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BDC returns superior so far in 2019

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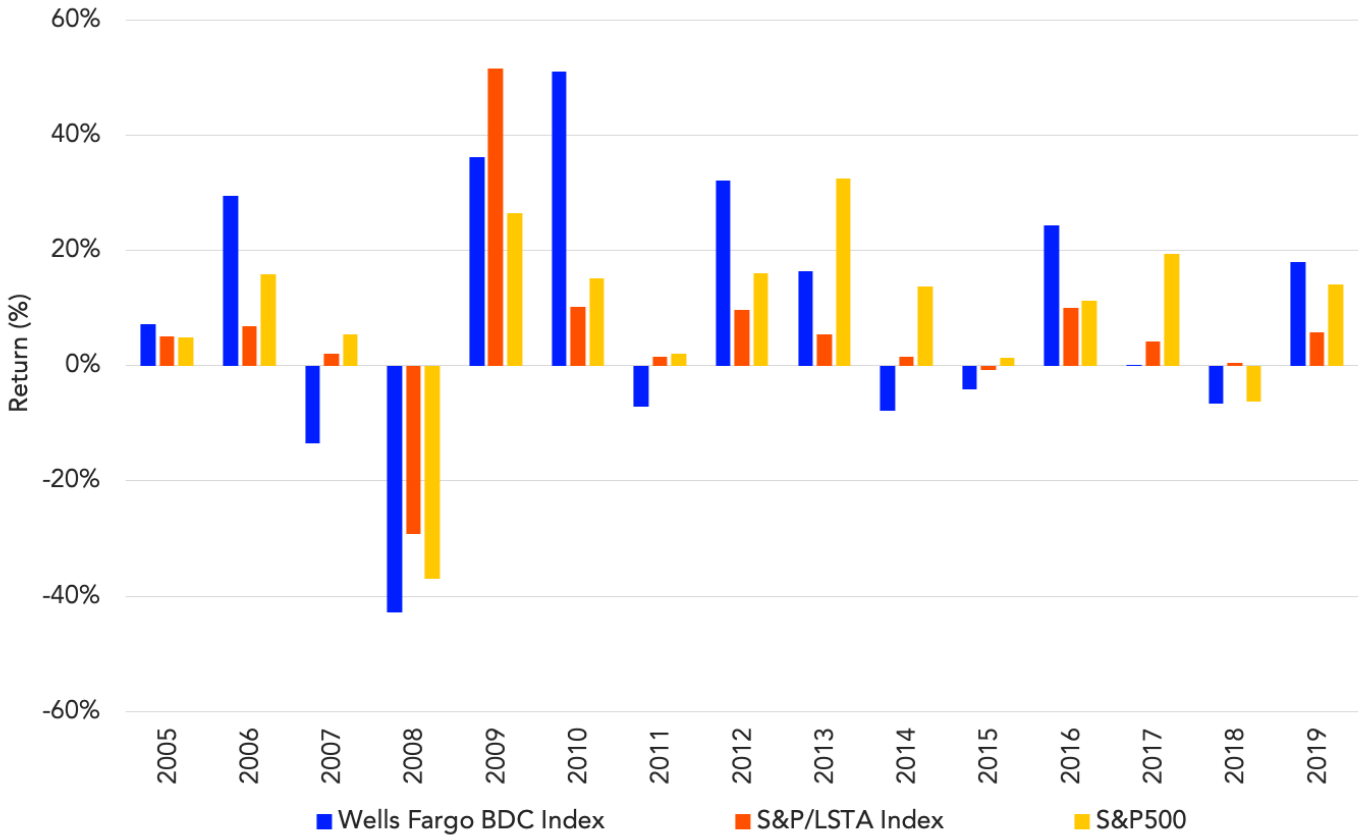

BDC share prices are on a tear in 2019. The Wells Fargo BDC Index has delivered a stunning +18.0% return so far in 2019 through May 17th. This is outpacing the S&P500 (+14.1%) and the S&P/LSTA Leveraged Loan Index (+5.72%). Several BDCs are near 52 week highs. Oaktree Specialty Lending Corp (OCSL) and Main Street Capital (MAIN) rallied last week and are exhibiting 22% and 36% YTD returns respectively. For Main Street in particular, this is impressive considering the BDC's already trades at the highest share price to book value of all the public BDCs at 1.7 times. While Oaktree has demonstrated five straight quarters of net asset value improvement driven by positive outcomes from legacy names. Other BDCs to exhibit outsized returns in just 5-6 months includes Fidus Investment (+44%), Alcentra BDC (+35%), Gladstone Capital (+33%), and Apollo (+32%). Following 1Q19 earnings releases, BDC performance has remained relatively status quo with some BDCs showing idiosyncratic issues and others illustrating steady performance and some bright spots. Ares out-earned its dividend, paying a supplemental dividend while increasing its regular dividend twice in the last 12 months – causing several BDC research analysts to raise Ares price target. Barings BDC announced a new JV with the South Carolina Retirement System giving Barings greater flexibility to invest across different yield profiles. And all eyes are on the new private BDC on the block, Blackstone / GSO Secured Lending, which basically doubled its total assets in one quarter and crossed the one billion dollar mark in 3/31/19.

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