Financial Advisor Solutions Team (FAST)

ARES | WEALTH MANAGEMENT SOLUTIONS

Welcome to the New Old Frontier

Private Market Investing

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- Risk of substantial loss of principal - direct Investments in private companies and investments, involve a high degree of business and financial risk that can result in substantial losses
- Illiquidity risk - investments are not listed on any securities exchange and may not be readily liquidated, therefore it may be impossible to get your money back
- Valuation risks - the risk that the securities are valued at prices the seller is unable to obtain upon sale due to factors such as incomplete data, market instability, human error, or no readily available market quotations, and other factors
- Risk related to private companies – these companies are generally not subject to SEC reporting requirements, are not required to maintain accounting records in accordance with generally accepted accounting principles and are not required to maintain effective internal controls over financial reporting. As a result, there is the risk that investors may invest based on incomplete or inaccurate information, which can adversely affect performance. Private companies may also have limited financial resources, shorter operating histories, more asset concentration risk, narrower product lines and smaller market shares that can make such private companies more vulnerable to competitors' actions and market conditions

Financial advisors must carefully consider the risks and other suitability details in determining appropriate investments for their individual clients' portfolios.

One For The History Books!

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Capital markets fuel economic growth by financing the activities of corporations, where they operate, and their projects

When accessing the capital markets, asset owners choose a financing **type** and **source**:

- **Type**: debt or equity
- Source: **public** or **private**

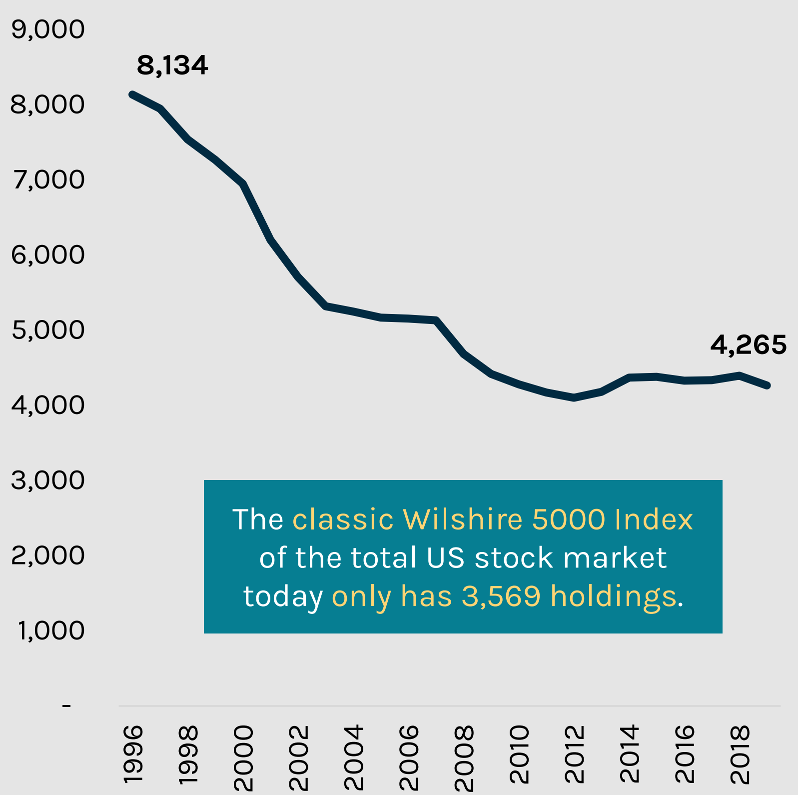
	Corporate Assets		Real Assets	
Debt	"private credit"	"public fixed income"	"private real estate/ infrastructure debt"	"public real estate/ infrastructure debt"
Equity	"private equity"	"public equity"	"private real estate/ infrastructure"	"public real estate/ infrastructure"

There are trade-offs to consider with each choice.

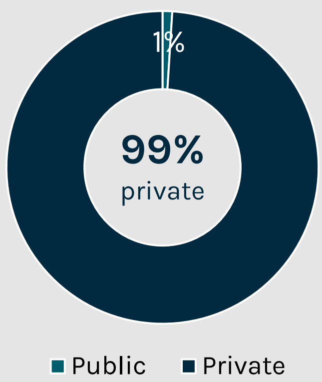
As capital markets themselves evolve, so will the tradeoffs, shaping the size and scope of each underlying market.

Due to tightening capital market regulation, companies are preferring to stay private for longer (or forever)

of US publicly traded companies is shrinking[1]



of mid to large size companies (100+ employees) that are private is high[2]



~200,000
US middle market businesses

99%
of which are private

Midsize businesses account for approximately **one-third of employment** and **one-third of output** of the US economy.

If these companies were their own country, they would be roughly the size of Germany or Japan

1. Source: FRED, St. Louis Fed, Wilshire, US Census Bureau, Ares. FRED data current through 2019. All other data as of July 2022.
2. Source: National Center for the Middle Market, as of Q2 2022. “Middle market” includes companies with $10 million to $1 billion in annual revenue.

Bank consolidation started in the 1990s and accelerated during the GFC, resulting in a multi-decade decline in banks' willingness to loan to the middle market

Bank Consolidation Over Past Decades

Continental Illinois
Nations Bank
Sovran Bank
BankBoston
La Salle Bank
Barnett Bank
Security Pacific Bank
Merchants Bank
NCNB
Summit Bank
Fleet
Bank of New England

Bank of America Merrill Lynch

Manufacturers
Hanover
First Chicago
Bank One
Chemical Bank
Washington Mutual
Chase

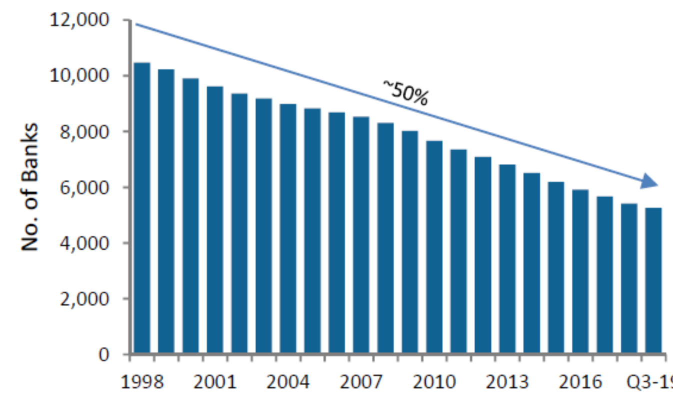
JPMorgan Chase & Co.

Foothills Capital Corp.
First Interstate Bank
SouthTrust
FirstUnion
Northwest Bank
Wachovia
Goldenwest

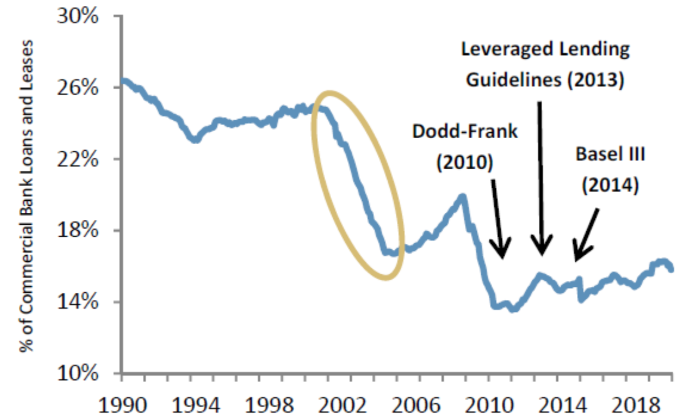
Wells Fargo

Top 25 US commercial banks comprise 50%+ of total commercial loans today versus less than 10% in 1990

