Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

June 2020 - Monthly Fact Sheet

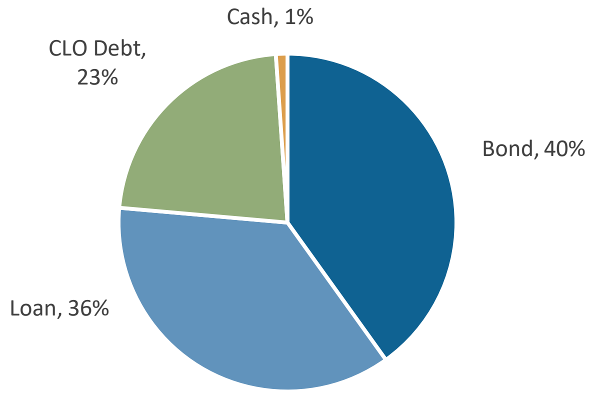
Performance[1]	1 month %	Quarter %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return (net)	1.2	-	-	-	-	-	3.3
Bloomberg AusBond Bank Bill Index	0.0	-	-	-	-	-	0.0
Active return	**1.2**	**-**	**-**	**-**	**-**	**-**	**3.3**

[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, 30 June 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	$8.5 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.

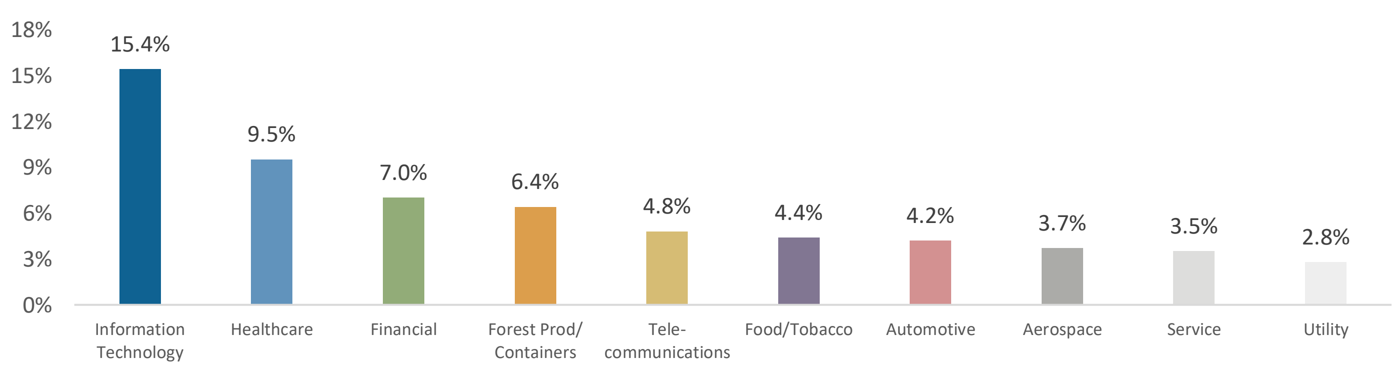
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 to deliver compelling risk-adjusted returns through market cycles.

Key Attributes	Fund	Change from 31 May 2020
Number of issuers	85	-
Weighted Average Spread (L+)	270	-
Current Yield (Fx Adjusted to AUD)	3.81%	-
Yield to Worst (Fx Adjusted to AUD)	3.61%	-
Weighted Average Credit Quality (S&P)	BB	-
Total Investment Grade Exposure	50%	-

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



[2] Excludes collateralised loan obligations (23% of the portfolio, as of 30 June 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

The leveraged loan and high yield bond market recovery stalled in the first half of June despite continued support from the U.S. Federal Reserve (the "Fed") as COVID-19 cases spiked across the U.S. and regional re-openings reversed. While the market continued to digest heavy new issue, we saw spreads grind tighter as the month progressed.

