



# Ares Management Corporation

Built for Performance Across Market Cycles

Dear Fellow Ares Shareholder,

In the past year, the global equity and fixed income markets experienced historic volatility driven by rapid rate increases from central banks to contain inflation, which was further compounded by significant geopolitical conflicts. These events triggered double-digit declines in the publicly-traded equity and fixed income markets in the U.S. for the first time in nearly a century.<sup>1</sup>

**“We generated robust growth across our key financial metrics, including increases of more than 30% in Management Fees, Fee-Related Earnings and After-Tax Realized Income per Class A and non-voting common stock, all of which were at record levels for our firm.”**

Despite the difficult year in the markets, Ares Management Corporation demonstrated resilience and differentiated execution by generating another year of strong fund performance and financial results for our investors. Our composite returns across our private investment strategies meaningfully outperformed the publicly-traded indices for the year. In our view, the market volatility last year further reinforces the appeal of actively managed private investments that have been less correlated, have exhibited less price volatility and can outperform through market cycles.

From a financial point of view, we generated robust growth across our key financial metrics, including increases of more than 30% in Management Fees, Fee-Related Earnings and After-Tax Realized Income per Class A and non-voting common stock, all of which were at record levels for our firm. We ended the year with over \$350 billion in assets under management (“AUM”), an increase of 15% over 2021, and our Fee-Paying AUM increased 23% to over \$230 billion (See Exhibit 1). As a result of our strong results combined with our positive outlook, we increased our quarterly dividends by 30% for 2022 and by an additional 26% to \$0.77 per share of Class A and non-voting common stock in February 2023.

Our primary business objectives are to raise funds from investors, invest that capital into a variety of investment strategies across the global private markets and generate attractive returns on our investors’ behalf. To that end, we believe the \$57 billion we raised in 2022 represents a strong endorsement of the breadth of our fund offerings and the value we provide to our investors.

#### Exhibit 1 – 2022 Key Financial Metrics

AUM <sup>2</sup>	FEE-PAYING AUM	GROSS FUNDRAISING	CAPITAL DEPLOYMENT
\$352 B	\$231 B	\$57 B	\$80 B
MANAGEMENT FEES	FEE RELATED EARNINGS	REALIZED INCOME	
\$2.2 B	\$994 M	\$1.1 B	
	FRE AS PERCENT OF REALIZED INCOME	GAAP NET INCOME	
	87.9%	\$439 M	

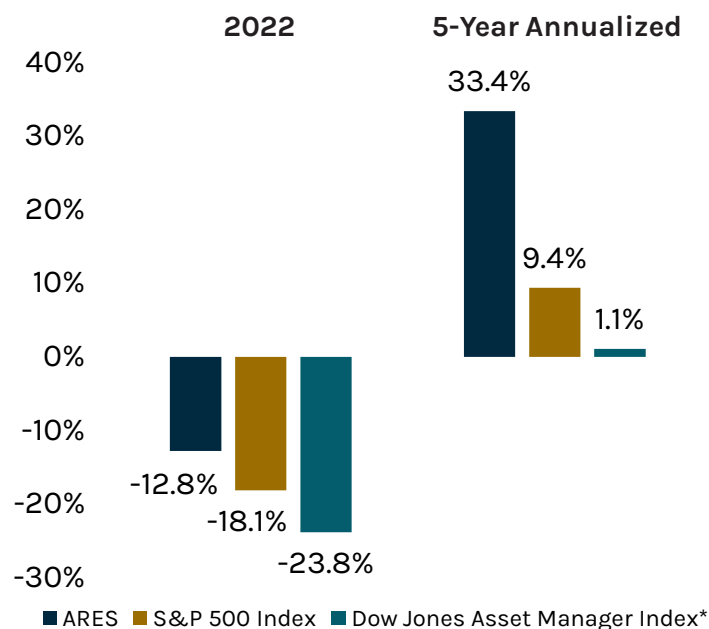
<sup>1</sup> Source: NYU Stern School of Business. Publicly-traded equity and fixed income markets refer to the S&P 500 Index and Baa Corporate Bonds, respectively.

<sup>2</sup> AUM amounts include vehicles managed by Ivy Hill Asset Management, LP., a wholly owned portfolio company of ARCC and a SEC-registered investment adviser (“IHAM”).

