Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

October 2020 - Monthly Fact Sheet

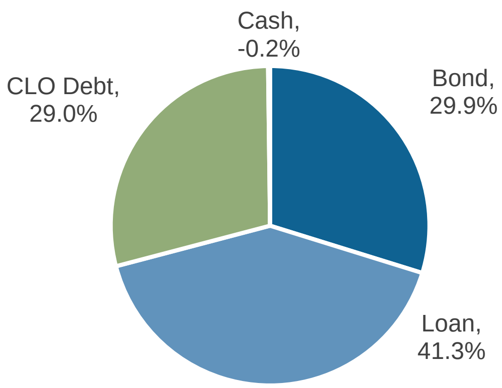
Performance	1 month %	Quarter %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	Inception % p.a.
Fund return (gross)[1]	0.7	2.0	3.9	-	-	-	7.4
Fund return (net)[2]	0.6	2.0	3.8	-	-	-	7.2
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	-	-	-	0.1
Active return	**0.6**	**2.0**	**3.8**	**-**	**-**	**-**	**7.2**

[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 October 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]	+0.30% / -0.30%
Strategy FUM	$8.4 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:[5] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

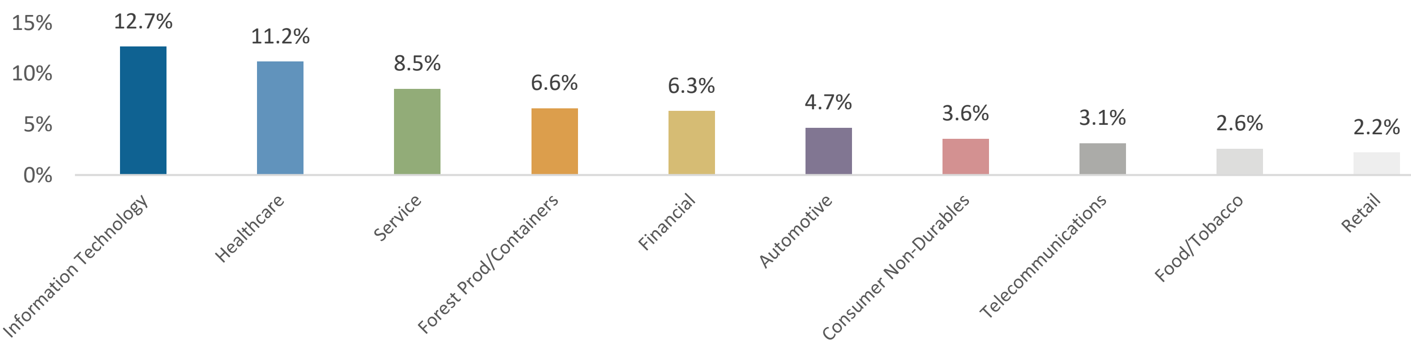
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

Diversification:[6] 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 Sept 2020
Number of issuers	78	-3
Weighted Average Spread (L+)	346	+20
Current Yield (Fx Adjusted to AUD)	4.05%	+0.12%
Yield to Worst (Fx Adjusted to AUD)	4.09%	+0.24%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	52.6%	-2.1%

Top 10 Industry Exposure (% of Total Market Value)[4]



[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] Credit Suisse Industry Distribution. Excludes collateralised loan obligations and cash (29.0% and -0.2% portfolio market value as of 31 October 2020 respectively).
[5] References to "downside protection" or similar language are not guarantees against loss of investment capital or value.
[6] Diversification does not assure profit or protect against market loss.

Market Commentary

Performance across global capital markets was mixed in October, as risk assets rallied early in the month amid hopes for a vaccine and a U.S. stimulus bill; however, rising COVID-19 infections coupled with highly contested U.S. presidential and senate elections drove broader market volatility. Despite improving global economic data, the resurgence of Coronavirus hot spots across the globe, fresh lockdown measures in Europe and fading hopes for further stimulus roiled U.S. equities the back-half of the month, and the S&P 500 posted losses of -2.66%, its second straight monthly decline.

