Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

May 2022 - Monthly Fact Sheet

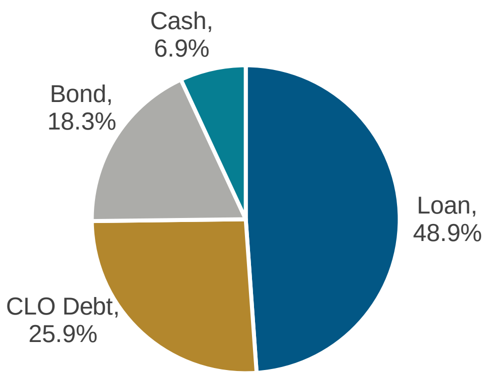
Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	-2.5	-2.9	-1.9	-1.4	4.6	-	5.5
Fund return (net)[2]	-2.5	-3.1	-2.5	-2.1	4.0	-	4.8
Bloomberg AusBond Bank Bill Index	0.0	0.0	0.0	0.0	0.1	-	0.1
Active return	**-2.5**	**-3.1**	**-2.5**	**-2.1**	**3.9**	**-**	**4.8**

[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 May 2022.**

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	$33.3 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.

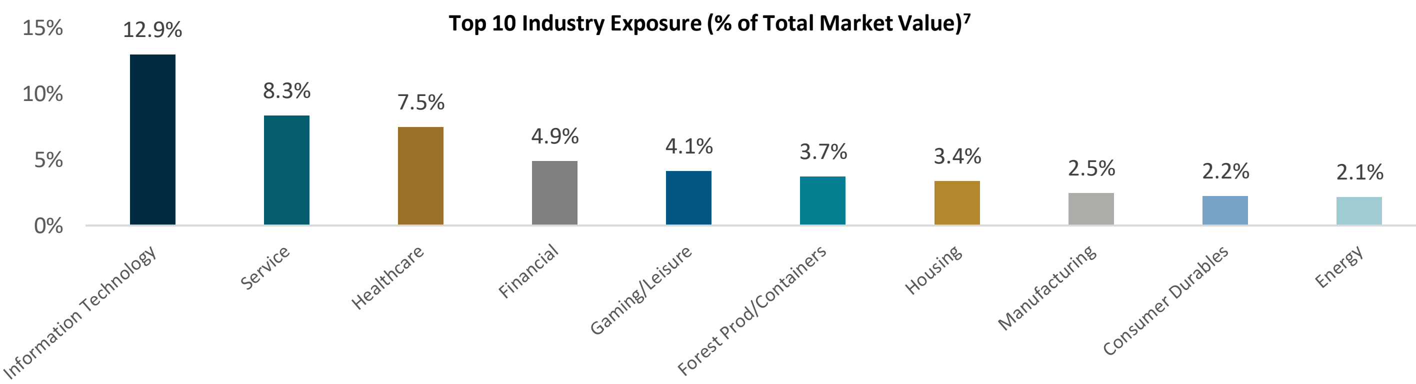
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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 Apr 2022
Number of issuers	219	+10
Weighted Average Spread (L+)	342	-9
Current Yield (Fx Adjusted to AUD)	4.23%	+0.30%
Yield to Worst (Fx Adjusted to AUD)	6.58%	+0.43%
Weighted Average Credit Quality (S&P)	BB-	-
Total Investment Grade Exposure	54.55%	+2.30%



[3] Source: Ares. 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 (25.9% and 6.9% portfolio market value as of 31 May 2022, respectively).

Market Commentary

Volatility across global capital markets continued during May as slowing growth, tighter central bank policy and rising recession risk weighed on investor sentiment. Within leverage credit markets, fixed rate assets outperformed floating rate peers during the month for the first time in calendar year 2022.

U.S. high yield bond spreads trended wider for the majority of the month before retracing losses near month-end, returning 0.25%[1]. U.S. high yield primary market activity contracted amid rising yields, with only five bonds pricing for $4.0 billion over the course of the month, compared to $10.9 billion in April. Meanwhile, U.S. high yield funds reported retail outflows of $3.6 billion in May.[2]

Conversely, U.S. leveraged loans returned -2.51%[3] in May as mounting growth concerns, large retail outflows, and a growing forward calendar weighed on the asset class. Specifically, loan funds reported retail outflows in May for the first time in eighteen months. Meanwhile, primary market activity continued to moderate, with $17.3 billion of loan paper pricing over the course of the month, following $26.9 billion in April.[2]

US. CLO debt securities posted negative returns with all ratings tranches experiencing mark-to-market losses due to the weaker technical in the underlying loan market.[4] Despite wider liability spreads, CLO issuance was fairly resilient in May as managers took advantage of falling loan prices to compile partially ramped portfolios of loans pricing below par, also known as “print-and-sprint” deals.

