

# OAKTREE CAPITAL GROUP, LLC



OAKTREE

First Quarter 2016

# Forward-Looking Statements & Safe Harbor

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

This presentation along with any other information provided with or in connection with this presentation are provided for informational purposes only and do not constitute, and should not be construed as, an offer to sell, or a solicitation of an offer to buy, any securities of the Company or its affiliates, or an offer, invitation or solicitation of any specific funds or the fund management services of the Company or its affiliates, or an offer or invitation to enter into any portfolio management mandate with the Company or its affiliates.

The Company discloses certain non-GAAP financial measures in this presentation, including adjusted net income (“ANI”), distributable earnings (“DE”), fee-related earnings (“FRE”) and economic net income (“ENI”). Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are presented in the Appendix. Capitalized terms in the Appendix, including in the footnotes, that are not otherwise defined shall have the meanings ascribed to them in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 9, 2016, which is accessible on the SEC’s website at [www.sec.gov](http://www.sec.gov).

# Oaktree: A Leading Global Alternative Asset Manager

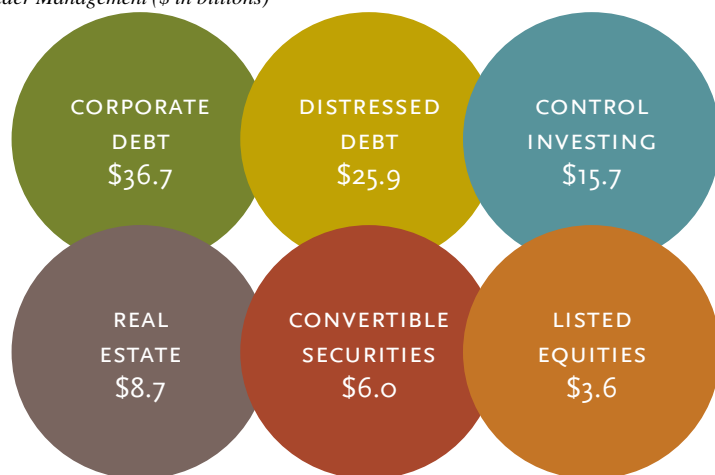
- A leader and pioneer in alternative asset management with \$97 billion of AUM
- Diversified mix of pro- and counter-cyclical strategies
- Strong, risk-adjusted investment performance
- A loyal, blue-chip institutional client base
- Attractive growth prospects for new and established strategies

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



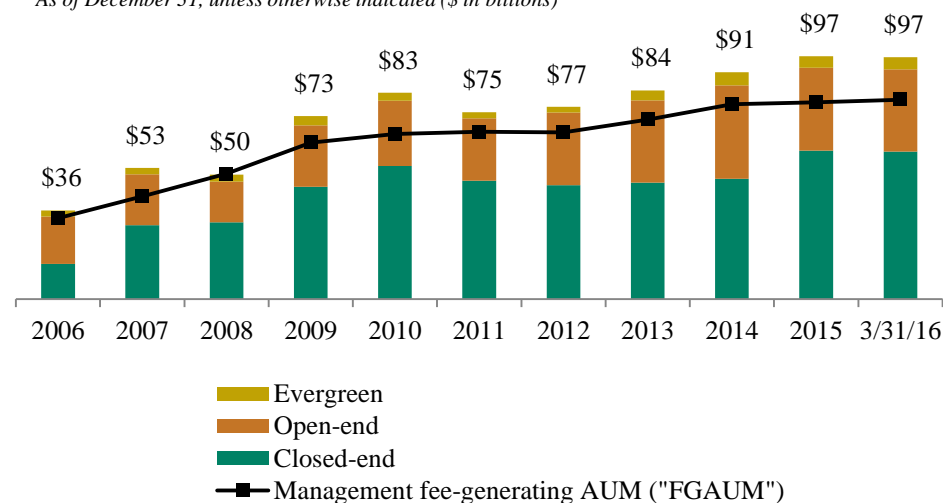
## INVESTMENT AREAS<sup>2</sup>

Assets Under Management (\$ in billions)



## HISTORICAL ASSETS UNDER MANAGEMENT

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



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

<sup>2</sup> Assets under management presented above exclude \$69 million of assets in the Asia Principal strategy and \$74 million of assets in the Japan Opportunities strategy.

# Foundation of Oaktree

## INVESTMENT PHILOSOPHY

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

## BUSINESS PRINCIPLES

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

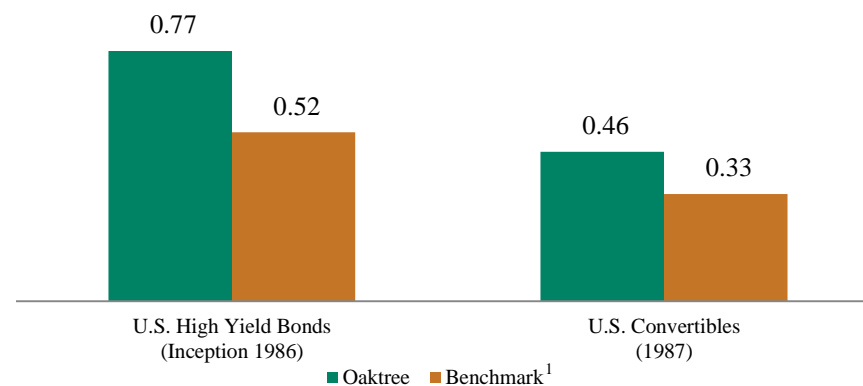
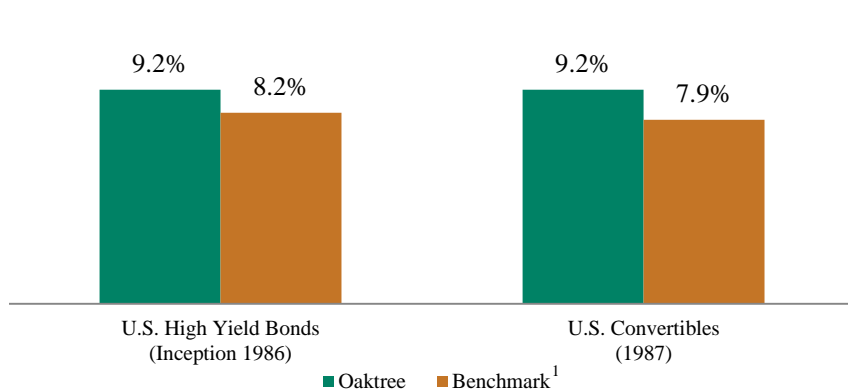
**Oaktree’s mission is to deliver superior investment results with risk under control and to conduct our business with the highest integrity**

# History of Exceptional Investment Performance

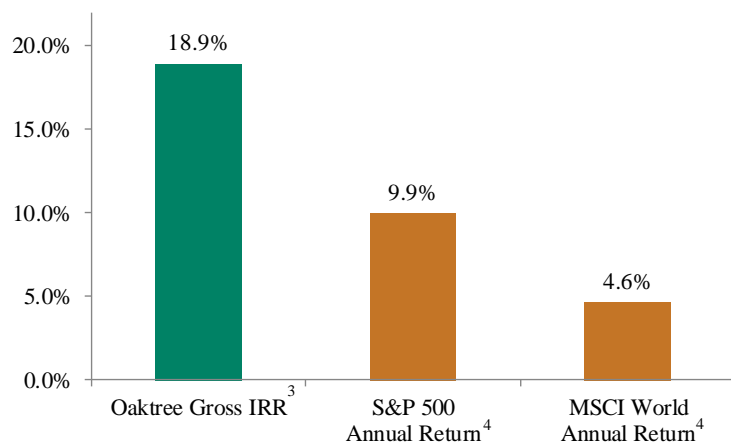
## SUPERIOR RETURNS, BOTH GROSS AND RISK-ADJUSTED, IN OUR OPEN-END FUNDS

Annualized gross return since inception

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



## OUTSTANDING TRACK RECORD IN OUR CLOSED-END FUNDS



Aggregate closed-end gross IRR	18.9% <sup>3</sup>
Drawn capital	\$72 billion <sup>3</sup>
% of funds more than 18 months old with positive gross and net IRRs	96%
% of incentive-creating AUM actively generating incentives	53%

