

Ares Management Corporation Reports Fourth Quarter and Full Year 2019 Results

LOS ANGELES--Ares Management Corporation (NYSE:ARES) today reported its financial results for its fourth quarter and fiscal year ended December 31, 2019.

GAAP net income attributable to Ares Management Corporation was \$38.5 million and \$148.9 million, respectively, for the quarter and year ended December 31, 2019. On a diluted basis, net income attributable to Ares Management Corporation per share of Class A common stock was \$0.25 and \$1.06, respectively, for the quarter and year ended December 31, 2019.

After-tax realized income, net of Series A preferred stock dividends, was \$180.1 million and \$436.7 million, respectively, for the quarter and year ended December 31, 2019. After-tax realized income per share of Class A common stock, net of Series A preferred stock dividends, was \$0.67 and \$1.67, respectively, for the quarter and year ended December 31, 2019. Fee related earnings was \$88.7 million and \$323.7 million, respectively, for the quarter and year ended December 31, 2019.

“Our fourth quarter capped off a strong year for Ares with growth in management fees and fee related earnings each in excess of 20% and 25%, respectively, along with quality fund performance for our clients,” said Michael Arougheti, Chief Executive Officer and President of Ares. “We are well positioned to continue our firm’s growth into 2020 with the deployment of a portion of our dry powder and multiple flagship fundraises expected across our strategies.”

“Based on the trajectory of our business and strong outlook, we are excited to announce a 25% increase in our 2020 dividend,” said Michael McFerran, Chief Operating Officer and Chief Financial Officer of Ares. “With multiple strategic investments recently announced, we believe we are laying the groundwork for new growth initiatives to fuel expansion in future years.”

Common Dividend

Ares declared a quarterly dividend of \$0.40 per share of its Class A common stock, payable on March 31, 2020 to its Class A common stockholders of record at the close of business on March 17, 2020.

Preferred Dividend

Ares declared a quarterly dividend of \$0.4375 per share of its Series A preferred stock with a payment date of March 31, 2020 to its Series A preferred stockholders of record as of the close of business on March 15, 2020. As March 15, 2020 falls on a Sunday, the effective record date for the dividend will be Friday, March 13, 2020.

Additional Information

Ares issued a full detailed presentation of its fourth quarter and full year 2019 results, which can be viewed at www.aresmgmt.com on the Investor Resources section of our home page under Events and Presentations. The presentation is titled "Fourth Quarter and Full Year 2019 Earnings Presentation."

2020 Annual Stockholders Meeting

The Board of Directors set April 13, 2020 as the record date for the Company’s 2020 Annual Meeting of Stockholders. The 2020 Annual Meeting of Stockholders will be held on June 11, 2020.

Conference Call and Webcast Information

Ares will host a conference call on February 13, 2020 at 12:00 p.m. ET to discuss fourth quarter and full year results. All interested parties are invited to participate via telephone or the live webcast, which will be hosted on a webcast link located on the Home page of the Investor Resources section of our website at <http://www.aresmgmt.com>. Please visit the website to test your connection before the webcast. Domestic callers can access the conference call by dialing (888) 317-6003. International callers can access the conference call by dialing +1 (412) 317-6061. All callers will need to enter the Participant Elite Entry Number 7538638 followed by the # sign and reference "Ares Management Corporation" once connected with the operator. All callers are asked to dial in 10-15 minutes prior to the call so that name and company information can be collected. For interested parties, an archived replay of the call will be available through March 12, 2020 (Eastern Time) to domestic callers by dialing (877) 344-7529 and to international callers by dialing +1 (412) 317-0088. For all replays, please reference conference number 10137611. An archived replay will also be available through March 12, 2020 on a webcast link located on the Home page of the Investor Resources section of our website. Ares Management Corporation (NYSE: ARES) is a leading global alternative investment manager operating three integrated businesses across Credit, Private Equity and Real Estate. Ares Management's investment groups collaborate to deliver innovative investment solutions and consistent and attractive investment returns for fund investors throughout market cycles. Ares Management's global platform had \$144 billion of assets under management as of September 30, 2019 and employs more than 1,200 employees in over 20 offices across four continents. Please visit www.aresmgmt.com for additional information.

About Ares Management Corporation

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Forward-Looking Statements

Statements included herein contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which relate to future events or our future performance or financial condition. Forward-looking statements can be identified by the use of forward looking words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or negative versions of those words, other comparable words or other statements that do not relate to historical or factual matters. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These statements are not guarantees of future performance, condition or results and involve a number of risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including those described from time to time in our filings with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it is made. Ares Management Corporation undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call, whether as a result of new information, future developments or otherwise, except as required by law. Nothing in this press release constitutes an offer to sell or solicitation of an offer to buy any securities of Ares or an investment fund managed by Ares or its affiliates.

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Fourth Quarter and Full Year 2019
Earnings Presentation



Important Notice

This presentation is prepared for Ares Management Corporation (NYSE: ARES) for the benefit of its public stockholders. This presentation is solely for information purposes in connection with evaluating the business, operations and financial results of Ares Management Corporation ("Ares") and certain of its affiliates. Any discussion of specific Ares entities is provided solely to demonstrate such entities' role within the Ares organization and their contribution to the business, operations and financial results of Ares. This presentation may not be referenced, quoted or linked by website, in whole or in part, except as agreed to in writing by Ares.

This presentation contains "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties. Actual outcomes and results could differ materially from those suggested by this presentation due to the impact of many factors beyond the control of Ares, including those listed in the "Risk Factors" section of our filings with the Securities and Exchange Commission ("SEC"). Any such forward-looking statements are made pursuant to the safe harbor provisions available under applicable securities laws and speak only as of the date of this presentation. Ares assumes no obligation to update or revise any such forward-looking statements except as required by law.

Certain information discussed in this presentation was derived from third party sources and has not been independently verified and, accordingly, Ares makes no representation or warranty in respect of this information, and assumes no responsibility for independent verification of such information.

The following slides contain summaries of certain financial and statistical information about Ares. The information contained in this presentation is summary information that is intended to be considered in the context of Ares' SEC filings and other public announcements that Ares may make, by press release or otherwise, from time to time. Ares undertakes no duty or obligation to publicly update or revise the forward-looking statements or other information contained in this presentation. In addition, this presentation contains information about Ares, its affiliated funds and certain of their respective personnel and affiliates, and their respective historical performance. You should not view information related to the past performance of Ares and its affiliated funds as indicative of future results.

Certain information set forth herein includes estimates and targets and involves significant elements of subjective judgment and analysis. No representations are made as to the accuracy of such estimates or targets or that all assumptions relating to such estimates or targets have been considered or stated or that such estimates or targets will be realized. Further, certain performance information, unless otherwise stated, is before giving effect to management fees, carried interest or incentive fees, other expenses and taxes.

This presentation does not constitute, and shall not be construed as, an offer to buy or sell, or the solicitation of an offer to buy or sell, any securities, investment funds, vehicles or accounts, investment advice, or any other service by Ares of any of its affiliates or subsidiaries. Nothing in this presentation constitutes the provision of tax, accounting, financial, investment, regulatory, legal or other advice by Ares or its advisors.

Management uses certain non-GAAP financial measures, including Assets Under Management, Fee Paying Assets Under Management, Fee Related Earnings and Realized Income to evaluate Ares' performance and that of its business segments. Management believes that these measures provide investors with a greater understanding of Ares' business and that investors should review the same supplemental non-GAAP financial measures that management uses to analyze Ares' performance. The measures described herein represent those non-GAAP measures used by management, in each case, before giving effect to the consolidation of certain funds that the company consolidates with its results in accordance with GAAP. These measures should be considered in addition to, and not in lieu of, Ares' financial statements prepared in accordance with GAAP. The definitions and reconciliations of these measures to the most directly comparable GAAP measures, as well as an explanation of why we use these measures, are included in the Appendix. Amounts and percentages may reflect rounding adjustments and consequently totals may not appear to sum.

For the definitions of certain terms used in this presentation, please refer to the "Glossary" slide in the appendix.

The statements contained in this presentation are made as of December 31, 2019, unless another time is specified in relation to them, and access to this presentation at any given time shall not give rise to any interpretation that there has been no change in the facts set forth in this presentation since that date.



Fourth Quarter and Full Year 2019 Highlights

<p>Assets Under Management</p>	<ul style="list-style-type: none"> • Total Assets Under Management ("AUM") of \$148.9 billion • Total Fee Paying AUM ("FPAUM") of \$96.9 billion • Available Capital of \$34.6 billion • AUM Not Yet Earning Fees available for future deployment of \$25.2 billion • Raised \$6.6 billion and \$23.8 billion in gross new capital with net inflows⁽¹⁾ of \$6.3 billion and \$21.5 billion for Q4-19 and FY-19, respectively • Capital deployment of \$5.1 billion and \$27.4 billion during Q4-19 and FY-19, respectively, including \$4.0 billion and \$21.5 billion related to our drawdown funds for these periods
<p>Financial Results</p>	<ul style="list-style-type: none"> • Q4-19 and FY-19 GAAP net income attributable to Ares Management Corporation of \$38.5 million and \$148.9 million, respectively • Q4-19 and FY-19 GAAP basic earnings per share of Class A common stock of \$0.27 and \$1.11 and diluted earnings per share of Class A common stock of \$0.25 and \$1.06, respectively • Q4-19 and FY-19 GAAP management fees of \$265.3 million and \$979.4 million, respectively⁽²⁾ • Q4-19 and FY-19 unconsolidated management and other fees of \$278.3 million and \$1,030.6 million, respectively⁽³⁾ • Q4-19 and FY-19 Fee Related Earnings of \$88.7 million and \$323.7 million, respectively • Q4-19 and FY-19 Realized Income of \$206.1 million and \$503.5 million, respectively • Q4-19 and FY-19 after-tax Realized Income of \$0.67 and \$1.67 per share of Class A common stock, respectively⁽⁴⁾
<p>Corporate Actions</p>	<ul style="list-style-type: none"> • Declared quarterly dividend of \$0.40 per share of Class A common stock⁽⁵⁾ • Declared quarterly dividend of \$0.4375 per share of Series A preferred stock⁽⁶⁾
<p>Recent Developments</p>	<ul style="list-style-type: none"> • On January 21, 2020, a subsidiary of Ares entered into a definitive agreement to acquire a controlling interest in SSG Capital Holdings Limited and its operating subsidiaries (collectively, "SSG"), a leading Asian alternative asset management firm. Headquartered in Hong Kong with offices across Asia, SSG manages private credit and special situations funds totaling approximately \$6.2 billion in assets under management as of September 30, 2019.

1. Net inflows represents gross commitments less redemptions.

2. Includes ARCC Part I Fees of \$48.1 million and \$164.4 million for Q4-19 and FY-19, respectively.

3. Unconsolidated management fees includes \$9.0 million and \$34.9 million from Consolidated Funds that are eliminated upon consolidation for GAAP for Q4-19 and FY-19, respectively and excludes management fees attributable to certain joint venture partners of \$1.1 million and \$1.8 million as of Q4-19 and FY-19, respectively. Unconsolidated other fees represents \$5.0 million and \$18.1 million primarily of transaction-based fees earned from Credit Group funds for Q4-19 and FY-19, respectively. Unconsolidated other fees excludes administrative fees that are netted against the respective expenses and administrative fees attributable to certain joint venture partners.

4. After-tax Realized Income per share of Class A common stock is net of the preferred share dividend.

5. Payable on March 31, 2020 to shareholders of record as of March 17, 2020.

6. Payable on March 31, 2020 to shareholders of record as of March 15, 2020. As March 15, 2020 falls on a Sunday, the effective record date for the dividend will be Friday, March 13, 2020.

