

Portfolio Valuation

Private Equity and Credit

Spring 2026

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FEATURE ARTICLE

Public Prices, Private Marks: What BDC Discounts Are Signaling

EXECUTIVE SUMMARY

Publicly traded BDC discounts are signaling a disconnect between private credit valuations and market-based pricing, raising questions about whether private NAV marks are overstated or simply lagging reality. The failed Blue Owl transaction and rising secondary market activity highlight investor demand for liquidity and skepticism toward “sticky” valuations, as public markets imply meaningful discounts to stated NAVs. While these discounts reflect factors beyond asset values, such as leverage, fees, and sentiment, they still provide a real-time benchmark that valuation professionals cannot ignore. Absent a rebound in BDC prices, persistent gaps between public prices and NAVs indicate that NAVs are too high for public BDCs and private BDCs to the extent private BDCs hold similar loans.

Figure 1: Publicly Traded BDC Price / NAV

	Mar-26	Dec-25	Jun-25	Dec-24
P/NAV Median	73%	84%	93%	99%
P/NAV (Mkt Cap)	89%	101%	108%	113%
Ares Cap Corp	90%	101%	110%	110%
BlackRock TCP	51%	77%	88%	94%
Blue Owl Capital	75%	84%	95%	99%
Carlyle Secured	67%	77%	83%	107%

Source: S&P Global Market Intelligence

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Public Prices, Private Marks: What BDC Discounts Are Signaling

By: Jeff K. Davis, CFA and Jack Carter, CPA

The chorus of *Doubting Thomas* who question private credit and equity marks is growing. The rise of GP-led continuation funds is one marker that funds are unwilling to part with an asset at a, presumably, lower market clearing price via M&A or episodically via an IPO.

Another marker is a growing tension in private credit markets that has been fanned by sensationalist media coverage following the gating of multiple interval funds that limit quarterly redemptions at NAV to 5% of assets and multiple high profile credit blow-ups.

The credit manager that has drawn the most attention is Blue Owl Capital Inc. (NYSE:OWL) after it was forced to call off a merger of Blue Owl Capital Corporation II ("BOCC"), a private business development company ("BDC"), with publicly traded Blue Owl Capital Corporation (NYSE:OBDC).

The aborted transaction highlighted multiple issues:

- The desire for liquidity by investors who knowingly invested in an illiquid security;
- A growing gap between private asset marks and public market pricing for comparable securities;
- Whether the sizable discount that most BDCs trade to NAV signals an emerging credit cycle that is not reflected in private NAV marks; and
- What constitutes a fair exchange ratio in a stock swap merger.

Blue Owl unwittingly became the focal point of questions about private asset marks last year when it arranged for privately held BOCC to merge with its affiliated publicly traded BDC and thereby create liquidity for shareholders, many of whom invested in BOCC through financial advisors that promoted private BDCs as a high yielding investment with low NAV volatility. Some have called this "volatility laundering."

The exchange ratio was based on each company's NAV. Outwardly this was reasonable since both BDCs largely held the same assets. However, OBDC was trading at a ~20% discount to NAV when the deal was terminated in November 2025. If BOCC II shareholders wanted immediate liquidity, then they would have to accept a 20% discount to NAV that today is 25%. Otherwise, the shareholders would be forced to wait for OBDC's shares to possibly recover to NAV to cash-out.

We do not know how much anguish the BOCC board faced in approving the merger agreement or what hoops BOCC's financial advisor jumped through to issue its "fairness" opinion, but basing the exchange ratio on NAV-to-NAV was odd when the market said NAV overstated the value of the assets.

There are a couple of caveats to note, however. One is that OBDC is levered, and leverage magnifies discounts to NAV when the market assesses that asset value are less than the marked value and vice versa. Also, some amount of the discount to NAV should reflect management fees if the calculated NAV does not factor in such fees.

Nonetheless, publicly traded BDCs offer a market-based referendum on private credit valuations. As shown in the chart on the top of page 8, a widening discount to NAV reflect investor concerns around credit quality, liquidity, and ultimately the realizability of stated NAVs. Some may also reflect lower expected distributions as SOFR declined in the fall with 75bps of Fed rate cuts.

The catalyst bringing this issue to the forefront is Boaz Weinstein, the CEO of Saba Capital, who has offers for stakes in multiple private credit funds at a 20%–35% discount to stated NAV. If the offer is oversubscribed, he over bid and his return may not be great if a flood of bids reflects expectations for lower future NAVs. Weinstein indicated he "would get in line

with everyone else” and tender shares to the fund for NAV each quarter subject to 5% redemption caps.

