CUBEWEALTH

OWL ROCK CAPITAL
EQUITY REPORT

MAY 4TH, 2020

OWL ROCK CAPITAL

BY THE NUMBERS

TICKER: ORCC
PRICE: $12.54

OWL ROCK
CAPITAL CORPORATION

Owl Rock Capital Corporation is a business development company. The fund makes investments in senior secured or unsecured loans, subordinated loans or mezzanine loans and also considers equity-related securities including warrants and preferred stocks.

ORCC seeks to invest in middle market companies based in the United States, with EBITDA between $10 million and $250 million annually and/or annual revenue of $50 million and $2.5 billion at the time of investment.

The company went public last July at $15.30 per share.

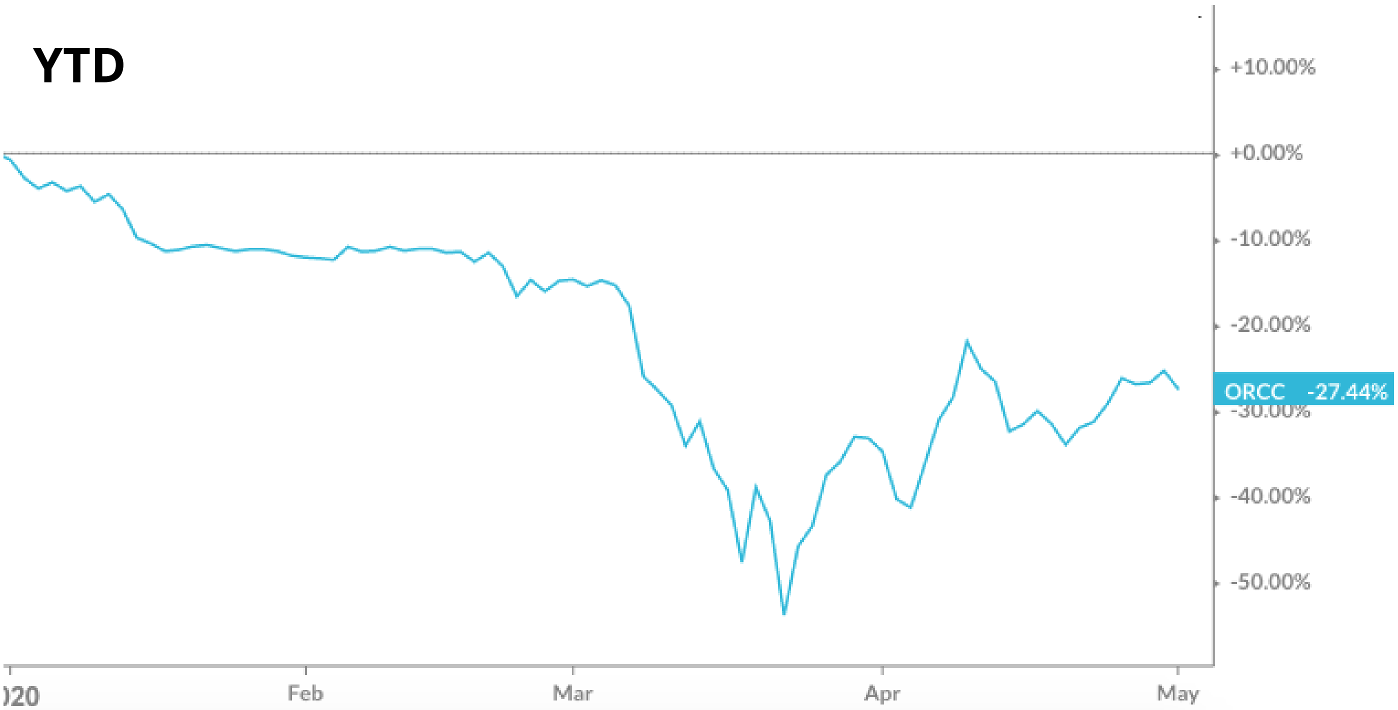
11.5%
DIVIDEND YIELD

-27.4%
YTD RETURN

$4.8B
MARKET CAP

ORCC

SHARE PRICE PERFORMANCE



ANALYSIS

ORCC is known as a business development company, or BDC. It's an organization that invests in small- and medium-sized companies as well as distressed companies. Since they began investment activities in April 2016 they have originated $19.0B in investments, of which $17.4B of aggregate principal amount of investments prior to any subsequent exits or repayments, is/has been retained by either ORCC or a fund advised by their Adviser or its affiliates. Their capital is used to support growth, acquisitions, market or product expansion, refinancings and/or recapitalizations.

Another thing to know about BDC's is that they are regulated investment companies (RICs) and therefore must distribute over 90% of their profits to shareholders. Many investors like to invest in BDC's as they generally offer higher yielding returns for the risk they bear in these smaller companies they are financing.

Specifically with regard to ORCC, they are a much more focused on funding companies with debt. As you can see below, 99% of their investments are debt with less than 1% in equity and another 1% in investment funds and vehicles.

While the investment would be in ORCC, it's also an investment in the middle market industry and their entire portfolio, so let's dive into it.

The global financial crisis in 2008/2009 led to a huge market opening for companies like ORCC. Nowadays, bank participation in middle market lending is a fraction of what it was during the mid-1990s. The 20 years of bank consolidation and the ramifications from post-recession regulations have resulted in banks becoming much less relevant in the sector. Banks once held ~71% of leveraged loans in 1994, they hold only ~9% of such loans today.

Pre-Crisis
Before 2007

- **Consolidation wave** — large banks acquire smaller banks
- Capacity leaves market
- **Diminishing lending capabilities** of mid market banking platforms
- **Rise of non-bank lenders** and institutional investors

Credit Crisis and Fallout
2008–2012

- Regulators increase **capital and risk standards**
- **Banks refocus** towards lower risk lending
- Growing borrower **acceptance of non-bank lenders**

Era of Bank Regulation and DL Acceptance
2013+

- **Growing demand from borrowers** underserved by current banking system
- Global **demand from retail and institutional** investors
- Absolute returns in **pursuit of yield**

We also see from the image below that direct lending (change in net asset value plus the value of dividends paid) has virtually no correlation with equities, thereby making it a nice hedge for portfolios.

CORRELATION MATRIX

	U.S. Equities	Global Equities	U.S. High Yield	U.S. Leveraged Loans	European High Yield	European Leveraged Loans	U.S. IG Corporate Debt	Global Fixed Income	Asset-Backed Securities	Direct Lending
U.S. Equities[1]	1.00									
Global Equities[2]	0.97	1.00								
U.S. High Yield[3]	0.64	0.69	1.00							
U.S. Leveraged Loans[4]	0.45	0.51	0.87	1.00						
European High Yield[5]	0.53	0.60	0.89	0.84	1.00					
European Leveraged Loans[6]	0.43	0.50	0.75	0.85	0.84	1.00				
U.S. IG Corporate Debt[7]	0.23	0.26	0.61	0.45	0.59	0.49	1.00			
Global Fixed Income[8]	(0.06)	(0.08)	0.16	(0.04)	0.11	0.03	0.80	1.00		
Asset-Backed Securities[9]	(0.07)	(0.05)	0.45	0.51	0.55	0.45	0.53	0.39	1.00	
Direct Lending[10]	(0.04)	(0.03)	0.03	(0.01)	(0.01)	(0.10)	(0.02)	(0.03)	(0.02)	1.00

CUBE was also able to get our hands on a very interesting research report issued by UNC Chapel Hill roughly two years ago. Here's what it found.

While the BDC Index is likely indicative of the underlying performance of the debt held in BDC portfolios, it is most representative of equity price movements of BDCs, not debt holdings. In contrast, the Cliffwater Direct Lending Index (CDLI) utilizes the underlying loan performance data from SEC filings of the BDCs to create its index and, as a result, should provide a better indication of the return on loans made by BDCs.

The CDLI does not include fund level leverage or fund management fees (including performance fees) on returns. Importantly, Cliffwater invokes the concept of a "3- year takeout yield" by which loans are assumed to converge to par over a 3-year horizon, regardless of the maturity date. Most of the time, this is a reasonable assumption which reflects the tendency of most loans to be refinanced, prepaid, or taken out prior to maturity. However, during periods such as the Global Financial Crisis when liquidity is scarce, such loans likely take longer than three years to converge to par. This could be a reason for the volatility of the CDLI being noticeably lower than that of similar indices when 2008-2009 are included. Based on quarterly returns for the various benchmark indices from 2005 through 2016, mean quarterly (annual) benchmark returns range from 1.35% (5.52%) for the LLI to 2.50% (10.37%) for BDCs. Annualized standard deviations vary dramatically from a low of 3.79% for CDLI to 29.82% for BDCs.

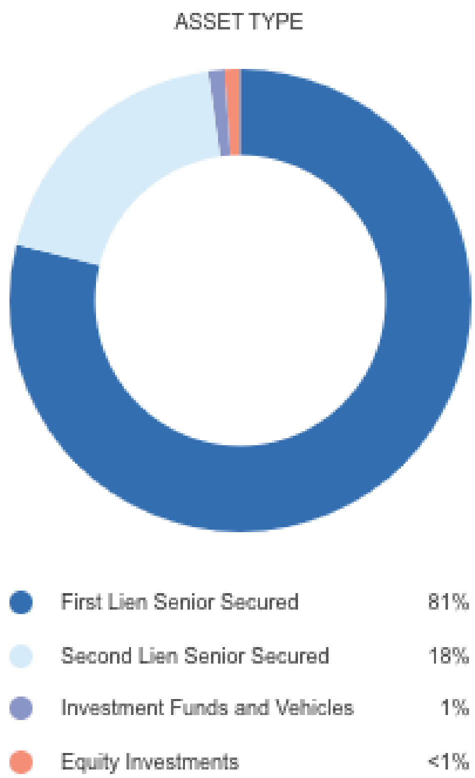
The estimates of Sharpe Ratios suggest that Mezzanine and Direct Lending funds have the best risk-adjusted returns over the 2004-2016 period (page 12). Also view diagram below.

