

Houlihan Lokey

BDC Monitor

Summer 2026

FIRST LIEN

SOFR
+475 bps
Median Coupon for Newly Issued Loans in Q1 2026
Flat QoQ

98.9%
Weighted Average Loan Price
-45 bps QoQ

9.17%
Average Yield
-11 bps QoQ

1.8%
Nonaccrual Rate
+53 bps QoQ

54.2%
Implied Recovery Rate for Loans on Nonaccrual Status
+231 bps QoQ

SECOND LIEN

SOFR
+688 bps
Median Coupon for Newly Issued Loans in Q1 2026
-38 bps QoQ

96.0%
Weighted Average Loan Price
-180 bps QoQ

12.62%
Average Yield
+54 bps QoQ

$551.9B
Aggregate Fair Value of Investments Held in BDC Portfolios
+$1.0B QoQ

10,742
Aggregate Number of Unique Portfolio Companies Held in BDC Portfolios
+57 QoQ

Source: Advantage Data.
Notes:
(i) 10,742 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 underlying BDC holdings data.

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



BDC Market Landscape

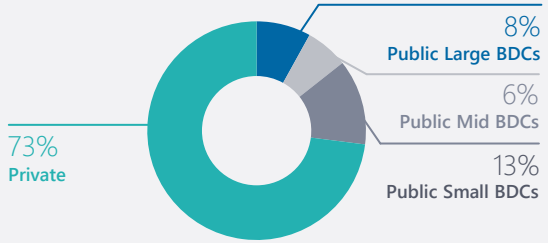
- The top 10 managers represent 16% of the BDCs by fund count and 60% of the BDCs by total assets.
- Direct lending positions continued to grow in number and size in Q1 2026. The total fair value of BDC public and private investments reached $552 billion in Q1 2026 (up from $551 billion in Q4 2025), driven by 1,779 net additional investments.
- Private BDCs comprise a substantial portion of the market, accounting for nearly three-quarters of the 170+ active funds. Since 2020, their portfolio fair value has risen from $21 billion to $398 billion as of Q1 2026, and their share of the total BDC market by fair value has increased from approximately 17% to about 72%.

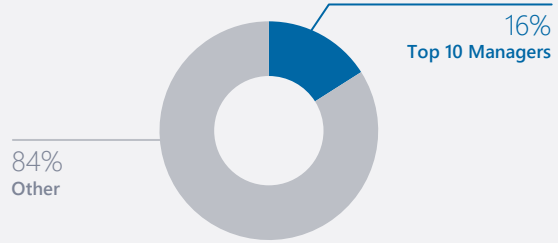
Total Active BDC Funds

Number of Funds Tracked, Actual

More Than 170

Total Active Funds



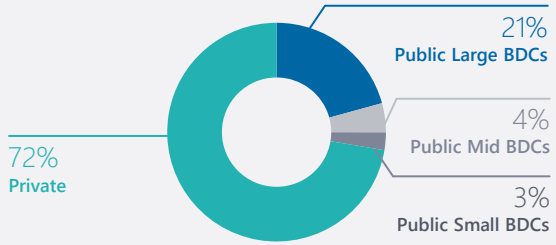


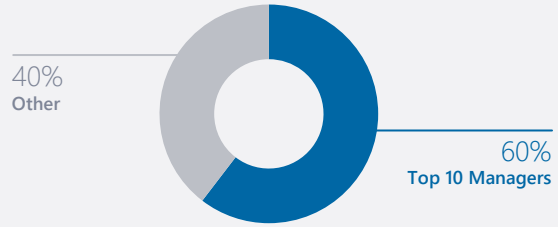
Total Assets of Privately Registered and Publicly Traded BDC Funds

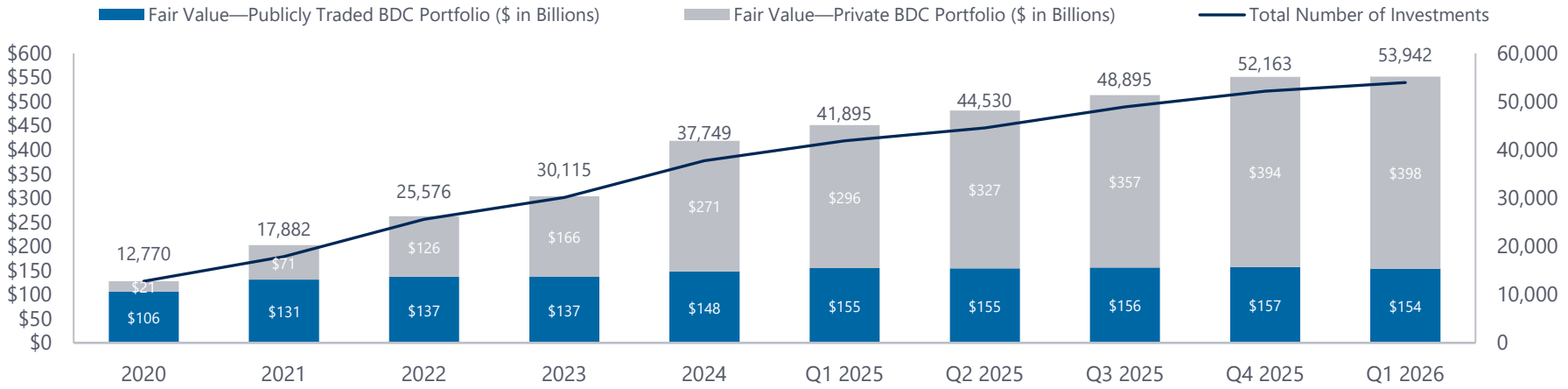
Cumulative Total Assets

$552 Billion

Total Assets







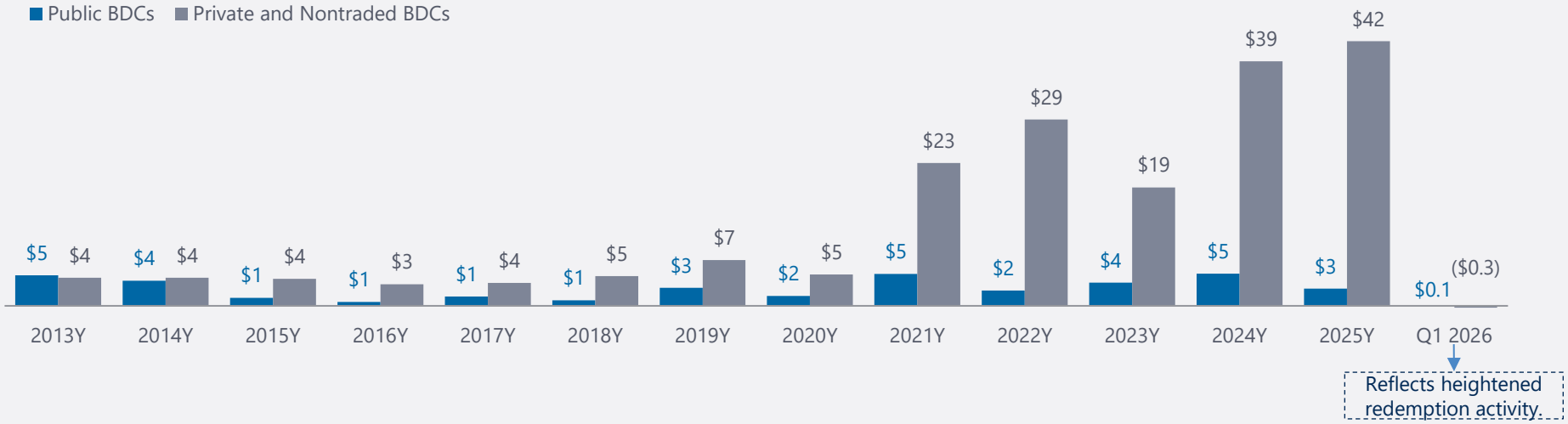
Sources: Advantage Data, SEC Filings, and S&P Capital IQ.
Notes: Represents data for all BDCs tracked by Advantage Data that were filed as of July 27, 2026. Excludes outliers. The data is meant to reflect performing loans only. 53,942 represents the total number of cross-held BDC investments.

Private BDCs: Net Interest Margins Compress as Borrowing Costs Rise

- In the past few years, the vast majority of BDC capital has been raised in the private and nontraded channels, where managers can issue new equity at NAV rather than at a market-determined price. Publicly traded BDCs, by contrast, are subject to public market volatility and currently trade at a discount to 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 0.96x in Q1 2026.
- 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 to 3.1% as of Q1 2026, reflecting a decrease in net interest margins following a period of strong expansion.

