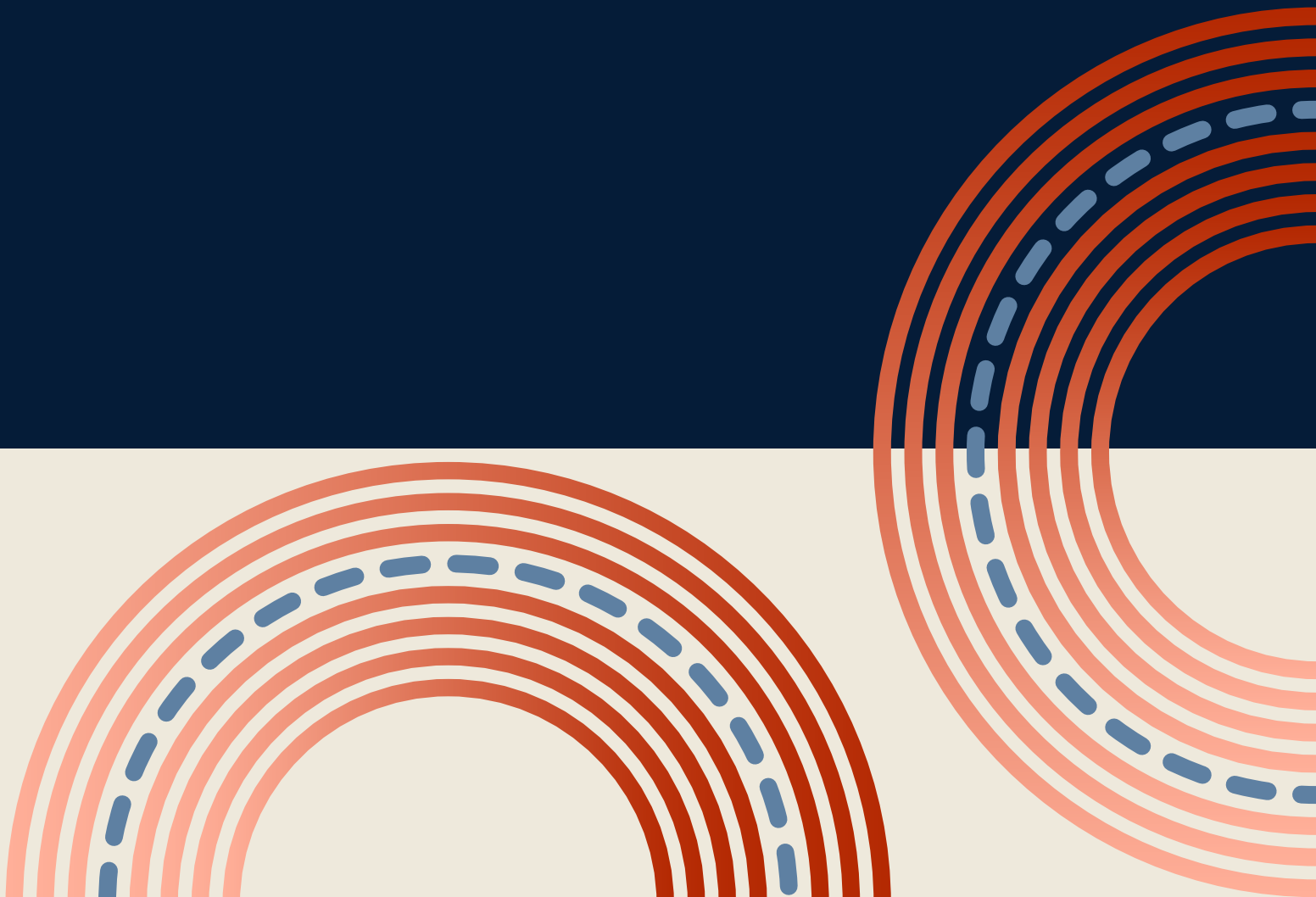
PitchBook | LCD

US

Peek under the Hood: An Analysis of Private Credit Loans in Top Public BDCs



PitchBook | LCD

Credit Market Analysts

Kenny Tang
Sr. Director, US Credit Research
kenny.tang@pitchbook.com

Sebastian Kian
Sr. Analyst, Private Credit
sebastian.kian@pitchbook.com

Armando Di Cicco
Associate Data Analyst, Leveraged Loans
armando.dicicco@pitchbook.com

Published on April 28, 2026

Q4 2025 Peek under the Hood: An Analysis of Private Credit Loans in Top Public BDCs

Analyzing sector exposure, risk, and credit quality across $100 billion in direct lending

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Contents

Peek under the Hood: An Analysis of Private Credit Loans in Top Public BDCs

Analyzing sector exposure, risk, and credit quality across $100 billion in direct lending

Key takeaways:

1. **Software exposure and related AI disruption risk are larger than surface-level numbers suggest** — Software alone accounts for 25% of portfolio fair value among the top ten public BDCs, and the real exposure runs deeper once you look past sector labels.

2. **First-lien yields contracted by roughly a point over the past year** — Lower base rates and tighter cash spreads drove the compression, with the entire spread distribution shifting toward the lower end as competition for deals intensified.

3. **Non-accrual stress is growing in dollar terms** — Even as the share of stressed borrowers held flat, the average size per non-accrual loan increased.

4. **Borrower overlap is deeper than investors might assume** — Some names appear across five or six BDCs simultaneously, meaning a single credit event ripples through multiple portfolios at once, and the benefits of diversification from holding several BDCs may be more limited than they appear.

Business Development Companies (BDCs) have grown into one of the most prominent segments of the private credit market, with the ten largest publicly traded BDCs alone holding over $100 billion in combined portfolio fair value across more than 2,000 middle-market companies as of December 2025. These vehicles have attracted significant investor interest due to their dividend-paying structures, particularly as high base rates have helped elevate portfolio yields over the past several years.

But the surface-level analysis can be misleading.

