

ARSN 639 123 112 APIR HOW4476AU

## June 2024 - Monthly Fact Sheet

Performance – Class A	1 Month %	3 Month %	6 Month %	1-Year %	2-Year % p.a.	3-Year % p.a.	4-Year % p.a.	Inception % p.a.
Fund return (gross) <sup>1</sup>	0.4	1.9	4.0	9.5	8.7	4.4	5.8	6.4
Fund return (net) <sup>2</sup>	0.3	1.7	3.6	8.7	7.8	3.6	5.0	5.6
Bloomberg AusBond Bank Bill Index	0.4	1.1	2.2	4.4	3.6	2.4	1.8	1.8
<b>Active return</b>	<b>0.0</b>	<b>0.6</b>	<b>1.5</b>	<b>4.3</b>	<b>4.2</b>	<b>1.1</b>	<b>3.2</b>	<b>3.9</b>

<sup>1</sup>Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup>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 2024.**

### Fund Facts

<b>Portfolio managers</b>	Charles Arduini, Seth Brufsky, Samantha Milner, Boris Okuliar
<b>Inception date</b>	1 May 2020
<b>Management fee</b>	0.75% p.a.
<b>Fund Objective</b>	To outperform the AusBond Bank Bill Index over a three-year period
<b>Buy/sell spread<sup>3</sup></b>	+0.40% / -0.40%
<b>Strategy FUM</b>	\$153.9 M

### Fund Features

**Attractive income:** The Fund aims to provide a stable income stream for investors by seeking to offer monthly distributions.

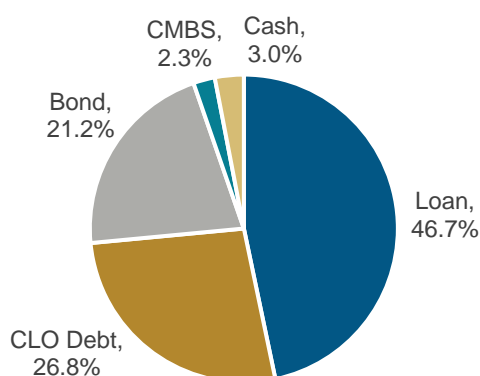
**Focus on downside protection:<sup>4</sup>** Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

**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:<sup>5</sup>** The Fund provides access to investment opportunities and asset classes which are generally unavailable to individual investors.

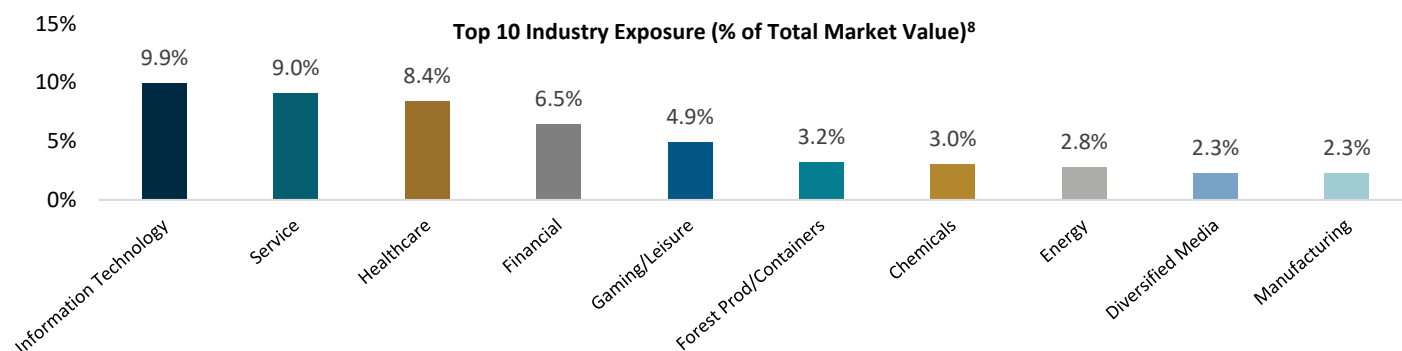
**Leading global investment team:** The Fund offers access to a leading global investment team with 20+ years of experience investing in global credit markets. The experienced management team applies an integrated and collaborative approach using the scale and power of the platform seeking to deliver compelling risk-adjusted returns through market cycles.

### Asset Class Allocation<sup>6</sup>



Key Attributes	Fund	Change from 31 May 2024
Number of issuers	298	+10
Weighted Average Spread (L+)	349	-5
Current Yield (AUD-Hedged)	7.37%	-0.11%
Yield to Worst (AUD-Hedged)	6.60%	-0.09%
Current Yield (Unhedged)	8.10%	-
Yield to Worst (Unhedged)	7.33%	-0.21%
Duration	1.09	-0.06
Spread Duration	3.77	+0.07
Weighted Average Credit Quality <sup>7</sup>	BB	-
Total Investment Grade Exposure	53.31%	-1.50%

### Top 10 Industry Exposure (% of Total Market Value)<sup>8</sup>



<sup>3</sup> 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.

