



Ares Management Corporation

2020 Annual Letter

Record Results, Global Growth



Dear Ares Shareholder,

We hope this letter finds you, your families and colleagues safe and healthy. Despite widespread health, social and economic hardships endured over the past year, we are very proud of our teams who have worked tirelessly to execute for our clients, business partners, shareholders and other stakeholders. Our more than 1,450 employees across North America, Europe, Asia-Pacific and the Middle East have been able to drive our business with a significant leap forward, all while strengthening relationships, enhancing competitive advantages, developing new growth avenues and making a positive impact in our communities.

In 2020, we generated record-setting financial results in almost every major category. A number of key highlights included generating our fastest growth in assets under management in over a decade, raising a record \$41 billion of new commitments from our investors, increasing our fee related earnings by 31%, and expanding our fee related earnings margins by over 400 basis points. Our stock responded by delivering a total return of over 37% during 2020 versus the S&P 500 total return of approximately 18%, and also meaningfully ahead of our financial peer averages.¹ In addition, we were pleased that more than 300 of our employees responded by volunteering over 1,800 hours in ten charitable events across our local communities. In October 2020, we were honored to become certified as a Great Place to Work by Great Place to Work® U.S.

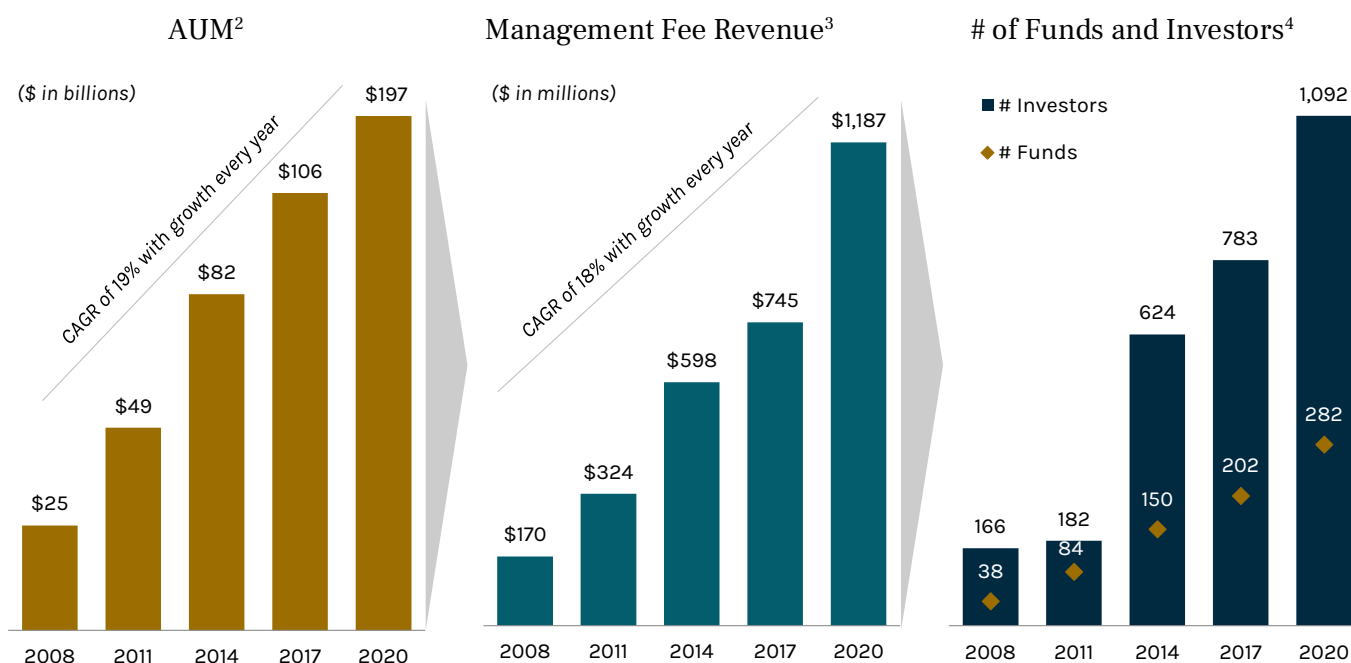


As part of our commitment to serve our investors, we continued to make substantial investments to enable future platform growth. For example, we added more than 200 professionals in 2020 who will help us broaden our product offering into new strategies and markets. We also made three strategic acquisitions totaling nearly \$12 billion in assets under management. Notably, these acquisitions will help us expand into new geographies and markets such as the Asia-Pacific region and the annuity and life insurance market.

Our company has a long track record of growth in every year, including through difficult markets. However, we continue to believe our firm and our industry have even brighter growth prospects in the years to come. In our view, the long-term secular growth drivers for alternative investing are as strong as ever. With very low interest rates, elevated traded market valuations and increased public market volatility, we believe investors continue to view private assets as a means to earn premium return and higher current income with less portfolio volatility. In addition, investors continue to find it more advantageous to consolidate the number of managers with whom they invest in order to drive efficiencies and information advantages. These trends continue to favor our company.

The addressable end-markets for private investing are also large and growing as they continue to fill the void left by traditional financing providers around the globe. With our large, broad direct sourcing networks across North America, Europe and Asia-Pacific, we believe Ares is well-positioned to capitalize on this secular trend. Our focus is to be the preeminent solutions provider – we offer our limited partners attractive investment solutions throughout market cycles and we provide flexible capital solutions to our growing base of portfolio companies to help support their businesses.

Exhibit 1: Growth of Selected Key Metrics



Note: There can be no guarantee that Ares can or will sustain such growth.

