Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

July 2022 - Monthly Fact Sheet

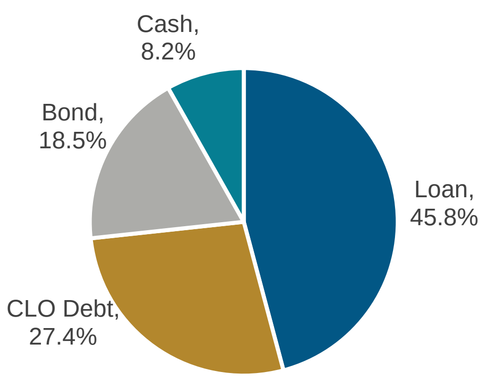
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	1.9	-2.5	1.9	-2.4	3.0	-	5.1
Fund return (net)[2]	1.8	-2.7	1.8	-3.0	2.4	-	4.4
Bloomberg AusBond Bank Bill Index	0.1	0.2	0.1	0.2	0.1	-	0.1
Active return	**1.7**	**-2.9**	**1.7**	**-3.3**	**2.2**	**-**	**4.3**

[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 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]	+0.45% / -0.45%
Strategy FUM	$42.2 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.

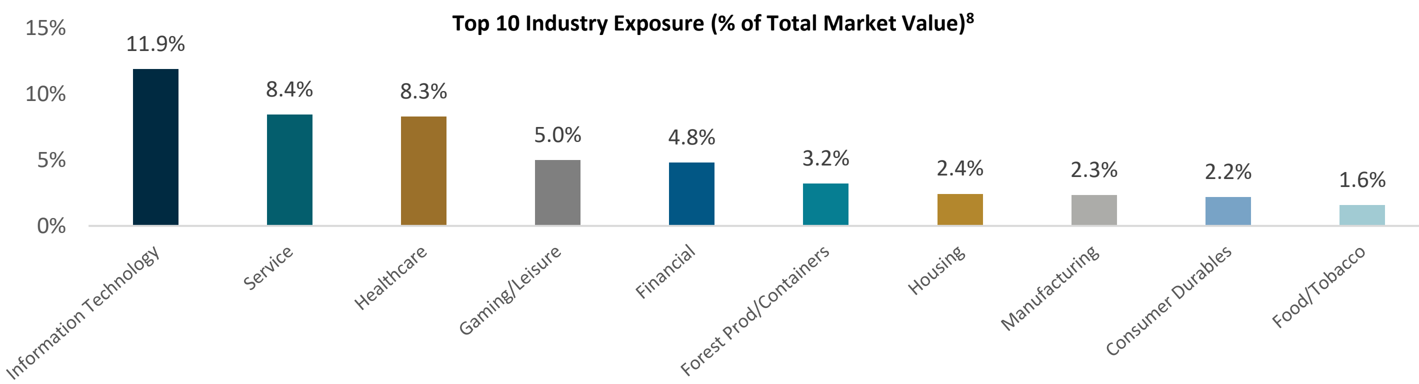
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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 Jun 2022
Number of issuers	233	+5
Weighted Average Spread (L+)	325	-8
Current Yield (Fx Adjusted to AUD)	5.20%	+0.33%
Yield to Worst (Fx Adjusted to AUD)	6.67%	-0.98%
Weighted Average Credit Quality[7]	BB	+1
Total Investment Grade Exposure	58.53%	+3.59%



[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 collateralised loan obligations and cash (27.4% and 8.2% portfolio market value as of 31 July 2022, respectively).

Market Commentary

During July, global risk assets rallied as better-than-expected earnings, declining energy prices and a supportive technical backdrop overshadowed investor concerns surrounding persistent inflation and increased recession risk.

U.S. high yield bonds posted their strongest monthly return since October 2011, returning 6.02%[1] in July, as the asset class was buoyed by minimal supply and robust retail fund inflows. Specifically, U.S. high yield primary market activity slowed amid rising borrowing costs, with only four bonds pricing for a total of $1.8 billion over the course of the month, following $9.7 billion in June. Meanwhile, U.S. high yield funds reported retail inflows of $4.0 billion in July, following six consecutive months of outflows.[2]

Similarly, U.S. loans returned 1.87%[3] for the month as prices recovered due to a firmer loan technical. Specifically, primary market activity slowed, with $3.5 billion of loan paper pricing over the course of the month, marking the second lowest gross monthly issuance for the asset class since 2010. Meanwhile, loan funds reported retail outflows of $3.7 billion in July, following $5.5 billion of outflows in June.[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] CLO origination remained fairly resilient in July as managers continued to take advantage of discounted loan prices. However, widening liability costs, recovering loan prices and limited loan supply is expected to delay the pricing of new CLO deals in August.

Despite a pickup in new issuance during the month, U.S. investment grade bonds rallied alongside risk assets, returning 2.44%[5] in July.

