

# OAKTREE CAPITAL GROUP, LLC



OAKTREE

Fourth Quarter 2016

# Forward-Looking Statements & Safe Harbor

This presentation contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 (the “Securities Act”) and Section 21E of the U.S. Securities Exchange Act of 1934, each as amended, which reflect the current views of Oaktree Capital Group, LLC (the “Company” or “OCG”), with respect to, among other things, its future results of operations and financial performance. In some cases, you can identify forward-looking statements by words such as “anticipate,” “approximately,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “outlook,” “plan,” “potential,” “predict,” “seek,” “should,” “will” and “would” or the negative version of these words or other comparable or similar words. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those indicated in these statements. Forward-looking statements are based on the Company’s beliefs, assumptions and expectations of its future performance, taking into account all information currently available to the Company. Such forward-looking statements are subject to risks and uncertainties and assumptions relating to the Company’s operations, financial results, financial condition, business prospects, growth strategy and liquidity, including, but not limited to, changes in the Company’s anticipated revenue and income, which are inherently volatile; changes in the value of the Company’s investments; the pace of raising new funds; changes in assets under management; the timing and receipt of, and the impact of taxes on, carried interest; distributions from and liquidation of the Company’s existing funds; the amount and timing of distributions on the Company’s Class A units; changes in the Company’s operating or other expenses; the degree to which the Company encounters competition; and general political, economic and market conditions. The factors listed in the section captioned “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed with the U.S. Securities and Exchange Commission (“SEC”) on February 26, 2016 and on August 4, 2016, respectively, which is accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov), provide examples of risks, uncertainties and events that may cause the Company’s actual results to differ materially from the expectations described in its forward-looking statements. Forward-looking statements speak only as of the date the statements are made. Except as required by law, the Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Certain information contained herein concerning economic trends and performance is based on or derived from information provided by independent third-party sources. Oaktree believes that such information is accurate and that the sources from which it has been obtained are reliable; however, Oaktree cannot guarantee the accuracy of such information and has not independently verified the accuracy or completeness of such information or the assumptions on which such information is based. Moreover, independent third-party sources cited herein are not making any representations or warranties regarding any information attributed to them and shall have no liability in connection with the use of such information herein.

This presentation along with any other information provided with or in connection with this presentation are provided for informational purposes only and do not constitute, and should not be construed as (a) a recommendation to buy, (b) an offer to buy or a solicitation of an offer to buy, (c) an offer to sell or (d) advice in relation to, any securities of the Company or securities of any Oaktree investment fund.

The Company discloses certain non-GAAP financial measures in this presentation, including adjusted net income (“ANI”), distributable earnings (“DE”), fee-related earnings (“FRE”) and economic net income (“ENI”). Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) are presented in the Appendix. Capitalized terms in the Appendix, including in the footnotes, that are not otherwise defined shall have the meanings ascribed to them in the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the SEC on November 4, 2016, which is accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov).

Unless otherwise indicated, all data in this presentation is on a segment basis for Oaktree Capital Group, LLC and is as of December 31, 2016.

# Oaktree: A Leading Global Alternative Asset Manager

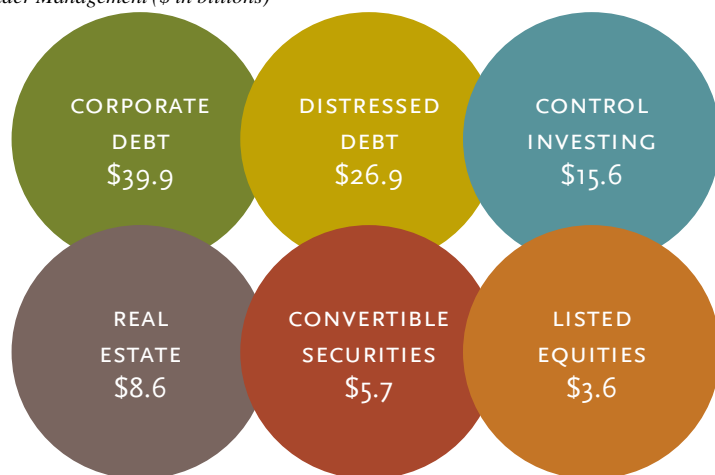
- A leader and pioneer in alternative asset management with \$101 billion of AUM
- Diversified mix of pro- and counter-cyclical strategies
- Strong, risk-adjusted investment performance
- A loyal, blue-chip institutional client base
- Attractive growth prospects for new and established strategies

## GLOBAL FOOTPRINT<sup>1</sup>



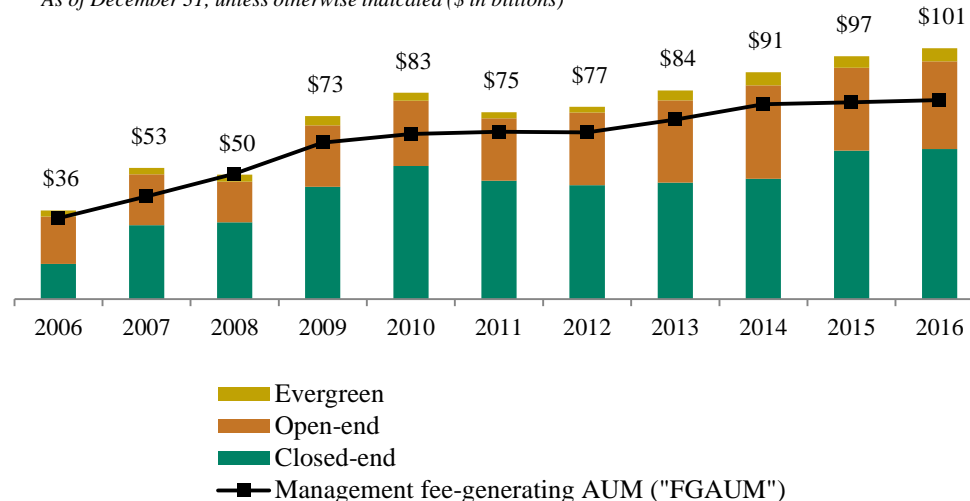
## INVESTMENT AREAS<sup>2</sup>

Assets Under Management (\$ in billions)



## HISTORICAL ASSETS UNDER MANAGEMENT

As of December 31, unless otherwise indicated (\$ in billions)



<sup>1</sup> Includes offices of affiliates of Oaktree-managed funds. Oaktree headquarters is based in Los Angeles.

<sup>2</sup> Assets under management presented above exclude \$69 million of assets in the Japan Opportunities strategy.

# Foundation of Oaktree

## INVESTMENT PHILOSOPHY

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- Primacy of risk control
- Emphasis on consistency
- Importance of market inefficiency
- Benefits of specialization
- Macro-forecasting not critical to investing
- Disavowal of market timing

## BUSINESS PRINCIPLES

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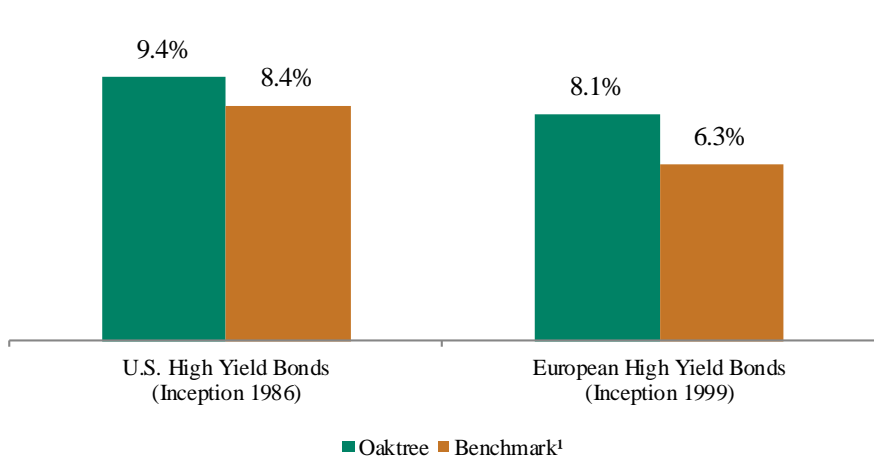
- Excellence in investing
- Proprietary, in-depth research
- Commonality of interests with clients
- Transparent client communications
- Fair, explicit management fee arrangements
- Harmonious, cooperative workplace
- New products are usually “step-outs”
- Profit should stem from performance

**Oaktree’s mission is to deliver superior investment results with risk under control and to conduct our business with the highest integrity**

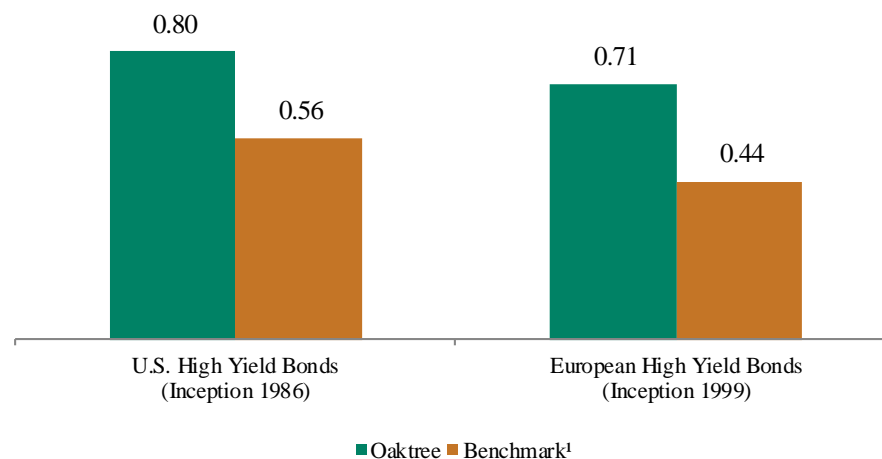
# History of Exceptional Investment Performance

