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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the TCG BDC, Incorporated Fourth Quarter 2018 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to introduce your host for today's conference, Mr. Daniel Harris, Head of Investor Relations. Sir, you may begin.

Daniel F. Harris - *TCG BDC, Inc. - Head of IR*

Thank you, Dan. Good morning, and welcome to TCG BDC's Fourth Quarter and Full Year 2018 Earnings Call.

Last night, we issued an earnings press release and detailed earnings presentation with our quarterly results, a copy of which is available on TCG BDC's Investor Relations website. Following our remarks today, we will hold a question-and-answer session for analysts and institutional investors. This call is being webcast and a replay will be available on our website. This call and webcast is the property of TCG BDC, and any unauthorized broadcast in any form is strictly prohibited.

Any forward-looking statements made today do not guarantee future performance and undue reliance should not be place on them. These statements are based on current management expectations and involve inherent risks and uncertainties, including those identified in the Risk Factors section of our annual report on Form 10-K that could cause actual results to differ materially from those indicated. TCG BDC assumes no obligation to update any forward-looking statements at any time. Lastly, past performance does not guarantee future results.

With that, I'll turn it over to our Chief Executive Officer, Michael Hart.

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Thanks, Dan. Good morning, everyone, and thank you for joining us for our year-end and fourth quarter earnings call. I'm joined today by our management team, including our CFO, Tom Hennigan; our Head of Originations, Grishma Parekh; and our Head of Capital Markets, Erica Frontiero.

I'll begin this morning with a brief look at our financial results. Touch on a few of the highlights from the quarter and the year as a whole and provide some thoughts on the market.

Turning first to our financial results. Yesterday, we released our fourth quarter earnings, which were highlighted by a record level of net investment income of $0.47 per share, up 15% from prior quarters and capping a strong year overall, which saw a full year net investment income reach $1.73 per share. Driving the strong performance were consistent results from our core portfolio in our joint venture as well as the acceleration of certain amounts of OID associated with earlier repayments in the quarter.

Once again, our NII comfortably covered our fourth quarter dividend of $0.37 per share, as it has in every reporting period since our IPO in June of 2017. As you may recall from last quarter, we had approximately $12.5 million in undistributed NII, which equated to $0.20 per share. This amount was paid to shareholders in the fourth quarter, bringing total dividends paid in 2018 to $1.68. This amount represents nearly a 10% trailing dividend yield on our year-end NAV. The cushion of undistributed earnings has once again grown to $7.9 million or nearly $0.13 per share, which will carry forward into the first quarter of 2019.

We had a record level of originations in the fourth quarter, which speaks not only to the strength of our platform, but also highlight certain characteristics of the middle market that insulated it from the technical price volatility experienced in the more liquid markets. Repayment activity during the quarter was higher than usual, some of which was idiosyncratic and some of which reflected the continued refinancing activity that has been prevalent in the middle market. Grishma and Erica will provide some further details on new investment activity in the market environment, in a moment.

Our debt to equity at the end of the fourth quarter was 0.9:1, essentially flat to prior quarters. As we discussed upon our adoption of the lower asset coverage requirement last year, we haven't altered our investment strategy in any way. We'll continue to invest, where we see best relative value and any increase in leverage will likely be through organic growth in our asset base when market opportunities present themselves.

The higher level of repayments in the fourth quarter had a muting effect on our leverage ratio, which otherwise would have increased as a result of our strong originations. Our target leverage range is 1 to 1.4x. Volatility was not limited to the credit markets, as we saw our stock trade off during the fourth quarter in sympathy with the BDC sector and the broader equity markets in general and while we've seen close to a 20% recovery in our share price since year-end, we continue to believe that current trading levels don't reflect the company's strong fundamental performance.

As you may recall from our discussion last quarter, our Board approved a $100 million stock repurchase program. On November 15, the company began discretionary purchases and we've subsequently amended that plan to provide for the ability to purchase stock on a non-discretionary or programmatic basis under Rule 10b5-1. This was important strategically as there are significant periods of time typically around quarter and year-end when we're generally restricted from purchasing shares as valuations and financial results are finalized. Under the 10b5-1 program, we can purchase shares throughout these blackout periods, so long as these purchases are made within the price and volume guidelines set forth in the plan. Since inception, we purchased shares at prices we feel represent good value from a corporate finance standpoint. They've been accretive to both our NAV and our dividend yield, but we also view the program as another visible commitment to our shareholder alignment and the confidence we have in the value of our portfolio.

