



OAKTREE

OCSL | Specialty Lending Corporation

Third Quarter
Fiscal Year 2020
Earnings
Presentation

August 10, 2020

Nasdaq: OCSL

Forward Looking Statements

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 (“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, 2019 and our quarterly report on Form 10-Q for the quarter ended June 30, 2020. 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; 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.

Unless otherwise indicated, data provided herein are dated as of June 30, 2020.

Highlights for the Quarter Ended June 30, 2020

Adjusted Net Investment Income¹

- \$0.12 per share for the quarter ended June 30, 2020, flat as compared to \$0.12 for the quarter ended March 31, 2020
- GAAP net investment income was \$0.12 per share for the quarter ended June 30, 2020

Dividend

- Declared a cash distribution of \$0.105 per share, an increase of 11% (\$0.01 per share) from the prior distribution
- Distribution will be payable on September 30, 2020 to stockholders of record as of September 15, 2020

Net Asset Value

- \$6.09 per share as of June 30, 2020, up 14% as compared to \$5.34 as of March 31, 2020
- Increase primarily due to unrealized gains resulting from price increases on liquid debt investments and the impact of tighter credits spreads on private investment valuations, as well as write-ups on certain investments made during the quarter ended June 30, 2020

Investment Activity

- \$261 million of new investment commitments at a 10.5% weighted average yield
- \$199 million of new investment fundings and received \$128 million of proceeds from prepayments, exits, other paydowns and sales
- \$71 million of net new investments²

Investment Portfolio

- \$1.6 billion at fair value diversified across 119 portfolio companies
- 8.1% weighted average yield on debt investments as of June 30, 2020, up as compared to 8.0% as of March 31, 2020
- 0.2% non-accruals at fair value in three portfolio companies

Capital Structure & Liquidity

- 0.89x total debt to equity ratio; 0.83x net debt to equity ratio
- \$767 million total debt outstanding
- Strong liquidity with \$51 million of cash and \$233 million of undrawn capacity on credit facility
- \$155 million of unfunded commitments, with \$76 million of unfunded commitments that are eligible to be drawn³

¹ See page 18 for a description of this non-GAAP measure and a reconciliation from net investment income per share to adjusted net investment income per share.

² New funded investments less proceeds from prepayments, exits, other paydowns and sales.

³ Approximately \$79 million of unfunded commitments were ineligible to be immediately drawn due to certain milestones that must be met by portfolio companies.

Portfolio Summary as of June 30, 2020

Portfolio Characteristics

(At fair value)

\$1.6 billion
Total Investments

119
Portfolio Companies

8.1%
Weighted Average Yield on
Debt Investments

\$152 million
Median Debt Portfolio
Company EBITDA¹

81%
Senior Secured
Debt Investments

0.2%
Non-Accruals

Note: Numbers may not sum due to rounding.

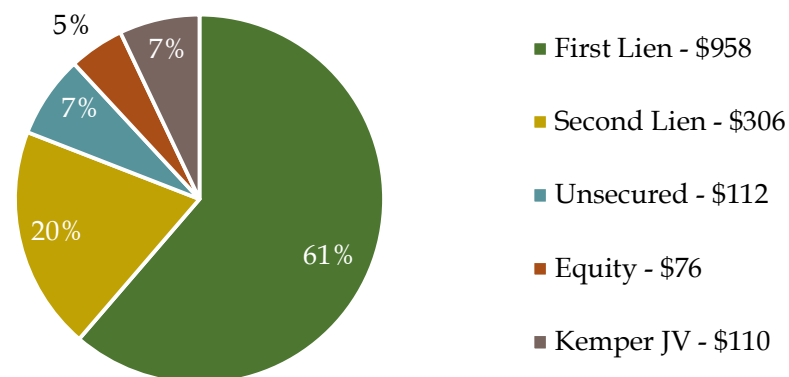
¹ Excludes negative EBITDA borrowers, investments in aviation subsidiaries, investments in structured products and recurring revenue software investments.

² Based on GICS sub-industry classification.

³ Excludes multi-sector holdings, which is primarily composed of investments in Senior Loan Fund JV I ("Kemper JV"), a joint venture that invests primarily in middle market and other corporate debt securities.

