Oaktree Announces Third Quarter 2018 Financial Results

As of September 30, 2018 or for the quarter then ended, and where applicable, per Class A unit:

- **GAAP net income** attributable to Oaktree Capital Group, LLC ("OCG") Class A unitholders was $52.8 million ($0.74 per unit), up from $45.8 million ($0.71) for the third quarter of 2017.
- **Adjusted net income** was $137.5 million ($0.78 per unit), up from $131.4 million ($0.67) for the third quarter of 2017, on $320.2 million of total adjusted revenues.
- **Distributable earnings** were $147.8 million ($0.88 per unit), up from $119.0 million ($0.74) for the third quarter of 2017, driven by higher realized investment income proceeds and incentive income.
- **Assets under management** were $123.5 billion, up 2% for the quarter and up 1% over the last 12 months. Gross capital raised was $3.4 billion and $10.2 billion for the quarter and last 12 months, respectively. Uncalled capital commitments ("dry powder") were $21.4 billion, of which $15.4 billion were not yet generating management fees ("shadow AUM").
- **Management fee-generating assets under management** were $100.7 billion, up slightly for the quarter and down 2% over the last 12 months.
- **A distribution was declared** of $0.70 per unit, bringing aggregate distributions relating to the last 12 months to $2.97.

LOS ANGELES, CA. October 25, 2018 – Oaktree Capital Group, LLC (NYSE: OAK) today reported its unaudited financial results for the third quarter ended September 30, 2018.

Jay Wintrob, Chief Executive Officer, said, "The third quarter was highlighted by continued strong investment performance and solid fundraising of $3.4 billion in gross capital raised. Elevated closed-end fund realizations continued in the quarter, improving our outlook for incentive income over the next year or two. Importantly, we remain well positioned with ample dry powder across our investment funds and significant corporate balance sheet liquidity during this time of increasing market volatility."

Series B Preferred Unit Issuance

On August 9, 2018, Oaktree issued 9,400,000 of its 6.550% Series B preferred units representing limited liability company interests with a liquidation preference of $25.00 per unit. The issuance resulted in $226.9 million in net proceeds to us, which will be used for general corporate purposes, including to fund investments. Distributions on the Series B preferred units, when and if declared by the board of directors of Oaktree, will be paid quarterly on March 15, June 15, September 15 and December 15 of each year, beginning on December 17, 2018. Distributions on the Series B preferred units are non-cumulative.

Class A Unit Distribution

A distribution of $0.70 per Class A unit attributable to the third quarter of 2018 will be paid on November 13, 2018 to Class A unitholders of record at the close of business on November 5, 2018.

Series A Preferred Unit Distribution

A distribution was declared of $0.414063 per Series A preferred unit, which will be paid on December 17, 2018 to Series A preferred unitholders of record at the close of business on December 1, 2018.

Series B Preferred Unit Distribution

A distribution was declared of $0.573125 per Series B preferred unit, which will be paid on December 17, 2018 to Series B preferred unitholders of record at the close of business on December 1, 2018. The first distribution on Series B preferred units is calculated based on the date of the original issuance, reflecting a period longer than three months. Future distributions will reflect a period of three months.

Conference Call

Oaktree will host a conference call to discuss its third quarter 2018 financial results today at 11:00 a.m. Eastern Time / 8:00 a.m. Pacific Time. The conference call may be accessed by dialing (844) 824-3833 (U.S. callers) or +1 (412) 317-5102 (non-U.S. callers), participant password OAKTREE. Alternatively, a live webcast of the conference call can be accessed through the Unitholders – Investor Relations section of the Oaktree website, http://ir.oaktreecapital.com/. For those individuals unable to listen to the live broadcast of the conference call, a replay will be available for 30 days on Oaktree's website, or by dialing (877) 344-7529 (U.S. callers) or +1 (412) 317-0088 (non-U.S. callers), access code 10124801, beginning approximately one hour after the broadcast.

About Oaktree

Oaktree is a leader among global investment managers specializing in alternative investments, with $124 billion in assets under management as of September 30, 2018. The firm emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. The firm has over 900 employees and offices in 18 cities worldwide. For additional information, please visit Oaktree's website at www.oaktreecapital.com.

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The table below presents (a) GAAP results, (b) non-GAAP results for both the Operating Group and per Class A unit, and (c) assets under management and accrued incentives (fund level) data. Please refer to the Glossary for definitions.

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per unit data or as otherwise indicated)			
GAAP Results:				
Revenues	$ 241,227	$ 235,032	$ 791,831	$ 1,158,672
Net income-Class A	52,750	45,841	136,603	218,080
Net income per Class A unit	0.74	0.71	1.95	3.41
Non-GAAP Results: [1]				
Adjusted revenues	$ 320,166	$ 304,756	$ 1,044,847	$ 1,400,305
Adjusted net income	137,511	131,436	389,369	574,254
Adjusted net income per Class A unit	0.78	0.67	2.20	3.26
Distributable earnings revenues	319,822	282,867	1,084,141	1,360,471
Distributable earnings	147,849	119,030	456,108	567,541
Distributable earnings per Class A unit	0.88	0.74	2.74	3.28
Fee-related earnings revenues	197,056	203,440	595,938	607,361
Fee-related earnings	56,286	76,579	165,648	209,359
Fee-related earnings per Class A unit	0.34	0.42	0.99	1.13
Economic net income revenues	380,644	385,843	1,048,918	1,246,873
Economic net income	153,809	164,677	383,403	527,603
Economic net income per Class A unit	0.86	0.89	2.18	2.96
Weighted Average Units:				
OCGH	85,775	91,864	86,675	91,750
Class A	71,369	64,394	70,167	63,875
Total	157,144	156,258	156,842	155,625
Operating Metrics: [1]				
Assets under management (in millions):				
Assets under management	$ 123,516	$ 122,589	$ 123,516	$ 122,589
Management fee-generating assets under management	100,693	103,244	100,693	103,244
Incentive-creating assets under management	33,626	31,564	33,626	31,564
Uncalled capital commitments	21,435	21,202	21,435	21,202
Accrued incentives (fund level):				
Incentives created (fund level)	134,966	135,595	365,468	508,414
Incentives created (fund level), net of associated incentive income compensation expense	59,278	61,387	172,497	245,715
Accrued incentives (fund level)	1,924,410	1,860,665	1,924,410	1,860,665
Accrued incentives (fund level), net of associated incentive income compensation expense	914,886	899,891	914,886	899,891

Note: Oaktree discloses in this earnings release certain revenues and financial measures, including measures that are calculated and presented on a basis other than generally accepted accounting principles in the United States (“non-GAAP”). Examples of such non-GAAP measures are identified in the table above. Such non-GAAP measures should be considered in addition to, and not as a substitute for or superior to, net income, net income per Class A unit or other financial measures calculated in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are presented at Exhibit A. All non-GAAP measures and all interim results presented in this release are unaudited.

(1) Beginning with the first quarter of 2018, management fees and incentive income reflect the portion of the earnings from management fees and performance fees, respectively, attributable to our 20% ownership interest in DoubleLine Capital LP and its affiliates (collectively, "DoubleLine"). Such earnings were previously reported as investment income. Additionally, AUM, management fee-generating AUM, incentive-creating AUM and incentives created (fund level) now reflect our pro-rata portion (based on our 20% ownership stake) of DoubleLine's total AUM, management fee-generating AUM, incentive-creating AUM and performance fees, respectively. All prior periods have been recast to reflect this change.

GAAP Results

Oaktree consolidates entities in which it has a direct or indirect controlling financial interest. Investment vehicles in which we have a significant investment, such as collateralized loan obligation vehicles ("CLOs") and certain Oaktree funds, are consolidated under GAAP. When a CLO or fund is consolidated, the assets, liabilities, revenues, expenses and cash flows of the consolidated funds are reflected on a gross basis, and the majority of the economic interests in those consolidated funds, which are held by third-party investors, are reflected as debt obligations of CLOs or non-controlling interests. All of the revenues earned by us as investment manager of the consolidated funds are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by third-party investors, the consolidation of a fund does not impact net income or loss attributable to OCG.

In the first quarter of 2018, Oaktree adopted the new revenue recognition standard on a modified retrospective basis, which did not require prior periods to be recast. Instead, a cumulative-effect adjustment to increase retained earnings of $48.7 million, net of tax, was recorded as of January 1, 2018. This adjustment relates to revenues that would have met the recognition criteria under the new standard as of January 1, 2018.

Total revenues increased $6.2 million, or 2.6%, to $241.2 million for the third quarter of 2018, from $235.0 million for the third quarter of 2017, primarily reflecting higher incentive income. The impact on revenues as a result of applying the new revenue recognition standard was a net decrease of $2.1 million for the third quarter of 2018.

Total expenses increased $21.4 million, or 12.6%, to $191.2 million for the third quarter of 2018, from $169.8 million for the third quarter of 2017, primarily reflecting higher general and administrative expenses.

Total other income increased $16.6 million, or 20.0%, to $99.6 million for the third quarter of 2018, from $83.0 million for the third quarter of 2017, primarily reflecting variations in returns on our fund investments between periods.

Net income attributable to OCG Class A unitholders increased $7.0 million, or 15.3%, to $52.8 million for the third quarter of 2018, from $45.8 million for the third quarter of 2017, primarily reflecting higher profits, as well as a larger allocation of income to OCG Class A unitholders resulting from an increase in the average number of Class A units outstanding.

Operating Metrics

<u>Assets Under Management</u>

Assets under management were $123.5 billion as of September 30, 2018, $121.6 billion as of June 30, 2018 and $122.6 billion as of September 30, 2017. The $1.9 billion increase since June 30, 2018 primarily reflected $2.2 billion in new capital commitments to closed-end funds, $1.5 billion in market-value gains and $0.6 billion attributable to DoubleLine, partially offset by $1.5 billion of distributions to closed-end fund investors and $0.9 billion of net outflows from open-end funds. Commitments to closed-end funds included $0.7 billion for our Middle Market Direct Lending strategy, $0.5 billion for Oaktree Special Situations Fund II ("SSF II") and $0.4 billion for our Emerging Markets Debt strategy.

The $0.9 billion increase in AUM since September 30, 2017 primarily reflected $5.9 billion of capital commitments to closed-end funds, $3.7 billion in market-value gains, $2.1 billion from becoming the investment adviser to two publicly-traded business development companies (the "BDC acquisition") and $1.6 billion attributable to DoubleLine, largely offset by $8.2 billion of distributions to closed-end fund investors and $3.7 billion of net outflows from open-end funds. Commitments to closed-end funds included $1.6 billion for our Real Estate strategy, $1.2 billion for SSF II, $1.1 billion to Oaktree Transportation Infrastructure Fund ("TIF"), $0.7 billion for our Middle Market Direct Lending strategy and $0.5 billion for our Emerging Markets Debt strategy. Distributions to closed-end fund investors included $3.5 billion from Credit funds, $2.3 billion from Private Equity funds and $2.3 billion from Real Asset funds.

Management Fee-generating Assets Under Management

Management fee-generating AUM, a forward-looking metric, was $100.7 billion as of September 30, 2018, $100.5 billion as of June 30, 2018 and $103.2 billion as of September 30, 2017. The $0.2 billion increase since June 30, 2018 primarily reflected $0.8 billion in market-value gains, $0.6 billion attributable to DoubleLine and $0.6 billion from capital drawn by funds that pay fees based on drawn capital, NAV or cost basis, largely offset by $1.2 billion attributable to closed-end funds in liquidation and $0.9 billion of net outflows from open-end funds.

The $2.5 billion decrease in management fee-generating AUM since September 30, 2017 primarily reflected $5.4 billion attributable to closed-end funds in liquidation, $3.8 billion of net outflows from open-end funds and $0.6 billion of distributions by closed-end funds that pay fees based on NAV. These decreases were partially offset by $2.1 billion from the BDC acquisition, $1.9 billion from capital drawn by closed-end funds that pay fees based on drawn capital, NAV or cost basis, $1.6 billion attributable to DoubleLine and $1.3 billion in market-value gains.

