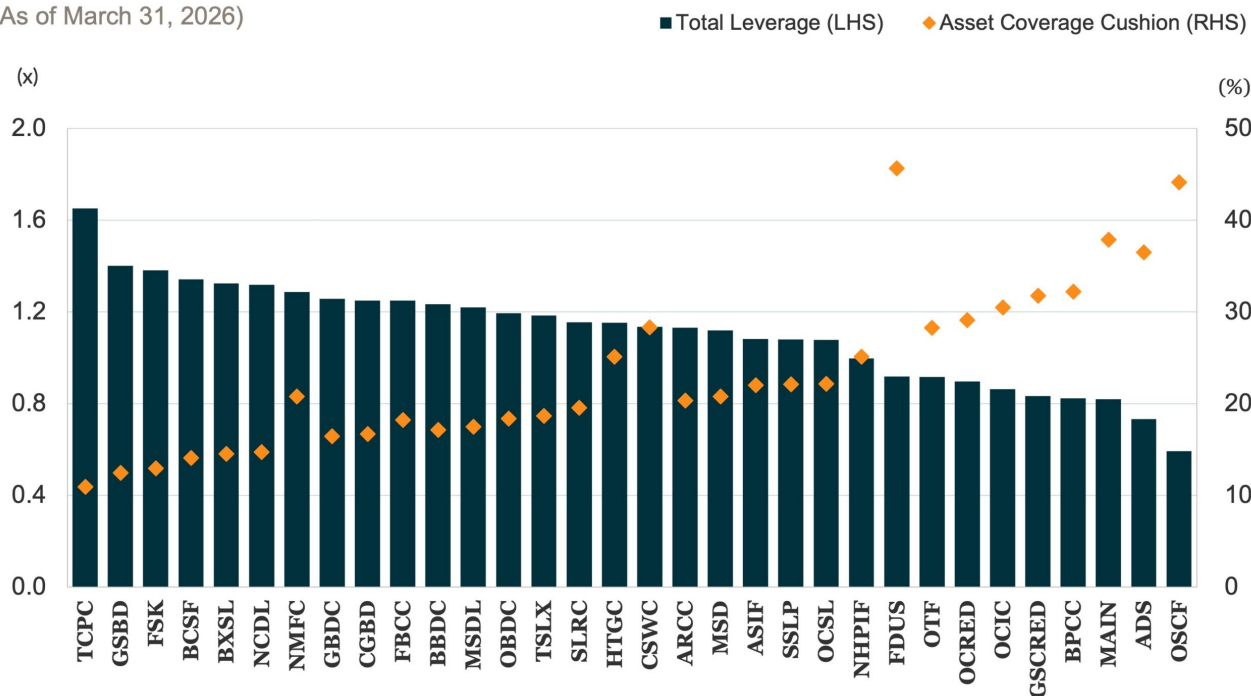


BDC valuations weaken as leverage and dividend pressure rise

Fitch Ratings | June 25, 2026

Leverage Pressured by Portfolio Markdowns, Overdistribution of Earnings

(As of March 31, 2026)



Note: Regulatory leverage may be lower than total leverage for BDCs with SBA borrowings.
Source: Fitch Ratings, company filings

BDC Valuations Weaken in 1Q26 as Leverage Rises and Dividend Pressure Builds

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Business development company (BDC) portfolio valuations came under pressure in 1Q26 as market spreads widened, software company valuations declined, and non-accruals increased, according to a new report from Fitch Ratings. For the 32 BDCs rated by Fitch, net asset values (NAVs) declined by an average of 2.0% in 1Q26, or 2.5% on a per share basis. In addition to realized and unrealized investment losses, NAV declines reflected changes in derivative contracts, earnings overdistribution, and share repurchases, as many BDCs traded at discounts to NAV.

New Mountain Finance and FS KKR Capital posted the largest NAV declines in 1Q26, down 11.7% and 9.8%, respectively, while Goldman Sachs Private Credit Corp. recorded the largest increase, up 6.2%. Leverage among rated BDCs increased to 1.11x at 1Q26 from 1.09x at YE25 and 1.01x at YE24, as valuation adjustments reduced equity. Nine BDCs were at or above 1.25x leverage at March 31, 2026, typically the high end of their

target range.