



# TPG Specialty Lending, Inc.

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Wells Fargo Investment Thought Leadership Forum

December 2017

# Disclaimer and Forward-Looking Statement

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## I. BDC Sector Observations

## II. TSLX Principles and Investment Strategy

## III. Our “Watch Outs”

# Who We Are Not



*Note: The above awards are not specific accolades received by TSLX*



While we have won lender awards, it is not our main focus

## MIDDLE MARKET/DIRECT LENDING PLAYERS

### YE 2016 Direct Lender



Direct Lender	#of Deals
Antares Holdings (GE Antares Capital)	
Madison Capital	42
Golub Capital	33
NewStar Financial	31
NXT Capital	31
Ares Capital	28
Monroe Capital	28
MidCap Financial	16
Alcentra Capital	14
Babson Capital Management	10
Audax Capital	8
CrossStreet Capital Group	8
Arcturus Capital	8
Dragon Capital	
MidStreet Capital	7
Marano Capital	6

Sources: Prequin, Dealogic, CapitalIQ  
Deals announced or completed

While we've done a significant number of direct lending transactions, league table standings have never been our focus

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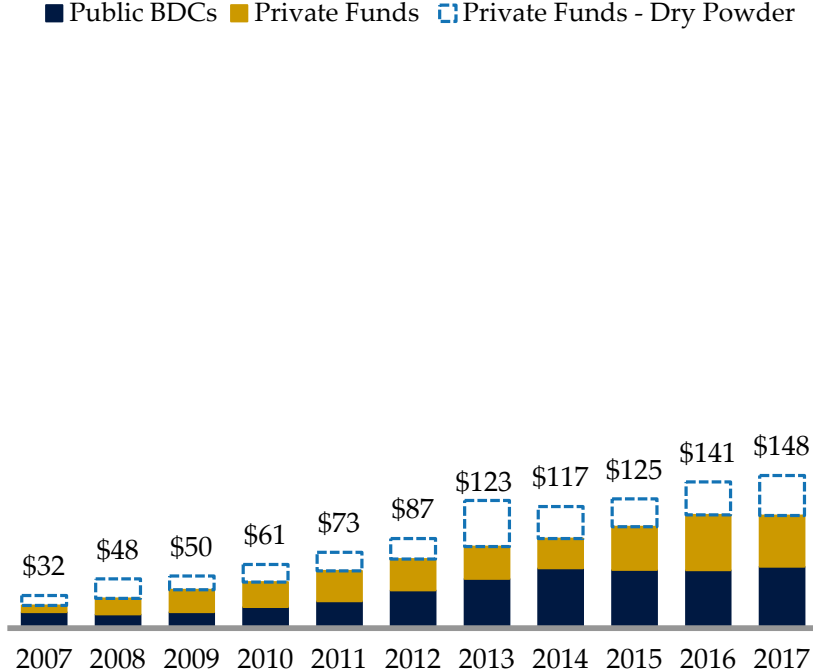
BDC Misconception #1:  
Private Credit Markets Aren't Competitive

# Headline: Private Equity Financing Demand Outpaces Supply

## Public & Private Assets in Direct Lending

(\$ in billions)

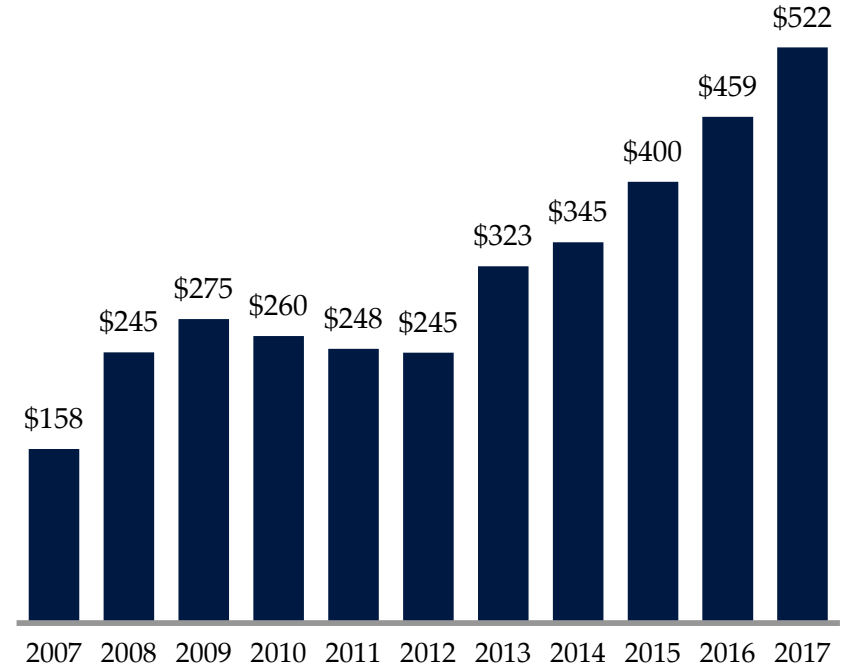
■ Public BDCs ■ Private Funds □ Private Funds - Dry Powder



Source: Cap IQ for public BDCs (Total Assets as of 9/30/2017, or latest available); Preqin for private funds (as of March 2017, reflects direct lending funds focused in North America)

## North America Private Equity Buyout Dry Powder

(\$ in billions)



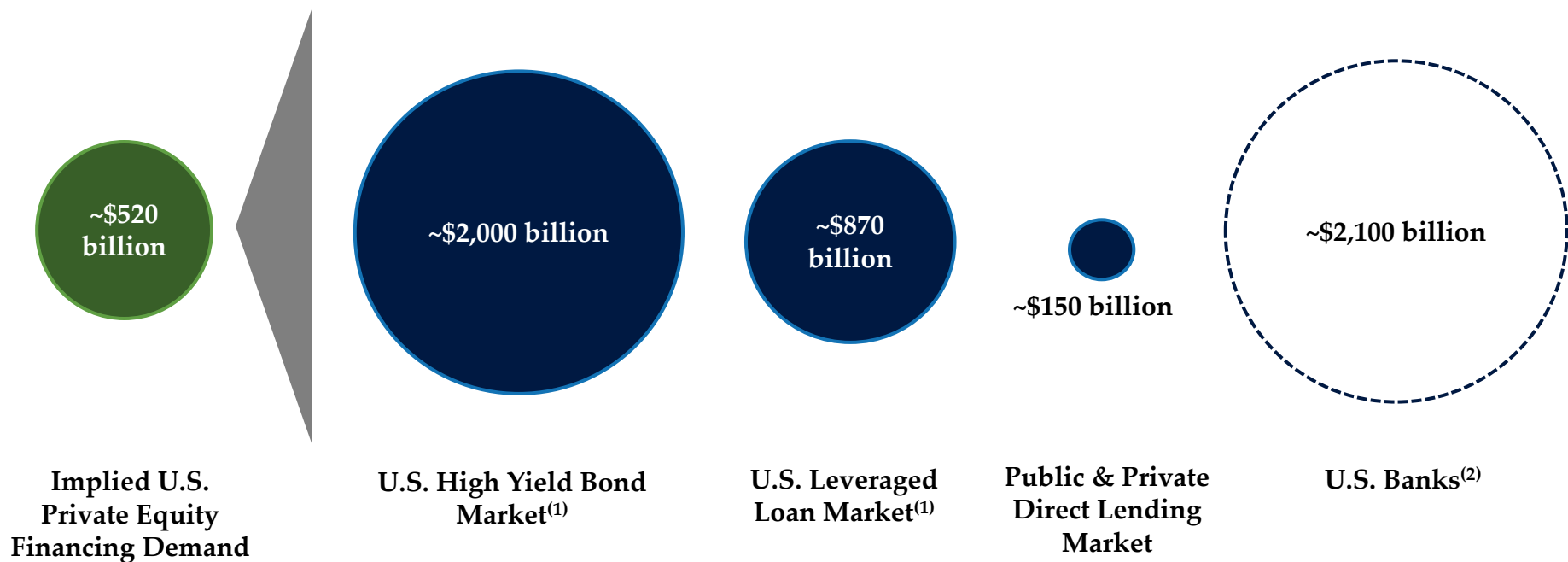
Source: Preqin (as of Nov 2017, reflects buyout and other dry powder for private equity funds focused in North America)



Assuming a 50/50 debt to equity capital structure, implied sponsor financing demand of over \$520 million, compared to \$150 billion of direct lending capacity

# Reality: Large U.S. Fixed Income Market

## Private Equity Financing Demand vs. U.S. Fixed Income Asset Classes



(1) U.S. high yield bond market represents USD-denominated high yield debt globally. Source: J.P. Morgan, as of 12/31/16

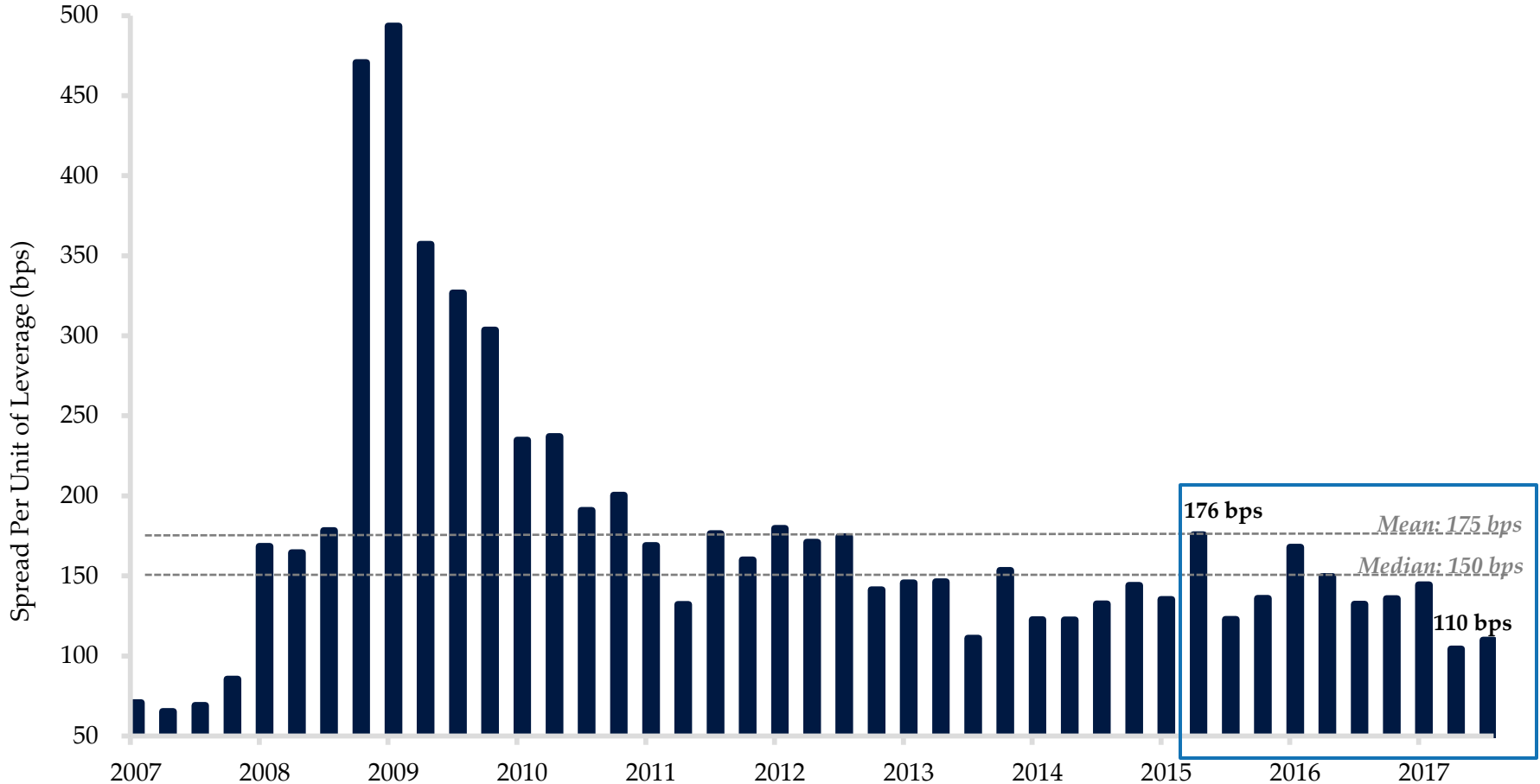
(2) Reflects U.S. commercial and industrial loans bank assets. Source: Federal Reserve data, as of Nov 2017

BDCs and other direct lenders are the marginal debt providers to the space



# Spread Per Unit of Risk Continues to Decline

Middle Market Loan Spreads Per Unit of Leverage (bps)



Source: LCD, as of September 2017

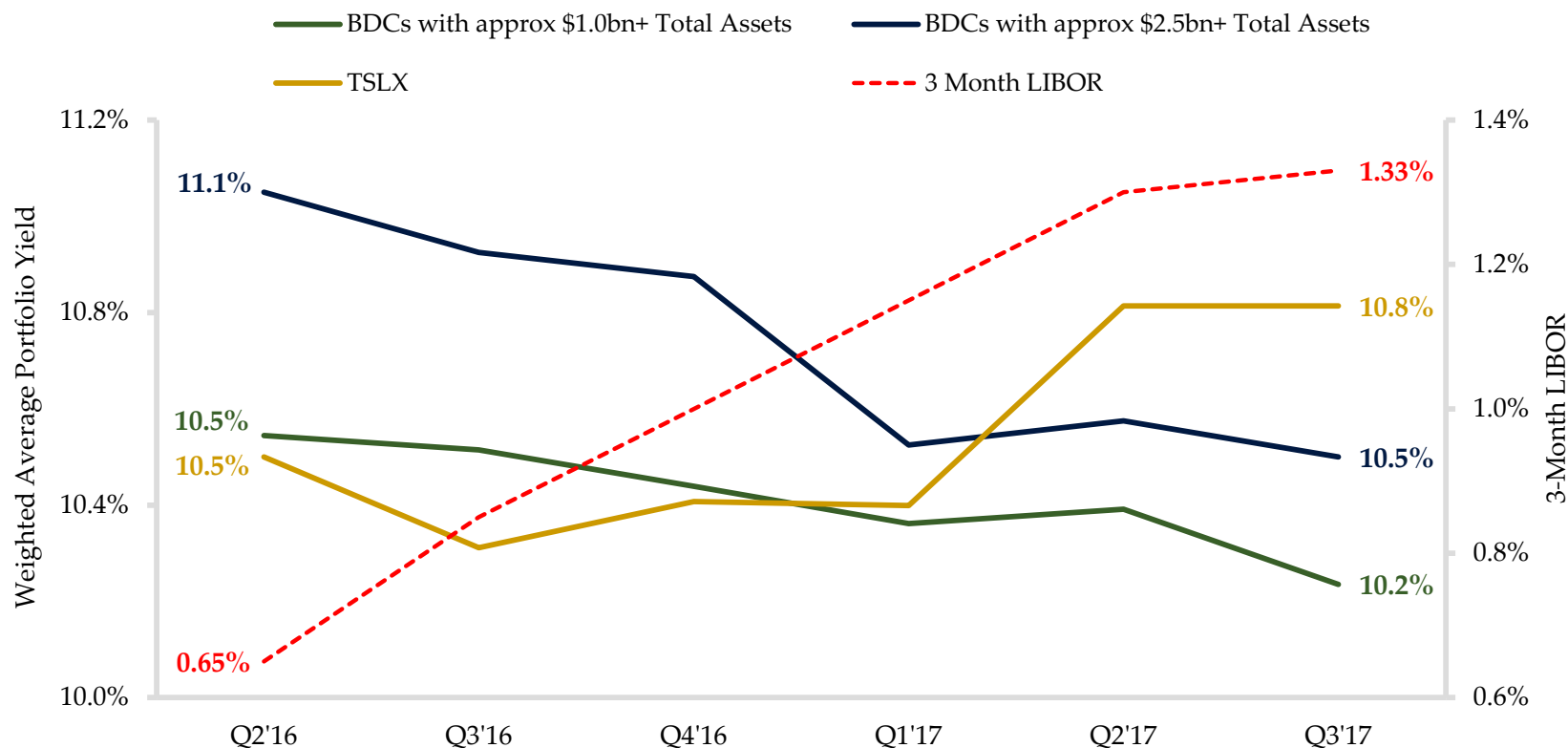
Spread per unit of risk for middle market loans today is below historical mean and median levels  
Since mid-2015, spread per unit of risk has tightened by nearly 40%

