
**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): August 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 August 8, 2018, Oaktree Specialty Lending Corporation (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended June 30, 2018. A copy of the press release is attached hereto as Exhibit 99.1.

On August 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 August 8, 2018](#)

99.2 [Oaktree Specialty Lending Corporation Third 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: August 8, 2018

By: /s/ Mel Carlisle

Name: Mel Carlisle

Title: Chief Financial Officer and Treasurer



Oaktree Specialty Lending Corporation Announces Third Fiscal Quarter 2018 Financial Results and Declares Distribution of \$0.095 Per Share

LOS ANGELES, CA, August 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 June 30, 2018.

Third Fiscal Quarter 2018 Highlights

- Total investment income of \$31.8 million, or \$0.23 per share;
- Net investment income of \$14.4 million, or \$0.10 per share;
- Net asset value (“NAV”) per share as of June 30, 2018 of \$5.95; and
- Originated \$379.8 million of new investment commitments and received \$280.7 million of proceeds from prepayments, exits, other paydowns and sales.
- The Company’s Board of Directors declared a quarterly distribution of \$0.095 per share, payable on September 28, 2018 to stockholders of record on September 15, 2018.

Management Commentary

Edgar Lee, Chief Executive Officer and Chief Investment Officer of Oaktree Specialty Lending said, “Since we began managing OCSL nine months ago, we have made significant progress in repositioning the portfolio, optimizing our capital structure and stabilizing NAV. We have reduced our exposure to non-core assets by \$536 million, doubled the amount of core investments in the portfolio and delivered our second consecutive quarter of increased NAV per share. Given our progress to date, we believe we are well positioned to continue to deliver improved shareholder returns going forward.”

Portfolio and Investment Activity

As of June 30, 2018, the fair value of the Company’s investment portfolio was \$1.5 billion and was comprised of investments in 116 companies. These included loans to 75 companies, 14 public bond issuances, the investments in Senior Loan Fund JV I, LLC (“SLF JV I”) and equity investments in 44 companies, including in SLF JV I and 4 private equity funds. 18 of the equity investments were in companies in which Oaktree Specialty Lending also had a debt investment.

At fair value, 95.4% of the Company’s portfolio as of June 30, 2018 consisted of debt investments, including 53.1% of first lien loans, 22.9% of second lien loans and 19.4% of unsecured debt investments, including the debt investments in SLF JV I.

As of June 30, 2018, SLF JV I had \$357.2 million in assets, including senior secured loans to 44 portfolio companies. The joint venture generated income of \$2.8 million for Oaktree Specialty Lending during the quarter ended June 30, 2018.

The weighted average yield on the Company’s debt investments as of June 30, 2018, including the return on our mezzanine note investments in SLF JV I, was 8.8%.

As of June 30, 2018, \$1.2 billion of the Company’s debt investments, or 82.9% of the total debt portfolio, at fair value, had floating interest rates.

During the quarter ended June 30, 2018, the Company originated \$379.8 million of investment commitments, including investments in 24 new and 4 existing portfolio companies, and funded \$389.0 million of investments across new and existing portfolio companies.

During the quarter, the Company received \$280.7 million of proceeds from various prepayments, exits, other paydowns and sales and exited 28 investments.

Results of Operations

Total investment income for the quarter ended June 30, 2018 was \$31.8 million, including \$26.6 million of cash interest income from portfolio investments, \$1.5 million of payment-in-kind (“PIK”) interest income, \$2.4 million of fee income and \$1.3 million of dividend income. PIK interest income, net of PIK collected in cash, represented 4.3% of total investment income for the quarter ended June 30, 2018.

Net expenses for the quarter were \$17.4 million, a decrease of \$2.1 million from the quarter ended March 31, 2018. The decrease in net expenses was due primarily to a decrease in Part I incentive fees and a decrease in interest expense, offset by an increase in management fees.

Net realized and unrealized gain on our investment portfolio for the quarter ended June 30, 2018 was \$9.8 million.

Liquidity and Capital Resources

As of June 30, 2018, the Company had \$57.1 million of cash and cash equivalents (including restricted cash), total principal value of debt outstanding of \$613.7 million and \$389.0 million of undrawn capacity on its credit facility, subject to borrowing base and other limitations. The weighted average interest rate on debt outstanding was 5.5% as of June 30, 2018.

As of June 30, 2018, the Company's total leverage ratio was 0.73x debt-to-equity.

Distribution Declaration

The Company's Board of Directors declared a quarterly distribution of \$0.095 per share, payable on September 28, 2018 to stockholders of record on September 15, 2018.