Two BDCs with nearly identical headline numbers can be running fundamentally different portfolios, with contrasting underlying risk profiles. At the same time, two different BDCs can have significant overlapping loan portfolios.

This report looks beneath the surface. Using position-level data from SEC filings, PitchBook LCD analyzes approximately 7,000 individual holdings across ten of the largest publicly traded BDCs: Ares Capital (ARCC), Blue Owl Capital (OBDC), Blackstone Secured Lending (BXSL), FS KKR Capital (FSK), Golub Capital BDC (GBDC), Prospect Capital (PSEC), Main Street Capital (MAIN), Morgan Stanley Direct Lending (MSDL), Sixth Street Specialty Lending (TSLX), and Goldman Sachs BDC (GSBD), spanning three quarters: Q4 2024, Q3 2025, and Q4 2025.

We divide the analysis into four realms:

I. Sector and industry group exposure — Where are these BDCs actually lending, and how concentrated are they? We pay particular attention to software and software-adjacent exposure as AI reshapes the risk calculus for middle-market lending to this sector, which had been a favorite of private credit lenders over the past decade.

II. Portfolio composition and structure — What is the capital structure of these portfolios, and how healthy are the marks? We examine term loans and equity positioning, and interrogate fair-value-to-cost ratios.

III. Spreads and yield distribution — How are these loans priced, and what is happening beneath the averages? We track the full distribution of cash spreads, document the leftward migration of the spread curve, and break down pricing differences across managers and sectors.

IV. PIK and non-accruals — Where is credit quality deteriorating, and how interconnected is the risk? We examine PIK and non-accrual rates by BDC, show they are symptoms of the same underwriting decisions, and quantify borrower overlap across managers.

The goal is not to rank these BDCs or declare winners and losers. It is to give investors, analysts, and allocators a granular, data-driven view of these investment portfolios, because in private credit, the portfolio is the thesis.

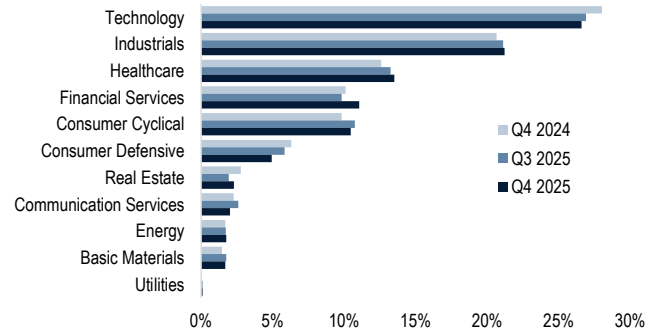
I: Sector and industry group exposure

To compare where the BDC portfolios are lending, we classify every position using the Morningstar Global Equity Classification Structure (GECS), which assigns each company to one of 11 sectors and 55 industry groups. This matters because individual BDCs report sector exposure inconsistently, making headline comparisons unreliable and varied.

Across all ten BDCs, portfolio exposure is heavily concentrated in a handful of sectors. Technology, Industrials, and Healthcare together account for over 60% of the aggregate $104 billion portfolio fair value, with Technology alone commanding more than a quarter of that $104 billion as of Q4 2025.

The bottom six sectors collectively represent less than 13%.

Aggregate sector distribution (% of portfolio FV)



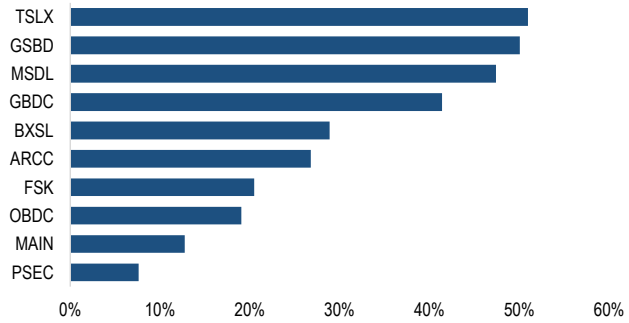
Source: PitchBook | LCD • Sector classification per GECS taxonomy. GECS sector classification may differ from BDC-reported industry.

The potential for artificial intelligence to disrupt the very middle-market companies that borrow from BDCs has dominated conversations around private credit this year. Investors are increasingly concerned about being overexposed to businesses whose revenue models could be vulnerable to AI-driven automation or displacement.

To gauge the extent of that risk for this cohort, it helps to start with the raw exposure. The Technology sector accounts for 27% of the portfolio fair value among the top ten BDCs. That alone warrants attention. Moreover, 93% of the Technology sector, by fair value, is Software, meaning Software alone accounts for 25% of total portfolio fair value, or roughly $26 billion across these ten BDCs.

The story does not end with the Technology sector. The second largest sector, Industrials, derives approximately 39% of its fair value from a single industry group: Business Services. Under the Morningstar classification, Business Services falls within Industrials, *yet many of these companies are, in effect, software-based companies that could be disrupted by AI*. These include consulting and analytics firms, professional services providers, and technology-enabled service platforms. Some of the largest positions by fair value held by the largest BDCs are in this category. Consider companies like **Guidehouse**, which describes itself as providing "technology services to build new, resilient solutions," and **Nielsen Company**, whose core business is "audience measurement, data and analytics." These are not traditional industrial businesses; they are knowledge-economy businesses that happen to be classified outside the Technology sector. Note that we have not reclassified these positions in this research report, and that the line between "technology" and "non-technology" lending is blurrier than sector labels suggest.

Software % of FV (Q4 2025)



Source: PitchBook | LCD • Sector classification per GECS taxonomy. GECS sector classification may differ from BDC-reported industry.

