



# OAKTREE

OCSL | Specialty Lending Corporation

Filed by Oaktree Specialty Lending Corporation  
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Investor  
Presentation

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Fourth Quarter 2020

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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 ("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, 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; the ability of the parties to consummate the two-step merger (the "Mergers") of Oaktree Strategic Income Corporation ("OCSI") with and into OCSL on the expected timeline, or at all; the ability to realize the anticipated benefits of the Mergers; the effects of disruption on our business from the proposed Mergers; the combined company's plans, expectations, objectives and intentions, as a result of the Mergers; any potential termination of the Merger Agreement; the actions of our stockholders or the stockholders of OCSI with respect to the proposals submitted for their approval in connection with the Mergers; 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.

## **Additional Information and Where to Find It**

In connection with the Mergers, OCSL has filed with the SEC a registration statement on Form N-14 (the "Registration Statement") that includes a preliminary joint proxy statement on Schedule 14A of OCSL and OCSI (the "Preliminary Joint Proxy Statement") and a prospectus of OCSL, and OCSI and OCSL plan to file with the SEC a definitive joint proxy statement on Schedule 14A (the "Joint Proxy Statement") and mail to their respective stockholders the Joint Proxy Statement. The Joint Proxy Statement will contain, and the Registration Statement contains, important information about OCSI, OCSL, the Mergers and related matters. This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. STOCKHOLDERS OF OCSI AND OCSL ARE URGED TO READ THE JOINT PROXY STATEMENT AND REGISTRATION STATEMENT, AND OTHER DOCUMENTS THAT ARE FILED OR WILL BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT OCSI, OCSL, THE MERGERS AND RELATED MATTERS. Investors and security holders will be able to obtain the documents filed with the SEC free of charge at the SEC's website, <http://www.sec.gov> or, for documents filed by OCSI, from OCSI's website at <http://www.oaktreestrategicincome.com> and, for documents filed by OCSL, from OCSL's website at <http://www.oaktreespecialtylending.com>.

## **Participants in the Solicitation**

OCSI, its directors, certain of its executive officers and certain employees and officers of Oaktree and its affiliates may be deemed to be participants in the solicitation of proxies in connection with the Mergers. Information about the directors and executive officers of OCSI is set forth in the Preliminary Joint Proxy Statement, which was filed with the SEC on November 23, 2020. OCSL, its directors, certain of its executive officers and certain employees and officers of Oaktree and its affiliates may be deemed to be participants in the solicitation of proxies in connection with the Mergers. Information about the directors and executive officers of OCSL is set forth in the Preliminary Joint Proxy Statement, which was filed with the SEC on November 23, 2020. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the OCSI and OCSL stockholders in connection with the Mergers will be contained in the Joint Proxy Statement when such document becomes available. These documents may be obtained free of charge from the sources indicated above.

## **No Offer or Solicitation**

This presentation is not, and under no circumstances is it to be construed as, a prospectus or an advertisement and the communication of this presentation is not, and under no circumstances is it to be construed as, an offer to sell or a solicitation of an offer to purchase any securities in OCSI, OCSL or in any fund or other investment vehicle managed by Oaktree or any of its affiliates.

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

## Forward Looking Statements & Legal Disclosures (continued)

### Calculation of Assets Under Management

References to total "assets under management" or "AUM" represent assets managed by Oaktree and a proportionate amount of the AUM reported by DoubleLine Capital LP ("DoubleLine Capital"), in which Oaktree owns a 20% minority interest. Oaktree's methodology for calculating AUM includes (i) the net asset value ("NAV") of assets managed directly by Oaktree, (ii) the leverage on which management fees are charged, (iii) undrawn capital that Oaktree is entitled to call from investors in Oaktree funds pursuant to their capital commitments, (iv) for collateralized loan obligation vehicles ("CLOs"), the aggregate par value of collateral assets and principal cash, (v) for publicly-traded business development companies, gross assets (including assets acquired with leverage), net of cash, and (vi) Oaktree's pro rata portion (20%) of the AUM reported by DoubleLine Capital. This calculation of AUM is not based on the definitions of AUM that may be set forth in agreements governing the investment funds, vehicles or accounts managed and is not calculated pursuant to regulatory definitions.

# Managed by Oaktree: A Leading Global Alternative Asset Manager

- Founded in 1995, Oaktree is a leading global investment management firm focused on credit investing
- Assets under management of \$140 billion<sup>1</sup> in contrarian, value-oriented, risk-controlled investment strategies across a variety of asset classes
- Manages assets for a wide variety of clients including many of the most significant investors in the world

## Global Footprint<sup>2</sup>



As of September 30, 2020

<sup>1</sup> Includes Oaktree's proportionate amount of DoubleLine Capital AUM resulting from its 20% minority interest therein. See Forward Looking Statements & Legal Disclosures section for important information regarding Oaktree's calculation methodology for assets under management.

<sup>2</sup> Includes offices of affiliates of Oaktree-managed funds in Amsterdam, Luxembourg and Dublin. Oaktree is headquartered in Los Angeles.

<sup>3</sup> Excludes amount of DoubleLine Capital AUM.

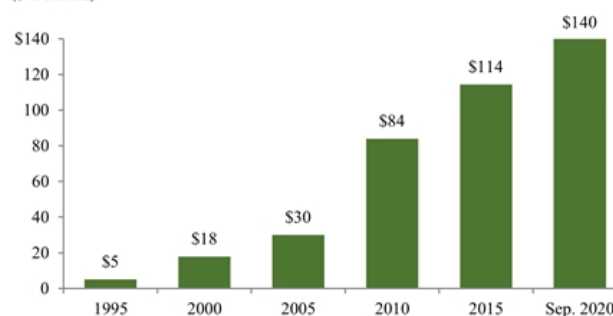
## Investment Areas (by AUM)<sup>3</sup>

(\$ in billions)



