

Ares Diversified Credit Fund

Wholesale Only | APIR code: HOW7354AU

A Fund seeking to offer a high level of current income and meaningful downside protection by investing in a diversified portfolio of liquid and illiquid global credit asset classes. The Fund will gain its exposure primarily by investing in the Underlying Fund*.

Why Invest in the Fund*?



Yield Premium

Seeks to provide a consistent yield premium over syndicated loans and high yield bonds



Direct Origination

Attractive upfront economics are fully passed through to Fund investors



Downside Protection[^]

Portfolio consists predominantly of floating rate, senior secured loans vetted, structured and originated by professionals across the Ares Credit Group



Dynamic Allocation

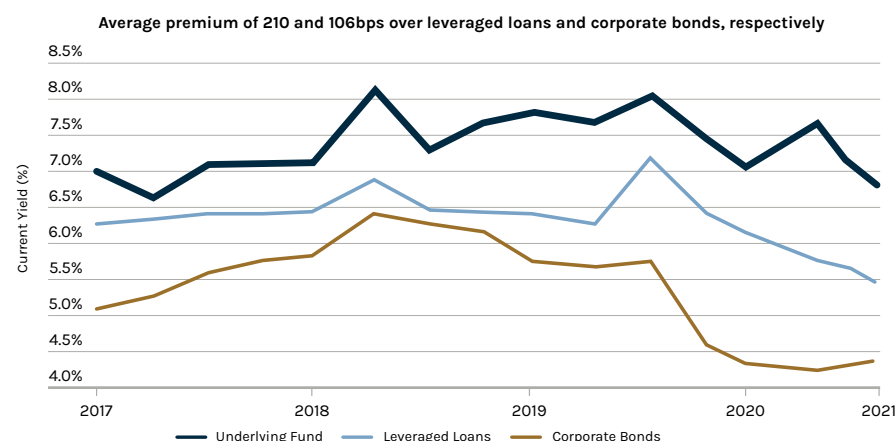
Actively managed portfolio capturing attractive relative value opportunities that may arise across geographies, capital structures and asset classes

Higher Income with Stability

For investors looking to find higher levels of income, the **Alternative Income Universe** represents a vast, multi-trillion-dollar opportunity set.

With their historically attractive yields and defensive structures, private credit can be viewed as a more reliable source of income.

Yield Premium Sustained Over Time²



Fund Characteristics*

Investment Objective

To provide superior risk adjusted returns across various market cycles by investing in a diversified portfolio of liquid and illiquid asset classes throughout the global credit spectrum.

Target Return¹

High single-digit returns (net of fees)

Distributions

Paid monthly

Transact at NAV

Daily applications and quarterly redemptions at NAV⁻³

Fair Valuation

Valuation of underlying investments adjusted for prevailing market yields and independently reviewed by a third-party

Hedged back to AUD

Returns will be hedged back to AUD

Tax Efficient

Qualifying interest income is not subject to US withholding tax

¹ Past performance is not indicative of future performance. No specific rate of return is guaranteed.

Core Tenets of the Ares Diversified Credit Fund*



Yield Premium

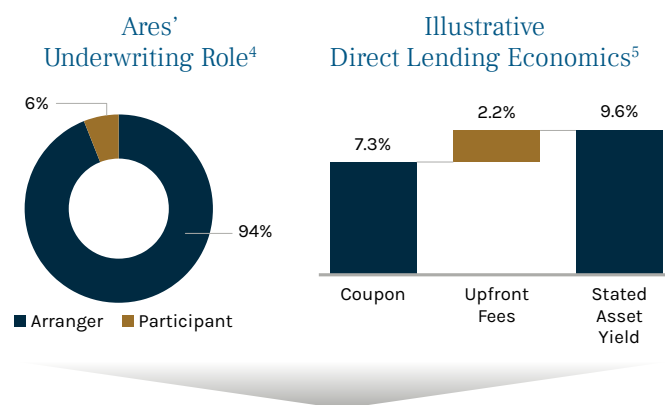
High levels of current income from a diversified pool of global credit investments allowing the Fund to distribute a monthly income stream to investors



Direct Origination

Investors benefit from origination fees and advantages in structuring and pricing owing to Ares' scale and deep sourcing network.

