

Houlihan Lokey

BDC Monitor

Fall 2026

FIRST LIEN

SOFR
+500 bps
Median Coupon for Newly Issued Loans in Q2 2026
+25 bps QoQ

98.5%
Weighted Average Loan Price
-34 bps QoQ

9.27%
Average Yield
+10 bps QoQ

1.9%
Nonaccrual Rate
-22 bps QoQ

47.2%
Implied Recovery Rate for Loans on Nonaccrual Status
-693 bps QoQ

SECOND LIEN

SOFR
+575 bps
Median Coupon for Newly Issued Loans in Q2 2026
-25 bps QoQ

96.4%
Weighted Average Loan Price
+40 bps QoQ

12.20%
Average Yield
-42 bps QoQ

$556.8B
Aggregate Fair Value of Investments Held in BDC Portfolios
+$4.9B QoQ

10,600
Aggregate Number of Unique Portfolio Companies Held in BDC Portfolios
+144 QoQ

Source: Advantage Data.
Notes:
(i) 10,600 aggregate number of unique portfolio companies held in BDC portfolios excludes cross-held investments.
(ii) Prior-period figures have been restated to reflect a more complete extract of BDC holdings data and corrected vendor data.

Houlihan Lokey's Portfolio Valuation and Fund Advisory Services and Asset Management teams are pleased to present the Fall 2026 edition of the BDC Monitor, which includes key trends for more than 170 BDCs to help you stay ahead in this constantly evolving industry.

We hope you will find this update to be informative and a valuable resource for staying abreast of the market. If there is additional content you would find useful for future updates, please do not hesitate to call or email us with your suggestions. We look forward to staying in touch with you.



BDC Market Landscape

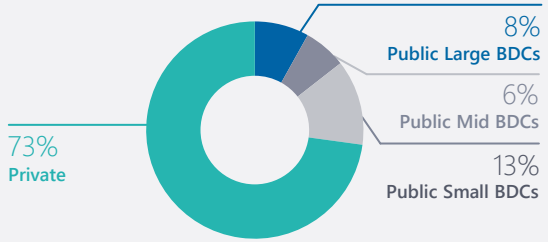
- The top 10 managers account for 16% of BDCs by fund count but 59% of total BDC assets.
- BDC portfolios continued to grow in Q2 2026. The total fair value of public and private BDC investments reached $557 billion, up from $552 billion in Q1 2026, as the number of investments rose by 1,031 to 54,918. Private BDCs drove the increase, while public BDC portfolios edged down to $153 billion.
- Private BDCs account for nearly three-quarters of the more than 170 active funds. Since 2020, their portfolio fair value has grown from $21 billion to $403 billion as of Q2 2026, lifting their share of total BDC fair value from approximately 17% to about 72%.

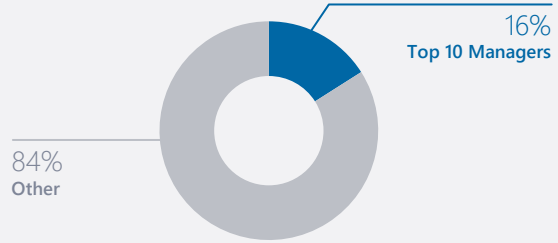
Total Active BDC Funds

Number of Funds Tracked, Actual

More Than 170

Total Active Funds



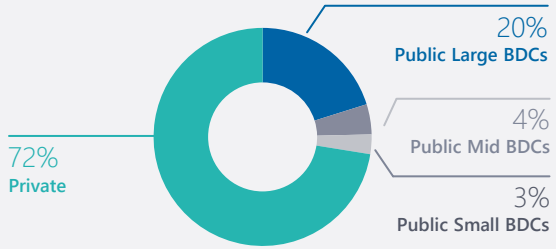


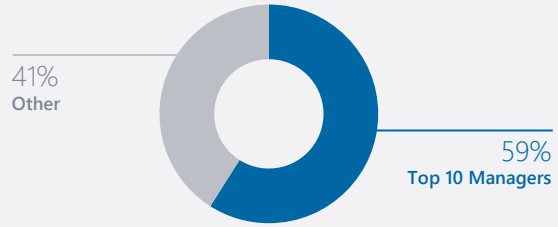
Total Assets of Privately Registered and Publicly Traded BDC Funds

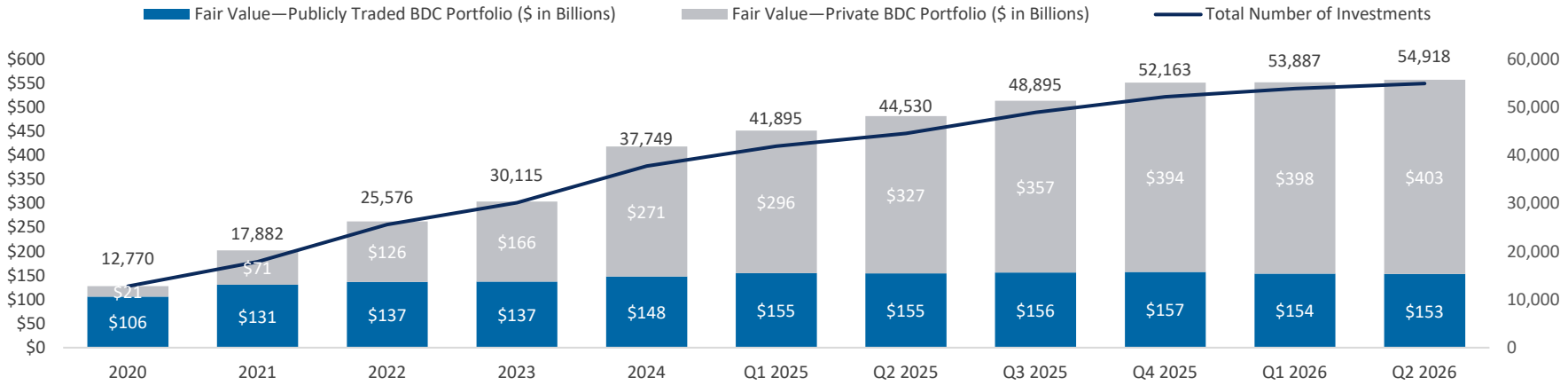
Cumulative Total Assets

$557 Billion

Total Assets







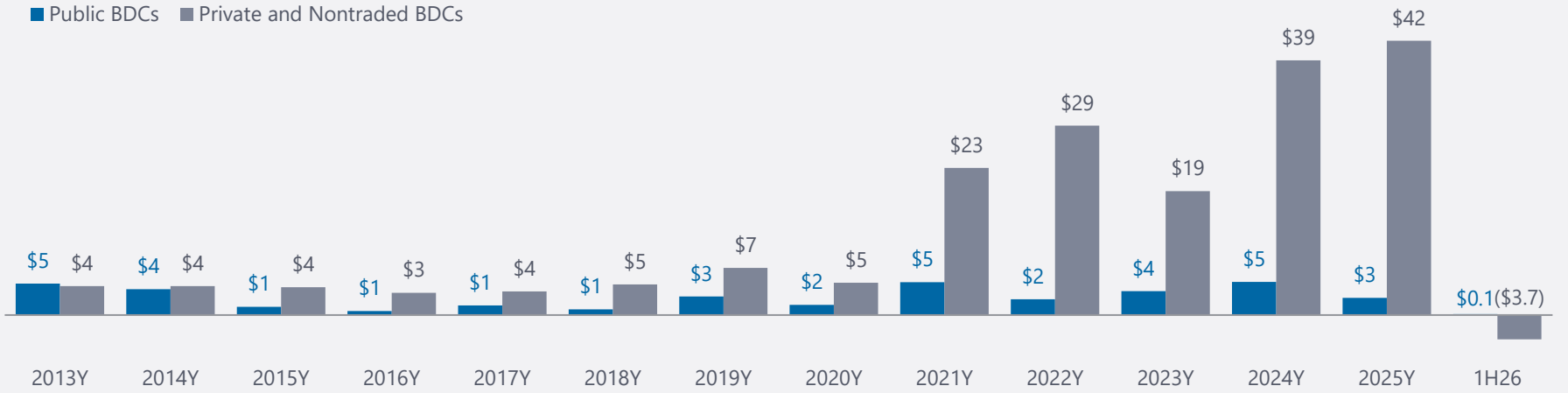
Sources: Advantage Data, SEC Filings, and S&P Capital IQ.
Notes: Represents data for all BDCs tracked by Advantage Data that were filed as of October 16, 2026. Excludes outliers. The data is meant to reflect performing loans only. 54,918 represents the total number of BDC investments.

Private BDC Flows Turn Negative, Net Interest Spreads Narrow

- Private and nontraded BDCs raised the most BDC equity from 2021 to 2025, issuing at NAV rather than at a market price. In 1H ‘26, redemptions outpaced new capital, leaving net equity raised at negative $3.7 billion, the first net outflow in the series. Public BDCs raised $0.1 billion. As of June 30, 2026, only six out of the 47 public BDCs traded above their NAV.
- Debt-to-equity climbed steadily from 0.93x in 2020 to a cycle high of 1.09x by year-end 2022. Facing higher borrowing costs, BDCs deleveraged to 0.93x by year-end 2025 and have slightly increased to 0.98x in 1H ‘26.
- The gap between interest income and interest expense rates narrowed from the 4.8% peak in 2023 to 3.7% in 2025 and continued to tighten to 3.3% in 1H ‘26, as strong competition for deals and tight spreads cut asset yields even as borrowing costs for BDCs started to rise.

Total BDC Net Equity Capital Raised

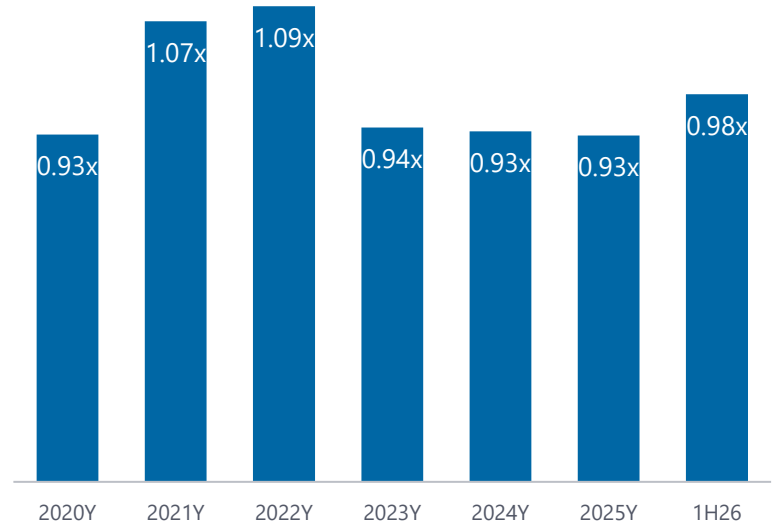
$ in Billions



Reflects heightened redemption activity.

