



ARES CAPITAL MANAGEMENT LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2022

This brochure provides information about the qualifications and business practices of Ares Capital Management LLC (“ACM” 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 ACM 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 ACM or any principals or employees of ACM possess a particular level of skill or training in the investment advisory or any other business.

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Item 2 - Material Changes

ACM 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 ACM does not believe that these changes are material, ACM has made updates to this brochure to enhance certain disclosures and provide additional information regarding: (i) the investment strategies managed by ACM; (ii) the allocation of investments among our Clients, including with respect to co-investment transactions; (iii) certain risks of investing in our Clients; and (iv) potential conflicts of interest that may arise in the course of our investment and other activities.

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Item 4 - Advisory Business

Overview.

ACM is a Delaware limited liability company that was formed in April 2004. ACM is a subsidiary of Ares Management LLC ("Ares Management"), an SEC-registered investment adviser and 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.

ACM provides investment management services to our advisory clients, which are comprised of various pooled investment vehicles, including public and private investment funds and joint ventures (collectively, the "Funds"), other separately managed accounts and other institutional clients (together, with the Funds, "Clients"). ACM serves as the investment adviser on a discretionary basis to Ares Capital Corporation ("ARCC"), a publicly traded, closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act, as amended (the "1940 Act").

ACM provides investment management services on a non-discretionary basis to a private investment vehicle that is structured as a joint venture ("JV"), the Senior Direct Lending Program, LLC, doing business as the Senior Direct Lending Program (the "SDLP"). ACM shares management duties of the SDLP with Varagon Capital Partners, L.P. ("Varagon").

ACM also provides advisory services to certain institutional separately managed accounts, some of which are provided on a discretionary basis and some of which are provided on a non-discretionary basis. The private 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 underlying investors as "Underlying Investors."

As of December 31, 2021, ACM had assets under management ("RAUM") of \$55,367,821,017, of which \$7,691,549,308 is managed on a non-discretionary basis. RAUM is calculated by aggregating the gross value of all securities accounts for which ACM provides continuous and regular supervisory or management services

ACM's investment advisory business is served by a dedicated team within the U.S. direct lending strategy of the Ares Management Credit Group (the "Credit Group"). The Credit Group is 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 syndicated loans, high yield bonds, 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. Please see "*Item 8. Methods of Analysis, Investment Strategies and Risk of Loss*" for further discussion of ACM's investment strategies and Ares Management's Credit Group.

Investment advice is provided directly to our Clients, subject to the discretion and control of ACM or the applicable general partner, and not individually to the Underlying Investors. ACM 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 applicable public filings, confidential private placement memorandum, prospectus, limited partnership agreement, advisory agreement, management agreement, and other governing documents (collectively, the "Governing Documents"). Underlying Investors and prospective investors should refer to the applicable Governing Documents for complete information on the investment objectives, investment restrictions and risks. Prior performance, while illustrative of ACM's 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, ACM or a Client general partner, managing member, investment adviser, sub-adviser, or manager may enter 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, co-investment opportunities, 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.

We do not participate in any wrap fee programs.

In December 2015, the SDLP was established to make first lien senior secured loans, including certain stretch senior and unitranche loans to U.S. middle-market companies. ACM and Varagon serve as co-managers of the SDLP. Varagon was formed in 2013 as a lending platform by American International Group, Inc. (NYSE:AIG) and other partners. The SDLP may generally commit and hold individual loans of up to \$350 million. ARCC and certain Clients may directly co-invest with the SDLP to accommodate larger transactions. ARCC provides capital to the SDLP in the form of subordinated certificates (the "SDLP Certificates"), and Varagon provides capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. ARCC and Varagon own 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates. As of December 31, 2021, ARCC and Varagon and its clients had agreed to make capital available to the SDLP of \$6.2 billion in the aggregate, of which \$1.4 billion is to be made available from ARCC. The SDLP is capitalized as transactions are completed. All portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP (the "JV Investment Committee") consisting of representatives of ARCC and Varagon (with approval from a representative of each required).

Varagon and ARCC each have agreed to refer investments in unitranche loans to borrowers with trailing annual EBITDA of at least \$25 million to the SDLP pursuant to sourcing agreements, but may also elect to refer other investments. All material investment decisions by the SDLP require the approval of both Varagon and ARCC. In addition to their respective interest in SDLP securities,

both Varagon and ARCC have the right, but not the obligation, to directly invest in a portion of each term loan in which the SDLP invests.

