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CORPORATE PARTICIPANTS

Armen Panossian *Oaktree Specialty Lending Corporation - CEO & CIO*
Christopher McKown *Oaktree Specialty Lending Corporation - MD,CFO & Treasurer*
Mathew M. Pendo *Oaktree Specialty Lending Corporation - President*
Matthew Stewart *Oaktree Specialty Lending Corporation - MD & COO*
Michael Mosticchio *Oaktree Specialty Lending Corporation - IR*

CONFERENCE CALL PARTICIPANTS

Bryce Wells Rowe *B. Riley Securities, Inc., Research Division - Senior Research Analyst*
Erik Edward Zwick *Hovde Group, LLC, Research Division - Director*
Finian Patrick O'Shea *Wells Fargo Securities, LLC, Research Division - VP and Senior Equity Analyst*
Kyle Joseph *Jefferies LLC, Research Division - Equity Analyst*
Melissa Wedel *JPMorgan Chase & Co, Research Division - Analyst*
Paul Conrad Johnson *Keefe, Bruyette, & Woods, Inc., Research Division - VP*

PRESENTATION

Operator

Hello, and welcome. Thank you for joining Oaktree Specialty Lending Corporation's First Fiscal Quarter Conference Call. Today's conference call is being recorded. (Operator Instructions)

Now I would like to introduce Michael Mosticchio, Head of Investor Relations, who will host today's conference call. Mr. Mosticchio, you may begin.

Michael Mosticchio ***Oaktree Specialty Lending Corporation - IR***

Thank you, operator, and welcome to Oaktree Specialty Lending Corporation's First Fiscal Quarter Conference Call. Our earnings release, which we issued this morning, and the accompanying slide presentation can be accessed on the Investors section of our website at oaktreespecialtylending.com.

Joining us on the call today are Armen Panossian, Chief Executive Officer and Chief Investment Officer; Matt Pendo, President; Chris McKown, Chief Financial Officer and Treasurer; and Matt Stewart, our Chief Operating Officer.

Before we begin, I want to remind you that comments on today's call include forward-looking statements reflecting our current views with respect to, among other things, the expected synergies and savings associated with the merger with Oaktree Strategic Income II Inc., the ability to realize the anticipated benefits of the merger and our future operating results and financial performance.

Our actual results could differ materially from those implied or expressed in the forward-looking statements. Please refer to our SEC filings for a discussion of these factors in further detail. We undertake no duty to update or revise any forward-looking statements.

I'd also like to remind you that nothing on this call constitutes an offer to sell or solicitation of an offer to purchase any interest in any Oaktree fund. Investors and others should note that Oaktree Specialty Lending uses the Investors section of its corporate website to announce material information. The company encourages investors, the media and others to review the information that it shares on its website.

With that, I would now like to turn the call over to Matt.

Mathew M. Pendo ***Oaktree Specialty Lending Corporation - President***

Thanks, Mike, and welcome, everyone. Thank you for joining us today and for your interest in and support of OCSL.

We identified a diverse set of attractive investment opportunities in our first quarter, driving strong origination activity and solid earnings. Adjusted NII was $0.57 per share, down from $0.62 for the prior quarter. These results reflect higher interest income from our predominantly floating rate portfolio and benefits of the scale we built with the OSI2 merger. However, our results were impacted by idiosyncratic performance challenges at four portfolio companies. Armen will provide more specifics, but we experienced an uptick in nonaccruals during the quarter as a result.

We are engaged in working with each company to address their specific situations. We are drawing upon our long history and proven expertise in turning around challenged investments as well as the deep resources of Oaktree, to maximize outcomes for our shareholders.

Investments on nonaccrual status at quarter end represented 4.2% and 5.9% of the debt portfolio at fair value and cost, respectively. That was up from 1.8% of the debt portfolio at fair value and 2.4% of the portfolio at cost last quarter.

We reported NAV per share of $19.14, down from $19.63 per share for the prior quarter. The decline reflected realized and unrealized losses on certain debt and equity investments, including the markdowns on the aforementioned four portfolio investments, as well as the $0.07 per share special distribution that was paid in December. This was partially offset by broader credit spread tightening across the portfolio.

