BDC holdings bolster private credit

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First-lien BDC holdings have expanded rapidly since early 2020. The share of loans with a PIK component has also trended upward, though not at a rate that suggests rapid deterioration in underlying asset quality

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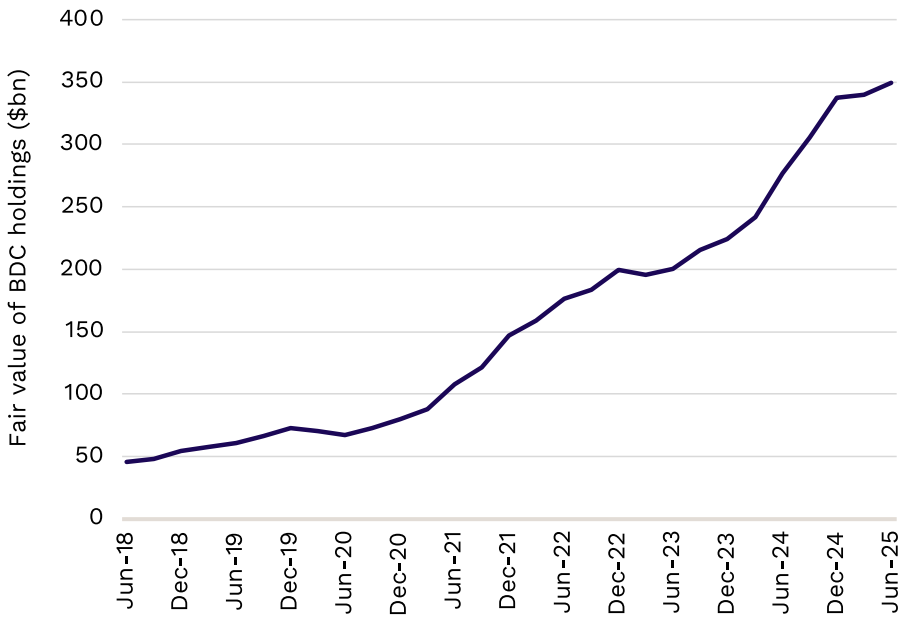
Business development company (BDC) holdings have expanded at an extraordinary pace since 2018, according to our data on BDC holdings up to end-June 2025. This rapid growth has been accompanied by portfolio characteristics that remain consistent with the private credit universe: concentrated exposure to private equity-backed sectors and a continued emphasis on first-lien lending as the core of underwriting activity.

Preqin has recently updated its database with holdings of BDCs over time. Here, we use that data to understand the current aggregate BDC market, primarily utilizing holdings measured by fair value.

Fig. 2.1: BDC holdings have grown substantially since 2018

Fair value of BDC holdings



Source: Preqin, data as of February 2026

The sector spread of BDC holdings is relatively diverse. The fair value of loans to information technology (IT) firms was 21% of the total as of June 2025 – up from only 6% at end-March 2018. Growth in lending to the IT sector came primarily at the expense of our miscellaneous category, a compilation of smaller industry exposures. Healthcare (17%) and consumer discretionary (13%) are other areas of focus for BDC holdings.

