



ARES MANAGEMENT LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2021

This brochure provides information about the qualifications and business practices of Ares Management LLC (“Ares,” the “Firm,” “we” or “us”). If you have any questions about the contents of this brochure, please contact us at 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 Ares is also available on the SEC’s website at:
www.adviserinfo.sec.gov**

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

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Item 2. Material Changes

Ares 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. While Ares does not believe that these changes are material, Ares has made updates to this brochure to further refine certain disclosures and provide additional information regarding Ares' business and Clients, including updates on the investment strategies managed by Ares and additional disclosures regarding certain risks of investing in our Clients.

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Item 4. Advisory Business

Overview.

Ares is a Delaware limited liability company that was initially established in 1997 and became an independent company in 2002. Ares is a subsidiary of Ares Management Corporation (“Ares Corp”), a publicly traded, leading global alternative investment manager. The indirect principal owner of Ares Corp is Antony P. Ressler who, together with certain other members of the senior management team of Ares Corp, indirectly controls Ares Corp through intermediate holding companies. For purposes of this brochure, “Ares” may include (where the context permits) affiliated general partners of the Clients (as defined below) and other affiliates that may provide advisory, management or other services to the Clients.

We are a leading global alternative investment manager, managing a range of investment strategies that seek to deliver attractive performance to our advisory clients, which are comprised of various pooled investment vehicles, including, among others, public and private investment funds, single investor funds, co-investment vehicles, joint ventures, collateralized loan obligations (“CLOs”), collateralized debt obligations (“CDOs”), insurance and reinsurance companies and other structured investment vehicles, special purpose vehicles, alternative investment vehicles and feeder vehicles (collectively, the “Funds”), other separately managed accounts and other institutional clients (together, with the Funds, “Clients”).

In addition to providing investment advisory services to Clients, Ares serves as manager of various co-investment vehicles structured to facilitate participation by third party co-investors in portfolio investments alongside its Clients, as well as collateral manager or administrative manager, agent, servicer or in other capacities, to CLOs, CDOs and other structured investment vehicles. Ares, or an affiliated entity of Ares, serves as general partner, managing member, investment adviser, sub-adviser or manager of each Client. The Clients’ underlying investors are generally either accredited investors and qualified purchasers (as noted in Item 7 below) or non-U.S. persons, depending on the applicable eligibility requirements of the respective Client. We refer to these investors as “Underlying Investors.”

Ares provides investment and portfolio analysis services as required for the benefit of its Clients, and tailors its advisory services to the specific investment objectives and restrictions of each Client pursuant to the investment guidelines and restrictions set forth in each Client’s confidential private placement memorandum, prospectus, limited partnership agreement, advisory agreement, management agreement and other governing documents (collectively, the “Governing Documents”). Investment advice is provided directly to its Clients, subject to the discretion and control of Ares or the applicable general partner, and not individually to the Underlying Investors. Current and prospective investors should refer to the applicable Governing Documents for complete information on the investment objectives, investment restrictions and risks related to the applicable Client. 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.

In accordance with common industry practice, Ares or a Client’s general partner, managing member, investment adviser, sub-adviser or manager routinely enters into “side letters” or similar agreements pursuant to which certain Underlying Investors are granted specific rights, benefits or privileges (including, without limitation, with respect to differences, including discounts to and/or

sharing of, management fees, performance allocations, performance hurdles, withdrawals, access to information, minimum investment amounts, reporting obligations, and other rights or terms including those that may be requested in light of particular investment, legal, regulatory or public policy characteristics of an investor). These rights, benefits or privileges are not always made available to all Underlying Investors nor in some cases are they required to be disclosed to all Underlying Investors. The disclosure and extension of any such rights, benefits or privileges are governed by the corresponding Governing Documents.

Our Business.

Since our inception in 1997, we have adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns through market cycles. Ares believes each of its distinct but complementary investment groups in Credit, Private Equity, Real Estate and Strategic Initiatives is a market leader based on assets under management and investment performance. Please see “*Item 8. Methods of Analysis, Investment Strategies and Risk of Loss*” for further discussion of Ares’ investment groups and strategies.

Ares was built upon the fundamental principle that each of our distinct but complementary investment groups benefits from being part of our broader platform. We believe that our strong performance, consistent growth and high talent retention through economic cycles is due largely to the effective application of this principle across our broad organization of over 1,450 employees. The management of our operating businesses is currently overseen by our Executive Management Committee which typically meets weekly to discuss strategy and operational matters and includes as representatives our Holdco Members Michael Arougheti, David Kaplan, Antony Ressler, Bennett Rosenthal, Ryan Berry, R. Kipp deVeer and Michael McFerran, as well as other senior leadership from our investment groups and business operations team. We also have a Partners Committee comprised of senior leadership from across the Firm that meets periodically to discuss our business, including investment and operating performance, fundraising, market conditions, strategic initiatives and other firm matters. Each of our investment groups is led by its own deep leadership team of highly accomplished investment professionals, who average over 25 years of experience in managing investments in, advising, underwriting and restructuring companies. While primarily focused on managing strategies within their own investment group, these senior professionals are integrated within our platform through economic, cultural and structural measures.

We do not participate in any wrap fee programs.

As of December 31, 2020, the amount of assets we managed was approximately \$196,979,623,263 (“AUM”). AUM refers to the assets of the Clients, alternative asset companies and other entities and accounts that are managed or co-managed by Ares, including capital committed for management by our subsidiaries and other related investment advisers who file separate Form ADV filings with the SEC, Ares Capital Management LLC (“ACM”), Ares Capital Management II LLC (“ACM II”), Ares Commercial Real Estate Management LLC (“ACREM”), CION Ares Management, LLC (“CION”). It also includes funds managed by Ivy Hill Asset Management, L.P. (“Ivy Hill”), a wholly owned portfolio company of Ares Capital Corporation (“ARCC”), and a registered investment adviser. For our Clients other than CLOs, our AUM represents the sum of the net asset value of such Clients, the drawn and undrawn debt (at the Client-level including amounts subject to restrictions) and uncalled committed capital (including commitments to Clients that have yet to commence their investment periods). For our Clients that are CLOs, our AUM is

equal to initial principal amounts adjusted for paydowns. For more detailed information on the related parties described herein, please refer to “*Relationships with Related Persons*” in “*Item 10. Other Financial Industry Activities and Affiliations*.” Of the \$196,979,623,263 of AUM we manage, \$3,739,023,501 is managed on a non-discretionary basis.

Item 5. Fees and Compensation

Compensation and Fee Schedules

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

Advisory Fees

Underlying Investors in our private Clients are generally all “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 Underlying Investors is not required to be provided herein. In certain circumstances, the advisory fees and performance compensation payable by such Underlying Investors are negotiable. Ares also charges certain Clients administration, agency, servicing fees and similar non-advisory fees and expenses.

Different Clients are subject to different advisory fees as compensation for the investment advisory services rendered to the applicable Client (each, an “Advisory Fee”). The precise amount of, and the manner and calculation of, the Advisory Fees for each Client are intended to be reflective of the underlying investment mandate and associated investment risks of the Client and are established by Ares. Advisory Fees are set forth in each Client’s Governing Documents. Fees charged to some Clients may differ from fees charged to other Clients; in those and other situations, such differences are subject to separately negotiated terms and may (or may not) be disclosed to other Clients or Underlying Investors. In certain circumstances, the Advisory Fee payable to Ares by Underlying Investors of a Client will vary among such Underlying Investors and may be negotiable. Ares has entered into strategic relationships with investors and intends to continue to enter into strategic partnerships whereby an investor will commit to invest capital in or to provide sponsor capital to various existing and new strategies managed by Ares. In connection with these agreements, strategic partners may pay lower fees than other Underlying Investors in our Clients. Moreover, employees and certain business associates and “friends and family” of Ares generally will not pay an Advisory Fee or performance-based compensation with respect to their direct or indirect investments in each Client.

Advisory Fees paid by a Client are indirectly borne by its Underlying Investors. Underlying Investors and prospective investors in a Client 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 Underlying Investors of the same Client.

Management Fees

We generally receive an annual management fee from our Clients based upon a percentage of the Client’s capital commitments, contributed capital, net asset value or invested capital during the

term of the account. Pursuant to the terms of each Client's Governing Documents, the management fee may change at the end of a Client's investment period.

Performance-Based Fees

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

Deduction of Fees; Timing of Payments; Termination

For many of our Clients, we are authorized under the Client's Governing Documents to charge and deduct Advisory Fees directly from the assets of the Client at the times and in the amounts set forth in the Governing Documents. Advisory Fees are generally paid by each Client by (i) requiring Underlying Investors in such Client to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the Underlying Investors in such Client. Advisory Fees are then paid by the applicable Client to Ares or one of our affiliates. In addition, Ares in many cases has the ability to cause Clients to borrow money the proceeds of which may be used for the payment of such fees. For Clients that are separately managed accounts, Advisory Fees are either deducted or directly billed to the investor, depending on the nature of the account.

Base Advisory Fees for many of our Clients are payable in arrears, generally on a quarterly or semi-annual basis. Because such Advisory Fees are payable in arrears, they are not paid until after services have been rendered. With respect to certain other Clients, the base Advisory Fees are payable in advance (before the services are rendered). Please refer to the applicable Client's Governing Documents for complete information on the timing of Advisory Fee payments.

If an advisory or investment management relationship terminates before the period for which a Client has already paid the base Advisory Fee, our general practice is to repay Advisory Fees paid in advance in excess of the pro rata portion earned (based on the number of days during the period) through the effective date of termination. Any such refund would be implemented through a wire transfer of funds to the affected Client upon termination of the investment program. For some Clients, fees will not be refunded upon a termination and may even be accelerated in accordance with such Client's Governing Documents.

Other Fees and Expenses

There are three general categories of expenses allocated to and among Clients. As discussed further below, these categories are: (1) Organizational Expenses; (2) Administrative Expenses; (3) Sourcing and Diligence Expenses; and (4) Oversight Expenses. Please refer to the individual Client's Governing Documents for more detailed information related to the type of expenses that will be charged or allocated to a particular Client.

Ares, from time to time, incurs fees, costs, and expenses for the account or benefit of more than one Client. Under these circumstances, 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 or commitment to 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 Ares considers fair and equitable under the circumstances. In the event that a Client's Governing Documents do not permit the payment of a particular expense, Ares will bear the amount allocable to such Client. In certain other cases, Ares may elect to bear expenses that a Client's Governing Documents permit the Client to bear. The differences

in expenses borne by Clients, even with overlapping investment strategies, are subject to separately negotiated Governing Documents and are typically not disclosed among all Clients. Ares endeavors to allocate fees, costs, and expenses on a fair and equitable basis.

Organizational Expenses. These expenses are related to the organization of Clients and related entities and the costs of negotiating and entering into the Clients' Governing Documents. Organizational Expenses are not directly related to operating or administering Clients or sourcing investments. Each Client, 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 pre-marketing and sale of interests in, such Client, its general partner or similar person and/or investment manager, including (but not limited to):

- commissions, costs, and all out-of-pocket legal, accounting, tax, filing, regulatory compliance, capital raising, printing, electronic database, state and local formation;
- commissions, costs, fees and expenses of any placement agent or finder;
- "blue sky" filings costs or similar non-U.S. filings and distributions;
- foreign registrations and foreign securities distributors;
- other related legal and organizational matters; and
- travel-related expenses (as defined below) in respect of the foregoing.

