

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): December 14, 2021

Stellus Capital Investment Corporation
(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

814-00971
(Commission
File Number)

46-0937320
(I.R.S. Employer
Identification No.)

4400 Post Oak Parkway, Suite 2200
Houston, Texas
(Address of Principal Executive Offices)

77027
(Zip Code)

Registrant's Telephone Number, Including Area Code: (713) 292-5400

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	SCM	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01 Regulation FD Disclosure.

On December 14, 2021, the Company disseminated a presentation to be used in connection with its Investor Day, which will be held on Tuesday, December 14, 2021 at 10:00 a.m. (central time). A copy of the presentation is included herewith as Exhibit 99.1, and by this reference incorporated herein.

The information disclosed under this Item 7.01, including Exhibit 99.1 hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) [Presentation dated December 14, 2021](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 14, 2021

Stellus Capital Investment Corporation

By: /s/ W. Todd Huskinson
Name: W. Todd Huskinson
Title: Chief Financial Officer

Stellus Capital Investment Corporation

Investor Day

December 14, 2021

HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

Disclaimer

THIS PRESENTATION IS FOR INFORMATIONAL PURPOSES ONLY. THE INFORMATION CONTAINED HEREIN IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED UPON FOR, ACCOUNTING, LEGAL OR TAX ADVICE OR INVESTMENT RECOMMENDATIONS. THIS PRESENTATION IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY STELLUS CAPITAL INVESTMENT CORPORATION ("SCM") SECURITIES. AN OFFERING IS ONLY MADE BY AN APPLICABLE PROSPECTUS. THIS PRESENTATION MUST BE READ IN CONJUNCTION WITH A PROSPECTUS IN ORDER TO FULLY UNDERSTAND ALL OF THE IMPLICATIONS AND RISKS OF THE OFFERING OF SECURITIES TO WHICH THE PROSPECTUS RELATES INCLUDING THOSE LISTED IN THE "RISK FACTORS" SECTION OF OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), INCLUDING THE IMPACT OF THE COVID-19 PANDEMIC ON SCM, ITS PORTFOLIO COMPANIES, AND THE GLOBAL AND UNITED STATES ECONOMY. A COPY OF SUCH A PROSPECTUS MUST BE MADE AVAILABLE TO YOU IN CONNECTION WITH ANY OFFERING. BEFORE MAKING AN INVESTMENT DECISION WITH RESPECT TO SCM, INVESTORS ARE ADVISED TO CAREFULLY REVIEW AN APPLICABLE PROSPECTUS TO REVIEW THE RISK FACTORS DESCRIBED THEREIN, AND TO CONSULT WITH THEIR TAX, FINANCIAL, INVESTMENT AND LEGAL ADVISORS. THESE MATERIALS DO NOT PURPORT TO BE COMPLETE, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE MORE DETAILED DISCLOSURES CONTAINED IN AN APPLICABLE PROSPECTUS AND SCM'S RELATED DOCUMENTATION INCLUDING SEC FILINGS.

STATEMENTS INCLUDED HEREIN MAY CONTAIN "FORWARD-LOOKING STATEMENTS" WHICH RELATE TO FUTURE PERFORMANCE OR FINANCIAL CONDITION. STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS PRESENTATION MAY CONSTITUTE FORWARD-LOOKING STATEMENTS AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE OR RESULTS AND INVOLVE A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, INCLUDING RISKS AND UNCERTAINTIES ASSOCIATED WITH THE COVID-19 PANDEMIC ON SCM, ITS PORTFOLIO COMPANIES, AND THE GLOBAL AND UNITED STATES ECONOMY, WHICH CHANGE OVER TIME. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN ANY FORWARD-LOOKING STATEMENTS AS A RESULT OF A NUMBER OF FACTORS, INCLUDING THOSE DESCRIBED FROM TIME TO TIME IN FILINGS BY SCM WITH THE SECURITIES AND EXCHANGE COMMISSION. SCM UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT MADE HEREIN. ALL OF THE INFORMATION IN THIS PRESENTATION, INCLUDING ANY FORWARD-LOOKING STATEMENTS, IS PRESENTED AS OF THE TIME PERIOD ON THE COVER OF THIS PRESENTATION (EXCEPT AS OTHERWISE SPECIFIED), IS SUBJECT TO CHANGE WITHOUT NOTICE, AND MAY HAVE CHANGED (POSSIBLY MATERIALLY) SINCE THE DATE ON THE COVER OF THIS PRESENTATION. SCM UNDERTAKES NO OBLIGATION TO UPDATE THE INFORMATION CONTAINED IN THIS PRESENTATION TO ACCOUNT FOR CHANGES SUBSEQUENT TO ANY DATE AS OF WHICH SUCH INFORMATION IS GIVEN, EXCEPT AS REQUIRED BY APPLICABLE SECURITIES LAWS AND REGULATIONS.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, AND NOTHING SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF SCM.

