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Oaktree Strategic Credit Fund Q4 2025 Podcast Transcript

Introduction: Before we get started, it is our obligation to give you some important information.

Any comments made on this podcast may include forward looking statements. These statements that relate to future results and events are based on current expectations. Actual results in future periods may differ materially from those currently expected because of a number of risks, uncertainties and assumptions. The risks, uncertainties and assumptions that we believe are material are outlined in publicly accessible regulatory filings.

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A fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by visiting privatewealth.brookfield.com

Read the prospectus carefully before investing.

This podcast is for direct and indirect shareholders of Oaktree Strategic Credit Fund.

Oaktree Strategic Credit Fund is structured as a perpetually offered, non-listed business development company ("BDC"), which primarily invests in privately negotiated loans to U.S. companies.

Alison Mermey (Alison): Hi, everyone and welcome to the latest edition of the Manager Minute podcast for the Oaktree Strategic Credit Fund. My name is Alison Mermey and I'm head of BDC Investor Relations. Joining me today is Raghav Khanna, Co-Chief Investment Officer of the Fund. Today we'll discuss Oaktree Strategic Fund's performance and positioning for the quarter ended December 31st, 2025 and the Fund's outlook. The Fund sits at more than $7.4 billion in total investments at fair value at the end of December, up from just over $5 billion at the beginning of the year.

We generated a net return of 1.67% for the quarter, bringing our trailing three-year net return to 10.01%, trailing one-year net return to 7.72%, and 8.33% since inception.[1] As of the end of December, the annualized net distribution rate[2] stood at 9.42% for Class I shares, and we've maintained a net fund level leverage of 0.56 times.

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[1] *Inception is June 1, 2022.*

[2] *Annualized Net Distribution Rate reflects the current month's distribution annualized and divided by the prior month's last reported NAV. There is no assurance we will pay distributions and distributions may be modified at the Board's discretion. Distributions may be funded from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds. Distributions paid from offering proceeds may constitute a return of capital. We have no limits on the amounts we may pay from such sources to fund distributions. For the three months ended December 31, 2025, the Fund estimates that approximately 94% of the distribution referenced herein is attributable to current fiscal year net investment income and that the remaining portion (6%) may be considered a return of capital, each as determined in accordance with generally accepted accounting principles. Final determination of our annualized distribution rate's tax character will be reported on Form 1099-DIV, which is sent to shareholders each January (as applicable). Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by the Adviser or its affiliates, and which may be subject to reimbursement to the Adviser or its affiliates, and therefore can reduce future distributions to which you would otherwise be entitled. The extent to which we pay distributions from sources other than cash flow from operations will depend on various factors, including the level of participation in our distribution reinvestment plan, how quickly we invest the proceeds from this offering (and any future offering) and the performance of our investments. Funding distributions from the sales of assets, borrowings, return of capital or proceeds of this offering will result in us having less funds available to acquire investments. As a result, the return you realize on your investment may be reduced. Doing so may*

Raghav, welcome back to the Manager Minute. Let's dive right in. Could you walk us through how the portfolio is currently positioned?

Raghav Khanna (Raghav): Hey, Allie. It's great to be back on the podcast by the way. In terms of positioning, the portfolio was comprised of approximately 78% private investments as of December 31st, 2025. We are staying senior in the capital structure with roughly 94% of our investments in senior secured debt, mostly first lien and across 167 portfolio companies.

Alison: Credit quality remains a big focus for us. Can you offer some insight on that front?

Raghav: Sure. The portfolio is in solid shape. Median portfolio company leverage is at 4.9 times, loan to value is 46%, and interest coverage is at 2.2 times, which speaks to the underlying stability of the companies we're lending to. In addition, non-accruals remain de minimis at 10 basis points[3] of fair value. Now more than ever, it's critical to stay on top of credit quality. Macro headwinds include persistent inflation, changing trade dynamics, and ongoing technology disruption, are amplifying structural strengths and weaknesses at companies, creating a clear divide between the winners and losers.

Alison: Yes, we're definitely seeing that trend amplify. In our previous Manager Minute episodes, we've discussed how managers have used PIK,[4] or paid-in-kind interest, to win deals in private credit and the difference between PIK at origination and restructured PIK. Raghav, have you noticed any recent trends? And are there any updates on PIK usage within our portfolio?

