

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 6, 2021

Oaktree Specialty Lending Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

814-00755
(Commission
File Number)

26-1219283
(IRS Employer
Identification No.)

333 South Grand Avenue, 28th Floor
Los Angeles, CA
(Address of principal executive offices)

90071
(Zip Code)

Registrant's telephone number, including area code: (213) 830-6300

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	OCSL	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 6, 2021, Oaktree Specialty Lending Corporation (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended March 31, 2021. A copy of the press release is attached hereto as Exhibit 99.1.

On May 6, 2021, the Company will host a conference call to discuss its financial results for the fiscal quarter ended March 31, 2021. In connection therewith, the Company provided an investor presentation on its website at <http://www.oaktreespecialtylending.com>. A copy of the investor presentation is attached hereto as Exhibit 99.2.

The information disclosed under this Item 2.02, including Exhibits 99.1 and 99.2 hereto, is being “furnished” and is not deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor is it deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

99.1 [Press release of Oaktree Specialty Lending Corporation dated May 6, 2021](#)

99.2 [Oaktree Specialty Lending Corporation Second Quarter 2021 Earnings Presentation](#)

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OAKTREE SPECIALTY LENDING CORPORATION

Date: May 6, 2021

By: /s/ Mel Carlisle

Name: Mel Carlisle

Title: Chief Financial Officer and Treasurer



Oaktree Specialty Lending Corporation Announces Second Fiscal Quarter 2021 Financial Results and Declares Increased Distribution of \$0.13 Per Share

LOS ANGELES, CA, May 6, 2021 - Oaktree Specialty Lending Corporation (NASDAQ: OCSL) ("Oaktree Specialty Lending" or the "Company"), a specialty finance company, today announced its financial results for the fiscal quarter ended March 31, 2021.

Financial Highlights for the Quarter Ended March 31, 2021

- **Total investment income** was \$41.9 million (\$0.29 per share) for the second fiscal quarter of 2021, up from \$38.2 million (\$0.27 per share) for the first fiscal quarter of 2021. The increase was primarily driven by a larger investment portfolio due to new originations, the increase in assets resulting from the merger with Oaktree Strategic Income Corporation ("OCSI") that was completed during the quarter (the "Merger") and OID accretion that resulted from merger-related accounting adjustments. Excluding the merger-related income accretion, adjusted total investment income was \$41.3 million (\$0.28 per share) for the second fiscal quarter of 2021.
- **GAAP net investment income** was \$18.1 million (\$0.12 per share) for the second fiscal quarter of 2021, as compared with \$10.0 million (\$0.07 per share) for the first fiscal quarter of 2021. The increase was primarily driven by higher total investment income and lower accrued Part II incentive fees.
- **Adjusted net investment income** was \$21.1 million (\$0.14 per share) for the second fiscal quarter of 2021, up slightly from \$19.6 million (\$0.14 per share) for the first fiscal quarter of 2021.
- **Net asset value ("NAV") per share** was \$7.09 as of March 31, 2021, up 4% from \$6.85 as of December 31, 2020. The increase was primarily driven by realized and unrealized gains on certain debt and equity investments during the quarter.
- **Originated** \$317.7 million of new investment commitments¹ and received \$228.9 million of proceeds from prepayments, exits, other paydowns and sales during the quarter ended March 31, 2021. Of these new investment commitments, 80% were first lien loans, 14% were second lien loans and 5% were preferred equity investments. The weighted average yield on new debt investments was 8.2%.
- **No investments were on non-accrual status** as of March 31, 2021.
- **Total debt outstanding** was \$1,114.8 million as of March 31, 2021. The total debt to equity ratio was 0.87x, and the net debt to equity ratio was 0.84x, after adjusting for cash and cash equivalents.
- **Liquidity** as of March 31, 2021 was composed of \$39.9 million of unrestricted cash and cash equivalents and \$325.2 million of undrawn capacity under the credit facilities (subject to borrowing base and other limitations). Unfunded investment commitments were \$257.1 million, or \$241.8 million excluding unfunded commitments to the Company's joint ventures. Of the \$241.8 million, approximately \$191.7 million can be drawn immediately as the remaining amount is subject to certain milestones that must be met by portfolio companies.
- **Completed the Merger** on March 19, 2021, which added \$504.2 million of investments at fair value.
- **A quarterly cash distribution was declared** of \$0.13 per share, up 8% from the prior quarter and the fourth consecutive quarterly distribution increase. The distribution will be paid in cash and is payable on June 30, 2021 to stockholders of record on June 15, 2021.

¹ Amounts exclude assets acquired in the Merger.

Armen Panossian, Chief Executive Officer and Chief Investment Officer, said, “OCSL generated solid earnings results in the second quarter. Net asset value per share grew by 4%, supported by continued price appreciation on our high-quality investment portfolio. Our originations were once again strong and spread across a variety of industries to a mix of sponsor and non-sponsor owned businesses, demonstrating the breadth of Oaktree’s sourcing platform. Additionally, we capitalized on the current market environment by harvesting realized gains on some of our liquid debt securities and rotating out of lower yielding investments into higher yielding, proprietary ones.”

Mr. Panossian continued, “The closing of the Merger on March 19 was, of course, another highlight of the quarter. We believe the combined company will provide significant value to our shareholders. As a result of our continued strong performance and potential to improve earnings following the merger, our Board of Directors announced a fourth consecutive quarterly dividend increase to \$0.13 per share, up 37% from the level one year ago.”

Mathew Pendo, President and Chief Operating Officer, said, “Since the closing of the Merger, we’ve made great progress in improving the flexibility of our balance sheet. Earlier this week, we amended and extended our syndicated credit facility, increasing its size to \$950 million while achieving favorable terms. We also retired a higher-cost SPV facility that was inherited from OCSI. While there is still more to be done, we believe these actions will allow us to more optimally fund investments while reducing our overall cost of debt capital.”

Distribution Declaration

The Board of Directors declared a quarterly distribution of \$0.13 per share, an increase of 8%, or \$0.01 per share, from the prior quarter and the fourth consecutive quarterly distribution increase, payable on June 30, 2021 to stockholders of record on June 15, 2021.

Distributions are paid primarily from distributable (taxable) income. To the extent taxable earnings for a fiscal taxable year fall below the total amount of distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to the Company’s stockholders.

Results of Operations

	For the three months ended		
	March 31, 2021 (unaudited)	December 31, 2020 (unaudited)	March 31, 2020 (unaudited)
<i>(\$ in thousands, except per share data)</i>			
GAAP operating results:			
Interest income	\$ 35,655	\$ 31,633	\$ 29,898
PIK interest income	3,801	3,089	1,946
Fee income	2,278	3,352	2,050
Dividend income	209	130	277
Total investment income	41,943	38,204	34,171
Net expenses	23,829	28,186	11,330
Net investment income	18,114	10,018	22,841
Net realized and unrealized gains (losses), net of taxes	70,003	55,526	(188,308)
Net increase (decrease) in net assets resulting from operations	\$ 88,117	\$ 65,544	\$(165,467)
Total investment income per common share	\$ 0.29	\$ 0.27	\$ 0.24
Net investment income per common share	\$ 0.12	\$ 0.07	\$ 0.16
Net realized and unrealized gains (losses), net of taxes per common share	\$ 0.48	\$ 0.39	\$ (1.33)
Earnings (loss) per common share — basic and diluted	\$ 0.60	\$ 0.46	\$ (1.17)
Non-GAAP Financial Measures¹:			
Adjusted total investment income	\$ 41,278	\$ 38,204	\$ 34,171
Adjusted net investment income	\$ 21,058	\$ 19,558	\$ 16,233
Adjusted net realized and unrealized gains (losses), net of taxes	\$ 36,607	\$ 55,526	\$(188,308)
Adjusted earnings (loss)	\$ 54,056	\$ 65,544	\$(165,467)
Adjusted total investment income per share	\$ 0.28	\$ 0.27	\$ 0.24
Adjusted net investment income per share	\$ 0.14	\$ 0.14	\$ 0.12
Adjusted net realized and unrealized gains (losses), net of taxes per share	\$ 0.25	\$ 0.39	\$ (1.33)
Adjusted earnings (loss) per share	\$ 0.37	\$ 0.46	\$ (1.17)

