CEF ADVISORS

BDC Q3 2026, 88% Reported: The Recovery Is Real, and Selective

NAV, credit, dividends, software risk, fees and what investors pay for manager quality, from the 27 larger loan-based BDCs that have reported (88% of assets) and CEFData's BDC indexes. Seven larger BDCs report later in November.

By John Cole Scott, CFS · President & CIO, CEF Advisors · **Data through 11/5/2026; reports through 11/6/2026**

87.8%	−0.3%	+6.3%	+30%/−35%
of larger BDC assets have reported Q3	median Q3 NAV per share change, the smallest loss in four quarters	1-yr NAV total return, large-cap BDC index	price vs NAV, strong-ROE vs negative-ROE BDCs

KEY TAKEAWAYS

- **Mostly in.** 27 of 34 larger loan-based BDCs, 87.8% of the group's assets, have reported Q3.
- **Losses are narrowing.** Median NAV per share slipped 0.3% in Q3, the smallest loss in four quarters, after −2.3% in Q1.
- **Total return held up.** NAV per share fell over the year, but NAV total return was +6.3% for CEFData's large-cap BDC index and +3.5% for small-cap.
- **The market prices quality.** BDCs with 7%+ ROE trade at a median 30% premium; negative-ROE names sit at a 35% discount.
- **Credit is the swing factor.** Non-accruals rose from 1.1% to 1.5% of fair value since December, and the weighted cost figure from 2.3% to 3.1%.

EXHIBIT 1 How much of the BDC market has reported

Group	Reported Q3	Share reported	Still to report
Larger loan-based BDCs	27 of 34	87.8%	BCSF, CCAP (Nov 9); GBDC, OCSL, GAIN, GLAD, PFLT
CEFData large-cap BDC index	13 of 15	87% of members	GBDC, OCSL
CEFData small-cap BDC index	15 of 23	65% of members	BCSF, CCAP (Nov 9); GAIN, GLAD, LIEN, PFLT, PNNT, SCM

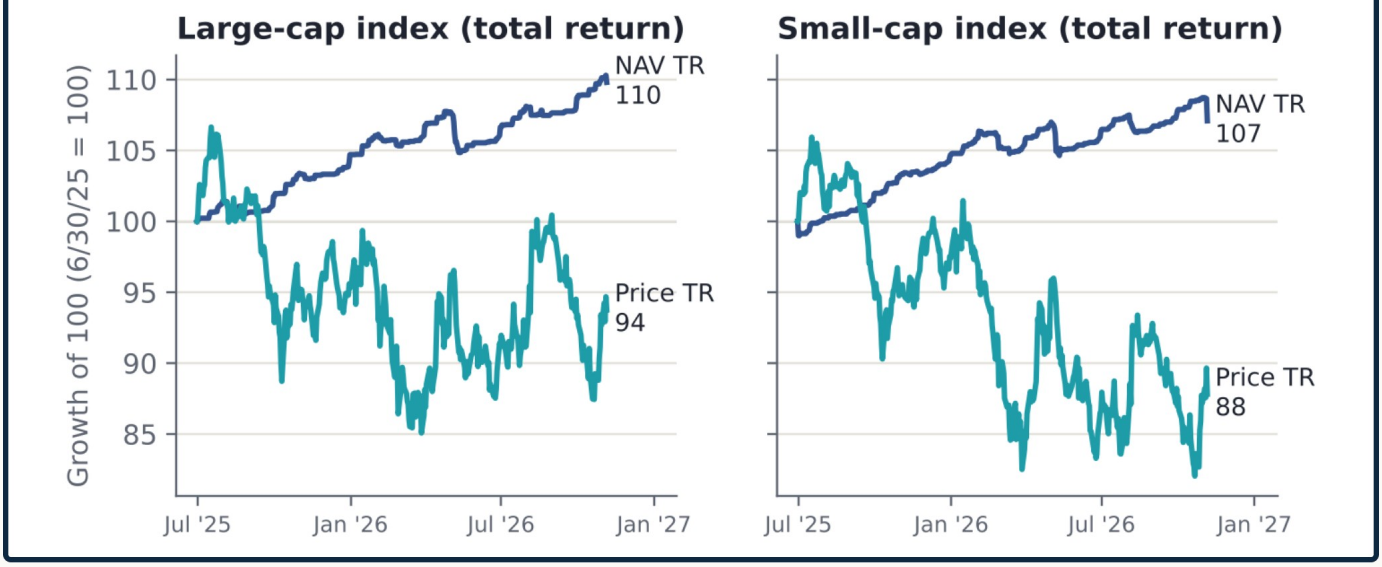
Source: CEFData.com, company filings. Loan-based = 45%+ of the portfolio in loans; excludes equity BDCs and the smallest BDCs. Q3 = 9/30/26 NAV (SAR 8/31/26). Index rows show the share of members.

