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PRESENTATION

Operator

Good morning, and welcome. Thank you for joining the Oaktree Specialty Lending Corporation's First Fiscal Quarter 2021 Conference Call. Today's conference call is being recorded. (Operator Instructions)

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

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

Thank you, operator, and welcome to Oaktree Specialty Lending Corporation's First Fiscal Quarter Conference Call. Our earnings release, which we issued this morning and the accompanying slide presentation can be accessed on the Investors section of our website at oaktreespecialtylending.com. Our speakers today are Armen Panossian, Chief Executive Officer and Chief Investment Officer; Matt Pendo, President and Chief Operating Officer; and Mel Carlisle, Chief Financial Officer and Treasurer. We will be happy to take your questions following their prepared remarks.

Before we begin, I want to remind you that comments on today's call include forward-looking statements reflecting our current views with respect to, among other things, the timing or likelihood of the merger closing, the expected synergies and savings associated with the merger, the ability to realize the anticipated benefits of the merger and our future operating results and financial performance. Our actual results could differ materially from those implied or expressed in the forward-looking statements. Please refer to our SEC filings for a discussion of these factors in further detail. We undertake no duty to update or revise any forward-looking statements.

I'd also like to remind you that nothing on this call constitutes an offer to sell or a 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.

Matt Pendo ***Oaktree Specialty Lending Corporation - President & COO***

Thank you, Mike, and welcome, everyone, to our first quarter earnings conference call. We appreciate your interest in and support of OCSL, and we hope everyone listening is well.

We are off to an excellent start to fiscal year 2021. OCSL delivered solid results for the quarter with earnings, origination activity and credit quality all strong.

We reported NAV per share of $6.85, up 5% from the prior quarter. This increase reflected both gains from the realization of a non-core investment that was previously on non-accrual as well as ongoing price recovery in our liquid debt investments, which has continued since the market sell-off in March. In fact, as a result of our portfolio's strong credit quality and performance since then, our NAV, as of December 31, is 3.6% higher than it was one year ago.

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Adjusted net investment income per share for the quarter was $0.14 as compared with $0.17 for the prior quarter. The decrease was primarily due to lower investment income compared to the previous quarter, where we generated exceptionally strong interest income in the form of make-whole interest and OID acceleration from the repayment of our investment in NuStar Logistics. Excluding this amount, which contributed approximately $0.04 to adjusted NII last quarter, earnings would have been up as a result of the portfolio's continued growth and increasing yield.

Based on our consistent performance and our expectations for continued strong earnings, our Board increased our quarterly dividend by 9% to $0.12 per share, the third consecutive quarter with a dividend increase. This amount represents a 26% increase from the dividend level one year ago.

We had another strong quarter of originations where we originated $286 million of new investment commitments. Of these new commitments, nearly 70% were first lien loans and included $181 million in private transactions, $84 million in the new issue primary market and $22 million in secondary market purchases.

We received $161 million from paydowns and exits in the quarter, including $23 million from our exit of Edmentum, a non-core position that was previously a non-accrual.

The weighted average yield on our new debt investments in the quarter was 8.7%, which compares favorably to the average yield of 7.8% on investments, which we fully exited.

Leverage declined to 0.70x net of cash from 0.74x at September 30, driven primarily by the timing of new investment fundings. Approximately $100 million of first quarter originations did not settle in December. If they had settled by quarter-end, leverage would have been approximately 0.8x. Most of these investments have been funded in January.

As we actively identify opportunities, we also remain focused on sourcing directly originated private credit opportunities. We have continued to augment our sourcing efforts by making several key hires, and our pipeline of private investments is robust. That noted, we are approaching these new investments cautiously, given the uncertain economic backdrop and recent exuberance from other market participants that has driven pricing and terms to pre-pandemic levels.

With that in mind, credit quality remains a top priority and a key component of OCSL's foundation. We had no new non-accruals in the quarter, and we have only one portfolio company with a fair value of $500,000 on non-accrual status, which represents 3 basis points of the total portfolio at fair value.

