

A nighttime photograph of a city skyline, likely New York City, featuring several prominent skyscrapers. The buildings are illuminated with warm yellow and white lights, contrasting against the deep blue twilight sky. The architecture is modern, with glass facades reflecting the city lights. In the foreground, there are some lower-level buildings and trees, also lit up.

STELLUS

CAPITAL

INVESTMENT CORPORATION

Investor Presentation

First quarter ended March 31, 2021

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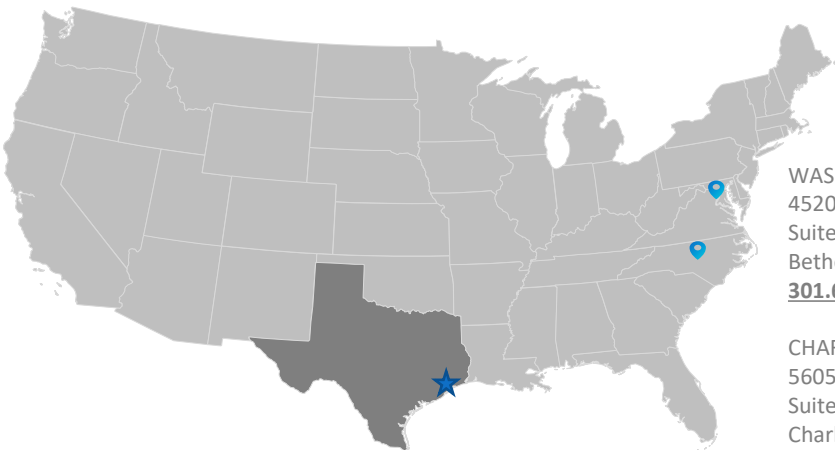
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Stellus Capital Investment Corp. (NYSE: “SCM”)



HOUSTON, TX
4400 Post Oak Parkway, Suite 2200
Houston, TX 77027
713.292.5400



WASHINGTON D.C. AREA
4520 East West Highway,
Suite 605
Bethesda, MD 20814
301.634.3000

CHARLOTTE, NC
5605 Carnegie Boulevard,
Suite 410
Charlotte, NC 28209
704.409.3335

There are 46 Publicly-Traded BDCs ~ What is our Competitive Advantage?

Strong Historical Portfolio Performance and Consistent Returns to Shareholders

Strong History of Underwriting Credit

- Fair Value of investment portfolio of \$714.5 million as of March 31, 2021
 - ❖ Grown at a 3-year CAGR of 18.3%*
- Achieving loan growth while practicing conservative lending
- Diversified portfolio by size of investment, industry and geography

Favorable Performance Over Time

- Top 10 across all BDCs in Return-on-Equity over a 3-year period (3/31/21 – 3/31/19)
- Stable portfolio performance throughout COVID-19

Stable Dividend

- Presently paying monthly dividend of \$0.083
- 12-month indicated dividend yield of 7.6%
- LTD dividends of \$11.16 to an IPO investor through March 31, 2021
- We have covered dividends from earnings since inception

Performance and Stability / Trading at a Discount to NAV

- Net asset value per share was \$14.03 at March 31, 2021, unchanged from \$14.03 at December 31, 2020
- Trading at approximately 0.93x to March 31, 2021 per share NAV

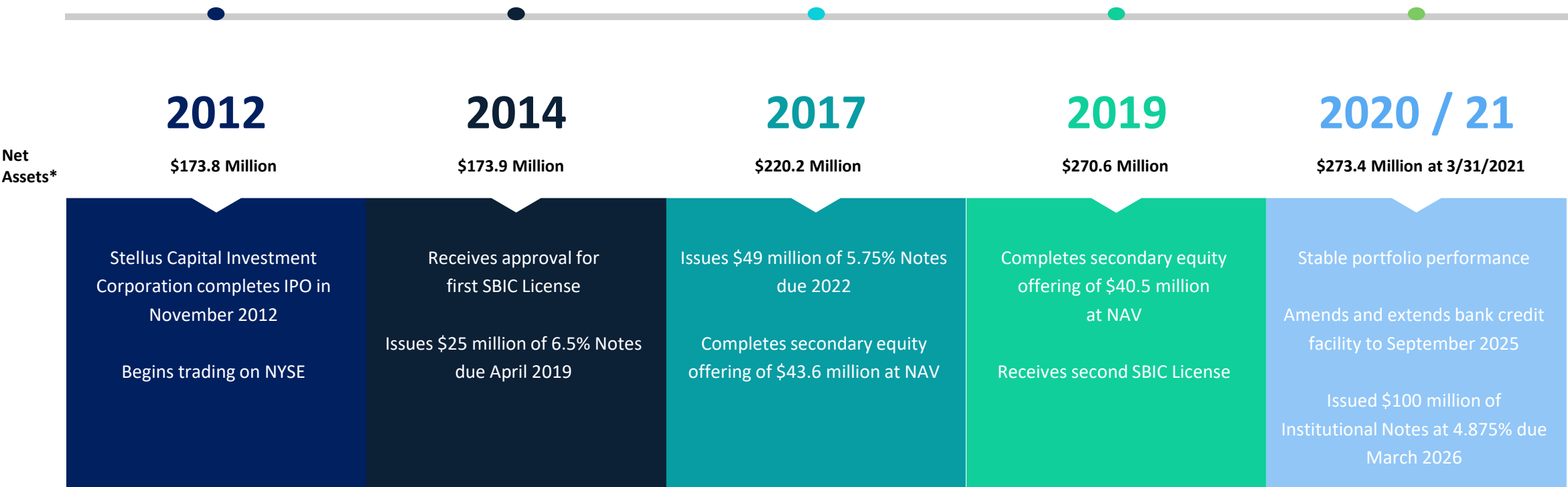


COMPANY OVERVIEW:

Navigating Lower Middle
Market Capital Solutions

Stable Growth with Ample Access to Low-Cost Capital

Management team focused on maintaining asset quality, proper capital allocation, and operational excellence



SCM Provides Flexible Financing for Middle Market Companies

Investment Type & Size

- Investment size between \$10 and \$30 million per transaction.
- Senior secured first lien, unitranche, split lien and second lien debt financings, often with corresponding equity investments.
- Underwriting capabilities up to \$50 million.

