



## Panel #2 - Differentiated BDC Managers and Private Credit Outlook

Wednesday, June 11, 2025

**VLAD BULKIN:** Good afternoon, everyone. Thanks for staying for the afternoon panels, my name is Vlad Bulkin, I'm a partner at Katten Munchin Rosenman, which is a law firm, and I've been in the BDC industry for almost 20 years and seen the growth of it from just, well, a dozen publicly traded BDCs to probably around 50ish now. One of the things that always interested me is how's each manager staying differentiated and making themselves unique and attractive to investors? That's what this panel is about, "Differentiated BDC Managers and the Private Credit Outlook", so joining next to me are Lee Feingold, Managing Director at Kayne Anderson, Bob Marcotte, President of Gladstone, and Mike Testa, an old friend of mine, the CFO of Trinity Capital. We'll start off by asking each of you to introduce yourselves and talk a little bit about your firm, what you guys do to stay differentiated, why your strategies might be an attractive investment option for a portfolio. We'll start with you, Lee.

**LEE FEINGOLD:** Yeah, thank you for having me today, Lee Feingold, managing director at Kayne Anderson Private Credit. I've been with Kayne Anderson for almost seven years now, and for those of you who don't know, Kayne Anderson is based in Los Angeles, partnership of partnership, so all the indirect services are based in LA, including sales, accounting, et cetera, Chicago is our private credit team with a few folks in New York, Houston is our energy team, and Boca Raton, Florida is real estate. Our private credit team specifically, we're about \$7 billion of AUM, of that \$7 billion we have a \$2 billion+ BDC that trades under KBDC on the New York Stock Exchange.

We went public last May, we've been in operations now for over a year as a public company, and I'm happy to talk more about that. Our strategy is really what we call a value lending

philosophy, so what we mean by that is our goal is to put together portfolios with higher pricing and lower leverage than our peers; so just as an example, typically our average leverage in our portfolio is about four times debt to EBITDA, which is well below peers, loan to value is typically below 50%, and average since inception on pricing or spreads is about 6%+ SOFR, so that's really how we've been able to differentiate ourselves in the market. We're also diversified, we play in the core middle market, so \$10 to \$75 million of EBITDA, everything's directly originated first lien, and everything has a covenant. So again, value lending is how we phrase it, and we really stick to that core middle market.

**VLAD BULKIN:** Bob?

**BOB MARCOTTE:** Thank you for inviting me, I appreciate to be here. Gladstone Capital has been around, one of the first BDCs, it actually went public in 2001, so it's been around almost 25 years. It sticks to its netting, focused on growth-oriented lower middle market business. Lower middle market is really an old school framework, it's really companies with under \$10 million of EBITDA, so when you hear from a lot of the funds, including my peers here, they don't tend to go that far. Well, there's some advantages and disadvantages of going down that way. We are a generalist investor, we typically support small to mid-sized sponsors as the first institutional capital in these businesses. These are businesses that are family-owned, transitioning, they need professionalization, they need to be scaled, and these managers will look to generate that value in alpha for them by buying these businesses.

For us, we enter that market, really the bulk of our financings are proprietary unitranche investments where we're doing the primary diligence, we're structuring the deals, we're structuring the covenants, and occasionally as those businesses scale, we will expand those facilities, we may go down the capital stack, we may invest in some of the equity and the opportunistic growth of those companies. And today, second lien and equity co-investments are about 30% of our portfolio. Our assets overall today are about \$800 million, we are externally managed, publicly traded, the Gladstone company, our network is roughly five funds, four of which are publicly traded income-oriented funds, two BDCs. The differentiation is ours is a primary credit vehicle, we have a sister BDC that's called Gladstone Investment, which is a buyout type fund where they will provide both debt and equity in the lower middle market businesses. And as an aside, we have two separate REITs that we manage.

So it's all about lower middle market investing, income oriented funds, and we do a variety of things that are a little bit different in order to manage the exposures. I would say first off we have a significantly higher level of experience on the line, typically our originators are upwards of 20 years of experience, and that experience is valuable because at the end of the day the basis points aren't really the value creator for these managers, it's the ability to get to the capital gain, and they want partners that can go through the J-curve of some of these businesses. As they invest in the business, as they invest in the people, understanding that long-term strategy is critical to our underwriting.