Administrative Expenses. In addition to the fees payable to Ares and as set forth in the applicable Governing Documents, a Client may pay or otherwise bear all or a portion of the fees, costs, expenses, and other liabilities arising in connection with its operation and administration (including the operation and administration of any parallel funds, subsidiaries, alternative investment vehicles and other special purpose vehicles). Examples of administrative expenses that a Client may pay or otherwise directly or indirectly bear include (but are not limited to):

- any sales or other taxes, fees, or government charges, that may be assessed against the Client or Ares or its affiliates in connection with the activities of such Client, including annual filing, franchise tax, registration and maintenance fees;
- capital payments, interest, fees, agent bank and other bank service fees and other expenses in respect of indebtedness for borrowed money and all costs and expenses associated with negotiating, structuring, entering into, maintaining and terminating any credit facility or other indebtedness for borrowing by a Client;
- computer software specific to the affairs of a Client and market data costs and research-related expenses, including, without limitation, news and quotation equipment, software, and services;
- expenses of holding meetings or conferences with Underlying Investors, whether individually or as a group reporting to a Client's Underlying Investors;
- costs related to or in connection with any governmental or other inquiry, investigation, audit, proceeding or regulatory matter, litigation and threatened litigation involving a Client (including the amount of any judgments, settlements or fines paid in connection therewith);

- indemnification obligations;
- fees, costs and expenses attributable to administrative, investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, Operating Advisors, compliance, independent director, custodial, depositary and registration services provided to a Client;
- fees, costs and expenses relating to U.S. and non-U.S. filings and distributions, foreign registrations, foreign securities distributors, paying agents and other similar fees, costs and expenses; compliance with any applicable law, rule or directive, associated with the activities of the Client or Ares in respect of the Client including the European Union Alternative Investment Fund Manager Directive (AIFMD) or any other regulatory requirement in any other jurisdiction (including regulatory filings, “blue sky” filings and related out-of-pocket or other expenses of such Client, its general partner or similar person and/or investment adviser, 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 (including insurance to protect the Client, the general partner, the manager, Ares, their affiliates and their respective officers, directors, employees, partners, managers and members in connection with the activities of the Client);
- costs of dissolving and liquidating a Client’s investment vehicles;
- costs of amendments to, and waivers, consents and approvals pursuant to, the Governing Documents;
- preparation, delivery and implementation of side letters and any related “most favored nations” election processes;
- costs of tax and audit services to a Client;
- fees, costs and expenses in connection with preparing financial statements and reports to Underlying Investors, tax returns, tax estimates, tax reporting or any other administrative, compliance or regulatory filings or reports or the provision of other information to Underlying Investors or other parties;
- fees, costs and expenses related to the presence of the Client, the general partner, the manager, Ares or its affiliates in jurisdictions in which the Client maintains subsidiary acquisition vehicles, holding vehicles or other special purpose entities of the Client, including internal and overhead costs of the manager or its affiliates such as accommodation, rental expense, office equipment, domiciliation fees, directors’ fees, the costs, including salaries, of personnel (including Ares employees) and other similar costs;
- administrative fees payable to the manager or its affiliates;
- costs and expenses of a Client’s advisory board or committee and its members and its activities attributable to the Client (including expenses incurred by members of the advisory board or committee in connection with attendance at annual and special meetings of the advisory board or committee);
- any extraordinary expense of the Client;

- appraisal and valuation of a Client's and subsidiaries' assets, including the cost of valuation review and assistance provided by third parties;
- 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").

Certain Clients will pay the cost of certain services Ares employees provide (including a portion of compensation and overhead costs otherwise payable by Ares), including, without limitation, administration, tax advisory, compliance, legal, finance and accounting and portfolio management and/or internal costs (including compensation and overhead costs) attributable to certain consultants. Such services typically consist of services that would otherwise be provided by a third party whose fees, costs and expenses would be paid by the Client.

Sourcing and Diligence Expenses. These expenses relate more generally to investment sourcing and diligence for a particular investment strategy and include fees, costs and expenses of identifying, investigating (including the conducting of due diligence with respect to), evaluating, structuring and negotiating potential investments for such strategy. Examples of sourcing and diligence expenses that a Client may pay or otherwise bear include (but are not limited to):

- 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);
- fees, costs, expenses and other liabilities and obligations incurred in identifying, sourcing, originating, evaluating, conducting due diligence, investigating, developing (including any retainers, success and finder's fees and other compensation paid to contractors, Operating Advisors, joint venture partners and sourcing and operating partners), negotiating, structuring, studying (including any market studies and/or the use of expert networks), financing, purchasing, settling, obtaining ratings, monitoring, advising or managing, valuing, disclosing (including press releases and other marketing), holding, and selling or otherwise disposing of portfolio investments;
- travel-related expenses;
- legal, tax, consulting and accounting expenses;
- costs and expenses of attending industry and trade association meetings, conferences or similar meetings to source and evaluate investment opportunities;
- costs and expenses of research and technology (including costs of specialty data subscription and license-based services and risk analysis software); and
- "broken deal expenses" including any such fees, costs, expenses and other liabilities incurred with respect to unconsummated investments which may include such expenses that would have been allocated to co-investors had such proposed investment been consummated.

Oversight Expenses. These expenses are incurred in connection with the oversight of portfolio companies. Examples of expenses that fall within this category include (but are not limited to):

- travel-related expenses for an Ares employee to attend a board of directors or similar meeting at a portfolio company;
- directors' fees;
- expenses of consultants (including expert networks and Operating Advisors, as defined below);
- brokerage commissions, clearing and settlement charges, investment banking fees and expenses, bank charges, placement, syndication and solicitation fees, arranger fees, sales commissions, bridge financing expenses and other investment, marketing, execution, closing and administrative fees, costs and expenses of portfolio companies;
- costs (including administrative and filing fees) of maintaining the holding structure for portfolio investments, including any related legal, accounting, tax, banking, corporate governance, filing, registered office and administrative fees costs and expenses;
- portfolio and risk management expenses (including hedging transactions and related costs); and
- expenses of any actual or potential litigation or other dispute or investigation or inquiry related to any portfolio company.

Travel-related expenses incurred by Ares' employees are subject to Ares' Travel & Expense Policy.

In most cases, Ares will select a Client's service providers (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, and investment or commercial banking firms) and will determine the compensation of such providers without review by, or consent of, the Underlying Investors. To the extent allowable under the Governing Documents, Clients will bear the fees, costs and expenses related to such services, regardless of the relationship the service provider may have to Ares. Ares uses reasonable diligence to periodically ascertain whether each service provider is adequately fulfilling its obligations and meeting performance requirements, taking into account factors such as expertise, availability and quality of service, familiarity with the Client and Ares, and the competitiveness of compensation rates in comparison with other providers who meet the selection criteria. In addition, service providers and/or their affiliates may simultaneously be engaged in separate and distinct arrangements with Ares, its Clients, and even Client portfolio companies. As such, it is possible that the service provider will charge different rates which may result in more favorable rates or arrangements for Ares than its Clients or Fund portfolio companies. This may create an incentive for Ares to select service providers based on potential benefit to Ares rather than its Clients.

Ares has relationships with experienced executives, senior advisors, managers, consultants and other similar professionals with relevant insight, access, sector-specific expertise, operating or other experience who are not employees or affiliates of Ares and who, from time to time, receive payments from, or allocations with respect to, portfolio companies, Ares or a Client. These individuals, who Ares calls Operating Advisors, Strategic Advisors, Focus Area Advisors, Sector Advisors, technology partners or industry consultants (collectively, "Operating Advisors"),

provide several benefits to the investment process and to portfolio companies, including serving as a source of proprietary deal flow and contacts, identifying operational opportunities and pitfalls during the due diligence process, providing sector-specific operational and competitive insight, providing direction and oversight post-acquisition, serving in an executive or board capacity, and helping to build and mentor management teams. In certain cases, Operating Advisors may have certain attributes of Ares employees (e.g., they may have dedicated offices at Ares, have an Ares e-mail address, participate in general meetings and events for Ares personnel or work on Ares matters as their primary or sole business activity) even though they are not considered Ares employees, affiliates or personnel for purposes of the Governing Documents. If an Operating Advisor is engaged as a consultant or advisor to provide services to a Client or a portfolio company, or as an officer or member of the board of directors of a portfolio company, a Client and/or the applicable portfolio company will pay for and bear all or a portion of these costs of services at rates determined in good faith by Ares or the portfolio company, as applicable. In certain cases, the amount payable by a Client or Ares may be offset by the amount paid by a portfolio company. Whether or not a portfolio company pays an Operating Advisor, Ares or a Client may bear additional expense from the service of Operating Advisors, and the Operating Advisors may have minimum amounts guaranteed and ultimately paid to them by Ares, a Client and/or in some cases, portfolio companies, as part of their engagement. The compensation paid to Operating Advisors could be comprised of various types of arrangements, including one or more of the following: (i) retainers and annual fees, (ii) carried interest distributions and/or other profit sharing arrangements, including profits realized in connection with the disposition of a single asset and (iii) other types of fees, bonuses and compensation not otherwise specified above. None of the compensation received by such persons, whether in the form of cash or equity, will reduce the management fee payable by the Client, even if such compensation has the effect of reducing any retainers or minimum amounts otherwise payable to such Operating Advisor by Ares. In addition, one Client may bear a greater share of the Operating Advisor's minimum compensation due to the utilization of such Operating Advisor's services by such Client at a time when fewer Clients are utilizing such Operating Advisor.

Furthermore, Operating Advisors may be provided other compensation and benefits from Ares, including opportunities to co-invest with Clients in particular investments, rights to receive equity or other compensation from a portfolio company (which, as noted above, would not offset the management fee), and/or opportunities to invest in Clients on advantageous terms (e.g., without paying a management fee or carried interest). From time to time, Ares may transition former employees to Operating Advisor or consultant status and vice versa, and the individual may retain the compensation received in such capacities prior to such transition. In addition, certain individuals may also be engaged by a Client or Ares as consultants to provide industry or other expertise on a deal by deal basis and may have certain of the attributes of Operating Advisors described above but generally will not have ongoing relationships with Ares or our 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

From time to time and in connection with portfolio investments made by our Clients, Ares, our affiliates or supervised persons will receive arrangement, origination, underwriting, placement, commitment, agency, structuring, monitoring, syndication, consent, amendment, consulting,

advisory, asset management, portfolio investment transaction, servicing, financing, directors' or other transaction fees, including break-up fees from portfolio investments in which one or more of our Clients may invest or propose to invest. In addition, we may receive transaction fees from certain affiliated Clients for activities related to Client transactions, such as loan originations. In certain instances, the terms of these arrangements provide for an acceleration of future fees to be paid to Ares upon termination. In addition, for some Clients, Ares is paid incentive compensation that is calculated based on the amount of transaction or other similar fees received by that Client. Except with respect to agency fees, which are generally retained by the entity serving as agent with respect to such investment, such fees received or to be received by Ares are generally waived or offset in whole or in part against Advisory Fees payable to Ares by the Client. However, in certain instances Ares may retain a portion of such fees without a corresponding management fee offset. These types of arrangements present potential conflicts of interest and may provide our supervised persons with an incentive to recommend investments based on compensation received or to be received rather than making an investment decision based solely on the best interests of a Client. Please refer to the Governing Documents of the applicable Client for complete information on additional compensation received by Ares, our affiliates or supervised persons in connection with services related to portfolio investments and any offsets against Advisory Fees.

