



Bryce Rowe talks about BDCs with Gregg Greenberg at the November 6, 2019 AICA Bootcamp and Round Table

Wednesday, November 6, 2019

Financial reporter Gregg Greenberg interviewed Bryce Rowe, Managing Director of BDC Research at National Securities at the AICA Boot Camp and Round Table held on November 6th in New York City. Read the transcript from the interview below.



Bryce Rowe

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Gregg Greenberg: So Bryce, how do you think that the Active Investment Company Alliance is going to benefit the overall closed-end fund universe?

Bryce Rowe: I think that there may not be a wide knowledge set about closed-end funds and about my particular speciality, the BDC sector. And so maybe this will help broaden that knowledge base for investors.

Gregg Greenberg: So tell me, what you do in the BDC space, what does National Securities do with BDCs?

Bryce Rowe: Well, National Securities is a full-service brokerage firm. We've got about 750 retail advisors, predominantly a retail brokerage stream of revenue. We manage about 13 billion dollars of assets under management. I'm part of National's equity research group, and so we write equity research on publicly traded stocks. Buy, hold, or sell, and distribute that research to those retail advisors and to institutional clients.

Gregg Greenberg: Well, BDCs have had a great year. Especially you have the Fed cutting and everyone's looking for yield, everyone's looking for income, and that's something that BDCs provide. Where are valuations right now?

Bryce Rowe: Valuations are all over the place. So you have some BDCs that are trading at a 30% discount to their net asset value, and then on the flipside, the outlier, there's a BDC trading at 80% of their NAV. So it really depends on their investing strategy and really their ability to have preserved capital.

Gregg Greenberg: And how do you tell the good ones from the bad ones?

Bryce Rowe: The place I start is net asset value per share, and the trend in net asset value per share over time. Those that have preserved capital or grown their net asset value are good, and I would suggest that those that have not are not quite as good.

Gregg Greenberg: And what about the big risks in investing in BDCs? Because there can be big problems there.

Bryce Rowe: Sure. Well, BDCs are lending money to non-investment grade companies. And you think about smaller non-investment grade companies and levered transactions, you're going to have some losses. So underwriting and investing strategy is paramount in terms of quality and performance.

Gregg Greenberg: Another thing that's come up here at the conference is there's not a lot of new issuance for BDCs. The old ones are getting bigger, but not a lot of new ones are hitting the market. So can you talk about supply and demand?

Bryce Rowe: Sure. I would get back to that net asset value trend line. We haven't had a lot of new supply because of the performance of the industry over time. We've had some that have consolidated, and then you've had larger ones that have run more private strategies that have come public here recently. So investors have an opportunity to buy into larger platforms that have institutionalized the space. Whereas the smaller ones are really just kind of stuck.

Gregg Greenberg: But overall, you'd say it's a good place for retail investors to fish?

Bryce Rowe: It's a good place for retail investors to fish if they have the right information.

Gregg Greenberg: All right. Well, thanks a lot for coming over and talking to us.

Recorded on November 6, 2019

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<https://AICalliance.org/>

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