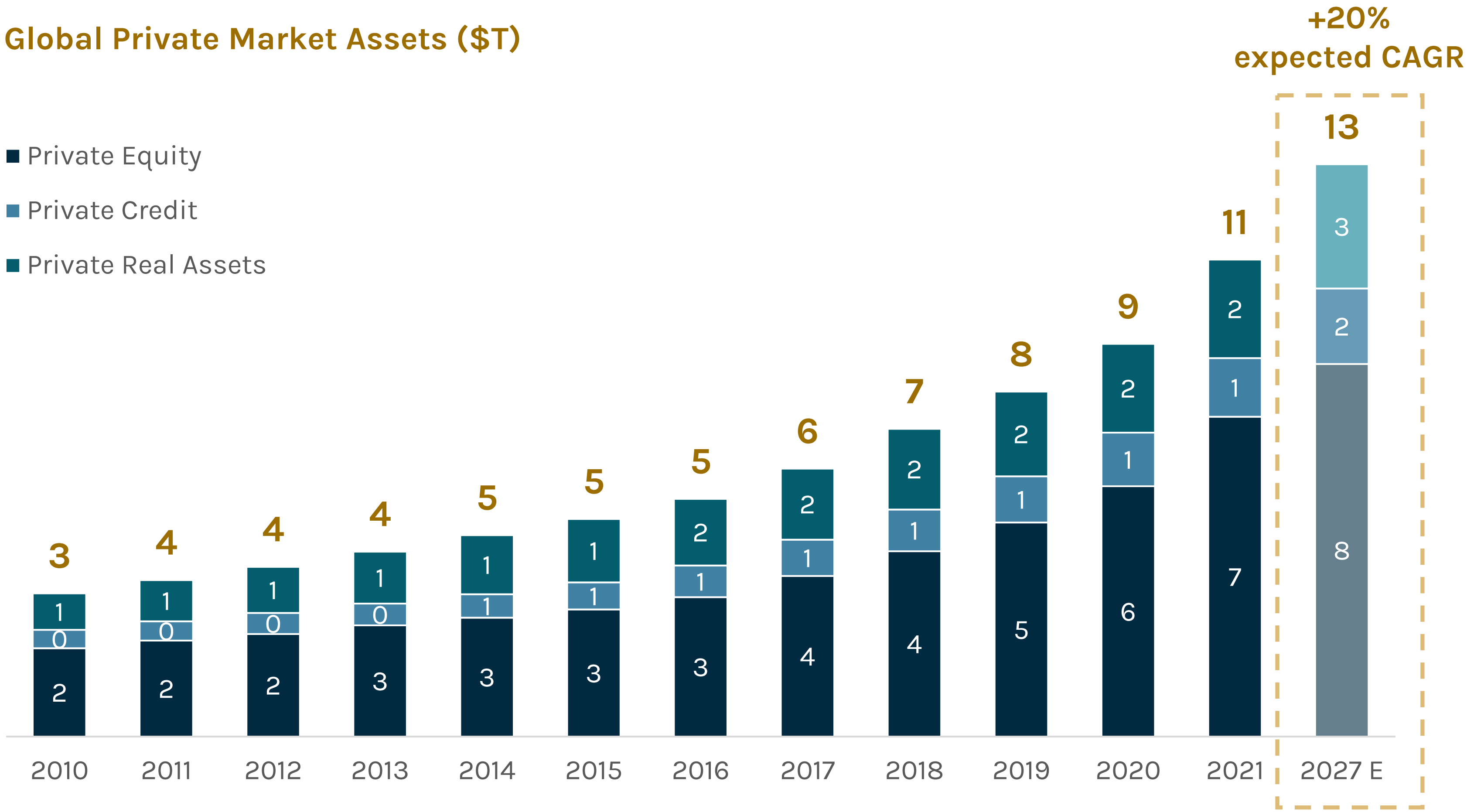
Decline in # of commercial banks



Decline in # of commercial loans



The confluence of these two trends has led to substantial growth of private markets which is expected to continue across all asset classes



Source: Source: Q1 2023 PitchBook report (URL below). For illustrative purposes only. Past performance is not indicative of future results.
https://pitchbook.com/news/reports/q1-2023-pitchbook-analyst-note-what-the-future-holds-for-private-capital

Investor-friendly structures are expanding the opportunity set for financial advisors, paving the way for increasing allocations

0 - 6%	89%	68%
Average advisor allocation to alternatives[1]	*Plan to increase over next 2 years*[2]	*Plan a modest to significant increase over next 5 years*[2]

Considerations	**Qualified Purchaser** solution	**Qualified Client / Accredited Investor** solution
Structure type	Finite-life	Perpetual life (evergreen)
Funding structure	Drawdown	Fully-funded
Registration status	Unregistered	Registered
Minimum investment size	$5mm	$25k
Offering availability	Intermittent	Continuous
Tax Reporting	K-1	1099
Cash flow management	Advisor responsibility	Fund manager responsibility
Documentation / connectivity	Follow their own process (not integrated)	More integrated (“off the shelf”) with simplified administration

1. As of YE 2022. Source: Cerulli Associates, “US Alternative Investments 2022” report.
2. Source: CAIS-Mercer survey, “The state of alternative investments in wealth management”

Ares Wealth Management Solutions

I. Optimizing risk-adjusted return potential with private equity

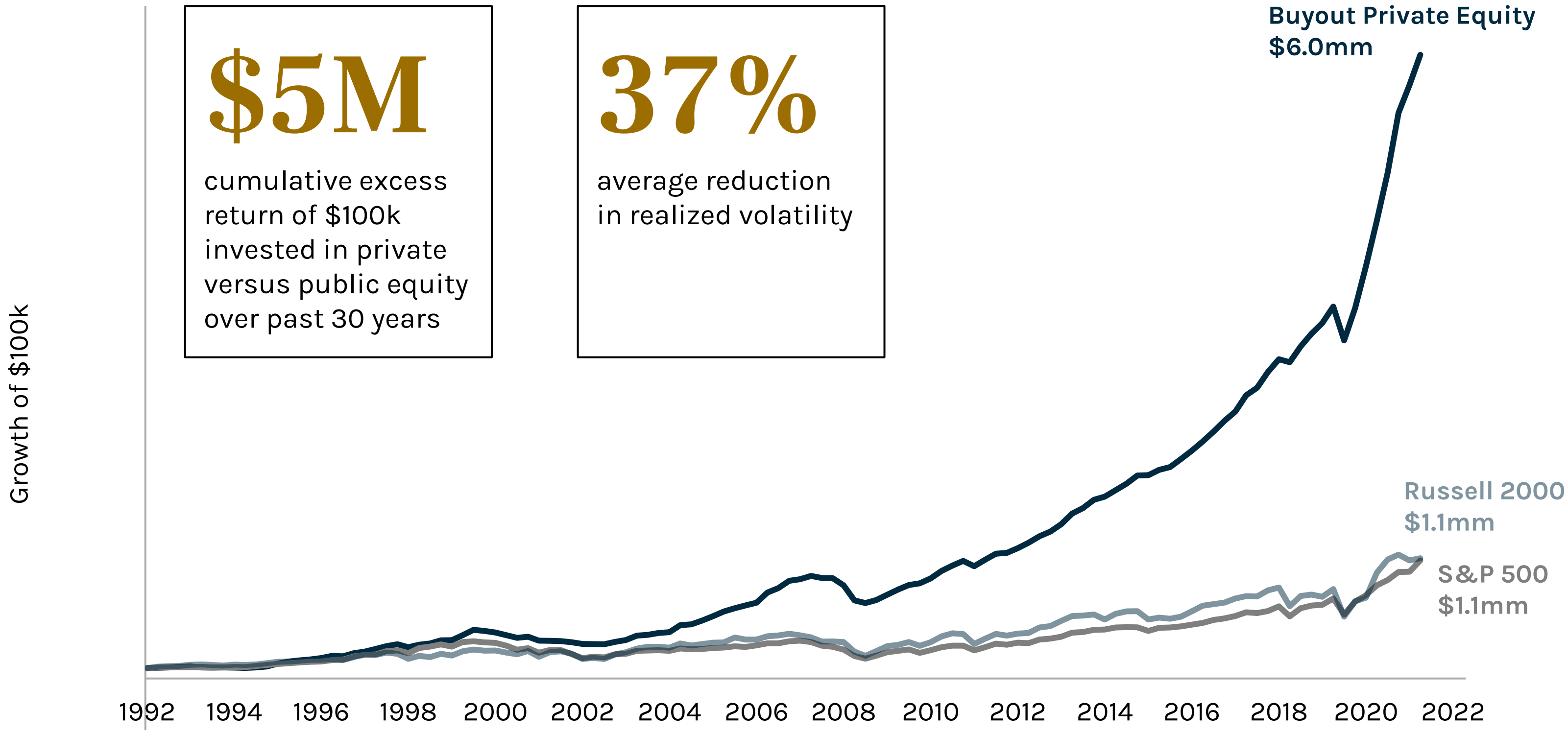
Relative to public equity, private equity has delivered better upside with less realized volatility

