

BLUEVAULT™

2016 ANNUAL BRIEF

Nontraded BDC Year in Review

March 22, 2017

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Introduction

2016 provided a significant amount of uncertainty with the presidential election, the Department of Labor Fiduciary Rule pending and other regulatory changes coming into the nontraded registered product industry. However, fund commission structure changes are now in place and BDCs posted some of the best returns in 2016 that they have ever had.

This report will summarize and illustrate the most important trends in the nontraded BDC industry observed in 2016.

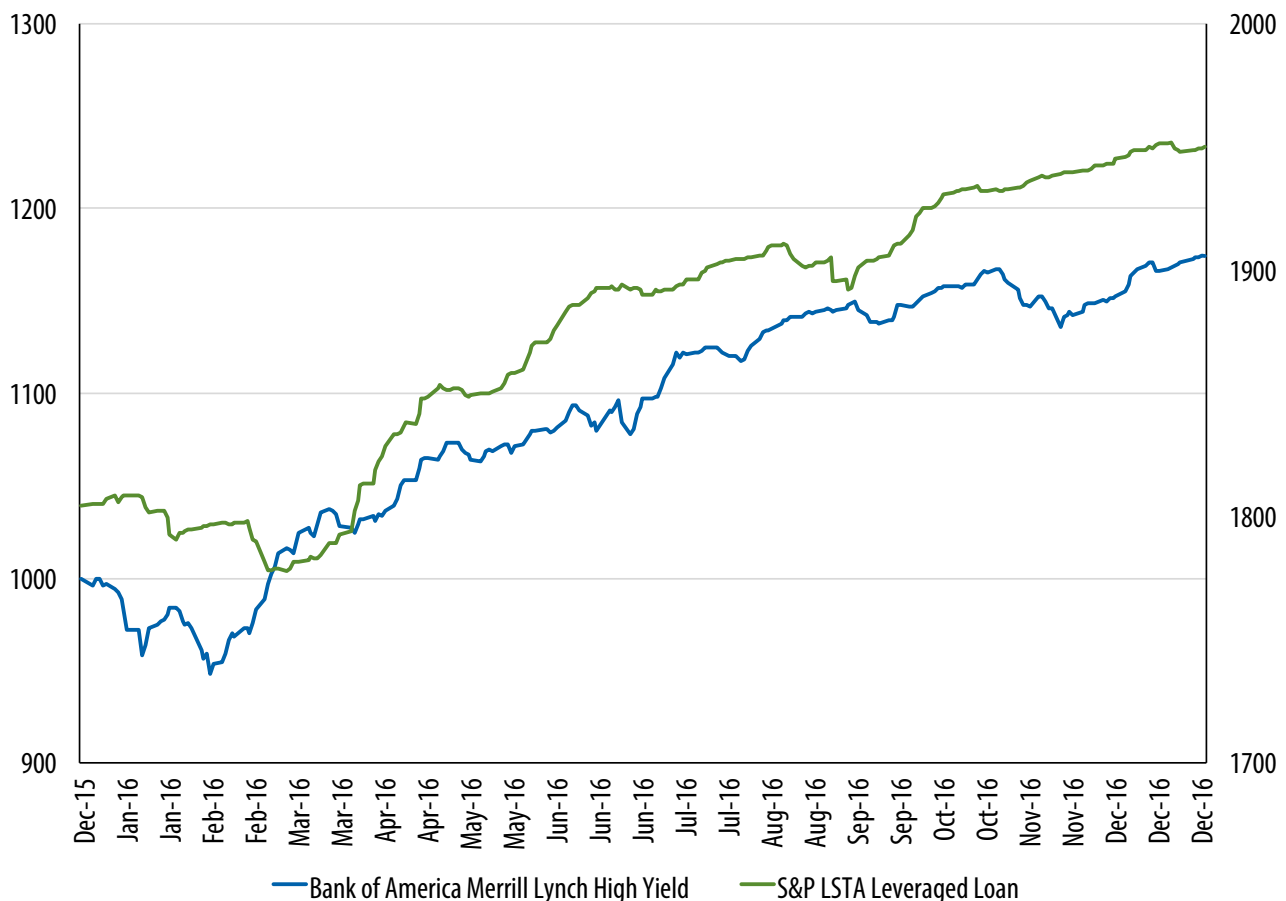
- Capital Markets and Debt Trends
- Capital Raise and Market Share: Total Industry and By Sponsor
- Total Returns of Nontraded BDCs
- Distribution Yields and Trends

Publicly Traded BDC and Market Performance

Debt Benchmark Indexes Lift Off in 2016

Both debt benchmarks that we use to compare BDC performance performed very well in 2016. The S&P / LSTA Leveraged Loan Index (most closely aligned with BDC portfolios) produced a 9.81% total return for the year, while the Bank of America High Yield Index produced a 14.89% total return.

