



Stellus Private Credit BDC

Investor Presentation

Quarter ended June 30, 2024



HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

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There are 50+ Private 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 \$254.2 million as of June 30, 2024
 - ❖ Grown at a 1-year CAGR of 54%
- Diversified portfolio by size of investment, industry and geography

Stable Dividend

- Quarterly aggregate dividend of \$0.50 per share
 - Monthly dividend of \$0.1666 per share
- Annualized indicated dividend yield of approximately 13%
- LTD dividends declared of \$4.19 per share to an initial investor through August 9, 2024

Favorable Performance Over Time

- ROE since commencement of operations of 11.5%*
- Stable portfolio performance over 2 years

Performance and Stability

- Net asset value per share of \$15.19 compared to commencement of operations net asset value per share of \$14.77

* Source: Company Filings
All daily trading information/ multiples in this presentation as of August 9, 2024 unless otherwise noted

Provides Flexible Financing for Middle Market Companies

Investment Type & Size

- Investment size between \$10 and \$60 million per transaction.
- Senior secured first lien and unitranche debt financings, often with corresponding equity investments.
- Cash interest, up-front fee and prepayment penalties, SOFR floors
- Nominal equity co-invest in certain transactions

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. PBDC 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.

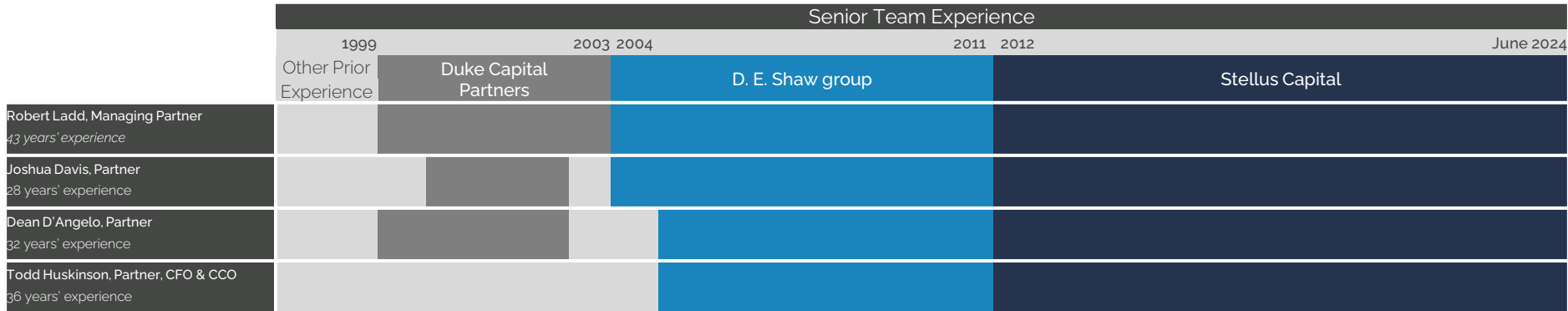
Established Private Credit Team and Institutional Platform

- Stellus' private credit team's long tenure enables cohesive evaluation and efficient execution of investment opportunities