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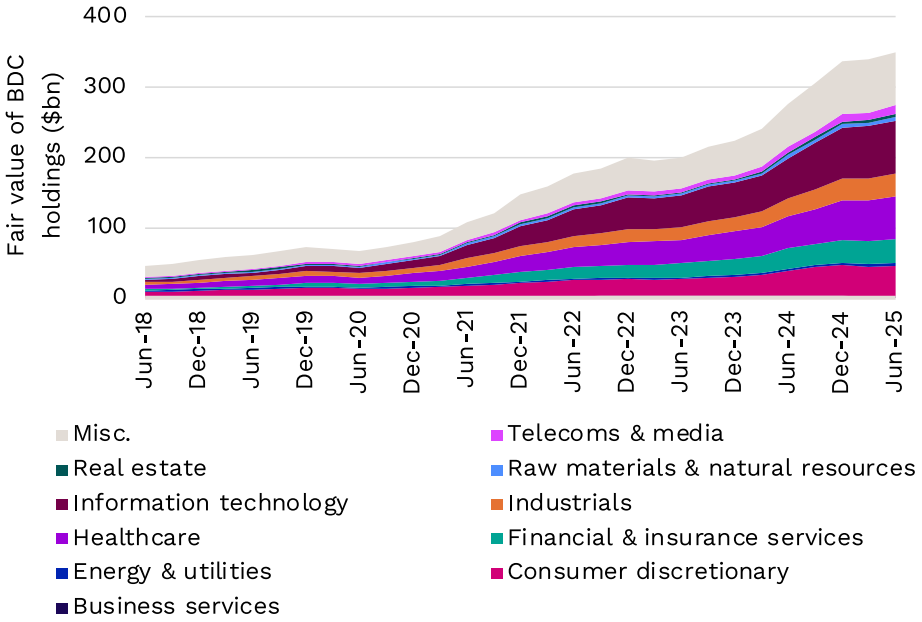
Fig. 2.2: BDCs have relatively diverse sector exposures

Fair value of BDC holdings, by sector

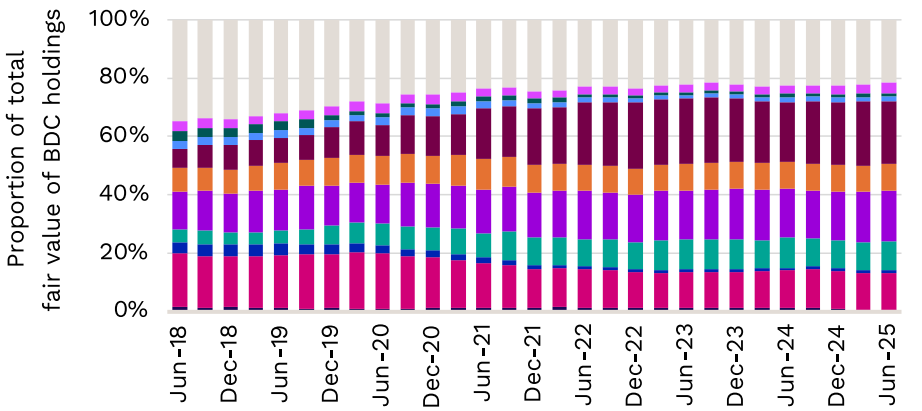


Source: Preqin, data as of February 2026

Note: Misc. category comprises smaller industry exposures and loans with no sector recorded in Preqin data

Fig. 2.3: IT and healthcare are the largest individual sectors for BDCs

Proportional breakdown of fair value of BDC holdings, by sector



Source: Preqin, data as of February 2026

Note: Misc. category comprises smaller industry exposures and loans with no sector recorded in Preqin data

The split of BDCs between sectors is broadly consistent with private equity activity, reflecting the fact that most private credit lenders focus on sponsor-backed transactions. Our data suggests the IT and (to a lesser extent) healthcare sectors have become key for private equity GPs.