Through February 22 of this year, we have repurchased nearly 900,000 shares at an average price of $14.46, totaling $12.9 million of aggregate repurchases. This activity has increased our NAV by $0.04. Some of the factors that could influence the ongoing use of the plan include the stock price, the current investment opportunity set and our leverage levels. However, we expect to continue to use the program so long as shares are available at levels that we feel underprice the fundamental value of the stock. Despite a benign quarter from a credit standpoint, net asset value per share declined by $0.57 quarter-over-quarter from $17.66 per share to $17.09.

Two factors contributed to the change. First was the $0.20 special dividend, which was paid in the fourth quarter and second was the unrealized loss on investments largely due to widening market yields. Overall, our marks as they relate to pure credit performance were flat to the prior quarter, but the extreme volatility I referenced earlier led to mark-to-market movement across the portfolio. Both Erica and Tom will elaborate on a specific market movements and how these movements are captured in our valuation methodology, will also touch on the recovery that's been observed thus far in the first quarter.

With that, let me turn it over to Erica to provide some additional observations on the market.

Erica Frontiero - *The Carlyle Group L.P. - MD*

Thanks, Mike. The trends we saw throughout much of the year, robust leverage levels, record high purchase multiples being paid by private equity firms and persistent strong demand for middle market loans particularly by direct lending funds continued in the fourth quarter. Overall, the middle market saw flat net new issuance volume quarter-over-quarter as a function of less opportunistic financings, but higher M&A activity driven largely by add-on acquisitions.

Average new issue yields increased 40 basis points quarter-over-quarter as the market continue to benefit from rising LIBOR. And for BDC specifically, this resulted in the weighted average asset level yield across the portfolio, increasing to 9.5% during the fourth quarter. The largest change in the market occurred in December and was perhaps the most defining moment for the year. The secondary loan market experienced significant volatility and the market tone in the broader loan market shifted sharply negative in line with both the equity and the high-yield markets.

Secondary loan prices dropped to an average of 93 from 99 in September. This mark-to-market technical shift in the year was short lift and the loan market quickly reversed course and shifted upward in the first few weeks of 2019. Average secondary bid levels now stand at 96. The middle market did not see as great of a movement downward or back upward over this time, but did experience some directional contingent. The market fell-off and increased volatility was not credit driven, rather it was technical and liquidity driven. Loan prices experienced a rapid decrease, but actual loan defaults were immaterial and down from 2017. Many regional funds which are designed to manage liquidity and not necessarily long-term credit were forced to sell to meet reductions. During the quarter, loan mutual funds and ETFs experienced over $14 billion of redemptions, a major reversal of the $2 billion in inflows they received in the prior quarter.

As a result, secondary prices in the broadly syndicated loan market quickly declined, but the less liquid, credit focused, buy and hold middle market, saw less price volatility. Simply put, the loan market is a result. Default rates, the key indicator of the health and fundamentals of the loan market remain at historical lows of less than 2%. As we look forward to 2019, we have seen both the equity and credit markets rebound, the high yield market has reopened and institutional investors have returned to the low market. Secondary loan prices have rallied. The retail loan funds continue to see outflows given more dovish outlook on interest rates. We remain optimistic about the middle market opportunity and continued to approach the market constructively.

With that, I'll hand it over to Grishma.

Grishma Parekh - *The Carlyle Group L.P. - Partner & Head of Carlyle Mezzanine Partners*

Thanks, Erica. During the fourth quarter, we made 36 new commitments with 25 private equity firms, totaling $332 million. Our robust direct origination engine coupled the benefits of an integrated global credit platform allowed us to deliver one of our best origination quarters despite the market volatility. We were able to do this in our opinion, while remaining selective and defensive.

