

**OAKTREE CAPITAL MANAGEMENT, L.P.**

333 South Grand Avenue, 28<sup>th</sup> Floor

Los Angeles, California 90071

(213) 830-6300

<http://www.oaktreecapital.com>

Form ADV Part 2A - the Brochure

Updated: March 30, 2020

This brochure provides information about the qualifications and business practices of Oaktree Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at (213) 830-6300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Pursuant to an exemption from the Commodity Futures Trading Commission in connection with the accounts of Qualified Eligible Persons, this brochure or account document is not required to be, and has not been filed with the Commission. The Commodity Futures Trading Commission does not pass upon the merits of participating in a trading program or upon the adequacy or accuracy of Commodity Trading Advisor disclosure. Consequently, the Commodity Futures Trading Commission has not reviewed or approved this trading program or this brochure or account document.

Additional information about Oaktree Capital Management, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 2. MATERIAL CHANGES

Oaktree routinely makes changes throughout its brochure in an effort to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices. Since the last annual update, dated March 29, 2019, Oaktree filed an other-than-annual amendment on November 1, 2019 to reflect the following material change:

- On September 30, 2019, Brookfield Asset Management Inc. ("Brookfield") completed the acquisition of approximately 61.2% of the business of Oaktree Capital Group, LLC, an indirect controlling parent of Oaktree, which together with certain related transactions results in Brookfield owning a majority economic interest in Oaktree's business. Accordingly, Item 11 was updated to describe the conflicts relating to this acquisition and how such conflicts are addressed.

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## ITEM 4. ADVISORY BUSINESS

### A. ADVISORY BUSINESS

Oaktree Capital Management, L.P. ("Oaktree" or "we") was founded in April 1995 and is a leader among global investment managers specializing in alternative investments. Oaktree manages assets across a wide range of investment strategies within four asset classes: Credit, Private Equity, Real Assets, and Listed Equities, which are described more fully in Item 8 below.

Oaktree offers investment advisory services in the investment strategies more fully described in Item 8 below to clients with separately managed accounts ("Managed Accounts") and to private limited partnerships and other pooled investment vehicles ("Managed Funds") for which either Oaktree or an affiliate acts as general partner and/or investment manager. Our Managed Funds may include any separately managed accounts structured as a limited partnership or limited liability company managed by us with the client as the limited partner or non-managing member. Our Managed Accounts and Managed Funds are sometimes referred to in this brochure collectively as "accounts."



In connection with Managed Accounts, clients establish such accounts with Oaktree by depositing funds or securities into accounts maintained by qualified independent custodians and granting Oaktree discretionary authority to invest such funds pursuant to each client's investment needs, objectives, and restrictions as stated in each client's management agreement and other account documentation with Oaktree. For Managed Funds, the investment objectives and restrictions are detailed in the relevant Managed Fund's governing documents. The principal owners (defined as any person who owns 25% or more) of Oaktree are Oaktree Capital Group Holdings, L.P. and Oaktree Capital Management GP, LLC. References to Oaktree and we, as the context requires, include non-U.S. affiliates that provide investment advisory services to accounts. One of such affiliates is considered a relying adviser and are more fully described under Item 10 below.

As of December 31, 2019, we managed \$99,369,280,580 on a discretionary basis. This amount reflects regulatory assets under management as calculated in Part 1 of our Form ADV.

#### B. BROOKFIELD ASSET MANAGEMENT TRANSACTION

On September 30, 2019, affiliates of Brookfield Asset Management Inc. ("Brookfield") completed the acquisition of all of the previously outstanding Class A common units of Oaktree Capital Group, LLC ("OCG"), formerly the indirect controlling parent of Oaktree (Oaktree, together with its "advisory affiliates" and "related persons" as defined in Form ADV), which together with certain related transactions has resulted in affiliates of Brookfield owning an approximate 61.2% economic interest in Oaktree's business (the "Acquisition"). Brookfield and Oaktree have continued to operate their respective investment businesses largely independently, with each remaining under its own brand and led by its existing management and investment teams. Oaktree and Brookfield manage their investment operations independently of each other subject to an information barrier between the firms. Oaktree does not consider Brookfield or its affiliates to be its "advisory affiliates" or "related persons" for purposes of this Form ADV. For more information regarding Brookfield and its affiliates, please refer to the Form ADV of Brookfield affiliated investment advisers: Brookfield Public Securities Group LLC (CRD# 110497), Brookfield Asset Management PIC Canada, LP (CRD# 151605), Brookfield Asset Management Private Institutional Capital Adviser (Credit), LLC (CRD# 170811), Brookfield Asset Management PIC Adviser (Private Equity), L.P. (CRD# 171207), and Brookfield Asset Management PIC U.S. LLC (CRD# 151599).

## ITEM 5. FEES AND COMPENSATION

#### A. COMPENSATION FOR ADVISORY SERVICES

The description below of our fees and compensation is intended to provide a brief summary of the more typical fee structures shared by certain types of our accounts and is not intended to depict every scenario where such structures may differ. Please refer to our accounts' governing documents for specific details regarding all fees and expenses for specific accounts.

##### (1) Management Fees

As investment adviser or sub-adviser of the Managed Funds, Oaktree or its affiliates generally receives management fees on a monthly or quarterly basis based on annual fee rates, the amount of which varies depending upon the relevant Managed Fund, and is set forth within the terms of the relevant governing document, investment management agreement or sub-advisory agreement of such Managed Fund.

In the case of our closed-end Managed Funds, management fees during the investment period of such funds are typically calculated as a fixed percentage, in the range of 0.85% to 1.75% per year, based on either (i) total committed capital (through the final close, these fees are earned on a retroactive basis to the start of such fund's investment period) or (ii) total invested capital, which may include drawn capital or borrowings incurred in lieu of drawing capital. In certain cases, additional fees may be charged, at the discretion of Oaktree, to cover administrative expenses incurred by Oaktree and/or its affiliates in cases where the committed capital is lower than the stated minimum capital amount. During the liquidation period of the closed-end Managed Funds, the management fee generally remains the same fixed percentage, applied against



the lesser of the total invested capital (including indebtedness incurred in lieu of drawing capital) and the cost basis of assets during the liquidation period. Oaktree's right to receive management fees from a closed-end Managed Fund typically ends after 10 or 11 years from the start of such fund's investment period, even if assets remain to be liquidated.

For Oaktree's open-end and evergreen Managed Funds, the management fee is generally based on the net asset value of the relevant fund. Generally, our open-end Managed Funds pay management fees ranging from 0.50% to 0.65% of net asset value of the relevant fund per year, paid monthly or quarterly. Our evergreen Managed Funds pay a management fee typically quarterly, ranging from 1.0% to 2.0% per year, based on a fixed percentage of the net asset value of the relevant fund.

Additionally, collateral management fees for certain of our Managed Funds that are structured as collateralized loan obligation vehicles ("CLOs") are payable in arrears only to the extent that funds are available in accordance with the priority of payments described in the governing documents of such CLOs and may include a performance fee in the event that certain subordinated note return thresholds are exceeded.

Management fees for Managed Accounts vary and are negotiated between Oaktree and the client and take into consideration the scope of management involved, the size of the account, and the particular investment objectives and needs of each client.

Oaktree also provides clients with multi-strategy investment allocation. Assets in a multi-strategy account may be allocated and managed by Oaktree in Managed Accounts or Managed Funds. A multi-strategy allocation account may be charged a flat fee, or in accordance with the applicable fee (or weighted average) for the Managed Account or Managed Fund in which the assets are invested, as negotiated by the client and Oaktree.

From time to time Oaktree may in its sole discretion afford certain investors in Managed Funds or clients of Managed Accounts more favorable economic terms than other investors in the same Managed Fund or other clients of Managed Accounts within the same or similar investment strategy, including with respect to both management and performance-based fees, generally based on the timing and aggregate size of commitments of such investor or client, as applicable, to one or more accounts managed by Oaktree or its affiliates. Any fees may be reduced or waived entirely by Oaktree or its affiliates in their sole discretion.

## (2) Performance-Based Fees

Oaktree and its affiliates have the potential to earn performance-based compensation in the form of performance fees or profit/incentive allocations from our closed-end and evergreen Managed Funds. The amount of such performance-based compensation and the calculation and timing of payment of such compensation are set forth in the terms of the governing documents of such Managed Fund. Generally for closed-end Managed Funds, we are entitled to receive up to 20% of the realized profits of a fund's aggregate investments after such fund first distributes all contributed capital from the inception of the fund plus an annual preferred return, typically 8%, to its investors. As a result, Oaktree generally receives a profit or incentive allocation from a closed-end Managed Fund, if any, in the latter part of a fund's life, although earlier in such fund's term we may receive tax distributions to cover our allocable share of income taxes.

With respect to certain of our evergreen Managed Funds, we receive annual performance-based compensation up to 20% of the year's profits, subject to either a high-water mark or hurdle rate. A high-water mark refers to the highest historical net asset value attributable to an investor's account. For funds that have a high-water mark, this means that Oaktree does not earn annual performance fees with respect to an investor in such fund if such investor's year-end net asset value is lower than any prior year's net asset value, excluding any contributions or redemptions.

Certain Managed Accounts pay performance-based fees based on terms reflected in the investment management agreement. In the case of certain open-end and evergreen Managed Funds and certain Managed



Accounts, in lieu of charging the regular management fee applicable to the relevant strategy, Oaktree has the potential to earn performance-based fees, typically in reference to a relevant benchmark index or hurdle rate.

Generally, any eligible Oaktree employee, former employee, officer or director (or their respective family trusts or other estate planning vehicles which they control) who invests his or her own capital in any Managed Fund (including through a separate pooled investment vehicle for employees) or receives ownership in a particular investment or Managed Fund as compensation is not subject to paying any performance-based fees to Oaktree or its affiliates.

(3) Transaction-Based Fees

Generally, for Managed Funds and certain Managed Accounts, any transaction and monitoring fees (including fees and income paid by portfolio companies), directors' fees, break-up fees, success fees or other similar fees or compensation received by Oaktree or its affiliates in connection with investments, net of any related expenses paid by Oaktree or its affiliates ("Deal Fees"), will reduce on a dollar-for-dollar basis the applicable management fee and, to the extent necessary to absorb any excess Deal Fees, performance-based compensation (including carried interest) otherwise payable to Oaktree or its affiliates. For example, an arrangement may be established in which portfolio companies pay transaction fees or monitoring fees to Oaktree, including monitoring arrangements that include acceleration of such fees or early termination payments equal to the monitoring fees that would have been earned had the monitoring arrangement continued on such terms as Oaktree deems appropriate in its sole discretion. In many cases with respect to the implementation of such arrangements, there is not an independent third party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other terms in the applicable agreement with the portfolio company, which may be more favorable to Oaktree or its affiliates than terms that would otherwise be available on an arm's length market basis. There is also a risk that such fees could exceed available management fee offsets, resulting in an economic benefit to Oaktree or its affiliates at the expense of investors or clients, or that Oaktree or its affiliates will benefit from the accelerated timing of monitoring fees relative to the timing on which management fees would otherwise be paid.

In addition, former Oaktree employees may become employees, officers or directors of, or otherwise engaged by, portfolio companies. Current Oaktree employees may also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. Those companies may pay such persons' directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives and may reimburse such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Oaktree may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by Oaktree to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the management fee paid or carried interest distributed by the Managed Fund to Oaktree will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by Oaktree and reimbursed by a portfolio company) will not be treated as Deal Fees and will not be offset against the management fees otherwise payable to Oaktree or any carried interest distributions otherwise payable to Oaktree or its affiliates. All or a portion of any such compensation and incentives will be borne by the Managed Fund, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be characterized as an Industry Specialist (as defined below), an employee or former employee of Oaktree, or a seconded employee may be unclear. In such cases, Oaktree will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

The reduction of the management fee and, to the extent necessary, the performance-based compensation with respect to Deal Fees received relating to an investment held by more than one account, will be allocated



pro rata between the accounts on the basis of their respective invested capital in the investments giving rise to such Deal Fees. For the avoidance of doubt, for certain Managed Funds, the applicable management fee will not be reduced by amounts of Deal Fees that are attributable to interests in the Managed Fund held by Oaktree or its affiliates and any Deal Fees attributable to Oaktree or its affiliates' interests in the Managed Fund may be retained by Oaktree or any of its affiliates or by any employees, officers or senior executives of Oaktree or any of their respective affiliates, as applicable. Any award of a stock option or other non-cash compensation in the ordinary course received by any employee of Oaktree or its affiliates in connection with an investment will not offset the management fee unless such stock option or other non-cash compensation has been transferred directly to Oaktree under the applicable documents or agreements governing such option or other non-cash compensation and Oaktree actually monetizes or otherwise realizes value of such stock option or other non-cash compensation. Managed Funds and Managed Accounts that do not pay management fees may not receive the benefit of any offset, and accounts that pay a lower fee will receive a proportionately lower offset.

#### B. DEDUCTION OF FEES

**Management Fees.** For Managed Accounts, clients are generally billed directly for management fees. For Managed Funds, the management fees are typically deducted from the assets of the Managed Fund.

**Performance-Based Compensation.** For Managed Accounts, clients are generally billed directly for performance-based compensation, if any. For Managed Funds, performance-based compensation is allocated and paid to Oaktree or its affiliates from the assets of the Managed Fund.

**Timing.** Generally, management fees for Managed Accounts are charged quarterly. To the extent that a Managed Account is in existence less than a full payment period, the management fee will be pro-rated. For Managed Funds, management fees may be charged either quarterly or monthly. To the extent that a Managed Fund is in existence less than a full payment period, the respective management fee will be pro-rated.

#### C. FEES PAID IN ADVANCE AND REFUNDS

Depending on the Managed Fund, management fees may be charged in advance or in arrears. Management fees for our Managed Accounts are generally charged in arrears.

An investor in our open-end or evergreen Managed Funds that is paying fees in advance has the ability to withdraw from such fund, as applicable, and Oaktree has the ability to terminate its services with an open-end or evergreen Managed Fund, in either case in accordance with the terms of the applicable governing document. However, investors are generally not permitted to withdraw prior to the period covered by such fees.

An investor in our closed-end Managed Funds generally does not have the ability to withdraw from the closed-end fund, except under certain limited circumstances.

