Month	BDC Fund II*	S&P 500 TR	NASDAQ Comp	Dow Jones	Russell 2000 (DRI)
FYE - 2009	4.37%	5.49%	6.91%	7.37%	3.49%
FYE - 2010	73.04%	15.07%	16.91%	11.02%	26.85%
FYE - 2011	-46.38%	2.11%	-1.80%	5.53%	-4.18%
FYE - 2012	28.21%	16.00%	15.19%	7.25%	16.34%
January - 2013	6.08%	5.18%	4.06%	5.77%	5.96%
February - 2013	1.45%	1.36%	0.57%	1.40%	1.33%
March - 2013	2.42%	3.75%	3.40%	3.73%	4.62%
April - 2013	2.85%	1.93%	1.88%	1.79%	-0.37%
Year to Date	13.37%	12.74%	10.25%	13.24%	11.98%
Inception to Date	40.76%	62.96%	56.85%	52.78%	64.48%

* Fund's inception was October 1, 2009. Performance shown is net of all fees & expenses including management & performance fees. Past performance is not necessarily indicative of future performance. This material does not constitute an offer to sell (nor the solicitation of an offer to buy) interests in BDC Fund II, LP (the "Fund"). Offering is made by Private Placement Memorandum from a Principal only. The indices included above are presented only to provide a general indication of U.S. Stock market performance for the periods indicated and not as a standard of comparison because they are unmanaged, broadly based indices.

APRIL 2013 RESULTS

The Fund recorded an excellent return in April, the second highest of the year to date: up 2.85%. Like last month, the gain was recorded despite choppy market conditions intra-month. The volatility index jumped 43% between April 12th and April 15th. The VIX then subsided, only to jump up 25% on April 18th. The BDC sector saw stock prices drop as much as 7% in mid-month, before recovering for a fractional gain (0.19%) in the period. Nonetheless, the Fund managed to outperform all the stock indices we compare ourselves against in the period. The worst performer was last month's best performer (there's a moral in there somewhere): the Russell 2000, down -0.37% in April. The index that came closest to our result was the S&P 500 index, up 1.93%.

Year-to-date, the Fund has regained the top spot versus all the other indices after falling into the middle of the pack last month. We are up 13.37% in the first third of the year, with the Dow Jones second at 13.24%, and the S&P at 12.74%. Last, but still sporting a great return, is the NASDAQ Composite: up 10.25%.

Inception to date, which amounts to 43 months, the Fund is up a highly encouraging 40.76%, after all fees and expenses. Yes, we do trail all the other indices (the Russell 2000 is the leader over the period: up 64.48%, and the Dow Jones is the lowest ranked of the indices at 52.78%). We remain cautiously optimistic that we will catch up with these remarkably successful indices in the future.

We don't make that comment idly. The Manager believes the revised strategy we've implemented over the past 16 months can generate superior returns over the long run. To quantify our confidence, we've again asked the independent administrator, PartnersAdmin, to calculate the Fund's returns since January 1, 2012, and compare the results against the stock indices (see chart below). BDC II is up 35.71% in the period, beating all the other indices. The closest is the S&P 500 (although results have been outstanding during that period), which is up 30.78%. The "worst" performer is the Dow Jones at 21.46%.

Month	BDC Fund II	S&P 500	NASDAQ Comp	Dow Jones	Russell 2000 DRI
Jan. 2012 to Date	35.71%	30.78%	27.79%	21.46%	30.27%

Another point of comparison we make every month is the performance of the Fund versus hedge funds generally (because, as the airlines say, we know you have a choice). According to the Dow Jones Credit Suisse Core Hedge Fund Index, "hedge funds posted broad gains in April that saw the average industry player add 0.72%", versus BDC II's 2.85%. As in many previous periods, the Fund outperformed the average hedge fund by a 4:1 margin. YTD the Dow Jones Credit Suisse Core Index is up 2.82%, versus 10.7% for BDC II, a 3.8 multiple higher.

MIXING IT UP

As mentioned earlier, the BDC sector performed anemically in both March and April. According to data generated by PartnersAdmin, the sector was up 0.53% in March and 0.19% in April. (We don't believe the BDC sector has peaked yet, but may be taking a breather). Despite the weak performance of BDC common stocks, the Fund has performed well in both the last 2 months thanks to the Manager's multi-sector investing strategy, a critical element of the revised approach we have adopted since January 2012.

All the other leveraged debt sectors have been performing better than the BDC sector in this 60 day period, judging by our internal Buy List numbers for each sector. Our High Yield Bond investments, both in the form of un-leveraged Exchange Traded Funds and leveraged Closed-End Funds, have seen price appreciation in the period, and the investments that we remain in (we did exit lower yielding instruments earlier) are paying above average yields. That's news because industrywide "Junk Bond" yields have just dropped below 5.0% for the first time in history, and higher quality BB rated bonds are closing in on 3.0%!

Likewise, our investment in Floating Rate Loans, which we began to make in earnest over a year ago, has been paying off in the form of higher prices and decent yields (about 4.0% unleveraged, 6.5% leveraged). Investors have "discovered" the sector, and Floating Rate ETFs and Closed End Funds are attracting record amounts of capital, even though the underlying new loan activity remains modest. One day (and we admit that day could be years away), we expect our Floating Rate Loan investments could achieve capital appreciation of 20% or more when interest rates rise.

