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PRESENTATION

Operator

Welcome, and thank you for joining the Oaktree Capital Group First Quarter 2017 Conference Call. Today's conference call is being recorded. (Operator Instructions) Now I would like to introduce Andrea Williams, Oaktree's Head of Corporate Communications and Investor Relations, who will host today's conference call. Ms. Williams, you may begin.

Andrea Williams - ***Oaktree Capital Group, LLC - Head of Corporate Communications & Investor Relations***

Thank you, Laura, and welcome to all of you who have joined us for today's call to discuss Oaktree's first quarter 2017 financial results. Our earnings release issued this morning detailing these results may be accessed through the Unitholders section of our website.

Our speakers today are Oaktree's Chief Executive Officer, Jay Wintrob; Co-Chairman and Chief Investment Officer, Bruce Karsh; and Chief Financial Officer, Dan Levin. We will be happy to take your questions following their prepared remarks.

Before we begin, I want to remind you that our comments today will include forward-looking statements reflecting our current views with respect to, among other things, our operations and financial performance. Important factors could cause actual results to differ, possibly materially, from those indicated in these statements. Please refer to our SEC filings for a discussion of these factors. We undertake no duty to update or revise any forward-looking statements.

I'd also like to remind you that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase any interest in any Oaktree fund. Investors and others should note that Oaktree uses the Unitholders section of its corporate website to announce material information. Accordingly, Oaktree encourages investors and the media and others to review the information that it shares on its corporate website at ir.oaktreecapital.com.

During our call today, we will be making reference to certain non-GAAP financial measures. For a reconciliation of each non-GAAP financial measure to its most directly comparable GAAP financial measurement, please refer to our earnings press release, which was furnished to the SEC today on Form 8-K and may be accessed through the Unitholders section of our website.

Today, we announced a quarterly distribution of $0.71 per Class A unit payable on May 12 to holders of record as of the close of business on May 8. Finally, we plan to issue our first quarter 10-Q next week.

With that, I would now like to turn the call over to Jay.

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

Thank you, Andrea, and hello to everyone. The U.S. market started strong in 2017, driven by investor optimism regarding the new administration's stated desire to lower taxes, provide strong fiscal stimulus and reduce regulations to spur growth. In this distinctly pro-business environment, markets and assets have appreciated, and Oaktree has performed well. Given that the animal spirits in the market have led to steadily higher valuations, we've taken advantage of increased opportunities to sell assets out of our closed-end funds at favorable prices. At the same time, we continue to deploy capital across all our strategies in a disciplined and cautious manner, with a focus on controlling risk and limiting the downside. All in all, realizations exceeded investments by a widening margin in the first quarter, and we believe this was the correct posture to take for our clients.

Our strong financial performance this quarter was highlighted by 54% growth in adjusted net income and 25% growth in distributable earnings, both versus the same period a year ago. These results were driven by higher incentive and investment income as we benefited from continued strong investment performance and significant realization activity in our distressed debt and other closed-end funds. Additionally, our share of DoubleLine's net income, which we account for as investment income, continues to fuel our distributable earnings.

We deem superior investment performance with risk under control to be the most important thing we focus on at Oaktree. During the first quarter, we achieved satisfactory results. Our closed-end funds generated an aggregate gross return of 3%, bringing the last 12-month return to 16%. These returns, coupled with continued strong performance across our evergreen strategies, highlight the power of our incentive-creating fund platform. In the first quarter, we created net incentives of $97 million, and net accrued incentives have increased by 30% over the past 12 months.

In terms of fundraising, gross capital raised in the first quarter was $3.1 billion, bringing this figure for the prior 12 months to $13 billion. During the first quarter, closed-end capital raised included final commitments of $500 million for Opportunities Fund Xb, bringing total committed capital for that fund to $8.9 billion. Of the 127 private debt funds that closed in the last year, Opps Xb was the largest. It's worth noting some of the statistics for this successful fundraise as they make clear the depth, breadth and diversity of Oaktree's client relationships around the globe. Over 330 limited partners committed to the fund, and 107 of those were new clients to Oaktree. Thus, the Opps funds continue to function as relationship starters for us as they have for 28 years. About 27% of the capital raised was from clients based outside of the Americas, a higher percentage than for Opportunities Fund IX.

