Ares Diversified Credit Fund

ARSN 644 797 599

General Purpose

Financial Report for the period

15 October 2020 to 30 June 2021

Contents to Financial Report

This financial report covers Ares Diversified Credit Fund as an individual entity.

The Responsible Entity of Ares Diversified Credit Fund is Fidante Partners Limited (ABN 94 002 835 592).

The Responsible Entity's registered office is:

Level 2, 5 Martin Place,

Sydney NSW 2000

Financial highlights

Financial highlights for Ares Diversified Credit Fund (the Trust), include the following:

Performance

The table below shows historical discrete annual return performance of the Trust since inception. Performance is calculated after all fees, except any entry fees that have been deducted, and assumes that all distributions were reinvested during that period. The total return is the aggregate of capital growth and distribution of income.

	15 October 2020 to 30 June 2021 %
Class I	
Capital growth	1.60
Distribution of income	2.30
Total return	**3.90**

Class I was seeded on 10 December 2020.

Indirect Cost Ratio

The Indirect Cost Ratio (ICR) represents the annualised percentage of indirect costs incurred by the Trust over the Trust's average net assets attributable to unitholders for the period. The ICR for each class since inception has been:

	15 October 2020 to 30 June 2021 %
Class I	**0.10**

The indirect costs can include management fees and other costs as indicated in the Trust's governing documents. Indirect costs may also include performance fees if permitted by the Trust's governing documents. These costs are typically deducted from the Trust's assets rather than paid directly by the unitholders of the Trust.

Unit redemption prices

Unit prices are determined in accordance with the Trust's Constitution and are calculated as the net assets attributable to unitholders of the Trust divided by the number of units on issue.

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

	15 October 2020 to 30 June 2021 $
Class I	
At 30 June	1.0197
High during period	1.0233
Low during period	0.9970

Directors' report

The Directors of Fidante Partners Limited, the Responsible Entity of Ares Diversified Credit Fund (the Trust) present their report together with the general purpose financial report of the Trust for the period ended 30 June 2021.

Directors

The names and details of the Directors and officers of Fidante Partners Limited holding office during the financial period and up to the date of this report, are listed below. Directors and officers were in office for this entire period unless otherwise stated.

A Bell	Director	
A Bofinger	Director	
J Coomer	Director	(appointed 19 March 2021)
N Hamilton	Director	
Y Sodhi	Director	(appointed 19 March 2021)
A Tobin	Director	(resigned 30 March 2021)

Principal activities and significant changes in the state of affairs

The Trust was constituted on 30 September 2020 and the first units were issued for Class I on 10 December 2020.

The principal activity of the Trust during the period was to invest in accordance with the provisions of the Trust's governing documents. The Trust invests in the CION Ares Diversified Credit Fund (the underlying trust). The underlying trust invests primarily in a portfolio of directly originated loans, secured floating and fixed rate syndicated loans, corporate bonds, asset-backed securities, commercial real estate loans and other types of credit instruments, which, under normal circumstances, will represent at least 80% of the underlying trust's managed assets. Other credit instruments may include commercial real estate mezzanine loans, real estate mortgages, distressed securities, notes, bills, debentures, bank loans, convertible and preferred securities, government and municipal obligations. The underlying trust may also invest in foreign instruments and illiquid and restricted securities.

From date of registration on 15 October 2020, the Asset Manager of the Trust is Ares Australia Management Pty Ltd.

There were no other significant changes in the nature of the Trust's activities or to the state of affairs of the Trust during the period.

Coronavirus ("COVID-19") impact

Coronavirus disease (COVID-19) is a highly infectious disease caused by a coronavirus discovered in early 2020. The disease has since spread worldwide and was declared a pandemic by the World Health Organisation on 11 March 2020. COVID-19 has caused disruptions to the world economies and financial systems. The nature and impact of COVID-19 will continue to evolve. Any economic and financial impacts will be monitored and may result in changes to the future estimates and outcomes applied to the measuring of the Trust's assets and liabilities. Any major adjustments if any, will be reflected up to the reporting date. Beyond this date, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Operating and financial review

The results of the Trust for the period below include the distributions paid and payable on a cents per unit (CPU) basis. The CPU represents the distribution paid by the Trust to unitholders for each individual unit held in the Trust.

