
**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 8, 2018

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))

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 8, 2018, Oaktree Specialty Lending Corporation (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended March 31, 2018. A copy of the press release is attached hereto as Exhibit 99.1.

On May 8, 2018, the Company will host a conference call to discuss its financial results for the fiscal quarter ended March 31, 2018. 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 8, 2018](#)

99.2 [Oaktree Specialty Lending Corporation Second Quarter 2018 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 8, 2018

By: /s/ Mel Carlisle

Name: Mel Carlisle

Title: Chief Financial Officer and Treasurer



Oaktree Specialty Lending Corporation Announces Second Fiscal Quarter 2018 Financial Results

LOS ANGELES, CA, May 8, 2018 - 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, 2018.

Second Fiscal Quarter 2018 Highlights

- Total investment income of \$34.8 million, or \$0.25 per share;
- Net investment income of \$15.3 million, or \$0.11 per share;
- Net asset value per share as of March 31, 2018 of \$5.87; and
- Originated \$223.2 million of new investment commitments and received \$151.8 million in connection with five full repayments and exits of investments.

Management Commentary

"We have made measurable progress in executing on our plan to reposition the portfolio and enhance its return on equity," said Edgar Lee, Chief Executive Officer and Chief Investment Officer of Oaktree Specialty Lending. "In the second quarter, we continued to reduce non-core investments, while redeploying capital into \$223 million of new investments better aligned with Oaktree's investment approach. The significant advantages of Oaktree's platform, including scale, relationships and a disciplined approach to credit investing have begun to show tangible results for OCSL."

Portfolio and Investment Activity

As of March 31, 2018, the fair value of the investment portfolio was \$1.4 billion and was comprised of investments in 115 companies. These included loans to 72 companies, 8 public bond issuances, the investment in Senior Loan Fund JV I, LLC ("SLF JV I") and equity investments in 59 companies, including in SLF JV I and 16 private equity funds. 25 of these equity investments were in companies in which Oaktree Specialty Lending also had a debt investment.

At fair value, 92.4% of the Company's portfolio as of March 31, 2018 consisted of debt investments, including 52.8% of first lien loans, 23.8% of second lien loans and 15.8% of unsecured debt investments, including the debt investments in SLF JV I.

As of March 31, 2018, SLF JV I had \$322.9 million in assets, including senior secured loans to 40 portfolio companies. The joint venture generated income of \$4.2 million for Oaktree Specialty Lending during the second quarter.

The weighted average yield on the Company's debt investments as of March 31, 2018, including the return on our mezzanine note investments in SLF JV I, was 9.3%.

As of March 31, 2018, \$1.1 billion of the Company's debt investments, or 84.6% of the total debt portfolio, at fair value, had floating interest rates.

During the quarter ended March 31, 2018, the Company originated \$223.2 million of investment commitments, including investments in nine new and one existing portfolio company, and funded \$227.8 million of investments across new and existing portfolio companies.

During the quarter, the Company received \$151.8 million from the full repayments and exits of five investments, and \$90.1 million from other paydowns and sales of investments.

Results of Operations

Total investment income for the quarter ended March 31, 2018 was \$34.8 million, including \$26.6 million of cash interest income from portfolio investments. Payment-in-kind (“PIK”) interest income, net of PIK collected in cash, represented 5.3% of total investment income for the quarter ended March 31, 2018.

Net expenses for the quarter were \$19.5 million, a decrease of \$1.0 million from the quarter ended December 31, 2017. The decrease in net expenses was due primarily to a decrease in professional fees, interest expense and general and administrative expenses, partially offset by an increase in Part I incentive fees.

Net unrealized depreciation on the investment portfolio for the quarter was \$0.4 million and net realized gains on investments and secured borrowings for the quarter were \$4.9 million.

Liquidity and Capital Resources

As of March 31, 2018, the Company had \$8.2 million of cash and cash equivalents (including restricted cash), total principal value of debt outstanding of \$586.0 million and \$417.0 million of undrawn capacity on its credit facility, subject to borrowing base and other limitations. The weighted average interest rate on debt outstanding was 4.9% as of March 31, 2018.

As of March 31, 2018, the Company’s total leverage ratio was 0.71x debt-to-equity.

Dividend Declaration

The Board of Directors declared a quarterly dividend of \$0.095 per share, payable on June 29, 2018 to stockholders of record on June 15, 2018.