Introduction to Stellus

Overview

Stellus Capital Management, SCM's investment adviser ("Stellus Capital"), has one of the most experienced private credit investment teams in the marketplace with over 300 combined years of principal investing experience



NYSE Ticker: SCM

Shareholder Information

Share Price	\$13.31
Shares Outstanding	19.5 Million
Market Capitalization	\$259 Million
Total Assets	\$827 Million
Total Stockholders' Equity	\$276 Million

Based in Houston, TX

WASHINGTON D.C. AREA
4520 East West Highway
Suite 605
Bethesda, MD 20814
[301.634.3000](tel:301.634.3000)

CHARLOTTE, NC
5605 Carnegie Boulevard
Suite 410
Charlotte, NC 28209
[704.409.3335](tel:704.409.3335)

HOUSTON, TX
4400 Post Oak Parkway, Suite 2200
Houston, TX 77027
[713.292.5400](tel:713.292.5400)

STELLUS

CAPITAL
INVESTMENT CORPORATION

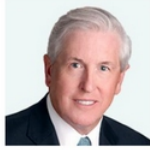
- All daily trading information/multiples in this presentation as of December 10, 2021 unless otherwise noted
- All other financial information as of September 30, 2021

Representatives

Select Team Biographies

Robert T. Ladd

Houston
Chairman & Chief Executive Officer
Investment Committee
Member



- Prior to Stellus Capital, joined the D. E. Shaw group in 2004 to lead the launch of the firm's Direct Capital Unit, following a distinguished career in principal investing, energy, corporate finance and restructuring, and commercial banking.
- Former executive of Duke Energy Corporation serving as President and CEO of Duke Capital Partners, a merchant bank providing mezzanine and equity capital to the energy industry, and President of Duke Energy North America, a merchant energy company.
- Former Worldwide Managing Partner for Arthur Andersen's corporate restructuring practice and U.S. Managing Partner for that firm's corporate finance practice.
- Former President of First City Asset Servicing Company and Executive Vice President for the Texas Banking Division of First City Bancorporation of Texas.
- Received his B.A. from Rice University and an MBA from The University of Texas at Austin where he was a Sord Scholar and recipient of the Dean's Award for Academic Achievement.

Todd Huskinson

Houston
Chief Financial Officer &
Chief Compliance Officer
Investment Committee
Member



- Prior to Stellus Capital, joined the D. E. Shaw group in 2005.
- Former Managing Director of BearingPoint, Inc., where he led the Houston office's middle market management consulting practice.
- Former Partner of Arthur Andersen, LLP, where he served clients in the audit, corporate finance and consulting practices.
- Received his B.B.A. in accounting from Texas A&M University and is a certified public accountant.

Dean D'Angelo

Washington D.C.
Co-Head of Private Credit
Director
Investment Committee
Member



- Prior to Stellus Capital, joined the D. E. Shaw group in 2005.
- Former Principal of Allied Capital Corporation, a provider of debt and equity financing to primarily private, middle market companies.
- Former Principal of Duke Capital Partners, LLC, a merchant banking subsidiary of Duke Energy Corporation focused on providing mezzanine, equity, and senior debt financing to businesses in the energy sector.
- Began his career in the bankruptcy and consulting practice of Coopers & Lybrand LLP in Washington, D.C.
- Received his B.B.A. in accounting from The College of William and Mary, an M.A. in international economics and international relations from The Paul H. Nitze School of Advanced International Studies at The Johns Hopkins University, and an MBA, with a concentration in finance, from the Wharton School of the University of Pennsylvania.

