Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

September 2022 - Monthly Fact Sheet

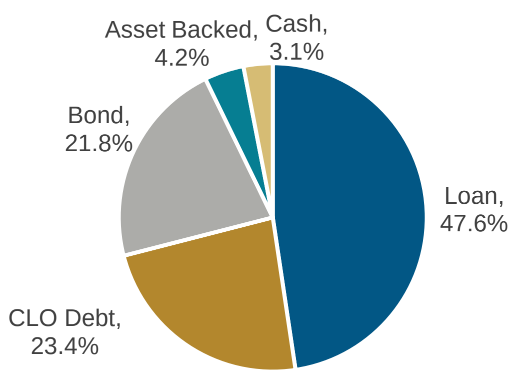
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	-2.4	0.1	0.1	-4.5	1.4	-	3.9
Fund return (net)[2]	-2.6	-0.3	-0.3	-5.3	0.6	-	3.2
Bloomberg AusBond Bank Bill Index	0.1	0.4	0.4	0.5	0.3	-	0.2
Active return	**-2.7**	**-0.7**	**-0.7**	**-5.8**	**0.3**	**-**	**2.9**

[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 September 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]	+0.40% / -0.40%
Strategy FUM	$55.8 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.

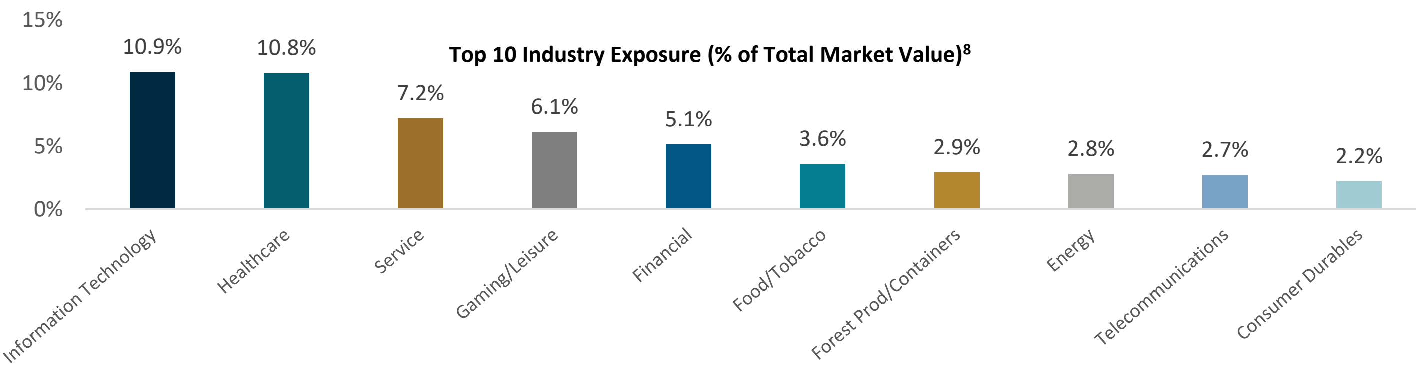
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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 Aug 2022
Number of issuers	254	+9
Weighted Average Spread (L+)	321	-5
Current Yield (Fx Adjusted to AUD)	5.63%	+0.39%
Yield to Worst (Fx Adjusted to AUD)	8.10%	+1.01%
Weighted Average Credit Quality[7]	BB	-1
Total Investment Grade Exposure	58.11%	-2.29%



[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] Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.
[8] Credit Suisse Industry Distribution. Excludes collateralised loan obligations, asset backed securities, and cash (23.4%, 4.2% and 3.1% as of 30 September 2022, respectively).

Market Commentary

Volatility within global capital markets continued during September amid continued central bank hawkishness, persistent inflation, the European energy crisis, and concerns around slowing global growth.

U.S. high yield bonds returned -4.02%[1] in September as recession fears resurfaced, prompted by hawkish rhetoric coming from central banks amid elevated inflation. Weaker investor sentiment eroded retail flows during the month with U.S. high yield funds reporting outflows of $6.2 billion. Meanwhile, primary market activity remained slow, with only eight bonds pricing for a total of $9.0 billion over the course of the month.[2]

Similarly, U.S. loans returned -2.17%[3] in September as global recession fears outweighed the asset class's unprecedented year-to-date outperformance and the expected benefits of surging interest rates. The loan asset class also endured significant decompression among rating cohorts and accelerating retail outflows. Specifically, loan funds reported outflows of $4.8 billion in September, following $1.4 billion of outflows in August. However, slow primary market activity and resilient Collateralized Loan Obligation (CLO) origination provided technical support for the asset class.[2]

Meanwhile, CLO 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 costs and limited loan supply, CLO origination picked up in September. Specifically, global CLO issuance for the month totaled $15.5 billion, following $9.6 billion of issuance in August.[5]

U.S. investment grade bonds underperformed below investment grade assets, returning -4.32%[6] during the month as yields surged to a year-to-date high amid investor concerns surrounding rising recession risk, expectations for future rate hikes and softening demand.