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

Portfolio Asset Quality

As of March 31, 2018, there were eight investments on which the Company had stopped accruing cash and/or PIK interest or original issue discount (“OID”) income that, in the aggregate, represented 12.8% of the debt portfolio at cost and 2.4% at fair value.

(\$ in thousands)	<u>As of March 31, 2018</u>	<u>As of September 30, 2017</u>
<u>Non-Accrual - Debt Investments</u>		
Non-Accrual Investments at Fair Value	\$ 30,886	\$ 67,015
Non-Accrual Investments/Total Investments at Fair Value	2.4%	4.7%

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

	March 31, 2018 (unaudited)	December 31, 2017 (unaudited)	September 30, 2017
ASSETS			
Investments at fair value:			
Control investments (cost March 31, 2018: \$431,809; cost December 31, 2017: \$438,415; cost September 30, 2017: \$444,826)	\$ 285,079	\$ 297,534	\$ 305,271
Affiliate investments (cost March 31, 2018: \$10,881; cost December 31, 2017: 33,397; cost September 30, 2017: \$33,743)	11,890	36,469	36,983
Non-control/Non-affiliate investments (cost March 31, 2018: \$1,219,816; cost December 31, 2017: 1,204,629; cost September 30, 2017: \$1,279,096)	1,103,715	1,081,401	1,199,501
Total investments at fair value (cost March 31, 2018: \$1,662,506; cost December 31, 2017: 1,676,441; cost September 30, 2017: \$1,757,665)	1,400,684	1,415,404	1,541,755
Cash and cash equivalents	7,951	45,435	53,018
Restricted cash	204	319	6,895
Interest, dividends and fees receivable	7,771	9,082	6,892
Due from portfolio companies	5,676	5,368	5,670
Receivables from unsettled transactions	12,852	8,869	—
Deferred financing costs	6,031	6,443	1,304
Other assets	3,346	3,260	514
Total assets	\$ 1,444,515	\$ 1,494,180	\$ 1,616,048
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable, accrued expenses and other liabilities	\$ 2,986	\$ 3,490	\$ 2,417
Base management fee and Part I incentive fee payable	8,594	6,286	6,750
Due to affiliate	1,709	1,534	1,815
Interest payable	3,278	6,547	3,167
Amounts payable to syndication partners	1	—	1
Director fees payable	176	176	184
Payables from unsettled transactions	21,107	33,465	58,691
Credit facilities payable	183,000	205,000	255,995
Unsecured notes payable (net of \$4,058, \$4,432 and \$4,737 of unamortized financing costs as of March 31, 2018, December 31, 2017 and September 30, 2017, respectively)	385,778	406,486	406,115
Secured borrowings at fair value (proceeds March 31, 2018: \$12,948; proceeds December 31, 2017: \$13,489; proceeds September 30, 2017: \$13,489)	10,652	11,601	13,256
Total liabilities	617,281	674,585	748,391
Commitments and contingencies			
Net assets:			
Common stock, \$0.01 par value, 250,000 shares authorized; 140,961 shares issued and outstanding as of March 31, 2018, December 31, 2017 and September 30, 2017	1,409	1,409	1,409
Additional paid-in-capital	1,579,278	1,579,278	1,579,278
Net unrealized depreciation on investments and secured borrowings	(259,526)	(259,149)	(215,677)
Net realized loss on investments, secured borrowings and unsecured notes payable	(473,567)	(478,301)	(478,010)
Accumulated overdistributed net investment income	(20,360)	(23,642)	(19,343)
Total net assets (equivalent to \$5.87, \$5.81 and \$6.16 per common share at March 31, 2018, December 31, 2017 and September 30, 2017, respectively)	827,234	819,595	867,657
Total liabilities and net assets	\$ 1,444,515	\$ 1,494,180	\$ 1,616,048