Gross New Capital Commitments – Fourth Quarter and Full Year 2019⁽¹⁾

\$ in millions	Q4 2019	FY 2019	Full Year Commentary
Credit Group			
U.S. Direct Lending	\$1,139	\$4,077	New debt commitments of \$2.1 billion and new equity commitments of \$1.9 billion
CLOs	864	3,491	Closed four new U.S. CLOs and two new Europeans CLOs and priced one new European CLO
European Direct Lending	907	2,052	New debt commitments of \$1.2 billion and new equity commitments of \$0.9 billion
ARCC and affiliates	352	4,312	New and additional debt and equity commitments to ARCC, IHAM and SDLP
Alternative Credit	250	2,373	New and additional equity and debt commitments to various funds
Other Credit Funds	352	1,251	New and additional equity and debt commitments to various funds
Total Credit Group	\$3,864	\$17,556	
Private Equity Group			
Ares Extended Value Fund ("AEVF")	\$1,174	\$1,174	New equity commitments bringing total commitments to \$1.2 billion
Special Opportunities	487	1,662	New equity commitments bringing total commitments to \$1.7 billion
Other Private Equity Funds	200	345	Additional equity and debt commitments to various funds
Total Private Equity Group	\$1,861	\$3,181	
Real Estate Group			
U.S. Equity	\$516	\$553	New equity commitments to various funds and co-investments
U.S. Debt	189	1,440	Additional equity and debt commitments to various funds
European Equity	135	1,102	New and additional equity commitments to various funds and co-investments
Total Real Estate Group	\$840	\$3,095	
Total	\$6,565	\$23,832	

1. Represents gross new commitments during the period presented, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts. Commitments denominated in currencies other than U.S. dollar are converted at the prevailing quarter-end exchange rate.



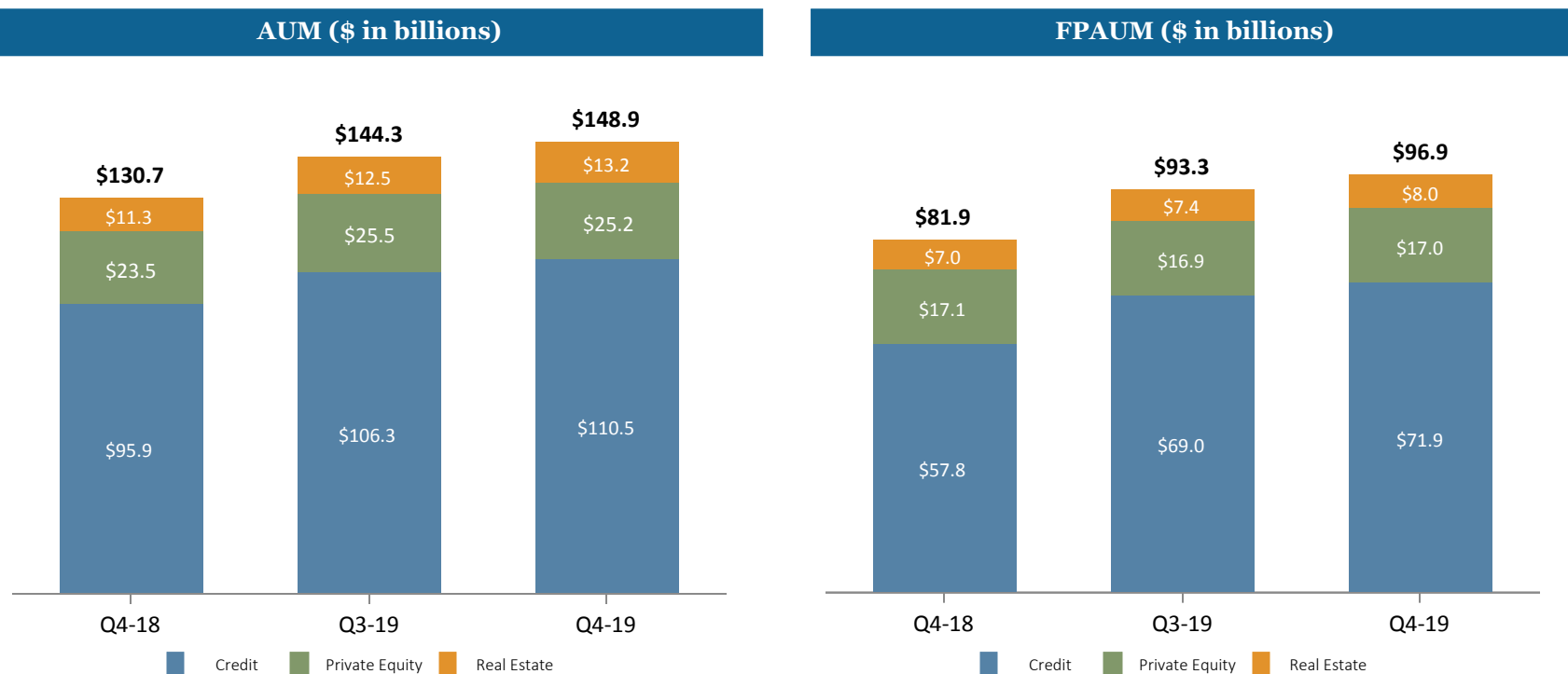
Assets Under Management

AUM as of December 31, 2019 was \$148.9 billion, an increase of 14.0% from prior year⁽¹⁾

- The increase of \$18.2 billion was driven by capital raising, primarily across U.S. direct lending, syndicated loans, alternative credit and European direct lending funds in our Credit Group, special opportunities funds in our Private Equity Group and European equity funds and debt funds in our Real Estate Group

FPAUM as of December 31, 2019 was \$96.9 billion, an increase of 18.3% from prior year

- The increase of \$15.0 billion was primarily attributable to deployment of capital in funds across U.S. and European direct lending strategies and new commitments to the syndicated loans strategy



1. 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 ("IHAM").

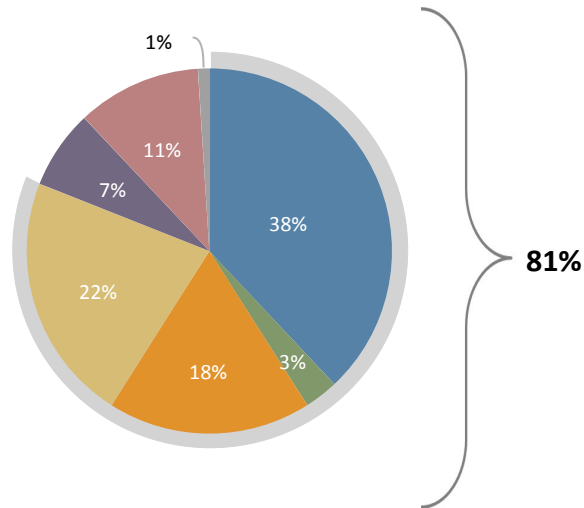


Management Fees by Duration and Fund Type

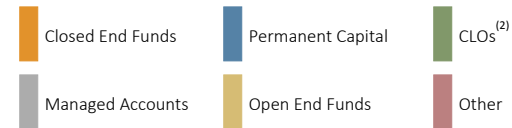
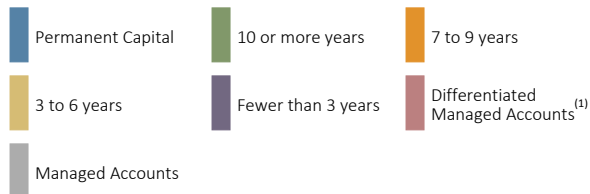
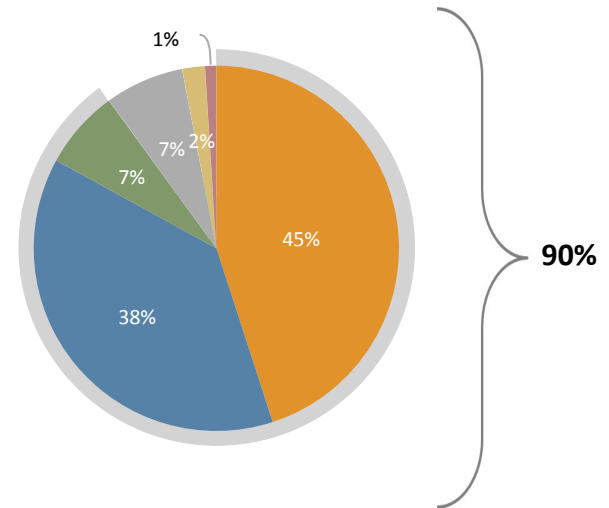
For the year ended December 31, 2019:

- 81% of management fees are earned from funds with three or more years remaining in duration
- 90% of management fees are earned from permanent capital, closed end funds and CLOs

Duration



Fund Type

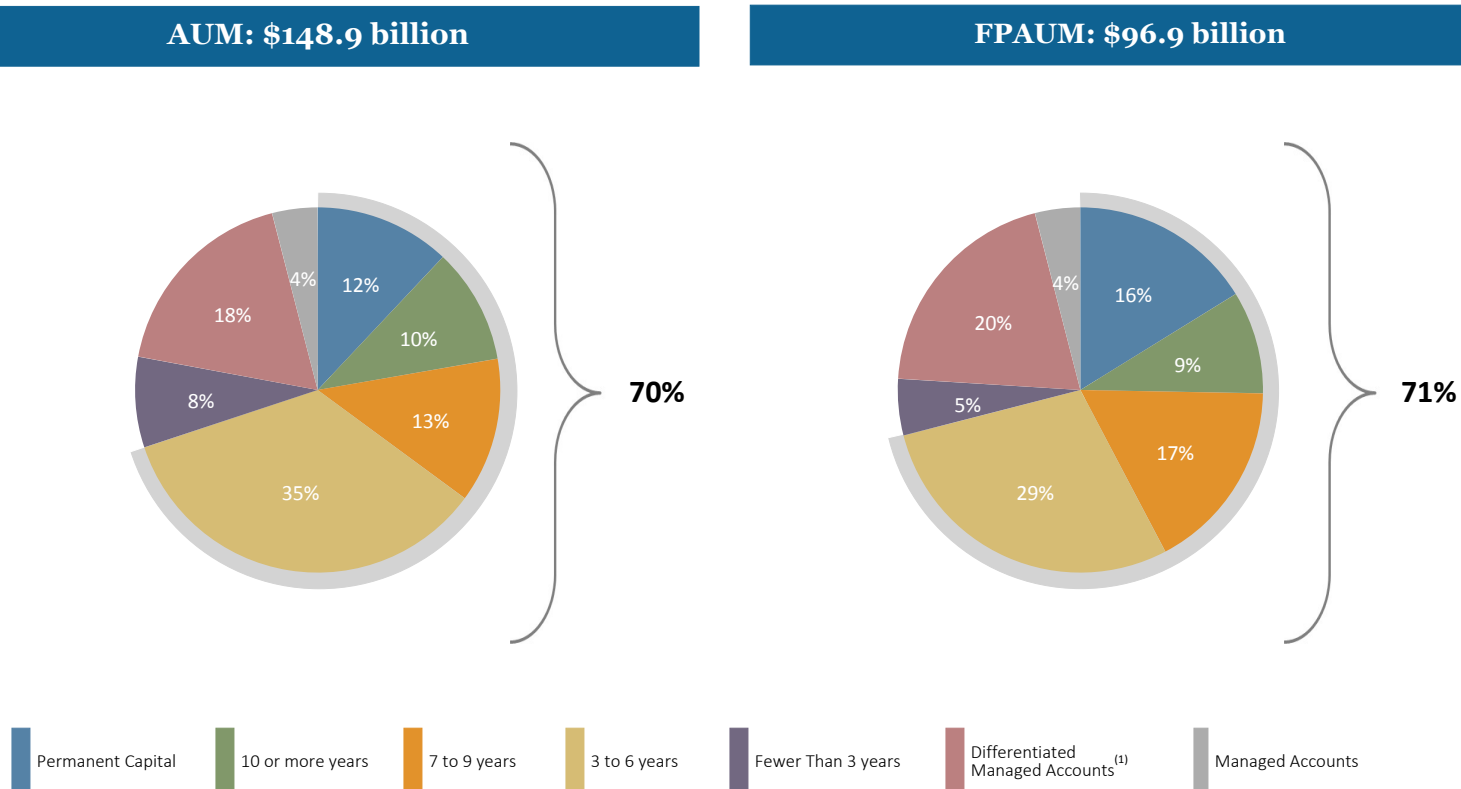


1. Differentiated managed accounts have been managed by the firm for longer than three years, are investing in illiquid strategies or are co-investments structured to pay management fees.
 2. CLOs are a type of closed end fund.

