



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

---

### Agenda Item 16

**MEETING DATE:** February 19, 2025

**SUBJECT:** Education: Private Credit

**SUBMITTED FOR:**  Action  Information

---

#### **RECOMMENDATION**

Receive and file presentation on private credit investing by Ares Management.

#### **PURPOSE**

This agenda item supports SCERS' Annual Investment Plan to provide education for the Board on select investment managers and strategies within the underlying SCERS portfolio.

#### **DISCUSSION**

Ares is a leading global alternative investment manager with over \$480 billion of assets under management (AUM) across Credit, Private Equity, Real Estate, Infrastructure, and Secondaries. The Firm has 2,850 employees including 975 investment professionals located in 35 offices in more than 15 countries.

Listed on the New York Stock exchange, Ares specializes in credit-related investments and is its largest business segment with \$285 billion in AUM representing credit investments to over 1,700 companies. Since its inception, Ares has grown to become one of the largest private credit managers in the U.S. and Europe.

SCERS made a \$40 million commitment to Ares Capital Europe Fund V in 2021, a \$50 million commitment to Ares Senior Direct Lending Fund III in 2023, and a \$50 million commitment to Ares Capital Europe Fund VI in 2024.

Ares Capital Europe are commingled closed-end Private Credit (Direct Lending) funds focused on sponsor-backed lending (a company owned by a private equity firm), primarily senior secured loans but with a flexible mandate to invest throughout the capital structure including revolving credit facilities, 2nd liens, subordinated debt, and to a lesser extent equity related investments throughout Europe, while Ares Senior Direct Lending follows the same mandate but focused on North American sponsor-backed lending.

Ares will provide the Board background information on the firm, the private credit markets, and the investment strategies they employ.

**ATTACHMENT**

- Board Order
- Ares Presentation

Prepared By:

Reviewed By:

---

JR Pearce  
Senior Investment Officer

---

Steve Davis  
Chief Investment Officer

---

Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

---

**Before the Board of Retirement  
February 19, 2025**

AGENDA ITEM:

**Education: Private Credit**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file presentation on private credit investing by Ares Management.

I HEREBY CERTIFY that the above order was passed and adopted on February 19, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

---

James Diepenbrock  
Board President

---

Eric Stern  
Chief Executive Officer and  
Board Secretary



SCERS

---

## Ares Direct Lending

Presentation to Sacramento County Employees' Retirement System

February 19, 2025

# Disclaimer

## Contents of the communication

Any offer or solicitation with respect to any securities that may be issued by any investment vehicle managed or sponsored by Ares Management or one of its affiliated entities (each an "**Ares Fund**") will be made only by means of a definitive offering memorandum (as modified or supplemented from time to time, a "**Memorandum**"). You should refer to the Memorandum and/or limited partnership agreement ("**Partnership Agreement**") and any other subscription documents relating to the relevant Ares Fund before making any investment decision.

The Memorandum, Partnership Agreement and subscription documents will contain complete information concerning the rights, privileges and obligations of investors in the relevant Ares Fund. The information contained in any such Memorandum, Partnership Agreement or subscription documents will supersede this communication and any other marketing materials (in whatever form) issued or communicated by Ares Management.

This communication contains information about Ares and certain of its personnel and affiliates and the historical performance of certain Ares Funds and/or investment vehicles whose portfolios are managed by Ares. This information is supplied to provide information as to Ares' general portfolio management experience. Neither Ares nor any third party makes any representation or warranty (express or implied) with respect to the information contained herein (including, without limitation, information obtained from third parties) and Ares expressly disclaims any and all liability based on or relating to the information contained in, or errors or omissions from, this communication; or based on or relating to your use of the communication; or any other written or oral communications transmitted to you in the course of your evaluation of Ares or a potential investment in any Ares Fund.

The content of this communication should not be construed as legal, tax, or investment advice. Regarding sustainability-related aspects of the investment included herein, the decision to invest in the Fund should take into account all the characteristics or objectives as described in the legal documentation of the Fund.

## Confidentiality

This communication is intended only for the person(s) to whom it has been sent, is strictly confidential, and must not be forwarded without the prior consent of Ares Management.

By acceptance of this communication (whether received directly from Ares Management or otherwise) you hereby acknowledge and agree that:

- its content includes confidential and proprietary information ("**Confidential Information**") that is not publicly available or otherwise prepared for public dissemination;
- Confidential Information may include information received and held in confidence by Ares Management from third parties (for example, Ares Fund portfolio companies) (a "**Third-Party**"); and
- you must hold all Confidential Information in the strictest confidence, and will not use it or disclose it other than in accordance with this disclaimer.

You further acknowledge and agree that:

- your obligations under this confidentiality requirement (and any other confidentiality requirement which otherwise applies to the communication) are owed to Ares Management and any Third-Party;
- damages would not be an adequate remedy for breach of such obligations; and
- in the event of a breach, Ares Management, the relevant Ares Fund and any Third-Party shall be entitled to seek the remedies of injunctive relief, specific performance and any other equitable relief.

# Disclaimer

## Forward-looking statements

This communication may contain “forward-looking” statements that are not purely historical in nature. Any such statements are based upon estimates, projections, plans and assumptions about future events or conditions (not all of which will be specified herein). They are intended only as illustrations and by their nature are uncertain. No representations are made as to the accuracy of such statements. Not all relevant events or conditions may have been considered in developing such statements and assumptions. The achievement of results and objectives is dependent upon a multitude of factors, many of which are beyond the control of Ares and/or any referenced portfolio company. The statements may not consider or address all aspects of a referenced portfolio investment, including aspects that might be material or important. You must not rely upon any forward-looking statement contained in this communication, and you acknowledge and agree that you shall have no claim at law or in equity by virtue of anything contained in or omitted from any such statement. Past performance is not indicative of future results. There is no assurance that an Ares Fund will be able to generate returns for its investors (as stated herein or otherwise).

## Third-party information

Certain information contained in this communication has been obtained from sources outside Ares, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for purposes used herein, no representations are made as to the accuracy or completeness thereof and none of Ares, its funds, nor any of their affiliates takes any responsibility for, and has not independently verified, any such information.

This may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor’s. Copyright 2021, S&P Global Market Intelligence. Reproduction of S&P Credit Ratings in any form is prohibited except with the prior written permission of S&P Global Market Intelligence (together with its affiliates, S&P). Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR CONTENT, INCLUDING RATINGS. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS.

## Global Distribution Disclaimer

Ares Management Corporation (“Ares Corp”) and its subsidiaries or affiliates (together with Ares Corp “Ares”) may conduct activities in respect of any investment vehicle managed or sponsored by Ares (each, an “Ares Fund”) through certain affiliated regulated entities, including AMLLC, ACM, ACM II, AMLux, AML, AMA AU, AMA HK, AMA JP and AMA SG, as well as any local branches of the foregoing entities (each defined below and each an “Ares Distributor”). Other than AMLLC itself, each Ares Distributor is a wholly owned subsidiary of AMLLC.

An Ares Distributor may distribute this material and any documents, communications or information to which it is attached, with which it is supplied, or which are contained herein as well as any other information relating to any Ares Fund or contained within a data room or information exchange relating to any Ares Fund (collectively “materials” or any “material”). To the extent that an Ares Distributor distributes materials in respect of an Ares Fund, it will only do so in the jurisdiction(s) in which it holds the authorizations, licenses, registrations and/or permissions required to conduct such distribution activities according to applicable laws, regulations and/or rules and in such jurisdictions only in accordance with applicable laws, regulations and/or rules. Ares may also appoint one or more appropriately licensed third-party distributors or placement agents to distribute materials.

In **United States (“U.S”)** and **Canada**, certain Ares Funds may be offered through our affiliate, Ares Management Capital Markets LLC (“AMCM”), a broker-dealer registered with the SEC, and a member of FINRA.

# Disclaimer

## **Global Distribution Disclaimer (cont.)**

In the **European Economic Area** (“**EEA**”) these materials may be provided by **Ares Management Luxembourg** (“**AMLux**”), which is authorized and regulated in Luxembourg by the *Commission de Surveillance du Secteur Financier* (“**CSSF**”) as an investment fund manager and alternative investment fund manager with CSSF codes S00001060 (SG 16) and A00002345 (AIFM (AUT)). Any references to AMLux include reference to the branches of AMLux based in France, Finland, Germany, Spain and Sweden. AMLux may provide certain investment services to an Ares Fund, which is its “client” for regulatory purposes, including under the Markets in Financial Instruments Directive (as amended) and all implementing and related legislation (including as implemented, retained and amended from time to time in the United Kingdom) (“**MiFID II**”). No investor will at any stage become a “client” of AMLux for regulatory purposes and none of these entities acts on behalf of any investor or is responsible for providing to any investor the protections afforded to a “client” for MiFID II purposes. AMLux will not provide any potential investor with advice and no person has the authority to represent otherwise. Units, shares or interests in an Ares Fund may only be offered, to the extent promoted or distributed by AMLux, to investors who are “professional clients” or “eligible counterparties” for the purposes of MiFID II and are not intended for any other persons.