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

Performance-Based Fees

Ares is entitled to receive performance-based fees in the form of incentive fees, carried interest or other performance-based fees, based on profits, from certain Clients. Incentive fees are generally based on the net appreciation per annum of the applicable Client, subject to certain net loss carry-forward provisions, high-watermarks and/or preferred returns. Such performance-based fees may also be based on a Client's cumulative net appreciation to date, in some cases subject to a high-watermark or a preferred return. Carried interest entitles the general partner (or an affiliate) of a Client to a special allocation of income and gains from the Client and is typically structured as a net profits interest in the applicable Client. These performance-based arrangements are structured to 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 Ares or its affiliates by a private Client is separate and distinct from the Advisory Fees charged by Ares for advisory services. Ares, its employees, certain business associates and "friends and family" of Ares will generally not pay such performance-based fees or allocations with respect to their direct or indirect investments.

Performance-based fees and allocation arrangements received by Ares or our related persons can create incentives for us to recommend investments that could be riskier or more speculative than those that would be recommended under different fee arrangements. Please refer to the Governing Documents of each private Client for more complete information on the "performance-based compensation" arrangements of each private Client.

Side-by-Side Management

We provide concurrent advisory services to our Clients for which the investment mandates, compensation and fee arrangements (including with respect to performance fees and fee offsets) and other circumstances differ from Client to Client. The potential for us and our related persons to receive greater fees from certain Clients creates a potential conflict of interest with respect to

the allocation of investment opportunities, as Clients that pay higher fees may create incentives to direct investment ideas to, and/or to allocate investments in favor of such Clients.

In addition, Ares, from time to time, also enters into strategic accounts directly or indirectly with Underlying Investors that commit significant capital into a particular Client or across the broader Ares platform. Such arrangements often include Ares granting certain preferential terms to these Underlying Investors, including a waiver or reduction of management fees or performance fees or carried interest, a blended management fee, and/or performance fee or carried interest rates that are lower than those applicable to Clients in which such Underlying Investors invest. Where any such accounts invest in a Client, such indirect preferential terms (or other preferential terms set forth in the Governing Documents) are generally not subject to the Client's "most favored nation" provisions.

From time to time, a Client will subscribe for or otherwise purchase an interest in another Client, provided that the sale or purchase is consistent with the Governing Documents and Ares' fiduciary obligations to each such Client. In addition, following the acquisition by Ares of other investment managers or management contracts from other investment managers, Ares may commence management of a Client that had previously acquired and continues to hold an interest in another Client. In such situations, while we endeavor at all times to act in the best interests of all of our Clients, our receipt of compensation from each of the Clients and the contribution of additional capital by a Client to another Client may create potential conflicts of interest. In certain circumstances, we may choose to reduce or offset the advisory fees of a Client investing in another Client by the amount of advisory fees applicable to the Client's investment in such other Client.

To mitigate potential conflicts of interest, allocations of investment opportunities among Clients are determined 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 Clients on a basis that over a period of time is fair and equitable to each Client relative to other Clients, taking into account the terms of the relevant Governing Documents and the relevant facts and circumstances, including, but not limited to:

- (i) differences with respect to available capital (e.g., current cash position and current or anticipated capital additions or withdrawals), size of a Client, minimum investment amounts and remaining life of a Client;
- (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 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; and
- (viii) prior or existing positions in an issuer/security.

Allocations within a particular group of Clients 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. When evaluating an investment opportunity, Ares may determine that the division of an investment among multiple Clients may negatively impact the nature of the investment such that it would not be appropriate to divide the investment among multiple Clients for which that investment is suitable. In these circumstances, Ares will generally employ an allocation rotation process pursuant to its investment allocations policy that is designed to facilitate an equitable allocation of such opportunities over time.

Certain of our Clients are subject to regulatory limitations on their ability to invest in the same issuer as other Ares Clients, and in some cases are precluded altogether from investing in an issuer where another Client is invested or is investing. Ares and its affiliates have received an order from the SEC that permits business development companies and registered closed-end management investment companies managed by Ares to co-invest in portfolio companies with each other and with affiliated investment funds (the “Co-investment Exemptive Order”). Co-investments made under the Co-investment Exemptive Order are subject to compliance with certain conditions and other requirements, which could limit a Client’s ability to participate in a co-investment transaction. Clients’ ability to participate in an investment opportunity with other Clients is subject to compliance with existing regulatory guidance, applicable regulations and Ares allocation procedures. The foregoing factors in certain circumstances may:

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

In addition, there may be conflicts in the allocation of investments among us and Clients managed by one of our related parties or one or more of our controlled affiliates or among the Clients they manage, including investments made pursuant to the Co-investment Exemptive Order which permits us to co-invest in portfolio companies with ARCC, other business development companies, registered closed-end management investment companies and other Ares managed Clients. In certain circumstances, we may be contractually required to offer certain types of investment opportunities to certain Clients before such opportunities may be offered more broadly to all Clients. As a result, some clients may not be offered certain investment opportunities.

While the above are general principals, all actual allocation decisions are subject to relevant facts and circumstances and the investment objectives of various Clients.

One Client may hold, acquire or dispose of positions in an investment in which another Client invests or has invested. Such investments and transactions may raise potential conflicts of interest for a Client, particularly if the Client invests in different classes or types of securities of the same investment. In that regard, actions taken by one Client may be adverse to another Client, including, but not limited to, during a restructuring, bankruptcy or other insolvency proceeding or similar matter. In addition, from time to time and reflective of the diversity and breadth of Ares' investment platform, investments made on behalf of Clients may not be consistent with public statements made by Ares as to reflections or opinions on general economic trends, etc. and/or with investments of other Clients due to different underlying investment mandates.

Co-Investment Policy. Co-investments can occur when an investment is shared between a Client and one or more third-party investors, including Underlying Investors, senior investment professionals and other affiliates or employees of Ares (such persons invited to participate in a transaction by Ares collectively referred to as "Co-Investors"). Ares allocates co-investment opportunities in its sole discretion and considers a range of factors, including (but not limited to) (i) the strategic value of a potential Co-Investor to the underlying investment opportunity, the applicable Client and future Clients; (ii) the transparency and predictability of the potential Co-Investor's investment process; (iii) whether the potential Co-Investor has the financial, operational and other resources to evaluate and make the investment; (iv) historical co-investment experience with the potential Co-Investor; (v) tax and legal characteristics of a potential investment and Co-Investor; and (vi) a willingness of a potential Co-Investor to pay management fees and/or carried interest and to bear its portion of expenses related to the co-investment opportunity.

Ares has adopted a co-investment policy designed to ensure fair allocation of co-investment opportunities in the event such opportunities become available. Ares may in limited circumstances enter into certain agreements pursuant to which Ares has agreed to offer available co-investment opportunities to specific Co-Investors; however, Ares is under no obligation to provide co-investment opportunities and may offer an investment opportunity to one or more of the categories of Co-Investors described below without offering such opportunity to the other categories. Ares may establish special purpose co-investment vehicles for certain Co-Investors in advance of any co-investments being identified for such Co-Investors, and Ares may have discretion to allocate Co-Investments to such vehicles. Strategic, financial and other institutional investors participating in a transaction generally are not considered Co-Investors and generally will not be subject to the co-investment policy or expense sharing considerations described herein.

Subject to the terms of the Governing Documents of a Client, Ares may offer co-investment opportunities to more than one Client or to other Co-Investors. In such circumstances, the size of the investment opportunity otherwise available to our Clients may be less than it would otherwise have been. Certain Co-Investors investing with a Client may invest on different (and more favorable) terms than those applicable to the Client and may have interests or requirements that conflict with and adversely impact the Client (for example, with respect to their liquidity requirements, available capital, the timing of acquisitions and disposals, or control rights). Ares will generally seek to ensure that the Client, Ares, and any Co-Investors participate in any investment and any related transactions on comparable terms to the extent practicable and share in corresponding investment related expenses. Notwithstanding the foregoing, in certain instances different Clients may participate in different parts of the capital structure of a portfolio investment, through securities purchased at different times, and such scenarios are not considered "co-investments" by Ares and are not subject to the policies described herein. In addition, in some

cases, Clients and Co-Investors may manage the same investments in different ways, such as through the use of leverage or hedging strategies.

Terms of Co-Investments. Ares or any of its affiliates may in their discretion: (i) receive performance-based fees, Advisory Fees, administrative fees or other similar fees from Co-Investors, and Ares or its affiliates may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such performance-based fees, Advisory Fees or other similar fees; and (ii) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements.

With respect to consummated co-investments, Ares will seek to cause Co-Investors to generally bear their *pro rata* share of fees, costs and expenses related to the discovery, investigation, due diligence, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments; provided, however, that in determining such amounts, the fees, costs and expenses expended directly by such Co-Investors may be taken into account in allocating aggregate costs on a fair and reasonable basis. With respect to a proposed co-investment that is not consummated, Ares may seek to cause Co-Investors that commit to participate in such proposed co-investment to bear their share of any fees, costs or expenses that were incurred in connection with such proposed co-investment, including breakup fees or broken deal expenses. However, in instances where Co-Investors have not yet committed to a proposed co-investment, any such fees, costs or expenses will generally be considered Operating Expenses and be borne by the (committed or investing) Client to the extent the applicable Governing Documents of such Client permit such treatment or where disclosure of such treatment was made to the investors in such Client prior to their investment therein.

In the event that Co-Investors participate in a co-investment through one or more co-investment vehicles, they will generally bear their *pro rata* share of the aggregate Organizational Expenses (as described in “Item 5, Fees and Compensation” above) of all such vehicles. In those circumstances where such Co-Investors include one or more members of a portfolio company’s management group, such Co-Investors may receive compensation arrangements relating to the investment, including incentive compensation arrangements. Finally, some of the Co-Investors with whom Clients may co-invest have pre-existing investments with Ares, and the terms of such pre-existing investments may differ from the terms upon which such persons may invest with Clients.

Over-Commitment. To facilitate the acquisition of a portfolio investment, Ares may cause one or more Clients to make (or commit to make), an investment in such target that exceeds the Client’s ultimate desired long-term investment amount with a view to selling a portion of such investment to Co-Investors or other persons prior to or within a period after the initial commitment or closing of the acquisition. The sale to Co-Investors will occur either at a previously agreed-upon price or, in the absence of a previously agreed-upon price, at the market value of the investment at the time of sale, and such market value may be fair value as determined by Ares. In such event, the applicable Client(s) will bear the risk that any or all of the excess portion of such investment may not be allocated or sold or may only be allocated or sold on unattractive terms. As a consequence, the applicable Clients may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment and hold a larger than expected investment in such portfolio company or may realize lower than expected returns from such portion of such investment.

In addition, Ares and its principals may co-invest with certain Clients, as permitted and described in applicable Governing Documents. Please see “*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” for a discussion of how Ares addresses these matters.

