OAKTREE INSIGHTS

JULY 2021

PERFORMING CREDIT QUARTERLY

2Q2021

OAKTREE

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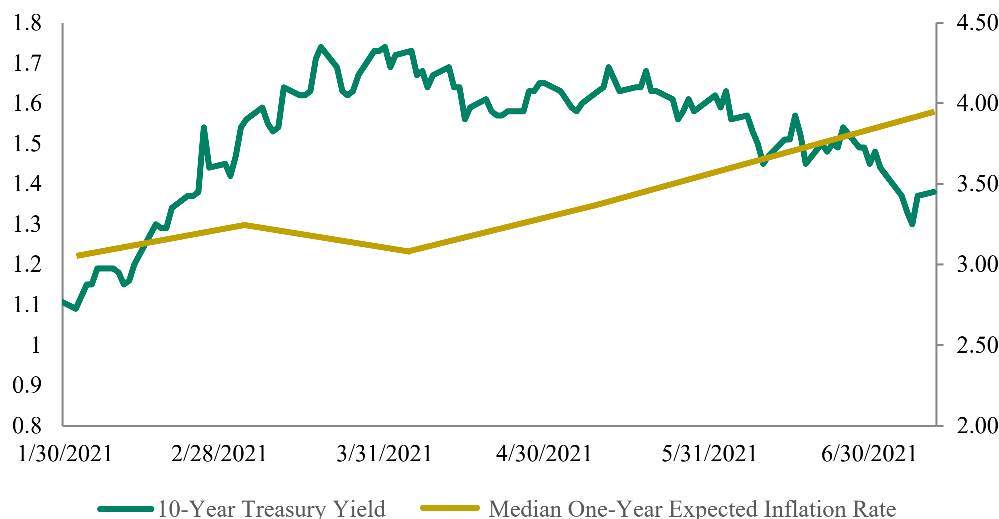
OVERVIEW

Inflation is alive and well and rising in the U.S. economy, but investors don't appear overly concerned. The Consumer Price Index rose by 5.4% in the 12 months through June – the fastest pace in over a decade. Yet the yield on the 10-year Treasury declined by almost 30 basis points in the second quarter, after jumping by roughly 80 bps in the previous three months (see Figure 1)[1]. This U-turn affected credit asset classes' relative performance, pushing some first-quarter laggards – like emerging markets debt – toward the front of the pack. Meanwhile, default rates kept falling and yield spreads kept narrowing as economic activity picked up. But if inflation rates remain high or the global economic recovery wobbles, today's complacent buyers could quickly turn into tomorrow's panicky sellers.

One effect of rising inflation is that the U.S. Federal Reserve has begun "talking about talking about" tightening monetary policy. The Federal Open Market Committee increased its 2021 inflation projection to 3.4% at its June meeting, a full percentage point above the March forecast.[2] But what garnered more media attention was the so-called dot plot (i.e., a visual representation of where FOMC participants believe the federal funds rate target should be in the coming years), which showed that two rate hikes are now expected by the end of 2023 – earlier than indicated in the March dot plot.[3]

The Fed news caused some hiccups in debt and equity markets, but the effect proved transitory. Investment grade and high yield bonds still posted strong second-quarter returns, and the S&P 500 Index continued its climb toward a new record high in late June. While the yield on the 2-year Treasury has remained elevated since the release of the FOMC's updated economic projections, the yield on the 10-year Treasury only experienced a one-day jump before continuing its downward slide.

Figure 1: Yield on the 10-Year Treasury Versus U.S. Consumer Inflation Expectations



Sources: U.S. Department of Treasury; Federal Reserve Bank of New York Survey of Consumer Expectations

Possible explanations for the rate plunge are wide-ranging. They include investors' belief that price increases will soon decelerate, strong foreign appetite for U.S. debt, fear that global growth may slow (especially as the Delta variant of SARS-CoV-2 spreads), and expectations that slightly tighter monetary policy in the next few years could reduce both the probability of runaway inflation and the need for significant interest rate increases.

While falling U.S. interest rates benefitted all fixed-rate asset classes in the second quarter, this phenomenon was especially helpful to emerging markets credit: EM corporate bonds returned 2.1%[4] , and EM high yield bonds returned 2.8%.[5] Investors often consider EM debt more attractive than its developed markets counterpart when U.S. interest rates are declining (as long as the drop isn't associated with a crisis). A weak dollar also boosted EM asset prices by helping to stabilize many countries' currencies. And high commodity prices helped make Latin American debt the asset class's top performer in the second quarter (the region is home to many large commodity exporters), as did investors' appetite for Argentina's relatively high yielding corporate debt.

