



Capital Southwest Corporation
Southwest IDEAS Investor Conference

November 16, 2016

Forward-Looking Statements

- This presentation contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things the business, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements preceded or followed by or that include the words "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof, or any other statements that are not historical statements are forward-looking statements. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
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CSWC Senior Management



Bowen S. Diehl

- Joined Capital Southwest in March 2014
- Former Co-Head of Sponsor Finance Group at American Capital
- 15 years of investing experience in middle market debt and equity
- BE – Vanderbilt University. MBA – UT Austin
- Lives in Dallas with wife and three children



Michael S. Sarner

- Joined Capital Southwest in June 2015
- Former SVP Treasurer at American Capital
- 20 years of financial, treasury and BDC experience
- BA – James Madison. MBA – George Washington University
- CPA
- Lives in Dallas with wife and three children

Capital Southwest Overview

- Capital Southwest is an internally managed Business Development Company (“BDC”) – RIC for tax purposes
 - ✓ BDCs give public shareholders access to private credit markets
 - ✓ Tax efficient through distribution of 90%+ of taxable income
- 16 employees, all based in Dallas, Texas
- CSWC was formed in 1961; became a BDC in 1988
- Significant transition underway
 - ✓ Up until 2014, CSWC was solely equity investment focused
 - ✓ In January 2015, we re-launched CSWC as middle market lender
 - ✓ In September 2015, we split into two separate companies with tax-free spin-off of industrial assets (“CSW Industrials”; Nasdaq: CSWI)
- NASDAQ: CSWC – Market Capitalization of \$230MM

Investment Highlights

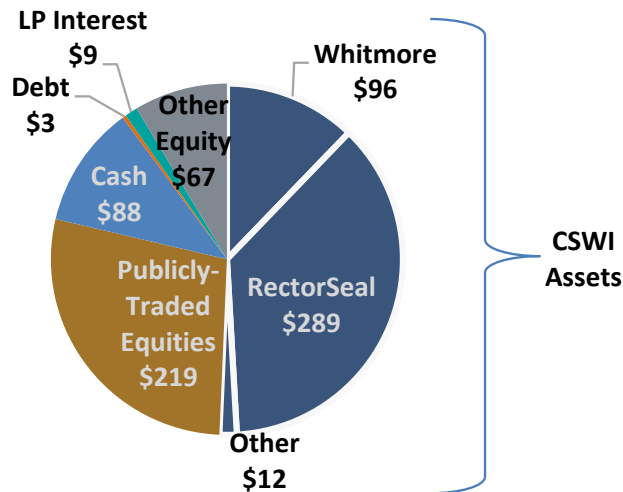
- Company transition generates value creation opportunity
- Internally-managed structure offers superior shareholder alignment
- Conservative middle market credit investment strategy
 - ✓ Blend of liquid (Upper Middle Market) and illiquid (Lower Middle Market) assets
 - ✓ Granularity and diversity among asset classes and capital sources
- Well capitalized balance sheet to execute our lending strategy
- High-quality origination platform supported by strong relationships and proprietary deal flow
- Proven investment team led by seasoned investment professionals with deep financial and BDC experience
- Driven to be good stewards of shareholder capital, generating sustainable market dividends and increasing NAV/share

Capital Southwest in 2014

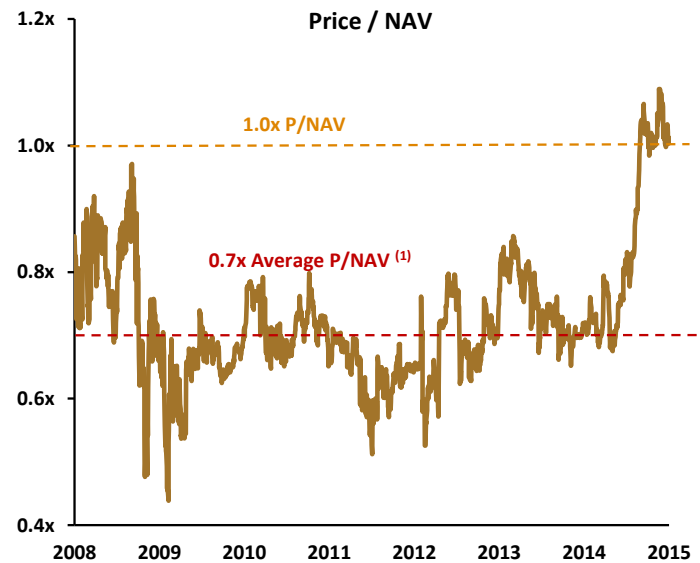
- Unlike other BDCs:
 - ✓ Did not pay meaningful dividend
 - ✓ Virtually 100% of our portfolio was invested in equity
 - ✓ There was significant concentration in two industrial companies, with very large embedded capital gains
- Until spin off announcement, CSWC traded at a significant discount to NAV

Asset Allocation – 6/30/14

(\$ in millions)



Significant Market Discount to NAV

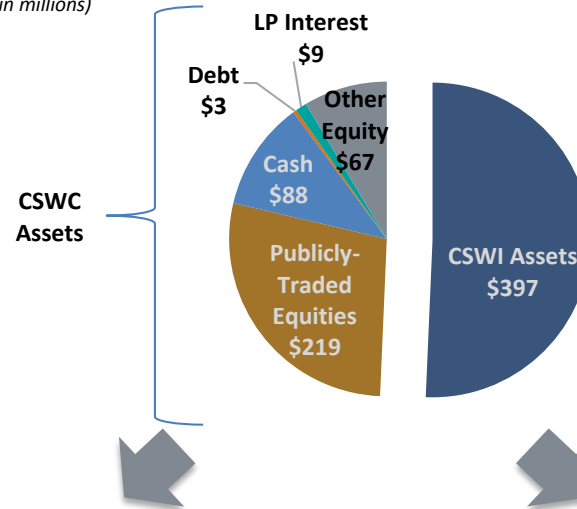


(1) Average P/NAV from 1/2/08 to 12/2/14 (announce date of the spin-off)

