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Oaktree Strategic Credit Fund Q2 2025 Podcast Transcript
Recorded on August 12, 2025

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.

All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money or the entire investment. Past performance is no guarantee of future results.

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 www.brookfieldoaktree.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.

Clark Koury (Clark): Hi everyone and welcome to the Inaugural Manager Minute podcast for the Oaktree Strategic Credit Fund. My name is Clark Koury and I'm head of the product specialist team at Oaktree. Joining me today is Raghav Khanna, Co-Chief Investment Officer for the Fund. Today we'll discuss Oaktree's Strategic Credit Fund's performance and positioning for the quarter end of June 30th, 2025, as well as the Fund's outlook.

The Fund currently sits at nearly \$6.5 billion in total assets at the end of June, up from just over \$5 billion at the beginning of this year. We generated a net return of 2.00% for the quarter for Class I, bringing our trailing three-year net return to 9.53%, trailing one year net return to 8.92% and an 8.36% net return since inception for Class I shares.

Average Annual Total Returns as of June 30, 2025

Share Class	QTD	YTD	1-Year	3-Year	Since Inception
Class I	2.00%	3.57%	8.92%	9.53%	8.36%

Performance data quoted represent past performance; past performance does not guarantee future results. The investment return and fair value of an investment will fluctuate, so an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund

may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by visiting osc.brookfieldoaktree.com. Class I Inception Date June 1, 2022. Total Annual Expenses (as of January 14, 2025) Class I 8.08%.

As of the end of June, the annualized distribution rate stood at 10.37%¹ for Class I shares and we've maintained a conservative Fund level net leverage of 0.47 times.

Raghav, I would like to bring you into the conversation and would like for you to start by walking us through how the portfolio is positioned.

Raghav Khanna (Raghav): Sure. Hey, Clark. It's great to join you on the inaugural Manager Minute and welcome, everyone. In terms of positioning, the portfolio was comprised of approximately 76% in private assets as of June 30, 2025, and we do expect this private exposure to continue to grow. We are staying senior in the capital structure with roughly 90% of our investments in senior secured debt, mostly first lien, and the portfolio is well diversified across 171 issuers.

Clark: Credit quality is obviously a big focus for us, Raghav. Could you offer some insight on that front?

Raghav: Absolutely. The portfolio is in solid shape. Median leverage is 4.9 times. Loan to value is just over 43%, and interest coverage is at 2.1 times, which speaks I think to the underlying stability of the companies we're lending to. In addition, non-accruals, which is a big area of focus for us, remains de minimis at seven basis points of fair value. Overall, I would say the default backdrop remains below historical averages within private credit, which I think demonstrates the asset class's resilience in light of all of the economic and political uncertainty we're seeing out there.

Clark: On a similar strand of thinking around credit quality, Raghav, PIK interest or paid-in-kind interest is something we hear a lot of clients asking about. Can you provide your thoughts on PIK broadly and in the context of our portfolio?

Raghav: Yeah, so PIK, it's true has become increasingly prevalent as a tool that direct lending managers use to quote-unquote win in private credit, versus other asset classes like broadly syndicated loans. Generally, our view is that PIK is riskier than full cash pay, because instead of taking the interest in cash, you are accruing that

¹ Annualized 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 nine months ended June 30, 2025, the Fund estimates that approximately 82% of the distribution referenced herein is attributable to current fiscal year net investment income and that the remaining portion (18%) 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 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.

interest and adding it to the principle balance. There are, however, two flavors of PIK that's out there in the market. There's PIK at origination, which is generally referred to as good PIK, which means that the deal was structured and negotiated with PIK optionality for a specific period of time, typically between 18 and 36 months, and for specific reasons, I.E. a growth initiative or a CAPEX project.

The second flavor of PIK is what's known as restructured PIK or bad PIK, which means that a company, a borrower could not service its cash interest and had to restructure its debt and its coupon to provide relief to the interest expense burden. Overall, our portfolio has very low exposure to PIK, which represents just 1.7% of total investment income.

Clark: Really helpful color, Raghav. Thank you very much. I'd like to turn to the market opportunity and really what we're seeing on the origination front.