In the **United Kingdom** (“**UK**”), these materials may be provided by **Ares Management Limited** (“**AML**”), which is authorized and regulated in the UK by the Financial Conduct Authority (the “**FCA**”) as an investment firm with firm reference number 613497. AML may provide certain investment services to an Ares Fund, which is its “client” for regulatory purposes, including under the Markets in Financial Instruments Directive (as amended) and all implementing and related legislation (including as implemented, retained and amended from time to time in the United Kingdom) (“**MiFID II**”). No investor will at any stage become a “client” of AML for regulatory purposes and none of these entities acts on behalf of any investor or is responsible for providing to any investor the protections afforded to a “client” for MiFID II purposes. AML will not provide any potential investor with advice and no person has the authority to represent otherwise. Units, shares or interests in an Ares Fund may only be offered, to the extent promoted or distributed by AML, to investors who are “professional clients” or “eligible counterparties” for the purposes of MiFID II and are not intended for any other persons.

In **Australia**, these materials may be provided by **Ares Management Asia (Australia) Pty Ltd** (ACN 646 675 130, AFSL 536083) (“**AMA AU**”), which is regulated in Australia by the Australian Securities and Investments Commission (“**ASIC**”) as an Australian financial services (“**AFS**”) licensee. AMA AU is only authorized under its AFS license to deal with wholesale clients as defined in Australia's Corporations Act 2001 (Cth).

In the **Dubai International Financial Centre** (“**DIFC**”), these materials may be provided by **Ares Management LLC (DIFC Representative Office)** (“**AMLLC**”), which is (i) registered in the DIFC with registration number CL1594 and (ii) regulated by the Dubai Financial Services Authority (“**DFSA**”), with DFSA reference number F002721, to operate a Representative Office (as defined in the DFSA Rules (as further defined below)) in the DIFC in accordance with the DIFC Regulatory Law 2004 (as amended) and all the rules, guidance, principles and codes which apply to authorized firms regulated by the DFSA (the “**DFSA Rules**”). These materials relate to an Ares Fund which is not subject to any form of regulation or approval by the DFSA. The DFSA has no responsibility for reviewing or verifying any materials in connection with this Ares Fund. Accordingly, the DFSA has not approved these materials or any other associated documents nor taken any steps to verify the information set out in them, and has no responsibility for it. The units, shares or interests to which these materials relate may be illiquid and/or subject to restrictions on their resale. The units, shares or interests will not be offered to retail investors. Prospective purchasers should conduct their own due diligence on the units, shares or interest. If you do not understand the contents of this document, you should consult an authorized financial adviser.

In **Hong Kong**, these materials may be provided by **Ares Management Asia (Hong Kong) Limited** (f/k/a Ares SSG Capital Management (Hong Kong) Limited) (“**AMA HK**”), which is licensed and regulated in Hong Kong by the Securities and Futures Commission of Hong Kong (“**SFC**”) as a licensed corporation with central entity number ASS687 to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. AMA HK is subject to a licensing condition that it shall only provide services to professional investors. The term “professional investors” is defined in the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) and its subsidiary legislation.

# Disclaimer

## **Global Distribution Disclaimer (cont.)**

For the purposes of paragraph 5.5 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, Ares Funds are only available to professional investors, and are considered complex products. Ares Funds have complex structure and may carry a high degree of risk, the features or terms of which may not be suitable for your financial situation, investment objectives and/or risk tolerance. The information in this material is intended for general circulation to professional investors without taking into account the specific investment objectives, financial situation or particular needs of any particular professional investor. Investors should exercise caution in relation to any investment in Ares Funds.

For the purposes of paragraphs 8.3 and 10.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, AMA HK is NOT an independent intermediary with respect to the distribution of Ares Funds, on the basis that Ares Funds are managed and/or advised by AMA HK and/or its affiliate(s). AMA HK and its affiliates may benefit from the origination and distribution of Ares Funds, including receiving fees, other monetary benefits, and/or non-monetary benefits in relation to the distribution of the Fund. Additional information regarding Ares' conflict of interest policies and procedures can be found in the Firm's Form ADV Part 2A, which is available at <https://adviserinfo.sec.gov/firm/summary/130074>.

In **Japan**, these materials may be provided by **Ares Management Asia Japan KK** ("AMA JP"), which is licensed in Japan as a Type II Financial Instruments Business Operator (The Director-General of Kanto Local Finance Bureau (FIBO) No.3425), or other general partners affiliated with AMA JP (collectively "Ares Japan"). These materials are provided for Professional Investors (as defined in Article 2, Paragraph 31 of the Financial Instruments and Exchange Act, tokutei toshika) only. If a recipient of these materials is not a Professional Investor, the recipient shall return these materials to Ares Japan.

In **Singapore**, these materials may be provided by **Ares Management Asia (Singapore) Pte. Ltd.** (f/k/a Ares SSG Capital Management (Singapore) Pte. Ltd.) ("AMA SG"), which is licensed and regulated in Singapore by the Monetary Authority of Singapore ("MAS") as a holder of a capital markets services license for fund management under the Securities and Futures Act 2001 (with reference number CMS100438) and as an exempt financial adviser under the Financial Advisers Act 2001 ("FAA"). These materials have been prepared for institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations ("FAR")) only. By virtue of the recipient's status as an institutional investor, accredited investor or expert investor, AMA SG is exempted from complying with certain compliance requirements under the FAA, FAR and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which AMA SG may provide to the recipient. This advertisement has not been reviewed by the Monetary Authority of Singapore.

REF: DLUS-03330



# Ares Presenters



## **Jason Park – Partner – Los Angeles**

Mr. Park is a Partner in the Ares Credit Group, where he is responsible for leading sponsor finance in the Western U.S. for Ares' U.S. Direct Lending business. Prior to joining Ares in 2008, Mr. Park was an Associate in the Leveraged Finance Origination Group and Debt Capital Markets Group of Credit Suisse, where he focused on financings for leveraged buyouts and general corporate refinancings, as well as investment grade bond transactions. Mr. Park holds a B.A. in Economics from Carleton College.



## **Avni Gandhi – Partner, Head of West Region, Americas – Los Angeles**

Ms. Gandhi is a Partner and Head of the West Region, North America Relationship Management in the Ares Global Client Solutions Group. Prior to joining Ares in 2020, Ms. Gandhi was a Client Service Executive at Western Asset Management Company, where she was responsible for new business development for U.S. public and multi-employer plans. Previously, Ms. Gandhi was a Client Advisor at Goldman Sachs Asset Management, where she worked on comprehensive investment solutions for middle market institutional clients. Ms. Gandhi started her career at J.P. Morgan Asset Management, working primarily with institutional clients across defined benefit, defined contribution and liquidity solutions. Ms. Gandhi holds a B.B.A., with distinction, from University of Michigan's Stephen M. Ross School of Business in Business Administration.



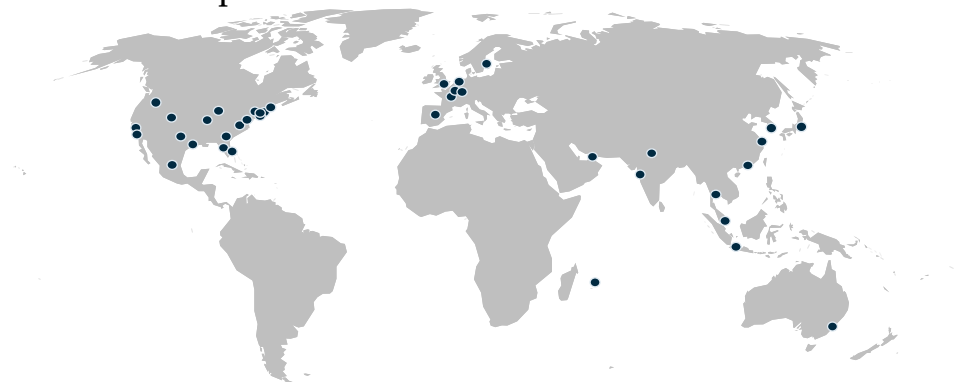
# 1. Ares Management Overview

# Ares Management

» With approximately \$484 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

Profile	
Founded	1997
AUM	\$484bn
Employees	3,200+
Investment Professionals	1,100+
Global Offices	40+
Direct Institutional Relationships	2,680+
Listing: NYSE – Market Capitalization	\$61.3bn <sup>1</sup>

## Global Footprint<sup>2</sup>



## The Ares Differentiators

<b>Power of a broad and scaled platform enhancing investment capabilities</b>	<b>Deep management team with integrated and collaborative approach</b>
<b>20+ year track record of attractive risk adjusted returns through market cycles<sup>5</sup></b>	<b>A pioneer and leader in leveraged finance, private credit and secondaries</b>

	Credit	Real Assets	Private Equity	Secondaries	Other Businesses
<b>AUM</b>	<b>\$348.8bn</b>	<b>\$75.3bn</b>	<b>\$24.0bn</b>	<b>\$29.2bn</b>	<b>\$7.1bn</b>
<b>Strategies</b>	Direct Lending	Real Estate Equity	Corporate Private Equity	Private Equity Secondaries	Ares Insurance Solutions <sup>3</sup>
	Liquid Credit	Real Estate Debt	APAC Private Equity	Real Estate Secondaries	Ares Acquisition Corporation <sup>4</sup>
	Alternative Credit	Infrastructure Opportunities		Infrastructure Secondaries	
	Opportunistic Credit	Infrastructure Debt		Credit Secondaries	
	APAC Credit				

Note: As of December 31, 2024. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

Past performance is not indicative of future results.