We continued to make good progress in monetizing non-core holdings during the quarter, exiting two positions. Non-core investments now represent $125 million or only about 8% of the portfolio at fair value.

Before I turn it over to Armen, I wanted to update you on the planned merger of OCSL and Oaktree Strategic Income Corporation. As we discussed on our last call, we expect this will create a larger, more scaled BDC with increased trading liquidity, potentially broadening our institutional shareholder base and may improve access to lower cost sources of debt. We also anticipate that it will drive NII accretion over both the near- and long-term.

We are confident that now is the right time to move forward with this merger. Both portfolios have strong credit quality and our transition out of non-core assets that we've been working on since 2017 is nearly complete.

The registration statement has been declared effective. The proxy solicitation process has begun, and the merger is on track to close by the end of the current quarter. With our shareholders and OCSI shareholders scheduled to vote on the transaction on March 15. We encourage all shareholders to review the proxy materials and vote your shares accordingly.

Overall, we are very pleased with our quarterly results, and we are confident the scale that OCSL will have post-merger will help drive

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further benefits for our shareholders.

With that, I will now turn the call over to Armen.

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

Thanks, Matt, and good morning, everyone. The rebound in credit and equity markets that we saw in 2020 has continued into 2021, supported by still vulnerable, but improving economic conditions and consumer sentiment, as well as exceptional fiscal and monetary stimulus.

The rollout of COVID-19 vaccines and commitments by the new administration to accelerate that process provide reasons to believe we are nearing the final stages of this public health crisis, adding to investor confidence.

All of that noted, valuations feel elevated and might not necessarily reflect current macro conditions or the prevailing outlook for gradual economic growth this year. The ultimate pace of inoculations remains an uncertainty, and projections for GDP growth assume an end to the pandemic in the second half of calendar 2021. While hopeful, we are also cautious about assuming too much about the final outcome at this stage.

With that sense of caution in mind, we continue to approach new investments defensively. We think it is important to view market exuberance with a critical eye and to avoid perilous investment opportunities. We remain focused on protecting the downside in our investments and seeking appropriate compensation for risks taken.

Given Oaktree's scale and resources, we are able to invest across multiple markets with diversified businesses. This enables us to focus our portfolio on stable and lower-risk sectors, notably, including those largely unaffected or even positively impacted by COVID. We continue to identify compelling opportunities among life sciences and technology companies that are delivering health care solutions or capitalizing on the increased level of digital commerce.

We're also seeing more direct lending opportunities in support of leveraged buyouts of businesses that are proving resilient in the face of the pandemic and ones that are not easily underwritten via traditional cash flow-based methodologies.

Finally, as we did last year, we continue to carefully study the rescue lending landscape, an area in which we have found appealing opportunities, including two investments that we made in the first quarter that I will discuss in more detail shortly.

As Matt noted, we are also exiting positions in which we believe there is limited further upside, including some of our lower yielding broadly syndicated loan positions.

Now turning to the overall portfolio performance. At the end of the first quarter, the portfolio was well diversified with $1.7 billion at fair value across 115 companies. 86% of the portfolio was invested in senior secured loans. Our median portfolio company EBITDA at December 31 was approximately $123 million, larger than the typical middle market company, as we continue to favor larger, more diversified businesses.

As always, we remain in close contact with management teams and private equity sponsors, and generally, our portfolio companies have the necessary liquidity to manage through the current environment. Our strong credit quality reflects this. We have only one investment on non-accrual, as Matt noted, and amendments and interest modifications continue to be very low.

Turning now to investment activities. During the quarter, we saw numerous opportunities in companies with attractive risk-reward profiles in defensive sectors, as well as unique opportunities requiring specially structured terms. I'd like to take a moment to discuss in more detail a few compelling investments we made in the quarter.

Navisite is a provider of IT application and cloud services to middle market companies in the U.S., with recurring revenue accounting for 3/4 of its income. The company sought financing in connection with a planned acquisition, and Oaktree was the sole provider of a $75

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million second lien term loan, with pricing at LIBOR plus 8.5%. OCSL was allocated $23 million of the loan total.

