



European-style Waterfall Funds and Performance Income Teach-in

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The statements contained in this presentation are made as of December 31, 2022, unless another time is specified in relation to them, and access to this presentation at any given time shall not give rise to any interpretation that there has been no change in the facts set forth in this presentation since that date.

Note: For Additional Important Disclosure Information, please refer to the Footnotes in this presentation.

Introduction

- Due to its high proportion of credit-oriented funds,¹ Ares has a significant and growing amount of European-style waterfall funds (“EU-style, European-style or European”). These funds pay performance income, if earned, after all contributed capital and a preferred rate on such contributed capital is returned to investors
- Ares saw a sharp increase in European-style waterfall funds in 2017-2018 and they now account for ~\$53 billion and ~\$100 billion of Ares’ Incentive Generating Assets Under Management (“IGAUM”) and Incentive Eligible Assets Under Management (“IEAUM”), respectively, as of the end of 2022
- The majority of European-style waterfall funds at Ares are in credit strategies, but they also include other private debt, real assets and equity funds across our other groups
- Approximately 90% of Ares’ invested European-style AUM is currently incentive generating²
- Ares’ Realized Income does not account for the future earnings potential from the growth in these European-style waterfall funds

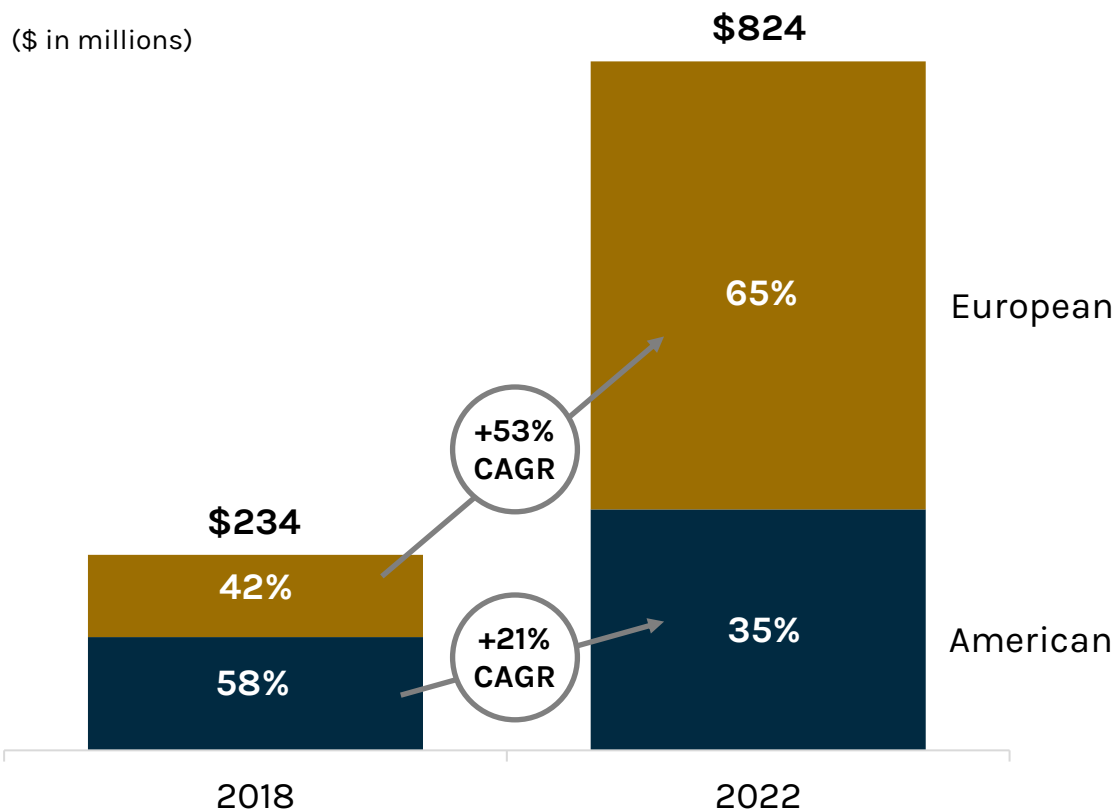
This presentation will provide additional visibility and clarity around the potential growth of Ares’ European-style funds and their potential for future realized net performance income

1. Note that “Credit Oriented Funds” includes all strategies within our Credit Group and other strategies that invest primarily in debt securities such as Special Opportunities (ASOF) and related funds within our Private Equity Group, Ares SSG credit strategies within our Strategic Initiatives Group and Infrastructure Debt (IDF V) and Real Estate Enhanced Income (AREEIF) within our Real Assets Group.
2. There is no guarantee that such activities will continue to occur at this level or at all.

