



ARES MANAGEMENT LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2015

This brochure provides information about the qualifications and business practices of Ares Management LLC (“Ares,” the “Firm,” “we” or “us”). If you have any questions about the contents of this brochure, please contact us at 310.201.4100 or adell@aresmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

**Additional information about Ares is also available on the SEC’s website at:
www.adviserinfo.sec.gov**

Registration with the SEC as an investment adviser does not imply that Ares or any principals or employees of Ares possess a particular level of skill or training in the investment advisory or any other business.

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Item 2. Material Changes

This brochure contains updated information about the Firm's business since the last annual update dated March 31, 2014. On May 7, 2014, Ares Management, L.P. ("Ares LP"), the Firm's parent company closed its initial public offering of 11,363,636 common units, raising \$215.9 million in gross proceeds. There have been no material changes to Ares' business and, therefore, there are no material changes in this updated brochure.

Item 3. Table of Contents

Item 1. Cover Page.....	-
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	6
Item 6. Performance-Based Fees and Side-by-Side Management.....	8
Item 7. Types of Clients.....	10
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	11
Item 9. Disciplinary Information	29
Item 10. Other Financial Industry Activities and Affiliations	29
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	31
Item 12. Brokerage Practices	32
Item 13. Review of Accounts.....	33
Item 14. Client Referrals and Other Compensation.....	34
Item 15. Custody	35
Item 16. Investment Discretion.....	35
Item 17. Voting Client Securities.....	35
Item 18. Financial Information	36

Item 4. Advisory Business

Ares is a Delaware limited liability company that was initially established in 1997 and became an independent company in 2002. Ares is a subsidiary of Ares Management, L.P. ("Ares LP"), a publicly traded, leading global alternative asset manager. The indirect principal owner of Ares LP is Antony P. Ressler who, together with the other Co-Founders of Ares LP, indirectly holds a majority ownership in Ares LP through intermediate holding companies.

We are a leading global alternative asset manager, providing a range of investment strategies that seek to deliver attractive performance to our advisory clients, which are comprised of various pooled investment vehicles, including public and private investment funds (collectively, the "Funds"), as well as certain separately managed accounts. For some separately managed accounts, we form special purpose entities to serve as investment vehicles for investors. In addition to advising the Funds, Ares may serve as investment manager to various co-investment vehicles structured to facilitate investing by affiliated and third party co-investors alongside the Funds and as investment adviser or collateral or administrative manager to CLOs, CDOs and other structured investment vehicles. Ares, or an affiliated entity of Ares, serves as general partner, managing member, investment adviser, sub-adviser or manager of each of its advisory clients, including separately managed accounts. References to Ares in this brochure include, as the context requires, affiliates through which Ares provides investment advisory services or that act in any capacity referenced in the previous sentence. Ares also serves as the investment manager or general partner to a number of special purpose vehicles and alternative investment vehicles through which the Funds invest. These vehicles are generally formed for tax, regulatory, or economic purposes.

Since our inception in 1997, we have adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns through market cycles. We believe each of our four distinct but complementary investment groups in Tradable Credit, Direct Lending, Private Equity, and Real Estate is a market leader based on assets under management and investment performance. Ares was built upon the fundamental principle that each of our distinct but complementary investment groups benefits from being part of our broader platform. We believe that our strong performance, consistent growth and high talent retention through economic cycles is due largely to the effective application of this principle across our broad organization of approximately 800 employees. We do not have a centralized investment committee and instead our investment committees are structured with overlapping membership from different investment groups to ensure consistency of approach. Each of our four investment groups is led by its own deep leadership team of highly accomplished investment professionals, who average over 23 years of experience managing investments in, advising, underwriting and restructuring companies. While primarily focused on managing strategies within their own investment group, these senior professionals are integrated within our platform through economic, cultural and structural measures. Our senior professionals have the opportunity to participate in the incentive programs of multiple investment groups to reward collaboration across our investment activities. This collaboration takes place on a daily basis but is formally promoted through sophisticated internal systems and widely attended weekly or monthly meetings.

Each of our investment groups employs a disciplined, credit-oriented investment philosophy and is managed by a seasoned leadership team of senior professionals with extensive experience investing in, advising, underwriting and restructuring companies or real estate properties.

Tradable Credit Group

Our Tradable Credit Group manages various types of investment funds, ranging from commingled and separately managed accounts for institutional investors to publicly traded vehicles and sub-advised funds for retail investors. While each of the group's Funds is tailored to specific investment objectives, mandates can be broadly categorized between long-only credit and alternative credit investment strategies.

- **Tradable Credit Group long-only credit:** Our long-only investment Funds primarily seek to outperform the corresponding performing bank loan or high yield market indices. This strategy encompasses senior bank loans (principally first lien and secured debt), second lien loans, high yield bonds and unsecured loans.

Primary areas of focus for our Tradable Credit Group's long-only credit teams include:

- ***Leveraged Loans:*** Our leveraged loans strategy focuses on relative value and principal preservation within the non-investment grade credit markets. We focus on evaluating individual credit opportunities related primarily to non-investment grade senior secured loans. We primarily target first lien secured debt, with a secondary focus on second lien loans, mezzanine loans, high yield bonds, and unsecured loans.
- ***High Yield Bonds:*** Our high yield bonds strategy employs a value-driven philosophy, utilizing fundamental research to identify non-investment grade corporate issuers. We primarily target high yield bonds, with a secondary focus on corporate loans, mezzanine loans, debtor-in-possession loans and unsecured loans.
- **Tradable Credit Group alternative credit:** Our alternative credit investment Funds primarily seek to deliver compelling absolute risk-adjusted returns relative to publicly traded stocks, hedge funds, distressed funds, bank loans, high yield bonds or other investment types. This strategy encompasses dynamic credit and credit opportunities funds, both of which allocate capital across senior secured debt, unsecured debt, stressed/distressed debt and structured assets subject to our investment professionals' views of relative value at different points of an economic cycle, and special situations funds, which capitalize on current and anticipated stressed and distressed credit opportunities focusing on debtor-in-possession loans, exit and rescue financings, post-reorganization equities, self-originated investments in specialty finance companies, directly negotiated purchases of non-performing or non-core assets divested by financial institutions and global structured assets.

Primary areas of focus for our Tradable Credit Group's alternative credit teams include:

- ***Dynamic Credit:*** Our flexible dynamic credit strategy invests across global bank loans, high yield bonds, and structured credit, seeking to capture relative value

through market cycles. We focus on bottom-up credit selection, top-down macro views, and active duration management. Portfolios are constructed to deliver attractive current yield while taking advantage of relative value to generate capital gains to investors.

- ***Credit Opportunities:*** Our credit opportunities strategy has an event-oriented credit mandate that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on market inefficiencies and relative value opportunities in the non-investment grade corporate credit market. We principally invest or take short positions in U.S. and European debt securities across the capital structure, including opportunistic liquid credit, special situations and structured products. Our “all weather” strategy seeks to dynamically manage duration, which is critical to outperforming during various interest rate environments.
- ***Global Special Situations:*** Our global special situations strategy capitalizes on dislocated assets by flexibly deploying capital across multiple asset classes. We employ our deep credit expertise, proprietary research, and robust sourcing model to capitalize on current market trends. This opportunistic approach allows us to invest across a broad spectrum of investments, including corporate debt, rescue capital, specialty finance, corporate and consumer asset-backed products, post-reorganization securities and non-performing portfolios.

Direct Lending Group

Our Direct Lending Group is one of the largest self-originating direct lenders to the U.S. and European markets. Our Direct Lending Group has a multi-channel origination strategy designed to address a broad set of investment opportunities in the middle market. We focus on being the lead or sole lender to our portfolio companies, which we believe allows us to exert greater influence over deal terms, capital structure, documentation, fees and pricing, while at the same time securing our position as a preferred source of financing for our transaction partners. The group maintains a flexible investment strategy, with the capability to invest in revolving credit facilities, first and second lien senior loans, mezzanine debt and non-control equity co-investments in middle market companies, power generation projects and early stage and emerging growth companies backed by venture capital firms. We manage various types of funds within our U.S. and European Direct Lending teams that include commingled funds, separately managed accounts for large institutional investors seeking tailored investment solutions and three joint venture lending programs with affiliates of General Electric Company.

- ***U.S. Direct Lending:*** Our U.S. team is comprised of approximately 105 investment professionals in six offices. Our team maintains an active dialogue with more than 300 financial sponsors and provides a wide range of financing solutions to middle-market companies that typically range from \$10 to \$100 million in earnings before interest, tax, depreciation and amortization (“EBITDA”).
- ***European Direct Lending:*** Our European team is comprised of approximately 30 investment professionals in four offices. Our team covers more than 150 financial sponsors and is one of the most significant participants in the European middle-market. We provide a wide range of financing opportunities to middle-market companies that typically range from €10 to €75 million in EBITDA.

Private Equity Group

Our Private Equity Group broadly categorizes its investment activities into three strategies: North American/European flexible capital, U.S. power and energy assets, and China growth capital. Our private equity professionals have a demonstrated ability to deploy flexible capital, which allows them to stay both active and disciplined in various market environments. The group's activities are managed by three dedicated investment teams in North America, Europe and China.