We continue to maintain high levels of diversity, while our average hold size in the BDC is $22 million. The ability to co-invest across our growing direct lending platform allows us to deliver a scale that is exponentially larger than that hold size reflects. This quarter 100% of our investments were to repeat sponsors, which are those private equity firms we have closed business with in the past, and about half of our investments were to existing borrowers. We're big believers of providing additional capital to clients and companies that are known commodities to our platform should produce better portfolio performance over the long term.

73% of our new commitments were first lien and 100% were in senior secured positions. Our portfolio remains anchored in first lien debt, but having the flexibility to deploy where we find the best course adjusted return opportunities across the capital stack is an important part of our investing strategy. This quarter we made 3 second lien investments in support of Brazilian companies in defensive sectors. Specifically, in the fourth quarter, the BDC provided a $65 million senior secured second lien term loan to support an acquisition by SmartBear, a software development platform. We had been a lender to the company since 2017 and utilized our incumbency as to provide certainty and speed.

We were awarded Lead Arranger and Administrative Agent on the financing for a market-leading defensive company in a technology space. We subsequently syndicated $25 million of the second lien in order to manage our exposure and rightsize our position. As it relates to some of the key metrics we monitor closely, they remain generally in line with our portfolio in prior quarters. The loan to value of our new investments was less than 50%, median revenue and EBITDA was approximately $200 million and $40 million, respectively. Our top industries remain technology and healthcare. Our portfolio companies on average continue to deliver strong performance with revenue and EBITDA growth of greater than 10% versus the prior year period, as of December 31, 2018.

We did experienced a higher than average repayment quarter. Sales and repayments of $343 million at the BDC and $122 million at the JV. This resulted in modest quarter-over-quarter portfolio contraction at both the BDC and the JV of about 2%. There was -- there wasn't anything notable in the market or in the portfolio that drove the elevated repayment level, rather it was sort of normal course repayment activity. Over the last few years, we have seen a shortening of whole periods by sponsors, who are taking advantage of peak valuations and we clearly saw wave of opportunistic financing activity earlier in 2018, though that has since temper. We also think the volatility that we saw in the fourth quarter should temper the pace of repayments going forward.

With that, I'll now turn the call over to Tom Hennigan to review our financial results.

Thomas M. Hennigan - *The Carlyle Group L.P. - MD*

Thanks, Grishma. Today, I'll discuss our fourth quarter financial performance, the current portfolio and drill down deeper in valuations in the impact of mark-to-market on our 12/31 NAV.

Total investment income for the fourth quarter was $56 million, up $5 million versus the third quarter. The increase was driven by strength across the board. Higher interest income from net growth in the portfolio and an increase in LIBOR, an increase in OID acceleration on repaid positions, higher one-time fees and solid income growth at our JV. Total expenses were $27 million in the fourth quarter compared to $26 million in the third quarter. The largest components of the increase were higher interest expense, again, driven by both higher average debt outstanding and the increase in LIBOR and higher incentive fees.

The end result was net investment income for the quarter of about $29 million, the highest level in our history, or $0.47 per share, which compares to $0.41 for the third quarter and our regular declared dividend of $0.37 per share. Of note on February 22, our Board of Directors declared the regular dividend for the first quarter of 2019 at the same $0.37 per share payable to shareholders of record as of the close of business on March 29.

On the financing front, we finished the fourth quarter with total debt outstanding of approximately $1 billion, generally in line with prior quarter. As of 12/31, we had approximately $300 million of total unused commitments under our credit facilities, which should provide adequate dry powder for new investment opportunities in future quarters.

As Mike noted, statutory leverage was unchanged versus prior quarter at 0.9x, but we do see this leverage level increasing in the first quarter, based on the current pipeline of new deal activity. Regarding the BDC's portfolio, overall credit performance was stable. The weighted average internal risk rating remained at 2.3, while the watch list and non-accruals remain largely unchanged based on fair value.

Let me spend a few moments and how we think about valuations. When we held our initial earnings call as a public company back in August of 2017, I highlighted that based on our robust valuation policy, each quarter you may see changes in our valuations based on both underlying borrower performance as well as changes in market yields and that movement evaluations may not necessarily indicate any level of credit quality deterioration.