Investment Focus

- Private companies generating between \$5 and \$50 million of EBITDA.
- Diverse industry sectors
- Capital is often used for acquisitions, growth capital, leveraged buyouts, and recapitalizations.
- Substantially all investments are in portfolio companies backed by high quality PE sponsors.

Origination Focus

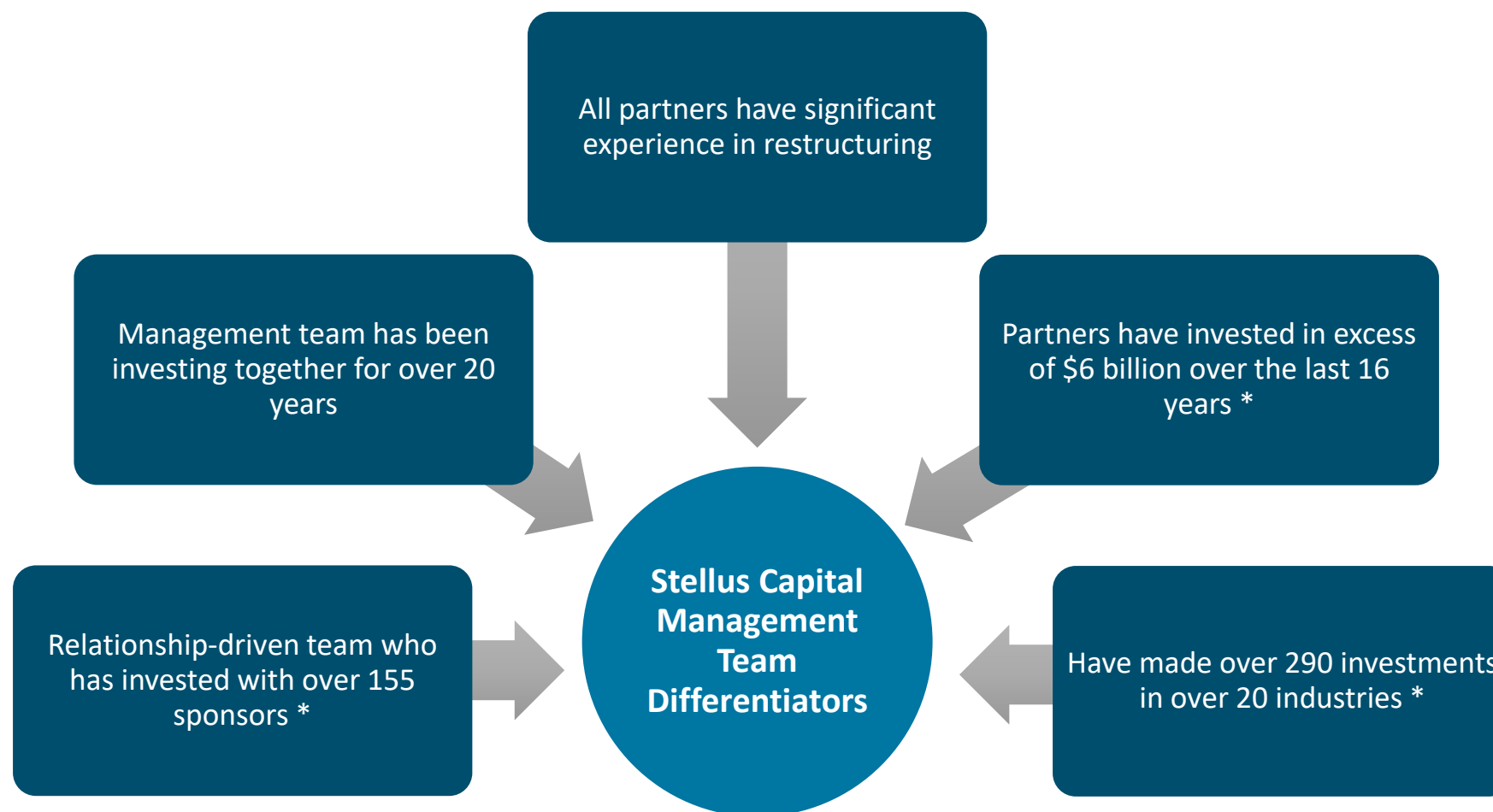
- Focus on originated loans, as opposed to broadly syndicated financings. Stellus is typically the sole lender in the tranches in which it invests. However, we are open to partnering with a small number of lenders in “club” deals.
- Companies headquartered (or with a majority of their operations) in the United States and Canada.

Established Team and Institutional Platform

Stellus Capital Management’s* investment committee members have backgrounds in private credit, private equity, corporate finance, restructuring, management consulting, and accounting.

TOTAL YEARS EXPERIENCE >	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	10	15	20	25	30	35	40	PAST EXPERIENCE	
	Robert Ladd (65) Chairman, President & CEO																							41	The D. E. Shaw group, Duke Capital Partners, Duke Energy North America, Arthur Andersen, First City Bancorporation	
	Dean D’Angelo (53) Co-Head of Private Credit & Director																				29			The D. E. Shaw group, Allied Capital, Duke Capital Partners, Banc of America Securities, Coopers & Lybrand		
	Joshua Davis (48) Co-Head of Private Credit																				26				The D. E. Shaw group, Duke Capital Partners, Milestone Merchant Partners, Arthur Andersen	
	Todd Overbergen (55) Investment Committee Member																				31			The D. E. Shaw group, Duke Capital Partners, Arthur Andersen		
	Todd Huskinson (57) Chief Financial Officer, Chief Compliance Officer & Secretary																						33		The D. E. Shaw group, Bearing Point, Arthur Andersen	