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

	Three months ended March 31, 2018	Three months ended December 31, 2017	Three months ended March 31, 2017	Six months ended March 31, 2018	Six months ended March 31, 2017
Interest income:					
Control investments	\$ 3,071	\$ 3,203	\$ 2,949	\$ 6,274	\$ 7,394
Affiliate investments	917	949	976	1,866	1,984
Non-control/Non-affiliate investments	22,533	25,565	34,216	48,098	72,517
Interest on cash and cash equivalents	112	221	164	333	283
Total interest income	26,633	29,938	38,305	56,571	82,178
PIK interest income:					
Control investments	1,210	1,191	2,362	2,401	3,922
Affiliate investments	188	176	196	364	397
Non-control/Non-affiliate investments	548	500	997	1,048	2,073
Total PIK interest income	1,946	1,867	3,555	3,813	6,392
Fee income:					
Control investments	128	120	313	248	622
Affiliate investments	44	4	247	48	729
Non-control/Non-affiliate investments	3,770	907	2,293	4,677	5,070
Total fee income	3,942	1,031	2,853	4,973	6,421
Dividend and other income:					
Control investments	2,258	1,040	842	3,298	2,304
Non-control/Non-affiliate investments	—	—	—	—	20
Total dividend and other income	2,258	1,040	842	3,298	2,324
Total investment income	34,779	33,876	45,555	68,655	97,315
Expenses:					
Base management fee	5,386	5,590	8,035	10,976	16,649
Part I incentive fee	3,247	830	3,168	4,077	7,231
Professional fees	1,015	2,898	1,723	3,913	2,787
Board of Directors fees	177	176	193	353	390
Interest expense	8,530	9,584	12,712	18,114	25,901
Administrator expense	391	494	619	885	1,150
General and administrative expenses	722	1,116	1,319	1,838	2,787
Loss on legal settlements	—	—	—	—	3
Total expenses	19,468	20,688	27,769	40,156	56,898
Fees waived	48	(134)	(61)	(86)	(122)
Insurance recoveries	—	—	(657)	—	(1,259)
Net expenses	19,516	20,554	27,051	40,070	55,517
Net investment income	15,263	13,322	18,504	28,585	41,798
Unrealized appreciation (depreciation) on investments:					
Control investments	(5,849)	(1,326)	13,172	(7,175)	14,509
Affiliate investments	(2,063)	(168)	(687)	(2,231)	(662)
Non-control/Non-affiliate investments	7,127	(43,633)	94,039	(36,506)	18,321
Net unrealized appreciation (depreciation) on investments	(785)	(45,127)	106,524	(45,912)	32,168
Net unrealized (appreciation) depreciation on secured borrowings	408	1,655	(334)	2,063	(418)
Realized gain (loss) on investments and secured borrowings:					
Control investments	—	—	(22,312)	—	(45,936)
Affiliate investments	2,048	—	—	2,048	—
Non-control/Non-affiliate investments	2,806	(291)	(93,581)	2,515	(93,053)
Net realized gain (loss) on investments and secured borrowings	4,854	(291)	(115,893)	4,563	(138,989)
Redemption premium on unsecured notes payable	(120)	—	—	(120)	—
Net increase (decrease) in net assets resulting from operations	\$ 19,620	\$ (30,441)	\$ 8,801	\$ (10,821)	\$ (65,441)
Net investment income per common share — basic	\$ 0.11	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.29
Earnings (loss) per common share — basic	\$ 0.14	\$ (0.22)	\$ 0.06	\$ (0.08)	\$ (0.46)
Weighted average common shares outstanding — basic	140,961	140,961	140,961	140,961	141,917
Net investment income per common share — diluted	\$ 0.11	\$ 0.09	\$ 0.13	\$ 0.20	\$ 0.29
Earnings (loss) per common share — diluted	\$ 0.14	\$ (0.22)	\$ 0.06	\$ (0.08)	\$ (0.46)
Weighted average common shares outstanding — diluted	140,961	140,961	140,961	140,961	141,917
Distributions per common share	\$ 0.085	\$ 0.125	\$ 0.14	\$ 0.21	\$ 0.32

Conference Call Information

Oaktree Specialty Lending will host a conference call to discuss its second fiscal quarter 2018 results at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time on May 8, 2018. The conference call may be accessed by dialing (877) 507-3275 (U.S. callers) or +1 (412) 317-5238 (non-U.S. callers), participant password "Oaktree Specialty Lending." During the earnings conference call, Oaktree Specialty Lending intends to refer to an investor presentation that will be available on the Investors section of the Oaktree Specialty Lending website, www.oaktreespecialtylending.com. Alternatively, a live webcast of the conference call can be accessed on Oaktree Specialty Lending's website.

