BLUE OWL

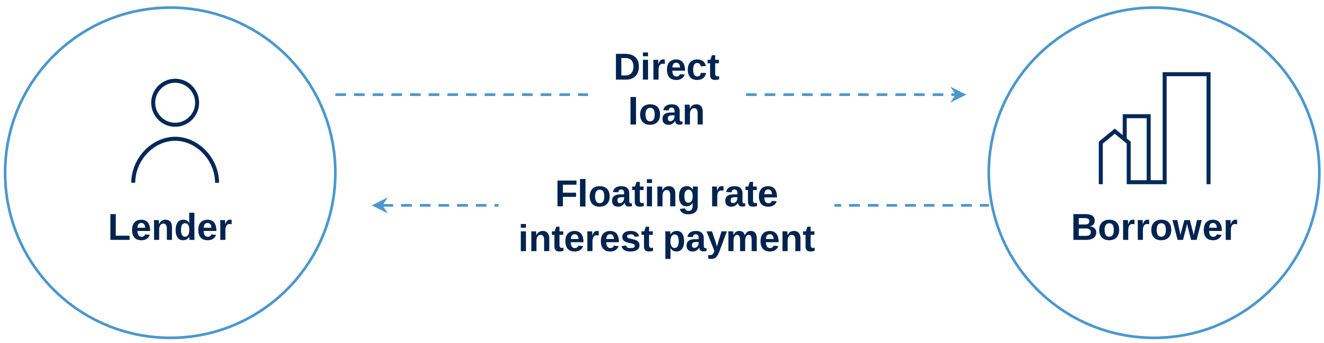
Direct Lending Primer

blueowl.com

What is direct lending?

Direct lending is a provision of credit from non-banks directly to companies seeking financing solutions.

How does direct lending work?



Middle market companies often seek these direct loans to finance growth opportunities and day-to-day operations.

The middle market is a segment of U.S. businesses with annual revenues in the range of $10 million to $1 billion. These 200,000 companies, most of them privately owned, account for about one-third of the total U.S. economy.

More than
$10 trillion[1]
in annual revenue

Equivalent to the
5th largest[1]
global economy

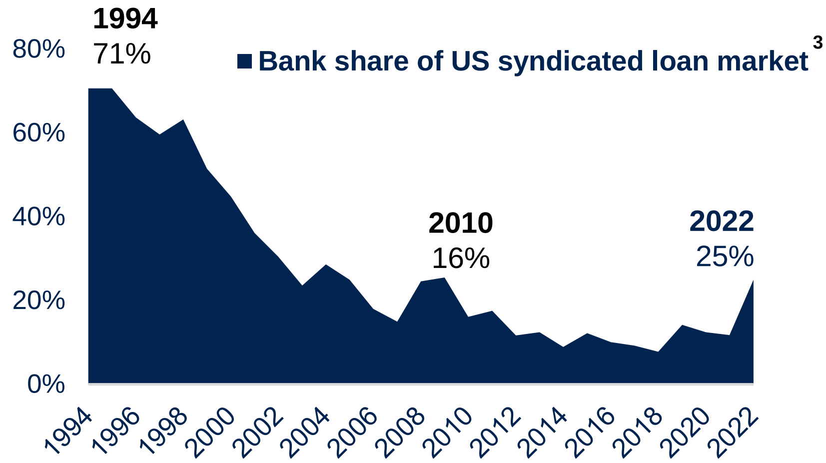
Collateral securing any loan may lose some or all of its value over time, including loss of principal. Floating rate loans are subject to risk factors, including credit risk, liquidity risk, and interest rate risk and floating rate loans can lose significant value. Senior secured loans are subject to risks, including that loans can be difficult to value and are highly illiquid; they are also subject to nonpayment, collateral, bankruptcy, default, extension, prepayment and insolvency risks.

1. Source: National Center for The Middle Market, Year-End 2022.

Direct lending is a large and growing market

Two trends have propelled direct lending's market's remarkable growth over the past decade—and these tailwinds are expected to continue.

1 The game has changed: banks have pulled back lending to small and mid-size private companies...[1]



2 ... and private equity, which is typically supported by private credit financing, has grown profoundly[2]

10x There have been $10 of private equity capital raised for every $1 of direct lending capital.

