



2021 ANNUAL LETTER

Ares Management Corporation

A Transformational Year

2021 Annual Letter

Dear Ares Shareholder,

2021 capped off a transformational year for our firm during which we delivered exceptional growth, record financial results and compelling investment performance for our stakeholders and investors. We experienced growth of more than 50% in our assets under management as we crossed \$200 billion at the beginning of the year and then \$300 billion by the end of 2021 driven by record organic inflows to our investment funds across the platform.

ARES has now generated an annualized total stock-based return since its initial public offering in 2014 of 26.7% versus the S&P 500 total stock-based return of 15.1% during the same time period.

This strong growth translated into records in our key financial metrics, including Management Fees, Fee Related Earnings, Realized Income, Net Income and GAAP Net Income as we continue to gain market share through our scale, product and geographic expansion and new distribution channels. Not only did we report records, but our annual growth was greater than 35% in all key financial metrics as shown in Exhibit 1. Even with this significant growth, our scale, broad investment platform and culture of collaboration continue to enable us to seek strong and consistent fund performance for our investors. In 2021, we believe we delivered our best year of broad-based fund performance in the history of our company. Our strong

operating performance did not go unnoticed as our total stock-based return of 77% was far in excess of a broad stock market index and a basket of financial related equities.¹ ARES has now generated an annualized total stock-based return since its initial public offering in 2014 of 26.7% versus the S&P 500 total stock-based return of 15.1% during the same time period.¹

Exhibit 1

YEAR-OVER-YEAR PERCENTAGE CHANGE

AUM ²	FUNDRAISING	CAPITAL DEPLOYMENT
\$306 B	\$77 B	\$81 B
55%	86%	103%
MANAGEMENT FEES	FEE RELATED EARNINGS	REALIZED INCOME
\$1.6 B	\$712 M	\$883 M
38%	65%	52%
FRE AS PERCENT OF REALIZED INCOME	GAAP NET INCOME	
81%	\$918 M	
N/A	183%	

¹ Source: Bloomberg data through December 31, 2021. Benchmark indices include the S&P 500 and The Financial Select Sector SPDR Fund (XLF). Ares IPO date was May 2, 2014.

² AUM amounts include funds managed by Ivy Hill Asset Management, LP., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

We believe the alternative asset management industry is poised to continue growing at a strong pace as investors of all types are increasingly seeking private, alternative investments for their portfolios. Investors are seeking alternatives for their distinguishing characteristics: potential for greater income, less volatility and lower correlations compared to traditional traded assets. PwC estimates that global alternative assets represent approximately 10% of the total global managed financial assets³ and Prequin is forecasting that alternative assets under management will grow at a compound annual growth rate of 15% through 2026.⁴

In order to meet this anticipated demand, we continue to scale our product offerings. For example, five years ago, we had five flagship funds of \$1 billion or more compared to 24 funds of this size at the end of 2021. (See Exhibit 2.)

We have also significantly increased our direct investor relationships which more than doubled from approximately 700 at the end of 2016 to over 1,800 at the end of 2021. Importantly, we also continued to earn a greater wallet share of our existing investor base. As shown in Exhibit 3, approximately 49% of our direct AUM was invested across more than one investment group in 2016 vs. 62% at the end of 2021. We believe this not only illustrates our investors' satisfaction with our fund performance, but also our deepening relationships with them.

