


# Investor Presentation

Quarter Ended June 30, 2024

August 1, 2024

NASDAQ: GECC

# Forward Looking Statement

Statements in this communication that are not historical facts are "forward-looking" statements within the meaning of the federal securities laws. These statements are often, but not always, made through the use of words or phrases such as "expect," "anticipate," "should," "will," "estimate," "designed," "seek," "continue," "upside," "potential," "preliminary" and similar expressions. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are: conditions in the credit markets, rising interest rates, inflationary pressure, the price of GECC common stock, and the performance of GECC's portfolio and investment manager. Information concerning these and other factors can be found in GECC's Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission ("SEC"). GECC assumes no obligation to, and expressly disclaims any duty to, update any forward-looking statements contained in this communication or to conform prior statements to actual results or revised expectations except as required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

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# Second Quarter 2024 Overview

**Net Investment Income ("NII")**

NII of $3.1 million, or $0.32 per share in 2Q 24, vs. $3.2 million, or $0.37 per share in 1Q 24

- NII expected to ramp in second half of the year as CLO investments begin to pay distributions

**Assets**

Net assets were $126.0 million, or $12.06 per share, vs. $118.8 million, or $12.57 per share (1Q 24)

- NAV per share impacted by write-downs of illiquid investments on non-accrual in two companies, adversely impacting NAV by ~$0.39 per share
- Asset coverage ratio was 171.0% vs. 180.2% (1Q 24)
- Debt-to-equity ratio was 1.41x vs. 1.25x (1Q 24)

**Distribution**

Our Board approved a distribution for the quarter ending September 30, 2024 at a rate of $0.35 per share. The distribution equates to:

- 13.0% annualized yield on the Company's closing market price on July 31, 2024 of $10.73
- 11.6% annualized yield on the Company's June 30, 2024 NAV of $12.06 per share


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# Quarterly Cash Distributions
# Quarter Ending September 30, 2024

**$0.35**

Per Share

On August 1, 2024, the Company announced that its Board of Directors approved a quarterly cash distribution of $0.35 per share for the quarter ending September 30, 2024

**September 30**

Payable Date

The third quarter 2024 cash distribution will be payable on September 30, 2024, to stockholders of record as of September 16, 2024

**13.0%**

Annualized Dividend Yield on Stock Price

The cash distribution equates to a 13.0% annualized dividend yield on our closing market price of $10.73 on July 31, 2024

**11.6%**

Annualized Dividend Yield on NAV

The cash distribution equates to an 11.6% annualized dividend yield on our June 30, 2024 NAV of $12.06 per share


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# $92.5mm of Capital Raised Year To Date

**Equity Raises at NAV**

GECC issued 1.85 million shares at $12.97 (then current NAV) for $24 million in February 2024

- Great Elm Group, Inc. (“GEG”) participated in $6 million of the $24 million; A strategic institutional investor participated in the other $18 million of the transaction

GECC issued 1.0 million shares at $12.03 (then current NAV) for $12 million, to Prosper Peak Holdings, LLC (“PPH”) in June 2024

- Great Elm Group, Inc. (“GEG”) made a $3 million investment in PPH

**GECCI Notes**

GECC issued $34.5 million of 8.50% Notes due 2029 in April 2024

- Spread to treasury more than 50bps improved from the GECCZ notes at issuance, driven by strong earnings and fresh equity capital
- Egan Jones rating upgrade to BBB (from BBB-)

GECC issued $22.0 million of additional 8.50% Notes due 2029 in July 2024

- Further optimizes the Company's weighted cost of capital

**Benefits**

Non-dilutive equity raises and subsequent debt issuance increases scale of GECC

- Equity raises provide increased flexibility to raise debt capital while maintaining leverage
- Increased scale will provide operating efficiency as fixed costs are leveraged
- We believe increased scale will lead to improved cost of capital


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# About GECC

## Great Elm Capital Corp.

Externally managed, total-return-focused BDC

Significant insider ownership of GECC by GEG and its officers and directors

## Investment Objective

To generate current income and capital appreciation by investing in debt and income generating equity securities, including actively pursuing investments in specialty finance businesses

## Portfolio Overview

- $297.7 million of portfolio fair value
- $126.0 million of net asset value ("NAV")
- Debt investments carry a weighted average current yield of 13.1%[1]
- 67 investments (51 debt, 15 equity) in 49 companies across 26 industries

[1] Weighted average current yield is based upon the stated coupon rate and fair value of outstanding debt securities at the measurement date and excludes three non-accrual investments with a fair value of $9.4 million as of 6/30/24.


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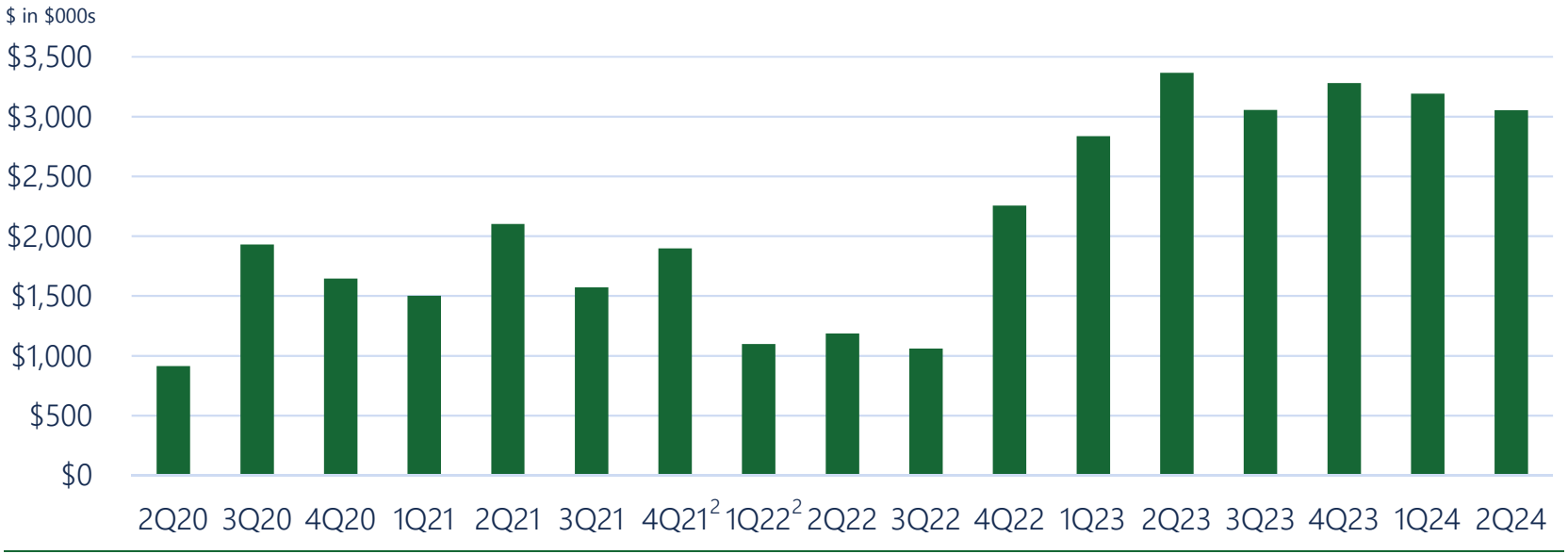
# Net Investment Income (NII)

**NII for the quarter ended June 30, 2024 was $3.1 million, or $0.32 per share**[1], compared to NII of $3.2 million, or $0.37 per share[1], for the quarter ended March 31, 2024




[1] Based on weighted average shares outstanding of 9.6 million for the quarter ended June 30, 2024 and 8.7 million for the quarter ended March 31, 2024.