Debt Index Performance in 2016



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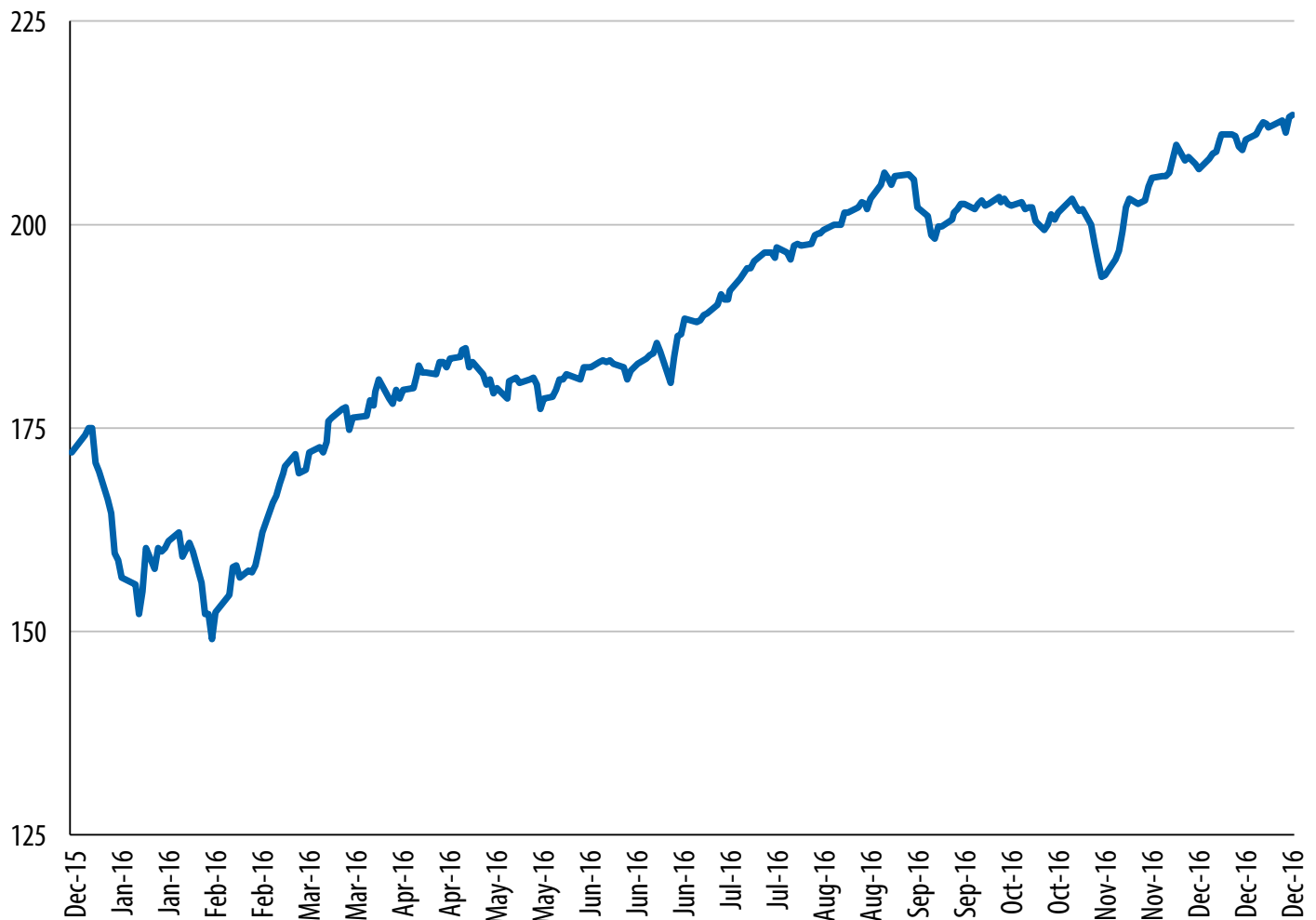


Publicly Traded BDCs Experience Stellar Returns in 2016

Total investor returns in **publicly traded Equity BDCs for 2016 were 24.2%** compared to 12.25% with dividends reinvested (or 9.84% if dividends not reinvested) for the S&P 500 Index. It is important to note, that this positive performance has still not regained the levels seen in 2007 and 2008. Many BDCs still trade at a discount to their NAVs (net asset values).