1. As of January 23, 2025.

2. New Delhi office is operated by a third party with whom Ares Asia maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.

3. AUM managed by Ares Insurance Solutions excludes assets which are sub-advised by other Ares' investment groups or invested in Ares funds and investment vehicles.

4. AUM includes Ares Acquisition Corporation II ("AACT").

5. Risk adjusted returns do not guarantee against loss of capital

# Ares Credit Group

» Integrated scaled global platform combines direct origination, deep fundamental credit research and broad perspective of relative value

**\$348.8 Billion AUM<sup>1</sup>**

**85+ Partners averaging 25+ years of experience**

**545+ dedicated investment professionals**

## Origination, Research & Investment Management

- 20 portfolio managers
- 140+ industry research and alternative credit professionals
- 225 direct origination professionals

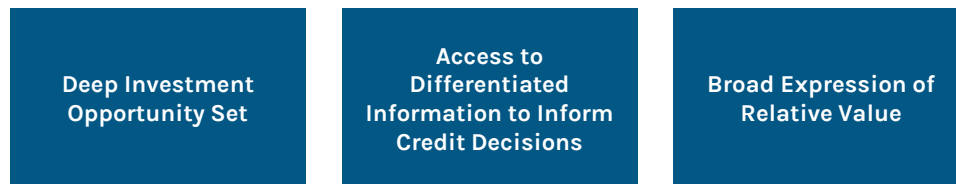
## Syndication, Trading & Servicing

- 7 trading professionals in the U.S. and Europe
- 6 dedicated capital markets professionals
- 70+ professionals focused on asset management, including 15+ with restructuring experience<sup>2</sup>

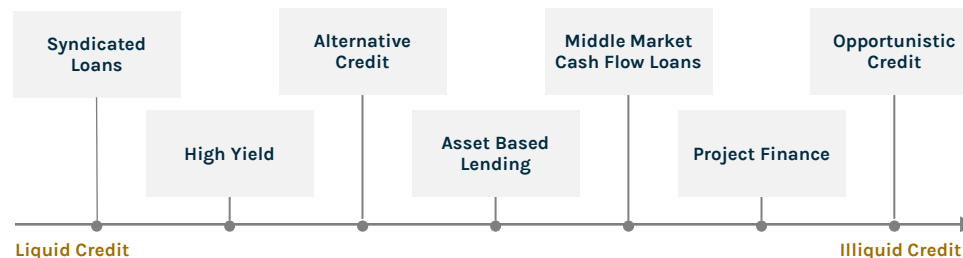
## Investor Relations & Business Operations

- Established investor relations and client service teams across the Americas, Europe, Asia, Australia and the Middle East

## Differentiators



A Leading Global Platform of Liquid Credit, Alternative Credit & Direct Lending Strategies



## Accolades<sup>3</sup>



ARCC Received Most Honored Designation & Highest Rankings for Best Investor Relations Program 2021



Top Quartile Rankings for Several Funds 3Q'24



Global Fund Manager of the Year 2022; Senior Lender of the year (Europe) 2022; Senior Lender of the Year (Americas) 2022; Infrastructure Debt Investor of the Year Asia-Pacific



Best Private Debt Manager 2022 (2<sup>nd</sup> year running)



2023 Distressed Debt Investor of the Year in North America.



2024 Alternative Fund Manager of the Year



Pathfinder II received Innovative Fund of the Year (\$1bn+) 2024

Note: As of December 31, 2024, unless otherwise noted. Please see the Notes at the end of this presentation. (1) AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and a registered investment adviser. (2) Of the 70+ asset management professionals, two are part of the industry research and alternative credit professionals and are counted in both categories. The remaining asset management professionals are in the direct lending group. (3) The performance, awards/ratings noted herein relate only to selected funds/strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. Refinitiv Lipper Fund Awards applicable to Ares Institutional Loan Fund, Ares U.S. Bank Loan Aggregate Composite and Ares U.S. High Yield Composite. Ares has not provided any compensation in connection with obtaining these awards but may have paid to use the award logo. All investments involve risk, including loss of principal.

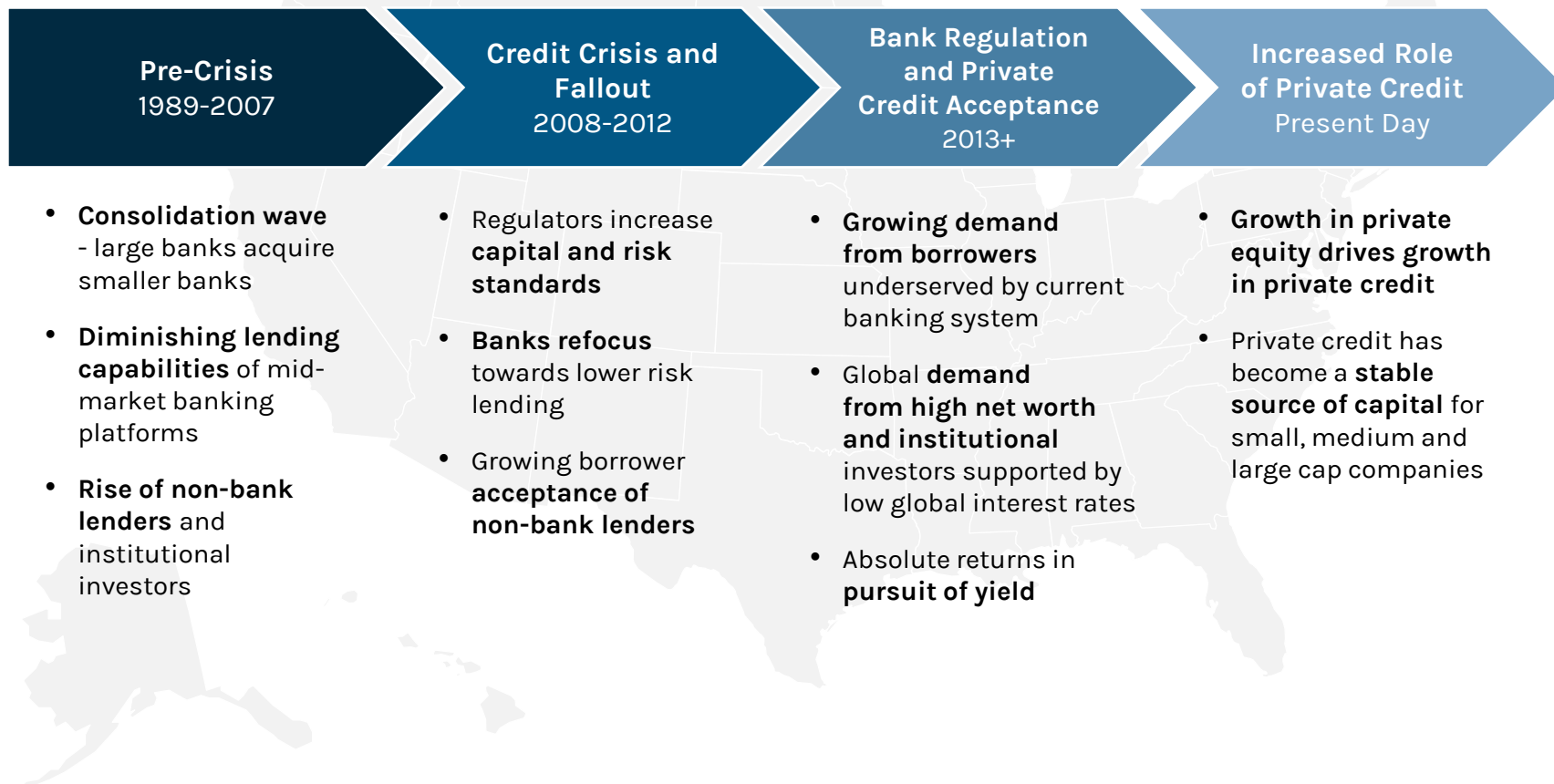


## 2. Why Ares Direct Lending?

# Evolution of the U.S. Banking System and Private Credit

» Historically, banks were meaningful underwriters and lenders to middle market companies; however, their presence in the market has significantly diminished over the years due to a variety of factors


**Bank consolidation coupled with stringent banking regulations have significantly curtailed bank underwriting**



**Note:** For illustrative purposes only. Based on Ares' observations of the current market. There are no guarantees that these current market trends will continue.