Our investment activity for the first quarter was strong, with $370 million of new investment commitments, up substantially from $87 million in the prior quarter. We continue to find attractive opportunities across sponsor, non-sponsor and discounted publicly traded credit investments, generating net portfolio growth for the quarter, even as we maintain our highly selective approach to investing amid the uncertain current economic environment.

Importantly, our new originations were made during an attractive environment for private credit, highlighted by higher interest rates and lender-friendly deal structure and terms, including lower leverage and loan to values. The weighted average yield on new debt investments was 11.6%

On the repayment front, we received $214 million from paydowns and exits in the first quarter. While market activity has eased overall, given higher interest rates and fewer M&A transactions, we continue to receive steady levels of repayments. We have also been opportunistically selling out of certain liquid securities, including several junior capital positions.

As we noted previously, about 30% of our portfolio turned over in fiscal year 2023, and that trend continued into the first quarter. We believe this amplifies the strength of the overall portfolio and our underwriting and selection process.

As we see portfolio exits, it is largely because of these companies' achievements of their respective financial goals, enabling them to pay down debt, refinance at lower rates or sell at attractive prices to larger competitors. In short, these outcomes effectively validate our initial investment decisions.

Importantly, our portfolio turnover continues to drive a positive shift in our investment composition. Our first lien investments increased from 71% as of September 30, 2022, to 78% as of December 31, 2023. At the same time, second lien investments decreased from 16% to 8%. This shift underscores our emphasis on improving the risk profile of our portfolio.

Turning to the right-hand side of our balance sheet. As always, we maintained ample liquidity to meet funding needs. At quarter end, our net leverage ratio was 1x, consistent with the prior quarter. We had $908 million available on our credit facilities and $112 million of cash.

Our Board approved a quarterly dividend of $0.55 per share, consistent with the prior quarterly distribution. Importantly, our dividend continues to be covered by our earnings, despite the headwinds caused by the increase in nonaccruals.

With that, I would like to turn the call over to Armen, to provide more color on our portfolio activity and the market environment.

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

Thanks, Matt, and hello, everyone. I'll begin with comments on our portfolio activity and then conclude with observations regarding the market environment.

Our portfolio was well diversified with $3 billion of fair value across 146 companies at the close of the quarter. We continue to prioritize investing at the top of the capital structure, with 86% of the portfolio invested in senior secured loans and first lien loans representing 78% of the portfolio at fair value.

To further minimize risk, we are focused on larger, more diversified businesses. Median portfolio company EBITDA as of December was approximately $133 million and leverage in our portfolio companies was approximately 5.3x, well below overall middle market leverage levels.

Our portfolio companies have been performing well despite the higher interest rate environment. The portfolio's weighted average interest coverage based on current base rates was in line with the prior quarter at 1.9x.

In the December quarter, we originated $370 million of new investment commitments across 14 new and 10 existing portfolio companies. Nearly all of these originations were first lien loans.

The diversity of our origination is evident in key examples from the quarter. AmSpec, one of the world's largest testing and certification services providers, specializing in energy commodities and fuels. Oaktree was presented with an opportunity to be the lead underwriter to fund the purchase of the company by a sponsor, and provided $301 million of a $710 million financing package for the company, which came with a 2.5% original issue discount and a SOFR plus 5.75% coupon. OCSL was allocated $43 million of this transaction.

PetVet, an operator of veterinary hospitals. As joint lead arranger and one of the largest lenders in the deal, Oaktree made a $673 million total commitment with the company, with OCSL allocated $71 million.

ProFrac, an oilfield services business with fracturing fleets and sand mines. This is a non-sponsor name that Oaktree has been invested in for several years. And as part of a refinancing package, Oaktree made a $150 million commitment in the $520 million refinancing. OCSL was allocated $29 million.

We also made $68 million of secondary market purchases, including discounted first lien bonds at an average price of 90.

As we move further into the new year, our origination activity is healthy, and we have a strong pipeline of opportunities.