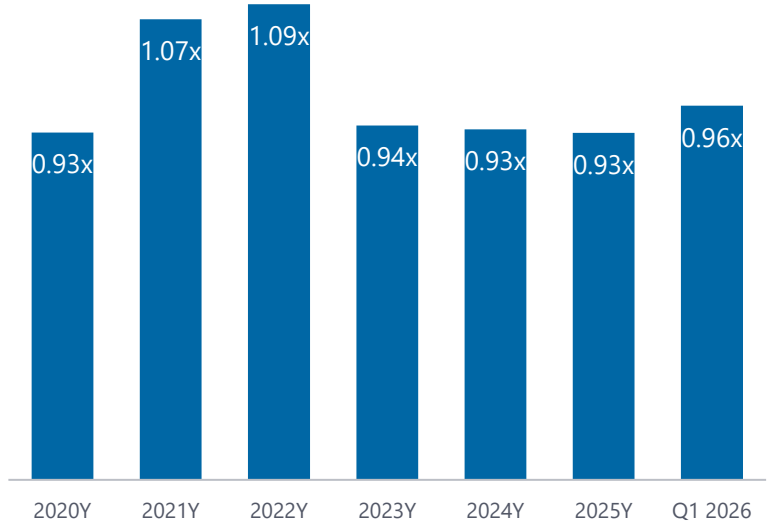
Total BDC Net Equity Capital Raised

$ in Billions



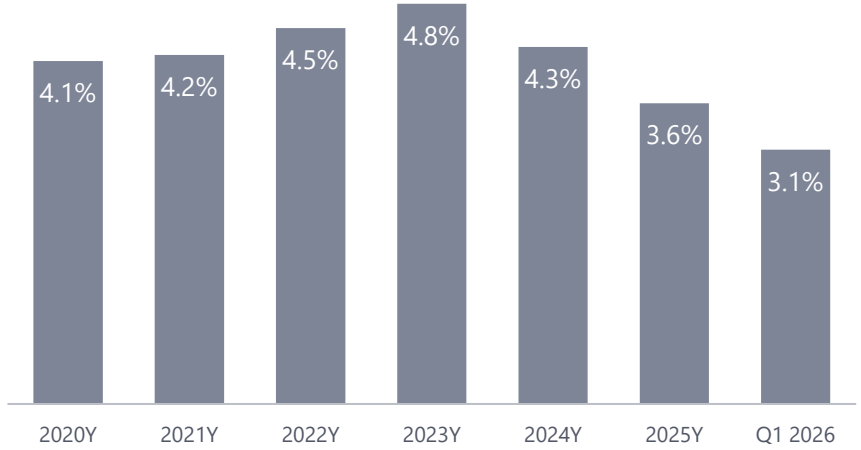
Leverage Trending Lower Since 2022 High

Industry Debt-to-Equity Ratios



Net Interest Spread Has Tightened

Difference Between Interest Income and Interest Expense Rates



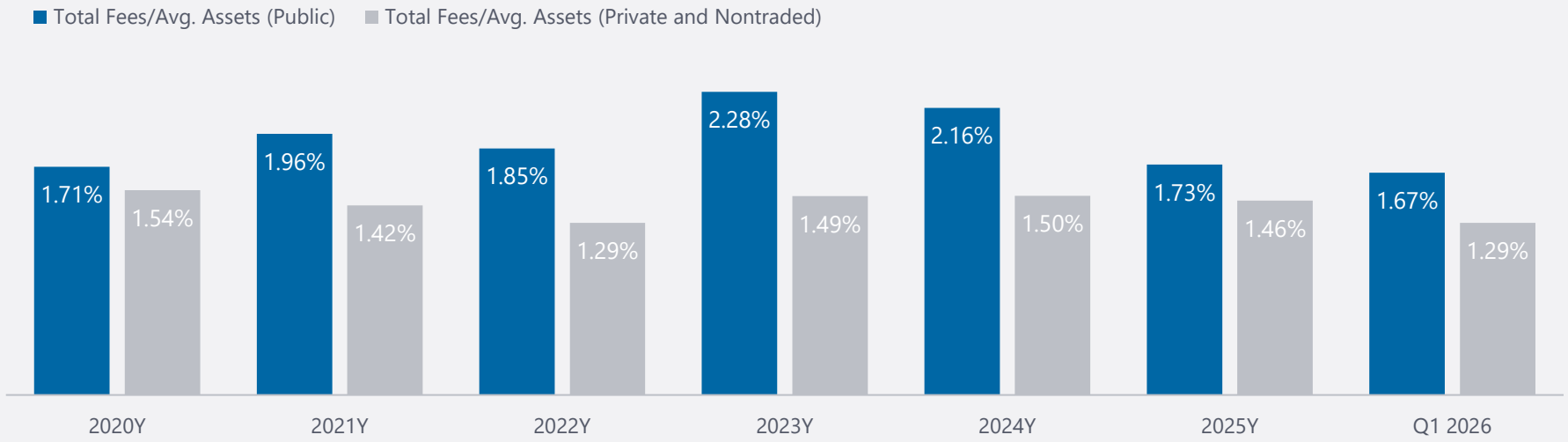
Sources: SEC filings and S&P Capital IQ as of July 27, 2026.
Note: According to the SEC, Form 10 is effective 60 calendar days after filing regardless of SEC review, and this can be effective earlier if acceleration is requested; nontraded BDCs are publicly offered under the Securities Act of 1933 using Form N-2, which is declared effective by the SEC.

Management Fee Rates and Selected Recent Observations

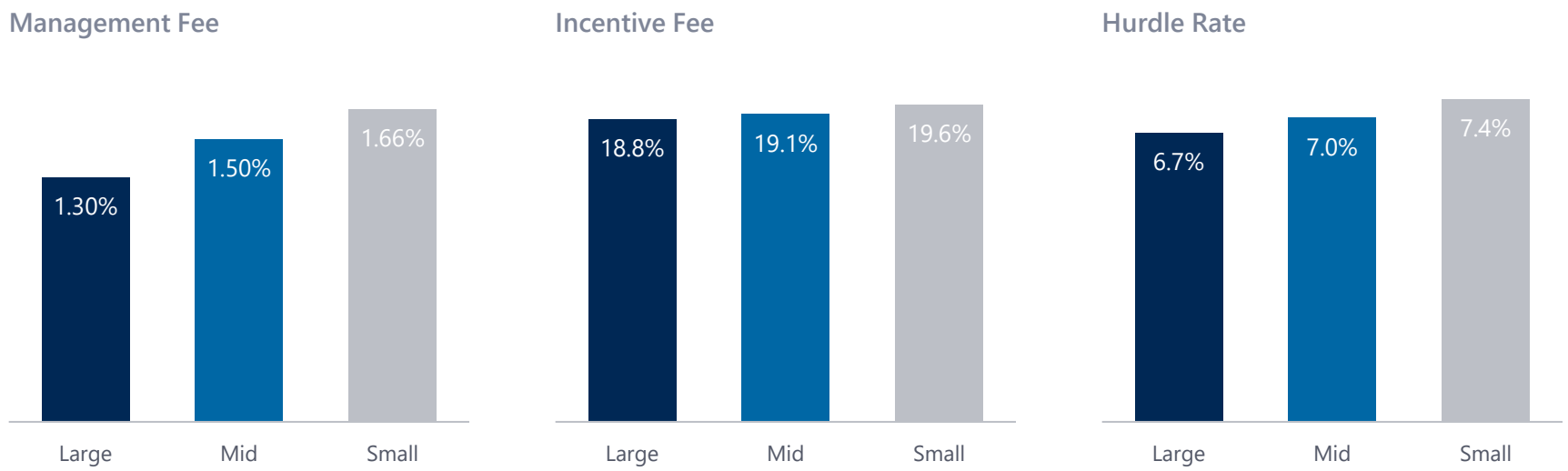
Operating trends drove an increase in public BDC fee levels through 2023, followed by a reversion to below 2020 levels. Private and nontraded BDC fees have remained relatively stable and lower than public BDC fees throughout the period.

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.

