Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

December 2021 - Monthly Fact Sheet

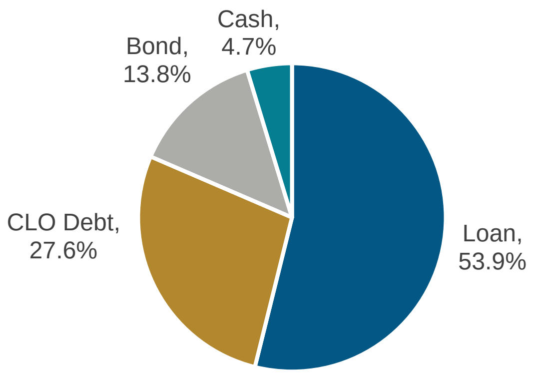
Performance	1 Month %	3 Month %	FYTD %	1-Year %	3-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.5	0.7	1.6	4.7	-	-	9.1
Fund return (net)[2]	0.4	0.5	1.2	4.0	-	-	8.5
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	-	-	0.1
Active return	**0.4**	**0.5**	**1.2**	**3.9**	**-**	**-**	**8.4**

[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 December 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]	+0.25% / -0.25%
Strategy FUM	$16.5 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.

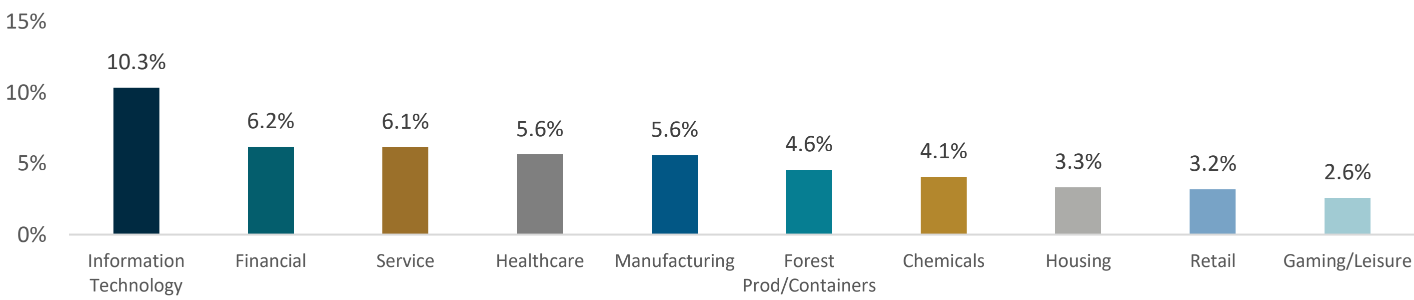
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 Nov 2021
Number of issuers	161	+13
Weighted Average Spread (L+)	352	-4
Current Yield (Fx Adjusted to AUD)	3.97%	+0.07%
Yield to Worst (Fx Adjusted to AUD)	4.72%	+0.07%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	50.60%	-0.15%

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 (27.6% and 4.7% portfolio market value as of 31 December 2021, respectively).

Market Commentary

Global leveraged credit markets rallied during the month of December as recovery enthusiasm and record corporate profits overshadowed investor concerns surrounding persistent supply chain issues and the rapid spread of the Omicron variant.

Despite hawkish remarks from the US Federal Reserve indicating three rate hikes in 2022, high yield bonds generated their strongest performance of 2021, returning 1.88%(1) in December, outperforming U.S. loans by the widest margin for the year. U.S. high yield primary market activity experienced its lightest volume in 2021 amid recent volatility in yields, with only 20 bonds pricing for $10.7 billion over the course of the month. Meanwhile, U.S. high yield funds reported inflows of $3.8 billion in December,(2)

U.S. leveraged loans posted their third highest monthly performance of 2021, returning 0.63%(3) in December following a setback in November. Loan primary market activity also generated its lightest volume in 2021, with $27.6 billion of loans pricing over the course of December, following $74.8 billion in November. Notably, thirteen offerings linked to the Secured Overnight Financing Rate (SOFR) priced for $7.1 billion during the month, compared to eleven SOFR-linked deals in November. Meanwhile, demand for loans remained robust with $2.2 billion of retail inflows against the backdrop of rising interest rate risk.(2)

Similarly, U.S. CLO debt securities delivered modest returns in December with all ratings tranches generating gains.(4) CLO market conditions remain supportive amid strong fundamentals, expectations for a benign corporate default outlook, and robust demand for higher beta, lower duration assets. Despite moderating loan issuance during December, U.S. CLO markets had their most active year on record for CLO origination in 2021. U.S. CLO issuance totaled $186.7 billion, while refinancings and resets totaled $250.88 billion(5) for the year.

