BDCs vs. Middle Market CLOs: Part 2

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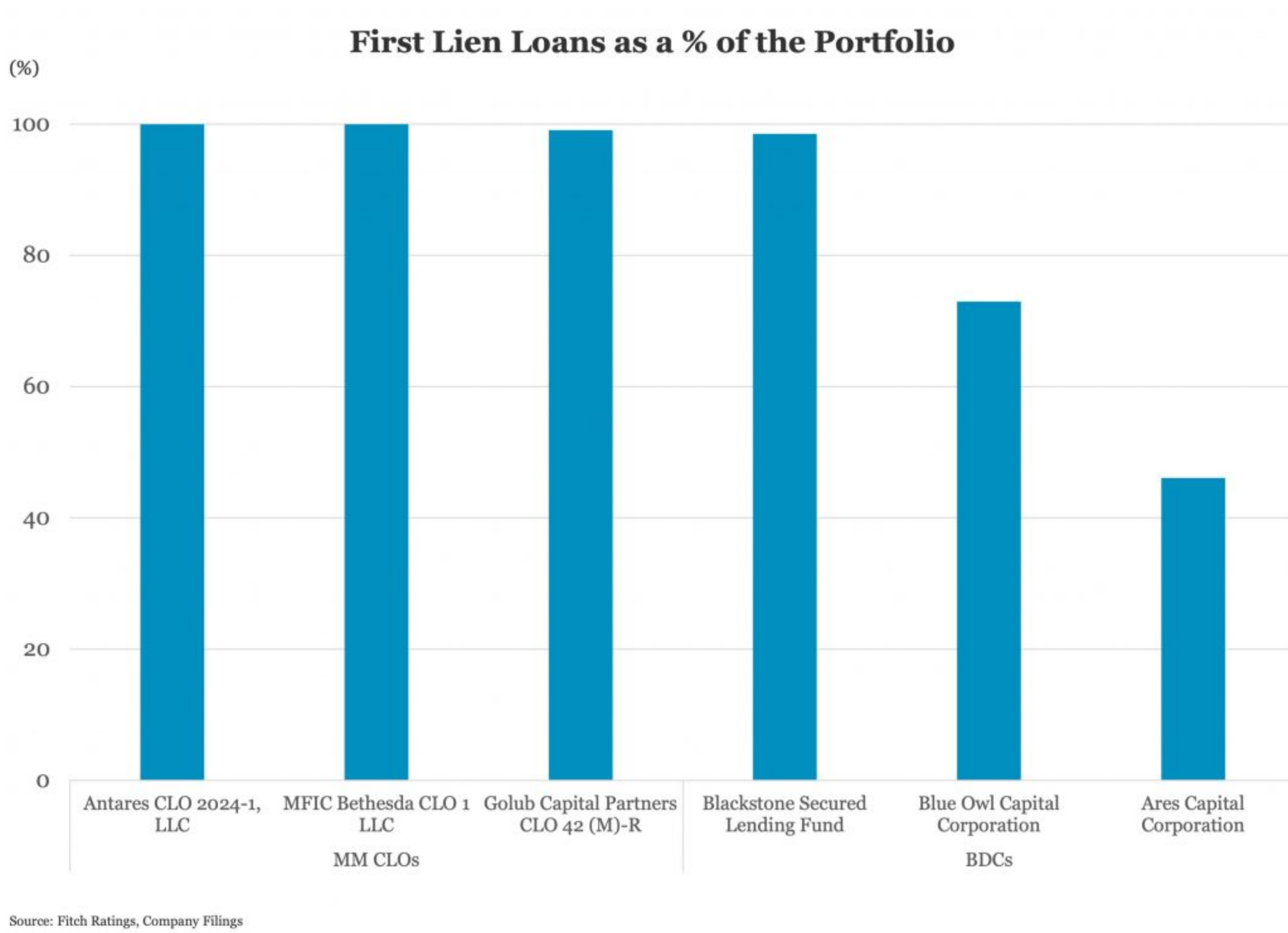

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There can be a meaningful difference in the seniority of the assets in a MM CLO versus those in a BDC. MM CLOs consist almost exclusively of first lien senior secured loans, while BDCs can invest all the way down the capital structure. At March 31, 2024, first lien loans represented 77.8% of rated BDC portfolios, on average, with the remainder invested in second lien loans, subordinated debt, preferred equity, common equity, and structured finance investments. First lien exposures at BDCs ranged from 46.1% of the portfolio, at fair value (Ares Capital Corporation; 'BBB'/Positive), to 98.5% (Blackstone Secured Lending Fund; 'BBB'/Stable) at March 31, 2024. All else equal, first lien loans are more 'leverageable' than junior debt and equity securities given their contractual cash flow yield and stronger recovery prospects in the event of default.