For those individuals unable to listen to the live broadcast of the conference call, a replay will be available for 30 days 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 10118718, 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 firm seeks 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. Oaktree Specialty Lending is managed by 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 or our future performance or financial condition. The forward-looking statements may include statements as to: our future operating results and distribution projections; our business prospects and the prospects of our portfolio companies; and the impact of the investments that we expect 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. 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. Other factors that could cause actual results to differ materially include: changes in the economy, financial markets and political environment; risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; 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; 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.

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OCSL | Specialty Lending Corporation

Second Quarter
Fiscal Year 2018
Earnings
Presentation

May 8, 2018

Nasdaq: OCSL

Forward Looking Statements

Some of the statements in this presentation constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this presentation may include statements as to: our future operating results and distribution projections; the ability of our Investment Adviser to find lower-risk investments to reposition our portfolio and to implement our Investment Adviser's future plans with respect to our business; 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; 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. Other factors that could cause actual results to differ materially include: changes in the economy, financial markets and political environment; risks associated with possible disruption in our operations or the economy generally due to terrorism or natural disasters; 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; and other considerations that may be disclosed from time to time in our publicly disseminated documents and filings.

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

Unless otherwise indicated, data provided herein are dated as of March 31, 2018.

Q2 2018 Accomplishments and Highlights

- 1) Net asset value per share of \$5.87 as of March 31, 2018 vs. \$5.81 as of December 31, 2017**
 - Credit quality remained stable as NAV per share increased \$0.06 from December 31, 2017

- 2) Monetized \$122 million of non-core investments during Q2 2018**
 - Non-core investments represented 42% of the portfolio at fair value as of March 31, 2018¹
 - We expect non-core investments will decline to approximately one third of our portfolio by the end of next quarter, based on monetizations that we anticipate will occur before June 30, 2018
 - Monetized \$357 million of non-core investments since September 30, 2017

- 3) Entered into \$223 million of new investment commitments**
 - Primary focus on credit selection in a low yield environment
 - First lien originations represented 43% of new investment commitments

- 4) Net investment income per share of \$0.11 for the quarter ended March 31, 2018 vs. \$0.09 for the quarter ended December 31, 2017**
 - Our Board of Directors declared a dividend of \$0.095 per share (an increase of \$0.01 per share); payable on June 29, 2018 to stockholders of record as of June 15, 2018

¹ Excludes investments in Kemper JV.

Portfolio Summary as of March 31, 2018

Portfolio Characteristics (at fair value)

- \$1.4 billion invested in 115 companies
- 92% of the total portfolio consists of debt investments¹
- \$15 million average debt investment size
- \$452 million or 39% of debt portfolio considered liquid investments^{2,3}
- 9.3% weighted average yield on debt investments, increased from 9.0% as of December 31, 2017
- 85% of debt portfolio consists of floating rate investments³

As of March 31, 2018, unless otherwise noted

¹ Includes the investments in Kemper JV.

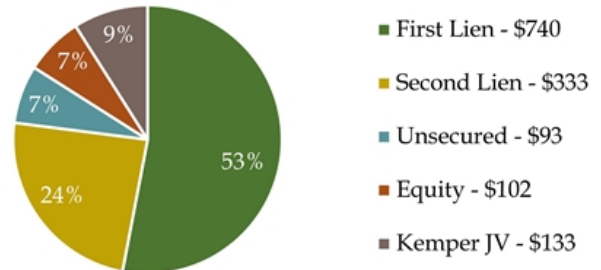
² Liquid investments are investments that had publicly quoted valuations.

³ Debt portfolio excludes the investments in Kemper JV.

⁴ Excludes multi-sector holdings, which includes our investments in the Kemper JV and limited partnership interests.

Portfolio Composition

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



Top 10 Industries⁴

(As % of total portfolio, at fair value)



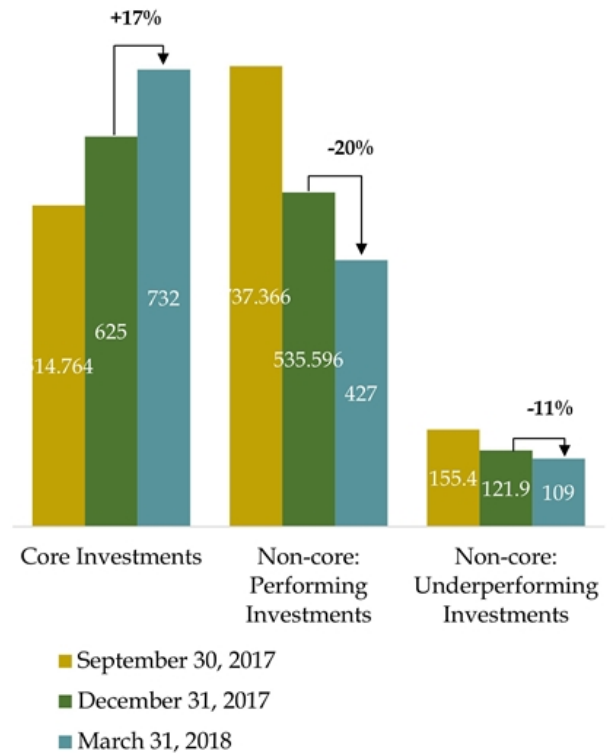
Portfolio Summary: Core vs. Non-core Assets