#### D. EXPENSES

##### (1) Account Operating Expenses

Subject to its governing documents, an account may also bear out-of-pocket costs, fees, expenses and liabilities that are incurred by, or arise out of the operation and activities of or otherwise are related to, such account, including those incurred by Oaktree or its affiliates on behalf of or that are allocable to such account, including:

- costs, fees, expenses and liabilities relating to the sourcing, developing, evaluating, negotiating, structuring, acquiring, bidding on, committing to, holding, administering, monitoring, financing, refinancing, managing, restructuring, disposing, taking public or private, selling, winding up, liquidating, trading and hedging investments (and proposed but unconsummated investments, as applicable), including appraiser, retainer, finder, placement, adviser, consultant (including Industry Specialists, as defined below), custodian, subcustodian, depositary, transfer agent, disbursal, brokerage, registration, legal and other similar costs, fees and expenses, in each case, to the extent that such costs, fees and





expenses are not reimbursed by a portfolio company, an issuer or other third party; reasonable travel and related expenses associated therewith, which may include business or first class airfare and, in limited circumstances, private air travel (including reimbursement of Oaktree or its employees for the use of aircraft owned or leased by them), in each case, consistent with Oaktree's travel policies, provided that such travel and related expenses are related to (i) permitted investments (whether consummated or proposed but unconsummated), including in each case, those incurred in connection with the sourcing, developing, evaluating, negotiating, structuring, acquiring, bidding on, committing to, holding, administering, monitoring, financing, refinancing, managing, disposing, taking public or private, selling, winding up, liquidating, trading and hedging thereof, (ii) meeting with or reporting to one or more investors or their representatives or (iii) the provision of services to and the administration of an account);

- Bloomberg fees, research and software expenses, and other expenses incurred in connection with data services providing price feeds, news feeds, securities and company information, company fundamental data, and "S&P Index Alerts" attributable to such investments;
- costs, fees and expenses for other third-party research (including calls, meetings and conferences hosted by third party research providers), news, industry information, analytics and expert networks/research resources;
- costs, fees and expenses for support services (including data processing, trading, settlement, client relations, accounting, legal, compliance and tax support and other services) outsourced to third-party service providers (including providers that may be exclusive to Oaktree);
- legal, compliance, custodial, depository, trading, settlement, client relations, reporting, auditing, accounting and banking costs and related fees, expenses and costs attributable to, or associated with activities such as (i) information management software, extranet tools, web portals and computer systems used in connection with an account and its activities, (ii) in the case of a Managed Fund, the preparation of financial statements, tax returns and Schedule K-1s (or equivalent forms), (iii) the filing of various foreign tax withholding and treaty forms, and (iv) the representation of a Managed Fund or its investors by the partnership representatives (previously referred to as tax matters partners) for such Managed Fund;
- costs, fees and expenses related to or associated with a depository appointed pursuant to the AIFM Directive (as defined below) or pursuant to any national private placement regime in any jurisdiction, a Swiss representative and paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended) and the reporting, filing and other compliance requirements (other than the initial registrations, filings and compliance requirements that are categorized as organizational expenses) contemplated by the AIFM Directive or any national private placement regime in any jurisdiction (including any reporting required in connection with Annex IV of the AIFM Directive);
- appraisal and valuation costs, fees and expenses, including costs, fees and expenses of independent appraisal or valuation services or third-party vendor price quotations;
- costs, fees and expenses related to organizing persons, including any alternative investment vehicle, through or in which investments are made;
- costs, fees and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles ("GAAP");
- premiums and fees for insurance to benefit, directly or indirectly, such entities, the holders of interests therein, Oaktree or its affiliates or their respective shareholders, partners, members, officers, directors, employees, and agents, with respect to liabilities to any person in connection with the affairs of such entities and for directors' and officers' liability insurance or other similar insurance policies, including errors and omissions insurance, crime coverage, general partnership liability insurance and financial institution bond insurance (including an account's pro rata share of expenses with respect to policies whose costs and benefits are expected to be shared with other Oaktree accounts);
- taxes and other governmental charges, fees and duties (except to the extent that the account is reimbursed therefor by a partner or such tax, charge or fee is treated as having been distributed to the partners



pursuant to the limited partnership agreement) and all expenses incurred in connection with any tax audit, investigation, settlement or review of the account;

- damages and other costs, fees and expenses relating to litigation or other matters that are the subject of indemnification rights;
- costs of reporting to regulatory and tax authorities in any jurisdiction in which an account, Oaktree, an Oaktree affiliate, any portfolio company, any issuer or other entity owned directly or indirectly by an account invests, is organized or is marketed or otherwise directly or indirectly conducts business related to an account or its investments, including the Securities and Exchange Commission (“SEC”), Commodity Futures Trading Commission (the “CFTC”), the National Futures Association (“NFA”), the U.S. Treasury, the U.S. Internal Revenue Service (the “IRS”) and other national, state, provincial or local regulatory authorities in any country or territory (for example, Form PF and Form CPO-PQR in the United States and filings related to the offering of Managed Fund interests in particular jurisdictions to the extent applicable), provided that the costs of Oaktree’s general compliance with the U.S. Investment Advisers Act of 1940, as amended (“Investment Advisers Act”), such as preparation and updating of Form ADV, will be borne by Oaktree;
- costs, fees and expenses of reporting to, or on behalf of, investors;
- costs, fees and expenses of communications and meetings with one or more investors;
- costs, fees and expenses relating to the incurrence and repayment of indebtedness (together with any interest and other amounts payable thereon and fees and expenses related thereto) of a Managed Fund;
- sales, leasing, underwriting, origination and brokerage fees and commissions, development fees, loan administration and servicing fees, custodial expenses, trustee expenses, record keeping expenses and other similar costs, fees and expenses incurred in connection with investments, including costs, fees and expenses attributable to investment origination services provided to a Managed Fund or Managed Account or any portfolio company by Originators, including fees or other compensation paid, directly or indirectly, by a Managed Fund or Managed Account or any portfolio company to such Originators (as such term is defined below in “Originators”);
- in the case of a Managed Fund that has an investors committee, the expenses of such committee;
- investment expenses and broken deal expenses in connection with unconsummated investments;
- costs, fees and expenses of winding up and dissolution;
- expenses relating to risk management;
- costs, fees and expenses attributable to filing title, transfer, registration and other similar fees and expenses;
- costs, fees and expenses attributable to any activities with respect to protecting the confidentiality or non-public nature of any information or data;
- costs, fees and expenses attributable to amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the account, Oaktree and related entities, and any alternative investment vehicle of the account, including the preparation, distribution and implementation thereof;
- costs, fees and expenses attributable to unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by an investor;
- costs, fees and expenses attributable to investor-related services and the administering of side letters entered into with the investor (including the process of compiling compendiums of side letter provisions and tracking and implementing applicability in accordance with any “most favored nations”); and
- the allocable portion, as reasonably determined by Oaktree of the costs (including compensation, benefits, and attributable overhead) incurred by Oaktree or its affiliates with respect to internal resources that provide any of the services described above to an account (“Allocated Internal Expenses”), including compensation, benefits and attributable overhead of any Originator (provided that for this purpose Oaktree may, in its sole discretion, deem the allocable portion of such Originator to be 100%), provided that any such Allocated Internal Expenses shall not exceed market rates for comparable qualified service providers.





If more than one account holds any investment giving rise to the fees and expenses detailed above, then such fees and expenses will be allocated pro rata among such accounts (to the extent related to a permitted investment based on amounts invested or to be invested in such investment and otherwise based on their respective capital commitments), provided that such fees and expenses may be allocated among such accounts on any other basis if a determination is made in good faith that such other basis is more equitable. While Oaktree is permitted to make any determination or adjustment described in the preceding sentence, it is not required to do so in any case. For the avoidance of doubt, expenses borne by an account will include any costs, fees and expenses that are paid to the consultants and service providers described in such account's offering or governing documents. Certain expenses borne by a Managed Fund may have the effect of benefiting one or more investors or group of investors in such Managed Fund without benefiting all investors in such Managed Fund. Please also refer to an account's offering or governing documents for a more detailed description of the expenses to be borne by that particular account. Expenses of any feeder fund for a Managed Fund will generally be treated as fund expenses and borne by its associated master fund. Oaktree or its affiliates, as applicable, are entitled to reimbursement from an account to the extent Oaktree or an affiliate pays or incurs any fee, cost or expense on behalf of that account that would otherwise have been borne by such account if paid directly by such account.

Please also see Item 12 below for a discussion of our brokerage practices.

(2) Account Organizational Expenses

Each Managed Fund will also bear all offering and organizational expenses up to an amount specified in the relevant fund's governing documents (which may include the allocable portion, as reasonably determined by Oaktree, of the costs (including compensation, benefits and attributable overhead) incurred by Oaktree or its affiliates with respect to internal resources that provide any services in respect of the organization of the Managed Fund, other than internal costs relating to marketing personnel, provided that any such allocated amounts shall not exceed market rates for comparable qualified service providers). In general, organizational expenses in excess of the prescribed amount set forth in each fund's governing documents will be borne by Oaktree through an offset against the management fees.

(3) Certain Third Party Expenses

Additionally, there are a range of services that Oaktree performs in-house that it will also utilize third parties to perform for various reasons, including the expertise of the third party or its ability to provide more cost-efficient services. The decision to perform a particular task or service is made at the discretion of Oaktree or its affiliates in connection with the operation of an account. Such services include accounting, tax, human resources, client services, compliance, trade settlement, information technology, legal, corporate secretarial or director services. The use and cost of these services may not be uniform across Managed Funds or Managed Accounts and, accordingly, certain costs may be incurred by an account through the use of third-party service providers that are not incurred for comparable services used by other accounts. The decision by Oaktree to initially perform particular services in-house for an account will not preclude a later decision to utilize a third party for such services, or any additional services, in whole or in part to third parties, and Oaktree has no obligation to inform accounts of such a change. In addition, certain internal service providers (such as internal accountants) may "shadow" or otherwise review the reports of other services provided by such third parties. The costs, fees or expenses of any such third-party service providers (and, to the extent permitted by the relevant governing documents, such internal service providers) will be borne by the relevant account.

(4) Industry Specialist Expenses

Oaktree, its accounts or its portfolio companies will from time to time retain consultants, senior advisors or operating partners to provide assistance with deal sourcing, industry insight or due diligence, offer financial and structuring advice and perform other services for accounts or their respective portfolio companies ("Industry Specialists"), including services that may be similar in nature to those provided by



the portfolio management team. Such services may be provided to Oaktree or accounts on an exclusive basis. Oaktree may make collective arrangements between an Industry Specialist and one or more of Oaktree, its accounts and its portfolio companies whereby each such party (other than such Industry Specialist) compensates such Industry Specialist for his, her or its services to such party. An account's share of any retainer fees, success fees, promotes, profit sharing or other fees paid to Industry Specialists ("Industry Specialists Fees") will be borne by the account (whether paid by the account directly, by a portfolio company or by Oaktree and subsequently reimbursed by the account). While such Industry Specialists Fees are believed by Oaktree to be reasonable and generally at market rates for the relevant services provided, exclusive arrangements or other factors may result in Industry Specialists Fees not always being comparable to costs, fees and expenses charged by other third parties. In addition to Industry Specialists Fees, an account will also generally bear its share of any travel costs or other out of pocket expenses incurred by Industry Specialists in connection with the provision of their services. Accounting, network, communications, administration and other support benefits, including office space, may be provided by Oaktree or the account to Industry Specialists without charge. To the extent that communications or other equipment or services are provided to an Industry Specialist, its cost may be borne by an account as an account expense. In addition, Oaktree may in its sole discretion elect to share a portion of the carried interest with one or more Industry Specialists. The decision to permit an Industry Specialist to share in the carried interest will not affect such individual's status as an Industry Specialist or an account's obligation to pay the other costs, fees and expenses described above. Fees or other payments or benefits received by Industry Specialists in connection with their services, including any amounts paid in connection with particular transactions or investments, will not be considered Deal Fees and consequently will not reduce the management fee paid by an account. Industry Specialists may be granted the right to participate alongside an account in transactions that they source or for which they provide advice, and the account or relevant portfolio company may loan the Industry Specialist funds to make any such co-investments. Such co-investment rights may result in an account investing less capital than it otherwise would have in such transactions. In addition, Industry Specialists may invest directly in a Managed Fund as a limited partner. Industry Specialists may also serve on the boards of portfolio companies or as employees or consultants in an operations capacity. Any directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives received by Industry Specialists in such capacities will be borne by the portfolio companies, will not be considered Deal Fees and consequently will not reduce the management fee or carried interest paid by an account. Services provided by Industry Specialists may include providing services directly to the account's portfolio companies or an individual issuer, whether as an employee or service provider of such issuer, and will otherwise conform to the description of the role of industry Specialist above. The decision by Oaktree to initially perform particular services in-house for an account will not preclude a later decision to outsource such services, or any additional services, in whole or in part to third parties, and Oaktree has no obligation to inform accounts of such a change.

(5) Former Employees and Seconded

Former Oaktree employees may become employees, officers or directors of, or otherwise engaged by, portfolio companies. Current Oaktree employees may also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. Those companies may pay such persons' director fees, salaries, consultant fees, other cash compensation, stock options or other compensation and incentives and may reimburse such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Oaktree may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by Oaktree to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the management fee paid or carried interest distributed by the Managed Fund to Oaktree will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by Oaktree and reimbursed by a portfolio company) will not be treated as Deal Fees and will not be offset against the management fees otherwise payable to Oaktree or any carried interest distributions otherwise payable to Oaktree. All or a



portion of any such compensation and incentives will be borne by the Managed Fund via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be characterized as an Industry Specialist, an employee or former employee of Oaktree, or a seconded employee may be unclear. In such cases, Oaktree will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

(6) Originators and Finders

Oaktree may hire one or more individuals on a part-time or full-time basis, including former Industry Specialists, to source permitted investments for a Managed Fund or Managed Account (“Originators”). The cost of any benefits and attributable overhead provided to these individuals along with compensation paid to such individuals (including salary and any commissions or bonuses) may be paid by, or charged to, (a) an applicable portfolio company or Investment Platform, as defined below, (b) Oaktree and reimbursed by a portfolio company or Investment Platform or (c) the Managed Fund or Managed Account and treated as Allocated Internal Expenses (provided that for this purpose Oaktree may, in its sole discretion, deem the allocable portion of such Originator to be 100%). Such amounts will not be treated as Deal Fees and will not be offset against the management fees otherwise payable to Oaktree or any carried interest distributions otherwise payable to Oaktree or its affiliates.

(7) Investment Platforms

An account, alone or co-investing alongside other Oaktree accounts or third parties, may create or acquire companies that serve as a platform for investment in a particular sector, geographic area or other niche (such arrangements, “Investment Platforms”). In the case where an account co-invests alongside another Oaktree account, the potential for conflicts may exist. In the case of acquired Investment Platforms, an account may rely on the existing management, board of directors and other shareholders of such companies, which may include representation of other financial investors with whom the account is not affiliated and whose interests may conflict with the interests of the account. In other cases, the account may recruit a management team to pursue a new Investment Platform expected to lead to the formation of a future Investment Platform. An account may also form a new portfolio company and recruit a management team to build the Investment Platform through acquisitions and organic growth. An account or the Investment Platform, as applicable, will bear the expenses of such management team, including any overhead expenses, employee compensation, diligence expenses, or other related expenses in connection with backing the management team or building out the Investment Platform. Such expenses may be borne directly by the account as fund expenses (or broken-deal expenses, if applicable) or indirectly as the account bears the start-up and ongoing expenses of the newly formed Investment Platform. In certain cases, the services provided by such management team may overlap with the services provided by Oaktree to the account. The compensation of management of an Investment Platform may include interests in the profits of the Investment Platform, including profits realized in connection with the disposition of an asset. Although an Investment Platform may be controlled by an account, members of the management team will not be treated as affiliates of Oaktree or Oaktree’s affiliates. Accordingly, none of the expenses, profit interests or other arrangements described above will offset any account management fees.

(8) Offices of Affiliates of Oaktree-Managed Funds

Oaktree and its affiliates have established, and in the future may establish, certain investment structures and offices of Managed Funds in various non-U.S. jurisdictions (“Fund Affiliate Office”) to provide, for the benefit of investors, an efficient holding structure for investments of the funds. It is important that such Fund Affiliate Offices are able to avail themselves of a stable local legal and regulatory framework, flexible corporate laws, skilled and sophisticated local personnel and service providers, and foreign tax treaties and tax benefits, if available. Such structures and/or offices may be formed or utilized to: (a) perform accounting, administrative, corporate secretarial support and other functions for non-U.S. holding entities organized by the Managed Funds in the jurisdiction where the Fund Affiliate Offices are located, (b) conduct certain aspects of the Managed Funds’ investment activities, (c) act as service providers to the Managed Funds in



relation to the Fund Affiliate Office, and/or (d) otherwise facilitate the activities of platform investments affiliated with the Managed Funds.

To serve their intended purpose of providing accounting and administrative oversight on special purpose vehicles set up for specific fund investments, such offices are not owned by Oaktree or its corporate subsidiaries. Rather, such offices are owned by the Managed Funds that make investments using these structures or investment special purpose vehicles and are staffed by personnel that directly service the applicable Fund Affiliate Offices that are in place. Accordingly, such personnel perform work that would otherwise be completed by third-party service providers, and their costs and the costs of such offices (including overhead such as travel and accommodation expenses incurred in connection with such Fund Affiliate Offices, salary and benefits) are not considered Oaktree overhead and will be borne by the Managed Funds that make use of their services. All costs and expenses relating to such Fund Affiliate Offices (including the salary and benefits of any personnel responsible for the administration and maintenance of such Fund Affiliate Offices, any travel and accommodation expenses incurred in connection with such Fund Affiliate Offices and all other overhead costs, fees and expenses incurred in connection therewith) will not be considered Oaktree overhead and the portion of any such allocable costs, fees, and expenses will be borne by the Managed Fund (for example, the offices of affiliates of Oaktree-Managed Funds or other similar offices opened in the future, a portion of whose operating costs will be allocated to the Managed Fund or the Managed Fund which makes use of their respective services).

