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ARC | INCOME FUNDS

AR Capital BDC Income Fund

Institutional Use Only

Realty Capital Securities, LLC (Member FINRA/SIPC), is the principal underwriter of the Fund. Realty Capital Securities, LLC One Beacon Street, 14th Floor, Boston, MA 02108

Investment Objective



The AR Capital BDC Income Fund’s (the “Fund”) investment objective is to provide a high level of income, with the potential for capital appreciation. The Fund will invest substantially all (and under normal market conditions, at least 80%), of its net assets in common stocks and other equity securities of BDCs that are traded on one or more nationally recognized securities exchanges.

What is a Business Development Company (“BDC”)



- ▶ BDCs are an investment company that primarily invest or lend to small and middle-market companies in the United States
- ▶ Created by Congress in 1980 to facilitate increased capital flows to small and mid-sized U.S. businesses
- ▶ A pass-through entity – no taxation at BDC level on distributed income
- ▶ BDCs must distribute at least 90% of income and capital gains

BDC Investment Opportunity



- ▶ BDC industry is comprised of approximately 44 issuers and \$31 BN of market capitalization ⁽¹⁾
- ▶ Expected to grow to \$250BN of market cap over the next decade ⁽²⁾
- ▶ BDC industry is expected to grow due to:
 - ▶ High current income
 - ▶ Liquid access to an illiquid asset class
 - ▶ Reduced competition in the middle market from banks
- ▶ Small market cap of BDCs and lack of deep analyst coverage
 - ▶ Opportunity to generate alpha

(1) Bloomberg

(2) Wells Fargo Research

BDC Investment Opportunity (cont.)



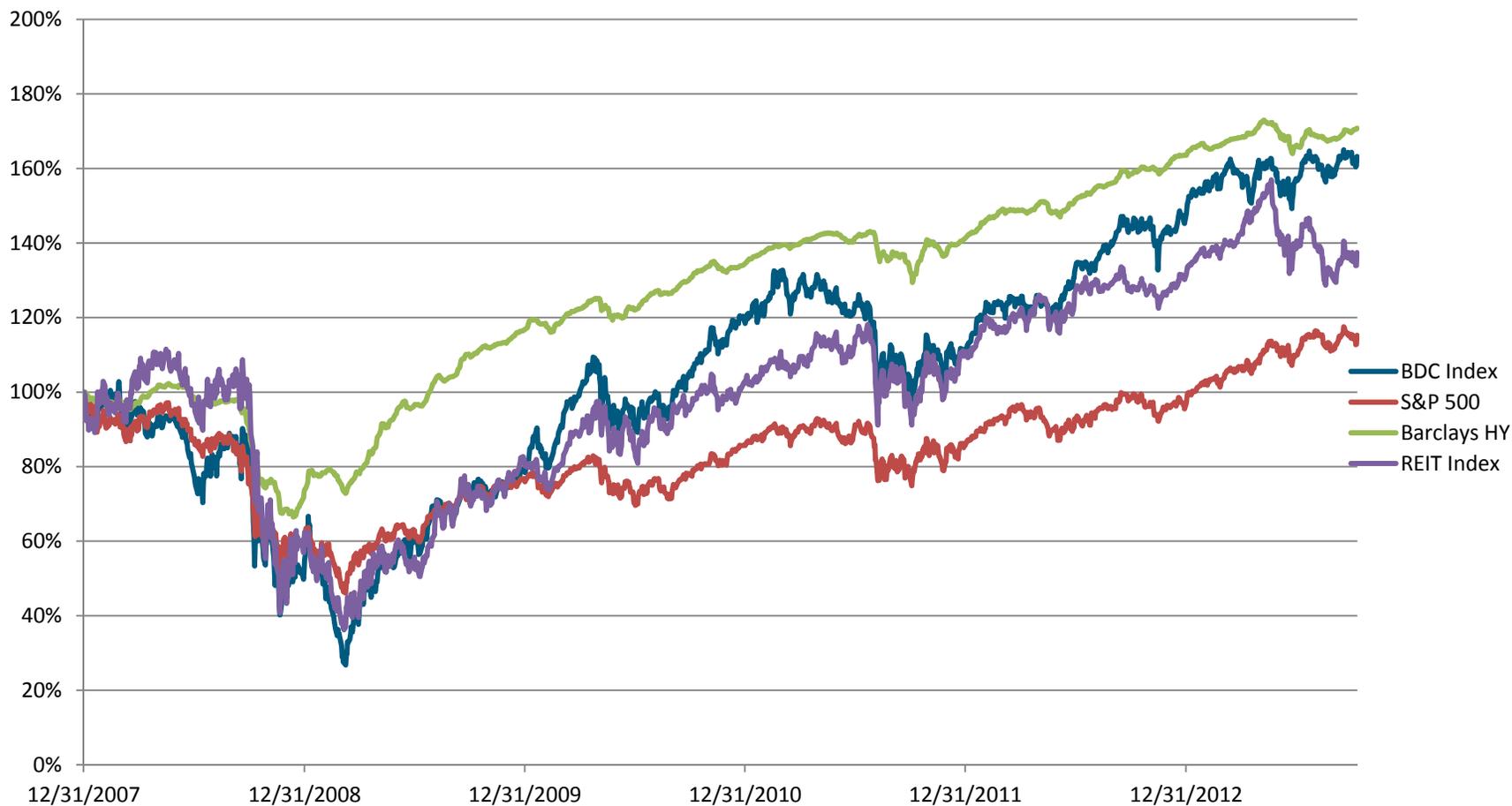
- ▶ Favorable regulatory backdrop for BDCs includes:
 - ▶ Large commercial banks exiting middle market lending
 - ▶ Dodd Frank and Volker Rule may limit alternative loan investment vehicles
 - ▶ BDC friendly legislation pending in US House and Senate
- ▶ BDCs showed strong credit performance during Great Recession
 - ▶ Commercial bank losses ran to 248 bps per year vs. 62 bps for BDCs ⁽¹⁾

