

ARSN 639 123 112 APIR HOW4476AU

## September 2023 - Monthly Fact Sheet

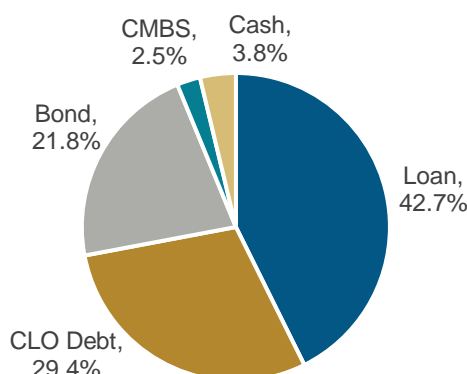
Performance	1 Month %	3 Month %	6 Month %	1-Year %	2-Year % p.a.	3-Year % p.a.	Inception % p.a.
Fund return (gross) <sup>1</sup>	0.3	2.5	5.0	10.5	2.8	4.4	5.8
Fund return (net) <sup>2</sup>	0.2	2.3	4.6	9.7	1.9	3.6	5.1
Bloomberg AusBond Bank Bill Index	0.3	1.1	2.0	3.6	2.0	1.4	1.2
<b>Active return</b>	<b>-0.1</b>	<b>1.3</b>	<b>2.6</b>	<b>6.1</b>	<b>-0.1</b>	<b>2.2</b>	<b>3.9</b>

<sup>1</sup>Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.  
<sup>2</sup>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, 30 September 2023.**

Fund Facts	
<b>Portfolio managers</b>	Charles Arduini, Seth Brufsky, Samantha Milner, Boris Okuliar
<b>Inception date</b>	1 May 2020
<b>Management fee</b>	0.75% p.a.
<b>Fund Objective</b>	To outperform the AusBond Bank Bill Index over a three-year period
<b>Buy/sell spread<sup>3</sup></b>	+0.40% / -0.40%
<b>Strategy FUM</b>	\$89.2 M

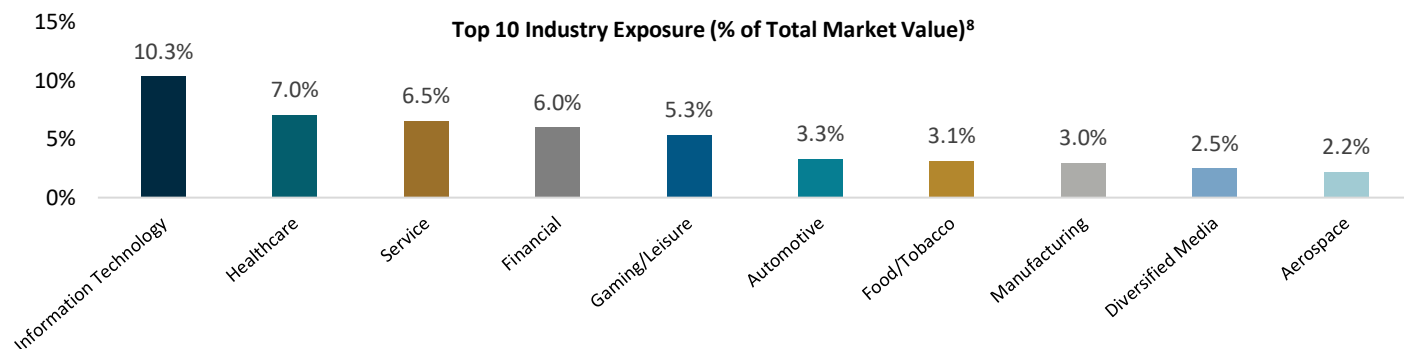
Fund Features	
<b>Attractive income:</b>	The Fund aims to provide a stable income stream for investors by seeking to offer monthly distributions.
<b>Focus on downside protection:<sup>4</sup></b>	Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.
<b>Dynamic asset allocation:</b>	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.
<b>Diversification:<sup>5</sup></b>	The Fund provides access to investment opportunities and asset classes which are generally unavailable to individual investors.