While EM debt's yield spreads have narrowed rapidly in the past year, we don't believe risk in this market has decreased at the same pace. EM countries' Covid-19 vaccination rates are much lower than those in DM nations – less than 20% of populations in Latin America and Asia are fully vaccinated and less than 2% in Africa.[6] Further, the spread of the highly contagious Delta variant is putting pressure on local healthcare systems and jeopardizing economic recoveries. At the same time, rising inflation, driven primarily by high energy prices, is forcing some EM central banks (e.g., those in Brazil and Mexico) to tighten monetary policy. Finding value in EM debt will continue to involve deep analysis of companies to identify those that can perform well even if macroeconomic difficulties materialize.

U.S. and European high yield bonds were supported in the second quarter by the decline in interest rates, but improving economic conditions played a bigger role. Both regions' high yield bonds outperformed senior loans and collateralized loan obligations (CLOs) – asset classes characterized by floating rates – a reversal of the pattern seen in the first quarter. U.S. high yield bonds' return also eclipsed that of global convertible bonds in the three months through June, as the latter asset class was negatively affected by a new issuance glut and its low exposure to strong-performing value-oriented sectors like energy and financials.

If the global economic recovery continues, high yield bonds may benefit more than their investment grade counterparts because the former have more room for spread compression and are less sensitive to interest rate increases. In the U.S., credit spreads represent over four-fifths of high yield bonds' 4.0% yield,[7] meaning interest rates only account for about 20%. Compare that to investment grade bonds, where interest rates represent over half of the category's 2.0% yield.[8]

But as yield spreads narrow in traditional sub-investment-grade bonds, investors may find more potential value in structured credit like BB-rated CLOs or real-estate-backed instruments. The former offers wider spreads than CCC-rated high yield bonds, arguably less credit risk, and shorter duration,[9] and most yield spreads in the latter market remain wider than they were before the pandemic.[10]

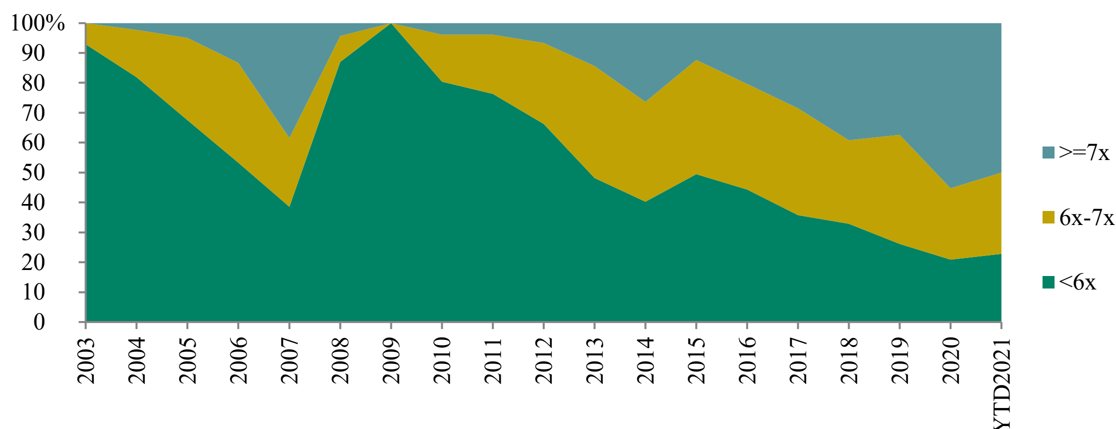
Investors may also look for value in private credit, which offers the potential for higher returns compared to publicly traded debt of similar creditworthiness, but also less liquidity. However, investors venturing into this market now must be especially selective because private equity firms – which came into 2021 with record-high levels of available capital – are pushing up prices for companies in private markets as they deploy these stockpiles of dry powder. Leverage levels in sponsor-backed leveraged buyout deals are quite high: around half of U.S. LBO deals involve total debt of at least seven times EBITDA. That's above the levels reported before the 2007–2009 Global Financial Crisis (see Figure 2 on page 3).[11] Still, investors with experience, structuring skill, access to deal flow and patience may be able to find value.

Moving forward, we remain optimistic about the global economic recovery, but we also believe investor complacency – particularly with regard to the persistence of rising inflation – may be one of the biggest risks in credit markets.

