



OAKTREE

OCSL | Specialty Lending Corporation

FIRST QUARTER 2022  
FEBRUARY 3, 2022

EARNINGS PRESENTATION  
NASDAQ: OCSL



# Forward Looking Statements & Legal Disclosures

Some of the statements in this presentation constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this presentation may include statements as to: our future operating results and distribution projections; the ability of Oaktree Fund Advisors, LLC (together with its affiliates, “Oaktree”) to reposition our portfolio and to implement Oaktree’s future plans with respect to our business; the ability of Oaktree and its affiliates to attract and retain highly talented professionals; our business prospects and the prospects of our portfolio companies; the impact of the investments that we expect to make; the ability of our portfolio companies to achieve their objectives; our expected financings and investments and additional leverage we may seek to incur in the future; the adequacy of our cash resources and working capital; the timing of cash flows, if any, from the operations of our portfolio companies; and the cost or potential outcome of any litigation to which we may be a party. In addition, words such as “anticipate,” “believe,” “expect,” “seek,” “plan,” “should,” “estimate,” “project” and “intend” indicate forward-looking statements, although not all forward-looking statements include these words. The forward-looking statements contained in this presentation involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth in “Risk Factors” and elsewhere in our annual report on Form 10-K for the fiscal year ended September 30, 2021 and our quarterly report on Form 10-Q for the quarter ended December 31, 2021. Other factors that could cause actual results to differ materially include: changes or potential disruptions in our operations, the economy, financial markets or political environment; risks associated with possible disruption in our operations or the economy generally due to terrorism, natural disasters or the COVID-19 pandemic; future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies or regulated investment companies; general considerations associated with the COVID-19 pandemic; the ability to realize the anticipated benefits of the merger of Oaktree Strategic Income Corporation (“OCSI”) with and into us (the “Merger”); and other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

We have based the forward-looking statements included in this presentation on information available to us on the date of this presentation, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.



# Highlights for the Quarter Ended December 31, 2021

NET ASSET VALUE PER SHARE	<ul style="list-style-type: none"><li>• \$7.34, up 1% from \$7.28 as of September 30, 2021, and up 7% from \$6.85 as of December 31, 2020</li><li>• Quarterly increase primarily due to realized gains on certain investments and undistributed net investment income</li></ul>
ADJUSTED NET INVESTMENT INCOME <sup>1</sup>	<ul style="list-style-type: none"><li>• \$0.17 per share, up 7% from \$0.16 per share for the quarter ended September 30, 2021, and up 24% from \$0.14 per share for the quarter ended December 31, 2020</li><li>• GAAP net investment income was \$0.18 per share, consistent with \$0.18 per share for the quarter ended September 30, 2021</li></ul>
DIVIDEND	<ul style="list-style-type: none"><li>• Declared a cash distribution of \$0.16 per share, an increase of 3% from the prior quarter and 33% from one year ago</li><li>• <b>Seventh consecutive quarter with a distribution increase</b></li><li>• Distribution will be payable on March 31, 2022 to stockholders of record as of March 15, 2022</li></ul>
INVESTMENT ACTIVITY	<ul style="list-style-type: none"><li>• \$300 million of new investment commitments; 8.1% weighted average yield on new debt investments</li><li>• \$241 million of new investment fundings and received \$235 million of proceeds from prepayments, exits, other paydowns and sales, which had a weighted average yield of 7.5%</li></ul>
INVESTMENT PORTFOLIO	<ul style="list-style-type: none"><li>• \$2.6 billion at fair value diversified across 140 portfolio companies</li><li>• 8.7% weighted average yield on debt investments, unchanged from September 30, 2021</li><li>• <b>No investments on non-accrual status</b></li></ul>
CAPITAL STRUCTURE & LIQUIDITY	<ul style="list-style-type: none"><li>• 0.98x total debt to equity ratio, as compared with 0.97x as of September 30, 2021</li><li>• 0.95x net debt to equity ratio, unchanged from September 30, 2021</li><li>• \$44 million of cash and \$550 million of undrawn capacity on credit facilities</li><li>• Upsized the senior secured revolving credit facility by \$50 million; increased the total size to \$1.0 billion</li><li>• Amended the Citibank facility to, among other things, increase the size of the facility and extend the reinvestment period and maturity date</li></ul>

<sup>1</sup> See page 20 for a description of this non-GAAP measure.



# Portfolio Summary

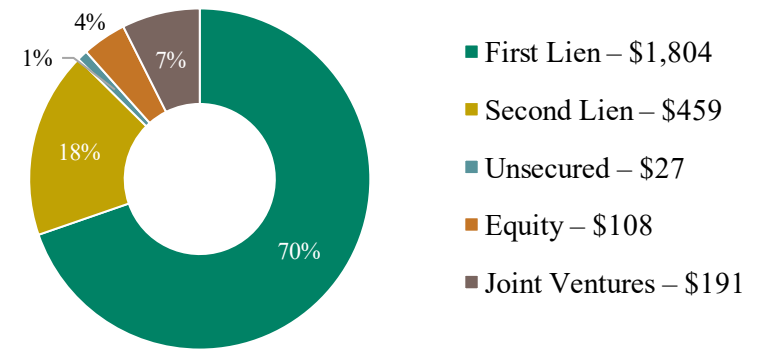
## PORTFOLIO CHARACTERISTICS

(At fair value)

<p><b>\$2.6bn</b></p> <p>TOTAL INVESTMENTS</p>	<p><b>140</b></p> <p>PORTFOLIO COMPANIES</p>
<p><b>8.7%</b></p> <p>WEIGHTED AVERAGE YIELD ON DEBT INVESTMENTS</p>	<p><b>\$105mm</b></p> <p>MEDIAN DEBT PORTFOLIO COMPANY EBITDA<sup>1</sup></p>
<p><b>87%</b></p> <p>SENIOR SECURED DEBT INVESTMENTS</p>	<p><b>0</b></p> <p>NON-ACCRUALS</p>