Aggregate industry group distribution

GECS industry group	Q4 2025 # of positions	YoY Δ (% of positions)	Q4 2025 % of FV	QoQ Δ (% of FV)	YoY Δ (% of FV)
Software	1,787	-1.2%	24.9%	-0.4%	-1.3%
Healthcare Providers & Services	621	-0.1%	8.7%	+0.1%	+0.3%
Business Services	608	-0.1%	8.3%	-0.6%	-0.5%
Construction	274	+0.3%	3.2%	+0.5%	+0.7%
Industrial Products	262	+0.5%	3.9%	-0.0%	+0.0%
Insurance	246	-0.3%	5.0%	+0.4%	-0.2%
Vehicles & Parts	242	+0.2%	2.3%	+0.0%	+0.1%
Consumer Packaged Goods	185	-0.2%	2.6%	-0.5%	-0.8%
Personal Services	184	+0.5%	2.2%	-0.2%	-0.2%
Transportation	165	+0.7%	2.0%	+0.1%	+0.1%
Travel & Leisure	163	-0.2%	1.7%	-0.0%	-0.0%
Education	152	-0.3%	1.7%	-0.1%	-0.1%
Asset Management	107	+0.2%	3.7%	+0.3%	+0.5%
Oil & Gas	90	+0.3%	1.8%	+0.0%	+0.1%
Credit Services	38	-0.0%	1.6%	+0.2%	+0.2%
Top 15 subtotal	**5,124**	**-0.0%**	**73.6%**	**-0.0%**	**-1.1%**

Source: PitchBook | LCD • GECS classification may differ from BDC-reported industry.

Sector concentration by BDC — heatmap (% of portfolio FV, Q4 2025)								
Ticker	Technology	Industrials	Healthcare	Financial svcs	Consumer cyc.	Consumer def.	Comm. svcs	Other
TSLX	50.9%	13.3%	13.9%	0.8%	6.7%	4.0%	4.7%	
GSBD	50.0%	17.2%	17.8%	1.0%	7.6%	1.6%	2.3%	2.5%
MSDL	47.4%	20.1%	5.0%	11.9%	8.7%	3.2%	2.5%	1.1%
GBDC	41.4%	13.7%	15.7%	3.3%	18.0%	4.8%	1.4%	1.8%
BXSL	28.9%	31.3%	14.8%	9.3%	5.6%	4.0%	0.8%	3.3%
ARCC	26.8%	19.7%	11.4%	16.7%	11.2%	4.4%	1.2%	4.9%
FSK	20.5%	25.4%	12.1%	9.0%	7.1%	3.5%	2.0%	5.4%
OBDC	19.0%	12.3%	19.6%	11.4%	12.5%	7.9%	2.2%	9.4%
MAIN	12.7%	40.4%	3.7%	5.6%	16.7%	10.3%	3.6%	5.0%
PSEC	7.6%	20.5%	15.7%	17.3%	8.8%	3.7%	6.0%	20.3%

Source: PitchBook | LCD • Heatmap intensity = sector concentration as % of total portfolio FV (incl. Other/Investment/Fund) • GECS classification may differ from BDC-reported industry.

The same pattern emerges in Healthcare, the third-largest sector. Roughly 64% of Healthcare fair value is concentrated in the Healthcare Providers & Services industry group. Here, too, we find overlap with software. Consider **Global Healthcare Exchange** (GHX), reported by BDCs as "Healthcare Equipment & Services." Yet GHX's LinkedIn page describes the company as a "software-as-a-service company that's reducing the cost of doing business in healthcare."

To be clear, not all software exposure carries AI disruption risk. Certain software businesses are expected to be accelerated by AI. Healthcare Providers & Services includes hospitals, clinical networks, and other asset-heavy operators; Business Services encompasses staffing firms, facilities management, and traditional professional services alongside technology-enabled platforms. The reverse is also true. Software-like companies with similar characteristics are scattered across sectors such as Insurance, Education, and Communication Services, none of which we have attempted to identify or reclassify here.

Taken together, the underlying portfolios of these BDCs carry greater exposure to software, and more broadly, to AI-susceptible service businesses, than sector-level reporting suggests. That said, disruption risk is not evenly distributed. Businesses least exposed tend to share a common profile: they deliver mission-critical software in heavily regulated sectors such as healthcare or financial services, operate with proprietary data moats, and hold defensible market leadership positions. In addition, those backed by sponsors with genuine AI expertise are better positioned to navigate the transition and to emerge from it stronger.

II: Portfolio composition and structure

Having established where these BDCs lend, the next question is how those loans are structured and how the resulting positions are marked.

At the aggregate level, portfolio valuation marks across the BDC sector have held up well over the past year. Total fair value-to-amortized-cost ratios sit near par, with debt marks just below 98% and equity positions clearing 115%. Both figures have been stable year-over-year, with debt fair value (FV)/Cost ticking up modestly and equity FV/Cost softening slightly. Taken at face value, the sector looks healthy and conservatively positioned.

Portfolio valuation ratios — aggregate trend				
	Q4 2024	Q3 2025	Q4 2025	Δ YoY
Total FV/Cost	100.2%	100.1%	100.0%	-0.2% ▼
Debt FV/Cost	97.5%	97.8%	97.7%	+0.2% ▲
Eq. FV/Cost	117.9%	116.6%	115.5%	-2.3% ▼
# Debt / # Equity	3.9x	4.2x	4.1x	+0.1x ▲

Source: PitchBook | LCD • # Debt / # Equity = count of debt positions ÷ count of equity positions

That aggregate picture, however, masks meaningful differences across individual BDCs. The clearest evidence of divergent business models shows up in the priority stack. A handful of BDCs, such as BXSL, run near-exclusive first-lien* books, with fair value in first-lien positions above 95% of the portfolio. At the other end, several carry material equity allocations, whether preferred

* May include unitranche positions. All priorities directly taken as BDCs report.