Ares' focus on self-origination and being the sole arranger to its deals provide the upside of economics that are fully passed on to investors gross of fees.



Upfront fees are fully passed through to investors

For illustrative purposes only.



Downside Protection[^]

Meaningful downside protection provided by floating rate, secured investments with attractive terms, as well as portfolio diversification across geography, industry and issuer.

Downside Protection – History of Low Default & Loss Rates⁶

	Ares Avg Annual Default/Loss Rate	U.S. Loan/HY Market Default Rates
US Direct Lending – First Lien Loss Rates ^a	<0.1%	2.29%/4.12%
US Direct Lending – Second Lien & Subordinated Loss Rates ^b	<0.2%	2.29%/4.12%
US Syndicated Loan Default Rate ^c	0.80%	2.48%
US High Yield Bond Default Rate ^d	0.98%	3.99%
European Direct Lending – Gross Loss Rate ^e	0.06%	N/A
Alternative Credit – Illiquid Annualised Loss Rate ^f	0.02%	N/A
Real Estate Debt – Credit Loss Rates ^g	0.00%	N/A



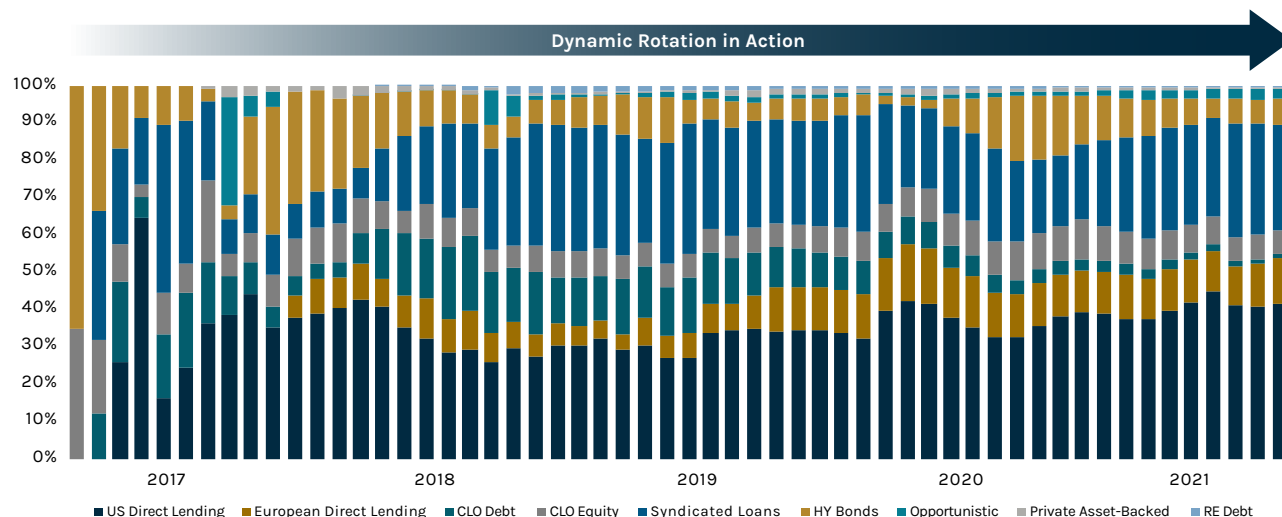
Dynamic Allocation

Active Management is Essential

Since the GFC, structural changes in capital markets have led to more frequent and swifter dislocations.

With over 300 investment professionals across the globe, Ares' has a scaled, global platform well positioned to capture relative value opportunities.

Underlying Fund Portfolio Allocation Over Time⁷



About Ares Management Corporation

Ares Management Corporation (Ares) is a leading global alternative investment manager operating integrated businesses across Credit, Private Equity, Real Estate, Strategic Initiatives and Secondaries. Ares' scale and tenure in credit markets defines their platform:

Scale to capitalise on a broad opportunity set

A manager with approximately 2,000 employees worldwide providing the scale to capitalise on global opportunities across credit and alternative markets.