- **North America/Europe flexible capital:** Certain of our senior private equity professionals have been working together since 1990 and raised our first private equity fund in 2003. Our team has grown to approximately 40 investment professionals based in Los Angeles, London and Chicago. We pursue four principal transactions types: prudently leveraged control buyouts, growth equity, rescue/deleveraging capital, and distressed buyouts/discounted debt accumulation. Our investment professionals target a variety of investment opportunities making equity commitments generally in the \$100 to \$500 million range.
- **U.S. power & energy assets:** On January 1, 2015, we acquired EIF, an experienced private equity fund manager with an over 25-year track record of investing in the independent power industry. We believe there are significant investment opportunities for us in this sector as the United States replaces its aging infrastructure and builds new assets to meet capacity needs over the coming decades. Our team of approximately 20 investment professionals targets U.S. energy infrastructure-related assets across the power generation, transmission, and midstream sectors, with equity commitments typically in the \$75 to \$300 million range.
- **China growth capital:** In 2010, we expanded our private equity business into Asia and now have offices in Shanghai, Chengdu, and Hong Kong. We believe the Chinese market represents an attractive opportunity for us, particularly given our private equity expertise and the strength of our global platform. Our team of 10 investment professionals targets primarily minority growth equity investments generally in the \$25 to \$50 million range

Real Estate Group

Our Real Estate Group manages comprehensive public and private equity and debt strategies. The group capitalizes on opportunities across both real estate equity and debt investing. Our equity investments focus on implementing hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. Our debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. The group's activities are managed by dedicated equity and debt teams in the U.S. and Europe.

- **Real estate equity:** Our real estate equity team, with 50 investment professionals across 7 offices, has extensive private equity experience in the United States and Europe. The team primarily invests in new developments and the repositioning of assets, with a focus

on control or majority-control investments primarily in the United States and Western Europe.

Primary areas of focus for our Real Estate Group equity teams include:

- ***Real Estate Equity Value-Add Strategy:*** Our U.S. and European value-add funds focus on undermanaged and under-funded assets, seeking to create value by buying assets at attractive valuations as well as through active asset management of income-producing property types, including multifamily, retail, office, hotel, and industrial properties across the United States and Western Europe.
- ***Real Estate Equity Opportunistic Strategy:*** Our U.S. and European opportunistic real estate funds capitalize on increased investor demand for developed and stabilized assets by focusing on manufacturing core assets through development, redevelopment, and fixing distressed capital structures across all major property types including multifamily, hotel, office, retail and industrial properties across the United States and Europe.
- **Real estate debt:** Our real estate debt team has approximately 25 investment professionals across 6 offices. The team directly originates and invests in a wide range of self-originated financing opportunities for middle-market owners and operators of commercial real estate. The team primarily targets the United States and is expanding its presence into Western Europe.

We tailor our advisory services to the specific investment objectives and restrictions of each Fund or client. Advisory clients have investment restrictions that are particular to such client account or Fund, such as prohibitions on investing in certain types of assets (e.g., equity securities), restrictions on issuer domiciles, restrictions on price or rating of investments, and limitations on the percentage a particular type of security can comprise of a client's or Fund's investment portfolio.

Current and prospective Fund investors and clients should refer to the applicable confidential private placement memorandum, limited partnership agreement, investment management agreement, and other governing documents (the "Governing Documents") for complete information on the investment objectives, investment restrictions and risks. Prior performance, while illustrative of Ares' investment philosophy and experience, is not indicative of future performance and there is no assurance that any investment objectives will be achieved.

Ares or a Fund general partner, managing member, investment adviser, sub-adviser, or manager may enter into "side letters" or similar agreements pursuant to which certain investors are granted specific rights, benefits, or privileges that are not generally made available to other investors.

We do not participate in any wrap fee programs.

We manage all assets on a discretionary basis. As of December 31, 2014, the amount of assets we managed was approximately \$ 81,760,500,000 ("AUM"), and pro forma for the acquisition of EIF Management, LLC, which closed on January 1, 2015, AUM was approximately

\$85,710,600,000. AUM refers to the assets of the Funds, alternative asset companies and other entities and accounts that are managed or co-managed by Ares, including capital committed for management by our wholly owned subsidiaries, Ares Capital Management, LLC (“ACM”), Ares Capital Management II LLC (“ACM II”), Ares Capital Management III LLC (“ACM III”), Ares Real Estate Management LLC (“ACREM”), Ares Real Estate Management Holdings LLC (“AREMH”), Ares EIF Management, LLC (“Ares EIF”), Ares Management Limited (“AML”) and Ares Management UK Limited (“AMUKL”). It also includes funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation (“ARCC”), and a registered investment adviser. For our Funds other than CLOs, our AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund-level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). For our Funds that are CLOs, our AUM represents subordinated notes (equity) plus all drawn and undrawn debt tranches. For more detailed information on the related parties described herein, please refer to “the *“Relationship with Related Person”* section in *“Item 10. Other Financial Industry Activities and Affiliations.”* Ares does not manage any client assets on a non-discretionary basis.

Item 5. Fees and Compensation

Compensation and Fee Schedules

Ares may charge carried interest, management fees, and other fees to its Funds. All investors and clients should review the Governing Documents of a Fund or client account for complete information on fees and compensation. With respect to any clients of Ares in which all investors are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), information regarding the fees and compensation payable by such investors is not required to be provided herein. In certain circumstances, the advisory fees payable to Ares by individual clients or Fund investors may be negotiable.

From time to time, an advisory client may purchase an interest in another Fund, provided that the sale or purchase is consistent with Ares’ fiduciary obligations to each such advisory client. Investors should be aware that, while we endeavor at all times to act in the best interests of all of its advisory clients, our receipt of compensation from each of the Funds and client accounts and the contribution of additional capital by an advisory client to another Fund may create potential conflicts of interest. In certain circumstances, we may choose to reduce the advisory fees of an advisory client investing in another Fund or client account by the amount of advisory fees applicable to the advisory client’s investment in such other Fund or client account.

Deduction of Fees; Timing of Payments; Termination

For many of our advisory clients, we are authorized under the Fund’s or client’s Governing Documents to charge and deduct advisory fees directly from the assets of the Fund or applicable client account, at the times and in the amounts set forth in the Governing Documents. For separately managed accounts, our ability to deduct advisory fees may be negotiable.

Base advisory fees for many of our advisory clients, including many of the Funds, are payable in arrears, generally on a quarterly or semi-annual basis. Because such advisory fees are payable in arrears, they are not paid until after services have been rendered. With respect to certain other

advisory clients and Funds, the base advisory fees are payable in advance. Please refer to the applicable Governing Documents for complete information on the timing of advisory fee payments.

Advisory clients have the right to terminate the advisory or investment management agreements in accordance with the terms of such agreements. Our general policy is to repay advisory fees paid in advance in excess of the pro rata portion earned (based on the number of days during the period) through the termination date. Any such refund would be implemented through a wire transfer of funds to the affected clients upon termination of the investment program.

Other Fees and Expenses

In addition to the fees payable to Ares, subject to the Governing Documents, advisory clients may pay or otherwise bear all fees, costs, expenses, and other liabilities arising in connection with its operation, including (but not limited to):

- any sales or other taxes, fees, or government charges that may be assessed against the Fund or client;
- commissions, brokerage fees, and similar charges incurred in connection with the purchase or sale of securities (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated);
- costs and expenses incurred in investigating, developing, negotiating, structuring, settling, monitoring, and holding portfolio investments (whether or not consummated), including travel, legal, tax, and accounting expenses therewith;
- market data costs; research-related expenses, including, without limitation, news and quotation equipment, software, and services;
- the costs and expenses such as travel-related expenses, including costs of private jet travel, of holding meetings or conferences with Fund investors (or other clients);
- costs of any investigation, administrative proceeding or regulatory matter, litigation and threatened litigation involving a client or a Fund;
- indemnification obligations and expenses;
- expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, custodial, and registration services provided to a Fund or a client (including allocated costs of such services that were performed by an Ares affiliate, such as an in-house lawyer, accountant, tax advisor, or other professional);
- fees, costs and expenses, including premiums related to risk management services and insurance;
- costs of dissolving a Fund or client's investment vehicle and liquidating its assets;
- costs and expenses for tax and audit services to a Fund or client; fees, costs, and expenses related to the appraisal and valuation of the Fund's and its subsidiaries' assets;
- organizational expenses, including costs and expenses pertaining to the offering and sale of interests in a Fund, related legal and other organizational payments (including the allocated costs of such services that were performed by an Ares affiliate, such as an in-house lawyer, accountant, tax professional, or other consultant, but which could have otherwise been provided by a third-party service provider) and travel expenses (including costs of private jet travel);

- services provided by any third-party service provider (such as an administrator, depository, custodian, tax and compliance professionals, independent directors or other service providers) to the Fund, the Manager, the General Partner, or their affiliates;
- certain administrative expenses; and
- fees, costs, and expenses associated with compliance by the Fund, the General Partner, the Manager, or their respective affiliates that are involved in the management of the Fund with all applicable laws, rules, and regulations, including certain expenses related to regulatory filings.

Ares may from time to time incur fees, costs, and expenses on behalf of more than one client or Fund. To the extent such fees, costs, and expenses are incurred for the account or benefit of more than one Fund or client, each such Fund or client will typically bear an allocable portion of any such fees, costs, and expenses in proportion to the size of its investment in the activity or entity to which such expense relates (subject to the terms of each Fund or client's Governing Documents) or in such other manner as Ares considers fair and equitable under the circumstances. Ares endeavors to allocate such fees, costs, and expenses on a fair and equitable basis. Please refer to the Governing Documents for complete information on the expenses payable by advisory clients.

See discussion below in *"Item 12. Brokerage Practices"* for a description of the factors we consider in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Timing of Payments

Please refer to the subsection entitled *"Deduction of Fees; Timing of Payments; Termination"* above.