Representatives

Selected Team Biographies

Joshua Davis

Houston

Co-Head of Private Credit

Investment Committee
Member



- Prior to Stellus Capital, joined the D. E. Shaw group in 2004 to participate in the launch of the firm's Direct Capital Unit.
- Former Vice President of Duke Capital Partners, LLC, a merchant banking subsidiary of Duke Energy Corporation focused on providing mezzanine debt, senior debt, and equity financing to businesses in the energy industry.
- Former Director of Arthur Andersen LLP's global corporate finance practice where he provided restructuring and advisory services to a wide variety of clients.
- Received a B.B.A. in accounting and finance from Texas A&M University.

Todd Overbergen

Houston

Investor Relations

Investment Committee
Member



- Mr. Overbergen is a founding partner of Stellus.
 - Todd has more than 30 years of investing, finance, restructuring, and accounting experience.
 - He joined Stellus at its formation in 2012 and had been with the team previously at the D. E. Shaw group since 2004.
 - Prior to joining the D. E. Shaw group, Todd worked at Duke Capital Partners, LLC, and Arthur Andersen LLP where he invested debt and equity in private companies in the energy industry and provided investment banking and restructuring advisory services to companies across a broad range of industries including energy.
 - Todd received a B.B.A. in accounting and a B.B.A. in finance from Texas A&M University.
-

8.4%

Current
Dividend Yield (1)

9.9%

3-Year
Return-on-Equity (1)

9 Years

Track Record of
Covering Dividend

17 Years

Management
Track Record

\$7 Billion

Invested in 300
Companies

\$2.1 Billion AUM for Stellus Platform

Stellus Capital Investment Highlights

Why Us?

Experienced, Cohesive Team

- Partners have **worked together for over 17 years** and have built a culture of promoting from within
- Combine both extensive **direct lending and restructuring** experience

Strong Track Record

- **Sourced and managed across multiple cycles** over \$7.1 billion of lower middle market (“LMM”) investments consistent with Stellus Capital’s flexible credit strategy since 2004
- **Credit discipline and rigorous underwriting** have driven **low loss ratios** and **strong recovery rates** in private credit transactions

Focus on Lower Middle Market

- **Lead majority of investments** and implement **rigorous independent underwriting** of U.S. and Canadian LMM companies across all industry sectors with EBITDA up to ~\$50 million
- **Directly originate conservatively structured and highly negotiated** transactions with robust covenant and reporting packages

Preferred Partner

- Focus on **sponsor-backed transactions** to provide a better risk/return profile and more efficient capital deployment
- **Proprietary long-term relationships** with middle market companies, management teams, financial sponsors, lending institutions and intermediaries leading to repeat deal flow

The Advantages of the Lower Middle Market (“LMM”)

Performing, Cash-generating Companies that Lack Access to Traditional Financing

Companies that have EBITDA of \$5 million to \$50 million



Lower Middle Market Industry Advantages

Large and Growing

\$289 billion of dry powder in middle market private equity funds¹

Diverse

Includes predominantly private companies across all industry sectors

Sourcing Channels

Established and well-capitalized private equity firms

Criteria for Participation

Relationships matter

¹Source: Pitch Book, as of December 2020

Investing Strategy Overview

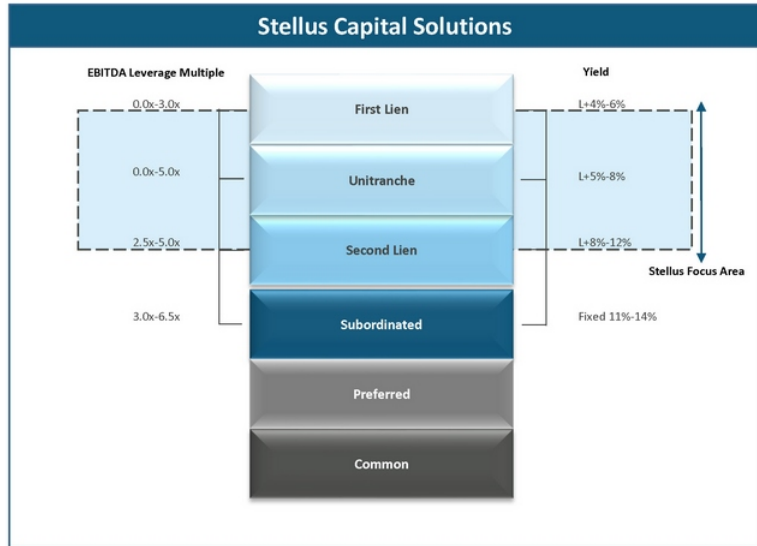
Focus on Senior Secured / Unitranche Lending

Flexibility Across Debt Spectrum

- Ability to originate loans across the capital structure
- Wide range of customizable financing alternatives for changing market conditions

Attractive Risk-Return Profile

- Able to attain strong yields with moderate levels of leverage
- Average yield of 8.3%⁽¹⁾



Stellus Capital Investment Target Investment

What We Look For?

