Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

May 2023 - Monthly Fact Sheet

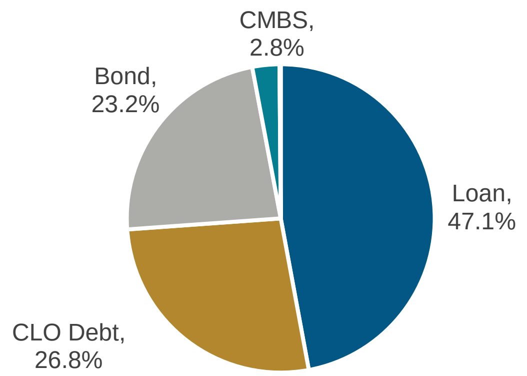
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	3-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.1	1.1	6.6	4.6	1.6	4.6	5.2
Fund return (net)[2]	0.1	0.9	5.7	3.7	0.7	3.9	4.5
Bloomberg AusBond Bank Bill Index	0.3	0.9	2.6	2.6	1.3	0.9	0.9
Active return	**-0.2**	**0.0**	**3.1**	**1.0**	**-0.6**	**3.0**	**3.6**

[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 May 2023.**

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	$77.5 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.

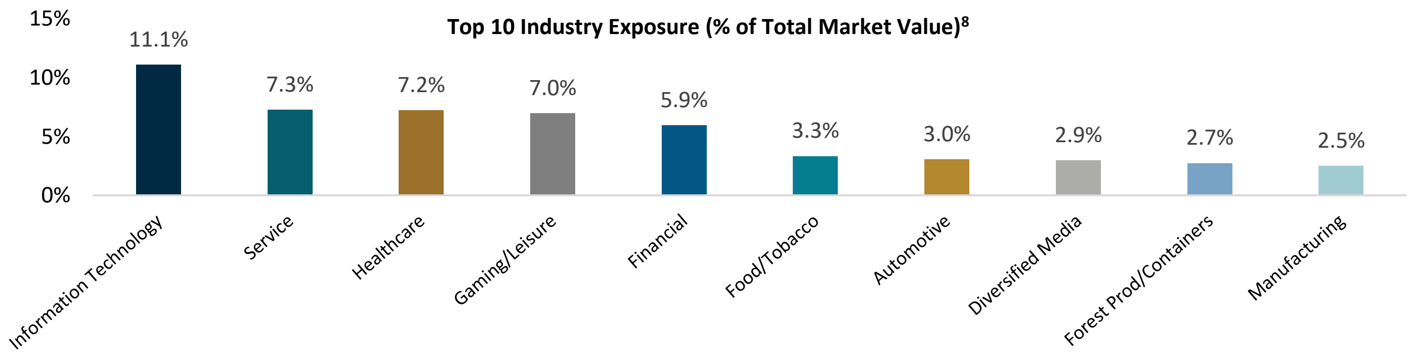
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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.

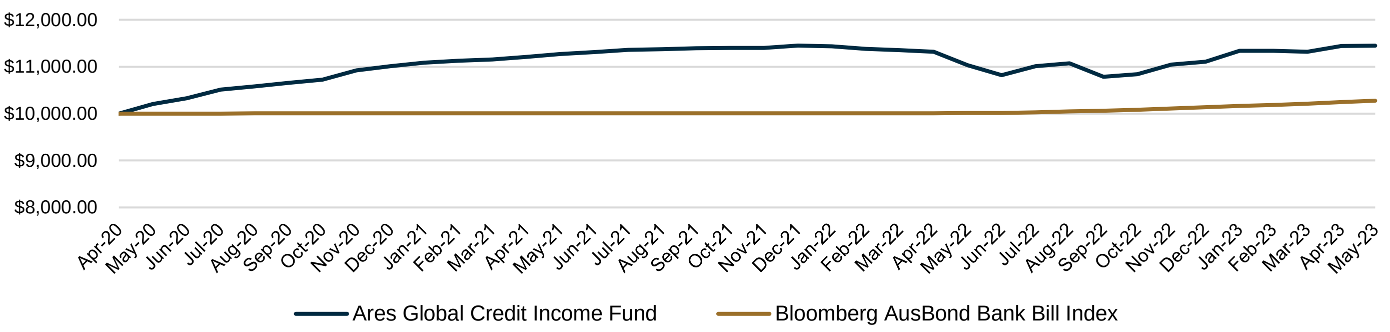
Leading global investment team: The Fund offers access to a leading global investment team with 20+ years of experience investing in global credit markets. The experienced management team applies an integrated and collaborative approach using the scale and power of the platform seeking to deliver compelling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