Essentially what this means is that the report finds that while the equity prices of BDC's are volatile, their actual direct lending portfolio as measured by the CDLI is much less volatile and presents much healthier returns. This is more important for CUBE to gather because what it means is that a BDC, like ORCC, might experience volatility in their stock but their loan portfolio is safer than it appears which would mean that its dividend is also safer as well.

Panel A: Benchmark Indices Summary Statistics (based on quarterly returns)

	Mean (quarterly)	Mean (annualized)	Std.Dev (annualized)	Skewness	Min	Max
High Yield Index	1.99%	8.22%	11.53%	0.21	-17.6%	23.2%
BDC Index	2.50%	10.37%	29.82%	0.96	-39.5%	64.6%
Leveraged Loan Index	1.35%	5.52%	10.99%	-0.96	-22.9%	20.4%
Cliffwater Direct Lending Index	2.39%	9.91%	3.79%	-2.76	-6.7%	4.4%

ORCC Portfolio Analysis



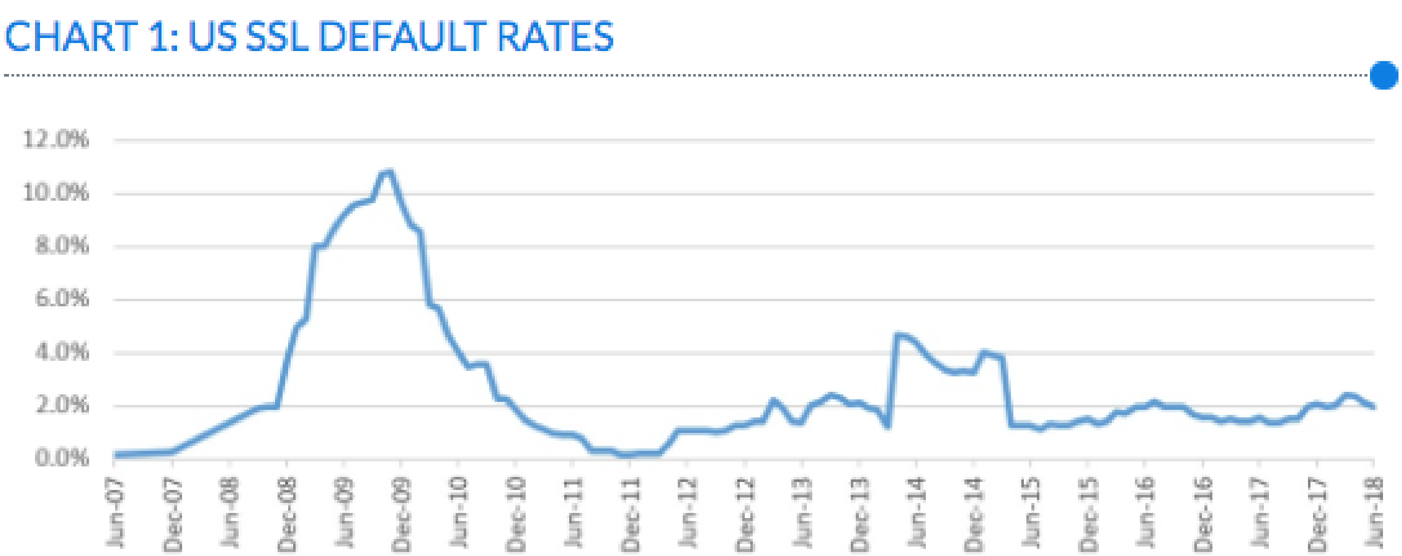
All of ORCC's debt financing is floating rate and of this amount, 81% is first-lien senior secured (which is at the top of the payout list), followed by 18% in second lien senior secured.

INDICATIVE CAPITAL STRUCTURE	POSITION IN CAPITAL STRUCTURE
Senior Secured Direct Loans	First
Junior Secured Direct Loans	
Mezzanine Debt	
Bonds	
Preferred Equity	
Common Equity	Last

- First-lien debt typically is senior on a lien basis to other liabilities in the issuer’s capital structure and has the benefit of a first priority security interest in assets of the issuer. The security interest ranks above the security interest of any second-lien lenders in those assets. ORCC's first-lien debt may include stand-alone first-lien loans, “unitranche” loans (including “last out” portions of such loans), and secured corporate bonds with similar features to these categories of first-lien loans. As of December 31, 2019, 43% of ORCC's first lien debt was comprised of unitranche loans.
    - Unitranche is a deeper dive into the first-lien debt. It includes “last out” portions of such loans by combining features of first-lien, second-lien and mezzanine debt, generally in a first-lien position. In many cases, ORCC provides the issuer most, if not all, of the capital structure above their equity. The primary advantages to the issuer are the ability to negotiate the entire debt financing with one lender and the elimination of intercreditor issues. In some cases, ORCC has “Last out” first-lien loans which have a secondary priority behind super-senior “first out” first-lien loans in the collateral securing the loans in certain circumstances.
- Second-lien debt
    - Second-lien debt may include secured loans, and, to a lesser extent, secured corporate bonds, with a secondary priority behind first-lien debt.
- Mezzanine debt
    - Structurally, mezzanine debt usually ranks subordinate in priority of payment to first-lien and second-lien debt, is often unsecured, and may not have the benefit of financial covenants common in first-lien and second-lien debt. ORCC is generally not involved with this kind of riskier debt. As mentioned earlier, it does not really fit their risk profile.

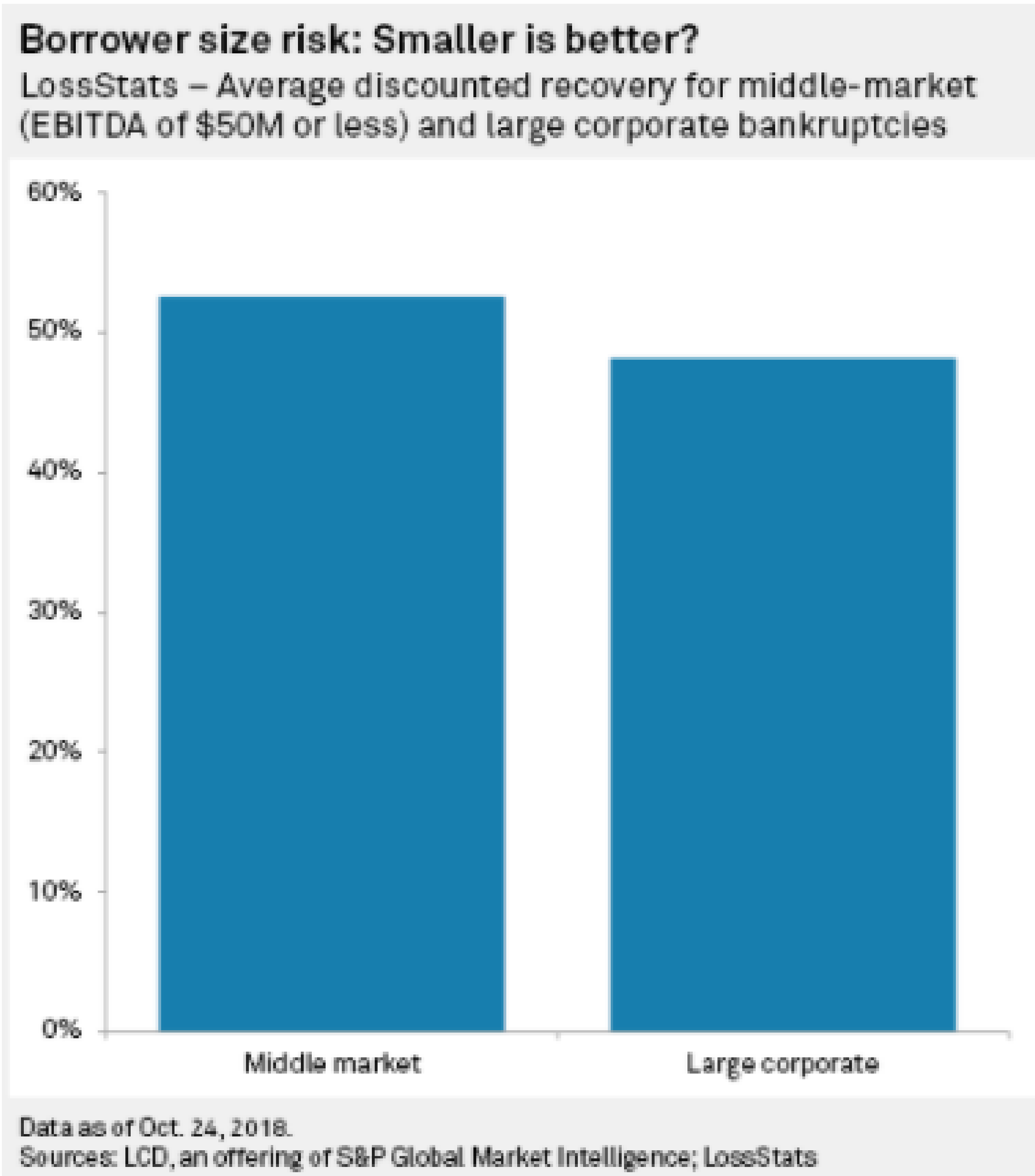
Let's now dive into historical performances of these different types of debts:

Historically senior secured loans (SSLs) have experienced lower default and higher recovery rates as compared to other asset classes. There was an exception in 2007-08 when the market was hit with crisis. But even after that phase, the default rate remained relatively low. Default rate has averaged approximate 2.8% after 2007. One of the reason it enjoys low defaults is that it is secured with companies assets.



