Fifth Street Asset Management Inc.
NASDAQ:FSAM

Fourth Quarter and Fiscal Year Ended
December 31, 2016

FIFTHSTREET

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FSAM Highlights

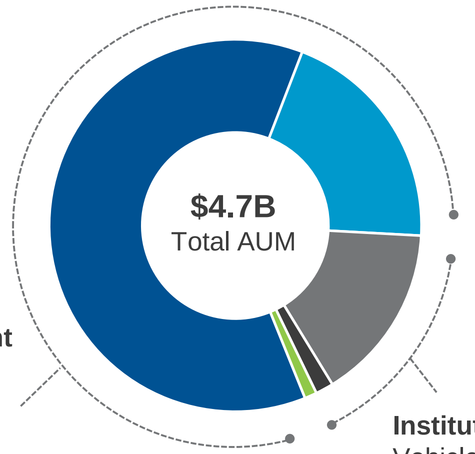
Fifth Street Asset Management Overview

A nationally recognized credit-focused asset manager with a nearly 20-year track record of disciplined credit investing across multiple economic cycles

Key Facts

- Total AUM of $4.7 billion and Fee-Earning AUM of $3.7 billion[1]
- Manages two publicly-traded business development companies ("BDCs"), Fifth Street Finance Corp. (NASDAQ:FSC) and Fifth Street Senior Floating Rate Corp. (NASDAQ:FSFR), SBIC subsidiaries, collateralized loan obligations ("SLFs"), senior secured loan programs, a separately managed account ("SMA") and a hedge fund ("FSOF")
- Platform directly originates debt investments across the capital structure for middle market companies, primarily in connection with private equity sponsor-backed transactions
- Platform has committed in excess of $10 billion of loans to over 400 small and mid-sized businesses since 1998
- Strong institutional and retail distribution network
- Institutional infrastructure includes approximately 50 professionals with primary locations in Greenwich and Chicago

Total AUM by Fund Strategy[1]



Permanent Capital Vehicles, 82%

- FSC – 62% $2,921MM in AUM
- FSFR – 20% $943MM in AUM

Institutional Vehicles, 18%

- SLFs – 15% ($726MM in AUM)
- FSOF – 2% ($73MM in AUM)
- SMA – 1% ($50MM in AUM)

Note: Numbers may not sum due to rounding.
[1] As of December 31, 2016.

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FSAM's Experienced Executive Committee

Leonard M. Tannenbaum, CFA
Chairman, Chief Executive Officer

- Founded Fifth Street's predecessor in 1998
- Served on the Boards of Directors of several public and private companies and currently serves on the Boards of several Greenlight Capital affiliated entities

Bernard D. Berman
President & Chief Compliance Officer

- 21+ years experience focusing on corporate and investment transactions
- Formerly practiced as a corporate attorney where he negotiated and structured investment transactions

Alexander C. Frank
Chief Operating Officer & Chief Financial Officer

- 30+ years experience in financial and operational infrastructure
- Formerly Managing Director and CFO at Chilton Investment Company and spent 22 years at Morgan Stanley, where he served in a variety of capacities including Global Head of Institutional Operations

EMPLOYEE STATISTICS: FIFTH STREET PLATFORM[1]

49 Fifth Street Platform	**19** Investment Professionals	**12** Finance & Accounting	**3** Legal & Compliance	**11** Human Resources, Operations & Administration	**4** Marketing & Investor Relations

[1] As of April 5, 2017. Includes future hires.

Existing Investment Vehicles Provide a Solid Foundation

Fifth Street Finance Corp. (NASDAQ:FSC)	• Permanent capital vehicle launched in 2008 • Publicly-traded BDC focused on investing and lending to sponsor-backed small and mid-sized companies across their capital structure • One of the largest BDCs by assets • Fee structure: 1.75% base management fee on gross assets, 20% incentive fee (7% hurdle rate; 100% catch-up provision), total return hurdle with 3-year lookback
Fifth Street Senior Floating Rate Corp. (NASDAQ:FSFR)	• Permanent capital vehicle launched in 2013 • Publicly-traded BDC with ~100% of underlying debt investments in floating rate loans • One of the largest senior floating rate-focused BDCs • Fee structure: 1% base management fee on average gross assets, 20% incentive fee (6% hurdle rate; 50% catch-up provision)
Senior Loan Funds (SLFs)	• First senior loan warehouse launched in February 2014 • Private funds focused on senior secured loans to middle market companies • Currently consists of two CLOs: SLF I and SLF II • Fee structure: comparable to market precedents (~40 bps on assets)
Fifth Street Opportunities Fund (FSOF)	• Launched in March 2013 • Long / short hedge fund targeting uncorrelated returns through long credit versus short unsecured bonds, equities and macro indices • The majority of the long portfolio is secured, floating rate assets with the short portfolio focused on fixed rate, single name unsecured bonds, equities (weighted towards closed end funds) and macro index products • General Fee structure: 1.5% base management fee on equity, 20% performance fee (no hurdle)

Leading & Nationally Recognized Middle Market Platform

Closed Approximately $1.1B of Investments Across 80+ Deals in 2016

- Leading direct origination platform that creates premium yields by originating and structuring loans
- Mutually beneficial strategic partnerships with private equity sponsors provide incremental due diligence, additional layer of monitoring and an additional source of operating expertise
- Comprehensive financing solutions include first lien, one-stop, second lien and mezzanine debt, as well as equity co-investments
- Extensive long-standing sourcing relationships with sponsors, other middle market lenders and investment banks provide access to deal flow and enhance origination efficiency
- Intense focus on managing credit risk through comprehensive investment review process
- In-house portfolio management capabilities with highly customized loan management and accounting systems
- Award-winning platform that has been recognized by the M&A Advisor, *Mergers & Acquisitions* and ACG New York for being a top lender firm

Track Record of Generating Deal Flow with Established Private Equity Sponsors[1]

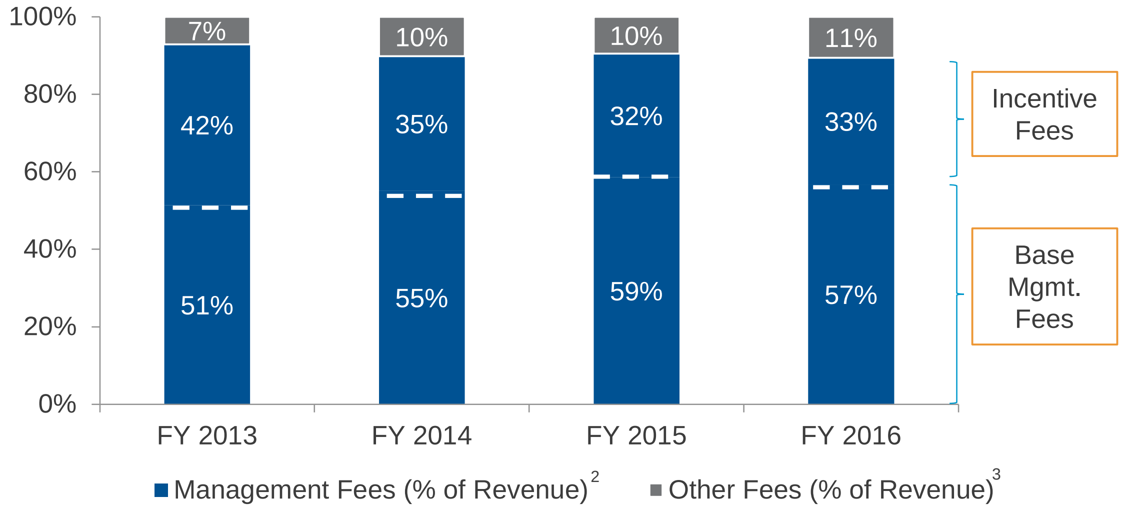
	AUM ($B)	Year Founded	Fifth Street Closed ($MM)
PERMIRA	$30.9	1985	$323
Vista Equity Partners	$26.7	2000	$408
ARES	$25.0	1997	$173
THOMA BRAVO	$17.0	1998	$419
GTCR	$9.9	1980	$351
GENSTAR CAPITAL	$8.7	1988	$216
TA Associates	$7.0	1968	$292
STERLING PARTNERS	$6.0	1983	$852