Key Attributes	Fund	Change from 30 Apr 2023
Number of issuers	250	-9
Weighted Average Spread (L+)	325	+1
Current Yield (AUD-Hedged)	6.58%	+0.35%
Yield to Worst (AUD-Hedged)	6.44%	+0.46%
Current Yield (Unhedged)	7.83%	+0.20%
Yield to Worst (Unhedged)	7.68%	+0.30%
Duration	0.84	-0.03
Spread Duration	3.72	+0.13
Weighted Average Credit Quality[7]	BB+	-
Total Investment Grade Exposure	57.60%	+0.33%



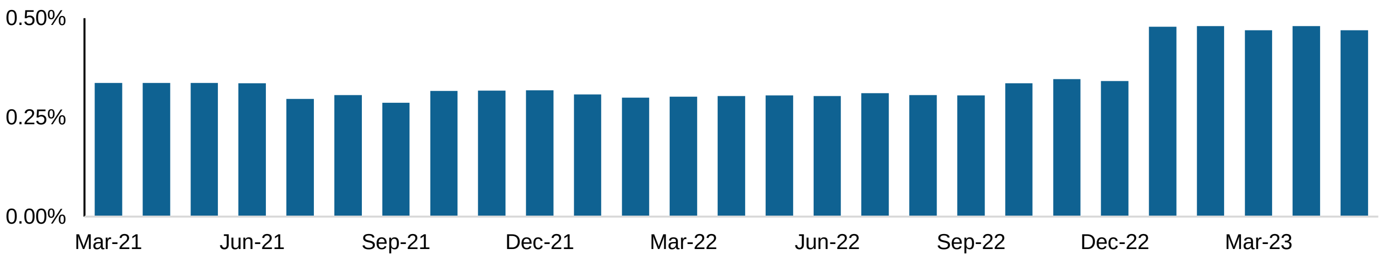
[3] Source: Ares. During normal market conditions, bid/ask spreads have averaged 25 -100bps, however, during periods of volatility, we have observed spreads widen out to 300-400bps.
[4] References to "downside protection" or similar language are not guarantees against loss of investment capital or value.
[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 (26.8%, 2.8% and 0.1% as of 31 May 2023, respectively).

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

In May, global risk assets posted varied results amid rising interest rates, mixed macroeconomic data, political brinksmanship regarding the U.S. debt ceiling, and better-than-feared corporate earnings. After weeks of a political impasse, the U.S. House of Representatives passed a bill to raise the debt ceiling on the last day of the month (which passed in the Senate on June 1). Markets somewhat rallied after the news, though investor appetite remained biased towards higher-quality risk assets.

U.S. high yield bonds returned -0.95%[1] during the month amid the rates sell-off following the Federal Reserve's (the "Fed") meeting in early May. Notably, capital market conditions for high yield bonds improved with 27 bonds pricing for $21.7 billion over the course of the month. Meanwhile, U.S. high yield funds reported outflows of $1.9 billion over the course of month, following $6.2 billion of inflows in April.[2]

U.S. loans outperformed fixed rate peers, returning -0.09%[3] in May. The asset class experienced moderating retail outflows and significant ratings decompression during the month, with lower quality cohorts outperforming. Further, U.S. loan primary market activity increased amid rising yields with $23.2 billion of loan paper pricing over the course of the month.[2]

The modest pick-up in supply is a positive sign as issuers continue to successfully address maturities due in 2024 and 2025 through a combination of secured bond issuance, private credit takeouts, and regular way amend and extend or refinancing transactions, albeit with larger coupons and original issue discounts.