$5M

cumulative excess return of $100k invested in private versus public equity over past 30 years

37%

average reduction in realized volatility

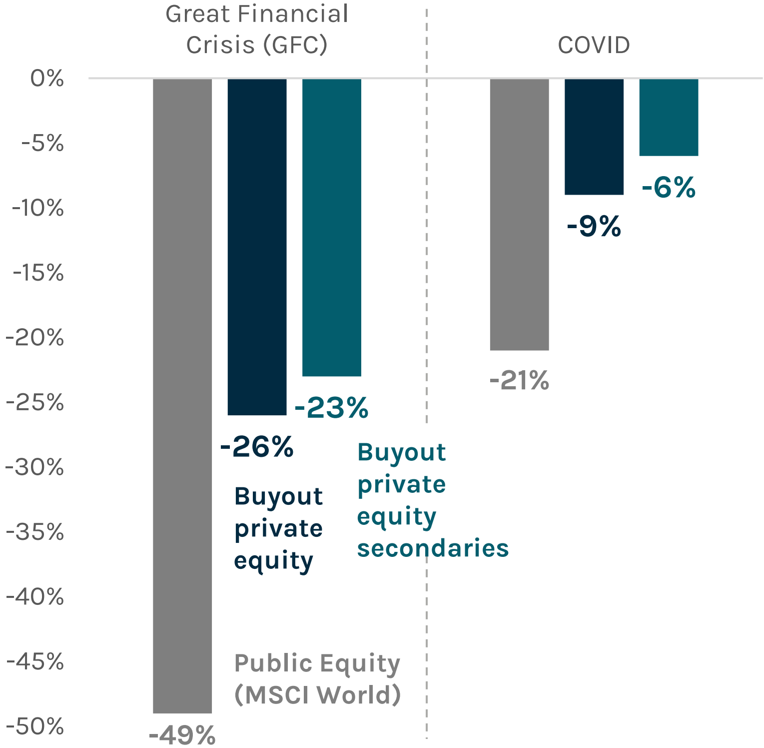


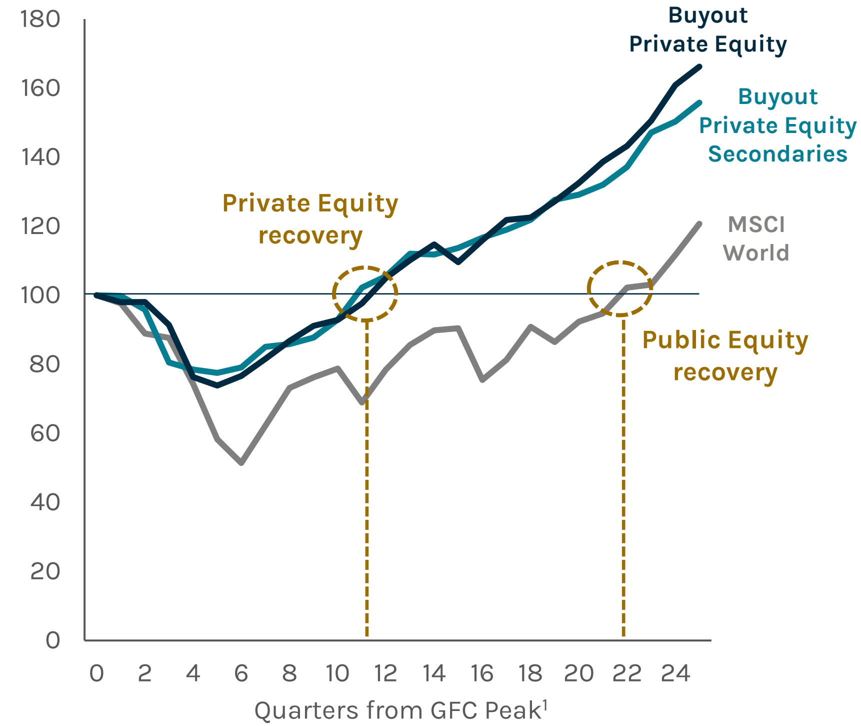
Above and beyond a superior risk/return profile versus public equity over the long-term, private equity may also protect the downside better

Source: Burgiss, Bloomberg, as of March 2022. Private Equity is represented by the Burgiss Buyout Index as buyouts represent the majority of the private equity space and are commonly used as a proxy for the asset class over specialty PE sectors such as venture capital, growth or distressed. Past performance is not a guarantee of future results.

Private equity has also historically exhibited downside risk mitigation vs. public equity

Historically Milder Drawdowns + Historically Faster Recovery





Source: Bloomberg, Burgiss, Ares. Private Equity is represented by the Burgiss Buyout Index as buyouts represent the majority of the private equity space and are commonly used as a proxy for the asset class over specialty PE sectors such as venture capital, growth or distressed. Secondaries, a way to access buyouts, is also shown illustratively since its price can fluctuate differently than standard buyouts. Peak for PE Buyout reached 12/31/2007 and regained on 12/31/2010, peak for PE Secondaries reached 03/31/2008 and regained on 12/31/2010, peak for MSCI World reached 09/30/2007 and regained on 03/31/2013. **Past performance is no guarantee of future results.** References to "downside protection" or similar language are not guarantees against loss of investment capital or value.
Please see endnotes for additional important information, including index definitions.
1. X-axis =measured from the individual peak of each given asst class in order to compare drawdowns and recoveries without delayed timing effects.

We believe governance has been a key driver of historical excess returns… and will continue to drive differentiated results going forward

	Private Companies[1]	Public Companies
How is success measured?	• **Aligned with value creation** • EBITDA growth • Multiple expansion	• **Aligned with market cap** • Company size • Share price
Over what time horizon is success measured?	• Medium to long term	• Short term
Who sits on the board?	• Prioritize previous industry and company experience • Typically sit on fewer boards	• Prioritize independence • Typically sit on many boards at a time
How are board members compensated?	• Typically have significant personal investment	• Often flat $ compensation
How frequently does the board meet?	• Frequent meetings (~12x/year)	• Infrequent meetings (~4x/year)

Source: 1) Ares data and 2) Steffen Meister and Richard Palkhiwala, Partners Group "The rise of 'Governance Correctness'." (2018)
1. Private market investments also carry a high degree of risk, including a lack of liquidity. In addition, private companies are generally not subject to SEC reporting requirements, are not required to maintain accounting records in accordance with generally accepted accounting principles and are not required to maintain effective internal controls over financial reporting.
Please see "Disclaimers - Important Information" for more information regarding the risks relating to an investment in private companies.

