Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

December 2022 - Monthly Fact Sheet

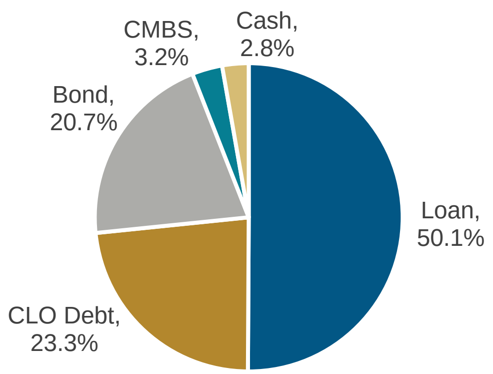
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.6	3.2	3.3	-2.1	1.2	-	4.8
Fund return (net)[2]	0.6	3.0	2.7	-3.0	0.4	-	4.0
Bloomberg AusBond Bank Bill Index	0.2	0.7	1.2	1.3	0.6	-	0.5
Active return	**0.3**	**2.2**	**1.5**	**-4.2**	**-0.2**	**-**	**3.5**

[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 December 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	$69.1 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.

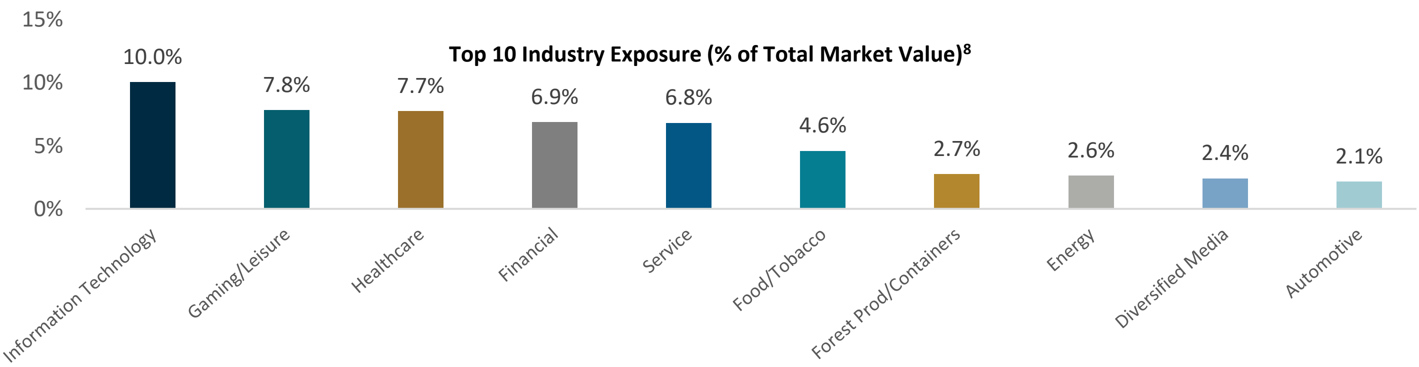
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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 30 Nov 2022
Number of issuers	270	+12
Weighted Average Spread (L+)	314	-5
Current Yield (Fx Adjusted to AUD)	5.66%	+0.20%
Yield to Worst (Fx Adjusted to AUD)	6.67%	+0.13%
Weighted Average Credit Quality[7]	BB+	-
Total Investment Grade Exposure	58.69%	-1.93%



[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 (23.3%, 3.2% and 2.8% as of 31 December 2022, respectively).

Market Commentary

Volatility continued within global capital markets as investors absorbed a downward surprise in the U.S. CPI print, hawkish surprises from the US Federal Reserve and the European Central Bank, and weak global economic data.