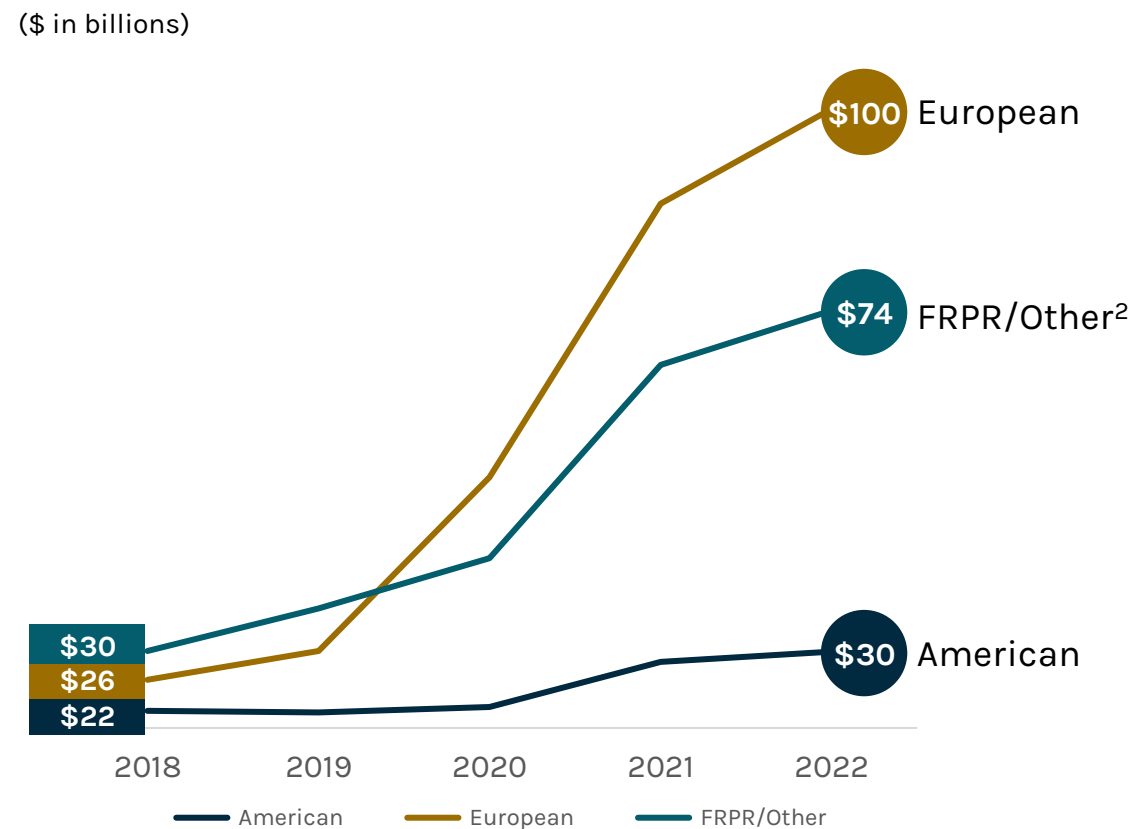
European-style Funds are Increasing Within Our AUM and Net Accrued Performance Income

» Over the past five years, we have been building a long-term pipeline of future earnings from European-style funds

Net Accrued Performance Income¹



Growth of Incentive Eligible AUM



As of December 31, 2022. There can be no guarantee that Ares can or will sustain such growth. Please refer to page 5 for additional details on European and American-style waterfall funds.

1. Certain funds totaling \$13.5 billion in IEAUM (SDL I, SDL II and various Credit funds) generate incentive fees in a manner more akin to an EU-style waterfall than an American-style waterfall and do not generate performance income until after all contributed capital and a preferred rate on such contributed capital is returned to investors.
2. These are Perpetual Capital funds that are eligible for Fee Related Performance Revenues ("FRPR"). Please see definitions in Ares' Q4-22 Earnings Presentation. "Other" funds relates to funds that generate incentive fees, generally on an annual basis, that do not meet the definition of FRPR, American- or European-style carried interest.