Exhibit 2

\$1+ Billion Fund Series⁵

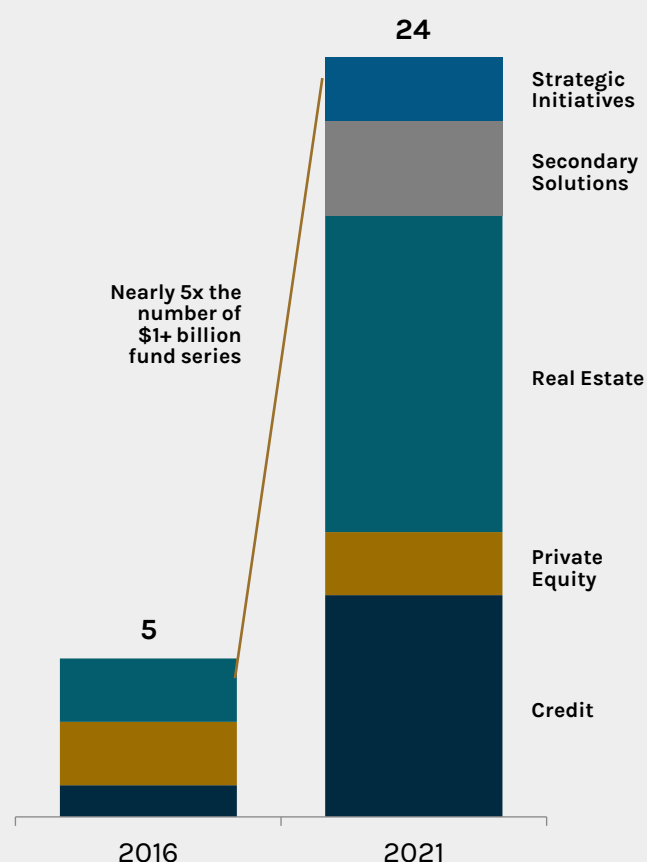
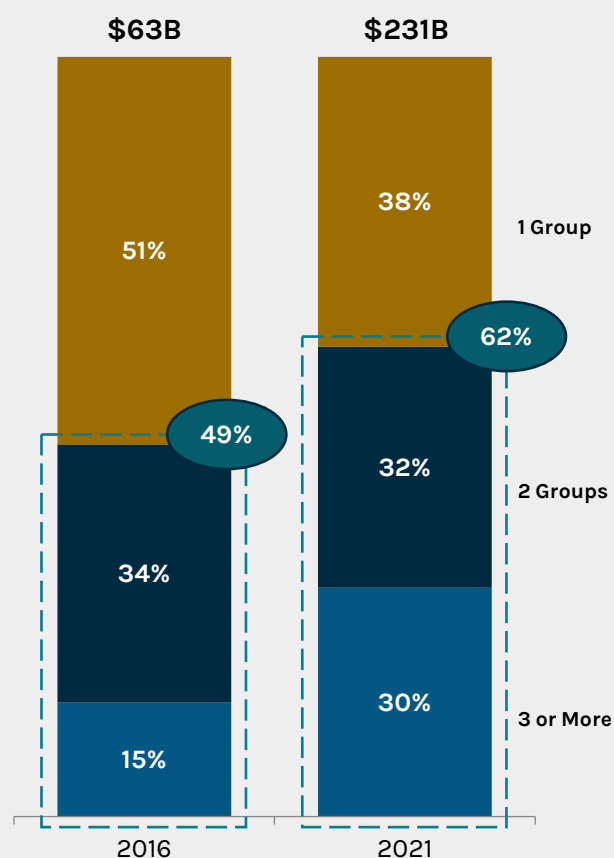


Exhibit 3

Direct AUM by # of Investment Groups



³ Source: PwC - Asset and Wealth Management Revolution: The Power to Shape the Future report. December 2020.

⁴ Source: Prequin - Alternatives in 2022 report. See endnotes for additional information.

⁵ Represents Ares' commingled fund series in which the most recent fund had \$1+ billion in total assets under management.

Exhibit 4

30+

GLOBAL OFFICES

~760

INVESTMENT
PROFESSIONALS

~1,340

SUPPORT
PROFESSIONALS



As we have increased our investor activity, we are scaling our investment teams. In 2016, we had over 350 investment professionals investing in 12 primary strategies. At the end of 2021, we had more than doubled our investment professionals to over 750 and substantially increased our primary strategies offered to 19. As our investment strategies and geographic presence continue to expand, we believe we are well positioned to continue generating strong returns for our investors. We are very proud of our global team across more than 30 offices. (See Exhibit 4.)

At our Investor Day last August, we communicated our strategic plans for growing all of Ares' businesses, including our long-term approach to business building and executing upon the synergies we identify across our investment platform. Importantly, we outlined our goal of achieving a target of \$500 billion or more in assets under management by the end of 2025 along with corporate priorities across our

Environmental, Social and Governance and Diversity, Equity and Inclusion initiatives.

