Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

February 2021 - Monthly Fact Sheet

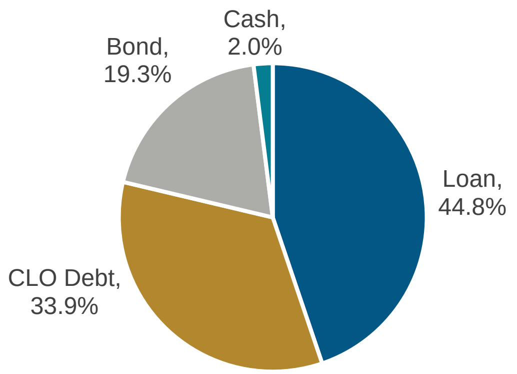
Performance	1 month %	Quarter %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return (gross)[1]	0.4	2.1	8.1	-	-	-	11.7
Fund return (net)[2]	0.3	1.9	7.7	-	-	-	11.3
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	-	-	-	0.1
Active return	**0.3**	**1.9**	**7.7**	**-**	**-**	**-**	**11.2**

[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, 28 February 2021.**

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	$8.6 M
Distribution Frequency	Monthly

Asset Class Allocation[7]



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

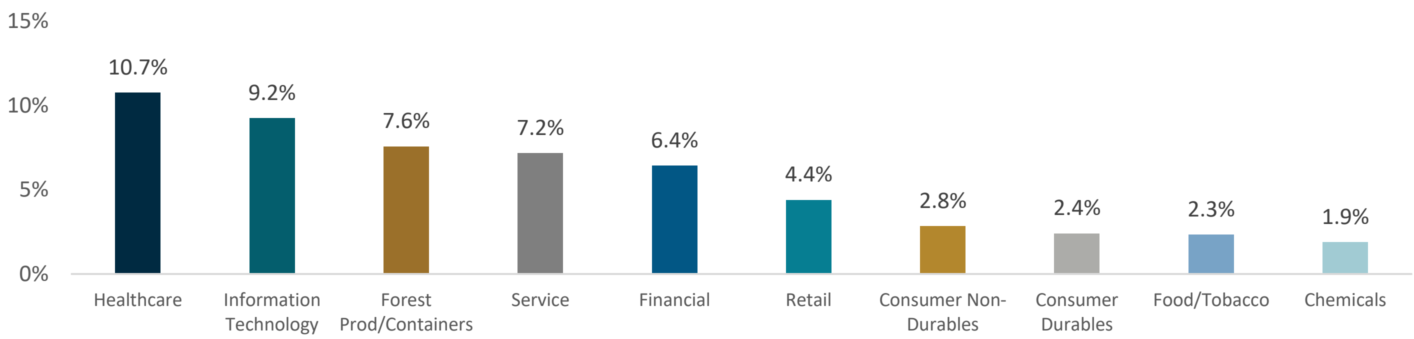
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

Diversification:[6] 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 Jan 2021
Number of issuers	76	+3
Weighted Average Spread (L+)	345	-5
Current Yield (Fx Adjusted to AUD)	3.91%	-0.09%
Yield to Worst (Fx Adjusted to AUD)	3.95%	+0.22%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	52.23%	+0.83%

Top 10 Industry Exposure (% of Total Market Value)[4]



[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.
[4] Credit Suisse Industry Distribution. Excludes collateralised loan obligations and cash (33.9% and 2.0% portfolio market value as of 28 February 2021, respectively).
[5] References to “downside protection” or similar language are not guarantees against loss of investment capital or value.
[6] Diversification does not assure profit or protect against market loss.
[7] 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.

Market Commentary

Global risk assets continued their rally during the month of February, responding favorably to an anticipated economic reopening amid continued vaccine dissemination, expectations for a $1.9 trillion stimulus package, and improving economic data. U.S. equities outperformed credit with S&P 500 returns of 2.76%[(1)] for the month, as promises of fiscal stimulus from the White House, and a pledge by the Federal Reserve ("Fed") to keep interest rates low trough at least 2023 boosted investor sentiment. As equity markets rebounded from elevated volatility in January, U.S. leveraged credit spreads continued to narrow from year-end as lower quality paper, along with more cyclical segments, drove returns.

U.S. high yield bonds posted modest gains of 0.35%[(2)], despite coming under pressure in the back half of the month as longer-dated Treasuries sold off in anticipation of a boom in economic growth and inflation. Gross high yield issuance declined month-over-month, with $38.1 billion of bonds pricing in February following $55.7 billion in January; meanwhile, outflows from high yield mutual funds and ETFs persisted[(3)]. Despite this shift in technicals from last year's unprecedented strength, refinancing activity in the asset class remained robust, limiting new money needs.