European vs. American-style Waterfall Fund Distributions

American-style



- Investment-by-Investment waterfall
- Generally used for private equity style funds
- If the fund is above its preferred return, managers may receive carried interest as each investment is realized, so long as that particular investment returns the contributed capital + associated preferred rate related to such investment
- Monetizations are often driven by M&A activity and can be more volatile based on market trends
- Realized loss carry forward or interim or end of fund clawback if early investment or subsequent investments underperform, respectively

European-style

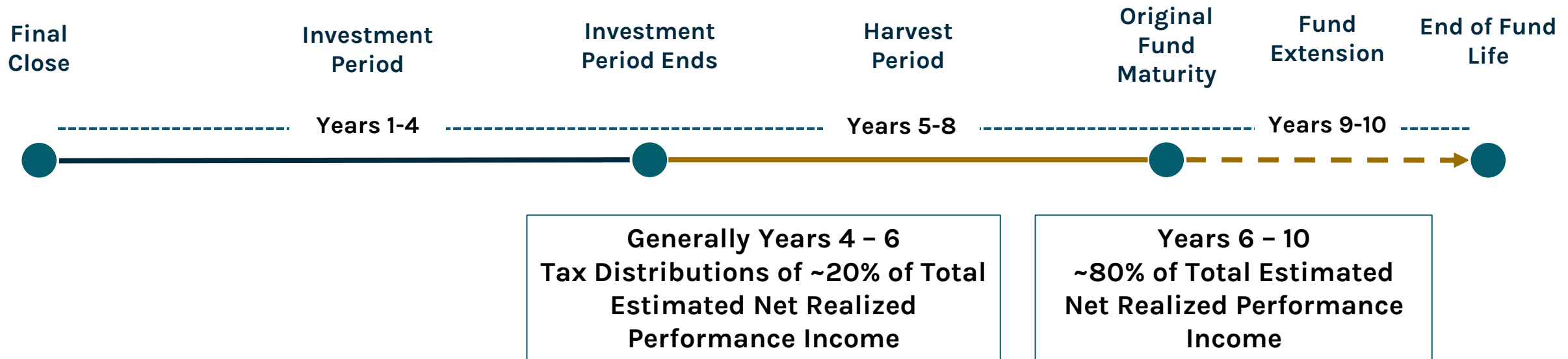


- Fund level waterfall
- Managers may only receive carried interest once 100% of contributions + the preferred rate is returned to investors. Distributions to cover tax obligations may be made earlier
- Generally, more LP friendly as investors receive their contributed capital plus preferred return before GPs receive carry
- Historically used for credit and European-domiciled funds, but becoming more common across other funds
- As credit funds typically generate consistent cash flows and have maturity dates on loans, the timing and amounts are more predictable

Hypothetical Credit Fund European-style Waterfall Realization Timeline

» Approximately 20% of total Realized Performance Income is recognized through tax distributions to cover taxable income in years 4-6 and ~80% is recognized towards the end of the fund life after all contributed capital and a preferred rate on such contributed capital is returned to investors

Fund Investment and Harvest Period



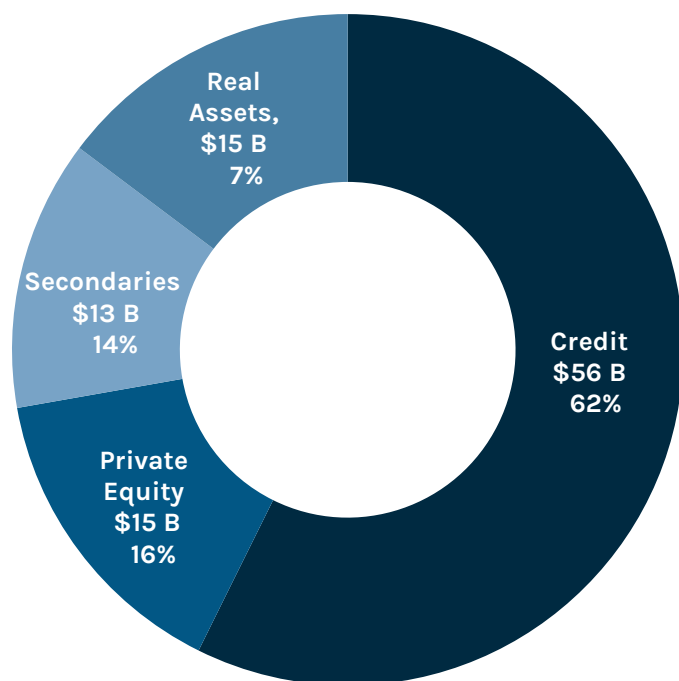
Since Ares began raising larger European Funds in 2017 and 2018, Ares is now beginning to reach the final years of certain of the early European Funds in carry

Illustration for hypothetical purposes only. Projections and forward-looking statements are not reliable indicators of future events and there is no guarantee that such activities will occur as expected or at all.