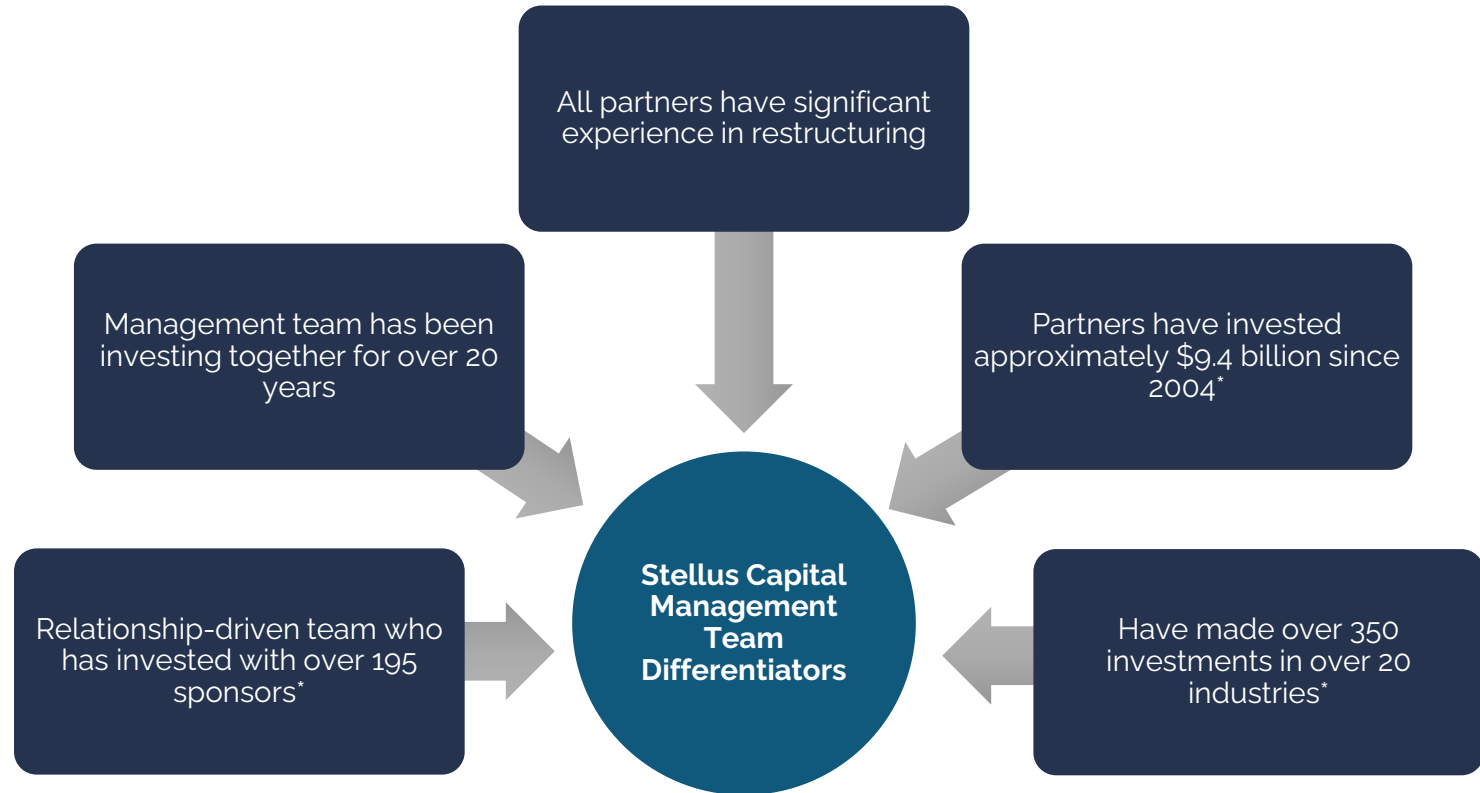
Experienced Team
 Extensive underwriting and restructuring capabilities

Longevity
 Senior members of the investment team have invested together for more than 20 years

Continuity
 Five of the nine Managing Directors hired as junior professionals



Diverse Sponsor Relationships and Investment Experience



* Includes transactions closed by the management team prior to forming Stellus Capital Management

Sourcing and Origination

- The Stellus deal team is responsible for origination and sourcing utilizing a highly focused regional approach resulting in a diverse financial sponsor network.
- Since 2004, the Stellus Capital team has partnered with over 190 unique sponsors¹



¹ Includes investments consistent with Stellus Capital's credit strategy since 2004 including predecessor firm



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

100

Current Active
Investments

~350

Cumulative
Completed
Investments

~\$9.4

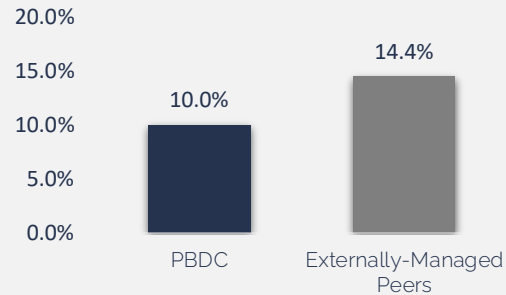
Billion
Invested Capital

[Select List of Investments Available Here](#)

PBDC Focuses on Shareholders

- PBDC aligns interest with shareholders

Net Investment Income Fee Rate¹



Total Return Hurdle Rate¹

PBDC has a total return hurdle (aka a "lookback") that can limit the income-based incentive fee in the event of losses

<25%
of externally-managed private BDCs have a total return hurdle

Expense Support and Conditional Reimbursement²

PBDC has an expense support and conditional reimbursement agreement that limits covered operating expenses