The third thing that we will do different is we put board observers on every single one of our companies, so we're not just reading the financials, we're seeing where they're going. And lastly, that puts us in a unique position when something happens, whether we have to replace a manager, replace a sponsor, or manage the business from a credit perspective, we have the visibility and we understand the long-term investment strategy for that business. So it's a little bit more equity-oriented because of the way we engage, but ultimately it has produced better than average risk-adjusted returns, that's why we're still in the business. We have gone through cycles, a lot of them. I've been running this portfolio for about 11 years now, and at this point I think we've gone through a recent wave, and a fairly successful wave, and we're now looking to grow through the next vintage of our investments. So at this point we're pleased to be here and happy to tell the story.

**MICHAEL TESTA:** Good afternoon, I'm Michael Testa, I'm the CFO at Trinity Capital, I've been with the firm for five years. I'm happy to be here because we're based in Phoenix, being in New York in June is much more bearable. So Trinity was founded in '08 as a private asset manager, lending through SBIC vehicles, we formed what is now TRIN, as a public internally managed BDC in 2020. We lend across five different verticals, and we'll get into a little more nuance into how Trinity diversifies and differentiates itself across those five different verticals.

Again, internally managed BDC, so as well as a pool of assets that our investors receive, we also have the fees and asset-based management and incentive fees from a subsidiary, the registered investment advisor, so think of a management company owned by our shareholder and the TRIN platform. So based in Phoenix, we IPO'ed in 2021 on NASDAQ, roughly about 100 people out in location, we have some folks in Europe as an expansion for

us in the lower middle market. Originally we were equipment financing, now we have tacked on four different verticals, tech lending, those are growth-oriented businesses backed by venture sponsors. We have a life science vertical that's based in San Diego, we have an asset-backed lending, those are receivable financing through SPV, drop down [inaudible 0:09:00] remote vehicle, and then we have a sponsor finance that's enterprise SaaS P buyout vertical market for us. So happy to be here, thank you.

**VLAD BULKIN:** Thank you, Mike. All right, as we all know, it's a very competitive landscape for deals these days, why don't you guys tell us a little bit more about what differentiates your firm and what really defines the edge that your firm has. Maybe we'll start with you, Mike, since you went last on the last one.

**MICHAEL TESTA:** Sure. First and foremost, Trinity being an internally managed BDC, that is structurally different than other externally managed vehicles. We've been, for 21 consecutive quarters, a growing and stable dividend, we're a 14% yield stock right now, and that is attributed to the vehicle, the return of our investments, mid-teen returns across all different five verticals. Also Trinity, the roots being in equipment financing, has a low loss rate since our inception, 26 basis points. Most of our venture-backed companies, we receive warrants on, so those warrants over the long term have offset significantly our losses to date, and more than offset it. That's a little bit the strategy across five different verticals, diversified on the asset front, across size of our instrument, the instrument type, and the industries that we play in.

**VLAD BULKIN:** Sorry, this is off-script. Can you give a little bit more color why when you guys were forming the BDC, you decided to structure it as internally managed?

**MICHAEL TESTA:** Yeah, sure. So the internally managed structure for us was a way for us to continuously access the capital market. We met with a number of other internally managed BDC peers, this was an opportunity we saw, the market, and the ability to grow, and to grow you need to trade at a premium to NAV and to continue to access the capital markets. We've done that since I joined the firm five years ago, we've been raising unsecured debt, secured facility, follow-on offerings as well as equity ATM program that we have. We've been successful scaling and executing on that vision since then.

**VLAD BULKIN:** All right. Bob?

**BOB MARCOTTE:** I think a lot of the market for us is really well upstream with most of the money coming in at the top of the funnel to the largest managers. Their ability, as I said earlier, to get down and invest in small businesses that can grow is more challenged, so for us focusing on the market, in the market where we can play and add value, is the first differentiator. It's not as competitive, to put it bluntly. I think the other thing is we're disciplined, we typically will look at 500-600 deals a year, and we might do 20, so we're 2-3% of the market of the opportunities we see, so we just have to be a little bit better than the average in that case. And by engaging at that level, we're able to lean into the businesses and underwrite the businesses at a different level. We've also been reasonably successful in terms of putting equity investment in the best of those opportunities and letting it grow, and we've resulted in frankly, a net recovery over the course of the last, depending on the time period, roughly the last five or six years.

