REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q3 2022 Oaktree Specialty Lending Corp Earnings Call

EVENT DATE/TIME: AUGUST 04, 2022 / 3:00PM GMT

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

CORPORATE PARTICIPANTS

Armen Panossian *Oaktree Specialty Lending Corporation - CEO & CIO*
Mathew M. Pendo *Oaktree Specialty Lending Corporation - President*
Chris McKown *Oaktree Specialty Lending Corporation - CFO & Treasurer*
Michael Mosticchio *Oaktree Specialty Lending Corporation - IR*

CONFERENCE CALL PARTICIPANTS

Kevin Fultz *JMP Securities LLC, Research Division - VP & Equity Research Analyst*
Kyle Joseph *Jefferies LLC, Research Division - Equity Analyst*
Melissa Wedel *JPMorgan Chase & Co, Research Division - Analyst*
Ryan Lynch *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

PRESENTATION

Operator

Welcome and thank you for joining Oaktree Specialty Lending Corporation Third Fiscal Quarter 2022 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 Third 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.

Our speakers today are Armen Panossian, Chief Executive Officer and Chief Investment Officer; Matt Pendo, President; and Chris McKown, Chief Financial Officer and Treasurer. Also joining us on the call today for the question-and-answer session is 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, 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***

Thank you, Mike, and welcome, everyone. We appreciate your interest and support of OCSL.

Our fiscal third quarter results reflect our ability to identify and invest in attractive opportunities across public and private markets amid the recent volatility, maintain excellent credit quality and drive strong earnings on behalf of our shareholders.

Adjusted net investment income per share was $0.17 for the quarter, down slightly from the $0.18 for the prior quarter and on par with our fiscal first quarter, demonstrating the strength of our earnings profile.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

As a result of our ongoing solid portfolio performance and consistent earnings, our Board increased our quarterly dividend by 3% to $0.17 per share. This marked our ninth consecutive quarterly dividend increase. Our dividend is now up nearly 80% from its pre-COVID level.

We reported NAV per share of $6.89, down 5% from the prior quarter. However, the decrease was driven by broader equity and fixed-income market volatility, leading to widening credit spreads and associated mark-to-market write-downs.

Now turning to the portfolio, we originated $132 million of new investment commitments in the [third] (corrected by the company after the call) quarter. Of these, 76% were first lien loans, up from 72% in the prior quarter, and approximately half of these were in private transactions and the other half were secondary market purchases. The weighted average yield on new debt investments in the quarter was attractive at 9.2%, up from 8.7% in the prior quarter.

While we are highly selective and focused on new deals with favorable prices and structures, we expect to continue identifying interesting investment opportunities across private and public markets given the breadth of the Oaktree platform and our team's focus on finding the best relative value in all market conditions.

We received $130 million from prepayments, paydown and exits in the third quarter. Our noncore portfolio further declined in the quarter following a $7 million paydown in one of our debt positions. This book represented $77 million at the close of the quarter or about 3% of the portfolio at fair value.

Credit quality remains excellent, supported by our disciplined underwriting. We again had no investments on nonaccrual at June 30.

Importantly, we continue to be rated investment grade by both Moody's and Fitch, and we maintained borrowing flexibility and ample liquidity to meet funding needs. We closed the period with $455 million of undrawn capacity under our credit facilities and $34 million of cash. With no near-term maturities and significant amount of dry powder, we believe our current capital structure positions us well to invest in today's ever-changing market.

The weighted average interest rate on debt outstanding was 3.2% in the June quarter, up from 2.5% the prior quarter.

With that, I'll turn the call over to Armen.

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

Thanks, Matt, and good day, everyone. I'll begin with comments on the market environment and continue with highlights from our fiscal third quarter.

Our consistently solid credit quality, underpinned by our commitment to prudent underwriting and highly selective investing, again provided an excellent foundation for our performance in the quarter. We believe this will serve us particularly well in an increasingly volatile market and broader economy that is vulnerable amid an elevated inflation and rising interest rates.

Broad-based inflation in the U.S. reached a 41-year high in June, amplified by the war in Ukraine and Western government sanctions against Russia's energy complex in opposition to the conflict. This injected more uncertainty into a global oil and gas market that was already grappling with supply-demand imbalances. For the U.S., this is evident in lofty gasoline and industrial power prices on top of high food, real estate and other costs.