2015 Tax Free Spin of Industrial Assets

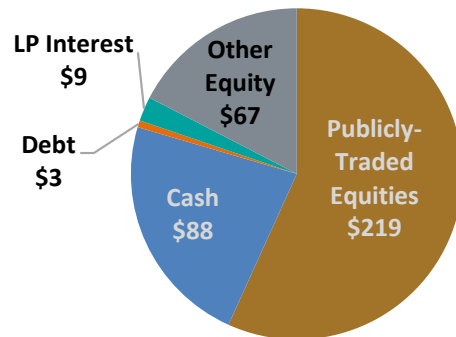
CSWC Pre-Spinoff - 6/30/14

(\$ in millions)



CSWC Portfolio - 6/30/2014 ⁽¹⁾

(\$ in millions)



CSW Industrials, Inc

NASDAQ Ticker	CSWI
Market Cap	\$486.5 million
Debt	\$86.8 million
Revenue	\$315.0 million
EBITDA	\$59.8 million
EBITDA Multiple	9.0x

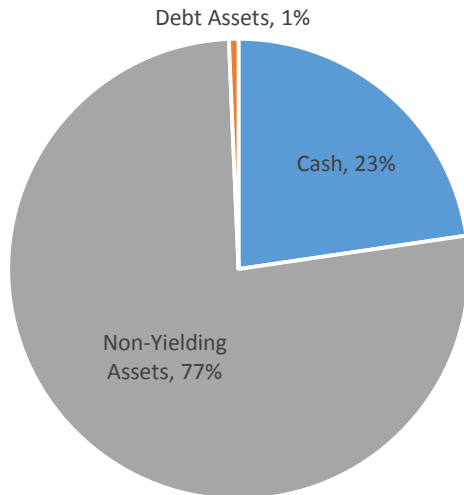
(1) 6/30/2014 portfolio mix is pro forma for the spin off of the CSW Industrials companies

Portfolio Rotation Focused on Credit

- Since June 2014, CSWC has transformed its investment portfolio increasing income earning assets from 1% of the investable portfolio to 75%
 - ✓ Exited 22 legacy portfolio equity investments, generating \$229 MM in proceeds
 - ✓ Invested \$151 MM in 25 middle-market credit investments on balance sheet
 - ✓ Invested \$186 MM in 40 credits within I-45 Senior Loan Fund (“I-45”)

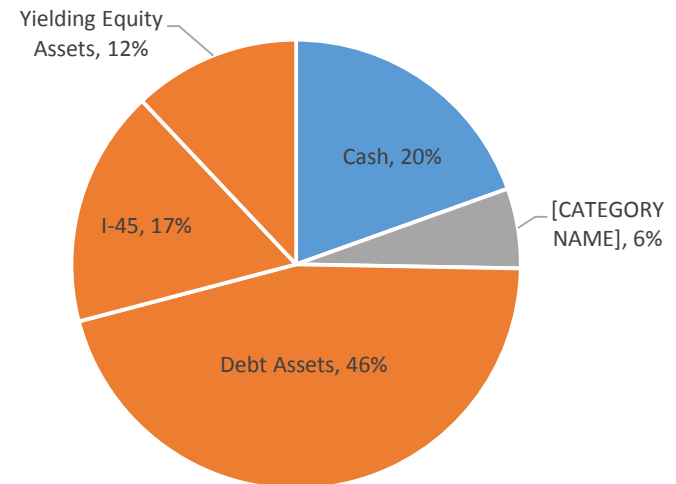
6/30/2014 (excl. CSWI Companies)

1% of Total Assets Generating Recurring Income



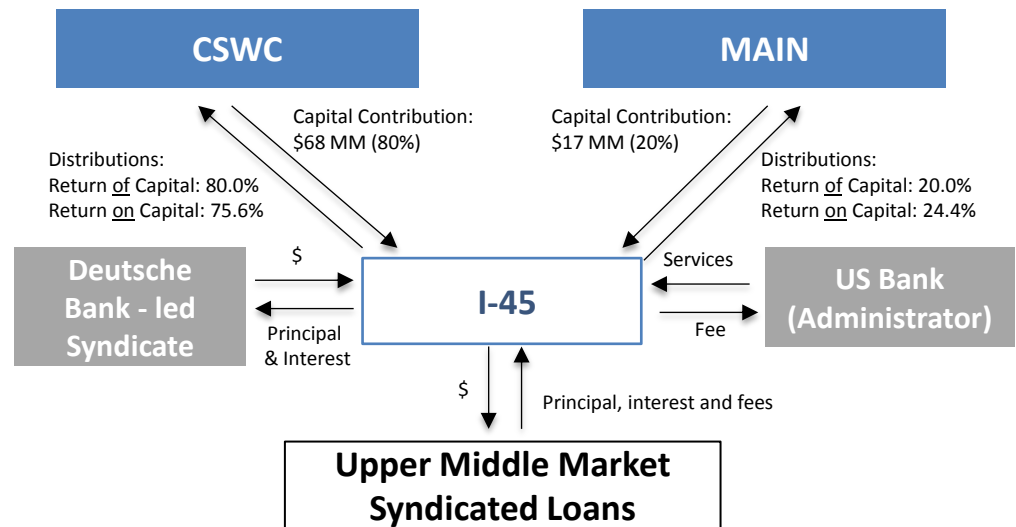
9/30/2016 Investable Assets

75% of Total Assets Generating Recurring Income



Senior Loan Fund (“I-45”)