The saga supports a basic premise: if an asset cannot be readily sold at NAV, then NAV is not fair value.

This tension mirrors what we observe in secondary markets more broadly. Private market transactions, whether LP-led secondaries or GP-led continuation funds, often occur at discounts to NAV, reflecting a combination of illiquidity, uncertainty, and differences between modeled value and executable price. The fact that these discounts persist across cycles suggests they are not anomalies but structural features of private markets.

Figure 2: PE Secondary Price / NAV

GP-Led	<80%	81-90%	91-95%	96-100%	>100%
Single Asset CV					
2025	4%	9%	20%	59%	8%
2024	6%	6%	16%	60%	12%
Multi Asset CV					
2025	5%	11%	15%	68%	1%
2024	6%	6%	16%	60%	12%

LP-Led	Buyout	VC	Credit	Infra	RE
2025	92%	75%	94%	94%	72%
2024	92%	76%	91%	95%	65%

Source: Lazard and Evercore Secondary Market Reports

The key question, then, is how much weight should be given to public market signals when marking private assets.

There are good reasons not to solely consider indications of value derived from public market prices. Public BDCs embed factors beyond underlying asset value, including management fees, leverage structures, tax considerations, and investor sentiment. Discounts may also reflect technical factors such as retail flows or closed-end fund dynamics. In stressed environments, public markets can overshoot to the downside, just as they can overshoot to the upside.

However, dismissing public market data entirely is equally problematic. Public BDC pricing represents continuous, arms-length transactions among informed participants.

It incorporates forward-looking expectations about credit losses, refinancing risk, and the cost of liquidity.

The current environment suggests that private marks are lagging the price signals from the public markets. This divergence raises a broader issue: whether “sticky” marks are themselves contributing to market instability.

If investors believe NAVs are overstated, or even just slow to adjust, they may seek liquidity preemptively. The result is a feedback loop similar to the “reflexivity” described in the context of semi-liquid funds: redemption requests increase, liquidity becomes constrained, and secondary transactions occur at discounts that reinforce concerns about valuation.

Recent developments in private credit markets support this view. Rising redemption requests, gating provisions, and increased secondary activity all point to a growing demand for liquidity. In this context, discounts observed in public BDCs and secondary transactions may be less a sign of dislocation and more an early indication of where private marks will ultimately converge.

None of this implies that private credit is fundamentally mispriced or that NAVs are broadly incorrect. Loans will either repay at par or they will not. Over time, realized outcomes, not interim marks, will determine returns. But the path to those outcomes matters, particularly for investors with liquidity needs or finite investment horizons.

For valuation professionals, public market data alone should not dictate private marks, but it cannot be ignored. It provides a real-time check on assumptions embedded in valuation models, particularly around discount rates, recovery expectations, and liquidity.



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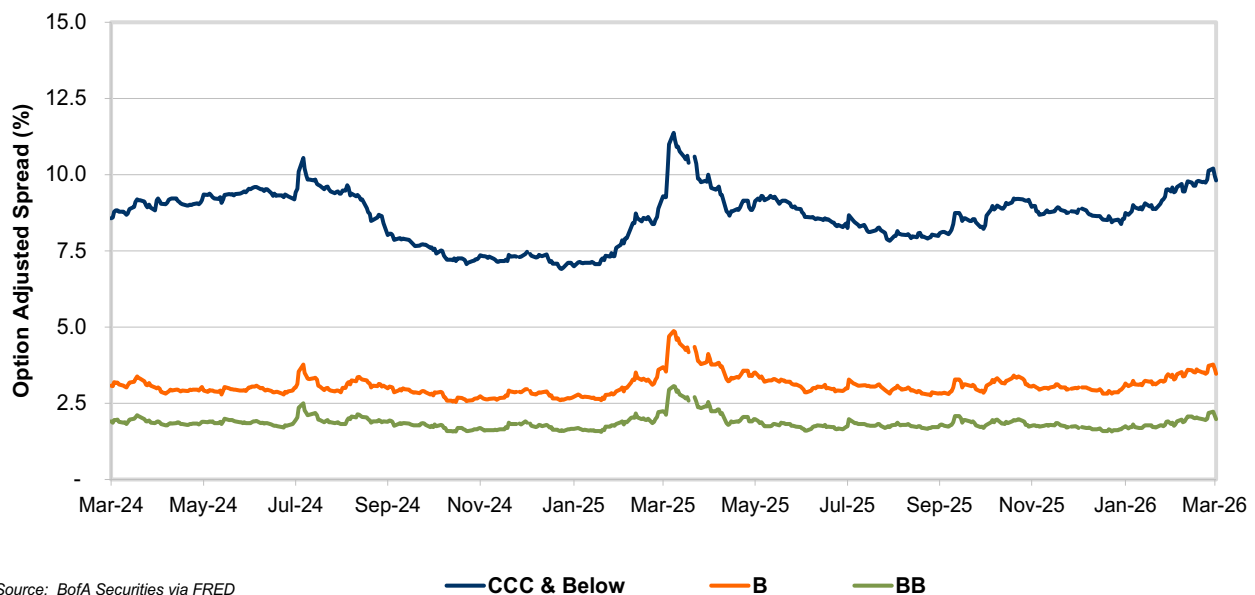
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Private Credit and Equity