Incentive-creating Assets Under Management

Incentive-creating AUM was $33.6 billion as of September 30, 2018, $33.3 billion as of June 30, 2018 and $31.6 billion as of September 30, 2017. The $0.3 billion increase since June 30, 2018 reflected an aggregate $2.0 billion in drawdowns or contributions by closed-end and evergreen funds and market-value gains, partially offset by an aggregate $1.7 billion decline primarily attributable to distributions by closed-end funds. The $2.0 billion increase since September 30, 2017 reflected an aggregate $8.7 billion in drawdowns or contributions by closed-end and evergreen funds and market-value gains and $2.1 billion from the BDC acquisition, partially offset by an aggregate decline of $8.8 billion primarily attributable to distributions by closed-end funds.

Of the $33.6 billion in incentive-creating AUM as of September 30, 2018, $21.1 billion (or 63%) was generating incentives at the fund level, as compared with $21.0 billion (66%) of the $31.6 billion of incentive-creating AUM as of September 30, 2017.

Accrued Incentives (Fund Level) and Incentives Created (Fund Level)

Accrued incentives (fund level) were $1,924.4 million as of September 30, 2018, $1,863.9 million as of June 30, 2018 and $1,860.7 million as of September 30, 2017. The third quarter of 2018 reflected $135.0 million of incentives created (fund level) and $74.5 million of incentive income recognized.

Accrued incentives (fund level), net of incentive income compensation expense ("net accrued incentives (fund level)"), were $914.9 million as of September 30, 2018, $898.6 million as of June 30, 2018, and $899.9 million as of September 30, 2017. The portion of net accrued incentives (fund level) represented by funds that were currently paying incentives as of September 30, 2018, June 30, 2018 and September 30, 2017 was $329.9 million (or 36%), $214.6 million (24%) and $274.1 million (30%), respectively, with the remainder arising from funds that as of that date were not at the stage of their cash distribution waterfall where Oaktree was entitled to receive incentives, other than possibly tax-related distributions.

Uncalled Capital Commitments

Uncalled capital commitments were $21.4 billion as of September 30, 2018, $20.3 billion as of June 30, 2018, and $21.2 billion as of September 30, 2017. Invested capital during the quarter and 12 months ended September 30, 2018 aggregated $2.8 billion and $8.7 billion, respectively, as compared with $1.9 billion and $7.4 billion for the comparable prior-year periods.

Non-GAAP Results

Adjusted Revenues

Adjusted revenues increased $15.4 million, or 5.1%, to $320.2 million for the third quarter of 2018, from $304.8 million for the third quarter of 2017, reflecting higher incentive income and investment income, partially offset by lower management fees.

Management Fees

Management fees decreased $6.3 million, or 3.1%, to $197.1 million for the third quarter of 2018, from $203.4 million for the third quarter of 2017. The decrease reflected an aggregate decline of $27.2 million primarily attributable to closed-end funds in liquidation, partially offset by an aggregate increase of $20.9 million principally from the BDC acquisition and closed-end funds that pay management fees based on drawn capital, NAV or cost basis.

Incentive Income

Incentive income increased $20.0 million, or 36.7%, to $74.5 million for the third quarter of 2018, from $54.5 million for the third quarter of 2017. The third quarter of 2018 included $45.8 million from OCM Opportunities Fund VIIb and $14.0 million from Emerging Markets Debt funds.

Investment Income

Investment income increased $1.8 million, or 3.8%, to $48.6 million for the third quarter of 2018, from $46.8 million for the third quarter of 2017. The increase primarily reflected higher returns on our Private Equity and non-Oaktree investments, largely offset by lower returns on our Credit, Real Assets and Listed Equities investments.

Adjusted Expenses

Compensation and Benefits

Compensation and benefits expense increased $4.9 million, or 5.1%, to $100.6 million for the third quarter of 2018, from $95.7 million for the third quarter of 2017, primarily reflecting higher expenses relating to the infrastructure investing team that Oaktree acquired in 2014. In 2017, a portion of the expenses attributable to that team were paid for by a legacy Highstar fund. That fund stopped paying management fees in the fourth quarter of 2017, and thereafter Oaktree became responsible for all of the expenses of the infrastructure team.

Equity-based Compensation

Equity-based compensation expense decreased $1.1 million, or 7.5%, to $13.6 million for the third quarter of 2018, from $14.7 million for the third quarter of 2017.

Incentive Income Compensation

Incentive income compensation expense increased $5.1 million, or 19.3%, to $31.5 million for the third quarter of 2018, from $26.4 million for the third quarter of 2017, primarily reflecting the growth in incentive income, partially offset by a lower overall compensation percentage in the third quarter of 2018.

General and Administrative

General and administrative expense increased $8.9 million, or 30.6%, to $38.0 million for the third quarter of 2018, from $29.1 million for the third quarter of 2017. The increase primarily reflected higher expenses relating to the infrastructure investing team, placement costs associated with fundraising for closed-end and evergreen funds, professional fees and other general operating items.

Depreciation and Amortization

Depreciation and amortization expense increased $0.2 million, or 10.0%, to $2.2 million for the third quarter of 2018, from $2.0 million for the third quarter of 2017.

Interest Expense, Net

Interest expense, net decreased $4.1 million, or 65.1%, to $2.2 million for the third quarter of 2018, from $6.3 million for the third quarter of 2017. The decline reflected the refinancing of our senior notes in the fourth quarter of 2017 and higher interest income.

Other Income, Net

Other income, net increased $4.6 million, to $5.5 million for the third quarter of 2018, from $0.9 million for the third quarter of 2017. The increase primarily reflected gains associated with non-operating corporate activities in the third quarter of 2018.

Adjusted Net Income

ANI increased $6.1 million, or 4.6%, to $137.5 million for the third quarter of 2018, from $131.4 million for the third quarter of 2017, primarily reflecting $14.8 million in higher incentive income, net of incentive income compensation expense ("net incentive income"), $4.6 million in higher other income, $4.1 million in lower net interest expense and $1.8 million in higher investment income, partially offset by $20.3 million in lower fee-related earnings. The portion of ANI attributable to our Class A units was $55.6 million, or $0.78 per unit, and $43.3 million, or $0.67 per unit, for the third quarters of 2018 and 2017, respectively.

The effective tax rates applied to ANI for the third quarters of 2018 and 2017 were 8% and 20%, respectively, resulting from full-year effective tax rates of 9% and 12%, respectively. The rate used for interim fiscal periods is based on an estimated full-year effective tax rate on income that can be reliably forecasted, combined with tax expense in the current period on incentive income and any other income that cannot be reliably estimated. We generally expect variability in tax rates between periods because the effective tax rate is a function of the mix of income and other factors, each of which can have a material impact on the particular period's income tax expense and often vary significantly within or between years. In general, the annual effective tax rate increases as the proportion of ANI arising from fee-related earnings and certain incentive and investment income rises, and vice versa.

Distributable Earnings

Distributable earnings increased $28.8 million, or 24.2%, to $147.8 million for the third quarter of 2018, from $119.0 million for the third quarter of 2017, primarily reflecting increases of $23.4 million in realized investment income proceeds, $14.8 million in net incentive income, $4.6 million in other income and a $4.1 million decrease in net interest expense, partially offset by a $20.3 million decline in fee-related earnings. For the third quarters of 2018 and 2017, realized investment income proceeds totaled $48.3 million and $24.9 million, respectively. The portion of distributable earnings attributable to our Class A units was $0.88 and $0.74 per unit for the third quarters of 2018 and 2017, respectively, reflecting distributable earnings per Operating Group unit of $0.94 and $0.76, respectively, less preferred unit distributions and costs borne by Class A unitholders for professional fees and other expenses, cash taxes attributable to the Intermediate Holding Companies, and amounts payable pursuant to the tax receivable agreement.

Fee-related Earnings

Fee-related earnings decreased $20.3 million, or 26.5%, to $56.3 million for the third quarter of 2018, from $76.6 million for the third quarter of 2017, primarily reflecting $6.3 million in lower management fees, $4.9 million in higher compensation and benefits expense and $8.9 million in higher general and administrative expense. The portion of fee-related earnings attributable to our Class A units was $0.34 and $0.42 per unit for the third quarters of 2018 and 2017, respectively.

The effective tax rates applicable to fee-related earnings for the third quarters of 2018 and 2017 were 5% and 14%, respectively, resulting from full-year effective tax rates of 6% and 15%, respectively. The rate used for interim fiscal periods is based on the estimated full-year effective tax rate, which is subject to change as the year progresses. In general, the annual effective tax rate increases as annual fee-related earnings increase, and vice versa.

Capital and Liquidity

As of September 30, 2018, Oaktree and its operating subsidiaries had $1.0 billion of cash and U.S. Treasury and other securities, and $746 million of outstanding debt, which included no borrowings outstanding against its $500 million revolving credit facility. As of September 30, 2018, Oaktree's investments in funds and companies on a non-GAAP basis had a carrying value of $1.7 billion, with the 20% investment in DoubleLine carried at $23 million based on cost, as adjusted under the equity method of accounting. Net accrued incentives (fund level) represented an additional $915 million as of that date.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, which reflect the current views of Oaktree, with respect to, among other things, our 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 our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity, including, but not limited to, changes in our anticipated revenue and income, which are inherently volatile; changes in the value of our investments; the pace of our raising of new funds; changes in assets under management; the timing and receipt of, and impact of taxes on, carried interest; distributions from and liquidation of our existing funds; the amount and timing of distributions on our preferred units and our Class A units; changes in our operating or other expenses; the degree to which we encounter competition; and general political, economic and market conditions. The factors listed in the item captioned "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 23, 2018, which is accessible on the SEC's website at www.sec.gov, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations described in our forward-looking statements. Forward-looking statements speak only as of the date the statements are made. Except as required by law, we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

This release and its contents do not constitute and should not be construed as (a) a recommendation to buy, (b) an offer to buy or solicitation of an offer to buy, (c) an offer to sell or (d) advice in relation to, any securities of OCG or securities of any Oaktree investment fund.

Investor Relations Website

Investors and others should note that Oaktree uses the Unitholders – Investor Relations section of its corporate website to announce material information to investors and the marketplace. While not all of the information that Oaktree posts on its corporate website is of a material nature, some information could be deemed to be material. Accordingly, Oaktree encourages investors, the media, and others interested in Oaktree to review the information that it shares on its corporate website at the Unitholders – Investor Relations section of the Oaktree website, http://ir.oaktreecapital.com/. Information contained on, or available through, our website is not incorporated by reference into this document.

