



ARES CLO MANAGEMENT LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2018

This brochure provides information about the qualifications and business practices of Ares CLO Management LLC (“ACLOM,” the “Firm,” “we” or “us”). If you have any questions about the contents of this brochure, please contact us at 202.721.6180 or mkrieger@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 ACLOM 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 ACLOM or any principals or employees of ACLOM possess a particular level of skill or training in the investment advisory or any other business.

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Item 2. Material Changes

The Firm makes changes throughout its brochure in an effort to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices; however, none of the changes since the last brochure dated September 29, 2017 are material.

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Item 4. Advisory Business

ACLOM is a Delaware limited liability company that was formed in May 2015 and commenced operations in August 2015. ACLOM is a subsidiary of Ares Investment Holdings LLC and Ares Management LLC (“Ares Management”). Ares Management is an SEC-registered investment adviser and 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 certain other members of the senior management team, of Ares LP, indirectly holds a majority ownership in Ares LP through intermediate holding companies. In February 2018, Ares LP elected to be taxed as a corporation effective March 1, 2018 such that, among other things, distributions to investors after the effective date will be reflected on Form 1099-DIV. No change was made to Ares LP’s governance or to the rights and preferences of investors and Ares LP remains a limited partnership under Delaware state law.

ACLOM provides the advisory services described below to its clients, which primarily consists of CLOs, CDOs and other structured investment vehicles (collectively, “Funds” or “Clients”). ACLOM, or an affiliated entity controlled by ACLOM, serves as investment adviser, sub-adviser or manager of each of its Clients. References to ACLOM in this brochure include, as the context requires, affiliates through which ACLOM provides investment advisory services or that act in any capacity referenced in the previous sentence.

ACLOM’s investment advisory business is conducted by a dedicated team within Ares Management’s Credit Group. Please see *Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* for further discussion of ACLOM’s investment strategies and Ares Management’s Credit Group.

We tailor our advisory services to the specific investment objectives and restrictions of each Client. Advisory clients have investment restrictions that are particular to such Client, 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, restrictions on the use of leverage, restrictions on hedging activities, and limitations on the percentage a particular type of security can comprise of a Client’s investment portfolio.

Current and prospective investors and Clients should refer to the applicable offering memorandum, 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.

ACLOM, Ares Management or a Client’s 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.

ACLOM manages all Client assets on a discretionary basis in accordance with the terms and conditions of each Client's Governing Documents. As of December 31, 2017, ACLOM had regulatory assets under management of approximately \$4,326,815,000.

Item 5. Fees and Compensation

Compensation and Fee Schedules

All investors and prospective investors should carefully review the Governing Documents of each Fund in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Fund.

Advisory Fees

Investors in the Funds are generally "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), and, as such, information regarding the fees and compensation payable by such investors is not required to be provided herein. In certain circumstances, the advisory fees and performance compensation payable by investors in Funds are negotiable. In certain Funds, ACLOM also charges administration, agency, servicing fees and similar non-advisory fees and expenses.

Different Funds are subject to different advisory fees as compensation for the investment advisory services rendered to the applicable Fund (each, an "Advisory Fee"). The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are intended to be reflective of the underlying investment mandate and associated investment risk of the Fund and are established by ACLOM and are set forth in such Fund's Governing Documents, which are received by each investor prior to making an investment in such Fund. In certain circumstances, the Advisory Fees payable to ACLOM by individual investors in the Funds will vary among such investors (e.g., based on size of commitment, aggregate commitments to ACLOM Funds, timing of admission or otherwise) and may be negotiable. Moreover, employees and certain business associates and "friends and family" of ACLOM or its personnel generally will not pay Advisory Fees or performance based compensation with respect to their direct or indirect investments in Funds.

Advisory Fees paid by a Fund are indirectly borne by investors in such Fund. Investors and prospective investors in a Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees and that fees may differ among investors in the same Fund.

Performance-Based Fees ACLOM also typically receives performance-based compensation from Funds as described further in "*Item 6. Performance-Based Fees and Side-by-Side Management.*"

Deduction of Fees; Timing of Payments; Termination

If applicable, the Governing Documents will authorize ACLOM to charge and deduct Advisory Fees directly from the assets of the client account, at the times and in the amounts set forth in such Governing Documents. Advisory Fees may be deducted or directly billed to the investor, depending on the nature of the account.

Advisory Fees for certain of ACLOM's client accounts are generally payable on a quarterly basis and may be payable in advance or in arrears in accordance with the terms of the applicable Governing Documents.

Clients have the right to terminate ACLOM's advisory services in accordance with the terms of the applicable Governing Documents. ACLOM's general policy is to repay any Advisory Fees paid by a client account managed by ACLOM in advance in excess of the pro rata portion earned by ACLOM (based on the number of days during the period) through the termination date.

Other Fees and Expenses

Organizational Expenses. Each Fund, subject to its Governing Documents, will typically pay or otherwise bear (generally up to an agreed amount) all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of, or sale of interests in, such Fund, its general partner or similar person and/or investment manager, including commissions, costs, and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, state and local formation, "blue sky" filings costs of similar non-U.S. filings and distributions, foreign registrations, foreign securities distributors, other related legal and organizational matters, and travel-related expenses (as defined below) in respect of the foregoing (collectively, the "Organizational Expenses").