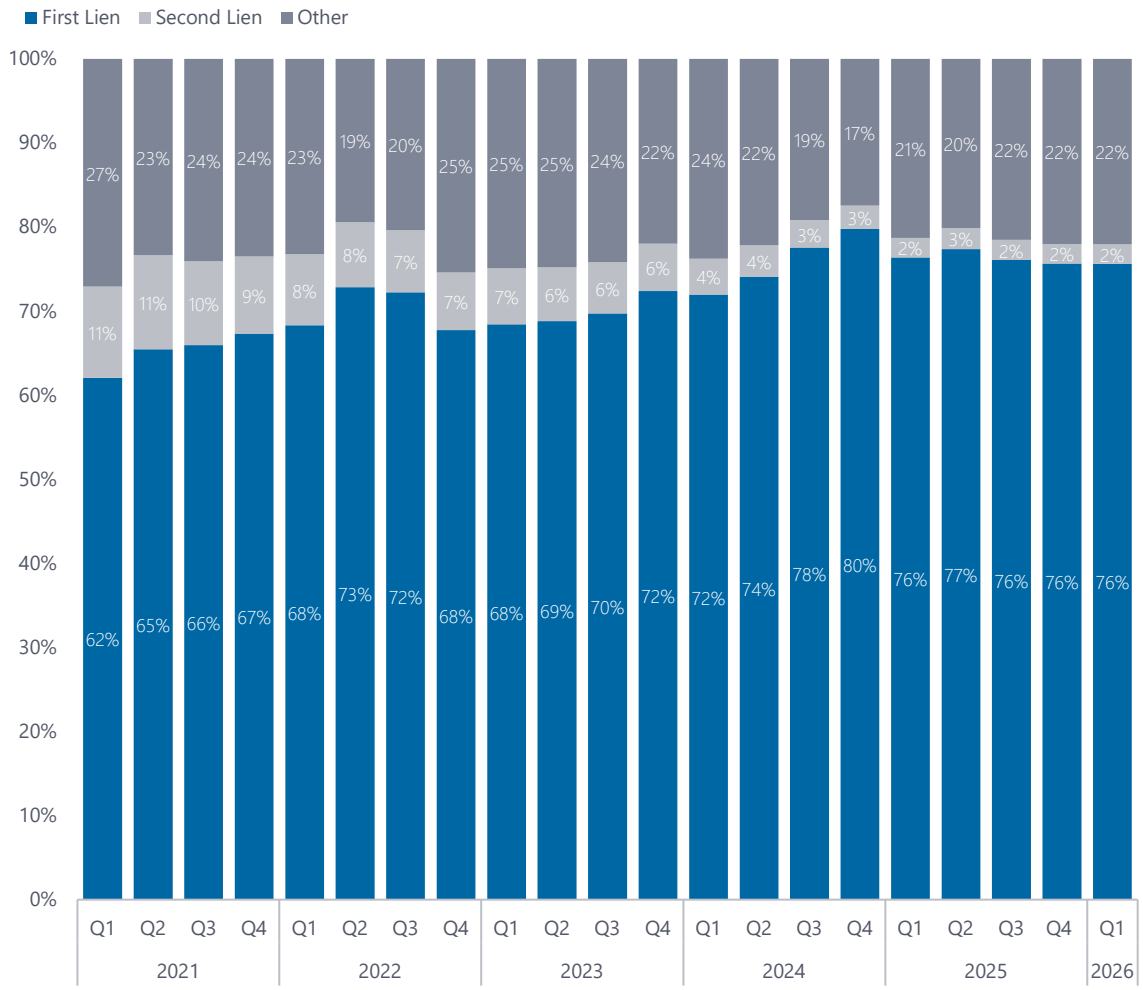


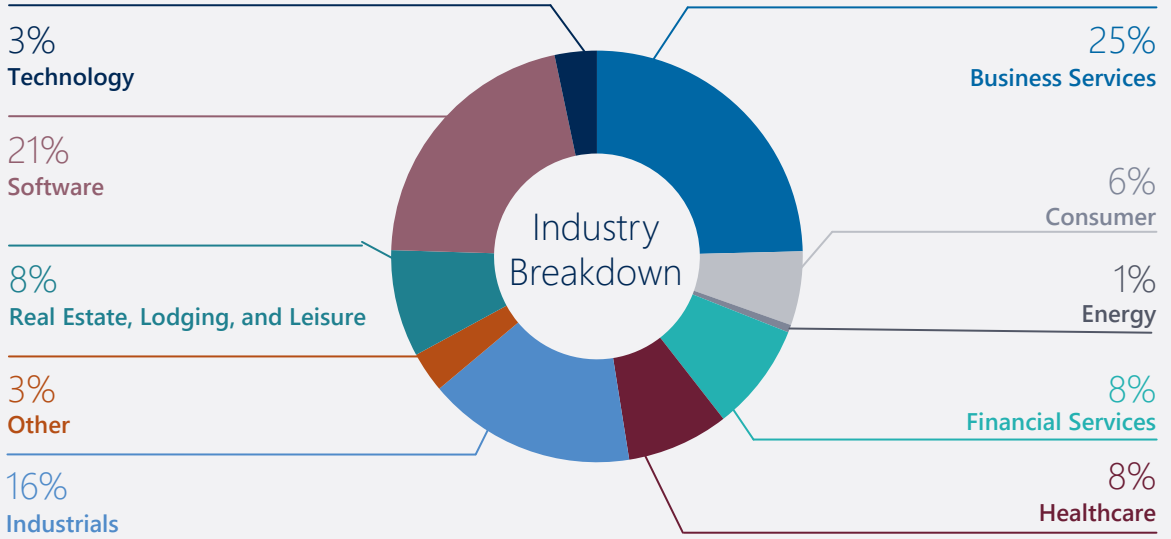
Average Fee Structure by Public BDC Size



Sources: SEC filings and S&P Capital IQ as of July 27, 2026.
Note: Financial data as of July 27, 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
Technology	9.6%
Software	9.4%
Other	9.4%
Healthcare	9.4%
Consumer	9.3%
Industrials	9.2%
Business Services	9.1%
Real Estate, Lodging, and Leisure	8.9%
Energy	8.7%
Financial Services	8.5%

Industry	Second Lien Yields
Other	16.1%
Technology	14.7%
Healthcare	14.4%
Business Services	13.1%
Consumer	12.8%
Industrials	12.6%
Software	12.5%
Energy	11.7%
Real Estate, Lodging, and Leisure	11.2%
Financial Services	10.9%

Source: Advantage Data as of July 27, 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.

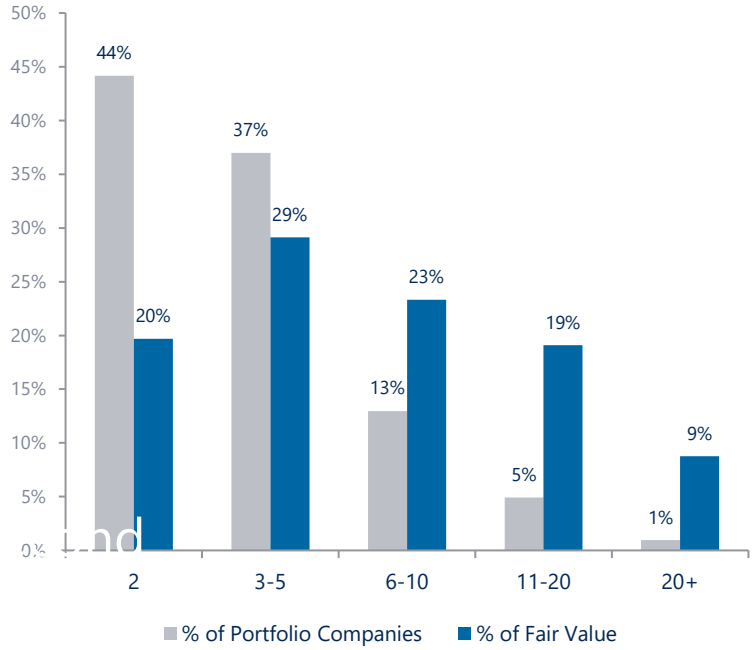
BDC Portfolio Overlap and Concentration

- Q1 2026 cross-holdings universe: 5,257 unique portfolio companies, representing approximately 48.9% of all unique holdings, are held by two or more BDCs, with an average of 4.1 BDCs per name and a range from two to 38 holders.
- Most cross-held names skew toward software and business services, with insurance distribution platforms among the most widely held.
- 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 13% by count and 23% by fair value are cross-held by 6–10 BDCs; only 6% of the portfolio companies by count and 28% 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 (24.2%) and software (20.4%) account for the largest shares of cross-held FV; software carries the largest heavily syndicated tail, with 8.5% of cross-held FV held by more than 10 BDCs, ahead of business services at 6.1% and financial institutions at 4.4%.