The edge of being a pioneer and leader in global credit

Underwriting and managing credit since 1997 with a leading position in U.S. and European direct lending has positioned Ares to capitalise on the convergence of traditional direct lending and broadly syndicated markets.

The power of the Ares platform

A collaborative approach producing differentiated diligence and access to preferential economics for investors.



As of September 30, 2021

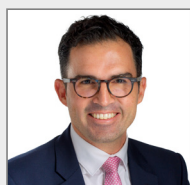
a. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

About Ares Australia Management

Ares is a leading global alternative investment manager offering clients complementary primary and secondary investment solutions across the credit, private equity, real estate, and infrastructure asset classes. In Australia, Ares leverages the broad investor distribution, marketing, back office, and administration services of Fidante.

Ares has been appointed as sub-adviser of the Fund.

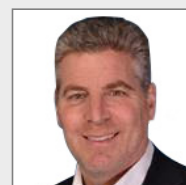
Ares Diversified Credit Fund Leadership



Teiki Benveniste
Head of Ares Wealth
Management Solutions,
Australia



Greg Margolies
Portfolio Manager
Partner, Head of
Markets



Mitch Goldstein
Portfolio Manager
Partner, Co-Head of
Credit Group

Find out more

Contact your local Fidante Partners Business Development Manager or call the Fidante Adviser Services Team on **1300 721 637** or visit us at www.aresmgmt.com.au.