Ares Wealth Management Solutions

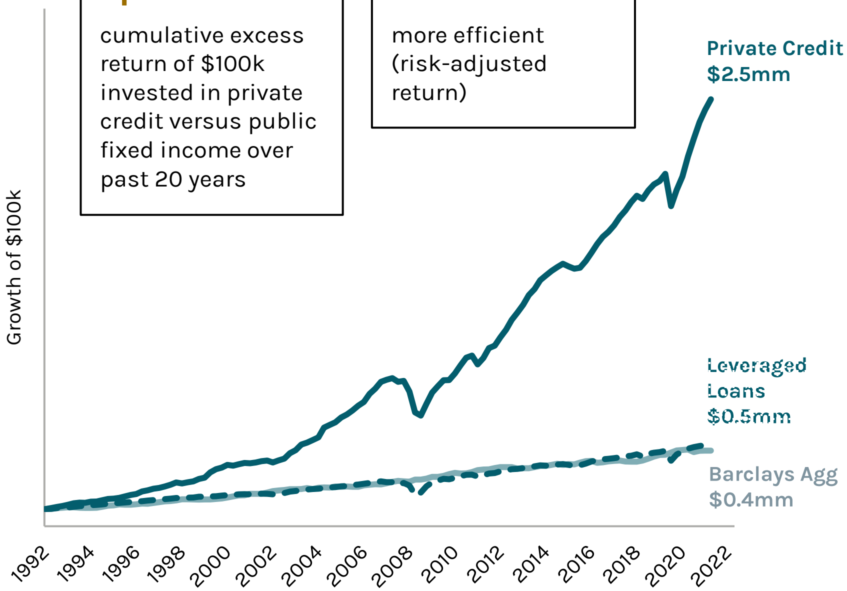
II. Enhancing income while minimizing rate and default risk with private credit

Relative to public debt, private credit has a history of superior returns

A history of superior returns, absolute and risk-adjusted

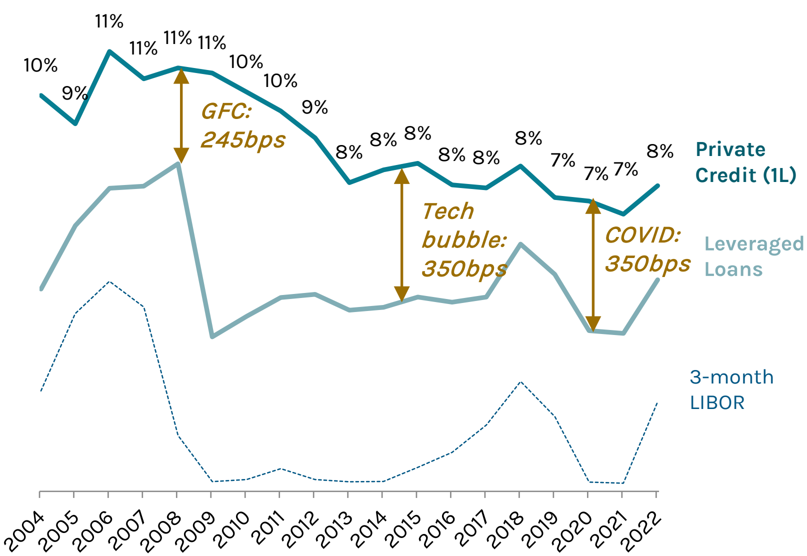
$2M
cumulative excess return of $100k invested in private credit versus public fixed income over past 20 years

2.4x
more efficient (risk-adjusted return)



Driven by a historical premium to public debt

~300bps average premium over public loans

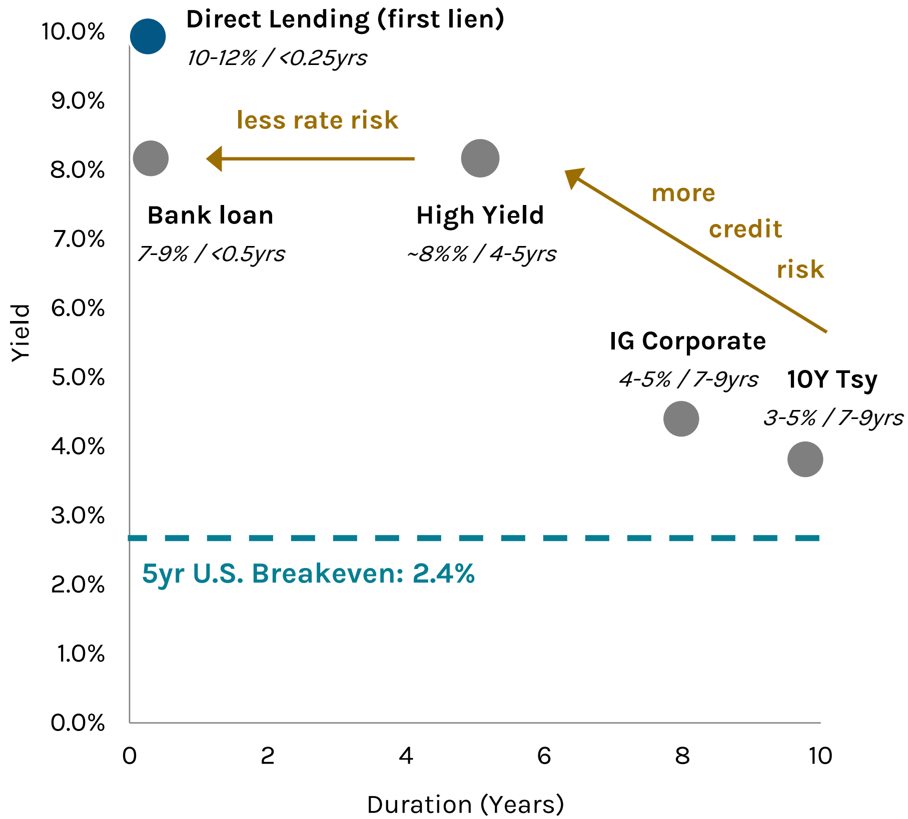


The demand for speed, customization, and flexibility drives premiums

Note: As of June 30, 2022, unless otherwise noted. For illustrative purposes only. *Portfolio yields are representative of a gross portfolio at each data point in time and do not represent a return to investors. Pro forma results have inherent limitations, and no representation is being made that any account will or is likely to achieve results similar to those shown. Leveraged Loans represented by the Credit Suisse Leveraged Loan Index ("CSLLI") and Barclays Agg represented by the Bloomberg Barclaus US Aggregate Index. **Please refer to Endnotes for additional information, including index definitions.**

Floating rate loans remove link to interest rates and tighter covenants help mitigate defaults

Higher Yield + Lower Duration



Low Loss & Default Rates

Over time...

0% loss rate on self-originated first lien direct loans

compared to...

0.94% bank loans

2.20% high yield

During rising rate periods...

1.7% default rate 2004 - 2006, 2016 - 2018

compared to...

2.0% **long-term** average middle market default rate ('04-'21)

For illustrative purposes only. Asset class yields do not represent return to investors. As of December 31, 2022. Source: Bloomberg. High yield represented by the ICE BofA US High Yield Constrained Index "HUC0" (YTW); Bank loans represented by the Credit Suisse Leveraged Loan Index "CSLLI" (3yr Yield); IG Corporate represented by the ICE BofA US Corporate Index "C0A0"; Long duration Treasuries represented by the ICE BofA 7-10 Year US Treasury and Agency Index (G4A0); US Direct Lending is an estimate.

Please see endnotes for additional important information, including index definitions.