Item 5 - Fees and Compensation

Compensation and Fee Schedules

All Underlying Investors and prospective investors should carefully review the Governing Documents of the applicable Client in conjunction with this brochure for complete information on the fees and compensation payable with respect to a particular Client. The SDLP does not pay any fees to ACM.

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. ACM 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 ACM. 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 ACM by Underlying Investors of a Client will vary among such Underlying Investors and may be negotiable. Ares Management 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 Management and its affiliates, including ACM, as well as co-investment opportunities alongside Clients. As a result, Underlying Investors participating in co-investment opportunities may bear less overall fee impact relative to their exposure to assets held by Clients. 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 ACM 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 the 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 the allocable share of Advisory Fees paid by a private Client may differ among Underlying Investors of the same Client (or a similar 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 or in connection with the raise of a successor fund.

Performance-Based Fees

ACM 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 ACM or one of our affiliates. In addition, the Firm 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 Client, depending on the nature of the account.

Base Advisory Fees for many 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 Governing Documents for complete information on the timing of Advisory Fee payments.

Certain Clients have the right to terminate their agreements in accordance with the terms of such agreements. 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.

Other Fees and Expenses

Certain of our private Clients pay an administrative fee typically ranging from 0.025% to 0.15% per annum on invested capital, as outlined in each Client's Governing Documents.

ACM, 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 ACM 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, ACM will bear the amount allocable to such Client. In certain other cases, ACM 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 are typically not disclosed among all Clients. ACM endeavors to allocate fees, costs, and expenses on a fair and equitable basis.

There are four 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.

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 ACM 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 ACM 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 Clients, their boards of directors (or similar bodies) and 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) to the extent permitted by applicable law;
- 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, depository 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 ACM 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, ACM, its affiliates and 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, ACM 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 ACM 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 Ares Management, 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 ACM or Ares Management employees provide (including a portion of compensation and overhead costs otherwise payable by ACM), 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, senior 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 ACM employee to attend a board of directors or similar meeting at a portfolio company;
- directors’ fees;
- expenses of consultants (including expert networks);
- 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, 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 ACM’ employees are subject to Ares Management’s Travel & Expense Policy.

In most cases, ACM and its affiliates 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 ACM or its affiliates. ACM 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 ACM, 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 ACM, its related parties, 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 ACM or its affiliates than its Clients or Client portfolio companies. This may create an incentive for ACM or its affiliates to select service providers based on potential benefit to ACM or its affiliates rather than its 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, ACM, 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 ACM upon termination. In addition, for some Clients, ACM 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 ACM are generally waived or offset in whole or in part against Advisory Fees payable to ACM by the Client. However, in certain instances ACM 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 ACM, 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

ACM 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 return. 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 ACM or its affiliates by a Client is separate and distinct from the Advisory Fees charged by ACM for advisory services. ACM, its employees, certain business associates and “friends and family” of ACM will generally not pay such performance-based fees or allocations with respect to their direct or indirect investments in Clients.

Performance-based fees and allocation arrangements received by ACM 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, ACM, 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 Management platform. Such arrangements often include ACM granting certain preferential terms to these Underlying Investors, including co-investment rights, 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 ACM’s fiduciary obligations to each such Client. In addition, following the acquisition by ACM and/or Ares Management of other investment managers or management contracts from other investment managers, ACM 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 and remaining life of a Client;
- (ii) differences with respect to 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 portfolio managers or investment committee members 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, ACM 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 the multiple Clients for which the investment is otherwise suitable. ACM may also determine that the differences among Clients, such as the length of each Client's investment period, may result in an inability to share an investment opportunity among existing Clients without increasing the potential for conflicts of interest to arise. If it believes such circumstances are likely to occur regularly, ACM will generally

employ an allocation rotation process pursuant to Ares Management's investment allocation policy that is designed to facilitate a fair and equitable allocation of such opportunities over time.