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

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

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

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

# A Diverse and Growing Base of Clients

## BLUE-CHIP CLIENTELE

100 largest U.S. pension funds	74
States	39
Corporations	437
Colleges, Universities, Endowments & Foundations <sup>1</sup>	374
Sovereign wealth funds	16

## SUCCESS IN CROSS SELLING

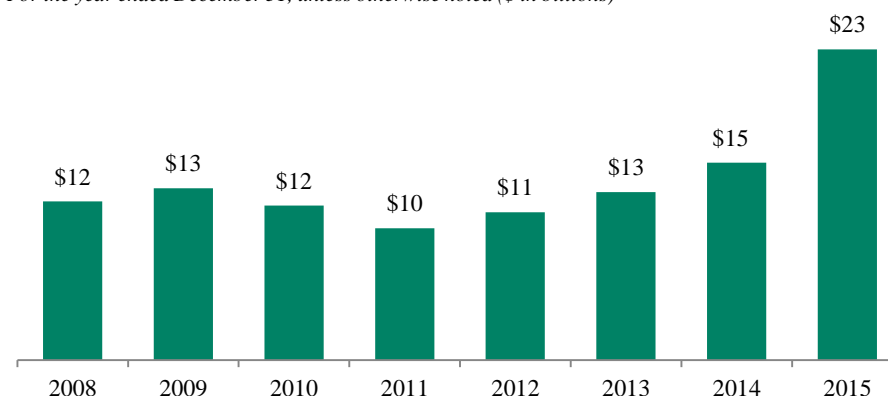
	% AUM
Clients in 4 or more strategies	35%
Clients in 2–3 strategies	43%
Total in multiple strategies	78%

## DIVERSIFYING AND GROWING OUR CLIENTELE

(\$ in billions)	12/31/11	3/31/16
Insurance Companies	61	76
Sub-Advisory – Mutual Fund clients	5	9
Non-U.S. clients	340	446
<b>Total Clients</b>	<b>1,707</b>	<b>2,180</b>
<b>Total AUM</b>	<b>\$74.9</b>	<b>\$96.9</b>

## GROSS CAPITAL RAISED

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



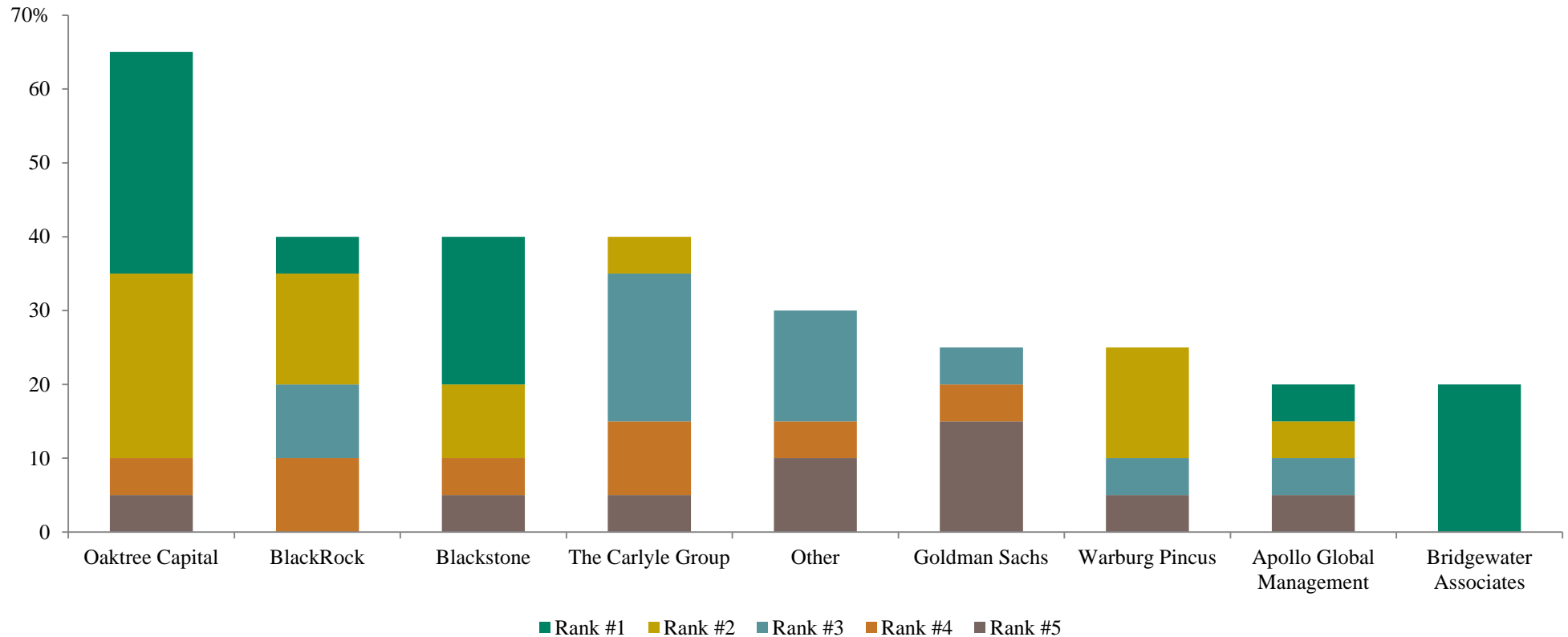
**All time record of \$23 billion gross capital raised in 2015**

<sup>1</sup>Includes clients affiliated with colleges and universities as well as all endowments and foundations.

# A Preferred Alternative Manager

ACCORDING TO A RECENT KEEFE, BRUYETTE & WOODS CIO SURVEY, OAKTREE IS ONE OF THE MOST PREFERRED ALTERNATIVE MANAGERS

*Please rank (1 through 5) the alternative managers to whom you'd be most willing to commit additional assets*