$2T Elevated private equity dry powder paints a picture of consistent demand for direct lending.

Direct lenders are filling the void and offering a reliable alternative to banks.

7x+[4] Direct lending market share has grown over 700% relative to U.S. bank loans[5] and U.S. high yield[6] since 2010.

As of March 31, 2023. **Past performance is not a guarantee of future results.** This is for illustrative and informational purposes only. All investments involve risk of loss, including loss of principal invested. Indices listed do not represent benchmarks for the funds but allow for comparison of a fund's performance to an Index. There can be no assurance that historical trends will continue during the life of any fund. An investor cannot invest directly in an index. Index performance does not reflect fees and expenses.

1. S&P Global Market Intelligence, "LCD's Quarterly Leveraged Lending Review: 4Q21." **2.** Source: Preqin, Fundraising League Tables. **3.** Estimated Direct Lending Market share is based on Direct Lending AUM divided by US High Yield and US Bank Loan amounts outstanding. **4.** Preqin, Private Debt AUM and Dry Powder Report, 12/31/2021. Represents DL AUM. **5.** S&P Global Market Intelligence, US Bank Loans represents the S&P US Leveraged Loan Index loans outstanding. **6.** Bloomberg Barclays, US High Yield represents the Bloomberg Barclays US High Yield Corporate Index bonds outstanding.

Why borrowers choose direct lending solutions

Certainty

Direct lending solutions provide borrowers with certainty

- There is no concept of “flex” in price or terms
- Deals are not subject to risks associated with syndication

Direct lenders typically hold the investment to maturity rather than trading it

Does not distract from operations

Direct lending solutions save management teams from having to go through a syndication process, allowing them to continue to focus on running their business

- Does not require a roadshow
- Does not require the borrower to get rated

Confidentiality via a private solution

A limited number of parties are privy to a given deal

- Borrowers can keep information about their businesses private, which they often prefer
- Sponsors can keep valuations private, a competitive advantage in pre-emptive bidding situations

Ability to provide customized solutions

In many situations, the syndicated market cannot satisfy a borrower’s needs. Banks are often reluctant to underwrite:

- Small or complex businesses
- Unitranche or second lien assets

Direct lenders can work directly with financial sponsors and management teams to understand nuances of a given business

Ongoing growth potential

- Borrowers are often looking to grow with their lender(s) through add-ons and/or upsizes
- Direct lenders are more willing to provide delayed draw term loans for future M&A

Direct lending offers a compelling opportunity

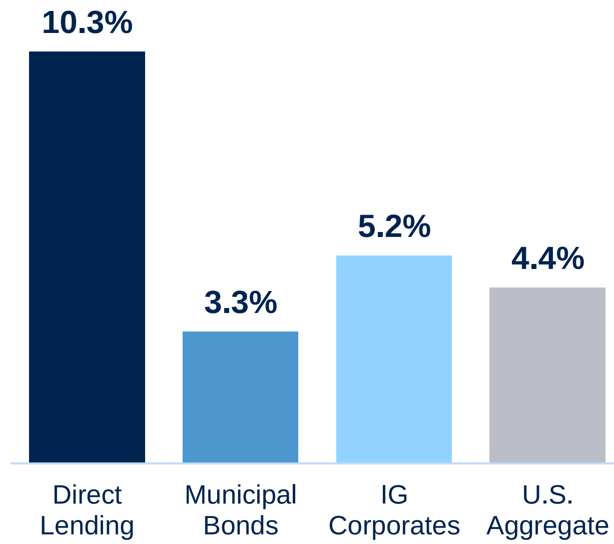
More investors are likely turning to direct lending for its favorable characteristics.