Operating Expenses. In addition to the fees payable to ACLOM, subject to the Governing Documents, Funds 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 ACLOM or its affiliates in connection with the activities of such Fund, including annual filing, franchise tax, registration and maintenance fees;
- 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);
- incurred in originating, evaluating, conducting due diligence, investigating, developing, negotiating, structuring, settling, obtaining ratings, monitoring, advising or managing, valuing, holding, and selling or otherwise disposing of portfolio investments, including legal, tax, and accounting expenses in connection therewith (whether or not consummated);
- computer software specific to the affairs of a Fund or client and market data costs and research-related expenses, including, without limitation, news and quotation equipment, software, and services;
- capital payments, interest and other expenses in respect of indebtedness for borrowed money and all costs and expenses associated with negotiating, structuring, forming and holding any credit facility with respect to a Fund;
- holding meetings or conferences with Fund investors or other clients, whether individually or as a group;
- related to or in connection with any governmental or other inquiry, investigation, audit, proceeding or regulatory matter, litigation and threatened litigation involving a Fund

(including the amount of any judgments, settlements or fines paid in connection therewith);

- indemnification obligations and expenses;
- attributable to administrative, 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 Management affiliate, such as an in-house lawyer, loan servicer, accountant, tax advisor, or other professional);
- compliance with any applicable law, rule or directive, including the European Union Alternative Investment Fund Manager Directive (“AIFMD”) or any other regulatory requirement (including regulatory filings, “blue sky” filings and related out-of-pocket or other expenses of such Fund, its general partner or similar person and/or investment advisor, including, but not limited to, FATCA and Form PF filings and any compliance or filings related to such law, regulation or directive)
- premiums related to risk management services and insurance;
- dissolving a Fund investment vehicles and liquidation;
- tax and audit services to a Fund or client;
- preparing financial statements and reports to investors, tax returns and tax reporting;
- of a Fund’s advisory board or committee and its members and its activities attributable to the Fund;
- appraisal and valuation of the Fund’s and its subsidiaries’ assets;
- services provided by any third-party service provider (such as an administrator, depository, custodian, tax and compliance professionals, independent directors operating advisors, other consultants or other service providers) to the Fund, Ares Management or its affiliates;
- legal fees, costs and expenses in connection with the foregoing; and
- transportation (which may include the use of private aircraft, including those owned by employees of the Firm, car services, parking, etc.), accommodations, meals, and entertainment related to the foregoing (collectively, “travel-related expenses”).

All travel-related expenses incurred by Ares’ employees are subject to Ares’ Travel & Expense Policy and related guidelines.

ACLOM may from time to time incur fees, costs, and expenses on behalf of more than one Client. To the extent such fees, costs, and expenses are incurred for the account or benefit of more than one Client, each such 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 Client’s Governing Documents) or in such other manner as ACLOM considers fair and equitable under the circumstances such as the relative Fund size or capital available to be invested by such Funds. ACLOM 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 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.

Transaction-Based Compensation

ACLOM or its 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 ACLOM's supervised persons with an incentive to recommend investments based on compensation received or to be received rather than the best interests of an ACLOM client account. To mitigate potential conflicts, such benefits received or to be received by ACLOM in connection with its services related to portfolio investments or transactions are generally offset in whole or in part against Advisory Fees payable to ACLOM by the related client account, however in certain instances ACLOM may retain a portion of such fees without a corresponding management fee offset. Please refer to the Governing Documents of the applicable client account for more complete information on additional compensation that may be receivable by ACLOM or its affiliates or supervised persons in connection with investments and any offsets against Advisory Fees.

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

Performance-Based Fees

For certain client accounts, ACLOM or its affiliates may be entitled to incentive or performance based compensation and fees as part of its compensation for management services, including in certain situations allocations calculated and charged based on a share of cumulative profits of such accounts. Such performance-based arrangements comply with Rule 205-3 under the Investment Advisers Act of 1940 (together with all rules and regulations promulgated thereunder, the "Advisers Act"). Any share of profits paid to ACLOM or its affiliates by the Funds are separate and distinct from the Advisory Fees charged by ACLOM for advisory services.

Performance-based compensation and allocation arrangements received by ACLOM or its related persons may create incentives for ACLOM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Please refer to the Governing Documents of each Fund for more complete information on the "performance-based compensation" arrangements of each Fund.

Side-by-Side Management

ACLOM may provide concurrent advisory services to advisory clients for which the investment mandates, compensation and fee arrangements (including with respect to performance fees and fee offsets) and other circumstances differ from advisory client to advisory client. The potential for us and our related persons to receive greater fees from certain accounts creates a potential conflict of interest with respect to the allocation of investment opportunities, as advisory clients that pay higher fees may create incentives to direct investment ideas to, and/or to allocate investments in favor of such advisory clients.

From time to time, a Fund will subscribe for or otherwise purchase an interest in another Fund, provided that the sale or purchase is consistent with the Governing Documents and ACLOM's fiduciary obligations to each such Fund. In such situations, while we endeavor at all times to act in the best interests of all of our Funds, our receipt of compensation from each of the Funds and the contribution of additional capital by a Fund to another Fund may create potential conflicts of interest. In certain circumstances, we may choose to reduce or offset the advisory fees of a Fund

investing in another Fund by the amount of advisory fees applicable to the Fund's investment in such other Fund.

To mitigate potential conflicts of interest, allocations of investment opportunities among advisory clients are determined by our portfolio managers and 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 the Governing Documents relevant facts and circumstances, including, but not limited to:

- (i) differences with respect to available capital, size of client, minimum investment amounts 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 multiple clients have an existing investment in the security in question or the issuer of such security;
- (vi) the nature of the security or the transaction including size of investment opportunity, 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 are generally determined by the partners or portfolio managers within the applicable group (or among investment groups, if applicable), in good faith and subject to restrictions in the applicable Governing Documents or regulatory restrictions.

Item 7. Types of Clients

Types of Clients

ACLOM generally serves as investment adviser, collateral administrator or manager to CLOs, CDOs and other structured vehicles. Investors in the Clients 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 are required to meet certain suitability and net worth qualifications, such as being either (A)(i) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) and (ii) (a) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act or (b) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act or (B) a non-U.S. person, depending on the applicable eligibility requirements of the respective Fund.