¹ See *Non-GAAP Financial Measures* below for a description of the non-GAAP measures and the reconciliations from the most comparable GAAP financial measures to the Company's non-GAAP measures, including on a per share basis. The Company's management uses these non-GAAP financial measures internally to analyze and evaluate financial results and performance and believes that these non-GAAP financial measures are useful to investors as an additional tool to evaluate ongoing results and trends for the Company and to review the Company's performance without giving effect to non-cash income/gain resulting from the Merger and in the case of adjusted net investment income, without giving effect to capital gains incentive fees. The presentation of non-GAAP measures are not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

	As of		
	March 31, 2021 (unaudited)	December 31, 2020 (unaudited)	September 30, 2020
<i>(\$ in thousands, except per share data and ratios)</i>			
Select balance sheet and other data:			
Cash and cash equivalents	\$ 39,872	\$ 24,234	\$ 39,096
Investment portfolio at fair value	2,327,353	1,712,324	1,573,851
Total debt outstanding (net of unamortized financing costs)	1,109,897	694,827	709,315
Net assets	1,278,823	964,917	914,879
Net asset value per share	7.09	6.85	6.49
Total debt to equity ratio	0.87x	0.73x	0.78x
Net debt to equity ratio	0.84x	0.70x	0.74x

Adjusted total investment income for the quarter ended March 31, 2021 was \$41.3 million and included \$35.0 million of interest income from portfolio investments, \$3.8 million of payment-in-kind ("PIK") interest income, \$2.3 million of fee income and \$0.2 million of dividend income. The increase of \$3.1 million in adjusted total investment income for the quarter was primarily driven by a larger investment portfolio due to new originations and the increase in assets resulting from the Merger.

Net expenses for the quarter totaled \$23.8 million, down \$4.4 million from the quarter ended December 31, 2020. The decrease in net expenses was primarily driven by \$5.9 million of lower accrued Part II incentive fees, partially offset by \$0.5 million of higher interest expense due to an increase in borrowings outstanding and \$0.4 million of higher net base management fees resulting from the larger investment portfolio.

Adjusted net investment income was \$21.1 million (\$0.14 per share) for the quarter ended March 31, 2021, up slightly from \$19.6 million (\$0.14 per share) for the quarter ended December 31, 2020, primarily driven by \$3.1 million of higher adjusted total investment income, partially offset by higher net expenses excluding Part II incentive fees.

Adjusted net realized and unrealized gains, net of taxes, were \$36.6 million for the quarter and were primarily driven by gains on certain debt and equity investments.

Portfolio and Investment Activity

(\$ in thousands)	As of		
	March 31, 2021 (unaudited)	December 31, 2020 (unaudited)	March 31, 2020 (unaudited)
Investments at fair value	\$ 2,327,353	\$ 1,712,324	\$ 1,392,187
Number of portfolio companies	137	115	128
Average portfolio company debt size	\$ 17,600	\$ 16,200	\$ 11,900
Asset class:			
Senior secured debt	86.5%	85.7%	81.9%
Unsecured debt	1.1%	3.1%	5.8%
Equity	4.4%	3.8%	5.5%
JV interests	8.0%	7.3%	6.6%
Limited partnership interests	— %	0.1%	0.2%
Non-accrual debt investments:			
Non-accrual investments at fair value	\$ —	\$ 470	\$ 5,864
Non-accrual investments as a percentage of debt investments	— %	— %	0.5%
Number of investments on non-accrual	—	1	3
Interest rate type:			
Percentage floating-rate	91.8%	88.8%	90.6%
Percentage fixed-rate	8.2%	11.2%	9.4%
Yields:			
Weighted average yield on debt investments ¹	8.3%	8.5%	8.0%
Cash component of weighted average yield on debt investments	7.1%	7.2%	6.9%
Weighted average yield on total portfolio investments ²	7.8%	8.0%	7.5%
Investment activity³:			
New investment commitments ³	\$ 317,700	\$ 286,300	\$ 272,900
New funded investment activity ⁴	\$ 301,800	\$ 241,500	\$ 251,700
Proceeds from prepayments, exits, other paydowns and sales	\$ 228,900	\$ 160,700	\$ 154,500
Net new investments ⁵	\$ 72,900	\$ 80,800	\$ 97,200
Number of new investment commitments in new portfolio companies	18	14	32
Number of new investment commitments in existing portfolio companies	2	7	8
Number of portfolio company exits	12	12	10

¹ Annual stated yield earned plus net annual amortization of OID or premium earned on accruing investments, including the Company's share of the return on debt investments in the SLF JV I and Glick JV.

² Annual stated yield earned plus net annual amortization of OID or premium earned on accruing investments and dividend income, including the Company's share of the return on debt investments in the SLF JV I and Glick JV.

³ Excludes the assets acquired as part of the Merger.

⁴ New funded investment activity includes drawdowns on existing revolver and delayed draw term loan commitments.

⁵ Net new investments consists of new funded investment activity less proceeds from prepayments, exits, other paydowns and sales.

As of March 31, 2021, the fair value of the investment portfolio was \$2.3 billion and was composed of investments in 137 companies. These included debt investments in 116 companies, equity investments in 35 companies, including limited partnership interests in one private equity fund, and the Company's joint venture investments in Senior Loan Fund JV I, LLC ("SLF JV I") and OCSI Glick JV LLC ("Glick JV"). 16 of the equity investments were in companies in which the Company also had a debt investment.

As of March 31, 2021, 94.1% of the Company's portfolio at fair value consisted of debt investments, including 68.3% of first lien loans, 18.2% of second lien loans and 7.6% of unsecured debt investments, including the debt investments in SLF JV I and Glick JV. This compared to 60.3% of first lien loans, 25.4% of second lien loans and 8.7% of unsecured debt investments, including the debt investments in SLF JV I, at fair value as of December 31, 2020.

As of March 31, 2021, there were no investments on non-accrual status. During the quarter ended March 31, 2021, the Company exited one investment that was previously on non-accrual above its fair value as of December 31, 2020.

The Company's investments in SLF JV I totaled \$130.4 million at fair value as of March 31, 2021, up 4% from \$125.5 million as of December 31, 2020. The increase in the value of the Company's investments in SLF JV I was primarily driven by unrealized appreciation of certain liquid debt investments in the underlying investment portfolio.

As of March 31, 2021, SLF JV I had \$352.4 million in assets, including senior secured loans to 55 portfolio companies. This compared to \$341.2 million in assets, including senior secured loans to 56 portfolio companies, as of December 31, 2020. As of March 31, 2021, one investment held by SLF JV I was on non-accrual status, which represented 0.7% of the SLF JV I portfolio at cost and 0.6% at fair value. SLF JV I generated income of \$1.7 million for the Company during the quarter ended March 31, 2021, down \$0.1 million from \$1.8 million in the prior quarter. As of March 31, 2021, SLF JV I had \$30.6 million of undrawn capacity (subject to borrowing base and other limitations) on its \$225 million senior revolving credit facility, and its debt to equity ratio was 1.3x.

The Company's investments in Glick JV totaled \$54.6 million at fair value as of March 31, 2021. As of March 31, 2021, Glick JV had \$137.3 million in assets, including senior secured loans to 36 portfolio companies. As of March 31, 2021, one investment held by Glick JV was on non-accrual status, which represented 1.1% of the Glick JV portfolio at cost and 0.9% at fair value. Glick JV generated income of \$0.1 million for the Company from its acquisition on March 19, 2021 to March 31, 2021. As of March 31, 2021, Glick JV had \$16.6 million of undrawn capacity (subject to borrowing base and other limitations) on its \$90 million senior revolving credit facility, and its debt to equity ratio was 1.2x.

Liquidity and Capital Resources

As of March 31, 2021, the Company had total principal value of debt outstanding of \$1,114.8 million, including \$814.8 million of outstanding borrowings under its revolving credit facilities and \$300.0 million of the 3.500% Notes due 2025. The funding mix was composed of 73% secured and 27% unsecured borrowings as of March 31, 2021. The Company was in compliance with all financial covenants under its credit facilities as of March 31, 2021.

