Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

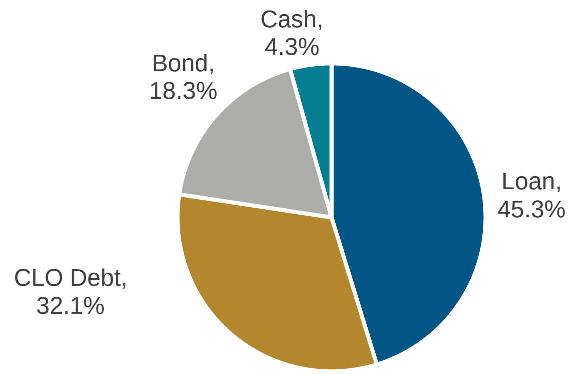
September 2021 - Monthly Fact Sheet

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	0.9	0.9	7.7	-	-	10.3
Fund return (net)[2]	0.2	0.7	0.7	7.0	-	-	9.7
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	-	-	0.1
Active return	**0.2**	**0.7**	**0.7**	**6.9**	**-**	**-**	**9.6**

[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 September 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	$10.8 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.

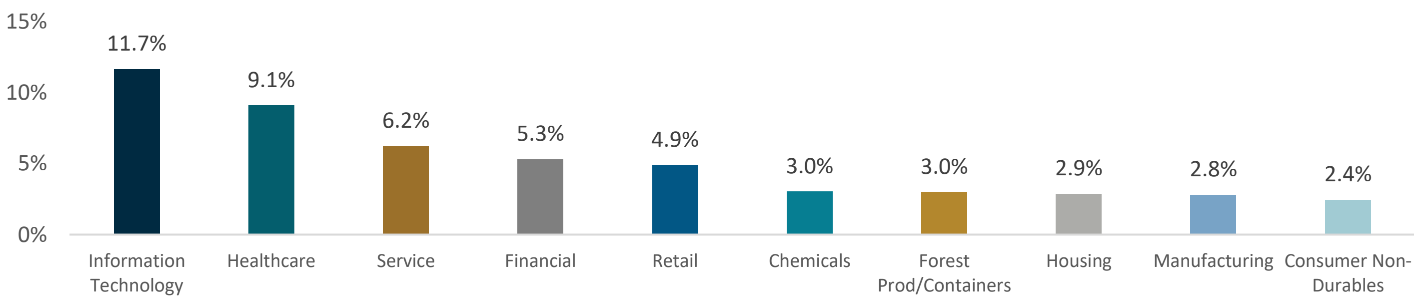
Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

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 2021
Number of issuers	123	+15
Weighted Average Spread (L+)	350	-6
Current Yield (Fx Adjusted to AUD)	3.86%	-0.04%
Yield to Worst (Fx Adjusted to AUD)	4.31%	+0.14%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	50.12%	-3.62%

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 (32.1% and 4.3% portfolio market value as of 30 September 2021, respectively).

Market Commentary

Despite continued improving corporate credit fundamentals, performance across U.S. leveraged credit markets was mixed in September as global macro weakness, persistent supply chain issues and inflationary concerns put downward pressure on certain risk assets.

While U.S. high yield bonds posted flat returns of 0.03%(1) for the month overall, September was a tale of two halves as spreads trended tighter for the first two weeks before retracing gains near month-end amid significant equity losses and a sharp rise in Treasury yields following hawkish remarks from Federal Reserve Chair Powell indicating a sooner than expected taper of asset purchases. Notably, lower rated bonds outperformed their higher rated counterparts as investors flocked to shorter duration instruments for protection against rising interest rates. U.S. high yield primary market activity in September was underwhelming versus expectations, as gross issuance remained below the H1'2021 average for a third consecutive month. Specifically, 69 bonds priced for $43.7 billion in September. Meanwhile, U.S. high yield funds reported $1.15 billion of inflows during the month, the third inflow over the last ten months.(2)

Meanwhile, U.S. leveraged loans proved resilient to inflationary pressures and posted gains of 0.65%(3) in September, outperforming high yield bonds, as ongoing retail inflows, record CLO origination and lighter issuance provided a supportive technical backdrop for the asset class. Loan primary market activity generated its third lightest volume thus far in 2021, as $54.4 billion of loans priced over the course of September. Despite moderating deal flow in Q3'21, U.S. leveraged loan issuance in 2021 is on a record pace, as $655.5 billion of loans have priced year-to-date. Meanwhile, with rising interest rate risk, demand for loans remained robust in September with $2.3 billion of retail inflows.(2)

U.S. CLO debt securities delivered strong returns in September, 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, U.S. and European CLO markets had their most active quarter on record for CLO origination in Q3'21.(5)

Meanwhile, U.S. investment grade bonds underperformed higher beta assets, returning -0.87%(6) in September, amid a slowdown in demand due to concerns around reduced federal stimulus and inflation.

In Europe, high yield bonds returned -0.08%(7) for the month, as hawkish messaging from the European Central Bank weighed on sentiment near month-end. Conversely, the European loan market posted positive results, returning 0.44%(8) in September, its sixth 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.

Market Outlook

It appears that investors are beginning to feel the pressure from negative headlines, despite shrugging off concerns thus far in 2021. As the Federal Reserve (the "Fed") signalled tighter monetary policies on the horizon, investor angst played out in the equity market volatility seen at the end of September. Additionally, weak employment and rising prices have created uncertainty around how the Fed will balance inflation along with disappointing payroll data. Fed officials have signalled they will begin slowing bond purchases as early as November, and the lackluster September jobs report is unlikely to alter current plans. The debt ceiling discussions in Washington have added another layer of complexity.

The agreement struck on October 8 is acting as a temporary deadline extension to allow the government to cover its expenses through early December, but little is being done to definitively address the partisan issue. Given the high stakes, sell-side analysts expect a resolution in time to avert a potential shutdown.

Lastly, the Chinese property developer Evergrande's recent financial problems could lead to unforeseen fallout, with a potential ripple effect across the world. With these headlines dominating the news cycle, it would not be surprising to see bouts of volatility in the near future. However, despite these negative factors, the story of the U.S. economy is still that of steady expansion and recovery. We believe Ares is well positioned to navigate these complex environments as we move into the final quarter of 2021.

Fund Commentary

The Ares Global Credit Income Fund ("the Fund") delivered positive returns in September 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 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. Conversely, the Fund's bond allocation modestly weighed on monthly returns due to investor concerns surrounding the sharp increase in Treasury yields and inflationary pressures.

In terms of portfolio positioning, we took profits on certain high yield and investment grade bonds and rotated into Double-B and Single-B rated loans as well as investment grade (IG) rated CLO debt securities. With the outlook of a higher rate environment, we modestly increased 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. Looking forward, we remain 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 remain focused on lower-duration bonds with spread-tightening potential and plan to repurchase higher-quality names as they become oversold amid rate fears. 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.

We remain constructive heading into year-end as we expect strengthening credit fundamentals, ample cash balances and stable demand to continue to drive a supportive technical backdrop. However, we are closely monitoring the impact of the Delta variant and vaccine durability, as well as the Fed's pivot away from its ultra-accommodative policy, rising interest rates and elevated inflation. Overall, we believe credit selection and active portfolio management will continue to be paramount in Q4'21. 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 September 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 September 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 30 September 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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