Investors in Funds may have conflicting investment, tax and other interest with respect to Fund investments. As a consequence, conflicts of interest may arise in connection with decisions made by ACLOM that may be more beneficial for one investor than another investor. The results of a Fund’s activities may affect individual investors differently, depending on their different situations. In selecting and structuring investments for a Fund, ACLOM will consider the investment and tax objectives of the Fund as a whole and not the objectives of any investor individually. However, there can be no assurance that a result will not be more advantageous to some investors than to other investors.

Minimum Investment Requirements

The minimum investment in each of the Funds is stated in its Governing Documents and is typically \$250,000. We may waive this minimum at our discretion.

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

Methods of Analysis and Investment Strategies

ACLOM’s disciplined credit-oriented investment philosophy generally involves deliberate company-specific research and analysis and an assessment of the overall macroeconomic environment and financial markets.

The specific methods of analysis and investment strategies utilized by Ares Management’s Credit Group are described below.

Credit Group

ACLOM manages each of the Funds within the liquid credit strategy of the Ares Management Credit Group. The Credit Group is a leading manager of credit strategies across the non-investment grade credit universe offering solutions for fixed income investors seeking to access the syndicated loan and high yield bond markets and capitalizes on opportunities across traded corporate and structured credit. It provides investors access to directly originated fixed and floating rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum.

Syndicated Loans: The syndicated loans strategy delivers a diversified portfolio of liquid, traded non-investment grade secured loans to corporate issuers. This strategy focuses on evaluating individual credit opportunities related primarily to non-investment grade senior secured loans and 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: The high yield bonds strategy employs a value-driven philosophy, utilizing fundamental research to identify non-investment grade corporate issuers. This strategy seeks a diversified portfolio of liquid, traded non-investment grade corporate bonds. This incorporates secured, unsecured and subordinated debt instruments of issuers in both North America and Europe.

Credit Opportunities: The 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. This strategy principally invests or takes short positions in U.S. and European debt securities across the capital structure, including opportunistic liquid credit, special situations and structured products. This “all weather” strategy seeks to dynamically manage duration, which is critical to realizing attractive performance during various interest rate environments.

The Credit Group takes a value-oriented approach, using fundamental bottom-up research to identify attractive relative values compared to fundamental credit risk. The 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, the Credit Group has had prior experience. With respect to the Credit Group’s direct lending strategies, it focuses on being the lead or sole lender to its portfolio companies, which we believe allows it to exert greater influence over deal terms, capital structure, documentation, fees, and pricing, while at the same time securing its position as a preferred source of financing to its transaction partners.

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. The Credit Group’s investment process emphasizes due diligence on companies and company-specific research and analysis, including:

- 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.

The focus is on principal protection, investment income, relative value, and adherence to portfolio guidelines. The strategy employed by the Credit Group generally emphasizes the importance of the following:

- Credit intensive analysis and ongoing monitoring;

- Control of investment risk; protection of principal; low volatility; risk/return with a focus on minimizing downside risk;
- Long-term value creation;
- Market focused relative value analysis, including an assessment of the overall macroeconomic environment and financial markets;
- 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, the Credit Group seeks 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.

Material Risks

Investing in securities involves a risk of loss that a Fund and investors in a Fund should be prepared to bear. There can be no assurance that any Fund will be able to make and realize any particular investment or generate returns or that such returns will be commensurate with the risks of investing in the types of transactions described in the Governing Documents. Funds and investors in the Funds should carefully consider, among other factors, the following material risks involved with ACLOM's investment strategies. Past performance is not indicative of future results.

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 account for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies.

General Market Risks

Investments made by our Funds are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, the 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), political uncertainty and social unrest, 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, which may result in adverse consequences for our Funds and result in substantial losses to our Funds.

Monetary Policy and Governmental Intervention

As part of the response to the global financial crisis, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central banks may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of a Fund’s investments or the ability of a Fund to realize its investment objective.

Enhanced Scrutiny and Regulation of the Private Fund Industry

The advisory business of ACLOM and its Funds, as well as the financial services industry generally, are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations or exchanges in the U.S. and foreign jurisdictions in which they operate relating to, among other things, antitrust law, anti-money laundering laws, anti-bribery laws, laws relating to foreign officials, privacy laws with respect to client information and the regulatory oversight of the trading and other investment activities of alternative asset management funds and their investment advisers. Each of the regulatory bodies with jurisdiction over ACLOM and the Funds has the regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Any failure to comply with these rules and regulations could expose ACLOM and the Funds to liability or other risks.

The additional legislation, increasing global regulatory oversight of fundraising activities and changes in law relating to the alternative asset management industry has been particularly acute in the aftermath of the global financial crisis in 2008-2009. This additional scrutiny has included, among other things, increased registration, oversight and regulation of alternative asset management firms and disclosure with respect to these firms and the vehicles they sponsor or advise, which could impact the ACLOM and its management activities. Such oversight and regulation may cause a Fund to incur additional expenses, may divert the attention of ACLOM and its personnel and may result in fines if a Fund is deemed to have violated any regulations. Regulation generally as well as regulation more specifically addressed to the alternative asset management industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting portfolio investments, the profitability of portfolio companies and the cost of operating a Fund. There can be no assurance that ACLOM or its funds will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in sanctions or fines being imposed against ACLOM or its affiliates, ACLOM, its affiliates, and any Funds may be subject to negative publicity in relation to such investigation or proceeding.

Competition for Investment Opportunities

A Fund will compete with other public and private investment vehicles, commercial and investment banks, commercial financing companies, insurance companies, CLOs, high yield investors, hedge funds, pension plans, institutional investors and, in certain cases, private equity funds, as well as other current and future clients and accounts managed or advised by ACLOM and its affiliates. A Fund’s competitors may be substantially larger and have considerably greater financial and other resources than a Fund is expected to have, as well as more substantial

operating histories. Some of a Fund's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than a Fund. As a result, competitive pressures faced by a Fund may have a material adverse effect on a Fund's investment performance. Also, as a result of this competition, a Fund may not be able to secure attractive investment opportunities from time to time and may not be able to identify and make investments that meet a Fund's investment objectives.