Credit Funds Comprise A Majority of European-style Waterfall AUM

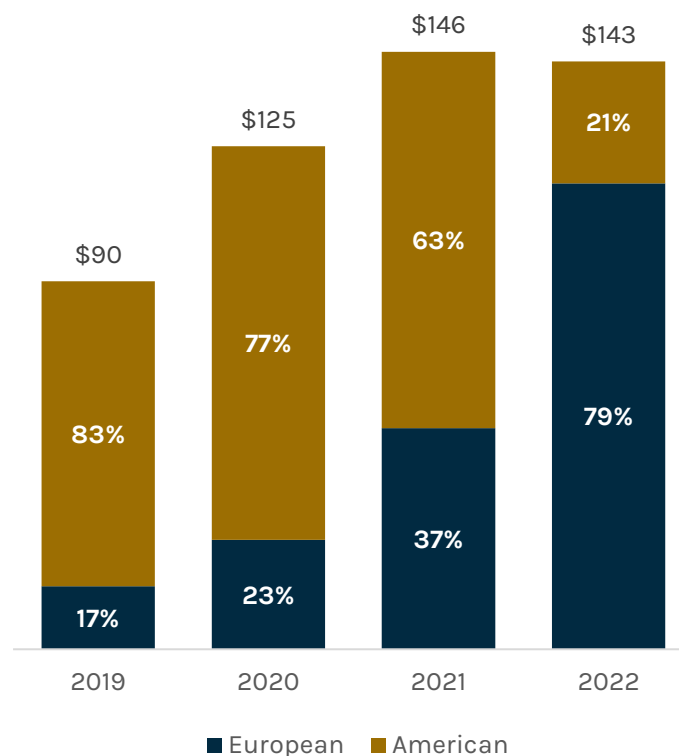
» Credit funds currently account for 62% of EU-style IEAUM and the growth is leading to higher net realized performance income and growth in net accrued performance income

EU Waterfall IEAUM by Investment Group¹

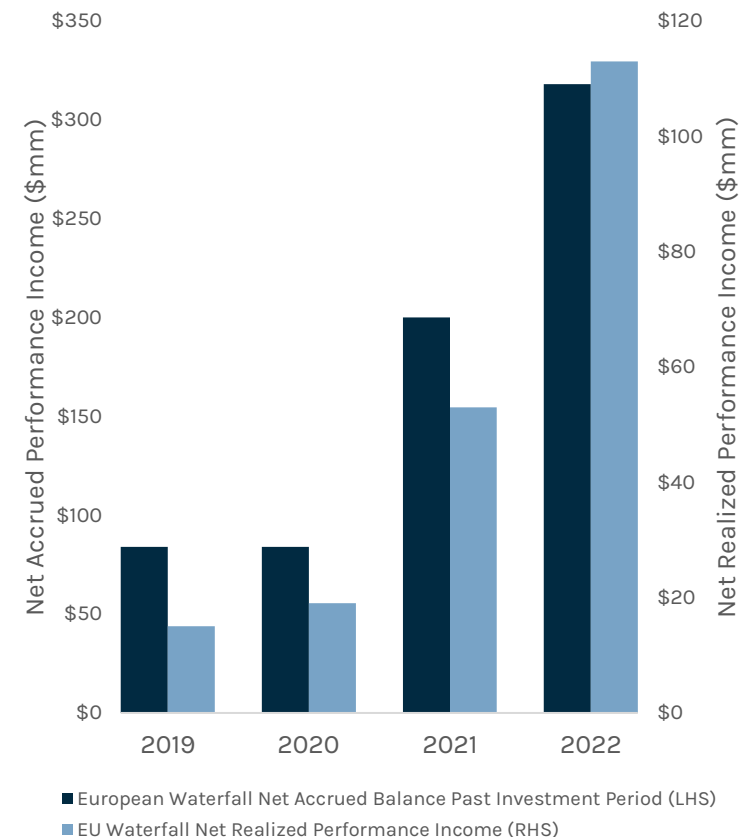


Total Realized Net Performance Income²

(\$ in millions)



