Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

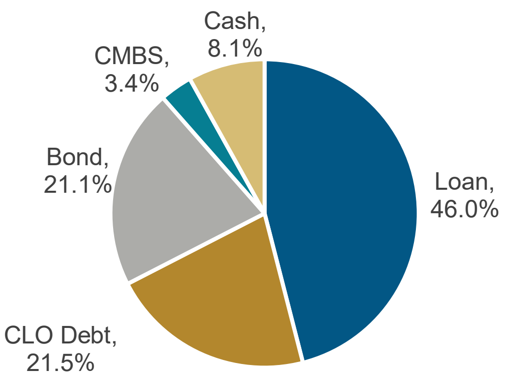
November 2022 - Monthly Fact Sheet

Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	2.0	0.1	2.6	-2.3	1.4	-	4.7
Fund return (net)[2]	1.9	-0.2	2.1	-3.1	0.6	-	3.9
Bloomberg AusBond Bank Bill Index	0.2	0.6	0.9	1.0	0.5	-	0.4
Active return	**1.7**	**-0.9**	**1.2**	**-4.1**	**0.0**	**-**	**3.5**

[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 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]	+0.40% / -0.40%
Strategy FUM	$65.5 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.

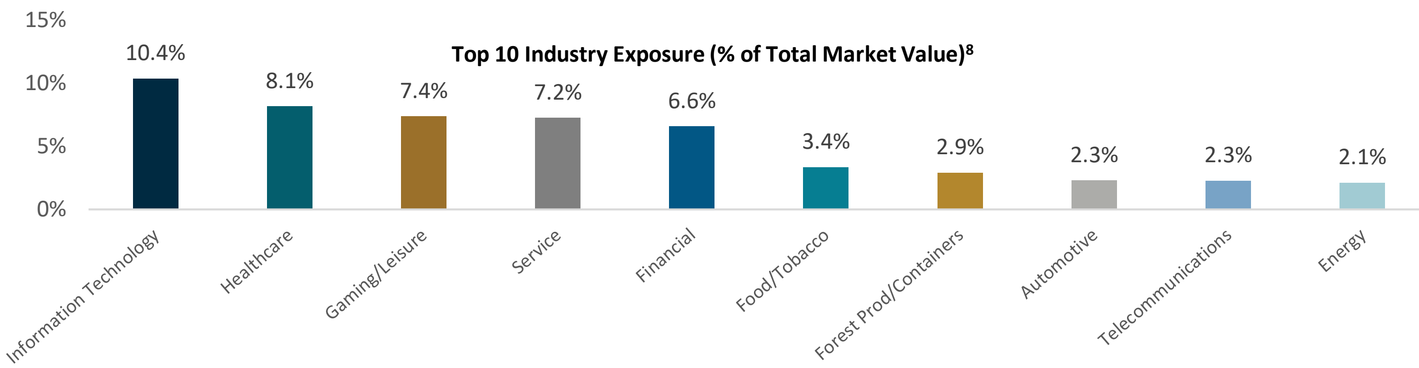
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

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 31 Oct 2022
Number of issuers	258	+16
Weighted Average Spread (L+)	319	+1
Current Yield (Fx Adjusted to AUD)	5.46%	-0.25%
Yield to Worst (Fx Adjusted to AUD)	6.54%	-1.03%
Weighted Average Credit Quality[7]	BB+	-
Total Investment Grade Exposure	60.62%	-1.78%



[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] Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.
[8] Credit Suisse Industry Distribution. Excludes collateralised loan obligations, CMBS and cash 21.5%, 3.4% and 8.1% as of 30 November 2022, respectively).

Market Commentary

Volatility continued within capital markets during November, although credit markets rallied at the end of the month as investors digested comments by Federal Reserve Chair Powell, where he signaled a potentially more cautious approach to tightening monetary policy.

