

2018 Shareholders Letter

Dear Fellow Shareholders:

We are pleased to report that our fiscal year ended March 31, 2018 was another period of growth for our company and continued strong distributions to shareholders, including distributions from realized gains. Besides producing solid operating results, we also continued to execute on our plan to generate realized gains through the strategic sale of certain of our portfolio companies and distributed such gains to shareholders. We begin the new fiscal year with a portfolio of what we believe to be quality investments balanced across various business sectors. We view this balanced portfolio as a mitigating factor of economic cycles, with limited exposure to high risk business segments, such as energy and technology. We are excited about the growth opportunities for our company and remain focused on our goal of investing in established, quality businesses with excellent management teams.

The following highlights significant accomplishments during the fiscal year ended March 31, 2018 and the subsequent period:

- Paid 12 monthly distributions per common share for a total of over \$0.77 for the year;
- Paid two supplemental distributions of \$0.06 each per common share;
- Recognized net unrealized appreciation on investments of \$37.9 million;
- Invested an aggregate of \$98.5 million in two new and various existing portfolio companies;
- Generated net realized gains on investments of \$1.3 million, primarily from the strategic exit of one of our portfolio companies;
- Completed a public offering of approximately 2.3 million common shares for gross proceeds of \$21.2 million;
- During the fourth quarter and subsequent to year end, sold approximately 0.3 million common shares under our at-the-market program for combined gross proceeds of \$3.2 million;
- Subsequent to year end, in April 2018, increased our monthly distributions from \$0.065 to \$0.067 per common share, representing a 3% increase, for an annual rate of \$0.80 per common share;
- Subsequent to year end, in April 2018, declared a supplemental distribution of \$0.06 per common share, which was paid in June 2018, and expected to be primarily made from undistributed net capital gains; and
- Subsequent to year end, generated net proceeds of approximately \$27 million on the strategic exit of one of our portfolio companies with a cost basis of \$13.4 million.

We continue to experience positive results across our portfolio of businesses and achieved another year of increased operating performance, with over \$58 million in total investment income, an increase of over 12% compared to the prior year. This continued, strong operating performance, together with our portfolio fair valued at 102% of its cost basis at

year end, resulted in a net asset value of \$10.85 per common share compared to \$9.95 per common share at the prior year end. During the year, we made investments of approximately \$59 million in two new portfolio companies. As of March 31, 2018, our portfolio consisted of 33 companies with a total invested cost basis of approximately \$585 million. Our investments are primarily in companies where we have a significant stock ownership. We make these investments in partnership with the management teams of those companies and occasionally with other investors.

From inception in 2005 through March 31, 2018, we have successfully sold 12 portfolio companies that we acquired in our buyout activity. In the aggregate, these sales have generated approximately \$86 million in realized gains and approximately \$22 million in other income upon exit, for a total increase to our net assets of approximately \$108 million. We will continue to build on these activities and proactively manage strategic sales of our portfolio companies during the upcoming fiscal years with the intent to realize capital gains. Based on our activity level, we hope to continue making additional supplemental distributions in the upcoming fiscal year and beyond.

We are committed to covering our monthly distribution to common stockholders with net investment income generated in the current year or prior years, which we again accomplished for the fiscal year ended March 31, 2018. We are also committed to maintaining, and over time, increasing, our monthly distribution amount to common stockholders, as we most recently did in April 2018.

Our stock price increased to \$10.10 per common share at March 31, 2018, compared to \$9.07 per common share at the prior year end, which, when also considering reinvested dividends, represents a total return to common shareholders of 22%. With the strength of our portfolio, our stock performance, and access to capital markets, we believe we are well positioned to fund our growth objectives.

We have a strong and experienced management team which strives to build our portfolio of investments. We remain true to our investment thesis of creating secure, recurring income from our debt investments to pay monthly distributions, while seeking to generate capital gains from our equity investments. We believe our investment strategy will continue to reward stockholders, as demonstrated by our increased regular distribution rate, supplemental distributions declared, and potential for additional supplemental distributions in the future. We are confident that our strict adherence to investment fundamentals and our code of ethics will continue to make us an attractive investment choice.

Our 2018 Annual Meeting of Stockholders of Gladstone Investment Corporation will be held on Thursday, August 2, 2018, at 11:00 a.m. EDT. The 2018 Annual Meeting of Stockholders will be a completely “virtual meeting.” You have received information on how to participate, if you so choose, along with your proxy materials, in the mail.

Please visit our website at www.GladstoneInvestment.com for further information. While you are on the website, please sign up for our email notices to keep up to date on all of our

companies' activities. You can also follow us on Facebook at "The Gladstone Companies" and on Twitter at "GladstoneComps."

We are looking forward to the 2019 fiscal year and are hopeful we can deliver even better financial results from our portfolio.

Thank you for your continued support.

David Gladstone
Chairman of the Board and Chief Executive Officer

Terry L. Brubaker
Vice Chairman of the Board and Chief Operating Officer

David A. R. Dullum
President