Wencor is an independent low-cost aftermarket services and parts provider for the commercial aerospace sector, working with a diverse base of several hundred airline customers. Due to the pandemic and the grounding of over 50% of the global fleet, airline have deferred maintenance to preserve liquidity. Wencor sought a loan to bridge from the current challenging environment to what it expects will be a resurgence in needed repairs as airline travel rebounds post pandemic amid pent-up demand.

Oaktree was the sole provider of a $50 million first lien incremental term loan with a $30 million first lien delayed draw term loan able to be drawn by the company through September of this year. The term loan was priced at LIBOR plus 7.5%. OCSL was allocated $27 million of the loan.

LATAM Airlines is one of the world's largest airlines, and it is the largest airline in Latin America. The company filed for Chapter 11 bankruptcy protection to restructure its debt and ensure operational continuity as the business adapted to the pandemic. LATAM sought to raise a significant amount of capital as part of its restructuring, and this led to an over $800 million total commitment from Oaktree. OCSL participated alongside our flagship Opportunities funds in this deal, which is attractively structured and priced at LIBOR plus 9.75% on a cash basis, or 11% PIK. OCSL was allocated $16 million of this loan.

As Matt noted, our pipeline continues to be robust as we are currently evaluating unique and attractive private investment opportunities across a broad set of industries. Our strong liquidity, along with the resources of Oaktree, put us in an excellent position to pursue these opportunities now and in what we hope is a stable, growth environment as the pandemic subsides.

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

Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Thank you, Armen. Good morning, everyone. OCSL generated strong financial results in the first quarter. Total investment income was $38.2 million, down from $43.6 million in the previous quarter. The $5.4 million decline was due to lower interest income based on lower make-whole interest and OID acceleration from loan payoffs, as Matt noted earlier.

Net expenses for the first quarter totaled $28.2 million, up $9.1 million sequentially. The increase was driven by higher accrued Part II incentive fees. This was partially offset by lower Part I incentive fees, mainly due to the decrease in investment income.

For the quarter, OCSL reported net investment income $10 million and adjusted net investment income of $19.6 million or $0.07 and $0.14 per share, respectively.

As a reminder, we define adjusted NII as NII excluding capital gains, incentive fees or Part II incentive fees. During the first quarter, OCSL accrued a total of $9.5 million in Part II incentive fees. This amount was mostly due to $48 million in net unrealized gains in the portfolio during the first quarter. It is important to note that while GAAP requires us to take unrealized gains into account when accruing Part II incentive fee expense each quarter, OCSL will only pay Part II incentive fees annually, and to the extent that it has realized gains that exceed realized and unrealized losses at year-end.

Turning to credit quality, which continues to be very strong. As Matt noted, at quarter-end, we had one investment on non-accrual, representing 3 basis points of the total portfolio at fair value, down from 10 basis points in the prior quarter. The decrease was primarily due to the successful exit of Edmentum, where we realized a full par recovery on our debt investment and recorded a total gain of $23 million. During the quarter, all of our portfolio companies made their scheduled interest payments, and since March, only one company has converted its cash interest payments to PIK.

Moving to the balance sheet. During the quarter, we funded $242 million of investments and received $161 million in payoffs and exits. Our net leverage ratio decreased to 0.70x from 0.74x at September 30, reflecting the increase in NAV. We also had $103 million of unsettled purchases at December 31, most of which have funded in January.

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Adjusting for this timing difference, net leverage would have been approximately 0.80x at quarter-end, however, still just below the low end of our leverage target range of 0.85 to 1.0x.

As of December 31, total debt outstanding was $700 million and had a weighted average interest rate of 2.7%. Unsecured debt represented 43% of our total debt at quarter-end, and our next scheduled maturity is in 2024 when our credit facility comes up for renewal. At quarter-end, we had total liquidity of approximately $424 million, including $24 million of cash and $400 million of undrawn capacity in our revolving credit facility. Unfunded commitments were $198 million with approximately $150 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.