Turning to credit quality. As Matt noted, we experienced an increase in nonaccruals during the quarter, driven by the additions of Thrasio, Impel Pharmaceuticals, OTG Management and Stitch acquisition, also known as Singer. Another name CIG Logistics, which had been on nonaccrual, was restructured and thus removed from nonaccrual status.

Looking closer at the new additions, I'll begin with Thrasio, an Amazon Marketplace aggregator. This is a company that capitalized on elevated demand during the pandemic, which required growing its operations and increasing leverage. Recently, it has faced operational challenges related to supply chain delays and inventory, as well as reduced Amazon traffic. The company entered forbearance on our loan during the first quarter, and we are engaged with the management team and other lenders to develop a new path and the best possible outcome, potentially including a restructuring.

Regarding OTG Management, this company operates an airport concession business across several airports throughout the U.S. We made this investment alongside our Opportunities funds in 2021, as the company was emerging from the pandemic travel slowdown. While the company's performance has been solid as air travel has rebounded, it has faced a higher interest expense burden from the increase in interest rates, pressuring cash flow generation.

Given these headwinds, in January, the company announced a series of initiatives to position the business for long-term growth and stability, including an agreement under which Oaktree and other investors will acquire the company. While this is a fluid situation, we are confident in the long-term prospects for this business.

Impel Pharmaceuticals is a biotech company that develops central nervous system drugs. Sales of a key product have been slower than anticipated, and the company filed for bankruptcy protection during the December quarter. The company is currently engaged in the sale process as it exits bankruptcy, and we're focused on maximizing the long-term value of the business and our ultimate recovery. We'll have more to share on this name as the sale process plays out in the coming months.

Lastly, Singer, the world's largest consumer sewing machine company, had initially seen a surge of business during the pandemic, but it has since endured a slowdown. The sponsor has previously supported the business with additional capital, and we are working with other lenders on a solution as the company returns to growth. While the company has stayed current on its cash interest payments, based on secondary trading prices, we determined that it was prudent to move this investment to nonaccrual.

It is important to note that the rest of our overall portfolio is in solid shape. And with each of these nonaccruals, we are leveraging Oaktree's extensive experience in workouts to achieve successful outcomes on behalf of our shareholders.

We are closely monitoring the health of our overall portfolio, mindful that the high interest rates in the past two years have carried into calendar 2024. Increased borrowing costs, as you've heard me say here before, present elevated potential for more borrowers to struggle to service increasingly expensive debt.

With that in mind, I'll turn to our view on the market environment. In recent months, credit markets have rallied as investors express optimism about easing inflation and a potential end in the rate hike cycle. Both private and public credit markets have seen a surge of activity and an increase in competition, resulting in spreads moving tighter and legal terms becoming more lenient, as investors have been eager to put capital to work after experiencing limited supply over the summer months.

Nevertheless, we are mindful about the prevailing risks that you've heard me discuss on previous calls. The persistence of elevated interest rates could still challenge borrowers with high debt loads. And despite a slowdown, inflation remains a concern for businesses. Additionally, we are closely monitoring companies that will need to refinance debt in the coming years, as they could face difficulties in the event financial conditions become restrictive.

Against this backdrop, we believe caution continues to be warranted. Our investment approach prioritizes relative value, drawing upon the full breadth of Oaktree's scale and resources to selectively invest across both the sponsor and non-sponsor backed markets as we did in the first quarter, and carefully pursue attractive opportunities as they arise. Our ample capital, robust liquidity and commitment to navigating short-term volatility form the foundation for our success to date and the basis of our strategy moving forward. These attributes also fuel my confidence in OCSL and our ability to deliver improved profitability and strong returns in the year ahead.

Now I will turn the call over to Chris to discuss our financial results in more detail.

Christopher McKown ***Oaktree Specialty Lending Corporation - MD,CFO & Treasurer***

Thank you, Armen. As Matt noted, we reported adjusted net investment income of $44.2 million or $0.57 per share, down from $47.8 million or $0.62 per share in the fourth quarter of last fiscal year. The decrease was primarily driven by lower adjusted total investment income, partially offset by a modest decline in net expenses due to lower Part 1 incentive fees in the quarter.

