

ARSN 639 123 112 APIR HOW4476AU

## October 2023 - Monthly Fact Sheet

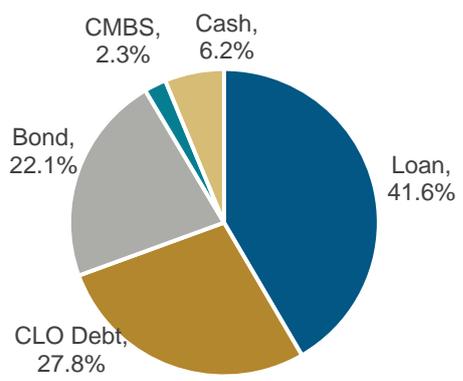
Performance	1 Month %	3 Month %	6 Month %	1-Year %	2-Year % p.a.	3-Year % p.a.	Inception % p.a.
Fund return (gross) <sup>1</sup>	-0.2	1.1	3.7	9.7	2.6	4.1	5.6
Fund return (net) <sup>2</sup>	-0.3	0.9	3.3	8.9	1.7	3.3	4.9
Bloomberg AusBond Bank Bill Index	0.3	1.0	2.0	3.7	2.2	1.5	1.3
<b>Active return</b>	<b>-0.6</b>	<b>-0.1</b>	<b>1.2</b>	<b>5.2</b>	<b>-0.5</b>	<b>1.8</b>	<b>3.6</b>

<sup>1</sup>Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.  
<sup>2</sup>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. **Data Source: Fidante Partners Limited, 31 October 2023.**

Fund Facts	
<b>Portfolio managers</b>	Charles Arduini, Seth Brufsky, Samantha Milner, Boris Okuliar
<b>Inception date</b>	1 May 2020
<b>Management fee</b>	0.75% p.a.
<b>Fund Objective</b>	To outperform the AusBond Bank Bill Index over a three-year period
<b>Buy/sell spread<sup>3</sup></b>	+0.40% / -0.40%
<b>Strategy FUM</b>	\$94.5 M

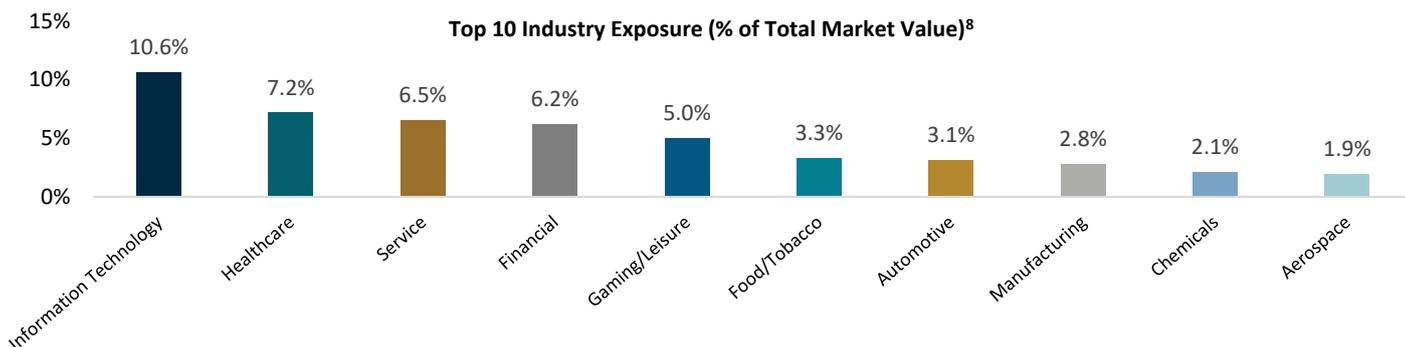
Fund Features	
<b>Attractive income:</b>	The Fund aims to provide a stable income stream for investors by seeking to offer monthly distributions.
<b>Focus on downside protection:<sup>4</sup></b>	Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.
<b>Dynamic asset allocation:</b>	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.
<b>Diversification:<sup>5</sup></b>	The Fund provides access to investment opportunities and asset classes which are generally unavailable to individual investors.

