



# Ares Capital Corporation's 2022 Analyst Day

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June 1, 2022

# Disclaimer

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A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center.

# Welcome & Agenda



**John Stilmar**  
Managing Director, Public  
Markets IR & Corporate  
Communications

# Agenda

## AGENDA

# 2022 ARCC Analyst Day

Time	Section	Presenter(s)	Page
4:00	Welcome & Agenda	John Stilmar	3
<b>Overview &amp; Market Update</b>			
4:05	ARCC Highlights	Kipp deVeer	7
4:15	Ares Overview & Power of the Platform	Michael Arougheti Kipp deVeer	15
4:35	Market Overview & Outlook	Mitch Goldstein	28
<b>ARCC Strategy Update</b>			
4:50	Key Elements to Our Investment Strategy	Michael Smith	38
5:10	Portfolio Management Strategy & Results	Michael Dieber Dan Katz Phil LeRoy	58
5:25	ESG & Responsible Investing	Indhira Arrington Adam Heltzer	69
<b>Balance Sheet Management &amp; Long-Term Performance</b>			
5:40	Balance Sheet & Capital Management	Penni Roll	81
5:50	Performance Track Record	Kipp deVeer	89
6:00	Conclusion & Forward Outlook	Kipp deVeer	98

# Key Accomplishments Since 2019 Investor Day

» We have generated strong fundamental performance since May of 2019

## Since Last Investor Day in May 2019<sup>1</sup>

<b>Credit Improvement</b>	<b>Non-accruals declined ~50%</b> Non-accruals at cost declined from 2.3% to 1.2%
<b>Growth in Core EPS</b>	<b>13% increase in LTM core earnings per share</b> \$2.00 per share LTM core earnings <sup>2</sup>
<b>Generated Net Realized Gains</b>	<b>\$44 million</b> Cumulative net realized gains on investments
<b>Increased Dividends</b>	<b>Increased regular dividend twice and declared additional dividends</b> \$0.42 per share quarterly dividends and \$0.12 total additional dividends for FY2022 <sup>3</sup>
<b>Built Net Asset Value</b>	<b>10.6% NAV per share growth</b> vs. BDC peer average of -3.6% <sup>4*</sup>
<b>Stock Outperformance</b>	<b>+10.9% annualized total stock return<sup>5</sup></b> vs. BDC index at 8.3%

Note: As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results. Please refer to Endnotes for additional important information. Please refer to Index Definition in Endnotes for further information.

\* Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management as of December 31, 2021.

# Goals for Today

» We hope you will come away today with the following key points

1

Market leader with a strong long-term track record in a large and growing direct lending market

2

Operate proven business model through cycles

3

We believe that we benefit from a unique set of competitive advantages

4

Our underwriting approach and portfolio management differentiate us from other BDCs, in our view

5

We believe our balance sheet is well positioned for rising rates and whatever else comes

6

Strive to achieve attractive returns and leave a lasting positive impact on our portfolio companies and communities

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, illuminated with white lights.

## ARCC Highlights



**Kipp deVeer**  
Director and CEO of ARCC,  
Partner and Head of Ares  
Credit Group

# Leading Business Development Company

<p>Advised by the Largest Global Direct Lending Manager<sup>1</sup></p>	<p>Largest Publicly Traded BDC<sup>3</sup></p>	<p>Diversified Portfolio</p>	<p>Stock Outperformance</p>	<p>Strong Profitability</p>
<p><b>\$147B</b></p> <p>Direct Lending AUM managed globally<sup>2</sup></p>	<p><b>\$19.5B</b></p> <p>Portfolio at fair value</p>	<p><b>395</b></p> <p>Portfolio companies focused in defensively positioned industries</p>	<p><b>13.5%</b></p> <p>Annualized total return since IPO vs. 10.4% for the S&amp;P 500<sup>4</sup></p>	<p><b>10.4%</b></p> <p>Annualized core ROE in the last 5 years vs. the peer group average of 9.6%<sup>5*</sup></p>

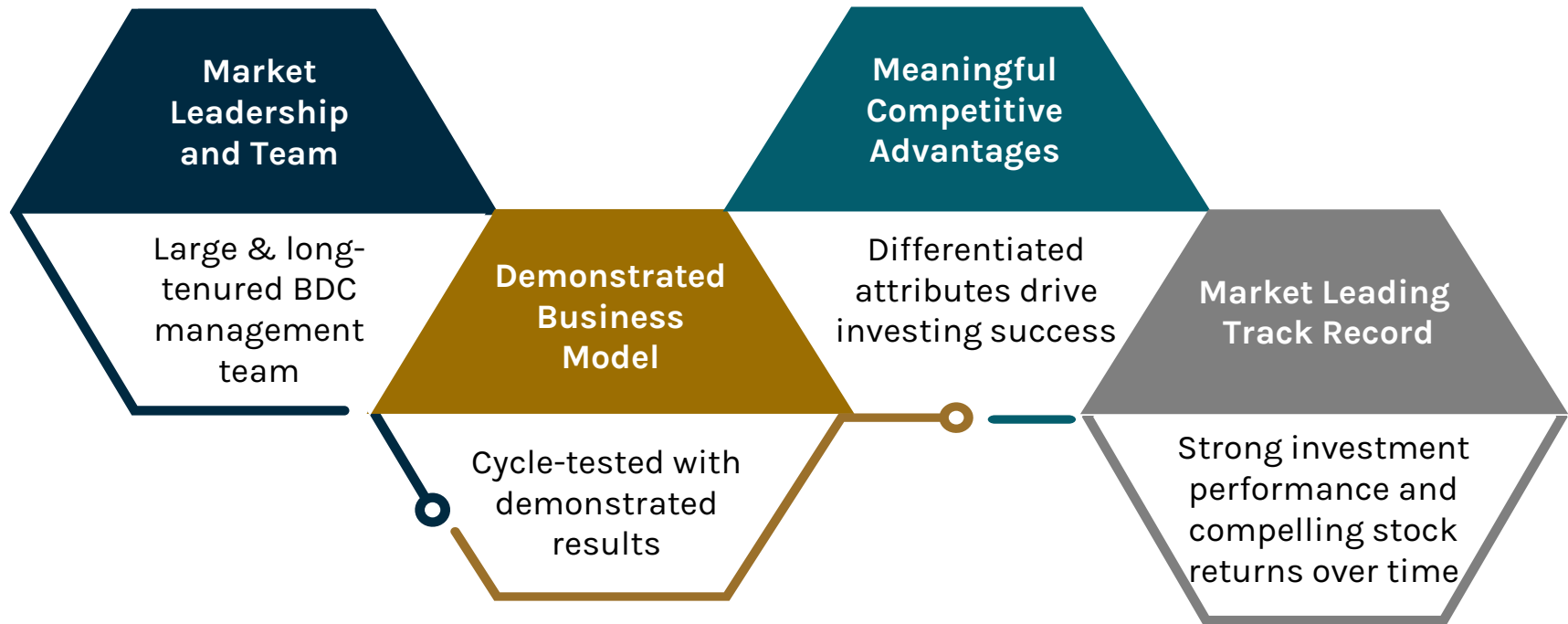
ARCC benefits from the Ares Management global platform

As of March 31, 2022, unless otherwise stated. Please refer to Endnotes for additional important information.

\* Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds. Must be publicly traded for the relevant time period (5 years), as of December 31, 2021.



# Company Highlights



Past performance is not indicative of future results.

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# Market Leadership and Team

» We believe ARCC's large, tenured investment team puts us in a market leadership position

## ARCC Has a Large and Experienced Team



## vs. the Average of the Top Ten Largest BDC Peers<sup>2\*\*</sup>



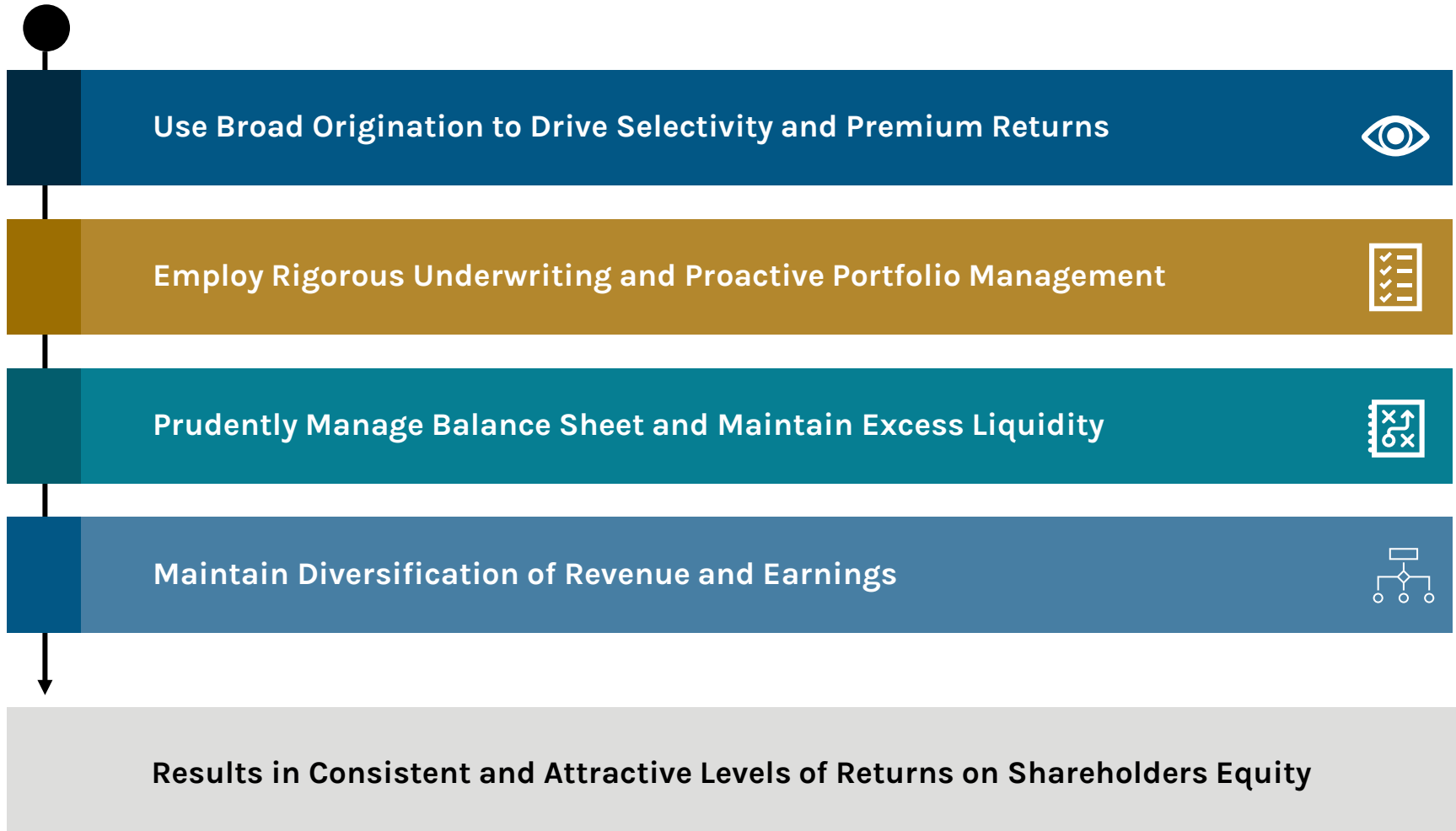
As of March 31, 2022 for ARCC and as of December 31, 2021 for BDC peers as not all BDC peers have reported March 31, 2022 financial results as of April 29, 2021. Past performance is not indicative of future results. **Please refer to Endnotes for additional important information.**

\* ARCC's total originations since inception was \$72 billion as of December 31, 2021. All other ARCC stats remain the same as of December 31, 2021.

\*\* Peers include the top 10 largest publicly traded BDCs by market capitalization as of March 31, 2022.

# Our Demonstrated Business Model and Processes

» ARCC's time-tested business model has driven strong performance and returns for shareholders



Past performance is not indicative of future results.

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# Meaningful Competitive Advantages

» Our peer set may have some of these advantages but we believe we are the only BDC with all of these advantages<sup>1</sup>



AS of March 31, 2022. Past performance is not indicative of future results.

1. Comparison metrics compiled based on Ares subjective opinion as to what are our top competitive advantages. The above does not represent the entire competitive universe.

2. ARCC has had the tightest spreads for a 5-year unsecured note in BDC history per JP Morgan and Bank of America.

# We Believe We Have a Track Record of Strong Investment Performance

» Our market leading team, demonstrated business model and differentiated competitive advantages have generated significant investment opportunities and strong investment results

## Extensive Investment Sourcing

**~\$79B**  
*Invested<sup>1</sup>*

Across over 1,700 portfolio companies

## Compelling Asset Returns

**14%**  
*Asset Level Realized Gross IRR<sup>2</sup>*

On realized investments since inception

## Strong Credit Performance

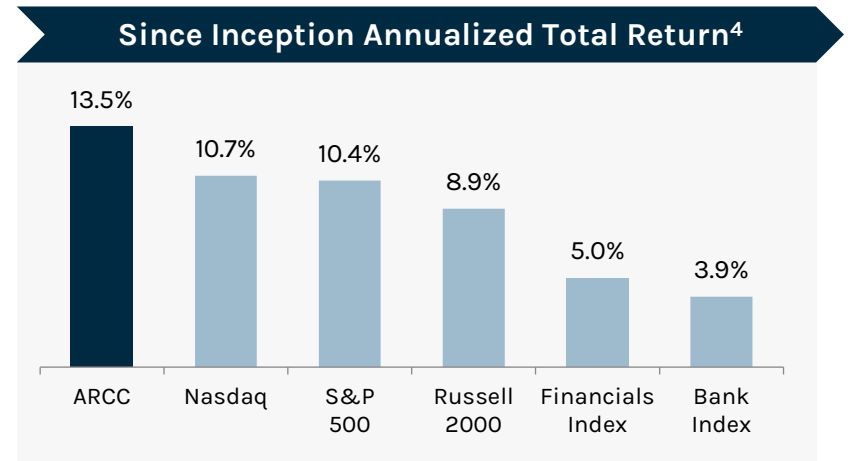
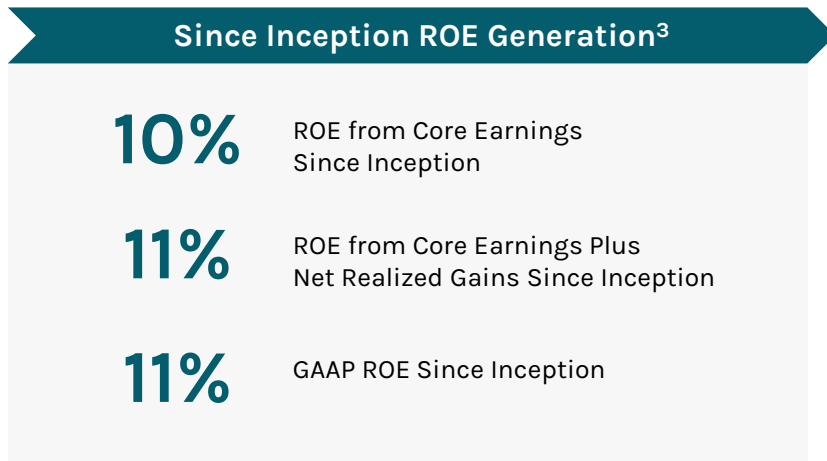
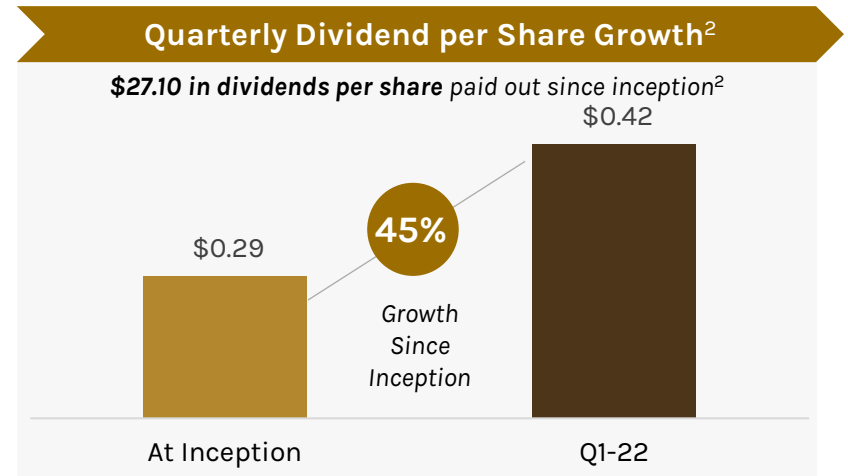
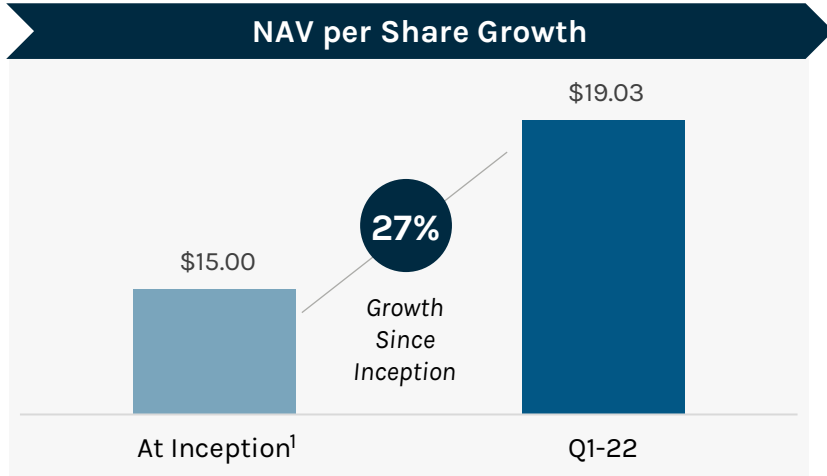
**+1.0%**  
*Annualized Net Realized Gain/(Loss) Rate<sup>3</sup>*

Highest in peer group with net realized gains in 15 out of 18 years<sup>4\*</sup>

As of March 31, 2022, unless otherwise noted. Past performance is not indicative of future results. Please refer to Endnotes for additional important information.  
<sup>1</sup>BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021.

# Strong Investment and Stock Performance

» Our strong investment performance has enhanced long-term returns for our shareholders, in our view



Data as of March 31, 2022, unless otherwise noted. Past performance is not indicative of future results. Please refer to Endnotes and Index Definitions for additional important information and an important index disclaimer.

A panoramic view of a city skyline at sunset, with the Empire State Building prominently lit and glowing against the orange and yellow sky. Other skyscrapers are visible in the background, some with lights on.

## Ares Overview and Power of the Platform



**Michael Arougheti**  
Co-Chairman and Executive  
Vice President of ARCC, Partner,  
CEO and President of Ares



**Kipp deVeer**  
Director and CEO of ARCC,  
Partner and Head of Ares  
Credit Group

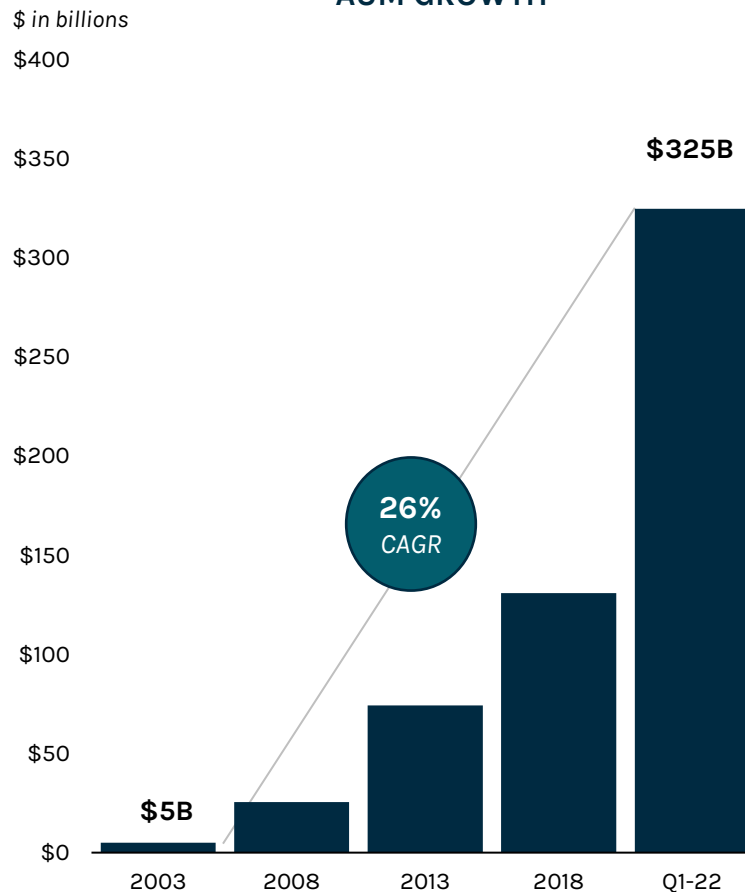
# Ares Overview

» With \$325 billion of AUM and a \$21.9 billion market cap<sup>1</sup>, Ares Management is a leading global alternative investment manager operating complementary and integrated business groups

## BUSINESS GROUPS

	Credit	Private Equity	Real Assets	Secondary Solutions	Strategic Initiatives
AUM	<b>\$196.9B</b>	<b>\$33.6B</b>	<b>\$58.5B</b>	<b>\$23.5B</b>	<b>\$12.5B</b>
Strategies	Direct Lending	Corporate Private Equity	Real Estate Equity	Private Equity & Credit Secondaries	Ares SSG
	Liquid Credit	Special Opportunities	Real Estate Debt	Real Estate Secondaries	Ares Insurance Solutions <sup>2</sup>
	Alternative Credit		Infrastructure Opportunities	Infrastructure Secondaries	Ares Acquisition Corporation
			Infrastructure Debt		

## AUM GROWTH



As of March 31, 2022, unless otherwise stated. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results.

1. As of April 25, 2022.

2. AUM managed by Ares Insurance Solutions excludes assets which are sub-advised by other Ares' investment groups or invested in Ares funds and investment vehicles.



# Large Investment Footprint Across U.S., Europe and Asia-Pacific



<p><b>30+</b></p> <p>GLOBAL OFFICES<sup>1</sup></p>	<p><b>~2,195</b></p> <p>EMPLOYEES</p>	<p><b>~780+</b></p> <p>INVESTMENT PROFESSIONALS</p>	<p><b>~1,250</b></p> <p>SUPPORT PROFESSIONALS<sup>2</sup></p>
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As of March 31, 2022.

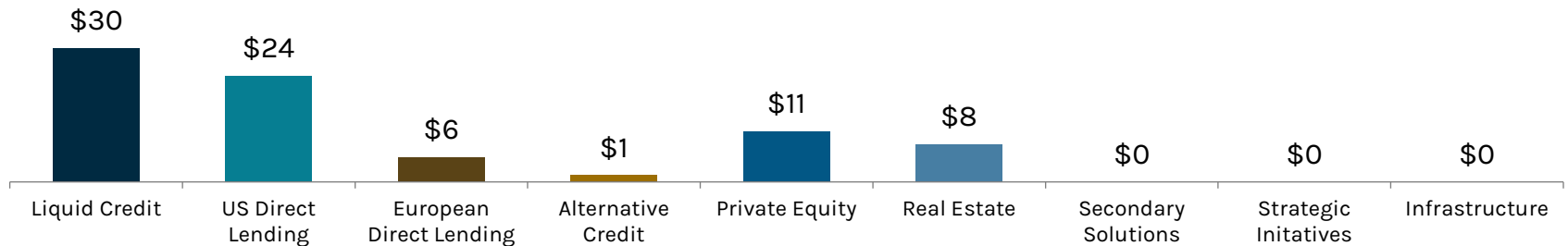
1. Jakarta, Mumbai and New Delhi offices are operated by third parties with whom Ares SSG maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.

2. Total support headcount includes all non-investment and non-strategy, RM, IR professionals.

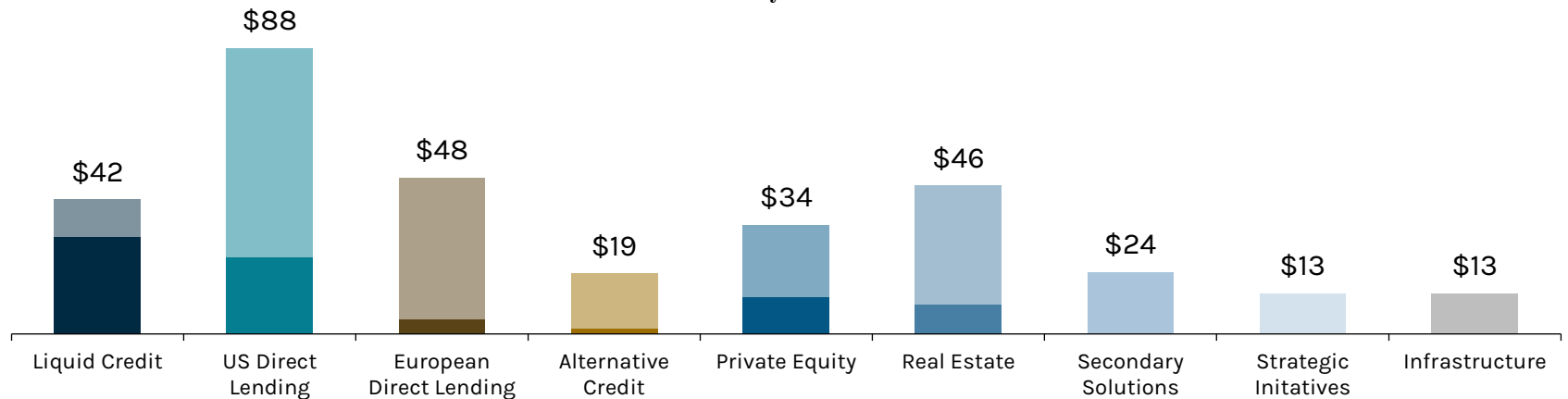
# Ares Has Meaningfully Diversified and Expanded its Business Lines

» Ares' focus on investment performance and broadening the platform has supported significant asset growth since its IPO

AUM at IPO in 2014: \$77 billion<sup>1</sup>



AUM Today: \$325 billion<sup>2</sup>

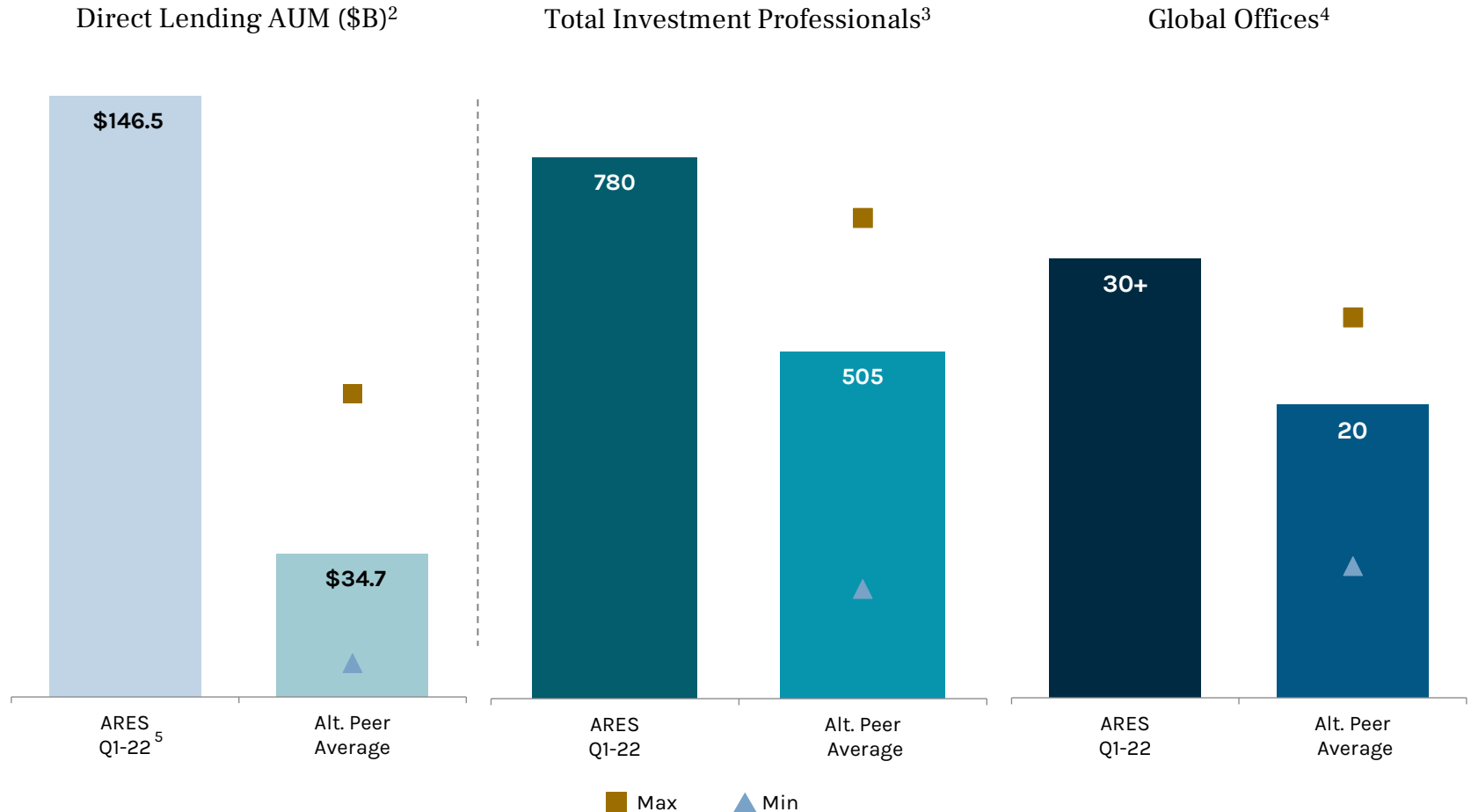


1. IPO occurred on 5/1/2014, AUM and funds as of 3/31/2014.

2. As of March 31, 2022. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

# Leading Footprint vs. Alternative Investment Peers

» We believe Ares has a larger global platform than many of its alternative peers, particularly in Direct Lending<sup>1\*</sup>



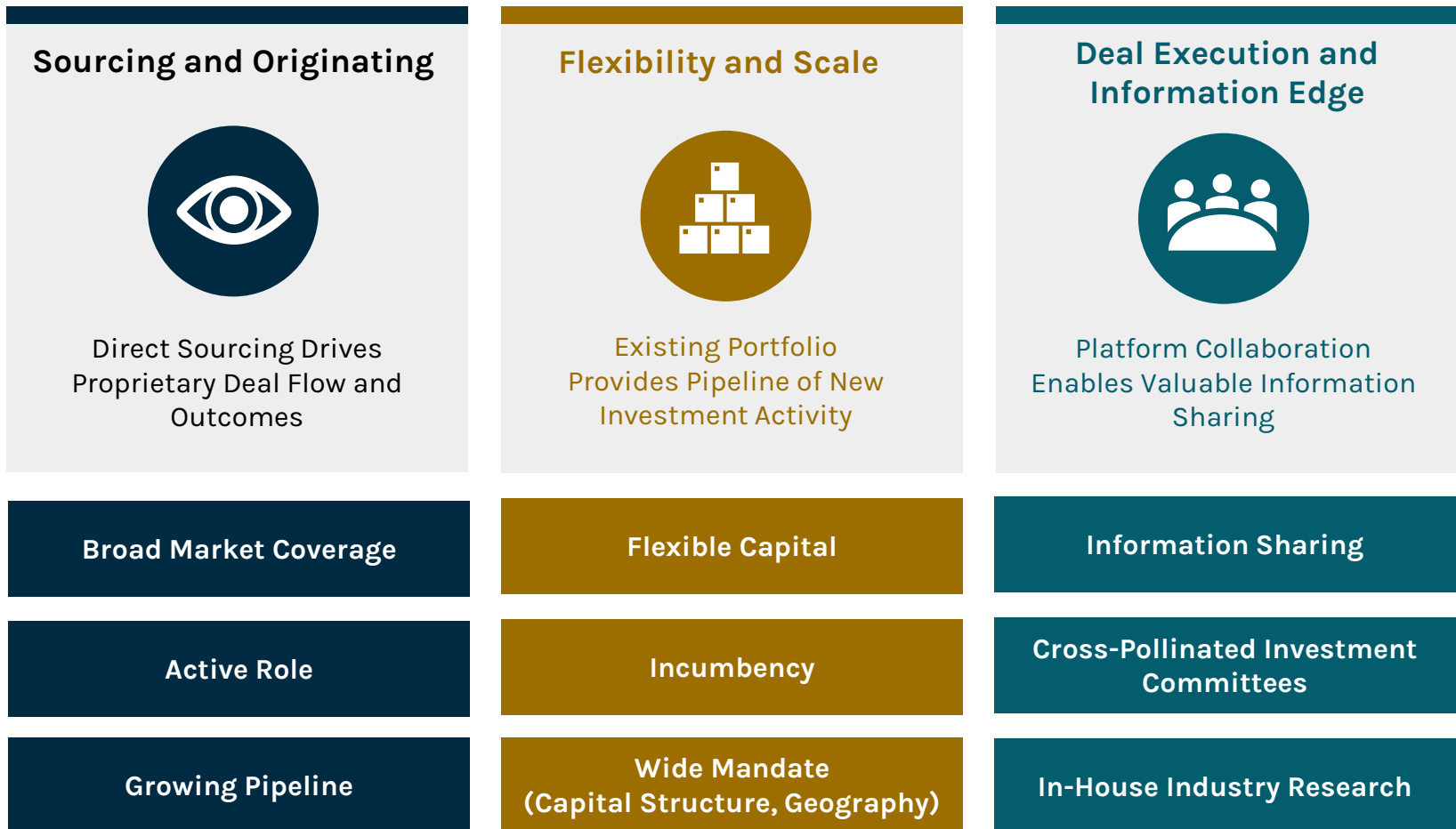
As of March 31, 2022 for ARES unless otherwise noted. **Please refer to Endnotes for additional important information.**

\* Comparison metrics compiled based on Ares subjective opinion as to what is our top competitors. The above does not represent the entire competitive universe.

# Ares' Platform and People Drive Strong Performance

» We believe the integration of extensive sourcing, flexibility and deep experience helps drive strong performance and allows us to invest successfully in all markets

## Integrated Platform with Distinct Capabilities



For illustrative purposes only. Past performance is not indicative of future results.

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# Ares' Values Driven Culture Provides Another Source of Differentiation

» While our backgrounds are diverse, at Ares we are unified and guided by our shared values

## Purpose

We seek to be a catalyst for shared prosperity and a better future

## Vision

We seek to lead our industry in generating attractive returns and making a lasting positive impact

## Mission

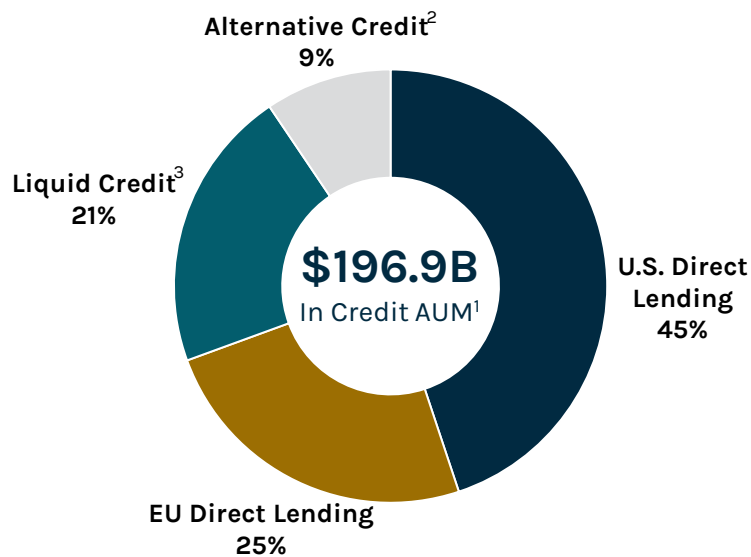
We invest to help businesses flourish and create enduring value for all of our stakeholders



# Ares Credit Group Overview

» We believe Ares operates one of the largest non-investment grade credit platforms globally

## Ares Credit Group



**~320**

Investment Professionals

**70+**

Research Professionals

**17**

Offices

**~2,950**

Companies

## Platform Attributes

A Global Leader in Non-Investment Grade Credit

Ares' First and Largest Group

Significant Scale Globally

Diversified Across Liquid and Illiquid Strategies

Significant In-House Research and Portfolio Management Capabilities

As of March 31, 2022, unless otherwise stated. For illustrative purposes only. Diversification does not assure profit or protect against loss.

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

2. Ares Alternative Credit Group invests in large, diversified portfolios of assets that generate contractual cash flows. These asset pools generally consist of pools of loans (CLOs), leases and receivables.