Diverse Sponsor Relationships and Investment Experience



Diverse Financial Sponsor Relationships*





Stellus Capital Management has one of the most experienced lower middle market investment teams in the marketplace with over 300 combined years of principal investing experience

75

Current Active
Investments

290+

Cumulative Completed
Investments

\$6.6+

Billion
Invested Capital

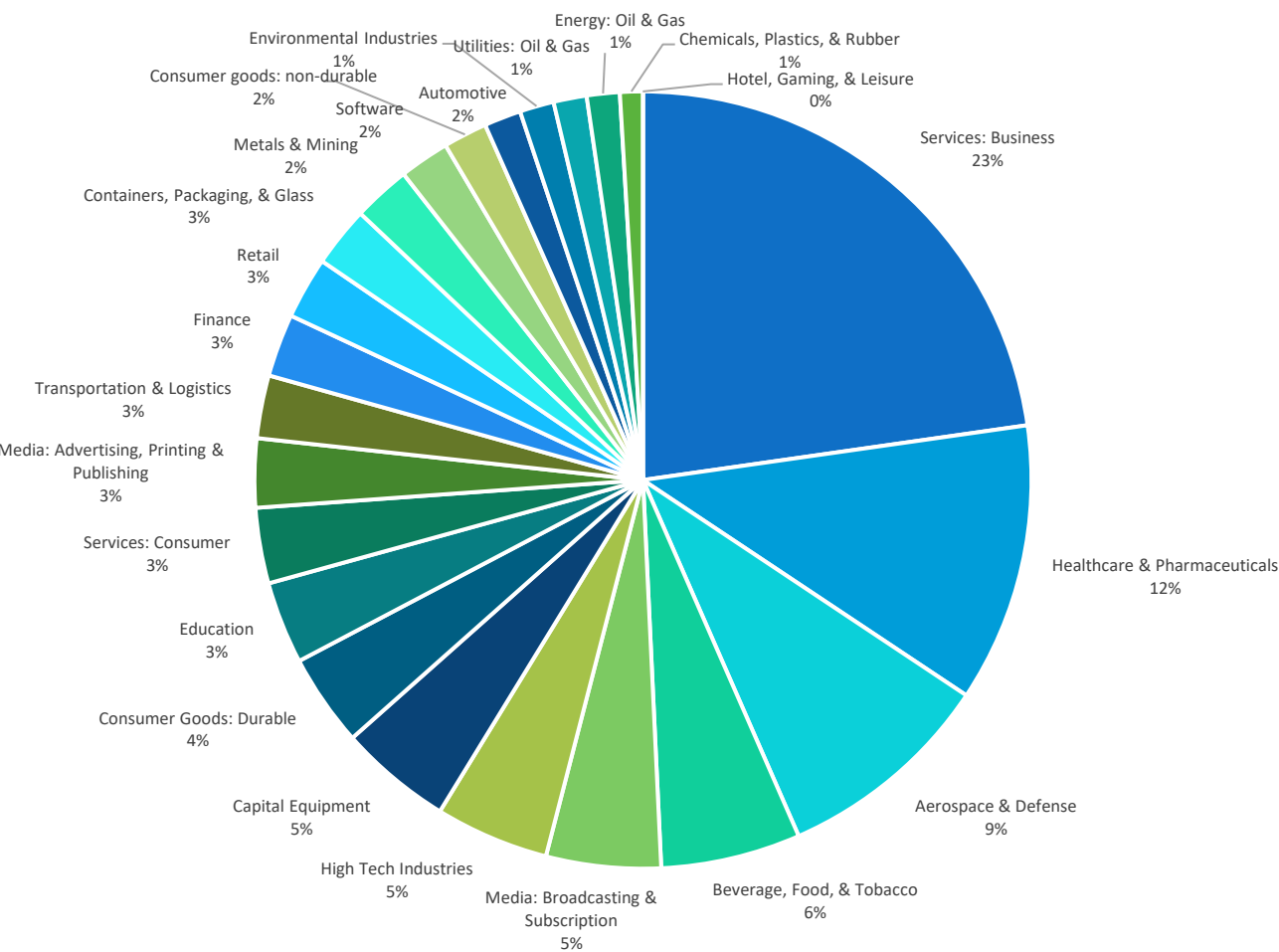
[Select List of Investments Available Here](#)

Portfolio Statistics as of March 31, 2021

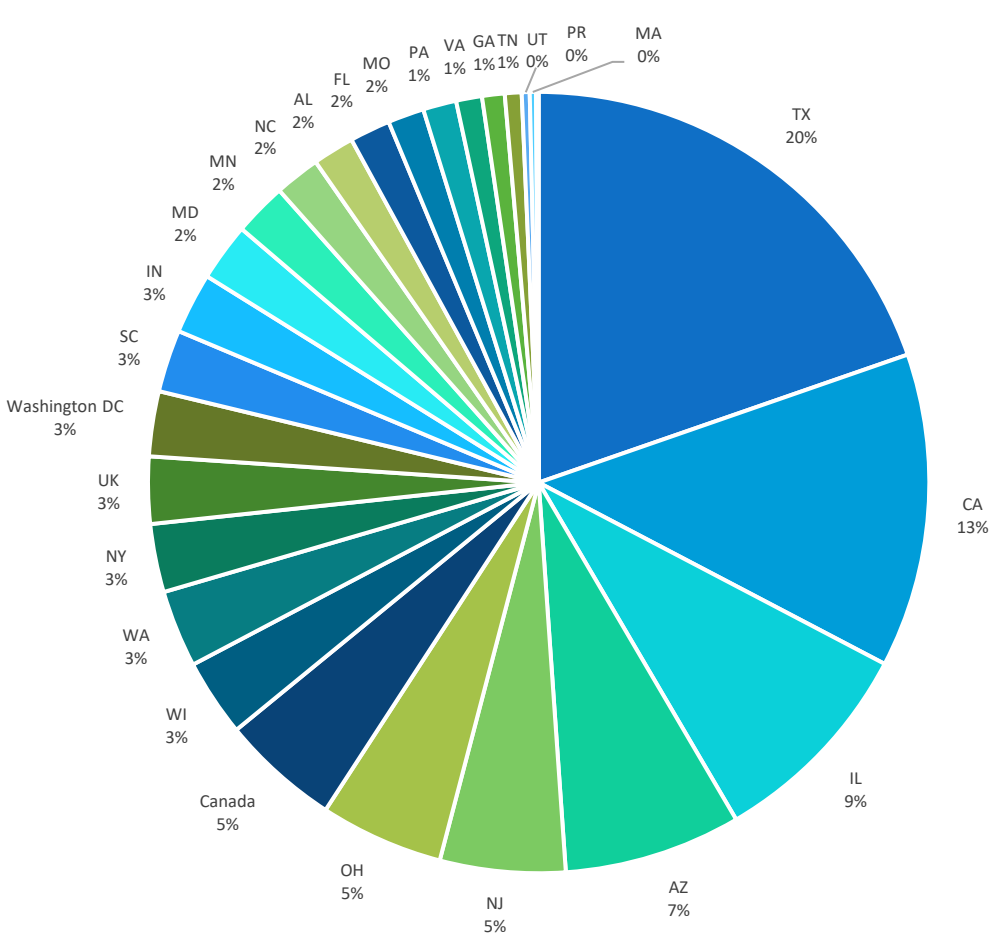
Diverse Portfolio / Low Exposure to Retail and Energy