We're probably at 2% positive credit losses, we've gained more than we've lost, so the selection, investing in the equity and following those companies through. When you take a business, and we've grown \$4 million EBITDA businesses, I think the record today is we grew one to \$110 million of EBITDA, now that was over a five-year period, there was a lot of equity that came in from the sponsor. We were unitranche, we were second lien, we were unitranche, and we worked with that business to the exit, and ultimately a very successful exit. The ability to stay with the theme and continue to support the business through its life cycle as a flexible BDC is a huge advantage, and the sponsors that have seen us do that will come back and they will say, "You get the business, we want to work with you." So we have multi-billion dollar sponsors that certainly can go to any other place, but we've helped them achieve their capital gains and that brings them back to us.

**VLAD BULKIN:** Very nice. Lee?

**LEE FEINGOLD:** Yeah, so I think one of our big differentiating factors is just having a track record, so our team started the private credit platform at Kayne in 2011, but prior to that time period those same partners actually started the sponsor lending group at Cerberus, which they ran through the Great Recession with loss rates under 1%. And if you take that and compare it to just the proliferation of credit managers that have come into the market in the last few years, I think some interesting stats are those that were shared by Golub last week in an article they put out, and a few of those stats I found sort of breathtaking. One is

that there was only 5% of direct lending managers were around pre-GFC. Two, in 2023, one new direct lender entered the market every five days. And three, roughly half of platforms have less than five years of experience.

So if you think about the number of new platforms that have come onto the market trying to raise money and competing for deals, they really haven't been through not even a cycle as a team together, but they really haven't even been through a mini crisis. Like if you think about Covid in 2020, a lot of these new managers are new and didn't even go through that cycle together, so I think having a track record, especially as you're going out and raising money and competing for deals in a competitive environment, regardless of what place in the market you play, is very important. If you compare that, again we've only lost one person to a competitor in the last 12-13 years, and also I think it's very important of just who's below the partners. You might have the same name on the door for a bunch of years, but if you have a bunch of turnover at the lower ranks, that means you have new folks who are going to sponsors, new folks who are managing the individual businesses, but then it's a new culture every time you have turnover at those lower ranks, so I think having that track record and competing through a cycle together is super important.

And then I think too, and Bob mentioned this, is just sticking to your knitting in having an underwriting philosophy, we stick to that, so similar to Bob, we look at 600-700 deals a year to do 20-30 new platforms. If you're trying to put out tens of billions of dollars every year like some of our peers, you're really just playing at the market, there's no way that you can generate any alpha by being selective, you really have to play at the market to continue to put that money out. I think having an underwriting framework that you stick to, so as an example we have one called Intrinsic and Diversified, so every deal we do has to be either intrinsic or diversified, and we have a whole credit selection playbook that we refer to and talk about during Investment Committee, and when something comes in the door it has to be one of the two or it can't get presented. Again, just comparing that to folks who are a bunch of smart people in a room trying to make those decisions, it's really important I think to have just a core underwriting framework and a track record that you can fall back on.

**VLAD BULKIN:** Thank you. That was a very interesting statistic.

**LEE FEINGOLD:** Unfortunately I can't take credit for coming up with them, but just that Golub article from last week was very interesting.

**VLAD BULKIN:** Thank you for sharing that. All right, we're going to switch slightly and talk about your cap structures. As you all probably know that you will need to be refinancing your low-cost debt in the near future, how are you all thinking about the upcoming debt maturity wall? What steps are you taking to address this? And how does this influence your dividend coverage runway? Maybe we'll start with Bob first on this one.

**BOB MARCOTTE:** Sure. I guess what I would say is the market has obviously gotten large and the investor base on the debt side has obviously expanded dramatically. For us, the bulk of the capital is being raised by large scale funds with investment grade ratings. We're not of the scale to have that rating currently, so we have to be a little bit more creative when we raise capital. I think for us, we have consciously deleveraged the balance sheet, we're running probably the lowest of the BDCs today, it's something under 70% debt to cap. Secondly, when we look out and look at the maturities that are on the horizon, we have traditionally relied on banks [inaudible 0:19:00], bank financing got very expensive in '22 and '23.