## SUPERIOR RETURNS, BOTH GROSS AND RISK-ADJUSTED, IN OUR OPEN-END FUNDS

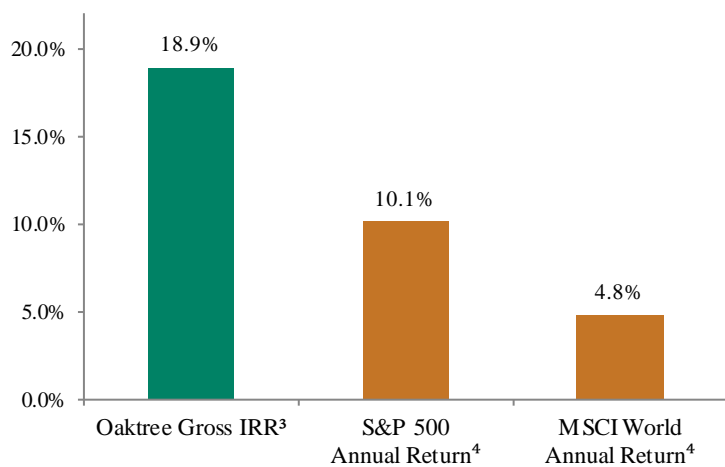
Annualized gross return since inception



Sharpe ratio since inception<sup>2</sup>



## OUTSTANDING TRACK RECORD IN OUR CLOSED-END FUNDS



Aggregate closed-end gross IRR 18.9%<sup>3</sup>

Drawn capital \$75 billion<sup>3</sup>

% of funds more than 18 months old with positive gross and net IRRs 98%

% of incentive-creating AUM actively generating incentives 63%

<sup>1</sup>Detail on benchmarks is presented in the Appendix

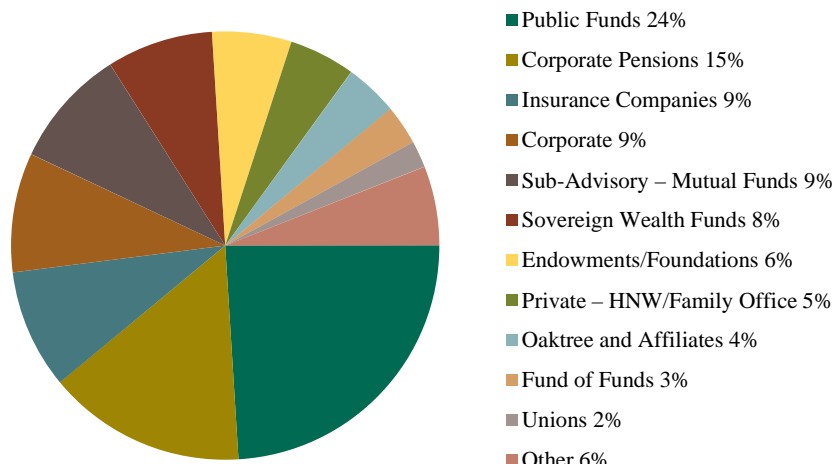
<sup>2</sup>The Sharpe Ratio is a metric used to calculate risk-adjusted return. It is the ratio of excess return to volatility, with excess return defined as the return above that of a riskless asset (three-month T-bill) divided by the standard deviation of such returns. The higher the Sharpe Ratio, the greater the return for a given level of risk compared to the risk-free rate.

<sup>3</sup>Since oldest strategy inception in October 1988. Excludes closed-end Senior Loan funds, CLOs, Oaktree Asia Special Situations Fund, Asia Principal Opportunities Fund, certain separate accounts and co-investments

<sup>4</sup>Represents annualized time-weighted return since October 1988

# A Diverse and Growing Base of Clients

## DIVERSE CLIENTELE



## SIGNIFICANT BASE OF BLUE-CHIP CLIENTELE

100 largest U.S. pension funds	75
States	38
Corporations	433
Colleges, Universities, Endowments & Foundations	367
Sovereign wealth funds	16

## SUCCESS IN CROSS SELLING

	% AUM
Clients in 4 or more strategies	36%
Clients in 2–3 strategies	41%
Total in multiple strategies	77%

## GROSS CAPITAL RAISED

For the year ended December 31, unless otherwise noted (\$ in billions)

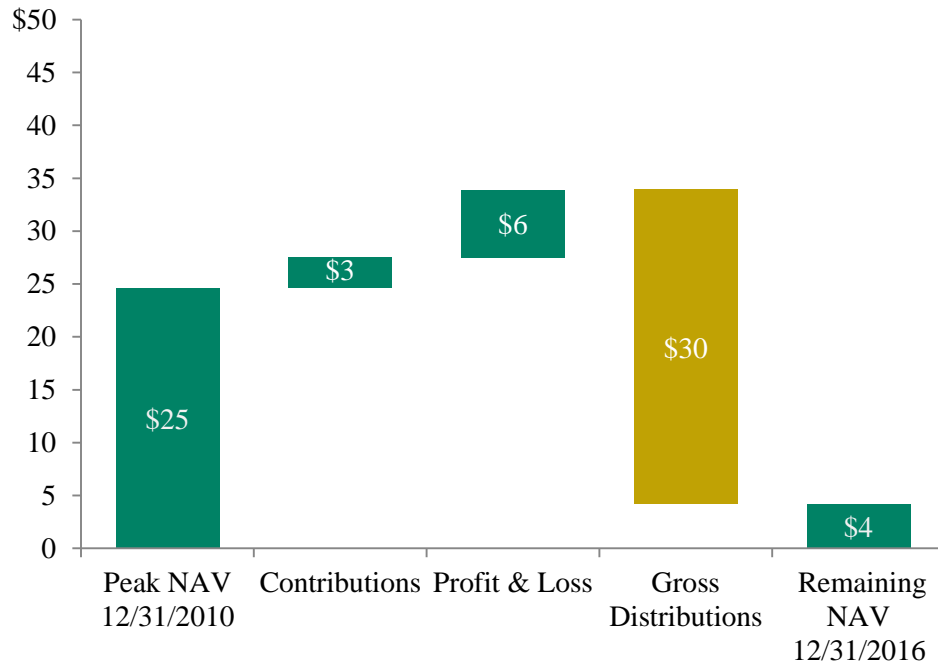


**\$10 billion or more of gross capital raised for 10 consecutive years**

# Excellence in Distressed Debt Investing

## SUBSTANTIAL HARVESTING SINCE PEAK NAV<sup>1</sup>

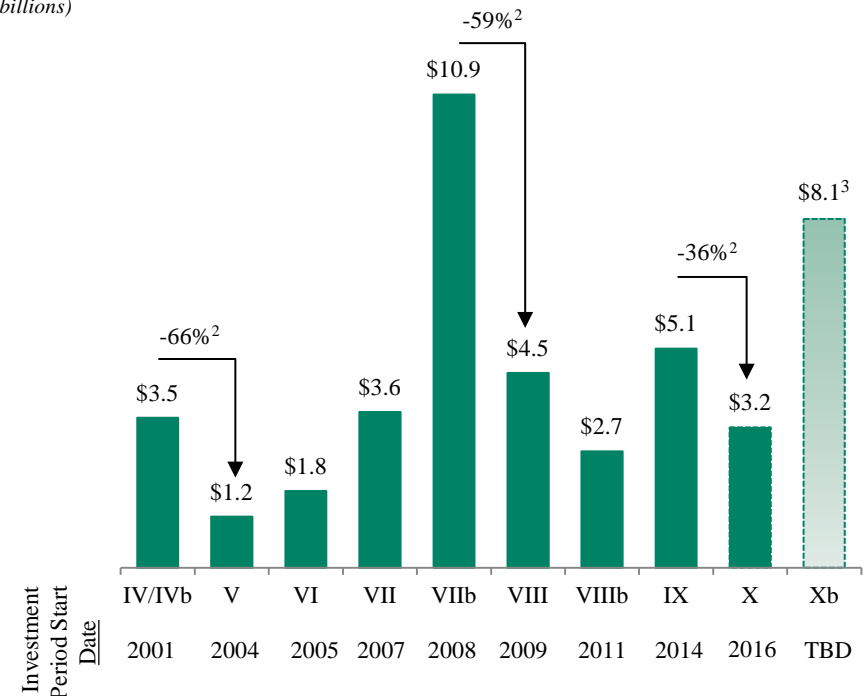
(\$ in billions)



- Invest opportunistically in mostly senior or secured debt of financially distressed companies with hard asset values, dependable cash flows and durable business franchises
- Seek to combine protection against loss, which comes from buying claims on assets at bargain prices, with substantial gains to be achieved by returning companies to financial viability through restructuring
- Take advantage of a broad charter within a closed-end structure to identify the best opportunities resulting from market inefficiencies and cyclical downturns

## FUNDS SIZED TO THE OPPORTUNITY SET

(\$ in billions)