Item 7. Types of Clients

Types of Clients

Ares generally provides investment advice to various pooled investment vehicles, including public and private investment funds, single investor funds, co-investment vehicles, CLOs, CDOs and other structured investment vehicles, special purpose vehicles, alternative investment vehicles, feeder vehicles, other separately managed accounts and other institutional clients, including insurance and reinsurance companies. Our Underlying Investors are comprised primarily of government and private pension funds, sovereign wealth funds, endowments, foundations, family offices, banks, investment companies, insurance companies, private corporations, and high net worth individuals. Generally, Underlying Investors participating in our private Clients are required to meet certain suitability and net worth qualifications, such as being (a) an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), (b) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act, (c) a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act or (d) a non-U.S. person, depending on the applicable eligibility requirements of the respective Client.

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

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

Minimum Investment Requirements

The minimum investment in each Client is stated in its Governing Documents and generally ranges from \$1 million to \$25 million although we may waive this minimum at our discretion. With respect to separately managed accounts, we generally require a minimum investment of \$100 million but actual minimum sizes vary by strategy.

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

Methods of Analysis and Investment Strategies

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

Our investment process leverages the power of the Ares platform and an extensive network of professionals across our investment areas to identify and source attractive risk adjusted return opportunities while emphasizing capital preservation. We utilize our collective market and company knowledge, proprietary internal industry and company research, third party information and financial modeling to drive fundamental credit analysis and investment selection. We are able to invest up and down a company's capital structure, which we believe helps us capitalize on attractive opportunities and assess relative value for a particular investment. The investment committees of our investment groups review and evaluate investment opportunities in a framework that includes a qualitative and quantitative assessment of the key risks of each investment. We do not have a centralized investment committee and instead our investment committees are structured with overlapping membership from different investment groups to ensure consistency of approach and shared investment experience. In addition, each Client has investment guidelines contained in its Governing Documents that generally contain requirements and limitations, such as concentrations of securities, industries, and geographies in which a Client will invest, as well as other limitations required by law.

We also recognize the importance of considering environmental, social and governance ("ESG") factors in our investment process and have adopted an ESG policy for the conduct of our business. We work collaboratively with our various underwriting, asset management, legal and compliance teams to appropriately integrate relevant ESG considerations into our investment process.

The specific methods of analysis and investment strategies utilized by our Credit Group, Private Equity Group, Real Estate Group and Strategic Initiatives Group are described below. For additional details relating to the methods of analysis and investment strategies employed by a client account, please refer to its Governing Documents. In addition to the investment strategies listed below, we may from time to time establish new complimentary investment strategies including those involving increased trading.

Credit Group

Our Credit Group is a one of the largest managers of credit strategies across the non-investment grade credit universe, providing solutions for investors seeking to access a range of credit assets, including liquid credit, alternative credit products and direct lending markets. The Credit Group capitalizes on opportunities across traded and non-traded corporate and consumer debt across the U.S. and European markets, providing investors access to directly originated fixed and floating rate credit assets along with the ability to capitalize on illiquidity premiums across the credit spectrum. We are also a leading global manager of syndicated bank loans.

The Credit Group offers the following credit strategies across the liquid and illiquid spectrum:

Liquid Credit: Our liquid credit investment solutions help investors access the syndicated loan and high yield bond markets, among other asset categories. We focus on capitalizing on opportunities across traded corporate credit.

- **Syndicated Loans:** Our syndicated loans strategy delivers a diversified portfolio of liquid, traded non-investment grade secured loans to corporate issuers. We focus 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 secured loans and subordinated and other unsecured loans.
- **High Yield Bonds:** Our high yield bonds strategy employs a value-driven philosophy, utilizing fundamental research to identify non-investment grade corporate issuers. We primarily seek a diversified portfolio of liquid, traded non-investment grade corporate bonds. This approach incorporates secured, unsecured and subordinated debt instruments of issuers in both North America and Europe.
- **Multi-Asset Credit:** Our multi-asset credit strategy combines both syndicated loans and high yield bonds, as well as other asset categories including structured credit, special situations and related credit instruments into a single portfolio. These portfolios are designed to offer investors a flexible solution to credit investing by allowing us to tactically allocate between multiple assets classes in various market conditions. This strategy invests globally, can be highly customized, and is designed to “go anywhere” within the liquid, non-investment grade credit universe.

Alternative Credit: Our alternative credit strategy seeks to capitalize on asset-focused investment opportunities that fall outside of traditional, well-defined markets such as corporate debt, real estate and private equity. Our alternative credit strategy emphasizes downside protection and capital preservation through a focus on investments that tend to share the following key attributes: asset security, covenants, structural protections and cash flow velocity. Our investment approach is designed to capture and create value by leveraging Ares’ platform insights to assess risk and relative value.

Direct Lending: Our direct lending strategy is one of the largest self-originating direct lenders to the U.S. and European markets and has a multi-channel origination strategy designed to address a broad set of investment opportunities in the middle market. We focus on being the lead or sole lender to our portfolio companies, which we believe allows us to exert greater influence over deal terms, capital structure, documentation, fees and pricing, while at the same time securing our position as a preferred source of financing for our transaction partners. The team maintains a flexible investment strategy, with the capability to invest in first lien senior secured loans (including “unitranche” loans which are loans that combine senior and subordinated debt, generally in a first lien position), second lien senior secured loans, subordinated debt, preferred equity and non-control equity co-investments in private middle market companies. We manage various types of funds within our U.S. and European direct lending teams that include commingled funds, separately managed accounts for large institutional investors seeking tailored investment solutions and joint venture lending programs.

Our Credit Group takes a value-oriented approach which, among other factors, considers industry and market analysis, technical analysis, fundamental credit analysis and in-house research to identify investments that we believe offer attractive value in comparison to the perceived credit risk profile. We use our longstanding relationships, considerable scale, research, industry knowledge, structuring expertise and often our self-origination capabilities to invest actively across capital structures with a focus on selecting the best risk adjusted returns for our Clients, while also seeking to provide our borrowers a valued capital solution. Each investment decision involves an intensive due diligence process that is generally focused on evaluating the target company and its current and future prospects, its management team and industry, its ability to withstand adverse conditions and its capital structure, sponsorship and structural protection, among others. Our objective is to construct portfolios that balance the benefits of diversification, credit quality, defensive industry allocations, current income, principal appreciation, efficient and flexible portfolio financing, and participation in the securities of companies with which, in many cases, we have had prior experience. With respect to our direct lending strategies, we focus on being the lead or sole lender to our portfolio companies, which we believe allows us to exert greater influence over deal terms, capital structure, documentation, fees, and pricing, while at the same time securing 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. Our 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.

We focus on principal protection, investment income, relative value, and adherence to portfolio guidelines. The strategy employed by our 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, we seek information from a wide variety of sources, which may include company management, fixed income and equity analysts, rating agencies, competitors, and other industry sources, including third-party industry experts.

Private Equity Group

Our Private Equity Group broadly categorizes its investment activities into three strategies: Corporate Private Equity, Special Opportunities and Infrastructure and Power. Our private equity professionals have a demonstrated ability to deploy flexible capital, which allows them to stay both active and disciplined in various market environments. The group's activities are managed by three dedicated investment teams in North America, Europe and China. The group manages funds focused primarily on North America and, to a lesser extent, Europe and China.

- ***Corporate Private Equity:*** Certain of our senior private equity professionals have been working together since 1990 and raised our first corporate private equity fund in 2003. Our team includes investment professionals based in Los Angeles, Chicago, London, Shanghai, and Hong Kong. In the U.S. and London, we pursue four principal transactions types: prudently leveraged control buyouts, growth equity, rescue/deleveraging capital and distressed buyouts/discounted debt accumulation. This flexible capital approach, together with the broad resources of the Ares platform, widens our universe of potential investment opportunities and allows us to remain active in different markets and be highly selective in making investments across various market environments.
- ***Special Opportunities:*** Our special opportunities strategy team employs a flexible capital strategy to target non-control positions across a broad spectrum of stressed, distressed and opportunistic situations. We target businesses undergoing stress or transformational change that we believe present asymmetric risk/reward opportunities that offer strong downside protection and the potential for significant upside participation. We employ our deep credit experience, proprietary research and robust sourcing model to capitalize on current market trends. This opportunistic approach allows us to invest in both private and public transaction types across a broad range of industries, asset classes and geographies.
- ***Infrastructure and Power:*** Our infrastructure and power strategy team takes a value-added approach that seeks to source and structure essential infrastructure assets with strong downside protection and potential for capital appreciation throughout the climate infrastructure, natural gas generation and energy transportation sectors. We utilize a broad origination strategy, flexible investment approach, and leverage industry relationships and the Ares platform to seek attractive risk-adjusted returns across the infrastructure and power industry. We believe our experience across the asset life cycle, flexible capital approach, and broad infrastructure expertise positions us well to take advantage of the transitioning infrastructure industry.

At the center of our Private Equity Group's investment process emphasizes rigorous due diligence at the company and market level in addition to a risk-adjusted return value assessment. Our investment process is comprised of a five-part process: (1) generate robust pipeline, (2) perform initial screening, (3) conduct due diligence, (4) seek investment approval, and (5) use a systematic approach to value creation. Our Private Equity Group employs a "pull model" with portfolio management whereby a team can access the Ares network for any number of value-creating levers that have been identified.

The investment philosophy and portfolio construction of the Private Equity Group involve:

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

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

- a comprehensive analysis of the quality of the business and controllable growth opportunities;
- an evaluation of management;
- an analysis of business strategy and competitive position and industry trends
- identification of repeatable and systemic operations; and
- an in-depth examination of valuation, capital structure, financial results, projections, and growth prospects.

The process through which our Private Equity Group makes an investment decision involves extensive research into the target investment, its industry, its growth prospects and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, our Private Equity Group will engage in an intensive due diligence process, including legal, accounting, financial, and industry diligence, typically including the engagement of third-party advisors to complete diligence on the quality of the business, industry and market fundamentals, financial accounting, technology/IT systems, legal liabilities, tax consequences and other dimensions of the transaction. Throughout the due diligence process, the deal team will refine its financial analyses and projections for the business, including an analysis of the company's ability to operate with leverage as well as a sensitivity analysis on potential outcomes on both the downside and upside cases.

Real Estate Group

Our Real Estate Group manages comprehensive equity and debt strategies. With our experienced team, along with our expansive network of relationships, our Real Estate Group invests in opportunities across both real estate equity and debt investing. Our equity investments focus on implementing hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. Our debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage

commercial mortgage investments on properties that range from stabilized to those requiring hands-on value creation. Today, the group provides investors access to its capabilities through several vehicles: U.S. and European real estate equity commingled funds, U.S. real estate debt commingled funds, real estate equity and real estate debt separately managed accounts and a publicly traded commercial mortgage REIT, Ares Commercial Real Estate Corporation (“ACRE”, NYSE: ACRE). The group’s activities are managed by dedicated equity and debt teams in the U.S. and Europe.

Real Estate Equity: Our real estate equity team, with over 55 investment professionals across ten offices, has extensive private equity experience in the United States and Europe. Our team primarily acquires and improves assets through renovations, repositioning and retenting as well as selective developments in the United States and Europe. Primary areas of focus for our Real Estate Group equity teams include:

- **Real Estate Equity Value-Add Strategy:** Our U.S. and European value-add investment activities focus on the acquisition of underperforming, income-producing properties, institutional-quality assets that our team believes can be improved through select value-creation initiatives. We target the major property sectors, including residential, industrial, office and select other property types across the U.S. and Europe.
- **Real Estate Equity Opportunistic Strategy:** Our U.S. and European opportunistic real estate investment activities focus on capitalizing on distressed and special situations, repositioning underperforming assets and undertaking select development and redevelopment projects. We target the major property sectors, including residential, industrial and office as well as select retail, hospitality and other niche asset classes across the U.S. and Europe.