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BDC Misconception #2:  
BDCs Benefit from Asset Sensitivity in a Rising Rate Environment

# Diminished Asset Sensitivity

## Weighted Average Portfolio Yield



Source: Company filings for quarter ended 9/30/2017, or latest available

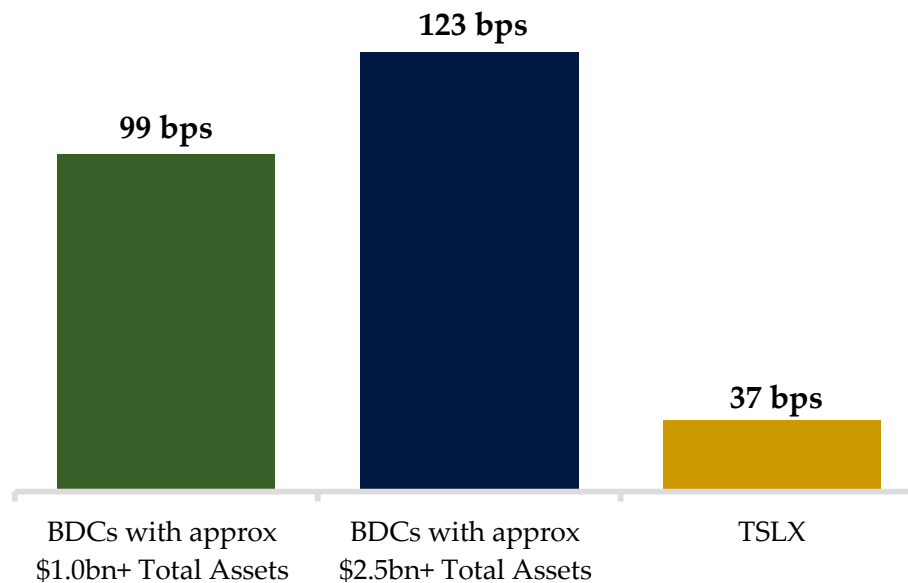
Note: Analysis based on externally managed BDCs with Total Assets measured as of 9/30/2017, or latest available. PSEC, OCSL, TCPC and GBDC yields are at fair value



As interest rates have increased, BDCs have not been able to benefit from balance sheet asset sensitivity due to portfolio spread compression

# Diminished Asset Sensitivity

## Implied Spread Compression<sup>(1)</sup>



Source: Company filings for quarter ended 9/30/2017, or latest available

Note: Analysis based on externally managed BDCs with Total Assets measured as of 9/30/2017, or latest available

(1) Excludes the impact of LIBOR floors



Portfolio spread compression has been more pronounced amongst larger BDCs

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BDC Misconception #3:  
Dividend Yield Represents Shareholder Return

# Trading Dividend Yields

## Trading Dividend Yield<sup>(1)</sup>



(1) Reflects the most recent regular dividend per share, annualized and expressed as a percentage of trading price per share

(2) BDC Peers consist of 17 externally managed BDCs in the S&P BDC Index with total assets greater than \$600 million based on 6/30/17 financials, with the addition of OCSI, CPTA and CGBD

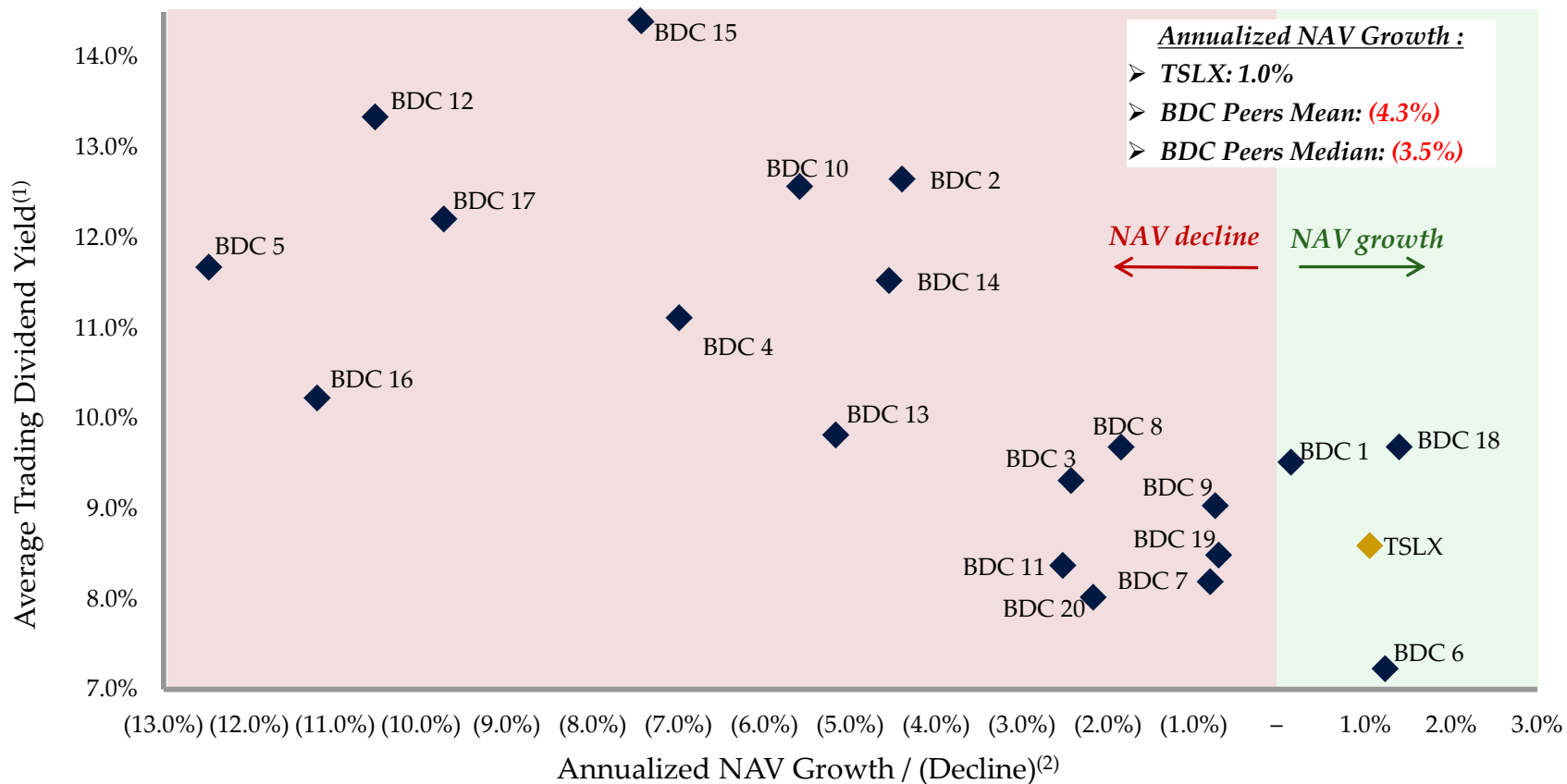
Source: SNL Financial, as of 11/30/2017



Trading dividend yield as an indicator of shareholder returns is misguided...

# Trading Dividend Yields

## Trading Dividend Yield vs. NAV Growth / (Decline) (since TSLX IPO)



Note: BDC Peers consist of 17 externally managed BDCs in the S&P BDC Index with total assets greater than \$600 million based on 6/30/17 financials, with the addition of OCSI, CPTA and CGBD  
 (1) Reflects the most recent regular dividend per share, annualized and expressed as a percentage of trading price per share from 3/31/2014 to 11/30/17  
 (2) Calculated as net asset value per share growth from 3/31/2014 to 9/30/2017 (or latest available), adjusted for annual basis  
 Source: SNL Financial, as of 11/30/2017

Since our IPO, the average annual NAV growth for the BDC sector is (4)% per year

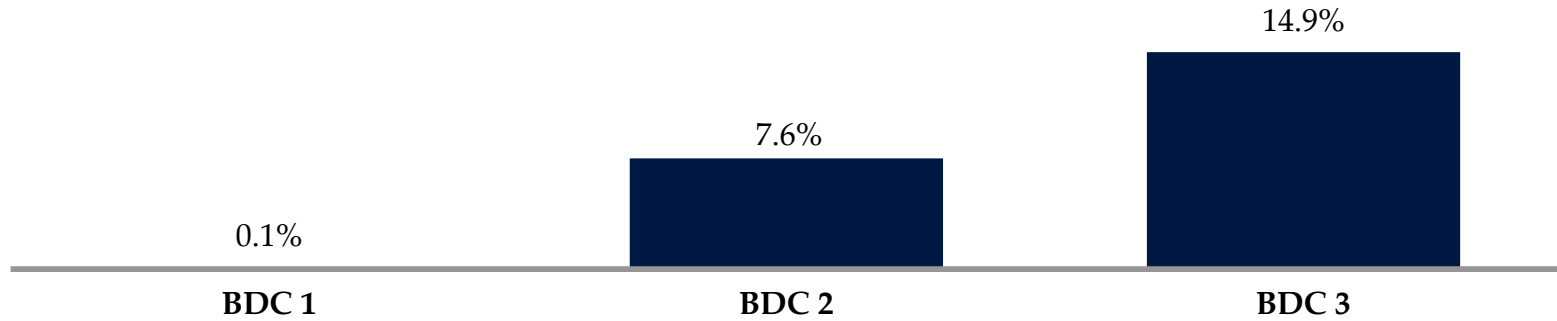
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BDC Misconception #4:  
All Growth Is Good For Shareholders

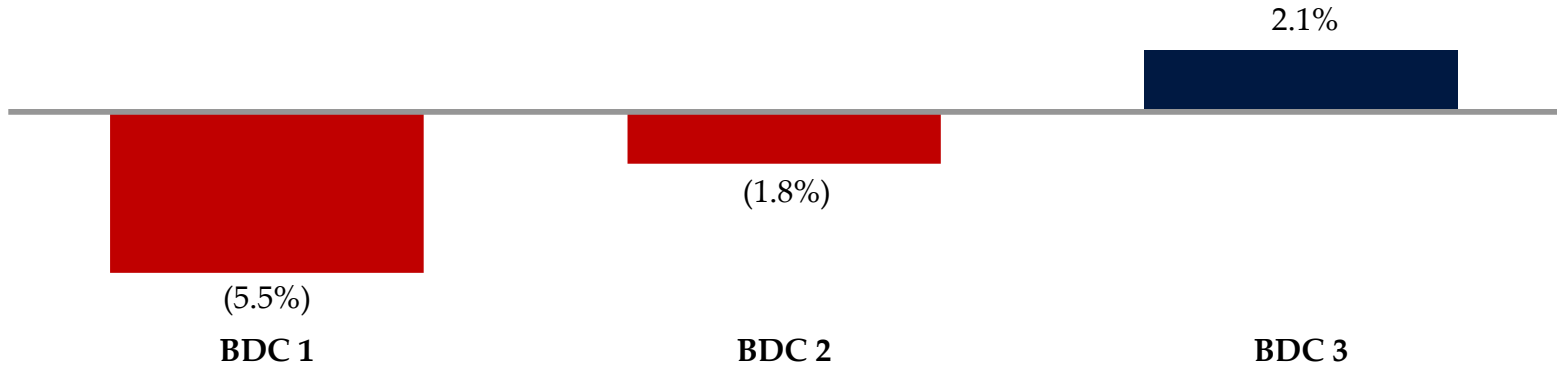


# Not All Growth Is Good For Shareholders

## ANNUALIZED ECONOMIC RETURN – IPO TO 1<sup>ST</sup> EQUITY RAISE



## ANNUALIZED ECONOMIC RETURN – SINCE LAST FOLLOW-ON EQUITY RAISE<sup>(1)</sup>



Note: Economic return is measured by the change in net asset value per share plus dividends paid per share over the relevant periods, adjusted for an annual basis  
(1) Through 9/30/2017, or latest available  
Source: Cap IQ, SNL Financial



As these illustrative case studies show, not all growth is beneficial for shareholders