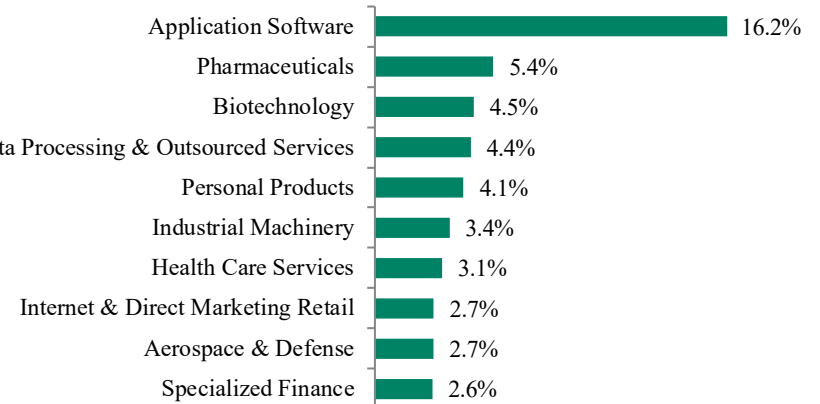
## PORTFOLIO COMPOSITION

(As % of total portfolio at fair value; \$ in millions)



## TOP TEN SUB-INDUSTRIES<sup>2, 3</sup>

(As % of total portfolio at fair value)



As of December 31, 2021

Note: Numbers may not sum due to rounding.

<sup>1</sup> Excludes investments in negative EBITDA borrowers, structured products and recurring revenue software businesses.

<sup>2</sup> Based on GICS sub-industry classification.

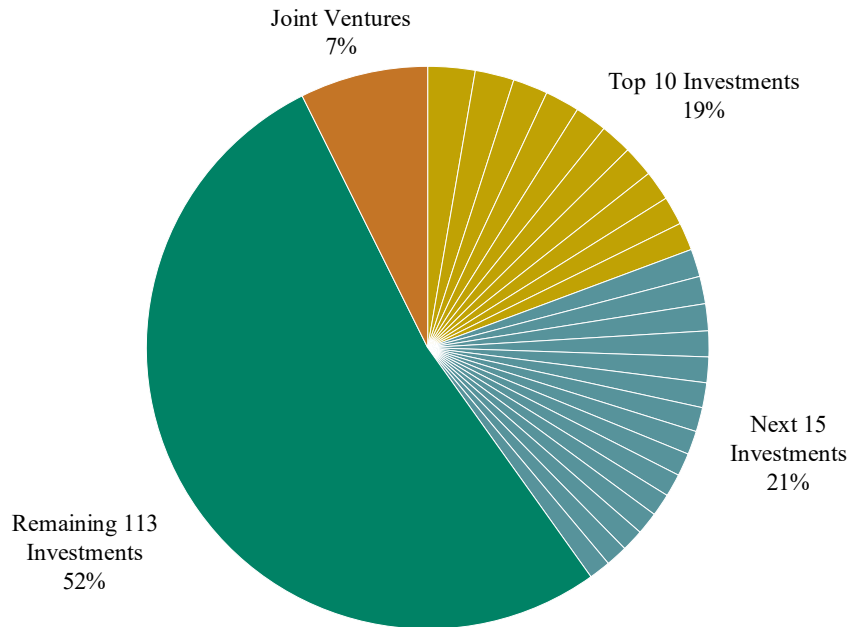
<sup>3</sup> Excludes multi-sector holdings, which is primarily composed of investments in Senior Loan Fund JV I LLC (the "Kemper JV") and OCSI Glick JV (the "Glick JV"), joint ventures that invest primarily in senior secured loans of middle market companies.



# Portfolio Diversity

## DIVERSITY BY INVESTMENT SIZE

(As % of total portfolio at fair value)



## PORTFOLIO BY INDUSTRY<sup>1</sup>

(As % of total portfolio at fair value)

Industry	% of Portfolio
Software	16.4%
IT Services	6.8
Pharmaceuticals	5.4
Biotechnology	4.5
Chemicals	4.1
Personal Products	4.1
Health Care Providers & Services	3.9
Specialty Retail	3.7
Machinery	3.4
Diversified Financial Services	3.4
Internet & Direct Marketing Retail	2.7
Aerospace & Defense	2.7
Remaining 30 Industries	31.7
Joint Ventures	7.4

***OCSL's portfolio is diverse across borrowers and industries***

As of December 31, 2021

Note: Numbers may not sum due to rounding.

<sup>1</sup> Based on GICS industry classification.



