



Houlihan
Lokey

BDC Monitor

Spring 2026

FIRST LIEN

SOFR
+475 bps

Median Coupon for Newly Issued Loans in Q4 2025

⬇️ -25 bps QoQ

99.3%

Weighted Average Loan Price

⬇️ -6 bps QoQ

9.29%

Average Yield

⬇️ -37 bps QoQ

1.4%

Nonaccrual Rate

⬆️ +28 bps QoQ

51.8%

Implied Recovery Rate for Loans on Nonaccrual Status

⬇️ -914 bps QoQ

SECOND LIEN

SOFR
+725 bps

Median Coupon for Newly Issued Loans in Q4 2025

⬆️ +75 bps QoQ

97.8%

Weighted Average Loan Price

⬇️ -30 bps QoQ

11.99%

Average Yield

⬇️ -35 bps QoQ

\$550.9B

Aggregate Fair Value of Investments Held in BDC Portfolios

⬆️ +\$37.7B QoQ

10,229

Aggregate Number of Unique Portfolio Companies Held in BDC Portfolios

⬆️ +383 QoQ

Source: Advantage Data.

Note: 10,229 aggregate number of unique portfolio companies held in BDC portfolios excludes cross-held investments.

Houlihan Lokey's Portfolio Valuation and Fund Advisory Services and Asset Management teams are pleased to present the Spring 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 to you in 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.

 Portfolio Valuation and Fund Advisory Services Team

 Asset Management Team

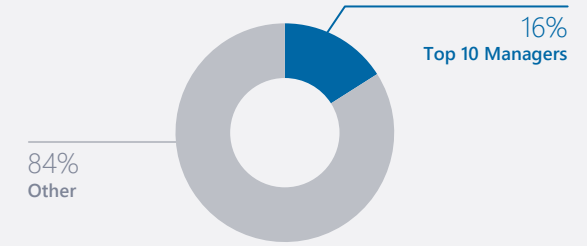
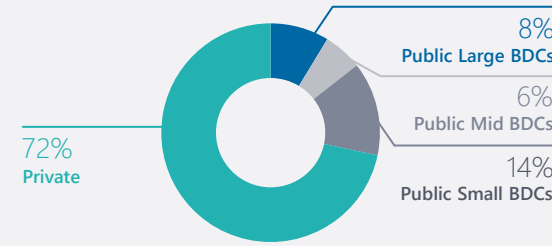
BDC Market Landscape

- The top 10 managers represent 16% of the BDCs by fund count and 60% of the BDCs by total assets.
- Direct lending positions continued to grow in number and size in Q4 2025. The total fair value of BDC public and private investments reached \$550.9 billion in Q4 2025 (up from \$513.2 billion in Q3 2025), driven by approximately 130 net additional investments.
- Private BDCs comprise a substantial portion of the market, accounting for more than two-thirds of the 170+ active funds. Since 2020, their portfolio fair value has risen from \$21.5 billion to \$394.2 billion as of Q4 2025, and their share of the total BDC market by fair value has increased from approximately 17% to about 71%.

Total BDC Net Equity Capital Raised

Number of Funds Tracked, Actual

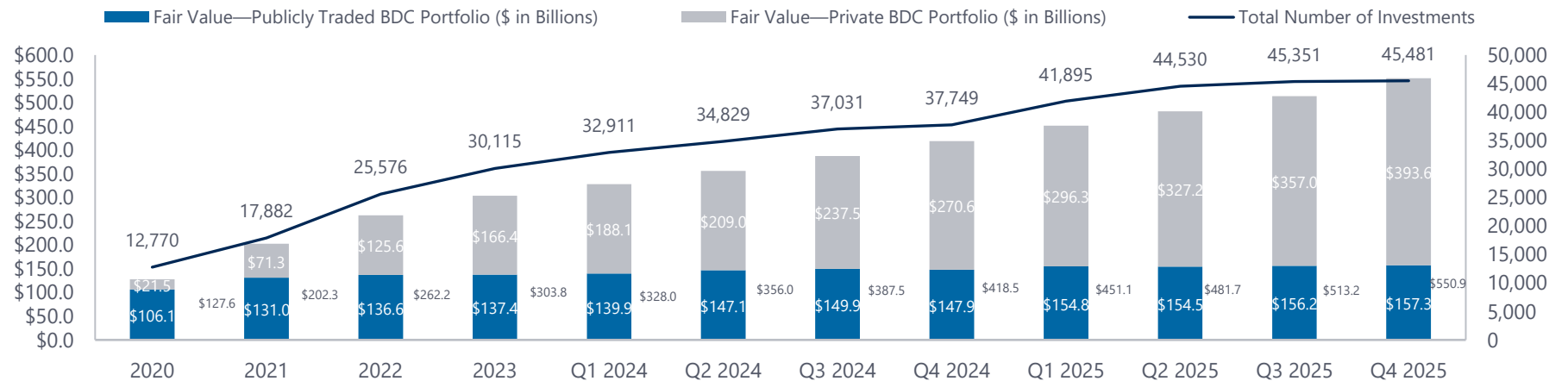
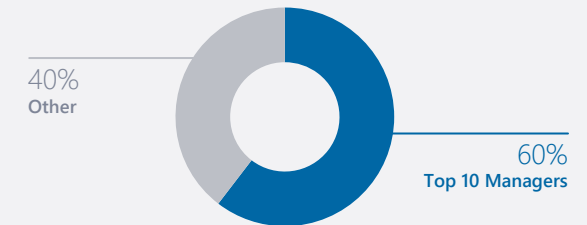
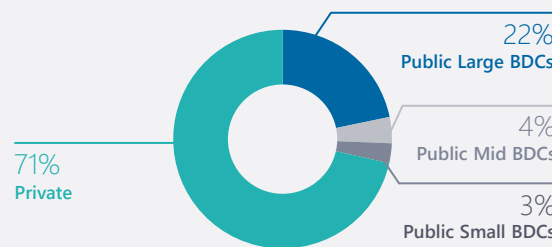
More Than 170
Total Active Funds



Total Assets of Privately Registered and Publicly Traded BDC Funds

Cumulative Total Assets

\$551 Billion
Total Assets



Sources: Advantage Data, SEC Filings, and S&P Capital IQ.

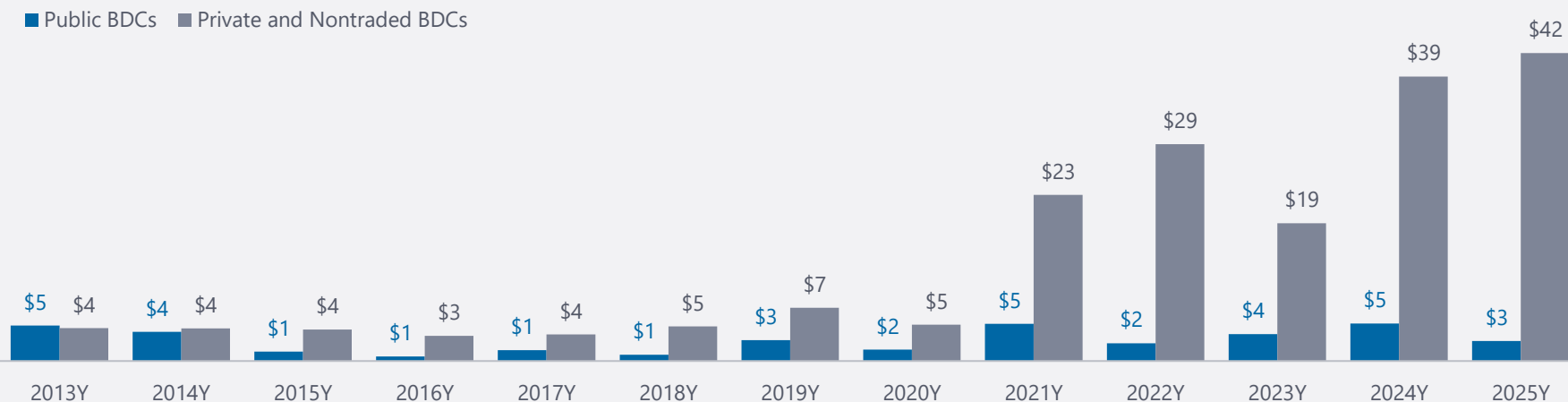
Notes: Represents data for all BDCs tracked by Advantage Data that were filed as of May 3, 2026. Excludes outliers. The data is meant to reflect performing loans only. 45,481 number of investments represents cross-held investments across BDCs.

Private BDCs: The Fundraising Powerhouses

- In the past few years, the vast majority of BDC capital has been raised in the private and nontraded channels; managers can raise new equity at NAV, which is not subject to public market volatility and is below the NAV trading price.
- 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 0.94x in 2023 and remained consistent at 0.93x for 2025.
- The gap between gross portfolio yields and fixed-rate debt costs widened from approximately 4.1% in 2020 to a peak of 4.8% in 2023. It has since contracted back to 3.6% as of 2025, reflecting a moderation in net interest margins following a period of strong expansion.