Conversely, U.S. investment grade bonds underperformed riskier assets, returning -0.26%(6) in December, as heavy supply and a slowdown in demand following hawkish remarks from the Federal Reserve weighed on performance for the asset class.

December marked the strongest monthly performance in 2021 for European high yield bonds, and nine consecutive months of positive total returns for European leveraged loans, despite partial and full lockdowns across the continent amid the recent pickup in Covid-19 cases. European high yield bonds and leveraged loans returned 0.86%(7) and 0.42%(8) for the month, respectively. Relatively dovish remarks from the European Central Bank, improving corporate earnings and a low default outlook provided a positive technical backdrop in the asset classes.

Market Outlook

During December, we observed increased volatility in the markets as fears around the Omicron variant and its unknown characteristics created investor uncertainty. However, these fears were quickly assuaged, and U.S high yield and leveraged loan prices bounced back alongside equities in the largest price increase of the year. This intermittent volatility is characteristic of what we expect to see as we move into 2022, with one-off events that may impact the markets, such as actions from central banks, midterm elections in the U.S., geopolitical events and the emergence of new variants. In parallel, we also expect increased dispersion in the credit markets as these macroeconomic headwinds impact some businesses and sectors more than others. Consequently, we believe market participants will differentiate between these "winners" and "losers," similar to 2019, with fundamentals impacting performance more than liquidity conditions. Rising inflation and continued supply chain issues have also persisted, contributing to single-name dispersion as some businesses will be able to pass through increased costs or weather these issues, while others will not. As a result, alpha generation will largely be determined by avoiding these underperforming credits and picking the outperformers, which underscores the importance of active portfolio management. We believe that Ares is well-positioned to navigate these environments where alpha is generated by strong credit selection due to our global platform, cycle-tested team and fundamental, bottom-up investment process.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in December, benefitting from the rebound across leveraged credit markets. 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, as lower quality, shorter duration loans outperformed investment grade assets. Moreover, the Fund's exposure to high yield bonds was accretive to performance amid the year-end risk rally, as was the Fund's CLO debt exposure owing to supportive CLO market conditions.

In terms of portfolio positioning, during December we took profits on certain Double-B rated bonds and IG-rated CLO debt securities and rotated into Single-B rated loans. With the outlook of a higher rate environment ahead, we continue to increase our exposure to the loan asset class, which continues to benefit from robust demand for floating rate assets as inflation and central bank policy response remain at the forefront of investor concerns. Within the loan allocation, we remain overweight the Single-B rated cohort and focused on new issue loans with the London Inter-Bank Offered Rate (LIBOR)/SOFR floors. Within the portfolio's bond allocation, we believe there will be opportunities to tactically capitalize on periods of volatility around rate hikes during 2022 and plan to repurchase certain higher quality names as they become oversold. Within the Fund's structured credit allocation, we continue to favor transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. To minimize risk associated with potential spread widening, we have focused recent purchases on Triple-B rated CLO debt securities that exhibit below-market spread duration. From a sector respective, we continue to be overweight technology, packaging and healthcare and underweight sectors and credits that may be susceptible to inflationary pressures.

Looking ahead, we remain modestly overweight credit risk and underweight duration against an expected backdrop of low default rates and higher interest rates in the months ahead. We are constructive on credit heading into 2022 as we expect strengthening fundamentals and ample cash balances to continue to drive a supportive technical backdrop. We are closely monitoring the impact of central bank actions, midterm elections in the U.S., geopolitical events, and the emergence of new variants. We expect increased dispersion in the credit markets as these macroeconomic headwinds impact certain businesses and sectors more than others. Overall, we believe credit selection and active portfolio management will continue to be paramount in 2022. As a result, we view the Fund to be well-positioned to deliver attractive returns in 2022 due to our disciplined investment process rooted in fundamental credit selection, relative value analysis, and rigorous risk management.

As of 31 December 2021. Sources: (1) ICE BofA US High Yield Index "H0A0", (2) JPM, (3) Credit Suisse Leveraged Loan Index "CSLLI", (4) CLOIE, (5) LCD, (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 31 December 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 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 December 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 (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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