Real Estate Debt: Our real estate debt team, with over 25 professionals, primarily focuses on directly originating and investing in a wide range of financing opportunities in the U.S. As of December 31, 2020, our real estate debt team advised five investment vehicles. In addition to managing private commingled funds and separately managed accounts, our real estate debt team also invests through a specialty finance company, ACRE, which invests in a diversified portfolio of real estate debt investments. While our real estate debt strategies focus predominantly on directly originated transactions, we also selectively pursue secondary market acquisitions and syndicated transactions.

Our Real Estate Group’s activities are managed by dedicated equity and debt teams in the U.S. and Europe. Our Real Estate Group’s investment process includes a rigorous analysis of property cash flows, local real estate fundamentals, demographics, industry, market and tenaning trends, among other criteria. By identifying key risks, appropriate pricing and structure is determined based on market, credit-worthiness of tenants or other deal-specific risks identified early in the process. Our Real Estate Group employs a rigorous, credit-oriented evaluation towards determining the risk/return profile of the investment opportunity, and the appropriate pricing and structure for the prospective investment, with specific reference to the strength of the transaction sponsor(s), the underlying real estate and the structure of the investment. Detailed financial modeling and analysis is conducted to assess the cash flow and debt service coverage characteristics of the properties as well as interest rate and prepayment analysis.

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

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

Our Real Estate Group performs extensive property, sponsor and market level due diligence, including:

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

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

If considering investments in commercial mortgage-backed securities ("CMBS"), our Real Estate Group would undertake an extensive analysis of the underlying loans and careful review of the security terms and conditions.

Strategic Initiatives

Strategic Initiatives represents operating segments and strategic investments that seek to expand the Firm's reach and its scale in new and existing global markets including Ares SSG as well as Ares Insurance Solutions.

Ares SSG is a highly differentiated investment firm making credit, special situations and private equity investments in the Asia-Pacific region. The team of over 30 investment professionals has an extensive history of investing in Asian markets. Ares SSG benefits from having an on-the-ground presence in offices across Asia Pacific and a comprehensive range of local market licenses and entities to provide our clients with an extensive regional investment platform. Ares SSG employs a direct origination model and aims to provide flexible capital solutions to its investee companies and compelling risk-reward investment opportunities to our investors.

Asian Special Situations: Our Asian special situations strategy focuses on primary and secondary special situations across the Asia Pacific region. Our team primarily targets restructuring-related situations, deep value acquisitions and last-mile financing.

Asian Secured Lending: Our Asian secured lending strategy targets high quality, privately sourced direct lending loans that do not exhibit financial strain. Our team primarily targets secured loans, including growth capital financing and acquisition financing, leveraging our long investment experience, a deep set of relationships and our local coverage to enable direct origination across the Asia Pacific region.

Ares Insurance Solutions: Ares Insurance Solutions is Ares Management's dedicated, in-house team that provides solutions to insurance clients including asset management, capital solutions and corporate development. Leveraging numerous investment professionals across the firm's investment groups, Ares Insurance Solutions creates tailored investment solutions that meet the unique objectives of our insurance clients. Ares Insurance Solutions strives to provide insurers with differentiated investment solutions with attractive risk and capital adjusted return profiles that fit within regulatory, rating agency and other counterparty guidelines. Ares Insurance Solutions is overseen by an experienced management team with direct insurance industry experience in many areas directly applicable to Ares Insurance Solutions and our insurance company clients. Members of the Ares team have previously held senior positions at leading insurers. Ares Insurance Solutions acts as the dedicated investment manager, capital solutions and corporate development partner to Aspida Life Re Ltd. ("Aspida"), which focuses on the U.S. life and annuity insurance and reinsurance markets. In addition, AIS provides key strategic advantages to Aspida, including insurance investment experience, differentiated asset origination, asset-liability and capital solutions and access to capital.

Material Risks

Investing in securities involves a risk of loss that a Client and Underlying Investors should be prepared to bear. There can be no assurance that any Client 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. Clients and Underlying Investors should carefully consider, among other factors, the following material risks involved with Ares' investment strategies. Past performance is not indicative of future results.

Not all possible risks are described below, and risks described below may not be applicable to all Clients. Underlying Investors are requested to refer to the Governing Documents of the applicable Client for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies.

General Market Risks

Investments made by our Clients 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 and the possibility of changes to regulations applicable to alternative asset managers), trade policies, commodity prices, tariffs, currency exchange rates and controls and national and international political circumstances (including wars and other forms of conflict, terrorist acts, and security operations) and catastrophic events such as

fires, floods, earthquakes, tornadoes, hurricanes and pandemics could materially affect our business to the extent it materially affects global economies or global financial markets. 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 Clients and result in substantial losses to our Clients.

Global financial markets have experienced heightened volatility in recent periods, including as a result of economic and political events in or affecting the world's major economies. For example, the June 2016 referendum in the U.K. in favor of exiting the EU and subsequent ongoing uncertainty regarding the terms of the exit, hostilities in the Middle East region, recent U.S. presidential and congressional elections and resulting uncertainties regarding actual and potential shifts in U.S. and foreign, trade, economic and other policies, and concerns over increasing interest rates (particularly short-term rates) and uncertainty regarding the long-term effects of tax reform in the United States, have precipitated market volatility. More recently, market uncertainty and volatility have been magnified as a result of the global COVID-19 pandemic as well as the upcoming 2020 U.S. presidential and congressional elections and resulting uncertainties regarding actual and potential shifts in U.S. and foreign, trade, economic and other policies, as well as rising trade tensions between the United States and China and hostilities between the United States and Iran. Any escalation of such tensions and hostilities would likely exacerbate these dynamics.

Outbreaks of Infectious or Contagious Diseases and Public Health Emergencies

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below) have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Client.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and declines in markets for financial assets as well as commodities and other assets. Among other things, these unprecedented developments have resulted in material reductions in demand across some, many or all categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to our Clients. The extent of the impact on our Clients and their portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of our Clients to source, diligence and execute new investments and to manage, finance and exit investments in the future on behalf of our Clients, or cause significant changes or governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy Clients intend to pursue, all of which could adversely affect Clients' ability to fulfill their investment objectives. They may also impair the ability of Clients' investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, our operations and the operations of our Clients and their investments may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Monetary Policy and Governmental Intervention

In recent years, 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 as well as in response to the global COVID-19 pandemic, 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 Client's investments or the ability of a Client to realize its investment objective.

Enhanced Scrutiny and Regulation of the Private Fund Industry

The advisory business of Ares and its Clients, 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 we operate relating to, among other things, antitrust law, anti-money laundering laws, anti-bribery laws, laws relating to foreign officials, tax laws and 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 Ares and our Clients 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 Ares and the Clients 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 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 Ares and its management activities. Such oversight and regulation may cause a Client to incur additional expenses, may divert the attention of Ares and its employees and may result in fines if a Client 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 Client account. There can be no assurance that Ares 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 Ares or its affiliates, Ares, its affiliates, and any Clients may be subject to negative publicity in relation to such investigation or proceeding.

Competition for Investment Opportunities

There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable our Clients to invest all of their commitments in opportunities that satisfy the Client's investment objectives, or that such investment opportunities will lead to completed investments by the Client. The process of identifying, structuring, implementing and realizing on attractive investment opportunities is highly competitive. The investment management business is intensely competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. Clients will compete with a number of private equity funds, specialized funds, hedge funds, corporate buyers, traditional asset managers, real estate development companies, commercial banks, investment banks, and other investment managers and other financial institutions, as well as domestic and international pension funds and sovereign wealth funds, as well as other current and future Clients and accounts managed or advised by Ares. A Client's competitors may be substantially larger and have greater financial, technical, marketing and other resources and more personnel than Ares. Some of a Client's competitors may have higher risk tolerances or different risk assessments or lower return thresholds than us, which could allow them to consider a wider

variety of investments and to bid more aggressively than us for investment that we want to make. more relationships than a Client. As a result, competitive pressures faced by a Client may have a material adverse effect on a Client's investment performance. Also, as a result of this competition, Clients 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 Client's investment objectives.

Reliance on Management

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

Dependence on Key Professionals

The ability of a Client to achieve its investment objective will be dependent on the diligence, skill, judgement, business contacts and personal reputations of senior investment professionals or other key personnel. These individuals possess substantial experience and expertise in investing, are responsible for locating and executing our Clients' investments, and have significant relationships with the institutions that are the source of many of our investment opportunities. Therefore, the departure of one or more of these individuals could have a material adverse effect on the ability of the Client to achieve its investment objectives, cause certain Underlying Investors to withdraw capital or otherwise have a material adverse effect on our business. Further, if such individual join competitors or form competing companies, it could result in the loss of significant investment opportunities.

Other Obligations of Investment Professionals

Although the senior investment professionals of Ares intend to devote such time as is necessary to conduct the business and affairs of each Client, they are involved in other activities of the Firm, including, but not limited to, managing investments, advising or managing Clients whose investment objectives are the same as or overlap with those of other Clients, participating in actual or potential investments of multiple Clients, providing consulting, merger and acquisition, structuring or financial advisory services, including with respect to actual, contemplated or potential investments of a Client, or acting as a director, officer or creditors' committee member of, adviser to, or participant in, any corporation, fund, trust or other business entity. As such, Clients may co-invest in issuers and/or engage in different or inconsistent investment activities vis-à-vis other Clients.

Conflicts of interest may arise in allocating time, services, or resources among the investment activities of the Clients, Ares, and 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 Corp, is publicly traded, the officers, directors, members, managers, operating executives and employees of Ares may have duties or incentives relating to

the interests of Ares Corp's shareholders that may differ from, and could conflict with, the interests of our Clients and their Underlying Investors. These conflicts would not necessarily need to be taken into account if Ares Corp was not publicly traded.

Restrictions on Transactions Due to Other Ares Businesses

Ares and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Clients, and providing transaction-related, legal, management and other services to Clients, special purpose acquisition companies ("SPACs") and portfolio companies. Except to the extent prohibited by the Governing Documents, Ares and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto.

Ares sponsors and advises a range of types of Clients and expects to continue to develop its investment advisory and related businesses by forming additional vehicles and obtaining new Clients in the future. Ares and its employees may acquire material non-public information or other confidential information about a company while pursuing an investment opportunity or while monitoring an investment (including service on a portfolio company's board of directors, steering committee or in a similar capacity) for a particular Client, which may give rise to a potential conflict of interest when it results in our having to restrict the ability of other Clients to trade in the securities of such company. With limited exceptions, Ares does not establish information barriers between its internal investment teams. In addition, a Client may hold positions in securities or other assets or be subject to contractual or legal restraints that could prevent a different Client 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.

The investment activities of one or more Clients may be inconsistent with the investment activities of another Client. Furthermore, subject to our investment allocation policy, we may have or develop business relations through our other businesses or have duties to Clients that we may consider in determining whether to undertake a transaction, with the result that a Client may not participate in certain transactions in which it might otherwise have participated. In certain circumstances, we may be contractually required to offer certain types of investment opportunities to certain Clients before such opportunities may be offered more broadly to all Clients, and therefore, some Clients may not be offered certain investment opportunities.