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Price fell, NAV held

We have covered the discount widening in depth this year, and it is not new to most investors: BDC prices fell hard into the first quarter while portfolio values barely moved. Exhibit 2 shows the gap. Since mid-2025, CEFData's large-cap debt BDC index lost about 6% on price while gaining about 10% on NAV total return. The small-cap index lost about 12% on price and gained about 7% on NAV total return.

EXHIBIT 2 **Price total return vs NAV total return since 6/30/2025**



Source: CEFData.com equal-weight debt BDC indexes; growth of 100 from 6/30/25 to 11/5/26. CEFData indexes are total return unless noted.

EXHIBIT 3 **Index returns: NAV kept compounding**

Index (total return)	NAV TR 1 yr	Price TR 1 yr	NAV TR ann. since 3/31/15	Price TR ann. since 3/31/15	Worst price drawdown
Large-cap debt BDC	+6.3%	−0.5%	+8.2%	+6.4%	−20.2%
Small-cap debt BDC	+3.5%	−7.4%	+5.8%	+7.6%	−22.6%

Source: CEFData.com, through 11/5/26. Index inception 3/31/2015. Drawdowns: large-cap 7/17/25 to 3/27/26 (up 10.2% since); small-cap to 10/21/26 (up 7.0% since).

Two notes for context. First, the worst drop in either index's NAV total return since mid-2025 was under 3%, while price fell more than 20% from its July 2025 high to the low point. Second, the small-cap index bottomed only on October 21 and is up about 7% since, so we would not yet call its rebound a recovery.

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NAV per share fell. NAV total return did not.

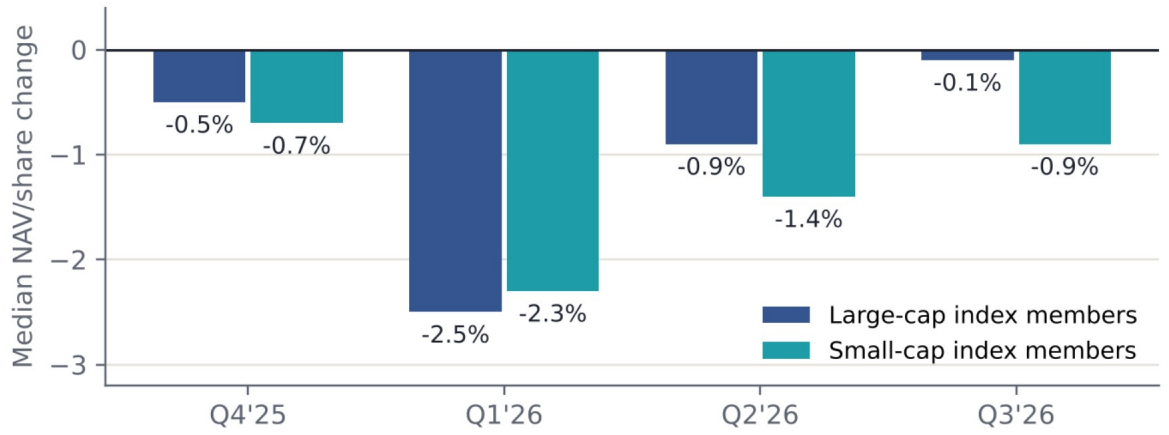
Both statements are true, and investors should hold them together. Over the past year, NAV per share declined at most BDCs, but distributions, often 10% or more of NAV a year, more than made up the difference. A high payout on NAV is a strength. Any part of it that is not earned, though, comes out of NAV over time, which is why we lean on ROE (page 5) to tell which managers earn their distribution.

EXHIBIT 4 NAV per share change vs NAV total return, 1 year

CEFData index	Reported Q3	NAV/share, median	NAV/share, average	NAV total return	Price total return
Large-cap (15 BDCs)	13 of 15	−3.8%	−5.0%	+6.3%	−0.5%
Small-cap (23 BDCs)	15 of 23	−11.2%	−9.4%	+3.5%	−7.4%

Source: CEFData.com, company filings. NAV/share figures cover index members that have reported Q3.