Consistent with the previous funds, the largest contributors of capital were public pension funds, sovereign wealth funds and insurance companies. We see our fundraising success in distressed debt as a direct result of the disciplined and patient approach we've taken in deploying capital over our history and, of course, in delivering strong risk-adjusted returns. Of all of the 57 closed-end funds created since Oaktree's founding, none have lost money for our clients on a gross basis, demonstrating our adherence to the primacy of risk control throughout our history.

Meanwhile, we continue to make progress in fundraising for other funds such as European Principal Fund IV, which has reached approximately EUR 1.1 billion in committed capital as of March 31; and the European Capital Solutions Private Loan Fund, which completed fundraising this quarter with a total of approximately EUR 700 million. We continue fundraising for our various real estate vehicles, including Real Estate Debt Fund II, currently at $765 million in commitments, as well as raising our first evergreen Real Estate Income Fund. And we continue to fundraise for Middle-Market Direct Lending Fund and Emerging Market Debt Total Return Fund.

In terms of our first Infrastructure fundraise, after receiving significant LP demand for a fund targeting transportation assets, we decided to reposition Infrastructure Fund I into two separate fund vehicles with specific sector focuses. Given the transportation infrastructure team's differentiated expertise in public-private partnerships and strong historical investment performance across the entire transport spectrum of land, sea and air, this quarter we'll begin marketing the first and only U.S.-dedicated transportation infrastructure Fund. Concurrently, we'll launch an energy-focused fund to invest in power and midstream infrastructure investments, primarily in North America, where we believe infrastructure is positioned for a surge of activity. We're optimistic about the prospects for the infrastructure strategy with the relaunch of these two sector funds.

Turning to open-end funds, we experienced net outflows of roughly $1 billion for the quarter. The majority of which were in High Yield Bonds and Convertibles. Some clients have reduced their exposure to high yield bonds given the very strong recent performance of the asset class and the limited opportunity for capital appreciation at current pricing.

Convertibles outflows were driven by two primary factors: a shrinking market size and some performance challenges in our U.S. Convertibles strategy. Using Morningstar data as a reference point, we note that U.S. High Yield and Convertibles mutual funds also experienced net outflows during the first quarter.

Counterbalancing this trend has been continued inflows to our open-end European Senior Loan strategy, where we've seen positive flows both directly from institutional investors and via our SICAV platform.

And finally, we also remain active in marketing our new Global Credit Fund, a vehicle that combines the full breadth of Oaktree's more liquid credit strategies within a relative value framework based on a dynamic asset allocation process, overseen by our Chief Investment Officer, Bruce Karsh. Clients' initial reactions to this multi-asset strategy have been quite favorable, and we're now finalizing our first separate accounts. We look forward to updating you on the progress of our Global Credit Fund in the coming quarters.

And with that, I'll hand it over to Bruce to cover the investment landscape.

Bruce Karsh *- Oaktree Capital Group, LLC - Co-Chairman and Chief Investment Officer*

Thanks, Jay, and hello, everyone. As Jay mentioned, owing to investors' expectations that the administration's pro-business agenda will fuel economic growth in the U.S., many risk assets began the year in an impressive fashion. The S&P 500's total return was 6.1% in the first quarter, its best quarterly performance since the fourth quarter of 2015. High yield bonds also extended the rally, meaningfully outpacing their investment grade counterparts. However, after enjoying outsized returns through the first two months of the period, optimism gave way to skepticism and volatility in March, with credit markets and high yield bonds in particular, under pressure in sympathy with lower oil prices, declining equities, and a rally in U.S. Treasurys. After a price collapse in the first half of March, high yield bonds were able to recoup most of those losses by month end and returned 2.4% for the quarter.