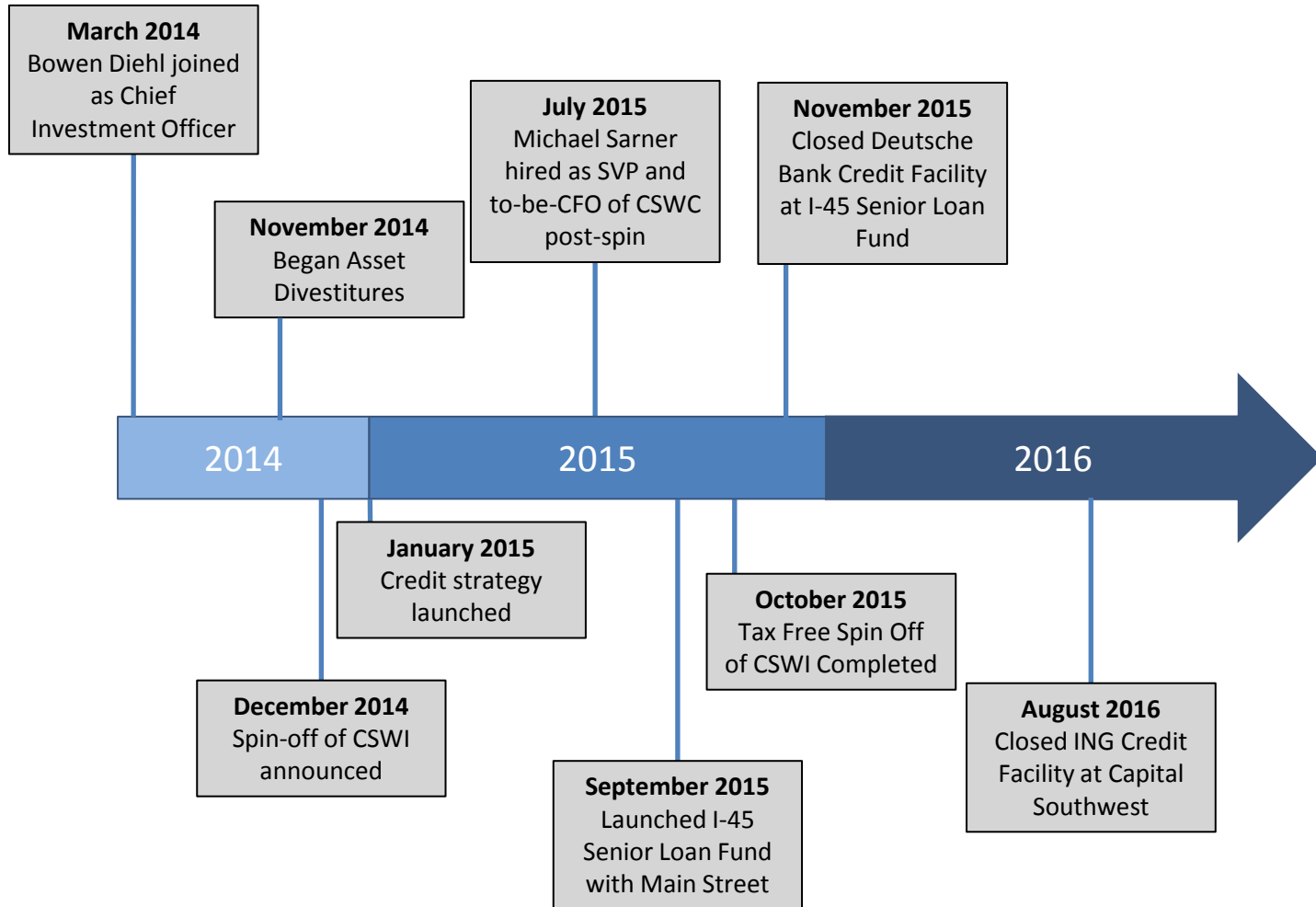
- \$85 MM in equity capital contributed by CSWC and Main Street
- \$145 MM credit facility recourse only to I-45 assets (2:1 leverage)
- I-45 capital utilized to invest in a diverse pool of syndicated first and second lien loans
- Fund operations / Lending relationships managed by CSWC
- Joint control allows for deconsolidation for GAAP
- Attractive financing vehicle for CSWC:
 - ✓ Leverage excluded from 1:1 BDC leverage limitation
 - ✓ 11-12% ROE to CSWC



CSWC is Well Capitalized for Continued Growth

- \$58 MM in balance sheet cash at quarter end
- \$100 MM ING-led balance sheet credit facility with 5 bank syndicate
 - ✓ 4 year facility with cost of funding of L + 325
 - ✓ Includes accordion up to \$150 MM
 - ✓ Currently undrawn as of 9/30/2016
- \$145 MM in commitments for Senior Loan Fund Credit Facility
 - ✓ Deutsche Bank-led credit facility with 4 bank syndicate
 - ✓ 4 year facility with cost of funding of L + 250
 - ✓ Includes accordion up to \$160 MM
 - ✓ \$88 MM drawn as of 9/30/2016
- Submitted our Management Assessment Questionnaire, or “MAQ”, with the SBA formally requesting participation in the Debenture Program
 - ✓ Potential for 2x leverage or \$150 MM of a total \$225 MM fund

Major Milestones of Transformation



Investment Strategy / Process

Two Pronged Investment Strategy

Lower Middle Market (“LMM”): CSWC led or Club Deals

- Companies with EBITDA greater than \$3 MM
- Typically leverage of 2x – 4x Debt to EBITDA through CSWC debt
- Commitment size up to \$20 million with hold sizes of \$5 MM to \$15 MM
- Originate both Sponsored and Non-sponsored debt investments
- Securities include first lien, unitranche, second lien and subordinated debt
- Non-control equity co-investments alongside debt investments

Upper Middle Market (“UMM”): Syndicated or Club First and Second Lien

- Companies typically have in excess of \$50 MM in EBITDA
- Typically leverage of 3x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes of \$5 MM to \$10 MM
- First and Second Lien debt securities
- More liquid assets relative to Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