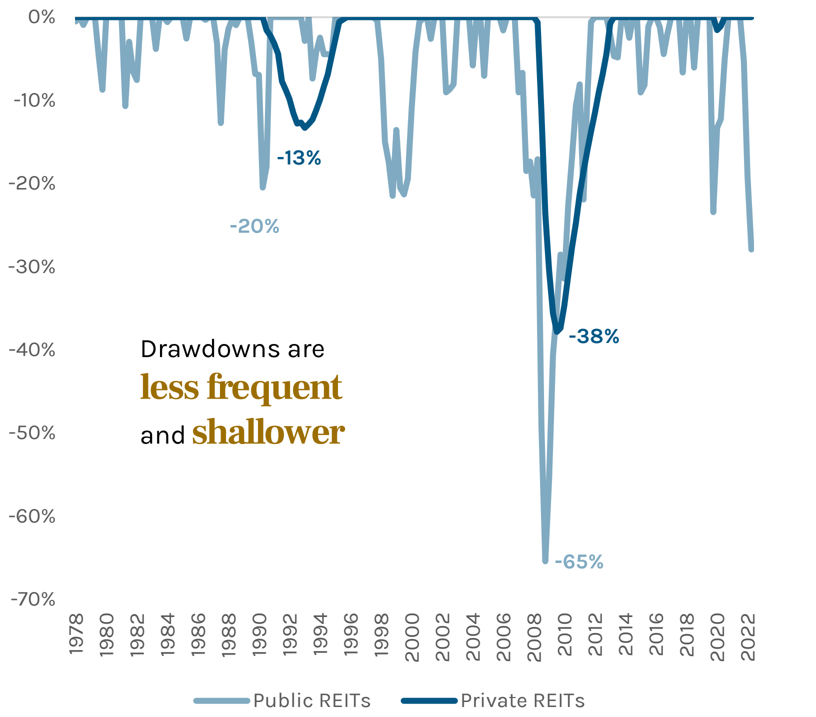
Ares Wealth Management Solutions

III. Goal of total return with diversification and downside protection with private real assets

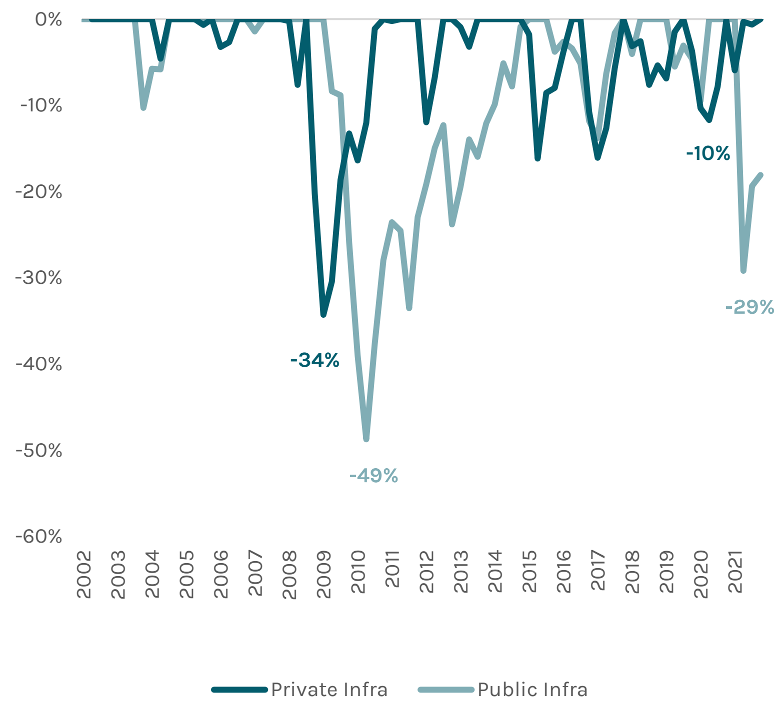
Relative to public Real Assets, private Real Assets can potentially mitigate downside risk

Historical returns of public and private real assets are similar. Their downside protection is anything but.

Private Real Estate Downside Protection



Private Infrastructure Downside Protection



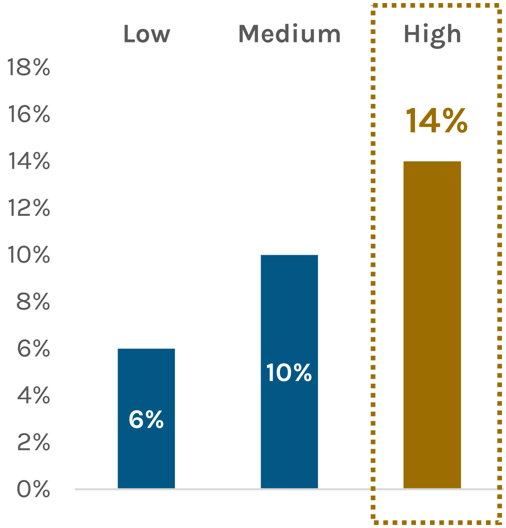
Source: Bloomberg, EDHEC. Private real estate represented by NCREIF ODCE Index, public real estate by the FTSE NAREIT All Equity REITs index, private infrastructure by the EDHEC Infra 300, public infrastructure by the MSCI World Infrastructure index. References to "downside protection" or similar language are not guarantees against loss of investment capital or value.

Real assets have historically increased during periods of high inflation

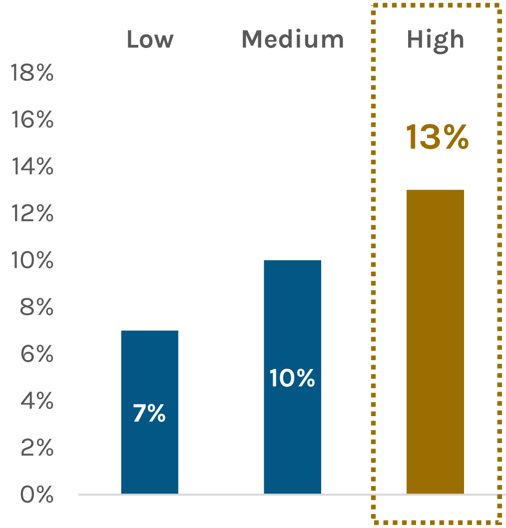
Historical Return in High/Med/Low Inflationary Environments (%)

Private Real Estate

Multi-Family

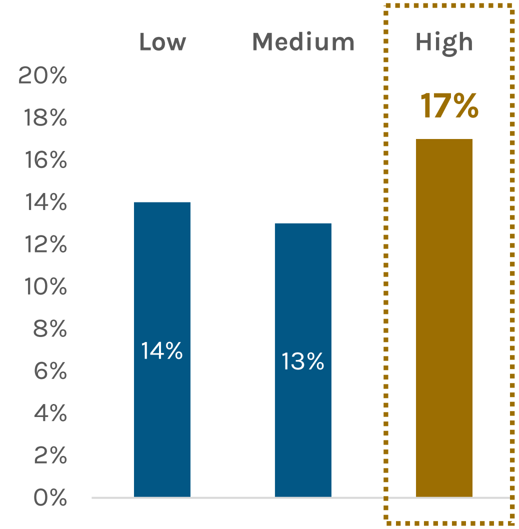


Industrial



Private Infrastructure

EDHEC infra300® Index



Superior to historical returns during periods of high inflation of 9% for the S&P 500 and 5% for US Agg bonds

As of 3/15/2022. Source of Real Estate data: NCREIF. Source of Infrastructure data: EDHEC. Source of inflation data: U.S. Bureau of Labor Statistics. Based on quarterly returns that have been annualized. Inflationary environment definitions based on quintiles (Low: <20%, Medium: 20%-80%, High: >80%) of quarterly US CPI.
Real Estate: data from Q1 1978 onwards. Bottom/top CPI quintiles: 1.74% / 4.41%. EDHEC: data from Q2 2000 onwards. Bottom/top CPI quintiles: 1.27% / 3.34%.
There are many differences between private and public market investments. This data is for illustrative purposes only.

Past performance is not an indicator of future results. The purpose of comparison is to highlight the performance differences between real assets and traditional stock and bond investments. However, please note that there are many differences between real assets and the indices shown, such as differences with regard to risk, liquidity, volatility, accessibility, taxation, etc. There is no guarantee that appreciation in value of real properties will outpace inflation. Please note that standard deviation of the NCREIF index may be lower than the S&P and Barclays indices due to appraisal smoothing biases. There is a theory in relation to real estate investment that valuation appraisals tend to "smooth out" the valuation of real property, causing a lower variance in the standard deviation for real property valuation.

