Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

August 2024 - Monthly Fact Sheet

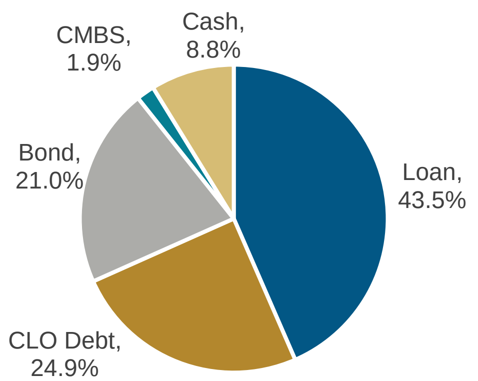
Performance – Class A	1 Month %	3 Month %	6 Month %	1-Year %	2-Year % p.a.	3-Year % p.a.	4-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.61	2.08	4.54	8.87	8.25	4.73	5.56	6.56
Fund return (net)[2]	0.54	1.89	4.15	8.05	7.36	3.91	4.80	5.79
Bloomberg AusBond Bank Bill Index	0.38	1.11	2.22	4.39	3.88	2.70	2.03	1.88
Active return	0.17	0.78	1.93	3.67	3.48	1.21	2.77	3.92

[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. **Data Source: Fidante Partners Limited, 31 August 2024.**

Fund Facts

Portfolio managers	Charles Arduini, Seth Brufsky, Samantha Milner, Boris Okuliar
Inception date	1 May 2020
Management fee	0.75% p.a.
Fund Objective	To outperform the AusBond Bank Bill Index over a three-year period
Buy/sell spread[3]	+0.40% / -0.40%
Strategy FUM	$181.8 M

Asset Class Allocation[6]



Fund Features

Attractive income: The Fund aims to provide a stable income stream for investors by seeking to offer monthly distributions.

Focus on downside protection:[4] Ares believes protecting principal is key to attractive performance and therefore places emphasis on dampening volatility and minimising defaults.

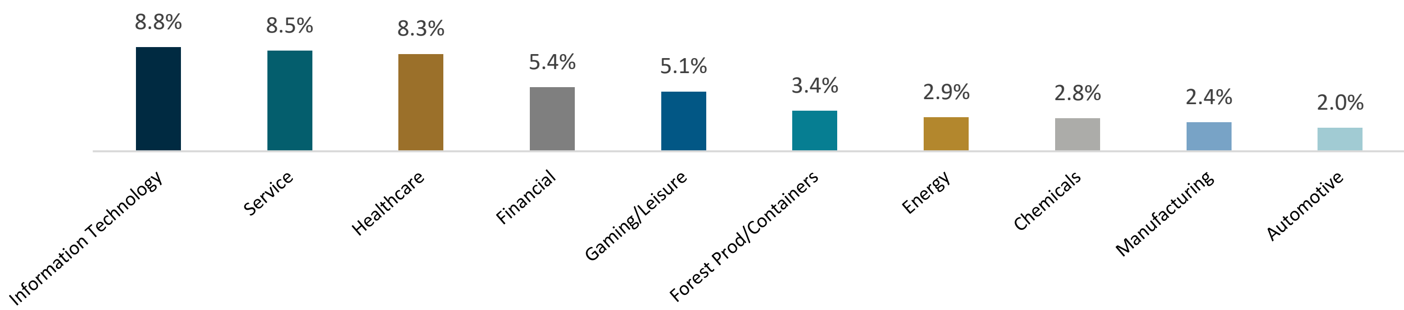
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

Diversification:[5] The Fund provides access to investment opportunities and asset classes which are generally unavailable to individual investors.

Leading global investment team: The Fund offers access to a leading global investment team with 20+ years of experience investing in global credit markets. The experienced management team applies an integrated and collaborative approach using the scale and power of the platform seeking to deliver compelling risk-adjusted returns through market cycles.