3. Ares Liquid Credit Group primarily invests in leveraged loans, high yield bonds and other tradable credit vehicles.

# Three Leading Credit Strategies

» We believe our platform collaboration will continue to benefit from the convergence of the private and liquid credit markets

## Ares Credit Group

3x winner of Global Fund Manager of the Year (PDI)

Ranked #1 Globally on PDI Top 100 Fundraising in 2021<sup>1</sup>

Lender of the Year (N.A. & Europe) Senior Lender of the Year (Asia Pacific)<sup>2</sup>

Direct Lending

\$136.7 Billion<sup>3</sup>

Liquid Credit

\$41.6 Billion

Alt Credit<sup>7</sup>

\$18.6 Billion



Private Debt Investor: Several awards including **ARCC 3x winner of BDC of the Year (Americas)**

**1<sup>st</sup> Quartile** Sharpe ratios vs. peers in U.S. loan and high yield strategies since inception<sup>4</sup>

**0.8 bps** realized annualized loss rate across Alt Credit<sup>\*</sup>

Private Equity International: **Lender of the Year** North America (5x winner) and Europe

**Top 5** Global CLO Manager<sup>5</sup>

**15.6%/11.3%** realized illiquid Alt Credit pro forma gross and net asset-level IRR<sup>\*</sup>

**4.9%/4.4%** realized liquid Alt Credit pro forma gross and net asset-level IRR<sup>\*</sup>

Institutional Investor: **2021 All-America Executive Team Most Honored Company** (ARCC 2x winner)

**Refinitiv Lipper Fund Awards: Top Quartile** Rankings for Several Funds 4Q-21<sup>6</sup>

**1,995** investments since 2011<sup>\*</sup>





Note: As of March 31, 2022, unless otherwise stated in the Endnotes. The performance, awards/rankings noted herein relate only to selected funds/strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. All investments involve risk, including loss of principal. **Please refer to Endnotes for additional important information.**

<sup>\*</sup>As of December 31, 2021.

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# Leading Global Direct Lending Platform

» Over the past 17+ years, Ares has invested significant direct lending capital<sup>3</sup> with low annualized gross realized loss rates<sup>5,6,7</sup>


	Ares Direct Lending			Strategic Initiatives	Ares Global Direct Lending Today
Founded	2004	2007	2009		
Region	U.S. 	» Europe 	» Asia-Pacific 	» 	
AUM <sup>1</sup>	\$88B	\$48B	\$10B		\$147B
Investments Since Inception <sup>2</sup>	1,555	284	201		2,040
Net Invested Capital Since Inception <sup>3</sup>	\$105B	\$45B	\$9B		\$159B
Realized Proceeds Since Inception <sup>4</sup>	\$57B	\$23B	\$6B		\$86B
Pro Forma Annualized Gross Realized Losses Since Inception	~0.00% <sup>5</sup>	~0.04% <sup>6</sup>	~0.60% <sup>7</sup>		

As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results. Pro forma 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. Differences may exist due to rounding. **Please refer to Endnotes for additional important information.**



# Ares Leadership in Global Direct Lending

» We believe Ares has the largest, most established direct lending platform with flexible capital globally

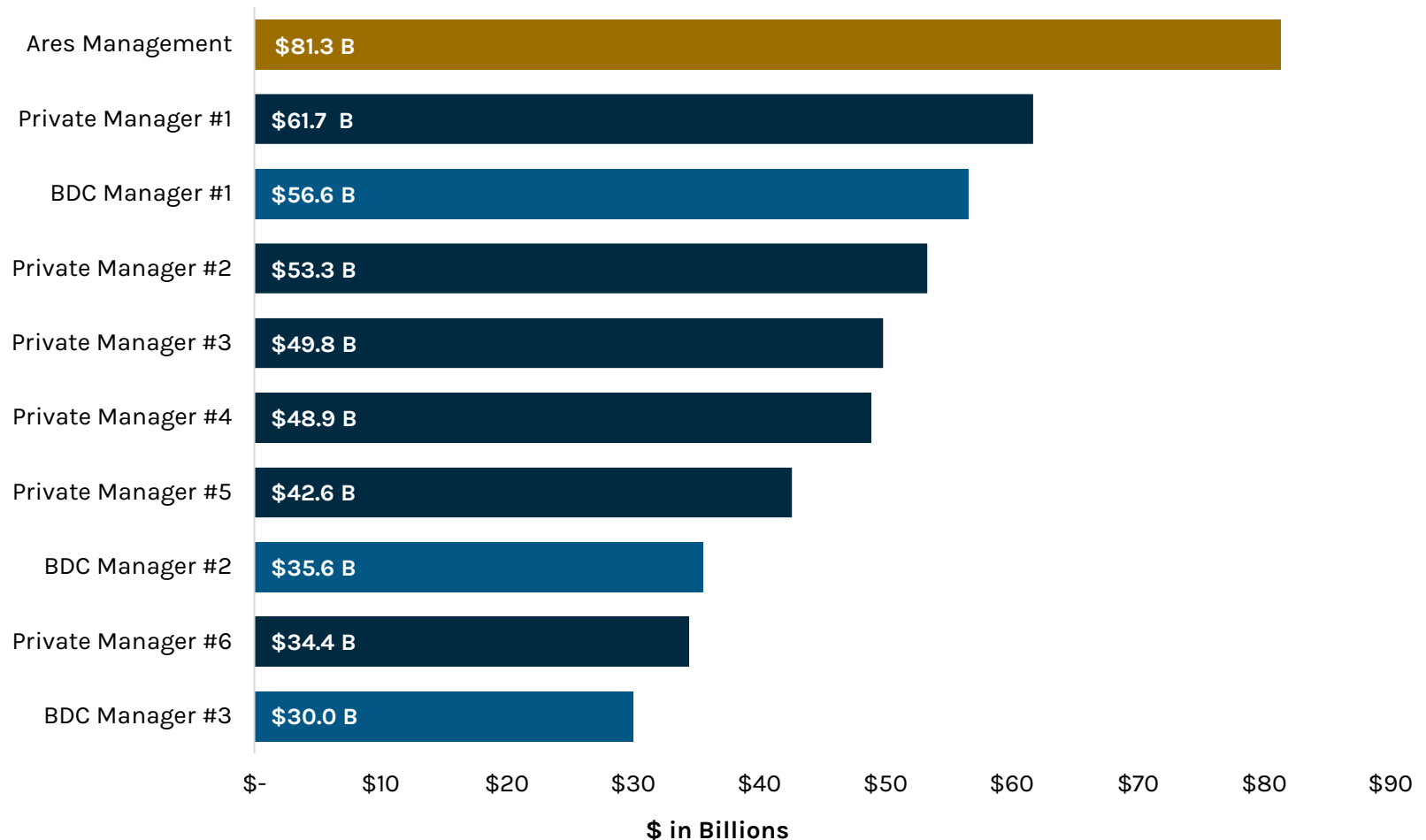
Global Focus Direct Lending AUM <sup>1</sup>		Global Team Direct Lending Investment Professionals <sup>1</sup>		Global Footprint Direct Lending Offices <sup>1</sup>	
Over \$100B		200+		15+ Offices	
\$50B - \$100B	2 Firms	~100 to 175	4 Firms	10-15 Offices	3 Firms
\$30B - \$50B	3 Firms	~50 to 100	6 Firms	6 to 9 Offices	5 Firms
Less than \$30B	16 Firms	Less than 50	11 Firms	Less than 6	13 Firms

As of December 31, 2021. Comparison metrics compiled based on Ares subjective opinion as to what is our top competitors. The above does not represent the entire competitive universe. **Please refer to Endnotes for additional important information.**

# Leading Global Direct Lending Platform for Institutional Investors

» Global institutional investors have invested more dollars with Ares' direct lending platform than any of our peers over the past 5 years

Private Debt – Top Institutional Fundraising Globally Over the Last 5 Years – Top 10 Firms



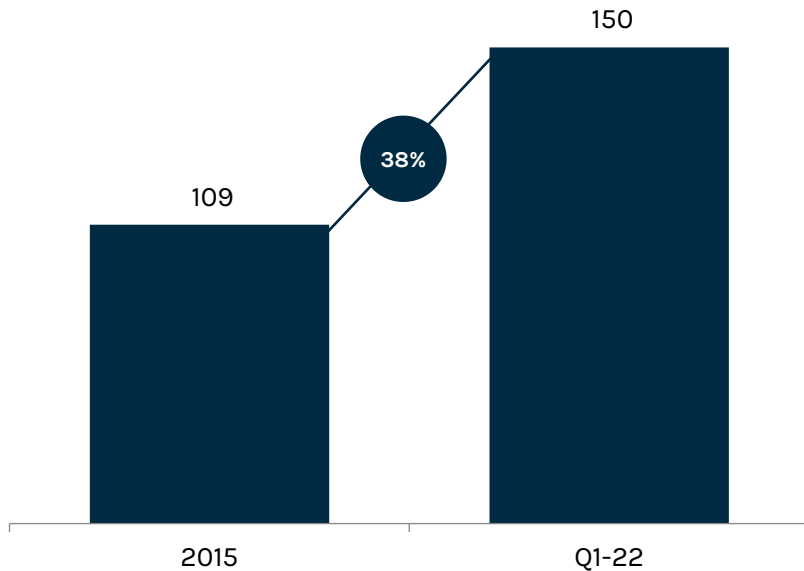
Source: Private Debt Investor, The 2021 PDI 100.

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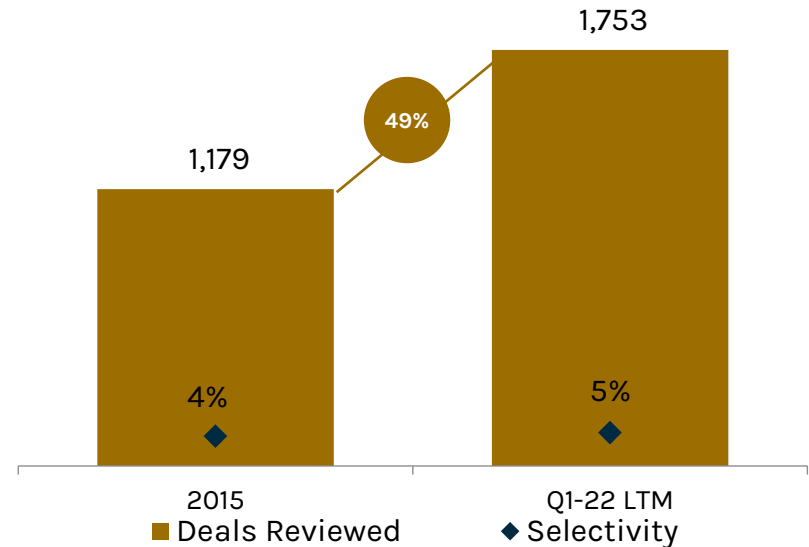
# Growth of the U.S. Direct Lending Team & Expansion of Capabilities

» As we have grown our team over time, we have focused on building out capabilities in non-sponsored and industry specialization groups

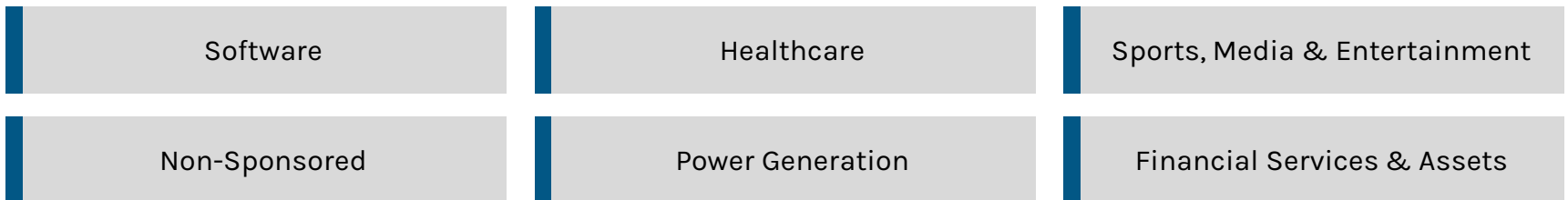
U.S. Direct Lending Investment Professionals



# of U.S. Direct Lending Deals Reviewed



## Addition of Specialized Verticals



As of March 31, 2022, unless otherwise stated.

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A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center.

# Market Overview & Outlook



**Mitch Goldstein**  
Co-President of ARCC,  
Partner, Co-Head of Ares  
Credit Group

# Key Market Considerations

» ARCC invests in a large and growing market that is experiencing secular growth

1 The growth of direct lending has been a part of a multi-decade shift towards private capital

2 The global search for yield is expected to continue to support this market opportunity

3 The U.S. direct lending market opportunity is \$1.6 Trillion+ and has grown at a reasonable pace<sup>1</sup>

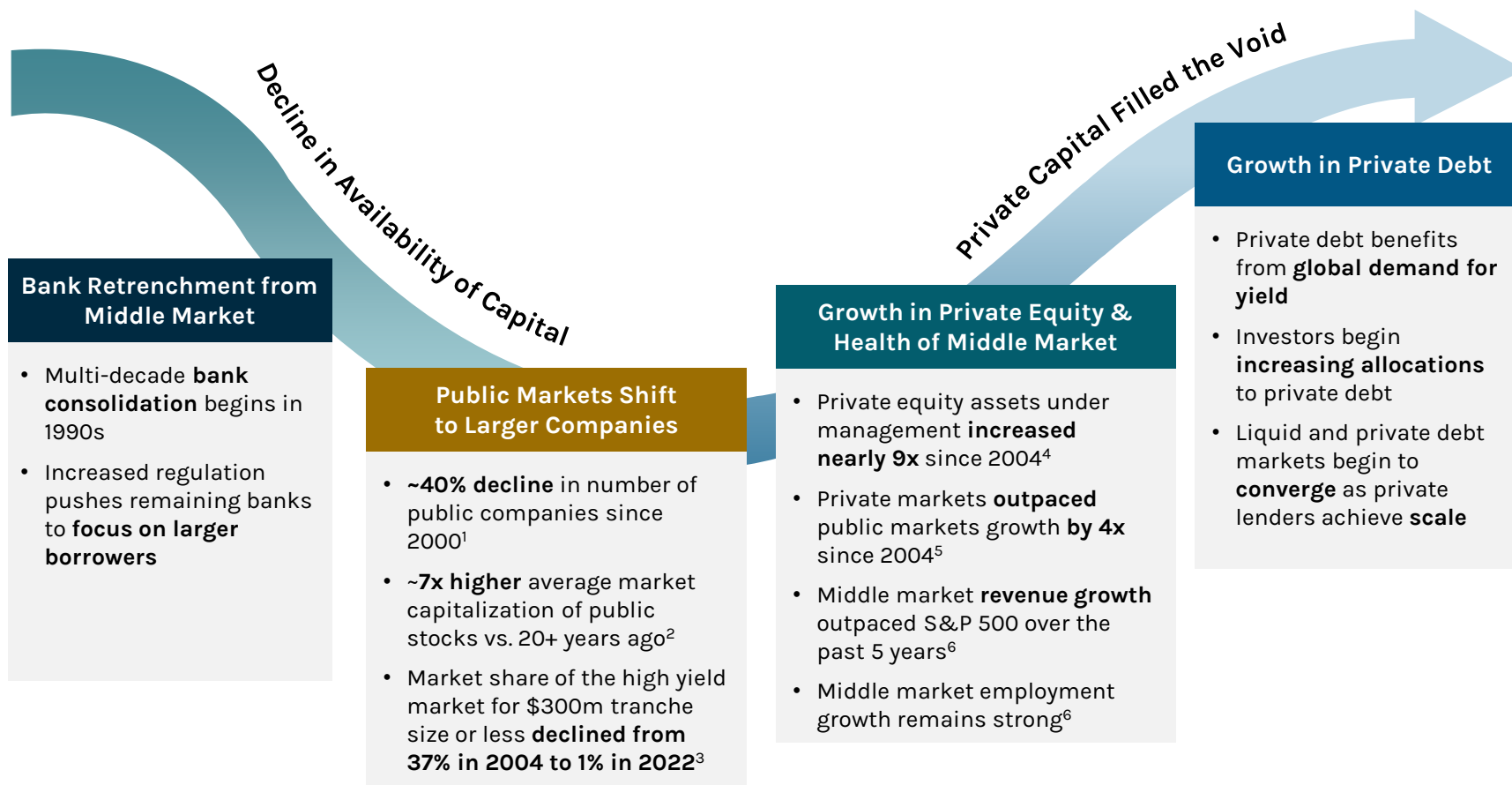
4 Ares continues to seek to take share while maintaining attractive pricing and terms

5 We believe direct lending assets are well positioned to deliver attractive return opportunities across market cycles

Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. **Please refer to Endnotes for additional important information.**

# Structural Considerations Underpinning Direct Lending Growth

» Multi-decade shift towards private capital is expected to continue as investors expand into alternatives

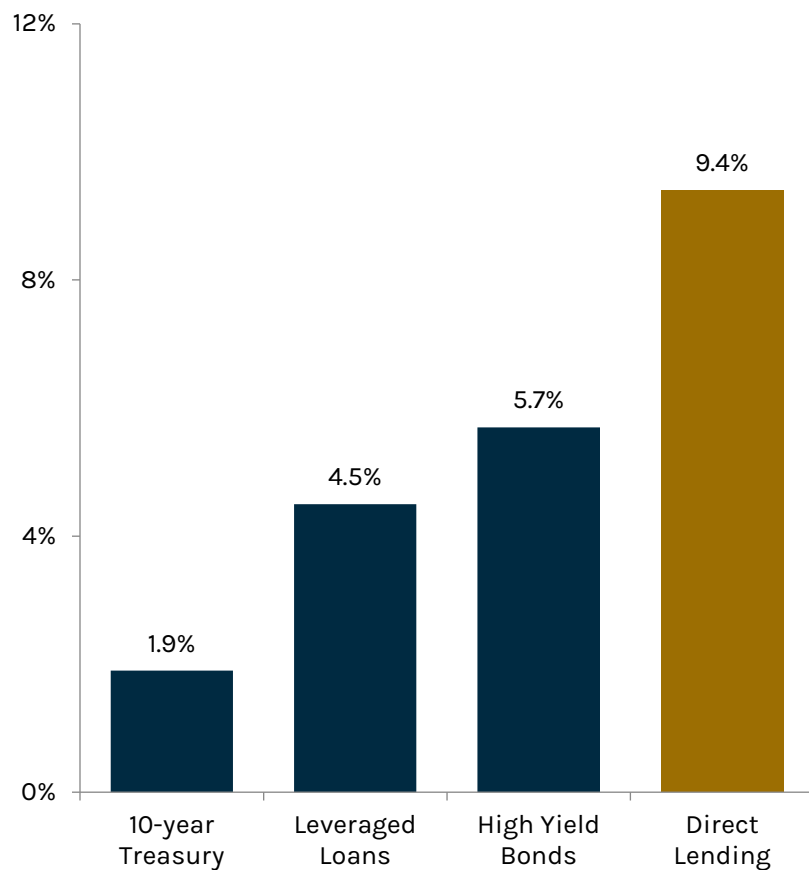


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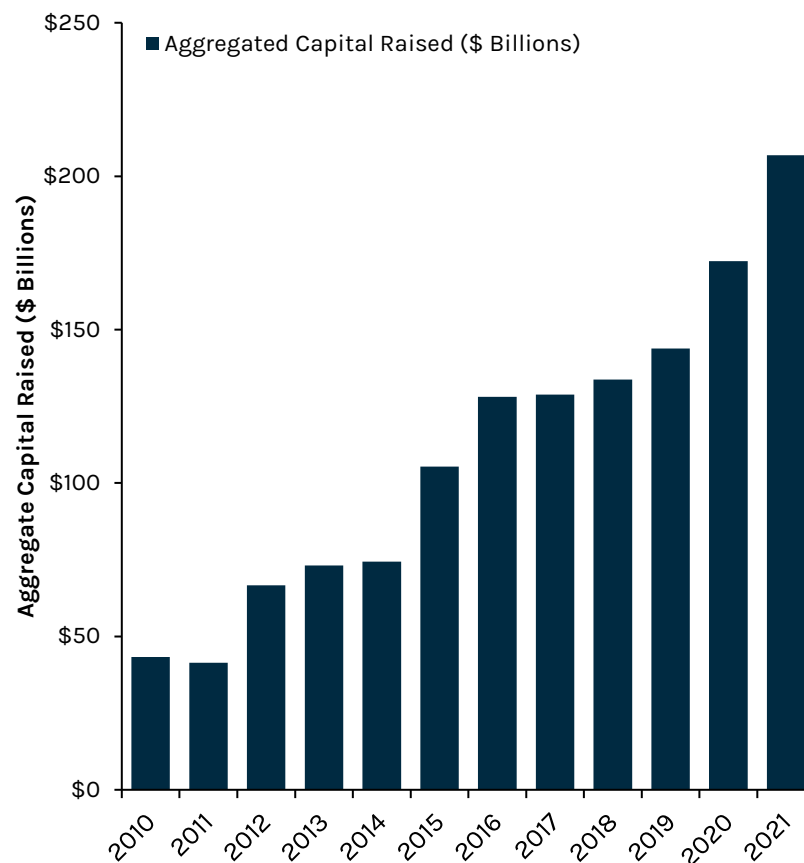
# Direct Lending Addresses the Global Demand for Yield

» Direct lending outperformance has driven strong fundraising

Total Return - 10 Year Annualized<sup>1</sup>



Global Private Debt Fundraising<sup>2</sup>



Please refer to Index Definitions for additional important information.

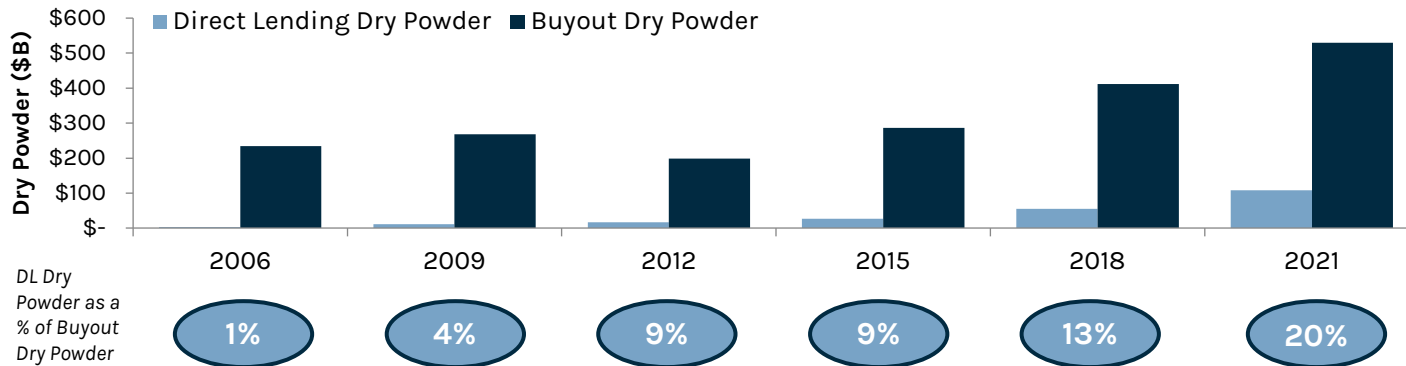
1. As of March 31, 2022. Source: Cliffwater Direct Lending Index, ICE BofA High Yield Index, Bloomberg, Credit Suisse Leveraged Loan Index.

2. Source: Prequin.

# Significant Opportunities for Direct Lending Growth

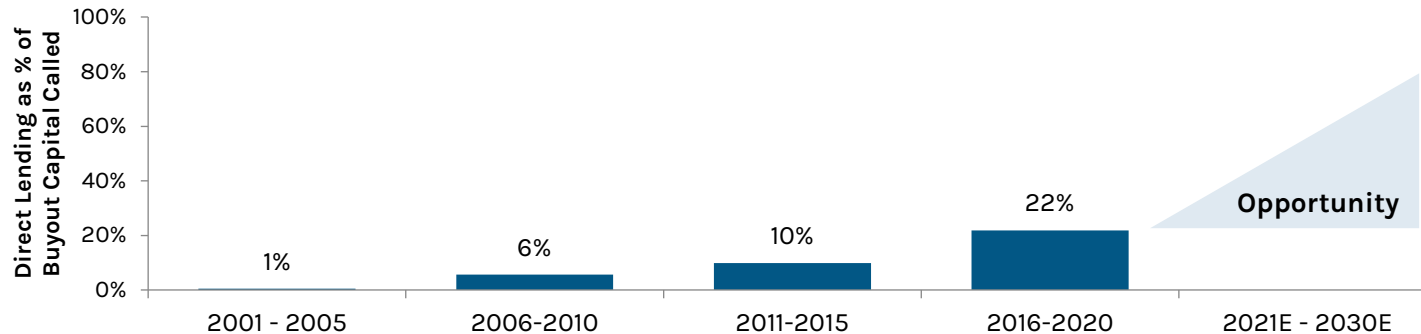
» Despite recent growth, there is a meaningful opportunity for direct lenders to increase their share of buyout financing

North America Dry Powder - Direct Lending and Buyout



Substantial buyout dry powder vs. direct lending dry powder should continue to drive opportunities

North America Direct Lending Capital Called as % of Buyout Capital Called



Direct lending continues to increase its penetration of the private equity financing market with significant upside

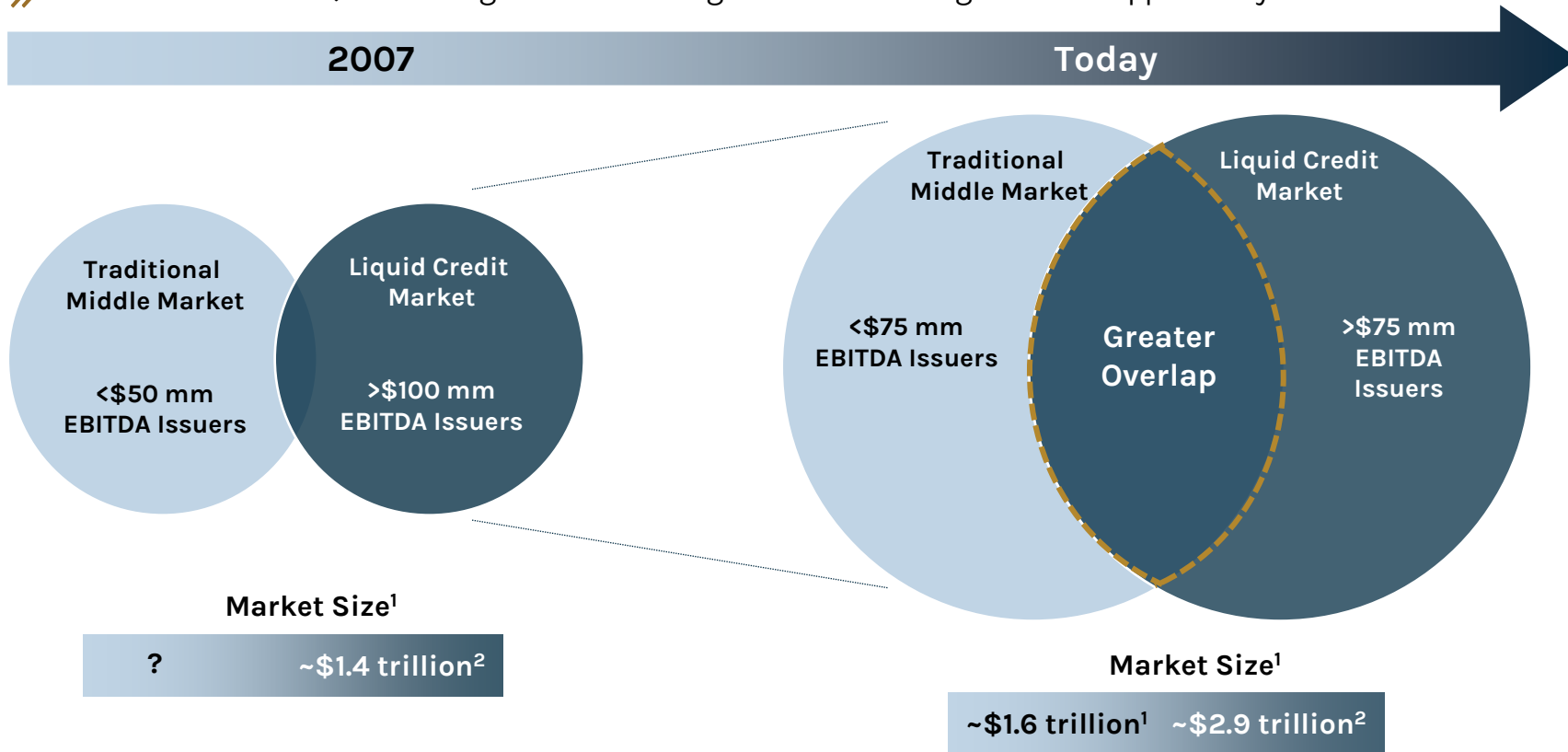
**Direct lending capital is increasingly used to fund buyouts and significant white space remains for direct lending to continue taking market share from traditional lenders**

Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Source: Preqin.



# Convergence of the Direct Lending and Leveraged Loans Markets

» Over the last decade, the scaling of direct lending has created a larger market opportunity



## Why Larger Companies are Seeking Private Capital

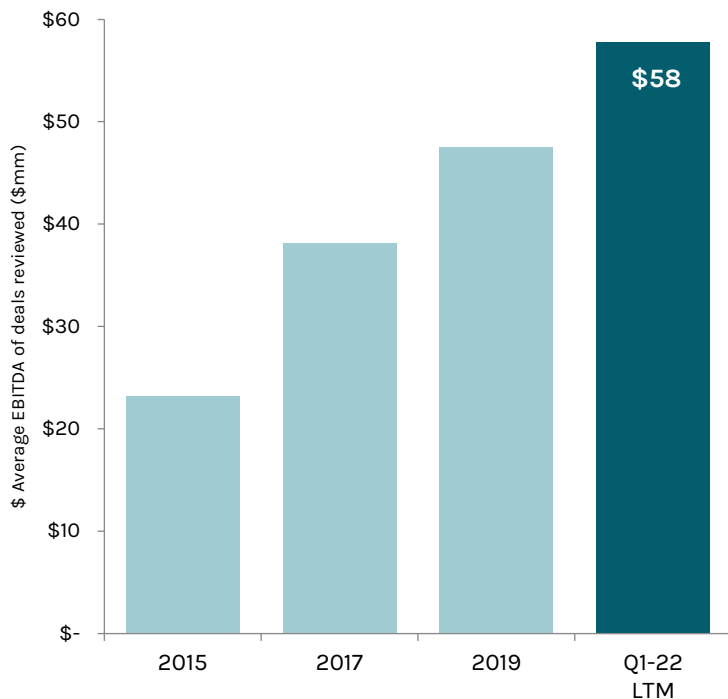
- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>Clarity on pricing and use of proceeds</li> <li>Direct relationship with one or a few lenders</li> </ul> | <ul style="list-style-type: none"> <li>Partnership approach</li> <li>Confidentiality</li> </ul> | <ul style="list-style-type: none"> <li>Speed of execution</li> <li>Flexibility of capital</li> </ul> |
|---|---|--|

For illustrative purposes only. As of March 31, 2022, unless otherwise stated. Please refer to Endnotes and Index Definitions for additional important information.

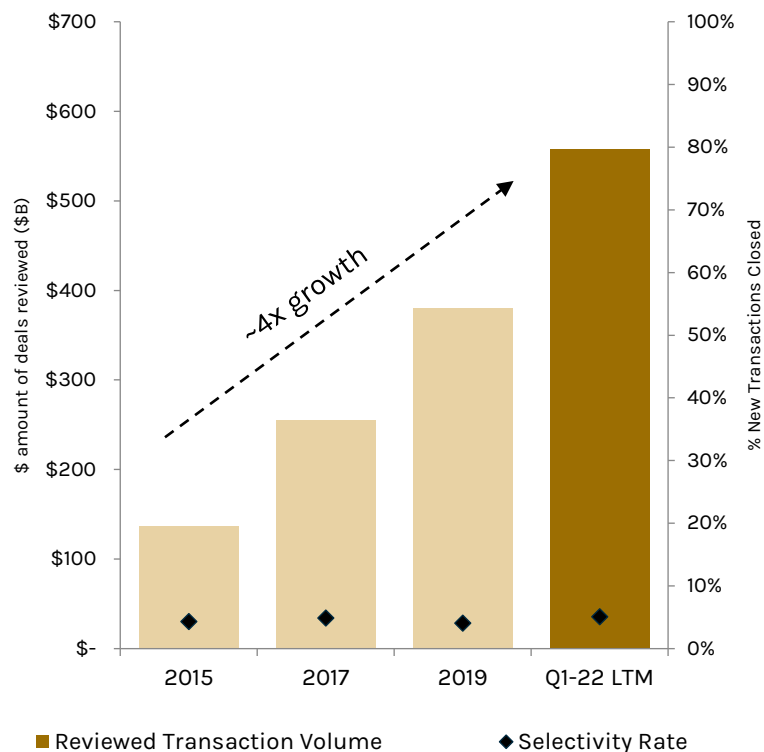
# We Believe The Expanding Market is Opening a New Frontier for Us

» We have seen significant growth in the average EBITDA and total dollar value of the transactions we review

Average EBITDA of Transactions Reviewed<sup>1</sup>



Total Dollar Amount of Investments Reviewed<sup>2</sup>



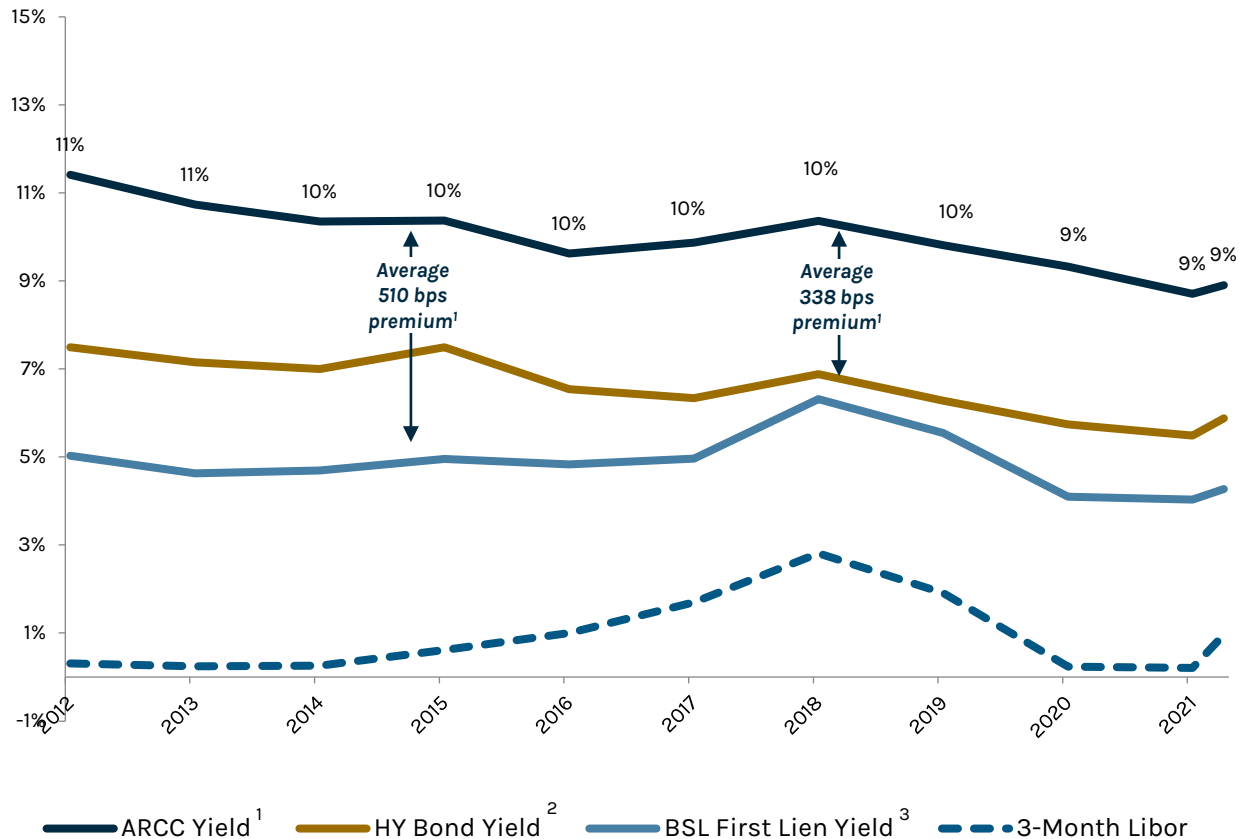
**Widening funnel enhances selectivity**

Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Please refer to Endnotes for additional important information.

# Direct Lending Has Attractive Returns Relative to the Liquid Markets

» We believe our assets represent attractive relative value and have consistently provided a yield premium to the public markets

ARCC Pricing Premium<sup>1</sup>



Drivers of Premium

Illiquidity Premium

Complexity Premium

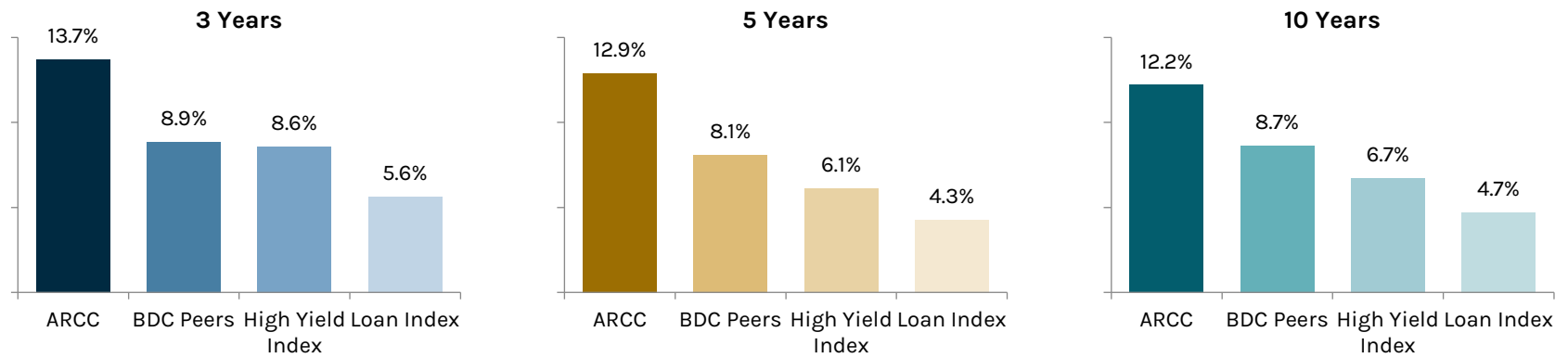
Direct Sourcing

Note: As of March 31, 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. Please refer to Endnotes and Index Definitions for additional important information.