As of March 31, 2021, the Company had \$39.9 million of unrestricted cash and cash equivalents and \$325.2 million of undrawn capacity on its credit facilities (subject to borrowing base and other limitations). As of March 31, 2021, unfunded investment commitments were \$257.1 million, or \$241.8 million excluding unfunded commitments to the Company's joint ventures. Of the \$241.8 million, approximately \$191.7 million could be drawn immediately as the remaining amount is subject to certain milestones that must be met by portfolio companies. The Company has analyzed cash and cash equivalents, availability under its credit facilities, the ability to rotate out of certain assets and amounts of unfunded commitments that could be drawn and believe its liquidity and capital resources are sufficient to take advantage of market opportunities in the current economic climate.

As of March 31, 2021, the weighted average interest rate on debt outstanding was 2.6%, down from 2.7% as of December 31, 2020.

The Company's total debt to equity ratio was 0.87x and 0.73x as of March 31, 2021 and December 31, 2020, respectively. The Company's net debt to equity ratio was 0.84x and 0.70x as of March 31, 2021 and December 31, 2020, respectively.

Recent Developments

Amendment of Syndicated Credit Facility

On May 4, 2021, the Company amended its syndicated credit facility to, among other things, (1) increase the size of the facility to \$950 million (and increase the "accordion" feature to permit the Company, under certain circumstances, to increase the size of the facility to up to the greater of \$1.25 billion and the Company's net worth, as defined in the facility), (2) extend the period during which the Company may make drawings to May 4, 2025, (3) extend the final maturity date to May 4, 2026 and (4) provide that the interest rate for margin for LIBOR loans is 2.00% and the margin for alternate base rate loans is 1.00%, in each case regardless of the Company's senior debt coverage ratio.

Termination of Deutsche Bank Facility

On May 4, 2021, the Company repaid all outstanding borrowings under its Deutsche Bank facility using borrowings under its syndicated credit facility, following which the Deutsche Bank facility was terminated.

Non-GAAP Financial Measures

On a supplemental basis, the Company is disclosing certain adjusted financial measures, each of which is calculated and presented on a basis of methodology other than in accordance with GAAP (“non-GAAP”). The Company’s management uses these non-GAAP financial measures internally to analyze and evaluate financial results and performance and believes that these non-GAAP financial measures are useful to investors as an additional tool to evaluate ongoing results and trends for the Company and to review the Company’s performance without giving effect to non-cash income/gain resulting from the Merger and in the case of adjusted net investment income, without giving effect to capital gains incentive fees. The presentation of the below non-GAAP measures is not intended to be a substitute for financial results prepared in accordance with GAAP and should not be considered in isolation.

- **“Adjusted Total Investment Income” and “Adjusted Total Investment Income Per Share”** – represents total investment income excluding any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 (see below) for the assets acquired in connection with the Merger.
- **“Adjusted Net Investment Income” and “Adjusted Net Investment Income Per Share”** – represents net investment income, excluding (i) any amortization or accretion of interest income resulting solely from the cost basis established by ASC 805 (see below) for the assets acquired in connection with the Merger and (ii) capital gains incentive fees (“Part II incentive fees”).
- **“Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes” and “Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes Per Share”** – represents net realized and unrealized gains (losses) net of taxes excluding any net realized and unrealized gains (losses) resulting solely from the cost basis established by ASC 805 (see below) for the assets acquired in connection with the Merger.
- **“Adjusted Earnings (Loss)” and “Adjusted Earnings (Loss) Per Share”** – represents the sum of (i) Adjusted Net Investment Income and (ii) Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes and includes the impact of Part II incentive fees², if any.

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

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

The Company’s management uses the non-GAAP financial measures described above internally to analyze and evaluate financial results and performance and to compare its financial results with those of other business development companies that have not adjusted the cost basis of certain investments pursuant to ASC 805. The Company’s management believes “Adjusted Total Investment Income”, “Adjusted Total Investment Income Per Share”, “Adjusted Net Investment Income” and

² Adjusted earnings (loss) includes accrued Part II incentive fees. For the three months ended March 31, 2021, \$3.6 million of accrued Part II incentive fees were expensed. As of March 31, 2021, the total accrued Part II incentive fee liability was \$13.1 million. Part II incentive fees are contractually calculated and paid at the end of the fiscal year in accordance with the A&R Advisory Agreement, which differs from Part II incentive fees accrued under GAAP. Hypothetically, if Part II incentive fees were calculated as of March 31, 2021 under the A&R Advisory Agreement, the amount payable would have been \$3.1 million.

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

The following table provides a reconciliation of total investment income (the most comparable U.S. GAAP measure) to adjusted total investment income for the periods presented:

	For the three months ended					
	March 31, 2021 (unaudited)		December 31, 2020 (unaudited)		March 31, 2020 (unaudited)	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
<i>(\$ in thousands, except per share data)</i>						
GAAP total investment income	\$41,943	\$ 0.29	\$38,204	\$ 0.27	\$34,171	\$ 0.24
Less: Interest income accretion related to merger accounting adjustments	(665)	—	—	—	—	—
Adjusted total investment income	<u>\$41,278</u>	<u>\$ 0.28</u>	<u>\$38,204</u>	<u>\$ 0.27</u>	<u>\$34,171</u>	<u>\$ 0.24</u>

The following table provides a reconciliation of net investment income (the most comparable U.S. GAAP measure) to adjusted net investment income for the periods presented:

	For the three months ended					
	March 31, 2021 (unaudited)		December 31, 2020 (unaudited)		March 31, 2020 (unaudited)	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
<i>(\$ in thousands, except per share data)</i>						
GAAP net investment income	\$18,114	\$ 0.12	\$10,018	\$ 0.07	\$22,841	\$ 0.16
Less: Interest income accretion related to merger accounting adjustments	(665)	—	—	—	—	—
Add: Part II incentive fee	3,609	0.02	9,540	0.07	(6,608)	(0.05)
Adjusted net investment income	<u>\$21,058</u>	<u>\$ 0.14</u>	<u>\$19,558</u>	<u>\$ 0.14</u>	<u>16,233</u>	<u>\$ 0.12</u>

The following table provides a reconciliation of net realized and unrealized gains (losses), net of taxes (the most comparable U.S. GAAP measure) to adjusted net realized and unrealized gains (losses), net of taxes for the periods presented:

	For the three months ended					
	March 31, 2021 (unaudited)		December 31, 2020 (unaudited)		March 31, 2020 (unaudited)	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
<i>(\$ in thousands, except per share data)</i>						
GAAP net realized and unrealized gains (losses), net of taxes	\$ 70,003	\$ 0.48	\$55,526	\$ 0.39	\$(188,308)	\$ (1.33)
Less: Net realized and unrealized gains related to merger accounting adjustments	(33,396)	(0.23)	—	—	—	—
Adjusted net realized and unrealized gains (losses), net of taxes	<u>\$ 36,607</u>	<u>\$ 0.25</u>	<u>\$55,526</u>	<u>\$ 0.39</u>	<u>\$(188,308)</u>	<u>\$ (1.33)</u>

The following table provides a reconciliation of net increase (decrease) in net assets resulting from operations (the most comparable U.S. GAAP measure) to adjusted earnings (loss) for the periods presented:

	For the three months ended					
	March 31, 2021 (unaudited)		December 31, 2020 (unaudited)		March 31, 2020 (unaudited)	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
<i>(\$ in thousands, except per share data)</i>						
Net increase (decrease) in net assets resulting from operations	\$ 88,117	\$ 0.60	\$65,544	\$ 0.46	\$(165,467)	\$ (1.17)
Less: Interest income accretion related to merger accounting adjustments	(665)	—	—	—	—	—
Less: Net realized and unrealized gains related to merger accounting adjustments	(33,396)	(0.23)	—	—	—	—
Adjusted earnings (loss)	<u>\$ 54,056</u>	<u>\$ 0.37</u>	<u>\$65,544</u>	<u>\$ 0.46</u>	<u>\$(165,467)</u>	<u>\$ (1.17)</u>

Conference Call Information

Oaktree Specialty Lending will host a conference call to discuss its second fiscal quarter 2021 results at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time on May 6, 2021. The conference call may be accessed by dialing (877) 507-4376 (U.S. callers) or +1 (412) 317-5239 (non-U.S. callers). All callers will need to reference “Oaktree Specialty Lending” once connected with the operator. Alternatively, a live webcast of the conference call can be accessed through the Investors section of Oaktree Specialty Lending’s website, www.oaktreespecialtylending.com. During the conference call, the Company intends to refer to an investor presentation that will be available on the Investors section of its website.