No Geographic Concentration Over 20%

Industry Concentration

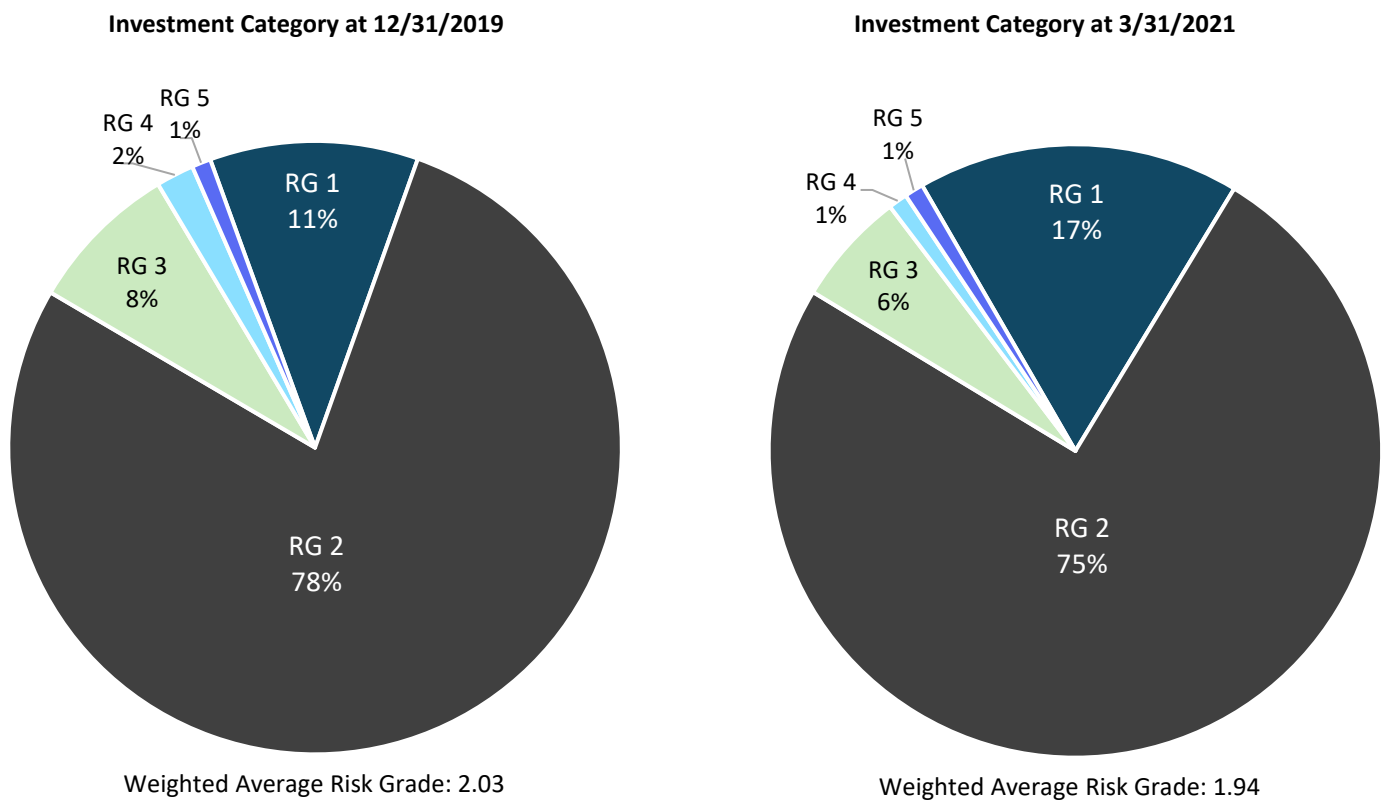


Geographic Concentration



Managing Risk: Resilient Portfolio Prior to and Throughout COVID-19 Pandemic

Over 90% of portfolio exceeding expectations or performing in accordance with plan