Interestingly, middle-market deals historically have achieved strong recovery rates, versus large corporate issues. The average discounted recovery after bankruptcy for middle-market issuers is 52%, versus 48% for large corporate deals (view diagram below).

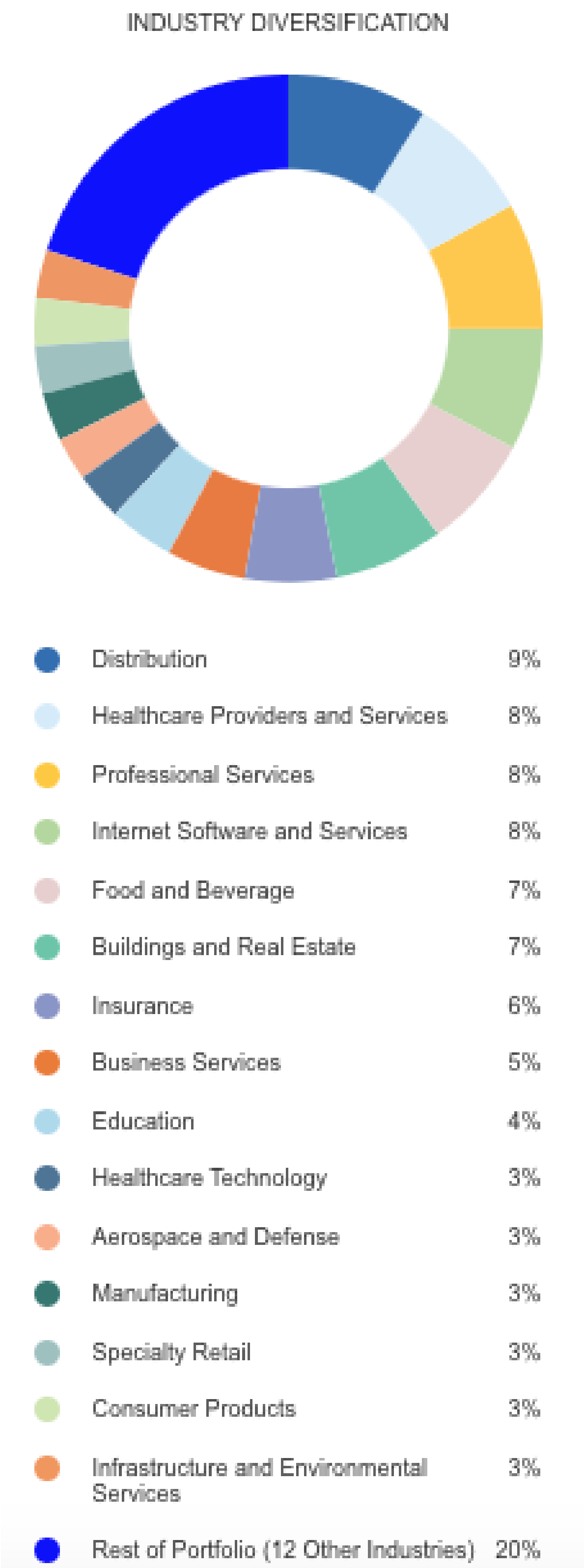
According to S&PGlobal, as of October 2018, middle market companies with EBITDA of $50M or less, actually had a higher recovery rate.

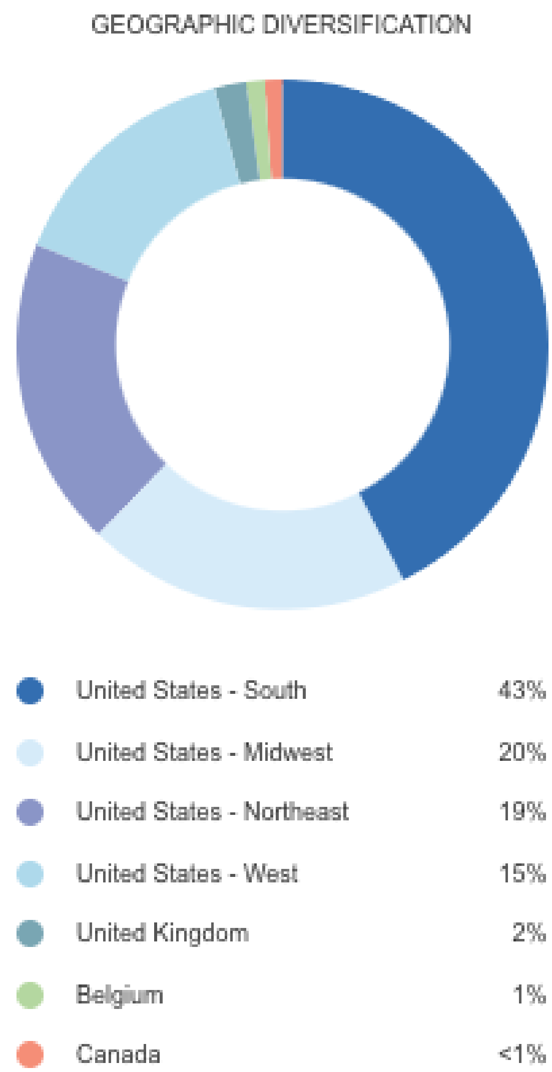


Before CUBE dissects the portfolio even more, what is ORCC's strategy? The U.S. middle market is huge with 200,000 companies and is responsible for approximately one third of the private sector GDP and employs roughly 47.9M people. As of Q4 2019, the rate of Y/Y revenue growth for middle market companies was 7.5% and stats show that middle market firms contribute nearly $6.0T to the national economy annually.

So what is their strategy?

1. Primarily debt only investments
2. ORCC typically focuses on upper middle-market companies with a history of profitability on an operating cash flow basis. They do not intend to invest in start-up companies that have not achieved sustainable profitability and cash flow generation or companies with speculative business plans.
3. Seek to invest in companies that have a diversified customer and supplier base. Companies with a diversified customer and supplier base are generally better able to endure economic downturns, industry consolidation, changing business preferences and other factors that may negatively impact their customers, suppliers and competitors.
4. Seek to participate in transactions sponsored by what they believe to be high-quality private equity and venture capital firms.
5. Seek to invest no more than 20% of the portfolio in any single industry classification and target portfolio companies that comprise 1-2% of our portfolio (with no individual portfolio company generally expected to comprise greater than 5% of our portfolio).
6. International investment are not to surpass 20% of portfolio





Breaking it down even further, we see that 9% of their portfolio is in distribution, 8% in healthcare, professional services, internet software, etc. Geographically, their portfolio is heavily weighted in the United States. As a reminder, ORCC is not allowed to invest more than 20% of the portfolio outside of the USA.

	December 31, 2019		December 31, 2018	
Advertising and media	2.6	%	4.2	%
Aerospace and defense	3.3		—	
Automotive	1.7		2.6	
Buildings and real estate	6.6		5.2	
Business services	5.4		7.6	
Chemicals	2.6		1.7	
Consumer products	2.7		1.8	
Containers and packaging	2.1		0.7	
Distribution	8.6		10.6	
Education	3.5		3.0	
Energy equipment and services	0.2		1.6	
Financial services (1)	1.6		1.9	
Food and beverage	7.2		8.4	
Healthcare providers and services	8.3		6.5	
Healthcare technology	3.4		0.7	
Household products	1.5		0.9	
Infrastructure and environmental services	2.7		3.4	
Insurance	5.7		0.6	
Internet software and services	8.1		9.5	
Investment funds and vehicles (2)	1.0		1.5	
Leisure and entertainment	2.0		3.8	
Manufacturing	2.9		1.8	
Oil and gas	2.3		4.9	
Professional services	8.1		11.4	
Specialty retail	2.7		2.8	
Telecommunications	0.5		0.6	
Transportation	2.7		2.3	
Total	100.0	%	100.0	%