The foregoing shall not limit the ability of Managed Funds, the Fund Affiliate Offices and/or Oaktree to retain third party service providers. Further, Oaktree may engage individual personnel employed by, or a service provider entity established within, any Fund Affiliate Office to provide services directly to Oaktree or its affiliates in addition to the services provided by such personnel or service provider to Managed Funds. In the event Oaktree or its affiliates engage such personnel or service provider, Oaktree or such affiliate will bear its share of the costs and expenses for such services, rather than the Managed Fund.

Depending on local requirements and, if applicable, in addition to providing advisory and other services to Oaktree and its affiliates, Oaktree or one of its corporate subsidiaries may need to act as the investment manager of certain holding entities organized by the Managed Funds due to tax, regulatory or other considerations within a specific jurisdiction. To the extent Oaktree or a corporate subsidiary receives a separate management fee from such holding entities attributable to a Managed Fund's use of a Fund Affiliate Office, such fee will reduce on a dollar-for-dollar basis the Managed Fund's management fee (but not below zero), provided, however that (i) the Managed Fund's share of any value added, goods, services or other indirect taxes that Oaktree or its corporate subsidiary is required to charge on any such fees paid by the holding entities or the Managed Funds attributable to the services provided in connection with a Fund Affiliate Office will be borne by the relevant holding entity or the Managed Fund and not by Oaktree or such corporate subsidiary, and (ii) the reduction will not apply to the portion of such fees that are attributable to interests in the Managed Funds held by Oaktree, its affiliates or their employees, as applicable.

(9) Third Party and Internal Expense Allocation Methodologies

Oaktree expects that several resources will be shared among its accounts to, among other things, enhance efficiency and reduce the cost for each account. Oaktree takes into account a variety of considerations when allocating such expenses, including internal cost expenses that are permissible by the funds' governing documents, both between Oaktree and its accounts and among various accounts. Oaktree uses methods that it believes, at the time such determinations are made, are fair and reasonable in making the allocations in its discretion. These methods vary depending on the type of expense, including allocations based on assets under management, net asset value, holdings percentages, number of positions within a strategy, relative trading volume and time spent. Despite Oaktree's good faith judgment to arrive at a fair and reasonable expense allocation methodology, the use of any particular methodology may lead a Managed Fund or account to bear relatively more expense in certain instances and relatively less in other instances compared to what such Managed Fund or account would have borne if a different methodology had been



used. However, Oaktree seeks to make allocations that are equitable on an overall basis in its good faith judgment. From time to time, Oaktree in its good faith judgment may revise or change allocation methodologies in an effort to ensure that such expenses remain fairly and reasonably allocated among the Managed Funds and accounts without notifying its clients or investors.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Consistent with the provisions of Rule 205-3 under the Investment Advisers Act, and as discussed under Item 5 above, Oaktree and its affiliated general partners may be entitled to performance-based compensation in connection with its accounts, depending upon the nature and investment strategy of the account.

Oaktree manages accounts that pay a performance-based fee (and an asset-based fee) and accounts that are only charged an asset-based fee. These accounts may be in the same strategy and may consider similar investments. Performance-based fee arrangements may create an incentive for Oaktree to recommend investments to such accounts which may be riskier, more speculative, or potentially more profitable than those which would be recommended under a different fee arrangement. Each of our accounts' investment approach, strategy and focus are defined in its respective governing documents, and we have developed allocation guidelines, subject to certain investment considerations, to handle potential conflicts in relation to investment overlaps among all accounts, including those with different fee structures. Oaktree will seek to manage potential conflicts of interest in good faith, and subject to the provisions of the governing documents of the affected accounts, Oaktree will be guided by its fiduciary duties to its clients on any matter involving a conflict of interest. See Item 12 below for a discussion of our allocation guidelines.

## ITEM 7. TYPES OF CLIENTS

As previously mentioned, Oaktree provides advisory services to both Managed Accounts and Managed Funds. The types of clients which establish Managed Accounts include, but are not limited to, U.S. investment companies registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), business development companies regulated under the Investment Company Act, non-U.S. registered funds (e.g., Undertakings for Collective Investments in Transferable Securities known as UCITS), pension and profit sharing plans, trusts, estates, governmental plans, endowments, foundations, charitable organizations, corporations, insurance companies, limited partnerships, commingled investment trusts, sovereign wealth funds and other entities.

In connection with a Managed Fund, investors are required to commit or contribute certain minimum capital amounts which vary among, and are disclosed in the governing documents of, each Managed Fund. The minimum commitment or contribution amounts may be waived at the discretion of the general partner or investment adviser for such Managed Fund, including those for Oaktree employees. Investors whose commitments are below the respective Managed Fund's minimum commitment may be required to pay an administrative fee. All minimums are subject to change at the discretion of the general partner or investment adviser, as applicable. In addition, investors in our Managed Funds must be (i) "accredited investors" within the meaning of the rules and regulations promulgated under the U.S. Securities Act of 1933, as amended, or qualify as other types of investors under applicable U.S. or non-U.S. securities laws, and (ii) "qualified purchasers" or "knowledgeable employees" of Oaktree within the meaning of the rules and regulations promulgated under the Investment Company Act.

Generally, Oaktree requires a minimum dollar value of \$100 million to establish a Managed Account in certain of its strategies set forth below; provided, however Oaktree may, at any time, waive such minimums in its sole discretion and accept a lesser amount.



## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Oaktree generally uses fundamental analysis and may engage in long term or short term purchases, trading (securities purchased and sold within 30 days), short sales in certain strategies, margin transactions, and option writing, including covered options, uncovered options or spreading strategies.

As mentioned previously, Oaktree provides overall discretionary management for accounts within four asset classes. Below are descriptions of the strategies within those asset classes. In addition to those detailed, Oaktree also manages accounts that afford exposure to different combinations of the below strategies.

#### (1) Credit

Our Credit asset class includes our Distressed Debt, High Yield Bonds, Senior Loan, Private/Alternative Credit, Convertible Securities, Multi-Strategy Credit, and Emerging Markets Debt strategy groups.

##### Within the Distressed Debt strategy group:

- Our Distressed Opportunities strategy seeks capital appreciation without undue risk of loss primarily through investments in debt or equity securities or other obligations, in connection with episodes of financial distress, at discounts to their original value and by realizing gains through sales of restructured debt obligations or newly issued securities obtained through exchanges resulting from reorganizations and restructurings.
- Our Value Opportunities strategy seeks to capitalize on opportunities for substantial capital appreciation without subjecting principal to undue risk of loss by investing mainly in distressed debt and other value-oriented investments for which there is generally a liquid market.

##### Within the High Yield Bond strategy group:

- Our U.S. and European High Yield Bond strategies invest in U.S. and European below investment-grade fixed income securities or debt obligations. They seek to generate consistent superior risk-adjusted returns by investing in a diversified portfolio of high yield debt securities and obligations.
- As a natural extension of our U.S. and European High Yield Bond strategies, Oaktree's Global High Yield Bond strategy targets the most attractive risk/return opportunities we identify across the developed world. Our Global High Yield Bond strategy seeks to achieve superior risk-adjusted returns by investing in the lower-rated yet creditworthy performing bonds, primarily of North American and European corporations.

##### Within the Senior Loan strategy group:

- Our Senior Loan strategies seek to achieve an attractive total return without subjecting principal to undue risk of loss. The U.S. Senior Loan strategy seeks to achieve this objective primarily through investments in U.S. dollar-denominated senior loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their operations, assets or business located in the United States or Canada. Although not a primary focus, this strategy may also invest in companies which have a significant portion of their operations or assets outside of the United States or Canada. These investments may be made on a leveraged basis in our enhanced income funds or collateralized loan obligation vehicles. The European Senior Loan strategy seeks investments in senior loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their operations, assets or business located in Europe.

Within the Private/Alternative Credit strategy group:

- Our Strategic Credit strategy seeks to achieve an attractive total return generally on an unleveraged basis by investing in stressed credits across geographies (primarily the United States and Europe) and credit asset classes.
- Our U.S. Private Debt strategy seeks to achieve attractive, risk-adjusted absolute returns by originating or participating in the syndication of performing debt issued privately by U.S. borrowers. Investments are generally used to finance leveraged buyouts, recapitalizations, capital expenditures and corporate acquisitions.
- Our European Private Debt strategy seeks to achieve attractive, risk-adjusted absolute returns by making primary debt investments in European companies.
- Our Structured Credit strategy seeks to outperform traditional debt alternatives, while offering liquidity relative to private credit offerings.

Within the Convertible Securities strategy group:

- Our U.S. and non-U.S. Convertible Securities strategies seek total return from current income and capital appreciation through investments in convertible securities within their targeted regions.
- Our High-Income Convertibles strategy seeks a high level of total return through a combination of current income, accretion to par and capital appreciation by investing principally in convertible securities that may fall within the category of high income (or “busted”) convertibles.

Within the Multi-Strategy Credit strategy group:

- Our Multi-Strategy Credit strategy seeks to generate attractive risk-adjusted returns through security selection and asset allocation, with an emphasis on downside protection. Investments may be made flexibly across various credit instruments (high yield bonds, convertibles, senior and private loans, structured credit, and real estate debt) and geographies to take advantage of the best opportunities in the prevailing market environment.

Within the Emerging Markets Debt strategy group:

- Our Emerging Markets Opportunities strategy seeks to achieve attractive, risk-adjusted returns by opportunistically investing in stressed, distressed and other value-oriented investments in emerging markets.
- Our Emerging Markets Debt Total Return strategy seeks to achieve an attractive total return by investing primarily in performing emerging market credit-oriented instruments on an unleveraged basis.

(2) Private Equity

Our Private Equity asset class pursues investments in our Special Situations and Corporate Private Equity strategy groups.

Within the Special Situations strategy group:

- Our Special Situations strategy makes control-oriented debt and equity investments in middle-market companies that have an element of distress, dislocation or dysfunction and that we perceive to be undervalued. The strategy will generally attempt to structure investments with a goal of obtaining control of, or significant influence in, companies.

Within the Corporate Private Equity strategy group:

- Our European Principal strategy has similar investment objectives as our Special Situations strategy but focuses their investments within Europe.



- Our Power Opportunities strategy seeks to make controlling equity investments in companies providing equipment, software and services to aid in the generation, transmission, distribution, marketing, trading and consumption of power and natural gas and related energy services.

(3) Real Assets

Our Real Assets asset class pursues investments in our Real Estate and Infrastructure strategy groups.

Within the Real Estate strategy group:

- Our Real Estate Opportunities strategy seeks superior risk-adjusted returns through investments in real estate and real estate-related assets on a global basis. The strategy involves investing in a variety of real estate-related investments, including real property, real estate companies and other companies with significant real estate assets as well as real estate-related debt and equity securities.
- Our Real Estate Debt strategy seeks to generate attractive risk-adjusted returns and current income by combining a diversified portfolio of performing real estate debt investments with modest leverage.
- The Real Estate Income strategy seeks to achieve superior risk-adjusted returns through investments in high-quality real estate assets with an emphasis on income and long-term growth.

Within the Infrastructure strategy group:

- Our Infrastructure Investing strategy seeks to pursue controlling or influential minority investments in infrastructure assets and businesses, primarily in North America.

(4) Listed Equities

Our Listed Equities asset class pursues investments in our Emerging Markets Equities and Value/Other Equities strategy groups.

Within the Emerging Markets Equities strategy group:

- Our Emerging Markets Equities strategy seeks to achieve substantial total returns while reducing exposure to macro factors through long-only investments in the equity securities of entities in emerging and developed markets in Asia and the Pacific region and emerging markets in other parts of the world.

Within the Value/Other Equities strategy group:

- Our Value Equities strategy seeks to achieve attractive, risk-adjusted returns by opportunistically assembling and managing an unleveraged, concentrated portfolio of stressed, post-reorganization and value equities that offer asymmetric return profiles.

In the future Oaktree may determine to manage other accounts with different investment strategies.

**B. MATERIAL RISKS**

Each of the strategies we employ entails substantial inherent risks. Although we attempt to manage these risks through careful research, ongoing monitoring of investments, active participation in the bankruptcy process (where applicable) and appropriate hedging techniques (where permissible), there can be no assurance that the securities and other instruments purchased which are the focus of our strategies will increase in value or that our accounts will not incur significant losses. The following discusses certain material risks for each significant investment strategy or method of analysis we use, however it should be noted that the following discussion does not describe all of the risks that may be faced by existing and potential clients and investors. For a more complete description of the specific risk factors relevant to a decision to invest in one of our Managed Funds, investors should refer to the confidential private placement memorandum for the relevant Managed Fund.

(1) Investment Environment

Our strategies could be materially adversely affected by instability in the U.S. or global financial markets, or changes in market, economic, political or regulatory conditions, as well as by other factors outside our control. Interest rates and general levels of economic activity may affect the value and number of investments



we make or consider for prospective investment. In addition, disruptions in the global debt markets may affect the price of, as well as the ability to make, certain types of investments, and there can be no assurance that any such disruption will not continue or worsen in the future. Moreover, the risk that such disruptions will affect an issuer's ability to pay its debts and obligations when due is enhanced if such issuer in turn provides credit to third parties or otherwise participates in the credit markets. In addition, developments in the U.S. and global financial markets have illustrated that the current environment is one of uncertainty for financial services companies. The existence of such events has had, and the continuation or worsening of any such events, or other similar or dissimilar events, may have or continue to have, a material adverse effect on the availability of credit to businesses generally and may lead to further overall weakening of the U.S. and global economies.

(2) Business and Regulatory Risks of Alternative Asset Managers

Legal, tax and regulatory changes could occur that may adversely affect our investment strategies. The legal, tax and regulatory environment for alternative investments is evolving, and changes in such regulation may adversely affect the value of such investments in our strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies and retain the right to suspend or limit trading in securities, which could expose our accounts to losses. The regulation of derivatives transactions and accounts that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on Oaktree's business could be substantial and adverse.

In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the governing bodies of both U.S. and non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us and the accounts we manage, the markets in which our accounts trade and invest or the counterparties with which we do business may be instituted in the future. There can be no assurance that we or the accounts we manage will be able, for financial reasons or otherwise, to comply with future laws and regulations.

(3) Institutional Risk

The institutions, including brokerage firms and banks with which our accounts directly or indirectly do business (including swap counterparties), or to which securities are entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In addition, these financial institutions may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations of our accounts.

(4) Counterparty, Settlement and Local Intermediary Risk

From time to time, certain securities markets have experienced operational clearance and settlement problems that have resulted in failed trades. These problems could cause our accounts to miss attractive investment opportunities or result in such accounts incurring liability to third parties by virtue of an inability to perform their contractual obligation to deliver securities. In addition, delays and inefficiencies of the local postal, transport and banking systems could result in the loss of investment opportunities, the loss of money (including dividends) and exposure to currency fluctuations. To the extent we invest in securities, swaps, derivatives or other over-the-counter transactions, in certain circumstances our accounts may take a credit risk with regard to parties with whom they trade and may also bear the risk of transfer, clearance or settlement default. Transactions entered into directly between two counterparties may expose the parties to the risk of counterparty defaults. Such risks may be exacerbated with respect to non-U.S. securities or transactions with non-U.S. counterparties. Certain of our accounts' transactions may be undertaken through



local brokers, banks or other organizations in the countries in which these accounts make investments, and these accounts may be subject to the risk of default, insolvency or fraud of such organizations.

(5) Dependence on Oaktree Employees

The success of each of our accounts depends in substantial part on the skill and expertise of the portfolio managers and other professionals employed by us. There can be no assurance that our portfolio managers and such other professionals will continue to be employed by us throughout the life of a specific account. The loss of a portfolio manager and other professionals could have a material adverse effect on the account(s) that they cover.

(6) Nature of Bankruptcy Proceedings

The main focus of Oaktree's Distressed Opportunities and Value Opportunities strategies is to take advantage of opportunities arising from financial distress. There are several significant risks when investing in companies involved in bankruptcy proceedings, including the following:

- Many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors.
- A bankruptcy filing may have adverse and permanent effects on a property, asset or company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the property, asset or company may not equal the liquidation value that was believed to exist at the time of the investment.
- The duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective.
- Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors.
- The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors.
- Creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions.
- Certain of our employees, representing our accounts, may seek representation on creditors' committees and as a member of a creditors' committee he or she may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. Because our Managed Funds will indemnify us and our affiliates or any other person serving on a committee on behalf of one of our Managed Funds for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on such vehicle's investment in a reorganization property, asset or company.