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 such as the agreement between Varagon and ARCC as discussed above in *"Item 4. Advisory Business"*. As a result, some clients may not be offered certain investment opportunities. In addition, certain of our Clients are subject to regulatory limitations on their ability to invest in the same issuer as other ACM or Ares Management Clients, and in some cases are precluded altogether from investing in an issuer in which another Client is invested or is investing. ACM, Ares Management and its affiliates have received an order from the SEC that permits business development companies and registered closed-end investment companies managed by ACM and Ares Management to invest in portfolio companies alongside each other and with affiliated investment funds (the "Co-investment Exemptive Order"). Investments made in reliance on 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 an investment opportunity. Clients' ability to participate in an investment opportunity with other Clients is subject to compliance with existing regulatory guidance, applicable regulations and Ares Management's investment allocation procedures. The foregoing factors in certain circumstances may:

- adversely impact 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 our Clients to co-invest in portfolio investments with business development companies, registered closed-end investment companies and other clients managed by Ares Management.

One Client may hold, acquire or dispose of positions in an investment in which another Client directly or indirectly 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, actions taken by a Client may adversely impact another Client where one Client invests directly in a portfolio company that is owned indirectly by another Client through interests in an investment fund that holds securities of that same issuer. In such cases, the Client that is directly invested in the issuer may pursue or enforce its rights in a manner that may be detrimental to the other Client as an indirect investor. ACM may take actions at the time of an initial investment and on an ongoing basis, as appropriate, to the extent it determines in its sole discretion any such action is necessary or advisable to seek to mitigate potential conflicts of interest for a Client. Such conflict mitigation may include the appointment of an independent third party with decision-making authority with respect to a Client, limiting the amount of an

investment in an issuer or fund that owns an issuer by one or more Clients, or agreeing to limit future rights that would otherwise be available to a Client.

From time to time and reflective of the diversity and breadth of Ares Management's investment platform, investments made on behalf of Clients may not be consistent with public statements made by Ares Management 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 and their affiliates, employees or consultants of ACM and other affiliates of ACM (such persons invited to participate in a transaction by ACM collectively referred to as "Co-Investors"). ACM 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 or 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) whether the potential Co-Investor is a current Investor in the applicable Client; (v) historical co-investment experience with the potential Co-Investor; (vi) tax and legal characteristics of a potential investment and Co-Investor; and (vii) whether, and to what extent, the potential Co-Investor is willing 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.

ACM has adopted a co-investment policy designed to ensure fair allocation of co-investment opportunities in the event such opportunities become available. ACM may in limited circumstances enter into certain agreements pursuant to which ACM has agreed to offer available co-investment opportunities to specific Co-Investors; however, ACM 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. ACM may establish special purpose co-investment vehicles for certain Co-Investors in advance of any co-investments being identified for such Co-Investors and ACM 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 Client's Governing Documents, ACM 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). ACM will generally seek to ensure that the Client, ACM, 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 ACM 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. ACM 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 ACM 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, administrative 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, ACM 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, ACM 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 its Underlying Investors 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 ACM, 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 an portfolio investment, ACM 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 one or more other Clients, Co-Investors or other persons prior to or within a period after the initial commitment or closing of the acquisition. Any such proposed sale by a Client of a portion of an investment to another Client, including a sale in connection with a co-investment transaction, will be effected only if ACM believes it is in the best interest of all Clients involved and completed in accordance with each Client’s Governing Documents. 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 ACM. 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 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, ACM 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 ACM addresses these matters.

Item 7 - Types of Clients

Types of Clients

ACM generally provides investment advice to various pooled investment vehicles, including public and private investment funds and joint ventures, separately managed accounts and other institutional clients. 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 ACM that benefits one Underlying Investor over another Underlying Investor. In selecting and structuring investments for a Client, ACM 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 of the Clients 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 \$250 million but actual minimum sizes vary by strategy.

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

ACM's advisory business is serviced by a dedicated team within the direct lending strategy of Ares Management. The Credit Group is 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.

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 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.

The Credit Group takes a value-oriented approach which, among other factors, considers industry and market 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 our position as a preferred source of financing for our transaction partners.

The foundation of this investment philosophy and portfolio construction is intensive credit investment analysis, a strict investment discipline based on both market technicals and fundamental value-oriented research and a diversification strategy. The Credit Group's investment process emphasizes due diligence on companies and company-specific research and analysis, including:

- a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer's business;
- an evaluation of management and its economic incentives;
- 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 the Credit Group generally emphasizes the importance of the following:

- Credit intensive analysis and ongoing monitoring;
- Control of investment risk; protection of principal; low volatility; risk/return with a focus on minimizing downside risk;
- Long-term value creation;
- Market focused relative value analysis, including an assessment of the overall macroeconomic environment and financial markets;
- Use of Ares Management's 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.

