



Harry Pangas 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 Harry Pangas, partner at Dechert LLP, at the AICA Boot Camp and Round Table held on November 6th in New York City. Read the transcript from the interview below.



Harry Pangas

To view the rest of the conference events and panels go to: <https://aicalliance.org/NYC2019Event/>

Gregg Greenberg: Harry, tell me how you think the AICA is going to benefit the world of closed-end funds.

Harry Pangas: This is my first time at the conference, and I think it serves a need in the community to provide investors more information about various types of closed-end funds; whether it be registered closed-end funds, interval funds, and BDCs. And based on today's event, I think it did its job.

Gregg Greenberg: You work a lot with BDCs. What's going on in the BDC world now?

Harry Pangas: My firm, we handle all those vehicles, but BDC is my niche practice. I think the big thing in the space right now is a lot of consolidation. There's a number of underperforming BDCs, and those BDCs are looking to merge with bigger players to bulk up and to correct the NAV to market price dislocation.

Gregg Greenberg: A lot of consolidation, not a lot of new issuance. When is that going to come around?

Harry Pangas: So as far as issuance, there is new issuance. It's a BDC called a private BDC. It sells securities just like a private fund, so not a traditional IPO. It's interesting, those BDCs actually eventually grow, create a track record, and undertake a traditional IPO. I think that's the model we're going to see as opposed to starting from an IPO from scratch.

Gregg Greenberg: Well, performance has been very good for BDCs. People love the income, they love the yield. And you've also seen that because the Fed has been cutting rates, and rates have stayed low. But the worry is, of course, what happens when rates rise? I don't know when we're going to see that, but what happens when rates rise?

Harry Pangas: I don't know, but I will tell you I started representing BDCs back in 2000, so almost 20 years ago. And there was probably ten BDCs. I would not think I would be standing here today, saying there's close to probably 75 traded BDCs, and a plethora of other non-traded and private BDCs. The industry has grown, it's obviously because investors like the yield, and I think with the interest rate environment, that's going to continue. So I think we're going to see an upward trajectory of the space.

Gregg Greenberg: Speaking of investors, let's talk about the retail investor. Do they really understand BDCs, or are they just going for those yields?

Harry Pangas: That's a loaded question. I think obviously they're attracted by the yields. BDCs are an intricate vehicle, there's a lot of regulatory overlay, and to really understand them takes a lot of work and time. And I'm not sure the average retail investor takes the time to really understand them.

Gregg Greenberg: Well luckily, you have an organization like the AICA, the Active Investment Company Alliance to help them figure it out. It gives them the education, right?

Harry Pangas: Absolutely.

Gregg Greenberg: All right, well thanks a lot for coming and talking about it.

Harry Pangas: My pleasure.

Recorded on November 6, 2019

Click the link below to go to the home page of Active Investment Company Alliance to learn more:

<https://AICalliance.org/>

Disclosure: *Listed closed-end funds and business development companies trade on exchanges at prices that may be above or below their NAVs. There is no guarantee that an investor can sell shares at a price greater than or equal to the purchase price, or that a CEF's discount will narrow or be eliminated. Nonlisted closed-end funds and business development companies do not offer investors daily liquidity: often on a small percentage of share on a quarterly or semi-annual basis. CEFs often use leverage, which can increase a fund's risk or volatility. The actual amount of distributions may vary with fund performance and other conditions. Past performance is no guarantee for future results.*