Adjusted total investment income in the quarter was adversely impacted by a $5.2 million decrease in interest income, due primarily to the increase in nonaccrual investments discussed earlier, and partially offset by a $0.7 million increase in fee income resulting from prepayment and exit fees and a $0.4 million increase in dividend income from the company's investment in the Kemper JV.

Net expenses for the first quarter totaled $53.8 million, down $0.6 million sequentially. The decline was mainly driven by $0.5 million of lower Part 1 incentive fees. As a reminder, we waived $1.5 million of fees during the quarter as part of the OSI2 merger.

Now moving to our balance sheet. OCSL's net leverage ratio at quarter end was 1.02x, relatively stable with the level at the end of the September quarter. Newly funded investment activity of $368 million exceeded proceeds from repayments exits and sales of $214 million, enabling us to grow the portfolio, but the markdowns taken in the quarter tempered that growth. Our net leverage continues to be within our targeted range of 0.9x to 1.25x.

As of December 31, total debt outstanding was $1.66 billion, and including the effect of our interest rate swap agreements at a weighted average interest rate of 7.0%, consistent with the level at the end of the September quarter as interest rates remained steady during the quarter. Unsecured debt represented 57% of total debt at quarter end, also in line with the prior quarter.

We continue to have ample liquidity to meet our funding needs with total dry powder at quarter end of approximately $1 billion, including $112 million of cash and $908 million of undrawn capacity on our credit facilities.

Unfunded commitments, excluding unfunded commitments to the joint ventures, were $200 million, with approximately $166 million eligible to be drawn immediately, whereas the remaining amount is subject to certain milestones that must be met by portfolio companies before funds can be drawn.

Turning now to our two joint ventures. Our JVs continue to deliver strong performance. Together, the JVs currently hold $450 million of investments, primarily in broadly syndicated loans spread across 54 portfolio companies.

For the quarter, the JVs again generated attractive annualized ROEs, which combined, were approximately 15%. This is a testament to the underlying credit quality of the portfolios and the positive impact of higher interest rates on the predominantly floating rate loans.

Additionally, we received a $1.4 million dividend from the Kemper JV, which was up $350,000 from the prior quarter, as that vehicle has benefited from reduced funding costs following the credit facility refinancing that we completed in the September quarter. Leverage at each JV declined slightly to 1.1x at quarter end.

In summary, despite the isolated credit incidents that we experienced in the quarter, we were pleased with our financial results. We continue to believe that our strong balance sheet and attractive investment opportunities position us well for the remainder of fiscal year 2024.

Now I will turn the call back to Matt for some closing remarks.

Mathew M. Pendo *Oaktree Specialty Lending Corporation - President*

Thank you, Chris. Our financial performance for the first quarter demonstrated the resilience of our earnings despite the increase in nonaccruals. Our return on adjusted net investment income for the quarter was 11.6%, which continues to be at the higher end of our targeted range, and our dividend continues to be covered by earnings.

Looking ahead, we are being proactive with our nonaccrual investments and have plans in place that we believe will enable us to optimize our recovery for each investment.

We have generated solid growth in our earnings over the last several years and believe we are well positioned to further deliver attractive returns to our shareholders.

As always, we appreciate your participation on the call today and for your interest in OCSL.

With that, we are happy to take your questions. Operator, please open the line.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have the first question from Kyle Joseph from Jefferies.

Kyle Joseph ***Jefferies LLC, Research Division - Equity Analyst***

Just wanted to get your thoughts on yield. It looks like there was a bit of contraction in the quarter. Just wondering, is that just a function of the mix of repayments versus the deployments? Is anything -- is some of that related to nonaccruals and just your thoughts there?

Matthew Stewart ***Oaktree Specialty Lending Corporation - MD & COO***

It's Matt Stewart. So we did experience a 50 bp decline in our weighted average yield on the portfolio, about 40 basis points of that was driven by the nonaccruals that we mentioned in our prepared remarks, and the remainder was from spread compression during the quarter. We did deploy on an average spread a little over 600 during the quarter and experienced payoffs of around 650. So we had some slight spread compression during the quarter as well in new originations.