Target Borrowers

- EBITDA: \$5 million to \$50 million
- Primarily sponsored transactions
- Diversified industries

Transaction Types

- Leveraged buyouts
- Acquisitions
- Recapitalizations
- Growth opportunities
- Avoid:
 - *Unsecured loans*
 - *Fundless sponsor deals*
 - *Outsized positions*
 - *Rescue financings*

Typical Structures

- Investment sizes: \$10 million to \$50 million
- Cash interest, up-front fee and prepayment penalties, LIBOR floors
- Equity co-invest
- Five year term, 2.5 year average duration



Rationale for Sponsored Transactions	LMM Sponsored-backed Loans Favorable Characteristics	
	Upper Middle Market / Broadly Syndicated	LMM / Directly Originated, Sponsor-Backed
Further Oversight. A sponsor provides an additional layer of monitoring and expertise, and issues are solved more quickly due to better governance	Number of Lenders in Tranche	10-50+
Aligned Interests. Sponsored deals allow for more alternatives in the event of a problem, such as additional equity injection or changing management, and are more likely to act rationally in a workout	Scope of Due Diligence	Limited
Unfiltered Access. Access to management teams and information facilitates a closer risk management process	Covenant Packages	Covenant-Lite
Network of Resources. Private equity firms have access to highly qualified management teams and operating partners with extensive industry experience	Access to Management	N/A
First and Last Look. Close relationships with sponsors including less known private equity firms provide preferential deal flow with attractive terms	Access to Reporting	Limited
		1-3
		Full
		Strong, Heavily Negotiated
		Regular Interaction
		Full, Heavily Negotiated

Differentiated Source Capabilities

Lead majority of transactions and is a preferred financing source for sponsors and management teams

Network of Deep Relationships

- Lower middle market private equity firms
- Portfolio companies of private equity firms
- Management teams and entrepreneurs
- Other lending firms with complementary strategies
- Commercial banks
- Investment banks
- Corporate operating advisers and other financial advisers
- Various other intermediaries including consultants, attorneys and other service providers



Rigorous Underwriting - Deals Reviewed for Stellus Credit Platform¹



STELLUS
CAPITAL
INVESTMENT CORPORATION

1. For illustrative purposes only. Data from April 2017 through December 2020.
 2. Logos represent certain private equity firms that Stellus has worked with in the past. Inclusion of a firm's logo in this list does not imply that such firm endorses Stellus Capital, its members or advisory services. Stellus Capital has no formal sourcing relationships with these firms and cannot guarantee that it will receive opportunities from these firms in the future.