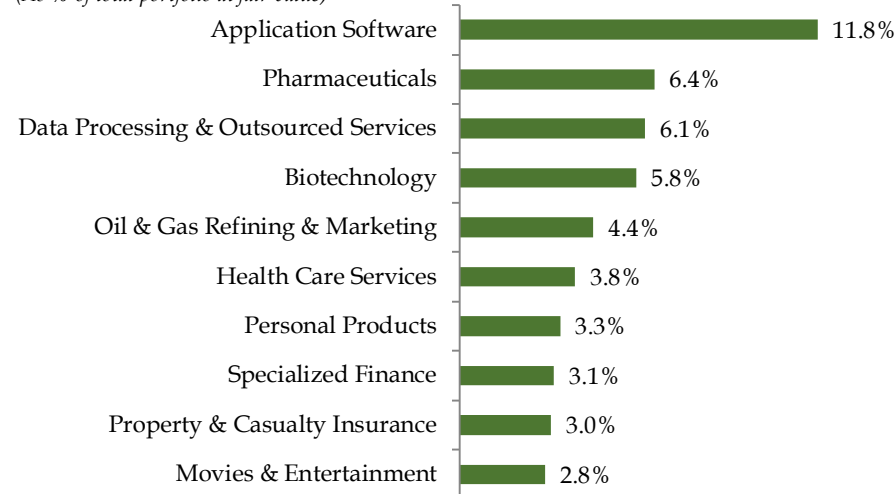
Portfolio Composition

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



Top Ten Industries^{2,3}

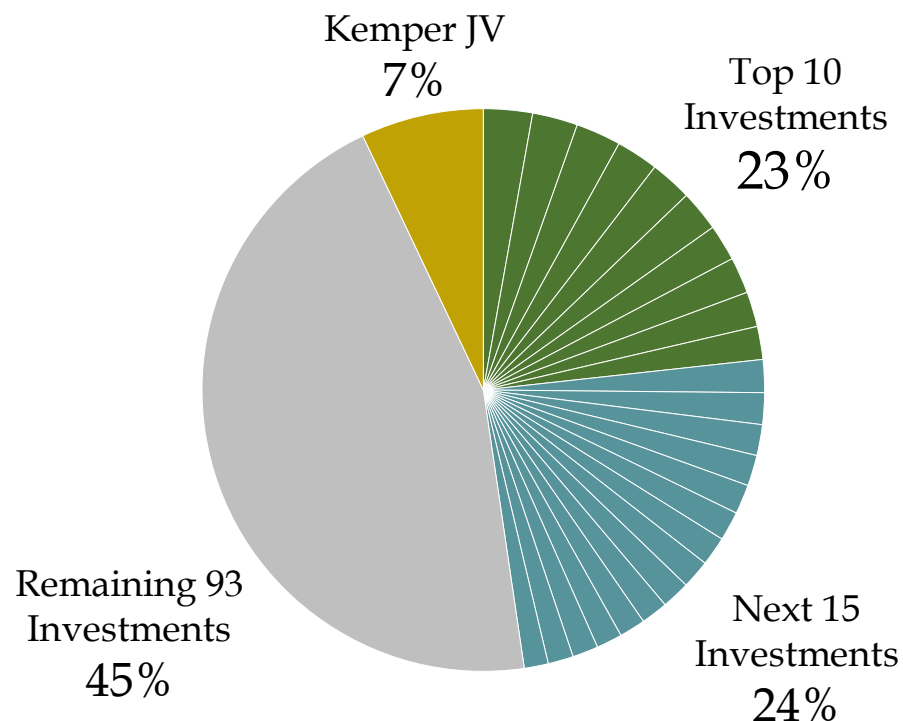
(As % of total portfolio at fair value)



Portfolio Diversity

Diversity by Investment Size

(As % of total portfolio at fair value)



Portfolio by Industry¹

(As % of total portfolio at fair value)

Industry	% of Portfolio
Software	13.1%
IT Services	8.9%
Health Care Providers & Services	6.4%
Oil, Gas & Consumable Fuels	6.4%
Pharmaceuticals	6.4%
Biotechnology	5.8%
Diversified Financial Services	3.7%
Real Estate Management & Development	3.4%
Personal Products	3.3%
Insurance	3.1%
Entertainment	2.8%
Diversified Telecommunication Services	2.7%
Remaining 26 Industries	26.9%
Kemper JV	7.0%

OCSL's portfolio is diverse across borrowers and industries

As of June 30, 2020

Note: Numbers may not sum due to rounding.

¹ Based on GICS industry classification.