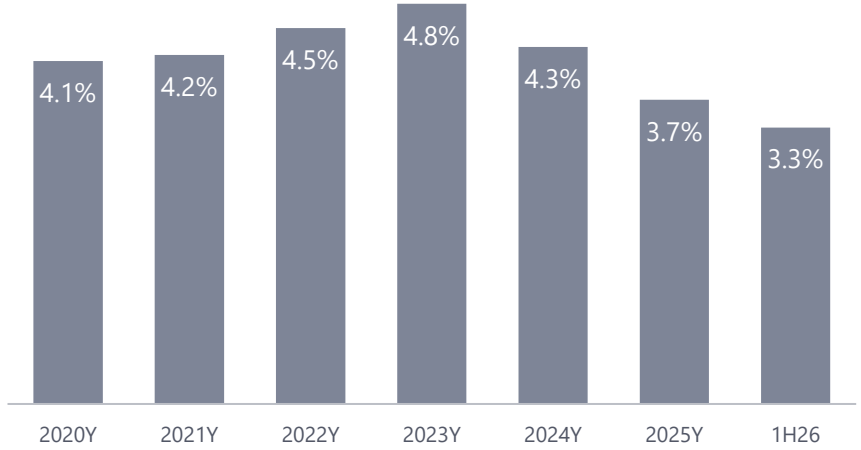
Leverage Edges Up From Year-End 2025 Low

Industry Debt-to-Equity Ratios



Net Interest Spread Has Tightened

Difference Between Interest Income and Interest Expense Rates



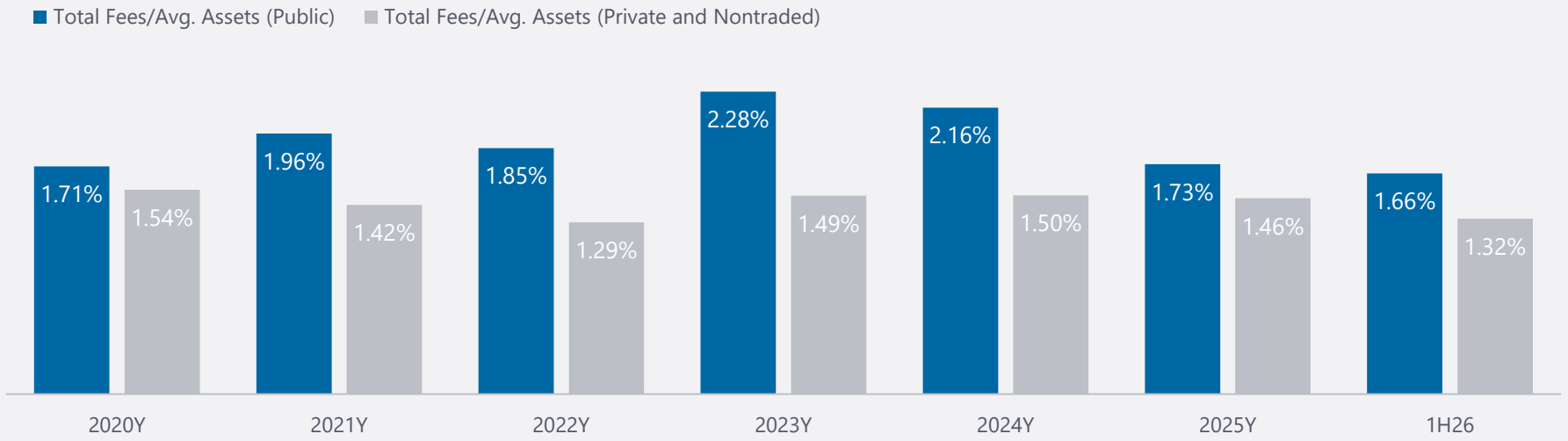
Sources: SEC filings and S&P Capital IQ as of September 30, 2026.
Note: According to the SEC, Form 10 is effective 60 calendar days after filing, regardless of SEC review, and this can be effective earlier if acceleration is requested; nontraded BDCs are publicly offered under the Securities Act of 1933 using Form N-2, which is declared effective by the SEC.

Public and Private Fees Fall as More Advisers Waive or Cut Fees

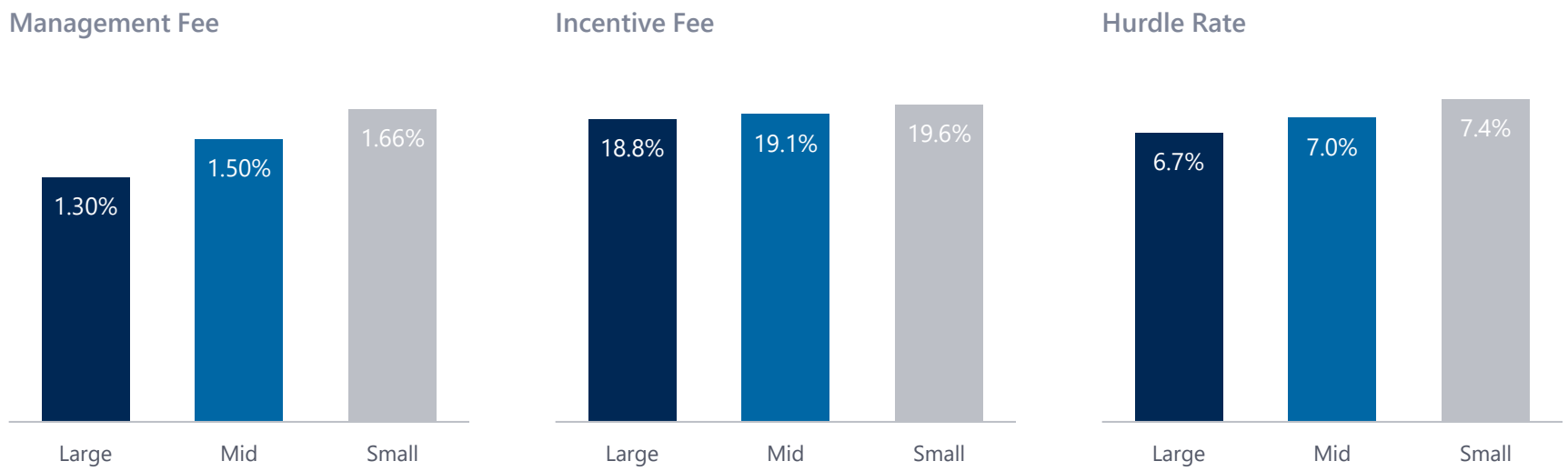
Public BDC fees peaked at 2.28% of average assets in 2023 and fell to 1.73% in 2025, near 2020 levels, before falling once more to 1.66% in 1H ‘26. Private and nontraded BDC fees have remained lower and more stable throughout the period, at 1.32% in 1H ‘26.

Merger Considerations

- Related-party BDC mergers are typically structured at or near 1.00x NAV-to-NAV, as in Chicago Atlantic BDC’s June merger agreement.
  - To support Net Investment Income accretion, managers have waived part of the combined entity’s management or incentive fees to support dividends or reset fees.
  - Other manager concessions have included reimbursing transaction costs or absorbing first-loss pro forma realized credit losses up to a set threshold.