Distributions 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 June 30, 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 12.3% of the Company's debt portfolio at cost and 4.6% at fair value.

| (\$ in thousands) | | |
|--|----------------------------|---------------------------------|
| Non-Accrual - Debt Investments | As of June 30, 2018 | As of September 30, 2017 |
| Non-Accrual Investments at Fair Value | \$ 67,131 | \$ 67,015 |
| Non-Accrual Investments/Total Debt Investments at Fair Value | 4.6% | 4.7% |

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

| | June 30, 2018 (unaudited) | March 31, 2018 (unaudited) | September 30, 2017 |
|---|------------------------------|-------------------------------|----------------------------|
| ASSETS | | | |
| Investments at fair value: | | | |
| Control investments (cost June 30, 2018: \$266,097; cost March 31, 2018: \$431,809; cost September 30, 2017: \$444,826) | \$ 223,421 | \$ 285,079 | \$ 305,271 |
| Affiliate investments (cost June 30, 2018: \$1,080; cost March 31, 2018: \$10,881; cost September 30, 2017: \$33,743) | 2,161 | 11,890 | 36,983 |
| Non-control/Non-affiliate investments (cost June 30, 2018: \$1,416,632; cost March 31, 2018: \$1,219,816; cost September 30, 2017: \$1,279,096) | <u>1,294,936</u> | <u>1,103,715</u> | <u>1,199,501</u> |
| Total investments at fair value (cost June 30, 2018: \$1,683,809; cost March 31, 2018: \$1,662,506; cost September 30, 2017: \$1,757,665) | 1,520,518 | 1,400,684 | 1,541,755 |
| Cash and cash equivalents | 56,615 | 7,951 | 53,018 |
| Restricted cash | 499 | 204 | 6,895 |
| Interest, dividends and fees receivable | 8,102 | 7,771 | 6,892 |
| Due from portfolio companies | 15,757 | 5,676 | 5,670 |
| Receivables from unsettled transactions | 22,538 | 12,852 | — |
| Deferred financing costs | 5,620 | 6,031 | 1,304 |
| Other assets | <u>3,108</u> | <u>3,346</u> | <u>514</u> |
| Total assets | <u>\$ 1,632,757</u> | <u>\$ 1,444,515</u> | <u>\$ 1,616,048</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable, accrued expenses and other liabilities | \$ 2,714 | \$ 2,986 | \$ 2,417 |
| Base management fee and Part I incentive fee payable | 7,094 | 8,594 | 6,750 |
| Due to affiliate | 4,230 | 1,709 | 1,815 |
| Interest payable | 6,338 | 3,278 | 3,167 |
| Amounts payable to syndication partners | 301 | 1 | 1 |
| Director fees payable | — | 176 | 184 |
| Payables from unsettled transactions | 166,903 | 21,107 | 58,691 |
| Credit facilities payable | 211,000 | 183,000 | 255,995 |
| Unsecured notes payable (net of \$3,851, \$4,058 and \$4,737 of unamortized financing costs as of June 30, 2018, March 31, 2018 and September 30, 2017, respectively) | 386,132 | 385,778 | 406,115 |
| Secured borrowings at fair value (proceeds June 30, 2018: \$12,623; proceeds March 31, 2018: \$12,948; proceeds September 30, 2017: \$13,489) | <u>9,950</u> | <u>10,652</u> | <u>13,256</u> |
| Total liabilities | <u>794,662</u> | <u>617,281</u> | <u>748,391</u> |
| Commitments and contingencies | | | |
| Net assets: | | | |
| Common stock, \$0.01 par value, 250,000 shares authorized; 140,961 shares issued and outstanding as of June 30, 2018, March 31, 2018 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, secured borrowings and foreign currency | (160,267) | (259,526) | (215,677) |
| Net realized loss on investments, secured borrowings and unsecured notes payable | (563,004) | (473,567) | (478,010) |
| Accumulated overdistributed net investment income | <u>(19,321)</u> | <u>(20,360)</u> | <u>(19,343)</u> |
| Total net assets (equivalent to \$5.95, \$5.87 and \$6.16 per common share as of June 30, 2018, March 31, 2018 and September 30, 2017, respectively) | 838,095 | 827,234 | 867,657 |
| Total liabilities and net assets | <u>\$ 1,632,757</u> | <u>\$ 1,444,515</u> | <u>\$ 1,616,048</u> |