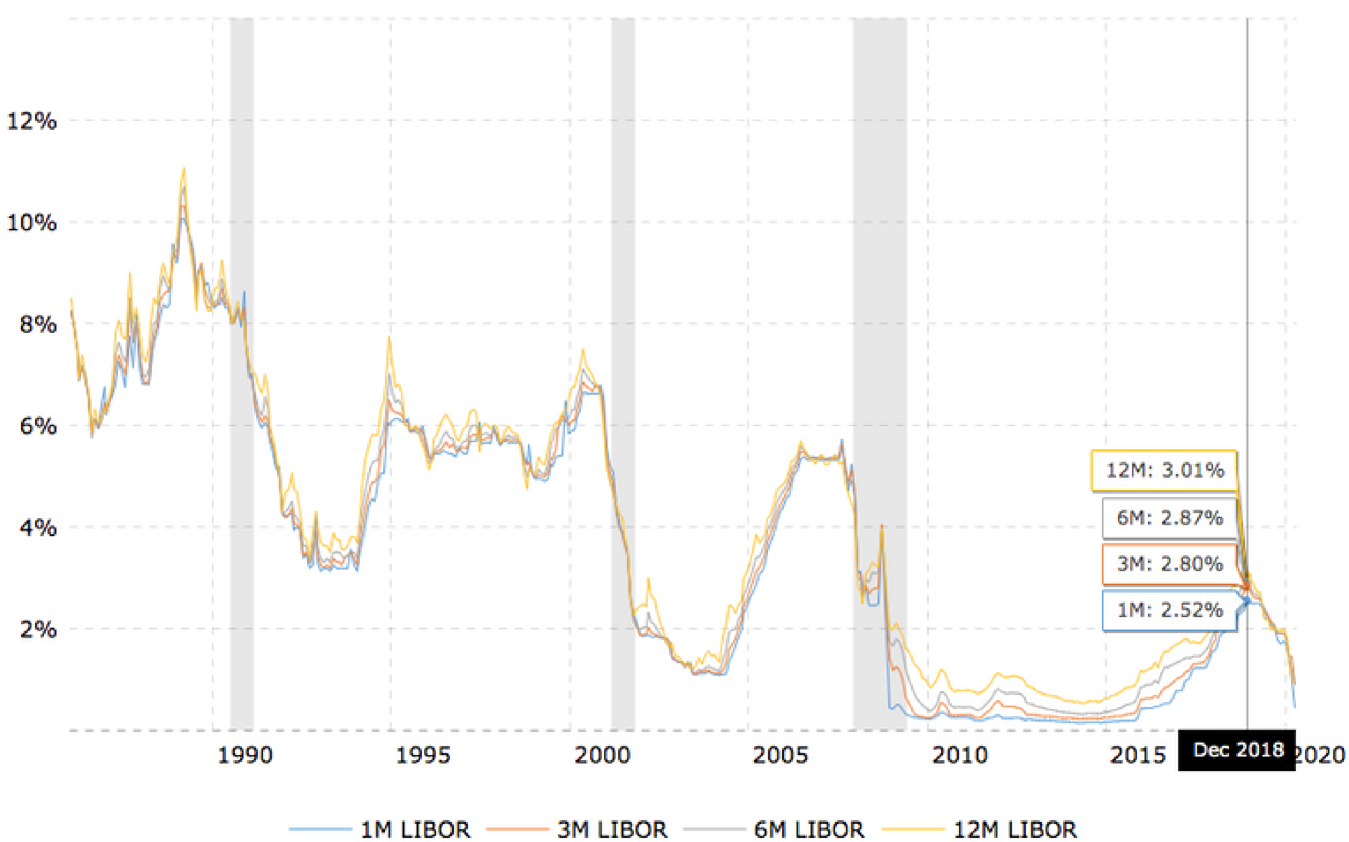
More specifically we see the changes Y/Y. One thing we are happy to see is that ORCC dropped their weight in oil and gas from 4.9% of the portfolio to 2.3% heading into 2020 as well as dropping their weight in autos from 2.6% to 1.7% and energy and equipment services from 1.6% to 0.2%. At the same time, ORCC also increased their position in aerospace and defense from 0% to 3.3% and beefed up their weight in Insurance from 0.6% to 5.7%. In addition, they increased their weight in healthcare technology from 0.7% to 3.4%. When taking everything into account, we like how ORCC transitioned the portfolio heading into 2020, especially when we take into account the most effected industries from COVID19.

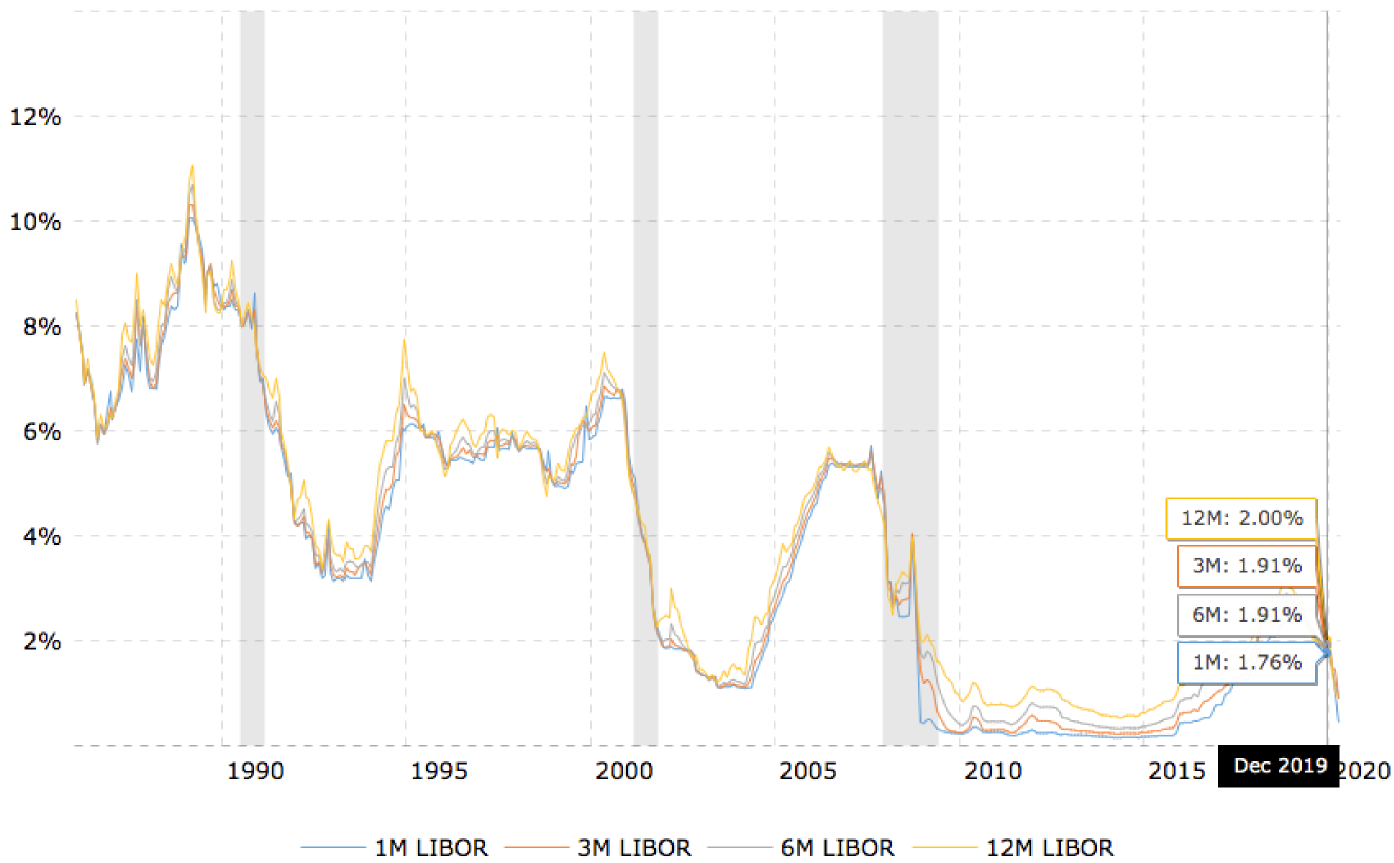
	December 31, 2019		December 31, 2018	
Weighted average total yield of portfolio	8.7	%	9.4	%
Weighted average total yield of debt and income producing securities	8.7	%	9.4	%
Weighted average interest rate of debt securities	8.1	%	9.0	%
Weighted average spread over LIBOR of all floating rate investments	6.3	%	6.3	%

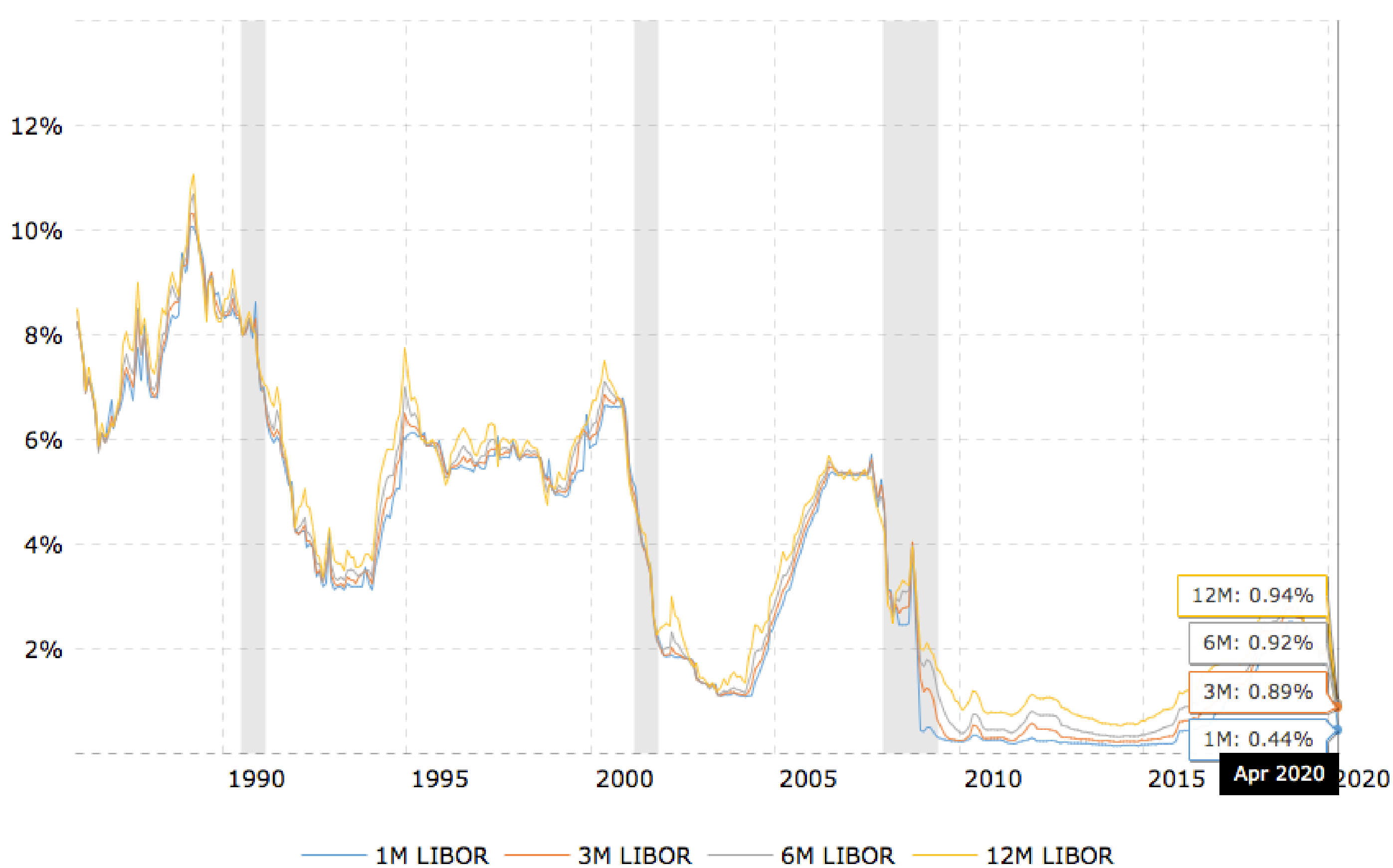
All of ORCC's debt it floating rate with floors. For example, many of their loans are LIBOR (London Interbank Offered Rate) + XYZ Percent. Since rates have been falling the LIBOR has been coming down and therefore their yields have been falling too. At the end of 2018, ORCC had an average yield on their total loans of 9.4% vs. 8.7% at the end of 2019.