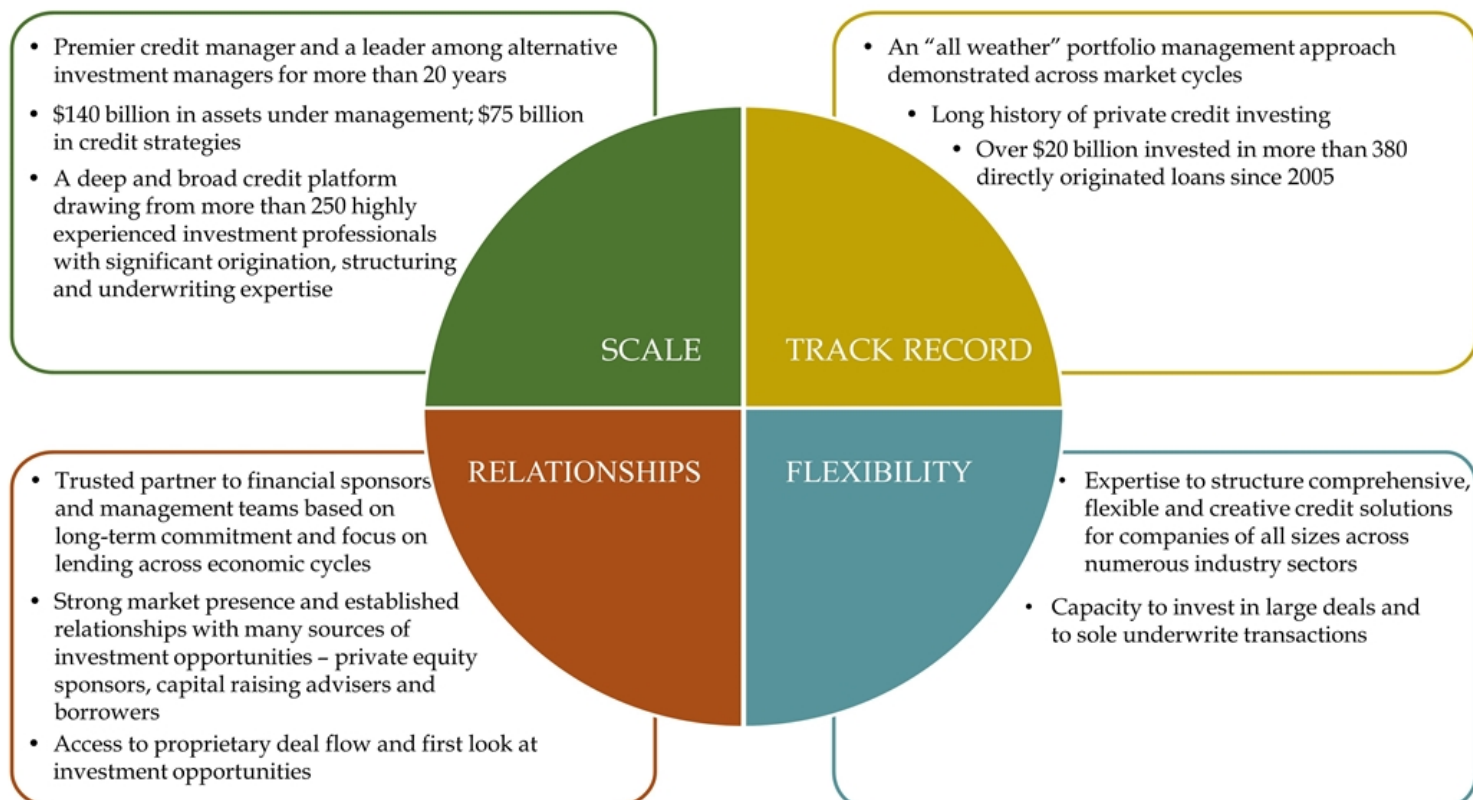
## Historical Assets Under Management<sup>1</sup>

(\$ in billions)





## The Oaktree Advantage



*As of September 30, 2020*

## Experienced Management Team



### **Armen Panossian, *Chief Executive Officer & Chief Investment Officer***

- Managing Director, Portfolio Manager of Oaktree's Strategic Credit Strategy and Oaktree's Head of Performing Credit
- Joined Oaktree in 2007 as a senior member of its Distressed Debt investment team
- Previously Portfolio Manager of Oaktree's U.S. Senior Loan group and led the launch of Oaktree's CLO business
- Experience investing across market cycles in performing and stressed asset classes



### **Matt Pendo, *President & Chief Operating Officer***

- Managing Director, Head of Oaktree's Corporate Development and Capital Markets
- Joined Oaktree in 2015
- CIO of TARP (Troubled Asset Relief Program) of the U.S. Department of the Treasury
- 30 years of investment banking experience at leading Wall Street firms



### **Mel Carlisle, *Chief Financial Officer & Treasurer***

- Managing Director, Head of Oaktree's Distressed Debt and Strategic Credit Fund Accounting Groups
- 24-year career with Oaktree
- Prior experience includes public accounting at PwC and fund accounting at TCW Group, Inc.



### **Kim Larin, *Chief Compliance Officer***

- Managing Director, Oaktree's Deputy Chief Compliance Officer
- 17-year career with Oaktree
- Chief Compliance Officer of the Oaktree Mutual Funds

***Strategic Credit team of over 20 tenured investment professionals supported by Oaktree's dedicated valuation team***

## Oaktree's Investment Philosophy

Oaktree's Underwriting Criteria and Investment Process Have Been Demonstrated Across Market Cycles

### Primacy of Risk Control

- Control primarily for risk, rather than return
- May underperform in the most bullish markets, but prudence across investing environments and limiting losses has been foremost in our investment approach over time and throughout cycles

### Avoid Losers & Winners Take Care of Themselves

- Avoidance of investments that could impair capital over long term
- Opportunistic generation of meaningfully higher return potential in certain environments

### Market Inefficiency

- The private credit market is a relatively less efficient, less well trafficked market, providing opportunities for incremental return relative to risk
- Willingness to invest and lend during times of market stress, when others are retreating

### Benefits Of Specialization

- Expertise in creative, efficient structuring and institutional knowledge of bankruptcies and restructurings enables a focus on risk control that competitors lack

### Emphasis On Consistency

- An emphasis on consistency is a core tenet of Oaktree's investment philosophy and approach
- We allow the market to dictate opportunities; we need not rely on macro forecasts

### Selectivity

- Oaktree's platform provides an extensive reach across credit markets providing access to deal flow and the ability to be highly selective

*Emphasis on fundamental credit analysis, consistency and downside protection are key tenets of Oaktree's investment philosophy, all of which are strongly aligned with the interests of Oaktree Specialty Lending shareholders*

## Oaktree's Approach to Direct Lending

### Emphasis on Proprietary Deals

- Focus on proprietary investment opportunities as well as partnering with other lenders as appropriate
- Leverage the networks and relationships of Oaktree's over 250 investment professionals
- Dedicated sourcing professionals are in continuous contact with private equity sponsors, management teams, capital raising advisors and corporations

### Focus on High- quality Companies and Extensive Diligence

- Focus on companies with resilient business models, strong underlying fundamentals, significant asset or enterprise value and seasoned management teams
- Leverage deep credit and deal structuring expertise to lend to companies that have unique needs, complex business models or specific business challenges
- Maintain discipline around fundamental credit analysis with a focus on downside protection
- Conduct extensive diligence on underlying collateral value whether cash flows, hard assets or intellectual property

### Employ Innovative Loan Structures to Manage Risk

- Leverage Oaktree's significant expertise in identifying structural risks and developing creative solutions in an effort to enhance downside protection
- Limited experience and expertise of other lenders with credit agreements may reduce competition for certain opportunities
- Include covenant protections designed to ensure lenders can get back to the table and "stop the clock" before a deal reaches impairment

### Disciplined Portfolio Management

- Reduce the impact of individual investment risks by diversifying portfolios across industry sectors
- Monitor the portfolio on an ongoing basis to manage risk and take preemptive action to resolve potential problems