Assessing inflation risk is never easy, but it has become especially challenging over the last few months because economic data hasn't told a coherent story. U.S. job gains came in below economists' expectations in April and May, but above estimates in June.[12] And U.S. wage growth slowed overall in June compared to April and May, but wage gains remained quite strong for low-wage workers – especially those in leisure and hospitality.[13] Many business owners report that they are struggling to find workers, yet U.S. payrolls are still down by around 7 million compared to the pre-pandemic level.[14]

Figure 2: Debt Multiples on U.S. Leveraged Buyoutss

(Share of U.S. leveraged buyout market by leverage level)



Source: Refinitiv LPC, as of March 31, 2021

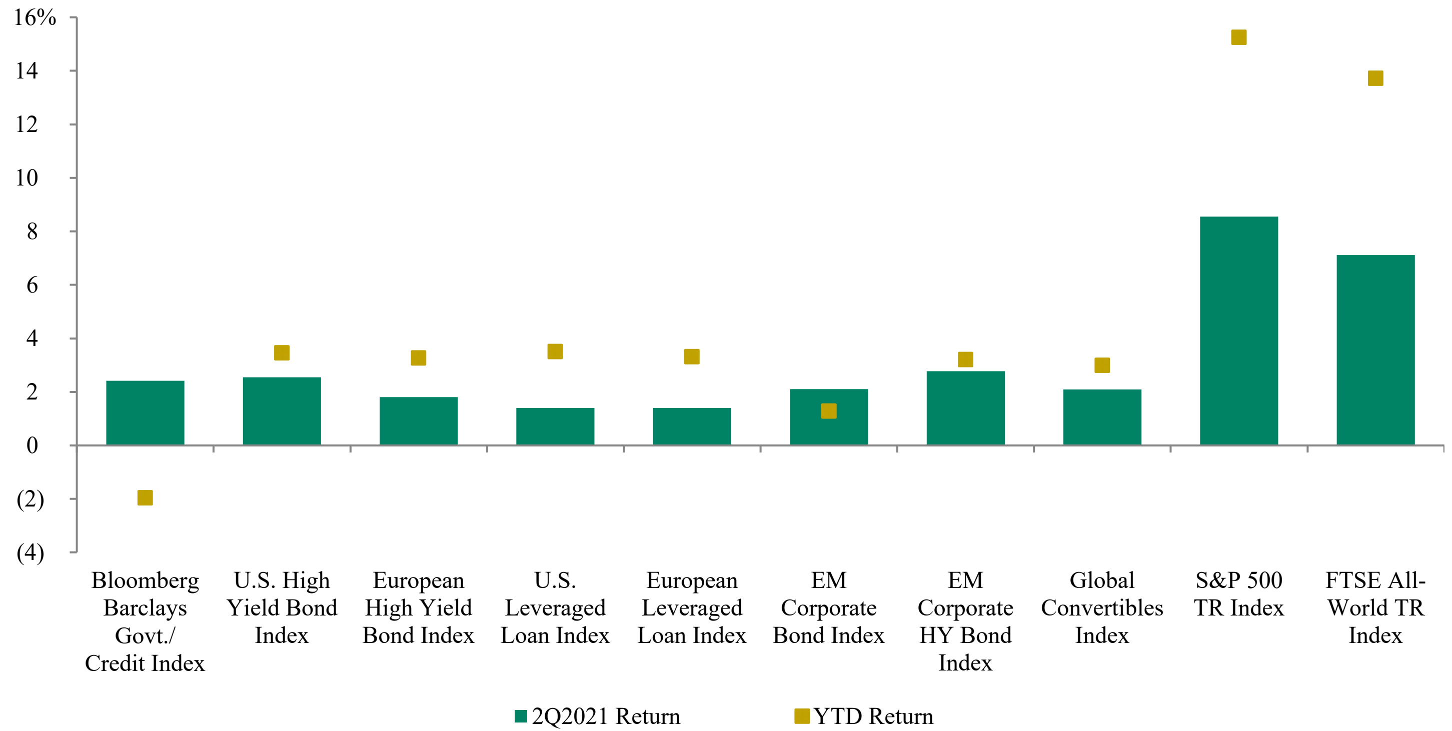
Additionally, it's difficult to assess how quickly supply constraints such as shipping bottlenecks will ease as consumers return to normal behavioral patterns – i.e., spending more on services and less on physical goods – especially as increased global economic activity could keep overall demand for goods high. Finally, the Delta variant's impact on economic reopenings and global demand remains a major unknown.

We ultimately doubt that anyone can accurately predict what will happen with inflation or interest rates in the next few years, but we also question why so many investors are positioned as though they can. Credit markets are pricing in a high degree of economic stability. If elevated inflation turns out not to be transitory, debt instruments – especially those with the longest duration – could reprice dramatically. This situation could make it challenging for companies with weak fundamentals to refinance their debt. Subsequent forced selling and panic could cause the debt of even strong companies to sell off, potentially creating buying opportunities.