Our People and Culture Are the Keys to Our Long-Term Success

With the onset of the COVID-19 pandemic, Ares had to adapt to a new operating dynamic, with our teams across more than 20 global offices transitioning to remote work. To support morale and team engagement throughout 2020, we embraced technology and increased internal touchpoints to ensure an open and consistent dialogue with our employees. Through a series of internal employee surveys as well as more than 20 townhalls and 80 employee events, largely led by our Employee Resource Groups (ERGs), we prioritized communication, connection and listening between leadership and team members. In addition, we enhanced our benefits to support employees, given the challenges of working from home and expanded mental health and fitness benefits to help alleviate the increased strain on the wellbeing of our team members and their families.

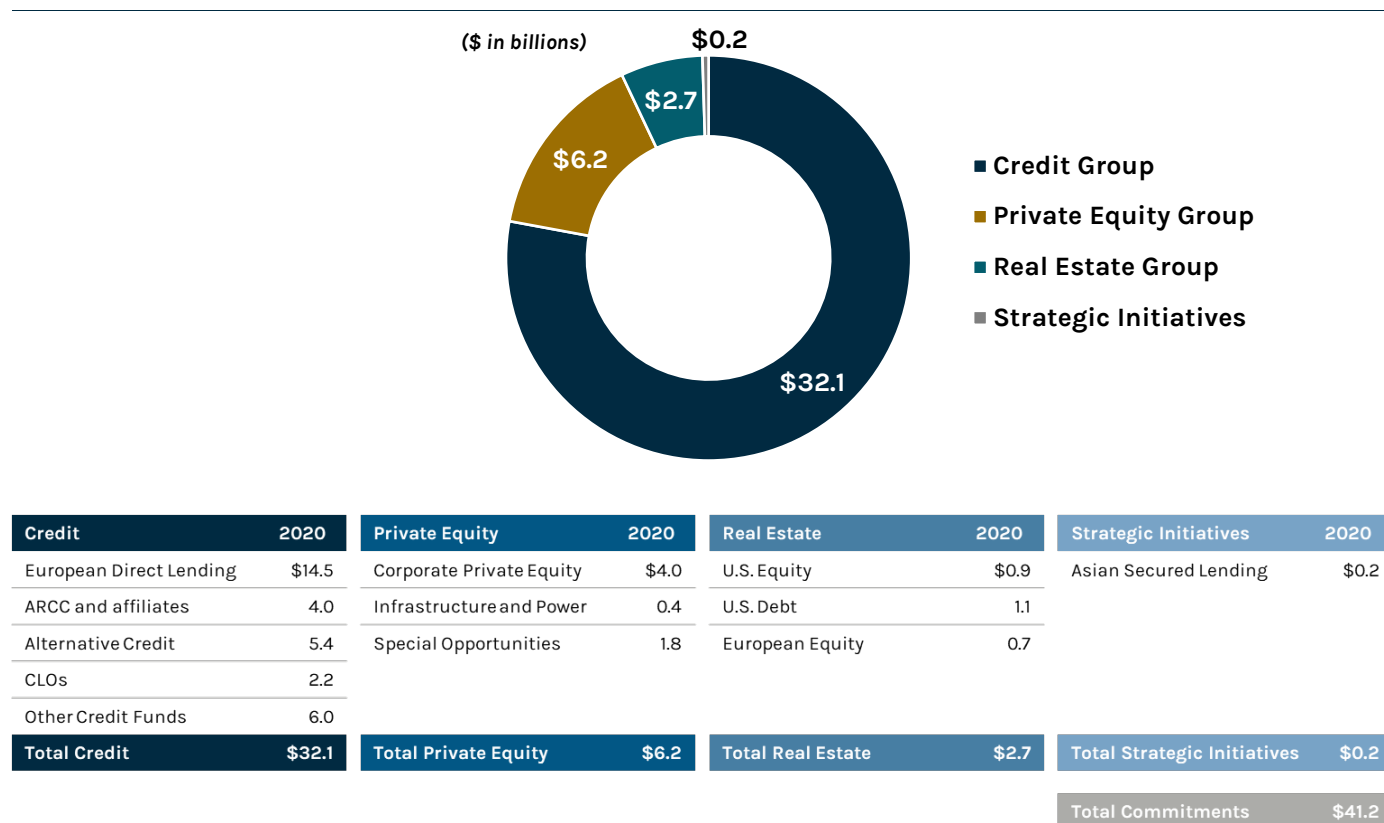
We believe that Ares' culture has been further strengthened by this difficult time as we have come together to support each other. We are very proud to have also been certified as a Great Place to Work by Great Place to Work® U.S. in October of 2020.



A Record Year of Fundraising

2020 marked a record-breaking year of fundraising with more than \$41 billion in gross new capital commitments from more than 350 institutional investors (See Exhibit 2). We welcomed 155 new investors to our platform and enjoyed strong support from our existing investors, who represented over 80% of gross new capital. We are excited by the strength of our expanding product offering, which continues to foster deeper partnerships with our incumbent clients and to grow interest from new clients.

Exhibit 2: Gross New Capital Commitments by Investment Group and Sub-strategy



Overall, our significant fundraising efforts were driven by capital raising across all of our segments (See Exhibit 2), including our fifth flagship European direct lending fund, commitments for our sixth flagship corporate private equity fund and special opportunities fund, our global alternative credit flagship fund and various equity and debt strategies in our Real Estate Group. In total, we held closings for approximately 20 distinct commingled funds during the year, which we believe is a testament to the scale and diversification of our fundraising. In addition to our organic fundraising efforts, we acquired \$12 billion in assets under management from the strategic acquisitions of Crestline Denali Capital LLC and SSG Capital Holdings Limited along with Aspida's acquisition of F&G Re, which we discuss in more detail in the sections that follow.