According to Closed-End Fund Advisors, Inc., traded BDCs, on average, are **trading at a discount to NAV of 6.08%** as of February 20, 2017. Meaning, although traded BDCs have had a significant run up in prices, they are still trading below their true value. In late 2015 many BDCs were trading at 20%-30% below their respective NAVs.

S&P BDC Index - 2016 - Total Return



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2016 Trends & Highlights

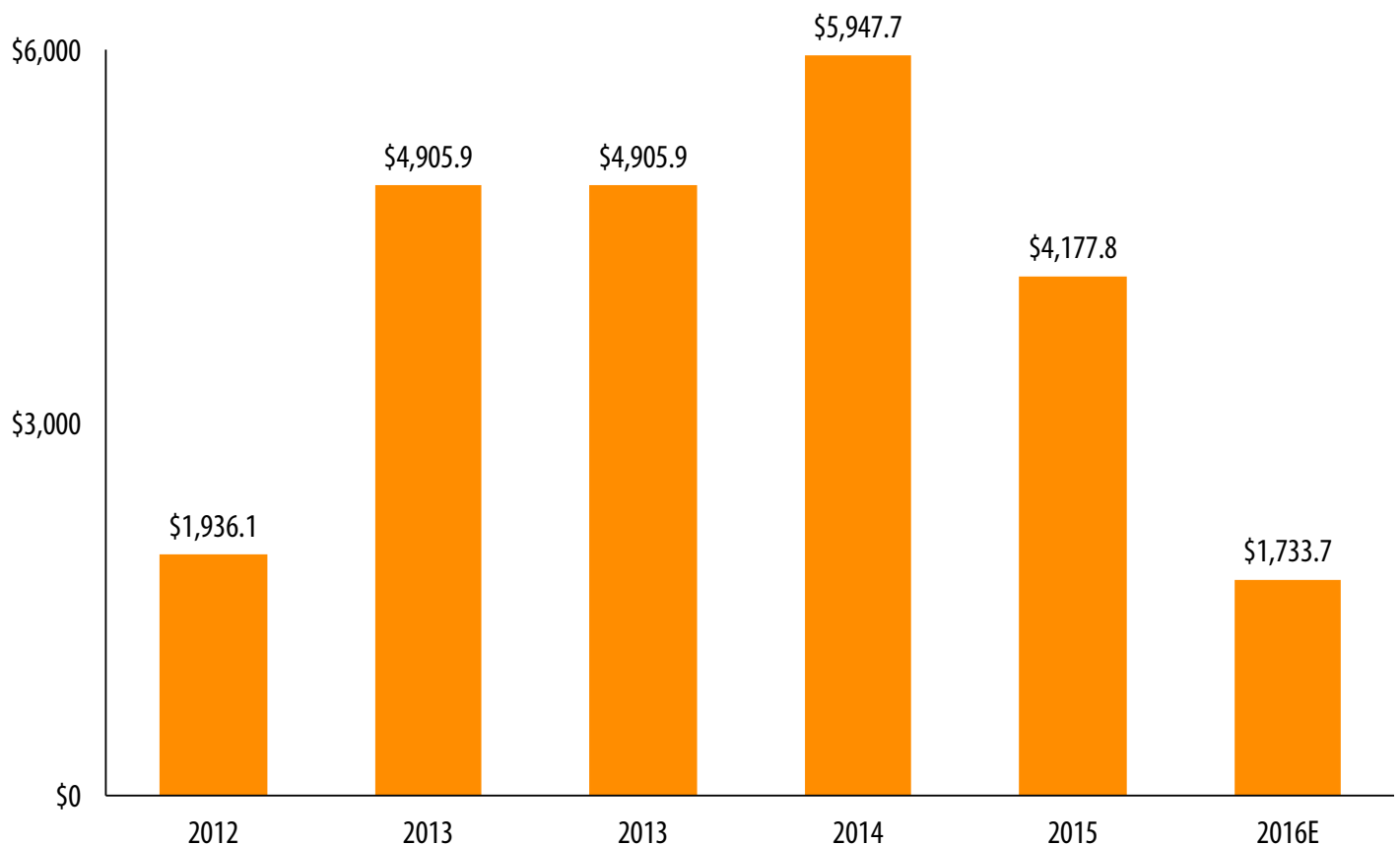
Capital Raise

As of the end of 2016 there were a total of 12 nontraded BDCs raising capital.