[2] 4Q 21 removes the expense reversal of approximately $5.2 million and 1Q 22 removes the fee waiver of approximately $4.9 million.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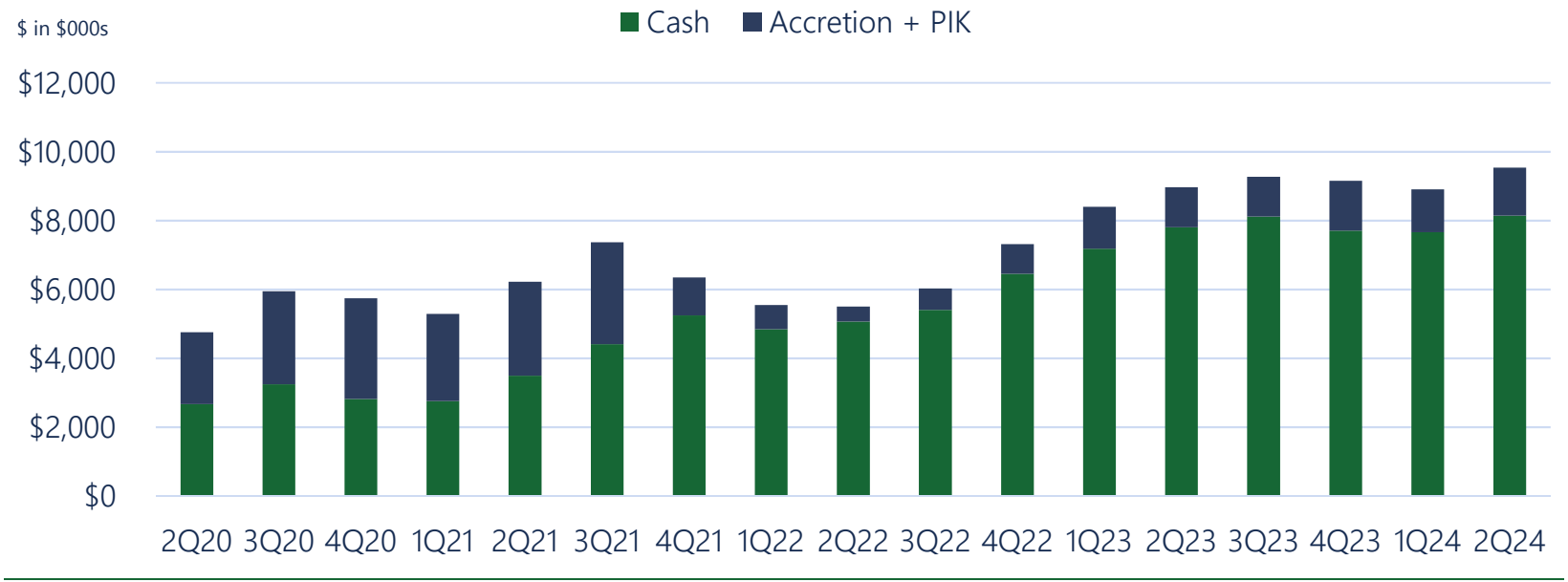
# Total Investment Income (TII)

TII for the quarter ended June 30, 2024 was $9.5 million, compared to $8.9 million for the quarter ended March 31, 2024





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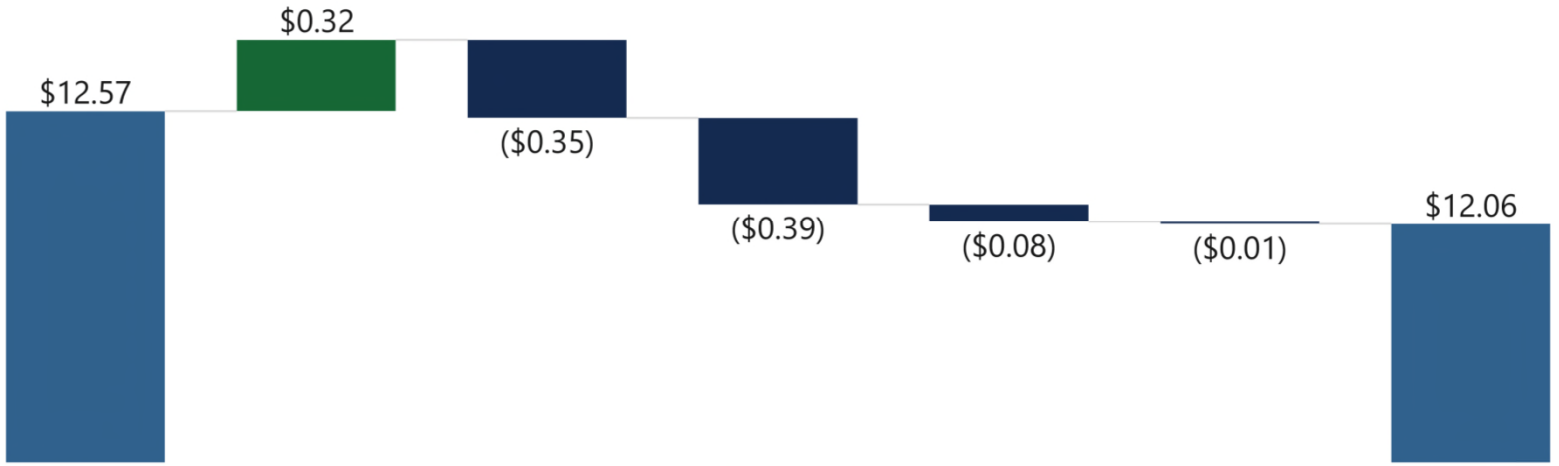
# 2Q 2024 NAV Per Share Bridge

Net assets were approximately $12.06 per share[1] ($126.0 million) on June 30, 2024, as compared to $12.57 per share[1] ($118.8 million) on March 31, 2024.