(7) Illiquidity

Certain of our strategies invest in relatively illiquid investments. A significant portion of these assets consist of investments that are thinly traded, investments for which no market exists or investments that are restricted as to their transferability under applicable securities laws or documents governing particular transactions. Some securities or instruments that were liquid at the time they were acquired may, for a variety of reasons which may not be in our control, later become illiquid. This may have the effect of limiting the availability of these securities or instruments for purchase by our accounts and limit the ability of these accounts to sell such investments at their fair market value prior to termination of these accounts or in response to changes in the economy or the financial markets. Due to securities regulations governing





certain publicly traded equity securities, these accounts' ability to sell securities could also be diminished with respect to equity holdings that represent a significant portion of the issuer's securities (particularly if an account has designated one or more directors of the issuer).

The market value of investments of each Oaktree client will fluctuate with, among other things, changes in market rates of interest, general economic conditions and economic conditions in particular industries, the condition of financial markets and the financial condition of issuers of Oaktree accounts' investments. In particular, major market upsets (including those caused by war, pandemics or other world events), general market cessations, changes in interest rates, availability of credit, inflation rates, political and economic uncertainty, changes in laws, trade barriers, currency exchange rates and controls, government debt burdens and monetary and deficit policies, the relative volatility between investments or equity derivative risk, the participation by other investors in the financial markets, macroeconomic dislocations and revaluations, extreme market conditions and the effectiveness of Oaktree's hedging and risk management strategies can affect the value of an Oaktree account's investments. These factors may affect the level and volatility of investment prices and the liquidity of an Oaktree account's investments. Volatility or illiquidity could impair an Oaktree account's profitability or result in losses. The lack of an established, liquid secondary market for some of Oaktree accounts' investments may sometimes have an adverse effect on the market value of such investments and on Oaktree accounts' ability to dispose of them. Additionally, assets of Oaktree clients that are typically traded in a liquid market will likely become more illiquid if the applicable trading market tightens as a result of a significant macro-economic shock or for any other reason. Therefore, no assurance can be given that, if an Oaktree account is determined to cause the disposal of a particular such investment held by an Oaktree account, it would dispose of such investment at the prevailing market price. Illiquidity adversely affects the price and timing of liquidation of Oaktree accounts' investments upon the redemption of an investor's interest, to pay expenses of Oaktree accounts or to pay management fees.

#### (8) Non-U.S. Investments

Many of our strategies invest in non-U.S. investments which involve risks and special considerations not typically associated with U.S. investments. Such risks include:

- the risk of nationalization or expropriation of assets or confiscatory taxation,
- social, economic and political uncertainty, including war and revolution,
- dependence on exports and the corresponding importance of international trade,
- price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets,
- currency exchange rate fluctuations and rates of inflation,
- controls on, and changes in controls on, non-U.S. investments and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars,
- governmental involvement in and control over the economies,
- governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies,
- differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers,
- less extensive regulation of the securities markets,
- longer settlement periods for securities transactions,
- less developed corporate laws regarding fiduciary duties and the protection of investors, and potentially less reliable judicial systems to enforce contracts and applicable law.



(9) Alternative Investment Fund Managers Directive

The EU Alternative Investment Fund Managers Directive (the “AIFM Directive”) regulates the activities of certain private fund managers (each, an “AIFM”) undertaking fund management activities or marketing interests in alternative investment funds (each, an “AIF”) to investors within the European Economic Area (“EEA”). Because some of the Managed Funds are actively marketed to investors domiciled or having their registered office in certain jurisdictions in the EEA: (i) the Managed Funds and Oaktree and its affiliates are subject to certain reporting, disclosure and other compliance obligations under the AIFM Directive, which has resulted in the Managed Funds incurring additional costs and expenses; (ii) the Managed Funds and Oaktree and its affiliates are subject to additional regulatory and compliance obligations arising under national law in certain EEA jurisdictions, which have caused the Managed Funds to incur additional costs and expenses and otherwise affect the management and operation of the Managed Funds; (iii) Oaktree and its affiliates are required to make detailed information relating to the Managed Funds and their investments available to regulators and third parties; and (iv) the AIFM Directive will also restrict certain activities of the Managed Funds in relation to EEA portfolio companies including, in some circumstances, the Managed Funds’ ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of the Managed Funds generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Managed Funds to raise their targeted amount of capital commitments.

In the future, it may be possible for non-EEA AIFMs to market an AIF within the EEA pursuant to a pan-European marketing “passport” instead of under the existing national private placement regimes. The access to the passport may be subject to the non-EEA AIFM complying with various requirements under the AIFM Directive, which may include one or more of the following: rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on the use of leverage, additional disclosure and reporting requirements to both investors and EEA home state regulators, the independent valuation of an AIF’s assets, and the appointment of legal representatives and an independent depositary to hold assets. Certain EEA member states have indicated that they will cease to operate national private placement regimes when or shortly after the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFM Directive in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, Oaktree may not seek to market the interests in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the Managed Funds. Alternatively, if Oaktree sought to comply with the requirements needed to use the passport, this could have other adverse effects including, among other things, increasing the regulatory burden and costs of operating and managing the Managed Funds and their investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting Oaktree’s ability to recruit and retain these personnel.

(10) Anti-Corruption and Sanctions Considerations

Economic sanction laws in the United States and other jurisdictions may prohibit Oaktree, its affiliates, its personnel, the accounts and their portfolio companies from transacting with certain individuals and companies or in certain countries. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) administers and enforces certain U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries and territories. These types of sanctions and prohibitions may restrict an account’s investment activities. Oaktree, its accounts, and its personnel may from time to time be subject to trade sanctions laws and regulations of other jurisdictions, which may be inconsistent with or even preclude the effect of the sanctions administered by OFAC. The legal uncertainties arising from those conflicts may make it more difficult or costly for Oaktree’s accounts to navigate investment activities that are subject to sanctions administered by OFAC or the laws and regulations of other jurisdictions.



Oaktree, its affiliates, its personnel, the accounts and their portfolio companies also are committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”), the United Kingdom Bribery Act of 2010 (“UKBA”) and other applicable anti-corruption laws and regulations to which they are subject. As a result, the accounts may be adversely affected because of their unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for the accounts to act successfully on investment opportunities and for investments to obtain or retain business. In recent years, the U.S. Department of Justice, the SEC and the UK Serious Fraud Office have devoted greater resources to enforcement of the FCPA and the UKBA, respectively. While Oaktree has developed and implemented policies and procedures designed to require compliance by Oaktree and its personnel with applicable anti-corruption laws, such policies and procedures may not be effective in all instances to prevent violations or offenses. In addition, in spite of Oaktree’s policies and procedures, portfolio companies and their affiliates may engage in activities that could result in FCPA and UKBA violations, particularly in cases where an account does not control such portfolio company. Any determination that Oaktree has violated or committed an offense under the FCPA, UKBA or other applicable anti-corruption laws could subject Oaktree and/or its officers, employees and agents to civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation, debarment from federal or international programs and/or a general loss of investor confidence, among other things, any one of which could adversely affect Oaktree, its affiliates and/or its accounts.

(11) Withdrawal of the United Kingdom from the European Union

The United Kingdom left the European Union (“Brexit”) on January 31, 2020 and is therefore no longer a member state of the European Union. Pursuant to the agreement on the terms of the United Kingdom’s withdrawal from the European Union a transitional period will apply until the end of 2020 (which may be subject to extension) during which the trading relationship between the United Kingdom and the European Union is expected broadly to remain the same as prior to the United Kingdom’s exit from the European Union. During this transitional period, the United Kingdom and European Union will attempt to negotiate their future trading relationship. The negotiation and implementation of new trading arrangements between the United Kingdom and the European Union could take a number of years.

There remains significant legal and political uncertainty surrounding the potential outcome of the negotiations between the United Kingdom and the European Union. Further political uncertainty in the United Kingdom and the European Union is likely to ensue for the foreseeable future. Any outcome may have economic, tax, fiscal, legal, regulatory and other implications for the asset management industry, the broader European and global financial markets generally and for private funds such as the Managed Funds and their investments. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, providing or receiving services or having other significant relationships, in, the United Kingdom or the European Union, including companies or assets held or considered for prospective investment by the Managed Funds.

The future application of European Union-based legislation to the private fund industry in the United Kingdom will depend, among other things, on how the United Kingdom renegotiates its relationship with the European Union. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on the Managed Funds and their investments, including the ability of the Managed Funds to achieve their investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities), an adverse effect on the ability of Oaktree to manage, operate and invest the Managed Funds and increased legal, regulatory or compliance burden for Oaktree and the Managed Funds, each of which may have a negative impact on the operations, financial condition, returns or prospects of the Managed Funds.

Brexit may also have an adverse effect on the tax treatment of the Managed Funds and their investments. In particular, the European Union's directives preventing withholding taxes being imposed on intra-group dividends, interest and royalties may no longer apply to payments made into and out of the United Kingdom, meaning that instead the United Kingdom's double tax treaty network would need to be relied upon. Further, there may be changes to the operation of VAT, which may also have an adverse effect on the tax treatment of the Managed Funds and their investments, not only with respect to the operation of VAT on supplies made within the United Kingdom, but also with respect to supplies made from the United Kingdom to the remaining member states of the European Union, and vice versa.

While the most immediate impacts of Brexit on corporate transactions will likely be related to changes in market conditions, the development of new regulatory regimes and parallel competition law enforcement may have an adverse impact on transactions, particularly those occurring in, or impacted by conditions in, the United Kingdom and Europe.

(12) Senior Loans and Participations

Certain of our strategies' investment programs include investing in significant amounts of bank loans and participations. These obligations are subject to unique risks, including:

- the possible invalidation of an investment transaction as a fraudulent conveyance or preferential payment under relevant creditors' rights and bankruptcy laws or the subordination of claims under so-called "equitable subordination" common law principles,
- so-called lender-liability claims by the issuer of the obligations,
- environmental liabilities that may arise with respect to collateral securing the obligations, and
- limitations on the ability of holders to directly enforce their rights with respect to participations.

(13) Subordination

Mezzanine debt and equity investments will typically be subordinated. Subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer.

(14) Short Sales and Derivatives

A short sale of a security involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the security that could result in an inability to cover the short position. The successful use of options depends principally on the price movements of the underlying securities, and if the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, the holder will lose part or all of its investment in the option. Certain of the strategies invest in derivative instruments from time to time. Investing in derivative instruments presents various risks, including lack of liquidity and risks of purchasing outside of an exchange. The prices of derivative instruments, including swaps, futures, forwards and options, are highly volatile. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Certain over-the-counter derivatives are also typically not subject to the same type of investor protections or governmental regulation as exchange traded instruments.

(15) Investments in Real Estate

Certain of our strategies' investment programs involve investing directly in real estate that we believe is undervalued, non-recourse mortgages where the mortgagor is not a significant operating company and in the securities or obligations of single purpose companies whose primary asset is real estate. Some of the risks associated with real estate investments include:

- lack of demand for commercial or housing space in a locale,
- changes in general economic or local conditions,



- changes in supply of, or demand for, similar or competing properties in an area,
- uncertainty of cash flow to meet loan and other fixed obligations,
- wars, natural disasters, severe weather patterns, terrorist attacks and similar events,
- changes in interest rates, unavailability of mortgage financing which may render the sale or refinancing of property difficult, and
- changes in tax, real estate, environmental and zoning laws.

Additionally, in connection with the ownership (direct or indirect) of real properties, owners may face potential costs and liabilities related to environmental laws, such as those related to the removal of hazardous and toxic substances.

(16) Risks Relating to the Power Sector

For much of its history, the power sector, and particularly the utility industry within this broader sector, was characterized by institutional stability and predictability of financial performance. The advent of utility deregulation, privatization, technological change, environmental regulations, commodity price fluctuations, and market volatility has created a much less stable sector with substantially greater variability of company performance. There can be no assurance that the pace or direction of the change will be in accord with Oaktree expectations, nor that the industry changes will benefit investments made. Investing in power facilities and related assets and the companies that provide the equipment, services, and systems to such power facilities and related assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks. There is no assurance that such investments will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

(17) Risks Relating to the Infrastructure Sector

Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Infrastructure investments are exposed to numerous risks, usually without recourse to the general credit of a project sponsor, including: construction; environmental; regulatory; permitting; commissioning; start-up; operating; economic; commercial; contractual; political; innovation; and financial risks. Early developmental stage projects involve risks of failure to obtain or substantial delays in obtaining: regulatory, environmental or other approvals or permits; financing; and suitable equipment supply, operating and offtake contracts. Additional infrastructure sector risks include (i) the risk that technology employed will be not be effective or efficient, (ii) the risk of equipment failures, fuel interruptions, loss of sale and supply contracts; changes in power or fuel contract prices, bankruptcy of or defaults by key customers, suppliers or other counterparties, and tort liability; (iii) risk of changes of values of infrastructure sector companies; (iv) risks associated with employment of personnel and unionized labor; and (v) political and regulatory considerations and popular sentiments that could affect the ability of the strategy to buy or sell investments on favorable terms. The occurrence of events related to any of the foregoing could have a material adverse effect on investments in the infrastructure sector. There is no assurance that such investment projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

(18) Investments in the Communications Industry

Certain of our strategies' investment programs include investing in communications and media-related industries. Certain companies in those industries are or may be subject to extensive U.S. federal, state and local regulatory requirements. Regulations that are intended to limit the concentration of ownership and control of communications and media companies may prevent one or more of our accounts from making certain investments that it would otherwise make. Other regulations may cause substantial additional costs or lengthy delays in connection with the completion or disposition of an investment. The governing documents of our Managed Funds that invest in the communications industry contain provisions that are





designed to conform to the requirements of the Federal Communications Commission. These provisions prohibit investors in Managed Funds from active involvement in such media companies, and may restrict such investors' ability to remove us or our affiliates from managing the Managed Fund in certain circumstances.

(19) Non-Payment of Mortgages Underlying CMBS

The collateral underlying commercial mortgage-backed securities (or CMBS) generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. With most commercial mortgage loans the bulk of the loan balance is payable at maturity with a one-time payment, commonly known as a "balloon payment" and is usually non-recourse in nature. The prospect of full repayment of the commercial mortgage loans underlying CMBS depends on the ability of the commercial borrower to generate current income from its commercial property. Also, the likelihood of the commercial borrower repaying the commercial mortgage loan at maturity is heavily influenced by the commercial borrower's ability to secure subsequent financing. If a commercial borrower defaults on the commercial mortgage loan underlying a CMBS, then the options for financial recovery are limited in nature. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. In certain instances, a negotiated settlement or an amendment to the terms of the commercial mortgage loan are the only options before an ultimate foreclosure on the commercial property. Foreclosures can be lengthy and expensive and borrowers often assert claims, counterclaims and defenses to delay or prevent foreclosure actions. At any time during the proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof, which expenses may not be recoverable. The ultimate disposition of a foreclosed property may also yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted commercial mortgage loan, which would result in substantial investment losses, and ultimately a decline in the value of CMBS.

(20) Contingent Liabilities on Disposition of Investments

In connection with the disposition of an investment in a portfolio company, accounts may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of any business. Accounts may also be required to indemnify the purchasers of such investment with respect to certain matters, including the accuracy of such representations. These arrangements may result in contingent liabilities for which such accounts may establish reserves or escrows. Limited partners in Managed Funds may also be required to return amounts distributed to them to fund such Managed Funds' indemnity obligations.

(21) High Yield, Preferred and Convertible Securities and Distressed Debt

Certain of our strategies involve investing in "high yield" bonds, preferred and convertible securities and distressed debt that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk during periods of deteriorating general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher-rated or comparable non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it difficult to sell such securities.



(22) Leverage

Certain of our strategies' investment programs include investing in companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

Furthermore, certain strategies involve the use of leverage, including through swaps or repurchase transactions. While leverage presents opportunities for increasing total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is used. The cumulative effect of the use of leverage in a market that moves adversely to investments held could result in a loss that would be greater than if leverage had not been used, including loss of the entire investment and also the possibility of loss exceeding the original amount of a particular investment.