This was indeed the case this quarter, based on the volatility in the market that Erica highlighted. Our total aggregate realized and unrealized net loss, excluding the JV was about $23 million for the quarter. The largest contributor to this loss was the increase in market yields across both the large cap and middle markets as well as reversal of prior appreciation on exited positions. In fact, if you remove the impact of market yields in the exits on the BDC portfolio, total net realized, unrealized was roughly flat for the quarter.

Further, given market yields have rebounded since 12/31, we currently expect a portion of the market-driven unrealized loss to reverse in the first quarter. Regarding the JVs performance, total unrealized depreciation was about $7 million in the fourth quarter. You look from our filings that we changed our approach for valuing our equity investment in the JV from NAV to a discounted cash flow analysis, which we think provides more appropriate valuation. The result of the change in valuation was considered immaterial to both current and prior period financial results. The dividend yield on our equity in the JV, was a solid 14.4% for the fourth quarter, in line with our mid-teens target. In the first quarter of 2019, we do expect some contraction from that level given we're currently running the JV at modestly lower leverage.

Now, I'll turn it back to Mike for some concluding remarks.

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Thanks, Tom. We're very pleased with how the overall business performed in 2018. Since going public in June of 2017, we've continued to prudently grow our business, raising complementary pockets of capital and expanding our platform capabilities across origination, capital markets and portfolio management. Today, we have a record level of dry powder and the largest number of investment professionals devoted to the strategy than at any point in our history. What has not changed is our adherence to our original investment thesis.

Despite our operating history having largely been conducted through periods of intense competition, we've never sacrificed credit discipline for the sake of AUM growth or increased yields and I believe the composition of our portfolio today reflects that. This strategy has created a platform that's delivered consistent earnings and what has been a benign credit environment, but also one that's well positioned to capitalize on opportunities that may materialize in the event of a shift in the credit cycle. We like to say we have consistently delivered a competitive yield with defensive characteristics to our investors.

I'll wrap up our prepared remarks with a brief recap of this year's highlights focusing on 5 items. First, we've delivered quarter after quarter of consistent NII, which demonstrates the earning capacity of a broad platform that has provided strong dividend coverage throughout our operating history. We've continually demonstrated high quality origination activity across the broadening sponsor universe. Strategically, we were a first mover in receiving both Board and shareholder approval for increased leverage in a prudently used our incremental leverage capacity and high quality organic growth and we have further diversified our investment universe with the expansion into the ABL space. And finally, we implemented a $100 million stock repurchase program complemented by significant senior management stock purchases during the quarter. A further demonstration of our belief in the value of our business and our commitment to our shareholders.

I'd like to thank you all for joining us today. And I'll hand the call back over to the operator, and we'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Arren Cyganovich with Citi.

Arren Saul Cyganovich - *Citigroup Inc, Research Division - VP & Senior Analyst*

The increase in loan yield quarter-over-quarter, I would imagine is mostly driven by the recent rate increases -- is -- what's the spread environment looking like? Did you see any benefit from the volatility at the end of the quarter? Or are we backed down to tighter levels in the current pipeline?

Grishma Parekh - *The Carlyle Group L.P. - Partner & Head of Carlyle Mezzanine Partners*

Yes, nice to speak to you. This is Grishma. So you're right, the majority of the reason for the increase in yield is the increase in LIBOR. And you touch on a good point as it relates to December volatility. As Erica mentioned in her comments, a lot of that was housed in the broadly syndicated market and we did generally sign that the middle market, where we spend mostly all of our time was insulated from that as it relates to any material changes immediately on leverage or pricing. We do say given, how severe the volatility was that a lot of our middle market private equity clients did kind of take a step back and they -- we prioritize things that they always did was important to them, but particularly certainty and working with those lenders that they have long-term relationships with and will provide them with the execution that they're looking for. And so a lot of our conversations with them did pivot as it relates to what can we do that's more partnership minded and they are starting to see a little bit of a change in the tone as it relates to terms and documentation, which we had noted in a lot of other calls had gotten to the outer limits in terms of aggressiveness. So no material changes on spreads, but we really haven't seen any material spread compression over the last several quarters.

Arren Saul Cyganovich - *Citigroup Inc, Research Division - VP & Senior Analyst*

Okay. Thank you. And then in terms of -- I think you mentioned that the JV is likely to have some contraction in yield in 1Q. Could you elaborate on what's driving that please?