While the Fed's support has provided a positive tailwind for the high yield market, it is clear that investors remain concerned around an uptick in virus cases. The record pace of retail inflows slowed in mid-June after $47.7bn of inflows over the 12-week period ending June 17, 2020[(1)]. However, high yield bonds still posted the strongest quarterly performance of 9.61% since Q3 2019[(1)]. COVID-affected sectors seemed able to access the capital markets, with new issuance reaching $61.5bn, driven by Gaming and Media / Telecom and lower-rated paper[(1)].

Spreads and prices remained relatively flat month-over-month due to weakness in higher quality BB-rated credits and a record number of defaults. During the month, the lower quality and COVID-affected sectors outperformed the rest of the market while the Energy and Retail sectors posted outsized returns[(2)]. Retail demand for loans remained relatively weak as outflows continued, albeit at a slower pace than previous months.

In Europe, June saw a continuation of the retracement trend that has gripped European leveraged credit markets since the nadir of the COVID-19 sell-off.

The monthly change in spreads paint a bullish picture; however, the intra-month moves suggest that investor sentiment has been mixed. The first week of June was particularly firm, spurred by the European Central Bank announcing an extension and expansion of their Pandemic Emergency Purchase Program (PEPP). Much of the outperformance could be seen in the lower rated parts of the market that had not participated in the first leg of the retracement. As the month rolled on, spreads began to ebb and flow in response to the prospect of further stimulus and news related to a second wave of infections. These factors continue to outweigh the reaction to economic data such as the Eurozone Purchasing Managers Indices that have staged a remarkable recovery from the lows in April.

Although overall market sentiment has signalled a degree of caution recently, the pace of new issuance has continued to accelerate for a third month in a row. This dynamic has been most prominent in the high yield market, which posted the highest monthly print on record, surpassing the previous record in January[(1)]. Notably, some of the issuers that came to the primary market in June were among those that had their original deals shelved due to the onset of the crisis.

In the portfolio, both bonds and loans benefitted from active trading as we selectively took advantage of the bounce in certain COVID-affected sectors such as Gaming/Leisure and Air Transportation. Overall, however, the portfolio remains defensively positioned in higher quality names, which lagged the broader corporate credit markets. We continue to maintain conviction in the higher-rated segments of the market, particularly within structured credit, as the default horizon broadens. Though we see pockets of opportunity in certain single-B names, we have not chased the risk rally in an effort to maintain strong downside protection.

While our focus remains on fundamental credit selection, we also continue to take advantage of the supportive technical backdrop by buying new issues in both the loan and bond markets and believe the leveraged finance markets remain attractive due to go-forward yield potential and increasing single-name dispersion. We continue to actively position the portfolio amid ongoing volatility, reducing cyclical and COVID-affected exposure while seeking opportunity in new issuance and disproportionately affected credits.

Sources: (1) JPM as of June 30, 2020. (2) Credit Suisse as of June 30, 2020.

Market Outlook

Risk assets continued to rally in June despite continued social unrest and the International Monetary Fund revising its forecast to a five percent contraction, an increase from April's three percent estimate. Central bank stimulus continued to provide much needed support to the market by expanding their balance sheet, leading to a reopening of the new issue market and record primary market activity in the second quarter. Though we expect continued pressure on fundamentals, reasons for cautious optimism exist within the leveraged credit markets. Technicals remain constructive behind a seasonally quiet new issue calendar and demand benefitting from central bank stimulus and low government yields. While we expect default rates to remain elevated, COVID-impacted sectors such as theatres, restaurants and travel were able to tap the capital markets for liquidity during the second quarter, which implies default levels may not reach the extremes envisioned earlier this year. Going into the second half of the year, our focus remains on credit fundamentals and active management as we seek to maintain our thoughtful and relentless approach to navigating against unprecedented market conditions. Moving forward, we continue to closely monitor the pandemic and its impact on the global economy as well as additional sources of volatility such as the upcoming U.S. elections. Given the uncertain backdrop, we expect volatility to persist and will continue to utilise the full depth and breadth of the platform as we seek to actively rotate exposures and generate attractive risk-adjusted returns.

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 30 June 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 30 June 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.

For further information, please contact:

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