

BARINGS

2019 Annual Report



BARINGS BDC, INC.

Dear Shareholders,

2019 was the first full year with Barings LLC as the investment manager and steward of your capital invested in Barings BDC. I want to take this opportunity to thank you again for the trust you continue to place in us. The past year was productive, as we continued to implement our investment strategy to build a portfolio of high quality assets to deliver stable risk-adjusted returns for our shareholders. We remain on track with the pace of asset rotation into middle-market loans that we outlined when Barings became the external manager, and we are confident that our ability to capitalize on the breadth and depth of the Barings platform will provide ample opportunities to source high quality investments going forward. Importantly, we continue to demonstrate our commitment to aligning our interests with shareholders, as Barings currently owns 27.9% of the outstanding shares of Barings BDC alongside you.

As a reminder, after the close of the externalization transaction in August 2018, we set out investing an all-cash balance sheet into a diverse portfolio of more than \$1 billion in broadly syndicated loans, with a strategy to rotate those loans into directly originated, predominantly first lien senior secured debt investments diversified across a wide range of industries. During 2019, we grew the directly originated loan portfolio to over \$556 million, up from \$231 million at the beginning of the year, while the liquid broadly syndicated loan portfolio was selectively reduced to \$510 million. The increased earnings resulting from this asset rotation allowed us to ramp the fourth quarter 2019 dividend to \$0.15 per share, up from \$0.10 per share in the fourth quarter of 2018.

Also during 2019, Barings' multi-geographic focus, structuring expertise and management experience drove a number of tangible benefits for Barings BDC. The Barings global investment platform allowed us to geographically diversify Barings BDC's investment portfolio with eight European private debt investments, with further opportunities in this area for 2020 and beyond. The company also benefited from Barings' experience in the CLO market, completing a debt securitization in May 2019. Finally, our joint venture with the State of South Carolina Retirement Systems Group Trust ("SCRS") was an affirmation of the Barings' platform and shareholder focus, and we view SCRS's \$500 million commitment to the joint venture as a significant vote of confidence in Barings. The joint venture began investing during the second half of the year, and will provide meaningful investment capacity in a wide range of assets classes for Barings BDC and further diversify our investment portfolio.

Other key financial and operational highlights for fiscal year 2019 included:

Net investment income of \$30.6 million, or \$0.61 per share.

New middle-market private debt investments of over \$410 million across 39 portfolio companies.

Paid quarterly dividends totaling \$0.54 per share.

Net asset value, or NAV, of \$11.66 per share at December 31, 2019 versus \$10.98 per share at December 31, 2018.

NAV accretion of \$0.07 per share through repurchases of 4.5% of Barings BDC's outstanding shares in connection with the repurchase plan announced in February.

Strengthened and diversified the balance sheet following the closing of the five-year, \$800 million revolving credit facility in February to fund middle-market investments and the \$449 million term debt securitization, or static CLO, in May to match-fund the majority of our broadly syndicated loan assets.

In 2020, we will continue our disciplined rotation into predominantly first lien loans to middle-market companies, prioritizing capital preservation and seeking stable risk-adjusted returns. Please be confident that we take the responsibility of investing and managing your capital seriously, and Barings LLC's significant investment in Barings BDC is a testament to our alignment with your interests. On behalf of our Board of Directors and Barings, thank you for your continued support.

Kind regards,



Eric Lloyd
Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 814-00733

Barings BDC, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

06-1798488

(I.R.S. Employer Identification No.)

**300 South Tryon Street, Suite 2500
Charlotte, North Carolina**

(Address of principal executive offices)

28202

(Zip Code)

Registrant's telephone number, including area code:

(704) 805-7200

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.001 per share	BBDC	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting common stock held by non-affiliates of the registrant (assuming solely for the purpose of this disclosure that all executive officers, directors and 10% or more stockholders of the registrant are "affiliates") as of June 28, 2019, based on the closing price on that date of \$9.84 on the New York Stock Exchange, was \$359,401,434.

The number of shares outstanding of the registrant's common stock on February 27, 2020 was 48,950,803.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to the registrant's 2020 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of the registrant's fiscal year, are incorporated by reference in Part III of this Annual Report on Form 10-K as indicated herein.

BARINGS BDC, INC.
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For the Fiscal Year Ended December 31, 2019

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements regarding the plans and objectives of management for future operations. Any such forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "seek," "estimate," "continue," "believe," "intend," "target," "goals," "project," "plan," "forecast," "project," "potential," other variations on these words or comparable terminology, or the negative of these words. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the factors discussed in Item 1A entitled "Risk Factors" in Part I of this Annual Report on Form 10-K and elsewhere in this Annual Report on Form 10-K. Other factors that could cause actual results to differ materially include changes in the economy and future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this Annual Report on Form 10-K on information available to us on the date of this Annual Report on Form 10-K, and we assume no obligation to update any such forward-looking statements, unless we are required to do so by applicable law. However, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the Securities and Exchange Commission, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

PART I

Item 1. *Business.*

Organization

We are a Maryland corporation incorporated on October 10, 2006. We currently operate as a closed-end, non-diversified investment company and have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We have elected for federal income tax purposes to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"), for tax purposes.

Our headquarters are in Charlotte, North Carolina, and our Internet address is www.baringsbdc.com. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the "SEC"). Copies of this Annual Report on Form 10-K and other reports are also available without charge upon written request to us.

The Asset Sale and Externalization Transactions

On April 3, 2018, we entered into an asset purchase agreement (the "Asset Purchase Agreement"), with BSP Asset Acquisition I, LLC (the "Asset Buyer"), an affiliate of Benefit Street Partners L.L.C. ("BSP"), pursuant to which we agreed to sell our December 31, 2017 investment portfolio to the Asset Buyer for gross proceeds of \$981.2 million in cash, subject to certain adjustments to take into account portfolio activity and other matters occurring since December 31, 2017 (such transaction referred to herein as the "Asset Sale Transaction").

Also on April 3, 2018, we entered into a stock purchase and transaction agreement (the "Externalization Agreement"), with Barings LLC ("Barings") through which Barings agreed to become our investment adviser in exchange for (1) a payment by Barings of \$85.0 million, or approximately \$1.78 per share, directly to our stockholders, (2) an investment by Barings of \$100.0 million in newly issued shares of our common stock at net asset value and (3) a commitment from Barings to purchase up to \$50.0 million of shares of our common stock in the open market at prices up to and including our then-current net asset value per share for a two-year period, after which Barings agreed to use any remaining funds from the \$50.0 million to purchase additional newly-issued shares of our common stock at the greater of our then-current net asset value per share or market price (collectively, the "Externalization Transaction"). The Asset Sale Transaction and the Externalization Transaction are collectively referred to as the "Transactions." The Transactions were approved by our stockholders at our July 24, 2018 special meeting of stockholders (the "2018 Special Meeting").

The Asset Sale Transaction closed on July 31, 2018. The gross cash proceeds received from the Asset Buyer and certain affiliates of the Asset Buyer in connection with the Asset Sale Transaction were approximately \$793.3 million, after adjustments to take into account portfolio activity and other matters occurring since December 31, 2017, as described in greater detail in the Asset Purchase Agreement. Adjustments to the purchase price included, among other things, approximately \$208.8 million of principal payments and prepayments, sales proceeds and distributions related to our investment portfolio that were received and retained by us between December 31, 2017 and the closing of the Asset Sale Transaction, offset by approximately \$29.5 million of loans and equity investments originated by us between December 31, 2017 and the closing of the Asset Sale Transaction.

Our former wholly-owned subsidiaries, Triangle Mezzanine Fund LLLP ("Triangle SBIC"), Triangle Mezzanine Fund II LP ("Triangle SBIC II"), and Triangle Mezzanine Fund III LP ("Triangle SBIC III"), were specialty finance limited partnerships that were formed to make investments primarily in lower middle-market companies located throughout the United States. Each of Triangle SBIC, Triangle SBIC II and Triangle SBIC III held licenses to operate as Small Business Investment Companies ("SBICs"), under the authority of the United States Small Business Administration ("SBA"). In connection with the closing of the Asset Sale Transaction, we repaid all of our outstanding SBA-guaranteed debentures and surrendered the SBIC licenses held by Triangle SBIC,

Triangle SBIC II, and Triangle SBIC III. Triangle SBIC, Triangle SBIC II, and Triangle SBIC III were dissolved during the year ended December 31, 2019.

The Externalization Transaction closed on August 2, 2018 (the "Externalization Closing"). Effective as of the Externalization Closing, we changed our name from Triangle Capital Corporation to Barings BDC, Inc. and on August 3, 2018, began trading on the New York Stock Exchange ("NYSE") under the symbol "BBDC."

Prior to the Externalization Transaction, we were internally managed by our executive officers under the supervision of our Board of Directors (the "Board"). During this period, we did not pay management or advisory fees, but instead incurred the operating costs associated with employing executive management and investment and portfolio management professionals. In connection with the closing of the Externalization Transaction, we entered into an investment advisory agreement (the "Advisory Agreement") and an administration agreement (the "Administration Agreement") with Barings, pursuant to which Barings serves as our investment adviser and administrator and manages our investment portfolio which initially consisted primarily of the cash proceeds received in connection with the Asset Sale Transaction. In addition, on August 2, 2018, we issued 8,529,917 shares of our common stock to Barings at a price of \$11.723443 per share, or an aggregate of \$100.0 million in cash.

Furthermore, on August 7, 2018, we launched a \$50.0 million issuer tender offer (the "Tender Offer"). Pursuant to the Tender Offer, we purchased 4,901,961 shares of our common stock at a purchase price of \$10.20 per share, for an aggregate cost of approximately \$50.0 million, excluding fees and expenses relating to the Tender Offer. The shares of common stock purchased in the Tender Offer represented approximately 8.7% of our issued and outstanding shares at the time of the Tender Offer.

On September 24, 2018, Barings entered into a Rule 10b5-1 Purchase Plan (the "10b5-1 Plan") that qualified for the safe harbors provided by Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Pursuant to the 10b5-1 Plan, an independent broker made purchases of shares of our common stock on the open market on behalf of Barings in accordance with purchase guidelines specified in the 10b5-1 Plan. The 10b5-1 Plan was established in accordance with Barings obligation under the Externalization Agreement to enter into a trading plan pursuant to which Barings committed to purchase \$50.0 million in value of shares in open market transactions through an independent broker. The maximum aggregate purchase price of all shares purchased under the 10b5-1 Plan was \$50.0 million. On February 11, 2019, Barings fulfilled its obligations under the 10b5-1 Plan to purchase an aggregate amount of \$50.0 million in shares of our common stock and the 10b5-1 Plan terminated in accordance with its terms. Upon completion of the 10b5-1 Plan, Barings had purchased 5,084,302 shares of our common stock pursuant to the 10b5-1 Plan and as of December 31, 2019, owned a total of 13,639,681 shares of our common stock, or 27.9% of the total shares outstanding.

Overview of Our Business

Prior to the Transactions, our business was to provide capital to lower middle-market companies located primarily in the United States. We focused on investments in companies with a history of generating revenues and positive cash flows, an established market position and a proven management team with a strong operating discipline. Our target portfolio company had annual revenues between \$20.0 million and \$300.0 million and annual earnings before interest, taxes, depreciation and amortization, as adjusted ("Adjusted EBITDA") between \$5.0 million and \$75.0 million. We invested primarily in senior and subordinated debt securities of privately held companies, generally secured by security interests in portfolio company assets. In addition, we generally invested in one or more equity instruments of the borrower, such as direct preferred or common equity interests. Our investments generally ranged from \$5.0 million to \$50.0 million per portfolio company.

Beginning August 2, 2018, Barings shifted our investment focus to invest in syndicated senior secured loans, bonds and other fixed income securities. Since that time, Barings has been transitioning our portfolio to senior secured private debt investments in performing, well-established middle-market businesses that operate across a wide range of industries. Barings' existing SEC co-investment exemptive relief under the 1940 Act (the "Exemptive Relief") permits us and Barings' affiliated private and SEC-registered funds to co-invest in Barings-originated loans, which allows Barings to efficiently implement its senior secured private debt investment strategy for us.

Barings employs fundamental credit analysis, and targets investments in businesses with relatively low levels of cyclical and operating risk. The hold size of each position will generally be dependent upon a number of factors including total facility size, pricing and structure, and the number of other lenders in the facility. Barings has experience managing levered vehicles, both public and private, and will seek to enhance our returns through the use of leverage with a prudent approach that prioritizes capital preservation. Barings believes this strategy and approach offers attractive risk/return with lower volatility given the potential for fewer defaults and greater resilience through market cycles.

Relationship with Our Adviser

Our investment adviser, Barings, a wholly-owned subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"), is a leading global asset management firm and is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Barings' primary investment capabilities include fixed income, private credit, real estate, equity, and alternative investments. Subject to the overall supervision of the Board, Barings' Global Private Finance Group ("Barings GPF") manages our day-to-day operations, and provides investment advisory and management services to us. Barings GPF is part of Barings' \$251.7 billion Global Fixed Income Platform that invests in liquid, private and structured credit. Barings GPF manages private funds and separately managed accounts, along with multiple public vehicles.

Among other things, Barings (i) determines the composition of our portfolio, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identifies, evaluates and negotiates the structure of the investments made by us; (iii) executes, closes, services and monitors the investments that we make; (iv) determines the securities and other assets that we will purchase, retain or sell; (v) performs due diligence on prospective portfolio companies and (vi) provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our funds.

Under the terms of the Administration Agreement, Barings has agreed to perform (or oversee, or arrange for, the performance of) the administrative services necessary for our operation, including, but not limited to, office facilities, equipment, clerical, bookkeeping and record keeping services at such office facilities and such other services as Barings, subject to review by the Board, will from time to time determine to be necessary or useful to perform its obligations under the Administration Agreement. Barings will also, on our behalf and subject to oversight by the Board, arrange for the services of, and oversee, custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, valuation experts, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. Barings is responsible for the financial and other records that we are required to maintain and will prepare all reports and other materials that we are required to file with the SEC or any other regulatory authority.

Stockholder Approval of Reduced Asset Coverage Ratio

On July 24, 2018, our stockholders voted at the 2018 Special Meeting to approve a proposal to authorize us to be subject to a reduced asset coverage ratio of at least 150% under the 1940 Act. As a result of the stockholder approval at the 2018 Special Meeting, effective July 25, 2018, our applicable asset coverage ratio under the 1940 Act has been decreased to 150% from 200%. As a result, we are now permitted under the 1940 Act to incur indebtedness at a level that is more consistent with a portfolio of senior secured debt. As of December 31, 2019, our asset coverage ratio was 184.5%.

Our Business Strategy

We seek attractive returns by generating current income primarily from directly-originated debt investments in middle-market companies located primarily in the United States. We also have investments in middle-market companies located outside the United States. Our strategy includes the following components:

- *Leveraging Barings GPF's Origination and Portfolio Management Resources.* Barings GPF has over 75 investment professionals located in six different offices in the U.S., Europe, Australia/New Zealand and Asia. These regional investment teams have been working together in their respective regions for a number

of years and have extensive experience advising, investing in and lending to companies across changing market cycles. In addition, the individual members of these teams have diverse investment backgrounds, with prior experience at investment banks, commercial banks, and privately and publicly held companies. We believe this diverse experience provides an in-depth understanding of the strategic, financial and operational challenges and opportunities of middle-market companies.

- *Utilizing Long-Standing Relationships to Source Investments.* Barings GPFG has worked diligently over decades to build strategic relationships with private equity firms globally. Barings GPFG's long history of providing consistent, predictable capital to middle-market sponsors, even in periods of market dislocation, has earned Barings and us a reputation as a reliable partner. Barings GPFG also maintains extensive personal relationships with entrepreneurs, financial sponsors, attorneys, accountants, investment bankers, commercial bankers and other non-bank providers of capital who refer prospective portfolio companies to us. These relationships historically have generated significant investment opportunities. We believe that this network of relationships will continue to produce attractive investment opportunities.
- *Focusing on the Middle-Market.* We primarily invest in middle-market transactions. These companies tend to be privately owned, often by a private equity sponsor, and are companies that typically generate annual Adjusted EBITDA of \$10.0 million to \$75.0 million.
- *Providing One-Stop Customized Financing Solutions.* Barings GPFG's ability to commit to and originate larger hold positions (in excess of \$200 million) in a given transaction is a differentiator to middle-market private equity sponsors. In today's market, it has become increasingly important to have the ability to underwrite an entire transaction, providing financial sponsors with certainty of close. Barings GPFG offers a variety of financing structures and has the flexibility to structure investments to meet the needs of our portfolio companies. Currently, we invest primarily in senior secured loans. In addition, in certain limited instances, we may invest in equity instruments of our portfolio companies, such as direct preferred or common equity interests.
- *Applying Consistent Underwriting Policies and Active Portfolio Management.* We believe robust due diligence on each investment is paramount due to the lack of an active secondary market. With limited ability to liquidate holdings, private credit investors must take a longer-term, "originate-to-hold" investment approach. Barings GPFG has implemented underwriting policies and procedures that are followed for each potential transaction. This consistent and proven fundamental underwriting process includes a thorough analysis of each potential portfolio company's competitive position, financial performance, management team operating discipline, growth potential and industry attractiveness, which Barings GPFG believes allows it to better assess the company's prospects. After closing, Barings GPFG maintains ongoing access to both the sponsor and portfolio company management in order to closely monitor investments and suggest or require remedial actions as needed to avoid a default.
- *Maintaining Portfolio Diversification.* While we focus our investments in middle-market companies, we seek to invest across various industries and in both United States-based and foreign-based companies. Barings GPFG monitors our investment portfolio to ensure we have acceptable industry balance, using industry and market metrics as key indicators. By monitoring our investment portfolio for industry balance, we seek to reduce the effects of economic downturns associated with any particular industry or market sector. Notwithstanding our intent to invest across a variety of industries, we may from time to time hold securities of a single portfolio company that comprise more than 5.0% of our total assets and/or more than 10.0% of the outstanding voting securities of the portfolio company. For that reason, we are classified as a non-diversified management investment company under the 1940 Act.

Investments

Debt Investments

The terms of our debt investments are tailored to the facts and circumstances of each transaction and prospective portfolio company, negotiating a structure that seeks to protect lender rights and manage risk while creating incentives for the portfolio company to achieve its business plan. We also seek to limit the downside risks of our investments by negotiating covenants that are designed to protect our investments while affording our portfolio companies as much flexibility in managing their businesses as possible. Such restrictions may include affirmative and negative covenants, default penalties, lien protections, change of control provisions, put rights and a pledge of the operating companies' stock which provides us with additional exit options in downside scenarios. Other lending protections may include term loan amortization, excess cash flow sweeps (effectively additional term loan amortization), limitations on a company's ability to make acquisitions, maximums on capital expenditures and limits on allowable dividends and distributions. Further, up-front closing fees of typically 1-3% of the loan amount act effectively as pre-payment protection given the cost to a company to refinance early.

Prior to the Transactions, we invested in senior and subordinated debt securities of privately-held lower middle-market companies, generally secured by security interests in portfolio company assets. Our senior and subordinated debt investments generally had terms of three to seven years, did not have scheduled amortization and were due at maturity. Our legacy senior secured debt investments generally provided for variable interest at rates ranging from LIBOR plus 550 basis points to LIBOR plus 950 basis points per annum. In addition, our legacy subordinated debt investments generally provided for fixed interest rates between 10.0% and 15.0% per annum. Our subordinated debt investments generally were secured by a second priority security interest in the assets of the borrower and generally included an equity component, such as common stock in the portfolio company. In addition, certain loan investments had PIK interest.

Beginning on August 2, 2018, Barings shifted our investment focus to initially invest the proceeds from the Asset Sale Transaction and the stock sale to Barings in syndicated senior secured loans, bonds and other fixed income securities. Over time, Barings expects to continue to transition our portfolio to senior secured private debt investments in performing, well-established middle-market businesses that operate across a wide range of industries. As of December 31, 2019, approximately \$556.9 million, or 52.2% of our investment portfolio (excluding our investment in our joint venture and short-term money market funds) was invested in senior secured, middle-market, private debt investments and approximately \$509.9 million, or 47.8% of our investment portfolio (excluding our investment in our joint venture and short-term money market funds), was invested in syndicated senior secured loans. Our senior secured, middle-market, private debt investments generally have terms of between five and seven years, and generally bear interest at rates ranging from LIBOR (or the applicable currency rate for investments in foreign currencies) plus 450 basis points to LIBOR plus 650 basis points per annum. Our syndicated senior secured loans generally bear interest at rates ranging from LIBOR plus 300 basis points to LIBOR plus 400 points per annum. At December 31, 2019, the weighted average yield on our senior secured, middle-market, private debt portfolio was approximately 7.0% and the weighted average yield on our syndicated senior secured loan portfolio was approximately 5.4%.

Equity Investments

On a limited basis, we may acquire equity interests in portfolio companies. In such cases, we generally seek to structure our equity investments as non-control investments that provide us with minority rights.

Investment Criteria

We utilize the following criteria and guidelines in evaluating investment opportunities. However, not all of these criteria and guidelines have been, or will be, met in connection with each of our investments.

- *Established Companies With Positive Cash Flow.* We seek to invest in later-stage or mature companies with a proven history of generating positive cash flows. We typically focus on companies with a history of profitability and trailing twelve-month Adjusted EBITDA ranging from \$10.0 million to \$75.0 million.

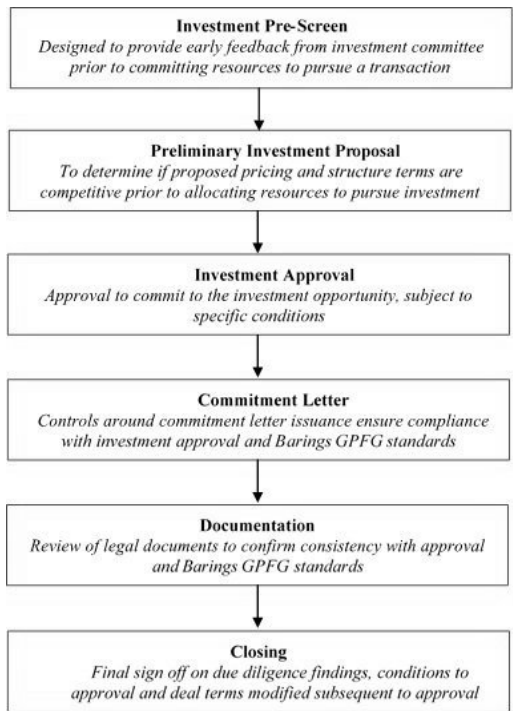
- *Experienced Management Teams.* Based on our prior investment experience, we believe that a management team with significant experience with a portfolio company or relevant industry experience is essential to the long-term success of the portfolio company. We believe management teams with these attributes are more likely to manage the companies in a manner that protects our debt investment.
- *Strong Competitive Position.* We seek to invest in companies that have developed strong positions within their respective markets, are well positioned to capitalize on growth opportunities and compete in industries with barriers to entry. We also seek to invest in companies that exhibit a competitive advantage, which may help to protect their market position and profitability.
- *Varied Customer and Supplier Bases.* We prefer to invest in companies that have varied customer and supplier bases. Companies with varied customer and supplier bases are generally better able to endure economic downturns, industry consolidation and shifting customer preferences.
- *Significant Invested Capital.* We believe the existence of significant underlying equity value provides important support to investments. We seek to identify portfolio companies that we believe have well-structured capital beyond the layer of the capital structure in which we invest.

Investment Process

Our investment origination and portfolio monitoring activities are performed by Barings GPFG. Barings GPFG has an investment committee that is responsible for all aspects of the investment process. The investment committee is comprised of six members, including our Chief Executive Officer, Eric Lloyd and our President, Ian Fowler. The investment process is designed to maximize risk-adjusted returns, minimize non-performing assets and avoid investment losses. In addition, the investment process is also designed to provide sponsors and prospective portfolio companies with efficient and predictable deal execution.

Origination

Our origination process is summarized in the following chart:



Investment Pre-Screen

The investment pre-screen process begins with a review of an offering memorandum or other high-level prospect information by an investment originator. A fundamental bottoms-up credit analysis is prepared and independent third-party research is gathered in addition to the information received from the sponsor. The investment group focuses on a prospective investment's fundamentals, sponsor/source and proposed investment structure. This review may be followed by a discussion between the investment originator and an investment group head to identify investment opportunities that should be passed on, either because they fall outside of Barings GPF's stated investment strategy or offer an unacceptable risk-adjusted return. If the originator and investment group head agree that an investment opportunity is worth pursuing, a credit analyst assists the originator with preparation of a screening memorandum. The screening memorandum is discussed internally with the investment group head and other senior members of the investment group, and in certain instances, the investment group head may elect to review the screening memorandum with the investment committee prior to the preliminary investment proposal.

Preliminary Investment Proposal

Following the screening memorandum discussion, if the decision is made by the investment group head to pursue an investment opportunity, key pricing and structure terms may be communicated to the prospective borrower verbally or via a non-binding standard preliminary term sheet in order to determine whether the proposed terms are competitive.

Investment Approval

Upon acceptance by a sponsor/prospective borrower of preliminary key pricing and structure terms, the investment process continues with formal due diligence. The investment team attends meetings with the prospective portfolio company's management, reviews historical and forecasted financial information and third-party diligence reports, conducts research to support preparation of proprietary financial models including both base case and downside scenarios, valuation analyses, and ultimately, an underwriting memorandum for review by the investment committee. In order for an investment to be made by us, the investment must be approved by a majority affirmative vote of the investment committee.

Commitment Letter

For investments that require written confirmation of commitment, commitment letters must be approved by Barings GPF's internal legal team. Commitment letters include customary conditions as well as any conditions specified by the investment committee. Such conditions could include, but are not limited to, specific confirmatory due diligence, minimum pre-close Adjusted EBITDA, minimum capitalization, satisfactory documentation, satisfactory legal due diligence and absence of material adverse change. Unless specified by the investment committee as a condition to approval, commitment letters need not include final investment committee approval as a condition precedent.

Documentation

Once an investment opportunity has been approved, negotiation of definitive legal documents occurs, usually simultaneously with completion of any third-party confirmatory due diligence. Typically, legal documentation will be reviewed by Barings GPF's internal legal team or by outside legal counsel to ensure that our security interest can be perfected and that all other terms of the definitive loan documents are consistent with the terms approved by the investment committee.

Closing

A closing memorandum is provided to the investment committee. The closing memorandum addresses final investment structure and pricing terms, the sources and uses of funds, any variances from the original approved terms, an update related to the prospect's financial performance and, if warranted, updates to internal financial models. The closing memorandum also addresses each of the specific conditions to the approval of the investment by the investment committee, including results of confirmatory due diligence with any exceptions or abnormalities

highlighted, and includes an analysis of financial covenants with a comparison to the financial forecast prepared by management.

Portfolio Management and Investment Monitoring

Our portfolio management and investment monitoring processes are overseen by Barings GPFG. Barings GPFG's portfolio management process is designed to maximize risk-adjusted returns and identify non-performing assets well in advance of potentially adverse events in order to mitigate investment losses. Key aspects of the Barings GPFG investment and portfolio management process include:

- *Culture of Risk Management.* The investment team that approves an investment monitors the investment's performance through repayment. We believe this practice encourages accountability by connecting investment team members with the long-term performance of the investment. This also allows us to leverage the underwriting process, namely the comprehensive understanding of the risk factors associated with the investment that an investment team develops during underwriting. In addition, we foster continuous interaction between investment teams and the investment committee. This frequent communication encourages the early escalation of issues to members of the investment committee to leverage their experience and expertise well in advance of potentially adverse events.
- *Ongoing Monitoring.* Each portfolio company is assigned to an analyst who is responsible for the ongoing monitoring of the investment. Upon receipt of information (financial or otherwise) relating to an investment, a preliminary review is performed by the analyst in order to assess whether the information raises any issues that require increased attention. Particular consideration is given to information which may impact the value of an asset. In the event that something material is identified, the analyst is responsible for notifying the relevant members of the deal team and investment committee.
- *Quarterly Portfolio Reviews.* All investments are reviewed on at least a quarterly basis. The quarterly portfolio reviews provide a forum to evaluate the current status of each asset and identify any recent or long-term performance trends, either positive or negative, that may affect its current valuation.
- *Focus Credit List Reviews.* Certain credits are deemed to be on the "Focus Credit List" and are reviewed on a more frequent basis. These reviews typically occur monthly but can occur more or less frequently based on situational factors and the availability of updated information from the company. During these reviews, the investment team provides an update on the situation and discusses potential courses of action with the investment committee to ensure any mitigating steps are taken in a timely manner.
- *Sponsor Relationships.* We invest primarily in transactions backed by a private equity sponsor and when evaluating investment opportunities, we take into account the strength of the sponsor (e.g., track record, sector expertise, strategy, governance, follow-on investment capacity, relationship with Barings GPFG). Having a strong relationship and staying in close contact with sponsors and management during not only the underwriting process but also throughout the life of the investment allows us to engage the sponsor and management early to address potential covenant breaks or other issues.
- *Robust Investment and Portfolio Management System.* Barings' investment and portfolio management system serves as the central repository of data used for investment management, including both company-level metrics (e.g., probability of default, Adjusted EBITDA, geography) and asset-level metrics (e.g., price, spread/coupon, seniority). Barings GPFG portfolio management has established a required set of data that analysts must update quarterly, or more frequently when appropriate, in order to produce a one-page summary for each company, known as tearsheets, which are used during quarterly portfolio reviews.

Valuation Process and Determination of Net Asset Value

The most significant estimate inherent in the preparation of our financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. We have a valuation policy, as well as established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring (quarterly) basis in accordance with the 1940 Act and FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"). Our current valuation policy and processes were established by Barings and were approved by the Board.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For our portfolio securities, fair value is generally the amount that we might reasonably expect to receive upon the current sale of the security. The fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous market for the security. If no market for the security exists or if we do not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market.

Under ASC Topic 820, there are three levels of valuation inputs, as follows:

Level 1 Inputs – include quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs – include inputs that are unobservable and significant to the fair value measurement.

A financial instrument is categorized within the ASC Topic 820 valuation hierarchy based upon the lowest level of input to the valuation process that is significant to the fair value measurement. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized as Level 3 investments within the tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

Our investment portfolio includes certain debt and equity instruments of privately held companies for which quoted prices or other inputs falling within the categories of Level 1 and Level 2 are generally not available. In such cases, we determine the fair value of our investments in good faith primarily using Level 3 inputs. In certain cases, quoted prices or other observable inputs exist, and if so, we assess the appropriateness of the use of these third-party quotes in determining fair value based on (i) our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer and (ii) the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company.

There is no single standard for determining fair value in good faith, as fair value depends upon the specific circumstances of each individual investment. The recorded fair values of our Level 3 investments may differ significantly from fair values that would have been used had an active market for the securities existed. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see “Risk Factors — Risks Relating to Our Business and Structure — Our investment portfolio is and will continue to be recorded at fair value as determined in good faith by our Board of Directors and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments” included in Item 1A of Part I of this Annual Report on Form 10-K.

Investment Valuation Process

Barings has established a Pricing Committee that is, subject to the oversight of the Board, responsible for the approval, implementation and oversight of the processes and methodologies that relate to the pricing and valuation of assets we hold. Barings uses internal pricing models, in accordance with internal pricing procedures established by the Pricing Committee, to price an asset in the event an acceptable price cannot be obtained from an approved external source.

Barings reviews its valuation methodologies on an ongoing basis and updates are made accordingly to meet changes in the marketplace. Barings has established internal controls to ensure our valuation process is operating in an effective manner. Barings (1) maintains valuation and pricing procedures that describe the specific methodology

used for valuation and (2) approves and documents exceptions and overrides of valuations. In addition, the Pricing Committee performs an annual review of valuation methodologies.

Our money market fund investments are generally valued using Level 1 inputs and our syndicated senior secured loans are generally valued using Level 2 inputs. Our senior secured, middle-market, private debt investments will generally be valued using Level 3 inputs.

Beginning in the fourth quarter of 2018, we engaged an independent valuation firm to provide third-party valuation consulting services at the end of each quarter, which consist of certain limited procedures that we identified and requested the valuation firm to perform (hereinafter referred to as the "Procedures"). The Procedures generally consist of a review of the quarterly fair values of our middle-market investments, and are generally performed with respect to each investment every quarter beginning in the quarter after the investment is made. In certain instances, we may determine that it is not cost-effective, and as a result is not in the stockholders' best interests, to request the independent valuation firm to perform the Procedures on certain investments. Such instances include, but are not limited to, situations where the fair value of the investment in the portfolio company is determined to be insignificant relative to the total investment portfolio.

Upon completion of the Procedures, the valuation firm comes to a conclusion as to whether, with respect to each investment reviewed by the valuation firm, the fair value of those investments subjected to the Procedures appeared reasonable. Finally, the Board determines in good faith whether our investments were valued at fair value in accordance with our valuation policies and procedures and the 1940 Act based on, among other things, the input of Barings, our Audit Committee and the independent valuation firm.

Beginning with the first quarter of 2020, we revised our valuation process to require that the Procedures generally be performed with respect to each middle-market investment at least once in every calendar year and for new investments, at least once in the twelve-month period subsequent to the initial investment. In addition, the Procedures will generally be performed with respect to an investment where there has been a significant change in the fair value or performance of the investment.

For a further discussion of the Procedures, see the section entitled "Critical Accounting Policies and Use of Estimates — Investment Valuation" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of Part II of this Annual Report on Form 10-K.

Investment Valuation Inputs and Techniques

Our valuation techniques are based upon both observable and unobservable pricing inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. We determine the estimated fair value of our loans and investments using primarily an income approach. Generally, an independent pricing service provider is the preferred source of pricing a loan, however, to the extent the independent pricing service provider price is unavailable or not relevant and reliable, we may use broker quotes. We attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security.

Market Approach

We value our syndicated senior secured loans using values provided by independent pricing services that have been approved by the Barings' Pricing Committee. The prices received from these pricing service providers are based on yields or prices of securities of comparable quality, type, coupon and maturity and/or indications as to value from dealers and exchanges. We seek to obtain two prices from the pricing services with one price representing the primary source and the other representing an independent control valuation. We evaluate the prices obtained from brokers or independent pricing service providers based on available market information, including trading activity of the subject or similar securities, or by performing a comparable security analysis to ensure that

fair values are reasonably estimated. We also perform back-testing of valuation information obtained from independent pricing service providers and brokers against actual prices received in transactions. In addition to ongoing monitoring and back-testing, we perform due diligence procedures surrounding independent pricing service providers to understand their methodology and controls to support their use in the valuation process.

Income Approach

We utilize an Income Approach model in valuing our private debt investment portfolio, which consists of middle-market senior secured loans with floating reference rates. As independent pricing service provider and broker quotes have not historically been consistently relevant and reliable, the fair value is determined using an internal index-based pricing model that takes into account both the movement in the spread of one or more performing credit indices as well as changes in the credit profile of the borrower. The implicit yield for each debt investment is calculated at the date the investment is made. This calculation takes into account the acquisition price (par less any upfront fee) and the relative maturity assumptions of the underlying asset. As of each balance sheet date, the implied yield for each investment is reassessed, taking into account changes in the discount margin of the baseline index, probabilities of default and any changes in the credit profile of the issuer of the security, such as fluctuations in operating levels and leverage. If there is an observable price available on a comparable security/issuer, it is used to calibrate the internal model. The implied yield used within the model is considered a significant unobservable input. As such, these assets are generally classified within Level 3. If the valuation process for a particular debt investment results in a value above par, the value is typically capped at the greater of the principal amount plus any prepayment penalty in effect or 100% of par on the basis that a market participant is likely unwilling to pay a greater amount than that at which the borrower could refinance.

Fair value measurements using the Income Approach model can be sensitive to changes in one or more of the inputs. Assuming all other inputs to the Income Approach model remain constant, any increase (decrease) in the discount margin of the baseline index for a particular debt security would result in a lower (higher) fair value for that security. Assuming all other inputs to the Income Approach model remain constant, any improvement (decline) in the credit profile of the issuer of a particular debt security would result in a higher (lower) fair value for that security.

Enterprise Value Waterfall Approach

In valuing equity securities, we estimate fair value using an "Enterprise Value Waterfall" valuation model. We estimate the enterprise value of a portfolio company and then allocate the enterprise value to the portfolio company's securities in order of their relative liquidation preference. In addition, the model assumes that any outstanding debt or other securities that are senior to our equity securities are required to be repaid at par. Generally, the waterfall proceeds flow from senior debt tranches of the capital structure to junior and subordinated debt, followed by each class or preferred stock and finally the common stock. Additionally, we may estimate the fair value of a debt security using the Enterprise Value Waterfall approach when we do not expect to receive full repayment.

To estimate the enterprise value of the portfolio company, we primarily use a valuation model based on a transaction multiple, which generally is the original transaction multiple, and measures of the portfolio company's financial performance. In addition, we consider other factors, including but not limited to (i) offers from third parties to purchase the portfolio company, (ii) the implied value of recent investments in the equity securities of the portfolio company, (iii) publicly available information regarding recent sales of private companies in comparable transactions and (iv) when management believes there are comparable companies that are publicly traded, we perform a review of these publicly traded companies and the market multiple of their equity securities. For certain non-performing assets, we may utilize the liquidation or collateral value of the portfolio company's assets in our estimation of enterprise value.

The significant Level 3 inputs to the Enterprise Value Waterfall model are (i) an appropriate transaction multiple and (ii) a measure of the portfolio company's financial performance, which generally is either Adjusted EBITDA, or revenues. Such inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. In determining the operating results input, we utilize the most recent portfolio company financial statements and forecasts available as of the valuation date. Management also consults with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues. Additionally, we consider some or all of the following factors:

- financial standing of the issuer of the security;
- comparison of the business and financial plan of the issuer with actual results;
- the size of the security held;
- pending reorganization activity affecting the issuer, such as merger or debt restructuring;
- ability of the issuer to obtain needed financing;
- changes in the economy affecting the issuer;
- financial statements and reports from portfolio company senior management and ownership;
- the type of security, the security's cost at the date of purchase and any contractual restrictions on the disposition of the security;
- information as to any transactions or offers with respect to the security and/or sales to third parties of similar securities;
- the issuer's ability to make payments and the type of collateral;
- the current and forecasted earnings of the issuer;
- statistical ratios compared to lending standards and to other similar securities;
- pending public offering of common stock by the issuer of the security;
- special reports prepared by analysts; and
- any other factors we deem pertinent with respect to a particular investment.

Fair value measurements using the Enterprise Value Waterfall model can be sensitive to changes in one or more of the inputs. Assuming all other inputs to the Enterprise Value Waterfall model remain constant, any increase (decrease) in either the transaction multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher (lower) fair value for that security.

Valuation of Investment in Jocassee

We estimate the fair value of our joint venture investment in Jocassee Partners LLC, or Jocassee, using the net asset value of Jocassee and our ownership percentage. The net asset value of Jocassee is determined in accordance with the specialized accounting guidance for investment companies.

Quarterly Net Asset Value Determination

We determine the net asset value per share of our common stock on at least a quarterly basis. The net asset value per share is equal to the value of our total assets minus total liabilities and any preferred stock outstanding divided by the total number of shares of common stock outstanding.

Managerial Assistance

As a BDC, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance typically involves, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Barings provides such services on our behalf to portfolio companies that request this assistance. We may receive fees for these services.

Exit Strategies/Refinancing

While we generally exit most investments through the refinancing or repayment of our debt, we typically assist our portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies. We may also assist in the structure, timing, execution and transition of these exit strategies.

Competition

We compete for investments with a number of investment funds including public funds, private equity funds, other BDCs, as well as traditional financial services companies such as commercial banks and other sources of financing. Some of these entities have greater financial and managerial resources than we do. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider more investments and establish more relationships than we do. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC.

We use the expertise of the investment professionals of Barings to assess investment risks and determine appropriate pricing for our investments in portfolio companies. We believe the relationship we have with Barings enables us to learn about, and compete for financing opportunities with companies in middle-market businesses that operate across a wide range of industries. For additional information concerning the competitive risks we face, see "Risk Factors — Risks Relating to Our Business and Structure — We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses" included in Item 1A of Part I of this Annual Report on Form 10-K.

Brokerage Allocation and Other Practices

We did not pay any brokerage commissions during the three years ended December 31, 2019 in connection with the acquisition and/or disposal of our investments. We generally acquire and dispose of our investments in privately negotiated transactions; therefore, we infrequently use brokers in the normal course of our business. Barings is primarily responsible for the execution of any publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. We do not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, if we use a broker, we may select a broker based partly upon brokerage or research services provided to us. In return for such services, we may pay a higher commission than other brokers would charge if we determine in good faith that such commission is reasonable in relation to the services provided.

Dividend Reinvestment Plan

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our common stockholders, unless a common stockholder elects to receive cash as provided below. As a result, if the Board authorizes, and we declare, a cash dividend, then our common stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends.

No action will be required on the part of a registered common stockholder to have his or her cash dividend reinvested in shares of our common stock. A registered common stockholder may elect to receive an entire dividend in cash by notifying Computershare, Inc., the “Plan Administrator” and our transfer agent and registrar, in writing so that such notice is received by the Plan Administrator no later than the record date for dividends to common stockholders. The Plan Administrator will set up an account for shares acquired through the plan for each common stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a common stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the Plan Administrator will, instead of crediting shares to the participant’s account, issue a certificate registered in the participant’s name for the number of whole shares of our common stock and a check for any fractional share. Those common stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, so long as our shares are trading at or above net asset value. If our shares are trading below net asset value, we intend to purchase shares in the open market in connection with our implementation of the plan. If we use newly issued shares to implement the plan, the number of shares to be issued to a common stockholder is determined by dividing the total dollar amount of the dividend payable to such common stockholder by the market price per share of our common stock at the close of regular trading on the NYSE on the dividend payment date. Market price per share on that date will be the closing price for such shares on the NYSE or, if no sale is reported for such day, at the average of their reported bid and asked prices. If we purchase shares in the open market to implement the plan, the number of shares to be issued to a common stockholder is determined by dividing the total dollar amount of the dividend payable to such common stockholder by the average price per share for all shares purchased by the Plan Administrator in the open market in connection with the dividend. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our common stockholders have been tabulated.

There will be no brokerage charges or other charges to common stockholders who participate in the plan. However, certain brokerage firms may charge brokerage charges or other charges to their customers. We will pay the Plan Administrator’s fees under the plan. If a participant elects by written notice to the Plan Administrator to have the Plan Administrator sell part or all of the shares held by the Plan Administrator in the participant’s account and remit the proceeds to the participant, the Plan Administrator is authorized to deduct a \$15.00 transaction fee plus a \$0.10 per share brokerage commission from the proceeds.

Common stockholders who receive dividends in the form of stock generally are subject to the same federal, state and local tax consequences as are common stockholders who elect to receive their dividends in cash. A common stockholder’s basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the common stockholder. Any stock received in a dividend will have a holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. common stockholder’s account. Stock received in a dividend may generate a wash sale if such shareholder sold out stock at a realized loss within 30 days either before or after such dividend.

Participants may terminate their accounts under the plan by notifying the Plan Administrator via its website at www.computershare.com/investor, by filling out the transaction request form located at the bottom of their statement and sending it to the Plan Administrator at Computershare, Inc., P.O. Box 505000, Louisville, Kentucky 40233 or by calling the Plan Administrator at (866) 228-7201.

We may terminate the plan upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the Plan Administrator by mail at Computershare, Inc., P.O. Box 505000, Louisville, Kentucky 40233.

Employees

The services necessary for our business are provided by individuals who are employees of Barings, pursuant to the terms of our Advisory Agreement and our Administration Agreement. Each of our executive officers is an employee of Barings and our day-to-day investment activities are managed by Barings. In addition, as of December 31, 2019, we employed two administrative professionals.

Management Agreements

On August 2, 2018, we entered into the Advisory Agreement and the Administration Agreement with Barings, an investment adviser registered under the Advisers Act. Our then-current board of directors unanimously approved the Advisory Agreement at an in-person meeting on March 22, 2018. Our stockholders approved the Advisory Agreement at the 2018 Special Meeting.

Advisory Agreement

Pursuant to the Advisory Agreement, Barings manages our day-to-day operations and provides us with investment advisory services. Among other things, Barings (i) determines the composition of our portfolio, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identifies, evaluates and negotiates the structure of our investments; (iii) executes, closes, services and monitors the investments that we make; (iv) determines the securities and other assets that we will purchase, retain or sell; (v) performs due diligence on prospective portfolio companies and (vi) provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our funds.

The Advisory Agreement provides that, absent fraud, willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Barings, and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with Barings (collectively, the "IA Indemnified Parties"), are entitled to indemnification from us for any damages, liabilities, costs, demands, charges, claims and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the IA Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of us or our security holders) arising out of any actions or omissions or otherwise based upon the performance of any of Barings' duties or obligations under the Advisory Agreement or otherwise as our investment adviser. Barings' services under the Advisory Agreement are not exclusive, and Barings is generally free to furnish similar services to other entities so long as its performance under the Advisory Agreement is not adversely affected.

Barings has entered into a personnel-sharing arrangement with its affiliate, Barings International Investment Limited ("BIIL"). BIIL is a wholly-owned subsidiary of Baring Asset Management Limited, which in turn is an indirect, wholly-owned subsidiary of Barings. Pursuant to this arrangement, certain employees of BIIL may serve as "associated persons" of Barings and, in this capacity, subject to the oversight and supervision of Barings, may provide research and related services, and discretionary investment management and trading services (including acting as portfolio managers) to us on behalf of Barings. This arrangement is based on no-action letters of the staff of the SEC that permit SEC-registered investment advisers to rely on and use the resources of advisory affiliates or "participating affiliates," subject to the supervision of that SEC-registered investment adviser. BIIL is a "participating affiliate" of Barings, and the BIIL employees are "associated persons" of Barings.

Under the Advisory Agreement, we pay Barings (i) a base management fee (the "Base Management Fee") and (ii) an incentive fee (the "Incentive Fee") as compensation for the investment advisory and management services it provides us thereunder.

Base Management Fee

The Base Management Fee is calculated based on our gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents, at an annual rate of:

- 1.0% for the period from August 2, 2018 through December 31, 2018;
- 1.125% for the period commencing on January 1, 2019 through December 31, 2019; and
- 1.375% for all periods thereafter.

The Base Management Fee is payable quarterly in arrears on a calendar quarter basis. The Base Management Fee is calculated based on the average value of our gross assets, excluding cash and cash equivalents, at the end of the two most recently completed calendar quarters prior to the quarter for which such fees are being calculated. Base Management Fees for any partial month or quarter are appropriately pro-rated.

Incentive Fee

The Incentive Fee is comprised of two parts: (1) a portion based on our pre-incentive fee net investment income (the "Income-Based Fee") and (2) a portion based on the net capital gains received on our portfolio of securities on a cumulative basis for each calendar year, net of all realized capital losses and all unrealized capital depreciation for that same calendar year (the "Capital Gains Fee").

The Income-Based Fee is calculated as follows:

- (i) For each quarter from and after August 2, 2018 through December 31, 2019 (the "Pre-2020 Period"), the Income-Based Fee is calculated and payable quarterly in arrears based on the Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter for which such fees are being calculated. In respect of the Pre-2020 Period, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence, managerial assistance and consulting fees or other fees that we receive from portfolio companies) accrued during the relevant calendar quarter, minus our operating expenses for such quarter (including the Base Management Fee, expenses payable under the Administration Agreement, any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.
- (ii) For each quarter beginning on and after January 1, 2020 (the "Post-2019 Period"), the Income-Based Fee will be calculated and payable quarterly in arrears based on the Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter and the eleven preceding calendar quarters (or such fewer number of preceding calendar quarters counting each calendar quarter beginning on or after January 1, 2020) (each such period will be referred to as the "Trailing Twelve Quarters") for which such fees are being calculated and will be payable promptly following the filing of the Company's financial statements for such quarter. In respect of the Post-2019 Period, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence, managerial assistance and consulting fees or other fees that we receive from portfolio companies) accrued during the relevant Trailing Twelve Quarters, minus our operating expenses for such Trailing Twelve Quarters (including the Base Management Fee, expenses payable under the Administration Agreement, any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee) divided by the number of quarters that comprise the relevant Trailing Twelve Quarters. Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.
- (iii) Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets (defined as total assets less senior securities constituting indebtedness and preferred stock) at the end of the calendar quarter for which such fees are being calculated, is compared to a "hurdle rate", expressed as a rate of return on the value of our net assets at the end of the most recently completed calendar quarter, of 2% per quarter (8% annualized). We pay Barings the Income-Based Fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows:
 - (1) (a) With respect to the Pre-2020 Period, no Income-Based Fee for any calendar quarter in which our Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) does not exceed the hurdle rate;

- (b) With respect to the Post-2019 Period, no Income-Based Fee for any calendar quarter in which our Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) does not exceed the hurdle rate;
- (2) (a) With respect to the Pre-2020 Period, 100% of our Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income for such quarter, if any, that exceeds the hurdle rate but is less than 2.5% (10% annualized) (the "Pre-2020 Catch-Up Amount"). The Pre-2020 Catch-Up Amount is intended to provide Barings with an incentive fee of 20% on all of our Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) when our Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) reaches 2% per quarter (8% annualized);
- (b) With respect to the Post-2019 Period, 100% of our Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) with respect to that portion of the Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above), if any, that exceeds the hurdle rate but is less than 2.5% (10% annualized) (the "Post-2019 Catch-Up Amount"). The Post-2019 Catch-Up Amount is intended to provide Barings with an incentive fee of 20% on all of our Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) when our Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) reaches 2% per quarter (8% annualized);
- (3) (a) With respect to the Pre-2020 Period, 20% of the amount of our Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) for such quarter, if any, that exceeds the Pre-2020 Catch-Up Amount; and
- (b) With respect to the Post-2019 Period, 20% of the amount of our Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above), if any, that exceeds the Post-2019 Catch-Up Amount.

However, with respect to the Post-2019 Period, the Income-Based Fee paid to Barings will not be in excess of the Incentive Fee Cap. With respect to the Post-2019 Period, the "Incentive Fee Cap" for any quarter is an amount equal to (a) 20% of the Cumulative Net Return (as defined below) during the relevant Trailing Twelve Quarters minus (b) the aggregate Income-Based Fee that was paid in respect of the first eleven calendar quarters (or the portion thereof) included in the relevant Trailing Twelve Quarters.

Cumulative Net Return means (x) the aggregate net investment income in respect of the relevant Trailing Twelve Quarters minus (y) any Net Capital Loss (as defined below), if any, in respect of the relevant Trailing Twelve Quarters. If, in any quarter, the Incentive Fee Cap is zero or a negative value, we pay no Income-Based Fee to Barings for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is a positive value but is less than the Income-Based Fee that is payable to Barings for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, we pay an Income-Based Fee to Barings equal to the Incentive Fee Cap for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is equal to or greater than the Income-Based Fee that is payable to Barings for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, we pay an Income-Based Fee to Barings equal to the Income-Based Fee calculated as described above for such quarter without regard to the Incentive Fee Cap.

Net Capital Loss in respect of a particular period means the difference, if positive, between (i) aggregate capital losses, whether realized or unrealized, in such period and (ii) aggregate capital gains, whether realized or unrealized, in such period.

The Capital Gains Fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement), commencing with the calendar year ending on December 31, 2018, and is calculated at the end of each applicable year by subtracting (1) the sum of our cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (2) our cumulative aggregate realized capital gains, in each case calculated from August 2, 2018. If such amount is positive at the end of such year, then the Capital Gains

Fee payable for such year is equal to 20% of such amount, less the cumulative aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee payable for such year. If the Advisory Agreement is terminated as of a date that is not a calendar year end, the termination date will be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee.

Payment of Company Expenses

Under the Advisory Agreement, all investment professionals of Barings and its staff, when and to the extent engaged in providing services required to be provided by Barings under the Advisory Agreement, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by Barings and not by us, except that all costs and expenses relating to our operations and transactions, including, without limitation, those items listed in the Advisory Agreement, will be borne by us.

Duration and Termination of Advisory Agreement

The Advisory Agreement has an initial term of two years, or until August 2, 2020. Thereafter, it will continue to renew automatically for successive annual periods so long as such continuance is specifically approved at least annually by: (i) the vote of the Board, or by the vote of stockholders holding a majority of our outstanding voting securities; and (ii) the vote of a majority of our independent directors, in either case, in accordance with the requirements of the 1940 Act. The Advisory Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice, by: (a) by vote of a majority of the Board or by vote of a majority of our outstanding voting securities (as defined in the 1940 Act); or (b) Barings. Furthermore, the Advisory Agreement will automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the 1940 Act).

Administration Agreement

Under the terms of the Administration Agreement, Barings performs (or oversees, or arranges for, the performance of) the administrative services necessary for our operation, including, but not limited to, office facilities, equipment, clerical, bookkeeping and record-keeping services at such office facilities and such other services as Barings, subject to review by the Board, from time to time, determines to be necessary or useful to perform its obligations under the Administration Agreement. Barings also, on our behalf and subject to oversight by the Board, arranges for the services of, and oversees, custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, valuation experts, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable.

We are required to reimburse Barings for the costs and expenses incurred and billed to us by Barings in performing its obligations and providing personnel and facilities under the Administration Agreement, or such lesser amount as may be agreed to in writing by us and Barings from time to time. If we and Barings agree to a reimbursement amount for any period which is less than the full amount otherwise permitted under the Administration Agreement, then Barings will not be entitled to recoup any difference thereof in any subsequent period or otherwise. The costs and expenses incurred by Barings on our behalf under the Administration Agreement include, but are not limited to:

- the allocable portion of Barings' rent for our Chief Financial Officer and Chief Compliance Officer and their respective staffs, which is based upon the allocable portion of the usage thereof by such personnel in connection with their performance of administrative services under the Administration Agreement;
- the allocable portion of the salaries, bonuses, benefits and expenses of our Chief Financial Officer and Chief Compliance Officer and their respective staffs, which is based upon the allocable portion of the time spent by such personnel in connection with performing administrative services for us under the Administration Agreement;

- the actual cost of goods and services used for us and obtained by Barings from entities not affiliated with us, which is reasonably allocated to us on the basis of assets, revenues, time records or other methods conforming with generally accepted accounting principles;
- all fees, costs and expenses associated with the engagement of a sub-administrator, if any; and
- costs associated with (a) the monitoring and preparation of regulatory reporting, including registration statements and amendments thereto, prospectus supplements, and tax reporting, (b) the coordination and oversight of service provider activities and the direct cost of such contractual matters related thereto and (c) the preparation of all financial statements and the coordination and oversight of audits, regulatory inquiries, certifications and sub-certifications.

The Administration Agreement has an initial term of two years, or until August 2, 2020, and thereafter will continue automatically for successive annual periods so long as such continuance is specifically approved at least annually by the Board, including a majority of the independent directors. The Administration Agreement may be terminated at any time, without the payment of any penalty, by vote of our directors, or by Barings, upon 60 days' written notice to the other party. The Administration Agreement may not be assigned by a party without the consent of the other party.

Election to be Regulated as a Business Development Company and Regulated Investment Company

We are a closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, we have elected to be treated as a RIC under Subchapter M of the Code. Our election to be regulated as a BDC and our election to be treated as a RIC for U.S. federal income tax purposes have a significant impact on our operations. Some of the most important effects on our operations of our election to be regulated as a BDC and our election to be treated as a RIC are outlined below.

- **We report our investments at market value or fair value with changes in value reported through our consolidated statements of operations.**

In accordance with the requirements of Article 6 of Regulation S-X, we report all of our investments, including debt investments, at market value or, for investments that do not have a readily available market value, at their "fair value" as determined in good faith by the Board. Changes in these values are reported through our statements of operations under the caption of "net unrealized appreciation (depreciation) of investments." See "Valuation Process and Determination of Net Asset Value" above.