INVESTING FOR THE FUTURE

Since our founding, we have always been focused on investing purposefully in future growth initiatives to propel our business forward. We have predominantly grown organically by adding talented professionals, launching new investment strategies, broadening our global footprint and penetrating new distribution channels. In fact, excluding acquisitions, our AUM has increased at a compound annual growth rate of more than 25% over the last three years. However, there are times when we find an acquisition that is strategically, financially, and culturally accretive to our firm that can create a significant future growth opportunity. During 2021, we consummated three such opportunities in our transactions with Landmark Partners, Black Creek Group and AMP's

Infrastructure Debt platform, and we identified a significant opportunity to expand our distribution to satisfy the demand for alternative investments from retail investors.

Landmark Partners

In June 2021, Ares acquired Landmark Partners, one of the largest and most experienced investors in acquiring secondary private fund ownership stakes in the industry with a 30-year track record and approximately \$19.6 billion in AUM as of March 31, 2021. At Ares, we believe the secondaries industry is at an inflection point for three reasons: 1) the secondaries market is expanding beyond private equity into new asset classes such as real estate, infrastructure and credit 2) the industry is expanding rapidly into General Partner ("GP") led secondary solutions whereby a GP seeks a financial solution to recapitalize or extend the life of assets

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in an older fund and 3) the secular growth in private assets is expanding across the globe which creates a larger installed base for secondary transactions. As one of the leading secondaries investors, Landmark provides Ares with scale, deep secondary market relationships, a long-term track record and over 600 new Limited Partner ("LP") relationships to expand and grow across the platform. We see significant synergy opportunities to expand and grow Landmark across new products, new geographies, and new distribution channels.

Black Creek Group

In July 2021, Ares acquired Black Creek Group, a real estate asset management firm with \$13.7 billion in AUM as of June 30, 2021, and one of the top three largest industrial real estate investors in the United States. Our acquisition of Black Creek enabled Ares to expand its real estate offerings into both core

and core+ products, a key area of the real estate market that rounds out our suite of products across the risk-return spectrum. In addition, we leveraged Black Creek's property development and management business to vertically integrate our real estate operations. Finally, Black Creek possessed a significant high net worth retail distribution platform with access to more than 100,000 financial advisor relationships, which was a complementary fit for Ares' aspirations to continue to expand its product offerings in the rapidly growing retail channel.

Ares Wealth Management Solutions

As mass affluent retail investors are increasingly seeking alternative investment products, Ares sought to address this market need with the formation of Ares Wealth Management Solutions ("AWMS"). In October 2021, we announced the formation of AWMS by combining Black Creek's large distribution platform with our existing retail-focused team and also plan to integrate our group focused on the ultra-high net worth channel to form one of the largest fundraising and client service teams dedicated to the wealth management channel in the alternatives industry. We are currently offering multiple investment products through this channel, and we expect to launch new and attractive products for retail investors in the future. We believe this will become a significant growth engine for our business. For example, the retail market for alternative assets is expected to double in size by 2025 to \$5.1 trillion.⁶

AMP Infrastructure Debt

In December 2021, Ares announced the acquisition of AMP's Infrastructure Debt platform, which is one of the largest infrastructure debt investors in the world with approximately \$8 billion in AUM. Per Preqin, Infrastructure is projected to be one of the fastest growing sectors in the alternative asset management industry over the next decade.⁷ It was highly strategic for us to expand our existing infrastructure team both geographically and into new sectors such as transportation, utilities and digital and the Infrastructure Debt platform was an ideal solution both strategically and culturally. Upon closing of the transaction in February 2022, we are now one of the largest infrastructure debt managers in the world with global sourcing capabilities.

⁶ Source: Morgan Stanley. High Net Worth and Ultra High Net Worth Investors capital allocated to Private Market Assets defined as Private Equity, Private Debt, Venture Capital, Real Estate & Infrastructure using the midpoint of the range for expected investment in 2020 & 2025.

⁷ Note: Data sourced from Preqin's The Future of Alternatives 2025 report and Preqin's Alternatives in 2022 report. See endnotes for additional information.

EXPANDING WALLET SHARE WITH OUR CLIENTS

2021 marked the largest fundraising year in firm history with \$77 billion of gross capital raised as we deepened our relationships with our existing investors and attracted a stream of new investors.

The breadth of our inflows was evidenced by the fact that we received commitments across over 130 distinct funds which highlights the expanding product set that we are offering to our investors. Our recent strategic acquisitions have increased our product capabilities, and as of year end, we had 370 different managed funds and accounts.

