



## Nick Marshi 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 Nick Marshi, author at The BDC Reporter, at the AICA Boot Camp and Round Table held on November 6th in New York City. Read the transcript from the interview below.



Nick Marshi

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**Gregg Greenberg:** Nicholas, how do you think the AICA and this conference can help boost the closed-end fund and BDC industry?

**Nick Marshi:** Well, even though BDCs have been around since the 1980's, I think they're still very much misunderstood. Not only by institutional investors, but retail investors as well. And both of them are involved in the closed-end fund space. So I think the more that we can shed some light on how the industry work and how it doesn't work, is going to be very useful.

**Gregg Greenberg:** Now talk about the BDC space on its own. We haven't seen a whole lot of new issues, but the performance has been great over the past year.

**Nick Marshi:** The performance has been great this year, partly because it was so terrible at the end of the last year. Like most all other credit instruments, virtually everything went down and everything went up. So the BDCs had a very good run through the first quarter of the year, and have been sort of stable since. And dividends have been mostly to the upside overall. So yes, they've had a good run in 2019.

**Gregg Greenberg:** But what about in terms of new issues? We don't see that many IPOs come to market.

**Nick Marshi:** You're right. But when we do get one, it's a big one, of late. The days when a small BDC would come to market seem to be behind us. We haven't had a small BDC come to market in several years. What we're seeing instead are the big asset management groups that have large non-traded BDCs, those are non-listed funds. They have raised billions of dollars but they can't get daily liquidity, have finally brought some of them to market. And most recently, Owl Rock Capital came out in July, and they came out with seven billion dollars of assets that made it immediately number two of all the BDCs in the public space.

**Gregg Greenberg:** Retail investors see those juicy BDC yields and they get very excited. To them this is junk bond. Talk about what they should be looking for, because they're not junk bonds.

**Nick Marshi:** Understandably, everybody looks at yields. And I would say look at the yield and then ask yourself a second question after you find out whatever the number is. How long do you expect that yield can be sustained? A bond, it's going to sustain itself if it doesn't go into default, until it's maturity. A BDC is just holding onto that yield as long as possible. And to do that, the

investor has to look at the quality of the portfolio, the reputation, the ability of the manager historically in terms of credit. It all comes down at the end of the day, is are they good at credit?

And that's a very hard thing to evaluate.

**Gregg Greenberg:** And then finally, you write the blog, *The BDC Reporter*. What is your outlook for 2020 for the industry?

**Nick Marshi:** I think we see the public BDC industry getting bigger, because more and more BDCs are leveraging up to their target leverage thanks to new rules that allow them to double their leverage. And 40 out of 46 are taking advantage of them. Because of that, the dividends that they'll pay out will be very stable next year compared to this year, because they're making that much more money to offset any losses they might have. And earnings will be also pretty stable. So I think 2020, barring a recession, by those metrics it's going to look pretty good.

**Gregg Greenberg:** All right. Thanks a lot for coming on to talk about it.

**Nick Marshi:** Thank you very much.

*Recorded on November 6, 2019*

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