**Size
Selection**

**Avoid
Commodity
Price Exposure**

**Focus on Free
Cash Flow and
Operating
Leverage**

**Start Out
Strong**

**Know Your
Partners**

**A Lien
Matters**

Focused on diversification in all ways—size, industry, sponsor and geography

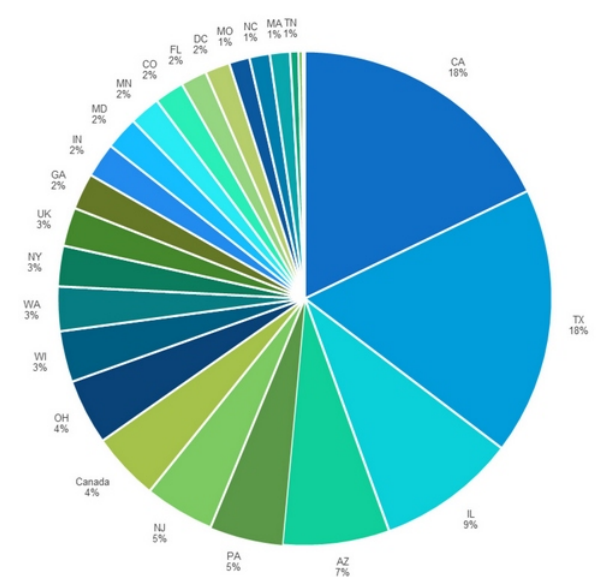
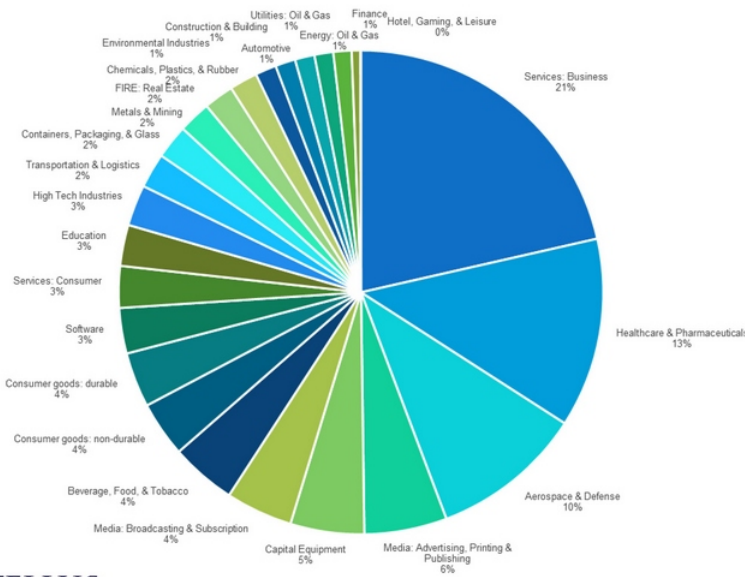
Investment teams in continuous contact with borrowers and typically have board observation rights

Formal performance and valuation review of all companies quarterly

Third party review of valuations twice per year and risk grade 3 and below every quarter

Industry Concentration

Geographic Concentration

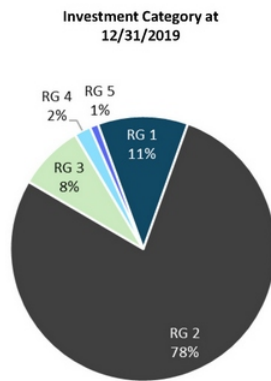


Note: Percentages are based total investments at fair value.

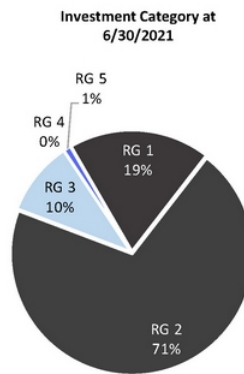
Portfolio exceeding expectations or performing in accordance with plan
Lower risk profile since COVID / improvement quarter-over-quarter

Investment Category Definitions:

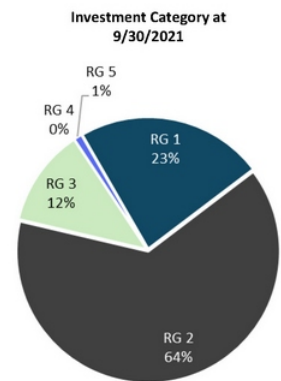
- 1 Exceeding expectations
- 2 Performing in accordance with plan (no loss of return or principal)
- 3 Requires closer monitoring (no loss of return or principal)
- 4 In workout (some loss of return; no loss of principal)
- 5 In workout (some loss of principal)



Weighted Average Risk Grade: 2.03



Weighted Average Risk Grade: 1.94



Weighted Average Risk Grade: 1.92

Equity Co-Invest Highlights

Achieve Net Realized Equity Gains Over Time

- Equity Co-Investments are Key to Investment Strategy
- Life to Date Net Realized Equity Gains of **\$39 Million⁽¹⁾**
- **22** Equity Realizations Life to Date
- Current Equity Positions: 61 with a Cost Basis of **\$48mm**, and FV of **\$70mm**