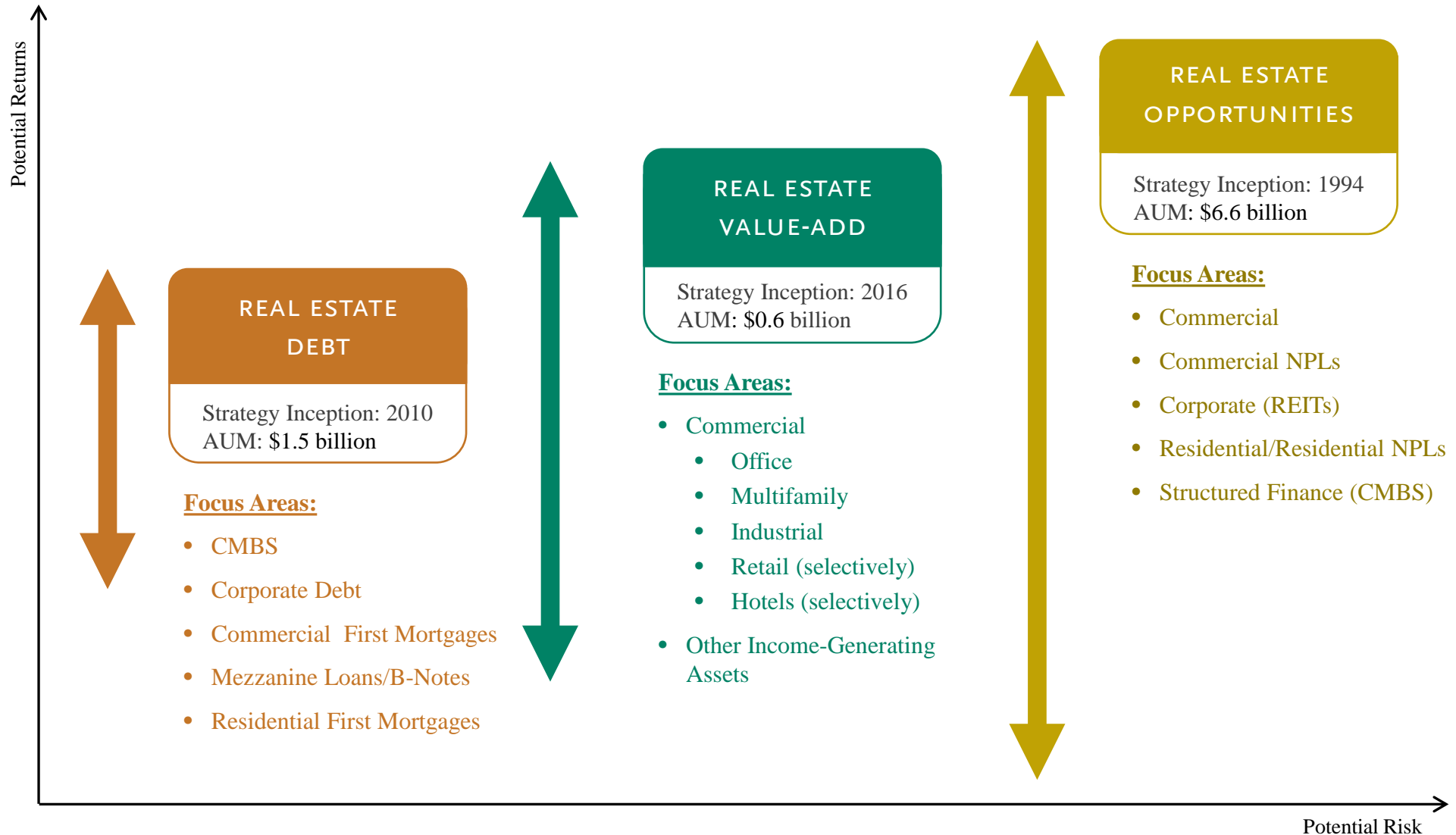
- Increase fund size ahead of potential market dislocation
- Scale back funds when opportunity set shrinks
- Dramatic downsizing of funds enables team to remain highly selective
- Largest funds are among our best performers

<sup>1</sup>From December 31, 2010 through December 31, 2016. Represents High-water Mark NAV, Contributions, Profit & Loss, Gross Distributions and Current NAV of the Opportunities Funds (TCW Funds managed by Oaktree Principals; Opportunities Funds I, II, III, IV, IVb, V, VI, VII, VIIb, VIII, Huntington; and all related trusts and separate accounts).

<sup>2</sup>Percentage represents the decrease in capital commitment from predecessor fund

<sup>3</sup>Capital raised as of 12/31/16

# Diverse Real Estate Platform

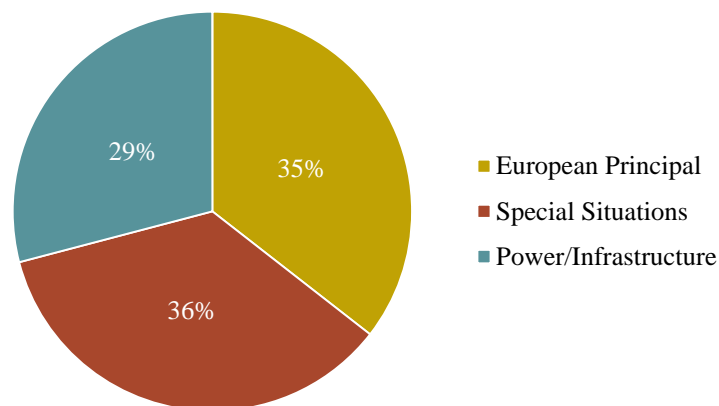


**Real Estate AUM of \$8.6 billion with a 27% CAGR since 2008**



# Targeted Strategies in Control Investing

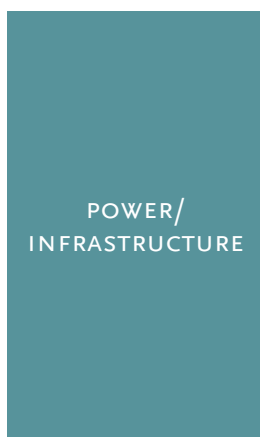
## \$16 BILLION OF CONTROL INVESTING AUM



## INDUSTRY / DEAL SPECIALIZATION



- Targets control investments in sectors and regions (primarily in Europe) where dislocation or distress results in an attractive purchase price or creation value
- Primary investing activities include:
  - **Special Situation PE:** Buying assets and companies at a discount from forced or distressed sellers or as a result of a broken auction
  - **Platforms:** Acquiring or creating a de novo operating company in industries that are “out-of-favor” or undergoing structural change
  - **Distress-for-Control:** Purchasing distressed securities and investing new capital to lead a balance sheet and operational restructuring



- **Power Opportunities:** Seeks to make controlling equity investments in successful companies that provide products and services used in the marketing, distribution, transmission, generation, trading or consumption of energy
- **Infrastructure:** Seeks to make controlling equity investments in core infrastructure assets exhibiting sustainable downside protection where experience and ability to add value to the assets provide significant upside potential
  - Primarily targets investments in the energy, transportation and environmental services sectors in North America



- Focuses on special situations and distressed private equity investing in the U.S. and Australia
- Seeks to make investments that result in control of or significant influence in companies experiencing some element of distress, dislocation or dysfunction, and then actively manages those businesses
- Flexibility to invest across capital structures, including:
  - **Secondary purchases of debt** (distress-for-control)
  - **Direct investments** in distressed businesses
- Target companies with total enterprise values of less than \$2 billion

**Leveraging our focus on risk control and specialization for opportunities in middle market private equity**

As of December 31, 2016

<sup>1</sup>Effective November 2016, the Global Principal strategy was renamed Special Situations.