Kyle Joseph ***Jefferies LLC, Research Division - Equity Analyst***

Got it. And then just one follow-up for me. You guys talked about how consistent repayments have been based on the forward curve, would you expect any sort of acceleration in the coming quarters?

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

It's Armen. I don't think we have enough visibility on predicting that. I think that during the course of the calendar year 2023, spreads tightened and there certainly was a fair bit of demand amongst direct lenders for high-quality companies and borrowers. It's possible to see that continue. But I think to predict what will happen, it's hard to do just given some of the ebbs and flows of the economy and the rate picture. So I don't think we would make a too strong of a prediction on that.

Operator

And our next question comes from Bryce Rowe from B. Riley.

Bryce Wells Rowe ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Quick follow-up on the lower yield that Kyle just asked about. Was there any reversed interest income due to the nonaccruals in the quarter?

Christopher McKown ***Oaktree Specialty Lending Corporation - MD,CFO & Treasurer***

No, nothing was reversed from the prior period. The nonaccruals though were on nonaccrual status that is if you go for the entire quarter. So nothing came out in the quarter either.

Bryce Wells Rowe ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Okay. That's helpful. And then maybe you can help us think about -- you've got the NAV bridge in your investor presentation that shows $0.47 of compression from, I guess, net depreciation for the quarter. Can you kind of bifurcate that between the positive impact of market spreads in the quarter? And then just the, I guess, maybe credit performance at some of the underperformers, if you will.

Matthew Stewart ***Oaktree Specialty Lending Corporation - MD & COO***

Yes. So the majority of our write-down during quarter related to two names. One was Thrasio. We've held both the preferred equity and the term loan and about $30 million was a result of that name.

The second name, which is Impel. Also, we placed on nonaccrual during the quarter, was just under $10 million for the quarter. Between those two names, it was a little over 2.5% of NAV, and that was the primary driver of the write-down this quarter.

Bryce Wells Rowe ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

That's helpful, Matt. And then maybe one more for me. You guys highlighted the dividend from the JV kind of stepping up. And it sounds like that step-up should maintain at these levels. Just wanted to make sure I'm kind of reading into that correctly?

Matthew Stewart ***Oaktree Specialty Lending Corporation - MD & COO***

Yes. With the restructuring of the credit facility, we were able to lower interest cost on the facility from S plus 275, down to S plus 200. And those savings fell through to the bottom line. And on the back of that, the Board at the JV decided to raise the dividend on a go-forward basis. And we do have excess earnings that we've been earning, even for the past several quarters above the dividend. So we feel good about the coverage there.

Mathew M. Pendo ***Oaktree Specialty Lending Corporation - President***

It was just a one quarter -- was just a one quarter thing.

Bryce Wells Rowe ***B. Riley Securities, Inc., Research Division - Senior Research Analyst***

Right. Yes. Yes. The changes should allow you guys to maintain that 1.4 million going forward, it sounds like.

Mathew M. Pendo ***Oaktree Specialty Lending Corporation - President***

Yes.

Operator

We now have a question from Finian O'Shea from Wells Fargo.

Finian Patrick O'Shea ***Wells Fargo Securities, LLC, Research Division - VP and Senior Equity Analyst***

Hey, everyone, good morning. I wanted to revisit the concept of not having a credit look back in the incentive fee structure. So the original recovery from the Fifth Street portfolio was obviously pretty admirable and meaningful. But more recently, shareholders are paying you a full performance fee, while you've been losing money. So as you think about this and think about competing for new shareholders who would be more focused on the today and the tomorrow, where have you been in this debate?

Mathew M. Pendo ***Oaktree Specialty Lending Corporation - President***

Fin, it's Matt. Thanks for the question. This is something that we continually review with our Board and we stay abreast of developments in the industry and what our peers are doing.

The investment management agreement was last approved in November by the Board. So it is something we continue to watch. And as you mentioned from when we took over management in 2017 has been something we continually look at.

I think right now, we believe our fee structure is competitive and appropriate. As part of the OSI2 merger, we did agree to waive $9 million of management fees. So we're working through that.