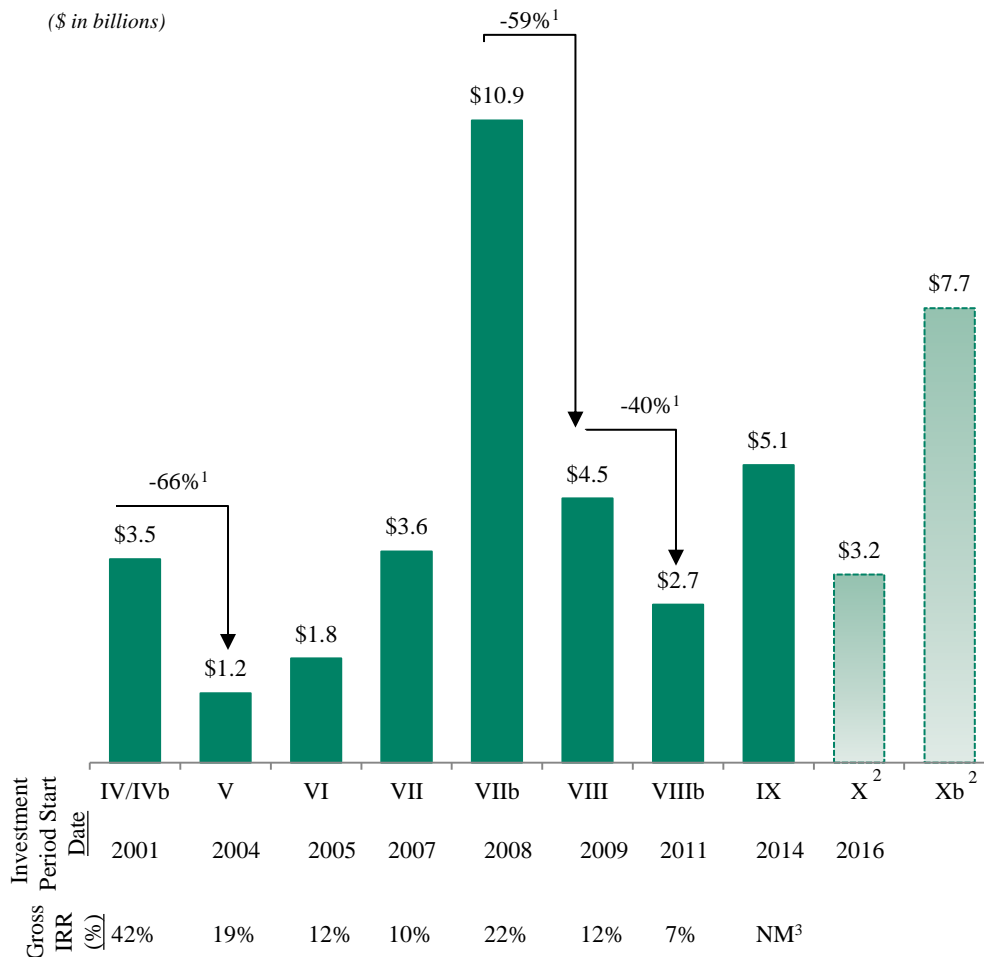


*Note: The information presented in the chart above has been obtained with permission from a publication prepared by Keefe, Bruyette & Woods ("KBW") titled Winter 2016 CIO Survey. KBW surveys chief investment officers and other key decision makers at corporate, government and other public pension plans, endowments and foundations (primarily universities), and investment managers in order to gain an understanding of institutional investors' asset allocation and manager selection process, among other things. Only 29 decision makers out of a total population of more than 500 responded to KBW's survey. In addition, the survey group was limited to U.S. based institutions and thus is not necessarily indicative of non-U.S. domiciled institutional investors. Potential investors should note specifically that with respect to the chart presented the data reflected represents responses from only 20 of the 29 respondents to the survey and thus should not be assumed to be representative of the total population of the types of institutional investors surveyed. Indeed, if the pool of respondents was larger the results may be materially different from those presented.*

# Oaktree Hallmark: Funds Sized to Opportunity Set

## OPPORTUNITIES FUNDS SIZING

(\$ in billions)



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

**Opportunities Funds' structure allows us to access current distressed debt opportunities as well as take advantage of future market dislocations**

<sup>1</sup>Percentage represents the decrease in capital commitment from predecessor fund.

<sup>2</sup>Capital raised as of 3/31/16.

<sup>3</sup>Opportunities Fund IX is still in its investment period and therefore since inception returns are not meaningful to this analysis.



# Attractive Growth Opportunities

Product

Distribution

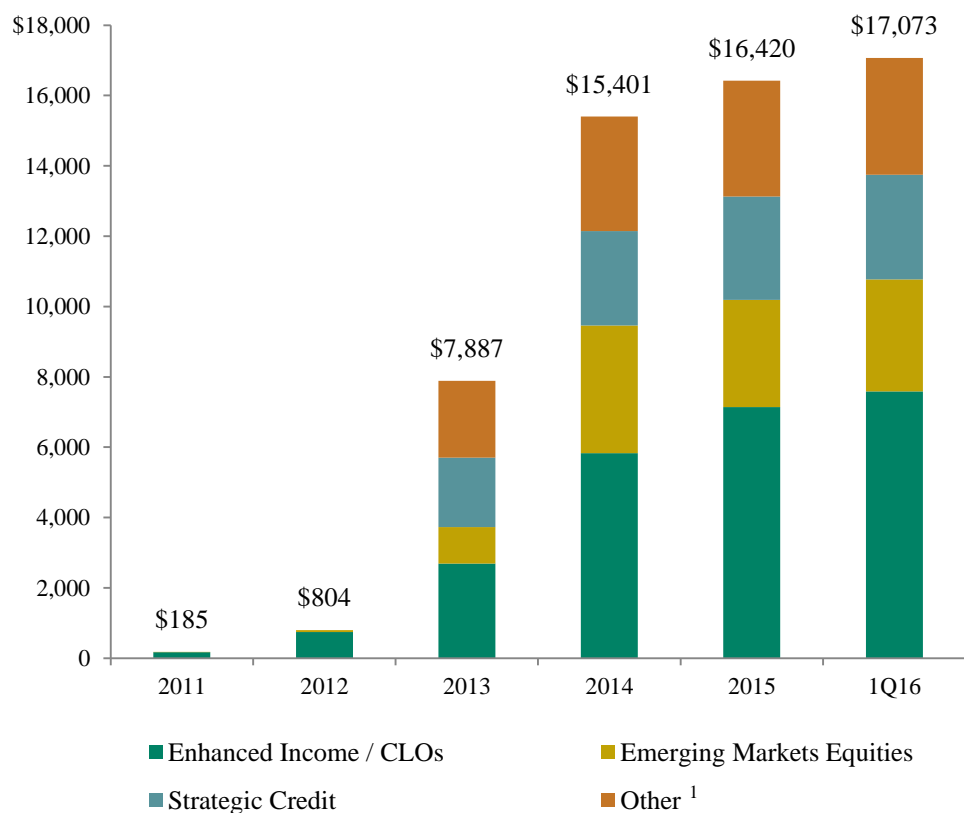
Opportunities	Description	Examples
<b>Established Strategies</b>	<ul style="list-style-type: none"> <li>Offering investors a diverse range of products across large addressable markets including distressed debt, control investing, real estate and credit strategies</li> <li>Executing our existing closed-end fundraising pipeline and deploying that capital judiciously</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities Funds X/Xb</li> <li>Real Estate VII</li> <li>European Principal Fund IV</li> <li>European Capital Solutions</li> <li>Open-end and Evergreen funds</li> </ul>
<b>Step-Out Products</b>	<ul style="list-style-type: none"> <li>Addressing investors' demand for yield with risk under control in a low return world</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Credit</li> <li>Enhanced Income Fund / CLOs</li> <li>European Private Debt</li> <li>Real Estate Debt</li> <li>Value Add Real Estate</li> <li>Infrastructure</li> </ul>
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>Fast growing, inefficient asset classes</li> </ul>	<ul style="list-style-type: none"> <li>EM Equities</li> <li>EM Distressed Debt</li> <li>EM Performing Debt</li> </ul>
<b>Existing Channels</b>	<ul style="list-style-type: none"> <li>Substantial opportunities to penetrate existing channels by increasing cross-selling and enhancing geographic footprint</li> </ul>	<ul style="list-style-type: none"> <li>78% of investors by AUM invested in 2 or more products and 35% in 4 or more products</li> <li>29% of our assets are managed for clients outside the U.S.</li> </ul>
<b>New Channels</b>	<ul style="list-style-type: none"> <li>Accessing increasing retail demand for alternatives               <ul style="list-style-type: none"> <li>High net worth</li> <li>Mutual fund and sub-advisory relationships</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Sub-advisory relationships:               <ul style="list-style-type: none"> <li>Vanguard</li> <li>Russell</li> <li>Barclays</li> <li>Vantagepoint</li> <li>Northern Trust</li> </ul> </li> </ul>

