

March 2022 - 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	-0.2	-0.7	0.9	2.5	-	-	7.5
Fund return (net) ²	-0.3	-0.8	0.4	1.8	-	-	6.9
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	-	-	0.1
Active return	-0.3	-0.9	0.3	1.7	-	-	6.8

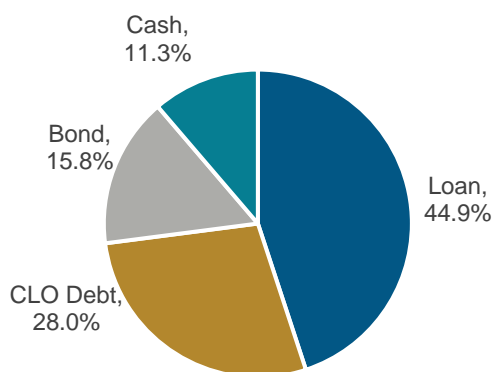
¹Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

²Returns 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 March 2022.

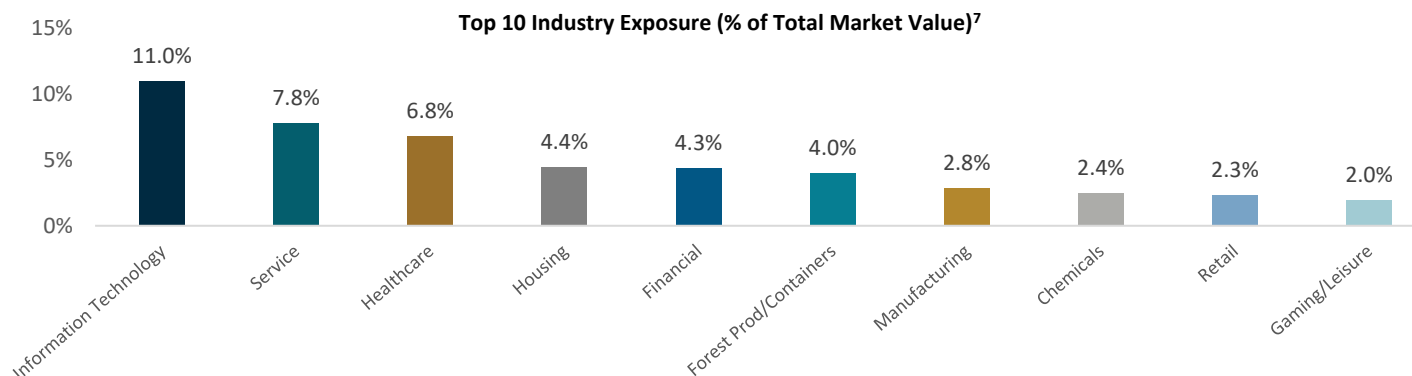
Fund Facts	
Portfolio managers	Charles Arduini, Seth Brufsky, Samantha Milner, Boris Okuliar
Inception date	1 May 2020
Management fee	0.75% p.a.
Fund Objective	To outperform the AusBond Bank Bill Index over a three-year period
Buy/sell spread³	+0.25% / -0.25%
Strategy FUM	\$25.5 M
Distribution Frequency	Monthly

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.

Asset Class Allocation⁶



Key Attributes	Fund	Change from 28 Feb 2022
Number of issuers	188	+15
Weighted Average Spread (L+)	356	+1
Current Yield (Fx Adjusted to AUD)	3.64%	-0.05%
Yield to Worst (Fx Adjusted to AUD)	5.48%	+0.48%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	51.77%	+1.36%



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 (28.0% and 11.3% portfolio market value as of 31 March 2022, respectively).

Market Commentary

During March, market sentiment continued to be broadly risk-off owing to the escalation of the military conflict and humanitarian crisis in Ukraine, rising commodity pressures, and continued interest-rate volatility.