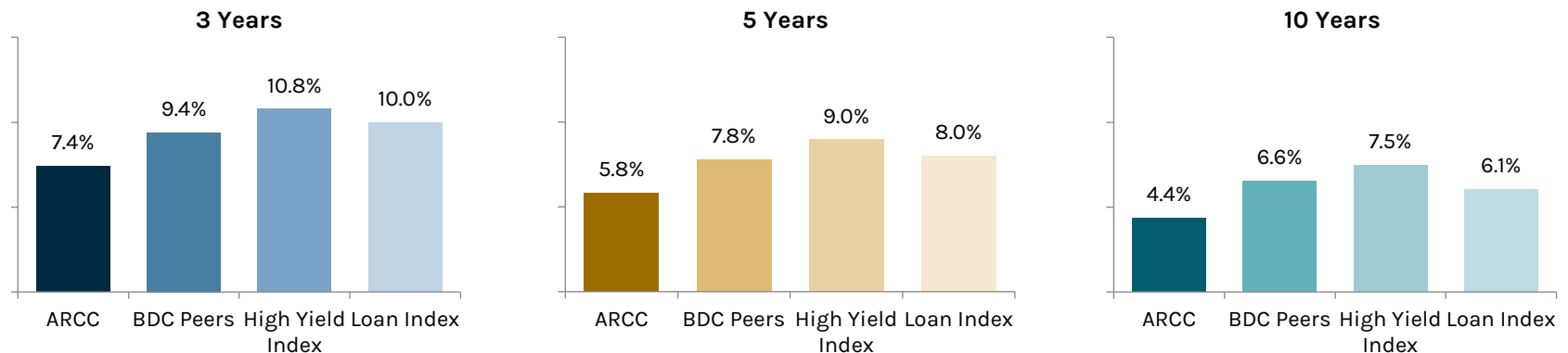
# BDCs Have Delivered Higher Returns with Less Volatility

» BDCs and specifically ARCC have historically outperformed other non-investment grade asset classes over intermediate and longer time periods on both an absolute and risk-adjusted basis

Annualized Returns (Dividends & Change in NAV)<sup>1,2\*</sup>



Volatility of Annualized Returns (Standard Deviation of Dividends & Change in NAV)<sup>1,2</sup>



As of December 31, 2021, unless otherwise stated. Past performance is not indicative of future results.

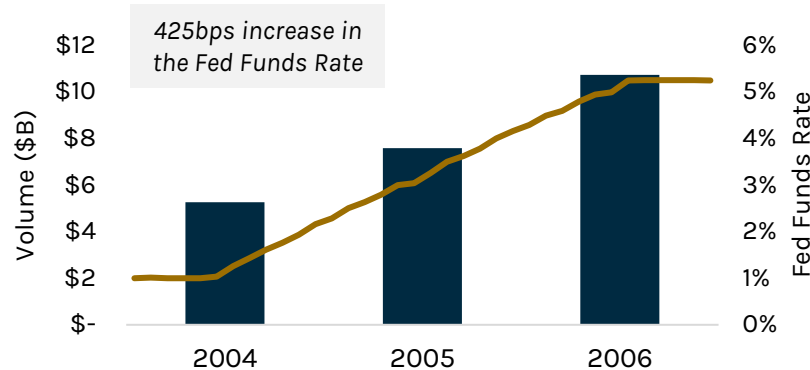
Please refer to Endnotes for additional important information. Please refer to Index Definitions in Endnotes for further information.

\* BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021. Of this group, only BDCs that were publicly traded during the full analysis timeframe were included (3,5 and 10 years, respectively).

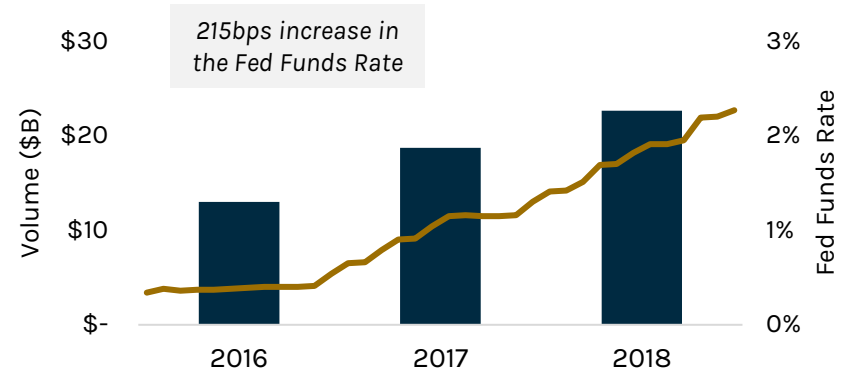
# BDCs Have Performed Well During Most Recent Rate Cycles

» BDCs have seen generally rising volumes and below average credit defaults during the past two periods of Federal Reserve tightening cycles

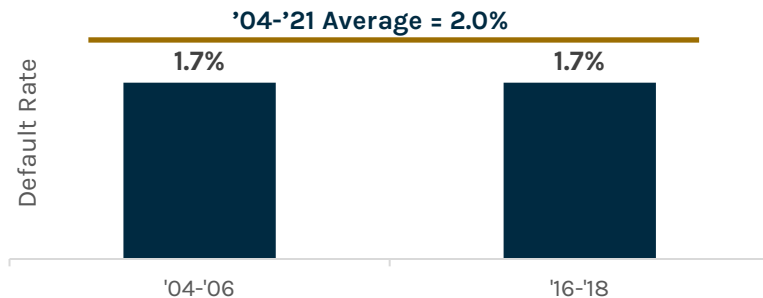
Selected BDCs' Transaction Volume 2003-2006<sup>1\*</sup>



Selected BDCs' Transaction Volume 2015 - 2018<sup>2\*\*</sup>



## Middle Market Default Rates During Rising Interest Rate Periods<sup>3</sup>



Direct loans are generally **floating rate** investments

Have experienced **healthy/rising volumes** during past rising rate periods<sup>1</sup>

Experienced **below average default rates** during previous rising rate cycles<sup>2</sup>

Please refer to Endnotes for additional important information.

\*Includes BDCs that were publicly traded from 2003 - 2006.

\*\*Includes BDCs that were publicly traded from 2015 - 2018 and had a market capitalization of \$350 million or greater as December 31, 2018, or who are under common management with a BDC that meets these criteria, excluding senior floating rate funds.

A panoramic view of a city skyline at sunset, with the Empire State Building prominently lit and glowing against the orange and yellow sky. Other skyscrapers are visible, some with lights on, and a body of water is in the distance.

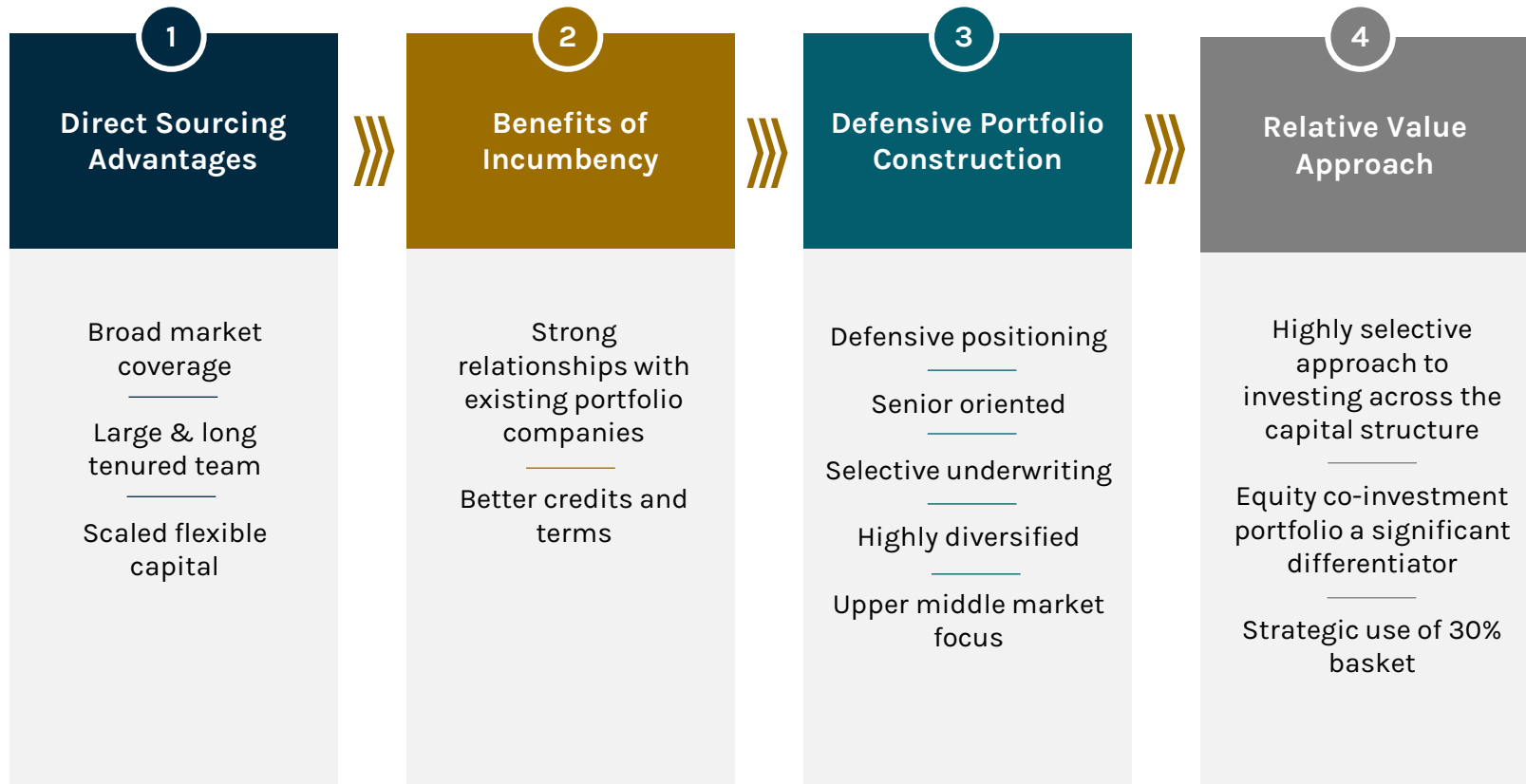
## Key Elements to Our Investment Strategy



**Michael Smith**  
Co-President of ARCC,  
Partner, Co-Head of Ares  
Credit Group

# Key Elements of Our Investment Strategy

» Strong performance and attractive total returns driven by a tenured team, incumbency, direct sourcing, and our relative value approach



**5 We believe these elements drive strong performance and attractive total returns across market cycles**

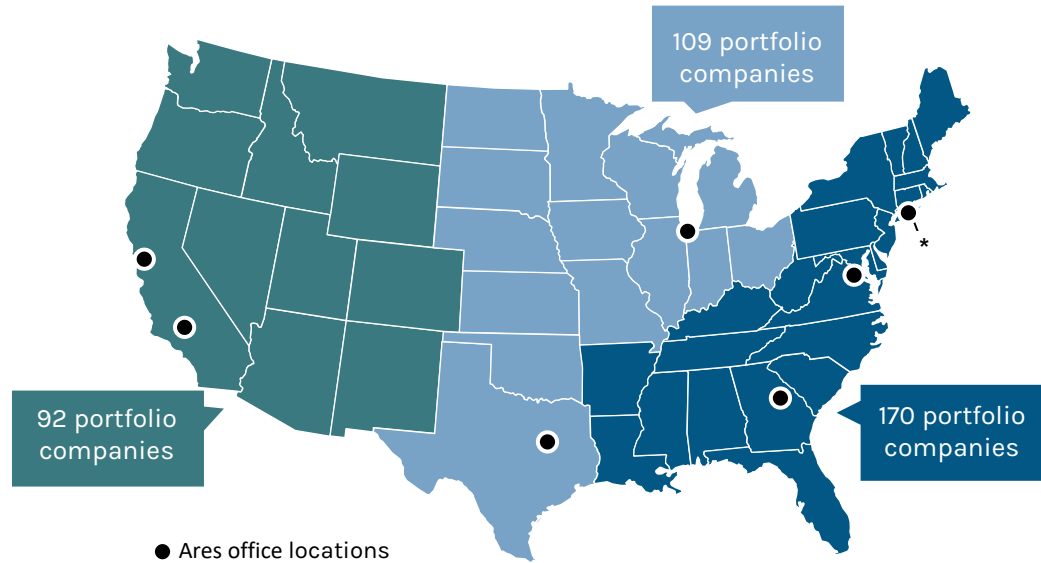
Past performance is not indicative of future results.

Confidential – Not for Publication or Distribution

# Differentiated Direct Origination Capabilities Through Multiple Channels

» Ongoing growth in relationships are enhanced by new strategies and industry verticals

## Portfolio Sourcing<sup>1\*</sup>



## Specialized Industry Verticals Drive Origination

- Software & Services
- Specialty Healthcare Services
- Financial Services
- Sports, Media & Entertainment

## Broader Ares Platform Drives Origination

- Infrastructure & Power
- European Direct Lending
- Alternative Credit
- Special Opportunities

Sponsored	<b>85%</b> of Corporate Portfolio is PE owned <sup>1</sup>	<b>430</b> Sponsors closed at least 1 investment <sup>2</sup>	<b>217</b> Sponsors with multiple investments <sup>2</sup>
Non-Sponsored	<b>15%</b> of Corporate Portfolio is Non-Sponsored <sup>1</sup>	<b>3x</b> Growth in non-sponsored transactions over the last 10 years <sup>3</sup>	<b>5</b> MDs and Partners dedicated to non-sponsored origination

As of March 31, 2022, unless otherwise stated. Please refer to Endnotes for additional important information.

<sup>1</sup>Excludes 24 portfolio companies outside the U.S.



# Long Tenured and Highly Experienced Investment Team

» The Investment Committee has an average of 17+ years at Ares and 27+ years of industry experience

U.S. Direct Lending Investment Committee										
Partners	Mark Affolter	Michael Arougheti	Kipp deVeer	Michael Dieber	Mitch Goldstein	Jim Miller	Kort Schnabel	Dave Schwartz	Michael Smith	Average
Years of Industry Experience	33	29	27	36	28	23	24	21	27	27
Years with Ares	14	18	18	14	17	15	21	18	18	17

« ARCC has the one of most tenured Investment Committees amongst BDC peers<sup>1\*</sup> »

As of March 31, 2022. Please refer to Endnotes for additional important information.

1. Average includes the top 10 largest peers by market capitalization as of March 31, 2022.

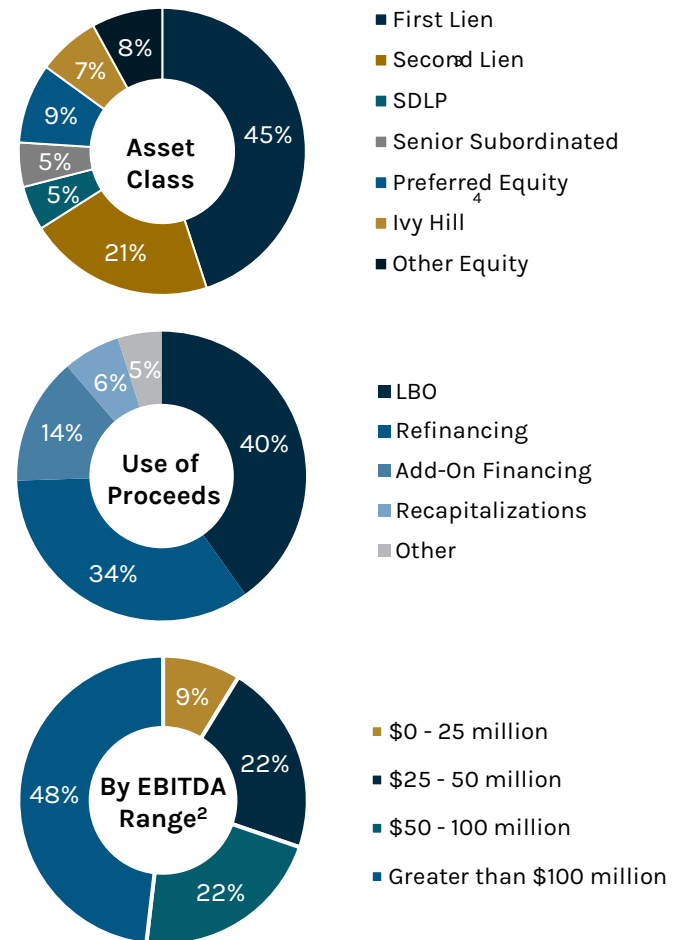
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# Flexibility of Capital: Diversified Product Offerings

» ARCC has demonstrated its ability to be a total solutions provider, which we believe enhances our origination and our relationships with clients

<b>Products</b>	<ul style="list-style-type: none"> <li>• Revolvers</li> <li>• First Lien Loans</li> <li>• Stretch Senior</li> <li>• Unitranche Loans</li> <li>• Second Lien Loans</li> </ul>	<ul style="list-style-type: none"> <li>• Subordinated Debt</li> <li>• Junior Capital</li> <li>• Preferred Equity</li> <li>• Minority Equity</li> <li>• Structured Equity</li> </ul>
<b>Transaction Types</b>	<ul style="list-style-type: none"> <li>• Leveraged Buyouts</li> <li>• Acquisitions</li> <li>• Recapitalizations</li> <li>• Refinancing</li> </ul>	<ul style="list-style-type: none"> <li>• Growth Capital</li> <li>• Rescue Financing</li> <li>• Restructurings</li> <li>• ESOPs</li> </ul>
<b>Sourcing Relationships</b>	<ul style="list-style-type: none"> <li>• Private Equity Sponsors</li> <li>• Management Teams</li> <li>• Intermediaries</li> <li>• Project Developers</li> </ul>	<ul style="list-style-type: none"> <li>• Family Offices</li> <li>• Entrepreneurs</li> <li>• Other Lenders</li> </ul>
<b>Investment Sizes</b>	<p>Corporate: EBITDA Range of Middle Market<sup>5</sup>: Commitment:</p>	<p>\$30 - 500 million \$10 - 250 million \$500 million in a single transaction</p>

ARCC Portfolio<sup>1</sup>



As of March 31, 2022. Past performance is not indicative of future results. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Please refer to Endnotes for additional important information.

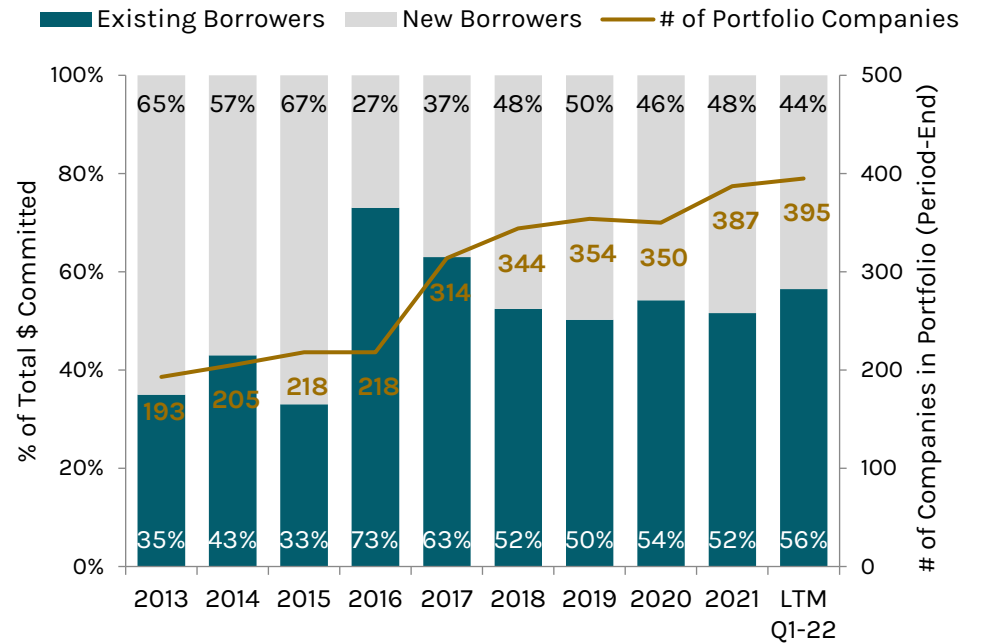
# Incumbency Allows Us to Grow With Our Strongly Performing Companies

» Portfolio of 395 companies provides future financing opportunities

## Incumbency Advantages

- Finance and grow with strongly performing portfolio companies
- Leverage our history with the borrower
- Potential for better than market terms
- Remain active with deployment while remaining highly selective

## Commitments to Existing vs. New Borrowers



## We Have Experienced Stronger Relative Credit Performance From Incumbent Companies

**Stronger Interest Coverage**  
 30%+ higher than the total portfolio weighted average interest coverage<sup>1,2,3</sup>

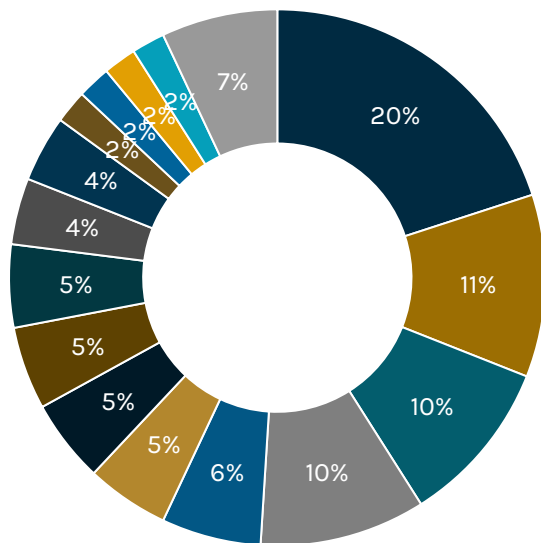
**Stronger LTM EBITDA Growth Rate**  
 33% vs. 20% for the total portfolio<sup>2,4</sup>

As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Please refer to Endnotes for additional important information.

# Industry Selection Supports High Quality Credit Portfolio

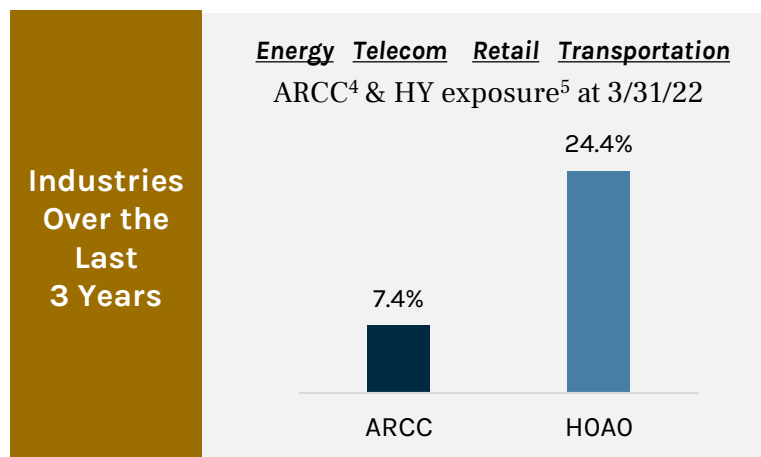
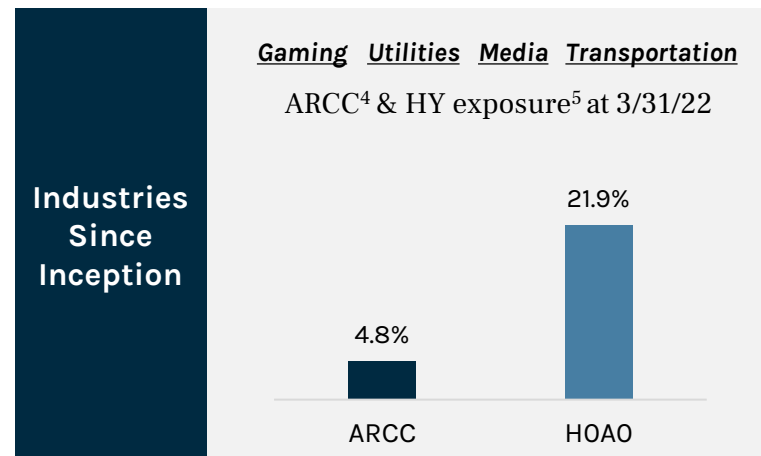
» Focus on selecting defensively positioned companies in less cyclical industries

ARCC Portfolio by Industry<sup>1</sup>



- Software & Services - 20%
- Diversified Financials - 10%
- Insurance Services - 6%
- Consumer Durables & Apparel - 5%
- Power Generation - 5%
- Consumer Services - 4%
- Food & Beverage - 2%
- Pharma, Biotech & Life Sciences - 2%
- Healthcare Services - 11%
- Commercial & Professional Services - 10%
- Senior Direct Lending Program - 5%<sup>2</sup>
- Capital Goods - 5%
- Automobiles & Components - 4%
- Retailing & Distribution - 2%
- Media & Entertainment - 2%
- Other - 7%

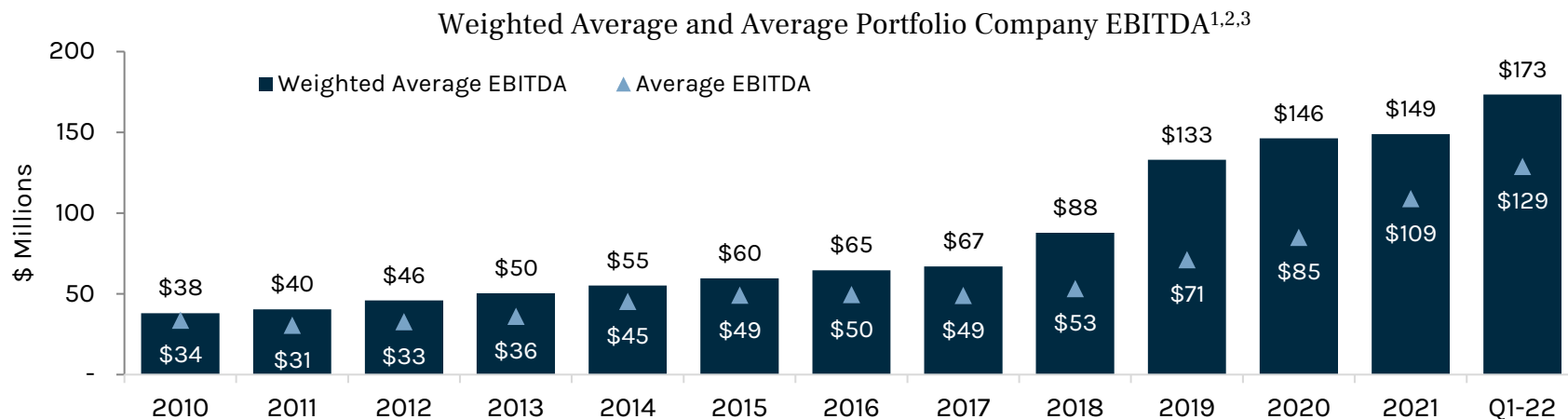
Industries with Greatest Defaults<sup>3</sup>



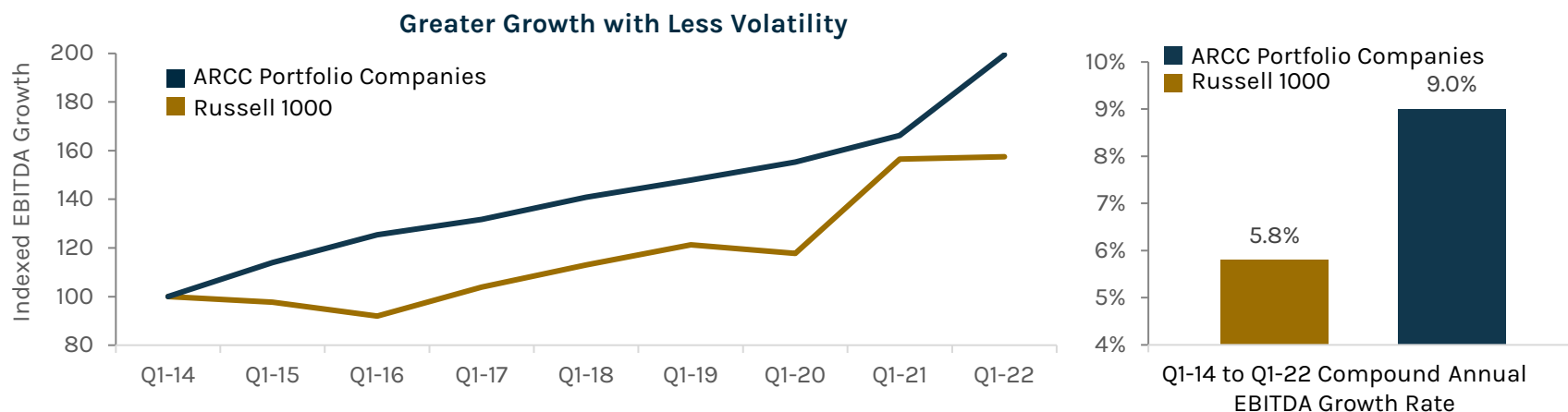
As of March 31, 2022 unless otherwise stated. Please refer to Endnotes for additional important information.

# Focus on Defensive, Middle Market Companies

» Focus on middle market, defensive companies has led to resilient underlying portfolio company performance



EBITDA Growth: ARCC Portfolio Company LTM EBITDA Growth<sup>4</sup> vs. Russell 1000<sup>5</sup>

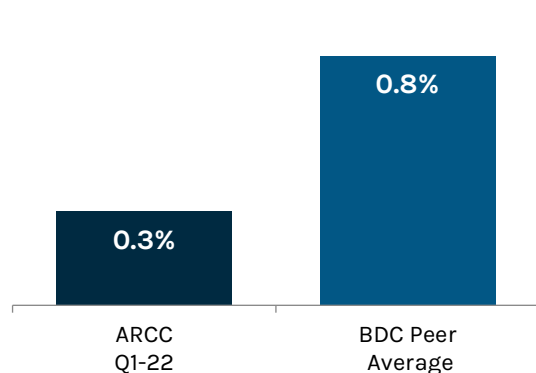


Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

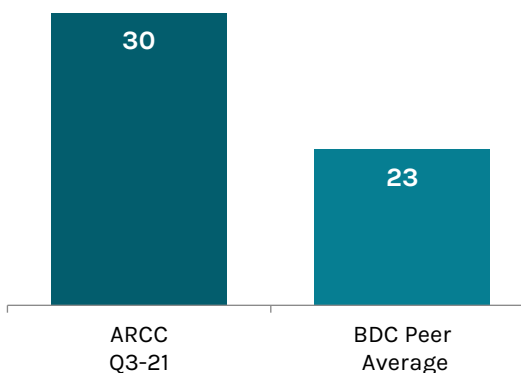
# ARCC's Portfolio Diversity vs. BDC Peer Averages\*

» ARCC's portfolio is designed to mitigate risk from any one issuer or industry

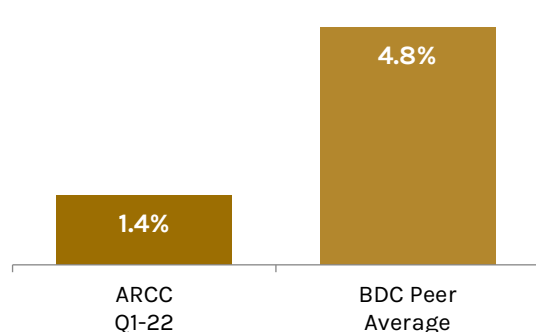
Average Hold as a % of Portfolio<sup>1</sup>



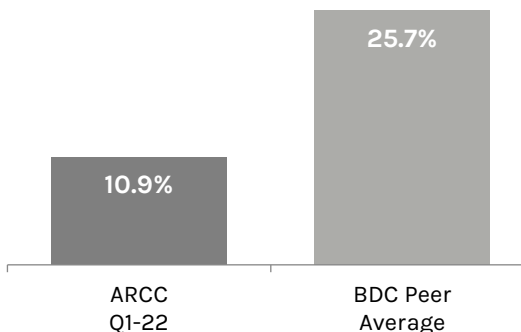
Number of Industries identified by S&P<sup>1,3</sup>



Largest Exposure at Fair Value<sup>1,2</sup>



Top 10 Investments at Fair Value<sup>1,2</sup>



## Peer Exposure to Industries Not in ARCC's Portfolio<sup>1,3</sup>

- Airlines
- Construction
- Forest Products
- Leasing
- Printing & Publishing
- Shipping & Ship Building
- Steel
- Tobacco
- Wholesale Trade

As of March 31, 2022 for ARCC and September 30, 2021 for other BDCs, unless otherwise stated. Diversification does not assure profit or protect against market loss.

**Please refer to Endnotes for additional important information.**

\* Analysis includes the BDC peer group, which consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021.

# Highly Diversified and Predominately Senior Secured Portfolio

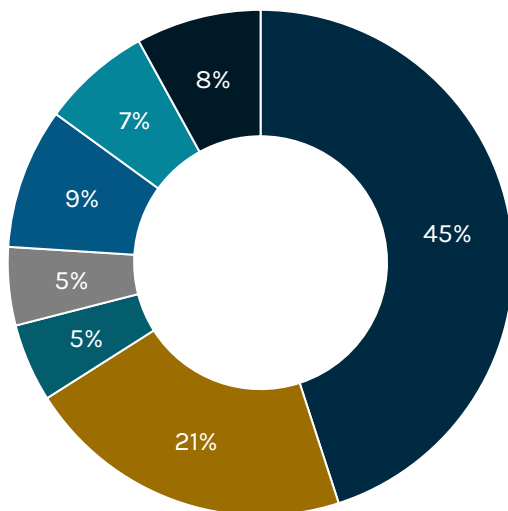
» Attractively positioned \$19.5 billion<sup>1</sup> highly diverse portfolio with significant downside protection

71% Senior Secured Loans<sup>2</sup>

Average Position Size 0.3%<sup>3</sup>

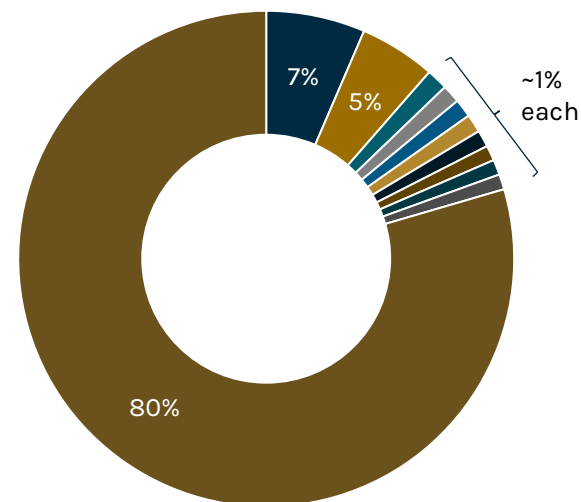
Largest investment is <1.5%<sup>4</sup>

Portfolio by Asset Class<sup>1</sup>



- First Lien Senior Secured Loans - 45%
- Second Lien Senior Secured Loans - 21%
- Senior Direct Lending Program, LLC - 5%<sup>5</sup>
- Senior Subordinated Loans - 5%
- Preferred Equity - 9%
- Ivy Hill Asset Management - 7%<sup>6</sup>
- Other Equity - 8%

Issuer Concentration<sup>1</sup>

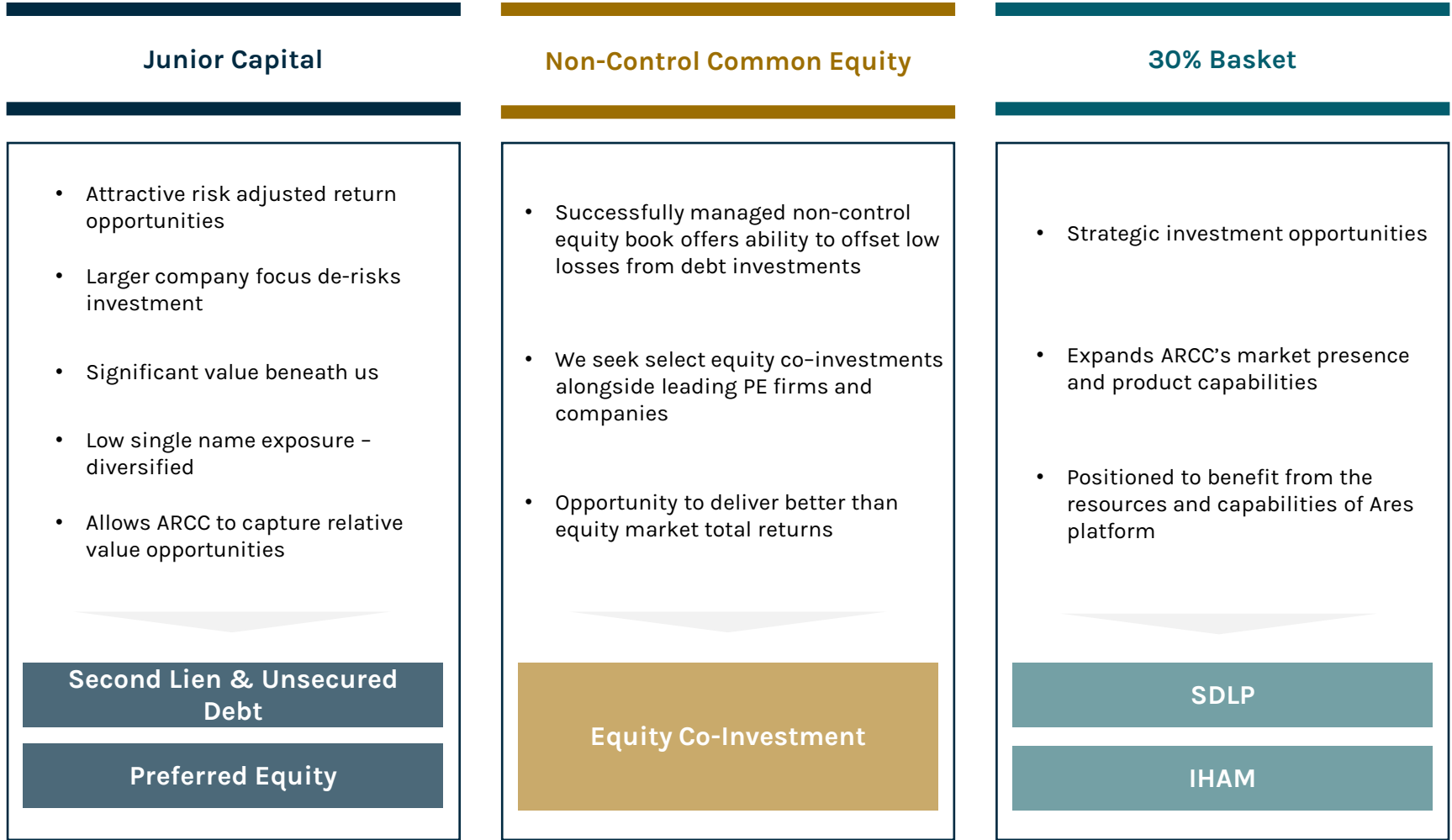


- Ivy Hill Asset Management, L.P. - 7%<sup>6</sup>
- Senior Direct Lending Program, LLC - 5%<sup>5</sup>
- Cornerstone OnDemand, Inc. - 1%
- Symplr Software, Inc. - 1%
- CoreLogic, Inc. - 1%
- IRI Holdings, Inc. - 1%
- AthenaHealth Group Inc. - 1%
- Mac Lean-Fogg Company - 1%
- Project Ruby Ultimate Parent Corp. - 1%
- EP Purchaser, LLC and TPG VIII EP Co-Invest II, L.P. - 1%
- Remaining Investments - 80%

As of March 31, 2022. Diversification does not assure profit or protect against market loss. References to downside protection are not guarantees against loss or investment capital or value. **Please refer to Endnotes for additional important information.**

# Opportunities from Our Differentiated, Flexible Strategy

» Enables attractive risk adjusted returns that benefit from competitive advantages of ARCC & ARES



Diversification does not assure profit or protect against market loss. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.