Expansion of Strategies is Leading to Strong and Sustainable Fundraising

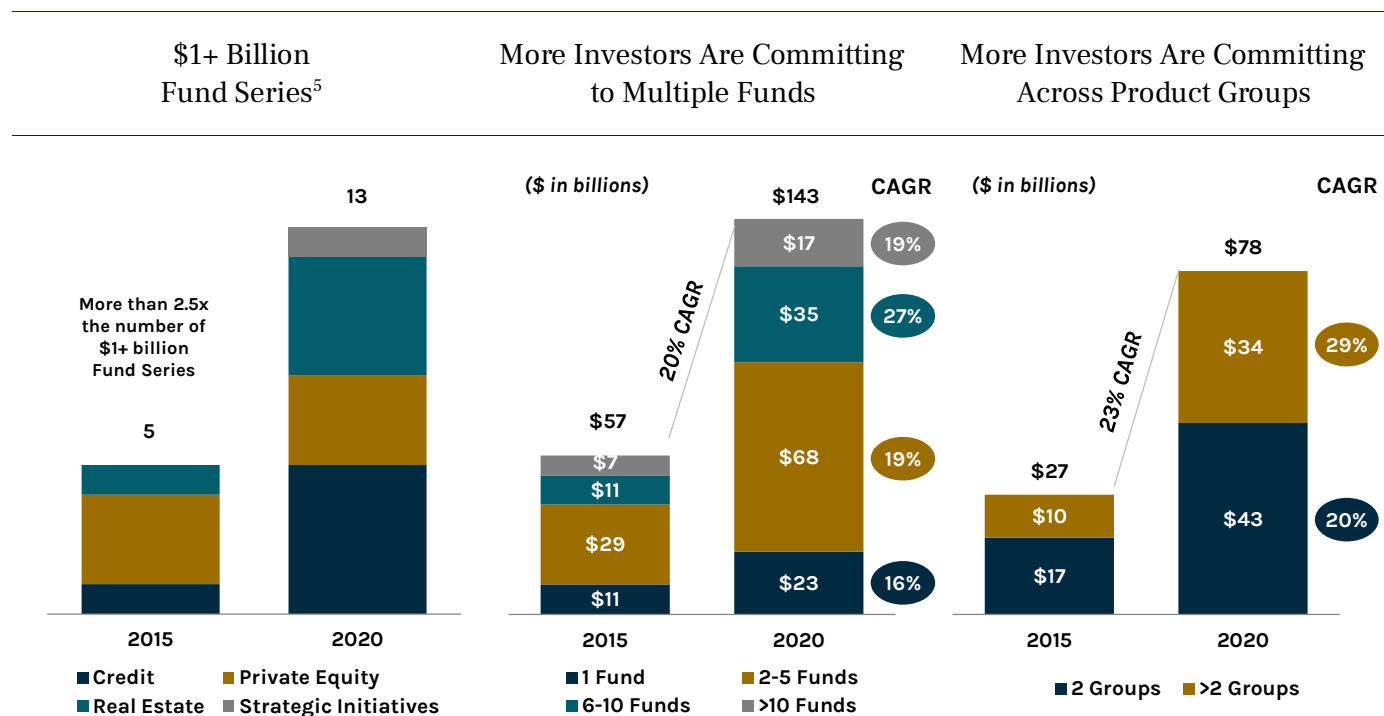
One of our key priorities over the past five years has been to expand our strategies to enable sustainable and consistent growth year-in and year-out. Historically, the alternative asset management industry has experienced fundraising "super cycles" where strong AUM growth occurred primarily in years when flagship funds were in the market. Our significant product expansion over the past five years has enabled us to build a business that we anticipate will be able to consistently market a significant number of large institutional commingled funds every year. For example, at the end of 2015, we had five commingled fund families where the most recent vintage fund had \$1 billion or more in commitments. However, at the end of 2020, we had 13 separate fund families with over \$1 billion in their latest vintage fund (See Exhibit 3). We expect strong fundraising growth to continue as we look to raise larger funds for each subsequent vintage, as well as add new products to our fund offerings.

In addition to new product offerings, we continue to deepen our relationships with existing clients. We are seeing current clients increase allocations to subsequent vintages and expand across new funds and product groups. In 2015, we had \$46 billion of AUM from institutional investors with exposure to two or more Ares funds. Today, we have \$120 billion of AUM from clients invested across two or more funds, representing a compound annual growth rate of over 20% over the past five years (See Exhibit 3). We are also seeing more clients invest across product

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groups as investors recognize Ares' demonstrable experience across the alternative investment spectrum (See Exhibit 3). With over 150 new client relationships invested in Ares products in 2020, we remain excited about expanding and deepening these new partnerships in the years to come.

Exhibit 3: Growth of Ares Management Platform



Investing Activities

Deployment

2020 also underscored the importance of having extensive sourcing networks, flexible capital and large incumbent relationships to drive differentiated investments. With the exception of the fourth quarter, private market transaction levels were comparatively slower in 2020 versus 2019, making relationships, deep industry experience and flexible capital solutions even more important in sourcing attractive investments.