Endnotes

- * The Fund gains its investment exposure by investing in the I Share Class of the CION Ares Diversified Credit Fund (Underlying Fund or CADF), cash and foreign currency exchange hedging instruments. Where we refer to the Fund's investments we generally do so on a 'look through' basis; that is, we are referring to the underlying assets that the Fund is exposed to through its investment in the Underlying Fund. Underlying Fund inception: June 2017.
- ^a References to "downside protection" or similar language are not guarantees against loss of investment capital or value. Diversification does not assure profit or protect against market loss.
- 1 Past performance is not indicative of future performance. No specific rate of return is guaranteed.
- 2 For illustrative purposes only. Past performance is not indicative of future results. Underlying Fund data as of September 30, 2021. Portfolio yields are representative of a gross portfolio at each data point in time and do not represent returns to investors. Leveraged Loans represented by the Credit Suisse Leveraged Loan Index ("CSLLI") current yield. High Yield Bonds are represented as the ICE BofA High Yield Master II Index (HOAO) current yield. Please refer to Index Information for additional information related to indices.
- 3 Withdrawals from the Fund are subject to the availability of quarterly withdrawals from the Underlying Fund*. Please refer to the Information Memorandum for the Funds withdrawal terms. A buy/sell spread may apply to applications or withdrawals. Please refer to <https://www.aresmgmt.com.au/our-funds/ares-diversified-credit/adcf-buy-sell-spread/> spread for the Fund.
- 4 Ares Underwriting Role calculated based on the cost basis of Ares U.S. Direct Lending's portfolio as of June 30, 2021, excluding equity-only investments and legacy investments from portfolio acquisitions.
- 5 Illustrative Direct Lending Economics Data of the Underlying Fund Direct Lending portfolio as of September 30, 2021. Upfront fees and coupon are for deals allocated to the Underlying Fund during the last twelve months. These figures reflect the yield assuming the full coupon amount is repaid and there is no loss of principal. The borrowers for these loans are generally not rated by any rating agency, and, if they were, they would likely receive a rating of below investment grade. The risk of loss of principal and/or failure of the borrower to make interest payments is substantial and, if this is were to occur, you would suffer losses that would reduce the return of the investment and would result in the loss of some or all of the invested capital.
- 6 Data as of September 30, 2021 unless otherwise noted. U.S. Direct Lending data as of March 31, 2021. For illustrative purposes only. PF = Pro Forma. Past performance is not indicative of future results. References to downside protection are not guarantees against loss of investment capital or value. Loan Default Rates are represented by the Credit Suisse Leveraged Loan Index ("CSLLI"). High Yield Market Default Rates are represented by the ICE BofA High Yield Master II Index (HOAO). High Yield Market Default Rates are represented by the ICE BofA High Yield Master II Index (HOAO). Please refer to Index Information below for additional information related to indices.
- a. Includes invested capital from inception on October 8, 2004 through March 31, 2021. Includes investments made through Ares Capital Corporation, the Senior Secured Loan Program and the Senior Direct Lending Program. Excludes syndications within one year of origination, \$1.8 billion of investments acquired from Allied Capital on April 1, 2010 and \$2.5 billion of investments acquired from American Capital on January 3, 2017. Defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all first lien and unitranche loans. This number includes interest, fees, principal proceeds, and related expenses.
- b. Includes invested capital from inception on October 8, 2004 through March 31, 2021. Includes investments made through Ares Capital Corporation, the Senior Secured Loan Program and the Senior Direct Lending Program. Excludes syndications within one year of origination, \$1.8 billion of investments acquired from Allied Capital on April 1, 2010 and \$2.5 billion of investments acquired from American Capital on January 3, 2017. Defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all second lien and subordinated loans. This number includes interest, fees, principal proceeds, and related expenses.
- c. Ares, LCD, Moody's, U.S. Loan Market default rates represented by the default rate for the Credit Suisse Leveraged Loan Index. Ares default rates calculated as the weighted average of annual default rates since inception of the Ares bank loan strategy, measured January 2009 through September 2021.
- d. U.S. high yield bond market default rates represented by the ICE BofA High Yield Bond index par default rate. Ares default rates calculated as the average of annual default rates since inception of the Ares high yield bond strategy, measured January 2009 through September 2021.
- e. EDL gross loss rate is calculated as the annualised realised losses of all realised investments made by the Ares European Direct Lending Team in its commingled middle market direct lending funds (ACE I, ACE II, ACE III and ACE IV) since inception in July 2007, including all Separately Managed Accounts ("SMAs") managed within the European Direct Lending strategy and include the Ares portion of the ESSLP, a joint venture between Ares and GE Commercial Bank SAS ("GECFB"), which was in operation between 2012-18 and is now fully realised. Realised losses are defined as amounts written off resulting from "debt for equity" restructurings and/or charge offs. As of June 30, 2021.
- f. The Illiquid Alternative Credit Subset reflects all opportunistic Alternative Credit investments.
- g. As represented by the Ares Commercial Real Estate Corporation ("ACRE") since inception, ACRE has originated ~\$5.9 billion of real estate debt without a realised credit loss. As of June 30, 2021.
- 7 Percentages of portfolio allocation based on market value, excludes cash and are subject to change. As of September 30, 2021. Any investment involves significant risk, including the loss of principal.

Index Information

Note: 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 recognised 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. The information related to the various indices is sourced from the providers' websites. Ares is not responsible for any historic revision made to the indices. The indices include the reinvestment of dividends, interest and other earnings and have not been adjusted for management fees or expenses. Correlation results have been calculated using the monthly returns of the below reference indices:

- U.S. High Yield is represented by the ICE BofA High Yield Master II Index ("HOAO"). The HOAO consists of below investment grade U.S. dollar denominated corporate bonds that are publicly issued in the US domestic and yankee bonds (issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default).
- U.S. Leveraged Loans is represented by the Credit Suisse Leveraged Loan Index ("CSLLI"). The CSLLI is an index designed to mirror the investable universe of the \$US-denominated leveraged loan market.

Important Information

The information in this document has been prepared for wholesale investors only. It is current as at the date of publication and is provided by Ares Australia Management Pty Ltd ABN 51 636 490 732 AFSL 537666 (AAM), the investment manager of the Ares Diversified Credit Fund (ARSN is 644 797 599) (the Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and the 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. Investors should consider whether the information is suitable to their circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. The Information Memorandum (IM) for the Fund, issued by Fidante, should be considered before deciding whether to acquire or hold units in the Fund. The IM can be obtained by calling 13 51 53. 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 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.

Ref: AAM-00192

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The rating issued for Ares Diversified Credit Fund – assigned September 2022 are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2022 Lonsec. All rights reserved.