Raghav: You're right, Allie. PIK interest has remained prevalent in large-cap transactions, which we believe underscores sponsors' preference for flexible capital structures. In 3Q '25, PIK interest usage represented about 11% of all US private credit transactions, with about 57% of those structures added after closing, which we believe may reflect borrower strain rather than proactive initial structuring. In our own portfolio, we continue to remain conservative on PIK and remain near the low end of our peer group. PIK represents just 1.1% of total investment income and the majority of that PIK is by design. We're comfortable with PIK when it supports a defined transition period such as a carve-out or a high return on equity project and there is a clear path back to covering full cash interest.

Alison: That makes a lot of sense, Raghav. Let's move to the right side of the balance sheet. OSC manages fund leverage very conservatively at 0.56 times net debt to equity, which is well below the two-to-one leverage limit applicable to BDCs and below the perpetual BDC peer average. Can you explain your philosophy on fund leverage?

Raghav: You're right, Allie. OSC does employ leverage but in a much more conservative manner than our peer group, typically for two key reasons. The practical reason is that our investment approach has generally enabled our portfolio to deliver strong unlevered yields, which means we can often use less leverage to deliver returns that are generally consistent with the market. And the philosophical reason is that when markets become dislocated, we want the fund to be able to act decisively in these periods and go on offense.

Alison: Thank you for your explanation around the Fund's use of leverage, Raghav. Let's now turn to the market opportunity and what we're seeing on the origination front. During the quarter, we committed over $870 million in new investments, primarily in first lien loans. Over 75% of commitments were in private credit.

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also negatively impact our ability to generate cash flows. Likewise, funding distributions from the sale of additional securities will dilute your interest on a percentage basis and may impact the value of your investment, especially if we sell these securities at prices less than the price you paid for your shares. We believe the likelihood that we pay distributions from sources other than cash flow from operations will be higher in the early stages of the offering. Where distributions are funded through borrowings, the distribution rate may not be sustainable.

[3] *A basis point (bp) is a unit of measurement used in finance, equivalent to one one-hundredth of one percent (0.01%).*

[4] *PIK occurs when a borrower pays interest “in-kind,” deferring and adding interest payments to the outstanding balance of a loan in lieu of cash payment. Sometimes called toggle notes or toggle loans, PIK allows borrowers to switch between paying interest in cash or in-kind. PIK often commands a higher interest rate to compensate the lender for additional risk.*

While we're beginning to see early signs of an M&A recovery, activity remains concentrated in large cap transactions and middle market volumes continue to lag.

Given that backdrop, Raghav, how has the Fund been able to deploy capital at that pace?

Raghav: Sure, Allie. So look, middle market direct lending is the foundation of OSC, but we do benefit from being central to Oaktree's credit platform. Our expertise across multiple strategies such as asset-backed finance, European direct lending, infrastructure lending, and capital solutions, coupled with our ability to underwrite complex transactions expands our opportunity set. We are seeing good deal flow in sectors with favorable tailwinds such as aerospace and defense, healthcare and specialty finance. Still we remain selective and are prioritizing loans to businesses with resilient business models, defensible market positions, and durable long-term outlooks.

Alison: Raghav, where are new deals pricing today in the private markets, and how does that spread compare to what you're seeing in liquid credit?

Raghav: Sure. So since the Fed rate cut in September, we have seen greater price discipline in the market and believe that spreads in private credit have now bottomed out at SOFR[5] plus 450 to 475 basis points. We're cautiously optimistic that spreads will remain stable in 2026 with the potential to widen if persistent volatility returns to the market. Importantly, we have seen direct lending transactions continue to offer an approximate 150 basis points spread premium relative to broadly syndicated loans of similar credit quality.

Alison: I'm also cautiously optimistic. Can you highlight a new deal from the quarter that you feel showcases some of the attractive opportunities we are seeing in the current market?

Raghav: Yes, I'm happy to. One notable investment during the quarter was Jeppesen, a provider of aviation software. The company provides navigation data, flight decks, and airline operation software to commercial, business, military, and general aviation customers. The core navigation and flight deck products enable pilots to better assess and monitor their flight conditions and routes, enhance safety experience for passengers, and improve visibility across the aviation value chain. The company was carved out of Boeing and sold to Thoma Bravo for $10.6 billion late last year and resourced the deal through a long-standing relationship with the sponsor.[6]

Alison: Thanks, Raghav. I'm glad you brought this deal up. It seems particularly relevant given the recent headlines around AI and the potential disruption in traditional software models. Investors are really trying to distinguish between software businesses that are durable and those that may be vulnerable. Using Jeppesen as a case study, how has Oaktree thought about underwriting software risk and the threat of AI?