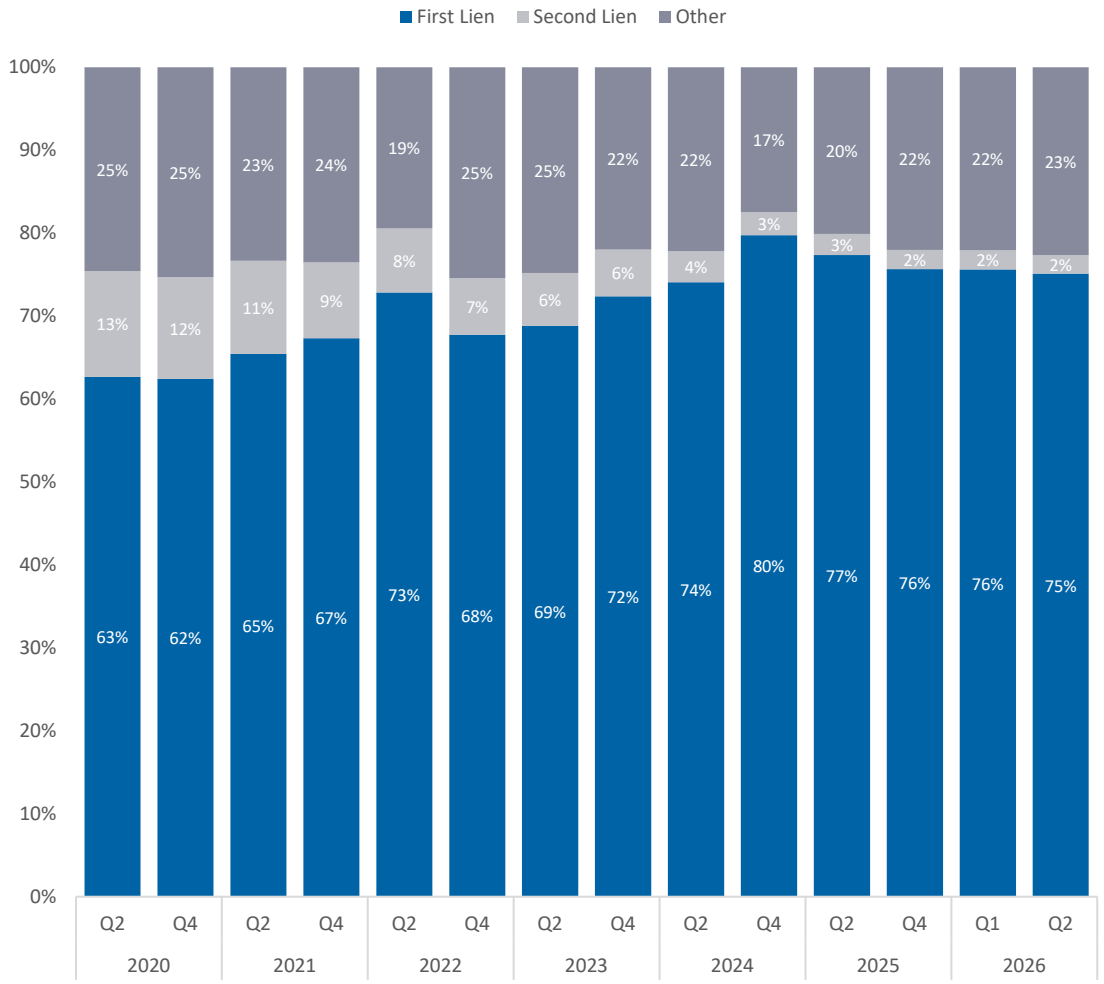


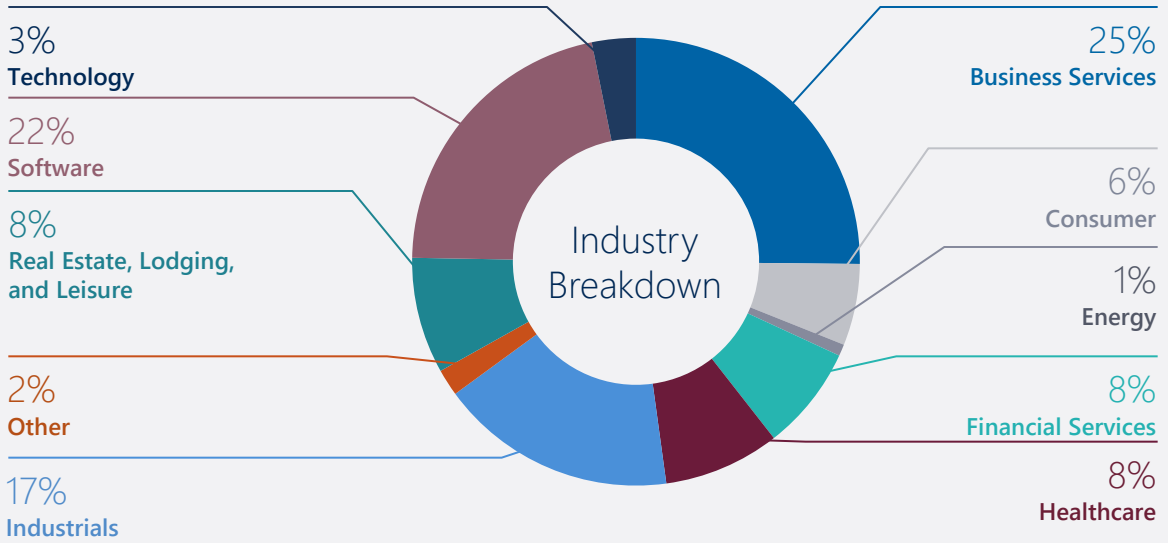
Average Fee Structure by Public BDC Size



Sources: SEC filings and S&P Capital IQ as of September 30, 2026.
Note: Financial data as of September 30, 2026. Small, mid, and large BDCs are funds with NAV under $500 million, between $500 million and $1 billion, and above $1 billion, respectively.

BDC Portfolio Composition





Industry	First Lien Yields
Software	9.6%
Technology	9.6%
Healthcare	9.4%
Consumer	9.4%
Business Services	9.2%
Industrials	9.2%
Other	9.2%
Real Estate, Lodging, and Leisure	9.0%
Energy	8.9%
Financial Services	8.7%

Industry	Second Lien Yields
Software	13.9%
Technology	13.4%
Other	12.8%
Healthcare	12.5%
Energy	12.3%
Industrials	12.0%
Business Services	11.9%
Consumer	11.4%
Real Estate, Lodging, and Leisure	11.3%
Financial Services	11.2%

Source: Advantage Data as of October 16, 2026.
Notes: Percentages may not sum to 100% due to rounding. The BDC portfolio composition represents the aggregate composition of all BDC portfolios tracked by Advantage Data. Industry breakdown is based on the industry of each BDC portfolio company and is divided by aggregate principal for each BDC investment.

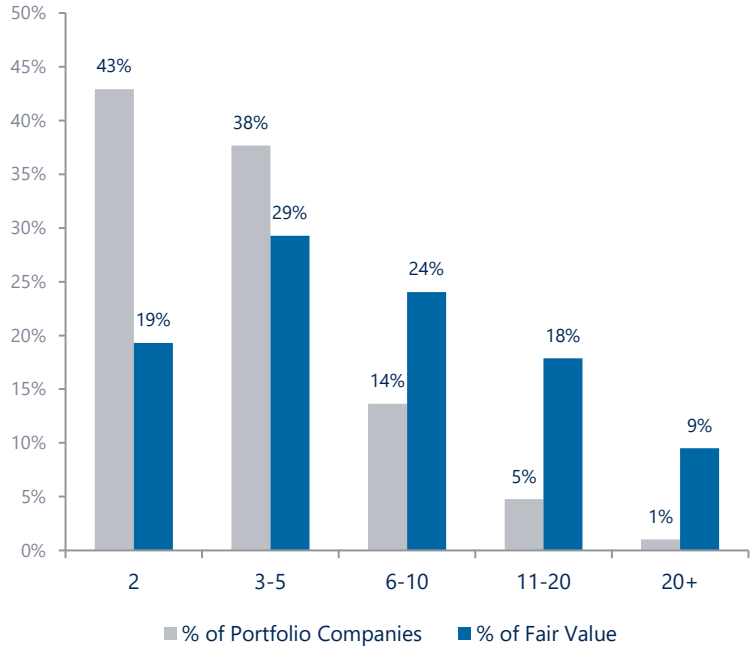
BDC Portfolio Overlap and Concentration

- Q2 2026 cross-holdings universe: 5,266 unique portfolio companies, representing approximately 49.7% of all unique holdings, are held by two or more BDCs, with an average of 4.2 BDCs per name and a range from two to 44 holders.
- Software and business services make up 12 of the top 15, and insurance distribution platforms the other three, led by Integrity Marketing Acquisition LLC (44 holders).
- Of the cross-held population, approximately 81% of the portfolio companies by count and 49% by fair value are cross-held by two to five BDCs, while 14% by count and 24% by fair value are cross-held by six to 10 BDCs. Only 6% of the portfolio companies by count and 27% by fair value are cross-held by more than 10 BDCs. Club deals are common, but extreme overlap is rare, except for very large deals.
- Business services (24.5%) and software (20.5%) account for the largest shares of cross-held FV; software carries the largest heavily syndicated tail, with 8.9% of cross-held FV held by more than 10 BDCs, ahead of business services at 6.0% and financial institutions at 4.5%.

Top 15 Cross-Held Portfolio Companies

#	Portfolio Company	Industry	Holders	FV ($M)	Spread
1	Integrity Marketing Acquisition LLC	Financial Institutions	44	$2,004	500
2	Galway Borrower LLC	Financial Institutions	39	$981	450
3	MRI Software LLC	Software	35	$1,153	475
4	IG Investments Holdings LLC	Business Services	33	$1,268	500
5	Auctane LLC	Software	32	$2,532	575
6	GS Acquisitionco Inc.	Software	32	$661	525
7	Jeppesen Holdings LLC	Software	31	$1,393	475
8	Coupa Hldg LLC	Software	31	$730	525
9	PDI TA Hldgs Inc.	Business Services	31	$720	350
10	Flexera Software Inc.	Software	30	$1,593	450
11	Apex Service Partners LLC	Business Services	29	$1,022	500
12	Diligent Corp.	Software	29	$926	500
13	Higginbotham Insurance Agency Inc.	Financial Institutions	29	$667	450
14	Kaseya Traverse Inc.	Software	29	$641	325
15	OEConnection LLC	Business Services	29	$578	450

Distribution by Holder Count



Industry Concentration by Cross-Holding Intensity (% of Cross-Held FV)

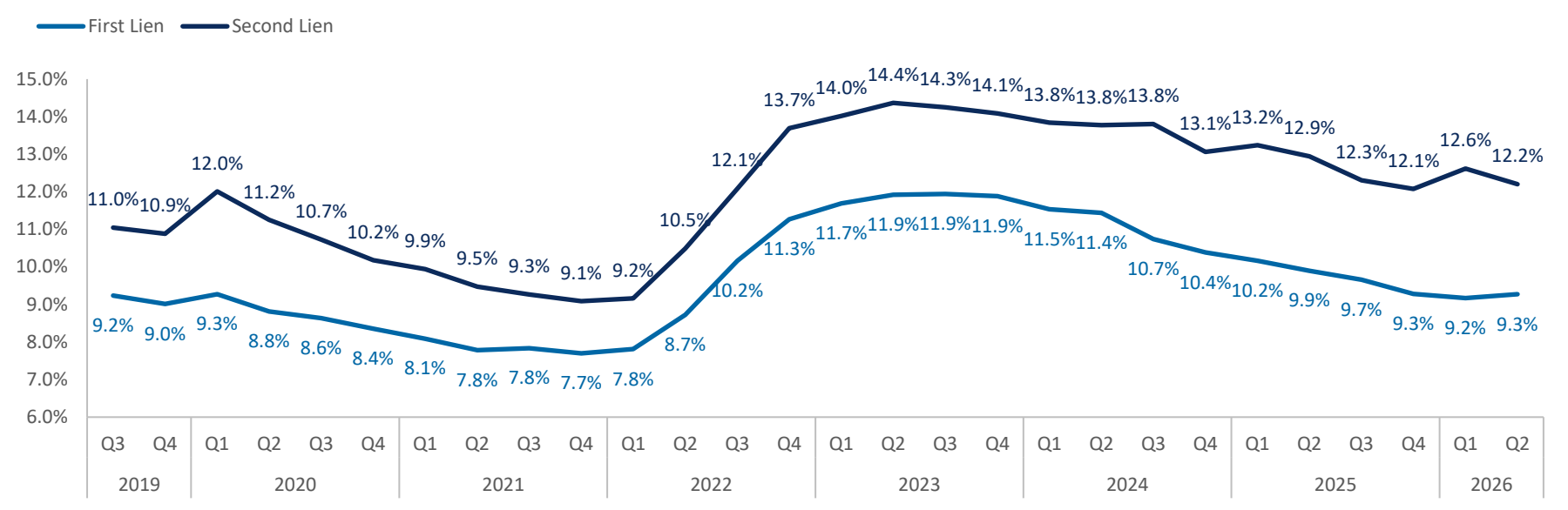
Industry	2 BDCs	3 to 5 BDCs	6 to 10 BDCs	11 to 20 BDCs	20+ BDCs
Business Services	5.0%	7.1%	6.3%	4.2%	1.8%
Software	2.5%	4.2%	4.8%	4.8%	4.1%
Industrials	4.5%	5.8%	4.1%	2.1%	0.5%
Financial Institutions	1.3%	2.2%	1.5%	2.7%	1.7%
Healthcare	1.6%	3.3%	2.2%	1.2%	0.4%
Real Estate, Lodging, and Leisure	2.1%	2.3%	1.7%	1.2%	0.3%
Consumer	1.2%	2.7%	1.3%	0.7%	0.2%
Technology, Media, and Telecom	0.7%	0.9%	1.1%	0.5%	0.5%
Other	0.4%	0.5%	1.1%	0.2%	0.0%
Energy	0.1%	0.2%	0.0%	0.2%	0.0%