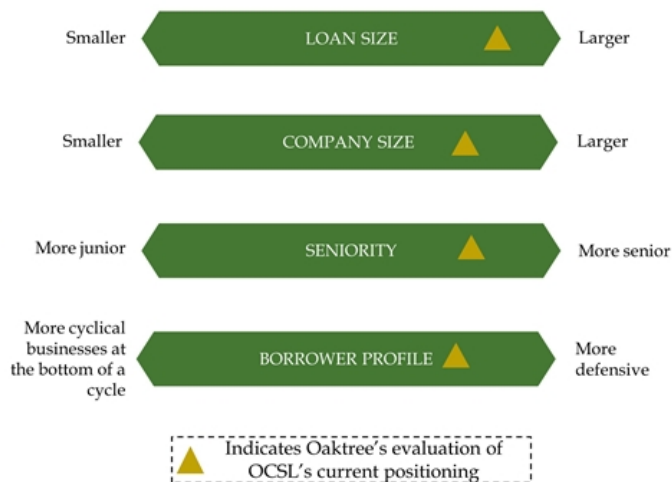
# Market Environment Dictates Oaktree's View on Optimal Portfolio Positioning

## Credit Market Environment

- The credit markets continued to recover, fueled by improving economic data and consumer sentiment, progress on a Covid-19 vaccine and ongoing stimulus measures that have boosted liquidity and the availability of credit
- M&A and LBO activity has picked back up, particularly for businesses that have been resilient amid the pandemic, although overall volumes remain muted relative to pre-pandemic levels
- Oaktree continues to approach new investments defensively, as the economic strain produced by Covid-19 might be felt for several more quarters. Elevated unemployment and tepid GDP growth may persist, and now, more than ever, it is important to be wary of market exuberance and avoid taking on too much risk



## Portfolio Positioning



*OCSL is well-positioned to invest in this environment given Oaktree's demonstrated track record of investing across market cycles*

*Note: All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results.*

## Oaktree's Extensive Origination Capabilities

### Extensive, Global Credit Platform to Source Deal Flow

- Strong market presence and established relationships with financial sponsors, management teams, capital raising advisors, banks and individual issuers
- Emphasis on proprietary deals: Frequent “first look” opportunities, well positioned for difficult and complex transactions
- Established reputation as a “go-to” source for borrowers, large and small, due to longstanding track record in direct lending; with over \$20 billion invested in more than 380 directly originated loans since 2005<sup>1</sup>

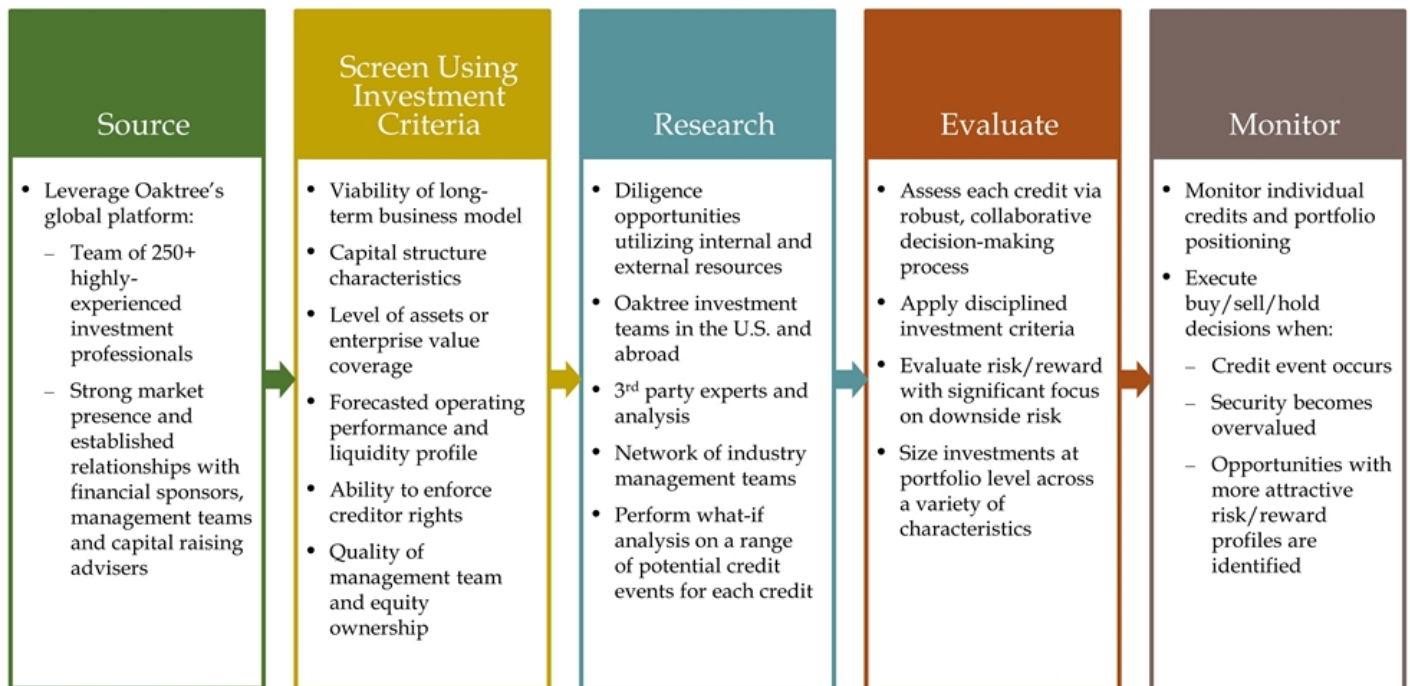
### Ability to Address a Wide Range of Borrower Needs

- Capability to invest across the capital structure
- Certainty to borrowers by seeking to provide fully underwritten finance commitments
- Capacity to fund large loans
- Expertise in performing credit, as well as restructuring and turnaround situations

*Extensive origination capabilities leads to greater ability to source quality investments*

<sup>1</sup> As of September 30, 2020.

## Oaktree's Credit Investment Process



## Corporate Highlights

- Provide customized, one-stop credit solutions to companies with limited access to public or syndicated capital markets
- Leverage the extensive firm-wide resources and expertise of Oaktree for originations, due diligence, and credit selection
- Provide complete and flexible capital solutions – first lien and second lien loans, unsecured and mezzanine loans, and preferred equity
  - Companies across a variety of industries that possess resilient business models with strong underlying fundamentals
  - Medium to larger middle-market companies, including those with unique needs or specific business challenges
  - Businesses with significant asset or enterprise value and seasoned management teams
- Structure a diverse portfolio with high conviction investments positioned to generate attractive risk-adjusted returns across market cycles

### Highlights ○ As of September 30, 2020

<b>Portfolio</b>	○ \$1.6 billion in Total Investments 113 Portfolio Companies
<b>Total Assets</b>	○ \$1.6 billion
<b>Asset Type</b>	○ 62% First Lien 22% Second Lien 8% Unsecured and Equity 7% Joint Venture
<b>Ticker</b>	○ Nasdaq: OCSL
<b>Market Cap.</b>	○ \$791 million <sup>1</sup>



*Note: Numbers may not sum due to rounding.*  
<sup>1</sup> As of November 30, 2020.