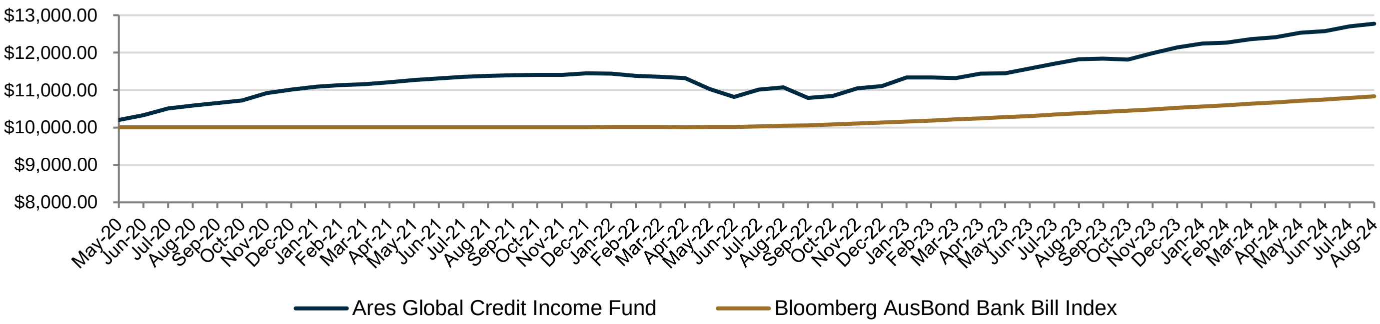
Key Attributes	Fund	Change from 31 Jul 2024
Number of issuers	318	+11
Weighted Average Spread (L+)	347	-
Current Yield (AUD-Hedged)	7.48%	+0.09%
Yield to Worst (AUD-Hedged)	6.23%	-0.13%
Current Yield (Unhedged)	7.97%	-0.08 %
Yield to Worst (Unhedged)	6.73%	-0.28%
Duration	1.17	+0.06
Spread Duration	4.04	+0.08
Weighted Average Credit Quality[7]	BB	-
Total Investment Grade Exposure	54.73%	+3.63%

Top 10 Industry Exposure (% of Total Market Value)[8]



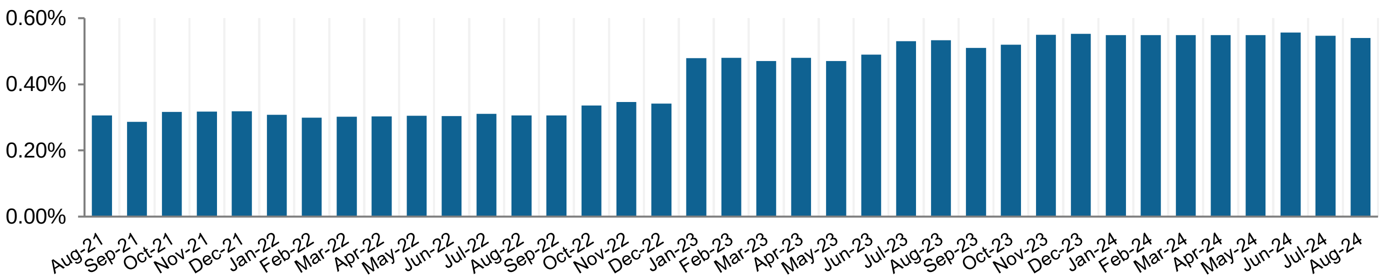
[3] Source: Ares. During normal market conditions, bid/ask spreads have averaged 25 -100bps, however, during periods of volatility, we have observed spreads widen out to 300-400bps.
[4] References to "downside protection" or similar language are not guarantees against loss of investment capital or value.
[5] Diversification does not assure profit or protect against market loss.
[6] The Fund's allocation is based on recent market conditions and is subject to change based on future market conditions at the time of investment and may differ materially from that set forth herein.
[7] Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.
[8] Credit Suisse Industry Distribution. Excludes CLO debt, CMBS and cash.