# Attractive Growth Opportunities

Product

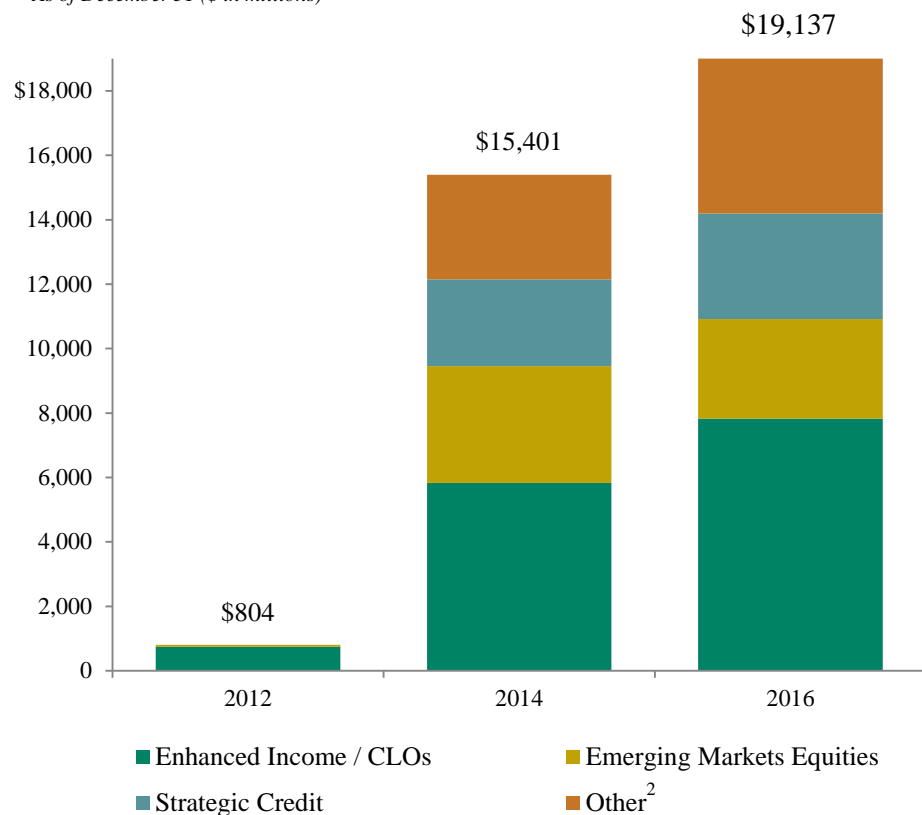
Distribution

Opportunities	Description	Examples
<b>Established Strategies</b>	<ul style="list-style-type: none"> <li>Offering investors a diverse range of products across large addressable markets including distressed debt, control investing, real estate and credit strategies</li> <li>Executing our existing closed-end fundraising pipeline and deploying that capital judiciously</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities Funds Xb</li> <li>Real Estate VII</li> <li>European Principal Fund IV</li> <li>European Capital Solutions</li> <li>Open-end and Evergreen funds</li> </ul>
<b>Step-Out Products</b>	<ul style="list-style-type: none"> <li>Addressing investors' demand for yield with risk under control in a low return world</li> </ul>	<ul style="list-style-type: none"> <li>Global Credit Fund</li> <li>Middle Market Direct Lending</li> <li>Real Estate Debt / Value Add Real Estate</li> <li>European Private Debt</li> <li>Strategic Credit</li> <li>Enhanced Income Fund / CLOs</li> </ul>
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>Fast growing, inefficient asset classes</li> </ul>	<ul style="list-style-type: none"> <li>EM Equities</li> <li>EM Distressed Debt</li> <li>EM Performing Debt</li> </ul>
<b>Existing Channels</b>	<ul style="list-style-type: none"> <li>Substantial opportunities to penetrate existing channels by increasing cross-selling and enhancing geographic footprint</li> </ul>	<ul style="list-style-type: none"> <li>77% of investors by AUM invested in 2 or more strategies and 36% in 4 or more strategies</li> <li>33% of our AUM is managed for clients outside the U.S.</li> </ul>
<b>New Channels</b>	<ul style="list-style-type: none"> <li>Accessing increasing global retail demand for alternatives                             <ul style="list-style-type: none"> <li>High net worth</li> <li>Sub-advisory relationships</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>SICAV product offerings</li> <li>Intermediary distribution for closed-end funds</li> </ul>

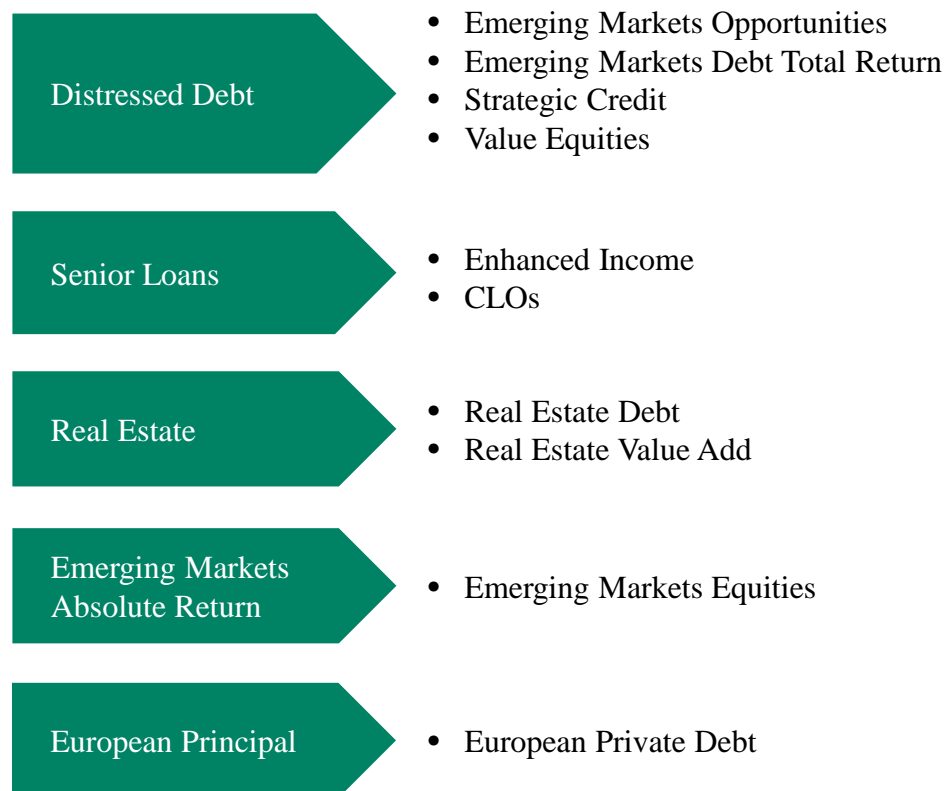
# Step-Out Strategies, A Natural Evolution

## \$19 BILLION OF AUM IN ADJACENT PRODUCTS<sup>1</sup>

As of December 31 (\$ in millions)



## ORGANIC GROWTH A RESULT OF “STEP-OUT” STRATEGIES



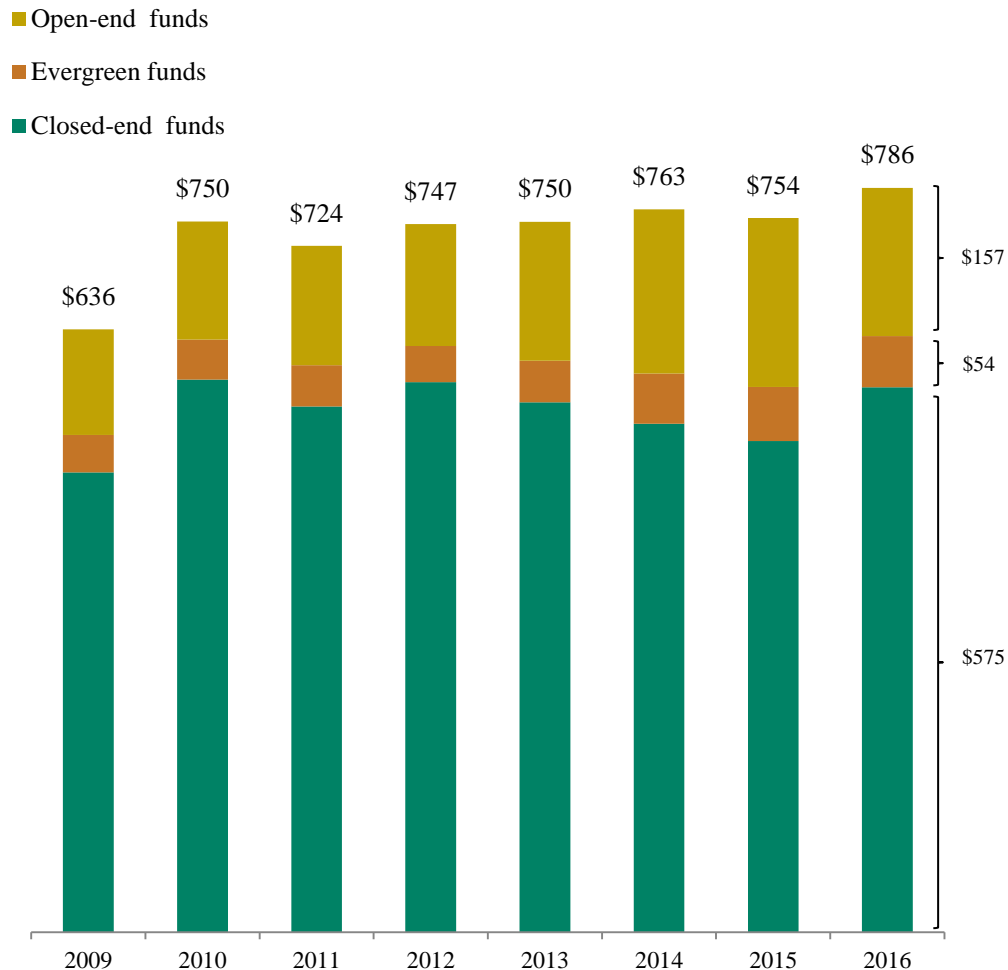
<sup>1</sup> Includes strategies launched since January 2011

<sup>2</sup> “Other” includes Real Estate Debt, Emerging Markets Opportunities, Emerging Markets Debt Total Return, European Private Debt, Value Equities, Infrastructure, European Credit Fund, and Real Estate Value-Add

# Benefits of Locked-in Capital

## MANAGEMENT FEES

For the year ended December 31, unless otherwise noted (\$ in millions)



- **Management fees have remained stable despite:**

- Significant closed-end fund distributions (more than \$60 billion since January 2010)
- \$13 billion of AUM not yet generating management fees (“shadow AUM”) at 12/31/16<sup>1</sup>

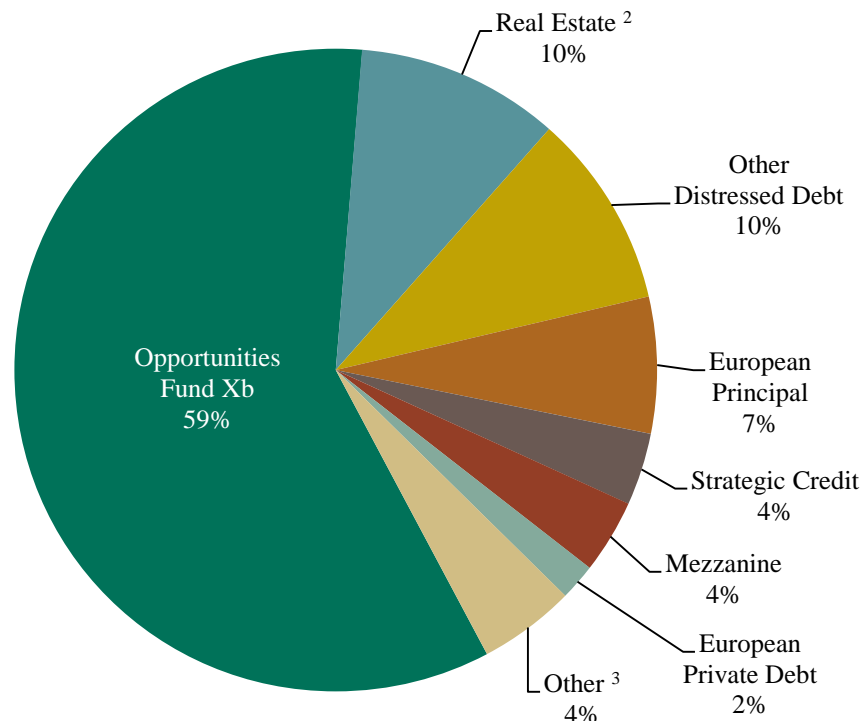
- **The stability of management fees can be attributed to:**

- Locked-in capital: 73% of management fees from closed-end funds in 2016
- Diversified mix of pro- and counter-cyclical investment strategies

<sup>1</sup> This compares with \$20.8 billion of uncalled capital commitments as of 12/31/16. The difference primarily relates to funds that pay fees based on committed capital and have already begun their investment period, as these funds are excluded from shadow AUM but included in uncalled capital commitments to the extent they have not yet drawn 100% of committed capital. Shadow AUM also excludes general partner commitments.