### Asset Class Allocation<sup>6</sup>



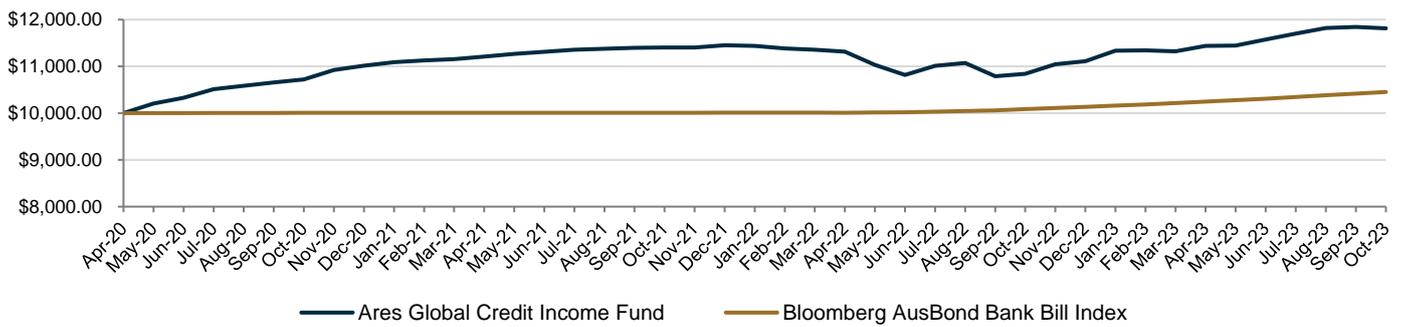
**Leading global investment team:** The Fund offers access to a leading global investment team with 20+ years of experience investing in global credit markets. The experienced management team applies an integrated and collaborative approach using the scale and power of the platform seeking to deliver compelling risk-adjusted returns through market cycles.

Key Attributes	Fund	Change from 30 Sep 2023
Number of issuers	244	+1
Weighted Average Spread (L+)	358	+3
Current Yield (AUD-Hedged)	7.22%	+0.22%
Yield to Worst (AUD-Hedged)	7.45%	+0.52%
Current Yield (Unhedged)	8.29%	+0.10%
Yield to Worst (Unhedged)	8.52%	+0.39%
Duration	0.94	+0.03
Spread Duration	3.65	-0.07
Weighted Average Credit Quality <sup>7</sup>	BB+	-
Total Investment Grade Exposure	58.88%	-0.21%



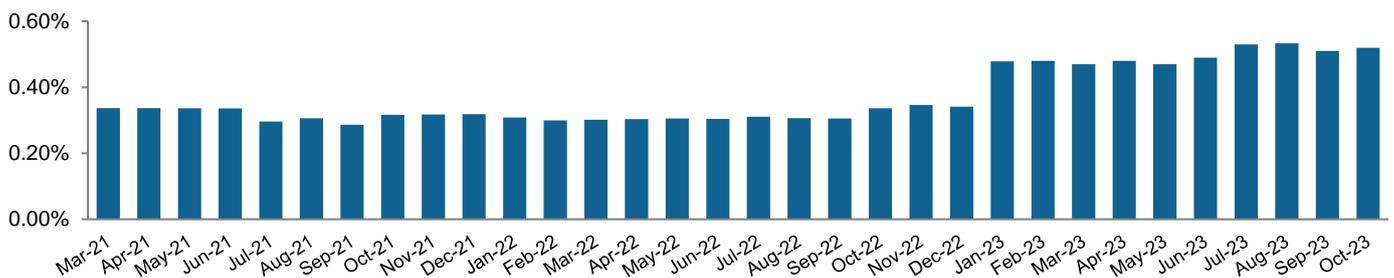
<sup>3</sup> Source: Ares. During normal market conditions, bid/ask spreads have averaged 25 -100bps, however, during periods of volatility, we have observed spreads widen out to 300-400bps.  
<sup>4</sup> References to "downside protection" or similar language are not guarantees against loss of investment capital or value.  
<sup>5</sup> Diversification does not assure profit or protect against market loss.  
<sup>6</sup> 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.  
<sup>7</sup> Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.  
<sup>8</sup> Credit Suisse Industry Distribution. Excludes CLO debt, CMBS and cash.

### Growth of \$10,000 Since Inception (Net of Fees)



**Past performance is no indication of future performance.** Represents performance of a hypothetical \$10,000 investment made in this fund from the inception date. There is no guarantee of future results and this may not provide adequate basis for evaluating the performance of the Fund over varying market conditions or economic cycles. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted. The Fund's inception date is 1 May 2020.

### Monthly Distribution Rate



**Past performance is no indication of future performance.** There is no assurance monthly distributions paid by the Fund will be maintained at targeted level or paid at all. Calculated as the cents per unit (CPU) distribution at month end divided by the ex-distribution unit price at the start of the month.

## Market Commentary

During the month, volatility in global leveraged credit markets remained elevated amid rising rates, mixed corporate earnings data, and the geopolitical crisis in the Middle East. While dovish remarks from the U.S. Federal Reserve ("Fed") indicated we are nearing the end of the hiking cycle, consumer confidence declined during October, retail outflows persisted, and equities moved lower for the third consecutive month.

