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BDC loan valuations shift lower in recent filings

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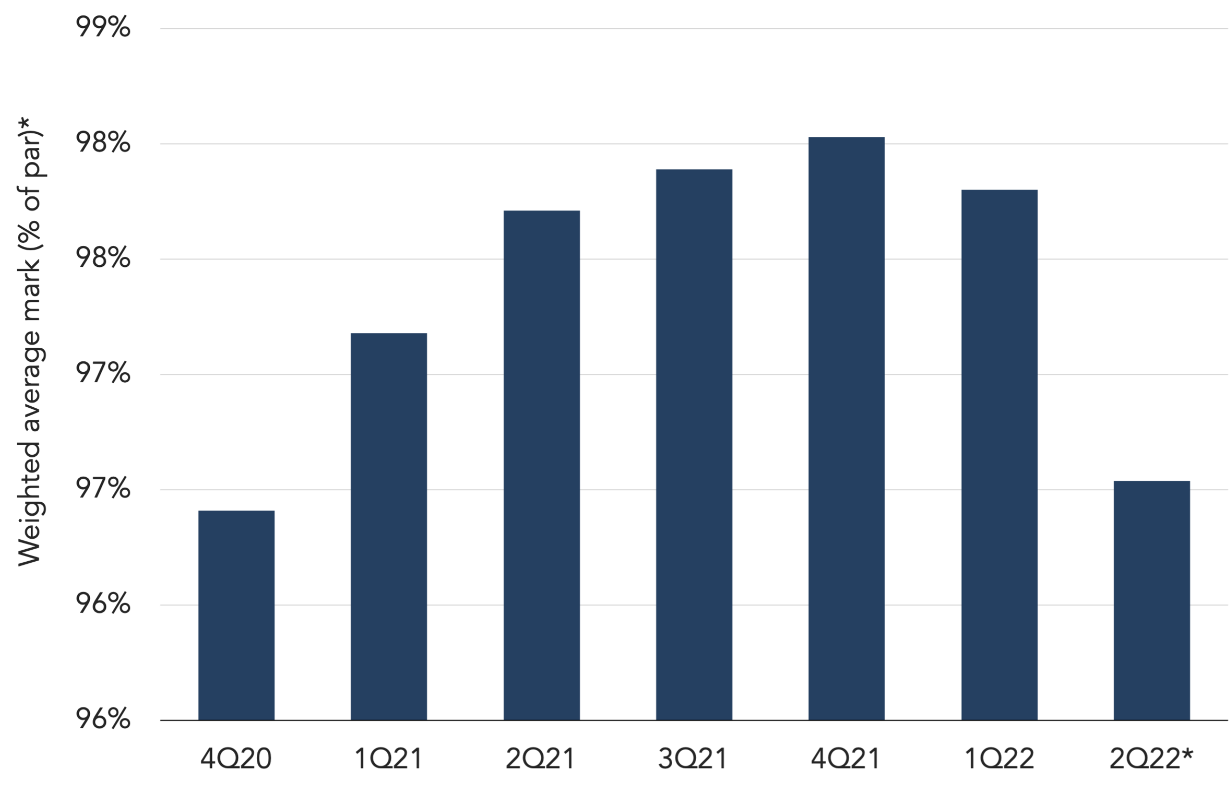

*Based on the universe of BDCs that have released 2Q22 earnings as of 08/10/22
Source: Refinitiv's BDC Collateral

The fair value of BDC debt investments declined in 2Q22, driven by credit spread widening across the broader markets as volatility spiked against a backdrop of inflationary pressures and recession fears. Looking at the cohort of 56 BDCs that have posted earnings as of August 10, the weighted average mark on debt holdings finished 2Q22 at 96.54, down from 97.80 in 1Q22. The declines were seen across the debt spectrum, with riskier credits posting the largest drop. First-lien loans fell 97bp to 97.01, while second-liens were down 300bp to 93.42. In turn, net asset values declined across the majority of BDCs, mainly due to unrealized losses from the markdown of debt investments, rather than any meaningful deterioration in credit quality across portfolios. On a positive note, spreads have reversed course following the pronounced widening in 2Q22, tightening during the last month to recover some of the ground lost in the volatile second quarter.

(Past performance is no guarantee of future results.)