- Write-down of certain illiquid, level 3 assets on non-accrual adversely impacted NAV impacted by 39¢




1 Based on shares outstanding of 10.5 million as of June 30, 2024 and 9.5 million as of March 31, 2024.
2 Illiquid, level 3 investments in two portfolio companies.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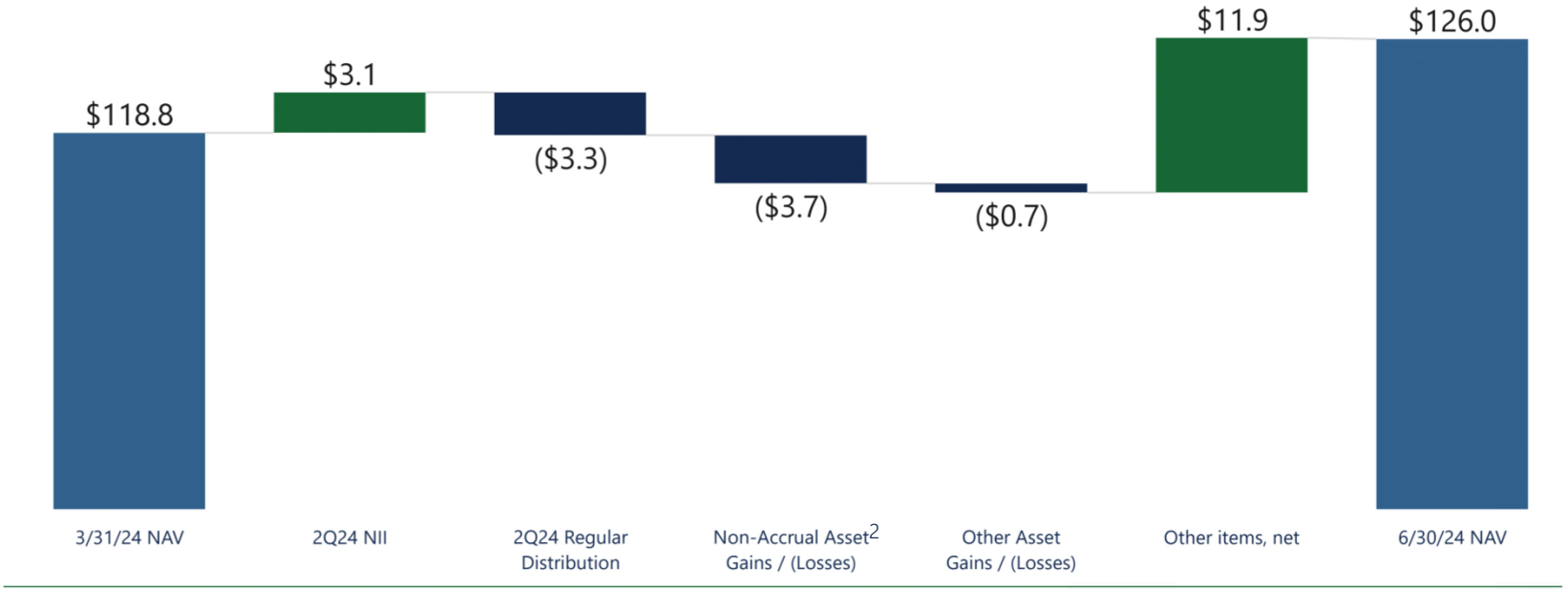
# 2Q 2024 NAV Bridge ($mm)

Net assets were $126.0mm ($12.06 per share[1]) on June 30, 2024, as compared to $118.8mm ($12.57 per share[1]) on March 31, 2024.




1 Based on shares outstanding of 10.5 million as of June 30, 2024 and 9.5 million as of March 31, 2024.
2 Illiquid, level 3 investments in two portfolio companies.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# Q2 2024
# Portfolio Review


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# Total Quarter End Portfolio Detail[1]

## Debt Investments

| 48 | 97.1%[2] | $210.4 million | 70.7% | 13.1%[2] |
|---|---|---|---|---|
| Debt Investments | Weighted Average Price as % of Par | Fair Value of Debt Investments | Of Portfolio in Debt Investments | Weighted Average Current Yield of Debt Investments |

## Equity Investments

**13** Equity Investments

| | Fair Value | % of Portfolio in |
|---|---|---|
| CLO Formation JV (1) | $28.1 million | 9.4% |
| Dividend Paying Equity Investments (3) | $15.6 million | 5.2% |
| Great Elm Specialty Finance (1) | $15.0 million | 5.0% |
| Other Equity Investments (8) | $19.2 million | 6.4% |

[1] Excludes two equity investments with a fair value of zero and three non-accrual investments with a fair value of $9.4 million as of 6/30/24.
[2] Weighted average dollar price and current yield are based upon fair value of outstanding investments and the anticipated distribution rate excluding fee income, as applicable, at the measurement date. Amounts in the above tables do not include investments in short-term securities.


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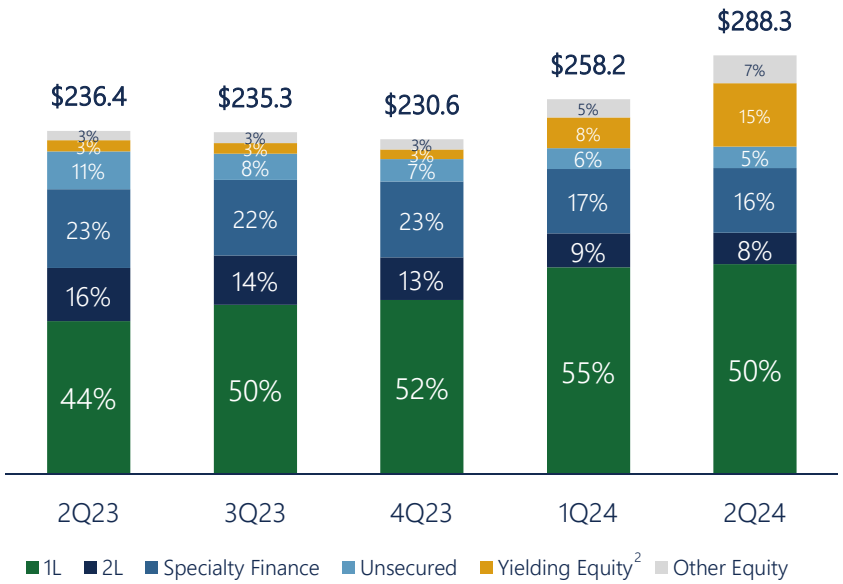
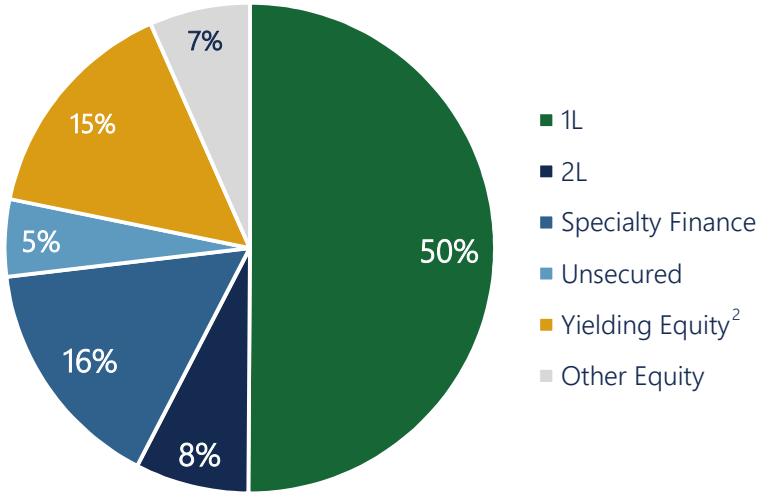
# Portfolio Asset Mix[1]