Reliance on Management

All decisions with respect to the management of a Fund and the investments of a Fund will be made by ACLOM and/or its affiliates, and thus the investors must rely on the ability of the ACLOM and/or its affiliates to make appropriate investments for the Fund and to manage and dispose of such investments. In addition, the timing and form of distributions from Funds to investors will be subject to the discretion of ACLOM and its affiliates. Investors will generally have no right or power to participate in the affairs or investment activities of a Fund. Accordingly, no person should commit capital to a Fund unless such person is willing to entrust all aspects of the management of such Fund and the investments of such Fund to ACLOM and/or its affiliates.

Dependence on Key Professionals

The ability of a Fund to achieve its investment objective will be highly dependent upon the skills, experience and expertise of certain individuals associated with ACLOM, now or in the future, any of whom may cease to be associated with ACLOM at any point during the term of a Fund. Generally, none of these individuals has an employment contract with ACLOM and in any case employees may leave or have their employment terminated at any time with or without cause. The departure of one or more of these individuals could have a material adverse effect on the ability of the Fund to achieve its investment objective, and could result in additional competition by such individual.

Other Obligations of Investment Professionals

Although the senior investment professionals of ACLOM intend to devote such time as is necessary to conduct the business and affairs of each Fund, they are involved in other activities of the Firm, including activities of other investment vehicles sponsored and managed by ACLOM, some of which have the same, overlapping or different investment objectives with other Funds. As such, Funds may co-invest in issuers and/or engage in different or inconsistent investment activities vis-à-vis other Funds.

Conflicts of interest may arise in allocating time, services, or resources among the investment activities of the Funds, ACLOM, other Ares-affiliated entities. Additionally, Ares and its affiliates may, and expect to, receive fees or other compensation from third parties in connection with these investment activities and such compensation shall be for their own account.

Moreover, because our parent, Ares LP, is publicly traded, the officers, directors, members, managers, operating executives and employees of ACLOM may have duties or incentives relating to the interests of Ares LP's shareholders that may differ from, and could conflict with,

the interests of our Funds and the investors in the Funds. These conflicts would not necessarily need to be taken into account if Ares LP were not publicly traded.

Restrictions on Transactions Due to Other Ares Businesses

Ares sponsors and advises a range of types of Funds and expects to continue to develop its investment advisory and related businesses by forming additional vehicles and accounts in the future. Ares and its affiliates or their principals or personnel may acquire material non-public information or other confidential information in connection with their activities. Such persons may not be free to share such information with a Fund, a Fund may not be free to act upon any such information and the possession of information by persons associated with Ares may preclude a Fund from engaging in transactions that it might otherwise have undertaken. In addition, a Fund may hold positions in securities or other assets or be subject to contractual or legal restraints that could prevent a different Fund from being able to initiate a transaction that it otherwise might have initiated or to sell an investment that it otherwise might have sold or, in its judgment, such position(s) or restraint(s) may make such a transaction inadvisable.

Allocation of Investment Opportunities; Co-Investment

The determinations made by ACLOM and its personnel in connection with the allocation of investment opportunities will frequently be subjective in nature and that, consequently, (a) an investment that was determined as appropriate for one Fund may ultimately prove to have been more appropriate for another Fund and (b) where potential overlaps among Funds exist, ACLOM may, in accordance with ACLOM's Investment Allocation Policy, forego investment opportunities suitable for a Fund. All of the foregoing could in certain circumstances (i) adversely affect the price paid or received by a Fund or the size of the position purchased or sold by a Fund, (ii) preclude a Fund from participating in an investment or (iii) limit the rights a Fund may exercise with respect to an investment.

From time to time ACLOM may determine that the amount of a specific investment opportunity exceeds the amount ACLOM believes would be appropriate for the participating Funds and, in such event, ACLOM may offer co-investment opportunities alongside one or more Funds in such specific investment opportunity. ACLOM is not expected to offer co-investment opportunities with respect to all of a Fund's investments. Subject to any investment allocation requirements set forth in the Governing Documents of a Fund and ACLOM's Investment Allocation Policy, in general (i) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of ACLOM or its affiliates, (ii) co-investment opportunities may, and typically will, be offered to only a small subset of investors, and (iii) certain persons other than investors in our Funds (e.g., third parties) may be offered co-investment opportunities. It is expected that many investors who may have expressed an interest in co-investment opportunities will not be allocated any co-investment opportunities or may receive a smaller amount of co-investment opportunities than the amount requested.

ACLOM will allocate any such specific co-investment opportunities in its sole discretion and may consider some or all of a wide range of factors, including (without limitation): strategic value of a potential co-investor to the investment opportunity, transparency and predictability of the co-investor's investment process, the financial, operational and other resources of the co-investor, the level of desire such co-investor has indicated to make co-investments generally, the type of investment offered, whether ACLOM has previously expressed a general intention to

seek to offer co-investment opportunities to such co-investor, whether ACLOM believes such co-investor will represent a good syndicate partner in connection with the investment, the co-investor's history of consummating co-investment with ACLOM, the terms of co-investment required by such co-investor, the tax profile of such co-investor, the potential for such co-investor to cause additional regulatory requirements or governmental approval, the current investment holdings of such co-investor, confidentiality or conflict concerns related to such co-investor, the investment restrictions and policies of such co-investor, the willingness of such co-investor to pay management fees and carried interest and any other factor ACLOM determines to be relevant. These factors are neither presented in order of importance nor weighted. Each co-investment opportunity will present different facts and circumstances and which of the factors listed above are important for a transaction will depend on the unique investment opportunity. The allocation of co-investment opportunities may involve a benefit to ACLOM including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to other Funds.