Finally, the Fund's investments in BDC Notes, which began in late 2011 and has expanded over time, are proving to be highly successful. Of the 24 different issues we own, every single one is higher in price than at the beginning of the year, and most are 52 week or all-time highs. Although virtually all the BDC Notes are rated BBB, which is "investment grade" we are generating an average yield therefrom of nearly 7.0%.

We believe that the Fund's ability to invest across a range of debt classes is a great strength, as illustrated above, and will continue to be a benefit in all market conditions.

DIVERSIFICATION

Another tenet of the Fund's revised strategy has been to emphasize investment diversification, as discussed in prior Newsletters. Here's a brief update on what's new in recent weeks where diversification is concerned:

We are fortunate that a number of new potential investments in different sectors have come to market. This has increased the size of the Fund's Buy List (prospective investments which meet our initial screening criteria for risk and liquidity). In May, a new BDC went public (Harvest Capital) and last month Garrison Capital (already in portfolio). By our count, there are now 37 BDCs, a 75% increase from the number at the beginning of the Great Recession. Furthermore, a number of BDCs have issued "baby bonds" (the unfortunate term for publicly traded debt) in recent weeks. One and a half years ago there was just 3 "baby bonds" available to invest in. Today there are 24, as we mentioned earlier, and several new issues announced.

Also encouraging are the three new Exchange Traded Funds added in the Floating Rate Loan sector in recent months (two issues just days apart). Six months ago there was only one, highly

liquid, Floating Rate Loan ETF. Furthermore, we have also added a new Closed End Fund to our Buy List: Ares Capital (one of the premier credit management groups) investment that invests in High Yield Bonds, but also in Floating Rate Loans and Collateralized Loan obligations.

The Fund's total Buy List now numbers over 110 investments, and we expect the universe to grow further, which is a boon to the diversity and liquidity of our portfolio. As we've stated before, we believe we have the most diversified ("granular" is the term of art that we've seen used recently) portfolio of leveraged debt investments that you will be able to find in either the public or private markets. At the same time, though, we continue to undertake "bottoms up" analysis of each investment to ensure that they meet our criteria. For example, we will drop from our Buy List any investment with too great a weighting of CCC (the most speculative rating) investments, or where we detect a material deterioration in credit quality. (We've had concerns about a couple of "junk bond" Closed End Funds in recent weeks in this regard).

OUTLOOK

Given that we begin every Newsletter with a review of past performance, we thought there might be symmetry in closing with a projection into the future. We are intending to make this Outlook section a regular feature. We will be using the real-time calculation in the Fund's proprietary spreadsheet, which calculates the prospective gain on every investment in portfolio assuming Realizable Value is reached to project pro-forma capital appreciation. Furthermore, we add-on our projected dividend and interest income for the year ahead. We deduct projected margin interest expenses, other operating costs and asset management fees (but not profit allocation because that is different depending on each investor's high water mark). The net result is the potential return in the next 12 months. As you can see, the projection is based on a series of assumptions, all of which will vary in practice from our estimates. So, please take this Outlook with many pinches of salt.

Anyway, at time of writing (Wednesday May 8th), the Fund is leveraged 2.8 : 1.0. That means that for every dollar of equity, the Fund has $1.8 in borrowings. Approximately 60% of the Fund's assets are in low returning - lower volatility investments such as the BBB rated BDC Notes mentioned earlier, and 40% in higher return-higher volatility investments such as BDC common stocks, Floating Rate Loan and High Yield Bond Closed-End Funds. Comparatively with prior periods, this is a middle of the road risk profile for the Fund. We have considerable liquidity and the ability to lever up to 3.0 : 1.0.

At this point, the gross dividend income is "only" 18.0% of Investor Equity because we are keeping our powder dry. Expect the gross yield to range between 20-24% in the future. (This number is important because the Fund distributes ALL gross dividend and interest income monthly to investors).

Overall, as described above, the potential return over the next 12 months currently is 32.7%, with 55% of gross gains coming from potential price appreciation and 45% from dividend income. Most of the capital gains should come from our higher volatility investments in BDC common stocks and Floating Rate Loans.

UPGRADED WEBSITES

We want to invite all of you to "check out" our recently updated Southland Capital Management website. With the assistance of talented designer Steve Howells, of Howells Technology, we have greatly improved the look of the SCM website, both for existing and prospective investors seeking information about every aspect of the Fund and the Manager. There is still work to be done (isn't there always with websites?), but the look and feel are greatly improved. Please go to www.southlandcapitalmanagement.com. Remember the password for Accredited Investors is the so-subtle word: invest.

We would also strongly urge you to tour the updated BDC Reporter website. We've been publishing the BDC Reporter for several years now, with content added intermittently. However, with the help of Steve Howells (he's been very busy and so have we) and the use of a service called Rebel Mouse (which is utilized by the WSJ), we've been able to greatly expand our coverage of the BDC industry, and other forms of leveraged debt, as well track important developments in the U.S. economy and in the Private Equity industry. At the BDC Reporter you'll find constantly updated content that we've "curated" from third parties, as well as comments and in-depth analysis from your CIO Nicholas Marshi. If you want to have an insight into the breadth and depth of the analysis the Manager undertakes before pulling the trigger on investing, spend some time exploring www.bdcreporter.com. We figure that we have to do this research anyway, so why not give any interested parties, whether investors or the public at large, the benefit of what we've found, and an insight into our own analytical approach.

Please let us know your thoughts and suggestions about both websites.