# An Established Global Direct Lending Platform

» We believe we are the largest and best positioned direct lender globally

The Development of Ares' Direct Lending Platform				Ares Global Direct Lending Today
Founded	2004	2007	2009	
Region	U.S. 	Europe 	Asia-Pacific 	
AUM <sup>1</sup>	\$148 bn	€67 bn	\$12 bn	\$231 bn
Investment Professionals / Offices <sup>2</sup>	245 / 8	90 / 6	67 / 11	402 / 25
Net Invested Capital Since Inception <sup>3</sup>	\$156 bn	€70 bn	\$14 bn	\$244 bn
LTM Committed Capital <sup>4</sup>	\$46 bn	€10 bn	\$1 bn	\$58 bn
Investments Since Inception <sup>5</sup>	2,960	377	270	3,600+

**Note:** As of September 30, 2024, unless otherwise stated.  
**Please refer to Endnotes for additional important information.**

Confidential - Not for Publication or Distribution

# Large and Cycle-Demonstrated U.S. Direct Lending Team

» Ares has a deep bench of experienced investment professionals across 8 offices

242 Investment Professionals*				81 Senior Investment Professionals				10+ years Avg. Tenure Among Senior Team				30+ years Avg. Experience of IC																																																																															
U. S. Direct Lending Investment Committee																																																																																											
Mark Affolter Partner 35 years			Michael Arougheti Partner 32 Years			Kipp deVeer Partner 29 Years			Michael Dieber Partner 38 Years			Mitch Goldstein Partner 30 Years			Jim Miller Partner 25 Years			Kort Schnabel Partner 27 Years			Michael Smith Partner 29 Years																																																																						
New York								Los Angeles				Various Locations																																																																															
<table border="1"> <thead> <tr> <th colspan="4">Portfolio Management</th> </tr> </thead> <tbody> <tr> <td colspan="2">Adam Ferrarini Partner</td> <td colspan="2">Phil LeRoy Partner</td> </tr> <tr> <td colspan="2">Stephen Chehi Managing Director</td> <td colspan="2">Andrew Hua Managing Director</td> </tr> <tr> <td colspan="2">Joe Urciuoli Managing Director</td> <td colspan="2">Zlatan Bojadzic Principal</td> </tr> <tr> <td colspan="2">Anthony Galli Principal</td> <td colspan="2">Abner Kwon Principal</td> </tr> <tr> <td colspan="2">Chelsea Brophy Vice President</td> <td colspan="2">Varun Gupta Vice President</td> </tr> <tr> <td colspan="2">Arianna Kahn Vice President</td> <td colspan="2">Daniel LaWare Vice President</td> </tr> <tr> <td colspan="2">Maevie Manley Vice President</td> <td colspan="2">Nate Simon Vice President</td> </tr> <tr> <td colspan="2">Andrew Wood Vice President</td> <td colspan="2">+34 Associates and Analysts</td> </tr> </tbody> </table>								Portfolio Management				Adam Ferrarini Partner		Phil LeRoy Partner		Stephen Chehi Managing Director		Andrew Hua Managing Director		Joe Urciuoli Managing Director		Zlatan Bojadzic Principal		Anthony Galli Principal		Abner Kwon Principal		Chelsea Brophy Vice President		Varun Gupta Vice President		Arianna Kahn Vice President		Daniel LaWare Vice President		Maevie Manley Vice President		Nate Simon Vice President		Andrew Wood Vice President		+34 Associates and Analysts		<table border="1"> <thead> <tr> <th colspan="4">Ares Commercial Finance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Ryan Cascade Partner</td> <td colspan="2">Mitch Drucker Partner</td> </tr> <tr> <td colspan="2">Ryan Magee Partner</td> <td colspan="2">Arthur Boyle Managing Director</td> </tr> <tr> <td colspan="2">Lawrence Chua Managing Director</td> <td colspan="2">Joe Ciciola Managing Director</td> </tr> <tr> <td colspan="2">Susan George Managing Director</td> <td colspan="2">Lindsay Gray Managing Director</td> </tr> <tr> <td colspan="2">Kristen Holihan Managing Director</td> <td colspan="2">Brock Johnson Managing Director</td> </tr> <tr> <td colspan="2">Sridharan Kannan Managing Director</td> <td colspan="2">Richard Lee Managing Director</td> </tr> <tr> <td colspan="2">Ian Maccubbin Managing Director</td> <td colspan="2">Nicholas McDerais Managing Director</td> </tr> <tr> <td colspan="2">Hector Molina Managing Director</td> <td colspan="2">Gina Ogburn Managing Director</td> </tr> <tr> <td colspan="2">Daniel Reilly Managing Director</td> <td colspan="2">Bryan Rozum Managing Director</td> </tr> <tr> <td colspan="2">Victor Verazain Managing Director</td> <td colspan="2">+10 Principals, Associates and Analysts</td> </tr> </tbody> </table>				Ares Commercial Finance				Ryan Cascade Partner		Mitch Drucker Partner		Ryan Magee Partner		Arthur Boyle Managing Director		Lawrence Chua Managing Director		Joe Ciciola Managing Director		Susan George Managing Director		Lindsay Gray Managing Director		Kristen Holihan Managing Director		Brock Johnson Managing Director		Sridharan Kannan Managing Director		Richard Lee Managing Director		Ian Maccubbin Managing Director		Nicholas McDerais Managing Director		Hector Molina Managing Director		Gina Ogburn Managing Director		Daniel Reilly Managing Director		Bryan Rozum Managing Director		Victor Verazain Managing Director		+10 Principals, Associates and Analysts	
Portfolio Management																																																																																											
Adam Ferrarini Partner		Phil LeRoy Partner																																																																																									
Stephen Chehi Managing Director		Andrew Hua Managing Director																																																																																									
Joe Urciuoli Managing Director		Zlatan Bojadzic Principal																																																																																									
Anthony Galli Principal		Abner Kwon Principal																																																																																									
Chelsea Brophy Vice President		Varun Gupta Vice President																																																																																									
Arianna Kahn Vice President		Daniel LaWare Vice President																																																																																									
Maevie Manley Vice President		Nate Simon Vice President																																																																																									
Andrew Wood Vice President		+34 Associates and Analysts																																																																																									
Ares Commercial Finance																																																																																											
Ryan Cascade Partner		Mitch Drucker Partner																																																																																									
Ryan Magee Partner		Arthur Boyle Managing Director																																																																																									
Lawrence Chua Managing Director		Joe Ciciola Managing Director																																																																																									
Susan George Managing Director		Lindsay Gray Managing Director																																																																																									
Kristen Holihan Managing Director		Brock Johnson Managing Director																																																																																									
Sridharan Kannan Managing Director		Richard Lee Managing Director																																																																																									
Ian Maccubbin Managing Director		Nicholas McDerais Managing Director																																																																																									
Hector Molina Managing Director		Gina Ogburn Managing Director																																																																																									
Daniel Reilly Managing Director		Bryan Rozum Managing Director																																																																																									
Victor Verazain Managing Director		+10 Principals, Associates and Analysts																																																																																									
<table border="1"> <thead> <tr> <th colspan="4">Chicago</th> </tr> </thead> <tbody> <tr> <td colspan="2">Rajiv Chudgar Partner</td> <td colspan="2">Brian Moncrief Partner</td> </tr> <tr> <td colspan="2">Andrew Kenzie Managing Director</td> <td colspan="2">Amy Klemme Managing Director</td> </tr> <tr> <td colspan="2">Robert Brown Principal</td> <td colspan="2">Brendan Moran Vice President</td> </tr> <tr> <td colspan="2">Michael Murri Vice President</td> <td colspan="2">George Short Vice President</td> </tr> <tr> <td colspan="4">+10 Associates and Analysts</td> </tr> </tbody> </table>								Chicago				Rajiv Chudgar Partner		Brian Moncrief Partner		Andrew Kenzie Managing Director		Amy Klemme Managing Director		Robert Brown Principal		Brendan Moran Vice President		Michael Murri Vice President		George Short Vice President		+10 Associates and Analysts				<table border="1"> <thead> <tr> <th colspan="4">Boston/ Atlanta/ Dallas/ Miami</th> </tr> </thead> <tbody> <tr> <td colspan="2">David Dobies Partner</td> <td colspan="2">Chris York Partner</td> </tr> <tr> <td colspan="2">Juan Arciniegas Managing Director</td> <td colspan="2">Tom Gillis Managing Director</td> </tr> <tr> <td colspan="2">Owen Hill Managing Director</td> <td colspan="2">David Kilpatrick Managing Director</td> </tr> <tr> <td colspan="2">Kyle Lind Principal</td> <td colspan="2">JP Kril Vice President</td> </tr> <tr> <td colspan="2">Patrick Sallet Vice President</td> <td colspan="2">+5 Associates and Analysts</td> </tr> </tbody> </table>				Boston/ Atlanta/ Dallas/ Miami				David Dobies Partner		Chris York Partner		Juan Arciniegas Managing Director		Tom Gillis Managing Director		Owen Hill Managing Director		David Kilpatrick Managing Director		Kyle Lind Principal		JP Kril Vice President		Patrick Sallet Vice President		+5 Associates and Analysts																																	
Chicago																																																																																											
Rajiv Chudgar Partner		Brian Moncrief Partner																																																																																									
Andrew Kenzie Managing Director		Amy Klemme Managing Director																																																																																									
Robert Brown Principal		Brendan Moran Vice President																																																																																									
Michael Murri Vice President		George Short Vice President																																																																																									
+10 Associates and Analysts																																																																																											
Boston/ Atlanta/ Dallas/ Miami																																																																																											
David Dobies Partner		Chris York Partner																																																																																									
Juan Arciniegas Managing Director		Tom Gillis Managing Director																																																																																									
Owen Hill Managing Director		David Kilpatrick Managing Director																																																																																									
Kyle Lind Principal		JP Kril Vice President																																																																																									
Patrick Sallet Vice President		+5 Associates and Analysts																																																																																									
Ivy Hill Asset Management – New York																																																																																											
Steven Alexander Partner		Shelly Cleary Partner		Stephanie Setyadi Partner		Jon Blum Managing Director																																																																																					
Joseph Ehardt Managing Director		Adam James Managing Director		Avi Ahuja Principal		Michael Bedore Principal																																																																																					
Ryan Rattay Vice President		+5 Associates																																																																																									