EXHIBIT 5 NAV per share losses have narrowed for two quarters since the Q1 low



Source: CEFData.com, company filings. Medians of index members that reported each quarter.

EXHIBIT 6 Size matters more than it used to

Market cap band	NAV/share, 1 yr	ROE, 1 yr	Price vs NAV
Under $500M	−13.5%	−4.4%	−41.8%
$500M to $1B	−4.0%	+5.1%	−26.0%
$1B and up	−3.8%	+5.1%	+0.2%

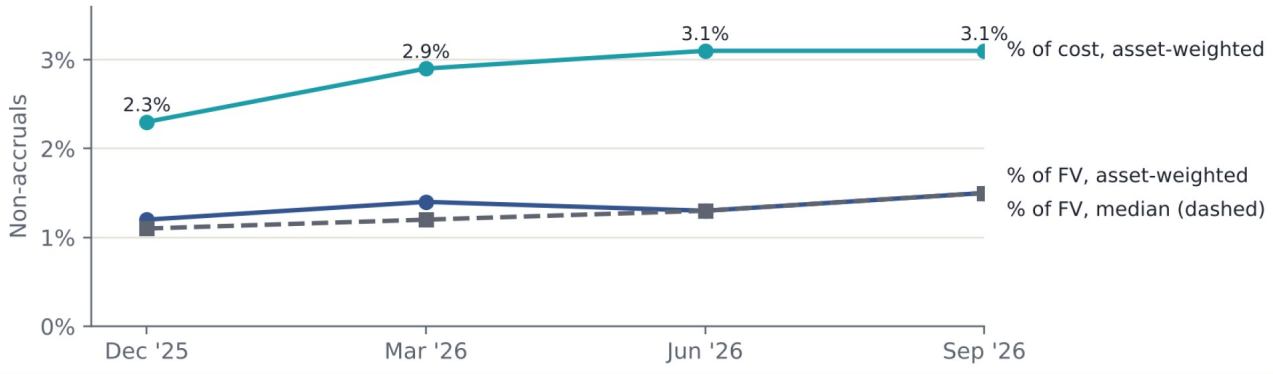
Source: CEFData.com, company filings; medians of Q3 loan-based reporters by market cap at 11/5/26 prices. The under-$500M band includes names on our smallest-BDC list.

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Credit: creeping, not breaking

Non-accruals, loans that have stopped paying interest, are the early warning for BDC credit. For the 15 BDCs with fair-value data in all four quarters, the median rose from 1.1% to 1.5% of fair value between December and September. On a cost basis the asset-weighted figure moved from 2.3% to 3.1%, most of it in the first half. Cost rising faster than fair value tells us new problem loans are arriving already marked well below par. KBDC, reporting Nov 5, is the latest example: non-accruals rose to 3.6% of fair value from 2.7%, which management called momentary.

EXHIBIT 7 **Non-accruals by quarter**



Source: CEFData.com (Sep ’26), company 10-Qs and releases (Dec ’25 to Jun ’26). Same 15 BDCs for fair-value lines; cost line is asset-weighted across reporters each quarter. KBDC and TRIN report on debt investments.

“Credit is the trend to watch. It is rising slowly, it is concentrated, and the market is already pricing it.”

Three points keep this in perspective. PIK income is not a default: it is delayed income, and while workout PIK is a negative signal, we do not count it as a loss. NAVs are struck only four times a year and can lag headlines on rates and credit outcomes. But BDCs mark every holding to fair value each quarter, something regulated banks do not do for their loan books, so investors get a clearer view of BDC credit than of most lenders.

KNOW THE TERMS

- **Non-accrual:** a loan no longer accruing interest, shown at fair value (current mark) or cost (amount lent).
- **FMV vs cost:** portfolio fair value as a percent of cost; how far marks sit below what was lent.
- **NAV total return:** NAV change plus distributions paid; ROE is the same idea measured on the BDC’s equity.

