Public BDC Credit Performance in the IVQ 2025. First in a series.

The BDC Credit Reporter has been assembling multiple metrics about the credit performance of the public BDC sector in the IVQ 2025. This is the first of multiple articles about this thorny subject at a time of high anxiety about Private Credit.

March 18, 2026

We've all been hearing a great deal about the qualms in the market about the soundness of Private Credit. There are multiple articles every day on the subject, X/Twitter is replete with posters predicting terrible outcomes due to "sloppy underwriting" and "the impact of AI" on software-borrowers and even some analysts have gained attention by predicting Private Credit default rates could move up to 8% (Morgan Stanley) or - in a worst case - to 15%. This article is not intended to refute those estimates - or even discuss them. Instead, we're going to review the actual data for an important sub-set of the Private Credit sector - the 46 public BDCs we track, whose AUM at the end of 2025 amounted to $173bn - roughly 10% of the stated size of Private Credit overall. (People familiar with BDCs will know that there are also billions of dollars held by BDCs in off balance sheet vehicles that don't show up in the AUM number). We've gathered all the metrics discussed below from public sources.

Setting The Scene

As mentioned, we track 46 publicly traded BDCs - those principally involved in leveraged lending to private and public "middle market companies". Not covered are public BDCs that mostly invest in equity capital, whose AUM - in any case - is modest. Nor do we explicitly track the "private" non-traded BDCs that have been so much in the market. However, both public and private BDCs tend to be lending to the same pool of 5,000-10,000 corporate borrowers.

Technically, BDC IVQ 2025 earnings season is not yet over. We are waiting to hear from **Investcorp Credit Management BDC** (ICMB), but the BDC is very tiny - just under $200mn at fair value as of last September and won't materially impact the aggregate numbers when we do hear from them. For these purposes, we're using those IIIQ 2025 results of ICMB to paint the full sectoral picture.

Total BDC portfolio assets at cost amount to $173.1bn at cost and $171.9bn at FMV. That's only a (1%) discount overall at a time when the aggregate price to book is 79.1% at time of writing - i.e. a (21%) discount. The BDCs involved range widely in terms of portfolio size from **Ares Capital** (ARCC) with $14.5bn to the afore-mentioned ICMB at $196mn.

In aggregate, BDC net assets amounted to $80.9bn at the end of the IVQ 2025, suggesting that the sector is roughly half financed by equity and the rest by debt.

This BDC universe is also highly diversified by market segment addressed: ranging from the lower, to the middle and upper middle market, venture debt, asset-based financing and even CLO equity. As a result, borrowers range in size - as measured by annual EBITDA from a couple of million dollars to hundreds of millions of dollars. Loans booked go from very small outstandings of a few hundred thousand held by a single lender to hundreds of millions, sometimes shared by a dozen or more BDCs. Most loans are classically "illiquid" but an increasing proportion in the upper middle market trade regularly in the secondary market.

Let's not forget - as many commentators often do - that a substantial proportion of BDC assets are in the form of equity: preferred, common stock and warrants or junior capital in joint ventures or other special purpose vehicles, some of which are themselves borrowers. The fact that BDC portfolios are valued so close to cost is largely due to the presence of these equity stakes, which often contribute unrealized and realized gains that offset credit losses in their portfolios.

At a time when only 6 BDCs are trading at a premium to their net asset value per share, 13 BDCs have a portfolio FMV greater than their cost and another 15 are less than (2%) below cost. On the other hand, there are 7 BDCs valued at a (4%) to (6%) discount to cost and another 7 discounted greater than (6%). Most of those discounts are in single digit percentages but a couple are even greater - reaching (31%).

Total Borrowers

Going by the company count given by each BDC but leaving out CLO securities owned and equity only stakes of venture-debt lenders, there are 6,935 portfolio companies on the books of these 46 BDCs - an average of 150 per BDC - more or less. Please take that number with a grain of salt as the data is not entirely clear and remember that some borrowers feature in multiple BDC portfolio. The number of individual companies represented is probably around 5,000.

New non-accruals

A key metric - but one that most BDCs do not always freely report in their filings or even on their conference calls - are the number of new non-accruals that occurred in a given period. That's one way - amongst many - to measure credit stress. In the IVQ 2025, we were able to identify 58 new non-accruals across all 46 BDCs. This amounts to 0.8% of the total company's universe. Taking into account duplicates, the number of new individual companies involved is closer to 45-50.

Non-Accruals Removed

Lenders are constantly attempting to clear the decks of their troubled and non-performing portfolio companies. In the IVQ 2025, we found 30 instances of non-accruals removed. Unfortunately, very rarely does a company just begin to perform again and resume making debt payments. A removal usually follows the conclusion of bankruptcy or liquidation and - even more frequently as of late - some sort of restructuring event such as a debt for equity swap or a debt for debt swap. Sometimes the PE groups involved participate in the restructurings and some do not. Those sorts of details are best found in our articles.

Current non-accruals

At the end of 2025, we count 282 companies in BDC portfolios that are non-performing - an average of just over 6 per BDC and 4.1% of all companies. However, the number of non-accruals at a particular BDC can be misleading. Some players may have very "granular" portfolios with lots of borrowers but still be very little impacted in dollar terms.

Non-Accruals at Cost

Based on research we've undertaken, we consider 3.8% of non-accruals at cost as a percentage of a BDC portfolio a "normal" level. At the end of the IVQ 2025, 38 BDCs had non-accrual metrics below that number, including 17 whose non-accruals amounted to between 0% and 1.9% - which we deem "above average". On the other hand, there were 18 BDCs whose results were worse, including 9 whose non-accruals exceeded 5.7% of all investments at cost.

Non-Accruals At FMV

This is one of the most quoted metrics in BDC credit, but one of the least useful. A low percentage does. Not necessarily reflect a BDC's credit underwriting is good but can often mean that unrealized write-downs have been substantial, leaving very little value amongst the non-performing loans on the books. The metric is most useful when juxtaposed with non-accruals at cost as a way to estimate what the current recovery rate looks like for non-performing loans.

This is not meant to be a comprehensive picture of public BDC credit performance in the IVQ 2025. In future articles, we'll look at realized and unrealized losses in the quarter and the year; BDCs own breakdown of their portfolios between performing and underperforming and the number and value of investments valued at 80% of value -typically associated with distress. Borrowing from our sister publication - the BDC Reporter - we'll survey how the BDCs net asset value per share (NAVPS) changed in the IVQ 2025 and over the last 12 months, most of which reflects credit performance. We'll also discuss BDC "software" exposure and what the BDCs themselves are saying about current credit conditions and the outlook across four score conference calls.

Initial Conclusion

We don't want to get too far ahead of the actual data, but the metrics mentioned above paint a picture of a public BDC sector with its fundamentals in pretty good shape going by the averages and the performance of a majority of BDCs. At the same time, there appears to be a substantial minority of BDCs - spread across all market segments - that are substantially under-performing on many counts. We'll get into more specifics as we roll out further data down the road.