Portfolio valuation ratios by BDC (Q4 2025)					
Ticker	FV / Cost (total)	Debt FV / Cost	Equity FV / Cost	# Debt / # Equity	YoY Δ
MAIN	116.8%	97.3%	188.0%	1.6x	–0.1x ▼
TSLX	101.0%	100.4%	114.0%	3.6x	+1.1x ▲
PSEC	100.8%	92.1%	147.9%	2.5x	–1.0x ▼
ARCC	100.8%	98.2%	110.3%	2.5x	+0.0x ▲
OBDC	100.3%	98.0%	112.4%	3.9x	–0.4x ▼
GBDC	99.7%	99.5%	102.5%	5.2x	+0.2x ▲
BXSL	98.8%	98.6%	105.6%	8.9x	+0.7x ▲
MSDL	98.2%	98.3%	94.9%	14.2x	–0.9x ▼
GSBD	96.1%	97.4%	46.8%	20.7x	+5.7x ▲
FSK	94.7%	95.6%	96.3%	2.5x	+0.1x ▲

Source: PitchBook | LCD • FV / Cost = total fair value ÷ total amortized cost • # Debt / # Equity = count of debt positions ÷ count of equity positions

equity reflecting a lower-middle-market co-investment strategy, or common equity and second-lien exposure consistent with a special situations mandate, such as PSEC.

A useful way to see this divergence in one number is the ratio of debt positions to equity positions each BDC holds, ranging from roughly two to twenty. This reflects differences in mandate, with some managers leaning toward senior debt while others take a more balanced approach across the capital structure. Because this composition varies widely, fair value-to-cost ratios cannot be compared across BDCs on a like-for-like basis.

On the debt side, most managers are within a narrow band just below par, but a couple carry debt marks in the mid-90s, driven by a small number of impaired credits rather than broad-based weakness. At one manager, the top five positions by unrealized loss account for roughly half of total debt markdowns, while at another, they account for nearly two-thirds. In both cases, a handful of names drive most of the markdown.

The dispersion is far wider on the equity side, where FV/Cost ranges from below 50% to nearly 190%.

III: Spreads and yield distribution

The cost-weighted all-in yield on first-lien debt, non-PIK, accruing, Sofr-referenced loans across these ten BDCs was 9.2% in Q4 2025, down approximately 100 basis points from a year earlier. This decline tracks the path of the Sofr reference rate itself; by the end of 2025, 3-month term Sofr fell to 3.7%, from 4.3% a year prior. The rest can be attributed to the retreat of first-lien cash spreads to 541 bps, from 568 bps in Q4 2024.

As direct lenders competed more aggressively for deals in 2025, spreads compressed, particularly in larger transactions, where direct lending competed with the broadly syndicated loan market.

First-lien weighted average cash spread & all-in yield — Q4 2025			
Quarter	# loans	Cash spread (bps)	All-in yield
Q4 2024	3,309	568	10.1%
Q3 2025	3,579	547	9.6%
Q4 2025	3,590	541	9.2%
Δ QoQ	**+11**	**-5**	**-0.4%**
Δ YoY	**+281**	**-27**	**-1.0%**

Source: PitchBook | LCD • SOFR-referenced, non-PIK, accruing • Cash spread & all-in yield = cost-weighted average • Includes unitranche.

Second-lien loans command a substantial premium: the cash spread was 759 bps, with an all-in yield of 11.4%, roughly 220 bps above first-lien. This premium widened slightly year over year; second-lien yields fell by approximately 80 bps versus 100 bps for first-lien, suggesting that the additional compensation for subordination risk has held even as credit conditions have remained benign.

Second-lien weighted average cash spread & all-in yield — Q4 2025			
Quarter	# loans	Cash spread (bps)	All-in yield
Q4 2024	65	773	12.2%
Q3 2025	55	752	11.7%
Q4 2025	53	759	11.4%
Δ QoQ	**-2**	**+8**	**-0.3%**
Δ YoY	**-12**	**-14**	**-0.8%**

Source: PitchBook | LCD • SOFR-referenced, non-PIK, accruing • Cash spread & all-in yield = cost-weighted average • Includes unitranche.

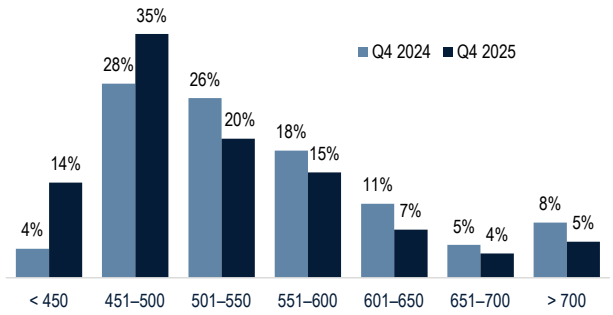
The distribution of individual loan spreads further supports the tightening trend. Measured by fair value, the share of first-lien variable-rate loans priced at or below 500 bps grew from 32% of the pool in Q4 2024, to 49% in Q4 2025. At the wider end, the contraction is equally clear. Loans priced above 550 bps fell from

42% to 31% of FV. This is not a story about a few outliers moving; the entire distribution shifted left, with the center of gravity migrating from the 500-550 bps range to the 450-500 bps range.

Private credit markets are in the midst of price discovery in 2026, driven by growing fears of AI disruption in Software.

Q1 2026 filings, typically published in the first half of May, will be the first real test of how that uncertainty is playing out in valuations and spreads.

First-lien term loan variable SOFR rate spread distribution (% of FV)

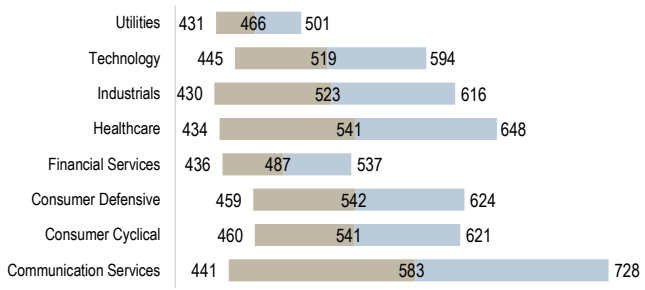


Source: PitchBook | LCD • 1L variable-rate SOFR, non-PIK, accruing • % = bucket FV / total FV • Spread buckets based on cash spread to SOFR • Includes unitranche.

Across sectors, mean cash spreads clustered around 525 bps in Q4 2025, but the averages obscure meaningful variation. Median spreads sit roughly 25-30 bps lower, around 500 bps, reflecting a tail of high-spread loans that pull means higher.

