Ares Diversified Credit Fund

ARSN 644 797 599 APIR HOW7354AU

June 2021 - Monthly Fact Sheet

Performance	1 month %	CYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception %
Fund return (gross)[1]	0.9	4.0	-	-	-	4.3
Fund return (net)[2]	0.9	3.9	-	-	-	4.3

[1] Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[2] Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. **Past performance is not a reliable indicator of future performance. Past performance figures that are less than 12 months are for informational purposes only and are not to be relied upon when considering the likely future performance of the Fund. Data Source: Fidante Partners Limited, 30 June 2021.**

Underlying Fund

The Fund primarily invests in a diversified portfolio of global liquid and illiquid asset classes via its investment in the CION Ares Diversified Credit Fund (**Underlying Fund**). The Fund also invests in cash and foreign exchange hedging instruments. In this report, where we refer to the Fund's investments we generally do so on a 'look-through' basis; that is, we are referring to the underlying assets that the Fund is exposed to through its investment in the Underlying Fund.

Underlying Fund Overview

The Underlying Fund's investment objective is to provide superior risk-adjusted returns across various market cycles by investing in a diversified portfolio of liquid and illiquid asset classes. The Underlying Fund seeks to capitalise on market inefficiencies and relative value opportunities throughout the entire global credit spectrum. The Underlying Fund seeks to achieve its investment objective by employing an opportunistic, dynamic and unconstrained global credit investments strategy based on absolute and relative value considerations and its analysis of credit markets. It seeks risk-adjusted returns over full market cycles by creating and managing a portfolio with balanced exposures to multiple industry sectors and geographic regions, systematically allocating capital across multiple segments of the global fixed-income markets, including U.S. and non-U.S. credit instruments.

Underlying Fund Facts[5]

Portfolio managers	Mitch Goldstein and Greg Margolies
Inception date	26 January 2017
Management fee	1.25% p.a.
Performance fee	15% subject to a hurdle rate of 1.5% per quarter (6% annualised), and subject to a catch-up feature.
Total Issuers	520
Strategy FUM[3]	US$1.68BN
Sharpe Ratio	1.07
Standard Deviation	4.38%
Yield to Maturity (YTM)	7.14%
Distribution Rate	5.41%
Running Yield	6.97%
Interest rate duration	1.65

[3] Total assets (including any assets attributable to financial leverage) minus accrued liabilities (other than debt representing financial leverage)

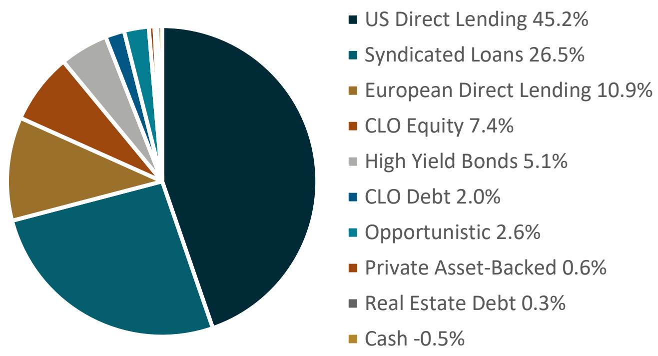
Fund Facts

Inception date	17 December 2020
Fund FUM	$108.7 M
Management Fee	Nil[4]
Performance fee	Nil[4]
Buy/sell spread	Nil
Distribution Frequency	Monthly
Distribution Rate	0.36%

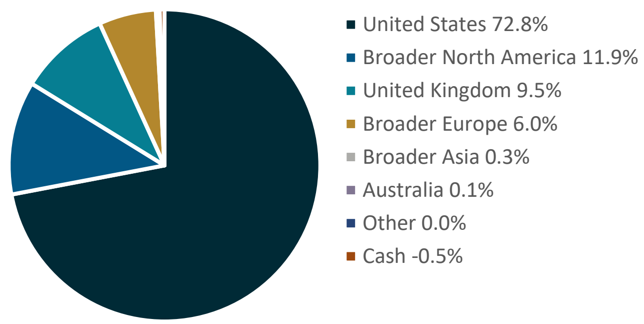
[4] The only fee is a recoverable expense, which is currently 10 bps.