- **We intend to distribute substantially all of our income to our stockholders. We generally will be required to pay income taxes only on the portion of our taxable income we do not distribute, actually or constructively, to stockholders.**

As a RIC, so long as we meet certain minimum distribution, source-of-income and asset diversification requirements, we generally are required to pay U.S. federal income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains. We intend to distribute to our stockholders substantially all of our income. We may, however, make deemed distributions to our stockholders of any retained net long-term capital gains. If this happens, our stockholders will be treated as if they received an actual distribution of the net capital gains and reinvested the net after-tax proceeds in us. Our stockholders also may be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable share of the corporate-level U.S. federal income tax we pay on the deemed distribution. See "Material U.S. Federal Income Tax Considerations." We met the minimum distribution requirements for 2017, 2018 and 2019 and continually monitor our distribution requirements with the goal of ensuring compliance with the Code.

In addition, we have one wholly-owned taxable subsidiary, or the Taxable Subsidiary, which holds a portion of one or more of our portfolio investments that are listed on the Consolidated Schedule of Investments. The Taxable Subsidiary is consolidated for financial reporting purposes in accordance with U.S. GAAP, so that our consolidated financial statements reflect our investments in the portfolio companies owned by the Taxable Subsidiary. The purpose of the Taxable Subsidiary is to permit us to hold certain interests in portfolio companies that are organized as partnerships or limited liability companies, or LLCs (or other forms of pass-

through entities) and still satisfy the RIC tax requirement that at least 90.0% of our gross income for U.S. federal income tax purposes must consist of qualifying investment income. Absent the Taxable Subsidiary, a proportionate amount of any gross income of a partnership or LLC (or other pass-through entity) portfolio investment would flow through directly to us. To the extent that such income did not consist of investment income, it could jeopardize our ability to qualify as a RIC and therefore cause us to incur significant amounts of corporate-level U.S. federal income taxes. Where interests in partnerships or LLCs (or other pass-through entities) are owned by the Taxable Subsidiary, however, the income from such interests is taxed to the Taxable Subsidiary and does not flow through to us, thereby helping us preserve our RIC status and resultant tax advantages. The Taxable Subsidiary is not consolidated for U.S. federal income tax purposes and may generate income tax expense as a result of its ownership of the portfolio companies. This income tax expense, if any, is reflected in our Statement of Operations.

- **Our ability to use leverage as a means of financing our portfolio of investments is limited.**

As a BDC, and as a result of the stockholder vote to approve the proposal to authorize us to be subject to the reduced asset coverage ratio of at least 150% under the 1940 Act, we are required to meet a coverage ratio of total assets to total senior securities of at least 150%. For this purpose, senior securities include all borrowings and any preferred stock we may issue in the future. Additionally, our ability to continue to utilize leverage as a means of financing our portfolio of investments may be limited by this asset coverage test.

- **We are required to comply with the provisions of the 1940 Act applicable to business development companies.**

As a BDC, we are required to have a majority of directors who are not “interested” persons under the 1940 Act. In addition, we are required to comply with other applicable provisions of the 1940 Act, including those requiring the adoption of a code of ethics, fidelity bonding and investment custody arrangements. See “Regulation of Business Development Companies” below.

Exemptive Relief

As a BDC, we are required to comply with certain regulatory requirements. For example, we generally are not permitted to make loans to companies controlled by Barings or other funds managed by Barings. We are also not permitted to make any co-investments with Barings or its affiliates (including any fund managed by Barings or an investment adviser controlling, controlled by or under common control with Barings) without exemptive relief from the SEC, subject to certain exceptions. The Exemptive Relief that the SEC has granted to Barings permits certain present and future funds, including us, advised by Barings (or an investment adviser controlling, controlled by or under common control with Barings) to co-invest in suitable negotiated investments. Co-investments made under the Exemptive Relief are subject to compliance with the conditions and other requirements contained in the Exemptive Relief, which could limit our ability to participate in a co-investment transaction.

Regulation of Business Development Companies

The following is a general summary of the material regulatory provisions affecting BDCs. It does not purport to be a complete description of all of the laws and regulations affecting BDCs.

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the directors on a BDC's board of directors be persons other than “interested persons,” as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

In addition, the 1940 Act defines “a majority of the outstanding voting securities” as the lesser of (i) 67.0% or more of the voting securities present at a meeting if the holders of more than 50.0% of our outstanding voting securities are present or represented by proxy, or (ii) 50.0% of our voting securities.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70.0% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act and rules adopted pursuant thereto as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than an SBIC wholly-owned by the BDC) or a company that would be an investment company but for exclusions under the 1940 Act for certain financial companies such as banks, brokers, commercial finance companies, mortgage companies and insurance companies; and

(c) satisfies any of the following:

(i) does not have any class of securities with respect to which a broker or dealer may extend margin credit;

(ii) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company;

(iii) is a small and solvent company having total assets of not more than \$4.0 million and capital and surplus of not less than \$2.0 million;

(iv) does not have any class of securities listed on a national securities exchange; or

(v) has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250.0 million.

(2) Securities in companies that were eligible portfolio companies when we made our initial investment if certain other requirements are satisfied.

(3) Securities of any eligible portfolio company that we control.

(4) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance (other than conventional lending or financing arrangements).

(5) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60.0% of the outstanding equity of the eligible portfolio company.

(6) Securities received in exchange for or distributed on or with respect to securities described in (1) through (5) above, or pursuant to the exercise of warrants or rights relating to such securities.

(7) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2), (3) or (4) above.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70.0% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available “significant managerial assistance” means, among other things, any arrangement whereby we, through our directors, officers or employees, offer to provide, and, if accepted, do so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. Barings provides such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services.

Temporary Investments

Pending investment in other types of “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70.0% of our assets are qualifying assets. We may invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25.0% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the asset diversification tests required to maintain our tax treatment as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our management team will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

The Small Business Credit Availability Act (“SBCAA”), which was signed into law on March 23, 2018, among other things, amended Section 61(a) of the 1940 Act to add a new Section 61(a)(2) that reduces the asset coverage requirement applicable BDCs from 200% to 150% so long as the BDC meets certain disclosure requirements and obtains certain approvals. On July 24, 2018, our stockholders voted at the 2018 Special Meeting to approve a proposal to authorize us to be subject to a reduced asset coverage ratio of at least 150% under the 1940 Act. As a result of the stockholder approval at the 2018 Special Meeting, effective July 25, 2018, our applicable asset coverage ratio under the 1940 Act decreased to 150% from 200%. Thus, we are permitted, under specified conditions, to issue multiple classes of debt and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150% immediately after each such issuance. In addition, while any senior securities remain outstanding (other than senior securities representing indebtedness issued in consideration of a privately arranged loan which is not intended to be publicly distributed), we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5.0% of the value of our total assets for temporary purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Risk Factors — Risks Relating to Our Business and Structure — Because we intend to distribute substantially all of our income to our stockholders to maintain our tax treatment as a regulated investment company, we will continue to need additional capital to finance our growth and regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital and make distributions” included in Item 1A of Part I of this Annual Report on Form 10-K.

Code of Business Conduct and Ethics and Corporate Governance Guidelines

We and Barings have adopted a code of ethics (the “Global Code of Ethics Policy”) and corporate governance guidelines, which collectively cover ethics and business conduct. These documents apply to our and Barings' directors, officers and employees, including our principal executive officer, principal financial officer, principal

accounting officer or controller, and any person performing similar functions, and establish procedures for personal investments and restrict certain personal securities transactions. Personnel subject to the Global Code of Ethics Policy and corporate governance guidelines may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Our Global Code of Ethics Policy and corporate governance guidelines are publicly available on the Investor Relations section of our website under "Corporate Governance" at <https://ir.barings.com/governance-docs>. We will report any amendments to or waivers of a required provision of our Global Code of Ethics Policy and corporate governance guidelines on our website or in a Current Report on Form 8-K. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider that information to be part of this Annual Report on Form 10-K.

Compliance Policies and Procedures

We and Barings have adopted and implemented written policies and procedures reasonably designed to prevent violation of the U.S. federal securities laws, and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation, and to designate a chief compliance officer to be responsible for administering such policies and procedures. Michael Cowart serves as our Chief Compliance Officer.

Proxy Voting Policies and Procedures

We delegate our proxy voting responsibilities to Barings. Barings votes proxies relating to our portfolio securities in a manner which we believe will be in the best interest of our stockholders. Barings reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by us. Although Barings generally votes against proposals that may have a negative impact on our portfolio securities, they may vote for such a proposal if there exists compelling long-term reasons to do so.

The proxy voting decisions of Barings are made by the investment professionals who are responsible for monitoring each of its clients' investments. To ensure that their vote is not the product of a conflict of interest, Barings requires that: (i) anyone involved in the decision making process disclose to our chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Stockholders may, without charge, obtain information regarding how we voted proxies with respect to our portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, 300 South Tryon Street, Suite 2500, Charlotte, North Carolina 28202 or by calling our investor relations department at 888-401-1088.

Other

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of those members of the Board who are not interested persons and, in some cases, prior approval by the SEC. The 1940 Act prohibits us from making certain negotiated co-investments with affiliates unless we receive an order from the SEC permitting us to do so. Barings' existing Exemptive Relief permits us and Barings' affiliated private funds and SEC-registered funds to co-invest in loans originated by Barings, which allows Barings to implement its senior secured private debt investment strategy for us on an accelerated timeline.

We are periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

Securities Exchange Act of 1934 and Sarbanes-Oxley Act Compliance

We are subject to the reporting and disclosure requirements of the Exchange Act, including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting, and separately, our independent registered public accounting firm audits our internal controls over financial reporting; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The New York Stock Exchange Corporate Governance Regulations

The NYSE has adopted corporate governance regulations that listed companies must comply with. We believe we currently are in compliance with such corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we stay in compliance.

Material U.S. Federal Income Tax Considerations

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to us or to investors in such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar, persons who mark-to-market our shares and persons who hold our shares as part of a "straddle," "hedge" or "conversion" transaction. This summary assumes that investors hold shares of our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this Annual Report on Form 10-K and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

For purposes of our discussion, a "U.S. stockholder" means a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person.

For purposes of our discussion, a “Non-U.S. stockholder” means a beneficial owner of shares of our common stock that is neither a U.S. stockholder nor a partnership (including an entity treated as a partnership for U.S. federal income tax purposes).

If an entity treated as a partnership for U.S. federal income tax purposes (a “partnership”) holds shares of our common stock, the tax treatment of a partner or member of the partnership will generally depend upon the status of the partner or member and the activities of the partnership. A prospective stockholder that is a partner or member in a partnership holding shares of our common stock should consult his, her or its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any changes in the tax laws.

Election to be Taxed as a RIC

We have qualified and elected to be treated as a RIC under Subchapter M of the Code commencing with our taxable year ended December 31, 2007. As a RIC, we generally are not subject to corporate-level U.S. federal income taxes on any income that we distribute to our stockholders from our tax earnings and profits. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income" ("ICTI"), which is generally our net ordinary income plus the excess, if any, of realized net short-term capital gain over realized net long-term capital loss, (the "Annual Distribution Requirement"). Even if we qualify for tax treatment as a RIC, we generally will be subject to corporate-level U.S. federal income tax on our undistributed taxable income and could be subject to U.S. federal excise, state, local and foreign taxes.

Taxation as a RIC

Provided that we qualify for tax treatment as a RIC, we will not be subject to U.S. federal income tax on the portion of our ICTI and net capital gain (which we define as net long-term capital gain in excess of net short-term capital loss) that we timely distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (i) 98.0% of our ordinary income for each calendar year, (ii) 98.2% of our capital gain net income for the calendar year and (iii) any income recognized, but not distributed, in preceding years and on which we paid no U.S. federal income tax.

In order to qualify for tax treatment as a RIC for U.S. federal income tax purposes, we must, among other things:

- meet the Annual Distribution Requirement;
- qualify to be treated as a BDC or be registered as a management investment company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or foreign currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a “qualified publicly traded partnership” (as defined in the Code), or the 90% Income Test; and
- diversify our holdings so that at the end of each quarter of the taxable year:

- at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a “qualified publicly traded partnership”); and
- no more than 25% of the value of our assets is invested in the securities, other than U.S. Government securities or securities of other RICs, (i) of one issuer (ii) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of one or more “qualified publicly traded partnerships,” or the Diversification Tests.

To the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than a “qualified publicly traded partnership”), we generally must include the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than a “qualified publicly traded partnership”) will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a “qualified publicly traded partnership”) in which we are a partner for purposes of the Diversification Tests.

In order to meet the 90% Income Test, we utilize the Taxable Subsidiary, and in the future may establish additional such corporations, to hold assets from which we do not anticipate earning dividend, interest or other qualifying income under the 90% Income Test. Any investments held through a Taxable Subsidiary generally are subject to U.S. federal income and other taxes, and therefore we can expect to achieve a reduced after-tax yield on such investments.

We may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash.

Because any original issue discount or other amounts accrued will be included in our ICTI for the year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement and to avoid the 4.0% U.S. federal excise tax, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the Annual Distribution Requirement necessary to obtain and maintain RIC tax treatment under the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

Furthermore, a portfolio company in which we invest may face financial difficulty that requires us to work-out, modify or otherwise restructure our investment in the portfolio company. Any such restructuring may result in unusable capital losses and future non-cash income. Any restructuring may also result in our recognition of a substantial amount of non-qualifying income for purposes of the 90% Income Test, such as cancellation of indebtedness income in connection with the work-out of a leveraged investment (which, while not free from doubt, may be treated as non-qualifying income) or the receipt of other non-qualifying income.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Investments by us in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes, and therefore, our yield on any such securities may be reduced by such non-U.S. taxes. Stockholders will generally not be entitled to claim a credit or deduction with respect to non-U.S. taxes paid by us.

If we purchase shares in a “passive foreign investment company,” or PFIC, we may be subject to U.S. federal income tax on a portion of any “excess distribution” or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a “qualified electing fund” under the Code, or QEF, in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to it. Alternatively, we can elect to mark-to-market at the end of each taxable year our shares in a PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Under either election, we may be required to recognize in a year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% U.S. federal excise tax.

Under Section 988 of the Code, gain or loss attributable to fluctuations in exchange rates between the time we accrue income, expenses, or other liabilities denominated in a foreign currency and the time we actually collect such income or pay such expenses or liabilities are generally treated as ordinary income or loss. Similarly, gain or loss on foreign currency forward contracts and the disposition of debt denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, are also treated as ordinary income or loss.

We are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. Under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain “asset coverage” tests are met. See “Regulation of Business Development Companies — Qualifying Assets” and “Regulation of Business Development Companies — Senior Securities” above. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (i) the illiquid nature of our portfolio and/or (ii) other requirements relating to our tax treatment as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid the excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify for tax treatment as a RIC in any taxable year, we will be subject to tax in that year on all of our taxable income, regardless of whether we make any distributions to our stockholders. In that case, all of such income will be subject to corporate-level U.S. federal income tax, reducing the amount available to be distributed to our stockholders. See “Failure To Obtain RIC Tax Treatment” below.

As a RIC, we are not allowed to carry forward or carry back a net operating loss for purposes of computing our ICTI in other taxable years. U.S. federal income tax law generally permits a RIC to carry forward (i) the excess of its net short-term capital loss over its net long-term capital gain for a given year as a short-term capital loss arising on the first day of the following year and (ii) the excess of its net long-term capital loss over its net short-term capital gain for a given year as a long-term capital loss arising on the first day of the following year. Future transactions we engage in may cause our ability to use any capital loss carryforwards, and unrealized losses once realized, to be limited under Section 382 of the Code. Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the effect of these provisions.

As described above, to the extent that we invest in equity securities of entities that are treated as partnerships for U.S. federal income tax purposes, the effect of such investments for purposes of the 90% Income Test and the Diversification Tests will depend on whether or not the partnership is a “qualified publicly traded partnership” (as defined in the Code). If the entity is a “qualified publicly traded partnership,” the net income derived from such investments will be qualifying income for purposes of the 90% Income Test and will be “securities” for purposes of the Diversification Tests. If the entity is not treated as a “qualified publicly traded partnership,” however, the consequences of an investment in the partnership will depend upon the amount and type of income and assets of the partnership allocable to us. The income derived from such investments may not be qualifying income for purposes of the 90% Income Test and, therefore, could adversely affect our tax treatment as a RIC. We intend to monitor our investments in equity securities of entities that are treated as partnerships for U.S. federal income tax purposes to prevent our disqualification from tax treatment as a RIC.

We may invest in preferred securities or other securities the U.S. federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the expected tax treatment, it could affect the timing or character of income recognized, requiring us to purchase or sell securities, or otherwise change our portfolio, in order to comply with the tax rules applicable to RICs under the Code.

We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service has published guidance indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under this guidance, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). If we decide to make any distributions consistent with this guidance that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Failure to Obtain RIC Tax Treatment

If we fail to satisfy the 90% Income Test or the Diversification Tests for any taxable year, we may nevertheless continue to qualify for tax treatment as a RIC for such year if certain relief provisions are applicable (which may, among other things, require us to pay certain corporate-level federal taxes or to dispose of certain assets).

If we were unable to obtain tax treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions would generally be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits (in the case of non-corporate U.S. stockholders, generally at a maximum U.S. federal income tax rate applicable to qualified dividend income of 20%). Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder’s tax basis, and any remaining distributions would be treated as a capital gain.

If we fail to meet the RIC requirements for more than two consecutive years and then, seek to re-qualify for tax treatment as a RIC, we would be subject to corporate-level taxation on any built-in gain recognized during the succeeding five-year period unless we made a special election to recognize all such built-in gain upon our re-qualification for tax treatment as a RIC and to pay the corporate-level tax on such built-in gain.

Possible Legislative or Other Actions Affecting Tax Considerations

Prospective investors should recognize that the present U.S. federal income tax treatment of an investment in our stock may be modified by legislative, judicial or administrative action at any time, and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could affect the tax consequences of an investment in our stock. See "Risk Factors - Risk Relating to Our Business and Structure - We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business" included in Item 1A or Part I of this Annual Report on Form 10-K.

Withholding

Our distributions generally will be treated as dividends for U.S. tax purposes and will be subject to U.S. income or withholding tax unless the shareholder receiving the dividend qualifies for an exemption from U.S. tax or the distribution is subject to one of the special look-through rules described below. Distributions paid out of net capital gains can qualify for a reduced rate of taxation in the hands of an individual U.S. shareholder and an exemption from U.S. tax in the hands of a non-U.S. shareholder.

Under an exemption, properly reported dividend distributions by RICs paid out of certain interest income (such distributions, "interest-related dividends") are generally exempt from U.S. withholding tax for non-U.S. shareholders. Under such exemption, a non-U.S. shareholder generally may receive interest-related dividends free of U.S. withholding tax if the shareholder would not have been subject to U.S. withholding tax if it had received the underlying interest income directly. No assurance can be given as to whether any of our distributions will be eligible for this exemption from U.S. withholding tax or, if eligible, will be reported as such by us. In particular, the exemption does apply to distributions paid in respect of a RIC's non-U.S. source interest income, its dividend income or its foreign currency gains. In the case shares of our stock are held through an intermediary, the intermediary may withhold U.S. federal income tax even if we report the payment as a dividend eligible for the exemption.

State and Local Tax Treatment

The state and local tax treatment may differ from U.S. federal income tax treatment.

The discussion set forth herein does not constitute tax advice, and potential investors should consult their own tax advisors concerning the tax considerations relevant to their particular situation.

Available Information

We intend to make this Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, our current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act, publicly available on our website (www.baringsbdc.com) without charge as soon as reasonably practicable following our filing of such reports with the SEC. Our SEC reports can be accessed through the investor relations section of our website. The information found on our website is not part of this or any other report we file with or furnish to the SEC. We assume no obligation to update or revise any statements in this Annual Report on Form 10-K or in other reports filed with the SEC, whether as a result of new information, future events or otherwise, unless we are required to do so by law. A copy of this Annual Report on Form 10-K and our other reports is available without charge upon written request to Investor Relations, Barings BDC, Inc., 300 South Tryon Street, Suite 2500 Charlotte, North Carolina 28202. The SEC maintains an Internet site that contains reports, proxy and information statements and our other filings at www.sec.gov.

Item 1A. Risk Factors.

Investing in our securities involves a number of significant risks. In addition to the other information contained in this Annual Report on Form 10-K, you should consider carefully the following information before making an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value, the trading price of our common stock and the value of our other securities could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Structure

We are dependent upon Barings' access to its investment professionals for our success.

We depend on the diligence, skill and network of business contacts of Barings' investment professionals to source appropriate investments for us. We depend on members of Barings' investment team to appropriately analyze our investments and Barings' investment committee to approve and monitor our portfolio investments. Barings' investment committee, together with the other members of its investment team, evaluate, negotiate, structure, close and monitor our investments. Our future success depends on the continued availability of the members of Barings' investment committee and the other investment professionals available to Barings. We do not have employment agreements with these individuals or other key personnel of Barings, and we cannot provide any assurance that unforeseen business, medical, personal or other circumstances would not lead any such individual to terminate his or her relationship with Barings. If these individuals do not maintain their existing relationships with Barings and its affiliates or do not develop new relationships with other sources of investment opportunities, we may not be able to identify appropriate replacements or grow our investment portfolio. The loss of any member of Barings' investment committee or of other investment professionals of Barings and its affiliates would limit our ability to achieve our investment objectives and operate as we anticipate, which could have a material adverse effect on our financial condition, results of operations and cash flows. We expect that Barings will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Advisory Agreement. We can offer no assurance, however, that the investment professionals of Barings will continue to provide investment advice to us or that we will continue to have access to Barings' investment professionals or its information and deal flow. Further, there can be no assurance that Barings will replicate its own historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by other funds managed by Barings.

Our financial condition and results of operations will depend on our ability to manage and deploy capital effectively.

Our ability to continue to achieve our investment objectives will depend on our ability to effectively manage and deploy our capital, which will depend, in turn, on Barings' ability to continue to identify, evaluate, invest in and monitor companies that meet our investment criteria. We cannot assure you that we will continue to achieve our investment objectives.

Accomplishing this result on a cost-effective basis will be largely a function of Barings' handling of the investment process, their ability to provide competent, attentive and efficient services and our access to investments offering acceptable terms. In addition to monitoring the performance of our existing investments, Barings' investment professionals may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment.

Even if we are able to grow and build upon our investment operations in a manner commensurate with any capital made available to us as a result of our operating activities, financing activities and/or offerings of our securities, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short- and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described in this Annual Report on Form 10-K, it could negatively impact our ability to pay distributions and cause you to lose part or all of your investment.

We are subject to risks associated with the current interest rate environment and, to the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income.

To the extent we borrow money or issue debt securities or preferred stock to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities or preferred stock and the rate at which we invest these funds. In addition, all of our debt investments and borrowings, including our credit facility entered into in February 2019 with ING Capital LLC, as administrative agent, and the lenders party thereto, as amended in December 2019 (the "February 2019 Credit Facility"), the notes issued in our \$449.3 million term debt securitization in May 2019 (the "Debt Securitization"), and Barings BDC Senior Funding I, LLC's ("BSF") credit facility entered into in August 2018 with Bank of America, N.A., as amended and restated in December 2018 (the "August 2018 Credit Facility"), have floating interest rates that reset on a periodic basis, and our investments are subject to interest rate floors. As a result, a change in market interest rates could have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds will increase because the interest rates on the amounts we have borrowed are floating, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act and applicable commodities laws. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged borrowings. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations.

A rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments, which may result in an increase of the amount of incentive fees payable to Barings. Also, an increase in interest rates available to investors could make an investment in our common stock less attractive if we are not able to increase our distribution rate, which could reduce the value of our common stock.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short term repurchase agreements, backed by Treasury securities, called the Secured Overnight Financing Rate ("SOFR"). SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined. If LIBOR ceases to exist, we may need to renegotiate agreements extending beyond 2021 in connection with our borrowings, including with respect to the February 2019 Credit Facility, the Debt Securitization and the August 2018 Credit Facility, and with our portfolio companies that utilize LIBOR as a factor in determining the interest rate in order to replace LIBOR with the new standard that is established, which may have an adverse effect on our overall financial condition or results of operations. Following the replacement of LIBOR, some or all of these agreements may bear interest at a lower interest rate, which could have an adverse impact on our results of operations. Moreover, if LIBOR ceases to exist, we may need to renegotiate certain terms of our credit facilities. If we are unable to do so, amounts drawn under our credit facilities may bear interest at a higher rate, which would increase the cost of our borrowings and, in turn, affect our results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations.

Global capital markets could enter a period of severe disruption and instability or an economic recession. These conditions have historically affected and could again materially and adversely affect debt and equity capital markets in the United States and around the world and could impair our portfolio companies and harm our operating results.

The U.S. and global capital markets have from time to time experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future.

The Chinese capital markets have experienced periods of instability over the past several years. The current political climate has also intensified concerns about a potential trade war between the U.S. and China in connection with each country's recent or proposed tariffs on the other country's products. These market and economic disruptions, the potential trade war with China and the impact of public health epidemics like the coronavirus currently affecting China and the wider global community may have a material adverse impact on the ability of our portfolio companies to fulfill their end customers' orders due to supply chain delays, limited access to key commodities or technologies or other events that impact their manufacturers or their suppliers. Such events have affected, and may in the future affect, the global and U.S. capital markets, and our business, financial condition or results of operations.

In addition, the United Kingdom's withdrawal agreement to leave the European Union (the so called "Brexit") could lead to further market disruptions and currency volatility, potentially weakening consumer, corporate and financial confidence and resulting in lower economic growth for companies that rely significantly on Europe for their business activities and revenues. The implications of the United Kingdom's withdrawal from the European Union, including the possibility of a "No-deal Brexit," are unclear at present. Additionally, uncertainty regarding trade agreements and trade wars and volatility in the global markets for stocks and commodities may affect other financial markets worldwide. We may in the future have difficulty accessing debt and equity capital markets, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, Brexit or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions, including future recessions, also could increase our funding costs or result in a decision by lenders not to extend credit to us.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness, including the February 2019 Credit Facility, notes issued under the Debt Securitization and the August 2018 Credit Facility, and any failure to do so could have a material adverse effect on our business. If we are unable to raise or refinance debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies. In addition, the illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Given the volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption or instability in the global financial markets or deteriorations in credit and financing conditions may cause us to reduce the volume of the loans we originate and/or fund, adversely affect the value of our portfolio investments or otherwise have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, significant changes in the capital markets, including instances of extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity

purposes, could have a material adverse impact on our business, financial condition or results of operations. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so, and we may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

Many of the portfolio companies in which we make investments may be susceptible to economic slowdowns or recessions and may be unable to repay the loans we made to them during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods as we are required to record our investments at their current fair value. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our and our portfolio companies' funding costs, limit our and our portfolio companies' access to the capital markets or result in a decision by lenders not to extend credit to us or our portfolio companies. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt that we hold. We may incur additional expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we will actually provide significant managerial assistance to that portfolio company, a bankruptcy court might subordinate all or a portion of our claim to that of other creditors.

Our investment portfolio is and will continue to be recorded at fair value as determined in good faith by our Board of Directors and, as a result, there is and will continue to be uncertainty as to the value of our portfolio investments.

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined in good faith by the Board. Typically there is not a public market for the securities of the privately held middle-market companies in which we have invested and will generally continue to invest. As a result, we value these securities quarterly at fair value as determined in good faith by the Board based on input from Barings, a nationally recognized independent third-party valuation firm and our audit committee. See "Valuation Process and Determination of Net Asset Value" included in Item 1 of Part 1 of this Annual Report on Form 10-K for a detailed description of our valuation process.

The determination of fair value and consequently, the amount of unrealized appreciation and depreciation in our portfolio, is to a certain degree subjective and dependent on the judgment of the Board. Certain factors that may be considered in determining the fair value of our investments include the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly-traded companies, discounted cash flows and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to materially understate or overstate the value that we may ultimately realize upon the sale or disposition of one or more of our investments. As a result, investors purchasing our securities based on an overstated net asset value would pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments will receive a lower price for their shares than the value of our investments might warrant.

Volatility or a prolonged disruption in the credit markets could materially damage our business.

We are required to record our assets at fair value, as determined in good faith by the Board in accordance with our valuation policy. As a result, volatility in the capital markets may adversely affect our valuations and our net asset value, even if we intend to hold investments to maturity. Volatility or dislocation in the capital markets may depress our stock price and create a challenging environment in which to raise debt and equity capital. As a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. Additionally, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage under the 1940 Act must equal at least 150% of total indebtedness. Shrinking portfolio values negatively impact our ability to borrow additional funds or issue debt securities because our net asset value is reduced for purposes of the 150% asset leverage test. If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratio stipulated by the 1940 Act, which could, in turn, materially impair our business operations. A protracted disruption in the credit markets could also materially decrease demand for our investments.

We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and some have considerably greater financial, technical and marketing resources than we do. For example, we believe some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source of income, asset diversification and distribution requirements we must satisfy to maintain our qualification as a RIC. The competitive pressures we face may have a material adverse effect on our business, financial condition, results of operations and cash flows. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective.

With respect to the investments we make, we do not seek to compete based primarily on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. In the secondary market for acquiring existing loans, we compete generally on the basis of pricing terms. With respect to all investments, we may lose some investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. We may also compete for investment opportunities with accounts managed or sponsored by Barings or its affiliates. Although Barings allocates opportunities in accordance with its allocation policy, allocations to such other accounts will reduce the amount and frequency of opportunities available to us and may not be in the best interests of us and our securityholders. Moreover, the performance of investments will not be known at the time of allocation.

There are potential conflicts of interest, including the management of other investment funds and accounts by Barings, which could impact our investment returns.

The executive officers that manage the Company and the members of Barings' investment committee, as well as the other principals of Barings, manage other funds affiliated with Barings, including other closed-end investment companies. In addition, Barings' investment team has responsibilities for managing U.S. middle-market debt investments for certain other investment funds and accounts. Accordingly, they have obligations to investors in those entities, the fulfillment of which may not be in the best interests of, or may be adverse to the interests of, us or our stockholders. In addition, certain of the other funds and accounts managed by Barings may provide for higher management or incentive fees, greater expense reimbursements or overhead allocations, or permit Barings and its affiliates to receive higher origination and other transaction fees, all of which may contribute to this conflict of

interest and create an incentive for Barings to favor such other funds or accounts. Although the professional staff of Barings will devote as much time to our management as appropriate to enable Barings to perform its duties in accordance with the Advisory Agreement, the investment professionals of Barings may have conflicts in allocating their time and services among us, on the one hand, and the other investment vehicles managed by Barings or one or more of its affiliates on the other hand.

Barings may face conflicts in allocating investment opportunities between us and affiliated investment vehicles that have overlapping investment objectives with ours. Although Barings will endeavor to allocate investment opportunities in a fair and equitable manner in accordance with its allocation policies and procedures, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by Barings or an investment manager affiliated with Barings if such investment is prohibited by the Exemptive Relief or the 1940 Act, and there can be no assurance that we will be able to participate in all investment opportunities that are suitable to us.

Conflicts may also arise because portfolio decisions regarding our portfolio may benefit Barings' affiliates. Barings' affiliates may pursue or enforce rights with respect to one of our portfolio companies on behalf of other funds or accounts managed by it, and those activities may have an adverse effect on us.

Barings may exercise significant influence over us in connection with its ownership of our common stock.

As of February 27, 2020, Barings, our external investment adviser, beneficially owns approximately 27.9% of our outstanding common stock. As a result, Barings may be able to significantly influence the outcome of matters submitted for stockholder action, including the election of directors, approval of significant corporate transactions, such as amendments to our governing documents, business combinations, consolidations and mergers. Barings has substantial influence on us and could exercise its influence in a manner that conflicts with the interests of other stockholders. The presence of a significant stockholder such as Barings may also have the effect of making it more difficult for a third party to acquire us or discourage a third party from seeking to acquire us.

Barings' investment committee, Barings or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.

Principals of Barings and its affiliates and members of Barings' investment committee may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

Barings and its investment team have limited experience managing a BDC.

Although Barings has experience managing closed-end investment companies, Barings and its investment team have limited experience managing a BDC, and the investment philosophy and techniques used by Barings to manage the Company may differ from the investment philosophy and techniques previously employed by Barings' investment team in identifying and managing past investments. Accordingly, we can offer no assurance that we will replicate the Company's own historical performance or the historical performance of other businesses or companies with which Barings' investment team has been affiliated, and our investment returns could be substantially lower than the returns achieved by such other companies.

Our ability to enter into transactions with affiliates of Barings are restricted.

We and certain of our controlled affiliates are prohibited under the 1940 Act from knowingly participating in certain transactions with our upstream affiliates, or Barings and its affiliates, without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% to 25% of our outstanding voting securities is our upstream affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security (other than our securities) from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits "joint" transactions with an upstream affiliate, or Barings or

its affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. In addition, we and certain of our controlled affiliates will be prohibited from buying or selling any security from or to, or entering into joint transactions with, Barings and its affiliates, or any person who owns more than 25% of our voting securities or is otherwise deemed to control, or be under common control with us, absent the prior approval of the SEC through an exemptive order (other than in certain limited situations pursuant to current regulatory guidance as described below). The analysis of whether a particular transaction constitutes a joint transaction requires a review of the relevant facts and circumstances then existing.

As a BDC, we are required to comply with certain regulatory requirements. For example, we will generally not be permitted to make loans to companies controlled by Barings or other funds managed by Barings. We will also not be permitted to make any co-investments with Barings or its affiliates (including any fund managed by Barings or an investment adviser controlling, controlled by or under common control with Barings) without exemptive relief from the SEC, subject to certain exceptions. The Exemptive Relief that the SEC has granted to Barings permits certain present and future funds, including the Company, advised by Barings (or an investment adviser controlling, controlled by or under common control with Barings) to co-invest in suitable negotiated investments. Co-investments made under the Exemptive Relief are subject to compliance with the conditions and other requirements contained in the Exemptive Relief, which could limit our ability to participate in a co-investment transaction.

We are subject to risks associated with investing alongside other third parties, including our joint venture.

We have invested in a joint venture, and may invest in additional or different joint ventures alongside third parties through partnerships, joint ventures or other entities in the future. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that such third party may at any time have economic or business interests or goals which are inconsistent with ours, or may be in a position to take action contrary to our investment objectives. In addition, we may in certain circumstances be liable for actions of such third party.

More specifically, joint ventures involve a third party that has approval rights over activity of the joint venture. The third party may take actions that are inconsistent with our interests. For example, the third party may decline to approve an investment for the joint venture that we otherwise want the joint venture to make. A joint venture may also use investment leverage which magnifies the potential for gain or loss on amounts invested. Generally, the amount of borrowing by the joint venture is not included when calculating our total borrowing and related leverage ratios and is not subject to asset coverage requirements imposed by the 1940 Act. If the activities of the joint venture were required to be consolidated with our activities because of a change in GAAP rules or SEC staff interpretations, it is likely that we would have to reorganize any such joint venture.

The fee structure under the Advisory Agreement may induce Barings to pursue speculative investments and incur leverage, which may not be in the best interests of our stockholders.

The Base Management Fee will be payable even if the value of your investment declines. The Base Management Fee is calculated based on our gross assets, including assets purchased with borrowed funds or other forms of leverage (but excluding cash or cash equivalents). Accordingly, the Base Management Fee is payable regardless of whether the value of our gross assets and/or your investment has decreased during the then-current quarter and creates an incentive for Barings to incur leverage, which may not be consistent with our stockholders' interests.

The Income-Based Fee payable to Barings is calculated based on a percentage of our return on invested capital. The Income-Based Fee payable to Barings may create an incentive for Barings to make investments on our behalf that are risky or more speculative than would be the case in the absence of such a compensation arrangement. Unlike the Base Management Fee, the Income-Based Fee is payable only if the hurdle rate is achieved. Because the portfolio earns investment income on gross assets while the hurdle rate is based on invested capital, and because the use of leverage increases gross assets without any corresponding increase in invested capital, Barings may be incentivized to incur leverage to grow the portfolio, which will tend to enhance returns where our portfolio has positive returns and increase the chances that such hurdle rate is achieved. Conversely, the use of leverage may increase losses where our portfolio has negative returns, which would impair the value of our common stock.

In addition, Barings receives the Capital Gains Fee based, in part, upon net capital gains realized on our investments. Unlike the Income-Based Fee, there is no hurdle rate applicable to the Capital Gains Fee. As a result, Barings may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which may not be in the best interests of our stockholders and could result in higher investment losses, particularly during economic downturns.

Barings' liability is limited under the Advisory Agreement, and we are required to indemnify Barings against certain liabilities, which may lead Barings to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Advisory Agreement, Barings does not assume any responsibility to us other than to render the services described in the Advisory Agreement, and it is not responsible for any action of the Board in declining to follow Barings' advice or recommendations. Pursuant to the Advisory Agreement, Barings and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with Barings will not be liable to us for their acts under the Advisory Agreement, absent fraud, willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect Barings and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with Barings with respect to all damages, liabilities, costs and expenses arising out of or otherwise based upon the performance of any of Barings' duties or obligations under the Advisory Agreement or otherwise, and not arising out of fraud, willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the Advisory Agreement. These protections may lead Barings to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Barings is able to resign as our investment adviser and/or our administrator upon 60 days' notice, and we may not be able to find a suitable replacement within that time, or at all, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Pursuant to the Advisory Agreement, Barings has the right to resign as our investment adviser upon 60 days' written notice, whether a replacement has been found or not. Similarly, Barings' has the right under the Administration Agreement to resign upon 60 days' written notice, whether a replacement has been found or not. If Barings resigns, it may be difficult to find a replacement investment adviser or administrator, as applicable, or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If a replacement is not found quickly, our business, results of operations and financial condition as well as our ability to pay distributions are likely to be adversely affected and the value of our shares may decline. In addition, the coordination of our internal management and investment or administrative activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by Barings. Even if a comparable service provider or individuals performing such services are retained, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may materially adversely affect our business, results of operations and financial condition.

Our business model depends to a significant extent upon strong referral relationships, and our inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect our business.

We depend upon Barings and its affiliates' relationships with sponsors, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If Barings or its affiliates fail to maintain such relationships, or to develop new relationships with other sponsors or sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the principals of Barings have relationships are not obligated to provide us with investment opportunities, and, therefore, we can offer no assurance that these relationships will generate investment opportunities for us in the future.

Our long-term ability to fund new investments and make distributions to our stockholders could be limited if we are unable to renew, extend, replace or expand either the August 2018 Credit Facility or the February 2019 Credit Facility, or if financing becomes more expensive or less available.

On August 3, 2018, our wholly-owned subsidiary, BSF, entered into the August 2018 Credit Facility, which initially provided for borrowings in an aggregate amount up to \$750.0 million, consisting of up to \$250.0 million borrowed under the Class A Loan Commitments and up to \$500.0 million borrowed under the Class A-1 Loan Commitments. Over time, we have reduced our Class A Loan Commitments to zero and reduced our Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility to \$80.0 million. Any amounts borrowed under the Class A-1 Loan Commitments will mature, and all accrued and unpaid interest thereunder will be due and payable, on August 3, 2020, or upon earlier termination of the August 2018 Credit Facility. If the facility is not renewed or extended, all principal and interest will be due and payable.

On February 21, 2019, we entered into the February 2019 Credit Facility, which provides us with a revolving credit line of up to \$800.0 million, with an accordion feature that allows for an increase in the total commitments of up to \$400.0 million, subject to certain conditions and the satisfaction of specified financial covenants. The revolving period of the February 2019 Credit Facility ends on February 21, 2023, followed by a one-year repayment period with a final maturity date of February 21, 2024.

There can be no guarantee that we or BSF will be able to renew, extend or replace the August 2018 Credit Facility or the February 2019 Credit Facility when principal payments are due and payable on terms that are favorable to us, if at all. Our ability to obtain replacement financing when principal payments are due and payable will be constrained by then-current economic conditions affecting the credit markets. Any inability of us or BSF to renew, extend or replace the August 2018 Credit Facility or the February 2019 Credit Facility when principal payments are due and payable could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify for tax treatment as a RIC under the Code.

Regulations governing our operation as a business development company will affect our ability to, and the way in which we raise additional capital.

Our business will require capital to operate and grow. We may acquire such additional capital from the following sources:

Senior Securities. In the future, we may issue debt securities or preferred stock, and/or borrow money from banks or other financial institutions (including borrowings under the August 2018 Credit Facility and the February 2019 Credit Facility), which we refer to collectively as "senior securities." As a result of issuing senior securities, we will be exposed to additional risks, including, but not limited to, the following:

- Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our debt at a time when such sales and/or repayments may be disadvantageous. Further we may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy this test.
- Any amounts that we use to service our debt or make payments on preferred stock will not be available for distributions to our common stockholders.
- Our current indebtedness is, and it is likely that any securities or other indebtedness we may issue will be, governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, some of these securities or other indebtedness may be rated by rating agencies, and in obtaining a rating for such securities and other indebtedness, we may be required to abide by operating and investment guidelines that further restrict operating and financial flexibility.

- We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities and other indebtedness.
- Preferred stock or any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock, including separate voting rights and could delay or prevent a transaction or a change in control to the detriment of the holders of our common stock.

Additional Common Stock. Under the provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below then-current net asset value per share. We may, however, sell our common stock or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if the Board determines that such sale is in the best interests of us and our stockholders, and our stockholders approve such sale. We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to applicable requirements of the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future on favorable terms, or at all.

In addition to regulatory limitations on our ability to raise capital, the August 2018 Credit Facility and the February 2019 Credit Facility contain various covenants, which, if not complied with, could accelerate our repayment obligations under the August 2018 Credit Facility or the February 2019 Credit Facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

We will have a continuing need for capital to finance our investments. Our wholly-owned subsidiary, BSF, is party to the August 2018 Credit Facility and as of December 31, 2019, BSF had borrowings of \$107.2 million outstanding under the August 2018 Credit Facility. Under the August 2018 Credit Facility, BSF is required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. In addition to other customary events of default included in financing transactions, the August 2018 Credit Facility contains the following events of default: (i) the failure to make principal payments when due or interest payments within two business days of when due; (ii) borrowings under the credit facility exceeding the applicable advance rates; (iii) the purchase by BSF of certain ineligible assets; (iv) the insolvency or bankruptcy of BSF and (v) the decline of BSF's net asset value below a specified threshold. During the continuation of an event of default, BSF must pay interest at a default rate.

We are also party to the February 2019 Credit Facility, which provides for a revolving credit line of up to \$800.0 million, with an accordion feature that allows for an increase in the total commitments of up to \$400.0 million, subject to certain conditions and the satisfaction of specified financial covenants. As of December 31, 2019, we had borrowings of \$245.3 million outstanding under the February 2019 Credit Facility. The February 2019 Credit Facility contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, minimum shareholders' equity, minimum obligators' net worth, minimum asset coverage, minimum liquidity and maintenance of RIC and BDC status. The February 2019 Credit Facility also contains customary events of default with customary cure and notice provisions, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change of control, and material adverse effect.

BSF's continued compliance with the covenants under the August 2018 Credit Facility, and our continued compliance with the covenants under the February 2019 Credit Facility, depend on many factors, some of which are beyond our control, and there can be no assurance that BSF or we will continue to comply with such covenants. BSF's or our failure to satisfy the respective covenants could result in foreclosure by the lenders under the applicable credit facility, which would accelerate BSF's and our repayment obligations under the facilities and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

We are subject to certain risks as a result of our interests in the Subordinated 2019 Notes.

On May 9, 2019, in connection with the Debt Securitization, Barings BDC Static CLO Ltd. 2019-I, or BBDC Static CLO Ltd., and Barings BDC Static CLO 2019-I, LLC, our wholly-owned and consolidated subsidiaries, issued the 2019 Notes. BBDC Static CLO Ltd. and Barings BDC Static CLO 2019-I, LLC are collectively referred to herein as the Issuers. Under the terms of the Debt Securitization, we sold and/or contributed to the Issuers all of our ownership interest in certain of our portfolio investments and participation interests therein. Following these sales/transfers, the Issuers held all of the ownership interests in such portfolio investments, and we held the Subordinated 2019 Notes. As a result, we consolidate the Issuers for financial reporting purposes. As the Issuers are disregarded as entities separate from their owner for U.S. federal income tax purposes, the sale or contribution by us to the Issuers did not constitute a taxable event for U.S. federal income tax purposes. If the U.S. Internal Revenue Service were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

The Subordinated 2019 Notes are subordinated obligations of BBDC Static CLO Ltd. and we may not receive cash from BBDC Static CLO Ltd.

The Subordinated 2019 Notes are unsecured and rank behind all of the secured creditors, known or unknown, of BBDC Static CLO Ltd., including the holders of the Class A-1 2019 Notes and the Class A-2 2019 Notes the Issuers have issued and are subject to certain payment restrictions set forth in the indenture governing the 2019 Notes. Consequently, to the extent that the value of BBDC Static CLO Ltd.'s portfolio of investments declines as a result of conditions in the credit markets, or as a result of defaulted loans or individual fund assets, the value of the Subordinated 2019 Notes at their redemption could be reduced. In addition, if BBDC Static CLO Ltd. does not meet the asset coverage or interest coverage tests set forth in the documents governing the Debt Securitization, cash would be diverted from the Subordinated 2019 Notes to first pay the Class A-1 2019 Notes and the Class A-2 2019 Notes in amounts sufficient to cause such tests to be satisfied.

The interests of holders of senior classes of securities issued by the Issuers may not be aligned with our interests.

The Class A-1 2019 Notes rank senior in right of payment to other securities issued by the Issuers in the Debt Securitization. As such, there are circumstances in which the interests of holders of the Class A-1 2019 Notes may not be aligned with the interests of holders of the other classes of notes issued by the Issuers. For example, under the terms of the Class A-1 2019 Notes, holders of the Class A-1 2019 Notes have the right to receive payments of principal and interest prior to holders of the Class A-2 2019 Notes and the Subordinated 2019 Notes.

As long as the Class A-1 2019 Notes remain outstanding, holders of the Class A-1 2019 Notes comprise the "Controlling Class" under the Debt Securitization. If the Class A-1 2019 Notes are paid in full, the Class A-2 2019 Notes would comprise the Controlling Class under the Debt Securitization. Holders of the Controlling Class under the Debt Securitization have the right to act in certain circumstances with respect to the portfolio loans in ways that may benefit their interests but may not benefit holders of more junior classes of the 2019 Notes, including by exercising remedies under the indenture in the Debt Securitization.

If an event of default has occurred and acceleration occurs in accordance with the terms of the indenture for the Debt Securitization, the Controlling Class, as the most senior class of the 2019 Notes then outstanding, will be paid in full before any further payment or distribution to holders of the more junior classes of the 2019 Notes. In addition, if an event of default under the Debt Securitization occurs, holders of a majority of the Controlling Class may be entitled to determine the remedies to be exercised under the indenture, subject to the terms of such indenture. For example, upon the occurrence of an event of default with respect to the 2019 Notes issued by the Issuers, the trustee or holders of a majority of the Controlling Class may declare the principal, together with any accrued interest, of all the 2019 Notes of such class and any junior classes to be immediately due and payable. This would have the effect of accelerating the principal on such 2019 Notes, triggering a repayment obligation on the part of the Issuers. If at such time the portfolio loans were not performing well, the Issuers may not have sufficient proceeds available to enable the trustee under the indenture to repay the obligations to holders of the Subordinated 2019 Notes.

Remedies pursued by the Controlling Class could be adverse to the interests of the holders of the notes that are subordinated to the Controlling Class (which would include the Subordinated 2019 Notes to the extent the Class A-1 2019 Notes or the Class A-2 2019 Notes constitute the Controlling Class), and the Controlling Class will have no obligation to consider any possible adverse effect on such other interests. In a liquidation under the Debt Securitization, the Subordinated 2019 Notes will be subordinated to payment of the Class A-1 2019 Notes and the Class A-2 2019 Notes and may not be paid in full to the extent funds remaining after payment of the Class A-1 2019 Notes and the Class A-2 2019 Notes are insufficient. Any failure of the Issuers to make distributions on the 2019 Notes we indirectly or directly hold, whether as a result of an event of default, liquidation or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may prevent us from making distributions sufficient to maintain our ability to be subject to tax as a RIC, or at all.

The Issuers may fail to meet certain asset coverage tests.

Under the documents governing the Debt Securitization, there are two asset coverage tests applicable to the Class A-1 2019 Notes and the Class A-2 2019 Notes. The first such test compares the amount of interest received on the portfolio loans held by BBDC Static CLO Ltd. to the amount of interest payable in respect of the Class A-1 2019 Notes and the Class A-2 2019 Notes. To meet this first test interest received on the portfolio loans must equal at least 120% of the interest payable in respect of the Class A-1 2019 Notes and the Class A-2 2019 Notes.

The second such test compares the principal amount of the portfolio loans of the Debt Securitization to the aggregate outstanding principal amount of the Class A-1 2019 Notes and the Class A-2 2019 Notes. To meet this second test at any time, the aggregate principal amount of the portfolio loans must equal at least 121.72% of the Class A-1 2019 Notes and the Class A-2 2019 Notes.

If any asset coverage test with respect to the Class A-1 2019 Notes or the Class A-2 2019 Notes is not met, proceeds from the portfolio of loan investments that otherwise would have been distributed to the holders of the Subordinated 2019 Notes and the Issuers will instead be used to redeem first the Class A-1 2019 Notes and then the Class A-2 2019 Notes, to the extent necessary to satisfy the applicable asset coverage tests on a pro forma basis after giving effect to all payments made in respect of the 2019 Notes, which we refer to as a mandatory redemption, or to obtain the necessary ratings confirmation.

We may be required to assume liabilities of the Issuers and are indirectly liable for certain representations and warranties in connection with the Debt Securitization.

The structure of the Debt Securitization is intended to prevent, in the event of our bankruptcy, the consolidation of the Issuers with our operations. If the true sale of the assets in the Debt Securitization was not respected in the event of our insolvency, a trustee or debtor-in-possession might reclaim the assets of the Issuers for our estate. However, in doing so, we would become directly liable for all of the indebtedness then outstanding under the Debt Securitization, which would equal the full amount of debt of the Issuers reflected on our consolidated balance sheet. In addition, we cannot assure you that the recovery in the event we were consolidated with the Issuers for purposes of any bankruptcy proceeding would exceed the amount to which we would otherwise be entitled as the holder of the Subordinated 2019 Notes had we not been consolidated with the Issuers.

Incurring additional leverage may magnify our exposure to risks associated with changes in interest rates, including fluctuations in interest rates that could adversely affect our profitability.

As part of our business strategy, we borrow under the August 2018 Credit Facility, the February 2019 Credit Facility and the Debt Securitization, and in the future may borrow money and issue debt securities to banks, insurance companies and other lenders. The lender party to the August 2018 Credit Facility is secured by the assets of BSF and the noteholders party to the Debt Securitization are secured by the assets of Barings BDC Static CLO Ltd. 2019-I and Barings BDC Static CLO 2019-I, LLC, our wholly-owned and consolidated subsidiaries. The lenders party to the February 2019 Credit Facility are secured primarily by a material portion of our assets and guaranteed by certain of our subsidiaries. The lenders and noteholders party to the August 2018 Credit Facility, the February 2019 Credit Facility and the Debt Securitization have claims that are superior to the claims of our common stockholders, and holders of any future loans or debt securities would have fixed-dollar claims on our assets that are superior to the claims of our stockholders. If the value of our assets decreases, leverage will cause our net asset

value to decline more sharply than it otherwise would have without leverage. Similarly, any decrease in our income would cause our net income to decline more sharply than it would have if we had not borrowed. This decline could negatively affect our ability to make dividend payments on our common stock.

If we incur additional leverage, general interest rate fluctuations may have a more significant negative impact on our investments than they would have absent such additional leverage and, accordingly, may have a material adverse effect on our investment objective and rate of return on investment capital. A portion of our income will depend upon the difference between the rate at which we borrow funds and the interest rate on the debt securities in which we invest. Because we borrow money to make investments and may issue debt securities, preferred stock or other securities, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities, preferred stock or other securities and the rate at which we invest these funds. Typically, our interest earning investments accrue and pay interest at variable rates, and our interest-bearing liabilities accrue interest at variable or potentially fixed rates. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming that we employ (i) our actual asset coverage ratio as of December 31, 2019 and (ii) a hypothetical asset coverage ratio of 150%, each at various annual returns on our portfolio as of December 31, 2019, net of expenses. The purpose of this table is to assist investors in understanding the effects of leverage. The calculations in the table below are hypothetical, and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on our Portfolio (Net of Expenses)				
	(10.0)%	(5.0)%	0.0 %	5.0%	10.0%
Corresponding return to common stockholder assuming actual asset coverage as of December 31, 2019(1)	(25.9)%	(14.9)%	(3.9)%	7.1%	18.0%
Corresponding return to common stockholder assuming 150% asset coverage as of December 31, 2019(2)	(36.8)%	(21.7)%	(6.6)%	8.5%	23.6%

(1) Assumes \$1,252.6 million in total assets, \$675.6 million in debt outstanding, \$570.9 million in net assets and an average cost of funds of 3.306%, which was the weighted average borrowing cost of our outstanding borrowings at December 31, 2019. The assumed amount of debt outstanding for this example includes \$352.5 million of outstanding borrowings under both the August 2018 Credit Facility and the February 2019 Credit Facility as of December 31, 2019, \$318.2 million of outstanding indebtedness under the Debt Securitization as of December 31, 2019, and assumed additional borrowings of \$4.9 million to settle our payable from unsettled transactions as of December 31, 2019.

(2) Assumes \$1,723.7 million in total assets, \$1,141.7 million in debt outstanding and \$570.9 million in net assets as of December 31, 2019, and an average cost of funds of 3.306%, which was the weighted average borrowing cost of our borrowings at December 31, 2019.

Based on our total outstanding indebtedness of \$670.7 million as of December 31, 2019, assumed additional borrowings of \$4.9 million to settle our net payable from unsettled transactions as of December 31, 2019 and an average cost of funds of 3.306%, which was the weighted average borrowing cost of our outstanding borrowings at December 31, 2019, our investment portfolio must experience an annual return of at least 1.78% to cover annual interest payments on our outstanding indebtedness.

Based on outstanding indebtedness of \$1,141.8 million calculated assuming a 150% asset coverage ratio and an average cost of funds of 3.306%, which was the weighted average borrowing cost of our outstanding borrowings at December 31, 2019, our investment portfolio must experience an annual return of at least 2.19% to cover annual interest payments on our outstanding indebtedness.

Our interests in BSF are subordinated, and we may not receive cash on our equity interests in BSF.

We own directly or indirectly 100% of the equity interests in BSF. We consolidate the financial statements of BSF in our consolidated financial statements and treat BSF's indebtedness under the August 2018 Credit Facility as our indebtedness. Our equity interests in BSF are subordinated in priority of payment to all of the secured and unsecured creditors, known or unknown, of BSF and are subject to certain payment restrictions set forth in the August 2018 Credit Facility, which generally provides that payments on the interests may not be made on any payment date unless all amounts owing to the lenders and other secured parties are paid in full. As a result, we may receive cash distributions on our equity interests in BSF only if BSF has made all required cash interest payments to the lenders and no default exists under the August 2018 Credit Facility. In the event of a default under the August 2018 Credit Facility, cash may be diverted from us to pay the applicable lender and other secured parties or otherwise remedy the default.

We cannot assure you that distributions on the assets held by BSF will be sufficient to make any distributions to us or that such distributions will meet our expectations. In the event that we fail to receive cash from BSF, we could be unable to make distributions to our stockholders in amounts sufficient to maintain our status as a RIC, or at all. We also could be forced to sell investments in portfolio companies at less than their fair value in order to continue making such distributions. In addition, to the extent that the value of BSF's portfolio of loan investments has been reduced as a result of conditions in the credit markets, defaulted loans, capital gains and losses on the underlying assets, prepayment or changes in interest rates, the returns on our investment in BSF could be reduced. Accordingly, our investment in BSF may be subject to up to 100% loss.

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including our ability or inability to make investments in companies that meet our investment criteria, the interest rate payable on the debt securities we acquire, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our Board of Directors may change our investment objectives, operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse.

The Board has the authority to modify or waive our current investment objectives, operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you distributions and cause you to lose all or part of your investment. Moreover, we will have significant flexibility in investing the net proceeds from any future offering and may use the net proceeds from such offerings in ways with which investors may not agree or for purposes other than those contemplated at the time of the offering.

We will be subject to corporate-level U.S. federal income tax if we are unable to maintain our tax treatment as a regulated investment company under Subchapter M of the Code, which will adversely affect our results of operations and financial condition.

