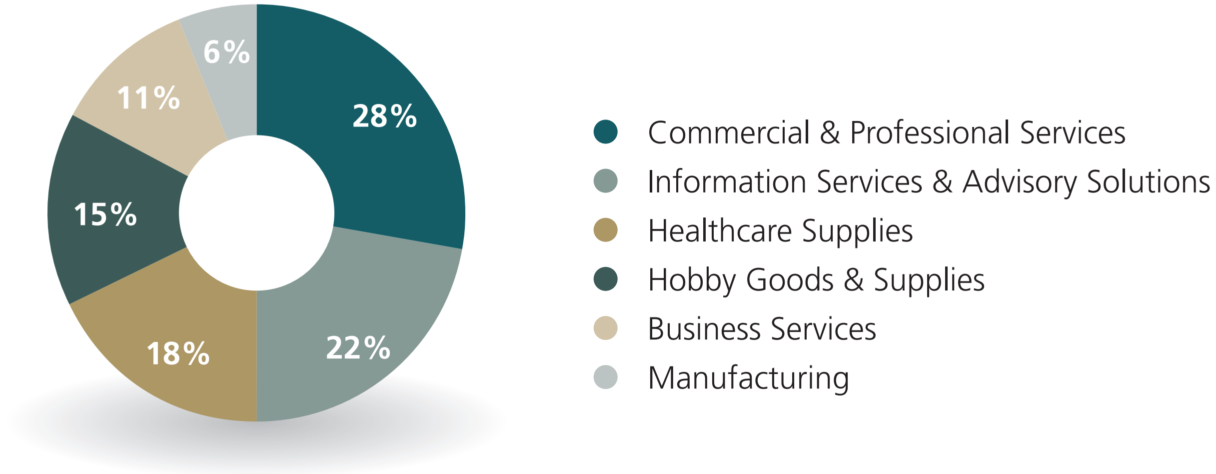
CNL Strategic Capital

Sub-managed by **Levine Leichtman**

2020 Annual Report

Portfolio Diversification
(Based on Fair Market Value as of 12/31/20)



"We are pleased with our portfolio companies' performance, particularly given the disruption from the pandemic."

74%

Average Ownership[1]

On average, CNL Strategic Capital owns 74% of the acquired companies.

[1] Represents direct investments only, which is the majority of the portfolio. For co-investments, the percentage ownership ranges from 8% to 18%.

To Our Shareholders

We are pleased with our portfolio companies' performance during 2020, particularly given the disruption from COVID-19. We believe they had limited impact relative to other businesses and either met or exceeded performance forecasts while facing headwinds in the broader environment. This is a testament to our investment strategy that relies on acquiring resilient, industry-leading private companies through a combination of debt and equity capital, with little or no reliance on third-party leverage.