So instead of trying to divine meaning in a set of dots, we believe investors should focus on what is in their portfolios. By maintaining flexibility and a margin of safety, investors may be positioned to capitalize on the type of dislocations that can occur when market participants have collectively decided that everything will be just fine.

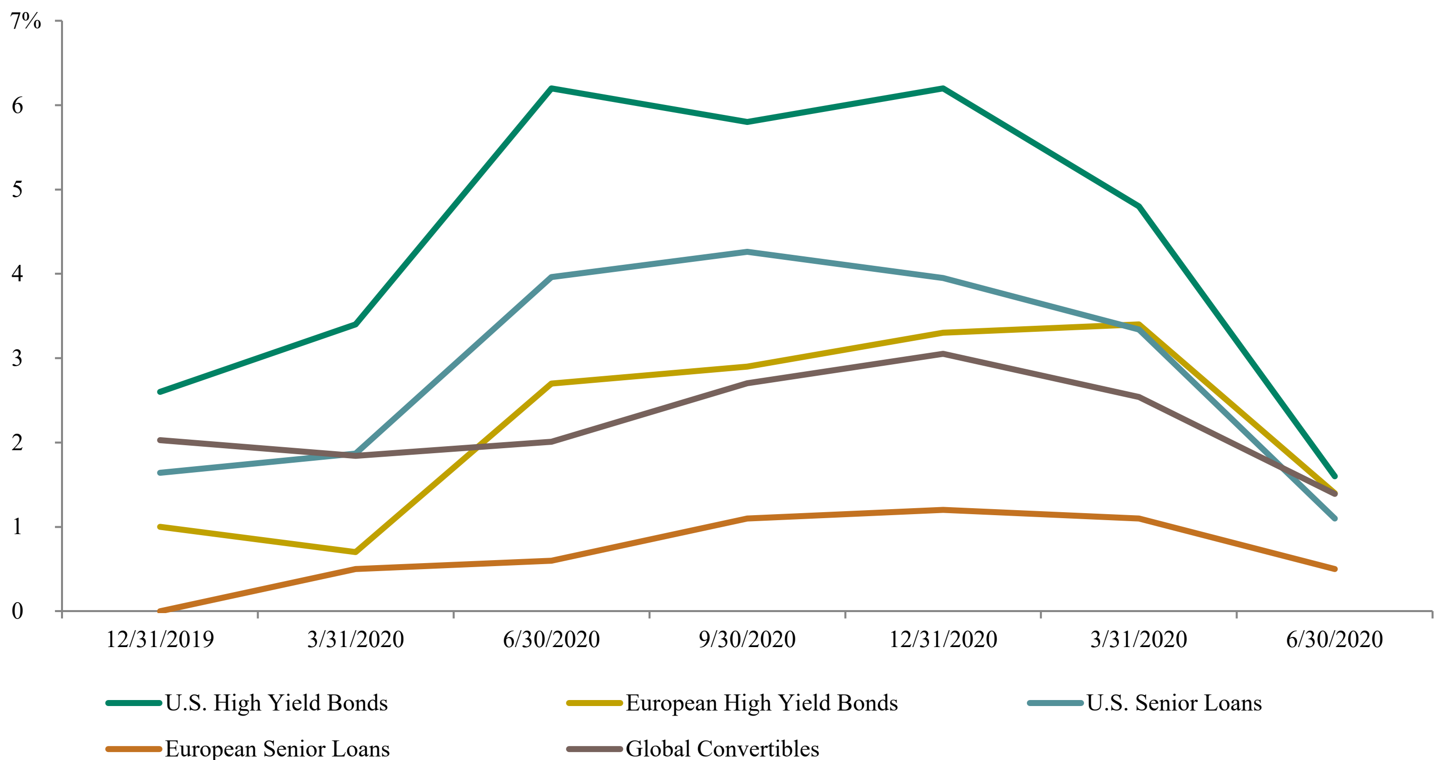
CHARTS

PERFORMANCE OF SELECT INDICES



As of June 30, 2021
Source: Bloomberg Barclays, Credit Suisse, FTSE, ICE BofA, JP Morgan, S&P Global, Thomson Reuters[15]

DEFAULT RATES BY ASSET CLASS



Source: Bank of America, Credit Suisse, JP Morgan[16]