Middle Market Debt Attributes by Asset Class

	Upper Middle Market Syndicated 1 st Lien	Upper Middle Market Syndicated 2 nd Lien	Lower Middle Market Senior Secured Debt	Lower Middle Market Last Out Unitranche	Lower Middle Market Subordinated Debt	Lower Middle Market Equity Co-Invest
EBITDA Size	\$50 MM+	\$50 MM+	\$3 - \$6 MM	\$5 - \$15 MM	\$5 - \$15 MM	\$3 - \$15 MM
Closing Leverage	3.0x - 4.5x	5.0x - 6.0x	2.5x - 4.0x	3.5x - 5.0x	3.0x - 5.0x	NA
Target Inv. Hold Size	\$5 - \$7 MM	\$5 - \$7 MM	\$8 - \$15 MM	\$8 - \$15 MM	\$5 - \$15 MM	\$1 - \$3 MM
Investment Yield	7.0% - 8.0%	10.0% - 11.0%	10.0% - 12.0%	11.0% - 13.0%	12.0% - 14.0%	NA
Collateral Bucket	CSWC Credit Facility I-45 SLF	CSWC Credit Facility I-45 SLF	CSWC Credit Facility SBIC	CSWC Credit Facility SBIC	CSWC Credit Facility SBIC	CSWC Credit Facility SBIC

Disciplined Investment Process: Investment Criteria

Experienced Management Team with Meaningful Equity Ownership	<ul style="list-style-type: none">• Relevant experience and track record of success• Significant economic interest in the future success of the company
Sustainable Business Model	<ul style="list-style-type: none">• Differentiated product and/or service that gives company a sustainable reason to exist• Leverageable cash flow with ability to maintain or grow margins
Strong Competitive Position	<ul style="list-style-type: none">• Market leader in its business segments• Quantifiable competitive advantage versus their competitors with barriers to entry
Diversification of Customers and Suppliers	<ul style="list-style-type: none">• Inability for any one customer to significantly affect the company's financial performance and ability to service debt• Sustainability of supply and cost of inputs
Ability of Capital Structure to Sustain Economic Cycles	<ul style="list-style-type: none">• Capital structure appropriate for business model and industry• Downside scenario modeling proves ability to sustain economic cycles while servicing debt with leverage inside enterprise value
Significant Equity Value Supporting Debt	<ul style="list-style-type: none">• Significant underlying equity value to support debt in capital structure