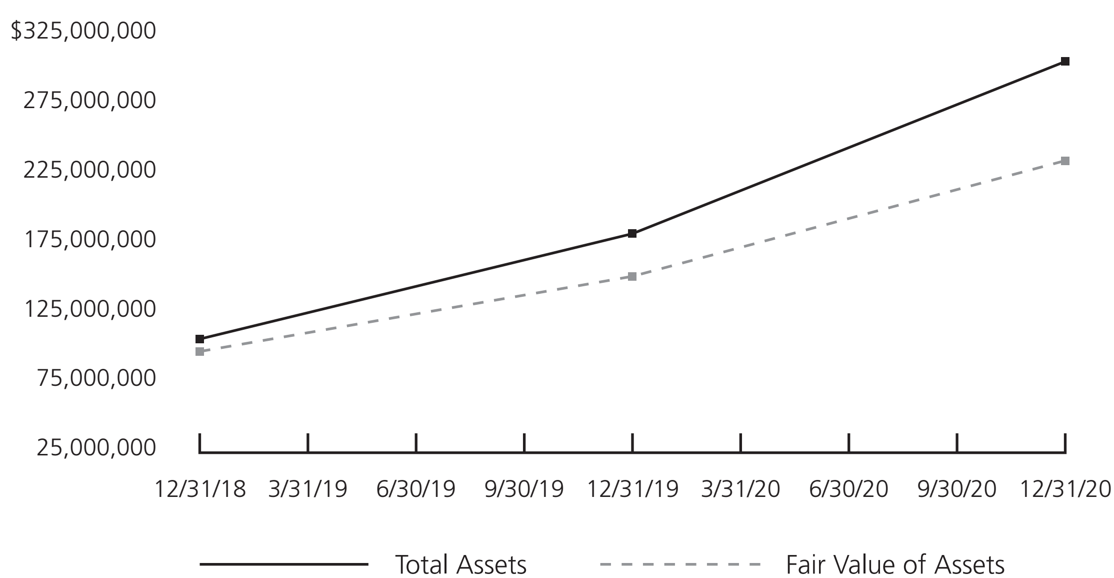
The year was indeed transformational for our families, communities and businesses. COVID-19 has created a complex and changing environment filled with challenges and previously unimaginable times across our nation and the globe. Although there was no playbook for operating in this crisis, CNL Strategic Capital was uniquely positioned to manage through the upheavals.

We believe we have assembled a portfolio of underlying businesses that have demonstrated their ability to generate consistent and growing levels of cash flows throughout various economic cycles. Throughout the market volatility in 2020, our strategy enabled us to pay our monthly distribution, maintain our quarterly share repurchase plan and focus on value creation from revenue growth opportunities in our portfolio companies. While we cannot predict future performance, we currently do not anticipate any changes to our shareholder distribution levels or quarterly share repurchase plan that provides liquidity to shareholders.

The Year in Review

Despite the pandemic, during 2020 we successfully invested $64.2 million in three additional portfolio companies. This was possible because of our capital raise, investment guiding principles and overall financial health. As of year-end, we were invested in seven portfolio companies.

Total Assets vs. Fair Value of Assets



Our investments at fair value grew by $87 million to nearly $231.2 million as of year-end 2020, compared to $144.2 million as of Dec. 31, 2019 — representing an approximate 60% increase from the prior year. Our investments' cash yields ranged from 2.5% to 10.9% and generated $14.5 million of interest and dividend income received by the company. For the year ended Dec. 31, 2020, our distribution rates ranged 3.3% to 4.7%, having declared and disbursed $9.9 million in monthly distributions to our shareholders.

Throughout 2020, our net asset valuations sustained steady growth for each share class, driven by increases in our portfolio companies' fair value. Together with distributions paid, shareholders achieved a total investment return of 13.2%, 12.0%, 11.9%, 10.1%, 10.7% and 12.8% for Class FA, Class I, Class A, Class T, Class D and Class S shares, respectively, for the year ended Dec. 31, 2020. These returns are before any applicable sales load and assume that shareholders reinvested their distributions.

For additional details on our return information for year-end 2020, please see our financial highlights table and sources of our distributions in Notes 6 and 11 in the accompanying Annual Report on Form 10-K.

Portfolio Update

Lawn Doctor

$7.3 Million Increase in Fair Value

Lawn Doctor reported net revenue for the year ended Dec. 31, 2020, of $28.7 million, compared to $25.0 million during the year ended Dec. 31, 2019 — an approximate 15% increase. Lawn Doctor's fair value increased $7.3 million during the year ended Dec. 31, 2020, and it has limited third-party debt.

Lawn Doctor provides an inherently socially distanced outside-of-home service. With little interaction between people, we believe many of their customers would consider their service essential to maintain their home's value. Hence, this has benefitted the company, having had no slowdown in operations or franchisee closures due to the pandemic. Accordingly, their business for the 12 months ended Dec. 31, 2020, performed better than the same period in 2019. Lawn Doctor continues to develop its franchise as planned across its brands. We think that its subscription service business model helps maintain a consistent revenue stream during changing economic conditions.