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Quality is the dividing line

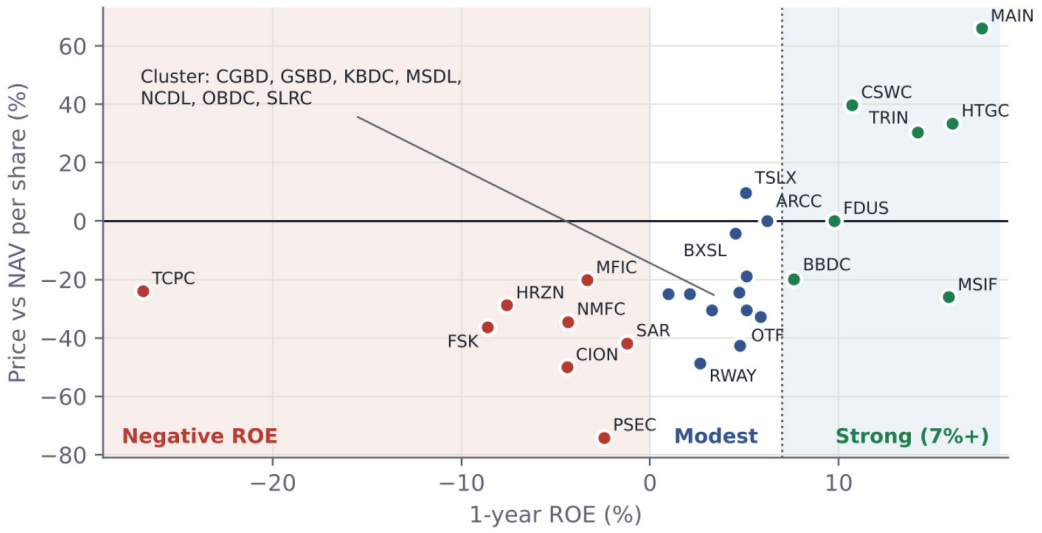
Sorting the 27 larger loan-based BDCs by one-year ROE explains most of what happened this season. Strong-ROE managers held NAV, carry the least leverage and the cleanest credit, and trade at premiums. Negative-ROE BDCs lost 15% of NAV per share and trade at deep discounts with the highest yields. The middle tier, which holds most of the large private-credit platforms, earns a modest return and is priced closer to the bottom than the top.

EXHIBIT 8 ROE tiers: medians for larger loan-based BDCs

Tier	#	ROE 1 yr	NAV/share 1 yr	Non-accr. FV	FMV vs cost	D/E	Price vs NAV	Yield
Strong (7%+)	7	+14.2%	+1.7%	0.9%	−1.2%	0.95x	+30.4%	10.0%
Modest (0–7%)	12	+4.7%	−4.2%	1.5%	−3.1%	1.18x	−24.8%	12.3%
Negative	8	−4.4%	−15.2%	2.0%	−7.9%	1.34x	−35.3%	15.5%

Source: CEFData.com, company filings, 11/5/26 prices. ROE is CEFData 1-year ROE (computed from Q3 NAV plus four quarters of dividends where CEFData is not yet on Q3).

EXHIBIT 9 What the market pays for ROE



Source: CEFData.com, company filings, 11/5/26 prices.

IN OUR VIEW

A small or moderate premium for a manager with strong ROE, stable NAV and clean credit can be cheap, and a deep discount on a BDC with negative ROE can still be expensive. The price you pay only means something next to the quality you get.

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Dividend resets: read the reason

Thirteen of the 27 larger BDCs cut their regular dividend between January and May 2026, and BXSL and CION announced resets this season. A cut hurts existing holders. But a reset driven by loan math (rates, spreads and leverage costs) rebases the payout to what the portfolio earns and gives a new buyer a cleaner start. A credit-driven cut raises a different question: have the losses stopped?

EXHIBIT 10 2026 dividend resets, sorted by cause

BDC	When	1-yr ROE	NAV/share 1 yr	Read
MSIF	Jan–May 2026	+15.8%	+6.6%	Loan math
SLRC	Jan–May 2026	+5.8%	−2.1%	Loan math
NCDL	Jan–May 2026	+5.1%	−4.0%	Loan math
TSLX	Jan–May 2026	+5.1%	−5.5%	Loan math
OBDC	Jan–May 2026	+4.7%	−3.8%	Loan math
BXSL	New: $0.77 to $0.60 from Q1 '27	+4.5%	−7.0%	Loan math
CGBD	Jan–May 2026	+3.3%	−4.3%	Loan math
MSDL	Jan–May 2026	+1.0%	−8.1%	Loan math
PSEC	Jan–May 2026	−2.4%	−16.9%	Credit-linked
MFIC	Jan–May 2026	−3.3%	−12.3%	Credit-linked
NMFC	Jan–May 2026	−4.4%	−11.5%	Credit-linked
CION	Jan–May; new: $0.30 to $0.25 from Q1 '27	−4.4%	−11.2%	Credit-linked
HRZN	Jan–May 2026	−7.6%	−21.9%	Credit-linked
TCPC	Jan–May 2026	−26.9%	−35.6%	Credit-linked

Source: CEFData.com, company releases. Changes count on the date announced. Shaded rows: loan-math resets, all with positive ROE.