U.S. high yield returned -1.24%<sup>1</sup> in October as bond prices came under pressure due to elevated rate volatility. Notably, the lower rated segment of the high yield market underperformed higher quality assets, a sharp change from the significant risk-on sentiment we've seen in 2023. Capital market activity for high yield bonds slowed, with 10 new issue bonds pricing for \$9.4 billion over the course of the month, following \$24.6 billion in September. Meanwhile, U.S. high yield funds reported outflows totaling \$8.1 billion in October, following \$2.5 billion of outflows in September.<sup>2</sup>

U.S. leveraged loans outperformed fixed rate peers, returning 0.03%<sup>3</sup> in October as prices benefitted from higher base rates and moderating capital market activity. Notably, primary market activity slowed with \$31.8 billion of loan paper pricing over the course of the month.

Meanwhile, U.S. loan funds reported \$1.1 billion of outflows, following \$603 million of inflows in September.<sup>2</sup>

CLO debt securities posted flat returns during the month with mixed performance across ratings tranches.<sup>4</sup> U.S. CLO issuance in October was the highest monthly volume since February of this year, as tighter spreads supported constructive repricing across all tranches during the month.<sup>5</sup>

U.S. investment grade bonds underperformed below investment-grade credit, returning -2.10%<sup>6</sup> in October as the asset class came under pressure amid heavy supply and rising bond yields.

Meanwhile, European high yield bonds and leveraged loans returned -0.23%<sup>7</sup> and -0.33%<sup>8</sup> in October, respectively. While European credit spreads trended wider during the first half of the month, there was a modest retracement the final week of the period following a better-than-expected Euro area inflation data print. Further, European leveraged credit market technicals remained firm during the month due to resilient capital market activity and stable demand.

## Market Outlook

Following a volatile October, leveraged credit markets have rallied in November amid a collapse in rates, a smaller-than-feared Treasury refunding announcement and dovish remarks from the Fed which indicated we are nearing the end of the hiking cycle. The Fed's guidance forecasts two rate cuts in 2024 while markets are pricing in three cuts next year with the expectation that they will be gradual and measured. The 'soft landing' narrative in the U.S. is further supported by the latest economic data prints, specifically gains in productivity and softer-than-expected jobs data. Despite optimistic sentiment for an improving economy, several leading indicators still point towards a slowdown or recession next year. Against this backdrop, economists and market strategists' views remain split about the probability of recession in the next 12 months. From a fundamental perspective, Q3'2023 corporate earnings have been better-than-expected; however, forward guidance remains conservative and idiosyncratic misses have increased, causing elevated credit dispersion. Meanwhile, the technical environment should remain supportive heading into year-end owing to stable demand from global institutional investors, a pick-up in retail inflows, albeit modest in size, and minimal net new issue supply. Looking ahead, we continue to closely monitor potential headwinds that point to more subdued growth in the next few quarters, including the resumption of student loan payments, labor strikes, and the potential impacts of elevated geopolitical tensions. Importantly, we remain focused on security selection as we expect single-name dispersion to continue to increase in the coming months.

## Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned -0.20% gross and -0.26% net for the month of October. Returns across component asset classes were mixed, with the portfolio's allocation to bank loans and CLO Debt partially offsetting the declines in high yield bonds. The portfolio's allocation to bank loans generated attractive returns in large part due to credit selection within the Single-B rated cohort, while CLO Debt continued to benefit from a supportive underlying loan technical.

During the month, we maintained our higher quality risk posture and continued to focus on identifying opportunities arising from today's evolving economic environment. From a positioning perspective, we remain overweight floating rate assets and have been marginally increasing our fixed rate exposure with the goal of adding convexity to the portfolio as we near what we believe is the end of a hiking cycle. We continue to actively trade around relative value across individual credits, taking profits on select loan names that we view as having more credit risk and topping up on other discounted credits that we believe are undervalued. From a sector perspective, we remain overweight defensive sectors with favourable supply-demand dynamics and earnings trajectories, 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, and we are closely monitoring certain sectors where liquidity may be challenging, such as certain segments of the technology and healthcare sectors. Specific to structured credit, we continue to favor transactions with top tier managers that we know well, specifically within Triple-B rated CLO debt. From a geographical perspective, we have been increasing our European exposure given the reset wider of credit spreads in Europe, moving closer to a market-neutral weight following months of being underweight. Importantly, we continue to be mindful of softer economic growth and increased dispersion in credit fundamentals in the months ahead and remain focused on security selection, both in seeking to outperform against the upcoming default cycle, as well as to avoid the significant downdraft in price/liquidity that we have seen when a company misses earnings.



Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 October 2023 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.

**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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REF: AAM-00450

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This material has been prepared by Ares Australia Management Pty Ltd ABN 51 636 490 732, AFSL 537 666 (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. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (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](http://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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