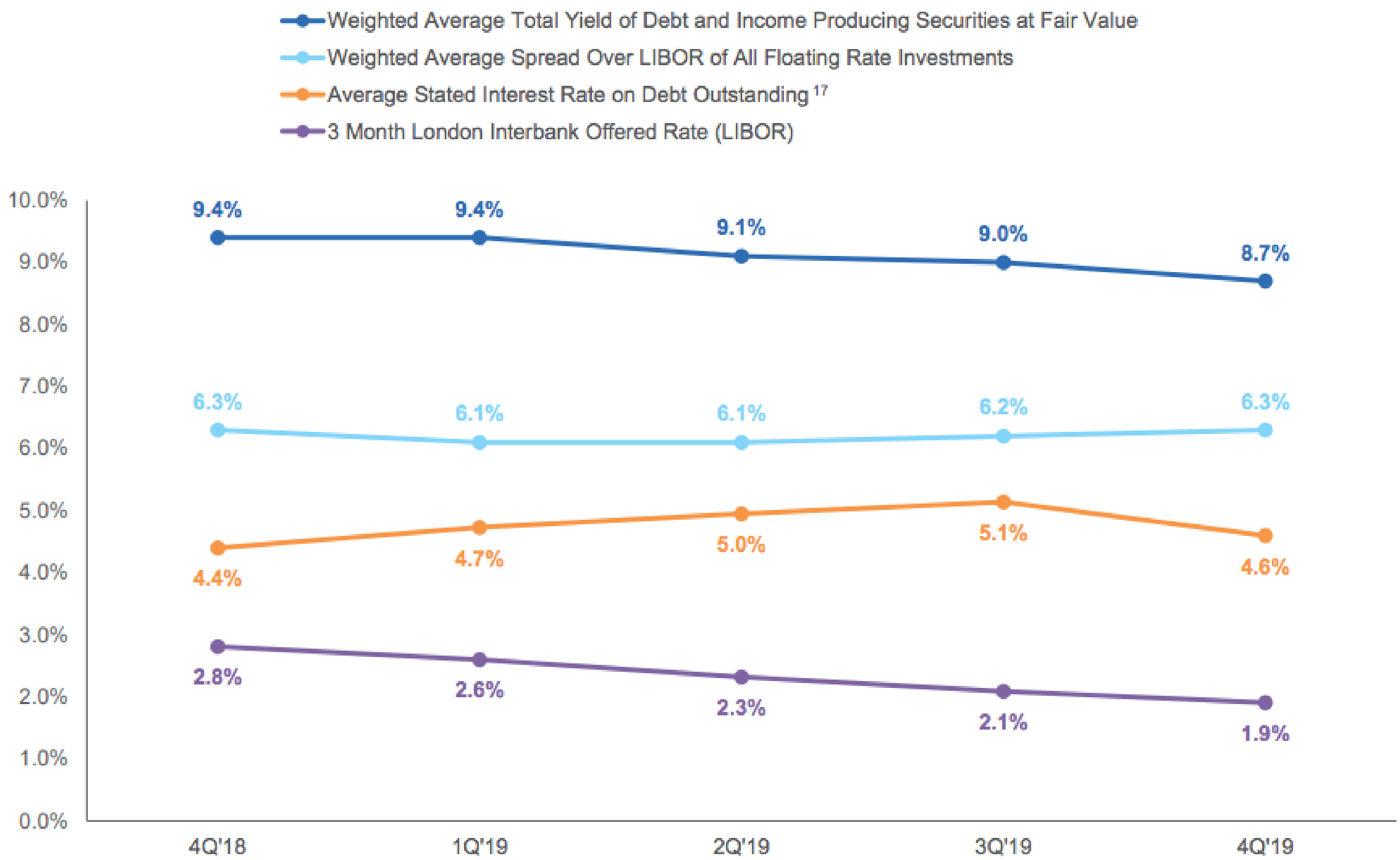
COVID19 has only exacerbated this downward movement in interest rates as central banks across the globe have kicked into unlimited quantitative easing to save the economy and spur growth.

Below are screenshots of LIBOR rates at the end of 2018, end of 2019, and end of April 2020.




12%
10%
8%
6%
4%
2%
1990
1995
2000
2005
2010
2015
2020
12M: 2.00%
3M: 1.91%
6M: 1.91%
1M: 1.76%
Dec 2019
1M LIBOR
3M LIBOR
6M LIBOR
12M LIBOR


12%
10%
8%
6%
4%
2%
1990
1995
2000
2005
2010
2015
2020
12M: 0.94%
6M: 0.92%
3M: 0.89%
1M: 0.44%
Apr 2020
1M LIBOR
3M LIBOR
6M LIBOR
12M LIBOR



The 12 month LIBOR rate has fallen from 2.00% to 0.94% in a matter of 16 months while the 1 month rate has fallen from 2.52% to 0.44%.

This is a headwind for companies like ORCC because not only are they generating less return on their loan that is tied to these rates, they are also experiencing the economic stall out from COVID19 which is why their stock fell as much as 50% before recently recovering.

On top of the collapsing yields and economic impacts from COVID19, one thing CUBE worries about for this emerging and growing market is management fee contraction similar to hedge funds, mutual funds, ETFs, brokerage fees, advisory fees, and the like. CUBE believes middle market lending will not be immune to this same downward contraction, especially as new market participants enter the space.

Fee structures 5 years ago were around 1.75-2.00% base management fee + 20% incentive fee. Fast forward to today and the base management fee has already fallen to around 1.5% and incentive fee of around 17.5%. Some BDC's like Golub are now charging a 1.38% management fee.

At this time, ORCC is charging the average at 1.5% + 17.5%. It is something all investors and prospective investors should keep an eye on as the middle market direct lending industry could also fall victim to the financial services norm of rat racing each other to zero similar to many other services.

CUBE'S TOP PROS FOR ORCC

DIVERSIFIED PORTFOLIO

SOLID MANAGEMENT

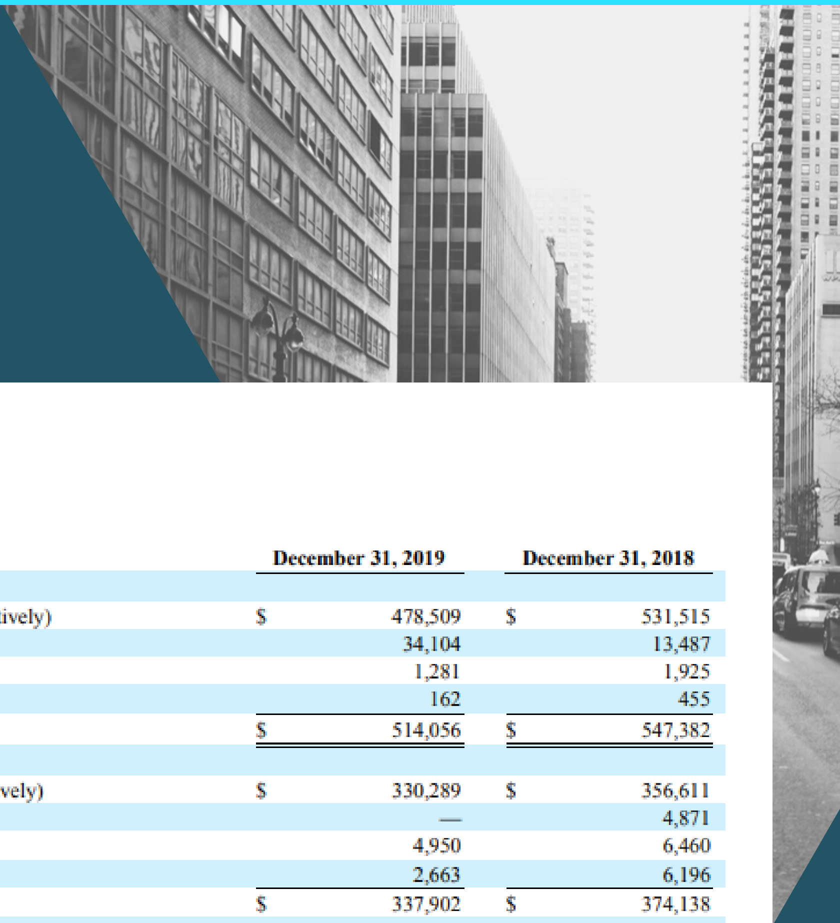
LONG-TERM TAILWINDS FROM GROWING MIDDLE MARKET

CUBE'S TOP CONS FOR ORCC

LOWER RATES FOR LONGER

COVID19 ECONOMIC SLOWDOWN

MGMT FEE CONTRACTION



FINANCIAL STATEMENTS

BALANCE SHEET

($ in thousands)		December 31, 2019		December 31, 2018
Assets				
Investments at fair value (amortized cost of $479,647 and $540,076, respectively)	$	478,509	$	531,515
Cash		34,104		13,487
Interest receivable		1,281		1,925
Prepaid expenses and other assets		162		455
Total Assets	$	514,056	$	547,382
Liabilities				
Debt (net of unamortized debt issuance costs of $3,895 and $5,368, respectively)	$	330,289	$	356,611
Loan origination and structuring fees payable		—		4,871
Distributions payable		4,950		6,460
Accrued expenses and other liabilities		2,663		6,196
Total Liabilities	$	337,902	$	374,138
Members' Equity				
Members' Equity		176,154		173,244
Members' Equity		176,154		173,244
Total Liabilities and Members' Equity	$	514,056	$	547,382

