Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

July 2020 - Monthly Fact Sheet

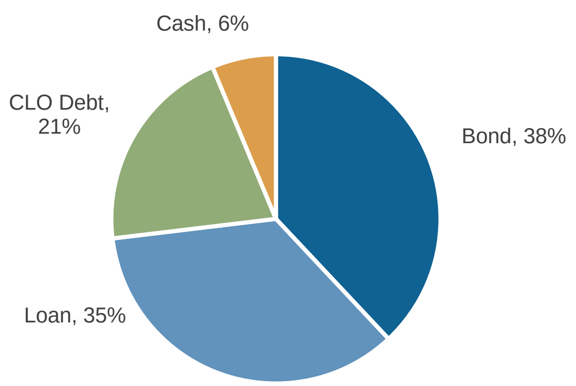
Performance	1 month %	Quarter %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return (net)[1]	1.8	-	-	-	-	-	5.1
Bloomberg AusBond Bank Bill Index	0.0	-	-	-	-	-	0.0
Active return	**1.8**	**-**	**-**	**-**	**-**	**-**	**5.1**

[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 July 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]	+0.35% / -0.35%
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.

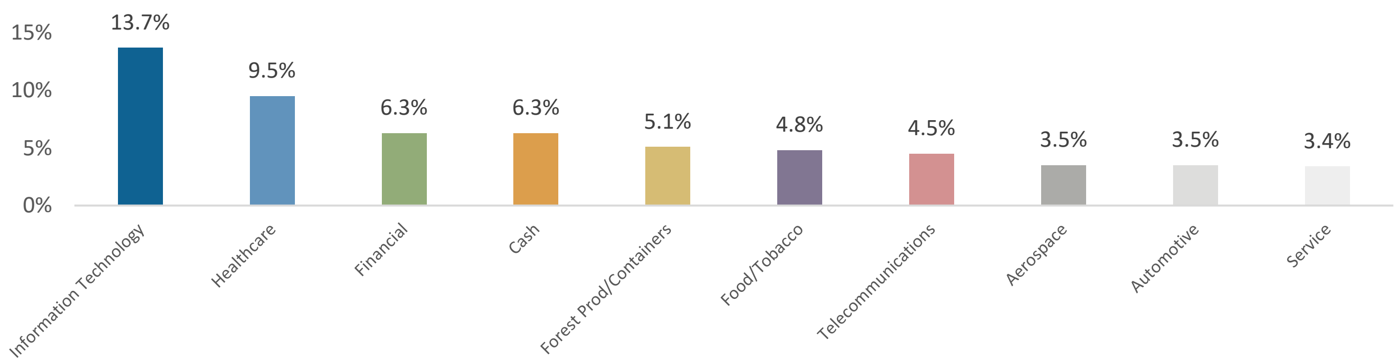
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 30 June 2020
Number of issuers	85	-
Weighted Average Spread (L+)	272	+2
Current Yield (Fx Adjusted to AUD)	3.54%	-0.27%
Yield to Worst (Fx Adjusted to AUD)	3.15%	-0.46%
Weighted Average Credit Quality (S&P)	BB	-
Total Investment Grade Exposure	50%	-

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



[2] Excludes collateralised loan obligations (21% of the portfolio, as of 31 July 2020).
[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

Risk assets globally continued to rally in July, despite investor concerns around the resurgence of COVID-19 cases domestically and internationally, looming fiscal cliffs, and broad social unrest ahead of U.S. elections. In the global corporate credit markets, spreads grinded tighter as investor sentiment was bolstered by better-than-expected Q2'20 earnings, robust demand, and positive news around COVID-19 vaccine development.

Despite uncertain fundamentals and elevated defaults, slower summer supply and continued inflows provided a supportive technical backdrop for the U.S. high yield market as investors chased existing paper. U.S. high yield bonds returned 4.78% in July, resulting in approximately 270bps of outperformance versus U.S. syndicated loans, the largest gap since September 2009[1]. Total returns were strong across the rating spectrum, led by BB-rated bonds, which are outperforming year-to-date as well. U.S. high grade bond spreads and yields rallied alongside the high yield market in July, returning 3.13% for the month[2]. Investor sentiment was supported by the extension and expansion of the Federal Reserve's ("the Fed") Secondary Market Corporate[3] Credit Facility ("SMCCF") and Primary Market Corporate Credit Facility ("PMCCF") bond purchasing programs. The Fed's purchases have been focused in the high grade bond market, providing necessary liquidity to 70% of issuers in the index.

U.S. syndicated loans experienced modest gains during the month, led by single-B rated loans which returned 2.15% compared to 1.74% and 1.86% by BB-rated and Split B / CCC-rated cohorts, respectively[4]. Although the retracement has slowed, loan spreads (3Y discount margin) have been able to reclaim 646 bps of the 822 bps of initial spread widening, and average prices have recovered to $91 from lows of $76[4]. However, technicals remain uncertain, with continued retail outflows and pressure on the CLO holder base due to downgrade risk.

In Europe, the high yield bond market outperformed loans over the month while loans continue to lead the way on a year-to-date basis. European high yield and syndicated loans posted returns of 1.77% and 0.82%, respectively[5]. Firm technicals, steady inflows and the agreement of the EU's Recovery Fund buoyed investor sentiment. Specifically, EU member states signed off on a recovery fund, a €750bn package comprised of loans and grants to support economies within the bloc that have been impacted by the COVID-19 pandemic.

The Ares Global Credit Income Fund ("the Fund") experienced strong performance during July, 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 across the ratings spectrum. From a sector perspective, non-cyclical industries such as healthcare and technology boosted portfolio performance. In addition, the Fund continued to benefit from active trading in the primary market, capitalizing on tactical purchases of new issues offering attractive yield premiums.

In terms of portfolio positioning, 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 amid ongoing volatility and remain defensively positioned overall while seeking opportunities in new issuance and disproportionately affected credits. We remain focused on companies 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

Risk assets have continued to rally into August driven by the progression of another fiscal stimulus package in the U.S. The retracement of global corporate credit markets has pushed asset prices to or near pre-dislocation levels, despite the sharp contraction in global GDP and an elevated unemployment rate. From an earnings perspective, while 81% of the S&P 500 beat expectations, revenue and earnings per share (EPS) growth remain negative. Much of the recent rally, if not all, has been shaped by stimulus packages in the U.S., which total ~30% of GDP. As such, the disconnect between corporate fundamentals and market technicals continues to widen, inciting investor concerns that credit spreads are not reflective of the market's systemic challenges. Additional potential headwinds for the global corporate credit markets include a potential pick-up in supply, increasing leverage amongst issuers, and uncertainty around the upcoming U.S. elections. Despite technical tailwinds, moving forward we remain focused on high-quality issuers and continue to closely monitor the pandemic and its impact on the global economy. Given the uncertain backdrop, we expect volatility to persist and will continue to utilize the full depth and breadth of the platform as we seek to actively rotate exposures and generate attractive risk-adjusted returns.

As of July 31, 2020. Sources (1) ICE BofA High Yield Master II Index, Credit Suisse Leveraged Loan Index. (2) J.P. Morgan U.S. Liquid Investment Grade Index. (3) J.P. Morgan High Grade Strategy Research Newsletter. (4) Credit Suisse Leveraged Loan Index. (5) ICE BofA European Currency High Yield Constrained Index and 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 July 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 July 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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