Portfolio Originations

New Investment Highlights

\$261 million
New Investment
Commitments

\$199 million
New Investment
Fundings

10.5%
Weighted Average Yield on
New Debt Commitments

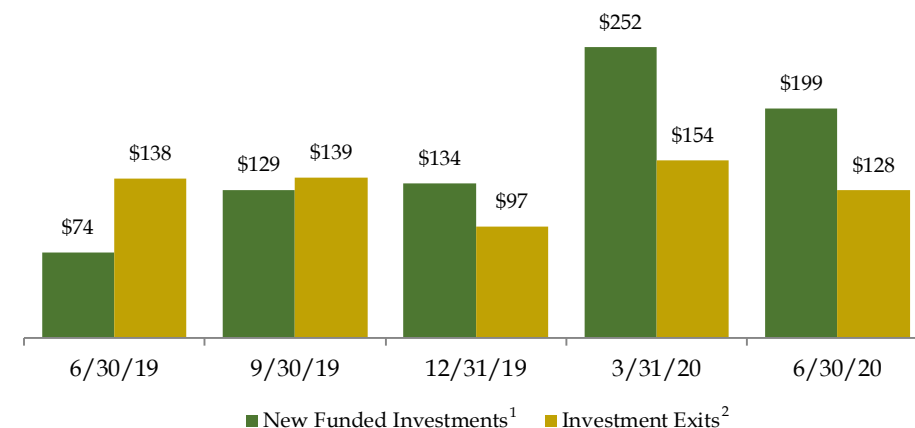
100%
Also Held by Other
Oaktree Funds

\$242 million
New Investment
Commitments in New
Portfolio Companies

\$19 million
New Investment
Commitments in Existing
Portfolio Companies

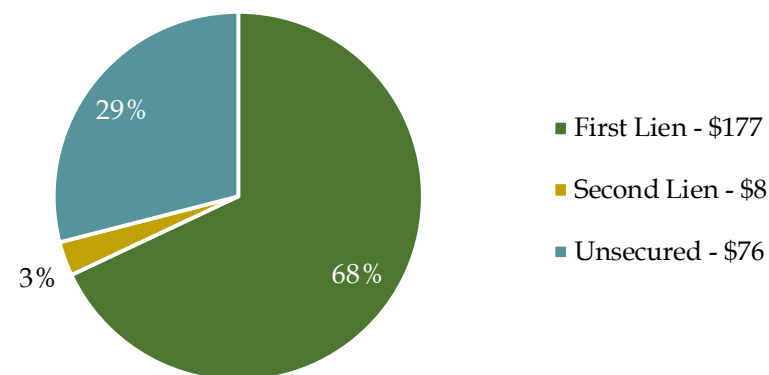
Historical Funded Originations and Exits

(\$ 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.

¹ New funded investments includes drawdowns on existing revolver commitments.

² Investment exits includes proceeds from prepayments, exits, other paydowns and sales.

Originations Detail

New Investment Commitment Detail by Month

(\$ in millions)

Month	Investment Commitments	Number of Deals	Security Type			Market			
			First Lien	Second Lien	Unsecured & Other	Private Placement	Primary (Public)	Secondary (Public)	Secondary Purchase Price
January	\$112	6	\$105	\$6	\$ -	\$87	\$22	\$2	95%
February	43	4	8	15	20	-	35	8	88%
March	118	33	96	-	22	54	-	64	82%
Total 2Q2020	\$273	39	\$210	\$21	\$42	\$141	\$58	\$75	83%
April	\$125	11	\$64	\$7	\$54	\$88	\$23	\$14	73%
May	67	5	47	0	20	-	46	21	74%
June	69	2	66	1	2	66	2	1	92%
Total 3Q2020	\$261	18	\$177	\$8	\$76	\$154	\$71	\$35	74%

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

Non-Core Investment Portfolio Detail

Non-Core Investment Portfolio Characteristics

Private Loans

- \$59 million at fair value in four companies
 - Average debt price: 96.3% as of June 30, 2020, an increase from 92.2% as of March 31, 2020

Equity Investments¹

- \$58 million at fair value in 22 companies and limited partnership interests in two third-party managed funds
- Exited a \$2 million equity investment during the quarter at its previous fair value

Aviation

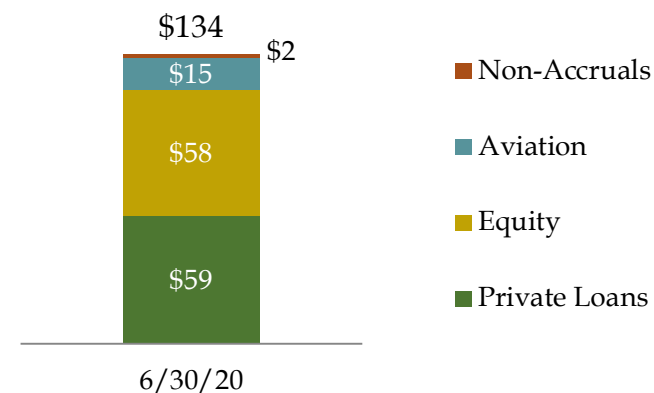
- \$15 million at fair value in one aircraft