We have elected to be treated as a RIC under the Code, which generally will allow us to avoid being subject to corporate-level U.S. federal income tax. To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements:

- The Annual Distribution Requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90.0% of our net ordinary income and net short-term capital gain in excess of net long-term capital loss, or ICTI, if any. We will be subject to a 4.0% nondeductible U.S. federal excise tax, however, to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar year basis. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and are currently, and may in the future become, subject to certain financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax.
- The income source requirement will be satisfied if we obtain at least 90.0% of our income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50.0% of the value of our assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other acceptable securities, provided such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and no more than 25.0% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly traded partnerships.” Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC tax treatment. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for or maintain RIC tax treatment for any reason and are subject to corporate-level U.S. federal income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. We may also be subject to certain U.S. federal excise taxes, as well as state, local and foreign taxes.

We may not be able to pay distributions to our stockholders, our distributions may not grow over time, a portion of distributions paid to our stockholders may be a return of capital and investors in any debt securities we may issue may not receive all of the interest income to which they are entitled.

We intend to pay quarterly distributions to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be harmed by, among other things, the risk factors described in this Annual Report on Form 10-K. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could, in the future, limit our ability to pay distributions. All distributions will be paid at the discretion of the Board and will depend on our earnings, our financial condition, maintenance of our RIC tax treatment, compliance with applicable BDC regulations, compliance with the covenants of the August 2018 Credit Facility and any debt securities we may issue and such other factors as the Board may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

The above-referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of any debt securities we may issue, which may cause a default under the terms of our debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt agreements.

When we make quarterly distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings and profits, recognized capital gain or capital. To the extent there is a return of capital, investors will be required to reduce their basis in our stock for U.S. federal income tax purposes, which may result in a higher tax liability when the shares are sold, even if they have not increased in value or have lost value.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with contractual PIK interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Investments structured with these features may represent a higher level of credit risk compared to investments generating income which must be paid in cash on a current basis. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to amortize market discounts and include such amounts in our taxable income in the current year, instead of upon disposition, as an election not to do so would limit our ability to deduct interest expenses for U.S. federal income tax purposes.

Because any original issue discount or other amounts accrued will be included in our ICTI for the year of the accrual, we may be required to make a distribution to our stockholders in order to satisfy the annual distribution requirement, even though we will not have received any corresponding cash amount. As a result, we may have difficulty meeting the annual distribution requirement necessary to obtain and maintain RIC tax treatment under the Code. We may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise debt or additional equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax. For additional discussion regarding the tax implications of a RIC, see “Material U.S. Federal Income Tax Considerations — Taxation as a RIC” included in Item 1 of Part 1 of this Annual Report on Form 10-K.

Because we intend to distribute substantially all of our income to our stockholders to maintain our tax treatment as a regulated investment company, we will continue to need additional capital to finance our growth, and regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital and make distributions.

In order to satisfy the requirements applicable to a RIC, and to avoid payment of U.S. federal excise tax, we intend to distribute to our stockholders substantially all of our net ordinary income and net capital gain income except for certain net long-term capital gains recognized after we became a RIC, some or all of which we may retain, pay applicable U.S. federal income taxes with respect thereto and elect to treat as deemed distributions to our stockholders. As a BDC, we generally are required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue, of at least 150%. This requirement limits the amount that we may borrow and may prohibit us from making distributions. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments or sell additional securities and, depending on the nature of our leverage, to repay a portion of our

indebtedness at a time when such sales may be disadvantageous. In addition, issuance of additional securities could dilute the percentage ownership of our current stockholders in us.

While we expect to be able to borrow and to issue debt and additional equity securities, we cannot assure you that debt and equity financing will be available to us on favorable terms, or at all. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline. In addition, as a BDC, we generally are not permitted to issue equity securities priced below our then-current net asset value per share without stockholder approval.

There is no assurance that any future share repurchase plans will result in future repurchases of our common stock or enhance long-term stockholder value, and repurchases, if any, could affect our stock price and increase its volatility and will diminish our cash reserves.

In February 2019, pursuant to authorization from our Board, we adopted the share repurchase plan (the "Share Repurchase Plan") for the purpose of repurchasing in 2019 up to a maximum of 5.0% of our outstanding shares of our common stock on the open market. Under the Share Repurchase Plan, we could repurchase a maximum of 2.5% of the amount of shares of our common stock outstanding if shares traded below NAV per share but in excess of 90% of NAV per share; and a maximum of 5.0% of the amount of shares of our common stock outstanding if shares traded below 90% of NAV per share. We were not obligated to repurchase any specific number or dollar amount of our common stock under the Share Repurchase Plan, and we could modify, suspend or discontinue the Share Repurchase Plan at any time. During the year ended December 31, 2019, we repurchased a total of 2,333,261 shares of our common stock in the open market under the Share Repurchase Plan at an average price of \$10.01 per share, including broker commissions.

There can be no assurance that any future share repurchases will occur, or, if they occur, that they will enhance stockholder value. In addition, any future share repurchases could have a material adverse effect on our business for the following reasons:

- Repurchases may not prove to be the best use of our cash resources.
- Repurchases will diminish our cash reserves, which could impact our ability to finance future growth and to pursue possible future strategic opportunities.
- We may incur debt in connection with our business in the event that we use other cash resources to repurchase shares, which may affect the financial performance of our business during future periods or our liquidity and the availability of capital for other needs of the business.
- Repurchases could affect the trading price of our common stock or increase its volatility and may reduce the market liquidity for our stock.
- Repurchases may not be made at the best possible price and the market price of our common stock may decline below the levels at which we repurchased shares of common stock.
- Any suspension, modification or discontinuance of any future share repurchase plan could result in a decrease in the trading price of our common stock.
- Repurchases may make it more difficult for us to meet the diversification requirements necessary to qualify for tax treatment as a RIC for U.S. federal income tax purposes; failure to qualify for tax treatment as a RIC would render our taxable income subject to corporate-level U.S. federal income taxes.
- Repurchases may cause our non-compliance with covenants under the August 2018 Credit Facility or the February 2019 Credit Facility, which could have an adverse effect on our operating results and financial condition.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law. The Tax Cuts and Jobs Act made changes to the Internal Revenue Code, including significant changes to, among other things, the taxation of business entities, the deductibility of interest expense, and the tax treatment of capital investment. We cannot predict with certainty how any future changes in the tax laws might affect us, our stockholders, our subsidiaries or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Stockholders are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Changes to U.S. tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.

There have been significant changes to U.S. trade policies, treaties and tariffs. The current U.S. presidential administration, along with the U.S. Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to trade policies, treaties and tariffs. These developments, or the perception that more of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.

We, our subsidiaries and our portfolio companies are subject to regulation at the local, state and federal level. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect.

Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this Annual Report on Form 10-K and may result in our investment focus shifting from the areas of expertise of our management team to other types of investments in which our management team may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

Efforts to comply with the Sarbanes-Oxley Act involve significant expenditures, and non-compliance with the Sarbanes-Oxley Act may adversely affect us and the market price of our securities.

We are subject to the Sarbanes-Oxley Act and the related rules and regulations promulgated by the SEC. Among other requirements, under Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder, our management is required to report on our internal control over financial reporting. We are required to review, on an annual basis, our internal control over financial reporting, and to evaluate and disclose, on a quarterly and annual basis, significant changes in our internal control over financial reporting. We have and expect to continue to incur significant expenses related to compliance with the Sarbanes-Oxley Act. In addition, this process results in a diversion of management's time and attention. In the event that we are unable to maintain compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect our liquidity, financial condition, results of operations, the market price of our common stock and our ability to pay dividends and other distributions.

Our business depends on the communications and information systems of Barings, its affiliates and our or Barings' third-party service providers. Any failure or interruption of those systems or services, including as a result of the termination or suspension of an agreement with any third-party service providers, could cause delays or other problems in our or Barings' business activities. Our or Barings' financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. Among other things, there could be sudden electrical or telecommunications outages, natural disasters, disease pandemics, events arising from local or larger scale political or social matters and/or cyber-attacks, any one or more of which could have a material adverse effect on our business, financial condition and operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Cybersecurity risks and cyber incidents may adversely affect our business or the business of our portfolio companies by causing a disruption to our operations or the operations of our portfolio companies, a compromise or corruption of our confidential information or the confidential information of our portfolio companies and/or damage to our business relationships or the business relationships of our portfolio companies, all of which could negatively impact the business, financial condition and operating results of us or our portfolio companies.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the information resources of us, Barings or our portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our or Barings' information systems or those of our portfolio companies for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Barings' employees may be the target of fraudulent calls, emails and other forms of activities. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to business relationships. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. As our and our portfolio companies' reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by Barings and third-party service providers, and the information systems of our portfolio companies. Barings has implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that a cyber incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident. In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our business, liability to investors, regulatory intervention or reputational damage.

Our business and operations may be negatively affected by securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of our investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been brought against that company. In addition, stockholder activism, which could take many forms, including making public demands that we consider strategic alternatives, engaging in public campaigns to attempt to influence our corporate governance and/or our management, and commencing proxy contests to attempt to elect the activists' representatives or others to the Board, or arise in a variety of situations, has been increasing in the BDC space recently. For example, we and certain of our former executive officers have been named defendants in two separate class-action lawsuits asserting claims under Section 10(b) and Section 20(a) of the Exchange Act, and, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of further securities litigation or stockholder activism. See "Legal Proceedings" in Item 3 of Part I of this Annual Report on Form 10-K for more information. Securities litigation and stockholder activism, including

potential proxy contests, may result in substantial costs and divert management's and the Board's attention and resources from our business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult for Barings to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

Risks Relating to Our Investments

Our investments in portfolio companies may be risky, and we could lose all or part of our investment.

Our portfolio consists primarily of syndicated senior secured loans and senior secured private middle-market debt and equity investments. Investing in private and middle-market companies involves a number of significant risks. Among other things, these companies:

- may have limited financial resources to meet future capital needs and thus may be unable to grow or meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;
- may have shorter operating histories, narrower product lines, smaller market shares and/or more significant customer concentration than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally have less predictable operating results, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- generally have less publicly available information about their businesses, operations and financial condition. We rely on the ability of Barings' investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If Barings is unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain of our portfolio companies, certain of our officers and directors or certain of Barings' investment professionals may serve as directors on the boards of such companies. We or Barings may in the future be subject to litigation that arises out of our investments in these companies, and our officers and directors or Barings and/or its investment professionals may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of our officers', directors' and Barings' time and resources.

The lack of liquidity in our investments may adversely affect our business.

We generally invest in companies whose securities are not publicly traded, and whose securities may be subject to legal and other restrictions on resale, or are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. Our investments may be subject to contractual or legal restrictions on resale or are otherwise illiquid because there may be no established trading market for certain investments. The illiquidity of certain of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by the Board. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company’s securities to publicly traded securities;
- the enterprise value of the portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company’s ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in seeking to:

- increase or maintain in whole or in part our position as a creditor or equity ownership percentage in a portfolio company;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- preserve or enhance the value of our investment.

We have discretion to make follow-on investments, subject to the availability of capital resources. Failure on our part to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful portfolio company. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because of regulatory or other considerations. Our ability to make follow-on investments may also be limited by Barings’ allocation policy.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies and such portfolio companies may not generate sufficient cash flow to service their debt obligations to us.

We typically invest in senior debt and first lien notes, however, we have invested, and may invest in the future, a portion of our capital in second lien and subordinated loans issued by our portfolio companies. Our portfolio companies may have, or be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. Such subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or in general economic conditions. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the securities in which we invest. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event of and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us where we are junior creditor. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

We may in the future make unsecured loans to portfolio companies, meaning that such loans will not benefit from any interest in collateral of such companies. Liens on a portfolio company's collateral, if any, will secure the portfolio company's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured loan obligations after payment in full of all loans secured by collateral. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens:

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights as junior lenders are adversely affected.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we have structured the majority of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (i) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (ii) the nature, timing and conduct of foreclosure or other collection proceedings; (iii) the amendment of any collateral document; (iv) the release of the security interests in respect of any collateral and (v) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

Finally, the value of the collateral securing our debt investment will ultimately depend on market and economic conditions, the availability of buyers and other factors. Therefore, there can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by our second priority liens after payment in full of all obligations secured by the senior lender's first priority liens on the collateral. There is also a risk that such collateral securing our investments may decrease in

value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the portfolio company and market conditions. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by our second priority liens, then we, to the extent not repaid from the proceeds from the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any.

Our investments in foreign companies may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy includes investments in foreign companies. Investing in foreign companies may expose us to additional risk not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes (potentially at confiscatory levels), less liquid markets, less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although the majority of our investments are currently and are expected to be U.S.-dollar denominated, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we cannot assure you that such strategies will be effective or without risk to us.

We may expose ourselves to risks if we engage in hedging transactions.

We have and may in the future enter into hedging transactions, which may expose us to risks associated with such transactions. We have and may continue to utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments may include counter-party credit risk. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. The success of our hedging transactions will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to (or be able to) establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non- U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70.0% of our total assets are qualifying assets. For further detail, see "Regulation of Business Development Companies" included in Item 1 of Part I of this Annual Report on Form 10-K.

We may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC. If we fail to maintain our status as a BDC, we might be regulated as a closed-end investment company that is required to register under the 1940 Act, which would subject us to additional regulatory restrictions and significantly decrease our operating flexibility. In addition, any such failure could cause an event of default under our outstanding indebtedness. For these reasons, loss of BDC status likely would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position).

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our RIC asset diversification requirements under the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

We generally will not control our portfolio companies.

We do not, and do not expect to, control most of our portfolio companies, even though we or Barings may have board representation or board observation rights, and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree, and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors. Due to the lack of liquidity for our investments in non-traded companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic downturns or recessions and may be unable to repay our loans during these periods. Therefore, during these periods our non-performing assets may increase and the value of these assets may decrease. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being repaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our securities.

Potential writedowns or losses with respect to portfolio investments existing and to be made in the future could adversely affect our results of operations, cash flows, dividend level, net asset value and stock price.

In light of current economic conditions, in the future, certain of our portfolio companies may be unable to service our debt investments on a timely basis. These conditions may also decrease the value of collateral securing some of our debt investments, as well as the value of our equity investments. As a result, the number of non-performing assets in our portfolio may increase, and the overall value of our portfolio may decrease, which could lead to financial losses in our portfolio and a decrease in our investment income, net investment income, dividends and assets.

Any unrealized losses we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at the fair value as determined in good faith by the Board. Decreases in the market values or fair values of our investments will be recorded as unrealized depreciation. Any unrealized losses in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods.

Defaults by our portfolio companies may harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

Changes in interest rates may affect our cost of capital, the value of our investments and results of operations.

An increase in interest rates would make it more expensive to use debt to finance our investments. As a result, a significant increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which would reduce our net investment income. Also, an increase in interest rates available to investors could make an investment in our common stock less attractive if we are not able to increase our distribution rate, a situation which could reduce the value of our common stock. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates.

Our portfolio may be concentrated in a limited number of portfolio companies and industries, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.

Our portfolio may be concentrated in a limited number of portfolio companies and industries. As a result, the aggregate returns we realize may be significantly and adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. For example, although we classify the industries of our portfolio companies by end-market (such as healthcare or business services) and not by the products or services (such as software) directed to those end-markets, many of our portfolio companies principally provide software products or services, which exposes us to downturns in that sector. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

We may not realize gains from our equity investments.

Certain investments that we have made in the past and may make in the future include equity securities. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities involve special risks, such as the risk of deferred distributions, credit risk, illiquidity and limited voting rights. In addition, we may from time to time make non-control, equity co-investments in companies in conjunction with private equity sponsors. Our goal is ultimately to realize gains upon our disposition of such equity interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. We also may be unable to realize any value if a portfolio company does not have a liquidity event, such as a sale of the business, recapitalization or public offering, which would allow us to sell the underlying equity interests.

Risks Relating to Our Securities

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value, and may trade at premiums that may prove to be unsustainable.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from net asset value, and may trade at premiums that may prove to be unsustainable. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value. The risk of purchasing shares of a BDC that might trade at a discount or unsustainable premium is more pronounced for investors who wish to sell their shares in a relatively short period of time because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon changes in premium or discount levels than upon increases or decreases in net asset value per share. As of December 31, 2019, the closing price of our common stock on the NYSE was \$10.28 per share, an approximately 11.8% discount to our net asset value per share as of December 31, 2019. In addition, at times when our common stock trades below net asset value, we will generally not be able to issue additional common stock at the market price without first obtaining the approval of our stockholders and our independent directors.

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

The market price of our securities may be volatile and fluctuate significantly.

Fluctuations in the trading prices of our shares may adversely affect the liquidity of the trading market for our shares and, if we seek to raise capital through future equity financings, our ability to raise such equity capital. The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs, or BDCs ;
- inability to obtain certain exemptive relief from the SEC;
- loss of RIC tax treatment;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in investment income or net investment income or any increase in losses from levels expected by investors or securities analysts;
- conversion features of subscription rights, warrants or convertible debt;
- loss of a major funding source;
- fluctuations in interest rates;
- the operating performance of companies comparable to us;
- departure of Barings' or any of its affiliates key personnel;
- proposed, or completed, offerings of our securities, including classes other than our common stock;
- global or national credit market changes; and
- general economic trends and other external factors.

The market for any security is subject to volatility. The loans and securities purchased by us and issued by us are no exception to this fundamental investment truism that prices will fluctuate.

We may be unable to invest a significant portion of the net proceeds raised from our offerings on acceptable terms, which would harm our financial condition and operating results.

Delays in investing the net proceeds raised in our offerings may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds from any offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We anticipate that, depending on market conditions, it may take a substantial period of time to invest substantially all of the net proceeds from any offering in securities meeting our investment objective. During such a period, we have and will continue to invest the net proceeds from any offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective, and given our expense ratio and the prevailing interest rate climate, there is a possible risk of losing money on the offering proceeds from certain securities, such as debt securities during this interval. As a result, any dividends or distributions that we pay during such period may be substantially lower than the dividends or distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective. In addition, until such time as the net proceeds from any offering are invested in securities meeting our investment objective, the

market price for our securities may decline. Thus, the return on your investment may be lower than when, if ever, our portfolio is fully invested in securities meeting our investment objective.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

If we sell common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

If we sell or otherwise issue shares of our common stock at a discount to net asset value, it will pose a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuances or sale. In addition, such issuances or sales may adversely affect the price at which our common stock trades.

Provisions of the Maryland General Corporation Law and our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law and our charter and bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of our Company or the removal of our incumbent directors. Specifically, the Board has adopted a resolution explicitly subjecting us to the Maryland Business Combination Act under the Maryland General Corporation Law, which, subject to limitations, prohibits certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter imposes fair price and/or supermajority voting requirements on these combinations. In addition, our charter classifies the Board in three classes serving staggered three-year terms and provides that a director may be removed only for cause by the vote of at least two-thirds of the votes entitled to be cast for the election of directors generally. In addition, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by our secretary to act upon any matter that may properly be considered at a meeting of stockholders only upon the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast on such matter at the meeting.

In addition, subject to the provisions of the 1940 Act, our charter permits the Board, without stockholder action, to authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Subject to compliance with the 1940 Act, the Board may, without stockholder action, amend our charter from time to time to increase or decrease the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common stock and may discourage third-party bids for ownership of our company. These provisions may prevent any premiums being offered to you for shares of our common stock.

If we issue preferred stock and/or debt securities, the net asset value and market value of our common stock may become more volatile.

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock and/or debt securities would likely cause the net asset value and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the

preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock and/or debt securities or of a downgrade in the ratings of the preferred stock and/or debt securities or our current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock and/or debt securities. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock and/or debt securities. Holders of preferred stock and/or debt securities may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

There is a risk that investors in our common stock may not receive a specified level of dividends or that our dividends may not grow over time and that investors in any debt securities we may issue may not receive all of the interest income to which they are entitled.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments.

In addition, due to the asset coverage and net asset value tests applicable to us as a BDC and under covenants under the August 2018 Credit Facility and the February 2019 Credit Facility, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution. See “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Distribution Policy” included in Item 5 of Part II of this Annual Report on Form 10-K for further discussion of distributions.

The above-referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of any future debt we may issue, which may cause a default under the terms of the relevant debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt agreements.

Our stockholders may experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan may experience dilution in their ownership percentage of our common stock over time.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which could dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may harm the value of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred stock or common stock subject to the restrictions of the 1940 Act. Upon a liquidation of our company, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Additional equity

offerings by us may dilute the holdings of our existing stockholders or reduce the value of our common stock, or both. Any preferred stock we may issue would have a preference on distributions that could limit our ability to make distributions to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us. In addition, proceeds from a sale of common stock will likely be used to increase our total assets or to pay down our borrowings, among other uses. This would increase our asset coverage ratio and permit us to incur additional leverage under rules pertaining to BDCs by increasing our borrowings or issuing senior securities such as preferred stock or debt securities.

You may have a current tax liability on distributions reinvested in our common stock pursuant to our dividend reinvestment plan or otherwise but would not receive cash from such distributions to pay such tax liability.

If you participate in our dividend reinvestment plan, you will be deemed to have received, and for U.S. federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the value of our common stock received from the distribution.

In addition, in order to satisfy the annual distribution requirement applicable to RICs, we have the ability to declare a large portion of a dividend in shares of our common stock instead of in cash. As long as a portion of such dividend is paid in cash (which portion may be as low as 20% of such dividend) and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, a stockholder generally would be subject to tax on 100% of the fair market value of the dividend on the date the dividend is received by the stockholder in the same manner as a cash dividend, even though most of the dividend was paid in shares of our common stock. We currently do not intend to pay dividends in shares of our common stock other than in connection with our dividend reinvestment plan.

Terrorist attacks, acts of war or national disasters may affect any market for our securities, impact the businesses in which we invest and harm our business, operating results and financial condition.

Terrorist acts, acts of war or national disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

We do not own any real estate or other physical properties materially important to our operation or any of our subsidiaries. Our headquarters are currently located at 300 South Tryon Street, Suite 2500 Charlotte, North Carolina 28202, where we occupy office space pursuant to the Administration Agreement with Barings. We believe that our current office facilities are adequate to meet our needs.

Item 3. Legal Proceedings.

We and certain of our former executive officers have been named as defendants in two putative securities class action lawsuits, each filed in the United States District Court for the Southern District of New York (and then transferred to the United States District Court for the Eastern District of North Carolina) on behalf of all persons who purchased or otherwise acquired our common stock between May 7, 2014 and November 1, 2017. The first lawsuit was filed on November 21, 2017, and was captioned *Elias Dagher, et al., v. Triangle Capital Corporation, et al.*, Case No. 5:18-cv-00015-FL (the "Dagher Action"). The second lawsuit was filed on November 28, 2017, and was captioned *Gary W. Holden, et al., v. Triangle Capital Corporation, et al.*, Case No. 5:18-cv-00010-FL (the "Holden Action"). The Dagher Action and the Holden Action were consolidated and are currently captioned *In re Triangle Capital Corp. Securities Litigation*, Master File No. 5:18-cv-00010-FL.

On April 10, 2018, the plaintiff filed its First Consolidated Amended Complaint. The complaint alleged certain violations of the securities laws, including, among other things, that the defendants made certain materially false and misleading statements and omissions regarding the Company's business, operations and prospects between May 7, 2014 and November 1, 2017. The plaintiff seeks compensatory damages and attorneys' fees and costs, among other relief, but did not specify the amount of damages being sought. On May 25, 2018, the defendants filed a motion to dismiss the complaint. On March 7, 2019, the court entered an order granting the defendants' motion to dismiss. On March 28, 2019, the plaintiff filed a motion seeking leave to file a Second Consolidated Amended Complaint. On September 20, 2019, the court entered an order denying the plaintiff's motion for leave to file a Second Consolidated Amended Complaint and dismissing the action with prejudice. On October 17, 2019, the plaintiff filed a notice of appeal seeking review of the court's September 20, 2019 order. The plaintiff filed its opening brief with the United States Court of Appeals for the Fourth Circuit on January 6, 2020. The time for the defendants to respond has not yet expired.

We intend to defend ourselves vigorously against the allegations in the aforementioned actions. Neither the outcome of the lawsuits nor an estimate of any reasonably possible losses is determinable at this time. An adverse judgment for monetary damages could have a material adverse effect on our operations and liquidity. Except as discussed above, neither we nor our subsidiaries are currently subject to any material pending legal proceedings, other than ordinary routine litigation incidental to our business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock and Holders

Our common stock is traded on the New York Stock Exchange, or NYSE, under the ticker symbol "BBDC." As of February 27, 2020, there were approximately 23 holders of record of our common stock. This number does not include stockholders for whom shares are held in "nominee" or "street name."

Distributions Declared

The table below shows the detail of our distributions for the years ended December 31, 2019 and 2018:

	Year Ended December 31,			
	2019		2018	
	Amount	% of Total	Amount	% of Total
Ordinary income	\$ 0.54	100.0 %	\$ 0.41	95.3 %
Long-term capital gains	—	—	—	—
Tax return of capital	—	—	0.02	4.7
Total reported on IRS Form 1099-DIV	\$ 0.54	100.0%	\$ 0.43	100.0%

Each year, a statement on IRS Form 1099-DIV identifying the source(s) of the distribution (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of paid in capital surplus which is a nontaxable distribution) is mailed to our stockholders. To the extent that our distributions for a fiscal year exceed current and accumulated earnings and profits, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our taxable ordinary income or capital gains. Stockholders should read any written disclosure accompanying a dividend payment carefully and should not assume that any distribution is taxable as ordinary income or capital gains.

Ordinary income is reported on IRS Form 1099-DIV as either qualified or non-qualified and capital gain distributions are reported on IRS Form 1099-DIV in various subcategories which have differing tax treatments to stockholders. Those subcategories are not presented herein.

Distribution Policy

We generally intend to make distributions on a quarterly basis to our stockholders of substantially all of our income. In order to avoid certain excise taxes imposed on RICs, we must distribute during each calendar year an amount at least equal to the sum of (i) 98.0% of our ordinary income for the calendar year, (ii) 98.2% of our capital gains in excess of capital losses for the calendar year, and (iii) any ordinary income and net capital gains for the preceding year that were not distributed during such year. We will not be subject to excise taxes on amounts on which we are required to pay corporate income tax (such as retained net capital gains). In order to obtain the tax benefits applicable to RICs, we will be required to distribute to our stockholders with respect to each taxable year at least 90.0% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses. We may retain for investment realized net long-term capital gains in excess of realized net short-term capital losses. We may make deemed distributions to our stockholders of any retained net capital gains. If this happens, our stockholders will be treated as if they received an actual distribution of the capital gains we retain and then reinvested the net after-tax proceeds in our common stock. Our stockholders also may be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to their allocable share of the tax we paid on the capital gains deemed distributed to them. Please refer to “Business — Material U.S. Federal Income Tax Considerations” included in Item 1 of Part I of this Annual Report on Form 10-K for further information regarding the consequences of our retention of net capital gains. We may, in the future, make actual distributions to our stockholders of some or all realized net long-term capital gains in excess of realized net short-term capital losses. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratio and related requirements stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings. See “Business — Regulation of Business Development Companies” included in Item 1 of Part I of this Annual Report on Form 10-K.

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our common stockholders, unless a common stockholder elects to receive cash as provided in “Business — Dividend Reinvestment Plan” included in Item I of Part I of this Annual Report on Form 10-K.

Stockholders who receive dividends in the form of stock generally are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received in a dividend will have a holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Our ability to make distributions will be limited by the asset coverage requirement and related provisions under the 1940 Act and in any applicable indenture and related supplements. For a more detailed discussion, see "Business — Regulation of Business Development Companies" included in Item 1 of Part I of this Annual Report on Form 10-K.

Sales of Unregistered Securities

We did not sell any securities during the period covered by this report that were not registered under the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2019, in connection with our dividend reinvestment plan for our common stockholders, we directed the plan administrator to purchase 8,507 shares of our common stock for an aggregate of \$89,422 in the open market in order to satisfy our obligations to deliver shares of common stock to our stockholders with respect to our dividend declared on October 29, 2019.

On February 25, 2019, our Board approved the Share Repurchase Plan for the purposes of repurchasing shares of our common stock in the open market. During the three months ended December 31, 2019, we repurchased a total of 467,739 shares of our common stock in the open market under the Share Repurchase Plan for an aggregate of \$4.8 million, including broker commissions.

The following chart summarizes repurchases of our common stock for the three months ended December 31, 2019:

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
October 1 through October 31, 2019	142,313	\$ 10.14	142,313	\$ 3,404,967 ⁽³⁾
November 1 through November 30, 2019	251,226	\$ 10.34	251,226	\$ 836,121 ⁽⁴⁾
December 1 through December 31, 2019 .	82,707 ⁽²⁾	\$ 10.40	74,200	\$ —

(1) Includes purchases of our common stock made on the open market by or on behalf of any "affiliated purchaser," as defined in Exchange Act Rule 10b-18(a)(3), of the Company.

(2) Includes 74,200 shares repurchased under the Share Repurchase Plan and 8,507 shares purchased in the open market pursuant to the terms of our dividend reinvestment plan.

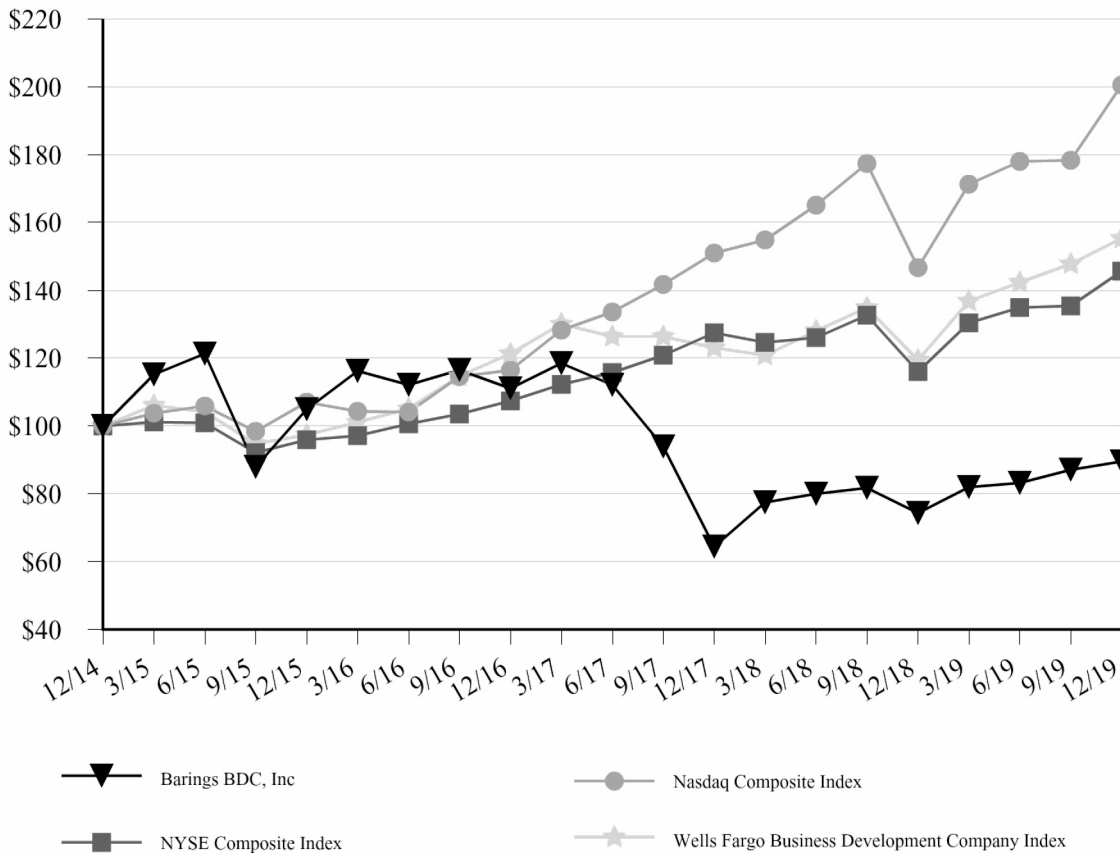
(3) Based on the total maximum remaining number of shares that could be repurchased under the Share Repurchase Plan as of October 31, 2019 of 331,545 and assuming a purchase price of \$10.27, which was the closing price of our common stock on the NYSE on October 31, 2019.

(4) Based on the total maximum remaining number of shares that could be repurchased under the Share Repurchase Plan as of November 30, 2019 of 80,319 and assuming a purchase price of \$10.41, which was the closing price of our common stock on the NYSE on November 29, 2019.

Performance Graph

The following graph compares the cumulative total return on our common stock with the cumulative total return of the Nasdaq Composite Index, the NYSE Composite Index and the Wells Fargo Business Development Company Index for the five years ended December 31, 2019. This comparison assumes \$100.00 was invested in our common stock at the closing price of our common stock on December 31, 2014 and in the comparison groups and assumes the reinvestment of all cash dividends on the ex-dividend date prior to any tax effect. The stock price performance shown on the graph below is not necessarily indicative of future price performance.

**Comparison of Annual Cumulative Total Return(1)
among Barings BDC, Inc., the Nasdaq Composite Index, the NYSE Composite Index
and the Wells Fargo Business Development Company Index**



	<u>12/31/14</u>	<u>3/31/15</u>	<u>6/30/15</u>	<u>9/30/15</u>	<u>12/31/15</u>	<u>3/31/16</u>	<u>6/30/16</u>	<u>9/30/16</u>	<u>12/31/16</u>
Barings BDC, Inc.....	100.00	115.19	121.31	87.99	104.98	116.24	112.11	116.54	111.13
NASDAQ Composite Index	100.00	103.79	105.90	98.39	106.96	104.36	104.12	114.55	116.45
NYSE Composite Index.....	100.00	101.14	100.94	92.12	95.91	97.18	100.61	103.50	107.36
Wells Fargo Business Development Company Index.....	100.00	106.03	104.16	94.75	97.43	101.07	105.08	114.72	121.34

	<u>3/31/17</u>	<u>6/30/17</u>	<u>9/30/17</u>	<u>12/31/17</u>	<u>3/31/18</u>	<u>6/30/18</u>	<u>9/30/18</u>	<u>12/31/18</u>
Barings BDC, Inc.	118.45	112.11	93.91	64.40	77.46	80.03	81.76	74.35
NASDAQ Composite Index	128.24	133.58	141.68	150.96	154.87	165.11	177.34	146.67
NYSE Composite Index	112.28	115.72	120.82	127.46	124.64	126.05	132.68	116.06
Wells Fargo Business Development Company Index	130.07	126.37	126.37	123.07	120.84	128.01	134.86	119.43
					<u>3/31/19</u>	<u>6/30/19</u>	<u>9/30/19</u>	<u>12/31/19</u>
Barings BDC, Inc.					81.94	83.27	87.10	89.51
NASDAQ Composite Index					171.32	177.95	178.27	200.49
NYSE Composite Index					130.40	134.97	135.37	145.66
Wells Fargo Business Development Company Index					136.79	142.36	147.80	155.33

(1) From December 31, 2014 to December 31, 2019.

Item 6. Selected Financial Data.

The selected financial data at and for the fiscal years ended December 31, 2015, 2016, 2017, 2018 and 2019 have been derived from our financial statements that have been audited by Ernst & Young LLP, an independent registered public accounting firm. You should read this selected financial and other data in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and notes thereto.

	Year Ended December 31,				
	2015	2016	2017	2018	2019
	(Dollars and share amounts in thousands, except per share data)				
Income statement data:					
Investment income:					
Total loan interest, fee and dividend income.....	\$ 121,062	\$ 113,332	\$ 122,290	\$ 78,238	\$ 75,638
Interest income from cash	225	348	715	1,985	10
Total investment income	121,287	113,680	123,005	80,223	75,648
Operating expenses:					
Interest and other financing fees	26,754	26,721	29,261	23,887	26,101
Base management fee	—	—	—	4,219	12,112
Compensation expenses	19,009	23,676	16,136	37,487	442
General and administrative expenses	3,895	4,406	5,370	16,178	6,441
Total operating expenses	49,658	54,803	50,767	81,771	45,096
Base management fee waived	—	—	—	(1,487)	—
Net operating expenses	49,658	54,803	50,767	80,284	45,096
Net investment income (loss).....	71,629	58,877	72,238	(61)	30,552
Net realized gains (losses):					
Non-Control / Non-Affiliate investments	9,003	(2,414)	(3,683)	(130,870)	(3,798)
Affiliate investments	2,315	4,399	(3,980)	9,939	—
Control investments.....	(38,807)	—	(45,206)	(38,542)	—
Net realized gains (losses) on investments	(27,489)	1,985	(52,869)	(159,473)	(3,798)
Foreign currency transactions	—	—	1,269	1,081	(12)
Net realized gains (losses)	(27,489)	1,985	(51,600)	(158,392)	(3,810)
Net unrealized appreciation (depreciation):					
Non-Control / Non-Affiliate investments	(23,583)	(9,080)	(65,786)	27,025	33,021
Affiliate investments	2,839	(5,473)	(7,356)	3,198	72
Control investments.....	23,876	(11,464)	27,547	24,387	—
Net unrealized appreciation (depreciation) on investments	3,132	(26,017)	(45,595)	54,610	33,093
Foreign currency transactions	2,363	(153)	(2,822)	(864)	(1,005)
Net unrealized appreciation (depreciation)	5,495	(26,170)	(48,417)	53,746	32,088
Net realized and unrealized gains (losses) on investments and foreign currency transactions	(21,994)	(24,185)	(100,017)	(104,646)	28,278
Loss on extinguishment of debt	(1,394)	—	—	(10,507)	(297)
Benefit from (provision for) taxes	(384)	(436)	(871)	932	(341)
Net increase (decrease) in net assets resulting from operations	\$ 47,857	\$ 34,256	\$ (28,650)	\$ (114,282)	\$ 58,192
Net investment income (loss) per share — basic and diluted	\$ 2.16	\$ 1.62	\$ 1.55	\$ —	\$ 0.61
Net increase (decrease) in net assets resulting from operations per share — basic and diluted	\$ 1.44	\$ 0.94	\$ (0.62)	\$ (2.29)	\$ 1.16
Net asset value per common share.....	\$ 15.23	\$ 15.13	\$ 13.43	\$ 10.98	\$ 11.66
Quarterly dividends / distributions per share	\$ 2.16	\$ 1.89	\$ 1.65	\$ 0.43	\$ 0.54
Supplemental dividends / distributions per share	0.20	—	—	—	—
Total dividends/distributions declared per share.....	\$ 2.36	\$ 1.89	\$ 1.65	\$ 0.43	\$ 0.54
Weighted average number of shares outstanding — basic and diluted	33,234	36,405	46,498	49,897	50,185

	Year Ended December 31,				
	2015	2016	2017	2018	2019
	(Dollars in thousands)				
Balance sheet data:					
Assets:					
Investments at fair value	\$ 977,277	\$1,037,907	\$1,016,284	\$1,121,856	\$ 1,173,644
Cash.....	52,615	107,088	191,850	12,427	21,992
Interest and fees receivable	4,892	10,190	7,807	6,009	5,266
Prepaid expenses and other current assets	947	1,660	1,855	2,732	1,112
Deferred income taxes	—	—	—	1,391	—
Deferred financing fees.....	3,480	2,700	5,186	252	5,366
Receivable from unsettled transactions.....	—	—	—	22,910	45,255
Property and equipment, net	106	106	81	—	—
Total assets	<u>\$1,039,317</u>	<u>\$1,159,651</u>	<u>\$1,223,063</u>	<u>\$1,167,577</u>	<u>\$ 1,252,635</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,464	\$ 6,797	\$ 9,863	\$ 5,026	\$ 5,192
Interest payable	3,714	3,997	3,997	750	2,492
Taxes payable.....	735	490	796	301	—
Deferred income taxes	4,988	2,054	1,332	—	—
Payable from unsettled transactions.....	—	—	—	28,533	4,924
Borrowings under credit facilities.....	131,257	127,012	156,071	570,000	352,488
Debt securitization	—	—	—	—	316,664
Notes	162,142	162,755	163,408	—	—
SBA-guaranteed debentures payable	220,649	245,390	246,321	—	—
Total liabilities.....	<u>530,949</u>	<u>548,495</u>	<u>581,788</u>	<u>604,610</u>	<u>681,760</u>
Net assets	508,368	611,156	641,275	562,967	570,875
Total liabilities and net assets	<u>\$1,039,317</u>	<u>\$1,159,651</u>	<u>\$1,223,063</u>	<u>\$1,167,577</u>	<u>\$ 1,252,635</u>
Other data:					
Weighted average yield on total investments(1)(2).....	10.6%	10.2%	9.6%	6.2%	6.2%
Number of portfolio companies.....	92	88	89	139	147
Expense ratios (as percentage of average net assets):					
Base management fee (net), compensation and general and administrative expenses.....	4.4%	5.0%	3.2%	9.0%	3.3%
Interest and other financing fees	5.1	4.8	4.4	3.8	4.5
Total expenses, net of base management fee waived	<u>9.5%</u>	<u>9.8%</u>	<u>7.6%</u>	<u>12.8%</u>	<u>7.8%</u>
Ratio of total expenses, net of base management fee waived, including loss on extinguishment of debt and (provision for) benefit from taxes, to average net assets	<u>9.8%</u>	<u>9.9%</u>	<u>7.7%</u>	<u>14.3%</u>	<u>7.9%</u>

(1) Excludes non-accrual debt investments.

(2) 2018 and 2019 weighted average yield of 6.2% represent the aggregate of the weighted average yield of the middle-market private debt portfolio and the syndicated senior loan portfolio. As of December 31, 2018, the weighted average yield on our syndicated senior secured loan portfolio and our middle-market private debt portfolio was approximately 5.8% and 7.6%, respectively. As of December 31, 2019 the weighted average yield on our syndicated senior secured loan portfolio and our middle-market private debt portfolio was approximately 5.4% and 7.0%, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information in this section contains forward-looking statements that involve risks and uncertainties. Please see "Risk Factors" and "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with the combined financial statements and related notes and other financial information appearing elsewhere in this Annual Report on Form 10-K.

The following discussion is designed to provide a better understanding of our financial statements, including a brief discussion of our business, key factors that impacted our performance and a summary of our operating results. The following discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 8 of this Annual Report on Form 10-K. Historical results and percentage relationships among any amounts in the financial statements are not necessarily indicative of trends in operating results for any future periods.

The Asset Sale and Externalization Transactions

On April 3, 2018, we entered into an asset purchase agreement, or the Asset Purchase Agreement, with BSP Asset Acquisition I, LLC, or the Asset Buyer (an affiliate of Benefit Street Partners L.L.C.), pursuant to which we agreed to sell our December 31, 2017 investment portfolio to the Asset Buyer for gross proceeds of \$981.2 million in cash, subject to certain adjustments to take into account portfolio activity and other matters occurring since December 31, 2017, such transaction referred to herein as the Asset Sale Transaction.

Also on April 3, 2018, we entered into a stock purchase and transaction agreement, or the Externalization Agreement, with Barings LLC, or Barings, through which Barings agreed to become the investment adviser to the Company in exchange for (1) a payment by Barings of \$85.0 million, or approximately \$1.78 per share, directly to our stockholders, (2) an investment by Barings of \$100.0 million in newly issued shares of our common stock at net asset value, or NAV, and (3) a commitment from Barings to purchase up to \$50.0 million of shares of our common stock in the open market at prices up to and including our then-current net asset value per share for a two-year period, after which Barings agreed to use any remaining funds from the \$50.0 million to purchase additional newly issued shares of our common stock at the greater of our then-current net asset value per share and market price (collectively, the Externalization Transaction). The Asset Sale Transaction and the Externalization Transaction are collectively referred to as the Transactions. The Transactions were approved by our stockholders at our July 24, 2018 special meeting of stockholders, or the 2018 Special Meeting.

The Asset Sale Transaction closed on July 31, 2018. The gross cash proceeds received from the Asset Buyer and certain affiliates of the Asset Buyer in connection with the Asset Sale Transaction were approximately \$793.3 million, after adjustments to take into account portfolio activity and other matters occurring since December 31, 2017, as described in greater detail in the Asset Purchase Agreement. Adjustments to the purchase price included, among other things, approximately \$208.8 million of principal payments and prepayments, sales proceeds and distributions related to the investment portfolio that were received and retained by us between December 31, 2017 and the closing of the Asset Sale Transaction, offset by approximately \$29.5 million of loans and equity investments originated by us between December 31, 2017 and the closing of the Asset Sale Transaction.

In connection with the closing of the Asset Sale Transaction, we caused notices to be issued to the holders of our December 2022 Notes and March 2022 Notes (each as defined in our consolidated financial statements for the fiscal year ended December 31, 2019 and notes thereto) regarding the redemption of all \$80.5 million in aggregate principal amount of the December 2022 Notes and all \$86.3 million in aggregate principal amount of the March 2022 Notes, in each case, on August 30, 2018. The December 2022 Notes and the March 2022 Notes were redeemed at 100% of their principal amount (\$25.00 per Note), plus the accrued and unpaid interest thereon from June 15, 2018 to, but excluding, August 30, 2018. In furtherance of the redemption, on July 31, 2018, we irrevocably deposited with The Bank of New York Mellon Trust Company, N.A., as trustee under the indenture and supplements thereto relating to the December 2022 Notes and the March 2022 Notes, funds in trust for the purposes of redeeming all of the issued and outstanding December 2022 Notes and March 2022 Notes and paying all sums due and payable under the indenture and supplements thereto. As a result, our obligations under the indenture and supplements thereto relating to the December 2022 Notes and the March 2022 Notes were satisfied and discharged as of July 31,

2018, except with respect to those obligations that the indenture expressly provides shall survive the satisfaction and discharge of the indenture. In addition, in connection with the closing of the Asset Sale Transaction, we terminated our senior secured credit facility entered into in May 2015 (and subsequently amended in May 2017), or the May 2017 Credit Facility.

Our former wholly-owned subsidiaries, Triangle Mezzanine Fund LLLP, or Triangle SBIC, Triangle Mezzanine Fund II LP, or Triangle SBIC II, and Triangle Mezzanine Fund III LP, or Triangle SBIC III, were specialty finance limited partnerships that were formed to make investments primarily in lower middle-market companies located throughout the United States. Each of Triangle SBIC, Triangle SBIC II and Triangle SBIC III held licenses to operate as Small Business Investment Companies, or SBICs, under the authority of the United States Small Business Administration, or SBA. In connection with the closing of the Asset Sale Transaction, we repaid all of our outstanding SBA-guaranteed debentures and surrendered the SBIC licenses held by Triangle SBIC, Triangle SBIC II, and Triangle SBIC III.

The Externalization Transaction closed on August 2, 2018. Effective as of the Externalization Closing, we changed our name from Triangle Capital Corporation to Barings BDC, Inc. and on August 3, 2018 began trading on the New York Stock Exchange, or NYSE, under the symbol "BBDC."

In connection with the closing of the Externalization Transaction, we entered into an investment advisory agreement, or the Advisory Agreement, and an administration agreement, or the Administration Agreement, with Barings, pursuant to which Barings serves as our investment adviser and administrator and manages our investment portfolio which initially consisted primarily of the cash proceeds received in connection with the Asset Sale Transaction. On August 2, 2018, we issued 8,529,917 shares of our common stock to Barings at a price of \$11.723443 per share, or an aggregate of \$100.0 million in cash.

Furthermore, on August 7, 2018, we launched a \$50.0 million issuer tender offer, or the Tender Offer. Pursuant to the Tender Offer, we purchased 4,901,961 shares of our common stock at a purchase price of \$10.20 per share, for an aggregate cost of approximately \$50.0 million, excluding fees and expenses relating to the Tender Offer. The shares of common stock purchased in the Tender Offer represented approximately 8.7% of our issued and outstanding shares as of September 6, 2018.

On September 24, 2018, or the Effective Date, Barings entered into a Rule 10b5-1 Purchase Plan, or the 10b5-1 Plan, that qualifies for the safe harbors provided by Rules 10b5-1 and 10b-18 under the Exchange Act. Pursuant to the 10b5-1 Plan, an independent broker made purchases of shares of our common stock on the open market on behalf of Barings in accordance with purchase guidelines specified in the 10b5-1 Plan. The 10b5-1 Plan was established in accordance with Barings obligation under the Externalization Agreement to enter into a trading plan pursuant to which Barings committed to purchase \$50.0 million in value of shares in open market transactions through an independent broker. The maximum aggregate purchase price of all shares purchased under the 10b5-1 Plan was \$50.0 million. On February 11, 2019, Barings fulfilled its obligations under the 10b5-1 Plan to purchase an aggregate amount of \$50.0 million in shares of our common stock and the 10b5-1 Plan terminated in accordance with its terms. Upon completion of the 10b5-1 Plan, Barings had purchased 5,084,302 shares of our common stock pursuant to the 10b5-1 Plan and owned a total of 13,639,681 shares of our common stock, or 26.6% of the total shares outstanding.

Overview of Our Business

We are a Maryland corporation incorporated on October 10, 2006. Prior to the Externalization Transaction, we were internally managed by our executive officers under the supervision of the Board. During this period, we did not pay management or advisory fees, but instead incurred the operating costs associated with employing executive management and investment and portfolio management professionals. On August 2, 2018, we entered into the Advisory Agreement and became an externally-managed BDC managed by Barings. An externally-managed BDC generally does not have any employees, and its investment and management functions are provided by an outside investment adviser and administrator under an advisory agreement and administration agreement. Instead of directly compensating employees, we pay Barings for investment and management services pursuant to the terms of the Advisory Agreement and the Administration Agreement. Under the terms of the Advisory Agreement, the fees paid to Barings for managing our affairs will be determined based upon an objective and fixed formula, as compared with

the subjective and variable nature of the costs associated with employing management and employees in an internally-managed BDC structure, which include bonuses that cannot be directly tied to Company performance because of restrictions on incentive compensation under the 1940 Act.

Prior to the Transactions, our business was to provide capital to lower middle-market companies located primarily in the United States. We focused on investments in companies with a history of generating revenues and positive cash flows, an established market position and a proven management team with a strong operating discipline. Our target portfolio company had annual revenues between \$20.0 million and \$300.0 million and annual earnings before interest, taxes, depreciation and amortization, as adjusted, or Adjusted EBITDA, between \$5.0 million and \$75.0 million. We invested primarily in senior and subordinated debt securities of privately held companies, generally secured by security interests in portfolio company assets. In addition, we generally invested in one or more equity instruments of the borrower, such as direct preferred or common equity interests. Our investments generally ranged from \$5.0 million to \$50.0 million per portfolio company.

Beginning August 2, 2018, Barings shifted our investment focus to invest in syndicated senior secured loans, bonds and other fixed income securities. Since that time, Barings has been transitioning our portfolio to senior secured private debt investments in performing, well-established middle-market businesses that operate across a wide range of industries. Barings' existing SEC co-investment exemptive relief under the 1940 Act, or the Exemptive Relief, permits us and Barings' affiliated private funds and SEC-registered funds to co-invest in Barings-originated loans, which allows Barings to efficiently implement its senior secured private debt investment strategy for us.

Barings employs fundamental credit analysis, and targets investments in businesses with relatively low levels of cyclicality and operating risk. The hold size of each position will generally be dependent upon a number of factors including total facility size, pricing and structure, and the number of other lenders in the facility. Barings has experience managing levered vehicles, both public and private, and will seek to enhance our returns through the use of leverage with a prudent approach that prioritizes capital preservation. Barings believes this strategy and approach offers attractive risk/return with lower volatility given the potential for fewer defaults and greater resilience through market cycles.

We generate revenues in the form of interest income, primarily from our investments in debt securities, loan origination and other fees and dividend income. Fees generated in connection with our debt investments are recognized over the life of the loan using the effective interest method or, in some cases, recognized as earned. Our syndicated senior secured loans generally bear interest between LIBOR plus 300 basis points and LIBOR plus 400 points. Our senior secured, middle-market, private debt investments generally have terms of between five and seven years. Our senior secured, middle-market, private debt investments generally bear interest between LIBOR (or the applicable currency rate for investments in foreign currencies) plus 450 basis points and LIBOR plus 650 basis points per annum. From time to time, certain of our investments may have a form of interest, referred to as payment-in-kind, or PIK, interest, which is not paid currently but is instead accrued and added to the loan balance and paid at the end of the term.

As of December 31, 2019, the weighted average yield on our syndicated senior secured loan portfolio and our middle-market private debt portfolio was approximately 5.4% and 7.0%, respectively. As of December 31, 2019, the weighted average yield on these two portfolios on a combined basis was approximately 6.2%. The weighted-average yield on all of our outstanding investments (including equity and equity-linked investments and short-term investments) was approximately 5.8% as of December 31, 2019.

As of December 31, 2018, the weighted average yield on our syndicated senior secured loan portfolio and our middle-market private debt portfolio was approximately 5.8% and 7.6%, respectively. As of December 31, 2018, the weighted average yield on these two portfolios on a combined basis was approximately 6.2%. The weighted-average yield on all of our outstanding investments (including equity and equity-linked investments and short-term investments) was approximately 6.0% as of December 31, 2018.

The weighted average yields across our investment portfolio depend on the relative seniority of our investments within the capital structures of our portfolio companies and on our security interests in portfolio company assets. Historically, prior to the Transactions, from the time of our initial public offering, or IPO, in 2007,

we primarily focused on investments in subordinated debt securities, which generally produce higher yields than more senior securities due to the risks inherent in investing in less senior positions. Beginning in 2016, we began to shift our focus toward larger and less cyclical portfolio companies and began steering our portfolio composition with a focus on a balance between senior and subordinated securities. On August 2, 2018, Barings shifted our investment focus to invest initially in syndicated senior secured loans, bonds and other fixed income securities. Over time, Barings has been transitioning our portfolio to senior secured private debt investments in performing, well-established middle-market businesses that operate across a wide range of industries. This shift toward predominately senior securities is intended to reduce our credit risks in exchange for lower-yielding investments, which in turn has resulted in a decrease in the weighted average yield on our investment portfolio.

Portfolio Composition

The total value of our investment portfolio was \$1,173.6 million as of December 31, 2019, as compared to \$1,121.9 million as of December 31, 2018. As of December 31, 2019, we had investments in 147 portfolio companies and two money market funds with an aggregate cost of \$1,192.6 million. As of December 31, 2018, we had investments in 139 portfolio companies and one money market fund with an aggregate cost of \$1,173.9 million. As of both December 31, 2019 and 2018, none of our portfolio investments represented greater than 10% of the total fair value of our investment portfolio.

As of December 31, 2019 and December 31, 2018, our investment portfolio consisted of the following investments:

	<u>Cost</u>	<u>Percentage of Total Portfolio</u>	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>
December 31, 2019:				
Senior debt and 1 st lien notes	\$ 1,070,031,715	90%	\$ 1,050,863,369	90%
Subordinated debt and 2 nd lien notes	15,339,180	1	\$15,220,969	1
Equity shares.....	515,825	—	\$760,716	—
Investment in joint venture	10,158,270	1	\$10,229,813	1
Short-term investments.....	96,568,940	8	\$96,568,940	8
	<u>\$ 1,192,613,930</u>	<u>100%</u>	<u>\$ 1,173,643,807</u>	<u>100%</u>
December 31, 2018:				
Senior debt and 1 st lien notes	\$ 1,120,401,043	95%	\$ 1,068,436,847	95%
Subordinated debt and 2 nd lien notes	7,777,847	1	7,679,132	1
Equity shares.....	515,825	—	515,825	—
Short-term investments.....	45,223,941	4	45,223,941	4
	<u>\$ 1,173,918,656</u>	<u>100%</u>	<u>\$ 1,121,855,745</u>	<u>100%</u>

Investment Activity

During the year ended December 31, 2019, we purchased \$18.1 million in syndicated senior secured loans, made 39 new middle-market debt investments totaling \$409.6 million, consisting of 38 senior secured, middle-market, private debt investments and one second lien, middle-market, private debt investment, made equity investments in our joint venture totaling \$10.2 million and made additional debt investments in five existing portfolio companies totaling \$12.2 million. We had seven syndicated senior secured loans repaid at par totaling total \$34.4 million, had four middle-market portfolio company loans repaid at par totaling \$44.0 million, received \$28.2 million of syndicated senior secured loan principal payments and received \$6.3 million of middle-market portfolio company principal payments. In addition, we sold \$318.5 million of syndicated senior secured loans, recognizing a net realized loss on these transactions of \$3.5 million, sold \$4.8 million of a middle-market portfolio company debt investment and sold \$36.1 million of middle-market portfolio company debt investments to our joint venture. In addition, certain terms of one broadly syndicated loan investment were amended. Under U.S. GAAP, this amendment was considered a material modification and as a result, we recognized a loss of approximately \$0.2 million related to the amendment. Lastly, we received \$0.5 million in escrow distributions from four portfolio companies, which were recognized as realized gains, and recognized a net loss of \$0.5 million related to royalty payments due from a legacy Triangle Capital portfolio company.