10+ years with the firm
  5+ years with the firm
  Less than 5 years with the firm
 🔍 Non-Sponsored / Industry Focused

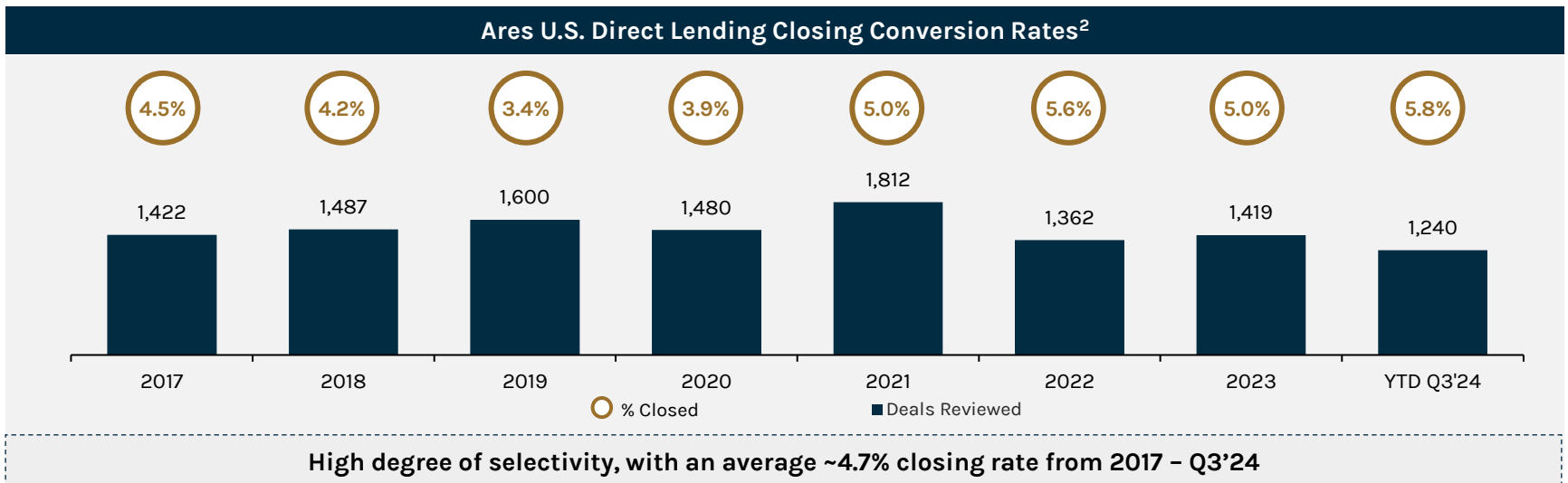
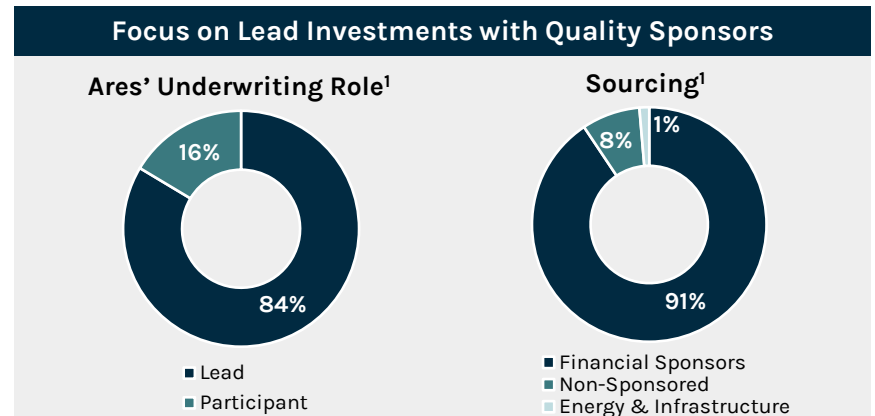
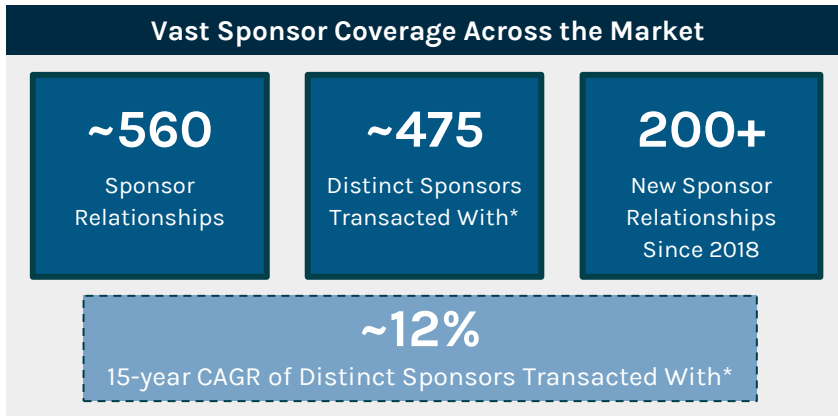
Note: As of December 31, 2024. Promotions are as of January 1, 2025.

\* Includes 4 Investment Professionals based in London from Ares's acquisition of Acepoin.



# Direct Origination Focus

» We believe that our direct origination capabilities allow for optimal asset selectivity



**Ares USDL is typically processing 200 to 300 deals at various stages of due diligence and review**

**Note:** All data is as of September 30, 2024, unless otherwise indicated. \*Data as of June 30, 2024. Please refer to Endnotes for additional important information.