EXHIBIT 11 Repairing vs still under pressure: NAV per share change by quarter

BDC	Q4 '25	Q1 '26	Q2 '26	Q3 '26	1-yr ROE
FSK	−5.0%	−9.9%	−2.8%	−0.1%	−8.6%
OTF	+0.3%	−4.8%	−0.1%	+0.8%	+4.8%
RWAY	−1.0%	−9.6%	−1.8%	+0.3%	+2.7%
TCPC	−18.8%	−5.0%	−2.1%	−14.7%	−26.9%
HRZN	−2.0%	0.0%	−10.7%	−10.8%	−7.6%
PSEC	−3.7%	−2.6%	−5.6%	−6.1%	−2.4%

Source: company filings, CEFData.com. Shaded rows: repairing, with losses shrinking toward zero or turning positive. FSK also waived 50% of its income incentive fee.

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Is software and AI a real risk?

The exposure is real: about a quarter of BDC assets sit in companies we flag as exposed to AI disruption, and 22% in software. The worry is that AI tools erode the revenue of the software companies BDCs lend to. CEFData's holdings data lets us test whether exposure has hurt results so far.

EXHIBIT 12 AI exposure and results, larger loan-based BDCs

ROE tier	Median AI exposure
Strong (7%+)	15%
Modest (0–7%)	25%
Negative	24%

AI exposure third	Median exposure	ROE 1 yr	NAV/share 1 yr
Low	7%	+5.9%	−2.1%
Middle	24%	0.0%	−9.3%
High	40%	+2.7%	−8.1%

Source: CEFData.com holdings for 26 BDCs (no holdings data for NCDL). 9/30/26 holdings cover about a third of assets; 6/30/26 holdings are used as an approximation for the rest. Sector exposure: 25% of assets AI-exposed, 22% software (asset-weighted).

EXHIBIT 13 Same exposure, different results

BDC	Exposure	ROE 1 yr	NAV/share 1 yr	NAV/share Q3	Read
HTGC	41% AI	+16.0%	+1.7%	+0.9%	Strong tier
TRIN	35% AI	+14.2%	+2.3%	+1.0%	Strong tier
OTF	About 70% software	+4.8%	−3.8%	+0.8%	Recovering
GSBD	40% AI	+2.1%	−8.2%	−3.0%	Under pressure

Source: CEFData.com holdings and Q3 data; OTF software share is the company's own count (CEFData flag 54%).

The pattern is mixed, and that is the point. The most-exposed third did better than the middle third, and two of the most-exposed lenders sit in the strong ROE tier. In our view, what kind of software was lent to, mission-critical systems versus easily replaced tools, and how it was underwritten matter more than the headline exposure. Watch Q4 marks at the platforms that grew NAV per share in Q3.

"Exposure is not destiny. What was lent to, and how it was underwritten, decides the outcome."

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What managers said, and what analysts asked

Eight BDCs reported on November 5 and held calls on November 6, giving a late-season read on how managers see Q4. The tone tracked results: strong-ROE managers talked about growth and supplementals, while weaker names focused on leverage, buybacks and working out problem loans.