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

| | Three months ended June 30, 2018 | Three months ended March 31, 2018 | Three months ended June 30, 2017 | Nine months ended June 30, 2018 | Nine months ended June 30, 2017 |
|---|---|---|---|---------------------------------------|---------------------------------------|
| Interest income: | | | | | |
| Control investments | \$ 2,737 | \$ 3,071 | \$ 3,710 | \$ 9,011 | \$ 11,104 |
| Affiliate investments | 161 | 917 | 977 | 2,027 | 2,961 |
| Non-control/Non-affiliate investments | 23,629 | 22,533 | 33,892 | 71,727 | 106,409 |
| Interest on cash and cash equivalents | 107 | 112 | 214 | 440 | 497 |
| Total interest income | 26,634 | 26,633 | 38,793 | 83,205 | 120,971 |
| PIK interest income: | | | | | |
| Control investments | 1,045 | 1,210 | 1,523 | 3,446 | 5,445 |
| Affiliate investments | 52 | 188 | 195 | 416 | 592 |
| Non-control/Non-affiliate investments | 360 | 548 | 855 | 1,408 | 2,928 |
| Total PIK interest income | 1,457 | 1,946 | 2,573 | 5,270 | 8,965 |
| Fee income: | | | | | |
| Control investments | 697 | 128 | 307 | 945 | 929 |
| Affiliate investments | — | 44 | 12 | 48 | 741 |
| Non-control/Non-affiliate investments | 1,728 | 3,770 | 2,085 | 6,405 | 7,155 |
| Total fee income | 2,425 | 3,942 | 2,404 | 7,398 | 8,825 |
| Dividend and other income: | | | | | |
| Control investments | 1,331 | 2,258 | 1,080 | 4,629 | 3,384 |
| Non-control/Non-affiliate investments | — | — | 67 | — | 87 |
| Total dividend and other income | 1,331 | 2,258 | 1,147 | 4,629 | 3,471 |
| Total investment income | 31,847 | 34,779 | 44,917 | 100,502 | 142,232 |
| Expenses: | | | | | |
| Base management fee | 5,909 | 5,386 | 7,912 | 16,885 | 24,561 |
| Part I incentive fee | 2,733 | 3,247 | 3,482 | 6,810 | 10,713 |
| Professional fees | 924 | 1,015 | 952 | 4,837 | 3,739 |
| Board of Directors fees | 154 | 177 | 205 | 507 | 595 |
| Interest expense | 8,291 | 8,530 | 11,262 | 26,405 | 37,163 |
| Administrator expense | 466 | 391 | 407 | 1,351 | 1,557 |
| General and administrative expenses | 488 | 722 | 1,367 | 2,326 | 4,154 |
| Loss on legal settlements | — | — | — | — | 3 |
| Total expenses | 18,965 | 19,468 | 25,587 | 59,121 | 82,485 |
| Fees waived | (1,548) | 48 | (60) | (1,634) | (182) |
| Insurance recoveries | — | — | — | — | (1,259) |
| Net expenses | 17,417 | 19,516 | 25,527 | 57,487 | 81,044 |
| Net investment income | 14,430 | 15,263 | 19,390 | 43,015 | 61,188 |
| Unrealized appreciation (depreciation) on investments and foreign currency: | | | | | |
| Control investments | 97,000 | (5,849) | (2,479) | 89,825 | 12,030 |
| Affiliate investments | 72 | (2,063) | (839) | (2,159) | (1,501) |
| Non-control/Non-affiliate investments | 1,810 | 7,127 | (9,953) | (34,696) | 8,368 |
| Net unrealized appreciation (depreciation) on investments and foreign currency | 98,882 | (785) | (13,271) | 52,970 | 18,897 |
| Net unrealized (appreciation) depreciation on secured borrowings | 377 | 408 | 124 | 2,440 | (294) |
| Realized gain (loss) on investments and secured borrowings: | | | | | |
| Control investments | (91,470) | — | (13,058) | (91,470) | (58,994) |
| Affiliate investments | — | 2,048 | — | 2,048 | — |
| Non-control/Non-affiliate investments | 2,033 | 2,806 | 758 | 4,548 | (92,295) |
| Net realized gain (loss) on investments and secured borrowings | (89,437) | 4,854 | (12,300) | (84,874) | (151,289) |
| Redemption premium on unsecured notes payable | — | (120) | — | (120) | — |
| Net increase (decrease) in net assets resulting from operations | \$ 24,252 | \$ 19,620 | \$ (6,057) | \$ 13,431 | \$ (71,498) |
| Net investment income per common share — basic and diluted | \$ 0.10 | \$ 0.11 | \$ 0.14 | \$ 0.31 | \$ 0.43 |
| Earnings (loss) per common share — basic and diluted | \$ 0.17 | \$ 0.14 | \$ (0.04) | \$ 0.10 | \$ (0.50) |
| Weighted average common shares outstanding — basic and diluted | 140,961 | 140,961 | 140,961 | 140,961 | 141,599 |
| Distributions per common share | \$ 0.095 | \$ 0.085 | \$ 0.02 | \$ 0.31 | \$ 0.34 |

Conference Call Information

Oaktree Specialty Lending will host a conference call to discuss its third fiscal quarter 2018 results at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time on August 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 10121985, 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 and our quarterly reports on Form 10-Q. 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.

