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BDC portfolio non-accrual rates hit 5.53% so far in 2Q20

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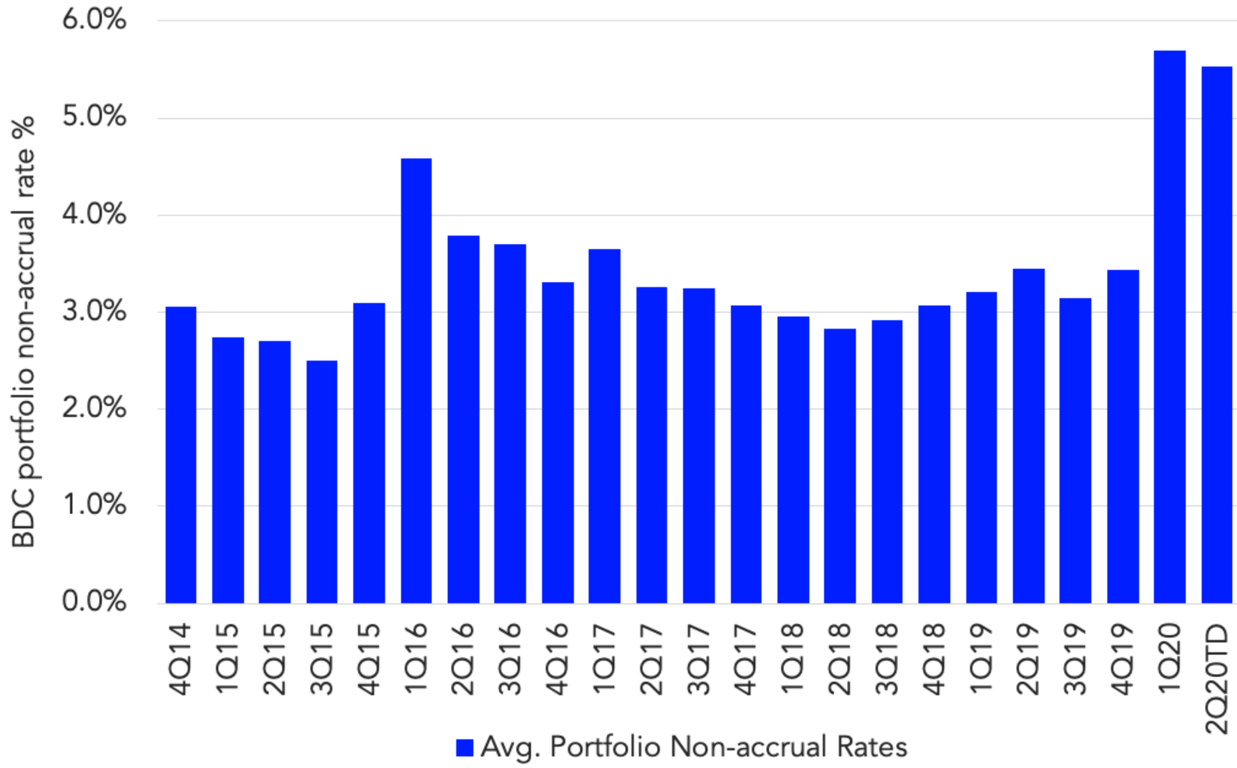

Digging into portfolio performance remains the top priority for BDC research analysts on BDC earnings calls this week. Even though most BDCs are showing a rebound in asset values, its mostly being driven by a spread tightening envionment with credit performance still an issue. After dropping roughly -13.7% in 1Q20, the public BDC's to file so far in 2Q20 showed a +3.3% rebound in NAV-per-share. However, many BDCs placed more loans on non-accrual status this quarter implying credit fundamentals are still a concern. So far based on the 33 public BDCs to report so far, the average portfolio non-accrual rate is 5.53% in 2Q20. Those same BDCs showed a slightly lower average non-accrual rate in 1Q20 of 4.93% and the entire public BDC space had a 5.7% non-accrual rate in 1Q20. Of the 33 BDCs to report so far, only 10 showed a declining non-accrual rate while 21 showed an increase. As expected a lot of the newest loans to default are in the healthcare, energy, leisure, hotel and gaming, and restaurant space. With valuations often times being driven off LTM financials, the 2Q20 quarterly results were still not likely to be incorporated into many of the BDC marks which means the back half of the year and 2021 will continue to be a challenge as COVID's impact drives financial performance.

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