# Step-Out Strategies, A Natural Evolution

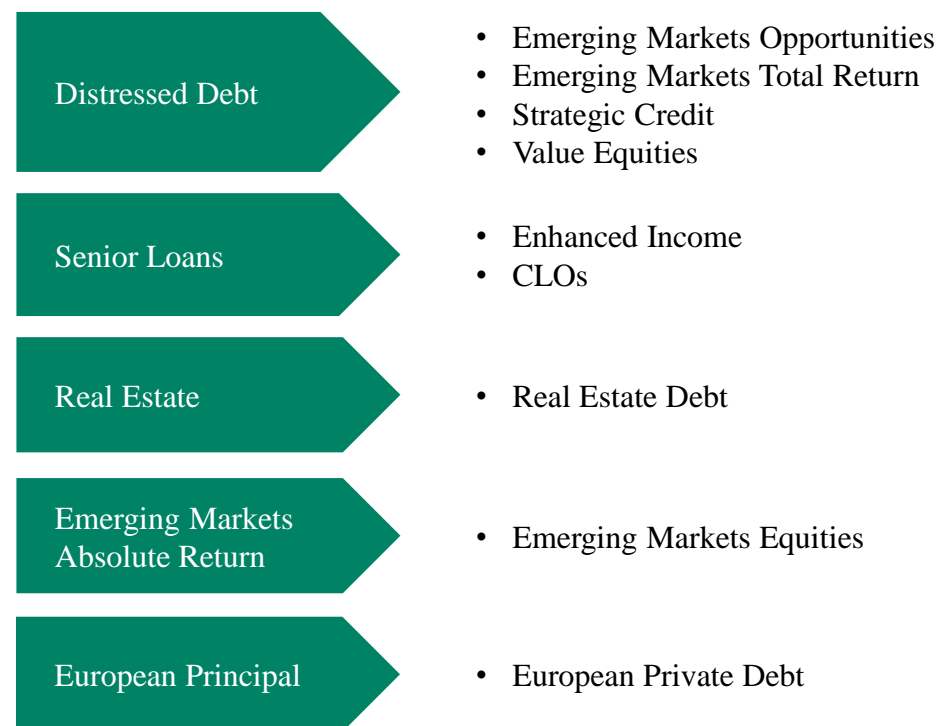
**MORE THAN \$17 BILLION OF AUM IN ADJACENT PRODUCTS**

## AUM GROWTH IN STEP-OUT STRATEGIES

*As of December 31, unless otherwise noted (\$ in millions)*



Organic growth a result of “step-out” strategies

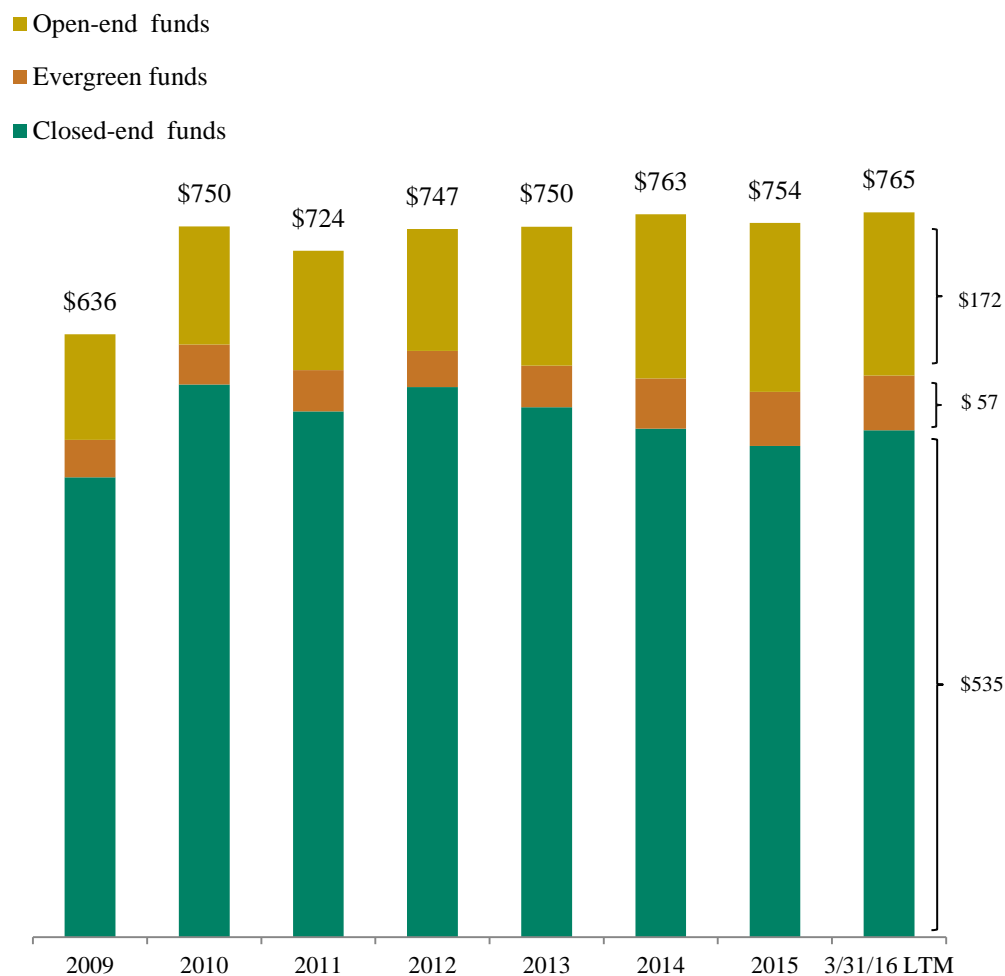


<sup>1</sup> “Other” includes Real Estate Debt, Emerging Markets Opportunities, Emerging Markets Total Return, European Private Debt and Value Equities.

# Benefits of Locked-in Capital

## MANAGEMENT FEES

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



Note: The impact on 2009-2013 from the foreign currency changes was deemed to be immaterial and thus management fees have not been recast for these changes.

<sup>1</sup> This compares with \$21.4 billion of uncalled capital commitments as of 3/31/16. The difference primarily relates to funds that pay fees based on committed capital and have already begun their investment period, as these funds are excluded from shadow AUM but included in uncalled capital commitments to the extent they have not yet drawn 100% of committed capital. Shadow AUM also excludes general partner commitments.

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

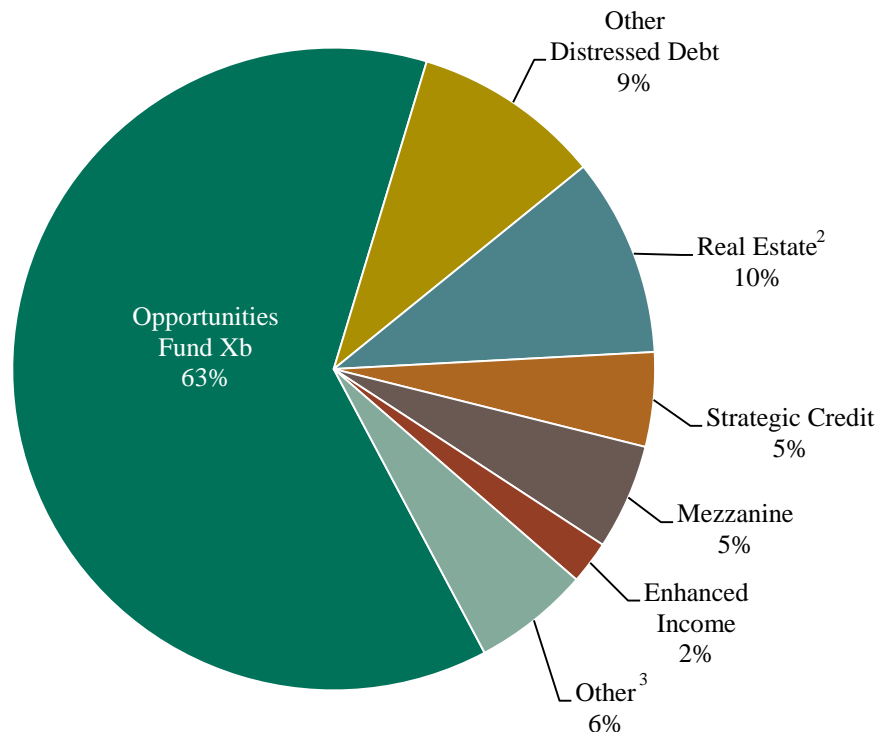
- Significant closed-end fund distributions (nearly \$55 billion since January 2010)
- \$12 billion of AUM not yet generating management fees (“shadow AUM”) at 3/31/16<sup>1</sup>
- Majority of current fundraising cycle not yet reflected in management fees