During the year ended December 31, 2018, subsequent to the Transactions, we purchased \$1,314.6 million in syndicated senior secured loans and made new investments in nineteen middle-market portfolio companies totaling \$237.2 million, consisting of 17 senior secured private debt investments, two second lien private debt investments and two minority equity instruments. In addition, we invested \$45.2 million, net, in money market fund investments during the year ended December 31, 2018, subsequent to the Transactions.

In addition, during the year ended December 31, 2018, subsequent to the Transactions, we received \$14.2 million of principal payments and sold \$405.2 million of syndicated senior secured loans, recognizing a net loss on the sales of \$0.1 million. As previously disclosed, as part of the Asset Sale Transaction we received gross cash proceeds from the Asset Buyer and certain affiliates of the Asset Buyer of approximately \$793.3 million, after adjustments to take into account portfolio activity and other matters occurring since December 31, 2017, as described in greater detail in the Asset Purchase Agreement. We recognized a net realized loss on the Asset Sale Transaction of approximately \$115.9 million and a net realized loss on the repayments and sales that occurred between December 31, 2017 and the closing of the Asset Sale Transaction of approximately \$43.8 million.

Total portfolio investment activity for the years ended December 31, 2019 and 2018 was as follows:

December 31, 2019	Senior Debt and 1 st Lien Notes	Subordinated debt and 2 nd Lien Notes	Equity Shares	Investment in Joint Venture	Short-term Investments	Total
Fair value, beginning of period.....	\$ 1,068,436,847	\$ 7,679,132	\$ 515,825	\$ —	\$ 45,223,941	\$ 1,121,855,745
New investments	429,318,922	10,615,730	—	10,158,270	913,641,727	1,363,734,649
Proceeds from sales of investments.....	(359,386,754)	—	49,854	—	(862,296,728)	(1,221,633,628)
Loan origination fees received	(8,457,796)	(148,551)	—	—	—	(8,606,347)
Principal repayments received	(109,909,128)	(2,980,874)	—	—	—	(112,890,002)
Accretion of loan premium/discount.....	278,897	797	—	—	—	279,694
Accretion of deferred loan origination revenue..	1,534,936	74,231	—	—	—	1,609,167
Realized loss.....	(3,748,409)	—	(49,854)	—	—	(3,798,263)
Unrealized appreciation (depreciation)	32,795,854	(19,496)	244,891	71,543	—	33,092,792
Fair value, end of period .	<u>\$ 1,050,863,369</u>	<u>\$ 15,220,969</u>	<u>\$ 760,716</u>	<u>\$ 10,229,813</u>	<u>\$ 96,568,940</u>	<u>\$ 1,173,643,807</u>

December 31, 2018	Senior Debt and 1 st Lien Notes	Subordinated Debt and 2 nd Lien Notes	Equity Shares	Equity Warrants	Short-term Investments	Total
Fair value, beginning of period.....	\$ 262,803,297	\$ 589,548,358	\$ 162,543,691	\$ 1,389,000	\$ —	\$ 1,016,284,346
New investments	1,563,590,508	15,793,789	3,086,424	—	1,363,333,538	2,945,804,259
Investment reclass	8,617,000	(8,617,000)	—	—	—	—
Proceeds from sales of investments.....	(405,187,718)	—	(36,265,416)	(708)	(1,318,109,597)	(1,759,563,439)
Proceeds from sale of portfolio to Asset Buyer ..	(234,603,624)	(418,521,991)	(132,723,128)	(1,202,274)	—	(787,051,017)
Loan origination fees received	(3,937,106)	(168,690)	—	—	—	(4,105,796)
Principal repayments received	(43,281,056)	(143,419,588)	—	—	—	(186,700,644)
PIK interest earned.....	259,414	3,517,139	—	—	—	3,776,553
PIK interest payments received	(1,403,097)	(2,494,389)	—	—	—	(3,897,486)
Accretion of loan premium/discount.....	183,527	14,188	—	—	—	197,715
Accretion of deferred loan origination revenue..	609,362	2,697,059	—	—	—	3,306,421
Realized gain (loss)	(43,212,056)	(147,889,422)	32,116,354	(488,635)	—	(159,473,759)
Unrealized appreciation (depreciation)	(36,001,604)	117,219,679	(28,242,100)	302,617	—	53,278,592
Fair value, end of period .	<u>\$ 1,068,436,847</u>	<u>\$ 7,679,132</u>	<u>\$ 515,825</u>	<u>\$ —</u>	<u>\$ 45,223,941</u>	<u>\$ 1,121,855,745</u>

Non-Accrual Assets

Generally, when interest and/or principal payments on a loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. As of December 31, 2019 and December 31, 2018, we had no non-accrual assets.

Results of Operations

Comparison of years ended December 31, 2019, 2018 and 2017

Operating results for the years ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
Total investment income	\$ 75,648,345	\$ 80,223,625	\$ 123,004,632
Net operating expenses	45,096,749	80,284,347	50,766,815
Net investment income (loss)	30,551,596	(60,722)	72,237,817
Net realized losses.....	(3,810,448)	(158,392,548)	(51,599,927)
Net unrealized appreciation (depreciation)	32,088,004	53,746,145	(48,416,941)
Loss on extinguishment of debt	(297,188)	(10,507,183)	—
Benefit from (provision for) taxes	(340,330)	932,172	(871,410)
Net increase (decrease) in net assets resulting from operations	<u>\$ 58,191,634</u>	<u>\$ (114,282,136)</u>	<u>\$ (28,650,461)</u>

Net increases or decreases in net assets resulting from operations vary substantially from period to period due to various factors. The net decrease in net assets resulting from operations for the year ended December 31, 2018 was primarily due to the net realized loss related to the Asset Sale Transaction and certain one-time compensation expenses and direct costs related to the Transactions. See further discussion regarding the Transactions above in

"The Asset Sale and Externalization Transactions" section. As a result, yearly comparisons of net increases or decreases in net assets resulting from operations may not be meaningful.

Investment Income

	Year Ended December 31,		
	2019	2018	2017
Total interest income.....	\$ 73,471,393	\$ 68,398,617	\$ 98,039,869
Total dividend income.....	44,744	894,556	2,684,188
Total fee and other income.....	2,116,820	5,168,901	10,648,016
Total payment-in-kind interest income.....	5,413	3,776,554	10,917,531
Interest income from cash.....	9,975	1,984,997	715,028
Total investment income.....	<u>\$ 75,648,345</u>	<u>\$ 80,223,625</u>	<u>\$ 123,004,632</u>

The change in total investment income for the year ended December 31, 2019, as compared to the year ended December 31, 2018, was related to the shift in our investment focus subsequent to the Transactions. During the year ended December 31, 2019, our investment portfolio was primarily comprised of syndicated senior secured loans and senior secured, middle-market, private debt investments, which are lower yielding debt investments as compared to our investment portfolio prior to the Transactions, which was comprised primarily of senior and subordinated debt securities of privately-held, lower middle-market companies. Beginning August 2, 2018, Barings shifted our investment focus to invest in syndicated senior secured loans, bonds and other fixed income securities. Since that time, Barings has been transitioning our portfolio to senior secured private debt investments in performing, well-established middle-market businesses that operate across a wide range of industries. As of December 31, 2018, we had investments in 139 portfolio companies, which included 19 middle-market debt investments and 120 syndicated senior secured loans as compared to investments in 147 portfolio companies as of December 31, 2019, which included 53 middle-market debt investments, 93 syndicated senior secured loans and one joint venture equity investment. The weighted average yield on our debt investments (excluding short-term investments) was 6.2% as of both December 31, 2019 and December 31, 2018.

In addition, total investment income for the year ended December 31, 2019 was negatively impacted by a \$2.5 million decrease in non-recurring fee income and a \$0.8 million decrease in non-recurring dividend income. Non-recurring fee income was \$0.9 million for the year ended December 31, 2019, as compared to \$3.4 million for the year ended December 31, 2018, and non-recurring dividend income was less than \$0.1 million for the year ended December 31, 2019, as compared to \$0.9 million for the year ended December 31, 2018. In addition, interest income on cash decreased by \$2.0 million from the year ended December 31, 2018 to the year ended December 31, 2019.

The decrease in interest income (including PIK interest income) for the year ended December 31, 2018, was primarily attributable to the Asset Sale Transaction and the shift in the composition of our investment portfolio. Subsequent to the Externalization Transaction, our investment portfolio has been primarily comprised of syndicated senior secured loans and senior secured private debt investments which are lower yielding debt investments as compared to our investment portfolio as of December 31, 2017. The weighted average yield on our debt investments was 6.2% (exclusive of short-term investments) as of December 31, 2018 as compared to 11.0% (exclusive of non-accrual investments) as of December 31, 2017. In addition, total investment income for the year ended December 31, 2018 was negatively impacted by a \$3.9 million decrease in non-recurring fee income and an \$1.8 million decrease in non-recurring dividend income. Non-recurring fee income was \$3.4 million for the year ended December 31, 2018, as compared to \$7.3 million for the year ended December 31, 2017, and non-recurring dividend income was \$0.9 million for the year ended December 31, 2018, as compared to \$2.7 million for the year ended December 31, 2017. Partially offsetting these decreases was an increase in interest income on cash of \$1.3 million in the year ended December 31, 2018.

Operating Expenses

	Year Ended December 31,		
	2019	2018	2017
Interest and other financing fees	\$ 26,100,941	\$ 23,887,331	\$ 29,261,030
Base Management Fee	12,112,475	4,218,628	—
Compensation expenses	442,238	37,487,461	16,135,739
General and administrative expenses	6,441,095	16,177,534	5,370,046
Total operating expenses	45,096,749	81,770,954	50,766,815
Base management fee waived	—	(1,486,607)	—
Net operating expenses	\$ 45,096,749	\$ 80,284,347	\$ 50,766,815

Interest and Other Financing Fees

The increase in interest and other financing fees for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was primarily attributable to an increase in our average borrowings outstanding in those periods, partially offset by lower average interest rates on borrowings. Interest and other financing fees during the year ended December 31, 2019 were attributable to borrowings under the August 2018 Credit Facility, the February 2019 Credit Facility and the Debt Securitization (each as defined below under "Liquidity and Capital Resources"). Interest and other financing fees during the year ended December 31, 2018 were primarily attributed to borrowings under our SBA-guaranteed debentures, the May 2017 Credit Facility and both the March 2022 Notes and the December 2022 Notes. In connection with the Transactions, the SBA-guaranteed debentures and the May 2017 Credit Facility were repaid and the March 2022 Notes and the December 2022 Notes were redeemed.

The decrease in interest and other financing fees expense from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily attributable to the repayment of our SBA-guaranteed debentures, the repayment of our May 2017 Credit Facility and the redemption of both the March 2022 Notes and the December 2022 Notes, partially offset by interest and fees incurred related to borrowings under the August 2018 Credit Facility.

Base Management Fees

Under the Advisory Agreement, we pay Barings a base management fee, or the Base Management Fee, quarterly in arrears on a calendar quarter basis. The Base Management Fee is calculated based on the average value of our gross assets, excluding cash and cash equivalents, at the end of the two most recently completed calendar quarters prior to the quarter for which such fees are being calculated. Base Management Fees for any partial month or quarter are appropriately pro-rated. Prior to the Externalization Transaction we were an internally-managed BDC and did not pay any base management fees. See Note 2 to our consolidated financial statements for the year ended December 31, 2019 for additional information regarding the Advisory Agreement and the fee arrangement thereunder.

For the year ended December 31, 2019, the Base Management Fee determined in accordance with the terms of the Advisory Agreement was approximately \$12.1 million.

For the year ended December 31, 2018, the Base Management Fee determined in accordance with the terms of the Advisory Agreement was approximately \$4.2 million. For the quarter ended September 30, 2018, the calculation of the Base Management Fee under the terms of the Advisory Agreement was based on the average of our gross assets, excluding cash and cash equivalents, as of March 31, 2018 and June 30, 2018, both of which were dates prior to the consummation of the Transactions. For the quarter ended December 31, 2018, the calculation of the Base Management Fee under the terms of the Advisory Agreement was based on the average of our gross assets, excluding cash and cash equivalents, as of June 30, 2018, which was prior to the Transactions, and September 30, 2018. In light of this fact, and in order to ensure that Barings did not earn a Base Management Fee on assets that it did not manage prior to the Transactions, Barings calculated the Base Management Fee for the quarter ended September 30, 2018 based on our average gross assets as of August 2, 2018 and September 30, 2018, excluding (i) cash and cash equivalents, (ii) short-term investments, (iii) unsettled purchased investments and (iv) assets subject to participation agreements (the "Q3 2018 Adjusted Management Fee"). For the quarter ended December 31, 2018, Barings calculated the Base Management Fee based on our average gross assets as of September 30, 2018 and

December 31, 2018, excluding (i) cash and cash equivalents, (ii) short-term investments, (iii) unsettled purchased investments and (iv) assets subject to participation agreements (the “Q4 2018 Adjusted Management Fee,” and together with the Q3 2018 Adjusted Management Fee,” the “FY 2018 Adjusted Management Fee”). Barings voluntarily agreed to waive the difference between the \$4.2 million Base Management Fee calculated under the terms of the Advisory Agreement and the FY 2018 Adjusted Management Fee, which resulted in a net Base Management Fee of approximately \$2.7 million for the year ended December 31, 2018 after taking into account a waiver of approximately \$1.5 million based on the calculations noted above.

Compensation Expenses

Prior to the Transactions, compensation expenses were primarily influenced by headcount and levels of business activity. Our compensation expenses included salaries, discretionary compensation, equity-based compensation and benefits. Discretionary compensation was significantly impacted by our level of total investment income, our investment results, including investment realizations, prevailing labor markets and the external environment. In connection with the Transactions, all but two employees were terminated. The compensation expenses for the year ended December 31, 2019 related to salaries, benefits and discretionary compensation of these remaining employees.

Compensation expenses for the year ended December 31, 2018 related predominantly to the Transactions, and the subsequent change of control and related termination of our employees. In the year ended December 31, 2018, we recognized approximately \$27.6 million in one-time compensation expenses associated with the Transactions which included severance expenses, pro-rata incentive compensation, transaction-related bonuses, expenses related to the acceleration of vesting of restricted stock grants and deferred compensation grants, and other expenses associated with the obligations under our existing severance agreements and severance policy.

General and Administrative Expenses

On August 2, 2018, we entered into the Administration Agreement with Barings. Under the terms of the Administration Agreement, Barings performs (or oversees, or arranges for, the performance of) the administrative services necessary for our operations. We are required to reimburse Barings for the costs and expenses incurred by Barings in performing its obligations and providing personnel and facilities under the Administration Agreement. Prior to the Externalization Transaction, we operated as an internally-managed BDC and incurred these expenses directly. See Note 2 to our unaudited consolidated financial statements for additional information regarding the Administration Agreement. In addition to expenses incurred under the Administration Agreement, general and administrative expenses include Board of Directors' fees, D&O insurance costs, as well as legal, accounting and valuation expenses.

General and administrative expenses increased for the year ended December 31, 2018 as compared to the year ended December 31, 2017 primarily as a result of transaction advisory fees, increased legal expenses and other direct costs associated with the Transactions. These direct costs related to the Transactions totaled approximately \$11.8 million for year ended December 31, 2018. See further discussion regarding the Transactions above under "The Asset Sale and Externalization Transactions."

Net Realized Gains (Losses)

Net realized gains (losses) during the years ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31,		
	2019	2018	2017
Non-Control / Non-Affiliate investments	\$ (3,798,263)	\$ (130,870,385)	\$ (3,683,168)
Affiliate investments	—	9,939,330	(3,979,667)
Control investments	—	(38,542,704)	(45,205,868)
Net realized losses on investments	(3,798,263)	(159,473,759)	(52,868,703)
Foreign currency transactions	(12,185)	1,081,211	1,268,776
Net realized losses	<u>\$ (3,810,448)</u>	<u>\$ (158,392,548)</u>	<u>\$ (51,599,927)</u>

In the year ended December 31, 2019, we recognized a net realized loss totaling \$3.8 million, which consisted primarily of a net loss on our syndicated senior secured loan portfolio of \$3.8 million and a net loss of \$0.5 million related to royalty payments due from a legacy Triangle Capital portfolio company, partially offset by \$0.5 million in escrow distributions we received from six portfolio companies, which were recognized as realized gains.

For the year ended December 31, 2018, we recognized net realized losses totaling \$158.4 million, which consisted primarily of a net loss on the Asset Sale Transaction of approximately \$115.9 million, a net loss on the repayments, sales and write-offs that occurred between December 31, 2017 and the closing of the Asset Sale Transaction of approximately \$43.8 million and net losses on the syndicated senior secured loan portfolio of \$0.1 million. These net losses were partially offset by gains on escrows received of \$0.3 million and a gain on foreign currency transactions of \$1.1 million.

For the year ended December 31, 2017, we recognized net realized losses totaling \$51.6 million, which consisted primarily of net losses on the write-offs of three control investments totaling \$19.9 million, a net loss on the restructuring of one control investment totaling \$25.3 million, net losses on the write-off of two affiliate investments totaling \$9.5 million and net losses on the restructurings/write-offs of five non-control/non-affiliate investments totaling \$17.7 million, partially offset by net gains on the sales of sixteen non-control/non-affiliate investments totaling \$14.0 million, net gains on the sales of six affiliate investments totaling \$5.5 million and a gain on foreign currency transactions of \$1.3 million.

Net Unrealized Appreciation and Depreciation

Net unrealized appreciation and depreciation during the year ended December 31, 2019, 2018 and 2017 was as follows:

	Year Ended December 31,		
	2019	2018	2017
Non-Control / Non-Affiliate investments	\$ 33,021,249	\$ 27,025,025	\$ (65,786,245)
Affiliate investments	71,543	3,197,568	(7,356,046)
Control investments	—	24,387,532	27,547,274
Net unrealized appreciation (depreciation) on investments	33,092,792	54,610,125	(45,595,017)
Foreign currency transactions	(1,004,788)	(863,980)	(2,821,924)
Net unrealized appreciation (depreciation)	<u>\$ 32,088,004</u>	<u>\$ 53,746,145</u>	<u>\$ (48,416,941)</u>

For the year ended December 31, 2019, we recorded net unrealized appreciation totaling \$32.1 million consisting of net unrealized appreciation on our current portfolio of \$9.2 million, net unrealized depreciation related to foreign currency transactions of \$1.0 million and net unrealized appreciation reclassification adjustments of \$23.9 million related to realized gains and losses recognized during the year. For the year ended December 31, 2018, we recorded net unrealized appreciation totaling \$53.7 million consisting of net unrealized depreciation on our current portfolio of \$52.1 million and net unrealized appreciation reclassification adjustments of \$105.8 million related to realized gains and losses recognized during the period, including those attributable to the Asset Sale Transaction. For the year ended December 31, 2017, we recorded net unrealized depreciation totaling \$48.4 million, consisting of net unrealized depreciation on our then-current portfolio of \$102.8 million and net unrealized appreciation reclassification adjustments of \$54.4 million related to realized gains and losses.

Supplemental Financial Information

We report our financial results in accordance with U.S. GAAP. On a supplemental basis, the information in the table below presents our results of operations for the year ended December 31, 2018 for (i) the period from January 1, 2018 through August 2, 2018, the date of the Externalization Transaction, and (ii) for the period from August 3, 2018 through December 31, 2018.

	January 1, 2018 through August 2, 2018	August 3, 2018 through December 31, 2018	Year Ended Ended December 31, 2018 ⁽¹⁾
Investment income:			
Interest income	\$ 48,166,613	\$ 20,232,004	\$ 68,398,617
Dividend income.....	693,779	200,777	894,556
Fee and other income.....	4,926,632	242,269	5,168,901
Payment-in-kind interest income.....	3,776,554	—	3,776,554
Interest income from cash.....	1,650,663	334,334	1,984,997
Total investment income.....	<u>59,214,241</u>	<u>21,009,384</u>	<u>80,223,625</u>
Operating expenses:			
Interest and other financing fees.....	19,144,380	4,742,951	23,887,331
Base management fee	—	4,218,628	4,218,628
Compensation expenses.....	37,282,803	204,658	37,487,461
General and administrative expenses	14,333,177	1,844,357	16,177,534
Total operating expenses.....	<u>70,760,360</u>	<u>11,010,594</u>	<u>81,770,954</u>
Base management fee waived.....	—	(1,486,607)	(1,486,607)
Net operating expenses	<u>70,760,360</u>	<u>9,523,987</u>	<u>80,284,347</u>
Net investment income (loss).....	<u>(11,546,119)</u>	<u>11,485,397</u>	<u>(60,722)</u>
Realized and unrealized gains (losses) on investments and foreign currency transactions:			
Net realized gains (losses)(2).....	(162,288,479)	3,895,931	(158,392,548)
Net unrealized appreciation (depreciation)(3)	<u>109,442,320</u>	<u>(55,696,175)</u>	<u>53,746,145</u>
Net realized and unrealized losses	(52,846,159)	(51,800,244)	(104,646,403)
Loss on extinguishment of debt	(10,507,183)	—	(10,507,183)
Benefit from (provision for) taxes	(612,990)	1,545,162	932,172
Net decrease in net assets resulting from operations	<u>\$ (75,512,451)</u>	<u>\$ (38,769,685)</u>	<u>\$ (114,282,136)</u>
Net investment income (loss) per share—basic and diluted	\$ (0.24)	\$ 0.22	\$ —
Net decrease in net assets resulting from operations per share—basic and diluted.....	\$ (1.57)	\$ (0.74)	\$ (2.29)
Weighted average shares outstanding—basic and diluted	\$ 47,979,262	\$ 52,615,060	\$ 49,897,085

(1) Amounts from our Consolidated Statement of Operations for the year ended December 31, 2018, representing the sums of the amounts for (i) the period from January 1, 2018 through August 2, 2018 and (ii) the period from August 3, 2018 through December 31, 2018, excluding per share amounts and weighted average shares outstanding.

(2) Net realized gains of \$3.9 million for the period from August 3, 2018 through December 31, 2018 included a net realized gain on the Asset Sale of \$3.6 million and a realized gain from escrow payments of \$0.3 million, partially offset by a net realized loss on the sales of syndicated senior secured loans of \$0.1 million.

(3) Net unrealized depreciation of \$55.7 million for the period from August 3, 2018 through December 31, 2018 includes \$52.1 million in net unrealized depreciation on our current portfolio and \$3.6 million of net unrealized depreciation reclassification adjustments related to the net realized gain on the Asset Sale of \$3.6 million discussed in footnote (2) above.

Liquidity and Capital Resources

We believe that our current cash on hand, our short-term investments, sales of our syndicated senior secured loans, our available borrowing capacity under the August 2018 Credit Facility and the February 2019 Credit Facility (each as defined below under "Financing Transactions") and our anticipated cash flows from operations will be adequate to meet our cash needs for our daily operations for at least the next twelve months.

Cash Flows

For the year ended December 31, 2019, we experienced a net increase in cash in the amount of \$9.6 million. During that period, our operating activities used \$31.5 million in cash, consisting primarily of purchases of portfolio investments of \$473.7 million and purchases of short-term investments of \$913.6 million, partially offset by proceeds from sales of investments totaling \$449.9 million and proceeds from the sales of short-term investments of \$862.3 million. In addition, financing activities provided net cash of \$41.1 million, consisting primarily of net proceeds from our \$449.3 million term debt securitization, or the Debt Securitization, of \$348.3 million, partially offset by net repayments under the August 2018 Credit Facility and the February 2019 Credit Facility of \$218.6 million, repayments of the Debt Securitization of \$30.0 million, purchases of shares under the share repurchase plan of \$23.4 million, financing fees paid of \$8.3 million and dividends paid in the amount of \$26.9 million. At December 31, 2019, we had \$22.0 million of cash on hand.

For the year ended December 31, 2018, we experienced a net decrease in cash in the amount of \$179.4 million. During that period, our operating activities used \$198.3 million in cash, consisting primarily of purchases of portfolio investments of \$1,553.9 million, purchases of short-term investments of \$1,363.3 million, partially offset by the sale of our investment portfolio to the Asset Buyer for \$793.3 million, proceeds from sales of investments totaling \$606.8 million and proceeds from the sales of short-term investments of \$1,318.1 million. In addition, financing activities provided net cash of \$18.8 million, consisting primarily of borrowings under the May 2017 Credit Facility and the August 2018 Credit Facility of \$574.1 million and net proceeds from the issuance of common stock to Barings of \$99.8 million, partially offset by repayment of SBA-guaranteed debentures of \$250.0 million, redemption of the December 2022 Notes and March 2022 Notes for \$166.8 million in aggregate, repayments under the May 2017 Credit Facility of \$160.0 million, purchases of shares of our common stock in the Tender Offer and related expenses of \$51.0 million and cash dividends and distributions paid in the amount of \$21.1 million. At December 31, 2018, we had \$12.4 million of cash on hand.

For the year ended December 31, 2017, we experienced a net increase in cash and cash equivalents in the amount of \$84.8 million. During that period, our operating activities provided \$8.0 million in cash, consisting primarily of repayments received from portfolio companies and proceeds from the sales of investments totaling \$403.7 million, which in addition to the cash provided by other operating activities, was partially offset by new portfolio investments of \$483.7 million. In addition, financing activities provided cash of \$76.8 million, consisting primarily of proceeds from the public stock offering of \$132.0 million and net borrowings under the May 2017 Credit Facility of \$27.5 million, partially offset by cash dividends paid in the amount of \$77.1 million. At December 31, 2017, we had \$191.8 million of cash on hand.

Financing Transactions

In connection with the Asset Sale Transaction, we repaid all of our outstanding SBA-guaranteed debentures and surrendered the SBIC licenses held by Triangle SBIC, Triangle SBIC II, and Triangle SBIC III. Upon the repayment of the SBA-guaranteed debentures, we recognized a loss on the extinguishment of debt of \$3.5 million. Also in connection with the closing of the Asset Sale Transaction, we terminated the May 2017 Credit Facility, which resulted in a loss on the extinguishment of debt of \$4.1 million.

In October 2012, we issued \$70.0 million in aggregate principal amount of the December 2022 Notes, and in November 2012, we issued \$10.5 million of the December 2022 Notes pursuant to the exercise of an over-allotment option. In connection with the closing of the Asset Sale Transaction, we caused notices to be issued to the holders of the December 2022 Notes regarding the redemption of the December 2022 Notes. The December 2022 Notes were redeemed in full on August 30, 2018 for a total redemption price of \$80.5 million, which resulted in a loss on the extinguishment of debt of \$1.4 million. Prior to the redemption, the December 2022 Notes bore interest at a rate of

6.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning December 15, 2012.

In February 2015, we issued \$86.3 million in aggregate principal amount of the March 2022 Notes. The net proceeds from the sale of the March 2022 Notes, after underwriting discounts and offering expenses, were \$83.4 million. In connection with the closing of the Asset Sale Transaction, we also caused notices to be issued to the holders of the March 2022 Notes regarding the redemption of all the March 2022 Notes. The March 2022 Notes were redeemed in full on August 30, 2018 for a total redemption price of \$86.3 million, which resulted in a loss on the extinguishment of debt of \$1.5 million. Prior to the redemption, the March 2022 Notes bore interest at a rate of 6.375% per year payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2015.

On July 3, 2018, we formed Barings BDC Senior Funding I, LLC, an indirectly wholly-owned Delaware limited liability company, or BSF, the primary purpose of which is to function as our special purpose, bankruptcy-remote, financing subsidiary. On August 3, 2018, BSF entered into a credit facility, or the August 2018 Credit Facility (as subsequently amended in December 2018), with Bank of America, N.A., as administrative agent, or the Administrative Agent and Class A-1 Lender, Société Générale, as Class A Lender, and Bank of America Merrill Lynch, as sole lead arranger and sole book manager. BSF and the Administrative Agent also entered into a security agreement dated as of August 3, 2018, or the Security Agreement pursuant to which BSF's obligations under the August 2018 Credit Facility are secured by a first-priority security interest in substantially all of the assets of BSF, including its portfolio of investments, or the Pledged Property. In connection with the first-priority security interest established under the Security Agreement, all of the Pledged Property is held in the custody of State Street Bank and Trust Company, as collateral administrator, or the Collateral Administrator. The Collateral Administrator maintains and performs certain collateral administration services with respect to the Pledged Property pursuant to a collateral administration agreement among BSF, the Administrative Agent and the Collateral Administrator. Generally, the Collateral Administrator is authorized to make distributions and payments from Pledged Property based only on the written instructions of the Administrative Agent.

The August 2018 Credit Facility initially provided for borrowings in an aggregate amount up to \$750.0 million, including up to \$250.0 million borrowed under the Class A Loan Commitments and up to \$500.0 million borrowed under the Class A-1 Loan Commitments. Effective February 28, 2019, we reduced our Class A Loan Commitments to \$100.0 million, which reduced total commitments under the August 2018 Credit Facility to \$600.0 million. Effective May 9, 2019, we further reduced our Class A Loan Commitments under the August 2018 Credit Facility from \$100.0 million to zero and reduced our Class A-1 Loan Commitments under the August 2018 Credit Facility from \$500.0 million to \$300.0 million, which collectively reduced total commitments under the August 2018 Credit Facility to \$300.0 million. Effective June 18, 2019, we further reduced our Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$300.0 million to \$250.0 million. Effective August 14, 2019, we further reduced our Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$250.0 million to \$177.0 million. Effective October 29, 2019, we further reduced our Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$177.0 million to \$150.0 million. In connection with these reductions, the pro rata portion of the unamortized deferred financing costs related to the August 2018 Credit Facility was written off and recognized as a loss on extinguishment of debt in our Consolidated Statements of Operations. Effective January 21, 2020, we further reduced our Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$150.0 million to \$80.0 million. All borrowings under the August 2018 Credit Facility bear interest, subject to BSF's election, on a per annum basis equal to (i) the applicable base rate plus the applicable spread or (ii) the applicable LIBOR rate plus the applicable spread. The applicable base rate is equal to the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate or (iii) one-month LIBOR plus 1.0%. The applicable LIBOR rate depends on the term of the borrowing under the August 2018 Credit Facility, which can be either one month or three months. BSF is required to pay commitment fees on the unused portion of the August 2018 Credit Facility. BSF may prepay any borrowing at any time without premium or penalty, except that BSF may be liable for certain funding breakage fees if prepayments occur prior to expiration of the relevant interest period. BSF may also permanently reduce all or a portion of the commitment amount under the August 2018 Credit Facility without penalty. Any amounts borrowed under the Class A-1 Loan Commitments will mature, and all accrued and unpaid interest thereunder will be due and payable, on August 3, 2020, or upon earlier termination of the August 2018 Credit Facility.

As of December 31, 2019, BSF was in compliance with all covenants under the August 2018 Credit Facility and had borrowings of \$107.2 million outstanding under the August 2018 Credit Facility with an interest rate of 2.940%. The fair values of the borrowings outstanding under the August 2018 Credit Facility are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of December 31, 2019, the total fair value of the borrowings outstanding under the August 2018 Credit Facility was \$107.2 million. See Note 5 to our consolidated financial statements for the year ended December 31, 2019 for additional information regarding the August 2018 Credit Facility.

On February 21, 2019, we entered into a credit facility, or the February 2019 Credit Facility (as subsequently amended in December 2019), with ING Capital LLC, or ING, as administrative agent, and the lenders party thereto. The initial commitments under the February 2019 Credit Facility total \$800.0 million. The February 2019 Credit Facility has an accordion feature that allows for an increase in the total commitments of up to \$400.0 million, subject to certain conditions and the satisfaction of specified financial covenants. We can borrow foreign currencies directly under the February 2019 Credit Facility. The February 2019 Credit Facility, which is structured as a revolving credit facility, is secured primarily by a material portion of our assets and guaranteed by certain of our subsidiaries. The revolving period of the February 2019 Credit Facility ends on February 21, 2023, followed by a one-year repayment period with a final maturity date of February 21, 2024.

Borrowings under the February 2019 Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable base rate plus 1.25% (or, after one year, 1.00% if we receive an investment grade credit rating), (ii) the applicable LIBOR rate plus 2.25% (or, after one year, 2.00% if we receive an investment grade credit rating), (iii) for borrowings denominated in certain foreign currencies other than Australian dollars, the applicable currency rate for the foreign currency as defined in the credit agreement plus 2.25% (or, after one year, 2.00% if we receive an investment grade credit rating), or (iv) for borrowings denominated in Australian dollars, the applicable Australian dollars Screen Rate, plus 2.45% (or, after one year, 2.20% if the Company receives an investment grade credit rating). The applicable base rate is equal to the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.5%, (iii) the Overnight Bank Funding Rate plus 0.5%, (iv) the adjusted three-month applicable currency rate plus 1.0% and (v) 1%. The applicable currency rate depends on the currency and term of the draw under the February 2019 Credit Facility. We pay a commitment fee of (i) for the period beginning on the closing date of the February 2019 Credit Facility to and including the date that is six months after the closing date of the February 2019 Credit Facility, 0.375% per annum on undrawn amounts, and (ii) for the period beginning on the date that is six months after the closing date of the February 2019 Credit Facility, (x) 0.5% per annum on undrawn amounts if the unused portion of the February 2019 Credit Facility is greater than two-thirds of total commitments or (y) 0.375% per annum on undrawn amounts if the unused portion of the February 2019 Credit Facility is equal to or less than two-thirds of total commitments.

As of December 31, 2019, we were in compliance with all covenants under the February 2019 Credit Facility and had U.S. dollar borrowings of \$195.0 million outstanding under the February 2019 Credit Facility with a weighted interest rate of 4.054%, borrowings denominated in Swedish kronas of 12.8kr million (\$1.4 million) with an interest rate of 2.25%, borrowings denominated in British pounds sterling of £4.7 million (\$6.3 million) with an interest rate of 3.0%, and borrowings denominated in Euros of €38.0 million (\$42.7 million) with an interest rate of 2.25%. The borrowings denominated in foreign currencies were translated into U.S. dollars based on the spot rate at the relevant balance sheet date. The impact resulting from changes in foreign exchange rates on the February 2019 Credit Facility borrowings is included in "Net unrealized appreciation (depreciation) - foreign currency transactions" in our Consolidated Statements of Operations.

The fair values of the borrowings outstanding under the February 2019 Credit Facility are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of December 31, 2019, the total fair value of the borrowings outstanding under the February 2019 Credit Facility was \$245.3 million.

On May 9, 2019, we completed the Debt Securitization. Term debt securitizations are also known as collateralized loan obligations and are a form of secured financing, which is consolidated for financial reporting purposes and subject to our overall asset coverage requirement. The notes offered in the Debt Securitization, collectively, the 2019 Notes, were issued by Barings BDC Static CLO Ltd. 2019-I, or BBDC Static CLO Ltd., and Barings BDC Static CLO 2019-I, LLC, our wholly-owned and consolidated subsidiaries. BBDC Static CLO Ltd.

and Barings BDC Static CLO 2019-I, LLC are collectively referred to herein as the Issuers. The 2019 Notes are secured by a diversified portfolio of senior secured loans and participation interests therein. The Debt Securitization was executed through a private placement of approximately \$296.8 million of AAA(sf) Class A-1 Senior Secured Floating Rate 2019 Notes, or the Class A-1 2019 Notes, which bear interest at the three-month LIBOR plus 1.02%; \$51.5 million of AA(sf) Class A-2 Senior Secured Floating Rate 2019 Notes, or the Class A-2 2019 Notes, which bear interest at the three-month LIBOR plus 1.65%; and \$101.0 million of Subordinated 2019 Notes which do not bear interest and are not rated. We retained all of the Subordinated 2019 Notes issued in the Debt Securitization in exchange for our sale and contribution to BBDC Static CLO Ltd. of the initial closing date portfolio, which included senior secured loans and participation interests. The 2019 Notes are scheduled to mature on April 15, 2027; however the 2019 Notes may be redeemed by the Issuers, at our direction as holder of the Subordinated 2019 Notes, on any business day after May 9, 2020. In connection with the sale and contribution, we made customary representations, warranties and covenants to the Issuers.

The Class A-1 2019 Notes and Class A-2 2019 Notes are the secured obligations of the Issuers, the Subordinated 2019 Notes are the unsecured obligations of BBDC Static CLO Ltd., and the indenture governing the 2019 Notes includes customary covenants and events of default. The 2019 Notes have not been, and will not be, registered under the Securities Act of 1933, as amended, or the Securities Act, or any state securities or “blue sky” laws and may not be offered or sold in the United States absent registration with the Securities and Exchange Commission or an applicable exemption from registration.

We serve as collateral manager to BBDC Static CLO Ltd. under a collateral management agreement and we have agreed to irrevocably waive all collateral management fees payable pursuant to the collateral management agreement.

During the year ended December 31, 2019, \$30.0 million of the Class A-1 2019 Notes were repaid. As of December 31, 2019, we had borrowings of \$266.7 million outstanding under the Class A-1 2019 Notes with an interest rate of 3.021% and borrowings of \$51.5 million outstanding under the Class A-2 2019 Notes with an interest rate of 3.651%. The fair value determination of the 2019 Notes were based on market yield approach and current interest rates, which are Level 3 inputs to the market yield model. As of December 31, 2019, the total fair value of the Class A-1 2019 Notes and the Class A-2 2019 Notes was \$266.8 million and \$51.5 million, respectively.

Share Repurchase Plan

On February 25, 2019, we adopted a share repurchase plan, pursuant to Board approval, for the purpose of repurchasing shares of our common stock in the open market, or the Share Repurchase Plan. The Board authorized us to repurchase in 2019 up to a maximum of 5.0% of the amount of shares outstanding under the following targets:

- a maximum of 2.5% of the amount of shares of our common stock outstanding if shares trade below NAV per share but in excess of 90% of NAV per share; and
- a maximum of 5.0% of the amount of shares of our common stock outstanding if shares trade below 90% of NAV per share.

The Share Repurchase Plan was executed in accordance with applicable rules under the Exchange Act, including Rules 10b5-1 and 10b-18 thereunder, as well as certain price, market volume and timing constraints specified in the Share Repurchase Plan. The Share Repurchase Plan was designed to allow us to repurchase our shares both during our open window periods and at times when we otherwise might be prevented from doing so under applicable insider trading laws or because of self-imposed trading blackout periods. A broker selected by us was delegated the authority to repurchase shares on our behalf in the open market, pursuant to, and under the terms and limitations of, the Share Repurchase Plan. During the year ended December 31, 2019, we repurchased a total of 2,333,261 shares of our common stock in the open market under the Share Repurchase Plan at an average price of \$10.01 per share, including broker commissions.

Distributions to Stockholders

We have elected to be treated as a RIC under the Internal Revenue Code of 1986, as amended, or the Code, and intend to make the required distributions to our stockholders as specified therein. In order to maintain our tax treatment as a RIC and to obtain RIC tax benefits, we must meet certain minimum distribution, source-of-income and asset diversification requirements. If such requirements are met, then we are generally required to pay income taxes only on the portion of our taxable income and gains we do not distribute (actually or constructively) and certain built-in gains. We have historically met our minimum distribution requirements and continually monitor our distribution requirements with the goal of ensuring compliance with the Code. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and our ability to make distributions will be limited by the asset coverage requirement and related provisions under the 1940 Act and contained in any applicable indenture and related supplements.

The minimum distribution requirements applicable to RICs require us to distribute to our stockholders each year at least 90% of our investment company taxable income, or ICTI, as defined by the Code. Depending on the level of ICTI earned in a tax year, we may choose to carry forward ICTI in excess of current year distributions into the next tax year and pay a 4% U.S. federal excise tax on such excess. Any such carryover ICTI must be distributed before the end of the next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. We may be required to recognize ICTI in certain circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments issued with warrants), we must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in ICTI other amounts that we have not yet received in cash, such as (i) PIK interest income and (ii) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue discount or other amounts accrued will be included in our ICTI for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the minimum distribution requirements, even though we will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

Critical Accounting Policies and Use of Estimates

The preparation of our financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods covered by such financial statements. We have identified investment valuation and revenue recognition as our most critical accounting estimates. On an on-going basis, we evaluate our estimates, including those related to the matters described below. These estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions. A discussion of our critical accounting policies follows.

Investment Valuation

The most significant estimate inherent in the preparation of our financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. We have a valuation policy, as well as established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring (at least quarterly) basis in accordance with the 1940 Act and FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, or ASC Topic 820. Our current valuation policy and processes were established by Barings and were approved by the Board.

Under ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For our portfolio securities, fair value is generally the amount that we might reasonably expect to receive upon the current sale of the security. The fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous market for the security. If no market for the security exists or if we do not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market.

Under ASC Topic 820, there are three levels of valuation inputs, as follows:

Level 1 Inputs – include quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs – include inputs that are unobservable and significant to the fair value measurement.

A financial instrument is categorized within the ASC Topic 820 valuation hierarchy based upon the lowest level of input to the valuation process that is significant to the fair value measurement. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized as Level 3 investments within the tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

Our investment portfolio includes certain debt and equity instruments of privately held companies for which quoted prices or other inputs falling within the categories of Level 1 and Level 2 are generally not available. In such cases, we determine the fair value of our investments in good faith primarily using Level 3 inputs. In certain cases, quoted prices or other observable inputs exist, and if so, we assess the appropriateness of the use of these third-party quotes in determining fair value based on (i) our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer and (ii) the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance of the portfolio company.

There is no single standard for determining fair value in good faith, as fair value depends upon the specific circumstances of each individual investment. The recorded fair values of our Level 3 investments may differ significantly from fair values that would have been used had an active market for the securities existed. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

Investment Valuation Process

Barings has established a Pricing Committee that is, subject to the oversight of the Board, responsible for the approval, implementation and oversight of the processes and methodologies that relate to the pricing and valuation of assets we hold. Barings uses internal pricing models, in accordance with internal pricing procedures established by the Pricing Committee, to price an asset in the event an acceptable price cannot be obtained from an approved external source.

Barings reviews its valuation methodologies on an ongoing basis and updates are made accordingly to meet changes in the marketplace. Barings has established internal controls to ensure its valuation process is operating in an effective manner. Barings (1) maintains valuation and pricing procedures that describe the specific methodology used for valuation and (2) approves and documents exceptions and overrides of valuations. In addition, the Pricing Committee performs an annual review of valuation methodologies.

Our money market fund investments are generally valued using Level 1 inputs and our syndicated senior secured loans are generally valued using Level 2 inputs. Our senior secured, middle-market, private debt investments are generally valued using Level 3 inputs.

Independent Valuation Review

We have engaged an independent valuation firm to provide third-party valuation consulting services at the end of each fiscal quarter, which consist of certain limited procedures that we identified and requested the valuation firm to perform (hereinafter referred to as the "Procedures"). The Procedures generally consist of a review of the quarterly fair values of our middle-market investments, and are generally performed with respect to each investment every quarter beginning in the quarter after the investment is made. In certain instances, we may determine that it is not cost-effective, and as a result is not in the stockholders' best interests, to request the independent valuation firm to perform the Procedures on certain investments. Such instances include, but are not limited to, situations where the fair value of the investment in the portfolio company is determined to be insignificant relative to the total investment portfolio.

The total number of senior secured, middle-market investments and the percentage of our total senior secured, middle-market investment portfolio on which the Procedures were performed are summarized below by period:

For the quarter ended:	Total companies	Percent of total investments at fair value(1)
September 30, 2018(2).....	—	—%
December 31, 2018	5	100%
March 31, 2019	18	100%
June 30, 2019	22	100%
September 30, 2019	28	100%
December 31, 2019	38	100%

(1) Exclusive of the fair value of new middle-market investments made during the quarter and certain middle-market investments repaid subsequent to the end of the reporting period.

(2) The Company did not engage any independent valuation firms to perform the Procedures for the third quarter of 2018 as the Company's investment portfolio consisted primarily of newly-originated investments.

Upon completion of the Procedures, the valuation firm concluded that, with respect to each investment reviewed by the valuation firm, the fair value of those investments subjected to the Procedures appeared reasonable. Finally, the Board determined in good faith that our investments were valued at fair value in accordance with our valuation policies and procedures and the 1940 Act based on, among other things, the input of Barings, our Audit Committee and the independent valuation firm.

Beginning with the first quarter of 2020, we revised our valuation process to require that the Procedures generally be performed with respect to each middle-market investment at least once in every calendar year and for new investments, at least once in the twelve-month period subsequent to the initial investment. In addition, the Procedures will generally be performed with respect to an investment where there has been a significant change in the fair value or performance of the investment.

Investment Valuation Inputs and Techniques

Our valuation techniques are based upon both observable and unobservable pricing inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. We determine the estimated fair value of our loans and investments using primarily an income approach. Generally, an independent pricing service provider is the preferred source of pricing a loan, however, to the extent the independent pricing service provider price is unavailable or not relevant and reliable, we may use broker quotes. We attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security.

Market Approach

We value our syndicated senior secured loans using values provided by independent pricing services that have been approved by the Barings' Pricing Committee. The prices received from these pricing service providers are based on yields or prices of securities of comparable quality, type, coupon and maturity and/or indications as to value from dealers and exchanges. We seek to obtain two prices from the pricing services with one price representing the primary source and the other representing an independent control valuation. We evaluate the prices obtained from brokers or independent pricing service providers based on available market information, including trading activity of the subject or similar securities, or by performing a comparable security analysis to ensure that fair values are reasonably estimated. We also perform back-testing of valuation information obtained from independent pricing service providers and brokers against actual prices received in transactions. In addition to ongoing monitoring and back-testing, we perform due diligence procedures surrounding independent pricing service providers to understand their methodology and controls to support their use in the valuation process.

Income Approach

We utilize an Income Approach model in valuing our private debt investment portfolio, which consists of middle-market senior secured loans with floating reference rates. As independent pricing service provider and broker quotes have not historically been consistently relevant and reliable, the fair value is determined using an internal index-based pricing model that takes into account both the movement in the spread of one or more performing credit indices as well as changes in the credit profile of the borrower. The implicit yield for each debt investment is calculated at the date the investment is made. This calculation takes into account the acquisition price (par less any upfront fee) and the relative maturity assumptions of the underlying asset. As of each balance sheet date, the implied yield for each investment is reassessed, taking into account changes in the discount margin of the baseline index, probabilities of default and any changes in the credit profile of the issuer of the security, such as fluctuations in operating levels and leverage. If there is an observable price available on a comparable security/issuer, it is used to calibrate the internal model. The implied yield used within the model is considered a significant unobservable input. As such, these assets are generally classified within Level 3. If the valuation process for a particular debt investment results in a value above par, the value is typically capped at the greater of the principal amount plus any prepayment penalty in effect or 100% of par on the basis that a market participant is likely unwilling to pay a greater amount than that at which the borrower could refinance.

Fair value measurements using the Income Approach model can be sensitive to changes in one or more of the inputs. Assuming all other inputs to the Income Approach model remain constant, any increase (decrease) in the discount margin of the baseline index for a particular debt security would result in a lower (higher) fair value for that security. Assuming all other inputs to the Income Approach model remain constant, any improvement (decline) in the credit profile of the issuer of a particular debt security would result in a higher (lower) fair value for that security.

Enterprise Value Waterfall Approach

In valuing equity securities, we estimate fair value using an "Enterprise Value Waterfall" valuation model. We estimate the enterprise value of a portfolio company and then allocate the enterprise value to the portfolio company's securities in order of their relative liquidation preference. In addition, the model assumes that any outstanding debt or other securities that are senior to our equity securities are required to be repaid at par. Generally, the waterfall proceeds flow from senior debt tranches of the capital structure to junior and subordinated debt, followed by each class or preferred stock and finally the common stock. Additionally, we may estimate the fair value of a debt security using the Enterprise Value Waterfall approach when we do not expect to receive full repayment.

To estimate the enterprise value of the portfolio company, we primarily use a valuation model based on a transaction multiple, which generally is the original transaction multiple, and measures of the portfolio company's financial performance. In addition, we consider other factors, including but not limited to (i) offers from third parties to purchase the portfolio company, (ii) the implied value of recent investments in the equity securities of the portfolio company, (iii) publicly available information regarding recent sales of private companies in comparable transactions and (iv) when management believes there are comparable companies that are publicly traded, we perform a review of these publicly traded companies and the market multiple of their equity securities. For certain

non-performing assets, we may utilize the liquidation or collateral value of the portfolio company's assets in our estimation of enterprise value.

The significant Level 3 inputs to the Enterprise Value Waterfall model are (i) an appropriate transaction multiple and (ii) a measure of the portfolio company's financial performance, which generally is either earnings before interest, taxes, depreciation and amortization, as adjusted, or Adjusted EBITDA, or revenues. Such inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. In determining the operating results input, we utilize the most recent portfolio company financial statements and forecasts available as of the valuation date. Management also consults with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues. Additionally, we consider some or all of the following factors:

- financial standing of the issuer of the security;
- comparison of the business and financial plan of the issuer with actual results;
- the size of the security held;
- pending reorganization activity affecting the issuer, such as merger or debt restructuring;
- ability of the issuer to obtain needed financing;
- changes in the economy affecting the issuer;
- financial statements and reports from portfolio company senior management and ownership;
- the type of security, the security's cost at the date of purchase and any contractual restrictions on the disposition of the security;
- information as to any transactions or offers with respect to the security and/or sales to third parties of similar securities;
- the issuer's ability to make payments and the type of collateral;
- the current and forecasted earnings of the issuer;
- statistical ratios compared to lending standards and to other similar securities;
- pending public offering of common stock by the issuer of the security;
- special reports prepared by analysts; and
- any other factors we deem pertinent with respect to a particular investment.

Fair value measurements using the Enterprise Value Waterfall model can be sensitive to changes in one or more of the inputs. Assuming all other inputs to the Enterprise Value Waterfall model remain constant, any increase (decrease) in either the transaction multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher (lower) fair value for that security.

Valuation of Investment in Jocassee

We estimate the fair value of our investment in Jocassee Partners LLC, or Jocassee, using the net asset value of Jocassee and our ownership percentage. The net asset value of Jocassee is determined in accordance with the specialized accounting guidance for investment companies.

Revenue Recognition

Interest and Dividend Income

Interest income, including amortization of premium and accretion of discount, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when interest and/or principal payments on a

loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The cessation of recognition of such interest will negatively impact the reported fair value of the investment. We write off any previously accrued and uncollected interest when it is determined that interest is no longer considered collectible. Dividend income is recorded on the ex-dividend date.

We may have to include interest income in our ICTI, including original issue discount income, from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. As a result, we may be required to make a distribution to our stockholders in order to satisfy the minimum distribution requirements to maintain our RIC tax treatment, even though we will not have received and may not ever receive any corresponding cash amount. Additionally, any loss recognized by us for U.S. federal income tax purposes on previously accrued interest income will be treated as a capital loss.

Fee Income

Origination, facility, commitment, consent and other advance fees received in connection with the origination of a loan, or Loan Origination Fees, are recorded as deferred income and recognized as investment income over the term of the loan. Upon prepayment of a loan, any unamortized Loan Origination Fees are recorded as investment income. In the general course of our business, we receive certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, advisory, loan amendment and other fees, and are recorded as investment income when earned.

Fee income for the years ended December 31, 2019, 2018 and 2017 was as follows:

	Year Ended December 31,		
	2019	2018	2017
Recurring Fee Income:			
Amortization of loan origination fees	\$ 914,197	\$ 1,374,049	\$ 2,445,485
Management, valuation and other fees	275,510	427,628	940,361
Total Recurring Fee Income	<u>1,189,707</u>	<u>1,801,677</u>	<u>3,385,846</u>
Non-Recurring Fee Income:			
Prepayment fees	59,617	1,191,943	2,688,814
Acceleration of unamortized loan origination fees	694,971	1,932,367	4,202,078
Advisory, loan amendment and other fees	172,525	242,914	371,278
Total Non-Recurring Fee Income	<u>927,113</u>	<u>3,367,224</u>	<u>7,262,170</u>
Total Fee Income	<u>\$ 2,116,820</u>	<u>\$ 5,168,901</u>	<u>\$ 10,648,016</u>

Payment-in-Kind (PIK) Interest Income

As of December 31, 2019, we held one loan that contained PIK interest provisions. PIK interest, computed at the contractual rate specified in each loan agreement, is periodically added to the principal balance of the loan, rather than being paid to us in cash, and is recorded as interest income. Thus, the actual collection of PIK interest may be deferred until the time of debt principal repayment.

PIK interest, which is a non-cash source of income at the time of recognition, is included in our taxable income and therefore affects the amount we are required to distribute to our stockholders to maintain our tax treatment as a RIC for U.S. federal income tax purposes, even though we have not yet collected the cash. Generally, when current cash interest and/or principal payments on a loan become past due, or if we otherwise do not expect the borrower to be able to service its debt and other obligations, we will place the loan on non-accrual status and will generally cease recognizing PIK interest income on that loan for financial reporting purposes until all principal and

interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. We write off any previously accrued and uncollected PIK interest when it is determined that the PIK interest is no longer collectible.

We may have to include in our ICTI, PIK interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. As a result, we may be required to make a distribution to our stockholders in order to satisfy the minimum distribution requirements, even though we will not have received and may not ever receive any corresponding cash amount.

Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk. Market risk includes risks that arise from changes in interest rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies we invest in; conditions affecting the general economy; overall market changes; legislative reform; local, regional, national or global political, social or economic instability; and interest rate fluctuations.

In addition, we are subject to interest rate risk. Interest rate risk is defined as the sensitivity of our current and future earnings to interest rate volatility, variability of spread relationships, the difference in re-pricing intervals between our assets and liabilities and the effect that interest rates may have on our cash flows. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest earning assets and our interest expense incurred in connection with our interest bearing debt and liabilities. Changes in interest rates can also affect, among other things, our ability to acquire and originate loans and securities and the value of our investment portfolio. Our net investment income is affected by fluctuations in various interest rates, including LIBOR, GBP LIBOR, EURIBOR and STIBOR. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks. We regularly measure exposure to interest rate risk and determine whether or not any hedging transactions are necessary to mitigate exposure to changes in interest rates. As of December 31, 2019, we were not a party to any interest rate hedging arrangements.

As of December 31, 2019, all of our debt portfolio investments (principal amount of approximately \$1,196.2 million as of December 31, 2019) bore interest at variable rates, which generally are LIBOR-based (or based on an equivalent applicable currency rate), and many of which are subject to certain floors. A hypothetical 200 basis point increase or decrease in the interest rates on our variable-rate debt investments could increase or decrease, as applicable, our investment income by a maximum of \$23.9 million on an annual basis.

All borrowings under the August 2018 Credit Facility bear interest, subject to BSF's election, on a per annum basis equal to (i) the applicable base rate plus the applicable spread or (ii) the applicable LIBOR rate plus the applicable spread. The applicable base rate is equal to the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate or (iii) one-month LIBOR plus 1.0%. The applicable LIBOR rate depends on the term of the borrowing under the August 2018 Credit Facility, which can be either one month or three months. A hypothetical 200 basis point increase or decrease in the interest rates on the August 2018 Credit Facility could increase or decrease, as applicable, our interest expense by a maximum of \$2.1 million on an annual basis (based on the amount of outstanding borrowings under the August 2018 Credit Facility as of December 31, 2019). BSF is required to pay commitment fees on the unused portion of the August 2018 Credit Facility beginning the ninetieth day after the closing date. BSF may prepay any borrowing at any time without premium or penalty, except that BSF may be liable for certain funding breakage fees if prepayments occur prior to expiration of the relevant interest period. BSF may also permanently reduce all or a portion of the commitment amount under the August 2018 Credit Facility without penalty.

