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BDC share price to NAV moves lower amid expected lower base rates and software sector exposure

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Source: LSEG Workspace

BDC valuations have moved lower recently amid some concerns around credit quality, specifically in the software sector, in which many BDCs have sizeable stakes. In addition, base rates are also expected to decline further, leading to lower BDC earnings and dividends. The discount to NAV has widened across the public BDC universe. The average share price to net asset value is now at 0.82x, down from 0.84x at the end of 2025 and 1.03x a year-ago. Only 12% of public BDCs are trading at a premium to NAV, down from 39% a year ago. Over half of funds (58%) are trading below 0.80x, up dramatically from 12% a year-ago. BDCs showing the highest price to NAV levels are Main Street Capital Corp. (1.86x), Hercules Capital Inc. (1.38x) and Capital Southwest (1.38x). Among those with, the lowest price to NAV are OFS Capital Corp. (0.41x), Prospect Capital Corp. (0.47x) and BlackRock TCP Capital Corp. (0.56x). Looking at returns through February 12th, the universe of publicly traded BDCs has lost 2.8% on average year-to-date, while the 52-week return is negative 12.6%.