[1] Source: Pitchbook Data; Note: Data is as of December 30, 2016 and logos represent select relationships of the Fifth Street platform. The inclusion of certain sponsors herein does not constitute any endorsement of such sponsor by Fifth Street.

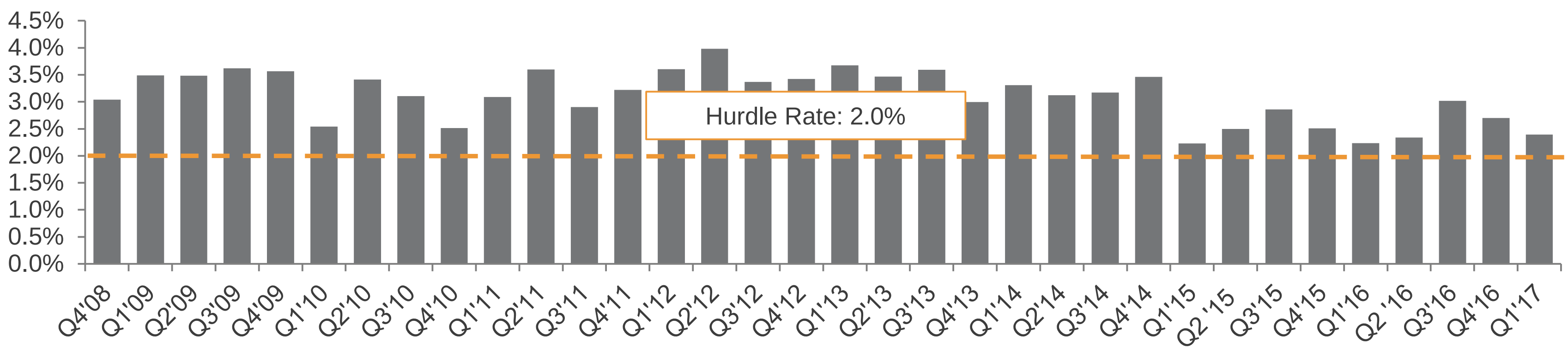
FSAM Has Generated Consistent, Predictable and High Quality Earnings

- ~82% of FSAM AUM resides in permanent capital vehicles[1]
- Management fees paid in cash on a quarterly basis
- No clawback provision

Consistent Fee Streams



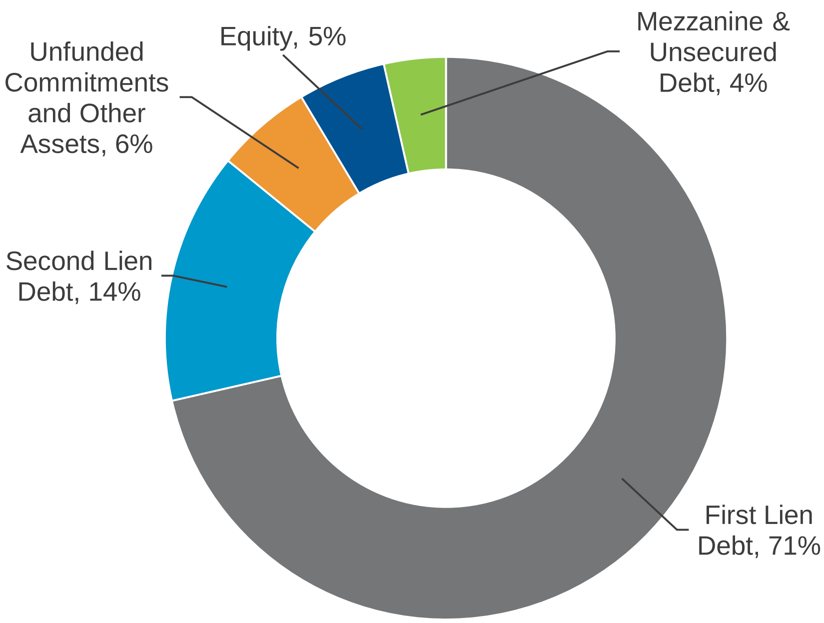
Part I Fee Earned from FSC Quarterly Since IPO[4]



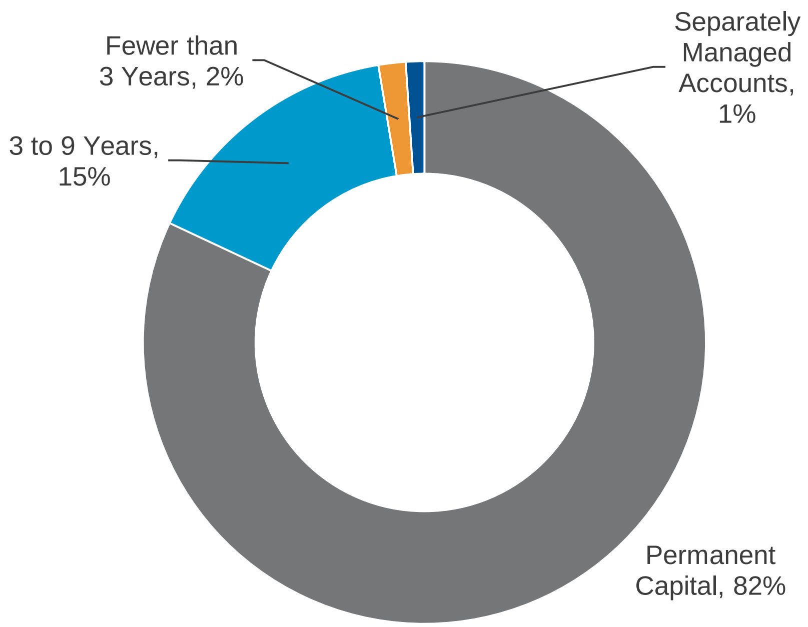
[1] As of December 31, 2016 as a percentage of total AUM; [2] Management fees refers to base management fees and Part I Fees; [3] Other Fees includes administrator and performance fees; [4] Dates are based on FSC's fiscal year. Part I Fees refer to fees paid to us by our BDCs that are based on a fixed percentage of pre-incentive fee net investment income. Pre-incentive fee return on net assets represents quarterly pre-incentive fee net income as a percentage of the quarter's beginning net assets. Effective January 1, 2017, FSC's fee structure will have a 1.75% quarterly hurdle rate and a quarterly hurdle rate plus catch-up provision of 2.1875%. Previously, FSC's quarterly hurdle rate was 2.0% and quarterly hurdle rate plus catch-up provision was 2.5%.