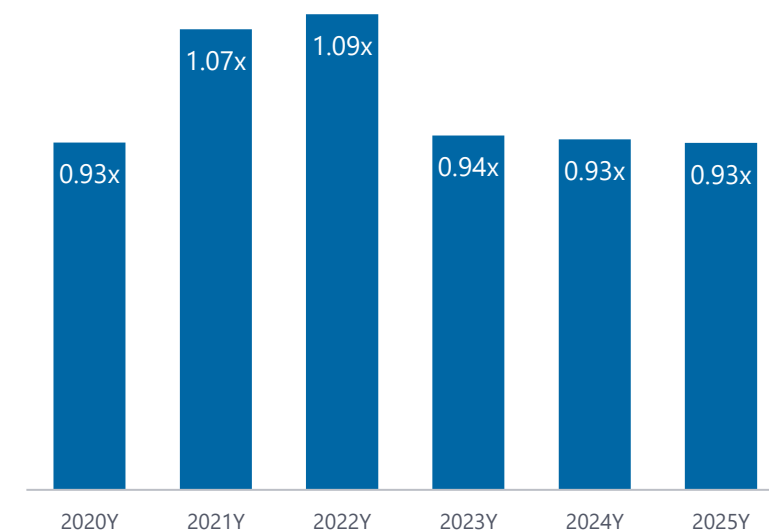
Total BDC Net Equity Capital Raised

\$ in Billions



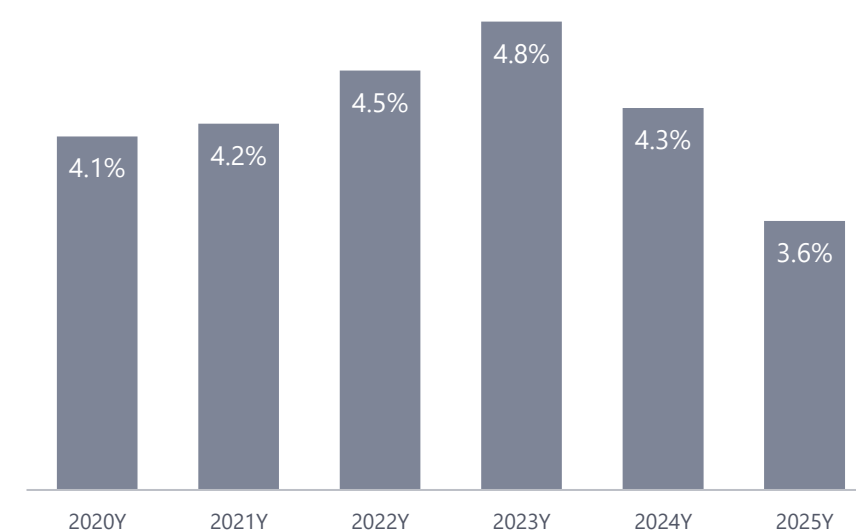
Leverage Trending Lower Since 2022 High

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 May 3, 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.

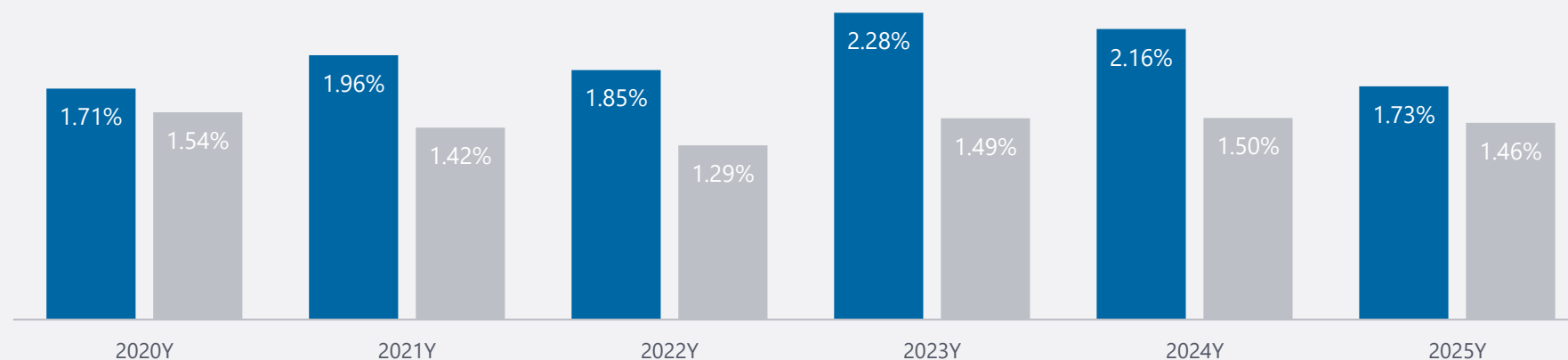
Management Fee Rates and Selected Recent Observations

Operating trends drove an increase in public BDC fee levels through 2023, followed by a reversion to 2020 levels. Private and nontraded BDC fees have remained relatively stable and lower than public BDC fees throughout the period.

Merger Considerations

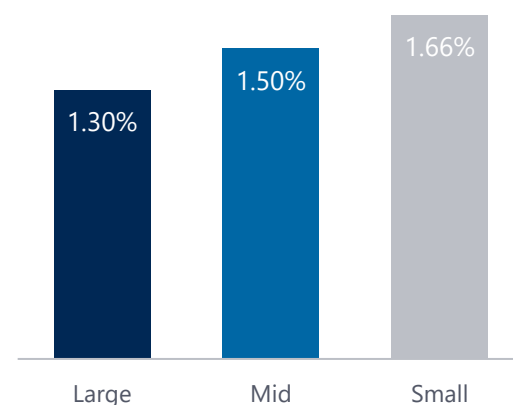
- Related-party BDC mergers are typically structured near or at 1.00x NAV-to-NAV.
- To help ensure net investment income accretion to shareholders, managers have been willing to (i) waive certain parts of the management and/or incentive fees to the pro forma entity to support dividends or (ii) reset fees.
- Other manager benefits have also included reimbursing transaction-related fees or first loss pro forma realized credit losses up to a certain threshold.

■ Total Fees/Avg. Assets (Public) ■ Total Fees/Avg. Assets (Private and Nontraded)