For those individuals unable to listen to the live broadcast of the conference call, a replay will be available on Oaktree Specialty Lending’s website, or by dialing (877) 344-7529 (U.S. callers) or +1 (412) 317-0088 (non-U.S. callers), access code 10153868, beginning approximately one hour after the broadcast.

About Oaktree Specialty Lending Corporation

Oaktree Specialty Lending Corporation (NASDAQ:OCSL) is a specialty finance company dedicated to providing customized one-stop credit solutions to companies with limited access to public or syndicated capital markets. The Company’s investment objective is to generate current income and capital appreciation by providing companies with flexible and innovative financing solutions including first and second lien loans, unsecured and mezzanine loans, and preferred equity. The Company is regulated as a business development company under the Investment Company Act of 1940, as amended, and is externally managed by Oaktree Fund Advisors, LLC, an affiliate of Oaktree Capital Management, L.P. For additional information, please visit Oaktree Specialty Lending’s website at www.oaktreespecialtylending.com.

Forward-Looking Statements

Some of the statements in this press release constitute forward-looking statements because they relate to future events, future performance or financial condition. The forward-looking statements may include statements as to: future operating results of the Company and distribution projections; business prospects of the Company and the prospects of its portfolio companies; and the impact of the investments that the Company expects to make. 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 press release involve risks and uncertainties. Certain factors could cause actual results and conditions to differ materially from those projected, including the uncertainties associated with (i) changes in the economy, financial markets and political environment, (ii) risks associated with possible disruption in the operations of the Company or the economy generally due to terrorism, natural disasters or the COVID-19 pandemic; (iii) future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities); (iv) conditions in the Company’s operating areas, particularly with respect to business development companies or regulated investment companies; (v) general considerations associated with the COVID-19 pandemic; and (vi) other considerations that may be disclosed from time to time in the Company’s publicly disseminated documents and filings. The Company has based the forward-looking statements included in this press release on information available to it on the date of this press release, and the Company assumes no obligation to update any such forward-looking statements. The Company undertakes 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 it may make directly to you or through reports that the Company in the future may file with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Contacts

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Oaktree Specialty Lending Corporation
Consolidated Statements of Assets and Liabilities
(in thousands, except per share amounts)

	March 31, 2021 (unaudited)	December 31, 2020 (unaudited)	September 30, 2020
ASSETS			
Investments at fair value:			
Control investments (cost March 31, 2021: \$287,571; cost December 31, 2020: \$243,990; cost September 30, 2020: \$245,950)	\$ 269,752	\$ 207,760	\$ 201,385
Affiliate investments (cost March 31, 2021: \$12,138; cost December 31, 2020: \$10,303; cost September 30, 2020: \$7,551)	11,200	8,971	6,509
Non-control/Non-affiliate investments (cost March 31, 2021: \$2,011,349; cost December 31, 2020: \$1,503,368; cost September 30, 2020: \$1,415,669)	2,046,401	1,495,593	1,365,957
Total investments at fair value (cost March 31, 2021: \$2,311,058; cost December 31, 2020: \$1,757,661; cost September 30, 2020: \$1,669,170)	2,327,353	1,712,324	1,573,851
Cash and cash equivalents	39,872	24,234	39,096
Restricted cash	3,857	—	—
Interest, dividends and fees receivable	11,291	8,999	6,935
Due from portfolio companies	3,283	2,093	2,725
Receivables from unsettled transactions	36,469	11,054	9,123
Deferred financing costs	7,076	5,840	5,947
Deferred offering costs	67	67	67
Deferred tax asset, net	527	1,122	847
Derivative assets at fair value	1,333	—	223
Other assets	2,285	28,170	1,898
Total assets	\$ 2,433,413	\$ 1,793,903	\$ 1,640,712
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable, accrued expenses and other liabilities	\$ 3,467	\$ 2,442	\$ 1,072
Base management fee and incentive fee payable	24,559	20,230	11,212
Due to affiliate	4,688	2,355	2,130
Interest payable	2,734	4,192	1,626
Payables from unsettled transactions	9,245	102,737	478
Derivative liability at fair value	—	2,203	—
Credit facilities payable	814,782	400,025	414,825
Unsecured notes payable (net of \$2,900, \$3,086 and \$3,272 of unamortized financing costs as of March 31, 2021, December 31, 2020 and September 30, 2020, respectively)	295,115	294,802	294,490
Total liabilities	1,154,590	828,986	725,833
Commitments and contingencies			
Net assets:			
Common stock, \$0.01 par value per share, 250,000 shares authorized; 180,361, 140,961 and 140,961 shares issued and outstanding as of March 31, 2021, December 31, 2020 and September 30, 2020, respectively	1,804	1,409	1,409
Additional paid-in-capital	1,730,083	1,487,774	1,487,774
Accumulated overdistributed earnings	(453,064)	(524,266)	(574,304)
Total net assets (equivalent to \$7.09, \$6.85 and \$6.49 per common share as of March 31, 2021, December 31, 2020 and September 30, 2020, respectively)	1,278,823	964,917	914,879
Total liabilities and net assets	\$ 2,433,413	\$ 1,793,903	\$ 1,640,712

Oaktree Specialty Lending Corporation
Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended March 31, 2020	Six months ended March 31, 2021	Six months ended March 31, 2020
Interest income:					
Control investments	\$ 2,374	\$ 2,343	\$ 2,393	\$ 4,717	\$ 4,944
Affiliate investments	143	105	138	248	252
Non-control/Non-affiliate investments	33,133	29,184	27,149	62,317	52,808
Interest on cash and cash equivalents	5	1	218	6	299
Total interest income	35,655	31,633	29,898	67,288	58,303
PIK interest income:					
Non-control/Non-affiliate investments	3,801	3,089	1,946	6,890	3,107
Total PIK interest income	3,801	3,089	1,946	6,890	3,107
Fee income:					
Control investments	18	15	8	33	14
Affiliate investments	5	5	5	10	10
Non-control/Non-affiliate investments	2,255	3,332	2,037	5,587	3,097
Total fee income	2,278	3,352	2,050	5,630	3,121
Dividend income:					
Control investments	209	130	277	339	600
Total dividend income	209	130	277	339	600
Total investment income	41,943	38,204	34,171	80,147	65,131
Expenses:					
Base management fee	7,074	6,541	5,295	13,615	10,902
Part I incentive fee	4,444	4,149	3,444	8,593	6,432
Part II incentive fee	3,609	9,540	(6,608)	13,149	(5,557)
Professional fees	1,017	867	669	1,884	1,309
Directors fees	157	143	142	300	285
Interest expense	6,568	6,095	7,215	12,663	13,750
Administrator expense	293	333	393	626	821
General and administrative expenses	775	518	780	1,293	1,312
Total expenses	23,937	28,186	11,330	52,123	29,254
Reversal of fees waived (fees waived)	(108)	—	—	(108)	5,200
Net expenses	23,829	28,186	11,330	52,015	34,454
Net investment income	18,114	10,018	22,841	28,132	30,677
Unrealized appreciation (depreciation):					
Control investments	18,411	8,335	(55,392)	26,746	(53,395)
Affiliate investments	394	(290)	(1,730)	104	(1,794)
Non-control/Non-affiliate investments	42,803	41,937	(108,651)	84,740	(106,243)
Foreign currency forward contracts	3,536	(2,426)	2,240	1,110	778
Net unrealized appreciation (depreciation)	65,144	47,556	(163,533)	112,700	(160,654)
Realized gains (losses):					
Control investments	—	—	777	—	777
Non-control/Non-affiliate investments	8,179	8,738	(24,777)	16,917	(20,938)
Extinguishment of unsecured notes payable	—	—	(2,541)	—	(2,541)
Foreign currency forward contracts	(2,323)	(523)	61	(2,846)	(490)
Net realized gains (losses)	5,856	8,215	(26,480)	14,071	(23,192)
Provision for income tax (expense) benefit	(997)	(245)	1,705	(1,242)	1,545
Net realized and unrealized gains (losses), net of taxes	70,003	55,526	(188,308)	125,529	(182,301)
Net increase (decrease) in net assets resulting from operations	\$ 88,117	\$ 65,544	\$ (165,467)	\$ 153,661	\$ (151,624)
Net investment income per common share — basic and diluted	\$ 0.12	\$ 0.07	\$ 0.16	\$ 0.20	\$ 0.22
Earnings (loss) per common share — basic and diluted	\$ 0.60	\$ 0.46	\$ (1.17)	\$ 1.07	\$ (1.08)
Weighted average common shares outstanding — basic and diluted	146,652	140,961	140,961	143,775	140,961



SECOND QUARTER 2021
MAY 6, 2021

EARNINGS PRESENTATION
NASDAQ: OCSL



Forward Looking Statements & Legal Disclosures

Some of the statements in this presentation constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this presentation may include statements as to: our future operating results and distribution projections; the ability of Oaktree Fund Advisors, LLC ("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 and our quarterly report on Form 10-Q for the quarter ended March 31, 2021. Other factors that could cause actual results to differ materially include: changes or potential disruptions in our operations, the economy, financial markets or political environment; risks associated with possible disruption in our operations or the economy generally due to terrorism, natural disasters or the COVID-19 pandemic; future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities) and conditions in our operating areas, particularly with respect to business development companies or regulated investment companies; general considerations associated with the COVID-19 pandemic; the ability to realize the anticipated benefits of the merger of Oaktree Strategic Income Corporation ("OCSI") with and into us (the "Merger"); and other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

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

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.