Raghav: Yeah, so Jeppesen is a useful case study of our software investing framework in practice. When we underwrite software, we assess several key criteria including market size and growth profile, company market position, mission criticality, switching costs, customer pricing, network effects, and then management and sponsor readiness in the face of AI. Jeppesen scores well across all these dimensions. It has leading market share in the growing and highly regulated aviation industry. Its products are embedded in pilot and aviation control workflows. In fact, many pilots begin their careers by training on Jeppesen systems, which helps create long-term entrenchment. And most importantly, its software directly supports flight safety, creating meaningful switching risk. And backed by an established technology sponsor with deep expertise in the space, we believe AI can be used to enhance the company's products and strengthen its incumbency.

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[5] *The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.*

[6] *The case study discussions are provided for informational purposes only and are intended to illustrate the investment process. Does not constitute a recommendation nor investment advice and should not be used as the basis for any investment decision. This is not a representation that an investment in the securities described were or will be profitable.*

Alison: That is helpful color on how the team underwrites software. Once a software deal is in the portfolio, how do you monitor for early signs of stress?

Raghav: Sure, so we monitor software exposure through multiple lenses. So first, we focus on operating performance, early indicators of stress, typically showing up in declining customer attention, slowing or shrinking recurring revenue, and margin compression. Those dynamics can then signal competitive pressure such as share loss or reduced pricing power well before they actually translate into credit deterioration. Second, we monitor LTV or loan to value closely. As multiples for traditional software businesses face pressure, maintaining adequate equity cushions is critical to ensuring continued finance-ability and structural protection. And then third, we remain disciplined around loan structures. We are cautious with ARR, or annual recurring revenue based, loans, which are tied to negative or low EBITDA companies as well as PIK or payment in kind structures. These businesses tend to be more sensitive to shifts in growth expectations and cashflow durability, particularly during periods of technological disruption.

Alison: That's a great outline of the risk management procedures we have in place. With that in mind, what does software exposure look like in our current portfolio?

Raghav: So from a portfolio construction standpoint, we believe our exposure is positioned conservatively. So one, software represents approximately 18% of fair value across 32 different issuers spanning diverse end markets. Second, we remain senior in the capital structure with 92% of our software positions in first lien term loans. We have only one ARR loan or annual recurring revenues-based loan, which represents less than 1% of fair value. And then finally, of the total investment income generated by the software portfolio, only 0.3% or 30 basis points is PIK. So when you take all these things together, we believe this positioning allows us to participate in the sector while maintaining strong downside protection.

Alison: I want to turn to another topic of investor focus, which is redemptions. As a reminder, OSC's redemptions in the December quarter were 4.2% of shares outstanding. Importantly, we maintained net positive inflows during the quarter. Raghav, how is OSC set up to manage redemptions, and how do you think redemptions across BDC vehicles might impact private credit markets?

Raghav: Thanks, Allie, that is topical. So one, the fund has multiple layers of liquidity including $1.3 billion of fund liquidity from cash and revolver capacity. And then we also have a portion of our investments that can be sold for cash. But second, stepping back, I do want to make the point that I think a lot of the recent redemption activity across perpetual BDCs is being driven less by fundamentals and more by headline-driven anxiety about the private credit asset class. At Oaktree, we don't see private credit as a temporary phenomenon or a trade, it's a structural part of the financing markets.

Alison: Yes, I definitely agree with that. And we've covered a lot today, portfolio health, new deal activity, AI, and redemptions. To sum it all up, how are you thinking about managing risk in this environment?

Raghav: Good question. So as in any environment, we believe that discipline, underwriting selectivity, and active portfolio management would remain critical drivers of long-term performance. And deal quality can vary quite a bit, so deployment needs need to be balanced with selectivity. And I think investors should prioritize managers with strong credit history and underwriting capabilities over those focused on rapid deployment.

Alison: Thanks, Raghav. Okay, before we break, I want to introduce some friendly rapid fire questions into the Manager Minute. Let's try it out. So first off, what is one misconception about private credit you would like to correct?

Raghav: The biggest one is that direct lending and private credit are one and the same thing. Direct lending is a senior product used to finance LBOs with private equity sponsors. And private credit is a much larger marketplace that includes asset-backed finance, life sciences, infrastructure lending. And those are the areas we're leaning into right now because in our view, these niche parts of the market can offer potentially higher yields and more favorable covenants.

Alison: That's a great answer. Second question, what is one early warning sign in a credit that you never ignore?