Third Party Involvement in Investments

The participation of co-investors in an investment opportunity may be substantial and may involve greater risks than an investment in which there are no co-investors, and the risks may be even greater if they are third party co-investors. It is possible that a co-investor may at any time have economic or business goals that are inconsistent with a Fund or be in a position to take action contrary to ACLOM's objectives for the investment. Funds in certain circumstances may become liable for the actions or omissions of co-investors, including, without limitation, in connection with indemnification obligations jointly assumed by Funds and co-investors or any actions or omissions resulting in fees, costs or expenses that are not borne by co-investors depending upon circumstances.

Principal Transactions; Borrowing

To the extent permitted in a Fund's Governing Documents and by applicable law, ACLOM may engage in transactions with a Fund and its portfolio companies for its own account, including, for example, where an investment in a portfolio company has been bridged or otherwise warehoused by ACLOM or its affiliates (including through borrowing by a Fund from ACLOM or its affiliates) prior to funding by a Fund. ACLOM may retain any profit it makes from such transactions. ACLOM will, to the extent required by applicable law, obtain the prior consent of a Fund for such transactions. Investors should note that the Governing Documents for a Fund may authorize the advisory board of a Fund to provide such consent on behalf of such Fund.

Valuation Risk

Many of the investments made by 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, which often involves significant subjectivity. 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, some or all of which factors may be ascribed more or less weight in light of the particular circumstances. 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, valuations of such investments may be subject to rapid and/or significant changes caused by, among other matters, sudden company-specific or industry-wide developments.

Because such valuations will be inherently uncertain, may fluctuate significantly over short periods of time and will be based on estimates and other material assumptions, our determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and may differ materially from the values that a Fund may ultimately realize on such investments.

The amount and timing of carried interest or incentive fee received by ACLOM or its affiliates with respect to a Fund will depend in part on the value of such Fund's assets and liabilities. If the valuations are incorrect, the amount of carried interest or incentive fee received, or the timing of receipt of such carried interest or incentive fee, could also be incorrect.

Uncertainty of Financial Projections

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, some of which may be based on information or projections by the target company. 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. General economic conditions, which are not predictable, along with other factors, may cause actual performance to fall short of projections.

Investments Longer than Term

Our Funds may make investments that they do not advantageously dispose of prior to the date such Fund is dissolved, either by expiration of its 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, ACLOM and its affiliates have only a limited ability to extend the term of a Fund with the consent of Fund investors or the advisory board of the Fund, as applicable, and as a result our Funds may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This may result in a lower than expected return on the investments.

Default Risk

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. As a result, a Fund may

be subject to costs, including break-up fees or damages, for unconsummated transactions if investors default on their commitment to fund capital. The other investors in such Fund may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default or excused investment by one or more investors could have a deleterious effect on the Fund, its assets and the interests of the other investors in the Fund.

Leverage

A Fund's investment strategy may involve the use of leverage. A Fund may also participate in leveraged acquisitions of portfolios of debt instruments. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance total returns to Funds and their investors, if investment results fail to cover borrowing costs, then returns will be lower than if there had been no leverage.

Derivative Risk

Certain Funds are permitted to engage in certain derivative transactions, including swaps, short sales, forward contracts or options (together, the "Derivative Instruments") or hedging transactions that are intended to reduce the Fund's equity, debt, currency or interest rate exposure. The use of Derivative Instruments, even when used with the intent to reduce the risks associated with the Fund's investments, involves additional expenses as well as risks that are different from those of the Fund's direct or indirect investments, including the possible default by the counterparty to a transaction and the illiquidity of the Derivative Instrument acquired by the Fund relating thereto. Unanticipated changes in securities prices, interest rates or currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into any such derivative transaction. In addition, any hedging transaction into which the Fund enters may be imperfect, leaving the Fund exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that a Fund will be able to close out a position when deemed advisable by ACLOM or its affiliates. In addition, a Fund's portfolio companies may enter into derivative transactions that may expose the Fund to the risks indicated above. Any Fund or investor in a Fund should carefully review the Governing Documents related to such investment vehicle regarding a Fund's use of derivatives.

Counterparty Risk

Many of our Funds depend on the services of prime brokers, custodians, counterparties, administrators, investment banks and other agents to carry out certain transactions on behalf of the Fund. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight.

A Fund is subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may

occur suddenly and without notice to ACLOM. Moreover, if a counterparty defaults, ACLOM may be unable to take action to cover a Fund's exposure, either because it lacks contractual recourse or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which is when defaults are most likely to occur.

In the event of the insolvency of a prime broker, custodian, counterparty or any other party that is holding assets of a Fund as collateral, a Fund might not be able to recover equivalent assets in full as they will rank among the prime broker's, custodian's or counterparty's unsecured creditors in relation to the assets held as collateral. In addition, the Fund's cash held with a prime broker, custodian or counterparty generally will not be segregated from the prime broker's, custodian's or counterparty's own cash, and the Fund may therefore rank as an unsecured creditor in relation thereto and may not be able to recover the full amount of the cash held on the Fund's behalf.

In connection with certain loan transactions entered into by our Funds, a financial intermediary such as an investment bank may arrange loans and hold assets on behalf of investors participating in such loan, including a Fund. If such financial intermediary becomes insolvent or bankrupt, there is significant uncertainty as to whether creditors of such intermediary have access to the assets related to such loans depending on such financial intermediary's role in such transaction and a Fund may not be able to recover such assets held by such financial intermediary.

Cybersecurity

We and our service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect our Funds and/or investors in the Funds, despite our efforts and the efforts of our service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Fund or other investors in the Funds. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to our systems, the systems of our service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our Funds' investors. A successful penetration or circumvention of the security of our systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause our Funds, service providers or us to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for portfolio companies, which could have material adverse consequences for such portfolio companies, and may cause a Fund's investments to lose value.