Non-Accruals

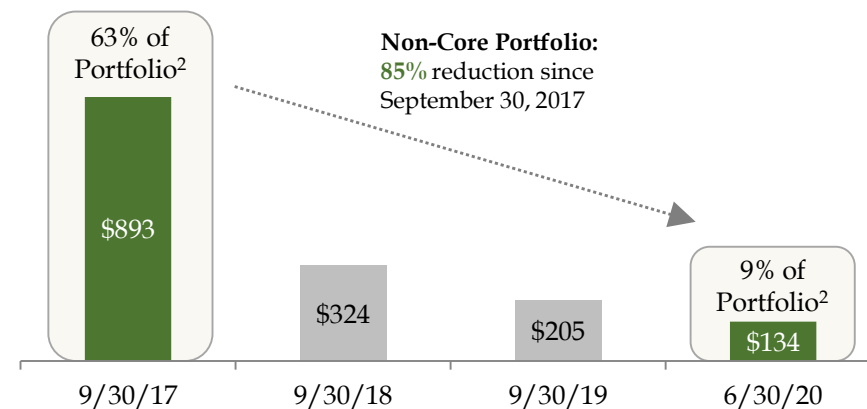
- \$1.5 million at fair value in two companies
 - Average debt price: 6.3%

Non-Core Portfolio Composition

(At fair value; \$ in millions)



Non-Core Portfolio Progression

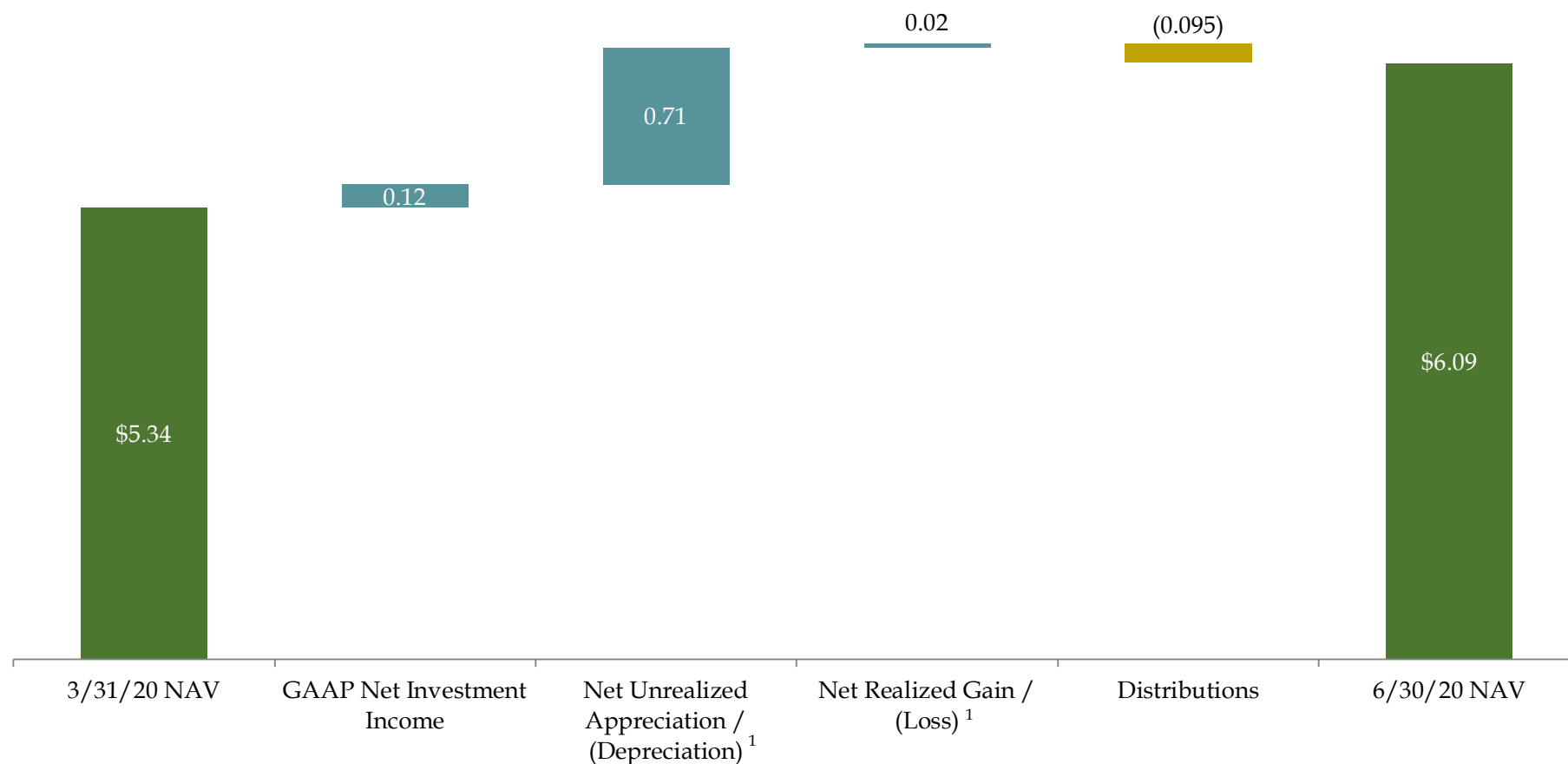


Note: Numbers may not sum due to rounding.