Historically higher all-in-yield
Relative to core fixed income

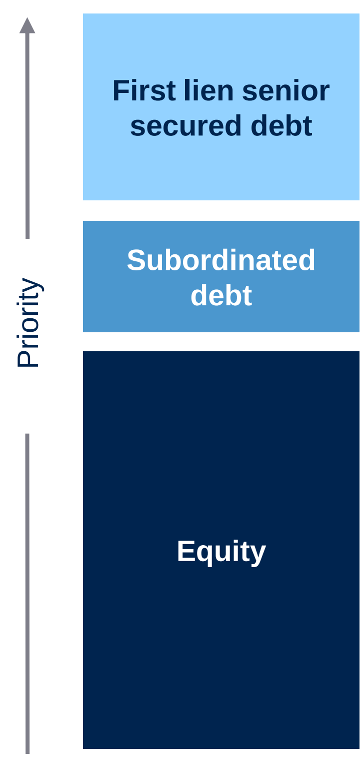
Potentially greater downside protection
Senior secured, tighter investor protections

Historically consistent returns
Income-driven

Hedge against rising rates
Floating rate, near-zero duration



Direct loans have earned higher yields than other fixed income instruments[1].



Direct loans have repayment priority in the event of a default.

As of March 31, 2023. **Past performance is not a guarantee of future results.** This is for illustrative and informational purposes only. All investments involve risk of loss, including loss of principal invested. Indices listed do not represent benchmarks for the funds but allow for comparison of a fund's performance to an Index. There can be no assurance that historical trends will continue during the life of any fund. An investor cannot invest directly in an index. Index performance does not reflect fees and expenses.

