

June 2024 - Quarterly Report

Performance	1 month %	3 Months %	CYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception %
Fund return (gross) ¹	-0.07	1.28	4.98	12.73	6.86	-	7.07
Fund return (net) ²	-0.07	1.27	4.97	12.70	6.82	-	7.02

¹Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

²Returns 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 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.

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	757
Total Managed Assets³	US\$5.22BN
Sharpe Ratio⁷	1.10
Standard Deviation	3.76%
Yield to Maturity (YTM)	10.07%
Distribution Rate (p.a.)⁷	9.18%
Running Yield	10.64%
Interest rate duration	0.47
Spread Duration	2.09

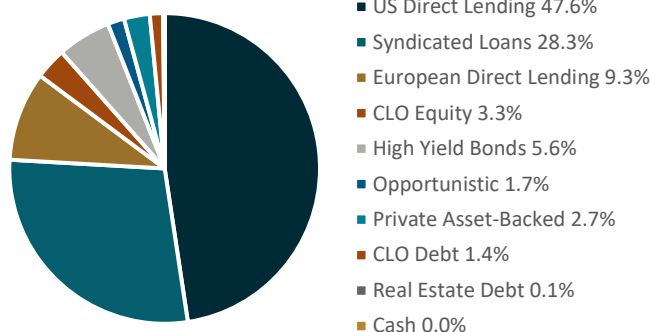
³Total assets (including any assets attributable to financial leverage) minus accrued liabilities (other than debt representing financial leverage)

Fund Facts

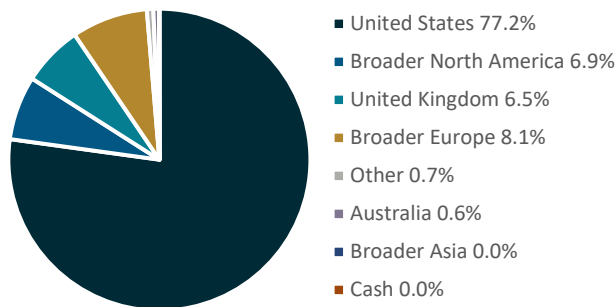
Inception date	17 December 2020
Fund FUM	\$1,051M
Management Fee	Nil ⁴
Performance fee	Nil ⁴
Buy/sell spread	+0.25%/-0.00%
Distribution Frequency	Monthly
Distribution Rate⁷	0.78%

Underlying Fund Allocation⁵

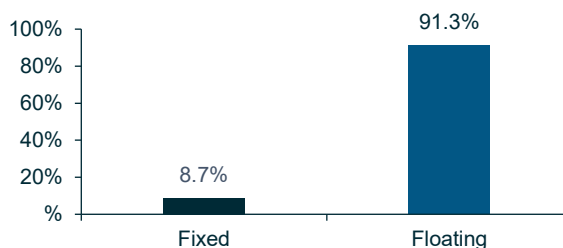
Asset Allocation



Geographic Allocation



Interest Type⁶



⁴The only fee is a recoverable expense, which is currently 3 bps.

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

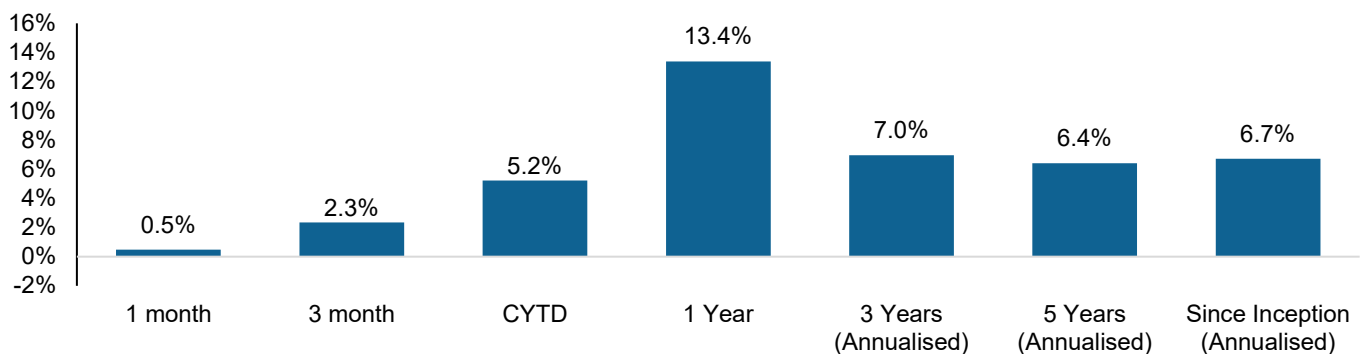
⁷There can be no guarantee that the disbursement rate will accrue at such amount and there is no assurance that distributions will be maintained at the targeted level or at all.