<10%
of externally-managed private BDCs have an expense cap

¹Source: Public filings; externally-managed peer group of Audax Credit BDC Inc., BC Partners Lending Corporation, BlackRock Direct Lending Corp., Brightwood Capital Corporation I, Carlyle Secured Lending III, Gotub Capital Direct Lending Corp., Gotub Capital Direct Lending Unlevered Corp., Guggenheim Credit Income Fund, New Mountain Guardian IV BDC, L.L.C., Nuveen Churchill Direct Lending Corp., Pimco Capital Solutions BDC Corp, SLR HC BDC LLC, Star Mountain Lower Middle-Market Capital Corp, Steele Creek Capital Corp, TriplePoint Private Venture Credit Inc..

Stable Asset Quality: Portfolio is Performing in Accordance with Plan

Investment Category Definitions at fair value ("Risk Grade" or "RG"):

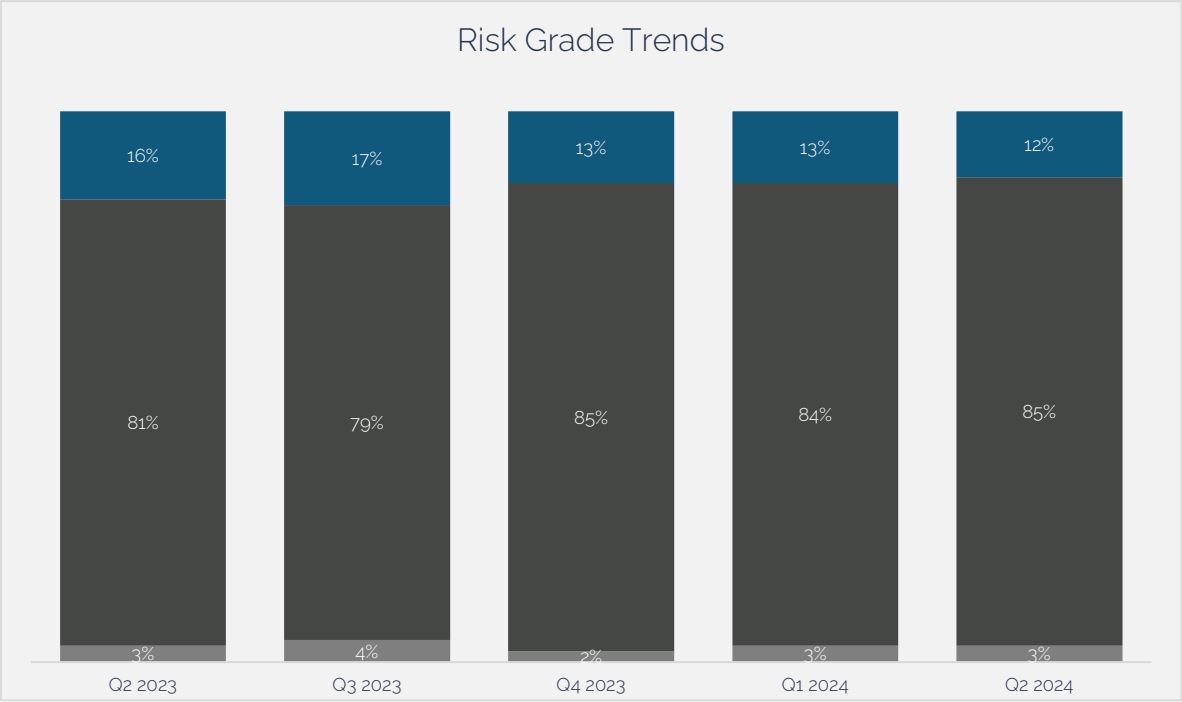
