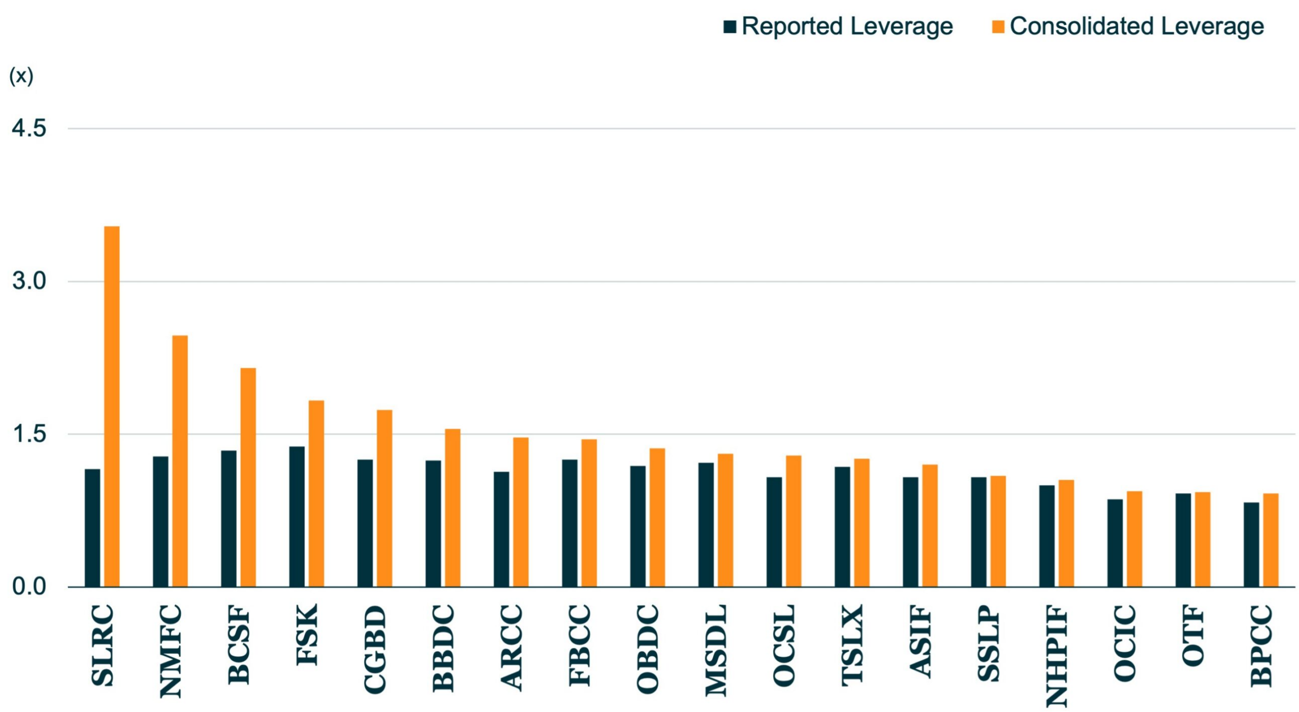
THE LEAD
https://theleadpc.com/middle-market-private-credit-7-20-2026/

# JV and FinCo Exposure Can Increase Risk for BDCs

Fitch Ratings | July 22, 2026

**BDC Leverage Before and After JV/Finance Company Consolidation**
(As of March 31, 2026)




Note: Consolidated leverage adds the BDC's proportionate share of JV debt and equity to the balance sheet and removes the BDC's subordinated note and equity investment in the JV (which is all treated as equity). Consolidated leverage excludes Waccamaw River, Eclipse Capital and Rocade Holdings for BBDC and BPCC, Sierra Senior Loan Strategy for BBDC, Legacy Lending Corp for BCSF and Net Lease Corp. for NMFC as detailed disclosures are unavailable. ARCC leverage would be lower excluding Ivy Hill Asset Management, which is a cash flow business.
Source: Fitch Ratings, Company Filings.

Click here to learn more.

Elevated off-balance sheet leverage tied to joint ventures (JVs) and finance companies (FinCos) can alter the risk profile of business development companies (BDCs), according to a new Fitch Ratings report. The risk is greater when exposure to these entities represents an outsized proportion of the balance sheet.

Fitch assesses BDCs’ overall leverage by considering the effect of consolidating JVs onto the balance sheet, adding the BDC’s proportionate share of JV debt and equity and removing the fair value of the investment from equity. On that basis, average rated BDC leverage rises to 1.5x at 1Q26 from 1.1x before consolidation. The effect may still be understated because several JVs are new, recently upsized or lack full disclosure. Even so, consolidation raises leverage above typical 1.25x target caps for some BDCs.