After a relatively benign 2025, credit spreads began to widen somewhat in early 2026, particularly for lower-quality issuers. While macro concerns played a role, a more subtle driver has been emerging: uncertainty around AI's longer-term impact on business models and cash flow durability. As investors think harder about which companies may see margin pressure or demand shifts sooner than expected, they have become less willing to extend credit on yesterday's assumptions.

That does not mean the market suddenly has clarity on how AI will reshape the economy. It simply means investors are demanding a bit more compensation for uncertainty. Spreads are still well below levels typically associated with real stress, but they are no longer sending an "all clear" signal either. If nothing else, the market is reminding us that risk tends to reprice before it fully reveals itself.

Debt Investments: High Yield Spreads by Credit Rating

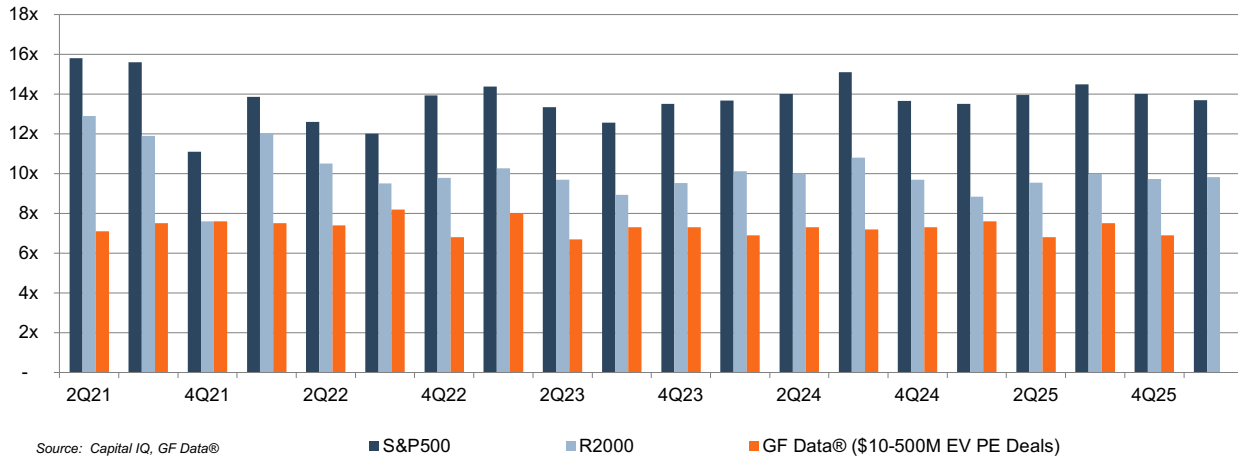


Source: BofA Securities via FRED

Middle-market valuation multiples appear relatively stable in recent quarters, especially when compared to the volatility seen in public markets. As shown in the chart, on the next page, multiples have settled into a narrower range following the reset from 2021 highs, suggesting a market that has found a more consistent footing, at least on paper.

That stability, however, sits somewhat at odds with the more dynamic signals coming from public markets. While transaction-based data reflects where deals are getting done, it does not capture the same real-time repricing seen elsewhere. The result is a market that looks steady in reported valuations, even as broader market indicators suggest a more cautious tone. In other words, the numbers may not be moving much, but the conversation around them certainly is.