FSAM's AUM Characteristics

Fee-Earning AUM by Asset Type[1]



Total AUM by Duration



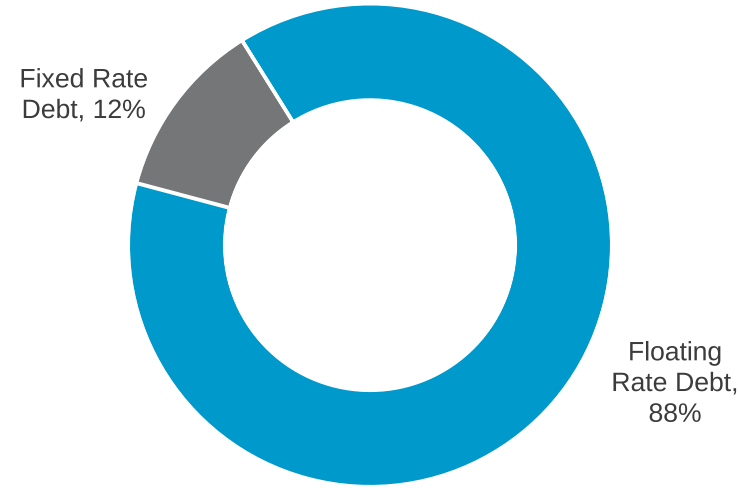
Over 97% of FSAM's AUM has a duration greater than 3 years

Note: Numbers may not sum due to rounding.
[1] As of December 31, 2016.

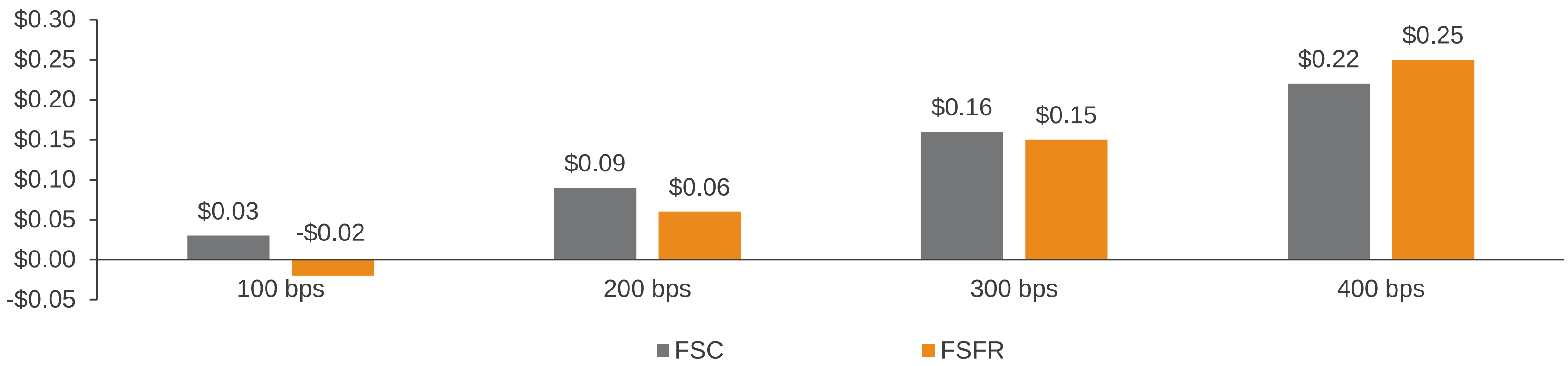
FSAM is Well-Positioned for Rising Interest Rates

Fixed & Floating Rate Debt Investments as a Percent of Total Debt Investments[1]

- 88% of FSAM's credit-focused AUM is in floating rate investments
  - 81% of FSC's debt portfolio is in floating rate investments
  - 100% of FSFR's debt portfolio is in floating rate investments
  - 100% of SLF I's and SLF II's debt portfolios are in floating rate investments
  - 73% of FSOF's debt portfolio is in floating rate investments



Estimated Annual Change in FSC & FSFR Net Interest Income from Rising Interest Rates[2]



[1] At Fair Value as of December 31, 2016; [2] Net spread income calculated as the difference between the change in interest income and interest expense. Net spread income per share calculated off of the approximate annualized increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investment and capital structure. Interest rates must rise more than 100 bps at FSC and 200 bps at FSFR to positively impact net spread income due to interest rate floors on floating rate investments.

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Public & Private Investment Vehicles

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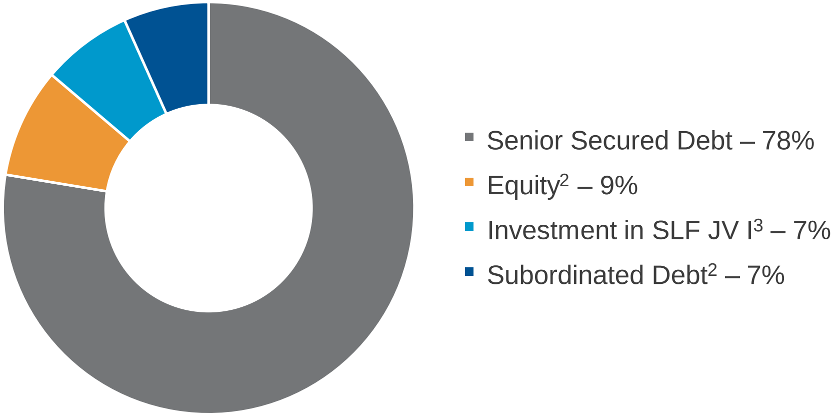
FSC is One of the Largest Publicly-Traded BDCs

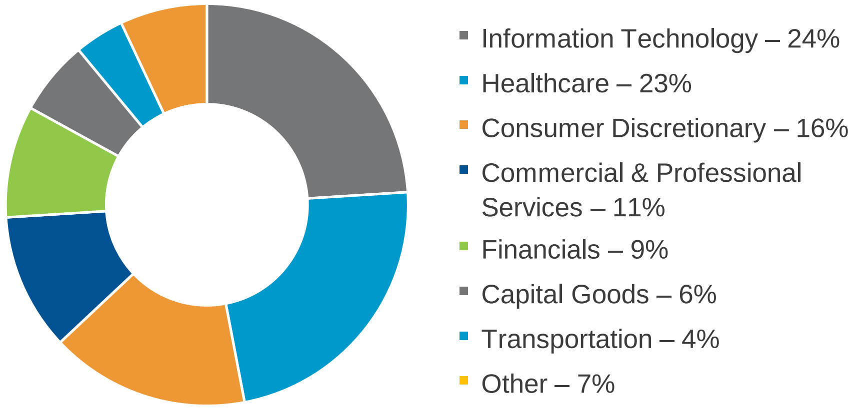
Overview

- Fifth Street Finance Corp. (FSC) is a business development company (BDC) that provides custom-tailored financing solutions to small and mid-sized companies, primarily in connection with investments by private equity sponsors
- The company originates and invests in one-stop financings, first lien and second lien loans, mezzanine debt and equity co-investments
- $2.2 billion in total assets and $1.0 billion in equity
- Investment portfolio comprised of 78% senior secured loans and 81% of its debt portfolio consisted of floating rate loans[1]
- 10.3% weighted average portfolio yield on debt investments[2]
- FSC's senior secured loan joint venture (SLF JV I) expands on its investment capacity to originate and underwrite one-stop and senior secured middle market loans, which should enhance returns to shareholders
  - Total assets of $319 million with $600 million of investment capacity[1]
  - Provided an 8.8% weighted average annualize return on investment to FSC[1]
- Strong balance sheet with diversified funding sources – total debt / credit facility commitments of $1.5 billion