¹ Excludes equity positions in non-accrual debt positions and equity in aviation entities.

² Excludes investments in the Kemper JV.

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.

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

Financial Highlights

(\$ in thousands, except per share amounts)	As of				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
GAAP Net Investment Income per Share	\$0.12	\$0.16	\$0.06	\$0.12	\$0.12
Adjusted Net Investment Income per Share ¹	\$0.12	\$0.12	\$0.10	\$0.12	\$0.12
Net Realized and Unrealized Gains (Losses), Net of Taxes per Share	\$0.73	\$(1.33)	\$0.04	\$(0.02)	\$0.02
Earnings (Loss) per Share	\$0.85	\$(1.17)	\$0.10	\$0.10	\$0.14
Distributions per Share	\$0.095	\$0.095	\$0.095	\$0.095	\$0.095
NAV per Share	\$6.09	\$5.34	\$6.61	\$6.60	\$6.60
Weighted Average Shares Outstanding	140,961	140,961	140,961	140,961	140,961
Investment Portfolio (at Fair Value)	\$1,561,153	\$1,392,187	\$1,467,627	\$1,438,042	\$1,455,031
Cash and Cash Equivalents	\$50,728	\$89,509	\$21,527	\$15,406	\$5,637
Total Assets	\$1,647,567	\$1,501,627	\$1,516,600	\$1,481,038	\$1,485,016
Total Debt Outstanding ²	\$761,002	\$698,686	\$536,468	\$473,367	\$537,278
Net Assets	\$859,063	\$752,224	\$931,082	\$930,630	\$930,050
Total Debt to Equity Ratio	0.89x	0.94x	0.58x	0.51x	0.58x
Net Debt to Equity Ratio	0.83x	0.82x	0.56x	0.49x	0.57x
Weighted Average Interest Rate on Debt Outstanding	2.7%	3.1%	4.5%	4.8%	5.1%

¹ See page 18 for a description of this non-GAAP measure and a reconciliation from net investment income per share to adjusted net investment income per share.

² Net of unamortized financing costs.

Portfolio Highlights

(\$ in thousands)	As of				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Investments at Fair Value	\$1,561,153	\$1,392,187	\$1,467,627	\$1,438,042	\$1,455,031
Number of Portfolio Companies	119	128	106	104	105
Average Portfolio Company Debt Investment Size	\$14,600	\$11,900	\$15,300	\$15,300	\$15,400
Asset Class:					
First Lien	61.3%	62.3%	56.7%	53.5%	54.0%
Second Lien	19.6%	19.7%	22.8%	25.1%	25.8%
Unsecured Debt	7.2%	5.8%	4.8%	5.7%	7.0%
Equity	4.7%	5.5%	6.7%	6.7%	4.3%
Limited Partnership Interests	0.2%	0.2%	0.2%	0.2%	0.2%
Kemper JV	7.0%	6.6%	8.8%	8.8%	8.8%
Interest Rate Type for Debt Investments:					
% Floating-Rate	86.2%	90.6%	90.6%	89.8%	88.5%
% Fixed-Rate	13.8%	9.4%	9.4%	10.2%	11.5%
Yields:					
Weighted Average Yield on Debt Investments ¹	8.1%	8.0%	8.6%	8.9%	8.7%
Cash Component of Weighted Average Yield on Debt Investments	6.9%	6.9%	7.8%	8.1%	8.0%
Weighted Average Yield on Total Portfolio Investments ²	7.6%	7.5%	7.9%	8.2%	8.2%

Note: Numbers may not sum due to rounding.

¹ Annual stated yield earned plus net annual amortization of original issue discount or premium earned on accruing investments, including our share of the return on debt investments in the Kemper JV.

² Annual stated yield earned plus net annual amortization of original issue discount or premium earned on accruing investments and dividend income, including our share of the return on debt investments in the Kemper JV.

Investment Activity

(\$ in thousands)	As of				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
New Investment Commitments	\$260,500	\$272,900	\$134,200	\$138,400	\$66,800
New Funded Investment Activity ¹	\$198,500	\$251,700	\$136,200	\$128,500	\$74,100
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$127,800	\$154,500	\$97,000	\$139,000	\$138,300
Net New Investments ²	\$70,700	\$97,200	\$39,200	\$(10,500)	\$(64,200)
New Investment Commitments in New Portfolio Companies	10	32	9	5	3
New Investment Commitments in Existing Portfolio Companies	8	8	3	4	4
Portfolio Company Exits	19	10	7	7	8
Weighted Average Yield at Cost on New Debt Investment Commitments	10.5%	7.9%	8.1%	7.7%	8.0%

¹ New funded investment activity includes drawdowns on existing revolver commitments.

² Net new investments consists of new funded investment activity less proceeds from prepayments, exits, other paydowns and sales.