Contacts

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OAKTREE
OCSL | Specialty Lending Corporation

Third Quarter
Fiscal Year 2018
Earnings
Presentation

August 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 Oaktree Capital Management, L.P. (“Oaktree” or 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 and our quarterly reports on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018. 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.

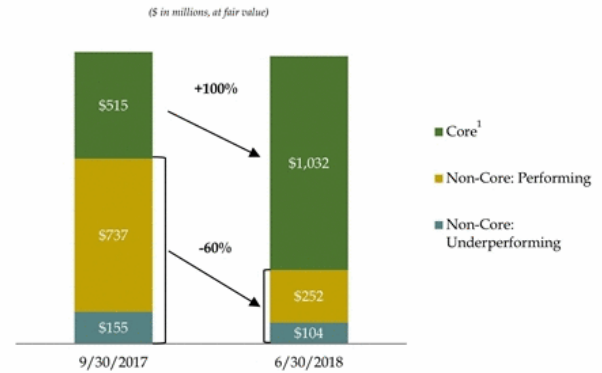
Unless otherwise indicated, data provided herein are dated as of June 30, 2018.



Accomplishments Since Oaktree Became Investment Adviser on October 17, 2017

✓ Significant Progress Rotating Portfolio

- Reduced non-core assets by \$536 million in 55 individual positions, including many in illiquid or challenged investments
 - The vast majority of these investments were exited at par value or above their previously disclosed fair value marks
- Only 26% of the portfolio at fair value remains in non-core investments as of June 30, 2018
- Nearly doubled the amount of core investments, adding \$786 million of new assets across 52 companies



✓ NAV Stabilization

- Net asset value has stabilized since Oaktree began managing OCSL in October 2017
- Net asset value per share increased for the second straight quarter as of June 30, 2018



¹ Excludes investments in Kemper JV.



Accomplishments Since Oaktree Became Investment Adviser on October 17, 2017 (continued)

✓ Optimized Capital Structure

- Lowered borrowing costs and obtained favorable terms on new credit facility
 - Established new \$600 million syndicated credit facility in November 2017
 - Amended facility in July 2018 to reduce interest rate 0.25% within the L + 2.25%-2.75% pricing grid
- Reduced risks associated with near and intermediate term liability maturities
 - Credit facility provides flexibility to refinance unsecured notes due 2019 and 2024
- Opportunistically repurchased \$21 million of 2019 notes in Q2 2018
- Repaid Sumitomo facility in Q1 2018 to reduce borrowing and administrative costs

✓ Reduced Operating Costs

- Fully integrated OCSL into Oaktree’s robust and scaled operational platform
 - Leveraging Oaktree resources has led to cost savings related to information technology systems, legal, audit, trade settlement and valuation
- We believe current operating expenses are in line with our expected run rate going forward



¹ Other operating expenses includes Board of Directors fees, G&A and Administrator expenses.



Q3 2018 Highlights

- 1) Net asset value per share increased \$0.08 per share to \$5.95 as of June 30, 2018**
 - Realized gains resulting from monetizations of investments contributed to the NAV increase
 - Credit quality remained stable for the second consecutive quarter
- 2) Monetized \$179 million of non-core investments during Q3 2018**
 - Non-core investments decreased to 26% of the portfolio at fair value as of June 30, 2018, an improvement from 42% as of March 31, 2018¹
 - Monetized \$536 million of non-core investments since September 30, 2017
- 3) Entered into \$380 million of new investment commitments**
 - Senior secured originations represented 80% of new investment commitments
- 4) Net investment income per share of \$0.10 for the quarter ended June 30, 2018**
 - Board of Directors declared a dividend of \$0.095 per share; payable on September 28, 2018 to stockholders of record as of September 15, 2018
- 5) Sold \$42 million of non-interest generating investments**
 - Monetized \$36 million of equities and limited partnership interests and exited \$6 million of investments in two portfolio companies on non-accrual

¹ Excludes investments in the Kemper JV.