Highlights for the Quarter Ended March 31, 2021

NET ASSET VALUE PER SHARE	<ul style="list-style-type: none"> • \$7.09, up 4% from \$6.85 as of December 31, 2020 and up 7% from \$6.61 as of December 31, 2019 (prior to the onset of the pandemic) • Quarterly increase primarily due to realized and unrealized gains on certain debt and equity investments
ADJUSTED NET INVESTMENT INCOME ¹	<ul style="list-style-type: none"> • \$0.14 per share as compared with \$0.14 per share for the quarter ended December 31, 2020 and \$0.10 per share for the quarter ended December 31, 2019 • GAAP net investment income was \$0.12 per share, up as compared with \$0.07 per share for the quarter ended December 31, 2020 and up as compared with \$0.06 per share for the quarter ended December 31, 2019
DIVIDEND	<ul style="list-style-type: none"> • Declared a cash distribution of \$0.13 per share, an increase of 8% from the prior quarter and 37% from one year ago • Fourth consecutive quarter with a distribution increase • Distribution will be payable on June 30, 2021 to stockholders of record as of June 15, 2021
INVESTMENT ACTIVITY ²	<ul style="list-style-type: none"> • \$318 million of new investment commitments; 8.2% weighted average yield on new debt investments • \$302 million of new investment fundings and received \$229 million of proceeds from prepayments, exits, other paydowns and sales, which had a weighted average yield of 6.8% • First lien investments represented 80% of new investment commitments
INVESTMENT PORTFOLIO	<ul style="list-style-type: none"> • \$2.3 billion at fair value diversified across 137 portfolio companies • 8.3% weighted average yield on debt investments • No investments on non-accrual status as of March 31, 2021
CAPITAL STRUCTURE & LIQUIDITY	<ul style="list-style-type: none"> • 0.87x total debt to equity ratio; 0.84x net debt to equity ratio • \$40 million of cash and \$325 million of undrawn capacity on credit facilities; \$192 million of unfunded commitments eligible to be drawn³ • On May 4, 2021, amended syndicated revolving credit facility; increased size to \$950 million and extended maturity by two years to 2026
MERGER WITH OCSI	<ul style="list-style-type: none"> • Completed the Merger with OCSI on March 19, 2021 • Added \$504 million of investments at fair value

¹ See page 20 for a description of this non-GAAP measure.

² Excludes assets acquired in the Merger.

³ Excludes approximately \$50 million of unfunded commitments that were ineligible to be immediately drawn due to certain milestones that must be met by portfolio companies.



Portfolio Summary as of March 31, 2021

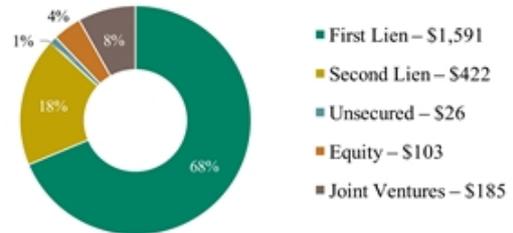
PORTFOLIO CHARACTERISTICS

(At fair value)

\$2.3bn TOTAL INVESTMENTS	137 PORTFOLIO COMPANIES
8.3% WEIGHTED AVERAGE YIELD ON DEBT INVESTMENTS	\$103mm MEDIAN DEBT PORTFOLIO COMPANY EBITDA ¹
86% SENIOR SECURED DEBT INVESTMENTS	0 NON-ACCRUALS

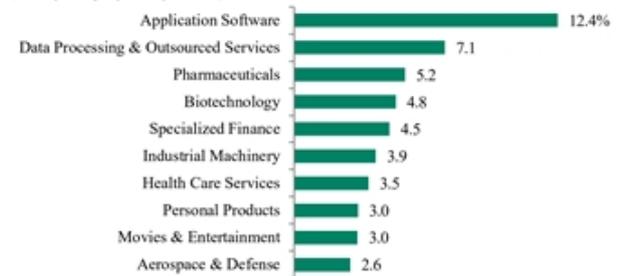
PORTFOLIO COMPOSITION

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



TOP TEN SUB-INDUSTRIES^{2, 3}

(As % of total portfolio at fair value)



Note: Numbers may not sum due to rounding.

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

² Based on GICS sub-industry classification.

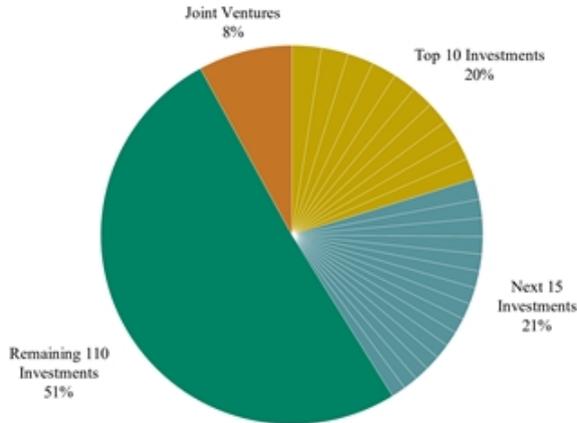
³ Excludes multi-sector holdings, which is primarily composed of investments in Senior Loan Fund JV I LLC ("Kemper JV") and OCSI Glick JV (the "Glick JV"), joint ventures that invest primarily in senior secured loans of middle market companies.



OCSL's Portfolio Diversity Provides Downside Protection

DIVERSITY BY INVESTMENT SIZE

(As % of total portfolio at fair value)



PORTFOLIO BY INDUSTRY¹

(As % of total portfolio at fair value)

Industry	% of Portfolio
Software	12.7%
IT Services	9.5
Pharmaceuticals	5.2
Health Care Providers & Services	5.0
Biotechnology	4.8
Chemicals	3.9
Machinery	3.9
Real Estate Management & Development	3.4
Diversified Financial Services	3.3
Oil, Gas & Consumable Fuels	3.1
Personal Products	3.0
Entertainment	3.0
Remaining 29 Industries	31.1
Joint Ventures	8.0

OCSL's portfolio is diverse across borrowers and industries

As of March 31, 2021

Note: Numbers may not sum due to rounding.

¹ Based on GICS industry classification.



Investment Activity

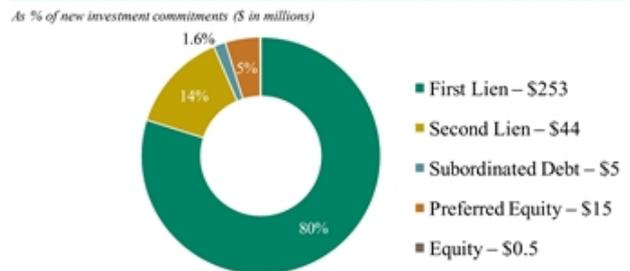
NEW INVESTMENT HIGHLIGHTS

<p>\$318mm</p> <p>NEW INVESTMENT COMMITMENTS</p>	<p>\$302 million</p> <p>NEW INVESTMENT FUNDINGS¹</p>
<p>8.2%</p> <p>WEIGHTED AVERAGE YIELD ON NEW DEBT COMMITMENTS</p>	<p>100%</p> <p>ALSO HELD BY OTHER OAKTREE FUNDS</p>
<p>\$297mm</p> <p>NEW INVESTMENT COMMITMENTS IN NEW PORTFOLIO COMPANIES</p>	<p>\$21mm</p> <p>NEW INVESTMENT COMMITMENTS IN EXISTING PORTFOLIO COMPANIES</p>

HISTORICAL FUNDED ORIGINATIONS AND EXITS



NEW INVESTMENT COMPOSITION



Note: Numbers rounded to the nearest million or percentage point and may not sum as a result.
¹ New funded investments includes drawdowns on existing revolver commitments.
² Investment exits includes proceeds from prepayments, exits, other paydowns and sales.