With respect to JV transactions, upon completion of the full due diligence review on behalf of the JVs, a potential transaction is summarized and provided to the respective JV Investment Committee for approval.

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 ACM's 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), political uncertainty and social unrest, trade policies, commodity prices, tariffs, currency exchange rates and controls and national and international political circumstances (including wars and other forms of conflict, civil unrest, 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, ongoing uncertainty following the end of the Brexit transition period on December 31, 2020, hostilities in the Middle East region and more recently between Russia and Ukraine, and concerns over increasing inflation, as well as interest rate volatility and fluctuations in oil and gas prices resulting from global production and demand levels as well as geopolitical tension, have precipitated market volatility. The extent and impact of sanctions imposed in connection with the escalation of hostilities between Russia and Ukraine may cause additional financial market volatility and impact the global economy.

In addition, numerous structural dynamics and persistent market trends have exacerbated volatility generally. Concerns over significant volatility in the commodities markets, sluggish economic expansion in non-U.S. economies, including continued concerns over growth prospects in China and emerging markets, growing debt loads for certain countries and uncertainty about the consequences of the U.S. and other governments withdrawing monetary stimulus measures all highlight the fact that economic conditions remain unpredictable and volatile. In recent periods, geopolitical tensions, including between the U.S. and China and between Russia and Ukraine have escalated. Further escalation of such tensions and the related imposition of sanctions or other trade barriers may negatively impact the rate of global growth, particularly in China, which has and

continues to exhibit signs of slowing growth. Any of the foregoing could have a significant impact on the markets in which we operate and result in adverse consequences for our Clients and result in substantial losses to our Clients.

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. The COVID-19 pandemic and preventative measures taken to contain or mitigate its spread have caused, and are continuing to cause, business shutdowns or the re-introduction of business shutdowns, cancellations of events and restrictions on travel, significant reductions in demand for certain goods and services, reductions in business activity and financial transactions, supply chain disruptions and overall economic and financial market instability both globally and in the United States. Such measures, as well as the general uncertainty surrounding the dangers and impact of the COVID-19 pandemic, have created significant disruption in economic activity and have had a particularly adverse impact on the energy, hospitality, travel, retail and restaurant industries. Such effects remain ongoing and the ultimate duration and severity of the COVID-19 pandemic, including COVID-19 variants, such as the recent Delta variant and Omicron variant, remain uncertain. While several countries, as well as certain states, counties and cities in the United States, have reopened their economies, many cities, both globally and in the United States, such as Hong Kong, are experiencing restrictions related to the COVID-19 pandemic. Even after the COVID-19 pandemic subsides, the U.S. economy and most other major global economies may continue to experience a recession.

The ultimate impact of COVID-19 — including the restrictive measures taken in response thereto — 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, severity and scope of the public health emergency the growth trajectory of the Delta variant, the Omicron variant or other variants, the long-term efficacy, availability and acceptance of COVID-19 vaccines, as well as the actions taken by governmental authorities to contain its financial and economic impact, the implementation of travel advisories and restrictions, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to global, regional and local supply chains and economic markets, all of which are uncertain and difficult to assess. Even if and as the spread of the COVID-19 virus itself is substantially contained, 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 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. In March 2022, the Federal Reserve announced an increase in the federal funds rate and forecasted additional increases throughout 2022. 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 ACM 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 ACM 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 ACM 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 ACM and its management activities. Recently, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, including by proposing a number of new rules that would impact the regulation of private investment funds. Such oversight and regulation may cause a Client to incur additional expenses, may divert the attention of ACM 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 ACM or its Clients will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in sanctions or fines being imposed against ACM or its affiliates, ACM, 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 ACM and its affiliates. A Client's competitors may be substantially larger and have greater financial, technical, marketing and other resources and more personnel than ACM and its affiliates. 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. 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, a Client 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 ACM and/or its affiliates, and thus Underlying Investors must rely on the ability of the ACM and/or its affiliates 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 Underlying Investors will be subject to the discretion of ACM and its affiliates. 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 ACM and/or its affiliates.

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 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 or misconduct 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 individuals 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 ACM 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 Client accounts 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. In such cases, employees of Ares may have duties that may differ from, and could conflict with, their duties to our Clients.