1 Exceeding expectations

2 Performing in accordance with plan

3 Requires closer monitoring
(no loss of return or principal)

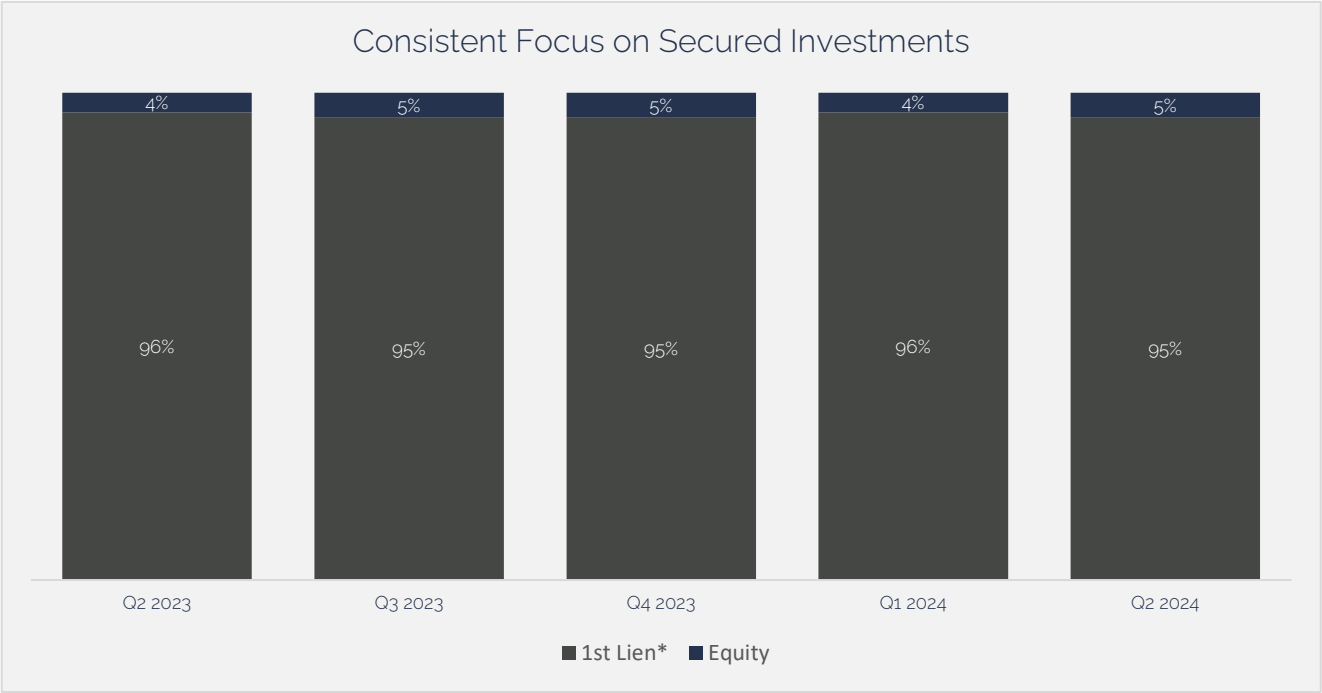
4 In workout (some loss of return; no loss of principal)

5 In workout
(some loss of principal)



Loan Investment Portfolio

- We originate and invest primarily in private middle-market companies through first lien (including unitranche) debt financing, often with corresponding equity co-investments.



*Includes unitranche investments. Unitranche structures may combine characteristics of first lien senior secured as well as second lien loans

**Based on historical returns of Stellus Capital Investment Corporation which has the same strategy. Historical performance is not indicative of current or future performance.