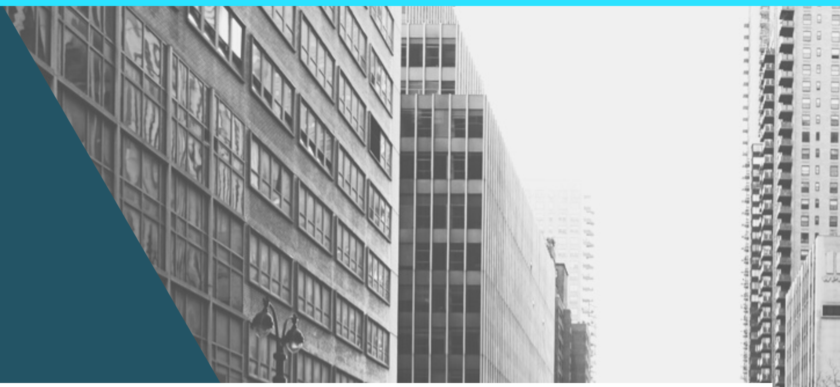
ORCC's balance sheet looks pretty solid.

- ORCC has a debt-to-equity ratio of 0.46x as of 12/31/19, far better than its peers
- ORCC has four investment grade credit ratings
    - Rated BBB-/Stable by S&P and Fitch
    - Rated Baa3/Stable by Moody's
    - Rated BBB/Stable by Kroll

As of March 25, 2020, ORCC has approximately $1.8B of cash and undrawn debt capacity. They also have approximately $0.5B in undrawn commitments to their portfolio companies, of which $0.3B are revolving credit facilities, which means they have enough liquidity to fund all of undrawn commitments over 3.5 times.

Their weighted average debt maturity is also over 5.5 years and they do not have any debt maturities until December 2022.

On top of this, their portfolio company weighted average annual revenue is $427M and EBITDA of $79M. Furthermore, there has been a 0.0% average annual default rate on their portfolio companies as of end of 2019.



FINANCIAL STATEMENTS

INCOME STATEMENT

($ in millions, except per share amounts)	As of and for the Year Ended December 31, 2019	2018	2017	2016
Consolidated Statement of Operations Data				
Income				
Total investment income	$ 718.0	$ 388.7	$ 159.9	$ 28.8
Expenses				
Total operating expenses	290.5	142.2	65.9	19.4
Management and incentive fees waived	(73.4)	—	—	—
Net operating expenses	217.1	142.2	65.9	19.4
Net investment income before income taxes	500.9	246.5	94.0	9.4
Excise tax expense	2.0	1.1	0.2	0.4
Net investment income after income taxes	498.9	245.4	93.8	9.0
Total change in net unrealized gain (loss)	(3.7)	(43.6)	9.2	7.6
Total net realized gain (loss)	2.8	0.4	0.7	—
Increase in net assets resulting from operations	$ 498.0	$ 202.2	$ 103.7	$ 16.6
Earnings per common share – basic and diluted	$ 1.53	$ 1.38	$ 1.55	$ 0.78
Consolidated Balance Sheet Data				
Cash and restricted cash	$ 317.2	$ 127.6	$ 20.1	$ 209.4
Investments at fair value	8,799.2	5,784.1	2,389.8	967.4
Total assets	9,203.6	5,951.0	2,443.5	1,180.8
Total debt (net of unamortized debt issuance costs)	3,038.2	2,567.7	919.4	491.9
Total liabilities	3,226.3	2,686.2	971.0	500.3
Total net assets	$ 5,977.3	$ 3,264.8	$ 1,472.6	$ 680.5
Net asset value per share	$ 15.24	$ 15.10	$ 15.03	$ 14.85
Other Data:				
Number of portfolio companies	98	73	40	21
Distributions Declared Per Share	$ 1.45	$ 1.42	$ 1.35	$ 0.06
Total Return, based on market value(1)	22.0 %	N/A	N/A	N/A
Total return based on net asset value(2)	10.7 %	10.2 %	10.6 %	(0.6) %
Weighted average total yield of portfolio at fair value	8.7 %	9.4 %	8.8 %	9.0 %
Weighted average total yield of portfolio at amortized cost	8.6 %	9.4 %	8.9 %	9.0 %
Weighted average yield of debt and income producing securities at fair value	8.7 %	9.4 %	8.8 %	9.0 %
Weighted average yield of debt and income producing securities at amortized cost	8.6 %	9.4 %	8.9 %	9.0 %
Fair value of debt investments as a percentage of principal	98.0 %	97.9 %	98.9 %	98.8 %

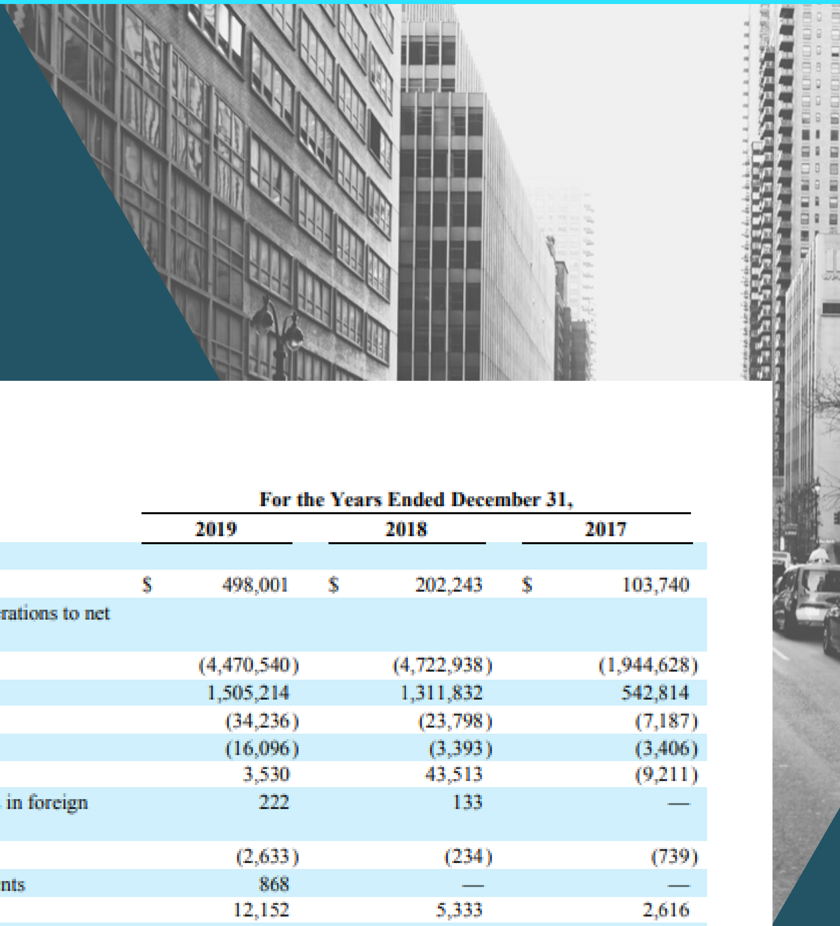
The company has been growing their business at an impressive pace. The company generated $718M in investment income in 2019 compared with $388M in 2018, an increase of 85% Y/Y.

This increase came from lending more money to more companies from 73 to 98.

EPS grew from $1.38 to $1.53, which was a only gain of 11% Y/Y because weighted average shares increased from 146M to 324M. Net income itself outpaced investment income growth as it jumped 143% Y/Y to $499M.

CFO Alen Kirshenbaum said on the Q4 call, "We should generally expect to continue to see revenue increases for the next several quarters as we ramp back to our target leverage building up to approximately $10 billion in total investments when the portfolio is fully invested."

It's still far too early to tell what kind of impact COVID19 will have on these statements. ORCC reports earnings Tuesday after market close so there should be much more color on how their portfolio is looking then. In addition, ORCC is a new company and we don't have any historical information to view how they may have managed the 2008 crisis.