Based on current SEC filings and sales trends, it is estimated that the nontraded BDC industry raised approximately \$1.7 billion in 2016, compared to nearly \$4.2 billion in 2015.

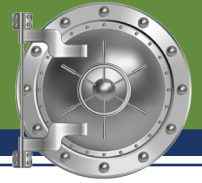
So far in 2017, sales seem to be leveled at a \$70 to \$80 million a month rate. It remains to be seen whether capital raise will increase as adjustments are made to business models in a post-DOL, post-election world.

Historical Nontraded BDC Equity Raise (\$ millions)



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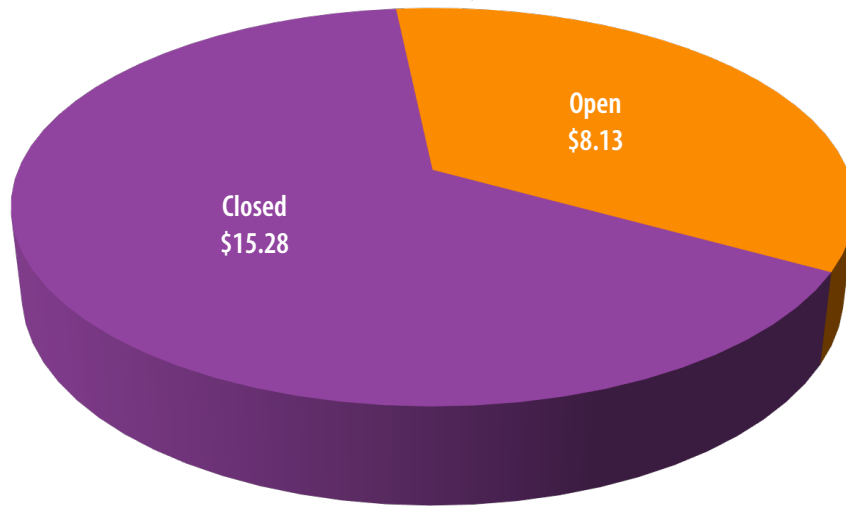
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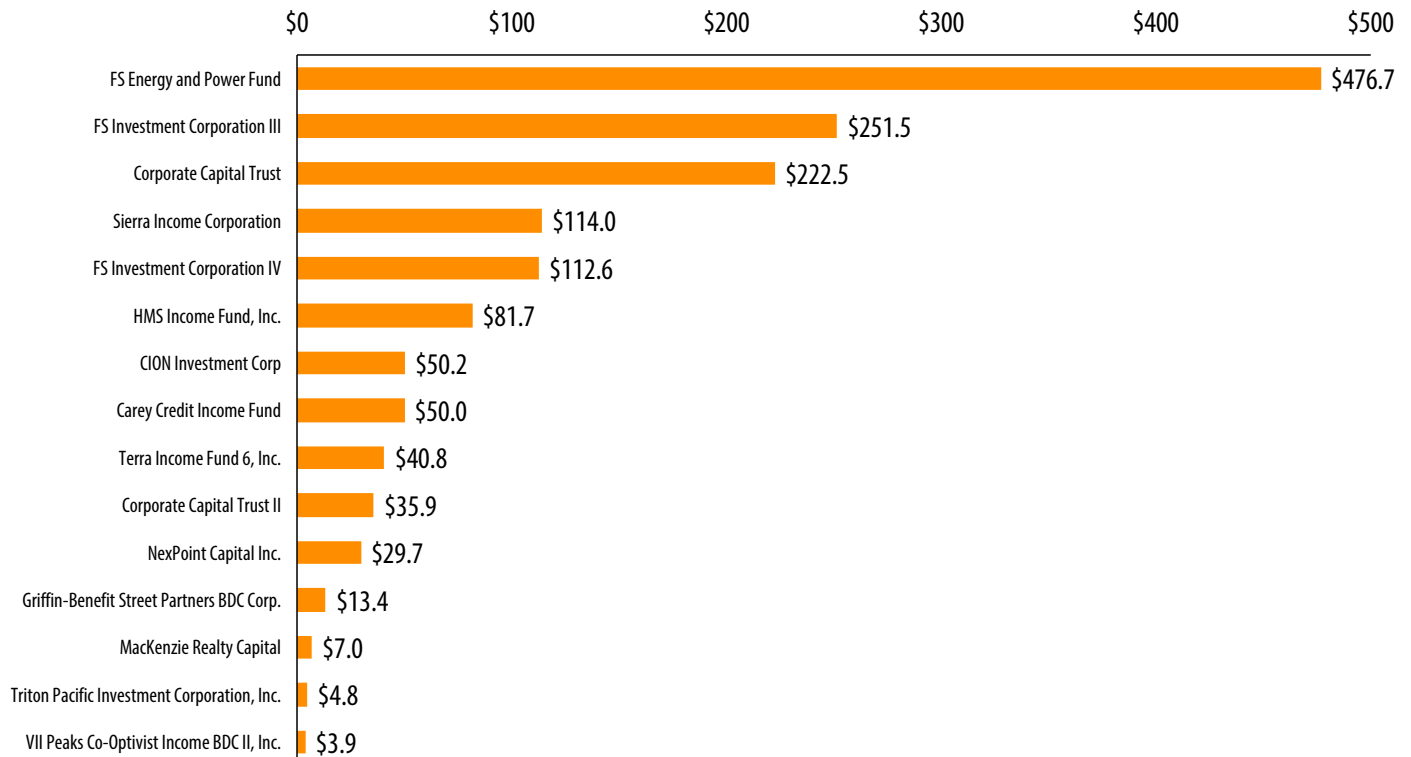
Assets Under Management