1. Municipal Bonds are represented by the Bloomberg Barclays U.S. Municipal Index and shown on a tax adjusted basis. Investment Grade Bonds represented by the Bloomberg Barclays U.S. Corporate Bond Index. Direct lending is represented by the Cliffwater Direct Lending Index.

Tighter covenants enhance downside protection

A more extensive due diligence process and direct dialogue with the borrower means direct lending deals typically have increased downside protection compared to broadly syndicated loans and high yield bonds.

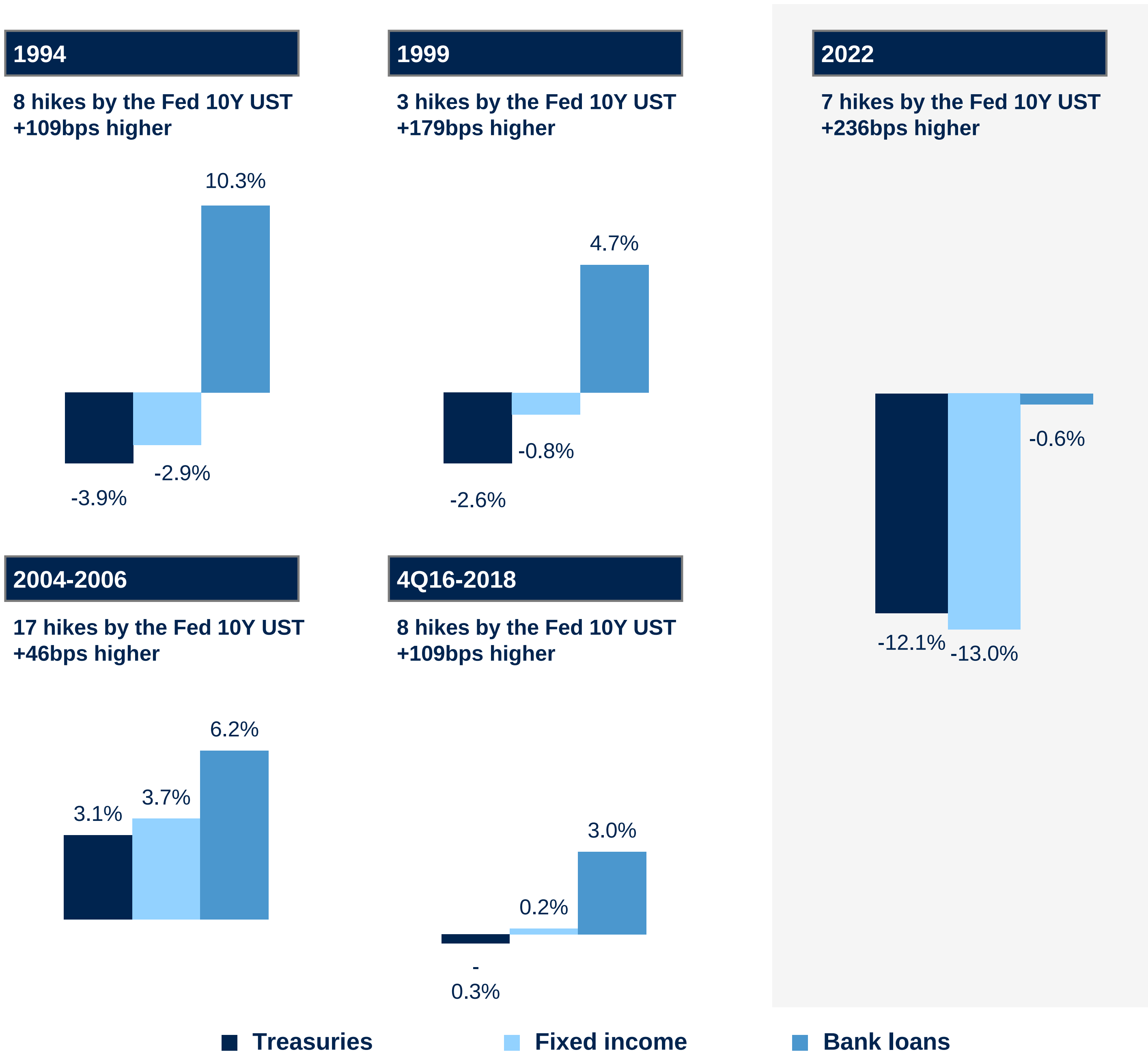
		Direct lending middle-market loans	Traded loans	High yield bonds
Attributes	**Rate risk / Duration**	Floating Rate / Near-zero	Floating Rate / Near-zero	Fixed Rate / High
	Lender influence on debt structure	High	Low	Low
	Liquidity	Limited or none	Medium to high	High
Downside protection	**Security**	Senior Secured	Senior Secured	Unsecured / Subordinated
	Covenants	Typically full covenant package	Generally covenant-lite	Limited
	Workout process	More control	Less control	Less control
	Expected total return	**High single digits**	**Mid single digits**	