Investment Portfolio Composition[1]



Portfolio by Industry[1]



Note: Financial data as of December 31, 2016. Numbers may not sum due to rounding.

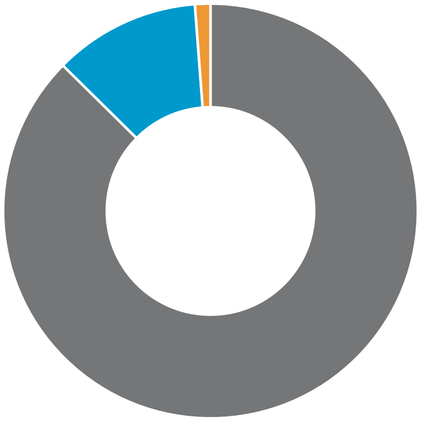
[1] At fair value as of December 31, 2016; [2] Includes the return on SLF JV I; [3] Comprised of $250 million unsecured institutional notes and $161 million of unsecured retail notes.

FSFR is One of the Largest Publicly-Traded Senior Floating Rate-Focused BDCs

Overview

- FSFR is a business development company (BDC) that provides floating rate, senior secured loans to sponsor-backed middle market companies
- The company's investment objective is to maximize our portfolio's total return by generating current income from our debt investments while seeking to preserve our capital
- Total assets of $590.2 million and equity of $319.9 million
- Investment portfolio characteristics
  - Well-positioned for rising interest rates, with 100% of debt portfolio comprised of floating rate loans[1]
  - 87.3% of the total investment portfolio comprised of senior secured investments and 11.4% of the portfolio consisted of investments in subordinated notes and equity interests of FSFR Glick JV[1]
- 8.5% weighted average annual yield[2]
- FSFR's senior secured loan joint venture (FSFR Glick) expands on its investment capacity to originate and underwrite one-stop and senior secured middle market loans, which should enhance returns to shareholders
  - Total assets of $170 million with $300 million of available investment capacity
  - Provided an 8.9% weighted average return on investment to FSFR
- Strong balance sheet with attractively priced credit facilities, with total commitment of over $500 million

Investment Portfolio Composition[1]



- Senior Secured Debt – 87.3%
- Investment in FSFR Glick JV[2] – 11.4%
- Equity[3] – 1.2%

Portfolio by Industry[2]

- Information Technology – 35%
- Healthcare – 16%
- Commercial & Professional Services – 14%
- Consumer Discretionary – 13%
- Financials – 11%
- Telecommunication Services – 5%
- Consumer Staples – 3%
- Other – 3%

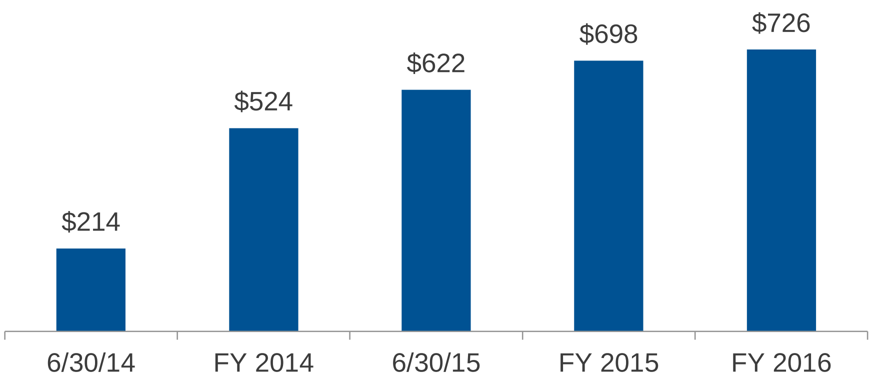
Note: Financial data as of December 31, 2016. Numbers may not sum due to rounding.
[1] At fair value as of December 31, 2016; [2] Includes return on FSFR Glick.

Senior Loan Fund Strategy is Logical Extension of the Fifth Street Platform

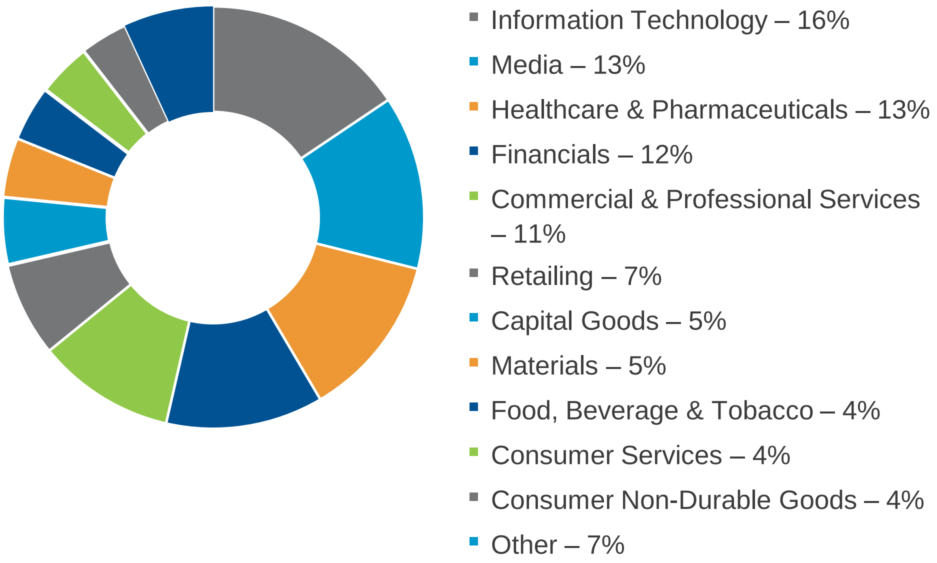
Overview

- A series of senior loan portfolios converted into CLOs
  - Strategy launched in February 2014 and securitized first CLO in February 2015
- Funds are focused on senior secured loans to middle market companies
  - Allows Fifth Street to provide greater flexibility to private equity sponsors by expanding financing options
- Two SLFs converted to CLOs in 2015
  - SLF I – Converted to a CLO in February 2015 - $309.5 million in total AUM
  - SLF II – Converted to a CLO in September 2015 - $416.6 million in total AUM
- Target asset characteristics:
  - Diversified portfolio of first lien loans
  - 6.5% weighted average yield
  - B/B2 weighted average credit rating
  - $15 to $100 million of EBITDA
  - $50 to $300 million facility size