Underlying Fund Top 10 Holdings ⁵	
Global Medical Response	1.0%
Citrix	1.0%
Kaseya	0.9%
Mimecast	0.9%
Central Security Group	0.9%
Nielsen	0.8%
Mavis Tire & Express Oil	0.8%
High Street Insurance Partners	0.8%
Equinox Fitness Clubs	0.8%
Ardonagh Packaging	0.8%

Underlying Fund Industry Allocation ⁵	
Software and Services	20.9%
Health Care Equipment and Services	9.3%
Financial Services	8.5%
Commercial and Professional Services	8.5%
Capital Goods	7.7%
Insurance	7.2%
Consumer Services	6.2%
Structured Products	6.0%
Other	25.6%
Cash	-0.02%

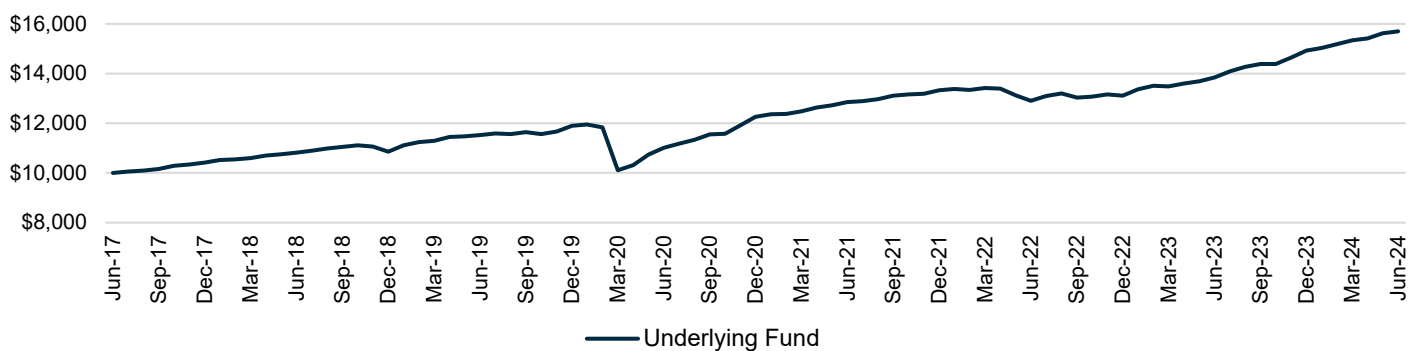
⁵ As of 30 June 2024. Holdings and allocations, unless otherwise indicated, are based on the total portfolio and subject to change without notice. Data shown is for informational purposes only and not a recommendation to buy or sell any security.

Underlying Fund Historical Performance⁸



⁸As of 30 June 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.

Underlying Fund Growth of \$10,000 since Inception (net of fees)⁹



⁹This 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.



Market Overview

Markets started off the quarter mixed, due to market uncertainty towards the direction of rates by the US Federal Reserve (“Fed”) coupled with election anticipation for the back half of the year. Macro data was strong on both an absolute basis and relative to expectations, with data prints shifting from contractionary to expansionary while leading indicators alluded to lower inflation. The Fed left key interest rates unchanged, stating their desire to see slower price growth before cutting interest rates. Corporate fundamentals remained strong, as companies saw meaningful Earnings Before Interest, Tax, Depreciation & Amortization (EBITDA) and revenue growth, and interest coverage levels showed signs of improvement. The S&P 500 returned +4.28% over the quarter, primarily driven by a narrow cohort of the market. Shifting to credit, syndicated loans (proxy: Credit Suisse Leveraged Loan Index) were a consistent source of positive returns and returned +1.87% for the quarter, benefitting from a \$7.9 billion retail inflow¹⁰ and steady CLO origination. The primary market remained active, heavily driven by a record wave of repricing’s which totalled \$378bn¹¹. High yield bonds (proxy: ICE BofA US High Yield Constrained Index) returned +1.09%, driven by high credit quality BBs. Similar to the loan market, new issue was overwhelmingly driven refinancings, which accounted for 82%¹² of the total volume. Within private credit, new originations gained steam as M&A volumes increased 14% over the quarter. While M&A activity began to thaw, dynamics remained competitive due to a strong demand technical, underscoring the importance of scale and incumbency in this asset class.