<sup>4</sup> References to "downside protection" or similar language are not guarantees against loss of investment capital or value.

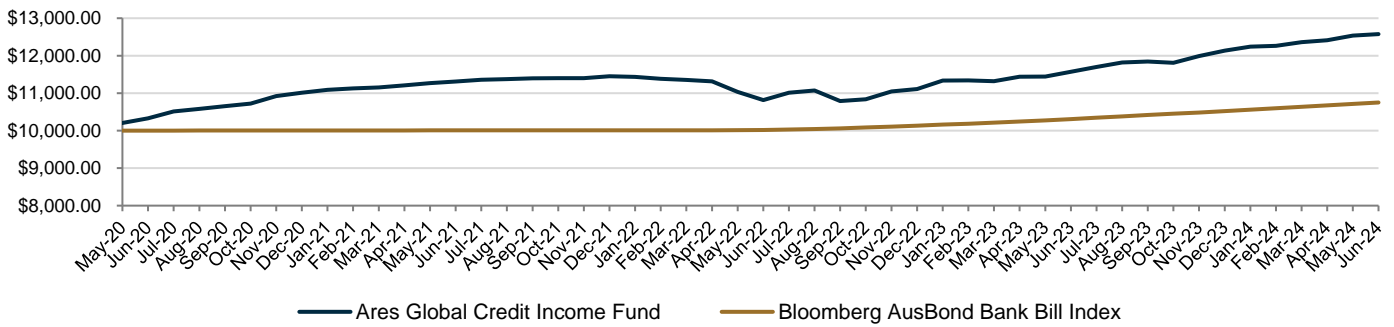
<sup>5</sup> Diversification does not assure profit or protect against market loss.

<sup>6</sup> 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.

<sup>7</sup> Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.

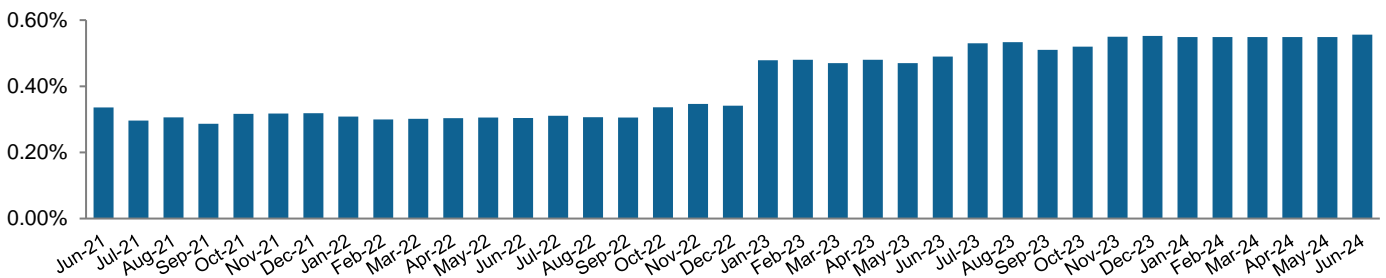
<sup>8</sup> Credit Suisse Industry Distribution. Excludes CLO debt, CMBS and cash.

**Growth of \$10,000 Since Inception (Net of Fees)**



**Past performance is no indication of future performance.** Represents performance of a hypothetical \$10,000 investment made in this fund from the inception date. There is no guarantee of future results and this may not provide adequate basis for evaluating the performance of the Fund over varying market conditions or economic cycles. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted. The Fund's inception date is 1 May 2020.

**Monthly Distribution Rate**



**Past performance is no indication of future performance.** There is no assurance monthly distributions paid by the Fund will be maintained at targeted level or paid at all. Calculated as the cents per unit (CPU) distribution at month end divided by the ex-distribution unit price at the start of the month.

**Market Commentary**

Performance across global risk assets continued to trend positively amid supportive macroeconomic data with temperate inflation and relatively firm corporate earnings. Given this backdrop, the prospect of a “soft landing” narrative has increased among many market participants.