In the first quarter, we expanded the capacity of our revolving credit facility by $100 million, adding a new lender for $75 million and having an existing lender increase its commitment by $25 million. Our total revolver commitment is currently $800 million.

Importantly, both Moody's and Fitch maintained investment-grade ratings on OCSL, with both citing our successful progress to date in exiting non-core investments, the strength and quality of Oaktree and our lower leverage relative to peers.

Shifting now to the Kemper joint venture. As of December 31, the JV had $341 million of assets invested in senior secured loans to 56 companies. This compared to $313 million of total assets invested in the same number of companies last quarter. Assets increased quarter-over-quarter, mainly due to the increase in the market value of its investments and net portfolio growth as purchases exceeded sales and repayments. As a result of the underlying portfolio appreciation, OCSL's investments in the JV were written up by $8 million or 7% from the prior quarter. Leverage at the JV was 1.2x at quarter end, down slightly from the September quarter.

Now I will turn the call back to Matt.

Matt Pendo ***Oaktree Specialty Lending Corporation - President & COO***

Thank you, Mel. While the environment continues to be uncertain, we nonetheless generated strong operating results for the first quarter. The defensive repositioning that we've carried out since 2017 has largely been completed, and we had a strong quarter of originations. We continue to feel very good about our current holdings. Our overall pipeline of potential transactions remains robust, and we expect to continue to identify compelling investment opportunities throughout fiscal 2021.

For the last two quarters, we have generated an improved return on equity compared to prior quarters, which is evidence that our efforts in this area are paying off, and we continue to believe that OCSL is well positioned to deliver a higher return on equity.

We remain focused on positioning the portfolio for an improved yield by rotating out of lower-yielding investments and into higher-yielding proprietary loans. During the quarter, we exited $35 million of these types of investments, and as of quarter-end, $113 million of senior secured loans priced at or below LIBOR plus 4.5% remained in the portfolio. Our new investments during the quarter came in at an average yield of 8.7%, so there is continued upside to be realized over time.

Another opportunity for us to increase ROE is deploying more leverage at the portfolio level. As Mel mentioned, we are operating below the low end of our long-term target of 0.85 to 1x. So we would expect to continue to enhance returns as we make incremental investments and deploy higher leverage. 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.

Finally, the Kemper JV continues to present an opportunity for us to improve returns. As of year-end, the JV was levered 1.2x and had $50 million of investment capacity. We believe that disciplined growth of the JV will also be accretive to ROE over time.

In conclusion, we are very pleased with our strong first quarter results. We're also looking forward to the pending merger with OCSI, as we believe that this combination benefits shareholders of both OCSL and OCSI through scale, portfolio diversity and expected earnings accretion. We are excited about the future for the combined company and remain optimistic that we will continue to identify new attractive risk-adjusted investment opportunities, enabling us to deliver improved returns to our shareholders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question will come from Devin Ryan of JMP Securities.

Devin Patrick Ryan ***JMP Securities LLC, Research Division - MD and Equity Research Analyst***

First question here, just given the overlap between OCSL and the OCSI on the investment side and expectations that the merger will be relatively seamless. It would be great if you could give some additional granularity on expectations for the cadence of investment activity in the coming quarters as you repositioned the 2 portfolios? And what I'm trying to get at here is you hear the comments about very strong pipeline and obviously, expectations for investment versus some of the comments around valuation and market exuberance, and just trying to think about kind of the push-pull in all of that?

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

Sure. Devin, this is Armen. So in terms of overlap with OCSI and then the cadence of investing after the merger is closed. So in terms of non-overlapping investments that are in OCSI, but not in OCSL, it's about 33% of the OCSI portfolio at this point, of which 25 percentage points are actually public securities that can be traded and about $47-or-so million of par value of private positions that will take a little bit of a longer time to rotate. So it's a pretty manageable rotation after the close of the merger that we can effectuate -- we think that we can effectuate a rotation, but that will, obviously, as you alluded to, will be predicated on our ability to continue to originate attractive loans.