From an investing standpoint, market turbulence reduced transaction activity last year, but it also created an attractive environment for many of our investment strategies with improved risk adjusted return potential. Our extensive direct origination teams focused on sourcing and developing high quality assets at attractive entry points while pivoting between private and publicly traded markets. In 2022, we invested approximately \$80 billion of capital – matching the \$80 billion we deployed in 2021 – across our nearly 20 investment strategies. In our view, this illustrates the flexibility and complementary nature of our investment strategies in addition to the cycle-tested experience of our teams.

Despite the challenges in the equity markets last year, our resilient business and earnings growth supported our common stock performance on a relative basis. As Exhibit 2 illustrates, our common stock's total return outperformed the S&P 500 Index's total return by more than 500 basis points during 2022 and it has now outperformed the S&P 500 Index by more than 2,000 basis points annually over the past five years. Since our IPO in 2014, our stock's annual total return of 21.4% is meaningfully ahead of the S&P 500 Index's annual total return of 10.6% during the same period.<sup>3</sup>

### Exhibit 2 – ARES Total Return Versus Comparable Indices



Note: Data is through December 31, 2022.

\*Dow Jones Asset Manager Index reflects Price % Return.

<sup>3</sup> Source: Bloomberg Data from ARES IPO data of May 2, 2014 through December 31, 2022.

<sup>4</sup> Based on a review of 556 global public companies. Risk adjusted return was calculated by dividing the 5 year total shareholder return by the daily volatility of the stock over 5 years

**“Our quarterly dividends increased by 30% in 2022, and in February of this year, we increased our quarterly dividend by an additional 26%.”**

We are also pleased to be ranked #1 in Forbes’ inaugural list of Financial All-Stars which highlights the top 50 financial companies over the last five years based on total stock returns and risk-adjusted returns. See Exhibit 3.<sup>4</sup>

### Exhibit 3 – Forbes Financial All-Stars List

Forbes’ Inaugural Financial All-Stars List		
Top 10 Ranked by 5-Year Total Return*		
NAME	5-YEAR TOTAL RETURN (%)	5-YEAR RISK ADJUSTED RETURN (%)
Ares Management Corp.	316	8.5
Company 1	255	4.3
Company 2	218	5.8
Company 3	212	5
Company 4	202	4.4
Company 5	194	4.3
Company 6	183	7
Company 7	166	3.1
Company 8	156	3.7
Company 9	148	3

\*Sources: KBW, a Stifel company, based on 9/30/2022 data, Forbes, Factset Research

The remainder of this letter will focus on the foundational drivers of our business: investing in our platform to ensure our future success, expanding our products and distribution channels (including retail and insurance), investing consistently through cycles to properly capture opportunities, and ensuring we are making an Impact at Ares. We will conclude with our views on current market conditions and how we are positioned for the future.

## Investing in Talent for The Future

While 2021 was a transformational year for our platform with multiple strategic acquisitions, 2022 was a year of integration and platform building to position our company for future growth. Over the course of the year, we added over 450 employees, bringing Ares' total headcount to approximately 2,500 by year end. See Figure 4. Of the new employees, about 150 were hired to bolster our origination and investing activities, 85 were brought on to our global client services team to support our growing investor base and roughly 215 were added in our business operations group as we continue to enhance our firm-wide infrastructure. In the past two years, we have added more than 1,000 employees as we continue to progress towards

our long-term growth goals; however, we do expect our employee growth to moderate this year as we believe that we now largely have the personnel necessary to support our near-term growth objectives.

As we continue to expand and integrate our new team members, we are intensely focused on maintaining our differentiated culture, which we believe underpins Ares' success. We strive to have each of our global team members work and live by our five core values of being - Collaborative, Responsible, Entrepreneurial, Self-Aware and Trustworthy - as we seek to be better investors, better partners to our clients and a better company.

### Exhibit 4 – Global Platform Highlights

30+

GLOBAL OFFICES

~900

INVESTMENT  
PROFESSIONALS

~2,550

TOTAL  
EMPLOYEES





# Expanding and Scaling our Investment Products in the Face of Strong Demand

According to a 2023 Bain & Company report, global alternative assets under management have more than tripled in the past decade and are expected to more than double from 2020 to 2030. With trillions of dollars in expected flows into alternative investments in the coming decade, we believe we are well positioned for continued growth as investors increasingly allocate to alternative assets.