Transaction-Based Compensation

In connection with portfolio investments made by our advisory clients, Ares, our affiliates or supervised persons may receive commitment, structuring, monitoring, or other transaction fees. These types of arrangements present potential conflicts of interest and may provide our supervised persons with an incentive to recommend investments based on compensation received rather than making an investment decision based on the best interests of a Fund or client. To mitigate such potential conflicts, all or a portion of such fees received by Ares are generally offset against advisory fees payable by the related Fund or client. Please refer to the Governing Documents for complete information on additional compensation received by Ares, our affiliates or supervised persons in connection with services related to portfolio investments and any offsets against advisory fees.

Item 6. Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

Ares may be entitled to an incentive fee or carried interest from certain of its advisory clients as part of its compensation for management services. For certain Funds, such fees may be calculated and charged based on a share of cumulative profits of such Funds.

Performance-based fee and allocation arrangements received by us or our related persons may create incentives for us to recommend investments that may be riskier or more speculative than those that would be recommended under different fee arrangements. Please refer to the Governing Documents of each Fund or other client for more complete information on the “performance-based fee” arrangements of each client.

Side-by-Side Management

We may provide concurrent advisory services to advisory clients that are not charged a performance-based fee and advisory clients that are charged a performance-based fee. The potential for us and our related persons to receive greater fees from performance-based accounts creates potential conflicts of interest with respect to the allocation of investment opportunities, as we may have incentives to direct the best investment ideas to, or to allocate investments in favor of, advisory clients that pay performance fees.

In addition, Ares may also enter into strategic accounts directly or indirectly with investors that commit significant capital across the Ares platform. Such arrangements may include Ares granting certain preferential terms to such investors, including a waiver or reduction of management fees or carried interest, a blended management fee, and carried interest rates that are lower than those applicable to Funds in which such investors invest. Where any such accounts invest in a Fund, such indirect preferential terms (or other preferential terms set forth in the Governing Documents) will not be subject to the Fund’s “most favored nation” provisions.

To mitigate potential conflicts of interest, allocations of investment opportunities among advisory clients are determined by our portfolio managers and senior partners within their respective groups in accordance with our investment allocation policy and consistent with our fiduciary duties and corresponding investment mandates. It is our policy that all investment opportunities will, to the extent practicable, be allocated among our advisory clients on a basis that over a period of time is fair and equitable to each advisory client relative to other clients, taking into account relevant facts and circumstances, including, but not limited to:

- (i) differences with respect to available capital, size of client, and remaining life of an advisory client account;
- (ii) differences in investment objectives or current investment strategies, such as objectives or strategies:
 - a) regarding current and total return requirements,
 - b) emphasizing or limiting exposure to the security or type of security in question,
 - c) regarding diversification, including industry or company exposure, currency and jurisdiction, or
 - d) regarding rating agency ratings;
- (iii) differences in risk profile at the time an opportunity becomes available;
- (iv) the potential transaction and other costs of allocating an opportunity among various advisory clients;
- (v) potential conflicts of interest, including whether an advisory client has an existing investment in the security in question or the issuer of such security;

- (vi) the nature of the security or the transaction including minimum investment amounts and the source of the opportunity;
- (vii) current and anticipated market and general economic conditions;
- (viii) existing positions in an issuer/security; and
- (ix) prior positions in an issuer/security.

Advisory clients should be aware that the foregoing procedures in certain circumstances may:

- adversely affect the price paid or received by an advisory client or the size of a position purchased or sold by the advisory client, including commission prices;
- preclude an advisory client from participating in an investment; or
- limit the rights that an advisory client may exercise with respect to an investment.

Allocations within a particular group of Funds or advisory client accounts are generally determined by the portfolio managers or senior partners within that group, in good faith and subject to restrictions in the applicable Governing Documents or regulatory restrictions. Allocations of investment opportunities are reviewed periodically by senior partners and portfolio managers to assess the effectiveness of the procedures. In general, we follow the following principles in allocating investment opportunities:

- Private equity investments (generally investments targeted with influence or control) will first be offered to advisory clients in the Private Equity Group.
- Investments in broadly syndicated loans and high yield bonds will be offered first to advisory clients in the Tradable Credit Group.
- Investments in non-syndicated first and second-lien loans and current-pay mezzanine debt, in each case in an amount as determined from time to time by Ares, generally will be offered first to advisory clients in the Direct Lending Group.
- Investments in distressed securities will be allocated on a case-by-case basis depending on a number of factors, such as:
 - The potential of a restructuring or recapitalization;
 - The potential to gain influence or control with respect to the issuer, through a restructuring, recapitalization or otherwise; and
 - The potential or likelihood to accumulate a sizable investment position in the issuer.

While the above are general principles, all actual allocation decisions are subject to relevant facts and circumstances and the investment objectives of various advisory clients. In addition, Ares and our principals may co-invest with certain of the Funds or other advisory clients, as permitted and described in applicable Governing Documents. Please see “*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” for a discussion of how Ares addresses these matters.

Item 7. Types of Clients

Types of Clients

Ares generally provides investment advice to pooled investment vehicles and separately managed accounts. As discussed above, Ares may also serve as investment adviser, collateral administrator or manager to CLOs, CDOs and other structured vehicles. Our separately managed account clients and investors in the Funds are comprised primarily of government and private pension funds, sovereign wealth funds, endowments, foundations, family offices, banks, investment companies, insurance companies, private corporations, and a limited number of high net worth individuals. Generally, investors participating in our Funds or clients are required to meet certain suitability and net worth qualifications, such as (i) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act or (iii) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act, depending on the applicable eligibility requirements of the respective Fund or client.

We may establish certain Funds (“Feeder Funds”) to address particular tax or regulatory requirements. Each Feeder Fund, if formed, would be a limited partner of or investor in a Fund and interests in such Feeder Fund would be held by the investors who elect to participate in the Fund through such Feeder Fund. Prospective investors should refer to the Governing Documents of the applicable Fund for complete details on any Feeder Fund established with respect to such Fund.

Minimum Investment Requirements

The minimum investment in each of the Funds is stated in its Governing Documents and ranges from \$100,000 to \$25 million. We may waive this minimum at our discretion. With respect to separately managed accounts, we generally require a minimum investment of \$100 million.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Each of our four distinct but complementary investment groups employs a disciplined credit-oriented investment philosophy and is managed by a seasoned leadership team of senior professionals with extensive experience managing investments in, advising, underwriting, and restructuring companies.

The specific methods of analysis and investment strategies utilized by our Tradable Credit Group, Private Equity Group, Direct Lending Group, and the Real Estate Group are described below.

Tradable Credit Group

Our Tradable Credit Group (“TCG”) manages mandates that can be broadly categorized between long-only credit and alternative credit investment strategies. Long-only credit strategies primarily seek to outperform the corresponding performing bank loan or high yield market

indices. This strategy encompasses senior bank loans (principally first lien and secured debt), second lien loans, high yield bonds, and unsecured loans. Alternative credit strategies primarily seek to deliver compelling absolute risk-adjusted returns relative to publicly traded stocks, hedge funds, distressed funds, bank loans, high yield bonds or other investment types. This strategy encompasses dynamic credit and credit opportunities funds, both of which allocate capital across senior secured debt, unsecured debt, stressed/distressed debt, and structured assets, subject to the investment professionals' views of relative value at different points of an economic cycle, and special situation funds, which capitalize on current and anticipated stressed and distressed credit opportunities focusing on debtor-in-possession loans, exit and rescue financings, post-reorganization equities, self-originated investments in specialty finance companies, directly negotiated purchases of non-performing or non-core assets divested by financial institutions, and global structured assets. TCG's objective is to construct portfolios that balance the benefits of diversification, credit quality, defensive industry allocations, current income, principal appreciation, efficient and flexible portfolio financing, and participation in the securities of companies with which, in many cases, we have had prior experience.

TCG's fixed income investment process emphasizes due diligence on companies, with a focus on principal protection, investment income, relative value, and adherence to portfolio guidelines. The strategy employed by TCG generally emphasizes the importance of the following:

- Credit intensive analysis and ongoing monitoring;
- Control of investment risk; protection of principal; risk/return;
- Long-term value creation;
- Market focused relative value analysis;
- Use of Ares' extensive network of contacts;
- Broad access to deal flow combined with flexibility in investing in all parts of the capital structure;
- Active portfolio monitoring;
- Investment memoranda and periodic updates; and
- Investment committee presentations and discussion.

Additionally, in analyzing a prospective investment, TCG's research analysts seek information from a wide variety of sources, which may include company management, fixed income and equity analysts, rating agencies, competitors, and other industry sources, including third-party industry experts.

Private Equity Group

Our Private Equity Group (“PEG”) broadly categorizes its investment activities into three strategies: North American/European flexible capital, U.S. power and energy assets, and China growth capital..

The investment philosophy and portfolio construction of PEG involve:

- an assessment of the overall macroeconomic environment and financial markets;
- company-specific research and analysis; and
- with respect to each individual company, an emphasis on unlocking value by providing flexible capital and focusing management on growth initiatives rather than on capital funding issues.

The foundation of this investment philosophy and portfolio construction is detailed modeling and sensitivity analyses, a disciplined approach to financial leverage and a diversification strategy. PEG follows a rigorous process based on:

- a comprehensive analysis of the quality of the business and the viability of its growth prospects;
- an evaluation of management;
- an analysis of business strategy and industry trends; and
- an in-depth examination of capital structure, financial results, projections, and growth prospects.