European Waterfall Net Realized PI² vs. Net Accrued Balance Past Investment Period

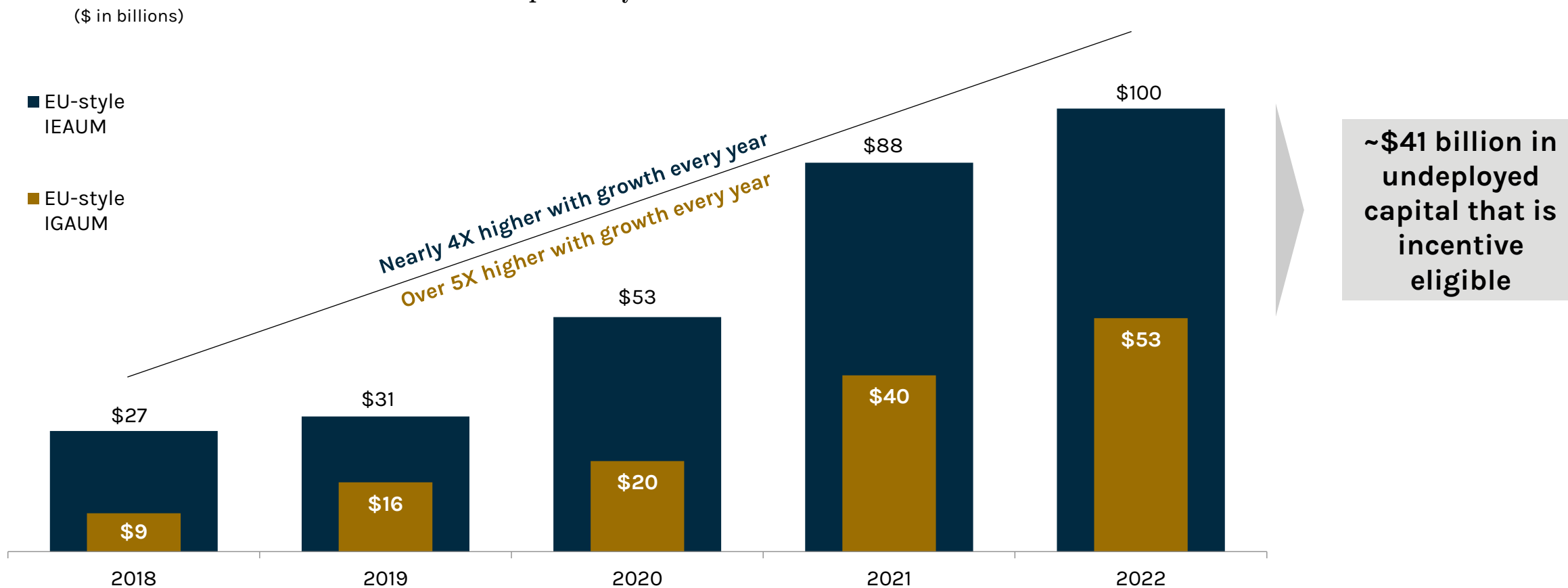


1. Note that all credit strategies within Ares SSG are included in Credit IGAUM and IEAUM throughout the presentation.
 2. Realized net performance income includes incentive fees that crystallize periodically and are included within the most closely-aligned category of EU-style or American-style carried interest funds.

Growth of European-style Waterfall Funds

» The significant growth of our IEAUM and IGAUM from European-style funds of approximately 4x and 5x, respectively, since 2018 is expected to drive significant future net realized performance income¹