HIGH YIELD BONDS

Market Conditions: 2Q2021

U.S. HIGH YIELD BONDS

Return: 2.6%[17]
New Issuance: $140.5bn[18]
LTM Default Rate: 1.6%[19]

- **Investor appetite for risky assets has been strong:** Economic reopenings, healthy corporate earnings, and a low default rate supported the asset class.
- **Investors embraced the riskiest portion of the market:** CCC-rated bonds outperformed higher-rated groups.[20]
- **Distress has been very low:** Under 0.2% of the market was trading at or under 50 cents on the dollar at quarter-end.[21]

EUROPEAN HIGH YIELD BONDS

Return: 1.8%[22]
New Issuance: €38.3bn[23]
LTM Default Rate: 1.4%[24]

- **The riskiest bond category outperformed:** Bonds trading below 70 cents on the euro at the beginning of the quarter returned over 20%.[25]
- **Quality remains high:** BB-rated bonds constituted nearly two-thirds of the market at quarter-end.[26] And the percentage of CCC-rated bonds is far lower than in the U.S. high yield bond market.[27]
- **Stress remains low:** Only 0.7% of bonds were trading below 90 cents on the euro at quarter-end.[28]
- **ESG-linked credit issuance has increased significantly:** €8.0 billion has been issued in 2021 through June 16, dwarfing the 2019 and 2020 full-year volumes.[29]
- **Covid-19-exposed sectors mostly posted strong returns:** Leisure was the best-performing sector in the European market, but the rebound is starting to taper.[30]

Outlook

Opportunities

- **The default environment has been benign:** Default rate expectations have continued to decline.[31]
- **Issuers should have significant flexibility:** The ubiquity of covenant lite bank loans (i.e., those with few investor protections or limitations on borrowers' activities) may help U.S. companies continue to service both their loans and bonds even if the economic recovery slows.
- **Companies have been able to refinance their debt:** U.S. and European companies have been able to extend maturities and reduce interest burdens.
- **Low interest rate sensitivity may be an advantage:** Duration in U.S. and European high yield bonds has decreased since March 2020, while that of investment grade bonds has increased.
- **Primary markets may offer attractive opportunities to rotate into instruments with wider spreads:** Volume is high in both regions' markets, and there is an attractive selection of B-rated bonds.

Risks

- **Monetary policy could tighten more quickly than anticipated:** This would be especially painful for lower-rated corporate issuers.
- **Inflation may weigh on companies' earnings:** Some firms may have trouble passing on cost inflation to customers.
- **Leverage levels could remain elevated:** Debt levels at European companies are above pre-pandemic levels, though they have declined from the highest levels recorded in 2020.

SENIOR LOANS

Market Conditions: 2Q2021

U.S. SENIOR LOANS

Return: 1.4%[32]
Issuance: $171.7bn[33]
LTM Default Rate: 1.1%[34]

- **The YTD return remains strong, but declining interest rates are a headwind:** Senior loans have outperformed many other sub-investment-grade asset classes YTD, but prices were negatively affected by falling U.S. interest rates in 2Q2021.
- **Retail demand has been robust:** Mutual funds and ETFs recorded seven consecutive months of inflows through June; inflows in the quarter totaled $11.5 billion.[35]
- **U.S. CLO formation continues to increase appetite for loans:** $44.0 billion in new CLOs priced in the second quarter.[36]
- **The default environment has been benign:** The trailing-12-month default rate is the lowest in over two years.[37]

EUROPEAN SENIOR LOANS

Return: 1.4%[38]
Issuance: €39.6bn[39]
LTM Default Rate: 0.5%[40]

- **Risky debt continues to outperform:** CCC-rated loans posted stronger returns than higher-rated debt, though the advantage has been shrinking.
- **Covid-19-exposed sectors performed well:** Energy and gaming/leisure were the top-performing sectors.
- **Distress was very limited:** 2.1% of the index was trading below 90 cents on the euro at quarter-end.[41]
- **ESG features are becoming more common:** Loans are increasingly including covenants linked to ESG key performance indicators.

Outlook

Opportunities

- **Senior loans may offer decent relative value:** They have relatively attractive yields and spreads compared to high yield bonds, along with first-lien status, shorter duration, and lower default expectations.
- **Healthy demand could remain a tailwind:** The pipeline of new issue CLOs in the U.S. and Europe may support loan prices, as should strong retail demand in the U.S.
- **Borrowers' fundamentals may improve:** Companies may have high cash flow levels to service debt.
- **Primary markets may provide attractive rotation opportunities:** Volume has been high to keep up with loan demand.