U.S. high yield bonds returned -0.75%[1] during the month as December's early gains were offset later in the month amid weak economic data and ongoing decompression among rating cohorts. Weaker investor sentiment eroded retail flows during the month with U.S. high yield funds reporting outflows of $3.6 billion. Meanwhile, primary market activity remained slow, with only two bonds pricing for a total of $2.3 billion over the course of the month.[2]

U.S. loans outperformed fixed rate peers, returning 0.36%[3] during the month, despite lighter Collateralized Loan Obligation (CLO) issuance and thinner liquidity. The asset class endured retail outflows and significant ratings decompression, with higher quality cohorts outperforming. Loan mutual funds and Exchange Traded Funds (ETFs) reported outflows of $3.6 billion in December, following $3.0 billion of outflows in November. However, subdued primary market activity provided technical support for the asset class.[2]

CLO debt securities posted positive returns as well with all ratings tranches generating gains due to a relatively stronger technical in the underlying loan market.[4] U.S. CLO origination slowed during the month amid wider liability costs and limited loan supply. That said, U.S. CLO issuance for the calendar year totaled $129.32 billion, the second highest annual volume since 2001. Conversely, the CLO refinancing and reset market remained muted throughout the year due to unfavorable spread conditions.[5]

U.S. investment grade bonds performed in line with fixed rate peers, returning -0.45%[6] in December amid range-bound credit spreads and renewed concerns surrounding growth and recession risks.

In Europe, high yield bonds and leveraged loans returned -0.67%[7] and 0.34%[8], respectively. European credit markets rallied into December following downside surprises from U.S. and Euro Area inflation; however, markets retraced gains during the second half of the month amid rising rates and hawkish central bank rhetoric.

Market Outlook

Market participants begin 2023 on a cautiously optimistic note after a tumultuous 2022; however, the threat of a recession and continued macroeconomic uncertainty looms over the leveraged credit markets. Current expectations are for a challenging macro environment in the year ahead amid slowing GDP growth, persistent inflation, further ratings decompression and wider credit spreads. U.S. inflation decreased for the second consecutive month in December, driven by cooling inflation in goods and energy prices, signaling a successful 2022 campaign of rate hikes. While inflation continues to decline and the outlook has improved, levels remain elevated relative to the Fed's target with challenges in services inflation. Further, we are cautious that as inflation falls, probabilities of a recession increase. Economists now place a 67.5% probability of a recession in the next 12 months in the U.S. and Europe. While labor momentum is cooling and expectations are for unemployment to rise this year, job demand, payroll growth, and wages remain robust, guiding our expectation that a recession will be shallow. From a fundamentals standpoint, issuers have reported better-than-expected Q3'2022 earnings; however, a greater percentage of companies are reducing guidance. We believe meticulous credit selection will be essential in 2023, as slower earnings growth and higher funding costs could pressure weaker balance sheets, resulting in greater credit dispersion as lower quality issuers are expected to be impacted disproportionately. As the corporate fundamental backdrop becomes more challenged, the expectation is for default rates to modestly tick higher to ~4-5% in the next 12 months, resulting in tighter valuations. Overall, we expect choppy market conditions to continue and are maintaining a steady focus on the go-forward return opportunity, with yields in the top quartile for loans and bonds.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 0.64% gross and 0.58% net for the month of December. Performance across asset classes was mixed, with the portfolio's allocations to CLO debt and bank loans being the largest contributors to performance. CLO debt continued to benefit from strong returns within the underlying loan asset class during the fourth quarter, while the portfolio's allocation to bank loans benefited from disciplined credit selection within the Single-B and Double-B rated cohorts. Meanwhile, the portfolio's high yield bond allocation weighed on performance amid the broader risk-off tone towards the end of the month.

Within corporate credit, we are overweight defensive sectors with favorable supply-demand dynamics and earnings trajectories, such as technology, with a few cyclical plays (building products), 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, such as retail and pharmaceuticals. Overall, we expect continued volatility in the months ahead and therefore are positioned defensively. Specific to structured credit, we continue to favor 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 remain underweight Europe, but are reducing our underweight exposure given decreased tail risk in the region and improved relative value versus the U.S. Importantly, we continue to view the current environment to be an attractive entry point and long-term buying opportunity given the relatively healthy fundamental backdrop alongside attractive forward return potential.

As of 31 December 2022. 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 December 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 December 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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