Ares Investor Services LLC ("AIS"), a broker-dealer affiliated with Ares, is currently registered with the SEC and FINRA to conduct private placements. AIS's private placement services currently include placement of interest in our Clients. It is possible that, in the future, AIS may also provide services (including underwriting, financing, capital market and advisory services) to third parties, including third parties that are competitors of Ares or one or more of its affiliates or portfolio companies of Clients. The expansion of AIS's services in this manner would present additional conflicts of interest. In the event that AIS provides services to third parties, it may not take into consideration the interests of the Client or its portfolio companies. It may also come into possession of information that AIS is prohibited from acting on (including on behalf of the Client) or disclosing to Ares and its Clients as a result of applicable confidentiality requirements or applicable law.

Ares may in the future develop new businesses such as providing investment banking, advisory, and other services to corporations, financial sponsors, management, or other persons. Such services may relate to transactions that could give rise to investment opportunities that are suitable for a Client. Such opportunities could require Ares to act exclusively on the behalf of such person, thereby precluding a Client from participating in an otherwise suitable investment opportunity.

Allocation of Investment Opportunities

Certain Clients may have overlapping investment objectives, including Clients that have different fee structures, and potential conflicts may arise with respect to our decision regarding how to allocate investment opportunities among these Clients. From time to time, we are presented with investment opportunities that fall within the investment objectives of more than one Client. While we seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one Client with respect to a particular investment or other matter conflict with the interests of one or more other Clients. We may allocate an investment opportunity that is appropriate for two or more Clients in a manner that excludes one or more Clients or results in a disproportionate allocation based on factors or criteria that we determine, such as differences with respect to available capital, the size of a Client, minimum investment amounts and remaining life of a Client, differences in investment objectives or current investment strategies, such as objectives or strategies, differences in risk profile at the time an opportunity becomes available, the potential transaction and other costs of allocating an opportunity among various Clients, potential conflicts of interest, including whether multiple Clients have an existing investment in the security in question or the issuer of such security, the nature of the security or the transaction including the size of investment opportunity, minimum investment amounts and the source of the opportunity, current and anticipated market and general economic conditions, existing positions in an issuer/security, prior positions in an issuer/security and other considerations deemed relevant to us, including the rotation of investment opportunities.

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

Overlapping Investments with Other Ares Clients

Multiple Clients may hold or may acquire positions in the securities of the same portfolio companies. Such investments and transactions may raise potential conflicts of interest for our Clients, particularly if different Clients invest in different classes or types of securities or investments of the same underlying portfolio company. In that regard, actions may be taken by some Clients that may be inconsistent, if not adverse to other Clients, including, but not limited to, interests in different parts of a company's capital structure during a restructuring, bankruptcy or other insolvency proceeding or similar matter.

Where our Clients invest in different parts of the capital structure of a portfolio company, their respective interests may diverge significantly in the case of financial distress of the company. In a bankruptcy proceeding, a Client's interest may be subordinated or otherwise adversely affected

by virtue of another Client's involvement and actions relating to their investment. This may result in loss or substantial dilution of one Client's investment, while another Client recovers all or part of amounts due to it. In addition, where one Client is a creditor of a portfolio company in which another Client holds more junior securities, that Client may take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that may be adverse to the interests of the other Client as an equity holder. There can be no assurance that the terms of or the return on each Client's investment will be equivalent to or better than the terms of or the returns obtained by other Clients participating in the transaction. Our ability to implement a Client's strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by other Clients impose restrictions on Clients engaging in transactions that we may otherwise be interested in pursuing.

Investments in Loans Syndicated by Other Ares Clients

Certain Clients may syndicate all or a portion of their investments and receive compensation in connection therewith, including with respect to investments in which other Clients invest. In certain circumstances, Clients may syndicate all or a portion of an investment to other Clients. For purposes of determining a Client's allocable portion of certain fees relating to such syndication, including arrangement fees, the basis for such determination may be the size of the syndicating Client's investment in, or commitment to, such portfolio investment relative to the size of the whole investment (e.g., all loan tranches and/or including investors that are not Clients).

Co-Investments

From time to time Ares may offer co-investment opportunities alongside one or more Clients in a specific investment opportunity because Ares may determine that the amount of a specific investment opportunity exceeds the amount Ares believes would be appropriate for the participating Clients or for other strategic reasons. In such circumstances, the size of the investment opportunity otherwise available to our Clients may be less than it would otherwise have been. Ares is not expected to offer co-investment opportunities with respect to all of a Client's investments. Subject to any investment allocation requirements set forth in the Governing Documents of a Client and Ares' Investment Allocation Policy, in general (i) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Ares 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 Clients (e.g., third parties) may be offered co-investment opportunities.

Certain Co-Investors may invest on different (and more favorable) terms than those applicable to a Client and may have interests or requirements that conflict with and adversely impact a Client (for example, with respect to their liquidity requirements, available capital, the timing of acquisitions and disposals, or control rights). Ares 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): (i) the strategic value of a potential Co-Investor to the investment opportunity, the Client and/or future Clients; (ii) the transparency and predictability of the Co-Investor's investment process; (iii) whether the potential Co-Investor has the financial, operational and other resources to evaluate and make the investment; (iv) historical co-investment experience with the potential Co-Investor; (v) tax and legal characteristics of a potential investment and Co-Investor; and (vi) a willingness of a potential Co-Investor to pay management fees and/or carried interest and to bear its portion of expenses related to the co-investment opportunity. 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 Ares including, without limitation, fees or carried interest from the co-investment opportunity and capital commitments to other Clients.

Depending on the type of transaction, a Client may sell down an interest in its portfolio companies to a Co-Investor at fair market value. Subject to a Client's Governing Documents, Ares may charge a Co-Investor interest costs for the time period between the closing of the Client's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable Co-Investor. In addition, there can be no assurance that we will be successful in offering such co-investment opportunity to any potential Co-Investor, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on terms and conditions that will be preferable to the Client or that expenses incurred by the Client with respect to the syndication of the co-investment will not be substantial. In the event we are not successful in offering a co-investment opportunity to potential Co-Investors, in whole or in part, a Client will consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended.

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 Client or be in a position to take action contrary to Ares' objectives for the investment. Clients 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 Clients 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 Client's Governing Documents and by applicable law, Ares may engage in transactions with a Client 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 Ares or its affiliates (including through borrowing by a Client from Ares or its affiliates) prior to funding by a Client. Ares may retain any profit it makes from such transactions. Ares will, to the extent required by applicable law, obtain the prior consent of a Client for such transactions. Underlying Investors should note that the Governing Documents for a Client may authorize the advisory board of a Client to provide such consent on behalf of such Client.

Valuation Risk

Many of the investments made by our Clients 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, adjusted EBITDA and other techniques and

may be based, at least in part, on independently sourced market parameters. The 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 Clients 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 or significant market volatility as caused by the COVID-19 pandemic or other global events.

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 Client may ultimately realize on such investments.

The amount and timing of carried interest or incentive fee received by Ares or its affiliates with respect to a Client will depend in part on the value of such Client'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.

Portfolio Company Due Diligence and Uncertainty of Financial Projections

Before making portfolio investments, Ares will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial tax, accounting, engineering, regulatory, 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. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment.

Investments Longer than Term

Our Clients may make investments that they do not advantageously dispose of prior to the date such Client 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, Ares and its affiliates have only a limited ability to extend the term of a Client with the consent of Underlying Investors or the advisory board of the Client, as applicable, and as a result our Clients 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

Underlying Investors in certain of our Clients make capital commitments to those Clients that we are entitled to call from those Underlying Investors at any time during prescribed periods. We depend on the Underlying Investors fulfilling and honoring their commitments when we call capital from them for those Clients to consummate investments and otherwise pay their obligations when due. As a result, a Client may be subject to costs, including break-up fees or damages, for un consummated transactions if Underlying Investors default on their commitment to fund capital. The other Underlying Investors in such Client may be required to make additional contributions to replace such shortfall. Any default or excused investment by one or more Underlying Investors could have a deleterious effect on the Client, its assets and the interests of the other Underlying Investors in the Client.

Leverage

A Client's investment strategy may involve the use of leverage, including the use of subscription lines. A Client 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 Underlying 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 flows. In addition, a Client may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Client's investments). Because amounts borrowed under a subscription line typically are secured by pledges of the relevant general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Client fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. While leverage may enhance total returns to Clients and their Underlying Investors, if investment results fail to cover borrowing costs, then returns will be lower than if there had been no leverage.

Derivative Risk

Certain Clients 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 Client'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 Client's investments, involves additional expenses as well as risks that are different from those of the Client'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 Client relating thereto. Unanticipated changes in securities prices, interest rates or currency exchange rates may result in a poorer overall performance for the Client than if it had not entered into any such derivative transaction. In addition, any hedging transaction into which the Client enters may be imperfect, including as a result of the timing at which such derivative transaction is entered into, leaving the Client 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 Client will be able to close out a position when deemed advisable by Ares or its affiliates. In addition, a Client's portfolio companies may enter into derivative transactions that may expose the Client to the risks indicated above. Any Client or Underlying Investor should carefully review the Governing Documents related to such investment vehicle regarding a Client's use of derivatives.

Counterparty Risk

Many of our Clients depend on the services of prime brokers, custodians, counterparties, administrators, investment banks and other agents to carry out certain transactions on behalf of the Client. 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 Client 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 Ares. Moreover, if a counterparty defaults, Ares may be unable to take action to cover a Client'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 Client as collateral, a Client might not be able to recover equivalent assets in full as it 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 Client'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 Client 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 Client's behalf.

In connection with certain loan transactions entered into by our Clients, a financial intermediary such as an investment bank may arrange loans and hold assets on behalf of investors participating in such loan, including a Client. 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 Client may not be able to recover such assets held by such financial intermediary.

Misconduct by Employees or Service Providers

Misconduct by (i) our employees, (ii) portfolio company directors, officers or employees, and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of a Client and/or the general partner and cause significant losses to a Client. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a Client, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting a Client's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to a Client. Ares has controls and procedures through which we seek to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

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 Clients

and/or Underlying Investors, despite our efforts and the efforts of our service providers to adopt controls, processes and practices intended to mitigate these risks and protect the security of computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Client or Underlying Investors. 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, Underlying Investors, 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 Clients and Underlying Investors. A successful penetration or circumvention of the security of our systems could result in the loss or theft of an Underlying Investor or Client data, 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 Clients, 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 Client's investments to lose value.

Controlled Group Risks

Under ERISA, members of certain "controlled groups" of "trades or businesses" may be jointly and severally liable for contributions required under any member's tax-qualified defined benefit pension plan and under certain other benefit plans. Further, if any member's tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members, including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by our Clients in a particular portfolio company, a Client may be considered to be a member of a portfolio company's "controlled group" for this purpose, and thus may be liable for the underfunded pension liabilities of such portfolio company.