# Well Positioned for Fee-related Earnings Growth

SHADOW AUM<sup>1</sup> OF \$13.5 BILLION



**Blended annual fee rate of 1.35%**

CONTINUED STRENGTH IN FUNDRAISING

- \$6 billion in closed-end fundraising in 2016, including:
  - Nearly \$1 billion for Opportunities Funds X/Xb, \$1 billion for European Principal Fund IV and nearly \$1 billion for Real Estate Opportunities Fund VII
- Continued fundraising in established strategies, including:
  - Real Estate Debt Fund II (“REDF II”) – successor to the first Real Estate Debt Fund, a \$1 billion fund
  - European Principal Fund IV – successor to European Principal Fund III, a €3 billion fund
- New product development in 2017 to include:
  - **Real Estate Income Fund** – primarily focused on value add and some core plus investments
  - **Middle-Market Direct Lending** – step-out product from our Mezzanine Finance team
  - **Global Credit Strategy** – multi-strategy product combining the full breadth of Oaktree’s more liquid credit strategies

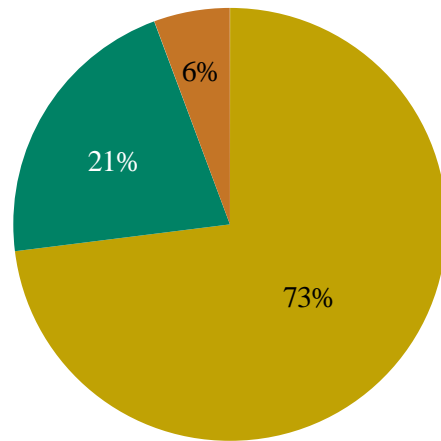
<sup>1</sup> Shadow AUM: Uncalled capital commitments that will start generating management fees when (i) for funds that pay fees based on drawn capital or NAV, the capital is drawn or (ii) for funds that pay fees based on committed capital, the investment period begins. Excludes capital commitments from the general partner and its affiliates since they are not fee generating

<sup>2</sup> Includes Real Estate Debt and Real Estate Value-Add

<sup>3</sup> “Other” primarily includes Emerging Markets Opportunities, Value Equities, a separate account associated with our Special Situations strategy, Emerging Markets Debt Total Return, Infrastructure, as well as un-invested multi-strategy AUM

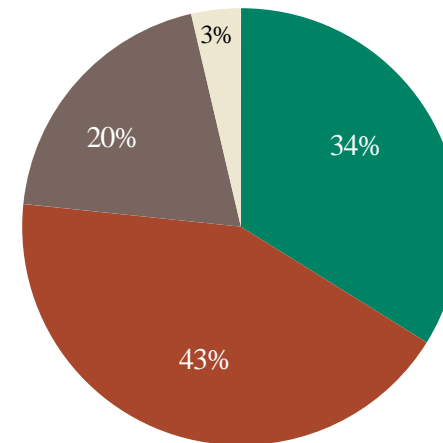
# Diverse Incentive Income Pipeline

TOTAL NET ACCRUED INCENTIVES \$947 MILLION



- Liquidating Funds (Not Yet Paying)
- Liquidating Funds (Paying)<sup>1</sup>
- Investing Funds

NET ACCRUED INCENTIVES ARE DIVERSIFIED AMONG OUR INVESTMENT STRATEGIES



- Distressed debt
- Control Investing
- Real Estate
- Other<sup>2</sup>

**Net accrued incentives increased 17% in 2016 to \$947 million (\$6.12 per unit<sup>3</sup>)**

<sup>1</sup> Funds paying include all incentive-creating evergreen funds and closed-end funds that have reached the stage of their distribution waterfall where the drawn capital and preferred return have been distributed to investors and, therefore, incremental distributions thereafter generate incentive income for the Company. Funds paying does not reflect funds that may pay incentive income related to tax distributions only.

<sup>2</sup> Other primarily includes Mezzanine, European Private Debt and Emerging Markets Opportunity funds.

<sup>3</sup> Per Operating Group unit (not per Class A unit). Net accrued incentives (fund level) is presented before income taxes.

# Distributable Earnings: Strength through Diversification

FEE-RELATED EARNINGS

22% year-on-year increase in fee-related earnings in 2016 driven in part by recent record fundraising

+

DOUBLELINE

\$64 million of distributable earnings in 2016 as DoubleLine grew AUM 20% over this period

+

INVESTMENT INCOME  
PROCEEDS FROM  
FUNDS

A steady source, with unrealized investment income proceeds on corporate investments of \$369 million, of which \$186 million was in closed-end funds in their liquidation period

+

INCENTIVE INCOME

52 straight quarters of incentive income

**Our strong financial profile enables us to maintain a high payout ratio, while investing in growth and product development**

# Substantial Asset Value with Significant Upside

BOOK VALUE	\$12.07 <sup>1</sup>	Includes: <ul style="list-style-type: none"> <li>• \$1.5 billion Investments</li> <li>• \$0.3 billion Net Cash</li> </ul>
+	+	
NET ACCRUED INCENTIVES (FUND LEVEL)	\$6.12 <sup>1</sup>	<ul style="list-style-type: none"> <li>• ~94% in liquidating or evergreen funds</li> </ul>
TOTAL	\$18.19 <sup>1</sup> + DOUBLELINE	<ul style="list-style-type: none"> <li>• DoubleLine carrying value of ~\$31 million is significantly below FMV</li> </ul>

## The key tenets of our capital management strategy have been and remain:

- 1) Grow a strong, highly rated balance sheet with ample liquidity that allows us to fund growth for our current investment strategies along with strategic or opportunistic corporate development initiatives
- 2) Distribute to unitholders any cash that isn't needed to achieve #1, subject to our cash distribution policy
- 3) Consider opportunistic, not formulaic, purchases of our units, in the context of a long-term goal of enhancing the public float of our units

<sup>1</sup> Per Operating Group unit (not per Class A unit). Net accrued incentives (fund level) is presented before income taxes.

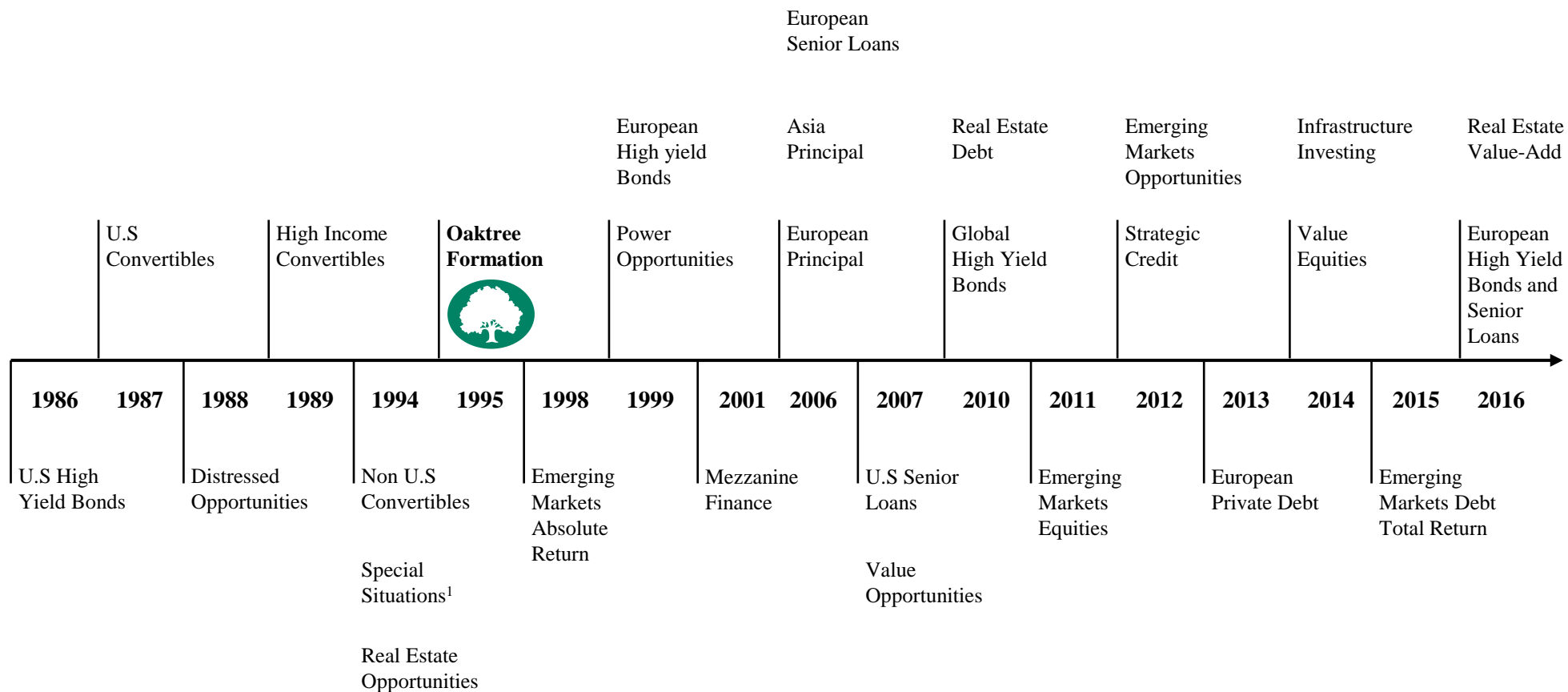


# Appendix



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# Strategy Initiation



<sup>1</sup> Effective November 2016, the Global Principal strategy was renamed Special Situations.

