facilities to allow us to incur additional leverage or that any such an amendment will be available to us on favorable terms. An inability on our part to amend the contractual asset coverage limitation and access additional leverage could limit our ability to take advantage of the benefits described above related to our ability to incur additional leverage and could decrease our earnings, if any, which would have an adverse effect on our results of operations and the value of our shares of common stock.

Recent legislation may allow us to incur additional leverage which could increase the risk of investing in the Company.

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). (i.e., the amount of debt may not exceed 66.7% of the value of our assets). However, on March 23, 2018, the Consolidated Appropriations Act of 2018, which includes the SBCA, was signed into law. The SBCA amends the 1940 Act to permit a BDC to reduce the required minimum asset coverage ratio applicable to it from 200% to 150% (i.e., the amount of debt may not exceed 66.7% of the value of our assets), subject to certain requirements described

therein. On April 12, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA. As a result, the Company’s asset coverage requirements for senior securities will be changed from 200% to 150%, effective April 12, 2019. On the same day, the board of directors recommended the submission of a proposal for stockholders to approve the application of the 150% minimum asset coverage ratio to the Company at a special meeting of stockholders scheduled to be held on June 8, 2018. If the stockholder proposal is approved by the required votes of the Company’s stockholders at such special meeting of stockholders, the Company would become subject to the 150% minimum asset coverage ratio the day after such stockholder approval instead of April 12, 2019. Changing the asset coverage ratio would permit the Company to double its leverage, which would result in increased leverage risk and increased expenses.

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As a result of this legislation, we may be able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150%. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

In addition, in December 2015, the 2016 omnibus spending bill approved by the U.S. Congress and signed into law by the President increased the amount of SBA-guaranteed debentures that affiliated SBIC funds can have outstanding from \$225.0 million to \$350.0 million, subject to SBA approval. This new legislation may allow us to issue additional SBIC debentures above the \$225.0 million of SBA-guaranteed debentures previously permitted pending application for and receipt of additional SBIC licenses. If we incur this additional indebtedness in the future, your risk of an investment in our securities may increase.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not engage in unregistered sales of equity securities during the quarter ended March 31, 2018.

Issuer Purchases of Equity Securities

Dividend Reinvestment Plan

During the quarter ended March 31, 2018, we did not purchase any of our common stock in the open market in connection with our dividend reinvestment plan.

Stock Repurchase Program

On February 4, 2016, our board of directors authorized a program for the purpose of repurchasing up to \$50.0 million worth of our common stock. Under the repurchase program, we were permitted, but were not obligated to, repurchase our outstanding common stock in the open market from time to time, provided that we complied with our code of ethics and the guidelines specified in Rule 10b-18 of the Exchange Act, including certain price, market volume and timing constraints. In addition, any repurchases were conducted in accordance with the 1940 Act. On December 29, 2017, our board of directors extended our repurchase program and we expect the repurchase program to be in place until the earlier of December 31, 2018 or until \$50.0 million of outstanding shares of common stock have been repurchased. We did not repurchase any shares of our common stock under the repurchase program during the quarter ended March 31, 2018.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the United States Securities and Exchange Commission:

| Exhibit Number | Description |
|----------------|-------------|
|----------------|-------------|

- | | |
|--------|--|
| 3.1(a) | <u>Amended and Restated Certificate of Incorporation of New Mountain Finance Corporation(2)</u> |
| 3.1(b) | <u>Certificate of Change of Registered Agent and/or Registered Office of New Mountain Finance Corporation(3)</u> |
| 3.2 | <u>Amended and Restated Bylaws of New Mountain Finance Corporation(2)</u> |
| 4.1 | <u>Form of Stock Certificate of New Mountain Finance Corporation(1)</u> |
| 10.1 | <u>Amendment No. 3, dated February 27, 2018 to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Bank USA, as Administrative Agent and Syndication Agent(4)</u> |
| 10.2 | <u>Commitment Increase Agreement, dated January 25, 2018, to the Senior Secured Revolving Credit Agreement dated June 4, 2014, by and among New Mountain Finance Corporation, as Borrower, and Goldman Sachs Bank USA, as Administrative Agent for said Lenders and Syndication Agent(4)</u> |
| 10.3 | <u>First Amendment to Loan and Security Agreement, date as of March 30, 2018, by and among New Mountain Finance Corporation, as the collateral manager, New Mountain Finance Holdings, L.L.C., as the borrower, Wells Fargo Bank, National Association, as the administrative agent, the lenders party thereto and Wells Fargo Bank, National Association, as the collateral custodian.(5)</u> |
| 10.4 | <u>Limited Liability Company Agreement for Senior Loan Program III LLC, dated April 25, 2018</u> |
| 11.1 | Computation of Per Share Earnings for New Mountain Finance Corporation (included in the notes to the financial statements contained in this report) |
| 31.1 | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended</u> |
| 31.2 | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended</u> |
| 32.1 | <u>Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</u> |
| 32.2 | <u>Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</u> |

(1) Previously filed in connection with New Mountain Finance Holdings, L.L.C.'s registration statement on Form N-2 Pre-Effective Amendment No. 3 (File Nos. 333-168280 and 333-172503) filed on May 9, 2011.

(2) Previously filed in connection with New Mountain Finance Corporation's quarterly report on Form 10-Q filed on August 11, 2011.

(3)

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Previously filed in connection with New Mountain Finance Corporation and New Mountain Finance AIV Holdings Corporation report on Form 8-K filed on August 25, 2011.

(4) Previously filed in connection with New Mountain Finance Corporation's annual report on Form 10-K filed on February 28, 2018.

(5) Previously filed in connection with New Mountain Finance Corporation's report on Form 8-K filed on April 5, 2018.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 7, 2018.

NEW MOUNTAIN FINANCE CORPORATION

By: /s/ ROBERT A. HAMWEE

Robert A. Hamwee
Chief Executive Officer
(Principal Executive Officer)

By: /s/ SHIRAZ Y. KAJEE

Shiraz Y. Kajee
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)