Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

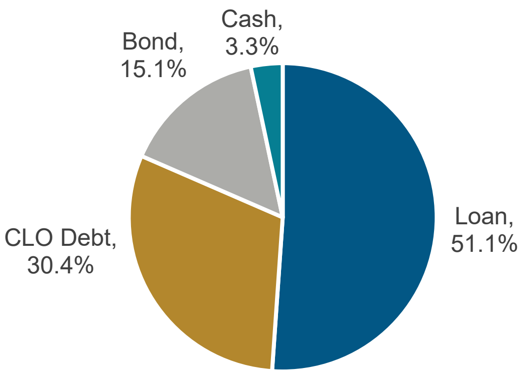
November 2021 - Monthly Fact Sheet

Performance	1 Month %	3 Month %	FYTD %	1-Year %	3-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.1	0.4	1.1	5.1	-	-	9.3
Fund return (net)[2]	0.0	0.2	0.8	4.4	-	-	8.6
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	-	-	0.1
Active return	**0.0**	**0.2**	**0.8**	**4.4**	**-**	**-**	**8.6**

[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, 30 November 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	$13.4 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.

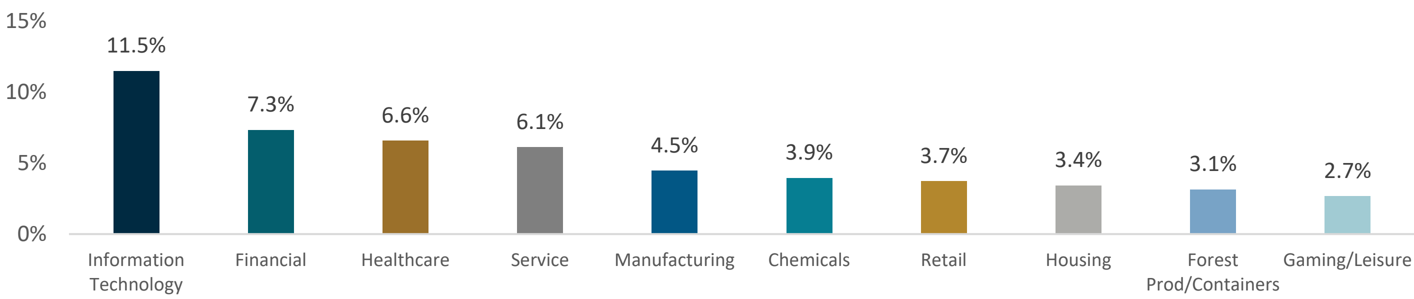
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 Oct 2021
Number of issuers	148	+19
Weighted Average Spread (L+)	356	+1
Current Yield (Fx Adjusted to AUD)	3.90%	-0.10%
Yield to Worst (Fx Adjusted to AUD)	4.65%	-0.05%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	50.75%	-0.52%

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 (30.4% and 3.3% portfolio market value as of 30 November 2021, respectively).

Market Commentary

Despite continued improving corporate credit fundamentals, various factors put downward pressure on the U.S. leveraged credit markets during November including concerns surrounding the Omicron variant, central bank tightening as well as inflationary pressures, including persistent supply chain issues, rising commodity prices and surging rent prices.

U.S. high yield bonds posted their weakest performance since March 2020, returning -1.03% in November[1], amid significant yield curve flattening as markets priced in hawkish remarks from Federal Reserve Chair Powell indicating an earlier start to rate hikes. U.S. high yield primary market activity generated its third lightest volume thus far in 2021, as 46 bonds priced for $32.4 billion over the course of the month. Meanwhile, U.S. high yield funds reported outflows of -$1.4 billion in November after consecutive inflows during the last three months.[2]