We continue to see investors consolidating their manager relationships with broader platforms to gain efficiencies and strategic insights. To that point, 84% of our direct institutional fundraising in 2021 was derived from existing investors either re-upping into one of our existing strategies, which accounted for 39% of direct institutional fundraising, or investing in other Ares strategies across our platform, which accounted for 45% of direct institutional fundraising. (See Exhibit 5.)

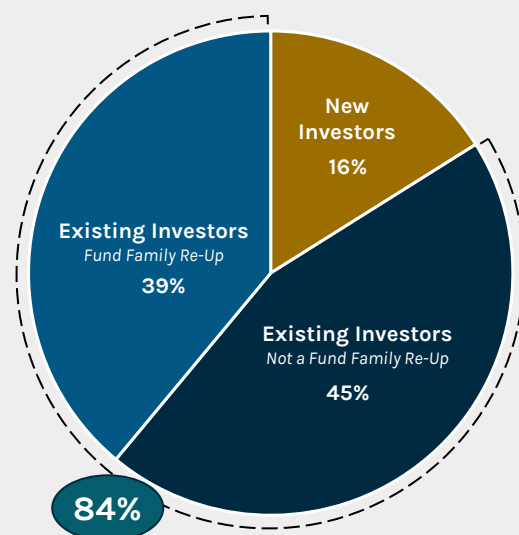
"2021 marked the largest fundraising year in firm history with \$77 billion in gross capital raised..."

We also continue to attract new investors onto our platform. Out of the total 427 direct institutional investors committing to new funds in 2021, 41% of them were new to Ares. Our goal is to bring new investors onto the platform, deliver an industry leading experience and then earn additional trust and wallet share in subsequent fund offerings. We saw this play out in 2021 as the average investment size for existing investors increased 35%, year over year, and was over 3x as large as the average investment size for new investors.

Our flagship funds that held a final closing in 2021 increased their committed equity by approximately 50% in the aggregate over the prior vintages, which highlights the embedded growth potential we have from scaling our funds. Even with an impressive year in flagship fundraising, we raised more capital

Exhibit 5

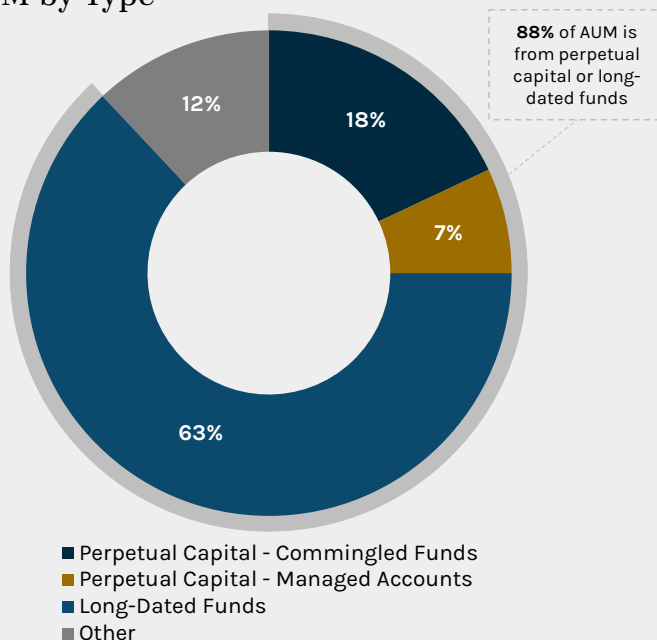
2021 Direct Inflows by Existing vs. New



outside of our flagship commingled products, including \$21 billion in our perpetual capital vehicles, which at year end represented over 25% of total AUM. As of December 31, 2021, we had nearly 90% of our AUM that is either perpetual capital or long-dated, which we believe provides meaningful stability through periods of market volatility. (See Exhibit 6.)