Core Investments¹

- \$732 million (58% of the total portfolio at fair value)
 - Average debt price: 99.6%
 - Represents 45 companies, an increase from 42 in Q1 2018
 - \$223 million of investments originated during Q2 2018

Non-core Investments¹

- Performing Investments
 - \$427 million (34% of the total portfolio at fair value)
 - Represents 60 companies, down from 70 in Q1 2018
- Underperforming Investments
 - \$109 million (9% of the total portfolio at fair value), down from \$122 million at fair value in Q1 2018
 - Represents 9 companies



As of March 31, 2018, unless otherwise noted
 Note: Numbers rounded to the nearest million or percentage point.
¹ Total portfolio excludes investments in Kemper JV.

(\$ in millions, at fair value)

Non-core: Performing Investments

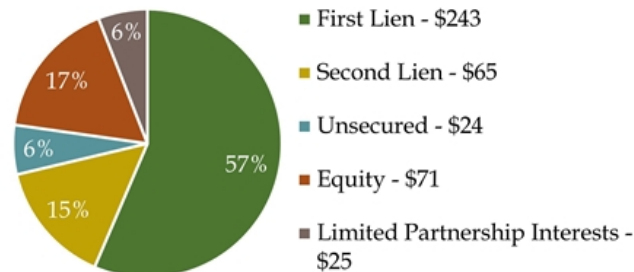
Investment Portfolio Characteristics

- \$332 million – Debt investments at fair value
 - Reduction of approximately \$99 million during the quarter which were executed at or above December 31, 2017 fair values
 - \$284 million – private loans
 - We expect to exit over 30% of the remaining non-core investments during Q3 2018
 - Average debt price: 98.7%
 - Average net leverage thru tranche¹: 3.6x
 - \$47 million – publicly quoted liquid loans

- \$96 million – Equity and limited partnership interests
 - Reduction of \$9 million during the quarter across 6 issuers
 - All monetized at or above December 31, 2017 fair values

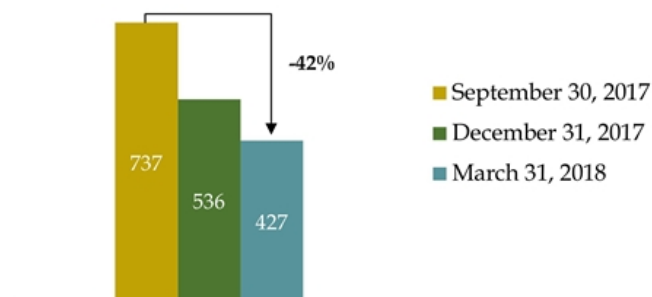
Non-core: Performing Investments by Type

(As % of non-core performing investment portfolio, at fair value; \$ in millions)



Non-core: Performing Portfolio Trend

(\$ in millions)



As of March 31, 2018, unless otherwise noted

Note: Numbers may not sum due to rounding.

¹ Excludes our sole venture lending investment and investments in aviation companies.