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

- Locked-up capital: 70% of management fees from closed-end funds in LTM
- Diversified mix of pro- and counter-cyclical investment strategies

# Well Positioned for Fee-related Earnings Growth

SHADOW AUM<sup>1</sup> OF \$12 BILLION



**Blended annual fee rate of 1.3%**

CONTINUED STRENGTH IN FUNDRAISING AFTER RECORD LEVELS IN 2015

- \$9 billion in closed-end fundraising over the LTM, including:
  - Nearly \$4 billion for Opportunities Funds X/Xb and \$2 billion for Real Estate Opportunities Fund VII
- Continued fundraising in established strategies, as well as newer funds
  - European Capital Solutions (“ECS”) – successor to the first European Private Debt fund, a €600 million fund (including separate accounts)
  - European Principal Fund IV – successor to European Principal Fund III, a €3 billion fund
- Expanding opportunities within the ~\$4 trillion emerging market equities investable universe
- Expanded marketing efforts in high yield bonds and European senior loans

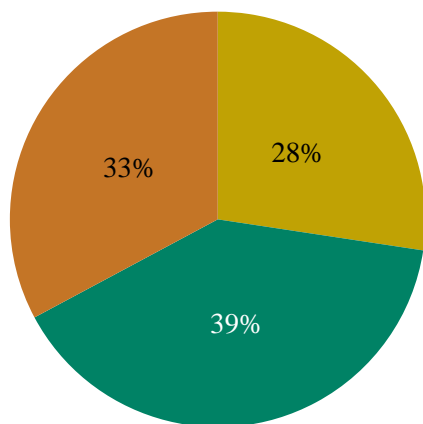
<sup>1</sup> Shadow AUM: Uncalled capital commitments that will start generating management fees when (i) for funds that pay fees based on drawn capital or NAV, the capital is drawn or (ii) for funds that pay fees based on committed capital, the investment period begins. Excludes capital commitments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

<sup>2</sup> Includes Real Estate Debt

<sup>3</sup> “Other” primarily includes European Private Debt, Emerging Markets Opportunities, a separate account associated with our Global Principal strategy, as well as un-invested multi-strategy AUM

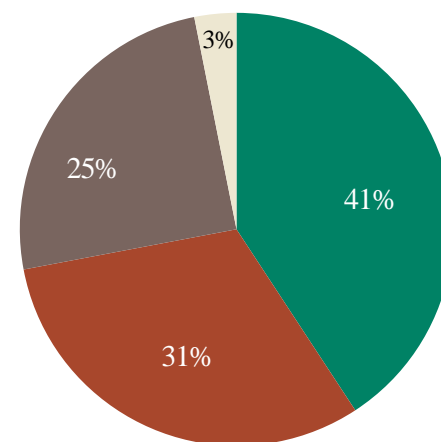
# Diverse Incentive Income Pipeline

TOTAL NET ACCRUED INCENTIVES \$748 MILLION



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

NET ACCRUED INCENTIVES ARE DIVERSIFIED AMONG OUR INVESTMENT STRATEGIES



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

**While incentive income has fallen from peak levels in 2013, we continue to have \$748 million (\$4.82 per unit<sup>3</sup>) in net accrued incentives**

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

<sup>2</sup> Other primarily includes Mezzanine funds and European Private Debt.

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

# Distributable Earnings: Strength through Diversification

## FEE-RELATED EARNINGS

Growing management fees and fee-related earnings as a result of the recent record fundraising

+

## DOUBLELINE

\$53 million of distributable earnings over the LTM as DoubleLine grew AUM 30% over this period

+

## INVESTMENT INCOME PROCEEDS FROM FUNDS

A steady source, with unrealized investment income proceeds on corporate investments of \$232 million, of which \$106 million was in closed-end funds in their liquidation period

+

## INCENTIVE INCOME

49 straight quarters of positive incentive income

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

# Substantial Asset Value with Significant Upside

BOOK VALUE	\$10.84 <sup>1</sup>	Includes: <ul style="list-style-type: none"> <li>• \$1.4 billion Investments</li> <li>• \$0.3 billion Net Cash</li> </ul>
+	+	
NET ACCRUED INCENTIVES (FUND LEVEL)	\$4.82 <sup>1</sup>	<ul style="list-style-type: none"> <li>• 67% in liquidating or evergreen funds</li> </ul>
TOTAL	\$15.66 <sup>1</sup> + DOUBLELINE	<ul style="list-style-type: none"> <li>• DoubleLine carrying value of ~\$22 million is significantly below FMV</li> </ul>