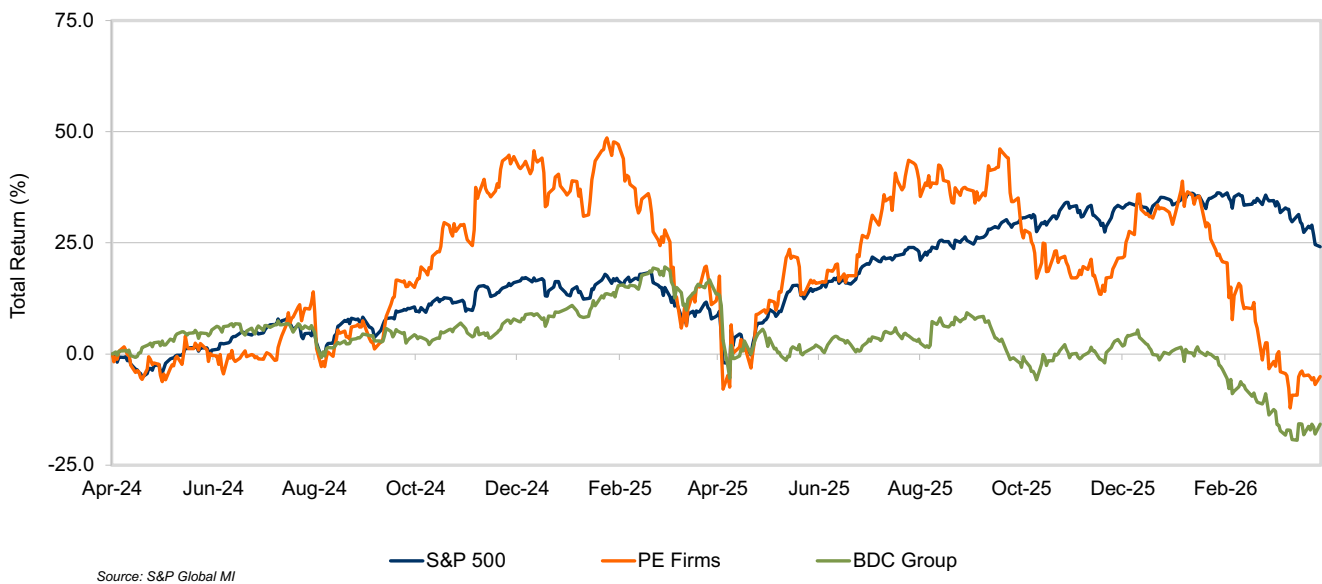
Equity Valuation: EBITDA Multiples Over Time



Public PE firms and BDCs lagged the broader market during the early-2026 volatility, which is generally what happens when investors become less comfortable with credit exposure and liquidity-sensitive business models. This chart below is best read as a measure of sentiment toward the private markets ecosystem as expressed through public securities.

When the public market gets cautious, it does not wait for quarterly valuations or updated marks, it reprices immediately. That dynamic does not necessarily mean private portfolios are misvalued, but it does highlight how quickly expectations can shift. In that sense, public performance often serves as an early signal of changing risk appetite, even if the underlying assets have not yet been re-marked.

Stock Performance for Publicly Traded PE Sponsors: Total Returns (Trailing Twelve Months)