AUM and FPAUM by Duration

As of December 31, 2019, approximately 70% of AUM and 71% of FPAUM had a duration longer than 3 years

- At time of fund closing, the initial duration was greater than 7 years for approximately 73% of AUM



1. Differentiated managed accounts have been managed by the firm for longer than three years, are investing in illiquid strategies or are co-investments structured to pay management fees.

Available Capital and AUM Not Yet Earning Fees

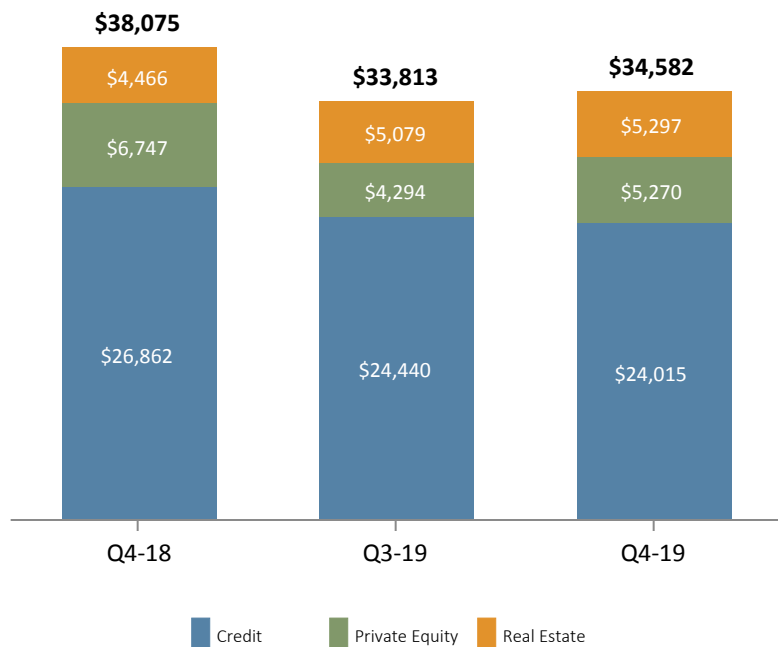
Available Capital as of December 31, 2019 was \$34.6 billion, a decrease of 9.2% from prior year

- The decrease of \$3.5 billion was driven primarily by net deployment in U.S. and European direct lending, corporate private equity, and alternative credit funds

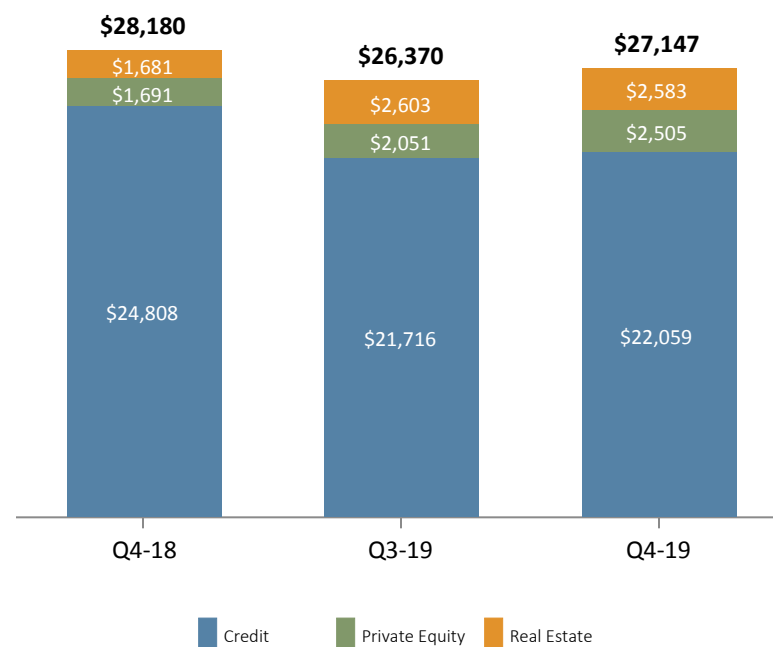
AUM Not Yet Earning Fees as of December 31, 2019 was \$27.1 billion, a decrease of 3.7% from prior year

- The decrease of \$1.0 billion was driven primarily by deployment in the European direct lending strategy, offset by new commitments across the special opportunities strategy and Real Estate Group funds

Available Capital (\$ in millions)



AUM Not Yet Earning Fees (\$ in millions)



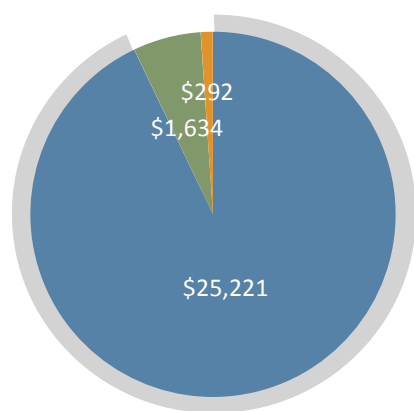
AUM Not Yet Earning Fees

As of December 31, 2019, AUM Not Yet Earning Fees of \$27.1 billion could generate approximately \$255.6 million in potential incremental annual management fees, of which \$233.5 million relates to the \$25.2 billion of AUM available for future deployment⁽¹⁾

- The \$25.2 billion of AUM Not Yet Earning Fees available for future deployment includes approximately \$18.5 billion relating to U.S. and European direct lending funds, \$2.3 billion in alternative credit funds and \$2.1 billion in our Real Estate Group funds

AUM Not Yet Earning Fees: \$27.1 billion

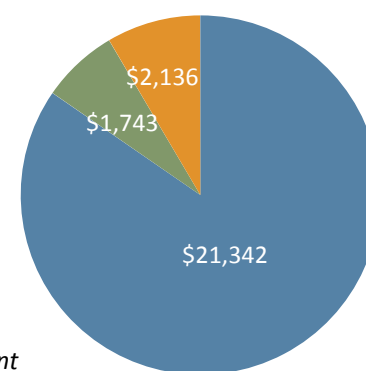
AUM Not Yet Earning Fees Available for Future Deployment: \$25.2 billion



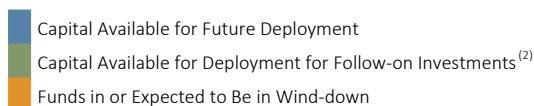
(\$ in millions)



\$25.2 billion of AUM Not Yet Earning Fees was available for future deployment



(\$ in millions)



1. No assurance can be made that such results will be achieved. Assumes the AUM Not Yet Earning Fees as of December 31, 2019 is invested and such fees are paid on an annual basis. Does not reflect any associated reductions in management fees from certain existing funds, some of which may be material. There is no assurance such capital will be invested. Reference to \$255.6 million includes approximately \$27.4 million in potential incremental management fees from deploying undrawn/available credit facilities at ARCC (in excess of its current leverage up to its target leverage of 1.25x debt to equity). Effective June 21, 2019, ARCC increased its target leverage to a range of 0.9x to 1.25x debt to equity, as provided for in the 2018 Small Business Credit Availability Act. No assurance can be made that such capital will be invested. Note that no potential ARCC Part I Fees are reflected in any of the amounts above.

2. Capital available for deployment for follow-on investments represents capital committed to funds that are past their investment periods but have capital available to be called for follow-on investments in existing portfolio companies. As of December 31, 2019, capital available for deployment for follow-on investments could generate approximately \$22.0 million in potential management fees. There is no assurance such capital will be invested.

Incentive Eligible AUM and Incentive Generating AUM

Incentive Eligible AUM as of December 31, 2019 was \$87.4 billion, an increase of 11.6% from prior year

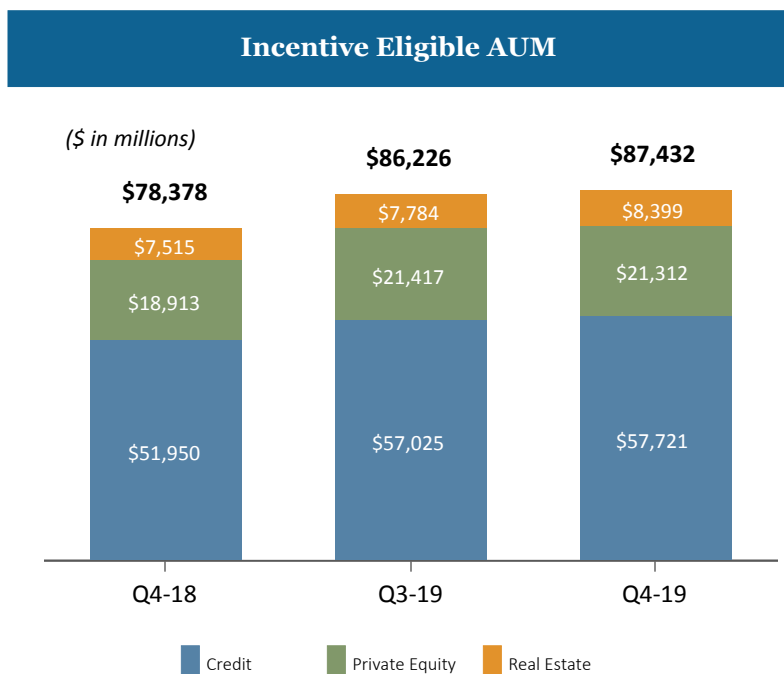
- The increase of \$9.1 billion was primarily driven by capital raising across the U.S. direct lending, special opportunities, European real estate equity and alternative credit strategies

Incentive Generating AUM⁽¹⁾ as of December 31, 2019 was \$41.2 billion, an increase of 8.4% from prior year

- The increase was primarily driven by ACOF V exceeding its hurdle rate in our Private Equity Group, as well as deployment of capital within funds that are generating returns in excess of their hurdle rates as of December 31, 2019

Of the \$61.8 billion of Incentive Eligible AUM that is currently invested, 66.6% is Incentive Generating

- Excluding the ARCC Part II Fees⁽²⁾ that are based on capital gains from the largely debt oriented ARCC portfolio, 87.0% of Incentive Eligible AUM that is currently invested is Incentive Generating



Q4-19 Incentive Generating to Incentive Eligible AUM Reconciliation

(\$ in millions)

	Credit	Private Equity	Real Estate	Total
Incentive Generating AUM	\$22,676	\$14,833	\$3,668	\$41,177
+ Uninvested IEAUM	16,861	5,055	3,672	25,588
+ IEAUM below hurdle	3,663	1,424	1,059	6,146
+ ARCC Part II Fees below Hurdle ⁽²⁾	14,521	—	—	14,521
Incentive Eligible AUM	\$57,721	\$21,312	\$8,399	\$87,432

1. Incentive Generating AUM includes \$5.4 billion of AUM from funds generating unrealized incentive income that is not recognized as revenue by Ares until such fees are crystallized or no longer subject to reversal.