PEG seeks to identify middle-market companies with strong franchises and attractive growth opportunities that are distressed, over-leveraged or capital constrained. The process through which PEG makes an investment decision involves extensive research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, PEG will engage in an intensive due diligence process, including legal, accounting, financial, and industry diligence.

Direct Lending Group

Our Direct Lending Group (“DLG”) is one of the largest self-originating direct lenders to the U.S. and European markets. DLG has a multi-channel origination strategy designed to address a broad set of investment opportunities in the middle market. DLG sources investment opportunities directly from private equity sponsors, corporate management teams, intermediaries, and commercial and investment banks.

DLG is focused on being the lead or sole lender to our portfolio companies, which we believe allows us to exert greater influence over deal terms, capital structure, documentation, feed, and

pricing, while at the same time securing its position as a preferred source of financing to its transaction partners.

The investment philosophy and portfolio construction of DLG involve:

- an assessment of the overall macroeconomic environment and financial markets;
- company-specific research and analysis; and
- with respect to each individual company, an emphasis on capital preservation, low volatility, and minimization of downside risk.

The foundation of this investment philosophy and portfolio construction is intensive credit investment analysis, a strict investment discipline based on both market technicals and fundamental value-oriented research and a diversification strategy. DLG follows a rigorous investment process based on:

- a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;
- an evaluation of management;
- an analysis of business strategy and industry trends; and
- an in-depth examination of capital structure, financial results, and projections.

DLG seeks to identify those issuers exhibiting superior fundamental risk-reward profiles and strong defensible business franchises while focusing on relative value of the security across the industry as well as for the specific issuer. The process through which DLG makes an investment decision involves extensive research into the target company, its industry, its growth prospects, and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, DLG will engage in an intensive due diligence process, including legal, accounting, financial, and industry due diligence.

Real Estate Group

Our Real Estate Group (“REG”) manages comprehensive public and private equity and debt strategies with a focus on capitalizing on opportunities across both real estate equity and debt investing. Our equity investments focus on implementing hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. Our debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation.

REG has deep local market knowledge, multi-channel sourcing, and differentiated, proprietary research enabling it to capitalize on market trends. Investment opportunities are identified from an extensive network of relationships within the real estate and finance industries. REG employs a rigorous, credit-oriented evaluation towards determining the risk/return profile of the investment opportunity, and the appropriate pricing and structure for the prospective investment, with specific reference to the strength of the transaction sponsor(s), the underlying real estate and the structure of the investment. Detailed financial modeling and analysis is conducted to assess the cash flow and debt service coverage characteristics of the properties as well as interest rate and prepayment analysis.

Focus is given to current cash flows and potential risks to cash flow such as those associated with tenant credit quality, lease maturities, reversion to market level rental rates, vacancy, and expenses. Cash flow analysis and market comparables are used as follows:

- to determine the current value of the underlying collateral;
- to assess the capacity to repay or refinance upon maturity; and
- to understand sensitivities to various potential changes in asset performance, market fundamentals and real estate capital markets.

REG performs extensive property, sponsor and market-level due diligence, including:

- a competitive analysis;
- corporate profile and credit reviews for major tenants;
- due diligence on the borrower and its sponsor(s), including meeting with the borrower's and sponsor's respective management teams;
- checking management's backgrounds and references;
- analyzing the governance structure of the borrower;
- investigation into the legal risks; and
- market and industry research, including an analysis of demographics, key economic fundamentals such as employment and population growth, and comparable transactions.

REG's underwriting focuses on understanding the broader capital structure of the transaction and ensuring that it has the appropriate controls and rights with respect to its prospective investment.

In considering the acquisition of commercial mortgage-backed securities ("CMBS"), REG would undertake an extensive analysis of the underlying loans and careful review of the security terms and conditions.

For additional details relating to the methods of analysis and investment strategies employed by a client account, please refer to its Governing Documents.

Material Risks

Investing in securities involves a risk of loss that advisory clients and investors should be prepared to bear. There can be no assurance that any Fund or other client will be able to make and realize any particular investment or generate returns. Clients and investors in the Funds should carefully consider, among other factors, the following material risks involved with Ares' investment strategies.

Not all possible risks are described below. Investors in the Funds or other clients are requested to refer to the Governing Documents of the applicable Fund or client for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies.

The historical returns attributable to our Funds should not be considered as indicative of the future results of our Funds.

The historical returns of our Funds should not be considered indicative of the future returns of these or from any future funds we may raise, in part because:

- market conditions during previous periods may have been significantly more favorable for generating positive performance than the market conditions we may experience in the future;
- our Funds' rates of returns, which are calculated on the basis of net asset value of the Funds' investments, reflect unrealized gains, which may never be realized;
- our Funds' returns have previously benefited from investment opportunities and general market conditions that may not recur, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;
- historical returns derive largely from the performance of our earlier Funds, whereas future Fund returns will depend increasingly on the performance of our newer Funds or Funds not yet formed, which may have little or no realized investment track record;
- our Funds' historical investments were made over a long period of time and over the course of various market and macroeconomic cycles, and the circumstances under which our current or future Funds may make future investments may differ significantly from those conditions prevailing in the past;
- the attractive returns of certain of our Funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our Funds and we believe is less likely to occur in the future;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative funds and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future;
- our track record with respect to our real estate debt Funds is relatively short as compared to our other Funds; and

- our newly established Funds may generate lower returns during the period that they take to deploy their capital.

The future internal rate of return for any current or future Fund may vary considerably from the historical internal rate of return generated by any particular Fund, or for our Funds as a whole. Future returns will also be affected by the risks described elsewhere in this brochure, including risks of the industries and businesses in which a particular Fund invests.

Difficult market and political conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital.

Our businesses are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to our taxation, taxation of our investors, the possibility of changes to tax laws in either the United States or any non-U.S. jurisdiction and regulations on alternative asset managers), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors are outside of our control and may affect the level and volatility of securities prices and the liquidity and value of investments, and we may not be able to or may choose not to manage our exposure to these conditions. Ongoing developments in the U.S. and global financial markets following the unprecedented turmoil in the global capital markets and the financial services industry in late 2008 and early 2009 continue to illustrate that the current environment is still one of uncertainty and instability for investment management businesses. While there has been significant recovery in the capital markets since then, particularly in the equity markets, concerns over falling oil prices towards the end of 2014, concerns over increasing interest rates, particularly short-term rates, increases in the foreign exchange value of the U.S. dollar, sluggish economic expansion in non-U.S. economies, including continued concerns over growth prospects in China and emerging markets, growing debt loads for certain countries and uncertainty about the consequences of the U.S. and other governments withdrawing monetary stimulus measures, all highlight the fact that economic conditions remain unpredictable. These and other conditions in the global financial markets and the global economy have resulted in, and may continue to result in, adverse consequences for many of our funds, each of which could adversely affect the business of such funds, restrict such funds' investment activities and impede such funds' ability to effectively achieve their investment objectives.

Difficult economic conditions could adversely affect our operating results by causing:

- decreases in the market value of securities and debt instruments held by some of our funds;
- illiquidity in the market, which could adversely affect transaction volumes and the pace of realization of our funds' investments or otherwise restrict the ability of our funds to realize value from their investments, thereby adversely affecting our ability to generate incentive or other income; and
- increases in costs or reduced availability of financial instruments that finance our private equity and real estate funds.

During periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we invest may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. Negative financial results in our funds' portfolio companies may reduce the value of our portfolio companies and the investment returns for our funds, which could have a material adverse effect on our operating results and cash flow. In addition, such conditions would increase the risk of default with respect to credit-oriented or debt investments. Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets, and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus adversely impact our prospects for future growth.

Political and regulatory conditions, including the effects of negative publicity surrounding the financial industry in general and proposed legislation, could adversely affect our businesses.

As a result of market disruptions and highly publicized financial scandals in recent years, regulators and investors have exhibited concerns over the integrity of the U.S. financial markets, and the businesses in which we operate both in the United States and outside the United States will be subject to new or additional regulations. We may be adversely affected as a result of new or revised legislation or regulations imposed by the Commission, the CFTC or other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Congress, the Organization for Economic Co-operation and Development (“OECD”) and other government agencies in jurisdictions where we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational entities. The OECD, which represents a coalition of member countries, is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting project, which is focused on a number of issues, including the shifting of profits between affiliated entities in different jurisdictions. Additionally, the Obama administration has announced proposals for potential reform to the U.S. federal income tax rules for businesses, including reducing the deductibility of interest for corporations, anti-inversion rules, reducing the top marginal rate on corporations and subjecting entities currently treated as partnerships for tax purposes to an entity-level income tax similar to the corporate income tax. Several of these proposals for reform, if enacted by the United States or by other countries in which we or our affiliates invest or do business, could adversely affect our investment returns. Whether these or other proposals will be enacted by the United States or any foreign jurisdiction and in what form is unknown, as are the ultimate consequences of any such proposed legislation.

We depend on certain key personnel, and our ability to retain them and attract additional qualified personnel is critical to our success.

We depend on the diligence, skill, judgment, business contacts and personal reputations of certain key personnel. Our future success will depend upon our ability to retain our senior

professionals and other key personnel and our ability to recruit additional qualified personnel. These individuals possess substantial experience and expertise in investing, are responsible for locating and executing our Funds' investments, have significant relationships with the institutions that are the source of many of our Funds' investment opportunities and, in certain cases, have strong relationships with our investors. Therefore, if any of our senior professionals or other key personnel join competitors or form competing companies, it could result in the loss of significant investment opportunities.