# Investment Activity

## NEW INVESTMENT HIGHLIGHTS

**\$300mm**

NEW INVESTMENT  
COMMITMENTS

**\$241mm**

NEW INVESTMENT  
FUNDINGS<sup>1</sup>

**8.1%**

WEIGHTED AVERAGE YIELD ON  
NEW DEBT COMMITMENTS

**100%**

ALSO HELD BY OTHER  
OAKTREE FUNDS

**\$207mm**

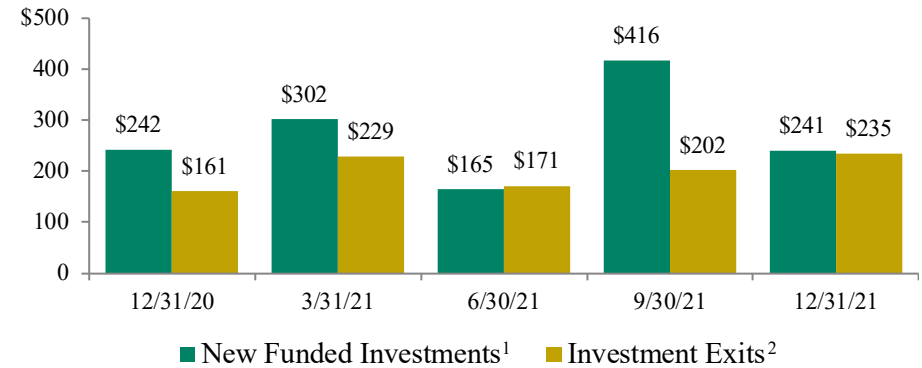
NEW INVESTMENT  
COMMITMENTS IN NEW  
PORTFOLIO COMPANIES

**\$93mm**

NEW INVESTMENT  
COMMITMENTS IN EXISTING  
PORTFOLIO COMPANIES

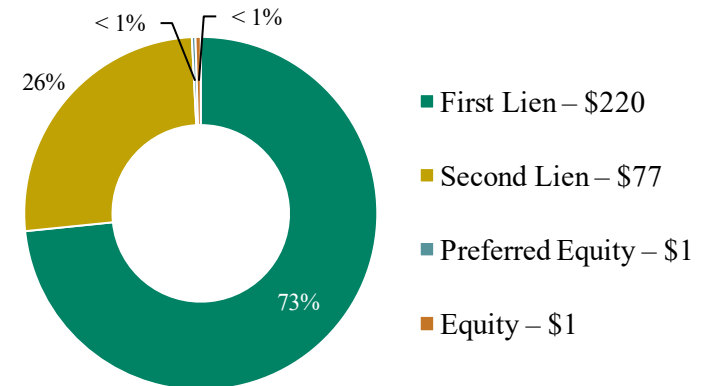
## HISTORICAL FUNDED ORIGINATIONS AND EXITS

(\$ in millions)



## NEW INVESTMENT COMPOSITION

(As % of new investment commitments; \$ in millions)



Note: Numbers rounded to the nearest million or percentage point and may not sum as a result.

<sup>1</sup> New funded investments includes drawdowns on existing delayed draw and revolver commitments.

<sup>2</sup> Investment exits includes proceeds from prepayments, exits, other paydowns and sales.

# Investment Activity (continued)

## NEW INVESTMENT COMMITMENT DETAIL

(\$ in millions)

Fiscal Quarter	Investment Commitments	Number of Deals	Security Type			Market			Avg. Secondary Purchase Price
			First Lien	Second Lien	Unsecured & Other	Private Placement	Primary (Public)	Secondary (Public)	
2Q2020	\$273	39	\$210	\$21	\$42	\$141	\$58	\$75	83%
3Q2020	261	18	177	8	76	154	71	35	74
4Q2020	148	10	123	25	0.5	90	57	2	96
1Q2021	286	21	196	90	--	181	84	22	93
2Q2021	318	20	253	44	21	245	63	10	93
3Q2021	178	10	141	25	12	104	70	5	97
4Q2021	385	20	350	13	23	304	79	2	100
1Q2022	300	21	220	77	2	227	73	--	N/A

Note: Numbers may not sum due to rounding. Excludes any positions originated, purchased and sold within the same quarter.



# Financial Highlights

(\$ and number of shares in thousands, except per share amounts)	As of				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
GAAP Net Investment Income per Share	\$0.18	\$0.18	\$0.20	\$0.12	\$0.07
<i>Adjusted Net Investment Income per Share<sup>1</sup></i>	<i>\$0.17</i>	<i>\$0.16</i>	<i>\$0.19</i>	<i>\$0.14</i>	<i>\$0.14</i>
Net Realized and Unrealized Gains (Losses), Net of Taxes per Share	\$0.04	\$0.02	\$0.06	\$0.48	\$0.39
<i>Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes per Share<sup>1</sup></i>	<i>\$0.06</i>	<i>\$0.05</i>	<i>\$0.09</i>	<i>\$0.25</i>	<i>\$0.39</i>
Earnings (Loss) per Share	\$0.22	\$0.20	\$0.26	\$0.60	\$0.46
<i>Adjusted Earnings (Loss) per Share<sup>1</sup></i>	<i>\$0.22</i>	<i>\$0.20</i>	<i>\$0.26</i>	<i>\$0.37</i>	<i>\$0.46</i>
Distributions per Share	\$0.155	\$0.145	\$0.130	\$0.120	\$0.110
NAV per Share	\$7.34	\$7.28	\$7.22	\$7.09	\$6.85
Weighted Average Shares Outstanding	180,381	180,361	180,361	146,652	140,961
Shares Outstanding, End of Period	180,469	180,361	180,361	180,361	140,961
Investment Portfolio (at Fair Value)	\$2,588,623	\$2,556,629	\$2,339,301	\$2,327,353	\$1,712,324
Cash and Cash Equivalents	\$43,765	\$29,334	\$84,689	\$39,872	\$24,234
Total Assets	\$2,699,939	\$2,636,387	\$2,462,708	\$2,433,413	\$1,793,903
Total Debt Outstanding <sup>2</sup>	\$1,285,461	\$1,268,743	\$1,104,099	\$1,109,897	\$694,827
Net Assets	\$1,325,061	\$1,312,823	\$1,302,414	\$1,278,823	\$964,917
Total Debt to Equity Ratio	0.98x	0.97x	0.86x	0.87x	0.73x
Net Debt to Equity Ratio	0.95x	0.95x	0.79x	0.84x	0.70x
Weighted Average Interest Rate on Debt Outstanding <sup>3</sup>	2.3%	2.4%	2.4%	2.6%	2.7%

<sup>1</sup> See page 20 for a description of the non-GAAP measures.

<sup>2</sup> Net of unamortized financing costs.

<sup>3</sup> Includes effect of the interest rate swap agreement the Company entered into in connection with the issuance of the 2027 Notes.