To support this growth, we seek to develop new strategies and products that meet our investors' growing needs. In fact, more than 40% of our fundraising last year was generated from new strategies or products that did

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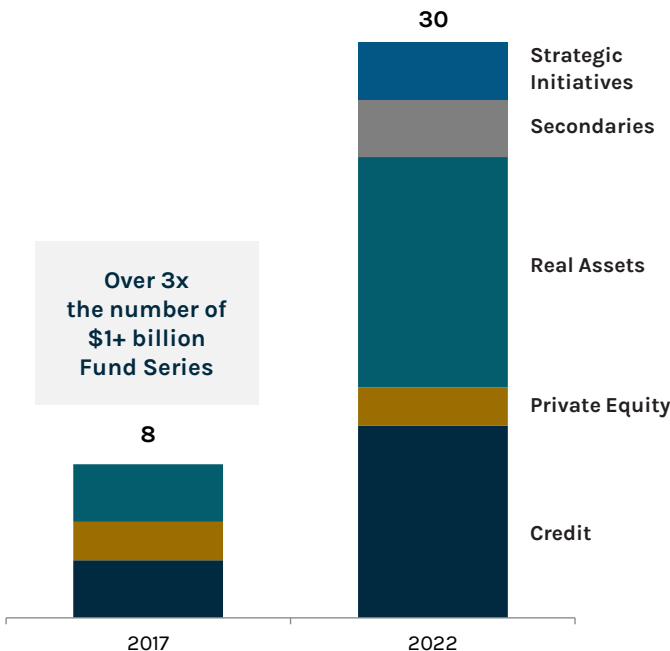
“With trillions of dollars of expected flows into alternative investments in the coming decade, we believe we are well positioned for growth as investors increasingly allocate to alternative assets.”

not exist five years ago. For example, we closed on our inaugural Sports, Media & Entertainment fund, which collected \$3.7 billion in total capital. We now have nearly 20 investment strategies that serve our approximately 2,000 direct institutional investor clients and over 400,000 retail investors.

We also continue to scale our existing strategies to meet investor demand. We now have 30 fund series that have raised more than \$1 billion in their latest vintages, which is more than triple the number we had five years ago. As a result, we have continued to expand and deepen our relationships with both institutional and retail clients. Over this period, we have experienced more than 20% compound annual growth in nearly all our institutional client types and now 89% of our direct institutional assets under management are with investors that have more than one fund investment with Ares. See Exhibit 5.

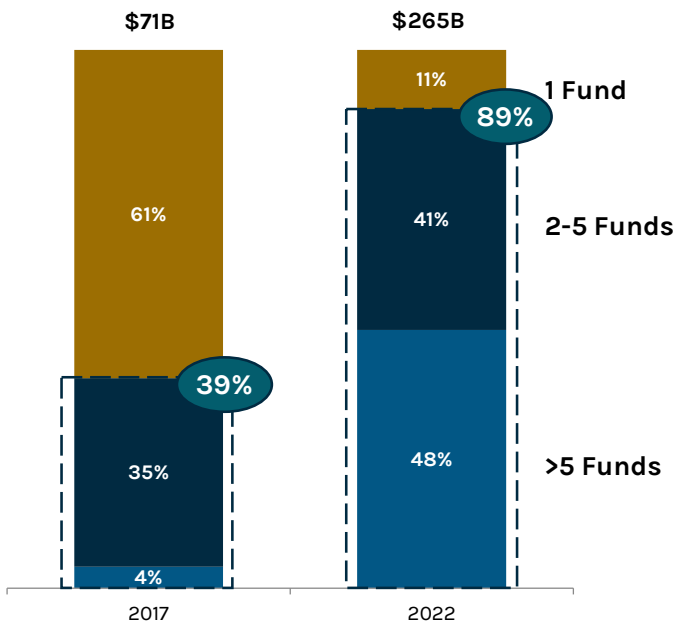
**Exhibit 5 – \$1+ Billion Fund Series and Direct Institutional AUM by Number of Funds**

\$1+ Billion Fund Series\*



\* Commingled fund series where the most recent fund vintage has \$1+ billion in total assets under management. Includes retail products and publicly traded vehicles.