Directors' report (continued)

The results of the Trust were as follows:

	15 October 2020 to 30 June 2021
Net profit for the period ($'000)	2,635
Distributions paid and payable ($'000)	1,437
Distributions (CPU) - Class I	2.26

Significant events after the balance date

At the date of this financial report, no matter or circumstance has arisen that has affected, or may significantly affect the Trust's operations, the results of those operations or the Trust's state of affairs in future financial periods, which has not already been reflected in this report.

Likely developments and expected results

The Trust continues to closely monitor the COVID-19 pandemic and its impact on the economy. The expected duration and magnitude of this pandemic and its potential impacts on the economy and financial markets are unclear. It is not known whether the measures being undertaken in Australia and globally will be sufficient to control the spread of the virus or to limit the impact on the economy.

At the time the Directors approved this report, they were not aware of any developments likely to have a significant effect upon the operations or the result of the Trust in subsequent financial periods, which have not been adequately dealt with in this report or in the financial report.

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's Constitution.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trust.

Indemnification and insurance of directors and officers

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Limited. So long as the officers of Fidante Partners Limited act in accordance with the Trust's Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of the Trust's assets during the period are disclosed in note 12 to the financial statements.

No fees were paid out of Trust assets to the Directors of the Responsible Entity during the period.

Interests in the Trust held by the Responsible Entity or its related entities as at the end of the financial period are disclosed in note 12 to the financial statements.

Directors' report (continued)

Interests in the Trust

The movement in units on issue in the Trust during the period is set out below:

	15 October 2020 to 30 June 2021 No. '000
Units on issue - Opening Balance	—
Units issued	105,228
Units reinvested	8
Units on issue - as at 30 June - Closing Balance	**105,236**

The movement in units on issue in the Trust during the period is further disclosed in note 2 to the financial statements.

Value of Trust assets

	15 October 2020 to 30 June 2021 $'000
Value of Trust assets	110,503

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 1.2 to the financial statements.

Environmental regulation and performance

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding

Unless otherwise stated, monetary amounts contained in this report and the financial report have been rounded to the nearest $1,000 under the option available to the Trust under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Directors' report (continued)

Authorisation

Signed in accordance with a resolution of the Directors of the Responsible Entity.

Y Sodhi
Director

17 September 2021

Building a better
working world

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Auditor's Independence Declaration to the Directors of Fidante Partners Limited

As lead auditor for the audit of the financial report of Ares Diversified Credit Fund for the financial period ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rita Da Silva
Partner
17 September 2021

Statement of comprehensive income

For the period ended 30 June

	Notes	15 October 2020 to 30 June 2021 $'000
Income		
Dividend income		1,552
Net gains on financial instruments at fair value through profit or loss		1,514
Net foreign exchange losses		(319)
Total net income		**2,747**
Expenses		
Reimbursable expenses	12	29
Other expenses		83
Total expenses		**112**
Net profit for the period		**2,635**
Other comprehensive income/(loss) for the period		—
Total comprehensive income for the period attributable to unitholders		**2,635**

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June

	Notes	2021 $'000
Assets		
Cash and cash equivalents	13(b)	4,768
Collateral and margin accounts		420
Receivables	4	914
Financial assets at fair value through profit or loss	5	104,401
Total assets		**110,503**
Liabilities		
Distributions payable	3	382
Payables	8	7
Financial liabilities at fair value through profit or loss	6	2,803
Total liabilities		**3,192**
Net assets attributable to unitholders - Equity	2	**107,311**

The statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in unitholder funds

For the period ended 30 June

	Notes	15 October 2020 to 30 June 2021 $'000
Opening Balance - Equity		—
Applications for units		106,105
Units issued upon reinvestment of distributions		8
Distributions paid and payable	3	(1,437)
Total comprehensive income for the period		2,635
As at 30 June - Closing Balance - Equity	2	**107,311**

The statement of changes in unitholder funds should be read in conjunction with the accompanying notes.

Statement of cash flows

For the period ended 30 June

	Notes	15 October 2020 to 30 June 2021 $'000
Cash flows from operating activities		
Purchase of derivatives		(423)
Dividends received		1,078
Management fees paid		(21)
Other expenses paid		(5)
Net cash inflows from operating activities	13(a)	**629**
Cash flows from investing activities		
Purchase of investments		(101,015)
Net cash outflows from investing activities		**(101,015)**
Cash flows from financing activities		
Proceeds from applications by unitholders		105,586
Distributions paid		(1,047)
Net cash inflows from financing activities		**104,539**
Net increase in cash and cash equivalents		**4,153**
Effects of exchange rate changes on cash and cash equivalents		615
Cash and cash equivalents at the end of the period	13(b)	**4,768**

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation and overarching significant accounting policies

These general purpose financial statements cover Ares Diversified Credit Fund (the Trust) as an individual entity. The Trust is an Australian registered managed investment scheme and was constituted on 30 September 2020 and registered with the Australian Securities and Investments Commission (ASIC) on 15 October 2020. The Trust will terminate on 29 September 2100 unless terminated earlier in accordance with the provisions of the Trust's Constitution.