(1) JMP Securities

BDC Investment Opportunity



Since 2007 the Wells Fargo BDC Index has outperformed the S&P 500 and the Dow Jones Equity REIT index.



Source: Bloomberg

BDC Investment Universe (Equity)



Ticker	Company Name	Ticker	Company Name
ARCC	ARES CAPITAL CORP	TINY	HARRIS & HARRIS GROUP INC
GBDC	GOLUB CAPITAL BDC INC	HCAP	HARVEST CAPITAL CREDIT CORP
HTGC	HERCULES TECHNOLOGY GROWTH	HRZN	HORIZON TECHNOLOGY FINANCE C
MCC	MEDLEY CAPITAL CORP	KED	KAYNE ANDERSON ENERGY DEVELO
MVC	MVC CAPITAL INC	KCAP	KCAP FINANCIAL INC
NMFC	NEW MOUNTAIN FINANCE CORP	KFN	KKR FINANCIAL HOLDINGS LLC
PNNT	PENNANTPARK INVESTMENT CORP	KIPO	KEATING CAPITAL INC
TCPC	TCP CAPITAL CORP	MAIN	MAIN STREET CAPITAL CORP
TCRD	THL CREDIT INC	MCGC	MCG CAPITAL CORP
ACAS	AMERICAN CAPITAL LTD	TAXI	MEDALLION FINANCIAL CORP
AINV	APOLLO INVESTMENT CORP	MRCC	MONROE CAPITAL CORP
BKCC	BLACKROCK KELSO CAPITAL CORP	NGPC	NGP CAPITAL RESOURCES CO
CSWC	CAPITAL SOUTHWEST CORP	OFS	OFS CAPITAL CORP
FDUS	FIDUS INVESTMENT CORP	PFLT	PENNANTPARK FLOATING RATE CA
FSC	FIFTH STREET FINANCE CORP	PSEC	PROSPECT CAPITAL CORP
FSFR	FIFTH STREET SENIOR FLOATING	SAR	SARATOGA INVESTMENT CORP
SVVC	FIRSTHAND TECHNOLOGY VALUE	SLRC	SOLAR CAPITAL LTD
FULL	FULL CIRCLE CAPITAL CORP	SUNS	SOLAR SENIOR CAPITAL LTD
GARS	GARRISON CAPITAL INC	SCM	STELLUS CAPITAL INVESTMENT C
GLAD	GLADSTONE CAPITAL CORP	TICC	TICC CAPITAL CORP
GAIN	GLADSTONE INVESTMENT CORP	TCAP	TRIANGLE CAPITAL CORP
GSVC	GSV CAPITAL CORP	WHF	WHITEHORSE FINANCE INC