Raghav: Sure. So it was a good quarter from an origination perspective. We continue to put capital to work at scale. We deployed over 1 billion orders during the quarter, again primarily in first lien loans. Importantly, nearly 90% of that deployment was in private credit, which marks a meaningful shift towards private loans, and it's helping us pick-up additional yield in the portfolio. And then finally we also had \$300 million in repayments and sales primarily from our public debt holdings as a number of names ran up in price and where the prospective returns were not attractive.

Clark: That is a significant level of deployment, particularly in light of the market volatility. But before we unpack more around the opportunities in the private market, let's discuss the public component, which makes up roughly 24% of our current exposure. We're seeing a bit of a mixed picture I would say on that front. The economy seems to be slowing down somewhat, but inflationary pressures from tariffs and supply chain issues don't seem to be fully behind us or rolling through financials of our borrowers. Central banks appear to be trying to balance keeping inflation in check without putting too much strain on growth. With that in mind, do you think public credit could have some room to benefit if rates start to ease and what's your take on the markets more broadly?

Raghav: Good question, Clark. So what I would say is we do see continued price upside in fixed-rate instruments, which are primarily high-yield bonds in our portfolio, because to your point, they may benefit from lower interest rates in the coming quarters. On the more floating-rate side, which are largely broadly syndicated loans, many of them have rebounded meaningfully and are trading at or near par in many instances. As a result, we're generally better sellers of those broadly syndicated loan names and we're recycling that capital into private credit. I think that's where we're seeing better relative value.

Clark: Let's dive into that opportunity set a little bit more, given that is where we're seeing the better relative value today. Our private credit allocation remains largely sponsor-driven, about 89% sponsor-backed versus 11% non-sponsored. Do you see this shifting at all?

Raghav: It's good to unpack a little bit. So on the sponsor lending side, we're actually seeing more compelling opportunities in what we call the core middle market versus large-cap deals. Certainly, we've been seeing that for the last three to six months. Pricing for large-cap sponsor loans is in the SOFR² plus 425 to 475 basis points³ range, so it's pretty much back to levels pre-liberation day. In the core middle market, spreads are 25 to 50 basis points higher, and then we're also starting to see more deal flow on the non-sponsor front as well

² The Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

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

as what we call capital solutions. Both of those are higher yielding, generally with better documentation and covenants. And I wouldn't be surprised if that exposure in the portfolio within private credit begins to increase over the coming quarters.

Clark: I'd like to discuss in more detail the pipeline, especially in light of what has really been pretty significantly muted M&A activity. Where else are you seeing value in the marketplace?

Raghav: Yeah, so to your point, Clark, M&A activity has been slow. It's gone through some fits and starts this year, but generally it is still below levels expected at the start of the year, and firms are just being more cautious as they navigate the uncertain impacts of tariffs but also shifting US policy. As a result, and perhaps not surprisingly, refinancings are taking a larger share of our pipeline. We like refinancing deals. They're oftentimes more complex. They lack fresh equity, but they also offer wider spreads to compensate for that. There are also a few other markets where we're finding compelling value, but it is worth noting that they do fall outside of the BDC qualifying assets test. As a reminder to our listeners, BDCs are generally required to invest 70% of capital or more in, quote-unquote, qualifying assets, which generally what that means is either private US companies or publicly listed US companies with a market capitalization of less than 250 million.

One such area which falls outside the qualifying assets test is European direct lending. That is a market that is becoming increasingly interesting given, one, an improving economic outlook, two, relative insulation from tariffs, and then three spreads that are 525 to 575 over, so you're getting a nice premium over what we're seeing in US sponsor lending. There are also other pockets of opportunity in asset-backed financing and life sciences. These are areas where Oaktree has extensive capabilities, but we also like them, because similar to European direct lending, they offer us higher yields, but they also diversify the portfolio. In the case of asset-backed financing, we're diversifying away from just core corporate lending, and then life sciences obviously is a very interesting area of the market, which has very low correlation to the overall macro environment and to the rest of our portfolio.

Clark: We mentioned some of the uncertainties in the economic environment and otherwise. How are you thinking about managing risk in light of some of those uncertainties?

Raghav: It's all about good and effective sourcing, Clark. So having a strong sourcing engine, having multiple sourcing channels, I think are crucial in this market because they give us the ability to be really flexible and be very selective while still staying active in the market and being able to originate paper.