U.S. leveraged loans modestly outperformed U.S. high yield bonds in February, returning 0.67%[(4)] as investor demand for floating rate instruments increased amid rising rates and record CLO origination. Specifically, loan funds experienced a third consecutive inflow in February totalling $2.8 billion, following January and December's inflows of $4.2 billion and $390 million, respectively. Primary market activity for loans also continued at a rapid pace, with $115.9 billion of loans pricing in February, the fourth highest monthly gross issuance on record.[(3)] Gross issuance was primarily driven by refinancing and repricing activity and as a result, net issuance accounted for only 29% of the month's total volume, presenting a favorable supply/demand imbalance in the asset class.

Similarly, U.S. CLOs delivered strong returns in February, with all ratings tranches experiencing positive gains.[(5)] CLO market conditions remain supportive, as CLO debt costs have fallen sharply while the pace of liability spread tightening has exceeded most expectations this year, fueling momentum in the new issue market. Specifically, total CLO issuance, including refinancings and resets, surged to $47.3 billion across 101 deals during February.[(6)]

U.S. investment grade credit lagged the broader market rally, returning -1.44%[(7)] for the month, as heavy bond supply and a flight towards shorter duration strategies amid rising U.S. Treasury yields weighed on performance. Investment grade gross issuance totaled $104 billion in February and maturities rose to $49 billion, resulting in net issuance of $54 billion.[(3)]

Meanwhile, performance across European liquid credit markets has been firm, as European high yield bonds and leveraged loans returned 0.81%[(8)] and 0.58%[(9)], respectively, for the month. Cyclical sectors including leisure, transportation and retail, along with lower quality paper, continued to drive performance.

Market Outlook

Positive news around the approval of the Johnson & Johnson vaccine, passage of the much-anticipated $1.9 trillion stimulus package, and a pickup in the job market has provided a supportive backdrop for the corporate credit markets.

Investor sentiment was further buoyed by February's consumer demand data, including the ISM manufacturing report which implied solid manufacturing production will keep up with household demand for goods. Additionally, an increase in services payrolls over the past month suggests a broader improved outlook on the pandemic, and we expect this momentum to continue as restrictions ease. Amid these factors, we are expecting a rising rate environment due to higher inflation and growth, which has historically proven to be generally beneficial for credit assets, similar to the environment in 2017. Although positive indicators provide hope for a strong recovery (soon), we are cognizant of potential headwinds, including the sizable employment gap and more transmissible variants of the COVID-19 virus, which may stall economic activity. We expect near-term bouts of volatility due to the continued vaccine rollout and varied state reopening plans, but we are actively monitoring our portfolios and are seeking attractive opportunities across evolving market conditions.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in February, benefitting from the continued 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 bank loans, which benefited from a supportive technical environment. We saw investors rotate into floating rate assets to hedge against potential interest rate risk and CLO formation remained strong during the month, which buoyed the loan asset class. Specifically, performance was driven by the Single-B cohort in both the high yield and bank loan allocations, as lower quality paper outperformed in February due to increased appetite for risk. Within the Structured Credit allocation, the Fund's CLO Debt exposure was accretive to performance, as a steepening yield curve bolstered investor demand for floating rate CLO debt tranches. In terms of portfolio positioning, we took profits on our below-investment grade bond exposure and rotated into Single-B loans and CLO debt securities. Within our loan allocation, we've been very active in the new issue market and continue to rotate into new, call protected loans, with Libor floors. From a sector perspective, we continue to be defensively positioned in sectors that are less likely to be impacted by COVID-19 setbacks, such as packaging, health services, software, and certain segments of media/telecom, as well as utilities.

We believe the macro environment remains generally favorable for leveraged credit markets and expect the passage of a $1.9 trillion stimulus package and momentum in vaccine dissemination in support sentiment over the near term. Economists surveyed by the Wall Street Journal now forecast 5.95% growth in 2021, which has increased by more than 100bps over the past month. Additionally, President Biden recently announced his plan to make all adults eligible in the U.S. for the vaccine by May 1, 2021. Against this constructive backdrop, we believe corporate balance sheets will continue to repair themselves and default rates will trend lower. However, we expect a bumpy road to recovery and anticipate an elevated level of idiosyncratic credit events looking into H2'21 and beyond. We expect the market to shift from beta to alpha opportunities in the coming year, and believe in this type of environment, credit selection is paramount and loss avoidance is key to "winning". Therefore, we believe the Ares Global Credit Income Fund is well-positioned to deliver attractive returns due to our disciplined investment process rooted in fundamental credit selection, relative value analysis, and rigorous risk management.

As of 28 February 2021. Sources: (1) S&P 500. (2) The ICE BofA US High Yield Index ("H0A0"). (3) JPM. (4) Credit Suisse Leveraged Loan Index. (5) CLOIE. (6) LevFin Insights. (7) Bloomberg Barclays U.S. Aggregate Bond Index. (8) ICE BofA European Currency High Yield Constrained Index Hedged to EUR. (9) 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 28 February 2021 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 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 investment information herein is as of 28 February 2021 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.
REF: AAM-00103

For further information, please contact:

Fidante Partners Investor Services | **p:** 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com

---