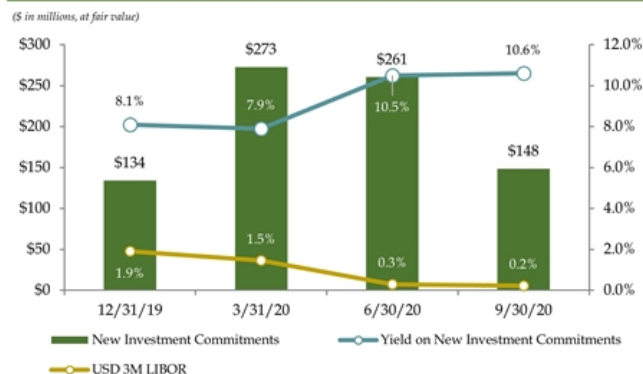


# Accomplishments for the Fiscal Year Ended September 30, 2020

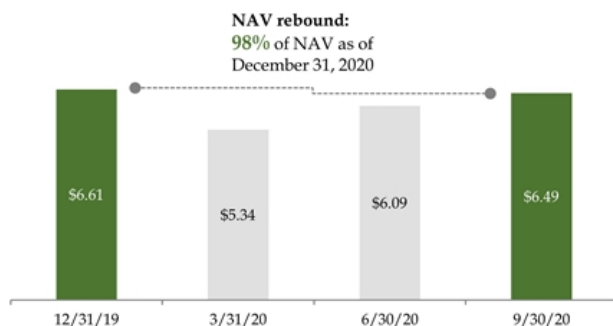
## Key Accomplishments

- 1 Strong new investment activity
- 2 Solid portfolio performance amid challenging market environment
- 3 Expanded capital structure capacity and reduced cost of funding

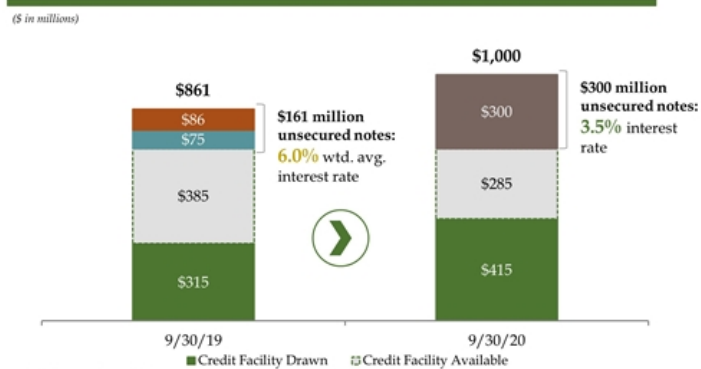
## Originations Activity



## NAV Per Share



## Capital Structure Evolution<sup>1</sup>



<sup>1</sup> On October 28, 2020, the Company increased the size of its credit facility by \$75 million to \$775 million in connection with its exercise of the accordion feature.

## Highlights for the Quarter Ended September 30, 2020

Adjusted Net Investment Income <sup>1</sup>	<ul style="list-style-type: none"> <li>\$0.17 per share for the quarter ended September 30, 2020, up as compared to \$0.12 for the quarter ended June 30, 2020, primarily reflecting higher make-whole interest income, original issue discount acceleration and prepayment fees resulting from investment exits</li> <li>GAAP net investment income was \$0.17 per share for the quarter ended September 30, 2020</li> </ul>
Dividend	<ul style="list-style-type: none"> <li>Declared a cash distribution of \$0.11 per share, an increase of 5% (\$0.005 per share) from the prior distribution; second consecutive quarter with a distribution increase</li> <li>Distribution will be payable on December 31, 2020 to stockholders of record as of December 15, 2020</li> </ul>
Net Asset Value	<ul style="list-style-type: none"> <li>\$6.49 per share as of September 30, 2020, up 6.5% as compared to \$6.09 as of June 30, 2020</li> <li>Increase primarily due to unrealized gains resulting from price increases on liquid debt investments and the impact of tighter credit spreads on private investment valuations, realized gains on equity investments and undistributed net investment income</li> </ul>
Investment Activity	<ul style="list-style-type: none"> <li>\$148 million of new investment commitments; 10.6% weighted average yield on new debt investments</li> <li>\$146 million of new investment fundings and received \$184 million of proceeds from prepayments, exits, other paydowns and sales</li> </ul>
Investment Portfolio	<ul style="list-style-type: none"> <li>\$1.6 billion at fair value diversified across 113 portfolio companies</li> <li>8.3% weighted average yield on debt investments as of September 30, 2020, up as compared to 8.1% as of June 30, 2020</li> <li>0.1% non-accruals at fair value in two portfolio companies as of September 30, 2020, down from 0.2% in three companies as of June 30, 2020</li> </ul>
Capital Structure & Liquidity	<ul style="list-style-type: none"> <li>0.78x total debt to equity ratio; 0.74x net debt to equity ratio</li> <li>\$715 million total debt outstanding</li> <li>Strong liquidity with \$39 million of cash and \$285 million of undrawn capacity on credit facility; \$158 million of unfunded commitments, \$94 million of which are eligible to be drawn<sup>2</sup></li> </ul>

<sup>1</sup> See page 32 for a description of this non-GAAP measure and a reconciliation from net investment income per share to adjusted net investment income per share.

<sup>2</sup> Approximately \$63.5 million of unfunded commitments were ineligible to be immediately drawn due to certain milestones that must be met by portfolio companies.

## Recent Developments

### OCSL – OCSI Merger Agreement

- On October 28, 2020, the Company entered into an agreement to merge with OCSI, an affiliated business development company managed by Oaktree, with the Company as the surviving company
- Under the terms of the proposed merger, OCSI shareholders will receive an amount of the Company's common stock with a NAV equal to the NAV of shares of OCSI common stock that they hold at the time of closing
- The transaction is subject to approval by OCSL and OCSI stockholders and other customary closing conditions. Assuming these conditions are satisfied, the transaction is expected to close in the first calendar quarter of 2021
- The combined company will trade under the ticker symbol "OCSL" on the Nasdaq Global Select Market

### Management Fee Waiver

- In connection with the entry into the merger agreement described above, Oaktree has agreed to waive \$750,000 of base management fees payable in each of the eight quarters immediately following the closing of the Mergers (for an aggregate waiver of \$6.0 million of base management fees)

### Credit Facility Upsize

- On October 28, 2020, the Company increased the size of its credit facility by \$75 million to \$775 million in connection with its exercise of the accordion feature

# Portfolio Summary as of September 30, 2020

## Portfolio Characteristics

(At fair value)

**\$1.6 billion**  
Total Investments

**113**  
Portfolio Companies

**8.3%**  
Weighted Average Yield on  
Debt Investments

**\$131 million**  
Median Debt Portfolio  
Company EBITDA<sup>1</sup>

**84%**  
Senior Secured  
Debt Investments

**0.1%**  
Non-Accruals

Note: Numbers may not sum due to rounding.

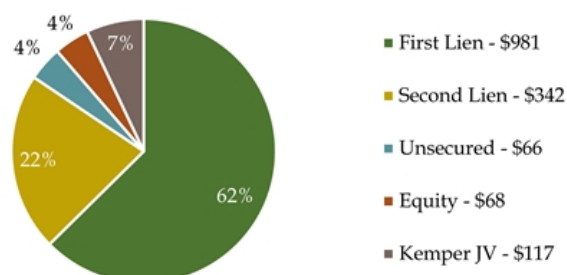
<sup>1</sup> Excludes negative EBITDA borrowers, investments in aviation subsidiaries, investments in structured products and recurring revenue software investments.