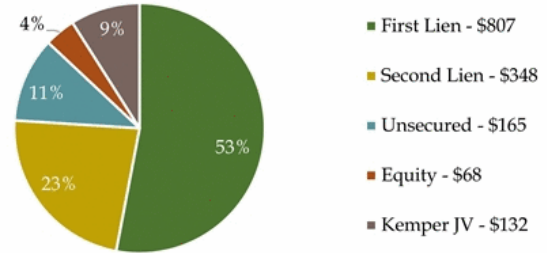
Portfolio Summary as of June 30, 2018

Portfolio Characteristics (at fair value)

- \$1.5 billion invested in 116 companies
- 95% of the total portfolio consists of debt investments¹
- \$15 million average debt investment size²
- 8.8% weighted average yield on debt investments
- 83% of debt portfolio consists of floating rate investments²

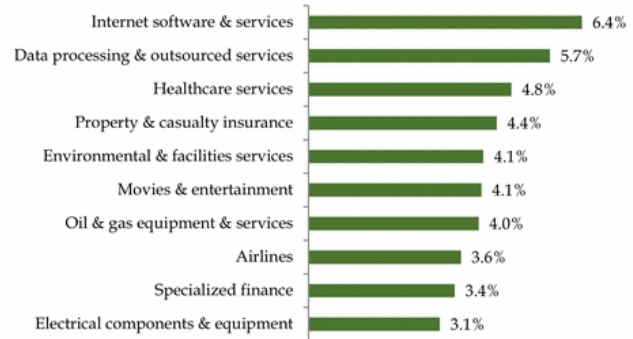
Portfolio Composition

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



Top 10 Industries³

(As % of total portfolio, at fair value)



As of June 30, 2018, unless otherwise noted

¹ Includes the investments in Kemper JV.

² Debt portfolio excludes the investments in Kemper JV.

³ Excludes multi-sector holdings, which includes our investments in the Kemper JV and limited partnership interests.



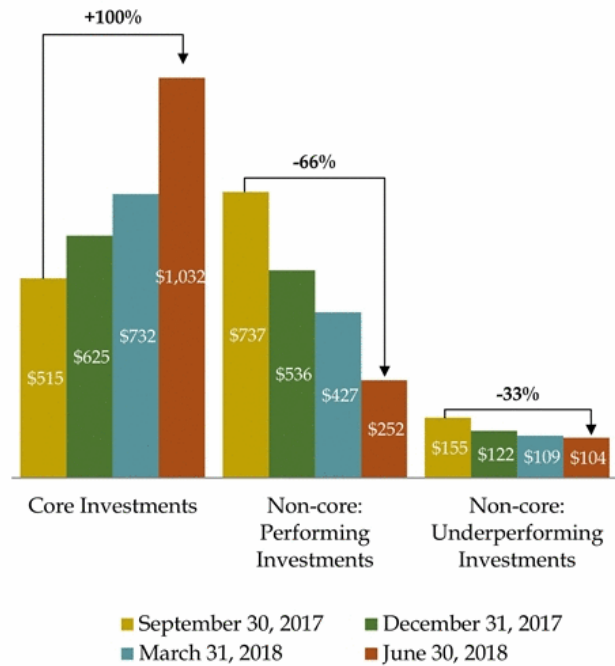
Portfolio Summary: Core vs. Non-core Assets

Core Investments¹

- \$1.0 billion (74% of the total portfolio at fair value)
 - Average debt price: 99.6%
 - Represents 66 companies, increase from 45 in Q2 2018
 - \$380 million of investments originated during Q3 2018

Non-core Investments¹

- Performing Investments
 - \$252 million (18% of the total portfolio at fair value)
 - Represents 41 companies, a decrease from 60 in Q2 2018
- Underperforming Investments
 - \$104 million (8% of the total portfolio at fair value), decrease from \$109 million at fair value in Q2 2018
 - Represents 8 companies



(\$ in millions, at fair value)

As of June 30, 2018, unless otherwise noted

Note: Numbers rounded to the nearest million or percentage point.

¹ Total portfolio excludes investments in Kemper JV.



Non-core: Performing Investments

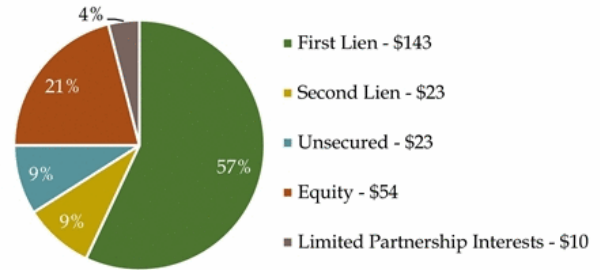
Investment Portfolio Characteristics

- \$189 million – 15 debt investments at fair value
 - \$41 million – publicly quoted liquid positions
 - \$52 million – investments in the process of being monetized¹
 - \$97 million – privately placed debt investments
 - 6 companies
 - Leverage: 3.1x
 - Average debt price: 96.4%

- \$63 million – 34 equity and limited partnership interests
 - Sold or monetized \$34 million during the quarter across 15 issuers
 - \$10 million of equity in aviation entities that we are in the process of monetizing¹