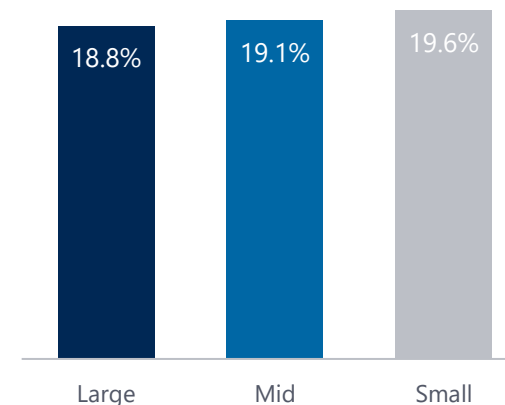


Average Fee Structure by Public BDC Size

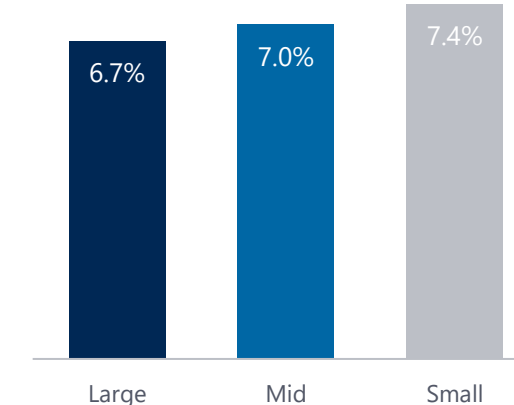
Management Fee



Incentive Fee



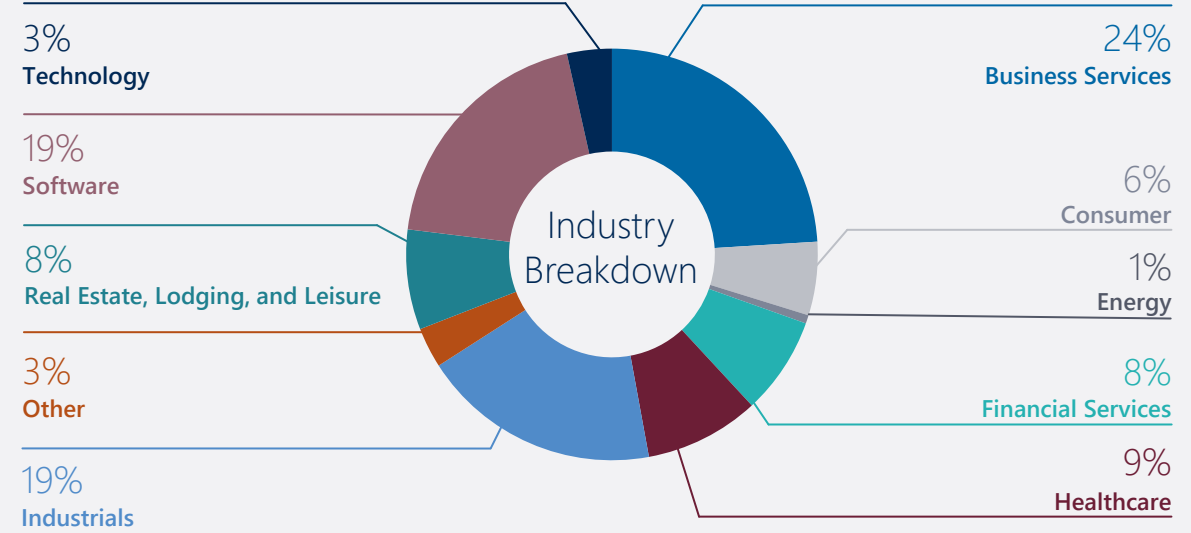
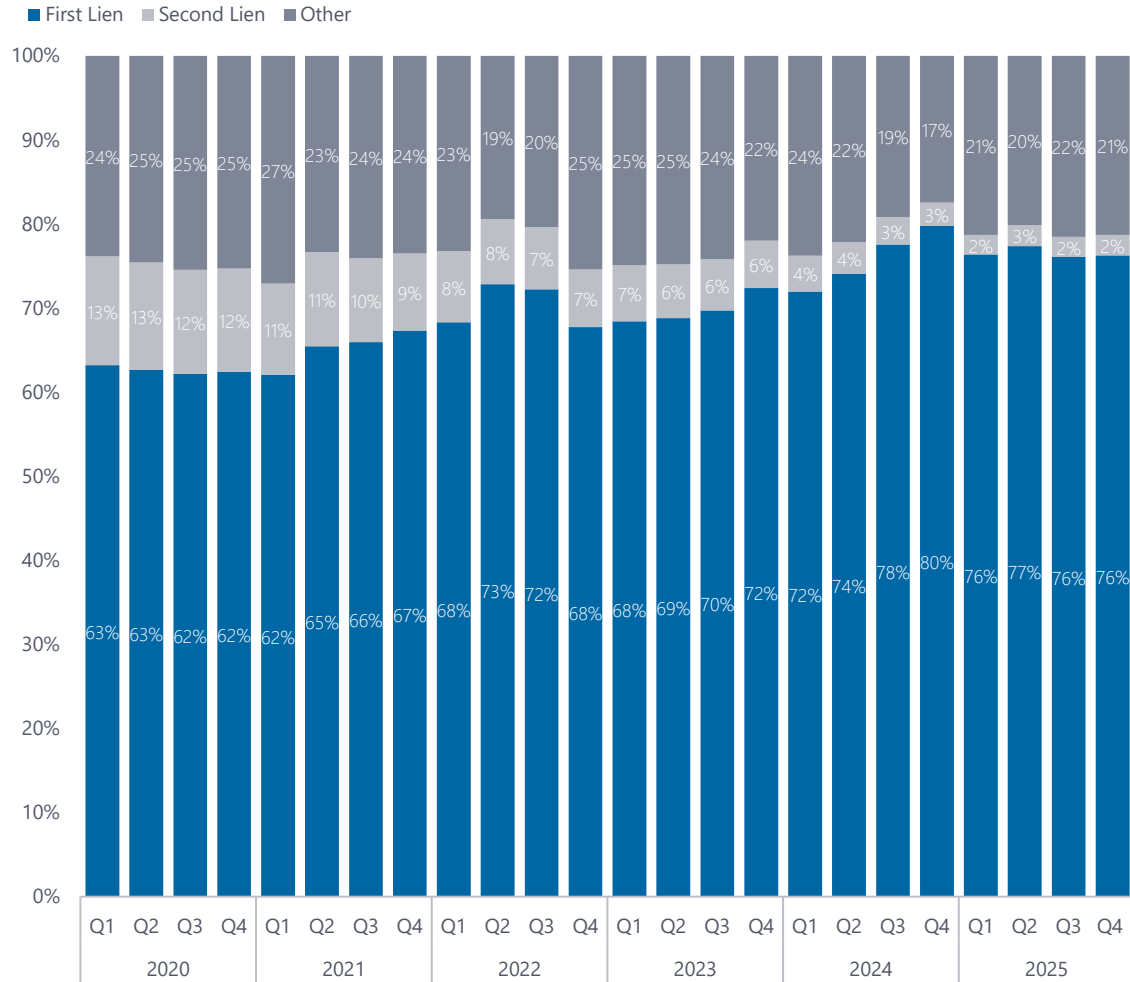
Hurdle Rate



Sources: SEC filings and S&P Capital IQ as of May 3, 2026.

Note: Financial data as of May 3, 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	Industry	Second Lien Yields
Other	9.9%	Other	17.9%
Technology	9.8%	Technology	16.5%
Healthcare	9.7%	Healthcare	14.4%
Consumer	9.5%	Energy	13.6%
Industrials	9.4%	Business Services	12.4%
Business Services	9.3%	Industrials	12.0%
Real Estate, Lodging, and Leisure	9.2%	Consumer	11.5%
Software	9.2%	Software	11.3%
Financial Services	8.6%	Real Estate, Lodging, and Leisure	10.7%
Energy	8.5%	Financial Services	10.2%

Source: Advantage Data as of May 3, 2026.
 Note: 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.
 Note: Figures may not add up to 100% due to rounding.

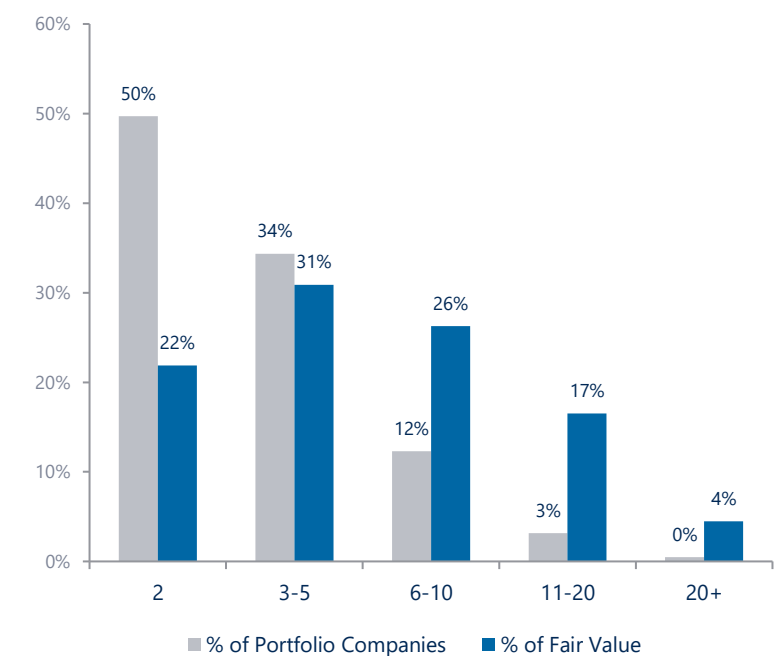
BDC Portfolio Overlap and Concentration

- Q4 2025 cross-holdings universe: 4,802 unique portfolio companies are held by two or more BDCs, with an average of 3.7 BDCs per name and a range from two to 35 holders.
- Most cross-held names skew toward software and insurance services.
- Approximately 84% of the portfolio companies by count and 53% by fair value are cross-held by two to five BDCs, while 12% by count and 26% by fair value are cross-held by six to ten BDCs; only 3% of the portfolio companies by count and 21% 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 (23.7%) and software (21.0%) account for the largest shares of cross-held FV; software and financial institutions are the most concentrated in the heavily syndicated tail, with 7.1% and 4.0% of cross-held FV, respectively, held by more than 10 BDCs.