Today it's a much different marketplace. The banks are hungry for assets, they need loan growth, spreads are coming down, so we're expecting that there should be a broader market of competitive bank financing that we would be tapping, and with SOFR rates likely to be coming down in the near term, the combination of lower spreads and lower SOFR is going to make that floating-rate financing much more cost effective, and may even be below what the marginal debt rates would be in the marketplace today, so we're expecting to ride the curve down with more debt financing. The other thing, with respect to dividend coverage, as I said earlier, we've been successful in monetizing some of our equity positions, late last fall realized on the order of about a \$60 million gain on an investment that we had made, reinvesting equity gains into earning assets is a very accretive way to cover your dividend, so we will harvest some of our equity gains and reinvest to maintain our dividend coverage over time.

**VLAD BULKIN:** Sounds good. Maybe Lee can go second on this one.

**LEE FEINGOLD:** Sure. So I think we're in a bit of a unique position, because our BDC, we launched a private phase in 2021 and then took the BDC public about a year ago, so we've locked in financing at sort of a bit of a different time than some of our public competitors and peers, so we've continued to reduce the costs of our SPV facilities over time with some of the spread compression that we've seen in the market, which has been great, but we have not

locked in a lot of the unsecured notes like our peers. So we did do a small amount right before we went public, but compared to our peers who have 40-60% of their financing in unsecured debt, we're way behind in that metric, but obviously as we think about rate cuts in the future and what we've said publicly on some of our earnings calls, is that the plan is to finance with unsecured debt going forward. But in terms of what it means for a BDC and our dividend coverage, we actually think it's going to be a benefit for us because our competitors have long had a bit of an advantage over us because they locked in that financing when we weren't even a public company, so we think that gap will start to narrow, will put us in good footing just in terms of coverage and how we compare to our peers.

**VLAD BULKIN:** Excellent. Mike?

**MICHAEL TESTA:** Trinity being IPO'ed in 2021, we were fortunate to lock in some low cost of debt, but we've been thoughtful about this, laddering maturities over the last five years, taking advantage of the markets when they're available to you, not raising capital when you need to, you do it in advance. So we've tapped both the unsecured, we have a credit facility with 12 different banks on a secured financing from a number of the local banks, a very flexible way of funding operations. We're fortunate, last month we put out an announcement, we got a Moody's investment-grade rating, just validates the scale, the diversification of our platform and the low loss rate. So yeah, I think being thoughtful of tapping the markets both from an unsecured and secured institutional retail basis is my recommendation and what we've done at Trinity, it's been proof of being successful at that.

**VLAD BULKIN:** Great, thank you. All right, one more slight pivot, we're going to talk about portfolio risk monitoring. As I'm sure you've seen, there are many headlines about nonaccruals and other potential issues in the private credit space. What would you say are the metrics that you most closely monitor, especially right now? How have any recent data points reshaped your watch list or loss given default assumptions? We'll start with Lee.

**LEE FEINGOLD:** Sure. So first I think just coming back to underwriting philosophy, on the front end, is super important to portfolio health. One of the ways we do that is just, one, starting at a more conservative spot, so as I mentioned, four times leverage and under 50% loan to value, and then everything we do has at least one covenant and about 70% has two, which just means you can address situations before they get dire. Oftentimes if there's no covenants in your deals, the first time you get a chance to help fix the company is when



there's a liquidity issue, and at that point oftentimes the sponsor's out of the money so they have no incentive to put in additional capital. So I think that's one way we think about it on the front end. On the back end, one thing we've learned is just as you look at peers who have public BDCs, is that nonaccruals don't always tell the whole story. Finian O'Shea, who spoke earlier today, has come up with a very unique metric to look at portfolio health, he calls it the North Carolina Ratio, and when he looks at that he looks at nonaccruals, but then he also looks at loans that have been valued below 90%, since that's the leading indicator for future non-accruals, and then also loans that have been restructured from debt to equity.