The financial report of Ares Diversified Credit Fund for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 17 September 2021.

The nature of the operating and principal activities of the Trust are described in the Directors' report.

1.1. Basis of preparation

The accounting policies applied in the preparation of these financial statements are set out below.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Furthermore the financial statements have been prepared on a going concern basis as the Trust is expected to generate sufficient funds to enable it to pay its debts as and when they fall due.

The Trust is a for-profit entity for the purposes of preparing financial statements.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial instruments. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

Unless stated otherwise, the financial report is presented in Australian dollars and has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Directors confirm that they have considered all currently known impacts of COVID-19 when preparing the financial statements and applying the going concern concept.

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and revised accounting standards and interpretations

There are no new accounting standards and interpretations that have been issued, but not yet effective, that are material to the financial statements or have been early adopted for the 30 June 2021 reporting period.

Foreign currency

Both the presentation currency and the functional currency of the Trust are Australian dollars.

Transactions in foreign currency are translated into the Trust's presentation currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate as at the date of the transaction.

1. Basis of preparation and overarching significant accounting policies (continued)

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rate ruling at the date when the fair value was determined.

Comparatives

As the current period is the first reporting period for the Trust, no comparative figures have been disclosed.

Rounding of amounts

Unless otherwise stated, monetary amounts contained in this report and the directors' report have been rounded to the nearest $1,000 under the option available to the Trust under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

1.2. Summary of significant accounting policies

Coronavirus (COVID-19) impact

COVID-19 is a respiratory illness which was declared a pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global and domestic economies. In preparing these financial statements, the Trust has considered the impacts of COVID-19 on the Trust's assets, liabilities and disclosures for the period ended 30 June 2021. As at reporting date, there has been minimal impact on assets and liabilities and on the going concern of the Trust.

The nature of COVID-19 continues to evolve and the financial and economic impacts are still taking shape. This may result in changes to the future estimates and outcomes applied to the measuring of the Trust's assets and liabilities. No major adjustments have been reflected in the financial statements up to the reporting date.

a) Investment income and interest expense

Investment income may include net gains or losses from financial instruments. Where applicable, these net gains include all realised and unrealised fair value changes. Any foreign exchange differences, interest, dividends and distributions are recorded as separate line items in the statement of comprehensive income. Where applicable, interest income and interest expense are recognised using the effective interest method, and dividend and distribution income are recognised when the Trust's right to receive payment is established.

b) Expenses

Expenses are recognised on an accrual basis at the fair value of the consideration paid or payable for services rendered.

Expenses may include management fees, operation costs and transaction costs. Expenses may also include performance fees if permitted by the Trust's governing documents. Expenses are recognised in the statement of comprehensive income.

c) Taxes

Under current legislation, the Trust is not subject to income tax as all assessable income, exempt income and non-assessable income will be attributed to unitholders under the AMIT regime.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be attributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not attributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is attributed to unitholders.

1. Basis of preparation and overarching significant accounting policies (continued)

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Trust currently incurs withholding tax on investment income imposed by certain countries. Such income is recorded gross of withholding tax in the statement of comprehensive income.

d) Goods and services (GST)

The Trust qualifies for Reduced Input Tax Credits (RITC) at various applicable rates.

Revenues, expenses and assets are recognised net of the amount of GST, except when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

e) Cash and cash equivalents

Cash and cash equivalents are financial assets with fixed or determinable payments and comprise of cash at bank, cash held with custodian and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised at fair value. For the purposes of the statement of cash flows, cash and cash equivalents are stated net of any outstanding bank overdrafts.

When derivatives are held, payments and receipts relating to the purchase and sale of derivatives are classified as cash flows from operating activities, as movements in the fair value of these securities form a part of the Trust's income generating activity.

Payments and receipts relating to the purchase and sale of investment securities at fair value are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Trust's investment activity.

f) Collateral and margin accounts

Collateral and margin accounts represent short term investments which are not held for the purpose of meeting short term cash commitments. They may also include restricted deposits for derivative financial instruments and/or for securities sold short. Margin accounts represent cash deposits held by or due to brokers as collateral against open derivative contracts.