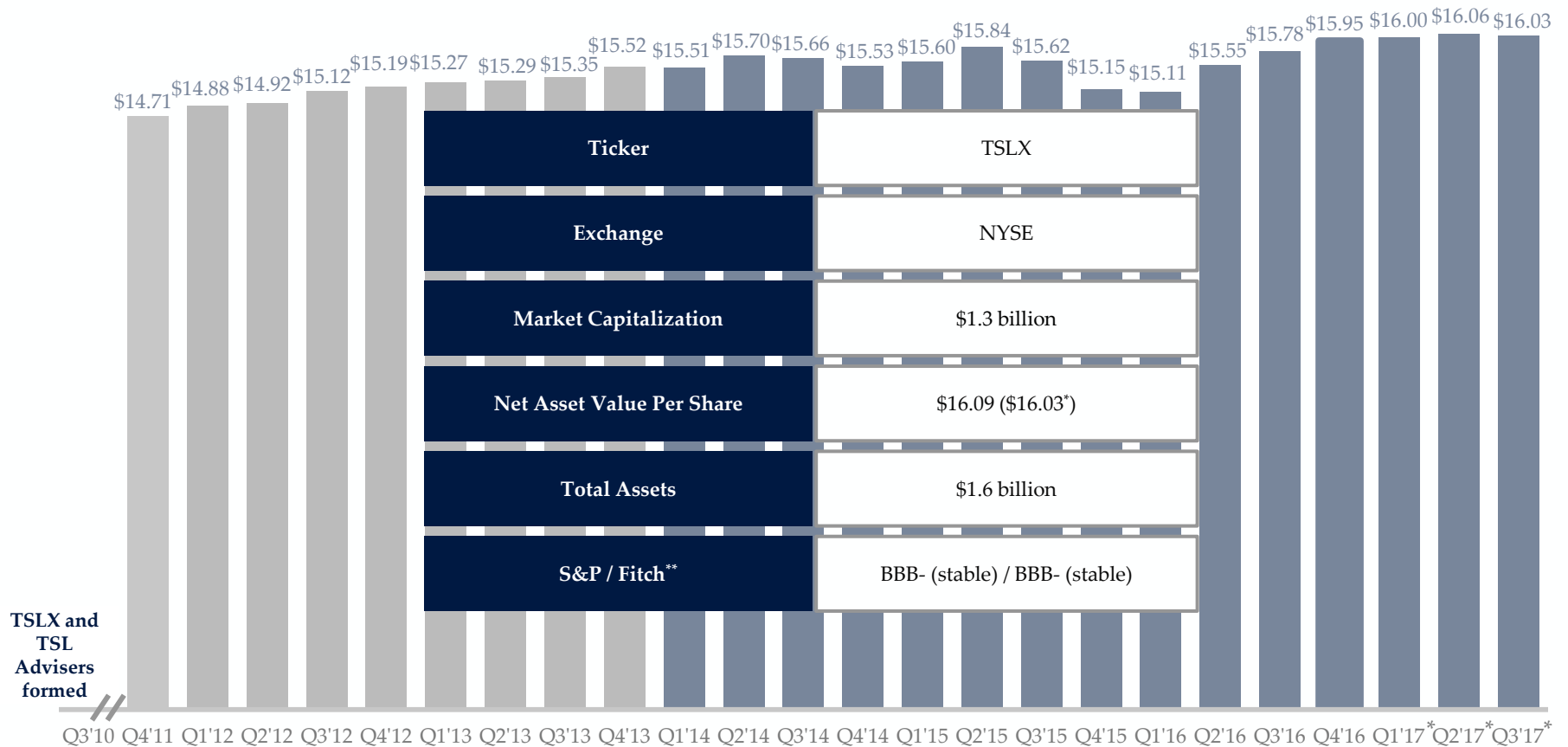
I. BDC Sector Observations

II. TSLX Principles and Investment Strategy

III. Our “Watch Outs”

# Overview

Specialty finance company focused on lending to middle-market companies



Note: Market capitalization and financial data as of 9/30/2017  
 \*Reflects NAV per share pro forma for the variable supplemental dividend per share of \$0.04, \$0.09, and \$0.06 related to Q1 2017, Q2 2017, and Q3 2017 earnings, respectively  
 \*\*S&P rating affirmed on 04/07/2017 and Fitch rating affirmed on 03/07/2017

Net Asset Value Per Share (ending shares)

# Our Competitive Advantages



## Leading Platform and Proprietary Deal Flow

- ▶ 31 dedicated professionals as of Nov 2017
- ▶ Leverage resources of TSSP and TPG
- ▶ 98% of investments are directly originated
- ▶ SEC exemptive order for co-investments

## Disciplined Investment / Underwriting Process

- ▶ Focus on risk-adjusted returns, not absolute return
- ▶ Strong documentation with effective voting control on 82% of debt investments
- ▶ Robust and active asset management

## Senior, Floating Portfolio w/ Strong Yields

- ▶ 44 companies with a weighted average total yield of 10.8% at amortized cost<sup>(1)</sup>
- ▶ 93% first lien, 100% floating rate<sup>(2)</sup>
- ▶ 84% of debt investments have call protection
- ▶ Embedded inflation and reinvestment protection

## Experienced Management Team

- ▶ Senior team members have over 200 years of collective experience as commercial dealmakers and risk managers
- ▶ Average gross unlevered IRR, weighted by capital invested, of approximately 19% on fully exited investments totaling \$2.5 billion of cash invested

Note: As of 9/30/2017, unless otherwise noted

<sup>1</sup> Total yield on investments is calculated based on the interest rate and the accretion of original issue discount ("OID")

<sup>2</sup> Includes one or more fixed rate investments for which we entered into an interest rate swap agreement to swap to a floating rate

# Shareholder Experience

Since TSLX IPO

**BDC Peers Average**



	BDC Peers Average	Outperformance	TSLX (NYSE)
<b>Annualized ROE (on NII)<sup>(1)</sup></b>	<b>8.6%</b>	371 bps	<b>12.3%</b>
<b>Cumulative NAV Per Share Growth<sup>(2)</sup></b>	<b>(13.5%)</b>	1719 bps	<b>3.7%</b>
<b>Annualized ROE (NAV growth plus dividends)<sup>(3)</sup></b>	<b>4.6%</b>	541 bps	<b>10.0%</b>
<b>Total Return (stock price plus dividends)<sup>(4)</sup></b>	<b>13.3%</b>	6930 bps	<b>82.6%</b>
<b>Sharpe Ratio<sup>(5)</sup></b>	<b>2.1</b>	57%	<b>3.3</b>

Note: BDC Peers consist of 17 externally managed BDCs in the S&P BDC Index with total assets greater than \$600 million as of 6/30/17 financials, with the addition of OCSI, CPTA and CGBD

(1) Calculated as cumulative net investment income per share from 3/31/2014 to 9/30/2017 (or latest available), divided by beginning NAV per share at 3/31/2014, adjusted for annual basis

(2) Calculated as change in net asset value per share from 3/31/2014 to 9/30/2017 (or latest available)

(3) Calculated as net asset value per share growth from 3/31/2014 to 9/30/2017 (or latest available) plus cumulative dividends paid per share over that period, adjusted for annual basis

(4) Reflects change in market value per share plus dividends from 3/20/2014 to 9/30/2017; assumes dividend reinvestment

(5) Sharpe ratio is defined as the annualized economic return (dividends paid plus change in net asset value) over the 5-year treasury from 3/31/2014 to 9/30/2017 (or latest available)

Source: SNL Financial

# TSLX Principles and Investment Strategy

1 Differentiated Platform Expertise and Capabilities



2 Capital Allocation

Private Equity<sup>(1)</sup>  
\$50.6B

Real Estate  
\$5.1B

Public Equity  
\$3.6B

TPG Sixth Street Partners (TSSP) / Credit Investments ~\$20B

Special Situations and Other	Specialty Finance / Direct Loan Origination	Liquid Leveraged Loans, High Yield, and Structured Credit
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3 Dividend Policy

4 Asset Selection / NAV Protection

Note: Data as of 9/30/2017; latest available and subject to change  
(1) Includes TPG Capital, Asia, Growth, Biotech, RISE, Energy Solutions, and ART funds.

TSLX leverages the expertise and networks of TSSP and TPG and is the “first stop” channel for directly originated U.S. middle market credit opportunities within the platform

# TSLX Principles and Investment Strategy

1 Differentiated Platform Expertise and Capabilities



## Representative Themes

2 Capital Allocation

3 Dividend Policy

4 Asset Selection / NAV Protection

idera

MatrixCare  
Integrated Care. Better Outcomes.

FRONTLINE  
TECHNOLOGIES

Qlik Q

Software and/or Recurring Revenue

AÉROPOSTALE

Payless  
SHOESOURCE

sears

SPORTS  
AUTHORITY

ABL Retail

NEKTAR

Ironwood

Financing Pharma  
Royalty Streams

*Note: Reflects current and fully realized investments; selected to represent a variety of transaction structures and investment strategies. This list is not comprehensive*



Defensive themes consistent with our late-cycle minded approach

# TSLX Principles and Investment Strategy

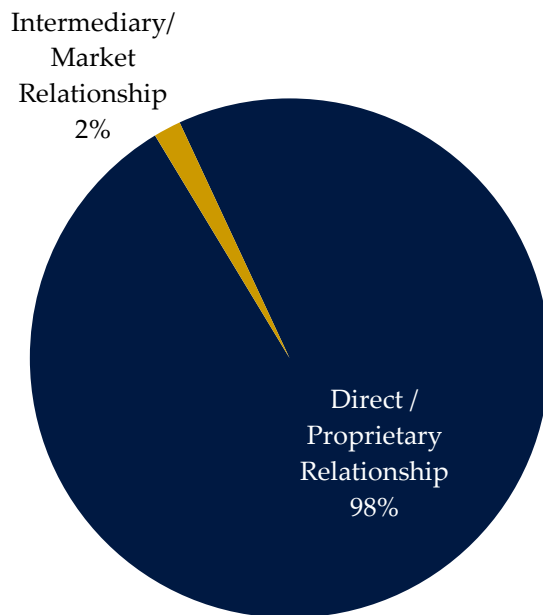
1 Differentiated Platform Expertise and Capabilities

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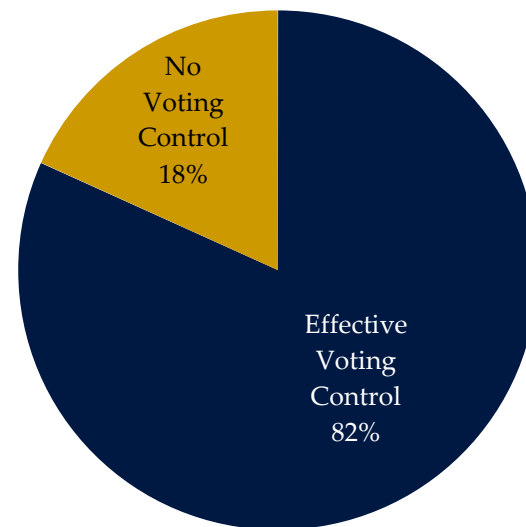
## Sourcing



*Note: By fair value of investments as of 9/30/2017*

98% sourced away from Wall Street

## Voting Control



Effective voting control in 82% of portfolio debt investments



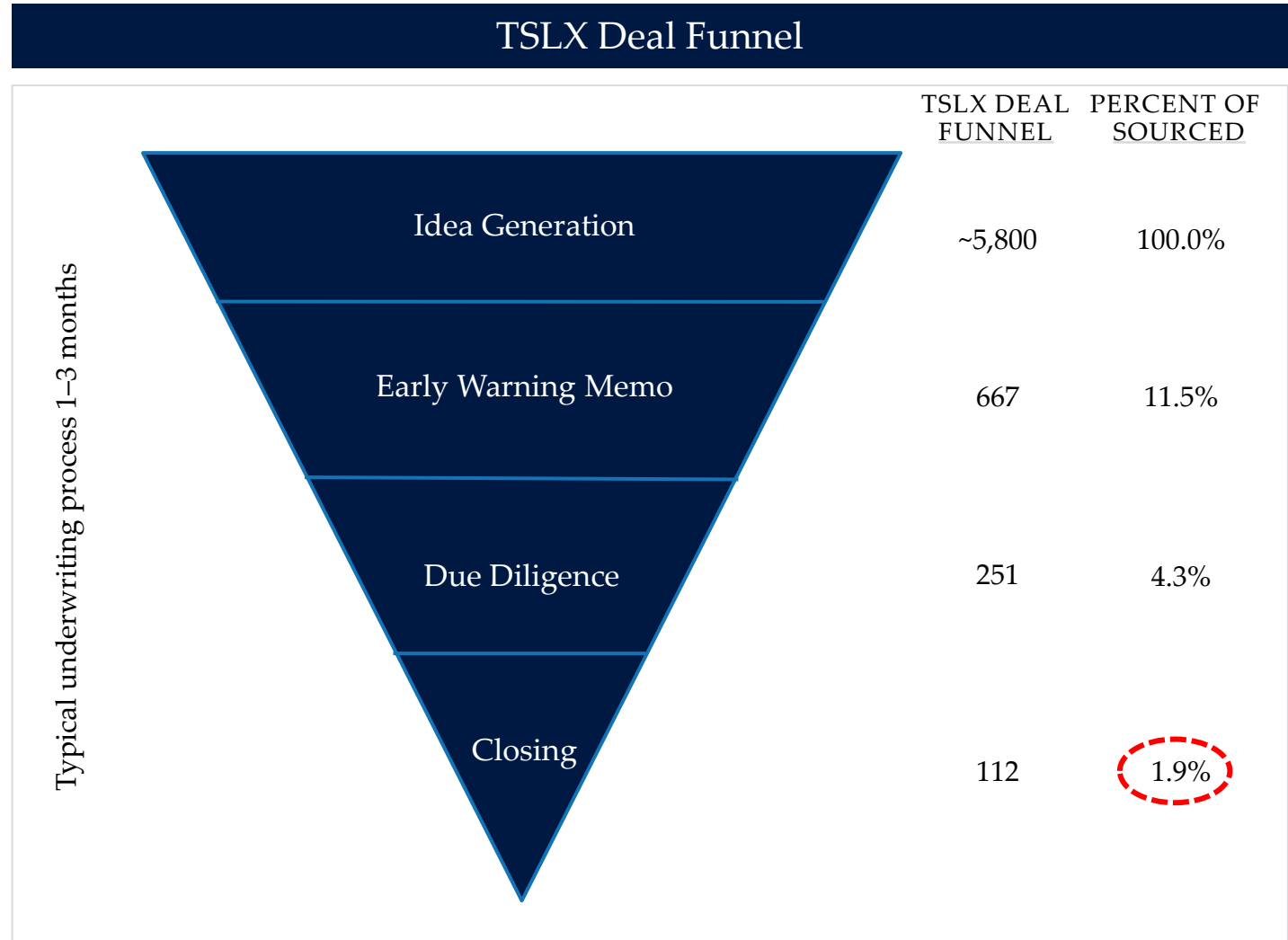
# TSLX Principles and Investment Strategy

1 Differentiated Platform Expertise and Capabilities

2 Capital Allocation

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4 Asset Selection / NAV Protection



Our direct sourcing model is a differentiator;  
highly selective investment process