Source: Bloomberg

BDC Investment Universe (Debt)



Ticker	Issue	Amt. Outstanding	Maturity	Coupon	Yield
AFC Pfd	ALLIED CAPITAL CORP	230,000,000	4/15/2047	6.88%	7.04%
ARN Pfd	ARES CAPITAL CORP	143,750,000	2/15/2022	7.00%	6.75%
ARU Pfd	ARES CAPITAL CORP	182,500,000	10/1/2022	5.88%	5.81%
ARY Pfd	ARES CAPITAL CORP	200,000,000	10/15/2040	7.75%	7.38%
aib pfd	APOLLO INVESTMENT CORP	150,000,000	10/15/2042	6.63%	7.17%
aiy pfd	APOLLO INVESTMENT CORP	150,000,000	7/15/2043	6.88%	7.29%
gainp pfd	GLADSTONE INVESTMENT COR	40,000,000	2/28/2017	7.13%	6.77%
gladp pfd	GLADSTONE CAPITAL CORP	38,497,050	12/31/2016	7.13%	6.84%
FSCF Pfd	FIFTH STREET FINANCE COR	75,000,000	10/30/2024	5.88%	6.04%
FSCFL Pfd	FIFTH STREET FINANCE COR	75,000,000	4/30/2028	6.13%	6.56%
FULLL Pfd	FULL CIRCLE CAPITAL CORP	18,750,000	6/30/2020	8.25%	7.88%
HTF Pfd	HORIZON TECHNOLOGY FINAN	33,000,000	3/15/2019	7.38%	7.15%
HTGY Pfd	HERCULES TECHNOLOGY GROW	85,900,000	9/30/2019	7.00%	6.70%
HTGZ Pfd	HERCULES TECHNOLOGY GROW	84,490,000	4/30/2019	7.00%	6.80%
KAP Pfd	KCAP FINANCIAL INC	36,000,000	9/30/2019	7.38%	7.06%
MCQ Pfd	MEDLEY CAPITAL CORP	40,000,000	3/30/2019	7.13%	6.84%
MCV Pfd	MEDLEY CAPITAL CORP	63,500,000	3/30/2023	6.13%	6.29%
MSCA Pfd	MAIN STREET CAPITAL CORP	80,000,000	4/1/2023	6.13%	6.20%
MVCB Pfd	MVC CAPITAL INC	80,000,000	1/15/2023	7.25%	7.09%
PNTA Pfd	PENNANTPARK INVESTMENT C	67,500,000	2/1/2025	6.25%	6.38%
PRY Pfd	PROSPECT CAPITAL CORP	100,000,000	11/15/2022	6.95%	6.66%
SAQ Pfd	SARATOGA INVESTMENT CORP	48,300,000	5/31/2020	7.50%	7.46%
SLRA Pfd	SOLAR CAPITAL LTD	100,000,000	11/15/2042	6.75%	7.56%
TCC Pfd	TRIANGLE CAPITAL CORP	69,000,000	3/15/2019	7.00%	6.82%
TCCA Pfd	TRIANGLE CAPITAL CORP	70,000,000	12/15/2022	6.38%	6.44%
		<u>2,261,187,050</u>		<u>6.87%</u>	<u>6.84%</u>

- ▶ Baby Bonds issues could also be included in the Mutual Fund, subject to the 15% cap on illiquid securities.
- ▶ BDCA Adviser would proactively approach select BDCs about financing Baby Bond issues.