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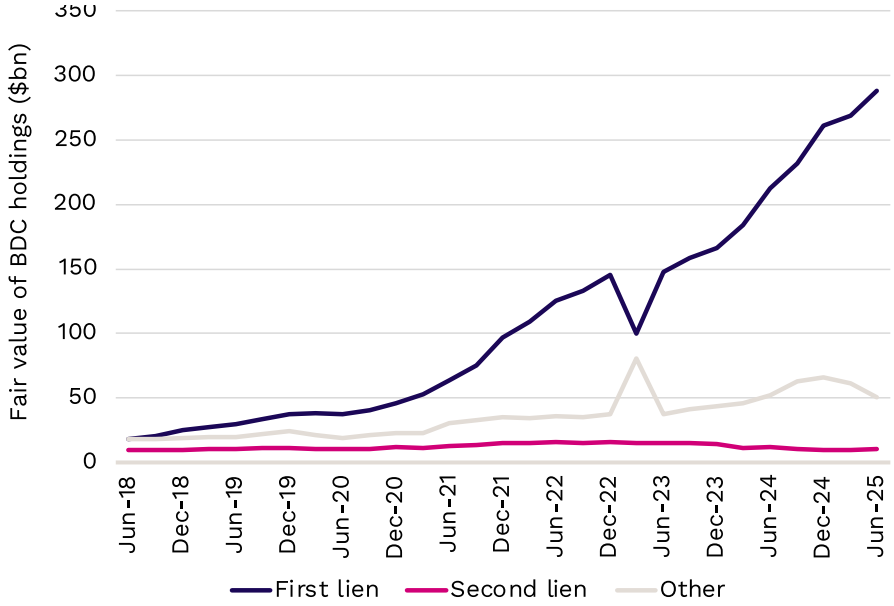
The overwhelming majority of BDC holdings are first-lien (primary) loans, and growth in fair value is almost exclusively driven by first liens. The fair value of second-lien loans has fallen since its peak in December 2022. Holdings of first-lien loans rose considerably over the same period.

This focus on senior-secured lending rather than more subordinated tranches is in line with the behavior of traditional direct lenders. BDCs typically aim to sit higher in the capital stack, hence their preference for first lien, though they would still be subordinate to some other lenders. Loans with certain underlying assets attached (e.g., trade finance lending, receivables) will have priority in a credit event. Part of the goal of sitting higher in a capital stack reflects that many borrowers may have been rated sub-investment grade in a public market; sitting in senior tranches could offset some of that additional risk.

Fig. 2.4: Growth concentrated in first-lien holdings

Fair value of BDC holdings, by seniority



Source: Preqin, data as of February 2026

Credit quality has become a concern among many credit LPs, and the topic of payment-in-kind (PIK) has been one major area of discussion. Our data shows that loans with a PIK component amounted to 13% of total BDC holdings, measured by fair value, in June 2025. This is down from 16% as of March 2024, but higher than some years ago. In December 2021, the equivalent share was 10%. We believe this upward trend in PIK loans suggests credit stress has increased somewhat as higher interest rates put pressure on borrowers, but our most recent data implies any deterioration is not rapidly escalating.

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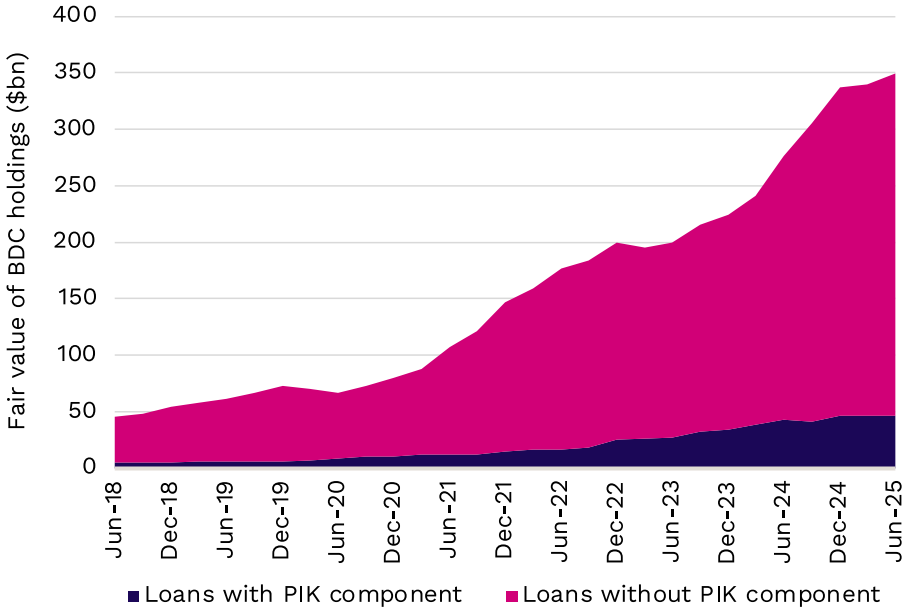
Fig. 2.5: Fair value of PIK holdings grew alongside total

