



CION's Reisner on income-focused BDCs



Michael A. Reisner, Co-Founder and Co-Chief Executive Officer of CION Investments, talks about his firm's overall business strategy and approach to alternative investment management. He specifically spotlights CION's listed, middle-market business development company CION Investment Corporation, which trades under the NYSE ticker symbol "CION" and has about \$2 billion in total assets as of March 31, 2024. Reisner provides an overview of business development companies, or BDCs, and how they can generate income for retail investors.

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Find [here](#) the video interview.

Jane King: CION is a leading manager of alternative investment solutions including BDCs, business-development corporations. With me is the co-CO, Michael Reisner, to explain the company, and particularly what you're doing with BDCs. So let's just start with your overall investment strategy.

Michael Reisner: Sure. So CION Investments, as you said, is an open-source solution provider providing retail investors access to alternative investments. One of those investments is our middle market business-development company, CION Investment Corporation, which is about a two billion dollar in assets BDCs.

Jane King: Now BDCs are kind of a hot area lately it feels. Explain what they are, who are they good investments for?

Michael Reisner: Sure. So in the last 12 to 18 months you've heard this craze about private credit.

Jane King: Yeah.

Michael Reisner: BDCs have actually been around since about 1980. Our BDC's been around 12 years, and what essentially we do is we pool money together from retail investors and we make senior secured loans to companies in the middle market which have an average EBITDA or earnings of about \$35 million. Which obviously that is a resilient area of the economy, being senior secured provides real safety, so retail investors looking for current income, BDCs are a great vehicle, and we think ours in particular is of great value to investors.

Jane King: So an income providing investment.

Michael Reisner: Correct.

Jane King: But steady income.

Michael Reisner: Correct.

Jane King: Yeah. So would this be something that, I don't know, somebody older might be invested in or a part of a younger person's portfolio?

Michael Reisner: Listen, I think it depends. We don't necessarily take deep credit risk by going down the capital stack, we think it's a pretty compelling investment. Obviously a lot of seniors, boomers, they look for that mailbox money, that steady income. Our BDC in particular trades at what we believe is an unwarranted discount, so it does give an opportunity for some potential capital appreciation, but BDCs in general are primarily an income vehicle.

Jane King: You recently raised your quarterly dividend.

Michael Reisner: Correct.

Jane King: So explain the strategy behind that. That's typically a sign of strength and confidence in the company.

Michael Reisner: That's exactly right. I believe it's our fourth base dividend increase since we first listed back in October of 2021. Yeah, given the confidence we have in our portfolio, its strength, we believe the potential earning power it has going forward warranted a base dividend increase. That's also been coupled with a couple supplemental dividends that we've had through the years as well.

Jane King: Where do you see attractive places to put money these days?

Michael Reisner: Listen, we talked about private credit being a hot area, there's certainly a lot of money going into that space. A lot of the bigger asset managers that have BDCs, those BDCs are going up market, they're looking to take market share from the banks and go after the broadly syndicated loan market. We've stuck to our knitting, we've focused on the true middle market. As I said, our average EBITDA of our portfolio company is about \$35 million. We think there's a

little less competition there, not to say there's no competition but a little bit less competition, where we can get some really good relative value and a risk-adjusted return for our investors.

Jane King: How much do interest rates affect the BDCs? We talk about them almost every day, how has that played a role?

Michael Reisner: Sure. BDCs pass off their income to their investors, so to the extent that base rates have gone up, we're collecting more income from our borrowers, we obviously have to distribute that out to the shareholders. But this is where good underwriting really matters, because the higher for longer interest rates could stress a borrower. They have to be able to obviously make their interest payments to us, so we think we have very sound underwriting. But yeah, it's helped, it's absolutely been a tailwind for all investors seeking income.

Jane King: And what kind of returns are you seeing with BDCs?

Michael Reisner: I think it depends. Usually if the base rate's around 5%, you're going to see about 500-600 basis points more than that in dividends. Given where our share price is, I think our base dividend current yield is about 13%, but it depends.

Jane King: Yeah, and certainly above the inflation rate.

Michael Reisner: Absolutely.

Jane King: That's what a lot of people are looking for.

Michael Reisner: Correct.

Jane King: How do you see the lending opportunities in the middle market?

Michael Reisner: Yeah, so I think everything you're hearing now about banks curbing back their lending based on regulations, that's one of the reasons private credit is so hot, because a lot of the lending is shifting to the private markets, so BDCs, other private credit vehicles are filling a void where a lot of the banks used to provide that solution. So we think it's a very compelling time, not only for our BDC but other BDCs.

Jane King: Yeah. And what's your outlook for BDCs and just the economy in general?

Michael Reisner: Well, I think most good credit investors are conservative by nature, we've been expecting that recession for a long time but the US economy has proven to be resilient, the US consumer's proven to be resilient, but that doesn't mean we're getting ahead of ourselves. We're very conservative in our underwriting, we try to find good companies that have a reason to exist with good management, and that's one of the reasons we invest at the top of the capital stack. Because should the company run into some problems, as long as you're not subordinated, as long as you're not equity or subordinated debt, you can usually restructure and come out on top.

Jane King: What about the election? Does that have any impact in BDCs?

Michael Reisner: I don't think so. I mean, it might have an impact to the retail investor, maybe they don't want to invest, maybe they want to sit on the sidelines a little bit more, but I think fundamentally our companies are strong and I think it's a lot more noise than anything else.

Jane King: Okay, Michael, thank you so much.

Michael Reisner: Thank you so much for having me.

Jane King: Thank you.

Michael Reisner: Appreciate it.

Recorded on June 27, 2024

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