FINANCIAL STATEMENTS

CASH FLOW

	For the Years Ended December 31, 2019	2018	2017
Cash Flows from Operating Activities			
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 498,001	$ 202,243	$ 103,740
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities:			
Purchases of investments, net	(4,470,540)	(4,722,938)	(1,944,628)
Proceeds from investments and investment repayments, net	1,505,214	1,311,832	542,814
Net amortization of discount on investments	(34,236)	(23,798)	(7,187)
Payment-in-kind interest	(16,096)	(3,393)	(3,406)
Net change in unrealized (gain) loss on investments	3,530	43,513	(9,211)
Net change in unrealized (gains) losses on translation of assets and liabilities in foreign currencies	222	133	—
Net realized (gain) loss on investments	(2,633)	(234)	(739)
Net realized (gain) loss on foreign currency transactions relating to investments	868	—	—
Amortization of debt issuance costs	12,152	5,333	2,616
Amortization of offering costs	—	1,408	848
Changes in operating assets and liabilities:			
(Increase) decrease in receivable for investments sold	(9,250)	19,900	(19,900)
(Increase) decrease in interest receivable	(27,952)	(20,696)	(5,635)
(Increase) decrease in receivable from a controlled affiliate	5,625	(4,597)	(3,503)
(Increase) decrease in prepaid expenses and other assets	(16,748)	(1,124)	(132)
Increase (decrease) in management fee payable	2,207	2,897	6,587
Increase (decrease) in payables to affiliate	2,928	517	470
Increase (decrease) in payables for investments purchased	(3,180)	3,180	—
Increase (decrease) in fair value of interest rate swap attributed to unsecured notes	14,031	—	—
Increase (decrease) in accrued expenses and other liabilities	8,774	13,954	2,541
Net cash used in operating activities	(2,527,083)	(3,171,870)	(1,334,725)
Cash Flows from Financing Activities			
Borrowings on debt	4,755,376	3,847,915	2,508,300
Payments on debt	(4,277,422)	(2,187,700)	(2,071,300)
Debt issuance costs	(34,119)	(15,101)	(12,090)
Proceeds from issuance of common shares (net of underwriting costs)	2,495,850	1,724,864	749,933
Offering costs paid	(1,939)	(541)	(1,326)
Cash distributions paid to shareholders	(221,107)	(90,035)	(28,074)
Net cash provided by financing activities	2,716,639	3,279,402	1,145,443
Net increase (decrease) in cash and restricted cash (restricted cash of $1,574, $3,375 and $2,638, respectively)	189,556	107,532	(189,282)
Cash and restricted cash, beginning of period (restricted cash of $6,013 and $2,638 and $0, respectively)	127,603	20,071	209,353
Cash and restricted cash, end of period (restricted cash of $7,587, $6,013 and $2,638, respectively)	$ 317,159	$ 127,603	$ 20,071

On the cash flow side, ORCC is not going to have a typical statement vs. most companies we cover.

Overall, its pretty standard as the company is constantly investing, raising debt, paying down debt, and issuing proceeds to shareholders.

In 2019, ORCC distributed $221M to shareholders vs. $90M in 2018 and $28M in 2017.

On March 27th, ORCC announced that they had declared a $0.31/share quarterly dividend, in line with previous and a special dividend of $0.08/share that is payable May 15 for shareholders of record March 31; ex-div March 30.

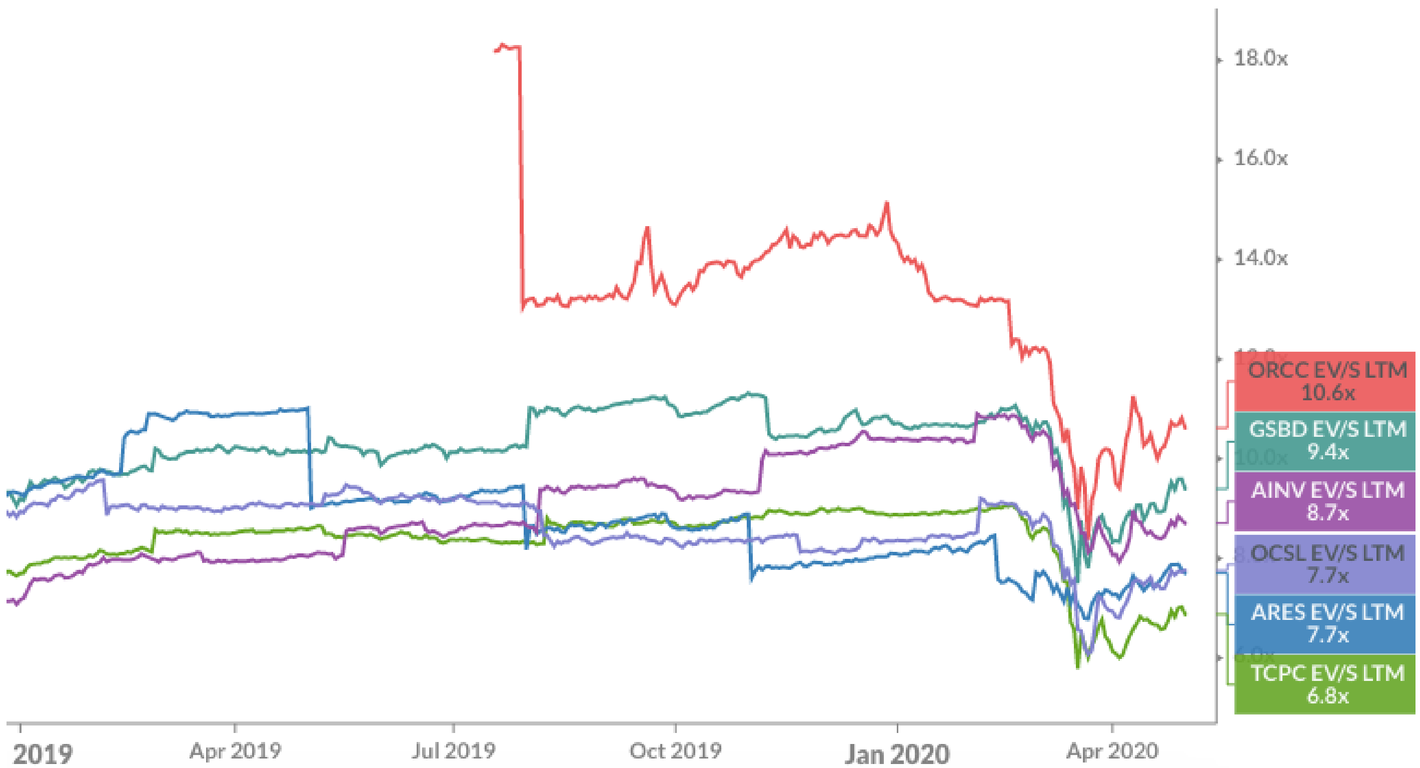
In addition, as of the quarterly call that was held on February 20th, the company has yet to tap into their $150M share buyback program as their stock price has consistently traded above its NAV.

We will find out if this remains the case this week.

ORCC FUNDAMENTALS

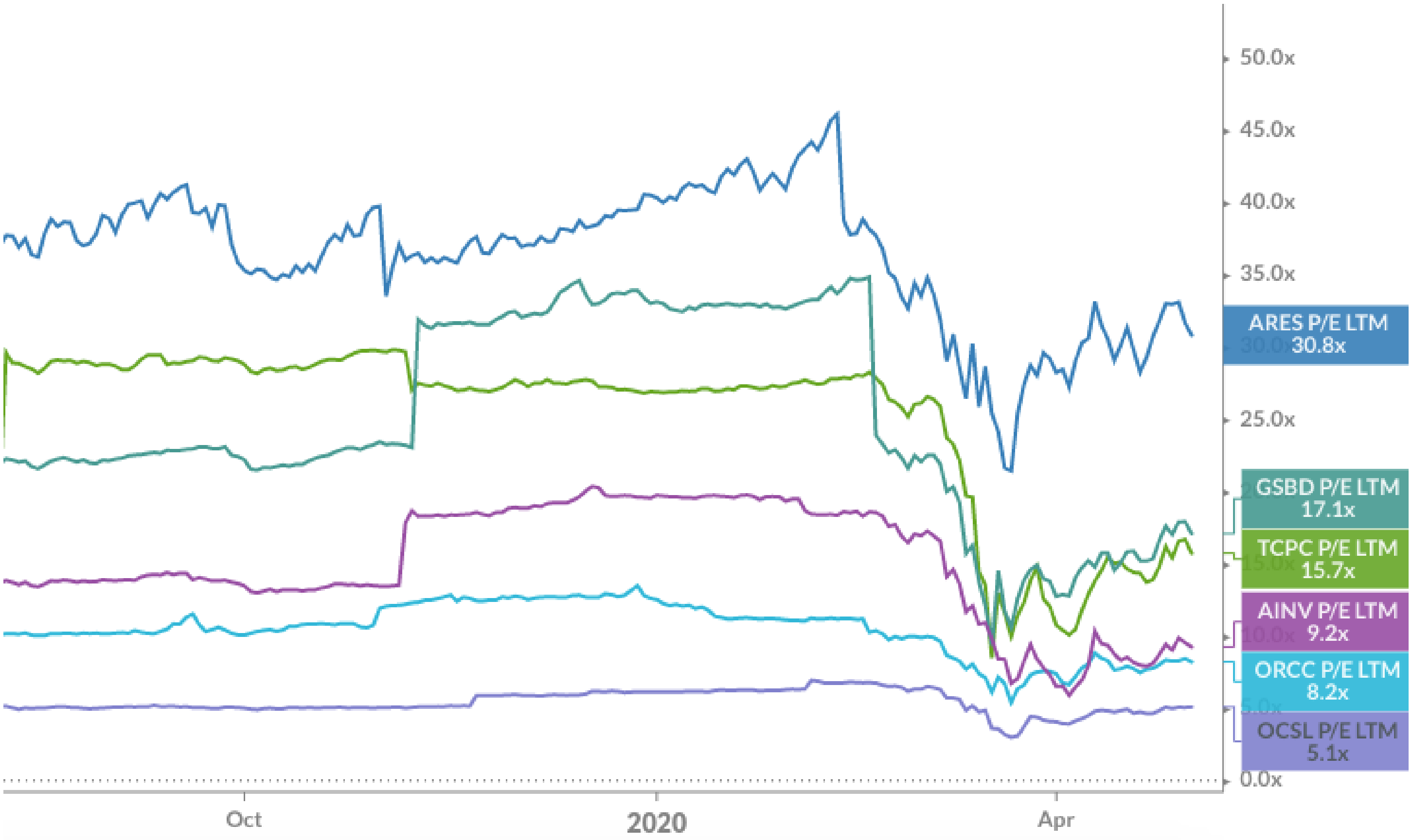
We are going to compare ORCC to other BDC companies like Blackrock's TCP Corp (TCPC), Goldman's BDC Inc. (GSBD), Ares Capital (ARES), Apollo Investment Corp (AINV), and Oaktree Specialty Lending (OCSL). Keep in mind, ORCC has not been on the market for more than a year and we are also using last twelve months data as we cannot fully quantify the impact of COVID19 at this moment in time.