## Focus on Secured Investments

### End of Period Investments ($mm)




### 6/30/2024




[1] Excludes three non-accrual investments with a fair value of $9.4 million as of 6/30/24 and two equity investments valued at zero.
[2] Yielding equity includes investments in Closed End Funds ("CEFs") and the CLO Formation JV.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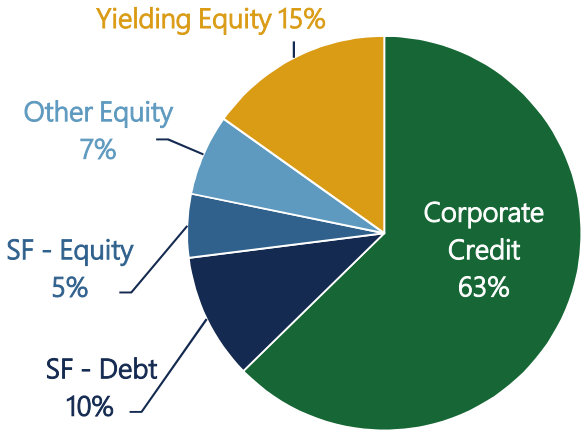
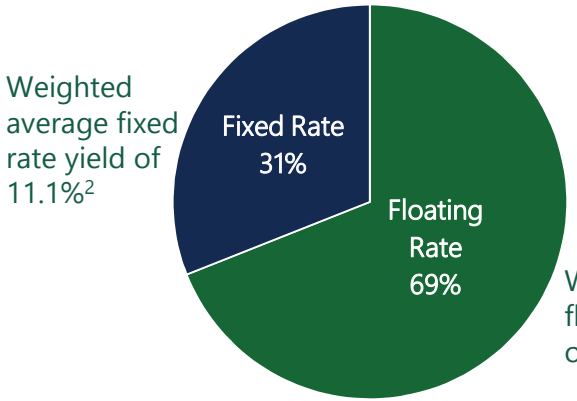
# Total Quarter End Asset Mix

## Portfolio by Asset Type ($288.3mm)[1]




| Investments | Fair Value $mm | % of Total Portfolio |
|---|---|---|
| Corporate Credit | $180.7 | 63% |
| Specialty Finance Debt | $29.7 | 10% |
| Specialty Finance Equity | $15.0 | 5% |
| Other Equity | $19.2 | 7% |
| Yielding Equity [3] | $43.7 | 15% |
| **Total Portfolio** | **$288.3** | **100%** |

## Debt Investments by Rate Type ($210.4mm)[1]




| Investments | Fair Value of Debt $mm | % of Debt Holdings |
|---|---|---|
| Floating Rate | $145.9 | 69% |
| Fixed Rate | $64.5 | 31% |
| **Total [1]** | **$210.4** | **100%** |

[1] Excludes two equity investments with a fair value of zero and three non-accrual investments with a fair value of $9.4 million as of 6/30/24.
[2] Weighted average fixed and floating rate current yield is based upon the stated coupon rate and fair value of outstanding debt instruments at the measurement date. Amounts in the above tables do not include fee income or short-term securities.
[3] Includes investments in Closed End Funds ("CEFs") and the CLO Formation JV.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# Corporate Portfolio Overview


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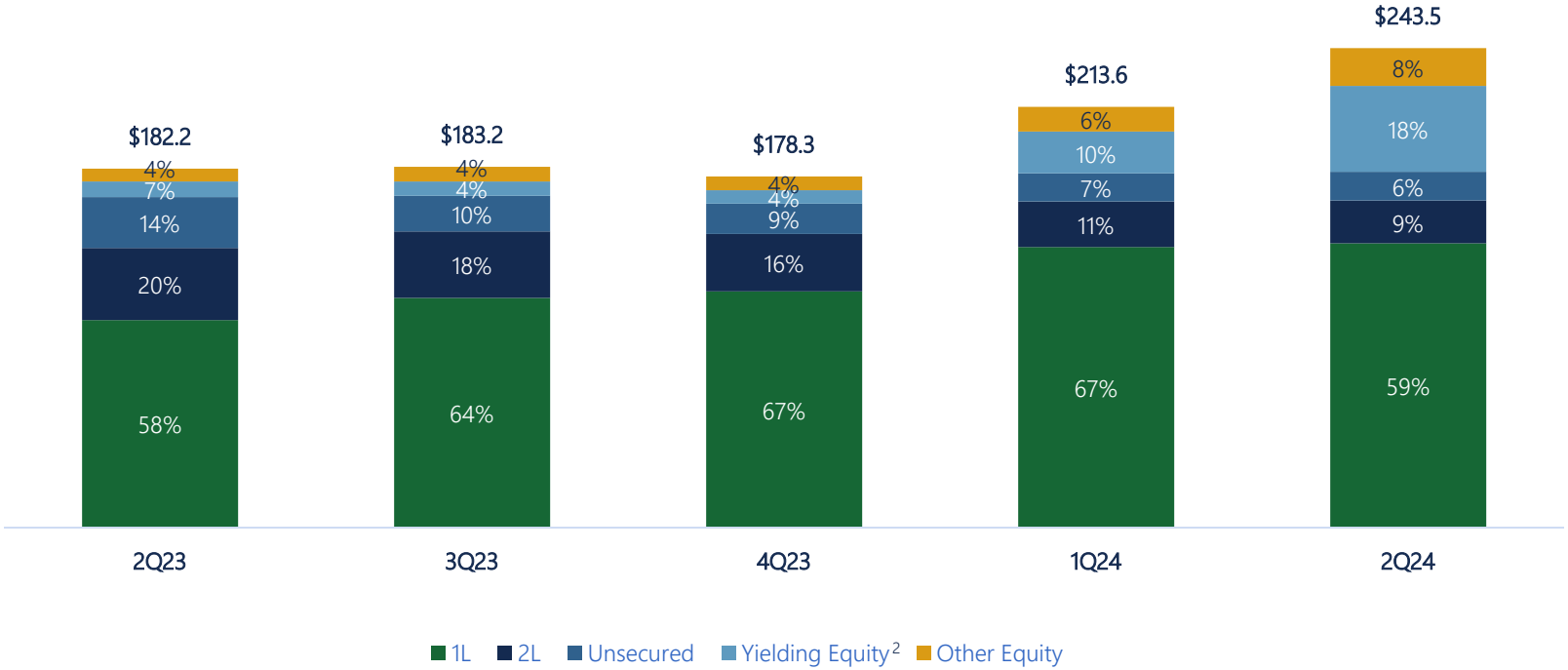
# Corporate Portfolio[1] Investment Mix Type ($mm)