Borrowings under the February 2019 Credit Facility bear interest, subject to our election, on a per annum basis equal to (i) the applicable base rate plus 1.25% (or, after one year, 1.00% if we receive an investment grade credit rating), (ii) the applicable LIBOR rate plus 2.25% (or, after one year, 2.00% if we receive an investment grade credit rating), (iii) for borrowings denominated in certain foreign currencies other than Australian dollars, the applicable currency rate for the foreign currency as defined in the credit agreement plus 2.25% (or, after one year, 2.00% if we

receive an investment grade credit rating) or (iv) for borrowings denominated in Australian dollars, the applicable Australian dollars Screen Rate, plus 2.45% (or, after one year, 2.20% if the Company receives an investment grade credit rating). The applicable base rate is equal to the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.5%, (iii) the Overnight Bank Funding Rate plus 0.5%, (iv) the adjusted three-month applicable currency rate plus 1.0% and (v) 1%. The applicable currency rate depends on the currency and term of the draw under the February 2019 Credit Facility. A hypothetical 200 basis point increase or decrease in the interest rates on the February 2019 Credit Facility could increase or decrease, as applicable, our interest expense by a maximum of \$4.9 million on an annual basis (based on the amount of outstanding borrowings under the February 2019 Credit Facility as of December 31, 2019). We pay a commitment fee of (i) for the period beginning on the closing date of the February 2019 Credit Facility to and including the date that is six months after the closing date of the February 2019 Credit Facility, 0.375% per annum on undrawn amounts, and (ii) for the period beginning on the date that is six months after the closing date of the February 2019 Credit Facility, (x) 0.5% per annum on undrawn amounts if the unused portion of the February 2019 Credit Facility is greater than two-thirds of total commitments or (y) 0.375% per annum on undrawn amounts if the unused portion of the February 2019 Credit Facility is equal to or less than two-thirds of total commitments.

The Class A-1 2019 Notes and the Class A-2 2019 Notes issued in connection with the Debt Securitization have floating rate interest provisions based on the three-month LIBOR that reset quarterly, except that LIBOR for the first interest accrual period was calculated by reference to an interpolation between the rate for deposits with a term equal to the next shorter period of time for which rates were available and the rate appearing for deposits with a term equal to the next longer period of time for which rates were available. A hypothetical 200 basis point increase or decrease in the interest rates on the 2019 Notes could increase or decrease, as applicable, our interest expense by a maximum of \$6.4 million on an annual basis (based on the aggregate amount of outstanding borrowings under the 2019 Notes as of December 31, 2019).

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Structure — We are subject to risks associated with the current interest rate environment and, to the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income" included in Item 1A of Part I of this Annual Report on Form 10-K for more information regarding utilization of LIBOR.

Because we have previously borrowed, and plan to borrow in the future, money to make investments, our net investment income will be dependent upon the difference between the rate at which we borrow funds and the rate at which we invest the funds borrowed. Accordingly, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income if there is not a corresponding increase in interest income generated by our investment portfolio.

We may also have exposure to foreign currencies related to certain investments. Such investments are translated into United States dollars based on the spot rate at each balance sheet date, exposing us to movements in the exchange rate. In order to reduce our exposure to fluctuations in exchange rates, we generally borrow in local foreign currencies under the February 2019 Credit Facility to finance such investments. As of December 31, 2019, we had borrowings denominated in Swedish kronas of 12.8kr million (\$1.4 million) with an interest rate of 2.25%, borrowings denominated in British pounds sterling of £4.7 million (\$6.3 million) with an interest rate of 3.0%, and borrowings denominated in Euros of €38.0 million (\$42.7 million) with an interest rate of 2.25%.

Off-Balance Sheet Arrangements

In the normal course of business, we are party to financial instruments with off-balance sheet risk, consisting primarily of unused commitments to extend financing to our portfolio companies. Since commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The balance of unused commitments to extend financing as of December 31, 2019 was as follows:

Portfolio Company	Investment Type	December 31, 2019
Anju Software, Inc.(1).....	Delayed Draw Term Loan	\$ 1,981,371
Arch Global Precision, LLC.....	Delayed Draw Term Loan	1,012,661
Armstrong Transport Group (Pele Buyer, LLC)(1)..	Delayed Draw Term Loan	712,567
Campaign Monitor (UK) Limited(1).....	Delayed Draw Term Loan	1,859,111
Contabo Finco S.À R.L (2)	EUR Capex Term Loan	1,013,849
Dart Buyer, Inc.	Delayed Draw Term Loan	4,294,503
Heartland, LLC.....	Delayed Draw Term Loan	8,729,695
Heilbron (f/k/a Sucsez (Bolt Bidco B.V.))(3).....	Accordion Facility	2,605,531
Jocassee Partners LLC	Joint Venture	40,000,000
Kene Acquisition, Inc.....	Delayed Draw Term Loan	1,076,427
LAC Intermediate, LLC(1)	Delayed Draw Term Loan	4,367,284
Options Technology Ltd.....	Delayed Draw Term Loan	2,918,447
Premier Technical Services Group(4)	Acquisition Facility	1,297,915
Process Equipment, Inc.(1)	Delayed Draw Term Loan	654,493
Professional Datasolutions, Inc. (PDI)(1)	Delayed Draw Term Loan	1,666,994
PSC UK Pty Ltd.(5)	GBP Acquisition Facility	1,010,706
Smile Brands Group, Inc.(1)	Delayed Draw Term Loan	927,046
Springbrook Software (SBRK Intermediate, Inc.) ...	Delayed Draw Term Loan	3,896,663
The Hilb Group, LLC	Delayed Draw Term Loan	2,904,066
Transportation Insight, LLC.....	Delayed Draw Term Loan	2,464,230
Truck-Lite Co., LLC	Delayed Draw Term Loan	3,205,128
Validity Inc.(1)	Delayed Draw Term Loan	898,298
Total unused commitments to extend financing.....		<u>\$ 89,496,985</u>

- (1) Represents a commitment to extend financing to a portfolio company where one or more of the Company's current investments in the portfolio company are carried at less than cost. The Company's estimate of the fair value of the current investments in this portfolio company includes an analysis of the fair value of any unfunded commitments.
- (2) Actual commitment amount is denominated in Euros (€903,207). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.
- (3) Actual commitment amount is denominated in Euros (€2,321,187). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.
- (4) Actual commitment amount is denominated in British pounds sterling (£979,743). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.
- (5) Actual commitment amount is denominated in British pounds sterling (£762,941). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.

Contractual Obligations

As of December 31, 2019, our future fixed commitments for cash payments were as follows:

	<u>Total</u>	<u>2020</u>	<u>2021-2022</u>	<u>2023-2024</u>	<u>2025-Future</u>
August 2018 Credit Facility borrowings	\$ 107,200,000	\$ 107,200,000	\$ —	\$ —	\$ —
Interest and fees on August 2018 Credit Facility(1)	2,017,971	2,017,971	—	—	—
February 2019 Credit Facility borrowings	245,288,419	—	—	245,288,419	—
Interest and fees on February 2019 Credit Facility(2)	47,236,592	12,117,617	24,170,435	10,948,540	—
Debt Securitization	318,210,176	—	—	—	318,210,176
Interest on Debt Securitization(3)	73,452,452	10,102,818	20,150,428	20,178,032	23,021,174
Unused commitments to extend financing	89,496,985	89,496,985	—	—	—
Total	<u>\$ 882,902,595</u>	<u>\$ 220,935,391</u>	<u>\$ 44,320,863</u>	<u>\$ 276,414,991</u>	<u>\$ 341,231,350</u>

- (1) Amounts represent (i) credit facility commitment fees calculated on the unused amount, which was \$42.8 million as of December 31, 2019, (ii) interest expense calculated at a rate of 2.94% of outstanding credit facility borrowings, which were \$107.2 million as of December 31, 2019 and (iii) annual fees of the credit facility administrative agent.
- (2) Amounts represent (i) credit facility commitment fees calculated on the unused amount, which was \$555.2 million as of December 31, 2019, (ii) interest expense calculated at a blended rate of 3.70% of outstanding credit facility borrowings, which were \$245.3 million as of December 31, 2019 and (iii) annual fees of the credit facility administrative agent.
- (3) Amounts represent interest expense calculated at a blended rate of 3.12% of amounts outstanding under the Debt Securitization, which were \$318.2 million as of December 31, 2019.

Recent Developments

Subsequent to December 31, 2019, we made approximately \$107.5 million of new middle-market private debt and equity commitments, of which approximately \$73.4 million closed and funded. The \$73.4 million of investments consist of ten first lien senior secured debt investments with a weighted average yield of 6.5%, one mezzanine note with a yield of 8.0% and one equity investment.

On January 13, 2020, we provided notice to the lenders under the August 2018 Credit Facility that we would reduce total commitments under the August 2018 Credit Facility from \$150.0 million to \$80.0 million, effective January 21, 2020. In addition, on February 21, 2020, we extended the maturity date of the August 2018 Credit Facility from August 3, 2020 to August 3, 2021. For further discussion, see the section entitled “Other Information” in Item 9B of Part II of this Annual Report on Form 10-K.

On February 27, 2020, the Board declared a quarterly distribution of \$0.16 per share payable on March 18, 2020 to holders of record as of March 11, 2020.

On February 27, 2020, the Board approved an open-market share repurchase program for fiscal year 2020 (the “2020 Share Repurchase Program”). Under the 2020 Share Repurchase Program, we are authorized during fiscal year 2020 to repurchase up to a maximum of 5.0% of the amount of shares outstanding as of February 27, 2020 if shares trade below NAV per share, subject to liquidity and regulatory constraints.

Purchases under the 2020 Share Repurchase Program may be made in open-market transactions and may include transactions pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Exchange Act. Purchases may be made from time to time at our discretion, and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors.

There is no assurance that we will purchase shares at any specific discount levels or in any specific amounts. Our repurchase activity will be disclosed in our periodic reports for the relevant fiscal periods. There is no assurance that the market price of our shares, either absolutely or relative to net asset value, will increase as a result of any share repurchases, or that the 2020 Share Repurchase Program will enhance stockholder value over the long term.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

See the section entitled “Quantitative and Qualitative Disclosures About Market Risk” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which is included in Item 7 of Part II of this Annual Report on Form 10-K and is incorporated by reference herein.

Item 8. *Financial Statements and Supplementary Data.*

See our Financial Statements included herein and listed in Item 15(a) of this Annual Report on Form 10-K.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

Not applicable.

Item 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Management’s Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management (with the participation of our Chief Executive Officer and Chief Financial Officer) conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal*

Control — Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Our internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 15 of Part III of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

On February 21, 2020, BSF entered into the Second Amendment Agreement (the "Amendment") with Bank of America, N.A., a national banking association (the "Bank"), amending the August 2018 Credit Facility. The Amendment extends the maturity date of the 2018 Credit Facility from August 3, 2020 to August 3, 2021. The other material terms and conditions of the August 2018 Credit Facility remain unchanged.

The foregoing description is only a summary of the material provisions of the Amendment, does not purport to be complete and is qualified in its entirety by reference to a copy of the Amendment, which is filed as Exhibit 10.19 to this Annual Report on Form 10-K and is incorporated herein by reference.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

We have adopted a code of ethics, the Global Code of Ethics Policy, which applies to, among others, our executive officers, including our Chief Executive Officer and Chief Financial Officer, as well as Barings' officers, directors and employees. The Global Code of Ethics Policy is publicly available on our website under "Corporate Governance" at the following URL: <https://ir.barings.com/governance-docs>.

We will provide any person, without charge, upon request, a copy of our Global Code of Ethics Policy. To receive a copy, please provide a written request to: Barings BDC, Inc., Attn: Chief Compliance Officer, 300 South Tryon Street, Suite 2500 Charlotte, North Carolina, 28202. There have been no material changes to the procedures by which stockholders may recommend nominees to the Board that have been implemented since the date the Company last filed a periodic report with the SEC.

Except as set forth above, the information required by this Item with respect to our directors, executive officers and corporate governance matters is incorporated by reference from our definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A under the Exchange Act. Our definitive Proxy Statement will be filed with the SEC within 120 days after the date of our fiscal year-end, which was December 31, 2019.

Item 11. *Executive Compensation.*

The information required by this Item with respect to compensation of executive officers and directors is incorporated by reference from our definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A under the Exchange Act. Our definitive Proxy Statement will be filed with the SEC within 120 days after the date of our fiscal year-end, which was December 31, 2019.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by this Item with respect to security ownership of certain beneficial owners and management is incorporated by reference from our definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A under the Exchange Act. Our definitive Proxy Statement will be filed with the SEC within 120 days after the date of our fiscal year-end, which was December 31, 2019.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required by this Item with respect to certain relationships and related transactions and director independence is incorporated by reference from our definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A under the Exchange Act. Our definitive Proxy Statement will be filed with the SEC within 120 days after the date of our fiscal year-end, which was December 31, 2019.

Item 14. *Principal Accountant Fees and Services.*

The information required by this Item with respect to principal accountant fees and services is incorporated by reference from our definitive Proxy Statement for our 2020 Annual Meeting of Stockholders, to be filed with the SEC pursuant to Regulation 14A under the Exchange Act. Our definitive Proxy Statement will be filed with the SEC within 120 days after the date of our fiscal year-end, which was December 31, 2019.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

(1) Financial Statements

Barings BDC, Inc. Financial Statements:

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(2) Financial Statement Schedules

None.

Schedules that are not listed herein have been omitted because they are not applicable or the information required to be set forth therein is included in the Consolidated Financial Statements or notes thereto.

(3) List of Exhibits

The exhibits required by Item 601 of Regulation S-K, except as otherwise noted, have been filed with previous reports by the Registrant and are herein incorporated by reference.

<u>Number</u>	<u>Exhibit</u>
2.1	Asset Purchase Agreement, dated April 3, 2018, by and between the Registrant and BSP Asset Acquisition I, LLC (Filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2018 and incorporated herein by reference).
2.2	Stock Purchase and Transaction Agreement, dated April 3, 2018, by and between the Registrant and Barings LLC (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2018 and incorporated herein by reference).
3.1	Form of Articles of Amendment and Restatement of the Registrant (Filed as Exhibit (a)(3) to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-138418) filed with the Securities and Exchange Commission on December 29, 2006 and incorporated herein by reference).
3.2	Articles of Amendment of the Registrant (Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2018 and incorporated herein by reference).
3.3	Seventh Amended and Restated Bylaws of the Registrant (Filed as Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2018 and incorporated herein by reference).
3.4	Articles Supplementary (Filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2018 and incorporated herein by reference).
4.1	Form of Common Stock Certificate (Filed as Exhibit (d) to the Registrant's Post-Effective Amendment No. 1 on Form N2/N-5 (File No. 333-138418) filed with the Securities and Exchange Commission on February 15, 2007 and incorporated herein by reference)

<u>Number</u>	<u>Exhibit</u>
4.2	Barings BDC, Inc. Dividend Reinvestment Plan (Filed as Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 12, 2008 and incorporated herein by reference).
4.3	Agreement to Furnish Certain Instruments (Filed as Exhibit 4.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on February 25, 2009 and incorporated herein by reference).
4.4	Description of Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934*
10.1	Investment Advisory Agreement, dated August 2, 2018 by and between Triangle Capital Corporation and Barings LLC (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2018 and incorporated herein by reference).
10.2	Administration Agreement, dated August 2, 2018 by and between Triangle Capital Corporation and Barings LLC (Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2018 and incorporated herein by reference).
10.3	Registration Rights Agreement, dated August 2, 2018 by and between Triangle Capital Corporation and Barings LLC (Filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2018 and incorporated herein by reference).
10.4	Master Custodian Agreement, dated August 2, 2018, between the Company and State Street Bank and Trust Company (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2018 and incorporated herein by reference).
10.5	Amended and Restated Credit Agreement, dated December 13, 2018, among Barings BDC Senior Funding I, LLC, as borrower, the lender parties thereto, Bank of America N.A., as administrative agent, the other lender parties thereto, and Bank of America Merrill Lynch, as sole lead arranger and sole book manager (Filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2019 and incorporated herein by reference).
10.6	Security Agreement, dated August 3, 2018, among Barings BDC Senior Funding I, LLC and Bank of America N.A. (Filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2018 and incorporated herein by reference).
10.7	Collateral Administration Agreement, dated August 3, 2018, among Barings Senior Funding I, LLC, Bank of America N.A. and State Street Bank and Trust Company (Filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2018 and incorporated herein by reference).
10.8	Investment Management Agreement, dated August 3, 2018, between Barings BDC Senior Funding I, LLC and Barings LLC (Filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2018 and incorporated herein by reference).
10.9	Stock Transfer Agency Agreement between the Registrant and Computershare, Inc. (as successor to The Bank of New York) (Filed as Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission on March 12, 2008 and incorporated herein by reference).
10.10†	Form of Indemnification Agreement. (Filed as Exhibit 10.23 to the Registrants Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2018 and incorporated herein by reference).
10.11	Senior Secured Revolving Credit Facility, dated as of February 21, 2019, by and among the Company, as borrower, the lenders party thereto, ING Capital LLC, as administrative agent, and the other parties signatory thereto (Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed with the Securities and Exchange Commission on May 9, 2019 and incorporated herein by reference).

<u>Number</u>	<u>Exhibit</u>
10.12	Guarantee, Pledge and Security Agreement, dated as of February 21, 2019, by and among the Company, as borrower, the subsidiary guarantors party thereto, ING Capital LLC, as revolving administrative agent for the revolving lenders and collateral agent, and the other parties signatory thereto (Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed with the Securities and Exchange Commission on May 9, 2019 and incorporated herein by reference).
10.13	CLO Indenture, dated as of May 9, 2019, by and among Barings BDC Static CLO LTD. 2019-1, as the issuer, Barings BDC Static CLO 2019-I, LLC as the Co-Issuer and State Street Bank and Trust Company as the Trustee (Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on July 30, 2019 and incorporated herein by reference).
10.14	Master Loan Sale Agreement dated as of May 9, 2019, by and among the Company, as the seller, and Barings BDC Static CLO LTD. 2019-I, as the buyer (Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on July 30, 2019 and incorporated herein by reference).
10.15	Master Participation Agreement, dated as of May 9, 2019, between Barings BDC Senior Funding I, LLC, as the financing subsidiary, and Barings BDC Static CLO Ltd. 2019-I, the issuer (Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on July 30, 2019 and incorporated herein by reference).
10.16	Collateral Management Agreement, dated as of May 9, 2019, by and between Barings BDC Static CLO LTD. 2019-I, as the issuer and the Company as the collateral manager (Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on July 30, 2019 and incorporated herein by reference).
10.17	Collateral Administration Agreement, dated as of May 9, 2019, by and among Barings BDC Static CLO LTD. 2019-1 as the Issuer, the Company as the Collateral Manager, and State Street Bank and Trust Company as collateral administrator (Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the Securities and Exchange Commission on July 30, 2019 and incorporated herein by reference).
10.18	Amendment to the Senior Secured Revolving Credit Agreement dated as of December 3, 2019, by and among the Company, as borrower, the lenders party thereto, ING Capital LLC, as administrative agent, and the other parties signatory thereto.*
10.19	Second Amendment Agreement, dated as of February 21, 2020, amending the Amended and Restated Credit Agreement, dated December 13, 2018, as amended, by and among Barings BDC Senior Funding I, LLC, as borrower, and Bank of America N.A., as administrative agent.*
21.1	List of Subsidiaries.*
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Chief Executive Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Chief Financial Officer Certification pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

† Management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith.

(b) Exhibits

See Item 15(a)(3) above.

(c) Financial Statement Schedules

See Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 27, 2020

BARINGS BDC, INC.

By: /s/ Eric Lloyd
Name: Eric Lloyd
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Eric Lloyd</u> Eric Lloyd	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2020
<u>/s/ Ian Fowler</u> Ian Fowler	President	February 27, 2020
<u>/s/ Jonathan Bock</u> Jonathan Bock	Chief Financial Officer (Principal Financial Officer)	February 27, 2020
<u>/s/ Elizabeth A. Murray</u> Elizabeth A. Murray	Controller (Principal Accounting Officer)	February 27, 2020
<u>/s/ Michael Freno</u> Michael Freno	Chairman of the Board	February 27, 2020
<u>/s/ Tom Finke</u> Tom Finke	Director	February 27, 2020
<u>/s/ Mark F. Mulhern</u> Mark F. Mulhern	Director	February 27, 2020
<u>/s/ Thomas W. Okel</u> Thomas W. Okel	Director	February 27, 2020
<u>/s/ Jill Olmstead</u> Jill Olmstead	Director	February 27, 2020
<u>/s/ John A. Switzer</u> John A. Switzer	Director	February 27, 2020

Barings BDC, Inc.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Barings BDC, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Barings BDC, Inc. (the “Company”), including the consolidated schedules of investments, as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, the results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of December 31, 2019 and 2018, by correspondence with the custodians, agents and/or the underlying investee or by other appropriate auditing procedures where replies from agents were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2006.

Charlotte, North Carolina
February 27, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Barings BDC, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Barings BDC, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Barings BDC, Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company, including the consolidated schedules of investments, as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 27, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Charlotte, North Carolina

February 27, 2020

Barings BDC, Inc.
Consolidated Balance Sheets

	December 31,	
	2019	2018
Assets:		
Investments at fair value:.....		
Non-Control / Non-Affiliate investments (cost of \$1,085,886,720 and \$1,128,694,715 at December 31, 2019 and 2018, respectively)	\$ 1,066,845,054	\$ 1,076,631,804
Affiliate investments (cost of \$10,158,270 at December 31, 2019).....	10,229,813	—
Short-term investments (cost of \$96,568,940 and \$45,223,941 at December 31, 2019 and 2018, respectively)	96,568,940	45,223,941
Total investments at fair value	1,173,643,807	1,121,855,745
Cash	21,991,565	12,426,982
Interest and fees receivable.....	5,265,980	6,008,700
Prepaid expenses and other assets	1,112,559	4,123,742
Deferred financing fees.....	5,366,119	251,908
Receivable from unsettled transactions	45,254,808	22,909,998
Total assets	\$ 1,252,634,838	\$ 1,167,577,075
Liabilities:		
Accounts payable and accrued liabilities.....	\$ 5,191,552	\$ 5,327,249
Interest payable.....	2,491,534	749,525
Payable from unsettled transactions	4,924,150	28,533,014
Borrowings under credit facilities	352,488,419	570,000,000
Debt securitization	316,664,474	—
Total liabilities	681,760,129	604,609,788
Commitments and contingencies (Note 10)		
Net Assets:		
Common stock, \$0.001 par value per share (150,000,000 shares authorized, 48,950,803 and 51,284,064 shares issued and outstanding as of December 31, 2019 and 2018, respectively).....	48,951	51,284
Additional paid-in capital	853,766,370	884,894,249
Total distributable earnings (loss).....	(282,940,612)	(321,978,246)
Total net assets	570,874,709	562,967,287
Total liabilities and net assets	\$ 1,252,634,838	\$ 1,167,577,075
Net asset value per share.....	\$ 11.66	\$ 10.98

See accompanying notes.

Barings BDC, Inc.
Consolidated Statements of Operations

	Year Ended December 31,		
	2019	2018	2017
Investment income:			
Interest income:			
Non-Control / Non-Affiliate investments	\$ 72,486,107	\$ 61,223,025	\$ 83,421,527
Affiliate investments	—	5,580,051	13,462,551
Control investments	—	644,805	1,155,791
Short-term investments	985,286	950,736	—
Total interest income	73,471,393	68,398,617	98,039,869
Dividend income:			
Non-Control / Non-Affiliate investments	44,744	252,369	2,364,569
Affiliate investments	—	642,187	319,619
Total dividend income	44,744	894,556	2,684,188
Fee and other income:			
Non-Control / Non-Affiliate investments	2,116,820	4,459,511	9,134,573
Affiliate investments	—	601,571	1,106,151
Control investments	—	107,819	407,292
Total fee and other income	2,116,820	5,168,901	10,648,016
Payment-in-kind interest income:			
Non-Control / Non-Affiliate investments	5,413	2,814,474	8,367,457
Affiliate investments	—	962,080	2,550,074
Total payment-in-kind interest income	5,413	3,776,554	10,917,531
Interest income from cash	9,975	1,984,997	715,028
Total investment income	75,648,345	80,223,625	123,004,632
Operating expenses:			
Interest and other financing fees	26,100,941	23,887,331	29,261,030
Base management fee (Note 2)	12,112,475	4,218,628	—
Compensation expenses	442,238	37,487,461	16,135,739
General and administrative expenses (Note 2)	6,441,095	16,177,534	5,370,046
Total operating expenses	45,096,749	81,770,954	50,766,815
Base management fee waived (Note 2)	—	(1,486,607)	—
Net operating expenses	45,096,749	80,284,347	50,766,815
Net investment income (loss)	30,551,596	(60,722)	72,237,817

Barings BDC, Inc.
Consolidated Statements of Operations - (Continued)

	Year Ended December 31,		
	2019	2018	2017
Realized gains (losses) and unrealized appreciation (depreciation) on investments and foreign currency transactions:			
Net realized gains (losses):			
Non-Control / Non-Affiliate investments	\$ (3,798,263)	\$ (130,870,385)	\$ (3,683,168)
Affiliate investments	—	9,939,330	(3,979,667)
Control investments	—	(38,542,704)	(45,205,868)
Net realized losses on investments	(3,798,263)	(159,473,759)	(52,868,703)
Foreign currency transactions	(12,185)	1,081,211	1,268,776
Net realized losses	(3,810,448)	(158,392,548)	(51,599,927)
Net unrealized appreciation (depreciation):			
Non-Control / Non-Affiliate investments	33,021,249	27,025,025	(65,786,245)
Affiliate investments	71,543	3,197,568	(7,356,046)
Control investments	—	24,387,532	27,547,274
Net unrealized appreciation (depreciation) on investments	33,092,792	54,610,125	(45,595,017)
Foreign currency transactions	(1,004,788)	(863,980)	(2,821,924)
Net unrealized appreciation (depreciation)	32,088,004	53,746,145	(48,416,941)
Net realized losses and unrealized appreciation (depreciation) on investments and foreign currency transactions	28,277,556	(104,646,403)	(100,016,868)
Loss on extinguishment of debt	(297,188)	(10,507,183)	—
Benefit from (provision for) taxes	(340,330)	932,172	(871,410)
Net increase (decrease) in net assets resulting from operations	\$ 58,191,634	\$ (114,282,136)	\$ (28,650,461)
Net investment income (loss) per share — basic and diluted	\$ 0.61	\$ —	\$ 1.55
Net increase (decrease) in net assets resulting from operations per share — basic and diluted	\$ 1.16	\$ (2.29)	\$ (0.62)
Dividends / distributions per share:			
Total dividends / distributions	\$ 0.54	\$ 0.43	\$ 1.65
Weighted average number of shares outstanding — basic and diluted	50,185,300	49,897,085	46,497,977

See accompanying notes.

Barings BDC, Inc.
Consolidated Statements of Changes in Net Assets

	Common Stock		Additional Paid-In Capital	Total Distributable Earnings (Loss)	Total Net Assets
	Number of Shares	Par Value			
Balance, January 1, 2017	40,401,292	\$ 40,401	\$686,835,054	\$ (75,719,197)	\$ 611,156,258
Net investment income	—	—	—	72,237,817	72,237,817
Stock-based compensation	—	—	6,022,861	—	6,022,861
Net realized loss on investments / foreign currency transactions	—	—	—	(51,599,927)	(51,599,927)
Net unrealized depreciation on investments / foreign currency transactions	—	—	—	(48,416,941)	(48,416,941)
Provision for taxes	—	—	—	(871,410)	(871,410)
Return of capital and other tax related adjustments	—	—	(689,101)	689,101	—
Distributions of net investment income	91,366	91	1,637,467	(78,706,691)	(77,069,133)
Public offering of common stock	7,000,000	7,000	131,989,144	—	131,996,144
Issuance of restricted stock	360,470	361	(361)	—	—
Common stock withheld for payroll taxes upon vesting of restricted stock	(112,296)	(112)	(2,180,183)	—	(2,180,295)
Balance, December 31, 2017	47,740,832	\$ 47,741	\$823,614,881	\$(182,387,248)	\$ 641,275,374
Net investment loss	—	—	—	(60,722)	(60,722)
Stock-based compensation	—	—	14,229,633	—	14,229,633
Net realized loss on investments / foreign currency transactions	—	—	—	(158,392,548)	(158,392,548)
Net unrealized appreciation on investments / foreign currency transactions	—	—	—	53,746,145	53,746,145
Loss on extinguishment of debt	—	—	—	(10,507,183)	(10,507,183)
Income tax benefit	—	—	—	932,172	932,172
Return of capital and other tax related adjustments	—	—	5,085,295	(5,085,295)	—
Distributions of net investment income	—	—	—	(20,223,567)	(20,223,567)
Return of capital distributions	—	—	(850,745)	—	(850,745)
Issuance of shares to Adviser	8,529,917	8,530	99,831,315	—	99,839,845
Purchase of shares in tender offer	(4,901,961)	(4,902)	(50,997,387)	—	(51,002,289)
Issuance of restricted stock	435,106	435	(435)	—	—
Common stock withheld for payroll taxes upon vesting of restricted stock	(519,830)	(520)	(6,018,308)	—	(6,018,828)
Balance, December 31, 2018	51,284,064	\$ 51,284	\$884,894,249	\$(321,978,246)	\$ 562,967,287
Net investment income	—	—	—	30,551,596	30,551,596
Net realized loss on investments / foreign currency transactions	—	—	—	(3,810,448)	(3,810,448)
Net unrealized appreciation on investments / foreign currency transactions	—	—	—	32,088,004	32,088,004
Loss on extinguishment of debt	—	—	—	(297,188)	(297,188)
Provision for taxes	—	—	—	(340,330)	(340,330)
Return of capital and other tax related adjustments	—	—	(7,773,706)	7,773,706	—
Distributions of net investment income	—	—	—	(26,927,706)	(26,927,706)
Purchase of shares in repurchase plan	(2,333,261)	(2,333)	(23,354,173)	—	(23,356,506)
Balance, December 31, 2019	48,950,803	\$ 48,951	\$853,766,370	\$(282,940,612)	\$ 570,874,709

See accompanying notes.

Barings BDC, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net increase (decrease) in net assets resulting from operations	\$ 58,191,634	\$ (114,282,136)	\$ (28,650,461)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of portfolio investments	(473,701,786)	(1,553,937,707)	(483,743,398)
Repayments received / sales of portfolio investments	449,882,092	606,803,725	403,678,672
Proceeds from sale of portfolio to Asset Buyer	—	793,281,722	—
Purchases of short-term investments	(913,641,727)	(1,363,333,538)	—
Sales of short-term investments	862,296,728	1,318,109,597	—
Loan origination and other fees received	8,606,347	4,105,796	7,294,015
Net realized loss on investments	3,798,263	159,473,759	52,868,703
Net realized gain (loss) on foreign currency transactions	12,185	(1,081,211)	(1,268,776)
Net unrealized (appreciation) depreciation on investments	(33,092,792)	(53,278,592)	46,317,189
Net unrealized depreciation on foreign currency transactions	1,004,788	863,980	2,821,924
Payment-in-kind interest accrued, net of payments received	(5,413)	120,933	2,021,987
Amortization of deferred financing fees	1,336,181	1,758,226	2,514,459
Loss on extinguishment of debt	297,188	10,507,183	—
Loss on disposal of property and equipment	—	22,236	—
Accretion of loan origination and other fees	(1,609,167)	(3,306,421)	(6,337,441)
Amortization / accretion of purchased loan premium / discount	(279,694)	(197,715)	(476,892)
Depreciation expense	—	27,414	65,857
Stock-based compensation	—	14,229,633	6,022,861
Changes in operating assets and liabilities:			
Interest and fees receivable	747,340	(5,991,755)	2,382,901
Prepaid expenses and other assets	3,007,347	(2,268,881)	(195,291)
Accounts payable and accrued liabilities	(159,256)	(6,665,600)	2,650,212
Interest payable	1,805,266	(3,247,955)	540
Net cash provided by (used in) operating activities	<u>(31,504,476)</u>	<u>(198,287,307)</u>	<u>7,967,061</u>
Cash flows from investing activities:			
Purchases of property and equipment	—	—	(40,512)
Proceeds from sales of property and equipment	—	31,499	—
Net cash provided by (used in) investing activities	<u>—</u>	<u>31,499</u>	<u>(40,512)</u>
Cash flows from financing activities:			
Repayments of SBA-guaranteed debentures payable	—	(250,000,000)	—
Borrowings under credit facilities	320,777,502	574,100,000	141,700,000
Repayments of credit facilities	(539,341,125)	(159,953,253)	(114,194,139)
Proceeds from debt securitization	348,250,000	—	—
Repayments of debt securitization	(30,039,824)	—	—
Redemption of notes	—	(166,750,000)	—
Financing fees paid	(8,293,282)	(308,070)	(3,417,092)
Net proceeds related to issuance of common stock	—	99,839,845	131,996,144
Purchases of shares in repurchase plan	(23,356,506)	—	—
Common stock withheld for taxes upon vesting of restricted stock	—	(6,018,828)	(2,180,295)
Cash dividends / distributions paid	(26,927,706)	(21,074,312)	(77,069,133)
Purchase of common stock in tender offer	—	(51,002,289)	—
Net cash provided by financing activities	<u>41,069,059</u>	<u>18,833,093</u>	<u>76,835,485</u>
Net increase (decrease) in cash	9,564,583	(179,422,715)	84,762,034
Cash, beginning of year	12,426,982	191,849,697	107,087,663
Cash, end of year	<u>\$ 21,991,565</u>	<u>\$ 12,426,982</u>	<u>\$ 191,849,697</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	<u>\$ 20,063,847</u>	<u>\$ 23,630,783</u>	<u>\$ 25,587,590</u>
Summary of non-cash financing transactions:			
Dividends paid through DRIP share issuances	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,637,558</u>

See accompanying notes.

Barings BDC, Inc.
Consolidated Schedule of Investments
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
<u>Non-Control / Non-Affiliate Investments:</u>					
1WorldSync, Inc. (3.9%)* ^{(5) (7)}	IT Consulting & Other Services	First Lien Senior Secured Term Loan (LIBOR + 7.25%, 9.2% Cash, Acquired 07/19, Due 07/25)	\$ 22,445,913	\$ 22,024,832	\$ 22,000,839
			22,445,913	22,024,832	22,000,839
24 Hour Fitness Worldwide, Inc. (0.6%)* ^{(4) (6)}	Leisure Facilities	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 05/25)	4,612,441	4,652,772	3,475,889
			4,612,441	4,652,772	3,475,889
Accelerate Learning, Inc. (1.3%)* ^{(5) (7)}	Education Services	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.4% Cash, Acquired 12/18, Due 12/24)	7,567,964	7,438,417	7,271,525
			7,567,964	7,438,417	7,271,525
Accurus Aerospace Corporation (4.1%)* ^{(5) (7)}	Aerospace & Defense	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.4% Cash, Acquired 10/18, Due 10/24)	24,750,000	24,442,153	23,423,629
			24,750,000	24,442,153	23,423,629
Acrisure, LLC (0.9%)* ⁽⁶⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.2% Cash, Acquired 08/18, Due 11/23)	4,961,929	4,986,542	4,968,131
			4,961,929	4,986,542	4,968,131
ADMI Corp. (0.6%)* ⁽⁶⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 08/18, Due 04/25)	3,447,500	3,458,266	3,449,672
			3,447,500	3,458,266	3,449,672
Aftermath Bidco Corporation (2.1%)* ^{(5) (7)}	Professional Services	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 7.8% Cash, Acquired 04/19, Due 04/25)	12,259,030	12,010,502	12,016,813
			12,259,030	12,010,502	12,016,813
AlixPartners LLP (0.9%)* ⁽⁶⁾	Investment Banking & Brokerage	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 04/24)	4,961,735	4,980,608	4,985,005
			4,961,735	4,980,608	4,985,005
Alliant Holdings LP (0.9%)* ⁽⁶⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 09/18, Due 05/25)	4,922,531	4,929,349	4,919,775
			4,922,531	4,929,349	4,919,775
American Dental Partners, Inc. (1.7%)* ⁽⁵⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.2% Cash, Acquired 11/18, Due 03/23)	9,900,000	9,880,958	9,751,500
			9,900,000	9,880,958	9,751,500
American Scaffold, Inc. (1.7%)* ^{(5) (7)}	Aerospace & Defense	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.2% Cash, Acquired 09/19, Due 09/25)	9,784,844	9,574,185	9,576,821
			9,784,844	9,574,185	9,576,821
Anju Software, Inc. (2.4%)* ^{(5) (7)}	Application Software	First Lien Senior Secured Term Loan (LIBOR + 5.5%, 7.4% Cash, Acquired 02/19, Due 02/25)	13,820,065	13,505,384	13,485,435
			13,820,065	13,505,384	13,485,435
Apex Tool Group, LLC (1.2%)* ^{(4) (6)}	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 5.5%, 7.3% Cash, Acquired 08/18, Due 08/24)	7,145,435	7,014,166	7,032,680
			7,145,435	7,014,166	7,032,680
Applied Systems Inc. (0.9%)* ⁽⁶⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.2% Cash, Acquired 09/19, Due 09/24)	4,963,321	4,993,617	4,978,360
			4,963,321	4,993,617	4,978,360
AQA Acquisition Holding, Inc. (f/k/a SmartBear) (0.9%)* ^{(5) (7)}	High Tech Industries	Second Lien Senior Secured Term Loan (LIBOR + 8.0%, 10.1% Cash, Acquired 10/18, Due 05/24)	4,959,088	4,857,998	4,859,316
			4,959,088	4,857,998	4,859,316
Arch Global Precision LLC (1.4%)* ^{(5) (7)}	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.6% Cash, Acquired 04/19, Due 04/26)	8,285,058	8,160,532	8,202,739
			8,285,058	8,160,532	8,202,739
Armstrong Transport Group (Pele Buyer, LLC) (0.8%)* ^{(5) (7)}	Air Freight & Logistics	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.5% Cash, Acquired 06/19, Due 06/24)	4,679,427	4,581,840	4,575,617
			4,679,427	4,581,840	4,575,617
Ascend Learning, LLC (0.9%)* ⁽⁶⁾	IT Consulting & Other Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 09/18, Due 07/24)	4,961,928	4,971,130	4,989,864
			4,961,928	4,971,130	4,989,864

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Ascensus Specialties, LLC (1.4%)* ^{(5) (7)}	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.4% Cash, Acquired 09/19, Due 09/26)	\$ 8,092,810	\$ 8,014,212	\$ 8,023,386
			8,092,810	8,014,212	8,023,386
ASPEQ Heating Group LLC (1.8%)* ^{(5) (7)}	Building Products, Air and Heating	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.2% Cash, Acquired 11/19, Due 11/25)	10,535,858	10,381,002	10,403,101
			10,535,858	10,381,002	10,403,101
AssuredPartners Capital, Inc. (0.9%)* ⁽⁶⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 10/24)	4,957,568	4,966,915	4,968,722
			4,957,568	4,966,915	4,968,722
Auxi International (1.0%)* ^{(3) (5) (7)}	Commercial Finance	First Lien Senior Secured Term Loan (EURIBOR + 5.5%, 5.5% Cash, Acquired 12/19, Due 12/26)	5,578,822	5,359,131	5,429,359
			5,578,822	5,359,131	5,429,359
Avantor, Inc. (0.3%)* ^{(3) (6)}	Health Care Equipment	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 11/24)	1,477,017	1,494,467	1,489,320
			1,477,017	1,494,467	1,489,320
Aveanna Healthcare Holdings, Inc. (0.8%)* ⁽⁶⁾	Health Care Facilities	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.0% Cash, Acquired 10/18, Due 03/24)	1,473,559	1,457,678	1,415,545
		First Lien Senior Secured Term Loan (LIBOR + 5.5%, 7.3% Cash, Acquired 10/18, Due 03/24)	3,529,748	3,530,607	3,400,700
			5,003,307	4,988,285	4,816,245
AVSC Holding Corp. (1.4%)* ^{(4) (5) (6)}	Advertising	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.1% Cash, Acquired 08/18, Due 03/25)	7,879,699	7,843,898	7,840,301
			7,879,699	7,843,898	7,840,301
Bausch Health Companies Inc. (0.8%)* ^{(3) (6)}	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.7% Cash, Acquired 08/18, Due 05/25)	4,581,718	4,600,701	4,604,627
			4,581,718	4,600,701	4,604,627
BDP International, Inc. (f/k/a BDP Buyer, LLC) (4.3%)* ^{(5) (7)}	Air Freight & Logistics	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.7% Cash, Acquired 12/18, Due 12/24)	24,750,000	24,326,180	24,449,263
			24,750,000	24,326,180	24,449,263
Benify (Bennevis AB) (0.2%)* ^{(3) (5) (7)}	High Tech Industries	First Lien Senior Secured Term Loan (STIBOR + 5.75%, 5.85% Cash, Acquired 07/19, Due 07/26)	1,394,029	1,363,957	1,373,219
			1,394,029	1,363,957	1,373,219
Berlin Packaging LLC (1.5%)* ^{(4) (5) (6)}	Forest Products / Containers	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.7% Cash, Acquired 08/18, Due 11/25)	8,372,500	8,389,597	8,297,734
			8,372,500	8,389,597	8,297,734
Blackhawk Network Holdings Inc. (0.9%)* ⁽⁶⁾	Data Processing & Outsourced Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 11/18, Due 06/25)	4,962,217	4,962,217	4,957,056
			4,962,217	4,962,217	4,957,056
Brown Machine Group Holdings, LLC (0.9%)* ^{(5) (7)}	Industrial Equipment	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.2% Cash, Acquired 10/18, Due 10/24)	5,286,022	5,231,847	5,016,305
			5,286,022	5,231,847	5,016,305
Cadent, LLC (f/k/a Cross MediaWorks) (1.4%)* ^{(5) (7)}	Media & Entertainment	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.0% Cash, Acquired 09/18, Due 09/23)	7,866,556	7,806,344	7,827,224
			7,866,556	7,806,344	7,827,224
Capital Automotive LLC (0.9%)* ⁽⁶⁾	Automotive Retail	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 4.3% Cash, Acquired 09/18, Due 03/24)	4,987,277	4,999,916	4,998,199
			4,987,277	4,999,916	4,998,199
CM Acquisitions Holdings Inc. (f/k/a Campaign Monitor (UK) Limited) (3.5%)* ^{(5) (7)}	Internet & Direct Marketing	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.5% Cash, Acquired 05/19, Due 05/25)	20,537,685	20,188,267	20,161,398
			20,537,685	20,188,267	20,161,398
Confie Seguros Holding II Co. (0.4%)* ^{(5) (7)}	Insurance Brokerage Services	Second Lien Senior Secured Term Loan (LIBOR + 8.5%, 10.4% Cash, Acquired 10/19, Due 11/25)	2,500,000	2,350,797	2,312,500
			2,500,000	2,350,797	2,312,500

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Contabo Finco S.À R.L (0.9%)* ^{(3) (5) (7)}	Internet Software and Services	First Lien Senior Secured Term Loan (EURIBOR + 5.75%, 5.75% Cash, Acquired 10/19, Due 10/26)	\$ 5,069,246	\$ 4,853,087	\$ 4,900,448
			5,069,246	4,853,087	4,900,448
Container Store Group, Inc., (The) (0.5%)* ^{(6) (7)}	Retail	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 6.8% Cash, Acquired 09/18, Due 09/23)	2,929,197	2,931,249	2,753,445
			2,929,197	2,931,249	2,753,445
Core & Main LP (0.7%)* ⁽⁶⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 08/24)	3,979,695	3,995,692	3,978,024
			3,979,695	3,995,692	3,978,024
CPG Intermediate LLC (0.4%)* ⁽⁶⁾	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 11/24)	2,110,623	2,112,734	2,122,506
			2,110,623	2,112,734	2,122,506
CPI International Inc. (0.8%)* ⁽⁶⁾	Electronic Components	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 09/18, Due 07/24)	4,747,070	4,753,808	4,557,187
			4,747,070	4,753,808	4,557,187
Dart Buyer, Inc. (1.8%)* ^{(3) (5) (7)}	Aerospace & Defense	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.2% Cash, Acquired 04/19, Due 04/25)	10,571,782	10,307,197	10,315,912
			10,571,782	10,307,197	10,315,912
Dimora Brands, Inc. (0.5%)* ⁽⁶⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 08/24)	2,941,442	2,944,373	2,919,381
			2,941,442	2,944,373	2,919,381
Distinct Holdings, Inc. (1.3%)* ^{(5) (7)}	Systems Software	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.7% Cash, Acquired 04/19, Due 12/23)	7,592,719	7,509,950	7,519,228
			7,592,719	7,509,950	7,519,228
Duff & Phelps Corporation (1.2%)* ^{(4) (6)}	Research & Consulting Services	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.0% Cash, Acquired 09/18, Due 02/25)	6,754,286	6,769,081	6,725,310
			6,754,286	6,769,081	6,725,310
Edelman Financial Center, LLC, The (f/k/a Edelman Financial Group, Inc.) (0.9%)* ⁽⁶⁾	Investment Banking & Brokerage	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.0% Cash, Acquired 09/18, Due 07/25)	4,962,406	4,999,143	4,986,176
			4,962,406	4,999,143	4,986,176
Endo International PLC (1.3%)* ^{(3) (4) (6)}	Pharmaceuticals	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.1% Cash, Acquired 09/18, Due 04/24)	7,878,788	7,939,415	7,524,242
			7,878,788	7,939,415	7,524,242
Exeter Property Group, LLC (2.2%)* ^{(5) (7)}	Real Estate	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.2% Cash, Acquired 02/19, Due 08/24)	12,437,500	12,276,532	12,351,037
			12,437,500	12,276,532	12,351,037
ExGen Renewables IV, LLC (f/k/a Exelon Corp.) (0.5%)* ^{(3) (6)}	Electric Utilities	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.9% Cash, Acquired 09/18, Due 11/24)	2,865,257	2,888,576	2,822,278
			2,865,257	2,888,576	2,822,278
Eyemart Express (0.6%)* ⁽⁶⁾	Retail	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 08/24)	3,452,217	3,462,081	3,456,463
			3,452,217	3,462,081	3,456,463
Fieldwood Energy LLC (1.5%)* ^{(4) (5) (6)}	Oil & Gas Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.2% Cash, Acquired 08/18, Due 04/22)	10,000,000	10,065,208	8,322,200
			10,000,000	10,065,208	8,322,200
Filtration Group Corporation (0.8%)* ⁽⁶⁾	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 09/18, Due 03/25)	4,774,230	4,804,208	4,788,840
			4,774,230	4,804,208	4,788,840
Flex Acquisition Holdings, Inc. (1.7%)* ^{(4) (5) (6)}	Paper Packaging	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.3% Cash, Acquired 08/18, Due 06/25)	9,782,731	9,800,160	9,695,077
			9,782,731	9,800,160	9,695,077
Frazer Consultants, LLC (d/b/a Tribute Technology) (1.3%)* ^{(5) (7)}	Software Services	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 5.7% Cash, Acquired 11/19, Due 08/23)	7,742,985	7,667,700	7,684,869
			7,742,985	7,667,700	7,684,869

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Graftech International Ltd. (1.6%)* ^{(3) (4) (6) (7)}	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 02/25)	\$ 9,013,889	\$ 9,081,525	\$ 8,980,087
			9,013,889	9,081,525	8,980,087
Gulf Finance, LLC (0.1%)* ⁽⁴⁾	Oil & Gas Exploration & Production	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.0% Cash, Acquired 10/18, Due 08/23)	1,058,979	920,988	826,003
			1,058,979	920,988	826,003
Harbor Freight Tools USA Inc. (1.0%)* ⁽⁶⁾	Specialty Stores	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 4.3% Cash, Acquired 08/18, Due 08/23)	5,979,675	5,931,148	5,951,870
			5,979,675	5,931,148	5,951,870
Hayward Industries, Inc. (1.4%)* ^{(4) (6)}	Leisure Products	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 08/24)	8,221,922	8,247,578	8,147,924
			8,221,922	8,247,578	8,147,924
Heartland, LLC (0.9%)* ^{(5) (7)}	Commercial Services & Supplies	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.7% Cash, Acquired 08/19, Due 08/25)	5,504,030	5,260,931	5,280,431
			5,504,030	5,260,931	5,280,431
Heilbron (f/k/a Sucseçz (Bolt Bideo B.V.)) (1.2%)* ^{(3) (5) (7)}	Insurance	First Lien Senior Secured Term Loan (EURIBOR + 5.0%, 5.0% Cash, Acquired 09/19, Due 09/26)	6,948,082	6,633,562	6,713,253
			6,948,082	6,633,562	6,713,253
Hertz Corporation (The) (1.0%)* ^{(3) (6)}	Rental & Leasing Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.6% Cash, Acquired 09/18, Due 06/23)	5,814,910	5,806,679	5,845,206
			5,814,910	5,806,679	5,845,206
Holley Performance Products (Holley Purchaser, Inc.) (3.9%)* ^{(5) (7)}	Packaging	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 6.9% Cash, Acquired 10/18, Due 10/25)	22,309,650	22,020,784	22,015,260
			22,309,650	22,020,784	22,015,260
Hub International Limited (0.9%)* ⁽⁶⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.7% Cash, Acquired 08/18, Due 04/25)	4,962,217	4,966,855	4,955,666
			4,962,217	4,966,855	4,955,666
HW Holdco, LLC (f/k/a Hanley Wood LLC) (1.3%)* ^{(5) (7)}	Advertising	First Lien Senior Secured Term Loan (LIBOR + 6.25%, 8.1% Cash, Acquired 12/18, Due 12/24)	7,584,677	7,422,931	7,447,061
			7,584,677	7,422,931	7,447,061
Hyland Software Inc. (0.9%)* ⁽⁶⁾	Technology Distributors	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 09/18, Due 07/24)	4,962,312	5,001,673	4,984,046
			4,962,312	5,001,673	4,984,046
Hyperion Materials & Technologies, Inc. (2.4%)* ^{(5) (7)}	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 5.5%, 7.3% Cash, Acquired 08/19, Due 08/26)	13,995,753	13,751,206	13,873,283
			13,995,753	13,751,206	13,873,283
IM Analytics Holding, LLC (d/b/a NVT) (1.6%)* ^{(5) (7)}	Electronic Instruments and Components	First Lien Senior Secured Term Loan (LIBOR + 6.5%, 8.4% Cash, Acquired 11/19, Due 11/23)	9,292,112	9,201,220	9,222,019
		Warrant (77,265 units, Acquired 11/19)		—	—
			9,292,112	9,201,220	9,222,019
Immucor Inc. (0.4%)* ⁽⁴⁾	Healthcare	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 6.9% Cash, Acquired 09/18, Due 06/21)	2,466,061	2,486,174	2,454,496
			2,466,061	2,486,174	2,454,496
Infor Software Parent, LLC (0.9%)* ⁽⁶⁾	Systems Software	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.7% Cash, Acquired 08/18, Due 02/22)	4,970,073	4,976,381	4,989,606
			4,970,073	4,976,381	4,989,606
Institutional Shareholder Services, Inc. (0.8%)* ^{(5) (7)}	Diversified Support Services	Second Lien Senior Secured Term Loan (LIBOR + 8.5%, 10.4% Cash, Acquired 03/19, Due 03/27)	4,951,685	4,816,340	4,840,149
			4,951,685	4,816,340	4,840,149
Internet Brands, Inc. (f/k/a Micro Holding Corp.) (0.7%)* ⁽⁶⁾	Entertainment	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 5.5% Cash, Acquired 08/18, Due 09/24)	3,969,543	3,992,088	3,973,949
			3,969,543	3,992,088	3,973,949

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
ION Trading Technologies Ltd. (2.5%)* ^{(3) (4) (6)}	Electrical Components & Equipment	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 6.1% Cash, Acquired 08/18, Due 11/24)	\$ 14,773,869	\$ 14,745,732	\$ 14,145,980
			14,773,869	14,745,732	14,145,980
IRB Holding Corporation (0.7%)* ⁽⁶⁾	Food Retail	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.2% Cash, Acquired 08/18, Due 02/25)	3,969,697	3,984,302	3,990,657
			3,969,697	3,984,302	3,990,657
Jade Bidco Limited (4.2%)* ^{(3) (5) (7)}	Aerospace & Defense	First Lien Senior Secured Term Loan (LIBOR + 6.0%, 7.9% Cash, Acquired 11/19, Due 12/26)	20,933,517	20,363,170	20,377,010
			3,748,582	3,581,938	3,648,928
		First Lien Senior Secured Term Loan (EURIBOR + 6.0%, 6.0% Cash, Acquired 11/19, Due 12/26)	24,682,099	23,945,108	24,025,938
Jaguar Holding Company I (0.9%)* ⁽⁶⁾	Life Sciences Tools & Services	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 4.3% Cash, Acquired 08/18, Due 08/22)	4,922,680	4,923,566	4,945,620
			4,922,680	4,923,566	4,945,620
Kenan Advantage Group Inc. (1.1%)* ^{(4) (5) (6)}	Trucking	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 07/22)	6,203,297	6,200,149	6,145,172
			6,203,297	6,200,149	6,145,172
Kene Acquisition, Inc. (1.1%)* ^{(5) (7)}	Oil & Gas Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.2% Cash, Acquired 08/19, Due 08/26)	6,635,895	6,488,912	6,490,475
			6,635,895	6,488,912	6,490,475
K-Mac Holdings Corp. (0.2%)* ⁽⁶⁾	Restaurants	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 03/25)	994,342	997,356	979,925
			994,342	997,356	979,925
Kronos Inc. (1.1%)* ⁽⁶⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.9% Cash, Acquired 08/18, Due 11/23)	5,998,096	6,018,120	6,024,727
			5,998,096	6,018,120	6,024,727
LAC Intermediate, LLC (f/k/a Lighthouse Autism Center) (1.4%)* ^{(5) (7)}	Healthcare & Pharmaceuticals	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 7.7% Cash, Acquired 10/18, Due 10/24)	7,887,705	7,666,906	7,550,895
				154,320	163,135
		Class A LLC Units (154,320 units, Acquired 10/18)	7,887,705	7,821,226	7,714,030
LTI Holdings, Inc. (1.9%)* ^{(4) (6)}	Industrial Conglomerates	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 09/18, Due 09/25)	11,850,000	11,906,192	10,610,016
			11,850,000	11,906,192	10,610,016
Mallinckrodt Plc (0.5%)* ^{(3) (4) (5) (6)}	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.9% Cash, Acquired 08/18, Due 09/24)	3,254,149	3,243,401	2,648,519
			3,254,149	3,243,401	2,648,519
MB2 Dental Solutions, LLC (0.8%)* ^{(5) (7)}	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 6.9% Cash, Acquired 09/19, Due 09/23)	4,723,425	4,670,058	4,671,419
			4,723,425	4,670,058	4,671,419
Media Recovery, Inc. (0.6%)* ^{(5) (7)}	Containers, Packaging and Glass	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 7.7% Cash, Acquired 11/19, Due 11/25)	3,233,126	3,169,337	3,176,175
			3,233,126	3,169,337	3,176,175
Men's Wearhouse, Inc. (The) (1.4%)* ^{(4) (6)}	Apparel Retail	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 4.9% Cash, Acquired 08/18, Due 04/25)	9,845,114	9,928,392	7,843,307
			9,845,114	9,928,392	7,843,307
Nautilus Power, LLC (0.6%)* ⁽⁶⁾	Independent Power Producers & Energy Traders	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.0% Cash, Acquired 09/18, Due 05/24)	3,220,650	3,234,041	3,206,157
			3,220,650	3,234,041	3,206,157
NFP Corp. (1.5%)* ^{(4) (6)}	Specialized Finance	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 01/24)	8,564,081	8,562,584	8,521,261
			8,564,081	8,562,584	8,521,261
NGS US Finco, LLC (f/k/a Dresser Natural Gas Solutions) (2.1%)* ^{(5) (7)}	Energy Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.0% Cash, Acquired 10/18, Due 10/25)	11,994,231	11,943,470	11,870,574
			11,994,231	11,943,470	11,870,574