GAAP Consolidated Statements of Operations [1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per unit data)			
Revenues:				
Management fees	$ 175,195	$ 181,312	$ 538,706	$ 542,268
Incentive income	66,032	53,720	253,125	616,404
Total revenues	241,227	235,032	791,831	1,158,672
Expenses:				
Compensation and benefits	(101,787)	(98,224)	(315,614)	(304,713)
Equity-based compensation	(14,747)	(15,828)	(44,614)	(45,529)
Incentive income compensation	(27,294)	(26,362)	(127,327)	(327,526)
Total compensation and benefits expense	(143,828)	(140,414)	(487,555)	(677,768)
General and administrative	(38,051)	(24,096)	(110,459)	(90,703)
Depreciation and amortization	(6,459)	(3,037)	(19,412)	(9,865)
Consolidated fund expenses	(2,829)	(2,226)	(9,383)	(7,425)
Total expenses	(191,167)	(169,773)	(626,809)	(785,761)
Other income (loss):				
Interest expense	(39,456)	(35,776)	(115,504)	(128,797)
Interest and dividend income	74,490	55,218	205,089	155,092
Net realized gain (loss) on consolidated funds' investments	(9,812)	3,392	(12,509)	1,755
Net change in unrealized appreciation (depreciation) on consolidated funds' investments	10,552	3,662	(34,939)	56,793
Investment income	58,196	51,061	149,682	150,618
Other income, net	5,629	5,418	7,240	14,979
Total other income	99,599	82,975	199,059	250,440
Income before income taxes	149,659	148,234	364,081	623,351
Income taxes	(6,568)	(13,857)	(17,832)	(31,700)
Net income	143,091	134,377	346,249	591,651
Less:				
Net income attributable to non-controlling interests in consolidated funds	(14,427)	(9,990)	(17,792)	(23,543)
Net income attributable to non-controlling interests in consolidated subsidiaries	(72,005)	(78,546)	(187,945)	(350,028)
Net income attributable to OCG	56,659	45,841	140,512	218,080
Net income attributable to preferred unitholders	(3,909)	—	(3,909)	—
Net income attributable to OCG Class A unitholders	$ 52,750	$ 45,841	$ 136,603	$ 218,080
Distributions declared per Class A unit	$ 0.55	$ 1.31	$ 2.27	$ 2.65
Net income per Class A unit (basic and diluted):				
Net income per Class A unit	$ 0.74	$ 0.71	$ 1.95	$ 3.41
Weighted average number of Class A units outstanding	71,369	64,394	70,167	63,875

(1) In the first quarter of 2018, Oaktree adopted the new revenue recognition standard on a modified retrospective basis, which did not require prior periods to be recast. Instead, a cumulative-effect adjustment to increase retained earnings of $48.7 million, net of tax, was recorded as of January 1, 2018. This adjustment relates to revenues that would have met the recognition criteria under the new standard as of January 1, 2018.

Operating Metrics

We monitor certain operating metrics that are either common to the alternative asset management industry or that we believe provide important data regarding our business. As described below, these operating metrics include AUM, management fee-generating AUM, incentive-creating AUM, incentives created (fund level), accrued incentives (fund level) and uncalled capital commitments.

Assets Under Management

	As of		
	September 30, 2018	June 30, 2018	September 30, 2017
		(in millions)	
Assets Under Management:			
Closed-end funds	$ 57,734	$ 56,294	$ 57,769
Open-end funds	32,454	32,824	35,793
Evergreen funds	8,672	8,426	5,953
DoubleLine [1]	24,656	24,040	23,074
Total	$ 123,516	$ 121,584	$ 122,589

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
		(in millions)		
Change in Assets Under Management:				
Beginning balance	$ 121,584	$ 121,053	$ 122,589	$ 121,076
Closed-end funds:				
Capital commitments/other [2]	2,205	654	5,938	3,729
Distributions for a realization event / other [3]	(1,478)	(2,160)	(8,158)	(10,521)
Change in uncalled capital commitments for funds entering or in liquidation [4]	90	(198)	(73)	(1,126)
Foreign-currency translation	(41)	302	(122)	429
Change in market value [5]	745	829	2,531	4,137
Change in applicable leverage	(81)	19	(151)	633
Open-end funds:				
Contributions	841	1,427	3,431	7,557
Redemptions	(1,745)	(2,209)	(7,127)	(8,997)
Foreign-currency translation	(49)	241	(143)	411
Change in market value [5]	583	706	500	2,625
Evergreen funds:				
Contributions or new capital commitments [6]	306	632	877	685
Acquisition (BDCs)	—	—	2,110	—
Redemptions or distributions [7]	(205)	(138)	(947)	(479)
Foreign-currency translation	1	—	—	6
Change in market value [5]	144	150	679	592
DoubleLine:				
Net change in DoubleLine	616	1,281	1,582	1,832
Ending balance	$ 123,516	$ 122,589	$ 123,516	$ 122,589

(1) DoubleLine AUM reflects our pro-rata portion (based on our 20% ownership stake) of DoubleLine's total AUM.

(2) These amounts include capital commitments, as well as the aggregate par value of collateral assets and principal cash related to new CLO formations.

(3) These amounts include distributions for a realization event, tax-related distributions, reductions in the par value of collateral assets and principal cash resulting from the repayment of debt as return of principal by CLOs, and recallable distributions at the end of the investment period.

(4) The change in uncalled capital commitments generally reflects declines attributable to funds entering their liquidation periods, as well as capital contributions to funds in their liquidation periods for deferred purchase obligations or other reasons.

(5) The change in market value reflects the change in NAV of our funds, less management fees and other fund expenses, as well as changes in the aggregate par value of collateral assets and principal cash held by CLOs and other levered funds.
(6) These amounts include contributions and capital commitments, and for our publicly-traded BDCs, issuances of equity or debt capital.
(7) These amounts include redemptions and distributions, and for our publicly-traded BDCs, dividends, repurchases of equity capital or repayment of debt.

Management Fee-generating AUM

	As of		
	September 30, 2018	June 30, 2018	September 30, 2017
Management Fee-generating AUM:	(in millions)		
Closed-end funds:			
Senior Loans	$ 8,297	$ 7,896	$ 8,073
Other closed-end funds	28,054	28,754	31,953
Open-end funds	32,120	32,520	35,570
Evergreen funds	7,566	7,337	4,574
DoubleLine	24,656	24,040	23,074
Total	$ 100,693	$ 100,547	$ 103,244

	Three Months Ended September 30,		Twelve Months Ended September 30,	
	2018	2017	2018	2017
	(in millions)			
Change in Management Fee-generating AUM:				
Beginning balance	$ 100,547	$ 101,600	$ 103,244	$ 99,942
Closed-end funds:				
Capital commitments to funds that pay fees based on committed capital / other (1)	465	925	466	1,970
Capital drawn by funds that pay fees based on drawn capital, NAV or cost basis	608	493	1,946	1,733
Change attributable to funds in liquidation (2)	(1,052)	(1,350)	(5,191)	(4,054)
Change in uncalled capital commitments for funds entering or in liquidation that pay fees based on committed capital (3)	(174)	—	(174)	(382)
Distributions by funds that pay fees based on NAV / other (4)	(95)	(333)	(619)	(895)
Foreign-currency translation	(36)	236	(122)	355
Change in market value (5)	63	45	165	256
Change in applicable leverage	(78)	19	(146)	581
Open-end funds:				
Contributions	791	1,407	3,304	7,359
Redemptions	(1,721)	(2,209)	(7,103)	(8,990)
Foreign-currency translation	(49)	241	(143)	411
Change in market value	579	702	492	2,642
Evergreen funds:				
Contributions or capital drawn by funds that pay fees based on drawn capital or NAV (6)	302	234	1,108	478
Acquisition (BDCs)	—	—	2,110	—
Redemptions or distributions (7)	(206)	(187)	(874)	(535)
Change in market value (5)	133	140	648	541
DoubleLine:				
Net change in DoubleLine	616	1,281	1,582	1,832
Ending balance	$ 100,693	$ 103,244	$ 100,693	$ 103,244

(1) These amounts include capital commitments to funds that pay fees based on committed capital, as well as the aggregate par value of collateral assets and principal cash related to new CLO formations.

(2) These amounts include the change for funds that pay fees based on the lesser of funded capital or cost basis during the liquidation period, as well as recallable distributions at the end of the investment period. For most closed-end funds, management fees are charged during the liquidation period on the lesser of (a) total funded capital or (b) the cost basis of assets remaining in the fund, with the cost basis of assets generally calculated by excluding cash balances. Thus, changes in fee basis during the liquidation period are not dependent on distributions made from the fund; rather, they are tied to the cost basis of the fund's investments, which typically declines as the fund sells assets.
(3) The change in uncalled capital commitments reflects declines attributable to funds entering their liquidation periods, as well as capital contributions to funds in their liquidation periods for deferred purchase obligations or other reasons.
(4) These amounts include distributions by funds that pay fees based on NAV, as well as reductions in the par value of collateral assets and principal cash resulting from the repayment of debt as return of principal by CLOs.
(5) The change in market value reflects certain funds that pay management fees based on NAV and leverage, as applicable, as well as changes in the aggregate par value of collateral assets and principal cash held by CLOs and other levered funds.
(6) These amounts include contributions and capital commitments, and for our publicly-traded BDCs, issuances of equity or debt capital.
(7) These amounts include redemptions and distributions, and for our publicly-traded BDCs, dividends, repurchases of equity capital or repayment of debt.

	As of		
Reconciliation of AUM to Management Fee-generating AUM:	September 30, 2018	June 30, 2018	September 30, 2017
		(in millions)	
Assets under management	$ 123,516	$ 121,584	$ 122,589
Difference between assets under management and committed capital or the lesser of funded capital or cost basis for applicable closed-end funds [1]	(3,040)	(2,326)	(2,920)
Undrawn capital commitments to closed-end funds that have not yet commenced their investment periods	(10,098)	(10,092)	(8,675)
Undrawn capital commitments to funds for which management fees are based on drawn capital, NAV or cost basis	(5,263)	(4,042)	(3,714)
Oaktree's general partner investments in management fee-generating funds	(1,798)	(1,724)	(1,883)
Funds that pay no management fees [2]	(2,624)	(2,853)	(2,153)
Management fee-generating assets under management	$ 100,693	$ 100,547	$ 103,244

(1) This difference is not applicable to closed-end funds that pay management fees based on NAV or leverage.
(2) This includes funds that are no longer paying management fees, co-investments that pay no management fees, certain accounts that pay administrative fees intended to offset Oaktree's costs related to the accounts and CLOs in the warehouse stage that pay no management fees.

The period-end weighted average annual management fee rates applicable to the closed-end, open-end and evergreen management fee-generating AUM balances above are set forth below.

	As of		
Weighted Average Annual Management Fee Rates:	September 30, 2018	June 30, 2018	September 30, 2017
Closed-end funds:			
Senior Loans	0.50%	0.50%	0.50%
Other closed-end funds	1.46	1.47	1.49
Open-end funds	0.45	0.45	0.46
Evergreen funds [1]	1.19	1.20	1.17
All Oaktree funds [2]	0.90	0.91	0.91

(1) Fee rates reflect the applicable asset-based management fee rates, exclusive of quarterly incentive fees on investment income that are included in management fees.
(2) Excludes DoubleLine funds.

Incentive-creating AUM

	As of		
	September 30, 2018	June 30, 2018	September 30, 2017
Incentive-creating AUM:		(in millions)	
Closed-end funds	$ 26,801	$ 26,677	$ 27,555
Evergreen funds	6,236	6,006	3,465
DoubleLine	589	608	544
Total	$ 33,626	$ 33,291	$ 31,564

Accrued Incentives (Fund Level) and Incentives Created (Fund Level)

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
	2018	2017	2018	2017
Accrued Incentives (Fund Level):		(in thousands)		
Beginning balance	$ 1,863,932	$ 1,779,578	$ 1,920,339	$ 2,014,097
Incentives created (fund level):				
Closed-end funds	115,659	122,273	315,815	471,501
Evergreen funds	18,787	12,542	49,033	33,434
DoubleLine	520	780	620	3,479
Total incentives created (fund level)	134,966	135,595	365,468	508,414
Less: incentive income recognized by us	(74,488)	(54,508)	(361,397)	(661,846)
Ending balance	$ 1,924,410	$ 1,860,665	$ 1,924,410	$ 1,860,665
Accrued incentives (fund level), net of associated incentive income compensation expense	$ 914,886	$ 899,891	$ 914,886	$ 899,891

Non-GAAP Results

Our business is comprised of one segment, our investment management business, which consists of the investment management services that we provide to our clients. Management makes operating decisions and assesses the performance of our business based on financial data that are presented without the consolidation of our funds. The data most important to management in assessing our performance are adjusted net income, distributable earnings and fee-related earnings, each for both the Operating Group and per Class A unit. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are presented at Exhibit A.