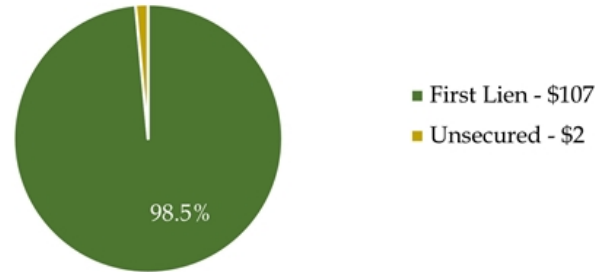
Non-core: Underperforming Investments

Investment Portfolio Characteristics

- \$109 million of non-core, underperforming investments
 - \$31 million on non-accrual, down from \$41 million as of December 31, 2017
 - 9 companies
 - Average debt price: 33.8%
- Over 75% of the Q2 2018 reduction was due to monetizations
- We continue to pursue sale processes on several of these assets

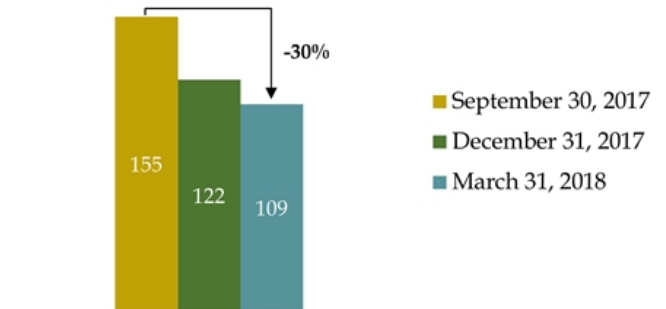
Non-core: Underperforming by Type

(As % of non-core underperforming investment portfolio, at fair value; \$ in millions)



Non-core: Underperforming Portfolio Trend

(\$ in millions)



As of March 31, 2018

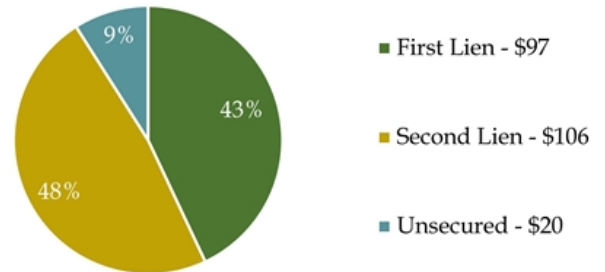
Q2 2018 Portfolio Originations

New Investment Highlights¹

- \$223 million of new commitments
- \$218 million in 9 new portfolio companies and \$5 million in 1 existing portfolio company
 - 43% First lien
 - 48% Second lien
 - 9% Unsecured
- 10 industry sectors
- 10.3% weighted average yield at cost on new investments

New Investment Composition¹

(As % of total Q2'18 commitments; \$ in millions)



New Investment Industry Composition¹

(As % of new investment commitments, at fair value)



¹ New investments exclude fundings of existing revolver or delayed draw term loan commitments.

Historical Financial Information

<i>(\$ in thousands, except per share data)</i>	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17
Operating Results	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
Total investment income	\$34,779	\$33,876	\$35,732	\$44,917	\$45,555
Net expenses	\$19,516	\$20,554	\$24,268	\$25,527	\$27,051
Net investment income	\$15,263	\$13,322	\$11,464	\$19,390	\$18,504
Net realized and unrealized depreciation on investments	4,357	(43,763)	(136,933)	(25,447)	(9,703)
Net increase/decrease in net assets resulting from operations	\$19,620	(\$30,441)	(\$125,469)	(\$6,057)	\$8,801
Net investment income per common share	\$0.11	\$0.09	\$0.08	\$0.14	\$0.13
Net realized and unrealized depreciation per share	0.03	(0.31)	(0.97)	(0.18)	(0.07)
Earnings (loss) per share – diluted	\$0.14	(\$0.22)	(\$0.89)	(\$0.04)	\$0.06
Select Balance Sheet and Other Data					
Investment Portfolio (at fair value)	\$1,400,684	\$1,415,404	\$1,541,755	\$1,790,538	\$1,788,686
Total Debt Outstanding ¹	579,430	623,087	675,366	910,734	887,578
Total Net Assets	827,234	819,595	867,657	1,010,750	1,019,626
Net Asset Value per share	\$5.87	\$5.81	\$6.16	\$7.17	\$7.23
Total Leverage	0.71x	0.77x	0.78x	0.90x	0.87x
Weighted Average Yield on Debt Investments ²	9.3%	9.0%	9.6%	10.3%	10.4%
Cash Component of Weighted Average Yield on Debt Investments	8.7%	8.4%	8.5%	9.1%	9.1%
Weighted Average Yield on Total Portfolio Investments ³	8.6%	8.5%	8.4%	9.5%	9.9%

Note: Results during Q1'18 occurred during management transition from Fifth Street Management LLC to Oaktree Capital Management, L.P., which occurred on October 17, 2017. Results in prior periods occurred during management by Fifth Street Management LLC.