Conflicts of interest may arise in allocating time, services, or resources among the investment activities of the Clients, ACM, and other ACM-affiliated entities. Additionally, ACM 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 indirect 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 Funds and the investors in the Funds. These conflicts would not necessarily need to be taken into account if Ares Corp were not publicly traded.

Restrictions on Transactions Due to Other ACM and Ares Management Businesses

ACM and Ares Management 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, ACM, Ares Management and their 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.

ACM and Ares Management 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. ACM, Ares Management and their 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, ACM and Ares Management do 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 Management Capital Markets LLC (“AMCM”) (formerly known as Ares Investor Services LLC), a broker-dealer affiliated with Ares Management, is currently registered with the SEC and FINRA to conduct private placements. AMCM’s private placement services currently include placement of interest in our Clients. It is possible that, in the future, AMCM may also provide services (including underwriting, financing, capital market and advisory services) to third parties, including third parties that are competitors of ACM or one or more of its affiliates or portfolio companies of Clients. The expansion of AMCM’s services in this manner would present additional conflicts of interest. In the event that AMCM 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 AMCM is prohibited from acting on (including on behalf of the

Client) or disclosing to ACM and its Clients as a result of applicable confidentiality requirements or applicable law.

Ares Management 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 Management and its affiliates, including ACM, 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 ACM 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, ACM may, in accordance with ACM's 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 ACM 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 a junior creditor or 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.

Co-Investments

From time to time ACM may offer co-investment opportunities alongside one or more Clients in a specific investment opportunity because ACM may determine that the amount of a specific investment opportunity exceeds the amount ACM 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. ACM 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 ACM's investment allocation policy, in general (i) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of ACM 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). ACM 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) whether, and to what extent, the potential Co-Investor is willing 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 ACM 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 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 ACM. Subject to the applicable Client's Governing Documents, the Client seeking to sell down a portion of its interest in such portfolio company 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, ACM 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 ACM or its affiliates (including through borrowing by a Client from ACM or its affiliates) prior to funding by a Client. ACM may retain any profit it makes from such transactions. ACM 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. Where required by Client's Governing Documents, 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 hostilities between Russia and Ukraine 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 ACM 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, ACM 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, ACM 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 unconsummated 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 flow. 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 ACM 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 ACM. Moreover, if a counterparty defaults, ACM 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, or sexual or other harassment, 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. ACM and Ares Management have 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, Ares Management 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 or those of our service providers 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.

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, ACM 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 ACM 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, ACM 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, ACM or its affiliates, on the other, and/or whether certain costs and expenses should be allocated between or among multiple Clients. ACM 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 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.

Limited Control of Underlying 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. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which ACM disagrees, and the stockholders and management of such company may take risks or otherwise act in ways that do not serve our Clients interests. As a result, a 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 July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the FCA would phase out LIBOR by the end of 2021.

On March 5, 2021, the ICE Benchmark Administration Limited ("IBA"), which administers LIBOR, stated that as a result of its not having access to input data necessary to calculate LIBOR

settings on a representative basis beyond the intended LIBOR cessation dates, it would cease publishing (i) the principal LIBOR tenors in four currencies (GBP, EUR, CHF and JPY) immediately after December 31, 2021, (ii) the one week and two month tenors of USD LIBOR, immediately after December 31, 2021, and (iii) all other USD LIBOR tenors (e.g., overnight, one month, three month, six month and twelve month) immediately after June 30, 2023. On the same day, the FCA, as supervisor of IBA, issued a separate announcement confirming that the IBA had notified the FCA of its intent to cease providing all LIBOR settings as of the dates provided above.

The nominated replacement for USD-LIBOR is the Secured Overnight Financing Rate (“SOFR”) and the nominated replacement for GBP-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”) implemented in lieu of LIBOR with respect to swaps and derivatives. In July 2021, the CME Group’s forward-looking SOFR term rates were formally recommended by the Alternative Reference Rates Committee.

Changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, 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, there can be no assurance that any replacement to LIBOR will gain wide market acceptance, nor whether multiple substitute benchmarks will develop that (taken as a whole) have sufficiently robust trading volumes. There can also be no assurance that any such replacement(s) or substitute(s) will necessarily be an improvement over LIBOR in its current (or modified) form. Any reduction or elimination of LIBOR as a global benchmark going forward could adversely affect the value and liquidity of our Clients’ investments, especially if a Client’s investments bear interest based on LIBOR, and/or could cause an absence of available investments until an alternative benchmark becomes generally accepted in the marketplace. In addition, an increase in alternative types of financing at the expense of LIBOR-based corporate loans may have a material adverse effect on the market value of a Client’s investments, which, in turn, could have a material adverse effect on the Client’s ability to achieve its investment objectives.