By year's end, our deployment nearly matched our 2019 record levels. We invested approximately \$27 billion, including more than \$21 billion in drawdown funds with \$7 billion deployed in the fourth quarter alone. This deployment activity was led by our European and U.S. direct lending platforms where we funded over \$10.5 billion in nearly 200 middle market companies with about half of our transactions supporting incumbent portfolio companies. In addition, funds managed by Ares' Credit Group led the largest unitranche deal ever completed with a £1.875 billion commitment to The Ardonagh Group, highlighting the power and scale that Ares can offer. The Alternative Credit team had its busiest year ever, deploying \$2.8 billion across its strategies and trading more than \$6 billion in liquid securities. Our Global Liquid Credit team also had its most active year with tactical trading in securities of \$45 billion and deployment of \$4 billion from its new funds.

Within Private Equity, the Group invested \$5.4 billion in 2020. This was roughly equally split between traditional and distressed investments, with most investments in our corporate private equity and special opportunities strategies made during the height of the pandemic, which provided what we believe to be very attractive entry points. Our Infrastructure and Power strategy deployed approximately \$336 million primarily in renewable wind, solar and battery storage investments.

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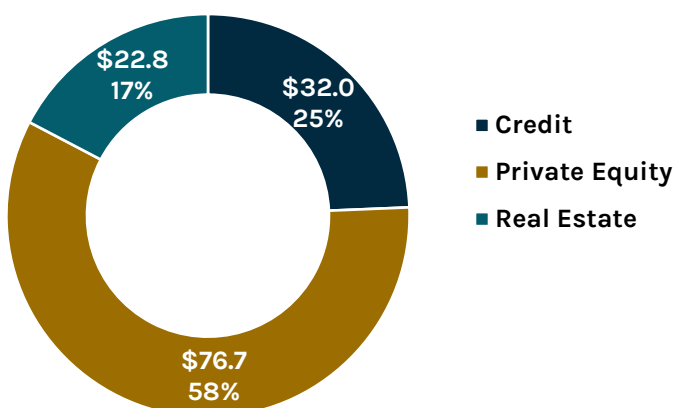
Our Real Estate team invested \$2.3 billion focused largely on its high-conviction sectors of industrial and multifamily in both Europe and the U.S. as well as increased exposure to other alternative real estate asset classes such as single-family rental and student housing.

Ares SSG took advantage of the market dislocation as it deployed \$1.7 billion in its senior lending and special situations strategies across its Asia-Pacific footprint as demand for private capital grew in the region.⁶

Realizations

We experienced a solid year of realizations, most notably within the private equity group where we closed more than \$5 billion of monetizations in both the public and private markets. On the public side, we were able to capitalize on the growing “stay at home” trend by monetizing a portion of investments in two publicly traded companies—Floor and Décor and The AZEK Company. In addition, the second half of 2020 provided an attractive period for realizations, and our funds capitalized on the opportunity with selected exits in private equity and real estate (See Exhibit 4).

Exhibit 4: Realized Net Performance Income (\$m)



The public equity markets remain conducive to additional opportunities into the new year. In the first quarter of 2021, our fund portfolio company, Mytheresa, a leading European luxury e-commerce platform, completed a successful IPO with strong demand. In addition, Ares Acquisition Corporation, our first Special Purpose Acquisition Company, completed a \$1 billion IPO.

Fund Performance⁷

We believe our strong fund performance in 2020 once again highlights the many advantages of our platform. Despite the severe economic downturn, returns were positive for the year across our major credit strategies with minimal credit losses. Liquid Credit outperformed its respective benchmarks by 10-30%⁸, European direct lending gross returns were more than 6%⁹ and Ares Capital Corporation generated strong net returns of 8% for the year. Corporate Private Equity returns ended the year up by approximately 9.5%¹⁰. Our Special Opportunities fund within our Private Equity Group was a standout in 2020. The fund ended the year with a 54% net return¹¹ for 2020 as the team invested meaningfully during the period of high market volatility, particularly in the first half of the year. Since inception, returns were greater than 70% on a gross fund level basis at year end¹². In a year where the US and European public REIT indices were down 8% and 12%¹³ respectively, our U.S. and European equity composites generated gross returns of 15% and 2%.¹⁴

Financial Results

Our full-year 2020 results reflect not only the strong growth trajectory of our overall business, but also our greater scale. In 2020 we broke records in nearly every financial category, including gross capital raised, AUM, fee paying AUM, dry powder, AUM not yet paying fees and fee-related earnings (FRE). Also of note, we ended the year with our fastest growth rate of both AUM and fee paying AUM in over a decade.

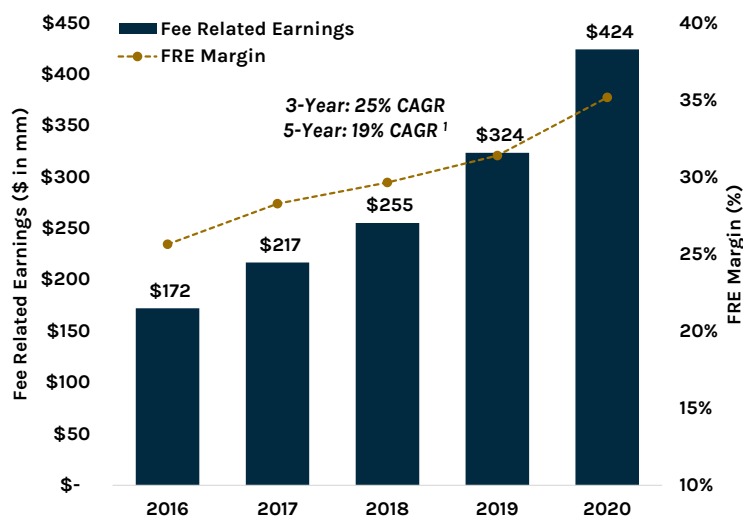
Our AUM totaling \$197 billion¹⁵ at year's end was up more than 32% compared to the end of 2019, driven by the aforementioned capital raising. Our fee paying AUM also increased by 30% as we continued to deploy available capital across our platform.