Top 15 Cross-Held Portfolio Companies

#	Portfolio Company	Industry	Holders	FV (\$M)	Spread
1	Integrity Marketing Partners LLC	Financial Institutions	35	\$1,828	500
2	Galway Borrower LLC	Financial Institutions	34	\$956	450
3	IG Investments Holdings LLC	Business Services	28	\$1,196	500
4	GS Acquisitionco Inc.	Software	27	\$576	525
5	MRI Software LLC	Software	26	\$955	475
6	PDI TA Hldgs Inc.	Software	25	\$664	550
7	Asurion LLC	Financial Institutions	25	\$379	425
8	Jeppesen Holdings LLC	Software	24	\$1,296	475
9	CREWLINE BUYER INC	Software	24	\$1,258	675
10	PPV Intermediate Hldg LLC	Healthcare	24	\$726	575
11	Higginbotham Insurance Agency Inc.	Financial Institutions	24	\$619	450
12	athenahealth Group Inc	Healthcare	23	\$1,486	275
13	Flexera Software Inc.	Software	23	\$1,269	450
14	Diligent Corp.	Software	23	\$799	500
15	Coupa Software	Software	23	\$595	525

Distribution by Holder Count



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

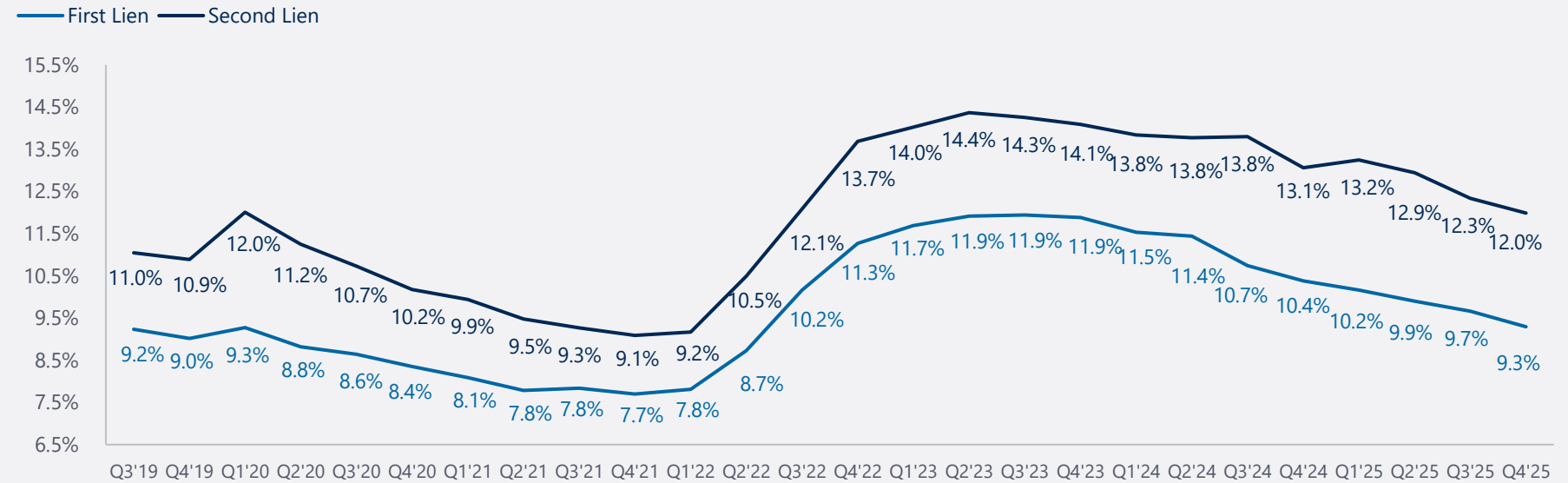
Industry	2 BDCs	3 to 5	6 to 10	11 to 20	20+
Business Services	5.1%	7.5%	7.2%	3.5%	0.4%
Software	3.0%	5.1%	5.8%	5.0%	2.1%
Industrials	4.9%	6.6%	3.7%	1.7%	0.0%
Financial Institutions	1.5%	2.2%	1.9%	3.0%	1.0%
Healthcare	1.7%	3.7%	2.5%	0.6%	0.5%
Real Estate, Lodging, and Leisure	2.4%	1.9%	1.5%	1.0%	0.0%
Consumer, Food, and Retail	1.5%	2.2%	1.3%	0.5%	0.2%
Technology, Media, and Telecom	0.8%	1.0%	1.1%	0.9%	0.3%
Other	0.8%	0.7%	1.2%	0.0%	0.0%
Energy	0.2%	0.1%	0.1%	0.2%	0.0%

Source: Advantage Data.
 Note: Reflects unique portfolio companies held by two or more BDCs as of Q4 2025. Cross-held FV represents the sum of fair value across all BDC holders of each name. Aggregate cross-held FV total: \$441.3 billion. Spread reflects the fair-value-weighted median spread across all First Lien and Unitranche tranches held by reporting BDCs.

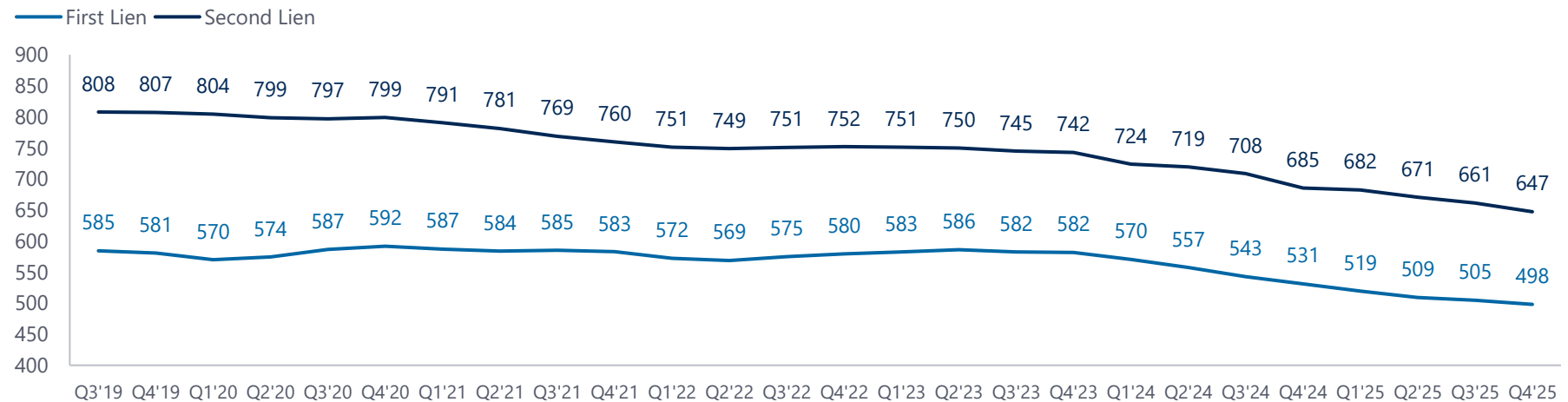
Yields and Spreads Compress Amid Heightened Competition

- Q4 2025 saw a strong rebound in transaction volume as pent-up demand surfaced, with deal processes accelerating into year-end and many managers reporting record originations for the quarter or full year. Origination flow remained anchored by incumbent relationships and add-on financings, with managers entering 2026 backed by record or above-average pipelines that support a robust outlook for deployment despite a competitive capital environment.
- Q4 2025 saw continued credit spread compression driven by an intensely competitive landscape and a sustained oversupply of capital chasing quality assets. Despite declining base rates, borrower-friendly conditions persisted, with managers responding through more selective deployment, tighter documentation, and a focus on core middle-market and specialty finance strategies.
- Average first lien yields across BDC portfolios decreased from 9.66% in Q3 2025 to 9.29% in Q4 2025. On a year-over-year basis, first lien yields decreased by 109 bps in Q4 2025.
- Average second lien yields decreased from 12.34% in Q3 2025 to 11.99% in Q4 2025. On a year-over-year basis, second lien yields decreased by 107 bps in Q4 2025.
- The Q4 2025 first lien spread distribution remains tightly clustered; roughly 51% of loans price at S+450 or S+500, and 77% sit inside the S+400 to S+600 band. The second lien distribution is meaningfully wider, with 71% of loans priced between S+500 and S+800. In both liens, the share of loans priced above S+1,000 stays in the low single digits (FL under 1%, SL near 5%), consistent with limited distressed pricing across performing portfolios.

