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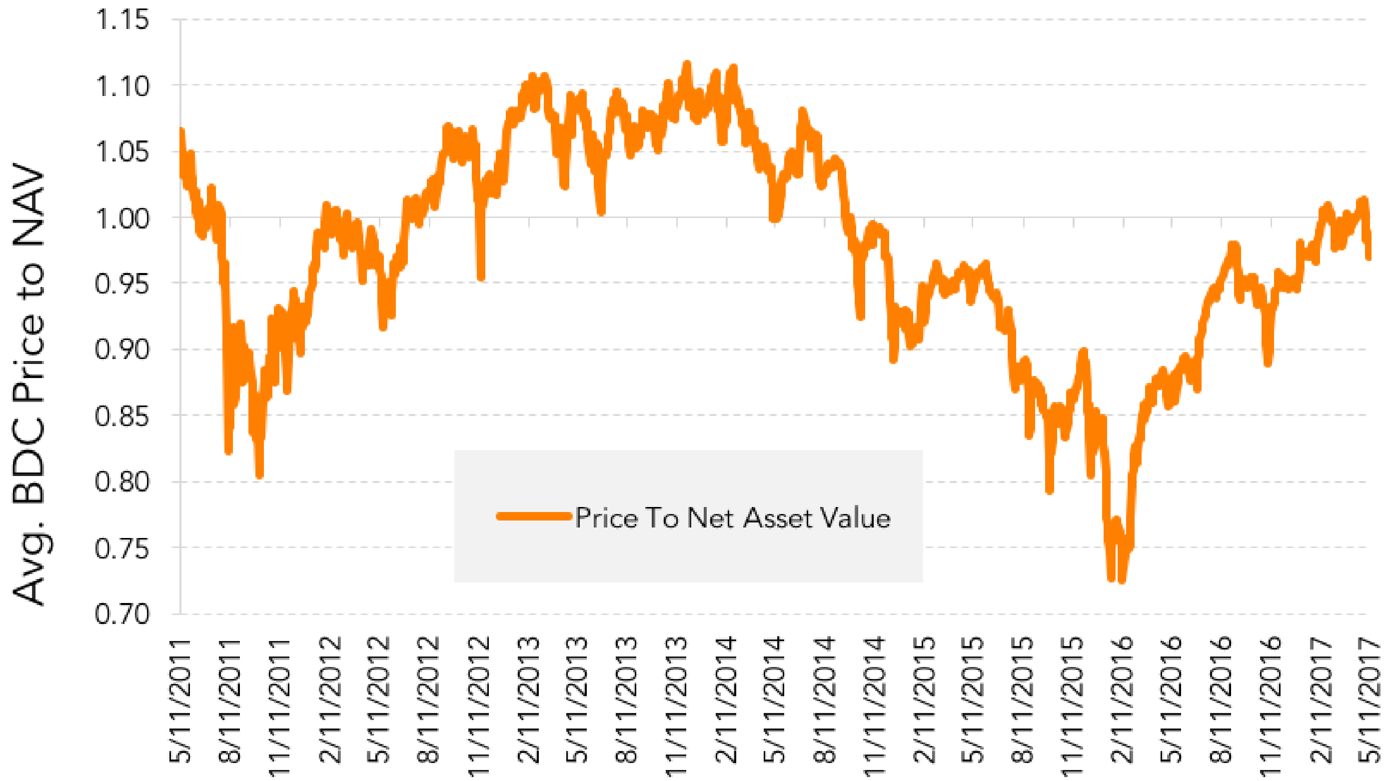
BDC performance wavers in May on the back of mixed earnings



The upward march of BDC share prices in 2017 seems to have come to a halt in May on the back of mixed earnings announcements for 1Q17. Rising non-accruals, earnings misses, heavy prepayments, declining yields, tough market conditions and extreme competition are all weighing on the space and many BDCs have seen their share performance soften in the last few weeks. After peaking at 1.013 times on May 1, the average price to net asset value has been on the decline to 0.97 times through the end of last week. Several BDCs have seen their share price decline over 5% in the last month for different reasons including Hercules, Medley, Prospect, KCAP Financial, Goldman Sachs BDC and Ares to name a few. Hercules announced it was contemplating switching from an internal management structure to external which is more expensive for shareholders and the stock traded off 14.2% in the last month. Fortunately this week, the BDC yanked the plan and its share price is back on the mend. Medley's share price lost 20% of its value in the last month as the BDC continues to miss earnings and experience rising non-accruals. According to BDC Collateral, non-accruals comprise a whopping 21% of Medley's portfolio at cost and 10% at fair value. Prospect shares have been hammered 11% in the last month as the BDC's heavy exposure to CLO equity suffered due to the huge repricing wave taking place in the broadly syndicated loan market. Prospect is also experiencing an uptrend in non-accruals as well as several other BDCs which many management teams say is natural at the late stages of a credit cycle.

Source: Thomson Reuters LPC

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