

August 2021 - Monthly Fact Sheet

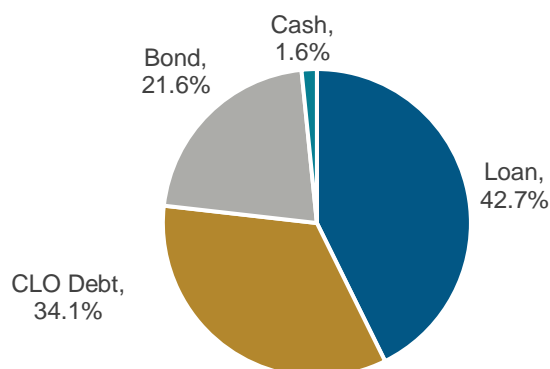
Performance	1 Month %	3 Month %	FYTD %	1-Year %	3-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross) ¹	0.2	1.2	0.7	8.1	-	-	10.8
Fund return (net) ²	0.2	1.0	0.6	7.5	-	-	10.1
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	-	-	0.1
Active return	0.2	1.0	0.6	7.4	-	-	10.1

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 August 2021.

Fund Facts	
Portfolio managers	Charles Arduini, Seth Brusky, 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	+0.30% / -0.30%
Strategy FUM	\$9.2 M
Distribution Frequency	Monthly

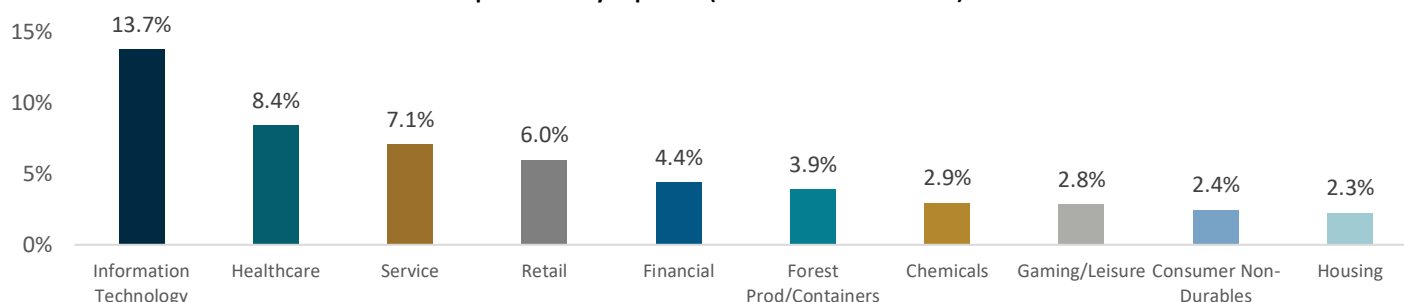
Fund Features	
Attractive income:	The Fund aims to provide a stable income stream for investors by seeking to offer monthly distributions.
Focus on downside protection: ⁴	Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising 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 31 July 2021
Number of issuers	108	+1
Weighted Average Spread (L+)	356	+3
Current Yield (Fx Adjusted to AUD)	3.90%	+0.01%
Yield to Worst (Fx Adjusted to AUD)	4.17%	+0.05%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	53.74%	+3.30%

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 (34.1% and 1.6% portfolio market value as of 31 August 2021, respectively).

Market Commentary

Global risk assets continued to rally during August amid strong Q2'2021 corporate earnings results, the US Food and Drug Administration's (FDA) first official COVID-19 vaccine approval, and continued fiscal support. After several challenging weeks driven by heavy supply, macro volatility and a risk-off tone, U.S. leveraged credit spreads tightened the last two weeks of August as investor concerns over the spread of the Delta variant and lingering supply constraints were overshadowed by a slowdown in primary market activity and dovish remarks from the US Federal Reserve.