Total AUM ($ millions)



Portfolio by Industry[1]



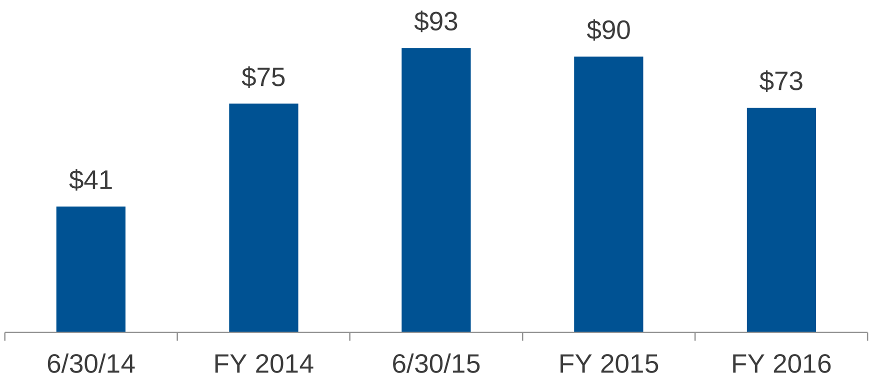
Note: Numbers may not sum due to rounding.
[1] As of December 31, 2016 at fair value.

Fifth Street Opportunities Fund

Overview

- Partners fund, the predecessor fund to FSOF, began investing in March 2013
- FSOF commenced operations in February 2014
- Targets uncorrelated, above market risk-adjusted returns through long credit versus short unsecured bonds, equities and macro indices
- The majority of the long portfolio is secured, floating rate assets with the short portfolio focused on fixed rate, single name unsecured bonds, equities (weighted towards closed end funds) and macro index products
- Cumulative net IRR of 7.63% since inception[1,2]

Total AUM ($ millions)



Portfolio by Industry[3]

Note: Numbers may not sum due to rounding.
[1] Periods presented from March 2013 (fund's date of inception) through December 31, 2016; [2] Percentage represents annualized Net IRR for the period indicated which is calculated based on the change in net asset value per share since inception after giving effect to management fees, performance fees and other expenses. Includes returns of predecessor fund of FSOF that operated with a substantially similar investment objective and strategy as FSOF and with substantially the same investment team; [3] As of December 31, 2016 based on market value of the debt portfolio as a percent of total assets. Numbers may not sum to 100% due to rounding.

Market Opportunity

Significant Market Opportunity

Commercial Banks Less Competitive in Middle Market

- Increased regulatory pressure on banks
- Declining bank participation in leveraged lending
- Continuing banking industry consolidation

Retail Investors Seeking Non-Traditional Investments

- Retail investors increasingly focused on non-traditional investments
- Rapid development of retail products occurring

Significant Demand for Credit / Yield Products

- Persistent low interest environment increasing demand for income products
- Spread compression across asset classes

Sources: Bloomberg, 2013/2014 McKinsey Alternative Investments Survey, S&P Capital IQ Leveraged Commentary & Data and Fact Set.

The U.S. Middle Market: A Driving Force Behind the U.S. Economy

U.S. Middle Market Impact

3rd LARGEST GLOBAL ECONOMY	33% OF PRIVATE SECTOR GDP	MORE THAN $10 TRILLION IN ANNUAL REVENUE	1/3 OF U.S. JOBS – MORE THAN 48MM

1.2 + MILLION NEW JOBS (2012–2013)	1.1 + MILLION NEW JOBS (2013–2014)	1.4 + MILLION NEW JOBS (2014–2015)

Middle Market Definition

NEARLY 200,000 BUSINESSES IN ALL INDUSTRY SEGMENTS AND GEOGRAPHIES	REPRESENTING 3.0% OF ALL U.S. COMPANIES	ANNUAL REVENUE RANGING FROM $10MM – $1B

Source: The National Center for The Middle Market – Q4 2016 Middle Market Indicator.

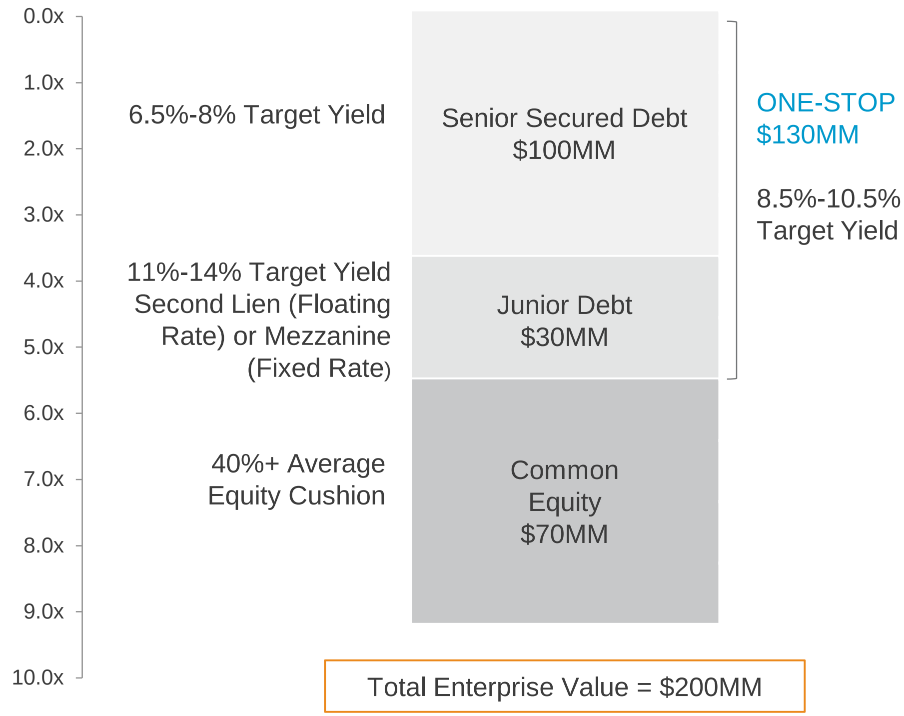
Middle Market Senior Secured Loans

Direct lending firms originate loans to middle market companies, generally for higher yields.[1]
Fifth Street is one of a few lenders of scale that actively invests in senior, one-stop and junior debt.

Primary focus on secured debt:

- Highest priority in the borrower's capital structure
- A lien on borrower's assets
- Typically generate high current income from coupon payments
- Floating rate assets reduce interest rate risk
- Call protection for ~3 years
- Strong covenant packages

Illustrative Transaction



[1] As compared to broadly syndicated loan transactions.