[1] Excludes two equity investments with a fair value of zero and two non-accrual investments with a fair value of $9.4 million as of 6/30/24.
[2] Yielding equity includes investments in Closed End Funds ("CEFs") and the CLO Formation JV.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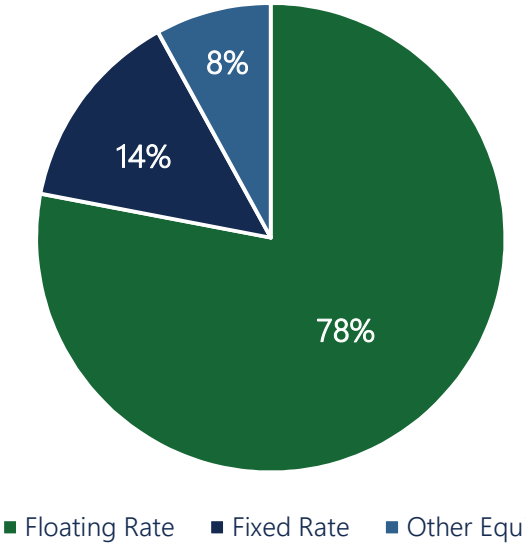
# Corporate Portfolio: Fixed and Floating Rate Exposure

## Portfolio by Rate Type[1]




## 6/30/2024

| | Value ($mm) | % of Corp. | Weighted Average Price | Weighted Average Coupon | Weighted Average Maturity | Weighted Average CY |
|---|---|---|---|---|---|---|
| Fixed Rate | $34.8 | 14% | 97.47 | 9.5% | 2.1 yrs | 9.7% |
| Floating Rate | $145.9 | 60% | 96.39 | 13.5% | 3.6 yrs | 14.0% |
| **Total Credit** | **$180.7** | **74%** | **96.59** | **12.7%** | **3.3 yrs** | **13.2%** |
| CEFs & CLOs | $43.7 | 18% | | 17.5% | | 17.5% |
| Other Equity | $19.2 | 8% | | 0.0% | | 0.0% |
| **Total** | **$243.5** | **100%** | | **15.4%** | | **12.6%** |

[1] Closed End Funds ("CEFs") and Structured Finance ("CLO Equity") are included in Floating Rate above. Excludes two equity investments with a fair value of zero and three non-accrual investments with a fair value of $9.4 million as of 6/30/24.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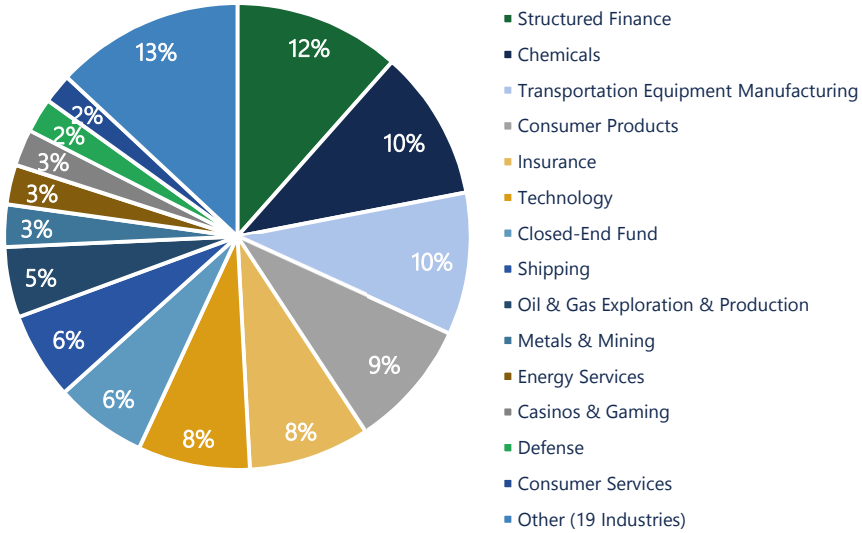
# Corporate Portfolio[1]: Industry Breakdown

## Percentage of Fair Value




June 30, 2024

| Industry | Investments at Fair Value ($ in 000s) | % of Fair Value |
|---|---|---|
| Structured Finance | $28,092 | 11.5% |
| Chemicals | $25,406 | 10.4% |
| Transportation Equipment | $24,017 | 9.9% |
| Consumer Products | $21,700 | 8.9% |
| Insurance | $20,459 | 8.4% |
| Technology | $18,998 | 7.8% |
| Closed-End Fund | $15,589 | 6.4% |
| Shipping | $14,740 | 6.1% |
| Oil & Gas E&P | $11,894 | 4.9% |
| Metals & Mining | $7,143 | 2.9% |
| Energy Services | $6,717 | 2.8% |
| Casinos & Gaming | $6,171 | 2.5% |
| Defense | $5,848 | 2.4% |
| Consumer Services | $4,962 | 2.0% |
| Other (11 Industries) | $31,791 | 13.1% |
| **Total Corporate Portfolio** | **$243,524** | **100.0%** |

[1] Excludes two equity investments with a fair value of zero and three non-accrual investments with a fair value of $9.4 million as of 6/30/24.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# Great Elm Specialty Finance


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# Specialty Finance Overview

