

## Ares Capital: IQ 2026 Credit Results - First Look

We have taken an initial look at Ares Capital's just announced IQ 2026 credit performance. The BDC is arguing that AI won't impact its portfolio companies very much, but 5 of the 6 biggest write-downs were in this category.

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Ares Capital (ARCC) has just published its IQ 2026 earnings and 10-Q. In addition, the BDC, in its Investment Presentation, disclosed that it had hired an unnamed outside "top tier" consulting firm to assess the potential of AI disruption risks across all software-oriented companies in its investment portfolio. About 22% of the BDC's near \$30bn portfolio is invested in software and services-related companies, its largest sector allocation. The review judged that 85% of the companies reviewed at fair value represented low risk from potential AI disruption. Those deemed to be at high risk were about 1% of the reviewed names by fair value, or ~0.3% of ARCC's total investment portfolio at fair value as of March 31, 2026. Investments considered to be at medium risk accounted for about 3% of ARCC's total investment portfolio, the company [said](#). However, the focus of this article is on the actual write-downs or write-offs in the quarter of software-related companies

### Top Level Metrics

In the IQ 2026, ARCC reported gross unrealized losses of (\$671mn) - a higher than usual level, and more than twice the level from the IQ 2025. However, (\$85mn) consisted of a reversal of realized gains or losses, so the "real" investment depreciation was (\$585mn). That amounts to (2%) of the overall portfolio at cost.

Also worth noting is that ARCC booked \$229mn in unrealized appreciation elsewhere in the portfolio.

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## Principal Company Write-Downs

As this table drawn from the 10-Q shows, there were 6 significant write-downs of ARCC portfolio companies in the period:

	A	B
1	<b>(in millions) Portfolio Company</b>	<b>Net Unrealized Appreciation (Depreciation)</b>
2	ADG, LLC, GEDC Equity, LLC and RC IV GEDC Investor LLC	(15)
3	Pluralsight, LLC	(17)
4	CoreLogic, Inc. and T-VIII Celestial Co-Invest LP	(18)
5	Digicert, Inc., Dcert Buyer, Inc., DCert Preferred Holdings, Inc. and D	(32)
6	Symplr Software Inc. and Symplr Software Intermediate Holdings, In	(58)
7	Cornerstone OnDemand, Inc.	(63)
8	Other, net	(260)

According to our analysis, supplemented by queries to Perplexity and Gemini, 5 of the companies are - broadly speaking - "software" related. The only exception is [ADG, LLC](#). It is a dental services organization (DSO) that provides clinical dental care and oral healthcare services. The company has been an Important Underperformer - along with other similar ARCC businesses for some time now. We'll be writing a IQ 2026 update shortly.

**The Clear "Software / SaaS" Companies (3)** These three companies are purely foundational software and Software-as-a-Service (SaaS) businesses, which ARCC categorizes under its "Software and Services" portfolio:

- **Symplr Software Inc.:** A SaaS-based healthcare compliance platform provider. Here is a [Company Profile](#) we'll be adding to the Company File in the database.

The company will be added to the Important Underperformers list in the IQ 2026 as the discount on its debt has increased from (14%) - which caused us to rate the business a 3 (Watch List) in the IVQ 2025 - to (29%). Symplr is now rated 4 on our 5-point scale. ARCC exposure of \$412mn at cost is high, even for a BDC of this size. Furthermore, most of the investment is in junior capital (common, preferred and second lien loans), increasing the risk of a greater eventual realized loss.

- **Cornerstone OnDemand, Inc.:** A cloud-based SaaS platform focused on talent management and HR software. Here is a [Company Profile](#) we'll be adding to the Company File in the database.

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This is another new Important Underperformer, slipping from a 3 to a 4. Again, ARCC's exposure at cost of \$354mn is on the high side. Like Symplr - and reflecting ARCC's investment style - most of the exposure is in junior capital. The total investment is discounted (26%).

- **Digicert, Inc.:** A provider of internet security tools and cybersecurity solutions. Here is a [Company Profile](#).

Technically, the company is not yet an Important Underperformer because its value is discounted (17%) as of the IQ 2026. However, we are adding the name anyways as the value has dropped sharply. Again, as with the other two new Important Underperformers, ARCC has invested a considerable amount at cost - \$363mn - and two-thirds is in junior capital.

**The "Technology-Related" Companies Potentially Impacted by AI (2)** While ARCC also groups the following two companies in its "Software and Services" bucket, their business models sit closer to data analytics and platform-based content delivery. This makes them highly technology-dependent and arguably the most susceptible to being impacted by Artificial Intelligence:

- **CoreLogic, Inc.:** CoreLogic provides information, insight, analytics, software, and outsourced services to the real estate, mortgage, and insurance sectors. Because a massive part of its business relies on aggregating and analyzing housing data (rather than just providing a pure software workflow tool), it is a prime candidate for AI disruption or enhancement. ARCC management explicitly noted on a recent earnings call that they try to stay away from software companies "that are just analyzing third-party data" in favor of embedded infrastructure, though CoreLogic's massive scale and proprietary data have historically provided it with a strong moat.

Through the IVQ 2025, ARCC valued its large position in CoreLogic very close to par, resulting in a rating of 2 - performing as expected. However, this quarter's (\$18mn) unrealized loss and the fact - once again - that ARCC is mostly invested in the junior capital will cause us to downgrade the company to a rating of 3 - Watch List. \$222mn at cost is involved, currently valued at \$200mn FMV.

- **Pluralsight, LLC:** Pluralsight is an online education learning platform that provides video courses, coding environments, and training for technology and software development skills. While it is a technology platform, its core product is *content*. The rise of Generative

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AI and automated coding assistants (like GitHub Copilot) poses a direct disruptive threat to traditional software development education, which may change how companies utilize Pluralsight's services.

This is a well known name since the infamous 2024 debt for equity swap. More recently, some of the BDC-owned company's debt has [been placed on non-accrual](#) and the position reduced in value. In the IQ 2026, the situation seems to have worsened. The same loan remains non-performing but has dropped from a value of \$18mn to only \$1mn. Pluralsight remains rated 5. We had been estimating any ultimate loss for all BDC positions might be in the 25%-50% range. Based on ARCC's latest disclosure, though, we're likely to boost that estimate to 50%-75%.

**Other, Net Losses:** Obviously we don't yet know the composition of the "Other" unrealized loss category but we can't help notice that the amount involved - (\$260mn) - is far higher than we are accustomed to from ARCC. Common sense suggests more modest write-downs than the ones we've discussed could be spread across a larger than usual number of companies.

## CONCLUSION

ARCC's management is understandably seeking to allay investor concerns about that portion of its portfolio exposed to "AI risk". We can't speak to the credibility of the independent assessment offered up, or what the future might hold. Our focus is on what can be measured in the here and now. The evidence above suggests virtually all the most written down investments in the IQ 2026 were in AI-threatened companies. Moreover, the amounts of ARCC exposure involved are generally relatively high and new businesses that were previously performing as expected are no longer doing so. Finally, ARCC's strategy of investing heavily in the junior capital of portfolio companies leaves them more exposed to greater losses should performance continue to deteriorate. In this brave new chapter of BDC lending where every portfolio is going to be scrutinized for any "software" or technology weakness, this was not a great debut for ARCC.