Adjusted Net Income

The following schedules set forth the components of adjusted net income:

Adjusted Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Revenues:				
Management fees	$ 197,056	$ 203,440	$ 595,938	$ 607,361
Incentive income	74,488	54,508	361,397	661,846
Investment income	48,622	46,808	87,512	131,098
Total adjusted revenues	$ 320,166	$ 304,756	$ 1,044,847	$ 1,400,305

Adjusted Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Expenses:				
Compensation and benefits	$ (100,589)	$ (95,691)	$ (309,001)	$ (297,097)
Equity-based compensation	(13,649)	(14,691)	(40,788)	(40,971)
Incentive income compensation	(31,508)	(26,362)	(182,934)	(369,480)
General and administrative	(37,963)	(29,134)	(114,508)	(94,042)
Depreciation and amortization	(2,218)	(2,036)	(6,781)	(6,863)
Total adjusted expenses	$ (185,927)	$ (167,914)	$ (654,012)	$ (808,453)

Adjusted Net Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Interest expense, net of interest income (1)	$ (2,197)	$ (6,280)	$ (8,006)	$ (19,795)
Other income, net	5,469	874	6,540	2,197
Adjusted net income (2)	$ 137,511	$ 131,436	$ 389,369	$ 574,254

(1) Interest income was $4.0 million and $9.9 million for the three and nine months ended September 30, 2018, respectively, and $2.7 million and $6.8 million for the three and nine months ended September 30, 2017, respectively.
(2) This reflects the sum of total adjusted revenues, adjusted expenses, net interest expense and other income, net.

Distributable Earnings and Distribution Calculation

Distributable earnings and the calculation of distributions are set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Distributable Earnings:	(in thousands, except per unit data)			
Adjusted net income	$ 137,511	$ 131,436	$ 389,369	$ 574,254
Investment income	(48,622)	(46,808)	(87,512)	(131,098)
Realized investment income proceeds (1)	48,278	24,919	126,806	91,264
Equity-based compensation	13,649	14,691	40,788	40,971
Other (income) expense, net (2)	(2,745)	—	(8,235)	—
Operating Group income taxes	(222)	(5,208)	(5,108)	(7,850)
Distributable earnings	147,849	119,030	456,108	567,541
Preferred unit distributions	(3,909)	—	(3,909)	—
Distributable earnings after preferred unit distributions	$ 143,940	$ 119,030	$ 452,199	$ 567,541
Distribution Calculation:				
Operating Group distribution with respect to the period	$ 120,995	$ 101,586	$ 383,478	$ 474,832
Distribution per Operating Group unit	$ 0.77	$ 0.65	$ 2.44	$ 3.04
Adjustments per Class A unit:				
Distributable earnings-Class A income taxes	(0.01)	(0.01)	(0.04)	(0.20)
Tax receivable agreement	(0.06)	(0.08)	(0.18)	(0.24)
Non-Operating Group expenses	—	—	(0.01)	(0.02)
Distribution per Class A unit (3)	$ 0.70	$ 0.56	$ 2.21	$ 2.58

(1) Amounts reflect the portion of income or loss on distributions received from funds and companies. In general, the income or loss component of a fund distribution 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. 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 to align with the timing of expected cash flows.

(2) For distributable earnings purposes, the $22 million make-whole premium charge that was included in ANI in the fourth quarter of 2017 in connection with the early repayment of our 2019 Notes is amortized through the original maturity date of December 2019.

(3) With respect to the quarter ended September 30, 2018, a distribution was announced on October 25, 2018 and is payable on November 13, 2018.

Units Outstanding

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Weighted Average Units:				
OCGH	85,775	91,864	86,675	91,750
Class A	71,369	64,394	70,167	63,875
Total	157,144	156,258	156,842	155,625
Units Eligible for Fiscal Period Distribution:				
OCGH	85,626	91,682		
Class A	71,511	64,604		
Total	157,137	156,286		

Additional Revenue Detail

Management Fees

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Management fees:				
Closed-end funds	$ 114,236	$ 131,612	$ 352,718	$ 395,215
Open-end funds	36,201	40,882	111,399	121,507
Evergreen funds	28,269	14,121	77,758	41,772
DoubleLine	18,350	16,825	54,063	48,867
Total management fees	$ 197,056	$ 203,440	$ 595,938	$ 607,361

Investment Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Oaktree funds:				
Credit	$ 21,537	$ 26,199	$ 59,338	$ 76,545
Private Equity	7,063	3,985	14,515	15,055
Real Assets	4,031	6,063	17,683	14,519
Listed Equities	2,255	8,312	(19,829)	18,738
Non-Oaktree	13,736	2,249	15,805	6,241
Total investment income	$ 48,622	$ 46,808	$ 87,512	$ 131,098

GAAP Statement of Financial Condition (Unaudited)

	As of September 30, 2018			
	Oaktree and Operating Subsidiaries	Consolidated Funds	Eliminations	Consolidated
	(in thousands)			
Assets:				
Cash and cash-equivalents	$ 543,229	$ —	$ —	$ 543,229
U.S. Treasury and other securities	469,800	—	—	469,800
Corporate investments	1,753,683	—	(698,332)	1,055,351
Deferred tax assets	243,059	—	—	243,059
Receivables and other assets	715,896	—	(22,966)	692,930
Assets of consolidated funds	—	6,425,680	—	6,425,680
Total assets	$ 3,725,667	$ 6,425,680	$ (721,298)	$ 9,430,049
Liabilities and Capital:				
Liabilities:				
Accounts payable and accrued expenses	$ 371,741	$ —	$ —	$ 371,741
Due to affiliates	192,267	—	—	192,267
Debt obligations	745,812	—	—	745,812
Liabilities of consolidated funds	—	5,025,502	(24,383)	5,001,119
Total liabilities	1,309,820	5,025,502	(24,383)	6,310,939
Non-controlling redeemable interests in consolidated funds	—	—	696,307	696,307
Capital:				
Capital attributable to OCG preferred unitholders	400,584	—	—	400,584
Capital attributable to OCG Class A unitholders	958,949	317,165	(317,165)	958,949
Non-controlling interest in consolidated subsidiaries	1,056,314	379,750	(379,750)	1,056,314
Non-controlling interest in consolidated funds	—	703,263	(696,307)	6,956
Total capital	2,415,847	1,400,178	(1,393,222)	2,422,803
Total liabilities and capital	$ 3,725,667	$ 6,425,680	$ (721,298)	$ 9,430,049

Corporate Investments

	As of		
	September 30, 2018	June 30, 2018	September 30, 2017
	(in thousands)		
Oaktree funds:			
Credit	$ 1,026,207	$ 925,539	$ 949,174
Private Equity	296,224	299,961	250,244
Real Assets	239,208	189,109	133,129
Listed Equities	94,258	117,939	139,628
Non-Oaktree	63,936	62,037	118,504
Total corporate investments – Non-GAAP	1,719,833	1,594,585	1,590,679
Adjustments [(1)]	33,850	29,010	17,403
Total corporate investments – Oaktree and operating subsidiaries	1,753,683	1,623,595	1,608,082
Eliminations	(698,332)	(611,749)	(553,095)
Total corporate investments – Consolidated	$ 1,055,351	$ 1,011,846	$ 1,054,987

(1) This adjusts CLO investments carried at amortized cost to fair value for GAAP reporting.

Fund Data

Information regarding our closed-end, open-end and evergreen funds, together with benchmark data where applicable, is set forth below. For our closed-end and evergreen funds, no benchmarks are presented in the tables as there are no known comparable benchmarks for these funds' investment philosophy, strategy and implementation.

Closed-end Funds

	Investment Period		As of September 30, 2018										IRR Since Inception [5]		
	Start Date	End Date	Total Committed Capital	% Invested [1]	% Drawn [2]	Fund Net Income Since Inception	Distributions Since Inception	Net Asset Value	Management Fee-generating AUM	Incentive Income Recognized (Non-GAAP)	Accrued Incentives (Fund Level) [3]	Unreturned Drawn Capital Plus Accrued Preferred Return [4]	Gross	Net	Multiple of Drawn Capital [6]
						(in millions)									
Credit															
Distressed Debt															
Oaktree Opportunities Fund Xb [7][13]	TBD	—	$ 8,872	9%	5%	$ —	$ —	$ 443	$ 438	$ —	$ —	$ 456	nm	nm	1.0x
Oaktree Opportunities Fund X [7]	Jan. 2016	Jan. 2019	3,603	86	72	1,081	152	3,518	3,486	—	210	2,777	33.3%	21.1%	1.5
Oaktree Opportunities Fund IX	Jan. 2014	Jan. 2017	5,066	nm	100	698	1,672	4,092	3,554	—	—	5,292	5.7	3.2	1.2
Oaktree Opportunities Fund VIIIb	Aug. 2011	Aug. 2014	2,692	nm	100	938	2,100	1,530	1,469	52	—	1,860	9.0	6.2	1.5
Special Account B	Nov. 2009	Nov. 2012	1,031	nm	100	629	1,568	171	165	16	3	53	13.8	11.4	1.7
Oaktree Opportunities Fund VIII	Oct. 2009	Oct. 2012	4,507	nm	100	2,613	6,444	677	635	209	300	—	13.1	9.2	1.7
Special Account A	Nov. 2008	Oct. 2012	253	nm	100	317	554	16	23	60	3	—	28.1	22.8	2.3
OCM Opportunities Fund VIIb	May 2008	May 2011	10,940	nm	90	9,053	18,257	640	640	1,634	125	—	21.9	16.6	2.0
OCM Opportunities Fund VII	Mar. 2007	Mar. 2010	3,598	nm	100	1,487	4,843	242	—	87	—	419	10.2	7.5	1.5
Legacy funds [8]	Various	Various	12,495	nm	100	10,456	22,931	21	—	1,558	5	—	23.6	18.5	1.9
													22.0%	16.1%	
Private/Alternative Credit															
Oaktree European Capital Solutions Fund [7][9][10]	Dec. 2015	Dec. 2018	€ 703	80%	64%	€ 47	€ 214	€ 269	€ 321	€ —	€ 6	€ 250	13.0%	8.4%	1.1x
Oaktree European Dislocation Fund [10]	Oct. 2013	Oct. 2016	€ 294	nm	57	€ 39	€ 203	€ 18	€ 17	€ 3	€ 3	€ —	19.5	13.8	1.3
Special Account E [10]	Oct. 2013	Apr. 2015	€ 379	nm	69	€ 64	€ 321	€ 4	€ 3	€ 9	€ 1	€ —	14.3	11.0	1.3
													14.9%	10.7%	
Oaktree Mezzanine Fund IV [9]	Oct. 2014	Oct. 2019	$ 852	81%	78%	$ 110	$ 232	$ 540	$ 514	$ —	$ 14	$ 523	11.4%	8.3%	1.2x
Oaktree Mezzanine Fund III [11]	Dec. 2009	Dec. 2014	1,592	nm	89	465	1,796	92	104	17	30	22	15.3	10.4 / 9.1	1.4
OCM Mezzanine Fund II	Jun. 2005	Jun. 2010	1,251	nm	88	493	1,691	54	—	—	—	131	10.9	7.4	1.6
OCM Mezzanine Fund [12]	Oct. 2001	Oct. 2006	808	nm	96	302	1,075	—	—	38	—	—	15.4	10.8 / 10.5	1.5
													13.0%	8.7%	
Emerging Markets Debt															
Oaktree Emerging Markets Opportunities Fund II [13]	TBD	—	$ 178	8%	8%	$ —	$ —	$ 13	$ 25	$ —	$ —	$ 12	nm	nm	1.0x
Oaktree Emerging Market Opportunities Fund	Sep. 2013	Sep. 2017	384	nm	78	117	324	92	78	8	13	51	15.7%	10.6%	1.5
Special Account F	Jan. 2014	Sep. 2017	253	nm	96	76	263	55	54	6	9	28	15.3	10.8	1.4
													15.5%	10.7%	
Private Equity															
Corporate Private Equity															
Oaktree European Principal Fund IV [7][10][13]	Jul. 2017	Jul. 2022	€ 1,119	77%	63%	€ 135	€ 9	€ 835	€ 1,093	€ —	€ 26	€ 751	nm	nm	1.1x
Oaktree European Principal Fund III [10]	Nov. 2011	Nov. 2016	€ 3,164	nm	85	€ 2,567	€ 2,140	€ 3,176	€ 2,455	€ —	€ 499	€ 1,696	19.1%	13.3%	2.1
OCM European Principal Opportunities Fund II [10]	Dec. 2007	Dec. 2012	€ 1,759	nm	100	€ 225	€ 1,865	€ 90	€ 348	€ 29	€ —	€ 757	6.9	2.5	1.3
OCM European Principal Opportunities Fund	Mar. 2006	Mar. 2009	$ 495	nm	96	$ 454	$ 927	$ —	$ —	$ 87	$ —	$ —	11.7	8.9	2.1
													13.6%	9.0%	