U.S. high yield bonds posted a 0.97%<sup>1</sup> return in June amid light primary issuance and healthy retail fund inflows. Notably, high yield funds reported \$1.4 billion of inflows during the month, following \$4.9 billion of inflows in May.<sup>2</sup> Meanwhile, primary market activity for high yield moderated in June with 33 bonds pricing for \$17.9 billion over the course of the month.<sup>2</sup>

U.S. leveraged loans returned 0.27%<sup>3</sup> in June, the eighth consecutive month of positive performance, amid a colossal repricing and refinancing wave as well as steady demand. While primary market activity remained elevated in June with \$149.6 billion of loans pricing over the course of the month, ex-refinancing and repricing issuance only totaled \$11.1 billion. Meanwhile, loan funds reported \$1.0 billion of inflows, the tenth month of inflows in the past twelve months.<sup>2</sup>

CLO debt securities posted positive returns during the month with all ratings tranches generating gains.<sup>4</sup> U.S. CLO issuance continues to run at a record pace in 2024, with \$52.6 billion of CLOs issued year-to-date through June month-end. While CLO issuance maintained a record annualized pace, June’s volume was the lowest monthly issuance of the year, as refinancings and resets of existing deals became a focal point for managers.<sup>5</sup>

U.S. investment grade bonds rallied alongside fixed rate peers, returning 0.95%<sup>6</sup> in June as the asset class benefitted from light supply and favourable rebalancing flows.

Meanwhile, European high yield bonds and leveraged loans returned 0.57%<sup>7</sup> and 0.12%<sup>8</sup> in June, respectively. The European Central Bank cut interest rates by 25 basis points amid softening inflation in June, providing a tailwind for risk assets during the month. Meanwhile, European leveraged credit market technicals modestly softened amid a large amount of supply and modest spread widening. Notably, we saw investors rotate out of higher priced assets and into newer deals which came at a premium over the course of the month.

## Market Outlook

Leveraged credit markets have rallied thus far in July as prices continue to be supported by healthy balance sheets, a favorable technical and a cooperative macro narrative. In June, jobless claims increased, Institute of Supply Management (ISM) services fell to its lowest level since 2020, and data related to consumer spending, consumer confidence, and housing continued to signal a downshift in growth. At July's Federal Open Market Committee (FOMC) meeting, messaging around policy was balanced and there was broad agreement on labor markets cooling, inflation pressures easing, and economic growth moderating. The gradual cooling of a very tight labor market is consistent with the Federal Reserve's objective and should give the FOMC confidence to lower rates sometime in the second half of this year. Notably, markets are now pricing in a 77% chance of a rate cut at the September meeting. Regarding fundamentals, balance sheets remain in a good position and are accompanied by improving forward guidance and heavy refinancing activity as issuers remain keenly focused on refinancing near-term maturities. That said, single-name dispersion has increased as the lagging effect of tighter monetary policy has pressured certain corporate issuers. Meanwhile, the technical environment is expected to remain supportive due to modest capital market activity and continued demand from institutional and retail investors. Looking ahead, we continue to closely monitor potential headwinds including the 2024 elections and any impacts of elevated geopolitical tensions. We remain focused on security selection as we expect elevated dispersion in credit fundamentals over the coming months.

## Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 0.38% gross and 0.32% net for the month of June. Specific to Fund performance, the portfolio's allocations to CLO debt and high yield bonds were the largest contributors to returns in June. CLO debt continued to benefit from healthy origination and a firm technical in the underlying loan market, while the high yield bond allocation benefitted from disciplined credit selection within the Double-B and Single-B rated cohorts.

During the month, we maintained our higher quality risk posture and continued to focus on identifying opportunities arising from today's evolving economic environment. In terms of positioning, we maintained our current underweight fixed rate exposure but are modestly decreasing loans. Within the portfolio's loan allocation, we are increasing our exposure to Double-B rated loans at the margin as we migrate to a higher quality stance. From a sector perspective, we remain overweight defensive sectors with favorable supply-demand dynamics and earnings trajectories, as well as sectors more upstream in supply chains and companies with strong pricing power and interest coverage, including software and necessary services sectors. We remain underweight sectors that are more susceptible to consumer discretionary income weakness and general cyclicality, and we are closely monitoring certain sectors where liquidity may be challenged. While we are generally positioned defensively, we have maintained core holdings in discount risk positions, the majority of which have defined catalysts. Specific to structured credit, we remain focused on transactions with top tier managers that we know well, specifically within Triple-B rated CLO debt where we continue to make relative value swaps as wider paper becomes available. From a geographical perspective, we have begun increasing our European high yield exposure, given attractive cross-border relative value against the backdrop of easing monetary policy from the European Central Bank. Importantly, we continue to source compelling opportunities in each component asset class and expect volatility to increase in 2024, underscoring the importance of an actively managed, dynamic portfolio.



Assigned as of 11th March 2024  
Analyst Driven% 100, Data-Coverage% 100



Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 30 June 2024 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.

#### 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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