Investment Activity (continued)

NEW INVESTMENT COMMITMENT DETAIL

(\$ in millions)

Quarter	Investment Commitments	Number of Deals	Security Type			Market			
			First Lien	Second Lien	Unsecured & Other	Private Placement	Primary (Public)	Secondary (Public)	Avg. Secondary Purchase Price
2Q2020	\$273	39	\$210	\$21	\$42	\$141	\$58	\$75	83%
3Q2020	261	18	177	8	76	154	71	35	74
4Q2020	148	10	123	25	0.5	90	57	2	96
1Q2021	286	21	196	90	--	181	84	22	93
January	41	2	41	--	--	41	--	--	--
February	102	10	73	11	18	64	28	10	93
March	174	8	139	33	2	139	35	--	--
Total 2Q2021	\$318	20	\$253	\$44	\$21	\$245	\$63	\$10	93%

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



Non-Core Investment Portfolio Detail

NON-CORE INVESTMENT PORTFOLIO CHARACTERISTICS

DEBT INVESTMENTS

- \$86 million at fair value in four companies
- Exited one non-core position at par during the quarter ended March 31, 2021, received \$0.7 million of proceeds above previous fair value mark

EQUITY INVESTMENTS¹

- \$70 million at fair value in 20 companies and limited partnership interests in one third-party managed fund
- Exited one limited partnership investment during the quarter ended March 31, 2021, received \$0.7 million of proceeds above previous fair value mark

AVIATION

- \$8 million at fair value in one aircraft

NON-ACCRUALS

- No non-accruals as of March 31, 2021
- Exited remaining non-core, non-accrual investment during the quarter ended March 31, 2021 above previous fair value mark

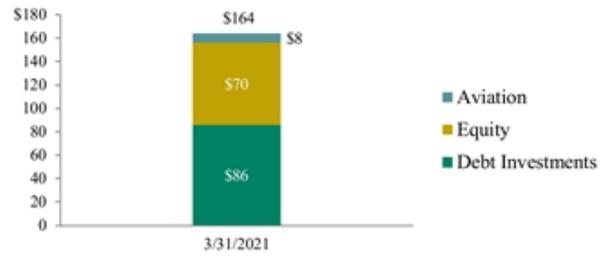
Note: Numbers may not sum due to rounding.

¹ Excludes OCSL's equity investment in First Star Speir Aviation Limited.

² Excludes investments in the Kemper JV and Glick JV.

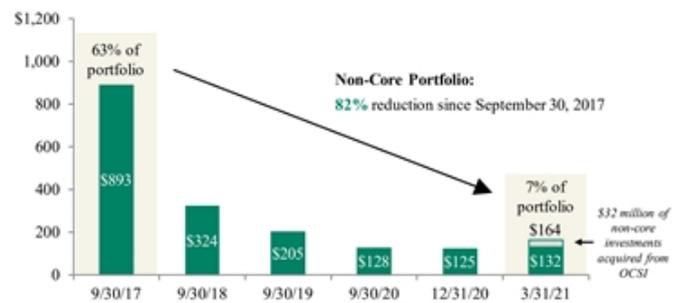
NON-CORE PORTFOLIO COMPOSITION

At fair value (\$ in millions)



NON-CORE PORTFOLIO PROGRESSION²

At fair value (\$ in millions)



Financial Highlights

<i>(\$ and number of shares in thousands, except per share amounts)</i>	As of				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
GAAP Net Investment Income per Share	\$0.12	\$0.07	\$0.17	\$0.12	\$0.16
<i>Adjusted Net Investment Income per Share¹</i>	<i>\$0.14</i>	<i>\$0.14</i>	<i>\$0.17</i>	<i>\$0.12</i>	<i>\$0.12</i>
Net Realized and Unrealized Gains (Losses), Net of Taxes per Share	\$0.48	\$0.39	\$0.33	\$0.73	\$(1.33)
<i>Adjusted Net Realized and Unrealized Gains (Losses), Net of Taxes per Share¹</i>	<i>\$0.25</i>	<i>\$0.39</i>	<i>\$0.33</i>	<i>\$0.73</i>	<i>\$(1.33)</i>
Earnings (Loss) per Share	\$0.60	\$0.46	\$0.50	\$0.85	\$(1.17)
<i>Adjusted Earnings (Loss) per Share¹</i>	<i>\$0.37</i>	<i>\$0.46</i>	<i>\$0.50</i>	<i>\$0.85</i>	<i>\$(1.17)</i>
Distributions per Share	\$0.120	\$0.110	\$0.105	\$0.095	\$0.095
NAV per Share	\$7.09	\$6.85	\$6.49	\$6.09	\$5.34
Weighted Average Shares Outstanding	146,652	140,961	140,961	140,961	140,961
Shares Outstanding, End of Period	180,361	140,961	140,961	140,961	140,961
Investment Portfolio (at Fair Value)	\$2,327,353	\$1,712,324	\$1,573,851	\$1,561,153	\$1,392,187
Cash and Cash Equivalents	\$39,872	\$24,234	\$39,096	\$50,728	\$89,509
Total Assets	\$2,433,413	\$1,793,903	\$1,640,712	\$1,647,567	\$1,501,627
Total Debt Outstanding ²	\$1,109,897	\$694,827	\$709,315	\$761,002	\$698,686
Net Assets	\$1,278,823	\$964,917	\$914,879	\$859,063	\$752,224
Total Debt to Equity Ratio	0.87x	0.73x	0.78x	0.89x	0.94x
Net Debt to Equity Ratio	0.84x	0.70x	0.74x	0.83x	0.82x
Weighted Average Interest Rate on Debt Outstanding	2.6%	2.7%	2.7%	2.7%	3.1%

¹ See page 20 for a description of the non-GAAP measures.

² Net of unamortized financing costs.



Portfolio Highlights

<i>(\$ in thousands, at fair value)</i>	As of				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Investments at Fair Value	\$2,327,353	\$1,712,324	\$1,573,851	\$1,561,153	\$1,392,187
Number of Portfolio Companies	137	115	113	119	128
Average Portfolio Company Debt Investment Size	\$17,600	\$16,200	\$15,800	\$14,600	\$11,900
Asset Class:					
First Lien	68.3%	60.3%	62.3%	61.3%	62.3%
Second Lien	18.2	25.4	21.7	19.6	19.7
Unsecured Debt	1.1	3.1	4.2	7.2	5.8
Equity	4.4	3.8	4.1	4.7	5.5
Limited Partnership Interests	0.0	0.1	0.2	0.2	0.2
Joint Venture Interests	8.0	7.3	7.5	7.0	6.6
Interest Rate Type for Debt Investments:					
% Floating-Rate	91.8%	88.8%	88.3%	86.2%	90.6%
% Fixed-Rate	8.2	11.2	11.7	13.8	9.4
Yields:					
Weighted Average Yield on Debt Investments ¹	8.3%	8.5%	8.3%	8.1%	8.0%
Cash Component of Weighted Average Yield on Debt Investments	7.1	7.1	7.0	6.9	6.9
Weighted Average Yield on Total Portfolio Investments ²	7.8	8.0	7.8	7.6	7.5

Note: Numbers may not sum due to rounding.