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 ACM 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 an 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. The UK and the EU announced, in December 2020, that they had provisionally agreed to a trade and cooperation agreement governing their future relationship.

Due to the trade and cooperation agreement only being agreed to shortly before the end of the transition period, it applied on a provisional basis in the EU until it was formally ratified by the European Parliament and has applied permanently since May 1, 2021. While the trade and cooperation agreement includes a commitment by the UK and the EU to keep their markets open for persons wishing to provide financial services through a permanent establishment, it does not substantively address future cooperation in the financial services sector or reciprocal market access into the EU by UK firms under equivalence arrangements or otherwise.

Although the trade and cooperation agreement provides clarity in some areas, there remains considerable uncertainty as to the future position of the U.K. and the arrangements which will apply to its relationships with the EU and other countries following the end of the transitional period.

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.

Item 9 - Disciplinary Information

Except as described below, neither ACM nor any of its executive officers, members of its investment committees or portfolio management committees or other “management persons” as defined in Form ADV has been subject to legal or disciplinary events related to this Item.

On May 26, 2020, without admitting or denying any wrongdoing, Ares Management 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 Management's 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 Management 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 Management 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, ACM 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 ACM 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 Management Capital Markets LLC ("AMCM") (formerly known as Ares Investor Services LLC), a wholly owned subsidiary of Ares Management, the Firm's parent company, is a broker-dealer currently registered with the SEC and the Financial Industry Regulatory Authority to conduct private placements. AMCM acts as a placement agent for certain Clients sponsored by Ares Management and its affiliates, including ACM. Certain Ares Management employees that are involved in marketing activities are registered representatives of AMCM. Although a Client will not directly pay any compensation to AMCM, Ares Management is responsible for paying certain expenses of the operation of AMCM. Such payments may be considered to be compensation to AMCM. AMCM 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.

Ares Wealth Management Solutions, LLC ("AWMS"), a wholly owned subsidiary of Ares Management, the Firm's parent company, is a broker-dealer currently registered with the SEC and the Financial Industry Regulatory Authority. AWMS's primary business is the wholesale distribution of real estate investment trusts ("REITs") and private placements of real estate related securities offered by certain funds sponsored by Ares Management and its affiliates.

Relationships with Related Persons

ACM is the investment manager of ARCC and most of Ares Management's U.S. direct lending funds and institutional accounts. ARCC directly or indirectly owns the equity and voting interests of Ivy Hill Asset Management, L.P. ("Ivy Hill"), an SEC-registered investment adviser.

Ares Management, the parent company of ACM and an SEC registered investment adviser, is also the parent company of the following SEC-registered investment advisers:

- Ares Capital Management II LLC (“ACM II”), the investment adviser of Ares Dynamic Credit Allocation Client, 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;
- 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, non-traded REITs and certain other institutional funds and accounts;
- Landmark Partners LLC (“Landmark Partners”), which wholly owns LEA and LRA, each defined below;
- Landmark Equity Advisors LLC (“LEA”), which provides advisory services to certain institutional funds; and
- Landmark Realty Advisors LLC (“LRA”), which provides advisory services to certain institutional funds.

Ares Management 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 Client. In addition, several advisory entities controlled by Ares Management are relying advisers included in Ares Management’s 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.

ACM and certain of its related persons are investment advisers and/or general partners to 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 ACM 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 ACM 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 ACM, members of their families and related persons of ACM may generally participate directly or indirectly as investors in ACM's Clients, as described in a Client's Governing Documents, which may be privately negotiated transactions at varying prices.

ACM 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, ACM 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

ACM does not recommend or select other third-party investment advisers for its Clients. Except for its related parties, Ares Management (ACM's parent), ACM II, ACREM, Landmark Partners, LEA and LRA, each a subsidiary of Ares Management and ACM's related persons, Ivy Hill and CAM, ACM 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

ACM 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 ACM 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 the Clients or use confidential information gained by reason of his or her employment by or affiliation with ACM in a manner detrimental to the 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 ACM 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 ACM 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 Management's compliance portal.