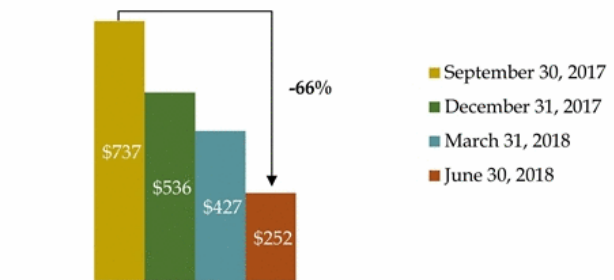
Non-core: Performing Investments by Type

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



Non-core: Performing Portfolio Trend

(\$ in millions)



As of June 30, 2018, unless otherwise noted

Note: Numbers may not sum due to rounding.

¹ There can be no assurance that we will be successful in monetizing these investments on favorable terms or at all.



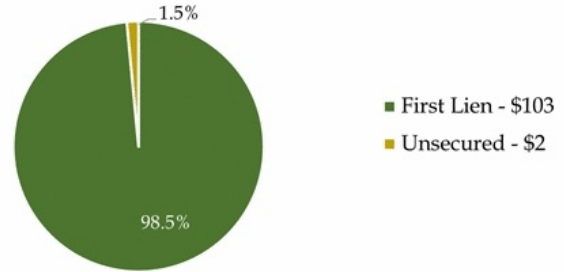
Non-core: Underperforming Investments

Investment Portfolio Characteristics

- \$104 million total debt investments
 - \$67 million on non-accrual
 - Represents 8 companies
 - Average debt price: 37.7%
- We continue to pursue sale processes on several of these assets
- During Q3 2018, we monetized two of our investments on non-accrual

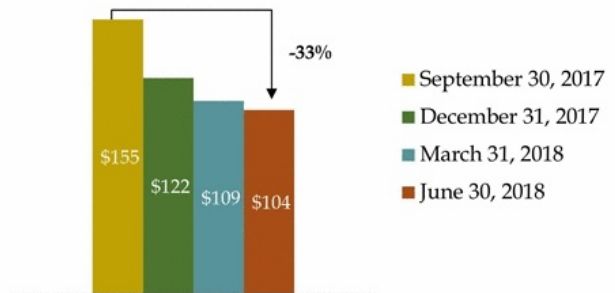
Non-core: Underperforming by Type

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



Non-core: Underperforming Portfolio Trend

(\$ in millions)



As of June 30, 2018, unless otherwise noted
Note: Numbers rounded to the nearest million or percentage point.



Q3 2018 Portfolio Originations

New Investment Highlights¹

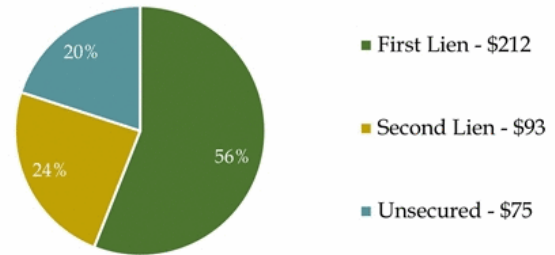
- \$380 million of new commitments
- \$343 million in 24 new portfolio companies and \$37 million in 4 existing portfolio companies
 - 56% First lien
 - 24% Second lien
 - 20% Unsecured
- Diversified across 21 industry sectors
- 8.1% weighted average yield at cost on new investments
- 80% of new debt investment commitments at floating rates

Note: Numbers rounded to the nearest million or percentage point.

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

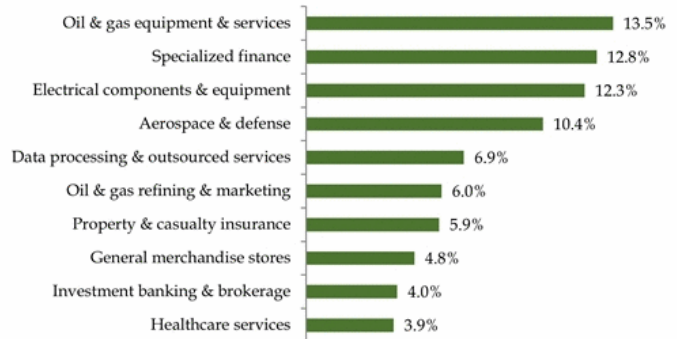
New Investment Composition¹

(As % of total Q3'18 commitments; \$ in millions)