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

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

Investment Activity

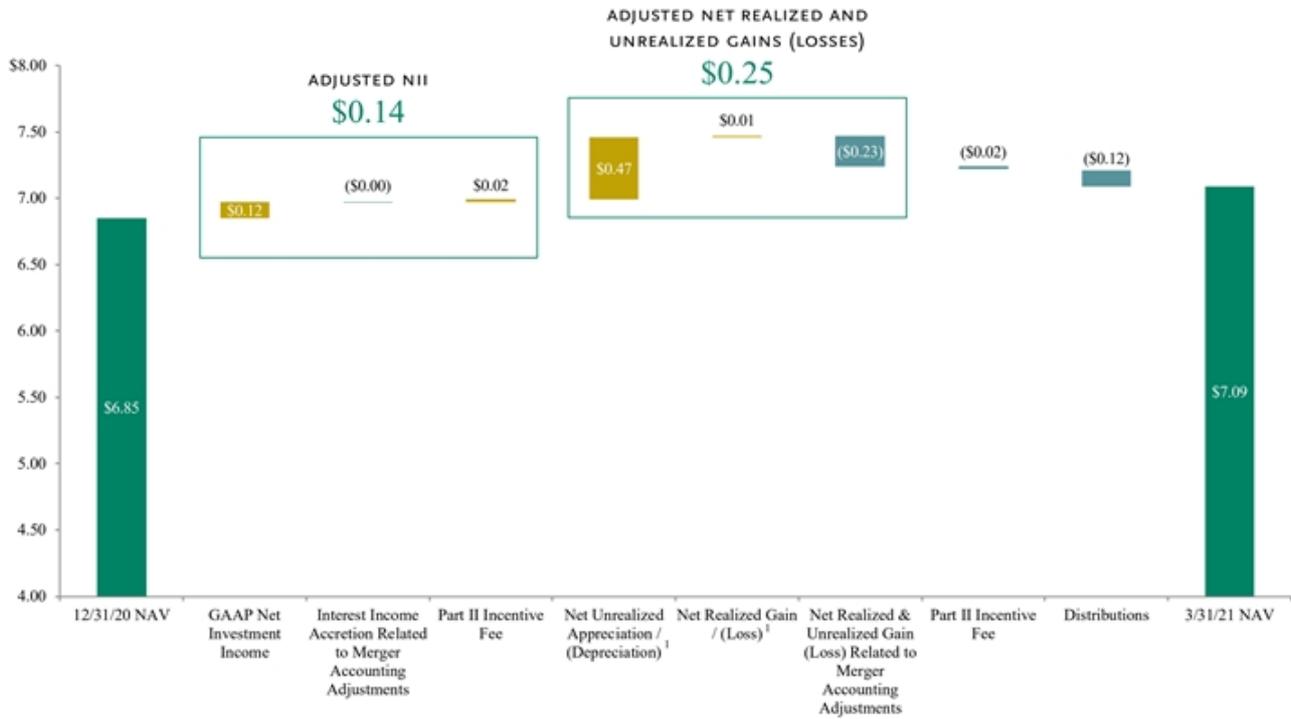
<i>(\$ in thousands)</i>	As of				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
New Investment Commitments	\$317,700	\$286,300	\$148,500	\$260,500	\$272,900
New Funded Investment Activity ¹	\$301,800	\$241,500	\$146,300	\$198,500	\$251,700
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$228,900	\$160,700	\$184,200	\$127,800	\$154,500
Net New Investments ²	\$72,900	\$80,800	\$(37,900)	\$70,700	\$97,200
New Investment Commitments in New Portfolio Companies	18	14	8	10	32
New Investment Commitments in Existing Portfolio Companies	2	7	3	8	8
Portfolio Company Exits	12	12	12	19	10
Weighted Average Yield at Cost on New Debt Investment Commitments	8.2%	8.7%	10.6%	10.5%	7.9%

¹ New funded investment activity includes drawdowns on existing revolver commitments. Includes \$103 million of unsettled purchases as of December 31, 2020.

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



Net Asset Value Per Share Bridge



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

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



Capital Structure Overview

0.85x to 1.00x
TARGET LEVERAGE RATIO

**Investment
Grade Rated**
BY MOODY'S AND FITCH

27%
UNSECURED
BORROWINGS

**Extended and
Upsized**
SYNDICATED CREDIT
FACILITY ON MAY 4, 2021

FUNDING SOURCES

(\$ in millions)

	Committed	Principal Outstanding	Interest Rate	Maturity
Syndicated Credit Facility ¹	\$800	\$575	LIBOR + 2.00% ²	2/25/2024
2025 Notes	300	300	3.500%	2/25/2025
<i>Facilities from OCSL</i> Citibank Facility	180	124	LIBOR + 1.70% / 2.25% ³	7/18/2023
Deutsche Bank Facility ⁴	160	116	LIBOR + 2.65%	3/30/2022
Cash and Cash Equivalents	--	(40)	--	--
Total	\$1,440	\$1,075		
Weighted Average Interest Rate		2.6%		
Net Debt to Equity Ratio		0.84x		

MATURITIES

(\$ in millions)



Diverse and flexible sources of debt capital

As of March 31, 2021

Note: Numbers may not sum due to rounding.

¹ On May 4, 2021, the Company amended the syndicated credit facility to, among other things, increase the total size to \$950 million, extend the maturity to May 2026 and remove the pricing grid.

² Interest rate spread can increase up to 2.75% depending on the senior coverage ratio and Obligor's Net Worth. On May 4, 2021, the pricing grid was removed as part of an amendment.

³ Interest rate spread depends on asset type.

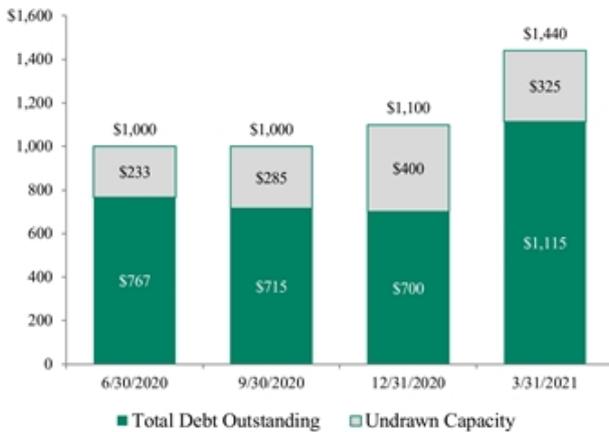
⁴ On May 4, 2021, the Company repaid all amounts outstanding under the Deutsche Bank Facility, following which the facility was terminated.



Funding and Liquidity Metrics

LEVERAGE UTILIZATION

(\$ in millions)



	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Cash	\$51	\$39	\$24	\$40
Net Assets	\$859	\$915	\$965	\$1,279
Net Leverage	0.83x	0.74x	0.70x	0.84x
Total Leverage	0.89x	0.78x	0.73x	0.87x

¹ Excludes unfunded commitments to the Kemper JV and Glick JV.

² Includes unfunded commitments ineligible to be drawn due to certain limitations in credit agreements.

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

LIQUIDITY ROLLFORWARD

(\$ in millions)

	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Credit Facility Committed	\$700	\$700	\$800	\$1,140
Credit Facility Drawn	(467)	(415)	(400)	(815)
Cash and Cash Equivalents	51	39	24	40
Total Liquidity	284	324	424	365
Total Unfunded Commitments ¹	(155)	(158)	(198)	(242)
Unavailable Unfunded Commitments ²	79	64	48	50
Adjusted Liquidity	\$208	\$230	\$274	\$173

Ample liquidity to support funding needs³



Strategic Joint Ventures are Accretive to Earnings

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

Key Attributes of Joint Ventures:

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

KEMPER JV CHARACTERISTICS

At fair value

\$130mm OCSL'S INVESTMENTS IN THE KEMPER JV	5.6% % OF OCSL'S PORTFOLIO	\$3.5mm NET INVESTMENT INCOME ¹
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GLICK JV CHARACTERISTICS

At fair value

\$55mm OCSL'S INVESTMENTS IN THE GLICK JV	2.3% % OF OCSL'S PORTFOLIO	\$1.3mm NET INVESTMENT INCOME ²
--	---	---

COMBINED PORTFOLIO SUMMARY

INVESTMENT PORTFOLIO	FIRST LIEN	PORTFOLIO COMPANY COUNT	WTD. AVG. DEBT PORTFOLIO YIELD	LEVERAGE RATIO
\$454mm	94%	64	5.9%	1.3x