Note: Percentages are based on market value

Portfolio Construction as of June 30, 2024

12.3%

Weighted Average Yield

\$5.20

Average Loan Investment Size
(in millions)¹

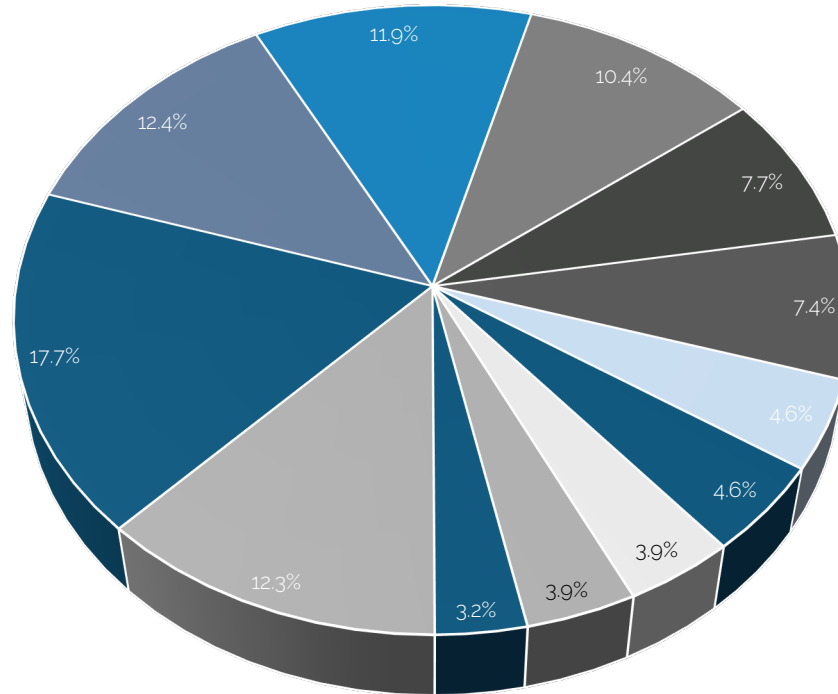
4.6%

Largest Investment as a
Percentage of Total Portfolio
(in millions)²

\$17.36

Weighted Average Borrower
EBITDA (in millions)³

Broad Industry Diversification



- Services: Business 17.7%
- Capital Equipment 12.4%
- High Tech Industries 11.9%
- Healthcare & Pharmaceuticals 10.4%
- Media: Advertising, Printing & Publishing 7.7%
- Consumer Goods: Non-Durable 7.4%
- Environmental Industries 4.6%
- Media: Diversified & Production 4.6%
- Chemicals, Plastics, & Rubber 3.9%
- Consumer Goods: Durable 3.9%
- Energy: Oil & Gas 3.2%
- Other (<3%) 12.3%

100%

First Lien / Senior Secured
Debt⁴

100%

Sponsor Backed
Transactions¹

95%

Floating Rate⁴

98%

Cash Interest¹

1. Calculation based on principal as of June 30, 2024, not including equity

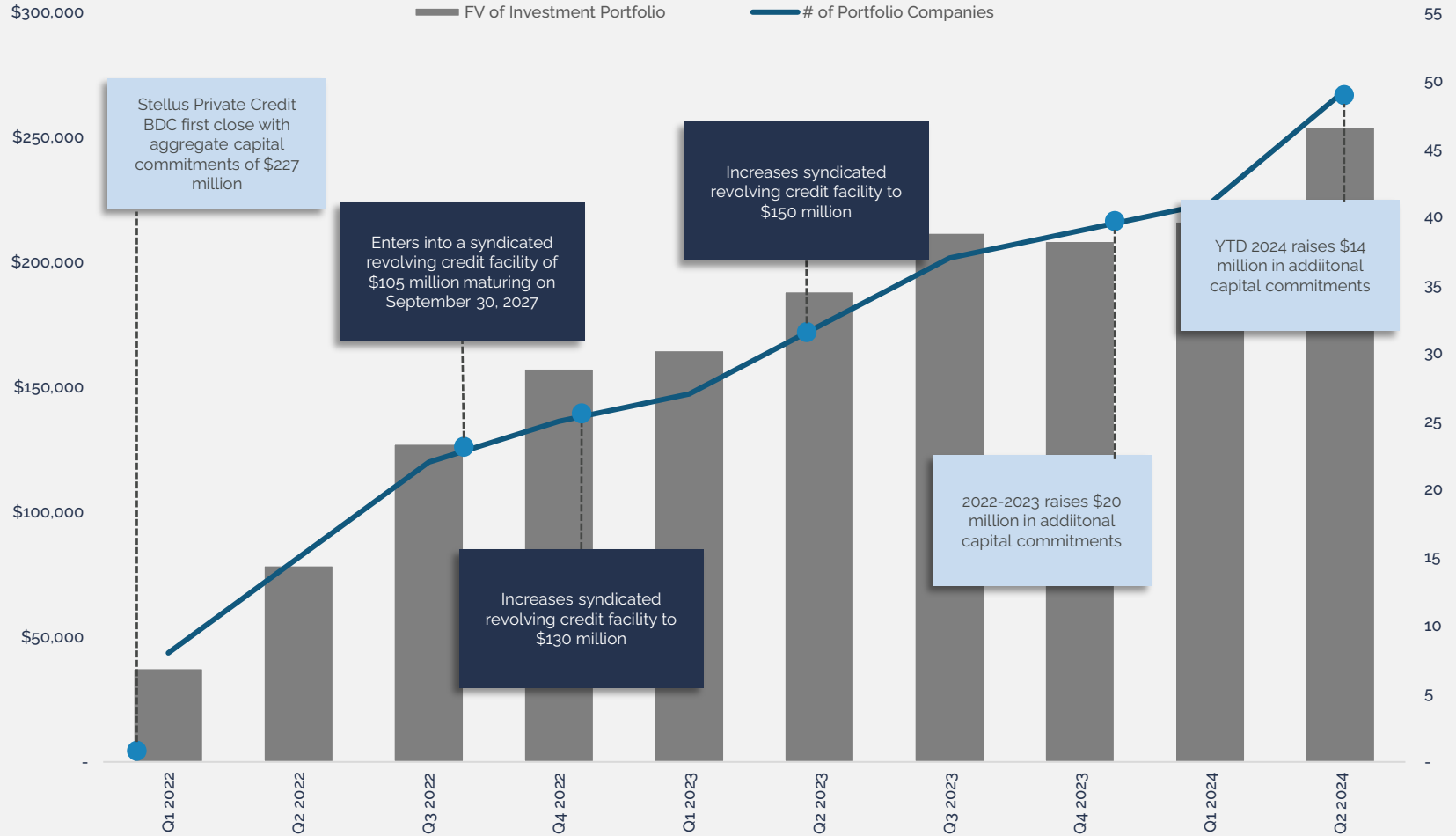
2. Calculation based on value as of June 30, 2024, including equity