Collateral and margin accounts are measured at amortised cost using the effective interest method less any expected credit losses.

g) Financial instruments

(i) Classification

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1. Basis of preparation and overarching significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets are categorised as financial assets - fair value through profit or loss. The classification depends on the definition and the purpose for which the investments were acquired. The classification of investments is determined at initial recognition and evaluated at each reporting date.

Purchases and sales of financial assets are recognised on the date on which the Trust commits to purchase or sell the asset. Financial assets are initially recognised at fair value. Financial assets are derecognised when the right to receive cash flows from the asset has expired or when the risks and rewards of ownership have been substantially transferred.

Financial assets are carried at fair value with unrealised gains and losses being recognised through the statement of comprehensive income.

Financial liabilities at fair value through profit or loss

Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Trust measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the statement of comprehensive income. For further details on how the fair values of financial instruments are determined please refer to note 11.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(v) Hedge Accounting

The Trust uses foreign currency forward contracts (hedging instruments) to hedge the foreign exchange risk on its direct investments (hedged items). The objective of currency hedging is to reduce foreign currency risk.

Designation and documentation

At inception of hedge relationship, the Trust documents the hedge relationship between hedging instruments and hedged items, as well as its risk management objectives and strategies. The Trust also documents its assessment, both at hedge inception and on an ongoing basis, the hedge risk and how the hedge relationship will meet the hedge effectiveness requirements. Any gain or loss on the foreign currency forward contracts is recognised as net gains or losses on financial instruments held at fair value through profit or loss in the statement of comprehensive income immediately, together with the gain or loss arising on the hedged item. Foreign currency forward contracts are designated and accounted for under fair value hedge accounting relationships.

1. Basis of preparation and overarching significant accounting policies (continued)

Hedge effectiveness method

All hedge relationships are required to be assessed for hedge effectiveness both at the inception and throughout the hedge relationship by demonstrating that:

- an economic relationship exists between the hedged item and the hedging instrument;
- credit risk does not dominate the changes in value of either the hedged item or the hedging instrument; and
- the hedge ratio is reflective of the Trust's risk management approach.

The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the hedged item or the hedging instrument.

Fair Value Hedge

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

h) Net assets attributable to unitholders

Units issued by the Trust are redeemable for cash at the unitholders' option at any time based on the redemption price. The fair value of redeemable units is measured using the redemption unit price at the reporting date if unitholders were to exercise their right to redeem units in the Trust.

Units are classified as equity when they satisfy the following criteria under AASB 132 Financial Instruments: Presentation (AASB 132):

- the puttable financial instrument entitles the holder to a pro rata share of net assets in the event of the Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

Effective 15 October 2020, unitholder funds were classified as equity as they satisfied all of the criteria under AASB 132.

i) Foreign currencies

The Trust's financial statements are presented in Australian dollars. The Trust determines the functional currency and items included in the financial statements are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

1. Basis of preparation and overarching significant accounting policies (continued)

j) Use of estimates

The Trust may hold financial instruments for which quoted market prices are readily available. The Trust may also hold certain financial instruments, for example over-the-counter derivatives or unquoted securities, which are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Where possible, models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

2. Net assets attributable to unitholders

As stipulated in the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

Income not distributed is included in net assets attributable to unitholders. Where unitholder funds are classified as equity, movements in net assets attributable to unitholders are recognised in the statement of changes in unitholder funds.

Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

Net assets attributable to unitholders	**15 October 2020 to 30 June 2021 No. '000**	**15 October 2020 to 30 June 2021 $'000**
- Class I		
Opening Balance - Equity	**—**	**—**
Applications for units	105,228	106,105
Units issued upon reinvestment of distributions	8	8
Distributions paid and payable	—	(1,437)
Total comprehensive income for the period	—	2,635
As at 30 June - Closing Balance - Equity	**105,236**	**107,311**

2. Net assets attributable to unitholders (continued)

	15 October 2020 to 30 June 2021 $'000
Total net assets attributable to unitholders	**107,311**

On 10 December 2020, the first units were issued for Class I.

Capital risk management

The Trust considers its unitholder funds as capital. The amount of unitholder funds can change significantly as the Trust is subject to applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets by the Responsible Entity. Under the terms of the Trust's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

3. Distributions to unitholders

In accordance with the Trust's Constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity to unitholders by cash or reinvestment. Where unitholder funds are classified as equity, these distributions are recognised in the statement of changes in unitholder funds.