Average Yields



Average Coupon (Spread Over SOFR)

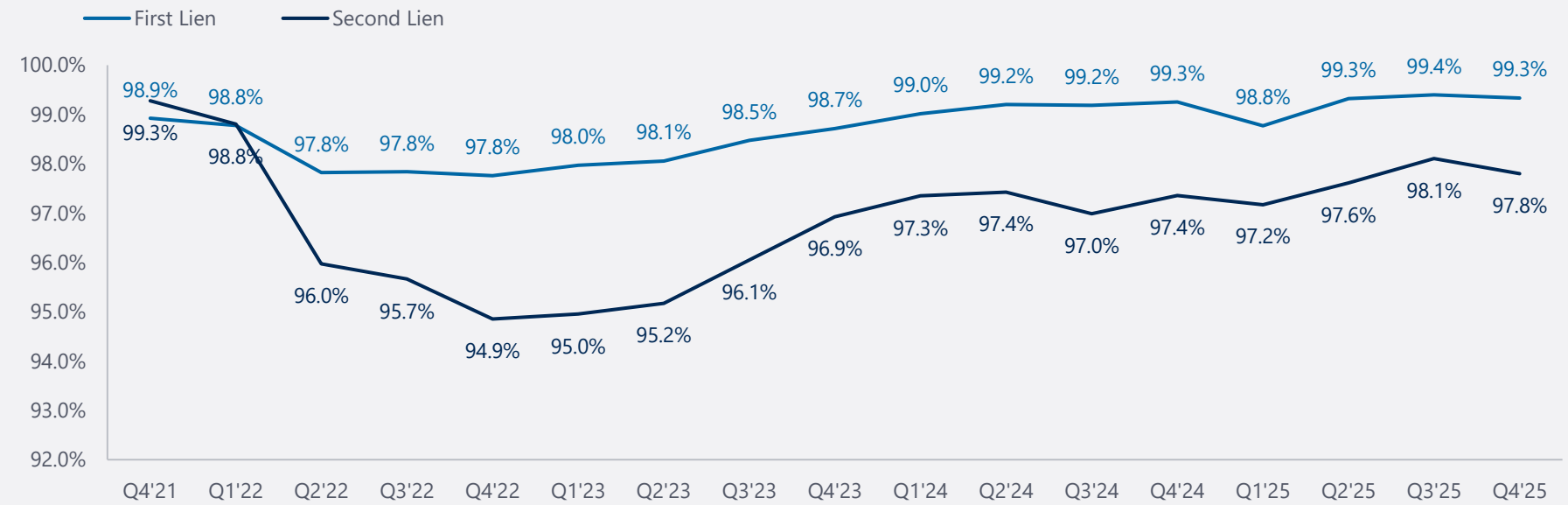


Sources: PitchBook and Advantage Data as of May 3, 2026.
 Note: Yield is based on reported fair value, stated maturity, and stated interest rate. Represents data for all BDCs tracked by Advantage Data. Excludes outliers.

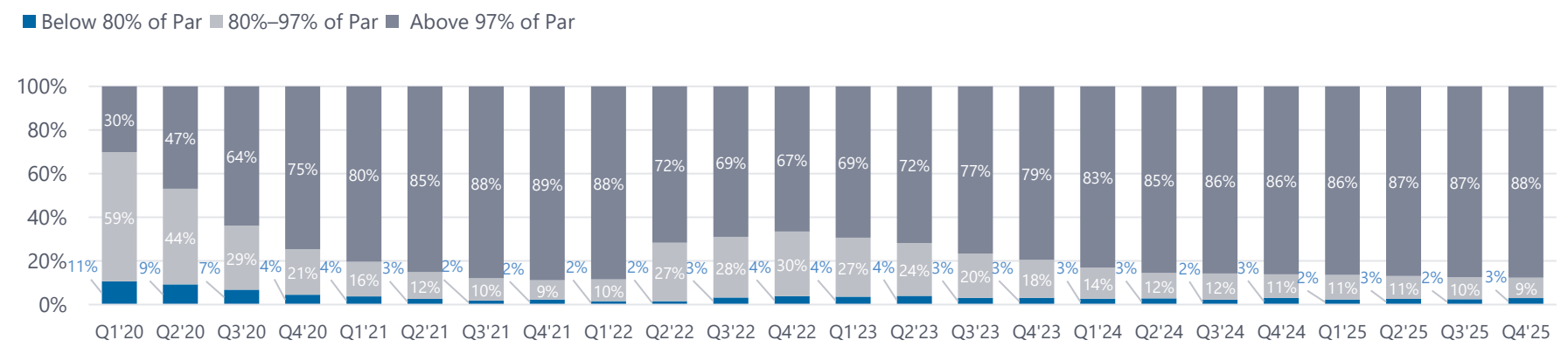
Loan Pricing

- The weighted average price for first lien loans decreased from 99.40% of par in Q3 2025 to 99.34% of par in Q4 2025.
- The weighted average price for second lien loans decreased from 98.10% of par to 97.80% of par over the same period.
- Several BDCs categorize their portfolios by risk level. As of Q4 2025, an average of 6.9% of BDC portfolios were deemed riskier than at underwriting, 7.4% were considered less risky, and 85.8% matched the original underwriting risk.
- An alternative approach to risk-level categorization is to categorize loan portfolios based on pricing tiers. Although various factors influence loan pricing, this type of tiered analysis aims to provide a more objective, market-driven evaluation of portfolio health and serves as an early indicator of potential portfolio degradation or distress as the distribution across these pricing tiers evolves over time.
- As of Q4 2025, 3.0% of BDC loans were priced below 80.0% of par, 9.4% were in the range of 80.0%–97.0% of par, and 87.6% were priced above 97.0% of par. Using loans priced below 80.0% as an indicator of distress, BDC portfolios experienced a modest 0.56% increase in loans priced below 80.0%, though levels remain within historical ranges.

Weighted Average Loan Price⁽¹⁾



Investment Percentage of Par Buckets⁽²⁾

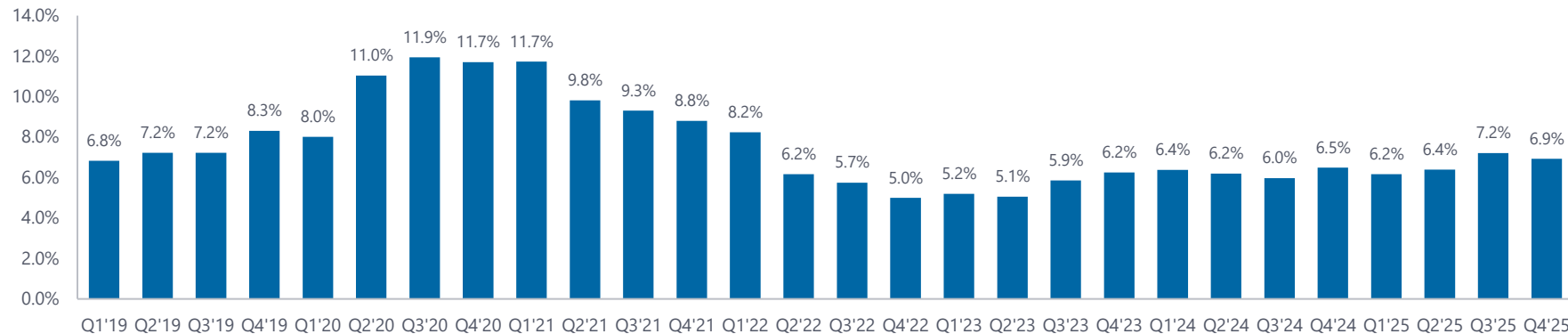


Source: Advantage Data as of May 3, 2026.
 (1) Expressed as a percentage of par. Represents data for all BDCs tracked by Advantage Data that were filed as of the date of this report. Excludes outliers. The data is meant to reflect performing loans only.
 (2) Reflects the allocation of loans into buckets based on their fair value percentage of par. The relative allocation is based on cost.
 Note: Figures may not add up to 100% due to rounding.

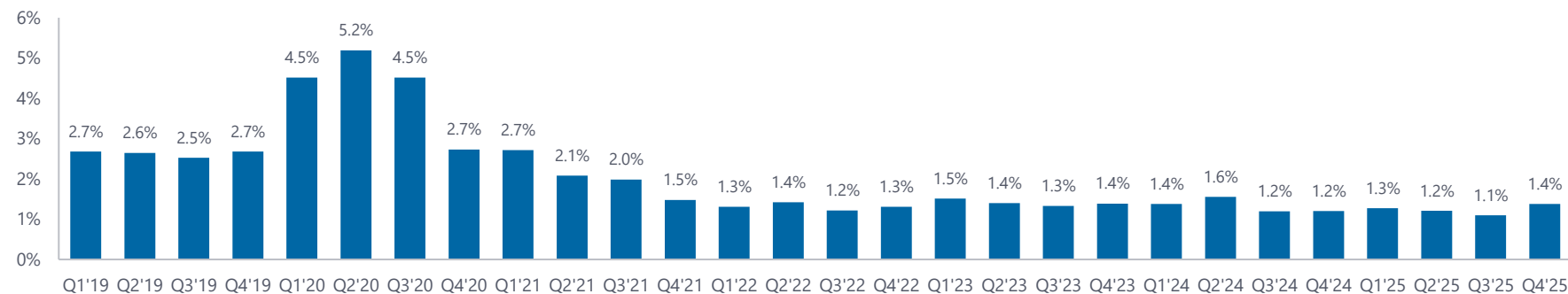
Credit Metrics Mixed but Aggregate Quality Remains Resilient

- PIK as a percentage of total interest income decreased by 0.3% from Q3 2025 to Q4 2025.
- At the end of Q4 2025, the nonaccrual percentage for BDC loans was 1.4%, an increase of 28 bps from the prior quarter. Trends varied by capitalization: large-cap BDCs remained generally stable, mid-cap BDCs held largely flat with modest idiosyncratic upticks, and small-cap BDCs saw mixed results as incremental additions were partially offset by the stabilization of troubled legacy assets. New nonaccruals across the universe were broadly attributed to idiosyncratic issues rather than systemic deterioration, with notable concentrations in healthcare roll-ups and software.
- The implied recovery rate on nonaccrual investments decreased to 51.8%, a 914 bps decline quarter over quarter, reflecting two concurrent dynamics: the resolution of higher-recovery names through restructurings and dispositions, and the addition of new nonaccruals at lower marks. Despite the headline decline, the aggregate nonaccrual book remains small relative to total portfolios, and overall credit quality stayed resilient across the BDC universe.
- Looking ahead, the constructive 2026 M&A backdrop, declining base rates, and significant sponsor pressure to provide LP liquidity should continue to support borrower-level resolutions and stable headline credit metrics. However, the oversupply of capital chasing quality assets may pressure documentation discipline on new vintages, warranting close monitoring even as backward-looking metrics remain benign.