	Investment Period		As of September 30, 2018												
	Start Date	End Date	Total Committed Capital	% Invested [1]	% Drawn [2]	Fund Net Income Since Inception	Distri-butions Since Inception	Net Asset Value	Manage-ment Fee-gener-ating AUM	Incentive Income Recog-nized (Non-GAAP)	Accrued Incentives (Fund Level) [3]	Unreturned Drawn Capital Plus Accrued Preferred Return [4]	IRR Since Inception [5] Gross	IRR Since Inception [5] Net	Multiple of Drawn Capital [6]
								(in millions)							
Oaktree Power Opportunities Fund IV	Nov. 2015	Nov. 2020	$ 1,106	89%	88%	$ 115	$ 1	$ 1,086	$ 1,078	$ —	$ —	$ 1,088	12.2%	7.8%	1.2x
Oaktree Power Opportunities Fund III	Apr. 2010	Apr. 2015	1,062	nm	69	641	970	408	319	26	97	—	23.7	16.0	2.0
Legacy funds [8]	Various	Various	1,470	nm	63	1,689	2,616	—	—	123	—	—	35.1	27.4	2.8
													34.5%	26.2%	
Special Situations															
Oaktree Special Situations Fund II [7]	TBD	—	$ 1,217	1%	1%	$ (1)	$ —	$ 15	$ 57	$ —	$ —	$ 16	n/a	n/a	n/a
Oaktree Special Situations Fund [7]	Nov. 2015	Nov. 2018	1,377	100	73	208	163	1,049	1,125	—	38	933	28.5%	15.8%	1.3x
Other funds:															
Oaktree Principal Fund V	Feb. 2009	Feb. 2015	$ 2,827	nm	91%	$ 556	$ 1,760	$ 1,382	$ 1,381	$ 50	$ —	$ 2,137	7.7%	3.7%	1.4x
Special Account C	Dec. 2008	Feb. 2014	505	nm	91	196	423	233	242	21	—	273	10.1	6.9	1.5
OCM Principal Opportunities Fund IV	Oct. 2006	Oct. 2011	3,328	nm	100	2,947	6,166	110	—	554	20	—	12.3	8.9	2.0
Legacy funds [8]	Various	Various	3,701	nm	100	2,713	6,404	10	—	407	2	—	14.4	11.1	1.8
													13.0%	9.3%	
Real Assets															
Real Estate															
Oaktree Real Estate Opportunities Fund VII [13][14]	Jan. 2016	Jan. 2020	$ 2,921	82%	37%	$ 384	$ 244	$ 1,229	$ 2,747	$ —	$ 74	$ 897	nm	nm	1.5x
Oaktree Real Estate Opportunities Fund VI	Aug. 2012	Aug. 2016	2,677	nm	100	1,422	2,458	1,641	1,290	70	205	1,146	15.3%	10.3%	1.6
Oaktree Real Estate Opportunities Fund V	Mar. 2011	Mar. 2015	1,283	nm	100	987	2,081	189	113	152	36	—	17.2	12.7	1.9
Special Account D	Nov. 2009	Nov. 2012	256	nm	100	207	429	42	—	16	4	—	14.8	12.8	1.8
Oaktree Real Estate Opportunities Fund IV	Dec. 2007	Dec. 2011	450	nm	100	392	779	63	51	61	13	—	15.8	10.7	2.0
Legacy funds [8]	Various	Various	2,341	nm	99	2,010	4,324	2	—	232	—	—	15.2	11.9	1.9
													15.6%	11.9%	
Oaktree Real Estate Debt Fund II [9][13]	Mar. 2017	Mar. 2020	$ 2,087	47%	14%	$ 31	$ 32	$ 288	$ 894	$ —	$ 5	$ 267	nm	nm	1.2x
Oaktree Real Estate Debt Fund	Sep. 2013	Oct. 2016	1,112	nm	81	183	653	454	492	10	16	325	20.7%	15.4%	1.3
Oaktree PPIP Fund [15]	Dec. 2009	Dec. 2012	2,322	nm	48	457	1,570	—	—	47	—	—	28.2	n/a	1.4
Special Account G (Real Estate Income) [9][13]	Oct. 2016	Oct. 2020	$ 615	87%	87%	$ 82	$ 70	$ 544	$ 499	$ —	$ 16	$ 511	nm	nm	1.2x
Infrastructure															
Oaktree Transportation Infrastructure Fund	TBD	—	$ 1,091	—%	—%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	n/a	n/a	n/a
Highstar Capital IV [16]	Nov. 2010	Nov. 2016	2,000	nm	100	77	904	1,173	1,328	—	—	1,830	5.6%	1.5%	1.2x
									27,722 [10]		1,859 [10]				
								Other [17]	8,520		5				
								Total [18]	$ 36,242		$ 1,864				

(1) For our incentive-creating closed-end funds in their investment periods, this percentage equals invested capital divided by committed capital. Invested capital for this purpose is the sum of capital drawn from fund investors plus net borrowings, if any, outstanding, under a fund-level credit facility where such borrowings were made in lieu of drawing capital from fund investors.

(2) Represents capital drawn from fund investors, net of distributions to such investors of uninvested capital, divided by committed capital. The aggregate change in drawn capital for the three months ended September 30, 2018 was $0.9 billion.

(3) Accrued incentives (fund level) exclude non-GAAP incentive income previously recognized.

(4) Unreturned drawn capital plus accrued preferred return reflects the amount the fund needs to distribute to its investors as a return of capital and a preferred return (as applicable) before Oaktree is entitled to receive incentive income (other than tax distributions) from the fund.

(5) The internal rate of return ("IRR") is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in an investment to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero. Fund-level IRRs are calculated based upon the actual timing of cash contributions/distributions to investors and the residual value of such investor's capital accounts at the end of the applicable period being measured. Gross IRRs reflect returns before allocation of management fees, expenses and any incentive allocation to the fund's general partner. To the extent

material, gross returns include certain transaction, advisory, directors or other ancillary fees ("fee income") paid directly to us in connection with our funds' activities (we credit all such fee income back to the respective fund(s) so that our funds' investors share pro rata in the fee income's economic benefit). Net IRRs reflect returns to non-affiliated investors after allocation of management fees, expenses and any incentive allocation to the fund's general partner.

(6) Multiple of drawn capital is calculated as drawn capital plus gross income and, if applicable, fee income before fees and expenses divided by drawn capital.

(7) Fund data include the performance of the main fund and any associated fund-of-one accounts, except the gross and net IRRs presented reflect only the performance of the main fund. Certain fund-of-one accounts pay management fees based on cost basis, rather than committed capital.

(8) Legacy funds represent certain predecessor funds within the relevant strategy or product that have substantially or completely liquidated their assets, including funds managed by certain Oaktree investment professionals while employed at the Trust Company of the West prior to Oaktree's founding in 1995. When these employees joined Oaktree upon, or shortly after, its founding, they continued to manage the fund through the end of its term pursuant to a sub-advisory relationship between the Trust Company of the West and Oaktree.

(9) Management fees during the investment period are calculated on drawn capital or cost basis, rather than committed capital. As a result, as of September 30, 2018 management fee-generating AUM included only that portion of committed capital that had been drawn.

(10) Aggregate IRRs or totals are based on the conversion of cash flows or amounts, respectively, from euros to USD using the September 30, 2018 spot rate of $1.16.

(11) The fund's partnership interests are divided into Class A and Class B interests, with the Class A interests having priority with respect to the distribution of current income and disposition proceeds. The net IRR for Class A interests was 10.4% and Class B interests was 9.1%. The combined net IRR for Class A and Class B interests was 9.8%.

(12) The fund's partnership interests are divided into Class A and Class B interests, with the Class A interests having priority with respect to the distribution of current income and disposition proceeds. The net IRR for Class A interests was 10.8% and Class B interests was 10.5%. The combined net IRR for the Class A and Class B interests was 10.6%.

(13) The IRR is not considered meaningful ("nm") as the period from the initial capital contribution through September 30, 2018 was less than 36 months.

(14) A portion of this fund pays management fees based on drawn, rather than committed, capital.

(15) Due to differences in the allocation of income and expenses to this fund's two primary limited partners, the U.S. Treasury and Oaktree PPIP Private Fund, a combined net IRR is not presented. Of the $2,322 million in capital commitments, $1,161 million related to the Oaktree PPIP Private Fund, whose gross and net IRR were 24.7% and 18.6%, respectively.

(16) The fund follows the American-style distribution waterfall, whereby the general partner may receive an incentive allocation as soon as it has returned the drawn capital and paid a preferred return on the fund's realized investments (i.e., on a deal-by-deal basis). However, such cash distributions of incentives may be subject to repayment, or clawback. As of September 30, 2018, Oaktree had not recognized any incentive income from this fund. The accrued incentives (fund level) for this fund represents Oaktree's effective 8% of the potential incentives generated by this fund in accordance with the terms of the Highstar acquisition.

(17) This includes our closed-end Senior Loan funds, CLOs, a non-Oaktree fund and certain separate accounts and co-investments.

(18) The total excludes one closed-end fund with management fee-generating AUM of $109 million as of September 30, 2018, which has been included as part of the Strategic Credit strategy within the evergreen funds table.

Open-end Funds

	Strategy Inception	Management Fee-generating AUM as of Sept. 30, 2018	Twelve Months Ended September 30, 2018 Rates of Return (1) Oaktree Gross	Oaktree Net	Relevant Benchmark	Since Inception through September 30, 2018 Annualized Rates of Return (1) Oaktree Gross	Oaktree Net	Relevant Benchmark	Sharpe Ratio Oaktree Gross	Relevant Benchmark
		(in millions)								
Credit										
High Yield Bonds										
U.S. High Yield Bonds	1986	$ 14,722	2.0%	1.5%	3.2%	9.1%	8.6%	8.2%	0.80	0.57
Global High Yield Bonds	2010	3,617	2.5	2.0	3.0	7.0	6.4	6.7	1.12	1.10
European High Yield Bonds	1999	463	3.7	3.2	2.4	7.9	7.4	6.3	0.72	0.46
Convertibles										
U.S. Convertibles	1987	2,080	10.1	9.5	12.2	9.4	8.9	8.4	0.51	0.40
Non-U.S. Convertibles	1994	1,344	2.6	2.1	0.3	8.1	7.6	5.4	0.78	0.40
High Income Convertibles	1989	1,058	5.0	4.4	3.3	11.1	10.3	8.1	1.06	0.61
Senior Loans										
U.S. Senior Loans	2008	688	5.8	5.2	5.6	6.0	5.5	5.3	1.14	0.68
European Senior Loans	2009	1,455	2.2	1.7	2.8	7.4	6.8	8.0	1.65	1.67
Multi-Strategy Credit										
Multi-Strategy Credit (2)	Various	2,677	nm	nm	nm	nm	nm	nm	nm	nm
Listed Equities										
Emerging Markets Equities										
Emerging Markets Equities	2011	4,016	0.6	(0.2)	(0.8)	2.3	1.4	1.2	0.10	0.05
	Total	$ 32,120								

(1) Returns represent time-weighted rates of return, including reinvestment of income, net of commissions and transaction costs. The returns for Relevant Benchmarks are presented on a gross basis.
(2) Includes Global Credit Fund and individual accounts across various strategies with different investment mandates. As such, a combined performance measure is not considered meaningful (“nm”).