Exhibit 6

AUM by Type



SCALING OUR DEPLOYMENT WITH THE SECULAR GROWTH OF PRIVATE CAPITAL

2021 marked another year in which Ares' robust sourcing networks, flexible capital philosophy and extensive incumbent relationships enabled us to substantially increase our investing activity in a broader array of strategies across the globe. In a year of shifting investment landscapes and market changes, our broad experience came into play as we deployed a record \$81 billion of capital. This acceleration illustrates the continuation of a secular trend – private market providers continue to take share from the traditional traded markets. Middle market companies and a growing number of larger companies increasingly prefer the flexibility, certainty of execution and partnership mindset of private capital providers based on our experience.

As Exhibit 7 shows, Ares was actively investing across the credit market landscape (i.e., direct lending, real estate debt, syndicated loans and alternative credit) as well as in the private equity markets, including real estate, corporate buyouts, special opportunities and secondaries.

One area of continued focus is the scaling of our market leading global direct lending franchise. During 2021, our direct lending teams invested in more than 350 companies across the globe, while remaining highly selective in credit selection. Ares reviewed an estimated \$700 billion of new and incumbent direct lending transactions and only closed approximately 5% of the new transactions reviewed. Although deployment was particularly high in 2021, we continued to focus on high conviction areas that have been historically non-cyclical, including healthcare, technology & software, business services and other services. We were also active investing in our highest conviction sectors within real estate of industrial & logistics, multifamily and certain alternative sectors such as student housing.

To further illustrate how Ares employs a global flexible private capital strategy, it is worth highlighting our activity in providing capital to sports, media and entertainment companies. During 2021, we provided debt and equity capital in various sports teams around the world. Two notable debt investments included a senior secured investment in the MLB's San Diego Padres and a second lien credit facility

Exhibit 7

(\$ in mm)	2020 Total Deployment	2021 Total Deployment	YoY Growth
U.S. Direct Lending	\$15,075	\$31,112	106%
European Direct Lending	\$5,652	\$12,396	119%
U.S. Real Estate Equity	\$456	\$6,663	1362% ⁸
Real Estate Debt	\$1,615	\$4,975	208%
Syndicated Loans	\$3,075	\$4,703	53%
Alternative Credit	\$3,132	\$4,563	46%
Corporate Private Equity	\$2,519	\$3,219	28%
Special Opportunities	\$2,414	\$2,896	20%
Multi-Asset Credit	\$1,295	\$2,874	122%
PE Secondaries	-	\$1,339	-
Other	\$4,617	\$6,283	36%
Total	\$39,850	\$81,023	103%

8. Increase includes the addition of Black Creek funds which closed on July 1, 2021.

for the NHL's Ottawa Senators. We also provided capital to the MLS soccer team, Inter Miami FC, the La Liga soccer team, Atletico Madrid and Formula One's McLaren Racing. This is just one example of how Ares has the ability to expand its existing investment capabilities into adjacent strategies.

During 2021, we also continued to focus on adding important senior teams in new strategies across the firm, most notably in European real estate debt and in triple net lease. We believe these are exciting new growth areas for investment and we expect to build these businesses in the future.

MAKING AN IMPACT AT ARES: A BETTER ALTERNATIVE

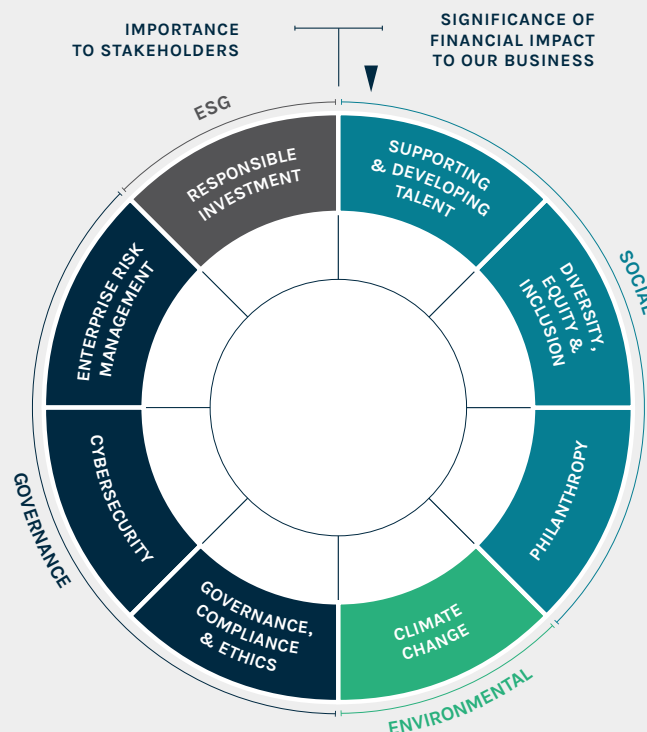
At Ares, we strive to generate sustainable financial returns for our investors and to be a catalyst for shared prosperity in our communities. Our ambition is to help make investing in the private markets an engine for an inclusive and lower-carbon economy. We seek to achieve this goal by engaging our sphere of influence, including companies in which we invest and the communities they serve. Underpinned by our Core Values, there are two themes we focus on: **A Just Transition** to take place during the shift to a lower-carbon economy and ensuring **An Inclusive and Equitable Economy**. We seek to tackle these ambitions through three primary channels that drive change: *ESG, DEI and Philanthropy*.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG):

