

# Ares Dynamic Credit Allocation Fund

## February 2021

### Investment Objective

Ares Dynamic Credit Allocation Fund, Inc.'s (the "Fund" or "ARDC") investment objective is to provide an attractive level of total return, primarily through current income and, secondarily, through capital appreciation.

### Distribution Data as of 2.28.21

Weighted Average Floating Coupon <sup>1</sup>	<b>5.86%</b>
Weighted Average Bond Coupon <sup>2</sup>	<b>7.57%</b>
Current Distribution Rate <sup>3</sup>	<b>7.93%</b>
Monthly Dividend Per Share <sup>4</sup>	<b>\$0.0975</b>

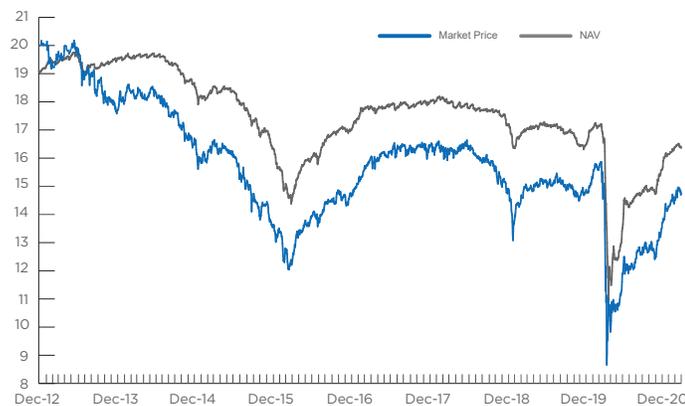
<sup>1</sup> The weighted-average gross interest rate on the pool of loans as of February 28, 2021.

<sup>2</sup> The weighted-average gross interest rate on the pool of bonds at the time the securities were issued.

<sup>3</sup> Dividend per share annualized and divided by the February 28, 2021 market price per share. The distribution rate alone is not indicative of Fund performance.

<sup>4</sup> Represents the Fund's February 2021 dividend of \$0.0975 per share, which was comprised of net investment income. To the extent that any portion of the current distributions were estimated to be sourced from something other than income, such as return of capital, the source would have been disclosed in a Section 19(a) Notice located under the "Investor Documents" section of the Fund's website. Please note that distribution classifications are preliminary and certain distributions may be re-classified at year end. Please refer to year-end tax documents for the final classifications of the Fund's distributions for a given year.

### Price/NAV History as of 2.28.21



### Performance as of 2.28.21

	Market	NAV
1 Month	<b>2.39%</b>	<b>0.41%</b>
Year to Date	<b>4.67%</b>	<b>2.51%</b>
3 Years (annualized)	<b>5.67%</b>	<b>4.64%</b>
5 Years (annualized)	<b>13.07%</b>	<b>10.46%</b>
Since Inception*	<b>4.80%</b>	<b>5.74%</b>

\*Since Inception of fund (11/27/2012) and annualized. Source: Ares

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. The NAV total return takes into account the Fund's total annual expenses and does not reflect transaction charges. If transaction charges were reflected, NAV total return would be reduced. Since Inception returns assume a purchase of common shares at the initial offering price of \$20.00 per share for market price returns or initial net asset value (NAV) of \$19.10 per share for NAV returns. Returns for periods of less than one year are not annualized. All distributions are assumed to be reinvested either in accordance with the dividend reinvestment plan (DRIP) for market price returns or NAV for NAV returns.

### Portfolio Management Team

Keith Ashton <i>Portfolio Manager</i> 22 Years Experience	Seth Brufsky <i>Portfolio Manager</i> 30 Years Experience
Samantha Milner <i>Portfolio Manager</i> 21 Years Experience	Charles Arduini <i>Portfolio Manager</i> 20 Years Experience

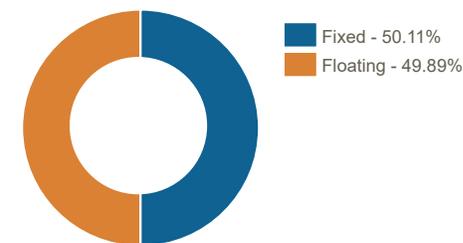
### About Ares

Ares Management Corporation (NYSE: ARES) is a leading global alternative investment manager operating integrated groups across Credit, Private Equity, Real Estate and Strategic Initiatives. Ares Management's investment groups collaborate to deliver innovative investment solutions and consistent, attractive investment returns for fund investors throughout market cycles. As of December 31, 2020, Ares Management's global platform had approximately \$197 billion of assets under management\*\* with more than 1,450 employees operating across North America, Europe and Asia Pacific. For more information, please visit [www.aresmgmt.com](http://www.aresmgmt.com). The Fund's portfolio management team is comprised of members of the Ares Credit Group.

Ares specializes in managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the acquisition and management of senior loans, high yield securities, mezzanine debt and special situation investments. Ares' private equity activities focus on providing flexible, junior capital to middle-market companies. Ares has the ability to invest across a capital structure, from senior floating rate debt to common equity. This flexibility, combined with Ares' "buy and hold" philosophy, enables Ares to structure an investment to meet the specific needs of a company rather than the less flexible demands of the public markets.

