BDC technology lending has grown rapidly

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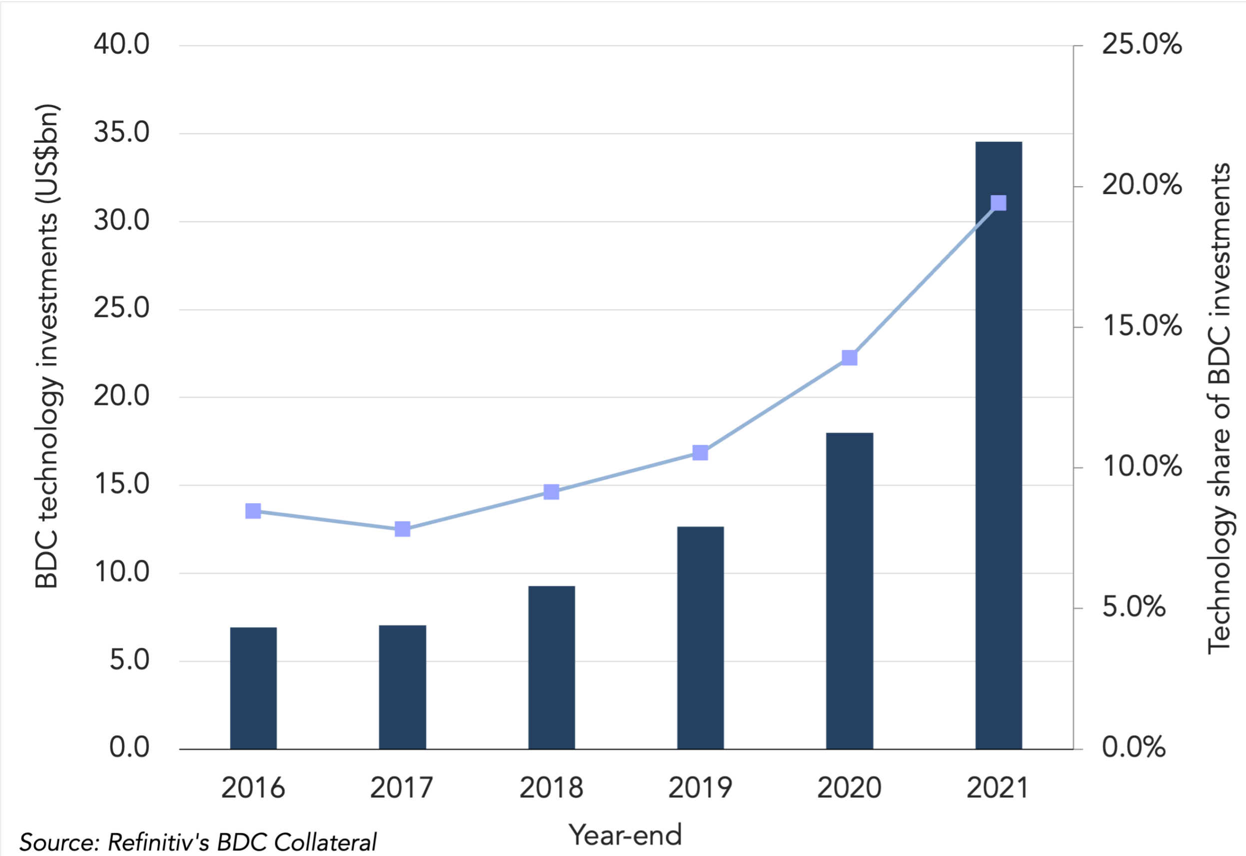

Strong portfolio company performance has underpinned the positive environment for BDCs in recent quarters, with Ebitda and revenues moving significantly higher over the last two years. At the sector level, technology has outperformed. Against that backdrop, BDC managers shifted their allocations toward technology credits.

The result is that technology is now the largest sector among BDC portfolios, accounting for nearly 20% of assets, almost two times the level recorded at the end of 2019. At the same time, BDCs have shifted away from cyclicals, having taken a hit in the last commodity cycle.

Given the current, uncertain economic environment, BDC managers are monitoring their portfolios for impact from inflation, supply chain issues, wage growth, commodity prices and the fallout from the Russia-Ukraine invasion. In this context, the focus is on both margin compression and borrowers' ability to pass on higher costs to customers or risk having to absorb any impact.

(Past performance is no guarantee of future results.)