Emerging Markets performed especially well during the first quarter, outperforming developed markets by about 5% on the equity front. In part, this rally represented a recovery from the sell-off that followed the U.S. presidential election. In addition, stronger than expected economic growth, rising earnings expectations, strengthening currencies, and continued growth in China all supported commodity prices and raised hopes for an acceleration of global growth. Against this general backdrop, our Emerging Markets debt and equity strategies fared very well, with returns ranging from 8% to more than 12% gross in the first quarter.

Given the lofty valuations we see across our credit universe, the opportunity in traded credit for our current distressed debt opportunities funds has largely disappeared since it ballooned in early 2016. Several of the energy and commodity-related securities that we purchased during the first quarter of last year rallied significantly, and our Opportunities Fund Xa was able to realize a considerable amount of profit.

So where do we stand today? Absent an exogenous shock to the economy, we continue to see a very benign default environment. Although there may be more bankruptcies in the retail space, we wouldn't be surprised that the 2017 high yield bond default rate is in the 2% range. That would be about half last year's rate, which primarily consisted of defaults from the energy sector and the eighth year in a row of defaults below the long-term average of around 4%. This environment, as we said last quarter, is not conducive to the commencement of a larger distressed debt fund such as our $8.9 billion Opps Xb.

Meanwhile, we can and will continue to recycle the gains in Opps Xa, and are focused on select situational distress across a variety of industries such as retail, health care and energy.

So as we mentioned last quarter, assuming market conditions stay the same, our current estimate for the official inception of the investment period for Opps Xb and, thus, the commencement of charging management fees on committed capital is likely to start sometime in 2018.

While we wait for a larger opportunity set, we will continue to realize and harvest assets across our closed-end funds. As Jay mentioned, our status as a net seller continued in the first quarter as we realized substantially more than we invested across our closed-end funds.

So far in the second quarter, we are continuing the successful harvesting of fully valued portfolio holdings. As you may recall, last July, we highlighted the successful IPO of AdvancePierre Foods, a portfolio company of our Special Situations Group. As a reminder, the legacy company, Pierre Foods, was a classic distress-for-control situation, where in 2008, the team invested $100 million to acquire the business through bankruptcy for an effective purchase price for the whole company of $170 million. This week, APF announced that it had agreed to be acquired by Tyson Foods for a total enterprise value of $4.2 billion. The transaction is expected to close in the current quarter, and the total cash received from this investment will represent approximately 23x our invested capital and generate $2.2 billion in profits for an IRR of over 90%. Clearly, one of the all-time great private equity investments and certainly the standout in the history of Oaktree, it's even more astounding to note that this is not a high-tech company but a prosaic food producer and distributor.

Needless to say, we're proud of the key architect, Matt Wilson, and the strong team who helped bring about this outstanding result. They identified an attractive distress -for -control opportunity, made multiple bolt-on acquisitions and one transformational one and, most importantly, added material value to this portfolio company through hands-on financial and operational expertise. Matt, being from Cleveland, is on cloud nine that the multiple of invested capital figure of 23 happens to be

Lebron James' jersey number and Michael Jordan's as well for those non-Cav fans out there. But being a Warrior fan myself, I told him his next goal should be Steph Curry's jersey number, 30.

I look forward to answering your questions, but now I'm delighted to turn the call over to Dan.

Daniel Levin - ***Oaktree Capital Group, LLC - Chief Financial Officer***

Thanks, Bruce, and good morning, everyone. The first quarter's financial results reflected continued strong investment performance across fund categories. Adjusted net income, distributable earnings, economic net income and net accrued incentives all grew substantially over the same period a year ago.

I will focus your attention on three prevalent themes that continued in our first quarter results: one, a disciplined approach to deployment of capital; two, significant realization activity across our closed-end funds as illustrated by $2.6 billion of distributions in the quarter, the highest level since the fourth quarter of 2014; and three, near-record levels to dry powder, signaling the preparedness for change in market condition.

Management fees in the first quarter declined by $16 million from the same period a year ago. The decline was primarily the result of a number of funds entering their liquidation period in the second half of 2016 such as Real Estate Fund VI, European Principal Fund III and Highstar Fund IV and our posture as a net seller in many of our closed-end fund strategies. While our management fees have been pressured in the current environment, the same environment provides an attractive backdrop for growing the value of our net accrued incentives and our balance sheet investments, which bodes well for future distributable earnings.