Available capital increased to a new record high of \$56.3 billion, an increase of over 62% year-over-year. We ended the year with \$40 billion of AUM not yet paying fees, of which approximately \$37.1 billion is currently available for future deployment. If fully deployed, it would generate potential annual management fees totaling over \$400 million, a 30% increase over the fourth quarter management fee run rate. With our significant available capital and dry powder, we remain very optimistic on the potential growth prospects ahead of us.

Our full year 2020 FRE totaled \$424.5 million, an increase of approximately 31% from 2019. Our FRE has now increased at CAGR levels of 25% and 19% over the past three- and five-year periods, respectively. In addition to our FRE growth, we expanded our FRE margin to 35% for the entire year of 2020, which represents nearly a 400 basis point increase compared to 2019. Our realized income was also strong reflecting our record FRE and strong realizations across our businesses.

Finally, we ended the year with a strong balance sheet that included \$540 million of cash, net leverage of only \$103 million and no amounts drawn on our \$1.065 billion corporate revolving credit facility. In November, Fitch Ratings upgraded our corporate rating to A- from BBB+, and in June, S&P Global Ratings reaffirmed our BBB+ rating.

Exhibit 5: Fee Related Earnings (FRE) & Margin Trends



Note: There can be no guarantee that Ares can or will sustain such growth.
 1. 5-Year CAGR is based on 2015 FRE of ~\$177 million

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Market Recognition

Ares once again received industry recognition in 2020 for several annual awards from prominent industry publications:¹⁶



Private Debt Investor (PDI) named Ares Management as its “Global Fund Manager of the Year,” its most prestigious award, for the third time in four years. Ares SSG was named “Distressed Investor of the Year in Asia-Pacific” for the seventh consecutive year. In addition, PDI named Ares Capital Corporation as its “BDC of the Year” for the third consecutive year. Its sister publication, *Private Equity International* (PEI), selected Ares Management as its “Lender of the Year in North America” for the fourth time in five years. The Ares Private Equity team also received recognition from PEI as one of the “Top Distressed Investors of the Year in North America.”

Ares Capital Corporation also received the prestigious “Most Honored Company” designation from *Institutional Investor* for the third time and Ares Management Corporation’s executives and investor relations team were also recognized in its “All America Executive Team” rankings.¹⁷



Impact at Ares

We seek to create enduring value for all of our stakeholders and within our communities. We act on our purpose through three distinct, but interconnected sets of activities— ESG, DE&I and Corporate Philanthropy—which we refer to collectively as “Impact at Ares.” While each of these activities began organically and have been in place for several years, we made the decision in 2020 to add dedicated resources to each of these areas to help accelerate, enhance and scale our efforts. Additionally, we kicked-off the creation of our inaugural Sustainability Report, which we believe will set a benchmark for our progress to date and provide insight into the ambitious future that we are charting in the years to come. The report is expected to be published in the second quarter 2021.

Environmental, Social, and Governance (ESG)

Our long-standing commitment to ESG reached a positive inflection point in 2020 with the appointment of Adam Heltzer as Head of ESG in April. Against the backdrop of the global health crisis we deepened our understanding of the critical role we can serve in helping to combat social issues affecting our stakeholders and communities. With a heightened sense of determination and urgency to enhance our approach, we have initiated a strategy focused through two lenses: *Corporate Sustainability* and *Responsible Investment*.

Corporate Sustainability examines how we lead by example through our own corporate operations. On this front, we led a materiality assessment to establish the issues that matter most to our stakeholders and which are most significant to our long-term performance. Defining materiality for our business was critical in forming the basis of our sustainability program and we intend to undergo this process annually to reassess the inputs into our strategy and to track performance.

From a *Responsible Investment* standpoint, which we define as how we scale our sustainability practices throughout our investment platform, we have enhanced our policy to articulate how we integrate our ESG objectives throughout the investment life cycle. Our policy also seeks to decentralize our execution by activating ESG champions embedded in each of our nine investment strategies to help design, implement and create accountability for tailored ESG approaches.

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Diversity, Equity & Inclusion (DE&I)

Ares views DE&I activities as a strategic pillar that integrates across talent processes and global business practices. We support a variety of DE&I activities consistent with our purpose-driven culture, including sponsoring seven employee-led resource groups that educate employees about different cultures and backgrounds as well as provide support to team members from underrepresented groups. In addition, Ares prioritizes its diversity objectives through campus and lateral recruiting efforts as well as various diversity partnerships and several initiatives to advance equity in the broader alternative asset management industry. Ares is a signatory of the CEO Action for Diversity and Inclusion™ and is a founding signatory and active participant in the Institutional Limited Partners Association (“ILPA”) Diversity in Action initiative. Ares achieved a perfect score of 100 on the Human Rights Campaign Foundation’s “2021 Corporate Equality Index,” one of the foremost benchmarking surveys measuring corporate policies and practices related to LGBTQ workplace equality. Ares is also proud to be part of the inaugural cohort of employers that has committed to pursuing the MLT Black Equity at Work certification, developed by Management Leadership for Tomorrow (MLT) and the Boston Consulting Group. This first-of-its-kind certification sets clear, measurable standards for achieving Black equity internally and for contributing to Black equity in society.

In January 2021, Indhira Arrington joined the firm as Managing Director and Global Chief Diversity, Equity & Inclusion Officer with a direct reporting line to Ares’ CEO and President, Mike Arougheti. Indhira leads our DE&I activities internally and serves as an advisor to support these initiatives at portfolio companies across the firm’s investment strategies.