## The Specialty Finance Platform Operates Across the "Continuum of Lending"

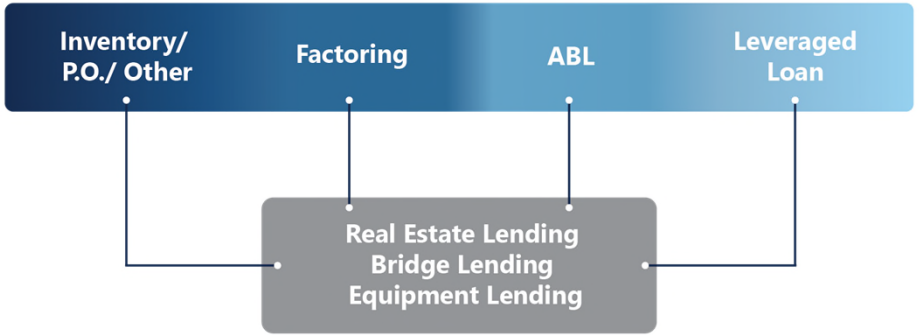
**Equity ownership in Specialty Finance Companies (SFCs) generates two levels of proprietary investment exposure for investors:**

- We believe direct investments in SFCs are largely uncorrelated to the broader syndicated credit market and have the potential to offer attractive risk-adjusted returns
- Ability for GECC to participate directly in underlying transactions originated by SFCs

**Multiple SFCs owned by one operating company will leverage institutional permanent capital and generate natural referral sources, creating a competitive advantage for the businesses**

**GESF's growth strategy incorporates building equity stakes in each of the key specialty finance categories across the "Continuum of Lending" as SFCs are challenged from the lack of client "stickiness."**

- SMBs by their nature are either growing or shrinking (and potentially going out of business)
- SFCs must continually find new clients as existing clients outgrow the platform, get acquired, or shut down
- We intend to combat this issue by investing in a number of different SFCs along the "Continuum of Lending"





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# Continuum of Lending Benefits

## A “Continuum of Lending” platform provides significant benefits



The Continuum allows lenders to improve “stickiness” of clientele and hold onto key borrowers longer



By having a Continuum of Lending platform, we will be able to offer borrowers economic incentives to stay within the Great Elm family



The Continuum provides an ideal platform to cross-sell products and services to borrowers



The Continuum allows for customer acquisition costs to be spread across platforms



By adding one-stop shop / complementary loan products, we enhance our ability to hold onto profitable relationships longer, across the lending continuum



The Continuum provides an incentive within all Specialty Finance verticals to refer business and work collaboratively


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# Specialty Finance Focus and Execution

## Utilizing a 3-pronged approach to build out its specialty finance platform

### 1 Acquisitions

Actively source complimentary acquisition opportunities to build out our platform, expand its continuum of lending strategy and add complementary lines of business

| | |
|---|---|
| **2019** | **Prestige**<br>Factoring |
| **2022** | **Sterling Commercial Credit**<br>Asset-Based Lending Platform |

### 2 Strategic Relationships

Increase deal flow to the GESF family through strategic relationships

- **Assist third-party platforms** by providing capital that allows for larger deal execution
- **Form strategic partnerships** with banks by providing last-out financing on ABLs or with targeted groups (i.e., liquidation firms)
- **Build specialized businesses** with experienced equity partners (e.g., Berkadia and **Great Elm Healthcare Finance** in 2022)

### 3 Direct Originations

Proprietary originations send a clear message to the market that GESF is an active player in the asset backed and specialty finance industry

- **Proprietary deal flow** provides currency that encourages strategic partnerships
- **Direct originations** provide compelling risk-adjusted opportunities on a standalone basis


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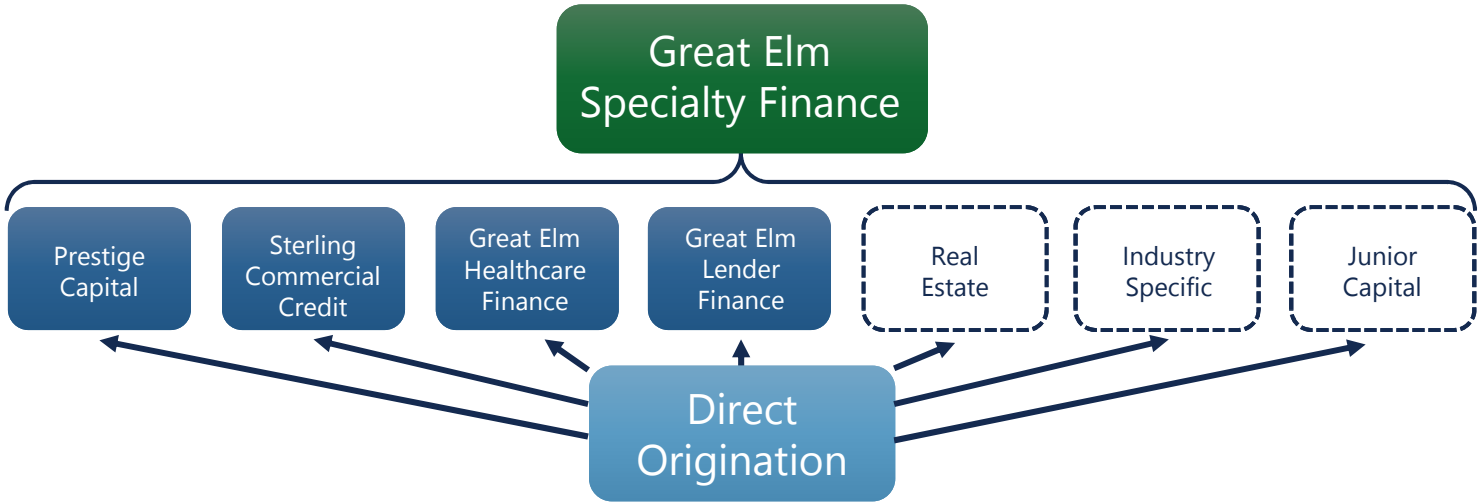
# Great Elm Specialty Finance

**Great Elm Specialty Finance ("GESF") is a subsidiary of GECC formed to oversee Specialty Finance investments and all future specialty finance acquisitions, strategic partnerships, and direct origination opportunities**

- GESF oversees existing platforms – shaded below
- Other areas into which we may look to expand – dotted outline
- Direct Origination is critical as these efforts will provide deal flow for all of our specialty finance verticals