Moving to fee-related earnings, for the first quarter FRE declined 23% from the same period a year ago, primarily as a result of the lower management fees I just mentioned. While prudent cost management has been a particular focus over the last couple of years, we managed those costs with a focus on the long-term needs and growth prospects of the business. Thus, we don't look to dramatically lower costs when revenues flow for cyclical reasons. We are committed to building a stronger and more scalable platform for growth. Incentive income grew 52% over the year-ago period, benefiting from our increased realization activity, particularly in our distressed debt and real estate funds.

Tax-related incentive distributions contributed 55% of incentive income in the first quarter, down from 75% in the year-ago period. Investment income was strong in the first quarter at $58 million, reflecting our fund's solid investment performance and our 20% ownership stake in DoubleLine, whose assets under management were $105 billion at the end of the quarter. DoubleLine contributed $16 million to investment income in Q1 and $67 million over the last 12 months. Our fund's robust investment performance also benefited incentives created and, therefore, total accrued incentives, an off-balance sheet asset that represents potential future incentive income.

Net accrued incentives grew 2% sequentially in the first quarter and 30% over the last year to $969 million or $6.22 per operating group unit. Of this amount, 91% resides in closed-end funds that are in liquidation, boding well for distributable earnings and equity distributions over the next few years. The increasing diversity of this pool of potential incentive income is notable, with over 40% represented by control investing strategies and nearly 20% represented by real estate. If you were to look at this balance 3 and 5 years ago, distressed debt funds represented 69% and 78%, respectively, compared to the 34% today.

For the first quarter, we generated $157 million in distributable earnings or $0.86 per Class A unit. We declared a distribution of $0.71 per Class A unit in the quarter, which brings our distribution over the last 12 months to $2.57, up 34% over the previous 12-month period.

In summary, 2017 is off to a solid start in terms of adjusted net income, distributable earnings, investment performance, fundraising and accrued incentives. We continue to be disciplined with our pace of investment, and therefore, we reiterate our comments from prior quarters that we do not expect significant growth in our management fees until the start of Opps Xb's investment period.

Our continued near-record level of dry powder is strong assurance that we are well positioned for any changes in the investment environment, and our continued harvesting of investments in our more mature funds bode well for future distributable earning.

With respect to the second quarter to date, our known fund-related investment income proceeds are $5 million, and we have no meaningful known, net incentive income thus far.

Looking out to the rest of the quarter, as Bruce discussed, Tyson Foods announced that it entered into a purchase agreement with AdvancePierre Foods, our largest holding in Principal Fund IV. Our current estimate is that upon closing, which currently is expected later this quarter, assuming completion of the tender offer and that customary closing conditions are satisfied, this disposition will generate approximately $20 million of receipts of investment income and at least $150 million of net incentive income.

With that, we're delighted to take your questions. So, Laura, please open up the lines.

QUESTION AND ANSWER

Operator

(Operator Instructions) And our first question will come from Michael Carrier of Bank of America.

Michael Carrier *- BofA Merrill Lynch, Research Division - Director*

Maybe first question, just on the exit activity in the realization outlook, I guess, maybe, two portions to that. First, when I look at the net accrued, that has increased a ton over the last year. And just trying to gauge the portion that when you're selling, I think, it was a 19%, that you can realize right away versus the other portion that you still have to kind of pay out the LPs before you realize the incentive. So any way to kind of gauge the timing on that, like the 19%, versus the full $900 million or so?

Daniel Levin *- Oaktree Capital Group, LLC - Chief Financial Officer*

Yes. Thanks, Mike, for the question. So there's 19% -- as you mentioned, there's 19% that's currently paying, but we're also making good progress on a number of other funds in terms of getting to the point that they're paying. And so in my prepared remarks, I mentioned that upon the disposition of AdvancePierre, we expect that Principal Fund IV will start generating incentive income, and that is about 26% of our gross accrued incentives. And so assuming that closes in the quarter, we expect that that will be paying as of the end of the second quarter. Additionally, there's a few other funds, Real Estate Fund V and Power III, that continue to make good progress at moving towards the point they're paying. And that's why I think as a theme across all our comments we mentioned that the realization activity bodes well for kind of future cash flow in distributable earnings.