On a EV/Sales ratio, ORCC is the most expensive at 10.6x. This is partly because they are growing their loan book at a much faster pace than their peers and we also see how fast that multiple has fallen vs. the others.



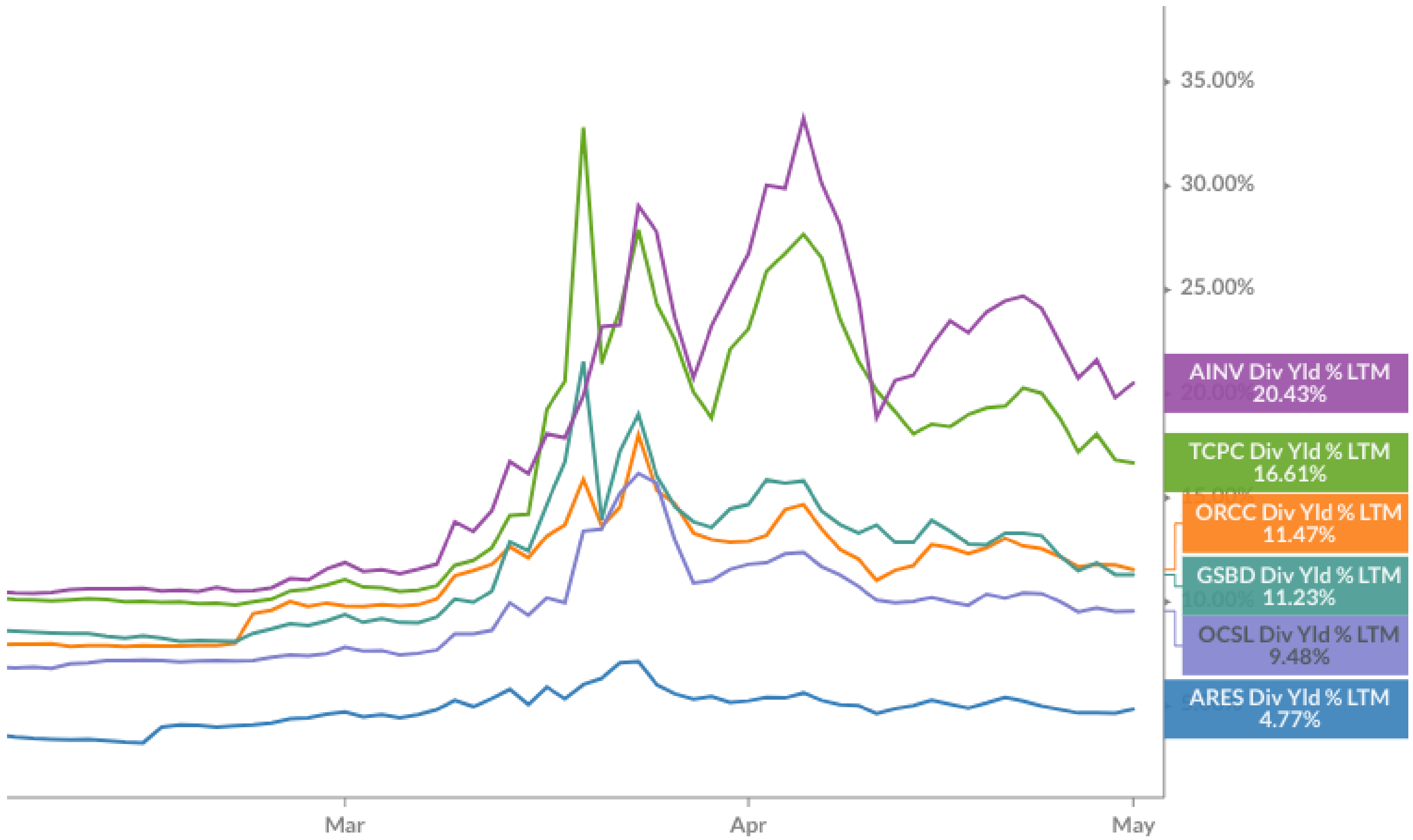
ORCC FUNDAMENTALS

On a P/E basis, ORCC falls to the the cheaper side at 8.2x which is very attractive assuming their clients hang in during this economic shutdown. The whole group was trading at roughly 2x their levels before COVID19 as many investors worry about default rates. ARES remains the most expensive at 20.8x while OSCL is currently the cheapest at 5.1x.

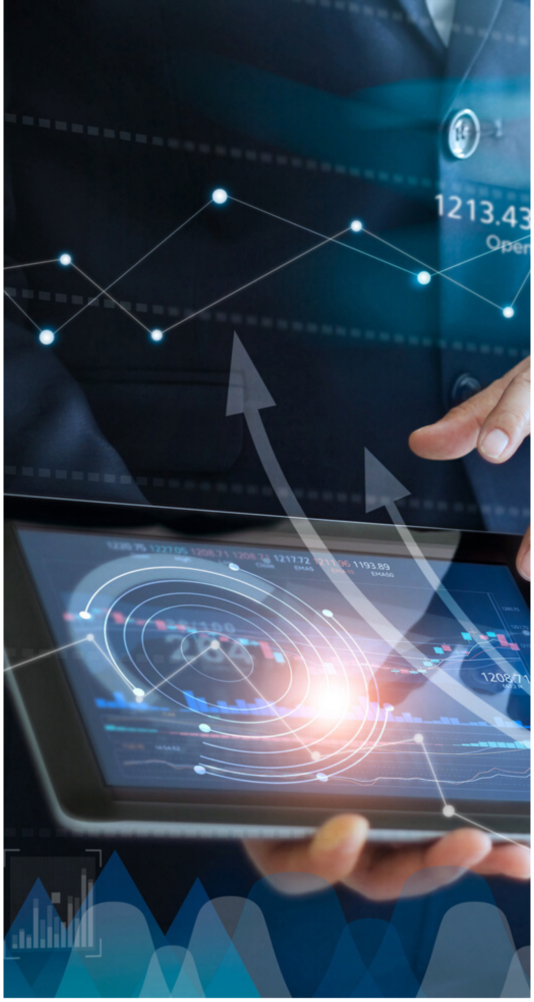


ORCC FUNDAMENTALS

When looking at these types of investments, it's all about the yield and right now ORCC is down the middle at 11.5% while AINV trades near 20.5% and ARES trades at 4.77%. Without doing a deep dive on AINV, it's safe to assume their loan book is much more exposed to industries that are likely to suffer more than ARES' portfolio of companies. ORCC offers an attractive middle-of-the-road type yield.



ORCC TECH ANALYSIS



TECH ANALYSIS SUMMARY

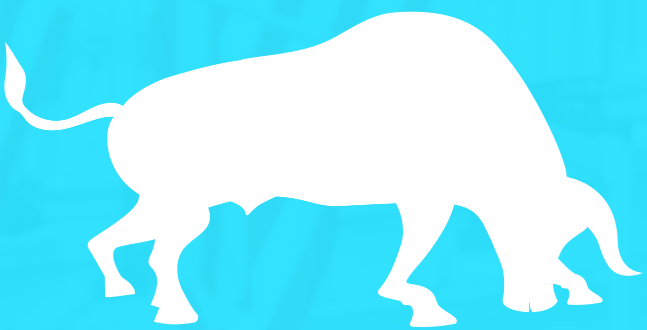
Looking at the charts, ORCC has to hold this level as the stock is trading a hair above its 20DMA and 50DMA of $12.14 and $12.19, respectively, and pivot point of $12.31.

If ORCC is able to hold this level, it should make a move higher to retest the $14.00 level back in mid-April.

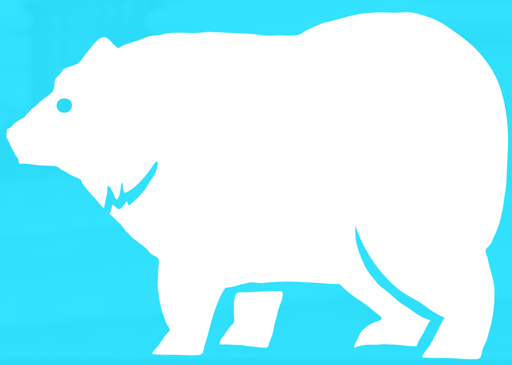
If ORCC is unable to hold this support level, it will most likely revisit the $11.50 area for a double bottom. In the case the double bottom fails, ORCC will likely be heading to the S1 level of $10.36.

CUBE expects this level to hold but would prefer to wait and see if it does before making an investment as the general market itself is looking due for a pullback as well.

BULLISH OR BEARISH?



VS.



MORE BULLISH (POSITIVE) ←

→ **MORE BEARISH (NEGATIVE)**

cube

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ORCC CONCLUSION

Overall, CUBE believes ORCC is a nice fixed income investment that could add some nice diversity to a portfolio. We do believe 2020 is going to be a tough year for the company to navigate and do expect some short-term pain but in the long-term the BDC industry is a very appealing place to invest.

We like the build of ORCC's portfolio and also like that Craig Packer is leading the charge who, prior to founding Owl Rock, was a Partner and Co-Head of Leveraged Finance in the Americas at Goldman Sachs.

CUBE is slightly concerned about lower rates for longer and industry fee contraction over the next 3-5 years but believe ORCC's ability to expand their loan book and find healthy growth companies to invest in will outweigh those cons. Adding to the point of lower yields for longer, we think that's exactly why companies like ORCC are a nice fixed income play as investors far and wide search for returns. Based on studies previously mentioned, it also looks as though BDC's offer a very attractive risk/reward ratio in comparison to other high yield securities.

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