As of March 31, 2021

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

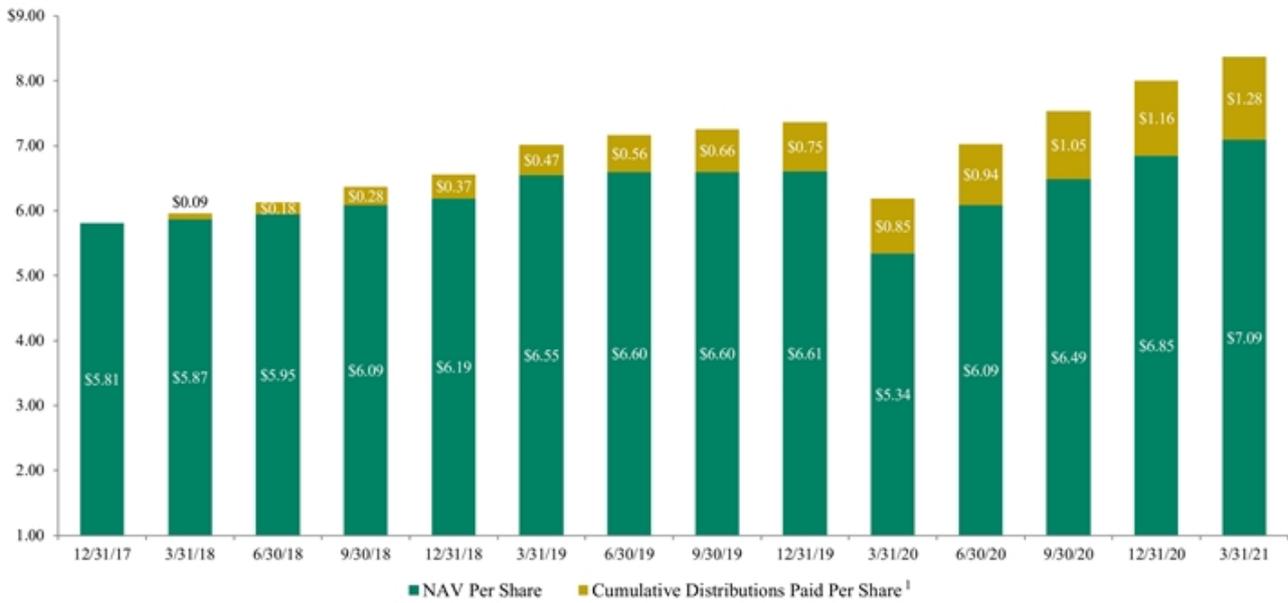
² Represents 87.5% of the Glick JV's net investment income (excluding subordinated note interest expense) earned during the quarter ended March 31, 2021 (including amounts accrued prior to the closing of the Merger).



Compelling Performance Under Oaktree Management

NAV AND CUMULATIVE DISTRIBUTIONS PAID PER SHARE

(\$ in millions)



OCSL has generated an 11.9% annualized return on equity² under Oaktree management

¹ Cumulative distributions declared and paid from December 31, 2017 through March 31, 2021.

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



Opportunities to Increase Return on Equity

1 ROTATE INTO HIGHER-YIELDING INVESTMENTS	2 OPERATE WITHIN TARGET LEVERAGE RANGE	3 OPTIMIZATION OF JOINT VENTURES	4 REALIZATION OF MERGER SYNERGIES
<ul style="list-style-type: none"> • \$163 million at fair value of senior secured loans priced at or below LIBOR + 4.50%¹ <ul style="list-style-type: none"> – Acquired \$102 million of these investments following closing of merger with OCSI • Exited \$49 million of lower yielding senior secured loans during the quarter ended March 31, 2021 • \$318 million of new investment commitments had a weighted average yield of 8.2% during the quarter ended March 31, 2021 	<ul style="list-style-type: none"> • Current target leverage range: 0.85x to 1.00x debt to equity • 0.87x total debt to equity; 0.84x net debt to equity • \$325 million of undrawn capacity under credit facilities² • Would need to utilize approximately \$110 million of additional borrowings to reach the midpoint of target leverage range (0.925x) 	<ul style="list-style-type: none"> • Opportunity to increase underlying portfolio yields by rotating into higher spread in investments <ul style="list-style-type: none"> – \$76 million of investments priced at or below L+375 in the Kemper and Glick JVs • Utilize additional borrowings to operate within target leverage range <ul style="list-style-type: none"> – Target leverage range: 1.25x to 1.75x debt to equity – 1.3x and 1.2x total debt to equity at Kemper JV and Glick JV, respectively 	<ul style="list-style-type: none"> • Merger with OCSI closed on March 19, 2021 • Operational synergies resulting from the elimination of duplicative expenses expected to result in near-term G&A savings • Streamlined capital structure anticipated to result in interest expense savings • Base management fee waiver totaling \$6 million for two years (\$0.75 million per quarter)

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

As of March 31, 2021

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

² Subject to borrowing base and other limitations.

Appendix



OAKTREE
OCSL | Specialty Lending Corporation

Quarterly Statement of Operations

(\$ in thousands)	For the three months ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
INVESTMENT INCOME					
Interest income	\$35,655	\$31,633	\$37,153	\$30,112	\$29,898
PIK interest income	3,801	3,089	2,573	2,183	1,946
Fee income	2,278	3,352	3,571	1,827	2,050
Dividend income	209	130	302	281	277
GAAP total investment income	41,943	38,204	43,599	34,403	34,171
Less: Interest income accretion related to merger accounting adjustments	(665)	--	--	--	--
Adjusted total investment income	41,278	38,204	43,599	34,403	34,171
EXPENSES					
Base management fee	7,074	6,541	6,005	5,988	5,295
Part I incentive fees	4,444	4,149	5,206	3,556	3,444
Part II incentive fees	3,609	9,540	--	--	(6,608)
Interest expense	6,568	6,095	6,133	6,406	7,215
Other operating expenses ¹	2,242	1,861	1,710	1,683	1,984
Total expenses	23,937	28,186	19,054	17,633	11,330
Fees waived (reversal of fees waived)	(108)	--	--	--	--
Net expenses	23,829	28,186	19,054	17,633	11,330
GAAP net investment income	18,114	10,018	24,545	16,770	22,841
Less: Interest income accretion related to merger accounting adjustments	(665)	--	--	--	--
Add: Part II incentive fee	3,609	9,540	--	--	(6,608)
Adjusted net investment income	\$21,058	\$19,558	\$24,545	\$16,770	\$16,233

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

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

Quarterly Statement of Operations (continued)

(\$ in thousands, except per share amounts)	For the three months ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
NET REALIZED AND UNREALIZED GAINS (LOSSES)					
Net unrealized appreciation (depreciation)	65,144	47,556	39,468	100,572	(163,533)
New realized gains (losses)	5,856	8,215	6,447	2,821	(26,480)
Provision for income tax (expense) benefit	(997)	(245)	157	68	1,705
GAAP net realized and unrealized gains (losses), net of taxes	\$70,003	\$55,526	\$46,072	\$103,461	\$(188,308)
Less: Net realized and unrealized gains related to merger accounting adjustments	(33,396)	--	--	--	--
Adjusted net realized and unrealized gains (losses), net of taxes	\$36,607	\$55,526	\$46,072	\$103,461	\$(188,308)
GAAP net increase/decrease in net assets resulting from operations	\$88,117	\$65,544	\$70,617	\$120,231	\$(165,467)
Less: Interest income accretion related to merger accounting adjustments	(665)	--	--	--	--
Less: Net realized and unrealized gains related to merger accounting adjustments	(33,396)	--	--	--	--
Adjusted earnings (loss)	\$54,056	\$65,544	\$70,617	\$120,231	\$(165,467)
PER SHARE DATA:					
GAAP total investment income	0.29	0.27	0.31	0.24	0.24
Adjusted total investment income	0.28	0.27	0.31	0.24	0.24
GAAP net investment income	0.12	0.07	0.17	0.12	0.16
Adjusted net investment income	0.14	0.14	0.17	0.12	0.12
GAAP net realized and unrealized gains (losses), net of taxes	0.48	0.39	0.33	0.73	(1.33)
Adjusted net realized and unrealized gains (losses), net of taxes	0.25	0.39	0.33	0.73	(1.33)
GAAP net increase/decrease in net assets resulting from operations	0.60	0.46	0.50	0.85	(1.17)
Adjusted earnings (loss)	0.37	0.46	0.50	0.85	(1.17)
Weighted average common shares outstanding	146,652	140,961	140,961	140,961	140,961
Shares outstanding, end of period	180,361	140,961	140,961	140,961	140,961

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



Non-GAAP Disclosures

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

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

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