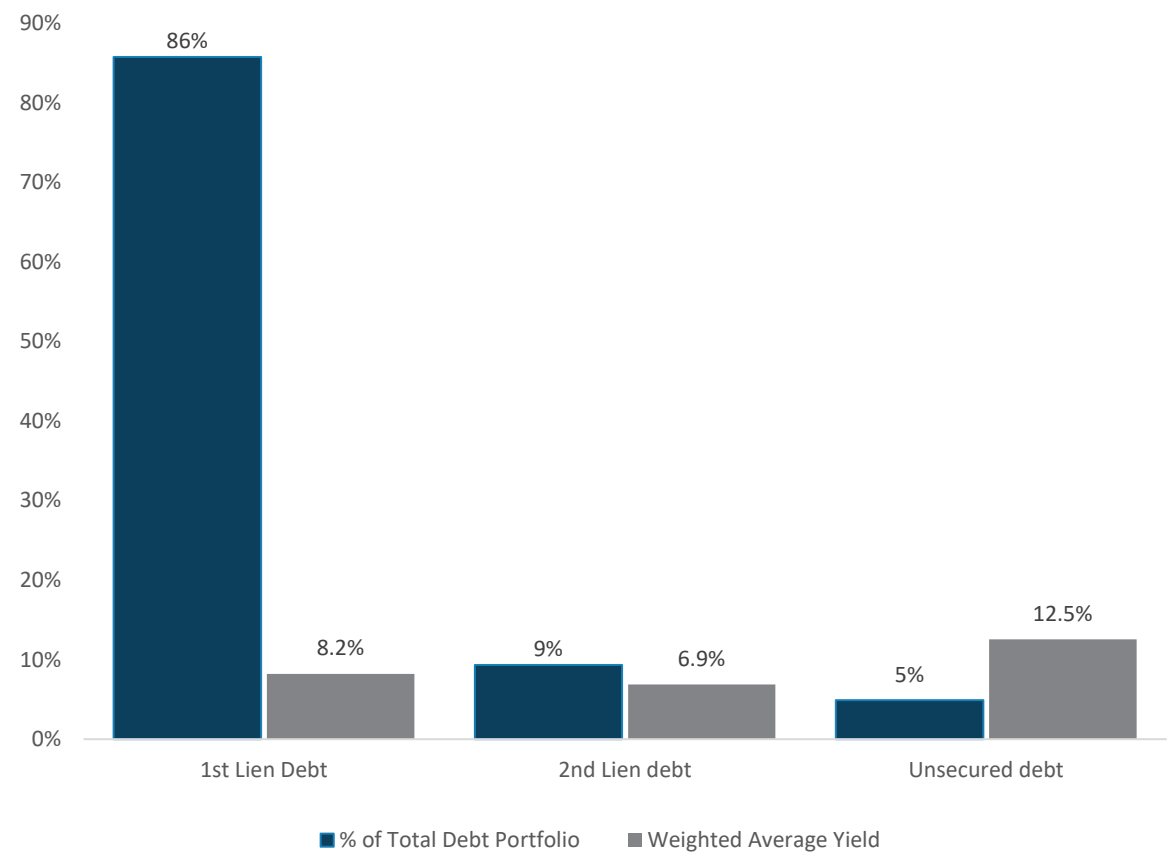


Investment Category Definitions:

- 1 Exceeding expectations
- 2 Performing in accordance with plan
- 3 Requires closer monitoring (no loss of return or principal)
- 4 In workout (some loss of return; no loss of principal)
- 5 In workout (some loss of principal)

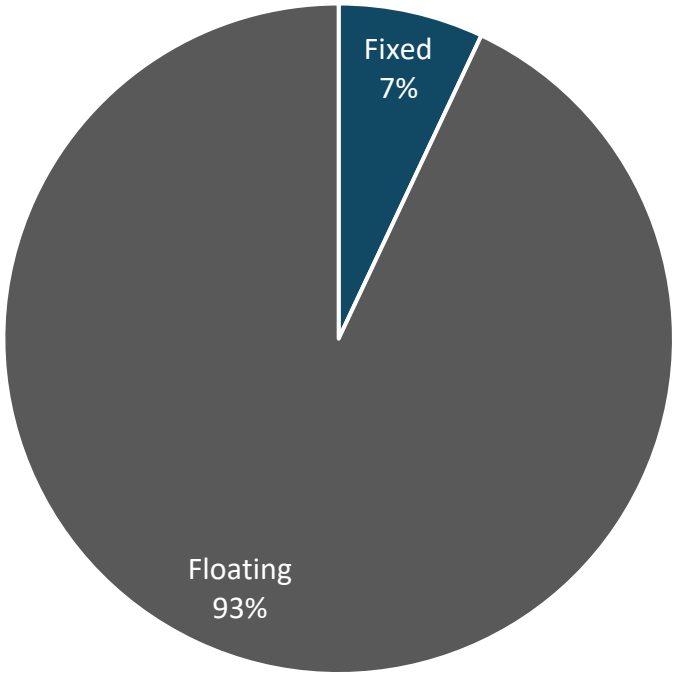
Debt Portfolio is 86% 1st Lien

Debt Investment Portfolio
as of March 31, 2021



Fixed vs. Floating Rate Debt Investments *

Virtually Unchanged from 12/31/2020



* Subject to LIBOR floors

Numerous Sources of Long-Term / Cost-Efficient Capital

FUNDING SOURCES	FACILITY/ISSUANCE SIZE	OUTSTANDING	INTEREST RATE ⁽³⁾	MATURITY
Syndicated Credit Facility led by Amegy ⁽¹⁾	\$230 million	\$186 million (As of 5/7/2021)	LIBOR + 2.5%	September 18, 2025
SBIC I Debentures	\$150 million	\$150 million	3.41%	Varied ⁽²⁾
SBIC II Debentures	\$100 million	\$70 million (As of 5/7/2021)	2.17%	March 25, 2030
Unsecured Notes	\$100 million	\$100 million	4.875%	March 30, 2026