Maybe we could talk a little bit about the markets. I'm sure others will be asking about what we're seeing in the market these days. And I would say, as you know, in private credit, it's not like you could take all of private credit with the same paint brush. There is middle market sponsor finance in support of LBOs. There is some mezzanine within that. There is second lien. And then more typically of what we like doing are the non-sponsored loans. They are harder to predict the timing of. They're more structured. They're harder to find. They take longer to execute. And so that's kind of the other side of what we do here.

What I would say is that on the sponsor side, especially the more typical first lien or unitranche loans, that market is back to pre-COVID competitive levels. Whereby, private equity sponsors are coming to market. They're blasting out pitch decks to a variety of middle-market direct lenders. Pricing has taken a little bit of a hit, not as much as one would think, but legal terms are taking a hit in terms of covenant light and other flexibility around covenants and other terms in these credit agreements. So for us, we're finding yet again that we are rejecting a whole lot more of that deal flow, just finding it less interesting than we are committing to it. And so we're turning over a lot of stones with very few investments.

With that said, we will continue to do some middle market sponsor finance, especially with those sponsors that have very close relationships of Oaktree that we think have an operational advantage in particular sectors. We have a few things in the pipeline now already with sponsors that meet that description. And so we expect that we will still originate some deals there, but we are not going to be the typical flow first lien or unitranche lender out there, BDC or otherwise, that is willing to kind of cave on legal terms. In fact, we would be more willing to cave on financial terms than on legal terms, just given the background of Oaktree as a downside-focused lender.

On the other side of the house, the more sort of opportunistic non-sponsor side. As Matt and I mentioned, we've been active over the last several quarters in rescue lending or providing liquidity to sectors and companies that are experiencing some level of dislocation due to COVID. We don't expect for that opportunity to fully go away even with the positive reaction that the market has shown over the last several quarters, but it certainly has declined. The pace of our deal flow has declined. We were engaged with a very large issuer over the last couple of quarters on a rescue loan in partnership with our Opportunities funds. And with the exuberance in the markets, they essentially were able to place a bond, several hundred basis points tighter than what we were willing to provide them in the public market. So we recognize that the public markets are taking opportunities from us. But with that said, many industries, many businesses

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are going to continue to need capital over the next several quarters, and we will engage in highly structured solutions for those companies.

In that same theme of non-sponsor lending, our activity in the life sciences area continues to be robust. We were very active last year in life sciences. We have a few deals that we're considering right now in the pipeline that are very attractive, consistent with our prior structures and return expectations, and we expect we'll continue to do that.

So I know that I kind of went around the world a little bit there on the market color, but we feel pretty good that we will be able to transition the OCSI portfolio over a few quarters. It's not going to be over one quarter to an OCSL-type portfolio. Well, within the one or two years that we've contemplated, it will take, just given the strength of our pipeline, especially in the non-sponsor area. And it helps that so much of the non-overlapping positions are publicly traded securities that, frankly, are trading quite well under the current market circumstances.

Devin Patrick Ryan ***JMP Securities LLC, Research Division - MD and Equity Research Analyst***

Okay. That's terrific color. And then maybe just a follow-up here. This one might be difficult, but you've had 3 consecutive quarters of increasing the dividend, which is great. I'm not sure if you can maybe just help us think about the outlook for the rest of 2021 and the trajectory. And if you can't give kind of specifics, what should investors be looking for in order to think about kind of the dividend continuing to trend higher from here?

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

Yes. So thanks for raising the question. We really want to not provide forward-looking guidance on things like dividends or earnings. We feel really good about the portfolio, the income it's generating and our pipeline, but to make predictions, anything forward-looking is something that we're just not comfortable doing right now, unfortunately.

