Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

July 2021 - Monthly Fact Sheet

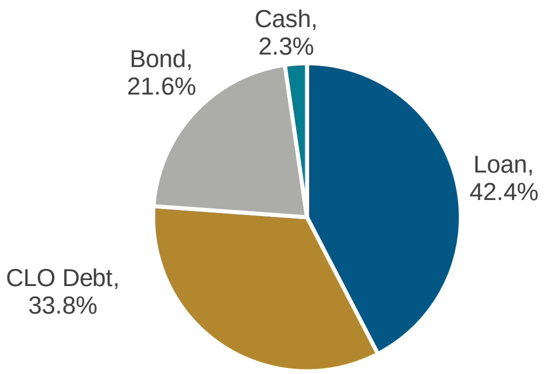
Performance	1 Month %	3 Month %	FYTD %	1-Year %	3-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.5	1.5	0.5	8.6	-	-	11.4
Fund return (net)[2]	0.4	1.3	0.4	8.0	-	-	10.8
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.1	-	-	0.1
Active return	**0.4**	**1.3**	**0.4**	**8.0**	**-**	**-**	**10.7**

[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 July 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	$9.2 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.

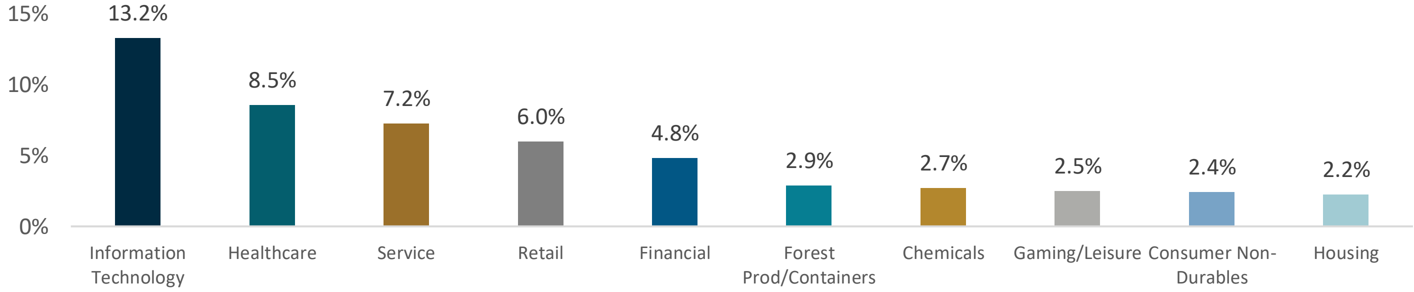
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 June 2021
Number of issuers	107	+8
Weighted Average Spread (L+)	353	-
Current Yield (Fx Adjusted to AUD)	3.89%	-0.13%
Yield to Worst (Fx Adjusted to AUD)	4.12%	-0.14%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	50.44%	-0.28%

Top 10 Industry Exposure (% of Total Market Value)[7]



[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] 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] Credit Suisse Industry Distribution. Excludes collateralised loan obligations and cash (33.8% and 2.3% portfolio market value as of 31 July 2021, respectively).

Market Commentary

Global risk assets continued to rally in July, albeit at a slightly slower pace, as the proliferation of the Delta strain of COVID-19 and increasing vaccine breakthrough cases overshadowed positive fundamental and technical tailwinds including strong Q2'2021 corporate earnings results, continued fiscal support, and steadily increasing vaccination rates. Despite bouts of volatility throughout the month, equities outperformed credit with the S&P 500 returning 2.38%[(1)] in July.

U.S. high yield bonds posted modest gains, returning 0.36%[(2)] in July, amid significant curve flattening, strong carry and a decline in rates. Notably, lower rated bonds underperformed their higher rated counterparts. Despite representing the most active July on record, high yield issuance slowed meaningfully versus the H1 2021 monthly average. For the 15th consecutive month, the majority of issuance was refinancing activity, totalling $20.8 billion. Meanwhile, U.S. high yield funds reported -$414 million in outflows during the month, compared to -$2.0 billion and -$4.6 billion in June and May, respectively.[(3)]

