

Finite vs. Perpetual Non-traded BDCs

An Educational Primer



Business development companies (“BDCs”) offer investors access to private credit assets typically unavailable to individuals. Non-traded BDCs gained popularity for a variety of reasons, including accessibility, ability to generate current income, diversification, transparency and simplicity of tax reporting in comparison to the private placement vehicles that preceded them.

Over time, non-traded BDCs have continued to evolve to better suit the needs of investors. In an effort to accommodate investors with longer investment horizons, managers began to offer non-traded BDCs that do not intend to pursue exchange listing or a liquidity event of any kind, offering shareholders long-term exposure to the asset class and the potential for distribution income in perpetuity.

	Finite Non-traded BDC	Perpetual Non-traded BDC
Manner of Receiving Capital	Investments fully funded at periodic closings	Investments fully funded at periodic closings
Regulation	Investment Company Act of 1940	Investment Company Act of 1940
SEC Filings	Registration on Form N-2; Periodic reports on Forms 8-K, 10K, 10Q etc.	Registration on Form N-2; Periodic reports on Forms 8K, 10K, 10Q etc.
Tax Reporting	1099	1099
Leverage	2:1 regulatory cap	2:1 regulatory cap
Liquidity	Periodic share repurchases. Typically, available up to set redemption limits. (e.g. up to 2.5%/quarter; 10%/year) and should not be relied on as an exit strategy.	Periodic share repurchases. Typically, available up to set redemption limits. (e.g. 5% of NAV quarterly for a maximum of 20% annually) Portfolios may hold liquid securities to meet shareholder redemption requests.
Multiple Share Classes	Typically, no	Yes
NAV Frequency	At least quarterly	At least quarterly
Liquidity Event	Can liquidate portfolio, merge or pursue exchange listing	Does not contemplate a liquidity event; investor liquidity subject to terms of share repurchase program.
Exit Risk	Valuation uncertainty; the portfolio has the potential to be sold or, following exchange listing, may trade at a discount or premium to book value.	Share repurchase programs may be suspended, modified or discontinued at the discretion of the BDC’s board of directors.

Important Information

Past performance is not a guide to future results and is not indicative of expected realized returns.

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