Risks

- **Elevated loan prices could limit return potential:** Around 30% of U.S. senior loans were trading above par at quarter-end.[42]
- **The supply/demand dynamic could encourage imprudent borrowing:** Robust demand and a benign default environment could enable firms to take on excessive leverage and borrow with weaker covenants.

EMERGING MARKETS DEBT

Market Conditions: 2Q2021

EM credit return: 2.1%[43]
EM high yield bond return: 2.8%[44]

- **EM yield spreads shrunk:** Lower U.S. interest rates, strong global growth, and increasing vaccination rates supported investor appetite for the asset class, causing spreads to approach or equal all-time lows.
- **Commodity prices have been elevated:** While the prices of some commodities (e.g., soybeans, corn and wheat) were weaker in 2Q2021 compared to those in the first quarter, prices remain above pre-pandemic levels. Many large EM countries, especially in Latin America, are net commodity exporters.
- **Argentine debt was the top performer in EM high yield bonds:** The country benefited from investor appetite for high-yielding assets in an ultra-low-rate environment. The country also made an interim agreement related to its Paris Club debts and benefited from rising vaccination rates. However, recent Covid-19 lockdowns have slowed the economic recovery.

Outlook

Opportunities

- **Issuers that can generate consistent cash flow may be well positioned:** This should be the case even if their respective countries suffer from economic weakness or political crises.

Risks

- **The U.S. economic recovery could falter:** A negative reversal in U.S. financial conditions has historically caused EM yield spreads to widen.[45]
- **EM countries' leverage levels are high:** Government debt burdens increased from 34% in 2012 to 62% in 2020.[46]
- **Countries' debt could be downgraded because of deteriorating fiscal conditions and political discontent:** For example, Colombia, which has faced protests over tax reform and has a widening fiscal deficit, recently saw its debt downgraded by two ratings agencies.
- **Rising inflation could cause local interest rates to increase:** High energy prices and other inflationary forces have already caused some EM countries' (e.g., Mexico and Brazil) central banks to tighten policy.

GLOBAL CONVERTIBLES

Market Conditions: 2Q2021

Return: 2.1%[47]
Issuance: $39.6bn[48]
LTM Default Rate: 1.4% [49]

- **Convertible bonds only partially benefited from strong global equity market performance:** The former only captured 30% of the latter's gain in the quarter.[50]
- **Robust new issuance created market indigestion:** The fast pace of new issuance[51] caused convertible valuations to "cheapen" (i.e., the fall in some convertible prices was steeper than what would have been expected on the basis of their theoretical sensitivity to the price changes in their underlying stocks).
- **Low exposure to traditional value sectors weighed on performance:** Energy, financials and materials – sectors that performed well during the second quarter – are underrepresented in convertibles.

Outlook

Opportunities

- **Strong equity markets could remain a tailwind:** The global economic rebound in 2021 should provide a supportive environment for stocks and thus convertibles, as the latter is normally highly correlated to the former.
- **The asset class's asymmetric risk/return profile will likely continue to be attractive:** As return potential in many credit instruments declines, debt investors may be increasingly attracted to convertibles' equity upside.

Risks

- **Elevated equity prices could decline:** Global equity markets have performed very well in 2021, but this could change if corporate earnings or economic activity are weaker than in current forecasts or if the Fed tightens monetary policy sooner than investors currently anticipate.
- **Growth companies could underperform:** Convertibles are highly exposed to growth-oriented stocks, many of which appear to be richly priced and highly vulnerable if risk assets reprice.

STRUCTURED CREDIT

Market Conditions: 2Q2021

Return: 4.8%[52]
U.S. Issuance: $43.0bn[53]
European Issuance: €7.3bn[54]

- **Corporate**
  - **Issuance has remained robust:** New CLO issuance totaled $15.7 billion in June, the highest monthly amount ever.[55] Reset and refinancing volumes remained high.
  - **The default environment has been benign:** Improving economic fundamentals have caused defaults and default expectations to decline.

- **Real Estate**
  - **Commercial real estate prices have increased significantly in 2021.**
  - **The improving economy is supporting CRE fundamentals:** The commercial mortgage-backed securities 30-day delinquency rate has continued to decline.
  - **Supply levels remain high:** YTD issuance of CMBS and CRE CLOs has almost surpassed the full-year 2020 levels.

Outlook

Opportunities

- **B- and BB-rated CLO debt tranches have many sources of potential value:** They have attractive structural and credit enhancements as well as low sensitivity to interest rates increases. They also still offer relatively attractive yields.
- **Non-U.S. structured credit markets may offer better value compared to much of the U.S. market:** Some other geographies offer instruments with wider spreads and more attractive structures compared to those with similar credit profiles in the U.S.