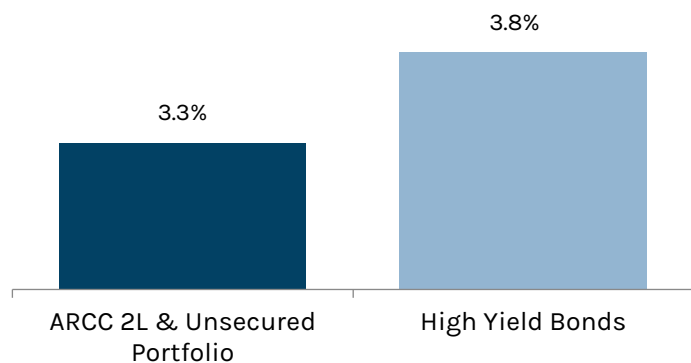
# Strong Track Record of Investing in Second Lien & Unsecured Debt Investments

» Generating strong returns while maintaining low loss rates across our second lien and unsecured debt



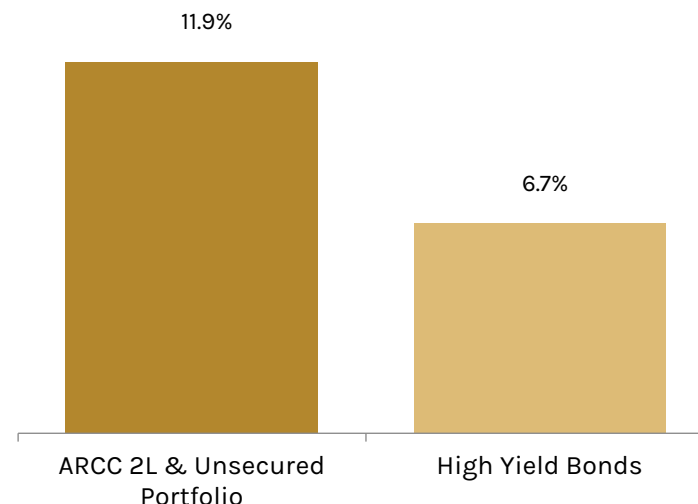
## Better Risk Performance

Average Annual ARCC 2L & Unsecured Non-Accruals<sup>3</sup>  
vs. High Yield Bond Defaults Since Inception<sup>4</sup>



## Premium Returns

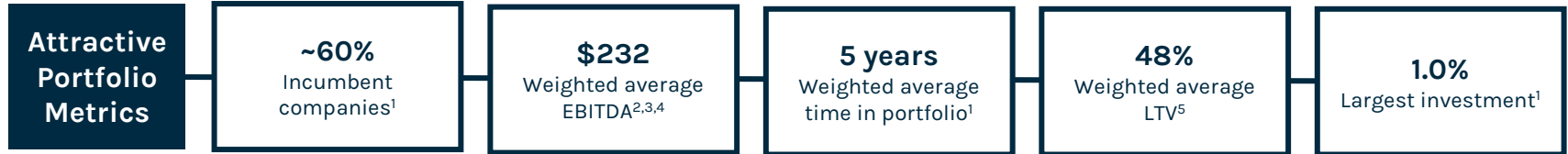
ARCC Originated 2L & Unsecured Realized IRR<sup>5</sup> vs.  
High Yield Bonds<sup>6</sup>



As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results. High Yield Bonds as measured by the ICE BofA US HY Master II Constrained Index ("HUCO"). Please refer to Endnotes for additional important information.

# Selective Approach to Second Lien & Unsecured Debt

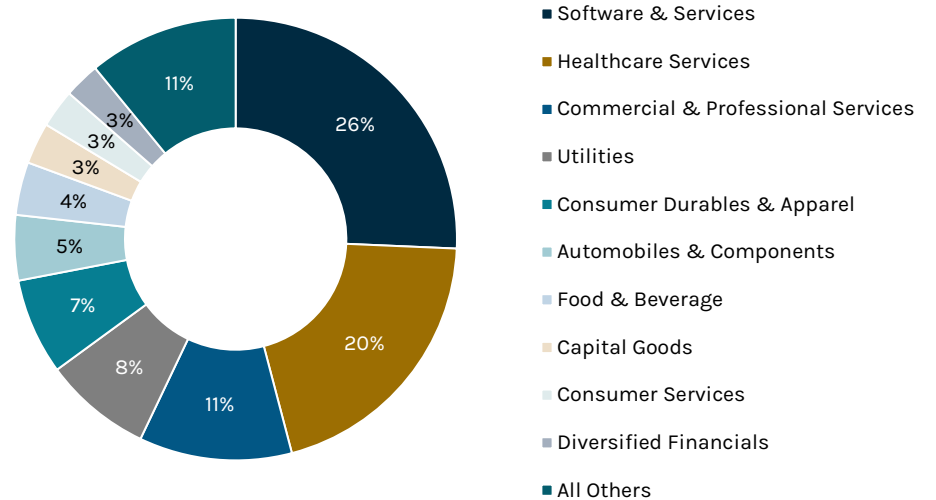
» We believe that low loss rates are a result of investing in strongly performing companies in defensive industries



## Our Approach



## Portfolio by Industry (Top 10)<sup>1</sup>







As of March 31, 2022. Past performance is not indicative of future results. Diversification does not assure profit or protect against market loss. **Please refer to Endnotes for additional important information.**

# Highly Selective Approach to Preferred Equity Investments

» Despite being lower in the capital structure, we believe our preferred equity assets still have significant equity cushion beneath them

## ARCC Approach and Thesis

## Preferred Investments Portfolio

	<p><b>Larger Companies</b></p>	<p><b>\$293mm</b> Weighted average EBITDA<sup>1,2,3</sup></p>
	<p><b>Well Protected Position</b></p>	<p><b>55%</b> Weighted Average LTV<sup>4</sup></p>
	<p><b>Diversified Portfolio</b></p>	<p><b>0.2%</b> Average position size relative to entire portfolio<sup>6</sup></p>
	<p><b>Attractive Returns</b></p>	<p><b>11%</b> IRR on ARCC originated preferred equity realized investments since inception<sup>5</sup></p>

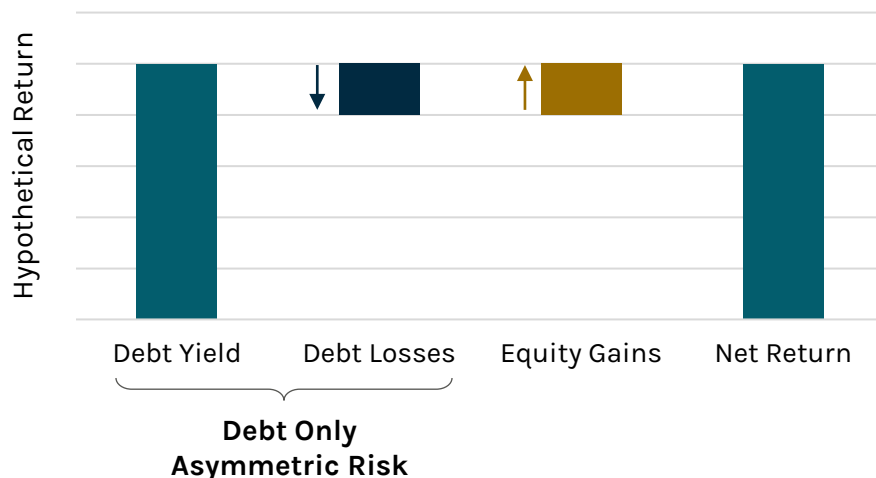
As of March 31, 2022. Past performance is not indicative of future results. Diversification does not assure profit or protect against market loss. **Please refer to Endnotes for additional important information.**

# We Believe That Our Equity Co-Investment Portfolio is a Significant Differentiator

» We believe that our strong sponsor relationships allow us to selectively participate in equity co-investments



Diversified Model vs. Debt Only - Hypothetical Situation



ARCC's Strategy & Opportunity

- ARCC may be offered opportunities to make minority equity investments alongside lead sponsors
- Allows for greater sponsor alignment without taking additional material risk
- Potential opportunities for enhanced returns

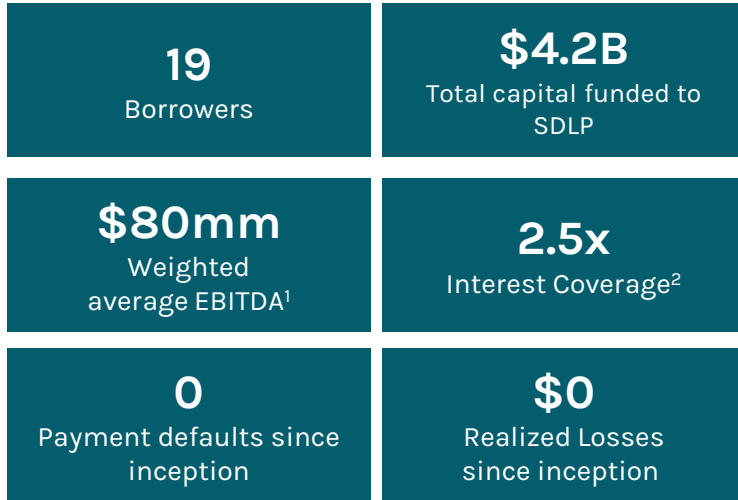
As of March 31, 2022. Past performance is not indicative of future results. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. **Please refer to Endnotes for additional important information.**

\*Includes ARCC originated equity co-investments from January 1, 2005 - March 31, 2022.

# Senior Direct Lending Program Overview

» Founded in 2016, SDLP is a \$6.2 billion joint venture with Varagon to invest in first lien senior secured loans to U.S. middle-market companies

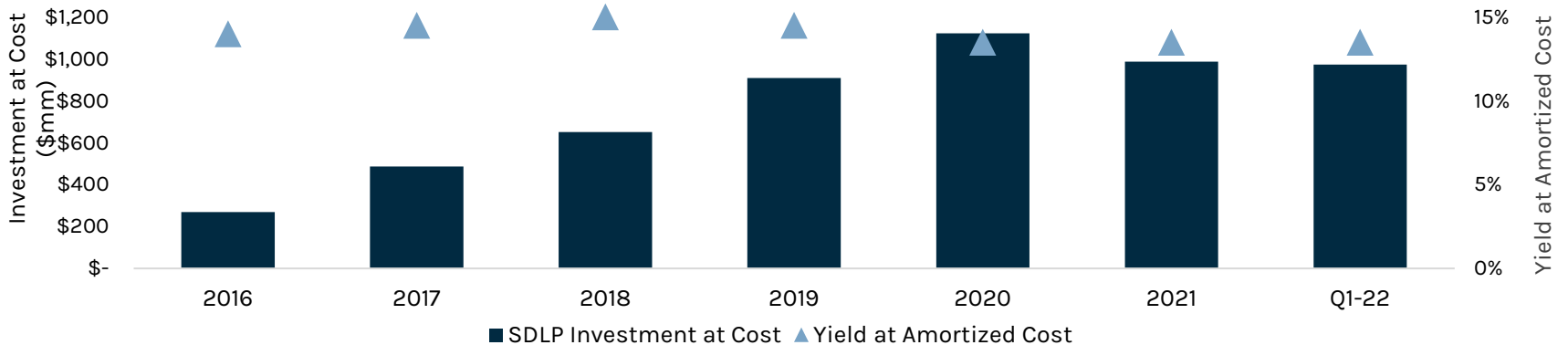
## Portfolio Characteristics



## Strategic Benefits to ARCC



## SDLP Investment and Yield



As of March 31, 2022, unless otherwise noted. Past performance is not indicative of future results. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. **Please refer to Endnotes for additional important information.**

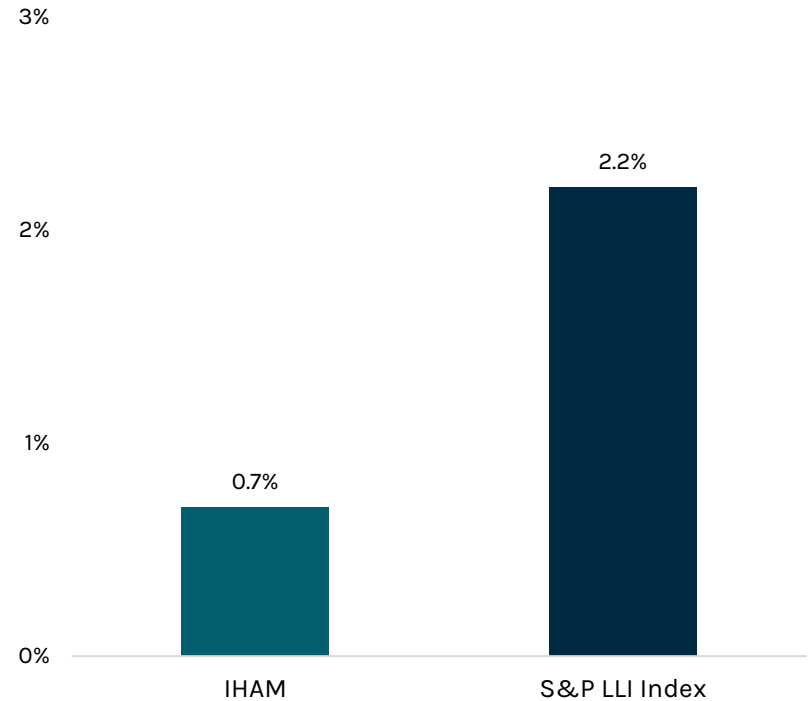
# Ivy Hill Asset Management Overview

» Ivy Hill was established in 2007 and has become a leading middle market loan manager

Ivy Hill Portfolio and Team Characteristics

<b>15</b> Year Track Record	<b>\$10b</b> AUM
<b>21</b> Managed Vehicles	<b>287</b> Borrowers
<b>20+</b> Industries	<b>15</b> Investment Professionals
<b>7</b> Member Investment Committee	<b>20</b> Years Average Experience <sup>3</sup>

IHAM Portfolio Annual Default Rate vs. Market Since Inception<sup>1,2</sup>



As of March 31, 2022, unless otherwise noted. Past performance is not indicative of future results. Please refer to Endnotes and Index Definitions for additional important information.

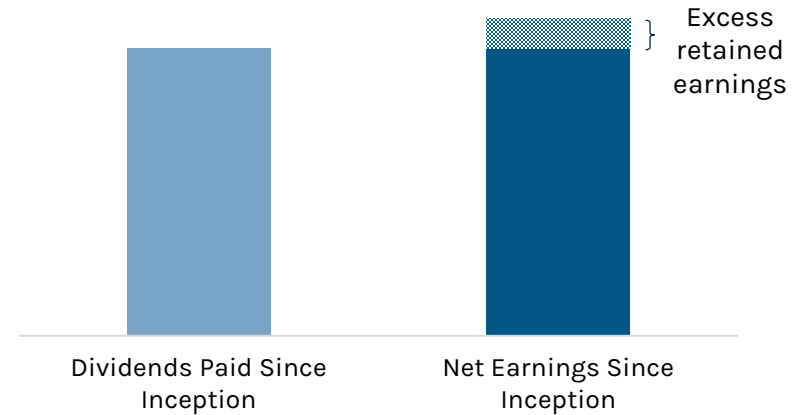
# Ivy Hill Asset Management Performance

» Ivy Hill's net earnings have exceeded its dividends paid to ARCC cumulatively since inception

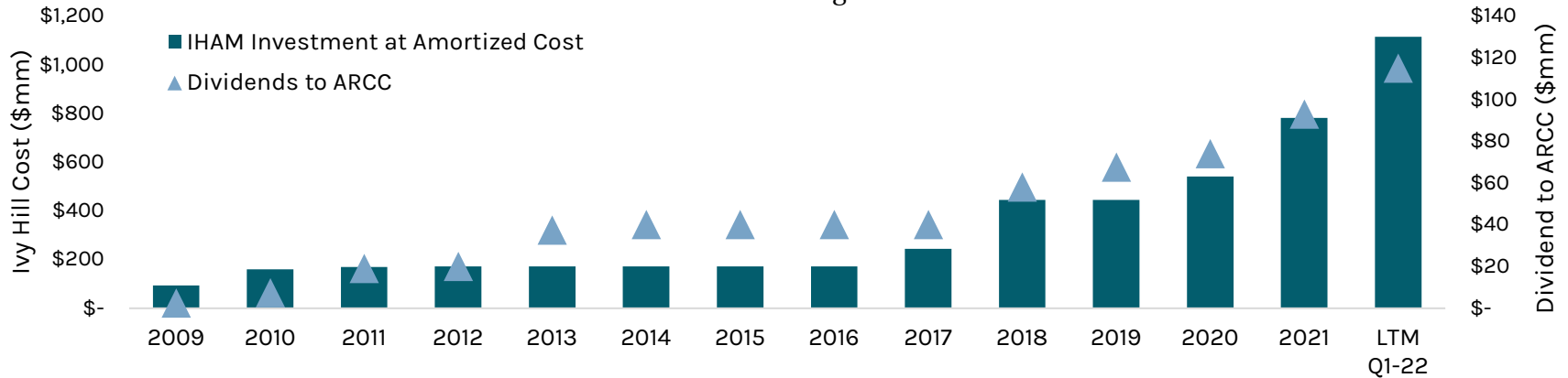
Components of IHAM Value



IHAM Dividends Paid to ARCC vs. Net Earnings Since Inception



IHAM Investment and Regular Dividends to ARCC

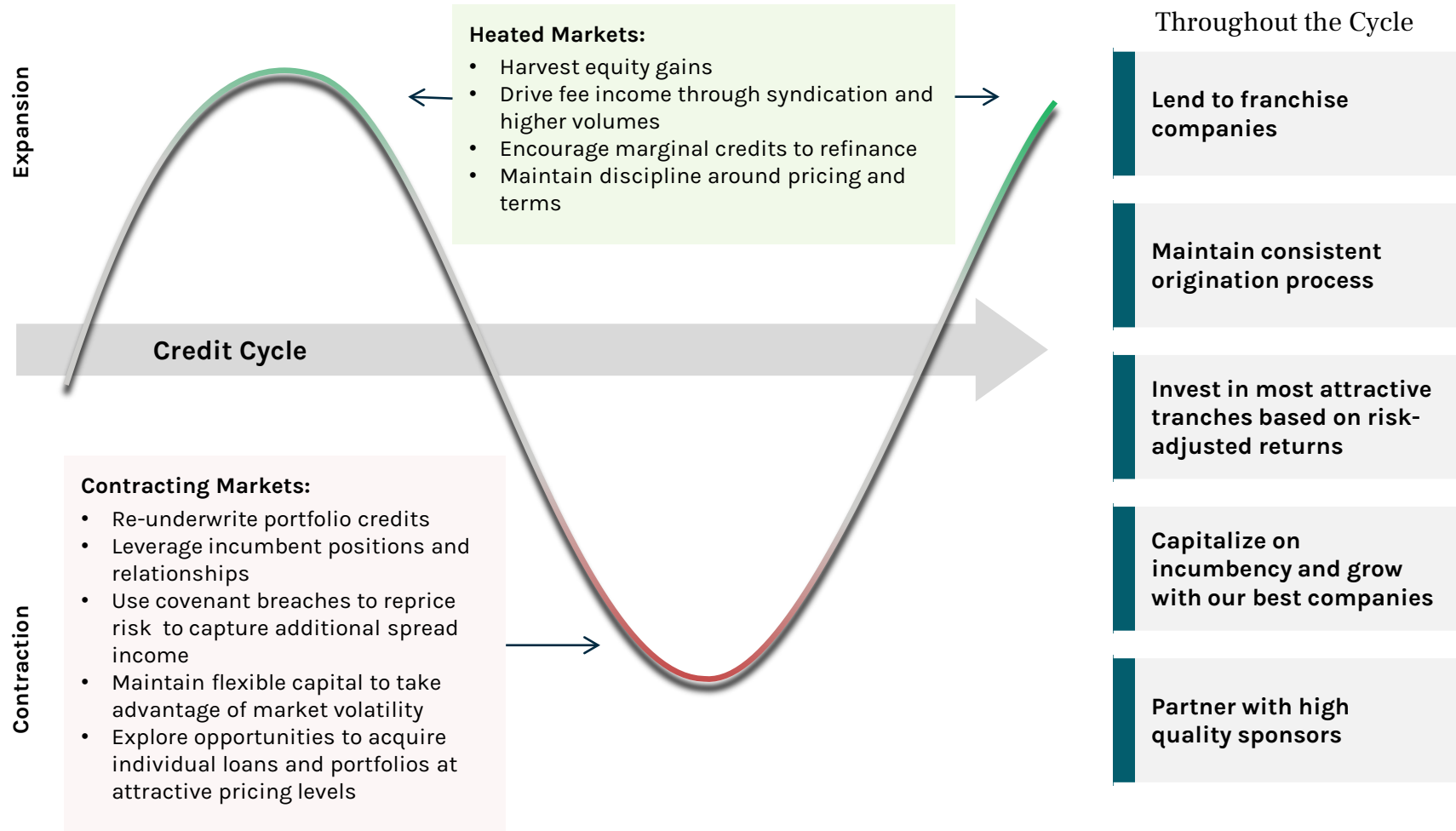


As of March 31, 2022, unless otherwise noted. Past performance is not indicative of future results. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.

1. Represents fair value as of March 31, 2022. Includes the equity valuation and amounts drawn on our ARCC credit facility.

# We Believe That Our Strategy Has Driven Strong Performance Throughout Cycles

» Seek to capitalize on all phases of a credit cycle





# Our Strategy Adapts to Market Conditions

## Long Term Structural Positives

Healthy demand trends from vibrant middle market companies

Continued bank retrenchment

Increasing demand for private capital by broader and larger set of companies

Substantial private equity dry powder (~5x direct lending dry powder)<sup>1</sup>

Significant and increasing level of equity contributions in capital structure of transactions

## Near Term Challenges in Current Environment

Significant capital formation, including new entrants with need to deploy capital

Economic uncertainty with rising inflation, rising interest rates and supply chain disruptions

Multiples remain elevated

## Ares Capital's Approach

- ✓ Incrementally selective as we seek to invest in leading, non-cyclical businesses with attractive competitive positions to navigate a changing economic landscape
- ✓ Continue to focus on larger borrowers which we believe may be less volatile
- ✓ Look to incumbent positions for strong relative value opportunities to invest where we benefit from our familiarity with the credit
- ✓ Remain proactive with our portfolio management monitoring to identify issues early and develop strategy to maximize value
- ✓ Maintain deep sources of committed liquidity and capital
- ✓ Seek to be a solutions provider in situations where there are unstable public capital sources

Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.

1. Source: Prequin.

A wide-angle, nighttime photograph of a city skyline, likely New York City, with numerous skyscrapers illuminated against a dark sky. The Empire State Building is prominent in the center. The image is used as a background for the top half of the slide.

# Portfolio Management Strategy & Results



**Michael Dieber**  
Partner, Co-Head of  
Portfolio Management,  
U.S. Direct Lending at Ares



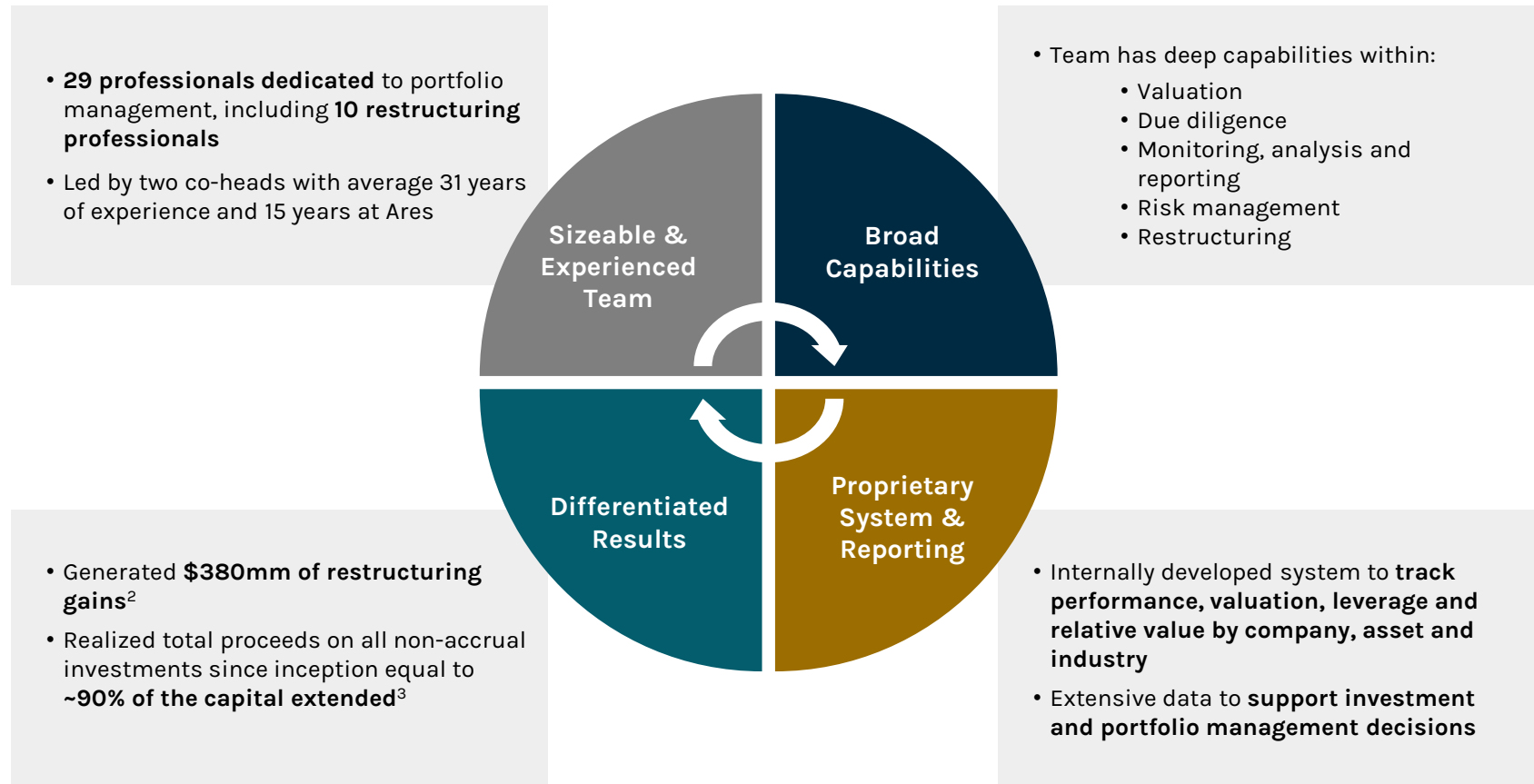
**Dan Katz**  
Partner, Co-Head of  
Portfolio Management,  
U.S. Direct Lending at Ares



**Phil LeRoy**  
Partner, Portfolio  
Management, U.S.  
Direct Lending at Ares

# Differentiated Portfolio Management Capabilities & Focus

» We believe we have the largest and most experienced portfolio management team amongst any other direct lending manager in U.S.<sup>1</sup>



As of March 31, 2022, unless otherwise noted. Past performance is not indicative of future results.

1. Based on Ares' discussions with other direct lenders and observation of the market.

2. Since inception through March 31, 2022. Restructuring gains comprised primarily of equity received in workouts.

3. Includes all ARCC originated realized loans on non-accrual recognized in accordance with U.S. GAAP, as of December 31, 2021.

# Portfolio Management Overview

» The portfolio management team performs portfolio monitoring and risk management activities on a weekly, monthly, quarterly and on-going basis<sup>1</sup>

	Weekly	Monthly	Quarterly	Select Proactive Monitoring Projects	
Portfolio Monitoring ↑	Review financials and compliance certificates	✓	✓	✓	COVID
	Compare portfolio company financials to prior year and budget	✓	✓	✓	
	Update call with portfolio companies/sponsors	✓	✓	✓	Interest Rates
	Assess potential covenant defaults		✓	✓	
	Prepare quarterly valuation package for portfolio			✓	Supply chain
	Full U.S. DL portfolio review led by PM			✓	
	Monitor portfolio industry concentration and performance			✓	Inflation
	Prepare & present materials on portfolio health		✓	✓	
Risk Management ↓	Regular review of ESG risks			✓	Geo/Political Impacts
	Prepare report to identify underperforming companies		✓	✓	
	Watchlist calls with portfolio companies/sponsors	✓	✓	✓	Taxes & Tariffs
	Watchlist meeting with Restructuring team	✓			
	Prepare watchlist report and present to Investment Committee		✓		

1. Post-closing monitoring procedures described herein are general practices. There may be exceptions and not all procedures are applicable for every borrower.

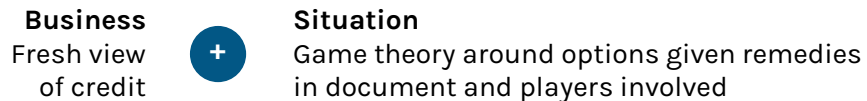
# Risk Management – Underperforming Credits

» We believe we use a well-established and cycle-tested playbook when addressing underperforming companies

## 1 Be Early: Identification of Potential Issues

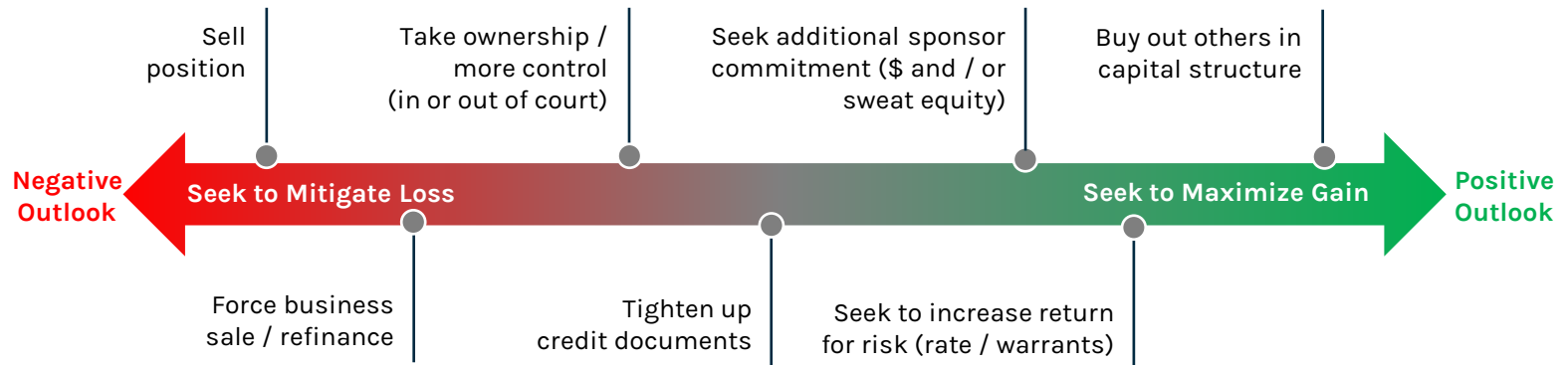
- Ability to see information and get to table
- Robust internally developed technology (Wolverine system)
- Frequent internal discussions (including watchlist and extensive quarterly valuation process)

## 2 Be Smart: Re-underwrite Actionable Credits



Both perspectives drive our negotiation of amendments / workouts

## 3 Be Flexible: All Amendments / Workouts Are Not Alike



For illustrative purposes only. There is no assurance that investment objectives will be achieved.

# Restructurings – Key Elements to Our Success

» We believe structure, resources and approach position us to seek to maximize value

**Ability to Control Troubled Credits Starts with Initial Capital Commitment**



- Given our scale, the ability to be meaningful in the capital structure provides potential advantages

**Flexible Products and Patience Enhances Our Position in Troubled Credits**



- Our broad product capabilities can be the impetus to enforce our remedies
- Stable sources of capital enable us to be patient on maximizing value

**Depth of Internal Restructuring Resources Helps us to Win in Workout Situations**



- Experienced team deeply schooled in the “restructuring” game theory
- Deep ability to protect capital while avoiding unnecessary damage to sponsor relationships
- Extensive ability to manage change at troubled companies
- Relationships with relevant advisors, attorneys and independent directors

**Access to Broad Resources Supports Positive Outcomes**



- Ares Management provides resources to help maximize value

**We believe very few lenders possess the capabilities that Ares brings to a troubled credit\***

\*Based on Ares' observations in the current market as of March 31, 2022.