Nontraded BDCs now manage over \$23.4 billion, a nearly \$7 billion increase from an estimated \$22.5 billion at year-end 2015.

Total Nontraded BDC Industry Assets (in \$ billions)



Capital Raise by Product through 9/30/16



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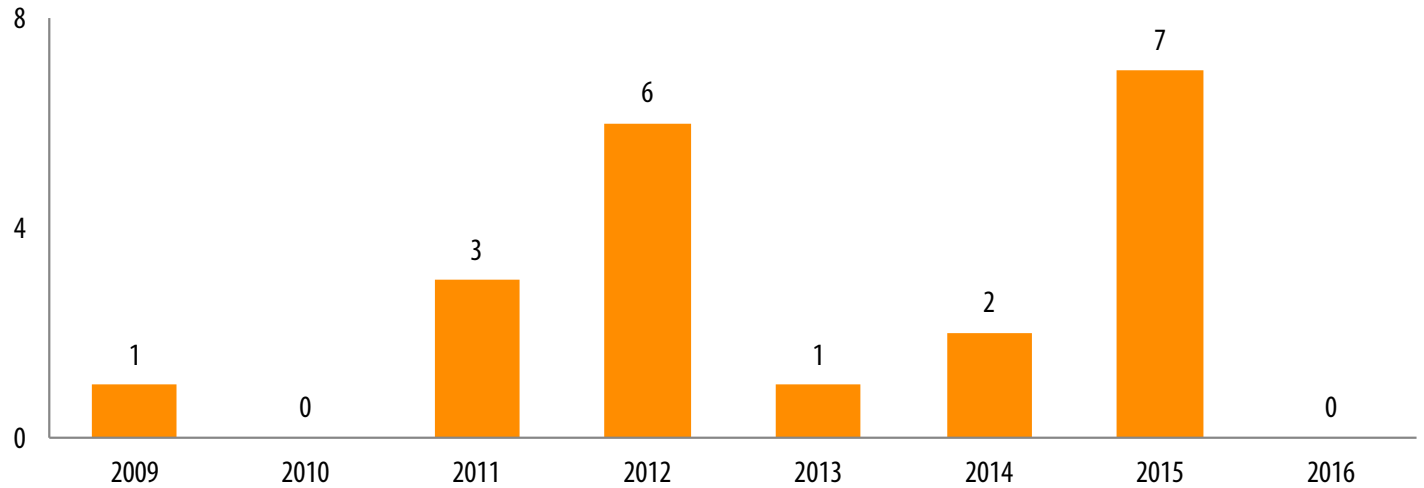
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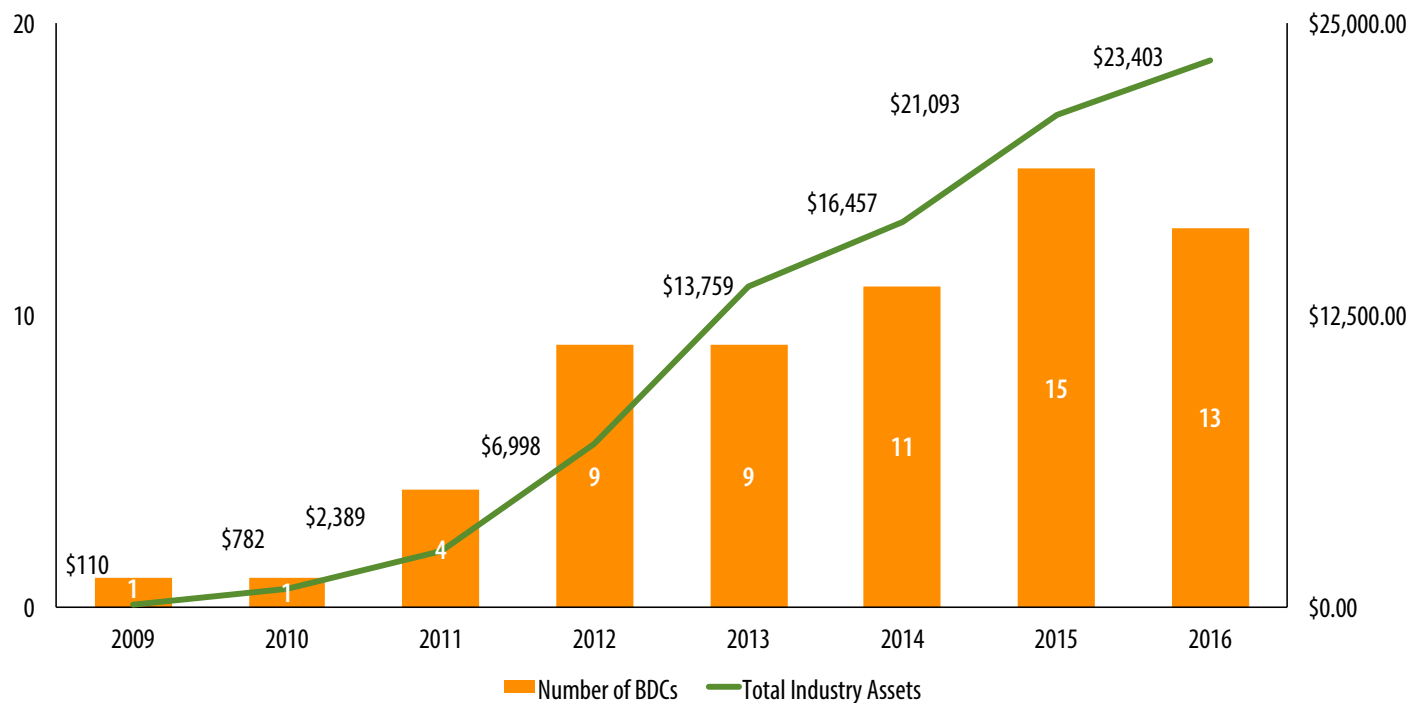
No New Offerings in 2016

No new offerings became effective in 2016, coming after the largest inflow of new offerings of seven in 2015. Owl Rock Capital Corp II became effective February 3, 2017.

New Product Introductions Since 2009



Active Nontraded BDCs and Total Assets (\$ millions)