2. ARCC Part II Fees are paid in arrears as of the end of each calendar year when the cumulative aggregate realized capital gains exceed the cumulative aggregate realized capital losses and aggregate unrealized capital depreciation, less the aggregate amount of Part II Fees paid in all prior years since inception. As of December 31, 2019, this calculation resulted in ARCC being below the required hurdle for payment to Ares of any ARCC Part II Fees by 0.6% of the value of the underlying portfolio.

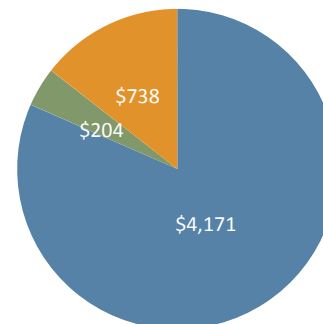


Capital Deployment⁽¹⁾

- **Total Gross Invested Capital for the year ended December 31, 2019 was \$27.4 billion compared to \$22.4 billion for the year ended December 31, 2018**
 - Of the total amount, \$21.5 billion was related to deployment in our drawdown funds compared to \$17.2 billion for the same period in 2018
- **Total Gross Invested Capital during Q4-19 of \$5.1 billion compared to \$5.4 billion in Q4-18**
 - Of the total amount, \$4.0 billion was related to deployment in our drawdown funds compared to \$4.6 billion for the same period in 2018

Q4-19 Capital Deployment Breakdown: \$5.1 billion

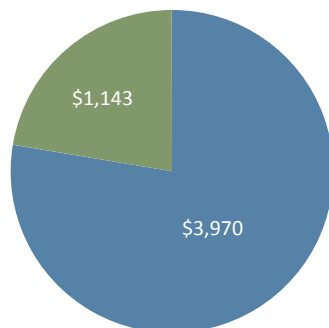
(\$ in millions)



■ Credit ■ Private Equity ■ Real Estate

Q4-19 Capital Deployment by Type: \$5.1 billion

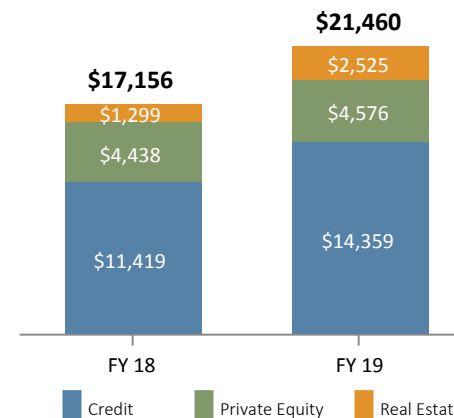
(\$ in millions)



■ Drawdown Funds ■ Non-drawdown Funds⁽²⁾

FY- 19 Capital Deployment in Drawdown Funds: \$21.5 billion FY- 19

(\$ in millions)



■ Credit ■ Private Equity ■ Real Estate

1. Capital deployment figures exclude deployment from permanent capital vehicles.

2. Non-drawdown funds amounts includes new capital deployed by managed accounts and CLOs but excludes recycled capital.

GAAP Statements of Operations

\$ in thousands, except share data	Quarter Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues				
Management fees (includes ARCC Part I Fees of \$48,060, \$164,396, \$37,145, \$128,805 for the quarter and year ended December 31, 2019, and 2018, respectively)	\$265,321	\$214,431	\$979,417	\$802,502
Carried interest allocation	118,064	(30,177)	621,872	42,410
Incentive fees	40,450	49,697	69,197	63,380
Principal investment income (loss)	10,563	(771)	56,555	(1,455)
Administrative, transaction and other fees	2,531	14,252	38,397	51,624
Total revenues	436,929	247,432	1,765,438	958,461
Expenses				
Compensation and benefits	168,120	151,155	653,352	570,380
Performance related compensation	108,757	(225)	497,181	30,254
General, administrative and other expenses	74,231	60,441	270,219	215,964
Expenses of Consolidated Funds	11,180	4,503	42,045	53,764
Total expenses	362,288	215,874	1,462,797	870,362
Other income (expense)				
Net realized and unrealized gains (losses) on investments	4,035	(9,854)	9,554	(1,884)
Interest and dividend income	1,980	517	7,506	7,028
Interest expense	(3,598)	(4,360)	(19,671)	(21,448)
Other income (expense), net	(6,270)	636	(7,840)	(851)
Net realized and unrealized gains (losses) on investments of Consolidated Funds	11,880	(28,422)	15,136	(1,583)
Interest and other income of Consolidated Funds	92,287	87,758	395,599	337,875
Interest expense of Consolidated Funds	(73,694)	(58,953)	(277,745)	(222,895)
Total other income (expense)	26,620	(12,678)	122,539	96,242
Income before taxes	101,261	18,880	425,180	184,341
Income tax expense	16,786	2,543	52,376	32,202
Net income	84,475	16,337	372,804	152,139
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	(2,174)	(2,906)	39,704	20,512
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	48,184	7,306	184,216	74,607
Net income attributable to Ares Management Corporation	38,465	11,937	148,884	57,020
Less: Series A Preferred Stock dividends paid	5,425	5,425	21,700	21,700
Net income attributable to Ares Management Corporation Class A common stockholders	\$33,040	\$6,512	\$127,184	\$35,320
Net income attributable to Ares Management Corporation per share of Class A common stock				
Basic	\$0.27	\$0.05	\$1.11	\$0.30
Diluted	\$0.25	\$0.05	\$1.06	\$0.30
Weighted-average shares of Class A common stock:				
Basic	114,943,915	101,526,367	107,914,953	96,023,147
Diluted	130,178,066	101,526,367	119,877,429	96,023,147



RI and Other Measures Financial Summary

\$ in thousands, except share data (and as otherwise noted)	Quarter Ended December 31,			Year Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Management fees ⁽¹⁾	\$273,261	\$223,952	22%	\$1,012,530	\$836,744	21%
Other fees	5,049	7,122	(29)%	18,078	24,288	(26)%
Compensation and benefits expenses ⁽²⁾	(136,960)	(122,768)	12%	(528,207)	(456,255)	16%
General, administrative and other expenses ⁽³⁾	(52,659)	(39,906)	32%	(178,742)	(149,465)	20%
Fee Related Earnings	\$88,691	\$68,400	30%	\$323,659	\$255,312	27%
Realized net performance income	\$76,743	\$51,100	50%	\$112,136	\$105,610	6%
Realized net investment income	40,702	4,351	NM	67,691	34,474	96%
Realized Income	\$206,136	\$123,851	66%	\$503,486	\$395,396	27%
After-tax Realized Income, net of Series A Preferred Stock dividends⁽⁴⁾	\$180,084	\$106,342	69%	\$436,666	\$345,926	26%
After-tax Realized Income per share of Class A common stock, net of Series A Preferred Stock dividends⁽⁵⁾	\$0.67	\$0.41	63%	\$1.67	\$1.42	18%
Other Data						
Total Fee Revenue⁽⁶⁾	\$355,053	\$282,174	26%	\$1,142,744	\$966,642	18%
Effective management fee rate⁽⁷⁾	1.12 %	1.08 %	4%	1.10 %	1.07 %	3%

1. Includes ARCC Part I Fees of \$48.1 million and \$164.4 million for the quarter and year ended December 31, 2019, respectively, and \$37.1 million and \$128.8 million for the quarter and year ended December 31, 2018, respectively.

2. Includes compensation and benefits expenses attributable to the Operations Management Group of \$38.4 million and \$139.2 million for the quarter and year ended December 31, 2019, respectively, and \$32.0 million and \$124.8 million for the quarter and year ended December 31, 2018, respectively, which are not allocated to an operating segment.

3. Includes G&A expenses attributable to Operations Management Group of \$29.4 million and \$91.3 million for the quarter and year ended December 31, 2019, respectively, and \$19.3 million and \$75.0 million for the quarter and year ended December 31, 2018, respectively, which are not allocated to an operating segment. Included in these amounts for the quarter and year ended December 31, 2019 is approximately \$6.5 million of costs pertaining to an ongoing SEC matter relating to certain of our compliance policies and procedures. We have been cooperating with the SEC, and we believe that this matter is nearing resolution and that the majority of the related expenses are reflected in our results for the year ended December 31, 2019.

4. For the quarter and years ended December 31, 2019 and 2018, after-tax Realized Income includes current income tax related to: (i) realized performance income of \$13.9 million, \$21.0 million, and \$5.9 million, \$14.4 million, respectively and (ii) FRE of \$6.7 million, \$24.2 million, and \$6.1 million, \$13.4 million, respectively. Of the current tax related to FRE, this includes (a) entity level taxes of \$5.7 million, \$10.4 million, and \$0.8 million, \$7.0 million, respectively, and (b) corporate level tax expense of \$1.0 million, \$13.7 million, and \$5.3 million, \$6.3 million, respectively.

5. Calculation of after-tax Realized Income per share of Class A common stock uses total average shares of Class A common stock outstanding and proportional dilutive effects of the Ares' equity-based awards. See slide 32 for additional details.

6. Total Fee Revenue is calculated as the total of management fees, other fees and realized net performance income.

7. Effective management fee rate represents the quotient of management fees and the aggregate fee bases for the periods presented. The effective rate shown excludes the effect of one-time catch-up fees.



GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis

\$ in thousands	Quarter Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Realized Income and Fee Related Earnings:				
Income before taxes	\$101,261	\$18,880	\$425,180	\$184,341
Adjustments:				
Depreciation and amortization expense ⁽¹⁾	4,993	4,853	40,602	25,087
Equity compensation expense ⁽²⁾	23,717	22,190	97,691	89,724
Acquisition and merger-related expense	5,509	2,955	16,266	2,936
Deferred placement fees	6,987	10,633	24,306	20,343
Other (income) expense, net ⁽³⁾	—	(75)	(460)	13,489
Net expense of non-controlling interests in consolidated subsidiaries	343	1,165	2,951	3,343
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	2,004	2,857	(39,174)	(20,643)
Unconsolidated performance (income) loss - unrealized	123,269	119,988	(303,142)	247,212
Unconsolidated performance related compensation - unrealized	(105,137)	(89,049)	206,799	(221,343)
Unconsolidated net investment loss - unrealized	43,190	29,454	32,467	50,907
Realized Income	\$206,136	\$123,851	\$503,486	\$395,396
Unconsolidated performance income - realized	\$(290,637)	\$(139,924)	\$(402,518)	\$(357,207)
Unconsolidated performance related compensation - realized	213,894	88,824	290,382	251,597
Unconsolidated net investment income - realized	(40,702)	(4,351)	(67,691)	(34,474)
Fee Related Earnings	\$88,691	\$68,400	\$323,659	\$255,312

Note: This table is a reconciliation of income before provision for income taxes on a GAAP basis to RI and FRE on an unconsolidated basis, which reflects the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group. Differences may arise due to rounding.

1. The year ended December 31, 2019 includes a \$20.0 million non-cash impairment charge on certain intangible assets.

2. For the quarters and the years ended December 31, 2019 and 2018, equity compensation expense was attributable to the following: (i) IPO awards and other non-recurring awards of \$8.0 million, \$39.0 million and \$13.7 million, \$53.7 million, respectively; (ii) annual bonus awards of \$6.8 million, \$27.7 million and \$4.4 million, \$19.0 million, respectively; and (iii) discretionary awards of \$8.9 million, \$30.9 million and \$4.1 million, \$17.0 million, respectively.

3. The year ended December 31, 2018 includes a \$11.8 million payment to ARCC for rent and utilities for the years ended 2017, 2016, 2015 and 2014, and the first quarter of 2018.



GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis (cont'd)

\$ in thousands	Quarter Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Performance income and net investment income reconciliation:				
Carried interest allocation	\$118,064	\$(30,177)	\$621,872	\$42,410
Incentive fees	40,450	49,697	69,197	63,380
Carried interest allocation and incentive fees	\$158,514	\$19,520	\$691,069	\$105,790
Performance income - realized earned from Consolidated Funds	\$8,667	\$—	\$13,851	\$4,000
Performance income - reclass ⁽¹⁾	187	416	740	205
Unconsolidated performance (income) loss - unrealized	123,269	119,988	(303,142)	247,212
Performance income - realized	\$290,637	\$139,924	\$402,518	\$357,207
Total consolidated other income				
	\$26,620	(\$12,678)	\$122,539	\$96,242
Net investment income from Consolidated Funds	(27,897)	(3,441)	(130,396)	(115,151)
Performance income - reclass ⁽¹⁾	(187)	(416)	(740)	(205)
Principal investment income (loss)	(1,016)	(8,497)	44,320	1,047
Other (income) expense, net	—	(75)	(460)	1,653
Other (income) loss of non-controlling interests in consolidated subsidiaries	(8)	4	(39)	(19)
Investment loss - unrealized	37,957	29,763	24,542	50,809
Interest and other investment (income) loss - unrealized	5,233	(309)	7,925	98
Total realized net investment income	\$40,702	\$4,351	\$67,691	\$34,474

Note: These tables reconcile consolidated carried interest allocation and incentive fees reported in accordance with GAAP to unconsolidated realized performance income and consolidated GAAP other income to unconsolidated realized net investment income. These reconciliations show the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group. Differences may arise due to rounding.

1. Related to performance income for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within net realized and unrealized gain on investments in Ares' Consolidated Statements of Operations.



Credit Group⁽¹⁾

- Management and other fees increased 29% and 24% for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, primarily driven by deployment in funds in the U.S. and European direct lending strategies
- Fee Related Earnings increased by 41% and 27% for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, primarily driven by higher management fees
- Realized Income increased by 36% and 27% for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, primarily driven by increases in Fee Related Earnings and by increases in realized net investment income in the U.S. direct lending strategy

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q4-19	Q4-18	% Change	FY 2019	FY 2018	% Change
Management and other fees ⁽³⁾	\$205,038	\$158,855	29%	\$730,977	\$588,146	24%
Fee Related Earnings	\$121,031	\$86,135	41%	\$414,212	\$325,153	27%
Realized net performance income	\$26,737	\$25,035	7%	\$42,801	\$45,729	(6)%
Realized net investment income	4,836	995	NM	14,630	1,456	NM
Realized Income	\$152,604	\$112,165	36%	\$471,643	\$372,338	27%
AUM (\$ in billions)	\$110.5	\$95.9	15%			
FPAUM (\$ in billions)	\$71.9	\$57.8	24%			

27%

FY-19 increase in
Fee Related Earnings

24%

FY-19 increase in
FPAUM

**European Direct Lending:
12.0%⁽⁴⁾**

High Yield: 16.1%⁽⁵⁾

Syndicated Loans: 10.7%⁽⁵⁾
FY-19 gross returns

Note: Past performance is not indicative of future results. The Credit Group had ~270 investment professionals, ~1,700 portfolio companies and ~150 active funds as of December 31, 2019.

1. Segment results are shown before the unallocated support costs of the Operations Management Group that are reflected on "Financial Details - Segments" on slides 23-24.

2. This table is a financial summary only. See slide 23-24 for complete financial results.

3. Includes ARCC Part I Fees of \$48.1 million and \$37.1 million for the quarters ended December 31, 2019 and 2018, respectively, and \$164.4 million and \$128.8 million for the years ended December 31, 2019 and 2018, respectively. Excluding Q4-19, the amounts are net of the \$10 million quarterly ARCC-ACAS transaction fee waiver, which was effective through Q3-19.

4. The gross return for European direct lending was 3.6% for Q4-19. The net returns for European direct lending were 2.7% and 8.6% for Q4-19 and FY-19, respectively. Gross and net returns for European direct lending are represented by a composite made up of the ACE II, ACE III and ACE IV levered Euro-denominated feeder funds. The gross and net returns for the composite made up of the ACE II and ACE III U.S. dollar denominated feeder funds were 2.9% and 2.0% for Q4-19 and 12.7% and 9.3% for FY-19. Returns presented above are shown for the Euro-denominated composite as this is the base denomination of the funds. Composite returns are calculated by asset-weighting the underlying fund-level returns. Returns include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses. Gross returns do not reflect the deduction of management fees, carried interest, other expenses and taxes, as applicable. Net returns are reduced by applicable management fees, carried interest, as applicable, and other expenses. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.

5. Gross performance returns: 2.3% for U.S. syndicated loan funds and 2.7% for U.S. high yield funds for Q4-19. Net performance returns: 2.1% and 10.2% for U.S. syndicated loan funds for Q4-19 and FY-19 and 2.5% and 15.6% for U.S. high yield funds for Q4-19 and FY-19. Performance for syndicated loans is represented by the U.S. Bank Loan Aggregate Composite which includes all actual, fully discretionary, fee-paying, funds that are benchmarked to the Credit Suisse Leveraged Loan Index and primarily invested in USD denominated banks loans. Such funds may have limited allocations to high yield and structured securities. Performance for high yield is represented by the U.S. high yield Composite which includes all actual, fully discretionary, fee-paying, separately managed funds that primarily invest in U.S. high yield fixed income securities and are benchmarked to the BofA Merrill Lynch US High Yield Master II Constrained Index, or a similar index. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.



Private Equity Group⁽¹⁾

- Management and other fees increased by 5% and 6% for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, primarily driven by new commitments in our energy opportunities fund and deployment in our special opportunities fund
- Fee Related Earnings increased by 20% and 8% for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, driven by higher management fees and by lower operating expense for Q4-19 compared to Q4-18
- Realized Income increased by \$81.8 million and \$62.0 million for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, primarily driven by increased monetization activity in ACOF III

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q4-19	Q4-18	% Change	FY 2019	FY 2018	% Change
Management and other fees	\$53,534	\$50,815	5%	\$211,776	\$199,190	6%
Fee Related Earnings	\$32,391	\$27,057	20%	\$114,419	\$106,036	8%
Realized net performance income	\$40,390	\$430	NM	\$52,889	\$28,056	89%
Realized net investment income (loss)	35,435	(1,117)	NM	45,256	16,440	175%
Realized Income	\$108,216	\$26,370	NM	\$212,564	\$150,532	41%
AUM (\$ in billions)	\$25.2	\$23.5	7%			
FPAUM (\$ in billions)	\$17.0	\$17.1	(1)%			

8%

FY-19 increase in
Fee Related Earnings

41%

FY-19 increase in
Realized Income

20.5%

FY-19 Gross return
in Corporate Private
Equity portfolio⁽³⁾

Note: Past performance is not indicative of future results. The Private Equity Group had ~100 investment professionals, ~40 portfolio companies, ~50 infrastructure and power assets and ~20 active funds and related co-investment vehicles as of December 31, 2019.

1. Segment results are shown before the unallocated support costs of the Operations Management Group that are reflected on "Financial Details - Segments" on slides 23-24.

2. This table is a financial summary only. See slide 23-24 for complete financial results.

3. Performance for corporate private equity portfolio is represented by the ACOF I-V Aggregate, which is comprised of investments held by ACOF I, ACOF II, ACOF III, ACOF IV and ACOF V. Performance returns are gross asset-level time-weighted rates of return calculated on a quarterly basis. Returns include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses. Gross returns do not reflect the deduction of management fees, carried interest, other expenses and taxes, if applicable. The gross return in corporate private equity portfolio is 2.6% for Q4-19. Net returns are reduced by applicable management fees, carried interest, as applicable, and other expenses. Net asset-level returns for corporate private equity portfolio was 2.1% for Q4-19 and 15.4% for FY-19. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.



Real Estate Group⁽¹⁾

- Management and other fees decreased by 8% for Q4-19 compared to Q4-18, primarily driven by catch-up fees recognized in Q4-18 that did not occur in Q4-19. Management and other fees increased by 19% for FY-19 compared to FY-18, primarily driven by new commitments and \$8.2 million in catch-up fees from EF V
- Fee Related Earnings decreased by 52% for Q4-19 compared to Q4-18, primarily driven by lower management fees and an increase in compensation expense. Fee Related Earnings increased by 6% for FY-19 compared to FY-18, primarily driven by higher management fees offset by an increase in compensation
- Realized Income decreased by 59% and 23% for Q4-19 and FY-19, respectively, compared to Q4-18 and FY-18, primarily driven by FY-18 having higher monetization activity

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q4-19	Q4-18	% Change	FY 2019	FY 2018	% Change
Management and other fees	\$19,738	\$21,404	(8)%	\$87,855	\$73,696	19%
Fee Related Earnings	\$3,096	\$6,477	(52)%	\$25,482	\$23,950	6%
Realized net performance income	\$9,616	\$25,635	(62)%	\$16,446	\$31,825	(48)%
Realized net investment income	1,112	1,803	(38)%	9,829	11,830	(17)%
Realized Income	\$13,824	\$33,915	(59)%	\$51,757	\$67,605	(23)%
AUM (\$ in billions)	\$13.2	\$11.3	17%			
FPAUM (\$ in billions)	\$8.0	\$7.0	14%			

6%

FY-19 increase in
Fee Related Earnings

17%

FY-19 increase in
AUM

U.S. Equity: 16.8%

European Equity: 12.7%
FY-19 Gross Returns⁽³⁾

Note: Past performance is not indicative of future results. The Real Estate Group had ~80 investment professionals, ~290 properties and ~40 active funds and related co-investment vehicles as of December 31, 2019.

1. Segment results are shown before the unallocated support costs of the Operations Management Group that are reflected on "Financial Details - Segments" on slides 23-24.

2. This table is a financial summary only. See slide 23-24 for complete financial results.

3. Returns are gross time-weighted rates of return and do not reflect the deduction of management fees, carried interest, as applicable, or fund expenses. Gross return for U.S. equity is represented by US IX and gross return for European equity is represented by EF IV. EF IV is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. Returns presented above are shown for the Euro-denominated composite as this is the base denomination of the funds. Gross returns do not reflect the deduction of management fees, carried interest, other expenses and taxes, as applicable. Gross returns for U.S. equity and European equity were 5.5% and 5.2% for Q4-19. Net returns are reduced by applicable management fees, carried interest, as applicable, and other expenses, if applicable. Net returns for U.S. equity and European equity were 3.6% and 4.9% for Q4-19 and 12.1% and 11.1%, for FY-19. The gross and net returns for the dollar denominated feeder fund for EF IV were 5.5% and 5.3% for Q4-19 and 14.1% and 12.4% for FY-19. We believe aggregated performance returns reflect overall quarterly performance returns in a strategy, but are not necessarily investable funds or products themselves.