Michael Carrier *- BofA Merrill Lynch, Research Division - Director*

Got it. Okay, that makes sense. And then just on the follow-up. Just on the fundraising, it seems like you guys have a lot of products that are out there, and you're making some progress. On the open-end inside, you mentioned whether it's on the high yield, the converts, some pressure there. So when we think about the outlook over the next year or so, just how do you see that kind of playing out, meaning the activity that you guys are in the market with versus maybe ongoing pressures on the business? And just strategically, is there anything more that can be done maybe from a net basis, maybe expanding at a faster pace?

Jay Wintrob *- Oaktree Capital Group, LLC - CEO*

Thanks, Mike. Look, I think when it comes to open-end fund flows, the two key factors obviously are investment performance but also the state of the markets. So as I mentioned in my prepared remarks, we also take a look at, just as a data point, what's happening with U.S. mutual fund flows through Morningstar data. And for the most part, our experience is consistent with that experience. Knowing specifically why our clients are investing and/or redeeming, it's pretty clear to us on the high yield side that almost all of the redemptions we've experienced have been clients reallocating out of the asset class, hopefully temporarily because of the incredibly strong run that high yield bonds have had. Probably in large part is due to what Bruce mentioned, historically low default rates, half the historical rate for the last 8 years. And at this point, given the pricing of the market, it's hard to see much capital appreciation. Convertibles is a little bit of a different story. The overall convertibles market, unlike the high yield market, has actually shrunk, I think, something like 40% over the last several years, the entire market, and we've experienced some of that shrinkage due to that because we choose not to be larger than a set percentage of the total market. But also with our U.S. Converts product, we've had some performance issues. We've taken actions here earlier -- well, actually, last quarter. And we're quite optimistic that going forward, we'll have improvement on that. So I think it's really, again, mainly up to the markets in terms of the pricing of the securities. And to also an equal extent, but sometimes we can't even offset the markets, is our own investment performance, and high yield is a good example of that.

Michael Carrier *- BofA Merrill Lynch, Research Division - Director*

Okay.

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

I want to add one other comment because it's worth noting that the Global Credit Fund, which is our multi-strategy offering of 10 of our more liquid principally open-end strategies, is going to be -- play a big part, in our view, of our ability to continue gathering assets going forward in a very -- in a different kind of a fund, obviously, where we're going to depend on asset allocation, dynamic rebalancing, relative value analysis. So as I mentioned, we're just finalizing the first separate accounts for that fund, and I think we'll have good news to report over the next several quarters on our progress there. And that will help, in a way, feed assets into several of the open-end strategies that we just referred to.

Operator

(Operator Instructions) And our next question will come from Craig Siegenthaler of Credit Suisse.

Craig Siegenthaler - ***Credit Suisse AG, Research Division - Global Research Product Head for the Asset Management Industry***

Did any of the funds have a final close in 1Q? I'm just looking at the raises across European Principal and in some of the other products. I'm just wondering if any of them were final.

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

Craig, good morning it's Jay. The ECS, European Capital Solutions direct lending fund had a final close. And I think I mentioned that the final assets there were about EUR 765 million. And then the other fund that had a final close in the first quarter was Opps Xb, with the $8.9 billion final amount.

Operator

And the next question comes from Alex Blostein of Goldman Sachs.

Alexander Blostein - ***Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst***

So just going back, I guess, to the timing on Xb and kind of the pace of capital deployment. So all of that make sense. I think in the past, you guys said that you still anticipate, given kind of the current environment, to turn the fees on early in 2018. It sounds like it's a little less certain. I think you guys just kind of move to, at some point, in 2018. I guess, A, am I thinking about that correctly? And, B, if this ends up being a much more prolonged cycle of low default rates, could we anticipate you guys potentially returning some of that capital back to LPs?

