Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

June 2022 - Monthly Fact Sheet

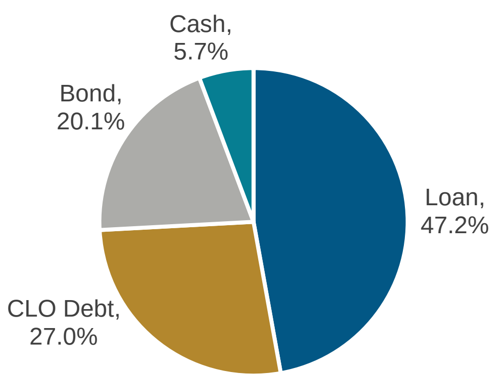
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	-1.9	-4.6	-3.7	-3.7	3.0	-	4.4
Fund return (net)[2]	-1.9	-4.7	-4.4	-4.4	2.3	-	3.7
Bloomberg AusBond Bank Bill Index	0.1	0.1	0.1	0.1	0.1	-	0.1
Active return	**-2.0**	**-4.8**	**-4.5**	**-4.5**	**2.3**	**-**	**3.6**

[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, 30 June 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	$36.2 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.

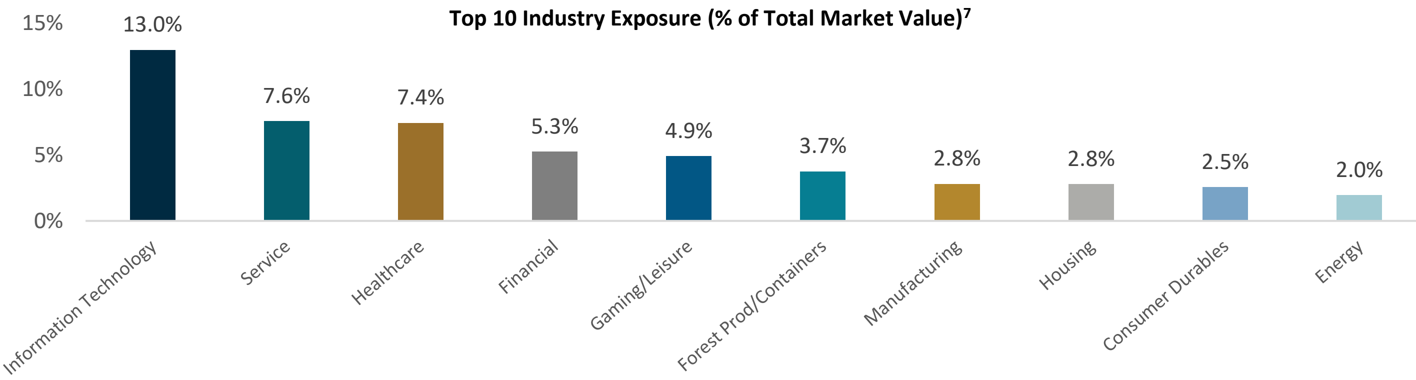
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 31 May 2022
Number of issuers	228	+9
Weighted Average Spread (L+)	333	-9
Current Yield (Fx Adjusted to AUD)	4.87%	+0.64%
Yield to Worst (Fx Adjusted to AUD)	7.65%	+1.07%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	54.94%	+0.39%

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



[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] Credit Suisse Industry Distribution. Excludes collateralised loan obligations and cash (27.0% and 5.7% portfolio market value as of 30 June 2022, respectively).

Market Commentary

Volatility has continued to permeate global capital markets as central bank hawkishness, elevated inflation, and mounting recession fears weigh on investor sentiment. As a result, credit markets experienced increased dispersion and wider spreads in June, and market conditions continue to evolve.