Realized Income per Share Data

\$ in thousands, except share data	Quarter Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
After-tax Realized Income, net of Series A Preferred Stock dividends				
Realized Income before taxes	\$206,136	\$123,851	\$503,486	\$395,396
Entity level foreign, state and local taxes	(5,720)	(820)	(10,436)	(7,033)
Series A Preferred Stock dividends ⁽¹⁾	(5,425)	(5,425)	(21,700)	(21,700)
Realized Income, net of Series A Preferred Stock dividends	\$194,991	\$117,606	\$471,350	\$366,663
Income taxes ⁽²⁾	\$(14,907)	\$(11,264)	\$(34,684)	\$(20,737)
After-tax Realized Income, net of Series A Preferred Stock dividends	\$180,084	\$106,342	\$436,666	\$345,926
After-tax Realized Income per share⁽³⁾	\$0.73	\$0.47	\$1.83	\$1.54
After-tax Realized Income per share of Class A common stock				
Realized Income, net of Series A Preferred Stock dividends	\$194,991	\$117,606	\$471,350	\$366,663
x Average ownership % of Ares Operating Group	49.63 %	46.45 %	48.34 %	44.59 %
Realized Income attributable to Class A common stockholders	\$96,766	\$54,630	\$227,861	\$163,491
Income taxes ⁽²⁾	\$(14,907)	\$(11,264)	\$(34,684)	\$(20,737)
After-tax Realized Income attributable to Class A common stockholders	\$81,859	\$43,366	\$193,177	\$142,754
After-tax Realized Income per share of Class A common stock⁽⁴⁾	\$0.67	\$0.41	\$1.67	\$1.42

1. Ares had 12,400,000 shares of 7% Series A Preferred Stock outstanding as of December 31, 2019.

2. Amount represents the current corporate taxes paid by Ares for the periods presented and exclude the effects for the quarter and year ended December 31, 2019 of \$(4.0) million and \$7.8 million, respectively, of deferred income tax (benefit) expense primarily related to net unrealized performance income and net unrealized investment income. These effects have been excluded as net unrealized performance income and net unrealized investment income have been excluded from RI. For the purposes of evaluating after-tax FRE, we first allocate the taxes to realized performance income. Taxes are allocated to realized performance income based on our 23.9% statutory tax rate. The remaining portion of current corporate taxes is allocated to FRE. All differences between the current portion of taxable income and RI are attributed to FRE. For the quarter and year ended December 31, 2019, these differences created tax benefits that totaled \$13.5 million and \$38.1 million, respectively, and reduced our tax rate on FRE from 23.9% to 8.9% and 12.1%, respectively. The primary differences between the current portion of taxable income and RI are related to the timing of certain items, primarily vesting of equity awards, exercise of stock options, payment of placement fees, depreciation expense and amortization. FRE tax rates may fluctuate based on the total amount of realized performance income and the amount of timing differences between the current portion of taxable income and RI.

3. Weighted average shares used for RI of 246,855,777 includes the sum of shares of Class A common stock, Ares Operating Group Units that are exchangeable for shares of Class A common stock on a one-for-one basis and the dilutive effects of Ares' equity-based awards. Please refer to slide 32 in this presentation for further information.

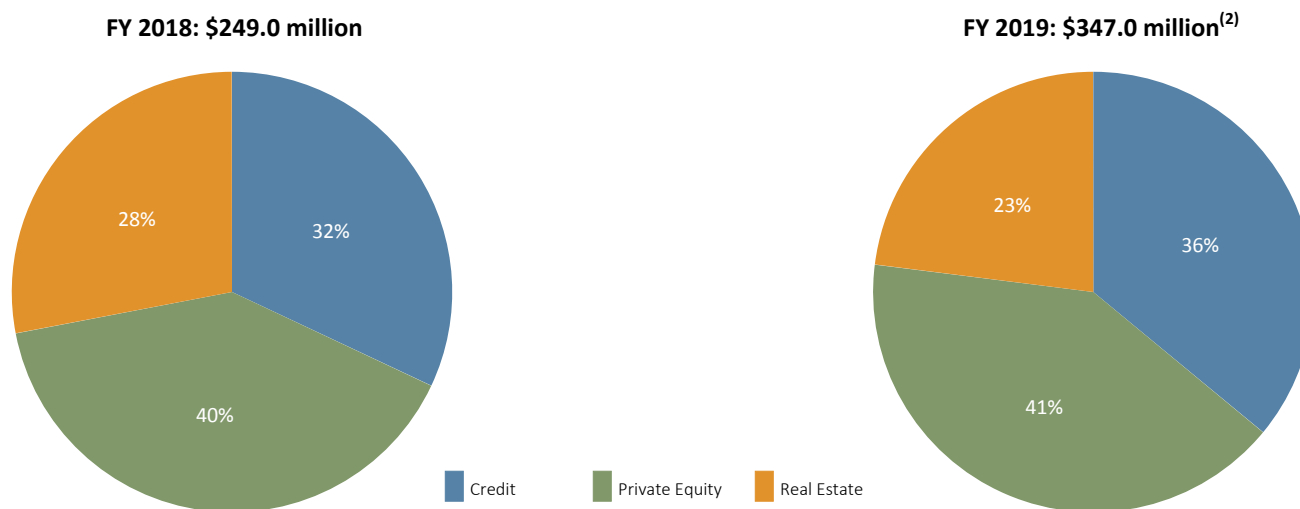
4. Calculation of after-tax Realized Income per share of Class A common stock uses the total average shares of Class A common stock outstanding and the proportional dilutive effects of Ares' equity-based awards. See slide 32 for additional details.

Balance Sheet

- **Substantial balance sheet value related to investments in Ares managed vehicles and net accrued performance income**

- As of December 31, 2019, our balance sheet included \$138.4 million in cash and cash equivalents and \$316.6 million in debt obligations with \$70.0 million drawn against our \$1.065 billion revolving credit facility
- As of December 31, 2019, the fair value of our corporate investment portfolio was \$528.7 million in accordance with GAAP. On an unconsolidated basis, our corporate investment portfolio was \$710.6 million⁽¹⁾
- As of December 31, 2019, gross accrued performance income reported on a GAAP basis was \$1,175.6 million. On an unconsolidated basis, our gross accrued performance income was \$1,178.0 million
 - As of December 31, 2019, accrued performance income, net of performance related compensation reported on a GAAP basis and unconsolidated basis was \$347.0 million and \$348.2 million, respectively, representing increases of ~39% from December 31, 2018

Net Accrued Performance Income by Group



1. Unconsolidated investments includes investments of \$181.9 million in Consolidated Funds that are eliminated upon consolidation for GAAP. Corporate investment portfolio excludes accrued carried interest allocation, a component of gross accrued performance income, of \$1,135.0 million.

2. As of December 31, 2019, unconsolidated net performance income receivable by group was \$348.2 million. Unconsolidated net performance income receivable includes \$1.2 million of net performance income receivable of Consolidated Funds attributable to the Credit Group that is eliminated upon consolidation for GAAP.

Corporate Data

Board of Directors

Michael Arougheti

Co-Founder, Chief Executive Officer and President of Ares

Antoinette Bush

Executive Vice President and Global Head of Government Affairs of News Corp

Kipp deVeer

Head of Credit Group

Paul G. Joubert

Founding Partner of EdgeAdvisors and Investing Partner in Converge Venture Partners

David Kaplan

Co-Founder and Co-Chairman of Private Equity Group

Michael Lynton

Chairman of Snap Inc.

Dr. Judy D. Olian

President of Quinnipiac University

Antony P. Ressler

Co-Founder and Executive Chairman of Ares

Bennett Rosenthal

Co-Founder and Co-Chairman of Private Equity Group

Executive Officers

Michael Arougheti

Co-Founder, Chief Executive Officer and President

Ryan Berry

Chief Marketing and Strategy Officer

Kipp deVeer

Head of Credit Group

David Kaplan

Co-Founder and Co-Chairman of Private Equity Group

Michael McFerran

Chief Operating Officer and Chief Financial Officer

Antony P. Ressler

Co-Founder and Executive Chairman

Bennett Rosenthal

Co-Founder and Co-Chairman of Private Equity Group

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Securities Listing

NYSE: ARES
NYSE: ARES.PRA



Appendix



Financial Details – Segments

Three Months Ended December 31, 2019

\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total ⁽¹⁾
Management fees (Credit Group includes ARCC Part I Fees of \$48,060)	\$200,093	\$53,513	\$19,655	\$—	\$273,261
Other fees	4,945	21	83	—	5,049
Compensation and benefits	(68,579)	(16,546)	(13,389)	(38,446)	(136,960)
General, administrative and other expenses	(15,428)	(4,597)	(3,253)	(29,381)	(52,659)
Fee Related Earnings	\$121,031	\$32,391	\$3,096	(\$67,827)	\$88,691
Performance income—realized	\$65,521	\$201,947	\$23,169	\$—	\$290,637
Performance related compensation—realized	(38,784)	(161,557)	(13,553)	—	(213,894)
Realized net performance income	\$26,737	\$40,390	\$9,616	\$—	\$76,743
Investment income—realized	\$1,795	\$35,683	\$979	\$—	\$38,457
Interest and other investment income (expense) —realized	4,170	999	821	(147)	5,843
Interest expense	(1,129)	(1,247)	(688)	(534)	(3,598)
Realized net investment income (loss)	\$4,836	\$35,435	\$1,112	\$(681)	\$40,702
Realized Income	\$152,604	\$108,216	\$13,824	(\$68,508)	\$206,136

Three Months Ended December 31, 2018

\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total ⁽¹⁾
Management fees (Credit Group includes ARCC Part I Fees of \$37,145)	\$151,871	\$50,690	\$21,391	\$—	\$223,952
Other fees	6,984	125	13	—	7,122
Compensation and benefits	(59,944)	(19,358)	(11,483)	(31,983)	(122,768)
General, administrative and other expenses	(12,776)	(4,400)	(3,444)	(19,286)	(39,906)
Fee Related Earnings	\$86,135	\$27,057	\$6,477	(\$51,269)	\$68,400
Performance income—realized	\$72,798	\$2,278	\$64,848	\$—	\$139,924
Performance related compensation—realized	(47,763)	(1,848)	(39,213)	—	(88,824)
Realized net performance income	\$25,035	\$430	\$25,635	\$—	\$51,100
Investment income—realized	\$63	\$25	\$1,463	\$3,132	\$4,683
Interest and other investment income—realized	2,522	613	887	6	4,028
Interest expense	(1,590)	(1,755)	(547)	(468)	(4,360)
Realized net investment income (loss)	\$995	\$(1,117)	\$1,803	\$2,670	\$4,351
Realized Income	\$112,165	\$26,370	\$33,915	(\$48,599)	\$123,851

1. Includes results of the reportable segments on a combined basis together with the Operations Management Group. See “GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis” on slides 14-15.



Financial Details – Segments

Year Ended December 31, 2019					
\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total ⁽¹⁾
Management fees (includes ARCC Part I Fees of \$164,396)	\$713,853	\$211,614	\$87,063	\$—	\$1,012,530
Other fees	17,124	162	792	—	18,078
Compensation and benefits	(261,662)	(78,259)	(49,124)	(139,162)	(528,207)
General, administrative and other expenses	(55,103)	(19,098)	(13,249)	(91,292)	(178,742)
Fee Related Earnings	\$414,212	\$114,419	\$25,482	(\$230,454)	\$323,659
Performance income—realized	\$104,442	\$264,439	\$33,637	\$—	\$402,518
Performance related compensation—realized	(61,641)	(211,550)	(17,191)	—	(290,382)
Realized net performance income	\$42,801	\$52,889	\$16,446	\$—	\$112,136
Investment income—realized	\$2,457	\$47,696	\$8,020	\$—	\$58,173
Interest and other investment income (expense) —realized	18,670	5,046	5,633	(160)	29,189
Interest expense	(6,497)	(7,486)	(3,824)	(1,864)	(19,671)
Realized net investment income (loss)	\$14,630	\$45,256	\$9,829	(\$2,024)	\$67,691
Realized Income	\$471,643	\$212,564	\$51,757	(\$232,478)	\$503,486

Year Ended December 31, 2018					
\$ in thousands	Credit Group	Private Equity Group	Real Estate Group	Operations Management Group	Total ⁽¹⁾
Management fees (includes ARCC Part I Fees of \$128,805)	\$564,899	\$198,182	\$73,663	\$—	\$836,744
Other fees	23,247	1,008	33	—	24,288
Compensation and benefits	(218,148)	(74,672)	(38,623)	(124,812)	(456,255)
General, administrative and other expenses	(44,845)	(18,482)	(11,123)	(75,015)	(149,465)
Fee Related Earnings	\$325,153	\$106,036	\$23,950	(\$199,827)	\$255,312
Performance income—realized	\$121,270	\$139,820	\$96,117	\$—	\$357,207
Performance related compensation—realized	(75,541)	(111,764)	(64,292)	—	(251,597)
Realized net performance income	\$45,729	\$28,056	\$31,825	\$—	\$105,610
Investment income—realized	\$2,492	\$17,816	\$11,409	\$4,790	\$36,507
Interest and other investment income —realized	10,350	4,624	2,257	2,184	19,415
Interest expense	(11,386)	(6,000)	(1,836)	(2,226)	(21,448)
Realized net investment income	\$1,456	\$16,440	\$11,830	\$4,748	\$34,474
Realized Income	\$372,338	\$150,532	\$67,605	(\$195,079)	\$395,396

1. Includes results of the reportable segments on a combined basis together with the Operations Management Group. See “GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis” on slides 14-15.



