

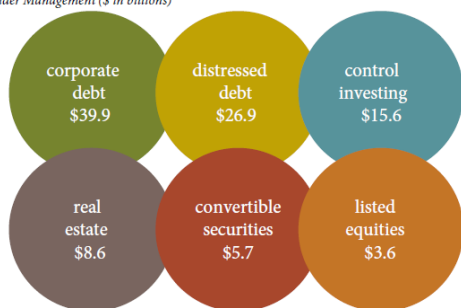


A DISTINGUISHED LEADER IN ALTERNATE ASSET MANAGEMENT

Oaktree Capital Group LLC (OAK:US, Market Capitalisation US\$ 7.02B) is a leading global alternative investment management firm with expertise in credit strategies. As at 31 December 2016, assets under management totalled US\$ 101B. Oaktree has over 900 employees operating across 13 countries worldwide including the major financial centres of New York, London, Paris, Frankfurt, Hong Kong, Tokyo, Singapore and Sydney. The firm has a strong history of generating positive returns for its clients and is recognised as a distressed and corporate debt specialist. Similar to other asset managers, Oaktree generates revenue from asset management fees, incentive income, and from investments. In 2016, total revenue amounted to approximately ~US\$ 1.13B.

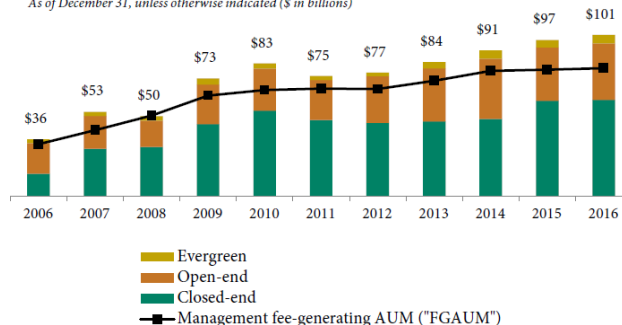
Investment areas

Assets Under Management (\$ in billions)



Historical assets under management

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



EXEMPLARY TRACK-RECORD

Oaktree emphasises a value-oriented and risk-controlled strategy across the primary asset classes of corporate debt (40%), distressed debt (27%), control investing (15%), real estate (8%), convertible securities (6%) and listed equities (4%). The firm’s investment philosophy is based on six principles which have guided the firm to produce market-beating returns for its investors and unitholders, across multiple market cycles. The firm espouses - risk control, consistency, market inefficiency, specialisation, bottom-up analysis and a disavowal of market timing. As at December 31, 2016, Oaktree’s incentive-creating closed-end funds had produced a since-inception (1988) aggregate gross IRR of +18.9% (well above the 8.0% hurdle rate for incentive income) on approximately US\$ 75B of drawn capital. The firm’s open-end funds have a similarly impressive track record with almost all of strategies outperforming their respective benchmarks.

COUNTER-CYCLICAL BUSINESS MODEL HEDGES AGAINST MARKET WEAKNESS

Traditional investment managers tend to intensify capital deployment during times of prosperity and increased market liquidity. Oaktree’s opportunistic investment philosophy opposes this, raising capital ahead of potential market dislocations, ready to deploy in subsequent downturns. Downside protection is provided by entering the market at times when assets prices are depressed; conversely, upside is maximised as assets are disposed of during market upswings. One of Oaktree’s largest capital raises occurred in 2008 (following the financial crises) for its ‘Opportunities Fund VIIb’ when the firm raised ~US\$ 11B off existing AUM of ~US\$ 36B. This opportunistic approach is embodied in all fund structures with the firm actively trimming fund sizes during buoyant markets so as not to overextend sizing beyond the opportunity set. As at 31 December 2016, Oaktree held uncalled capital commitments of US\$ 20.8B – we expect the deployment of this capital to aid future investment earnings growth.

LOCKED-IN CAPITAL PROVIDES RELIABLE STABLE EARNINGS BASE

Oaktree utilises three types of fund structures - Closed-end funds, Open-end funds and Evergreen funds. Oaktree’s closed-end funds have a 10 or 11-year term and a specified period during which clients can subscribe for limited partnership interests in the fund. Once a client is admitted to the fund as a limited partner, that client is required to contribute capital when called by the firm; at which point they are (generally) unable to withdraw their investment until the fund is liquidated. This gives Oaktree a significant source of reliable



(reoccurring) revenues. In 2016, Oaktree generated US\$ 786M in management fees, 73% of which was generated from closed-end funds.

LOYAL & SUPPORTIVE INVESTOR BASE

A combination of investment philosophy, market out-performance and client-first approach has earned Oaktree a supportive and loyal customer base. The firm manages assets on behalf of some of the most significant institutional investors in the world including 75 of the 100 largest US pension plans, over 400 corporations and/or their pension funds, over 350 universities, charitable and other endowments and foundations, 16 sovereign wealth funds and over 350 other non-U.S. institutional investors. The commitment and loyalty of Oaktree's clientele is highlighted through 25 of Oaktree's largest clients who participate, on average, in four investment strategies offered by the firm. A further 77% of all clients invest in more than one strategy. It is such confidence which has engendered the firm with an unprecedented ability to raise capital. In each of the past ten years, Oaktree has successfully raised US\$ 10B or more, including ~US\$12B in 2016.