The departure or bad acts for any reason of any of our senior professionals, or a significant number of our other investment professionals, could have a material adverse effect on our ability to achieve our investment objectives. We anticipate that it will be necessary for us to add investment professionals both to grow our businesses and to replace those who depart. However, the market for qualified investment professionals is extremely competitive, both in the United States and internationally, and we may not succeed in recruiting additional personnel or we may fail to effectively replace current personnel who depart with qualified or effective successors.

Our failure to appropriately address conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our Funds' investment activities. Certain of our Funds may have overlapping investment objectives, including Funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those Funds. For example, a decision to receive material non-public information about a company while pursuing an investment opportunity for a particular Fund may give rise to a potential conflict of interest when it results in our having to restrict the ability of other Funds to trade in the securities of such company. We may also cause different private equity Funds to invest in a single portfolio company, for example where the Fund that made an initial investment no longer has capital available to invest. We may also cause different Funds that we advise to purchase different classes of securities in the same portfolio company. For example, in the normal course of business our tradable credit Funds acquire debt positions in companies in which our private equity Funds own common equity securities. A direct conflict of interest could arise between the debt holders and the equity holders if such a company were to develop insolvency concerns, and we would have to carefully manage that conflict. Certain funds in different groups may invest alongside each other in the same security. The different investment objectives or fund terms of such funds may result in a potential conflict of interest. In addition, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our Funds and the allocation of fees and costs among us, our Funds and their portfolio companies.

Valuation methodologies for certain assets can be subject to significant subjectivity, and the values of assets may never be realized.

Many of the investments in our Funds are illiquid and thus have no readily ascertainable market prices. We value these investments based on our estimate, or an independent third party's estimate, of their fair value as of the date of determination. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. We estimate the fair value of our

investments based on third-party models, or models developed by us, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by our Funds are in industries or sectors which are unstable, in distress or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

We include the fair value of illiquid assets in the calculations of net asset values, returns of our Funds and our assets under management. Because these valuations are inherently uncertain, they may fluctuate greatly from period to period. Also, they may vary greatly from the prices that would be obtained if the assets were to be liquidated on the date of the valuation and often do vary greatly from the prices we eventually realize; as a result, there can be no assurance that such unrealized valuations will be fully or timely realized.

In addition, the values of our investments in publicly traded assets are subject to significant volatility, including due to a number of factors beyond our control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or other companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure, and significant acquisitions and dispositions. Because the market prices of these securities can be volatile, the valuation of these assets will change from period to period, and the valuation for any particular period may not be realized at the time of disposition. In addition, because our Funds often hold large positions in their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. Even if we hold a quantity of public securities that may be difficult to sell in a single transaction, we do not discount the market price of the security for purposes of our valuations.

Although we frequently engage independent third parties to perform or review the foregoing valuations, the valuation process remains inherently subjective for the reasons described above.

If we realize value on an investment that is significantly lower than the value at which it was reflected in a Fund's net asset values, we would suffer losses in the applicable Fund. These effects could become applicable to a large number of our investments if our estimates and assumptions used in estimating their fair values differ from future valuations due to market developments.

Market values of debt instruments and publicly traded securities that our Funds hold as investments may be volatile.

The market prices of debt instruments and publicly traded securities held by some of our Funds may be volatile and are likely to fluctuate due to a number of factors beyond our control, including actual or anticipated changes in the profitability of the issuers of such securities, general economic, social or political developments, changes in industry conditions, changes in

government regulation, shortfalls in operating results from levels forecast by securities analysts, inflation and rapid fluctuations in inflation rates, the general state of the securities markets and other material events, such as significant management changes, financings, refinancings, securities issuances, acquisitions and dispositions. The value of publicly traded securities in which our Funds invest may be particularly volatile as a result of these factors. In addition, debt instruments that are held by our Funds to maturity or for long terms must be “marked-to-market” periodically, and their values are therefore vulnerable to interest rate fluctuations and the changes in the general state of the credit environment, notwithstanding their underlying performance. Changes in the values of these investments may adversely affect our investment performance and the performance of our Funds.

Our Funds depend on investment cycles, and any change in such cycles could have an adverse effect on our investment prospects.

Cyclicalities are important to our businesses. Weak economic environments have tended to afford us our best investment opportunities and our best relative investment performance. For example, the relative performance of our high yield bond strategy has typically been strongest in difficult times when default rates are highest, and our distressed debt and control investing Funds have historically found their best investment opportunities during downturns in the economy when credit is not as readily available.

Conversely, we tend to realize value from our investments in times of economic expansion, when opportunities to sell investments may be greater. Thus, we depend on the cyclicalities of the market to sustain our businesses and generate attractive risk-adjusted returns over extended periods. Any prolonged economic expansion or recession could have an adverse impact on certain of our Funds and materially affect our ability to deliver attractive investment returns.

Dependence on significant leverage in investments by our Funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of return on those investments.

Some of our Funds and their investments rely on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. If our Funds or the companies in which our Funds invest raise capital in the structured credit, leveraged loan and high yield bond markets, the results of their operations may suffer if such markets experience dislocations, contractions or volatility. Any such events could adversely impact the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any economic downturn could adversely affect the financial resources of our Funds and their investments (in particular those investments that depend on credit from third parties or that otherwise participate in the credit markets) and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Moreover, these events could affect the terms of available debt financing with, for example, higher rates, higher equity requirements or more restrictive covenants, particularly in the area of acquisition financings for leveraged buyout and real estate assets transactions.

The absence of available sources of sufficient debt financing for extended periods of time or an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Increases in interest

rates could also make it more difficult to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance investments often includes high yield debt securities issued in the capital markets. Availability of capital from the high yield debt markets is subject to significant volatility, and there may be times when we are unable to access those markets at attractive rates, or at all, when completing an investment. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms.

In the event that our Funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our Funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could reduce the performance of our Funds. Similarly, our Funds' portfolio companies regularly utilize the corporate debt markets to obtain financing for their operations. If the credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns of our Funds. In addition, if the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection. Any of the foregoing circumstances could have a material adverse effect on the performance of our Funds.

When our Funds' existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have not generated sufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. A persistence of the limited availability of financing for such purposes for an extended period of time when significant amounts of the debt incurred to finance our Funds' existing portfolio investments becomes due could have a material adverse effect on these Funds.

Our direct lending and tradable credit Funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A Fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed Funds may cause the Fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the Fund's net asset value could also decrease faster than if there had been no borrowings. An increase in interest rates could also decrease the value of fixed-rate debt investments that our Funds make. Any of the foregoing circumstances could have a material adverse effect on the performance of our Funds.

Some of our Funds may invest in companies that are highly leveraged, which may increase the risk of loss associated with those investments.

Some of our Funds may invest in companies whose capital structures involve significant leverage. For example, in many non-distressed private equity investments, indebtedness may be as much as 75% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment, whether incurred at or above the investment-level entity. In distressed situations, indebtedness may exceed 100% or more of a portfolio company's capitalization.

Additionally, the debt positions acquired by our Funds may be the most junior in what could be a complex capital structure, and thus subject us to the greatest risk of loss.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market, and industry developments. Furthermore, the incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms, and conditions, any violation of which could be viewed by creditors as an event of default and could materially impact our ability to realize value from the investment;
- allow even moderate reductions in operating cash flow to render the entity unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of our Fund's equity investment in it;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions if additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors that have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, a number of investments consummated by private equity sponsors during 2005, 2006, and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and, in certain cases, defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the subsequent economic downturn during 2008 and 2009. Similarly, the leveraged nature of the investments of our real estate Funds increases the risk that a decline in the fair value of the underlying real estate or tangible assets will result in their abandonment or foreclosure.

Many of our Funds invest in assets that are high risk, illiquid or subject to restrictions on transfer.

Many of our Funds invest in securities that are not publicly traded. In many cases, our Funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our Funds generally cannot sell these securities publicly unless either their sale is registered under applicable securities laws or an exemption from such registration is available. Accordingly, our Funds may be forced, under certain conditions, to sell securities at a loss. The ability of many of our Funds, particularly our private equity Funds, to dispose of these investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability of the portfolio company in which such investment is held to complete an initial public offering. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial period of time.

Moreover, because the investment strategy of many of our Funds, particularly our private equity Funds, often entails our having representation on our Funds' public portfolio company boards, our Funds can effect such sales only during limited trading windows, exposing the investment returns to risks of downward movement in market prices during the intended disposition period.

Certain of our Funds utilize special situation and distressed debt investment strategies that involve significant risks.

Certain of our Funds in our Tradable Credit and Private Equity Groups invest in obligors and issuers with weak financial conditions, poor operating results, substantial financing needs, negative net worth, or special competitive problems. These Funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are publicly traded securities, and are subject to significant uncertainty in general if they are not publicly traded securities. Furthermore, some of our Funds' distressed investments may not be widely traded or may have no recognized market. A Fund's exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the market value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central feature of our distressed investment strategy is our ability to effectively anticipate the occurrence of certain corporate events, such as debt or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions, that we believe will improve the condition of the business. Similarly, we perform significant analysis of the company's capital structure, operations, industry and ability to generate income, as well as market valuation of the company and its debt, and develop a strategy with respect to a particular distressed investment based on such analysis. In furtherance of that strategy our Funds seek to identify the best position in the capital structure in which to invest. If the relevant corporate event that we anticipate is delayed, changed or never completed, or if our analysis or investment strategy is inaccurate, the market price and value of the applicable Fund's investment could decline sharply.