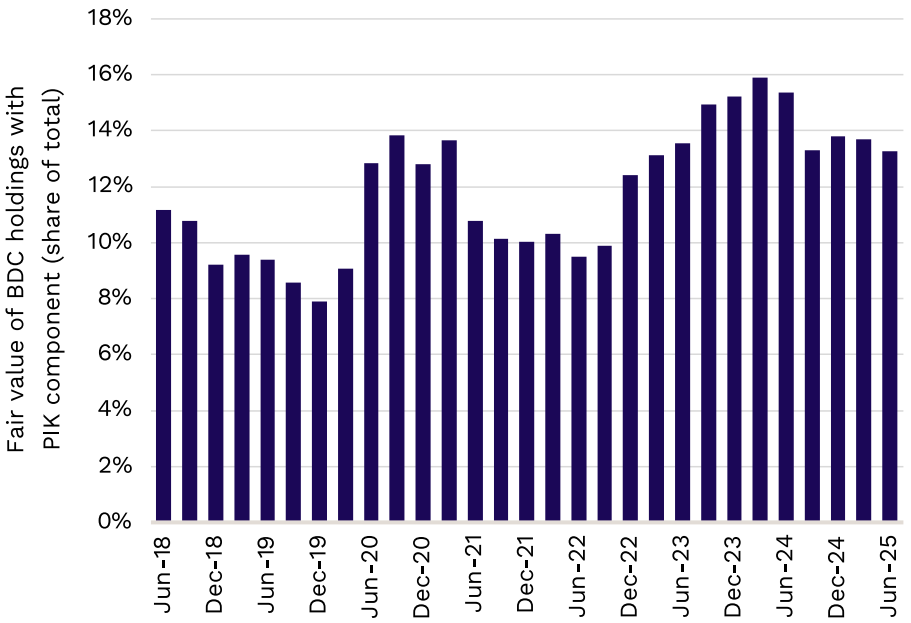
Fair value of BDC holdings, by presence of PIK component



Source: Preqin, data as of February 2026

Fig. 2.6: Share of holdings with PIK component in line with historical levels

Fair value of BDC holdings with PIK component, share of total



Source: Preqin, data as of February 2026

Loans are overwhelmingly benchmarked to the Secured Overnight Financing Rate (SOFR): 89% of total fair value is attributable to loans that use SOFR as a benchmark. EURIBOR is the second-most common benchmark, and almost no loans utilize a fixed rate.[1]

1 Loans using a fixed rate are consolidated under the "other" category in Fig. 2.7

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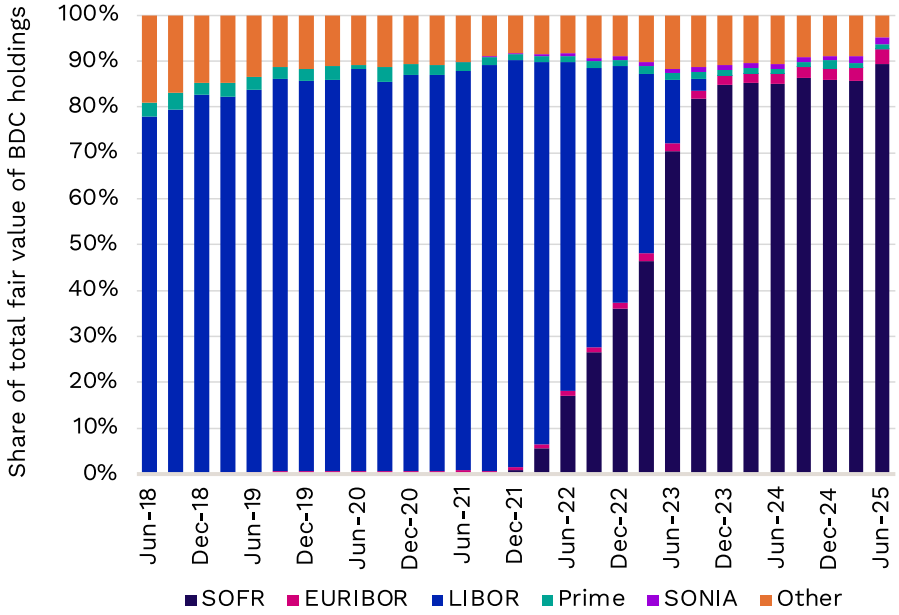
With BDC lending focusing on the American market (per legal requirement), it is unsurprising that SOFR is the most common reference rate. Even following the phasing out of LIBOR, SOFR's share of the market has increased. LIBOR-benchmarked loans represented just 3% of outstanding fair value in September 2023, when the same figure for SOFR was 82%. Further gains for SOFR's share of the market have come at the expense of "other" reference rates. This is in line with wider credit markets across the US, but it does show that investors are primarily getting exposure to floating rates, which has long been considered one of the attractive features of private credit.

