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BDC portfolio loan coupons tighten significantly in 2021

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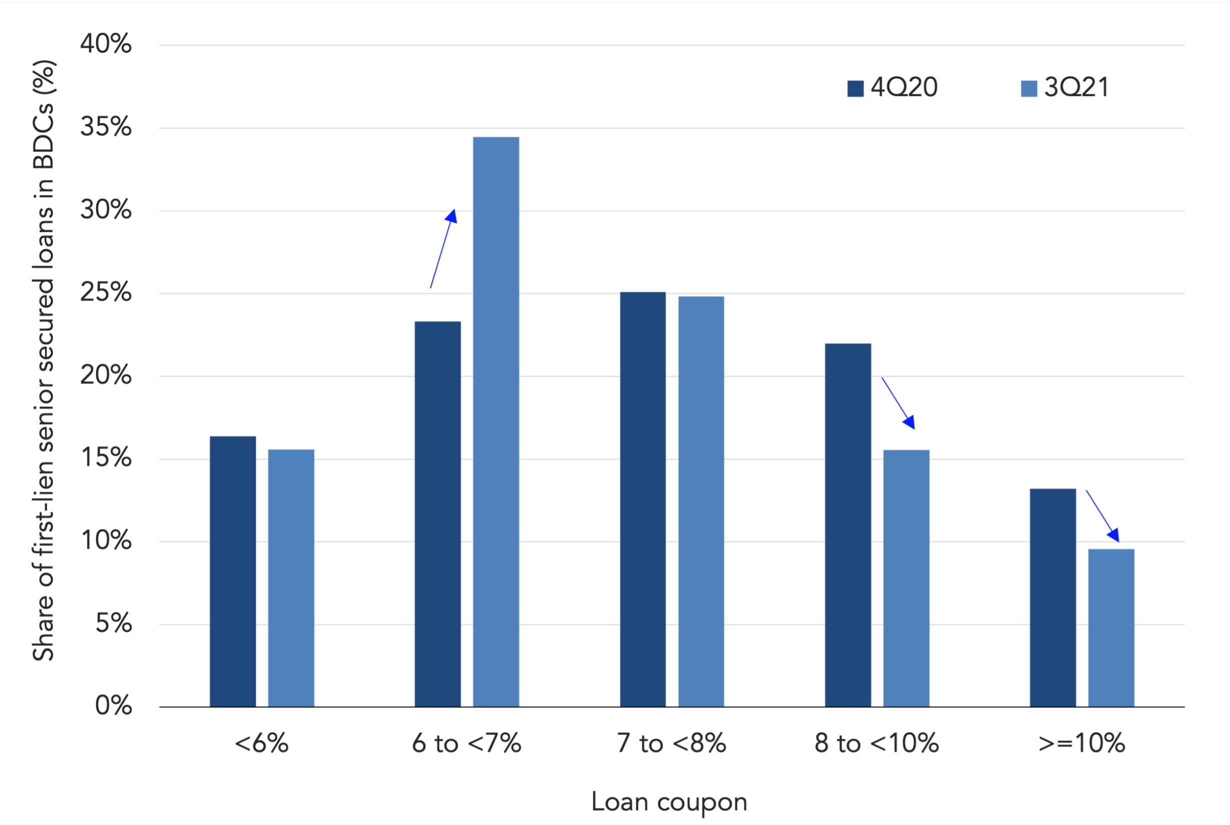

The huge growth of fundraising in the direct lending market and the resulting need to put money to work has pressured loan coupons across market segments this year. The robust lender appetite has enabled borrowers to refinance more expensive debt while allowing sponsors to tap the market at more attractive rates.

The tighter pricing is evident when looking at coupons on first-lien senior secured loans in BDC portfolios, which have declined to an average of 7.31% in 3Q21 from 7.64% at the end of last year.

The share of first-lien senior secured loans in BDCs with coupons above 8% fell to 25% of credits in 3Q21, down 10 percentage points from year-end 2020. In tandem with this shift, the share of first-lien loans with a coupon in the sub-7% range jumped to 50% as of the end of 3Q21 up from the 40% level seen at the end of 2020.

(Past performance is no guarantee of future results.)