Underlying Fund Allocation[5]

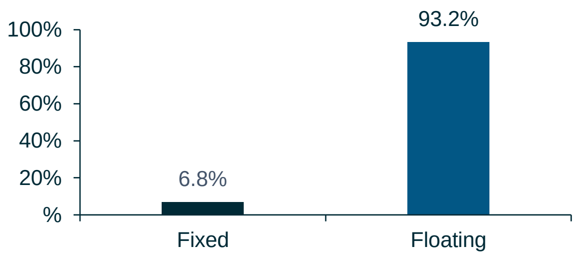
Asset Allocation



Geographic Allocation



Interest Type[6]



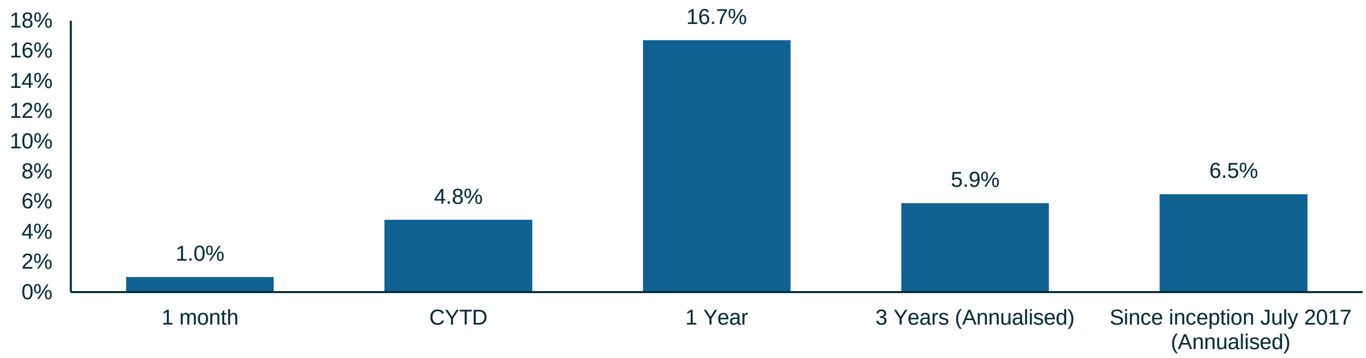
[6] Excludes cash, other net assets and equity instruments.

Underlying Fund Top 10 Holdings[5]	
CEP V I 5 Midco Limited (aka Mak System)	1.5%
DigiCert	1.3%
DecoPac, Inc.	1.3%
True Potential Group Limited	1.1%
Culligan	0.9%
TurnPoint Services	0.9%
Sympir Software, Inc.	0.9%
Dr Scholl's (Scholl's Wellness Company)	0.9%
Commercial Trailer Leasing, Inc	0.8%
eResearch Technology	0.8%

Underlying Fund Industry Allocation[5]	
Software & Services	23.0%
Structured Products (CLOs & Private ABS)	10.1%
Health Care Equipment & Services	9.1%
Capital Goods	6.9%
Diversified Financials	6.7%
Commercial & Professional Services	6.4%
Insurance	5.8%
Consumer Services	5.8%
Materials	3.4%
Retailing	2.9%

[5] As of 30 June 2021. Holdings and allocations, unless otherwise indicated, are based on the total portfolio and subject to change without notice. Data shown is for informational purposes only and not a recommendation to buy or sell any security.

Underlying Fund Historical Performance[6]



[6] As of 30 June 2021. Returns of the CION Ares Diversified Credit Fund Class I Shares. Returns are in USD and include reinvestment of distributions and reflect fund expenses inclusive of recoupment of previously provided expense support. The estimated expense ratio is 3.52%. Expense ratios are annualised and calculated as a percentage of estimated average net assets. Share values will fluctuate, therefore if repurchased, they may be worth more or less than their original cost. Past performance is not indicative of future results. The performance shown is on a 'look-through' basis to the performance of the Underlying Fund. The performance of the Fund may not exactly replicate the performance of the Underlying Fund.

Market Overview

Global risk assets continued to rally during the second quarter amid increased confidence in the global economic recovery, continued fiscal support, higher vaccination rates, and declining COVID cases. After an initial dip following the Federal Open Market Committee (FOMC) meeting, U.S. equities recovered and outperformed credit with S&P 500 returns of +8.55% in Q2, amid heightened recovery optimism as jobless claims fell to a new post pandemic low. Within liquid credit markets, high yield bond (proxy: ICE BofA High Yield Master II Index) yields declined to a record low in June and spreads compressed to levels not seen since October 2018 as equities and Treasuries rallied given growing confidence that inflation will prove transitory. As a result, the high yield bond index returned +2.77% during the quarter. Syndicated loans (proxy: Credit Suisse Leveraged Loan Index) returned +1.44% as prices rose amid a firm backdrop for risk assets and an active primary market. Returns for both liquid loan and high yield bond markets continued to be driven by cyclical sectors and lower quality paper. Firm demand for syndicated loans was supported partially by an uptick in CLO issuance, and secondary prices for CLOs improved as well, following a mixed first quarter amidst heightened trading volumes and elevated supply. Pivoting to the middle market, M&A activity surged in the second quarter as companies sought to execute deals prior to proposed tax increases and position themselves for a post-COVID economy[1].