AUM and FPAUM Rollforward

Q4-19 Total AUM Rollforward (\$ in millions)

	Credit	Private Equity	Real Estate	Total
Q3-19 Ending Balance	\$106,302	\$25,515	\$12,481	\$144,298
Commitments	3,757	1,857	840	6,454
Capital reductions	(558)	(2)	—	(560)
Distributions	(556)	(2,530)	(367)	(3,453)
Redemptions	(256)	(2)	—	(258)
Changes in fund value	1,854	328	253	2,435
Q4-19 Ending Balance	\$110,543	\$25,166	\$13,207	\$148,916
QoQ change	\$4,241	(\$349)	\$726	\$4,618

Q4-19 Total FPAUM Rollforward (\$ in millions)

	Credit	Private Equity	Real Estate	Total
Q3-19 Ending Balance	\$68,981	\$16,920	\$7,416	\$93,317
Commitments	897	120	290	1,307
Subscriptions/deployment/increase in leverage	2,277	1,345	435	4,057
Capital reductions	(275)	(194)	(76)	(545)
Distributions	(490)	(904)	(148)	(1,542)
Redemptions	(255)	(1)	—	(256)
Changes in fund value	984	3	82	1,069
Change in fee basis	(239)	(249)	(36)	(524)
Q4-19 Ending Balance	\$71,880	\$17,040	\$7,963	\$96,883
QoQ change	\$2,899	\$120	\$547	\$3,566

FY-19 Total AUM Rollforward (\$ in millions)

	Credit	Private Equity	Real Estate	Total
Q4-18 Ending Balance	\$95,836	\$23,487	\$11,340	\$130,663
Commitments	17,276	3,176	2,993	23,445
Capital reductions	(1,765)	(7)	(90)	(1,862)
Distributions	(2,186)	(3,804)	(1,598)	(7,588)
Redemptions	(2,318)	(2)	—	(2,320)
Changes in fund value	3,700	2,316	562	6,578
Q4-19 Ending Balance	\$110,543	\$25,166	\$13,207	\$148,916
YoY change	\$14,707	\$1,679	\$1,867	\$18,253

FY-19 Total FPAUM Rollforward (\$ in millions)

	Credit	Private Equity	Real Estate	Total
Q4-18 Ending Balance	\$57,847	\$17,071	\$6,952	\$81,870
Commitments	4,997	362	1,080	6,439
Subscriptions/deployment/increase in leverage	13,674	2,019	1,269	16,962
Capital reductions	(1,555)	(202)	(217)	(1,974)
Distributions	(2,285)	(1,364)	(650)	(4,299)
Redemptions	(2,606)	(1)	—	(2,607)
Changes in fund value	2,181	3	(16)	2,168
Change in fee basis	(373)	(848)	(455)	(1,676)
Q4-19 Ending Balance	\$71,880	\$17,040	\$7,963	\$96,883
YoY change	\$14,033	(\$31)	\$1,011	\$15,013

Credit

- AUM increased by 4.0% from Q3-19, primarily driven by new commitments to the U.S. direct lending, syndicated loans and European direct lending strategies
- FPAUM increased by 4.2% from Q3-19, primarily driven by deployment in U.S. and European direct lending funds paid on invested capital and new commitments to the syndicated loans strategy

Private Equity

- AUM decreased by 1.4% from Q3-19, driven by distributions and realizations across funds in the corporate private equity and infrastructure and power strategies
- FPAUM increased by 0.7% from Q3-19, driven by deployment in corporate private equity and special opportunities funds paid on invested capital and new commitments to the energy opportunities strategy

Real Estate

- AUM increased by 5.8% from Q3-19, driven by new commitments across funds in all three Real Estate Group strategies and net appreciation of portfolio holdings primarily in U.S. equity funds
- FPAUM increased by 7.4% from Q3-19, driven by deployment in real estate debt funds and new commitments to the U.S. equity strategy



AUM and FPAUM by Strategy

\$ in billions	As of December 31, 2019			
	AUM	% AUM	FPAUM	% FPAUM
Credit				
Syndicated Loans	\$22.3	20%	\$21.5	30%
High Yield	3.5	3	3.5	5
Multi-Asset Credit	2.6	2	2.1	3
Alternative Credit	7.6	7	4.3	6
U.S. Direct Lending ⁽¹⁾	48.4	44	27.9	39
European Direct Lending	26.1	24	12.6	17
Credit	\$110.5	100%	\$71.9	100%
Private Equity				
Corporate Private Equity				
ACOF V	\$8.5	34%	\$7.6	45%
ACOF IV	5.5	22	2.4	14
AEVF	1.2	5	0.9	5
ACOF I-III	1.7	7	—	—
ACOF Asia	0.2	1	0.1	1
Infrastructure and Power				
EIF I-IV and Co-investment Vehicles	2.4	9	2.5	15
EIF V	0.9	3	0.8	4
Energy Opportunities				
Energy Opportunities	1.3	5	1.0	6
Special Opportunities				
Special Opportunities	3.5	14	1.7	10
Private Equity	\$25.2	100%	\$17.0	100%
Real Estate				
U.S. Equity	\$3.8	29%	\$2.6	33%
European Equity	4.6	35	3.8	48
Debt	4.8	36	1.6	19
Real Estate	\$13.2	100%	\$8.0	100%
Total	\$148.9		\$96.9	

1. AUM includes ARCC, IHAM, and SDLP AUM of \$16.6 billion, \$4.6 billion, and \$3.3 billion, respectively. ARCC's wholly owned portfolio company, IHAM, an SEC registered investment adviser, manages 22 funds and serves as the sub-manager or sub-adviser for 2 other funds as of December 31, 2019.



Balance Sheet Investments by Strategy⁽¹⁾

\$ in millions	December 31, 2019	December 31, 2018
Credit		
Syndicated Loans ⁽²⁾	\$104.7	\$75.0
Multi-Asset Credit	29.5	3.4
Alternative Credit	21.0	19.5
U.S. Direct Lending	61.3	59.0
European Direct Lending	32.8	47.9
Credit	\$249.3	\$204.8
Private Equity		
ACOF I - II	\$0.2	\$3.4
ACOF III	24.8	81.7
ACOF IV	40.5	37.2
ACOF Asia	56.9	83.5
AEVF	29.2	—
Energy Opportunities	9.7	1.7
Infrastructure and Power	43.8	30.5
Special Opportunities	60.5	37.8
Private Equity	\$265.6	\$275.8
Real Estate		
U.S. Equity	\$85.8	\$109.9
European Equity	15.5	16.5
Debt	42.9	18.1
Real Estate	\$144.2	\$144.5
Operations Management Group		
Other	\$51.5	\$46.4
Other	\$51.5	\$46.4
Total	\$710.6	\$671.5

1. As of December 31, 2019, the fair value of our corporate investment portfolio was \$528.7 million in accordance with GAAP. Difference between GAAP and unconsolidated investments represents investments of \$181.9 million in Consolidated Funds that are eliminated upon consolidation. Corporate investment portfolio excludes accrued carried interest allocation, a component of gross accrued performance income, of \$1,135.0 million.

2. Through investments in Ares CLOs. Represents Ares' maximum exposure of loss from its investments in CLOs.

Significant Fund Performance Metrics

The following table presents the performance data for the significant fund in the Credit Group that is not a drawdown fund:

As of December 31, 2019									
	Year of Inception	AUM (\$ in millions)	Returns (%) ⁽¹⁾						Investment Strategy
			Current Quarter		Year-To-Date		Since Inception ⁽²⁾		
			Gross	Net	Gross	Net	Gross	Net	
ARCC ⁽³⁾	2004	\$16,623	N/A	2.8%	N/A	11.4%	N/A	11.8%	U.S. Direct Lending

Note: Past performance is not indicative of future results. AUM and Net Returns are as of December 31, 2019 unless otherwise noted. The above table includes fund performance metrics for significant funds which includes those that contributed at least 1% of total management fees for the year ended December 31, 2019 or comprised 1% or more of Ares' total FPAUM as of December 31, 2019, and for which we have sole discretion for investment decisions within the fund. Please see significant fund performance endnotes on slides 30-31 for additional information. Return information presented may not reflect actual returns earned by investors in the applicable fund. ARCC is a publicly traded vehicle.

Significant Fund Performance Metrics (cont'd)

The following table presents the performance data for our significant drawdown funds:

As of December 31, 2019												
Credit												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds ⁽⁴⁾	Unrealized Value ⁽⁵⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽⁶⁾	Net ⁽⁷⁾	Gross ⁽⁸⁾	Net ⁽⁹⁾	
CSF III	2010	\$1,175	\$1,135	\$1,209	\$617	\$1,153	\$1,770	1.5x	1.5x	9.1%	7.8%	European & U.S. Direct Lending
ACE III ⁽¹⁰⁾	2015	4,964	2,822	2,479	596	2,561	3,157	1.4x	1.3x	14.0%	10.2%	European Direct Lending
PCS	2017	3,627	3,365	1,898	161	1,914	2,075	1.2x	1.1x	13.0%	9.0%	U.S. Direct Lending
ACE IV Unlevered ⁽¹¹⁾	2018	9,653	2,851	1,446	35	1,502	1,537	1.1x	1.1x	12.5%	9.1%	European Direct Lending
ACE IV Levered ⁽¹¹⁾			4,819	2,412	84	2,568	2,652	1.1x	1.1x	18.4%	13.6%	
SDL Unlevered ⁽¹²⁾	2018	4,871	922	267	6	272	278	1.1x	1.0x	11.0%	7.4%	U.S. Direct Lending
SDL Levered ⁽¹²⁾			2,045	568	18	594	612	1.1x	1.1x	20.0%	12.7%	
Private Equity												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds ⁽¹⁾	Unrealized Value ⁽²⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽³⁾	Net ⁽⁴⁾	Gross ⁽⁵⁾	Net ⁽⁶⁾	
USPF IV	2010	\$1,356	\$1,688	\$2,121	\$1,385	\$1,332	\$2,717	1.3x	1.2x	7.2%	3.6%	Infrastructure and Power
ACOF IV	2012	5,511	4,700	4,214	3,117	4,803	7,920	1.9x	1.6x	18.6%	12.1%	Corporate Private Equity
EIF V	2015	872	801	795	287	748	1,035	1.3x	1.2x	17.1%	10.9%	Infrastructure and Power
SSF IV ⁽⁷⁾	2015	1,608	1,515	3,181	1,754	1,467	3,221	1.0x	1.0x	1.1%	(0.9)%	Special Opportunities
ACOF V	2017	8,524	7,850	5,672	303	6,508	6,811	1.2x	1.1x	14.6%	8.1%	Corporate Private Equity
AEOF	2018	1,254	1,120	733	9	913	922	1.3x	1.1x	NA	NA	Energy Opportunities
Real Estate												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds ⁽¹⁾	Unrealized Value ⁽²⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽³⁾	Net ⁽⁴⁾	Gross ⁽⁵⁾	Net ⁽⁶⁾	
EF IV ⁽⁷⁾	2014	\$918	\$1,302	\$1,143	\$1,007	\$816	\$1,823	1.6x	1.4x	19.1%	13.8%	European Real Estate Equity
US IX	2017	1,051	1,040	769	35	778	813	1.1x	1.1x	13.4%	9.0%	U.S. Real Estate Equity
EF V ^{(8)*}	2018	1,954	1,968	397	42	398	440	1.1x	1.0x	NA	NA	European Real Estate Equity

Note: Past performance is not indicative of future results. AUM and Net Returns are as of December 31, 2019 unless otherwise noted. The above table includes fund performance metrics for significant funds which includes those that contributed at least 1% of total management fees for the year ended December 31, 2019 or comprised 1% or more of Ares' total FPAUM as of December 31, 2019, and for which we have sole discretion for investment decisions within the fund. Please see significant fund performance endnotes on slides 30-31 for additional information. Return information presented may not reflect actual returns earned by investors in the applicable fund.