Polyform

$3.9 Million Increase in Fair Value

Polyform has seen steady demand throughout the year, and we believe this trend will continue as consumers are spending more time at home. There was more robust performance for the year ended Dec. 31, 2020, with net revenue of $19.0 million, an approximate 15% growth compared to $16.5 million for the year-ended Dec. 31, 2019. The company has no third-party debt and, during the year ended Dec. 31, 2020, experienced an increase in its fair value of $3.9 million to $35.2 million compared to 2019.

Polyform's craft and hobby product manufacturing facility temporarily closed in the early first quarter of 2020, given Illinois' measures to contain the spread of COVID-19. However, the company reopened in the late second quarter consistent with the state's phased recovery response guidelines and executed a cost reduction plan in the pandemic's early stages. Some retailer closures affected revenue; however, that was partially offset by a demand shift to Polyform's e-commerce business.

Auriemma U.S. Roundtables

$4.9 Million Increase in Fair Value

For the year ended Dec. 31, 2020, Auriemma reported total revenue of $10.9 million compared to $3.9 million for the period Aug. 1, 2019 to Dec. 31, 2019 — the time frame they were part of our portfolio. Auriemma's fair value at year-end

2020 was $51.4 million — an increase of $4.9 million compared to 2019. The company also has no third-party debt.

At the onset of the health crisis, Auriemma transitioned from in-person roundtables to calls and webinars to share critical business intelligence in the consumer finance sector. The company's action to deliver this highly valued aspect of its services via virtual channels during 2020 translated into lower costs and higher margins. Furthermore, new benchmarks and content focused on COVID-19 impacts and new roundtable offerings were introduced and well received. Auriemma also effectuated a cost reduction plan amid the pandemic. We believe Auriemma's subscription service business supports its ability to maintain a consistent revenue stream during changing market cycles.

"As of year-end 2020, we were invested in seven portfolio companies."

Milton Industries
$3.4 Million Increase in Fair Value
During the second quarter, Milton strategically acquired a tire gauge manufacturing company. This acquisition further supports Milton's potential for growth in new and existing markets and is an example of executing a key part of its investment strategy. Milton improved its performance during 2020, and we believe the long-term outlook remains positive. Milton has limited third-party debt, and its fair value increased $3.4 million during the year ended Dec. 31, 2020, compared to 2019.

As a producer of highly engineered pneumatic tools and accessories, Milton's manufacturing facility was considered an essential business during the pandemic and remained operational. The company's revenue was affected by a loss in retail sales, but that was partially offset by military orders in the second quarter of 2020 and an increase in e-commerce sales.

Resolution Economics
$1.4 Million Increase in Fair Value
Resolution Economics' fair value increased by $1.4 million during the year ended Dec. 31, 2020, and it has limited third-party debt.

The company's business model focuses on labor and employment litigation matters. In today's environment, these specific matters have become more complex, expansive and frequent. We expect this business to benefit from the record high unemployement resulting from the pandemic and new employment laws. Resolution Economics' revenue has increased since being added to CNL Strategic Capital's portfolio in January 2020. However, due to COVID-19, some courts were closed and a few of Resolution's clients had to delay or temporarily stop specific projects.

Blue Ridge ESOP Associates
$1.0 Million Increase in Fair Value
In March 2020, CNL Strategic Capital acquired this third-party administrator of employee stock ownership plans (ESOPs) and 401(k) plans. The decision to invest was partly due to Blue Ridge's business model and diversified client base, which positions it to be more resilient in economic recessions and less correlated to overall economic cycles.

During the year ended Dec. 31, 2020, Blue Ridge's fair value increased by $1.0 million, and it has no third-party debt.

Due to its clients' (primarily ESOPs) requirement to maintain a third-party plan administrator, Blue Ridge is considered an essential business. Therefore, the pandemic had little impact on the company's business. The company performed as expected for the year ended Dec. 31, 2020, and expanded the number of plans it services by acquiring a small ESOP business in early July.