The distributions for the period were as follows:

	15 October 2020 to 30 June 2021	
	$'000	CPU
Distributions - Class I		
Distributions paid - January	149	0.45
Distributions paid - February	140	0.36
Distributions paid - March	205	0.36
Distributions paid - April	248	0.36
Distributions paid - May	313	0.37
Distributions payable - June	382	0.36
Total distributions - Class I	**1,437**	**2.26**

	15 October 2020 to 30 June 2021 $'000
Total distributions paid and payable	**1,437**

The component of the final distribution for the period which was unpaid at the reporting date is shown in the statement of financial position.

4. Receivables

Receivables may include GST RITC, application monies, interest, dividends, trust distributions and other income accrued and unsettled trade purchases. They are recognised when the right to receive payment is established and are generally recovered within 30 days. The Trust measures expected credit losses on a 12-month basis. Given the nature of the Trust's receivables and the limited exposure of the Trust to credit risk, no material expected credit losses have been recognised.

Amounts recoverable from related entities have no fixed repayment term and are non-interest-bearing.

4. Receivables (continued)

All receivables are considered current.

	30 June 2021 $'000
Dividends receivable	393
Application for units receivable	519
GST receivable	2
Total receivables	**914**

5. Financial assets at fair value through profit or loss

	30 June 2021 $'000
Equity securities	104,401
Total financial assets at fair value through profit or loss	**104,401**

The Trust's investment in equity securities at year end consisted of an investment in the CION Ares Diversified Credit Fund as disclosed in note 12.

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in notes 10 and 11 respectively.

6. Financial liabilities at fair value through profit or loss

	30 June 2021 $'000
Forward currency contracts (designated as hedges)	2,803
Total financial liabilities at fair value through profit or loss	**2,803**

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in notes 10 and 11 respectively.

7. Derivative financial instruments

In the normal course of business, the Trust enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

7. Derivative financial instruments (continued)

While derivatives are used for trading purposes, they are not used to gear a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust uses foreign currency forward contracts to mitigate the risk from movements in foreign exchange rates by hedging the Trust's exposure to assets and liabilities denominated in currencies other than the Australian dollar.

The Trust holds the following derivative instruments:

a) Forward currency contracts (designated as hedges)

A forward currency contract is primarily used by the Trust to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Trust agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing market price at the end of each reporting period. The Trust recognises a gain or loss equal to the change in fair value at the end of each reporting period.

30 June 2021	**Contract/notional value $'000**	**Fair values**	
		Assets $'000	**Liabilities $'000**
Long positions			
Forward currency contracts (designated as hedges)	106,148	—	2,803
Total derivative financial instruments	**106,148**	**—**	**2,803**

An overview of the risk exposures and fair value measurements relating to derivative financial instruments are included in notes 10 and 11 respectively.

8. Payables

Payables represent unsecured non-derivative, non-interest-bearing financial liabilities in respect of goods and services provided to the Trust prior to the end of the financial period. Payables may include redemptions payable, accrued expenses and unsettled purchases of financial instruments which are unpaid by the Trust at the reporting date. Amounts are generally paid within 30 days.

Amounts payable to related entities have no fixed repayment term and are non-interest-bearing.

All payables are considered current.

	Notes	**30 June 2021 $'000**
Amounts owing to the Responsible Entity	12	7
Total payables		**7**

9. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 30 June 2021 there are no financial assets and financial liabilities that have been offset in the statement of financial position. As at 30 June 2021, the Trust has no netting arrangements which, if applied, would have a material impact on the disclosure of financial assets and liabilities.

10. Financial risk management

(a) Overview

The Trust's activities can expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Trust's overall risk management program focuses on ensuring compliance with the Trust's governing documents and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The Trust may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying the financial risks that arise from these financial instruments and for ensuring there are mechanisms in place to manage these risks.

The allocation of assets between the various types of financial instruments is determined by the Trust's Asset Manager who manages the Trust's assets to achieve the Trust's investment objectives.

Divergence from target allocations and the composition of the assets is monitored on a regular basis.