Our Culture and Our Employees are Key to Our Long-Term Success



Ares was named to **Exelon's 2020 Diversity & Inclusion Honor Roll**

Ares is a founding signatory to the **Institutional Limited Partners Association Diversity in Action Initiative**



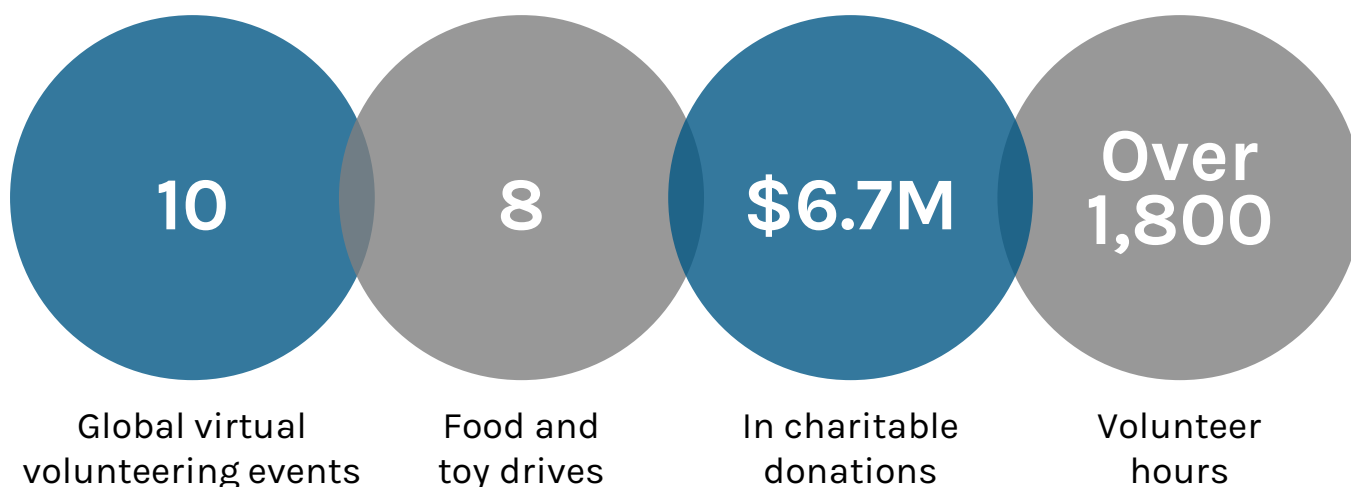
Corporate Philanthropy

When we give back as a firm, we witness the benefits firsthand in our team members, the companies in which we invest, our industry, and those who live and work in the communities where we operate. Against the backdrop of COVID-19 and stay-at-home orders, we donated over \$5.8 million for relief and recovery efforts. Team members participated in ten global, virtual volunteer events and fundraisers on behalf of education, youth and veterans. We also coordinated eight food and toy drives. Furthermore, Ares matched employees’ charitable donations by more than \$560,000 and doubled our match for donations to charities that address issues in diversity and social justice. Throughout the year, Ares partnered with and contributed more than \$300,000 to nonprofits such as Girls Who Invest, Operation HOPE, SEO, Level 20, Hispanic Scholarship Fund and Out4Undergrad for programming that advocates equity and inclusion.

“ When we give back as a firm, we witness the benefits firsthand in our team members, the companies in which we invest, our industry, and those who live and work in the communities where we operate.

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In February 2021, we appointed Michelle Armstrong as the Head of Philanthropy. In this newly created role, Michelle will oversee all aspects of our philanthropic efforts including Ares volunteer programs, charitable matching, and corporate partnerships and sponsorships.



In March 2021, we announced the final closing of Ares Pathfinder Fund, L.P. (Pathfinder) at \$3.7 billion in total commitments. Managed by Ares' Alternative Credit team, Pathfinder also has a unique social impact purpose. Ares and Pathfinder's portfolio managers have committed to donating at least 10% of the Fund's carried interest profits to global health and education charities. We believe Pathfinder is the first institutional private investment fund to utilize a predefined structure to make such a substantial commitment to charitable activities. Pathfinder's dual purpose seeks to provide compelling risk-adjusted investment returns, while also delivering resources to global charities as they work to have a real impact on the lives of people who live in extreme poverty.

Strategic Initiatives

We are constantly working to expand our investment product set and distribution capabilities organically; however, there are also opportunities to accelerate our growth through strategic acquisitions that create a step function change in a target growth area. As an example, we closed on the acquisition of SSG Capital Management in July 2020, which was rebranded as Ares SSG. Ares SSG is one of the leading pan-Asian lenders with a large, experienced team, a demonstrated track record with numerous industry distinctions and accolades, and a natural cultural fit with the Ares platform. Given our desire to expand our reach into Asia, Ares SSG created scale and credibility in this attractive and growing market. We are already benefitting from early synergies as we work to enhance the scale of our products and bring new Ares products to Ares SSG's Asian clients.

In February 2020, our Liquid Credit strategy acquired seven CLO contracts from Crestline Denali totaling \$2.6 billion in assets under management. We are utilizing our deep credit experience and extensive CLO management capabilities to enhance the management of these assets.

In late December 2020, our insurance subsidiary, Aspida Holdings Ltd., acquired F&G Reinsurance, a Bermuda-based reinsurance platform with more than \$2 billion in assets. The acquisition of both a sizeable portfolio and a strong operations team provides the foundation for continued growth in our Aspida insurance platform.

