Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

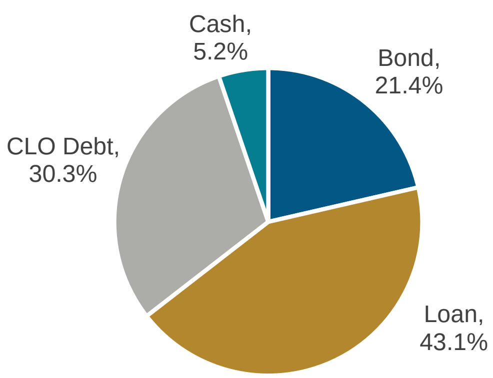
January 2021 - Monthly Fact Sheet

Performance	1 month %	Quarter %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return (gross)[1]	0.8	3.6	7.6	-	-	-	11.3
Fund return (net)[2]	0.7	3.4	7.4	-	-	-	10.9
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	-	-	-	0.1
Active return	**0.7**	**3.4**	**7.3**	**-**	**-**	**-**	**10.8**

[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 January 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.

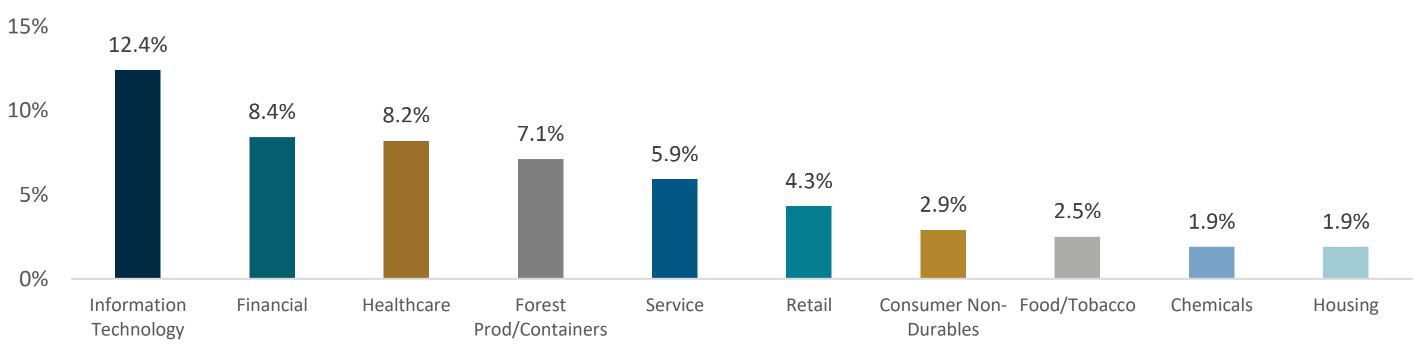
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 Dec 2020
Number of issuers	73	-4
Weighted Average Spread (L+)	350	0
Current Yield (Fx Adjusted to AUD)	4.00%	+0.08%
Yield to Worst (Fx Adjusted to AUD)	3.73%	+0.04%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	51.40%	-0.27%

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 (30.3% and 5.2% portfolio market value as of 31 January 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 year-end rally during the month of January on the back of continued fiscal support, accommodative global monetary policy, and increased vaccine distribution. U.S. equities underperformed credit with S&P 500 returns of -1.02%[(1)] in January, driven by the volatility of web-based trading in speculative securities and persistently high COVID-19 infection cases. Spreads in U.S. leveraged credit continued to narrow from year-end and lower quality paper, along with more cyclical segments, drove returns.

U.S. high yield bond yields rose modestly off a record low in January amid equity volatility, earnings, and an active primary, returning 0.38%[(2)] for the month, outperforming U.S. treasuries, investment grade bonds, and emerging market bonds. Capital markets capitalized on historic low yields, resulting in robust high yield gross issuance of $55.7 billion and $43.0 billion of refinancing transactions.[(3)]

U.S. leveraged loans outperformed U.S. high yield bonds in January, returning 1.27%[(4)], as investor demand for floating rate instruments increased amid the potential for rising interest rates. The lower quality cohort drove strong performance as Triple-C rated loans outperformed Single-B and Double-B rated loans. After a stretch of 26 months of cumulative outflows, U.S. loan funds reported a second consecutive inflow in January of $3.2 billion, following December's $390 million inflow.[(3)] Meanwhile, primary market activity in U.S. loans surged during January to the ninth highest monthly issuance on record, owing to a wave of repricing activity. Notably, there were no defaults or distressed transactions in January for the first time since August 2018. Including distressed exchanges, the U.S. high yield and leveraged loan default rates decreased to 6.63% and 4.11%, respectively.[(3)]