CSWC Taps Into a Broad Network of Deal Sources

Private Equity

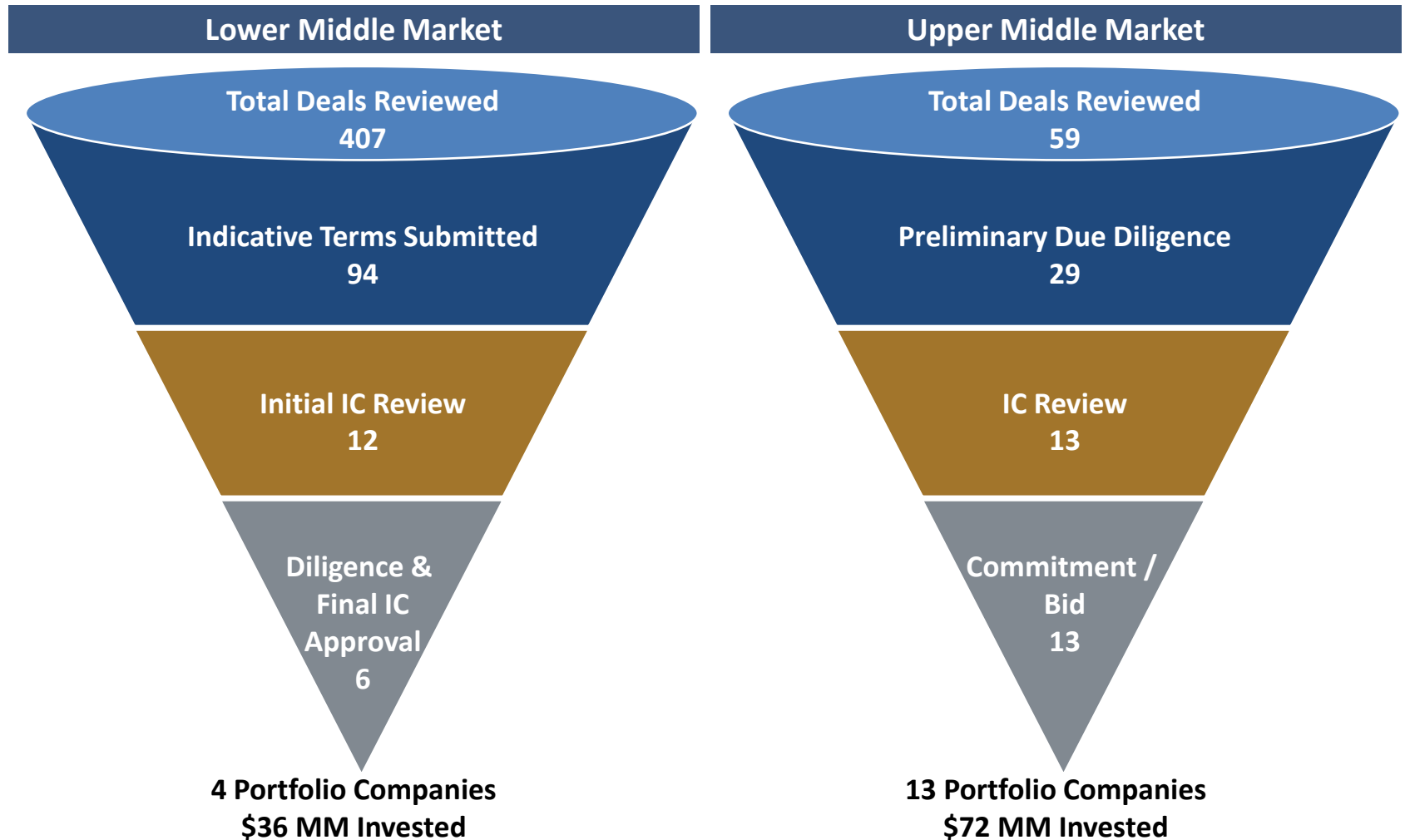


Intermediaries and Lending Partners



Maintaining Investment Discipline as Pipeline Grows

Closed / Funded approximately 3% of all deals reviewed LTM 9/30/2016

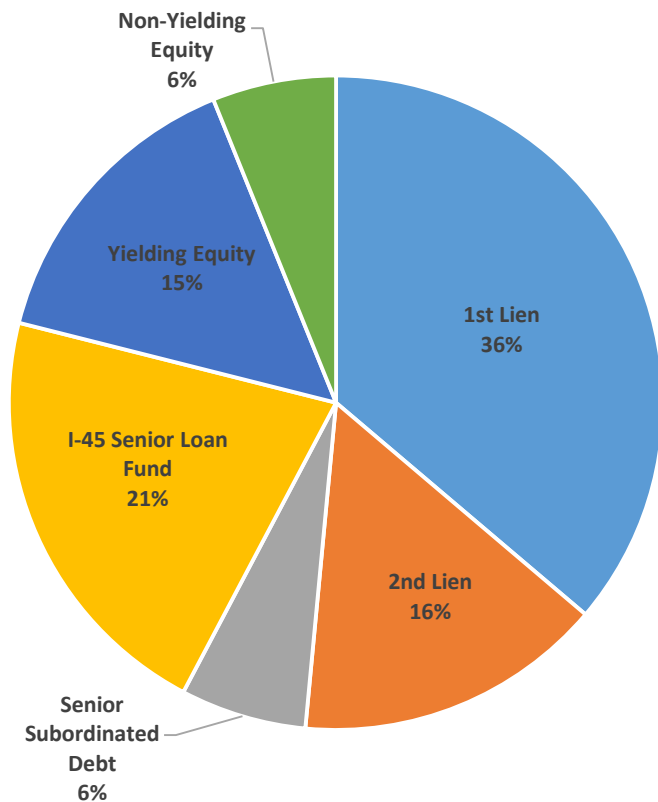


Investment Portfolio

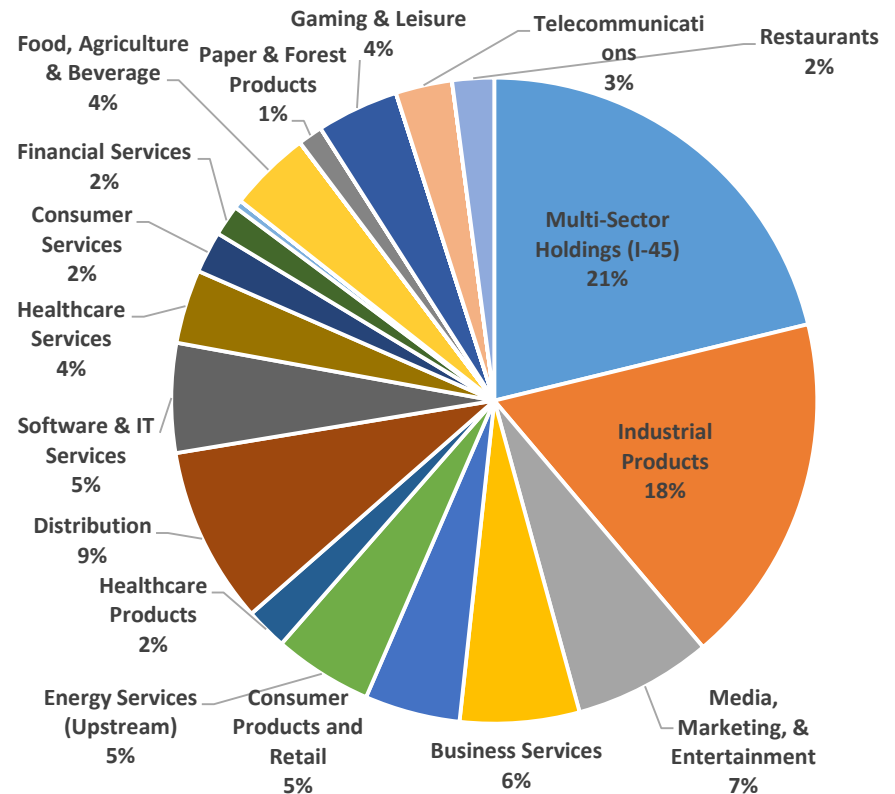
Portfolio Mix as of 9/30/2016 at Fair Value

Current Portfolio of \$238 MM continues to be granular, diverse, and focused on income generating securities

Investment Portfolio (By Security Type)



Investment Portfolio (By Industry)



Investment Portfolio Statistics

Continuing to demonstrate quarter over quarter credit portfolio growth

	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016	Quarter Ended 9/30/2016
Portfolio Statistics				
Fair Value of Debt Investments	\$60,929	\$92,832	\$83,730	\$137,586
Average Debt Investment Hold Size	\$5,077	\$5,157	\$4,925	\$5,982
Fair Value of Debt Investments as a % of Cost	100%	99%	99%	100%
% of Debt Portfolio on Non-Accrual (at Fair Value) ¹	0.0%	0.0%	0.0%	1.8%
Weighted Average Investment Rating ²	2.0	2.0	1.9	1.9
Weighted Average Yield on Debt Investments	10.31%	10.67%	10.08%	10.00%
Total Fair Value of Portfolio Investments	\$134,935	\$178,436	\$175,915	\$238,319
Weighted Average Yield on all Portfolio Investments	10.82%	9.46%	9.35%	9.13%
Investment Mix (Debt vs. Equity) ³	57% / 43%	65% / 35%	62% / 38%	73% / 27%
Investment Mix (Yielding vs. Non-Yielding)	89% / 11%	90% / 10%	90% / 10%	94% / 6%

¹ CSWC's \$2.5 MM sub debt investment (legacy 2012 funding) in Titan Liner is currently in the process of being restructured, with CSWC likely taking a controlling position in the company.