<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 ("Kemper JV"), a joint venture that invests primarily in middle market and other corporate debt securities.

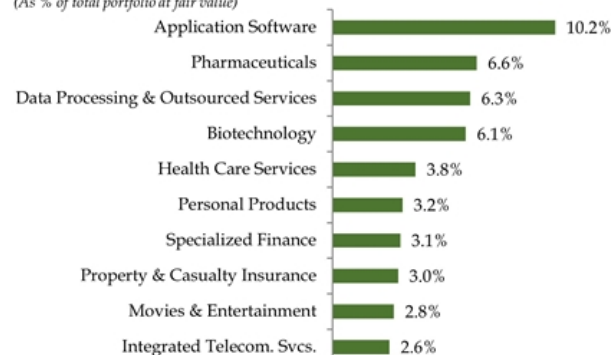
## Portfolio Composition

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



## Top Ten Industries<sup>2,3</sup>

(As % of total portfolio at fair value)

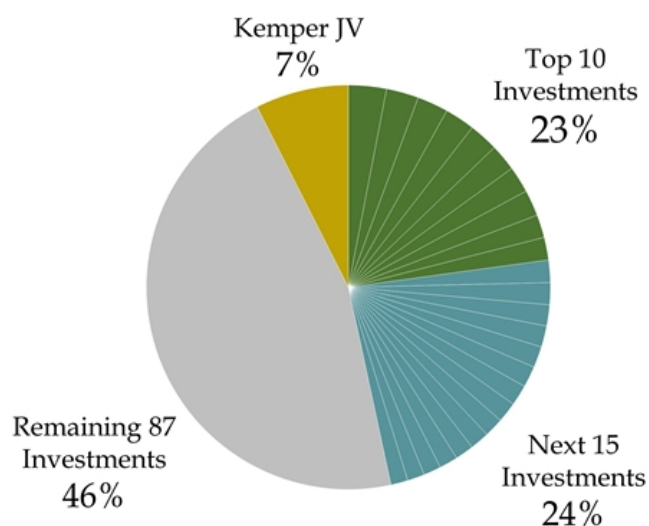




## Portfolio Diversity

### 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	11.5%
IT Services	8.9%
Pharmaceuticals	6.6%
Health Care Providers & Services	6.5%
Biotechnology	6.1%
Chemicals	4.6%
Insurance	4.1%
Oil, Gas & Consumable Fuels	3.5%
Real Estate Management & Development	3.5%
Diversified Financial Services	3.4%
Personal Products	3.2%
Entertainment	2.8%
Remaining 28 Industries	27.8%
Kemper JV	7.5%

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

As of September 30, 2020

Note: Numbers may not sum due to rounding.

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

## Portfolio Originations

### New Investment Highlights

**\$148 million**  
New Investment  
Commitments

**\$146 million**  
New Investment  
Fundings

**10.6%**  
Weighted Average Yield on  
New Debt Commitments

**100%**  
Also Held by Other  
Oaktree Funds

**\$141 million**  
New Investment  
Commitments in New  
Portfolio Companies

**\$7 million**  
New Investment  
Commitments in Existing  
Portfolio Companies

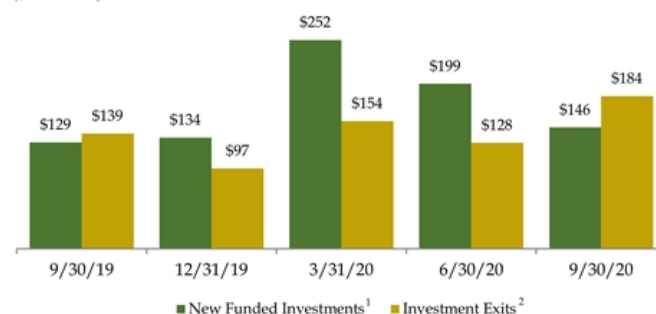
Note: Numbers rounded to the nearest million or percentage point and may not sum as a result.

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

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

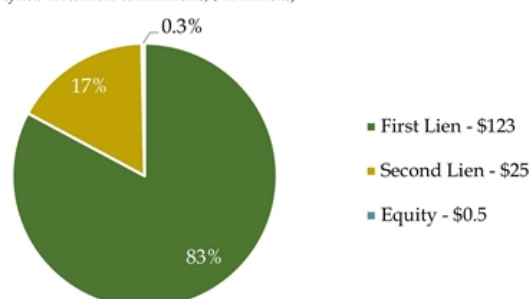
### Historical Funded Originations and Exits

(\$ in millions)



### New Investment Composition

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



# 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%
<b>Total 2Q2020</b>	<b>\$273</b>	<b>39</b>	<b>\$210</b>	<b>\$21</b>	<b>\$42</b>	<b>\$141</b>	<b>\$58</b>	<b>\$75</b>	<b>83%</b>
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%
<b>Total 3Q2020</b>	<b>\$261</b>	<b>18</b>	<b>\$177</b>	<b>\$8</b>	<b>\$76</b>	<b>\$154</b>	<b>\$71</b>	<b>\$35</b>	<b>74%</b>
July	\$51	3	\$26	\$25	\$ -	\$42	\$9	\$ -	- %
August	57	5	57	-	-	8	47	2	96%
September	40	3	40	-	*	40	*	-	- %
<b>Total 4Q2020</b>	<b>\$148</b>	<b>10</b>	<b>\$123</b>	<b>\$25</b>	<b>\$0.5</b>	<b>\$90</b>	<b>\$57</b>	<b>\$2</b>	<b>96%</b>

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

\* Less than \$1 million.

## Non-Core Investment Portfolio Detail

### Non-Core Investment Portfolio Characteristics

#### Private Loans

- \$58 million at fair value in four companies
  - Average debt price: 95.2%

#### Equity Investments<sup>1</sup>

- \$55 million at fair value in 21 companies and limited partnership interests in two third-party managed funds
- Exited a \$3 million equity investment during the quarter; received \$1.2 million of proceeds above June 30, 2020 fair value

#### Aviation

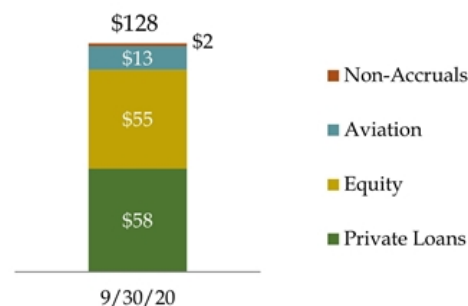
- \$13 million at fair value in one aircraft

#### Non-Accruals

- \$1.6 million at fair value in two companies
  - Average debt price: 6.5%

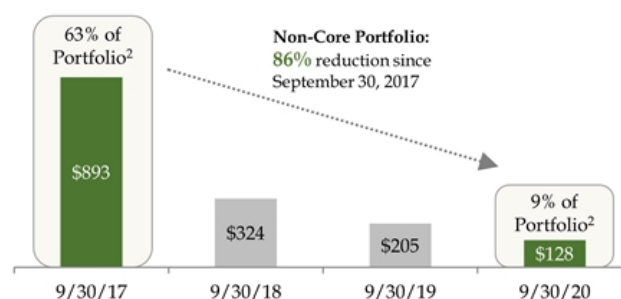
### Non-Core Portfolio Composition

(At fair value; \$ in millions)



### Non-Core Portfolio Progression

(At fair value; \$ in millions)



Note: Numbers may not sum due to rounding.

