Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

August 2020 - Monthly Fact Sheet

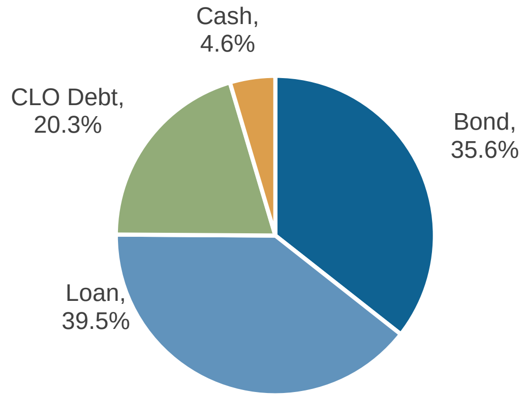
Performance	1 month %	Quarter %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return (net)[1]	0.7	-	-	-	-	-	5.8
Bloomberg AusBond Bank Bill Index	0.0	-	-	-	-	-	0.0
Active return	**0.7**	**-**	**-**	**-**	**-**	**-**	**5.8**

[1] 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 2020.**

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]	+0.30% / -0.30%
Strategy FUM	$8.4 M
Distribution Frequency	Monthly

Asset Class Allocation



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: Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

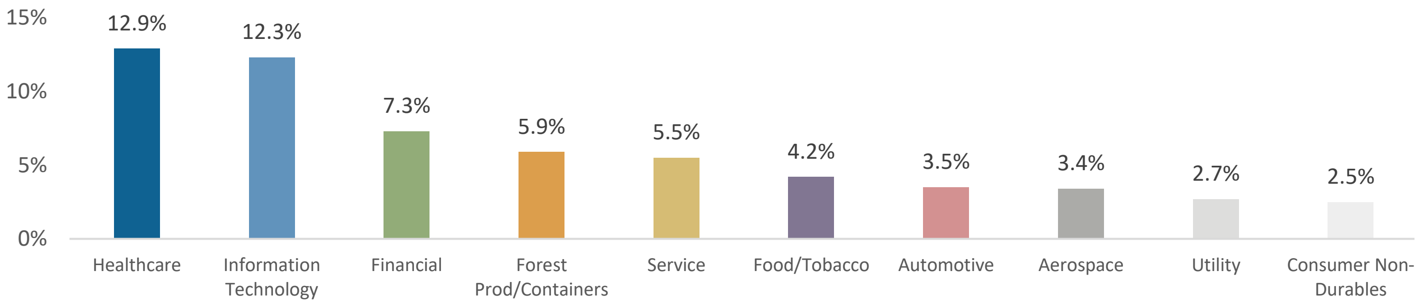
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

Diversification: 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 July 2020
Number of issuers	88	+3
Weighted Average Spread (L+)	297	+25
Current Yield (Fx Adjusted to AUD)	3.70%	+0.16%
Yield to Worst (Fx Adjusted to AUD)	3.27%	+0.12%
Weighted Average Credit Quality (S&P)	BB	-
Total Investment Grade Exposure	53.7%	+3.7%

Top 10 Industry Exposure (% of Total Market Value)[2]



[2] Credit Suisse Industry Distribution. Excludes collateralised loan obligations and cash (20.3%and 4.6% portfolio market value as of 31 August 2020, respectively).
[3] 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.

Market Commentary

Global risk assets continued to rally in August, buoyed by optimism surrounding vaccine development, improved economic data and highly accommodative fiscal and monetary support. Despite elevated cases of coronavirus and heightened U.S.-China tensions, spreads in U.S. leveraged finance markets continued to tighten as investor sentiment was bolstered by better-than-expected earnings and a significant slowdown in defaults.

Leveraged loans posted strong performance during August, returning 1.50%(1) as the asset class rallied alongside the broader credit market, but continues to lag other asset classes for the year-to-date period. The rally in higher quality paper has faded, as single-B rated loans outperformed in August due to increased secondary demand by CLOs while primary issuance remains sluggish. Although primary volumes were slightly higher than the historical average for August, the annual supply has been its slowest since 2012(2). A combination of the slow primary market and heavier CLO demand should provide an additional technical tailwind for the loan market over the short-term.

