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BDC share prices down 9.7% YTD amid market volatility

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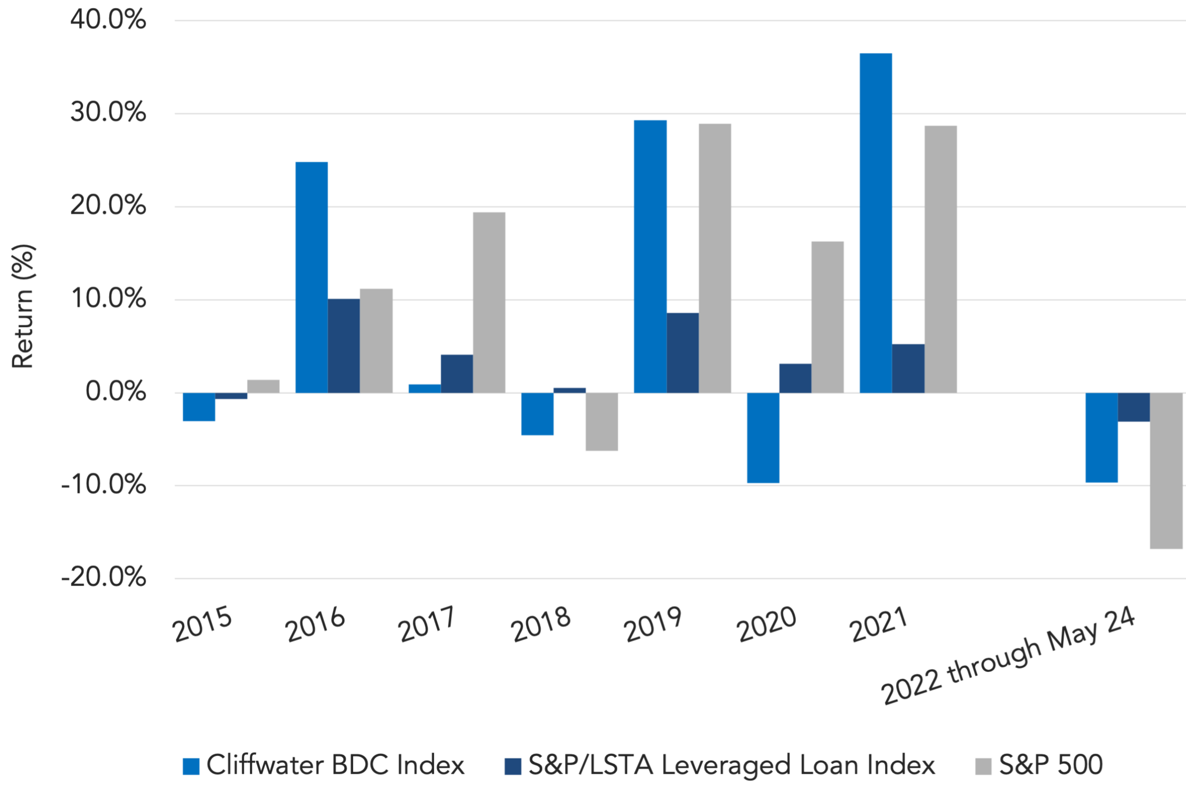

Source: Cliffwater, S&P/LTSA, S&P 500

The recent inflationary environment has led to volatility in the financial markets and left investors trying to determine the impact of rising input and labor costs on companies. Against this backdrop, the equity markets have moved sharply lower, with the S&P 500 down 16.8% year-to-date through May 24.

Public BDCs have also posted declines recently, with the Cliffwater BDC index down 6.9% month-to-date and 9.7% year-to-date. This follows a buoyant 2021 when BDCs gained 36%. Despite the challenging environment this year, the impact on BDC portfolios was limited in 1Q22 (the most recent data available), with valuations moving only slightly lower and non-accrual rates remaining low at an average of 1.42%.

The weighted average mark on all BDC debt holdings declined to 97.89% in 1Q22 from 98.03% in the prior quarter. Second lien debt posted the largest drop, falling nearly 100bp to 96.48%. Going forward, valuations are expected to decline when June 30 valuations are published, given the recent widening in spreads across the credit markets.

(Past performance is no guarantee of future results.)