Matt Pendo ***Oaktree Specialty Lending Corporation - President & COO***

Yes, I think -- it's Matt. The other thing, Devin, just that we're thoughtful, and we have -- as you pointed out, we raised the dividend in the last three quarters. We've also had -- in the September quarter, we had a large kind of one time item through the NuStar payment, which flowed through investment income. This past quarter, we had [Edmentum] (corrected by company after the call) that, again, also flowed through investment income. So we want to be mindful of those one time items. If you take those out and just look at our investment performance going back to a year ago, $0.10 a year ago was $0.122 in the September quarter and $0.124 in this quarter. So looking at that underlying quarter end kind of recurring portfolio and income -- if you were to look at one thing, that's kind of what we're very focused on as the Board thinks about the dividend.

Operator

The next question comes from Kyle Joseph of Jefferies.

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

Congratulations on another strong quarter. I'll start on your net interest margin, if you don't mind, just give us a sense for -- on the yield side of things, obviously, it sounds like spreads have tightened, but there is still some ongoing portfolio rotation opportunities. So give us a sense for how you're seeing the portfolio yield trending? Obviously, it's been trending in the right direction. And then on the cost of fund side, are we kind of at the bottom here? Are there any opportunities to reduce that? And give us a sense for both of those, and we can figure out the margins.

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

Matt, go ahead.

Matt Pendo ***Oaktree Specialty Lending Corporation - President & COO***

I'll go first. I think on the liability side, we've got, obviously, the unsecured notes, you know the cost on that, and then we have the revolver. We've increased -- we've got some really strong support from our banking group and decreased the size of that over the last two quarters, and obviously have a lot of capacity there. So kind of the next dollar that we need to borrow, we would borrow from the

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revolver, which is LIBOR plus 200. So I think that's pretty solid.

On the asset side, last quarter, the yield was 8.7%. You saw the yield on the assets rolled out was obviously lower than that. So we don't -- Armen's point, I don't want to kind of predict what the asset yield is going to be each quarter and what's going to roll off. But if you look at what we did last quarter and you look at the other -- besides drawing the revolver, the other place we go to fund assets would be to sell our low-yielding assets and just pick up the spread on the assets. So if something comes off at LIBOR plus 500, 400 and goes on at LIBOR plus 700, 600, there is that spread. It's just hard to predict kind of each quarter what's going to be refinanced. We've seen more in the end of last quarter and so far this quarter, there's been more refinancing activity as the market has been robust. So it's just hard to predict that because a quarter ago, we weren't seeing that and that will ebb and flow. But I think that gives you a sense kind of what we're trying to do on the asset side in terms of new originations on the asset side in terms of selling the lower-yielding assets and then on the liability side.

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

Yes. If you look at our origination in the last couple of quarters, I think that's consistent with where we would like to continue to originate. So it's not like we are looking to go tighter than that, and we're certainly not looking to take equity-like risk on anything we originate. So the origination you're seeing from us is kind of where our intention is going forward. And we do have -- if you just look at our positions, I mean we do have a significant enough portfolio in OCSL that has a coupon of the LIBOR plus 450 or lower, that can be rotated. Now it's predicated on the pace of our repayments, as well as on positions that we would ordinarily have liked to have kept, but just given with market strength, those are being, to some extent, taken from us. But we certainly have a targeted portfolio that we would like to exit and rotate into higher-yielding instruments, consistent with our last few quarters of origination.

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

Got it. Very helpful. And then I'd like to ask one on credit. Obviously, it's been very solid and way better than we would have initially expected last spring, but can you give us a sense for kind of amendment activity trends you're seeing? I know you mentioned that only one investment has moved to pick. And then just give us a sense for revenue and EBITDA growth or performance in the fourth quarter, and how that compared to the third quarter for the portfolio broadly?

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

Sure. This is Armen. So yes, on the amendment side, it's been very quiet. We continue to only have one name on non-accrual and one name that is subject to an amendment or a PIK. We have not been contacted and are not engaged with any other kind of material issues in the portfolio around poor performance. So we feel real good about that. I don't expect for us to have a meaningful uptick in defaults based on the information at hand today.