(23) High Portfolio Turnover

Our different strategies may require frequent trading and a high portfolio turnover. The more frequent the trading, the higher the commission and transaction costs and certain other expenses. These costs will be borne by the account regardless of the profitability of its investment and trading activities. In addition, a high portfolio turnover may increase the recognition of short-term, rather than long-term, capital gains.

(24) Board Participation

The size of one or more account's equity holdings in a particular issuer, or contractual rights obtained by such account in connection with an investment, may enable the account to designate one or more directors to serve on the boards (or comparable governing bodies) of companies in which the account invests. While such representation may enhance the account's ability to manage its investments, it may also have the effect of impairing the ability of the account to sell the related securities when, and upon the terms, it might otherwise desire, as it may subject the account to required holding periods and legal claims it would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other board-related claims.

(25) Third Party Litigation

Our accounts' investment activities subject them to the risks of becoming involved in litigation by third parties. This risk is somewhat greater where we exercise control of, or significant influence in, a company's direction. The expense of defending third party claims and paying any amounts pursuant to settlements or judgments would, absent certain conduct by us or our affiliates, increase the costs of the account holding the investment.

(26) Lack of Diversification

Except as otherwise set forth in the governing documents of an account, Oaktree is not under any obligation to diversify accounts among a wide range of issuers or industries. Accordingly, returns may be subject to more rapid changes than would be the case if we were required to maintain a wide diversification among companies, industries and types of securities.

(27) Tax Matters

The countries in which our accounts may invest may impose taxes on certain types of income such as dividends, interest and in some instances capital gains. Although such taxes may be subject to reduction to the extent that Managed Account clients or investors in our Managed Funds are entitled to the benefits of an income tax treaty between their home jurisdiction and the other jurisdictions in which our accounts



invest, there can be no assurance that treaty benefits will be available in any particular case, as this will be dependent on the terms of the treaty and the timely provision of certifications and other documentation. Furthermore, even if certain Managed Account clients or investors in our Managed Funds are entitled to treaty benefits, withholding taxes may still be deducted by the payers of income, with a material time delay before refunds of such withholding taxes can be obtained from the relevant taxing authority. In addition, changes in the tax laws or tax treaties (or their interpretation) of the countries in which our accounts invest may severely and adversely affect their ability to efficiently realize income or capital gains and may subject our Managed Account clients and investors in our Managed Funds to tax and return filing obligations in such countries. There may be a series of complex tax issues related to an investment in our Managed Funds or commencement of a Managed Account.

(28) Potential Conflicts of Interest

We manage a number of different investment strategies which present the possibility of overlapping investments, and thus the potential for conflicts of interest. If any matter arises that we determine in its good faith judgment constitutes an actual conflict of interest between accounts, we may take such actions as may be necessary or appropriate to prevent or reduce the conflict. Please see Item 11 below for further discussion of possible conflicts of interest.

(29) Access to Material, Non-Public Information

In connection with the activities of various investment strategies, Oaktree will acquire confidential or material non-public information with respect to certain issuers of securities or otherwise be restricted from initiating transactions in certain securities. While in possession of such information, Oaktree will generally not be free to trade upon any such information in accordance with applicable securities laws. Due to these restrictions, Oaktree may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

(30) Commodity Regulatory Matters

Oaktree has registered with the CFTC as a commodity pool operator and as a commodity trading advisor and will operate certain Managed Funds and Managed Accounts in accordance with section 4.7 of the regulations of the CFTC under the U.S. Commodity Exchange Act and as such, Managed Account clients and investors in Managed Funds are limited to “qualified eligible persons” as defined thereunder.

(31) Portfolio Valuation

Valuations of an account’s portfolio, which will affect the account’s performance results, may involve uncertainties and judgmental determinations. There is no actively traded market for some of the securities or investment products owned by Oaktree’s Managed Funds and Managed Accounts. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Further, third-party pricing information may at times not be available regarding certain of the account’s securities, derivatives, and other assets. If the valuation by Oaktree or its affiliate of the account’s securities in accordance with Oaktree’s valuation policy should prove to be incorrect, the net asset value of an account’s investments could be adversely affected. Absent bad faith or manifest error, valuation determinations in accordance with Oaktree’s valuation policy will be conclusive and binding. Moreover, because Oaktree or its affiliates will determine in their respective discretion the value of any such assets, there may be an apparent conflict of interest in making that determination, given the potential impact of such valuations on an account’s performance, particularly with respect to an account that pays performance fees to Oaktree or its affiliates.

(32) Borrowings and Guarantees

Certain accounts may obtain short-term bridge financings or borrowings to fund acquisitions prior to the receipt of capital contributions. In addition, certain accounts may incur other, longer-term, indebtedness



and guarantee obligations with respect to portfolio investments and expenses. Obligations may also be incurred in connection with the granting of guarantees by certain Managed Funds for environmental liabilities or so-called “bad boy” guarantees for fraud, willful misconduct, gross negligence, misapplication, misappropriation, bankruptcy and similar matters. In connection therewith, the accounts or certain subsidiary entities may enter into one or more credit facilities or guarantees that are secured by unfunded capital commitments and/or the account’s portfolio investments and assets. While such activities may present opportunities for increasing the account’s total return, it may increase losses as well. The interest expense and other costs of any such borrowings will be borne by the relevant Managed Account or Managed Fund and, accordingly, decrease net returns of such Managed Account or Managed Fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return (if applicable), which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant account. In light of the foregoing, the Oaktree and its affiliates have an incentive to cause an account to borrow in this manner in lieu of drawing down capital commitments. As a general matter, use of leverage in lieu of drawing down capital commitments amplifies returns (either negative or positive) to clients and investors.

(33) Cybersecurity and Identity Theft

Security breaches and other disruptions of information and technology networks could compromise information and intellectual property and expose Oaktree, its affiliates, accounts and their portfolio companies to liability, reputational harm and significant regulatory investigation and remediation costs. In the ordinary course of business, Oaktree, its affiliates and Managed Funds collect and store sensitive data, including proprietary business information and intellectual property, and personal information of employees, clients, investors and other natural persons, in data centers and on third party cloud services. The secure processing, maintenance and transmission of this information are critical to operations. Although we have implemented policies and procedures, take various measures and have made, and will continue to make, significant investments to ensure the integrity of our systems and to safeguard against such failures or security breaches, there can be no assurance that these policies, procedures, measures and investments will provide complete protection. There is also the risk that a security breach may not be detected for an extended period of time. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by third parties or breached due to employee error, malfeasance or other disruptions. Certain of our accounts invest in strategic assets having a national or regional profile or in infrastructure assets, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach. In addition, we and our employees may be the target of fraudulent emails or other targeted attempts to gain unauthorized access to proprietary or sensitive information.

A significant actual or potential theft, loss, corruption, exposure, fraudulent use or misuse of client, employee or other personal information or proprietary business data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or intellectual property or a violation of our privacy and security policies with respect to such data could result in significant remediation and other costs, fines, litigation or regulatory actions. Such an event could additionally disrupt operations and the services we provide to clients and investors, damage our reputation, result in a loss of a competitive advantage, impact our ability to provide timely and accurate financial data, and cause a loss of confidence in our services and financial reporting, which could adversely affect our business and the accounts to which we provide investment advisory services.

(34) Disease and Epidemics

The impact of disease and epidemics may have a negative impact on Oaktree’s business, the Managed Funds, the accounts and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains.



Moreover, Oaktree's operations and those of the Managed Funds, accounts or portfolio companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on Oaktree's business, the Managed Funds, accounts and underlying portfolio investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated. In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The speed and extent of the spread of the coronavirus, and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain, and such adverse effects may be material. While governmental agencies and private sector participants will seek to mitigate the adverse effects of the coronavirus, which may include such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel, and other restrictions, and the medical community is seeking to develop vaccines and other treatment options, the efficacy of such measures is uncertain. Oaktree's operations and business results, including with respect to any particular Managed Fund, account or other client or their investee portfolio companies, could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) impacts business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

(35) Business Continuity

Oaktree is dedicated to the safety of its employees and high availability of its operational functions when faced with an emergency or crisis event. The SEC has taken the position that an investment adviser's fiduciary obligation to its clients includes taking steps to protect its clients' interests from being placed at risk as a result of the investment adviser's inability to provide investment advisory services after a disaster, loss of key personnel or other interruption of the business. Accordingly, Oaktree has implemented a comprehensive Business Continuity Program that allows the company to prepare for, respond to, and recover from adverse circumstances in today's evolving global threat environment. Oaktree's Business Continuity Program is governed under the Business Continuity Policy and oversight provided by the Business Continuity Leadership. This Business Continuity Program consists of well-defined program elements, with each element being defined by process documentation, training materials and charters for groups that actively carry-out the elements within the organization. Oaktree is committed to building a more resilient organization and continuous improvement of the Business Continuity Program. The Program is built and carried out with elements to emphasize regular testing and exercising of program elements, learning through exercise analysis, near-miss analysis and audit interactions.

(36) Data Protection and Privacy Law Compliance

The General Data Protection Regulation (EU 2016/679) (the "General Data Protection Regulation" or the "GDPR") came into effect on May 25, 2018, replacing data protection laws in the European Union previously in effect. The GDPR seeks to harmonize national data protection laws across the European Union, while at the same time, modernizing the law to address new technological developments. The GDPR is automatically binding on data controllers and data processors in all member states of the European Union, without the need for implementation in each member state. The GDPR notably has a greater extra-territorial reach and will have a significant impact on data controllers and data processors either with an establishment in the European Union, or which offer goods or services to EU data subjects or monitor EU data subjects' behavior within the European Union. The new regime imposes more stringent operational requirements





on both data controllers and data processors, and introduces significant penalties for non-compliance with fines of up to 4% of total annual worldwide turnover or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive will also be repealed by the EU Commission's Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), which aims to reinforce trust and security in the digital single market by updating the legal framework on ePrivacy. The ePrivacy Regulation is in the process of being finalized and is likely to come into force in the near future.

On January 1, 2020, many companies doing business in California (regardless of their physical location) became subject to the California Consumer Privacy Act of 2018 (the "CCPA"), which imposes a number of obligations related to the privacy of natural persons who are California residents (or "consumers"). Though this law will have the biggest impact on consumer-focused business, the CCPA also has implications for private fund managers, including Oaktree.

Compliance with current and future privacy, data protection and information security laws could increase costs and significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of the current and planned business activities of Oaktree, its affiliates, the accounts and their portfolio companies. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on reputation. As privacy, data protection and information security laws are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

(37) Investing in Different Parts of the Capital Structure of the Same Issuer

Various accounts invest in a broad range of asset classes throughout the corporate capital structure, including loans and debt securities, preferred equity securities and common equity securities. In some cases it may be possible for an account to hold an interest in one part of a company's capital structure while another account holds an interest in another. In such cases the interests of each account may conflict with one another. Please reference Item 12 below for further discussion of this potential conflict.

## ITEM 9. DISCIPLINARY INFORMATION

On July 10, 2018, the SEC accepted Oaktree's offer to resolve an investigation into violations of Rule 206(4)-5 of the Investment Advisers Act, which prohibits a registered investment adviser from receiving compensation for advisory services from a governmental entity for two years after a prohibited political contribution exceeding certain limits is made by the adviser or a "covered associate" of the adviser to an official of or candidate for office of that governmental entity. Oaktree cooperated immediately and fully with the SEC's inquiry into this matter and, without admitting or denying the SEC's findings in an administrative cease and desist order, agreed to a censure, to cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Investment Advisers Act and Rule 206(4)-5 thereunder, and to pay a civil monetary penalty of \$100,000.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. OTHER FINANCIAL INDUSTRY ACTIVITIES

Oaktree is currently registered with the CFTC as a commodity pool operator and commodity trading advisor and is a member of the NFA. Certain of its management persons and employees that are involved in marketing activities are registered with the CFTC as principals or associated persons.



Oaktree Specialty Lending Corporation, Oaktree Strategic Income Corporation (“Publicly Traded BDCs”), and Oaktree Strategic Income II, Inc. (a private BDC) are Delaware corporations that operate as non-diversified, closed-end management investment companies that have elected (or will elect) to be regulated as business development companies (“BDCs”) under the Investment Company Act of 1940, as amended. Unlike Oaktree Strategic Income II, Inc., each of the Publicly Traded BDCs has common stock that is listed on and is traded on The NASDAQ Global Select Market. Oaktree is the investment adviser to each BDC pursuant to an investment management agreement and certain employees of Oaktree are also officers of each BDC.

In addition, Oaktree serves as co-investment manager of a Managed Fund that is co-advised by an investment adviser unaffiliated with Oaktree.

Certain Oaktree employees may also be associated with one or more unaffiliated registered investment adviser firms. These employees may face conflicts of interest in dedicating time and resources to the Managed Funds and Managed Accounts, which may have a detrimental effect on performance of these accounts. Oaktree addresses this conflict of interest by providing in its Code of Ethics, as described in Item 11 below, that all supervised persons have a duty to act in the best interests of each account and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Oaktree’s policies and procedures.

#### B. AFFILIATE FINANCIAL INDUSTRY ACTIVITIES

OCM Investments, LLC, an affiliate of Oaktree, is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority, Inc. Certain Oaktree employees that are involved in marketing activities are registered representatives of OCM Investments, LLC. Oaktree or its affiliates serve as the general partner or investment manager of certain Managed Funds for which clients may be solicited to invest. Interests in them may be offered through OCM Investments, LLC. OCM Investments, LLC does not receive a commission on such sales but is paid for services performed by Oaktree.

Oaktree Fund Advisors, LLC, an affiliate and related adviser of Oaktree, is an investment adviser registered with the SEC. Oaktree Fund Advisors, LLC provides investment advisory services to Oaktree Real Estate Income Trust, Inc., a non-traded real estate investment trust registered with the SEC, pursuant to an advisory agreement.

In addition, directly or indirectly, Oaktree seeks the investment management, advisory or marketing services of its affiliates outside of the United States with respect to certain Managed Funds and Managed Accounts. Oaktree pays fees directly or indirectly to such affiliates for services performed. One of these affiliates, Oaktree Capital Management (UK) LLP, is deemed to be a relying adviser, pursuant to the SEC’s Division of Investment Management staff guidance issued in a no-action letter, dated January 18, 2012, in response to the American Bar Association’s request for interpretive guidance. That entity provides investment sub-management and advisory services to Oaktree and certain Managed Accounts and Managed Funds as well as performs marketing activities. It is registered with the Financial Conduct Authority in the United Kingdom.

Oaktree Capital Management (UK) LLP is also a “Participating Affiliate” of Oaktree with respect to its sub-advisory relationship with respect to certain registered funds as that term is used in relief granted by the staff of the SEC allowing U.S. registered investment advisers to use investment advisory resources of non-U.S. investment adviser affiliates subject to the regulatory supervision of the U.S. registered investment adviser. Oaktree Capital Management (UK) LLP and any of its employees who assist Oaktree are considered to be “associated persons” of Oaktree as that term is defined in the Investment Advisers Act for purposes of Oaktree’s required supervision. Oaktree Capital Management (UK) LLP has agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the sub-advisory services it provides for certain registered funds. The names and biographical information of the portfolio managers from Oaktree Capital Management (UK) LLP are disclosed within our Form ADV Part 2B – Brochure Supplement.

## ITEM 11. CODE OF ETHICS, PERSONAL TRADING, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND OTHER CONFLICTS OF INTEREST

### A. CODE OF ETHICS AND PERSONAL TRADING

All Oaktree principals, partners, officers and employees (including certain temporary employees, Industry Specialists and consultants) and those of its affiliates are subject to Oaktree's Code of Ethics or Code of Conduct (collectively referred to herein as the "Code"). The Code outlines Oaktree's policies and procedures regarding standards of conduct, personal investment transactions, handling of material, non-public information and other areas. In addition, the Code provides for sanctions in the event of violations of the stated policies and procedures.

