Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

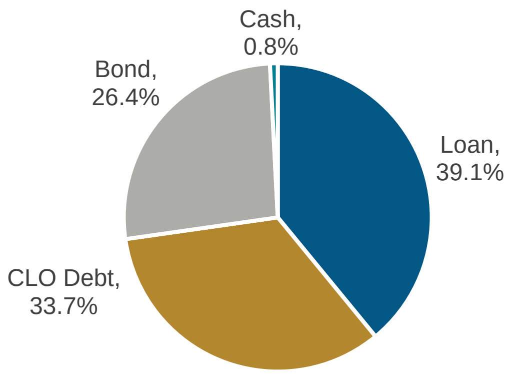
May 2021 - Monthly Fact Sheet

Performance	1 Month %	3 Month %	FYTD %	1-Year %	3-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.6	1.4	9.6	11.0	-	-	12.3
Fund return (net)[2]	0.5	1.3	9.1	10.4	-	-	11.7
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.1	0.1	-	-	0.1
Active return	**0.5**	**1.2**	**9.0**	**10.4**	**-**	**-**	**11.6**

[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, 31 May 2021.**

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]	+0.30% / -0.30%
Strategy FUM	$8.7 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.

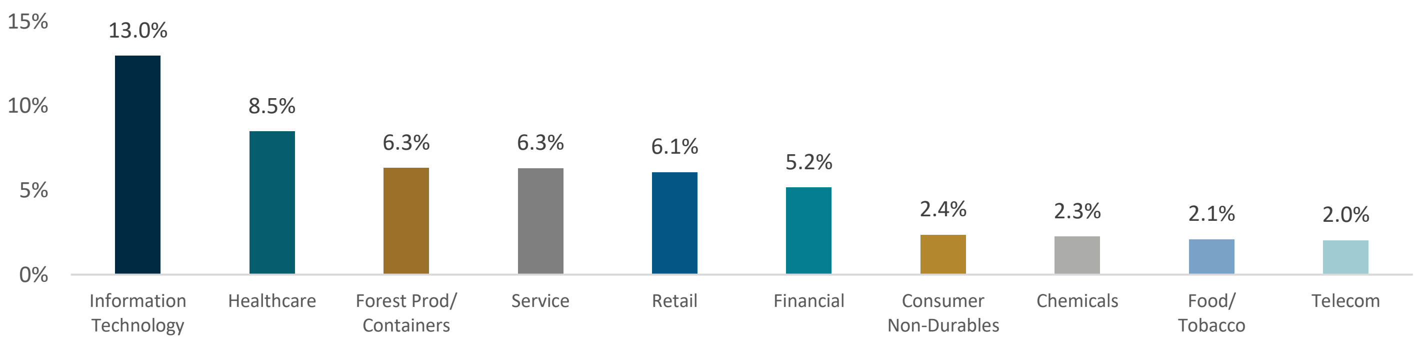
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 April 2021
Number of issuers	89	+14
Weighted Average Spread (L+)	353	-3
Current Yield (Fx Adjusted to AUD)	3.89%	-0.01%
Yield to Worst (Fx Adjusted to AUD)	4.23%	+0.23%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	50.45%	+0.02%

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



[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.
[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 (33.7% and 0.8% portfolio market value as of 31 May 2021, respectively).

Market Commentary

Global risk assets continued to rally during May on the back of continued accommodative monetary and fiscal support, higher vaccination rates, and strong first quarter 2021 corporate earnings. U.S. equities outperformed credit with S&P 500 returns of 0.70%[1] in May amid heightened recovery optimism and encouraging economic data. U.S. leveraged credit markets posted positive returns for the month and lower quality paper, along with more cyclical segments, drove returns as investor concerns over elevated inflation were overshadowed by improving global growth trends, including a decline in the unemployment rate and an uptick in the U.S. household savings rate.

As it pertains to the high yield market, prices drifted lower for the majority of May before retracing losses near month-end amid improving technicals, range-bound Treasury yields and dovish messaging from the U.S. Federal Reserve ("Fed"), resulting in U.S. high yield bonds returning 0.29%.[2] The record pace of issuance in the high yield market extended into May, with 73 bonds pricing for a total of $49.2 billion in volume as issuers continued to lock in low borrowing costs. Meanwhile, U.S. high yield funds reported $4.6 billion in outflows during May, the fifth monthly outflow over the last six months.[3]

The U.S. leveraged loan market proved resilient to inflationary pressures and returned 0.52%[4] in May, as ongoing retail inflows, record CLO origination and lighter new issuance provided a supportive technical backdrop for the asset class. Notably, U.S. loan funds reported their sixth consecutive monthly inflow bringing year-to-date inflows to $22.3 billion, following $27.0 billion of outflows in 2020. Meanwhile, loan new issue volume diminished significantly in May, with $47.4 billion pricing over the course of the month, following $74.4 billion in April.[3]

Similarly, U.S. CLOs delivered strong returns in May, with all ratings tranches experiencing positive gains.[5] CLO market conditions remain supportive, as the pace of liability spread tightening in 2021 has exceeded most expectations and CLO funding costs remain attractive, fuelling momentum in the new issue market. Specifically, total CLO issuance for the year-to-date period, including refinancings and resets, totalled $251.6 billion.[6]

Meanwhile, U.S. investment grade bonds rallied alongside the broader credit markets, returning 0.33%[7] in May amid continued modest supply, steady inflows, and a stabilization of interest rates. Specifically, investment grade gross issuance totalled $130 billion in May.[3]

In Europe, high yield bonds and leveraged loans returned 0.20%[8] and 0.42%[9] for the month, respectively. From a ratings and sector standpoint, many of the supportive themes that have prevailed throughout this year remain firmly in place, as lower rated credits and cyclical sectors continue to outperform.