3. Calculation represents the weighted average EBITDA for the trailing twelve-month period ended December 31, 2023, based on principal balance. Excludes one portfolio company as EBITDA is not a relevant metric.

4. Calculation based on value as of June 30, 2024, not including equity

Investment Portfolio Growth Since Commencement of Operations

Historical Capital Deployment, Deal Activity, and PBDC Milestones



\$0.46

Core NII per share¹

\$41.6 million

New investment activity during the quarter²

\$254.2 million

Investments at fair value as of June 30, 2024

11.57%

Weighted average yield on new debt investments

\$15.19

NAV as of June 30, 2024

Eight New Initial Investment Fundings & One Follow On Investment

New loan fundings were 100% 1st lien

¹ Core NII excludes any capital gains incentive fee accrual and income taxes, the majority of which are excise taxes; \$0.49 GAAP NII per share

² Based on funded principal

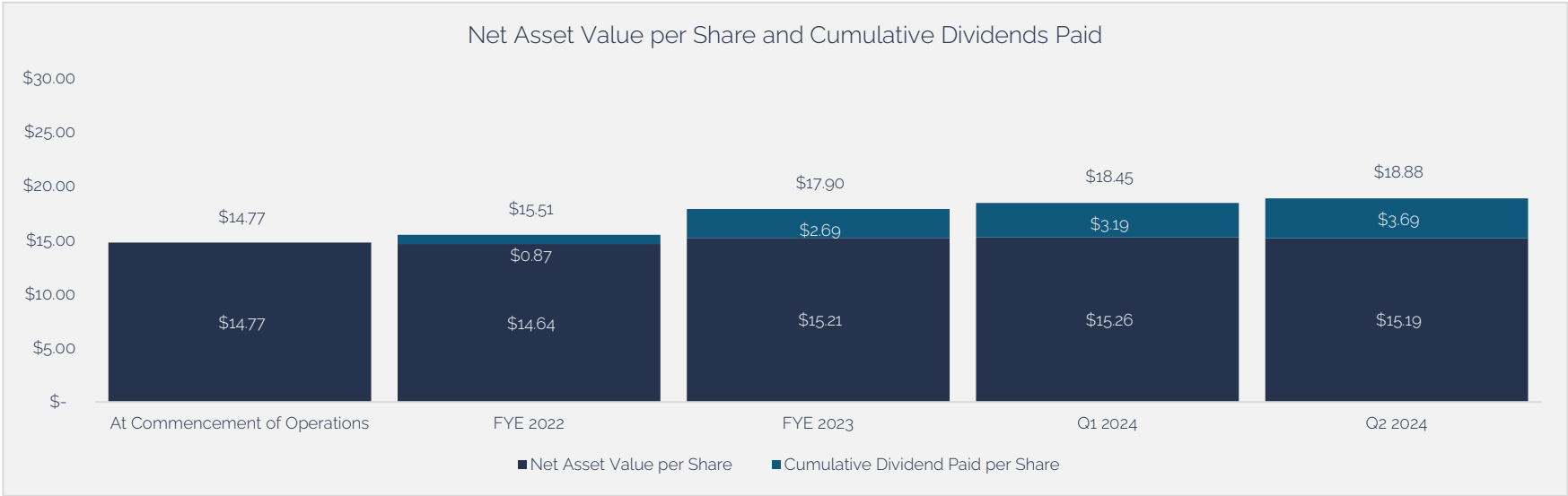
Cumulative Distributions Declared per share Since Commencement of Operations