In addition, these investments could subject a Fund to certain potential additional liabilities that may exceed the value of its original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our Funds may become involved in substantial litigation.

Certain of the Funds or other client accounts we advise or manage are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, and our activities could be adversely affected in relation to certain of our other Funds or client accounts if they fail to satisfy an exception under the “plan assets” regulation under ERISA.

Certain of the Funds and accounts we advise or manage are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code. For example, we currently manage some of our Funds or accounts as “plan assets” under ERISA. With respect to these Funds or accounts, this results in the application of the fiduciary responsibility standards of ERISA to investments made by such Funds or accounts, including the requirement of investment prudence and diversification, and the possibility that certain transactions that we enter into, or may have entered into, on behalf of these Funds or accounts, in the normal course of business, might constitute or result in, or have constituted or resulted in, non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the Code.

A non-exempt prohibited transaction, in addition to imposing potential liability upon fiduciaries of an ERISA plan, may also result in the imposition of an excise tax under the Code upon a “party in interest” (as defined in ERISA) or “disqualified person” (as defined in the Code) with whom we engaged in the transaction. Some of our other Funds or accounts currently qualify as venture capital operating companies (“VCOCs”) or rely on another exception under the “plan assets” regulation under ERISA and therefore are not subject to the fiduciary requirements of ERISA with respect to their assets. However, if these Funds or accounts fail to satisfy the VCOC requirements for any reason, including as a result of an amendment of the relevant regulations by the U.S. Department of Labor, or another exception under the “plan assets” regulation under ERISA, such failure could materially interfere with our activities in relation to these Funds or client accounts.

Our Funds may be liable for the underfunded pension liabilities of their portfolio companies.

Under ERISA, members of certain “controlled groups” of “trades or businesses” may be jointly and severally liable for contributions required under any member’s tax-qualified defined benefit pension plan and under certain other benefit plans. Similarly, if any member’s tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members, including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial

withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by our Funds in a particular portfolio company, a Fund may be considered to be a member of a portfolio company's "controlled group" for this purpose, and thus may be liable for the underfunded pension liabilities of such portfolio company.

In Sun Capital Partners III L.P. v. New England Teamster and Trucking Industry Pension Fund, the First Circuit Court of Appeals held that a fund was engaged in a "trade or business" with a portfolio company for purposes of the ERISA rules and was thus liable for underfunded pension liabilities. If this decision is upheld and applied generally to private equity investing, our Funds could be exposed to liability for certain benefit plan contributions, a liability that could be significant if the portfolio company's pension plan is significantly underfunded.

Our Funds' performance may be adversely affected by the financial performance of the portfolio companies and the industries in which our Funds invest.

The performance of our Funds is significantly impacted by the value of the companies in which they have invested. Our Funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. The credit crisis between mid-2007 and the end of 2009 caused significant fluctuations in the value of securities held by our Funds and the recent global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the Funds we advise.

Although the U.S. economy has registered five consecutive years of growth in real GDP, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governmental agencies in the United States and abroad. These factors and other general economic trends are likely to affect the performance of portfolio companies in many industries and, in particular, industries that anticipated that the GDP in developed economies would quickly return to pre-crisis trend. The performance of our Funds may be adversely affected if our Fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends.

The performance of our Funds' investments with underlying exposure to the commodities markets is also subject to a high degree of business and market risk, as it is dependent upon prevailing prices of commodities such as oil, natural gas, and coal. Prices for oil and natural gas, for example, are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making investments with underlying exposure to the commodities markets to deploy hedging strategies to protect against pricing fluctuations but such strategies may or may not protect our investments.

In respect of real estate, even though the U.S. residential real estate market has recently shown signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on investment performance,

including, but not limited to, rising mortgage interest rates, a low level of confidence in the economy recovery or the residential real estate market and high unemployment.

Third-party investors in certain of our Funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a Fund's operations and performance.

Investors in certain of our Funds make capital commitments to those Funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling and honoring their commitments when we call capital from them for those Funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a meaningful amount of its existing investment forfeited in that Fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the Fund and if an investor has invested little or no capital, for instance early in the life of the Fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the Fund, thereby limiting our ability to enforce the funding of a capital call. A failure of investors to honor a significant amount of capital calls for any particular Fund or Funds could have a material adverse effect on the operation and performance of those Funds.

Our Funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Some of our Funds invest a portion of their assets in the equity, debt, loans, or other securities of issuers located outside the United States, including Europe and Asia, while certain of our Funds invest substantially all of their assets in these types of securities, and we expect that international investments will increase as a proportion of certain of our Funds' portfolios in the future. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:

- our Funds' abilities to exchange local currencies for U.S. dollars and other currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital;
- less developed or less efficient financial markets than exist in the United States, which may lead to price volatility and relative illiquidity;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- differences in legal and regulatory environments, particularly with respect to bankruptcy and reorganization, less developed corporate laws regarding fiduciary duties and the protection of investors and less reliable judicial systems to enforce contracts and applicable law;

- political hostility to investments by foreign or private equity investors;
- less publicly available information in respect of companies in non-U.S. markets;
- reliance on a more limited number of commodity inputs, service providers or distribution mechanisms;
- higher rates of inflation;
- higher transaction costs;
- difficulty in enforcing contractual obligations;
- fewer investor protections;
- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of capital, potential political, economic or social instability, the possibility of nationalization or expropriation or confiscatory taxation and adverse economic and political developments; and
- the imposition of non-U.S. taxes or withholding on income and gains recognized with respect to such securities.

While our Funds will take these factors into consideration in making investment decisions, including when hedging positions, there can be no assurance that adverse developments with respect to these risks will not adversely affect our Funds that invest in securities of non-U.S. issuers. In addition, certain of these Funds are managed outside the United States, which may increase the foregoing risks.

Many of our Funds make investments in companies that we do not control.

Investments by many of our Funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our Funds through trading activities or through purchases of securities from the issuer. In addition, our Funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the Funds retaining a minority investment. Furthermore, while certain of our Funds may make “toe-hold” distressed debt investments in a company with the intention of obtaining control, there is no assurance that a control position may be obtained and such fund may retain a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the interests of our Funds. If any of the foregoing were to occur, the values of the investments held by our Funds could decrease.

Increased regulatory scrutiny and uncertainty with regard to expense allocation may increase risk of harm.

While we historically have and will continue to allocate the expenses of our Funds in good faith and in accordance with the terms of the relevant fund agreements and our expense allocation policy in effect from time to time, due to increased regulatory scrutiny of expense allocation policies in the private investment funds realm, there is no guarantee that our policies and practices will not be challenged by our supervising regulatory bodies. If our supervising regulators were to determine that we have improperly allocated such expenses, we could be

subject to regulatory censure, litigation from our fund investors, or reputational harm, each of which could have a material adverse effect on our financial condition.

A downturn in the global credit markets could adversely affect our CLO investments.

Among the sectors that have been particularly challenged by a downturn in the global credit markets are the CLO and leveraged finance markets. CLOs are subject to credit, liquidity, interest rate, and other risks. In 2008 and through early 2009, liquidity in the credit markets was significantly reduced, resulting in an increase in credit spreads and a decline in ratings, performance, and market values for leveraged loans. Although the credit markets in general and the leveraged loan market in particular have improved since the second half of 2009, they have not returned to pre-2008 levels. These Funds invest on a leveraged basis in loans or securities that are themselves highly leveraged investments in the underlying collateral, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to unleveraged investments. As a result of such Funds' leveraged position, CLOs and their investors are at greater risk of suffering losses. The CLO market in which our CLO Funds invest has experienced an increase in downgrades, defaults, and declines in market value and defaults in respect of leveraged loans in their collateral. Many CLOs have failed in the past or may in the future fail one or more of their "overcollateralization" tests. The failure of one or more of these "overcollateralization" tests may result in reduced cash flows that may have otherwise been available for distribution. This would reduce the value of such Fund's investment. There can be no assurance that market conditions giving rise to these types of consequences will not once again occur, subsist or become more acute in the future.

Our Funds may face risks relating to undiversified investments.

While diversification is generally an objective of our Funds, there can be no assurance as to the degree of diversification, if any, that will be achieved in any Fund investments. Difficult market conditions or slowdowns affecting a particular asset class, geographic region or other category of investment could have a significant adverse impact on a Fund if its investments are concentrated in that area, which would result in lower investment returns. This lack of diversification may expose a Fund to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in the particular investments. If a Fund holds investments concentrated in a particular issuer, security, asset class or geographic region, such Fund may be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political, or regulatory event.

Accordingly, a lack of diversification on the part of a Fund could adversely affect a Fund's performance.

The performance of our investments may fall short of our expectations and the expectations of the investors in our Funds.

Before making investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental, and legal issues. The due diligence investigation that we will carry

out with respect to an investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Once we have made an investment in a portfolio company, our Funds generally establish the capital structure on the basis of financial projections prepared by the management of such portfolio company. These projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors, may cause actual performance to fall short of the projections. Additionally, we may cause our Funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our Funds. In addition, in connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business.

A Fund may also be required to indemnify the purchasers of such investment if any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a Fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a Fund could harm such Fund's performance.

Our Funds may be forced to dispose of investments at a disadvantageous time.

Our Funds may make investments that they do not advantageously dispose of prior to the date the applicable Fund is dissolved, either by expiration of such Fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the Funds have only a limited ability to extend the term of the Fund with the consent of Fund investors or the advisory board of the Fund, as applicable, our Funds may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the Fund itself.