Evergreen Funds

	Strategy Inception	AUM	Management Fee-generating AUM	Accrued Incentives (Fund Level)	Twelve Months Ended September 30, 2018 Rates of Return (1) Gross	Net	Since Inception through September 30, 2018 Annualized Rates of Return (1) Gross	Net
		As of September 30, 2018	(in millions)					
Credit								
Private/Alternative Credit								
Strategic Credit (2)	2012	$ 5,390	$ 4,950	$ 14	12.3%	9.6%	9.8%	7.2%
Distressed Debt								
Value Opportunities	2007	1,124	1,042	20	19.7	14.6	10.2	6.3
Emerging Markets Debt								
Emerging Markets Debt (3)	2015	902	430	4	6.8	4.9	13.9	10.7
Listed Equities								
Value/Other Equities								
Value Equities (4)	2012	544	519	6	24.7	18.0	21.0	15.2
			6,941	44				
		Other (5)	734	11				
		Restructured funds	—	5				
		Total (2)	$ 7,675	$ 60				

(1) Returns represent time-weighted rates of return.
(2) Includes our publicly-traded BDCs and one closed-end fund with $108 million and $109 million of AUM and management fee-generating AUM, respectively. The rates of return reflect the performance of a composite of certain evergreen accounts and exclude our publicly-traded BDCs.
(3) Includes the Emerging Markets Debt Total Return and Emerging Markets Opportunities strategies. The rates of return reflect the performance of a composite of accounts for the Emerging Markets Debt Total Return strategy, including a single account with a December 2014 inception date.
(4) Includes performance of a proprietary fund with an initial capital commitment of $25 million since its inception in May 2012.
(5) Includes certain Real Estate and Multi-Strategy Credit accounts.

GLOSSARY

Accrued incentives (fund level) represents the incentive income that would be paid to us if the funds were liquidated at their reported values as of the date of the financial statements. Incentives created (fund level) refers to the gross amount of potential incentives generated by the funds during the period, and includes our pro-rata portion of performance fees attributable to our minority interest in DoubleLine earned in the period. We refer to the amount of accrued incentives recognized as revenue by us as incentive income. Amounts recognized by us as incentive income are no longer included in accrued incentives (fund level), the term we use for remaining fund-level accruals. Incentives created (fund level), incentive income and accrued incentives (fund level) are presented gross, without deduction for direct compensation expense that is owed to our investment professionals associated with the particular fund when we earn the incentive income. We call that charge "incentive income compensation expense." Incentive income compensation expense varies by the investment strategy and vintage of the particular fund, among many factors.

Adjusted net income ("ANI") is a measure of profitability for our investment management business. The components of revenues ("adjusted revenues") and expenses ("adjusted expenses") used in the determination of ANI do not give effect to the consolidation of the funds that we manage. Adjusted revenues include investment income (loss) that is classified in other income (loss) in the GAAP statements of operations, and management fees and incentive income include the portion of the earnings from management fees and performance fees, respectively, attributable to our 20% ownership interest in DoubleLine, which are reflected as investment income in our GAAP statements of operations. 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) income taxes, (d) other income or expenses applicable to OCG or its Intermediate Holding Companies, (e) the adjustment for non-controlling interests, (f) preferred unit distributions, and (g) the Tax Cuts and Jobs Act, including the remeasurement of our deferred tax assets and tax receivable liability in the fourth quarter of 2017. Moreover, 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. 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, and 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 statements of operations, for which the revenue standard is probable that significant reversal will not occur and the expense standard is probable and reasonably estimable. CLO investments are carried at fair value for GAAP reporting, whereas for ANI, 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. In periods prior to 2018, adjusted revenues and adjusted expenses reflected Oaktree's proportionate economic interest in Highstar, whereby amounts received for contractually reimbursable costs from a legacy Highstar fund were classified as expenses for ANI and as other income under GAAP. The legacy Highstar fund stopped paying management fees in 2017. As a result, we will no longer be receiving such reimbursement amounts. ANI is calculated at the Operating Group level.

Adjusted net income-Class A, or adjusted net income per Class A unit, a non-GAAP performance measure, is calculated to provide Class A unitholders with a measure that shows the portion of ANI attributable to their ownership. Adjusted net income-Class A represents ANI including the effect of (a) preferred unit distributions, (b) the OCGH non-controlling interest, (c) other income or expenses, such as income tax expense, applicable to OCG or its Intermediate Holding Companies and (d) any Operating Group income taxes attributable to OCG. Two of our Intermediate Holding Companies incur federal and state income taxes for their shares of Operating Group income. Generally, those two corporate entities hold an interest in the Operating Group's management fee-generating assets and a small portion of its incentive and investment income-generating assets. As a result, historically our fee-related earnings generally have been subject to corporate-level taxation, and most of our incentive income and other investment income generally has not been subject to corporate-level taxation. Thus, the blended effective income tax rate has generally tended to be higher to the extent that fee-related earnings represented a larger proportion of our ANI. A variety of other factors affect income tax expense and the effective income tax rate, and there can be no assurance that this historical relationship will continue going forward.

Assets under management ("AUM") generally refers to the assets we manage and equals the NAV of the assets we manage, the leverage on which management fees are charged, the undrawn capital that we are entitled to call from investors in our funds pursuant to their capital commitments, and our pro-rata portion of AUM managed by DoubleLine in which we hold a minority ownership interest. For our CLOs, AUM represents the aggregate par value of collateral assets and principal cash, for our publicly-traded BDCs, gross assets (including assets acquired with leverage), net of cash, and for DoubleLine funds, NAV. Our AUM includes amounts for which we charge no management fees.

- ***Management fee-generating assets under management*** *("management fee-generating AUM")* is a forward-looking metric and generally reflects the beginning AUM on which we will earn management fees in the following quarter, as well as our pro-rata portion of the fee basis of DoubleLine's AUM. Our closed-end funds typically pay management fees based on committed capital, drawn capital or cost basis during the investment period, without regard to changes in NAV, and during the liquidation period on the lesser of (a) total funded capital or (b) the cost basis of assets remaining in the fund. The annual management fee rate generally remains unchanged from the investment period through the liquidation period. Our open-end and evergreen funds typically pay management fees based on their NAV, our CLOs pay management fees based on the aggregate par value of collateral assets and principal cash, as defined in the applicable CLO indentures, our publicly-traded BDCs pay management fees based on gross assets (including assets acquired with leverage), net of cash, and DoubleLine funds typically pay management fees based on NAV. As compared with AUM, management fee-generating AUM generally excludes the following:
    - Differences between AUM and either committed capital or cost basis for most closed-end funds, other than for closed-end funds that pay management fees based on NAV and leverage, as applicable;
    - Undrawn capital commitments to closed-end funds that have not yet commenced their investment periods;
    - Undrawn capital commitments to funds for which management fees are based on drawn capital, NAV or cost basis;
    - Oaktree's general partner investments in management fee-generating funds; and
    - Funds that pay no management fees.
- ***Incentive-creating assets under management*** *("incentive-creating AUM")* refers to the AUM that may eventually produce incentive income. It generally represents the NAV of our funds for which we are entitled to receive an incentive allocation, excluding CLOs and investments made by us and our employees and directors (which are not subject to an incentive allocation), gross assets (including assets acquired with leverage), net of cash, for our publicly-traded BDCs, and our pro-rata portion of DoubleLine's incentive-creating AUM. All funds for which we are entitled to receive an incentive allocation are included in incentive-creating AUM, regardless of whether or not they are currently above their preferred return or high-water mark and therefore generating incentives. Incentive-creating AUM does not include undrawn capital commitments.

Class A units refer to the common units of OCG designated as Class A units.

Consolidated funds refers to the funds and CLOs that Oaktree is required to consolidate as of the respective reporting date.

Distributable earnings is a non-GAAP performance measure derived from our non-GAAP 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 investment income or loss and include the portion of income or loss on distributions received from funds and companies. In addition, distributable earnings differs from ANI in that (a) 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 and (b) make-whole premium charges related to the repayment of debt included in ANI are, for distributable earnings purposes, amortized through the original maturity date of the repaid debt. Finally, distributable earnings differs from ANI in that it is net of Operating Group income taxes and excludes non-cash equity-based compensation expense.

Distributable earnings-Class A, or distributable earnings per Class A unit, a non-GAAP performance measure, is calculated to provide Class A unitholders with a measure that shows the portion of distributable earnings attributable to their ownership. Distributable earnings-Class A represents distributable earnings, including the effect of (a) preferred unit distributions, (b) the OCGH non-controlling interest, (c) expenses, such as current income tax expense, applicable to OCG or its Intermediate Holding Companies and (d) amounts payable under a tax receivable agreement. The income tax expense included in distributable earnings-Class A represents the implied current provision for income taxes calculated using an approach similar to that which is used in calculating the income tax provision for adjusted net income-Class A.

Economic net income ("ENI") is a non-GAAP performance measure that we use to evaluate the financial performance of our business by applying the mark-to-market approach to incentive income. The mark-to-market 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, as compared to the GAAP criteria that it is probable that a significant reversal will not occur and the ANI criteria that the underlying fund distributions are known or knowable. ENI is computed by adjusting ANI for the change in accrued incentives (fund level), net of associated incentive income compensation expense, during the period.

Economic net income revenues is a non-GAAP measure applying the mark-to-market approach, instead of the GAAP revenue recognition approach, for incentive income, and reflects the adjustments described above under the definition of ANI.

Economic net income-Class A, or economic net income per Class A unit, a non-GAAP performance measure, is calculated to provide Class A unitholders with a measure that shows the portion of ENI attributable to their ownership. Economic net income-Class A represents ENI, including the effect of (a) preferred unit distributions, (b) the OCGH non-controlling interest, (c) other income or expenses, such as income tax expense, applicable to OCG or its Intermediate Holding Companies and (d) any Operating Group income taxes attributable to OCG. The income tax expense included in economic net income-Class A represents the implied provision for income taxes calculated using an approach similar to that which is used in calculating the income tax provision for adjusted net income-Class A.

Fee-related earnings ("FRE") is a non-GAAP performance measure that we use to monitor the baseline earnings of our business. FRE is derived from our non-GAAP results and is comprised of management fees ("fee-related earnings revenues") less operating expenses other than incentive income compensation expense and non-cash equity-based compensation expense. FRE is considered baseline because it excludes all non-management fee revenue sources and 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 those expenses also support the generation of incentive and investment income. FRE is presented before income taxes.

Fee-related earnings-Class A, or fee-related earnings per Class A unit, is a non-GAAP performance measure calculated to provide Class A unitholders with a measure that shows the portion of FRE attributable to their ownership. Fee-related earnings-Class A represents FRE including the effect of (a) the OCGH non-controlling interest, (b) other income or expenses, such as income tax expense, applicable to OCG or its Intermediate Holding Companies and (c) any Operating Group income taxes attributable to OCG. Fee-related earnings-Class A income taxes is calculated excluding any incentive income or investment income (loss).

Incentive income is generally recognized for our closed-end funds only after the fund has distributed all contributed capital plus an annual preferred return (commonly referred to as the European-style waterfall) and, for our evergreen funds, on an annual basis up to 20% of the year's profits, subject to a high-water mark or hurdle rate. For non-GAAP reporting, incentive income also includes the portion of the performance fees attributable to our minority equity interest in DoubleLine earned in the period.

Intermediate Holding Companies collectively refers to the subsidiaries wholly owned by us.

Invested capital reflects deployed capital, whether involving drawn or recycled equity capital, or borrowings from fund-level credit facilities. This metric is used in connection with incentive-creating closed-end funds and certain evergreen funds.

Management fees are recognized over the period in which our investment advisory services are performed and for non-GAAP reporting include the portion of the earnings from management fees attributable to our minority equity interest in DoubleLine.

