Ares Diversified Credit Fund

ARSN 644 797 599 APIR HOW7354AU

December 2021 - Monthly Fact Sheet

Performance	1 month %	CYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception %
Fund return (gross)[1]	1.0	7.9	7.9	-	-	8.0
Fund return (net)[2]	1.0	7.8	7.8	-	-	7.9

[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 December 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	606
Strategy FUM[3]	US$2.61BN
Sharpe Ratio	1.21
Standard Deviation	4.17%
Yield to Maturity (YTM)	7.21%
Distribution Rate	5.35%
Running Yield	6.47%
Interest rate duration	1.29

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

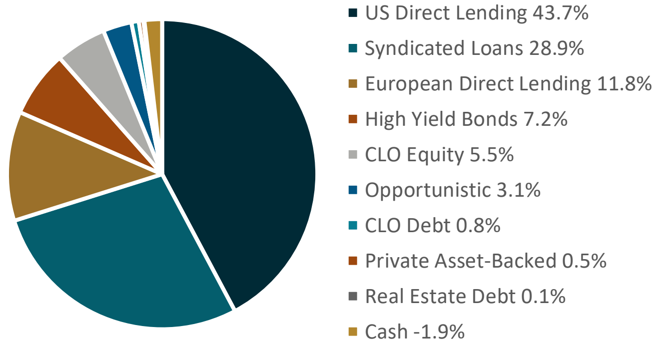
Fund Facts

Inception date	17 December 2020
Fund FUM	$294.8 M
Management Fee	Nil[4]
Performance fee	Nil[4]
Buy/sell spread	0.15% / 0.00%
Distribution Frequency	Monthly
Distribution Rate	0.40%

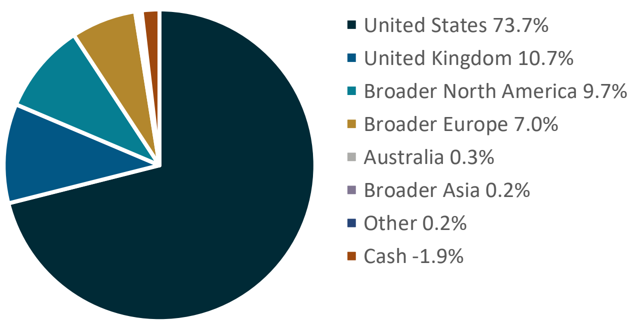
[4] The only fee is a recoverable expense, which is currently 4.5 bps.

Underlying Fund Allocation[5]

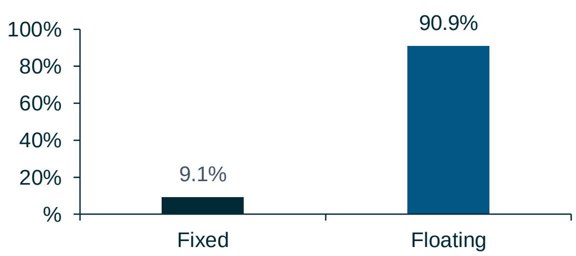
Asset Allocation



Geographic Allocation



Interest Type[6]