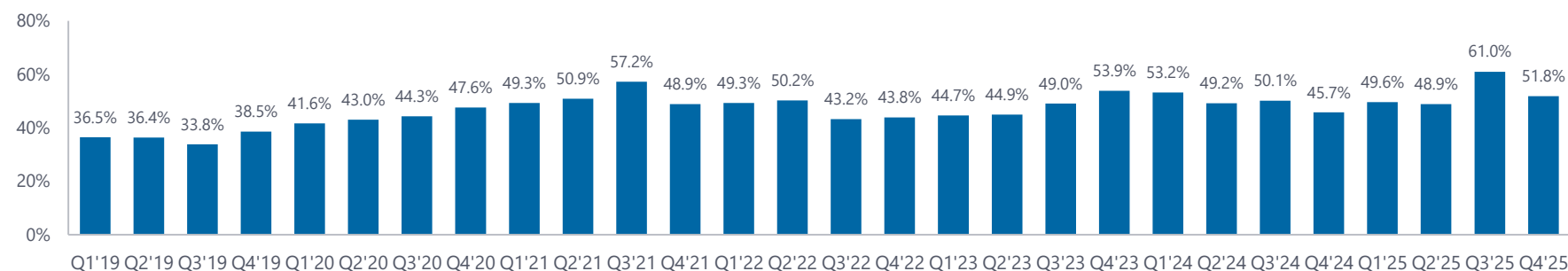
PIK as a Percentage of Total Interest Income⁽¹⁾



Nonaccrual Investments as a Percentage of Total Portfolio⁽²⁾



Nonaccrual Investments Implied Recovery Rate⁽³⁾



Source: Advantage Data as of May 3, 2026.

(1) Reflects PIK income as a percentage of total interest income for BDCs tracked by Advantage Data.

(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

- As of Q4 2025, large-cap BDCs observed a meaningful acceleration in deal volume during the second half of the year, with many firms reporting record or near-record full-year origination activity. Lenders emphasized strong support for incumbent borrowers alongside a notable expansion into new relationships. Credit spreads remained historically tight with modest narrowing amid intense competition and ample liquidity across financing channels. In response, managers maintained stringent underwriting standards, remaining highly selective and heavily prioritizing first lien investments with strict documentation.
- Leverage remains well controlled, supported by resilient portfolio companies generating accelerated EBITDA growth generally ranging from 4% to 12%. Debt service capabilities strengthened, with interest coverage ratios improving to a 1.9x–2.3x range as borrowers benefited from lower base rates and sustained earnings expansion. Average LTV ratios typically ranged from the low- to mid-40% range. Nonaccrual trends were mixed but broadly stable. While many firms successfully resolved troubled assets, some noted isolated upticks driven by idiosyncratic operational challenges and stress in specific sectors (such as healthcare roll-ups) within a protracted credit cycle.
- Large-cap BDCs anticipate M&A activity to remain highly active throughout 2026, fueled by a significant backlog of private equity exits and the pressing need for sponsors to deploy substantial dry powder. While the macroeconomic backdrop is viewed as fundamentally stable, managers are carefully navigating persistent volatility and the earnings headwinds of declining base rates. Consequently, firms are proactively prioritizing balance sheet liquidity and increasingly assessing the structural impacts of artificial intelligence to mitigate risks in legacy software portfolios while capitalizing on emerging infrastructure opportunities.

Price to NAV

Main Street Capital Corp.	1.60x
Capital Southwest Corp.	1.42x
Hercules Capital, Inc.	1.27x
Trinity Capital Inc.	1.17x
Sixth Street Specialty Lending, Inc.	1.13x
Ares Capital Corp.	0.94x
Blackstone Secured Lending Fund	0.91x
Golub Capital BDC, Inc.	0.90x
MidCap Financial Investment Corp.	0.83x
Blue Owl Capital Corp.	0.78x
Oaktree Specialty Lending Corp.	0.78x
Goldman Sachs BDC, Inc.	0.76x
Morgan Stanley Direct Lending Fund	0.75x
FS KKR Capital Corp.	0.53x
Prospect Capital Corp.	0.45x
Mean	0.95x
Median	0.90x

ROA

Main Street Capital Corp.	11.5%
Hercules Capital, Inc.	10.5%
Trinity Capital Inc.	10.2%
Capital Southwest Corp.	8.6%
Sixth Street Specialty Lending, Inc.	8.6%
Blue Owl Capital Corp.	7.9%
Ares Capital Corp.	7.0%
Golub Capital BDC, Inc.	6.8%
Blackstone Secured Lending Fund	6.7%
Goldman Sachs BDC, Inc.	6.5%
Morgan Stanley Direct Lending Fund	6.5%
MidCap Financial Investment Corp.	5.8%
Oaktree Specialty Lending Corp.	4.7%
FS KKR Capital Corp.	3.4%
Prospect Capital Corp.	(1.5%)
Mean	6.9%
Median	6.8%

Dividend Yield

Prospect Capital Corp.	19.2%
FS KKR Capital Corp.	18.3%
Goldman Sachs BDC, Inc.	13.7%
Morgan Stanley Direct Lending Fund	13.1%
Blue Owl Capital Corp.	13.0%
Trinity Capital Inc.	13.0%
Oaktree Specialty Lending Corp.	12.6%
Blackstone Secured Lending Fund	12.6%
Hercules Capital, Inc.	12.0%
Golub Capital BDC, Inc.	11.7%
Capital Southwest Corp.	10.8%
Sixth Street Specialty Lending, Inc.	10.7%
MidCap Financial Investment Corp.	10.6%
Ares Capital Corp.	10.2%
Main Street Capital Corp.	8.1%
Mean	12.6%
Median	12.6%

ROE

Main Street Capital Corp.	17.0%
Hercules Capital, Inc.	16.2%
Trinity Capital Inc.	14.1%
Capital Southwest Corp.	11.3%
Sixth Street Specialty Lending, Inc.	10.6%
Blue Owl Capital Corp.	9.4%
Ares Capital Corp.	9.4%
Blackstone Secured Lending Fund	9.1%
Golub Capital BDC, Inc.	8.3%
Goldman Sachs BDC, Inc.	8.0%
Morgan Stanley Direct Lending Fund	6.8%
MidCap Financial Investment Corp.	4.7%
Oaktree Specialty Lending Corp.	2.2%
FS KKR Capital Corp.	0.2%
Prospect Capital Corp.	(4.9%)
Mean	8.2%
Median	9.1%

Total Assets

(\$ in Millions)

Ares Capital Corp.	\$31,235
Blue Owl Capital Corp.	\$17,186
Blackstone Secured Lending Fund	\$14,656
FS KKR Capital Corp.	\$13,729
Golub Capital BDC, Inc.	\$8,894
Prospect Capital Corp.	\$6,535
Main Street Capital Corp.	\$5,682
Hercules Capital, Inc.	\$4,584
Morgan Stanley Direct Lending Fund	\$3,920
Sixth Street Specialty Lending, Inc.	\$3,422
Goldman Sachs BDC, Inc.	\$3,383
MidCap Financial Investment Corp.	\$3,324
Oaktree Specialty Lending Corp.	\$3,098
Trinity Capital Inc.	\$2,485
Capital Southwest Corp.	\$2,116
Mean	\$8,283
Median	\$4,584

Nonaccrual

Oaktree Specialty Lending Corp.	5.7%
Prospect Capital Corp.	4.6%
FS KKR Capital Corp.	4.5%
MidCap Financial Investment Corp.	3.9%
Main Street Capital Corp.	3.3%
Capital Southwest Corp.	3.2%
Goldman Sachs BDC, Inc.	2.8%
Sixth Street Specialty Lending, Inc.	2.1%
Blue Owl Capital Corp.	2.0%
Ares Capital Corp.	1.8%
Morgan Stanley Direct Lending Fund	1.5%
Golub Capital BDC, Inc.	1.0%
Trinity Capital Inc.	0.9%
Blackstone Secured Lending Fund	0.6%
Hercules Capital, Inc.	0.2%
Mean	2.5%
Median	2.1%

Sources: S&P Capital IQ and SEC filings.