Top 15 Cross-Held Portfolio Companies

#	Portfolio Company	Industry	Holders	FV ($M)	Spread
1	Integrity Marketing Acquisition LLC	Financial Institutions	38	$1,802	500
2	Galway Borrower LLC	Financial Institutions	37	$1,127	450
3	MRI Software LLC	Software	35	$1,150	475
4	IG Investments Holdings LLC	Business Services	33	$1,271	500
5	GS Acquisitionco Inc.	Software	33	$667	525
6	PDI TA Hldgs Inc.	Software	32	$730	350
7	Jeppesen Holdings LLC	Software	31	$1,360	475
8	Coupa Software	Software	31	$663	525
9	Flexera Software Inc.	Software	30	$1,606	450
10	Diligent Corp.	Software	29	$916	500
11	OEConnection LLC	Business Services	29	$580	450
12	Apex Service Partners LLC	Business Services	28	$1,035	500
13	Vensure Employer Services Inc.	Business Services	28	$722	500
14	Higginbotham Insurance Agency Inc.	Financial Institutions	28	$594	450
15	PPV Intermediate Hldg LLC	Healthcare	27	$759	575

Distribution by Holder Count



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

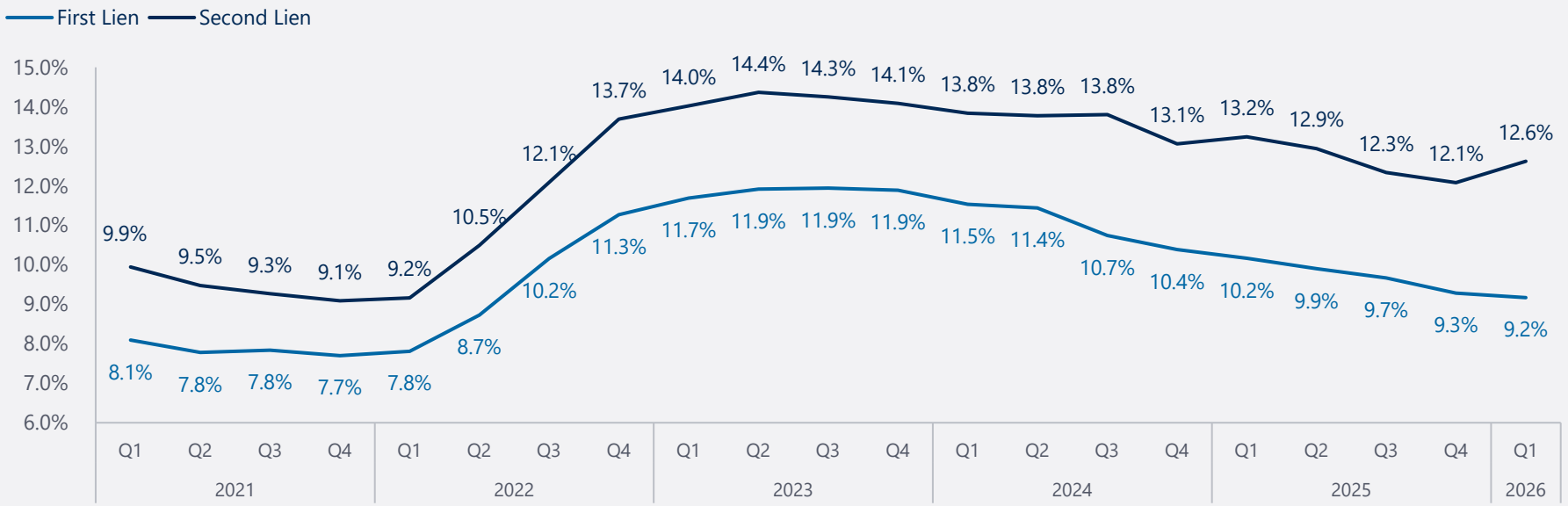
Industry	2 BDCs	3 to 5	6 to 10	11 to 20	20+
Business Services	4.7%	6.8%	6.6%	4.4%	1.7%
Software	2.6%	4.3%	5.0%	5.4%	3.1%
Industrials	4.7%	6.1%	3.3%	2.0%	0.5%
Financial Institutions	1.2%	2.2%	1.6%	2.7%	1.7%
Healthcare	1.6%	3.3%	1.8%	1.8%	0.4%
Real Estate, Lodging, and Leisure	2.1%	2.1%	1.5%	1.2%	0.1%
Consumer, Food, and Retail	1.3%	2.4%	1.4%	0.2%	0.7%
Technology, Media, and Telecom	0.6%	1.0%	1.0%	0.7%	0.6%
Other	0.7%	0.6%	1.2%	0.5%	0.0%
Energy	0.1%	0.3%	0.0%	0.2%	0.0%

Source: Advantage Data as of July 27, 2026.
Note: Reflects unique portfolio companies held by two or more BDCs as of Q1 2026. Cross-held FV represents the sum of fair value across all BDC holders of each name. Aggregate cross-held FV total: $493.3 billion. Spread reflects the fair-value-weighted median spread across all First Lien and Unitranche tranches held by reporting BDCs.

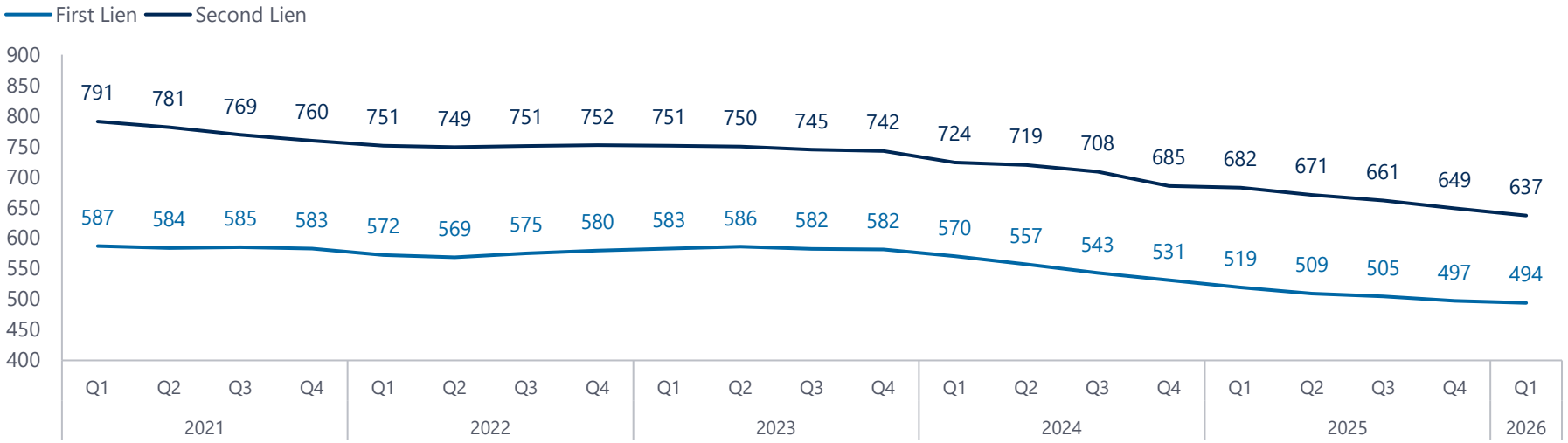
First Lien Spread Compression Eases While Second Lien Persists

- Q1 2026 saw a broad slowdown in transaction volume, most pronounced among large-cap lenders, though several platforms posted record origination quarters, as capital markets volatility, geopolitical uncertainty, and AI-disruption concerns in software weighed on deal processes, compounded by net outflows from retail products. Managers entered Q2 with improving pipelines and a constructive deployment outlook.
- Q1 2026 marked a deceleration in the multi-year spread compression trend. Portfolio-average coupon spreads tightened only marginally, with first lien narrowing just 3 bps and second lien 12 bps, as diminished competition from banks and retail-dependent lenders rebalanced capital supply. With borrower-friendly conditions fading, managers maintained a focus on core middle-market and specialty finance strategies.
- Average first lien yields across BDC portfolios held broadly flat, easing from 9.3% in Q4 2025 to 9.2% in Q1 2026. On a year-over-year basis, first lien yields decreased by roughly 100 bps in Q1 2026.
- Average second lien yields increased from 12.1% in Q4 2025 to 12.6% in Q1 2026. On a year-over-year basis, second lien yields decreased by roughly 62 bps in Q1 2026.
- The Q1 2026 first lien spread distribution remains tightly clustered; roughly 54% of loans price at S+450 or S+500, and 78% sit inside the S+400 to S+600 band. The second lien distribution was meaningfully wider, with 74% priced between S+500 and S+800.