And then as we think about -- obviously, we were disappointed in the nonaccruals in the quarter. But the ROE for the quarter, even with that, was 11.6%. So it was down from last quarter's 12.6%, was basically flat to a year ago quarter, which was just 11.9%.

So we continue to look at the fee structure and something that we'll keep thinking about and watching what our peers do in the industry, but we're comfortable with where we are right now.

Operator

And our next question comes from Erik Zwick from Hovde Group.

Erik Edward Zwick ***Hovde Group, LLC, Research Division - Director***

Just looking at the investment activity in the quarter that the 370 million commitments was the highest volume in almost 2 years, a little over 2 years or so. So I wonder if you could just kind of frame what you're seeing in the market, if it's just an increased opportunity set that's meeting your investment criteria? And how does the pipeline look today heading into the '24 calendar year?

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

This is Armen. I think the year generally ebbed and flowed. There were some months in calendar 2023 that we thought it was a little slow. It looked like private equity firms were less interested in doing deals, given the high cost of funding with base rates so high.

I just think in the quarter, it was frankly just a little bit idiosyncratic. I think private equity firms sort of came back to the table, wanted to do some deals. They refinanced a couple of deals, like, for example, the PetVet deal is a refinancing, with a skinny downed first lien loan.

So I wouldn't say there's thematically or directionally something that we could derive from the originations in this quarter. I would just say maybe there was some pent-up deal flow that probably would have come in a smoother fashion in 2023, but just happened to come in, in the quarter.

In terms of the pipeline, it's pretty robust heading into the March quarter. We already have about $180 million in the funding pipeline for the quarter ended March. So I think it's looking pretty healthy so far year-to-date. And that's pretty much it.

I would say that there's a little bit of pressure on spreads. Certainly, the spreads have come in, in the last 3 to 6 months versus early 2023.

Erik Edward Zwick ***Hovde Group, LLC, Research Division - Director***

Armen. And maybe just a quick follow-up. A lot of the action was certainly in the private placement did have a 68 million in the secondary market. Just curious what you saw attractive, if there isn't kind of any commonalities or opportunities you saw in the fiscal first quarter purchases there?

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

I wouldn't say that there's any particular commonalities. We did buy some fixed rate bonds at dollar prices that were around 90. I think we -- we saw in the quarter that there was pretty nice convexity in fixed-rate bonds. So if there's any sort of theme on the secondary purchases, that would be the theme. There's just some high-quality debt out there and that's publicly traded. And when we do think it has an appropriate yield and an appropriate total return opportunity, we're happy to flex that muscle in the terms of the public markets and deploy there.

Operator

(Operator Instructions) And our next question comes from Paul Johnson from KBW.

Paul Conrad Johnson ***Keefe, Bruyette, & Woods, Inc., Research Division - VP***

Most of mine have been asked at this point, but just kind of a few higher level ones. I mean, I guess, just kind of looking at next quarter, pairing the lighter interest income this quarter, obviously, kind of driven by the new nonaccruals. But pairing that with the strong investment fundings you guys had, I mean, should we be looking at a pretty nice rebound in interest income next quarter?

Matthew Stewart ***Oaktree Specialty Lending Corporation - MD & COO***

It's Matt Stewart. I don't want to give forward guidance, but what I will say is, if you look at the originations during the quarter ended December, they were heavily weighted towards the back end. Of the $300 million of private we deployed, the majority of them were actually in the month of December, just as deals were looking to close before year-end. So they were heavily weighted towards the back end of the quarter.

As Chris noted earlier, when we were talking about nonaccruals, the nonaccruals affected our earnings at just under $0.04 for the quarter. So if you look at the bridge between the $0.62 from last quarter to $0.57, some of it was impacted by the timing of deployment versus the nonaccruals. So with that back-weighted deployment, all else being equal, that probably impacted earnings during the quarter of around $0.02.

Paul Conrad Johnson ***Keefe, Bruyette, & Woods, Inc., Research Division - VP***

Got it. That's very helpful. And then I guess just -- it sounds like you mentioned a little bit like terms have come in, spreads have been pressured a little bit. I mean, should we read that as a sign that it sounds like sponsors that at least kind of come into the new year here, capitulating a little bit on valuation multiples? Is that kind of what you're observing in the market?