IV. Putting Private Assets to Work for You

Private market lie at the heart of many key themes for investors

- Repricing in global markets presents opportunity for public and private market investors
- Investors of all types need greater income / investment returns with less volatility
- Investors seek greater diversity and lower correlation as markets continue to globalize
- Intersection of alternatives and insurance
- Consolidation of traditional and alternative managers and the rise of retail
- Volatility provides opportunities for enhanced outcomes
- Convergence of public and private markets
- ESG is at the forefront for stakeholders

Private markets can mitigate key investment headwinds that threaten reaching goals of the financial plan

	Investment Headwind	Impact to Financial Plan	Potential Benefits
1	Increased Volatility	• Panic selling is detrimental to wealth creation • Lower observed volatility reinforces investor discipline	Smoother ride of privates encourages investor discipline[1]
2	Persistent Inflation	• Significant opportunity cost of cash	Keep pace with the stealth-tax of inflation[2]
3	Rising Interest Rates	• Traditional fixed income losing diversification benefit relative to core public equity	Produce meaningful income for investors[3]

Past performance is not a guarantee of future results.
"Private Markets" refers to Private Equity, Private Credit, Private Real Estate and Private Infrastructure asset classes. Appraisal-based valuations may be subject to smoothing bias, in which case appraisal-based volatility may be understated. Represents Ares's view of the current market environment as of the date of this material. There is no guarantee these trends will continue or will not reverse, or that investors in private markets will obtain the potential benefits described. 1. The value of an investment in private markets may seem less volatile because its value is not subject to market prices to which publicly traded investments are subject. An investment in the private markets is significantly less liquid than publicly traded investments and is not immune to fluctuations, including downward fluctuations. Investors are advised to consider the limitations on liquidity of private market investments when also evaluating the volatility of private market investments as compared to that of the stock prices of publicly traded securities. 2. There is no guarantee that appreciation in value of private investments will outpace inflation. 3. The amount of distributions an Ares product may make is uncertain.

Thoughtful incorporation of private markets can reduce public exposure while also potentially increasing ***total portfolio*** risk-adjusted returns

69% of advisors are looking to reduce exposure to public markets

85% of advisors need alts to optimize risk-adjusted performance

Better return

÷

Potentially less risk

Income generation

Capital appreciation

Top advisor-reported goals of alternative allocations

Volatility reduction

Downside protection

Diversification

Inflation hedge

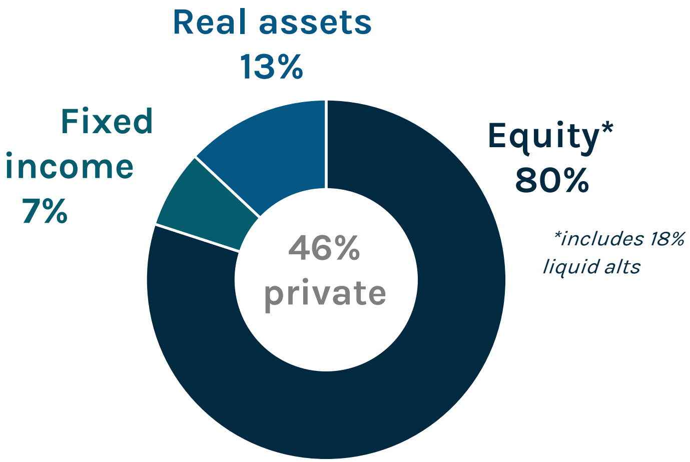
=

A better client experience and outcome

Source: Cerulli Associates. Percentages represent % of respondents that agreed with this characteristic as a goal for using alternative investments (respondents could choose more than one)
The amount of distributions an Ares product may make is uncertain. Diversification does not guarantee a profit or eliminate the risk of loss. There is no guarantee that a private markets investment will generate returns that will outpace inflation. Although a private market investment's stock price is subject to less volatility, private market investment shares may be significantly less liquid than shares of publicly traded securities, and are not immune to fluctuations, including downward fluctuations.

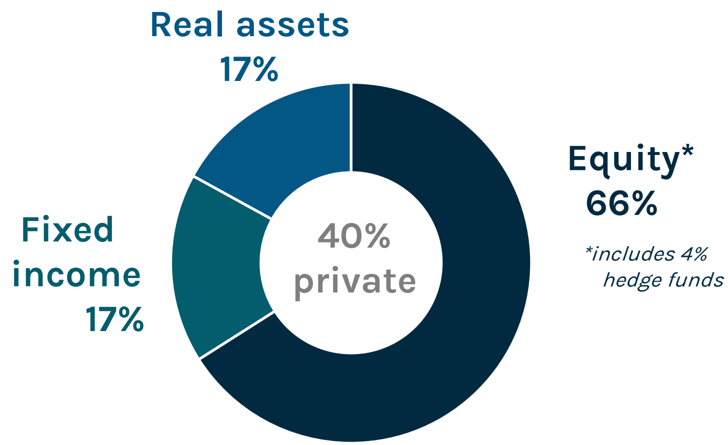
Private markets have historically been more accessible to institutional and ultra high net worth portfolios

$1B+ Endowments[1]



Private Market utilization	As % of total	As % of category
Private Equity	35%	43%
Private Credit	1%	16%
Private Real Assets	10%	75%
Total	46%	

Family Offices[2]



Private Market utilization	As % of total	As % of category
Private Equity	24%	37%
Private Credit	2%	13%
Private Real Assets	14%	80%
Total	40%	

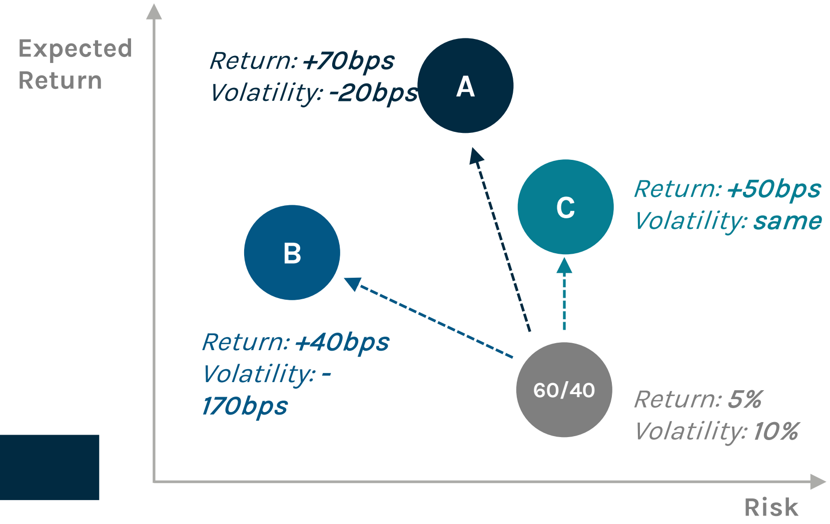
Average advisor-led portfolio is 0-6%[3]

1 Source: 2022 NACUBO-TIAA Study of Endowments. Data prepared February 2023. Scaled to exclude 3% cash and 3% other. 2 Source: UBS Global Family Office Report 2022. 3. As of YE 2022. Source: Cerulli Associates, "US Alternative Investments 2022" report. Institutional investors may invest on substantially different terms and conditions than individual investors, which may include lower fees, expenses or leverage. Institutional investors have different investment objectives and constraints than individuals, including with respect to risk tolerance, investment time horizon, tax treatment, and liquidity needs.

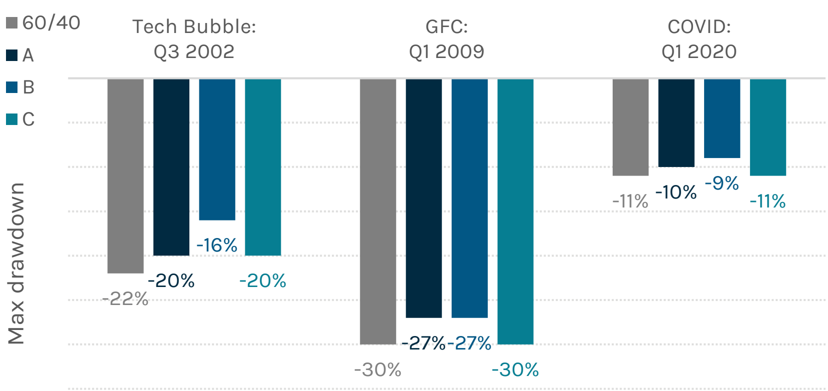
Private markets should be chosen to align with overall client portfolio objective(s)

	Objective	Hypothetical asset allocation change
A	Enhance growth	- 10% public equity **+ 10% private equity**
B	Reduce volatility	- 10% public equity **+ 10% private real estate**
C	Increase income	- 5% public equity - 5% public fixed income **+ 10% private credit**

Superior risk-adjusted returns



Superior downside protection



With thoughtful construction, private markets can improve the client experience along their financial journey

Scenarios use index returns Mar 1999 – Sep 2022, which is the longest period for which all indices are available. Appraisal-based valuations may be subject to smoothing bias, in which case appraisal-based volatility may be understated. Private equity refers to Burgiss Buyout Index. Private real estate refers to NFI-ODCE Index. Private credit refers to first lien direct lending.