U.S. high yield bonds endured their second largest spread widening since 2008, returning -6.81%[1] in June, as tighter monetary policy, geopolitical crises and inflationary pressures continued to challenge global economies, supply chain dynamics and consumer sentiment. U.S. high yield primary market activity slowed amid rising borrowing costs, with only nine bonds pricing for $9.7 billion over the course of the month. Meanwhile, U.S. high yield funds reported retail outflows of $7.4 billion in June.[2]

The average price of syndicated loans declined to their lowest level since June 2020, returning -2.06%[3] during the month, as elevated recession risk, large retail outflows, and a growing forward calendar weighed on the asset class. Specifically, loan funds reported retail outflows of $4.1 billion in June, following $4.4 billion of outflows in May. Meanwhile, primary market activity moderated, with $16.3 billion of loan paper pricing over the course of the month, following $17.3 billion in May.[2]

Collateralized Loan Obligations (CLOs) debt securities posted negative returns with all ratings tranches experiencing mark-to-market losses due to the weaker technical in the underlying loan market.[4] Despite wider liability spreads and limited loan supply, CLO origination remained fairly resilient in June as managers continued to take advantage of discounted loan prices.

U.S. investment grade bonds outperformed risk assets, returning -1.57%[5] during the month, as a flight to quality and relatively slow supply provided a supportive technical backdrop for the asset class.

In Europe, high yield bonds and leveraged loans returned -6.86%[6] and -3.80%[7], respectively. European credit spreads widened in June amid elevated inflation, hawkish signals from the European Central Bank and weaker consumer sentiment. Further, the conflict in Eastern Europe continued to challenge supply chain dynamics, specifically in the energy sector. Meanwhile, a handful of new issues priced in the European high yield and bank loan primary markets near month-end, as banks pushed to launch underwritten deals that were postponed earlier in the year.[2]

Market Outlook

The global economy presents a mixed picture as we enter the second half of 2022. Credit markets continue to be under pressure amid a risk-off environment and sustained macro uncertainty. Leading indicators are below average health and momentum is negative, suggesting a recession is likely. Specifically, the rapid decrease in the Conference Board Leading Economic Index (“LEI”) has caused recession probabilities to increase to 40-50%. Further, year-over-year inflation within the U.S. has risen to 9.1% in June, which continues to challenge global economies, supply chain dynamics, and consumer sentiment. While we expect volatility to persist in the months ahead driven by a variety of macroeconomic and exogenous headwinds, we believe valuations are already pricing in many of these risk factors. Further, corporate and consumer balance sheets are healthier than past pre-recessionary periods and unemployment continues to be low / in-line with pre-pandemic averages. While a recession is likely and central banks continue to signal that growth may be hindered until inflation comes under control, default rates should remain muted relative to previous dislocations as issuers are well-positioned to service their debt, maturities have been pushed out and liquidity shored up. Although there is significant uncertainty about the future of the economy and the global landscape, we believe we are well positioned to navigate broader macro volatility due to our focus on bottom-up, fundamental credit analysis, downside protection[8], and the experience and breadth of the Ares platform.

Fund Commentary

The Ares Global Credit Income Fund (“AGCIF” or the “Fund”) returned -1.89% gross and -1.95% net for the month of June. All asset classes in the portfolio came under pressure during the quarter, with the portfolio’s allocations to high yield and bank loans being the largest detractors from performance. In addition, CLOs continued to be under pressure due to weakness in the underlying loan market.

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 are overweight defensive sectors with favorable 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. Within the Fund’s structured credit allocation, we continue to take advantage of the yield premium in CLO debt relative to corporate credit and continue to favor transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. More broadly, we remain overweight floating rate assets but are more focused on credit risk versus interest rate risk at present, though remain modestly underweight duration given expectations of slower economic growth and tighter financial conditions. Further, we are taking advantage of situations where we are able to provide liquidity and are running a higher-than-normal cash balance to play offense and be a liquidity provider in this challenging market environment.

Against the backdrop of wider spreads and increased volatility, global leveraged credit yields have reset to higher levels, and the convexity profile has improved, presenting an attractive opportunity for yield-focused investors. Looking forward, we are keeping close watch on the developments in Ukraine 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 navigate broader macro volatility due to our disciplined investment process rooted in fundamental credit selection, relative value analysis, and rigorous risk management.

As of 30 June 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. (8) References to “downside protection” or similar language are not guarantees against loss of investment capital or value.

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