Direct Institutional AUM by # of Funds



In 2022, we raised approximately \$57 billion of gross capital from more than 350 institutional investors, including 110 that were new to our platform. We raised more than \$32 billion in our Credit Group, nearly \$14 billion in our Real Assets Group, over \$6 billion in our Strategic Initiatives Group and over \$2 billion in each of our Private Equity and Secondaries Groups. Last year, we benefited from our growing base of capital from non-campaign fund sources, including our perpetual capital funds, certain managed accounts and other smaller funds. Overall, more than 90% of the capital that we raised last year was from existing investors, signaling that we are growing our wallet share among our investors.

Notably, Private Debt Investor recognized our leadership as one of the largest private credit managers globally by

## Private Debt Investor

### AWARDS 2022

Global Fund Manager  
of the Year

naming Ares #1 in global fundraising of private debt capital for the third consecutive year.<sup>5</sup> The growth in fundraising we have experienced over the past several years enables us to continue

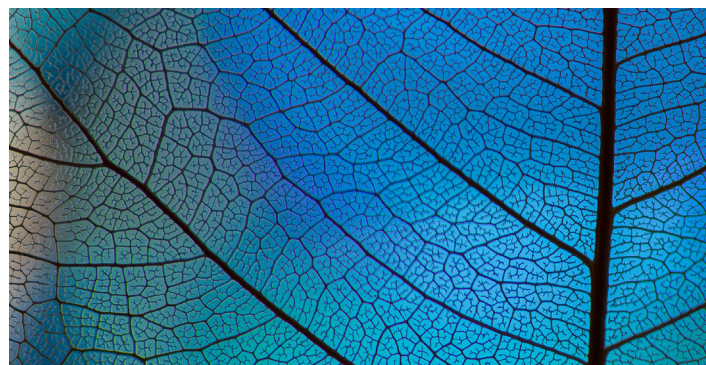
to scale our platform which drives increased investment sourcing capabilities, and we believe better investment opportunities for our investors. In addition, readers of *Private Debt Investor* voted Ares Management as Global Fund Manager of the Year for the third time.<sup>6</sup>

## Retail Expansion - A Significant Long-Term Opportunity

We believe the long-term trends of retail flows into private market investments remains an attractive opportunity

**“Following a year where the traditional 60/40 portfolio exhibited high market correlations and negative returns, the need for alternative investment products has become even more apparent.”**

for Ares. Individual investors remain under allocated to the private markets, with average exposures still in the low single digits; however, advisors across channels are deepening their commitment to growing their allocations.<sup>7</sup> This comes as no surprise following a year where the traditional 60/40 portfolio exhibited high market correlations and negative returns, and the need for non-correlated, low volatility, income-generating investments became ever more apparent. The amount of alternative assets under management in the private wealth channel is expected to grow from \$4 trillion in 2022 to \$13 trillion in the next 10 years, representing a sizable market opportunity.<sup>8</sup>



To this end, we continue to expand our efforts in the retail channel by broadening our suite of product offerings, deepening our distribution partnerships and expanding the teams and resources available to advisors. Today, with 115 professionals, Ares Wealth Management Solutions (AWMS) is now one of the largest and most resourced wealth management distribution platforms owned by an alternative manager. Notably, we made two strategic global hires – Mark Serocold in London and Henry Lee in Hong Kong – to lead new regional wealth management teams in Europe and Asia Pacific, respectively. With 40% of the addressable retail market overseas, we expect to further expand our distribution, product offering and support resources into these large and attractive markets over time.

In the coming years, we expect to launch additional retail products that align with our already existing institutional strategies. For example, last year we expanded beyond our non-traded, perpetual capital real estate solutions

5 Our ranking of private debt's top fundraisers based on amount of capital received from investors over a rolling five-year period.

6 The selection of Ares Management to receive these awards was based in part on subjective criteria and may not be representative of any given client's experience. The award should not be viewed as indicative of Ares' past performance or its funds' future performance. All investments involve risk, including loss of principal. Ares has not provided any compensation in connection with obtaining or permission to use these awards.