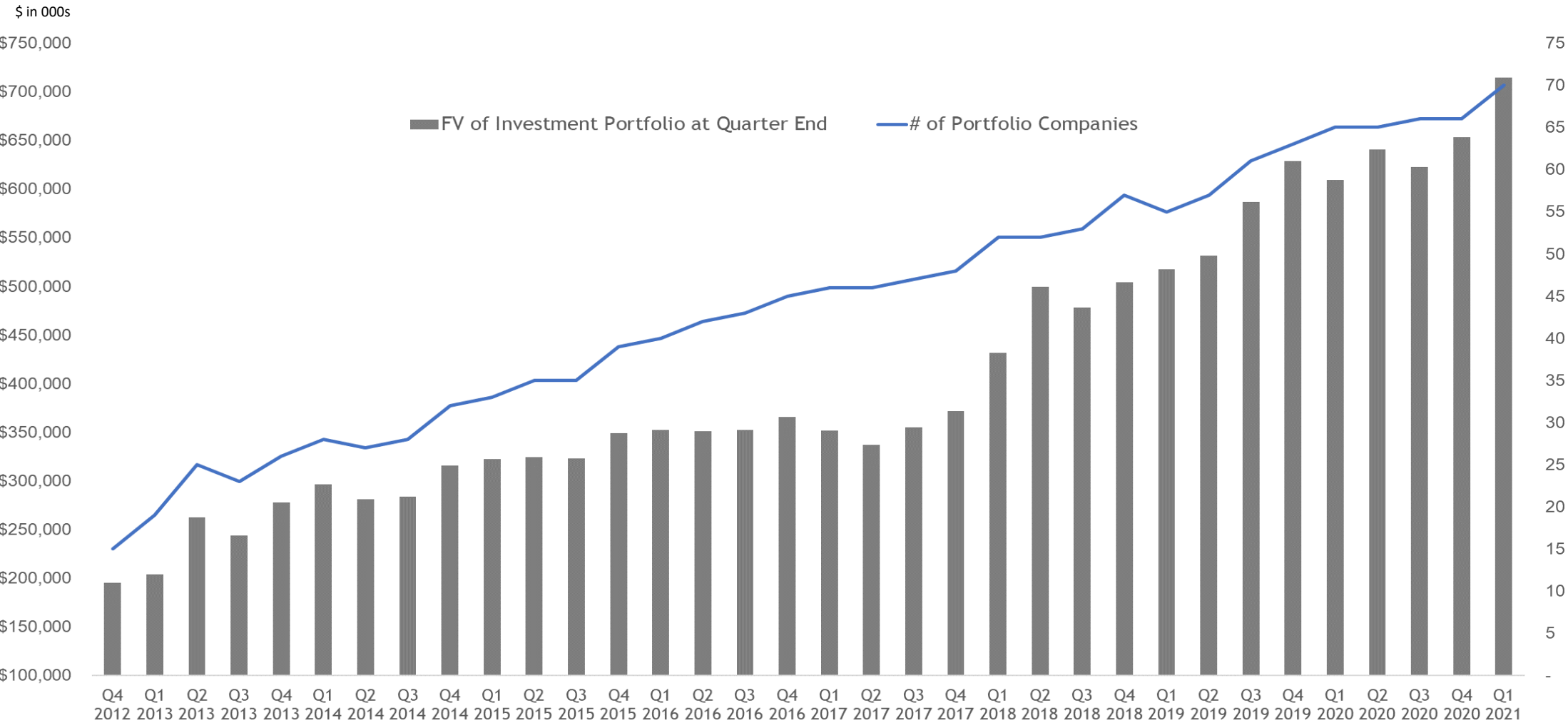
⁽¹⁾ Amegy Bank credit facility closed on October 11, 2017 and was amended and extended in September 2020.

⁽²⁾ SBA debentures issued to SBIC I mature March 1, 2025 - March 1, 2029.

⁽³⁾ Does not include amortization of loan fees.

Financial Performance and Distributions

Investment Portfolio Growth Since IPO



First Quarter 2021 Overview

\$0.26
NII per share

\$95.1 million
New investment activity during the quarter

8.3%
Weighted average yield on investments

\$714 Million
Investments at fair value at March 31, 2021

\$14.03
NAV at March 31, 2021

Strategic refinancing of bank facility during quarter

Extended the commitment termination date of our \$230 million bank facility to September 18, 2024 with a final maturity of September 18, 2025, and amended certain covenants and conditions of the facility, including a reduction in the required asset coverage

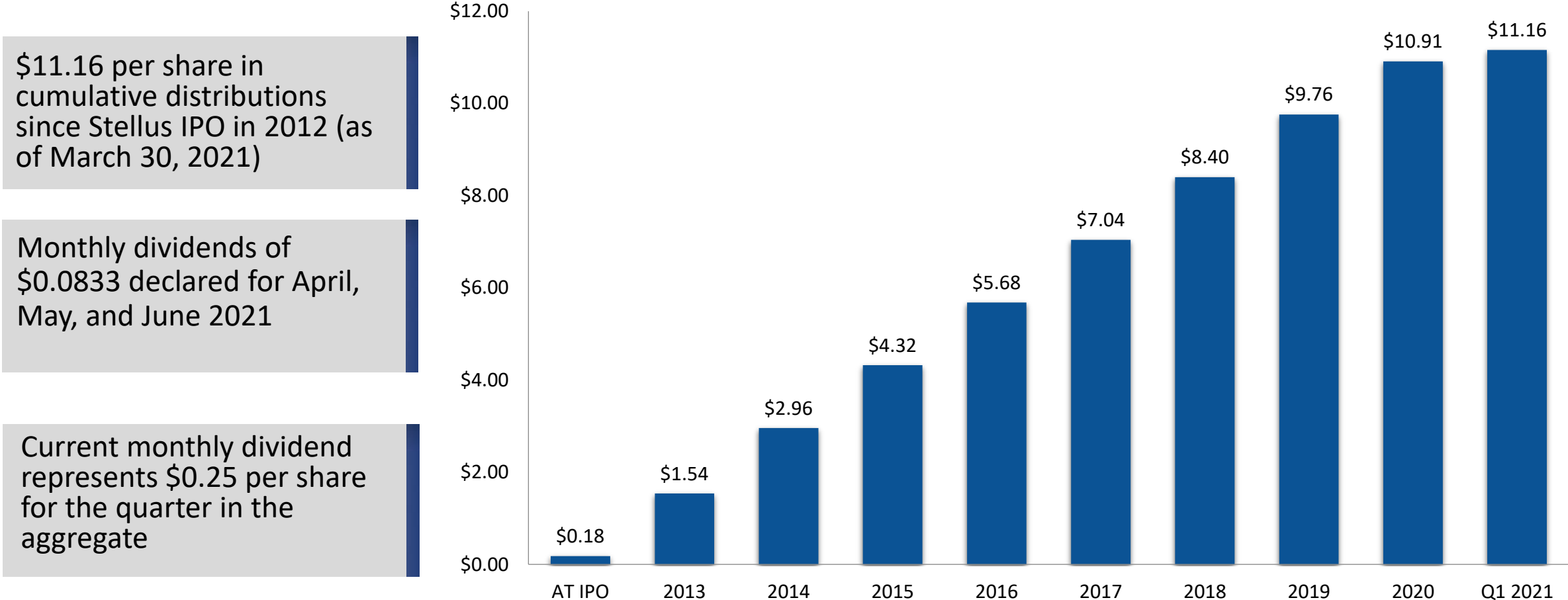
Registered offering of \$100 million of 4.875% notes due 2026