Source: Advantage Data as of October 16, 2026.
Note: Reflects unique portfolio companies held by two or more BDCs as of Q2 2026. Cross-held FV represents the sum of fair value across all BDC holders of each name. Aggregate cross-held FV total: $493.7 billion. Spread reflects the fair-value-weighted median spread across all First Lien and Unitranche tranches held by reporting BDCs.

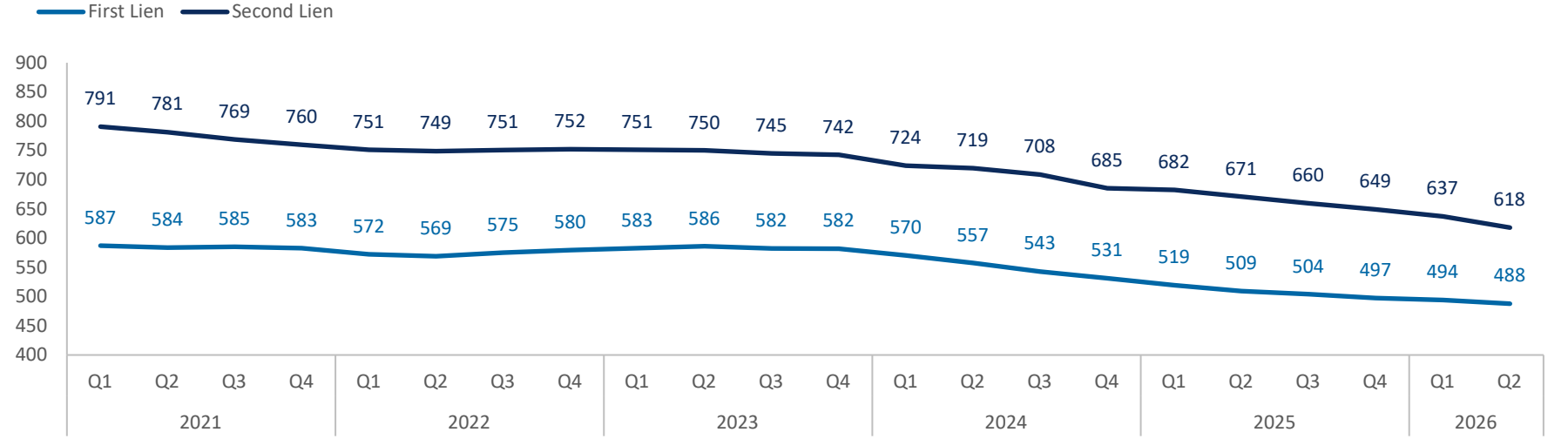
Second Lien Yields and Spreads Fall as First Lien Remains Steady

- Q2 2026 deal volume fell sharply as Middle East tensions stalled M&A and many managers prioritized buybacks and deleveraging over new deployment. Venture lenders were the exception, with Hercules and Trinity posting record originations.
- Q2 2026 extended the multi-year compression in portfolio-average coupons, down 6 bps for first lien and 19 bps for second lien, even as the median new first lien coupon widened 25 bps to SOFR+500. Managers tied firmer pricing and stronger lender terms to a shrinking supply of direct lending capital, led by redemptions at retail-funded vehicles, even as M&A-driven demand for capital stayed soft.
- Average first lien yields rose from 9.2% in Q1 2026 to 9.3% in Q2 2026, while second lien yields fell from 12.6% to 12.2%, leaving both below Q2 2025 levels.
- In Q2 2026, the first lien spread distribution remained tightly clustered: roughly 53% of first lien loans priced at S+450 or S+500, and 78% sat inside the S+400 to S+600 band. The second lien distribution was meaningfully wider, with 75% priced between S+500 and S+800.

Average Yields



Average Coupon (Spread Over SOFR)

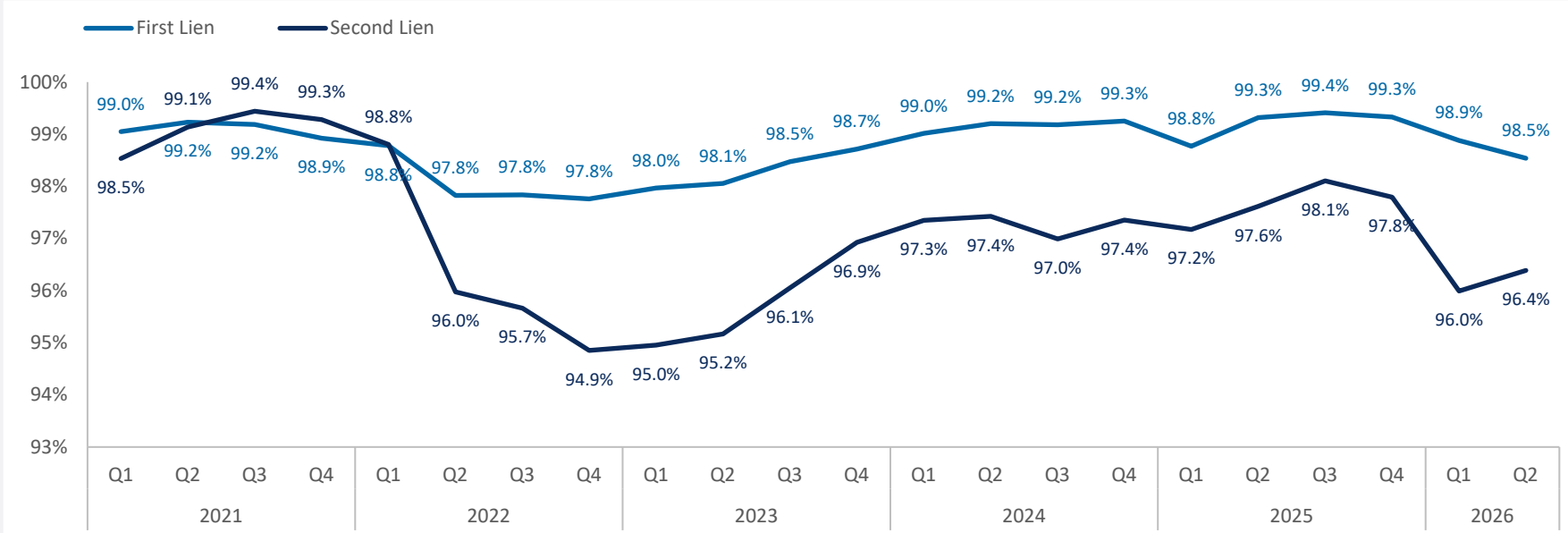


Source: Advantage Data as of October 16, 2026.
Notes: Yield is based on reported fair value, stated maturity, and stated interest rate. Represents data for all BDCs tracked by Advantage Data. Excludes outliers.

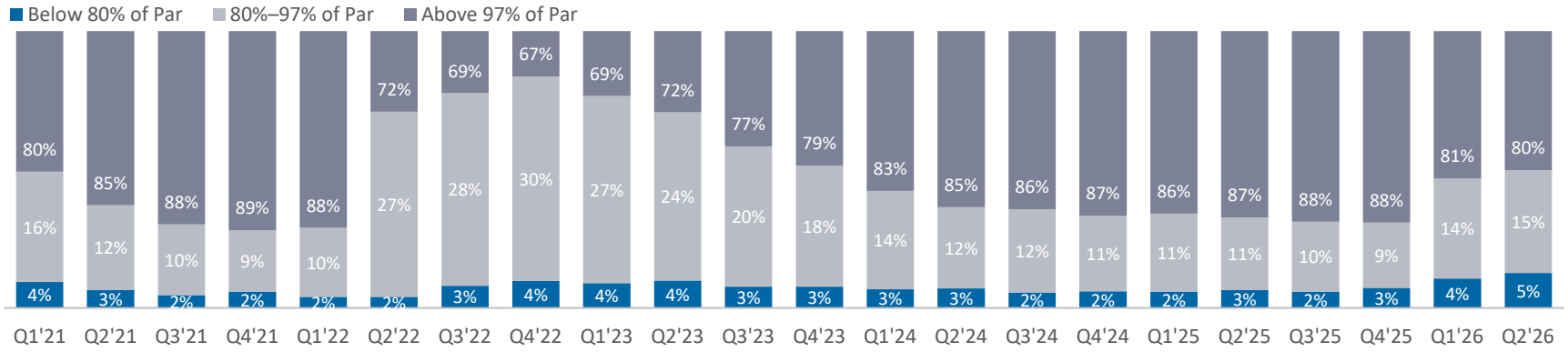
Loan Pricing

- First lien loan prices continued to decline, with the weighted average falling from 99.3% of par in Q4 2025 to 98.5% of par in Q2 2026.
- Second lien prices partly recovered, rising from 96.0% to 96.4% of par after Q1's sharp markdown. Spread-driven marks largely stopped in Q2: Blue Owl attributed about three-quarters of its Q1 NAV decline to spread widening, against a Q2 decline driven by one credit. Company-specific credit is now the main driver of valuation changes.
- Several BDCs categorize their portfolios by risk level. As of Q2 2026, an average of 8.6% of BDC portfolios were deemed riskier than at underwriting, 8.4% were considered less risky, and 82.9% matched the original underwriting risk.(2)
- Pricing tiers offer a more objective, market-driven view of portfolio health and an early signal of distress as the distribution shifts over time.
- For the third consecutive quarter, BDC loan pricing skewed weaker: loans below 80.0% of par rose to 5.0% of the portfolio as of Q2 2026, while loans above 97.0% of par fell to 80.1%. Managers described new credit issues as company-specific and concentrated in 2020 to 2022 vintages rather than sector-wide.

