



Company summary

Oaktree Capital Group (OAK) is a global investment management firm focused on alternative markets. OAK manages funds in mostly credit-oriented investment strategies, including distressed debt, corporate debt, control investing, convertible securities, real estate and public equities.

Founded in 1995 by Chairman Howard Marks and President & CIO Bruce Karsh, Oaktree's investment foundation is in credit, and the firm is widely regarded as among the most astute credit investors. We view the company as more akin to a traditional asset manager, with an alternative "twist", given a more pure focus on investing and less on business line development vs. these five peers. Still, we would place OAK squarely in the alternatives camp given its private control investing ability and willingness to participate in financing and complex capital structures to a degree most traditional asset managers can't.

We especially like OAK's financial profile, with a greater mix of recurring fee-based revenue, and incentive income that is more weighted toward performance fees vs. higher carried interest at peers. We also like OAK's conservative value-oriented and distressed investing strategy, and while seeming risky at times, the performance track record has been outstanding with few misses, and the income stream from its investments drives a steadier AuM profile. We also see substantial growth opportunities for OAK by launching more tangential products (as opposed to new businesses) and benefiting from the slower supply of credit from banks, especially in Europe. This more reliable DE stream helps drive our Buy thesis, along with further P/E expansion toward traditional asset managers.