Risks

- **Robust supply could weigh on prices in the secondary market:** The high level of issuance, including refinancings and resets, could negatively impact the prices of existing instruments.
- **Uncertainty about the future of offices may affect CRE prices:** Employees are returning to offices, but it's unclear if hybrid working or full-time remote work will continue and reduce the need for office space.

PRIVATE CREDIT

Market Conditions: 2Q2021

- **U.S. direct lending deal flow has been somewhat muted:** Activity wasn't as robust as many experts anticipated in 2Q2021, but it was higher than in the first quarter.
- **Spreads over LIBOR for U.S. direct lending deals have shrunk to pre-pandemic levels.**
- **Bank lending in the European Union has declined:** European Central Bank data shows bank lending in the EU fell sharply in 2Q2021.[56]

Outlook

Opportunities

- **Fast-growing life sciences and software companies may seek to access capital through direct lending markets:** Significant lending opportunities could develop in these industries, driven by technological advancements and sizable research & development requirements.
- **Above-trend growth in Europe could increase demand for private capital:** The European Commission forecasts mid-single-digit GDP growth in 2021 and 2022. Private lenders may need to be involved to meet the demand for credit.
- **Europe's non-sponsor-backed market may offer attractive new direct lending opportunities:** European borrowers outside the sponsor-backed market have traditionally had to rely on banks or informal sources of capital, but they may now turn to direct lenders as bank lending declines.

Risks

- **Yield spreads could tighten:** Competition for assets has already caused yield spreads to shrink in the broadly syndicated loan market; this trend could extend to the middle market.
- **Debt-servicing costs in Europe could increase:** If interest rates increase, borrowers with floating-rate liabilities might struggle to service their debts, though borrowers may use interest-rate derivatives to reduce this risk.
- **European economies may struggle to fully reopen:** Variants and an increase in disease spread in the autumn could potentially increase the need for new lockdowns or travel restrictions.
- **Defaults in Europe could be higher than anticipated:** Lenders have been allowing borrowers to amend loan contracts to avoid facing defaults, but it's unclear if this trend will continue.

ABOUT THE AUTHORS

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Mr. Panossian is a managing director and Oaktree's Head of Performing Credit, as well as a member of the investment committee for Oaktree's Direct Lending strategy. He also serves as portfolio manager for the Strategic Credit strategy. His responsibilities include oversight of the firm's performing credit activities including the senior loan, high yield bond, private credit, convertibles, structured credit and emerging markets debt strategies. Mr. Panossian also serves as co-portfolio manager for Oaktree's Life Sciences Lending platform, which focuses on investment opportunities across the healthcare spectrum from biotechnology and pharmaceuticals to medical devices and healthcare services. Mr. Panossian joined Oaktree in 2007 as a senior member of its Opportunities investment team. In January 2014, he joined the U.S. Senior Loan team to assume co-portfolio management responsibilities and lead the development of Oaktree's CLO business. Mr. Panossian joined Oaktree from Pequot Capital Management, where he worked on their distressed debt strategy. Mr. Panossian received a B.A. degree in economics with honors and distinction from Stanford University, where he was elected to Phi Beta Kappa. Mr. Panossian then went on to receive an M.S. degree in health services research from Stanford Medical School and J.D. and M.B.A. degrees from Harvard Law School and Harvard Business School. Mr. Panossian serves on the Advisory Board of the Stanford Institute for Economic Policy Research. He is a member of the State Bar of California.

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Ms. Poli is a managing director and the product specialist for Oaktree's multi-strategy credit business, as well as a member of Oaktree's Global Credit Investment Committee. She also oversees the firm's Product Specialist Group and its three core, closely related activities: product investor relations, product marketing, and product development support. Prior to joining Oaktree in 2014, Ms. Poli worked at PAAMCO, where she was a senior analyst helping manage fund of hedge fund portfolios for institutional investors. Ms. Poli received a B.S. degree from USC's Marshall School of Business, and an M.B.A. from UCLA's Anderson School of Management, where she was recipient of the Laurence and Lori Fink Investment Management Fellowship. Ms. Poli is a CAIA charterholder.