# Incumbency Allows Us to Grow with Our Performing Companies

» Incumbency has provided a consistent pipeline of differentiated deployment opportunities across market cycles

## U.S. Direct Lending Incumbency Highlights



**50%+**

Deal Flow From Incumbent Borrowers



**556**

Existing Portfolio Companies

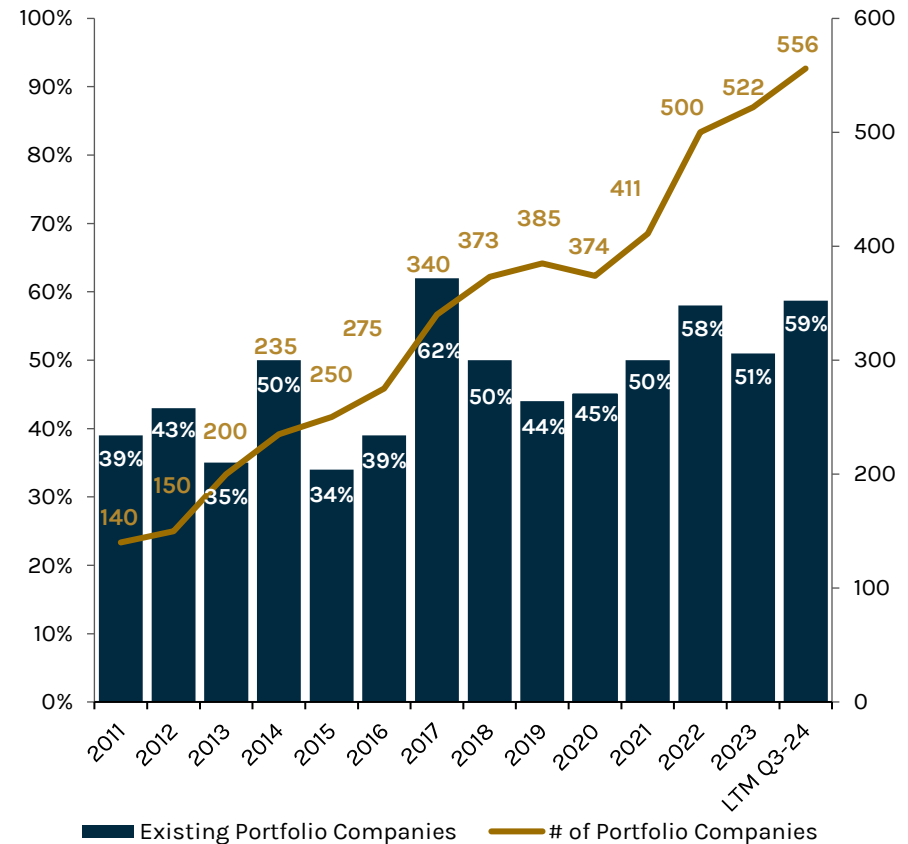


**950+**

Portfolio Companies Since Inception<sup>1</sup>

- ✓ **First look** at follow-on financings, often with original terms
- ✓ **Information resourcing** from access to management and reporting
- ✓ **Potential for growth** with performing companies
- ✓ **Aids in selectivity** to sustain high quality deployment
- ✓ **Last look** to review deals before the borrower moves forward

## Commitments to Existing Portfolio Companies<sup>1</sup>



Over the last 5 years, approximately 50% of U.S direct lending deployment has been to existing portfolio companies

As of September 30, 2024. Please refer to Endnotes for additional important information.

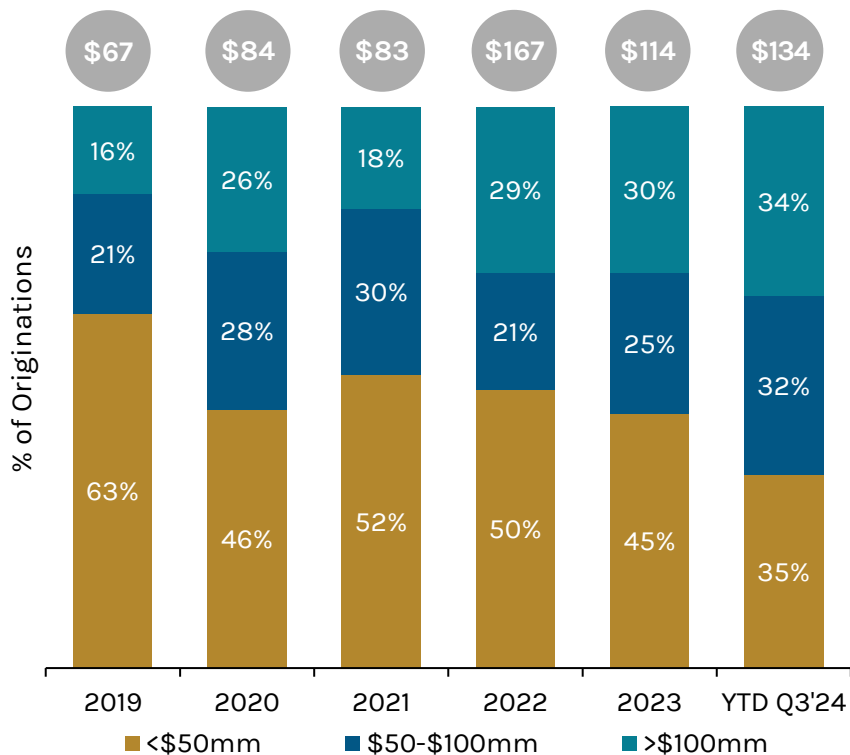
# We Source Investment Opportunities Across the Market

» Flexibility to invest across different sized borrowers allows us to pivot based on where we are seeing attractive risk-adjusted return opportunities

## Ares U.S. Senior Direct Lending Originations by Company Size<sup>1</sup>

### % of New Originations by EBITDA

\$46 Billion of LTM Q3-24 Originations<sup>2</sup>



● Average EBITDA for Senior Originations<sup>4</sup>

### 5-Year Average Deployment by EBITDA

Ares is largely focused on the core middle-market

### EBITDA Range<sup>3</sup>

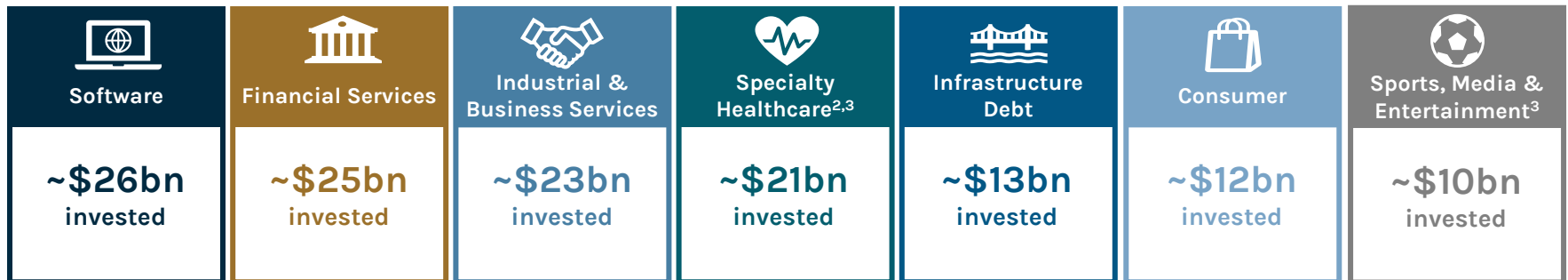
	<\$50mm	\$50-\$100mm	>\$100mm
<b>ARES</b>			
<b>Originations</b>	44%	28%	28%
<b>Spread</b>	5.88%	5.69%	5.29%
<b>Leverage</b>	5.00x	5.14x	5.52x

As of September 30, 2024, unless otherwise stated. Please refer to Endnotes for additional important information.

# U.S. Direct Lending Sector Experience

» Our growing industry teams harness specialized efforts to drive incremental deployment opportunities

## Core Industry Verticals<sup>1</sup>



## Merits of Industry Specialization

Supports **expansion into non-sponsored transactions** with high barriers to entry

Deal flow from **large and growing markets** supported by industry tailwinds

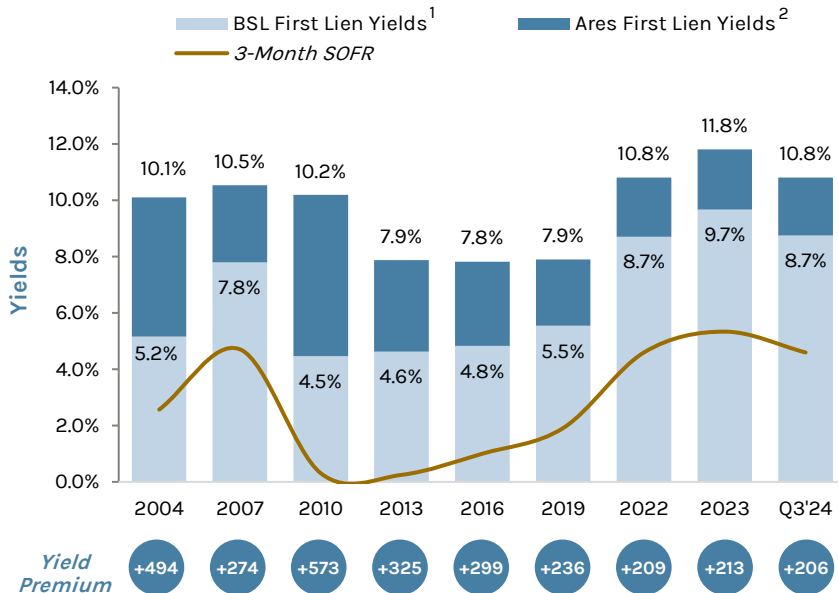
Industry experience **guides credit decisions** and can command **enhanced terms and pricing**

Note: As of June 30, 2024 unless otherwise stated. Please refer to Endnotes for additional important information.