U.S. high yield bonds returned -0.93%¹ during the month as prices came under pressure amid higher interest rates, the U.S. Federal Reserve's ("Fed's") hawkish rhetoric, and the Russia-Ukraine crisis' extreme effects on commodity inflation. U.S. high yield primary market activity continued to moderate with 18 bonds pricing for \$9.9 billion over the course of the month. Meanwhile, U.S. high yield funds reported outflows of \$4.9 billion in March, following \$9.6 billion and \$10.8 billion of outflows in February and January, respectively.²

U.S. leveraged loans outperformed fixed-rate assets, returning 0.04%³ in March amid lighter issuance and the reacceleration of retail inflows. Amid heightened volatility across the broader markets, loan primary market activity continued to slow in March, with \$21.6 billion in loans pricing over the course of the month, following \$48 billion in February. Demand for loans remained robust with \$2.2 billion of retail inflows against the backdrop of rising interest rates.²

U.S. Collateralized Loan Obligation (CLO) debt securities posted flat returns for the month with ratings tranches generating mixed results.⁴ CLO new issue activity briefly picked up in February, but then slowed down in March as managers opted to postpone deals amid a challenging pricing environment.

U.S. investment grade bonds underperformed its fixed income peers, returning -2.78%⁵ during the month amid an uptick in new supply, investor concerns surrounding the geopolitical environment and volatility in yields.

In Europe, high yield bonds returned -0.12%⁶ as hawkish signals from the European Central Bank and concerns surrounding the potential disruption of energy supply into Europe negatively impacted performance. Meanwhile, the European loan market returned 0.09%⁷ in March as demand for floating rate instruments remained robust against the backdrop of rising interest rate risk.

Market Outlook

Volatility within global capital markets that surfaced during the first quarter of 2022 has continued into April amid the ongoing crisis between Russia and Ukraine, heightened recession concerns, surging commodity prices, and as the Fed approved its first interest rate increase in more than three years, with the market pricing in six to seven Fed hikes during 2022. The situation in Ukraine has created increasingly worrisome shockwaves through the markets – energy prices have spiked due to fears of a cutoff of Russian supplies, stocks saw four straight weeks of declines and stagflation concerns have rapidly come to the forefront of investor concerns. As a result, economists have already revised their growth outlooks for the year, forecasting slower growth amid higher inflation. In addition to the escalating geopolitical conflict, inflation and cost pressures have continued to create concerns as surging prices and insatiable consumer demand do not seem to be slowing down.

Despite these factors, we remain overall constructive on the U.S. economy, but continue to keep a sharp eye on the geopolitical crisis, the inflation picture and rate hike outlook. While we still expect growth, our expectations are tempered for now. Although there is significant uncertainty about the future of the economy and the global landscape, we believe our cycle-tested, bottom-up credit approach will enable us to both preserve investor capital and seek out attractive alpha-generating opportunities.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned -0.19% gross and -0.25% net for the month of March. Broader market volatility stemming from the ongoing crisis between Russia and Ukraine, heightened recession concerns, and surging commodity prices impacted all asset classes, with high yield experiencing the greatest downward pressure. The portfolio's allocation to bank loans and structured credit also weighed on performance amid a less robust loan technical.

Through the recent volatility, we have proactively managed exposures across the portfolio to identify relative value opportunities created by shifts in sentiment on rates, growth expectations, commodities, and idiosyncratic credit news. In terms of portfolio positioning, we trimmed exposure to certain Single-B and Double-B rated bonds and Double-B rated loans, rotating into Single-B rated loans and investment-grade CLO debt securities. From a fixed versus floating perspective, we continue to be overweight floating rate assets amid rising interest rate risk and persistent inflation. 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 favour transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. From a sector positioning perspective, we are maintaining our core positions in defensive sectors that are less likely to be impacted by inflation and supply chain pressures. As such, we favour resilient sectors such as information technology, services, healthcare and housing, and are underweight cyclicals.

Looking forward, we continue to trim risk while remaining underweight duration against an expected backdrop of slowing economic growth and higher interest rates in the months ahead. We believe credit spreads are currently at levels that represent attractive entry points in a non-recessionary environment. At the same time, tail risks have increased and we anticipate elevated credit dispersion as well as rising idiosyncratic credit events in the months ahead, driven by a host of conflicting themes. Against this backdrop, we believe credit selection and active portfolio management will continue to be paramount in 2022 and view the Fund to be well-positioned to deliver attractive returns due to our disciplined investment process rooted in fundamental credit selection, relative value analysis, and rigorous risk management.



Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 March 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 March 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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For further information, please contact:

Fidante Partners Investor Services | p: 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com

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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