Our real estate Funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate Funds will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include the following:

- those associated with the burdens of ownership of real property;
- general and local economic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for example, of overbuilding);
- fluctuations in the average occupancy and room rates for hotel properties;
- the financial resources of tenants;
- changes in building, environmental and other laws;
- energy and supply shortages;

- various uninsured or uninsurable risks;
- liability for “slip-and-fall” and other accidents on properties held by our Funds;
- natural disasters;
- changes in government regulations (such as rent control and tax laws);
- changes in real property tax and transfer tax rates;
- changes in interest rates;
- the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- negative developments in the economy that depress travel activity;
- environmental liabilities;
- contingent liabilities on disposition of assets;
- unexpected cost overruns in connection with development projects;
- terrorist attacks, war and other factors that are beyond our control; and
- dependence on local operating partners.

Although real estate values have generally rebounded with the rest of the economy, other than certain high profile assets in the best markets, prices in 2014 often remain below peaks reached in late 2007 or early 2008.

If our real estate Funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our Fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Additionally, our Funds’ properties may be managed by a third party, which makes us dependent upon such third parties and subjects us to risks associated with the actions of such third parties. Any of these factors may cause the value of the investments in our real estate Funds to decline, which may have a material impact on our results of operations.

Hedging strategies may adversely affect the returns on our Funds’ investments.

When managing our exposure to market risks, we may (on our own behalf or on behalf of our Funds) from time to time use forward contracts, options, swaps, caps, collars, floors, foreign currency forward contracts, currency swap agreements, currency option contracts, or other strategies. Currency fluctuations in particular can have a substantial effect on our cash flow and financial condition. The success of any hedging or other derivative transactions generally will depend on our ability to correctly predict market or foreign exchange changes, the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction to reduce our exposure to market or foreign exchange risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

While such hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral at a time when a Fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a Fund.

Item 9. Disciplinary Information

Neither Ares nor any of its management persons has been the subject of any material legal or disciplinary proceedings that are material to a client's evaluation of our business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares has a wholly owned limited-purpose broker-dealer subsidiary, Ares Investor Services LLC ("AIS"), which had its registration with FINRA approved on January 2, 2014. The Firm's Chief Compliance Officer is a registered principal of AIS and serves as its Chief Compliance Officer.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

Neither Ares nor any of its management persons is registered as a registered futures commission merchant, commodity pool operator ("CPO") or commodity trading advisor; however, Ares and certain of its affiliates has claimed an exemption from registration as a CPO.

Relationships with Related Persons

Ares is the parent company of:

- (i) Ares Capital Management LLC ("ACM"), which is an SEC-registered investment adviser and the investment manager of Ares Capital Corporation ("ARCC"), a closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act;
- (ii) Ares Capital Management II LLC ("ACM II"), an SEC-registered investment adviser, and the investment adviser of Ares Dynamic Credit Allocation Fund, Inc. ("ARDC"; NYSE:ARDC) and Ares Multi-Strategy Credit Fund, Inc. ("ARMF"; NYSE:ARMF), both of which are non-diversified closed-end registered management investment companies;
- (iii) Ares Capital Management III LLC ("ACM III"), an SEC-registered investment adviser, ACM III provides advisory services to primarily Korean-based institutional investors;

- (iv) Ares Commercial Real Estate Management LLC (“ACREM”), an SEC-registered investment adviser that was formed in July 2011 and commenced operations in August 2011. ACREM provides advisory services to Ares Commercial Real Estate Corporation (“ACRE”), a specialty finance company that completed its initial public offering of shares of its common stock in April 2012;
- (v) Ares Real Estate Management Holdings LLC (“AREMH”), an SEC-registered investment adviser, AREHM provides advisory services primarily to pooled investment vehicles and other institutional accounts;
- (vi) Ares EIF Management, LLC (“Ares EIF”), and SEC-registered investment adviser. Ares EIF specializes in private investment opportunities in the U.S. power sector and advises pooled investment vehicles that invest in that sector;
- (vii) Ares Management Limited (“AML”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority; and
- (viii) Ares Management UK Limited (“AMUKL”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority.

In addition, ARCC directly or indirectly also owns the equity and voting interests of its portfolio company, Ivy Hill Asset Management, L.P. (“Ivy Hill”), an SEC-registered investment adviser.

Ares and certain of its related persons are investment advisers to all of Ares’ clients, including the Funds, and are the general partners and, in many cases, limited partners of the Funds. Although Ares personnel will devote as much of their business time on one or more of the Funds as required pursuant to the terms of each Fund’s Governing Documents, employees of Ares and its affiliates may also serve as advisors, directors, members of credit committees or, less frequently, officers for portfolio companies in which the Funds or other clients invest, or provide other services to portfolio companies. Further, in connection with such roles and related investment activities, employees may be given access to confidential information relating to companies in which the Funds or other clients invest. As a result, certain Funds and other clients may be prohibited from engaging in transactions with such a portfolio company which may have an adverse effect on such Funds or clients.

Principals, officers and employees of Ares (“Covered Persons”), members of their families and related persons of Ares may participate directly or indirectly as investors in Ares’ Funds, as described in a Fund’s Governing Documents, which may be privately negotiated transactions at varying prices. Ares may recommend to clients the purchase or sale of securities in which it, or a Covered Person or related person thereof, has a financial interest. In addition, Ares permits its Covered Persons to engage in personal securities transactions, subject to compliance with the Firm’s Code of Ethics.

For a general discussion of how we address resulting conflicts of interest, see discussion under “*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” below.

Selection or Recommendation of Other Advisers

Ares does not recommend or select other third-party investment advisers for its clients. Except for its wholly owned subsidiaries ACM, ACM II, ACM III, ACREM, AREHM, Ares EIF, AML and AMUKL and Ares' related person, Ivy Hill, Ares does not have other business relationships with other advisers that create a material conflict of interest.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Statement of Business Ethics and Code of Ethics

Ares has adopted an Ethics Policy (the "Code") pursuant to Rule 204A-1 under the Advisers Act that sets forth standards of business and fiduciary conduct that we require of Covered Persons. The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons and the interest of Ares, our Funds or clients and prevent violation of federal securities laws. The Code includes, among other things, a) policies and procedures regarding personal securities transactions; b) disclosure and reporting obligations of personal securities transactions and holdings; and c) obligations for Covered Persons to report any violations of the Code to the Chief Compliance Officer ("CCO").

Any client or prospective client or investor or prospective investor in a Fund may obtain a copy of the Code upon request to:

Ares Management LLC
Attn: Compliance Department
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067

Participation or Interest in Client Transactions; Personal Trading

The Code provides that no Covered Person may engage directly or indirectly in any business in a manner detrimental to the Funds or other clients or use confidential information gained by reason of his or her employment by or affiliation with Ares in a manner detrimental to the Funds or other clients. Further, as general partners, limited partners or investors in certain of the Funds, Ares and our related persons have indirect beneficial interests in the securities owned by such Funds and will share in any profits and losses generated by such Funds' investments. The Code requires that before, or at the time that, a Covered Person recommends or authorizes the purchase or sale of a covered security by a Fund or a client, he or she must disclose to the CCO: a) any beneficial ownership in such covered security that he or she has or proposes to acquire; b) any interest he or she has or proposes to acquire in any third party account in which such covered security is held; c) any beneficial interest in any other security that may benefit from such proposed purchase, sale or other action; and d) any interest in or business relationship with the issuer of such covered security that a Covered Person or his or her "covered family members" (as defined in the Code) has or proposes to acquire.

The Code covers personal trading policies and procedures of all Covered Persons and their covered family members. Under the Code, Covered Persons and their covered family members are permitted to trade in securities for their own accounts so long as they follow the Code, which

contains preclearance procedures, reporting requirements and other provisions that restrict trading by Covered Persons. Generally, for “covered securities” transactions in a Covered Person’s or a covered family member’s account, Covered Persons are required to obtain preclearance approval from the Compliance Department. Covered securities purchased by a Covered Person or a covered family member are generally subject to a minimum holding period. The Code also requires that all covered securities holdings and transaction information in covered securities accounts be disclosed to the Compliance Department. Any transactions in securities or investments that are held by one or more Funds or other clients are generally subject to a blackout period of five business days after any client or Fund has traded in any security of that issuer and may further be restricted further by a Fund’s Governing Documents. The Code’s personal trading procedures are administered by the Firm’s Compliance Department. On a quarterly basis, Covered Persons must provide a report on all applicable transactions in any covered security in which they have acquired direct or indirect ownership and any brokerage accounts that they or covered family members maintain. On an annual basis, Covered Persons must provide a full accounting of their covered securities holdings. Lastly, Covered Persons are required to certify that they have read and understand the Code, and certify that they have complied with the provisions of the Code on an annual basis.

Other Potential Conflicts

From time to time, subject to the applicable Governing Documents, a Fund or a client account may engage in cross trades with one or more other Funds or client accounts, typically for purposes of rebalancing its portfolios, in order to further such participating Fund and client account investment programs, or for other reasons consistent with the investment and operating guidelines of such participating Funds and client accounts. Neither Ares nor our affiliates will receive commission or similar fees in connection with such cross trade. Generally, the value of any positions that are cross-traded in this manner will be determined in a manner that is consistent with applicable policies.