Note: As of May 3, 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.

Publicly Traded BDC Market Snapshot Mid-Cap

- As of Q4 2025, mid-cap BDCs reported a notable pickup in origination activity, driven by pent-up demand and a constructive economic backdrop. Many platforms highlighted a surge in deal flow late in the year, with origination flow remaining anchored by add-on financings and incumbent relationships, while several platforms also added new borrowers at a meaningful pace. Pricing trends reflected a competitive market fueled by an oversupply of capital, with spreads on new first lien loans stabilizing in the 450–525 bps range over SOFR. Management teams expressed optimism for 2026, expecting sustained increases in deployment as lower financing costs and mounting pressure on private equity sponsors to transact support a broader pickup in deal activity.
- Nonaccrual rates remained largely stable and low, with modest upticks driven by idiosyncratic challenges that lenders are proactively resolving. NAV trends were mixed, leaning toward slight declines or general stability due to isolated unrealized markdowns; some firms held NAV stable or saw modest growth through share repurchases and unrealized gains, while others executed strategic asset sales aimed at improving portfolio quality at the cost of near-term NAV impact. Portfolio leverage remained conservative, with net leverage generally in the 4.4x–4.7x range and LTV ratios around 40%, supported by interest coverage ratios generally between 2.0x and 2.4x.
- Mid-cap BDCs noted that a resilient U.S. economy and the continuation of the Fed's rate cut cycle are aiding borrower credit quality, though declining base rates present an earnings headwind for lenders. These dynamics, alongside significant pressure on private equity firms to provide liquidity to limited partners, are expected to drive a broader acceleration in M&A activity throughout 2026. To navigate heightened competition, platforms are increasingly shifting focus toward the core middle-market and specialty finance strategies to preserve risk-adjusted returns.

Price to NAV

Gladstone Investment Corp.	1.04x
Fidus Investment Corp.	0.95x
SLR Investment Corp.	0.88x
PennantPark Floating Rate Capital Ltd.	0.82x
MSC Income Fund, Inc.	0.81x
Nuveen Churchill Direct Lending Corp.	0.80x
Barings BDC, Inc.	0.79x
Bain Capital Specialty Finance, Inc.	0.77x
New Mountain Finance Corp.	0.72x
Carlyle Secured Lending, Inc.	0.71x

Mean	0.83x
Median	0.81x

ROA

Gladstone Investment Corp.	13.8%
MSC Income Fund, Inc.	9.4%
Fidus Investment Corp.	8.8%
Barings BDC, Inc.	7.0%
Nuveen Churchill Direct Lending Corp.	6.8%
Bain Capital Specialty Finance, Inc.	6.8%
SLR Investment Corp.	6.4%
PennantPark Floating Rate Capital Ltd.	5.2%
New Mountain Finance Corp.	4.4%
Carlyle Secured Lending, Inc.	3.0%

Mean	7.2%
Median	6.8%

Dividend Yield

New Mountain Finance Corp.	15.4%
Bain Capital Specialty Finance, Inc.	14.7%
Carlyle Secured Lending, Inc.	14.3%
PennantPark Floating Rate Capital Ltd.	14.2%
Nuveen Churchill Direct Lending Corp.	12.3%
Barings BDC, Inc.	11.9%
Fidus Investment Corp.	11.5%
MSC Income Fund, Inc.	10.9%
SLR Investment Corp.	10.3%
Gladstone Investment Corp.	9.7%

Mean	12.5%
Median	12.1%

ROE

Gladstone Investment Corp.	22.2%
MSC Income Fund, Inc.	13.0%
Fidus Investment Corp.	11.8%
SLR Investment Corp.	9.3%
Bain Capital Specialty Finance, Inc.	8.8%
Barings BDC, Inc.	8.7%
Nuveen Churchill Direct Lending Corp.	7.1%
Carlyle Secured Lending, Inc.	6.8%
PennantPark Floating Rate Capital Ltd.	3.4%
New Mountain Finance Corp.	1.3%

Mean	9.2%
Median	8.7%

Total Assets (\$ in Millions)

New Mountain Finance Corp.	\$2,903
Carlyle Secured Lending, Inc.	\$2,790
PennantPark Floating Rate Capital Ltd.	\$2,716
Bain Capital Specialty Finance, Inc.	\$2,663
Barings BDC, Inc.	\$2,636
SLR Investment Corp.	\$2,573
Nuveen Churchill Direct Lending Corp.	\$2,054
Fidus Investment Corp.	\$1,427
MSC Income Fund, Inc.	\$1,381
Gladstone Investment Corp.	\$1,237

Mean	\$2,238
Median	\$2,604

Nonaccrual

MSC Income Fund, Inc.	3.9%
Gladstone Investment Corp.	3.8%
Bain Capital Specialty Finance, Inc.	2.4%
Fidus Investment Corp.	2.0%
Carlyle Secured Lending, Inc.	1.6%
Barings BDC, Inc.	1.4%
New Mountain Finance Corp.	1.3%
Nuveen Churchill Direct Lending Corp.	1.2%
PennantPark Floating Rate Capital Ltd.	1.1%
SLR Investment Corp.	0.0%

Mean	1.9%
Median	1.5%

Sources: S&P Capital IQ and SEC filings.

Note: As of May 3, 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.

Publicly Traded BDC Market Snapshot Small-Cap

- In Q4 2025, new deal volume sentiment remained mixed as managers balanced cautious optimism with a competitive market where capital supply outpaced new deal flow. While some firms executed on venture lending and AI infrastructure pipelines, broad spread compression with private credit pricing at or near multi-year lows drove others to prioritize highly selective deployments. Platforms distinctly bifurcated their strategies, focusing on accretive add-on financings supporting existing borrowers or targeting new relationships in the core and lower middle market.
- Nonaccrual trends were mixed, with several BDCs experiencing slight upticks driven by idiosyncratic stress, while others successfully stabilized or resolved legacy troubled credits to bring nonaccruals well below historical averages. NAV movements reflected this divergence, as some lenders achieved meaningful expansion through fundamental EBITDA growth and accretive share repurchases, whereas others faced downward pressure from unrealized depreciation and dividends outpacing net investment income. This bifurcation is visible at the cohort level, where small-cap BDCs trade at a mean P/NAV of 0.65x with significantly wider dispersion than larger peers. Overall leverage remained conservative, generally tracking between 4.0x and 5.0x, supported by interest coverage ratios largely in the 2.1x–2.9x range.
- Small-cap BDCs maintained strict underwriting discipline, retreating from covenant-lite upper-market structures in favor of heavily covenanted transactions and strong downside protections. Despite an uneven year for dealmaking, credit quality was sustained by active portfolio repositioning and positive underlying EBITDA trajectories, with firms deliberately avoiding software models deemed vulnerable to AI disruption. Managers forecast a material pickup in 2026 M&A activity driven by lower base rates and sponsor realization pressures, while simultaneously shifting strategic focus toward shareholder value enhancement and balance sheet liquidity amid lingering macroeconomic uncertainty.

Sources: S&P Capital IQ and SEC filings.

Notes: As of May 3, 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.

Price to NAV

SuRo Capital Corp.	1.62x
Oxford Square Capital Corp.	1.11x
Saratoga Investment Corp.	0.90x
Gladstone Capital Corp.	0.89x
Stellus Capital Investment Corp.	0.77x
Equus Total Return, Inc.	0.75x
Palmer Square Capital BDC Inc.	0.73x
Chicago Atlantic BDC, Inc.	0.71x
Crescent Capital BDC, Inc.	0.70x
Great Elm Capital Corp.	0.66x
PennantPark Investment Corp.	0.66x
WhiteHorse Finance, Inc.	0.65x
Horizon Technology Finance Corp.	0.63x
TriplePoint Venture Growth BDC Corp.	0.62x
Rand Capital Corp.	0.62x
BlackRock TCP Capital Corp.	0.60x
CION Investment Corp.	0.55x
PhenixFIN Corp.	0.53x
Princeton Capital Corp.	0.51x
Runway Growth Finance Corp.	0.50x
Investcorp Credit Management BDC, Inc.	0.48x
BCP Investment Corp.	0.48x
OFS Capital Corp.	0.46x
Firsthand Technology Value Fund, Inc.	(0.59x)