Growth of $10,000 Since Inception (Net of Fees)



Past performance is no indication of future performance. Represents performance of a hypothetical $10,000 investment made in this fund from the inception date. There is no guarantee of future results and this may not provide 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. The Fund's inception date is 1 May 2020.

Monthly Distribution Rate



Past performance is no indication of future performance. There is no assurance monthly distributions paid by the Fund will be maintained at targeted level or paid at all. Calculated as the cents per unit (CPU) distribution at month end divided by the ex-distribution unit price at the start of the month.

Market Commentary

Global risk assets experienced positive returns despite a short-lived bout of macro-driven volatility to start the month. While disappointing U.S. economic data and an interest rate hike by the Bank of Japan were headwinds to sentiment and asset prices, markets rallied into month-end due to moderating inflation, generally solid corporate earnings, and the expectation that central banks, particularly the Federal Reserve ("Fed"), would lower interest rates in September (which the Fed ultimately did on September 18 with a 50 bps cut).

U.S. high yield bonds posted a 1.59%[1] return In August amid resilient U.S. growth data, relatively firm corporate earnings and falling treasury yields. Notably, high yield funds reported $697 million of inflows during the month, following $4.5 billion of inflows in July. Meanwhile, primary market activity for high yield remained relatively slow with 23 bonds pricing for $18.1 billion over the course of the month.[2]

U.S. leveraged loans returned 0.60%[3] in August, as large retail withdrawals were offset by encouraging growth sentiment, robust CLO origination, and moderating capital markets activity. The leveraged loan market experienced significant retail outflows at the start of August, resulting in short-lived volatility as the market recalibrated to softer economic data. Notably, loan funds reported $4.1 billion of outflows during the month, following eleven consecutive months of inflows.

Given that retail funds represent less than ~10% of AUM in the loan market, we have viewed flow-induced volatility as a buying opportunity.[2]

CLO debt securities posted positive returns during the month with all ratings tranches generating gains.[4] U.S. CLO issuance continues to run at a record pace in 2024, with $129.4 billion of U.S. CLOs issued year-to-date through August month-end.5 New issue deal volume continued to be driven by heavy reset and refinancing activity during August.[5]

U.S. investment grade bonds rallied alongside fixed rate peers, returning 1.44%[6] in August as the asset class benefitted from expectations for declining rates, light supply and robust inflows.

Meanwhile, European high yield bonds and leveraged loans returned 1.15%[7] and 0.58%[8] in August, respectively. European high yield performance was driven by the lower quality segments of the market as investors were encouraged by the prospect of interest rate cuts and generally satisfactory earnings. As expected, the primary market in Europe experienced a summer seasonal lull during August. While new issue volumes were somewhat negligible, the European CLO market continued to see robust formation with €2.5bn of new issuance in August, keeping the demand for loans in supportive territory. Finally, demand for European high yield remained robust, bringing total year-to-date inflows to €6.5 billion through August month-end.

Market Outlook

Volatility within financial markets resurfaced the first week of September driven by labor market weakness, mixed macroeconomic data, and geopolitical uncertainty. Notably, the latest PMI and ISM manufacturing surveys exhibited softness with levels on the low side of what would normally be seen in a growing economy. Conversely, strong retail sales suggest real consumer spending is trending positively. The latest employment data was weaker than expected, illustrating further easing in the degree of labor market tightness as the number of job openings continued to decrease, and the ratio of openings to unemployed started to dip below the pre-pandemic level. Despite weaker jobs data, economists expect slower, but still positive growth, during the next few quarters and markets continue to price in soft landing adjustment cuts as valuations remain elevated and the optionality for a “Fed Put” reduces fears of material tail risk. Most recently, risk markets rallied after the Fed delivered a 50 bps rate cut at the September FOMC meeting and markets are now pricing in 125 bps for the balance of 2024. Regarding fundamentals, of the companies that have reported Q2 earnings thus far, EPS growth and revenue trends are meeting elevated consensus as balance sheets remain in a stable position. That said, single-name dispersion continues to increase as the lagging effect of tighter monetary policy has pressured certain corporate issuers. Meanwhile, markets remain orderly as real money technicals remain firm, supported by healthy cash balances, low new issuance and continued demand from institutional investors. Looking ahead, we continue to closely monitor potential headwinds including the 2024 elections and any impacts of elevated geopolitical tensions. We remain focused on security selection as we expect single-name dispersion to continue to increase in the coming months.