# Preponderance of Capital in Long-Term Closed-End Funds

	<b>% of AUM</b>	<b>% Management Fees<sup>1</sup></b>	<b>Lockup</b>	<b>Incentive Income</b>
<b>CLOSED-END</b> <ul style="list-style-type: none"> <li>• Distressed Debt</li> <li>• Control Investing</li> <li>• Real Estate</li> <li>• Mezzanine Finance</li> </ul>	60%	73%	10-11 year fund term	20% of LP profits after return of capital, subject to preferred return hurdle
<b>OPEN-END</b> <ul style="list-style-type: none"> <li>• High Yield Bonds</li> <li>• Convertible Securities</li> <li>• Senior Loans</li> <li>• Emerging Markets Equities</li> </ul>	35%	20%	mostly 30 days	
<b>EVERGREEN</b> <ul style="list-style-type: none"> <li>• Value Opportunities</li> <li>• Emerging Markets</li> <li>• Strategic Credit</li> <li>• Value Equities</li> </ul>	5%	7%	90 days to 3 years	10-20% of annual LP profits, subject to high-water mark or preferred return hurdle

Note: The above represents the general characteristics of the fund structures, but specific terms may vary depending on the strategy.

<sup>1</sup> For the full year ended 12/31/16.

# Primary Earnings Measure: Adjusted Net Income

## Fee-related Earnings

- Equity-based Compensation
- Interest Expense, net
- + Other Income (Expense)

## Fee-related Earnings & Other

- + Investment Income from Funds
- + Doubleline & Other

## Investment Income

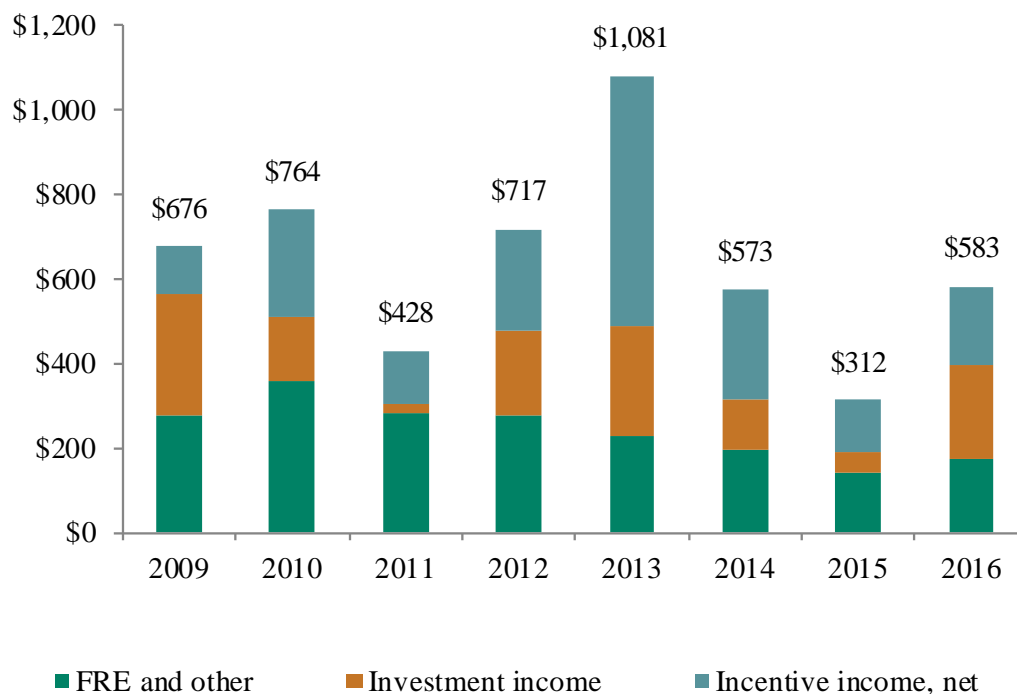
- + Incentive Income
- Incentive Income Comp

## Incentive Income, net

**ADJUSTED NET INCOME (ANI)**

## COMPONENTS OF ADJUSTED NET INCOME

*For the year ended December 31, unless otherwise noted (\$ in millions)*



# Economic Net Income

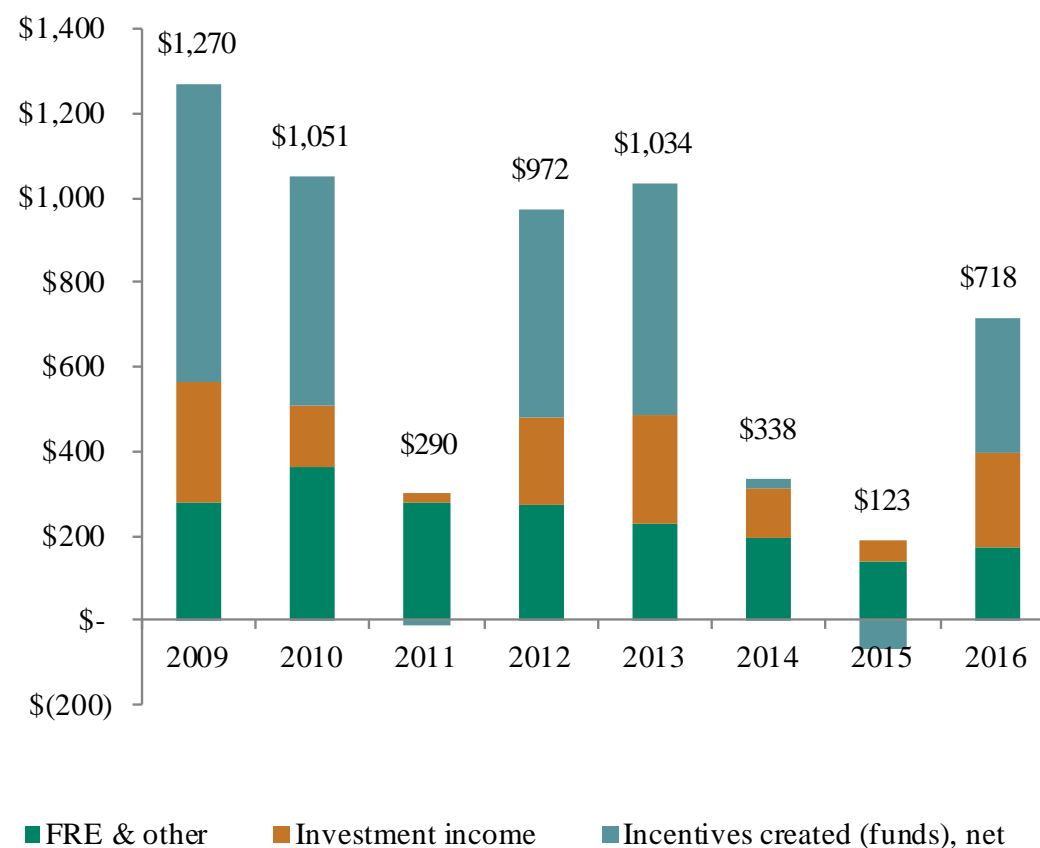
## ADJUSTED NET INCOME

+ Accrued Incentives (Fund), net<sup>1</sup> (EOP)  
 - Accrued Incentives (Fund), net<sup>1</sup> (BOP)  
**Δ in Accrued Incentives (Fund), net**

## ECONOMIC NET INCOME (ENI)

### COMPONENTS OF ECONOMIC NET INCOME

For the year ended December 31, unless otherwise noted (\$ in millions)



<sup>1</sup> Net of associated incentive income compensation expense.  
 Please see page 24 for a description of non-GAAP financial metrics.

