Defaulted loans ticked down slightly for BDCs in 3Q19

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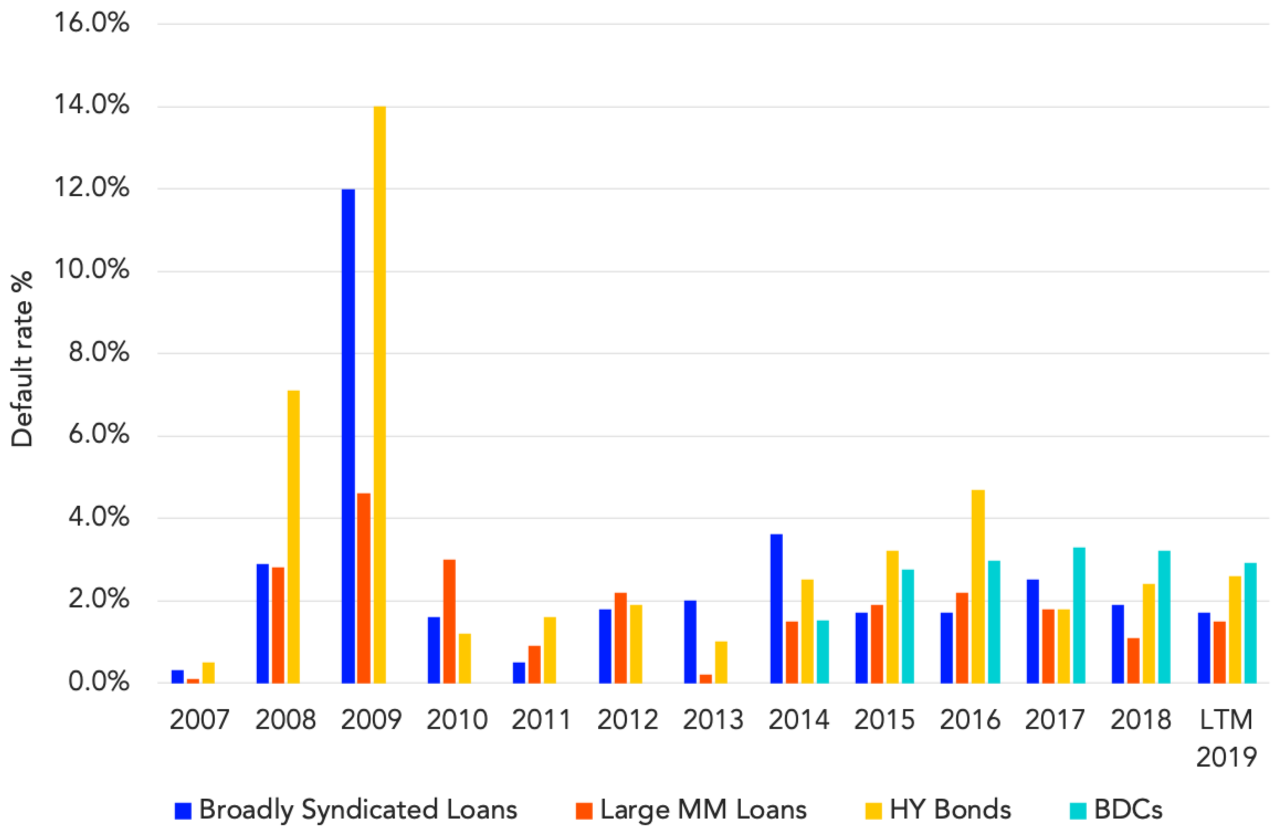

Lenders and investors are exhibiting growing concerns surrounding slowing growth and where the economy is headed. Yet non-accruals within BDC portfolios are not yet showing any accelerating signs of deterioration. As of the September 30 filing date, the share of BDC loans on non-accrual status as a percentage of cost fell to 2.9% from 3.2% at June 30. Roughly US$2.9bn in BDC loans are currently on non-accrual status, which is in line with June 30 levels. However, BDC debt AUM grew this past quarter to US$102bn, up from US$96bn in 2Q19. Meanwhile, according to Fitch Ratings, the default rate for large middle market issuers remains relatively benign at only 1.5% while the default rate for broadly syndicated loans is also quite low at just 1.7% as of October. Fitch does expect the institutional loan default rate to increase next year and finish out 2020 at around 3%. Fitch highlights that their “loans of concern” list tops US$110bn or 8% of their US$1.4trn in outstandings. This is an increase from just 5% over the summer. High yield bonds are exhibiting a higher default rate relative to loans at around 2.6% in November, mostly driven by the energy sector. Fitch expects the high yield bond default rate to continue to climb to 3.5% in 2020.