# TSLX Principles and Investment Strategy

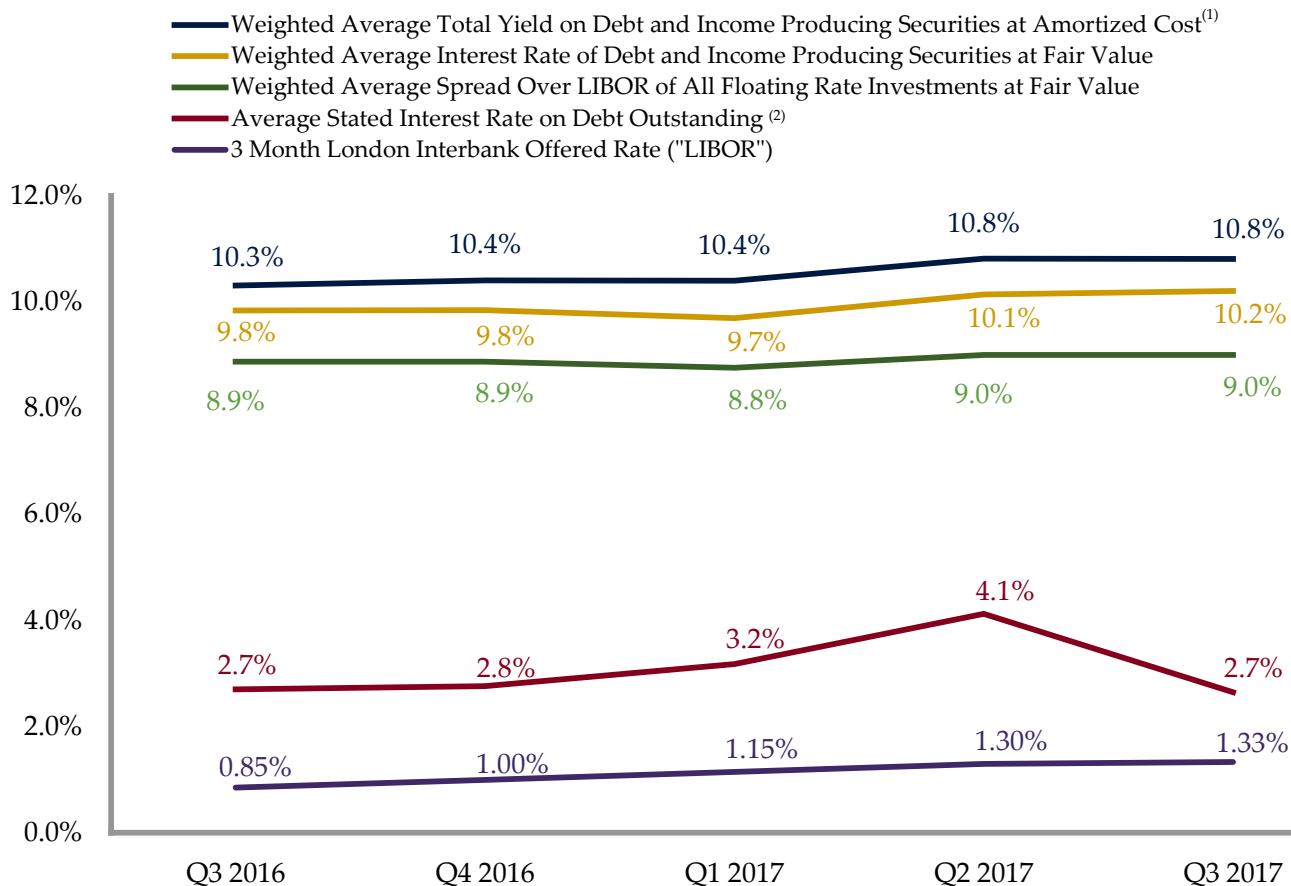
1 Differentiated Platform Expertise and Capabilities

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## Net Interest Margin



(1) Total yield on investments is calculated based on the interest rate and the accretion of OID, exclusive of investments on non-accrual status  
 (2) Interest rate on debt outstanding includes the swap-adjusted interest expense related to our Convertible Notes

Net interest margin has been stable...the benefit of direct originations

# TSLX Principles and Investment Strategy

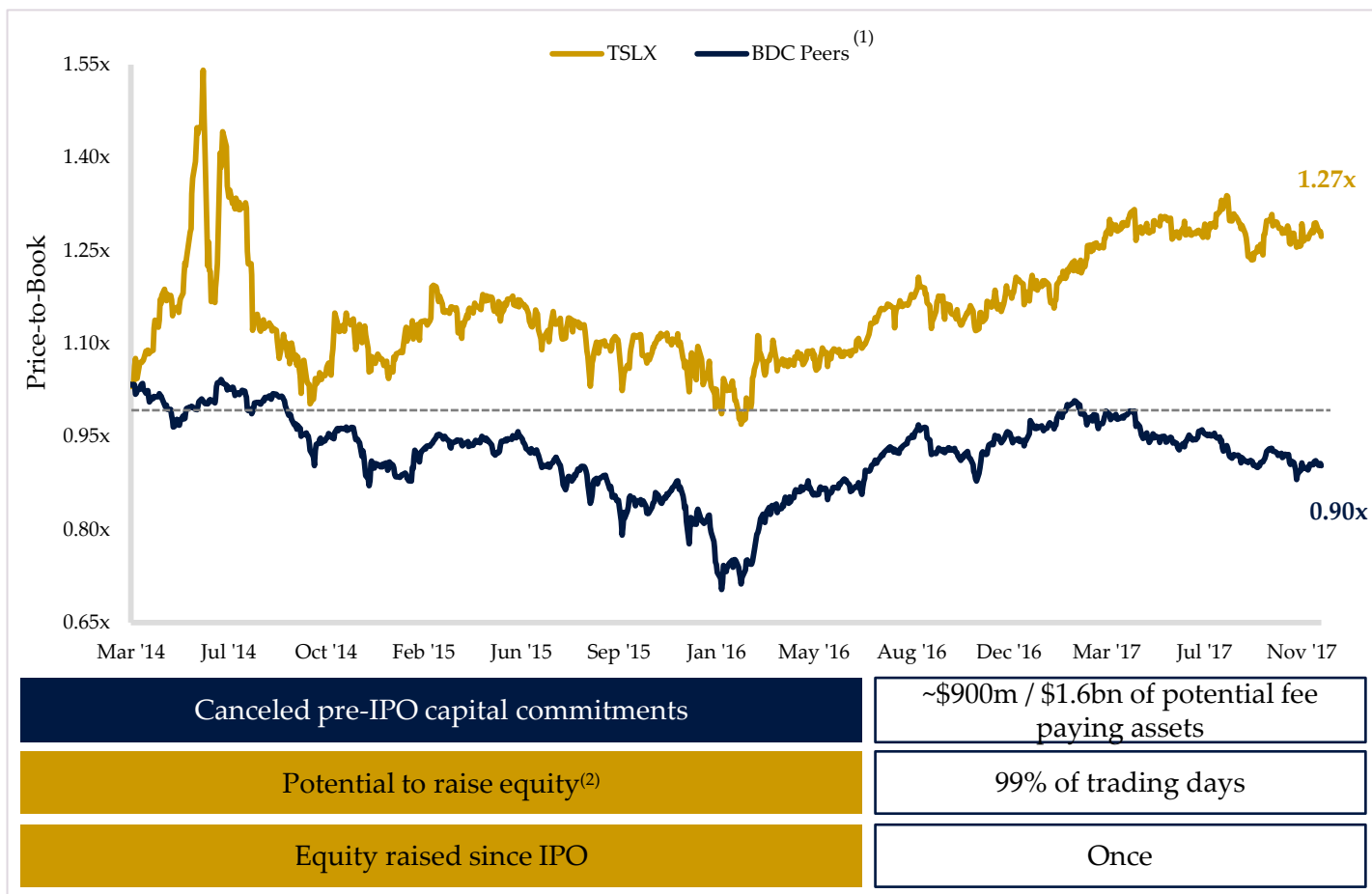
1 Differentiated Platform Expertise and Capabilities

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## Equity Raise Discipline



<sup>1</sup> BDC Peers consist of 17 externally managed BDCs in the S&P BDC Index with total assets greater than \$600 million based on 6/30/17 financials, with the addition of OCSI, CPTA and CGBD

<sup>2</sup> Reflects trading days that TSLX closed above 100% of last reported book value

Source: SNL Financial, as of 11/30/2017

Discipline in accessing equity capital markets reflective of shareholder alignment

# TSLX Principles and Investment Strategy

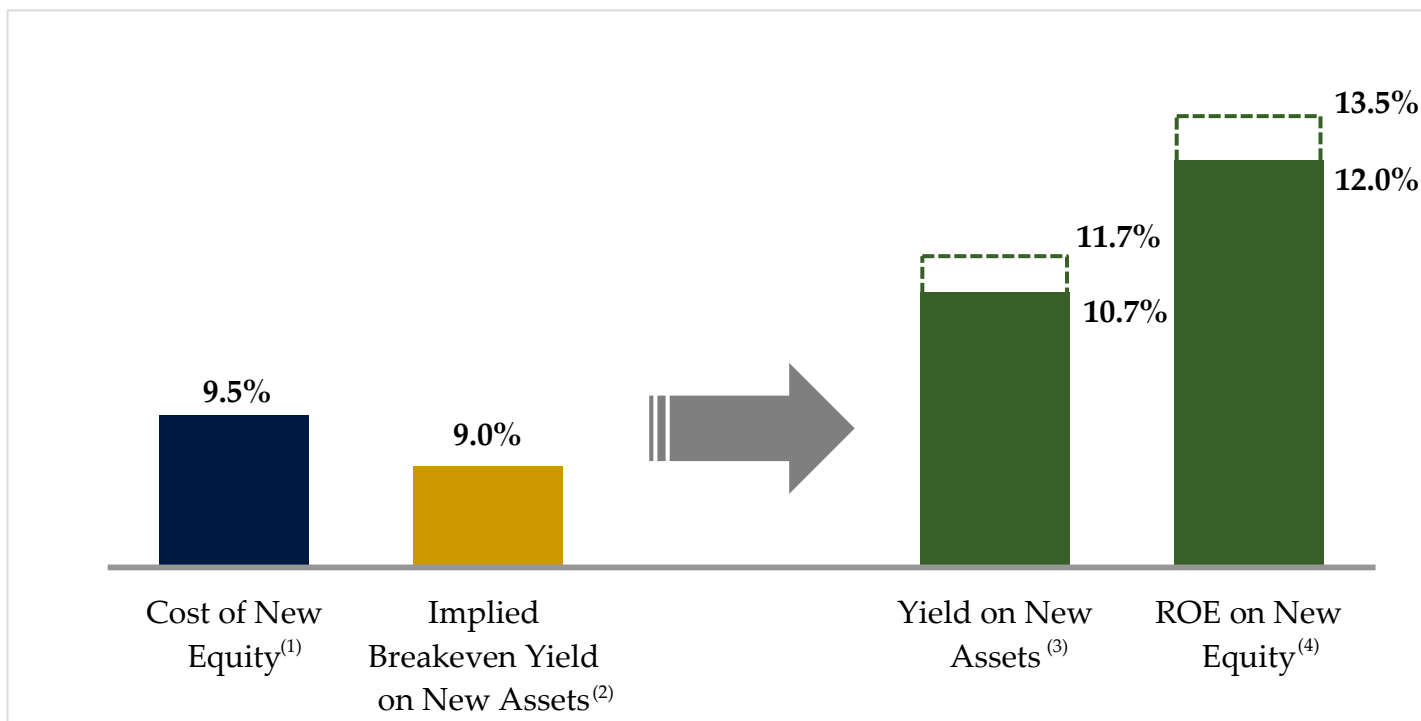
1 Differentiated Platform Expertise and Capabilities

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## Equity Raise Discipline (March 2016)



1 Reflects latest quarter dividend, annualized and expressed as a percentage of offering price per share adjusted for offering fees and expenses  
 2 Average all-in yield required on new assets in order to achieve 9.5% ROE based on our target leverage ratio and cost and operating structure  
 3 Range's lower bound reflects average all-in yield achieved on new assets and range's upper bound reflects potential yield achieved through prepayment fees, syndication fees and other income  
 4 Implied ROE based on our target leverage ratio and cost and operating structure

“ TSLX: A Potential BDC First, NOI Beat Post 1Q Equity Raise ”

– Wells Fargo, August 16, 2016

# TSLX Principles and Investment Strategy

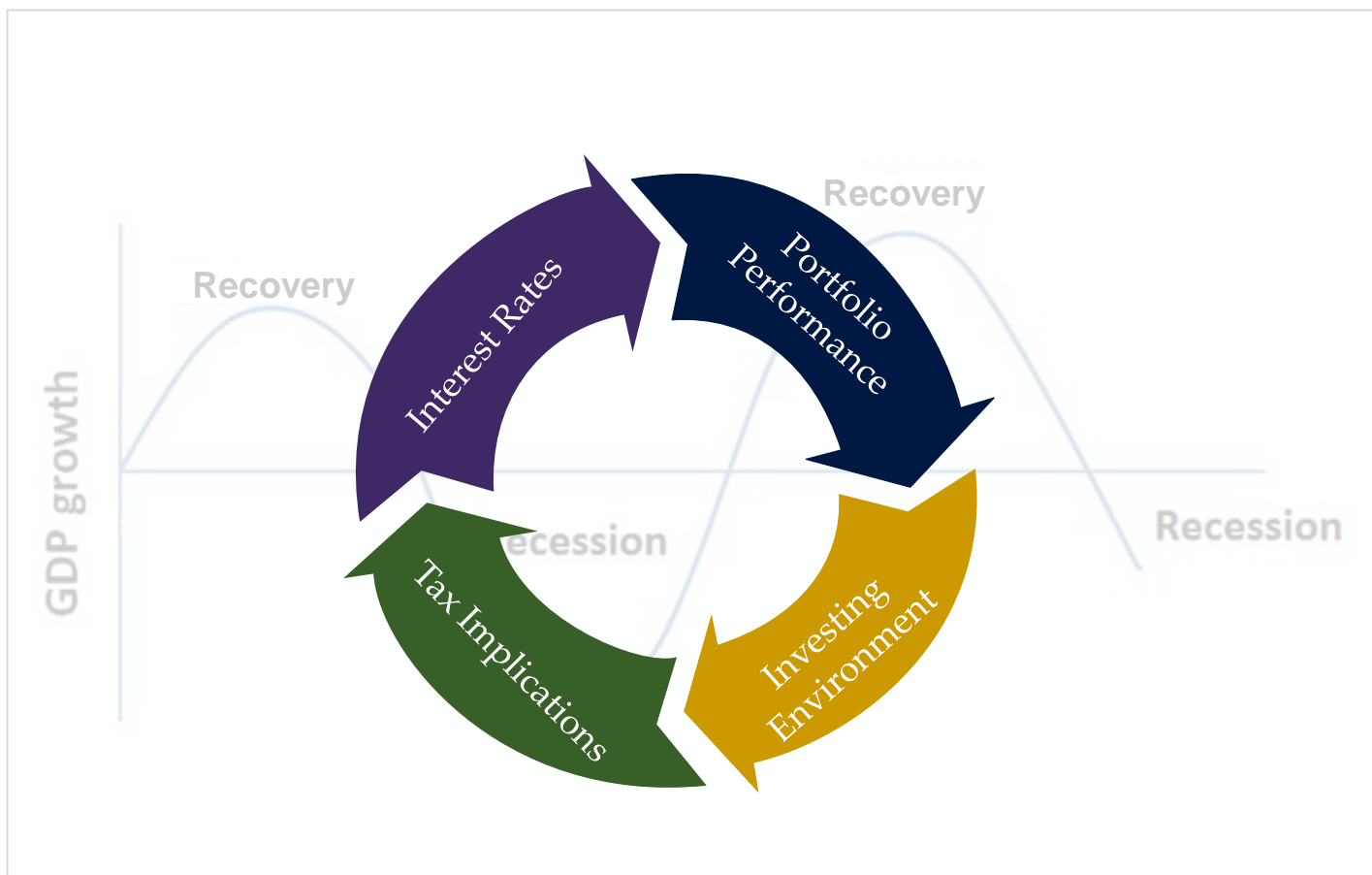
1 Differentiated Platform Expertise and Capabilities