Transfer Restrictions

An investment in a Fund may require a long-term commitment, with no certainty of return on investment or return of advances. Interests in a Fund have generally not been registered under the securities laws of any state or other jurisdiction and cannot be resold except as permitted pursuant to applicable securities laws. There is no public market for these interests and none is expected to develop. An investor in a Fund will also generally not be permitted to assign its interest in such Fund without the prior consent of the general partner of such Fund, which may be withheld by the general partner in its sole discretion, and any such transfer may result in costs paid by the parties to the transfer.

Litigation Risk

A Fund's investment activities may subject it to risks of becoming involved in litigation or other disputes with third parties. The expense of prosecuting or defending any such disputes or paying any amounts pursuant to settlements or judgments will be borne by a Fund and will reduce amounts available for distribution to the investors. Pursuant to the term of a Fund's Governing Documents, ACLOM and its affiliates will be indemnified by the Fund in connection with such disputes, subject to certain limitations.

Contingent Liability on Disposition of Investments

Many of our Funds' investment will be focused in private securities. In connection with the disposition of an investment in private securities, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. A Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities or other liabilities. The obligations of the Fund would be payable from the assets of the Fund, including the unused commitments of the investors. If the assets of the Fund are insufficient to pay such obligations, the investors may be required to return distributions previously made to them in order to satisfy such obligations.

Limited Control of Underlying Investments

Investments by many of our Funds will include debt instruments and equity securities of companies that we do not control. 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, investments held by our Funds may be adversely affected.

Investments in Privately Held Middle-Market Companies

Certain Funds invest in privately held U.S. middle-market companies. Investments in privately held middle-market companies involve a number of significant risks, including the following:

- these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral

and a reduction in the likelihood of a Fund realizing any guarantees such Fund may have obtained in connection with such investment;

- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- they typically depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a Fund's investment;
- they generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- they may have difficulty accessing the capital markets to meet future capital needs.

Risks Affecting Debt Instruments Generally

Certain Funds invest in our credit strategies. Debt instruments held by such Funds are subject to general market and credit and interest rate risks. Credit risk refers to the likelihood that an obligor will default on the payment of principal, interest or other amounts owed on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or other assets expected to be the source of repayment or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and debt instruments that are rated by rating agencies are subject to downgrade at a later date.

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate obligations) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively affect the price of a fixed rate debt instrument and falling interest rates will have a positive effect on the price of a fixed rate debt instrument. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Risks of Subordinated Loans

Certain Funds invest in loans or securities that are subordinate in right of payment to one or more senior secured loans and, therefore, are subject to additional risks that the cash flows of the related obligor(s) and any property securing such subordinated loan may be insufficient to make the scheduled payments after giving effect to any senior secured loans of the related obligor(s). Subordinated loans are expected to be more illiquid investments than senior secured loans, which are themselves illiquid investments.

Unsecured loans are unsecured obligations of the applicable obligor(s), may be subordinated to other obligations of such obligor(s) and generally have greater credit, insolvency and liquidity risk than is typically associated with secured obligations. Unsecured obligations will generally have lower rates of recovery than secured obligations following a default. Also, in the event of the insolvency of an obligor of an unsecured obligation, the holders of such unsecured obligation will be considered general, unsecured creditors of such obligor, will have fewer rights than secured creditors of such obligor and will be subordinate to the secured creditors of such obligor with respect to the related collateral.

Unrated or Below-Investment Grade Debt Investments

A Fund's debt investments may be risky and such account could lose all or part of its investment. The debt investments held by our Funds are typically not initially rated by any rating agency, but ACLOM believes that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Rating Service). Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Therefore, the Fund's investments may result in an above average amount of risk and volatility or loss of principal. Certain Funds also invest in assets other than first and second lien and mezzanine debt investments, including high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments. These investments entail additional risks that could adversely affect a Fund's investment returns.

Investment in Special Situations and Distressed Securities

Certain Funds are authorized to invest in the securities and obligations of companies, including companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. Investments in such companies are generally considered speculative. In any investment transaction involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will may be materially less than the purchase price paid by a Fund for the security or other financial instrument in respect of which such distribution is received. Similarly, if such an anticipated transaction does not in fact occur, a Fund may lose all or a material portion of its investment.

Fund Expenses

A Fund will pay and bear all operating expenses related to its operations. The amount of these Fund expenses will be substantial and will reduce the actual returns realized by investors on their investment (and may, in certain circumstances, reduce the amount of capital available to be deployed by a Fund in investments). Operating expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of expenses ultimately called or called at any one time may exceed expectations. As described further in the Governing Documents, operating expenses encompass a broad swath of expenses and include all expenses of operating the Fund. Expenses to be borne by the general

partner of the Fund or ACLOM are only limited to those items specifically enumerated in the Governing Documents (such as rent for office space, office furniture and salaries of its employees), and all other operating expenses will be borne by the investors. From time to time, ACLOM and its affiliates will be required to decide whether costs and expenses are to be borne by the Fund, on the one hand, or the general partner, ACLOM or its affiliates, on the other, and/or whether certain costs and expenses should be allocated between or among multiple Funds. ACLOM will make such judgments notwithstanding its interest in the outcome, but investors should be aware that these judgments are subjective in nature and pose the potential for a conflict of interest.

Illiquidity of Fund Assets

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 Group funds, often entails our having representation on public portfolio company boards, our Funds may be restricted in effecting such sales only during limited trading windows, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. In addition, our Credit Group Funds may hold investments in portfolio companies of such Private Equity Group Funds on which we have board representation and be restricted for extended periods of time from selling their investments. As such, our Funds may experience substantial losses as a result of holding such investments over a considerable period of time.

Lack of Diversification

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 could adversely affect a Fund's performance.

Highly Leveraged Borrowers

The issuers of debt in which a Fund may invest are likely to be highly leveraged, which may have adverse consequences to these companies and to a Fund as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. A borrower's leverage may adversely impact a Fund in a number of ways, such as creating a greater possibility of default or bankruptcy of the borrower. It is also possible that the pledging of collateral (if any) to secure debt could be found to constitute a fraudulent conveyance or preferential transfer which would be nullified or subordinated to the rights of other creditors of the borrower under applicable law.