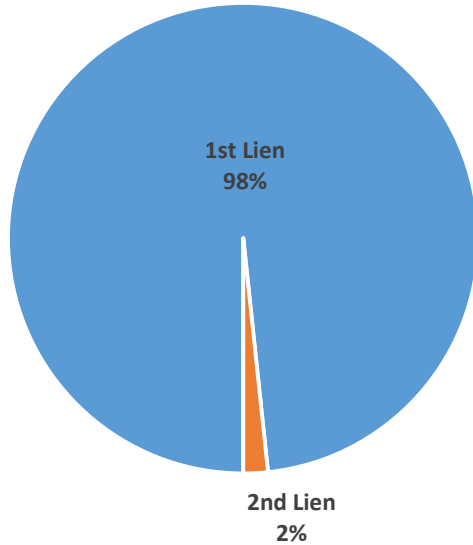
² CSWC utilizes an internal 1 - 4 investment rating system in which 1 represents material outperformance and 4 represents material underperformance. All new investments are initially set to 2.

³ Excludes CSWC equity investment in I-45 Senior Loan Fund.

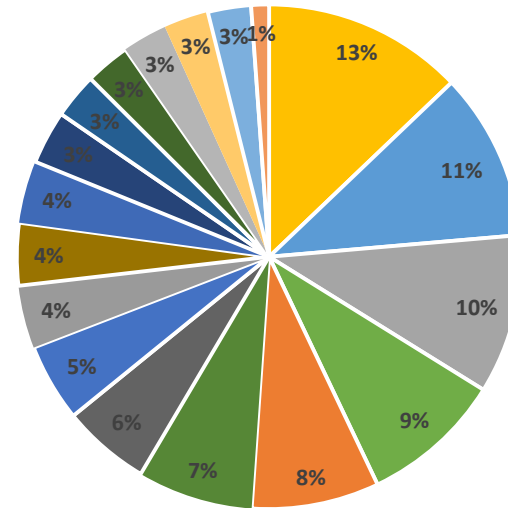
I-45 Senior Loan Fund Portfolio

CSWC has invested \$51 MM to fund I-45 portfolio growth to \$173 MM

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



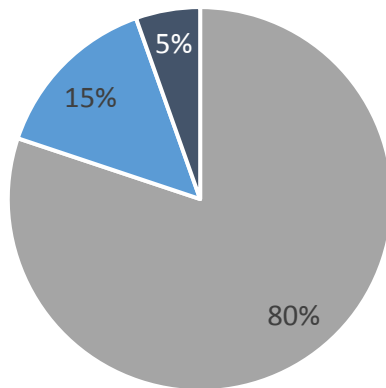
I-45 Portfolio Statistics

	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>	<u>Q2 2017</u>
Total Debt Investments at Fair Value	\$82,036	\$99,214	\$134,470	\$172,519
Number of Issuers	19	24	31	36
Avg. Investment Size as a % of Portfolio	5.26%	4.17%	3.23%	2.78%
Wtd. Avg. CSWC Leverage on Investments	3.3x	3.3x	3.7x	3.6x
Wtd. Avg. Yield to Maturity	7.59%	7.85%	8.36%	8.36%
Wtd. Avg. Duration (Yrs)	4.5	4.2	4.2	4.4

Senior First Lien Floating Rate Bias in Portfolio

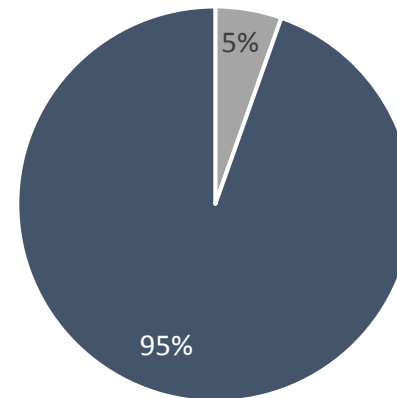
- Portfolio is well positioned given:
 - ✓ Uncertainty around the economy and the election
 - ✓ Potential for rising interest rates
- Floating rate assets and floating rate credit facility are matched

Debt Portfolio Exposure by Security



■ First Lien ■ Second Lien ■ Sub Debt

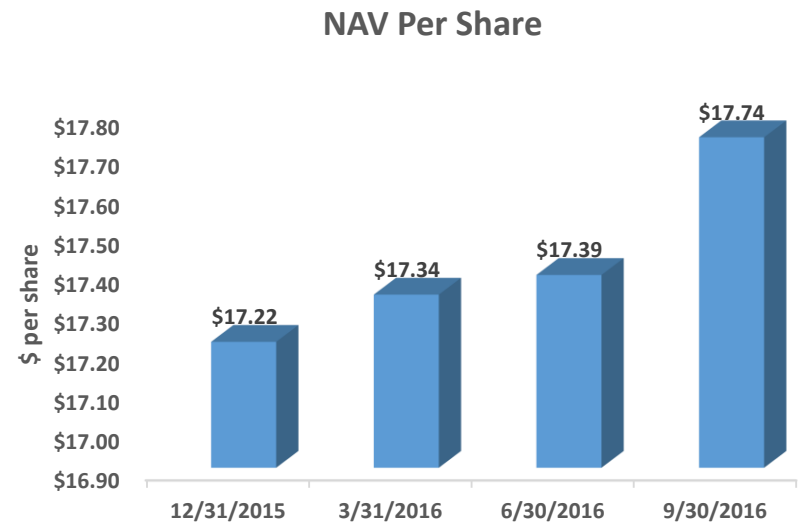
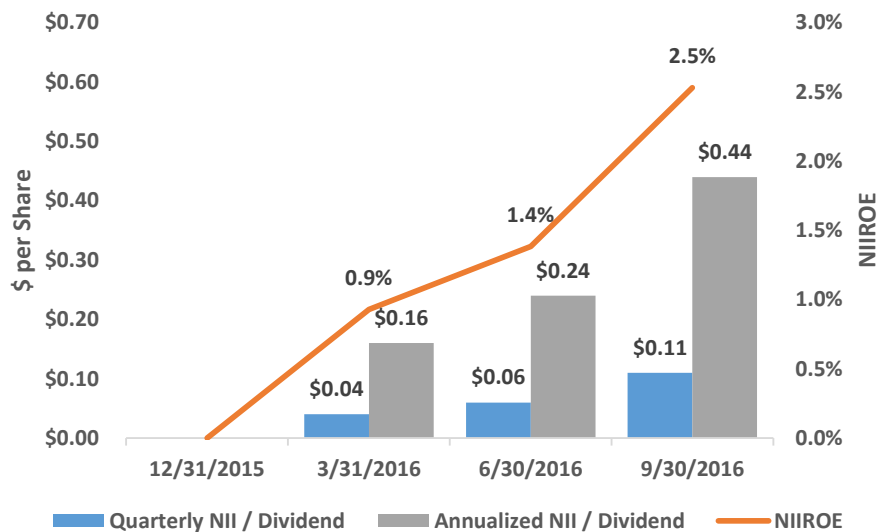
Debt Portfolio Exposure (Fixed/Floating)