In Europe, high yield bonds and leveraged loans returned -4.27%[7] and -3.39%[8], respectively. Spreads widened during the month amid increased recession fears given the European gas crisis, a higher-than-expected September European inflation print, and expectations that the European Central Bank will continue to hike interest rates.

Market Outlook

Following a market selloff in September, risk assets rallied the first week in October as prospects for a policy pivot resurfaced after the U.K. government reversed its decision to cut the tax rate and manufacturing data surprised to the downside. Economic data continues to present a mixed picture - the outlook for future economic growth remains generally weak, with expectations of further softening of demand; however, year-over-year inflation in the U.S. and Europe remain elevated due to global supply chain issues and energy trade disruptions. Meanwhile, U.S. initial jobless claims decreased while sales of new single-family homes increased in August, even as mortgage rates reached all-time highs. While a recession is increasingly likely and central banks continue to signal that growth may be hindered until inflation comes under control, we believe 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.

Even if a recession is deeper and more protracted than we expect, we take comfort in the healthier corporate and consumer balance sheets relative to prior recessions. While we anticipate elevated volatility moving forward, given where yields are today, we view the long-term buying opportunity to be attractive. We are keeping a close watch on the developments in Ukraine and China and the resulting economic impacts, central bank policy, the energy crisis in Europe, as well as any idiosyncratic events that may arise in this unpredictable environment.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned -2.36% gross and -2.57% net for the month of September as all asset classes in the portfolio came under pressure. Within the bank loan allocation, certain positions within the Single-B rated cohort weighed on performance. Similarly, the portfolio's allocation to high yield bonds experienced negative returns largely as a result of continued interest rate pressure and also due to spread widening. Lastly, while the portfolio's allocation to CLOs detracted from performance owing to a weaker technical in the underlying loan market, we maintain conviction in the Fund's CLO securities given the underlying loan portfolios are high quality and fundamentally stable.

During the month, we continued to focus on high-grading the portfolio and identifying opportunities arising from today's complex economic environment. In terms of positioning, we remain overweight floating rate assets and while we are more focused on credit risk versus interest rate risk at present, we are underweight duration given expectations of muted economic growth and tighter financial conditions in the months ahead. Within corporate credit, we are overweight defensive sectors with favourable supply-demand dynamics and earnings trajectories, such as technology, with a few cyclical plays (e.g. building products), as well as sectors more upstream in supply chains and companies with strong pricing power, including software and necessary services sectors. We are underweight global cyclical sectors lacking clear bottom-up demand drivers, such as retail and pharmaceuticals. Overall, we expect choppy market conditions to continue and therefore are positioned defensively, increasing investment grade exposure and moving up in quality. Specific to structured credit, we continue to favour transactions with high quality underlying portfolios arranged by top tier managers and continue to like investment grade rated CLO paper given the attractive relative yield profile for IG risk. From a geographical perspective, we have decreased our exposure to Europe due to increased tail risk in the region amid geopolitical tension and the worsening energy crisis. Overall, we find leveraged credit to be attractive on an absolute and relative yield basis. Given that maturities have been pushed out, corporate balance sheets and credit metrics are in good shape, and that we expect defaults to remain relatively benign and revert to their historical means, we view the current environment to be an attractive entry point and long-term buying opportunity. Ultimately, we believe our experience and discipline as fundamental credit pickers remains critical to delivering attractive returns and downside protection in today's economic environment.

As of 30 September 2022. Sources: (1) ICE BofA US High Yield Index "H0A0", (2) JPM, (3) Credit Suisse Leveraged Loan Index "CSLLI", (4) CLOIE, (5) LCD News. (6) Bloomberg Barclays U.S. Aggregate Bond Index, (7) ICE BofA European Currency High Yield Constrained Index Hedged to EUR, (8) 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 30 September 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 September 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

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This material has been prepared by Ares Australia Management Pty Ltd ABN 51 636 490 732, AFSL 537 666 (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. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (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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