The Responsible Entity has a Risk Management Strategy in place for managing risk and the key elements of the Risk Management Framework (RMF). The risks covered by the RMF include, but are not limited to, financial risks, for example: market, investment, pricing risks, funding, liquidity and counterparty risk; as well as regulatory, strategic and operational risks. The key elements for managing these risks include:

- Documented policies and procedures;
- Post trade investment compliance monitoring by teams not involved in the dealing and investment management activity;
- Segregation of the dealing and investment management function from the investment administration and settlement function;
- Independently sourced valuations for securities;
- A risk and compliance team and Responsible Entity management team with separate reporting lines;
- Clearly defined reporting lines and accountability for managing risks;
- Clearly defined responsibility for maintaining the RMF and monitoring compliance with it; and
- Oversight of risk management activity and the risk profile of the business by the Board of the Responsible Entity and various risk and compliance and committees that the Responsibility Entity, and its ultimate parent, have established.

As part of its Risk Management Strategy, the Trust may use derivatives including exchange traded derivatives, to manage exposures resulting from changes in index prices, equity risks and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk includes (amongst others) three types of risk: interest rate risk (due to fluctuations in interest rates), currency risk (due to fluctuations in foreign exchange rates), and equity price risk (due to fluctuations in market prices).

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

(i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

10. Financial risk management (continued)

Part (c) below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position at fair value through profit or loss.

As the majority of the Trust's investments are carried at fair value with fair value changes through profit or loss, changes in market conditions will directly affect net investment income.

The Asset Manager mitigates this price risk through diversification and a rigorous selection of securities and other financial instruments within specified limits as disclosed in the Trust's governing documents. Price risk mainly arises from the possible change in the fair value of the Trust's equity holdings. Price risk sensitivity on the Trust's equity holdings is disclosed in part (c) of this note. The analysis assumes the price of these investments increased/decreased by 10%.

Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these limit restrictions reported in accordance with the RMF.

(ii) Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Asset Manager may enter into derivatives contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of the Trust, and agreed acceptable level of foreign exchange risk.

The Trust holds both monetary and non monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Trust also enters into forward currency contracts principally to hedge the foreign exchange risk implicit in the value of the portfolio securities denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of securities. The term of these contracts rarely exceeds 12 months and may not necessarily indicate the total effect on the Trust's net assets attributable to unitholders of future movements in foreign exchange rates.

The Trust's underlying investments are primarily foreign currency fixed interest securities. To manage foreign exchange risk, the Trust may be fully or partially hedged back to Australian dollars as outlined in the Trust's governing documents. For further detail on hedge accounting please refer to note 10(f).

The table below summarises the Trust's exposure to foreign exchange risk.

10. Financial risk management (continued)

30 June 2021

	AUD A$'000	USD A$'000	Total A$'000
Assets			
Cash and cash equivalents	2,456	2,312	**4,768**
Collateral and margin accounts	420	—	**420**
Receivables	914	—	**914**
Financial assets at fair value through profit or loss	—	104,401	**104,401**
Total assets	**3,790**	**106,713**	**110,503**
Liabilities			
Distributions payable	382	—	**382**
Payables	7	—	**7**
Financial liabilities at fair value through profit or loss	—	2,803	**2,803**
Total liabilities	**389**	**2,803**	**3,192**
Net assets attributable to unitholders	**3,401**	**103,910**	**107,311**

The table in part (c) of this note summarises the sensitivities of the Trust's financial instruments to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened or strengthened by 10% against the material foreign currencies to which the Trust is exposed.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Trust has established limits on the total interest rate exposure, which are monitored on a daily basis. The Trust may use derivatives to hedge unexpected increases in interest rates.

Part (c) of this note demonstrates the sensitivity of the Trust's operating profit to possible changes in interest rates, with all other variables held constant. The analysis is based on the assumptions that interest rates increased by 100 bps or decreased by 100 bps.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on:

- the interest income for one period, based on the floating rate financial assets held at 30 June 2021; and
- changes in the fair value of investments for the period based on revaluing fixed rate financial assets at 30 June 2021.

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to applicable market risks. The possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market prices. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

10. Financial risk management (continued)

	Impact on operating profit/Net assets attributable to unitholders					
	Price risk		Interest rate risk		Foreign exchange risk	
	-10%	+10%	-100bps	+100bps	-10% USD	+10% USD
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
30 June 2021	**(10,440)**	**10,440**	**(16)**	**16**	**125**	**(125)**

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Trust aims to ensure that at all times it has appropriate credit risk management policies and practices in place and that the Board and senior management are appropriately informed of the Trust’s credit risks.

Credit risk is not considered to be a significant risk to the Trust as the Trust does not hold any direct investments in debt securities or have significant receivables.