■ Fixed ■ Floating

Dividend and NAV/Share Growth

- Increased quarterly dividend since spin-off to \$0.11/share
 - ✓ Current annualized Net Investment Income Return on Equity (NII ROE) of 2.5%
 - ✓ Target 9 - 10% NII ROE once capital deployed
 - ✓ Trading levels of internally-managed BDC Peers, over the past 5 years, would suggest an internally-managed BDC should trade at 1.0x NAV once NII ROE reaches 8%
 - CSWC currently trading at 0.8x NAV
- NAV has increased \$0.52/share since spin-off



Investment Highlights

- Company transition generates value creation opportunity
- Internally-managed structure offers superior shareholder alignment
- Conservative middle market credit investment strategy
 - ✓ Blend of liquid (Upper Middle Market) and illiquid (Lower Middle Market) assets
 - ✓ Granularity and diversity among asset classes and capital sources
- Well capitalized balance sheet to execute our lending strategy
- High-quality origination platform supported by strong relationships and proprietary deal flow
- Proven investment team led by seasoned investment professionals with deep financial and BDC experience
- Driven to be good stewards of shareholder capital, generating sustainable market dividends and increasing NAV/share

Appendix: 9/30/2016 Quarterly Results

Q2 2017 Highlights

Financial Highlights

- Q2 2017 Pre-Tax Net Investment Income of \$1.8 MM or \$0.11 per weighted average diluted share
- Paid quarterly dividend of \$0.11 per share
- Closed \$100 MM ING led Credit Facility with five bank syndicate
 - ✓ 4 year facility with cost of funding of L + 325
 - ✓ Includes accordion up to \$150 MM
- Increased Investment Portfolio to \$238 MM from \$176 MM
 - ✓ \$54 MM in net investments added during the quarter
- Increased I-45 Senior Loan Fund investment portfolio to \$173 MM from \$134 MM
 - ✓ Increased Deutsche Bank led Credit Facility commitments to \$145 MM from \$100 MM by adding two new syndicate banks
 - ✓ I-45 distributed \$1.3 MM dividend to CSWC during the quarter
- \$58 MM in cash available for investment activity as of quarter end

Financial Highlights

	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016	Quarter Ended 9/30/2016
Financial Highlights				
Pre-Tax Net Investment Income Per Wtd Avg Diluted Share	(\$0.04)	\$0.04	\$0.06	\$0.11
Pre-Tax Net Investment Income Return on Equity (ROE)	-0.92%	1.03%	1.34%	2.54%
Dividends Per Share	\$0.00	\$0.04	\$0.06	\$0.11
Earnings Per Wtd Avg Diluted Share	(\$0.07)	\$0.16	\$0.17	\$0.44
Earnings Return on Equity (ROE)	-1.67%	3.67%	3.93%	9.87%
NAV Per Share	\$17.22	\$17.34	\$17.39	\$17.74
Cash & Cash Equivalents	\$143,680	\$95,969	\$96,957	\$57,840
Debt to Equity	0.0x	0.0x	0.0x	0.0x

Q2 2017 Portfolio Originations

Strong portfolio growth with \$55 MM in new investments originated in Q2 2017 at a weighted average YTM of 9.8%

Q2 2017 Portfolio Originations						
Name	Industry	Type	Market Segment	Par Value	Coupon	Yield to Maturity
Infogroup	Software & IT Services	1st Lien	UMM	\$3,204	L + 5.5% (1.5% Floor)	8.3%
Imagine! Print Solutions	Media, Marketing, & Entertainment	1st Lien	UMM	\$900	L + 6.0% (1.0% Floor)	7.3%
Amware Fulfillment, LLC	Transportation & Logistics	1st Lien	LMM	\$13,400	L + 9.5% (1.0% Floor)	11.3%
Digital River	Software & IT Services	1st Lien	UMM	\$2,400	L + 6.5% (1.0% Floor)	7.5%
AG Kings	Food, Agriculture & Beverage	1st Lien	UMM	\$10,000	L + 9.0% (1.0% Floor)	11.6%
California Pizza Kitchen	Restaurants	1st Lien	UMM	\$5,000	L + 6.0% (1.0% Floor)	7.2%
Dunn Paper	Paper & Forest Products	2nd Lien	UMM	\$3,000	L + 8.75% (1.0% Floor)	10.1%
American Teleconferencing	Telecommunications	1st Lien	UMM	\$6,911	L + 6.5% (1.0% Floor)	8.2%
Redbox	Gaming & Leisure	1st Lien	UMM	\$10,000	L + 7.5% (1.0% Floor)	9.3%
Total				\$54,815		9.8%

Portfolio Originations - Since Quarter End						
Name	Industry	Type	Market	Par Value	Coupon	Yield to Maturity
Lighting Retrofit International	Environmental Services	1st Lien	LMM	\$8,000	L + 9.75% (0.5% floor)	10.9%
Total				\$8,000		

Note: Market Segment refers to Upper Middle Market ("UMM") and Lower Middle Market ("LMM")