Market Outlook

Global credit markets have continued to rally into early June amid widespread vaccine rollouts and local state re-openings, as well as Fed support on the heels of encouraging news around the economic recovery. U.S. GDP grew +2.3% year-over-year in the first quarter of 2021, and forecasts estimate nominal GDP growth to hit 10.9% for the full year 2021. Credit metrics have improved on the back of positive economic growth trends; specifically, revenue and EBITDA metrics for the U.S. high yield market moved above pre-pandemic levels in Q1'21, while leverage and coverage ratios steadily improved. We expect technicals to remain constructive as fundamentals continue to improve over the next few months. As a large and established asset manager, we believe we are well-positioned to navigate the current environment.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in May, benefitting from the continued broad risk rally in credit. All of the Fund's underlying asset categories were positive contributors to performance, with the primary driver of performance being its exposure to high yield bonds, which benefited from a supportive technical environment. High yield spreads tightened into month-end due to strong corporate earnings results, falling defaults rates, and rating upgrades. Specifically, performance was driven by the Single-B cohort within the high yield and bank loan allocations, as lower quality paper outperformed amid increased appetite for risk. Specific to the structured credit allocation, the Fund's CLO debt exposure was accretive to performance, as demand for securitized floating-rate credit pushed CLO prices higher in May.

In terms of portfolio positioning, we took profits on our Single-B and Double-B loan exposure and rotated into IG CLO debt securities. Within the bond allocation, we rotated out of certain yield-to-call bonds with no upside and into new issue bond positions with a focus on credits with spread-tightening potential via upward credit migration as we expect the re-opening trade to drive rates upwards. Within the portfolio's loan allocation, we are focused on second lien loans with Libor floors as we seek to maximize carry rather than chase deep discounted loans. We continue to be active in the new issue loan market and will look to rotate existing positions where the relative value is better in the primary market. Specific to the structured credit allocation, we continue to favour transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. From a sector perspective, we remain overweight core positions in defensive sectors, while selectively adding exposure in industries that we expect to benefit from a broader recovery in economic activity.

We continue to view the current market environment to be in a reflationary, mid-cycle phase, and expect low defaults and tighter credit spreads over the near term. We continue to favour risk assets and are selectively increasing our exposure to cyclical sectors and COVID-19 affected credits that may benefit from a continued reopening during the summer months. We anticipate that Q2 and Q3'2021 earnings are likely to reflect strong, post-pandemic growth, but the magnitude of growth is expected to ease as conditions normalize. While the fundamental picture continues to improve, we note potential corporate headwinds are at play including concerns surrounding the increase in "zombie credits" amid new debt loads, potential for a loan repricing wave as valuations approach February levels, and aggressive sponsors with weak credit agreements. From a macroeconomic perspective, rising inflation is becoming more of a concern; however, we believe recent price increases have been driven by categories where supply or demand is skewed by the economy's reopening (e.g. used cars, airlines, lodging) and thus are transitory in nature. We'll continue to closely monitor employment and inflation; however, we believe tighter monetary policy is further out on the horizon. Overall, we believe credit selection and active portfolio management will continue to be paramount in 2021. As a result, we 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.

As of 31 May 2021. Sources: (1) S&P 500. (2) ICE BofA US High Yield Index "H0A0". (3) JPM. (4) Credit Suisse Leveraged Loan Index "CSLLI". (5) CLOIE. (6) LCD. (7) Bloomberg Barclays U.S. Aggregate Bond Index. (8) ICE BofA European Currency High Yield Constrained Index Hedged to EUR. (9) 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 May 2021 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 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 investment information herein is as of 31 May 2021 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.
Indices are provided for illustrative purposes only and not indicative of any investment. They have not been selected to represent appropriate benchmarks or targets for the strategy. Rather, the indices shown are provided solely to illustrate the performance of well known and widely recognized indices. Any comparisons herein of the investment performance of a strategy to an index are qualified as follows: (i) the volatility of such index will likely be materially different from that of the strategy; (ii) such index will, in many cases, employ different investment guidelines and criteria than the strategy and, therefore, holdings in such strategy will differ significantly from holdings of the securities that comprise such index and such strategy may invest in different asset classes altogether from the illustrative index, which may materially impact the performance of the strategy relative to the index; and (iii) the performance of such index is disclosed solely to allow for comparison on the referenced strategy's performance to that of a well known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from the strategy. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is being made as to the risk profile of any benchmark or index relative to the risk profile of the strategy presented herein. There can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance, or be suitable for a portfolio.
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