BDCA Adviser Investment Approach



- ▶ Value investor approach
 - ▶ Looking to add to positions on equity offerings and non-fundamental market dips
- ▶ Follow an algorithmic approach to predict dilutive equity offerings
- ▶ Proactively work with BDCs and underwriters
 - ▶ i.e. purchase follow-on equity offerings at discounts

BDCA Adviser Investment Approach (cont.)



Factors used to evaluate each BDC:

BDC Investment Factors		
Dividend yield	Quarterly originations	Unused investment capacity
Price-to-book	Yield on new investments	Quality of management
Price/Earnings	Yield on repaid investments	Quality of underwriting
Debt/Equity	Avg yield of portfolio	Business model differentiation
Return on assets	Churn	Management fees
Effective Leverage	Portfolio composition changes	Historical stock performance
Total Investments	Non accrual %	Equity %
Dividend coverage (GAAP)	Vintage risk	Fixed rate %
Dividend coverage (Cash)	Historical credit loss rate	Floating rate %
Senior %	NAV upside potential	Sponsored %
Subordinated %	Cost of debt	Avg Investment Size
Management Structure	CLOs % of AUM	

BDCA Adviser Investment Approach (cont.)



BDCA has built a proprietary financial model to analyze key BDCs

ARCC	2011	2012				CY 2012	2013			
		1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q
Net operating income (NOI)	\$289.9	\$79.8	\$87.9	\$91.5	\$89.7	\$348.9	\$85.9	\$93.6		
PIK income	(28.0)	(7.1)	(6.6)	(5.7)	(5.6)	(25.0)	(6.1)	(4.5)		
Adjusted NOI	\$261.9	\$72.7	\$81.3	\$85.8	\$84.1	\$323.9	\$79.8	\$89.1		
Cash Dividend	277.2	82.3	72.4	89.3	94.5	338.5	90.1	97.2		
Dividend coverage ratio	0.94x	0.88x	1.12x	0.96x	0.89x	0.96x	0.89x	0.92x		
PIK % NOI	9.7%	8.9%	7.5%	6.2%	6.2%	7.2%	7.1%	4.8%		

About BDCA Adviser



BDCA Adviser, LLC

Established in 2010 and currently manages the Business Development Corporation of America, a public, non-traded business development company (“BDC”).

Mr. Grunewald will also serve as Portfolio Manager for the Fund. Additionally, Shiloh Bates will serve as senior analyst for the Fund. Collectively, Messrs. Grunewald and Bates have over 35 years of investment management, security selection and capital markets experience. The Adviser also employs senior and junior analysts who will assist in fund management.

Investment Team



ROBERT
GRUNEWALD
*Chief Investment Officer
BDCA Adviser, LLC*

Mr. Grunewald brings a broad and diverse skill-set to the portfolio with experience in middle market finance, business development companies and asset management. Within the finance industry, he has participated as a lender, investment banker, M&A advisor, portfolio manager and hedge fund manager.

Mr. Grunewald managed a number of high profile transactions, including initial public offerings and secondary equity offerings for some of the largest publicly-traded BDCs and finance companies including Ares Capital, Capital Source, American Capital Strategies, Allied Capital, and Gladstone Capital.

He received a BBA from University of Notre Dame in 1984 and his MBA from Georgia State University.



SHILOH BATES
*Head of Structured Products
BDCA Adviser, LLC*

Mr. Bates currently serves as a senior analyst for Business Development Corporation of America (“BDCA”). Prior to BDCA, Mr. Bates was a senior credit analyst at Canaras Capital Management for two years, focusing on leveraged loans and mezzanine CLO structured products.

