Ares Diversified Credit Fund

ARSN 644 797 599 APIR HOW7354AU

August 2024 - Monthly Report

Performance	1 month %	3 Months %	CYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception %
Fund return (gross)[1]	-0.08	0.72	5.81	9.19	6.77	-	6.96
Fund return (net)[2]	-0.08	0.71	5.79	9.15	6.74	-	6.91

[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, 31 August 2024.**

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.

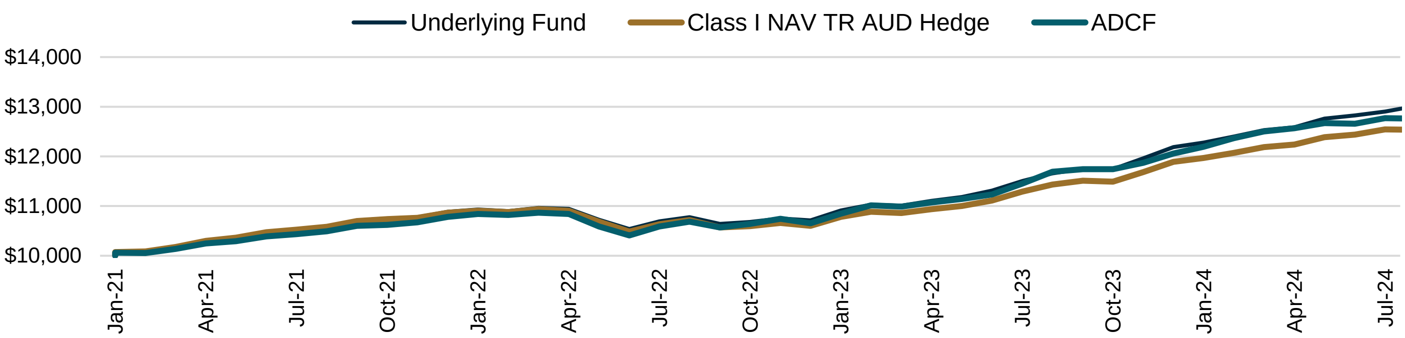
Underlying Fund Overview

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 capitalize 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.

Performance Commentary

Over the month of August, the Underlying Fund posted a positive return of 0.86%, which can be attributed to sound fundamentals and high current income generated by the incumbent portfolio. In contrast, ADCF generated a modestly negative return for the month mostly due to foreign exchange forward curve volatility. While the Fund is fully hedged back to AUD, the use of longer dated forwards means that changes in the expectations of the pace of rate cuts in the U.S. and Australia may generate short term mark to market volatility for those FX forwards. We believe the underperformance of ADCF is expected to retrace over time as the Fund's longer dated forward positions approach their respective maturities. While a short-term headwind to returns, ADCF's hedging strategy has proven to be a of value-add since the Fund's inception, generating returns in line with the Underlying Fund over a 3 years' time horizon, limiting liquidity risk and managing hedging costs efficiently. We also believe that our strategy compares favourably to a strategy only using shorter dated forwards which would have underperformed the Underlying Fund since inception with higher cost of hedging and high liquidity risk. Further, we believe the current volatility is presenting an attractive entry point as longer dated forwards are marked to market to reflect the carry currently available for hedging USD back to AUD in longer dated maturities, while shorter dated forwards would still lock-in hedging at a cost. Within the Underlying Fund, we maintain a preference for directly originated loans relative to liquid credit assets due to the yield premium opportunity in today's market. Moving forward, we maintain the belief that the current market provides a compelling opportunity to lock in attractive risk adjusted returns.

Fund Growth of $10,000 Since Inception (net of fees)[9]



[9]This graph illustrates the performance of a hypothetical $10,000 investment made in this Fund from the inception date of the product. This is represented as the change in total return at monthly intervals. Total return is a measure of the change in NAV including reinvestment of all distributions and is presented on a net basis reflecting the deduction of fund expenses and applicable fees with expense support provided by CION Ares Management (CAM). The performance quoted represents past performance, is no guarantee of future results and may not provide an adequate basis for evaluating the performance of the Fund over varying market conditions or economic cycles. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted.

Recommended
Lonsec Research

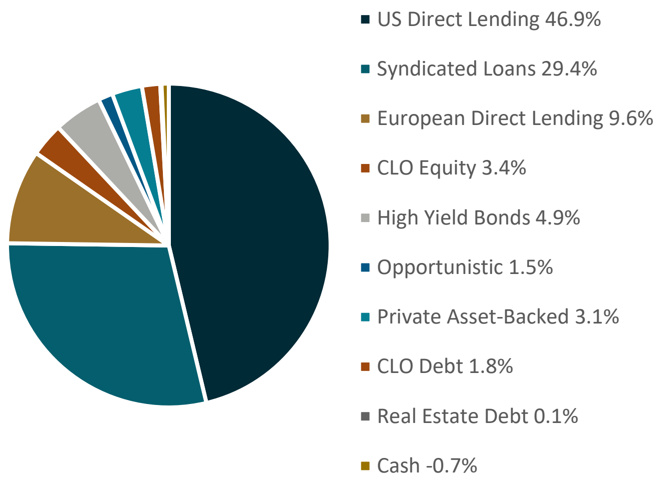
Underlying Fund Facts

Portfolio managers	Mitch Goldstein, Greg Margolies, Michael Smith
Inception date	12 July 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	771
Total Managed Assets[3]	US$5.61BN
Sharpe Ratio[7]	1.10
Standard Deviation	3.74%
Yield to Maturity (YTM)	9.46%
Distribution Rate (p.a.)[7]	9.20%
Running Yield	10.42%
Interest rate duration	0.43
Spread Duration	2.22