Additionally, China continues to struggle with coronavirus outbreaks. The government there has repeatedly imposed business and travel restrictions that threaten to compound the supply chain issues that initially ignited inflationary pressures.

Central banks, including the U.S. Federal Reserve, have responded with tightened monetary policy, notably including aggressive interest rate hikes. Historically, in periods of rapid rate increases, U.S. consumers have pulled back on spending and tipped the economy into recession.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Markets had widely anticipated rate increases, but the pace at which the Fed has moved and the pace it signaled it will continue to move exceeded prior expectations and spurred volatility across equity markets in the second calendar quarter while spreads widened across public credit asset classes.

At Oaktree, we don't make investment decisions based on economic forecasts, but we believe it is important to be aware of evolving macro conditions and their impact on markets and industries. While the risk of recession underscores the importance of our conservative approach to investing, it also creates opportunities for us.

Oaktree's roots are in investing across market cycles, and we have demonstrated over many years our ability to identify and successfully invest in these types of volatile markets.

During the quarter, this market volatility created a number of attractive opportunities in the public debt markets where we saw many high-quality loans trade lower and being offered at discounts to par value. We acted on several of these situations, picking up what we believe to be investments that are worth par at meaningful discounts, some in the range of 15% to 20%. With these investments, which we underwrite assuming we will hold to maturity, we expect to realize an attractive total return as they eventually trade back to par value over time.

We also continued to capitalize on Oaktree's scale and resources to invest across a diverse array of private credit loans that we believe provide downside risk protection and relative value for our shareholders. In some cases, we are finding new deals in areas of the market that are less competitive by lending to nonsponsor-owned businesses. Investing in this area requires specialization and robust sourcing capabilities that few managers possess. In this less crowded segment of the market, we believe that our scale and capacity to make complex loans is a competitive advantage and can lead to superior investment outcomes.

We also continue to assess the sponsor lending market, partnering with proven private equity firms we know well that have expertise in certain industries. However, rising interest rates and declining valuation multiples have decreased PE-backed deal flow over the last several months. Moreover, an abundance of capital has been raised to support M&A transactions, so we remain particularly cautious when evaluating these investments given the potential for a supply-demand imbalance amid this slower deal activity.

As you've heard me say for some time now, we also continue to find attractive loans in the growing and increasingly prominent life sciences sector. Public market valuations of life sciences companies have sold off significantly over the past year. So companies may seek nondilutive financing via private lenders such as Oaktree. In addition, we anticipate that significant lending opportunities will continue to develop, driven by technological advancements and sizable R&D requirements.

In summary, we are very active yet conscious of economic headwinds and focused only on deals that meet our high risk-award standards.

Now let's turn to the overall portfolio. At the close of the third quarter, our portfolio was well diversified with $2.6 billion at fair value across 151 companies. Nearly 87% of the portfolio was invested in senior secured loans with first lien loans representing 70%. This reflects our emphasis on the top of the capital structure.

We are well positioned for further rate increases with 88% of our debt floating rate. As Chris will highlight later on, we saw a slight benefit of this in the June quarter and expect to see more in the September quarter.

We remain focused on lending to larger, more diversified businesses that we believe carry lower risk. Median portfolio company EBITDA as of June 30 was approximately $128 million, up from $118 million in the prior quarter. The increase was primarily driven by our secondary purchases in the public debt market, which are typically large, established companies.

We believe our borrowers are well positioned for a rising interest rate environment and that higher rates will not result in materially weaker credit performance. The portfolio's weighted average interest coverage was strong at approximately 3x as of June 30. We also feel good about the underlying leverage profile at our portfolio companies, which was generally in line with the prior quarter at approximately 4.9x.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

Moving on to investment activity. Our $132 million of new investment commitments were spread across 12 new and 16 existing portfolio companies in the third quarter. Approximately half of our originations went into private transactions and the other half into secondary purchases in the public debt market, as I highlighted earlier.

Let's take a look at a couple of emblematic examples of the private opportunities we found in the quarter.

