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

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Financial reporter Gregg Greenberg interviewed Sam Rosen, Professor of Finance at Temple University, at the AICA Boot Camp and Round Table held on November 6th in New York City. Read the transcript from the interview below.

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

Gregg Greenberg: Professor Rosen, why do you think the AICA is going to be beneficial to the whole closed-end fund and BDC community?

Sam Rosen: At some point, there's just data. There's just a lack of data out there about the investments and the strategies, and really just the existence of all these funds out there. From my experience they've been great about collecting the data, synthesizing it, and really giving a clear picture of what's going on in the industry. I think this is going to spur a lot of researchers as well, that really tries to dig into some of the key issues in these markets.

Gregg Greenberg: The focus of your study is on BDCs. What interests you about BDCs?

Sam Rosen: They're growing a lot, is one thing. Over the past ten years we've seen a really large amount of asset growth, and one of the things I'm investigating is how they're fitting into the overall lending landscape. Are they replacing banks? Are they compliments to banks? And then there's other sources of financing as well that BDCs typically lend to, might have otherwise gone to. We're really just trying to put together a systematic view of how they fit within this overall lending landscape.

Gregg Greenberg: One thing that attracts retail investors to BDCs, are those juicy yields, but they often conflate them with bonds. Or they think of them as bonds instead of equity investments. Can you just talk about the construct of BDCs and what retail investors need to understand?

Sam Rosen: One thing is from the investment perspective, certainly you see these really high yields, and I think one thing that that should tell investors is that these are risky investments. You look at what bonds are yielding out there; AAA and even junk bonds. And they're nowhere near the yields that you observe in this space. As investors, you should be aware that these are clearly illiquid, highly risky investments. That's the reason why they're at least giving these types of yields, especially in good market time.

Gregg Greenberg: We don't see a lot of new BDC funds hit the market. The ones that are currently out there have been getting bigger. Can you talk about new issues?

Sam Rosen: This is something I'm actually trying to figure out myself. What I've been learning from participants here, as well as talking to other people in this industry, is that there is this growth of non-listed BDCs. At least in my view right now, those are institutions or funds that I'm actually not capturing. I think that's an area where I need to build upon for my database, to understand the non-listed companies and how they're growing. I think that's clearly part of the overall space.

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

Sam Rosen: Thanks for having me.

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