U.S. investment grade bonds outperformed risk assets returning 0.64%[5] in May, as a flight to quality and relatively slow supply provided a supportive technical backdrop for the asset class.

In Europe, high yield bonds and leveraged loans returned -1.32%[6] and -2.44%[7], respectively. European credit spreads widened during the month amid concerns around deteriorating fundamentals and slowing growth resulting from aggressive central bank tightening. Further, the war in Ukraine, housing market weakness, rising energy costs and the threat of a gas embargo continued to weigh on investor sentiment. Meanwhile, European high yield bond and loan supply volumes were muted during the month as issuers postponed the launch of new deals amid a challenging pricing environment due to ongoing macro volatility and spread widening.

Market Outlook

Credit markets continue to be under pressure in June amid a risk-off environment and sustained macro uncertainty. Global inflationary pressures continue to persist, including the ongoing war in Ukraine, slowing growth in China due to COVID-related lockdown measures, higher energy prices and supply-chain disruptions. Central banks face substantial challenges as they look to combat elevated inflation by raising interest rates, but without triggering a recession.

The Federal Reserve hiked interest rates 75 bps at the June FOMC meeting and anticipate a 50-75 bps rate hike in July. Meanwhile, economists expect the first rate hike by the European Central Bank in July. Despite tighter financial conditions and expectations for slowing global economic growth, the employment picture and household and corporate balance sheets remain relatively healthy. Default rates have increased slightly, but remain well below historical averages. Although there is significant uncertainty about the future of the economy and the global landscape, we believe our cycle-tested, bottom-up credit approach will enable us to both preserve investor capital and seek out attractive alpha-generating opportunities.

Fund Commentary

The Ares Global Credit Income Fund (“AGCIF” or the “Fund”) returned -2.45% gross and -2.51% net for the month of May. The portfolio’s allocation to bank loans and structured credit weighted on performance, with all ratings cohorts experiencing mark-to-market losses due to a weaker technical in the loan market. Specific to the portfolio’s high yield allocation, it was a positive contributor to returns with higher-quality names outperforming lower rated bonds amid the risk-off environment.

During the month, we continued to proactively manage exposures across the portfolio to identify opportunities created by shifts in sentiment on rates, growth expectations, and idiosyncratic credit news. Within corporate credit, we are maintaining our core positions in sectors with favourable supply-demand dynamics and earnings trajectories, such as technology and certain segments of healthcare and building products, while reducing exposure to global cyclical sectors lacking clear bottom-up catalysts. We continue to reduce credit risk and from a fixed versus floating perspective, remain overweight floating rate assets amid rising interest rate risk and persistent inflation. Within the Fund’s structured credit allocation, we continue to take advantage of the yield premium in CLO debt relative to corporate credit and continue to favour transactions with high quality underlying portfolios and ample time remaining in their reinvestment periods. Further, we are selectively adding Single-A CLO debt securities and discount Triple-B rated bonds, in an effort to further increase the credit quality of the portfolio overall.

Looking forward, we continue to trim credit risk while remaining underweight duration against an expected backdrop of slowing economic growth and tighter financial conditions in the months ahead. Against the backdrop of wider spreads and increased volatility, global leveraged credit yields have reset to higher levels, and the convexity profile has improved, presenting an attractive opportunity for yield-focused investors. Looking forward, we are closely monitoring the developments in Ukraine and China and the resulting economic impacts, central bank policy, as well as any idiosyncratic events that may arise in this unpredictable environment. We believe credit selection and active portfolio management will continue to be paramount in 2022 and view the Fund to be well-positioned to navigate the broader macro volatility due to our focus on bottom-up, fundamental credit analysis, downside protection, and the experience and breadth of the Ares platform.

As of 31 May 2022. Sources: (1) ICE BofA US High Yield Index “H0A0”, (2) JPM, (3) Credit Suisse Leveraged Loan Index “CSLLI”, (4) CLOIE, (5) Bloomberg Barclays U.S. Aggregate Bond Index, (6) ICE BofA European Currency High Yield Constrained Index Hedged to EUR, (7) 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 May 2022 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 May 2022 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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