There can be no assurance that historical trends will continue during the life of any fund. Source: S&P LCD, JPM Morgan Markets. Expected Total Returns based on 10 Year Anticipated Returns from Cliffwater 2023 Asset Allocation Report.

Direct lending provides a hedge against rising rate environments

Floating rate loans can help shield portfolios from the negative effects of higher interest rates and have outperformed in the last major hiking cycles.

Performance during the last five rate hike regimes

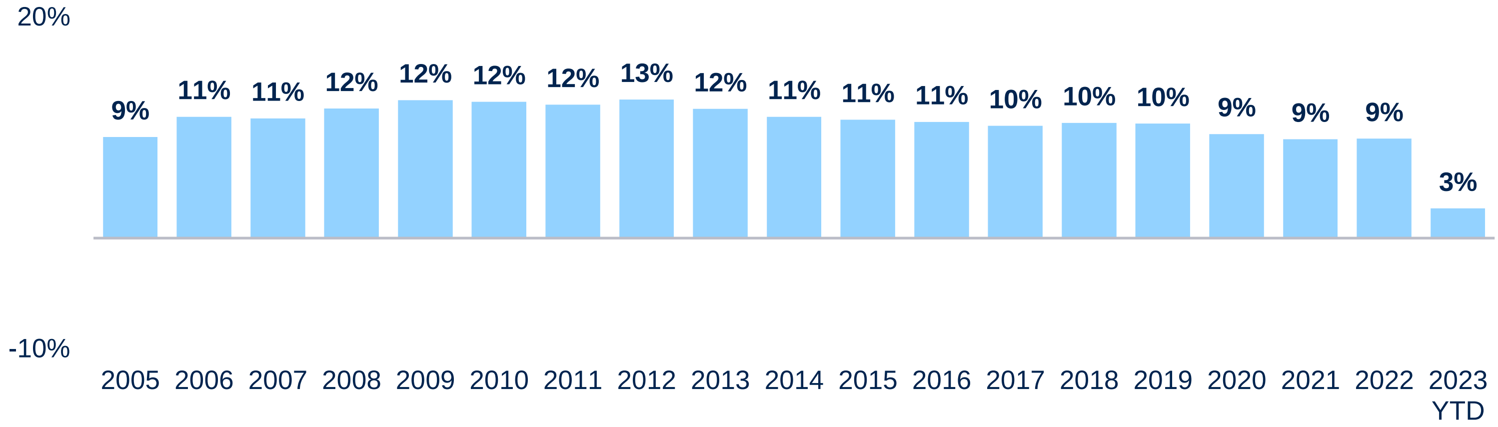


As of March 31, 2023. **Past performance is not a guarantee of future results.** There can be no assurance that historical trends will continue during the life of any fund. Past performance is not a guarantee of future results. This is for illustrative and informational purposes only. Indices are not actively managed, and investors cannot invest directly in indices. Periods greater than one year are annualized. All investments involve risk of loss, including loss of principal invested. There can be no assurance that historical trends will continue during the life of any fund. Data sourced from: Bloomberg Barclays Indices for US Treasury Index ("Treasuries"), US Aggregate Bond Index ("Fixed Income"); S&P Global Market Intelligence for US Bank Loans (Credit Suisse for 1994 and 1999); Bloomberg for the 10Y UST.

A steady source of income-driven returns

Direct lending has a history of delivering consistent performance, primarily driven by income.

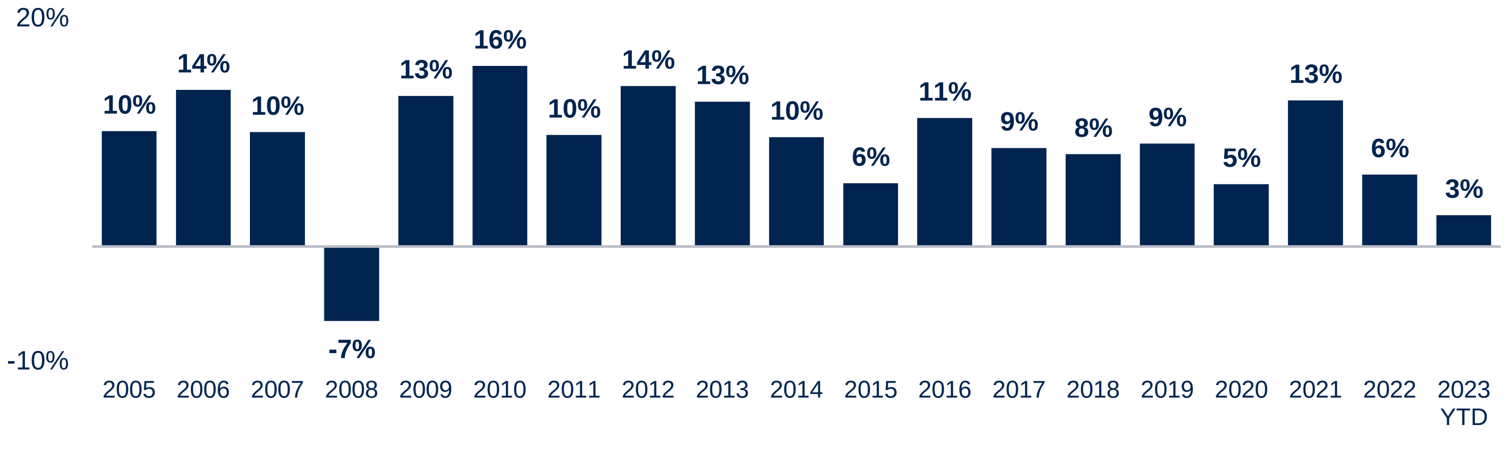
Annual income returns since inception



~78% Direct lending has provided an 8% total return or higher ~78% of the time…

~61% …and provided at least a 10% total return ~61% of the time.