<sup>1</sup> Excludes equity positions in non-accrual debt positions and equity in aviation entities.

<sup>2</sup> Excludes investments in the Kemper JV.



## Joint Venture Summary

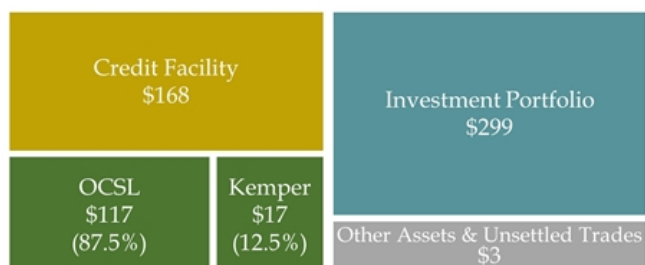
### OCSL's Joint Venture with Kemper Corporation

- 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	\$168	LIBOR + 2.1%	June 2026

### Joint Venture Structure

(\$ in millions; at fair value)



**Current Leverage Ratio:** 1.3x debt-to-equity  
**Target Leverage Ratio:** 1.5x to 2.0x debt-to-equity

As of September 30, 2020

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

### Portfolio Summary

(\$ in millions; at fair value)

	9/30/2020	6/30/2020	3/31/2020	12/31/2019
Total Investments	\$299	\$291	\$300	\$330
First Lien	94%	94%	94%	92%
Second Lien & Other	6%	6%	6%	8%
Number of Port. Companies	56	53	53	51
Average Investment Size	\$5	\$5	\$5	\$6
Non-Accruals	0.4%	0.3%	0.0%	0.0%
Wt. Avg. Debt Portfolio Yield	5.6%	5.6%	5.5%	6.5%
Leverage Ratio	1.3x	1.4x	1.8x	1.3x

### Debt Portfolio Top Ten Industries<sup>1</sup>

(As % of total portfolio at fair value)



# Opportunities to Increase Return on Equity

1	2	3
Rotate into higher-yielding, proprietary investments	Operate within target leverage range of 0.85x-1.00x debt-to-equity	Continued optimization of the Kemper JV
<ul style="list-style-type: none"> <li>• \$145 million at fair value (\$149 million par value) of senior secured loans priced at or below LIBOR + 4.50%<sup>1</sup> as of September 30, 2020</li> <li>• Opportunistically sold \$57 million of lower yielding senior secured loans during the quarter ended September 30, 2020</li> <li>• \$148 million of new investment commitments had a weighted average yield of 10.6% during the quarter ended September 30, 2020</li> </ul>	<ul style="list-style-type: none"> <li>• 0.78x total debt to equity; 0.74x net debt to equity</li> <li>• \$285 million of undrawn capacity under credit facility<sup>2</sup></li> <li>• Would need to utilize approximately \$130 million of additional borrowings to reach the mid-point of target leverage range (0.925x)</li> </ul>	<ul style="list-style-type: none"> <li>• 1.3x total debt to equity, slightly below target leverage range of 1.5x to 2.0x</li> <li>• \$82 million of undrawn capacity on senior revolving credit facility<sup>2</sup></li> </ul>

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

As of September 30, 2020

<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.

# Capital Structure Overview

## Funding Sources and Key Highlights

(\$ in millions)

	Committed	Principal Outstanding	Interest Rate	Maturity
Credit Facility	\$700 <sup>1</sup>	\$415	LIBOR+2.00% <sup>2</sup>	2/25/2024
2025 Notes	300	300	3.500%	2/25/2025
Cash and Cash Equivalents	-	(39)	-	-
<b>Total</b>	<b>\$1,000</b>	<b>\$676</b>		

**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 42% of principal outstanding as of September 30, 2020
  - Next scheduled maturity is in 2024
- Investment grade rated by Moody's and Fitch
- On October 28, 2020, expanded total commitments under the credit facility by \$75 million; \$775 million in total commitments pro forma for the expansion

As of September 30, 2020

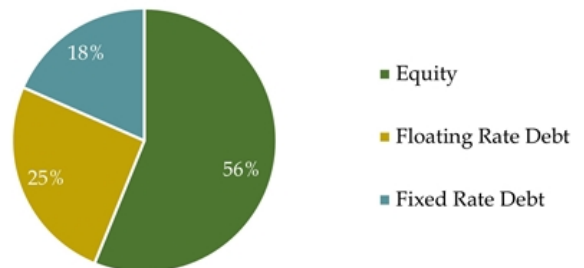
Note: As of September 30, 2020, we have analyzed cash and cash equivalents, availability under our credit facility, the ability to rotate out of certain assets and amounts of unfunded commitments that could be drawn and believe our liquidity and capital resources are sufficient to take advantage of market opportunities in the current economic climate. Numbers may not sum due to rounding.

<sup>1</sup> On October 28, 2020, the Company increased the size of its credit facility by \$75 million to \$775 million in connection with its exercise of the accordion feature.

<sup>2</sup> Interest rate spread can increase up to 2.75% depending on the senior coverage ratio and our Obligor's Net Worth.

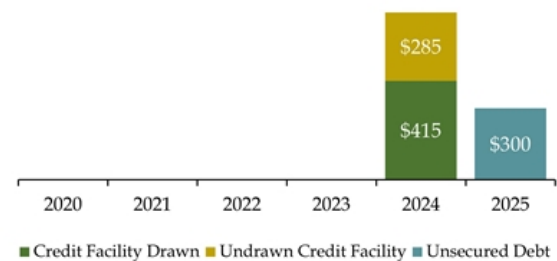
## Funding Sources by Type

(As % of total funding sources)



## Maturity Profile of Liabilities

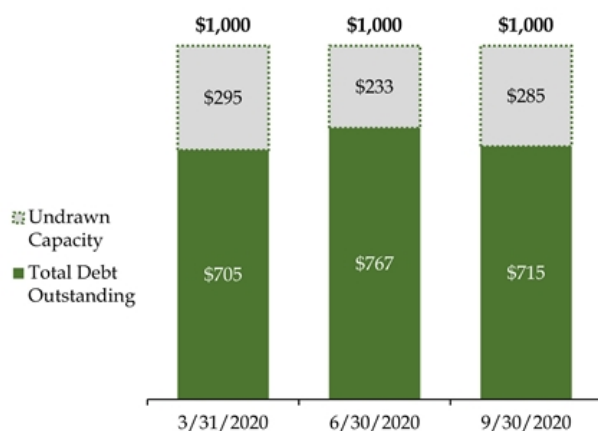
(\$ in millions)



## Funding and Liquidity Metrics

### Leverage Utilization

(\$ in millions)



	3/31/2020	6/30/2020	9/30/2020
Cash	\$90	\$51	\$39
Net Assets	\$752	\$859	\$915
Net Leverage	0.82x	0.83x	0.74x
Total Leverage	0.94x	0.89x	0.78x

### Liquidity Rollforward

(\$ in millions)

	3/31/2020	6/30/2020	9/30/2020
Credit Facility Committed	\$700	\$700	\$700
Credit Facility Drawn	(405)	(467)	(415)
Cash and Cash Equivalents	90	51	39
<b>Total Liquidity</b>	<b>385</b>	<b>284</b>	<b>324</b>
Total Unfunded Commitments	(92)	(155)	(158)
Unavailable Unfunded Commitments <sup>1</sup>	31	79	64
<b>Adjusted Liquidity</b>	<b>\$324</b>	<b>\$208</b>	<b>\$230</b>

*Ample liquidity to support funding needs<sup>2</sup>*

<sup>1</sup> Includes unfunded commitments ineligible to be drawn due to certain limitations in credit agreements.