ELITE MANAGEMENT PROVIDES COMPETITIVE ADVANTAGE

Co-Chairmen Howard Marks and Bruce Karsh are widely recognised for their extraordinary skill and capability as investors. Howard Marks has often been compared to Warren Buffett for his astute investing ability while his memos have long been a source of consultation for leading value investors globally.

"When I see memos from Howard Marks in my mail, they're the first thing I open and read. I always learn something, and that goes double for his book"- Warren Buffet.

Beyond Marks and Karsh, the firm has a deep pool of highly experienced talent including John Franks (*vice-chairman*), Jay Wintrob (*CEO*), and Daniel Levin (*CFO*). Wintrob joined Oaktree in 2014, moving from AIG where he acted as Head of Life & Retirement Services. Vaunting over 30 years of experience at AIG, Wintrob was considered for the position of CEO before his departure from the company. Unlike most alternative asset managers, investment decisions at Oaktree occur at a portfolio manager level substantially mitigating succession risk. The firm currently has 31 portfolio managers who average 23 years of investment experience.

MANAGEMENT POSITIVELY INCENTIVISED

Oaktree places a great emphasis on an alignment of interests with client and unitholders. It is a fundamental characteristic of Oaktree's business and is viewed as a driving force toward the firm's long-term growth. Oaktree frequently co-invests alongside clients where sums invested range between US\$ 20M to US\$ 100M. Furthermore, top executives do not take a salary and are instead incentivised through distributions received as unit holders. We believe such incentives encourage management to adopt sustainable and long-term investment decisions, to the benefit of clients and shareholders alike. *We note that Oaktree has an extremely complicated ownership structure, where senior executives and senior employees control the firm.*

DOUBLELINE CAPITAL INVESTMENT & OFF-BALANCE SHEET ITEMS

In 2009, Oaktree Capital committed an initial investment of US\$ 20M for a one-fifth stake in Jeffrey Gundlach's upstart investment firm, DoubleLine Capital. Today, the firm is recognised as one of the fastest growing asset managers in the US, growing AUM by +20% over 2016, with total AUM reaching an excess of US\$ 100B. Since 2011, Oaktree has received nearly a quarter-billion (US\$ 224.1) from DoubleLine Capital in investment income, paying for its initial investment at least 11 times over. Oaktree holds DoubleLine Capital on its books at a carrying value of ~US\$ 31M, yet the 20% stake has an estimated value of between US\$ 800M to US\$ 1B at fair market value. Furthermore, due to the way Oaktree realised incentive fees (*off-balance sheet*), there is a significant amount of value which the market does not appear to be fully recognised. Accrued incentives (*held at a fund level and net of associated incentive income compensation expenses*) totalled US\$ 947M at the end of 2016.

STOCK PRICE WEAKNESS PRESENTS A LONG-TERM OPPORTUNITY

Oaktree has suffered consecutive share price declines, amidst a challenging investment environment for counter-cyclical strategies. Optimistic near-term outlooks for the US and global economies have presented few opportunities for expert credit investor with its stock underperforming both the S&P 500 and its peer group by a wide margin. We believe the relative complexity of Oaktree's capital structure, financial reporting and limited liability partnership status further allowed Oaktree to trade below its intrinsic value. The firm's stock (unit) price has fallen 39% from US\$ 61.68 in February 2014, to US\$ 37.35 in December 2016.



RETURNING CAPITAL TO SHAREHOLDERS

Oaktree's predominate exposure to credit means the firm is directly invested in real assets. Thus, its credit positions return a yield while its performance also delivers an absolute return. Oaktree pays a variable dividend which is directly linked to quarterly earnings. Oaktree is currently paying an attractive dividend of 6.0% (as at 31 December 2016) however we expect this to increase as the firm's future earnings grow.

INVESTMENT THESIS - SUMMARY

Oaktree is a proven leader in the alternative investment industry - under the guidance of visionary investor Howard Marks, the firm has consistently achieved above market, risk-adjusted returns. Oaktree further benefits from its unique business model which provides locked up capital securing a stable earnings base. We believe the firm's complex capital structure and lack of transparency have resulted in a widely-misunderstood business with significant value unrecognised by market participants. Net cash and investments, an investment in DoubleLine Capital, off-balance sheet accrued incentive income, recurring fee-related earnings, and the potential for future incentive income derived from undrawn capital commitments make Oaktree an attractive investment proposition. Finally, given the inherent uncertainty prevalent in today's market, we see advantage in Oaktree's counter-cyclical investment philosophy which offers a hedge against potential market dislocations.

We value Oaktree on a Sum-of-the-Parts basis and estimate Oaktree's Intrinsic Value to be between US\$ 57.36 to US\$ 63.70 assuming normalised trading conditions. From the Elevation Capital Value Fund's cost basis of US\$ 42.06 per share, our valuation/s represent upside potential of between +36% to +51%.

This summary report was written in March 2016.

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