The Code contains several restrictions and procedures designed to eliminate conflicts of interest surrounding personal investment transactions of Oaktree personnel, and their related persons, including: (1) pre-clearance of certain personal investment transactions; (2) quarterly reporting of non-exempt personal securities transactions which were transacted during the quarter; (3) annual holdings reports; (4) a prohibition against personally acquiring securities in an initial public offering or a new issue offering; (5) a prohibition against purchasing securities of a private placement without prior approval; (6) a prohibition against portfolio managers, traders or investment analysts purchasing or selling any securities for his or her own account or any account in which he or she may have beneficial interest for a period of five business days prior or subsequent to an Oaktree transaction of the same security on behalf of an account for which they are involved in the decision-making process; (7) a prohibition, with respect to certain investment personnel that provide investment advice to open-end investment companies registered under the Investment Company Act, from profiting from the purchase and sale, or sale and purchase, of the same securities (including underlying equity securities), within 60 calendar days; (8) a prohibition against acquiring any security which is subject to firm wide or, if applicable, a department restriction without prior approval; (9) a prohibition on entering into a short sale transaction or any transaction that has the same economic effect (e.g., short common stock, purchase a put option or sell a naked call option) on any security of an issuer for which a position is held long in an account; and (10) a prohibition, when holding period requirements apply, on buying and selling, or selling short and buying to cover, the same security within 60 calendar days.

Monitoring of employee personal securities transactions is handled by Compliance department personnel and any required and related records are maintained by the Compliance department.

Oaktree's Code contains an Insider Trading Policy. Specifically, the Code prohibits our officers, directors and employees (including certain temporary employees, Industry Specialists and consultants) from buying or selling securities either for themselves or on behalf of others while in possession of material, non-public information about the company that violate applicable securities laws. The Code also prohibits the communication of material, non-public information about a company to others who have no official need to know. Depending on the circumstances surrounding the information received, Oaktree may conclude to either (i) place the issuer on the firm-wide "Restricted Securities List," which would bar any purchases or sales of the issuer's securities by any Oaktree investment group or Oaktree personnel (including any related person) without prior approval, or (ii) in limited and selective cases, elect to maintain an information wall with regard to the issuer, which would (a) place the issuer on a "Watch List" for monitoring of trading activity, (b) bar any purchases or sales of the issuer's securities by any Oaktree investment group or Oaktree personnel (including any related person of such Oaktree personnel) that receives the information, but allowing other investment groups not in possession of the information to trade in the issuer's securities, and (c) bar the dissemination of the information beyond certain identified persons responsible for managing the proposed investment in the issuer and impose appropriate safeguards against such dissemination. Where Oaktree personnel who do not readily fit within a department, receive material non-public information regarding an issuer, the Legal and/or Compliance department (subject to an analysis of the specific facts) will decide the appropriate restriction.



Additional provisions of the Code outline Oaktree's policies governing (1) gifts, meals, and entertainment; (2) political activity; (3) employee activities outside their employment with Oaktree, including serving as a director and certain fiduciary appointments; (4) compliance with anti-corruption and anti-bribery laws; (5) use of expert networks; and (6) the maintenance of confidentiality of certain information.

If you would like a copy of Oaktree's Code please forward your written request to the attention of Rodney Vencatachellum, Managing Director/Chief Compliance Officer, at Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California, 90071.

#### B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

OCM Investments, LLC and certain other affiliates of Oaktree make recommendations to clients to invest in limited partnerships or other pooled investment vehicles for which Oaktree or an affiliate either acts as the general partner with an ownership interest (and receives its applicable share of any profits or losses associated with that ownership interest) and/or receives a management fee and/or performance-based fee, or manager, investment adviser, or sub-adviser who receives a management fee and/or performance-based fee. In each case, at the time of such recommendation, disclosure will be made regarding Oaktree's relationship with such pooled vehicle and any potential conflict of interest that might arise out of such relationship.

Oaktree or any of its affiliates may purchase or sell securities of entities for itself that Oaktree also recommends for purchase or sale by its accounts. Oaktree, or any of its affiliates, may also cause accounts to purchase or sell securities in entities that in turn advise or are advised by entities whose securities are owned by Oaktree or its affiliates. In addition, Oaktree, or any of its affiliates, may sell all or a portion of an investment in an account to one or more clients or investors.

In addition, senior executives, partners, officers and employees (including certain temporary employees, Industry Specialists, Originators and consultants) of Oaktree and its affiliates ("Oaktree Representatives") may buy or sell securities or other instruments that Oaktree has recommended to accounts. Such transactions in securities by Oaktree Representatives are subject to policies and procedures as outlined in Oaktree's Code and which are described more fully above. Oaktree and eligible Oaktree Representatives may also invest in the various pooled vehicles for which Oaktree or certain of its affiliates act as investment manager (see Item 5.A above for a discussion of fees paid by Oaktree Representatives for such investments).

#### C. OTHER CONFLICTS OF INTEREST

##### (i) Conflicts Relating to Acquisition by Brookfield Asset Management

In September 2019, Brookfield completed the acquisition of approximately 61.2% of the business of OCG, an indirect controlling parent of Oaktree at the time, which together with certain related transactions resulted in Brookfield owning a majority economic interest in Oaktree's business. It is expected that both Brookfield and Oaktree will continue to operate their respective investment businesses largely independently, with each remaining under its current brand and led by its existing management and investment teams, and Brookfield and Oaktree managing their investment operations independently of each other pursuant to an information barrier.

It is expected that Oaktree, Oaktree Managed Funds and Managed Accounts (collectively, "Oaktree Accounts") and their portfolio companies will engage in activities and have business relationships that give rise to conflicts (and potential conflicts) of interest between them, on the one hand, and, Brookfield and Brookfield's clients (together, "Brookfield Accounts") and their portfolio companies on the other hand. For so long as Brookfield and Oaktree manage their investment operations independently of each other pursuant to an information barrier, Oaktree, Oaktree Accounts and their respective portfolio companies generally will not be treated as affiliates of Brookfield, Brookfield Accounts and their portfolio companies, and conflicts (and potential conflicts) considerations, including in connection with allocation of investment opportunities, investment and trading activities, and agreements, transactions and other arrangements entered into with



Oaktree, Oaktree Accounts and their portfolio companies, generally will be managed in accordance with disclosures set out in the governing documents and independently as further summarized herein.

There is (and in the future will continue to be) overlap in investment strategies and investments pursued by Oaktree and Brookfield. Nevertheless, Oaktree generally does not expect to coordinate or consult with Brookfield with respect to investment activities and/or decisions of Oaktree Accounts. While this absence of coordination and consultation, and the information barrier described above, will in some respects serve to mitigate conflicts of interests between Oaktree and Brookfield, these same factors also will give rise to certain conflicts and risks in connection with Brookfield's and Oaktree's investment activities, and make it more difficult to mitigate, ameliorate or avoid such situations. For example, because neither Brookfield nor Oaktree is generally expected to coordinate or consult with the other about investment activities and/or decisions made by the other, and neither Brookfield nor Oaktree is expected to be subject to any internal approvals over its respective investment activities and decisions by any person who would have knowledge and/or decision-making control of the investment decisions of the other, it is expected that Brookfield will pursue investment opportunities for Brookfield Accounts which would also be suitable for Oaktree Accounts, but which are not made available to such Oaktree Accounts. Brookfield Accounts and Oaktree Accounts are also expected to compete, from time to time, for the same investment opportunities. Such competition could, under certain circumstances, adversely impact the purchase price of investments. Brookfield will have no obligation to, and generally will not, share investment opportunities that would also be suitable for the Oaktree Accounts, and Oaktree and Oaktree Accounts will have no rights with respect to any such opportunities.

In addition, Brookfield will not be restricted from forming or establishing new Brookfield Accounts, such as additional funds or successor funds, some of which may directly compete with Oaktree Accounts for investment opportunities. Brookfield Accounts also will not be restricted from pursuing investment opportunities based in whole or in part on information, support and knowledge provided directly or indirectly by Oaktree. For example, Oaktree may provide Brookfield, from time to time, with access to marketing-related support, including, for example, introductions to investor relationships and other marketing facilitation activities. Certain such Brookfield Accounts could compete with or otherwise conduct their affairs without regard as to whether or not they adversely impact Oaktree Accounts. In addition, Brookfield Accounts will be permitted to make investments of the type that are suitable for Oaktree Accounts without the consent of the Oaktree Accounts or Oaktree. From time to time, Brookfield Accounts and Oaktree Accounts are expected to purchase or sell an investment from each other, as well as jointly pursue investments.

In addition, from time to time, Brookfield Accounts are expected to hold interests in investments held by Oaktree Accounts (or potential Oaktree Account investments), and/or subsequently purchase (or sell) an interest in an investment held by Oaktree Accounts (or potential Oaktree Account investments). In such situations, Brookfield Accounts could benefit from Oaktree Accounts' activities. Conversely, Oaktree Accounts could be adversely impacted by Brookfield's activities. In addition, as a result of different investment objectives, views and/or interests in investments, it is expected that Brookfield will manage certain Brookfield Accounts' investments in particular issuers in a way that is different from Oaktree Accounts' investments in the same issuers (including, for example, by investing in different portions of the issuer's capital structure, short selling securities, voting securities or exercising rights it holds in a different manner and/or buying or selling its interests at different times than the Oaktree Accounts), which could adversely impact Oaktree Accounts' interests. Brookfield and its affiliates are also expected to take positions, give advice and provide recommendations that are different from, and potentially contrary to, those which are taken by, given or provided to Oaktree Accounts, and are expected to hold interests that potentially are adverse to those held by Oaktree Accounts. Brookfield will not have any obligation or other duty to make available for the benefit of Oaktree Accounts any information regarding its activities, strategies and/or views.





Brookfield and Oaktree are likely to be deemed to be affiliates of each other for purposes of certain laws and regulations, notwithstanding their operational independence and the existence of an information barrier between them, and it is anticipated that from time to time Brookfield Accounts and Oaktree Accounts will have positions (which in some cases will be significant) in the same issuers. In those cases Brookfield and Oaktree will likely need to aggregate their investment holdings, including holdings of Brookfield Accounts and Oaktree Accounts, for certain securities law purposes (including trading restrictions under Rule 144 under the Securities Act, reporting obligations under Section 13 of the Exchange Act and reporting and short-swing profit disgorgement obligations under Section 16 of the Exchange Act) and other regulatory purposes (including (i) public utility companies and public utility holding companies; (ii) bank holding companies; (iii) owners of broadcast licenses, airlines, railroads, water carriers and trucking concerns; (iv) casinos and gaming businesses; and (v) public service companies (such as those providing gas, electric or telephone services)). Consequently, Brookfield's activities could result in earlier public disclosure of investments held by Oaktree Accounts and restrictions on transactions by such Oaktree Accounts (including the ability to make or dispose of investments at times that Oaktree may otherwise have recommended), adverse effects on the prices of such Oaktree Accounts' investments, potential short-swing profit disgorgement, penalties and/or regulatory remedies, or otherwise create conflicts of interests for such Oaktree Accounts. In managing its investment activities, Brookfield will act for its own account or on behalf of Brookfield Accounts and act in its or their own interest, without regard to the interests of Oaktree Accounts.

The potential conflicts of interest described herein may be magnified as a result of the general lack of information sharing and coordination between Brookfield and Oaktree with respect to investment activities. For example, Oaktree's investment teams are not expected to be aware of, and as a result will not have the ability to manage, such conflicts. This will be the case even if the Oaktree investment teams become aware of Brookfield's investment activities through public information.

Brookfield and Oaktree may decide at any time, and without notice to investors and clients, to remove or modify the existing information barrier between Brookfield and Oaktree. In the event that the information barrier is removed or modified, it is expected that Brookfield and Oaktree will jointly evaluate, in their sole discretion, whether to adopt new or different protocols to address potential conflicts and other considerations relating to the management of their investment activities as a result of such removal or modification of the information barrier.

Breaches (including inadvertent breaches) of the information barrier and related internal controls by Brookfield and/or Oaktree could result in significant consequences to Oaktree (and Brookfield) as well as have a significant adverse impact on Oaktree Accounts, including potential regulatory investigations and claims for securities laws violations in connection with Oaktree Accounts' investment activities. These events could have adverse effects on Oaktree's reputation, result in the imposition of regulatory or financial sanctions, negatively impact Oaktree's ability to provide investment management services to Oaktree Accounts and result in negative financial impact to an Oaktree Account's investments.

To the extent that the information barrier is removed or otherwise ineffective and Oaktree has the ability to access analysis, models and/or information developed by Brookfield and its personnel, Oaktree will not be under any obligation or other duty to access such information or effect transactions on behalf of Oaktree Accounts in accordance with such analysis and models, and in fact may be restricted by securities laws from doing so. Oaktree Accounts may make investment decisions that differ from those they would have made if Oaktree had pursued such information, which may be disadvantageous to such Oaktree Accounts.

Brookfield may from time to time engage Oaktree, Oaktree Accounts and/or their portfolio companies to provide certain services to Brookfield Accounts and their portfolio companies, including non-investment management related services and other services that would otherwise be provided by third-party service



providers or Brookfield affiliates, as the case may be. Each such engagement will be in accordance with disclosures set out in the relevant governing documents (including offering documents).

In addition, Oaktree may from time to time engage Brookfield, Brookfield Accounts or their portfolio companies to provide services to Oaktree Accounts and/or their portfolio companies, and the conflicts (and potential conflicts) of interest described above will apply equally for each such engagement.

This does not purport to be a complete list or explanation of all actual or potential conflicts that may arise as a result of Brookfield's majority ownership interest in Oaktree, and additional conflicts not yet known by Brookfield or Oaktree may arise in the future and such conflicts will not necessarily be resolved in favor of the Oaktree Accounts' interests. Because of the extensive scope of both Brookfield's and Oaktree's activities and the complexities involved in combining certain aspects of existing businesses, the policies and procedures to identify and resolve such conflicts of interest will continue to be developed over time.

(2) Trading Restrictions

Oaktree provides a variety of services for, and advice to, various clients, including issuers of securities that Oaktree recommends for purchase or sale by accounts. In the course of providing these services, Oaktree and Oaktree Representatives likely will come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Oaktree and Oaktree Representatives are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including Oaktree's accounts.

In particular, in connection with investment in distressed debt instruments, Oaktree may often seek representation on creditors' committees. As a member of a creditors' committee, Oaktree may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. In addition, the size of an equity holding in a particular issuer, or contractual rights or arrangements obtained by an Oaktree account in connection with an investment, may enable the account to designate one or more directors to serve on the boards of entities in which the account invests. As a member of the board, Oaktree Representatives often come into possession of non-public information and may be subject to various trading or confidentiality restrictions either contractually or pursuant to applicable securities laws. While such board and committee representations may enhance Oaktree's ability to influence the outcome of the investments for its accounts, it may also have the effect of impairing the ability of all Oaktree accounts from engaging in any transactions with respect to securities of such issuer. Oaktree's policies and procedures regarding the receipt and handling of material non-public information is outlined in the Code and is more fully described above.

(3) Corporate Investments

Oaktree and its corporate affiliates have acquired and may continue to acquire interests in companies that provide services to one or more accounts. Oaktree's interest in such a company presents a conflict of interest as the accounts will be paying such company for its services and Oaktree through its ownership interest will share in any profit. In order to ensure that Oaktree does not benefit at the expense of such accounts, Oaktree may agree to rebate (through an offset to its management fee or, if necessary, any carried interest distributions) Oaktree's estimate of any net income of such company attributable to any fees paid by an account to the extent that such net income is received by Oaktree. Oaktree may nevertheless benefit from its ownership of such a company if the company's business is successful. For example, Oaktree may benefit from the sale of its equity interest in the company, or the company may provide services to third parties unaffiliated with Oaktree and, if that business is profitable, Oaktree would benefit as an owner of such company.

(4) Portfolio Company Services to Accounts

In addition, certain accounts have acquired, and may in the future acquire, interests in companies that provide services to one or more other accounts. The payment of fees by accounts to a service provider



owned in whole or in part by other accounts may give rise to potential conflicts of interest to the extent Oaktree directed or initiated such transaction. If Oaktree believes such instances may give rise to a conflict of interest, Oaktree will address such conflicts based on the facts and circumstances presented by each situation and attempt to employ measures to ensure that the accounts using the company's services are charged arm's-length prices for the services they receive. Such measures include, where appropriate, having the company's management control the negotiation of fees with the accounts to which services are provided and/or obtaining a contractual right for the accounts to automatically receive the benefit of the most favorable fees charged by the service provider to similarly situated clients.