Significant Market Opportunity

Market Dynamics

Regulatory pressures on banks have created significant opportunities for alternative lenders[1]

- The number of U.S. banks has declined steadily since 1998 due to industry-wide consolidation and high barriers to entry
- A substantial amount of capital left the middle market during the 2008 financial crisis. Federal regulation on bank leverage has subsequently intensified and banks' ability to deploy capital in the middle market lending space has decreased dramatically

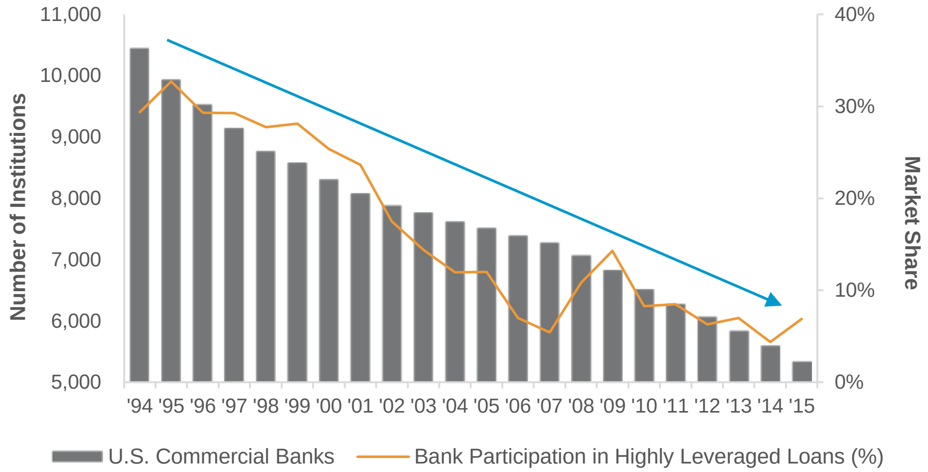
→ *US banks' market share is currently at historic lows and has created significant opportunity for other types of financial institutions*

Dry powder at private equity firms is continuing to increase, directly increasing demand for financing[2]

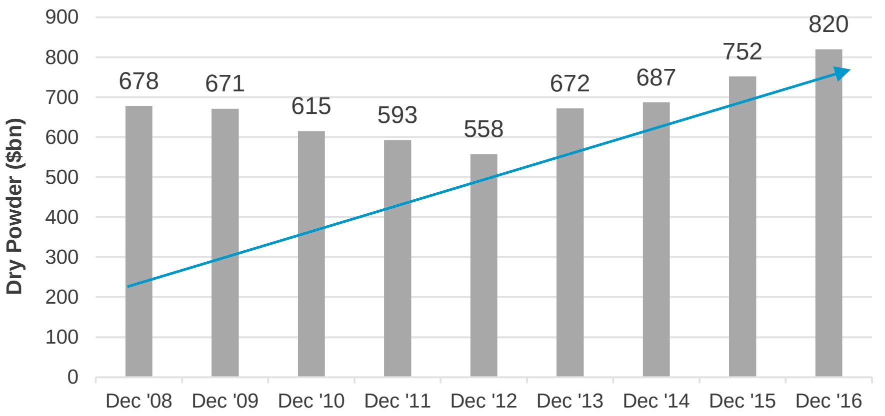
We believe borrowers and sponsors favor a collaborative partnership approach

- Non-bank lenders can often offer more flexible financing options with large holdings and diversified product offerings
- The supply / demand shift in the market continues to contribute to Fifth Street's steady flow of compelling investment opportunities received from longstanding private equity sponsor relationships

Number of U.S. Commercial Banks and Market Share[1]



Private Equity Dry Powder[2]



[1] Sources: Federal Financial Institutions Examination Council (US) and S&P Capital IQ LCD; [2] Source: Preqin 2016 Private Capital Fundraising Update (January 3, 2017).

Origination Platform, Investment Process and Infrastructure

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Comprehensive Investment Process to Manage Credit Risk

Origination

- Fifth Street's national platform manages hundreds of relationships with sponsors
- Deep relationships with investment banks and loan desks create syndicated transactions
- Deals are screened based on company, industry, capital structure and transaction considerations

Underwriting

- Rigorous underwriting process that includes one-on-one meetings with management, review of third party reports, utilization of industry consultants and deep-dive financial analysis
- Sponsor and portfolio company network heavily utilized to form real-time industry views
- Investment Team summarizes findings and presents recommendations to Credit Committee

Legal Documentation & Closing

- Investment Team works alongside external counsel to negotiate credit and intercreditor agreements
- Emphasis is placed on financial covenants and limiting actions that may be adverse to lenders
- Fifth Street views strong legal documentation as a key risk mitigant

Portfolio Management

- Customized portfolio management system with proprietary metrics monitors ongoing performance
- Proactively manages the portfolio with an active watch list
- Considers asset and industry concentrations in the context of potential macroeconomic, cyclical, technological and regulatory headwinds
- Evaluates pricing and risk alongside ability to obtain optimal leverage through credit lines

Generating Deal Flow with Established Private Equity Sponsors

	AUM ($B)	Year Founded	Fifth Street Closed ($MM)
PERMIRA	$30.9	1985	$323
Vista Equity Partners	$26.7	2000	$408
ARES	$25.0	1997	$173
THOMA BRAVO	$17.0	1998	$419
GTCR	$9.9	1980	$351
GENSTAR CAPITAL	$8.7	1988	$216
TA Associates	$7.0	1968	$292
STERLING PARTNERS	$6.0	1983	$852

	AUM ($B)	Year Founded	Fifth Street Closed ($MM)
Riverside	$5.7	1988	$130
ACON	$5.3	1996	$115
VERITAS CAPITAL	$3.6	1992	$295
Sentinel Capital Partners	$2.6	1995	$61
Baird Capital	$1.6	1989	$113
Excellere Partners	$1.4	2006	$198
Riverside Partners	$1.2	1989	$310
Beecken Petty O'Keefe & Company	$1.1	1996	$190

Source: : "AUM" and "Year Founded" provided by Pitchbook Data; Note: Data is as of March 31, 2017 and logos represent select relationships of the Fifth Street platform. The inclusion of certain sponsors herein does not constitute any endorsement of such sponsor by Fifth Street.

Risk Management

Credit Risk Management Policies & Procedures

- Credit Committee approval required for each loan
- Management team attuned to the macro-environment
- Focus on industry leaders with scale to withstand volatility
- Sponsor is underwritten to ensure operational expertise and incentive alignment
- Extensive best practices for underwriting: (i) defined credit boxes, (ii) standardized write-ups and (iii) strict underwriting guidelines
- Pro-active portfolio management: (i) Black Mountain software, (ii) active watch list and (iii) proprietary metrics to monitor performance
- Focus on portfolio diversification
- Broad origination capabilities enable credit selection discipline

Credit Risk

- Default risk
- Structural protections
- Recovery
- Execution
- Fraud
- Sponsor / co-lender alignment
- Ratings migration

Company

- Management ownership
- Profitability drivers
- Commodity or differentiated products
- Diversification
- Market position
- Enterprise and asset value

Industry

- Macroeconomic factors
- Industry trends
- Cyclicality and seasonality
- Competition
- Barriers to entry
- Regulatory issues
- Environmental concerns

Capital Structure

- Leverage
- Fixed charge coverage
- Sources and uses of cash
- Free cash flow conversion
- Ability to absorb volatility
- Collateral
- Financial covenants