# Portfolio Highlights

(\$ in thousands, at fair value)	As of				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
Investments at Fair Value	\$2,558,623	\$2,556,629	\$2,339,301	\$2,327,353	\$1,712,324
Number of Portfolio Companies	140	138	135	137	115
Average Portfolio Company Debt Investment Size	\$18,500	\$18,700	\$17,600	\$17,600	\$16,200
<b>Asset Class:</b>					
First Lien	69.7%	69.1%	67.6%	68.3%	60.3%
Second Lien	17.7	17.6	19.1	18.2	25.4
Unsecured Debt	1.0	1.7	1.4	1.1	3.1
Equity	4.2	4.2	3.9	4.4	3.8
Limited Partnership Interests	0.0	0.0	0.0	0.0	0.1
Joint Venture Interests	7.4	7.4	8.1	8.0	7.3
<b>Interest Rate Type for Debt Investments:</b>					
% Floating-Rate	91.6%	91.5%	91.4%	91.8%	88.8%
% Fixed-Rate	8.4	8.5	8.6	8.2	11.2
<b>Yields:</b>					
Weighted Average Yield on Debt Investments <sup>1</sup>	8.7%	8.7%	8.4%	8.3%	8.5%
Cash Component of Weighted Average Yield on Debt Investments	7.5	7.4	7.1	7.1	7.1
Weighted Average Yield on Total Portfolio Investments <sup>2</sup>	8.3	8.3	8.0	7.8	8.0

Note: Numbers may not sum due to rounding.

<sup>1</sup> Annual stated yield earned plus net annual amortization of OID or premium earned on accruing investments, including the Company's share of the return on debt investments in the Kemper JV and Glick JV, and excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 for the assets acquired in connection with the Merger. See page 20 for a description of the non-GAAP financial measures.

<sup>2</sup> Annual stated yield earned plus net annual amortization of OID or premium earned on accruing investments and dividend income, including the Company's share of the return on debt investments in the Kemper JV and Glick JV, and excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 for the assets acquired in connection with the Merger. See page 20 for a description of the non-GAAP financial measures.



# Investment Activity

(\$ in thousands)	As of				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021 <sup>1</sup>	12/31/2020
New Investment Commitments	\$299,900	\$385,000	\$178,400	\$317,700	\$286,300
New Funded Investment Activity <sup>2</sup>	\$240,800	\$416,400	\$165,300	\$301,800	\$241,500
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$235,000	\$201,800	\$170,600	\$228,900	\$160,700
Net New Investments <sup>3</sup>	\$5,800	\$214,600	\$(5,300)	\$72,900	\$80,800
New Investment Commitments in New Portfolio Companies	12	14	9	18	14
New Investment Commitments in Existing Portfolio Companies	9	6	1	2	7
Portfolio Company Exits	10	11	11	12	12
Weighted Average Yield at Cost on New Debt Investment Commitments	8.1%	8.6%	9.2%	8.2%	8.7%

<sup>1</sup> Excludes the assets acquired in the Merger.

<sup>2</sup> New funded investment activity includes drawdowns on existing revolver commitments. Includes \$103 million of unsettled purchases as of December 31, 2020.

<sup>3</sup> Net new investments consists of new funded investment activity less proceeds from prepayments, exits, other paydowns and sales.



# Net Asset Value Per Share Bridge



Note: Net asset value per share amounts are based on the shares outstanding at each respective quarter end. Net investment income per share, net unrealized appreciation / (depreciation), and net realized gain / (loss) are based on the weighted average number of shares outstanding for the period. Numbers may not sum due to rounding. See page 20 for a description of the non-GAAP measures.

<sup>1</sup> Excludes reclassifications of net unrealized appreciation / (depreciation) to net realized gains / (losses) as a result of investments exited during the quarter.



# Capital Structure Overview

**0.85x to 1.00x**

TARGET LEVERAGE RATIO

**Investment  
Grade Rated**

BY MOODY'S AND FITCH

**50%**

UNSECURED  
BORROWINGS

**\$594mm**

AVAILABLE LIQUIDITY<sup>3</sup>

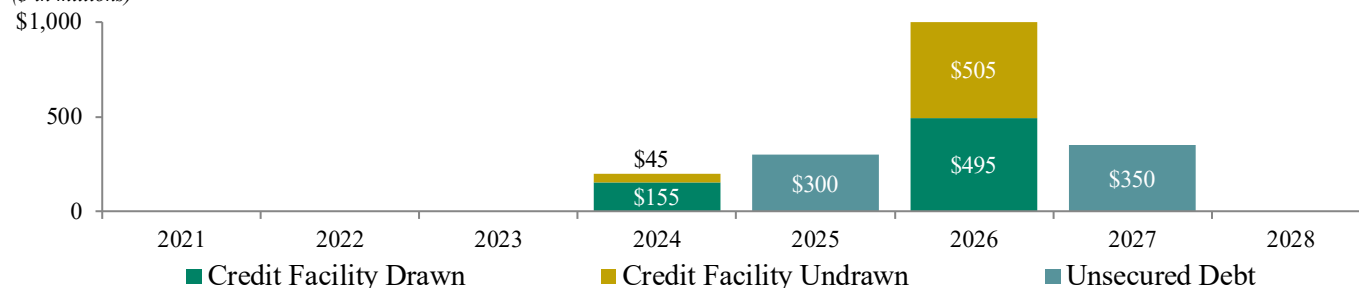
## FUNDING SOURCES

(\$ in millions)

	Committed	Principal Outstanding	Interest Rate	Maturity
Syndicated Credit Facility	\$1,000	\$495	LIBOR + 2.00%	5/4/2026
Citibank Facility	200	155	LIBOR + 1.25%-2.25% <sup>1</sup>	11/18/2024
2025 Notes	300	300	3.500%	2/25/2025
2027 Notes	350	350	2.700% (LIBOR + 1.658%) <sup>2</sup>	1/15/2027
Cash and Cash Equivalents	--	(44)	--	--
<b>Total</b>	<b>\$1,850</b>	<b>\$1,256</b>		
<b>Weighted Average Interest Rate</b>		<b>2.3%</b>		
<b>Net Debt to Equity Ratio</b>		<b>0.95x</b>		

## MATURITIES

(\$ in millions)



***Diverse and flexible sources of debt capital with no near-term maturities***

As of December 31, 2021

Note: Numbers may not sum due to rounding.