Bruce Karsh - ***Oaktree Capital Group, LLC - Co-Chairman and Chief Investment Officer***

Alex, it's Bruce. Well, let's just start with what a difference a year makes. A year ago, if you looked at the high yield bond market, there were probably 20% or more of the entire universe trading at stressed levels, meaning, a thousand basis points over the curve. Today, it's probably 2% or less, something like that. So the -- a lot of things can change in a very short period of time. We have no idea what's going to happen 6 or 12 or 18 months from now. But our LPs are very, very patient, and we've talked to our largest ones this week. We had an LPAC meeting. It went very well. We talked about our projections in terms of timing for turning on Xb. I think they were very satisfied that we're exhibiting discipline and patience. And I think they were also very satisfied that we're doing what we should be doing, which is realizing fully valued holdings in earlier funds and finding opportunities to deploy and recycle our existing Xa. So there's really no pressure for us to do anything other than do the right thing. And there's no need for us to give back capital. And I don't think there's any desire on the part of the LPs for us to do so.

Operator

And next, we have a question from Michael Cyprys of Morgan Stanley.

Michael Cyprys - ***Morgan Stanley, Research Division - Executive Director and Senior Research Analyst***

Just curious if you could talk a little bit about the fee-related earnings and FRE margin trajectory from here just given the strong pace of harvesting activities and that the fees on the Opps Xb fund not likely turning on until 2018. Just any color around the moving pieces, that would be helpful.

Daniel Levin - ***Oaktree Capital Group, LLC - Chief Financial Officer***

Yes. Thanks, Mike. The biggest driver of our FRE margins is going to be our management fee trajectory. And so over the near term, as management fees moderate due to our continued realization activity in our closed-end funds, you'll probably see us having lower-than-normal FRE margins. Over the intermediate term, especially when Opps Xb starts its investment period and starts generating approximately $130 million of management fees, we expect there to be a nice step-up in FRE margins because there's relatively modest incremental expenses related to that fund. So I think the longer-term prospects are bright, but over the near term, we're probably going at lower-than-normal levels.

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

If I could just add, Dan, on the issue of management fees being the dominant driver, absolutely. And Xb being the most important change that's going to occur, again, absolutely. Having said that, we have approximately $22 billion of dry powder, $13.5 billion of shadow AUM. And so there's more of our shadow AUM than just Opps Xb. And also, there is more AUM that charges management fees on invested capital. And so in a different environment where deployment accelerates, there'll be other drivers of management fee growth from the investment of our existing dry powder and shadow AUM.

Operator

The next question comes from Brian Bedell of Deutsche Bank.

Brian Bedell - ***Deutsche Bank AG, Research Division - Director in Equity Research***

Maybe just thinking on the other side, back to the fundraising and the differentiated strategies that you've continuously launched, if you can talk a little bit about what you see as the infrastructure opportunity, the sizing of the two expertises that you mentioned today and the potential future of that given what the administration is doing. And then you also mentioned on the new to firm investors on Opps Xb, to what extent do you think you can cross-sell from other strategies to those investors or do you think they're more just focused on the distressed fund?

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

Thanks, Brian. Let me answer that in reverse order. On the new to Oaktree investors, if the past is prologue, it's likely that new investors ultimately will become repeat customers and multiple product purchasers at Oaktree. As we sit here today, close to 80% of our clients own two or more Oaktree products. I think there is something like 38% of our clients own four or more Oaktree products. And our strategy is to deliver outstanding investment performance, and I think that's what primarily sells the other products. And so if we keep doing that, I think we'll see repeat customers and customers that invest in multiple products. And so I think I used the term that the Opps Funds have historically served as a relationship starter for the firm. And that's the case again for Opps Xb. I also mentioned -- yes, we think we're very optimistic about the infrastructure opportunity. First and foremost, you have to have been in a cave for some period of time not to have seen an acceleration of media coverage and discussion about the infrastructure opportunity. So there's certainly more chatter. I think the need for infrastructure investments, especially in this country, is pretty well-documented. What we found when we've been out, initially, the fundraising for the original Infrastructure Fund, was that clients were looking for, as you mentioned, a differentiated offering, a sector-specific offering, and they honed in on our team's prior track record, in particular, in transportation, land, sea and air, the airports, rail, ports, et cetera. And so it's with that information that we went back, examined it internally and decided to come out and relaunch two sector-specific funds, as I mentioned, transportation in the United States, and we think that's the only transportation-only fund here in the U.S. being offered, and then energy, infrastructure and midstream in North America. And in both categories, we think the demand is very large. And so we're optimistic about our fundraising potential over the next probably 18-month period.