The reason that he does that is because a few years ago accountants got very smart and said, "Something's not a nonaccrual if I convert it from debt to equity." Well, in this ratio that would fall under restructured assets, so we think that's a very unique way to look at portfolios, and we're very proud to be, last quarter we were number one, now we're number three out of a list of about 27 public BDCs, so I think that's a very innovative way to look at portfolio health. And then the other thing we're doing similar to our peers is just everybody continues to look at tariffs, obviously it's really hard to pinpoint what the specific implications are, especially when the target and news moves with every Tweet or hour, so what we've done is just prepare a database for every one of our companies across our broader portfolio to show where they're selling to by country, but then also where they're sourcing from. That way again with each announcement we're able to pinpoint exactly what the effect might be, where we're exposed or not exposed, and then more importantly, where we can pass through those increases. So as we looked at our portfolio, we were curious, not just where we have potential exposure but, two, what's the pricing power of those companies to pass through those potential increases, such that if they are impacted, they can course correct within a quarter or two.

**VLAD BULKIN:** Congrats on those rankings. Bob?

**BOB MARCOTTE:** I think Lee's got it all covered, that's an impressive layout. For us, again as I said earlier, it starts with the underwriting of the individual business. We really focus on forward revenue visibility and the long-term equity story, and because we engage at the board level, we have pretty good visibility on when that's going to be an issue. Obviously with the covenants we do much the same as Lee alluded to, constantly working through it, and frankly because we're engaged and the experience of our team, we're not afraid to step

in and do what we need to do. Whether it's take control of the business, swap out the manager, or invest in opportunities as it grows. For us it's really, is the momentum still there, are they still being able to scale, and making sure the health of the fundamental business is still intact.

Most of our businesses are very much domestically focused, very little international, and because we focus on revenue visibility, we don't tend to do consumer stuff, we don't tend to do short-cycle businesses, it's key account, long-standing relationship focused, and frankly those things don't change generally. In the more recent past with respect to tariffs, what we've found is our companies who are on the ball, engaging with their customers, are actually finding new opportunities, where large companies are fighting to realign their supply channel, their international supply sources, even their affiliates, they can't move quickly, they move very slowly. And so if you're there, if you're attentive, you've got capacity and you're responsive, smaller companies can move faster, and we are taking business from affiliates in places that they couldn't get to react quick enough to the underlying market. So it's all about engaging and proactively improving a continuous improvement inside the businesses that we really emphasize as we spend time with these companies.

Two more points. I would say with the focus on domestic manufacturing, we've seen it for a while now, certainly it's always been the case for aerospace and defense and things like that, but domestic manufacturing, shortening the supply cycle, limiting the working capital investment are all huge things. We've been aggressively pursuing our companies to invest in automation to relieve working capital or labor pressures. Some of these businesses are in places where it's hard to find people, and qualified people, so automation is a big part of that. And when you can run lights out overnight, you reduce your expense, you reduce your costs, you improve your quality, and frankly your customers recognize it. Before you know it, your customers realize you've got a top notch machine, you have a capability, they will bring more business to you.

So investing in the domestic market, investing where it needs to be, where there's a good return, is a big part of our portfolio positioning and investment, and frankly it will differentiate them. I think there is some power to being investing in a capital-intensive business where the capacity is needed and the customers value it, so it's been a positive as long as you're staying on top of the issues of your customers. It's serving your customers,

that's where I think we focus our businesses at the moment. And look, if it doesn't work, we're certainly prepared to bring in a management change to retool it if necessary.

**VLAD BULKIN:** Thank you. Mike?

**MICHAEL TESTA:** Yeah, I agree everything that Bob and Lee said, you have to be a proactive asset management, have a team dedicated to the portfolio management and not just sit back and wait and hope you get your principal repaid, so we have dedicated portfolio managers, these are bankers that are dealing directly with the management teams proactively. Since we give them, right from the outset of the origination of the deals, they're dealing with the management teams, getting [inaudible 0:30:47], sensitizing cash flows. So one of our verticals is dealing with your traditional venture-backed companies, and it's looking at the cash forecast, sensitizing the cash flows, making sure that we're having those discussions if it's getting closer to 12 months of cash life is, "All right, where is the next round? Where is the next milestone? Were they on track in their plans?" So the active continuous portfolio management, and then like Bob said, being selective from the outset. In our niche, we're only funding 5% of the deals that we see at the top of funnel. The top of the funnel has grown for us as we're expanding in different vertical markets, but still being very disciplined in the underwriting and the companies that we deem worthy of our capital.