Fund Commentary

The Ares Global Credit Income Fund (“AGCIF” or the “Fund”) returned 0.61% gross and 0.54% net for the month of August. Specific to Fund performance, the allocations to corporate bonds and bank debt were the largest contributors to returns in August, followed closely by CLO debt. Both the bond and bank debt allocations benefitted from disciplined credit selection within the Double-B and Single-B rated cohorts. Similarly, the portfolio’s allocation to CLO Debt generated attractive returns in large part due to the supportive floating rate technical in the underlying loan asset class and steady CLO origination.

Positioning wise, we maintained a higher quality risk posture in August and continued to focus on identifying opportunities arising from today’s evolving economic environment. Given the declining rate environment, we are making small adjustments by increasing bond exposure relative to bank loans and CLO debt, which we expect to modestly increase the Fund’s duration profile. From a sector perspective, we remain overweight defensive sectors with favorable supply-demand dynamics and earnings trajectories, as well as sectors more upstream in supply chains and companies with strong pricing power and interest coverage, including software and necessary services sectors. We remain underweight sectors that are more susceptible to consumer discretionary income weakness and general cyclicality, and we are closely monitoring certain sectors where liquidity may be challenged. While we are generally positioned defensively, we have maintained core holdings in discount risk positions, the majority of which have defined catalysts. Specific to structured credit, we are comfortable with our current exposure to CLO debt and continue to make relative value swaps as wider Triple-B CLO debt paper becomes available. Similarly, from a geographical perspective, we are maintaining our current exposure to European high yield, given recent compression in Europe relative to the U.S. Importantly, we continue to be mindful of increased dispersion in credit fundamentals in the months ahead and remain focused on security selection. We continue to source compelling opportunities in each component asset class and expect volatility to increase in 2024, underscoring the importance of an actively managed, dynamic portfolio.

As of 31 August 2024. Sources: (1) ICE BofA US High Yield Index “H0A0”, (2) JP Morgan, (3) Credit Suisse Leveraged Loan Index “CSLLI”, (4) CLOIE, (5) LCD News, (6) Bloomberg Barclays U.S. Aggregate Bond Index, (7) ICE BofA European Currency High Yield Constrained Index Hedged to EUR, (8) Credit Suisse Western European Leveraged Loan Index Hedged to EUR.

Assigned as of 11th March 2024
Analyst Driven% 100, Data-Coverage% 100

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 August 2024 are subject to change at any time, and may differ from the views of other portfolio managers or of Ares Australia Management as a whole.

Index Definition & Disclosure:
The Bloomberg AusBond Bank Bill Index is engineered to measure the Australian money market by representing a passively managed short term money market portfolio. This index is comprised of 13 synthetic instruments defined by rates interpolated from the RBA 24-hour cash rate, 1M BBSW, and 3M BBSW.
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This material has been prepared by Ares Australia Management Pty Ltd ABN 51 636 490 732, AFSL 537 666 (AAM), the investment manager of the Ares Global Credit Income Fund (ARSN 639 123 112) (the Fund) and is current as at the date of publication. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the issuer and responsible entity of the Fund. Other than information which is sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this publication, 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 Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund(s). 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 indicative of future performance. Any projections are based on assumptions which we believe are reasonable but are subject to change and should not be relied upon. Fidante has entered into arrangements with Ares and AAM in connection with the distribution and administration of financial products managed by Ares or AAM. In connection with those arrangements, Fidante or AAM may receive remuneration or other benefits. 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. 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 nor AAM or its related bodies corporate.

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