Weighted Average Loan Price(1)



Investment Percentage of Par Buckets(3)(4)

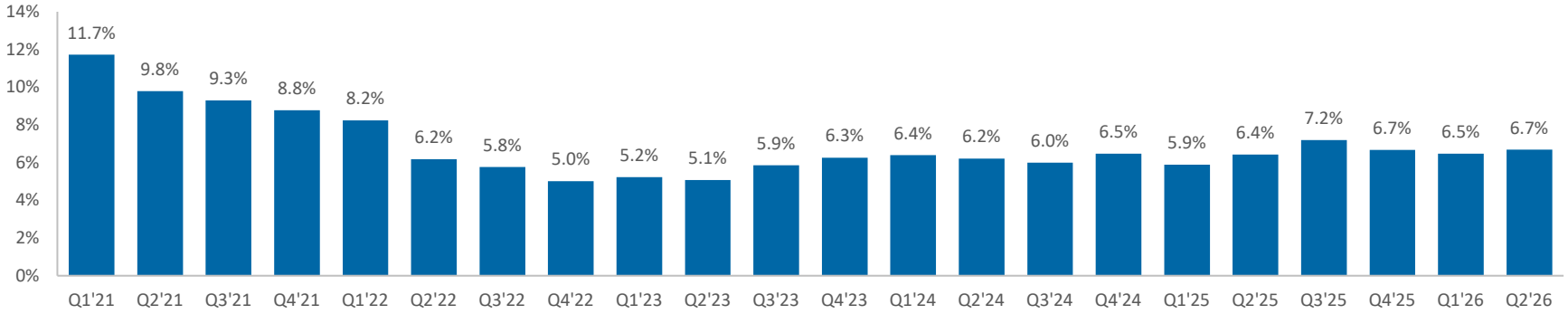


Source: Advantage Data as of October 16, 2026.
(1) Expressed as a percentage of par. Represents data for all BDCs tracked by Advantage Data that were filed as of October 16, 2026. The data excludes outliers and is meant to reflect performing loans only.
(2) Risk-level averages are computed across the BDCs disclosing each category: eight funds report investments deemed riskier than at underwriting, and six report investments deemed less risky. The residual matching original underwriting risk is derived from averages over differing fund sets and is not directly comparable.
(3) Reflects the allocation of loans into buckets based on their fair value percentage of par. The relative allocation is based on cost.
(4) Figures may not total 100% due to rounding.

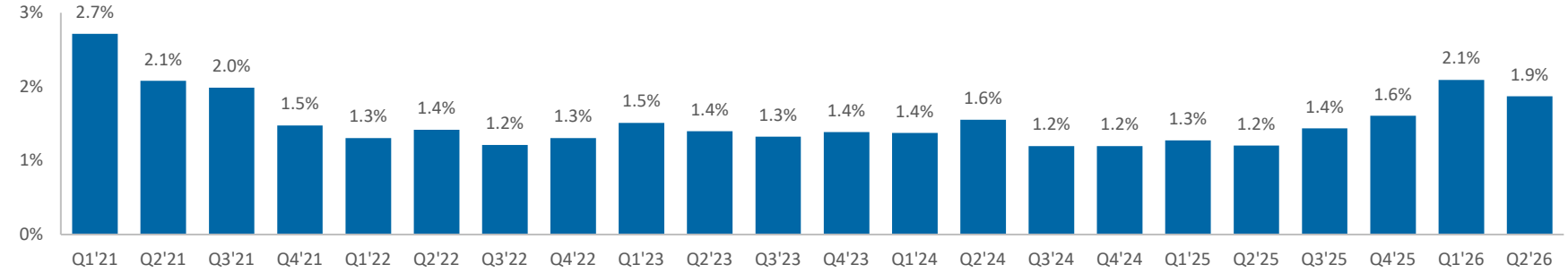
Nonaccruals Ease, but Recoveries Weaken

- PIK as a percentage of total interest income was 6.7% in Q2 2026, up from 6.5% in Q1 2026 and level with Q4 2025. Ares said PIK on new deals is less prevalent and more scrutinized, and several lenders reported most PIK is structured at origination.
- Nonaccruals eased to 1.9% in Q2 2026 from 2.1% in Q1 2026, the first quarterly decline since Q2 2025. Improvement came mainly from restructurings, asset sales, and repayments rather than write-offs. New additions were idiosyncratic, with managers rejecting a common industry or AI theme and locating stress in 2020 to 2022 vintages and deferrable consumer names rather than software.
- The implied recovery rate on nonaccrual investments fell to 47.2% in Q2 2026 from 54.2% in Q1 2026, its lowest since Q4 2024. Restructurings closed in the quarter generally crystallized losses largely reflected in prior marks.
- Managers expect nonaccruals to keep normalizing toward long-run averages and dispersion among managers to widen. By the time Q2 2026 results were reported, rate-cut expectations had given way to hike risk. Most viewed higher base rates as a net earnings positive, though some flagged the added burden on weaker borrowers. Views differed on how severe and lasting the current period of credit stress will be.

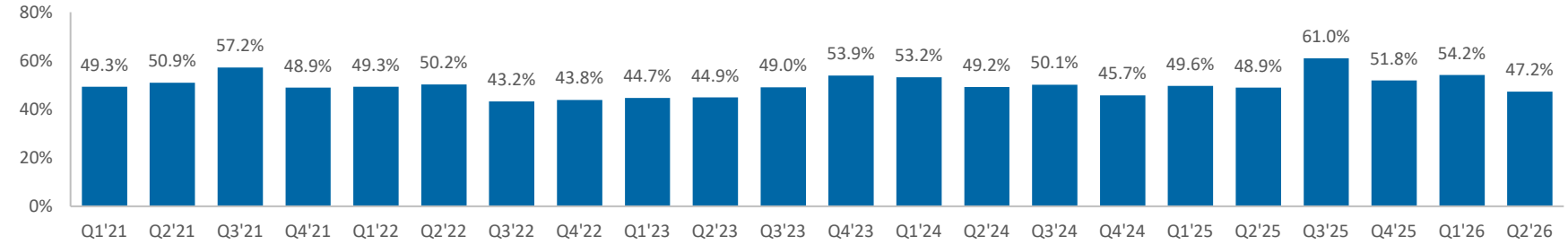
PIK as a Percentage of Total Interest Income(1)



Nonaccrual Investments as a Percentage of Total Portfolio(2)



Nonaccrual Investments Implied Recovery Rate(3)



Source: Advantage Data as of October 16, 2026.
(1) Reflects PIK income as a percentage of total interest income for BDCs tracked by Advantage Data. Loans paying both PIK and cash contribute only their PIK portion.
(2) Reflects the cost of nonaccrual investments as a percentage of total portfolio cost for BDCs tracked by Advantage Data.
(3) Reflects the fair value of nonaccrual investments as a percentage of the cost of nonaccrual investments for BDCs tracked by Advantage Data.

Publicly Traded BDC Market Snapshot

Large-Cap

- In Q2 2026, large-cap BDCs saw deal volume fall sharply, as stalled sponsor M&A and a near halt in refinancings left most sponsor lenders with net portfolio declines, while venture lenders Hercules and Trinity posted record originations. Originations leaned on incumbents and add-ons. Spreads held roughly 25 bps to 50 bps wider than 2025 lows, and lenders secured lower leverage, higher fees, and stronger documentation as retail-channel redemptions thinned competition.
- Borrower fundamentals held, with mid-to-high-single-digit EBITDA growth and interest coverage improving or holding near 2.0x to 2.4x. Net leverage ranged roughly 3.7x to 6.2x, and sponsor-lender LTVs sat in the high 30s to low 50s. Nonaccruals improved at seven of 14 lenders, though dispersion stayed wide, from 6.9% of cost at FS KKR to 0.2% at Hercules. With spread-driven marks largely behind them, NAV moves turned company-specific: eight of 14 declined, none by more than 2.8%, led by Blackstone and FS KKR, while Main Street, Hercules, and Trinity grew.
- Large-cap BDCs flagged a reversal in the rate path, with forward curves pricing hikes, which most viewed as a net earnings positive. Managers were constructive but humble on the timing of a sponsor M&A recovery. With nine of 14 trading below NAV, repurchases and deleveraging displaced deployment. The credit cycle drew mixed views, and software AI risk remained a concern, though sentiment improved from Q1.