Similarly, U.S. CLOs delivered strong returns in January, with all ratings tranches experiencing positive gains. Tighter prints for Triple-A CLO tranches, tightening liability costs and strong CLO creation provided attractive market conditions.[(5)]

U.S. investment grade credit lagged the broader market rally, returning -0.72%[(6)] for the month, as investors reached for risk with investment-grade spreads trading at all-time tight levels in conjunction with the longest duration in the asset class' history.[(7)]

Meanwhile, the European liquid credit markets experienced a firm start to the year, as European high yield bonds and leveraged loans returned 0.46%[(8)] and 0.91%[(9)], respectively. Many of the tailwinds that bolstered these markets throughout the final months of 2020 remained firmly in place, namely strong demand dynamics, accommodative monetary and fiscal policy, and optimism surrounding the rollout of COVID-19 vaccines.

Market Outlook

2021 began with a rocky start, as political tensions came to a head at the Capitol building in early January, U.S. COVID-19 cases rose to an all-time high and equity markets experienced heightened volatility. Credit markets largely shrugged off these events, looking forward to expectations of a broader global recovery in 2021. Unemployment fell to 6.3% in January from 6.7%, a slight improvement as job gains in professional and business services were offset by continued losses in COVID-19 affected sectors such as leisure and hospitality. However, this provided a small victory and a positive indication of a slow but continued recovery. Additional relief measures are expected, as the Biden administration plans to use the modest jobs report to push forward a $1.9 trillion stimulus plan.

We believe that this fiscal stimulus package, in conjunction with an accommodative Federal Reserve ("Fed") policy and a vaccine rollout across countries, will provide a much-needed tailwind for the economy. In addition to supportive macroeconomic conditions, we expect continued firm technicals and a benign default environment to buoy credit markets over the intermediate term. Although default rates for high yield and loans increased in 2020, defaults have trended lower over the last few months and are expected to be muted in 2021 and 2022. We believe that the recovery will be uneven, leading to increased credit dispersion and underscoring the need for an active credit manager. We believe that the current market presents an attractive opportunity to generate current income and capitalize on episodic volatility amid a supportive macroeconomic backdrop.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in January, 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. Loans benefited from a supportive technical environment in January as investors began to rotate into floating rate assets to hedge potential interest rate risk and CLO formation remained strong during the month. Specifically, performance continues to be driven by lower quality paper, which outperformed in January due to increased appetite for risk. Within the Structured Credit allocation, the Fund's CLO Debt exposure was accretive to performance, as demand for floating rate CLO tranches remained robust amid attractive CLO market conditions from both a liability and asset-sourcing perspective. In terms of portfolio positioning, we took profits on our CLO debt exposure and rotated into below-investment grade bonds and loans. Within our loan allocation, we've been very active in the new issue market and continue to rotate the allocation into new, call protected loans, with Libor floors. Within the Fund's bond allocation, we are focused on lower-duration and higher-coupon securities, and adding duration selectively where steeper credit curves are compelling. 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 health services, software, certain segments of media/telecom, and utilities.

We believe the macro environment remains generally favorable for leveraged credit markets this year, with an accommodative Federal Reserve and a high likelihood of additional fiscal stimulus. GDP is expected to grow +5%, and earnings and revenue for the S&P 500 are set to increase 23% and 8%, respectively. Against this 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're closely monitoring potential key risks facing the market in 2021, including delays in the vaccine roll-out, negative headlines relating to vaccine efficacy, potential for rising rates, and concerns about the continued viability of certain companies given their new debt loads. 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.

(1) S&P 500. (2) The ICE BofA US High Yield Index ("H0A0"). (3) JPM. (4) Credit Suisse Leveraged Loan Index. (5) CLOIE. (6) Bloomberg Barclays U.S. Aggregate Bond Index. (7) Goldman Sachs. (8) ICE BofA European Currency High Yield Constrained Index Hedged to EUR. (9) Credit Suisse Western European Leveraged Loan Index Hedged to EUR.

Zenith Investment Partners

HIGHLY RECOMMENDED
Recommended
APPROVED
NOT RATED
REDEEM

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 January2021 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 31 January 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-00090

For further information, please contact:

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

---