Fig. 2.7: SOFR is the dominant reference rate

Fair value of BDC holdings by reference rate, share of total



Source: Preqin, data as of February 2026

Most of the outstanding loan portfolio has a spread of 401–600 basis points (bps) above their reference rate; 39% of the fair value of loans had a spread of 401–500 bps and 32% had a spread of 501–600 bps as of June 2025. Rising credit investment combined with a lower number of private equity transactions has led to a high level of credit supply at the same time demand has fallen, presenting a key source of pressure on spreads.

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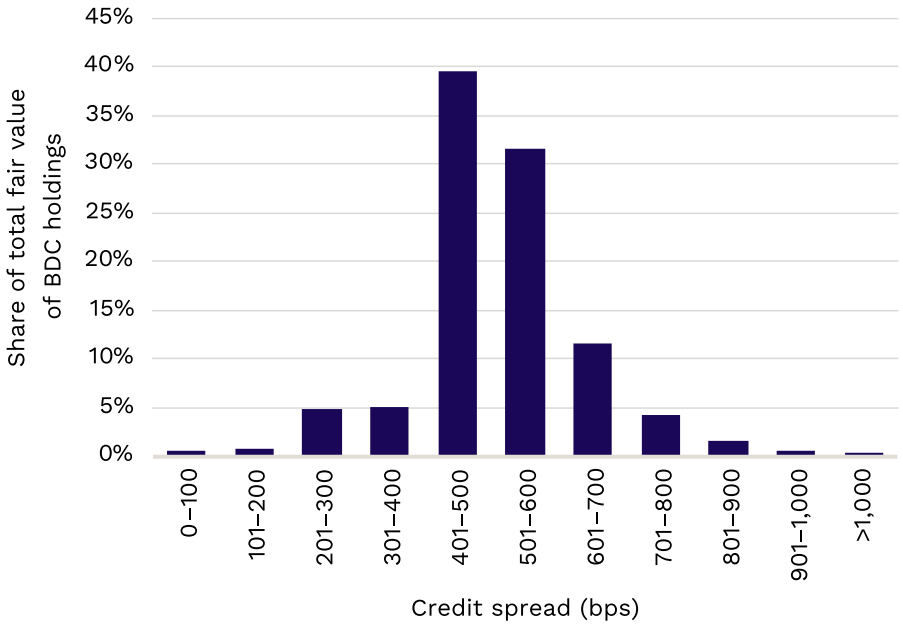
Fig. 2.8: Credit spreads cluster around 400–600bps