Capital Structure Overview

Funding Sources and Key Highlights

(\$ in millions)

	Committed	Principal Outstanding	Interest Rate	Maturity
Credit Facility	\$700	\$467	LIBOR+2.00% ¹	2/25/2024
2025 Notes	300	300	3.500%	2/25/2025
Cash and Cash Equivalents	-	(51)	-	-
Total	\$1,000	\$716		

Target Leverage Ratio: 0.85x to 1.00x debt-to-equity

- Diverse and flexible funding sources with no near-term debt maturities
 - Unsecured debt represented 39% of principal outstanding
 - Next scheduled maturity is in 2024
- Realized full period of interest expense savings following issuance of 3.500% unsecured notes due 2025 and repayment of \$75 million of 5.875% unsecured notes due 2024 and \$86 million of 6.125% unsecured notes due 2028
- Investment grade rated by Moody's and Fitch

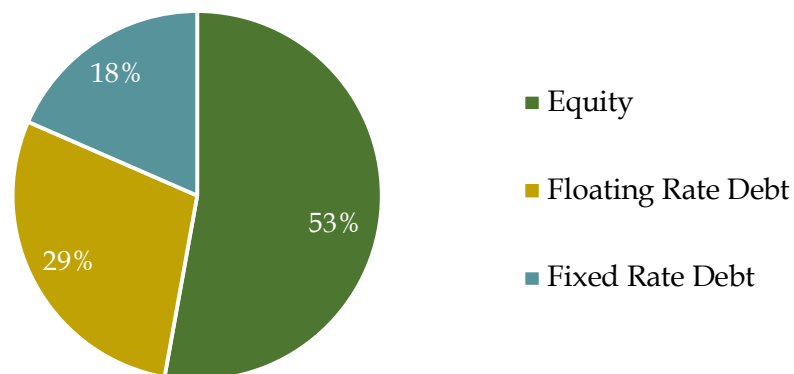
As of June 30, 2020

Note: As of June 30, 2020, we have analyzed cash and cash equivalents, availability under our credit facility, 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.

¹ Interest rate spread can increase up to 2.75% depending on the senior coverage ratio and our stockholders' equity.

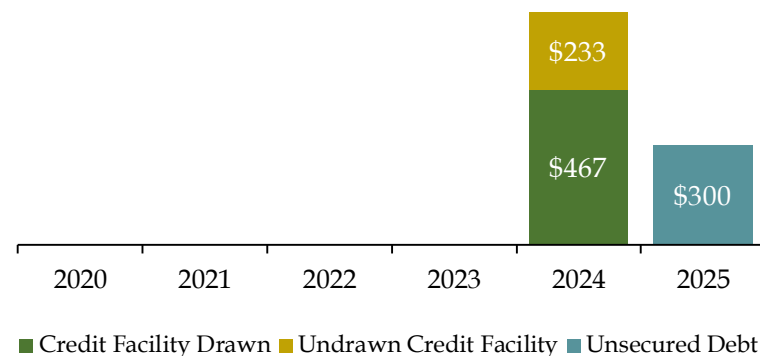
Funding Sources by Type

(As % of total funding sources)



Maturity Profile of Liabilities

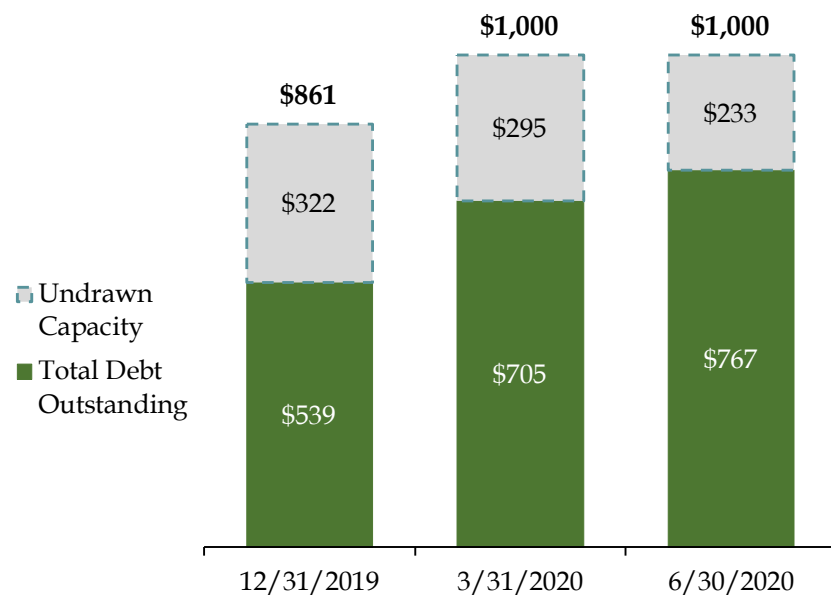
(\$ in millions)