### Asset Class Allocation<sup>6</sup>



**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 Aug 2023
Number of issuers	243	-2
Weighted Average Spread (L+)	355	-
Current Yield (AUD-Hedged)	7.00%	+0.04%
Yield to Worst (AUD-Hedged)	6.93%	+0.30%
Current Yield (Unhedged)	8.19%	+0.03%
Yield to Worst (Unhedged)	8.13%	+0.31%
Duration	0.91	+0.04
Spread Duration	3.72	+0.11
Weighted Average Credit Quality <sup>7</sup>	BB+	-
Total Investment Grade Exposure	59.09%	+0.60%



<sup>3</sup> 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.

<sup>4</sup> References to "downside protection" or similar language are not guarantees against loss of investment capital or value.

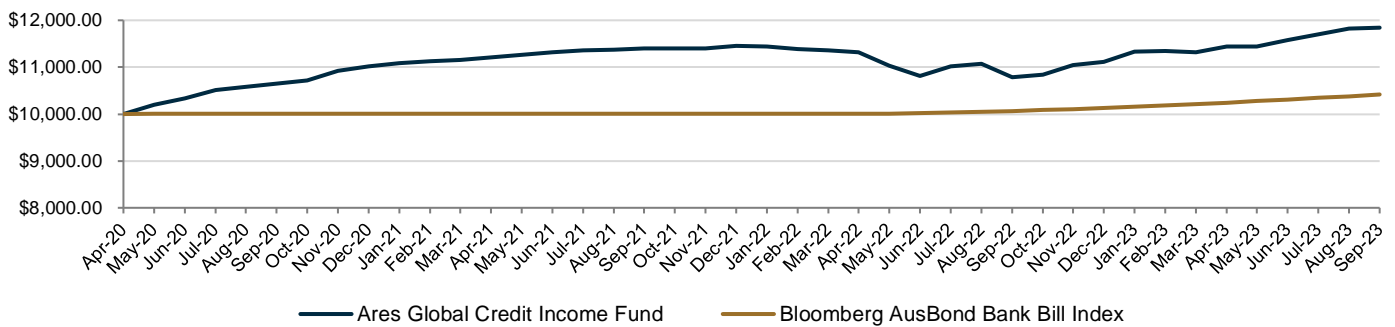
<sup>5</sup> Diversification does not assure profit or protect against market loss.

<sup>6</sup> 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.

<sup>7</sup> Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.

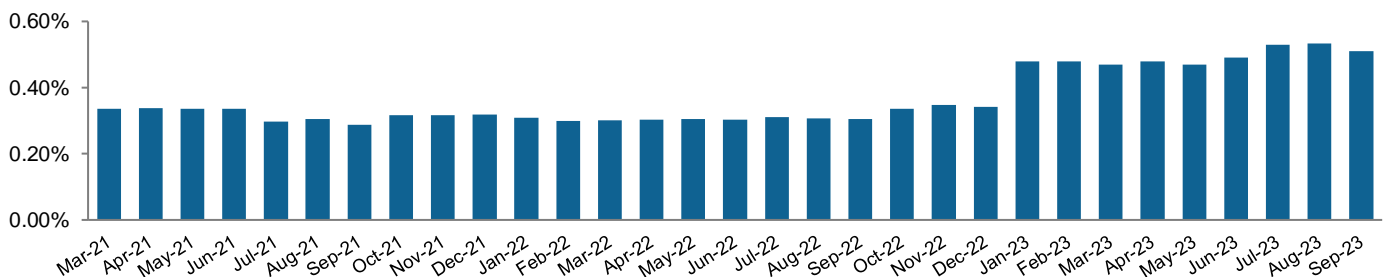
<sup>8</sup> Credit Suisse Industry Distribution. Excludes CLO debt, CMBS and cash.

### 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

The risk rally stalled the second half of September as resilient economic data and a hawkish hold by the U.S. Federal Reserve (the "Fed") led investors to factor in a protracted period of high interest rates. As consumer confidence declined over the course of the month, equities came under pressure, the VIX ascended to its highest level since May, and 10-year Treasury yields surged.