Thomas M. Hennigan - *The Carlyle Group L.P. - MD*

Yes, sure. This is Tom. It's -- I was alluding to our return, the dividend yield on the JV, not the yields within the JV and that's primarily driven by the leverage of the vehicle. Historically, we've targeted 5x leverage based on invested capital and at the end of 2018 based on the volatility in the market, we elected with our JV partner to reduce the equity on a book basis to somewhere closer to 4x. So just based on that more equity in the system, lower leverage in the vehicle, we expect reduction in the yield on our equity investment in the first quarter. Yields roughly flat quarter-over-quarter of the underlying investments.

Operator

And our next question comes from Ryan Lynch with KBW.

Ryan Patrick Lynch - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

First question, when I talk about the share repurchases, I was little surprised by the lower level of share repurchases in the fourth quarter, maybe the 10b5-1 program fixes that, but just given the price to book discount that you guys were trading at particularly with the big market sell-off in the fourth quarter. The capital availability you guys have, the net repayments in the quarter, I would have thought that more than $5 million to $100 million share repurchase program would have been utilized in the quarter. So could you just comment on that?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Sure. Ryan, this is Mike, great question. Let me give you a couple of the variables that we think about as we try and implement that plan. As you know, we put that in place at the end of November. Couple of things that went into the consideration is the fact that we have as you know part of the -- as part of the IPO process the release of the pre-IPO share. So that's happening on a semi-annual basis, it occurred in December of '17. June of '18 and at that time we were sort of on the edge of the third release. As you probably also remember that puts enormous technical pressure on the stock. It had previously and history has shown that it did again here, but that's also complemented or contributed with the overall sell-off in the BDC space as well as the overall general sell-off in the broader market. So we think about that also in the context of the fact that we have prolong periods around quarter-end and in this instance, I'll give you the exact dates. Our blackout windows run from December 10 and they run through March 1 of this year. So thinking about putting a program in place that's non-discretionary, which we did because what we did want to do is to provide consistent support throughout that period, but didn't want to be buying stock when the market was entirely selling the industry. And so that's a fine line that we put between supporting the stock, making good investments in terms of the stock that we buyback. But at the same time not wasting the money in a downdraft that has no real defined bottom. And we saw that really play out in spades, where our stock in particular went from $15.60 at the beginning of -- at the end of December to closing the year around $12.40. We've seen a nice recovery there back to the year the $15 range and that's in -- I would like to think it's in some event or some resolve of the buyback plan supporting that, and also the general recovery in the market. So we'll continue to actively buy at these levels and provide that support, but it's going to be balanced by appreciating that we want this plan to be in place over the long term, so that we can provide the kind of support that we want to overall for the shareholders.

Ryan Patrick Lynch - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay, that's helpful. And then one clarification on your prepared comments. Mike, I think you said you've made $12.9 million of aggregate purchase, about $0.04 accretive to NAV. Is that the purchases in Q4 and Q1 or is that just the purchases in Q1?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

That's two date, so that would have been purchases from November 15 through February 22nd.

Ryan Patrick Lynch - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Sure. Okay. And then you guys announced that recently Jeff Levin has departed the firm, he was obviously important piece to the BDC. Can you just comment on the facts surrounding his departure? And then how you guys are planning on filling his responsibilities at the company?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Sure. Listen, Jeff and I worked together for a long time. There is no real facts about around the departure other than he was moving on to another opportunity. Speaking organizationally, we really aren't in a position where we need to make any changes, you've heard from the leaders of the business that today or on the call, the people that lead the primary functions of the direct lending business, Underwriting and Risk Management led by Tom; Capital Markets led by Erica; and the Origination Function led by Grishma which have been and will continue to do so. I think the other comment that I'd make is the broadening of the global credit platform that has been experienced and particularly when you think of some of the capabilities around Investor Relations and credit sales, that's the sort of support, the broaden support that allows us to have flexibility as the inevitable personnel changes occur in this business. So wish Jeffery, wish him well, but the responsibilities that Jeff had its been absorbed amongst the management team as well as the broader credit platform.