Funding and Liquidity Metrics

Leverage Utilization

(\$ in millions)



	12/31/2019	3/31/2020	6/30/2020
Cash	\$22	\$90	\$51
Net Assets	\$931	\$752	\$859
Net Leverage	0.56x	0.82x	0.83x
Total Leverage	0.58x	0.94x	0.89x

Liquidity Rollforward

(\$ in millions)

	12/31/2019	3/31/2020	6/30/2020
Credit Facility Committed	\$700	\$700	\$700
Credit Facility Drawn	(378)	(405)	(467)
Cash and Cash Equivalents	22	90	51
Total Liquidity	344	385	284
Total Unfunded Commitments	(102)	(92)	(155)
Unavailable Unfunded Commitments ¹	39	31	79
Adjusted Liquidity	\$281	\$324	\$208

Ample liquidity to support funding needs²

¹ Includes unfunded commitments ineligible to be drawn due to certain limitations in credit agreements.

² As of June 30, 2020, we have analyzed cash and cash equivalents, availability under our credit facility, 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.

Joint Venture Summary

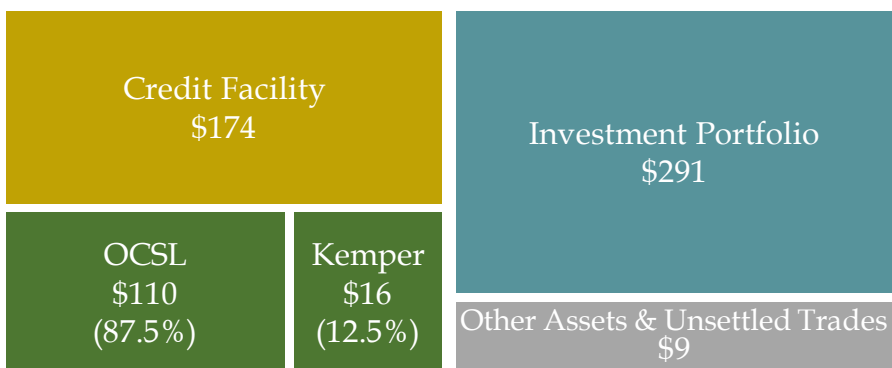
OCSL's Joint Venture with Kemper Corporation

- Primarily invests in senior secured loans of middle market companies as well as other corporate debt securities
- Joint venture structure
 - Equity ownership: 87.5% OCSL and 12.5% Kemper
 - Shared voting control: 50% OCSL and 50% Kemper
- Funded by \$250 million credit facility:

(\$ in millions)	Committed	Principal Outstanding	Interest Rate	Maturity
Credit Facility	\$250	\$174	LIBOR + 2.1%	June 2026

Joint Venture Structure

(\$ in millions; at fair value)



Current Leverage Ratio: 1.4x debt-to-equity
Target Leverage Ratio: 1.5x to 2.0x debt-to-equity

As of June 30, 2020

¹ Based on GICS sub-industry classification.

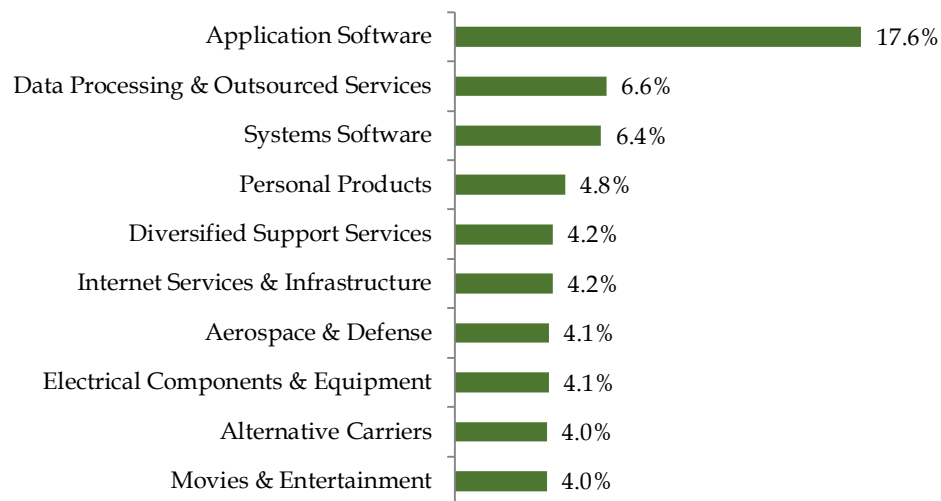
Portfolio Summary

(\$ in millions; at fair value)

	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Total Investments	\$291	\$300	\$330	\$345
First Lien	94%	94%	92%	92%
Second Lien & Other	6%	6%	8%	8%
Number of Debt Investments	53	53	51	51
Average Investment Size	\$5	\$5	\$6	\$7
Non-Accruals	0.3%	0.0%	0.0%	0.0%
Wt. Avg. Debt Portfolio Yield	5.6%	5.5%	6.5%	6.7%
Leverage Ratio	1.4x	1.8x	1.3x	1.2x