In terms of performance of the underlying companies, it's hard to generalize, but I would say that those industries that are most sensitive to COVID, and I we do have some exposure there. We have some entertainment-related businesses that are focused on live events. We have some leisure-oriented positions. I mean these are not very large positions in the portfolio, but we do have some. Those two areas as well as some of the airline-oriented, aerospace and defense-oriented businesses that we have, are the most impacted from a top line perspective. Obviously, businesses with exposure to live events are at very little to no revenue, and they're in cost-cutting mode, cash flow preservation mode. In the instances where we have exposure there, the companies are sitting on a lot of cash and have very strong sponsor protection. And in several of those situations -- not that there are so many situations, but in most of them, they're recent buyouts by sponsors. And when we did reach out to those sponsors over the course of the last 12 months, the response was, "We'll let you know if we need incremental liquidity. We don't think we will. We think we can manage the cash. And by the way, there is no way we're letting this go. So don't think that you have a distressed opportunity on your hand." So it's been very positive.

Now those businesses the most directly impacted, their revenues could be down as much as 70% or 80% year-over-year. More typical is down 30% or 40% year-over-year. And these are very deeply impacted sectors. But away from the most COVID-sensitive names, the revenues, especially in the last couple of quarters, have been flat to slightly up year-over-year. And in some cases, there are businesses that we've invested in that have benefited from COVID, including fast food restaurants, including the life sciences businesses that have been nice surprises to the upside. The technology-oriented businesses that provide cloud computing-related services are doing quite well as one might imagine. We've been involved with a few recent tech LBOs in the last couple of quarters that provide services for remote

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computing, they've been doing really well. So again, it's kind of all over the place. And thankfully, we just don't have very much exposure that is deeply exposed to COVID. And where we do have that exposure, the companies either have the ability to cut costs essentially to the bone or they have a very strong sponsor standing behind them and willing to put in money, if and when it's needed.

Operator

Next question comes from Finian O'Shea of Wells Fargo Securities.

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

Just a first question on OCSI. For those of us who are a little less familiar, you put the Glick JV onto non-accrual due to COVID volatility. That's obviously a big investment that weighs a bit on portfolio yields. Are you able to update us on how you think about that on being non-accrual that is?

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

Sure. We kept it on non-accrual for last quarter as well. And as you noted, it is related to COVID-related volatility or sensitivity. The assets in the Glick JV have appreciated and are valued fairly considerably over the last few quarters. And so we will consider bringing back that position off of non-accrual every quarter. We will always consider that. We didn't feel comfortable doing it this quarter. And we will reevaluate next quarter. I don't want to provide forward-looking guidance, but we're happy about the performance of the underlying assets, both in terms of lack of default experience, but also in terms of market price appreciation.

Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

I'll also add, Fin, that although we are not accruing interest on the JV, it is generating positive net investment income, and we're using that to pay down the subordinated notes and grow NAV there. So that is the benefit to shareholders.

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

The note that we have on the Glick JV is actually marked higher today as of 12/31 than versus 12/31/2019. So just to give you a sense of our perception or our feeling around that position.

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

Okay. And then one of your legacy names in OCSL, Dominion Diagnostics, that has been pulling on the revolver it looks like a little more this quarter. Are you able to give us any color on what's behind that?

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

Sure. So Dominion actually is a beneficiary of the pandemic. They are pretty actively involved with COVID testing. The company is actually performing, as a result of that, better than what we'd have expected. It's core business is certainly still suffering, but it's doing better than what we would have thought. I would need to get back to you on the details, around the revolver draw in particular, but I know that the business has needed to staff up as well as buy working capital in support of this COVID testing business.

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

Okay. And just a small final question. Obviously, a very good quarter for you guys on NOI and NAV. Just on Edmentum being exited, I assume there was some topline income that you received that's been on non-accrual for a while. Was that -- is that correct, for one? And was that a material impact to your topline, the Edmentum income that you may have realized this quarter?

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

I'll ask Mel or Matt to answer that question. I'm not sure.

Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Sure. In terms of Edmentum, the majority of income generated there was below the line as realized gain. As I mentioned in my prepared remarks, it was about $23 million.