<sup>2</sup> As of September 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.

## Appendix



**OAKTREE**

OCSL | Specialty Lending Corporation



## Illustrative OCSL-OCSI Merger Consideration

### Merger Consideration Highlights

**Total merger consideration will be based on the NAVs of OCSL and OCSI determined within 48 hours of closing**

- OCSL to acquire 100% of OCSI in a stock-for-stock transaction, with shares to be exchanged on a NAV-for-NAV basis
- Merger will result in an ownership split of the combined company proportional to each of OCSL's and OCSI's respective NAVs
- At closing, NAV used in determining the exchange ratio will reflect transaction expenses and any tax-related distributions

### Illustrative Example<sup>1</sup>

(\$ and share amounts in millions, except per share data)

$$\begin{array}{ccc} \$9.05 & \div & \$6.49 \\ \text{OCSI NAV} & & \text{OCSL NAV} \\ \text{Per Share} & & \text{Per Share} \end{array}$$

**1.39**  
Exchange Ratio

	OCSI	OCSL	Combined
Total NAV	\$266.7	\$914.9	\$1,181.6
Shares Outstanding	29.5	141.0	182.1
NAV Per Share	\$9.05	\$6.49	\$6.49

<sup>1</sup> Based on NAVs as of September 30, 2020. NAVs do not include the impact of expenses related to the merger or any tax-related distributions.

## OCSL & OCSI Comparison

### Portfolio and Balance Sheet Metrics

(At fair value, \$ in thousands)

	OCSL	OCSI	Combined
<b>Portfolio:</b>			
Investments at Fair Value	\$1,573,851	\$502,293	\$2,076,145
Top 10 Investments <sup>1</sup> (%)	23%	24%	20%
Number of Portfolio Companies	113	78	141
First Lien (%)	62%	86%	68%
Second Lien (%)	22%	4%	17%
Unsecured (%)	4%	-	3%
Equity (%)	4%	0.5%	3%
Joint Venture Interests (%)	7%	10%	8%
Non-Accruals at Fair Value (% of debt portfolio)	0.1%	0.0% <sup>2</sup>	0.1%
Debt Investment Overlap <sup>1</sup> (\$)	\$727,907	\$258,604	
Debt Investment Overlap <sup>1</sup> (%)	52%	57%	
<b>Balance Sheet:</b>			
Total Assets	\$1,640,712	\$544,370	\$2,185,082
Cash and Cash Equivalents	\$39,096	\$25,073	\$64,169
Total Debt Outstanding <sup>3</sup>	\$709,315	\$267,586	\$976,901
Net Assets	\$914,879	\$266,681	\$1,181,560
Total Debt to Equity Ratio	0.78x	1.00x	0.83x
Net Debt to Equity Ratio	0.74x	0.91x	0.78x
Unsecured Borrowings <sup>3</sup> (%)	42%	-	30%
Weighted Average Interest Rate on Debt Outstanding	2.7%	2.6%	2.7%

As of September 30, 2020

<sup>1</sup> Excludes investments in the Kemper JV and OCSI Glick JV LLC (the "Glick JV").

<sup>2</sup> Excludes OCSI's investment in the Glick JV, which was restructured during the quarter ended March 31, 2020 and placed on non-accrual status. Including the Glick JV, non-accruals represented 9.9% of the debt portfolio at fair value as of September 30, 2020.

<sup>3</sup> Net of unamortized financing costs.

## Portfolio Highlights

(\$ in thousands; at fair value)	As of				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Investments at Fair Value	\$1,573,851	\$1,561,153	\$1,392,187	\$1,467,627	\$1,438,042
Number of Portfolio Companies	113	119	128	106	104
Average Portfolio Company Debt Investment Size	\$15,800	\$14,600	\$11,900	\$15,300	\$15,300
<b>Asset Class:</b>					
First Lien	62.3%	61.3%	62.3%	56.7%	53.5%
Second Lien	21.7%	19.6%	19.7%	22.8%	25.1%
Unsecured Debt	4.2%	7.2%	5.8%	4.8%	5.7%
Equity	4.1%	4.7%	5.5%	6.7%	6.7%
Limited Partnership Interests	0.2%	0.2%	0.2%	0.2%	0.2%
Kemper JV	7.5%	7.0%	6.6%	8.8%	8.8%
<b>Interest Rate Type for Debt Investments:</b>					
% Floating-Rate	88.3%	86.2%	90.6%	90.6%	89.8%
% Fixed-Rate	11.7%	13.8%	9.4%	9.4%	10.2%
<b>Yields:</b>					
Weighted Average Yield on Debt Investments <sup>1</sup>	8.3%	8.1%	8.0%	8.6%	8.9%
Cash Component of Weighted Average Yield on Debt Investments	7.0%	6.9%	6.9%	7.8%	8.1%
Weighted Average Yield on Total Portfolio Investments <sup>2</sup>	7.8%	7.6%	7.5%	7.9%	8.2%

Note: Numbers may not sum due to rounding.

<sup>1</sup> 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.

<sup>2</sup> 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				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
New Investment Commitments	\$148,500	\$260,500	\$272,900	\$134,200	\$138,400
New Funded Investment Activity <sup>1</sup>	\$146,300	\$198,500	\$251,700	\$136,200	\$128,500
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$184,200	\$127,800	\$154,500	\$97,000	\$139,000
Net New Investments <sup>2</sup>	\$(37,900)	\$70,700	\$97,200	\$39,200	\$(10,500)
New Investment Commitments in New Portfolio Companies	8	10	32	9	5
New Investment Commitments in Existing Portfolio Companies	3	8	8	3	4
Portfolio Company Exits	12	19	10	7	7
Weighted Average Yield at Cost on New Debt Investment Commitments	10.6%	10.5%	7.9%	8.1%	7.7%

<sup>1</sup> New funded investment activity includes drawdowns on existing revolver commitments.

