Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

August 2022 - Monthly Fact Sheet

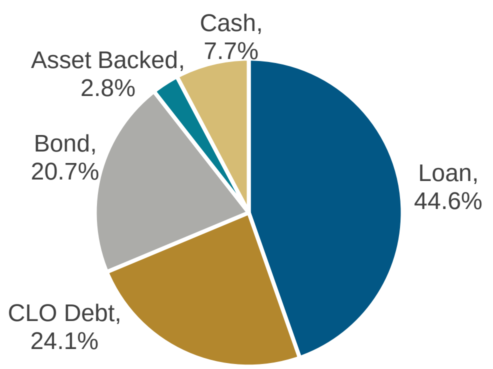
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.6	0.6	2.5	-2.0	2.9	-	5.1
Fund return (net)[2]	0.6	0.4	2.4	-2.7	2.3	-	4.5
Bloomberg AusBond Bank Bill Index	0.2	0.3	0.3	0.4	0.2	-	0.2
Active return	**0.4**	**0.0**	**2.1**	**-3.0**	**2.1**	**-**	**4.3**

[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. **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, 31 August 2022.**

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	$51.8 M
Distribution Frequency	Monthly

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.

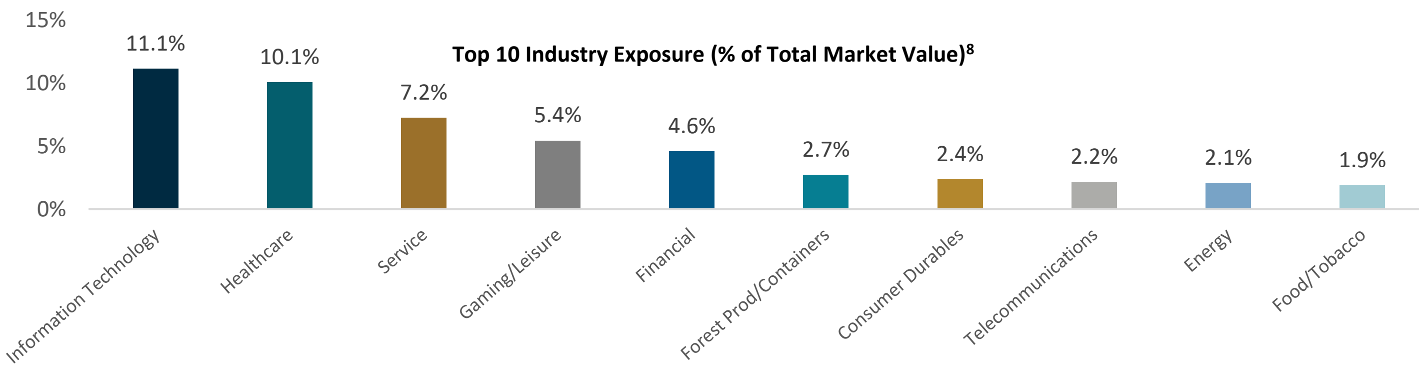
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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 31 Jul 2022
Number of issuers	245	+12
Weighted Average Spread (L+)	326	+1
Current Yield (Fx Adjusted to AUD)	5.34%	+0.14%
Yield to Worst (Fx Adjusted to AUD)	7.09%	+0.42%
Weighted Average Credit Quality[7]	BB+	+1
Total Investment Grade Exposure	60.40%	+1.87%



[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 collateralised loan obligations, asset backed securities, and cash (24.1%, 2.8% and 7.7% as of 31 August 2022, respectively).

Market Commentary

Following a strong rebound in July and into early August, global risk assets came under pressure during the second half of August as global central banks reiterated their commitment to tighter monetary policy amid persistent inflationary pressures, despite softening growth.

U.S. high yield bonds returned -2.40%[1] in August, surrendering more than half of the prior six weeks' price gains as investors reacted to hawkish central bank rhetoric. This came after the asset class had initially performed well in the first half of the month amid better-than-expected earnings and a supportive technical environment. U.S. high yield primary market activity remained slow in August, with only eleven bonds pricing for a total of $8.1 billion over the course of the month. Meanwhile, U.S. high yield funds reported retail outflows of $1.8 billion in August, following $5.6 billion of inflows in July.[2]

U.S. loans outperformed their fixed rate peers, returning 1.53%[3] for the month, as the asset class benefited from light supply, more balanced flows and a rise in treasury yields. Specifically, primary market activity remained slow, with $12.1 billion of loan paper pricing over the course of the month. Meanwhile, loan funds reported retail outflows of $1.4 billion in August, following $3.7 billion of outflows in July.[2]

Similarly, CLO debt securities posted positive returns with all ratings tranches generating gains due to a relatively stronger technical in the underlying loan market.[4] Further, CLO origination slowed in August amid widening liability costs, recovering loan prices and limited loan supply.