Bankruptcy

A Fund may hold investments in obligors that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The bankruptcy courts of the various jurisdictions in which any such obligor may file bankruptcy would have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in high profile bankruptcies or bankruptcies in particular jurisdictions.

There are a number of significant risks inherent in the bankruptcy process. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court, in the exercise of its broad powers, would not approve actions that would be contrary to the interests of the Fund. For example, in order to protect net operating losses of an obligor in bankruptcy, a bankruptcy court might take any number of actions, including prohibiting or limiting the transfer of claims held by certain classes of creditors. Such a prohibition could have a material adverse effect on the value of certain investments made by a Fund. For example, a Fund might be prohibited from liquidating investments which are declining in value.

In addition, under certain circumstances, a lender, such as a Fund, who has inappropriately exercised control of the management and policies of a obligor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to its investors 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 or other insolvency laws. Furthermore, investments held by a Fund may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability or the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

Non-U.S. Investments

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, labor and employment laws, 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 and/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;
- the imposition of non-U.S. taxes or withholding taxes on income and gains recognized with respect to such securities; and
- there may be a series of complex tax issues related 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.

Item 9. Disciplinary Information

Neither ACLOM 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. ACLOM, its affiliates and certain senior professionals have been included in certain proceedings relating to portfolio companies. No proceeding or action of any type has been resolved or otherwise determined in an adverse manner to ACLOM, or its principals and none of ACLOM, or any principals have been assessed or paid monetary damages or penalties in connection with any such proceeding. This does not include legal or disciplinary proceedings against companies in which the Funds invest.

Item 10. Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares Investor Services LLC ("AIS"), a wholly owned subsidiary of Ares Management, the Firm's parent company, is a broker-dealer currently registered with the SEC and the Financial Industry Regulatory Authority to conduct private placements. AIS acts as a placement agent for certain funds sponsored by Ares Management and its affiliates. Certain Ares Management employees who are involved in marketing activities are registered representatives of AIS. Although a fund will not directly pay any compensation to AIS, Ares Management is responsible for paying certain expenses of the operation of AIS.

Relationships with Related Persons

Ares Management, the parent company of ACLOM and an SEC-registered adviser, is also the parent company of:

- (i) Ares Capital Management LLC ("ACM"), an SEC-registered investment adviser and the investment manager of most of Ares' U.S. Direct Lending Funds and institutional accounts, including 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), a non-diversified closed-end registered management investment company. ACM II also provides advisory services to certain other registered investment companies;
- (iii) Ares Capital Management III LLC ("ACM III"), an SEC-registered investment adviser, ACM III provides advisory services primarily to pooled investment vehicles and other institutional accounts;

- (iv) Ares Commercial Real Estate Management LLC (“ACREM”), an SEC-registered investment adviser. ACREM provides advisory services to Ares Commercial Real Estate Corporation (“ACRE”, NYSE: ACRE), a publicly traded commercial mortgage REIT;
- (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”), an 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) CION Ares Management, LLC (“CAM”), an SEC-registered investment adviser and the investment adviser of CION Ares Diversified Credit Fund.
- (viii) Ares Management Limited (“AML”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority. AML also provides advisory services to certain other institutional accounts;
- (ix) Ares Management UK Limited (“AMUKL”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority. AMUKL also provides advisory services to certain other institutional accounts; and
- (x) Ares European Loan Management LLP (“AELM”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority. AELM also provides advisory services to certain other institutional accounts

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.

ACLOM’s related parties also include affiliates of Ares Management’s that are investment advisers to the various investment management clients managed within the Ares platform, including the Funds, and are the general partners and, in many cases, limited partners of such funds.

In the event that an investment opportunity that ACLOM evaluates for potential investment by its clients is an eligible investment for more than one client account, it is ACLOM’s policy that all investment opportunities will, to the extent practicable, be allocated among its clients on a basis that over a period of time is fair and equitable to each client relative to other clients, taking into account all relevant facts and circumstances. See discussion under Item 6 – “*Performance-Based Fees and Side-by-Side Management*” above for more detail on ACLOM’s allocation policy.

ACLOM may recommend to clients the purchase or sale of securities in which it, or principals, officers and certain employees of it or its related parties has a financial interest. In addition, principals, officers and employees are permitted to engage in personal securities transactions, subject to compliance with the Code (as defined below).

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

ACLOM does not recommend or select other third-party investment advisers for its clients. Except for Ares Management (ACLOM’s parent), ACM, ACM II, ACM III, AREHM, ACREM, Ares EIF, CAM, AML, AMUKL and AELM, each a subsidiary of Ares Management, and ACLOM’s related person, Ivy Hill, ACLOM does not have 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

ACLOM 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 (as defined in the Code). The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons and the interest of ACLOM, our Funds or clients and prevent violation of federal securities laws.

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 ACLOM in a manner detrimental to the Funds or other clients. The Code includes, among other things: a) policies and procedures regarding personal securities transactions; and b) disclosure and reporting obligations of personal securities transactions and holdings.

Any Fund 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

As general partners, limited partners or investors in certain of the Funds, ACLOM 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 Chief Compliance Officer (“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.

In addition, ACLOM 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 ACLOM’s 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.

From time to time, 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. Such investments may be subject to conflicting investment strategies or objectives. In addition, ACLOM 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.

Principals, officers and certain employees of ACLOM, members of their families and related persons of Ares may participate directly or indirectly as investors in ACLOM’s Funds, as described in a Fund’s Governing Documents. Such participation is generally achieved through the creation of a feeder fund that invests on the same terms and conditions as fund investors except that generally these feeder funds are not subject to managements fees or carried interest.