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

## Financial Highlights

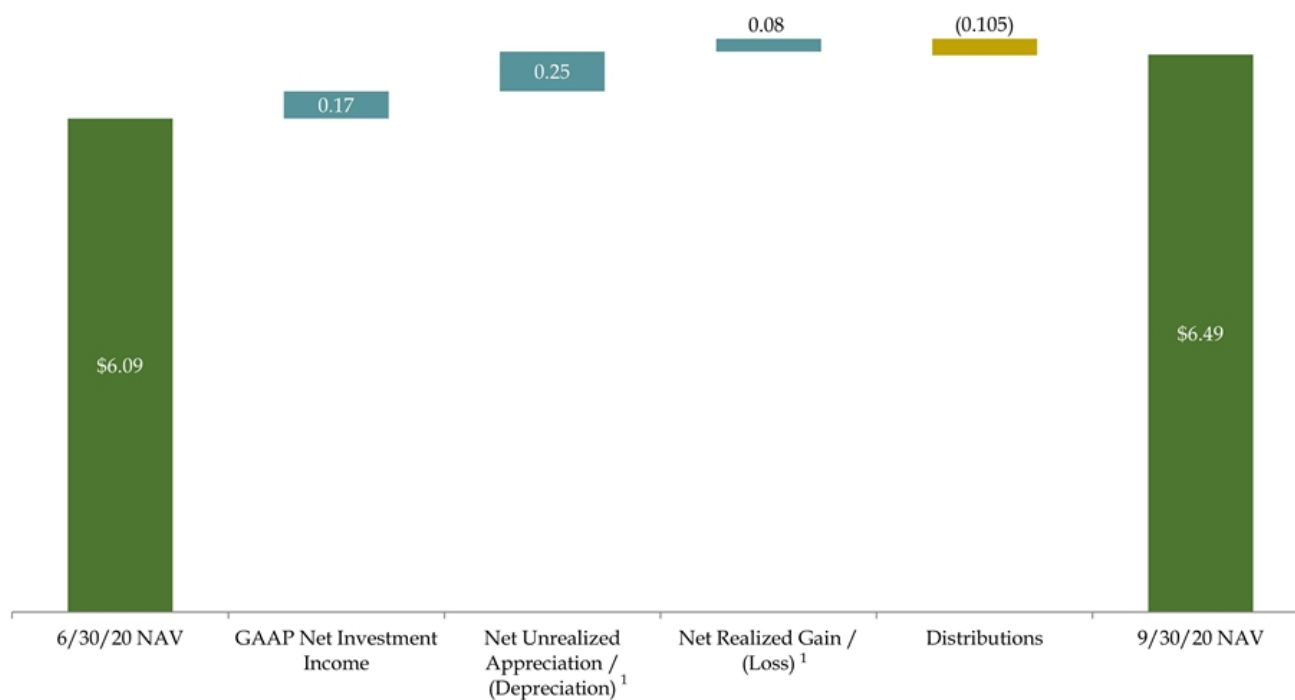
(\$ in thousands, except per share amounts)	As of				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
GAAP Net Investment Income per Share	\$0.17	\$0.12	\$0.16	\$0.06	\$0.12
Adjusted Net Investment Income per Share <sup>1</sup>	\$0.17	\$0.12	\$0.12	\$0.10	\$0.12
Net Realized and Unrealized Gains (Losses), Net of Taxes per Share	\$0.33	\$0.73	\$(1.33)	\$0.04	\$(0.02)
Earnings (Loss) per Share	\$0.50	\$0.85	\$(1.17)	\$0.10	\$0.10
Distributions per Share	\$0.105	\$0.095	\$0.095	\$0.095	\$0.095
NAV per Share	\$6.49	\$6.09	\$5.34	\$6.61	\$6.60
Weighted Average Shares Outstanding	140,961	140,961	140,961	140,961	140,961
Investment Portfolio (at Fair Value)	\$1,573,851	\$1,561,153	\$1,392,187	\$1,467,627	\$1,438,042
Cash and Cash Equivalents	\$39,096	\$50,728	\$89,509	\$21,527	\$15,406
Total Assets	\$1,640,712	\$1,647,567	\$1,501,627	\$1,516,600	\$1,481,038
Total Debt Outstanding <sup>2</sup>	\$709,315	\$761,002	\$698,686	\$536,468	\$473,367
Net Assets	\$914,879	\$859,063	\$752,224	\$931,082	\$930,630
Total Debt to Equity Ratio	0.78x	0.89x	0.94x	0.58x	0.51x
Net Debt to Equity Ratio	0.74x	0.83x	0.82x	0.56x	0.49x
Weighted Average Interest Rate on Debt Outstanding	2.7%	2.7%	3.1%	4.5%	4.8%

<sup>1</sup> See page 32 for a description of this non-GAAP measure and a reconciliation from net investment income per share to adjusted net investment income per share.

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



## 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.

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

# Historical Statement of Operations

(\$ in thousands, except per share amounts)	For the three months ended				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Interest income	\$37,153	\$30,112	\$29,898	\$28,405	\$30,662
PIK interest income	2,573	2,183	1,946	1,161	1,187
Fee income	3,571	1,827	2,050	1,071	2,550
Dividend income	302	281	277	323	114
<b>Total investment income</b>	<b>43,599</b>	<b>34,403</b>	<b>34,171</b>	<b>30,960</b>	<b>34,513</b>
Base management fee	6,005	5,988	5,295	5,607	5,496
Part I incentive fees	5,206	3,556	3,444	2,988	3,545
Part II incentive fees	-	-	(6,608)	1,051	(403)
Interest expense	6,133	6,406	7,215	6,535	6,960
Other operating expenses <sup>1</sup>	1,710	1,683	1,984	1,743	1,799
<b>Total expenses</b>	<b>19,054</b>	<b>17,633</b>	<b>11,330</b>	<b>17,924</b>	<b>17,397</b>
Reversal of fees waived	-	-	-	5,200	841
<b>Net expenses</b>	<b>19,054</b>	<b>17,633</b>	<b>11,330</b>	<b>23,124</b>	<b>18,238</b>
<b>GAAP net investment income</b>	<b>24,545</b>	<b>16,770</b>	<b>22,841</b>	<b>7,836</b>	<b>16,275</b>
Net realized and unrealized gains (losses)	45,915	103,393	(188,308)	6,167	(1,961)
Provision for income tax (expense) benefit	157	68	1,705	(160)	(343)
<b>Net increase/decrease in net assets resulting from operations</b>	<b>\$70,617</b>	<b>\$120,231</b>	<b>\$(165,467)</b>	<b>\$13,843</b>	<b>\$13,971</b>
 <b>Adjusted net investment income<sup>2</sup></b>	 <b>\$24,545</b>	 <b>\$16,770</b>	 <b>\$16,233</b>	 <b>\$14,087</b>	 <b>\$16,713</b>

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

<sup>2</sup> See page 32 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				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
GAAP net investment income	\$24,545	\$16,770	\$22,841	\$7,836	\$16,275
Part II incentive fee (net of waivers)	-	-	(6,608)	6,251	438
<b>Adjusted net investment income</b>	<b>\$24,545</b>	<b>\$16,770</b>	<b>\$16,233</b>	<b>\$14,087</b>	<b>\$16,713</b>
<b>Per share:</b>					
GAAP net investment income	\$0.17	\$0.12	\$0.16	\$0.06	\$0.12
Part II incentive fee (net of waivers)	-	-	(0.05)	0.04	0.00
<b>Adjusted net investment income</b>	<b>\$0.17</b>	<b>\$0.12</b>	<b>\$0.12</b>	<b>\$0.10</b>	<b>\$0.12</b>

*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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