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## Dividend Level Considerations



Multi-faceted approach to dividend policy  
Dividend level reflects earnings power of business across an economic cycle

# TSLX Principles and Investment Strategy

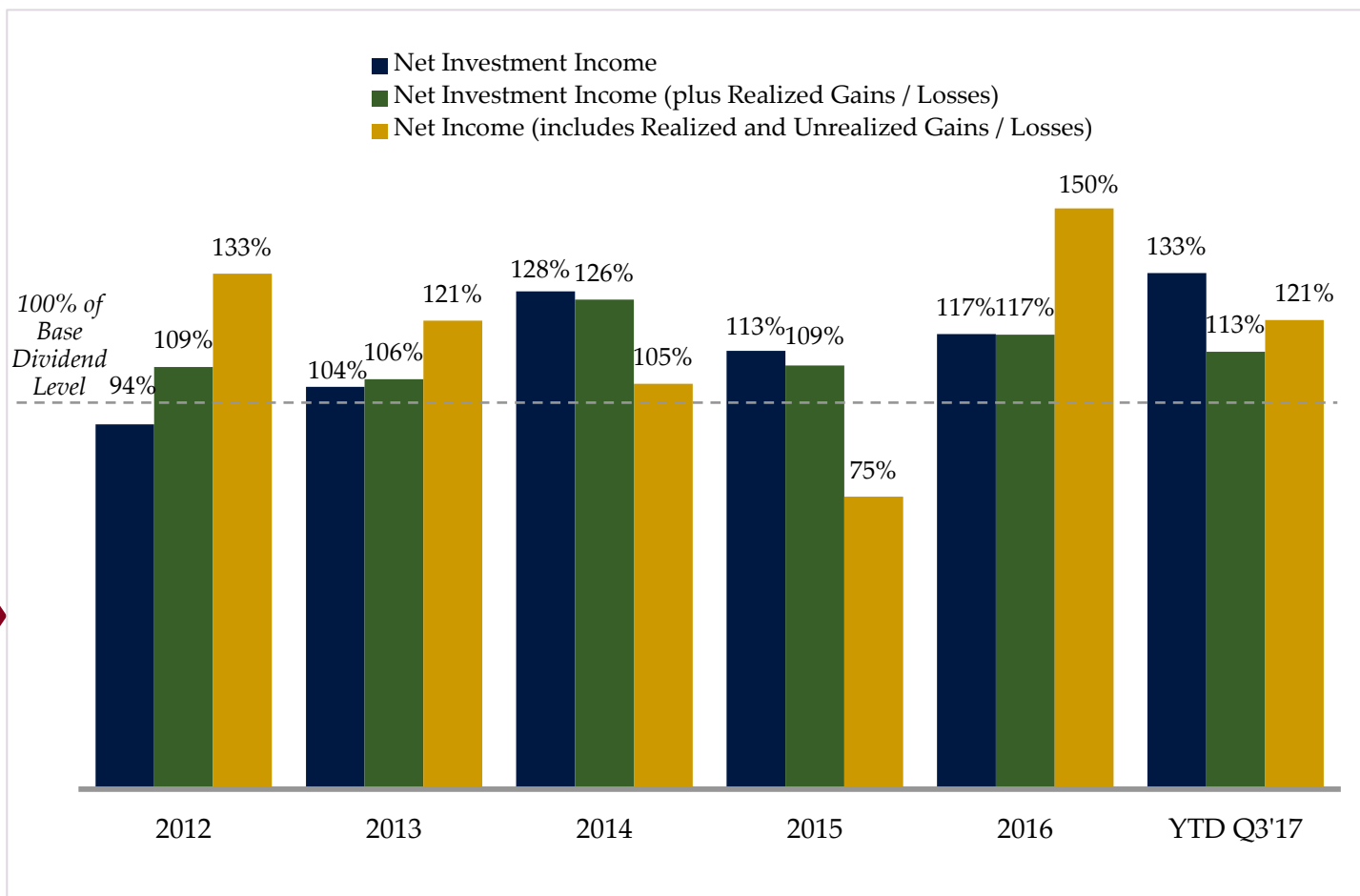
1 Differentiated Platform Expertise and Capabilities

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## Consistent Base Dividend Coverage



Consistent coverage of base dividend over time

# TSLX Principles and Investment Strategy

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## Dividend Level Considerations

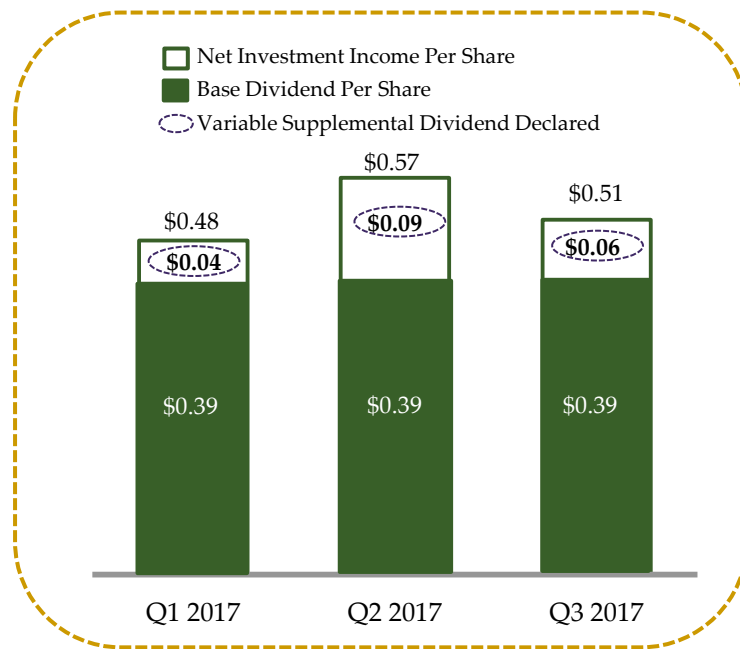
### Variable Supplemental Dividend Framework

Variable Supplemental Dividend



Quarterly Dividend Per Share

- 1 50% Over-Earning (NII per share less base dividend per share)
- 2 NAV Constraint Test (no more than \$0.15 per share decline in NAV over current and preceding quarters)



We believe our formulaic variable supplemental dividend framework maximizes distributions to our shareholders while preserving the stability of our NAV

# TSLX Principles and Investment Strategy

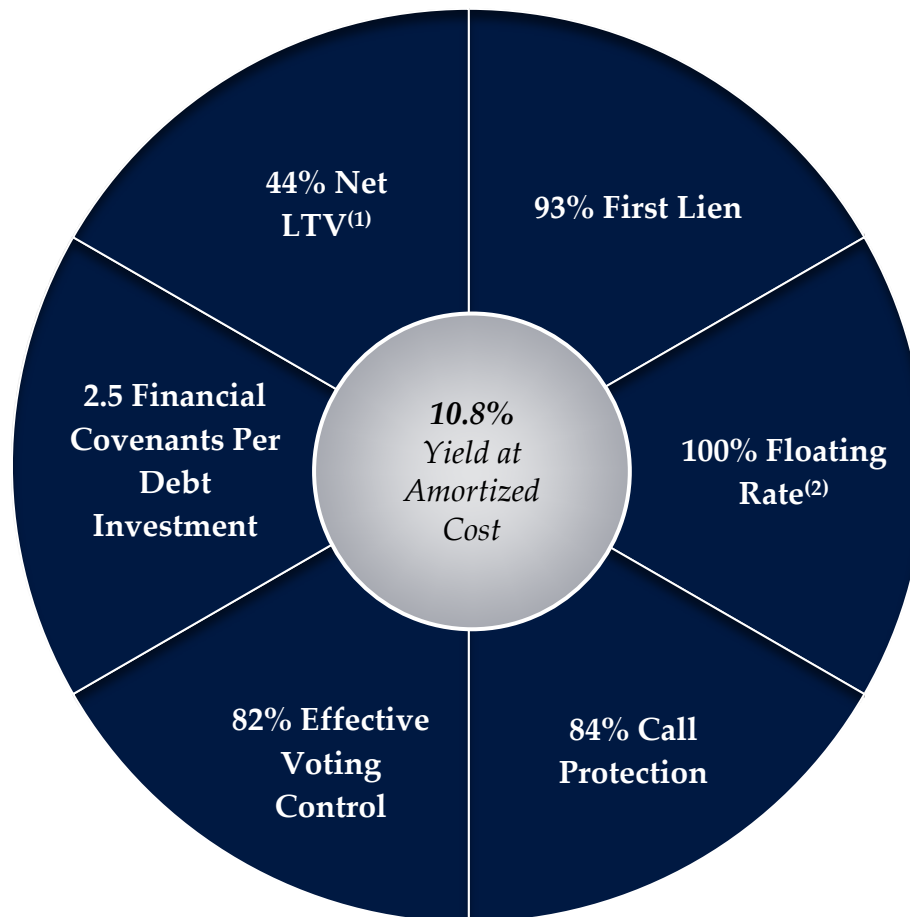
1 Differentiated Platform Expertise and Capabilities

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## Disciplined Portfolio Construction



Note: By fair value of investments as of 9/30/2017, unless otherwise indicated

(1) Reflects the portfolio's average net loan-to-value, weighted on a fair value basis

(2) Includes one or more fixed rate investments for which we entered into an interest rate swap agreement to swap to a floating rate

Strong credit and non-credit risk mitigation with attractive portfolio yields



# TSLX Principles and Investment Strategy

1 Differentiated Platform Expertise and Capabilities

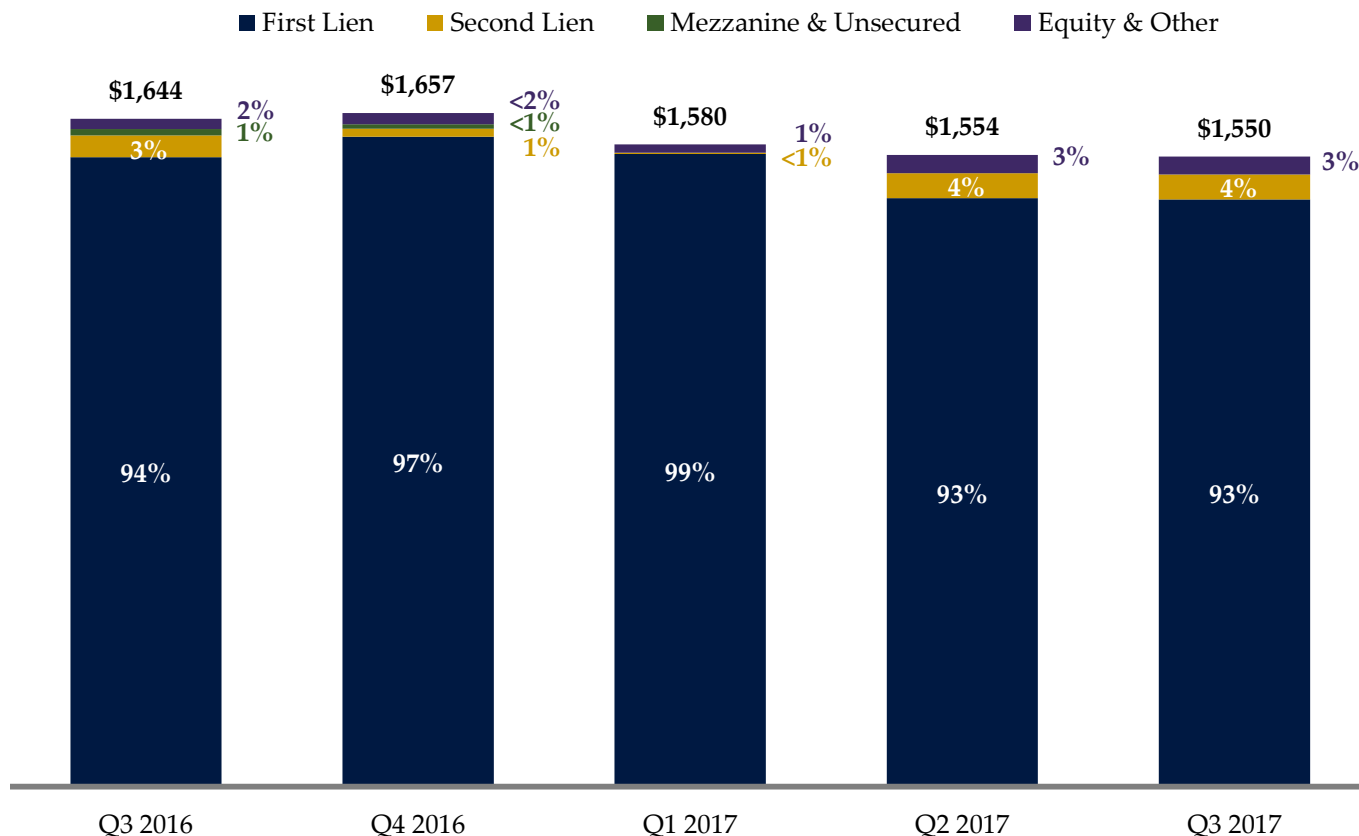
2 Capital Allocation

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## Capital Structure

(\$ in millions by fair value)



