GRANT'S
INTEREST RATE OBSERVER®
Vol. 37, No.11b 233 Broadway, New York, New York 10279 • www.grantspub.com MAY 31, 2019

In which we erred

In the issue of *Grant's* dated May 3, at the close of the story on private credit and business-development companies, we had bullish things to say about a trio of baby bonds that yielded more than 6%. We wrote before we truly understood what we were talking about.

The three are Hercules Capital, Inc.'s 6¼s of 2033 (CUSIP: 427096847; triple-B-rated; $40 million outstanding), Oxford Square Capital Co.'s 6¼s of 2026 (CUSIP: 69181V305; not rated; $42.5 million outstanding) and Prospect Capital Corp.'s 6⅞s of 2029 (CUSIP: 74348T110; triple-B-minus-rated; $50 million outstanding).

Oxford Square and Prospect are exposed to the extent of 38% and 27% of their net assets, respectively, to low-rated securities, including equity and CLO equity tranches. Although Hercules focuses on first-lien debt, its specialty is venture-capital-led borrowers in technology and life sciences in early stages of development. The three bonds are trading a bit higher than they were four weeks ago. They probably shouldn't be.

•