ABOUT OAKTREE'S PERFORMING CREDIT PLATFORM

Oaktree Capital Management is a leading global alternative investment management firm with expertise in credit strategies. Our Performing Credit platform encompasses a broad array of credit strategy groups that invest in public and private corporate credit instruments across the liquidity spectrum. The Performing Credit platform, headed by Armen Panossian, has $46.7 billion in AUM and approximately 190 investment professionals.[57]

ENDNOTES

[1] U.S Department of the Treasury

[2] Median projection for the personal consumption expenditures (PCE) price index; Federal Open Market Committee *Summary of Economic Projections* released on June 16, 2021

[3] The dot plot shows the expected mid-point of the Federal Reserve's target range for the Federal Funds rate; Federal Open Market Committee *Summary of Economic Projections* released on June 16, 2021

[4] JP Morgan CEMBI Broad Diversified Index

[5] JP Morgan Corporate Broad CEMBI Diversified High Yield Index Level

[6] Our World in Data, a University of Oxford database

[7] ICE BofA US High Yield Index Effective Yield, as of July 16. 2021

[8] ICE BofA US Corporate Index Effective Yield, as of July 16, 2021

[9] JP Morgan; ICE BofA CCC & Lower US HY Index Option-Adjusted Spread

[10] ICE BofA Securities; JP Morgan

[11] Refinitiv LPC as of March 31, 2021

[12] U.S. Bureau of Labor Statistics

[13] U.S. Bureau of Labor Statistics

[14] U.S. Bureau of Labor Statistics

[15] The indices used in the graph are: Bloomberg Barclays Government/Credit Index, Credit Suisse Leveraged Loan Index, Credit Suisse Western European Leveraged Loan Index (USD hedged), FTSE High-Yield Cash-Pay Capped Index, ICE BofA Global Non-Financial HY European Issuers ex-Russia Index (USD Hedged), Thomson Reuters Global Focus Convertible Index (USD Hedged), J.P. Morgan Corporate Broad CEMBI Diversified High Yield Index (Local), S&P 500 Total Return Index, and FTSE All-World Total Return Index (Local).

[16] Trailing-12-Month Default Rate

[17] FTSE High Yield Cash-Pay Capped Index

[18] JP Morgan

[19] JP Morgan

[20] FTSE High Yield Cash-Pay Capped Index

[21] JP Morgan

[22] ICE BofA Global Non-Financial High Yield European Issuer, Excluding Russia Index; USD hedged

[23] S&P Global Leveraged Commentary & Data

[24] Credit Suisse

[25] ICE BofA Global Non-Financial High Yield European Issuer, Excluding Russia Index

[26] ICE BofA Global Non-Financial HY European Issuers, Excluding Russia Index; as of June 30, 2021

[27] Based on the ICE BofA Global Non-Financial High Yield European Issuer, Excluding Russia Index

[28] ICE BofA Global Non-Financial HY European Issuers, Excluding Russia Index; as of June 30, 2021

[29] S&P Global Leveraged Commentary & Data; includes sustainability-linked notes, sustainability bonds and green bonds

[30] ICE BofA Global Non-Financial HY European Issuers, Excluding Russia Index; as of June 30, 2021

[31] JP Morgan

[32] JP Morgan

[33] JP Morgan; $151.7bn net of repricings

[34] JP Morgan; Excludes distressed exchanges

[35] JP Morgan

ENDNOTES (CONTINUED)

[36] JP Morgan; Excludes refinancings and resets

[37] JP Morgan

[38] Credit Suisse Western Europe Leveraged Loan Index; USD hedged

[39] S&P Global Leveraged Commentary & Data

[40] Credit Suisse

[41] Credit Suisse Western Europe Leveraged Loan Index

[42] Factset

[43] JP Morgan CEMBI Broad Diversified Index

[44] JP Morgan Corporate Broad CEMBI Diversified High Yield Index

[45] Bloomberg U.S Financial Conditions Index; JPM EMBI Global Index Spread

[46] International Monetary Fund

[47] Thomson Reuters Global Focus Convertible Index

[48] Bank of America

[49] Bank of America

[50] Thomson Reuters Global Focus Convertible Index; FTSE All World TR Index

[51] Bank of America

[52] Blended Structured Credit Index: 50% JP Morgan CLO BB Post-Crisis Index, 50% Barclays US CMBS 2.0 Baa Index

[53] JP Morgan; new issue only, so doesn't include refinancings and resets

[54] JP Morgan; new issue only, so doesn't include refinancings and resets

[55] JP Morgan

[56] European Commission, *Spring 2021 Economic Forecast for Germany*; *Spring 2021 Economic Forecast for Germany*; *Spring 2021 Economic Forecast for Italy*

[57] The AUM figure is as of March 31, 2021 and excludes Oaktree's proportionate amount of DoubleLine Capital AUM resulting from its 20% minority interest therein. The total number of professionals includes the portfolio managers and research analysts across Oaktree's performing credit strategies.

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