The portfolio adjustments presented above are hypotheticals and do not constitute portfolio allocation recommendations.

Past trends do not imply, predict or guarantee future results. Please refer to Endnotes for additional information, including index definitions.

ARES Wealth Management Solutions

Endnotes

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This is for informational purposes only. This does not reflect the performance or expected performance of any Ares product.

Endnotes – Index Definitions

1. **The Credit Suisse Institutional Leveraged Loan Index ("CSLLI")** is designed to mirror the investable universe of the $US-denominated leveraged loan market. The index inception is January 1992. The index frequency is daily, weekly and monthly. New loans are added to the index on their effective date if they qualify according to the following criteria: 1) Loan facilities must be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. If unrated, the initial spread level must be Libor plus 125 basis points or higher. 2) Only fully-funded term loan facilities are included. 3) The tenor must be at least one year. 4) Issuers must be domiciled in developed countries; issuers from developing countries are excluded.
2. **The BofA US High Yield Master II Constrained Index ("HUC0")** tracks the performance of US Dollar denominated below investment grade corporate debt publicly issued in the US domestic market with a maximum issuer exposure of 2%. The returns of the benchmark are provided to represent the investment environment existing during the time period shown. For comparison purposes the index includes the reinvestment of income and other earnings but does not include any transaction costs, management fees or other costs. BANK OF AMERICA IS LICENSING THE ICE BOFA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE BOFA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND ARES MANAGEMENT, OR ANY OF ITS PRODUCTS OR SERVICES
3. **The ICE BofA US High Yield Index ("H0A0")** tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $100 million. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest. Accrued interest is calculated assuming next-day settlement. Cash flows from bond payments that are received during the month are retained in the index until the end of the month and then are removed as part of the rebalancing. Cash does not earn any reinvestment income while it is held in the index. The index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. No changes are made to constituent holdings other than on month end rebalancing dates. Inception date: August 31, 1986.
4. **Bloomberg Barclays US Aggregate Bond Index** is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.
5. **ICE BofA US Corporate Index** tracks the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have an investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of $250 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the eurobond and US domestic bond markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index.
6. **S&P 500®** a widely-used gauge of large-cap U.S. equities. The index includes 500 of the largest U.S. companies and covers approximately 80% of available market capitalization.
7. **Burgiss US Buyout** a widely-used gauge of primary US private equity. The index includes private equity funds whereby the underlying investments are in mature companies for control of the company.
8. **MSCI World** a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.
9. **Burgiss Equity Secondaries Global** a widely-used gauge of private equity secondaries. The index includes private equity funds whereby the underlying investments are stakes in primary private equity funds. The primary funds hold investments described in the Burgiss Buyout Index.
10. **Russell 2000** a stock market index that measure the performance of the 2,000 smaller companies included in the Russell 3000 Index. Widely-regarded bellwether of the U.S. economy because of its focus on smaller companies that focus on the U.S. market.
11. **NCREIF Open-End Diversified Core (ODCE) Index** represents private real estate and is an equal-weighted, time-weighted index representing a blended portfolio of institutional-quality real estate reported net of management and advisory fees (with the exception of the private real estate income data shown, which is reported gross of management and advisory fees). The term core typically reflects lower risk investment strategies, utilizing low leverage and generally represented by equity ownership positions in stable U.S. operating properties. Funds are weighted equally, regardless of size. While funds used in this benchmark have characteristics that differ from net asset value REITs (NAV REITs - including differing management fees), ACREM's management believes that the NCREIF ODCE Index is an appropriate and accepted index for the purpose of evaluating returns on investments in NAV REITs. A NAV REIT has the ability to utilize higher leverage than is allowed for the funds in the NCREIF ODCE Index, which could increase a NAV REIT's volatility relative to the NCREIF ODCE Index.
12. **EDHECinfra 300** tracks the performance of a representative set of private infrastructure equity investments in 22 countries for the past 20 years.

Endnotes – Relative to public debt, private credit can offer higher yield with minimal rate + default risk

Past performance is not a guarantee of future results.

"Superior returns driven by a history of sustained yield premium"

1. Premium shown as of March 31, 2022.
2. Includes all unrealized first lien investments at each data point in time of the Credit Group's U.S. direct lending team (excluding venture investments, oil & gas investments, private asset backed securities, investments warehoused or held for seasoning or syndication purposes (including investments held for less than 30 days and other investments determined to be temporarily held by Ares in conjunction with syndication processes), and investments inherited from portfolio acquisitions), including investments made through Ares Capital Corporation (NASDAQ: ARCC) and from separately managed accounts and other funds. Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value.
3. Reflects annual current yield of first lien assets in the Credit Suisse Leveraged Loan Index.
4. Includes all unrealized second lien, mezzanine, and other private high yield debt investments at each data point in time of the Credit Group's U.S. direct lending team (excluding warrants and investments held for less than 30 days and investments inherited from portfolio acquisitions), including more than 90% from Ares Capital Corporation (NASDAQ: ARCC) and the remaining from separately managed accounts and other funds. Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value. Asset yields do not represent returns to investors.
5. The default rate shown is hypothetical and has been compiled by Ares. Hypothetical results have inherent limitations, and no representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Represents the annualized defaulted invested capital as a percentage of total invested capital since inception.
6. Source for Leveraged Loans Data: Credit Suisse, Source for High Yield Bond Data: Bank of America
7. The loss rate shown is hypothetical and has been compiled by Ares. Hypothetical results have inherent limitations, and no representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Defined as total gains/(losses) on assets with a payment default as a % of total invested capital since inception, divided by number of years since inception. For realized investments, includes interest, fees, principal proceeds, and related expenses. An investment that has experienced a payment default is placed on Non-Accrual status by Accounting; however, prior to placing a loan on Non-Accrual status, Ares U.S. Direct Lending may elect to grant a waiver or amendment related to such default and, in such case, the investment would not be placed on Non-Accrual.

AREIT is a NAV-based perpetual life real estate investment trust ("REIT") primarily focused on investing in and operating a diverse portfolio of real property and investing in other real estate-related assets. Because this presentation discusses different types of private market investments, not all slides in this presentation are relevant to an investment in AREIT. Prospective investors should read the AREIT prospectus for more information regarding the risks and benefits of an investment in AREIT.

Risk Factors

Past performance is not a guarantee of future results. Investing in shares of Ares Real Estate Income Trust (AREIT) common stock involves a high degree of risk.

Investing in real estate assets entails certain risks, including changes in: the economy, supply and demand, laws, tenant turnover, interest rates (including periods of high interest rates), availability of mortgage funds, operating expenses and cost of insurance. This investment will offer limited liquidity options to investors. There is no guarantee of any return on investment and stockholders may lose the amount they invest. Real estate investment trusts (REITs) are not suitable for all investors.

An investment in AREIT is not a direct investment in commercial real estate, but rather an investment in a REIT that owns commercial real estate.