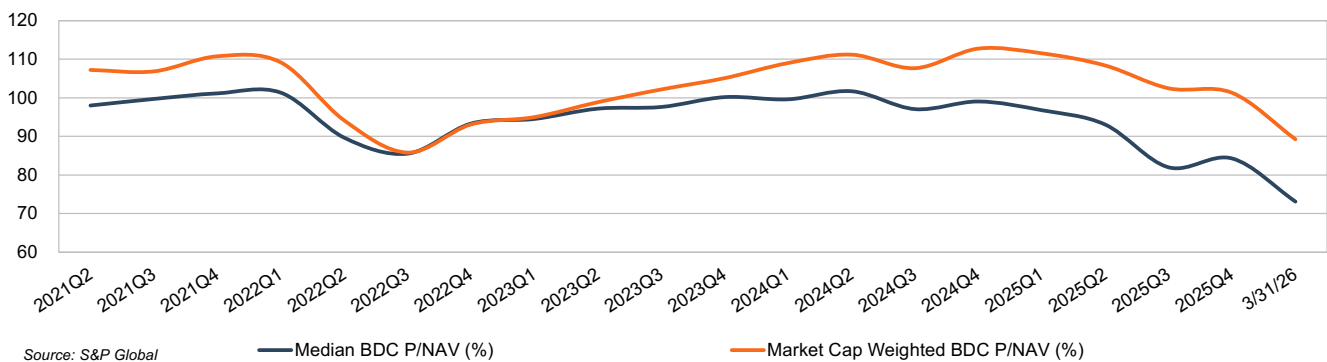


Publicly Traded Private Credit

BDC discounts to NAV remain one of the more straightforward signals in the market. When publicly traded BDCs trade below their reported NAV, investors are effectively applying a haircut to those values, whether due to credit concerns, liquidity preferences, or simply a desire for a margin of safety.

In the context of the broader discussion around private marks, this chart carries added weight. Public markets are continuously setting prices based on available information and forward expectations, and those prices are not always aligned with reported NAVs. That does not make either side “right,” but it does highlight the tension between modeled values and executable prices, one that tends to matter most when liquidity is tested.

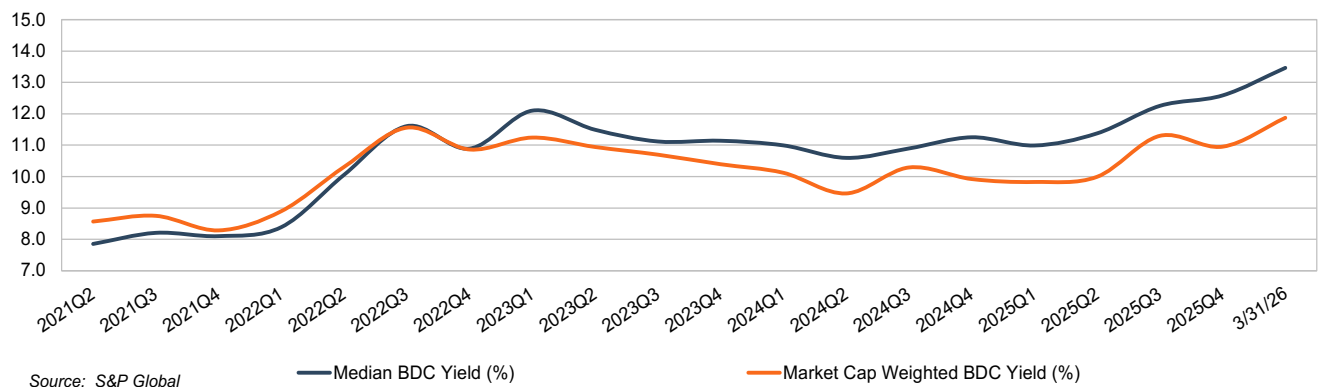
Price / NAV for Publicly Traded Business Development Companies



BDC yields remain elevated relative to recent history, continuing to draw interest from investors focused on income. The chart below shows that, even as conditions have shifted, the yield profile of the sector has remained intact and, in many cases, still compelling on a relative basis.

At the same time, higher yields tend to invite a closer look. Investors are increasingly asking not just how much income is being generated, but how durable that income is across different scenarios. In that sense, yield is doing double duty: it is both the primary attraction and a reflection of how the market is pricing the underlying risk.