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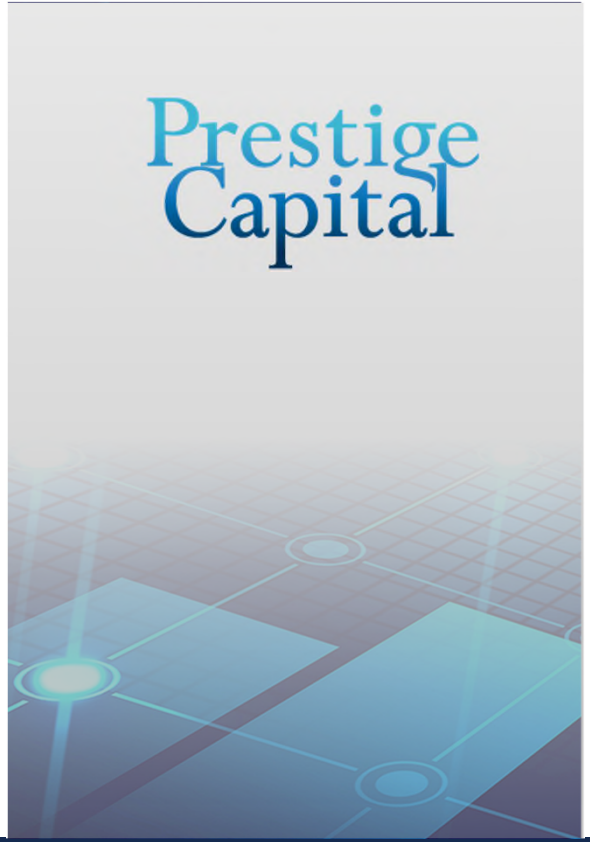
# GESF: Prestige Capital




**Provider of "spot factoring" services, providing clients with opportunities to sell individual accounts receivable for upfront payments**

### Functional

Prestige purchases the individual accounts receivable of creditworthy companies from its clients. It typically advances 75%-85% of the receivable to the client upfront and remits the rest to the client (less Prestige's fee) upon payment of the receivable

### Risk Management

The combination of clients' capital needs and receivables from creditworthy counterparties allows Prestige to consistently underwrite profitable business while taking limited corporate credit risk

### Diversified Customer Base

Prestige's clients are generally unable to access traditional bank financing to meet their capital needs but have accounts receivable from creditworthy companies

### Experienced

Over 30 years in business and through $6+ billion of transactions factored, Prestige has a track record of strong credit underwriting with minimal losses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# GESF: Sterling Commercial Credit




**Provider of asset-based loans to small and middle market companies throughout the United States**

## Direct Lending Solution

Sterling provides short term, asset-based loans and working capital solutions to small businesses with annual sales typically between $3 Million and $100 Million.

## Seasoned Team

Sterling has an executive team with over 150 years experience in bank and non-bank environments.

Sterling's seasoned Back Office strives for "best in class" execution and has experienced monitoring and asset management capabilities that can be leveraged across the entire Great Elm Specialty Finance platform.

## Diversified Products

Sterling offers a variety of product types to meet client needs such as:

- ABL revolvers secured by:
  - Accounts receivables
  - Inventory
- Term loans + lines of credit secured by:
  - Equipment
  - Commercial real estate
- Unitranche loans
- Senior Stretch and Junior Capital to augment borrowing capacity


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# GESF: Great Elm Healthcare Finance




**Formed and funded in November 2022 in partnership with Berkadia**

- Acquired a portfolio of loans in December 2022
- Building a robust pipeline of proprietary deal flow
- Closed $50m committed credit facility (with uncommitted $50m accordion) with Encina Lender Finance to fund growth of active pipeline

## Experienced Management

- Over 100 years of collective expertise
- Experienced building successful healthcare lending platforms
- Focus on capital preservation

## Robust Underwriting

- Asset driven focus
- Emphasis on operations and collateral
- Proprietary risk-rating system

## Portfolio Management

- Rigorous monitoring & Regular testing
- Continuous relationship maintenance
- Disciplined oversight and management

## Nationwide Lending Focus

**Use of Funds:**

Refinancing existing debt, growth capital, working capital, acquisitions, restructuring, mezzanine financing, DIP financing, and capital expenditures

**Industries:**

- Skilled Nursing
- Hospital & Medical Centers
- Home Care & Hospice
- Behavioral Health
- Other Ancillary Services
- Assisted Living
- Independent Living
- Emergent Care & Outpatient Facilities
- Pharmacy and Labs
- Other Facility Based Providers


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# GESF: Great Elm Lender Finance




**GESF is in the process of creating a new lender finance platform, focused on participation opportunities that present definable downside protection while leveraging existing specialty finance infrastructure**

## Business Focus

- Participations with other lenders that Great Elm has relationships with
- Participations in deals originated by other GESF businesses: Sterling Commercial Credit, Prestige Capital, and Great Elm Healthcare Finance
- Participations in other credit opportunities

## Risk Management

- A "Credit First" platform which will be bolstered by stringent underwriting and portfolio standards
- Sterling will be the Servicer for GELF, providing provide back-office operations support, as well as underwriting and portfolio management support


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# Q2 2024
# Financial Review


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# Financial Review: Per Share Data

| Financial Highlights – Per Share Data | | | | | |
|---|---|---|---|---|---|
| | 2Q 23 | 3Q 23 | 4Q 23 | 1Q 24 | 2Q 24 |
| Earnings Per Share ("EPS") | $0.68 | $1.02 | $0.55 | ($0.05) | ($0.14) |
| Net Investment Income ("NII") Per Share | $0.44 | $0.40 | $0.43 | $0.37 | $0.32 |
| Pre-Incentive NII Per Share | $0.56 | $0.50 | $0.54 | $0.46 | $0.40 |
| Net Realized and Unrealized Gains / (Losses) Per Share | $0.24 | $0.62 | $0.12 | ($0.42) | ($0.46) |
| Net Asset Value Per Share at Period End | $12.21 | $12.88 | $12.99 | $12.57 | $12.06 |
| Distributions Paid / Declared Per Share | $0.35 | $0.35 | $0.45[1] | $0.35 | $0.35 |

[1] Includes a $0.35 regular distribution and a $0.10 special distribution.


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# Financial Review: Quarterly Operating Results