New Investment Industry Composition¹

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





Historical Financial Information

| (\$ in thousands, except per share data) | Q3'18 | Q2'18 | Q1'18 | Q4'17 | Q3'17 |
|--|-----------------|-----------------|-------------------|--------------------|------------------|
| | Jun-18 | Mar-18 | Dec-17 | Sep-17 | Jun-17 |
| Operating Results | | | | | |
| Total investment income | \$31,847 | \$34,779 | \$33,876 | \$35,732 | \$44,917 |
| Net expenses | 17,417 | 19,516 | 20,554 | 24,268 | 25,527 |
| Net investment income | 14,430 | 15,263 | 13,322 | 11,464 | 19,390 |
| Net realized and unrealized appreciation/(depreciation) | 9,822 | 4,357 | (43,763) | (136,933) | (25,447) |
| Net increase/decrease in net assets resulting from operations | \$24,252 | \$19,620 | (\$30,441) | (\$125,469) | (\$6,057) |
| Net investment income per common share | \$0.10 | \$0.11 | \$0.09 | \$0.08 | \$0.14 |
| Net realized and unrealized appreciation/(depreciation) per common share | 0.07 | 0.03 | (0.31) | (0.97) | (0.18) |
| Earnings (loss) per common share – diluted | \$0.17 | \$0.14 | (\$0.22) | (\$0.89) | (\$0.04) |
| Select Balance Sheet and Other Data | | | | | |
| Investment Portfolio (at fair value) | \$1,520,518 | \$1,400,684 | \$1,415,404 | \$1,541,755 | \$1,790,538 |
| Total Debt Outstanding ¹ | 607,082 | 579,430 | 623,087 | 675,366 | 910,734 |
| Total Net Assets | 838,095 | 827,234 | 819,595 | 867,657 | 1,010,750 |
| Net Asset Value per share | \$5.95 | \$5.87 | \$5.81 | \$6.16 | \$7.17 |
| Total Leverage | 0.73x | 0.71x | 0.77x | 0.78x | 0.90x |
| Weighted Average Yield on Debt Investments ² | 8.8% | 9.3% | 9.0% | 9.6% | 10.3% |
| Cash Component of Weighted Average Yield on Debt Investments | 8.5% | 8.7% | 8.4% | 8.5% | 9.1% |
| Weighted Average Yield on Total Portfolio Investments ³ | 8.4% | 8.6% | 8.5% | 8.4% | 9.5% |

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 debt investments in the Kemper JV.

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 debt investments in the Kemper JV.



Historical Portfolio Activity

| | As of and for Three Months Ended | | | | |
|--|----------------------------------|-------------|-------------|-------------|-------------|
| | Q3'18 | Q2'18 | Q1'18 | Q4'17 | Q3'17 |
| | Jun-18 | Mar-18 | Dec-17 | Sep-17 | Jun-17 |
| <i>(\$ in thousands)</i> | | | | | |
| Investments at Fair Value | \$1,520,518 | \$1,400,684 | \$1,415,404 | \$1,541,755 | \$1,790,540 |
| Number of Portfolio Companies | 116 | 115 | 122 | 125 | 133 |
| Average Portfolio Company Debt Investment Size | \$14,500 | \$14,600 | \$14,100 | \$16,400 | \$16,000 |
| Asset Class: | | | | | |
| Senior Secured Debt | 76.0% | 76.6% | 75.8% | 78.0% | 74.1% |
| Subordinated Debt | 10.9% | 6.7% | 7.0% | 6.1% | 8.2% |
| Equity | 3.8% | 5.5% | 6.0% | 5.5% | 8.3% |
| Kemper JV | 8.7% | 9.5% | 9.4% | 8.7% | 7.9% |
| Limited Partnership Interests | 0.6% | 1.8% | 1.8% | 1.7% | 1.5% |
| Interest Rate Type for Debt Investments: | | | | | |
| % Floating-Rate | 82.9% | 84.6% | 82.4% | 83.6% | 79.5% |
| % Fixed-Rate | 17.1% | 15.4% | 17.6% | 16.4% | 20.5% |
| Investment Activity at Cost: | | | | | |
| New Investment Commitments | \$379,800 | \$223,200 | \$183,000 | \$155,800 | \$188,100 |
| New Funded Investment Activity ¹ | 389,000 | 227,800 | 200,200 | 168,000 | 192,300 |
| Proceeds from Prepayments, Exits, Other Paydowns and Sales | 280,700 | 241,900 | 284,800 | 283,300 | 172,300 |
| Net New Investments ² | 99,100 | (18,700) | (101,800) | (127,500) | 15,800 |
| Number of New Investment Commitments in New Portfolio Companies | 24 | 9 | 13 | 9 | 25 |
| Number of New Investment Commitments in Existing Portfolio Companies | 4 | 1 | 1 | 5 | 3 |
| Number of Portfolio Company Exits | 28 | 17 | 17 | 17 | 9 |