Long-Term Dividend Yield Trend

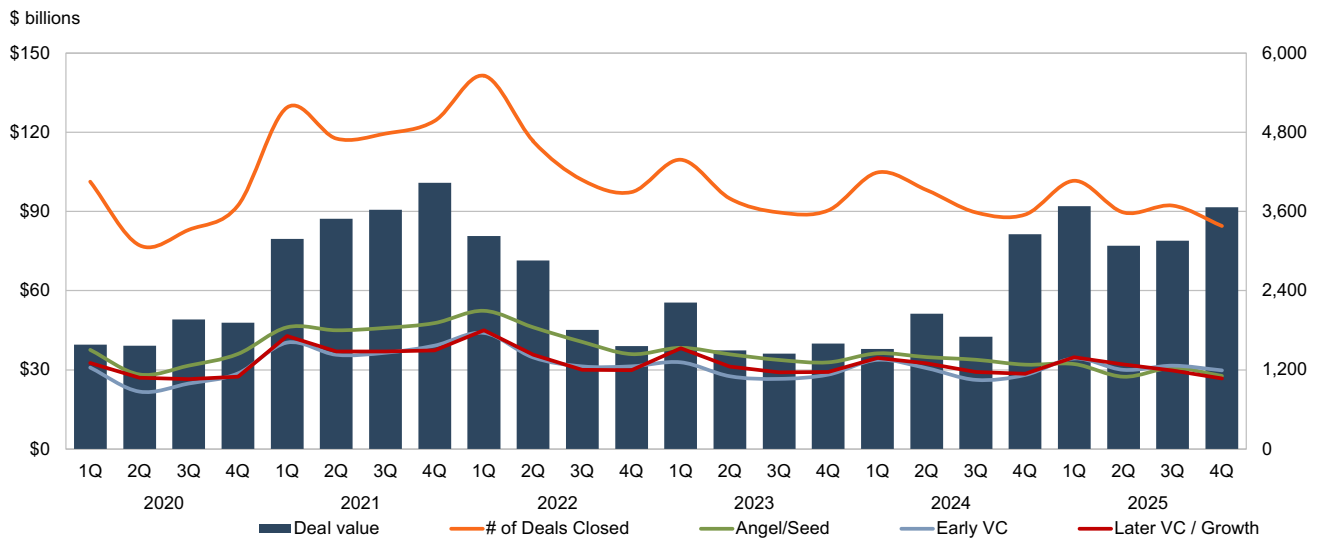


Venture Capital

Venture deal activity tells a mixed story. Total deal value has moved higher, particularly into 2025, but the number of deals has not followed the same trajectory. Capital is being deployed, but into fewer opportunities.

That dynamic suggests a more selective market rather than a broad-based recovery. Larger rounds are getting done, but the overall pace of activity remains measured. It is a reminder that while capital has returned in part, it is doing so with more focus and less urgency than in prior cycles.

U.S. VC-Backed Funding Activity



Source: Pitchbook/NVCA Venture Monitor

Exit activity improved in 2025, with IPOs becoming a more meaningful component of the mix compared to the prior three years. That shift matters, as IPOs provide one of the clearest avenues for real-time price discovery in private markets.

Even so, the recovery has been incremental rather than decisive. The IPO window has opened more frequently, but not consistently enough to clear the broader backlog of unrealized investments. Still, relative to the recent past, the increase in IPO activity suggests that public markets are beginning to re-engage, albeit cautiously.

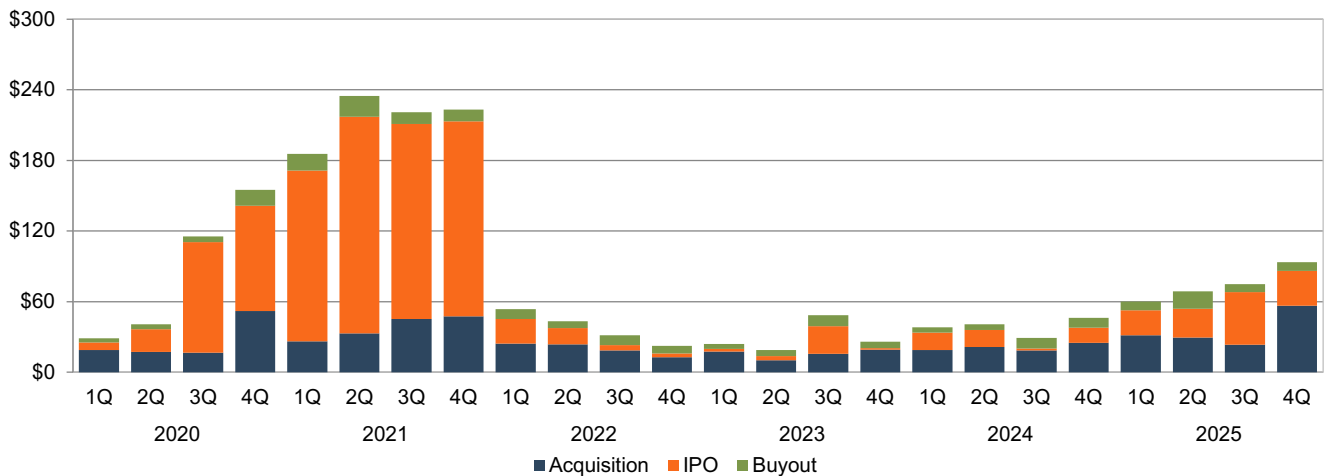
U.S. VC-Backed Exit Activity

\$ billions



U.S. VC Backed Exit Activity by Exit Type (\$ billions exited)

\$ billions



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