(e) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from either the inability to sell financial assets at their fair values, a counterparty failing on repayment of a contractual obligation, or the inability to generate cash inflows as anticipated.

The Trust aims to ensure that it has sufficient liquidity to meet its obligations on a short term, medium term and long term basis. In the current period, all payables have no fixed repayment term. The current balance of amounts payable to related entities will be repaid in full within 1 year of the reporting date.

The Trust’s governing documents allow for redemptions of units. The Trust is therefore exposed to a liquidity risk of meeting unitholders’ redemptions at any time.

This risk is controlled through the Trust's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Trust maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Trust's investments are considered to be readily realisable.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given to (not limited to):

- whether the purpose of the investment is consistent with the investment strategy of the Trust;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity level for the Trust.

Under the terms of its Constitution, the Trust has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Maturity analysis for financial liabilities

Financial liabilities of the Trust comprise trade and other payables, distributions payable and collateral and margin accounts. Trade and other payables, distributions payable and collateral and margin accounts have no contractual maturities but are typically settled within 30 days.

The table below analyses the Trust's derivative financial liabilities based on their contractual maturity. The Trust may, at its discretion, settle derivative financial liabilities prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the derivative instruments.

10. Financial risk management (continued)

30 June 2021

	Less than 1 month $'000	1-6 months $'000	6-12 months $'000	Beyond 12 months $'000	Total $'000
Forward currency contracts (designated as hedges)	923	—	919	961	**2,803**
Total derivative financial liabilities	**923**	**—**	**919**	**961**	**2,803**

(f) Hedge accounting

The Trust is exposed to fair value movements due to the movement in the foreign currency exchange rate as the Trust invests in USD denominated equities. The Trust uses foreign currency forward contracts for currency hedging to negate the impact of foreign currency fluctuations by:

- designating AUD/USD currency forwards against specific layers, between 80% to 100% of the fund;
- electing to apply hedge accounting to minimise the impact of foreign exchange risk on the Fund; and
- make the TOFA election for hedging financial arrangements to mitigate the risk of tax mismatches.

Determining Hedge Effectiveness

The Trust assesses hedging effectiveness by matching the notional value of the foreign currency forward contracts to the market value of the foreign exchange exposures held by the Trust on a currency by currency basis. The Responsible Entity monitors the hedge ratio in accordance with the RMF. To ensure that the "by currency" hedge ratio is within the range set out in the Trust's investment strategy, the amount of hedging is periodically rebalanced.

Designation of hedge accounting

As the hedged items are actively traded, part of the designated hedging relationships are discontinued and the Trust designates new hedging relationships based on portfolio size and the hedging instruments that exist at that time. Foreign currency forward contracts are used to hedge the Trust's foreign currency exposures.

The following table contains details of the hedging instruments and associated hedged items for fair value hedges:

	Hedging Instruments			Hedge Items		Hedge
	Nominal Amounts $'000	Carrying amounts* $'000	Fair value losses $'000	Carrying amounts** $'000	Fair value gains $'000	Ineffectiveness *** Losses $'000
30 June 2021	**23,642**	**2,803**	**(1,090)**	**104,401**	**1,087**	**(3)**

*Carrying amount of hedging instruments is included in financial liabilities held at fair value through profit or loss in the statement of financial position.

**Carrying amount of hedged items is included in financial assets held at fair value through profit or loss in the statement of financial position.

***Hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instruments differ to that of the hedged item which primarily arises from timing differences, and is recognised as part of net gains or losses on financial instruments held at fair value through profit or loss in the statement of comprehensive income.

11. Fair value measurement

In accordance with AASB 13 Fair Value Measurement the Trust is required to categorise all assets and liabilities for which fair value is measured within the fair value hierarchy. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) Fair value in an active market (level 1)

The fair values of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair values of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of other substantially similar instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

The fair values of derivatives that are not exchange traded are estimated at the amount that the Trust would receive or pay to terminate the contract at reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

The tables below set out the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy.

30 June 2021

Financial assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity securities	104,401	—	—	**104,401**
Total financial assets	**104,401**	**—**	**—**	**104,401**

30 June 2021

Financial liabilities	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Forward currency contracts (designated as hedges)	—	2,803	—	**2,803**
Total financial liabilities	**—**	**2,803**	**—**	**2,803**

The Trust's investment in equity securities at year end consisted of an investment in the CION Ares Diversified Credit Fund as disclosed in note 12.

12. Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Fidante Partners Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

(b) Key management personnel

(i) Directors

Key management personnel includes persons who were Directors of Fidante Partners Limited at any time during the financial period and up to the date of the report as follows:

A Bell	Director	
A Bofinger	Director	
J Coomer	Director	(appointed 19 March 2021)
N Hamilton	Director	
Y Sodhi	Director	(appointed 19 March 2021)
A Tobin	Director	(resigned 30 March 2021)

(ii) Other key management personnel

The Responsible Entity is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Ares Australia Management Pty Ltd, is a related party to the Trust as it is a member of the same group as the Responsible Entity.

(c) Key management personnel unitholdings

At 30 June 2021 no key management personnel held units in the Trust.

(d) Key management personnel compensation

No amount was paid by the Trust directly to the Directors of the Responsible Entity.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below.

(e) Responsible Entity's fees and other transactions

Under the terms of the Trust's Constitution, the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets. As at 30 June 2021 these rates are as follows:

(i) 0.00% of Class I;

These fees are inclusive of GST, net of RITC available to the Trust per annum.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Trust and the Responsible Entity were as follows:

	30 June 2021 $
Reimbursable expenses for the period	28,630
Reimbursable expenses payable	7,087

12. Related party transactions (continued)

(f) Investments

The Trust held an investment in the underlying trust which is managed by CION Ares Management LLC, an investment advisor registered with the U.S. Securities and Exchange Commission and majority owned by an affiliate of the Asset Manager. The underlying trust has a management fee calculated and payable monthly in arrears at the annual rate of 1.25% of the average daily value of the underlying trust's Managed Assets. Managed Assets means the total assets of the underlying trust (including any assets attributable to any preferred shares that may be issued or to indebtedness) minus the underlying trust's liabilities other than liabilities relating to indebtedness. The underlying trust's management fee is deducted from the assets of the underlying trust, accrued in the underlying trust's net asset value, and then paid periodically.

Investments

	Fair value of investment	Dividends received/ receivable
	2021	2021
	$	$
CION Ares Diversified Credit Fund	104,401,097	1,551,568
Total investments	**104,401,097**	**1,551,568**

13. Reconciliation of profit to net cash inflows from operating activities

(a) Reconciliation of profit to net cash inflows from operating activities

Reconciliation of profit to operating cash flow	**15 October 2020 to 30 June 2021 $'000**
Net profit attributable to unitholders	2,635
Net gains on financial instruments at fair value through profit or loss	(1,514)
Net foreign exchange losses	319
Purchase of derivatives	(423)
Net change in receivables and other assets	(395)
Net change in payables and other liabilities	7
Net cash inflows from operating activities	**629**

(b) Components of cash and cash equivalents

	15 October 2020 to 30 June 2021 $'000
Cash at bank and on hand	4,768
Total cash and cash equivalents	**4,768**

(c) Non-cash investing and financing activities

	15 October 2020 to 30 June 2021 $'000
Reinvestment of unitholder distributions	8

14. Remuneration of auditor

Amounts received or due and receivable by Ernst & Young for:	**30 June 2021 $**
Audit of the financial report of the Trust	20,800
Total remuneration of auditor	**20,800**

The cost incurred for auditing the financial report of the Trust is paid directly by the Responsible Entity.

15. Subsequent events

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- the Trust's operations in future financial years; or
- the results of those operations in future financial years; or
- the Trust's state of affairs in future financial years.

16. Commitments and contingencies

The Trust does not have any contingent liabilities, contingent assets or credit commitments as at 30 June 2021.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

a. the financial statements and notes set out on pages 9 to 30 are in accordance with the Corporations Act 2001, including:

    i. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    ii. giving a true and fair view of the Trust's financial position as at 30 June 2021 and of its performance for the financial period ended on that date;

b. the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.1, and;

c. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Board of Fidante Partners Limited.

Y Sodhi
Director

17 September 2021

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Independent Auditor's Report to the Unitholders of Ares Diversified Credit Fund

Opinion

We have audited the financial report of Ares Diversified Credit Fund (the "Trust"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in unitholder funds and statement of cash flows for the period then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Trust's financial position as at 30 June 2021 and of its financial performance for the period ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of Fidante Partners Limited as the Responsible Entity of the Trust (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

R Da Silva

Rita Da Silva
Partner
Sydney
17 September 2021

Directory

Responsible Entity
Fidante Partners Limited
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AFSL 234668

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Auditor
For the Responsible Entity and the Trust
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Sydney NSW 2000

Asset Manager
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Level 2
5 Martin Place
Sydney NSW 2000