**ROI on Equity Realizations Since Inception is 2.8X
through 9/30/2021⁽¹⁾**

**Since 9/30/2021, \$9.2
Million of Additional
Realized Equity
Gains⁽¹⁾**

Financials

Financials

Core NII has Covered Dividend Since Inception

(\$ in 000's except per share data)	Q3 2021	FY 2020	(\$ in 000's except per share data)	Q3 2021
	Unaudited	Audited		Unaudited
Assets				
Cash	\$ 37,754	\$ 18,478	Total Investment Income	\$ 17,029
Investment Portfolio (at fair value)	785,699	653,424	Interest expense and debt financing fees	\$ 4,854
Other Assets	3,566	3,008	Management fees	\$ 3,473
Total Assets	\$ 827,019	\$ 674,910	Operating Expenses	\$ 1,444
Liabilities				
Credit Facility	\$ 187,879	\$ 171,728	Incentive fee expense	\$ 1,452
Notes Payable	97,990	48,308	Capital gains incentive fee expense	\$ 1,742
SBA Debentures	244,329	173,167	Net Investment Income	\$ 4,064
Total Funded Debt	\$ 530,198	\$ 393,203	Net Realized Gain	\$ 7,921
Other Liabilities	21,176	8,346	Tax Provision on Realized Gain	\$ (681)
Total Liabilities	\$ 551,374	\$ 401,549	Net Unrealized Gain / (Loss)	\$ 2,081
Total Stockholder Equity	275,645	273,361	(Provision) benefit for taxes on unrealized appreciation on investments	\$ (606)
Total Capitalization	\$ 827,019	\$ 674,910	Change in Net Assets from Operations	\$ 12,779
NAV Per Share	\$ 14.15	\$ 14.03	Net Investment Income Per Share (NII)	\$ 0.21
			Core NII per Share*	\$ 0.31
			Realized Income Per Share	\$ 0.58
			Distributions Per Share	\$ 0.58
			Weighted Average Shares Outstanding	19,486,003

* 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 that 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 not a U.S. generally accepted accounting principle ("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 table below the financial statements.

FUNDING SOURCES	FACILITY/ISSUANCE SIZE	OUTSTANDING ⁽²⁾	INTEREST RATE ⁽³⁾	MATURITY
Syndicated Credit Facility led by Amegy ⁽¹⁾	\$230 million	\$189.8 million	LIBOR + 2.5%	September 18, 2025
SBIC I Debentures	\$150 million	\$150 million	3.41% (Fixed)	Varied ⁽⁴⁾
SBIC II Debentures	\$100 million	\$100 million	1.53% (Fixed)	Varied
Unsecured Notes	\$100 million	\$100 million	4.875% (Fixed)	March 30, 2026 ⁽⁵⁾

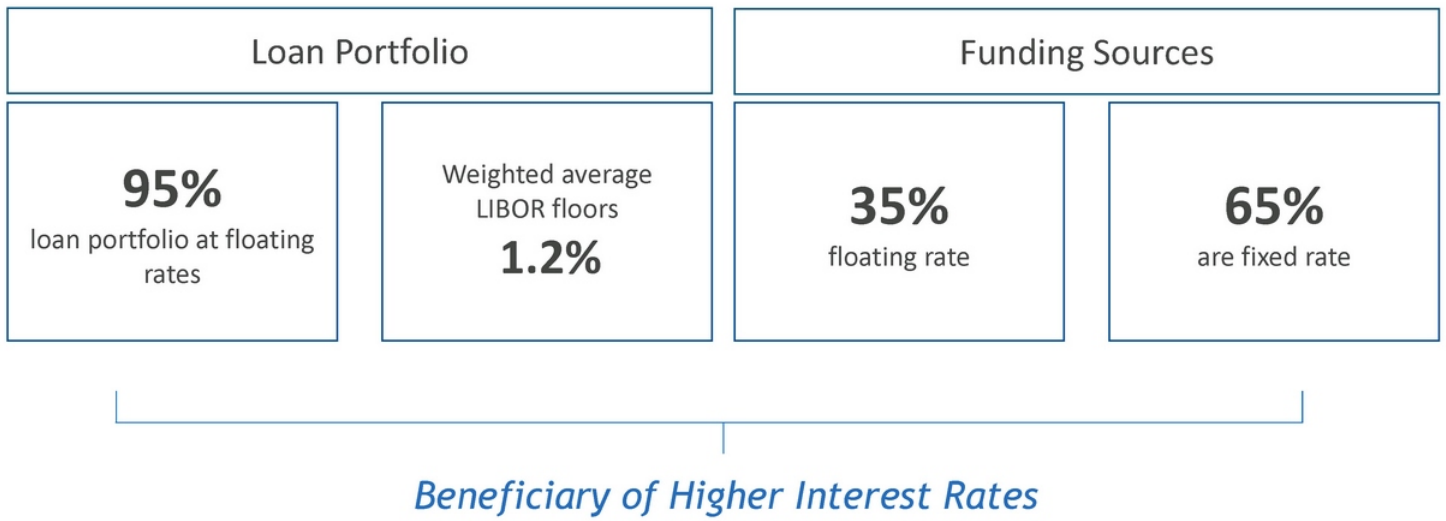
⁽¹⁾ Amegy Bank credit facility closed on October 11, 2017 and was amended and extended in September 2020.