Fair value of BDC holdings by credit spread, in June 2025

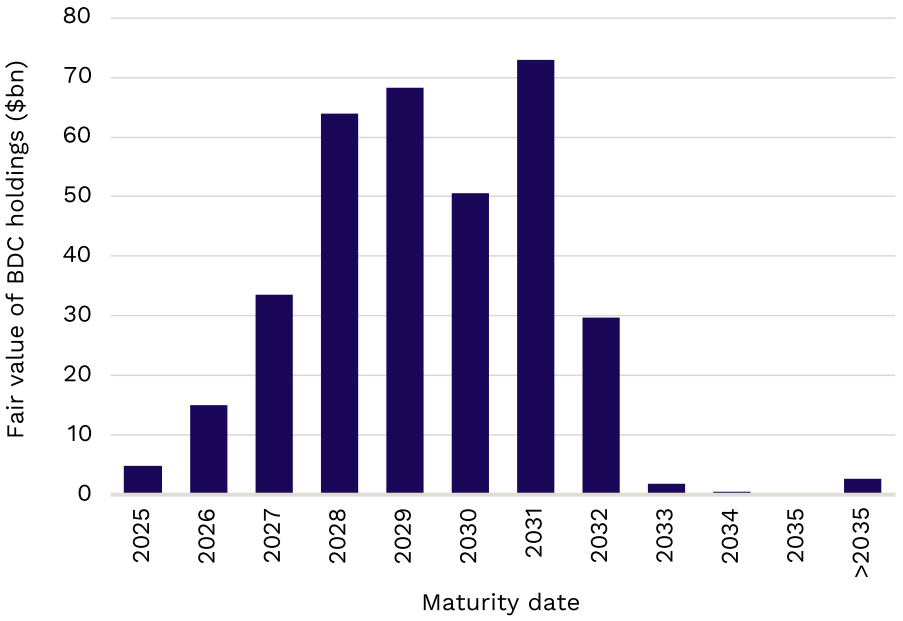


Source: Preqin, data as of February 2026

Maturity walls are often key concerns for market participants because they can concentrate risk in a given year. A more diverse maturity profile can mitigate some of this risk, as borrowers can gradually refinance and access credit. Our data suggests BDC loans have a relatively even maturity profile over the next few years, with most maturing between 2028 and 2031, consistent with lenders investing in five- to seven-year tenors.

Fig. 2.9: Most loans set to mature between 2028 and 2031

Fair value of BDC holdings, by maturity date



Source: Preqin, data as of February 2026

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At first look, Preqin BDC data appears to mirror many of the themes we see in the broader credit markets in terms of loan seniority, credit risk, and concentration, but these areas may shift in the months and years to come. The level of PIK loans has increased over the past few years but seems relatively stable, suggesting that credit risk may have increased but the quality of BDC portfolios is not rapidly deteriorating. However, these numbers bear watching; higher levels of investment in BDCs (and semi-liquid private credit vehicles more broadly) mean that any developments within portfolios may have greater consequences going forward.

The transparency available on BDC holdings can grant swifter insight on developments within private credit. There is significant room for further analysis of BDC portfolios, especially regarding concentration and contagion risk, though we leave that for future analysis.

The Preqin BDC data used for this analysis covers the period to end-June 2025 and represents the most up-to-date data available at the time of writing. Total fair value of BDC holdings has since increased (to end-September 2025).

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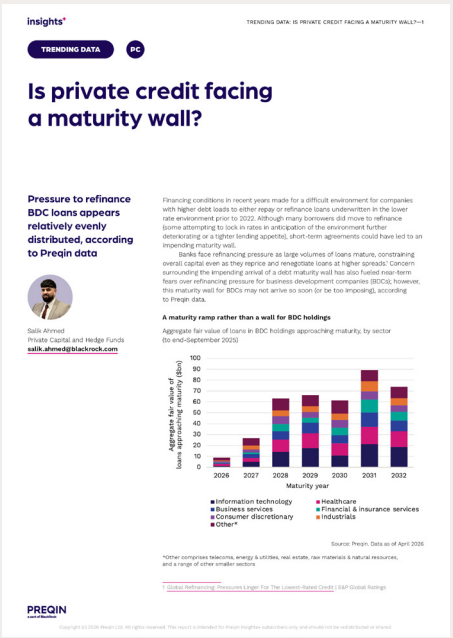

Research Note: Mapping software exposure across BDC portfolios

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