# Distributable Earnings

## ADJUSTED NET INCOME

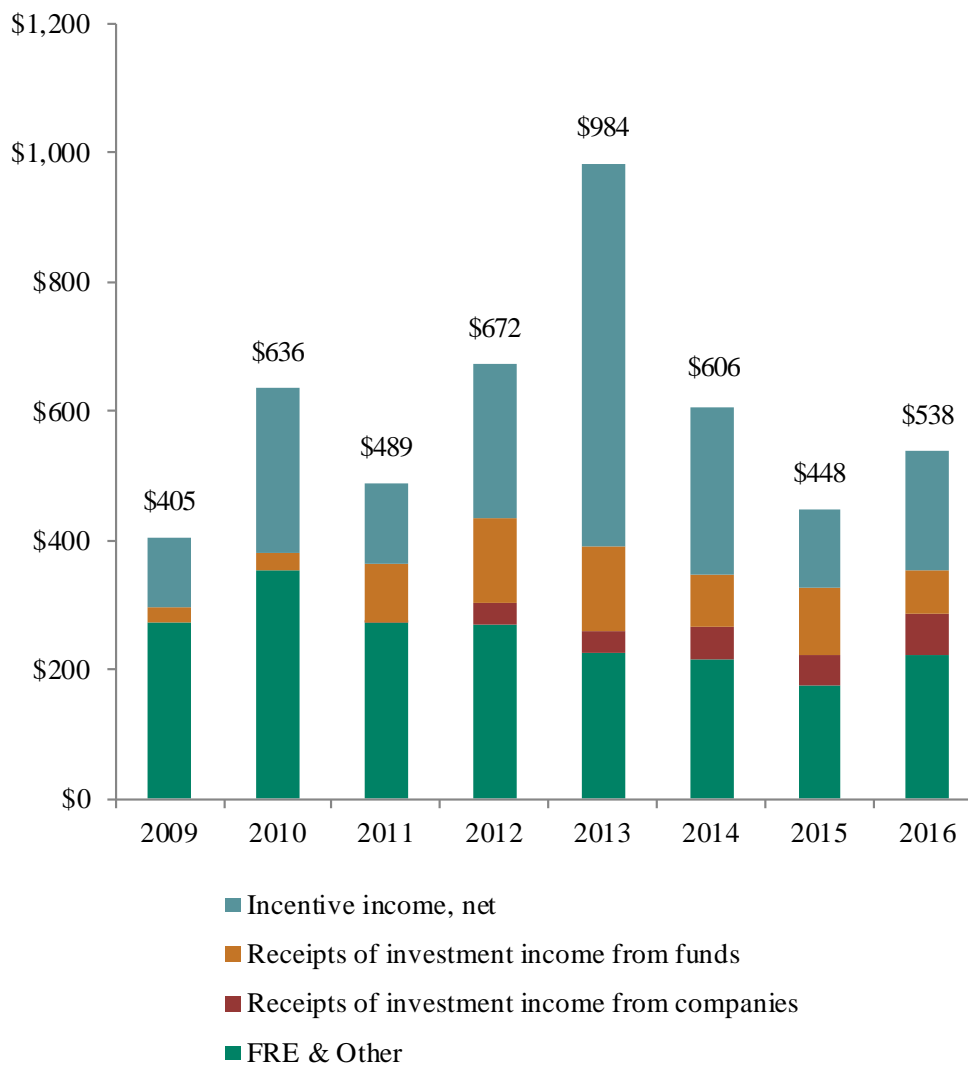
- Investment Income (MTM basis)
- + Receipts Of Investment Income – Funds
- + Receipts Of Investment Income – Companies

- + Equity-based Compensation
- Operating Group Income Taxes

## DISTRIBUTABLE EARNINGS (DE)

### COMPONENTS OF DISTRIBUTABLE EARNINGS

For the year ended December 31, unless otherwise noted (\$ in millions)



# Disclosures: Fund Table Provides Meaningful Insights

As of December 31, 2016

	Investment Period		Total Committed Capital	% Invested	% Drawn	Fund Net Income Since Inception	Distributions Since Inception	Net Asset Value	Management Fee-generating AUM	Oaktree Segment Incentive Income Recognized	Accrued Incentives (Fund Level)	Unreturned Drawn Capital Plus Accrued Preferred Return	IRR Since Inception		Multiple of Drawn Capital	
	Start Date	End Date											Gross	Net		
<b>Distressed Debt</b>																
Oaktree Opportunities Fund Xb, L.P.	TBD	—	\$ 8,063	—%	—%	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—	n/a	n/a	n/a
Oaktree Opportunities Fund X, L.P.	Jan. 2016	Jan. 2019	3,243	74	35	367	41	1,461	3,161	—	71	1,152	nm	nm	1.4	
Oaktree Opportunities Fund IX, L.P.	Jan. 2014	Jan. 2017	5,066	100	100	132	5	5,193	4,966	—	—	6,219	3.7%	0.9%	1.1	
Oaktree Opportunities Fund VIIIb, L.P.	Aug. 2011	Aug. 2014	2,692	nm	100	452	1,314	1,830	2,074	52	—	2,372	6.7	3.7	1.3	
Special Account B	Nov. 2009	Nov. 2012	1,031	nm	100	497	1,147	452	438	15	—	428	12.8	10.3	1.5	
Oaktree Opportunities Fund VIII, L.P.	Oct. 2009	Oct. 2012	4,507	nm	100	2,069	4,652	1,924	1,797	144	218	1,627	12.1	8.4	1.5	
Special Account A	Nov. 2008	Oct. 2012	253	nm	100	297	466	84	71	42	17	—	28.1	22.7	2.2	
OCM Opportunities Fund VIIIb, L.P.	May 2008	May 2011	10,940	nm	90	8,817	17,369	1,292	1,202	1,472	242	—	21.9	16.6	2.0	
OCM Opportunities Fund VII, L.P.	Mar. 2007	Mar. 2010	3,598	nm	100	1,472	4,637	433	633	81	—	553	10.3	7.6	1.5	
OCM Opportunities Fund VI, L.P.	Jul. 2005	Jul. 2008	1,773	nm	100	1,297	3,051	19	—	249	4	—	11.9	8.8	1.8	
OCM Opportunities Fund V, L.P.	Jun. 2004	Jun. 2007	1,179	nm	100	957	2,104	32	—	180	7	—	18.4	14.1	1.9	
Legacy funds	Various	Various	9,543	nm	100	8,205	17,695	53	—	1,113	11	—	24.2	19.3	1.9	
													22.0%	16.2%		

Shows when management fee basis changes from committed capital to the lower of contributed capital or cost

Incentive income recognized in ANI to date

Incentive income that would be recognized if fund was liquidated at its current NAV

Reflects the amount of distributions required for fund to start recognizing incentive income<sup>1</sup>

% invested reflects how invested the fund is and, therefore, provides an indication of when we might raise a successor fund

Indicator for generating incentives (must cross net return threshold, generally 8%, before generating incentives)

Note: There are some exceptions to the statements above (e.g. some closed-end funds charge fees on contributed capital or NAV during the investment period).  
<sup>1</sup> Additionally, tax distributions impact the timing of incentive income recognition.

# Description of Non-GAAP Metrics

**Adjusted net income** (“ANI”) is a measure of profitability for our investment management segment. The components of revenues (“segment revenues”) and expenses used in the determination of ANI do not give effect to the consolidation of the funds that we manage. Segment revenues include investment income (loss) that is classified in other income (loss) in the GAAP-basis statements of operations. Segment revenues and expenses also reflect Oaktree's proportionate economic interest in Highstar, whereby amounts received for contractually reimbursable costs are classified for segment reporting as expenses and under GAAP as other income. In addition, ANI excludes the effect of (a) non-cash equity-based compensation expense related to unit grants made before our initial public offering, (b) acquisition-related items, including amortization of intangibles and changes in the contingent consideration liability, (c) differences arising from equity value units (“EVUs”) that are classified as liability awards under GAAP but as equity awards for segment reporting, (d) income taxes, (e) other income or expenses applicable to OCG or its Intermediate Holding Companies, and (f) the adjustment for non-controlling interests. Moreover, third-party placement costs associated with closed-end funds under GAAP are expensed as incurred, but for ANI are capitalized and amortized as general and administrative expense in proportion to the associated management fee stream. Gains and losses resulting from foreign-currency transactions and hedging activities under GAAP are recognized as general and administrative expense whether realized or unrealized in the current period, but for ANI unrealized gains and losses from foreign-currency hedging activities are deferred until realized, at which time they are included in the same revenue or expense line item as the underlying exposure that was hedged. Additionally, for ANI, foreign-currency transaction gains and losses are included in other income (expense), net. Incentive income and incentive income compensation expense are included in ANI when the underlying fund distributions are known or knowable as of the respective quarter end, which may be later than the time at which the same revenue or expense is included in the GAAP-basis statements of operations, for which the revenue standard is fixed or determinable and the expense standard is probable and reasonably estimable. CLO investments are carried at fair value for GAAP reporting, whereas for segment reporting they are carried at amortized cost, subject to any impairment charges. Investment income on CLO investments is recognized in ANI when cash distributions are received. Cash distributions are allocated between income and return of capital based on the effective yield method. ANI is calculated at the Operating Group level.

**Economic net income** (“ENI”) is a non-GAAP performance measure that we use to evaluate the financial performance of our segment by applying the “Method 2,” instead of the “Method 1,” revenue recognition approach to accounting for incentive income. ANI follows Method 1, except incentive income is recognized when the underlying fund distributions are known or knowable as of the respective quarter end, as opposed to the fixed or determinable standard of Method 1. The Method 2 approach followed by ENI recognizes incentive income as if the funds were liquidated at their reported values as of the date of the financial statements. ENI is computed by adjusting ANI for the change in accrued incentives (fund level), net of associated incentive income compensation expense, during the period.

**Distributable earnings** is a non-GAAP performance measure derived from our segment results that we use to measure our earnings at the Operating Group level without the effects of the consolidated funds for the purpose of, among other things, assisting in the determination of equity distributions from the Operating Group. However, the declaration, payment and determination of the amount of equity distributions, if any, is at the sole discretion of our board of directors, which may change our distribution policy at any time. Distributable earnings and distributable earnings revenues differ from ANI in that they exclude segment investment income or loss and include the receipt of investment income or loss from distributions by our investments in funds and companies. Additionally, any impairment charges on our CLO investments included in ANI are, for distributable earnings purposes, amortized over the remaining investment period of the respective CLO, in order to align with the timing of expected cash flows. In addition, distributable earnings differs from ANI in that it is net of Operating Group income taxes and excludes non-cash equity-based compensation expense.