Price to NAV

Main Street Capital Corp.	1.59x
Capital Southwest Corp.	1.39x
Hercules Capital, Inc.	1.33x
Trinity Capital Inc.	1.19x
Sixth Street Specialty Lending, Inc.	1.05x
Ares Capital Corp.	0.97x
Blackstone Secured Lending Fund	0.93x
Golub Capital BDC, Inc.	0.85x
Oaktree Specialty Lending Corp.	0.74x
Goldman Sachs BDC, Inc.	0.72x
Blue Owl Capital Corp.	0.71x
Morgan Stanley Direct Lending Fund	0.67x
FS KKR Capital Corp.	0.56x
Prospect Capital Corp.	0.28x
Mean	0.93x
Median	0.89x

Dividend Yield

Prospect Capital Corp.	26.3%
FS KKR Capital Corp.	19.7%
Goldman Sachs BDC, Inc.	15.3%
Morgan Stanley Direct Lending Fund	13.8%
Blackstone Secured Lending Fund	12.9%
Trinity Capital Inc.	12.7%
Blue Owl Capital Corp.	12.5%
Hercules Capital, Inc.	11.5%
Capital Southwest Corp.	11.1%
Golub Capital BDC, Inc.	10.9%
Oaktree Specialty Lending Corp.	10.7%
Sixth Street Specialty Lending, Inc.	10.4%
Ares Capital Corp.	10.3%
Main Street Capital Corp.	8.1%
Mean	13.3%
Median	12.0%

Total Assets ($ in Millions)

Ares Capital Corp.	$30,498
Blue Owl Capital Corp.	$15,355
Blackstone Secured Lending Fund	$13,789
FS KKR Capital Corp.	$11,994
Golub Capital BDC, Inc.	$8,340
Prospect Capital Corp.	$6,449
Main Street Capital Corp.	$5,941
Hercules Capital, Inc.	$4,688
Morgan Stanley Direct Lending Fund	$3,711
Sixth Street Specialty Lending, Inc.	$3,543
Goldman Sachs BDC, Inc.	$3,288
Oaktree Specialty Lending Corp.	$2,858
Trinity Capital Inc.	$2,805
Capital Southwest Corp.	$2,316
Mean	$8,255
Median	$5,315

ROA

Hercules Capital, Inc.	11.2%
Main Street Capital Corp.	10.4%
Trinity Capital Inc.	9.7%
Capital Southwest Corp.	8.6%
Sixth Street Specialty Lending, Inc.	6.0%
Ares Capital Corp.	6.0%
Blue Owl Capital Corp.	5.1%
Goldman Sachs BDC, Inc.	5.1%
Blackstone Secured Lending Fund	5.0%
Oaktree Specialty Lending Corp.	5.0%
Golub Capital BDC, Inc.	4.9%
Morgan Stanley Direct Lending Fund	4.8%
Prospect Capital Corp.	4.1%
FS KKR Capital Corp.	0.4%
Mean	6.2%
Median	5.1%

ROE

Hercules Capital, Inc.	17.3%
Main Street Capital Corp.	14.9%
Trinity Capital Inc.	12.9%
Capital Southwest Corp.	11.2%
Ares Capital Corp.	6.9%
Sixth Street Specialty Lending, Inc.	5.6%
Blackstone Secured Lending Fund	4.8%
Golub Capital BDC, Inc.	4.5%
Goldman Sachs BDC, Inc.	4.1%
Blue Owl Capital Corp.	3.9%
Morgan Stanley Direct Lending Fund	3.5%
Prospect Capital Corp.	3.4%
Oaktree Specialty Lending Corp.	3.0%
FS KKR Capital Corp.	(6.6%)
Mean	6.4%
Median	4.6%

Nonaccrual

FS KKR Capital Corp.	6.9%
Goldman Sachs BDC, Inc.	5.0%
Prospect Capital Corp.	4.7%
Main Street Capital Corp.	4.0%
Oaktree Specialty Lending Corp.	3.6%
Blackstone Secured Lending Fund	3.5%
Capital Southwest Corp.	2.9%
Morgan Stanley Direct Lending Fund	2.8%
Blue Owl Capital Corp.	2.4%
Ares Capital Corp.	2.4%
Sixth Street Specialty Lending, Inc.	1.9%
Golub Capital BDC, Inc.	1.5%
Trinity Capital Inc.	1.5%
Hercules Capital, Inc.	0.2%
Mean	3.1%
Median	2.8%

Sources: S&P Capital IQ and SEC filings.
Note: As of October 16, 2026.
Large-cap = market cap greater than $1 billion.
ROA = (net change in net assets + interest expense) / average assets.
ROE = net change in net assets / average equity.
Nonaccrual figures reflect vendor-derived data at cost and may differ from measures disclosed by individual managers.

Publicly Traded BDC Market Snapshot

Mid-Cap

- In Q2 2026, mid-cap BDCs saw origination outcomes diverge sharply within a soft market, with lenders at or above target leverage deliberately holding back while others with capacity deployed. Activity built through June and into July, with originations split between new platforms and incumbents. Pricing stabilized after Q1's widening, with new first lien deals around 475 bps to 570 bps over SOFR. Competition remained intense, most notably at the smallest end of the market.
- Nonaccruals rose at five lenders and declined at three, with managers calling the additions idiosyncratic rather than thematic. MSC Income reached 5.6% of cost and MidCap Financial 4.6%, while Fidus exited its lone position after quarter-end. NAV per share declined at 10 of 11, mostly modestly and often on mechanical items, with MSC Income the lone gainer. Net leverage ranged from 4.1x to 5.4x, with new deals lower, around 4.5x at Bain, and interest coverage clustered between 2.1x and 2.5x.
- Mid-cap managers described a reversal in the rate path, with forward curves now pricing hikes, and cited Middle East tensions and energy prices as holding back M&A. New Mountain and Fidus cited large sponsor exit backlogs, but managers were humble on timing. With the cohort trading at a mean 0.71x NAV, capital allocation displaced deployment, as repurchases, deleveraging, and LME took priority over originations. Managers located credit stress in 2020 to 2021 vintages and rejected an AI theme.

Price to NAV

Fidus Investment Corp.	0.98x
Gladstone Investment Corp.	0.93x
Barings BDC, Inc.	0.77x
MSC Income Fund, Inc.	0.71x
Carlyle Secured Lending, Inc.	0.67x
PennantPark Floating Rate Capital Ltd.	0.63x
SLR Investment Corp.	0.63x
MidCap Financial Investment Corp.	0.62x
New Mountain Finance Corp.	0.62x
Nuveen Churchill Direct Lending Corp.	0.62x
Bain Capital Specialty Finance, Inc.	0.62x
Mean	0.71x
Median	0.63x

Dividend Yield

Bain Capital Specialty Finance, Inc.	18.4%
Carlyle Secured Lending, Inc.	15.9%
Nuveen Churchill Direct Lending Corp.	15.2%
MidCap Financial Investment Corp.	14.9%
New Mountain Finance Corp.	14.8%
PennantPark Floating Rate Capital Ltd.	14.7%
MSC Income Fund, Inc.	12.3%
Barings BDC, Inc.	12.3%
Fidus Investment Corp.	11.3%
SLR Investment Corp.	10.9%
Gladstone Investment Corp.	10.0%
Mean	13.7%
Median	14.7%

Total Assets ($ in Millions)

MidCap Financial Investment Corp.	$2,861
PennantPark Floating Rate Capital Ltd.	$2,635
Bain Capital Specialty Finance, Inc.	$2,620
Barings BDC, Inc.	$2,584
SLR Investment Corp.	$2,560
Carlyle Secured Lending, Inc.	$2,444
New Mountain Finance Corp.	$2,415
Nuveen Churchill Direct Lending Corp.	$1,988
Fidus Investment Corp.	$1,501
MSC Income Fund, Inc.	$1,444
Gladstone Investment Corp.	$1,303
Mean	$2,214
Median	$2,444

ROA

Gladstone Investment Corp.	17.6%
MSC Income Fund, Inc.	9.9%
Fidus Investment Corp.	8.3%
Barings BDC, Inc.	6.3%
PennantPark Floating Rate Capital Ltd.	5.9%
Nuveen Churchill Direct Lending Corp.	5.9%
SLR Investment Corp.	5.6%
Bain Capital Specialty Finance, Inc.	5.4%
MidCap Financial Investment Corp.	2.8%
New Mountain Finance Corp.	2.1%
Carlyle Secured Lending, Inc.	1.6%
Mean	6.5%
Median	5.9%

ROE

Gladstone Investment Corp.	29.2%
MSC Income Fund, Inc.	13.5%
Fidus Investment Corp.	10.8%
Barings BDC, Inc.	7.5%
SLR Investment Corp.	7.5%
Bain Capital Specialty Finance, Inc.	5.8%
Nuveen Churchill Direct Lending Corp.	5.4%
PennantPark Floating Rate Capital Ltd.	4.8%
Carlyle Secured Lending, Inc.	3.2%
MidCap Financial Investment Corp.	(2.4%)
New Mountain Finance Corp.	(4.1%)
Mean	7.4%
Median	5.8%

Nonaccrual

MSC Income Fund, Inc.	5.6%
MidCap Financial Investment Corp.	4.6%
Gladstone Investment Corp.	3.9%
Bain Capital Specialty Finance, Inc.	3.2%
Nuveen Churchill Direct Lending Corp.	2.6%
SLR Investment Corp.	2.2%
Barings BDC, Inc.	1.5%
PennantPark Floating Rate Capital Ltd.	1.2%
New Mountain Finance Corp.	1.0%
Carlyle Secured Lending, Inc.	0.8%
Fidus Investment Corp.	0.8%
Mean	2.5%
Median	2.2%

Sources: S&P Capital IQ and SEC filings.
Note: As of October 16, 2026.
Mid-cap = market cap less than $1 billion and greater than $500 million.
ROA = (net change in net assets + interest expense) / average assets.
ROE = net change in net assets / average equity.
Nonaccrual figures reflect vendor-derived data at cost and may differ from measures disclosed by individual managers.

Publicly Traded BDC Market Snapshot

Small-Cap

- In Q2 2026, small-cap deal volume reflected a largely deliberate slowdown, with several managers posting net repayments as deleveraging and buybacks ranked ahead of deployment. Originations leaned heavily on incumbents. Pricing was the most dispersed of any tier, with widening, stability, and compression all reported, though terms firmed more decisively than spreads.
- Nonaccruals as a share of portfolio cost declined at seven managers, but levels stayed elevated relative to the larger tiers, with Rand an outlier at 33.3% of cost, OFS at 15.9% after adding a new name, and Investcorp at 10.5%. NAV outcomes diverged, with some managers higher on equity markups and most lower on single-name events, distributions outpacing NII, and transaction costs, led by Horizon (down 10.7%). Small-cap BDCs trade at a mean price to NAV of 0.60x and a median of 0.55x, the deepest discount of any tier. Portfolio leverage ran roughly 4.2x to 4.8x, with interest coverage near 2.1x to 2.5x.
- Managers prioritized balance sheet repair over growth, using repurchases, deleveraging, liability management, and fee waivers to address discounts to NAV, with BlackRock TCP selling $523 million of assets into a continuation vehicle to cut net leverage to roughly 0.4x pro forma. Views on M&A split, with Chicago Atlantic and Stellus citing expanding pipelines and BCP not relying on a recovery. Credit stress was located in 2021 to 2022 vintages and deferrable consumer names rather than software, whose exposure ranged from 29.7% of fair value at BlackRock TCP to 1.8% at CION.