Transaction

- Sponsored / non-sponsored
- Use of proceeds
- Other capital structure options
- Alignment with stakeholders
- Stakeholders commitment
- Leverage in negotiations
- Co-lender considerations

Portfolio Monitoring

Daily

- Upon receipt of financials or other company news, an update is provided to Credit Committee on a real-time basis and discussed in greater detail if necessary
- Everest* is updated as information becomes available
- Active dialogue is kept with sponsors on shared investments with Fifth Street as well as broader industry trends seen through their related portfolio companies
- Trading is conducted opportunistically to seek to enhance returns and mitigate risk

Weekly

- Company updates over the prior week are recapped in a report generated by Everest and discussed at weekly portfolio meetings
- Overall portfolio is reviewed in the context of diversity and optimization of credit lines
- Amortization and repayment projections are updated to ensure that cash is optimized

Monthly

- Deal teams rotate presenting detailed credit monitoring reports to Credit Committee on a weekly basis (each deal team is scheduled to present every 4-6 weeks)
- If performance deteriorates significantly, extra resources are allocated to a credit, which may be re-underwritten, and deal teams are responsible for defending buy/hold/sell recommendations

Workout Group

- Dedicated workout group has extensive experience in operational turnarounds, financial restructurings and distressed investing
- Active dialogue is held with sponsors as Fifth Street encourages additional equity investment in the business (as appropriate)
- Ultimate recovery analysis is conducted which drives decision to sell in the secondary market or manage through a restructuring process

*Fifth Street's portfolio management software tool.

Key Business Applications

Our best-in-class systems help deliver accuracy, timeliness and integrity to our business.

Everest

In conjunction with Black Mountain Systems, Fifth Street has developed a customized portfolio management system:

- Financials are input by deal teams on a real-time basis; otherwise data entry is minimized, and most manual reporting is automated
- Credit Monitoring Reports (CMRs) display historical trended financials, liquidity, performance compared to budget, financial covenants and Investment Team updates in a user-friendly, consistent format
- Aggregates portfolio level data that shows financial performance trends and portfolio level concentration data
- Linked to Wall Street Office, which manages back office and accounting data, ensuring data integrity and consistency

Wall Street Office Suite

Provides a wide range of solutions from accounting and advanced reporting solutions to analytics designed to make the management of loan portfolios and structured facilities efficient and accurate.

Advent Geneva

Leading portfolio management and fund accounting platform. Provides real-time performance, P&L, position and exposure information. Supplies comprehensive instrument coverage – from global equities and fixed income to derivatives and bank debt.

IVP Recon

Cash reconciliation solution, ensuring bank activity is reconciled accurately and matches internal books and records.

Salesforce Customer Relationship Management (CRM)

Provides a complete client and investment management solution. Captures and organizes information on current and prospective relationships, as well as deal flow and originations.

Key Business Applications (continued)

Broadridge

Broadridge Security Master

- Global repository of reference data to centralize and manage security terms and conditions across the organization. Serves as a single "golden copy" reference database that all downstream systems can leverage.

Broadridge Price Master

- Collects, stores and analyzes pricing data from multiple sources (e.g., data vendors, broker files, spreadsheets, text files, etc.) to streamline and manage firm-wide pricing and valuation.

Broadridge Analytics Master

- Consolidates front-, middle- and back-office information into a centralized reporting tool for more comprehensive, timely and accurate reporting.

Financial Overview

FIFTH STREET

Quarterly Financial Information

($ in thousands, except AUM and per share data)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenues:				
Management Fees[1]	$15,761	$19,379	$73,810	$88,474
Performance and Other Fees	2,130	3,541	8,737	9,293
Total Revenues	$17,891	$22,920	$82,547	$97,766
Management Fees % of Total Revenue	*88.1%*	*84.6%*	*89.4%*	*90.5%*
Net Income (Loss) Attributable to FSAM	($909)	($1,177)	($1,531)	$2,377
Adjusted Net Income After Tax[2]	$7,054	$9,206	$33,103	$36,261
% of Revenue	*39.4%*	*40.2%*	*40.1%*	*37.1%*
Adjusted Net Income After Tax Per Share	$0.14	$0.18	$0.66	$0.73
AUM at End of Period ($MM)[3]	$4,713	$5,296	$4,713	$5,296
Fee-earning AUM at End of Period ($MM)[4]	$3,673	$4,352	$3,673	$4,352

Note: Numbers may not sum due to rounding.
[1] Includes Part I Fees of $5,066,108 and $4,405,524 for the three months ended December 31, 2016 and 2015, respectively; $26,956,347 and $31,172,071 for the years ended December 31, 2016 and 2015, respectively; [2] Adjusted Net Income after tax is calculated as Adjusted Net Income as adjusted for an assumed tax provision and for tax benefits related to basis adjustments due to our IPO, assuming conversion of all Fifth Street Holdings limited partnership interests into FSAM Class A common stock. Adjusted Net Income is a non-GAAP measure that represents income before income tax benefit (provision) as adjusted for (i) certain compensation-related charges, (ii) unrealized gains (losses) on beneficial interests in CLOs, MMKT Notes and derivative liabilities, (iii) certain litigation costs and related recoveries (iv) the excess of cash dividends received from our investments in FSC and FSFR over the related income recognized under the equity method of accounting and (v) other non-recurring items; [3] AUM refers to assets under management of our funds and material control investments of these funds and represents the sum of the net asset value of such funds and investments, the drawn debt and unfunded debt and equity commitments at the fund or investment level (including amounts subject to restrictions) and uncalled committed debt and equity capital (including commitments to funds that have yet to commence their investment periods); and [4] Fee-earning AUM refers to the AUM on which we directly or indirectly earn management fees and represents the sum of the net asset value of our funds and their material control investments and the drawn debt and unfunded debt and equity commitments at the fund or investment level (including amounts subject to restrictions).

Adjusted Net Income After Tax Reconciliation

($ in thousands, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Income (Loss) Before Provision for Income Taxes	($4,620)	$5,861	$7,096	$38,603
Adjustments:				
Compensation-Related Charges[1,2,3]	10,273	1,666	18,732	6,111
(Gain) Loss on Extinguishment of MMKT Notes[4]	74	-	(2,519)	-
Unrealized (Gain) Loss on Beneficial Interests in CLOs[5]	72	489	(97)	1,080
Lease Termination/Abandonment Charges[6]	(144)	-	2,612	(72)
Adjustment of TRA Liability for Tax Rate Change[7]	-	-	(7,526)	-
Gain on Extinguishment of Debt[8]	-	-	(2,000)	-
Litigation and Other Non-Recurring Legal Costs[9]	1,362	2,685	14,004	2,685
Loss on Legal Settlement[10]	-	-	9,250	-
Insurance Recoveries[10]	(2,148)	-	(14,446)	-
Loss on Investor Settlement[11]	-	-	10,419	-
Realized Loss on Derivatives[12]	-	-	2,613	-
Distributions from Equity Method Investments[13]	4,546	430	4,936	427
Adjusted Net Income[14]	$9,415	$11,131	$43,074	$48,834
Net loss attributable to MMKT[15]	(89)	261	1,932	1,136
Income Tax Provision - Fully Converted[16]	(3,211)	(3,324)	(15,875)	(18,330)
Tax Receivable Agreement Benefit - Fully Converted[16]	939	1,138	3,972	4,621
Adjusted Net Income After Tax	$7,054	$9,206	$33,103	$36,261
Weighted Average Shares Outstanding - Fully Converted[17]	50,602	49,782	50,037	49,912
Adjusted Net Income After Tax per Class A Common Share - Fully Converted[17]	$0.14	$0.18	$0.66	$0.73

