

## **BDC's**

\*\*\* Yield on Cost for Dividend stocks \*\*\*

### **BUSINESS DEVELOPMENT COMPANIES: BDC**

- Non CEF (taxed mostly regular income)
- **ETRACS Quarterly Pay 1.5X Leveraged Wells Fargo BDC BDCX**
  - ETN
  - Inception Date: **2020**
  - Leverage = **1.5x**
  - **Provide 1.5 times leveraged long exposure to the compounded quarterly performance of the MVIS US Business Development Companies Index**

#### **• Ares Capital Corporation ARCC**

- Inception Date: **2004**
- Leading BDC that invests in **senior secured loans** and equity investments in middle-market companies. It offers a robust dividend yield and has a strong track record of consistent performance.
- World's **largest BDC** by market capitalization
- It also happens to be one of the most conservatively allocated; as of June 30, 50% of its portfolio was invested in first-lien loans, with another 12% in second-lien loans. Only 29% or so is allocated to equity.
- In other words, when push comes to shove, Ares is generally first in line to get paid, or awfully close to it.

#### **• Main Street Capital Corporation MAIN**

- Inception Date: **2007**
- **Debt Investments**
  - MAIN specializes in first lien senior secured loans, which dominates its portfolio. As of December 2024, 95.4% of its private loan portfolio was allocated to first lien debt<sup>1</sup>. Examples include:
  - \$42.3 million in a first lien senior secured loan to a janitorial services provider for food distribution and grocery markets<sup>1</sup>.
  - \$31.6 million in a first lien senior secured loan to a distributor of industrial and automotive parts<sup>1</sup>.

- These loans often include revolvers and delayed draw facilities to support growth or acquisitions<sup>17</sup>.
- **Equity Investments**
  - While debt is the primary focus, MAIN also takes minority equity stakes in lower middle market companies. For instance:
  - A \$1.4 million equity investment alongside debt financing for an industrial parts distributor<sup>1</sup>.
  - A 53.2% IRR realized on an equity investment in a company sold in 2024, demonstrating their ability to generate returns through equity positions<sup>4</sup>.

- **Gladstone Capital Corporation: GLAD**

- Inception Date: **2001**
- Primarily invests in **secured debt (90% of portfolio)** and equity (10% target), though recent allocations show variations<sup>14</sup>. Key features:
- **Debt Investments:**
  - First lien senior secured loans (62% of portfolio): Typically, \$8M–\$40M, with terms up to 7 years<sup>14</sup>.
  - Second lien/subordinated debt: 15%–21% of portfolio<sup>14</sup>.
- **Equity Investments:** Preferred or common stock, often alongside debt

- **Capital Southwest Corporation: CSWC**

- Inception Date: **1961**
- CSWC primarily targets lower middle market companies with EBITDA between \$3 million and \$25 million. Its portfolio is structured around:
- **Debt Investments:**
  - First lien senior secured loans (dominant in portfolio)
  - Unitranche debt (via partnerships with senior lenders)
  - Second lien/subordinated debt<sup>14</sup>.
  - Financing sizes: \$5–\$70 million per transaction, with target holds of \$5–\$45 million.
- **Equity Co-Investments:**
  - Minority stakes alongside debt, typically non-control positions
  - Examples include equity participation in acquisitions or growth financings