(5) Corporate and Employee Benefits

Oaktree and its employees also receive certain benefits, such as discounts on products or services from companies in which an Oaktree account holds a significant ownership interest.

Oaktree and its personnel (including Industry Specialists) can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of Oaktree accounts that will not be subject to the management fee offset or otherwise shared with the accounts and/or portfolio companies. For example, airline travel or hotel stays incurred as an account expense, or use of a corporate credit or debit card, typically result in cash rebates, "miles," "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Oaktree and/or such personnel (including Industry Specialists) (and the accounts and/or portfolio companies) even though the cost of the underlying service is borne by the accounts and/or portfolio companies.

(6) Service Provider Conflicts

Certain advisors and other service providers (including, Industry Specialists, accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms, developers or property managers and certain other advisors and agents) to accounts, Oaktree and/or certain entities in which the accounts have an investment, or affiliates of such advisors or service providers, may also provide goods or services to or have business, personal, political, financial or other relationships with Oaktree, its affiliates, or their respective portfolio companies. Such advisors or service providers (or their employees) may be investors in Managed Funds, Oaktree and/or their respective affiliates, sources of investment opportunities, co-investors or commercial counterparties or entities in which Oaktree and/or the accounts have an investment, and payments by an account and/or such portfolio companies may indirectly benefit Oaktree and/or such account. Additionally, certain Oaktree employees may have family members or relatives employed by advisors and service providers. These service providers and their affiliates may contract or enter into any custodial, financial, banking, advising or brokerage, placement agency or other arrangement or transaction with an account, Oaktree, its affiliates, any investor in a Managed Fund or any portfolio company in which an account has made an investment. These relationships may influence Oaktree and its affiliates in deciding whether to select or recommend such a service provider to perform services for an account or a portfolio company (the cost of which will generally be borne directly or indirectly by the particular account).

Advisors, service providers and vendors often charge different rates, including discounted or below-market rates or no fee or otherwise have different arrangements for specific types of services. For example, the fee for a particular type of service may vary based on the complexity of the matter, the expertise required, demands placed on the service provider and the volume of matters and services. Therefore, to the extent the types of services used by an account are different from those used by Oaktree, other accounts, their portfolio companies or their respective affiliates, any of the foregoing may pay different amounts or rates than those paid by a particular account with respect to any particular advisor or service provider.

In addition, certain advisors and service providers (including law firms) may temporarily provide their personnel to Oaktree, an account or their portfolio companies, including at cost or without charge. While the accounts and their portfolio companies are often the beneficiaries of these types of arrangements, Oaktree

may from time to time be a beneficiary of these arrangements as well, including in circumstances where the advisor or service provider also provides services to the accounts in the ordinary course. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Oaktree, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in Oaktree's discretion taking into consideration the usage of such personnel.

(7) Investors Committee

For Managed Funds whose governing agreements provide for the establishment of an investors committee, Oaktree will appoint one or more representatives to the investors committees of such Managed Funds. The Managed Funds' governing agreements generally provide that to the fullest extent permitted by applicable law, none of the investors committee members will owe any fiduciary or other duties to the Managed Funds or any other partner, other than to act in good faith. In addition, representatives of the investors committee may have business and other relationships with Oaktree and its partners, employees and affiliates, may be co-investors alongside the Managed Fund and may be investors in other accounts. These relationships may influence their decisions as members of the investors committee.

## ITEM 12. BROKERAGE PRACTICES

### A. SELECTION OF BROKER-DEALERS

Oaktree is responsible for the placement of securities and investment transactions and the negotiation of prices and commissions, if any, with respect to such transactions. Oaktree has complete discretion in deciding which securities and investments are bought and sold, the amount and prices of those securities and investments, and the brokers and dealers to be used for a particular transaction. Fixed income, debt products and unlisted equity securities are generally purchased from a dealer acting as principal on a net basis without a stated commission but at prices generally reflecting a dealer spread. Listed equity securities are normally purchased through brokers in transactions executed on securities exchanges involving negotiated commissions. Both fixed income and equity securities are also purchased in underwritten offerings at fixed prices which include discounts to underwriters or concessions to dealers. Oaktree's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant.

These factors include, but are not limited to, Oaktree's knowledge of negotiated commission rates and spreads then available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and other brokers or dealers considered; Oaktree's knowledge of actual or apparent operational problems of any broker or dealer; the broker's or dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of spreads or commissions; and the research services and products furnished by the broker or dealer, if any.

In seeking to obtain best execution, Oaktree generally will not seek in advance competitive bidding for the most favorable commission rate or spread applicable to any particular security and investment transaction or to select any broker or dealer on the basis of its purported or "posted" commission rate. Oaktree will endeavor to be aware of the then current level of the charges of eligible brokers or dealers and to minimize the expense incurred for effecting security and investment transactions to the extent consistent with the interests and policies of its accounts. Although Oaktree generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. When appropriate, Oaktree may,

but is not required to, aggregate account orders to achieve more efficient execution or to provide for equitable treatment among accounts. All Oaktree accounts in aggregated trades will be allocated securities or investments based on the average price achieved for such trades.

(1) Research and Other Soft-Dollar Benefits

During its last fiscal year, Oaktree did not direct any account transactions to a particular broker-dealer in return for soft-dollar benefits. However, in the event that Oaktree would elect to do so, the procedures described below are followed.

Consistent with obtaining best execution, brokerage commissions (including dealer spreads paid on certain principal transactions in accordance with SEC interpretations) on accounts' portfolio transactions may be directed by Oaktree to a broker or dealer in recognition of research services furnished by the broker or dealer or a designated third party, as well as for services rendered in such execution of orders by such broker or dealer. In considering such research, Oaktree first determines that the product or service will provide lawful and appropriate assistance in the performance of its investment decision-making responsibilities. A determination is then made that the amount of commissions paid is reasonable in light of the value of the brokerage and research services provided. Oaktree does not attempt to put a specific monetary value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research received is, in the aggregate, of assistance to Oaktree in fulfilling its overall duty to its clients. Oaktree notes that each and every research service may not be used to service each, and every account managed by Oaktree and Oaktree may use research services to service accounts that did not pay commissions to the broker-dealers providing such research services. Moreover, Oaktree may benefit from these services as it may not have to pay for such research services and products out of its own resources. In Europe, however, because of certain regulatory requirements some of Oaktree's affiliates pay for research that they receive from third parties such as broker-dealers or investment banks.

The receipt of investment research and information and related services permits Oaktree to supplement its own research and analysis and makes available to Oaktree the views and information of individuals and research staffs of other firms. The views and information include written materials on certain companies, industries, areas of the economy or market factors and other areas that might affect the economy or securities prices. Research services may also include statistical information; accounting and tax law interpretations that relate to an investment; political developments that may affect investments in the markets in which Oaktree invests; legal developments affecting portfolio securities; technical market actions; pricing and appraisal services; credit, risk measurement and performance analysis; analysis of corporate responsibility issues; portfolio strategy; and analytic computer software. They may also include advice from broker-dealers as to the value of securities, availability of securities, availability of buyers, and availability of sellers. In addition, they may include recommendations as to the purchase and sale of individual securities and timing of transactions.

These research services may be received through on-line information services provided by the broker or dealer or a designated third party. Due to the receipt of various research materials through on-line services, products may include software used in connection with gaining access to the information and may be considered a mixed-use item, having both research and non-research functions. When products or services, including on-line services, are used for both research and other purposes, Oaktree will make a good faith allocation of the cost of the product or service between the research and non-research functions. The non-research portion will be paid in cash by Oaktree, while the portion attributable to research will be paid through brokerage commissions. Brokers or dealers selected by Oaktree may be paid commissions for effecting transactions for Oaktree's clients in excess of the amounts other brokers or dealers would have charged for effecting these transactions if Oaktree determines in good faith that such amounts are reasonable in relation to the value of the brokerage or research services provided by such brokers or dealers, viewed either in terms of a particular transaction or Oaktree's overall duty to its discretionary accounts.





(2) Directed Brokerage

Oaktree may in certain circumstances permit clients of Managed Accounts to direct Oaktree to use a particular broker or dealer to execute securities and investment transactions for its account. Where a client directs the use of a particular broker or dealer, Oaktree will not be in a position to freely negotiate commission rates or spreads, or select brokers or dealers on the basis of best price and execution. Additionally, transactions for a client of a Managed Account that directs brokerage will not be batched for execution purposes with orders for the same securities or instruments for other accounts managed by Oaktree. As a result, directed brokerage transactions may result in higher commissions, greater spreads or less favorable net prices than would be the case if Oaktree were empowered to select brokers and dealers to execute transactions for the particular Managed Account.

**B. AGGREGATION OF PURCHASES AND SALES OF SECURITIES**

When possible, trade orders are combined or “batched” to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commissions or spreads. These batched orders are then generally allocated on a pro rata basis, at the same average price, among each account participating in that specific trade, including Managed Funds, subject to certain investment considerations. In instances where aggregation is not practical or possible, our investment professionals seek to follow our best execution policies, whereby we believe the costs of not aggregating account orders are either immaterial or marginal. See below for a discussion of our allocation guidelines.

**C. INVESTMENT ALLOCATIONS**

One Oaktree account may share in investment opportunities presented to one or more other Oaktree account(s) to the extent that Oaktree in good faith deems such allocation to be prudent or equitable based on the Investment Allocation Considerations (as defined below). The decision by Oaktree to allocate an opportunity to one account could cause another account to forego an investment opportunity it otherwise would have made.

(1) Intra-Strategy Allocation

As mentioned above under “B. Aggregation of Purchases and Sales of Securities”, trade orders are combined or “batched” when possible. These batched orders are then generally allocated on a pro rata basis among each account, including Managed Funds, within the same investment strategy. The pro rata allocation for both investments and sales may be overridden if Oaktree in good faith deems a different allocation method to be prudent or equitable in light of (1) the size, nature and type of investment or sale opportunity, (2) principles of diversification of assets, (3) the investment guidelines and limitations governing the accounts, including client instructions with respect to a specific investment and compressed ramp-up periods that are characteristic of certain investment vehicles, (4) liquidity considerations of the Managed Funds or Managed Accounts, including redemption/withdrawal requests received by a Managed Fund or Managed Account, proximity of a Managed Fund or Managed Account to the end of its specified term and cash availability (including cash that becomes available through leverage), (5) the magnitude of the investment, (6) the risk profile or the need to resize risk in a Managed Fund’s or Managed Account’s portfolio (including the potential for the proposed investment to create an industry, sector, issuer, geographic or currency imbalance in the relevant portfolio), (7) a determination by Oaktree that the investment or sale opportunity is inappropriate, in whole or in part, for one or more accounts, (8) applicable transfer or assignment provisions, (9) the management of any actual or potential conflicts of interest, (10) the investment focus of the accounts (including the target return profile or targeted hold period of the accounts), (11) applicable contractual or legal obligations, (12) the Oaktree investment team responsible for sourcing of the transaction, (13) avoiding a *de minimis* allocation, and/or (14) such other factors as Oaktree may reasonably deem relevant (all of the foregoing factors being hereinafter referred to as the “Investment Allocation Considerations”). In some cases, Oaktree’s observation and application of the Investment Allocation Considerations may affect adversely the price paid or received by an account or the size of the position purchased or sold by an account.



Oaktree manages accounts which have pre-determined investment and liquidation periods as detailed in each account's governing documents ("closed-end accounts"). In general, Oaktree will not draw down capital commitments for a new closed-end account within the same investment strategy until the earlier of (1) such time as the prior closed-end account in such strategy is at least 80% invested or committed for investment (other than closed-end accounts organized as parallel accounts with different inception dates) and (2) the end of the investment period of such prior closed-end account.

As a general matter and except as described herein, if two or more closed-end accounts with the same overall investment focus are still in their respective investment periods, an available investment opportunity will be allocated pro rata among them on the basis of available capital, except that the opportunity first will be allocated entirely to the oldest account until that account is 80% invested, committed for investment, or reasonably reserved for follow-on investments, unless the terms of that account provide that such account will not have priority; and provided, further, that such investment allocation may be changed in the event that Oaktree determines a different investment allocation to be prudent or equitable based on the Investment Allocation Considerations. Similar to investment opportunities, sales, payoffs or other dispositions of an investment held by two or more such closed-end accounts generally will be allocated pro rata among them on the basis of their respective investments held, except that if Oaktree determines that opportunities to sell are limited, first priority may go to any account in its liquidation period (and, among accounts in their liquidation periods, to the oldest of such accounts) and provided, further, that such allocation may be changed in the event that Oaktree determines a different allocation to be prudent or equitable based on the Investment Allocation Considerations.

In addition, as a general matter, investment opportunities between a closed-end account that is in its investment period and an open-end account (which typically does not have a limit on total size) with the same overall investment focus, and between two or more open-end accounts with the same investment focus, investment opportunities will generally be allocated between them based on Oaktree's reasonable assessment of the amounts available for investment by each account, and sales of an investment will generally be allocated pro rata between them on the basis of their respective investments held (disregarding for this purpose the age of the accounts or which of them is in a liquidation period). Each of the foregoing allocations for both investments and sales may be overridden if Oaktree in good faith deems a different allocation to be prudent or equitable in light of the Investment Allocation Considerations.

(2) Inter-Strategy Allocation

Oaktree and its affiliates currently manage, and may in the future manage, a number of accounts that are eligible to invest in the same types of partnerships/ventures, securities, obligations or other investments requiring Oaktree to address potential conflicts of interest involving potentially overlapping investments. While Oaktree will seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one account with respect to a particular investment or other matter conflict with the interests of one or more other accounts, Oaktree or one or more of their respective affiliates. For example, such conflicts may arise in situations where an Oaktree account has invested in the securities of an issuer, but due to changed circumstances, the investment opportunities with respect to such issuer subsequently fall within the investment focus of another account or accounts or where an account makes an investment in the same issuer in which another Oaktree account has an investment, including at a different level of such issuer's capital structure (or vice versa). Such changed circumstances might include, among others: a fall in the prices of the securities of the issuer to distressed levels; workouts or other restructurings relating to an issuer's capital structure; a decline in the issuer's business or financial condition; or consideration by the issuer of strategic alternatives or other fundamental changes. Subject to the provisions of the governing documents of the affected accounts, on any matter involving a conflict of interest, Oaktree will be guided by its fiduciary duties to its clients (as set forth in such governing documents) and will manage such conflict in good faith and seek to ensure that the interests of all affected accounts are represented. However, if necessary to resolve such conflict, Oaktree reserves the right to cause one affected account to take such steps as may be necessary to minimize or eliminate the conflict, even if (subject to



applicable law) that would require such account to (1) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (2) otherwise take action that may have the effect of benefitting Oaktree, any of its affiliates, or another Oaktree account and therefore may not have been in the best interests of the affected accounts. Additionally, to the extent an affected account structured as a Managed Fund has an investors committee, Oaktree may also in its discretion consult with such account's investors committee regarding any potential conflict of interest, and if Oaktree and its affiliates act in a manner, or pursuant to standards or procedures, approved by such investors committee with respect to such conflict of interest, then to the fullest extent permitted by applicable law, Oaktree and its affiliates will not have any liability for such actions taken in good faith by them.

The classification of an investment opportunity as appropriate or inappropriate for an account is made by Oaktree, in good faith, at the time of purchase and will govern in this regard. This determination frequently will be subjective in nature. Consequently, an investment that Oaktree determined was appropriate (or more appropriate) for one account may ultimately prove to have been more appropriate for another Oaktree account. Furthermore, the decision as to whether an account should make a particular follow-on investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial purchase due to a changed determination on this issue by Oaktree, and investments made by an account towards the end of its investment period, if applicable, may be structured so that one or more other Oaktree accounts can make an anticipated follow-on investment on certain prearranged terms and conditions, including price (which may be based on cost of the original investment). Where potential overlaps between or among accounts exist, such opportunities will be allocated by Oaktree, in good faith, after taking into consideration the investment focus of each affected account and the Investment Allocation Considerations. Generally, Oaktree accounts do not purchase any investments from, or sell any investments to, any other Oaktree accounts (other than in certain limited circumstances, such as in connection with seed investments, tax structuring, syndications to co-investors or in order to facilitate the allocation of an investment among related alternative investment vehicles, parallel funds or other related entities or otherwise approved by the investors committee, if any, of the affected account).