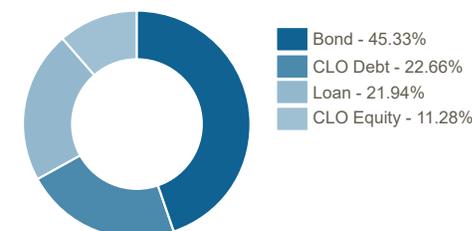
\*\*December 31, 2020. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results. As of January 21, 2021, employees of Ares Management owned approximately 3.6% of the Fund's outstanding shares.

### Fixed vs. Floating Rate as of 2.28.21



Excludes Equity and CLO Equity

### Current Portfolio Mix as of 2.28.21



This data is subject to change on a daily basis. As of 2.28.21, the Fund held a negative traded cash balance of -1.20%.

## Investment Strategy

The Fund invests primarily in a broad, dynamically managed portfolio of (i) senior secured loans ("Senior Loans") made primarily to companies whose debt is rated below investment grade; (ii) corporate bonds ("Corporate Bonds") that are primarily high yield issues rated below investment grade; (iii) other fixed-income instruments of a similar nature that may be represented by derivatives; and (iv) securities of collateralized loan obligations ("CLOs"). The Fund utilizes leverage as part of its investment strategy and may incur leverage in an aggregate amount of up to 33 1/3% of the Fund's Managed Assets by borrowing under a credit facility. Ares Capital Management II LLC, the Fund's investment adviser (the "Adviser"), is an affiliate of Ares Management Corporation ("Ares"). The Adviser will seek to implement the Fund's investment strategy through the application of several techniques, including: (i) investing in a diversified portfolio of loans and other debt investments across a broad range of industries with varying characteristics and return profiles; (ii) adhering to the established credit underwriting processes of Ares Management Corporation, an affiliate of the Adviser, and doing substantial pre-investment credit analysis, utilizing publicly available credit and industry information as well as other information about the borrowers and issuers; (iii) monitoring the credit quality of the obligors in the Fund's investments and, as appropriate, on a risk adjusted return basis, selling investments in underperforming issuers; and (iv) holding cash and engaging in derivative credit and interest rate hedges. The Adviser will allocate the Fund's portfolio dynamically among investments in the various targeted credit markets to seek to manage interest rate and credit risk and the duration of the Fund's portfolio.

## Fund Overview and Characteristics as of 2.28.21

Ticker	<b>ARDC</b>	Number of Issuers	<b>203</b>
Market Price	<b>\$14.76</b>	Number of Instruments	<b>247</b>
NAV Ticker	<b>XADCX</b>	Effective Duration <sup>5</sup>	<b>1.84</b>
NAV	<b>\$16.36</b>	% of Assets w/ LIBOR Floors <sup>6</sup>	<b>40.15%</b>
Premium/(Discount)	<b>-9.78%</b>	Month-End Leverage <sup>7</sup>	<b>30.06%***</b>
CUSIP	<b>04014F102</b>	Total Managed Assets <sup>8</sup>	<b>\$535,899,069</b>
Shares Outstanding	<b>22.9 million</b>	Inception Date	<b>11/27/2012</b>
		Expense Ratio <sup>9</sup>	<b>2.83%</b>

<sup>5</sup> The effective duration measures a bond's sensitivity to interest rates.

<sup>6</sup> Calculated as a percentage of floating rate securities only.

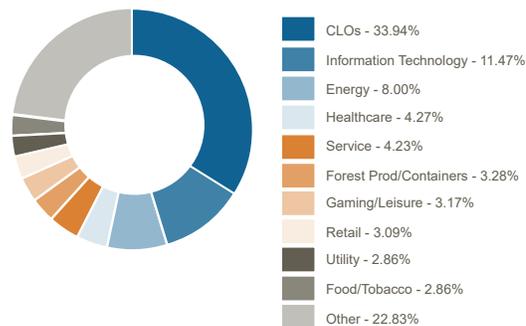
<sup>7</sup> As a percentage of total managed assets.

<sup>8</sup> Total assets of the Fund (including any assets attributable to financial leverage) minus accrued liabilities (other than debt representing financial leverage).

<sup>9</sup> Represents the ratio of expenses, inclusive of interest expense and amortization of debt issuance, to net assets for the year ended December 31, 2020.

\*\*\*Represents a \$161 million drawn on a \$212 million revolving funding facility with an institutional lender, pursuant to which the Fund expects to borrow funds to make additional investments, subject to available borrowing base and leverage limitations.

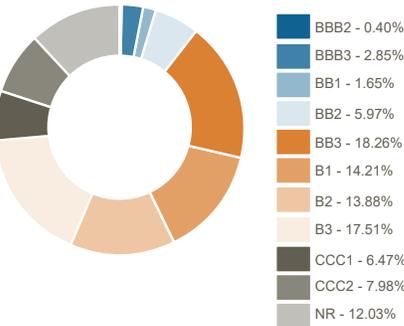
## Industry Allocation<sup>10</sup> as of 2.28.21



This data is subject to change on a daily basis. As of 2.28.21, the Fund held a negative traded cash balance of -1.20%.