Further, investing in AREIT stock involves additional and substantial risks specific to AREIT, including, among others, that:i. There is no public trading market for shares of AREIT's common stock, and AREIT does not expect that there will ever be a public trading market for its shares, so redemption of shares by them will likely be the only way to dispose of your shares.

ii. AREIT's redemption program imposes limits on redemptions. AREIT may amend, suspend or terminate its share redemption program at any time. As a result, AREIT's shares have only limited liquidity and may become illiquid.

iii. The purchase and redemption price for shares of AREIT's common stock will be generally based on the NAV of each class of common stock and will not be based on any public trading market. AREIT's NAV will not represent AREIT's enterprise value and may not accurately reflect the actual prices at which AREIT's assets could be liquidated on any given day, the value a third party would pay for all or substantially all of AREIT's shares, or the price that AREIT's shares would trade at on a national stock exchange. The board of directors may amend AREIT's NAV procedures from time to time.

iv. Some of AREIT's executive officers and directors and other key personnel are also officers, directors, managers, key personnel and/or holders of an ownership interest in its advisor, its dealer manager and/or other entities related to its advisor. As a result, they face conflicts of interest, including but not limited to conflicts arising from time constraints, allocation of investment opportunities and the fact that the fees its advisor will receive for services rendered to AREIT will be based on AREIT's NAV, the procedures for which its advisor will assist its board of directors in developing, overseeing, implementing and coordinating.

v. If AREIT fails to maintain its status as a REIT, it would adversely affect its results of operations and its ability to make distributions to its stockholders.

vi. The amount of distributions AREIT may make is uncertain, is not guaranteed, may be modified at the program's discretion, and is subject to board approval. AREIT may pay distributions from sources other than cash flow from operations including, without limitation, the sale of assets, borrowings or offering proceeds (including the return of principal amounts invested). The use of these sources for distributions would decrease the amount of cash AREIT has available for new investments, repayment of debt, share redemptions and other corporate purposes, and could reduce your overall return and dilute the value of your investment in shares of AREIT common stock.

vii. The payment of fees by AREIT to its advisor and its dealer manager will reduce the cash available for distribution and will increase the likelihood that investors are unable to recover the amount of their investment in AREIT.

viii. In connection with AREIT's offering, it incurs fees and expenses. In particular, AREIT expects to incur a dealer manager and distribution fee which are expected to reduce the amount of distributions received by certain investors and as a result will lower the overall return to such investors. Also, AREIT has and expects to continue to incur organizational and offering related expenses which reduce the overall cash flow of AREIT and negatively impact its NAV and could negatively impact your overall return.

This material must be read in conjunction with the AREIT prospectus in order to understand fully all of the implications and risks of the offering of securities to which it relates. This document must be preceded or be accompanied by a prospectus, which contains important information about AREIT. This is neither an offer to sell nor a solicitation of an offer to buy the securities described in the AREIT prospectus. The offering is being made only by the AREIT prospectus.

Neither the Securities and Exchange Commission nor any other state securities regulator has approved or disapproved of the securities or determined if the prospectus is truthful or complete. In addition, the Attorney General of the State of New York has not passed on or endorsed the merits of the offering. Any representation to the contrary is unlawful. AREIT is not an investment company registered under the Investment Company Act of 1940.

Risk Factors

An investment in AIREIT is subject to significant risks. A summary of some of the more important risks is below. A more detailed description of the risks associated with the offering is found in the section of the prospectus entitled "Risk Factors." Investors should read and understand all of the risk factors before making a decision to invest in shares of AIREIT's common stock.

This sales and advertising literature must be read in conjunction with the AIREIT prospectus in order to understand fully all of the implications and risks of the offering of securities to which it relates. **Neither the Securities and Exchange Commission (SEC) nor any other state securities regulator has approved or disapproved of the securities or determined if the prospectus is truthful or complete. In addition, the Attorney General of the State of New York has not passed on or endorsed the merits of the offering. Any representation to the contrary is a criminal offense.**

- Past performance is not a guarantee of future results. Investing in shares of AIREIT's common stock involves a high degree of risk.
- REITs are not suitable for all investors. AIREIT is subject to various risks related to owning real estate, including changes in economic, demographic and real estate market conditions. Due to the risks involved in the ownership of real estate and real estate-related investments, the amount of distributions AIREIT may pay to stockholders in the future, if any, is uncertain, there is no guarantee of any return on investment and stockholders may lose the amount they invest.
- AIREIT anticipates that its investment in real estate assets will be primarily concentrated in the industrial real estate sector and that its investments will be concentrated in the largest distribution and logistics markets in the United States. Such industry concentration may expose AIREIT to the risk of economic downturns in this sector to a greater extent than if its business activities included investing a more significant portion of the net proceeds of the offering in other sectors of the real estate industry; and such market concentrations may expose AIREIT to the risk of economic downturns in these areas. In addition, if AIREIT's tenants are concentrated in any particular industry, any adverse economic developments in such industry could expose AIREIT to additional risks. These concentration risks could negatively impact AIREIT's operating results and affect its ability to make distributions to its stockholders.
- Further, investing in AIREIT's common stock involves additional and substantial risks specific to AIREIT, including, among others, that:

i. There is no assurance that it will be able to achieve its investment objectives. AIREIT has experienced net loss, as defined by generally accepted accounting principles.

ii. There is no public trading market for shares of AIREIT's common stock, and AIREIT does not anticipate that there will be a public trading market for its shares, so redemption of shares by AIREIT will likely be the only way to dispose of stockholders' shares. AIREIT's share redemption program will provide stockholders with the opportunity to request that AIREIT redeems stockholders' shares on a monthly basis, but AIREIT is not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares that have been requested to be redeemed in any particular month, in its discretion. In addition, redemptions will be subject to available liquidity and other significant restrictions. Further, AIREIT's board of directors may modify or suspend its share redemption program if it in its reasonable judgement deems such action to be in AIREIT's best interest and the best interest of its stockholders. As a result, AIREIT's shares should be considered as having only limited liquidity and at times may be illiquid.

iii. A portion of the proceeds received in this offering is expected to be used to satisfy redemption requests. Using the proceeds from this offering for redemptions will reduce the net proceeds available to retire debt or acquire properties, which may result in reduced liquidity and profitability or restrict AIREIT's ability to grow its NAV.

iv. The transaction price may not accurately represent the value of AIREIT's assets at any given time and the actual value of a stockholder's investment may be substantially less. The transaction price generally is based on AIREIT's most recently disclosed monthly NAV of each class of common stock (subject to material changes as described above) and is not based on any public trading market. In addition, the transaction price may represent AIREIT's enterprise value and may not accurately reflect the actual prices at which AIREIT's assets could be liquidated on any given day, the value a third party would pay for all or substantially all of AIREIT's shares, or the price at which AIREIT's shares would trade on a national stock exchange. Further, AIREIT's board of directors may amend its NAV procedures from time to time.

v. This is a "blind pool" offering; stockholders will not have the opportunity to evaluate all of the investments AIREIT will make before it makes them.

vi. This is a "best efforts" offering and if AIREIT is unable to raise substantial funds, then AIREIT will be more limited in its investments.

vii. AIREIT may change its investment policies without stockholder notice or consent, which could result in investments that are different from those described in the prospectus.

viii. Some of AIREIT's executive officers, directors and other key personnel are also officers, directors, managers, key personnel and / or holders of an ownership interest in Ares Commercial Real Estate Management LLC (the Advisor), Ares Wealth Management Solutions, LLC (the Dealer Manager), and/ or other entities related to the Ares real estate group, the parent of the Advisor and the sponsor of this offering, or the "Sponsor." As a result, they face conflicts of interest, including but not limited to conflicts arising from time constraints, allocation of investment and leasing opportunities, and the fact that certain of the compensation the Advisor will receive for services rendered to AIREIT is based on AIREIT's NAV, the procedures for which the Advisor assists AIREIT's board of directors in developing, overseeing, implementing and coordinating. AIREIT expects to compete with certain vehicles sponsored or advised by affiliates of direct and indirect owners of the Sponsor for investments and certain of those entities may be given priority with respect to certain investment opportunities.

ix. AIREIT may pay distributions from sources other than cash flow from operations, including without limitation from the sale of assets, borrowings, return of capital or offering proceeds, and advances or the deferral of fees and expense reimbursements, and AIREIT may be required to fund its monthly distributions from a combination of its operations and financing activities, which include net proceeds of these offerings and borrowings (including borrowings secured by its assets), or to reduce the level of their monthly distributions. AIREIT has not established a cap on the amount of the distributions that may be paid from any of these sources.

x. If AIREIT fails to qualify as a REIT, it would adversely affect its operations and its ability to make distributions to its stockholders.

THIS IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN AIREIT'S PROSPECTUS. THE OFFERING IS MADE ONLY BY THE AIREIT PROSPECTUS. THIS MATERIAL MUST BE PRECEDED OR ACCOMPANIED BY AN AIREIT PROSPECTUS, WHICH CONTAINS IMPORTANT INFORMATION ABOUT AIREIT.

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