Transfer Restrictions

An investment in a Client may require a long-term commitment, with no certainty of return on investment or return of advances. Interests in a private Client have 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 Underlying Investor in a private Client will also generally not be permitted to assign its interest in such Client without the prior consent of the general partner of such Client, 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 Client's investment activities may subject it to risks of becoming involved in litigation or other disputes with third parties. The outcome of such proceedings may materially and adversely affect the value of the Client's investments and may continue without resolution for long periods of time. Litigation entails expense and the possibility of counterclaims against the Client, Ares or its affiliates and ultimately judgments may be rendered against the Client for which the Client may

not carry insurance. Any litigation may consume substantial amounts of time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. The expense of prosecuting or defending any such disputes or paying any amounts pursuant to settlements or judgments will be borne by a Client and will reduce amounts available for distribution to the investors. Pursuant to the term of a Client's Governing Documents, Ares and its affiliates will be indemnified by the Client in connection with such disputes, subject to certain limitations.

Contingent Liability on Disposition of Investments

Many of our Clients' investments will be focused in private securities. In connection with the disposition of an investment in private securities, a Client 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 Client 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 Client would be payable from the assets of the Client, including the unused commitments of the Underlying Investors. If the assets of the Client are insufficient to pay such obligations, the Underlying Investors may be required to return distributions previously made to them in order to satisfy such obligations.

Client Expenses

A Client will pay and bear Organizational and Administrative Expenses, Sourcing and Diligence Expenses, and Oversight Expenses related to its operations. The amount of these Client expenses will be substantial and will reduce the actual returns realized by Underlying Investors on their investment (and may, in certain circumstances, reduce the amount of capital available to be deployed by a Client in investments). These 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 Client. Expenses to be borne by the general partner of the Client or Ares 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 Underlying Investors. From time to time, Ares and its affiliates will be required to decide whether costs and expenses are to be borne by the Client, on the one hand, or the general partner, Ares or its affiliates, on the other, and/or whether certain costs and expenses should be allocated between or among multiple Clients. Ares will make such judgments notwithstanding its interest in the outcome, but Underlying Investors should be aware that these judgments are subjective in nature and pose the potential for a conflict of interest.

Illiquidity of Client Assets

Many of our Clients invest in securities that are not publicly traded. In many cases, our Clients may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our Clients 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 Clients may be forced, under certain conditions, to sell securities at a loss. The ability of many of our Clients, particularly our private equity Clients, 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 Clients, particularly our Private Equity Group Clients, often entails our having representation on public portfolio company boards, our Clients 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 Clients may hold investments in portfolio companies of such Private Equity Group Clients on which we have board representation and be restricted for extended periods of time from selling their investments. As such, our Clients may experience substantial losses as a result of holding such investments over a considerable period of time.

Limited Control of Underlying Investments

A Client may not have the right to participate in the management of some investments. Investments by many of our Clients will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our Clients through trading activities or through purchases of securities from the issuer. In addition, our Clients may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in a Client retaining a minority investment. Furthermore, while certain of our Clients may make “toe-hold” distressed debt investments in a company with the intention of obtaining control, there is no assurance that a control position may be obtained and such Client may retain a minority investment. To the extent that a Client does not acquire a controlling interest in a portfolio company, the day-to-day operations of such portfolio company will be the responsibility of such company’s management team. In such instances, a Client is subject to the risk that a portfolio company may make business decisions with which Ares disagrees, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve a Client’s interests. As a result, a portfolio company may make decisions that could decrease the value of a Client’s investment and, in turn, have a material adverse effect on the value of the interests.

Lack of Diversification and Portfolio Concentration

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

Certain Clients focus or tend to hold investments that are concentrated in a particular issuer, security, asset class or geographic region, and may have a limited number of targeted investments, as such, some Clients may be more susceptible than a more widely diversified investment strategy to the negative consequences of a single corporate, economic, political or regulatory event. These Clients may at certain times hold large positions in a relatively limited number of investments.

These more concentrated strategies could be subject to significant losses when holding a relatively large position in a single issuer, industry, market or a particular type of investment declines in value, and the losses could increase even further if the investments cannot be liquidated. Accordingly, a lack of diversification and a specified concentration in asset classes or markets could adversely affect a Client's performance.

Investments in Privately Held Middle-Market Companies

Certain Clients 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 Client realizing any guarantees such Client 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 Client'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;
- they may have difficulty accessing the capital markets to meet future capital needs; and
- there is ordinarily a more limited secondary trading market for the sale of interests in smaller, private companies, which may limit exit opportunities for our Clients.

Risks Affecting Debt Instruments Generally

Certain Clients invest in our credit strategies. Debt instruments held by such Clients 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.

Changes to the Method of Determining the London Interbank Offered Rate (“LIBOR”)

National and international regulators and law enforcement agencies have conducted investigations into a number of rates or indices that are deemed to be “reference rates.” Actions by such regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates. In particular, on July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It appears highly likely that LIBOR will be discontinued or modified by 2021.

The future of LIBOR at this time is uncertain. The current nominated replacement for United States Dollar-LIBOR is the Secured Overnight Financing Rate (“SOFR”) and the nominated replacement for GDP-LIBOR is the Sterling Overnight Interbank Average Rate (“SONIA”). In March 2020, the Federal Reserve began publishing 30-, 90- and 180-day tenor SOFR Averages and a SOFR Index and in July 2020, Bloomberg began publishing fall-backs that the International Swaps and Derivatives Association (“ISDA”) intends to implement in lieu of LIBOR with respect to swaps and derivatives. In many cases, the nominated replacements, as well as other potential replacements, are not complete or ready to implement and require margin adjustments. On November 30, 2020, the ICE Benchmark Administration (“IBA”), the FCA-regulated LIBOR administrator, announced its intention to (i) consult on LIBOR cessation in December 2020 and, (ii) to the extent confirmed during such consultation, to cease the one-week and two-month United States Dollar (“USD”)–LIBOR tenors by December 31, 2021, and to cease all other USD-LIBOR tenors by June 30, 2023. Further, as of December 31, 2020, there is no forward-looking term-rate SOFR available and there is no guarantee that one will become available prior to the full discontinuation of LIBOR.

Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based securities, including LIBOR-indexed and floating-rate debt securities, which comprise a significant portion of some of our Clients’ portfolios, or the cost of borrowings of our Clients that utilize LIBOR-based leverage. In addition, changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities, including the value of the LIBOR-indexed, floating-rate debt securities in our Clients’ portfolios, or the cost of our Clients’ borrowings.

Highly Leveraged Borrowers

The issuers of debt in which a Client may invest are likely to be highly leveraged, which may have adverse consequences to these companies and to a Client as an investor. Leverage generally magnifies both the Client’s opportunities for gain and its risk of loss from a particular investment. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and the leverage may impair these companies’ ability to operate their business as desired and/or 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 Client 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.

Risks of Subordinated Loans

Certain Clients 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 Client's debt investments may be risky and such account could lose all or part of its investment. The debt investments held by our Clients are typically not initially rated by any rating agency, but Ares 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 Client's investments may result in an above average amount of risk and volatility or loss of principal. Certain Clients 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 Client's investment returns.

Revolving Credit Facilities and Unfunded Loans

Revolving credit facilities and other committed unfunded loans, which are loan commitments that are unfunded at the time of investment, are written agreements in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding,

among other things, the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when a Client might prefer not to lend. In addition, a lender may have assumptions as to when the borrower may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not result in as attractive an investment as originally anticipated for our Clients.

Investment in Special Situations and Distressed Securities

Certain Clients are authorized to invest in the securities and obligations of distressed companies, and 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. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. 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 Client 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 Client may lose all or a material portion of its investment.

Bankruptcy

A Client 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 Client. 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 Client. For example, a Client might be prohibited from liquidating investments which are declining in value.

In addition, under certain circumstances, a lender, such as a Client, 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 Client and distributions by a Client 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 Client 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 Clients 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 Clients 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 Clients' 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 Clients' 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;
- limitations on the deductibility of interest and other financing costs and expenses for income tax purposes in certain jurisdictions;
- 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 Clients 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 Clients that invest in securities of non-U.S. issuers. In addition, certain of these Clients are managed outside the United States, which may increase the foregoing risks.

United Kingdom (“UK”) Exit from the European Union (“EU”)

On March 29, 2017 the UK formally notified the European Council of its intention to leave the EU (“Brexit”). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 24, 2020, the UK government and the EU Commission provisionally agreed to a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period.

Although provisionally agreed, the terms of UK’s ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are intended to be ratified and implemented.

There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on our Clients and their Underlying Investors, including the ability of a Client to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both EU and UK-based businesses, including Ares and Client portfolio companies, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

Risks Related to Real Estate Investing

Real estate historically has experienced significant fluctuations and cycles in value that may result in reductions in the value of real estate-related investments. Investments in our real estate Clients will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include the following:

- those associated with the burdens of ownership of real property, including the general illiquidity of such investments;
- general and local economic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for example, of overbuilding);
- fluctuations in the average occupancy and room rates for hotel properties;

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

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

If our Clients acquire existing CMBS, including in the most subordinated classes of such CMBS and CLOs, they will be subject to additional risks, including the risks of the securitization process and the risk that the special servicer may take actions that could adversely affect our Clients. In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated stockholder and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which our Clients invest, the Client will not be able to recover all of its investment in the securities it has purchased. With respect to the CMBS and CLOs in which our Clients may invest, overall control over the special servicing of the related

underlying mortgage loans will be held by a “directing certificateholder” or a “controlling class representative,” which is appointed by the holders of the most subordinated class of commercial mortgage-backed securities in such series. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificateholder, take actions with respect to the specially serviced mortgage loans that could adversely affect our Clients’ interests.

Risks Related to Investments in the Energy Sector

The energy companies in which certain of our Clients invest have been and will be negatively impacted by material declines in energy related commodity prices and are subject to other risks, including among others, supply and demand risk, operational risk, construction risk, energy regulatory risk, depletion risk, reserve risk, and catastrophic event risk. Commodity prices fluctuate for several reasons, including changes in market, political and economic conditions, the impact of weather on demand, levels of domestic production and international production, policies implemented by the Organization of Petroleum Exporting Countries, energy conservation, environmental issues, domestic and foreign governmental regulation and taxation and the availability of local intrastate and interstate transportation systems. Any of these factors may cause the value of our Clients that invest in energy companies to decline. For example, the decline in energy consumption due to COVID-19, coupled with the recent tension between Saudi Arabia and Russia resulting in market over-supply has resulted in a historic slide in energy prices.

State and federal energy laws regulate, among other things, the development, ownership, business organization, and operation of generating and transmission facilities, the sales of electricity and gas, and the construction, siting, and operation of hydro power projects and interstate gas pipelines and storage fields. State laws regular the activities of traditional utilities which service retail electric and gas customers. The Federal Power Act (“FPA”), The Public Utility Holding Company Act of 2005 (“PUHCA”) and the Public Utility Regulatory Policies Act of 1978 (“PURPA”) are federal laws enacted to regulate the energy sector.

Item 9. Disciplinary Information

Except as described below, neither Ares nor its employees have been subject to legal or disciplinary events related to this Item.

On May 26, 2020, without admitting or denying any wrongdoing, Ares consented to the entry of an administrative and cease-and-desist order (the “Order”) instituted by the SEC. According to the Order, in 2016, Ares’ written policies and procedures regarding the prevention of misuse of potentially material nonpublic information (“MNPI”) were not sufficiently implemented and enforced in certain circumstances when Ares had an employee serving on the board of directors of a public company in which one of its Clients was invested. The Order did not find any misuse of MNPI by Ares or its employees; however, the Order included findings of violations of Section 204A and Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder with respect to the implementation and enforcement of its written procedures. The Order includes cease and desist provisions and a censure, and payment of a civil penalty in the amount of \$1 million.