In 2021, we filed our first Sustainability Report which outlined our strategy and provided updates on our sustainable investing activities. Ares approaches ESG from two perspectives: Corporate Sustainability (CS) and Responsible Investment (RI). From a CS standpoint, we aim to lead by example by employing sustainability practices within our own corporate operations. RI spans our platform and embeds our global responsible investment approach within our investment strategies. We achieve our RI strategy through a decentralized model that empowers our ESG champions, 100 front-line investment and portfolio management professionals, to design and deploy ESG integration plans. (See Exhibit 8.)

Exhibit 8

Our Most Material ESG Issues



A few 2021 highlights include:

Climate Change: Ares hosted its first Climate Change off-site with more than 30 representatives, including professionals from each investment strategy, to discuss its approach to carbon footprinting, stance on investing in fossil fuels and current thinking on long-term commitments.

Ares Funds Acquired Apex Clean Energy: Apex is one of the largest privately owned clean energy companies in the U.S. with over 40 GW of wind, solar, storage and distributed energy resources in development.

Sustainability-Linked Loan: Ares funds led £1 billion of available debt facilities to RSK Group, which included an annual margin review based on the achievement of certain sustainability targets. At the time of announcement, the transaction marked the largest private credit-backed sustainability-linked financing.

DIVERSITY, EQUITY & INCLUSION (DEI)

Our DEI framework and strategy harness the power of our platform to be a force for good and contribute to the long-term success of Ares, the companies in which we invest and the communities in which we operate. Below are a few high-level DEI highlights during 2021:

- **DEI Assessment:** In the spring, we completed a rigorous three-part assessment to measure the firm's DEI maturity, talent pipeline and companywide inclusion, the last of which included a survey of over 800 employees that has enabled us to understand how our team members are experiencing the organization by diversity dimension. As a result, we developed a data-backed, accountability-based three-year strategic plan, with measurable milestones and KPIs to ensure progress.
- **Launched "AmpliFY DEI":** As we continue to embed DEI across our business, processes and investment platform, we launched "AmpliFY DEI" in partnership with 11 management teams associated with portfolio companies across our Private Equity portfolio. In collaboration with a leading consultant we performed a rigorous review of our procurement processes and current spend, allowing Ares to establish baseline values for KPIs.

- **Launched Mindr Connect Platform:** Recognizing the need for greater engagement and coordination across the global organization, we worked with Mindr to design and launch a platform that would drive belonging in our communities. We achieved a 46% increase in Employee Resource Groups participation since launch and drove an average increase of 129% in event registration per month.

PHILANTHROPY

Philanthropy is Ares' hub for giving and community involvement globally. We work in concert with team members, like-minded nonprofit organizations and industry peers to leverage our platform to positively impact our communities. We not only want to empower people to be change agents in their own lives, but also in the lives of others. Moreover, we amplify our staunch advocacy of ESG and DEI through the ways we give and encourage our employees to get involved.