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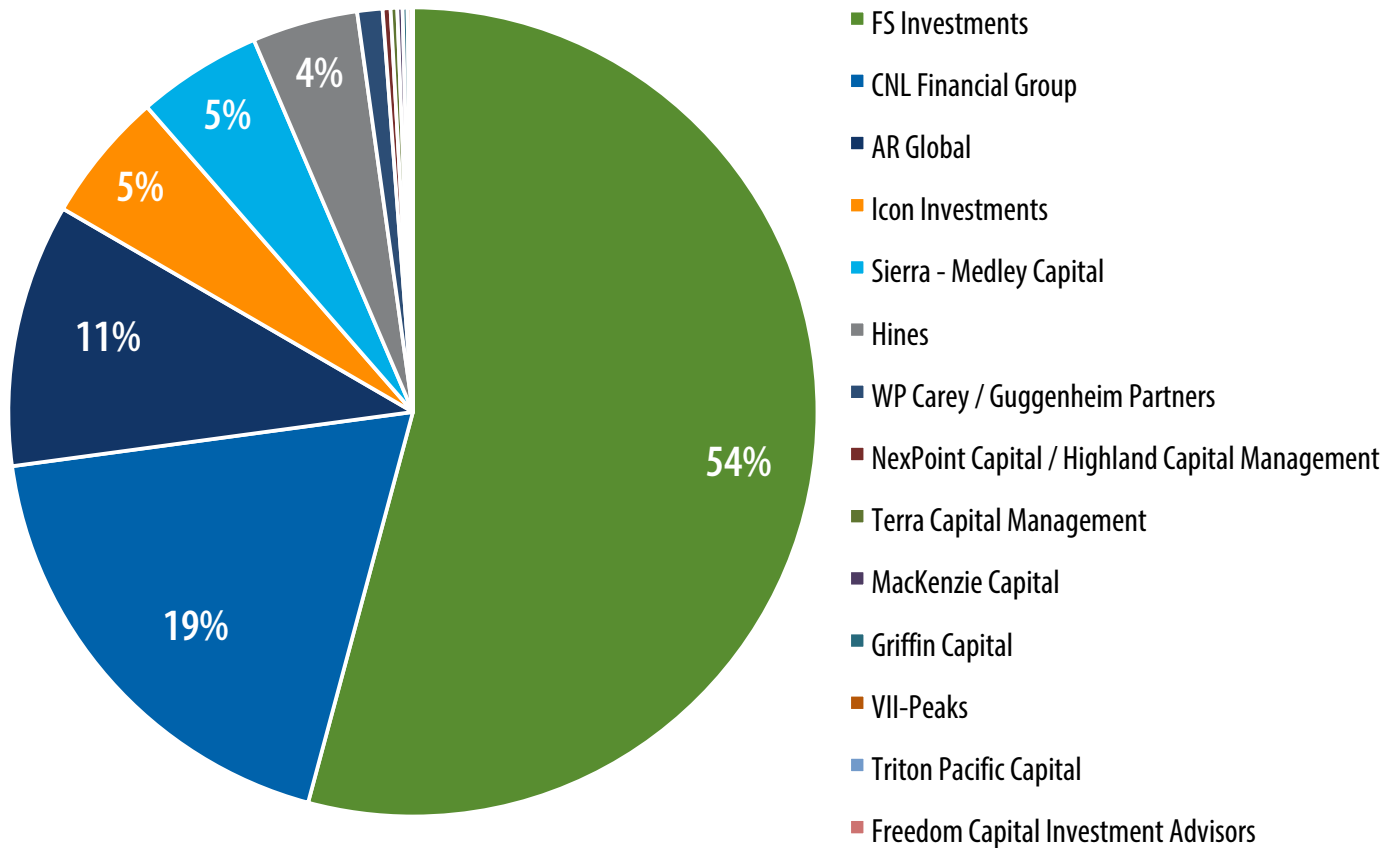
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AUM Market Share of Nontraded BDC Sponsors

As of September 30, 2016, the top three sponsors controlled 84% of the AUM in the