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
NVA Holdings, Inc. (0.7%)* ⁽⁶⁾	Health Care Facilities	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 6.5% Cash, Acquired 08/18, Due 02/25)	\$ 3,979,900	\$ 3,973,472	\$ 3,975,761
			3,979,900	3,973,472	3,975,761
Omaha Holdings LLC (0.9%)* ⁽⁶⁾	Auto Parts & Equipment	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 03/24)	4,961,929	4,991,732	4,961,929
			4,961,929	4,991,732	4,961,929
Omnitracs, LLC (0.8%)* ⁽⁶⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.7% Cash, Acquired 08/18, Due 03/25)	4,619,141	4,606,867	4,600,387
			4,619,141	4,606,867	4,600,387
Options Technology Ltd. (1.9%)* ⁽³⁾⁽⁵⁾⁽⁷⁾	Computer Services	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.5% Cash, Acquired 12/19, Due 12/25)	11,090,100	10,810,546	10,838,484
			11,090,100	10,810,546	10,838,484
Ortho-Clinical Diagnostics Bermuda Co. Ltd. (2.0%)* ⁽⁴⁾⁽⁷⁾⁽⁶⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.3% Cash, Acquired 08/18, Due 06/25)	11,286,170	11,289,852	11,142,722
			11,286,170	11,289,852	11,142,722
Pare SAS (SAS Maurice MARLE) (2.4%)* ⁽³⁾⁽⁵⁾⁽⁷⁾	Health Care Equipment	First Lien Senior Secured Term Loan (EURIBOR + 6.75%, 5.75% Cash, 1.0% PIK, Acquired 12/19, Due 12/26)	13,918,994	13,521,804	13,640,614
			13,918,994	13,521,804	13,640,614
PAREXEL International Corp. (1.1%)* ⁽⁴⁾⁽⁶⁾	Pharmaceuticals	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.6% Cash, Acquired 09/18, Due 09/24)	6,680,843	6,655,192	6,544,821
			6,680,843	6,655,192	6,544,821
Penn Engineering & Manufacturing Corp. (0.3%)* ⁽⁶⁾	Industrial Conglomerates	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 06/24)	1,684,725	1,696,539	1,682,619
			1,684,725	1,696,539	1,682,619
PeroxyChem Holdings, L.P. (1.5%)* ⁽⁵⁾⁽⁷⁾	Diversified Chemicals	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 7.1% Cash, Acquired 10/19, Due 09/24)	8,415,118	8,374,666	8,384,879
			8,415,118	8,374,666	8,384,879
Phoenix Services International LLC (0.5%)* ⁽⁶⁾	Steel	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 5.5% Cash, Acquired 08/18, Due 03/25)	2,954,887	2,964,982	2,757,885
			2,954,887	2,964,982	2,757,885
PODS Enterprises, Inc. (0.9%)* ⁽⁶⁾	Packaging	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 12/24)	4,961,943	4,975,275	4,982,088
			4,961,943	4,975,275	4,982,088
Premier Technical Services Group (0.5%)* ⁽³⁾⁽⁵⁾⁽⁷⁾	Construction & Engineering	First Lien Senior Secured Term Loan (GBP LIBOR + 6.75%, 7.5% Cash, Acquired 08/19, Due 08/26)	2,875,549	2,533,643	2,752,808
			2,875,549	2,533,643	2,752,808
Pro Mach Inc. (1.0%)* ⁽⁵⁾⁽⁶⁾	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 08/18, Due 03/25)	5,909,774	5,893,603	5,847,013
			5,909,774	5,893,603	5,847,013
ProAmpac Intermediate Inc. (1.7%)* ⁽⁴⁾⁽⁶⁾	Packaged Foods & Meats	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.4% Cash, Acquired 08/18, Due 11/23)	9,846,482	9,857,895	9,680,372
			9,846,482	9,857,895	9,680,372
Process Equipment, Inc. (1.1%)* ⁽⁵⁾⁽⁷⁾	Industrial Air & Material Handling Equipment	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 6.9% Cash, Acquired 03/19, Due 03/25)	6,762,500	6,635,562	6,546,325
			6,762,500	6,635,562	6,546,325
Professional Datasolutions, Inc. (PDI) (4.0%)* ⁽⁵⁾⁽⁷⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.4% Cash, Acquired 03/19, Due 10/24)	23,158,008	23,120,723	22,879,936
			23,158,008	23,120,723	22,879,936
PSC UK Pty Ltd. (0.6%)* ⁽³⁾⁽⁵⁾⁽⁷⁾	Insurance Services	First Lien Senior Secured Term Loan (GBP LIBOR + 5.5%, 6.3% Cash, Acquired 11/19, Due 11/24)	3,625,921	3,396,509	3,494,295
			3,625,921	3,396,509	3,494,295

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Qlik Technologies Inc. (Alpha Intermediate Holding, Inc.) (0.9%)* ⁽⁶⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.5% Cash, Acquired 08/18, Due 04/24)	\$ 4,974,555	\$ 4,974,727	\$ 4,977,689
			4,974,555	4,974,727	4,977,689
Red Ventures, LLC (1.0%)* ⁽⁶⁾	Advertising	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 09/18, Due 11/24)	5,954,774	5,985,039	5,990,919
			5,954,774	5,985,039	5,990,919
RedPrairie Holding, Inc. (0.9%)* ⁽⁶⁾	Computer Storage & Peripherals	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.6% Cash, Acquired 09/18, Due 10/23)	4,961,637	4,990,946	4,989,571
			4,961,637	4,990,946	4,989,571
Renaissance Learning, Inc. (0.9%)* ⁽⁶⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.0% Cash, Acquired 08/18, Due 05/25)	5,391,318	5,387,730	5,354,711
			5,391,318	5,387,730	5,354,711
Reynolds Group Holdings Ltd. (0.9%)* ⁽⁶⁾	Packaging	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 02/23)	4,961,637	4,979,527	4,973,297
			4,961,637	4,979,527	4,973,297
Ruffalo Noel Levitz, LLC (1.7%)* ^{(5) (7)}	Media Services	First Lien Senior Secured Term Loan (LIBOR + 6.0%, 7.9% Cash, Acquired 01/19, Due 05/22)	9,714,617	9,607,656	9,641,334
			9,714,617	9,607,656	9,641,334
Scaled Agile, Inc. (0.9%)* ^{(5) (7)}	Research & Consulting Services	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.0% Cash, Acquired 06/19, Due 06/24)	4,986,980	4,940,603	4,941,809
			4,986,980	4,940,603	4,941,809
SCI Packaging Inc. (0.9%)* ⁽⁶⁾	Metal & Glass Containers	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.2% Cash, Acquired 08/18, Due 04/24)	4,961,832	4,952,139	4,940,149
			4,961,832	4,952,139	4,940,149
Seadrill Ltd. (0.9%)* ^{(3) (4)}	Oil & Gas Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 6.0%, 7.9% Cash, Acquired 09/18, Due 02/21)	9,809,097	9,508,856	4,883,066
			9,809,097	9,508,856	4,883,066
Seaworld Entertainment, Inc. (1.0%)* ^{(3) (6)}	Leisure Facilities	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 03/24)	5,954,081	5,945,241	5,978,910
			5,954,081	5,945,241	5,978,910
Serta Simmons Bedding LLC (0.6%)* ^{(4) (5)}	Home Furnishings	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.2% Cash, Acquired 10/19, Due 11/23)	4,961,929	3,927,986	3,184,963
			4,961,929	3,927,986	3,184,963
SIWF Holdings, Inc. (1.6%)* ^{(4) (6)}	Home Furnishings	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.0% Cash, Acquired 08/18, Due 06/25)	9,350,501	9,403,797	9,303,749
			9,350,501	9,403,797	9,303,749
SK Blue Holdings, LP (0.7%)* ^{(6) (7)}	Commodity Chemicals	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.8% Cash, Acquired 09/18, Due 10/25)	4,160,612	4,158,472	4,129,407
			4,160,612	4,158,472	4,129,407
Smile Brands Group Inc. (0.9%)* ^{(5) (7)}	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.6% Cash, Acquired 10/18, Due 10/24)	5,390,141	5,339,191	5,293,980
			5,390,141	5,339,191	5,293,980
Solenis International, LLC (f/k/a Solenis Holdings, L.P.) (1.4%)* ^{(3) (6)}	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 5.9% Cash, Acquired 08/18, Due 06/25)	7,880,000	7,922,706	7,781,500
			7,880,000	7,922,706	7,781,500
SonicWALL, Inc. (0.8%)* ⁽⁶⁾	Internet Software & Services	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.4% Cash, Acquired 08/18, Due 05/25)	4,455,000	4,457,031	4,336,185
			4,455,000	4,457,031	4,336,185
Springbrook Software (SBRK Intermediate, Inc.) (1.8%)* ^{(5) (7)}	Enterprise Software and Services	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 7.7% Cash, Acquired 12/19, Due 12/26)	10,520,990	10,269,533	10,294,130
			10,520,990	10,269,533	10,294,130
SRS Distribution, Inc. (0.9%)* ⁽⁶⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.0% Cash, Acquired 09/18, Due 05/25)	4,974,811	4,899,772	4,930,038
			4,974,811	4,899,772	4,930,038

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
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Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
SS&C Technologies, Inc. (0.3%)* ^{(3) (6)}	Computer & Electronics Retail	First Lien Senior Secured Term Loan (LIBOR + 2.25%, 4.0% Cash, Acquired 10/18, Due 04/25)	\$ 1,742,327	\$ 1,738,643	\$ 1,753,042
			1,742,327	1,738,643	1,753,042
Syniverse Holdings, Inc. (1.7%)* ^{(4) (6)}	Technology Distributors	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 6.8% Cash, Acquired 08/18, Due 03/23)	10,342,105	10,306,230	9,612,573
			10,342,105	10,306,230	9,612,573
Tahoe Subco 1 Ltd. (2.6%)* ^{(3) (4) (6)}	Internet Software & Services	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.7% Cash, Acquired 09/18, Due 06/24)	14,800,754	14,806,789	14,677,463
			14,800,754	14,806,789	14,677,463
Team Health Holdings, Inc. (1.0%)* ^{(4) (6)}	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 02/24)	6,893,671	6,679,490	5,560,159
			6,893,671	6,679,490	5,560,159
Tempo Acquisition LLC (1.0%)* ⁽⁶⁾	Investment Banking & Brokerage	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 4.5% Cash, Acquired 09/18, Due 05/24)	5,589,753	5,606,977	5,618,876
			5,589,753	5,606,977	5,618,876
The Hilb Group, LLC (1.8%)* ^{(5) (7)}	Insurance Brokerage	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 7.4% Cash, Acquired 12/19, Due 12/26)	10,357,834	10,029,427	10,049,762
			10,357,834	10,029,427	10,049,762
Total Safety U.S. Inc. (0.8%)* ⁽⁵⁾	Diversified Support Services	First Lien Senior Secured Term Loan (LIBOR + 6.0%, 7.9% Cash, Acquired 11/19, Due 08/25)	4,937,500	4,668,972	4,650,533
			4,937,500	4,668,972	4,650,533
Transportation Insight, LLC (3.9%)* ^{(5) (7)}	Air Freight & Logistics	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.3% Cash, Acquired 08/18, Due 12/24)	22,286,485	22,088,329	22,245,067
			22,286,485	22,088,329	22,245,067
Truck-Lite Co., LLC (3.7%)* ^{(5) (7)}	Automotive Parts and Equipment	First Lien Senior Secured Term Loan (LIBOR + 6.25%, 8.1% Cash, Acquired 12/19, Due 12/24)	21,794,872	21,298,442	21,337,947
			21,794,872	21,298,442	21,337,947
Trystar, LLC (2.9%)* ^{(5) (7)}	Power Distribution Solutions	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.7% Cash, Acquired 09/18, Due 09/23) LLC Units (361.5 units, Acquired 09/18)	15,999,318	15,782,579	15,963,771
				361,505	597,581
			15,999,318	16,144,084	16,561,352
U.S. Anesthesia Partners, Inc. (2.4%)* ^{(4) (6)}	Managed Health Care	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 09/18, Due 06/24)	13,585,533	13,637,823	13,534,587
			13,585,533	13,637,823	13,534,587
U.S. Silica Company (0.2%)* ^{(3) (4) (5)}	Metal & Glass Containers	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 5.8% Cash, Acquired 08/18, Due 05/25)	1,502,945	1,506,348	1,324,200
			1,502,945	1,506,348	1,324,200
USF Holdings LLC (0.5%)* ^{(6) (7)}	Auto Parts & Equipment	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.3% Cash, Acquired 08/18, Due 12/21)	3,224,841	3,233,041	2,902,357
			3,224,841	3,233,041	2,902,357
USIC Holdings, Inc. (1.2%)* ^{(5) (6)}	Packaged Foods & Meats	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.0% Cash, Acquired 08/18, Due 12/23)	6,896,886	6,925,717	6,866,746
			6,896,886	6,925,717	6,866,746
USI Holdings Corp. (0.9%)* ⁽⁶⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.9% Cash, Acquired 08/18, Due 05/24)	4,961,929	4,956,994	4,956,967
			4,961,929	4,956,994	4,956,967
USLS Acquisition, Inc. (f/k/a US Legal Support, Inc.) (2.8%)* ^{(5) (7)}	Legal Services	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 7.7% Cash, Acquired 11/18, Due 11/24)	16,513,432	16,260,417	16,107,839
			16,513,432	16,260,417	16,107,839
Validity, Inc. (0.7%)* ^{(5) (7)}	IT Consulting & Other Services	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 6.7% Cash, Acquired 07/19, Due 05/25)	4,178,543	3,989,821	3,977,081
			4,178,543	3,989,821	3,977,081
Venator Materials LLC (0.3%)* ^{(3) (6)}	Commodity Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 09/18, Due 08/24)	1,562,199	1,566,972	1,547,873
			1,562,199	1,566,972	1,547,873

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Veritas Bermuda Intermediate Holdings Ltd. (0.8%)* ⁽⁶⁾	Technology Distributors	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 6.3% Cash, Acquired 09/18, Due 01/23)	\$ 4,961,735	\$ 4,784,696	\$ 4,767,235
			4,961,735	4,784,696	4,767,235
VF Holding Corp. (2.1%)* ^{(4) (5) (6)}	Systems Software	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.0% Cash, Acquired 08/18, Due 07/25)	11,880,000	11,885,248	11,728,768
			11,880,000	11,885,248	11,728,768
Wilsonart, LLC (0.9%)* ⁽⁶⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.2% Cash, Acquired 11/18, Due 12/23)	4,961,832	4,961,832	4,970,118
			4,961,832	4,961,832	4,970,118
Winebow Group, LLC, (The) (1.7%)* ^{(4) (5)}	Consumer Goods	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 5.5% Cash, Acquired 11/19, Due 07/21)	7,088,420	6,425,336	6,361,857
		Second Lien Senior Secured Term Loan (LIBOR + 7.5%, 9.3% Cash, Acquired 10/19, Due 01/22)	4,911,766	3,314,045	3,209,004
			12,000,186	9,739,381	9,570,861
Wink Holdco, Inc. (0.7%)* ⁽⁶⁾	Managed Health Care	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 4.8% Cash, Acquired 08/18, Due 12/24)	3,969,620	3,967,724	3,972,121
			3,969,620	3,967,724	3,972,121
Xperi Corp. (0.4%)* ^{(3) (6)}	Semiconductor Equipment	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 4.3% Cash, Acquired 08/18, Due 12/23)	2,049,364	2,042,322	2,048,729
			2,049,364	2,042,322	2,048,729
Subtotal Non-Control / Non-Affiliate Investments			1,099,631,654	1,085,886,720	1,066,845,054
<u>Affiliate Investment:</u>					
Jocasse Partners LLC (1.8%)* ^{(3) (5)}	Investment Funds & Vehicles	9.1% Member Interest, Acquired 06/19		10,158,270	10,229,813
				10,158,270	10,229,813
Subtotal Affiliate Investment				10,158,270	10,229,813
<u>Short-Term Investments:</u>					
BNY Mellon Investment Advisor, Inc. (12.6%)* ^{(4) (5)}	Money Market Fund	Dreyfus Government Cash Management Fund (1.5% yield)	71,963,994	71,963,994	71,963,994
			71,963,994	71,963,994	71,963,994
Federated Investment Management Company (4.3%)* ⁽⁶⁾	Money Market Fund	Federated Government Obligation Fund (1.5% yield)	24,604,946	24,604,946	24,604,946
			24,604,946	24,604,946	24,604,946
Subtotal Short-Term Investments			96,568,940	96,568,940	96,568,940
Total Investments, December 31, 2019 (205.6%)*			\$ 1,196,200,594	\$1,192,613,930	\$1,173,643,807

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2019

Foreign Currency Forward Contracts:

Description	Notional Amount to be Purchased	Notional Amount to be Sold	Settlement Date	Unrealized Appreciation (Depreciation)
Foreign currency forward contract (EUR)	\$158,244	€142,781	01/02/20	\$ (2,028)
Foreign currency forward contract (EUR)	€142,781	\$158,547	01/02/20	1,724
Foreign currency forward contract (EUR)	\$506,967	€453,920	04/20/20	(5,440)
Foreign currency forward contract (GBP)	\$165,691	£132,253	01/02/20	(9,511)
Foreign currency forward contract (GBP)	\$180,277	£140,000	01/02/20	(5,188)
Foreign currency forward contract (GBP)	\$272,560	£210,000	01/02/20	(5,638)
Foreign currency forward contract (GBP)	£350,000	\$460,824	01/02/20	2,839
Foreign currency forward contract (GBP)	\$89,436	£67,000	01/02/20	678
Foreign currency forward contract (GBP)	£199,253	\$258,037	01/02/20	5,924
Foreign currency forward contract (GBP)	\$227,890	£175,529	04/02/20	(5,216)
Foreign currency forward contract (SEK)	\$95,654	920,569kr	01/02/20	(2,687)
Foreign currency forward contract (SEK)	322,233kr	\$33,265	01/02/20	1,158
Foreign currency forward contract (SEK)	598,336kr	\$63,581	01/02/20	337
Foreign currency forward contract (SEK)	\$97,360	912,212kr	04/02/20	(511)
Total Foreign Currency Forward Contracts, December 31, 2019				\$ (23,559)

* Fair value as a percentage of net assets.

- (1) All debt investments are income producing, unless otherwise noted. Equity and any equity-linked investments are non-income producing, unless otherwise noted. The Board of Directors determined in good faith that all investments were valued at fair value in accordance with the Company's valuation policies and procedures and the Investment Company Act of 1940, as amended, (the "1940 Act") based on, among other things, the input of Barings, the Company's Audit Committee and an independent valuation firm that has been engaged to assist in the valuation of the Company's middle-market investments. In addition, all debt investments are variable rate investments unless otherwise noted. Index-based floating interest rates are generally subject to a contractual minimum interest rate. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically reset semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan.
- (2) All of the Company's portfolio company investments, which as of December 31, 2019 represented 206% of the Company's net assets, are subject to legal restrictions on sales. Acquisition date herein represents date of initial investment in portfolio company.
- (3) Investment is not a qualifying investment as defined under Section 55(a) of the 1940 Act. Non-qualifying assets represent 14.8% of total investments at fair value as of December 31, 2019. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets. If at any time qualifying assets do not represent at least 70% of the Company's total assets, the Company will be precluded from acquiring any additional non-qualifying asset until such time as it complies with the requirements of Section 55(a).
- (4) Some or all of the investment is or will be encumbered as security for Barings BDC Senior Funding I, LLC's credit facility entered into in August 2018 with Bank of America, N.A., as amended and restated in December 2018 (the "August 2018 Credit Facility").
- (5) Some or all of the investment is or will be encumbered as security for the Company's credit facility entered into in February 2019 (and subsequently amended in December 2019) with ING Capital LLC (the "February 2019 Credit Facility").
- (6) Some or all of the investment is encumbered as security for the Company's \$449.3 million term debt securitization entered into in May 2019 (the "Debt Securitization").
- (7) The fair value of the investment was determined using significant unobservable inputs.

See accompanying notes.

Barings BDC, Inc.
Consolidated Schedule of Investments
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
<u>Non-Control / Non-Affiliate Investments:</u>					
24 Hour Fitness Worldwide, Inc. (1.6%)* ⁽⁴⁾	Leisure Facilities	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 05/25)	\$ 9,452,500	\$ 9,543,878	\$ 9,224,033
			9,452,500	9,543,878	9,224,033
Accelerate Learning (1.5%)* ⁽⁵⁾	Education Services	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.0% Cash, Due 12/24)	8,455,827	8,287,632	8,234,888
			8,455,827	8,287,632	8,234,888
Accurus Aerospace (4.3%)* ⁽⁵⁾	Aerospace & Defense	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.0% Cash, Due 10/24)	25,000,000	24,636,436	24,312,943
			25,000,000	24,636,436	24,312,943
Acrisure, LLC (1.7%)* ⁽⁴⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.8% Cash, Due 11/23)	9,949,622	10,011,600	9,620,091
			9,949,622	10,011,600	9,620,091
ADMI Corp. (0.6%)* ⁽⁴⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 04/25)	3,482,500	3,495,133	3,302,559
			3,482,500	3,495,133	3,302,559
AlixPartners LLP (1.4%)* ⁽⁴⁾	Investment Banking & Brokerage	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 04/24)	8,058,987	8,103,759	7,725,104
			8,058,987	8,103,759	7,725,104
Alliant Holdings LP (0.8%)* ⁽⁴⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.2% Cash, Due 05/25)	4,972,506	4,980,447	4,689,372
			4,972,506	4,980,447	4,689,372
American Airlines Group Inc. (2.3%)* ⁽³⁾⁽⁴⁾	Airport Services	First Lien Senior Secured Term Loan (LIBOR + 1.75%, 4.3% Cash, Due 06/25)	13,985,519	13,734,123	13,058,978
			13,985,519	13,734,123	13,058,978
American Dental Partners, Inc. (1.7%)*	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 7.1% Cash, Due 03/23)	10,000,000	9,975,555	9,850,000
			10,000,000	9,975,555	9,850,000
Amscan Holdings Inc. (0.4%)* ⁽³⁾⁽⁴⁾	Specialty Stores	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.0% Cash, Due 08/22)	2,411,098	2,428,340	2,321,694
			2,411,098	2,428,340	2,321,694
Apex Tool Group, LLC (1.3%)* ⁽⁴⁾	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.3% Cash, Due 02/22)	7,335,300	7,364,994	7,056,558
			7,335,300	7,364,994	7,056,558
Applied Systems Inc. (1.6%)* ⁽⁴⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 09/24)	9,313,068	9,380,593	8,855,144
			9,313,068	9,380,593	8,855,144
Ascend Learning, LLC (1.3%)* ⁽⁴⁾	IT Consulting & Other Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 07/24)	7,959,698	7,981,529	7,502,015
			7,959,698	7,981,529	7,502,015
AssuredPartners Capital, Inc. (2.0%)* ⁽⁴⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 10/24)	11,951,703	11,975,322	11,257,070
			11,951,703	11,975,322	11,257,070
Aveanna Healthcare Holdings, Inc. (f/k/a BCPE Eagle Buyer LLC) (0.7%)* ⁽⁴⁾⁽⁵⁾	Health Care Facilities	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.8% Cash, Due 03/24)	1,488,712	1,469,694	1,384,502
		First Lien Senior Secured Term Loan (LIBOR + 5.5%, 8.0% Cash, Due 03/24)	2,751,801	2,752,766	2,641,729
			4,240,513	4,222,460	4,026,231
AVSC Holding Corp. (1.3%)* ⁽⁴⁾	Advertising	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.9% Cash, Due 03/25)	7,959,900	7,917,296	7,522,105
			7,959,900	7,917,296	7,522,105

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Bausch Health Companies Inc. (1.5%)* ⁽³⁾⁽⁴⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.4% Cash, Due 05/25)	\$ 8,820,910	\$ 8,866,316	\$ 8,406,856
			8,820,910	8,866,316	8,406,856
BDP International, Inc. (4.3%)* ⁽⁵⁾	Air Freight & Logistics	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 8.1% Cash, Due 12/24)	25,000,000	24,502,972	24,347,685
			25,000,000	24,502,972	24,347,685
Berlin Packaging LLC (1.4%)* ⁽⁴⁾	Forest Products / Containers	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.4% Cash, Due 11/25)	8,457,500	8,477,268	7,944,045
			8,457,500	8,477,268	7,944,045
Blackhawk Network Holdings Inc. (1.7%)* ⁽⁴⁾	Data Processing & Outsourced Services	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 06/25)	9,974,937	9,974,937	9,470,006
			9,974,937	9,974,937	9,470,006
Brookfield WEC Holdings Inc. (0.1%)* ⁽⁴⁾	Construction & Engineering	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.3% Cash, Due 08/25)	500,000	504,904	483,305
			500,000	504,904	483,305
Brown Machine LLC (1.0%)* ⁽⁵⁾	Industrial Equipment	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.8% Cash, Due 10/24)	5,568,910	5,502,125	5,431,063
			5,568,910	5,502,125	5,431,063
Cadent (f/k/a Cross MediaWorks) (1.4%)* ⁽⁵⁾	Media & Entertainment	First Lien Senior Secured Term Loan (LIBOR + 5.5%, 7.7% Cash, Due 09/23)	7,966,133	7,891,122	7,793,161
			7,966,133	7,891,122	7,793,161
Caesars Entertainment Corp. (0.5%)* ⁽³⁾⁽⁴⁾	Casinos & Gaming	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 12/24)	3,134,171	3,153,038	3,004,322
			3,134,171	3,153,038	3,004,322
Callaway Golf Co. (0.6%)* ⁽³⁾⁽⁴⁾	Leisure Products	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.3% Cash, Due 12/25)	3,266,060	3,200,739	3,225,234
			3,266,060	3,200,739	3,225,234
Calpine Corp. (0.8%)* ⁽⁴⁾	Independent Power Producers & Energy Traders	First Lien Senior Secured Term Loan ⁷ (LIBOR + 2.5%, 5.3% Cash, Due 05/23)	129,118	129,583	122,379
		First Lien Senior Secured Term Loan ⁵ (LIBOR + 2.5%, 5.3% Cash, Due 01/24)	4,497,510	4,513,817	4,264,899
			4,626,628	4,643,400	4,387,278
Capital Automotive LLC (2.0%)* ⁽⁴⁾	Automotive Retail	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 5.0% Cash, Due 03/24)	11,939,394	11,966,567	11,443,909
			11,939,394	11,966,567	11,443,909
Carlyle Group L.P., (The) (f/k/a Nautilus Power, LLC) (0.6%)* ⁽⁴⁾	Independent Power Producers & Energy Traders	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.8% Cash, Due 05/24)	3,487,410	3,504,691	3,434,227
			3,487,410	3,504,691	3,434,227
Charter Communications Inc. (0.8%)* ⁽³⁾⁽⁴⁾	Cable & Satellite	First Lien Senior Secured Term Loan (LIBOR + 2.0%, 4.5% Cash, Due 04/25)	4,585,127	4,493,899	4,385,124
			4,585,127	4,493,899	4,385,124
Concentra Inc. (0.5%)* ⁽⁴⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.1% Cash, Due 06/22)	3,000,000	3,028,601	2,865,000
			3,000,000	3,028,601	2,865,000
Consolidated Container Co. LLC (1.3%)* ⁽⁴⁾	Metal & Glass Containers	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 05/24)	7,462,312	7,485,496	7,114,045
			7,462,312	7,485,496	7,114,045
Container Store Group, Inc., (The) (0.5%)* ⁽³⁾⁽⁴⁾⁽⁵⁾	Retail	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 7.5% Cash, Due 09/23)	3,124,404	3,126,010	2,858,830
			3,124,404	3,126,010	2,858,830
Core & Main LP (1.7%)* ⁽⁴⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.7% Cash, Due 08/24)	9,974,811	10,022,554	9,617,414
			9,974,811	10,022,554	9,617,414

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Covia Holdings Corporation (Unimin Corporation) (0.3%)* ^{(3) (4)}	Diversified Metals & Mining	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.6% Cash, Due 06/25)	\$ 2,435,500	\$ 2,444,146	\$ 1,753,560
			2,435,500	2,444,146	1,753,560
CPG Intermediate LLC (f/k/a Encapsys, LLC) (0.4%)*	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 6.0% Cash, Due 11/24)	2,172,331	2,174,889	2,108,964
			2,172,331	2,174,889	2,108,964
CPI International Inc. (0.8%)* ⁽⁴⁾	Electronic Components	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 07/24)	4,795,633	4,803,762	4,631,766
			4,795,633	4,803,762	4,631,766
CVS Holdings I, LP (MyEyeDr) (0.3%)* ⁽⁴⁾	Health Care Supplies	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.3% Cash, Due 02/25)	1,953,701	1,952,568	1,846,248
			1,953,701	1,952,568	1,846,248
Dimora Brands, Inc. (0.5%)*	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 08/24)	2,984,887	2,988,439	2,839,373
			2,984,887	2,988,439	2,839,373
Dole Food Co. Inc. (2.4%)* ⁽⁴⁾	Packaged Foods & Meats	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 04/24)	13,919,794	13,927,211	13,484,800
			13,919,794	13,927,211	13,484,800
Dresser Natural Gas Solutions (2.1%)* ⁽⁵⁾	Natural Gas	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.8% Cash, Due 10/25)	12,115,385	12,056,896	11,903,574
			12,115,385	12,056,896	11,903,574
Duff & Phelps Corporation (2.2%)* ⁽⁴⁾	Research & Consulting Services	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 02/25)	13,341,288	13,378,119	12,593,642
			13,341,288	13,378,119	12,593,642
Edelman Financial Group, Inc. (1.8%)* ⁽⁴⁾	Investment Banking & Brokerage	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.7% Cash, Due 07/25)	10,486,000	10,569,223	10,074,005
			10,486,000	10,569,223	10,074,005
Endo International PLC (1.3%)* ^{(3) (4)}	Pharmaceuticals	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.8% Cash, Due 04/24)	7,959,596	8,032,969	7,521,818
			7,959,596	8,032,969	7,521,818
Equian Buyer Corp. (0.6%)* ⁽⁴⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 05/24)	3,482,323	3,488,194	3,358,701
			3,482,323	3,488,194	3,358,701
Exelon Corp. (0.5%)* ^{(3) (4)}	Electric Utilities	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.7% Cash, Due 11/24)	3,000,000	3,028,710	2,835,000
			3,000,000	3,028,710	2,835,000
Eyemart Express (0.6%)* ⁽⁴⁾	Retail	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 08/24)	3,478,637	3,490,449	3,365,581
			3,478,637	3,490,449	3,365,581
Fieldwood Energy LLC (1.7%)* ⁽⁴⁾	Oil & Gas Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.8% Cash, Due 04/22)	10,000,000	10,091,054	9,318,800
			10,000,000	10,091,054	9,318,800
Filtration Group Corporation (1.9%)* ⁽⁴⁾	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 03/25)	10,944,862	11,032,278	10,525,346
			10,944,862	11,032,278	10,525,346
Flex Acquisition Holdings, Inc. (1.7%)* ⁽⁴⁾	Paper Packaging	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.6% Cash, Due 06/25)	9,972,500	9,993,054	9,419,026
			9,972,500	9,993,054	9,419,026
Gardner Denver Inc. (0.3%)* ^{(3) (4)}	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 07/24)	1,682,557	1,694,790	1,621,043
			1,682,557	1,694,790	1,621,043

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
GlobalTranz (0.5%)* ⁽³⁾	Transportation Services	Second Lien Senior Secured Term Loan (LIBOR + 8.0%, 10.5% Cash, Due 10/26)	\$ 2,980,874	\$ 2,937,205	\$ 2,900,969
			2,980,874	2,937,205	2,900,969
GMS Inc. (1.2%)* ^{(3) (4)}	Construction & Engineering	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 06/25)	7,481,203	7,440,285	7,032,331
			7,481,203	7,440,285	7,032,331
Graftech International Ltd. (1.8%)* ^{(3) (4) (5)}	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 02/25)	10,725,000	10,812,431	10,135,125
			10,725,000	10,812,431	10,135,125
Gray Television Inc. (0.1)* ^{(3) (4)}	Broadcasting	First Lien Senior Secured Term Loan (LIBOR + 2.25%, 4.6% Cash, Due 02/24)	655,812	641,096	627,940
			655,812	641,096	627,940
Gulf Finance, LLC (0.1)* ⁽⁴⁾	Oil & Gas Exploration & Production	First Lien Senior Secured Term Loan (LIBOR + 5.25%, 7.9% Cash, Due 08/23)	1,069,652	900,943	811,598
			1,069,652	900,943	811,598
Hanley Wood LLC (2.2%)* ⁽⁵⁾	Advertising	First Lien Senior Secured Term Loan (LIBOR + 6.25%, 9.0% Cash, Due 12/24)	12,500,000	12,190,695	12,375,000
			12,500,000	12,190,695	12,375,000
Harbor Freight Tools USA Inc. (1.0%)* ⁽⁴⁾	Specialty Stores	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 5.0% Cash, Due 08/23)	5,994,942	5,934,386	5,640,880
			5,994,942	5,934,386	5,640,880
Hayward Industries, Inc. (1.4%)* ⁽⁴⁾	Leisure Products	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 08/24)	8,457,179	8,488,506	8,115,340
			8,457,179	8,488,506	8,115,340
Healthline Media, Inc. (2.2%)* ⁽⁵⁾	Healthcare	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 7.6% Cash, Due 11/24)	12,840,895	12,588,998	12,434,145
			12,840,895	12,588,998	12,434,145
Hertz Corporation (The) (1.0%)* ^{(3) (4)}	Rental & Leasing Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 06/23)	5,938,303	5,927,654	5,696,555
			5,938,303	5,927,654	5,696,555
Holley Performance Products (Holley Purchaser, Inc.) (3.9%)* ⁽⁵⁾	Packaging	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 7.5% Cash, Due 10/25)	22,535,000	22,204,286	21,971,625
			22,535,000	22,204,286	21,971,625
Hub International Limited (1.7%)* ⁽⁴⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.2% Cash, Due 04/25)	10,333,075	10,347,614	9,735,720
			10,333,075	10,347,614	9,735,720
Husky Injection Molding Systems Ltd. (1.7%)* ^{(3) (4)}	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 03/25)	10,790,581	10,369,552	9,841,873
			10,790,581	10,369,552	9,841,873
Hyland Software Inc. (1.5%)* ⁽⁴⁾	Technology Distributors	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 07/24)	8,715,134	8,776,016	8,427,535
			8,715,134	8,776,016	8,427,535
Immucor Inc. (0.4%)* ⁽⁴⁾	Healthcare	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 7.8% Cash, Due 06/21)	2,491,354	2,524,676	2,444,641
			2,491,354	2,524,676	2,444,641
Infor Software Parent, LLC (1.4%)* ⁽⁴⁾	Systems Software	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 02/22)	8,000,000	8,012,613	7,653,760
			8,000,000	8,012,613	7,653,760
Intelsat S.A. (2.2%)* ^{(3) (4)}	Broadcasting	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.3% Cash, Due 11/23)	13,000,000	13,079,847	12,558,910
			13,000,000	13,079,847	12,558,910
ION Trading Technologies Ltd. (2.5%)* ^{(4) (5)}	Electrical Components & Equipment	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 6.5% Cash, Due 11/24)	14,819,339	14,786,308	13,967,227
			14,819,339	14,786,308	13,967,227

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
IRB Holding Corporation (1.3%)* ⁽⁴⁾	Food Retail	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.7% Cash, Due 02/25)	\$ 7,969,854	\$ 7,989,532	\$ 7,583,316
			7,969,854	7,989,532	7,583,316
Jaguar Holding Company I (0.8%)* ⁽⁴⁾	Life Sciences Tools & Services	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 5.0% Cash, Due 08/22)	4,974,227	4,975,425	4,713,080
			4,974,227	4,975,425	4,713,080
JS Held, LLC (3.1%)* ⁽⁵⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.3% Cash, Due 09/24)	17,593,912	17,403,946	17,179,827
			17,593,912	17,403,946	17,179,827
Kenan Advantage Group Inc. (1.4%)* ⁽⁴⁾	Trucking	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 07/22)	8,449,929	8,442,949	8,138,380
			8,449,929	8,442,949	8,138,380
K-Mac Holdings Corp. (0.6%)* ⁽⁴⁾	Restaurants	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 03/25)	3,482,456	3,492,379	3,310,527
			3,482,456	3,492,379	3,310,527
Kronos Inc. (1.9%)* ⁽⁴⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 11/23)	11,505,463	11,551,608	10,910,976
			11,505,463	11,551,608	10,910,976
Lighthouse Autism Center (1.1%)* ⁽⁵⁾	Healthcare and Pharmaceuticals	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 8.1% Cash, Due 09/24)	6,157,408	5,891,621	5,817,408
		Class A LLC Units (154,320 units)		154,320	154,320
			6,157,408	6,045,941	5,971,728
Lindstrom (Metric Enterprises, Inc.) (1.2%)* ⁽⁵⁾	Capital Equipment	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.0% Cash, Due 09/24)	7,023,012	6,972,814	6,885,353
			7,023,012	6,972,814	6,885,353
LTI Holdings, Inc. (2.0%)* ⁽⁴⁾	Industrial Conglomerates	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 09/25)	11,970,000	12,035,076	11,241,865
			11,970,000	12,035,076	11,241,865
Mallinckrodt Plc (1.9%)* ^{(3) (4)}	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.6% Cash, Due 09/24)	11,753,810	11,679,642	10,754,736
			11,753,810	11,679,642	10,754,736
Men's Wearhouse, Inc. (The) (1.7%)* ^{(3) (4)}	Apparel Retail	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.6% Cash, Due 04/25)	9,974,874	10,073,027	9,588,348
			9,974,874	10,073,027	9,588,348
Micro Holding Corp. (1.8%)*	Internet Software & Services	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 12/24) ⁽⁵⁾	2,712,876	2,725,787	2,590,796
		First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.3% Cash, Due 09/24) ⁽⁴⁾	7,959,698	8,017,449	7,531,864
			10,672,574	10,743,236	10,122,660
NFP Corp. (1.4%)* ⁽⁴⁾	Specialized Finance	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 01/24)	8,630,128	8,628,301	8,144,684
			8,630,128	8,628,301	8,144,684
NVA Holdings, Inc. (1.3%)* ⁽⁴⁾	Health Care Facilities	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 02/25)	7,916,170	7,900,214	7,441,200
			7,916,170	7,900,214	7,441,200
Omaha Holdings LLC (1.7%)* ⁽⁴⁾	Auto Parts & Equipment	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 03/24)	9,949,622	10,021,886	9,430,351
			9,949,622	10,021,886	9,430,351
Omnitracs, LLC (1.4%)* ⁽⁴⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.6% Cash, Due 03/25)	8,435,312	8,407,343	7,933,411
			8,435,312	8,407,343	7,933,411
Ortho-Clinical Diagnostics Bermuda Co. Ltd. (1.9%)* ⁽⁴⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 06/25)	11,520,080	11,524,382	10,659,645
			11,520,080	11,524,382	10,659,645

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
PAREXEL International Corp. (1.2%)* ⁽⁴⁾	Pharmaceuticals	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 09/24)	\$ 7,470,248	\$ 7,436,079	\$ 6,732,561
			7,470,248	7,436,079	6,732,561
Penn Engineering & Manufacturing Corp. (0.3%)* ⁽⁴⁾	Industrial Conglomerates	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 06/24)	1,989,899	2,006,604	1,916,929
			1,989,899	2,006,604	1,916,929
Phoenix Services International LLC (0.5%)* ⁽⁴⁾	Steel	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.1% Cash, Due 03/25)	2,984,962	2,996,845	2,868,042
			2,984,962	2,996,845	2,868,042
PMHC II, Inc. (0.1%)*	Diversified Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.2% Cash, Due 03/25)	621,867	625,543	565,899
			621,867	625,543	565,899
PODS Enterprises, Inc. (1.4%)* ⁽⁴⁾	Packaging	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.2% Cash, Due 12/24)	7,959,712	7,985,095	7,608,132
			7,959,712	7,985,095	7,608,132
Prime Security Services Borrower, LLC (2.1%)* ^{(3) (4)}	Security & Alarm Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 05/22)	12,593,945	12,633,406	11,976,842
			12,593,945	12,633,406	11,976,842
Pro Mach Inc. (1.0%)* ⁽⁴⁾	Industrial Machinery	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.4% Cash, Due 03/25)	5,969,925	5,950,852	5,659,011
			5,969,925	5,950,852	5,659,011
ProAmpac Intermediate Inc. (1.7%)* ⁽⁴⁾	Packaged Foods & Meats	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.0% Cash, Due 11/23)	9,947,995	9,962,292	9,475,466
			9,947,995	9,962,292	9,475,466
Olik Technologies Inc. (Alpha Intermediate Holding, Inc.) (1.3%)* ⁽⁴⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.9% Cash, Due 04/24)	7,436,794	7,443,394	7,139,322
			7,436,794	7,443,394	7,139,322
Red Ventures, LLC (1.9%)* ⁽⁴⁾	Advertising	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 11/24)	10,966,554	11,103,689	10,418,227
			10,966,554	11,103,689	10,418,227
RedPrairie Holding, Inc. (1.7%)* ⁽⁴⁾	Computer Storage & Peripherals	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 10/23)	9,949,239	10,022,004	9,564,203
			9,949,239	10,022,004	9,564,203
Renaissance Learning, Inc. (0.9%)* ⁽⁴⁾	Application Software	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 05/25)	5,446,052	5,441,904	5,041,029
			5,446,052	5,441,904	5,041,029
Reynolds Group Holdings Ltd. (2.6%)* ⁽⁴⁾	Packaging	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 02/23)	15,421,320	15,498,970	14,650,254
			15,421,320	15,498,970	14,650,254
Sabre Holdings Corp. (0.2%)* ⁽⁴⁾	Data Processing & Outsourced Services	First Lien Senior Secured Term Loan (LIBOR + 2.0%, 4.5% Cash, Due 02/24)	914,018	895,738	882,786
			914,018	895,738	882,786
SCI Packaging Inc. (f/k/a BWAY Holding Company) (2.3%)* ⁽⁴⁾	Metal & Glass Containers	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.7% Cash, Due 04/24)	13,929,293	13,906,708	13,070,274
			13,929,293	13,906,708	13,070,274
Seadrill Ltd. (1.4%)* ⁽⁴⁾	Oil & Gas Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 6.0%, 8.8% Cash, Due 02/21)	9,918,283	9,372,499	7,742,509
			9,918,283	9,372,499	7,742,509
Seaworld Entertainment, Inc. (1.4%)* ^{(3) (4)}	Leisure Facilities	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 03/24)	8,456,962	8,446,134	8,055,256
			8,456,962	8,446,134	8,055,256
Serta Simmons Bedding LLC (0.4%)* ⁽⁴⁾	Home Furnishings	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 5.9% Cash, Due 11/23)	2,992,386	2,704,234	2,493,645
			2,992,386	2,704,234	2,493,645

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
SIWF Holdings, Inc. (f/k/a Springs Industries Inc.) (1.6%)* ⁽⁴⁾	Home Furnishings	First Lien Senior Secured Term Loan (LIBOR + 4.25%, 6.7% Cash, Due 06/25)	\$ 9,445,430	\$ 9,507,419	\$ 9,156,211
			9,445,430	9,507,419	9,156,211
SK Blue Holdings, LP (0.7%)* ^{(4) (5)}	Commodity Chemicals	First Lien Senior Secured Term Loan (LIBOR + 4.75%, 7.2% Cash, Due 10/25)	4,202,638	4,200,204	4,034,533
			4,202,638	4,200,204	4,034,533
SmartBear (0.8%)* ⁽⁵⁾	High Tech Industries	Second Lien Senior Secured Term Loan (LIBOR + 8.0%, 10.4% Cash, Due 05/24)	4,959,088	4,840,642	4,778,162
			4,959,088	4,840,642	4,778,162
Smile Brands Group Inc. (0.9%)* ⁽⁵⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.1% Cash, Due 10/24)	5,043,318	4,981,982	4,912,691
			5,043,318	4,981,982	4,912,691
Solenis Holdings, L.P. (1.4%)* ⁽⁴⁾	Specialty Chemicals	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 6.7% Cash, Due 12/23)	7,960,000	8,010,373	7,681,400
			7,960,000	8,010,373	7,681,400
SonicWALL, Inc. (0.8%)* ⁽⁴⁾	Internet Software & Services	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.1% Cash, Due 05/25)	4,500,000	4,502,358	4,289,985
			4,500,000	4,502,358	4,289,985
Sophia Holding Finance, L.P. (2.7%)* ⁽⁴⁾	Systems Software	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 6.1% Cash, Due 09/22)	15,925,386	15,975,609	15,305,411
			15,925,386	15,975,609	15,305,411
SRS Distribution, Inc. (1.6%)* ⁽⁴⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 05/25)	9,975,000	9,787,668	9,283,034
			9,975,000	9,787,668	9,283,034
SS&C Technologies, Inc. (0.3%)* ^{(3) (4)}	Computer & Electronics Retail	First Lien Senior Secured Term Loan (LIBOR + 2.25%, 4.8% Cash, Due 04/25)	1,760,188	1,755,852	1,657,886
			1,760,188	1,755,852	1,657,886
Staples Inc. (2.4%)* ⁽⁴⁾	Retail	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 6.5% Cash, Due 09/24)	13,964,736	13,944,087	13,359,644
			13,964,736	13,944,087	13,359,644
Syniverse Holdings, Inc. (1.7%)* ⁽⁴⁾	Technology Distributors	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 7.5% Cash, Due 03/23)	10,447,368	10,401,186	9,315,605
			10,447,368	10,401,186	9,315,605
Tahoe Subco 1 Ltd. (2.5%)* ^{(3) (4)}	Internet Software & Services	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.3% Cash, Due 06/24)	14,960,151	14,967,158	13,902,319
			14,960,151	14,967,158	13,902,319
Team Health Holdings, Inc. (1.1%)* ⁽⁴⁾	Health Care Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 02/24)	6,964,557	6,701,992	6,207,162
			6,964,557	6,701,992	6,207,162
Tempo Acquisition LLC (2.0%)* ⁽⁴⁾	Investment Banking & Brokerage	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 05/24)	11,616,035	11,663,099	11,093,314
			11,616,035	11,663,099	11,093,314
Transportation Insight, LLC (3.4%)* ⁽⁵⁾	Air Freight & Logistics	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.0% Cash, Due 12/24)	19,483,068	19,245,141	19,007,740
			19,483,068	19,245,141	19,007,740
TransUnion (0.1%)* ^{(3) (4)}	Research & Consulting Services	First Lien Senior Secured Term Loan (LIBOR + 2.0%, 4.5% Cash, Due 04/23)	634,147	619,996	608,781
			634,147	619,996	608,781
Travelport Ltd. (0.3%)* ^{(3) (4)}	Data Processing & Outsourced Services	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 5.1% Cash, Due 03/25)	1,989,228	1,987,991	1,951,691
			1,989,228	1,987,991	1,951,691
Tronox Ltd. (1.2%)* ^{(3) (4)}	Commodity Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 09/24)	6,964,824	7,001,035	6,745,920
			6,964,824	7,001,035	6,745,920

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Trystar, Inc. (3.1%)* ⁽⁵⁾	Power Distribution Solutions	First Lien Senior Secured Term Loan (LIBOR + 5.0%, 7.4% Cash, Due 09/23)	\$ 17,850,676	\$ 17,554,515	\$ 17,320,845
		LLC Units (361.5 units)		361,505	361,505
			17,850,676	17,916,020	17,682,350
U.S. Anesthesia Partners, Inc. (2.3%)* ⁽⁴⁾	Managed Health Care	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 06/24)	13,724,874	13,787,932	13,086,668
			13,724,874	13,787,932	13,086,668
U.S. Silica Company (0.2%)* ^{(3) (4)}	Metal & Glass Containers	First Lien Senior Secured Term Loan (LIBOR + 4.0%, 6.6% Cash, Due 05/25)	1,518,304	1,522,294	1,322,822
			1,518,304	1,522,294	1,322,822
Univision Communications Inc. (0.9%)* ⁽⁴⁾	Broadcasting	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 03/24)	5,470,018	5,279,013	4,938,989
			5,470,018	5,279,013	4,938,989
US Legal Support, Inc. (2.3%)* ⁽⁵⁾	Legal Services	First Lien Senior Secured Term Loan (LIBOR + 5.75%, 8.5% Cash, Due 11/24)	13,513,994	13,216,624	13,065,980
			13,513,994	13,216,624	13,065,980
USF Holdings LLC (0.8%)* ^{(4) (5)}	Auto Parts & Equipment	First Lien Senior Secured Term Loan (LIBOR + 3.5%, 6.3% Cash, Due 12/21)	4,870,130	4,887,672	4,650,974
			4,870,130	4,887,672	4,650,974
USI, Inc. (1.4%)* ⁽⁴⁾	Property & Casualty Insurance	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.8% Cash, Due 05/24)	8,457,179	8,449,689	7,960,320
			8,457,179	8,449,689	7,960,320
USIC Holdings, Inc. (1.2%)* ⁽⁴⁾	Packaged Foods & Meats	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 5.8% Cash, Due 12/23)	6,965,629	7,001,297	6,599,933
			6,965,629	7,001,297	6,599,933
Vail Holdco Corp. (f/k/a Avantor, Inc.) (2.4%)* ⁽⁴⁾	Health Care Equipment	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.6% Cash, Due 11/24)	14,193,506	14,381,790	13,720,436
			14,193,506	14,381,790	13,720,436
Venator Materials LLC (0.5%)* ^{(3) (4)}	Commodity Chemicals	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 08/24)	2,984,887	2,995,737	2,846,836
			2,984,887	2,995,737	2,846,836
Veritas Bermuda Intermediate Holdings Ltd. (1.4%)* ⁽⁴⁾	Technology Distributors	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.1% Cash, Due 01/23)	9,451,899	9,033,056	8,027,403
			9,451,899	9,033,056	8,027,403
Verscend Holding Corp. (0.4%)* ⁽⁴⁾	Health Care Technology	First Lien Senior Secured Term Loan (LIBOR + 4.5%, 7.0% Cash, Due 08/25)	2,493,750	2,523,202	2,406,469
			2,493,750	2,523,202	2,406,469
VF Holding Corp. (2.0%)* ⁽⁴⁾	Systems Software	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 6.1% Cash, Due 07/25)	12,000,000	12,006,052	11,373,720
			12,000,000	12,006,052	11,373,720
Wilsonart, LLC (1.7%)* ⁽⁴⁾	Building Products	First Lien Senior Secured Term Loan (LIBOR + 3.25%, 6.1% Cash, Due 12/23)	9,974,683	9,974,683	9,519,638
			9,974,683	9,974,683	9,519,638
Winebow Group, LLC, (The) (0.2%)* ⁽⁴⁾	Consumer Goods	First Lien Senior Secured Term Loan (LIBOR + 3.75%, 6.3% Cash, Due 07/21)	1,572,129	1,483,331	1,353,335
			1,572,129	1,483,331	1,353,335
Wink Holdco, Inc. (1.3%)* ⁽⁴⁾	Managed Health Care	First Lien Senior Secured Term Loan (LIBOR + 3.0%, 5.5% Cash, Due 12/24)	7,571,614	7,570,011	7,158,961
			7,571,614	7,570,011	7,158,961
WME Entertainment Parent, LLC (f/k/a IMG Worldwide, Inc.) (2.3%)* ⁽⁴⁾	Business Equipment & Services	First Lien Senior Secured Term Loan (LIBOR + 2.75%, 5.3% Cash, Due 05/25)	13,841,944	13,829,823	12,682,681
			13,841,944	13,829,823	12,682,681

Barings BDC, Inc.
Consolidated Schedule of Investments — (Continued)
December 31, 2018

Portfolio Company	Industry	Type of Investment ^{(1) (2)}	Principal Amount	Cost	Fair Value
Xperi Corp. (0.5%)* ^{(3) (4) (5)}	Semiconductor Equipment	First Lien Senior Secured Term Loan (LIBOR + 2.5%, 5.0% Cash, Due 12/23)	\$ 2,942,982	\$ 2,929,408	\$ 2,729,616
			<u>2,942,982</u>	<u>2,929,408</u>	<u>2,729,616</u>
Subtotal Non-Control / Non-Affiliate Investments			1,132,612,430	1,128,694,715	1,076,631,804
<u>Short-Term Investments</u>					
The Dreyfus Corporation (8.0%)* ⁽⁴⁾	Money Market Fund	Dreyfus Government Cash Management Fund (2.5% yield)	45,223,941	45,223,941	45,223,941
			<u>45,223,941</u>	<u>45,223,941</u>	<u>45,223,941</u>
Subtotal Short-Term Investments			<u>45,223,941</u>	<u>45,223,941</u>	<u>45,223,941</u>
Total Investments, December 31, 2018 (199.3%)*			<u>\$ 1,177,836,371</u>	<u>\$1,173,918,656</u>	<u>\$1,121,855,745</u>

* Fair value as a percentage of net assets.

- (1) All debt investments are income producing, unless otherwise noted. Equity and any equity-linked investments are non-income producing, unless otherwise noted. The Board of Directors determined in good faith that all investments were valued at fair value in accordance with the Company's valuation policies and procedures and the 1940 Act, based on, among other things, the input of Barings, the Company's Audit Committee and an independent valuation firm that has been engaged to assist in the valuation of the Company's senior secured, middle-market investments.
- (2) All debt investments are variable rate investments unless otherwise noted. Index-based floating interest rates are generally subject to a contractual minimum interest rate. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically reset semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan.
- (3) Investment is not a qualifying investment as defined under Section 55(a) of the 1940 Act. Non-qualifying assets represent 15.1% of total investments at fair value as of December 31, 2018. Qualifying assets must represent at least 70% of total assets at the time of acquisition of any additional non-qualifying assets. If at any time qualifying assets do not represent at least 70% of the Company's total assets, the Company will be precluded from acquiring any additional non-qualifying asset until such time as it complies with the requirements of Section 55(a).
- (4) Some or all of the investment is or will be encumbered as security for the August 2018 Credit Facility.
- (5) The fair value of the investment was determined using significant unobservable inputs.

See accompanying notes.

Barings BDC, Inc.
Notes to Consolidated Financial Statements

1. Organization, Business, Basis of Presentation and Summary of Significant Accounting Policies

Organization and Business

Barings BDC, Inc. and its wholly-owned subsidiaries (collectively, the "Company") are specialty finance companies. The Company currently operates as a closed-end, non-diversified investment company and has elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Company has elected for federal income tax purposes to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code").

The Asset Sale and Externalization Transactions

On April 3, 2018, the Company entered into an asset purchase agreement (the "Asset Purchase Agreement") with BSP Asset Acquisition I, LLC (the "Asset Buyer"), an affiliate of Benefit Street Partners L.L.C. ("BSP"), pursuant to which the Company agreed to sell its December 31, 2017 investment portfolio to the Asset Buyer for gross proceeds of \$981.2 million in cash, subject to certain adjustments to take into account portfolio activity and other matters occurring since December 31, 2017 (such transaction referred to herein as the "Asset Sale Transaction").

Also on April 3, 2018, the Company entered into a stock purchase and transaction agreement (the "Externalization Agreement") with Barings LLC ("Barings" or the "Adviser"), through which Barings agreed to become the investment adviser to the Company in exchange for (1) a payment by Barings of \$85.0 million directly to the Company's stockholders, (2) an investment by Barings of \$100.0 million in newly issued shares of the Company's common stock at net asset value and (3) a commitment from Barings to purchase up to \$50.0 million of shares of the Company's common stock in the open market at prices up to and including the Company's then-current net asset value per share for a two-year period (the "Trading Plan"), after which Barings agreed to use any remaining funds from the \$50.0 million to purchase additional newly issued shares of the Company's common stock at the greater of the Company's then-current net asset value per share and market price (collectively, the "Externalization Transaction"). The Asset Sale Transaction and the Externalization Transaction are collectively referred to herein as the "Transactions." The Transactions were approved by the Company's stockholders at the Company's July 24, 2018 special meeting of stockholders (the "Special Meeting").