Average Yields



Average Coupon (Spread Over SOFR)

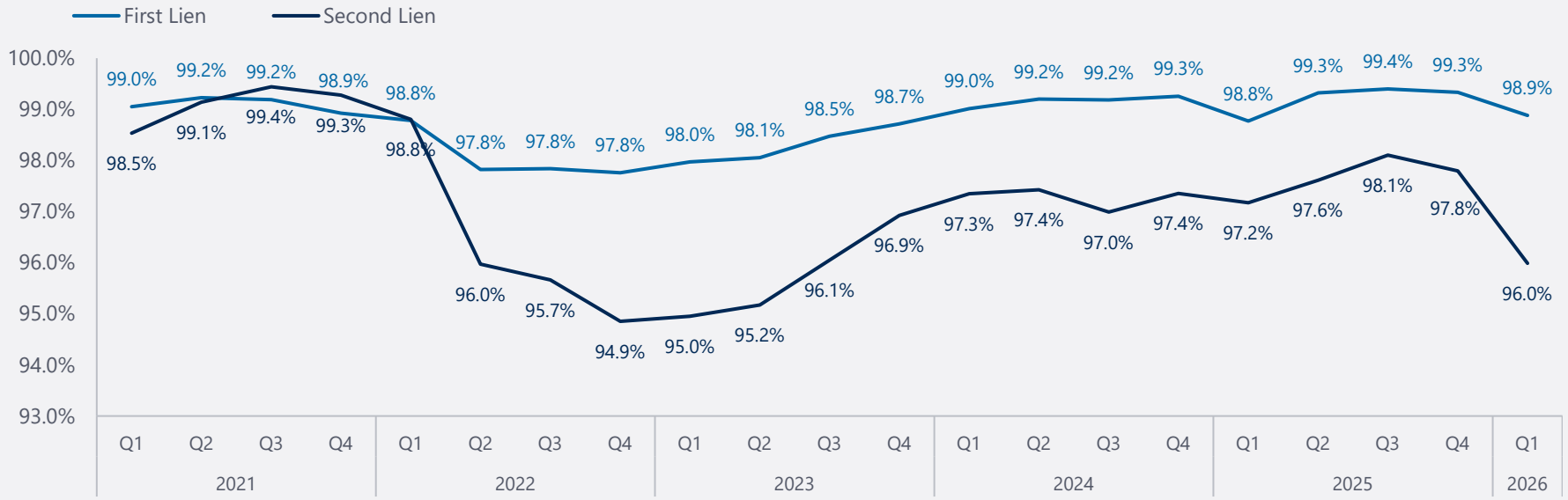


Sources: PitchBook and Advantage Data as of July 27, 2026.
Notes: Yield is based on reported fair value, stated maturity, and stated interest rate. Represents data for all BDCs tracked by Advantage Data. Excludes outliers.

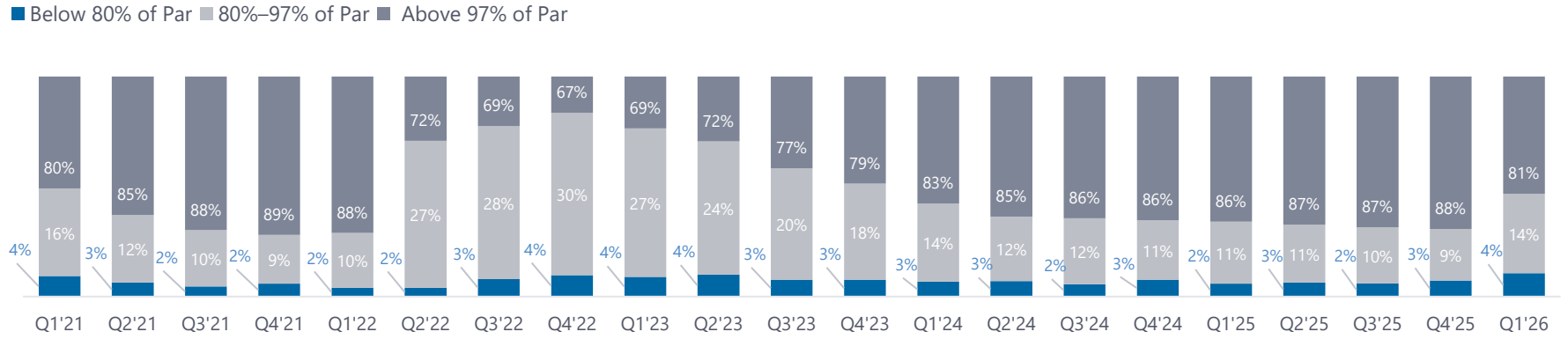
Loan Pricing

- The weighted average price for first lien loans decreased from 99.3% of par in Q4 2025 to 98.9% of par in Q1 2026.
- The weighted average price for second lien loans declined from 97.8% to 96.0% of par during the period, a roughly 180 bps drop and the steepest quarterly contraction since Q2 2022. Software accounted for a disproportionate share of the decline. Marks softened across about half of the positions held in both quarters, with the ten largest markdowns accounting for more than half of the total decline.
- Several BDCs categorize their portfolios by risk level. As of Q1 2026, an average of 7.6% of BDC portfolios were deemed riskier than at underwriting, 8.2% were considered less risky, and 84.2% matched the original underwriting risk.(2)
- 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 Q1 2026, credit stress within BDC portfolios continues to broaden. Using loans priced below 80.0% of par as an indicator of distress, this bucket grew for a second consecutive quarter, while the share of loans priced above 97.0% of par fell sharply after peaking in Q4 2025. The softening is no longer confined to the weakest credits. It is now spreading into loans once viewed as top-tier, a sign of broad-based distress.

Weighted Average Loan Price(1)



Investment Percentage of Par Buckets(3)(4)(5)

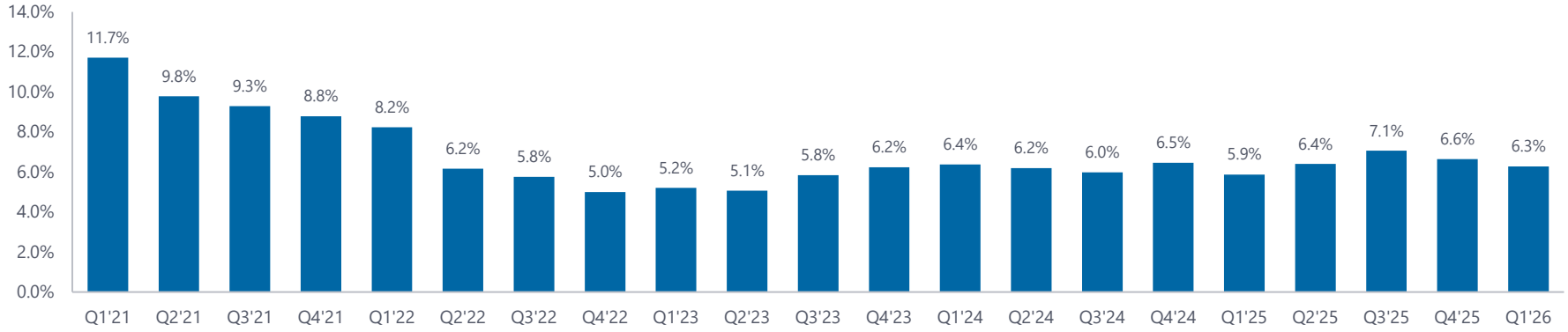


Source: Advantage Data as of July 27, 2026.
(1) Expressed as a percentage of par. Represents data for all BDCs tracked by Advantage Data that were filed as of the date of this report. Excludes outliers. The data is meant to reflect performing loans only.
(2) Risk-level averages are computed across the 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) Y-Axis range is set to 0%-40% for presentation purposes.
(5) Figures may not total 100% due to rounding.