Most loans price within a tight corridor, interquartile ranges run 75-100 bps for most sectors, and the wider dispersion shown in the chart (which plots one standard deviation around the mean) is driven by outliers rather than broad variation (see the median and interquartile table in the exhibit).

First-lien cash spread dispersion by sector — Mean ± one standard deviation (bps)



Source: PitchBook | LCD • 1L variable-rate SOFR, non-PIK, accruing • Mean ± 1 sample std dev of non-zero cash spreads by GECS sector • Includes unitranche

Looking across managers, first-lien all-in yields span a wide range, reflecting fundamentally different lending strategies rather than sector mix. At the tight end sit BDCs competing for larger, more broadly syndicated upper-middle-market credits, where lender competition compresses spreads. At the wide end are BDCs lending to smaller, less liquid lower-middle-market borrowers, as well as those pursuing special situation mandates, both of which command a premium for access to capital. These pricing differences reflect structural features of each platform's market positioning rather than differences in underlying credit risk.

BDC first-lien cash spread & all-in yield (weighted average) — Q4 2025

Ticker	Cash spread (bps)	All-in yield	Δ yield (YoY)
PSEC	773	11.6%	-0.5%
MAIN	647	10.3%	-1.0%
TSLX	639	10.2%	-1.0%
GSBD	544	9.3%	-1.2%
FSK	537	9.0%	-0.9%
OBDC	534	9.0%	-0.9%
BXSL	519	9.0%	-1.0%
ARCC	519	9.0%	-0.9%
MSDL	514	8.9%	-0.9%
GBDC	513	8.9%	-1.0%

Source: PitchBook | LCD • SOFR-referenced, non-PIK, accruing • Cash spread & all-in yield = cost-weighted average. Includes unitranche.

IV: PIK and non-accruals

PIK and non-accrual status are two of the most closely watched credit quality indicators in BDC portfolios. In aggregate across all ten BDCs, PIK exposure has been relatively stable over the past year. As of Q4 2025, approximately 18% of portfolio companies carried debts with PIK features, down slightly from 19% in Q4 2024. However, some BDCs have moved away from PIK loans, while others have increased their PIK holdings. Debt positions with PIK interest as a percentage of total debt amortized cost is 19%, roughly flat with a year prior. The aggregate FV-to-cost ratio for PIK debt is 93%, meaning managers are marking PIK positions at a modest discount to book value, but not pricing in severe impairment.

At the same time, non-accruals tell a more cautious story: stress is building across the ten largest BDCs. The percentage of companies with debt positions carrying non-accrual debt was flat year over year at 4%, but the cost-based non-accrual debt rate edged up from 2.1% to 2.8%. It's worth noting that non-accrual loans are regularly targeted for exits, as managers actively cycle these investments out of portfolios in order to keep non-accrual rates stable from quarter to quarter.

Debt PIK & non-accrual exposure — aggregate (all BDCs, all positions)				
	Q4 2024	Q3 2025	Q4 2025	Δ YoY
PIK as % of unique companies	19.3%	18.7%	18.1%	-1.2% ▼
PIK as % of amortized cost	18.7%	20.4%	18.6%	-0.1% ▼
PIK FV / amortized cost	93.9%	93.1%	93.2%	-0.7% ▼
PIK income as % of total interest income	10.5%	11.3%	10.4%	-0.0% ▼
NA as % of unique companies (count)	4.0%	4.0%	4.0%	-0.0% ▼
NA as % of amortized cost	2.1%	2.9%	2.8%	+0.7% ▲
NA FV / amortized cost	38.0%	47.2%	53.3%	+15.2% ▲
NA positions (count)	132	129	167	+0.4% ▲

Source: PitchBook | LCD

PIK/NA % of unique companies = unique PB company names with PIK or NA debt designation ÷ all unique company names with debt
PIK/NA % of amort. cost = PIK or NA debt amort. cost ÷ total debt amort. cost
PIK income as % of total interest income = sum of (PIK rate × amort. cost) across debt positions ÷ sum of (all-in rate × amort. cost) across debt positions
NA positions = count of debt positions on non-accrual; YoY Δ shown as change in NA share of all debt positions (ppt)

Beneath the aggregate averages, individual BDCs tell very different stories on both PIK exposure and non-accrual rates, revealing contrasting lending strategies and portfolio-management styles of managers. A BDC running a third of its debt portfolio in PIK positions is making a fundamentally different bet on borrower cash flow than one running seven percent, and the non-accrual column shows how those bets are playing out. For instance, PSEC, with more than 40% of its debt fair value carrying PIK interest, reflects a different lending strategy, mainly special situations, than MSDL, at below 10%.

Debt PIK & non-accrual exposure by BDC				
	PIK (by FV)		Non-accrual (by cost)	
Ticker	Q4 2025	Δ YoY	Q4 2025	Δ YoY
PSEC	41.7%	+2.9% ▲	5.4%	+1.1% ▲
FSK	23.6%	-0.9% ▼	7.2%	+5.1% ▲
GBDC	17.6%	+3.4% ▲	2.0%	+1.0% ▲
GSBD	17.6%	+0.6% ▲	0.8%	-3.8% ▼
ARCC	16.2%	+0.0% ▲	2.3%	+0.1% ▲
BXSL	16.1%	+0.0% ▲	0.6%	+0.4% ▲
OBDC	14.8%	-3.6% ▼	2.7%	+0.6% ▲
TSLX	13.7%	+4.8% ▲	2.1%	-1.7% ▼
MAIN	9.9%	-1.3% ▼	4.2%	-0.2% ▼
MSDL	9.3%	+1.8% ▲	1.6%	+1.4% ▲

Source: PitchBook | LCD • Debt positions only • PIK % = PIK fair value as a share of total debt fair value • Non-accrual % = non-accrual debt amortized cost as a share of total debt amortized cost

The quality of the PIK book varies just as widely.