Balance Sheet Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016	Quarter Ended 9/30/2016
Assets				
Portfolio Investments	\$134,935	\$178,436	\$175,915	\$238,319
Cash & Cash Equivalents	\$143,680	\$95,969	\$96,957	\$57,840
Deferred Tax Asset	\$1,544	\$2,342	\$1,874	\$1,940
Other Assets	\$6,421	\$7,746	\$6,110	\$9,176
Total Assets	\$286,580	\$284,493	\$280,856	\$307,275
Liabilities				
Payable for Unsettled Transaction	\$4,850	\$3,940	\$0	\$19,361
Income Tax Payable	\$2,948	\$0	\$601	\$733
Other Liabilities	\$7,997	\$7,918	\$6,971	\$8,252
Total Liabilities	\$15,795	\$11,858	\$7,572	\$28,346
Shareholders Equity				
Net Asset Value	\$270,785	\$272,635	\$273,284	\$278,929
Shares Outstanding at Period End	15,725	15,726	15,718	15,727
NAV per Share	\$17.22	\$17.34	\$17.39	\$17.74
Debt to Equity	0.0x	0.0x	0.0x	0.0x

Income Statement Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 12/31/15	Quarter Ended 3/31/16	Quarter Ended 6/30/16	Quarter Ended 9/30/16
Investment Income				
Interest Income	\$1,415	\$2,110	\$2,292	\$2,630
Dividend Income	\$1,612	\$1,578	\$1,769	\$1,995
Fees and Other Income	\$280	\$123	\$96	\$101
Total Investment Income	\$3,307	\$3,811	\$4,157	\$4,726
Expenses				
Cash Compensation	\$1,675	\$1,403	\$1,484	\$1,404
Share Based Compensation	\$195	\$257	\$239	\$255
General & Administrative	\$1,354	\$1,192	\$1,344	\$1,118
Spin-off Related Expenses	\$710	\$251	\$172	\$172
Total Expenses	\$3,934	\$3,103	\$3,239	\$2,949
Pre-Tax Net Investment Income / (Loss)	(\$627)	\$708	\$918	\$1,777
Taxes and Gain / (Loss)				
Income Tax Benefit (Expense)	\$607	\$788	(\$547)	(\$412)
Net realized gain (loss) on investments	(\$8,170)	\$12	\$199	\$3,527
Net increase (decrease) in unrealized appreciation of investments	\$7,060	\$1,001	\$2,127	\$2,026
Net increase (decrease) in net assets resulting from operations	(\$1,130)	\$2,509	\$2,697	\$6,918
Weighted Average Shares Outstanding	15,751	15,795	15,791	15,806
Pre-Tax Net Investment Income Per Weighted Average Share	(\$0.04)	\$0.04	\$0.06	\$0.11
Dividends Per Share	\$0.00	\$0.04	\$0.06	\$0.11

Investment Income Detail

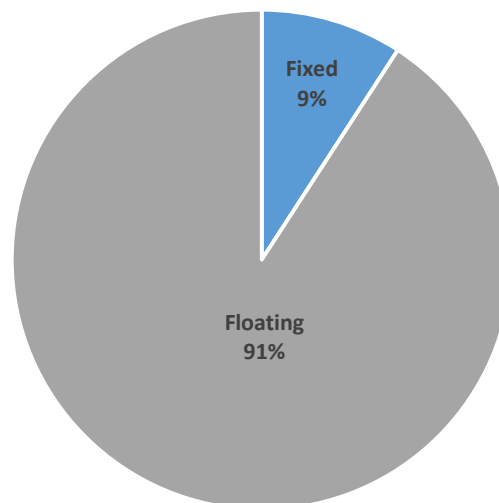
Constructing a portfolio of investments with recurring cash yield

<i>(In Thousands)</i>	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016	Quarter Ended 9/30/16
Investment Income Breakdown				
Cash Interest	\$1,392	\$2,063	\$2,216	\$2,535
Cash Dividends	\$1,612	\$1,578	\$1,769	\$1,995
Management Fees	\$275	\$115	\$95	\$95
Amortization of purchase discounts and fees	\$23	\$47	\$76	\$100
Other Income (non-recurring)	\$5	\$8	\$1	\$1
Total Investment Income	\$3,307	\$3,811	\$4,157	\$4,726
Key Metrics				
Cash Income as a % of Investment Income	99.3%	98.8%	98.2%	97.9%
% of Total Investment Income that is Recurring	99.8%	99.8%	100.0%	100.0%

Interest Rate Sensitivity

Debt Portfolio Well-Positioned for Changes to Base Interest Rates

Yielding Debt Portfolio Composition



Change in Base Interest Rates	Illustrative NII Change (\$'s)	Illustrative NII Change (Per Share)
(50bps)	\$275,074	\$0.02
50 bps	\$573,270	\$0.04
100bps	\$1,505,025	\$0.10
150bps	\$2,456,143	\$0.16
200bps	\$3,407,261	\$0.22

Note: Illustrative change in NII is based on a projection of our existing debt investments as of 9/30/16, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

Corporate Information

Board of Directors

Inside Directors

Joseph B. Armes
Bowen S. Diehl

Independent Directors

John H. Wilson
William R. Thomas
T. Duane Morgan
David R. Brooks
Jack D. Furst

Corporate Offices & Website

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13th Floor
Dallas, TX 75240
<http://www.capitalsouthwest.com>

Senior Management

Bowen S. Diehl
President & Chief Executive Officer

Michael S. Sarnier
Chief Financial Officer, Secretary & Treasurer

Investor Relations

Michael S. Sarnier
Capital Southwest
214-884-3829
msarnier@capitalsouthwest.com

Securities Listing

NASDAQ: CSWC

Fiscal Year End

March 31

Independent Auditor

Grant Thornton
Dallas, TX

Corporate Counsel

Thompson & Knight / Jones Day
Dallas, TX

Transfer Agent

American Stock Transfer & Trust Company, LLC
800-937-5449
www.amstock.com