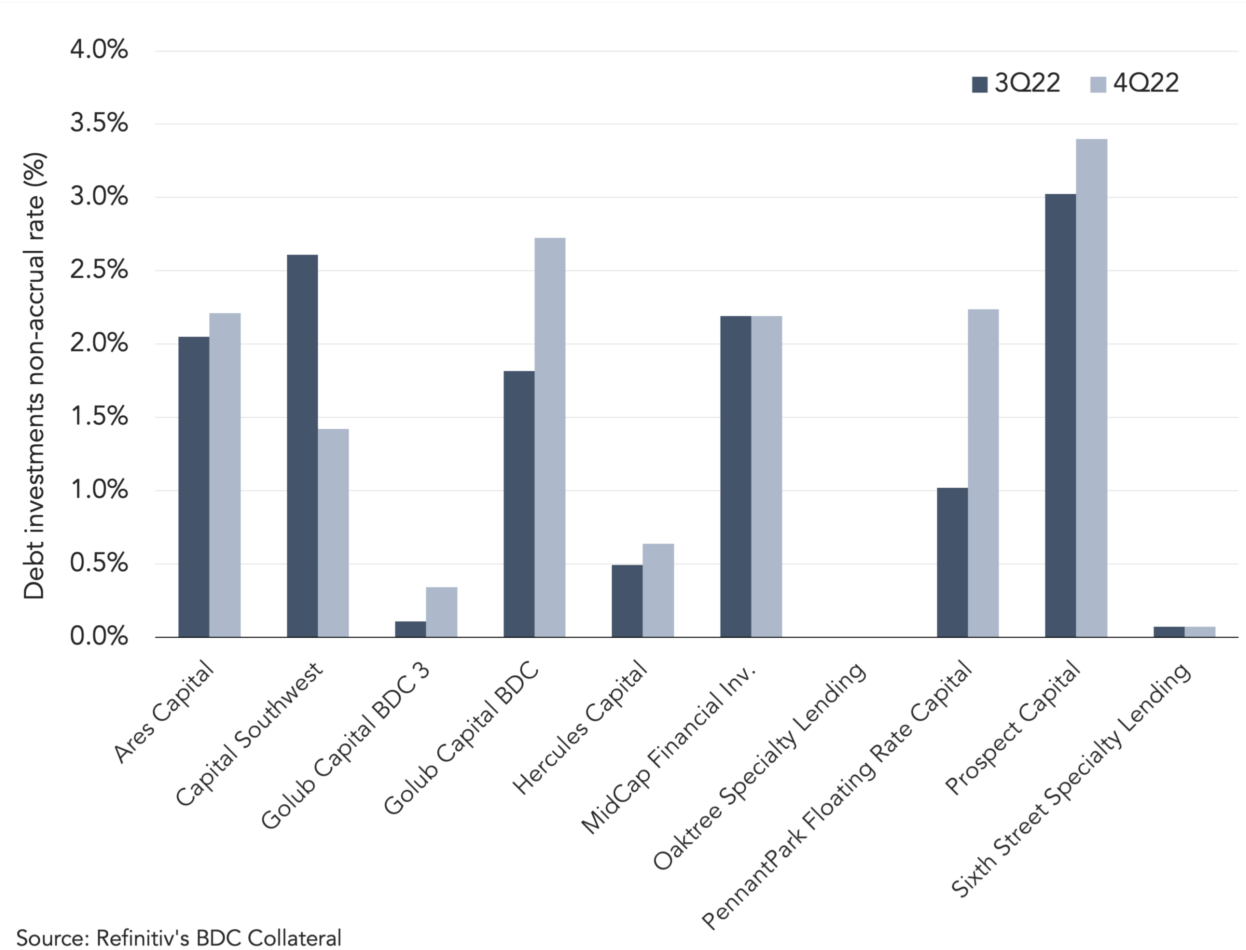
THE LEAD
https://theleadpc.com/leveraged-loan-insight-analysis-2-21-2023/

BDC non-accrual rates tick higher

LSEG | February 22, 2023



Despite increased concerns around credit quality in recent months, BDC non-accrual rates have remained low by historical standards. Looking at the universe of BDCs that have reported 4Q22 earnings, the weighted average non-accrual rate on debt investments ticked up to 2.17% in 4Q22 from 1.91% in the prior quarter. Non-accrual rates vary across individual BDCs, ranging from 0% to 3.4% for those BDCs that have reported 4Q22 earnings and which top US$1bn in size. Marks on BDC assets have moved lower in the past year, driven primarily by a widening in credit spreads more so than any uptick in non-accruals. Nevertheless, some further degree of deterioration in credit quality is expected this year as high interest rates filter through and impact portfolio company performance.

(Past performance is no guarantee of future results.)