TSLX is the only BDC whose PIK debt positions are carried above par. ARCC at 97.8% and GBDC at 96.7% sit close to par. At the other end, MAIN's debt PIK FV/Cost stands at just 80%, the lowest in the group, despite MAIN also having one of the lowest PIK exposures as a percentage of fair value. MAIN's few PIK positions are carried at steeper discounts than any peers.

An important caveat: these fair values are manager-determined.

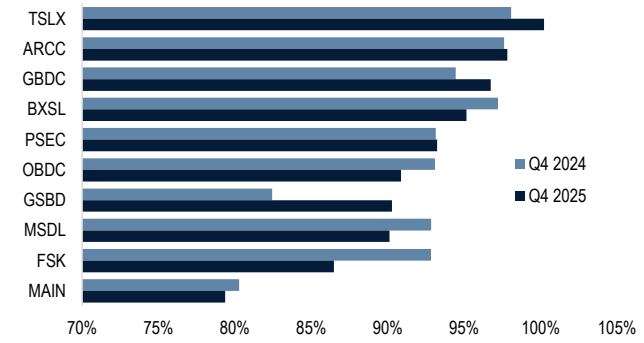
Fair value marks reflect each BDC's internal valuation methodology, third-party valuation inputs, and board-level judgment. Two managers holding the same borrower can and do arrive at different marks. The FV-to-cost measure tells you how the manager marks its own book.

Composition effects can further obscure trends.

GSBD's debt PIK FV-to-cost ratio improved from 82% to 90% year over year, not because its PIK positions recovered, but because the company Khoros, a $97 million position marked at 35 cents on the dollar a year ago, exited the PIK pool entirely. Without the Khoros position, the measure would have remained flat.

PIK and non-accrual rates are both indicators of portfolio quality, but they measure different things and do not move together cleanly across the peer group. Some BDCs sit high on both, but others carry

PIK debt fair value as % of amortized cost by BDC

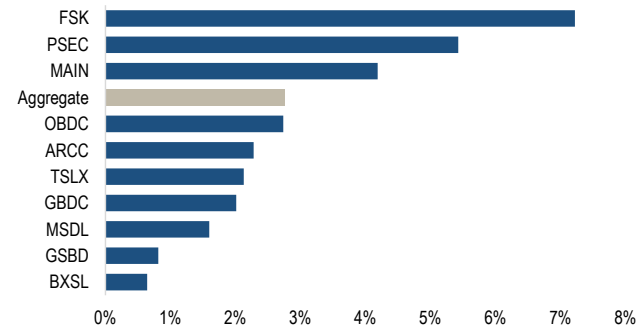


Source: PitchBook | LCD • Debt positions only • Ratio = total fair value / total amortized cost for PIK debt

mid-pack PIK alongside very low non-accruals, and a few show the opposite profile, with low PIK but elevated non-accruals.

PIK reflects how a deal was structured at origination or amended later, while non-accruals reflect how the credit has actually performed. Where the two overlap, it tends to reflect specific manager strategies rather than a broader link between the two.

Non-accrual debt as % of amortized cost (Q4 2025)



Source: PitchBook | LCD • Debt positions only • Non-Accrual % = non-accrual amortized cost as a share of total debt amortized cost

One risk cuts across all of the above: these BDCs lend to many of the same companies, and when a single credit event occurs, it ripples across several portfolios simultaneously. The cross-holdings matrix quantifies this overlap: eight out of the ten top BDCs share at least 30% of their portfolio (by fair value), with at least one other BDC within the cohort.

For example, 66% of investments held by a single BDC (by fair value) appear in at least one other large BDC. The implication is that a borrower's deteriorating credit performance is unlikely to be a one-BDC problem, especially for larger transactions.

The same name can appear across multiple portfolios, concentrating losses across the sector, rather than dispersing them.

And while this report focuses on just the top ten largest portfolios, looking across the entire universe of roughly 170 BDCs tracked by PitchBook shows that some of the largest private credit transactions are held across 30 or more BDCs.

For instance, consider **insightsoftware**, a software company providing financial reporting and analytics tools. The credit appears across six of the top ten BDCs in our sample, with combined fair value exposure of roughly $330 million.

All six lenders hold the same first-lien term loan at S+525 bps, and one BDC carries additional preferred equity on top of its senior position. That concentration magnifies downside in a stress scenario, but equally amplifies upside if the company outperforms.

PDI Technologies, another software company serving convenience retail and petroleum distribution, shows a similar pattern. Six BDCs hold roughly $190 million in aggregate across the same first-lien tranche at S+550, and two of them layer in preferred or common equity alongside the senior debt.

Portfolio overlap across the top 10 BDCs — Q4 2025

	MSDL	GSBD	GBDC	OBDC	FSK	BXSL	ARCC	TSLX	PSEC	MAIN	Total overlap
MSDL		14.4%	30.3%	18.8%	14.0%	29.3%	31.1%	1.5%	0.8%	1.0%	**66.1%**
GSBD	19.7%		20.7%	7.2%	9.7%	10.4%	19.6%	2.4%		1.7%	**51.1%**
GBDC	20.9%	7.6%		14.6%	8.4%	18.6%	21.8%	3.9%		0.6%	**48.1%**
OBDC	13.9%	4.5%	16.8%		7.9%	15.1%	14.3%	2.2%	2.2%		**44.6%**
FSK	9.5%	5.7%	9.8%	13.4%		19.5%	21.3%	1.0%	0.7%		**40.0%**
BXSL	11.9%	4.0%	12.9%	16.6%	10.6%		14.7%	2.3%	0.0%		**38.4%**
ARCC	10.0%	3.9%	15.1%	11.5%	8.4%	12.8%		3.0%	0.9%	0.7%	**37.2%**
TSLX	2.4%	6.1%	12.7%	8.5%	1.9%	9.6%	13.5%				**33.2%**
PSEC	0.8%			2.3%	1.1%	0.1%	2.4%				**3.7%**
MAIN	0.1%	0.5%	0.5%				0.5%				**1.3%**

Source: PitchBook | LCD • Each cell = % of row BDC's total fair value held in companies also held by column BDC

Companies matched on PitchBook company name. "Co-held" means any position — debt or equity, any priority — not necessarily co-lending in the same loan.