Sources: S&P Capital IQ and SEC filings.
Note: As of October 16, 2026.
Small-cap = market cap less than $500 million.
ROA = (net change in net assets + interest expense) / average assets.
ROE = net change in net assets / average equity.
Nonaccrual figures reflect vendor-derived data at cost and may differ from measures disclosed by individual managers.

Price to NAV

Oxford Square Capital Corp.	1.02x
Gladstone Capital Corp.	0.88x
Equus Total Return, Inc.	0.79x
Palmer Square Capital BDC Inc.	0.73x
Saratoga Investment Corp.	0.69x
Chicago Atlantic BDC, Inc.	0.69x
Horizon Technology Finance Corp.	0.69x
WhiteHorse Finance, Inc.	0.64x
BlackRock TCP Capital Corp.	0.63x
Great Elm Capital Corp.	0.63x
Stellus Capital Investment Corp.	0.55x
Rand Capital Corp.	0.55x
PhenixFIN Corp.	0.54x
Runway Growth Finance Corp.	0.53x
TriplePoint Venture Growth BDC Corp.	0.51x
Crescent Capital BDC, Inc.	0.50x
CION Investment Corp.	0.49x
Neostellar Capital Corp.	0.48x
OFS Capital Corp.	0.47x
PennantPark Investment Corp.	0.46x
BCP Investment Corp.	0.46x
Investcorp Credit Management BDC, Inc	0.20x
Mean	0.60x
Median	0.55x

Dividend Yield

Oxford Square Capital Corp.	32.1%
Runway Growth Finance Corp.	21.3%
Saratoga Investment Corp.	21.2%
TriplePoint Venture Growth BDC Corp.	20.8%
Great Elm Capital Corp.	20.1%
Stellus Capital Investment Corp.	19.3%
CION Investment Corp.	18.2%
OFS Capital Corp.	17.3%
Horizon Technology Finance Corp.	16.8%
BCP Investment Corp.	16.7%
Palmer Square Capital BDC Inc.	16.4%
BlackRock TCP Capital Corp.	16.3%
Crescent Capital BDC, Inc.	16.3%
PennantPark Investment Corp.	15.8%
Neostellar Capital Corp.	15.6%
Chicago Atlantic BDC, Inc.	14.9%
WhiteHorse Finance, Inc.	13.8%
Rand Capital Corp.	12.1%
Gladstone Capital Corp.	9.5%
PhenixFIN Corp.	3.2%
Equus Total Return, Inc.	0.0%
Investcorp Credit Management BDC, Inc	0.0%
Mean	15.4%
Median	16.4%

Total Assets ($ in Millions)

CION Investment Corp.	$1,847
Crescent Capital BDC, Inc.	$1,619
BlackRock TCP Capital Corp.	$1,476
PennantPark Investment Corp.	$1,263
Saratoga Investment Corp.	$1,256
Runway Growth Finance Corp.	$1,222
Palmer Square Capital BDC Inc.	$1,133
Stellus Capital Investment Corp.	$982
Gladstone Capital Corp.	$970
Horizon Technology Finance Corp.	$832
TriplePoint Venture Growth BDC Corp.	$809
WhiteHorse Finance, Inc.	$604
BCP Investment Corp.	$469
Neostellar Capital Corp.	$420
Chicago Atlantic BDC, Inc.	$344
PhenixFIN Corp.	$310
OFS Capital Corp.	$304
Oxford Square Capital Corp.	$291
Great Elm Capital Corp.	$280
Investcorp Credit Management BDC, Inc	$161
Rand Capital Corp.	$58
Equus Total Return, Inc.	$22
Mean	$758
Median	$707

ROA

Neostellar Capital Corp.	36.1%
Chicago Atlantic BDC, Inc.	10.2%
Gladstone Capital Corp.	8.8%
TriplePoint Venture Growth BDC Corp.	8.8%
Stellus Capital Investment Corp.	6.5%
WhiteHorse Finance, Inc.	6.0%
CION Investment Corp.	5.1%
Horizon Technology Finance Corp.	4.7%
PhenixFIN Corp.	4.6%
Runway Growth Finance Corp.	4.6%
BCP Investment Corp.	4.4%
Saratoga Investment Corp.	3.9%
PennantPark Investment Corp.	3.8%
Crescent Capital BDC, Inc.	3.2%
Palmer Square Capital BDC Inc.	1.3%
Rand Capital Corp.	0.0%
OFS Capital Corp.	(1.6%)
BlackRock TCP Capital Corp.	(2.8%)
Investcorp Credit Management BDC, Inc	(5.8%)
Great Elm Capital Corp.	(5.9%)
Oxford Square Capital Corp.	(9.0%)
Equus Total Return, Inc.	(60.0%)
Mean	1.2%
Median	4.2%

ROE

Neostellar Capital Corp.	43.2%
TriplePoint Venture Growth BDC Corp.	11.5%
Chicago Atlantic BDC, Inc.	10.5%
Gladstone Capital Corp.	9.4%
Stellus Capital Investment Corp.	8.0%
WhiteHorse Finance, Inc.	6.7%
PhenixFIN Corp.	3.0%
PennantPark Investment Corp.	2.2%
Runway Growth Finance Corp.	1.6%
Horizon Technology Finance Corp.	1.4%
CION Investment Corp.	0.4%
Rand Capital Corp.	(0.3%)
Crescent Capital BDC, Inc.	(0.5%)
Saratoga Investment Corp.	(1.1%)
BCP Investment Corp.	(2.3%)
Palmer Square Capital BDC Inc.	(7.1%)
BlackRock TCP Capital Corp.	(16.8%)
OFS Capital Corp.	(17.2%)
Oxford Square Capital Corp.	(25.0%)
Great Elm Capital Corp.	(30.6%)
Investcorp Credit Management BDC, Inc	(31.7%)
Equus Total Return, Inc.	(72.8%)
Mean	(4.9%)
Median	0.1%

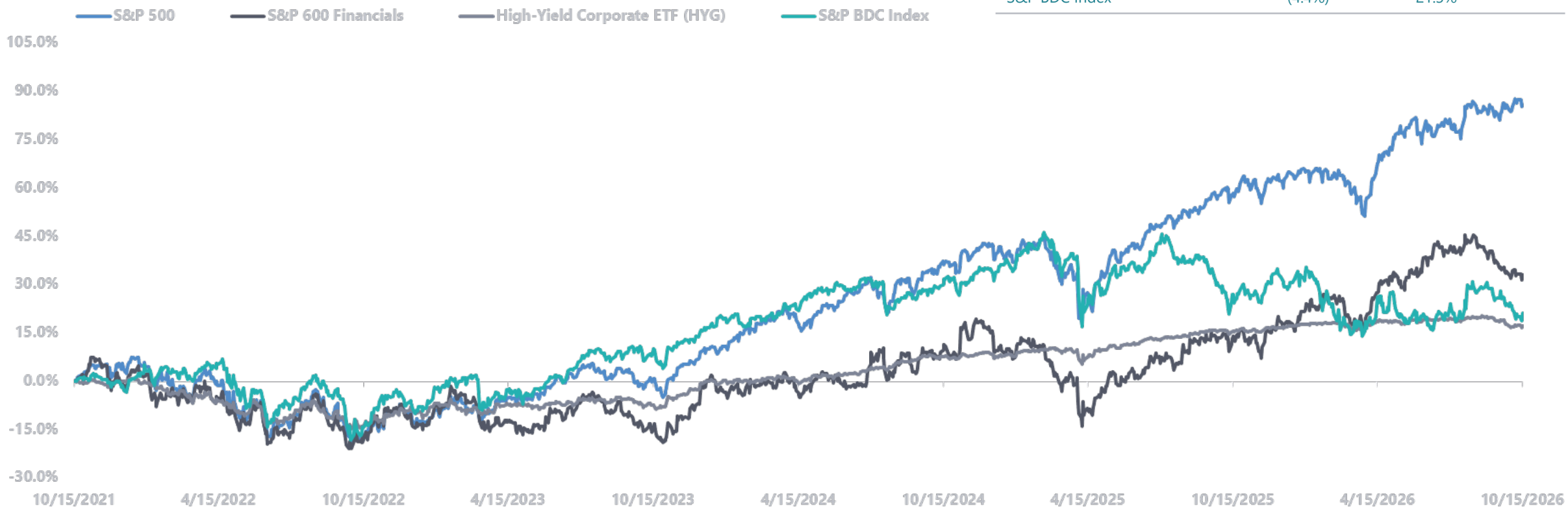
Nonaccrual

Rand Capital Corp.	33.3%
OFS Capital Corp.	15.9%
Investcorp Credit Management BDC, Inc	10.5%
Great Elm Capital Corp.	9.3%
BlackRock TCP Capital Corp.	6.9%
Horizon Technology Finance Corp.	6.8%
BCP Investment Corp.	5.7%
Gladstone Capital Corp.	5.2%
Stellus Capital Investment Corp.	4.8%
TriplePoint Venture Growth BDC Corp.	4.6%
Crescent Capital BDC, Inc.	4.4%
Runway Growth Finance Corp.	4.3%
CION Investment Corp.	3.9%
WhiteHorse Finance, Inc.	3.1%
PhenixFIN Corp.	2.3%
PennantPark Investment Corp.	2.0%
Palmer Square Capital BDC Inc.	1.5%
Saratoga Investment Corp.	1.1%
Neostellar Capital Corp.	0.9%
Chicago Atlantic BDC, Inc.	0.0%
Equus Total Return, Inc.	0.0%
Oxford Square Capital Corp.	0.0%
Mean	5.7%
Median	4.3%

Cumulative Total Return

Percentage as of October 16, 2026

	One Year	Five Years
S&P 500	16.9%	86.0%
S&P 600 Financials	17.0%	33.2%
High-Yield Corporate ETF (HYG)	1.2%	17.3%
S&P BDC Index	(4.4%)	21.3%



Source: LSEG.

Unparalleled BDC Experience

Houlihan Lokey's Asset Management team is a leading advisor on BDC-related transactions.