[1] For the quarters and years ended December 31, 2016 and 2015, this amount includes $3.2 million, $5.2 million, $0.3 million and $1.0 million, respectively, of amortization expense relating to the conversion and vesting of member interests in connection with our 2014 reorganization. [2] For the quarter and year ended December 31, 2016, this amount includes $2.8 million and $6.8 million, respectively, of amortization expense relating to stock-based compensation that was awarded to certain of our employees in connection with our 2014 IPO. For the quarter and year ended December 31, 2015, this amount includes $1.4 million and $5.1 million, respectively, of amortization expense relating to stock-based compensation that was awarded to certain of our employees in connection with our IPO; [3] For the quarter and year ended December 31, 2016, this amount includes $4.3 million and $6.7 million, respectively, of severance payments and retention bonuses; [4] Represents the (gain) loss that resulted from the settlement and cancellation of MMKT Notes; [5] Represents the change in fair value on our beneficial interests in CLOs on which we have elected the fair value option; [6] For the quarter ended December 31, 2016, this amount represents adjustments related to prior lease abandonment charges. For the year ended December 31, 2016, this amount represents non-recurring charges related to the abandonment of a portion of our office space at our corporate headquarters in Greenwich, CT. This amount is comprised of a $1.1 million loss representing the present value of the remaining contractual lease payments related to the vacated space (net of estimated sublease income), $2.8 million of accelerated depreciation and amortization, partially offset by a $0.9 million write-off of related deferred rent liabilities and $0.4 million of adjustments related to prior lease abandonment charges. For the year ended December 31, 2015, this amount includes non-recurring benefits for termination payments and related exit costs accrued at present value relating to our office leases; [7] Represents the reduction of payables to TRA recipients as a result of certain changes to Connecticut state tax law that were passed in May 2016 (effective January 1, 2016), which resulted in a lower state income tax rate; [8] Represents the loan forgiveness granted by the DECD as a result of achieving certain job milestones; [9] Represents the expenses incurred in connection with litigation and other non-recurring matters. For the quarter ended December 31, 2016, this amount is comprised of $1.4 million of litigation-related costs. For the year ended December 31, 2016, this amount is comprised of $12.6 million of litigation-related costs and $1.4 million of other non-recurring costs; [10] These amounts relate to the FSAM class action lawsuit settlement in the amount of $9.3 million, which will be covered by insurance proceeds, as well as an additional $5.1 million of insurance recoveries related to professional fees incurred in connection with various legal matters; [11] Represents the loss recognized by us in connection with the premium paid on our and our principal stockholder's purchase of FSC shares in connection with the RiverNorth settlement; [12] Represents gains or losses on a warrant and swap agreement issued by us to RiverNorth in connection with the settlement; [13] Represents the excess of the cash dividends received from our investments in FSC and FSFR over the related income recognized under the equity method of accounting; [14] Adjusted Net Income is presented on a pre-tax basis; [15] Represents the net loss attributable to the operations of MMKT, a consolidated subsidiary of FSAM that was formed to develop technology related to the financial services industry, which was dissolved on December 30, 2016; [16] Based on our estimated statutory tax rate and includes an adjustment for tax benefits related to basis adjustments due to our IPO assuming conversion of all Fifth Street Holdings limited partnership interests into FSAM Class A common stock; [17] Presented with the assumption that 100% of the limited partnership interests in Fifth Street Holdings L.P. were converted on a one-for-one basis into shares of our Class A common stock.

Roll-Forward of Assets Under Management

($ in thousands)	Year Ended December 31, 2016					
	FSC	FSFR	FSOF	Senior Loan Funds	SMA	Total
Beginning Balance	$3,518,119	$989,702	$90,090	$697,701	-	$5,295,612
Commitments & Equity Raises	-	25,000	-	-	50,000	75,000
Subscriptions, Deployments & Changes in Leverage	(415,808)	(57,395)	(5,123)	42,399	-	(435,927)
Redemptions & Distributions	(104,836)	(24,310)	(17,385)	(18,167)	-	(164,698)
Change in Fund Value	(76,640)	10,205	5,826	4,117	-	(56,492)
Ending Balance	$2,920,835	$943,202	$73,408	$726,050	$50,000	$4,713,495
Average AUM	$3,219,477	$966,452	$81,749	$711,876	$25,000	$5,004,554

Roll-Forward of Fee-Earning Assets Under Management

($ in thousands)	Year Ended December 31, 2016				
	FSC	FSFR	FSOF	Senior Loan Funds	Total
Beginning Balance	$2,833,083	$807,558	$29,587	$681,540	$4,351,768
Commitments & Equity Raises	-	25,000	-	52,229	77,229
Subscriptions, Deployments & Changes in Leverage	(364,424)	(132,498)	(303)	(48,782)	(546,007)
Redemptions & Distributions	(104,836)	(24,310)	(2,248)	(18,167)	(149,561)
Change in Fund Value	(76,640)	10,205	2,278	4,117	(60,040)
Ending Balance	$2,287,183	$685,955	$29,314	$670,937	$3,673,389
Average Fee-Earning AUM	$2,560,133	$746,756	$29,451	$676,239	$4,012,578

FIFTHSTREET

Appendix

FIFTH STREET

Overview of BDC Structure and Regulations

BDC Overview

- Created by Congress in 1980 in order to:
  - Provide public investors another means to invest in the long-term growth of private U.S. businesses
  - Facilitate the flow of capital to companies lacking access to bank credit and public capital markets
- An emerging asset class in the alternative investment space, with a total public market capitalization of over $33 billion[1]
- Generally, BDCs elect to be treated as regulated investment companies (RICs), allowing them to be tax pass-through vehicles, similar to REITs and MLPs

BDC Requirements

In order to qualify as a BDC, companies must be registered in compliance with Section 54 of the Investment Company Act of 1940.

OTHER REQUIREMENTS INCLUDE:

- **Leverage Constraints:**
  BDC regulations allow a maximum debt-to-equity ratio of 1:1 which allows BDCs to modestly enhance their return
- **Non-Qualifying Asset Basket:**
  BDCs must invest at least 70% of assets in qualifying assets which typically include private operating companies
- **Income Distribution:**
  As a RIC, required to distribute at least 90% of their annual taxable net income to shareholders in order to bypass corporate income taxes on distributed income
- **Asset Diversification:**
  BDCs must remain adequately diversified in order to limit them from concentration risk
- **Mark-to-Market:**
  BDC portfolios marked to fair market value each quarter (vs. banks at cost)

[1] As of March 31, 2017. Source: KBW Investment Banking Group, Weekly BDC / RIC Market Overview.

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