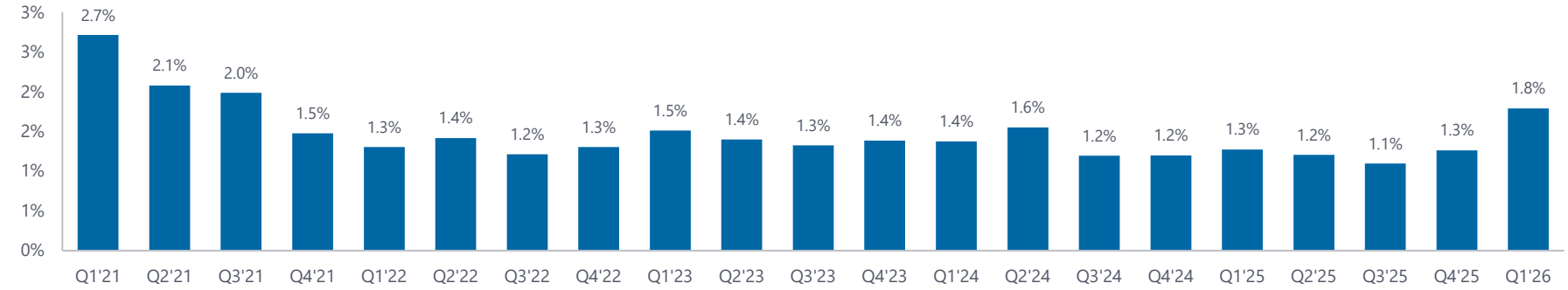
Credit Metrics Soften Though Aggregate Quality Holds

- PIK as a percentage of total interest income was 6.3% in Q1 2026, down from 6.6% in Q4 2025 and broadly consistent with recent quarters. PIK reliance has edged slightly lower over the past two quarters rather than building, and managers described new-deal structures as stable, with no broad shift toward PIK-heavy terms.
- Nonaccruals ticked up in Q1 2026 to 1.8%, breaking a multi-quarter pattern of relative stability in the 1.1%–1.6% range and marking the largest single-quarter increase in over three years. Most new additions were idiosyncratic, concentrated in the stressed 2021–2022 vintages, with healthcare and consumer credits being the most prominent. Software pressure appeared primarily in marks rather than nonaccruals, with managers attributing most downward software marks to market-driven multiple compression rather than to fundamental credit deterioration.
- The implied recovery rate on nonaccrual investments rose to 54.2% from 51.8% in Q4 2025, as managers advanced restructurings and dispositions. Settled restructurings within the quarter generally crystallized losses, including $15.8 million at Fidus and $32.7 million at BlackRock TCP. The aggregate nonaccrual book remains modest relative to total portfolios, though views diverged on whether the uptick is broadening.
- Managers expect rising dispersion between high- and low-performing credits and defaults to keep normalizing. The prevailing view shifted toward higher-for-longer, with rates expected to hold through 2026. Sustained pressure on legacy vintages and heightened software scrutiny warrant monitoring, and several cautioned that the credit cycle is not yet through.

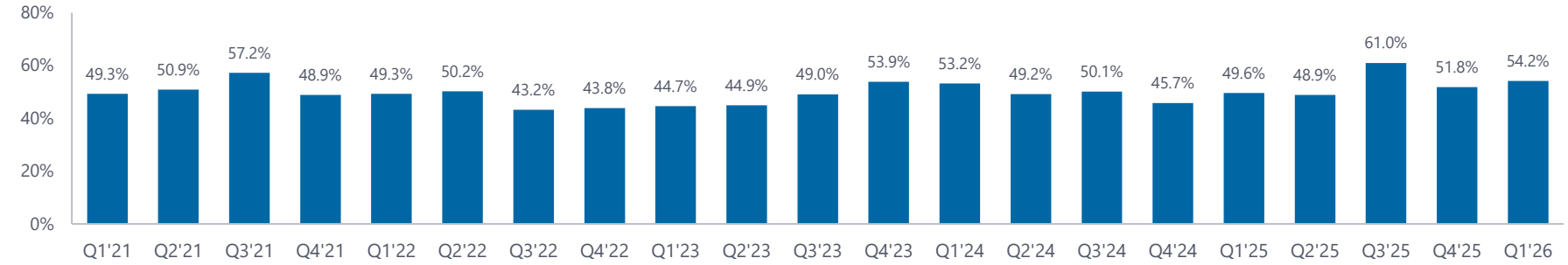
PIK as a Percentage of Total Interest Income(1)



Nonaccrual Investments as a Percentage of Total Portfolio(2)



Nonaccrual Investments Implied Recovery Rate(3)



Source: Advantage Data as of July 27, 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 Q1 2026, large-cap BDCs saw deal volume moderate, dampened by capital-markets volatility, geopolitical uncertainty, and AI-disruption concerns in software, before rebounding in the final weeks. Deployment stayed concentrated in existing borrowers and add-ons. After multiple quarters of tightening, pricing reversed to a lender-friendly footing, with spreads widening as competition thinned and retail-channel capital retreated.
- Leverage stayed well contained, with resilient borrowers posting high-single-digit organic EBITDA growth and software names still expanding despite the sell-off. Net leverage ranged widely, roughly 3.6x to 6.0x, with new platform deals near 2.7x. Interest coverage clustered near 2.0x and LTVs sat in the low-to-high 40s, preserving sizable equity cushions. Nonaccruals were mixed and more dispersed, with several lenders adding names. FS KKR was most notable, with nonaccruals rising to 7.3% of cost and NAV falling from $20.89 to $18.83, prompting KKR to step in with a $600 million support package (tender offer, preferred investment, and buyback authorization).
- Large-cap BDCs expect a building, multi-year recovery in sponsor M&A through 2026, driven by a backlog of PE exits, abundant dry powder, and pressure to return capital. Managers cautioned that the credit cycle has not ended yet, and firms are prioritizing liquidity, tighter underwriting, and higher first lien exposure while assessing AI risk in legacy software and capitalizing on infrastructure opportunities.

Price to NAV

Main Street Capital Corp.	1.61x
Capital Southwest Corp.	1.41x
Trinity Capital Inc.	1.31x
Hercules Capital, Inc.	1.31x
Sixth Street Specialty Lending, Inc.	1.06x
Ares Capital Corp.	0.96x
Golub Capital BDC, Inc.	0.90x
Blackstone Secured Lending Fund	0.88x
Morgan Stanley Direct Lending Fund	0.77x
Blue Owl Capital Corp.	0.76x
Oaktree Specialty Lending Corp.	0.75x
Goldman Sachs BDC, Inc.	0.71x
FS KKR Capital Corp.	0.58x
Prospect Capital Corp.	0.37x
Mean	0.96x
Median	0.89x

Dividend Yield

Prospect Capital Corp.	24.2%
FS KKR Capital Corp.	16.9%
Goldman Sachs BDC, Inc.	15.1%
Oaktree Specialty Lending Corp.	13.6%
Blackstone Secured Lending Fund	13.4%
Hercules Capital, Inc.	11.9%
Morgan Stanley Direct Lending Fund	11.7%
Trinity Capital Inc.	11.7%
Blue Owl Capital Corp.	11.5%
Capital Southwest Corp.	10.9%
Sixth Street Specialty Lending, Inc.	10.3%
Golub Capital BDC, Inc.	10.2%
Ares Capital Corp.	10.2%
Main Street Capital Corp.	8.0%
Mean	12.8%
Median	11.7%

Total Assets ($ in Millions)

Ares Capital Corp.	$30,679
Blue Owl Capital Corp.	$16,019
Blackstone Secured Lending Fund	$14,437
FS KKR Capital Corp.	$12,825
Golub Capital BDC, Inc.	$8,530
Prospect Capital Corp.	$6,384
Main Street Capital Corp.	$5,828
Hercules Capital, Inc.	$4,826
Morgan Stanley Direct Lending Fund	$3,825
Sixth Street Specialty Lending, Inc.	$3,393
Goldman Sachs BDC, Inc.	$3,343
Oaktree Specialty Lending Corp.	$2,894
Trinity Capital Inc.	$2,556
Capital Southwest Corp.	$2,178
Mean	$8,408
Median	$5,327

ROA

Trinity Capital Inc.	10.2%
Main Street Capital Corp.	10.0%
Hercules Capital, Inc.	10.0%
Capital Southwest Corp.	8.8%
Sixth Street Specialty Lending, Inc.	6.7%
Ares Capital Corp.	6.6%
Blackstone Secured Lending Fund	5.8%
Morgan Stanley Direct Lending Fund	5.6%
Blue Owl Capital Corp.	5.5%
Golub Capital BDC, Inc.	5.4%
Goldman Sachs BDC, Inc.	5.4%
Oaktree Specialty Lending Corp.	5.3%
Prospect Capital Corp.	1.3%
FS KKR Capital Corp.	(0.7%)
Mean	6.1%
Median	5.7%

ROE

Hercules Capital, Inc.	15.7%
Main Street Capital Corp.	14.4%
Trinity Capital Inc.	13.8%
Capital Southwest Corp.	11.9%
Ares Capital Corp.	8.3%
Blackstone Secured Lending Fund	7.1%
Sixth Street Specialty Lending, Inc.	6.8%
Golub Capital BDC, Inc.	5.3%
Goldman Sachs BDC, Inc.	5.1%
Morgan Stanley Direct Lending Fund	5.0%
Blue Owl Capital Corp.	4.8%
Oaktree Specialty Lending Corp.	3.5%
Prospect Capital Corp.	(0.8%)
FS KKR Capital Corp.	(9.3%)
Mean	6.5%
Median	6.0%