Prior to Canaras, Mr. Bates was a senior credit analyst at Four Corners Capital Management for five years, managing a \$900 million portfolio of leveraged loans and high yield bonds financed by CLOs, private accounts, and closed-end funds.

Mr. Bates holds a bachelor’s in political science from Virginia Tech, a master’s of public policy from Harvard University, John F. Kennedy School of Government, a master’s of financial mathematics from the University of Chicago and a master’s of statistics from Columbia University. Mr. Bates also served in the U.S. Army Reserves Special Operations Command as a specialist for six years.

Why BDCA Adviser



- ▶ Possesses a unique perspective on the industry
- ▶ Follows other BDCs closely
 - ▶ i.e. partnerships with high quality BDCs in middle market club transactions
- ▶ Market intelligence
 - ▶ Knowledge of existing loans owned by other BDCs
 - ▶ Foresight on trends
 - ▶ Close access to industry contacts
- ▶ Robert Grunewald, CIO's expertise in BDC industry

AR Capital BDC Income Fund



Fund Structure	Series of an open-end management investment company
Dividends	Quarterly
Adviser/Sub-adviser	National Fund Advisors/BDCA Adviser
Distributor	Realty Capital Securities
Admin/Transfer Agent	RCS Advisory Services/Gemini Funds Services

AR Capital BDC Income Fund



Sales Charge Schedule (Class A Shares)

Amount of Purchase	Initial Sales Charge as a % of Public Offering Price ⁽¹⁾	Initial Sales Charge as a % of Net Amount Invested	Reallowance to Dealers as % of Public Offering Price ⁽¹⁾
Less than \$100,000	4.50%	4.71%	4.00%
\$100,000 but less than \$250,000	3.75%	3.90%	3.50%
\$250,000 but less than \$500,000	2.75%	2.83%	2.50%
\$500,000 but less than \$1,000,000	2.25%	2.30%	2.00%
\$1,000,000 and above ⁽²⁾	None	None	None

(1) Offering price includes the initial sales charge. The initial sales charge you pay may differ slightly from the amount set forth above because of rounding that occurs in the calculation used to determine your initial sales charge.

(2) Generally, no CDSC is imposed upon the sale of Class A shares. However, if you invest \$1 million or more in Class A shares, you may pay a CDSC equal to 1% of the current NAV or the original cost of the shares that you sell, whichever is less, if you redeem your shares within one year of purchase.

AR Capital BDC Income Fund



Shareholder Expense – Class A Shares	
Maximum Sales Charge (as a % of offering price)	4.50%
Management Fee	0.90%
Servicing Fee	0.25%
Net Expense Ratio ⁽¹⁾	1.50%

(1) National Fund Advisors, LLC, the Fund's investment adviser (also referred to herein as "NFA" or the "Adviser") has contractually agreed to waive a portion or all of its management fees equal to 0.66% and pay Fund expenses (excluding acquired fund fees and expenses, interest, taxes and extraordinary expenses) in order to limit the Other Expenses to 0.35% of average daily net assets of the Fund's shares (the "Expense Cap"). The Expense Cap will remain in effect through at least July 5, 2015, and may be terminated before that date only by the Board of Trustees (the "Board") of the Realty Capital Income Funds Trust (the "Trust"). The Adviser may recoup any previously waived fees and paid expenses from the Fund pursuant to this agreement for three years from the date they were waived or paid, subject to the Expense Cap.

For More Information



We invite you to learn more about the AR Capital BDC Income Fund.

- ▶ Contact us at 866-271-9244
- ▶ Visit us at: www.arcincomefunds.com

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Performance data quoted herein represents past performance, and past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

Prospective investors should consider the investment objectives, risks, and charges and expenses of the AR Capital BDC Income Fund carefully before investing. The Fund's preliminary prospectus contains information about these important issues as well as other information about the Fund. A preliminary prospectus for the Fund may be obtained by calling (877) 373 - 2522 or writing us in care of: AR Capital BDC Income Fund, 405 Park Avenue, New York, NY, 10022. Please read the preliminary prospectus carefully before investing.