The Asset Sale Transaction closed on July 31, 2018. The gross cash proceeds received from the Asset Buyer and certain affiliates of the Asset Buyer in connection with the Asset Sale Transaction were approximately \$793.3 million, after adjustments to take into account portfolio activity and other matters occurring since December 31, 2017, as described in greater detail in the Asset Purchase Agreement. Adjustments to the purchase price included, among other things, approximately \$208.8 million of principal payments and prepayments, sales proceeds and distributions related to the investment portfolio that were received and retained by the Company between December 31, 2017 and the closing of the Asset Sale Transaction, offset by approximately \$29.5 million of loans and equity investments originated between December 31, 2017 and the closing of the Asset Sale Transaction.

In connection with the closing of the Asset Sale Transaction, the Company caused notices to be issued to the holders of its December 2022 Notes and March 2022 Notes (each as defined herein) regarding the redemption of all \$80.5 million in aggregate principal amount of the December 2022 Notes and all \$86.3 million in aggregate principal amount of the March 2022 Notes, in each case, on August 30, 2018. The December 2022 Notes and the March 2022 Notes were redeemed at 100% of their principal amount (\$25.00 per Note), plus the accrued and unpaid interest thereon from June 15, 2018 to, but excluding, August 30, 2018, which resulted in a loss on the extinguishment of debt of \$2.9 million. In furtherance of the redemption, on July 31, 2018, the Company irrevocably deposited with The Bank of New York Mellon Trust Company, N.A., as trustee under the indenture and supplements thereto relating to the December 2022 Notes and the March 2022 Notes, funds in trust for the purposes of redeeming all of the issued and outstanding December 2022 Notes and March 2022 Notes and paying all sums due and payable under the indenture and supplements thereto. As a result, the Company's obligations under the indenture and

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

supplements thereto relating to the December 2022 Notes and the March 2022 Notes were satisfied and discharged as of July 31, 2018, except with respect to those obligations that the indenture expressly provides shall survive the satisfaction and discharge of the indenture. In addition, in connection with the closing of the Asset Sale Transaction, the Company terminated its senior secured credit facility entered into in May 2015 and subsequently amended in May 2017 (the "May 2017 Credit Facility") which resulted in a loss on the extinguishment of debt of \$4.1 million.

The Company's former wholly-owned subsidiaries, Triangle SBIC, Triangle Mezzanine Fund II LP ("Triangle SBIC II") and Triangle Mezzanine Fund III LP ("Triangle SBIC III") were specialty finance limited partnerships that were formed to make investments primarily in lower middle-market companies located throughout the United States. Each of Triangle SBIC, Triangle SBIC II and Triangle SBIC III held licenses to operate as Small Business Investment Companies ("SBICs") under the authority of the United States Small Business Administration ("SBA"). In connection with the closing of the Asset Sale Transaction, the Company repaid all of its outstanding SBA-guaranteed debentures and surrendered the SBIC licenses held by Triangle SBIC, Triangle SBIC II, and Triangle SBIC III. The Company recognized a loss on extinguishment of debt of \$3.5 million related to the repayment of its outstanding SBA-guaranteed debentures.

The Externalization Transaction closed on August 2, 2018 (the "Externalization Closing"). Effective as of the Externalization Closing, the Company changed its name from Triangle Capital Corporation to Barings BDC, Inc. and on August 3, 2018 began trading on the New York Stock Exchange ("NYSE") under the symbol "BBDC."

In connection with the Externalization Closing, the following events occurred:

- On August 2, 2018, the Company entered into an investment advisory agreement (the "Advisory Agreement") and an administration agreement (the "Administration Agreement") with the Adviser pursuant to which the Adviser serves as the Company's investment adviser and administrator and manages its investment portfolio which initially consisted primarily of the cash proceeds received in connection with the Asset Sale Transaction.
- On August 2, 2018, the Company issued 8,529,917 shares of the Company's common stock to the Adviser at a price of \$11.723443 per share, or an aggregate of \$100.0 million in cash, in a private transaction exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, and/or Rule 506 of Regulation D thereunder (the "Stock Issuance").
- On August 2, 2018, the Company entered into a registration rights agreement with the Adviser with respect to the shares of the Company's common stock acquired in the Stock Issuance.
- On August 7, 2018, the Company launched a \$50.0 million issuer tender offer (the "Tender Offer"). Pursuant to the Tender Offer, on September 11, 2018, the Company purchased 4,901,961 shares of the Company's common stock at a purchase price of \$10.20 per share, for an aggregate cost of approximately \$50.0 million, excluding fees and expenses relating to the Tender Offer. The shares of common stock purchased in the Tender Offer represented approximately 8.7% of the Company's issued and outstanding shares as of September 6, 2018.
- On September 24, 2018, or the Effective Date, the Adviser entered into a Rule 10b5-1 Purchase Plan, or the 10b5-1 Plan, that qualifies for the safe harbors provided by Rules 10b5-1 and 10b-18 under the Exchange Act. Pursuant to the 10b5-1 Plan, an independent broker made purchases of shares of the Company's common stock on the open market on behalf of the Adviser in accordance with purchase guidelines specified in the 10b5-1 Plan. The 10b5-1 Plan was established in accordance with the Adviser's obligation under the Externalization Agreement to enter into a trading plan pursuant to which the Adviser committed to purchase \$50.0 million in value of shares in open market transactions through an independent broker. The maximum aggregate purchase price of all shares purchased under the 10b5-1 Plan was \$50.0 million. On February 11, 2019, the Adviser fulfilled its obligations under the 10b5-1 Plan to purchase an aggregate amount of \$50.0 million in shares of the Company's common stock and the 10b5-1

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Plan terminated in accordance with its terms. Upon completion of the 10b5-1 Plan, the Adviser had purchased 5,084,302 shares of the Company's common stock pursuant to the 10b5-1 Plan and owned a total of 13,639,681 shares of the Company's common stock, or 26.6% of the total shares outstanding.

Expenses Related to the Transactions

In connection with the Externalization Transaction, and the subsequent change of control and related termination of employees, the Company recognized one-time compensation expenses of approximately \$27.6 million in the year ended December 31, 2018. These one-time compensation expenses included severance expenses, pro-rata incentive compensation, transaction-related bonuses, expenses related to the acceleration of vesting of restricted stock grants and deferred compensation grants, and other expenses associated with the obligations under the Company's existing severance agreements and severance policy. In addition, the Company recognized transaction advisory fees, legal expenses and other direct costs associated with the Transactions of approximately \$11.8 million in the year ended December 31, 2018.

Organization

The Company is a Maryland corporation incorporated on October 10, 2006. Prior to the Externalization Transaction, the Company was internally managed by its executive officers under the supervision of its Board of Directors (the "Board"). During this period, the Company did not pay management or advisory fees, but instead incurred the operating costs associated with employing executive management and investment and portfolio management professionals. On August 2, 2018, the Company entered into the Advisory Agreement and became an externally-managed BDC managed by the Adviser. An externally-managed BDC generally does not have any employees, and its investment and management functions are provided by an outside investment adviser and administrator under an advisory agreement and administration agreement. Instead of the Company directly compensating employees, the Company pays the Adviser for investment and management services pursuant to the terms of the Advisory Agreement and the Administration Agreement. See Note 2 - Agreements and Related Party Transactions for additional information regarding the Advisory Agreement and the Administration Agreement.

Basis of Presentation

The financial statements of the Company include the accounts of Barings BDC, Inc. and its wholly-owned subsidiaries. The effects of all intercompany transactions between Barings BDC, Inc. and its subsidiaries have been eliminated in consolidation. Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services - Investment Companies*, the Company is precluded from consolidating portfolio company investments, including those in which it has a controlling interest, unless the portfolio company is another investment company. An exception to this general principle occurs if the Company holds a controlling interest in an operating company that provides all or substantially all of its services directly to the Company or to its portfolio companies. None of the portfolio investments made by the Company qualify for this exception. Therefore, the Company's investment portfolio is carried on the Consolidated Balance Sheets at fair value, as discussed further in Note 3, with any adjustments to fair value recognized as "Net unrealized appreciation (depreciation)" on the Consolidated Statements of Operations.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All financial data and information included in these financial statements have been presented on the basis described above.

Recently Issued Accounting Standards

In August 2018, the FASB issued Accounting Standards Update, 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13")*, which includes new, eliminated and modified fair value disclosure requirements. The new guidance requires disclosure of the range and weighted average of the significant unobservable inputs for Level 3 fair value measurements and the way it is calculated. The guidance also eliminates the following disclosures: (i) amount and reason for transfers between Level 1 and Level 2,

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

(ii) policy for timing of transfers between levels of the fair value hierarchy and (iii) valuation processes for Level 3 fair value measurement. In addition, the disclosure is modified such that the narrative description for the recurring Level 3 fair value measures should communicate information about the measurement uncertainty in fair value measurements as of the reporting date rather than a point in the future. The guidance is effective for all entities for interim and annual periods beginning after December 15, 2019. An entity is permitted to early adopt the entire standard or only the provisions that eliminate or modify disclosures. The Company's management does not expect the adoption of ASU 2018-13 to have a significant impact on its consolidated financial statements.

Share Repurchase Plan

On February 25, 2019, the Company adopted a share repurchase plan, pursuant to Board approval, for the purpose of repurchasing shares of the Company's common stock in the open market (the "Share Repurchase Plan"). The Board authorized the Company to repurchase in 2019 up to a maximum of 5.0% of the amount of shares outstanding under the following targets:

- a maximum of 2.5% of the amount of shares of the Company's common stock outstanding if shares trade below NAV per share but in excess of 90% of NAV per share; and
- a maximum of 5.0% of the amount of shares of the Company's common stock outstanding if shares trade below 90% of NAV per share.

The Share Repurchase Plan was executed in accordance with applicable rules under the Securities Exchange Act of 1934, as amended, including Rules 10b5-1 and 10b-18 thereunder, as well as certain price, market volume and timing constraints specified in the Share Repurchase Plan. The Share Repurchase Plan was designed to allow the Company to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under applicable insider trading laws or because of self-imposed trading blackout periods. A broker selected by the Company was delegated the authority to repurchase shares on the Company's behalf in the open market, pursuant to, and under the terms and limitations of, the Share Repurchase Plan.

During the year ended December 31, 2019, the Company repurchased a total of 2,333,261 shares of its common stock in the open market under the Share Repurchase Plan at an average price of \$10.01 per share, including broker commissions.

Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Valuation of Investments

The Company has a valuation policy, as well as established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring (at least quarterly) basis in accordance with the 1940 Act and FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"). The Company's current valuation policy and processes were established by the Adviser and were approved by the Board.

Under ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a willing buyer and a willing seller at the measurement date. For the Company's portfolio securities, fair value is generally the amount that the Company might reasonably expect to receive upon the current sale of the security. Under ASC Topic 820, the fair value measurement assumes that the sale occurs in the principal market for the security, or in the absence of a principal market, in the most advantageous

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

market for the security. Under ASC Topic 820, if no market for the security exists or if the Company does not have access to the principal market, the security should be valued based on the sale occurring in a hypothetical market.

Under ASC Topic 820, there are three levels of valuation inputs, as follows:

Level 1 Inputs – include quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs – include inputs that are unobservable and significant to the fair value measurement.

A financial instrument is categorized within the ASC Topic 820 valuation hierarchy based upon the lowest level of input to the valuation process that is significant to the fair value measurement. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, unrealized appreciation and depreciation related to such investments categorized as Level 3 investments within the tables below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

The Company's investment portfolio includes certain debt and equity instruments of privately held companies for which quoted prices or other inputs falling within the categories of Level 1 and Level 2 are generally not available. In such cases, the Company determines the fair value of its investments in good faith primarily using Level 3 inputs. In certain cases, quoted prices or other observable inputs exist, and the Company assesses the appropriateness of the use of these third-party quotes in determining fair value based on (i) its understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer and (ii) the depth and consistency of broker quotes and the correlation of changes in broker quotes with the underlying performance of the portfolio company.

There is no single standard for determining fair value in good faith, as fair value depends upon the specific circumstances of each individual investment. The recorded fair values of the Company's Level 3 investments may differ significantly from fair values that would have been used had an active market for the securities existed. In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

Investment Valuation Process

The Adviser has established a Pricing Committee that is, subject to the oversight of the Board, responsible for the approval, implementation and oversight of the processes and methodologies that relate to the pricing and valuation of assets held by the Company. The Adviser uses internal pricing models, in accordance with internal pricing procedures established by the Adviser's Pricing Committee, to price an asset in the event an acceptable price cannot be obtained from an approved external source.

The Adviser reviews its valuation methodologies on an ongoing basis and updates are made accordingly to meet changes in the marketplace. The Adviser has established internal controls to ensure its valuation process is operating in an effective manner. The Adviser (1) maintains valuation and pricing procedures that describe the specific methodology used for valuation and (2) approves and documents exceptions and overrides of valuations. In addition, the Pricing Committee performs an annual review of valuation methodologies.

The Company's money market fund investments are generally valued using Level 1 inputs and its syndicated senior secured loans are generally valued using Level 2 inputs. The Company's senior secured, middle-market, private debt investments are generally valued using Level 3 inputs.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Independent Valuation Review

The Company has engaged an independent valuation firm to provide third-party valuation consulting services at the end of each fiscal quarter which consist of certain limited procedures that the Company identified and requested the valuation firm to perform (hereinafter referred to as the "Procedures"). The Procedures generally consist of a review of the quarterly fair values of the Company's middle-market investments, and are generally performed with respect to each investment every quarter beginning in the quarter after the investment is made. In certain instances, the Company may determine that it is not cost-effective, and as a result is not in the stockholders' best interests, to request the independent valuation firm to perform the Procedures on certain investments. Such instances include, but are not limited to, situations where the fair value of the investment in the portfolio company is determined to be insignificant relative to the total investment portfolio.

The total number of senior secured, middle-market investments and the percentage of the Company's total senior secured, middle-market investment portfolio on which the Procedures were performed are summarized below by period:

For the quarter ended:	Total companies	Percent of total investments at fair value(1)
September 30, 2018(2).....	—	—%
December 31, 2018.....	5	100%
March 31, 2019.....	18	100%
June 30, 2019.....	22	100%
September 30, 2019.....	28	100%
December 31, 2019.....	38	100%

(1) Exclusive of the fair value of new middle-market investments made during the quarter and certain middle-market investments repaid subsequent to the end of the reporting period.

(2) The Company did not engage any independent valuation firms to perform the Procedures for the third quarter of 2018 as the Company's investment portfolio consisted primarily of newly-originated investments.

Upon completion of the Procedures, the valuation firm concluded that, with respect to each investment reviewed by the valuation firm, the fair value of those investments subjected to the Procedures appeared reasonable. Finally, the Board determined in good faith that the Company's investments were valued at fair value in accordance with the Company's valuation policies and procedures and the 1940 Act based on, among other things, the input of Barings, the Company's Audit Committee and the independent valuation firm.

Investment Valuation Inputs and Techniques

The Company's valuation techniques are based upon both observable and unobservable pricing inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. The Company determines the estimated fair value of its loans and investments using primarily an income approach. Generally, an independent pricing service provider is the preferred source of pricing a loan, however, to the extent the independent pricing service provider price is unavailable or not relevant and reliable, the Company may use broker quotes. The Company attempts to maximize the use of observable inputs and minimize the use of unobservable inputs. The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Market Approach

The Company values its syndicated senior secured loans using values provided by independent pricing services that have been approved by the Adviser's Pricing Committee. The prices received from these pricing service providers are based on yields or prices of securities of comparable quality, type, coupon and maturity and/or indications as to value from dealers and exchanges. The Company will seek to obtain two prices from the pricing services with one price representing the primary source and the other representing an independent control valuation. The Company evaluates the prices obtained from brokers or independent pricing service providers based on available market information, including trading activity of the subject or similar securities, or by performing a comparable security analysis to ensure that fair values are reasonably estimated. The Company also performs back-testing of valuation information obtained from independent pricing service providers and brokers against actual prices received in transactions. In addition to ongoing monitoring and back-testing, the Company performs due diligence procedures surrounding independent pricing service providers to understand their methodology and controls to support their use in the valuation process.

Income Approach

The Company utilizes an Income Approach model in valuing its private debt investment portfolio, which consists of middle-market senior secured loans with floating reference rates. As independent pricing service provider and broker quotes have not historically been consistently relevant and reliable, the fair value is determined using an internal index-based pricing model that takes into account both the movement in the spread of one or more performing credit indices as well as changes in the credit profile of the borrower. The implicit yield for each debt investment is calculated at the date the investment is made. This calculation takes into account the acquisition price (par less any upfront fee) and the relative maturity assumptions of the underlying asset. As of each balance sheet date, the implied yield for each investment is reassessed, taking into account changes in the discount margin of the baseline index, probabilities of default and any changes in the credit profile of the issuer of the security, such as fluctuations in operating levels and leverage. If there is an observable price available on a comparable security/ issuer, it is used to calibrate the internal model. The implied yield used within the model is considered a significant unobservable input. As such, these assets are generally classified within Level 3. If the valuation process for a particular debt investment results in a value above par, the value is typically capped at the greater of the principal amount plus any prepayment penalty in effect or 100% of par on the basis that a market participant is likely unwilling to pay a greater amount than that at which the borrower could refinance.

Fair value measurements using the Income Approach model can be sensitive to changes in one or more of the inputs. Assuming all other inputs to the Income Approach model remain constant, any increase (decrease) in the discount margin of the baseline index for a particular debt security would result in a lower (higher) fair value for that security. Assuming all other inputs to the Income Approach model remain constant, any improvement (decline) in the credit profile of the issuer of a particular debt security would result in a higher (lower) fair value for that security.

Enterprise Value Waterfall Approach

In valuing equity securities, the Company estimates fair value using an "Enterprise Value Waterfall" valuation model. The Company estimates the enterprise value of a portfolio company and then allocates the enterprise value to the portfolio company's securities in order of their relative liquidation preference. In addition, the model assumes that any outstanding debt or other securities that are senior to the Company's equity securities are required to be repaid at par. Generally, the waterfall proceeds flow from senior debt tranches of the capital structure to junior and subordinated debt, followed by each class or preferred stock and finally the common stock. Additionally, the Company may estimate the fair value of a debt security using the Enterprise Value Waterfall approach when the Company does not expect to receive full repayment.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

To estimate the enterprise value of the portfolio company, the Company primarily uses a valuation model based on a transaction multiple, which generally is the original transaction multiple, and measures of the portfolio company's financial performance. In addition, the Company considers other factors, including but not limited to (i) offers from third parties to purchase the portfolio company, (ii) the implied value of recent investments in the equity securities of the portfolio company, (iii) publicly available information regarding recent sales of private companies in comparable transactions and (iv) when the Company believes there are comparable companies that are publicly traded, the Company performs a review of these publicly traded companies and the market multiple of their equity securities. For certain non-performing assets, the Company may utilize the liquidation or collateral value of the portfolio company's assets in its estimation of enterprise value.

The significant Level 3 inputs to the Enterprise Value Waterfall model are (i) an appropriate transaction multiple and (ii) a measure of the portfolio company's financial performance, which generally is either earnings before interest, taxes, depreciation and amortization, as adjusted ("Adjusted EBITDA") or revenues. Such inputs can be based on historical operating results, projections of future operating results or a combination thereof. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for certain non-recurring items. In determining the operating results input, the Company utilizes the most recent portfolio company financial statements and forecasts available as of the valuation date. The Company also consults with the portfolio company's senior management to obtain updates on the portfolio company's performance, including information such as industry trends, new product development, loss of customers and other operational issues.

Fair value measurements using the Enterprise Value Waterfall model can be sensitive to changes in one or more of the inputs. Assuming all other inputs to the Enterprise Value Waterfall model remain constant, any increase (decrease) in either the transaction multiple, Adjusted EBITDA or revenues for a particular equity security would result in a higher (lower) fair value for that security.

Valuation of Investment in Jocassee

The Company estimates the fair value of its investment in Jocassee Partners LLC using the net asset value of Jocassee Partners LLC and its ownership percentage. The net asset value of Jocassee Partners LLC is determined in accordance with the specialized accounting guidance for investment companies.

Level 3 Unobservable Inputs

The ranges and weighted average values of the significant Level 3 inputs used in the valuation of the Company's debt and equity securities at December 31, 2019 and 2018 are summarized as follows:

December 31, 2019:	Fair Value	Valuation Model	Level 3 Input	Range of Inputs	Weighted Average
Senior debt and 1 st lien notes	\$ 528,907,788	Income Approach	Implied Spread	4.6% – 8.0%	5.7%
	26,592,519	Market Approach	Pricing Service Quotes	90.0% – 99.6%	97.9%
Subordinated debt and 2 nd lien notes	9,699,465	Income Approach	Implied Spread	8.8% – 9.4%	9.1%
	2,312,500	Market Approach	Pricing Service Quotes	92.5% – 92.5%	92.5%
Equity shares	760,716	Enterprise Value Waterfall Approach	Adjusted EBITDA Multiple	10.0x – 12.3x	10.5x

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Notes to Consolidated Financial Statements — (Continued)

December 31, 2018:	Fair Value⁽¹⁾	Valuation Model	Level 3 Input	Range of Inputs	Weighted Average
Senior debt and 1st lien notes.....	\$ 178,647,302	Income Approach	Implied Spread	4.9% – 7.0%	5.8%
	66,964,957	Market Approach	Pricing Service Quotes	91.5% – 97.5%	95.4%
Subordinated debt and 2nd lien notes....	7,679,132	Income Approach	Implied Spread	9.0% – 9.4%	9.3%
Equity shares.....	515,825	Enterprise Value Waterfall Approach	Adjusted EBITDA Multiple	9.1x – 10.3x	9.5x

(1) One senior debt investment with a total fair value of \$12,375,000 was valued using an unobservable market transaction.

Unsettled Purchases and Sales of Investments

Investment transactions are recorded based on the trade date of the transaction. As a result, unsettled purchases and sales are recorded as payables and receivables from unsettled transactions, respectively. While purchase and sales of the Company's syndicated senior secured loans generally settle on a T+7 basis, the settlement period will sometimes extend past the scheduled settlement. In such cases, the Company is contractually owed and recognizes interest income equal to the applicable margin ("spread") beginning on the T+7 date. Such income is accrued as interest receivable and is collected upon settlement of the investment transaction.

Realized Gain or Loss and Unrealized Appreciation or Depreciation of Portfolio Investments

Realized gains or losses are recorded upon the sale or liquidation of investments and are calculated as the difference between the net proceeds from the sale or liquidation, if any, and the cost basis of the investment using the specific identification method. Unrealized appreciation or depreciation reflects the difference between the fair value of the investments and the cost basis of the investments.

Investment Classification

In accordance with the provisions of the 1940 Act, the Company classifies investments by level of control. As defined in the 1940 Act, "Control Investments" are investments in those companies that the Company is deemed to "Control." "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of the Company, as defined in the 1940 Act, other than Control Investments. "Non-Control / Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments. Generally, under the 1940 Act, the Company is deemed to control a company in which it has invested if the Company owns more than 25.0% of the voting securities (i.e., securities with the right to elect directors) and/or has the power to exercise control over the management or policies of such portfolio company. As of December 31, 2019, the Company does not "Control" any of its portfolio companies for the purposes of the 1940 Act. Under the 1940 Act, the Company is deemed to be an Affiliated Person of a company in which the Company has invested if it owns at least 5.0%, but no more than 25.0%, of the outstanding voting securities of such company.

Short-Term Investments

Short-term investments represent investments in money market funds.

Deferred Financing Fees

Costs incurred to issue debt are capitalized and are amortized over the term of the debt agreements using the effective interest method.

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Notes to Consolidated Financial Statements — (Continued)

Investment Income

Interest income, including amortization of premium and accretion of discount, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when interest and/or principal payments on a loan become past due, or if the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The Company writes off any previously accrued and uncollected interest when it is determined that interest is no longer considered collectible. As of December 31, 2019 and December 31, 2018, the Company had no non-accrual assets. Dividend income is recorded on the ex-dividend date.

Payment-in-Kind Interest

As of December 31, 2019, the Company held one investment that contained PIK interest provisions, and the Company may hold additional investments with PIK interest provisions in the future. PIK interest, computed at the contractual rate specified in each loan agreement, is periodically added to the principal balance of the loan, rather than being paid to the Company in cash, and is recorded as interest income. Thus, the actual collection of PIK interest may be deferred until the time of debt principal repayment.

PIK interest, which is a non-cash source of income at the time of recognition, is included in the Company's taxable income and therefore affects the amount the Company is required to distribute to its stockholders to maintain its tax treatment as a RIC for federal income tax purposes, even though the Company has not yet collected the cash. Generally, when current cash interest and/or principal payments on a loan become past due, or if the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will generally cease recognizing PIK interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to a restructuring such that the interest income is deemed to be collectible. The Company writes off any accrued and uncollected PIK interest when it is determined that the PIK interest is no longer collectible.

Fee Income

Origination, facility, commitment, consent and other advance fees received in connection with loan agreements ("Loan Origination Fees") are recorded as deferred income and recognized as investment income over the term of the loan. Upon prepayment of a loan, any unamortized Loan Origination Fees are recorded as investment income. In the general course of its business, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, structuring fees, covenant waiver fees and loan amendment fees, and are recorded as investment income when earned.

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Notes to Consolidated Financial Statements — (Continued)

Fee income for the years ended December 31, 2019, 2018 and 2017 was as follows:

	Year Ended December 31		
	2019	2018	2017
Recurring Fee Income:			
Amortization of loan origination fees.....	\$ 914,197	\$ 1,374,049	\$ 2,445,485
Management, valuation and other fees.....	275,510	427,628	940,361
Total Recurring Fee Income.....	<u>1,189,707</u>	<u>1,801,677</u>	<u>3,385,846</u>
Non-Recurring Fee Income:			
Prepayment fees.....	59,617	1,191,943	2,688,814
Acceleration of unamortized loan origination fees.....	694,971	1,932,367	4,202,078
Advisory, loan amendment and other fees.....	172,525	242,914	371,278
Total Non-Recurring Fee Income.....	<u>927,113</u>	<u>3,367,224</u>	<u>7,262,170</u>
Total Fee Income.....	<u>\$ 2,116,820</u>	<u>\$ 5,168,901</u>	<u>\$ 10,648,016</u>

Compensation Expenses

Compensation expenses generally include salaries, discretionary compensation, equity-based compensation and benefits.

General and Administrative Expenses

General and administrative expenses include administrative costs, facilities costs, insurance, legal and accounting expenses, expenses reimbursable to the Adviser under the terms of the Administration Agreement and other costs related to operating as a publicly-traded company.

Segments

The Company lends to and invests in customers in various industries. The Company separately evaluates the performance of each of its lending and investment relationships. However, because each of these loan and investment relationships has similar business and economic characteristics, they have been aggregated into a single lending and investment segment. All applicable segment disclosures are included in or can be derived from the Company's financial statements.

Concentration of Credit Risk

As of both December 31, 2019 and 2018, there were no individual investments representing greater than 10% of the fair value of the Company's portfolio. As of December 31, 2019 and December 31, 2018, the Company's largest single portfolio company investment, excluding short-term investments, represented approximately 2.3% and 2.2%, respectively, of the fair value of the Company's portfolio, exclusive of short-term investments. Income, consisting of interest, dividends, fees, other investment income and realization of gains or losses, can fluctuate dramatically upon repayment of an investment or sale of an equity interest and in any given year can be highly concentrated among several portfolio companies.

As of December 31, 2019, \$174.1 million of the Company's assets were pledged (or will be pledged when the related investment purchase settles) as collateral for the August 2018 Credit Facility, \$660.9 million were pledged (or will be pledged when the related investment purchase settles) as collateral for the February 2019 Credit Facility, and \$417.6 million were pledged as collateral for the Debt Securitization.

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Notes to Consolidated Financial Statements — (Continued)

Public Offerings of Common Stock

On February 28, 2017, the Company filed a prospectus supplement pursuant to which 7,000,000 shares of common stock were offered for sale at a price to the public of \$19.50 per share. Pursuant to this offering, 7,000,000 shares were sold and delivered resulting in net proceeds to the Company, after underwriting discounts and offering expenses, of approximately \$132.0 million.

Investments Denominated in Foreign Currency

As of December 31, 2019 the Company held one investment that was denominated in Swedish kronas, five investments that were denominated in Euros and two investments that were denominated in British pounds sterling. As of December 31, 2018, the Company did not hold any investments that were denominated in foreign currencies.

At each balance sheet date, portfolio company investments denominated in foreign currencies are translated into United States dollars using the spot exchange rate on the last business day of the period. Purchases and sales of foreign portfolio company investments, and any income from such investments, are translated into United States dollars using the rates of exchange prevailing on the respective dates of such transactions.

Although the fair values of foreign portfolio company investments and the fluctuation in such fair values are translated into United States dollars using the applicable foreign exchange rates described above, the Company does not separately report that portion of the change in fair values resulting from foreign currency exchange rates fluctuations from the change in fair values of the underlying investment. All fluctuations in fair value are included in net unrealized appreciation (depreciation) of investments in the Company's Consolidated Statements of Operations.

In addition, during the year ended December 31, 2019, the Company entered into forward currency contracts primarily to help mitigate the impact that an adverse change in foreign exchange rates would have on net interest income from the Company's investments and related borrowings denominated in foreign currencies. Net unrealized appreciation or depreciation on foreign currency contracts are included in "Net unrealized appreciation (depreciation) - foreign currency transactions" and net realized gains or losses on forward currency contracts are included in "Net realized gains (losses) - foreign currency transactions" in the Consolidated Statements of Operations.

Investments denominated in foreign currencies and foreign currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. Dollar.

Dividends and Distributions

Dividends and distributions to common stockholders are approved by the Board and dividends payable are recorded on the ex-dividend date.

The Company has adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of dividends on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, when the Company declares a dividend, stockholders who have not opted out of the DRIP will have their dividends automatically reinvested in shares of the Company's common stock, rather than receiving cash dividends.

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Notes to Consolidated Financial Statements — (Continued)

The table below summarizes the Company's dividends and distributions in the three years ended December 31, 2019:

Declared	Record	Payable	Per Share Amount	Amount Paid in Cash	Amount Settled via Newly Issued Shares	Total
February 22, 2017	March 8, 2017	March 22, 2017	\$ 0.45	\$ 20,688,000	\$ 750,000	\$ 21,438,000
May 3, 2017	June 7, 2017	June 21, 2017	0.45	20,575,000	888,000	21,463,000
August 2, 2017	September 6, 2017	September 20, 2017	0.45	21,484,000	—	21,484,000
November 1, 2017	December 6, 2017	December 20, 2017	0.30	14,322,000	—	14,322,000
Total 2017 dividends and distributions			\$ 1.65	\$ 77,069,000	\$ 1,638,000	\$ 78,707,000
February 28, 2018	March 14, 2018	March 28, 2018	\$ 0.30	\$ 14,407,000	\$ —	\$ 14,407,000
August 29, 2018	September 20, 2018	September 27, 2018	0.03	1,539,000	—	1,539,000
October 11, 2018	December 14, 2018	December 21, 2018	0.10	5,128,000	—	5,128,000
Total 2018 dividends and distributions			\$ 0.43	\$ 21,074,000	\$ —	\$ 21,074,000
February 27, 2019	March 13, 2019	March 20, 2019	\$ 0.12	\$ 6,107,000	\$ —	\$ 6,107,000
May 9, 2019	June 12, 2019	June 19, 2019	0.13	6,541,000	—	6,541,000
July 26, 2019	September 11, 2019	September 18, 2019	0.14	6,935,000	—	6,935,000
October 29, 2019	December 11, 2019	December 18, 2019	0.15	7,345,000	—	7,345,000
Total 2019 dividends and distributions			\$ 0.54	\$ 26,928,000	\$ —	\$ 26,928,000

Per Share Amounts

Per share amounts included in the Consolidated Statements of Operations are computed by dividing net investment income and net increase in net assets resulting from operations by the weighted average number of shares of common stock outstanding for the period. As the Company has no common stock equivalents outstanding, diluted per share amounts are the same as basic per share amounts. Net asset value per share is computed by dividing total net assets by the number of common shares outstanding as of the end of the period.

2. Agreements and Related Party Transactions

On August 2, 2018, the Company entered into the Advisory Agreement and the Administration Agreement with the Adviser, an investment adviser registered under the Investment Advisers Act of 1940, as amended. Pursuant to the Advisory Agreement and the Administration Agreement, the Adviser serves as the Company's investment adviser and administrator and manages its investment portfolio. The Company's then-current board of directors unanimously approved the Advisory Agreement at an in-person meeting on March 22, 2018. The Company's stockholders approved the Advisory Agreement at the Special Meeting.

Advisory Agreement

Pursuant to the Advisory Agreement, the Adviser manages the Company's day-to-day operations and provides the Company with investment advisory services. Among other things, the Adviser (i) determines the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identifies, evaluates and negotiates the structure of the investments made by the Company; (iii) executes, closes, services and monitors the investments that the Company makes; (iv) determines the securities and other assets that the Company will purchase, retain or sell; (v) performs due diligence on prospective portfolio companies and (vi) provides the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds.

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Notes to Consolidated Financial Statements — (Continued)

The Advisory Agreement provides that, absent fraud, willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Adviser, and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser (collectively, the "IA Indemnified Parties"), are entitled to indemnification from the Company for any damages, liabilities, costs, demands, charges, claims and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the IA Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of any actions or omissions or otherwise based upon the performance of any of the Adviser's duties or obligations under the Advisory Agreement or otherwise as an investment adviser of the Company. The Adviser's services under the Advisory Agreement are not exclusive, and the Adviser is generally free to furnish similar services to other entities so long as its performance under the Advisory Agreement is not adversely affected.

The Adviser has entered into a personnel-sharing arrangement with its affiliate, Barings International Investment Limited ("BIIL"). BIIL is a wholly-owned subsidiary of Baring Asset Management Limited, which in turn is an indirect, wholly-owned subsidiary of the Adviser. Pursuant to this arrangement, certain employees of BIIL may serve as "associated persons" of the Adviser and, in this capacity, subject to the oversight and supervision of the Adviser, may provide research and related services, and discretionary investment management and trading services (including acting as portfolio managers) to the Company on behalf of the Adviser. This arrangement is based on no-action letters of the staff of the Securities and Exchange Commission (the "SEC") that permit SEC-registered investment advisers to rely on and use the resources of advisory affiliates or "participating affiliates," subject to the supervision of that SEC-registered investment adviser. BIIL is a "participating affiliate" of the Adviser, and the BIIL employees are "associated persons" of the Adviser.

Under the Advisory Agreement, the Company pays the Adviser (i) a base management fee (the "Base Management Fee") and (ii) an incentive fee (the "Incentive Fee") as compensation for the investment advisory and management services it provides the Company thereunder.

Base Management Fee

The Base Management Fee is calculated based on the Company's gross assets, including assets purchased with borrowed funds or other forms of leverage and excluding cash and cash equivalents, at an annual rate of:

- 1.0% for the period from August 2, 2018 through December 31, 2018;
- 1.125% for the period commencing on January 1, 2019 through December 31, 2019; and
- 1.375% for all periods thereafter.

The Base Management Fee is payable quarterly in arrears on a calendar quarter basis. The Base Management Fee is calculated based on the average value of the Company's gross assets, excluding cash and cash equivalents, at the end of the two most recently completed calendar quarters prior to the quarter for which such fees are being calculated. Base Management Fees for any partial month or quarter are appropriately pro-rated.

For the year ended December 31, 2019, the Base Management Fee determined in accordance with the terms of the Advisory Agreement was approximately \$12.1 million. As of December 31, 2019, the Base Management Fee of \$3.3 million for the three months ended December 31, 2019 was unpaid and included in "Accounts payable and accrued liabilities" in the accompanying Consolidated Balance Sheet.

For the year ended December 31, 2018, the Base Management Fee determined in accordance with the terms of the Advisory Agreement was approximately \$4.2 million. For the quarter ended September 30, 2018, the calculation of the Base Management Fee under the terms of the Advisory Agreement was based on the average of the Company's gross assets, excluding cash and cash equivalents, as of March 31, 2018 and June 30, 2018, both of

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Notes to Consolidated Financial Statements — (Continued)

which were dates prior to the consummation of the Transactions. For the quarter ended December 31, 2018, the calculation of the Base Management Fee under the terms of the Advisory Agreement was based on the average of the Company's gross assets, excluding cash and cash equivalents, as of June 30, 2018, which was prior to the Transactions, and September 30, 2018. In light of this fact, and in order to ensure that the Adviser did not earn a Base Management Fee on assets that it did not manage prior to the Transactions, the Adviser calculated the Base Management Fee for the quarter ended September 30, 2018 based on the Company's average gross assets as of August 2, 2018 and September 30, 2018, excluding (i) cash and cash equivalents, (ii) short-term investments, (iii) unsettled purchased investments and (iv) assets subject to participation agreements (the "Q3 2018 Adjusted Management Fee"). For the quarter ended December 31, 2018, the Adviser calculated the Base Management Fee based on the Company's average gross assets as of September 30, 2018 and December 31, 2018, excluding (i) cash and cash equivalents, (ii) short-term investments, (iii) unsettled purchased investments and (iv) assets subject to participation agreements (the "Q4 2018 Adjusted Management Fee," and together with the Q3 2018 Adjusted Management Fee," the "FY 2018 Adjusted Management Fee"). The Adviser voluntarily agreed to waive the difference between the \$4.2 million Base Management Fee calculated under the terms of the Advisory Agreement and the FY 2018 Adjusted Management Fee, which resulted in a net Base Management Fee of approximately \$2.7 million for the year ended December 31, 2018 after taking into account a waiver of approximately \$1.5 million based on the calculations noted above.

Incentive Fee

The Incentive Fee is comprised of two parts: (1) a portion based on the Company's pre-incentive fee net investment income (the "Income-Based Fee") and (2) a portion based on the net capital gains received on the Company's portfolio of securities on a cumulative basis for each calendar year, net of all realized capital losses and all unrealized capital depreciation for that same calendar year (the "Capital Gains Fee").

The Income-Based Fee is calculated as follows:

- (i) For each quarter from and after August 2, 2018 through December 31, 2019 (the "Pre-2020 Period"), the Income-Based Fee is calculated and payable quarterly in arrears based on the Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter for which such fees are being calculated. In respect of the Pre-2020 Period, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence, managerial assistance and consulting fees or other fees that the Company receives from portfolio companies) accrued during the relevant calendar quarter, minus the Company's operating expenses for such quarter (including the Base Management Fee, expenses payable under the Administration Agreement, any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.
- (ii) For each quarter beginning on and after January 1, 2020 (the "Post-2019 Period"), the Income-Based Fee will be calculated and payable quarterly in arrears based on the Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter and the eleven preceding calendar quarters (or such fewer number of preceding calendar quarters counting each calendar quarter beginning on or after January 1, 2020) (each such period will be referred to as the "Trailing Twelve Quarters") for which such fees are being calculated and will be payable promptly following the filing of the Company's financial statements for such quarter. In respect of the Post-2019 Period, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence, managerial assistance and consulting fees or other fees that the Company receives from portfolio companies) accrued during the relevant Trailing Twelve Quarters, minus

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the Company's operating expenses for such Trailing Twelve Quarters (including the Base Management Fee, expenses payable under the Administration Agreement, any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee) divided by the number of quarters that comprise the relevant Trailing Twelve Quarters. Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

(iii) Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of the Company's net assets (defined as total assets less senior securities constituting indebtedness and preferred stock) at the end of the calendar quarter for which such fees are being calculated, is compared to a "hurdle rate", expressed as a rate of return on the value of the Company's net assets at the end of the most recently completed calendar quarter, of 2% per quarter (8% annualized). The Company pays the Adviser the Income-Based Fee with respect to the Company's Pre-Incentive Fee Net Investment Income in each calendar quarter as follows:

- (1) (a) With respect to the Pre-2020 Period, no Income-Based Fee for any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) does not exceed the hurdle rate;

(b) With respect to the Post-2019 Period, no Income-Based Fee for any calendar quarter in which the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) does not exceed the hurdle rate;
- (2) (a) With respect to the Pre-2020 Period, 100% of the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income for such quarter, if any, that exceeds the hurdle rate but is less than 2.5% (10% annualized) (the "Pre-2020 Catch-Up Amount"). The Pre-2020 Catch-Up Amount is intended to provide the Adviser with an incentive fee of 20% on all of the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) when the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) reaches 2% per quarter (8% annualized);

(b) With respect to the Post-2019 Period, 100% of the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) with respect to that portion of the Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above), if any, that exceeds the hurdle rate but is less than 2.5% (10% annualized) (the "Post-2019 Catch-Up Amount"). The Post-2019 Catch-Up Amount is intended to provide the Adviser with an incentive fee of 20% on all of the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) when the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) reaches 2% per quarter (8% annualized);
- (3) (a) With respect to the Pre-2020 Period, 20% of the amount of the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income (as defined in paragraph (i) above) for such quarter, if any, that exceeds the Pre-2020 Catch-Up Amount; and

(b) With respect to the Post-2019 Period, 20% of the amount of the Company's Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above) for any calendar quarter with respect to that portion of the Pre-Incentive Fee Net Investment Income (as defined in paragraph (ii) above), if any, that exceeds the Post-2019 Catch-Up Amount.

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Notes to Consolidated Financial Statements — (Continued)

However, with respect to the Post-2019 Period, the Income-Based Fee paid to the Adviser will not be in excess of the Incentive Fee Cap. With respect to the Post-2019 Period, the "Incentive Fee Cap" for any quarter is an amount equal to (a) 20% of the Cumulative Net Return (as defined below) during the relevant Trailing Twelve Quarters minus (b) the aggregate Income-Based Fee that was paid in respect of the first eleven calendar quarters (or the portion thereof) included in the relevant Trailing Twelve Quarters.

Cumulative Net Return means (x) the aggregate net investment income in respect of the relevant Trailing Twelve Quarters minus (y) any Net Capital Loss (as defined below), if any, in respect of the relevant Trailing Twelve Quarters. If, in any quarter, the Incentive Fee Cap is zero or a negative value, the Company pays no Income-Based Fee to the Adviser for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is a positive value but is less than the Income-Based Fee that is payable to the Adviser for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Company pays an Income-Based Fee to the Adviser equal to the Incentive Fee Cap for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is equal to or greater than the Income-Based Fee that is payable to the Adviser for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Company pays an Income-Based Fee to the Adviser equal to the Income-Based Fee calculated as described above for such quarter without regard to the Incentive Fee Cap.

Net Capital Loss in respect of a particular period means the difference, if positive, between (i) aggregate capital losses, whether realized or unrealized, in such period and (ii) aggregate capital gains, whether realized or unrealized, in such period.

The Capital Gains Fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement), commencing with the calendar year ending on December 31, 2018, and is calculated at the end of each applicable year by subtracting (1) the sum of the Company's cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (2) the Company's cumulative aggregate realized capital gains, in each case calculated from August 2, 2018. If such amount is positive at the end of such year, then the Capital Gains Fee payable for such year is equal to 20% of such amount, less the cumulative aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee payable for such year. If the Advisory Agreement is terminated as of a date that is not a calendar year end, the termination date will be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee. The Company did not pay any Incentive Fee for the years ended December 31, 2019 and 2018.

Payment of Company Expenses

Under the Advisory Agreement, all investment professionals of the Adviser and its staff, when and to the extent engaged in providing services required to be provided by the Adviser under the Advisory Agreement, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by the Adviser and not by the Company, except that all costs and expenses relating to the Company's operations and transactions, including, without limitation, those items listed in the Advisory Agreement, will be borne by the Company.

Duration and Termination of Advisory Agreement

The Advisory Agreement has an initial term of two years, or until August 2, 2020. Thereafter, it will continue to renew automatically for successive annual periods so long as such continuance is specifically approved at least annually by: (i) the vote of the Board, or by the vote of stockholders holding a majority of the outstanding voting securities of the Company; and (ii) the vote of a majority of the Company's independent directors, in either case, in accordance with the requirements of the 1940 Act. The Advisory Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice, by: (a) by vote of a majority of the Board or by vote of a majority of the outstanding voting securities of the Company (as defined in the 1940 Act); or (b) the Adviser. Furthermore, the Advisory Agreement will automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the 1940 Act).

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Administration Agreement

Under the terms of the Administration Agreement, the Adviser performs (or oversees, or arranges for, the performance of) the administrative services necessary for the operation of the Company, including, but not limited to, office facilities, equipment, clerical, bookkeeping and record-keeping services at such office facilities and such other services as the Adviser, subject to review by the Board, from time to time, determines to be necessary or useful to perform its obligations under the Administration Agreement. The Adviser also, on behalf of the Company and subject oversight by the Board, arranges for the services of, and oversees, custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, valuation experts, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable.

The Company is required to reimburse the Adviser for the costs and expenses incurred by the Adviser in performing its obligations and providing personnel and facilities under the Administration Agreement, or such lesser amount as may be agreed to in writing by the Company and the Adviser from time to time. If the Company and the Adviser agree to a reimbursement amount for any period which is less than the full amount otherwise permitted under the Administration Agreement, then the Adviser will not be entitled to recoup any difference thereof in any subsequent period or otherwise. The costs and expenses incurred by the Adviser on behalf of the Company under the Administration Agreement include, but are not limited to:

- the allocable portion of the Adviser's rent for the Company's Chief Financial Officer and the Chief Compliance Officer and their respective staffs, which is based upon the allocable portion of the usage thereof by such personnel in connection with their performance of administrative services under the Administration Agreement;
- the allocable portion of the salaries, bonuses, benefits and expenses of the Company's Chief Financial Officer and Chief Compliance Officer and their respective staffs, which is based upon the allocable portion of the time spent by such personnel in connection with performing administrative services for the Company under the Administration Agreement;
- the actual cost of goods and services used for the Company and obtained by the Adviser from entities not affiliated with the Company, which is reasonably allocated to the Company on the basis of assets, revenues, time records or other method conforming with generally accepted accounting principles;
- all fees, costs and expenses associated with the engagement of a sub-administrator, if any; and
- costs associated with (a) the monitoring and preparation of regulatory reporting, including registration statements and amendments thereto, prospectus supplements, and tax reporting, (b) the coordination and oversight of service provider activities and the direct cost of such contractual matters related thereto and (c) the preparation of all financial statements and the coordination and oversight of audits, regulatory inquiries, certifications and sub-certifications.

For the years ended December 31, 2019 and 2018, the Company incurred and was invoiced by the Adviser for expenses of approximately \$2.3 million and \$0.5 million, respectively, under the terms of the Administration Agreement. As of December 31, 2019, the administrative expenses of \$0.4 million incurred for the three months ended December 31, 2019 were unpaid and included in "accounts payable and accrued liabilities" in the accompanying consolidated balance sheet.

The Administration Agreement has an initial term of two years, or until August 2, 2020, and thereafter will continue automatically for successive annual periods so long as such continuance is specifically approved at least annually by the Board, including a majority of the independent directors. The Administration Agreement may be terminated at any time, without the payment of any penalty, by vote of the directors of the Company, or by the

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Adviser, upon 60 days' written notice to the other party. The Administration Agreement may not be assigned by a party without the consent of the other party.

3. Investments

Portfolio Composition

As of December 31, 2019 and 2018, approximately \$509.9 million and \$845.6 million, respectively, or 47.8% and 78.5%, respectively, of the Company's investment portfolio (excluding the Company's investments in its joint venture and short-term money market funds), was invested in syndicated senior secured loans, and approximately \$556.9 million and \$231.0 million, respectively, or 52.2% and 21.5%, respectively, of the Company's investment portfolio (excluding the Company's investments in its joint venture and in short-term money market funds) was invested in middle-market, private debt and equity investments. Over time, the Adviser expects to continue to transition the Company's portfolio to senior secured private debt investments in performing, well-established middle-market businesses that operate across a wide range of industries. The Adviser's existing SEC co-investment exemptive relief under the 1940 Act, permits the Company and the Adviser's affiliated private funds and SEC-registered funds to co-invest in loans originated by the Adviser, which allows the Adviser to efficiently implement its senior secured private debt investment strategy for the Company.

The Adviser employs fundamental credit analysis, and targets investments in businesses with relatively low levels of cyclicity and operating risk. The hold size of each position will generally be dependent upon a number of factors including total facility size, pricing and structure, and the number of other lenders in the facility. The Adviser has experience managing levered vehicles, both public and private, and will seek to enhance the Company's returns through the use of leverage with a prudent approach that prioritizes capital preservation. The Adviser believes this strategy and approach offers attractive risk/return with lower volatility given the potential for fewer defaults and greater resilience through market cycles.

The cost basis of the Company's debt investments includes any unamortized purchased premium or discount and unamortized loan origination fees and PIK interest, if any. Summaries of the composition of the Company's investment portfolio at cost and fair value, and as a percentage of total investments, are shown in the following tables:

	Cost	Percent of Total Portfolio	Fair Value	Percent of Total Portfolio	Percent of Total Net Assets
December 31, 2019:					
Senior debt and 1 st lien notes	\$ 1,070,031,715	90%	\$ 1,050,863,369	90%	184%
Subordinated debt and 2 nd lien notes.....	15,339,180	1	15,220,969	1	3%
Equity shares	515,825	—	760,716	—	—%
Investment in joint venture	10,158,270	1	10,229,813	1	2%
Short-term investments	96,568,940	8	96,568,940	8	17%
	<u>\$ 1,192,613,930</u>	<u>100%</u>	<u>\$ 1,173,643,807</u>	<u>100%</u>	<u>206%</u>
December 31, 2018:					
Senior debt and 1 st lien notes	\$ 1,120,401,043	95%	\$ 1,068,436,847	95%	190%
Subordinated debt and 2 nd lien notes.....	7,777,847	1	7,679,132	1	1
Equity shares	515,825	—	515,825	—	—
Short-term investments	45,223,941	4	45,223,941	4	8
	<u>\$ 1,173,918,656</u>	<u>100%</u>	<u>\$ 1,121,855,745</u>	<u>100%</u>	<u>199%</u>

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

During the year ended December 31, 2019, the Company purchased \$18.1 million in syndicated senior secured loans, made 39 new middle-market debt investments totaling \$409.6 million, consisting of 38 senior secured, middle-market, private debt investments and one second lien, middle-market, private debt investment, made equity investments in its joint venture totaling \$10.2 million and made additional debt investments in five existing portfolio companies totaling \$12.2 million.

During the year ended December 31, 2018, subsequent to the Transactions, the Company purchased \$1,314.6 million in syndicated senior secured loans and made new investments in nineteen middle-market portfolio companies totaling \$237.2 million, consisting of 17 senior secured private debt investments, two second lien private debt investments and two minority equity instruments. In addition, the Company invested \$45.2 million, net, in money market fund investments during the year ended December 31, 2018, subsequent to the Transactions. Prior to the Transactions, in the year ended December 31, 2018, the Company made investments in 12 existing portfolio companies totaling approximately \$30.7 million.

During the year ended December 31, 2017, the Company made twenty-nine new investments, including recapitalizations of existing portfolio companies, totaling approximately \$408.9 million, additional debt investments in eighteen existing portfolio companies of approximately \$70.4 million and additional equity investments in eleven existing portfolio companies totaling approximately \$4.4 million.

Jocassee Partners LLC

On May 8, 2019, the Company entered into an agreement with South Carolina Retirement Systems Group Trust ("SCRS") to create and co-manage Jocassee Partners LLC ("Jocassee"), a joint venture, which invests in a highly diversified asset mix including senior secured, middle-market, private debt investments, syndicated senior secured loans, structured products and real estate debt. The Company and SCRS committed to initially provide \$50.0 million and \$500.0 million, respectively, of equity capital to Jocassee. Equity contributions will be called from each member on a pro-rata basis, based on their equity commitments. As of December 31, 2019, Jocassee had \$41.3 million in senior secured private middle-market debt investments, \$140.8 million in U.S. syndicated senior secured loans, \$57.3 million in European syndicated senior secured loans, \$8.2 million in an equity investment and \$36.7 million in a short-term investment.

The Company may sell portions of its investments via assignment to Jocassee. As of December 31, 2019, the Company had sold \$36.1 million of its investments to Jocassee. The sale of the investments met the criteria set forth in ASC 860, *Transfers and Servicing* for treatment as a sale and satisfies the following conditions:

- Assigned investments have been isolated from the Company, and put presumptively beyond the reach of the Company and its creditors, even in bankruptcy or other receivership;
- each participant has the right to pledge or exchange the assigned investments it received, and no condition both constrains the participant from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the Company; and
- the Company, its consolidated affiliates or its agents do not maintain effective control over the assigned investments through either: (i) an agreement that entitles and/or obligates the Company to repurchase or redeem the assets before maturity, or (ii) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

The Company has determined that Jocassee is an investment company under ASC, Topic 946, *Financial Services - Investment Companies*, however, in accordance with such guidance, the Company will generally not consolidate its investment in a company other than a substantially wholly owned investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. The Company does not consolidate its interest in Jocassee as it is not a substantially wholly owned investment company subsidiary. In addition, the Company does not control Jocassee due to the allocation of voting rights among Jocassee members.

As of December 31, 2019, Jocassee had the following commitments, contributions and unfunded commitments from its members:

	As of December 31, 2019			
Member	Total Commitments	Contributed Capital	Return of Capital (not recallable)	Unfunded Commitments
Barings BDC, Inc.....	\$ 50,000,000	\$ 10,000,000	\$ —	\$ 40,000,000
South Carolina Retirement Systems Group Trust	500,000,000	100,000,000	—	400,000,000
Total	<u>\$ 550,000,000</u>	<u>\$ 110,000,000</u>	<u>\$ —</u>	<u>\$ 440,000,000</u>

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Industry Composition

The industry composition of investments at fair value at December 31, 2019 and December 31, 2018, excluding short-term investments, was as follows:

	December 31, 2019	Percent of Portfolio	December 31, 2018	Percent of Portfolio
Aerospace and Defense.....	\$ 71,899,486	6.7%	\$ 28,944,709	2.7%
Automotive	29,879,546	2.8%	36,052,950	3.3%
Banking, Finance, Insurance and Real Estate.....	83,826,677	7.8%	97,220,907	9.0%
Beverage, Food and Tobacco.....	11,837,328	1.1%	30,978,576	2.9%
Capital Equipment	62,694,548	5.8%	46,630,026	4.3%
Chemicals, Plastics, and Rubber.....	31,989,552	3.0%	23,983,552	2.2%
Construction and Building.....	23,222,638	2.2%	29,157,682	2.7%
Consumer goods: Durable	30,207,496	2.8%	21,118,531	2.0%
Consumer goods: Non-durable	13,958,377	1.3%	25,025,317	2.3%
Containers, Packaging and Glass.....	32,465,070	3.0%	53,729,065	5.0%
Energy: Electricity	16,561,352	1.5%	17,682,349	1.6%
Energy: Oil and Gas.....	14,031,270	1.3%	17,872,908	1.7%
Healthcare and Pharmaceuticals.....	106,336,903	9.9%	143,160,276	13.3%
High Tech Industries.....	124,598,066	11.6%	93,740,806	8.7%
Hotel, Gaming and Leisure.....	5,978,910	0.6%	23,742,260	2.2%
Investment Funds and Vehicles	10,229,813	0.9%	—	—%
Media: Advertising, Printing and Publishing.....	30,919,615	2.9%	30,315,332	2.8%
Media: Broadcasting and Subscription.....	—	—%	22,510,963	2.1%
Media: Diversified and Production.....	31,962,571	3.0%	15,325,025	1.4%
Metals and Mining	12,284,823	1.1%	5,944,424	0.6%
Retail.....	28,438,030	2.6%	53,507,322	5.0%
Services: Business	127,261,336	11.8%	107,136,887	10.0%
Services: Consumer	35,667,981	3.3%	31,122,421	2.9%
Telecommunications.....	33,725,812	3.1%	26,019,130	2.4%
Transportation: Cargo.....	83,353,452	7.7%	54,394,774	5.1%
Transportation: Consumer	5,845,206	0.5%	18,755,533	1.7%
Utilities: Electric.....	6,028,435	0.6%	10,656,505	1.0%
Utilities: Oil and Gas	11,870,574	1.1%	11,903,574	1.1%
Total.....	\$1,077,074,867	100.0%	\$1,076,631,804	100.0%

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

The following table presents the Company's investment portfolio at fair value as of December 31, 2019 and 2018, categorized by the ASC Topic 820 valuation hierarchy, as previously described:

	Fair Value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Senior debt and 1 st lien notes.....	\$ —	\$ 495,363,062	\$ 555,500,307	\$ 1,050,863,369
Subordinated debt and 2 nd lien notes.....	—	3,209,004	12,011,965	15,220,969
Equity shares.....	—	—	760,716	760,716
Short-term investments.....	96,568,940	—	—	96,568,940
Investments subject to leveling.....	<u>\$ 96,568,940</u>	<u>\$ 498,572,066</u>	<u>\$ 568,272,988</u>	<u>\$ 1,163,413,994</u>
Investment in joint venture(1).....				10,229,813
				<u><u>\$ 1,173,643,807</u></u>

	Fair Value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Senior debt and 1 st lien notes.....	\$ —	\$ 810,449,588	\$ 257,987,259	\$ 1,068,436,847
Subordinated debt and 2 nd lien notes.....	—	—	7,679,132	7,679,132
Equity shares.....	—	—	515,825	515,825
Short-term investments.....	45,223,941	—	—	45,223,941
	<u>\$ 45,223,941</u>	<u>\$ 810,449,588</u>	<u>\$ 266,182,216</u>	<u>\$ 1,121,855,745</u>

- (1) The Company's investment in Jocassee is measured at fair value using net asset value and has not been categorized in the fair value hierarchy. The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheet.