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

Underlying Fund Allocation[5]

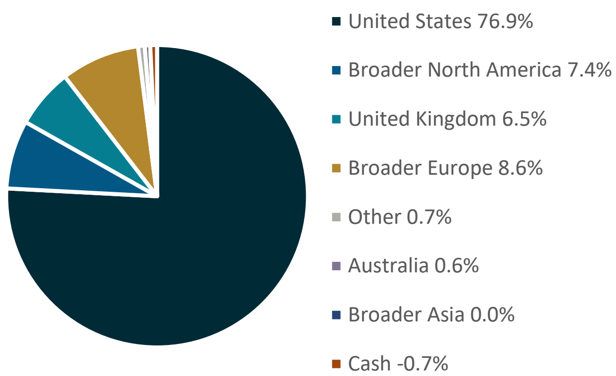
Asset Allocation



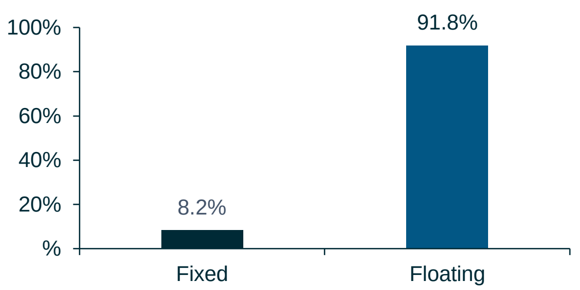
Fund Facts

Inception date	17 December 2020
Fund FUM	$1,154M
Management Fee	Nil[4]
Performance fee	Nil[4]
Buy/sell spread	+0.25%/-0.00%
Distribution Frequency	Monthly
Distribution Rate[7]	0.77%

Geographic Allocation



Interest Type[6]



[4] The only fee is a recoverable expense, which is currently 3 bps.
[6] Excludes cash, other net assets, and equity instruments.
[7] There can be no guarantee that the disbution rate will accrue at such amount and there is no assurance that distributions will be maintained at the targeted level or at all.

Underlying Fund Top 10 Holdings[5]

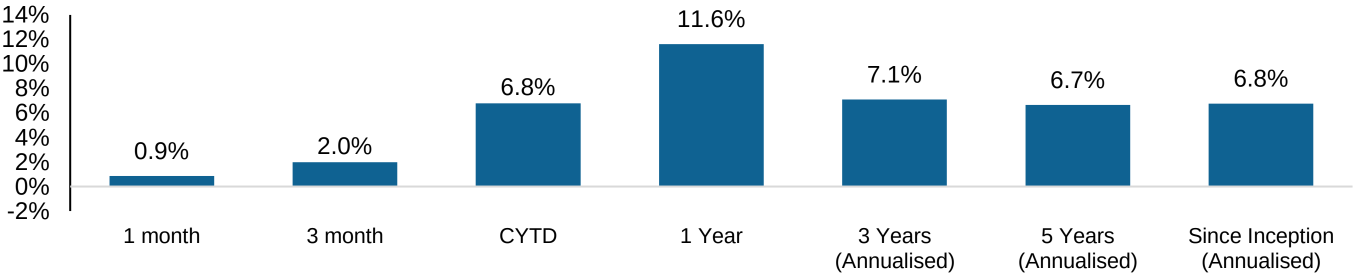
Global Medical Response	1.3%
Citrix	1.1%
Mimecast	0.9%
Kaseya	0.9%
Platinum Credit	0.8%
Central Security Group	0.8%
Nielsen	0.8%
High Street Insurance Partners	0.8%
Mavis Tire & Express Oil	0.8%
Equinox Fitness Clubs	0.8%

Underlying Fund Industry Allocation[5]

Software and Services	22.1%
Health Care Equipment and Services	9.5%
Commercial and Professional Services	8.5%
Financial Services	8.0%
Insurance	7.6%
Capital Goods	7.3%
Structured Products	6.5%
Consumer Services	5.7%
Other	25.5%
Cash	-0.7%

[5] As of 31 August 2024. 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[8]



[8]As of 31 August 2024. 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 expense ratio was 4.18% as of December 31, 2023 excluding interest expense. 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.

Index Definitions

The Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the US dollar-denominated leveraged loan market. The index inception is January 1992. The index frequency is daily, weekly, and monthly. New loans are added to the index on their effective date if they qualify according to the following criteria: 1) Loan facilities must be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. For unrated loans, the initial spread must be 125 basis points or higher above the benchmark reference reset rate. 2) Only fully funded term loan facilities are included. 3) The tenor must be at least one year. 4) Issuers must be domiciled in developed countries; issuers from developing countries are excluded.

The ICE BofA US High Yield Constrained Index ("HUC0") tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one-year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. Index constituents are market capitalization weighted, provided the total allocation to an individual issuer does not exceed 2%. Inception date: December 31, 1996.

For further information, please contact:

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