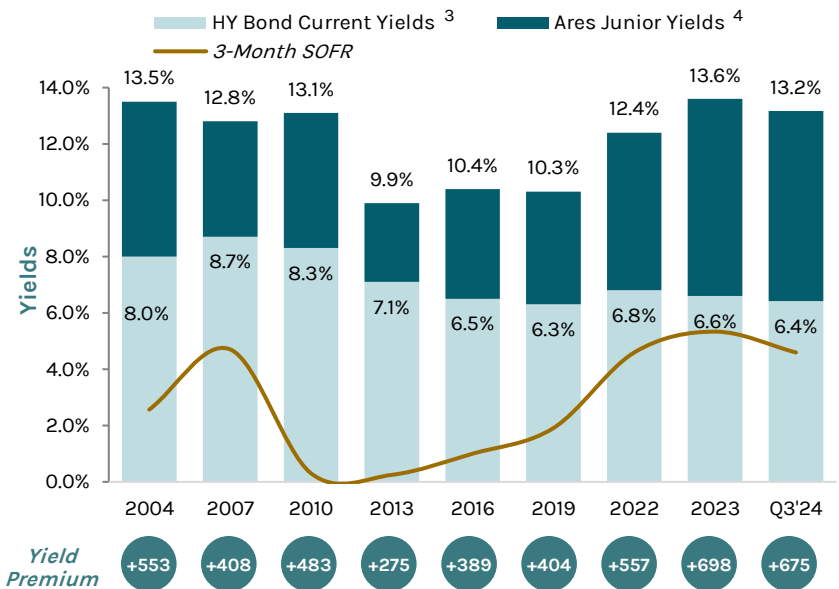
Confidential - Not for Publication or Distribution

# Yield Premium Sustained Across Various Market Environments

## Ares U.S. Senior Debt vs. Broadly Syndicated Market\*



## Ares U.S. Junior Debt vs. High Yield Bonds\*



## Senior Defaults and Losses\*

(As of Q2'24)	ARES	BSL First Lien
Average Annual Defaults	0.12% <sup>5</sup>	2.07% <sup>7</sup>
Average Annual Realized Losses	(0.01)% <sup>6</sup>	(0.98)% <sup>7</sup>

## Junior Defaults and Losses\*

(As of Q2'24)	ARES	HY Bonds
Average Annual Defaults	0.31% <sup>5</sup>	3.54% <sup>7</sup>
Average Annual Realized Losses	(0.02)% <sup>6</sup>	(2.05)% <sup>7</sup>

We believe our investments offer attractive relative value in this interest rate environment and have historically provided a yield premium to the broadly syndicated and high yield markets

**Note:** For illustrative purposes only. As of September 30, 2024, unless noted otherwise. For illustrative purposes only. \*Portfolio yields are representative of a gross portfolio of each data point in time and do not represent a return to investors. BSL First Lien Current Yields represented by the S&P UBS Leveraged Loan Index and HY Bond Current Yield represented by the ICE BofA US High Yield Constrained Index ("HUCO").

Please refer to Endnotes for additional important information.



# Endnotes

# Index Definitions and Disclosure

- **S&P UBS Leveraged Loan Index** is designed to mirror the investable universe of the \$US-denominated leveraged loan market. The index inception is January 1992. The index is priced daily and rebalanced monthly. New loans are added to the index on their effective date if they qualify according to the following criteria: 1) Loan facilities must be rated “5B” or lower. That is, the highest Moody’s/S&P ratings are Baa1/BB+ or Ba1/BBB+. If unrated, the initial spread level must be Libor plus 125 basis points or higher. 2) Only fully-funded term loan facilities are included. 3) The tenor must be at least one year. 4) Issuers must be domiciled in developed countries; issuers from developing countries are excluded. Effective December 2, 2024, the benchmark was rebranded from Credit Suisse Leveraged Loan Index to S&P UBS Leveraged Loan Index.
- **The ICE BofA US High Yield Master II Constrained Index (“HUCO”)** The index is priced daily and rebalanced monthly. The returns of the benchmark are provided to represent the investment environment existing during the time period shown. For comparison purposes the index includes the reinvestment of income and other earnings but does not include any transaction costs, management fees or other costs. ICE BANK OF AMERICA IS LICENSING THE ICE BofA INDICES AND RELATED DATA “AS IS,” MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE BofA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND ARES MANAGEMENT, OR ANY OF ITS PRODUCTS OR SERVICES.

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.

**Note:** Please refer to the following legend for full names of vehicles displayed in this presentation

- ARCC = Ares Capital Corporation
- IHAM = Ivy Hill Asset Management
- SSLP = Senior Secured Lending Program
- SDL I = Ares Senior Direct Lending Fund I
- SDL II = Ares Senior Direct Lending Fund II
- SDL III = Ares Senior Direct Lending Fund III
- APCS I = Ares Private Credit Solutions I
- APCS II = Ares Private Credit Solutions II
- ACF = Ares Commercial Finance
- CADEX = Cion Diversified Credit Fund
- SME = Ares Sports Media Entertainment Fund
- ACE = Ares Capital Europe

# Endnotes

## **“Ares Credit Group”**

- ARCC received the 2021 All-America Executive Team Most Honored designation alongside 136 other companies. Various Ares personnel received first place awards as part of the “Brokers, Asset Managers & Exchanges” category for: Investor Relations, CEO, CFO, Investor Day and Communication of Strategy and Risk Management Amid COVID-19. Six other institutions also received a first-, second-, or third-place ranking in this category. Institutional Investor based these awards on the opinions of 3,029 portfolio managers and buy-side analysts, and 497 sell-side analysts who participated in this survey.
- Institutional Investor logo from Institutional Investor, ©2021 Institutional Investor, LLC. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited.
- Lipper Rankings reported in Lipper Marketplace Best Money Managers, September 30, 2024. Lipper Marketplace is the source of the long-only and multi-strategy credit rankings. Lipper’s Best Money Managers rankings consider only those funds that meet the following qualification: performance must be calculated “net” of all fees and commissions; must include cash; performance must be calculated in U.S. dollars; asset base must be at least \$10 million in size for “traditional” U.S. asset classes (equity, fixed income, and balanced accounts); and the classification of the product must fall into one of the categories which they rank. Lipper defines Short Duration as 1-5 years. Lipper’s Active Duration definition does not specify a time period but rather refers to an Active rather than Passive strategy. Ares Institutional Loan Fund was ranked 5 out of 52 for the 40 quarters ended September 30, 2024. Composites for Ares U.S. Bank Loan Aggregate and Ares U.S. High Yield additionally received rankings of 4 of 52 and 4 of 31, respectively, for the 40 quarters ended September 30, 2024.
- Private Equity International selected Ares Management as Lender of the Year in North America – 2022. Awards based on an industry wide global survey across 77 categories conducted by Private Equity International. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- Private Debt Investor selected Ares Management for 2022 Global Fund Manager of the Year, Senior Lender of the year in Europe, Senior Lender of the Year in Americas, and selected Ares Asia (formerly SSG Capital Management) for Infrastructure Debt Investor of the Year in Asia-Pacific. Awards based on an industry wide global survey across 51 categories conducted by Private Debt Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- In its 2021 and 2022 annual Asset Management Awards, AsianInvestor selected Ares Asia as Best Private Debt Manager of the year in the Asia region. Judging panels for the Asset Management Awards were a mixture of senior investment executives, service provider professionals, and consultants. Ares Asia (formerly SSG Capital Management) have not compensated AsianInvestor entities including firm-wide subscriptions.
- Private Equity Investor selected Ares Management for 2023 Distressed Debt Investor of the Year in North America. Rankings based on an industry wide global survey across 75 categories conducted by Private Equity Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- Alternative Credit Investor Selected Ares Management as Fund Manager of the Year and Pathfinder II as Innovative Fund of the Year (\$1bn+) at the Alternative Credit Awards 2024. The shortlist and winners were decided by Alternative Credit Investor’s editorial team and a panel of independent judges.