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

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

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

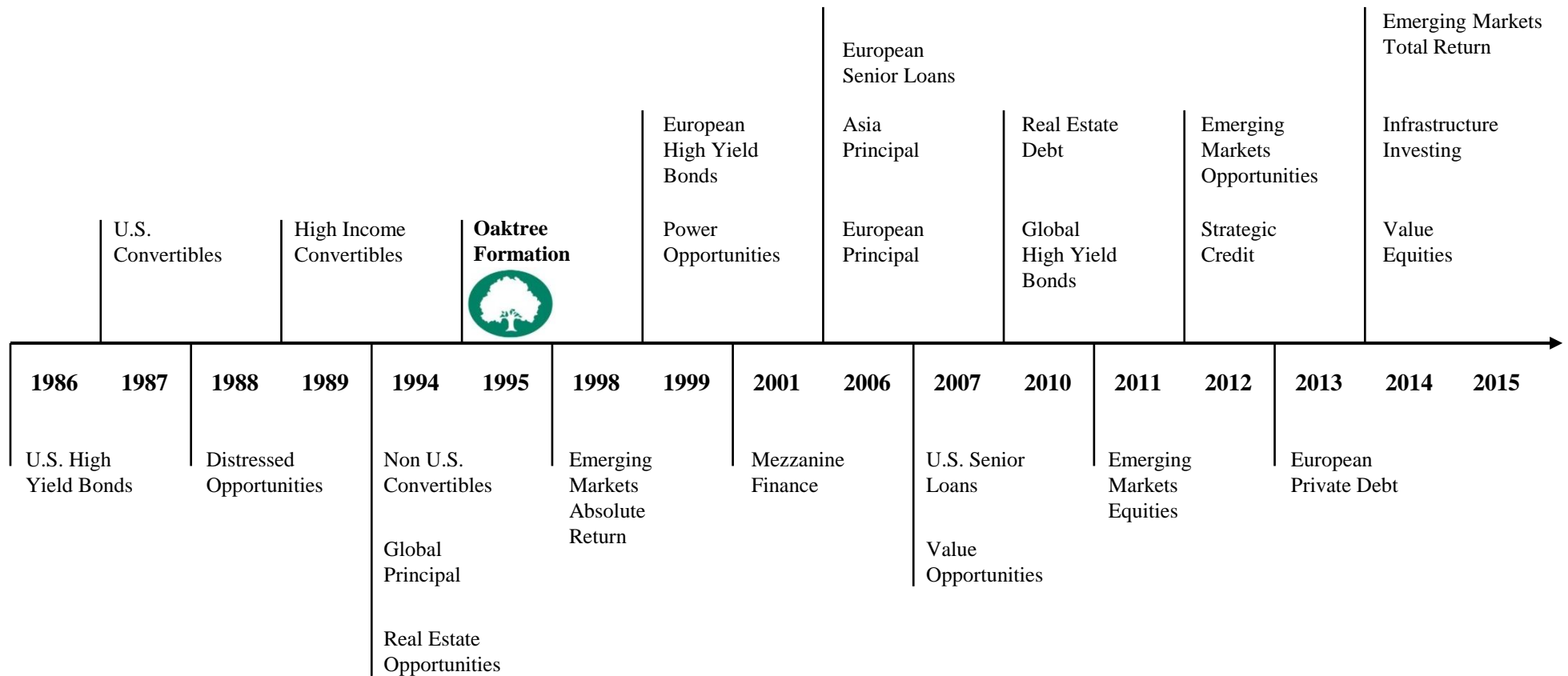
# Appendix



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# Strategy Initiation



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

	<b>% of AUM</b>	<b>% Management Fees<sup>1</sup></b>	<b>Lockup</b>	<b>Incentive Income</b>
<b>CLOSED-END</b> <ul style="list-style-type: none"> <li>• Distressed debt</li> <li>• Control investing</li> <li>• Real estate</li> <li>• Mezzanine finance</li> </ul>	61%	70%	10-11 year fund term	20% of LP profits after return of capital, subject to preferred return hurdle
<b>OPEN-END</b> <ul style="list-style-type: none"> <li>• High yield bonds</li> <li>• Convertible securities</li> <li>• Senior loans</li> </ul>	34%	22%	mostly 30 days	
<b>EVERGREEN</b> <ul style="list-style-type: none"> <li>• Value opportunities</li> <li>• Emerging markets</li> <li>• Strategic credit</li> </ul>	5%	8%	90 days to 3 years	10-20% of annual LP profits, subject to high-water mark or preferred return hurdle

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

<sup>1</sup> For 3/31/16 LTM.

# Primary Earnings Measure: Adjusted Net Income

## Fee-related Earnings

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

## Fee-related Earnings & Other

- + Investment Income from Funds
- + Doubleline & Other

## Investment Income

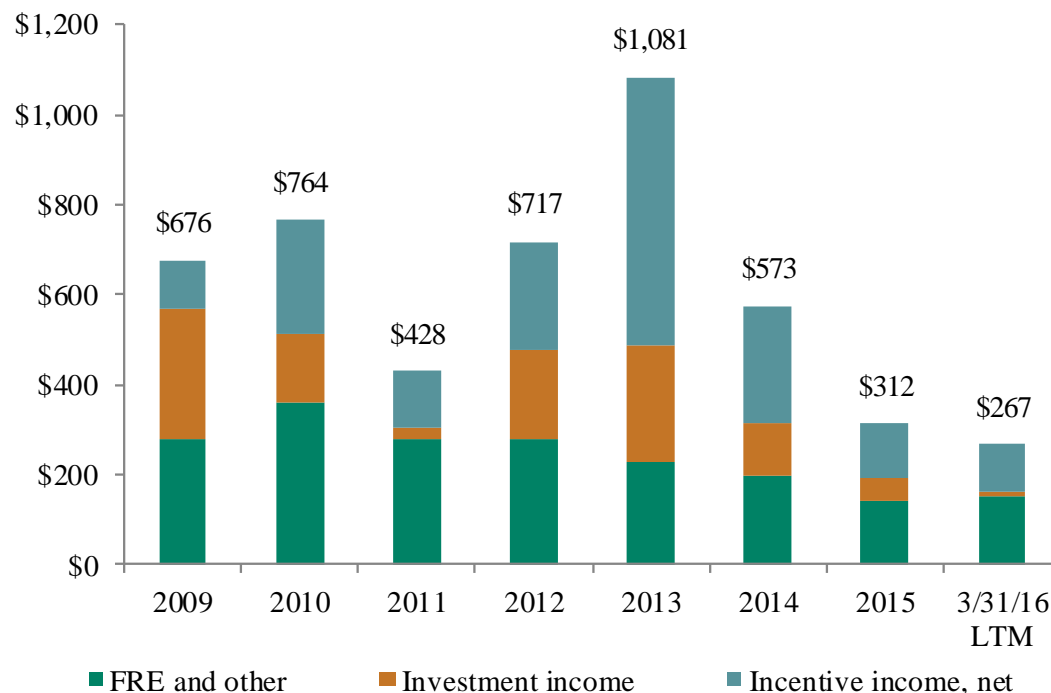
- + Incentive Income
- Incentive Income Comp

## Incentive Income, net

**ADJUSTED NET INCOME (ANI)**

## COMPONENTS OF ADJUSTED NET INCOME

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



# Economic Net Income

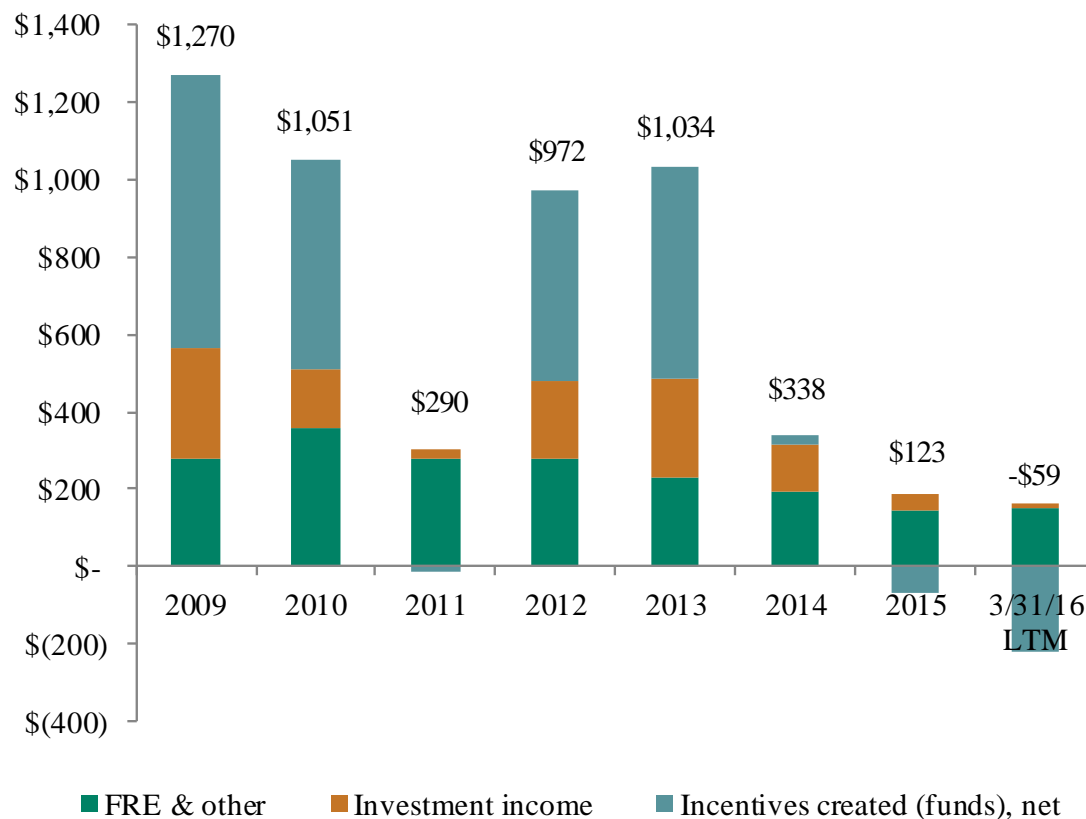
**ADJUSTED NET INCOME**

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

**ECONOMIC NET INCOME (ENI)**

## COMPONENTS OF ECONOMIC NET INCOME

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



<sup>1</sup> Net of associated incentive income compensation expense.  
 Please see page 23 for a description of non-GAAP financial metrics.