7 Source: Oliver Wyman, Morgan Stanley Research. 2022.

8 Source: Bain & Co, Global Private Equity Report 2023.

(AREIT and AIREIT) with the launch of Ares Private Markets Fund (APMF), our first perpetual capital '40 Act private equity secondaries solution. We believe the scale of our wealth platform, strong brand, expanding product offering, dedicated support resources, and our long-standing relationships with our distribution partners will help us accelerate our growth in the wealth management channel over time. We are excited for what's to come for this exciting growth area of our business.

## Insurance Opportunity

The insurance sector, which is serviced by our dedicated Ares Insurance Solutions ("AIS") team, is an important and growing asset management sector for Ares. As of December 31, 2022, AIS provided support for \$46.4 billion of assets under management in various strategies across more than 200 domestic and foreign insurance companies in the life and property and casualty sectors.

AIS is a dedicated manager of Aspida, an affiliated group of insurance companies with more than 115 employees, that focuses on the U.S. life and annuity insurance and reinsurance markets. In June 2022, Aspida received the necessary regulatory approvals to begin directly originating annuity contracts. Consequently, between July and December 2022, Aspida nearly doubled its assets under management from \$3.6 billion to approximately \$6.0 billion.<sup>9</sup>

## Investing Consistently Through Volatile Markets

A principal element of our investment philosophy is to be able to deploy capital consistently and opportunistically throughout market cycles. To accomplish this, we need to possess significant available capital and flexible investing strategies that are "all weather" in nature. Our investing activities in 2022 are illustrative of this approach.

The extreme volatility in 2022 dramatically slowed transaction activity in the leveraged buyout and merger and acquisition markets in North America and Europe. Overall global buyout deal volume declined 35% year over year; however, as previously mentioned, Ares' aggregate deployment was flat compared to a highly active 2021.<sup>10</sup> We believe our relative outperformance highlights the

growing importance of private capital, and how providers like Ares step in to supply capital during periods when the public or traditional markets are limited. For example, in our U.S. direct lending strategy, we estimate the team sourced approximately half a trillion dollars of investment opportunities in 2021 and a similar amount again in 2022, as an increasing amount of borrowers sought private debt solutions while the banks and capital markets became less reliable.

Further, with our broad sourcing capabilities and flexible mandates, we can shift deployment across primary and secondary markets, public and private companies and among healthy and stressed/distressed opportunities. For example, our alternative credit, special opportunities, and Ares Asia special situations strategies (within our Strategic Initiatives Group) all increased their investment activity in 2022 due to these opportunities. See Exhibit 6.

## Exhibit 6 – Deployment by Investment Strategy & Group

(\$ in billions)

	2021	2022	% Change
<b>Total Credit</b>	56.5	56.9	1%
<b>Liquid Credit</b>	8.4	7.2	-14%
<b>Alternative Credit</b>	4.6	9.3	103%
<b>US Direct Lending</b>	31.1	26.3	-15%
<b>EU Direct lending</b>	12.4	14.1	14%
<b>Total Private Equity</b>	6.1	5.2	-15%
<b>Corporate Private Equity</b>	3.2	1.4	-57%
<b>Special Opportunities</b>	2.9	3.8	32%
<b>Total Real Assets</b>	13.5	12.0	-11%
<b>Real Estate</b>	12.4	9.7	-22%
<b>Infrastructure</b>	1.1	2.3	105%
<b>Secondaries</b>	2.0	2.9	46%
<b>Strategic Initiatives</b>	1.5	2.8	80%
<b>Total Deployed</b>	79.7	79.8	0%

The above table also illustrates the resilience of transaction activity within our direct lending strategies due to our flexible solutions and our ability to capture a larger total addressable market from traditional providers throughout cycles. Our direct lending strategies were able to make investments with total returns that have not been seen in many years due to significant increases in base rates and attractive credit spreads. For the year, we closed approximately 250 transactions totaling more than \$40 billion across our core U.S. and European direct lending strategies.

<sup>9</sup> AUM managed by Ares Insurance Solutions includes assets which are sub-advised by other Ares' investment groups or invested in Ares funds and investment vehicles.

<sup>10</sup> Source: Bain & Co, Global Private Equity Report 2023.