Annual total return since inception



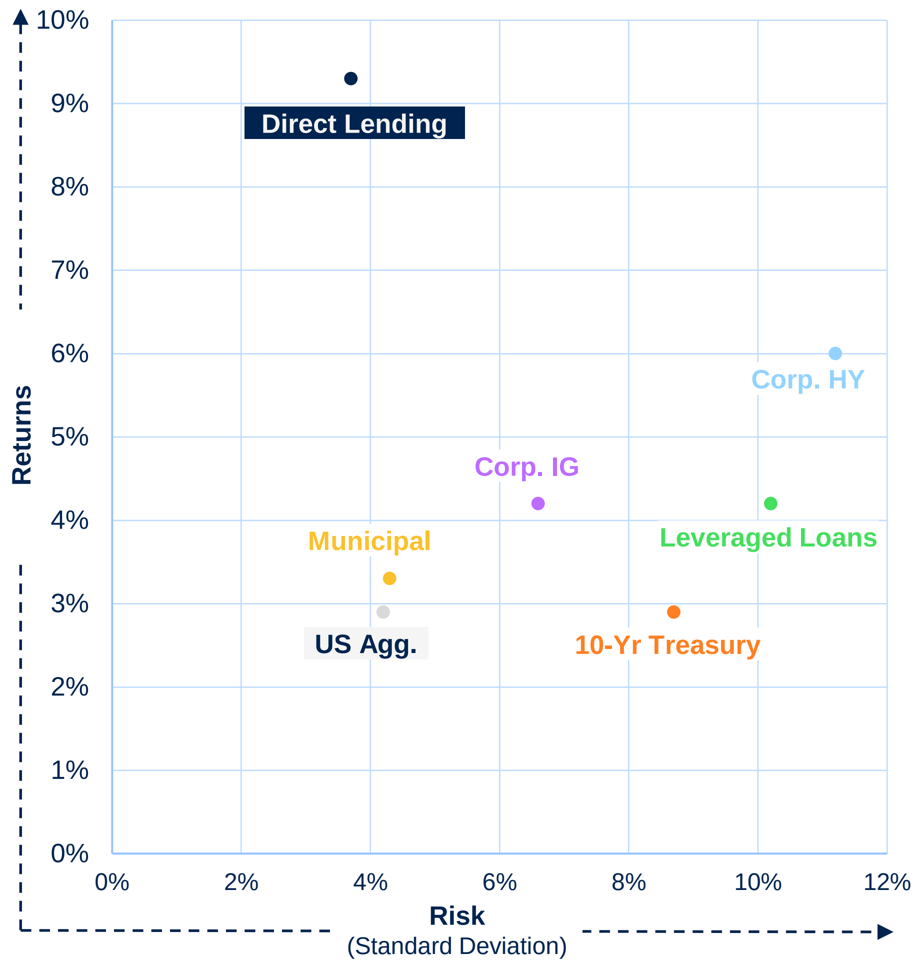
As of March 31, 2023. **Past performance is not a guarantee of future results.** There can be no assurance that historical trends will continue during the life of any fund. Indices listed do not represent benchmarks for the fund but allow for comparison of a fund's performance to an index. An investor cannot invest directly in an index. Index performance does not reflect fees and expenses. Direct lending is represented by the Cliffwater Direct Lending Index ("CDLI"). The CDLI's asset mix (71% senior loans, 14% unsecured loans, 8% equity and 5% other assets) will differ from OCIC's fully ramped target asset mix (90+% senior loans, 0-10% unsecured loans, <5% equity) and because of this, an Investment in OCIC may provide different returns than those exhibited by the CLDI. For additional Information on the CDLI, please see the benchmark definitions on page 10.

Direct lending has delivered attractive risk-adjusted returns

With a demonstrated history of upside potential and downside protection, direct lending has outperformed on a risk-adjusted basis.

Historical Risk/Return since 2005[1]

Total Return	Risk
Direct Lending 9.1%	**Corp. HY** 11.0%
Corp. HY 6.3%	**Leveraged Loans** 10.0%
Leveraged Loans 4.5%	**10-Yr Treasury** 8.6%
Corp. IG 4.1%	**Corp. IG** 6.7%
Municipal 3.6%	**Municipal** 4.3%
10-Yr Treasury 3.1%	**US Agg.** 4.1%
US Agg. 3.1%	**Direct Lending** 3.7%



To learn more about the potential benefits of a direct lending allocation, please contact your financial advisor.