Brian Bedell - ***Deutsche Bank AG, Research Division - Director in Equity Research***

And -- I'm sorry. And did you give any size of the potential over 18 months for those two new funds?

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

We're not establishing -- being it so early in the process, consistent with our past, we're not establishing any fundraising dollar goals per fund, and that includes the transportation and energy infrastructure funds.

Operator

The next question comes from Chris Harris of Wells Fargo.

Christopher Harris - ***Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst***

Regarding monetization activity, is it possible for you guys possibly to frame up how large this pipeline could be over the balance of 2017?

Bruce Karsh - ***Oaktree Capital Group, LLC - Co-Chairman and Chief Investment Officer***

Chris, it's Bruce. That's a tough one to answer, obviously. I can tell you one thing, that in Q1 of this year, we realized in our closed-end funds $3.2 billion, roughly, which is really about double what it was in Q1 of 2016. Obviously, we've got a major realization coming in Q2 at AdvancePierre. I can tell you that several of the groups are focused on realizations. Real estate, in particular, has done a great job of realizing that. But the big funds, distressed debt, really in Q1 accounted for about 2/3 of the realizations. And I expect that distressed debt will continue to show favorable impressive realizations over the next 9 months. To quantify it is just really, really hard, as I'm sure you can understand. I can just tell you that all the groups sort of see things the same way, and sense that this is a great opportunity to realize, are focused on harvesting. And I just think you'll see a continuation, particularly in the bigger groups, of good realizations. But I just couldn't quantify it. Hopefully, that gives you a little bit of perspective in terms of the first quarter.

Operator

And our next question comes from Robert Lee of KBW.

Robert Lee - ***Keefe, Bruyette, & Woods, Inc., Research Division - MD***

Can you maybe just -- I don't think this has come up in a while, but maybe just update us on your thoughts from a strategic perspective as it relates to Asia. I mean, obviously, U.S., Europe, you have an emerging market franchise, you're building in different places. But many of your peers have been aggressively raising capital and expanding in Asia-specific strategies and understanding maybe the legal system is not as conducive to some of what you do in much of Asia. But can you talk about your thoughts there and where that stands?

Bruce Karsh - ***Oaktree Capital Group, LLC - Co-Chairman and Chief Investment Officer***

Thanks for the question, Robert. It's Bruce. I'll start and just say on the opportunities fund side, the distressed debt business, for the first time, about two years ago, we decided we would start to make a real push in Asia. We've been very happy. We've hired a couple of key folks, one in Singapore named Nick Weber, and one in Hong Kong named Ray Chan. And they've hired some people under them, and we're building groups there. We sense there's going to be an opportunity in Asia on the distressed debt side over the next couple of years. But we want to build our team and walk before we run. And we did that very successfully in Europe, same strategy. And right now, in the distressed debt side, we have as many folks in London as we do in Los Angeles. So I have high hopes for Asia. Pedro Urquidi is leading the build out there on behalf of the team. And the only question is, will the opportunity materialize to the extent we think it will? And I'm optimistic. There's a lot of debt that's built up in that part of the world. And the interesting thing is whether we'll feel the way we invest in a risk-controlled manner with creditor rights being respected will be the rule of the day over there. We also have an Emerging Markets Opportunities group led by Julio Herrera, who currently is more focused on Latin America -- South America, really, and maybe Eastern Europe and less so in Asia. But I think at the right time, that group probably will also start deploying resources over in Asia. So interesting opportunity. Our antenna are way up. We're gearing up for what we think is going to be an outsized opportunity and an attractive one. And we'll wait to see.