Outside of our credit strategies, we also continued to seek value and make attractive investments across the platform. For example, our real estate strategy invested nearly \$10 billion predominantly in our high-conviction sectors of industrial and multifamily properties. Within our private equity business, we deployed over \$5 billion across a mix of rescue capital, enterprise value-enhancing transactions and stressed or distressed public credit purchases as well as several platform investments in growth companies.

With nearly \$85 billion of available capital at year-end, we have a strong capital base to take advantage of the market opportunities for our clients in 2023. We estimate the total addressable markets across our strategies to be more than \$100 trillion worldwide. Accordingly, we believe we have significant opportunities to continue to deploy capital in these large and highly fragmented markets.

## Making an Impact at Ares

Underpinned by our core values, we strive to be a catalyst for shared prosperity for our stakeholders and communities. Our ambition is to help make alternative investing in the private markets an engine for an inclusive and lower-carbon economy by engaging across our spheres of influence. Our approach to impact today is focused on creating 'A Better Alternative' for people, communities and companies relative to existing systems. To this end, we focus our efforts on two key themes:

- **Inclusive and Equitable Economy:** We seek to support businesses that serve communities where everyone can thrive – because expanding economic inclusion and mobility is how we will tackle inequality.
- **A Just Transition:** We aspire to participate in an energy transition that cuts carbon while ensuring jobs and skills are increased, not lost – because investing in low-carbon innovation and climate-resilient workforces is how we will accelerate climate action.

We scale our impact by adopting these key principles in our implementation approach:

- **Embed** – activating our global employee base to drive our impact priorities and inspire our long-term goals.
- **Engage** – selectively partnering across our more than 1,750 global portfolio companies, industry and spheres of influence.

- **Evaluate** – rigorously measuring outcomes to hold ourselves accountable, demonstrate our effectiveness, and share what works to empower others.

## Environmental, Social and Governance

In 2022, we accelerated our ESG program by further integrating our priorities into our business lines, scaling our team and innovating across key areas such as climate change and sustainability-linked loans.

The dedicated ESG team now provides full asset class coverage in partnership with about 240 ESG “champions,” who are rank and file employees embedded across our strategies and corporate functions. This hybrid model of dedicated and embedded resources enabled us to accelerate our ESG integration. For example, in 2022, we prompted each line of business to include ESG goals in their annual firmwide budget presentations and we enabled the inclusion of climate and Diversity, Equity and Inclusion (“DEI”) incentive targets in our corporate revolving credit facility.

Many of our ESG goals are focused on climate action, an increasingly material topic for many of our businesses. At our second annual Climate Change off-site in December entitled “Accelerating Decarbonization,” representatives from across our platform shared examples of how portfolio companies are creating value and managing risk arising from the energy transition. We made steady progress in measuring the carbon footprints of our portfolio companies and assets, and expect to have the vast majority of our carbon footprints captured by the middle of 2024.

With the foundation of the ESG team now in place, we are re-affirming our priorities for the next three years. These include the scaling of our approach to climate change and DEI on our investment platform, continuing to translate these capabilities into revenue-generating activities and delivering the key enablers to ensure execution (See Exhibit 7).





## Exhibit 7 – ESG Strategic Focus Areas 2023-2025



### Diversity, Equity & Inclusion

Our DEI mission is to harness the power of difference to contribute to Ares, the companies in which we invest and the communities in which we operate. In 2022, we made significant headway in including DEI as part of our talent strategy and business processes. Among our accomplishments, we introduced our Supplier Diversity Program focused on both providing greater transparency to our stakeholders in how we conduct business and committing to seek greater diversity in our vendor relationships as it relates to our financial, technology, real estate and other business operational needs. This program surpassed our initial expectations in its first year. We also established the ERG (Employee Resource Group) Charitable Giving Program focused on organizations that promote DEI in our communities and rolled out DEI Strategy Reviews to help business leaders assess DEI performance metrics for their teams. We are happy to share that our 2022 promotion class was diverse across all levels, an achievement that reflects Ares' ongoing commitment to supporting and retaining diverse team members on their career journeys. Looking ahead, we aim to continue building upon our successes in fostering a more diverse and inclusive workplace and industry.

### Philanthropy

The firm gives back to the communities where we operate through the Ares Charitable Foundation (the

"Ares Foundation"), Ares in Motion ("AIM") and Corporate Contributions.