Nonaccrual

FS KKR Capital Corp.	7.3%
Oaktree Specialty Lending Corp.	5.2%
Goldman Sachs BDC, Inc.	4.7%
Blackstone Secured Lending Fund	4.6%
Prospect Capital Corp.	4.5%
Main Street Capital Corp.	4.0%
Capital Southwest Corp.	2.4%
Ares Capital Corp.	2.1%
Sixth Street Specialty Lending, Inc.	1.9%
Blue Owl Capital Corp.	1.7%
Golub Capital BDC, Inc.	1.7%
Trinity Capital Inc.	1.7%
Morgan Stanley Direct Lending Fund	1.4%
Hercules Capital, Inc.	0.2%
Mean	3.1%
Median	2.3%

Sources: S&P Capital IQ and SEC filings.
Note: As of July 27, 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

- As of Q1 2026, mid-cap BDCs reported modest origination activity, with net repayments outpacing new fundings and portfolios contracting slightly amid capital-markets volatility and a softer M&A backdrop. Originations were split between new platform companies and add-ons, with managers deliberately diversifying across both. After several quarters of compression, pricing widened, with new first lien deals pricing around 470 bps over SOFR. Competition eased as larger, retail-funded lenders pulled back, opening better-priced deals in the upper middle market.
- Nonaccrual rates were mixed, with several lenders actively resolving positions. MidCap Financial rose to 5.3% of cost and noted nonaccruals ticking up across the sector, while SLR held at zero. NAV per share was modestly lower, which managers attributed largely to spread widening and software-multiple compression rather than credit impairment, though the split varied. Portfolio leverage stayed conservative, with borrower net leverage of 4.5x to 5.3x and new deals lower at around 3.0x to 3.6x. Loan-to-value ratios ran in the high 30s to high 40s.
- Mid-cap managers pointed to an uncertain macro backdrop with pockets of resilience and more deliberate pacing by institutional allocators. Dry powder and pressure to return capital are expected to drive a multi-year M&A pickup. The rate view shifted toward higher-for-longer, with the Fed expected to hold through 2026—supportive of yields but pressuring borrower cash flow. Platforms leaned into the core middle market and specialty finance to preserve risk-adjusted returns.

Price to NAV

Fidus Investment Corp.	1.01x
Gladstone Investment Corp.	0.97x
Barings BDC, Inc.	0.75x
Bain Capital Specialty Finance, Inc.	0.75x
MSC Income Fund, Inc.	0.71x
SLR Investment Corp.	0.71x
Nuveen Churchill Direct Lending Corp.	0.71x
MidCap Financial Investment Corp.	0.69x
PennantPark Floating Rate Capital Ltd.	0.67x
Carlyle Secured Lending, Inc.	0.64x
New Mountain Finance Corp.	0.63x
Mean	0.75x
Median	0.71x

Dividend Yield

New Mountain Finance Corp.	18.6%
PennantPark Floating Rate Capital Ltd.	17.6%
Carlyle Secured Lending, Inc.	16.2%
Bain Capital Specialty Finance, Inc.	15.3%
Nuveen Churchill Direct Lending Corp.	13.5%
MidCap Financial Investment Corp.	12.9%
Barings BDC, Inc.	12.5%
MSC Income Fund, Inc.	12.4%
Fidus Investment Corp.	11.2%
SLR Investment Corp.	9.6%
Gladstone Investment Corp.	9.2%
Mean	13.5%
Median	12.9%

Total Assets ($ in Millions)

MidCap Financial Investment Corp.	$3,070
PennantPark Floating Rate Capital Ltd.	$2,748
Bain Capital Specialty Finance, Inc.	$2,602
Barings BDC, Inc.	$2,600
Carlyle Secured Lending, Inc.	$2,558
SLR Investment Corp.	$2,540
New Mountain Finance Corp.	$2,427
Nuveen Churchill Direct Lending Corp.	$2,049
Fidus Investment Corp.	$1,444
MSC Income Fund, Inc.	$1,410
Gladstone Investment Corp.	$1,323
Mean	$2,252
Median	$2,540

ROA

Gladstone Investment Corp.	19.4%
MSC Income Fund, Inc.	8.8%
Fidus Investment Corp.	8.7%
Nuveen Churchill Direct Lending Corp.	6.5%
Barings BDC, Inc.	6.4%
SLR Investment Corp.	6.3%
PennantPark Floating Rate Capital Ltd.	6.2%
Bain Capital Specialty Finance, Inc.	5.9%
MidCap Financial Investment Corp.	4.1%
Carlyle Secured Lending, Inc.	2.2%
New Mountain Finance Corp.	2.0%
Mean	7.0%
Median	6.3%

ROE

Gladstone Investment Corp.	31.7%
MSC Income Fund, Inc.	12.0%
Fidus Investment Corp.	11.6%
SLR Investment Corp.	9.1%
Barings BDC, Inc.	7.6%
Nuveen Churchill Direct Lending Corp.	6.8%
Bain Capital Specialty Finance, Inc.	6.6%
PennantPark Floating Rate Capital Ltd.	5.9%
Carlyle Secured Lending, Inc.	4.4%
MidCap Financial Investment Corp.	0.5%
New Mountain Finance Corp.	(4.8%)
Mean	8.3%
Median	6.8%

Nonaccrual

MidCap Financial Investment Corp.	5.3%
MSC Income Fund, Inc.	4.2%
Gladstone Investment Corp.	3.8%
New Mountain Finance Corp.	2.3%
Barings BDC, Inc.	2.0%
Bain Capital Specialty Finance, Inc.	2.0%
Nuveen Churchill Direct Lending Corp.	1.2%
Fidus Investment Corp.	0.8%
Carlyle Secured Lending, Inc.	0.8%
PennantPark Floating Rate Capital Ltd.	0.5%
SLR Investment Corp.	0.0%
Mean	2.1%
Median	2.0%

Sources: S&P Capital IQ and SEC filings.
Note: As of July 27, 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 Q1 2026, new deal volume across the small-cap cohort was the most dispersed of any tier, with some managers posting record origination and others preserving liquidity or pausing on pricing. Platforms leaned on proprietary sourcing, niche and venture-oriented specialization, and elevated rate floors to protect yields while holding first-lien discipline.
- Nonaccrual levels were elevated relative to the larger tiers, with several names around 10.0% of cost, including Runway and OFS near 10.6% and Great Elm at 9.2%, and Rand an outlier at 24.0%. Several managers were actively resolving positions through restructurings and exits. NAV outcomes diverged sharply, with a handful posting equity-markup gains even as most declined on unrealized markdowns, CLO-equity weakness, or distributions outpacing NII. Small-cap BDCs trade at a mean price to NAV of 0.61x and a median price to NAV of 0.58x, the deepest discount of any tier. Portfolio leverage stayed moderate at roughly 4.6x to 5.3x, with interest coverage around 2.0x.
- Managers held to strict underwriting discipline, retreating from competitive upper-market structures toward heavily covenanted lower-tier deals with substantial equity cushions. Most steered away from software viewed as vulnerable to AI disruption, though BlackRock TCP carried an outsized software book at roughly 30.5% of fair value that drove a meaningful share of its markdowns. Looking ahead, the cohort expects a multi-year pickup in sponsor M&A as realization pressure builds, and amid persistent macro uncertainty firms lean defensive and prioritize liquidity.