<sup>1</sup> The interest rate on outstanding borrowings is LIBOR plus 1.25%-2.20% on broadly syndicated loans subject to observable market depth and LIBOR plus 2.25% on all other eligible loans.

<sup>2</sup> The Company entered into an interest rate swap agreement under which the Company receives a fixed interest rate of 2.700% and pays a floating rate of the three-month LIBOR plus 1.658% on a notional amount of \$350 million.

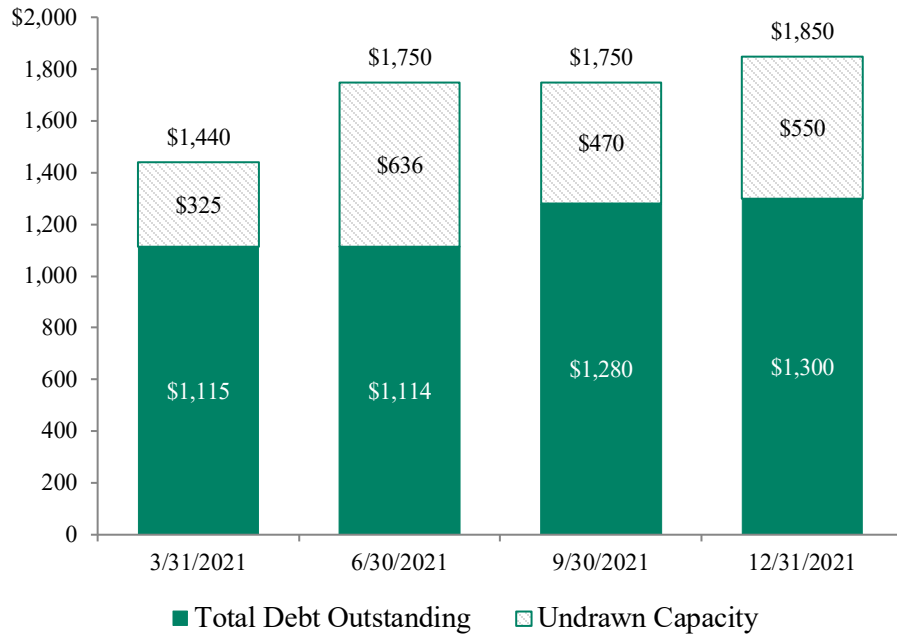
<sup>3</sup> Liquidity was composed of \$43.8 million of unrestricted cash and cash equivalents and \$550.0 million of undrawn capacity under the credit facilities (subject to borrowing base and other limitations).



# Funding and Liquidity Metrics

## LEVERAGE UTILIZATION

(\$ in millions)



## LIQUIDITY OVERVIEW

(\$ in millions)

	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Credit Facilities Committed	\$1,140	\$1,100	\$1,100	\$1,200
Credit Facilities Drawn	(815)	(464)	(630)	(650)
Cash and Cash Equivalents	40	85	29	44
<b>Total Liquidity</b>	<b>365</b>	<b>721</b>	<b>499</b>	<b>594</b>
Total Unfunded Commitments <sup>1</sup>	(242)	(239)	(216)	(246)
Unavailable Unfunded Commitments <sup>2</sup>	50	73	62	43
<b>Adjusted Liquidity</b>	<b>\$173</b>	<b>\$555</b>	<b>\$345</b>	<b>\$391</b>

*Ample liquidity to support funding needs<sup>3</sup>*

	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Cash	\$40	\$85	\$29	\$44
Net Assets	\$1,279	\$1,302	\$1,313	\$1,325
Net Leverage	0.84x	0.79x	0.95x	0.95x
Total Leverage	0.87x	0.86x	0.97x	0.98x

<sup>1</sup> Excludes unfunded commitments to the Kemper JV and Glick JV.

<sup>2</sup> Includes unfunded commitments ineligible to be drawn due to certain limitations in credit agreements.

<sup>3</sup> As of December 31, 2021, we have analyzed cash and cash equivalents, availability under our credit facilities, the ability to rotate out of certain assets and amounts of unfunded commitments that could be drawn and believe our liquidity and capital resources are sufficient to take advantage of market opportunities in the current economic climate.

# Strategic Joint Ventures are Accretive to Earnings

OCSL'S JOINT VENTURES ARE INCOME-ENHANCING VEHICLES THAT PRIMARILY INVEST IN SENIOR SECURED LOANS OF MIDDLE MARKET COMPANIES AND OTHER CORPORATE DEBT SECURITIES

## Key Attributes of Joint Ventures:

- Equity ownership: 87.5% OCSL and 12.5% joint venture partner
- Shared voting control: 50% OCSL and 50% joint venture partner

### KEMPER JV CHARACTERISTICS

(At fair value)

<b>\$135mm</b> OCSL'S INVESTMENTS IN THE KEMPER JV	<b>5.2%</b> % OF OCSL'S PORTFOLIO	<b>\$3.4mm</b> NET INVESTMENT INCOME <sup>1</sup>
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### GLICK JV CHARACTERISTICS

(At fair value)

<b>\$56mm</b> OCSL'S INVESTMENTS IN THE GLICK JV	<b>2.2%</b> % OF OCSL'S PORTFOLIO	<b>\$1.4mm</b> NET INVESTMENT INCOME <sup>2</sup>
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### COMBINED PORTFOLIO SUMMARY

INVESTMENT PORTFOLIO	FIRST LIEN	PORTFOLIO COMPANY COUNT	WTD. AVG. DEBT PORTFOLIO YIELD	LEVERAGE RATIO
\$501mm	95%	66	6.2%	1.3x