Net proceeds were utilized to redeem the outstanding 5.75% notes due 2022 and to repay a portion of the amount outstanding under its credit facility

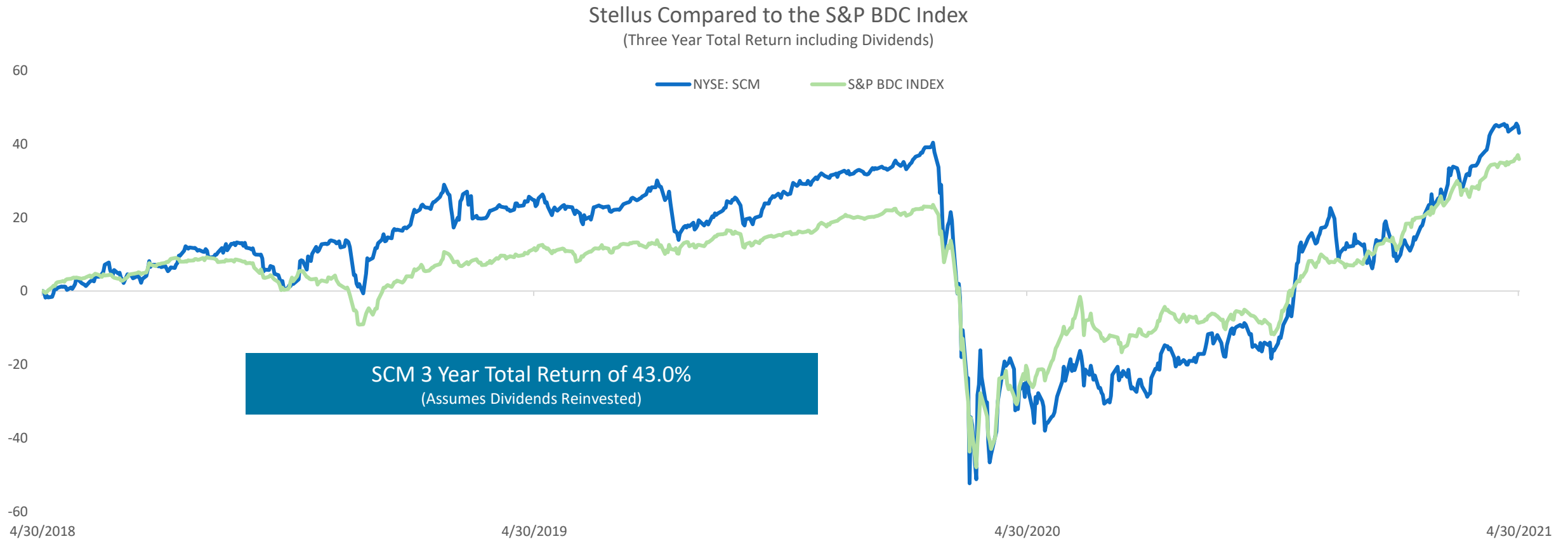
Distributions

\$0.25 per share in the aggregate paid to stockholders in distributions throughout the quarter

Cumulative Distributions Declared per share Since IPO



Valuation



Favorable Performance Not Reflected in Comparative Price to Book

(based on a 3-Year ROE)

- Stellus has delivered a 3-year average return on equity* (ROE) of 9.96%
 - Ranks 10th out of 46 across all publicly traded BDCs
- BDCs performing at this level trade at an implied price to NAV of approximately 1.1x
- Stellus trades at a discounted price to NAV per share of 0.93x

Stability and Growth Continued Throughout 2020

2020

Future / Why Stellus

Stable Portfolio

Strong portfolio performance throughout the pandemic

In the second half of 2020, Stellus began to see a return to normalcy in activity, leveraging a low-cost of capital to see new loan originations begin to increase in Q3 2020

Sustainable Financial Structure and Shareholder Returns

Extended and expanded capital structure

Maintained NAV Stability

Paid aggregate \$1.15 in distributions to shareholders

Achieve Higher than Peer ROE

Over the past 3 years, SCM is in the top quartile of ROE* performance across all BDCs

Corporate Information

Executive Officers

Robert T. Ladd
Chairman, President &
Chief Executive Officer

W. Todd Huskinson
Chief Financial Officer,
Chief Compliance Officer,
Treasurer and Secretary

Directors

J. Tim Arnoult¹

Bruce R. Bilger¹

Dean D'Angelo

Robert T. Ladd, Chairman

William C. Repko¹

¹ Independent Directors

Research Coverage

Keefe, Bruyette & Woods
Ryan Lynch, 314-342-2194

Ladenburg Thalmann Financial Services
Christopher Nolan, 212-667-7136

Oppenheimer Equity Research
Mitchel Penn, 212-667-6699

Raymond James
Robert Dodd, 901-579-4560

Share Information

Share Price	\$13.14
Shares Outstanding	19,486,003
Market Capitalization	\$260M
Total Assets	\$748 Million
Total Stockholders' Equity	\$273 Million
NAV per share	\$14.03
Ratio of Price to NAV per share	0.93X

Dividends

Dividend Frequency	Monthly
Last Monthly Dividend	\$0.0833
12-Month Indicated Yield	7.6%

Debt

Regulatory Leverage	0.97x
Total Leverage (incl. SBIC debentures)	1.74x

Investment Committee

Robert T. Ladd
Chairman, President & Chief Executive Officer

Dean D'Angelo
Co-Head of Private Credit *

Joshua T. Davis
Co-Head of Private Credit *

W. Todd Huskinson
Chief Financial Officer, Chief Compliance Officer,
Treasurer and Secretary

Todd A. Overbergen
Investment Committee Member*

Service Providers

**Stock Transfer Agent- Broadridge Corporate
Issuer Solutions, Inc.**

Bond Trustee- US Bank National Association

Auditors- Grant Thornton, LLP

Counsel- Eversheds Sutherland, LLP

Investor Relations- The Equity Group Inc.