In Europe, high yield bonds and leveraged loans returned 4.85%[6] and 2.37%[7] in July, respectively. Spreads widened during the first half of the month due to concerns surrounding ongoing recession risk, geopolitical uncertainties, and central bank hawkishness, with the European Central Bank hiking rates for the first time in ten years. However, European leveraged credit markets rallied towards month-end amid healthier-than-expected corporate earnings and easing supply chain issues. Meanwhile, European high yield bond and loan supply volumes were muted during the month as issuers postponed the launch of new deals amid a lack of liquidity and higher rates.

Market Outlook

Credit markets continued to rally into early August as solid corporate earnings and stronger-than-expected employment reports assuaged investor fears of a near-term recession. Economic data currently presents a mixed picture – inflationary pressures evident in the latest Consumer Price Index and Employment Cost Index readings point to an overheating economy, while U.S. GDP contracted at an annual rate of 0.9% in Q2'2022, marking the second consecutive quarter of negative growth. That said, economists believe the U.S. economy has not yet slipped into a recession as job growth and labor income remain robust, and balance sheets remain healthy.

While the probability of a recession has increased and central banks continue to signal that growth may be hindered until inflation comes under control, default rates should remain muted relative to previous recessionary periods as issuers are well-positioned to service their debt, maturities have been pushed out and liquidity shored up. Looking ahead, we expect bouts of volatility to arise driven by a variety of macroeconomic and exogenous headwinds; however, we believe valuations have already priced in many of these risk factors. While there continues to be significant uncertainty about the future of the economy and global growth, we believe we are well positioned to capitalize on broader macro volatility due to our focus on bottom-up, fundamental credit analysis, downside protection8, and the experience and breadth of the Ares platform.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 1.87% gross and 1.80% net for the month of July. All of the Fund's underlying asset categories were positive contributors to returns, with the primary drivers of performance being its exposure to high yield bonds and bank loans, as the asset classes were buoyed by a supportive technical environment. Similarly, the portfolio's structured credit allocations positively contributed to performance during the month, as floating rate instruments benefitted from a firmer loan technical.

During the month, we continued to proactively manage exposures across the portfolio to identify opportunities created by shifts in sentiment on rates, growth expectations, and idiosyncratic credit news. Within corporate credit, we remain overweight defensive sectors with favourable supply-demand dynamics and earnings trajectories, such as technology and packaging, and underweight global cyclical sectors lacking clear bottom-up catalysts, such as retail and pharmaceuticals. From a geographical perspective, we have been gradually decreasing our European exposure given increased tail risk in the region. We have maintained our overall exposure to structured credit given the yield premium, which has moved up in recent weeks. We continue to favour CLO transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. More broadly, we remain overweight floating rate assets and are more focused on credit risk versus interest rate risk at present, though remain modestly underweight duration given expectations of muted economic growth and tighter financial conditions in the months ahead. Further, we are taking advantage of situations where we can be a liquidity provider in this challenging market environment and are running a higher-than-normal cash balance in order to play offense.

Looking forward, we are keeping close watch on the developments in Ukraine and China and the resulting economic impacts, central bank policies, as well as any idiosyncratic events that may arise in this unpredictable environment. Given the wide array of potential sources of volatility, we believe a keen focus on downside protection through disciplined credit selection combined with nimble and active management is critical to mitigating risk and taking advantage of mispriced and misunderstood assets. We view the Fund to be well-positioned to capitalize on broader macro volatility due to our disciplined investment process rooted in fundamental credit selection, relative value analysis, and rigorous risk management.

As of 31 July 2022. Sources: (1) ICE BofA US High Yield Index "H0A0", (2) JPM, (3) Credit Suisse Leveraged Loan Index "CSLLI", (4) CLOIE, (5) Bloomberg Barclays U.S. Aggregate Bond Index, (6) ICE BofA European Currency High Yield Constrained Index Hedged to EUR, (7) 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 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 July 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.

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This material has been prepared by Ares Australia Management Pty Ltd ABN 51 636 490 732 (AAM), the investment manager of the Ares Global Credit Income Fund (ARSN 639 123 112) (the Fund) and is current as at the date of publication. AAM is an Authorised Representative No. 001280423 of Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante). Fidante is a member of the Challenger Limited group of companies (Challenger Group) and is the issuer and responsible entity of the Fund. Other than information which is sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this publication, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund(s). To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not indicative of future performance. Any projections are based on assumptions which we believe are reasonable but are subject to change and should not be relied upon. Fidante has entered into arrangements with Ares and AAM in connection with the distribution and administration of financial products managed by Ares or AAM. In connection with those arrangements, Fidante or AAM may receive remuneration or other benefits. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. The performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group nor AAM or its related bodies corporate.

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