High yield bonds continued their recovery in August, albeit at a slower pace due to elevated supply, returning 0.98% (3) for the month. Year-to-date returns for high yield turned positive in August as investors reached for yield in lower quality paper. High yield investors were focused on the primary markets with gross new issuance in high yield bonds totalling $54.3 billion, as corporate issuers continued to capitalize on steadily descending yields. Despite record setting issuance, high yield bond fund inflows and the Federal Reserve's ("Fed") quantitative easing offset the surge of supply.

Outperforming its U.S. counterparts, European high yield bonds and leveraged loans returned 1.41%(4) and 1.20%(5), respectively, in part due to earnings in Europe generally beating market expectations, a lack of primary market activity and ongoing fiscal and monetary support from central banks and governments. Lower rated credits and high beta sectors were notable outperformers as investors have started moving into riskier parts of the market searching for yield.

Alongside the broader risk asset rally, the CLO market experienced significant spread tightening throughout the month due to an uptick in the secondary market and the ongoing rally in loan prices which has improved the overcollateralized cushion for CLOs. Specifically, single-A and triple-B CLO debt returned 2.30%(6) and 2.76%(7), respectively.

In contrast to non-investment grade credit, U.S. high grade credit ended August on a weaker note returning -0.81%(8), as a steepening Treasury yield curve drove spreads wider and weighed on performance. Weak performance was driven by lighter trading volumes and heavy new issuance, which was surprisingly strong at $139 billion(9) for the month.

The Ares Global Credit Income Fund ("the Fund") experienced strong performance during August, benefitting from the broad risk rally in credit. All of the Fund's underlying asset categories were positive contributors to returns, with the primary driver of performance being its exposure to corporate bonds. From a ratings perspective, we continued to swap out of Double-B bonds and into Single-B loans throughout August, given the light loan supply calendar and the expected pick up in CLO origination. As a result, single-B rated paper outperformed while the Fund's single-A CLO debt allocation delivered strong returns owing to spread tightening within the CLO market. From a sector perspective, we continued to favor defensive, non-cyclical industries such as information technology and services, which boosted portfolio performance.

Looking forward, we remain focused on higher quality names in defensive sectors as we continue to reduce cyclical and COVID-affected exposure. We continue to actively re-position the portfolio, remaining defensively positioned while seeking relative value opportunities that arise due to ongoing volatility. We remain focused on credit selection and favour issuers with strong balance sheets, significant liquidity timelines and capital markets alternatives. Owing to a favourable technical backdrop, increased dispersion as well as attractive relative and absolute yields, we believe the leveraged finance markets remain attractive.

Market Outlook

Credit markets have continued to grind tighter in September as investors and issuers react favourably to support from global central banks. Investor demand for spread products remains strong, while market technicals in corporate bonds have come under modest pressure this past week due to heavy new issuance and a scale back in the Fed's pace of corporate credit asset purchases. Recent equity market weakness is being closely monitored as well, should the "risk-off" stance from investors bleed into the credit markets. From a macro perspective, there are several catalysts that may create unforeseen volatility in the coming months, including unfolding news around vaccine development and the upcoming U.S. presidential election. Despite these challenges, we continue to see a compelling case for long-term spread tightening across the leveraged credit markets and believe this environment creates investment opportunities for active, nimble managers. As we navigate the uncertainty in leveraged credit amid broader macro volatility, we believe our continued focus on credit fundamentals will allow us to deliver attractive returns in today's credit picker's market.

As of August 31, 2020. [1] Credit Suisse Leveraged Loan Index. [2] Source: Credit Suisse. [3] ICE BofA High Yield Master II Index. [4] ICE BofA European Currency High Yield Constrained Index Hedged to EUR. [5] Credit Suisse Western European Leveraged Loan Index Hedged to EUR. [6] Post-Crisis CLOIE CLO-A Index. [7] Post-Crisis CLOIE BBB Index.[8] Bloomberg Barclays U.S. Aggregate Bond Index. [9] JP Morgan US High Grade Research.

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 August 2020 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. Although these views are not intended to be a forecast of future events, a guarantee of future results, or investment advice, any forward-looking statements are not reliable indicators of future events and no guarantee is given that such activities will occur as expected or at all. This information has been prepared from sources believed to be reliable, but the accuracy and completeness of the information cannot be guaranteed. Information and opinions expressed by either Ares Australia Management or its affiliates are current as at the date indicated, are subject to change without notice, and do not take into account the particular investment objectives, financial situation or needs of individual investors.

The recent 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 31 August 2020 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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