Establishment Labs, a commercial-stage medical device company and aesthetics company focused on body shaping implants. The company sought a $225 million commitment to refinance existing debt and fund the construction of a new manufacturing facility, among other growth initiatives. Oaktree financed the deal over four tranches with $150 million in a first tranche that carries a 9% interest rate. OCSL was allocated $15 million.

The Grove Resort & Water Park, an 878-unit condo resort complex in Orlando, Florida. Oaktree served as the sole lender and provided a $65 million financing package to support the purchase of the property by a pair of financial sponsors. This newly built, upscale resort includes a 7-acre water park, swimming pools, a full-service spa and three owned restaurants as well as daily transportation to Disney World. OCSL was allocated $19 million of this transaction that was attractively priced at a rate of SOFR plus 800.

These are each compelling investments, priced attractively with favorable terms that provide meaningful downside protection.

Our origination pipeline remains healthy across a wide range of opportunities in both the private and public markets, positioning us well for the remainder of 2022.

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

Chris McKown ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Thank you, Armen. OCSL delivered another quarter of solid financial performance, continuing the strong momentum from the second fiscal quarter of 2022.

For the third quarter, we reported adjusted net investment income of $31.4 million or $0.17 per share, down slightly from $32.3 million or $0.18 per share in the second quarter. The decrease was primarily the result of higher interest expense related to the impact of rising LIBOR on our floating-rate liabilities as well as lower OID acceleration. Partially offsetting this was higher adjusted total investment income and lower management and Part I incentive fees.

Net expenses for the third quarter totaled $22.8 million, down $1.4 million sequentially. The decrease was mainly due to lower incentive fees driven by a decrease in accrued capital gains incentive fees resulting from the unrealized losses during the quarter and slightly lower management fees due to the decline in the fair value of the portfolio. This was partially offset by $2 million of higher interest expense.

Turning to our credit quality, which continues to be excellent. As Matt noted, we had no investments on nonaccrual at quarter end.

With respect to interest rate sensitivity, OCSL remains well situated to benefit from a rising rate environment. As of June 30, 88% of our debt portfolio at fair value was in floating-rate investments. We anticipate that further increases in short-term interest rates will have a positive impact on earnings. Importantly, we have not yet experienced a full quarter benefit from higher interest rates as most of our investment rates reset on June 30 while our floating-rate liabilities reset during the June quarter.

If base rates as of June 30 were in effect for the entire quarter, we estimate that our adjusted net investment income per share would have been about $0.01 higher, resulting in adjusted NII of about $0.18 per share. In addition, if rates were to increase by an additional 100 basis points from June 30, our annual adjusted net investment income could benefit by approximately $0.05 per share.

Now moving to the balance sheet. OCSL's net leverage ratio at quarter end increased moderately from the March quarter to 1.08x. In response to the changing market conditions, we are increasing our leverage target higher to a range of 0.9x to 1.25x debt-to-equity. We

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

believe this range is appropriate and provides us with increased capacity to deploy capital given the current market backdrop and the expanded set of investment opportunities that we're seeing.

As of June 30, total debt outstanding was $1.4 billion and had a weighted average interest rate of 3.2%, up from 2.5% at March 31 due to rising LIBOR. Unsecured debt represented 47% of total debt at quarter end, consistent with prior quarter.

At quarter end, we had ample liquidity to meet our funding needs with total dry powder of approximately $489 million, including $34 million of cash and $455 million of undrawn capacity on our credit facilities. Unfunded commitments excluding unfunded commitments to the joint ventures, were $183 million with approximately $127 million of this amount eligible to be drawn immediately as the remaining amount is subject to certain milestones that must be met by portfolio companies.

Shifting to our joint ventures. At quarter end, the Kemper JV had $365 million of assets invested in senior secured loans to 56 companies, down from $390 million last quarter driven by spreads widening across the portfolio. The JV generated $1.9 million of cash interest income for OCSL in the quarter, and we also received an $875,000 dividend, up from $700,000 in the prior quarter as a result of the portfolio's continued strong performance. Leverage at the JV was 1.6x at quarter end, up slightly from the prior quarter.

The Glick JV had $141 million of assets as of June 30, down slightly from $150 million in the prior quarter also due to spread widening. These consisted of senior secured loans to 43 companies. Leverage at the JV was 1.4x at quarter end, and we received $1.3 million of principal and interest payments on OCSL's subordinated note in the Glick JV during the quarter.