Underlying Fund Commentary

The Underlying Fund maintained its core allocation to corporate direct lending in both the U.S. and Europe, while actively rotating exposures across liquid and alternative credit markets based on relative value and market dislocations. Within liquid credit, the allocation to syndicated loans and high yield bonds remained steady over the quarter, with a preference for syndicated loans due to their enhanced yields coupled with high yield bond spreads trading near their historical tightness. The syndicated loan allocation increased by over 260 basis points, driven by purchases of short-dated paper as well as leveraging our scale in the primary market to acquire high quality paper with enhanced economics relative to the market. Conversely, the high yield bond allocation decreased by 33 basis points as we took advantage of a positive demand technical to reduce risk towards the back half of the quarter. Within illiquid credit, the Underlying Fund maintained a steady pipeline of corporate and asset-based direct lending opportunities, benefitting from incumbency as M&A volumes slowly picked up and secondary market supply within the alternative credit market increased.

The Underlying Fund generated a positive return for the eighth consecutive quarter and experienced positive contributions from all of the asset classes within the portfolio. The allocation to U.S. direct lending was the leading contributor to returns, contributing 197 basis points as the incumbent portfolio continued to weather “higher for longer” rates in a sound manner. Allocations to private ABS and European direct lending continued to be a source of high current income, benefitting from elevated base rates, while allocations to syndicated loans, high yield bonds and CLO debt benefitted from a supportive technical backdrop.

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

*Presented in order of contribution to Fund returns. As of June 30, 2024.

Outlook

Performance across credit markets has been positive in July, rallying behind positive sentiment regarding data prints and optimism around the go-forward path of rates. Repricing and refinancing continue to be the theme within bank lending, as net supply remains low and issuers focus on refinancing near term maturities. While inflation has been a hot topic across market participants this year and leading indicators continue point to lower CPI, the Fed’s June guidance on rates has left the market penciling in one rate cut for 2024. The expectation of higher for longer rates for the rest of the year is expected to be a tailwind for the Underlying Fund, which has a 91.3% allocation to floating rate assets. Within the portfolio, we continue to maintain a strong pipeline of corporate and asset-based opportunities in the U.S. and Europe and continue to favor syndicated loans within liquid credit given their strong yield premiums relative to high yield bonds. Overall, we are pleased with portfolio positioning today given our core allocation and preference to defensive, self-originated assets, and utilize the Underlying Fund’s flexible investment strategy to take advantage of episodic volatility within liquid credit markets. The portfolio continues to benefit from the current rate regime, and we believe the Underlying Fund’s flexible investment strategy coupled with its emphasis on downside protection will generate attractive returns as relative value shifts across global credit markets. Looking ahead, we continue to monitor the impact of data prints and its potential impact on portfolio companies and lending conditions more broadly.

10. Source: JP Morgan. Data as of June 28, 2024.
11. Source: LCD Pitchbook. Data as of June 28, 2024.
12. Source: LCD Pitchbook. Data as of June 28, 2024.

References to “downside protection” or similar language are not guarantees against loss of investment capital or value.

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:

Fidante Partners Investor Services | p: 1300 721 637 | e: info@fidante.com.au | w: www.fidante.com

The information in this document has been prepared for ‘wholesale clients’ only. It is current as at the date of publication and is provided by Ares Australia Management Pty Ltd (ABN 51 636 490 732 AFSL 537 666) (AAM), the investment manager of the Ares Diversified Credit Fund (ARSN is 644 797 599) (the Fund). Fidante Partners Limited (ABN 94 002 835 592 AFSL 234668) (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and 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 to your circumstances. The Fund’s The Fund’s Information Memorandum, available at www.fidante.com or through the Fidante Partners Investor Services team at 13 51 53, should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. AAM and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, AAM and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.

The rating issued 09/2023 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement, and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2024 Lonsec. All rights reserved.