EXHIBIT 14 Late-season reports: the message and the watch item

BDC	What management said	What to watch
BBDC	Stable earnings and NAV; new deals at 541 bp, spreads expected to hold in Q4; $396M CLO refinances 2026 notes	NII exactly covers the $0.26 dividend
GSBD	Did what it said: leverage down to 1.21x from 1.35x, $15M of buybacks; new loans rotate the book	Two new non-accruals; 4.2% of FV, 7.3% of cost
FDUS	Adjusted NII up 18% from a year ago; ATM issuance above NAV; Q4 supplemental raised to $0.11	Originations roughly matched repayments
MAIN	14.7% annualized ROE; 17th straight quarterly NAV increase; 1.2% operating expense ratio	NII $0.89 covers the $0.795 regular dividend, not the supplementals; DNII $0.96
MSDL	Lowered base and incentive fees	NAV/share down 3.8% with a GAAP loss
CGBD	Selective on new loans; buybacks at a 31.5% discount added $0.04 to NAV; joint ventures scaling	NII $0.36 vs $0.35 dividend; $0.72 spillover
MSIF	NAV/share up 4.5% since December; $0.03 supplemental	NII $0.32 ($0.34 adjusted) vs $0.33 of monthly dividends
KBDC	NII $0.46 vs $0.40 dividend; calls the non-accrual rise momentary	Non-accruals 3.6% of FV from 2.7%; NAV/share −1.8%

Source: company releases, earnings presentations and calls, Nov 5–6, 2026.

COMMON THEMES FROM MANAGERS

- Higher base rates support income: the Fed raised rates to 3.75%–4.00% on Sept 16 and held on Oct 28.
- Wider spreads on new loans, with discipline on terms; several said they are staying selective.
- Shareholder-friendly moves: buybacks below NAV, fee cuts (MSDL, FSK, TPVG) and lower leverage.
- Supplementals where earnings allow (FDUS, MSIF, MAIN).

WHAT ANALYSTS PRESSED ON

- Dividend coverage: NII against the payout, and how much spillover is left.
- Non-accruals: whether the rise is a few names or a trend, and recovery values.
- Leverage: room to grow versus the target range after deleveraging.
- PIK income: how much is in workout loans (KBDC: 4.9% of interest income).
- Spreads: whether wider new-loan spreads will last into 2027.

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Fees and expenses: what you pay for the manager

BDCs cost more to own than most funds, so we compare gross non-leverage expenses, the cost of running the portfolio as a share of gross assets, across managers. Leverage cost matters too: what a BDC pays to borrow eats into the spread it earns. Fee features such as hurdles and look-backs can protect shareholders, though not always, and some managers are worth paying a little more for.

EXHIBIT 15 Expenses and leverage cost by group (medians)

Group	Gross non-lev. expenses	Internally managed	Income hurdle	With lookback*	Leverage cost	NAV/share 1 yr
Large-cap index (15)	2.00%	4 of 15	6.0%	55%	6.10%	−3.8%
Small-cap index (23)	2.36%	0 of 23	7.0%	35%	6.44%	−11.2%
Strong ROE (7)	2.53%	4 of 7	8.0%	33%	5.97%	+1.7%
Modest ROE (12)	2.34%	0 of 12	6.0%	42%	6.48%	−4.2%
Negative ROE (8)	2.45%	0 of 8	7.0%	38%	6.74%	−15.2%

Source: CEFData.com BDC data, 11/5/26. Gross non-lev. expenses = expenses excluding leverage cost, % of gross assets. Leverage cost = CEFData relative leverage cost, % of leverage. Income hurdle = annualized, externally managed only. *Share of externally managed BDCs. Index rows include all members, including the smallest BDCs; ROE rows are the 27 larger loan-based BDCs. NAV/share 1 yr = median change in NAV per share (not NAV TR) for members that have reported Q3.

- **Size helps.** Large-cap BDCs spend less to run (2.00% of gross assets vs 2.36%) and borrow more cheaply (6.10% vs 6.44%).
- **Cheapest is not best.** Strong-ROE managers run a little above the others on expenses, but they borrow cheapest, and four of seven are internally managed.
- **Results matter more than cost.** Over the past year, large caps lost a median 3.8% of NAV per share vs 11.2% for small caps; strong-ROE managers grew NAV per share 1.7% despite slightly higher expenses, while negative-ROE BDCs lost 15.2%.
- **Hurdles are standard, lookbacks are not.** Every externally managed BDC here has an income hurdle; only about four in ten have a lookback.