Cumulative European-style Waterfall Growth in IGAUM & IEAUM



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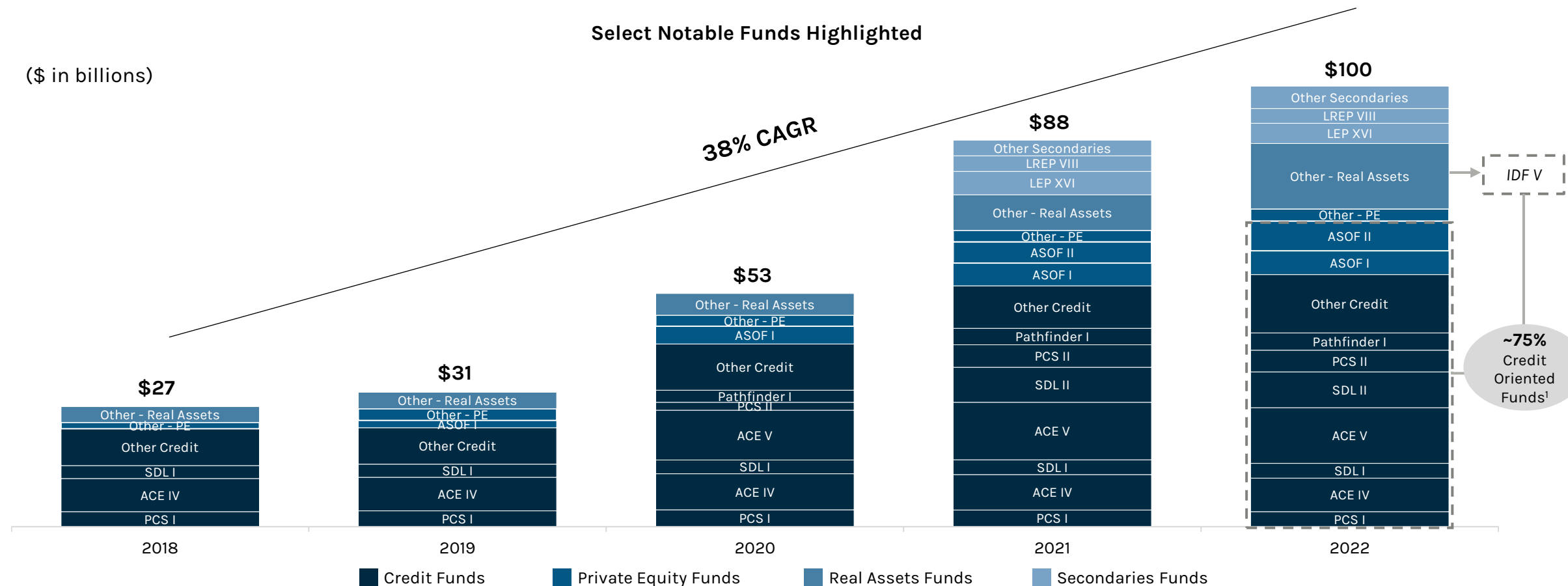
Growth of European-style Waterfall Funds

» The significant growth of our Incentive Eligible European-style funds has increased by a compound annual growth rate (“CAGR”) of 38% in the last 4-years and has become more diversified, and credit-oriented funds continue to account for the majority of our EU-style waterfall funds

European Waterfall Incentive Eligible AUM

Select Notable Funds Highlighted

(\$ in billions)