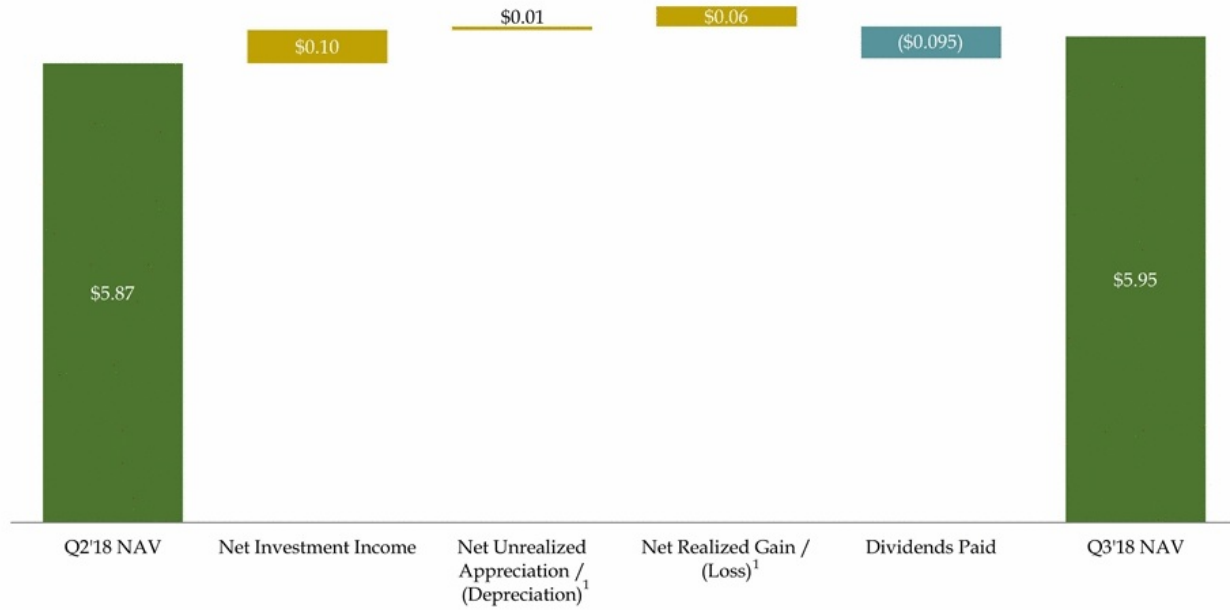
Note: Results during Q1'18 occurred during management transition from Fifth Street Management LLC to Oaktree Capital Management, L.P., which occurred on October 17, 2017. Results in prior periods occurred during management by Fifth Street Management LLC. Numbers may not sum due to rounding.

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



Note: Net asset value per share amounts are based on the shares outstanding at each respective quarter end. Net investment income per share, net unrealized appreciation / (depreciation), and net realized gain / (loss) are based on the weighted average number of shares outstanding for the period.

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



Capital Structure Optimization

- Current leverage of 0.73x, within 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 and 83% of debt portfolio consists of floating rate loans
- On July 10, 2018, amended credit facility, resulting in a 0.25% reduction in the interest rate

| Funding Sources as of June 30, 2018 | Capacity | Outstanding | Interest Rate | Maturity |
|-------------------------------------|-----------------|-----------------|-------------------|---------------|
| Syndicated Credit Facility | \$600.0 million | \$211.0 million | LIBOR+2.25%-2.75% | 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 June 30, 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) Redeploy non-interest generating investments comprised of equity, limited partnership interests and loans on non-accrual**
 - Monetized \$36 million of equities and limited partnership interests and exited \$6 million of investments in two portfolio companies on non-accrual during the quarter ended June 30, 2018
 - Sold an additional \$2 million of limited partnership interests in July 2018
 - \$135 million of non-interest generating assets remain as of June 30, 2018

- 2) Benefit from rising interest rates as majority of debt portfolio is comprised of floating rate securities**
 - 83% of debt portfolio¹ consisted of floating rate instruments as of June 30, 2018

- 3) Continued optimization of the Kemper JV**
 - Invested \$91 million in investments across 10 companies during Q3 2018
 - Total assets increased by \$34 million to \$357 million as of June 30, 2018
 - Reduced interest rate on its credit facility from LIBOR + 2.25% to LIBOR + 1.85%

- 4) Rotation into higher-yielding proprietary investments**
 - We temporarily increased our exposure to broadly syndicated loans as we are taking a disciplined and selective approach to investing in the current environment
 - Broadly syndicated loans priced lower than LIBOR + 4.00% totaled \$57 million as of June 30, 2018

¹ Debt portfolio excludes our investments in the Kemper JV.

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