U.S. high yield bonds returned 1.87%[1] during the month as the asset class was buoyed by easing inflation concerns, limited supply and continued retail inflows. U.S. high yield funds reported inflows of $8.1 billion during November, while, primary market activity modestly increased, with nine bonds pricing for a total of $9.2 billion over the course of the month.[2]

Similarly, U.S. loans returned 1.11%[3] for the month amid better-than-feared quarterly corporate earnings and moderating loan outflows. Specifically, loan funds reported outflows of $1.3 billion in November, following $4.8 billion of outflows in October. Meanwhile, primary market activity surged amid declining yields with $24.4 billion of loan paper pricing over the course of the month.[2]

Collateralized Loan Obligation (CLO) debt securities posted positive returns as well with all ratings tranches generating gains due to a relatively stronger technical in the underlying loan market.[4] Despite wider liability costs and recovering loan prices, CLO origination modestly increased during the month, keeping CLO issuance for the calendar year on pace to be the second highest since 2012. That said, the CLO refinancing and reset market remained muted during the month.[5]

U.S. investment grade bonds outperformed below investment grade assets, returning 3.68%[6] in November 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 3.72%[7] and 1.92%[8], respectively. European credit markets rallied during the second half of the month following downside surprises from U.S. and Euro Area inflation prints and renewed hopes for a central bank policy pivot.

Market Outlook

After an arduous start to the year, the market has rallied in 4Q'22 on softening inflation expectations and favorable supply/demand technicals. We believe there is potential for the firm tone to continue into year-end due to modest primary issuance and pressure to re-risk as the market recovers. Despite the recent rally, market participants and Ares alike are expecting a challenging macro environment in 2023 amid slowing GDP growth, persistent inflation, further ratings decompression and wider credit spreads. While inflation declined in November and expectations have cooled, levels remain high driven by the housing and labor markets. As a result, economists anticipate a policy shift to a slower but longer hiking cycle in 2023 as stickier inflation puts pressure on central banks to continue to hike rates. Further, we are cautious that as inflation falls, probabilities of a recession increase. Economists now place a 60% probability of a recession in the next 12 months in the U.S. and 80% in Europe.

We likewise expect a recession in the next 12 months, but expect it to be shallow as job demand, payroll growth, and wages remain robust. Even if a recession is deeper and more protracted than we anticipate, we take comfort in the healthier corporate and consumer balance sheets than leading up to prior recessions from a fundamental perspective. From a fundamentals standpoint, issuers have reported better-than-expected Q3'2022 earnings; however, a greater percentage of companies are reducing guidance. We believe meticulous credit selection will be essential in 2023, as slower earnings growth and higher funding costs could pressure weaker balance sheets, resulting in greater dispersion as lower quality issuers are expected to be impacted disproportionately. We continue to keep a close watch on geopolitical developments and the resulting economic impacts, central bank policies, as well as any idiosyncratic events that may arise in this unpredictable environment. Overall, we believe 2023 should provide ample opportunities for relative value investing amid elevated dispersion and wider credit spreads.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 1.97% gross and 1.91% net for the month of November. From an asset class perspective, performance was driven by the portfolio's allocation to structured credit, specifically CLO Debt, as the asset class was buoyed by strong returns within the underlying loan asset class in October and November. Similarly, the portfolio's bank loan and high yield allocations contributed to performance during the month, as the asset classes were supported by a strong technical environment.

As we head into year-end, we continue to maintain our lower risk posture and have been modestly high-grading the portfolio, given the uncertain economic environment at present. In terms of positioning, we remain overweight floating rate assets while seeking to modestly increase our exposure to corporate bonds, which we believe will benefit from lower rates in the event of a recession. Within corporate credit, we are overweight defensive sectors with favorable supply-demand dynamics and earnings trajectories, such as technology, with a few cyclical plays (building products), as well as sectors more upstream in supply chains and companies with strong pricing power, including software and necessary services sectors. We are underweight sectors that are more susceptible to consumer discretionary income weakness, input cost pressures and general cyclicality, such as retail and pharmaceuticals. Overall, we expect choppy market conditions to continue and therefore are positioned defensively. Specific to structured credit, we continue to favor transactions with top tier managers that we know well and are maintaining our exposure given attractive relative value for high quality assets. From a geographical perspective, we are maintaining our underweight allocation to Europe due to increased tail risk in the region but anticipate attractive opportunities in European assets once growth troughs. Importantly, we continue to view the current environment to be an attractive entry point and long-term buying opportunity given the relatively healthy fundamental backdrop alongside attractive forward return potential.

As of 30 November 2022. Sources: (1) ICE BofA US High Yield Index "H0A0", (2) JP Morgan, (3) Credit Suisse Leveraged Loan Index "CSLLI", (4) CLOIE, (5) LCD News. (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. (9) Bloomberg.

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 30 November 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 30 November 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.
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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