| | 2Q 2023 | | 3Q 2023 | | 4Q 2023 | | 1Q 2024 | | 2Q 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| *$ in $000s* | | Per Share[1] | | Per Share[1] | | Per Share[1] | | Per Share[1] | | Per Share[1] |
| **Total Investment Income** | **$8,977** | **$1.18** | **$9,276** | **$1.22** | **$9,161** | **$1.20** | **$8,909** | **$1.03** | **$9,548** | **$1.00** |
| Interest Income | 7,081 | 0.93 | 7,592 | 1.00 | 7,704 | 1.01 | 7,581 | 0.88 | 7,763 | 0.81 |
| Dividend & Other Income | 1,896 | 0.25 | 1,684 | 0.22 | 1,457 | 0.19 | 1,328 | 0.15 | 1,785 | 0.18 |
| **Net Operating Expenses** | **5,609** | **0.74** | **6,224** | **0.82** | **5,879** | **0.77** | **5,716** | **0.66** | **6,490** | **0.68** |
| Management fees | 884 | 0.12 | 899 | 0.12 | 887 | 0.11 | 940 | 0.11 | 1,068 | 0.11 |
| Incentive fees | 842 | 0.11 | 763 | 0.10 | 817 | 0.11 | 798 | 0.09 | 764 | 0.08 |
| Total Investment Management fees | 1,726 | 0.23 | 1,662 | 0.22 | 1,703 | 0.22 | 1,738 | 0.20 | 1,832 | 0.19 |
| Administration fees | 341 | 0.04 | 420 | 0.06 | 465 | 0.06 | 385 | 0.04 | 396 | 0.04 |
| Directors' fees | 53 | 0.01 | 51 | 0.01 | 49 | 0.01 | 54 | 0.01 | 54 | 0.01 |
| Interest expense | 2,769 | 0.36 | 3,344 | 0.44 | 2,808 | 0.37 | 2,807 | 0.33 | 3,473 | 0.37 |
| Professional services | 434 | 0.06 | 422 | 0.06 | 380 | 0.05 | 388 | 0.04 | 413 | 0.04 |
| Custody fees | 21 | 0.00 | 19 | 0.00 | 19 | 0.00 | 36 | 0.00 | 36 | 0.00 |
| Other | 265 | 0.04 | 267 | 0.03 | 234 | 0.03 | 303 | 0.03 | 286 | 0.03 |
| Income Tax, Including Excise Tax | 0 | 0.00 | 39 | 0.00 | 221 | 0.03 | 5 | 0.00 | - | - |
| **Net Investment Income** | **$3,368** | **$0.44** | **$3,052** | **$0.40** | **$3,282** | **$0.43** | **$3,193** | **$0.37** | **$3,058** | **$0.32** |

[1] The per share figures are based on a weighted average of the shares outstanding for the preceding quarter, except where such amounts need to be adjusted to be consistent with the financial highlights of our consolidated financial statements.


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# Financial Review: Portfolio

| Financial Highlights - Portfolio | | | | | |
|---|---|---|---|---|---|
| | 2Q 23 | 3Q 23 | 4Q 23 | 1Q 24 | 2Q 24 |
| Capital Deployed | $23.0 million | $32.6 million | $29.9 million | $64.2 million | $108.9 million |
| Investments Monetized | $16.0 million | $37.0 million | $36.2 million | $28.9 million | $72.4 million |
| Total Fair Value of Investments at Period End[1] | $236.4 million | $235.4 million | $230.6 million | $262.9 million | $297.7 million |
| Net Asset Value at Period End | $92.9 million | $97.9 million | $98.7 million | $118.8 million | $126.0 million |
| Total Assets at Period End | $322.5 million | $246.3 million | $246.8 million | $279.1 million | $326.5 million |
| Total Debt Outstanding at Period End (Par Value) | $150.9 million | $143.1 million | $143.1 million | $148.1 million | $177.6 million |
| Debt to Equity Ratio at Period End | 1.63x | 1.46x | 1.45x | 1.25x | 1.41x |
| Cash at Period End[2] | $11.8 million | $2.8 million | $11.8 million | $8.7 million | $3.0 million |

[1] Total Fair Value of Investments does not include investments in short-term securities and United States Treasury Bills.
[2] Cash does not include our holdings in United States Treasury Bills or Restricted Cash. Cash does include cash as well as money market securities.


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# Financial Review: Cash NII

| *$000s* | 2Q 23 | 3Q 23 | 4Q 23 | 1Q 24 | 2Q 24 |
|---|---|---|---|---|---|
| Total Investment Income (TII) | $8,977 | $9,276 | $9,161 | $8,909 | $9,548 |
| Less: Accretion of OID and PIK income | (1,170) | (1,157) | (1,446) | (1,243) | (1,391) |
| **"Cash" Total Investment Income** | **$7,807** | **$8,119** | **$7,838** | **$7,666** | **$8,157** |
| *"Cash" TII Mix* | *87.0%* | *87.5%* | *85.2%* | *86.0%* | *85.4%* |
| | | | | | |
| Less: Interest expense | (2,769) | (3,344) | (2,808) | (2,807) | (3,473) |
| Plus: Amortization of deferred debt costs | 326 | 691 | 287 | 279 | 335 |
| Less: Admin fees | (341) | (420) | (465) | (385) | (396) |
| Less: Custody fees | (21) | (19) | (19) | (36) | (36) |
| Less: Directors' fees | (53) | (51) | (49) | (54) | (54) |
| Less: Professional services | (434) | (422) | (380) | (388) | (413) |
| Less: Other expenses | (265) | (267) | (234) | (303) | (286) |
| Less: Management Fees | (884) | (899) | (887) | (940) | (1,068) |
| Less: Excise tax | - | (39) | (221) | (5) | - |
| **Pre-incentive "Cash" NII** | **$3,366** | **$3,349** | **$3,062** | **$3,027** | **$2,766** |
| | | | | | |
| Less: Incentive Fees[1] | (842) | (763) | (817) | (798) | (764) |
| X "Cash" TII Mix | 87.0% | 87.5% | 85.2% | 86.0% | 85.4% |
| Less: "Cash" Incentive Fees | (732) | (668) | (688) | (687) | (653) |
| **"Cash" NII** | **$2,634** | **$2,681** | **$2,253** | **$2,340** | **$2,113** |
| *"Cash" NII per share [2]* | *$0.35* | *$0.35* | *$0.30* | *$0.27* | *$0.22* |

[1] Incentive fees excludes the reversal and/or waiver of certain accrued incentive fees.
[2] Per share figures are based on a weighted average of the shares outstanding for the relevant quarter.


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# General Risks

Debt instruments are subject to credit and interest rate risks.

Credit risk refers to the likelihood that an obligor will default in the payment of principal or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument, and debt instruments that are rated by rating agencies are often reviewed and may be subject to downgrade. Our debt investments either are, or if rated would be, rated below investment grade by independent rating agencies. These "junk bonds" and "leveraged loans" are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may be illiquid and difficult to value and typically do not require repayment of principal before maturity, which potentially heightens the risk that we may lose all or part of our investment.

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of an instrument whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors).

GECC utilizes leverage to seek to enhance the yield and net asset value of its common stock. These objectives will not necessarily be achieved in all interest rate environments. The use of leverage involves risk, including the potential for higher volatility and greater declines of GECC's net asset value, fluctuations of dividends and other distributions paid by GECC and the market price of GECC's common stock, among others. The amount of leverage that GECC may employ at any particular time will depend on, among other things, our Board's and our adviser's assessment of market and other factors at the time of any proposed borrowing.

As part of our lending activities, we may purchase notes or make loans to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of such financings may result in significant financial returns to us, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties is unusually high. We cannot assure you that we will correctly evaluate the value of the assets collateralizing our investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a portfolio company, we may lose all or part of the amounts advanced to the borrower or may be required to accept collateral with a value less than the amount of the investment advanced by us to the borrower.


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