In addition, Ares and our related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Funds or other clients in connection with certain “warehousing” transactions, provided that the sale is consistent with Ares’ fiduciary obligations to such Funds or other clients. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Fund (which, in certain circumstances, may be provided by a Fund’s Advisory Board) or client, as applicable, will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

We may make investments on our own behalf and on behalf of our affiliates in securities we recommend to a Fund or other client accounts. In addition, Ares and our principals may co-invest with certain Funds or other clients, as permissible in the applicable Governing Documents. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if a Fund or a client invests in different classes or types of securities of the same portfolio company. In such cases, the interest of one Fund may not always be aligned with the other Fund or client account and may pose an actual or potential conflict of interest, as a Fund may pursue or enforce rights with respect to an investment, and those activities may have an adverse effect on the Fund or client accounts as prices, liquidity, terms of the investments, and levels of risk may be negatively impacted by such actions.

Ares personnel may receive discounts from products and services offered by the Private Equity Group's portfolio companies, similar to what would be given to an employee of the portfolio company.

Ares also requires certain outside business activities to be reported and monitored to avoid potential or actual conflicts of interest. Such activities require prior written approval from the CCO, and may be subject to restrictions or conditions and is revocable at any time.

Item 12. Brokerage Practices

Subject to the investment objectives, policies and restrictions of each Fund and other client as set forth in their respective Governing Documents, Ares has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each client or Fund, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect transactions, Ares seeks to obtain best execution by considering various factors including, but not limited to, price (including the applicable brokerage commission or dealer spread), size of order, timeliness and certainty of execution, liquidity of the securities traded, expertise as it relates to specific securities, counterparty risk and business reputation. While Ares generally seeks reasonably competitive trade execution costs, Funds and other client accounts will not necessarily pay the lowest spread or commission available.

From time to time, Ares may receive client or investor referrals from broker-dealers, which may provide an incentive for Ares to select or recommend certain broker-dealers for execution services. Please refer to the subsection entitled "*Third Party Compensation for Referrals*" in Item 14 below for complete information.

Research and Other Soft Dollar Benefits

Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by brokers. Ares does not engage in soft dollar arrangements.

Trade Aggregation

Under Ares' trade aggregation policy, orders for the same investment, including acquisition and disposition transactions, entered on behalf of more than one client may be aggregated (i.e., blocked or bunched), subject to the aggregation being in the best interests of all participating clients. The trade order must indicate the amount or percentage of the trade intended to be allocated to each participating client. If the final allocation differs from the initially indicated allocation or is not allocated on a pro rata basis for partially filled orders, except in the case of de minimis changes in the allocations, a written rationale must be provided in the allocation statement. Please refer to "*Item 6. Side-by-Side Management*" for further information regarding Ares' allocation policy.

Item 13. Review of Accounts

Review of Client Accounts

Ares monitors all portfolio investments on behalf of each Fund and other client on an ongoing basis. Investments are reviewed in the context of each client's (i) adherence to the investment objectives and guidelines as set forth in its Governing Documents and (ii) investment performance. Subsequent to an investment, each position is monitored on an ongoing basis by at least one investment professional. The monitoring may include ongoing dialogue with company management, fixed income and equity analysts, rating agencies, competitors, or other industry sources. In addition, a client's positions as well as a client's overall performance and adherence to its investment mandates and restrictions are monitored on an ongoing basis by senior investment professionals, including portfolio managers in the Tradable Credit Group and senior partners in the Private Equity, Direct Lending and Real Estate Groups, as applicable.

Reports to Clients

Ares provides reports to investors in the Funds and to other clients as required by the applicable Governing Documents. Investors in Funds and clients should refer to the applicable Governing Documents for further information on the reports provided to a particular Fund's investors or to the client.

The Governing Documents of certain Funds and other clients sometimes require quarterly and annual financial statements to be distributed to a Fund's investors or to the client and Ares also typically provides written investor letters with respect to a Fund or other client and its performance. Ares distributes K-1 filings to investors, where applicable, and provides certain other reports and analyses to investors and potential investors upon request.

With respect to certain Funds that are collateralized loan obligations or similarly structured finance vehicles, the independent Trustees of the Funds generally prepare monthly compliance reports. Additionally, Ares may prepare periodic investor letters, portfolio profile summaries and pro forma results to supplement and further clarify any trustee reports. Also, in connection with equity distributions for these Funds, Ares typically sends a letter to the investors in these Funds summarizing the current status of the particular Fund and all distributions made to date.

Finally, Ares may hold annual investor meetings and calls and other interim calls as appropriate for certain of the Funds or other clients.

Item 14. Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

In connection with investments made by certain of the Funds or other clients, Ares or its related persons may receive commitment, structuring, monitoring or other transaction fees from portfolio investments in which one or more of the Funds or other clients may invest or propose to invest. The potential for Ares and its related persons to receive such economic benefits may create conflicts of interest as Ares and its related persons may have economic incentives to invest in portfolio investments that provide such benefits. To mitigate potential conflicts, such benefits received by Ares in connection with its services related to portfolio companies or transactions are generally offset in whole or in part against advisory fees payable by the related Fund or client.

Third Party Compensation for Referrals

Any of the Funds may impose sales charges to compensate broker-dealers who assist in obtaining subscriptions. The sales charge may be payable by investors, one or more of the Funds, the general partner of a Fund, Ares or a combination thereof. In addition, Ares may compensate third parties who refer prospective investors to any of its Funds or new clients to Ares.

Certain of the solicitors or placement agents utilized to market Ares' Funds, as well as individuals employed by such solicitors or placement agents, may invest in the Funds and may not pay, or pay reduced, advisory fees with respect to their investment(s) in the Funds. In addition, Ares may transact client orders through broker-dealers that also act as solicitors or placement agents for its Funds.

Ares endeavors at all times to put the interests of its clients, including the Funds, first as part of Ares' fiduciary duty. Nevertheless, the receipt of compensation by placement agents and the potential receipt of brokerage commissions by broker-dealers create potential conflicts of interest and may affect the judgment of placement agents and broker-dealers when making referrals to Ares and the Funds. Moreover, potential conflicts of interest may arise between the interests of clients in obtaining best price and execution and Ares' interest in receiving future referrals to the Funds from certain broker-dealers. Ares addresses these potential conflicts of interest by seeking to obtain best execution by considering factors set forth in "*Item 12. Brokerage Practices*" above.

Ares will not compensate any placement agents or solicitors for an introduction to, or to influence any investment decision making process in connection with, any potential U.S. public pension fund clients or investors. Ares may engage with intermediaries such as consultants, in connection with potential clients or investors, including those hired by U.S. public pension funds that may engage such consultants to assist with their investment advisory needs.

Item 15. Custody

It is Ares' general policy not to have physical custody of any client assets. However, Ares may be deemed to have custody of the assets of certain Funds and other clients because of the authority it or a related party has over such clients or their assets. It is Ares' policy generally to cause each Fund with assets over which Ares is deemed to have "custody" to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year (180 days if the client is a "fund of funds"). In addition, upon the final liquidation of any such Fund, Ares will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

In the alternative, where Ares is deemed to have custody of a client account solely due to its ability to withdraw client funds to pay its advisory fees, Ares may comply with the custody rules under the Advisers Act by having a reasonable belief that a qualified custodian will send quarterly account statements to each investor or client. Ares urges all clients and investors to compare the reports they receive from Ares to the statements they receive from their custodians. Any issues or discrepancies should be communicated to Ares promptly.

Item 16. Investment Discretion

Ares has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund and client accounts, including the selection of, and commissions paid to, broker-dealers. This discretionary authority is subject to the investment objectives, policies and restrictions as set forth in the Governing Documents of each such Fund or client account. For Ares to assume such discretionary authority, each investor or client must complete the appropriate Fund subscription documents or an investment advisory agreement prior to the establishment of an advisory relationship granting such authority.

Item 17. Voting Client Securities

Ares' open market transactions primarily focus on fixed income securities and bank debt; however, Funds and other clients may engage in equity transactions and acquire voting securities. In instances where a client owns equity securities in which it has the right to vote via shareholder proxy (each a "Voting Security"), Ares generally retains proxy voting authority with respect to these Voting Securities. Ares has adopted and implemented written Proxy Voting Policies and Procedures ("Proxy Voting Procedures") that are designed to reasonably ensure that Ares votes proxies in the best interests of its advisory clients for whom Ares has voting authority.

The Proxy Voting Procedures describe the positions Ares generally takes in voting proxies on particular issues and require Ares to keep records with respect to the votes cast.

The Proxy Voting Procedures also provide that, in the event a particular proxy vote would involve a conflict between the interests of Ares and its affiliates, and those of one or more clients of Ares, Ares, if it so elects, may:

- vote in accordance with the recommendations of a disinterested third party;
- refer the voting decision to the client; or
- abstain from voting.

Some examples of potential conflicts can include;

- Ares provides investment advice to an officer or director of an issuer and Ares receives a proxy solicitation from that issuer;
- An issuer or some other third party offers Ares or an employee, officer, director, partner or member of Ares (an "Associate") compensation in exchange for voting a proxy in a particular way;
- An Associate or a member of an Associate's household has a personal or business relationship with an issuer;

- An Associate has a beneficial interest contrary to the position held by Ares on behalf of its clients;
- Ares holds various classes and types of equity and debt securities of the same issuer contemporaneously in different client portfolios; or
- Any other circumstance where Ares' duty to service its clients' interest could be compromised.

Ares will not delegate its voting authority to any third party, although it may retain an outside service to provide voting recommendations and to assist in analyzing votes.

Clients may obtain a copy of Ares' Proxy Voting Procedures or information about how Ares voted client proxies by contacting Ares' Legal Department at (310) 201-4100.

Item 18. Financial Information

Not Applicable.