**VLAD BULKIN:** Thank you, Mike. All right, the next question is still sticking to the portfolio, but looking a little bit into the future. Given the current market environment, how is each of your firms strategically positioning your portfolios over the next 12 to 24 months? And in general, what are your respective business priorities over the next 12 to 24 months? Let's start with Bob.

**BOB MARCOTTE:** Crystal ball?

**VLAD BULKIN:** The one before that, number five.

**BOB MARCOTTE:** All right. In terms of positioning the portfolio, we're lenders, so we manage the best we could. I think from our perspective, as I've shared with a few of you, a lot of our portfolio had matured over the course of the last couple of quarters, and unfortunately we've taken a fair bit of prepayment activity, a significant percentage of our portfolio paid off and we've been in a redeploy mod. So as these mature companies, sponsors need the liquidity events, companies got larger and could refinance or even went public, we've been reinvesting, so we're constantly looking to where the market is going. So our mission today

is where are the growth segments? Where are the expansion opportunities in the near term? I will say that we've seen a lot of precision manufacturing, so we're positioning our portfolio to invest in that end of the business, it's certainly continuing to grow, whether it's rebuild of aerospace, whether it's in defense, whether it's electrical infrastructure and some of the data center related businesses, all of those are very topical and we're seeing that in the portfolio today.

I'd also say that we've probably seen a little bit more service oriented businesses, domestic focus, very much scaling-type businesses. We're selective in those areas because we tend to focus on places that are getting organic growth, not just vying for scale. They need to organically grow those businesses, because just having a bigger business of the same margin and profile is not really generating a lot of incremental equity value, or it won't be able to deleverage in the same manner that we'd expect the businesses to. So when we think about positioning for the business, we're really focusing on managing aggressively and proactively, but also the business selection that's appropriate for the near-term opportunity.

**VLAD BULKIN:** Mike, what about you?

**MICHAEL TESTA:** I think some of the market sentiment about spread compression and how that's negatively impacting BDCs, I think is a message from some of the larger, maybe upper middle market, broadly syndicated market, I think where we play we haven't seen spread compression significantly impact our portfolio. One of the things that we get in most of our deals is our floors, so once base rates reduce below that floor, we're still getting those payments, you'll see more repayments, which is a net positive for us in a period that it repays. As you accelerate we have prepayment fees, you accelerate income and fee income in that period. Diversifying the portfolio, again, across industry, size, and investment type. We're seeing quite a bit of reshoring in manufacturing, so equipment financing being one of our early vertical markets for us, we see quite a bit of growth in that area, [inaudible 0:35:36] volumes ticking up quite significantly there.

**VLAD BULKIN:** Lee?

**LEE FEINGOLD:** Yeah, I think definitely agree with what my fellow panelists just said. Digging a little bit deeper, I think when you bifurcate again between the upper and middle markets, I think it's two different stories in terms of what you hear. So if you just think about the supply of capital, we think that really that oversupply is really in that upper market, so as an

example, over 50% of funds raised in 2024 were greater than \$5 billion, and then peeling the onion back just another layer, if you look at funds raised in 2024, about 60% of that came from five platforms, mainly Blackstone, HPS, Silver Point, so huge amounts of capital being raised by just a few select folks. Back to my earlier point, when you're raising a ton of money, it means you have to put a ton of money out, and it means it's really hard to be selective because you have to put that out and you're forced to be a market player.