In summary, we continue to be very pleased with our financial results and believe our diverse portfolio and flexible balance sheet positions us well for the current environment.

Now I will turn the call back to Matt.

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

Thank you, Chris.

Our strong financial results for the quarter enabled us to generate an annualized return on adjusted net investment income of 9.4%.

We have generated an average ROE of approximately 9.5% over the last six quarters, and we believe OCSL remains well positioned to increase ROE going forward.

First, we believe OCSL is well positioned for a rising rate environment. As Chris noted earlier, with the majority of our investment portfolio in floating-rate assets, we expect that further increases in base rates will positively impact our net interest margin.

Additionally, with our increased leverage target range, we have the opportunity to continue to deploy more leverage at the portfolio level. However, we will only grow the portfolio as we find opportunities that are consistent with our investment approach that we believe offer an attractive risk/reward.

And as we've discussed before, we continue to focus on positioning the portfolio for an improved yield by rotating out of lower-yielding investments and into higher-yielding loans. Our new investments continue to come on the books at attractive yields, which means there is more upside in yield on that portion of the portfolio that we expect to realize over time.

Finally, another ongoing opportunity for us to support our ROE target is to further optimize our joint ventures. We can accomplish this by selectively rotating out of lower-yielding investments into higher-yielding ones as well as increasing leverage at the JVs. We've made good progress on this to date as both vehicles are generating ROEs to OCSL of over 10%. That said, we are seeing more attractive investment opportunities for the JVs in this environment, particularly given their focus on more liquid, broadly syndicated loans, and anticipate that we'll continue to rotate and grow these portfolios over time.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

In conclusion, we are very pleased with our strong third quarter financial results against the volatile market backdrop. Our portfolio is healthy, and we are well positioned to capitalize on this increasingly attractive investment environment with our expanded leverage target and ample dry powder.

Thank you for joining us on today's call and for you continued interest in OCSL. With that, we're happy to take your questions. Operator, please open the line.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today comes from Kevin Fultz of JPM Securities.

Kevin Fultz ***JMP Securities LLC, Research Division - VP & Equity Research Analyst***

Yes, I'd like to start with a high-level question for you, Armen. We appreciate your insight on what you're seeing in the market, both on the sponsor side and the non-sponsor side where you guys like to play. If you could just give a high-level overview of the opportunities you're currently seeing as well as any changes you've seen in deal pricing relative to the last few quarters.

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

Sure. Thanks for the question. So a few observations. The first is that for the first half of 2022, on the sponsor side, there wasn't really a change in terms -- either legal or pricing terms and deal flow that we saw in comparison to 2021 or 2019. Obviously, I'm excluding 2020 due to the COVID-related impacts in that year. But we really didn't see wider spreads. We didn't see tighter legal terms.

And I think it was because of a variety of factors. One was a lot of capital has been raised in direct lending over the last few years. It's been sort of record year after record year of fundraising over the last two or three years.

And two, there was a decline in deal flow, in M&A volume, LBO volume this year as you saw equity markets having some volatile performance. And so a lot of potential sellers, when they saw their valuation multiples decline, they just became less interested in selling their businesses. And the uncertainty around exit multiples for private equity firms also created another reason why some private equity firms decided to kind of tap the brakes a little bit.

So we saw, in the first half of 2022, a condition where there was too much capital chasing too few deals on the direct lending side. And that's why we were quite concerned about the quality of the deal flow that we were generally seeing in sponsor-backed lending.

Now we took our spots as well, and we found some decent situations to invest into. But by and large, we weren't happy with the risk-adjusted returns in sponsor-oriented lending for most of 2022.

On the non-sponsored side, it's very hard to deduce any sort of meaningful high-level changes in pricing and terms in that area because all those situations are so bespoke and unique from one to the next. The other reason why it's so hard is because those loans tend to be just higher yielding anyway under all market conditions.

And so it's very hard for me to say that on the non-sponsor side, we did or didn't see widening in pricing. However, what [we are seeing] (corrected by the company after the call) is that on the non-sponsored side, because that part of the market is so inefficient as it is, we found that [we were] (corrected by the company after the call) generally responding to potential financing opportunities with quantum of debt that was lower than the ask was met with some level of engagement, which is good. So generally speaking, we were exercising more conservatism than what we historically would have just given the general economic backdrop, and we were not told that those are nonstarters.

