Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

October 2021 - Monthly Fact Sheet

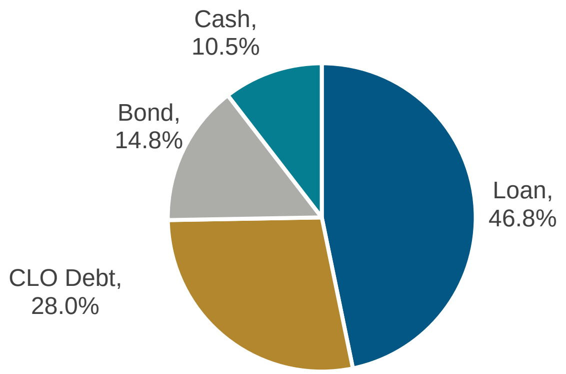
Performance	1 Month %	3 Month %	FYTD %	1-Year %	3-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.1	0.5	1.0	7.1	-	-	9.8
Fund return (net)[2]	0.1	0.4	0.8	6.3	-	-	9.2
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	-	-	0.1
Active return	**0.1**	**0.4**	**0.8**	**6.3**	**-**	**-**	**9.1**

[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 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	$12.0 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.

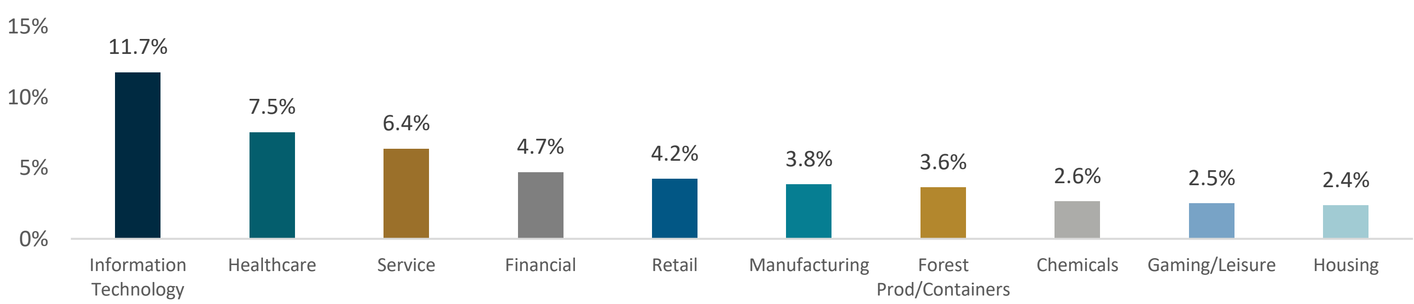
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 Sep 2021
Number of issuers	129	+6
Weighted Average Spread (L+)	355	+5
Current Yield (Fx Adjusted to AUD)	4.00%	+0.14%
Yield to Worst (Fx Adjusted to AUD)	4.70%	+0.39%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	51.27%	+1.60%

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 (28.0% and 10.5% portfolio market value as of 31 October 2021, respectively).

Market Commentary

Despite continued improving corporate credit fundamentals, performance across global credit markets was mixed in October as central bank tightening and inflationary concerns fuelled by persistent supply chain issues, rising commodity prices and surging rent prices put downward pressure on certain risk assets.

U.S. high yield bonds posted the first monthly decline since September 2020, returning -0.18%[1] in October amid significant yield curve flattening as markets priced in an earlier start to global monetary policy tightening. U.S. high yield primary market activity generated its lightest volume thus far in 2021 as refinancing activity declined, with $30.2 billion pricing over the course of the month. Meanwhile, U.S. high yield funds reported $1.4 billion of inflows during October.[2]

Meanwhile, U.S. leveraged loans proved resilient to inflationary pressures and returned 0.24%[3] in October, outperforming high yield bonds, as ongoing retail inflows and record CLO origination provided a supportive technical backdrop in the asset class. Loan primary market activity generated its fourth highest volume thus far in 2021, as $77.2 billion in loans priced over the course of October. Notably, the first loan offerings linked to SOFR instead of LIBOR priced during the month. Meanwhile, against the backdrop of rising interest rate risk, demand for loans remained robust in October with $2.6 billion of retail inflows.[2]

Similarly, U.S. CLO debt securities delivered strong returns in October with all ratings tranches generating gains.[4] CLO market conditions remain supportive as tighter 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 for the year-to-date period, including refinancings and resets, totals $388.3 billion.[5]

U.S. investment grade bonds returned -0.03%[6] in October, as heavier than expected supply and a slowdown in demand due to concerns surrounding reduced federal stimulus and inflation weighed on performance for the month.

In Europe, high yield bonds returned -0.64%[7] in October, amid a slowdown in demand due to rising Treasury yields and investor concerns that less accommodative policies may hamper global growth. Conversely, the European loan market posted positive results, returning 0.14%[8] in October, its seventh consecutive month of positive total returns. In the primary market, both the European loan and high yield bond markets have now surpassed 2020 volumes and remain on track for the busiest year of issuance since 2007.[2]

Market Outlook

As we move into the end of the year, the static labor force participation, rising inflation concerns and continuing supply chain shortages have created a mixed sentiment among investors. During the first week of November, the Federal Reserve ("the Fed") announced its plan to slow bond purchases as part of its efforts to move towards a pre-pandemic monetary policy. The bond purchasing stimulus program had originally been put in place at the beginning of the pandemic to buoy the economy, promote investor confidence and provide liquidity. The Fed and investors are also wary of inflation and whether it may be more systemic rather than transitory as rising prices have not abated as quickly as originally anticipated. That being said, the economy has continued to grow at a healthy pace, fuelled by increased consumer wealth, strong corporate earnings and easing COVID-19 restrictions.

Furthermore, President Biden has signed the bipartisan infrastructure bill into law, which represents $2.4 trillion in new public spending on clean energy, broadband, transportation and social programs. This may help boost employment and productivity and contribute positively to U.S. GDP growth in 2022. Although we remain constructive on the economy as a whole, we are keenly aware of potential headwinds that may result in bouts of volatility as well as increased credit dispersion.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in October, benefitting from the rally in floating rate credit amid rising interest rate risk. The portfolio's primary driver of performance was its exposure to bank loans, which benefitted from a supportive technical environment. Specifically, performance for the Fund was driven by the Single-B rated cohort within the bank loan allocation, as Single-B rated loans outperformed their higher and lower 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. Conversely, the Fund's bond allocation weighed on monthly returns due to investor concerns surrounding the increase in Treasury yields amid inflationary pressures.

In terms of portfolio positioning, we took profits on certain high yield and investment grade bonds and IG-rated CLO debt securities, and rotated into Double-B and Single-B rated loans. With the outlook of a higher rate environment, we continue to increase our exposure to loans, which continues 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 October month-end. Looking forward, 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 focused on new issue loans with LIBOR / Secured Overnight Financing Rate ("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. From a sector perspective, we have trimmed exposure to certain healthcare names with outsized contract labor exposure amid increasing inflation risk given attractive relative value opportunities in certain other sectors.

We remain 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 Delta variant and vaccine durability, 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 31 October 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 October 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 October 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.
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