⁽²⁾ Outstanding balances are all as of September 30, 2021.

⁽³⁾ Does not include amortization of loan fees.

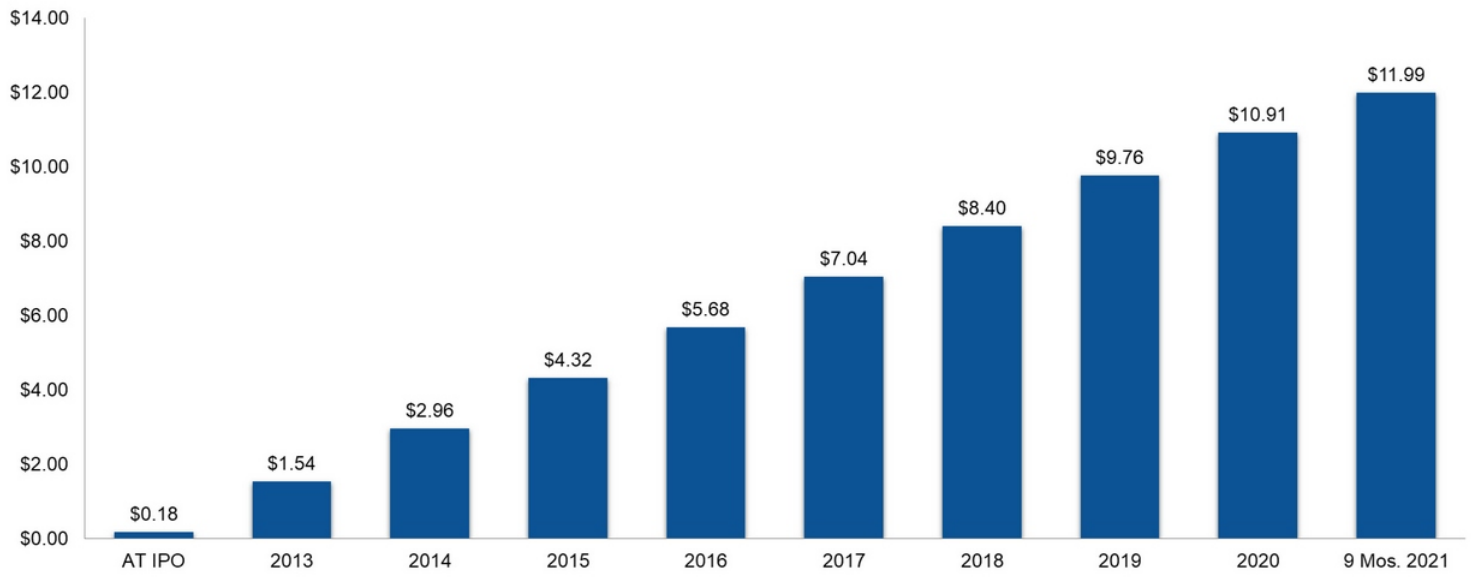
⁽⁴⁾ SBA debentures issued to SBIC I mature March 1, 2025 - March 1, 2029.

⁽⁵⁾ SBA debentures issued to SBIC II mature March 1, 2030 - September 1, 2031.



Cumulative Distributions Declared per share Since IPO

\$11.99 per share in cumulative distributions since Stellus IPO in 2012 (as of September 30, 2021)*



The regular dividend is an aggregate of \$0.28 per share
for the fourth quarter as follows:

Declared	Ex-Dividend Date	Record Date	Payment Date	Regular Amount per Share
9/14/21	10/28/21	10/29/21	11/15/21	\$0.0933
9/14/21	11/29/21	11/30/21	12/15/21	\$0.0933
9/14/21	12/15/21	12/16/21	12/31/21	\$0.0933

In October 2021, the board declared an additional dividend of \$0.02 per share in each of January, February and March 2022, or an aggregate of \$0.06 per share.