# Endnotes

## **“Ares Direct Lending: An Established Global Platform”**

1. As of September 30, 2024. U.S. Direct Lending AUM amounts include ARCC, Senior Direct Lending Program (“SDLP”), private commingled funds, separately managed accounts, and funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and a registered investment adviser. Ares European Direct Lending AUM as of September 30, 2024 and calculated based on \$71.5bn converted to EUR, using the EUR/USD FX spot rate of 1.07120 as of September 30, 2024. There is no assurance that anticipated transactions will occur as expected or at all. Ares EDL AUM is defined as all unrealized investments made by the Ares European Direct Lending Team in its commingled funds (ACE I, ACE II, ACE III, ACE IV, ACE V and ACE VI) since inception in July 2007, including all Separately Managed Accounts (“SMAs”) managed within the European Direct Lending strategy.
2. Offices as of September 30, 2024. New Delhi office is operated by a third party with whom Ares Asia maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.
3. As of June 30, 2024 for European Direct Lending, as of June 30, 2024 for Ares Asia. As of June 30, 2024 for Ares U.S. Direct Lending. Includes Ares Asia Special Situations funds, Secured Lending funds and Australia/NZ Unitranche fund. U.S. invested capital includes capital deployed by ARCC, the Senior Direct Lending Program (“SLDP”), funds and SMAs. For investments made through the SSLP and the SDLP, invested capital represents the total facility amount funded by the SDLP. Excludes capital deployed by Ares Commercial Finance and Ivy Hill Asset Management. Excludes \$1.8 billion of assets acquired as part of ARCC’s acquisition of Allied Capital Corporation on April 1, 2010. Excludes \$2.5 billion of assets acquired as part of ARCC’s acquisition of American Capital on January 3, 2017. Invested capital represents the book value of investments net of OID and syndications within one year of investment closing and excludes warrants, CLO investments, LP/vehicles and investments inherited from portfolio acquisitions.
4. As of September 30, 2024. Gross committed investments.
5. U.S. Direct Lending data is as of June 30, 2024 and includes First Lien investments (excluding syndication and other fees or income and includes all realized First Lien investments of the Credit Group’s U.S. direct lending team (excluding venture investments, oil & gas investments, private asset backed securities, investments warehoused or held for seasoning and syndication purposes (including investments held for less than 30 days and other investments determined to be temporarily held by Ares in conjunction with syndication processes), and investments inherited from portfolio acquisitions), including investments made through Ares Capital Corporation and from separately managed accounts and other funds)) and U.S. Direct Lending Junior Debt investments (includes all second lien, mezzanine, and other private high yield debt investments of the Credit Group’s U.S. direct lending team (excluding warrants and investments held for less than 30 days and investments inherited from portfolio acquisitions)), including more than 90% from Ares Capital Corporation and the remaining from separately managed accounts and other funds. EDL transactions as of June 30, 2024 and exclude the Barclays portfolio purchase. Ares Asia transactions is as of June 30, 2024 and includes Ares Asia Special Situations funds and Secured Lending funds. U.S. invested capital includes capital deployed by ARCC, the Senior Direct Lending Program.

# Endnotes

## **“Direct Origination Focus”**

1. Calculated based on the cost basis of Ares U.S. Direct Lending’s portfolio as of September 30, 2024, excluding equity-only investments and legacy investments from portfolio acquisitions.
2. Calculation based on Ares U.S. Direct Lending’s reviewed and closed transactions with new portfolio companies (excludes any additional investments in existing portfolio companies) in each calendar year excluding equity-only investments and legacy investments from portfolio acquisitions. As of September 30, 2024.

## **“Incumbency Allows Us to Grow with Our Performing Companies”**

1. As of September 30, 2024. Represents the entire Ares U.S. Direct Lending portfolio, including ARCC, ARCC’s investments in the SSLP subordinated certificates, of which the SSLP then made an investment in a new or existing borrower of the SSLP, respectively, all SMAs, CADEX, and Commingled Funds (SDL I, SDL II, SDL III, APCS I, APCS II, ACF, ASME). Excludes investments acquired in the Annaly acquisition. Excludes investments acquired in the Allied acquisition. Excludes Ivy Hill Asset Management investments.

## **“We Source Investment Opportunities Across the Middle Market”**

1. Represents count of U.S. Senior Loan originations in each respective year. Includes first lien term loans in ARCC, the Senior Secured Loan Program (“SSLP”), the Senior Direct Lending Program (“SDLP”), commingled funds (SDL I, SDL II, SDL III) and SMAs on the platform. Certain financial information provided by portfolio companies is derived from available portfolio company data, has not been independently verified and may reflect normalized or adjusted amounts.
2. As of September 30, 2024. Gross committed investments.
3. Average of new senior term loans originated in each respective year. Percentage of originations based on count of new senior loans originated in each respective year.
4. Average EBITDA of senior loan originations for each respective year. Includes first lien term loans in ARCC, the Senior Secured Loan Program (“SSLP”), the Senior Direct Lending Program (“SDLP”), commingled funds (SDL I, SDL II, SDL III) and SMAs on the platform. Certain financial information provided by portfolio companies is derived from available portfolio company data, has not been independently verified and may reflect normalized or adjusted amounts. Certain financial information provided by portfolio companies, has not been independently verified and may reflect normalized or adjusted amounts.

## **“U.S. Direct Lending: Sector Experience”**

1. Ares U.S. Direct Lending invested capital figures include all commitments made by the U.S. Direct Lending Team across ARCC, all commingled funds and separately managed accounts. Includes amounts syndicated to market participants by the Ares U.S. Direct Lending Team.
2. Specialty Healthcare includes Medical Technologies, Life Sciences Tools and Diagnostics, Healthcare IT, Pharmaceuticals and Biotech, and Healthcare Specialty Services investments.
3. Specialty Healthcare and Sports, Media & Entertainment includes both U.S. and European Direct Lending activity given broader mandate focus. Data as of June 30, 2024.

## **“Yield Premium Sustained Across Various Market Environments”**

1. Reflects annual current yield of first lien assets in the S&P UBS Leveraged Loan Index. Effective December 2, 2024, the benchmark was rebranded from Credit Suisse Leveraged Loan Index to S&P UBS Leveraged Loan Index. The index may differ from the Ares first lien strategy by having a higher proportion of CCC or lower rated loans, larger loan facilities, cyclical sectors, USD-only global denominated leveraged loans and publicly traded loans. The Ares strategy primarily holds private assets with no immediate market, and may benefit from an illiquidity premium and higher upfront fees compared to the index.
2. Includes all unrealized first lien investments at each data point in time of the Credit Group’s U.S. direct lending team (excluding venture investments, oil & gas investments, private asset backed securities, investments warehoused or held for seasoning or syndication purposes (including investments held for less than 30 days and other investments determined to be temporarily held by Ares in conjunction with syndication processes), and investments inherited from portfolio acquisitions), including investments made through Ares Capital Corporation (NASDAQ: ARCC) and from separately managed accounts and other funds. Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.

# Endnotes

## **“Yield Premium Sustained Across Various Market Environments”**

3. Reflects annual current yield of the ICE BofA US High Yield Constrained (HUCO) index. The HUCO index may differ from the Ares junior strategy by having larger loan facilities, cyclical sectors, USD-only global denominated leveraged loans, and loans in the liquid broadly syndicated market. The Ares strategy primarily holds private assets with no immediate market, and may benefit from an illiquidity premium and higher upfront fees compared to the index.
4. Includes all unrealized second lien, mezzanine, and other private high yield debt investments at each data point in time of the Credit Group’s U.S. direct lending team (excluding warrants and investments held for less than 30 days and investments inherited from portfolio acquisitions), including more than 90% from Ares Capital Corporation (NASDAQ: ARCC) and the remaining from separately managed accounts and other funds. Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value. Asset yields do not represent returns to investors.
5. Represents Ares U.S. Direct Lending Senior and Junior Debt average annual defaults rates from inception in October 8, 2004 through to June 30, 2024. The default rate shown has been compiled by Ares. Represents the annualized defaulted invested capital as a percentage of total invested capital since inception.
6. Represents Ares U.S. Direct Lending Senior and Junior Debt average loss rate from inception in October 8, 2004 through to June 30, 2024. The loss rate shown and has been compiled by Ares. Defined as total gains/(losses) on assets with a payment default as a % of total invested capital since inception, divided by number of years since inception. For realized investments, includes interest, fees, principal proceeds, and related expenses. An investment that has experienced a payment default is placed on Non-Accrual status by Accounting; however, prior to placing a loan on Non-Accrual status, Ares U.S. Direct Lending may elect to grant a waiver or amendment related to such default and, in such case, the investment would not be placed on Non-Accrual.
7. Represents the average default rate from October 8, 2004 through June 30, 2024. Source for First Lien is the S&P UBS Leveraged Loan Index as of June 30, 2024. Source for High Yield Bond Data is the ICE BofA US High Yield Master II Constrained Index (“HUCO”) as of June 30, 2024.