We continue to be active in our search to further broaden our platform into large, growing end-markets that will be attractive to our expanding client base. As we have stated in the past, we seek acquisitions that are strategic, a strong cultural fit and financially accretive to our shareholders. A perfect example of this is our recently announced acquisition of one of the leading players in the secondaries industry, Landmark Partners, which enables us to enter the rapidly growing market for private secondaries.

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Looking Ahead

We believe that Ares is a company that can perform well throughout various market environments, and we are particularly proud that we have consistently outperformed in difficult markets. In our view, 2020 validated our all-weather business model. We have long-dated, locked-up capital and durable management fee-centric revenue streams that are not impacted by significant mark-to-market volatility. We have strong liquidity and capital markets access as well as a robust fundraising engine that allows us to grow through challenging markets.

As we move through 2021, we continue to be excited about our organic and inorganic growth opportunities. We have a growing sticky client base of nearly 1,100 institutional investors and hundreds of thousands of retail investors that help fuel our growth with their appetite for additional Ares products. With more than 500 investment professionals in over 25 offices across more than 10 countries, we are well-positioned to continue to scale our sourcing and investing across our many strategies and geographies.

In closing, we would like to express our sincere appreciation for the hard work and dedication of our team during these challenging times. We are also deeply appreciative of the continued trust and support from all of our investors - thank you.



Tony Ressler

Co-Founder, Executive Chairman



Michael Arougheti

Co-Founder, Chief Executive Officer & President

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Legal Notice

All information presented in this letter is as of December 31, 2020 unless otherwise noted, and is subject to change. This letter contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future events or Ares’ future performance or financial condition. These statements are based on certain assumptions about future events or conditions and involve a number of risks and uncertainties. These statements are not guarantees of future performance, condition or results. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in our filings with the SEC. Ares undertakes no duty to update any forward-looking statements made herein. Nothing in this letter constitutes an offer to sell or solicitation of an offer to buy any securities of Ares or an investment fund managed by Ares or its affiliates. Management uses certain non-GAAP financial performance measures to evaluate Ares’ performance and that of its business segments. Management believes that these measures provide investors with a greater understanding of Ares’ business and that investors should review the same supplemental non-GAAP financial measures that management uses to analyze Ares’ performance. The measures described herein represent those non-GAAP measures used by management, in each case before giving effect to the consolidation of certain funds that Ares consolidates with its results in accordance with GAAP. These measures should be considered in addition to, and not in lieu of Ares’ financial statements prepared in accordance with GAAP. These non-GAAP financial measures are discussed more fully in, and the reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are included under, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Ares’ Annual Report on Form 10-K (the “Form 10-K”) and are accessible on the SEC’s website at www.sec.gov. Management fee figures included in this letter include ARCC Part I Fees. Please refer to the Form 10-K for more information regarding ARCC Part I Fees. Past performance is not indicative of future results. For the definitions of certain terms used in this presentation, please refer to the “Glossary”.

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Glossary

ARCC Part 1 Fees	ARCC Part I Fees refers to a quarterly performance income on the investment income from ARCC. Such fees from ARCC are classified as management fees as they are paid quarterly, predictable and recurring in nature, not subject to contingent repayment and are typically cash settled each quarter.
Assets Under Management	Assets Under Management (or “AUM”) refers to the assets we manage. For our funds other than CLOs, our AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). For our funds that are CLOs, our AUM represents subordinated notes (equity) plus all drawn and undrawn debt tranches.
AUM Not Yet Paying Fees	AUM Not Yet Paying Fees, also referred to as Shadow AUM, is our AUM that is not currently generating fees and is eligible to earn management fees upon deployment.
Available Capital	Available Capital is comprised of uncalled committed capital and undrawn amounts under credit facilities and may include AUM that may be canceled or not otherwise available to invest (also referred to as “Dry Powder”).
Fee Paying Assets Under Management	Fee Paying AUM (or “FPAUM”) refers to the AUM on which we directly earn management fees. Fee Paying AUM is equal to the sum of all the individual fee bases of our funds that directly contribute to our management fees.
Fee Related Earnings	Fee Related Earnings (or “FRE”), a non-GAAP measure, is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it excludes performance income, performance related compensation, investment income from our Consolidated Funds and non-consolidated funds and certain other items that we believe are not indicative of our performance.