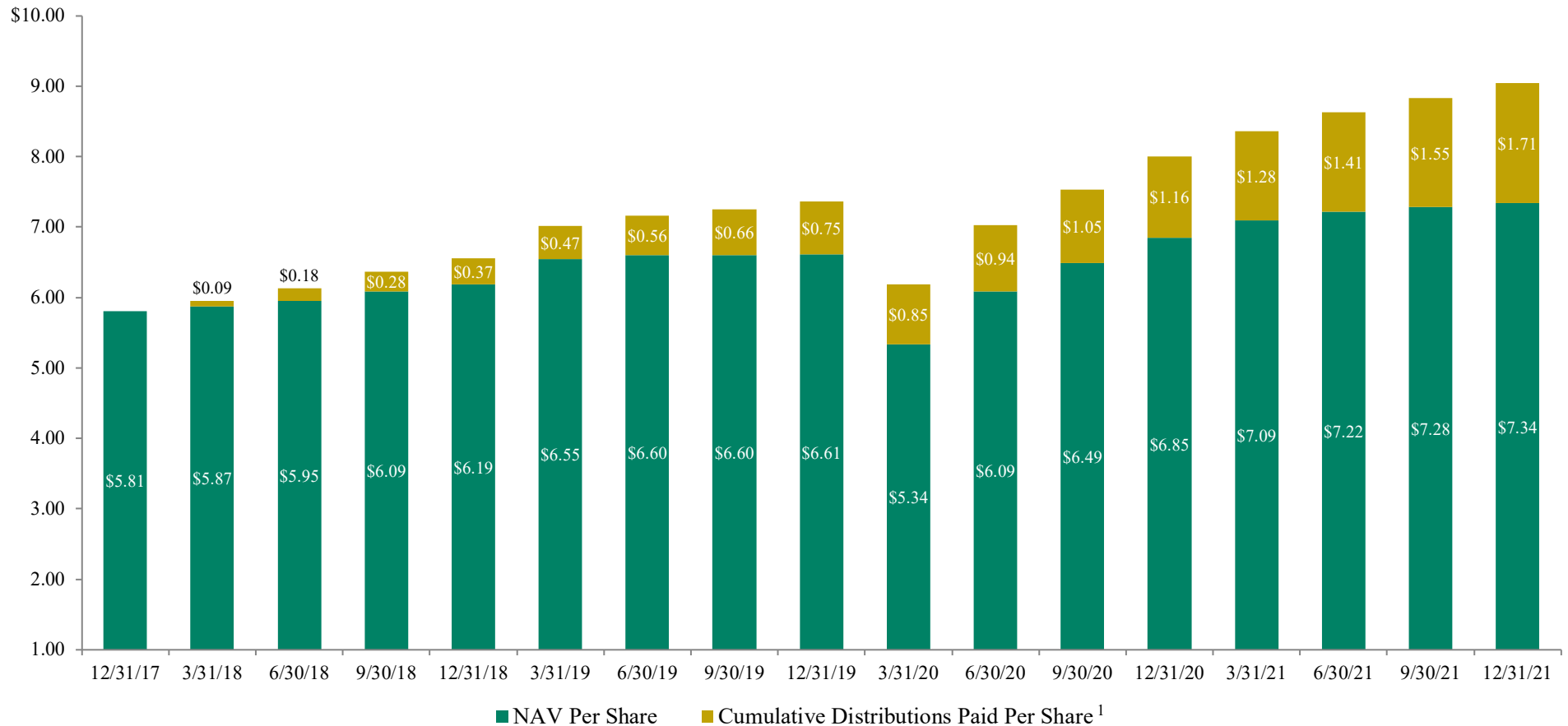
As of December 31, 2021

<sup>1</sup> Represents OCSL's 87.5% share of the Kemper JV's net investment income (excluding subordinated note interest expense) earned during the quarter ended December 31, 2021.

<sup>2</sup> Represents OCSL's 87.5% share of the Glick JV's net investment income (excluding subordinated note interest expense) earned during the quarter ended December 31, 2021.

# Compelling Performance Under Oaktree Management

## NAV AND CUMULATIVE DISTRIBUTIONS PAID PER SHARE



***OCSL has generated an 11.7% annualized return on equity under Oaktree management<sup>2</sup>***

<sup>1</sup> Cumulative distributions declared and paid from December 31, 2017 through December 31, 2021.

<sup>2</sup> Annualized return on equity calculated as the change in net asset value plus distributions paid from December 31, 2017 through December 31, 2021.



# Opportunities to Increase Return on Equity

1

## CONTINUE ROTATING INTO HIGHER-YIELDING INVESTMENTS

- Opportunity to improve the portfolio's yield by rotating out of lower-yielding investments into higher-yielding, proprietary ones
- Exited \$44 million of lower yielding senior secured loans during the quarter
- \$40 million at fair value of senior secured loans with interest rates at or below LIBOR + 4.50%<sup>1</sup>

2

## CONTINUE TO OPERATE WITHIN TARGET LEVERAGE RANGE

- Maintaining a leverage ratio within the target range of 0.85x to 1.00x debt to equity may support the earnings power of the portfolio
- 0.95x net debt to equity, unchanged from last quarter and up from 0.70x as of December 31, 2020
- Ample dry powder with \$550 million of undrawn capacity under credit facilities<sup>2</sup>

3

## OPTIMIZE JOINT VENTURES

- Opportunity to increase underlying joint venture portfolio yields by rotating into higher spread in investments
  - \$63 million of investments with interest rates at or below LIBOR + 3.75% in the Kemper and Glick JVs<sup>1</sup>
- Utilize additional borrowings to operate within target leverage range
  - Target leverage range: 1.25x to 1.75x debt to equity
  - 1.4x and 1.1x total debt to equity at Kemper JV and Glick JV, respectively

*We believe OCSL is well-positioned to provide further improvements to return on equity*

As of December 31, 2021

<sup>1</sup> For senior secured loans that have a cost basis above 92.5%.

<sup>2</sup> Subject to borrowing base and other limitations.