Note: By fair value of investments as of 9/30/2017

Late cycle-minded capital structure selection

# TSLX Principles and Investment Strategy

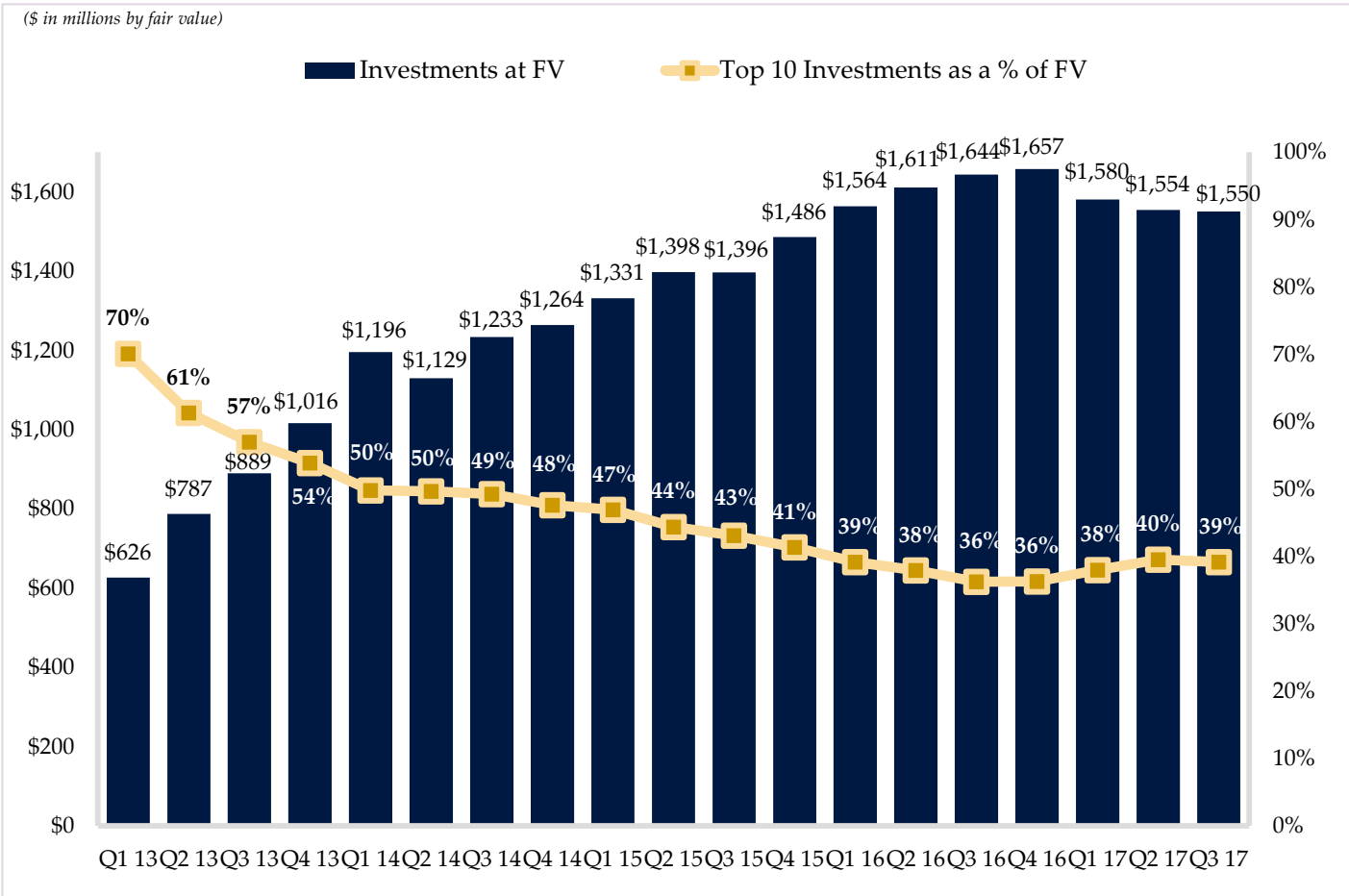
1 Differentiated Platform Expertise and Capabilities

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## Portfolio Diversification



Continued diversification of exposure across borrowers

# TSLX Principles and Investment Strategy

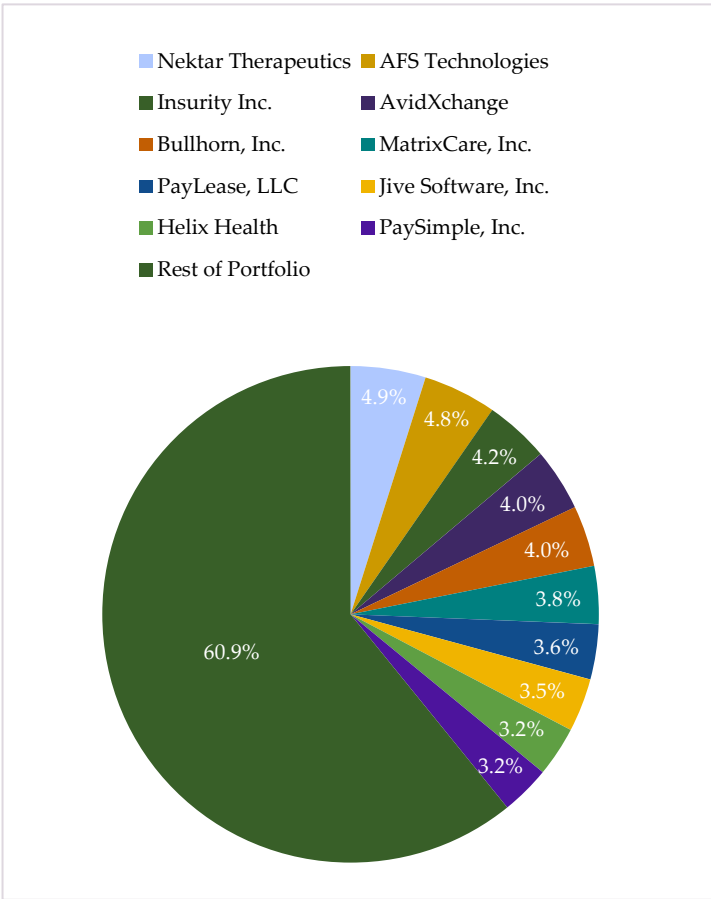
1 Differentiated Platform Expertise and Capabilities

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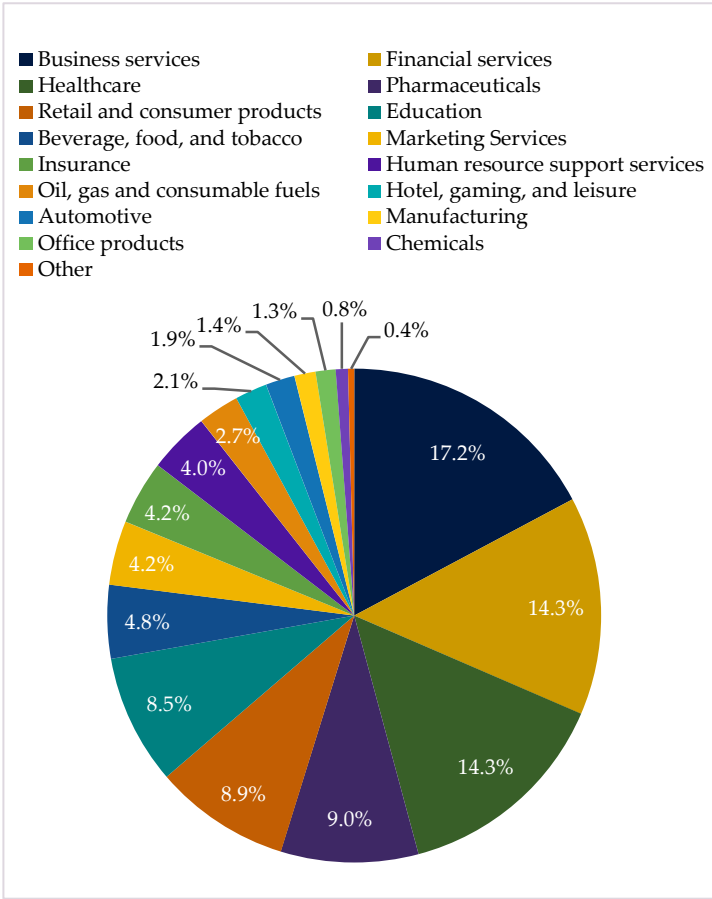
3 Dividend Policy

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## Top 10 Borrower Diversification



## Industry Diversification



Note: By fair value of investments as of 9/30/2017. Numbers may not sum due to rounding

Diversity across borrower and industry concentrations

# TSLX Principles and Investment Strategy

1 Differentiated Platform Expertise and Capabilities

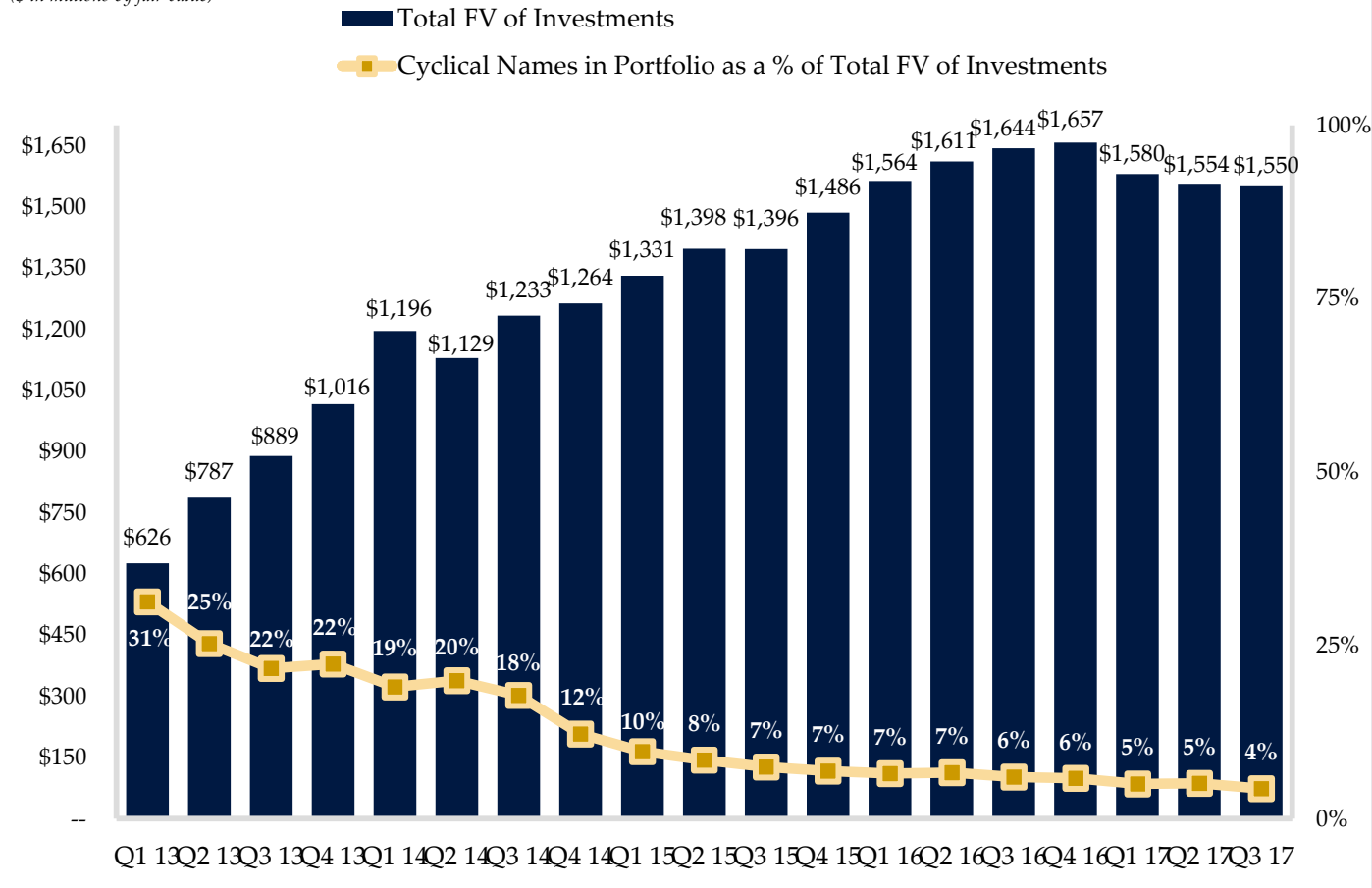
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## Reducing Cyclical Exposure

(\$ in millions by fair value)



Notes: Cyclical names include certain portfolio companies in the following industries: automotive; beverage, food, and tobacco; capital equipment; construction and building; containers and packaging; hotel, gaming, and leisure; manufacturing; metals and mining, which TSLX believes are subject to business cycle volatility. Excludes energy-related portfolio companies and asset-backed loan portfolio companies

Late cycle-minded sector selection

# TSLX Principles and Investment Strategy

1 Differentiated Platform Expertise and Capabilities

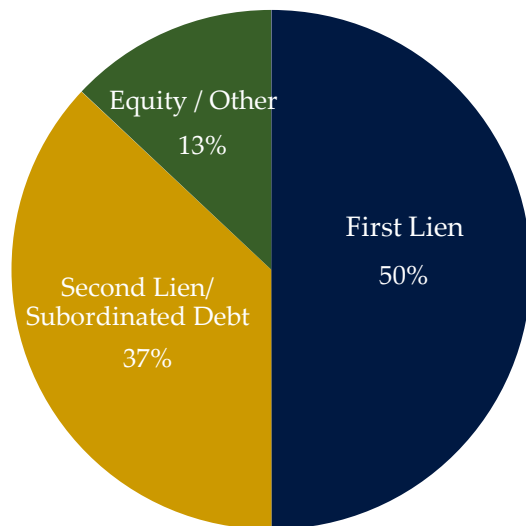
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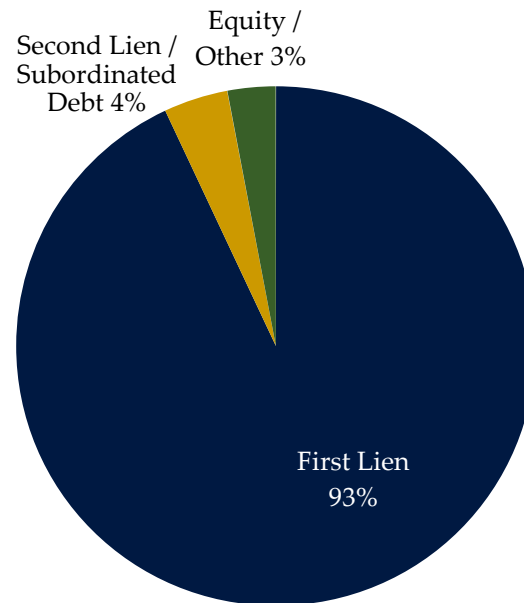
## Relative Value