# Distributable Earnings

## ADJUSTED NET INCOME

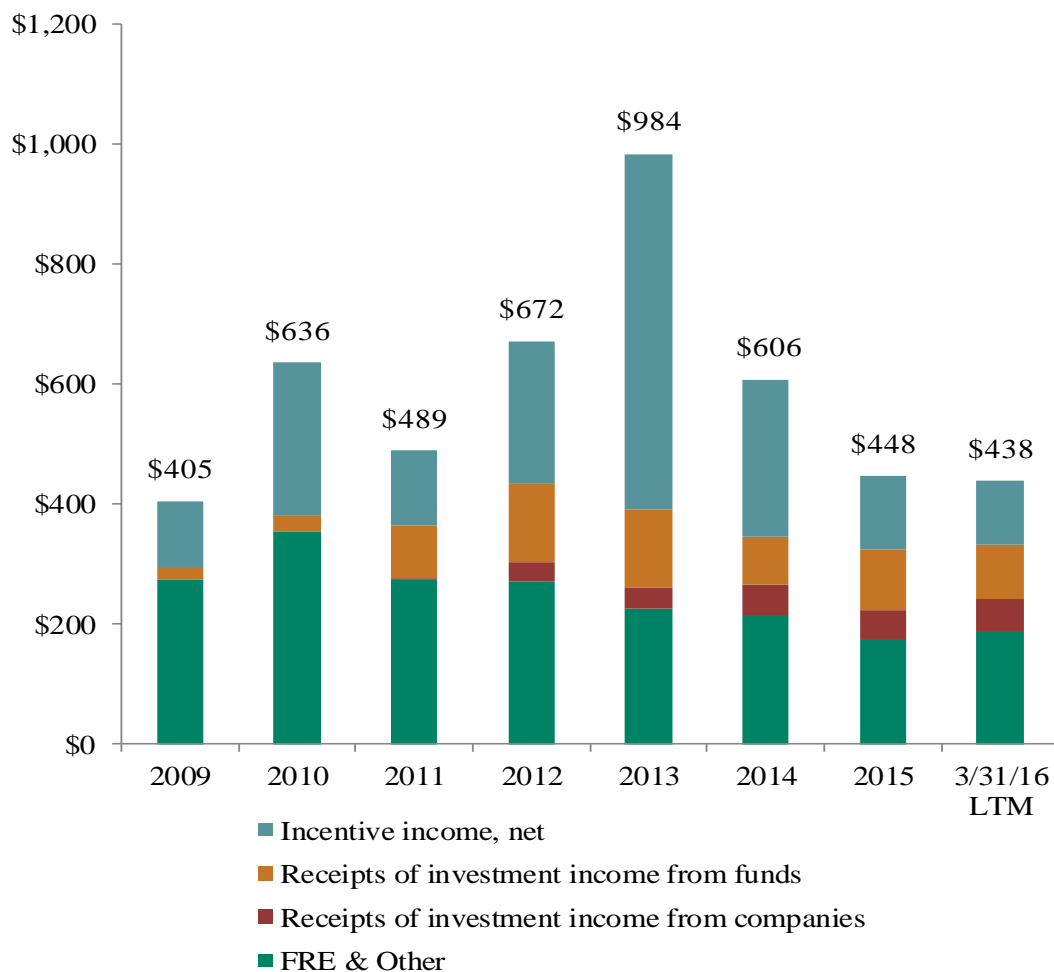
- Investment Income (MTM basis)
- + Receipts Of Investment Income – Funds
- + Receipts Of Investment Income – Companies

- + Equity-based Compensation
- Operating Group Income Taxes

## DISTRIBUTABLE EARNINGS (DE)

### COMPONENTS OF DISTRIBUTABLE EARNINGS

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



# Disclosures: Fund Table Provides Meaningful Insights

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

Incentive income recognized in ANI to date

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

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

As of March 31, 2016

	Investment Period		Total Committed Capital	Drawn Capital	Fund Net Income Since Inception	Distributions Since Inception	Net Asset Value	Management Fee-generating AUM	Oaktree Segment Incentive Income Recognized	Accrued Incentives (Fund Level)	Unreturned Drawn Capital Plus Accrued Preferred Return	IRR Since Inception		Multiple of Drawn Capital
	Start Date	End Date										Gross	Net	
(in millions)														
<b>Distressed Debt</b>														
Oaktree Opportunities Fund Xb	TBD	—	\$ 7,743	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	n/a	n/a	n/a
Oaktree Opportunities Fund X	Jan. 2016	Jan. 2019	3,205	481	37	1	517	3,125	—	7	502	nm	nm	1.1x
Oaktree Opportunities Fund IX	Jan. 2014	Jan. 2017	5,066	5,066	(218)	4	4,844	4,966	—	—	5,873	0.9 %	(2.4) %	1.0
Oaktree Opportunities Fund VIIIb	Aug. 2011	Aug. 2014	2,692	2,692	454	1,133	2,013	2,190	52	—	2,422	7.4 %	4.1 %	1.3
Special Account B	Nov. 2009	Nov. 2012	1,031	1,099	440	1,062	477	464	15	—	483	12.4 %	9.8 %	1.5
Oaktree Opportunities Fund VIII	Oct. 2009	Oct. 2012	4,507	4,507	1,816	4,327	1,996	2,040	144	94	1,852	11.7 %	8.3 %	1.5
Special Account A	Nov. 2008	Oct. 2012	253	253	276	463	66	75	42	13	—	27.8 %	22.4 %	2.1
OCM Opportunities Fund VIIIb	May 2008	May 2011	10,940	9,844	8,726	17,329	1,241	1,378	1,453	243	—	22.0 %	16.7 %	2.0
OCM Opportunities Fund VII	Mar. 2007	Mar. 2010	3,598	3,598	1,454	4,597	455	769	81	—	572	10.3 %	7.6 %	1.5
OCM Opportunities Fund VI	Jul. 2005	Jul. 2008	1,773	1,773	1,301	2,833	241	391	134	120	—	12.0 %	8.8 %	1.8
OCM Opportunities Fund V	Jun. 2004	Jun. 2007	1,179	1,179	965	2,097	47	—	179	10	—	18.5 %	14.2 %	1.9
Legacy funds	Various	Various	9,543	9,543	8,205	17,695	53	—	1,113	11	—	24.2 %	19.3 %	1.9
												22.1 %	16.3 %	

Drawn capital relative to total committed reflects how invested the fund is and, therefore, provides an indication of when we might raise a successor fund