Raghav: So we spend a lot of time focusing on cash EBITDA, which is a concept very different from adjusted EBITDA. And the reason we look at that is sometimes when you start to see adjusted EBITDA flat or improving but cash EBITDA declining, that's the first sign that we look at for deterioration in a credit, because in the end, adjusted EBITDA is a made-up number.

Alison: Yes. And last, what is your favorite use case for AI?

Raghav: So I use it as a secondary check. When I look at a new investment, I upload the materials and I ask AI to point out downside and risk factors just to see if I miss something big. The good news is so far AI hasn't been able to identify something that I didn't identify already, but as AI gets better, I expect that will change.

Alison: Great. So job security for at least the foreseeable future.

Raghav: At least for the next two years.

Alison: All right. Thanks, Raghav. Thank you so much for sharing your insights. That's a wrap on our latest edition of the Manager Minute podcast for Oaktree Strategic Credit Fund. Thanks all for joining us today and our listeners for tuning in. We hope you found this discussion insightful and we look forward to catching up again next quarter with more updates and perspectives. Take care.

As of December 31, 2025.

Important Information
This shareholder update is neither an offer to sell nor a solicitation of an offer to buy any securities. An offering is made only by the Fund's prospectus. This literature must be read in conjunction with the Fund's prospectus in order to fully understand all of the implications and risks of the offering of securities to which the prospectus relates. A copy of the Fund's prospectus must be made available to you in connection with any offering. Neither the Securities and Exchange Commission nor any other state securities regulator has approved or disapproved of our common shares, determined if the prospectus is truthful or complete, or passed on or endorsed the merits of the offering. Any representation to the contrary is a criminal offense.

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- Oaktree Strategic Credit Fund has only a limited prior operating history and there is no assurance that it will achieve its investment objective.
- This is a "blind pool" offering and thus you will not have the opportunity to evaluate Oaktree Strategic Credit Fund's investments before it makes them.
- You should not expect to be able to sell your shares regardless of how well Oaktree Strategic Credit Fund performs.
- You should consider that you may not have access to the money you invest for an extended period of time.

- Oaktree Strategic Credit Fund does not intend to list the shares on any securities exchange, and it does not expect a secondary market in the shares to develop prior to any listing.
- Because you may be unable to sell your shares, you will be unable to reduce your exposure in any market downturn.
- Oaktree Strategic Credit Fund has implemented a share repurchase program, but only a limited number of shares will be eligible for repurchase, and repurchases will be subject to available liquidity and other significant restrictions.
- An investment in the Fund's shares is not suitable for you if you need access to the money you invest. See "Suitability Standards" and "Share Repurchase Program" in the prospectus.
- Oaktree Strategic Credit Fund cannot guarantee that it will make distributions, and if it does, it may Fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and there are no limits on the amounts Oaktree Strategic Credit Fund may pay from such sources.
- Distributions may also be Funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by Oaktree Fund Advisers, LLC (the "Adviser") or its affiliates and which may be subject to reimbursement to the Adviser or its affiliates. The repayment of any amounts owed to Oaktree Strategic Credit Fund's affiliates will reduce future distributions to which you would otherwise be entitled.
- Oaktree Strategic Credit Fund is using and expects to continue to use leverage, which will magnify the potential loss on amounts invested in it.
- Oaktree Strategic Credit Fund intends to invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below-investment-grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be illiquid and difficult to value.

Forward-Looking Statements
This fact sheet contains contains forward-looking statements about Oaktree Strategic Credit Fund's business, including, in particular, statements about its plans, strategies and objectives. You can generally identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar words. These statements include Oaktree Strategic Credit Fund's financial projections and estimates and their underlying assumptions, plans and objectives for future operations, including plans and objectives relating to future growth and availability of Funds, and they are based on current expectations that involve numerous risks and uncertainties. Assumptions relating to these statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to accurately predict and most of which are beyond Oaktree Strategic Credit Fund's control. Although Oaktree Strategic Credit Fund believes the assumptions underlying the forward-looking statements, and the forward-looking statements themselves, are reasonable, any of the assumptions could be inaccurate and, therefore, there is no assurance that these forward-looking statements will prove to be accurate, and Oaktree Strategic Credit Fund's actual results, performance and achievements may be materially different from that expressed or implied by these forward-looking statements. In light of the significant uncertainties inherent in these forward-looking statements, the inclusion of this information should not be regarded as a representation by Oaktree Strategic Credit Fund or any person that Oaktree Strategic Credit Fund's objectives and plans, which it considers to be reasonable, will be achieved.

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