Net asset value ("NAV") refers to the value of all the assets of a fund (including cash and accrued interest and dividends) less all liabilities of the fund (including accrued expenses and any reserves established by us, in our discretion, for contingent liabilities) without reduction for accrued incentives (fund level) because they are reflected in the partners' capital of the fund.

Oaktree, OCG, we, us, our or the Company refers to Oaktree Capital Group, LLC and, where applicable, its subsidiaries and affiliates.

Oaktree Operating Group ("Operating Group") refers collectively to the entities in which we have a minority economic interest and indirect control that either (i) act as or control the general partners and investment advisers of our funds or (ii) hold interests in other entities or investments generating income for us.

Preferred units or preferred unitholders refer to the Series A and Series B preferred units of OCG or Series A and Series B preferred unitholders, respectively, unless otherwise specified.

Relevant Benchmark refers, with respect to:

- our U.S. High Yield Bond product, to the FTSE US High-Yield Cash-Pay Capped Index;
- our Global High Yield Bond product, to an Oaktree custom global high yield index that represents 60% ICE BofAML High Yield Master II Constrained Index and 40% ICE BofAML Global Non-Financial High Yield European Issuers 3% Constrained, ex-Russia Index – USD Hedged from inception through December 31, 2012, and the ICE BofAML Non-Financial Developed Markets High Yield Constrained Index – USD Hedged thereafter;
- our European High Yield Bond product, to the ICE BofAML Global Non-Financial High Yield European Issuers excluding Russia 3% Constrained Index (USD Hedged);
- our U.S. Senior Loan product (with the exception of the closed-end funds), to the Credit Suisse Leveraged Loan Index;
- our European Senior Loan product, to the Credit Suisse Western European Leveraged Loan Index (EUR Hedged);
- our U.S. Convertible Securities product, to an Oaktree custom convertible index that represents the Credit Suisse Convertible Securities Index from inception through December 31, 1999, the Goldman Sachs/ Bloomberg Convertible 100 Index from January 1, 2000 through June 30, 2004, and the ICE BofAML All U.S. Convertibles Index thereafter;
- our non-U.S. Convertible Securities product, to an Oaktree custom non-U.S. convertible index that represents the JACI Global ex-U.S. (Local) Index from inception through December 31, 2014 and the Thomson Reuters Global Focus ex-U.S. (USD hedged) Index thereafter;
- our High Income Convertible Securities product, to the FTSE US High-Yield Market Index; and
- our Emerging Markets Equities product, to the Morgan Stanley Capital International Emerging Markets Index (Net).

Sharpe Ratio refers to a metric used to calculate risk-adjusted return. The Sharpe Ratio is the ratio of excess return to volatility, with excess return defined as the return above that of a riskless asset (based on the three-month U.S. Treasury bill, or for our European Senior Loan product, the Euro Overnight Index Average) divided by the standard deviation of such return. A higher Sharpe Ratio indicates a return that is higher than would be expected for the level of risk compared to the risk-free rate.

Uncalled capital commitments represent undrawn capital commitments by partners (including Oaktree as general partner) of our closed-end funds through their investment periods and certain evergreen funds. If a fund distributes capital during its investment period, that capital is typically subject to possible recall, in which case it is included in uncalled capital commitments.

EXHIBIT A

Use of Non-GAAP Financial Information

Oaktree discloses certain non-GAAP financial measures in this earnings release. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are presented below. Management makes operating decisions and assesses the performance of Oaktree's business based on these non-GAAP financial measures. These non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, net income, net income per Class A unit or other financial measures presented in accordance with GAAP.

Reconciliation of GAAP to Non-GAAP Results

The following table reconciles net income attributable to Oaktree Capital Group, LLC Class A unitholders to adjusted net income, fee-related earnings and distributable earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Net income attributable to OCG Class A unitholders	$ 52,750	$ 45,841	$ 136,603	$ 218,080
Preferred unit distributions	3,909	—	3,909	—
Incentive income (1)	7,935	—	107,581	41,954
Incentive income compensation (1)	(4,214)	—	(55,607)	(41,954)
Investment income (2)	(3,174)	(1,983)	(7,055)	(24,630)
Equity-based compensation (3)	1,098	1,137	3,826	4,558
Foreign-currency hedging (4)	(247)	(833)	(3,110)	(960)
Acquisition-related items (5)	1,703	(3,919)	443	(1,456)
Income taxes (6)	6,568	13,857	17,832	31,700
Non-Operating Group (income) expenses (7)	321	62	629	549
Non-controlling interests (7)	70,862	77,274	184,318	346,413
Adjusted net income (10)	137,511	131,436	389,369	574,254
Incentive income	(74,488)	(54,508)	(361,397)	(661,846)
Incentive income compensation	31,508	26,362	182,934	369,480
Investment income	(48,622)	(46,808)	(87,512)	(131,098)
Equity-based compensation (8)	13,649	14,691	40,788	40,971
Interest expense, net of interest income	2,197	6,280	8,006	19,795
Other (income) expense, net	(5,469)	(874)	(6,540)	(2,197)
Fee-related earnings (10)	56,286	76,579	165,648	209,359
Incentive income	74,488	54,508	361,397	661,846
Incentive income compensation	(31,508)	(26,362)	(182,934)	(369,480)
Realized investment income proceeds (9)	48,278	24,919	126,806	91,264
Interest expense, net of interest income	(2,197)	(6,280)	(8,006)	(19,795)
Other (income) expense, net	2,724	874	(1,695)	2,197
Operating Group income taxes	(222)	(5,208)	(5,108)	(7,850)
Distributable earnings (10)	$ 147,849	$ 119,030	$ 456,108	$ 567,541

(1) This adjustment adds back the effect of timing differences associated with the recognition of incentive income and incentive income compensation expense between GAAP and adjusted net income.
(2) This adjustment adds back the effect of differences in the recognition of investment income related to corporate investments in CLOs between GAAP and adjusted net income.
(3) This adjustment adds back the effect of equity-based compensation expense related to unit grants made before our initial public offering, which is excluded from adjusted net income because it is a non-cash charge that does not affect our financial position.
(4) This adjustment adds back the effect of timing differences associated with the recognition of unrealized gains and losses related to foreign-currency hedging between GAAP and adjusted net income.

(5) 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.
(6) Because adjusted net income and fee-related earnings are pre-tax measures, this adjustment adds back the effect of income tax expense.
(7) Because adjusted net income is 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.
(8) 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 and distributable earnings because it is non-cash in nature and does not impact our ability to fund our operations.
(9) This adjustment reflects the portion of distributions received from funds characterized as realized 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.
(10) Per Class A unit amounts are calculated to evaluate the portion of adjusted net income, fee-related earnings and distributable earnings attributable to Class A unitholders. Reconciliations of adjusted net income to adjusted net income-Class A, fee-related earnings to fee-related earnings-Class A and distributable earnings to distributable earnings-Class A are presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per unit data)			
Adjusted net income	$ 137,511	$ 131,436	$ 389,369	$ 574,254
Preferred unit distributions	(3,909)	—	(3,909)	—
Adjusted net income after preferred unit distributions	133,602	131,436	385,460	574,254
Adjusted net income attributable to OCGH non-controlling interest	(72,925)	(77,271)	(213,617)	(338,471)
Non-Operating Group income (expense)	(321)	(62)	(629)	(549)
Income taxes-Class A	(4,760)	(10,794)	(16,569)	(27,078)
Adjusted net income-Class A	$ 55,596	$ 43,309	$ 154,645	$ 208,156
Adjusted net income per Class A unit	$ 0.78	$ 0.67	$ 2.20	$ 3.26
Weighted average number of Class A units outstanding	71,369	64,394	70,167	63,875

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per unit data)			
Fee-related earnings	$ 56,286	$ 76,579	$ 165,648	$ 209,359
Fee-related earnings attributable to OCGH non-controlling interest	(30,723)	(45,020)	(91,614)	(123,404)
Non-Operating Group expenses	(239)	(209)	(984)	(886)
Fee-related earnings-Class A income taxes	(1,170)	(4,532)	(3,324)	(12,697)
Fee-related earnings-Class A	$ 24,154	$ 26,818	$ 69,726	$ 72,372
Fee-related earnings per Class A unit	$ 0.34	$ 0.42	$ 0.99	$ 1.13
Weighted average number of Class A units outstanding	71,369	64,394	70,167	63,875

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per unit data)			
Distributable earnings	$ 147,849	$ 119,030	$ 456,108	$ 567,541
Preferred unit distributions	(3,909)	—	(3,909)	—
Distributable earnings after preferred unit distributions	143,940	119,030	452,199	567,541
Distributable earnings attributable to OCGH non-controlling interest	(78,568)	(69,978)	(250,726)	(334,518)
Non-Operating Group income (expense)	(321)	(62)	(629)	(549)
Distributable earnings-Class A income taxes	1,687	4,323	3,327	(7,012)
Tax receivable agreement	(4,008)	(5,415)	(11,874)	(16,193)
Distributable earnings-Class A	$ 62,730	$ 47,898	$ 192,297	$ 209,269
Distributable earnings per Class A unit	$ 0.88	$ 0.74	$ 2.74	$ 3.28
Weighted average number of Class A units outstanding	71,369	64,394	70,167	63,875

The following table reconciles GAAP revenues to adjusted revenues, fee-related earnings revenues and distributable earnings revenues.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
GAAP revenues	$ 241,227	$ 235,032	$ 791,831	$ 1,158,672
Consolidated funds (1)	15,982	20,646	2,808	73,691
Incentive income (2)	7,935	—	107,581	41,954
Investment income (3)	55,022	49,078	142,627	125,988
Adjusted revenues	320,166	304,756	1,044,847	1,400,305
Incentive income	(74,488)	(54,508)	(361,397)	(661,846)
Investment income	(48,622)	(46,808)	(87,512)	(131,098)
Fee-related earnings revenues	197,056	203,440	595,938	607,361
Incentive income	74,488	54,508	361,397	661,846
Realized investment income proceeds	48,278	24,919	126,806	91,264
Distributable earnings revenues	$ 319,822	$ 282,867	$ 1,084,141	$ 1,360,471

(1) This adjustment represents amounts attributable to the consolidated funds that were eliminated in consolidation, the reclassification of gains and losses related to foreign-currency hedging activities from general and administrative expense to revenues, the elimination of non-controlling interests from adjusted revenues, and certain compensation and administrative related expense reimbursements netted with expenses.

(2) This adjustment adds back the effect of timing differences associated with the recognition of incentive income between adjusted revenues and GAAP revenues.

(3) This adjustment reclassifies consolidated investment income from other income (loss) to revenues and adds back the effect of differences in the recognition of investment income related to corporate investments in CLOs between adjusted revenues and GAAP revenues.

The following table reconciles net income attributable to OCG Class A unitholders to adjusted net income and economic net income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
Net income attributable to OCG Class A unitholders	$ 52,750	$ 45,841	$ 136,603	$ 218,080
Reconciling adjustments [(1)]	84,761	85,595	252,766	356,174
Adjusted net income	137,511	131,436	389,369	574,254
Change in accrued incentives (fund level), net of associated incentive income compensation [(2)]	16,298	33,241	(5,966)	(46,651)
Economic net income [(3)]	$ 153,809	$ 164,677	$ 383,403	$ 527,603

(1) Please refer to the table on page 27 for a detailed reconciliation of net income attributable to OCG Class A unitholders to adjusted net income.

(2) 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.