U.S. high yield bonds returned 0.55%⁽¹⁾ in August, as spreads retraced losses near month-end amid improving technicals and a decline in U.S. Treasury rates post-Jackson Hole. Notably, lower rated bonds outperformed their higher rated counterparts after underperforming since mid-July. Despite representing the second most active August on record, high yield issuance slowed meaningfully versus the H1'2021 monthly average. Specifically, 47 bonds priced for \$34.4 billion in August. Meanwhile, U.S. high yield funds reported \$344.1 million in inflows during the month, the second monthly inflow over the last nine months.⁽²⁾

Similarly, U.S. leveraged loans returned 0.49%⁽³⁾ in August, amid slower capital markets activity, robust inflows, and record CLO origination. Loan primary market activity generated its lightest volume year-to-date, as \$41.5 billion loans priced over the course of August, following \$64.6 billion and \$71.8 billion in July and June, respectively. With interest rate risk resurfacing, demand for loans remained robust in August with \$1.5 billion of retail inflows.⁽²⁾

U.S. CLO debt securities delivered strong returns during the month, with all ratings tranches experiencing positive gains.⁽⁴⁾ CLO market conditions remain supportive as broadly stable liability spreads and steady leveraged loan supply continue to fuel robust CLO origination in 2021. Specifically, total global CLO issuance for the year-to-date period, including refinancings and resets, totals \$373.2 billion.⁽⁵⁾

Meanwhile, U.S. investment grade bonds underperformed riskier assets, returning -0.19%⁽⁶⁾ in August, amid a slowdown in demand due to concerns around reduced federal stimulus and inflation.

In Europe, high yield bonds and leveraged loans returned 0.35%⁽⁷⁾ and 0.48%⁽⁸⁾ for the month, respectively. Performance was driven by modest corporate earnings and strong economic data prints; specifically, the Euro Area Composite Purchasing Managers Index (PMI) is tracking at a 21-year high. Additionally, the secondary market strengthened as primary market activity came to a halt amid the seasonal summer slowdown.

Market Outlook

Geopolitical tensions intensified heading into September as the deal to pull American troops out of Afghanistan played out with significant repercussions, both in the U.S. and abroad. Additionally, Hurricane Ida wreaked havoc on Southern U.S. states; specifically, it was the second most intense hurricane to strike Louisiana on record. Despite turbulent macro factors, the U.S. economy delivered positive news, including strong Q2'2021 corporate earnings results and rising earnings per share (EPS) expectations. Looking forward, September has historically produced strong spread performance, despite the month usually experiencing heavy issuance.

This year, we expect issuance to be slightly lower on a relative basis due to front-loaded activity during the earlier summer months. As we head into Q4'21, we are monitoring the potential tapering of asset purchases by the Federal Reserve. A November or December taper announcement may be likely, depending on the economy's performance over the next few weeks. As the markets continue to change in response to geopolitical and macroeconomic developments, we believe we are well positioned to navigate the evolving environment and deliver attractive returns through our cycle-tested, fundamental, bottom-up investment process.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in August benefitting from the continued broad rally in credit. All of the Fund's underlying asset categories were positive contributors to returns, with the primary driver of performance being its exposure to bank loans, which benefited from a supportive technical environment. Specifically, performance for the Fund was driven by the Single-B rated cohort within the bank loan allocation, as lower rated credits outperformed their higher rated counterparts for the month. Specific to the structured credit allocation, the Fund's CLO Debt exposure was accretive to performance, as CLO prices rallied amid strong technicals and robust CLO origination. In terms of portfolio positioning, we took profits on certain Double-B rated loan positions and rotated into Single-B rated loans and bonds. Despite the recent decline in interest rates, we still believe rates are biased upwards; therefore, we remain focused on bonds with spread-tightening potential by upward credit migration. Within the portfolio's loan allocation, we remain focused on loans with Libor floors as we seek to maximize carry rather than chase deeply discounted credits. We are constructive on both the loan new issue and secondary markets, as the active primary calendar has put pressure on secondary pricing; and as a result, the percentage of the loan market trading above par is at its lowest level this year. Specific to the structured credit allocation, we continue to favor 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, and have been trimming our exposure to COVID-19 affected credits amid increasing concerns surrounding the Delta variant.

We continue to view the current market environment to be in a reflationary, mid-cycle phase, and remain constructive heading into the fourth quarter as strong GDP growth, an improving default environment, and accommodative fiscal policy continue to drive a supportive technical backdrop. However, we are closely monitoring the impact of the Delta variant, vaccine durability, rising interest rates and potential inflation. 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.



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

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This material has been prepared by Ares Australia Management Pty Ltd (ABN 51 636 490 732, AFSL 343753) AAM, the investment manager of the Ares Global Credit Income Fund. 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 responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, 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. 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 a reliable indicator of future performance. AAM and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, AAM and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. 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. Accordingly, 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.

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