Then looking at the demand side, if you look at really what we consider the core middle market, there's over 200,000 businesses that fit that description, not all those are going to trade in a given year but you're just talking about a much bigger addressable market, where if you compare that to the upper market, it's about 4,000 to 5,000 businesses. So the reason we really like that core middle market is you have less dollars chasing more deals, so we just think from a supply and demand perspective, it's a better pool to play in. What does that mean for us? In the first quarter a lot of people complained about lower volumes and spread compression, we put out close to a billion dollars in the first quarter, it was our busiest first quarter yet since inception, and we did that at very reasonable risk profiles, so again under four times leverage, under 50% loan to value, and 5.5% spreads, which we feel really good about. A lot of that spread compression is coming in that upper market, and keep in mind, the upper market is forced to compete with the broadly syndicated market as well, which is why you're hearing of spread compression of, call it 1-1.5%, versus what we saw, which was about 50 basis points. We feel really good about where we're positioned going forward.

**VLAD BULKIN:** Thank you, Lee. At this time I'd like to see if anybody in the audience has any questions. None at all? All right, I have one question saved in case there were no audience questions. Get out your crystal balls, I know Bob wanted to. What do you think is going to happen to the BDC industry over the next 12 to 24 months, including any kind of impact from tariffs or interest rates? Let's start with Lee and go down the row.

**LEE FEINGOLD:** Yeah, I think the big thing, and I've alluded to it, I think you'll start to see more of a dispersion in returns, so I think when you have high rates, no sort of turmoil in the economy, low cost of financing, everything's great, but I think as soon as there's some sort of market event or change in rates or something that folks are forced to react to, I think that's where folks who have been through cycles together as a team will really prove why that track record is important.

I think the second piece that you'll see is just a continued proliferation of expansion into the retail sector, whether that's new types of vehicles that are targeting that sector or just continued private, nontraded BDCs and BDCs targeting that sector. But I think it also means, especially in the non-traded BDC world, there is quarterly liquidity available, but as we all know, oftentimes when you want that liquidity it's not available because there's typically gates. Again, I'm not sure how close or how sophisticated some of those retail investors are to be aware of that fact, so I think that may be an issue that faces the industry.

**VLAD BULKIN:** Thank you.

**BOB MARCOTTE:** I would agree that there'll be somewhat of a convergence. I mean, the banks syndicated marketplace and the upper middle market are synonymous at this point, there's no differentiating, there's no private transaction premium for illiquidity anymore, the credit performance is going to be very similar, so it's really about the same and it's just a different leveraged vehicle. It's going to continue to grow, because at the end of the day the distributions are still attractive, and most of the investor base has a hard time distinguishing between the dozen or so platforms that are being aggressively marketed that are bringing in the capital, so it's going to continue to grow at the upper middle market.

I think the dispersion will be in the specialists, it'll be people focusing on a certain end of the market. That's where the differentiation's going to be, and that's where I think you'll see returns and diversity, people are going to want diversity across because they're going to recognize that many of the platforms are essentially the same risk. Why buy the top five if it's all the same risk? You're going to be looking for diversion just like you look for diversion in other forms of investment capital, investment pools, diversity. You're not getting diversity when you're essentially looking at the same investment in a different wrapper. I do think that it will continue to proliferate and it will become even more retail. Obviously more retail means the potential for more regulation, hopefully that's not going to be the case, so I do think it's going that way.

Obviously concerning, is does a big blowup in some of the larger credits ultimately taint the BDC marketplace? I think the BDC marketplace has gotten big enough at this point, and it's so diversified, I hope that doesn't happen, but at the end of the day it will probably more than anything slow down the amount of capital that will be coming into the market. We've seen that from time to time, but the marketing machines are continuing to grow, whether it's

domestic or whether it's international sourcing, it's hard to see where that's going to slow down, because the fundamental, the profile and the amount of distributions coming off of this as an investment product, I think are pretty hard to beat given the way it's performed.

**VLAD BULKIN:** Thank you. Mike?

**MICHAEL TESTA:** Yeah, the only thing I'd add is I think you'll see more expansion into Europe, I think that's an underserved market for private credit. We've started to hire some folks out there and expand, and we see a lot of opportunities across all our verticals, equipment, life sciences, tech lending, so I think you'll see an expansion **there**.

**VLAD BULKIN:** Thanks, Mike. Those are non-qualifying assets, but you have the RIA under the BDC and you can put private funds under that. All right, unless anyone else has questions, we're going to wrap this up. All right, thank you to our panelists today.

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