Matt Pendo ***Oaktree Specialty Lending Corporation - President & COO***

There wasn't a lot in investment income.

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Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Yes. It's immaterial. It's not like we can go back and recognize interest income during the time it was a non-accrual. So we did recognize a small amount in the current quarter, but the majority was realized gain.

Operator

The next question comes from Melissa Wedel of JPMorgan.

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

Wanted to touch base quickly on some of the new deployments this quarter and comparing that to sort of the levels and yields from last quarter. I want to make sure I'm thinking about this right, but your slide deck was showing about $240 million deployed this quarter at an average yield of 8.7% versus $146 million last quarter at 10.6%. So can you provide some context around that? And if there is anything sort of missing from that number that we should be factoring in?

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

Yes. Thanks for the question. So the quarter ended September 30, obviously began July 1. And during those summer months, the activity around rescue loans, in particular, was higher than what it was in the following quarter, for the quarter ended 12/31, and frankly, what we're seeing today in the market. So our yields on our new investments, new originations were highly correlated with that rescue lending opportunity. As that opportunity has subsided, we are dealing with issuers that are far less desperate and have potentially other options as those opportunistic lenders and middle-market direct lenders that were fairly frozen in the second calendar quarter, they started coming back towards the mid to late part of the calendar third quarter, the quarter ended September 30. So the rescue lending -- it's really the rescue lending part of the business that was driving those double-digit-type yields, and that has declined so has our average yield to earn new originations.

And we also just -- there is one position that we originated in the month of August, it might have gotten funded early September, that was a 14% loan to a single borrower and it was a decent size. It's the NewAg transaction. It probably skewed that quarter a little bit because of that one transaction, and we continue to look for those types of deals. That is not a rescue loan, actually. That is just a highly structured and a pretty interesting one. We will always look for these non-sponsored transactions, but this is just evidence that, that part of our business can be quite lumpy. We might have a quarter where we do very little in the non-sponsor area that we might have a quarter like the quarter ended September 30, where we have a NewAg or a NuStar or something like that, that really one or two deals might massively skew the average.

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

Okay. Understood. That's really helpful. I guess as a follow-up on that, do you see -- have much visibility into sort of a repayment pipeline? Anything big you're expecting?

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

Yes. I can't put numbers on it, but if you follow the broadly syndicated loan market, that is a pretty good indication for what we expect to see in the middle market landscape as well, potentially on a lagged basis. In the broadly syndicated loan market, the best 90% of that market. So if you exclude the bottom 10% because of default risk or they're just trading low for idiosyncratic reasons. That best 90% is trading pretty close to par or even above par at this point. And it's resulted in the month of January and a significant repricing wave in the broadly syndicated loan market. And in fact, we have seen a couple of second lien positions that we recently clubbed up and took on in 2020 get repaid through the upsizing of a broadly syndicated first lien. And so the upsize of the first lien and take out the entirety of the second lien to reduce their cost of debt. It's hard for me to predict the volume of that impact on a go-forward basis, but the market color that I would give you today is that especially in the month of January, it become quite active. And it's not surprising given the fact that there's been so many inflows -- retail inflows into broadly syndicated loan funds as well as CLO creation that has driven those prices higher.

And one last data point for you, on the broadly syndicated loan market, the index was up about 135 basis points in the month of January alone. So that's a very, very big month, and it's driven by the technicals there. I expect that given that technical and given such a strong fundraising year in 2020, but also in the last few quarters, just middle-market direct lending funds have been very actively fundraising, I

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would suspect that there would be an increase in repayment activity in the more flow oriented LBO-backed part of the market. That's just a part of the market that's very heavily trafficked, and the call protection is not material. It's typically only about a year and then some elevated call premium. So I would expect some repayment activity to pick up even in the middle market over the next couple of quarters, if these current market technicals persist.

Operator

(Operator Instructions) We have no further questions. Mr. Mosticchio?

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

Great. Thanks, Andrea, 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 replay access code 10151069, beginning approximately one hour after this broadcast.

Operator

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

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