Underlying Fund Commentary

The Underlying Fund actively rotated exposures throughout the quarter and benefitted from a number of macroeconomic and fundamental trends. Notably, each of the Underlying Fund's underlying asset categories delivered positive returns during the quarter, underscoring our ability to identify attractive opportunities across the credit spectrum. The allocation to U.S. direct lending was the leading contributor to performance as the economic recovery contributed to improved corporate fundamentals. Throughout the quarter, we increased exposure to U.S. direct lending assets owing to elevated origination activity and enhanced yield premiums relative to liquid credit. Shifting to liquid credit, we continued to reduce the allocation to high yield bonds as higher yielding self-originated opportunities were identified, while simultaneously realizing gains on discounted purchases that were made following the 2020 dislocation. The allocation to syndicated loans also decreased, but to a lesser extent, as we continued to participate in certain deals where our liquid credit and direct lending teams collaborate for differentiated insights, preferred economics and favorable allocations relative to the broader market. Shifting to the Underlying Fund's Alternative Credit allocation, the exposure to CLOs was reduced modestly as we realized gains on the back of tighter conditions relative to the first quarter. The secondary market for CLO equity was particularly active, and as a result, the Underlying Fund's allocation to this cohort was the second leading contributor to performance in Q2. The Underlying Fund's Opportunistic allocation was increased as we identified investments across public and private markets. Broadly speaking, we continue to position the Underlying Fund in a diversified manner given the asymmetrical return profile of credit assets, while emphasizing defensive industries and utilizing the scale and collaboration of the Ares platform to source attractive risk-adjusted return opportunities across liquid and illiquid credit markets.

Portfolio Contribution by Asset Category*

Asset Class *	Contribution
US Direct Lending	Positive
Alternative Credit: CLO Equity	Positive
Syndicated Loans	Positive
European Direct Lending	Positive
HY Bonds	Positive
Opportunistic	Positive
Alternative Credit: CLO Debt	Positive
Alternative Credit: Private ABS	Positive
RE Debt	Positive

*Presented in order of contribution to Fund returns. As of June 30, 2021.

Outlook

As the second half of 2021 begins, the macroeconomic backdrop for leveraged credit seems to be optimal in that the global economy is recovering, credit fundamentals are improving, default rates have decreased significantly, and central banks continue to be accommodative for the near-term. However, there are still headwinds facing our markets. The proliferation of the new Delta strain of the COVID-19 virus presents a challenge to investor confidence as the contagious variant has impeded hopes for a sooner end to the crisis and return to total normalcy. We have seen rates drop across the globe, with the 10-year Treasury falling below 1.30% during the first week of July, as opposed to its high of almost 1.75% at the end of March[4]. Additionally, the growing pains of supply chain challenges and low labor-force participation and employment rates causing longer-term inflation pressure on earnings could impede a full recovery. The labor-force participation rate has recovered slightly over the last few months, but not as consistently as the unemployment rate, though both remain well below pre-pandemic levels. Although we are positive on economic growth overall, we are continuing to keep a close eye on macroeconomic data and any signals from central banks. We believe our scaled platform, tenured experience and cycle-tested investment process will allow us to successfully navigate these changing market environments. We appreciate your support as we seek to generate attractive risk-adjusted returns.

Disclaimer

The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on energy, transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global financial markets and oil prices and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the Fund, the value of its investments and its portfolio companies. The performance and portfolio company information herein is as of the dates herein and not all of the effects, directly or indirectly, resulting from COVID-19 and/or the current market environment may be reflected herein. The full impact of COVID-19 and its ultimate potential effects on portfolio company performance and valuations is particularly uncertain and difficult to predict.

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1. *Source: Reuters, Dealmakers drown in deals in second-quarter M&A frenzy. July 1, 2021.*
2. *Total Assets is defined as the total assets (including any assets attributable to financial leverage) minus accrued liabilities (other than debt representing financial leverage). Data shown is for informational purposes only and not a recommendation to buy or sell any security. Sharpe Ratio measures the return per unit risk. The higher the Sharpe Ratio, the greater the return per unit risk. The ratio is calculated by dividing the annual average portfolio return less the annual average risk-free rate (Citi 3-month T-bill) by the standard deviation of portfolio returns.*
3. *Past performance is not indicative of future results. Since inception performance shown here is the I-Share. The I-Share was incepted on July 12, 2017. Returns include reinvestment of distributions and reflect fund expenses inclusive of recoupment of previously provided expense support. The estimated expense ratio is 3.52%. Expense ratios are annualized and calculated as a percentage of estimated average net assets. Share values will fluctuate, therefore if repurchased, they may be worth more or less than their original cost. Past performance is not indicative of future results. Current performance may differ and can be obtained at cioninvestments.com.*
4. *Source: Bloomberg,*

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