LARGE BDC COMPOSITE<sup>1,2</sup>



Yield at Amortized Cost<sup>(3)</sup>: **10.2%**  
Average Return on Equity<sup>(4)</sup>: **6.0%**

TSLX PORTFOLIO



Yield at Amortized Cost: **10.8%**  
Return on Equity<sup>(4)</sup>: **12.6%**

(1) Excludes investments on non-accrual status

(2) Analysis based on externally managed BDCs with Total Assets greater than \$1 billion as of 9/30/2017, or latest available

(3) As of 9/30/17, or latest available. PSEC, OCSL, TCPC and GBDC yields are at fair value

(4) Calculated as the LTM change in net asset value per share plus dividends paid per share, divided by the beginning net asset value per share

Note: Based on portfolio fair value as of 9/30/2017, or latest available. Senior debt was split evenly between first and second lien (OCSL, GBDC, SLRC, TCPC). Numbers may not sum to 100% due to rounding

Source: Company filings, SNL Financial

TSLX generates strong unlevered returns on a substantially more senior portfolio than the average large BDC manager

# TSLX Principles and Investment Strategy

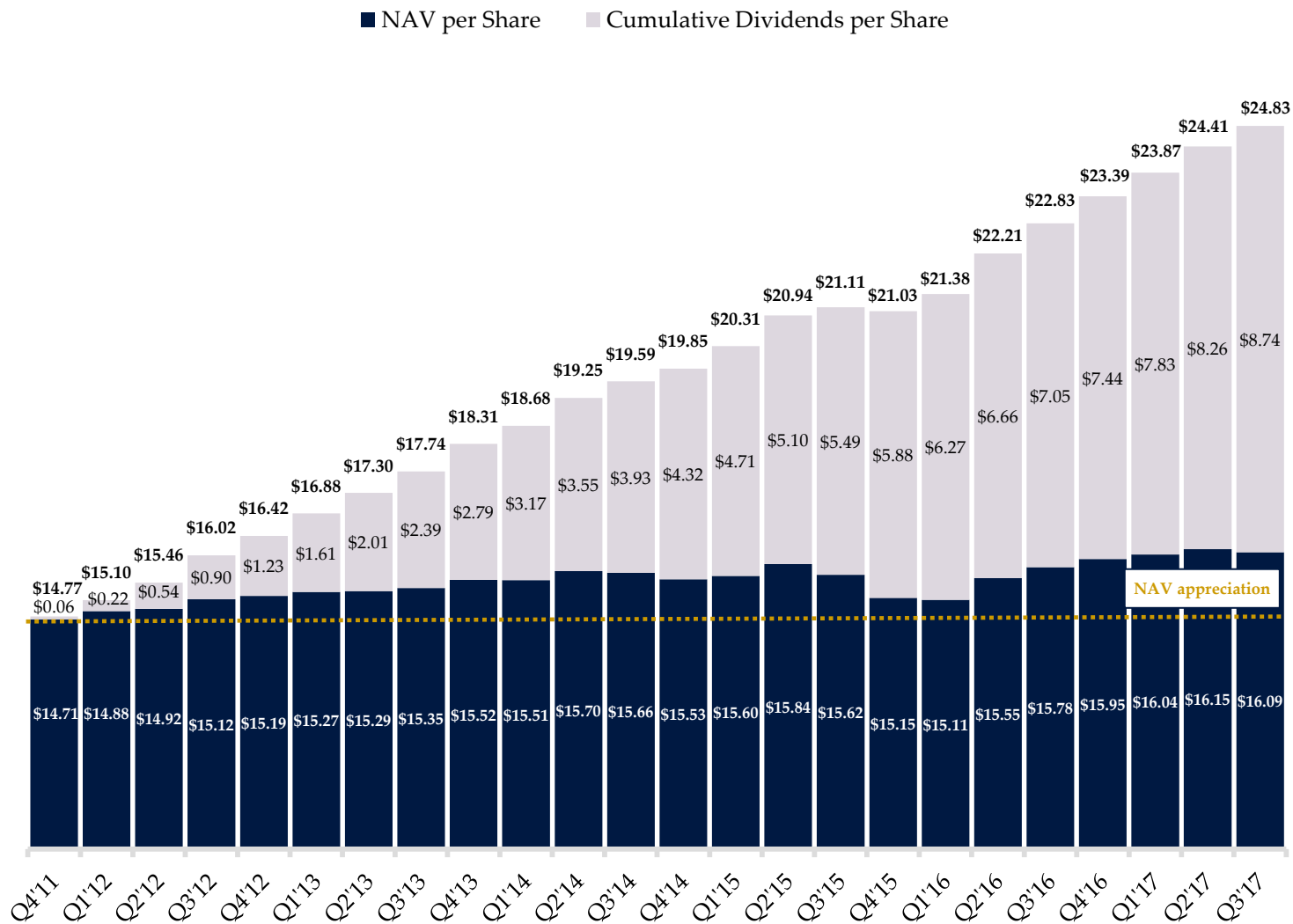
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## Book Value per Share and Dividends Paid



I. BDC Sector Observations

II. TSLX Principles and Investment Strategy

III. Our “Watch Outs”

# Our “Watch Outs”

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## Last Year



U.S. interest rate shock



Trade wars / protectionism



Geopolitical tension and unrest



Brexit / Euro area exits



China slowdown

## This Year

U.S. interest rate shock /  
inflation / deflation

Trade wars / protectionism

Geopolitical tension and unrest

Brexit / Euro area exits

China slowdown

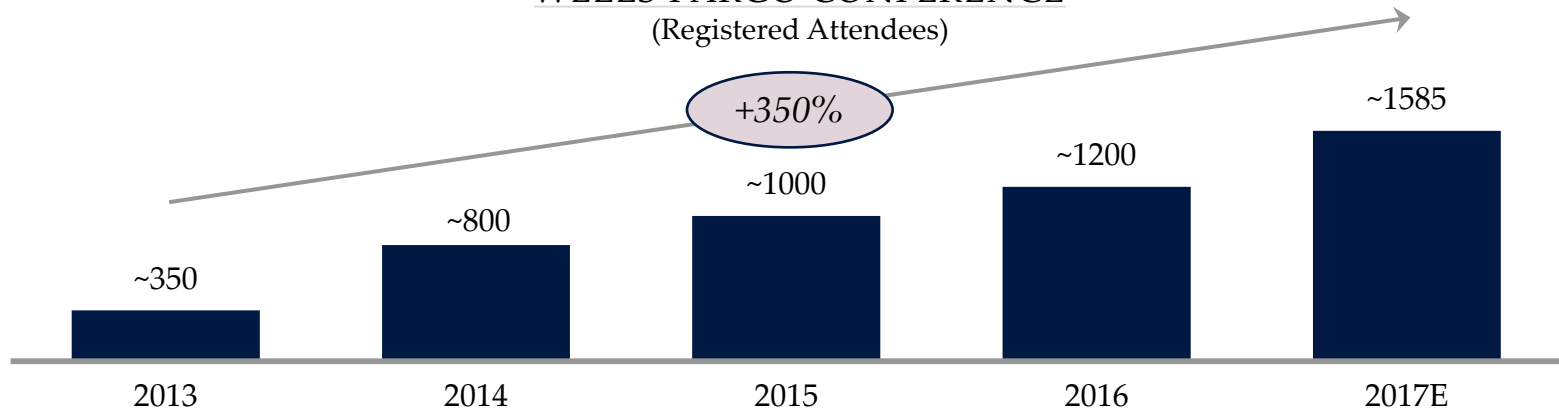


We believe our last year’s “watch outs” continue to apply in today’s environment



# Our “Watch Outs”

## WELLS FARGO CONFERENCE (Registered Attendees)



## Notable Conference Speakers



David Bonderman



Lloyd Blankfein



Steve Schwarzman



Leon Black



Jamie Dimon



Leon Cooperman



David Petraeus



Marc Lasry



Michael Milken



Tim Sloan



Michael Bloomberg



Larry Fink

Source: Wells Fargo

Our main “watch out” today is excess capital formation in the private credit space

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## Appendix

# Our Drivers of ROE

Return on Assets

Prudent Use of Leverage

Expense Management

Positioned For NAV Growth

## Illustrative Unit Economics / Return on Equity

### Return on Assets:

Weighted Average Interest Rate of Debt and Income Producing Securities 10.0%

Amortization of upfront fees<sup>(1)</sup> 1.0%

**Total Yield 11.0%**

Impact of Additional Fees<sup>(2)</sup> 1.5%

**All-in Yield (on Assets) 12.5%**

Cost of funds<sup>(3)</sup> (4.0%)

Assumed Debt/Equity 0.69x

**Net Levered Return (on Equity)<sup>(4)</sup> 18.3%**

Management Fees (1.50% of Assets) (2.5%)

Operating Expenses (0.72% of Assets)<sup>(5)</sup> (1.2%)

**Levered Returns Before Incentive Fee (on Equity) 14.6%**

Incentive Fee (2.5%)

**Illustrative Net Levered ROE 12.0%**

**Book Base Dividend Yield at 12/31/16 9.8%**

(1) Assumes ~2.5 year average life

(2) Reflects average of prepayment fees, syndication fees and other income for the trailing twelve month period ending 9/30/2017

(3) Reflects the average interest cost under the terms of our debt, including fees (such as fees on undrawn amounts and amortization of upfront fees) and giving effect to the swap-adjusted interest rate on our Convertible Notes for the trailing twelve month period ending 9/30/2017

(4) Calculated as interest income less interest expense, divided by equity

(5) Reflects average run-rate operating expenses for the trailing twelve month period ending 9/30/2017

Note: For illustrative purposes only; not necessarily indicative of future returns

Ability to generate a strong risk-adjusted return on equity in excess of our base dividend level and grow NAV

# Illustrative Net Levered ROE Throughout Cycles

Illustrative Net Levered ROE		Debt to Equity						
		0.60x	0.65x	0.70x	0.75x	0.80x	0.85x	0.90x
All-in Yield (on Assets)	10.5%	9.0%	9.1%	9.3%	9.5%	9.7%	9.8%	10.0%
	11.0%	9.6%	9.8%	10.0%	10.2%	10.4%	10.6%	10.8%
	11.5%	10.3%	10.5%	10.7%	10.9%	11.1%	11.4%	11.6%
	12.0%	10.9%	11.2%	11.4%	11.6%	11.9%	12.1%	12.4%
	12.5%	11.6%	11.9%	12.1%	12.4%	12.6%	12.9%	13.1%
	13.0%	12.3%	12.5%	12.8%	13.1%	13.4%	13.7%	13.9%
	13.5%	12.9%	13.2%	13.5%	13.8%	14.1%	14.4%	14.7%
	14.0%	13.6%	13.9%	14.2%	14.5%	14.9%	15.2%	15.5%

Illustrative Net Levered ROE		Cost of Funds						
		3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%
All-in Yield (on Assets)	10.5%	9.7%	9.6%	9.4%	9.3%	9.1%	9.0%	8.8%
	11.0%	10.4%	10.3%	10.1%	10.0%	9.8%	9.7%	9.5%
	11.5%	11.1%	11.0%	10.8%	10.7%	10.5%	10.4%	10.2%
	12.0%	11.8%	11.6%	11.5%	11.4%	11.2%	11.1%	10.9%
	12.5%	12.5%	12.3%	12.2%	12.1%	11.9%	11.8%	11.6%
	13.0%	13.2%	13.0%	12.9%	12.8%	12.6%	12.5%	12.3%
	13.5%	13.9%	13.7%	13.6%	13.5%	13.3%	13.2%	13.0%
	14.0%	14.6%	14.4%	14.3%	14.2%	14.0%	13.9%	13.7%



We believe our senior secured floating rate portfolio and match funding profile is well positioned for cycles

# Liquidity Management

## Cash and Cash Equivalents

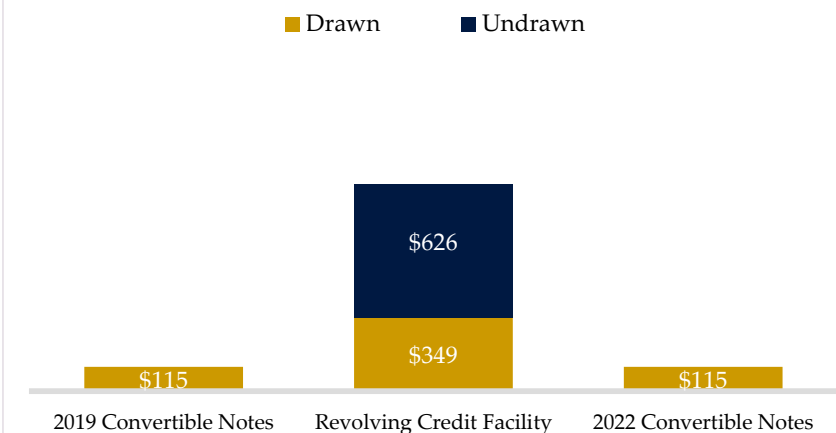
Unrestricted cash totaled \$5.5 million as of September 30, 2017. Cash held at quarter-end was primarily attributable to amortization and interest payments. Restricted cash related to our interest rate swaps totaled \$2.6 million.

Revolving Credit Facility*		Convertible Notes	
<b>Size:</b>	\$975.0 million; uncommitted accordion feature can increase total size to \$1.25 billion	<b>Size:</b>	\$115 million
<b>Revolving Period:</b>	December 22, 2020	<b>Maturity:</b>	December 15, 2019
<b>Maturity Date:</b>	December 22, 2021		August 1, 2022
<b>Interest Rate:</b>	LIBOR + 200 / LIBOR + 175*	<b>Coupon:</b>	4.50%
<b>Undrawn Fee:</b>	0.375%	<b>Interest Rate Swap Pricing:</b> <sup>(1)</sup>	LIBOR + 286.0
			LIBOR + 237.2
		<b>Initial / Current Conversion Price:</b> **	\$25.83 / \$25.50
			\$21.34 / \$21.21

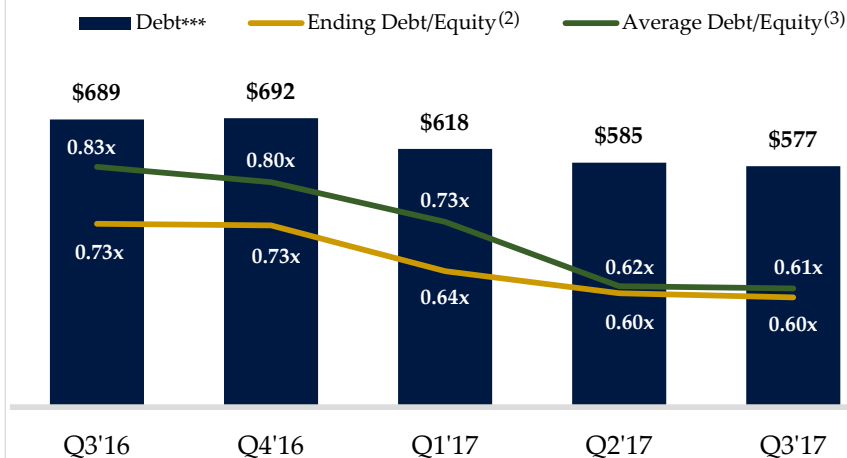
\*Interest rate on the facility is a formula based calculation. If the Borrowing Base is equal to or greater than 1.85 times the Combined Debt Amount, the applicable margin is L+175. As of September 30, 2017, under this formula, the stated rate on the facility is L+200. \$60 million of commitments have a revolving period date of October 2, 2019 and a maturity date of October 2, 2020.