Clark: You touched on the flexibility. Can you elaborate on why that's so important right now?

Raghav: Yeah, so what we're seeing, Clark, in the market is we feel good about our pipeline, but deal quality can vary quite a bit in this market, as credit markets in general have tightened since the start of the year. So we need to balance our deployment needs with selectivity. I think in this market, managers need to stay disciplined, they need to pass on deals where their risk-adjusted returns aren't compelling, and investors should prioritize managers with the strong credit selection and underwriting capabilities over those who are more focused on rapid deployment.

Clark: Thanks, Raghav. Let's shift gears a bit. I wanted to give our listeners a real-world example of how all of these strategies come together. Could you highlight a specific portfolio holding that you feel showcases some of the compelling opportunities we're seeing in the current market as well as our credit selection approach?

Raghav: Happy to, Clark. So when I look at our originations during the last quarter, one interesting name that's worth highlighting is a loan we made to a company called Draken,⁴ that's spelled D-R-A-K-E-N. This is a provider of operational training solutions to primarily the US Air Force and the UK Air Force.

Draken is headquartered in Europe, and while this particular loan does not count as a qualifying asset, as we just discussed, I did want to highlight it as it exemplifies the kind of opportunities we're seeing emerge in Europe. This investment also expands our exposure to the countercyclical aerospace and defense industry where demand for cost-effective pilot training continues to rise amid persistent and global pilot shortages. This company also has long-term government contracts, and so Draken generates recurring revenue by also serving a critical market need with predictable demand.

This investment also highlights one of our strategies, which is to partner with large institutional sponsors, Blackstone, in this instance, to originate senior-secured first lien loans for resilient businesses and those that are operating in sectors with long-term demand visibility.

Clark: Could you talk a little bit more about the deal structure here? I think it's particularly interesting.

Raghav: Sure. So Oaktree was the sole lender in this new transaction, which Draken used to refinance existing debt. Oaktree committed to a total of \$217 million, of which 177 million was Funded upfront. This is, as I mentioned, it's a first lien loan and it priced at SONIA, which is a reference rate in the UK plus 550 basis points⁵ with two points of upfront fees,⁶ and the Fund was allocated 100 million approximately of the total deal.

Clark: It touches on two themes that you mentioned with respect to refinancing as well as more European oriented deal flow, so pretty reflective of our strategy, but can you offer any additional highlights that speak to the strength of our platform?

Raghav: So in this market, again, having multiple sourcing channels also diversified by region and by asset class is important, to be able to lean into areas of the market that offer the best risk adjusted returns, and we're proud to say that we have those multiple sourcing channels. And this deal I think highlights the strength of our deal sourcing platform. I think the other thing that this deal highlights is, it is important in certain cases to be able to speak for large ticket sizes, and I think this transaction highlights our capacity to act as a sole lender. I think more broadly, it's worth mentioning that the Fund aims to deliver stable income in the form of monthly distributions with attractive capital appreciation potential, and again, we emphasize that flexibility and relative value, which allows us to shift allocations based on the current opportunity set and market environment that we're seeing.

Clark: Thanks for taking us through that example, Raghav. It's clear, it's about finding those unique opportunities where we feel we can add value, and that wraps up our first episode of the Manager Minute podcast for Oaktree Strategic Credit Fund. Thank you, Raghav, for joining us this time. Thank you to our audience. We really appreciate you tuning in and hope you found the discussion insightful. We look forward to catching you up again next quarter with more updates and interesting perspectives. Take care.

As of June 30, 2025.

⁴ 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.

⁵ SONIA is a benchmark interest rate used in the U.K., and '+550' means the loan's interest rate is 5.5% above this benchmark.

⁶ Upfront fees are charges paid at the start of the loan.

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Risk Factors

An investment in common shares (the "shares") of beneficial interest in Oaktree Strategic Credit Fund involves a high degree of risk. You should only purchase shares of Oaktree Strategic Credit Fund if you can afford to lose your complete investment. Prior to making an investment, you should read the prospectus, including the "Risk Factors" section therein, which contains a discussion of the risks and uncertainties that Oaktree Strategic Credit Fund believes are material to its business, operating results, prospects and financial condition. These risks include, but are not limited to, the following:

- 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 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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