Securities Listing

Common Stock NYSE : SCM

Corporate Headquarters

4400 Post Oak Parkway, Suite 2200
Houston, TX, 77027
Phone: 713-292-5400

* Stellus Capital Management, LLC

Appendix and Financial Supplements

Financial Highlights

(\$ in millions, except data relating to per share amounts and shares outstanding)

	Q1-21		Q4-20		YTD-20		Q1-20	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net investment income	\$5.06	\$0.26	\$4.99	\$0.26	\$21.99	\$1.13	\$6.24	\$0.32
Core net investment income ⁽¹⁾	5.38	0.28	5.43	0.28	22.40	1.15	5.56	0.29
Net realized gain (loss) on investments	0.46	0.02	(7.69)	(0.39)	(10.13)	(0.52)	1.30	0.07
Loss on debt extinguishment	(0.54)	(0.03)	-	-	-	-	-	-
Total realized income ⁽²⁾	4.98	0.25	(2.70)	(0.14)	11.86	0.61	7.54	0.39
Distributions ⁽³⁾	(4.87)	(0.25)	-	-	(22.40)	(1.15)	(6.62)	(0.34)
Net unrealized appreciation (depreciation) on investments	0.12	0.01	19.61	1.01	8.56	0.44	(51.50)	(2.65)
(Provision) Benefit for taxes on net unrealized gains on investments in taxable subsidiaries	(0.17)	(0.01)	(0.10)	(0.01)	(0.22)	(0.01)	0.03	0.00
Net increase (decrease) in net assets resulting from operations	\$4.94	0.25	\$16.81	0.86	20.19	1.04	(43.94)	(2.26)
Weighted average shares outstanding	19,486,003		19,486,003		19,471,500		19,429,480	

- (1) Core net investment income, as presented, excludes the impact of capital gains incentive fees and income taxes, the majority of which are excise taxes. The company believes presenting core net investment income and the related per share amount is a useful supplemental disclosure for analyzing its financial performance. However, core net investment income is a non-U.S GAAP measure and should not be considered as a replacement for net investment income and other earnings measures presented in accordance with U.S GAAP. A reconciliation of net investment income in accordance with U.S GAAP to core net investment income is presented in the company's May 6, 2021 press release available under [Press Releases - Stellus Capital Management, LLC](#)

- (2) Total realized income is the sum of net investment income and net realized gains on investments, both U.S GAAP measures.

- (3) In 2020, fourth quarter dividends were declared in the third quarter.

Portfolio Characteristics

(\$ in millions, except data relating to per share amounts and number of portfolio companies)

	As of 3/31/2021	As of 12/31/2020
Investments at fair value	\$714.5	\$653.4
Total assets	\$747.8	\$674.9
Net assets	\$273.4	\$273.4
Shares outstanding	19,486,003	19,486,003
Net asset value per share	\$14.03	\$14.03

	Q1-21	Q4-20	YTD-20
New investments (at cost)	\$93.4	\$64.8	\$152.0
Repayments of investments	(33.6)	(46.4)	(128.8)
Net activity	\$59.8	\$18.4	\$23.2

	As of 3/31/2021	As of 12/31/2020
Number of portfolio company investments	70	66
Number of debt investments	55	51

Weight average yield of debt and other income producing investments (1)

Cash	7.7%	7.8%
PIK	0.1%	0.0%
Fee amortization	0.5%	0.5%
Total	8.3%	8.3%

Weighted average yield on total investments (2)

Cash	7.3%	7.4%
PIK	0.1%	0.0%
Fee amortization	0.4%	0.5%
Total	7.8%	7.9%

- (1) The dollar-weighted average annualized effective yield is computed using the effective interest rate for our debt investments and other income producing investments, including cash and Paid-In-Capital interest, as well as the accretion of deferred fees. The individual investment yields are then weighted by the respective cost of the investments (as of the date presented) in calculating the weighted average effective yield of the portfolio. The dollar-weighted average annualized yield on the Company's investments for a given period will generally be higher than what investors of our common stock would realize in a return over the same period because the dollar-weighted average annualized yield does not reflect the Company's expense or any sales load that may be paid by investors.
- (2) The dollar weighted average yield on total investments takes the same yields as calculated in the footnote above, but weights them to determine the weighted average effective yield as a percentage of the Company's total investments, including non-income producing loans and equity.

Dividends Declared

Paid Monthly

On April 20, 2021, the Company' Board of Directors declared a monthly dividend of \$0.0833 per share for each of the months of April, May, and June 2021, which is \$0.25 per share in the aggregate for the second quarter.

Please refer to the website regarding the U.S. federal income tax characteristics of our 2020 dividends. The information is posted under "Tax Information" (<https://www.stelluscapital.com/public-investors/tax-information/>).

Summary of Second Quarter 2021 Regular Monthly Dividends

Declared	Ex-Dividend Date	Record Date	Payment Date	Amount per Share
4/19/21	4/29/21	4/30/21	5/14/21	\$0.0833
4/19/21	5/27/21	5/28/21	6/15/21	\$0.0833
4/19/21	6/29/21	6/30/21	7/15/21	\$0.0833