U.S. high yield bonds came under pressure amid the rate-driven sell-off in September, returning -1.16%<sup>1</sup> during the month. Capital market activity for high yield bonds continued to improve, with 38 new issue bonds pricing for \$24.6 billion over the course of the month, following \$9.3 billion in August. Meanwhile, U.S. high yield funds reported outflows totalling \$2.5 billion in September, following \$2.2 billion of outflows in August.<sup>2</sup>

U.S. leveraged loans outperformed fixed rate peers, returning 0.88%<sup>3</sup> during the month as prices benefitted from higher base rates and a stretch of the asset class's largest retail inflows since May 2022. Notably, US loan funds reported \$603 million of inflows, following \$339 million of inflows in August, which was preceded by a stretch of 15 consecutive monthly outflows. Meanwhile, primary market activity increased with \$58.3 billion of loan paper pricing over the course of the month.<sup>2</sup>

CLO debt securities posted positive returns during the month with all ratings tranches generating gains.<sup>4</sup> U.S. CLO issuance picked up in September as spread tightening supported a rebound in refinancing and reset activity and managers were able to affordably ramp longstanding CLO warehouses.<sup>5</sup>

U.S. investment grade bonds underperformed below investment-grade credit, returning -2.54%<sup>6</sup> in August as the asset class came under pressure amid heavy supply and volatile bond yields.

Meanwhile, European leveraged credit markets outperformed their U.S. counterparts with high yield bonds and leveraged loans returning 0.39%<sup>7</sup> and 0.98%<sup>8</sup>, respectively. Notably, returns were driven by the lower quality segments of the high yield bond and loan markets. Inflation dynamics continued to show signs of improvement in Europe, while corporate earnings have generally been stable. Further, European leveraged credit market technicals remained firm during the month amid an uptick in capital market activity and strong demand.

## Market Outlook

Following elevated volatility during the second half of September, performance across credit markets was mixed the first half of October. Despite the macro noise and recent spread widening, the latest labor and inflation data prints continued to support the soft-landing narrative. Specifically, the jobs-workers gap continued to return to normalized levels along with wage growth indicators, while inflation indicators have maintained their downward momentum. Against this macroeconomic backdrop, a range of economists are forecasting a 60% probability of a recession in the U.S. over the next 12 months. From a fundamentals perspective, corporate earnings have generally been better-than-expected; however, forward guidance remains conservative, and we are increasingly focused on earnings projections given the potential weakness in upcoming quarters. We continue to actively trade our portfolios to get ahead of earnings misses and/or add to discounted names that we believe are undervalued. Meanwhile, the technical environment should remain supportive amid stable demand from global institutional investors and minimal net new issue supply. While the outlook for merger and acquisition related activity has improved, the forward calendar remains at the low end of its historical range, and we expect new issue deal flow to be bifurcated heading into year-end. Looking ahead, we remain focused on security selection (and avoidance) as single-name dispersion is expected to increase in the coming months.

## Fund Commentary

The Ares Global Credit Income Fund (“AGCIF” or the “Fund”) returned 0.26% gross and 0.20% net for the month of September. Returns across component asset classes were mixed, with the portfolio’s allocations to bank debt and CLO debt offsetting the declines in high yield. The portfolio’s allocation to CLO debt continued to benefit from strong demand for the asset class, alongside a supportive floating rate technical, while the portfolio’s allocation to bank loans generated attractive returns in large part due to credit selection within the Single-B rated cohort.

During the month, we maintained our higher quality risk posture and continued to focus on identifying opportunities arising from today’s evolving economic environment. From a positioning perspective, we remain overweight floating rate assets and have been marginally increasing our fixed rate exposure with the goal of adding convexity to the portfolio as we near what we believe is the end of a hiking cycle. We continue to actively trade around relative value across individual credits, taking profits on select risk names and topping up on other discounted credits that we view as undervalued. From a sector perspective, we remain 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 cyclical, and we are closely monitoring 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, specifically within Triple-B rated CLO debt. From a geographical perspective, we are comfortable with our existing exposure given the lighter primary calendar in Europe and will look to opportunistically increase our European exposure as new issue comes to market. Importantly, we continue to be mindful of softer economic growth and increased dispersion in credit fundamentals in the months ahead and remain 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.



Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 30 September 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.

**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](http://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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