# Case Studies – Be Early, Be Smart, Be Flexible

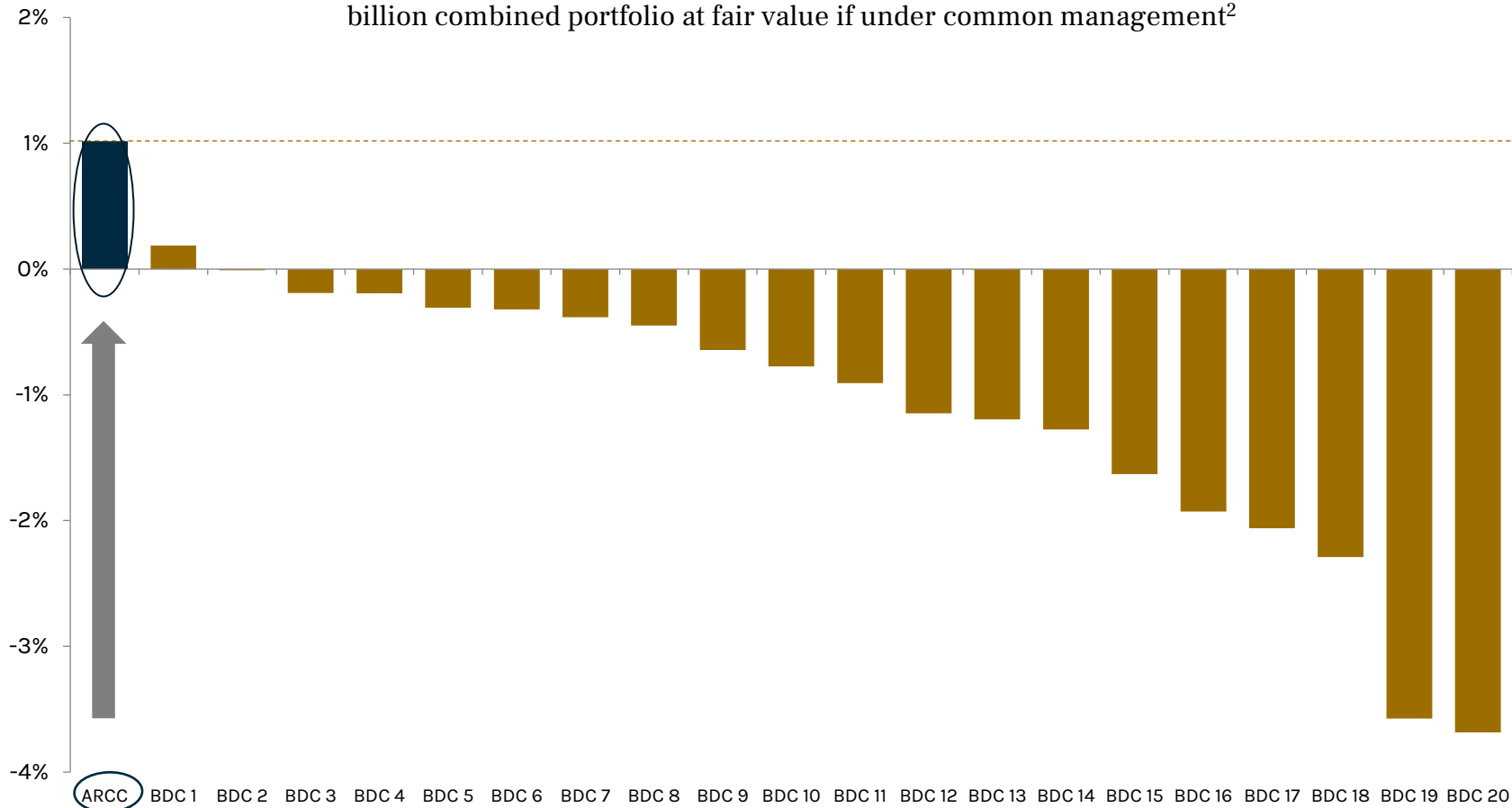
	Negative Outlook	Forced Business Sale / Refinance	Take Ownership	Seek Additional Sponsor Commitment	Seek to Increase Return or Risk
<b>Date of Initial Investment<sup>1</sup></b>		March 2007	June 2012	August 2011	Oct 2018
<b>Industry<sup>1</sup></b>		Health Care Services	Consumer Durables & Apparel	Commercial and Professional Services	Consumer Durables & Apparel
<b>Situation Overview<sup>1</sup></b>		<ul style="list-style-type: none"> <li>Company was a stable performer for many years before facing retention-related and operational difficulties</li> <li>Company was forced to shut most locations due to COVID lockdowns and furlough employees</li> </ul>	<ul style="list-style-type: none"> <li>Company is a 150+ year old globally recognized consumer product brand</li> <li>Company faced underperformance due to a variety of external headwinds and operational missteps</li> <li>Undercapitalization by previous sponsor led to additional deterioration in the business</li> </ul>	<ul style="list-style-type: none"> <li>Company is a leading logistics services business with resilient end markets</li> <li>ARCC has been invested in company for many years with multiple sponsors</li> <li>Given the unprecedented impact of social and event gatherings due to COVID, the company faced near-term cash needs</li> </ul>	<ul style="list-style-type: none"> <li>Company is a leading and highly recognized lifestyle apparel brand</li> <li>Steady performer for first 2 years of investment</li> <li>The company faced significant headwinds as a result of nationwide shutdowns related to COVID</li> </ul>
<b>Response<sup>1</sup></b>		<ul style="list-style-type: none"> <li>ARCC provided 2 short-term covenant waivers in exchange for sponsor providing incremental equity into the business</li> <li>ARCC encouraged sponsor to run a sale process as an exit strategy for the lenders</li> </ul>	<ul style="list-style-type: none"> <li>ARCC took control and provided incremental capital to recapitalize the company and embarked on a 3-year operational and strategic turnaround with a new management team</li> </ul>	<ul style="list-style-type: none"> <li>ARCC and sponsor negotiated an amendment whereby the sponsor provided incremental equity into the business in exchange for a covenant reset and incremental rate</li> </ul>	<ul style="list-style-type: none"> <li>ARCC completed an amendment with a strict pricing grid, frequent and enhanced reporting requirements and tighter terms</li> </ul>
<b>Outcome/ Current Status<sup>1</sup></b>		<ul style="list-style-type: none"> <li>ARCC and other lenders were repaid at par, while the sponsor realized a loss</li> </ul>	<ul style="list-style-type: none"> <li>ARCC sold the company and recognized a significant gain on the initial investment</li> </ul>	<ul style="list-style-type: none"> <li>The business has rebounded to near pre-COVID levels and our investment is valued in line with our cost basis with significant enterprise value coverage</li> </ul>	<ul style="list-style-type: none"> <li>The company has seen a resurgence of demand with orders exceeding pre-COVID levels</li> <li>Our investment is valued in line with our cost basis with significant enterprise coverage</li> </ul>

1. The case studies shown represent a selection of investments across the amendment and workout spectrum from January 1, 2021 to March 31, 2022. The transactions are shown for illustrative purposes only and are not necessarily indicative of every restructured investment made by the Ares' U.S. Direct Lending team. Any future investments may differ materially than those presented herein. There can be no guarantee that ARCCs will have access to these companies in the future.

# Strong Investment Performance

» ARCC has generated the highest net realized gain rate within the BDC peer group<sup>2\*</sup>

Annualized Net Realized Gain/Loss Rates<sup>1</sup>  
 Since 2004 or IPO for ARCC and BDCs >\$1.5 billion portfolio at fair value or >\$2 billion combined portfolio at fair value if under common management<sup>2</sup>



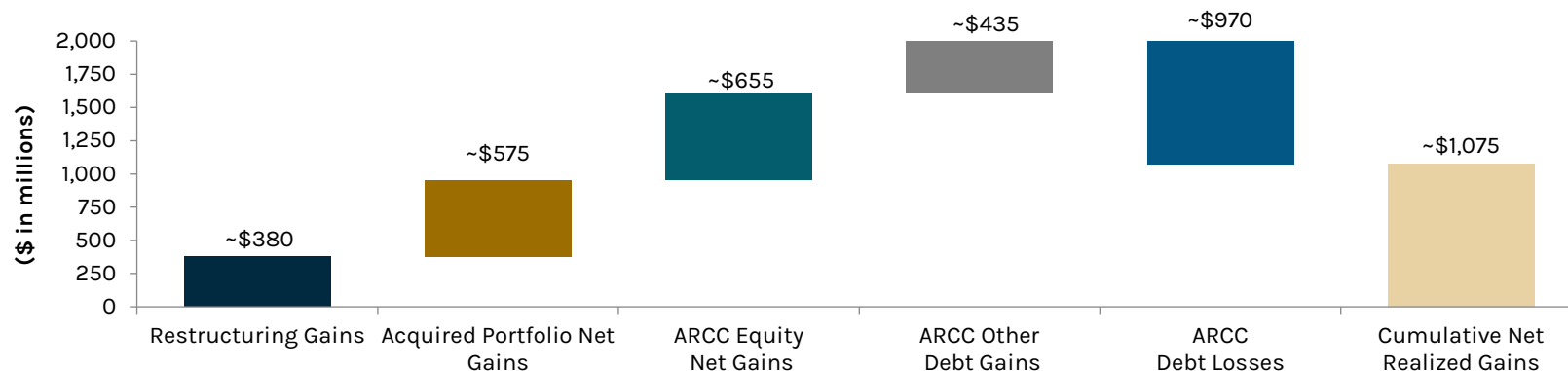
ARCC as of March 31, 2022. BDC peer group as of December 31, 2021, as not all peers have filed March 31, 2022 financial results as of April 29, 2022. Past performance is not indicative of future results. **Please refer to Endnotes for additional important information.**



# Strong Credit and Investment Performance

» ARCC has generated approximately \$1.1 billion of cumulative net realized gains<sup>1</sup> on all of its investments translating to a 1% average annualized net realized gain rate<sup>2</sup>

Sources of Cumulative Net Realized Gains on Investments Since Inception<sup>1</sup>



Sources of Cumulative Net Realized Gains on Investments Since Inception<sup>1</sup>

Source	Nature of Gains/Losses	\$ in mm
Restructuring Gains	Primarily equity received in workouts	~\$380
Other Acquired Portfolio Net Gains	Effective monetization of controlled buyouts, CLOs and other investments	~\$575
ARCC Equity Net Gains	Primarily equity co-investments and minority preferred/equity investments	~\$655
ARCC Other Debt Gains	Primarily call protection, discount accretion and FX gains/losses	~\$435
ARCC Debt Losses	Relatively minimal losses through credit selection and loss avoidance	~(\$970)
<b>Cumulative Net Realized Gains on Investments</b>		<b>~\$1,075</b>

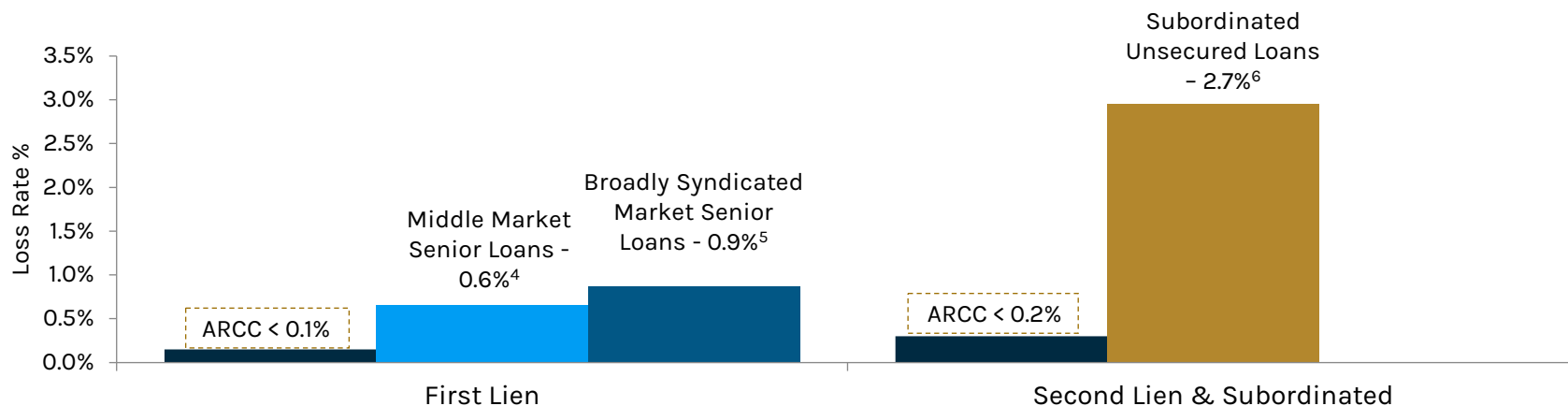
Data as of March 31, 2022, unless otherwise noted in Endnotes. Past performance is not indicative of future results. **Please refer to Endnotes for additional important information.**

# ARCC Has a Compelling Track Record of Credit Performance

» ARCC's annual loss rate has been better than the industry averages

ARCC Credit Experience Since Inception <sup>1</sup>	First Lien	Second Lien & Subordinated
Period Measured <sup>1</sup>	2004 - Q4-21	2004 - Q4-21
Significant Capital Deployed <sup>1</sup>	\$55 billion	\$16 billion
Meaningful Realizations	68% Realized	66% Realized
Long History of Investments	1,800+ Investments	375+ Investments
Leading Annual Loss Performance	< 10 bps <sup>2</sup>	< 20 bps <sup>3</sup>

ARCC's annual loss rates are well below industry averages



As of December 31, 2021, unless otherwise stated. Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

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66



# Resilient Portfolio in Rising Rate Environment

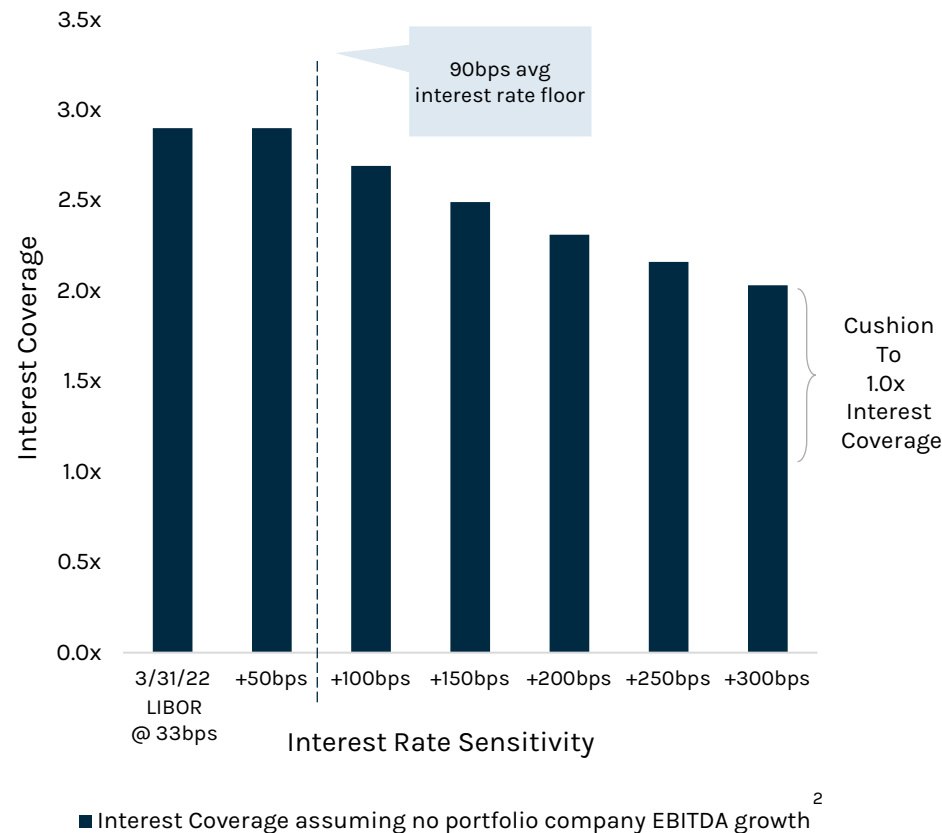
» We believe ARCC's debt portfolio is well positioned for a rising rate environment given its predominately floating rate structure and interest rate floors

## We Believe ARCC's Portfolio is Well Positioned<sup>1</sup>

- 1 **Strong Growth Profiles** 7% average annual EBITDA growth over the last 5 years<sup>2</sup>
- 2 **Large Defensive Borrowers** Weighted average EBITDA of \$173mm<sup>3,4,5</sup> with strong interest coverage of 2.9x<sup>3,5,6</sup>
- 3 **Significant Equity Support** Current LTVs of ~44% vs. 55% pre-COVID<sup>7</sup>
- 4 **Defensive Industries**
  - Top 5 industries<sup>8</sup>
  - Software & Services
  - Healthcare Services
  - Diversified Financials
  - Commercial & Professional Services
  - Insurance Services

## ARCC's Interest Coverage Sensitivity<sup>1</sup>

As of March 31<sup>st</sup>, our interest coverage is expected to remain above 2.0x, even with a 300bps increase in rates and assuming no portfolio company EBITDA growth



As of March 31, 2022, unless otherwise stated. Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Please refer to Endnotes for additional important information.

# Current Portfolio Management Considerations in Today's Environment

## What's on Our Radar For Our Portfolio Companies



1

### **Inflationary Pressures**

Detailed asset level grading to identify sensitive borrowers



2

### **Fed Tightening & Market Impact**

Stress testing both existing portfolio and deals in diligence



3

### **Supply Chain**

Monitor and share perspectives to evaluate risk of disruption from products and people



4

### **Economic Trends**

Tracking economic trends and the implication for borrowers

A wide-angle photograph of a city skyline at sunset, with the sun low on the horizon, casting a warm orange glow over the buildings. The Empire State Building is prominently lit up in the center. The sky transitions from orange to a pale blue.

## ESG & Responsible Investing



**Indhira Arrington**  
Managing Director, Global  
Chief Diversity, Equity and  
Inclusion Officer at Ares



**Adam Heltzer**  
Managing Director,  
Head of ESG at Ares

# Impact at Ares

How Aspiration Turns Into Action



## Executive Priority

Global Head of ESG reports directly to Ares Management's CEO and President



## Commitment to Values

ESG program flows from the Firm's core values



## Distributed Ownership

~110 Champions across 5 investment groups<sup>1</sup>

~25 corporate ESG Champions across 7 material issues<sup>1</sup>

# A Better Alternative

As a leading alternative investment manager, Ares Management strives to be a catalyst for shared prosperity for its stakeholders and communities. Our ambition is to help make alternative investing in the private markets an engine for an inclusive and lower-carbon economy by engaging across our spheres of influence.

## INCLUSIVE AND EQUITABLE ECONOMY

Support businesses that serve communities where everyone can thrive



## A JUST TRANSITION

Drive an energy transition that cuts carbon while ensuring jobs and skills are increased, not lost

## CHANNELS THAT DRIVE CHANGE

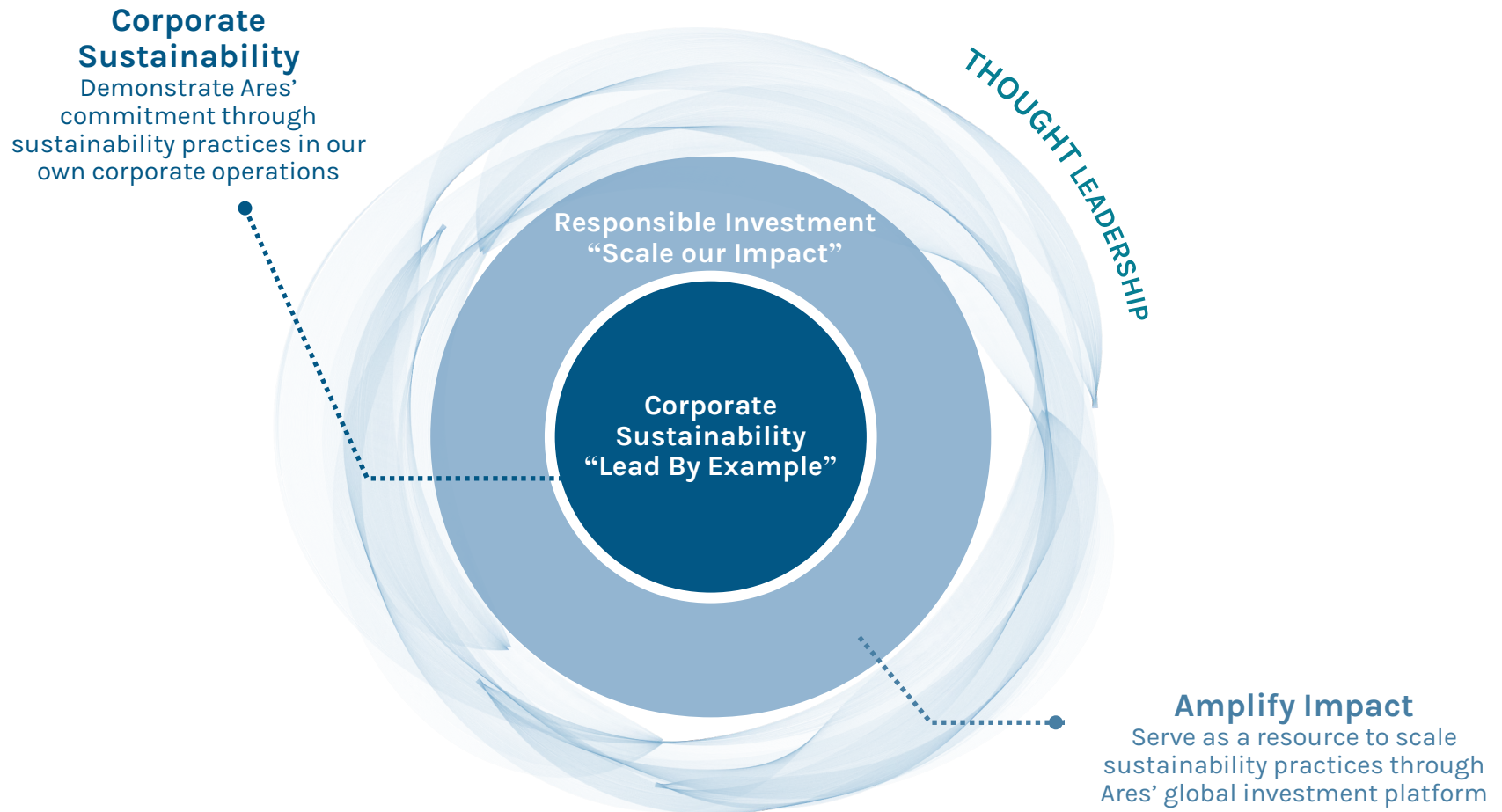
 ARES | ESG

 ARES | PHILANTHROPY

 ARES | DEI

# The Ares ESG Group Focuses on Two “Zoom Levels”

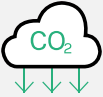

- » Ares’ conviction that sustainability is a business-critical issue compels us to adopt sustainability practices as a corporate and then amplify these principles through our investment platform



# Corporate Sustainability at Ares

» Ares is committed to leading by example by setting a high standard for impactful sustainability practices



Ares' Recent Success and Results	
<p><b>TALENT &amp; DEI</b></p> <p>Completed a <b>rigorous three-part DEI assessment</b> that included a survey of over 800 employees</p> <p>Implemented a multi-year strategic plan to enhance DEI and support the transition to a hybrid work environment</p> <p>“Best Places to Work” Certified in US, UK, India</p>	<p><b>CLIMATE CHANGE</b></p> <p>Carbon neutral since 2020 <b>across Scope 1, Scope 2 and select Scope 3 emissions</b> by purchasing renewable energy credits and carbon offsets<sup>3</sup></p> <p>Held our inaugural climate change offsite, mobilizing a broad set of employees to drive climate change integration</p> 
<p><b>CORPORATE PHILANTHROPY</b></p> <p>Expanded <b>Ares Charitable Foundation</b></p> <p>Launched <b>AltFinance: Investing in Black Futures</b>, a \$90 million initiative over 10 years<sup>1</sup></p> <p>Created <b>CREST</b>, a five-year \$25 million grant-funded initiative to reskill individuals for climate-resilient jobs<sup>2</sup></p> 	<p><b>CYBERSECURITY</b></p> <p><b>Enhanced cyber-awareness program</b> with revamped training sessions, cyber-briefings and randomized testing</p> <hr/> <p><b>GOVERNANCE, COMPLIANCE &amp; ETHICS</b></p> <p><b>Increased Board diversity</b> across Ares public companies, including at Ares Capital Corporation</p>
<p><b>REPORTING</b></p> <p>Published inaugural DEI Report - February 2022</p> <p>Publishing second annual Sustainability Report - Anticipated Summer 2022</p> <p>Publishing inaugural TCFD Report - Anticipated Summer 2022</p>	

Note: As of March 31, 2022, unless otherwise stated.

1. In partnership with Apollo and Oaktree.
2. In partnership with Jobs for the Future (“JFF”) and World Resources Institute (“WRI”).
3. Achieved carbon neutrality for 2020.



# Responsible Investment at Ares

» Through Ares' rigorous and tailored approach, we strive to create better investment outcomes and leave a lasting positive impact on select portfolio companies and assets, as well as their stakeholders

## 5 Investment Groups



## Ares' Recent Success and Results

### DIRECT LENDING

Led £1B of available debt facilities to RSK Group, the **largest private credit-backed sustainability-linked financing** at the time of announcement



### ALTERNATIVE CREDIT

Formally tied flagship Pathfinder Funds to charitable causes. At least 10% of Ares Pathfinder Fund's carried interest and at least 5% of Ares open-end core alternative fund's incentive fees **will be donated to support health and education charities**

### CORPORATE PRIVATE EQUITY

Completed a strategic review of DEI practices at 11 corporate PE portfolio companies and implemented **multi-year strategic plans** with informed goals and specific milestones for excellence

### LIQUID CREDIT

Codified ESG scoring framework and quarterly review process. **Directly engaged** with 15% of portfolio companies on environmental, social and governance issues helping **promote positive change and transparency**

### INFRASTRUCTURE

Raised \$2.2 billion for the inaugural Ares Climate Infrastructure Partners Fund and affiliated vehicles, which will invest in assets and companies that, among other characteristics, are **accelerating the transition to a low carbon economy**

### REAL ASSETS

Formalized an enhanced ESG integration process within Ares' real estate group focused on **energy use, carbon emissions and the well-being** of our tenant base and communities

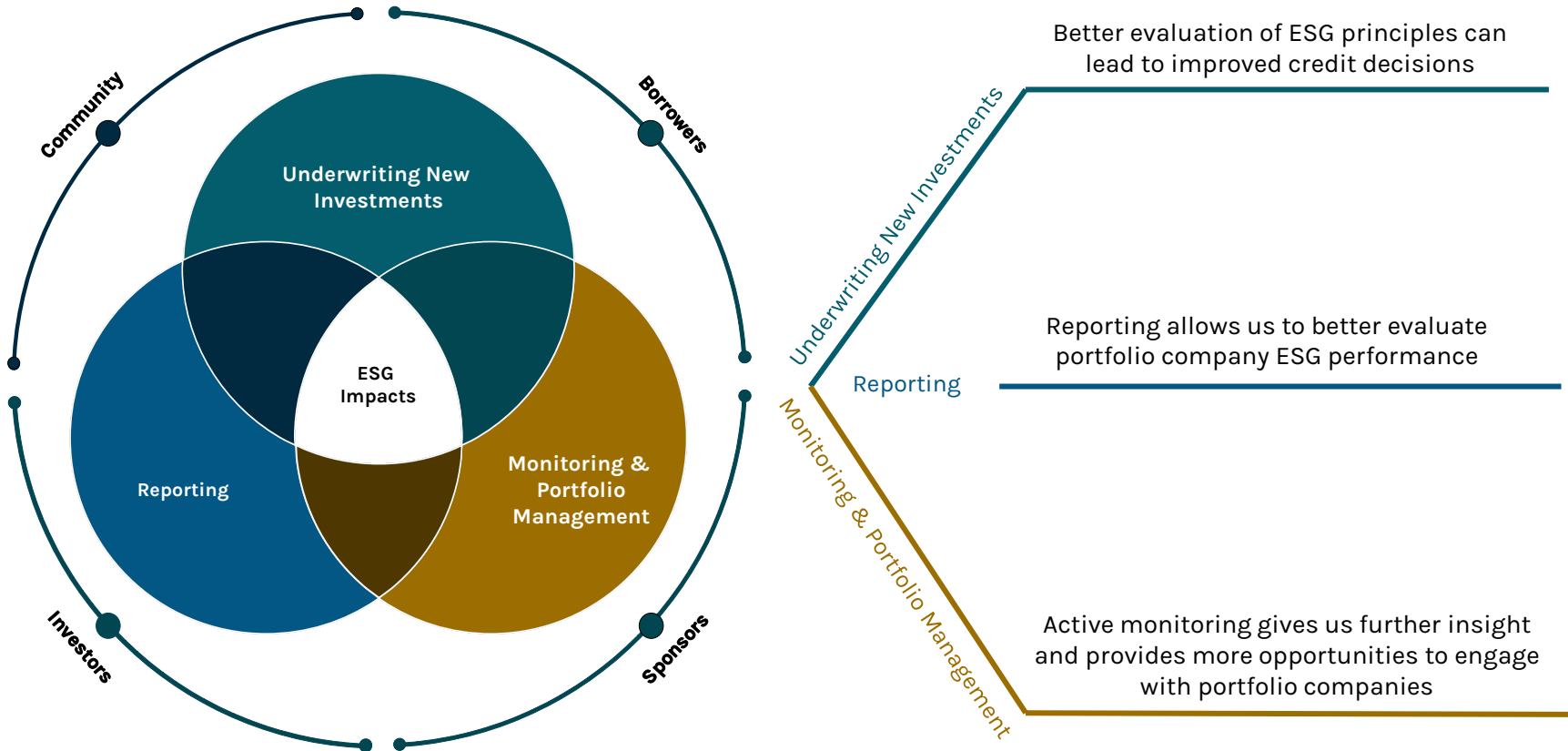


Past performance is not indicative of future results.

1. Planned integration in 2022 for Secondary Solutions and Strategic Initiatives into Ares' formal ESG program. Both asset classes currently have individual ESG efforts.

# Responsible Investing Approach in Ares Direct Lending

» Ares' investments consider ESG implications throughout the investment life cycle



# Responsible Investing Process in Ares Direct Lending

» Ares has implemented its ESG strategy in a systematic fashion across the direct lending platform



# Diversity, Equity & Inclusion at Ares

» Ares' DEI framework and strategy harness the power of difference to be a force for good and contribute to the long-term success of Ares, the companies in which we invest, and the communities in which we operate

Data-Driven, Accountability-Based Approach



**Ares' strategy empowers our DEI Council members and ambassadors to drive accountability and ownership for DEI results within their business**

# Ares' DEI: People and Culture - Full Power of the Platform

» The DEI Council acts as facilitators for Ares' DEI journey as we strive to make all our employees DEI advocates through strong program management and impactful resource groups

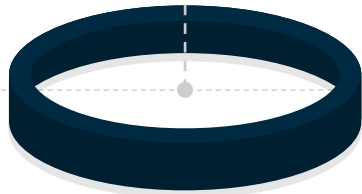


Note: As of March 31, 2022.

1. Represents number of members in all ERGs and not unique members.

# Ares' DEI: Business and Investment Process

» Ares seeks to include DEI across many of its business processes and investment platforms in an effort to drive innovation and return opportunities



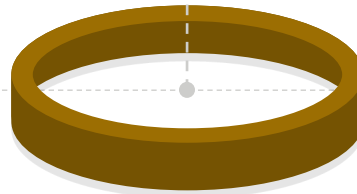
## DEI Management

Ares is committed to increasing the representation of women and Historically Underrepresented Groups and creating a more inclusive experience for all employees

ARCC continues to expand the diversity of its Board of Directors, which includes 2 female directors, 1 African American/Black director and 1 LGBTQ+ director

**40% of ARCC's officers are women**

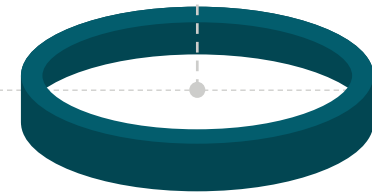
As of March 31, 2022. Past performance is not indicative of future results. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.



## Investment Platform

Ares set a goal for each Ares Business Group to implement a bespoke DEI plan by 2023

Within Ares Direct Lending, we seek to increase the integration of DEI considerations in the evaluation of current and potential investments







## Supplier Diversity

After vigorous review processes and establishing baseline values for KPIs, we plan to implement the Ares Procurement Policy, inclusive of a formal Supplier Diversity program

In addition, Ares has expanded the use of diverse capital markets firms, and we seek to further deepen these relationships at ARCC

# Ares' DEI: Communities

» Ares seeks to be a leader and build meaningful relationships with partners to advance DEI in our industry and communities

<p><b>Industry Partnerships</b></p>	<p>Ares is committed to being a leader in our industry</p>	<p><b>Management Leadership for Tomorrow:</b> Ares is part of the inaugural cohort for MLT Black Equity at Work</p> 	<p><b>Institutional Limited Partners Association:</b> Ares is a founding member of ILPA's Diversity in Action initiative</p> 	<p><b>CEO Action for Diversity and Inclusion:</b> Michael Arougheti pledged to advance diversity and inclusion within Ares</p> <p><b>CEO <b>ACT!ON</b> FOR DIVERSITY &amp; INCLUSION</b></p>
<p><b>Corporate Partnerships</b></p>	<p>Ares Partners with organizations that share our goals of change</p>	<p><b>Girls who Invest:</b> Partnership focused on bringing more women into portfolio management &amp; leadership</p> 	<p><b>Key Partners</b></p>          	
<p><b>Philanthropy</b></p>	<p>Giving is in our DNA and an important part of Ares culture</p>	<p><b>AltFinance:</b> Ares founded, with two alternative managers, a non-profit, AltFinance: Investing in Black Futures. AltFinance's mission is focused on attracting and developing HBCU students for professional opportunities in the alternative asset management industry</p> 		

As of March 31, 2022.

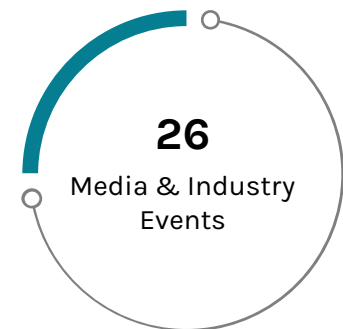
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# Ares DEI Recognition

» Ares is proud to be recognized for its work in DEI

## 2021 RECOGNITION

We have received recognition for inclusiveness at Ares



## FIRMWIDE



## RECOGNITION FOR CHIEF DIVERSITY OFFICER



Note: Awards are as of December 31, 2021, and not specific to a strategy or fund.

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A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, illuminated with its characteristic lights.

# Balance Sheet & Capital Management



**Penni Roll**  
CFO of ARCC, Partner and  
CFO of Ares Credit Group

# Conservative Balance Sheet Management Philosophy

» Our strong balance sheet supports our flexibility and ability to be active in varying market conditions



Use Dedicated, Diversified & Deep Sources of Financing



Operate with Moderate Leverage



Maintain Strong Liquidity Profile



Rigorous Focus on Maintaining Investment Grade Ratings



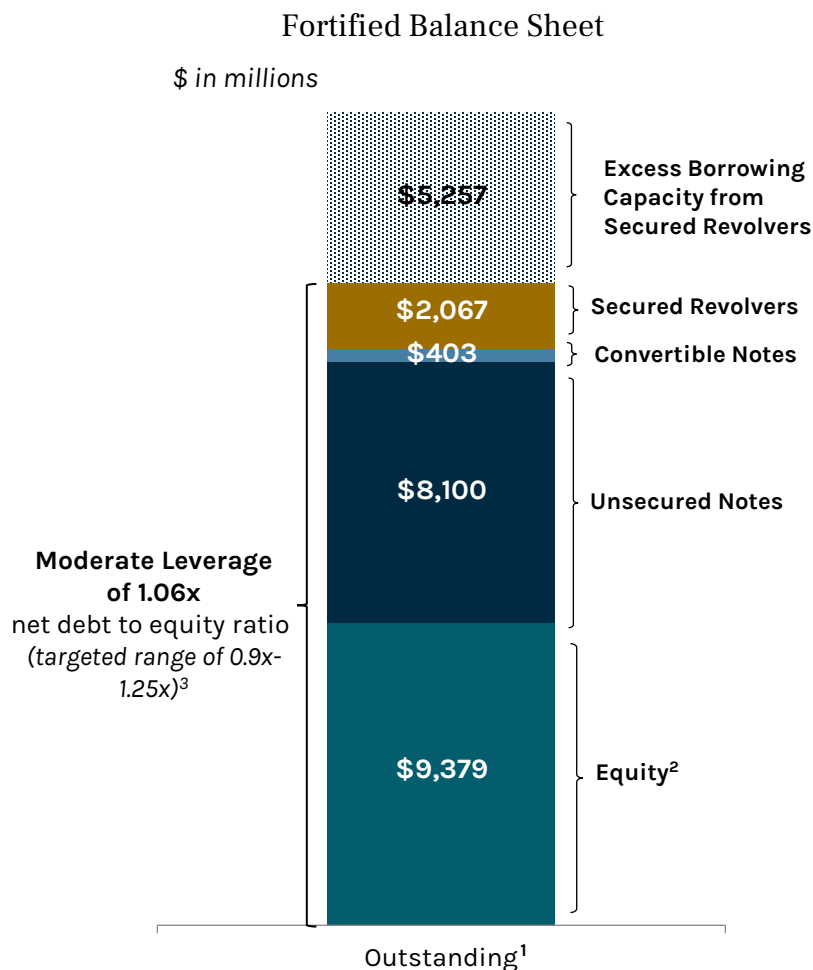
Emphasize Unsecured Financing for Flexibility



Focus on Long-Dated Liabilities and Well Laddered Debt Maturities

# ARCC Has Stable and Broad Sources of Financing

» We believe that our deep bank and capital market relationships enhance our access to capital supported by our investment grade ratings



## ARCC Has Long Standing Investment Grade Ratings



### Current Rating

BBB

Baa3

BBB-

### Banks

42 banks across 4 revolving facilities

Committed revolving debt facilities through 2027

### Capital Markets

Raised \$12.9 billion from over 200 investors in unsecured and convertible notes since 2011

Issued debt at 54bps lower spread than peer average over the past 3 years<sup>4\*</sup>

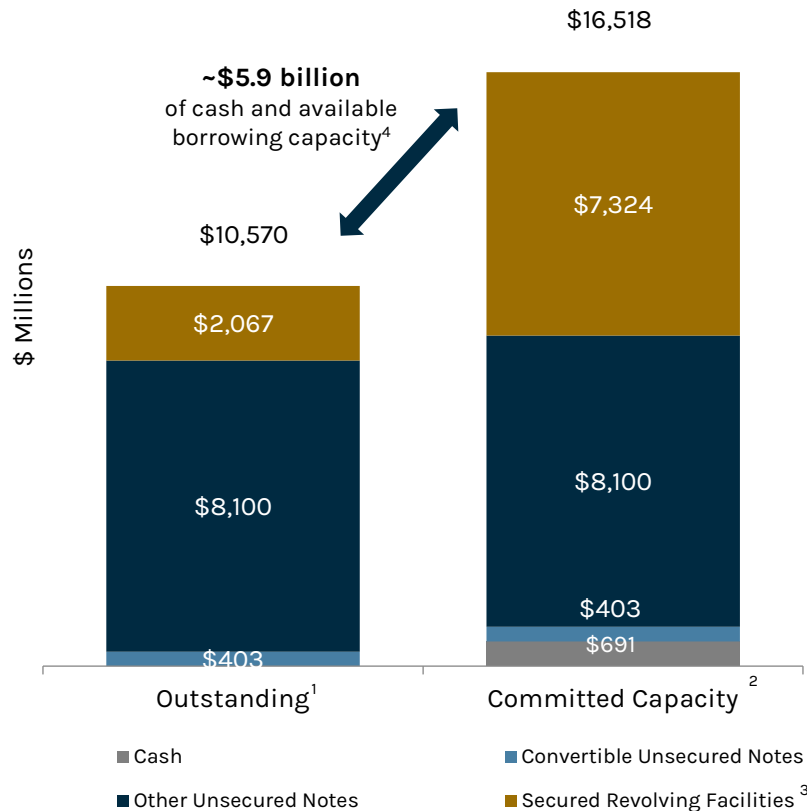
All data as of March 31, 2022, unless otherwise noted. The ratings noted herein may not be representative of any given investor's experience. All investments involve risk, including loss of principal. Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

\* BDC peers as provided by JP Morgan and Bank of America. For the period FY 2019 - March 31, 2022.