(3) Investing in Different Parts of the Capital Structure of an Issuer

Oaktree anticipates that accounts may make investments in companies in which one or more other Oaktree accounts hold an investment in a different class of such company's debt or equity. In such circumstances, Oaktree may have conflicting duties among the accounts. Generally speaking, Oaktree expects that accounts will make investments that potentially conflict with the interests of other accounts that already have an existing investment in the same company only when, at the time of the account's investment, Oaktree believes that (a) such investment is in the best interests of the account and (b)(i) the possibility of actual adversity between the account and another Oaktree account is remote, (ii) either the potential investment by the account or the investment of such other Oaktree account is not large enough to control any actions taken by the collective holders of securities of such company or asset, or (iii) in light of the particular circumstances, Oaktree believes that such investment is appropriate for the account, notwithstanding the potential for conflict. In those circumstances where Oaktree accounts hold investments in different classes of a company's debt or equity, Oaktree may also, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between each of them, including causing one or more accounts to take certain actions that, in the absence of such conflict, it would not take, such as (A) remaining passive in a restructuring or similar situations (including electing not to vote or voting pro rata with other security holders), (B) investing in the same or similar classes of securities as other accounts that have existing investments in order to align their interests, (C) divesting investments or (D) otherwise taking an action designed to reduce adversity. Any such step could have the effect of benefitting other Oaktree accounts or Oaktree or its affiliates, and therefore may not have been in the best interests of, and may have been adverse to, the affected account.



(4) Oaktree-Related Securitizations and Other Oaktree Activities

An account may invest in securitizations or asset-backed securities, including (a) collateralized loan obligations for which Oaktree or its affiliate serves as collateral manager (an “Oaktree CLO”), (b) securitizations originated or sponsored by other Managed Accounts, Managed Funds or Oaktree accounts (“Other Oaktree Accounts”), and (c) any other securitizations in which Oaktree or Other Oaktree Account may be involved or hold interests (including any refinancings thereof and purchases on the secondary market) ((a)-(c) collectively, “Oaktree-Related Securitizations”). An account may invest in securitizations alongside Other Oaktree Accounts and on different terms than Other Oaktree Accounts and Other Oaktree Accounts may be sponsoring such securitizations and retaining an interest in the equity and/or debt tranches thereof or participating separately as purchasers in such securitizations. As such, an account may invest in the same or different tranches of the same securitizations as Other Oaktree Accounts or at different levels of the capital structure, which may potentially be adverse to each other. Generally speaking, Oaktree expects that an account will make investments that potentially conflict with the interests of an Other Oaktree Account only when, at the time of investment, Oaktree believes that (A) such investment is in the best interests of the account and (B)(i) the possibility of actual adversity between the account and Other Oaktree Account is remote, or (ii) in light of the particular circumstances, Oaktree believes that such investment is appropriate for the account, notwithstanding the potential for conflict. Oaktree will be guided by its fiduciary duties to the account as well as its fiduciary duties to the Other Oaktree Accounts, as applicable, which may include conflicting fiduciary duties in its capacity as collateral manager or sponsor of an Oaktree-Related Securitization. In each case, Oaktree will seek to act for the account in the account’s best interest while acting for the Other Oaktree Accounts in such Other Oaktree Accounts’ best interests. If, during any period in which any assets of an account are held in an Oaktree CLO, an Oaktree Managed Fund pays or bears any fee payable to Oaktree in respect of any such Oaktree CLO (an “Oaktree CLO Fee”), then, during such period either (1) such fee will be reduced on a dollar-for-dollar basis the management fee (but not below zero) or (2) the basis against which the management fee is charged will be deemed to exclude the portion attributable to such Oaktree CLO; provided that the choice between (aa) or (bb) will be made in Oaktree’s sole discretion. Oaktree will determine in its reasonable discretion whether any tranche(s) of any Oaktree CLO held as part of the assets of an account, and therefore the account (through such investment) bears any such Oaktree CLO Fee.

(5) Allocation of Co-Investment Opportunities

Oaktree will seek to develop a diversified portfolio of assets for an account and may utilize co-investment in certain circumstances to achieve this or other objectives. There may be circumstances where an amount that could have otherwise been invested by a particular account is instead allocated to one or more co-investors, including in certain circumstances, third parties that are not clients of a Managed Account or investors in a Managed Fund (including Industry Specialists as discussed in Item 5 above), and there is no guarantee that investors or clients will be offered any co-investment opportunities, including in circumstances where other investors or clients (including other investors in the same Managed Fund) are offered a co-investment opportunity. Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). As a general matter, Oaktree, in determining the allocation of discretionary co-investment opportunities, expects to take into account various facts and circumstances deemed relevant by Oaktree. Such factors may include, among others, whether a co-investor adds strategic value, industry expertise or other similar synergies, whether a potential co-investor has expressed an interest in evaluating co-investment opportunities, whether a potential co-investor has a history of participating in investment opportunities with Oaktree, and such other factors that Oaktree deems relevant under the circumstances. The factors listed in the foregoing sentence are neither presented in order of importance nor weighted. In addition, an investor may be offered fewer co-investment opportunities than investors with the same, larger or smaller capital commitments in an Oaktree account, and some investors may receive no such offers while





other investors with capital commitments of the same, higher or lower amount may receive substantial offers for such opportunities.

While co-investment opportunities will generally be allocated by Oaktree in its discretion using the criteria described above, Oaktree and/or its affiliated general partners may agree to give particular investors or clients priority access to co-investment opportunities. The existence of such priority co-investment rights could affect Oaktree's decision to offer certain opportunities for co-investment and could limit the ability of Oaktree accounts or their investors or clients to be offered certain co-investment opportunities. In addition, Oaktree and/or its affiliated general partners may be incentivized to offer certain investors or clients or Oaktree accounts the opportunities to co-invest because the amount of carried interest and/or management fee to which Oaktree and/or its affiliated general partners are entitled under arrangements made with such investors or clients or Oaktree accounts may depend on, among other things, the extent to which such investors or clients or Oaktree accounts participate, or are offered the opportunity to participate, in co-investments. Such priority co-investment rights or incentives will from time to time give rise to conflicts of interest, and there can be no assurance that any investment opportunities will be made available to Oaktree accounts or any of their investors or clients. Oaktree may or may not charge an administrative fee, a management fee or similar fees and/or carried interest to co-investors in respect of co-investments (which fees and/or carried interest may differ from that charged to an Oaktree account), as it determines in its sole discretion.

With respect to each investment in which co-investors co-invest with an Oaktree account, any investment expenses related to such investments will, except as otherwise determined to be equitable by Oaktree in its discretion (such as when such investment involved material structuring or other expenses that were incurred exclusively for the benefit of the account or such potential co-investors), be borne by the Managed Fund and/or Managed Account and such co-investors in proportion to the capital committed by each to such investment. Typically, these expenses include: (i) legal, accounting, advisory, consulting or other third-party expenses and any related travel expenses; (ii) all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing resources in connection with arranging financing for a proposed investment (whether or not consummated); (iii) any amounts paid to an individual or group pursuing a business plan (whether or not successfully implemented); and (iv) any break-up fees, deposits or down payments of cash or other property which are forfeited in connection with proposed investment that is not ultimately made. However, Oaktree will generally structure any co-investment opportunity such that the co-investors do not bear any expenses in connection with unconsummated investments (including where Oaktree determines in its sole discretion that such allocation would (a) be in the interest of the Managed Fund and/or Managed Account, (b) not result in the Managed Fund and/or Managed Account incurring material additional costs compared to the costs that the Managed Fund and/or Managed Account would have incurred had there been no co-investors, or (c) impracticable to determine, e.g., because the transaction terminated before co-investors' commitment amounts could be determined or before co-investors were bound to participate in the transaction), it being understood that, if so structured, such co-investors shall not be entitled to receive any break-up fees or similar fees that may be earned with respect to such transaction (and in such case, the account shall bear all such broken-deal expenses and shall be entitled to any such break-up fees or other similar fees). As a result, expenses relating to unconsummated investments, including any broken-deal expenses, may be borne exclusively by the Managed Fund and/or Managed Account, without regard to whether some portion of such prospective investment has been, or may be, offered to one or more co-investors.

Oaktree and/or its affiliated general partners, in their sole discretion, may cause certain Managed Funds that are closed-end funds (to the extent permitted by their governing documents) to acquire a permitted investment with the intention of selling down a portion of such investment to one or more co-investors. Any such permitted investment may be sold down to co-investors at a price equal to either the fair market value as determined by Oaktree or the sum of (i) the Managed Fund's acquisition cost for the transferred portion of such co-investment, including any allocable expenses relating thereto (based on the portion of the permitted investment sold to co-investors relative to the portion thereof retained by the Managed Fund)





plus (ii) an amount of interest intended to compensate the Managed Fund for temporarily holding the investment. There can be no assurance that the Managed Fund will be successful in syndicating such co-investment, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the syndication will take place on terms and conditions that will be preferable for the Managed Fund or that expenses incurred by the Managed Fund with respect to such syndication will not be substantial. In the event that the Managed Fund is not successful in syndicating such co-investment, in whole or in part, the Managed Fund will not be required to dispose of any portion of, or otherwise reduce, its ownership interest in such portfolio company, and the Managed Fund will consequently hold a greater concentration and have more exposure in the related investment than initially was intended, which could make the Managed Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by the Managed Fund that is not syndicated to co-investors as originally anticipated could significantly reduce the Managed Fund's overall investment returns.

## ITEM 13. REVIEW OF ACCOUNTS

Responsibility for managing Oaktree's accounts is spread among Oaktree professionals who are best suited and skilled to manage the asset class in which the account is invested. These professionals review and monitor the accounts on a daily basis. On an ongoing basis, these professionals review current market prices of securities and investments held for accounts, review relevant financial markets and are involved in all major portfolio decisions. Oaktree professionals also monitor performance as appropriate. All accounts are reviewed by the applicable strategy group, and other necessary departments.

Depending on the investment strategy, each of Oaktree's Managed Account clients generally receives a monthly report describing each investment in the account, summarizing the month's account activities and comparing the market value of the account for that month against the prior month's market value, unless otherwise agreed that a different type of monthly statement will be provided. Investors in closed-end and evergreen Managed Funds generally receive unaudited financial statements on a quarterly basis as well as audited financial statements annually. Investors in our open-end Managed Funds receive reports as often as called for in the governing documents of the relevant Managed Fund, in addition to audited financial statements annually. In addition to the information generally provided to all investors in a particular Managed Fund or client of a Managed Account, Oaktree may provide certain investors or clients with additional information or more frequent reports that other investors or clients will not receive (e.g., in connection with certain side letter provisions, diligence requests, or certain co-investments).

In performing its investment management activities, Oaktree and its affiliates allocate their respective personnel and their personnel's time among each of the Managed Accounts and Managed Funds in which they may be involved. Although each will devote such time as deemed necessary to conduct such investment management activities in an appropriate manner, conflicts may arise in the allocation of personnel and their time among such Managed Accounts and Managed Funds, particularly in connection with accounts that may involve substantially more time and resources than other accounts.

## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Oaktree may enter into arrangements and compensate unaffiliated solicitors for client referral activities in connection with Managed Accounts. These solicitation arrangements will be fully disclosed to affected clients and will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act, where applicable. Any compensation associated with such solicitation arrangement will generally be borne directly by Oaktree.

In addition, Oaktree or its affiliates may enter into arrangements with unaffiliated placement agents for investor referral activities in connection with its Managed Funds. Such unaffiliated placement agents may receive a placement fee, maintenance fee and expense reimbursement as compensation for its services. Prospective investors in a

Managed Fund should understand that a potential conflict exists for such placement agents in light of the fact that certain of the fees earned are based on the amount of commitments raised under such agreements. All fees in connection with such placement agent arrangements will be ultimately borne by Oaktree, either paid directly by Oaktree or if paid by the Managed Fund through a dollar for dollar reduction in the management fee or other compensation earned by Oaktree for services to such Managed Fund.

Representatives of Oaktree from time to time speak at conferences and programs sponsored by brokers or dealers that are directed at investors interested in investing in alternative investment funds. These conferences and programs may be a means by which funds managed by Oaktree can be introduced to prospective investors. In addition, brokers or dealers may refer such Managed Funds to, or arrange for meetings with, potential investors who are also often clients of such brokers or dealers. While these conferences, programs, references and meetings (collectively, a "Capital Introduction Program") may be arranged by brokers or dealers, there is no guarantee that any potential investor participating in a Capital Introduction Program will invest. Generally, other than the standard commission rates and customary brokerage fees paid by an account (which Oaktree believes are paid solely for trade execution and brokerage services), the brokers or dealers do not receive any compensation, directly or indirectly, for such participation in a Capital Introduction Program or any subsequent investments which may result from such participation. Furthermore, the participation in a Capital Introduction Program is not a consideration when selecting or retaining brokers or executing trades.

## ITEM 15. CUSTODY

It is Oaktree's general policy not to have physical custody of any client assets.

However, Oaktree may be deemed to have custody of assets of Managed Funds due to it or an affiliated entity being the general partner of such Managed Funds. In such cases, Oaktree will cause such Managed Funds to be audited annually and the audited annual financial statements to be distributed to all investors no later than 120 days after the end of the fiscal year for such Managed Funds. In addition, upon the final liquidation of such a Managed Fund, Oaktree will obtain a final audit and distribute the audited financial statements with respect to such liquidated Managed Fund to all investors promptly after completion of the final audit.

In addition, in certain instances Oaktree may be deemed to have custody of the assets of a Managed Account due to its ability to withdraw funds to pay its advisory fees. In such instances, Oaktree may comply with the custody rule by obtaining a surprise security account performed by a public accounting firm.

Further, clients with Managed Accounts will receive account statements from the qualified custodian for their Managed Accounts and they should carefully review those statements. Clients of Managed Accounts that receive account statements from Oaktree are urged to compare the account statements they receive from the qualified custodian with those that they receive from Oaktree.

## ITEM 16. INVESTMENT DISCRETION

Oaktree buys and sells securities and other instruments for its accounts, on a discretionary basis in a manner consistent with each client's investment objectives and restrictions. These investment objectives and restrictions, if any, will be determined at the commencement of the account. The investment objectives and restrictions for Managed Funds will be set forth in the governing documents of those funds. The investment objectives and restrictions for Managed Accounts are generally set forth in an investment management agreement negotiated between Oaktree and the client. The authority for Oaktree to exercise discretion is generally contained within such governing documents or investment management agreements.

Generally, Oaktree will be authorized to make all discretionary determinations in accordance with the account's investment objectives and restrictions without consultation or consent before a transaction is effected.

These include, but are not limited to the following:

- which securities or instruments to buy or sell;

- the total amount of securities or instruments to buy or sell;
- the broker or dealer through whom securities or instruments are bought or sold;
- the commission rates or dealer spreads at which transactions in securities or instruments are effected;
- the timing of when to execute the trade to buy or sell the security;
- proxy voting;
- allocations;
- determinations relating to potential conflicts; and
- soft dollars and other research-related issues.

## ITEM 17. VOTING CLIENT SECURITIES

Rule 206(4)-6, "Proxy Voting by Investment Advisers" requires all investment advisers who exercise voting authority over client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the client; (2) describe the procedures to clients; and (3) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Oaktree has always taken seriously its responsibility to exercise voting authority with respect to the securities that form part of its accounts' portfolios. We believe the right to vote such proxies is a valuable asset, and we have always sought to vote such proxies in a manner that would maximize the value of our accounts' holdings.

We have policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interests of our accounts and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. Proxies will be voted in accordance with our proxy voting guidelines by our investment staff unless an exception is warranted. Oaktree's Compliance Department reviews all proxies prior to submission. The receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation will be coordinated by our Accounting and Operations staff.

Clients in Managed Accounts may retain the right to vote on proxies. However, where clients delegate the responsibility to Oaktree, they may not direct us to vote in a particular manner. In these instances, proxies will be voted in accordance with our internal policies.

If you would like additional information regarding how we have voted on specific proxies, or a copy of our proxy voting policies and procedures, please forward your written request to the attention of Rodney Vencatachellum, Managing Director/Chief Compliance Officer, at Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California, 90071.

## ITEM 18. FINANCIAL INFORMATION

Oaktree has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage accounts.