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

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

# Description of Non-GAAP Metrics

**Adjusted net income** (“ANI”) is a measure of profitability for our investment management segment. The components of revenues (“segment revenues”) and expenses used in the determination of ANI do not give effect to the consolidation of the funds that we manage. Segment revenues include investment income (loss) that is classified in other income (loss) in the GAAP-basis statements of operations. Segment revenues and expenses also reflect Oaktree's proportionate economic interest in Highstar, whereby amounts received for contractually reimbursable costs are classified for segment reporting as expenses and under GAAP as other income. In addition, ANI excludes the effect of (a) non-cash equity-based compensation expense related to unit grants made before our initial public offering, (b) acquisition-related items, including amortization of intangibles and changes in the contingent consideration liability, (c) differences arising from equity value units (“EVUs”) that are classified as liability awards under GAAP but as equity awards for segment reporting, (d) income taxes, (e) other income or expenses applicable to OCG or its Intermediate Holding Companies, and (f) the adjustment for non-controlling interests. In the fourth quarter of 2015, the definition of ANI was modified to reflect differences with respect to (a) third-party placement costs associated with closed-end funds, which under GAAP are expensed as incurred, but for ANI are capitalized and amortized as general and administrative expense in proportion to the associated management fee stream, and (b) gains and losses resulting from foreign-currency transactions and hedging activities, which under GAAP are recognized as general and administrative expense whether realized or unrealized in the current period, but for ANI unrealized gains and losses from foreign-currency hedging activities are deferred until realized, at which time they are included in the same revenue or expense line item as the underlying exposure that was hedged. Foreign-currency transaction gains and losses are included in other income (expense), net. Prior periods have not been recast for the change related to third-party placement costs, but have been recast to retroactively reflect the change related to foreign-currency hedging for fiscal years 2015 and 2014. The impact on 2009-2013 from the foreign currency changes was deemed to be immaterial and thus ANI has not been recast for these changes. Incentive income and incentive income compensation expense are included in ANI when the underlying fund distributions are known or knowable as of the respective quarter end, which may be later than the time at which the same revenue or expense is included in the GAAP-basis statements of operations, for which the revenue standard is fixed or determinable and the expense standard is probable and reasonably estimable. CLO investments are carried at fair value for GAAP reporting, whereas for segment reporting they are carried at amortized cost, subject to any impairment charges. Investment income on CLO investments is recognized in ANI when cash distributions are received. Cash distributions are allocated between income and return of capital based on the effective yield method. ANI is calculated at the Operating Group level.

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

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

# Reconciliations of Non-GAAP Metrics

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

	2009	2010	2011	2012	2013	2014	2015	1Q2016 LTM
<b>Reconciliation of Net Income (Loss) Attributable to Oaktree Capital Group, LLC to ANI to Distributable Earnings:</b>								
Net income (loss) attributable to Oaktree Capital Group, LLC.....	\$ (57,058)	\$ (49,455)	\$ (95,972)	\$ 107,810	\$ 221,998	\$ 126,283	\$ 71,349	\$ 61,174
Incentive income <sup>1</sup> .....	-	-	-	-	(64,460)	28,813	(19,002)	3,562
Incentive income compensation <sup>1</sup> .....	-	-	-	-	46,334	(10,677)	19,009	2,277
Investment income <sup>2</sup> .....	-	-	-	-	-	-	-	(10,429)
Equity-based compensation <sup>3</sup> .....	940,683	949,376	948,746	36,024	24,613	21,690	16,403	14,912
Placement costs <sup>4</sup> .....	-	-	-	-	-	-	3,619	10,323
Foreign-currency hedging <sup>5</sup> .....	-	-	-	-	-	(2,003)	2,619	13,797
Acquisition-related items <sup>6</sup> .....	-	-	-	-	-	2,442	5,251	3,835
Income taxes <sup>7</sup> .....	18,267	26,399	21,088	30,858	26,232	18,536	17,549	22,354
Non-Operating Group other income <sup>8</sup> .....	-	-	-	(6,260)	-	-	-	-
Non-Operating Group expenses <sup>8</sup> .....	1,008	1,113	768	553	1,195	1,645	2,097	2,027
Non-controlling interests <sup>8</sup> .....	<u>(227,313)</u>	<u>(163,555)</u>	<u>(446,246)</u>	<u>548,265</u>	<u>824,795</u>	<u>386,398</u>	<u>192,968</u>	<u>143,029</u>
Adjusted Net Income.....	675,587	763,878	428,384	717,250	1,080,707	573,127	311,862	266,861
Investment income <sup>9</sup> .....	(289,001)	(149,449)	(23,763)	(202,392)	(258,654)	(117,662)	(48,253)	(9,872)
Receipts of investment income from funds <sup>10</sup> .....	22,591	28,891	88,693	129,621	128,896	81,438	101,296	90,258
Receipts of investment income from companies.....	-	-	1,496	33,838	35,664	49,546	48,067	52,829
Equity-based compensation <sup>11</sup> .....	-	-	-	-	3,828	19,705	37,978	41,658
Operating Group income taxes.....	<u>(4,031)</u>	<u>(7,640)</u>	<u>(6,275)</u>	<u>(6,136)</u>	<u>(6,175)</u>	<u>(18)</u>	<u>(3,374)</u>	<u>(3,629)</u>
Distributable Earnings.....	<u>\$ 405,146</u>	<u>\$ 635,680</u>	<u>\$ 488,535</u>	<u>\$ 672,181</u>	<u>\$ 984,266</u>	<u>\$ 606,136</u>	<u>\$ 447,576</u>	<u>\$ 438,105</u>

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

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

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

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

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

<sup>6</sup> This adjustment adds back the effect of acquisition-related items associated with the amortization of intangibles and changes in the contingent consideration liability.

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

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

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

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

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



# Reconciliations of Non-GAAP Metrics

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

	2009	2010	2011	2012	2013	2014	2015	1Q2016 LTM
<b>Reconciliation of Fee-Related Earnings (FRE) to ANI to Economic Net Income (ENI):</b>								
FRE <sup>1</sup>	\$ 290,231	\$ 375,362	\$ 314,968	\$ 307,617	\$ 260,115	\$ 248,260	\$ 218,562	\$ 231,165
Incentive income.....	175,065	413,240	303,963	461,116	1,030,195	491,402	263,806	207,515
Incentive income compensation.....	(65,639)	(159,243)	(179,234)	(222,594)	(436,217)	(231,871)	(141,822)	(101,469)
Investment income.....	289,001	149,449	23,763	202,392	258,654	117,662	48,253	9,872
Equity-based compensation <sup>2</sup> .....	-	-	-	(318)	(3,828)	(19,705)	(37,978)	(41,658)
Interest expense, net of interest income.....	(13,071)	(26,173)	(33,867)	(31,730)	(28,621)	(30,190)	(35,032)	(34,781)
Other income (expense), net.....	-	11,243	(1,209)	767	409	(2,431)	(3,927)	(3,783)
ANI.....	675,587	763,878	428,384	717,250	1,080,707	573,127	311,862	266,861
Change in accrued incentives (fund level), net of associated incentive income compensation <sup>3</sup> .....	594,600	286,704	(138,872)	254,483	(46,968)	(235,303)	(188,383)	(325,734)
ENI.....	<u>\$ 1,270,187</u>	<u>\$ 1,050,582</u>	<u>\$ 289,512</u>	<u>\$ 971,733</u>	<u>\$ 1,033,739</u>	<u>\$ 337,824</u>	<u>\$ 123,479</u>	<u>\$ (58,873)</u>
<b>Reconciliation of Segment Management fees to Consolidated Management fees:</b>								
Management fees - Segment.....	\$ 636,260	\$ 750,031	\$ 724,321	\$ 747,440	\$ 749,901	\$ 762,823	\$ 753,805	\$ 764,980
Adjustments <sup>4</sup> .....	(520,421)	(587,980)	(583,606)	(612,872)	(557,296)	(570,768)	(558,497)	(421,938)
Management fees - Consolidated.....	<u>\$ 115,839</u>	<u>\$ 162,051</u>	<u>\$ 140,715</u>	<u>\$ 134,568</u>	<u>\$ 192,605</u>	<u>\$ 192,055</u>	<u>\$ 195,308</u>	<u>\$ 343,042</u>

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

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

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

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

# Benchmark Disclosures

## BENCHMARK DETAIL

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

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

### *U.S. Convertibles:*

Oaktree custom convertible index that represents the Credit Suisse Convertible Securities Index from inception through December 31, 1999, the Goldman Sachs/Bloomberg Convertible 100 Index from January 1, 2000 through June 30, 2004 and the BofA Merrill Lynch All U.S. Convertibles Index thereafter