¹ Net of unamortized financing costs.

² 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 Kemper JV debt investments.

³ 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 Kemper JV debt investments.

Historical Portfolio Activity

	As of and for Three Months Ended				
	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17
	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
<i>(\$ in thousands)</i>					
Investments at Fair Value	\$1,400,684	\$1,415,404	\$1,541,755	\$1,790,540	\$1,788,690
Number of Portfolio Companies	115	122	125	133	133
Average Portfolio Company Debt Investment Size	\$14,600	\$14,100	\$16,400	\$16,000	\$19,400
Asset Class:					
Senior Secured Debt	76.6%	75.8%	78.0%	74.1%	74.6%
Subordinated Debt	6.7%	7.0%	6.1%	8.2%	7.4%
Equity	5.5%	6.0%	5.5%	8.3%	8.6%
Kemper JV	9.5%	9.4%	8.7%	7.9%	7.9%
Limited Partnership interests	1.8%	1.8%	1.7%	1.5%	1.5%
Interest Rate Type:					
% Floating-Rate	84.6%	82.4%	83.6%	79.5%	78.9%
% Fixed-Rate	15.4%	17.6%	16.4%	20.5%	21.1%
Investment Activity at Cost:					
New Investment Commitments	\$223,200	\$183,000	\$155,800	\$188,100	\$112,700
New Funded Investment Activity ¹	\$227,800	\$200,200	\$168,000	\$192,300	\$103,900
Proceeds from Prepayments, Exits, Other Paydowns and Sales	\$241,900	\$284,800	\$283,300	\$172,300	\$264,300
Net New Investments ²	(\$18,700)	(\$101,800)	(\$127,500)	\$15,800	(\$151,600)
Number of New Investment Commitments in New Portfolio Companies	9	13	9	25	6
Number of New Investment Commitments in Existing Portfolio Companies	1	1	5	3	1
Number of Portfolio Company Exits	5	9	17	9	11

Note: Results during Q1'18 occurred during management transition from Fifth Street Management LLC to Oaktree Capital Management, L.P., which occurred on October 17, 2017. Results in prior periods occurred during management by Fifth Street Management LLC. Numbers may not sum due to rounding.

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

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

Net Asset Value Per Share Bridge – 2Q 2018



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.

Capital Structure Optimization

- Current leverage of 0.71x with target range of 0.70x to 0.85x debt-to-equity¹
- Strong support from banking partners; 14 lending participants in \$600 million secured revolving credit facility
- Well-positioned to benefit from a rise in interest rates given fixed rate borrowings
- During the quarter, we opportunistically repurchased approximately \$21 million of our 2019 Notes

Funding Sources as of March 31, 2018	Capacity	Outstanding	Interest Rate	Maturity
Syndicated Credit Facility	\$600.0 million	\$183.0 million	LIBOR+225-275 bps	November 2021
2019 Notes ²	\$228.8 million	\$228.8 million	4.875%	March 2019
2024 Notes	\$75.0 million	\$75.0 million	5.875%	October 2024
2028 Notes	\$86.3 million	\$86.3 million	6.125%	April 2028

As of March 31, 2018

¹ Long-term portfolio leverage may vary depending on market conditions.

² The original issue size of these notes was \$250 million. We repurchased \$21 million of these notes during the quarter ended March 31, 2018.

Opportunities to Increase Return on Equity

- 1) Rotation out of broadly syndicated loans priced below LIBOR + 400**
 - Rotated out of approximately \$47 million during the quarter
 - \$35 million remaining as of March 31, 2018
- 2) Redeploy non-income generating investments comprised of equity, limited partnership interests and loans on non-accrual**
 - Monetized \$9 million of equities and limited partnership interests during the quarter
 - Realized over \$10 million from loans on non-accrual during the quarter ended March 31, 2018
- 3) Operating cost savings from leveraging Oaktree's platform**
 - Professional fees, administrator and other G&A costs declined by over \$2 million as compared with Q1 2018
- 4) Deployment of approximately \$27 million of uninvested cash previously held at SBIC subsidiaries**
 - Proceeds were deployed in January 2018
- 5) Benefit from rising interest rates as majority of debt portfolio is comprised of floating rate securities**
 - 85% of debt portfolio consisted of floating rate instruments as of March 31, 2018¹

¹ Debt portfolio excludes the investments in Kemper JV.

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