Includes fund vehicles, CLO equity, and JV interests.

How to read: MSDL × GSBD = 14.4% means 14.4% of MSDL's FV is in companies GSBD also holds. GSBD × MSDL = 19.7% is the reverse.

Total overlap = share of each BDC's fair value in companies also held by at least one of the other 9 BDCs. Companies co-held by multiple peers are counted once.

Names like these underscore BDC concentrations in the middle-market direct lending universe: the same small set of sponsor-backed borrowers appears repeatedly across nominally independent BDC portfolios.

The risks are playing out in real time at **Medallia**, a software company Thoma Bravo took private for $6.4 billion in 2021 on a $1.8 billion recurring-revenue loan clubbed among Blackstone and a few other lenders.

Two BDCs in our sample carry the credit: BXSL holds roughly $393 million, and FSK holds roughly $233 million in what appears to be a PIK tranche. Both positions were marked in the high 70s in Q4 2025, a notable discount to par. BCRED has since cut its mark to 60 cents as of March 31, 2026, and the $5 billion-plus of sponsor and co-investor equity is reportedly being wiped out in a lender-led restructuring.

Final thoughts

The thread running through all four sections of this analysis is the same: headline metrics tell only part of the story. Sector labels understate software exposure for some BDCs, while others have deliberately diversified away from it.

Aggregate marks may look orderly because they average across fundamentally different business models. Yield spreads reflect genuine strategic choices, not just credit risk. And while shared borrowers create correlated exposure across the peer group, they can also reflect the market's collective conviction in its strongest credits.

That last point is the cross-cutting risk. When a single credit deteriorates, losses ripple through multiple managers simultaneously, undermining diversification from holding several BDCs. Taken together, these findings argue for position-level due diligence: headline sector mix, aggregate marks, and peer-average yields each tell only part of the story.

This is key because, in private credit, the portfolio is the thesis.

This analysis covers portfolio snapshots through Q4 2025. Much has happened since.

The first quarter of 2026 has brought renewed credit market volatility, shifting rate expectations, and mounting pressure from tariff uncertainty and evolving AI disruption. How these portfolios absorb what comes next, and which divergences prove to be strengths versus vulnerabilities, is the subject of our next report.

— Sebastian Kian

Appendix

Aggregate sector distribution — Q4 2025 snapshot				
GECS sector	**Q4 2025 # of positions**	**Q4 2025 % of FV**	**QoQ Δ (% of FV)**	**YoY Δ (% of FV)**
Technology	1,897	26.6%	-0.3%	-1.4%
Industrials	1,644	21.2%	+0.1%	+0.6%
Consumer Cyclical	966	10.5%	-0.3%	+0.6%
Healthcare	954	13.5%	+0.3%	+0.9%
Financial Services	441	11.1%	+1.2%	+1.0%
Consumer Defensive	383	4.9%	-0.9%	-1.4%
Communication Services	173	2.0%	-0.6%	-0.3%
Energy	90	1.8%	+0.0%	+0.1%
Real Estate	80	2.3%	+0.4%	-0.5%
Basic Materials	76	1.7%	-0.1%	+0.2%
Utilities	18	0.1%	-0.0%	+0.1%
Total	**6,722**	**95.6%**	**-0.1%**	**-0.1%**

Source: PitchBook | LCD • Sector classification per GECS taxonomy. GECS sector classification may differ from BDC-reported industry.

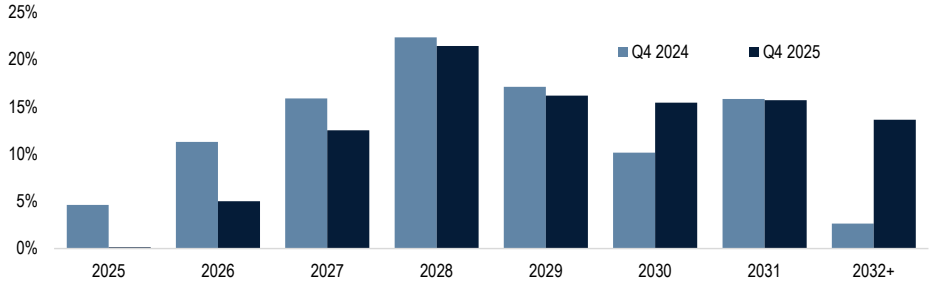
First-lien cash spread distribution by sector — median & interquartile range (bps, Q4 2025)							
Sector	**P25**	**Median**	**P75**	**IQR**	**# loans**	**Q4 2024 median**	**Δ Median**
Aggregate	**475**	**500**	**575**	**100**	**3,286**	**550**	**-50**
Technology	475	500	575	100	907	550	-50
Industrials	475	500	550	75	818	550	-50
Healthcare	475	500	575	100	489	550	-50
Consumer Cyclical	500	525	575	75	477	550	-25
Financial Services	450	475	500	50	214	500	-25
Consumer Defensive	500	525	600	100	188	550	-25
Communication Services	499	550	640	141	83	600	-50

Source: PitchBook | LCD • 1L variable-rate SOFR, non-PIK, accruing • Cash spread in bps • P25/Median/P75 = loan-level percentiles • Sectors per Morningstar GECS

Continued on next page

Appendix, cont'd

Debt maturity wall shift — Q4 2024 ($82.7B) vs. Q4 2025 ($87.6B)



Source: PitchBook | LCD • Debt positions only • Percent of total debt amortized cost by maturity year for positions with reported maturity date

Debt PIK & non-accrual exposure by sector (Q4 2025)					
Select sector	**PIK # of companies**	**PIK % FV**	**PIK FV/Cost**	**Non-accrual # of companies**	**Non-accrual % cost**
Technology	95	16.8%	95.8%	13	0.8%
Industrials	62	16.6%	91.9%	16	3.8%
Healthcare	53	18.9%	90.6%	16	4.8%
Consumer Cyclical	49	18.0%	86.3%	16	5.2%
Consumer Defensive	18	9.9%	90.0%	5	3.4%
Financial Services	14	15.1%	100.2%	1	0.1%
Other	31	27.8%	96.0%	4	2.3%

Source: PitchBook | LCD • FV/Cost uses strict criteria: debt only.