Meanwhile, U.S. leveraged loans returned 0.00%[(4)] in July, amid heavy capital markets activity and declining Treasury yields. Despite rate volatility, demand for loans remained robust in July on the back of record CLO origination and continued retail inflows into loan funds, which slowed slightly but remained positive, totalling $1.3 billion.[(3)]

U.S. CLOs delivered strong returns during the month, with all ratings tranches experiencing positive gains.[(5)] CLO market conditions remain supportive as broadly stable liability spreads and steady leveraged loan supply continue to fuel robust CLO origination in 2021. Specifically, total global CLO issuance for the year-to-date period, including refinancings and resets, totals $336.1 billion.[(6)]

As it pertains to the investment grade credit market, spreads narrowed to their year-to-date tightest levels amid modest supply, steady retail inflows, and a move lower in interest rates, resulting in investment grade bonds returning 1.12%[(7)]. Investment grade net issuance totalled $36 billion in July, down 36% month-over-month.[(3)]

In Europe, high yield bonds and leveraged loans returned 0.40%[(8)] and 0.04%[(9)] during July, respectively. Strong demand for the asset classes helped digest heavy supply, as European new issues continue to print at a record pace.

Market Outlook

Markets entered August with a softer tone as the Delta variant continued to proliferate globally and cause governments to re-instate certain restrictions. Rising COVID-19 cases and hospitalization counts have reignited concerns among the public, resulting in a pullback of consumer activity and underperformance in domestic-focused reopening names. Although a rise in cases is concerning, we believe it is unlikely that the U.S. will instigate further lockdowns and expect improving fundamentals and healthy payrolls data to support investor confidence. With regards to monetary policy, the Federal Reserve ("the Fed") has communicated that it will continue its support until "substantial further progress has been achieved"; however, also acknowledged that the economy has made improvements since last December. Therefore, we continue to closely monitor macroeconomic data and any signals from central banks. Lastly, we'll continue to survey the trajectory of the $1 trillion bipartisan infrastructure bill, which would be the largest infusion of federal investment into infrastructure projects in more than a decade. The mixed macro backdrop has underscored that the global reopening will be volatile and uneven. As we navigate these complex markets, we will continue to utilize the breadth and depth of the platform as we seek to generate attractive risk-adjusted returns for our investors.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in July, benefitting from the continued broad 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 high yield bonds, which benefited from a supportive technical environment. Specifically, performance for the Fund was driven by the Double-B rated cohort within the high yield allocation, as higher rated bonds outperformed their lower rated counterparts for the first time in 2021. Specific to the structured credit allocation, the Fund's CLO Debt exposure was accretive to performance, as CLO prices rallied amid strong technicals and robust CLO origination.

In terms of portfolio positioning, we took profits on certain of our Double-B and Triple-B rated bond positions and rotated into Double-B and Single-B rated loans and IG CLO debt securities. Despite the recent decline in interest rates, we still believe rates are biased upwards; therefore, we remain focused on bonds with spread-tightening potential by upward credit migration. Within the portfolio's loan allocation, we remain focused on second lien loans with Libor floors as we seek to maximize carry rather than chase deeply discounted credits. We are constructive on both the loan new issue and secondary markets, as the active primary calendar has put pressure on secondary pricing; and as a result, the percentage of the loan market trading above par is at its lowest level this year. Specific to the structured credit allocation, we continue to favor transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. From a sector perspective, we remain overweight core positions in defensive sectors, while reducing our exposure to COVID-19 affected credits amid increasing concerns surrounding the Delta variant.

We continue to view the current market environment to be in a reflationary, mid-cycle phase, and remain constructive on global leveraged credit markets as growth supports the fundamental recovery and the default environment continues to improve, with default forecasts decreasing by nearly 300 bps since the beginning of the year. While we anticipate that accommodative monetary and fiscal policy, as well as increased vaccination rates, will continue to be key factors in driving a supportive technical backdrop, we are closely monitoring the impact of the Delta variant, vaccine durability, rising interest rates and potential inflation.

As of 31 July 2021. Sources: (1) S&P 500. (2) ICE BofA US High Yield Index. (3) JPM. (4) Credit Suisse Leveraged Loan Index. (5) CLOIE. (6) LCD. (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 31 July 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 31 July 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.
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