Debt Portfolio Top Ten Industries¹

(As % of total portfolio at fair value)



Opportunities to Increase Return on Equity

1 Rotate into higher-yielding proprietary investments

- \$219 million at fair value (\$233 million par value) of senior secured loans priced at or below LIBOR + 4.50%¹ as of June 30, 2020
- Opportunistically sold \$37 million of lower yielding senior secured loans during the quarter ended June 30, 2020
- \$261 million of new investment commitments had a weighted average yield of 10.5% during the quarter ended June 30, 2020
- We believe that the continued uncertainty about the duration and economic impact of the pandemic has created an attractive investing environment

2 Operate within target leverage range of 0.85x-1.00x debt-to-equity

- 0.89x total debt to equity; 0.83x net debt to equity
- \$233 million of undrawn capacity under credit facility²

3 Continued optimization of the Kemper JV

- 1.4x total debt to equity, slightly below target leverage range of 1.5x to 2.0x
- \$76 million of undrawn capacity on senior revolving credit facility²

We believe OCSL is well-positioned to enhance return on equity

As of June 30, 2020

¹ For senior secured loans that have a cost basis above 92.5%.

² Subject to borrowing base and other limitations.

Appendix



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Historical Statement of Operations

(\$ in thousands, except per share amounts)	For the three months ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Interest income	\$30,112	\$29,898	\$28,405	\$30,662	\$32,910
PIK interest income	2,183	1,946	1,161	1,187	1,198
Fee income	1,827	2,050	1,071	2,550	1,826
Dividend income	281	277	323	114	735
Total investment income	34,403	34,171	30,960	34,513	36,669
Base management fee	5,988	5,295	5,607	5,496	5,548
Part I incentive fees	3,556	3,444	2,988	3,545	3,787
Part II incentive fees	-	(6,608)	1,051	(403)	607
Interest expense	6,406	7,215	6,535	6,960	7,592
Other operating expenses ¹	1,686	1,984	1,743	1,799	1,893
Total expenses	17,633	11,330	17,924	17,397	19,427
Reversal of fees waived / (fees waived)	-	-	5,200	841	634
Net expenses	17,633	11,330	23,124	18,238	20,061
GAAP net investment income	16,770	22,841	7,836	16,275	16,608
Net realized and unrealized gains (losses)	103,393	(188,308)	6,167	(1,961)	3,551
Provision for income tax (expense) benefit	68	1,705	(160)	(343)	(173)
Net increase/decrease in net assets resulting from operations	\$120,231	\$(165,467)	\$13,843	\$13,971	\$19,986
 Adjusted net investment income²	 \$16,770	 \$16,233	 \$14,087	 \$16,713	 \$17,293

¹ Includes professional fees, directors fees, administrator expenses and general and administrative expenses.

² See page 18 for a description of this non-GAAP measure and a reconciliation from net investment income to adjusted net investment income.

Reconciliation of Adjusted Net Investment Income

(\$ in thousands, except per share amounts)	As of				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
GAAP net investment income	\$16,770	\$22,841	\$7,836	\$16,275	\$16,608
Part II incentive fee (net of waivers)	-	(6,608)	6,251	438	685
Adjusted net investment income	\$16,770	\$16,233	\$14,087	\$16,713	\$17,293
Per share:					
GAAP net investment income	\$0.12	\$0.16	\$0.06	\$0.12	\$0.12
Part II incentive fee (net of waivers)	-	(0.05)	0.04	0.00	0.00
Adjusted net investment income	\$0.12	\$0.12	\$0.10	\$0.12	\$0.12

Notes: On a supplemental basis, the Company is disclosing adjusted net investment income and per share adjusted net investment income, each of which is a financial measure that is calculated and presented on a basis of methodology other than in accordance with U.S. GAAP ("non-GAAP"). Adjusted net investment income represents net investment income, excluding capital gains incentive fees ("Part II incentive fee"). The Company's management uses this non-GAAP financial measure internally to analyze and evaluate financial results and performance and believes that this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends for the Company without giving effect to capital gains incentive fees. The Company's investment advisory agreement provides that a capital gains-based incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized capital appreciation) to the extent such realized capital gains exceed realized capital losses and unrealized capital depreciation on a cumulative basis. Refer to Note 11 – Related Party Transactions in our Quarterly Report on Form 10-Q for further discussion. The Company believes that adjusted net investment income is a useful performance measure because it reflects the net investment income produced on the Company's investments during a period without giving effect to any changes in the value of such investments and any related capital gains incentive fees between periods. The presentation of adjusted net investment income is not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

Numbers may not sum due to rounding.

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