# ARCC Has Significant Sources of Liquidity

» Conservative balance sheet with a longstanding track record of accessing diverse sources of financing

Sources of Liquidity



Strong Liability and Funding Construction

**Available liquidity 2.5x greater** than unfunded investment commitments

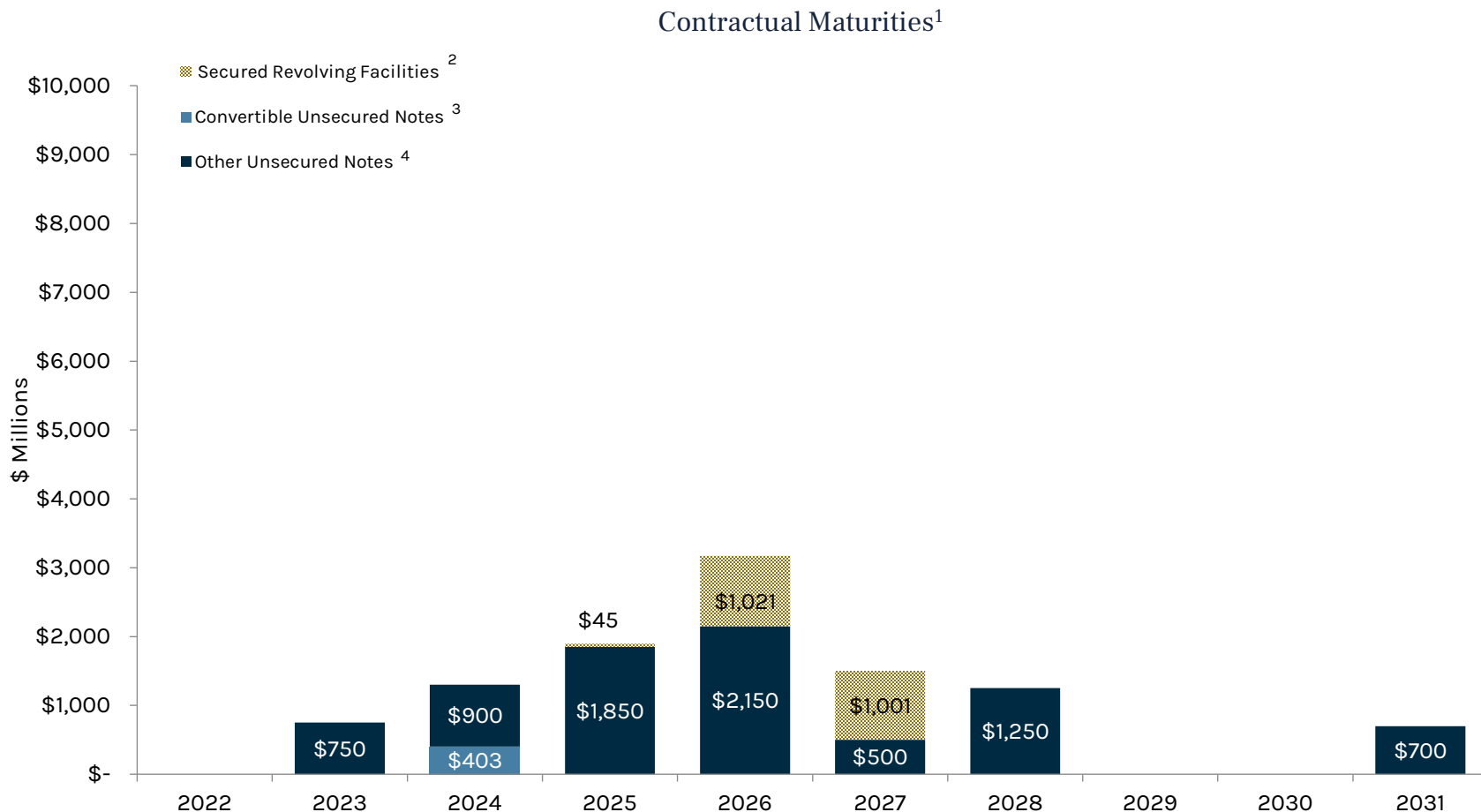
**Substantial liquidity** to cover debt maturities in 2023

**Strong Portfolio Provides Additional Source of Liquidity**  
 Annual repayment rates range from ~20% - 60% of the portfolio and have averaged 39% since inception

As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results. Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. **Please refer to Endnotes for additional important information.**

# Long Dated and Well Laddered Maturities

» Debt maturities laddered over 10 years with no remaining maturities in 2022 and only \$750 million maturing in 2023



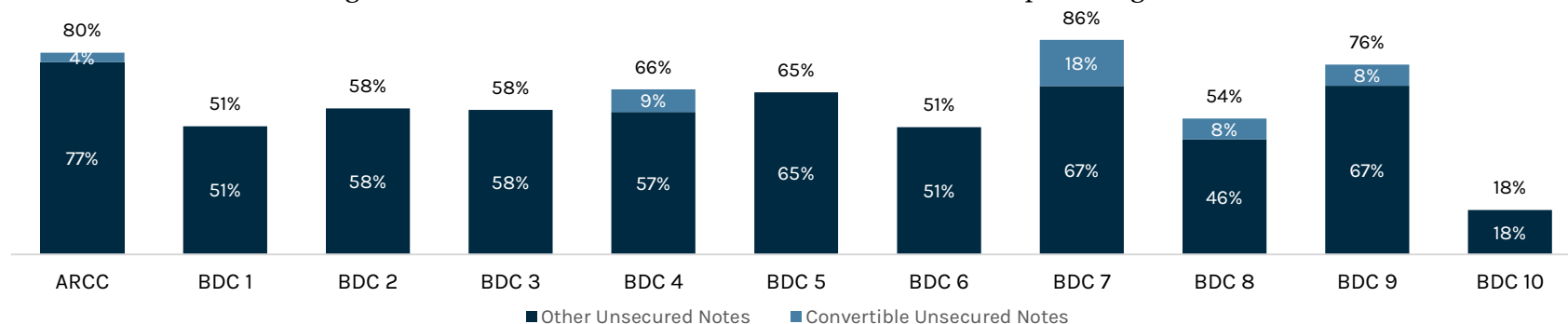
As of March 31, 2022. Please refer to Endnotes for additional important information.

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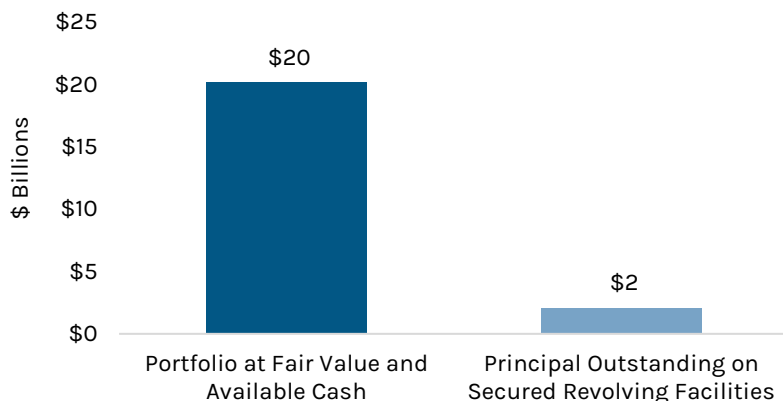
# Industry Leading Scale & Performance Has Led to a Strong Balance Sheet

» ARCC has a mostly unsecured funding mix and modest leverage, which results in durable and heavily collateralized secured funding sources

Percentage of Total Debt in Unsecured Notes for ARCC vs. Top 10 Largest BDC Peers<sup>1\*</sup>



## Durable & Heavily Collateralized Secured Funding Sources



## Key Takeaways

- Our investment grade unsecured notes are fully committed sources of capital
- Our significant unsecured funding mix and modest leverage result in significant overcollateralization of our secured borrowing facilities
- Our secured revolving facilities were >2x overcollateralized on a funded basis throughout 2020

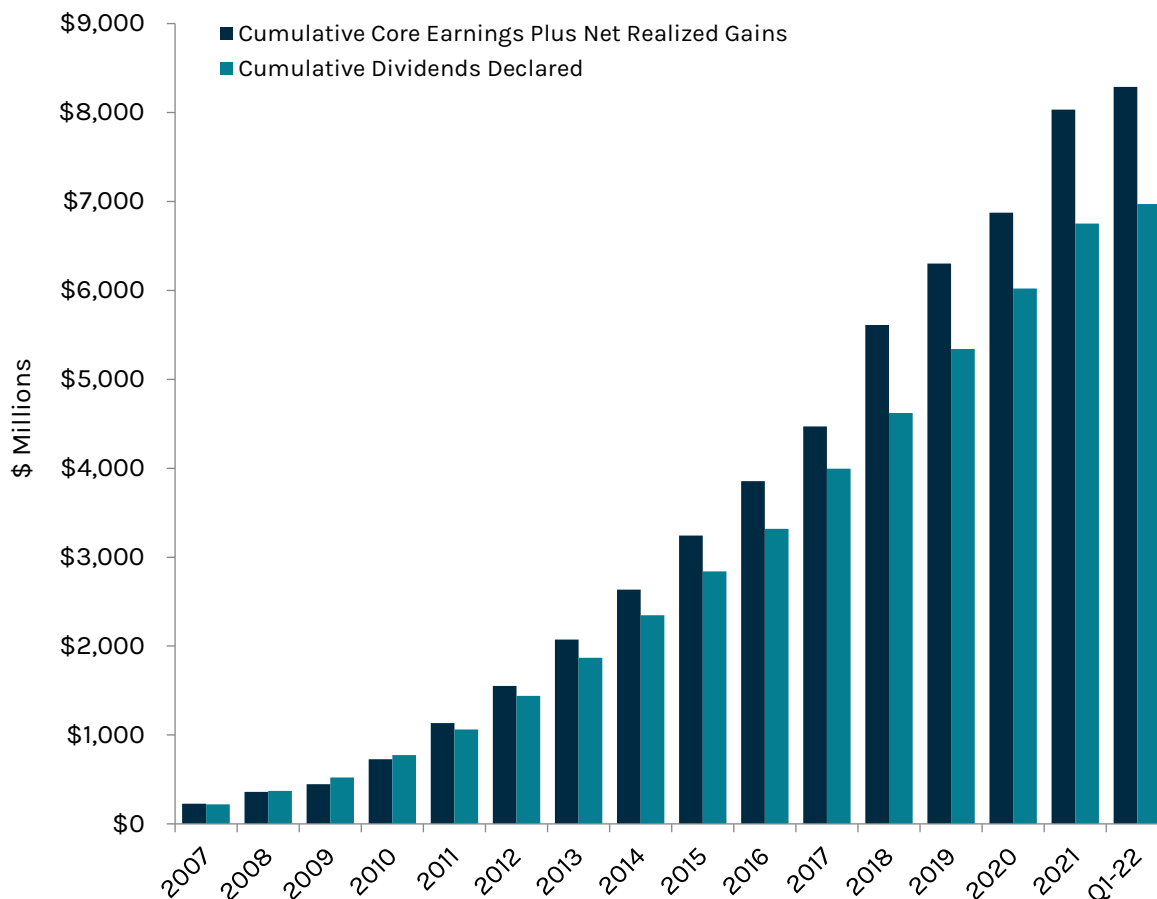
As of March 31, 2022 for ARCC and as of December 31, 2021 for BDC peers as not all BDC peers have filed March 31, 2022 financial results as of April 29, 2022. Past performance is not indicative of future results. Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. **Please refer to Endnotes for additional important information.**

\*BDCs include the 10 largest publicly traded BDCs by market cap as of March 31, 2022.

# Conservative Capital Management Has Supported Long Term Value

» We have generated cumulative core earnings and net realized gains in excess of our dividends paid since our IPO

Cumulative Core Earnings Plus Net Realized Gains vs. Cumulative Dividends<sup>1</sup>



12 + Years of Steady to Growing Dividends

Highest regular dividend per share growth over the last 5 and 10 years among BDCs<sup>3</sup>

Two quarterly dividend increases since 2019 plus additional dividends

Long Track Record of Earnings in Excess of Dividends Paid

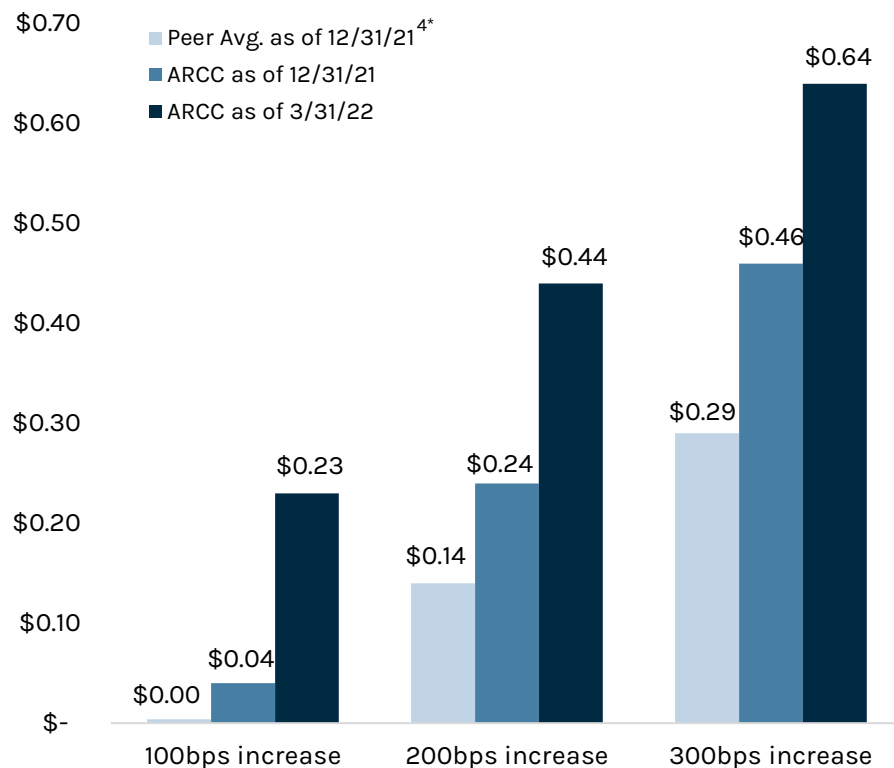
\$651mm of estimated taxable spillover income as of Q4-21<sup>2</sup>

As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results. There can be no assurance that dividends will continue to be paid at historic levels or at all. Please refer to Endnotes for additional important information.

# We Believe ARCC is Well Positioned for Rising Interest Rates

» ARCC has an asset sensitive balance sheet that we believe will benefit from an expected rise in base interest rates

Approximate Annual Earnings Per Share Impact with an Increase in Base Rates<sup>1</sup>



Ability to Benefit from Rising Rates

- We expect to benefit more than peers from rising interest rates<sup>1</sup>
- 87% floating rate income producing securities<sup>2</sup>**  
Heavily weighted to floating-rate loans
- 80% fixed rate debt<sup>3</sup>**  
Financed with predominantly fixed rate unsecured notes
- Targeted net debt to equity 0.9x-1.25x**  
Conservative leverage profile

Past performance is not indicative of future results. Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. **Please refer to Endnotes for additional important information.**

\* BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021.



A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center.

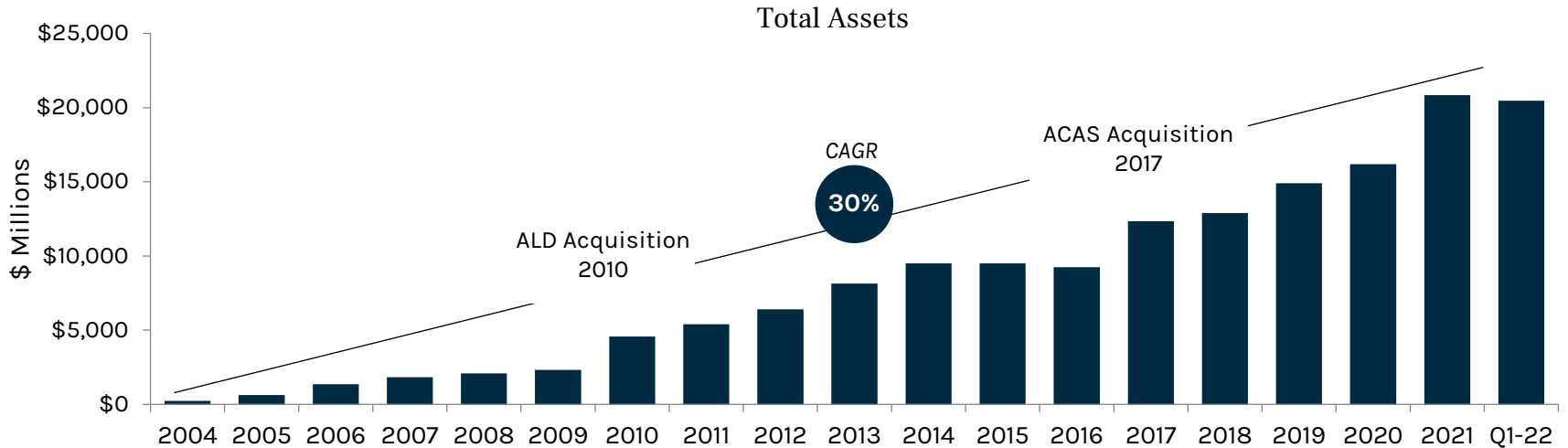
# Performance Track Record



**Kipp deVeer**  
Director and CEO of ARCC,  
Partner and Head of Ares  
Credit Group

# We Have Built Meaningful Shareholder Value As We Have Scaled

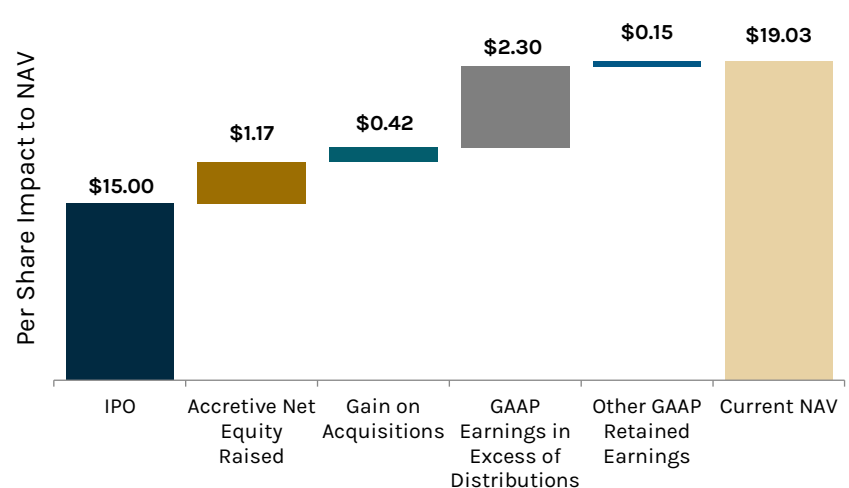
» The growth in ARCC's assets has been accompanied by growth in dividends and net asset value per share



## Dividends

**\$27.10** Paid per share in dividends since IPO over 17+ years

## NAV Per Share Has Scaled With the Balance Sheet



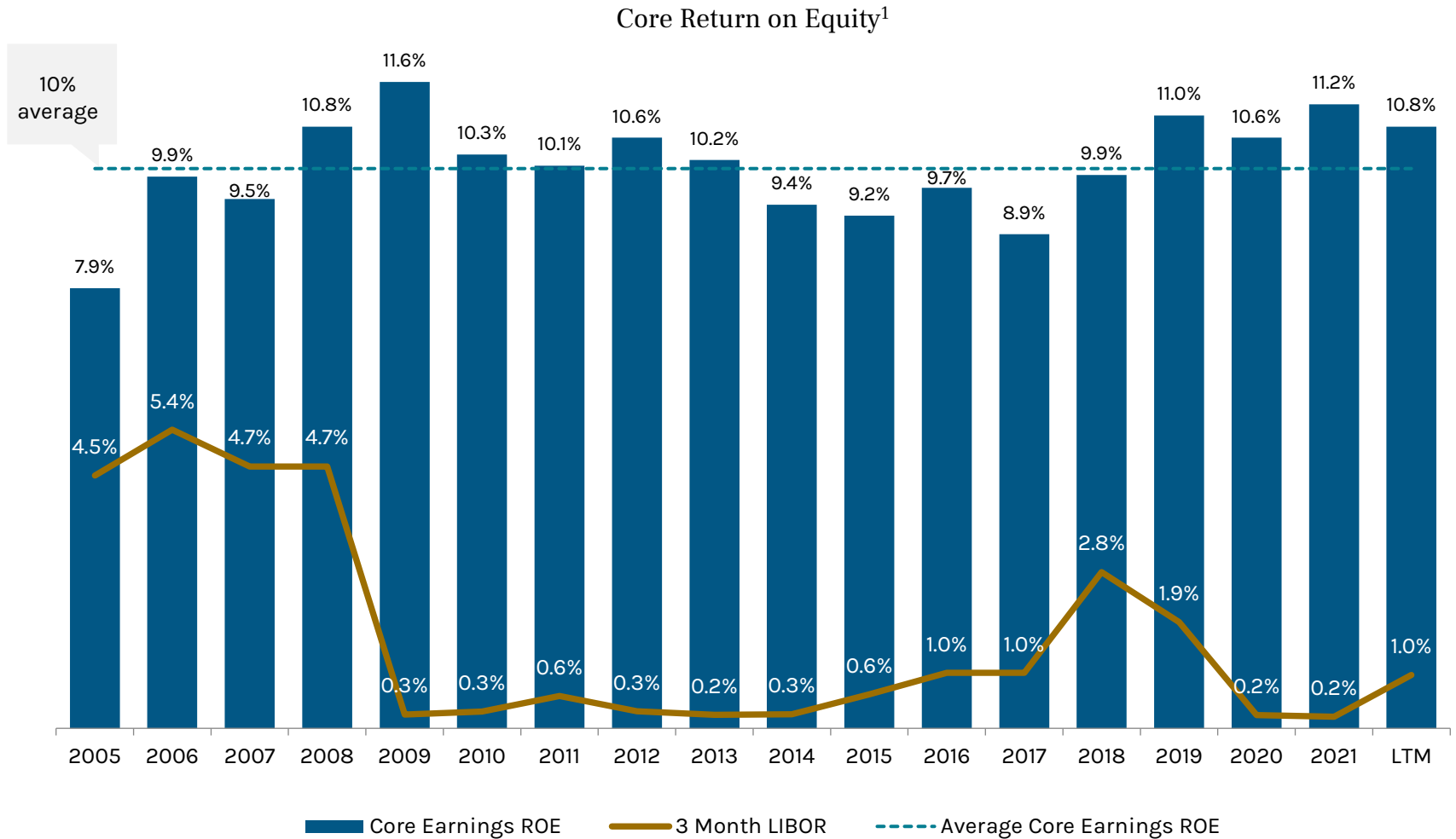
Note: As of March 31, 2022, unless otherwise stated. Past performance is not indicative of future results.

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# We Have Consistently Generated Strong ROEs Since Inception

» ARCC's Core ROE has reached or exceeded ~9% in each of the past 16 years, averaging ~10% since inception<sup>1</sup> and has trended up during Fed tightening cycles



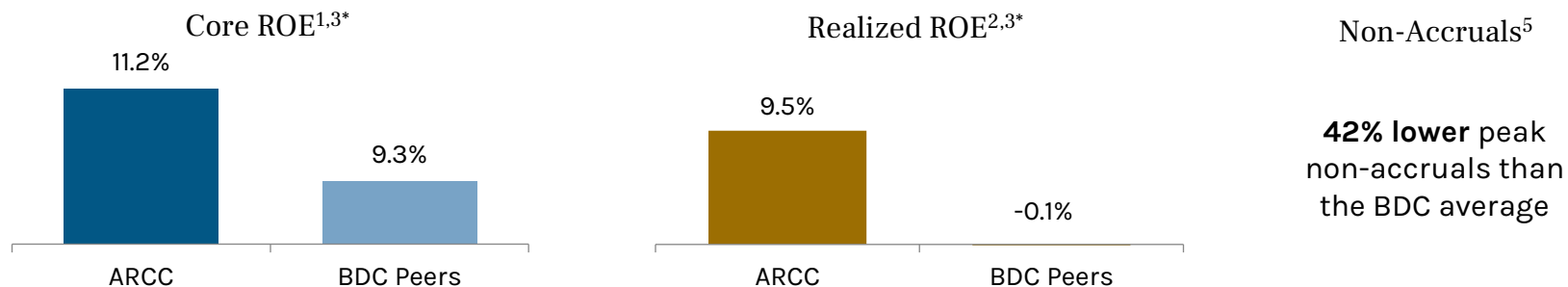
Note: All data as of March 31, 2022. There can be no assurance that dividends will continue to be paid at historic levels or at all. Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

1. Net Operating ROE: Net Operating Income (or Core Earnings) to average shareholders equity, annualized over the given period.

# Strong Financial Results Through Two Global Crises

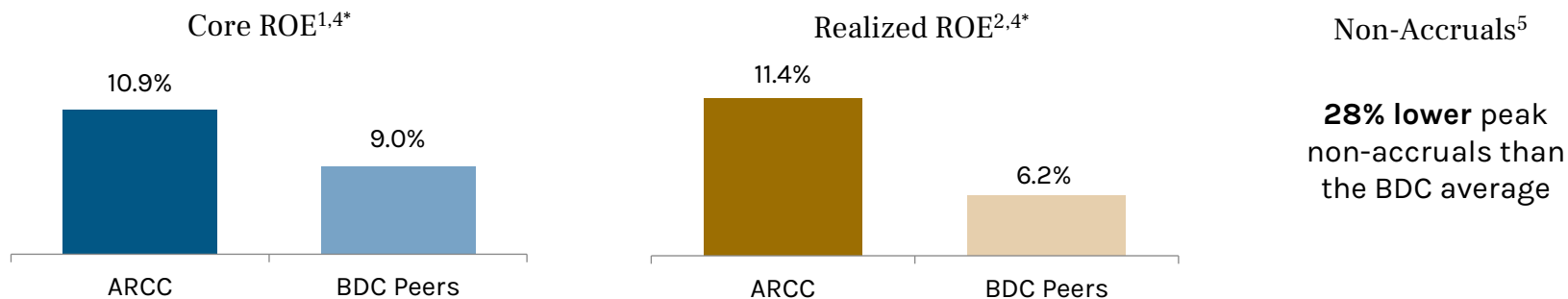
» We have demonstrated our resilience through two major global crises, further enhancing our positioning coming out of each period of volatility

## Performance During the GFC (2008 - 2009)



Navigated through GFC, which led to a transformational transaction that solidified ARCC's market leadership

## Performance During the COVID-19 Pandemic (2020 - 2021)



Reached record NAV, repurchased \$100 million in stock, and invested actively but defensively through depths of pandemic without having to issue expensive capital to meet liquidity needs

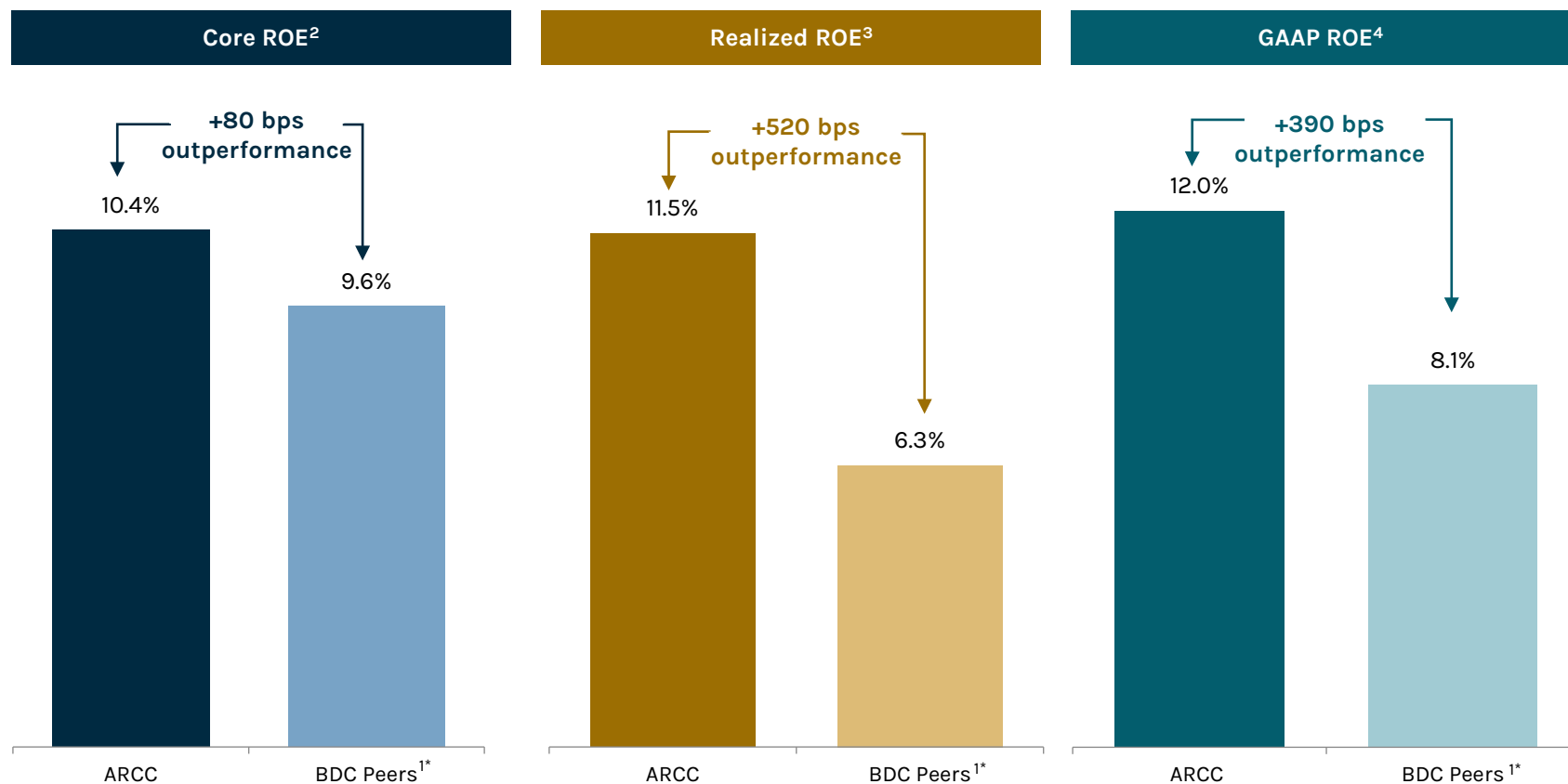
As of December 31, 2021, unless otherwise stated. Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

\* BDC GFC peers include mid market focused BDCs that were publicly traded for at least one year as of December 31, 2007. For the 2020-2021 timeframe, BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021, excluding senior floating rate funds.

# Our Advantages Have Driven Strong Financial Performance

» ARCC has demonstrated an ability to generate returns on equity above other BDCs over time

5 Year Annualized Return on Equity of Peer BDCs<sup>1\*</sup>



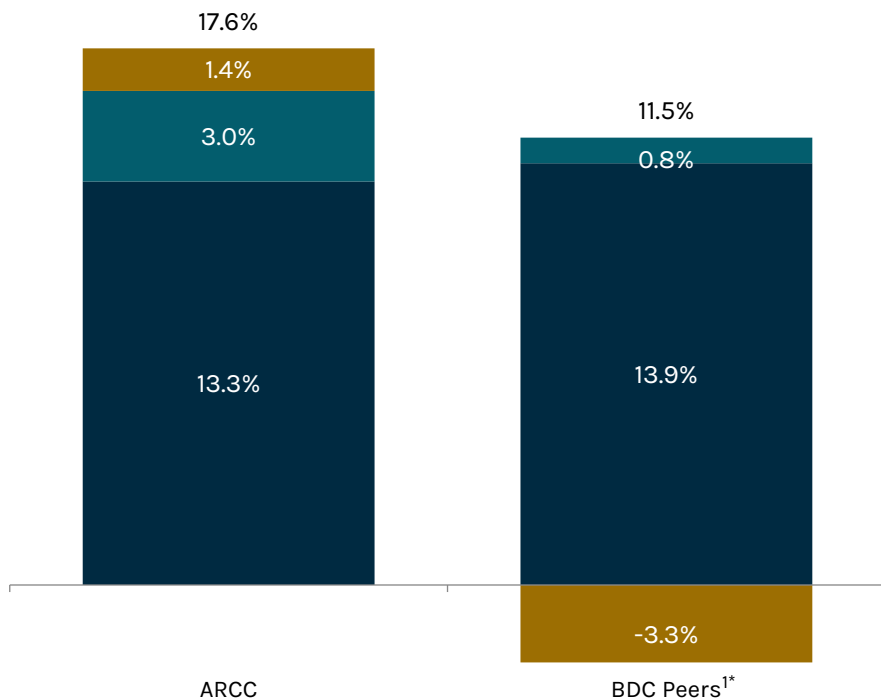
As of December 31, 2021, unless otherwise stated. Note: Past performance is not indicative of future results. **Please refer to Endnotes for additional important information.**

\* Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds. Must be publicly traded for the relevant time period (5 years), as of December 31, 2021.

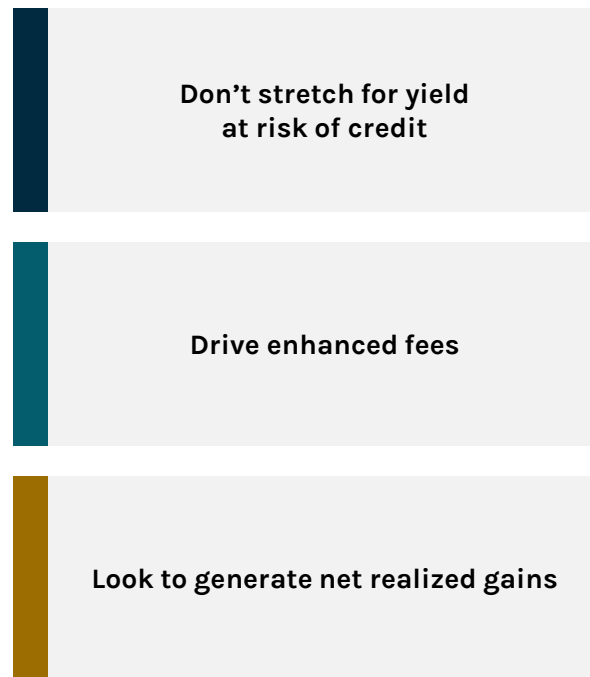
# We Have Generated a 600 bp Income Premium on Equity to Peers

» ARCC has generated significant income and net realized gains in excess of BDC peers

Sources of Income to Average Equity Over 5 Years<sup>1</sup>



Alpha-Generating Approach



■ Net Spread Income<sup>2</sup>  
 ■ Fees & Other Income<sup>3</sup>  
 ■ Net Realized Gains/(Losses)<sup>4</sup>

As of December 31, 2021, unless otherwise stated. Note: Past performance is not indicative of future results. Numbers may not foot due to rounding. Please refer to Endnotes for additional important information.

<sup>1</sup>Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds.

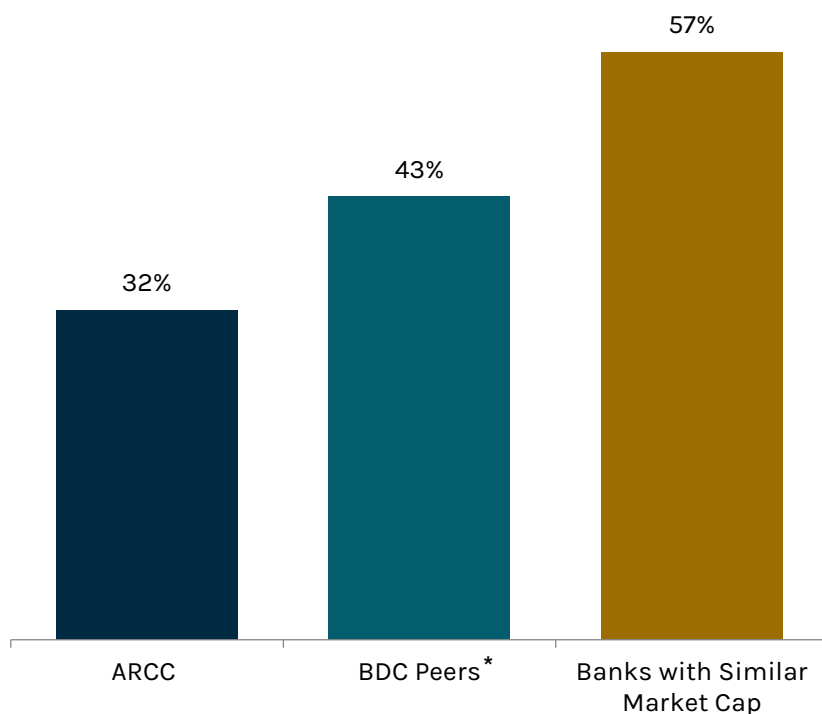
# We Operate with Significant Expense Efficiency

» ARCC's expenses relative to income are lower than BDC peers and banks of similar market cap

## Expense Efficiency vs. BDC Peers vs. Banks of Similar Market Cap <sup>1,2,3\*</sup>

### 5 Year Average

Non-Interest Expense to Bank Revenues Net of Provision and  
BDC Net Investment Income Plus Net Realized Gains<sup>1,2,3</sup>



ARCC's expense efficiency is **1,100 bps**  
better than **BDC peers**<sup>1,3\*</sup>

ARCC's expense efficiency is **2,500 bps**  
better than **comparable banks**<sup>2,3</sup>

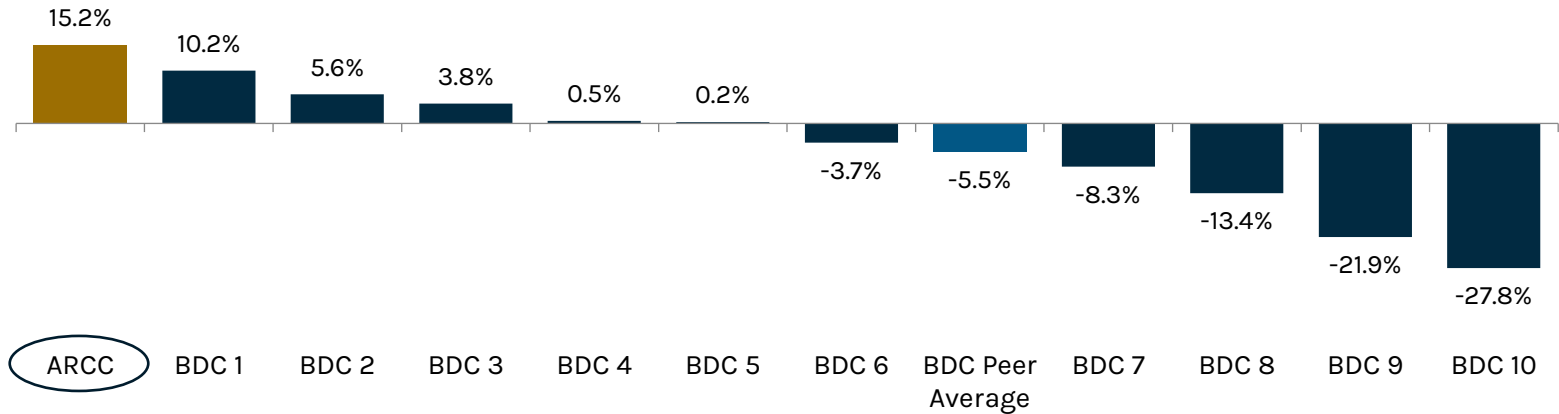
Note: Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

\*Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds.