The Code is available upon the written request of any Client, Underlying Investor or prospective investors.

Participation or Interest in Client Transactions

As general partners, limited partners or investors in certain Clients, ACM, 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 (as defined in the Code) 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, ACM 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 ACM's 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, ACM 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 significantly diverge from 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 other 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 ACM, members of their families and related persons of ACM may participate directly or indirectly as investors in ACM's 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 Underlying Investors except that generally these feeder funds are not subject to managements fees or carried interest.

ACM has adopted an investment 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 Ares Management'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 ACM 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 ACM 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.

ACM 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 ACM 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 ACM 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, ACM may engage certain of its Clients' portfolio companies to provide goods and services. In these instances, ACM 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, ACM has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of certain Clients, including the selection of, and commissions paid to, brokers.

In selecting broker-dealers to effect transactions, ACM 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 ACM generally seeks reasonably competitive trade execution costs, Clients will not necessarily pay the lowest spread or commission available.

From time to time, ACM may receive client or investor referrals from broker-dealers, which may provide an incentive for ACM 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.

With respect to JV transactions, ACM shares the exclusive responsibility with its co-manager for selecting the loans to be purchased or sold for the JV subject to approval by the JV Investment Committee. There are no limitations or restrictions with respect to such selections other than what is disclosed in the JV's Governing Documents (including, debt documents) or otherwise imposed in writing by ACM.

Item 13 - Review of Accounts

ACM provides reports to 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 ACM also typically provides written

investor letters with respect to a Client and its performance. ACM distributes K-1 filings to Underlying Investors, where applicable, and provides certain other reports and analyses to Underlying Investors and potential investors upon request.

Additionally, ACM 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, ACM typically sends a letter to Underlying Investors in these Clients summarizing the current status of the particular Client and all distributions made to date. Finally, ACM hosts annual investor meetings and calls and other interim calls as appropriate for certain Clients.

Item 14 - Client Referrals and Other Compensation

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, ACM or a combination thereof. In addition, ACM compensates certain third parties who refer prospective investors to its Clients.

Certain of the solicitors or placement agents utilized to market ACM's 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, ACM 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 ACM and the Clients. Moreover, potential conflicts of interest may arise between the interests of Clients in obtaining best price and execution and ACM's interest in receiving future referrals to the Clients from certain broker-dealers. ACM 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 ACM's general policy not to have physical custody of any Client assets. However, ACM 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 ACM's policy generally to cause each Client with assets over which ACM 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, ACM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Client to all Underlying Investors promptly after completion of the audit.

In the alternative, where ACM is deemed to have custody of a Client account solely due to its ability to withdraw funds to pay its advisory fees, ACM 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 Underlying Investor. ACM urges all Clients and Underlying Investors to compare the reports they receive from ACM to the statements they receive from their custodians. Any issues or discrepancies should be communicated to ACM promptly.

Item 16 - Investment Discretion

For accounts over which ACM has discretionary authority, ACM has the 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 ACM 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. Each JV Investment Committee maintains investment discretion over the respective JV.

With respect to certain Clients or accounts managed on behalf of a single investor, ACM is required to obtain investor consent for investment decisions and certain other actions. ACM 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"), ACM generally retains proxy voting authority with respect to these Voting Securities. ACM has adopted and implemented written Proxy Voting Policies and Guidelines ("Proxy Voting Guidelines") that are reasonably designed to ensure that ACM votes proxies in the best interests of its Clients for whom ACM has voting authority.

The Proxy Voting Guidelines describe the positions ACM generally takes in voting proxies on particular issues and require ACM 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 ACM and its affiliates, and those of one or more Clients, ACM, 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;

- ACM provides investment advice to an officer or director of an issuer and ACM receives a proxy solicitation from that issuer;

- an issuer or some other third party offers ACM or an employee, officer or director of Ares Management compensation in exchange for voting a proxy in a particular way;
- an employee, officer or director of Ares Management or a member of such person's household has a personal or business relationship with an issuer;
- an employee, officer or director of Ares Management has a beneficial interest contrary to the position held by ACM on behalf of a Client;
- ACM holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios; or
- any other circumstance where ACM's duty to service the interest of its Clients could be compromised.

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

Item 18 - Financial Information

Not applicable.