Endnotes

- ¹ Ares and S&P 500 total return from 12/31/2019 – 12/31/2020. Financial peer average returns for the same time period include the Financial Select Sector SPDR Fund (XLF) down 1.7% and the KBW Bank Index (BKX) down 10.3%.
- ² AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and a registered investment adviser.
- ³ Includes quarterly performance income on the investment income of Ares Capital Corporation ("ARCC Part I Fees").
- ⁴ Represents direct institutional investors.
- ⁵ Commingled fund series where the most recent fund has \$1+ billion in total assets under management.
- ⁶ Ares Management acquired SSG Capital Management (now Ares SSG) on July 1, 2020.
- ⁷ Past performance is not indicative of future results. Investment performance reflects realized and unrealized investments. All investments involve significant risk and potential risk of loss.
- ⁸ Net performance returns: Performance for syndicated loans is represented by the U.S. Bank Loan Aggregate Composite which includes all actual, fully discretionary, fee-paying, funds that are benchmarked to the Credit Suisse Leveraged Loan Index and primarily invested in USD denominated bank loans. Performance for High Yield is represented by the U.S. high yield Composite which includes all actual, fully discretionary, fee-paying, separately managed funds that primarily invest in U.S. high yield fixed income securities and are benchmarked to the BofA U.S. High Yield Master II Constrained Index, or a similar index. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.
- ⁹ The net returns for European direct lending was 1.9% and 4.0% for Q4-20 and FY-20, respectively. Gross and net returns for European direct lending are represented by a composite made up of the ACE II, ACE III and ACE IV levered Euro-denominated feeder funds. The gross and net returns for the composite made up of the ACE II, ACE III and ACE IV U.S. dollar denominated feeder funds were 2.5% and 1.8% for Q4-20 and 8.8% and 5.9% for FY-20. Returns presented above are shown for the Euro-denominated composite as this is the base denomination of the funds. Composite returns are calculated by asset-weighting the underlying fund-level returns. Returns include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses. Gross returns do not reflect the deduction of management fees, carried interest, or other expenses, as applicable. Net returns are after giving effect to applicable management fees, carried interest, as applicable, and other expenses. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.
- ¹⁰ Performance for the corporate private equity portfolio is represented by the ACOF I-V Aggregate, which is comprised of investments held by ACOF I, ACOF II, ACOF III, ACOF IV and ACOF V. Performance returns are gross asset-level time-weighted rates of return calculated on a quarterly basis. Returns include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses. Gross returns do not reflect the deduction of management fees, carried interest, or other expenses, if applicable. Net returns are after giving effect to applicable management fees, carried interest, as applicable, and other expenses. Net asset-level return for corporate private equity portfolio was 7.5% for Q4-20 and 6.0% for FY-20. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.
- ¹¹ Since inception Net IRR is an annualized return calculated after the effects of management fees, carried interest as if the Fund were liquidated, and operating and administrative expenses. Actual expenses allocated to the investors are used for this calculation. Net IRR reflects the deduction of all trading expenses. Note that the performance benefited from the investment warehouse facility and use of the subscription line which should decrease over time.
- ¹² For the corporate private equity and infrastructure and power funds, the gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. The cash flow dates used in the gross IRR calculation are assumed to occur at month-end. The gross IRRs are calculated before giving effect to management fees, carried interest, as applicable, and other expenses. For the special opportunities funds, the gross IRR is an annualized since inception gross internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Gross IRRs reflect returns to the fee-paying limited partners and, if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or carried interest. The cash flow dates used in the gross IRR calculation are based on the actual dates of the cash flows. The gross IRRs are calculated before giving effect to management fees, carried interest, as applicable, and other expenses, but after giving effect to credit facility interest expenses, as applicable. The funds may utilize a credit facility during the investment period and for general cash management purposes. Gross fund-level IRRs would likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility. In the prior quarter, the gross IRR for the special situations funds was calculated using the same method as is currently used for the corporate private equity and infrastructure and power funds. Using that method, the gross IRR for ASOF is 51.3%. The Gross Internal Rates of Return ("IRR") presented are calculated on the basis of daily inflows and outflows of cash to and from the Fund and Unrealized Values, excluding any Bridge Financings, and assuming all remaining investments were sold at the values shown as of the reporting date. Gross IRR excludes the impact of expenses, management fees, and carried interest. Since inception fund-level returns are as of the first capital call on December 20, 2019.

¹³ MSCI US Real Estate Index and the MSCI Europe Real Estate Index.

¹⁴ Performance for the U.S. real estate equity portfolio is represented by the U.S. real estate composite, which is comprised of DEV II, US VIII and US IX. Performance for the European real estate equity portfolio is represented by the European real estate composite, which is comprised of EPEP II, EF IV and EF V. EF IV and EF V are each made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. Gross returns do not reflect the deduction of management fees, carried interest, or other expenses, as applicable. Net returns are after giving effect to applicable management fees, carried interest, as applicable, and other expenses. Net returns for U.S. equity and European equity were 6.2% and 3.8% for Q4-20 and 10.4% and (0.9)% for FY-20. Returns presented above are shown for the Euro-denominated composite as this is the base denomination of the funds. The gross and net returns for the dollar denominated feeder fund for European equity were 4.3% and 3.6% for Q4-20 and 4.3% and 0.8% for FY-20. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.

¹⁵ AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

¹⁶ Ares was selected to be on a short list of nominees for the award referenced above by the global editorial teams of PEI and PDI was selected as the winner of the award through a voting process by thousands of PEI and PDI readers. The Ares Private Equity Group was ranked second in the Distressed Debt Investor of the Year in North America category in PEI's 2020 Annual Review. The selection of Ares to receive the awards was based in part on subjective criteria and a limited universe of candidates, and therefore there can be no assurance that a different global editorial team or voters might not have selected other firms or transactions as the winners. The information provided above is solely for informational purposes; performance, awards or ranking noted herein relate only to the selected funds/strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. All investments involve risk, including loss of principal.

Credit

- Private Equity International selected Ares Management as Lender of the Year in North America – 2020. Awards based on an industry wide global survey across 77 categories conducted by Private Equity International. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- Private Debt Investor selected Ares Management for 2020 Global Fund Manager of the Year, selected Ares Capital Corporation for BDC of the year in the Americas, and selected Ares SSG as Distressed Investor of the Year in Asia-Pacific. Awards based on an industry wide global survey across 47 categories conducted by Private Debt Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.

SSG

- In its 2020 annual awards, Private Debt Investor selected SSG Capital Management as Distressed Debt Investor Of The Year, Asia-Pacific. Awards are based on an industry wide survey across 9 categories conducted by Private Debt Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- ¹⁷ The performance, awards/ratings noted herein relate only to selected entities and may not be representative of any given investor's experience and should not be viewed as indicative of Ares' or Ares Capital Corporation's past performance or its funds' future performance. All investments involve risk, including loss of principal.