Related Party/Third-Party

Monroe Capital has merged with Horizon Technology Finance

Financial Advisor

Logan Ridge has been acquired by Portman Ridge, both entities externally managed by advisory affiliates of BC Partners

Sellside Advisor

TCP Capital Corp. has merged with BlackRock Capital Investment Corporation

Fairness Opinion

Oaktree Specialty Lending Corporation has merged with Oaktree Strategic Income II, Inc.

Special Committee Advisor

SLR Senior Investment Corporation has merged with SLR Investment Corporation

Sellside Advisor

Oaktree Strategic Income Corporation has merged with Oaktree Specialty Lending Corporation

Special Committee Advisor

Alcentra Capital Corporation has merged with Crescent Capital BDC

Exclusive Sellside Advisor

Full Circle Capital has merged with Great Elm Capital

Financial Advisor

Asset Sale

Monroe Capital has sold its investment assets to Monroe Capital Income Plus Corporation (MCIP)

Financial Advisor

Medley Capital Corporation has sold its interests in the MCC Senior Loan Strategy JV Portfolio to a private fund managed by Golub Capital

Sellside Advisor

Triangle Capital Corporation sold its entire Investment Portfolio for $793 million to funds advised by Benefit Street Partners, LLC

Sellside Advisor

Investment Management Agreement

KCAP Financial, Inc. externalized management to an affiliate of BC Partners

Buyside Advisor

Triangle Capital Corporation has externalized management of the Company for $235 million in total financial commitments from Barings, LLC

Sellside Advisor

Fifth Street has closed the effective transfer of certain external investment management agreements to Oaktree

Special Committee Advisor

Benefit Street Partners has been appointed as the external advisor of Business Development Corporation of America (BDCA)

Strategic Advisor

Tombstones included herein represent transactions closed from 2016 forward.

About
Portfolio Valuation and Fund Advisory Services

Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice is a leading advisor to many of the world's largest asset managers, who rely on our strong reputation with regulators, auditors, and investors; private company, structured product, and derivative valuation experience; and independent voice.

We value illiquid assets on behalf of hundreds of hedge funds, private equity firms, financial institutions, corporations, and investors.

We rapidly mobilize the right team for the job, drawing on our expertise in a wide variety of asset classes and industries, along with our real-world transaction experience and market knowledge from our dedicated global Financial and Valuation Advisory business.

Our Office Locations

AMERICAS	Atlanta	Charlotte	Houston	Minneapolis	São Paulo
	Baltimore	Chicago	Los Angeles	New York	Washington, D.C.
	Boston	Dallas	Miami	San Francisco	West Palm Beach
EUROPE AND MIDDLE EAST	Amsterdam	London	Milan	Stockholm	
	Dubai	Madrid	Munich	Zurich	
	Frankfurt	Manchester	Paris		
ASIA-PACIFIC	Beijing	Hong Kong SAR	Shanghai	Sydney	
	Gurugram	Mumbai	Singapore	Tokyo	

Our Service Areas

- Derivatives Valuation and Risk Management
- Fair Valuation for Financial Reporting
- Fund Manager Valuation
- Fund Opinions
- Pre-Acquisition and Divestiture Services
- Securitization and Regulatory Compliance
- Structured Products Valuation Advisory
- Sustainability Advisory Services
- Valuation Governance and Best Practices

Leadership Team



Dr. Cindy Ma, Ph.D., CFA
Managing Director
Global Head of Portfolio Valuation and Fund Advisory Services
CMa@HL.com
+1 212.497.7970



Timothy Kang
Managing Director
TKang@HL.com
+1 212.497.4209



Chris Cessna, CPA, CFA
Managing Director
CCessna@HL.com
+1 404.495.7022



Lavin Godhwani, CFA
Vice President
LGodhwani@HL.com
+1 404.495.7032

Contact Us

If there is additional content you would find useful for future updates, please do not hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Portfolio Valuation and Fund Advisory Services

About
Our Asset Management Team

The global Houlihan Lokey Financial Services Group has more than 80 dedicated professionals, with senior officers located in five offices around the world, including Atlanta, Chicago, Miami, New York, and Tokyo.

The Asset Management practice, which operates within Houlihan Lokey's Financial Services Group, has earned a reputation for providing superior service and achieving outstanding results in M&A advisory, capital-raising, restructuring, and financial and valuation advisory services.

We are deeply experienced in advising clients across business models of all types, including traditional asset managers, alternative asset managers, asset allocators, fund of funds, BDCs, REITs, and permanent capital vehicles.

Featured Transactions

Monroe Capital has merged with Horizon Technology Finance **Financial Advisor**	Logan Ridge has been acquired by Portman Ridge, both entities externally managed by advisory affiliates of BC Partners **Sellside Advisor**	Lennar has completed the spin-off of Millrose Properties Houlihan Lokey served as financial advisor to the independent directors serving on the Lennar Board **Financial Advisor & Financial Opinions**	Agility, a business of Perella Weinberg Partners, has combined with Cerity Partners, backed by Lightyear Capital & Genstar **Sellside Advisor**	TCP Capital Corp. has merged with BlackRock Capital Investment Corporation **Fairness Opinion**
FTAI Aviation has completed the internalization of its management operations **Financial Advisor**	Napier Park Global Capital has been acquired by First Eagle Investments **Sellside Advisor**	Benefit Street Partners Realty Trust, Inc. has merged with Capstead Mortgage Corporation **Buyside Advisor**	Kennedy Lewis Investment Management has sold a minority equity GP stake to Azimut Alternative Capital Partners **Sellside Advisor**	KCAP Financial, Inc. externalized management to an affiliate of BC Partners **Buyside Advisor**

Tombstones included herein represent transactions closed from 2019 forward.

No. 1 Financial Services Advisor

2025 M&A Advisory Rankings
Global Financial Services Transactions Under $5 Billion

	Advisor	Deals
1	**Houlihan Lokey**	**66**
2	Goldman Sachs	59
3	Morgan Stanley	42
4	UBS	34
5	Rothschild	33

Source: LSEG.
Excludes accounting firms and business brokers.

2025 M&A Advisory Rankings
All U.S. Financial Services Transactions

	Advisor	Deals
1	**Houlihan Lokey**	**47**
2	Goldman Sachs	36
3	Morgan Stanley	21
4	JP Morgan	20
5	Piper Sandler	19

Source: LSEG.
Excludes accounting firms and business brokers.

Leadership Team



Michael McMahon
Managing Director
Head of Asset Management
MMcMahon@HL.com
+1 305.779.1180



James Page
Managing Director
JPage@HL.com
+1 212.497.7810



Umber Gosain
Vice President
Umber.Gosain@HL.com
+1 212.331.8188



Daniel Etessami
Director
Special Committee Advisory and Transaction Opinions
DEtessami@HL.com
+1 929.687.0704

Contact Us

If there is additional content you would find useful for future updates, please do not hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Asset Management Team

Disclaimer

© 2026 Houlihan Lokey. All rights reserved. This material may not be reproduced in any format by any means or redistributed without the prior written consent of Houlihan Lokey.

Houlihan Lokey is a trade name for Houlihan Lokey, Inc., and its subsidiaries and affiliates, which include the following licensed (or, in the case of Singapore, exempt) entities: in (i) the United States: Houlihan Lokey Capital, Inc., an SEC-registered broker-dealer and a member of FINRA (www.finra.org) and SIPC (www.sipc.org) (investment banking services); (ii) Europe: Houlihan Lokey UK Limited (FRN 792919), authorized and regulated by the U.K. Financial Conduct Authority; Houlihan Lokey (Europe) GmbH, authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht); (iii) the United Arab Emirates, Dubai International Financial Centre (Dubai): Houlihan Lokey (MEA Financial Advisory) Ltd., regulated by the Dubai Financial Services Authority; (iv) Singapore: Houlihan Lokey (Singapore) Private Limited, an "exempt corporate finance adviser" able to provide exempt corporate finance advisory services to accredited investors only; (v) Hong Kong SAR: Houlihan Lokey (China) Limited, licensed in Hong Kong by the Securities and Futures Commission to conduct Type 1, 4, and 6 regulated activities to professional investors only; (vi) India: Houlihan Lokey Advisory (India) Private Limited, registered as an investment adviser with the Securities and Exchange Board of India (registration number INA000001217); and (vii) Australia: Houlihan Lokey (Australia) Pty Limited (ABN 74 601 825 227), a company incorporated in Australia and licensed by the Australian Securities and Investments Commission (AFSL number 474953) in respect of financial services provided to wholesale clients only. In the United Kingdom, European Economic Area (EEA), Dubai, Singapore, Hong Kong, India, and Australia, this communication is directed to intended recipients, including actual or potential professional clients (UK, EEA, and Dubai), accredited investors (Singapore), professional investors (Hong Kong), and wholesale clients (Australia), respectively. No entity affiliated with Houlihan Lokey, Inc., provides banking or securities brokerage services, nor is any such affiliate subject to FINMA supervision in Switzerland or similar regulatory authorities regarding such activities in other jurisdictions. Other persons, such as retail clients, are NOT the intended recipients of our communications or services and should not act upon this communication.

Houlihan Lokey gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this presentation. The material presented reflects information known to the authors at the time this presentation was written, and this information is subject to change. Any forward-looking information and statements contained herein are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. In addition, past performance should not be taken as an indication or guarantee of future performance, and information contained herein may be subject to variation as a result of currency fluctuations. Houlihan Lokey makes no representations or warranties, expressed or implied, regarding the accuracy of this material. The views expressed in this material accurately reflect the personal views of the authors regarding the subject securities and issuers and do not necessarily coincide with those of Houlihan Lokey. Officers, directors, and partners in the Houlihan Lokey group of companies may have positions in the securities of the companies discussed. This presentation does not constitute advice or a recommendation, offer, or solicitation with respect to the securities of any company discussed herein, is not intended to provide information upon which to base an investment decision, and should not be construed as such. Houlihan Lokey or its affiliates may from time to time provide financial or related services to these companies. Like all Houlihan Lokey employees, the authors of this presentation receive compensation that is affected by overall firm profitability.



Houlihan Lokey

Corporate Finance

Financial Restructuring

Financial and Valuation Advisory

HL.com