Ryan Patrick Lynch - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay, that makes sense. You mentioned that obviously, you guys had a very strong prepayment -- repayments this quarter and excess that obviously accelerated OID and prepayment fees this quarter. Can you maybe just provide a little context or color around what were the level of accelerated OID and prepayment fees this quarter? And then how does that compare maybe on what you guys expect on a go forward basis? Trying to -- just trying to get an expectation of what was the kind of increase this quarter versus kind of what is an average run rate that we should expect going forward?

Thomas M. Hennigan - *The Carlyle Group L.P. - MD*

Sure. Ryan, when you look at the increase versus more normalize, the OID accretion was probably a $1 million plus in excess of what we would typically experience and then, total fees also probably about $1 million in excess. So when you look at that, that would be what I'd say the just based on heavy repayment activity the outsized income for fourth quarter.

Ryan Patrick Lynch - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Okay. And then if I can just ask one more on that kind of higher level of repayment that you guys saw in the fourth quarter, are you guys seeing any of those similar trends in the first quarter of those kind of return to more normalized levels?

Thomas M. Hennigan - *The Carlyle Group L.P. - MD*

What I'd say is actually in the first quarter to Grishma's point about the market volatility. I think it's slowed the pace of repayments we're seeing the opposite in the first quarter, actually, that's why I noted our leverage will probably tick up in the first quarter, we continue to have solid new deal originations, but on the repayments front a pretty light for this quarter.

Operator

(Operator Instructions) Our next question comes from Derek Hewett with Bank of America Merrill Lynch.

Derek Russell Hewett - *BofA Merrill Lynch, Research Division - VP*

Could you talk to about through your willingness to operate with a higher leverage under the current macro backdrop. Are the current conditions favorable to operate near the -- kind of that 1.3:1.4 target? Or does it make sense to maintain leverage around the current levels given the commentary that leverage might tick up a bit based on slowing repayments in the first quarter?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Yes. Derek, this is Mike. I'll take that and they certainly can chime in. We look at our business as being able to operate very comfortably within the band that we've set forth, which is a 1 to 1.4. As we move within that band, there's lots of things to consider. And that is what the composition of our portfolio looks like, what the external market looks like, and what are -- primarily what our investment opportunities that looks like. There is no elements of what's going on in the market today that would lead us to believe that operating within that band is so precise that you would be pushing the outer limit at 1:4 or would be completely under levered at 1.0x. It's really a function of having the ability to invest in the best relative value and appreciate that there is a natural lumpiness to this business, that might push leverage based upon an idiosyncratic repayment or significant investment opportunity that could change our leverage level a point or so. So we operate a business that we feel has that operational flexibility and certainly is comfortable within that risk band it's implied by moving leverage from say 1 to 1.4x. Any comment, anybody else?

Derek Russell Hewett - *BofA Merrill Lynch, Research Division - VP*

Okay, great. And then given the strong core earnings relative to the dividend. Could you talk about your dividend policy? At some point, well the core dividend be reevaluated or is the thought process that you're just going to continue to pay a special payout either at year-end or potentially sometime in subsequent quarters to meet requirements?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Sure. Well as a basic policy matter we evaluate that all the time and certainly at each quarter-end. It has been our view that setting a consistent dividend at $0.37 the time of the IPO made good sense and it was a level that we had high level of confidence in. And it was the level that we felt had strong support when you're looking at simply the core contribution of our portfolio. We don't look to rely on a lot of one-time fees or OID. You look at a quarter like this and as Tom and others have explained, the increase over a base I'd really call $0.41 has been largely attributable to the early repayments. That's not something we rely on. But we also recognize that over the course of the year, those things are going to occur and that gets back to another element of this business that can be lumpy. And so we try to do 2 things, we want our investors to understand that we have a high level of confidence in the $0.37, we have a belief that we will be able to earn over the year an amount in excess of that, we try to provide transparency as I did today on exactly where we are on a quarter-by-quarter basis on the excess and it would be our intention to pay that at a very high level at the end of the year. And so that's the way we approach it. We want confidence in the $0.37. We want our investors to believe that we can earn that and we also want people as we've demonstrated in the last 2 year-end reporting periods that we have the capacity to grow in excess of that, and that will come in the form of a special dividend.