U.S. investment grade bonds underperformed floating-rate assets, returning -2.83%[5] for the month due to investor concerns surrounding elevated recession risk, a heavy forward new issue calendar and softening demand.

In Europe, high yield bonds and leveraged loans returned -1.24%[6] and 1.91%[7], respectively. Spreads widened during the second half of the month amid increased recession fears given the gas crisis, a higher-than-expected European inflation print, and central bank hawkishness, with the European Central Bank hiking rates in August for the first time in ten years.

Market Outlook

A broader risk-off tone spilled into September as risk assets faced renewed challenges following Federal Reserve Chair Jerome Powell's hawkish remarks at Jackson Hole, dispelling near term prospects of a policy pivot. Entering the Fall, economic data continues to present a mixed picture, and the focus remains on whether central banks can tame inflation without triggering a recession. U.S. GDP is tracking around 1.0% for Q3'22, while the U.S. labor market slowdown is underway as companies re-evaluate hiring needs.

In the latest U.S. jobs report, the unemployment rate surprised to the upside, and the average hours worked in a week ticked down, potentially hinting that the imbalance between supply and demand in the labor market is moving in the right direction. That said, job growth still runs at twice the pre-pandemic rate, and U.S. Treasury yields continue to rise following stronger-than-expected jobless claims and manufacturing data prints. While the probability of a recession has increased, we believe default rates should remain muted relative to previous dislocations as issuers are well-positioned to service their debt, maturities have been pushed out and liquidity shored up. Looking ahead, we expect volatility to persist, driven by a variety of macroeconomic and exogenous headwinds; however, we believe valuations are attractive with a 12-18 month investment horizon.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 0.62% gross and 0.56% net for the month of August. From an asset class perspective, performance was driven by the portfolio's bank loan and structured credit allocations, as the asset classes were buoyed by a relatively stronger technical backdrop for floating rate assets. Meanwhile, the portfolio's high yield bond allocation weighed on performance in August amid the broader risk-off tone toward the end of the month.

During the month, we continued to proactively manage exposures across the portfolio to identify opportunities created by shifts in sentiment on rates, growth expectations, and idiosyncratic credit news. In terms of positioning, we remain overweight floating rate assets and are more focused on credit risk versus interest rate risk at present, though remain modestly underweight duration given expectations of muted economic growth and tighter financial conditions in the months ahead. Amid recent market weakness, we have been buying shorter dated, higher quality bonds at lower dollar prices as the market has sold off. Similarly, we are finding attractive value in the higher quality loan cohort, buying attractive new issue opportunities. We have maintained our overall exposure to structured credit given the yield premium, and have been adding IG CLO securities in the secondary market offering attractive relative value. Looking ahead, we expect choppy market conditions to persist and therefore are positioned defensively from a sector perspective, trimming risk, and running a higher-than-average cash balance. While we anticipate elevated volatility moving forward, given where yields are today, we view the long-term buying opportunity to be attractive. We are keeping close watch on the developments in Ukraine and China and the resulting economic impacts, central bank policies, as well as any idiosyncratic events that may arise in this unpredictable environment. We believe we are well positioned to navigate broader macro volatility due to our focus on bottom-up, fundamental credit analysis, downside protection, and the experience and breadth of the Ares platform.

As of 31 August 2022. Sources: (1) ICE BofA US High Yield Index "H0A0", (2) JPM, (3) Credit Suisse Leveraged Loan Index "CSLLI", (4) CLOIE, (5) Bloomberg Barclays U.S. Aggregate Bond Index, (6) ICE BofA European Currency High Yield Constrained Index Hedged to EUR, (7) 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 August 2022 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 August 2022 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.
Indices are provided for illustrative purposes only and not indicative of any investment. They have not been selected to represent appropriate benchmarks or targets for the strategy. Rather, the indices shown are provided solely to illustrate the performance of well known and widely recognized indices. Any comparisons herein of the investment performance of a strategy to an index are qualified as follows: (i) the volatility of such index will likely be materially different from that of the strategy; (ii) such index will, in many cases, employ different investment guidelines and criteria than the strategy and, therefore, holdings in such strategy will differ significantly from holdings of the securities that comprise such index and such strategy may invest in different asset classes altogether from the illustrative index, which may materially impact the performance of the strategy relative to the index; and (iii) the performance of such index is disclosed solely to allow for comparison on the referenced strategy's performance to that of a well known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from the strategy. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is being made as to the risk profile of any benchmark or index relative to the risk profile of the strategy presented herein. There can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance, or be suitable for a portfolio.
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