The following tables reconcile the beginning and ending balances of the Company's investment portfolio measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

Year Ended December 31, 2019:	Senior Debt and 1st Lien Notes	Subordinated Debt and 2nd Lien Notes	Equity Shares	Total
Fair value, beginning of period.....	\$ 257,987,259	\$ 7,679,132	\$ 515,825	\$ 266,182,216
New investments.....	414,676,673	7,301,685	—	421,978,358
Transfers out of Level 3, net.....	(20,602,230)	—	—	(20,602,230)
Proceeds from sales of investments.....	(39,665,684)	—	—	(39,665,684)
Loan origination fees received.....	(8,427,797)	(148,551)	—	(8,576,348)
Principal repayments received.....	(52,423,326)	(2,980,874)	—	(55,404,200)
Accretion of loan premium/discount.....	(18,682)	797	—	(17,885)
Accretion of deferred loan origination revenue.....	1,506,175	74,231	—	1,580,406
Realized gain.....	197,877	—	—	197,877
Unrealized appreciation.....	2,270,042	85,545	244,891	2,600,478
Fair value, end of period.....	<u>\$ 555,500,307</u>	<u>\$ 12,011,965</u>	<u>\$ 760,716</u>	<u>\$ 568,272,988</u>

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Year Ended December 31, 2018:	Senior Debt and 1st Lien Notes	Subordinated Debt and 2nd Lien Notes	Equity Shares	Equity Warrants	Total
Fair value, beginning of period.....	\$ 262,803,297	\$ 589,548,358	\$ 162,543,691	\$ 1,389,000	\$ 1,016,284,346
New investments.....	301,886,586	15,793,789	3,086,424	—	320,766,799
Investment reclass.....	8,617,000	(8,617,000)	—	—	—
Proceeds from sales of investments.....	(14,776,133)	—	(36,265,416)	(708)	(51,042,257)
Proceeds from sales of investments to BSP.....	(234,603,624)	(418,521,991)	(132,723,128)	(1,202,274)	(787,051,017)
Loan origination fees received.....	(3,912,105)	(168,690)	—	—	(4,080,795)
Principal repayments received.....	(29,738,476)	(143,419,588)	—	—	(173,158,064)
PIK interest earned.....	259,414	3,517,139	—	—	3,776,553
PIK interest payments received.....	(1,403,097)	(2,494,389)	—	—	(3,897,486)
Accretion of loan premium/discount.....	3,060	14,188	—	—	17,248
Accretion of deferred loan origination revenue.....	608,807	2,697,059	—	—	3,305,866
Realized gain (loss).....	(42,949,422)	(147,889,422)	32,116,354	(488,635)	(159,211,125)
Unrealized appreciation (depreciation)....	11,191,952	117,219,679	(28,242,100)	302,617	100,472,148
Fair value, end of period.....	<u>\$ 257,987,259</u>	<u>\$ 7,679,132</u>	<u>\$ 515,825</u>	<u>\$ —</u>	<u>\$ 266,182,216</u>

All realized gains and losses and unrealized appreciation and depreciation are included in earnings (changes in net assets) and are reported on separate line items within the Company's Consolidated Statements of Operations. Pre-tax net unrealized depreciation on Level 3 investments of \$1.5 million during the year ended December 31, 2019 was related to portfolio company investments that were still held by the Company as of December 31, 2019. Pre-tax net unrealized depreciation on investments of \$4.9 million during the year ended December 31, 2018 was related to portfolio company investments that were still held by the Company as of December 31, 2018.

The Company's primary investment objective is to generate current income by investing directly in privately-held middle-market companies to help these companies fund acquisitions, growth or refinancing. Exclusive of short-term investments, during the year ended December 31, 2019, the Company made investments of approximately \$439.7 million in portfolio companies to which it was not previously contractually committed to provide such financing. During the year ended December 31, 2019, the Company made investments of \$11.5 million in companies to which it was previously committed to provide such financing.

Exclusive of short-term investments, during the year ended December 31, 2018, the Company made investments of approximately \$1.6 billion in portfolio companies to which it was not previously contractually committed to provide such financing. During the year ended December 31, 2018, the Company made investments of \$11.4 million in companies to which it was previously committed to provide such financing.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

4. Schedule of Investments in and Advances to Affiliates

The following schedules present information about investments in and advances to affiliates for the year ended December 31, 2019 and year ended December 31, 2018:

Year Ended December 31, 2019:				Amount of Interest or Dividends Credited to Income(2)	December 31, 2018 Value	Gross Additions (3)	Gross Reductions (4)	December 31, 2019 Value
Portfolio Company	Type of Investment(1)	Amount of Realized Gain (Loss)	Amount of Unrealized Gain (Loss)					
<u><i>Affiliate Investments:</i></u>								
Jocassee Partners LLC	9.1% Member Interest	\$ —	\$ 71,543	\$ —	\$ —	\$ 10,229,813	\$ —	\$ 10,229,813
Total Affiliate Investments		\$ —	\$ 71,543	\$ —	\$ —	\$ 10,229,813	\$ —	\$ 10,229,813

- (1) Equity and equity-linked investments are non-income producing, unless otherwise noted.
- (2) Represents the total amount of interest, fees or dividends credited to income for the portion of the year an investment was included in the Affiliate category.
- (3) Gross additions include increases in the cost basis of investments resulting from new investments and follow-on investments. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.
- (4) Gross reductions include decreases in the total cost basis of investments resulting from principal repayments or sales. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Year Ended December 31, 2018:		Amount of	Amount of	Amount of	December 31,	Gross	Gross	December
Portfolio	Type of	Realized	Unrealized	Interest or	2017	Additions	Reductions	31, 2018
Company	Investment(1)	Gain (Loss)	Gain (Loss)	Dividends	Value	(3)	(4)	Value
				Credited to				
				Income(2)				
<u>Control Investments:</u>								
CRS-SPV, Inc.	Common Stock (1,100 shares)	\$ (8,775,003)	\$ (1,855,000)	\$ 100,000	\$ 20,283,000	\$ —	\$ 20,283,000	\$ —
		(8,775,003)	(1,855,000)	100,000	20,283,000	—	20,283,000	—
Frank Entertainment Group, LLC	Senior Note (6% Cash) ⁽⁵⁾	(4,472,966)	4,205,494	—	6,541,000	5,214,278	11,755,278	—
	Second Lien Term Note (2.5% Cash) ⁽⁵⁾	(3,150,520)	2,879,479	—	—	3,183,307	3,183,307	—
	Redeemable Preferred Units (2,800,000 units)	(2,800,000)	2,800,000	—	—	2,800,000	2,800,000	—
	Redeemable Class B Preferred Units (2,800,000 units)	(2,800,000)	2,800,000	—	—	2,800,000	2,800,000	—
	Class A Common Units (606,552 units)	(1,000,000)	1,000,000	—	—	1,000,000	1,000,000	—
		(14,223,486)	13,684,973	—	6,541,000	14,997,585	21,538,585	—
FrontStream Holdings, LLC	Subordinate Note (LIBOR + 6.0% Cash) ⁽⁵⁾⁽⁶⁾	(6,650,730)	6,609,389	—	7,414,000	9,709,389	17,123,389	—
	Common Stock (1,000 shares)	(500,000)	500,000	—	—	500,000	500,000	—
		(7,150,730)	7,109,389	—	7,414,000	10,209,389	17,623,389	—
Frontstreet Facility Solutions, Inc.	Subordinated Note (13% Cash)	(7,566,670)	4,697,172	652,624	3,750,000	4,712,628	8,462,628	—
	Series A Convertible Preferred Stock (60,000 shares)	(250,575)	250,575	—	—	250,575	250,575	—
	Series B Convertible Preferred Stock (20,000 shares)	(500,144)	500,144	—	—	500,144	500,144	—
	Common Stock (27,890 shares)	(279)	279	—	—	279	279	—
		(8,317,668)	5,448,170	652,624	3,750,000	5,463,626	9,213,626	—
Investments not held at the end of the period		(75,817)	—	—	—	75,817	75,817	—
Total Control Investments		(38,542,704)	24,387,532	752,624	37,988,000	30,746,417	68,734,417	—

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Year Ended December 31, 2018:		Amount of	Amount of	Amount of	December 31,	Gross	Gross	December
Portfolio Company	Type of Investment(1)	Realized Gain (Loss)	Unrealized Gain (Loss)	Interest or Dividends Credited to Income(2)	2017 Value	Additions (3)	Reductions (4)	31, 2018 Value
<i><u>Affiliate Investments:</u></i>								
All Metals Holding, LLC	Subordinated Note (12% Cash, 1% PIK)	\$ 101,129	\$ (155,098)	\$ 149,598	\$ 6,434,000	\$ 162,778	\$ 6,596,778	\$ —
	Units (318,977 units)	(535,011)	527,331	—	266,000	527,331	793,331	—
		(433,882)	372,233	149,598	6,700,000	690,109	7,390,109	—
Consolidated Lumber Holdings, LLC	Class A Units (15,000 units)	1,000,000	(3,000,000)	339,893	4,500,000	1,000,000	5,500,000	—
		1,000,000	(3,000,000)	339,893	4,500,000	1,000,000	5,500,000	—
FCL Holding SPV, LLC	Class A Interest (24,873 units)	413,760	(278,000)	302,294	570,000	413,760	983,760	—
	Class B Interest (48,427 units)	—	—	—	—	—	—	—
	Class B Interest (3,746 units)	—	—	—	—	—	—	—
		413,760	(278,000)	302,294	570,000	413,760	983,760	—
Mac Land Holdings, Inc.	Common Stock (139 shares)	(369,000)	369,000	—	—	369,000	369,000	—
		(369,000)	369,000	—	—	369,000	369,000	—
NB Products, Inc.	Subordinated Note (12% Cash, 2% PIK)	1,040,327	—	2,125,986	23,308,085	1,374,840	24,682,925	—
	Jr. Subordinated Note (10% PIK)	282,473	—	325,662	5,114,592	609,514	5,724,106	—
	Jr. Subordinated Bridge Note (20% PIK)	72,836	—	297,881	2,412,295	371,461	2,783,756	—
	Series A Redeemable Senior Preferred Stock (7,839 shares)	3,478,355	(2,768,352)	—	10,390,000	3,478,355	13,868,355	—
	Common Stock (1,668,691 shares)	34,666,262	(15,710,262)	—	16,044,000	34,666,262	50,710,262	—
		39,540,253	(18,478,614)	2,749,529	57,268,972	40,500,432	97,769,404	—
Passport Food Group, LLC	Senior Notes (LIBOR + 9.0% Cash) ⁽⁶⁾	(7,234,021)	2,976,160	1,346,145	16,672,000	3,016,086	19,688,086	—
	Common Stock (20,000 shares)	(2,000,000)	1,643,000	—	357,000	1,643,000	2,000,000	—
		(9,234,021)	4,619,160	1,346,145	17,029,000	4,659,086	21,688,086	—

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Year Ended December 31, 2018:		Amount of	Amount of	Amount of	December 31,	Gross	Gross	December
Portfolio	Type of	Realized	Unrealized	Interest or	2017	Additions	Reductions	31, 2018
Company	Investment(1)	Gain (Loss)	Gain (Loss)	Dividends	Value	(3)	(4)	Value
				Credited to				
				Income(2)				
PCX Aerostructures, LLC	Subordinated Note (6% Cash)	\$ (8,589,777)	\$ 8,670,000	\$ 1,353,746	\$ 22,574,000	\$ 9,495,146	\$ 32,069,146	\$ —
	Subordinated Note (6% PIK)	—	211,286	5,068	548,000	216,354	764,354	—
	Series A Preferred Stock (6,066 shares)	(6,065,621)	6,065,621	—	—	6,065,621	6,065,621	—
	Series B Preferred Stock (1,411 shares)	(1,410,514)	410,514	—	—	1,410,514	1,410,514	—
	Class A Common Stock (121,922 shares)	(30,480)	30,480	—	—	30,480	30,480	—
		(16,096,392)	15,387,901	1,358,814	23,122,000	17,218,115	40,340,115	—
Team Waste, LLC	Subordinated Note (10% Cash, 2% PIK)	—	—	297,923	4,930,962	113,713	5,044,675	—
	Preferred Units (500,000 units)	3,475,467	—	—	10,000,000	3,475,467	13,475,467	—
		3,475,467	—	297,923	14,930,962	3,589,180	18,520,142	—
Technology Crops, LLC	Senior Notes (12% Cash) ⁽⁵⁾	(8,493,169)	3,677,102	592,861	8,617,000	3,677,102	12,294,102	—
	Common Units (50 units)	(500,000)	500,000	—	—	500,000	500,000	—
		(8,993,169)	4,177,102	592,861	8,617,000	4,177,102	12,794,102	—
TGaS Advisors, LLC	Senior Note (10% Cash, 1% PIK)	(282,587)	—	648,832	9,431,015	91,895	9,522,910	—
	Preferred Units (1,685,357 units)	206,638	32,069	—	1,524,000	238,707	1,762,707	—
		(75,949)	32,069	648,832	10,955,015	330,602	11,285,617	—
Tulcan Fund IV, L.P.	Common Units (1,000,000 units)	(950,000)	1,000,000	—	—	1,000,000	1,000,000	—
		(950,000)	1,000,000	—	—	1,000,000	1,000,000	—
United Retirement Plan Consultants, Inc.	Series A Preferred Shares (9,400 shares)	169,252	(96,252)	—	302,000	169,252	471,252	—
	Common Shares (100,000 shares)	(175,000)	581,000	—	419,000	581,000	1,000,000	—
		(5,748)	484,748	—	721,000	750,252	1,471,252	—
Wythe Will Tzetzto, LLC	Series A Preferred Units (99,829 units)	1,312,617	(2,688,000)	—	2,688,000	1,312,617	4,000,617	—
		1,312,617	(2,688,000)	—	2,688,000	1,312,617	4,000,617	—

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Year Ended December 31, 2018:		Amount of	Amount of	Amount of	December 31,	Gross	Gross	December
Portfolio	Type of	Realized	Unrealized	Interest or	2017	Additions	Reductions	31, 2018
Company	Investment(1)	Gain (Loss)	Gain (Loss)	Dividends	Value	(3)	(4)	Value
				Credited to				
				Income(2)				
Investments not held at the end of the period		\$ 355,394	\$ —	\$ —	\$ —	\$ 473,234	\$ 473,234	\$ —
Deferred taxes		—	1,199,969	—	—	—	—	—
Total Affiliate Investments		\$ 9,939,330	\$ 3,197,568	\$ 7,785,889	\$ 147,101,949	\$ 76,483,489	\$ 223,585,438	\$ —

- (1) All debt investments are income producing, unless otherwise noted. Equity and equity-linked investments are non-income producing, unless otherwise noted. The fair values of all investments were determined using significant unobservable inputs.
- (2) Represents the total amount of interest, fees or dividends credited to income for the portion of the year an investment was included in Control or Affiliate categories, respectively. Amounts include accrued PIK interest if the description of the security includes disclosure of a PIK interest rate.
- (3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.
- (4) Gross reductions include decreases in the total cost basis of investments resulting from principal or PIK repayments or sales. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation.
- (5) Non-accrual investment.
- (6) Index-based floating interest rate is subject to contractual minimum interest rate. A majority of the variable rate loans in the Company's investment portfolio bear interest at a rate that may be determined by reference to either LIBOR or an alternate Base Rate (commonly based on the Federal Funds Rate or the Prime Rate), which typically resets semi-annually, quarterly, or monthly at the borrower's option. The borrower may also elect to have multiple interest reset periods for each loan.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

5. Borrowings

The Company had the following borrowings outstanding as of December 31, 2019 and 2018:

<u>Issuance/Pooling Date</u>	<u>Maturity Date</u>	<u>Interest Rate as of December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Credit Facilities:</u>				
August 3, 2018 - Class A	—	—	\$ —	\$190,000,000
August 3, 2018 - Class A-1	August 3, 2020	2.940%	107,200,000	380,000,000
February 21, 2019	February 21, 2024	3.704%	245,288,419	—
Total Credit Facilities.....			<u>\$352,488,419</u>	<u>\$570,000,000</u>
<u>Debt Securitization:</u>				
May 9, 2019 - Class A-1 2019 Notes.....	April 15, 2027	3.021%	\$266,710,176	\$ —
May 9, 2019 - Class A-2 2019 Notes.....	April 15, 2027	3.651%	51,500,000	—
Less: Deferred financing fees			(1,545,702)	—
Total Debt Securitization			<u>\$316,664,474</u>	<u>\$ —</u>

August 2018 Credit Facility

On July 3, 2018, the Company formed Barings BDC Senior Funding I, LLC, an indirectly wholly-owned Delaware limited liability company (“BSF”), the primary purpose of which is to function as the Company's special purpose, bankruptcy-remote, financing subsidiary. On August 3, 2018, BSF entered into the August 2018 Credit Facility (as subsequently amended in December 2018) with Bank of America, N.A., as administrative agent (the "Administrative Agent") and Class A-1 Lender, Société Générale, as Class A Lender, and Bank of America Merrill Lynch, as sole lead arranger and sole book manager. BSF and the Administrative Agent also entered into a security agreement dated as of August 3, 2018 (the "Security Agreement") pursuant to which BSF's obligations under the August 2018 Credit Facility are secured by a first-priority security interest in substantially all of the assets of BSF, including its portfolio of investments (the "Pledged Property"). In connection with the first-priority security interest established under the Security Agreement, all of the Pledged Property is held in the custody of State Street Bank and Trust Company, as collateral administrator (the "Collateral Administrator"). The Collateral Administrator maintains and performs certain collateral administration services with respect to the Pledged Property pursuant to a collateral administration agreement among BSF, the Administrative Agent and the Collateral Administrator. Generally, the Collateral Administrator is authorized to make distributions and payments from Pledged Property based only on the written instructions of the Administrative Agent.

The August 2018 Credit Facility initially provided for borrowings in an aggregate amount up to \$750.0 million, including up to \$250.0 million borrowed under the Class A Loan Commitments and up to \$500.0 million borrowed under the Class A-1 Loan Commitments. Effective February 28, 2019, the Company reduced its Class A Loan Commitments to \$100.0 million, which reduced total commitments under the August 2018 Credit Facility to \$600.0 million. Effective May 9, 2019, the Company further reduced its Class A Loan Commitments under the August 2018 Credit Facility from \$100.0 million to zero and reduced its Class A-1 Loan Commitments under the August 2018 Credit Facility from \$500.0 million to \$300.0 million, which collectively reduced total commitments under the August 2018 Credit Facility to \$300.0 million. Effective June 18, 2019, the Company further reduced its Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$300.0 million to \$250.0 million. Effective August 14, 2019, the Company further reduced its Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$250.0 million to \$177.0 million. Effective October 29, 2019, the Company further reduced its Class A-1 Loan Commitments, and therefore total commitments, under the August 2018 Credit Facility from \$177.0 million to \$150.0 million. In connection with these reductions, the pro rata portion of the unamortized deferred financing costs related to the

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

August 2018 Credit Facility was written off and recognized as a loss on extinguishment of debt in the Company's Consolidated Statements of Operations. All borrowings under the August 2018 Credit Facility bear interest, subject to BSF's election, on a per annum basis equal to (i) the applicable base rate plus the applicable spread or (ii) the applicable LIBOR rate plus the applicable spread. The applicable base rate is equal to the greater of (i) the federal funds rate plus 0.5%, (ii) the prime rate or (iii) one-month LIBOR plus 1.0%. The applicable LIBOR rate depends on the term of the borrowing under the August 2018 Credit Facility, which can be either one month or three months. BSF is required to pay commitment fees on the unused portion of the August 2018 Credit Facility. BSF may prepay any borrowing at any time without premium or penalty, except that BSF may be liable for certain funding breakage fees if prepayments occur prior to expiration of the relevant interest period. BSF may also permanently reduce all or a portion of the commitment amount under the August 2018 Credit Facility without penalty.

Any amounts borrowed under the Class A-1 Loan Commitments will mature, and all accrued and unpaid interest thereunder will be due and payable, on August 3, 2020, or upon earlier termination of the August 2018 Credit Facility.

Borrowings under the August 2018 Credit Facility are subject to compliance with a borrowing base, pursuant to which the amount of funds advanced by the lenders to BSF will vary depending upon the types of assets in BSF's portfolio. Assets must meet certain criteria to be included in the borrowing base, and the borrowing base is subject to certain portfolio restrictions including investment size, sector concentrations, investment type and credit ratings.

Under the August 2018 Credit Facility, BSF has made certain representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for credit facilities of this nature. In addition to other customary events of default included in financing transactions, the August 2018 Credit Facility contains the following events of default: (a) the failure to make principal payments when due or interest payments within two business days of when due; (b) borrowings under the credit facility exceeding the applicable advance rates; (c) the purchase by BSF of certain ineligible assets; (d) the insolvency or bankruptcy of BSF; and (e) the decline of BSF's NAV below a specified threshold. During the continuation of an event of default, BSF must pay interest at a default rate. As of December 31, 2019, BSF was in compliance with all covenants under the August 2018 Credit Facility.

Borrowings of BSF are considered borrowings by Barings BDC, Inc. for purposes of complying with the asset coverage requirements under the 1940 Act applicable to business development companies. The obligations of BSF under the August 2018 Credit Facility are non-recourse to Barings BDC, Inc.

As of December 31, 2019 and December 31, 2018, BSF had borrowings of \$107.2 million and \$570.0 million, respectively, outstanding under the August 2018 Credit Facility. As of December 31, 2019 and December 31, 2018, the total fair value of the borrowings outstanding under the August 2018 Credit Facility was \$107.2 million and \$570.0 million, respectively. The fair values of the borrowings outstanding under the August 2018 Credit Facility are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model.

February 2019 Credit Facility

On February 21, 2019, the Company entered into the February 2019 Credit Facility (as subsequently amended in December 2019) with ING Capital LLC ("ING"), as administrative agent, and the lenders party thereto. The initial commitments under the February 2019 Credit Facility totaled \$800.0 million. The February 2019 Credit Facility has an accordion feature that allows for an increase in the total commitments of up to \$400.0 million, subject to certain conditions and the satisfaction of specified financial covenants. Additionally, the Company can borrow foreign currencies directly under the February 2019 Credit Facility. The February 2019 Credit Facility, which is structured as a revolving credit facility, is secured primarily by a material portion of the Company's assets and guaranteed by certain subsidiaries of the Company. The revolving period of the February 2019 Credit Facility ends on February 21, 2023, followed by a one-year repayment period with a final maturity date of February 21, 2024.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Borrowings under the February 2019 Credit Facility bear interest, subject to the Company's election, on a per annum basis equal to (i) the applicable base rate plus 1.25% (or, after one year, 1.00% if the Company receives an investment grade credit rating), (ii) the applicable LIBOR rate plus 2.25% (or, after one year, 2.00% if the Company receives an investment grade credit rating), (iii) for borrowings denominated in certain foreign currencies other than Australian dollars, the applicable currency rate for the foreign currency as defined in the credit agreement plus 2.25% (or, after one year, 2.00% if the Company receives an investment grade credit rating) or (iv) for borrowings denominated in Australian dollars, the applicable Australian dollars Screen Rate, plus 2.45% (or, after one year, 2.20% if the Company receives an investment grade credit rating). The applicable base rate is equal to the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.5%, (iii) the Overnight Bank Funding Rate plus 0.5%, (iv) the adjusted three-month applicable currency rate plus 1.0% and (v) 1%. The applicable currency rate depends on the currency and term of the draw under the February 2019 Credit Facility.

In addition, the Company pays a commitment fee of (i) for the period beginning on the closing date of the February 2019 Credit Facility to and including the date that is six months after the closing date of the February 2019 Credit Facility, 0.375% per annum on undrawn amounts, and (ii) for the period beginning on the date that is six months after the closing date of the February 2019 Credit Facility, (x) 0.5% per annum on undrawn amounts if the unused portion of the February 2019 Credit Facility is greater than two-thirds of total commitments or (y) 0.375% per annum on undrawn amounts if the unused portion of the February 2019 Credit Facility is equal to or less than two-thirds of total commitments. In connection with entering into the February 2019 Credit Facility, the Company incurred financing fees of approximately \$6.4 million, which will be amortized over the remaining life of the February 2019 Credit Facility.

The February 2019 Credit Facility contains certain affirmative and negative covenants, including but not limited to (i) maintaining minimum shareholders' equity, (ii) maintaining minimum obligors' net worth, (iii) maintaining a minimum asset coverage ratio, (iv) meeting a minimum liquidity test and (v) maintaining the Company's status as a regulated investment company and as a business development company. The February 2019 Credit Facility also contains customary events of default with customary cure and notice provisions, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change of control, and material adverse effect. The February 2019 Credit Facility also permits the administrative agent to select an independent third party valuation firm to determine valuations of certain portfolio investments for purposes of borrowing base provisions. In connection with the February 2019 Credit Facility, the Company also entered into new collateral documents. As of December 31, 2019, the Company was in compliance with all covenants under the February 2019 Credit Facility.

As of December 31, 2019, the Company had U.S. dollar borrowings of \$195.0 million outstanding under the February 2019 Credit Facility with a weighted average interest rate of 4.054%, borrowings denominated in Swedish kronas of 12.8kr million (\$1.4 million) with an interest rate of 2.25%, borrowings denominated in British pounds sterling of £4.7 million (\$6.3 million) with an interest rate of 3.0%, and borrowings denominated in Euros of €38.0 million (\$42.7 million) with an interest rate of 2.25%. The borrowings denominated in foreign currencies were translated into U.S. dollars based on the spot rate at the relevant balance sheet date. The impact resulting from changes in foreign exchange rates on the February 2019 Credit Facility borrowings is included in "unrealized appreciation (depreciation) - foreign currency transactions" in the Company's Consolidated Statements of Operations.

As of December 31, 2019, the total fair value of the borrowings outstanding under the February 2019 Credit Facility was \$245.3 million. The fair values of the borrowings outstanding under the February 2019 Credit Facility are based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

Debt Securitization

On May 9, 2019, the Company completed a \$449.3 million term debt securitization. Term debt securitizations are also known as collateralized loan obligations and are a form of secured financing incurred by the Company, which is consolidated by the Company for financial reporting purposes and subject to its overall asset coverage requirement. The notes offered in the Debt Securitization (collectively, the “2019 Notes”) were issued by Barings BDC Static CLO Ltd. 2019-I (“BBDC Static CLO Ltd.”) and Barings BDC Static CLO 2019-I, LLC, wholly-owned and consolidated subsidiaries of the Company (collectively, the “Issuers”), and are secured by a diversified portfolio of senior secured loans and participation interests therein. The Debt Securitization was executed through a private placement of approximately \$296.8 million of AAA(sf) Class A-1 Senior Secured Floating Rate 2019 Notes (“Class A-1 2019 Notes”), which bear interest at the three-month LIBOR plus 1.02%; \$51.5 million of AA(sf) Class A-2 Senior Secured Floating Rate 2019 Notes (“Class A-2 2019 Notes”), which bear interest at the three-month LIBOR plus 1.65%; and \$101.0 million of Subordinated 2019 Notes which do not bear interest and are not rated. The Company retained all of the Subordinated 2019 Notes issued in the Debt Securitization in exchange for the Company’s sale and contribution to BBDC Static CLO Ltd. of the initial closing date portfolio, which included senior secured loans and participation interests therein distributed to the Company by BSF. The 2019 Notes are scheduled to mature on April 15, 2027; however, the 2019 Notes may be redeemed by the Issuers, at the direction of the Company as holder of the Subordinated 2019 Notes, on any business day after May 9, 2020. In connection with the sale and contribution, the Company made customary representations, warranties and covenants to the Issuers.

The Class A-1 2019 Notes and Class A-2 2019 Notes are the secured obligations of the Issuers, the Subordinated 2019 Notes are the unsecured obligations of BBDC Static CLO Ltd., and the indenture governing the 2019 Notes includes customary covenants and events of default. The 2019 Notes have not been, and will not be, registered under the Securities Act or any state securities or “blue sky” laws and may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from registration.

The Company serves as collateral manager to BBDC Static CLO Ltd. under a collateral management agreement and has agreed to irrevocably waive all collateral management fees payable pursuant to the collateral management agreement.

The Class A-1 2019 Notes and the Class A-2 2019 Notes issued in connection with the Debt Securitization have floating rate interest provisions based on the three-month LIBOR that reset quarterly, except that LIBOR for the first interest accrual period was calculated by reference to an interpolation between the rate for deposits with a term equal to the next shorter period of time for which rates were available and the rate appearing for deposits with a term equal to the next longer period of time for which rates were available.

During the year ended December 31, 2019, \$30.0 million of the Class A-1 2019 Notes were repaid. As of December 31, 2019, the Company had borrowings of \$266.7 million outstanding under the Class A-1 2019 Notes with an interest rate of 3.021% and borrowings of \$51.5 million outstanding under the Class A-2 2019 Notes with an interest rate of 3.651%. As of December 31, 2019, the total fair value of the Class A-1 2019 Notes and the Class A-2 2019 Notes was \$266.8 million and \$51.5 million, respectively. The fair value determinations of the Company’s 2019 Notes were based on a market yield approach and current interest rates, which are Level 3 inputs to the market yield model.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

6. Income Taxes

The Company has elected for federal income tax purposes to be treated as a RIC under the Code and intends to make the required distributions to its stockholders as specified therein. In order to maintain its tax treatment as a RIC, the Company must meet certain minimum distribution, source-of-income and asset diversification requirements. If such requirements are met, then the Company is generally required to pay taxes only on the portion of its taxable income and gains it does not distribute (actually or constructively) and certain built-in gains. The Company met its minimum distribution requirements for 2019, 2018 and 2017 and continually monitors its distribution requirements with the goal of ensuring compliance with the Code.

The minimum distribution requirements applicable to RICs require the Company to distribute to its stockholders at least 90% of its investment company taxable income (“ICTI”), as defined by the Code, each year. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year distributions into the next tax year and pay a 4% U.S. federal excise tax on such excess. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. The Company may be required to recognize ICTI in certain circumstances in which it does not receive cash. For example, if the Company holds debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments issued with warrants), the Company must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by the Company in the same taxable year. The Company may also have to include in ICTI other amounts that it has not yet received in cash, such as (i) PIK interest income and (ii) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue discount or other amounts accrued will be included in the Company’s ICTI for the year of accrual, the Company may be required to make a distribution to its stockholders in order to satisfy the minimum distribution requirements, even though the Company will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

Permanent differences between ICTI and net investment income for financial reporting purposes are reclassified among capital accounts in the consolidated financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended December 31, 2019, 2018 and 2017, the Company reclassified for book purposes amounts arising from permanent book/tax differences primarily related to differences in the tax basis and book basis of investments sold and non-deductible taxes paid during the year as follows:

	December 31,		
	2019	2018	2017
Additional paid-in capital	\$ (7,773,706)	\$ 5,085,295	\$ (689,101)
Total distributable earnings (loss).....	\$ 7,773,706	\$ (5,085,295)	\$ 689,101

Tax positions taken or expected to be taken in the course of preparing the Company's tax returns are evaluated to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than not threshold would be recorded as a tax benefit or expense in the current year. Management has analyzed the Company's tax positions taken, or to be taken, on federal income tax returns for all open tax years (fiscal years 2016-2019), and has concluded that the provision for uncertain tax positions in the Company's financial statements is appropriate.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

In addition, the Company has a wholly-owned taxable subsidiary (the “Taxable Subsidiary”), which holds certain portfolio investments that are listed on the Consolidated Schedules of Investments. The Taxable Subsidiary is consolidated for financial reporting purposes, such that the Company’s consolidated financial statements reflect the Company’s investments in the portfolio companies owned by the Taxable Subsidiary. The purpose of the Taxable Subsidiary is to permit the Company to hold certain portfolio companies that are organized as LLCs (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of the RIC’s gross revenue for income tax purposes must consist of qualifying investment income. Absent the Taxable Subsidiary, a proportionate amount of any gross income of an LLC (or other pass-through entity) portfolio investment would flow through directly to the RIC. To the extent that such income did not consist of qualifying investment income, it could jeopardize the Company’s ability to qualify as a RIC and therefore cause the Company to incur significant amounts of federal income taxes. When LLCs (or other pass-through entities) are owned by the Taxable Subsidiary, their income is taxed to the Taxable Subsidiary and does not flow through to the RIC, thereby helping the Company preserve its RIC tax treatment and resultant tax advantages. The Taxable Subsidiary is not consolidated for income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies. This income tax expense is reflected in the Company’s Consolidated Statements of Operations. Additionally, any unrealized appreciation related to portfolio investments held by the Taxable Subsidiary (net of unrealized depreciation related to portfolio investments held by the Taxable Subsidiary) is reflected net of applicable federal and state income taxes in the Company's Consolidated Statements of Operations, with the related deferred tax liabilities included in "Accounts payable and accrued liabilities" in the Company's Consolidated Balance Sheets.

In December 2017, the United States enacted tax reform legislation through the bill commonly known as the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, a move from a worldwide tax system to a territorial system, as well as other changes. The Taxable Subsidiary's provisional tax is based on the new lower blended federal and state corporate tax rate of 26%. The implementation of the Tax Act did not have a material impact on the Company's financial position and results of operations.

For income tax purposes, distributions paid to stockholders are reported as ordinary income, long-term capital gains, return of capital or a combination thereof. The tax character of distributions paid for the years ended December 31, 2019, 2018 and 2017 was as follows:

	Year Ended December 31,		
	2019	2018	2017
Ordinary income.....	\$ 26,927,706	\$ 19,960,181	\$ 77,484,420
Tax return of capital.....	—	850,745	—
Distributions on a tax basis.....	\$ 26,927,706	\$ 20,810,926	\$ 77,484,420

The Company may retain some or all of its realized net long-term capital gains in excess of realized net short-term capital losses and may designate the retained net capital gain as a “deemed distribution.” In that case, among other consequences, the Company will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. For the years ended December 31, 2019, 2018 and 2017, the Company did not elect to designate retained net capital gains as deemed distributions.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

At December 31, 2019, 2018 and 2017, the components of distributable earnings on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Balance Sheets by temporary and other book/tax differences, primarily relating to depreciation expense, stock-based compensation, accruals of defaulted debt investment interest and the tax treatment of certain partnership investments, as follows:

	December 31,		
	2019	2018	2017
Undistributed net investment income	\$ 2,537,913	\$ —	\$ 18,384,766
Accumulated capital losses	(267,368,444)	(272,527,795)	(87,489,121)
Other permanent differences relating to the Company's formation	1,975,543	1,975,543	1,975,543
Other temporary differences	(4)	(12,896)	(7,410,910)
Unrealized depreciation	(20,085,620)	(51,413,098)	(107,847,526)
Components of distributable earnings at year end.....	<u>\$ (282,940,612)</u>	<u>\$ (321,978,246)</u>	<u>\$ (182,387,248)</u>

Under current law, the Company may carry forward net capital losses indefinitely to use to offset capital gains realized in future years. Capital losses realized under current law will carry forward retaining their classification as long-term or short-term losses. As of December 31, 2019, the Company had \$1.8 million of short-term capital losses and \$265.6 million of long-term capital losses, none of which will expire.

For federal income tax purposes, the cost of investments owned as of December 31, 2019 and December 31, 2018 was approximately \$1,192.7 million and \$1,173.3 million, respectively. As of December 31, 2019, net unrealized depreciation on the Company's investments (tax basis) was approximately \$20.1 million, consisting of gross unrealized appreciation, where the fair value of the Company's investments exceeds their tax cost, of approximately \$2.5 million and gross unrealized depreciation, where the tax cost of the Company's investments exceeds their fair value, of approximately \$22.6 million. The cost of investments owned (tax basis) listed above does not include the RIC's basis in the Taxable Subsidiary. As of December 31, 2019 and December 31, 2018, the cost (tax basis) of the RIC's investment in the Taxable Subsidiary was approximately \$18.0 million and \$20.6 million, respectively. As of December 31, 2018, net unrealized depreciation on the Company's investments (tax basis) was approximately \$51.4 million, consisting of gross unrealized appreciation, where the fair value of the Company's investments exceeds their tax cost, of approximately \$1.6 million and gross unrealized depreciation, where the tax cost of the Company's investments exceeds their fair value, of approximately \$53.0 million.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

7. Derivative Instruments

The Company enters into forward currency contracts from time to time to primarily help mitigate the impact that an adverse change in foreign exchange rates would have on net interest income from the Company's investments and related borrowings denominated in foreign currencies. Net unrealized appreciation or depreciation on foreign currency contracts are included in "Net unrealized appreciation (depreciation) - foreign currency transactions" and net realized gains or losses on forward currency contracts are included in "Net realized gains (losses) - foreign currency transactions" in the Consolidated Statements of Operations. Forward currency contracts are considered undesignated derivative instruments.

The following table presents the Company's foreign currency forward contracts as of December 31, 2019:

Description	Notional Amount to be Purchased	Notional Amount to be Sold	Maturity Date	Gross Amount of Recognized Assets	Balance Sheet Location of Net Amounts
Foreign currency forward contract (EUR)	\$158,244	€142,781	01/02/20	\$ (2,028)	Accounts payable and accrued liabilities
Foreign currency forward contract (EUR)	€142,781	\$158,547	01/02/20	1,724	Accounts payable and accrued liabilities
Foreign currency forward contract (EUR)	\$506,967	€453,920	04/20/20	(5,440)	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	\$165,691	£132,253	01/02/20	(9,511)	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	\$180,277	£140,000	01/02/20	(5,188)	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	\$272,560	£210,000	01/02/20	(5,638)	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	£350,000	\$460,824	01/02/20	2,839	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	\$89,436	£67,000	01/02/20	678	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	£199,253	\$258,037	01/02/20	5,924	Accounts payable and accrued liabilities
Foreign currency forward contract (GBP)	\$227,890	£175,529	04/02/20	(5,216)	Accounts payable and accrued liabilities
Foreign currency forward contract (SEK)	\$95,654	920,569kr	01/02/20	(2,687)	Accounts payable and accrued liabilities
Foreign currency forward contract (SEK)	322,233kr	\$33,265	01/02/20	1,158	Accounts payable and accrued liabilities
Foreign currency forward contract (SEK)	598,336kr	\$63,581	01/02/20	337	Accounts payable and accrued liabilities
Foreign currency forward contract (SEK)	\$97,360	912,212kr	04/02/20	(511)	Accounts payable and accrued liabilities
Total				<u>\$ (23,559)</u>	

8. Equity-Based and Other Compensation Plans

Prior to the Asset Sale Transaction, the Company utilized the Triangle Capital Corporation Omnibus Incentive Plan (the "Omnibus Plan") as part of its compensation programs. The Omnibus Plan provided for grants of restricted stock, incentive stock options, non-statutory stock options and cash-based and/or stock-based performance awards, collectively, "Awards," to the Company's employees and independent directors. Equity-based awards granted under the Omnibus Plan to independent directors generally vested over a one-year period and equity-based awards granted under the Omnibus Plan to executive officers and employees generally vested ratably over a four-year period. The Company accounted for its equity-based compensation using the fair value method, as prescribed by ASC Topic 718, *Stock Compensation*. Accordingly, for restricted stock awards, the Company measured the grant date fair value based upon the market price of the Company's common stock on the date of the grant and amortized this fair value to compensation expense ratably over the requisite service period or vesting term.

On July 31, 2018, in connection with the closing of the Asset Sale Transaction, all 904,060 outstanding shares of restricted stock outstanding under the Omnibus Plan vested and on August 2, 2018, the Board terminated the Omnibus Plan. As a result, in the year ended December 31, 2018, the Company recognized equity based compensation expense of approximately \$14.2 million. In the year ended December 31, 2017, the Company recognized equity-based compensation expense of approximately \$6.0 million.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

The following table presents information with respect to equity-based compensation for the years ended December 31, 2018 and 2017:

	Year Ended December 31,			
	2018		2017	
	Number of Shares	Weighted Average Grant Date Fair Value per Share	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested shares, beginning of period	748,674	\$ 19.79	631,622	\$ 21.23
Shares granted during the period	435,106	\$ 10.73	360,470	\$ 19.22
Shares vested during the period	(1,183,780)	\$ 16.46	(243,418)	\$ 22.69
Unvested shares, end of period	—	N/A	748,674	\$ 19.79

Prior to the Asset Sale Transaction, the Board had adopted a nonqualified deferred compensation plan covering the Company's executive officers and key employees. On July 31, 2018, in connection with the closing of the Asset Sale Transaction, the Company's Amended and Restated Executive Deferred Compensation Plan was terminated and all previously unvested deferred compensation benefits became fully vested. As a result, in the year ended December 31, 2018, the Company accelerated the recognition of the remaining \$0.8 million of deferred compensation expense.

Prior to the Asset Sale Transaction, the Company maintained a 401(k) plan in which all full-time employees who were at least 21 years of age were eligible to participate and receive employer contributions. Eligible employees could contribute a portion of their compensation on a pretax basis into the 401(k) plan up to the maximum amount allowed under the Code, and direct the investment of their contributions. On July 31, 2018, the Board took action to terminate the Company's 401(k) plan in connection with the closing of the Asset Sale Transaction.

9. Transactions with Controlled Companies

During the year ended December 31, 2018, the Company received management and other fees from SRC Worldwide, Inc., a wholly-owned subsidiary of CRS-SPV, Inc., of \$100,000. During the year ended December 31, 2018, the Company received management and other fees from SRC Worldwide, Inc. totaling \$400,000. These fees were recognized as fee income in the Company's Consolidated Statements of Operations. In addition, during each of the years ended December 31, 2018 and 2017, the Company recognized dividend and interest income from control investments as disclosed in Note 4 - Schedule of Investments in and Advances to Affiliates. As part of the Asset Sale Transaction, all control investments were sold on July 31, 2018.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

10. Commitments and Contingencies

In the normal course of business, the Company is party to financial instruments with off-balance sheet risk, consisting primarily of unused commitments to extend financing to the Company's portfolio companies. Since commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The balances of unused commitments to extend financing as of December 31, 2019 and 2018 were as follows:

Portfolio Company	Investment Type	December 31, 2019	December 31, 2018
Anju Software, Inc.(1).....	Delayed Draw Term Loan	\$ 1,981,371	\$ —
Arch Global Precision, LLC.....	Delayed Draw Term Loan	1,012,661	—
Armstrong Transport Group (Pele Buyer, LLC)(1)..	Delayed Draw Term Loan	712,567	—
Aveanna Healthcare Holdings, Inc.(1).....	Delayed Draw Term Loan	—	804,620
Campaign Monitor (UK) Limited(1).....	Delayed Draw Term Loan	1,859,111	—
Contabo Finco S.À R.L (2)	EUR Capex Term Loan	1,013,849	—
Dart Buyer, Inc.	Delayed Draw Term Loan	4,294,503	—
Heartland, LLC.....	Delayed Draw Term Loan	8,729,695	—
Heilbron (f/k/a Sucsez (Bolt Bidco B.V.))(3).....	Accordion Facility	2,605,531	—
Jocassee Partners LLC	Joint Venture	40,000,000	—
JS Held, LLC.....	Delayed Draw Term Loan	—	2,275,039
Kene Acquisition, Inc.	Delayed Draw Term Loan	1,076,427	—
LAC Intermediate, LLC(1)	Delayed Draw Term Loan	4,367,284	6,172,840
Options Technology Ltd.....	Delayed Draw Term Loan	2,918,447	—
Premier Technical Services Group(4)	Acquisition Facility	1,297,915	—
Process Equipment, Inc.(1)	Delayed Draw Term Loan	654,493	—
Professional Datasolutions, Inc. (PDI)(1)	Delayed Draw Term Loan	1,666,994	—
PSC UK Pty Ltd.(5)	GBP Acquisition Facility	1,010,706	—
Smile Brands Group, Inc.(1)	Delayed Draw Term Loan	927,046	1,325,699
Springbrook Software (SBRK Intermediate, Inc.) ...	Delayed Draw Term Loan	3,896,663	—
The Hilb Group, LLC.....	Delayed Draw Term Loan	2,904,066	—
Transportation Insight, LLC.....	Delayed Draw Term Loan	2,464,230	5,516,932
Truck-Lite Co., LLC	Delayed Draw Term Loan	3,205,128	—
USLS Acquisition, Inc.(1).....	Delayed Draw Term Loan	—	3,153,265
Validity Inc.(1)	Delayed Draw Term Loan	898,298	—
Total unused commitments to extend financing.....		<u>\$ 89,496,985</u>	<u>\$ 19,248,395</u>

- (1) Represents a commitment to extend financing to a portfolio company where one or more of the Company's current investments in the portfolio company are carried at less than cost. The Company's estimate of the fair value of the current investments in this portfolio company includes an analysis of the fair value of any unfunded commitments.
- (2) Actual commitment amount is denominated in Euros (€903,207). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.
- (3) Actual commitment amount is denominated in Euros (€2,321,187). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.
- (4) Actual commitment amount is denominated in British pounds sterling (£979,743). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.
- (5) Actual commitment amount is denominated in British pounds sterling (£762,941). Commitment was translated into U.S. dollars using the December 31, 2019 spot rate.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

The Company and certain of its former executive officers have been named as defendants in two putative securities class action lawsuits, each filed in the United States District Court for the Southern District of New York (and then transferred to the United States District Court for the Eastern District of North Carolina) on behalf of all persons who purchased or otherwise acquired our common stock between May 7, 2014 and November 1, 2017. The first lawsuit was filed on November 21, 2017, and was captioned *Elias Dagher, et al., v. Triangle Capital Corporation, et al.*, Case No. 5:18-cv-00015-FL (the "Dagher Action"). The second lawsuit was filed on November 28, 2017, and was captioned *Gary W. Holden, et al., v. Triangle Capital Corporation, et al.*, Case No. 5:18-cv-00010-FL (the "Holden Action"). The Dagher Action and the Holden Action were consolidated and are currently captioned *In re Triangle Capital Corp. Securities Litigation*, Master File No. 5:18-cv-00010-FL.

On April 10, 2018, the plaintiff filed its First Consolidated Amended Complaint. The complaint alleged certain violations of the securities laws, including, among other things, that the defendants made certain materially false and misleading statements and omissions regarding the Company's business, operations and prospects between May 7, 2014 and November 1, 2017. The plaintiff seeks compensatory damages and attorneys' fees and costs, among other relief, but did not specify the amount of damages being sought. On May 25, 2018, the defendants filed a motion to dismiss the complaint. On March 7, 2019 the court entered an order granting the defendants' motion to dismiss. On March 28, 2019, the plaintiff filed a motion seeking leave to file a Second Consolidated Amended Complaint. On September 20, 2019, the court entered an order denying the plaintiff's motion for leave to file a Second Consolidated Amended Complaint and dismissing the action with prejudice. On October 17, 2019, the plaintiff filed a notice of appeal seeking review of the court's September 20, 2019 order. The plaintiff filed its opening brief with the United States Court of Appeals for the Fourth Circuit on January 6, 2020. The time for the defendants to respond has not yet expired.

In addition, the Company is party to certain lawsuits in the normal course of business. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies.

While the outcome of any open legal proceedings, including those described above, cannot at this time be predicted with certainty, the Company does not expect that any reasonably possible losses arising from these matters will materially affect its financial condition or results of operations. Furthermore, in management's opinion, it is not possible to estimate a range of reasonably possible losses with respect to litigation contingencies.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

11. Financial Highlights

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Per share data:					
Net asset value at beginning of period.....	\$ 10.98	\$ 13.43	\$ 15.13	\$ 15.23	\$ 16.11
Net investment income (loss)(1).....	0.61	—	1.55	1.62	2.16
Net realized gain (loss) on investments / foreign currency(1).....	(0.08)	(3.17)	(1.11)	0.05	(0.83)
Net unrealized appreciation (depreciation) on investments / foreign currency(1).....	0.64	1.08	(1.04)	(0.72)	0.17
Total increase (decrease) from investment operations(1).....	1.17	(2.09)	(0.60)	0.95	1.50
Dividends paid to stockholders from net investment income.....	(0.54)	(0.41)	(1.65)	(1.89)	(2.11)
Dividends paid to stockholders from realized gains.....	—	—	—	—	(0.25)
Tax return of capital to stockholders.....	—	(0.02)	—	—	—
Total dividends and distributions paid.....	(0.54)	(0.43)	(1.65)	(1.89)	(2.36)
Common stock offerings.....	—	—	0.61	0.72	—
Purchase of shares in tender offer.....	—	0.13	—	—	—
Purchases of shares in share repurchase plan ...	0.07	—	—	—	—
Stock-based compensation(1).....	—	0.17	(0.01)	0.09	0.01
Shares issued pursuant to Dividend Reinvestment Plan.....	—	—	0.01	0.04	0.03
Loss on extinguishment of debt(1).....	(0.01)	(0.21)	—	—	(0.04)
Benefit from (provision for) taxes(1).....	(0.01)	0.02	(0.02)	(0.01)	(0.01)
Other(2).....	—	(0.04)	(0.04)	—	(0.01)
Net asset value at end of period.....	\$ 11.66	\$ 10.98	\$ 13.43	\$ 15.13	\$ 15.23
Market value at end of period(3).....	\$ 10.28	\$ 9.01	\$ 9.49	\$ 18.34	\$ 19.11
Shares outstanding at end of period.....	48,950,803	51,284,064	47,740,832	40,401,292	33,375,126
Net assets at end of period.....	\$ 570,874,709	\$ 562,967,287	\$ 641,275,374	\$ 611,156,258	\$ 508,367,755
Average net assets.....	\$ 579,198,975	\$ 628,154,942	\$ 667,188,287	\$ 556,549,060	\$ 524,579,829
Ratio of total expenses, prior to waiver of base management fee, including loss on extinguishment of debt and benefit from (provision for) taxes, to average net assets.....	7.90%	14.54 %	7.74 %	9.93%	9.81%
Ratio of total expenses, net of base management fee waived, including loss on extinguishment of debt and benefit from (provision for) taxes, to average net assets.....	7.90%	14.31 %	7.74 %	9.93%	9.81%
Ratio of net investment income to average net assets.....	5.27%	(0.01)%	10.83 %	10.58%	13.65%
Portfolio turnover ratio.....	113.99%	228.49 %	37.02 %	24.61%	37.62%
Total return(4).....	20.27%	18.18 %	(42.15)%	5.86%	5.82%

- (1) Weighted average per share data—basic and diluted.
- (2) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.
- (3) Represents the closing price of the Company's common stock on the last day of the period.
- (4) Total return is based on purchase of stock at the current market price on the first day and a sale at the current market price on the last day of each period reported on the table and assumes reinvestment of dividends at prices obtained by the Company's dividend reinvestment plan during the period. Total return is not annualized.

Barings BDC, Inc.

Notes to Consolidated Financial Statements — (Continued)

12. Selected Quarterly Financial Data (Unaudited)

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended December 31, 2019. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

	Quarter Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Total investment income	\$ 18,339,758	\$ 19,601,688	\$ 19,304,107	\$ 18,402,792
Net investment income.....	7,957,287	7,412,882	7,987,175	7,194,252
Net increase in net assets resulting from operations	33,162,313	9,247,050	5,195,491	10,586,780
Net investment income per share	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.15

	Quarter Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Total investment income	\$ 26,076,087	\$ 25,473,491	\$ 12,072,396	\$ 16,601,651
Net investment income (loss).....	12,724,178	10,061,869	(31,053,306)	8,206,537
Net increase (decrease) in net assets resulting from operations	14,471,653	15,316,880	(101,390,384)	(42,680,285)
Net investment income (loss) per share ..	\$ 0.27	\$ 0.21	\$ (0.59)	\$ 0.16

13. Subsequent Events

Subsequent to December 31, 2019, the Company made approximately \$107.5 million of new middle-market private debt and equity commitments, of which approximately \$73.4 million closed and funded. The \$73.4 million of investments consist of ten first lien senior secured debt investments with a weighted average yield of 6.5%, one mezzanine note with a yield of 8.0% and one equity investment.

On January 13, 2020, the Company provided notice to the lenders under the August 2018 Credit Facility that the Company would reduce total commitments under the August 2018 Credit Facility from \$150.0 million to \$80.0 million, effective January 21, 2020. In addition, on February 21, 2020, the Company extended the maturity date of the August 2018 Credit Facility from August 3, 2020 to August 3, 2021.

On February 27, 2020, the Board declared a quarterly distribution of \$0.16 per share payable on March 18, 2020 to holders of record as of March 11, 2020.

On February 27, 2020, the Board approved an open-market share repurchase program for fiscal year 2020 (the “2020 Share Repurchase Program”). Under the 2020 Share Repurchase Program, the Company is authorized during fiscal year 2020 to repurchase up to a maximum of 5.0% of the amount of shares outstanding as of February 27, 2020 if shares trade below NAV per share, subject to liquidity and regulatory constraints.

Purchases under the 2020 Share Repurchase Program may be made in open-market transactions and may include transactions pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Exchange Act. Purchases may be made from time to time at the Company's discretion, and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors. The Company's repurchase activity will be disclosed in its periodic reports for the relevant fiscal periods.

**Certification of Chief Executive Officer of Barings BDC, Inc.
pursuant to Rule 13a-14(a) under the Exchange Act,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Eric Lloyd, as Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Barings BDC, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ERIC LLOYD

Eric Lloyd

Chief Executive Officer

February 27, 2020

**Certification of Chief Financial Officer of Barings BDC, Inc.
pursuant to Rule 13a-14(a) under the Exchange Act,
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jonathan Bock, as Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Barings BDC, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JONATHAN BOCK

Jonathan Bock

Chief Financial Officer

February 27, 2020

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Barings BDC, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric Lloyd, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ERIC LLOYD

Eric Lloyd

Chief Executive Officer

February 27, 2020

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Barings BDC, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jonathan Bock, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JONATHAN BOCK

Jonathan Bock

Chief Financial Officer

February 27, 2020

Contact Information

BOARD OF DIRECTORS

Mike Freno

Chairman of BBDC Board,
President of Barings,
Head of Investments at Barings

Tom Finke

Chairman & CEO of Barings

Eric Lloyd

CEO of BBDC,
Head of Global Private Investments
at Barings

Tom Okel

Former Executive Director of Catawba
Lands Conservancy, a nonprofit land trust

Jill Olmstead

Chief Human Resources Officer
at LendingTree

Mark Mulhern

Senior Vice President & CFO
at Highwoods Properties

John Switzer

Retired Managing Partner at KPMG

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Finian O'Shea

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CORPORATE OFFICERS

Eric Lloyd

Chief Executive Officer

Jonathan Bock

Chief Financial Officer

Ian Fowler

President

Janice Bishop

Secretary & Chief Legal Officer

Chris Cary

Assistant Treasurer

Michael Cowart

Chief Compliance Officer

Jonathan Landsberg

Assistant Director of Finance

Thomas Moses

Treasurer

Elizabeth Murray

Principal Accounting Officer

Corporate Details

CORPORATE HEADQUARTERS

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INDEPENDENT ACCOUNTING FIRM

Ernst & Young LLP

SECURITIES LISTING

NYSE: BBDC

TRANSFER AGENT

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