<sup>10</sup> Credit Suisse industry classifications weighted by market value. These values may be different than industry classifications in certain regulatory filings.

## Ratings Distribution<sup>11</sup> as of 2.28.21



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<sup>11</sup> Based on S&P and/or Moody's rating. Credit quality is an assessment of the credit worthiness of an issuer of a security. AAA is the highest rating, meaning the obligor's capacity to meet its financial commitments is strong. As ratings decrease, the obligor is considered more speculative by market participants. Credit ratings apply only to the bonds and preferred securities in the portfolio and not to the shares of the fund which are not rated and will fluctuate in value.

## Top 10 Holdings<sup>12</sup> as of 2.28.21

OAKC 2012-7	1.38%
EQT Corp	1.33%
Tegna	1.30%
PowerTeam Services	1.27%
NRG Energy Inc	1.14%
TFLAT 2018-1	1.13%
Williams Cos Inc/The	1.12%
Numericable	1.10%
EchoStar Corp	1.05%
CenturyLink Inc	0.99%

<sup>12</sup> Market value percentage may represent multiple instruments by the named issuer and/or multiple issuers being consolidated to the extent they are owned by the same parent company. These values may be different than the issuer concentrations in certain regulatory filings.

## Risk Considerations

**Investment and market risk**-There can be no assurance that the Fund will achieve its investment objective. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value. The Fund is subject to investment risk, including the possible loss of the entire amount that you invest. Some important risks of the Fund are: **Senior Loans risk and Subordinated Loans risk**-The Senior Loans in which the Fund will invest will primarily be rated below investment grade, but may also be unrated and of comparable credit quality. As a result, the risks associated with such Senior Loans are generally similar to the risks of other below investment grade fixed income instruments, although Senior Loans are senior and typically secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investments in below investment grade Senior Loans are considered speculative because of the credit risk of the Borrowers. Subordinated Loans generally are subject to similar risks as those associated with investments in Senior Loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. In the event of default on a Subordinated Loan, the first priority lien holder has first claim to the underlying collateral of the loan to the extent such claim is secured. **Corporate Bond risk**-The market value of a Corporate Bond generally may be expected to rise and fall inversely with interest rates. The market value of a Corporate Bond also may be affected by factors directly related to the issuer, such as investors' perceptions of the creditworthiness of the issuer, the issuer's financial performance, perceptions of the issuer in the market place, performance of management of the issuer, the issuer's capital structure and use of financial leverage and demand for the issuer's goods and services. **CLO Securities risk**-CLO Securities are typically privately offered and sold and may be thinly traded or have a limited trading market. As a result, investments in CLO Securities may be characterized by the Fund as illiquid securities. In addition to the general risks associated with debt securities discussed above, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; and (iii) the possibility that the investments in CLOs are subordinate to other classes or tranches of the CLOs. The riskiest portion of the capital structure of a CLO is the subordinated (or residual) tranche (i.e., CLO Equity Securities), which bears the bulk of defaults from the loans in the CLO and serves to protect the other, more senior tranches from default in all but the most severe circumstances. **Leverage risk**-The Fund utilizes leverage as part of its investment strategy and may incur leverage in an aggregate amount of up to 33 1/3% of the Fund's Managed Assets by borrowing under a credit facility. The use of borrowings or Derivatives or issuance of preferred shares to leverage the common shares can create risks, including increased variability of the Fund's net income, distributions and/or net asset value in relation to market changes. Changes in the value of the Fund's portfolio, including securities bought with the proceeds of leverage, will be borne entirely by common shareholders. All costs and expenses related to any form of leverage used by the Fund will be borne entirely by common shareholders. Increases and decreases in the value of the Fund's portfolio will be magnified if the Fund uses leverage. **COVID-19 Risk**- Many countries have recently experienced outbreaks of COVID-19. The disruptions associated with this pandemic may have material adverse effects on the values and liquidity of securities or other assets in which the fund invests, which in turn could materially adversely affect the performance of the Fund and its ability to meet its obligations. Additionally, the operations of the Adviser (including those relating to the Fund) could be impacted adversely and affect the Adviser's ability to source, manage and divest investments on behalf of the Fund and pursue the Fund's investment objectives and strategies. Similar consequences could arise with respect to other infectious diseases. In addition to these risks, the Fund is also subject to the following risks: **Below investment grade rating risk, Credit risk, Prepayment risk, Interest rate risk, Liquidity risk, Distressed and defaulted debt risk, Inflation/deflation risk, Structured products risk, Derivatives risk, Credit-Linked Securities risk, Credit risk, Currency risk, Correlation risk, Regulatory risk.** Please see [www.arespublicfunds.com](http://www.arespublicfunds.com) for a more detailed discussion about Fund risks and considerations.

Ares Capital Management II LLC is the Fund's investment manager, Destra Capital Advisors, a registered investment advisor, is providing secondary market servicing for the fund.

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