Jay Wintrob - ***Oaktree Capital Group, LLC - CEO***

Yes, if I could add to that, Bruce, I guess, as much of the investment opportunity in Asia is truly that, an opportunity, the fundraising opportunity is here now. And if you look at Oaktree's results over the last few years, Asia Pac has been our fastest-growing region in terms of fundraising, but China, but also Greater Asia. We've added resources in the region, focused on fundraising, and that includes Japan. And so that's an active part of all of the fundraises I mentioned, a meaningful component, like most of the fundraises I mentioned. And our expectations are, based on the amount of available assets in Asia and the relatively light amount that has been allocated to alternatives thus far, that that growth trajectory should continue. It won't be a straight line for us, but it should grow over time and probably faster than both the Americas and EMEA in terms of a growth rate.

Operator

(Operator Instructions) And our next question is a follow-up from Craig Siegenthaler of Credit Suisse.

Craig Siegenthaler *- Credit Suisse AG, Research Division - Global Research Product Head for the Asset Management Industry*

So the accrued carry balance had a really nice ramp over the next 12 months. I'm just wondering, what were the funds that really contributed to that? And sort of an alternative to an earlier question is, how should we think about the timing of the realization here, especially with your European waterfall?

Daniel Levin *- Oaktree Capital Group, LLC - Chief Financial Officer*

So thanks, Craig. In terms of the kind of 30% growth, there's a couple of fund that have really contributed. First of all, Principal Fund IV has benefited from, first, the AdvancePierre IPO, and then as we mentioned now, the announced sale of the business. So that has resulted in a nice markup in that asset value, and that's the largest holding in the fund. As well, if you look in the fund table, Opportunities Fund VIII has had some nice returns over the last year, and that fund has moved through the catch-up layer on a mark-to-market basis. And so that's helped with the accrued incentives. In terms of the outlook, not sure how much more I can say than what we've said in the second quarter, assuming AdvancePierre closes. As I kind of mentioned in the prepared remarks, we expect approximately $150 million of net incentive income related to Principal Fund IV that kind of reaches what we call crossover, i.e., starts paying incentives and goes through the 80% layer. As well, there's a couple of other funds that I mentioned before, Real Estate Fund V and Power III, that are moving towards that point. And then the rest of the funds, as we continue to realize and distribute, will be making progress kind of longer term out. So that's kind of how I think about our accrued incentives and how we're going to, over time, move that through the kind of income statement.

Craig Siegenthaler *- Credit Suisse AG, Research Division - Global Research Product Head for the Asset Management Industry*

Got it. Can I squeeze one more question in?

Daniel Levin *- Oaktree Capital Group, LLC - Chief Financial Officer*

Sure.

Craig Siegenthaler *- Credit Suisse AG, Research Division - Global Research Product Head for the Asset Management Industry*

So just on Opps Fund VIII, which had sort of a nice lift over last year, were there any themes or geographies or anything specific which sort of drove the improvement there and drove it through catch-up?

Bruce Karsh *- Oaktree Capital Group, LLC - Co-Chairman and Chief Investment Officer*

Well, our largest holding in Fund VIII is a public stock homebuilder called Taylor Morrison. And homebuilding stocks last year languished. But as the year progressed and certainly the first quarter, that stock has improved materially, as has its business, has been and continues to be very, very strong. I encourage you to take a look at the most recent quarterly report and outlook. And you'll see why we're optimistic about that particular holding. And it's -- I think it's the largest holding maybe by a factor of three almost in that fund.

Operator

And this concludes our question-and-answer session. I would like to turn the conference back over to Andrea Williams for any closing remarks.

Andrea Williams - ***Oaktree Capital Group, LLC - Head of Corporate Communications & Investor Relations***

Thank you again, everyone, for joining us for our first quarter 2017 earnings conference call. A replay of this call will be available for 30 days on Oaktree's website in the Unitholders section or by dialing (877) 344-7529 in the U.S. or (412) 317-0088 outside of the U.S. The replay access code for this conference call is 10103753, and you can access it approximately 1 hour from now. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.