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

Yes. This is Armen. Capitulation is a strong word, but I think sponsors have some motivations to do deals this year and starting late last year. What are those motivations? They have funds that they've raised and have periods or investment periods that are clicking away and as a result a motivation to deploy that capital.

I think older vintage funds the limited partners, the investors that are in those funds, are pressuring sponsors to return capital. So as a result, I would say sponsors are a little bit more willing to transact at prices that might not maximize IRRs or returns, but are a pretty good outcome for their fund and have the benefit of returning capital to their LPs.

So the combination of those two factors, new vintage funds, having dry powder, older vintage funds, having LPs that want capital back, have resulted in sponsors kind of considering transactions again, rather than sitting on the sideline.

I think also with the general market view that we're going to see some rate declines this year with base rates coming down. I think private equity sponsors or some of them at least are thinking, well, we've seen peak rates, it's sort of flat to down from here in terms of base rates, so let's transact, let's buy that business that we've been tracking for the last 3 to 5 years at a reasonable multiple. And I think rates will be going down or in our favor over the course of the next 2 years.

So they're kind of coming off the sidelines and doing some deals there. But I wouldn't say the trend is super strong right now, but I would say it's noticeably different in terms of sponsor interest in deals today versus this time last year.

Operator

Our next question comes from Melissa Wedel from JPMorgan.

Melissa Wedel ***JPMorgan Chase & Co, Research Division - Analyst***

I wanted to follow up on the new nonaccruals. I certainly understand that each situation has different potential outcomes and different timelines. I think your firm in particular, is also well known for capabilities on workouts. I was hoping you could maybe provide whatever context you can for us around what a timeline could look like for some of those? Are we talking months or could this be multiple quarters? And I understand each one is unique.

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

Melissa, this is Armen. I would say that while the processes around potential restructurings could be short, in a matter of sort of weeks or months, I think the process to actually maximize our recoveries will take longer. And I wouldn't hazard a guess as to what that is, but I wouldn't measure the final resolution or maximize recovery to be a matter of months. I would say it's closer to it being a year or more.

Generally speaking, when you have a restructuring and there's a little bit of wood to chop from an operational standpoint, your best outcome is usually not achieved in weeks or months, unfortunately.

Melissa Wedel ***JPMorgan Chase & Co, Research Division - Analyst***

Okay. I appreciate that context. Related to that, we've been seeing instances of lower recovery rates than maybe historical levels would suggest. Is that -- what's your view on recovery rates and just sort of generally and then anything specific to the portfolio?

Armen Panossian ***Oaktree Specialty Lending Corporation - CEO & CIO***

Yes. So generally, the lower recovery rates -- I would expect that in the broadly syndicated loan market, that recovery rates will be lower, as we see defaults unfold over the next couple of years versus historical norms. And it's mainly because the legal protections in those documents are quite weak. And therefore, when there is a challenging situation, there is a risk that assets are stripped away from the creditors or there's some sort of up-tiering transaction that occurs to the benefit of some creditors at the expense of others. So I would expect that there's going to be generically, in the broadly syndicated loan market, lower recoveries.

In terms of the portfolio or our particular nonaccruals, for us, these situations are idiosyncratic, they're sort of performance and execution driven by the management teams. And so it's not -- I wouldn't say there's sort of like a thematic outcome or a thematic core to how we're going to resolve these. It's literally just blocking and tackling and every one of them is going to be different than the next.

Operator

(Operator Instructions) We have no further questions at this moment. So I would like to turn the conference over to management.

Michael Mosticchio ***Oaktree Specialty Lending Corporation - IR***

Thanks, Marliese, and thank you all for joining us on today's conference call. A replay of this call will be available for 30 days on OCSL's website in the Investors section or by dialing (877) 344-7529 for U.S. callers or 1 (412) 317-0088 for non-U.S. callers with the replay access code 2845273 beginning approximately 1 hour after this broadcast. Thank you.

Operator

And this concludes the conference. Thank you for attending today's presentation. You may now disconnect. Have a good day.