Collateralised Loan Obligation (CLO) debt securities posted positive returns in May with all ratings tranches generating gains.[4] While CLO spreads are providing attractive buying opportunities for investors, CLO creation remains muted due to unfavourable equity arbitrage, an increasing amount of CLOs exiting their reinvestment periods and macroeconomic uncertainty.[5]

U.S. investment grade bonds underperformed below investment-grade credit, returning -1.09%[6] in May as the asset class came under pressure amid heavy supply and elevated concerns of a delayed economic recession.

European leveraged credit markets outperformed their U.S. counterparts during the month amid a firm technical backdrop, with high yield bonds and leveraged loans returning 0.60%[7] and 0.83%,[8] respectively. The European Central Bank ("ECB") raised interest rates by 25 bps at the start of the month, the smallest hike since the ECB's hiking cycle began last summer.

Further, positive Eurozone macroeconomic data releases including low unemployment and moderating core CPI, buoyed investor sentiment during the month. From a technicals perspective, capital market conditions for European high yield improved with €6.6 billion of new paper pricing over the course of the month. On the other hand, European loans experienced a dearth in supply with only €450 million of loan paper pricing in May, the lowest volume since March 2020. Meanwhile, demand remained stable, specifically in loans, supported by healthy European CLO origination.

Market Outlook

Risk assets rallied the first week of June as fading debt ceiling concerns, stronger-than-expected labor market data, and moderating inflation buoyed investor sentiment. Economic indicators have generally softened, but remain fairly resilient while inflation is showing tangible signs of cooling. However, June's Federal Open Market Committee (FOMC) meeting was more hawkish than expected, and while the Committee unanimously voted to leave rates unchanged, a large majority of participants anticipate at least two more rate hikes this year. As a result, economists now expect one more 25 bps rate hike at the July meeting and continue to believe the lagged effects of rate hikes will weigh further on economic growth. While corporate earnings have fared better-than-expected this year, we are increasingly focused on earnings projections given the potential weakness in upcoming quarters as the full impact of tighter lending standards and higher rates is realized. With earnings under pressure, defaults have modestly increased this year, specifically for secularly challenged businesses. While loan and high yield default rates could increase to 3.5%-4.5% over the next 12 months, we believe defaults are unlikely to spike to previous recessionary levels, due in part to the recent cycle in 2020, better issuer balance sheets and liquidity, and our expectations for a shallow recession. Overall, we expect choppy market conditions in the near term and we continue to have an up-in-quality bias.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 0.12% gross and 0.05% net for the month of May.

Performance across asset classes was mixed, with the portfolio's allocations to structured credit and bank loans being the largest contributors to positive performance. The portfolio's allocation to CLO debt benefitted from strong returns within the Triple-B rated cohort, while the portfolio's allocation to bank loans generated attractive returns in large part due to credit selection within the Double-B rated cohort.

During the month, we maintained our higher quality risk posture and continued to focus on identifying opportunities arising from today's complex economic environment. In terms of positioning, we remain overweight floating rate assets and remain focused on fundamental analysis given our expectation for increased credit dispersion. Within corporate credit, we are overweight defensive sectors with favourable supply-demand dynamics and earnings trajectories, as well as sectors more upstream in supply chains and companies with strong pricing power, including software and necessary services sectors. We are underweight sectors that are more susceptible to consumer discretionary income weakness, input cost pressures and general cyclicality. We continue to closely monitor certain sectors where liquidity may be challenging, such as certain segments of the technology and healthcare sectors. Specific to structured credit, we continue to favour transactions with top tier managers that we know well and are maintaining our exposure given attractive relative value for high quality assets. From a geographical perspective, we continue to bring our exposure to Europe in-line with market weighting given decreased tail risk in the region and improved relative value versus the U.S. We remain acutely focused on security selection both in seeking to outperform against the upcoming default cycle, as well as to avoid the significant downdraft in price/liquidity that we have seen when a company misses earnings. We continue to focus on bottom-up portfolio construction and believe we are well-positioned to deliver attractive risk-adjusted returns to our investors.

As of 31 May 2023. 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.

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 May 2023 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.
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 investment information herein is as of 31 May 2023 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.
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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