U.S. leveraged loans proved more resilient to inflationary pressures than high yield bonds, returning -0.15% in November[3], as accelerating retail inflows and record CLO origination provided a supportive technical backdrop. Loan primary market activity generated its fifth largest volume thus far in 2021, with $74.8 billion in loans pricing over the course of November. Notably, eleven offerings linked to the **Secured Overnight Financing Rate** (SOFR) priced for $7.2 billion during the month, compared to five SOFR-linked deals in October. Meanwhile, against the backdrop of rising interest rate risk, demand for loans remained robust in November with $3.1 billion of retail inflows.[2]

U.S. CLO debt securities delivered mixed performance in November, with returns for most senior tranches relatively flat for the month.[4] Despite broader macro volatility, CLO market conditions remain supportive as stable liability spreads and steady leveraged loan supply continue to fuel robust CLO new issue, reset and refinancing activity in 2021. Specifically, U.S. CLO issuance, including refinancings and resets, totalled $426.2 billion for the year-to-date period.[5]

Conversely, U.S. investment grade bonds outperformed risk assets and returned 0.30% in November[6], as higher U.S. Treasury yields, improving credit fundamentals and moderating net supply provided a supportive backdrop for high grade credit.

In Europe, high yield bonds returned -0.57% in November[7], amid a slowdown in demand due to investor concerns surrounding the emergence of the Omicron variant, while the European loan market posted positive results, returning 0.15% in November[8], its eighth consecutive month of positive total returns. In the primary market, despite moderating deal flow in November, European high yield and leveraged loan issuance in 2021 is on record pace and remains on track for the busiest year of issuance since 2007.[2]

Market Outlook

December began with volatility in the markets as fears around the Omicron variant and its unknown characteristics created investor uncertainty. However, these fears were quickly assuaged and 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 year-end and 2022, with one-off events that may impact the markets, such as Federal Reserve action, midterm elections 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 driving performance instead of 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 process.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") experienced flat returns in November, as leveraged credit markets stumbled amid increased volatility and inflation concerns. The detractors from performance were broad-based and spread across the portfolio but were slightly offset by positive performance within certain Single-B rated loans. In addition, certain Double-B rated high yield bonds proved resilient against inflationary pressures and moderating high yield flows. Specific to the structured credit allocation, the Fund's CLO debt exposure was generally flat for the month, buoyed slightly by strong technicals and robust CLO origination. On a year-to-date basis, all asset classes continue to be accretive to performance, and we believe the recent market volatility will create opportunities for discerning credit pickers like Ares going into year-end.

In terms of portfolio positioning, we took profits on certain Single-B rated bonds and rotated into Double-B rated loans and IG-rated CLO debt securities. With the outlook of a higher rate environment, we continue to increase our exposure to loans, which continue to benefit from the robust demand for floating rate assets, and in the case of structured credit, pick-up in overall yield. Specifically, we have reduced the Fund's bond exposure from 22% at August month-end to 15% as of November month-end. Looking ahead, we remain constructive on the loan market as technicals remain favorable due to record CLO creation, increasing retail and institutional inflows, and increasing repayments. Within the loan allocation, we remain overweight the Single-B rated cohort and continue to be focused on new issue loans with the **London Interbank Offered Rate** (LIBOR) / SOFR floors as we seek to maximize carry rather than chase deep discount credits. Within the portfolio's bond allocation, we plan to repurchase certain higher quality names as they become oversold amid rate fears. 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.

We remain modestly overweight credit risk and underweight duration with the outlook of low default rates and a higher interest rate environment ahead. We are generally constructive heading into year-end as we expect strengthening credit fundamentals, steady inflows and moderating primary market activity to drive a supportive technical backdrop. We are closely monitoring the impact of the Omicron and Delta variants and vaccine durability as well as global central bank action, rising interest rates and inflation. Overall, we believe credit selection and active portfolio management will continue to be paramount going into year-end. 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 30 November 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 30 November 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 30 November 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.
REF: AAM-00217

For further information, please contact:

Fidante Partners Investor Services | **p:** 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com

---