Past performance is not a guarantee of future results. There can be no assurance that historical trends will continue. Indices listed do not represent benchmarks for the funds but allow for comparison of a fund's performance to an Index. An investor cannot invest directly in an index. Index performance does not reflect fees and expenses. As of March 31, 2023

1. Sources: Bloomberg; Cliffwater. Benchmarks: Direct Lending = Cliffwater Direct Lending Index; U.S. Aggregate Bonds = Bloomberg Barclays US Aggregate Bond Index; Municipal Bonds = Bloomberg Barclays U.S. Municipal Index; Corp. Investment Grade = Bloomberg Barclays U.S. Corporate Bond Index; High Yield = Bloomberg Barclays US High Yield Index; Leveraged Loans = SP LSTA Leveraged Loan Index; 10-Yr Treasury = Bloomberg Barclays 10 Year US Treasury Index

Important information

Unless otherwise indicated, the Report Date referenced herein is March 31, 2023.

Past performance is not a guarantee of future results.

The material presented is proprietary information regarding Blue Owl Capital Inc. (“Blue Owl”), its affiliates and investment program, funds sponsored by Blue Owl, including the Blue Owl Credit, GP Strategic Capital Funds and the Real Estate Funds (collectively the “Blue Owl Funds”) as well as investment held by the Blue Owl Funds.

The views expressed and, except as otherwise indicated, the information provided are as of the report date and are subject to change, update, revision, verification, and amendment, materially or otherwise, without notice, as market or other conditions change. Since these conditions can change frequently, there can be no assurance that the trends described herein will continue or that any forecasts are accurate. In addition, certain of the statements contained in this presentation may be statements of future expectations and other forward-looking statements that are based on the current views and assumptions of Blue Owl and involve known and unknown risks and uncertainties (including those discussed below) that could cause actual results, performance, or events to differ materially from those expressed or implied in such statements. These statements may be forward-looking by reason of context or identified by words such as “may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential or continue” and other similar expressions. Neither Blue Owl, its affiliates, nor any of Blue Owl’s or its affiliates' respective advisers, members, directors, officers, partners, agents, representatives or employees or any other person (collectively the “Blue Owl Entities”) is under any obligation to update or keep current the information contained in this document.

All investments are subject to risk, including the loss of the principal amount invested. These risks may include limited operating history, uncertain distributions, inconsistent valuation of the portfolio, changing interest rates, leveraging of assets, reliance on the investment advisor, potential conflicts of interest, payment of substantial fees to the investment advisor and the dealer manager, potential illiquidity, and liquidation at more or less than the original amount invested. Diversification will not guarantee profitability or protection against loss. Performance may be volatile, and the NAV may fluctuate.

This presentation is for informational purposes only and is not an offer or a solicitation to sell or subscribe for any fund and does not constitute investment, legal, regulatory, business, tax, financial, accounting, or other advice or a recommendation regarding any securities of Blue Owl, of any fund or vehicle managed by Blue Owl, or of any other issuer of securities. Only a definitive offering document can make such an offer.

Definitions

Direct Lending is the provision of credit by a non-bank lender, directly to a company.

Cross-asset Correlation measures the degree to which the price of a financial instrument is affected by a change in the price of another instrument of a different asset class.

Index Definitions

U.S Equity represented by the S&P 500 Index: A stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. Indices are not actively managed and investors cannot invest directly in the indices.

10-Year Treasury: The 10-year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity.

Corp. Investment Grade represented by the Bloomberg Barclays U.S. Corporate Bond Index. This index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. Indices are not actively managed and investors cannot invest directly in the indices.

Corp. High Yield represented by the Bloomberg Barclays US Corporate High Yield Index. This index measures the USD-denominated, high yield, fixed-rate corporate bond market. Indices are not actively managed and investors cannot invest directly in the indices.

Municipal bonds represented by the Bloomberg Barclays U.S. Municipal Index. This index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. (Future Ticker: I00730US) Indices are not actively managed and investors cannot invest directly in the indices.

Leveraged Loans represented by the S&P/LSTA Leveraged Loan Index. This index is a common benchmark and represents the 100 largest and most liquid issues of the institutional loan universe. Indices are not actively managed and investors cannot invest directly in the indices.

Direct lending represented by the Cliffwater Direct Lending Index (CDLI). The CDLI seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. Indices are not actively managed and investors cannot invest directly in the indices.

U.S. Agg represents the Bloomberg Barclays US Aggregate Bond Index. This index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset backed securities and commercial mortgaged backed securities. Indices are not actively managed and investors cannot invest directly in the indices.

BLUE OWL

blueowl.com