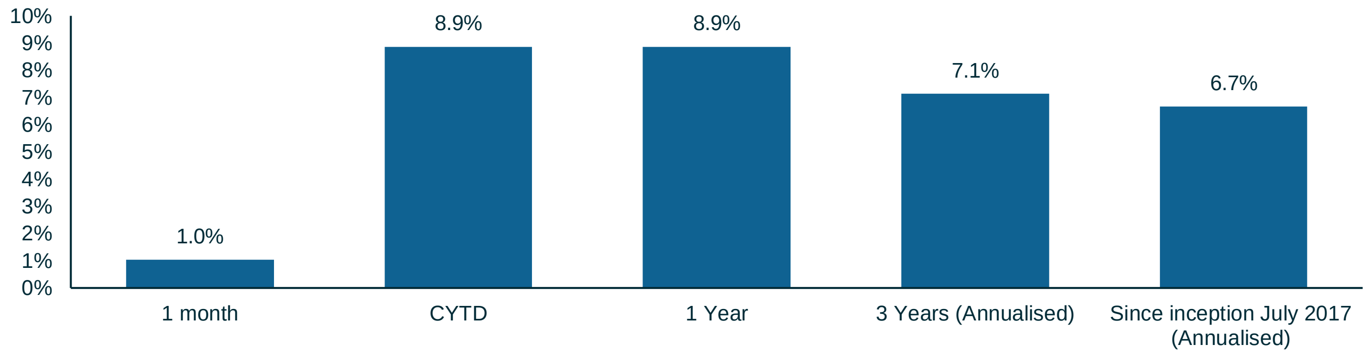
[6] Excludes cash, other net assets and equity instruments.

Underlying Fund Top 10 Holdings[5]	
Global Medical Response, Inc.	1.4%
Cornerstone OnDemand, Inc.	1.3%
TurnPoint Services	1.2%
High Street Insurance Partners	1.2%
CEP V I 5 Midco Limited (aka Mak System)	1.0%
DecoPac, Inc.	0.9%
DigiCert	0.9%
European Camping Group	0.8%
True Potential Group Limited	0.7%
Ardonagh	0.7%

Underlying Fund Industry Allocation[5]	
Software & Services	20.2%
Health Care Equipment & Services	8.8%
Diversified Financials	8.2%
Commercial & Professional Services	7.8%
Structured Products	7.7%
Capital Goods	7.7%
Consumer Services	7.3%
Insurance	6.8%
Other	27.3%
Cash	-1.9%

[5] As of 31 December 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 31 December 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 delivered positive returns in the fourth quarter as favorable demand for credit and positive corporate fundamental trends offset continued supply chain issues and the spread of the Omicron variant. Capital markets experienced a volatile November where hawkish rhetoric from the Fed and elevated inflation data weighed on investor sentiment, though prices rebounded to conclude the quarter in positive territory. Equities (proxy: S&P 500) shrugged off a -0.70% return in November and returned +11.02% for the year while traditional fixed income (proxy: Bloomberg Barclays U.S. Agg) declined -1.54% in 2021 as investors sought alternatives amid the prospect of rising rates and higher inflation, which hit a 39 year high in December[7] Leveraged credit assets generated a positive return behind strong technicals, solid fundamentals and a benign default environment; syndicated loans (proxy: Credit Suisse Leveraged Loan Index) and high yield bonds (proxy: ICE BofA High Yield Master II Index) returned +0.71% and +0.66%, respectively. Shifting to the middle market, deployment remained strong as private equity dry powder and M&A activity were elevated across the U.S. and Europe; notably, global M&A volume topped $5 trillion in 2021 for the first time on record[8]. Within Alternative Credit, CLO markets remained active with steady new issuance and stable secondary market spreads. Against this backdrop, the Underlying Fund actively rotated exposures across global credit markets and generated a positive return for the quarter.