So we do have a variety of different non-sponsor situations that we funded this year. We do have a variety of non-sponsor situations in our pipeline. And I would generally say they feel more conservatively structured in terms of lower debt quantum, in terms of tighter covenants. But I wouldn't say the pricing necessarily has widened in any material respect because those loans were already in the 9% to

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

14% range. Maybe they're skewing a little bit higher than the average, the historic average, but I wouldn't say materially so. But we are pleased with the conservative kind of structuring that we were able to exercise on the non-sponsor side.

But with all that said, it's not like deal flow is very, very strong on either the sponsor or the non-sponsor side in direct lending at this time. We do think that there will be very significant opportunities going forward in direct lending for more appropriately structured and priced loans both on the sponsor and non-sponsor side as we just hear about some of our peers stepping back from the market that they were very supportive of in the first half of 2022.

So we do think that pricing will normalize both on the sponsor side and the non-sponsor side, and we think there'll be more deal flow going forward. But I wouldn't say that we have a tremendous amount of data points against which we can deduce a statistically significant conclusion.

Kevin Fultz ***JMP Securities LLC, Research Division - VP & Equity Research Analyst***

Okay. That's all really helpful. And then just to touch on expectations around prepayment activity. Just curious what visibility you have on the cadence of prepayments.

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

Well, I'll paint a very big picture. So on sponsor investing generally, I would expect for prepayments to slow, mainly because I would expect spreads to widen on refinancing. And second, generally speaking, these companies were levered according to adjusted EBITDA over the last 2, 3, 4 years.

And with what's happened in the economy from an inflation perspective, both labor cost inflation and commodity cost inflation, a lot of these companies are not really able to grow into their capital structures. And therefore, historically, a lot of the prepayment activity that we saw was because these businesses were able to grow into their capital structures, were able to do dividend recaps at even tighter spreads than the original debt, and that's just no longer the case.

So I would generally say that sponsor-oriented direct loans and, frankly, sponsor-oriented broadly syndicated loans are highly unlikely to prepay at the same speeds that they have done historically.

On the non-sponsor side, again, every situation is so bespoke and catalyst driven that we do expect to see some level of prepayments associated with the idiosyncratic credit considerations of each company. And so I wouldn't say that there's necessarily a trend there because the trend is not a macro trend, it is more of a company-specific matter.

But I would generally say that what we're seeing on the non-sponsor side and our involvement has shown that the companies we have invested in are generally performing quite well. And any sort of anticipation around prepayments that we would have expected in our non-sponsor deal activity around realization of certain catalysts or milestones, those are kind of happening as one would expect, and so we can't predict necessarily how those prepayments will go. But the company performance has been consistent with historic performance and according to expectations, and so I would expect some level of prepayments on that side.

Operator

The next question comes from Kyle Joseph with Jefferies.

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

I just wanted to get a sense for obviously no nonaccruals. Your credit's good. But I want -- just how you expect industry credits to perform over the next, call it, 18 months as companies are faced with higher debt servicing costs. And do you anticipate middle market credit kind of turning for the worst? And do you see that as a potential opportunity for you guys?

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

Thanks, Kyle. It's really hard to make a big prediction, but I made a prior comment about companies being levered according to adjusted EBITDA and the assumption that they will grow into their capital structures. I think that's going to weigh on performance -- levered free

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

cash flow performance for a lot of these borrowers, and I think that's going to continue for quite some time.

The Fed clearly wants to put some cold water on the economy, and I think that they'll be successful at doing that. So between that and just, generally speaking, higher borrowing costs.

And by the way, as of June 30, most borrowers that have floating-rate bank debt that's subject to a floor are now -- LIBOR is now at a place where we are above almost all those floors if not all of them. And so this is truly a floating-rate asset class and a floating-rate liability for these borrowers.

So I think it is going to get painful, broadly speaking, for a lot of these private equity-owned businesses, especially where leverage was maximized. And I think the industries that have the tightest margins, either gross margins or EBITDA margins, are going to be the ones that feel it the most. Because when you do have such tight margins, it's indicative of you not being a leader in your particular sector or not being a value-additive part of the supply chain or of whatever eventual good or service that is being sold.

