The BDC Discount: What the Market Sees Before the Marks Do

Gaurav Gupta · Research note · 24 October 2026 · 44 listed business development companies, 459 BDC-quarters, NAVs June 2022 – June 2025, prices to 19 October 2026

13 of 13
Quarters in which cheaper price / NAV went with a larger next-year markdown (rank corr. 0.26)

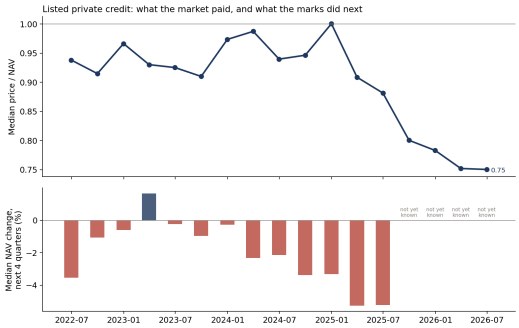
43% vs 24%
NAV down >5% within a year: priced below 0.85× vs at a premium

0.66×
Median price / NAV, 19 Oct 2026; 75% of BDCs below 0.85×

$11.4M
Later markdown per 10 points of relative discount, per $1bn NAV (illustrative)

Price / NAV when NAV became public	n	Median P/NAV	Avg NAV chg, next yr	NAV down >5%	12m total return	Div. yield
Below 0.85	127	0.77	−5.4%	43%	6.1%	13.0%
0.85 to 1.00	167	0.93	−4.9%	39%	0.3%	11.5%
1.00 and above	165	1.10	−2.2%	24%	5.4%	10.5%

Quarter fixed effects: 10 points of price / NAV ≈ 1.1 points of next-year NAV change (slope 0.114, se 0.021); 0.084 (se 0.019) after controlling for the manager's trailing marks (slope 0.478). Stronger in Aug 2024 – Jun 2025 (0.154) than May 2023 – Jun 2024 (0.061). NAV public at 75 / 90 days: 0.117 / 0.123. Flag 'below 0.85×': precision 43% vs 35% base rate, recall 34%.



Median BDC price / NAV (price 50 days after the NAV date) and the median NAV change over the next four quarters.

SOURCES

- BDC prices, dividends, splits, quarterly balance sheets, profiles and 3-month T-bill: Yahoo Finance via huggingface.co/datasets/defeatbeta/yahoo-finance-data (ODC-BY), sha256-pinned
- Lee, Shleifer & Thaler (1991) JF 46(1); Pontiff (1995) JFE 37(3); Cherkes, Sagi & Stanton (2009) RFS 22(1)
- SEC Rule 2a-5, Good Faith Determinations of Fair Value (2020), IC-34128

METHOD

- Universe: listed US BDCs; notes, preferreds, ETNs excluded
- NAV/share = equity ÷ shares, restated for later splits
- Price / NAV at the first close 50 days after quarter-end; no price before listing
- Outcome: NAV/share change over the next 4 quarters
- Screen: drop years spanning a >25% quarterly NAV/share jump (data artefacts; 38 obs.)

KEY CALCULATIONS

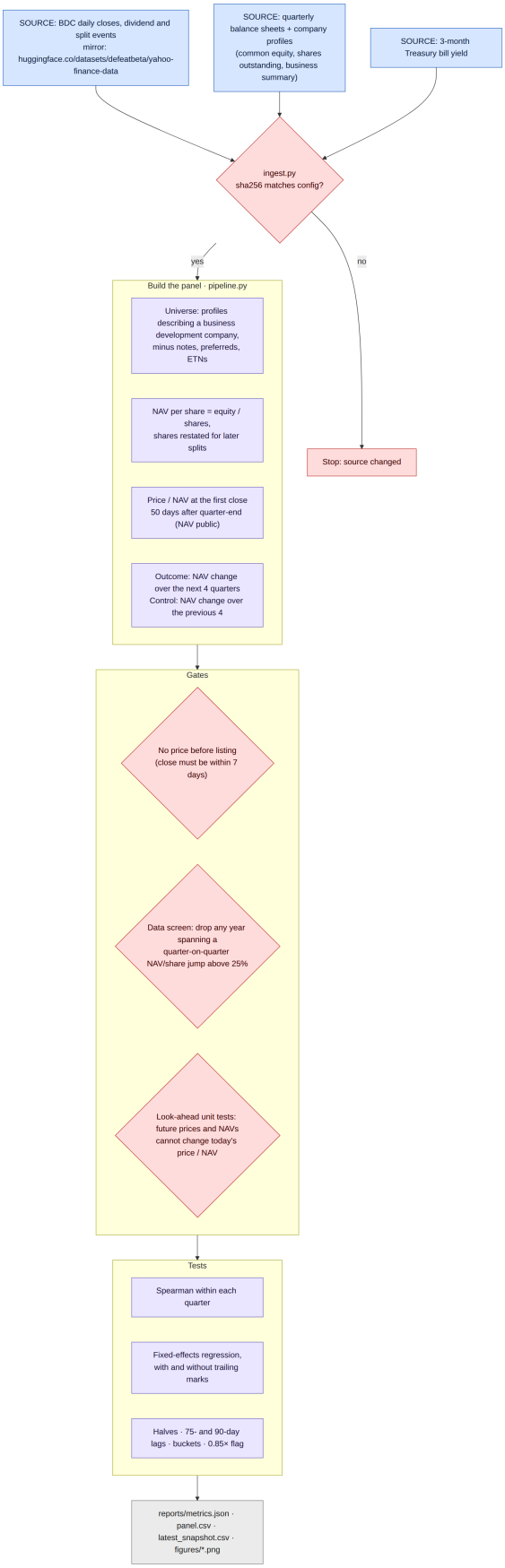
- Spearman within each quarter; mean 0.26, t = 7.2
- OLS on within-quarter demeaned variables (quarter fixed effects)
- $ illustration = slope × 10 points × $1bn NAV
- Today: latest NAV (30 Jun 2026) vs close on 19 Oct 2026; median dividend yield 15.1% vs T-bill 4.27%

RECOMMENDATIONS

- Report listed-peer price / NAV beside the committee's own valuation changes every quarter.
- Where a BDC below 0.85× holds the same borrowers, re-test those marks against current comparables first.
- Do not mark to the share price (it also prices fees, leverage, liquidity); document why marks differ from it.
- Treat trailing markdowns as a sign more are coming: marks have momentum.
- Limits: survivorship (current listings), one credit cycle (2022–25), balance-sheet NAV, cross-sectional not a sector forecast. Independent research; not investment advice; not deployed.

Code: github.com/guptagaurav-info/bdc-discount-signal · Article: guptagaurav.info/articles/bdc-discount · Independent research on public data. Not investment advice. Dollar figures are illustrative.

Pipeline: sources, checksum gate, panel, data-quality gates, tests, outputs.



The signal and the valuation-committee decision.