**Macro-
economic
Outlook**

M&A Activity

**LMM Private
Equity Dry
Powder**

**Track Record
of Investing**

8.4%

Current
Dividend Yield (1)

9.9%

3-Year
Return-on-Equity (1)

9 Years

Track Record of
Covering Dividend

17 Years

Management
Track Record

\$7 Billion

Invested in 300
Companies

\$2.1 Billion AUM for Stellus Platform

Executive Officers	Directors	Research Coverage	Share Information
Robert T. Ladd Chairman, President & Chief Executive Officer W. Todd Huskinson Chief Financial Officer, Chief Compliance Officer, Treasurer and Secretary	J. Tim Arnoult ¹ Bruce R. Bilger ¹ Dean D'Angelo Robert T. Ladd , Chairman William C. Repko ¹ <small>¹ Independent Directors</small>	Hovde Group Bryce Rowe, 804-318-0969 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 Price \$13.31 Shares Outstanding 19,486,003 Market Capitalization \$259.4M Total Assets \$827 Million Total Stockholders' Equity \$276 Million NAV per share \$14.15 Ratio of Price to NAV per share 0.94x
Investment Committee	Service Providers	Securities Listing	Dividends
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*	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.	Common Stock NYSE : SCM	Dividend Frequency Monthly Last Monthly Dividend \$0.09333 Annualized Indicated Yield** 8.4% ⁽¹⁾
		Corporate Headquarters	Debt
		4400 Post Oak Parkway, Suite 2200 Houston, TX, 77027 Phone: 713-292-5400	Regulatory Leverage 1.05x Total Leverage (incl. SBIC debentures) 1.95x

Appendix and Financial Supplements

HOUSTON, TX

WASHINGTON D.C.

CHARLOTTE, NC

Financial Highlights

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

	Q3-21		YTD-21	
	Amount	Per Share	Amount	Per Share
Net investment income	\$4.06	\$0.21	\$14.66	\$0.75
Core net investment income⁽¹⁾	6.00	0.31	17.22	0.88
Net realized gain on investments	7.92	0.40	6.60	0.34
Provision for taxes on realized gain on investments in taxable subsidiaries	\$(0.68)	\$(0.03)	\$(0.68)	\$(0.03)
Loss on debt extinguishment	-	-	(0.54)	(0.03)
Total realized income⁽²⁾	11.30	0.58	20.04	1.03
Distributions				
Q1 Distributions	-	-	(4.87)	(0.25)
Q2 Distributions	-	-	(4.87)	(0.25)
Q3 Distributions	(5.84)	(0.30)	(5.84)	(0.30)
Q4 Distributions	(5.46)	(0.28)	(5.46)	(0.28)
Total Distributions	(11.30)	(0.58)	(21.04)	(1.08)
Net unrealized appreciation (depreciation) on investments	2.08	0.11	3.87	0.20
Provision for taxes on unrealized gains on investments in taxable subsidiaries	(0.61)	(0.03)	(0.59)	(0.03)
Net increase in net assets resulting from operations	\$12.78	\$0.66	\$23.32	\$1.20
Weighted average shares outstanding		19,486,003		19,486,003

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 October 28, 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 September 30, 2021	As of December 31, 2020
Investments at fair value	\$785.7	\$653.4
Total assets	\$827.0	\$674.9
Net assets	\$275.6	\$273.4
Shares outstanding	19,486,003	19,486,003
Net asset value per share	\$14.15	\$14.03
	Quarter Ended September 30, 2021	Nine Months September 30, 2021
New investments	\$60.5	\$243.3
Repayments of investments	(67.4)	(123.6)
Net activity	\$(6.9)	\$119.7

	As of September 30, 2021	As of December 31, 2020
Number of portfolio company investments	74	66
Number of portfolio company debt investments	58	51
Weighted average yield of debt and other income producing investments ⁽³⁾		
Cash	7.7%	7.8%
Payment-in-kind ("PIK")	0.2%	0.0%
Fee amortization	0.4%	0.5%
Total	8.3%	8.3%
Weighted average yield on total investments ⁽⁴⁾		
Cash	7.2%	7.4%
Payment-in-kind ("PIK")	0.2%	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.