Mean	0.65x
Median	0.64x

ROA

SuRo Capital Corp.	21.2%
Chicago Atlantic BDC, Inc.	10.6%
TriplePoint Venture Growth BDC Corp.	9.4%
Runway Growth Finance Corp.	7.5%
Saratoga Investment Corp.	7.3%
Gladstone Capital Corp.	7.0%
BCP Investment Corp.	6.6%
Stellus Capital Investment Corp.	6.1%
WhiteHorse Finance, Inc.	5.8%
Crescent Capital BDC, Inc.	5.5%
PennantPark Investment Corp.	4.9%
Horizon Technology Finance Corp.	3.7%
CION Investment Corp.	3.7%
Palmer Square Capital BDC Inc.	3.5%
PhenixFIN Corp.	2.3%
Investcorp Credit Management BDC, Inc.	(0.3%)
BlackRock TCP Capital Corp.	(1.4%)
Oxford Square Capital Corp.	(3.1%)
Great Elm Capital Corp.	(3.9%)
OFS Capital Corp.	(4.3%)
Rand Capital Corp.	(12.6%)
Equus Total Return, Inc.	(22.7%)
Princeton Capital Corp.	(37.7%)
Firsthand Technology Value Fund, Inc.	(125.5%)

Mean	(4.4%)
Median	3.7%

Dividend Yield

Horizon Technology Finance Corp.	29.8%
Great Elm Capital Corp.	22.6%
Oxford Square Capital Corp.	22.5%
Runway Growth Finance Corp.	20.9%
PennantPark Investment Corp.	20.8%
BlackRock TCP Capital Corp.	17.9%
TriplePoint Venture Growth BDC Corp.	17.0%
OFS Capital Corp.	16.0%
CION Investment Corp.	15.9%
Palmer Square Capital BDC Inc.	15.2%
Chicago Atlantic BDC, Inc.	14.5%
Saratoga Investment Corp.	14.1%
Stellus Capital Investment Corp.	13.8%
BCP Investment Corp.	13.7%
WhiteHorse Finance, Inc.	13.6%
Crescent Capital BDC, Inc.	12.6%
Rand Capital Corp.	10.7%
Gladstone Capital Corp.	9.5%
SuRo Capital Corp.	7.6%
PhenixFIN Corp.	3.4%
Equus Total Return, Inc.	0.0%
Princeton Capital Corp.	0.0%
Investcorp Credit Management BDC, Inc.	0.0%
Firsthand Technology Value Fund, Inc.	0.0%

Mean	13.0%
Median	14.0%

ROE

SuRo Capital Corp.	26.9%
TriplePoint Venture Growth BDC Corp.	14.1%
Chicago Atlantic BDC, Inc.	11.0%
Saratoga Investment Corp.	9.8%
Stellus Capital Investment Corp.	7.3%
Gladstone Capital Corp.	7.2%
Runway Growth Finance Corp.	6.8%
BCP Investment Corp.	5.9%
PennantPark Investment Corp.	5.4%
WhiteHorse Finance, Inc.	5.3%
Crescent Capital BDC, Inc.	4.8%
Palmer Square Capital BDC Inc.	(0.6%)
Horizon Technology Finance Corp.	(0.8%)
PhenixFIN Corp.	(1.9%)
CION Investment Corp.	(2.7%)
Oxford Square Capital Corp.	(12.2%)
Investcorp Credit Management BDC, Inc.	(12.7%)
BlackRock TCP Capital Corp.	(12.9%)
Rand Capital Corp.	(13.7%)
OFS Capital Corp.	(22.4%)
Great Elm Capital Corp.	(25.5%)
Princeton Capital Corp.	(38.4%)
Equus Total Return, Inc.	(44.7%)
Firsthand Technology Value Fund, Inc.	(313.9%)

Mean	(16.6%)
Median	(0.7%)

Total Assets (\$ in Millions)

CION Investment Corp.	\$1,855
BlackRock TCP Capital Corp.	\$1,650
Crescent Capital BDC, Inc.	\$1,622
PennantPark Investment Corp.	\$1,294
Palmer Square Capital BDC Inc.	\$1,219
Saratoga Investment Corp.	\$1,197
Stellus Capital Investment Corp.	\$1,041
Runway Growth Finance Corp.	\$960
Gladstone Capital Corp.	\$923
TriplePoint Venture Growth BDC Corp.	\$840
Horizon Technology Finance Corp.	\$811
WhiteHorse Finance, Inc.	\$615
BCP Investment Corp.	\$524
OFS Capital Corp.	\$347
Chicago Atlantic BDC, Inc.	\$342
Great Elm Capital Corp.	\$341
PhenixFIN Corp.	\$307
Oxford Square Capital Corp.	\$307
SuRo Capital Corp.	\$276
Investcorp Credit Management BDC, Inc.	\$189
Rand Capital Corp.	\$53
Equus Total Return, Inc.	\$31
Princeton Capital Corp.	\$15
Firsthand Technology Value Fund, Inc.	\$0

Mean	\$698
Median	\$569

Nonaccrual

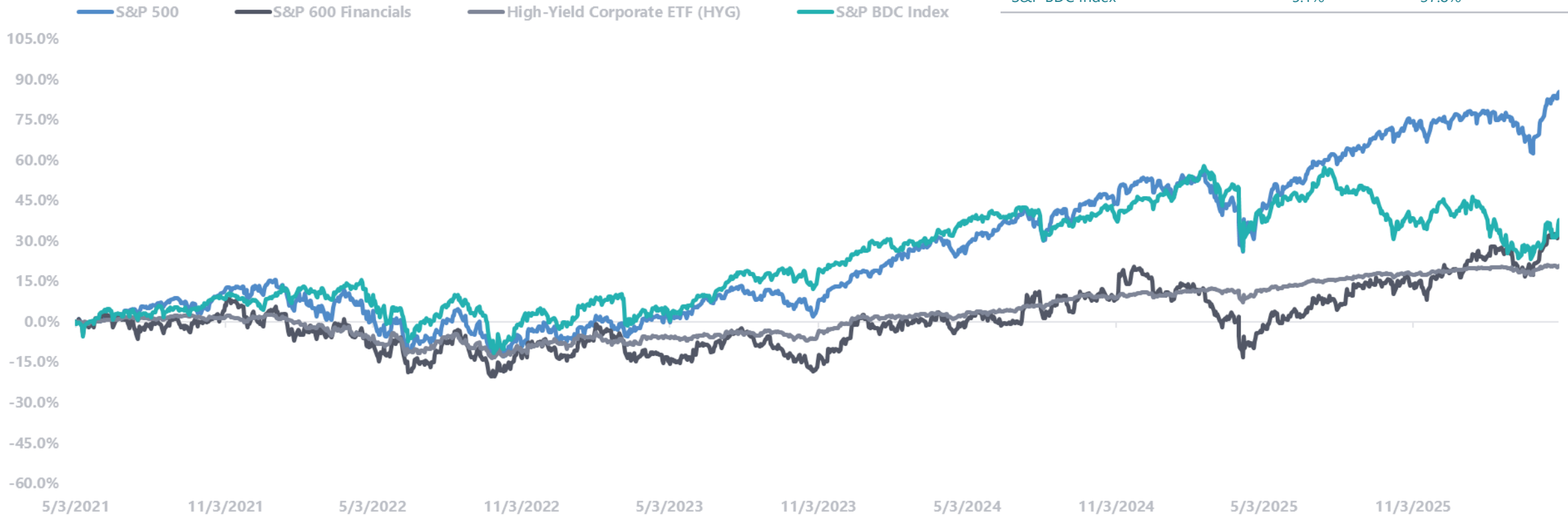
Princeton Capital Corp.	59.6%
Rand Capital Corp.	28.6%
OFS Capital Corp.	11.1%
BlackRock TCP Capital Corp.	9.3%
Great Elm Capital Corp.	8.5%
Stellus Capital Investment Corp.	7.5%
BCP Investment Corp.	7.1%
Investcorp Credit Management BDC, Inc.	5.0%
TriplePoint Venture Growth BDC Corp.	4.7%
Horizon Technology Finance Corp.	4.1%
CION Investment Corp.	3.9%
Crescent Capital BDC, Inc.	3.8%
PhenixFIN Corp.	2.3%
Gladstone Capital Corp.	2.2%
WhiteHorse Finance, Inc.	2.1%
Palmer Square Capital BDC Inc.	1.3%
PennantPark Investment Corp.	1.1%
SuRo Capital Corp.	0.9%
Runway Growth Finance Corp.	0.5%
Saratoga Investment Corp.	0.3%
Chicago Atlantic BDC, Inc.	0.0%
Equus Total Return, Inc.	0.0%
Firsthand Technology Value Fund, Inc.	0.0%
Oxford Square Capital Corp.	0.0%

Mean	6.8%
Median	3.1%

Cumulative Total Return

Percentage as of May 3, 2026

	One Year	Five Years
S&P 500	23.2%	85.4%
S&P 600 Financials	26.7%	33.5%
High-Yield Corporate ETF (HYG)	7.2%	20.8%
S&P BDC Index	5.1%	37.8%



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



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

Buy-side 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	
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

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

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

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