Credit markets proved more resilient as investor sentiment was supported by better-than-expected Q3'20 corporate earnings and an uptick in mergers and acquisitions activity. High yield bonds performed relatively well for the month despite fading retail demand, steady supply and elevated defaults, posting returns of 0.47%[1]. U.S. leveraged loan prices succumbed to the broader risk-off tone the last week of the month and lagged the recovery seen in high yield bonds, but managed to post modest gains of 0.17%[2]. Due to a pre-election rush and attractive equity arbitrage, CLO issuance continued to provide a positive tailwind for the loan asset class despite a comparatively busy primary market. CLOs have become a larger portion of the loan market investor base, but we have seen retail investors continue to exit, with outflows totalling $1.2 billion in October[3]. The pace of defaults and downgrades has moderated meaningfully since the pandemic began, with only nine companies filing for bankruptcy or missing an interest payment during the month. The high yield bond default rate ticked up to 6.87% while the leveraged loan default rate decreased slightly to 4.30%.[3] Additionally, U.S. investment grade credit posted its third straight monthly decline, as rates edged steadily higher throughout October[4].

In Europe, high yield bonds and leveraged loans posted positive returns of 0.33%[5] and 0.25%[6], respectively, despite ever-present Brexit uncertainties and further lockdown restrictions. There was a meaningful pick up in issuance over the month as companies rushed to price new deals ahead of the U.S. election and earnings season. This dynamic often threatens to tip the supply/demand balance; however, there appeared to be a strong appetite for new issues despite the second largest month of primary high yield market activity on record[7]. Expectations of additional stimulus from the European Central Bank ("ECB") also provided supportive market conditions and helped digest October's record-setting European high yield supply.

CLOs underperformed U.S. and European corporate bonds and loans in October, as the majority of rating tranches generated negative returns amid broader loan market volatility.[8] New issuance has been strong since the start of September, with both September and October registering double-digit monthly volumes, the first time this has been achieved for two consecutive months since March and April 2019. In Europe, October was the busiest month in CLO issuance this year, as €4 billion from 12 deals priced[7].

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in October, despite mixed performance across credit markets.

The Fund's underlying allocations to global bank loans and corporate bonds were positive contributors to returns, with the primary drivers of performance being the Double-B bond and Single-B bond and loan cohorts. The Fund's CLO Debt allocation weighed on performance, as structured credit traded down in sympathy with the broader loan market.

From a portfolio positioning perspective, we modestly increased our allocation to bonds, which proved more resilient during the month of October versus loans. In anticipation of renewed COVID-related volatility, we have continued to favor more defensive and non-cyclical sectors such as technology and healthcare and have maintained our underweight positioning in sectors that are being negatively impacted by COVID-19. From a ratings perspective, within the corporate credit allocation, we rotated out of Triple-B's and into higher quality Single-B rated debt within defensive industries. Specific to our loan allocation, we were focused on the new issue calendar as we believe deals provided enhanced yields, greater equity cushions and firmer documentation. Within the structured credit allocation, we increased exposure to Triple-B rated CLO Debt, which provided a pick-up in yields versus investment grade corporate debt.

Despite the cautiously optimistic news around the resolution of the U.S. presidential election and a potential new vaccine, we will remain defensively positioned as we continue to actively re-position the portfolio, seeking relative value opportunities that arise amid "air pockets" of volatility and evolving market conditions. We believe the Ares Global Credit Income Fund is well-positioned to deliver attractive returns due to our disciplined investment process rooted in fundamental credit selection, relative value analysis, and rigorous risk management.

Market Outlook

The presidential election result, latest vaccine developments and positive economic data have bolstered investor sentiment. Since October month-end, risk assets have rallied substantially, and we have seen a meaningful pickup in returns thus far in November. While these recent headlines are driving broad optimism, we ultimately believe the pace of recovery will be gradual, yet uneven; therefore, we remained focused on building a resilient portfolio. The path and pace of recovery will vary across regions, industries, and companies, which underscores the need for an active allocation framework. We will continue to employ a tactical and dynamic approach managing exposures within the Global Credit Income Fund, focused on striking a balance between yield and safety. Additionally, we will continue to utilize the scale and collaborative nature of the Ares platform to source transactions with preferred allocations and economics relative to the Street. Looking forward, spreads appear attractive in the leveraged credit markets in both the U.S. and Europe, though dispersion remains elevated, underscoring the importance of a nimble approach to portfolio management. Overall, we remain focused on utilizing the full depth and breadth of the Ares platform to source attractive opportunities, avoid credit mistakes and actively rotate exposures to generate attractive risk-adjusted returns.

As of October 31, 2020. Sources: [1] The ICE BofA US High Yield Index ("H0A0"). [2] Credit Suisse Leveraged Loan Index. [3] JPM. [4] Bloomberg Barclays U.S. Aggregate Bond Index. [5] ICE BofA European Currency High Yield Constrained Index Hedged to EUR. [6] Credit Suisse Western European Leveraged Loan Index Hedged to EUR. [7] S&P LCD. [8] CLOIE.

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 October 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.

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 October 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.

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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