(3) Per Class A unit amounts are calculated to evaluate the portion of economic net income attributable to Class A unitholders. A reconciliation of economic net income to economic net income-Class A is presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per unit data)			
Economic net income	$ 153,809	$ 164,677	$ 383,403	$ 527,603
Preferred unit distributions	(3,909)	—	(3,909)	—
Economic net income after preferred unit distributions	149,900	164,677	379,494	527,603
Economic net income attributable to OCGH non-controlling interest	(81,821)	(96,814)	(209,381)	(311,105)
Non-Operating Group income (expense)	(321)	(62)	(629)	(549)
Economic net income-Class A income taxes	(6,121)	(10,459)	(16,598)	(27,192)
Economic net income-Class A	$ 61,637	$ 57,342	$ 152,886	$ 188,757
Economic net income per Class A unit	$ 0.86	$ 0.89	$ 2.18	$ 2.96
Weighted average number of Class A units outstanding	71,369	64,394	70,167	63,875

The following table reconciles GAAP revenues to adjusted revenues and economic net income revenues.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(in thousands)			
GAAP revenues	$ 241,227	$ 235,032	$ 791,831	$ 1,158,672
Consolidated funds [(1)]	15,982	20,646	2,808	73,691
Incentive income [(2)]	7,935	—	107,581	41,954
Investment income [(3)]	55,022	49,078	142,627	125,988
Adjusted revenues	320,166	304,756	1,044,847	1,400,305
Incentives created	134,966	135,595	365,468	508,414
Incentive income	(74,488)	(54,508)	(361,397)	(661,846)
Economic net income revenues	$ 380,644	$ 385,843	$ 1,048,918	$ 1,246,873

(1) This adjustment represents amounts attributable to the consolidated funds that were eliminated in consolidation, the reclassification of gains and losses related to foreign-currency hedging activities from general and administrative expense to revenues, the elimination of non-controlling interests from adjusted revenues, and certain compensation and administrative related expense reimbursements netted with expenses.

(2) This adjustment adds back the effect of timing differences associated with the recognition of incentive income between adjusted revenues and GAAP revenues.

(3) This adjustment reclassifies consolidated investment income from other income (loss) to revenues and adds back the effect of differences in the recognition of investment income related to corporate investments in CLOs between adjusted revenues and GAAP revenues.

The following tables reconcile GAAP consolidated financial data to non-GAAP data:

	As of or for the Three Months Ended September 30, 2018		
	Consolidated	Adjustments	ANI
		(in thousands)	
Management fees [1]	$ 175,195	$ 21,861	$ 197,056
Incentive income [1]	66,032	8,456	74,488
Investment income [1]	58,196	(9,574)	48,622
Total expenses [2]	(191,167)	5,240	(185,927)
Interest expense, net [3]	(39,456)	37,259	(2,197)
Other income, net [4]	5,629	(160)	5,469
Other income of consolidated funds [5]	75,230	(75,230)	—
Income taxes	(6,568)	6,568	—
Net income attributable to non-controlling interests in consolidated funds	(14,427)	14,427	—
Net income attributable to non-controlling interests in consolidated subsidiaries	(72,005)	72,005	—
Net income attributable to preferred unitholders	(3,909)	3,909	—
Net income attributable to OCG Class A unitholders / ANI	$ 52,750	$ 84,761	$ 137,511

(1) The adjustment (a) adds back amounts earned from the consolidated funds, (b) reclassifies DoubleLine investment income of $18,350 to management fees and $520 to incentive income, (c) for management fees, reclassifies $46 of net losses related to foreign-currency hedging activities from general and administrative expense and $2,835 of expense reimbursements grossed-up for GAAP reporting, but netted with expenses for ANI, (d) for incentive income, includes $7,935 related to timing differences in the recognition of incentive income between net income attributable to OCG Class A unitholders and adjusted net income, and (e) for investment income, includes $3,174 related to corporate investments in CLOs, which under GAAP are marked-to-market but for ANI accounted for at amortized cost, subject to impairment.

(2) The expense adjustment consists of (a) equity-based compensation expense of $1,098 related to unit grants made before our initial public offering, (b) consolidated fund expenses of $3,620, (c) expenses incurred by the Intermediate Holding Companies of $239, (d) the effect of timing differences in the recognition of incentive income compensation expense between net income attributable to OCG Class A unitholders and adjusted net income of $4,214, (e) acquisition-related items of $1,703, (f) $41 of net gains related to foreign-currency hedging activities, and (g) $2,835 of reimbursements grossed-up as revenues for GAAP reporting, but netted with expenses for ANI.

(3) The interest expense adjustment removes interest expense of the consolidated funds and reclassifies interest income from other income of consolidated funds.

(4) The adjustment to other income (expense), net represents adjustments related to the reclassification of $160 in net losses related to foreign-currency hedging activities from general and administrative expense.

(5) The adjustment to other income of consolidated funds removes interest, dividend and other investment income attributable to third-party investors in our consolidated funds, and reclassifies investment income to revenues and interest income to interest expense, net.

	As of or for the Three Months Ended September 30, 2017		
	Consolidated	Adjustments	ANI
		(in thousands)	
Management fees [1]	$ 181,312	$ 22,128	$ 203,440
Incentive income [1]	53,720	788	54,508
Investment income [1]	51,061	(4,253)	46,808
Total expenses [2]	(169,773)	1,859	(167,914)
Interest expense, net [3]	(35,776)	29,496	(6,280)
Other income, net [4]	5,418	(4,544)	874
Other income of consolidated funds [5]	62,272	(62,272)	—
Income taxes	(13,857)	13,857	—
Net income attributable to non-controlling interests in consolidated funds	(9,990)	9,990	—
Net income attributable to non-controlling interests in consolidated subsidiaries	(78,546)	78,546	—
Net income attributable to OCG Class A unitholders / ANI	$ 45,841	$ 85,595	$ 131,436

(1) The adjustment (a) adds back amounts earned from the consolidated funds, (b) reclassifies DoubleLine investment income of $16,825 to management fees and $780 to incentive income, (c) for management fees, reclassifies $199 of net gains related to foreign-currency hedging activities from general and administrative expense, and (d) for investment income, includes $1,983 related to corporate investments in CLOs, which under GAAP are marked-to-market but for ANI accounted for at amortized cost, subject to impairment.

(2) The expense adjustment consists of (a) equity-based compensation expense of $1,137 related to unit grants made before our initial public offering, (b) consolidated fund expenses of $950, (c) expenses incurred by the Intermediate Holding Companies of $209, (d) acquisition-related items of $3,919, (e) adjustments of $4,357 related to amounts received for contractually reimbursable costs that are classified as other income under GAAP and as expenses for ANI, and (f) $870 of net gains related to foreign-currency hedging activities.

(3) The interest expense adjustment removes interest expense of the consolidated funds and reclassifies interest income from other income of consolidated funds.

(4) The adjustment to other income (expense), net represents adjustments related to (a) amounts received for contractually reimbursable costs of $4,357 that are classified as other income under GAAP and as expenses for ANI, and (b) the reclassification of $187 in net losses related to foreign-currency hedging activities from general and administrative expense.

(5) The adjustment to other income of consolidated funds removes interest, dividend and other investment income attributable to third-party investors in our consolidated funds, and reclassifies investment income to revenues and interest income to interest expense, net.

	As of or for the Nine Months Ended September 30, 2018		
	Consolidated	Adjustments	ANI
		(in thousands)	
Management fees [(1)]	$ 538,706	$ 57,232	$ 595,938
Incentive income [(1)]	253,125	108,272	361,397
Investment income [(1)]	149,682	(62,170)	87,512
Total expenses [(2)]	(626,809)	(27,203)	(654,012)
Interest expense, net [(3)]	(115,504)	107,498	(8,006)
Other income, net [(4)]	7,240	(700)	6,540
Other income of consolidated funds [(5)]	157,641	(157,641)	—
Income taxes	(17,832)	17,832	—
Net income attributable to non-controlling interests in consolidated funds	(17,792)	17,792	—
Net income attributable to non-controlling interests in consolidated subsidiaries	(187,945)	187,945	—
Net income attributable to preferred unitholders	(3,909)	3,909	—
Net income attributable to OCG Class A unitholders / ANI	$ 136,603	$ 252,766	$ 389,369

(1) The adjustment (a) adds back amounts earned from the consolidated funds, (b) reclassifies DoubleLine investment income of $54,063 to management fees and $620 to incentive income, (c) for management fees, reclassifies $4,234 of net losses related to foreign-currency hedging activities from general and administrative expense and $9,508 of expense reimbursements grossed-up for GAAP reporting, but netted with expenses for ANI, (d) for incentive income, includes $107,581 related to timing differences in the recognition of incentive income between net income attributable to OCG Class A unitholders and adjusted net income, and (e) for investment income, includes $7,055 related to corporate investments in CLOs, which under GAAP are marked-to-market but for ANI accounted for at amortized cost, subject to impairment.

(2) The expense adjustment consists of (a) equity-based compensation expense of $3,826 related to unit grants made before our initial public offering, (b) consolidated fund expenses of $11,819, (c) expenses incurred by the Intermediate Holding Companies of $984, (d) the effect of timing differences in the recognition of incentive income compensation expense between net income attributable to OCG Class A unitholders and adjusted net income of $55,607, (e) acquisition-related items of $443, (f) $1,824 of net losses related to foreign-currency hedging activities, and (g) $9,508 of reimbursements grossed-up as revenues for GAAP reporting, but netted with expenses for ANI.

(3) The interest expense adjustment removes interest expense of the consolidated funds and reclassifies interest income from other income of consolidated funds.

(4) The adjustment to other income (expense), net represents adjustments related to the reclassification of $700 in net losses related to foreign-currency hedging activities from general and administrative expense.

(5) The adjustment to other income of consolidated funds removes interest, dividend and other investment income attributable to third-party investors in our consolidated funds, and reclassifies investment income to revenues and interest income to interest expense, net.

	As of or for the Nine Months Ended September 30, 2017		
	Consolidated	Adjustments	ANI
		(in thousands)	
Management fees (1)	$ 542,268	$ 65,093	$ 607,361
Incentive income (1)	616,404	45,442	661,846
Investment income (1)	150,618	(19,520)	131,098
Total expenses (2)	(785,761)	(22,692)	(808,453)
Interest expense, net (3)	(128,797)	109,002	(19,795)
Other income, net (4)	14,979	(12,782)	2,197
Other income of consolidated funds (5)	213,640	(213,640)	—
Income taxes	(31,700)	31,700	—
Net income attributable to non-controlling interests in consolidated funds	(23,543)	23,543	—
Net income attributable to non-controlling interests in consolidated subsidiaries	(350,028)	350,028	—
Net income attributable to OCG Class A unitholders / ANI	$ 218,080	$ 356,174	$ 574,254

(1) The adjustment (a) adds back amounts earned from the consolidated funds, (b) reclassifies DoubleLine investment income of $48,867 to management fees and $3,479 to incentive income, (c) for management fees, reclassifies $2,298 of net gains related to foreign-currency hedging activities from general and administrative expense, (d) for incentive income, includes $41,954 related to timing differences in the recognition of incentive income between net income attributable to OCG Class A unitholders and adjusted net income, and (e) for investment income, includes $24,630 related to corporate investments in CLOs, which under GAAP are marked-to-market but for ANI accounted for at amortized cost, subject to impairment.

(2) The expense adjustment consists of (a) equity-based compensation expense of $4,558 related to unit grants made before our initial public offering, (b) consolidated fund expenses of $5,782, (c) expenses incurred by the Intermediate Holding Companies of $886, (d) the effect of timing differences in the recognition of incentive income compensation expense between net income attributable to OCG Class A unitholders and adjusted net income of $41,954, (e) acquisition-related items of $1,456, (f) adjustments of $13,747 related to amounts received for contractually reimbursable costs that are classified as other income under GAAP and as expenses for ANI, and (g) $4,250 of net gains related to foreign-currency hedging activities.

(3) The interest expense adjustment removes interest expense of the consolidated funds and reclassifies interest income from other income of consolidated funds.

(4) The adjustment to other income (expense), net represents adjustments related to (a) amounts received for contractually reimbursable costs of $13,747 that are classified as other income under GAAP and as expenses for ANI, and (b) the reclassification of $967 in net gains related to foreign-currency hedging activities from general and administrative expense.

(5) The adjustment to other income of consolidated funds removes interest, dividend and other investment income attributable to third-party investors in our consolidated funds, and reclassifies investment income to revenues and interest income to interest expense, net.