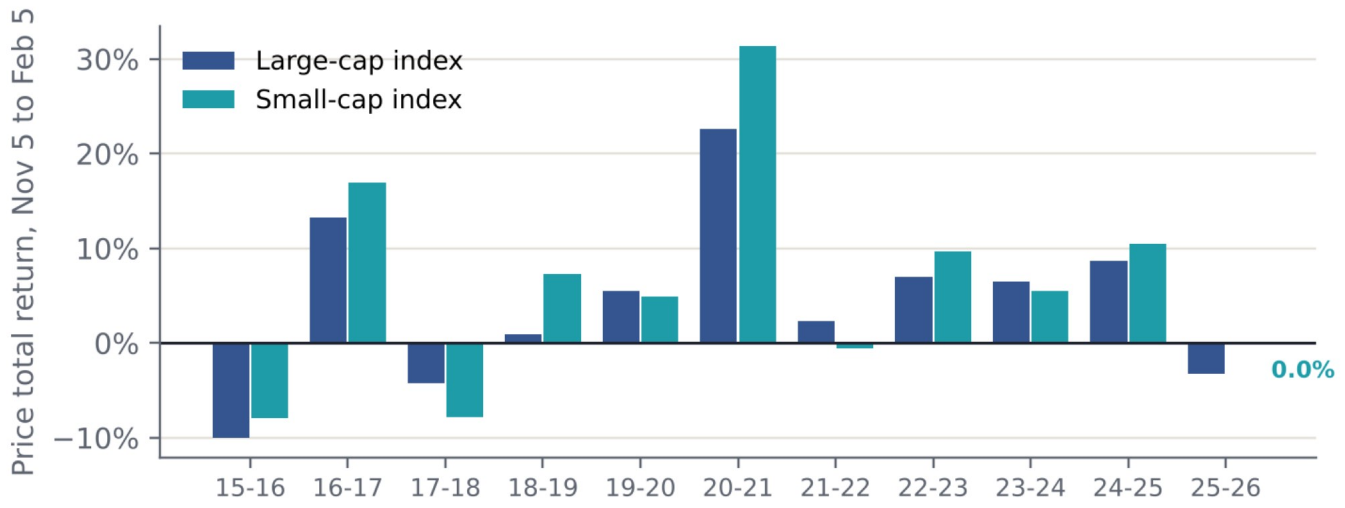
Fee changes in 2026. MSDL lowered its base management and incentive fees, FSK waived 50% of its income incentive fee, and TPVG waived its full income incentive fee through FY2027.

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What to watch, December 2026 to Q1 2027

- **Dec 9 FOMC.** Two members favored a hike in October; higher-for-longer rates help floating-rate earnings.
- **December declarations.** Supplemental and special dividends, and Q4 base dividend decisions.
- **Q1 2027.** BXSL and CION resets take effect; loans made at wider spreads begin to fund.
- **Refinancing.** CLO and note refinancings (BBDC priced a $396M CLO) push out maturities.
- **Q4 results, February–March.** The test of whether NAV per share has stabilized and non-accruals have peaked.

EXHIBIT 16 **Seasonality: price total return from Nov 5 to Feb 5**



Source: CEFData.com equal-weight indexes (total return), since 3/31/2015. Large-cap rose in 8 of 11 years and small-cap in 7 of 11; median +5.5% for both. The window ends before the COVID drop of Feb–Apr 2020. Past patterns are not a forecast.

WHAT WOULD CHANGE OUR VIEW

- Non-accruals at cost climbing past 4% for the larger group, or spreading to strong-ROE managers.
- A second wave of dividend cuts tied to credit rather than rates.
- Base rates falling quickly enough to erase the earnings tailwind before wider-spread loans fund.
- Software marks reversing at the platforms that grew NAV per share in Q3.

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EXHIBIT 17 Appendix: BDC scorecard, sorted by 1-year ROE