industry. FS Investments leads with 54%, followed by CNL with 19%, and then AR Global with 11%.

2016 Sponsor Market Share by AUM (as of 9/30/16)



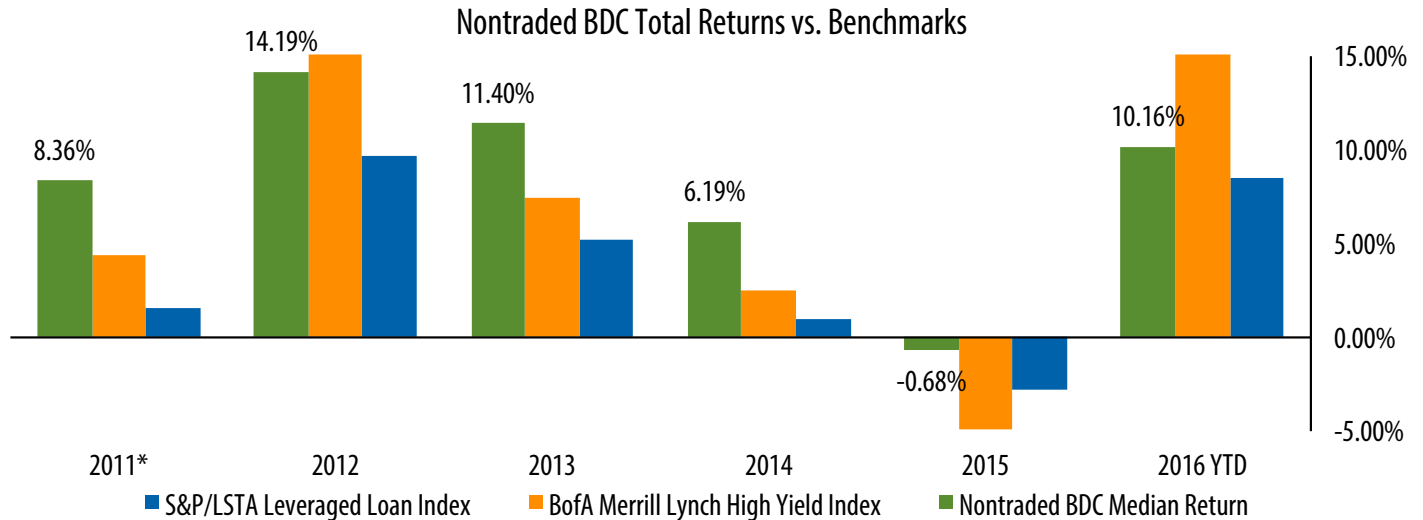
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Performance Returns of Nontraded BDCs