Price to NAV

Oxford Square Capital Corp.	1.07x
Gladstone Capital Corp.	0.89x
Saratoga Investment Corp.	0.83x
Equus Total Return, Inc.	0.81x
Palmer Square Capital BDC Inc.	0.72x
Neostellar Capital Corp.	0.72x
Chicago Atlantic BDC, Inc.	0.70x
Great Elm Capital Corp.	0.66x
Horizon Technology Finance Corp.	0.62x
Crescent Capital BDC, Inc.	0.60x
Rand Capital Corp.	0.59x
WhiteHorse Finance, Inc.	0.57x
Stellus Capital Investment Corp.	0.56x
PhenixFIN Corp.	0.55x
TriplePoint Venture Growth BDC Corp.	0.52x
PennantPark Investment Corp.	0.50x
BlackRock TCP Capital Corp.	0.47x
BCP Investment Corp.	0.46x
CION Investment Corp.	0.46x
Runway Growth Finance Corp.	0.45x
OFS Capital Corp.	0.42x
Investcorp Credit Management BDC, Inc	0.21x
Mean	0.61x
Median	0.58x

Dividend Yield

Oxford Square Capital Corp.	29.8%
PennantPark Investment Corp.	28.6%
Runway Growth Finance Corp.	24.8%
BlackRock TCP Capital Corp.	22.8%
TriplePoint Venture Growth BDC Corp.	20.5%
CION Investment Corp.	20.1%
OFS Capital Corp.	19.8%
Great Elm Capital Corp.	19.5%
Stellus Capital Investment Corp.	19.3%
Horizon Technology Finance Corp.	16.7%
Palmer Square Capital BDC Inc.	16.7%
WhiteHorse Finance, Inc.	16.0%
Saratoga Investment Corp.	15.5%
BCP Investment Corp.	15.4%
Chicago Atlantic BDC, Inc.	14.5%
Crescent Capital BDC, Inc.	13.3%
Rand Capital Corp.	11.5%
Neostellar Capital Corp.	9.8%
Gladstone Capital Corp.	9.5%
PhenixFIN Corp.	3.3%
Equus Total Return, Inc.	0.0%
Investcorp Credit Management BDC, Inc	0.0%
Mean	15.8%
Median	16.3%

Total Assets ($ in Millions)

CION Investment Corp.	$1,844
Crescent Capital BDC, Inc.	$1,618
BlackRock TCP Capital Corp.	$1,510
PennantPark Investment Corp.	$1,258
Saratoga Investment Corp.	$1,197
Palmer Square Capital BDC Inc.	$1,166
Stellus Capital Investment Corp.	$1,001
Gladstone Capital Corp.	$925
Runway Growth Finance Corp.	$905
TriplePoint Venture Growth BDC Corp.	$807
Horizon Technology Finance Corp.	$792
WhiteHorse Finance, Inc.	$606
BCP Investment Corp.	$544
Neostellar Capital Corp.	$433
Chicago Atlantic BDC, Inc.	$373
OFS Capital Corp.	$316
PhenixFIN Corp.	$306
Great Elm Capital Corp.	$283
Oxford Square Capital Corp.	$279
Investcorp Credit Management BDC, Inc	$165
Rand Capital Corp.	$53
Equus Total Return, Inc.	$27
Mean	$746
Median	$699

ROA

Neostellar Capital Corp.	63.3%
Chicago Atlantic BDC, Inc.	10.6%
TriplePoint Venture Growth BDC Corp.	9.2%
Gladstone Capital Corp.	8.1%
Horizon Technology Finance Corp.	6.8%
Palmer Square Capital BDC Inc.	6.1%
Stellus Capital Investment Corp.	5.9%
Saratoga Investment Corp.	5.5%
WhiteHorse Finance, Inc.	4.9%
CION Investment Corp.	4.9%
BCP Investment Corp.	4.8%
Crescent Capital BDC, Inc.	4.3%
Runway Growth Finance Corp.	4.2%
PennantPark Investment Corp.	4.1%
PhenixFIN Corp.	2.9%
BlackRock TCP Capital Corp.	(3.7%)
Great Elm Capital Corp.	(4.6%)
OFS Capital Corp.	(5.7%)
Investcorp Credit Management BDC, Inc	(6.2%)
Oxford Square Capital Corp.	(9.2%)
Rand Capital Corp.	(15.2%)
Equus Total Return, Inc.	(41.9%)
Mean	2.7%
Median	4.5%

ROE

Neostellar Capital Corp.	79.2%
TriplePoint Venture Growth BDC Corp.	12.2%
Chicago Atlantic BDC, Inc.	11.3%
Gladstone Capital Corp.	8.4%
Horizon Technology Finance Corp.	6.7%
Stellus Capital Investment Corp.	6.4%
Palmer Square Capital BDC Inc.	5.8%
Saratoga Investment Corp.	4.1%
WhiteHorse Finance, Inc.	3.5%
PennantPark Investment Corp.	3.0%
Crescent Capital BDC, Inc.	2.2%
BCP Investment Corp.	0.8%
CION Investment Corp.	(0.1%)
Runway Growth Finance Corp.	(0.6%)
PhenixFIN Corp.	(0.7%)
Rand Capital Corp.	(15.9%)
BlackRock TCP Capital Corp.	(18.7%)
Oxford Square Capital Corp.	(26.6%)
Great Elm Capital Corp.	(27.5%)
OFS Capital Corp.	(27.7%)
Investcorp Credit Management BDC, Inc	(30.1%)
Equus Total Return, Inc.	(50.8%)
Mean	(2.5%)
Median	1.5%

Nonaccrual

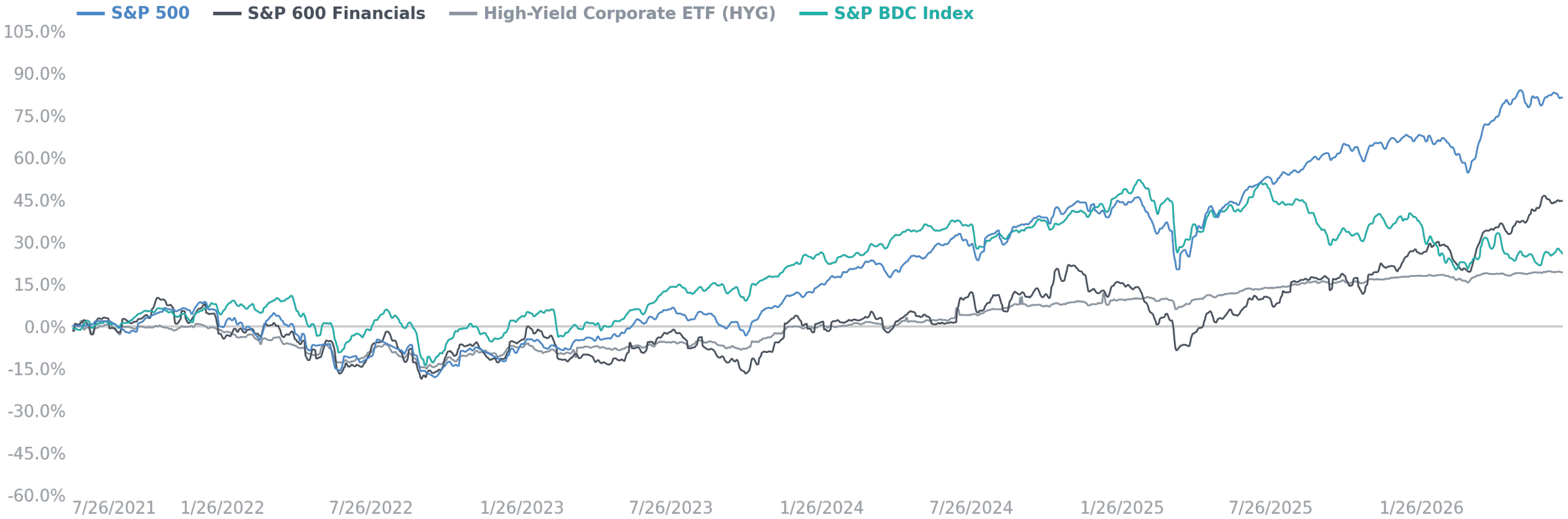
Rand Capital Corp.	24.0%
Runway Growth Finance Corp.	10.6%
OFS Capital Corp.	10.6%
Great Elm Capital Corp.	9.2%
BlackRock TCP Capital Corp.	7.2%
BCP Investment Corp.	6.2%
Investcorp Credit Management BDC, Inc	5.3%
Crescent Capital BDC, Inc.	5.3%
CION Investment Corp.	5.0%
Gladstone Capital Corp.	4.7%
TriplePoint Venture Growth BDC Corp.	4.6%
Stellus Capital Investment Corp.	4.6%
Horizon Technology Finance Corp.	3.8%
WhiteHorse Finance, Inc.	3.1%
PhenixFIN Corp.	2.3%
Oxford Square Capital Corp.	2.1%
Saratoga Investment Corp.	1.1%
Palmer Square Capital BDC Inc.	0.9%
PennantPark Investment Corp.	0.5%
Chicago Atlantic BDC, Inc.	0.0%
Equus Total Return, Inc.	0.0%
Neostellar Capital Corp.	0.0%
Mean	5.1%
Median	4.6%

Sources: S&P Capital IQ and SEC filings.
Note: As of July 27, 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.

Cumulative Total Return

Percentage as of July 27, 2026

	One Year	Five Years
S&P 500	9.3%	80.1%
S&P 600 Financials	15.3%	44.0%
High-Yield Corporate ETF (HYG)	3.6%	19.0%
S&P BDC Index	(6.4%)	24.6%



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

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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.

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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

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