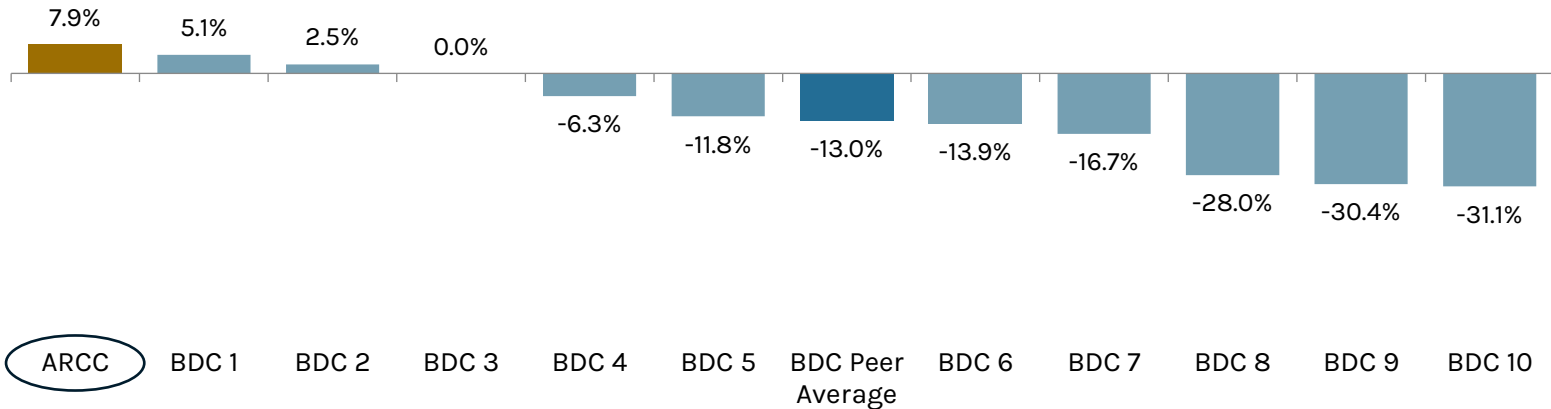
# Highest NAV & Dividend Growth Among BDC Peers\*

» ARCC has delivered the highest NAV per share and base dividend per share growth over the last 5 and 10 years<sup>1</sup>

5-Year NAV Per Share Growth<sup>1</sup>



5-Year Regular or Base Dividend Per Share Growth<sup>1</sup>



Past performance is not indicative of future results. Please refer to Endnotes for additional important information.

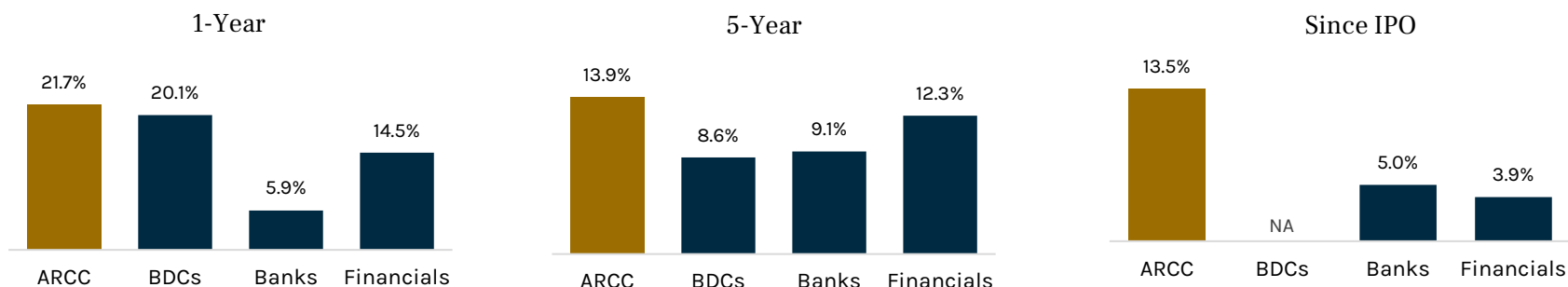
\* Comparable BDCs include externally managed peers with a market cap of over \$700 million as of December 31, 2021.



# Strong Fundamental Performance Has Driven Higher Stock Returns

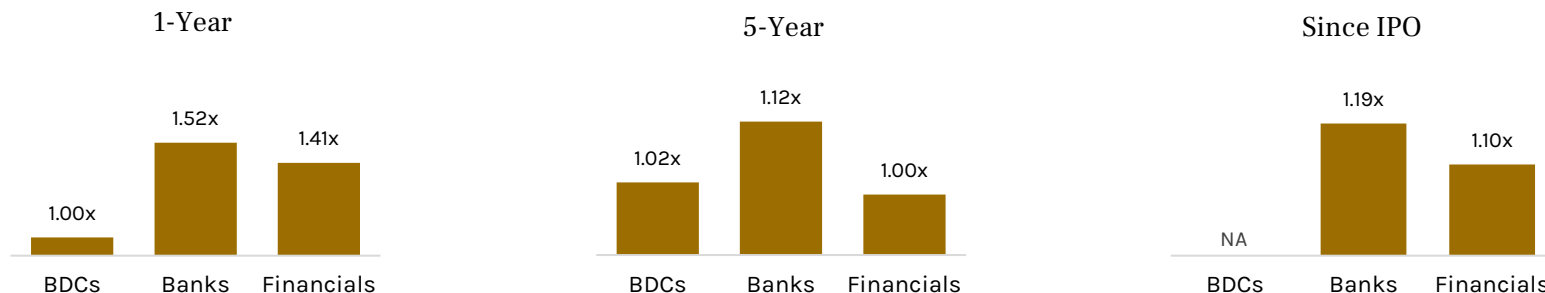
» ARCC stock has generated higher performance with equal or lower volatility vs financial indices over multiple time periods

ARCC Total Return vs. Financial Indices<sup>1</sup>



Volatility of Financial Indices Relative to ARCC<sup>2</sup>

*(Beta > 1.00x indicates more volatility than ARCC)*

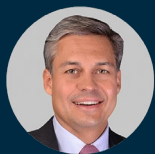


Note: Past performance not indicative of future results.

1. BDCs are represented by the VanEck BDC Income ETF (BIZD), Banks are represented by the KBW Bank Index (BKX), Financials are represented by the Financial Select Sector SPDR Fund (XLF). All data is as of March 31, 2022. Returns calculated by Bloomberg.
2. Relative volatility is measured by calculating the Beta of ARCC, BIZD, BKX and XLF relative to the S&P 500 over each time period then calculating the Beta of BIZD, BKX and XLF relative to the Beta of ARCC.

A wide-angle, nighttime photograph of a city skyline, likely New York City, with numerous skyscrapers illuminated against a dark sky. The Empire State Building is prominent in the center. The water of a harbor is visible in the distance.

## Conclusion & Forward Outlook



**Kipp deVeer**  
Director and CEO of ARCC,  
Partner and Head of Ares  
Credit Group

# Concluding Remarks

Our market is expanding as more companies are seeking scaled private capital solutions like those offered by ARCC

Over the past 17+ years, we have built a business with a unique set of true competitive advantages

Our strategy and tenured team has been cycle tested with a demonstrated track record

We strive to make a positive impact on the communities we serve

We expect to continue delivering leading performance for all stakeholders

As of March 31, 2022. Diversification does not assure profit or protect against market losses. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.

A wide-angle, nighttime photograph of the New York City skyline. The sky is a mix of orange and blue, suggesting sunset or sunrise. The Empire State Building is the central focus, brightly lit. Other skyscrapers are visible, some with lights on. The water of the harbor is visible in the distance.

# Index Definitions & Core Earnings Reconciliation

# Index Definitions

Indices are provided for illustrative purposes only and not indicative of any investment. They have not been selected to represent appropriate benchmarks or targets for ARCC. Rather, the indices shown are provided solely to illustrate the performance of well known and widely recognized indices. Any comparisons herein of the investment performance of ARCC to an index are qualified as follows: (i) the volatility of such index will likely be materially different from that of ARCC; (ii) such index will, in many cases, employ different investment guidelines and criteria than ARCC and, therefore, holdings in ARCC will differ significantly from holdings of the securities that comprise such index and ARCC may invest in different asset classes altogether from the illustrative index, which may materially impact the performance of ARCC relative to the index; and (iii) the performance of such index is disclosed solely to allow for comparison on ARCC's performance to that of a well known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from ARCC. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is being made as to the risk profile of any benchmark or index relative to the risk profile of ARCC. There can be no assurance that the future performance of any specific investment, or product will be profitable, equal any corresponding indicated historical performance, or be suitable for a portfolio.

1. **The ICE BofA US High Yield Master II Index ("HOAO")** 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.
2. **The BofA US High Yield Master II Constrained Index ("HUCO")** 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 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.
4. **The Standard & Poor's 500 Index ("S&P 500")** is a market capitalization-weighted index of the 500 largest U.S. publicly traded companies. The S&P 500 is a float-weighted index, meaning company market capitalizations are adjusted by the number of shares available for public trading. The S&P 500 is considered to be a proxy of the U.S. equity market.
5. **The S&P BDC Index** includes leading business development companies that trade on major U.S. exchanges, including ARCC.
6. **The KBW Nasdaq Bank Index ("BKX")** is designed to track the performance of the leading banks and thrifts that are publicly traded in the U.S. The Index includes banking stocks representing the largest U.S. national money centers, regional banks and thrift institutions.
7. **The S&P/LSTA Leveraged Loan Index ("S&P LSTA LLI")** reflect the market-weighted performance of institutional leveraged loans in the U.S. loan market based upon real-time market weightings, spreads and interest payments. Facilities are eligible for inclusion in the index if they are senior secured institutional term loans with a minimum initial spread of 125 and term of one year. They are retired from the index when there is no bid posted on the facility for at least 12 successive weeks or when the loan is repaid.

# Reconciliation of Core Earnings and Core Earnings Per Share

(in millions)	For the years ended										Quarters ended	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q1-21	Q1-22
Core Earnings <sup>1</sup>	\$ 381	\$ 442	\$ 473	\$ 486	\$ 504	\$ 592	\$ 718	\$ 807	\$ 736	\$ 902	\$ 186	\$ 203
Professional fees and other costs related to the American Capital Acquisition <sup>2</sup>	-	-	-	-	(12)	(40)	(3)	-	-	-	-	-
Ares Reimbursement <sup>3</sup>	-	-	-	-	-	-	12	-	-	-	-	-
Net realized and unrealized gains (losses)	159	58	153	(129)	(20)	156	164	(18)	(310)	826	229	13
Incentive fees attributable to net realized and unrealized gains and losses	(32)	(11)	(29)	27	5	(41)	(33)	3	58	(161)	(42)	(2)
Income tax and other expenses related to net realized and unrealized gains and losses	-	-	(6)	(5)	(3)	-	-	1	-	-	-	(3)
<b>GAAP Net Income (Loss)</b>	<b>\$508</b>	<b>\$489</b>	<b>\$591</b>	<b>\$379</b>	<b>\$474</b>	<b>\$667</b>	<b>\$858</b>	<b>\$793</b>	<b>\$484</b>	<b>\$1,567</b>	<b>\$373</b>	<b>\$211</b>

(in millions)	For the 3 months ended				
	3/31/22	12/31/21	9/30/21	6/30/21	3/31/21
Core Earnings <sup>1</sup>	\$ 0.42	\$ 0.58	\$ 0.47	\$ 0.53	\$ 0.43
Net realized and unrealized gains <sup>4</sup>	0.03	0.31	0.33	0.70	0.54
Capital gains incentive fees attributable to net realized and unrealized gains and losses <sup>4</sup>	-	(0.06)	(0.07)	(0.14)	(0.10)
Income tax expense related to net realized gains and losses <sup>4</sup>	(0.01)	-	-	-	-
<b>GAAP net income per share<sup>4,5</sup></b>	<b>\$0.44</b>	<b>\$0.83</b>	<b>\$0.73</b>	<b>\$1.09</b>	<b>\$0.87</b>

1. Core Earnings is a non-GAAP financial measure. Core Earnings is the net increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the American Capital Acquisition, expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Net increase (decrease) in stockholders' equity is the most directly comparable GAAP financial measure. Ares Capital believes that Core Earnings provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.
2. See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for information regarding the American Capital Acquisition.
3. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2021 for information regarding the Ares Reimbursement.
4. Per share amounts and weighted average shares outstanding are basic. The basic weighted average shares outstanding for the three months ended 3/31/21, 6/30/21, 9/30/21, 12/31/21 and 3/31/22 were approximately 429 million, 440 million, 453 million, 463 million and 479 million, respectively.
5. In the first quarter of 2022, Ares Capital adopted Accounting Standards Update (ASU) 2020-06, "Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"), which requires the use of the if-converted method when calculating the dilutive impact of outstanding convertible notes on diluted earnings per share. As a result, Ares Capital's diluted GAAP net income per share for the three months ended March 31, 2022 was \$0.43. The weighted average shares outstanding for purpose of calculating the diluted GAAP net income per share for the three months ended March 31, 2022 was approximately 500 million shares, which includes approximately 21 million shares related to the assumed conversion of outstanding convertible notes. Under the allowed modified retrospective method, diluted GAAP net income per share for the prior periods were not restated to reflect the impact of ASU 2020-06. As such, diluted GAAP net income per share amounts for the prior periods are the same as the basic GAAP net income per share amounts.

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are on, and the buildings are silhouetted against the sky. The water of a bay or river is visible in the distance.

# Endnotes

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, illuminated with white lights.

# Endnotes

Welcome & Agenda



# Endnotes

## Key Accomplishments Since 2019 Investor Day

1. For the period Q1-19 to Q1-22.
2. Represents LTM Core EPS as of Q1-22. Core EPS is a non-GAAP financial measure. Core EPS is the net increase (decrease) in stockholders' equity resulting from operations less net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses, and any income taxes related to such net realized gains and losses, divided by the basic weighted average shares outstanding for the relevant period. Basic GAAP net income (loss) per share is the most directly comparable GAAP financial measure. Ares Capital believes that Core EPS provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. Reconciliations of Core EPS to the most directly comparable GAAP financial measure are set forth on the Reconciliation of Core EPS page included within the Endnotes.
3. There can be no assurance that dividends will continue to be paid at historic levels or at all.
4. Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management as of December 31, 2021. BDC peer data as of December 31, 2021 as not all BDC peers have filed March 31, 2022 financial results as of April 29, 2022.
5. For the three years ended May 24, 2022. BDCs are represented by the VanEck BDC Income ETF (BIZD). Returns calculated by Bloomberg, assuming dividends are reinvested.

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, and other skyscrapers are visible on either side.

# Endnotes

## ARCC Highlights

# Endnotes

## Leading Business Development Company

1. Peer group consists of APO, BX, CG, KKR, OWL and TPG. For APO, CG and KKR, represents estimated Direct Lending AUM as of 3/31/2022 using most recently reported Direct Lending AUM as a % of total Credit AUM.
2. Ares Direct Lending AUM includes U.S. Direct Lending, European Direct Lending, Asian Special Situations, Asian Secured Lending and APAC Direct Lending.
3. By market capitalization as of March 31, 2022.
4. Source: Bloomberg. Reflects total return from Ares Capital's initial public offering on 10/6/2004 to 3/31/2022. Total return inclusive of dividends.
5. Core Earnings is a non-GAAP financial measure. Core or Net Operating ROE to average shareholders equity, annualized over the given period. Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds. Must be publicly traded for the relevant time period (5 years), as of December 31, 2021. Peers include: AINV, BBDC, BKCC, OCSL, FSK, GBDC, GSB, HTGC, MAIN, NMFC, PNNT, PSEC, SLRC, TCPC and TSLX.

## Market Leadership and Team

1. Reflects years of investing since IPO.
2. Average includes the top 10 largest publicly traded peers by market capitalization as of March 31, 2022. Peers include BXSL, CION, FSK, GBDC, GSB, HTGC, MAIN, ORCC, PSEC and TSLX, unless otherwise stated. BDC peer information sourced from peer filings.
3. Excludes GBDC due to lack of available data.
4. Using data publicly available.
5. Excludes FSK and TSLX due to lack of available data.

## We Believe We Have a Track Record of Strong Investment Performance

1. Includes invested capital from inception on October 8, 2004 through March 31, 2022. Includes investments made through Ares Capital Corporation, the Senior Secured Loan Program and the Senior Direct Lending Program. Excludes syndications within one year of origination, \$1.8 billion of investments acquired from Allied Capital on April 1, 2010 and \$2.5 billion of investments acquired from American Capital on January 3, 2017.
2. Based on original cash invested, net of syndications, of approximately \$37.3 billion and total proceeds from such exited investments of approximately \$48.0 billion from inception on October 8, 2004 through March 31, 2022. Internal rate of return ("IRR") is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these fees and expenses are not allocable to specific investments. The effect of such expenses may reduce, maybe materially, the IRR's shown herein. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of Ares Capital Corporation's debt investment or sale of an investment, or through the determination that no further consideration was collectible and, thus, a loss may have been realized. These IRR results are historical results relating to Ares Capital Corporation's past performance and are not indicative of future results, the achievement of which cannot be assured.
3. Calculated as an average of the historical annual net realized gain/loss rates (where annual net realized gain/loss rate is calculated as the amount of net realized gains/losses for a particular period from Ares Capital IPO in October 2004 to March 31, 2022 divided by the average quarterly investments at amortized cost in such period). Excludes \$196 million one-time gain on the acquisition of Allied Capital Corporation in Q2-10 and gains/losses from extinguishment of debt and other transactions.
4. ARCC as of March 31, 2022. BDC peer group as of December 31, 2021, as not all peers have filed March 31, 2022 financial results as of April 29, 2022. BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021. Peers include: AINV, BBDC, BCSF, BKCC, CGBD, OCSL, ORCC, FSK, GBDC, GSB, HTGC, MAIN, NMFC, PFLT, PNNT, PSEC, SLRC, SUNS, TCPC and TSLX. Net realized gain/(loss) rate calculated as an average of a BDC's historical annual net realized gain/loss rates, where annual net realized gain/loss rate is calculated as the amount of net realized gains/losses for a particular period divided by the average quarterly investments at amortized cost in such period.

# Endnotes

## **Strong Investment and Stock Performance**

1. Inception NAV represents \$15.00 IPO price.
2. Includes special dividends.
3. Core Earnings is a non-GAAP financial measure. ROE from Core Earnings represents Core Earnings divided by average equity, annualized over the given period. Realized ROE represents Core Earnings plus net realized gains/(losses) divided by average equity, annualized over the given period. GAAP ROE represents Net Income to average equity, annualized over the given period. Core Earnings is the net increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the American Capital Acquisition, expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Net increase (decrease) in stockholders' equity is the most directly comparable GAAP financial measure. Ares Capital believes that Core Earnings provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for information regarding the American Capital Acquisition. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2020 for information regarding the Ares Reimbursement.
4. Reflects total returns from Ares Capital's initial public offering on 10/6/2004 to 3/31/2022. Total return inclusive of dividends.

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, illuminated with white lights.

# Endnotes

Ares Overview and Power of the Platform

# Endnotes

## Leading Footprint vs. Alternative Investment Peers

1. Peer group consists of APO, BX, CG, KKR, OWL and TPG unless otherwise stated. Comparison metrics compiled based on Ares subjective opinion as to what is our top competitors. The above does not represent the entire competitive universe. Source: Public filings.
2. For APO, CG and KKR, represents estimated Direct Lending AUM as of 3/31/2022 using most recently reported Direct Lending AUM as a % of total Credit AUM.
3. Average excludes BX as it does not report investment professionals metric. KKR, APO and CG investment professionals are reported in its 10-K and are as of December 31, 2021.
4. ARES offices include Jakarta, Mumbai and New Delhi offices that are operated by third parties with whom Ares SSG maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments. Includes all domestic offices regardless of size.
5. Ares Direct Lending AUM includes U.S. Direct Lending, European Direct Lending, Asian Special Situations, Asian Secured Lending and APAC Direct Lending.

## Three Leading Credit Strategies

1. Private Debt Investor awarded Ares Management “Global Fundraising of the Year” for 2021.
2. Private Equity International selected Ares Management as Lender of the Year in both North America and Europe – 2021. Awards based on an industry wide global survey across 77 categories conducted by Private Equity International. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category. Private Debt Investor Ares SSG for Fundraising of the Year and Senior Lender of the Year in Asia-Pacific. Awards based on an industry wide global survey across 47 categories conducted by Private Debt Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
3. Ares Direct Lending AUM as of March 31, 2022. Includes U.S. Direct Lending and European Direct Lending.
4. Source: eVestment Alliance, LLC and its affiliated entities (collectively, “eVestment”) collect information directly from investment management firms and other sources believed to be reliable, however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Data sourced from eVestment is available through a paid subscription with Ares. Performance results may be provided with additional disclosures available on eVestment’s systems and other important considerations such as fees that may be applicable. Not for general distribution and limited distribution may only be made pursuant to client’s agreement terms. All categories not necessarily included, Totals may not equal 100%. Copyright 2012-2018 eVestment Alliance, LLC. Past performance is not indicative of future results. The performance, awards/ratings noted herein relate only to selected funds/strategies and may not be representative of any given client’s experience and should not be viewed as indicative of Ares’ past performance or its funds’ future performance. Gross returns do not reflect the deduction of management fees or other expenses.
  - Rankings for Ares U.S. Bank Loans are relative to the U.S. Floating-Rate Bank Loan Fixed Income universe. The Ares Institutional Loan Fund was inceptioned on December 12, 2008. Performance data is from December 31, 2008 through March 31, 2022. For total return, on a 1 year, 3 year, 5 year, 7 year, 10 year and since inception basis, Ares Institutional Loan Fund ranked in the 42nd, 9th, 11th, 24th, 28th, and 47th, percentile, respectively, in the eVestment U.S. Floating-Rate Bank Loan Fixed Income Universe. For Sharpe Ratio, on a 1 year, 3 year, 5 year, 7 year, 10 year and since inception basis, the Ares Institutional Loan Fund ranked in the 48th, 14th, 17th, 28th, 34th and 20th percentile, respectively, in the eVestment U.S. Floating-Rate Bank Loan Fixed Income Universe.
  - Rankings for Ares U.S. High Yield Bonds are relative to the eVestment U.S. High Yield Fixed Income Universe. The Ares US High Yield Composite was inceptioned May 2007. Performance data is from May 31, 2007 through March 31, 2022. Rankings for Ares U.S. High Yield Composite are relative to the eVestment U.S. High Yield Fixed Income Universe. For total returns, on a 1 year, 3 year, 5 year, 7 year, 10 year and since inception basis, the Ares US High Yield Strategy ranked in the 54th, 21st, 18th, 29th, 40th, and 16th percentile, respectively, in the eVestment U.S. High Yield Fixed Income Universe. For Sharpe Ratio, on a 1 year, 3 year, 5 year, 7 year, 10 year and since inception basis, the Ares US High Yield Strategy ranked in the 54th, 27th, 22nd, 37th, 43rd, and 17th percentile, respectively, in the eVestment U.S. High Yield Fixed Income Universe.
5. CreditFlux Global CLO Manager Rankings. Data as of December 31, 2021. Ares is ranked 5 out of 167 total managers in the universe. CLO manager ranking by principal liabilities (debt + equity). The performance, awards / rankings noted herein relate only to selected funds / strategies and may not be representative of any given client’s experience and should not be viewed as indicative of Ares’ past performance or its funds’ future performance. All investments involve risk, including loss of principal.
6. Lipper Rankings reported in Lipper Marketplace Best Money Managers, December 31, 2021. Lipper Marketplace is the source of the long-only and multi-strategy credit rankings. Lipper’s Best Money Managers rankings consider only those funds that meet the following qualification: performance must be calculated “net” of all fees and commissions; must include cash; performance must be calculated in U.S. dollars; asset base must be at least \$10 million in size for “traditional” U.S. asset classes (equity, fixed income, and balanced accounts); and, the classification of the product must fall into one of the categories which they rank. Lipper defines Short Duration as 1-5 years. Lipper’s Active Duration definition does not specify a time period but rather refers to an Active rather than Passive strategy. Ares Institutional Loan Fund was ranked 6 out of 39 for the 40 quarters ended December 31, 2021. Composites for Ares U.S. Bank Loan Aggregate and Ares U.S. High Yield additionally received rankings of 5 of 39 and 3 of 29, respectively, for the 40 quarters ended December 31, 2021.

# Endnotes

## Three Leading Credit Strategies (continued)

7. Please see below

- Past performance is not indicative of future results. Please see the below performance disclosures for important information about the results shown herein. The investments reflected herein are intended to be illustrative, and are not intended to be used as an indication of current or future performance of any Ares fund, or investment. Further, reference to these particular investments is not necessarily indicative that any Ares fund will offer or hold any or all of the investments. The opportunity to invest in future Ares funds or investments on an ongoing basis is not guaranteed, and will be made by means of definitive offering memoranda, which will be furnished to qualified investors at their request.
- The Total Alternative Credit track record shown includes the following:
  - all CLO investments in commingled funds and separately managed accounts executed by investment professionals within Ares Credit Group for the period January 1, 2012 to December 31, 2021;
  - all FINCO debt investments in Ares Capital Corporation executed by investment professionals within Ares Credit Group for the period from January 1, 2012 to December 31, 2021;
  - all directly-originated Alternative Credit investments in commingled funds and separately managed accounts executed by investment professionals within Ares Credit Group;
  - all rated private ABS investments in commingled funds and separately managed accounts executed by investment professionals within Ares Credit Group;
  - all REDS investments in commingled funds and separately managed accounts executed by investment professionals within Ares Credit Group for the period January 1, 2018 to December 31, 2021; and, all K-Series investments in separately managed accounts executed by investment professionals within Ares Real Estate Group.
- The Liquid Alternative Credit Subset reflects all non-opportunistic Alternative Credit investments. The Illiquid Alternative Credit Subset reflects all opportunistic Alternative Credit investments.
- The pro forma performance results shown have been compiled by Ares from actual realized and unrealized investments that were not collectively part of an actual portfolio. However, these results are based on a grouping of assets that are representative of each respective Alternative Credit strategy. Pro forma performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve profits or losses similar to those shown. Had a fund focused on the assets represented by this performance actually existed, Ares may not have made the same investment decisions. Given Ares did not offer an investment vehicle that held all of the assets included in the pro forma track record, an investor was not able to invest in these assets as presented. There are factors related to the markets in general, or to the implementation of any specific portfolio strategy, which cannot be fully accounted for in the preparation of pro forma portfolio performance, all of which can adversely affect actual portfolio results. Returns of unrealized investments herein are based in part on unrealized valuations and the actual realized returns of such unrealized investments may differ materially from the returns indicated herein. The performance information summarized herein has not been audited. Past performance is not indicative of future results. No individual investor has received the investment performance indicated by the pro forma returns presented herein. Certain assumptions, not all of which are described herein, have been made to calculate pro forma returns and the use of different assumptions could produce materially different results.
- Represents the asset-level Internal Rate of Return (IRR) of selected investments. IRR is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. IRRs are de-annualized for investments with a holding period of less than one year. Gross asset-level IRR is gross of management and other expenses related to investments as these expenses are not allocable to specific investments and differ among funds. Gross asset-level performance does not reflect the effect of management fees, carried interest or other expenses, which in the aggregate may be substantial. The net IRR reflects the deduction of hypothetical management fees, incentive fees, and operating and administrative expenses from the gross IRR. For the illiquid track record, we assumed management fees of 1.25% per annum, administrative expenses of 0.12% per annum, and one time organizational expense of 0.175%. For the incentive fee estimate, we assumed a straight-line 20% deduction against the net return before incentive fees once a 6% hurdle was cleared. For the liquid track record, we assumed a management fee of 0.50% per annum, administrative expenses of 0.02% per annum, and one time organizational expense of 0.03%. The effects of actual management fees, performance fees, and other expenses may differ, maybe materially, from the effects of expenses estimated herein. Investments are considered to be realized when the original investment objective has been achieved through the receipt of cash upon the sale of an investment. Past performance is not indicative of future results, the achievement of which cannot be assured.
- MOIC represents Multiple on Invested Capital. Asset-level MOIC is gross of management and other expenses related to investments as these expenses are not allocable to specific investments and differ among funds. The effect of such management and other expenses may reduce, maybe materially, the multiples show herein. Investments are considered to be realized when the original investment objective has been achieved through the receipt of cash upon the sale of an investment.
- Loss rate represents total net losses on all realized investments divided by total invested capital.

# Endnotes

## Leading Global Direct Lending Platform

1. As of March 31, 2022, U.S. Direct Lending and Total Direct Lending AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and a registered investment adviser. SSG Direct Lending AUM includes Asian Special Situations, Asian Secured Lending and APAC Direct Lending.
2. As of December 31, 2021 and includes First Lien investments (excluding syndication and other fees or income and includes all realized First Lien investments 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 and 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 and from separately managed accounts and other funds (SDL I, SDL II, APCS I and APCS II)) and U.S. Direct Lending Junior Debt investments (includes all second lien, mezzanine, and other private high yield debt investments 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 and the remaining from separately managed accounts and other funds (SDL I, SDL II, APCS I and APCS II). EDL transactions defined as all investments made by the Ares European Direct Lending Team in its commingled middle market direct lending funds (ACE I, ACE II, ACE III, ACE IV, and ACE V) since inception in July 2007, including all Separately Managed Accounts ("SMAs") managed with in the European Direct Lending strategy. Includes the Ares portion of the ESSLP, a joint venture between Ares and GE Commercial Bank SAS ("GECFB"), which was in operation between 2012-2018 and is now fully realized. Ares SSG transactions is as of December 31, 2021 and includes Ares SSG Special Situations funds and Secured Lending funds. U.S. invested capital includes capital deployed by ARCC, the Senior Secured Loan Program ("SSLP"), the Senior Direct Lending Program.
3. U.S. invested capital shown as of December 31, 2021. Includes capital deployed by ARCC, the Senior Secured Loan Program ("SSLP"), the Senior Direct Lending Program ("SLDP"), commingled funds (SDL I, SDL II, APCS I and APCS II) and SMAs. For investments made through the SSLP and the SDLP, invested capital represents the total facility amount funded by the SSLP and the SDLP. Excludes capital deployed by Ares Commercial Finance and Ivy Hill Asset Management. Excludes \$1.8 billion of assets acquired as part of ARCC's acquisition of Allied Capital Corporation on April 1, 2010. Excludes \$2.5 billion of assets acquired as part of ARCC's acquisition of American Capital on January 3, 2017. Invested capital represents the book value of investments net of OID and syndications within one year of investment closing and excludes warrants, CLO investments, LP/vehicles and investments inherited from portfolio acquisitions. For investments made through the SSLP, invested capital represents the total facility amount funded by the SSLP. For European Direct Lending investments, invested capital as of December 31, 2021 and all currencies are being converted to USD at the December 31, 2021 spot rate.
4. Total proceeds represents total cash proceeds received from exited debt investments as of December 31, 2021. For realized investments, this includes interest, principal proceeds, fees and related expenses.
5. The loss rate shown is pro forma and has been compiled by Ares. Pro forma 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. For unrealized investments includes interest, principal proceeds, fees and related expenses received to-date, as well as the fair market value of the security as determined by management in accordance with U.S. generally accepted accounting principles. 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.
6. The loss rate shown is pro forma and has been compiled by Ares. Pro forma 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. EDL Gross loss rate is calculated as the annualized realized losses since inception divided by invested capital. Realized losses are defined as amounts written off resulting from "debt for equity" restructurings and / or charge offs. EDL is defined as all investments made by the Ares European Direct Lending Team in its commingled middle market direct lending funds (ACE I, ACE II, ACE III, ACE IV and ACE V) since inception in July 2007, including all Separately Managed Accounts ("SMAs") managed within the European Direct Lending strategy. This includes the Ares portion of the ESSLP, a joint venture between Ares and GE Commercial Bank SAS ("GECFB"), which was in operation between 2012-2018 and is now fully realized. Reflects funded capital from inception to December 31, 2021.
7. The loss rate shown is pro forma and has been compiled by Ares. Pro forma 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 investments held below cost as of December 31, 2021, divided by numbers of years since inception.

## Ares Leadership in Global Direct Lending

1. Data reflects Ares' estimates. Information based on most recently available public information as of March 31, 2021. Peers include Alcentra, Antares, Apollo, Arcmont, Ardian, Bain Capital, Benefit Street Partners, Blackstone, Cerberus, Crescent. Golub, Guggenheim, Hayfin, ICG, KKR, HPS, NXT Capital, Blue Owl, Sixth Street Partners.



A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center.

# Endnotes

## Market Overview & Outlook

# Endnotes

## Key Market Considerations

1. Size of the U.S. Direct Lending Addressable Market detailed below:

- Based on Ares' own data calculations using information from Refinitiv, S&P Global Market Intelligence and Ares' own observations. Addressable market based on the Q1-22 LTM deal volume and a 2.5 year life assumption.

**\*Reported Middle Market Loan Volume:** Represents reported middle market loan volume per Refinitiv middle market reported deals and S&P Global Market Intelligence reported deals (less than \$750 million tranche size in LTM Q1-22), excluding duplicates between the two sources (assumed to be 10% based on Ares' observations).

**\*\*Ares Loan Volume Reviewed:** Represents estimated loan volume reviewed by Ares U.S. Direct Lending platform based on the following information and assumptions: (a) the total volume reviewed by Ares' U.S. Direct Lending platform equals the product of the number of transactions in the pipeline for a given period, the average EBITDA of transactions in the pipeline for the given period, and the average senior debt to EBITDA of middle market transactions based on Ares view of the market per Refinitiv and S&P LCD for the given period and (b) the amount calculated in (a) above has been adjusted to exclude transaction volume also reported to S&P Global and Refinitiv (assumed to be 25% based on Ares' observations) and transaction volume that was not closed either by Ares or the broader market (assumed to be 10% base on Ares' observations).

\$ in billions	LTM Q1-22
Reported Middle Market Loan Volume*	\$320
Ares Loan Volume Reviewed**	\$339
Estimated Middle Market Loan Volume	\$660
Average Life of Middle Market Loans (Years)	x 2.5
Est. Middle Market Loans Outstanding	\$1,649

## Structural Considerations Underpinning Direct Lending Growth

- Source: The World Bank: World Federation of Exchanges Database. Most recent data for number of public companies is as of 2019.
- Source: Wishire.com. In January 2000, the Wilshire 5000 index of 5,000 U.S. capitalization weighted equity securities contained 7,200 stocks with a total market capitalization of \$13 trillion or an average company market cap of \$1.8 billion. As of March 31, 2022, the Wilshire 5000 contained 3,660 stocks with a total market capitalization of \$48.7 trillion or an average company market cap of \$13.3 billion.
- The ICE BofA US High Yield Master II Constrained Index as of March 31, 2022. This index 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. ICE 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.
- Preqin as of September 30, 2021. Private Equity AUM excludes venture capital, hybrid and fund of funds.
- Source: Preqin and Bloomberg. Private Equity (excluding venture capital, hybrid and fund of funds) Net Asset Value defined as AUM less dry powder. Global Public Equities based on the growth in the Bloomberg World Exchange Market Capitalization Index from 12/31/2004 to 9/30/2021.
- Source: National Center for the Middle Market as of December 31, 2021.

# Endnotes

## Convergence of the Direct Lending and Leveraged Loans Markets

1. Based on Ares' own data calculations using information from Refinitiv, S&P Global Market Intelligence and Ares' own observations. Addressable market based on the Q1-22 LTM deal volume and a 2.5 year life assumption.