Underlying Fund Commentary

The Underlying Fund actively deployed capital across public and private markets throughout the quarter, benefitting from various macroeconomic, fundamental, and technical trends across credit markets. Notably, each of the Underlying Fund's underlying asset categories delivered positive returns for the quarter, underscoring our ability to identify attractive opportunities across the liquidity spectrum. The Underlying Fund's U.S. direct lending allocation was the leading contributor to returns as issuer fundamentals remained healthy while structural protections continued to preserve an attractive illiquidity premium amidst continued yield compression in liquid markets. While early days, the impact of inflation on our portfolio companies has been muted thus far, though we continue to actively assess exposure to factors such as labor and freight costs, along with commodity price increases. Similar trends unfolded in Europe, and the Underlying Fund's allocation to European Direct Lending was the second leading contributor to performance. Shifting to liquid credit, allocations to syndicated loans and high yield bonds benefitted from strong technicals amid rising rate risk, culminating with retail inflows of +$3.8 billion and +$2.2 billion for high yield bonds and syndicated loans, respectively, in December[5]. The allocation was tactically increased during the quarter, taking advantage of demand tailwinds, and we continue to participate in deals where our liquid credit and direct lending teams collaborate for differentiated insights, preferred economics and favorable allocations relative to the broader market within the liquid credit cohort. Specific to Alternative Credit, the exposure to CLOs was reduced as we took advantage of a strong secondary market and realized profits on positions previously acquired at a discount. While reduced, we continue to seek new opportunities within the primary and secondary markets, though remain highly selective and disciplined on price and quality. The Underlying Fund's Opportunistic allocation continued to generate attractive returns as we seek to utilize this allocation for differentiated deals sourced through the power of the Ares platform. Overall, the Underlying Fund continues to employ a diversified investment posture given the asymmetrical return profile of credit assets, with an overweight exposure to towards defensive industries and directly originated assets. Notably, the Underlying Fund's emphasis on floating rates assets, 91% of the Underlying Fund as of December 31st, is expected to provide insulation from future interest rate hikes.

Portfolio Contribution by Asset Category*

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

*Presented in order of contribution to Fund returns. As of December 31, 2021.

Outlook

After a strong end to 2021 across risk assets, the new year began with some uncertainty as investors digested the news in the minutes from December's Federal Reserve meeting that indicated plans to cut bond holdings and begin reducing its balance sheet after raising interest rates. As a result, stocks fell and government bond yields rose in anticipation of a more restrictive Fed in 2022. Within liquid credit, we've observed a slight divergence between high yield bonds and syndicated loans as the floating-rate product has seen strong interest from investors amid the sharp rise in rates. Within this cohort, we expect that a confluence of factors this year, such as inflation, supply chain issues, new COVID-19 variants and Fed actions, will lead to a meaningful increase in dispersion and pockets of volatility, creating an opportunity for active managers. Within illiquid markets, the M&A backdrop is expected to remain strong in 2022, providing ample directly originated opportunities. Overall, we believe the backdrop for credit is favorable as elevated private equity dry powder buoys supply while investor demand is supported by enhanced yields and reduced duration risk relative to traditional fixed income. We believe our scaled platform, tenured experience and cycle-tested investment process will allow us to successfully navigate these changing market environments and take advantage of any short-term bouts of volatility in the coming months. 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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7. *Source: Bloomberg, as of January 12, 2022.*
8. *Source: Reuters, "Global M&A volumes hit record high in 2021, breach $5 trillion for first time". December 30, 2021.*

For further information, please contact:

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This material has been prepared by Ares Australia Management Pty Ltd ABN 51 636 490 732 (AAM), the investment manager of the Ares Diversified Credit Fund (ARSN 644 797 599) (Fund). AAM is an Authorised Representative No. 001280423 of Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante). Fidante is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The Information Memorandum (IM) for the Fund, issued by Fidante, should be considered before deciding whether to acquire or hold units in the Fund. The IM can be obtained by calling 13 51 53 or visiting our website www.fidante.com. Neither AAM, Fidante or any of its respective related bodies corporate guarantees the performance of the Fund or the returns of an investor's capital. Past performance is not indicative of future performance. Any forward-looking statements in this document: are made as of the date of such statements; are not guarantees of future performance; and are subject to numerous assumptions, risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. AAM undertakes no obligation to update such statements. AAM's address is Level 2, 5 Martin Place, Sydney NSW 2000. Fidante's address is Level 2, 5 Martin Place, Sydney NSW 2000. AAM, Fidante, their related bodies corporate, their directors and employees and associates of each may receive remuneration in respect of advice and other financial services provided by AAM or Fidante. AAM and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this document relates. In connection with those arrangements, AAM and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. The information in this report is provided solely to investors in the Fund and for informational purposes only. It may not be forwarded to any other person without Fidante's prior consent.