BDC	ROE 1 yr	NAV/share Q3	NAV/share 1 yr	Non-accr. FV	FMV vs cost	D/E	Price vs NAV	Yield
MAIN	+17.6%	+0.9%	+4.4%	0.9%	+17.0%	0.81x	+66.0%	5.6%
HTGC	+16.0%	+0.9%	+1.7%	0.3%	-0.5%	0.95x	+33.5%	9.8%
MSIF	+15.8%	+0.3%	+6.6%	1.4%	+7.1%	0.86x	-26.0%	10.8%
TRIN	+14.2%	+1.0%	+2.3%	0.7%	-1.4%	1.17x	+30.4%	11.5%
CSWC	+10.7%	+0.2%	+0.1%	1.4%	-3.8%	1.00x	+39.8%	10.0%
FDUS	+9.8%	+0.1%	-0.5%	0.0%	-1.2%	0.59x	+0.1%	8.8%
BBDC	+7.6%	-0.2%	-1.6%	1.5%	-2.9%	1.26x	-20.0%	11.9%
Strong (7)	***+13.1%***	***+0.5%***	***+1.9%***	***0.9%***	***+2.1%***	***0.95x***	***+17.7%***	***9.8%***
ARCC	+6.2%	-0.2%	-3.5%	1.5%	-3.9%	1.08x	+0.2%	9.9%
SLRC	+5.8%	-0.9%	-2.1%	1.0%	-2.8%	1.14x	-32.8%	10.3%
NCDL	+5.1%	-0.3%	-4.0%	1.5%	-2.6%	1.49x	-30.4%	12.1%
KBDC	+5.1%	-1.8%	-3.9%	3.5%	-1.1%	1.15x	-18.9%	12.6%
TSLX	+5.1%	-0.3%	-5.5%	1.1%	-0.8%	1.21x	+9.8%	9.4%
OTF	+4.8%	+0.8%	-3.8%	1.1%	-3.3%	0.95x	-42.7%	14.7%
OBDC	+4.7%	+0.4%	-3.8%	0.9%	-4.1%	1.16x	-24.5%	11.5%
BXSL	+4.5%	-1.1%	-7.0%	2.0%	-2.4%	1.20x	-4.3%	9.9%
CGBD	+3.3%	+0.2%	-4.3%	1.1%	-3.0%	1.22x	-30.4%	12.9%
RWAY	+2.7%	+0.3%	-11.9%	3.7%	-3.2%	1.10x	-48.7%	21.6%
GSBD	+2.1%	-3.0%	-8.2%	4.1%	-6.8%	1.24x	-24.8%	14.6%
MSDL	+1.0%	-3.8%	-8.1%	1.7%	-3.4%	1.20x	-24.8%	12.8%
Modest (12)	***+4.2%***	***-0.8%***	***-5.5%***	***1.9%***	***-3.1%***	***1.18x***	***-22.7%***	***12.7%***
SAR	-1.2%	-4.6%	-13.5%	0.0%	-4.2%	1.92x	-41.8%	23.3%
PSEC	-2.4%	-6.1%	-16.9%	0.2%	-10.4%	1.07x	-74.1%	30.2%
MFIC	-3.3%	-3.8%	-12.3%	2.8%	-6.9%	1.58x	-20.1%	12.1%
NMFC	-4.4%	-2.0%	-11.5%	1.8%	-7.3%	1.18x	-34.4%	14.3%
CION	-4.4%	-2.7%	-11.2%	1.6%	-15.2%	1.38x	-50.0%	15.2%
HRZN	-7.6%	-10.8%	-21.9%	4.2%	-8.6%	0.97x	-28.8%	18.2%
FSK	-8.6%	-0.1%	-16.9%	3.1%	-5.9%	1.30x	-36.2%	15.1%
TCPC	-26.9%	-14.7%	-35.6%	2.2%	-21.6%	1.66x	-23.9%	15.9%
Negative (8)	***-7.4%***	***-5.6%***	***-17.5%***	***2.0%***	***-10.0%***	***1.38x***	***-38.7%***	***18.0%***

Source: CEFData.com Q3 data, MAIN/MSIF filings, 11/5/26 prices. ROE = NAV/share change plus 4 quarters of dividends. Shaded rows are simple averages for each ROE group.

DISCLOSURES

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How to act now

ADVISORS

- Screen on ROE, NAV per share trend, non-accruals and fees before yield.
- Judge a premium or discount against that quality.
- Size small BDCs carefully; dispersion is widest there.

RETIRED INVESTORS

- Look past the headline yield to whether NII covers the payout.
- A covered, rebased dividend at a discount can be a sound income source.
- Diversify across managers rather than chasing the highest yields.

Bottom line

The worst of the NAV per share damage appears to be behind most of the market, and earnings support is improving. The recovery is selective: quality managers are priced as such, the middle offers covered, rebased dividends at about a 25% discount, and credit trends will decide how much of it catches up.

THREE THINGS TO REMEMBER

1. **Manager quality comes first:** ROE, NAV per share record, credit and fees.
2. **Price is relative:** a small premium can be cheap and a deep discount expensive.
3. **Read the reason** behind any dividend cut, and watch non-accruals into Q4.





John Cole Scott, CFS
President & Chief Investment Officer
JCS@CEFadvisors.com
(800) 356-3508 · (804) 362-0717

CEF ADVISORS
2711 Buford Road, # 382
Richmond, Virginia 23235
CEFData.com

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