Derek Russell Hewett - *BofA Merrill Lynch, Research Division - VP*

Okay, great. And my last question is regarding the comment that the mark-to-market losses witnessed in the fourth quarter. Can you provide a little additional color or quantify it, just in terms of how much of that has reversed assuming kind of current market conditions?

Thomas M. Hennigan - *The Carlyle Group L.P. - MD*

Sure. Derek, this is Tom. If you look at the yields we track based on the recent yields, we estimate roughly 1/3 of the mark-to-market negative impact in the fourth quarter would be reversed, if we were to close the first quarter today.

Operator

And our next question comes from Finian O'Shea with Wells Fargo Securities.

Finian Patrick O'Shea - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Congratulations on the quarter end, we're appreciative of your thorough mark-to-market approach is refreshing stance to take this quarter. Just kind of putting a lot of these questions and comments together today sort of a global question comes to mind and that is you're growing NOI with still runway going forward, I think as on piecing together and the incentive fee structure, which doesn't have a credit look back. So if I strip out this quarter's mark-to-market losses, your 2018 results still have a few credit patches here. I think it's about a mid-single-digit return on the GAAP side and then your NOI return looks like it's driving into the low- to mid-double digit handle which one way or another intels more risk. So at this juncture pushing into 2:1 leverage and delivering very solid NOI returns. Do you have an updated view as to why not have a credit look back?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Fin, this is Mike again, thanks for the question and thanks for the comments on our overall results. Listen, we look at compensation of the manager holistically, including both the management fee and the incentive fee. And we've tried throughout our history as you know to constantly evaluate all elements of it, including providing significant waivers during private periods, instituting reductions on both the management fee and the incentive fees both through the IPO process as well as the adoption, the new asset coverage levels that we feel that the each of those singularly and in combination, match or exceed the best in the industry. We do feel that, when considering management compensation, you look at what we're delivering and also what the managers providing with respect to support in terms of personnel and franchise contributed. And so all in all, we try to view that as a fair -- a fair deal between our investors as well as the investment manager. And we've done so and evaluate each one of those components, all the time. At this time, we think it is in fair balance and the returns that the shareholders have received and the compensation that the manager has received are balanced and -- but as with all other elements of our business, we continue to look for ways to be supportive, to be responsive to what our investors are looking at, but with respect to the compensation package, we feel that it's in balance and in the context of the market today.

Finian Patrick O'Shea - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Sure. Thank you for the color there. Just one more, and forgive me if this is repetitive as you were discussing with Mr. Lynch previously, I believe the 10b5-1 was -- sounds like it was put into place after the debts of the volatility. Can you give us a little bit of perhaps a ballpark estimate of how much would have been repurchased if the 10b5-1 was in place mid to late December?

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

The 10b5 plan -- the 10b5-1 plan was in place as of late November, purchases occurred throughout that period and occurred consistently through that period day to day. So again Fin, what we're trying to recognize, what we try to do strategically is provide a plan that had us in the market, that gave us the ability through what we knew was going to be a highly volatile time from past history, putting aside what was going on within the industry in terms of the overall market volatility, we knew we were going to have technical volatility. And -- but we also knew that we didn't want to set that -- those non-discretionary purchase levels at a rate that would outpace where would really want to put the amount that would really want to put to work. We feel we struck that balance fairly well in that, we sort of rode through the technical and what I'd call technical downdraft on both our share release as well as what was going on in the broader market given the recovery. And we're at a point now -- we're at, we're trading about 85% book-to-NAV or price-to-NAV. That's in our mind not fair value for what our -- it's where our stock should trade, and we would expect to support the share price going forward at this level. So it will be a continuation and we'll reevaluate it as we move -- we'll reevaluate those levels of which we're buying as we move into an open window period at the end of this week.

Operator

Thank you. And I'm not showing any further questions at this time. I would now like to turn the call back over to Daniel Harris for any further remarks.

Daniel F. Harris - *TCG BDC, Inc. - Head of IR*

Thanks, Dan, and thank you, everyone for joining us today. If you do have any follow-up questions, feel free to contact Investor Relations after the call. Otherwise, we look forward to talking with you again next quarter.

Michael A. Hart - *TCG BDC, Inc. - Chairman & CEO*

Thanks, everyone.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone, have a wonderful day.