Our three-pronged approach to Philanthropy helps to further demonstrate our core values in action and collectively exemplify our commitment to deliver positive societal impact:

Exhibit 9 CASE STUDY

AltFinance Helps Diversify the Alternatives Industry

The Ares Foundation's 10-year, \$30 million grant to ALT Finance Corporation helps fund AltFinance: Investing in Black Futures, a program intended to add diversity to the alternative investment industry.⁹ Incubated within the firm's Ares Black Alliance and aligned with the Ares Foundation's focus on Career Preparation & Reskilling, AltFinance will create opportunities for HBCU students to learn about careers in the industry through a mentored fellowship program in partnership with Management Leadership for Tomorrow and select institutions, and will also provide scholarships. In addition, the Wharton School of the University of Pennsylvania will design and facilitate a best-in-class virtual institute for all interested students who attend any one of the 107 HBCUs. Moreover, AltFinance intends to provide internships and full-time career opportunities at alternative investment firms.

ALT Finance Corporation strives to address a pervasive challenge of the alternatives industry; a lack of diversity among its professional ranks. Furthermore, the support will not only help eradicate impediments that might otherwise preclude these young people's awareness of – and professional pursuits in – the alternatives industry, but will also help cultivate a more diverse talent pipeline within the industry to the benefit of HBCU students, firms like Ares and their portfolio companies and society at large.



⁹ Ares expects to contribute up to \$30 million over 10 years. The actual amount contributed may be less than this amount.

- **Ares Charitable Foundation:** We announced the formation of the Ares Charitable Foundation in June 2021, with a focus on Career Preparation & Reskilling, Entrepreneurship and Personal Finance through mission-aligned grants so that all people can pursue a better future. **AltFinance: Investing in Black Futures** is a \$30 million Career Preparation & Reskilling signature initiative that partners us with industry colleagues to provide opportunities for Historically Black College & University students.
- **Corporate Contributions and Ukraine Update:** Throughout 2021, we committed nearly \$300,000 in corporate contributions to organizations such as the American Heart Association and First Generation Investors for important and timely causes such as gender-based health equity and wealth inequality reduction.

We are deeply troubled by the conflict in Ukraine and the humanitarian crisis occurring in that region. Through both corporate contributions and employee donations, we as a firm have committed over \$400,000 in donations to help with humanitarian relief efforts in Ukraine thus far in 2022.

- **Ares in Motion ("AIM"):** Our employee engagement program has enabled team members' giving and involvement since 2012. In 2021, we matched \$531,000 in employees' donations to charitable causes that matter most to them. Moreover, we engaged team members in more than 1,300 service hours through virtual and in-person volunteer activities for nonprofits supporting causes such as positive mental health, economic empowerment and disability inclusion in the workplace.

LOOKING AHEAD

As we look ahead and prepare for the future, we believe we are exceptionally well positioned for the significant growth opportunities at our company and in our industry. After an extended period of relationship building, we are very pleased to have closed on three highly strategic acquisitions, which greatly enhanced our real estate presence, extended our infrastructure strategy, accelerated the development of our retail distribution and created a fifth vertical in secondaries investing that complements our other asset classes. These new businesses have strengthened and further diversified our company, and we now have five investment groups - each supported by deep and experienced teams with demonstrated investing success - to capitalize on the rapidly growing global market for alternative assets. As these markets evolve, we continue to be intensely focused on addressing our clients' needs with differentiated solutions and strong performance.

At the same time, with the difficult geopolitical situation in Ukraine, rising inflation, supply chain disruptions and shifting Federal Reserve policy, the year ahead is expected to have increased uncertainty and volatility. However, we are highly confident that we can navigate these volatile markets as we have demonstrated in past periods such as the Global Financial Crisis and the COVID-19 pandemic. With over \$90 billion of available capital and the power of the global Ares platform, we believe we are well suited to prosper and generate attractive risk adjusted returns for our stakeholders.

We will continue to focus on our many ESG and DEI initiatives in the years ahead. We believe these efforts will make us better investors, help us build an even stronger, more collaborative workforce and make a positive impact in our communities and for our stakeholders.

On behalf of our team at Ares, we are grateful for your support of our company.



ANTONY RESSLER
Co-Founder, Executive Chairman



MICHAEL AROUGHETI
Co-Founder, Chief Executive Officer & President



Forward-Looking Statements

Statements included herein contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future events or our future performance or financial condition. Forward-looking statements can be identified 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 forwardlooking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including but not limited to the impact of the COVID-19 pandemic and the pandemic's impact on the U.S. and global economy, as well as those described from time to time in our filings with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made. Ares Management Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call, whether as a result of new information, future developments or otherwise, except as required by law. Nothing in this press release 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.