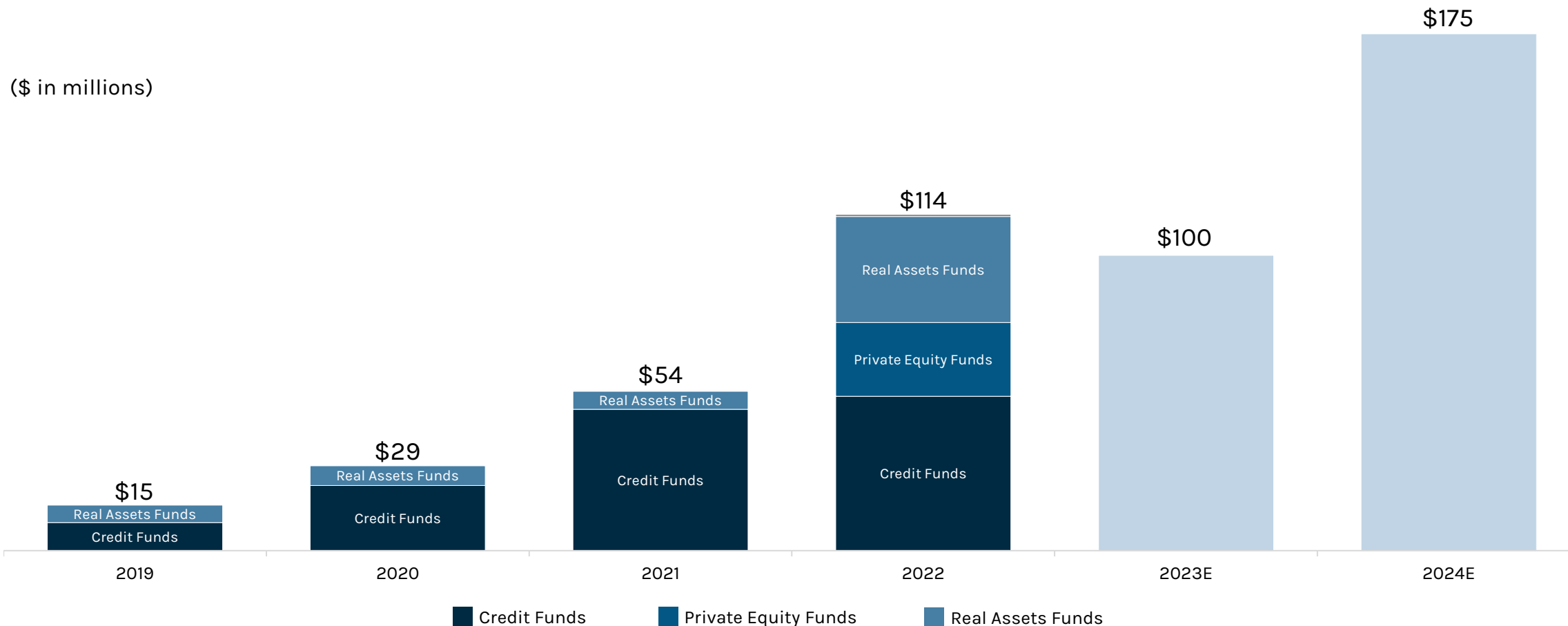


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Historical And Estimated View of European Realized Net Performance Income¹

» Net Realized Performance Income from current European-style funds is expected to increase over time

Historical and Estimated Net Realized Performance Income from European Waterfall Funds



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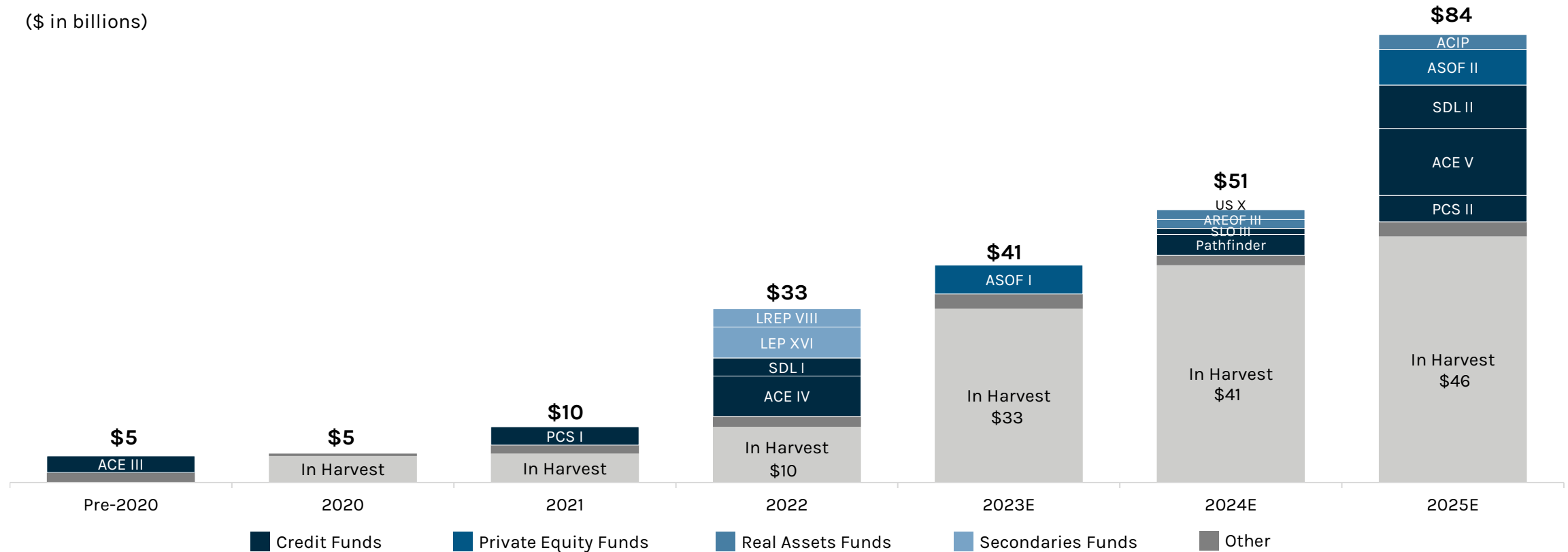
Timeline of European-style IEAUM Entering and Remaining in Harvest Periods