**Fee-related earnings** (“FRE”) is a non-GAAP performance measure that we use to monitor the baseline earnings of our business. FRE is comprised of segment management fees (“fee-related earnings revenues”) less segment operating expenses other than incentive income compensation expense and non-cash equity-based compensation expense. FRE is considered baseline because it applies all cash compensation and benefits other than incentive income compensation expense, as well as all general and administrative expenses, to management fees, even though a significant portion of those expenses is attributable to incentive and investment income. FRE is presented before income taxes.



# Reconciliations of Non-GAAP Metrics

For the year ended December 31, unless otherwise noted (\$ in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016
<b>Reconciliation of Net Income (Loss) Attributable to Oaktree Capital Group, LLC to ANI to DE:</b>								
Net income (loss) attributable to Oaktree Capital Group, LLC.....	\$ (57,058)	\$ (49,455)	\$ (95,972)	\$ 107,810	\$ 221,998	\$ 126,283	\$ 71,349	\$ 194,705
Incentive income <sup>1</sup> .....	-	-	-	-	(64,460)	28,813	(19,002)	1,407
Incentive income compensation <sup>1</sup> .....	-	-	-	-	46,334	(10,677)	19,009	(1,407)
Investment income <sup>2</sup> .....	-	-	-	-	-	-	-	(21,814)
Equity-based compensation <sup>3</sup> .....	940,683	949,376	948,746	36,024	24,613	21,690	16,403	11,965
Placement costs <sup>4</sup> .....	-	-	-	-	-	-	3,619	11,870
Foreign-currency hedging <sup>5</sup> .....	-	-	-	-	-	(2,003)	2,619	1,496
Acquisition-related items <sup>6</sup> .....	-	-	-	-	-	2,442	5,251	(924)
Income taxes <sup>7</sup> .....	18,267	26,399	21,088	30,858	26,232	18,536	17,549	42,519
Non-Operating Group other income <sup>8</sup> .....	-	-	-	(6,260)	-	-	-	-
Non-Operating Group expenses <sup>8</sup> .....	1,008	1,113	768	553	1,195	1,645	2,097	1,176
Non-controlling interests <sup>8</sup> .....	<u>(227,313)</u>	<u>(163,555)</u>	<u>(446,246)</u>	<u>548,265</u>	<u>824,795</u>	<u>386,398</u>	<u>192,968</u>	<u>341,590</u>
Adjusted Net Income.....	675,587	763,878	428,384	717,250	1,080,707	573,127	311,862	582,583
Investment income <sup>9</sup> .....	(289,001)	(149,449)	(23,763)	(202,392)	(258,654)	(117,662)	(48,253)	(221,377)
Receipts of investment income from funds <sup>10</sup> .....	22,591	28,891	88,693	129,621	128,896	81,438	101,296	66,390
Receipts of investment income from companies.....	-	-	1,496	33,838	35,664	49,546	48,067	63,700
Equity-based compensation <sup>11</sup> .....	-	-	-	-	3,828	19,705	37,978	51,759
Operating Group income taxes.....	<u>(4,031)</u>	<u>(7,640)</u>	<u>(6,275)</u>	<u>(6,136)</u>	<u>(6,175)</u>	<u>(18)</u>	<u>(3,374)</u>	<u>(4,635)</u>
Distributable Earnings.....	<u>\$ 405,146</u>	<u>\$ 635,680</u>	<u>\$ 488,535</u>	<u>\$ 672,181</u>	<u>\$ 984,266</u>	<u>\$ 606,136</u>	<u>\$ 447,576</u>	<u>\$ 538,420</u>

<sup>1</sup> This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense between adjusted net income and net income attributable to OCG.

<sup>2</sup> This adjustment adds back the effect of differences in the recognition of investment income related to corporate investments in CLOs which under GAAP are marked-to-market but for segment reporting are accounted for at amortized cost, subject to impairment.

<sup>3</sup> This adjustment adds back the effect of (a) equity-based compensation expense related to unit grants made before our initial public offering, which is excluded from adjusted net income and fee-related earnings because it is a non-cash charge that does not affect our financial position, and (b) differences arising from EVUs that are classified as liability awards under GAAP but as equity awards for segment reporting.

<sup>4</sup> This adjustment adds back the effect of timing differences with respect to the recognition of third-party placement costs associated with closed-end funds between adjusted net income and net income attributable to OCG.

<sup>5</sup> This adjustment adds back the effect of timing differences associated with the recognition of unrealized gains and losses related to foreign-currency hedging between adjusted net income and net income attributable to OCG.

<sup>6</sup> This adjustment adds back the effect of acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability, which are excluded from adjusted net income.

<sup>7</sup> Because adjusted net income and distributable earnings are pre-tax measures, this adjustment adds back the effect of income tax expense.

<sup>8</sup> Because adjusted net income and distributable earnings are calculated at the Operating Group level, this adjustment adds back the effect of items applicable to OCG, its Intermediate Holding Companies or non-controlling interests.

<sup>9</sup> This adjustment eliminates our segment investment income, which with respect to investments in funds is initially largely non-cash in nature and is thus not available to fund our operations or make equity distributions.

<sup>10</sup> This adjustment reflects the portion of the distributions received from funds characterized as receipts of investment income or loss. In general, the income or loss component of a distribution from a fund is calculated by multiplying the amount of the distribution by the ratio of our investment's undistributed income or loss to our remaining investment balance. In addition, if the distribution is made during the investment period, it is generally not reflected in distributable earnings until after the investment period ends.

<sup>11</sup> This adjustment adds back the effect of equity-based compensation expense related to unit grants made after our initial public offering, which is excluded from distributable earnings because it is non-cash in nature and does not impact our ability to fund our operations.

# Reconciliations of Non-GAAP Metrics

For the year ended December 31, unless otherwise noted (\$ in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016
<b>Reconciliation of Fee-Related Earnings (FRE) to ANI to ENI:</b>								
FRE <sup>1</sup>	\$ 290,231	\$ 375,362	\$ 314,968	\$ 307,617	\$ 260,115	\$ 248,260	\$ 218,562	\$ 267,733
Incentive income.....	175,065	413,240	303,963	461,116	1,030,195	491,402	263,806	355,152
Incentive income compensation .....	(65,639)	(159,243)	(179,234)	(222,594)	(436,217)	(231,871)	(141,822)	(169,683)
Investment income.....	289,001	149,449	23,763	202,392	258,654	117,662	48,253	221,377
Equity-based compensation <sup>2</sup> .....	-	-	-	(318)	(3,828)	(19,705)	(37,978)	(51,759)
Interest expense, net of interest income.....	(13,071)	(26,173)	(33,867)	(31,730)	(28,621)	(30,190)	(35,032)	(31,845)
Other income (expense), net.....	-	11,243	(1,209)	767	409	(2,431)	(3,927)	(8,392)
ANI.....	675,587	763,878	428,384	717,250	1,080,707	573,127	311,862	582,583
Change in accrued incentives (fund level), net of associated incentive income compensation <sup>3</sup> .....	594,600	286,704	(138,872)	254,483	(46,968)	(235,303)	(188,383)	135,002
ENI.....	<u>\$ 1,270,187</u>	<u>\$ 1,050,582</u>	<u>\$ 289,512</u>	<u>\$ 971,733</u>	<u>\$ 1,033,739</u>	<u>\$ 337,824</u>	<u>\$ 123,479</u>	<u>\$ 717,585</u>
<b>Reconciliation of Consolidated Management fees to Segment Management fees:</b>								
Management fees - Consolidated.....	\$ 115,839	\$ 162,051	\$ 140,715	\$ 134,568	\$ 192,605	\$ 192,055	\$ 195,308	\$ 774,587
Adjustments <sup>4</sup> .....	520,421	587,980	583,606	612,872	557,296	570,768	558,497	11,086
Management fees - Segment.....	<u>\$ 636,260</u>	<u>\$ 750,031</u>	<u>\$ 724,321</u>	<u>\$ 747,440</u>	<u>\$ 749,901</u>	<u>\$ 762,823</u>	<u>\$ 753,805</u>	<u>\$ 785,673</u>

<sup>1</sup> Fee-related earnings is a component of adjusted net income and is comprised of segment management fees less segment operating expenses other than incentive income compensation expense and non-cash equity-based compensation expense related to unit grants made after our initial public offering. □

<sup>2</sup> This adjustment adds back the effect of equity-based compensation expense related to unit grants made after our initial public offering, which is excluded from fee-related earnings because it is non-cash in nature and does not impact our ability to fund our operations or make equity distributions.

<sup>3</sup> The change in accrued incentives (fund level), net of associated incentive income compensation expense, represents the difference between (a) our recognition of net incentive income and (b) the incentive income generated by the funds during the period that would be due to us if the funds were liquidated at their reported values as of that date, net of associated incentive income compensation expense.

<sup>4</sup> This adjustment reflects the elimination of amounts attributable to the Company's consolidated funds and the reclassification of net gains or losses related to foreign-currency hedging activities to general and administrative expense.

# Benchmark Disclosures

## BENCHMARK DETAIL

### *U.S. High Yield Bonds:*

Citigroup U.S. High Yield Cash-Pay Capped Index

### *European High Yield Bonds:*

BofA Merrill Lynch Global Non-Financial High Yield European  
Issuers excluding Russia 3% Constrained Index (USD Hedged)