\$4.19 per share in cumulative distributions since commencement of operations in 2022*

Monthly dividends of \$0.1666 per share declared in Q3 for July, August, and June September*

Approximate annualized dividend yield of 13.2% while maintaining a stable NAV per share

Current monthly dividend is \$0.50 per share for the quarter*



* Includes dividends declared for third quarter ended September 30, 2024

Executive Officers

Robert T. Ladd
Chairman, President &
Chief Executive Officer

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

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

Trustees

J. Tim Arnoult ¹

Bruce R. Bilger ¹

Dean D'Angelo

Robert T. Ladd, Chairman

William C. Repko ¹

¹ Independent Trustees

Service Providers

Stock Transfer Agent- Broadridge Corporate
Issuer Solutions, Inc.

Investor Reporting- SS&C Technologies, Inc.

Auditors- Deloitte & Touche LLP

Counsel- Eversheds Sutherland, LLP

*Stellus Capital Management, LLC

**Includes dividends for third quarter ended September 30, 2024

Corporate Headquarters

4400 Post Oak Parkway, Suite 2200

Houston, TX, 77027

Phone: 713-292-5400

Current Financial Information

NAV per share	\$15.19
Shares Outstanding	9,390,537
Total Assets	\$257.3 Million
Total Stockholders' Equity	\$142.6 Million

Dividends

Dividend Frequency	Monthly
Last Monthly Dividend per share**	\$0.1666
Approximate Annualized Yield**	13.2%

Debt

Regulatory Leverage	0.79x
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Income Statement Summary

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME					
Interest income	\$ 5,158,773	\$ 6,042,784	\$ 6,827,160	\$ 6,309,381	\$ 6,844,595
Other income	62,484	96,972	266,251	109,596	86,125
Total Investment Income	\$ 5,221,257	\$ 6,139,756	\$ 7,093,411	\$ 6,418,977	\$ 6,930,720
OPERATING EXPENSES					
Interest expense and other fees	\$ 1,822,407	\$ 2,312,758	\$ 2,386,860	\$ 2,110,119	\$ 2,278,332
Management fees	666,721	763,066	807,975	800,654	800,653
Income incentive fees	468,011	529,714	659,762	598,401	642,470
Capital gains incentive fee (reversal)	124,892	99,640	37,152	37,891	(7,817)
Income tax expense	8,855	3,953	24,282	21,589	7,685
Other general and administrative expenses	409,148	374,367	404,397	495,704	438,615
Total Operating Expenses	\$ 3,500,034	\$ 4,083,498	\$ 4,320,428	\$ 4,064,358	\$ 4,159,938
Expenses reimbursed/fees waived	\$ (961,954)	\$ (1,022,379)	\$ (1,148,436)	\$ (1,197,896)	\$ (1,091,852)
Net Investment Income	\$ 2,683,177	\$ 3,078,637	\$ 3,921,419	\$ 3,552,515	\$ 3,862,634
Net realized gain	7,846	8,599	845,498	8,442	6,403
Net change in unrealized (depreciation) appreciation	1,819,376	1,044,426	(219,754)	324,580	(421,387)
(Provision) benefit for taxes	—	(56,622)	(254,231)	45,885	(42,087)
Net Increase in Net Assets Resulting from Operations	\$ 4,510,399	\$ 4,075,040	\$ 4,292,932	\$ 3,931,422	\$ 3,405,563
Net Investment Income Per Share – basic and diluted	\$ 0.44	\$ 0.47	\$ 0.56	\$ 0.49	\$ 0.46
Net Increase in Net Assets Resulting from Operations Per Share – basic and diluted	\$ 0.75	\$ 0.62	\$ 0.62	\$ 0.54	\$ 0.41

Per Share Change in Net Asset Value (NAV)

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Per Share Data: ⁽¹⁾	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net asset value at beginning of period	\$ 14.68	\$ 14.98	\$ 15.10	\$ 15.21	\$ 15.26
Net investment income	0.44	0.47	0.56	0.49	0.46
Change in unrealized (depreciation) appreciation	0.30	0.16	(0.03)	0.04	(0.05)
Net realized gain	—	—	0.12	—	—
Benefit for taxes	—	(0.01)	(0.04)	0.01	—
Total from operations	\$ 0.74	\$ 0.62	\$ 0.61	\$ 0.54	\$ 0.41
Stockholder distributions	(0.45)	(0.48)	(0.51)	(0.50)	(0.49)
Other ⁽²⁾	0.01	(0.02)	0.01	0.01	0.01
Net asset value at end of period	\$ 14.98	\$ 15.10	\$ 15.21	\$ 15.26	\$ 15.19

1 Based on weighted average shares of common stock outstanding for the period.

2. Includes the impact of different share amounts as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on shares outstanding as of the period end.