# Appendix



**OAKTREE**

OCSL | Specialty Lending Corporation

# Non-Core Investment Portfolio Detail

## NON-CORE INVESTMENT PORTFOLIO CHARACTERISTICS

### DEBT INVESTMENTS

- \$46 million at fair value in two companies
- Fully repaid on two investments and received a partial paydown on one investment during the quarter ended December 31, 2021; received \$31 million of aggregate proceeds (\$1 million in excess of previous fair values)

### EQUITY INVESTMENTS

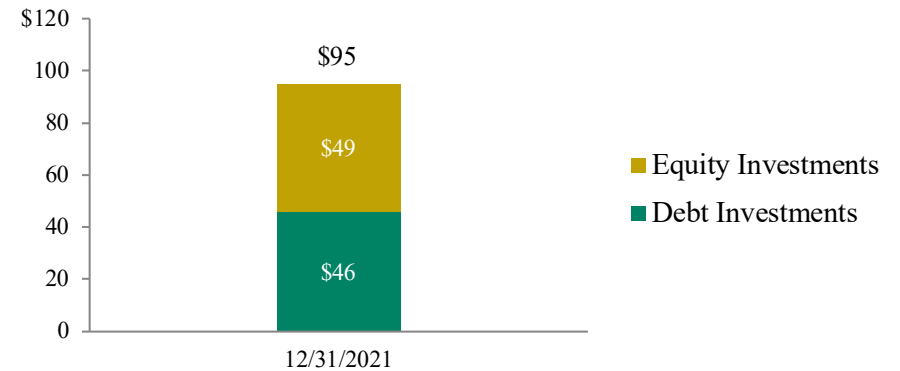
- \$49 million at fair value in 13 companies and limited partnership interests in one third-party managed fund
- Fully repaid on one investment during the quarter ended December 31, 2021; received \$3 million of proceeds (\$2 million in excess of previous fair value)

### AVIATION

- Sold the remaining aircraft during the quarter ended December 31, 2021; estimated final proceeds will be above previous fair value of \$8 million

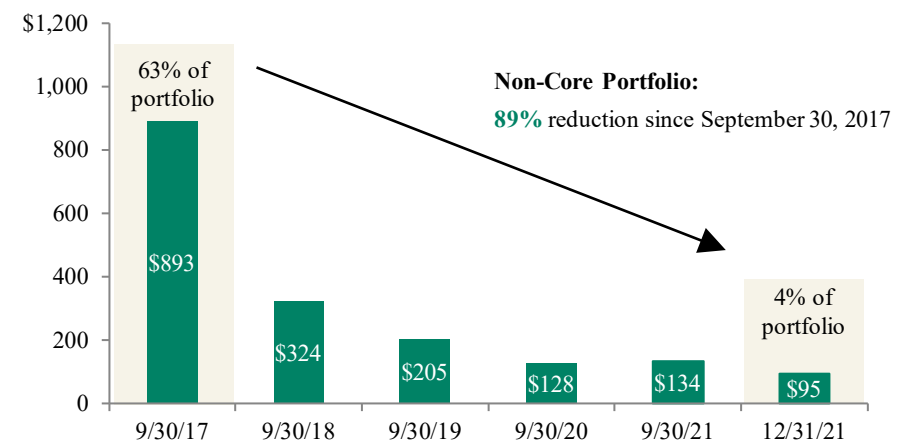
## NON-CORE PORTFOLIO COMPOSITION

(At fair value; \$ in millions)



## NON-CORE PORTFOLIO PROGRESSION<sup>1</sup>

(At fair value; \$ in millions)



Note: Numbers may not sum due to rounding.

<sup>1</sup> Excludes investments in the Kemper JV and Glick JV.

# Quarterly Statement of Operations

(\$ in thousands)	For the three months ended				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
<b>INVESTMENT INCOME</b>					
Interest income	\$55,450	\$55,094	\$51,999	\$35,655	\$31,633
PIK interest income	4,663	4,960	4,597	3,801	3,089
Fee income	912	645	7,823	2,278	3,352
Dividend income	3,916	3,101	1,019	209	130
<b>GAAP total investment income</b>	<b>64,941</b>	<b>63,800</b>	<b>65,438</b>	<b>41,943</b>	<b>38,204</b>
Less: Interest income accretion related to merger accounting adjustments	(2,848)	(5,571)	(5,060)	(665)	--
<b>Adjusted total investment income</b>	<b>62,093</b>	<b>58,229</b>	<b>60,378</b>	<b>41,278</b>	<b>38,204</b>
<b>EXPENSES</b>					
Base management fee	9,952	9,768	8,905	7,074	6,541
Part I incentive fee	6,457	6,015	6,990	4,444	4,149
Part II incentive fee	1,751	1,629	2,837	3,609	9,540
Interest expense	9,400	9,032	8,823	6,568	6,095
Other operating expenses <sup>1</sup>	2,528	2,627	2,343	2,242	1,861
<b>Total expenses</b>	<b>30,008</b>	<b>29,071</b>	<b>29,898</b>	<b>23,937</b>	<b>28,186</b>
Reversal of fees waived (fees waived)	(750)	(750)	(750)	(108)	--
<b>Net expenses</b>	<b>29,338</b>	<b>28,321</b>	<b>29,148</b>	<b>23,829</b>	<b>28,186</b>
(Provision) benefit for taxes on net investment income	(3,308)	(2,437)	(358)	--	--
<b>GAAP net investment income</b>	<b>32,295</b>	<b>33,042</b>	<b>35,932</b>	<b>18,114</b>	<b>10,018</b>
Less: Interest income accretion related to merger accounting adjustments	(2,848)	(5,571)	(5,060)	(665)	--
Add: Part II incentive fee	1,751	1,629	2,837	3,609	9,540
<b>Adjusted net investment income</b>	<b>\$31,198</b>	<b>\$29,100</b>	<b>\$33,709</b>	<b>\$21,058</b>	<b>\$19,558</b>

Note: See page 20 for a description of the non-GAAP measures.

<sup>1</sup> Includes professional fees, directors fees, administrator expense and general and administrative expenses.