Total returns of nontraded BDCs produced solid returns. Through the end of Q3 2016, the median total return of nontraded BDCs was just over 10%, unannualized.

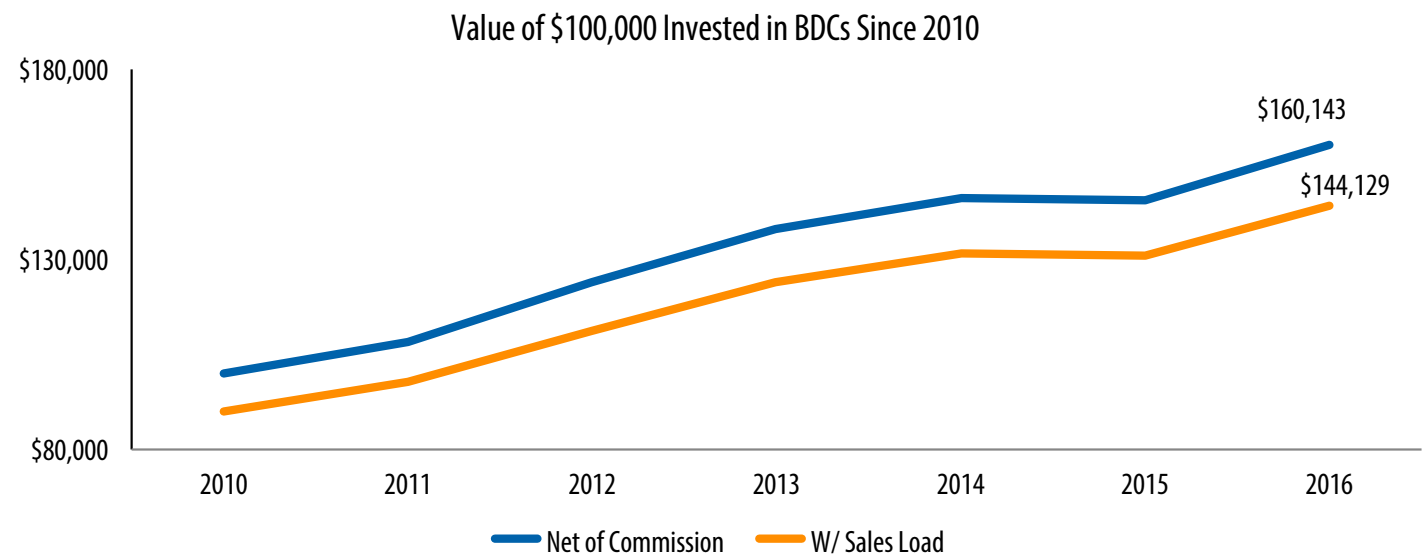


* Carey Credit Income Fund had limited capital raise through Q2 2016, and was not included in return statistics.

Value of Investment in BDCs

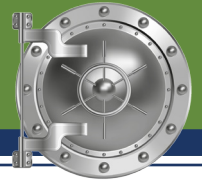
Nontraded BDCs continue to show attractive returns and positive long-term shareholder value creation. This chart shows what a \$100,000 in all available BDCs (similar to a BDC index) at the time would have turned into.

As you can see, a \$100,000 investment in 2010 would have turned into \$144,129 by Q3 of 2016, or more than a 44% total return (assuming a full load) with dividends reinvested, or \$160,143 with no load.



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Distribution Yields High Compared to Other Investments

Distribution yields in nontraded BDCs remain high relative to other income investments. As of September 30, 2016, the average distribution yield for BDCs was 7.52%.

Average Distribution Yield

Q3 2016

7.52%

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