\***Reported Middle Market Loan Volume:** Represents reported middle market loan volume per Refinitiv middle market reported deals and S&P Global Market Intelligence reported deals (less than \$750 million tranche size in LTM Q1-22), excluding duplicates between the two sources (assumed to be 10% based on Ares' observations).

\*\***Ares Loan Volume Reviewed:** Represents estimated loan volume reviewed by Ares U.S. Direct Lending platform based on the following information and assumptions: (a) the total volume reviewed by Ares' U.S. Direct Lending platform equals the product of the number of transactions in the pipeline for a given period, the average EBITDA of transactions in the pipeline for the given period, and the average senior debt to EBITDA of middle market transactions based on Ares view of the market per Refinitiv and S&P LCD for the given period and (b) the amount calculated in (a) above has been adjusted to exclude transaction volume also reported to S&P Global and Refinitiv (assumed to be 25% based on Ares' observations) and transaction volume that was not closed either by Ares or the broader market (assumed to be 10% base on Ares' observations).

\$ in billions	LTM Q1-22
Reported Middle Market Loan Volume*	\$320
Ares Loan Volume Reviewed**	\$339
Estimated Middle Market Loan Volume	\$660
Average Life of Middle Market Loans (Years)	x 2.5
Est. Middle Market Loans Outstanding	\$1,649

2. Market Size for U.S. liquid credit markets represented by the ICE BofA U.S. High Yield Constrained Index and Credit Suisse Leveraged Loan Index. As of March 31, 2022.

## We Believe The Expanding Market is Opening a Whole New Frontier for Us

1. EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
2. Measured for each annual period. Calculated as the number of deals reviewed multiplied by the average EBITDA of all deals reviewed, multiplied by an assumed leverage level of 5.0x-5.5x

## Direct Lending Has Attractive Returns Relative to the Liquid Markets

1. The weighted average yield on debt and other income producing securities is computed as (a) annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount or premium earned on accruing debt and other income producing securities (including the annualized amount of the dividend received by Ares Capital related to its equity investment in IHAM during the most recent quarter end), divided by (b) total accruing debt and other income producing securities at amortized cost or at fair value (including the amortized cost or fair value of Ares Capital's equity investment in IHAM as applicable), as applicable.
2. Reflects annual current yield of the ICE BofA US High Yield Constrained (HUCO) index.
3. Reflects annual current yield of first lien assets in the Credit Suisse Leveraged Loan Index.

# Endnotes

## **BDCs Have Delivered Higher Returns with Less Volatility**

1. Returns are calculated as annualized average returns of dividends paid plus changes in net asset value over the time periods represented.
2. BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021. Peers include: AINV, BBDC, BCSF, BKCC, CGBD, FSK, GBDC, GSB, HTGC, MAIN, NMFC, OCSL, ORCC, PFLT, PNNT, PSEC, SLRC, SUNS, TCPC and TSLX. Of this group, the following companies have been public for at least 3 years as of December 31, 2021: AINV, BBDC, BCSF, BKCC, CGBD, FSK, GBDC, GSB, HTGC, MAIN, NMFC, OCSI, OCSL, PFLT, PNNT, PSEC, SLRC, SUNS, TCPC and TSLX. The following companies have been public for at least 5 years as of December 31, 2021: AINV, BBDC, BKCC, FSK, GBDC, GSB, HTGC, MAIN, NMFC, OCSI, OCSL, PFLT, PNNT, PSEC, SLRC, SUNS, TCPC, and TSLX. The following companies have been public for at least 10 years as of December 31, 2021: AINV, OCSL, MAIN, PSEC, GBDC, HTGC, NMFC, BKCC, PNNT, SLRC, BBDC, PFLT, and SUNS. The High Yield Index represents the ICE BofA High Yield Master II Index (“H0A0”) and the Loan Index represents the S&P/LSTA U.S. Leveraged Loan Index (“SPLLI”). Data is presented as of December 31, 2021.

## **BDCs Have Performed Well During Most Recent Rate Cycles**

1. Includes BDCs that were publicly traded from 2003 – 2006: ACAS, ALD, ARCC, AINV, MCGC. AINV and ARCC ( which IPO'ed in 2004). Data in 2003 is estimated using the average growth rate in originations from 2003-2004 for ACAS, ALD and MCGC to adjust for the addition of AINV and ARCC to the dataset in 2004.
2. Includes BDCs that were publicly traded from 2015 – 2018 and had a market capitalization of \$350 million or greater as December 31, 2018, or who are under common management with a BDC that meets these criteria, excluding senior floating rate funds. This includes: ARCC, AINV, BBDC, BKCC, OCSL, FSK, GBDC, GSB, HTGC, MAIN, NMFC, PNNT, PSEC, SLRC, TCPC and TSLX.
3. Source: Fitch U.S. Leveraged Loan Default Index. Refinitiv LPC. Bloomberg. Middle Market default rates prior to 2008 include BDC year-end non-accruing loan rates for three of the then largest BDCs, American Capital, Ltd, Apollo Investment Corp. and Ares Capital Corp.

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, and other skyscrapers are visible on either side.

# Endnotes

Key Elements to Our Investment Strategy

# Endnotes

## Differentiated Direct Origination Capabilities Through Multiple Channels

1. Based on the percentage of the portfolio at amortized cost as of March 31, 2022. Excludes SDLP and IHAM.
2. During the year ended December 31, 2021.
3. Based on the number of completed non-sponsored transactions in the year ended December 31, 2021 compared to the number of transactions completed during the year ended December 31, 2011.

## Long Tenured and Highly Experienced Investment Team

1. Average includes the top 10 largest peers by market capitalization as of March 31, 2022. Peers include BXSL, CION, FSK, GBDC, GSBD, HTGC, MAIN, ORCC, PSEC and TSLX, unless otherwise stated. BDC peer information sourced from peer filings. Excludes CION, GBDC, MAIN and TSLX due to lack of available data.

## Flexibility of Capital: Diversified Product Offerings

1. At fair value as of March 31, 2022.
2. EBITDA is a non-GAAP financial measure. For a particular company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
3. Represents Ares Capital's portion of co-investments with Varagon Capital Partners and its clients in first lien senior secured loans, including certain loans that the SDLP classifies as "unitranche" loans, to U.S. middle-market companies. As of March 31, 2022, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$4.3 billion in aggregate principal amount and had loans to 19 different borrowers. As of March 31, 2022, the SDLP's largest loan to a single borrower was \$341 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.5 billion in aggregate principal amount. As of March 31, 2022, the total principal amount of loans in the SDLP portfolio that the SDLP classified as "unitranche" loans was \$3.2 billion. The portfolio companies in the SDLP are in industries similar to companies in Ares Capital's portfolio.
4. Includes Ares Capital's equity and subordinated loan investments in IHAM, as applicable.
5. We generally use the term "middle-market" to refer to companies with annual EBITDA between \$10 million and \$250 million. However, we may from time to time invest in larger or smaller companies.

## Incumbency Allows Us to Grow With Our Strongly Performing Portfolio Companies

1. The portfolio weighted average EBITDA and average EBITDA for the underlying borrowers includes information solely in respect of corporate investments in Ares Capital's portfolio and the weighted average total net leverage multiple and interest coverage ratio data includes information solely in respect of corporate portfolio companies in which Ares Capital has a debt investment (in each case, subject to the exclusions described in the following sentence). Excluded from the data above is information in respect of the following: (i) the SDLP (and the underlying borrowers in the SDLP), (ii) portfolio companies that do not report EBITDA, including IHAM, (iii) portfolio companies with negative or de minimis EBITDA, (iv) investment funds/vehicles, (v) discrete projects in the project finance/power generation sector, (vi) certain oil and gas companies, (vii) venture capital backed companies and (viii) commercial real estate finance companies. The portfolio weighted average EBITDA for the underlying borrowers in the SDLP was \$91.9 million as of 3/31/22. The portfolio average EBITDA for the underlying borrowers in the SDLP was \$79.5 million as of 3/31/22.
2. EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
3. Portfolio weighted average interest coverage ratio represents the portfolio company's EBITDA as a multiple of cash interest expense. The weighted average interest coverage ratio for the underlying borrowers in the SDLP was 2.5x as of 3/31/22, which excludes certain portfolio companies with negative or de minimis EBITDA. Weighted average interest coverage ratios are weighted based on the fair value of the portfolio company investments. Portfolio company credit statistics for Ares Capital and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
4. The EBITDA growth rate for each included portfolio company is calculated as the percentage change for the most recently reported fiscal year to date comparable periods and is weighted based on the fair value of the portfolio company investments to calculate the portfolio weighted average EBITDA growth rate. This calculation excludes 48 companies where prior year comparable data was not available. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts used in the calculation are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.

# Endnotes

## Industry Selection Supports High Quality Credit Portfolio

1. At fair value as of March 31, 2022.
2. Represents Ares Capital's portion of co-investments with Varagon Capital Partners and its clients in first lien senior secured loans, including certain loans that the SDLP classifies as "unitranche" loans, to U.S. middle-market companies. As of March 31, 2022, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$4.3 billion in aggregate principal amount and had loans to 19 different borrowers. As of March 31, 2022, the SDLP's largest loan to a single borrower was \$341 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.5 billion in aggregate principal amount. As of March 31, 2022, the total principal amount of loans in the SDLP portfolio that the SDLP classified as "unitranche" loans was \$3.2 billion. The portfolio companies in the SDLP are in industries similar to companies in Ares Capital's portfolio.
3. Greatest defaults in High Yield. Industries as defined by BofA HY Research.
4. For purposes of this analysis, industries defined by BofA HY Research consist of the following industries from ARCC. Gaming: N/A. Utilities: Power Generation. Media: Media. Transportation: Transportation. Energy: Energy. Telecoms: Telecommunication Services. Retail: Retailing and Distribution.
5. For purposes of this analysis, industries defined by BofA HY Research consist of the following industries from the HOAO Index. Gaming: Gaming / Leisure. Utilities: Utility. Media: Broadcasting, Cable / Wireless Video, Diversified Media. Transportation: Aerospace, Land Transportation. Energy: Energy. Telecoms: Telecommunication. Retail: Retail.

## Focus on Defensive, Middle Market Companies

1. The portfolio weighted average EBITDA and average EBITDA for the underlying borrowers includes information solely in respect of corporate investments in Ares Capital's portfolio and the weighted average total net leverage multiple and interest coverage ratio data includes information solely in respect of corporate portfolio companies in which Ares Capital has a debt investment (in each case, subject to the exclusions described in the following sentence). Excluded from the data above is information in respect of the following: (i) the SDLP (and the underlying borrowers in the SDLP), (ii) portfolio companies that do not report EBITDA, including IHAM, (iii) portfolio companies with negative or de minimis EBITDA, (iv) investment funds/vehicles, (v) discrete projects in the project finance/power generation sector, (vi) certain oil and gas companies, (vii) venture capital backed companies and (viii) commercial real estate finance companies.
2. Weighted average EBITDA amounts are weighted based on the fair value of the portfolio company investments. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
3. EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
4. ARCC EBITDA growth is calculated using the LTM EBITDA growth as of the first quarter of each year (2015 - 2022) indexed to 100 as of Q1-14. The LTM weighted average EBITDA growth rate is the most recently reported LTM period versus prior year LTM period. The calculation excludes 48 companies where prior year comparable data was not available. The EBITDA growth rate for each included portfolio company is calculated as the percentage change for the most recently reported fiscal year to date comparable periods and is weighted based on the fair value of the portfolio company investments to calculate the portfolio weighted average EBITDA growth rate. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts used in the calculation are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
5. Source: Bloomberg. The Russell 1000 index EBITDA growth was calculated using the TTM EBITDA (in dollars) of the index in the first quarter of each year (2014 - 2022) and calculating a TTM EBITDA growth rate for each period which is then indexed to 100 as of Q1-14. The Q1-14 to Q1-22 compound annual growth rate is based on the same EBITDA data for ARCC and the Russell 1000 index.

# Endnotes

## ARCC's Portfolio Diversity vs. BDC Peer Averages

1. Source: S&P LCD as of Q3-21. Analysis includes the BDC peer group, which consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021. Peers include: AINV, BBDC, BCSF, BKCC, CGBD, FSK, GBDG, GSBD, HTGC, MAIN, NMFC, OCSL, ORCC, PFLT, PNNT, PSEC, SLRC, SUNS, TCPC and TSLX.
2. Excludes investments in diversified vehicles such as ARCC's Senior Direct Lending Program (SDLP) or Ivy Hill (IHAM) and similar vehicles for peers.
3. Based on S&P LCD industry classifications, which may not match ARCC or other company disclosures.

## Highly Diversified and Predominately Senior Secured Portfolio

1. At fair value as of March 31, 2022.
2. Including First Lien Senior Secured Loans, Second Lien Senior Secured Loans and investments in the subordinated certificates of the Senior Direct Lending Program.
3. Average of the amortized cost divided by total portfolio at amortized cost for each portfolio company.
4. Based on fair value as of March 31, 2022. Excludes IHAM and the subordinated certificates of the Senior Direct Lending Program.
5. Represents Ares Capital's portion of co-investments with Varagon Capital Partners and its clients in first lien senior secured loans, including certain loans that the SDLP classifies as "unitranche" loans, to U.S. middle-market companies. As of March 31, 2022, the Senior Direct Lending Program LLC's (the "SDLP") loan portfolio totaled approximately \$4.3 billion in aggregate principal amount and had loans to 19 different borrowers. As of March 31, 2022, the SDLP's largest loan to a single borrower was \$341 million in aggregate principal amount and the five largest loans to borrowers totaled \$1.5 billion in aggregate principal amount. As of March 31, 2022, the total principal amount of loans in the SDLP portfolio that the SDLP classified as "unitranche" loans was \$3.2 billion. The portfolio companies in the SDLP are in industries similar to companies in Ares Capital's portfolio.
6. Includes Ares Capital's equity and subordinated loan investments in IHAM, as applicable.

## Strong Track Record of Investing in Second Lien & Unsecured Debt Investments

1. Includes invested capital from inception on October 8, 2004 through March 31, 2022. Includes investments made through Ares Capital Corporation, the Senior Secured Loan Program and the Senior Direct Lending Program. Excludes syndications within one year of origination, \$1.8 billion of investments acquired from Allied Capital on April 1, 2010 and \$2.5 billion of investments acquired from American Capital on January 3, 2017.
2. Defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all second lien and subordinated loans. This number includes interest, fees, principal proceeds, and related expenses.
3. Average quarterly non-accrual rate at amortized cost of second lien and unsecured investments as a percentage of total second lien and unsecured investments from 2004 through Q1-22.
4. Source: BofA research - BofA High Yield Default Rates. LTM par-weighted default rates as of year end beginning in 2004 through Q1-22.
5. Based on original cash invested, net of syndications, of approximately \$10.0 billion and total proceeds from such exited investments of approximately \$13.0 billion from inception on October 8, 2004 through March 31, 2022. Internal rate of return ("IRR") is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these fees and expenses are not allocable to specific investments. The effect of such expenses may reduce, maybe materially, the IRR's shown herein. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of Ares Capital Corporation's debt investment or sale of an investment, or through the determination that no further consideration was collectible and, thus, a loss may have been realized. These IRR results are historical results relating to Ares Capital Corporation's past performance and are not necessarily indicative of future results, the achievement of which cannot be assured. Note that total realized IRR including acquired portfolios is 11.6% since inception through March 31, 2022.
6. The PME+ is a public market index expressed in terms of a money-weighted return. The PME+ is calculated by applying the fund's cash flows to a reference index. Fund contributions and distributions are treated as purchases and sales of the reference index using the same timing as the actual fund flows over the same time period. The PME+ calculation applies a scaling factor to the distributions. The PME+ includes the reinvestment of income and other earnings of the underlying indices, but do not include any index-related transaction costs, management fees or other costs. The reference index used in the PME+ calculation is the ICE BofA US High Yield Constrained Index. Reference index source ICE BofA, used with permission. ICE BofA 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.



# Endnotes

## Selective Approach to Second Lien & Unsecured Debt

1. At fair value as of March 31, 2022.
2. The portfolio weighted average EBITDA and average EBITDA for the underlying borrowers includes information solely in respect of corporate second lien and unsecured investments in Ares Capital's portfolio Excluded from the data above is information in respect of the following: (i) portfolio companies that do not report EBITDA, (ii) portfolio companies with negative or de minimis EBITDA, (iii) investment funds/vehicles, (iv) discrete projects in the project finance/power generation sector, (v) certain oil and gas companies, (vi) venture capital backed companies and (vii) commercial real estate finance companies.
3. Weighted average EBITDA amounts are weighted based on the fair value of the second lien and unsecured portfolio company investments. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
4. EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
5. Loan to value reflects the second lien and unsecured portfolio weighted average LTV based on fair value of the portfolio as of March 31, 2022.

## Highly Selective Approach to Preferred Equity Investments

1. The portfolio weighted average EBITDA and average EBITDA for the underlying borrowers includes information solely in respect of preferred investments in Ares Capital's portfolio. Excluded from the data above is information in respect of the following: (i) portfolio companies that do not report EBITDA, (ii) portfolio companies with negative or de minimis EBITDA, (iii) investment funds/vehicles, (iv) discrete projects in the project finance/power generation sector, (v) certain oil and gas companies, (vi) venture capital backed companies and (vii) commercial real estate finance companies.
2. Weighted average EBITDA amounts are weighted based on the fair value of the preferred investment portfolio. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
3. EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
4. Loan to value reflects the preferred investment portfolio weighted average LTV based on fair value of the portfolio as of March 31, 2022.
5. Based on original cash invested, net of syndications, of approximately \$630 million and total proceeds from such exited investments of approximately \$906 million from inception on October 8, 2004 through March 31, 2022. Internal rate of return ("IRR") is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these fees and expenses are not allocable to specific investments. The effect of such expenses may reduce, maybe materially, the IRR's shown herein. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of Ares Capital Corporation's debt investment or sale of an investment, or through the determination that no further consideration was collectible and, thus, a loss may have been realized. These IRR results are historical results relating to Ares Capital Corporation's past performance and are not necessarily indicative of future results, the achievement of which cannot be assured. Note that total realized IRR including acquired portfolios is 20.4% from inception - March 31, 2022.
6. At fair value as of March 31, 2022.

# Endnotes

## **We Believe that our Equity Co-Investment Portfolio is a Significant Differentiator**

1. Based on original cash invested, net of syndications, of approximately \$431.0 million and total proceeds from such exited investments of approximately \$982.4 million from January 1, 2005 through March 31, 2022. Internal rate of return ("IRR") is the discount rate that makes the net present value of all cash flows related to a particular investment equal to zero. Internal rate of return is gross of expenses related to investments as these fees and expenses are not allocable to specific investments. The effect of such expenses may reduce, maybe materially, the IRR's shown herein. Investments are considered to be exited when the original investment objective has been achieved through the receipt of cash and/or non-cash consideration upon the repayment of Ares Capital Corporation's debt investment or sale of an investment, or through the determination that no further consideration was collectible and, thus, a loss may have been realized. These IRR results are historical results relating to Ares Capital Corporation's past performance and are not necessarily indicative of future results, the achievement of which cannot be assured. Note that total realized IRR including acquired portfolios is 17.8% from January 1, 2005 – March 31, 2022.
2. Calculated as the number of years of exited investments with positive realized IRRs from January 1, 2005 – March 31, 2022.
3. Total proceeds of exited investments from January 1, 2005 through March 31, 2022.

## **Senior Direct Lending Program Strategic Benefits**

1. Weighted average EBITDA amounts are weighted based on the fair value of the portfolio company investments. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
2. Portfolio weighted average interest coverage ratio represents the portfolio company's EBITDA as a multiple of cash interest expense. The weighted average interest coverage ratio for the underlying borrowers in the SDLP was 2.5x as of 3/31/22, respectively, which excludes certain portfolio companies with negative or de minimis EBITDA. Weighted average interest coverage ratios are weighted based on the fair value of the portfolio company investments. Portfolio company credit statistics for Ares Capital and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.

## **Ivy Hill Asset Management Overview**

1. IHAM default rate calculated as the principal value of defaults of IHAM purchased loans over the last twelve months divided by the average amount outstanding of IHAM purchased loans over the period. IHAM's CADR calculation represents the implied average annual default rate that would generate IHAM's total defaults, based an average annual AUM of IHAM purchased loans.
2. Source: S&P LCD data. S&P default rate is calculated as the principal value defaulted over the last twelve months divided by the amount outstanding at the beginning of the twelve-month period.
3. Average experience of senior investment professionals and investment committee members.

A panoramic view of a city skyline at sunset, with the Empire State Building prominently lit and glowing against the orange and yellow sky. Other skyscrapers are visible, some with lights on, and a body of water is in the distance.

# Endnotes

## Portfolio Management Strategy & Results

# Endnotes

## Strong Investment Performance

1. ARCC calculated as an average of the historical annual net realized gain/loss rates (where annual net realized gain/loss rate is calculated as the amount of net realized gains/losses for a particular period from Ares Capital IPO in October 2004 to March 31, 2022 divided by the average quarterly investments at amortized cost in such period). Excludes \$196 million one-time gain on the acquisition of Allied Capital Corporation in Q2-10 and gains/losses from extinguishment of debt and other transactions. BDC peers calculated as an average of a BDC's historical annual net realized gain/loss rates, where annual net realized gain/loss rate is calculated as the amount of net realized gains/losses for a particular period divided by the average quarterly investments at amortized cost in such period.
2. BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021. Peers include: AINV, BBDC, BCSF, BKCC, CGBD, OCSL, ORCC, FSK, GBDC, GSBD, HTGC, MAIN, NMFC, PFLT, PNNT, PSEC, SLRC, SUNS, TCPC and TSLX. Net realized gain/(loss) rate calculated as an average of a BDC's historical annual net realized gain/loss rates, where annual net realized gain/loss rate is calculated as the amount of net realized gains/losses for a particular period divided by the average quarterly investments at amortized cost in such period.

## Strong Credit and Investment Performance

1. Calculated as the net realized gains/losses from Ares Capital IPO in October 2004 to March 31, 2022. Excludes \$196 million one-time gain on the acquisition of Allied Capital Corporation in Q2-10 and gains/losses from extinguishment of debt and other transactions.
2. Calculated as an average of the historical annual net realized gain/loss rates (where annual net realized gain/loss rate is calculated as the amount of net realized gains/losses for a particular period from Ares Capital IPO in October 2004 to March 31, 2022 divided by the average quarterly investments at amortized cost in such period). Excludes \$196 million one-time gain on the acquisition of Allied Capital Corporation in Q2-10 and gains/losses from extinguishment of debt and other transactions.

## ARCC Has a Compelling Track Record of Credit Performance

1. Includes invested capital from inception on October 8, 2004 through December 31, 2021. Includes investments made through Ares Capital Corporation, the Senior Secured Loan Program and the Senior Direct Lending Program. Excludes syndications within one year of origination, \$1.8 billion of investments acquired from Allied Capital on April 1, 2010 and \$2.5 billion of investments acquired from American Capital on January 3, 2017.
2. Defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all first lien and unitranche loans. This number includes interest, fees, principal proceeds, and related expenses.
3. Defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all second lien and subordinated loans. This number includes interest, fees, principal proceeds, and related expenses.
4. Represents the average annual middle market senior loan default rate of 2.0% per "Fitch U.S. Leveraged Loan Default Insights" for 2007-2021 multiplied by (1 minus the recovery rate for senior secured loans of 67%) per "Moody's Annual Default Study" for 2007-2021. Data availability begins in 2007.
5. Represents the average annual broadly syndicated senior loan default rate of 2.6% per "Fitch U.S. Leveraged Loan Default Insights" for 2007-2021 multiplied by (1 minus the recovery rate for senior secured loans of 67%) per "Moody's Annual Default Study" for 2007-2021. Data availability begins in 2007.
6. Represents Moody's U.S. Trailing 12-Month Issuer-Weighted Spec-Grade Default Rate for 2007-2021 of 4.7% multiplied by (1 minus the recovery rate for subordinated unsecured debt of 37%) per "Moody's Annual Default Study" for 2007-2021. Data availability begins in 2007.

# Endnotes

## Resilient Portfolio in Rising Rate Environment

1. Interest Coverage sensitivity analysis based on ARCC's portfolio metrics as of March 31, 2022 using weighted average EBITDA of \$173.4 million, interest coverage of 2.9x and total net leverage of 6.1x which can be found on page 14 of ARCC's Q1-22 earnings presentation. Using these statistics plus the overnight LIBOR rate of 33bps as of March 31, 2022 and a 90bps average LIBOR floor, the interest rate coverage was re-calculated based on the various rate increases from 50bps to 300bps.
2. Calculated as the 5-year average of the weighted average portfolio EBITDA growth as of year-end from 3/31/18 to 3/31/22. The EBITDA growth rate for each included portfolio company is calculated as the percentage change for the most recently reported fiscal year to date comparable periods and is weighted based on the fair value of the portfolio company investments to calculate the portfolio weighted average EBITDA growth rate. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts used in the calculation are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
3. The portfolio weighted average EBITDA and average EBITDA for the underlying borrowers includes information solely in respect of corporate investments in Ares Capital's portfolio and the weighted average total net leverage multiple and interest coverage ratio data includes information solely in respect of corporate portfolio companies in which Ares Capital has a debt investment (in each case, subject to the exclusions described in the following sentence). Excluded from the data above is information in respect of the following: (i) the SDLP (and the underlying borrowers in the SDLP), (ii) portfolio companies that do not report EBITDA, including IHAM, (iii) portfolio companies with negative or de minimis EBITDA, (iv) investment funds/vehicles, (v) discrete projects in the project finance/power generation sector, (vi) certain oil and gas companies, (vii) venture capital backed companies and (viii) commercial real estate finance companies. The portfolio weighted average EBITDA for the underlying borrowers in the SDLP was \$91.9 million as of 3/31/22. The portfolio average EBITDA for the underlying borrowers in the SDLP was \$79.5 million as of 3/31/22.
4. Weighted average EBITDA amounts are weighted based on the fair value of the portfolio company investments. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
5. EBITDA is a non-GAAP financial measure. For a particular portfolio company, EBITDA is generally defined as net income before net interest expense, income tax expense, depreciation and amortization. EBITDA amounts are estimated from the most recent portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
6. Portfolio weighted average interest coverage ratio represents the portfolio company's EBITDA as a multiple of cash interest expense. The weighted average interest coverage ratio for the underlying borrowers in the SDLP was 2.5x as of 3/31/22, which excludes certain portfolio companies with negative or de minimis EBITDA. Weighted average interest coverage ratios are weighted based on the fair value of the portfolio company investments. Portfolio company credit statistics for Ares Capital and the SDLP are derived from the most recently available portfolio company financial statements, have not been independently verified by Ares Capital and may reflect a normalized or adjusted amount. Accordingly, Ares Capital makes no representation or warranty in respect of this information.
7. Loan to value reflects the portfolio weighted average LTV based on the fair value of the portfolio as of March 31, 2022.
8. Largest industries at fair value as of March 31, 2022.

A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, yellow, and blue. The city lights are beginning to glow, and the water in the foreground is calm. The Empire State Building is prominent in the center, and other skyscrapers are visible on either side.

# Endnotes

## Balance Sheet & Capital Management

# Endnotes

## **ARCC Has Stable and Broad Sources of Financing**

1. Represents the total aggregate principal outstanding.
2. Approximately 8 million shares are held by Ares employees and ARCC Directors.
3. Computed as total principal debt outstanding less available cash divided by stockholders' equity. Available cash excludes restricted cash as well as cash held for dividends payable and for uses specifically designated for paying interest and expenses on certain debt.
4. Source: JP Morgan and Bank of America data. Average tighter issuance spread for 5 year note offering for ARCC vs. BDC peers as provided by JP Morgan and Bank of America. For the period FY 2019 – March 31, 2022.

## **ARCC Has Significant Sources of Liquidity**

1. Represents the total aggregate principal amount outstanding as of March 31, 2022.
2. Subject to borrowing base, leverage and other restrictions.
3. Requires periodic payments of interest and may require repayments of a portion of the outstanding principal once their respective reinvestment periods end but prior to the applicable stated maturity.
4. Represents available capital on secured revolving facilities and available cash less letters of credit outstanding.

## **Long Dated and Well Laddered Maturities**

1. Represents the total aggregate principal amount outstanding due on the stated maturity.
2. See Note 5 to Ares Capital's consolidated financial statements included in the quarterly report on Form 10-Q for the three months ended March 31, 2022 for more information regarding each of Ares Capital's secured revolving facilities.
3. While Ares Capital expects to settle the 2024 Convertible Notes of \$403 million in cash, Ares Capital has the option to settle the 2024 Convertible Notes in cash, shares of common stock or a combination of cash and shares of common stock.
4. The 2023 High Grade Notes, the 2024 High Grade Notes, the March 2025 High Grade Notes, the July 2025 High Grade Notes, the January 2026 High Grade Notes, the July 2026 High Grade Notes, the 2027 High Grade Notes, the 2028 High Grade Notes and the 2031 High Grade Notes may be redeemed in whole or in part at any time at Ares Capital's option at a redemption price equal to par plus a "make whole" premium, as determined in the indentures governing the 2023 High Grade Notes, the 2024 High Grade Notes, the March 2025 High Grade Notes, the July 2025 High Grade Notes, the January 2026 High Grade Notes, the July 2026 High Grade Notes, the 2027 High Grade Notes, the 2028 High Grade Notes and the 2031 High Grade Notes and any accrued and unpaid interest.

## **Industry Leading Scale & Performance Has Led to a Strong Balance Sheet**

1. Source: Company public filings. BDCs include the 10 largest publicly traded BDCs by market cap as of March 31, 2022. Peers include BXSL, CION, FSK, GBDC, GSBD, HTGC, MAIN, ORCC, PSEC and TSLX, unless otherwise stated.

# Endnotes

## Conservative Capital Management Has Supported Long Term Value

1. Core Earnings is a non-GAAP financial measure. Core Earnings is the net increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the American Capital Acquisition, expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Net increase (decrease) in stockholders' equity is the most directly comparable GAAP financial measure. Ares Capital believes that Core Earnings provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for information regarding the American Capital Acquisition. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2020 for information regarding the Ares Reimbursement.
2. The amount of excess 2021 U.S. federal taxable income available for carry over into 2022 is only an estimate based on estimated 2021 U.S. federal taxable income. The calculation of estimated 2021 U.S. federal taxable income includes a number of estimated inputs, including information received from third parties, and as a result, actual 2021 U.S. federal taxable income will not be finally determined until Ares Capital's 2021 tax return is filed in 2022. Consequently, both 2021 U.S. federal taxable income and the amount of excess U.S. federal taxable income available for carry over into 2022 are subject to change. See Note 11 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2021 for more information. Note: Our 2021 taxable spillover income is \$1.30 per share.
3. 5 and 10 year periods through the quarter ended December 31, 2021, as not all BDCs have filed March 31, 2022 financial statements as of April 29, 2022. Comparable BDCs include externally managed peers with a market cap of over \$700 million as of December 31, 2021. Peers include: AINV, FSK, GBDC, GSBD, NMFC, OCSL, PSEC, SLRC, TCPC, TSLX.

## We Believe ARCC is Well Positioned for Rising Interest Rates

1. After considering the impact of income-based fees.
2. At fair value.
3. Based on principal amount outstanding.
4. BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021. Peer data include where available based on public filings. 100bps increase: ORCC, GSBD, FSK, PSEC, TSLX, SLRC, TCPC, OCSL, NMFC, HTGC, GBDC, BCSF, BXSL, MAIN, SUNS, PFLT, PNNT, CGBD, BKCC, AINV. 200bps increase: ORCC, GSBD, PSEC, TSLX, TCPC, OCSL, NMFC, HTGC, GBDC, BBDC, BCSF, BXSL, PFLT, PNNT, CGBD, BKCC, AINV. 300bps increase: ORCC, GSBD, FSK, PSEC, TSLX, TCPC, NMFC, BCSF, BXSL, PFLT, PNNT, CGBD, BKCC.



A wide-angle photograph of a city skyline at sunset. The sky is a mix of orange, red, and purple. The city lights are beginning to glow, and the water in the foreground is dark. The Empire State Building is prominent in the center, and other skyscrapers are visible on either side.

# Endnotes

## Performance Track Record

# Endnotes

## We Have Consistently Generated Strong ROEs Since Inception

1. Core Earnings is a non-GAAP financial measure. Core Earnings is the net increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the American Capital Acquisition, expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Net increase (decrease) in stockholders' equity is the most directly comparable GAAP financial measure. Ares Capital believes that Core Earnings provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for information regarding the American Capital Acquisition. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2020 for information regarding the Ares Reimbursement.
2. Core return on equity calculated as Core Earnings as defined in item (1) above divided by average equity over the relevant time period. Core return on equity as of Q1-22 is Q1-22 Core Earnings as defined in item (1) divided by Q1-22 equity, annualized.

## Strong Financial Results Through Two Global Crises

1. Net Operating ROE: Net Operating Income (or Core Earnings) to average shareholders equity, annualized over the given period. Core Earnings is a non-GAAP financial measure. Core Earnings is the net increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the American Capital Acquisition, expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Net increase (decrease) in stockholders' equity is the most directly comparable GAAP financial measure. Ares Capital believes that Core Earnings provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for information regarding the American Capital Acquisition. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2020 for information regarding the Ares Reimbursement.
2. Realized ROE: Net Operating Income (or Core Earnings) plus net realized gains/(losses) to average equity, annualized over the given period.
3. BDC GFC peers include mid market focused BDCs that were publicly traded for at least one year as of December 31, 2007. Includes ACAS, AINV, ALD, GLAD, MCGC, PSEC and OXSQ (formerly TICC).
4. BDC peer group consists of BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management and have been publicly traded for at least one year, as of December 31, 2021, excluding senior floating rate funds. Peers include: AINV, BBDC, BCSF, BKCC, CGBD, OCSL, ORCC, FSK, GBDC, GSBD, HTGC, MAIN, NMFC, PNNT, PSEC, SLRC, TCPC and TSLX.
5. BDCs' based on KBW BDC Credit Monitor 2Q20: Rising Non-Accruals but Credit Appears to Avoid the Worst, September 7, 2020. During the GFC, BDC peak non-accruals occurred in Q3-09, when the average non-accrual rate at cost was 9.13% and ARCC's non-accrual rate at cost was 5.3%. During the COVID-19 pandemic, BDC peak non-accruals occurred in Q2-20, when the average non-accrual rate was 6.11% and ARCC's non-accrual rate was 4.42%.

# Endnotes

## **Our Advantages Have Driven Strong Financial Performance**

1. Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds. Must be publicly traded for the relevant time period (5 years), as of December 31, 2021. Peers include: AINV, BBDC, BKCC, OCSL, FSK, GBDC, GSBD, HTGC, MAIN, NMFC, PNNT, PSEC, SLRC, TCPC and TSLX.
2. Net Operating ROE: Net Operating Income (or Core Earnings) to average shareholders equity, annualized over the given period. Core Earnings is a non-GAAP financial measure. Core Earnings is the net increase (decrease) in stockholders' equity resulting from operations less professional fees and other costs related to the American Capital Acquisition, expense reimbursement from Ares Capital Management LLC (the "Ares Reimbursement"), net realized and unrealized gains and losses, any capital gains incentive fees attributable to such net realized and unrealized gains and losses and any income taxes related to such net realized gains and losses. Net increase (decrease) in stockholders' equity is the most directly comparable GAAP financial measure. Ares Capital believes that Core Earnings provides useful information to investors regarding financial performance because it is one method Ares Capital uses to measure its financial condition and results of operations. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. See Note 16 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2019 for information regarding the American Capital Acquisition. See Note 13 to Ares Capital's consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2020 for information regarding the Ares Reimbursement.
3. Realized ROE: Net Operating Income (or Core Earnings) plus net realized gains (losses) to average equity, annualized over the given period.
4. GAAP ROE: Reported net income to average equity, annualized over the given period.

## **We Have Generated a 600 bp Income Premium on Equity to Peers**

1. Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds. Must be publicly traded for the relevant time period (5 years), as of December 31, 2021. Peers include: AINV, BBDC, BKCC, OCSL, FSK, GBDC, GSBD, HTGC, MAIN, NMFC, PNNT, PSEC, SLRC, TCPC and TSLX.
2. Interest and dividend income less interest expense and credit facilities fees, all divided by average equity and annualized over 5 years.
3. Fees and other income to average equity, annualized over 5 years.
4. Net realized gains (losses) to average equity, annualized over 5 years.

## **We Operate with Significant Expense Efficiency**

1. Includes BDCs with a total portfolio at fair value greater than \$1.5 billion or a combined portfolio at fair value greater than \$2 billion if under common management, excluding senior floating rate funds. Must be publicly traded for the relevant time period (5 years), as of December 31, 2021. Peers include: AINV, BBDC, BKCC, OCSL, FSK, GBDC, GSBD, HTGC, MAIN, NMFC, PNNT, PSEC, SLRC, TCPC and TSLX.
2. Banks included: U.S. Banks with a market capitalization of \$500 million to \$10 billion as of December 31, 2021.
3. For ARCC and BDC peers, calculated as non-interest expense divided by investment income and net realized gains less interest expense. Source: company public filings. For banks, calculated as non-interest expense divided by net interest income plus non-interest income net of the provision for credit losses. Source: SNL Financial.

## **Highest NAV & Dividend Growth Among BDC Peers**

1. 5 and 10 year periods through the quarter ended December 31, 2021, as not all BDCs have filed March 31, 2022 financial statements as of April 29, 2022. Comparable BDCs include externally managed peers with a market cap of over \$700 million as of December 31, 2021. Peers include: AINV, FSK, GBDC, GSBD, NMFC, OCSL, PSEC, SLRC, TCPC, TSLX. Note ARCC excluded from the BDC peer average.