» There are a significant number of European funds that enter their harvest periods in 2022 (and beyond) which have the opportunity for higher realized net performance income in the coming years

European-style Waterfall IEAUM Exiting Investment Periods & Entering Harvest Periods

Select Notable Funds Highlighted

(\$ in billions)



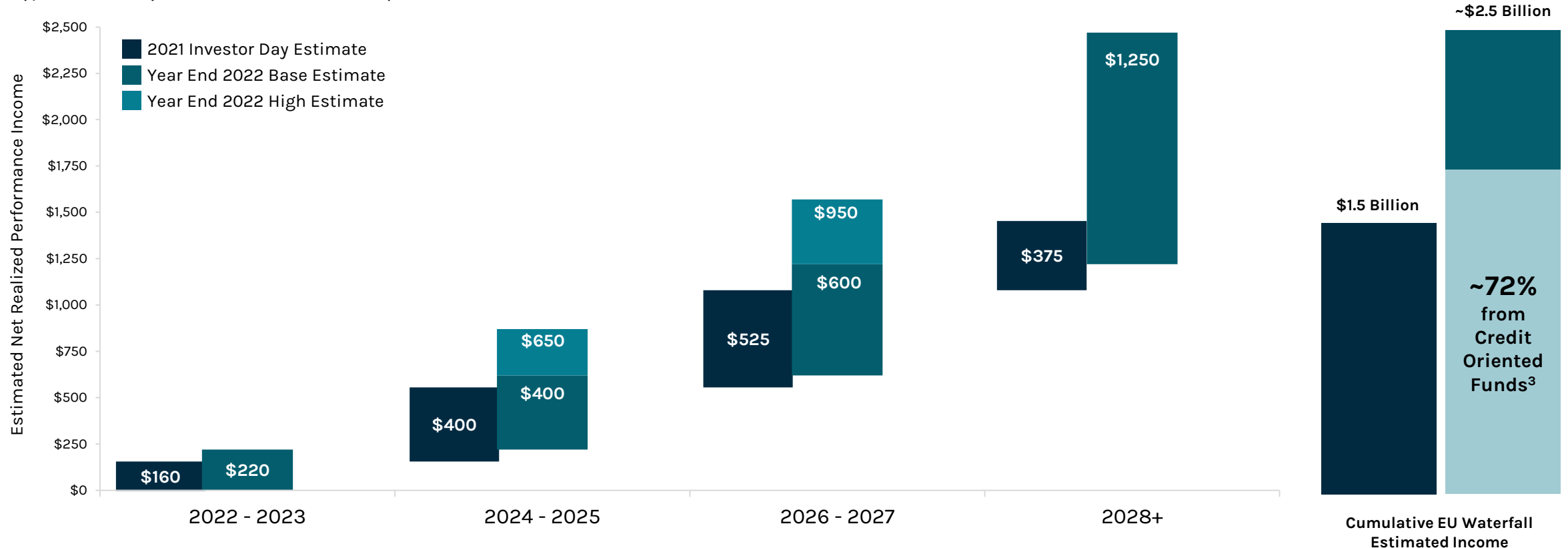
Note: "In Harvest" represents funds that have exited their reinvestment periods in previous years. After 5 years In Harvest, IEAUM from previous funds is removed from the chart.

Estimated European Waterfall Realized Net Performance Income Has Increased By Approximately \$1 Billion since Q2-21 Due to New Fundraising

» We now estimate European Style funds could generate up to ~\$2.5 billion of Realized Net Performance Income^{1,2}

Estimated Realized Net Performance Income¹ - Current European Style Funds Already Raised

(\$ in millions, unless noted otherwise)



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1. Represents forecasted Net Realized Performance Income from our European Style Waterfall paying funds, assuming net forecasted fund returns.
2. Realized net performance income includes incentive fees that crystallize periodically and are included within the most closely-aligned category of EU-style or American-style carried interest funds.
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