From time to time, Ares and/or its employees are subject to regulatory inquiries, litigation, investigations, disputes related to investment and employment-related matters and other potential claims arising out of the ordinary course of business. Neither Ares nor any of its management

persons has been the subject of any legal or disciplinary proceedings that we believe are material to a Client's evaluation of our business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares Investor Services, LLC ("AIS"), a wholly owned subsidiary of Ares, 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 Clients sponsored by Ares and its affiliates. Certain Ares employees that are involved in marketing activities are registered representatives of AIS. Although a Client will not directly pay any compensation to AIS, Ares is responsible for paying certain expenses of the operation of AIS. Such payments may be considered to be compensation to AIS. AIS does not currently act as a placement agent of private securities for third parties or engage in brokering of portfolio company transaction, but may in the future perform these services. If compensation is received, such compensation would be made on a fully disclosed basis. Any such compensation would generally be determined through negotiation and charged at market rates.

Relationships with Related Persons

Ares is the parent company of the following SEC-registered investment advisers:

- Ares Capital Management LLC ("ACM"), 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. In addition, ARCC directly or indirectly also owns the equity and voting interests of its portfolio company, Ivy Hill, an SEC-registered investment adviser;
- Ares Capital Management II LLC ("ACM II"), 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; and
- Ares Commercial Real Estate Management LLC ("ACREM"), which provides advisory services to Ares Commercial Real Estate Corporation ("ACRE", NYSE: ACRE), a publicly traded commercial mortgage REIT and certain other institutional funds and accounts.

Ares is also the majority owner of CION Ares Management, LLC ("CAM"), an SEC-registered investment adviser and the investment adviser of CION Ares Diversified Credit Fund.

In addition, several advisory entities controlled by Ares are relying advisers included in Ares' umbrella registration. Some of these relying advisers are registered with foreign financial regulatory authorities, including:

- the UK Financial Conduct Authority in the United Kingdom;
- the Commission de Surveillance du Secteur Financier in Luxembourg;
- the Cayman Islands Monetary Authority;
- the Securities and Futures Commission in Hong Kong;

- the Monetary Authority of Singapore; and
- the Financial Services Commission in the Republic of Mauritius.

Ares and certain of its related persons are investment advisers and/or general partners to all of the Clients, and, in many cases, limited partners of the Clients. As such, the Firm, our investment professionals and other qualifying employees makes capital commitments to certain Clients. General partner capital commitment amounts are generally less than 5% of the total commitment of any particular Client and the amount varies from Client to Client. The general partner capital commitments are typically funded with cash and not with a deferral of management fees or performance-based compensation. Additionally, such commitments are not subject to management fees or performance-based fees.

Although Ares employees will devote as much of their business time on one or more of the Clients as required pursuant to the terms of each Client's Governing Documents, employees of Ares and its affiliates may also serve as advisors, directors, members of credit committees or, less frequently, officers for portfolio companies in which the Clients invest, or provide other services to portfolio companies. Further, in connection with such roles and related investment activities, employees may be given access to confidential information relating to, or deemed to be insiders of, such companies in which the Clients invest. As a result, Clients may be prohibited from engaging in transactions with such a portfolio company which may have an adverse effect on such Clients.

Principals, officers and certain employees of Ares, members of their families and related persons of Ares may generally participate directly or indirectly as investors in Ares' Clients, as described in a Client's Governing Documents, which may be privately negotiated transactions at varying prices.

Ares may recommend to Clients the purchase or sale of securities in which it, or an employee or related person thereof, has a financial interest. In addition, Ares permits its employees to engage in personal securities transactions, subject to compliance with the Firm's Code of Ethics.

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

Selection or Recommendation of Other Advisers

Ares does not recommend or select other third-party investment advisers for its Clients. Except for its subsidiaries ACM, ACM II and ACREM and Ares' related persons, CAM and Ivy Hill, Ares does not have other business relationships with other advisers that create a material conflict of interest.

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

Statement of Business Ethics and Code of Ethics

Ares has adopted an Ethics Policy (the "Code") pursuant to Rule 204A-1 under the Advisers Act that sets forth standards of business and fiduciary conduct that we require of Covered Persons (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 Ares and our 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 Clients or use confidential information gained by reason of his or her employment by or affiliation with Ares in a manner detrimental to 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. The reporting and pre-clearance requirements of the Code apply to all Ares employees and immediate family members living in their household. Under the Code, transactions involving the purchase or sale of certain securities are subject to pre-clearance, reporting and minimum holding requirements. All Ares employees are required to make compliance certifications attesting to compliance with the Code on a quarterly and an annual basis. The compliance certifications are administered through Ares' compliance portal. The Code is available upon written request of the Client, their Underlying Investor or prospective investors.

Participation or Interest in Client Transactions

As general partners, limited partners or investors in certain Clients, Ares, our related persons and qualifying employees have indirect beneficial interests in the securities owned by such Clients and will share in any profits and losses generated by such Clients' 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 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, Ares and our related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to eligible Clients in connection with certain "warehousing" transactions, provided that the sale is consistent with Ares' fiduciary obligations to such Client. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Client (which, in certain circumstances, may be provided by a Client's Advisory Board), 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 make investments on our own behalf and on behalf of our affiliates in securities we recommend to a Client. Such investments may be subject to conflicting investment strategies or objectives. In addition, Ares and our principals may co-invest with certain Clients, as permissible in the applicable Governing Documents. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if a Client invests in different classes or types of securities of the same issuer. In such cases, the interest of one Client may not always be aligned with the other Client and may pose an actual or potential conflict of interest, as a Client may pursue or enforce rights with respect to an investment, and those activities may have

an adverse effect on the Client as prices, liquidity, terms of the investments, and levels of risk may be negatively impacted by such actions.

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

Ares has adopted an allocation policy designed to ensure that all investment opportunities are, to the extent practicable, allocated among our Clients on a basis that over a period of time is fair and equitable to each Client relative to other Clients as well as a co-investment policy designed to ensure fair allocation of co-investment opportunities amongst the Clients. 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 Clients are generally subject to a blackout period after any Client has traded in any security of that issuer and may further be restricted by a Client's Governing Documents. The Code's procedures are administered by the Firm's Compliance Department. On a quarterly basis, Covered Persons must certify to 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, including the Code, and certify that they have complied with the provisions of the Code.

Other Potential Conflicts

Certain Ares employees and/or their covered family members own private placement interests, including but not limited to, investments in private pooled investment vehicles, other private funds and in single business entities, which could result in a conflict of interests between a Client and the employee in light of a potential personal benefit to the employee. A conflict could arise when an employee invests in an issuer and/or their affiliates who may become a portfolio company, competitor, service provider, counterparty, sponsor or any other business partner of Ares and/or

its Clients. In order to mitigate such potential conflicts, these investments are monitored through the pre-clearance and reporting requirements under the Code.

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

From time to time, subject to the applicable Governing Documents, a Client may engage in cross trades with one or more other Clients, typically for purposes of rebalancing its portfolios, in order to further such participating Clients' investment programs, or for other reasons consistent with the investment and operating guidelines of such participating Clients. 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 will be determined in a manner that is consistent with applicable policies.

Certain Ares employees may receive discounts on products and services offered by companies in which a Client 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 Clients' 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.

Item 12. Brokerage Practices

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

In selecting broker-dealers to effect transactions, Ares seeks to obtain best execution by considering various factors in addition to the quantitative 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 Ares generally seeks reasonably competitive trade execution costs, Clients will not necessarily pay the lowest spread or commission available.

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

Research and Other Soft Dollar Benefits

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

arrangements, we will do so in a manner consistent with the safe harbor under Section 28(e) of the Exchange Act.

Item 13. Review of Accounts

Review of Client Accounts

Ares monitors all portfolio investments on behalf of each 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 partners and senior investment professionals, including portfolio managers, in the Credit, Private Equity and Real Estate Groups, as applicable.

Reports to Clients and Investors

Ares provides reports to the Clients or their Underlying Investors as required by the applicable Governing Documents or otherwise agreed upon with a Client or Underlying Investor. Underlying Investors should refer to the applicable Governing Documents for further information on the reports provided to a particular Underlying Investor.

The Governing Documents of certain Clients sometimes require quarterly and annual financial statements to be distributed to Underlying Investors and Ares also typically provides written investor letters with respect to a Client and its performance. Ares distributes K-1 filings to Underlying Investors, where applicable, and provides certain other reports and analyses to Underlying Investors and potential investors upon request.

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

Item 14. Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

In connection with investments made by certain Clients, Ares or its related persons receives commitment, structuring, monitoring or other transaction fees from portfolio investments in which one or more of the Clients may invest or propose to invest. The potential for Ares and its related persons to receive such economic benefits may create conflicts of interest as Ares and its related persons may have economic incentives to invest in portfolio investments that provide such benefits. To mitigate potential conflicts, such benefits received by Ares in connection with its

services related to portfolio companies or transactions are generally offset in whole or in part against advisory fees payable by the related Client.

Third Party Compensation for Referrals

Any Clients 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 Clients, the general partner of a Client, Ares or a combination thereof. In addition, Ares compensates certain third parties who refer prospective investors to its Clients.

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

The receipt of compensation by placement agents and the potential receipt of brokerage commissions by broker-dealers create potential conflicts of interest and may affect the judgment of placement agents and broker-dealers when making referrals to Ares and the Clients. Moreover, potential conflicts of interest may arise between the interests of Clients in obtaining best price and execution and Ares' interest in receiving future referrals to the Clients from certain broker-dealers. Ares addresses these potential conflicts of interest by seeking to obtain best execution by considering factors set forth in "*Item 12. Brokerage Practices*" above.

Item 15. Custody

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

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

Item 16. Investment Discretion

Ares has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Client, 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 Client. For Ares to assume such discretionary authority, each Underlying Investor must complete the

appropriate Client subscription documents or an investment advisory agreement prior to the establishment of an advisory relationship granting such authority.

With respect to certain Clients or accounts managed on behalf of a single investor, Ares is required to obtain investor consent for investment decisions and certain other actions. Ares deems these accounts to be managed on a non-discretionary basis.

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”), Ares generally retains proxy voting authority with respect to these Voting Securities. Ares has adopted and implemented written Proxy Voting Policies and Guidelines (“Proxy Voting Guidelines”) that are designed to reasonably ensure that Ares votes proxies in the best interests of its Clients for whom Ares has voting authority.

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

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

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

Some examples of potential conflicts can include;

- Ares provides investment advice to an officer or director of an issuer and Ares receives a proxy solicitation from that issuer;
- an issuer or some other third party offers Ares or an employee, officer, director, partner or member of Ares (an “Associate”) compensation in exchange for voting a proxy in a particular way;
- an Associate or a member of an Associate’s household has a personal or business relationship with an issuer;
- an Associate has a beneficial interest contrary to the position held by Ares on behalf of its Clients;
- Ares holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios; or
- any other circumstance where Ares’ duty to service the interest of its Clients could be compromised.

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

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

Item 18. Financial Information

Not Applicable.