This article is excerpted from a letter by Jim Roumell, partner and portfolio manager of [Roumell Asset Management](), based in Chevy Chase, Maryland.

Capitala Finance Corporation is a publicly-traded business development company ("BDC") primarily engaged in making debt and selective equity investments in lower and traditional middle market companies, primarily in the United States. CPTA generally invests between $5.0 million and $50.0 million per transaction.

At December 31, 2017, the reported net asset value (NAV) per share was $13.91. We purchased shares during the first quarter of 2018 at an average cost of $7.17. This represents a very attractive discount to NAV of approximately 48%.

CPTA currently pays a quarterly distribution of $0.25, providing an annualized distribution yield of 14% based on our purchase price. While we find the yield attractive, that was not the primary basis of our investment thesis. Rather, it was the significant discount that the stock traded at relative to the underlying NAV of the company. The primary assets of the business are loans and equity investments which are carried at estimated market value. These market values are reviewed periodically by independent sources (external auditors) and filed quarterly and annually with the Securities Exchange Commission. As such, we have confidence in the reasonableness of the reported market values.

We also note that Management has shown confidence in their business as evidenced by the fact that the Management team currently owns approximately 9.1% of the outstanding stock. In addition, the company has repurchased 4.6% of outstanding shares since 2015.

In summary, as with OXSQ, our thesis here is to purchase an asset trading at a substantial discount to its underlying NAV and get paid a double-digit distribution yield while we wait for the discount to close.