And so we are very cautious on those types of businesses. We generally have been avoiding those types of businesses. But I think that's where the pain will be felt. So if you want to look at industries to try to triangulate where industries will have the most pain, I think that's one way to look at it, is what industries, generally speaking, have low margins or what middle market companies, generally speaking, have low margins. And I would define low margin as sort of mid to maybe even upper single-digit type of EBITDA margin.

Operator

Your next question comes from Ryan Lynch with KBW.

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

First question I had was you guys obviously changed your leverage range, ticked it higher. The bottom end of that range really didn't move too much, but then the upper end of the range moved quite a bit. I'm just curious, how are you thinking about that in today's environment? That's a wider range. Is that something that you intend to, depending on the market opportunity set that you are seeing today in the marketplace, operating close to the upper end of that range? Or is that something where you guys are comfortable sort of where you are at today and you're kind of giving yourselves more cushion in case there's further disruption in the credit markets going forward?

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

Yes, thanks for the question. It's really the latter. We don't really have a plan to, generally speaking, be operating in the upper end of that range. But we do want to maintain the flexibility around expectations with our shareholders and with the rating agencies that if there is a market event or an economic event that creates the opportunity for us to realize -- or for us to originate well-structured and well-priced loans, especially something like a rescue lending opportunity set that we may see over the next 12 or 18 months, we'd like the ability to be able to do that and not surprise anybody. So that's really the cause for the widening of that range. But it's not the expectation that we will generally and consistently be operating at the upper end.

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

Okay. Understood. I had a question on the -- you talked a lot about the primary markets in both the sponsor and the non-sponsor. I had a question in the secondary market. You guys are obviously very active in that marketplace. I think you guys put up a slide. Slide #7, I think, is a very helpful illustration of you guys' willingness to step in, in kind of dislocation in liquid markets.

I'm curious. I think loan prices have generally kind of trended a little bit higher in the third quarter -- calendar third quarter. Are you still seeing that same sort of opportunity set that you saw in the second quarter in the secondary liquid markets or not?

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

I would say generally speaking, the market has moved higher both in high-yield bond and in senior loans. High yield is up 6% in July. Senior loans are up 1.8% in July. And that's obviously a move in the right direction, I guess, but there isn't a lot of liquidity in the market either on the buy side or the sell side. So it doesn't take much to move prices either up or down. So one month a trend does not make.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

So I'm not sort of closing the book and calling it good. But I would say generally speaking, the prices have moved in a direction where we are not really investing rapidly. We think that there's sort of more volatility ahead in the economy and probably in the market, and there's sort of a temporary fund flows factor here that is driving prices higher or has driven prices higher in July. But I would expect further volatility.

So we continue to be prudent. We're not going to chase the market higher. And so we were fairly active in the second quarter, and we will be active again. But we don't think that the secondary buying opportunity is necessarily over at this point. And we're going to just kind of continue to watch it and look to add when the time is right.

Operator

(Operator Instructions) Our next question comes from Melissa Wedel of JPMorgan.

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

You actually answered a few of them already, but I was hoping we could touch on timing of activity in the June quarter. I'm wondering if activity was particularly skewed towards the back end of the quarter and maybe not fully -- maybe the top line not fully reflecting the earning power of that -- the new investment. Was there anything like that going on into -- in the June quarter?

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

Yes, I'll hand that over to Chris -- maybe to Chris and Matt Stewart. Either of you have a view on the timing? I know it did have an impact, but they could give you a more refined response.

Chris McKown ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Yes, thanks for the question. I would say that it was not so much of a timing matter so much as it was a matter related to rate resets. We started to see the impact of the rising reference rates during the quarter.

A good portion of the portfolio did not reset until June 30. So as I mentioned in my prepared remarks, we did try to provide some color around the fact that the June 30 resets had been in effect as of March 31. Our adjusted NII, all else equal, would have been up about $0.01 a share for the quarter. So that was more of a driver versus the timing of deployment.

Operator

We have no further questions. Mr. Mosticchio?

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

Great. Thanks, MJ, and thank you all for joining us on today's earnings 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 7421084 beginning approximately one hour after this broadcast.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022 Refinitiv. All Rights Reserved.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.