# Quarterly Statement of Operations (continued)

(\$ in thousands, except per share amounts)	For the three months ended				
	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
<b>NET REALIZED AND UNREALIZED GAINS (LOSSES)</b>					
Net unrealized appreciation (depreciation)	\$ (4,586)	\$ (2,098)	\$ 3,917	\$ 65,144	\$ 47,556
Net realized gains (losses)	9,321	3,739	8,610	5,856	8,215
(Provision) benefit for taxes on realized and unrealized gains (losses)	2,378	1,878	(1,421)	(997)	(245)
<b>GAAP net realized and unrealized gains (losses), net of taxes</b>	<b>\$ 7,113</b>	<b>\$ 3,519</b>	<b>\$ 11,106</b>	<b>\$ 70,003</b>	<b>\$ 55,526</b>
Less: Net realized and unrealized losses (gains) related to merger accounting adjustments	2,846	5,569	5,045	(33,396)	--
<b>Adjusted net realized and unrealized gains (losses), net of taxes</b>	<b>\$ 9,959</b>	<b>\$ 9,088</b>	<b>\$ 16,151</b>	<b>\$ 36,607</b>	<b>\$ 55,526</b>
<b>GAAP net increase (decrease) in net assets resulting from operations</b>	<b>\$ 39,408</b>	<b>\$ 36,561</b>	<b>\$ 47,038</b>	<b>\$ 88,117</b>	<b>\$ 65,544</b>
Less: Interest income accretion related to merger accounting adjustments	(2,848)	(5,571)	(5,060)	(665)	--
Less: Net realized and unrealized losses (gains) related to merger accounting adjustments	2,846	5,569	5,045	(33,396)	--
<b>Adjusted earnings (loss)</b>	<b>\$ 39,406</b>	<b>\$ 36,559</b>	<b>\$ 47,023</b>	<b>\$ 54,056</b>	<b>\$ 65,544</b>
<b>PER SHARE DATA:</b>					
GAAP total investment income	\$ 0.36	\$ 0.35	\$ 0.36	\$ 0.29	\$ 0.27
Adjusted total investment income	0.34	0.32	0.33	0.28	0.27
GAAP net investment income	0.18	0.18	0.20	0.12	0.07
Adjusted net investment income	0.17	0.16	0.19	0.14	0.14
GAAP net realized and unrealized gains (losses), net of taxes	0.04	0.02	0.06	0.48	0.39
Adjusted net realized and unrealized gains (losses), net of taxes	0.06	0.05	0.09	0.25	0.39
GAAP net increase/decrease in net assets resulting from operations	0.22	0.20	0.26	0.60	0.46
Adjusted earnings (loss)	0.22	0.20	0.26	0.37	0.46
Weighted average common shares outstanding	180,381	180,361	180,361	146,652	140,961
Shares outstanding, end of period	180,469	180,361	180,361	180,361	140,961

Note: See page 20 for a description of the non-GAAP measures.

## Non-GAAP Disclosures

On March 19, 2021, the Company completed the Merger. The Merger was accounted for as an asset acquisition in accordance with the asset acquisition method of accounting as detailed in ASC 805-50, Business Combinations—Related Issues ("ASC 805"). The consideration paid to OCSI's stockholders was allocated to the individual assets acquired and liabilities assumed based on the relative fair values of the net identifiable assets acquired other than "non-qualifying" assets, which established a new cost basis for the acquired OCSI investments under ASC 805 that, in aggregate, was significantly lower than the historical cost basis of the acquired OCSI investments prior to the Merger. Additionally, immediately following the completion of the Merger, the acquired OCSI investments were marked to their respective fair values under ASC 820, Fair Value Measurements, which resulted in unrealized appreciation. The new cost basis established by ASC 805 on debt investments acquired will accrete over the life of each respective debt investment through interest income, with a corresponding adjustment recorded to unrealized appreciation on such investment acquired through its ultimate disposition. The new cost basis established by ASC 805 on equity investments acquired will not accrete over the life of such investments through interest income and, assuming no subsequent change to the fair value of the equity investments acquired and disposition of such equity investments at fair value, the Company will recognize a realized gain with a corresponding reversal of the unrealized appreciation on disposition of such equity investments acquired.

On March 19, 2021, in connection with the closing of the Merger, OCSL entered into an amended and restated investment advisory agreement (the "A&R Advisory Agreement") with Oaktree. The A&R Advisory Agreement amended and restated the existing investment advisory agreement, dated as of May 4, 2020, by and between the Company and Oaktree to (1) waive an aggregate of \$6 million of base management fees otherwise payable to Oaktree in the two years following the closing of the Merger at a rate of \$750,000 per quarter (with such amount appropriately prorated for any partial quarter) and (2) revise the calculation of the incentive fees to eliminate certain unintended consequences of the accounting treatment of the Merger on the incentive fees payable to Oaktree.

The Company's management uses the non-GAAP financial measures described above internally to analyze and evaluate financial results and performance and to compare its financial results with those of other business development companies that have not adjusted the cost basis of certain investments pursuant to ASC 805. The Company's management believes "Adjusted Total Investment Income", "Adjusted Total Investment Income Per Share", "Adjusted Net Investment Income" and "Adjusted Net Investment Income Per Share" are useful to investors as an additional tool to evaluate ongoing results and trends for the Company without giving effect to the accretion income resulting from the new cost basis of the OCSI investments acquired in the Merger because these amounts do not impact the fees payable to Oaktree under the A&R Advisory Agreement, and specifically as it relates to "Adjusted Net Investment Income" and "Adjusted Net Investment Income Per Share", without giving effect to Part II incentive fees. In addition, the Company's management believes that "Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes", "Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes Per Share", "Adjusted Earnings (Loss)" and "Adjusted Earnings (Loss) Per Share" are useful to investors as they exclude the non-cash income/gain resulting from the Merger and used by management to evaluate the economic earnings of its investment portfolio. Moreover, these metrics align the Company's key financial measures with the calculation of incentive fees payable to Oaktree under with the A&R Advisory Agreement (i.e., excluding amounts resulting solely from the lower cost basis of the acquired OCSI investments established by ASC 805 that would have been to the benefit of Oaktree absent such exclusion).



# OAKTREE

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