Balance Sheet Summary

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
ASSETS	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)
Investments at fair value	\$ 188,323,515	\$ 211,762,646	\$ 208,574,078	\$ 216,314,810	\$ 254,154,676
Cash and cash equivalents	750,437	1,089,671	593,685	297,635	565,106
Interest receivable	1,309,349	1,502,820	1,495,581	1,856,236	1,918,469
Other assets	414,091	338,279	559,993	560,857	625,528
Total Assets	\$ 190,797,392	\$ 214,693,416	\$ 211,223,337	\$ 219,029,538	\$ 257,263,779
LIABILITIES					
Credit Facilities payable	\$ 93,979,360	\$ 104,722,903	\$ 97,031,517	\$ 104,425,625	\$ 112,219,734
Short-term loan payable	—	—	—	—	—
Other accrued expenses and liabilities	4,220,834	5,220,862	6,169,798	2,356,592	2,411,159
Total Liabilities	\$ 98,200,194	\$ 109,943,765	\$ 103,201,315	\$ 106,782,217	\$ 114,630,893
Net Assets	\$ 92,597,198	\$ 104,749,651	\$ 108,022,022	\$ 112,247,321	\$ 142,632,886
Total Liabilities and Net Assets	\$ 190,797,392	\$ 214,693,416	\$ 211,223,337	\$ 219,029,538	\$ 257,263,779
Net Asset Value Per Share	\$ 14.98	\$ 15.10	\$ 15.21	\$ 15.26	\$ 15.19

Liquidity and Capitalization

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Assets Available	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)
Cash and cash equivalents	\$ 750,437	\$ 1,089,671	\$ 593,685	\$ 297,635	\$ 565,106
Unfunded capital commitments	151,687,500	141,687,500	141,687,500	141,687,500	138,980,000
Available under Credit Facilities ⁽¹⁾	104,800,000	94,200,000	52,000,000	44,700,000	37,000,000
Unfunded commitments	(32,698,976)	(44,832,177)	(49,348,063)	(40,846,847)	(42,857,263)
Total Liquidity	\$ 224,538,961	\$ 192,144,994	\$ 144,933,122	\$ 145,838,288	\$ 133,687,843
Debt at Par Value					
Credit Facilities payable	\$ 95,200,000	\$ 105,800,000	\$ 98,000,000	\$ 105,300,000	\$ 113,000,000
Short-term loan payable	—	—	—	—	—
Total Debt	\$ 95,200,000	\$ 105,800,000	\$ 98,000,000	\$ 105,300,000	\$ 113,000,000
Net Asset Value	\$ 92,597,198	\$ 104,749,651	\$ 108,022,022	\$ 112,247,321	\$ 142,632,886
Total Capitalization	\$ 187,797,198	\$ 210,549,651	\$ 206,022,022	\$ 217,547,321	\$ 255,632,886
Debt to NAV ⁽²⁾	1.03x	1.01x	0.91X	0.94X	0.79X
Regulatory Debt to NAV ⁽³⁾	1.03x	1.01x	0.91X	0.94X	0.79X
Net Debt to NAV ⁽⁴⁾	1.02x	1.00x	0.90X	0.94X	0.79X
Interest Coverage Ratio ⁽⁵⁾	2.84x	2.62x	2.67x	2.65x	2.67x

1 Subject to a borrowing base limitation.

2 Short-term loan payables are not included as "senior debt" for purposes of the BDC asset coverage requirements pursuant to its short-term nature.

3 Regulatory Debt to NAV Ratio is calculated based upon the par value of debt of the Credit Facilities payable.

4 Net debt in this ratio includes par value of total debt less cash and cash equivalents.

5 Net investment income, excluding deferred income incentive fees, non-payable net investment income or capital gains incentive fees, and OID / cash interest expense on a trailing twelve-month basis.