Continued on next page

Appendix, cont'd

Top 5 co-held companies — position detail (Q4 2025)					
Company	**Holder**	**Tranche**	**Amort cost ($M)**	**Fair value ($M)**	**Cash spread (bps)**
Insightsoftware	GBDC	1L Debt	$121.7	$120.2	525
	MSDL	1L Debt	$60.1	$60.4	525
	GBDC	Preferred Eq	$58.9	$60.6	—
	FSK	1L Debt	$45.9	$45.9	530
	GSBD	1L Debt	$28.9	$28.1	525
	OBDC	1L Debt	$9.4	$9.5	525
	BXSL	1L Debt	$7.0	$6.9	525
TurnPoint Services	ARCC	1L Debt	$159.3	$154.6	500
	OBDC	1L Debt	$26.9	$26.7	500
	ARCC	Common Eq	$22.9	$25.9	—
	MSDL	1L Debt	$18.3	$18.4	500
	BXSL	1L Debt	$12.2	$12.1	500
	GBDC	1L Debt	$12.0	$11.9	500
	ARCC	Preferred Eq	$9.2	$9.2	—
	FSK	1L Debt	$8.9	$8.9	500
PDI Technologies	BXSL	1L Debt	$49.6	$50.1	550
	ARCC	Preferred Eq	$33.2	$33.5	—
	MSDL	1L Debt	$28.8	$28.6	550
	OBDC	1L Debt	$22.7	$22.8	550
	TSLX	1L Debt	$21.2	$21.5	550
	GBDC	1L Debt	$11.5	$11.6	550
	ARCC	1L Debt	$10.6	$10.6	550
	GBDC	Preferred Eq	$4.6	$6.7	—
	ARCC	Common Eq	$2.1	$4.7	—
Coupa Software	TSLX	1L Debt	$41.8	$42.9	525
	GBDC	1L Debt	$31.3	$31.6	525
	ARCC	1L Debt	$8.9	$8.9	525
	MSDL	1L Debt	$2.2	$2.2	525
	BXSL	1L Debt	$1.8	$1.8	525
	OBDC	1L Debt	$1.5	$1.5	525
Avetta	MSDL	1L Debt	$31.4	$31.7	425
	OBDC	1L Debt	$11.9	$12.0	415
	GSBD	1L Debt	$10.5	$10.5	415
	FSK	1L Debt	$8.3	$8.4	420
	ARCC	1L Debt	$7.4	$7.4	415
	GBDC	1L Debt	$1.5	$1.5	415

Source: PitchBook | LCD • Positions aggregated by tranche; cash spread & yield are cost-weighted where applicable.

PitchBook | LCD

LCD News – US

Tim Cross
tim.cross@pitchbook.com

John Atkins
john.atkins@pitchbook.com

Jon Hemingway
jonathan.hemingway@pitchbook.com

Gayatri Iyer
gayatri.iyer@pitchbook.com

Alan Zimmerman
alan.zimmerman@pitchbook.com

Jakema Lewis
jakema.lewis@pitchbook.com

Richard Kellerhals
richard.kellerhals@pitchbook.com

Mairin Burns
mairin.burns@pitchbook.com

Abby Latour
abby.latour@pitchbook.com

Jack Hersch
jack.hersch@pitchbook.com

Glen Fest
glen.fest@pitchbook.com

Sean Czarnecki
sean.czarnecki@pitchbook.com

Zack Miller
zack.miller@pitchbook.com

Sami Vukelj
sami.vukelj@pitchbook.com

Janelle Bradley
janelle.bradley@pitchbook.com

Alvaro Ledgard
alvaro.ledgard@pitchbook.com

LCD News – Europe

David Cox
david.cox@pitchbook.com

Francesca Ficai
francesca.ficai@pitchbook.com

Michael Rae
michael.rae@pitchbook.com

Thomas Beeton
thomas.beeton@pitchbook.com

Nishant Sharma
nishant.sharma@pitchbook.com

Jean-Marc Poilpré
jean-marc.poilpre@pitchbook.com

LCD Global Copy Edit/Production

Brenn Jones
brenn.jones@pitchbook.com

Alex Poole
alexander.poole@pitchbook.com

Michael Baron
michael.baron@pitchbook.com

Jamie Tebaldi
jamie.tebaldi@pitchbook.com

Katie Dowd
katie.dowd@pitchbook.com

LCD Global Research

Marina Lukatsky
marina.lukatsky@pitchbook.com

Miyer Levy
miyer.levy@pitchbook.com

Taron Wade
taron.wade@pitchbook.com

Kenny Tang
kenny.tang@pitchbook.com

Rachelle Kakouris
rachelle.kakouris@pitchbook.com

Cuong Huynh
cuong.huynh@pitchbook.com

Sara Shehata Wahba
sara.wahba@pitchbook.com

Shaundra Edmonds
shaundra.edmonds@pitchbook.com

Tim Mastracci
timothy.mastracci@pitchbook.com

Carl Syverud
carl.syverud@pitchbook.com

Jack Johnson
jack.johnson@pitchbook.com

Ryan Brown
ryan.brown@pitchbook.com

Neil Harmon
neil.harmon@pitchbook.com

Mallory Bedell
mallory.bedell@pitchbook.com

Frederick Tetteh
frederick.tetteh@pitchbook.com

Julia Avdoi-Green
julia.avdoigreen@pitchbook.com

Armando Di Cicco
armando.dicicco@pitchbook.com

Sebastian Kian
sebastian.kian@pitchbook.com

Contact Us
support@pitchbook.com

PitchBook, a Morningstar company