\*\*Current conversion price adjusted for dividends in excess of dividend thresholds

(As of September 30, 2017; \$ in millions)



(As of September 30, 2017; \$ in millions)



\*\*\* Total carrying value of debt excluding netting of Deferred Financing Costs totaling \$8.6mm at 9/30/16, \$11.0mm at 12/31/16, \$14.1mm at 3/31/17, \$13.3mm at 6/30/17, and \$12.6mm at 9/30/17

1. In connection with the convertible senior note offerings, the Company entered into interest rate swaps to continue to align the interest rates of our liabilities with our investment portfolio, which consists of predominately floating rate loans. As a result of the swaps, our effective interest rate on the 2019 and 2022 convertible senior notes was three-month LIBOR plus 286.0 basis points and 237.2 basis points respectively, which reflects the current terms.

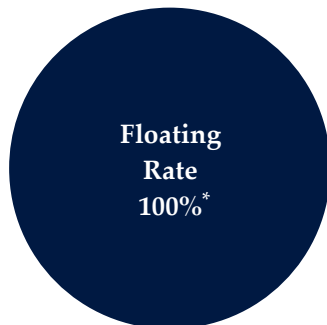
2. Pro-forma for unsettled trades of -\$3mm at 9/30/16, \$0 at 12/31/16, -\$7mm at 3/31/17, \$0 at 6/30/17, and \$0 at 9/30/17

3. Daily average debt outstanding during the quarter divided by daily average net assets during the quarter. Daily average net assets is calculated by starting with the prior quarter end net asset value and adjusting for capital activity during the quarter (adding common stock offerings / DRIP contributions)

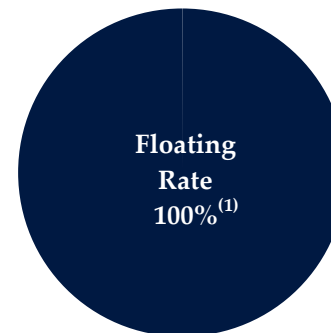
# Funding Profile

## Stable Funding Profile

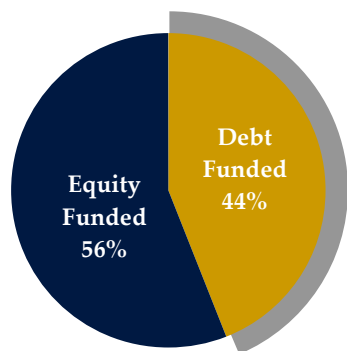
### DEBT PORTFOLIO COMPOSITION



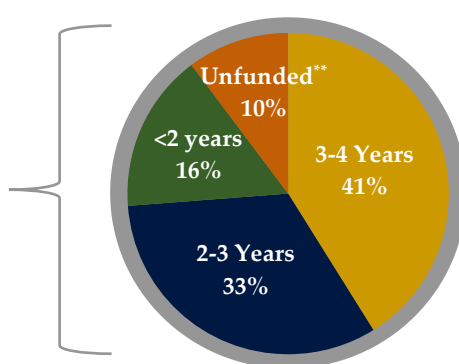
### FLOATING RATE DEBT



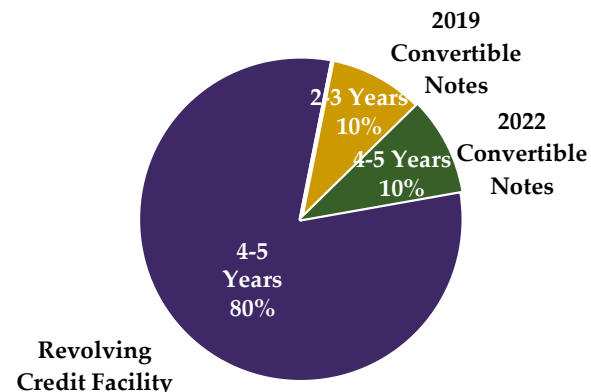
### PORTFOLIO FUNDING PROFILE<sup>(3)</sup>



### INVESTMENTS FUNDED WITH DEBT



### REMAINING DURATION OF DEBT



• Weighted average remaining life of investments funded by debt of ~2.4 years<sup>(2)</sup>

• Weighted average remaining maturity date of debt of ~4.1 years<sup>(3)</sup>

Note: As of 9/30/2017

\*Includes fixed rate investments for which TSLX entered into an interest rate swaps agreement to swap to a floating rate

\*\*Includes unfunded commitments of \$73.0mm

(1) Convertible debt treated as floating rate due to interest rate swap TSLX entered into to swap fixed notes payments for floating rate payments

(2) Weighted by amortized cost of debt investments. Investments are financed by debt and permanent equity capital. This analysis assumes longer-dated investments are currently funded by permanent equity capital (56% of investments) and the remaining (shorter-dated) investments (44% of investments) are currently funded by debt financing. Investments for purposes of this analysis include unfunded commitments

(3) Weighted by gross commitment amount. Reflects current terms

TSLX is match funded from an interest rate and duration perspective

# Selected Financial Highlights

(Dollar amounts in thousands, except per share data; per share data is based on weighted average shares outstanding during the period, except as otherwise noted)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Net investment income per share	\$0.51	\$0.47	\$0.48	\$0.57	\$0.51
Net realized and unrealized gains (losses) per share	\$0.11	\$0.08	(\$0.01)	(\$0.04)	(\$0.10)
Net income per share	\$0.62	\$0.55	\$0.47	\$0.53	\$0.41
Net asset value per share (ending shares)	\$15.78	\$15.95	\$16.04	\$16.15	\$16.09
Pro forma net asset value per share (ending shares)*	\$15.78	\$15.95	\$16.00	\$16.06	\$16.03
Distributions paid per share (ending shares)	\$0.39	\$0.39	\$0.39	\$0.43	\$0.48
Net assets	\$940,469	\$952,212	\$959,641	\$968,099	\$966,743
Total debt <sup>(1)</sup>	\$688,748	\$691,729	\$618,094	\$585,455	\$577,145
Debt to equity at quarter-end <sup>(2)</sup>	0.73x	0.73x	0.64x	0.60x	0.60x
Average debt to equity <sup>(3)</sup>	0.83x	0.80x	0.73x	0.62x	0.61x
Annualized ROAE on net investment income <sup>(4)</sup>	13.2%	11.9%	12.0%	14.1%	12.8%
Annualized ROAE on net income <sup>(4)</sup>	15.9%	13.9%	11.9%	13.2%	10.2%

\*Reflects NAV per share pro forma for the variable supplemental dividend per share of \$0.04, \$0.09, and \$0.06 related to Q1 2017, Q2 2017, and Q3 2017 earnings, respectively

(1) Total carrying value of debt excluding netting of Deferred Financing Costs totaling \$8.6mm at 9/30/16, \$11.0mm at 12/31/16, \$14.1mm at 3/31/17, \$13.3mm at 6/30/17, and \$12.6mm at 9/30/17

(2) Pro-forma for unsettled trades of -\$3mm at 9/30/16, \$0 at 12/31/16, -\$7mm at 3/31/17, \$0 at 6/30/17, and \$0 at 9/30/17

(3) Daily average debt outstanding during the quarter divided by daily average net assets during the quarter. Daily average net assets is calculated by starting with the prior quarter end net asset value and adjusting for capital activity during the quarter (adding common stock offerings / DRIP contributions)

(4) Return on Average Equity is calculated using weighted average equity. Weighted average equity is calculated by starting with NAV at the beginning of the period, adjusting daily for equity issuances and adjusting on the last day of the period for that period's net income and dividends payable

# Portfolio Highlights – Selected Metrics

(Dollar amounts in thousands)

	As of and For Three Months Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
<b>Investments at Fair Value</b>	\$1,643,572	\$1,657,403	\$1,580,278	\$1,554,451	\$1,550,280
<b>Number of Portfolio Companies</b>	52	52	48	46	44
<b>Average Investment Size in Our Portfolio Companies</b>	\$31,607	\$31,873	\$32,922	\$33,792	\$35,234
<b>Asset Class:</b>					
First-Lien Debt Investments	94%	97%	99%	93%	93%
Second-Lien Debt Investments	3%	1%	<1%	4%	4%
Mezzanine and Unsecured Debt Investments	1%	<1%	0%	0%	0%
Equity and Other Investments	2%	<2%	1%	3%	3%
<b>Interest Rate Type:</b>					
% Floating Rate*	98%	98%	100%	100%	100%
% Fixed Rate	2%	2%	0%	0%	0%
<b>Yields at Fair Value unless Otherwise Noted:</b>					
Weighted Average Total Yield of Debt and Income Producing Securities at Amortized Cost <sup>(1)</sup>	10.3%	10.4%	10.4%	10.8%	10.8%
Weighted Average Total Yield of Debt and Income Producing Securities <sup>(1)</sup>	10.3%	10.4%	10.3%	10.7%	10.7%
Weighted Average Spread Over LIBOR of All Floating Rate Investments*	8.9%	8.9%	8.8%	9.0%	9.0%
Weighted Average Interest Rate of Debt and Income Producing Securities	9.8%	9.8%	9.7%	10.1%	10.2%
Fair Value as a Percentage of Principal (Debt)	98.2%	98.5%	98.6%	99.5%	99.4%
Fair Value as a Percentage of Call Price (Debt)	94.5%	95.0%	95.2%	95.8%	95.6%
<b>Investment Activity at Par:</b>					
New Investment Commitments	\$194,200	\$54,295	\$149,217	\$267,727	\$359,036
Net Funded Investment Activity	(\$8,848)	(\$2,541)	(\$71,290)	(\$24,251)	(\$2,030)
<b>New Investment Commitments at Par:</b>					
Number of New Investment Commitments in New Portfolio Companies	6	1	5	5	7
Average New Investment Commitment Amount in New Portfolio Companies	\$32,367	\$50,000	\$29,843	\$43,700	\$40,910
Weighted Average Term for New Investment Commitments in New Portfolio Companies (in years)	5.3	2.4	5.6	4.9	5.0
Weighted Average Interest Rate of New Investment Commitments	9.7%	8.2%	9.4%	11.2%	9.2%
Weighted Average Spread Over LIBOR of New Floating Rate Investment Commitments	8.7%	7.2%	8.7%*	9.9%	7.9%

\*Includes one or more fixed rate investments for which TSLX entered into an interest rate swap agreement to swap to a floating rate

(1) Total yield on investments is calculated based on the interest rate and the accretion of OID, exclusive of investments on non-accrual status



# Quarterly Operating Results Detail

(Dollar amounts in thousands)

	For Three Months Ended				
	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Investment Income:					
Interest From Investments – Interest and Dividend Income <sup>(1)</sup>	\$44,620	\$44,357	\$40,690	\$40,708	\$41,967
Interest From Investments – Other Fees <sup>(2)</sup>	\$2,479	\$1,522	\$8,080	\$15,708	\$6,785
<b>Total Interest From Investments</b>	<b>\$47,099</b>	<b>\$45,879</b>	<b>\$48,770</b>	<b>\$56,416</b>	<b>\$48,752</b>
Other Income <sup>(3)</sup>	\$6,818	\$3,829	\$2,178	\$2,403	\$3,553
<b>Total Investment Income</b>	<b>\$53,917</b>	<b>\$49,708</b>	<b>\$50,948</b>	<b>\$58,819</b>	<b>\$52,305</b>
Expenses:					
Interest	\$6,102	\$6,079	\$6,865	\$7,655	\$5,498
Management Fees	\$6,212	\$6,300	\$6,071	\$5,977	\$5,995
Incentive Fees	\$6,467	\$5,942	\$6,050	\$7,197	\$6,561
Other Operating Expenses	\$4,024	\$2,794	\$2,693	\$3,178	\$2,682
<b>Total Expenses</b>	<b>\$22,805</b>	<b>\$21,115</b>	<b>\$21,679</b>	<b>\$24,007</b>	<b>\$20,736</b>
Management and Incentive Fees Waived	(\$149)	(\$84)	-	-	-
<b>Net Expenses</b>	<b>\$22,656</b>	<b>\$21,031</b>	<b>\$21,679</b>	<b>\$24,007</b>	<b>\$20,736</b>
<b>Net Investment Income Before Income Taxes</b>	<b>\$31,261</b>	<b>\$28,677</b>	<b>\$29,269</b>	<b>\$34,812</b>	<b>\$31,569</b>
Income Taxes, Including Excise Taxes	\$690	\$610	\$750	\$880	\$640
<b>Net Investment Income</b>	<b>\$30,571</b>	<b>\$28,067</b>	<b>\$28,519</b>	<b>\$33,932</b>	<b>\$30,929</b>
Net Unrealized and Realized Gains (Losses)	\$6,304	\$4,656	(\$241)	(\$2,106)	(\$6,170)
<b>Net Income</b>	<b>\$36,875</b>	<b>\$32,723</b>	<b>\$28,278</b>	<b>\$31,826</b>	<b>\$24,759</b>

(1) Interest from investments – interest and dividend income includes accrued interest and dividend income, amortization of purchase discounts (premiums) and certain fees, and accelerated amortization of upfront fees from scheduled principal payments

(2) Interest from investments – other fees includes prepayment fees and accelerated amortization of upfront fees from unscheduled paydowns

(3) Other income includes amendment and syndication fees and other income

# Contact Us:

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## TSLX Investor Relations

[IRTSL@tpg.com](mailto:IRTSL@tpg.com)

(212) 601-4753

## Visit Us:



[www.tpgspecialtylending.com](http://www.tpgspecialtylending.com)