ACLOM has adopted an allocation policy designed to ensure that all investment opportunities are, to the extent practicable, allocated among our Funds on a basis that over a period of time is fair and equitable to each Fund relative to other Funds as well as a co-investment policy designed to ensure fair allocation of co-investment opportunities amongst the Funds. These policies are described in “*Item 6, Performance-Based Fees and Side-by-Side Management.*”

Personal Trading

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 certain preclearance requirements, 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 by a

Covered Person in securities or investments that are held by one or more Funds are generally subject to a blackout period after any 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 report all covered securities transactions, effected by them or their covered family members, including the nature of the transaction, the price of the security and the name of the broker, dealer or bank with or through which the transaction was effected. On an annual basis, Covered Persons must provide a full accounting of covered securities holdings held by them and their covered family members. Covered securities transactions over which the Covered Person or their covered family members had no direct or indirect influence or control are exempt from these reporting requirements. Lastly, Covered Persons are periodically required to certify that they have read and understand the Firm's compliance policies and procedures, including the Code, and certify that they have complied with the provisions of the Code.

Other Potential Conflicts

From time to time, subject to the applicable Governing Documents, a Fund may engage in cross trades with one or more other Funds, typically for purposes of rebalancing its portfolios, in order to further such participating Funds' investment programs, or for other reasons consistent with the investment and operating guidelines of such participating Funds. 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.

Certain Ares personnel may receive discounts on products and services offered by companies in which a Fund is an advisor or investor or otherwise has interest, similar to what would be given to an employee of such company. In addition, Ares may engage certain of its Funds' portfolio companies to provide goods and services. In these instances, Ares engages with the portfolio company at an arm's length, and the portfolio company provides the same pricing and service levels as it would any comparable client or purchaser. In addition, before entering into any business relationship with any Fund's portfolio company, the arrangements are reviewed by Ares' Chief Legal Officer or CCO, who must approve each arrangement on a case-by-case basis.

Ares Management 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 the Covered Person's direct supervisor, may be subject to restrictions or conditions and such approval 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, ACLOM 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, ACLOM seeks to obtain best execution by considering various factors in addition to the qualitative factors such as price or spreads/commission rates, including, but not limited to, ability to maintain the confidentiality of trading intentions, timeliness and certainty of execution, liquidity of the securities traded, ability

to place trades in difficult market environments, ability to access a variety of market venues, expertise in specific securities, credit quality, financial condition (counterparty risk) and business reputation. While ACLOM 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, ACLOM may receive client or investor referrals from broker-dealers, which may provide an incentive for ACLOM 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. ACLOM does not engage in soft dollar arrangements.

Trade Aggregation

Under ACLOM’s 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 ACLOM’s allocation policy.

Item 13. Review of Accounts

Review of Client Accounts

ACLOM 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 initial 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 Credit Group.

Reports to Clients

ACLOM provides reports to investors in the Funds and to other clients as required by the applicable Governing Documents or otherwise agreed upon with a client or investor. 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 ACLOM also typically provides written investor letters with respect to a Fund or other client and its performance. ACLOM 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, ACLOM may prepare periodic investor letters, portfolio profile summaries and pro forma results to supplement and further clarify any trustee reports.

Finally, ACLOM may discuss client accounts with clients either in person or telephonically as appropriate.

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, ACLOM 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 ACLOM and its related persons to receive such economic benefits may create conflicts of interest as ACLOM 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 ACLOM 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 incur 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, ACLOM or a combination thereof. In addition, ACLOM may compensate third parties who refer prospective investors to any of its Funds or new clients to ACLOM.

Certain of the solicitors or placement agents utilized to market ACLOM's 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, ACLOM may transact client orders through broker-dealers that also act as solicitors or placement agents for its Funds.

ACLOM endeavors at all times to put the interests of its clients, including the Funds, first as part of ACLOM's 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 ACLOM and the Funds. Moreover, potential conflicts of interest may arise between the interests of clients in obtaining best price and execution and ACLOM's interest in receiving future referrals to the Funds from certain broker-dealers. ACLOM addresses these potential

conflicts of interest by seeking to obtain best execution by considering factors set forth in “*Item 12. Brokerage Practices*” above.

Item 15. Custody

It is ACLOM’s general policy not to have physical custody of any client assets. However, ACLOM 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 ACLOM’s policy generally to cause each Fund with assets over which ACLOM 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, ACLOM 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 ACLOM is deemed to have custody of a client account solely due to its ability to withdraw client funds to pay its Advisory Fees, ACLOM 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. ACLOM urges all clients and investors to compare the reports they receive from ACLOM to the statements they receive from their custodians. Any issues or discrepancies should be communicated to ACLOM promptly.

Item 16. Investment Discretion

ACLOM 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 ACLOM 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

In instances where a client owns equity securities in which it has the right to vote via shareholder proxy (each a “Voting Security”), ACLOM generally retains proxy voting authority with respect to these Voting Securities. ACLOM has adopted and implemented written Proxy Voting Policies and Guidelines (“Proxy Voting Guidelines”) that are designed to reasonably ensure that ACLOM votes proxies in the best interests of its advisory clients for whom ACLOM has voting authority.

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

The Proxy Voting Guidelines also provide that, in the event a particular proxy vote would involve a conflict between the interests of ACLOM and its affiliates, and those of one or more clients of ACLOM, ACLOM, 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;

- ACLOM provides investment advice to an officer or director of an issuer and ACLOM receives a proxy solicitation from that issuer;
- An issuer or some other third party offers ACLOM or an employee, officer, director, partner or member of ACLOM (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 ACLOM on behalf of its clients;
- ACLOM holds various classes and types of equity and debt securities of the same issuer contemporaneously in different client portfolios; or
- Any other circumstance where ACLOM’s duty to service its clients’ interest could be compromised.

ACLOM 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 Management’s Proxy Voting Guidelines or information about how ACLOM voted client proxies by contacting Ares Management’s Legal Department at (310) 201-4100.

Item 18. Financial Information

Not Applicable.