The Ares Foundation seeks to accelerate equality of economic opportunity for people globally and is supported through the generosity of Ares employees as well as a portion of the carried interest profits from select Ares funds. Since 2021, we have awarded grants totaling \$56 million. These include signature initiatives like Climate Resilient Employees for a Sustainable Tomorrow ("CREST"), a \$25 million commitment to help close the gap between the demand for a skilled workforce for clean energy jobs and the number of people ready for these opportunities along with employee-directed grants that provide career preparation and reskilling, encourage entrepreneurship and deepen understanding of personal finance.

AIM engages employees in grassroots volunteerism and augments their personal donations to charitable causes with matching funds. In 2022, we supported more than 800 nonprofits through AIM, including 3,166 hours of volunteer service and \$932,576 in matching funds.

Our 2022 Corporate Contributions totaled \$867,350 and included support to help less advantaged youth develop investment knowledge and skills, establish a family mental health program and provide aid for Ukrainian relief.

## Looking Forward

As we look to the year ahead, the markets are currently experiencing a crisis of confidence in the banking system. While we are not sure how these situations will evolve, it is likely the commercial banking industry will see further consolidation, increased regulations and tighter lending standards which could result in a contraction in capital available to the companies and asset classes these banks serve. Importantly, we believe that scaled private capital providers like Ares can be a stabilizing force and continue to be part of the solution to fill the void of capital that this crisis could create.

At Ares, we feel truly fortunate to be on such solid ground. As we have discussed in the past, we have a long record of accomplishment of investing and growing throughout market volatility. In fact, some of the strongest growth in our assets under management and management fees occurred during and in the aftermath of the Global Financial Crisis and the COVID-19 pandemic. We believe that this crisis will once again demonstrate the strength of our business model which is based on 1) managing long dated or perpetual capital funds to provide significant protection from redemptions during market cycles, 2) operating a conservative “asset lite” balance sheet with modest leverage on a net debt basis and significant access to liquidity, 3) focusing on management fee earnings, and 4) maintaining a defensively positioned managed portfolio focused on senior private credit assets over private equity assets.

As a result of last year’s investments in broadening our platform, deepening all levels of our talent and growing



**MICHAEL AROUGHETI**  
Co-Founder, Chief Executive Officer & President

**“Our mission is to be a best-in-class asset manager on behalf of our stakeholders and to invest wisely and patiently through market cycles.”**

our customer base, we believe we are well-positioned to capture the opportunities that the recent market volatility generates. In addition, we are seeing strong synergies, earnings contributions, and future earnings potential from our recent strategic acquisitions.

Our mission is to be a best-in-class asset manager on behalf of our stakeholders and to invest wisely and patiently through market cycles. We follow many tried and true principles that have allowed us to enjoy 25 years of success as a company – transparency, performance, integrity, self-awareness, and a culture of continuous improvement. We operate in a dynamic industry with asset classes that will continue to benefit from long-term growth trends. In response, we have built Ares with a growth mindset, while maintaining a culture of risk management and resilience in addressing potential issues that could arise.

We believe the best is yet to come for our company and we will continue to execute against our ambitious goals to achieve shared success for our investors, shareholders, employees and other stakeholders. On behalf of the entire team at Ares, we are grateful for your support of our company.



**ANTONY RESSLER**  
Co-Founder, Executive Chairman



## Forward-Looking Statements

This letter contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which reflect our current views with respect to, among other things, future events, operations and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “predicts,” “intends,” “plans,” “estimates,” “anticipates,” “foresees” or negative versions of those words, other comparable words or other statements that do not relate to historical or factual matters. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. We believe these factors include but are not limited to those that are described in our Annual Report on Form 10-K for the year ended December 31, 2022, under the headings “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 1A. Risk Factors.” These factors should not be construed as exhaustive and should be read in conjunction with the risk factors and other cautionary statements that are included in this letter and in our other periodic filings with the United States Securities and Exchange Commission, which are accessible on their website at [www.sec.gov](http://www.sec.gov) and pursuant to which such factors may be updated from time to time. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Therefore, you should not place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date of this letter. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Nothing in this letter constitutes an offer to sell or solicitation of an offer to buy any securities of Ares Management Corporation, its affiliates or any related fund.

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