Healthcare Safety Holdings, LLC
$0.9 Million Increase in Fair Value
In July 2020, we acquired our seventh portfolio company — our first in the healthcare sector. We are pleased to have a majority stake in Healthcare Safety Holdings (HSH), a leading producer of daily use insulin pens, syringes and related offerings for the human and animal diabetes care markets. We invested in this company because of its innovative product, brand positioning, value proposition, growth opportunities and business model, making the company more insulated from changing market and economic cycles.

As of Dec. 31, 2020, HSH had no third-party debt and its fair value was $42.6 million, an increase of $0.9 million since acquisition.

Looking Ahead
We continue to see an active pipeline of attractive opportunities to acquire high-quality companies, even in these early stages of the company's life cycle, and remain strategic and disciplined in our acquisitions approach. Our offer of private capital allows privately held companies to expand and/or recapitalize and often exit founders who are no longer involved in the day-to-day business activities.

On behalf of our board of directors and everyone at CNL Strategic Capital, thank you for your ongoing support. Please continue to be well as we all navigate through this challenging time and look forward to brighter days ahead.

James M. Seneff
Chairman of the Board

Chirag J. Bhavsar
Chief Executive Officer

Please refer to our annual report on Form 10-K for a discussion of risks and the use of forward-looking statements contained in this letter.

CNL *Strategic Capital*

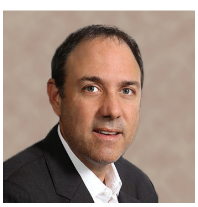
Sub-managed by **Levine Leichtman**

Board of Directors

James M. Seneff
Director and Chairman of the Board
CNL Strategic Capital

Arthur E. Levine
Director
CNL Strategic Capital

Mark D. Linsz
Independent Director
Audit Committee Chairman
CNL Strategic Capital



Benjamin A. Posen
Independent Director
CNL Strategic Capital

Robert J. Woody
Independent Director
CNL Strategic Capital

Executive Officers

Chirag J. Bhavsar
CEO
CNL Strategic Capital

Tammy J. Tipton
Chief Financial Officer
CNL Strategic Capital

Brett A. Schlemovitz
Chief Operating Officer
CNL Strategic Capital

Company Profile

CNL Strategic Capital (the company) is a limited liability company that primarily seeks to acquire controlling equity stakes and loan positions in growing and durable middle-market businesses. The company seeks to provide long-term growth and monthly income, while protecting invested capital. CNL Strategic Capital intends to target businesses that have historically generated stable, free cash flow and where management has a meaningful ownership stake in the business. The company is externally managed by CNL Strategic Capital Management, LLC, which is a registered investment adviser.

Shareholder Information

Inquiries by shareholders should be directed to:
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866-650-0650

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Manager

CNL Strategic Capital Management, LLC
Orlando, Florida

Legal Counsel

Clifford Chance US LLP
New York, NY

Independent Registered Certified Public Accounting Firm

Ernst & Young LLP
Charlotte, North Carolina

Form 10-K

The company's annual report as filed on Form 10-K with the U.S. Securities and Exchange Commission (the Commission) is enclosed with this report. Additional copies may be obtained at no charge upon written notice to Ms. Tracey B. Bracco, the company's secretary, at the corporate office address above. The Commission maintains a website located at sec.gov that contains reports, proxy and information statements, and other information regarding the company that is filed electronically with the Commission. In addition, the company makes available free of charge on its website, cnlstrategiccapital.com, the company's filings with the Commission.

Electronic Delivery

Sign up today to receive next year's annual report and proxy materials via the Internet rather than by mail. Additional mailings, such as distribution statements and tax forms, are also available electronically. To sign up to receive these mailings electronically, or to review or change your current delivery preferences, please visit our website at cnlstrategiccapital.com/gopaperless.

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