* We do not present fund performance metrics for significant funds with less than two years of investment performance, which begins on the date of the fund's first investment, except for those significant funds which pay management fees on invested capital, in which case performance is shown at the earlier of (i) the one year anniversary of the fund's first investment or (ii) the date on which the fund has invested at least 50% of its capital.



Significant Fund Performance Metrics Endnotes

Credit

1. Returns are time-weighted rates of return and include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses.
2. Since inception returns are annualized.
3. Net returns are calculated using the fund's NAV and assume dividends are reinvested at the closest quarter-end NAV to the relevant quarterly ex-dividend dates. Additional information related to ARCC can be found in its financial statements filed with the SEC, which are not part of this presentation.
4. Realized proceeds represent the sum of all cash distributions to all partners and if applicable, exclude tax and incentive distributions made to the general partner.
5. Unrealized value represents the fund's NAV reduced by the accrued incentive allocation, if applicable. There can be no assurance that unrealized values will be realized at the valuations indicated.
6. The gross multiple of invested capital ("MoIC") is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or carried interest. The gross MoIC is before giving effect to management fees, carried interest, other expenses and taxes, as applicable.
7. The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or carried interest. The net MoIC is after giving effect to management fees, carried interest, as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. The net MoIC would have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
8. The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Gross IRR reflects returns to the fee-paying limited partners and, if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or carried interest. The cash flow dates used in the gross IRR calculation are based on the actual dates of the cash flows. The gross IRRs are calculated before giving effect to management fees, carried interest, other expenses and taxes, as applicable.
9. The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying limited partners and, if applicable, exclude interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or carried interest. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, carried interest, as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
10. ACE III is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net IRR and MoIC presented in the table are for the Euro denominated feeder fund. The gross and net IRR for the U.S. dollar denominated feeder fund are 14.7% and 10.8%, respectively. The gross and net MoIC for the U.S. dollar denominated feeder fund are 1.4x and 1.3x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE III are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.
11. ACE IV is made up of four parallel funds, two denominated in Euros and two denominated in pound sterling: ACE IV (E) Unlevered, ACE IV (G) Unlevered, ACE IV (E) Levered, and ACE IV (G) Levered. The gross and net IRR and MoIC presented in the table are for ACE IV (E) Unlevered and ACE IV (E) Levered. Metrics for ACE IV (E) Levered are inclusive of a U.S. dollar denominated feeder fund, which has not been presented separately. The gross and net IRR for ACE IV (G) Unlevered are 14.1% and 9.5%, respectively. The gross and net MoIC for ACE IV (G) Unlevered are 1.1x and 1.1.x, respectively. The gross and net IRR for ACE IV (G) Levered are 19.2% and 13.7%, respectively. The gross and net MoIC for ACE IV (G) Levered are 1.1x and 1.1.x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE IV Unlevered and ACE IV Levered are for the combined levered and unlevered parallel funds and are converted to U.S. dollars at the prevailing quarter-end exchange rate.
12. Gross and net fund-level IRRs for SDL Unlevered and SDL Levered do not represent an annualized return as the time elapsed from the date of the first capital call is less than one year.

Private Equity

1. Realized proceeds represent the sum of all cash dividends, interest income, other fees and cash proceeds from realizations of interests in portfolio investments. Realized proceeds exclude any proceeds related to bridge financings.
2. Unrealized value represents the fair market value of remaining investments. Unrealized value does not take into account any bridge financings. There can be no assurance that unrealized investments will be realized at the valuations indicated.
3. The gross MoIC is calculated at the investment-level and is based on the interests of all partners. The gross MoIC is before giving effect to management fees, carried interest, other expenses and taxes, as applicable. The gross MoIC for the corporate private equity funds is also calculated before giving effect to any bridge financings. Inclusive of bridge financings, gross MoIC would be 1.8x for ACOF IV and 1.2x for ACOF V.
4. The net MoIC for the infrastructure and power and SSF IV is calculated at the fund-level. The net MoIC for the corporate private equity funds is calculated at the investment level. For all funds, the net MoIC is based on the interests of the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, carried interest, as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. The net MoIC would have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.



Significant Fund Performance Metrics Endnotes (cont'd)

Private Equity - Cont.

5. The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. For SSF IV, cash flows used in the gross IRR calculation are based on the actual dates of the cash flows. For all other funds, cash flows are assumed to occur at month-end. The gross IRRs are calculated before giving effect to management fees, carried interest, other expenses and taxes, as applicable. The gross IRR for the corporate private equity funds is also calculated before giving effect to any bridge financings. Inclusive of bridge financings, the gross IRR would be 18.5% for ACOF IV and 14.2% for ACOF V.
6. The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying limited partners and if applicable, exclude interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or carried interest. The cash flow dates used in the net IRR calculation are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, carried interest as applicable, and other expenses and exclude commitments by the general partner and Schedule I investors who do not pay either management fees or carried interest. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would have generally been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
7. In January 2017, a new team assumed portfolio management of SSF IV. In addition to presenting the cumulative performance measure for SSF IV, we have also adopted a new performance measurement called "SSF IV 2.0". SSF IV 2.0 is a subset of SSF IV positions and is intended to provide insight into the new team's cumulative investment performance. SSF IV 2.0 investments represent (i) existing and re-underwritten positions by the new team on January 1, 2017 and (ii) all new investments made by the new team since January 1, 2017. As part of the re-underwriting process, each liquid investment in the SSF IV portfolio was evaluated and a determination was made whether to continue to hold such investment in the SSF IV portfolio or dispose of such investment. At the same time, legacy illiquid investments have been excluded from the SSF IV 2.0 track record as it was not possible to dispose of such investments in the near-term due to their private, illiquid nature. Since January 2017, SSF IV 2.0 has generated gross and net internal rates of return of 12.3% and 8.2% through December 31, 2019, respectively. The IRR is an annualized since inception internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Cash flows used in the IRRs calculations are based on the actual dates of the cash flows. The gross IRRs are calculated before giving effect to management fees, carried interest, other expenses and taxes, as applicable. The net IRRs are calculated after giving effect to estimated management fees, carried interest and other expenses.

Real Estate

1. Realized proceeds include distributions of operating income, sales and financing proceeds received.
2. Unrealized value represents the fair value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
3. The gross MoIC is calculated at the investment level and is based on the interests of all partners. The gross MoIC for all funds is before giving effect to management fees, carried interest, other expenses and taxes, as applicable.
4. The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner which does not pay management fees, carried interest or has such fees rebated outside of the fund. The net MoIC is after giving effect to management fees, carried interest as applicable and other expenses. Net fund-level MoICs would generally likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
5. The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at quarter-end. The gross IRRs are calculated before giving effect to management fees, carried interest, other expenses and taxes, as applicable.
6. The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying partners and, if applicable, exclude interests attributable to the non fee-paying partners and/or the general partner which does not pay management fees or carried interest or has such fees rebated outside of the fund. The cash flow dates used in the net IRR calculation are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, carried interest as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would generally likely have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
7. EF IV is made up of two parallel funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC and gross and net IRRs presented in the table are for the Euro denominated parallel fund. The gross and net IRRs for the U.S. dollar denominated parallel fund are 18.8% and 13.8%, respectively. The gross and net MoIC for the U.S. dollar denominated parallel fund are 1.6x and 1.3x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EF IV are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.
8. EF V is made up of two parallel funds, one denominated in U.S. dollars and one denominated in Euros. The gross MoIC presented in the table is for the Euro denominated parallel fund. The gross and net MoIC for the U.S. dollar denominated parallel fund are 1.1x and 1.0x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EF V are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

Weighted Average Shares

	Q4-19		Q4-18	
	Total Shares	Common Shares, As Adjusted ⁽³⁾	Total Shares	Common Shares, As Adjusted ⁽³⁾
Weighted average shares of Class A common stock	114,943,915	114,943,915	101,526,367	101,526,367
Ares Operating Group Units exchangeable into shares of Class A common stock ⁽¹⁾	116,677,711	—	117,036,696	—
Dilutive effect of unvested restricted common units ⁽²⁾	9,931,985	4,928,847	6,387,967	2,967,330
Dilutive effect of unexercised options ⁽²⁾	5,302,166	2,631,253	1,470,943	683,280
Total Weighted Average Shares Used For Realized Income⁽⁴⁾	246,855,777	122,504,015	226,421,973	105,176,977

1. Represents units exchangeable for shares of Class A common stock on a one-for-one basis.

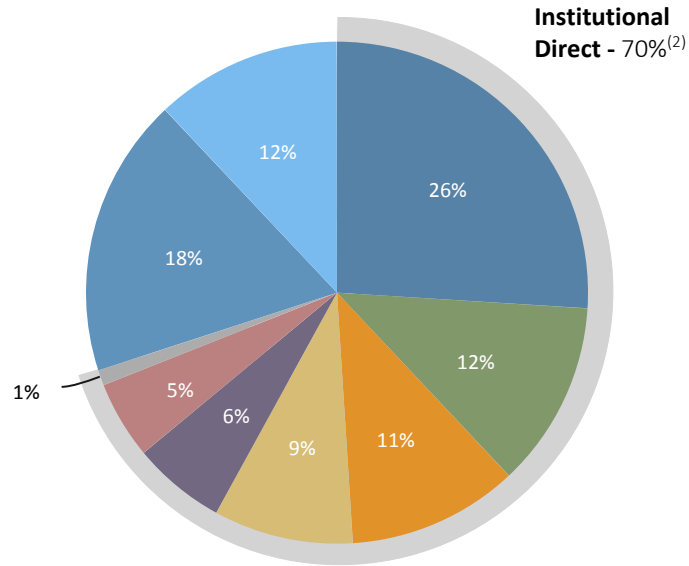
2. We apply the treasury stock method to determine the dilutive weighted-average common shares represented by our restricted units to be settled in shares of Class A common stock and options to acquire shares of Class A common stock. Under the treasury stock method, compensation expense attributed to future services and not yet recognized is presumed to be used to acquire outstanding shares of Class A common stock, thus reducing the weighted-average number of shares and the dilutive effect of these awards.

3. Represents proportional dilutive impact based upon the weighted average percentage of Ares Operating Group owned by Ares Management Corporation (49.63% and 46.45% as of December 31, 2019 and 2018, respectively).

4. Excludes Class B common stock and Class C common stock as they are not entitled to any economic benefits of Ares in an event of dissolution, liquidation, or winding up of Ares.

Additional Information

AUM Mix by Investor



Public Entity & Related

- **725+** institutional investors ⁽¹⁾
- **200,000+** retail investors across our public funds ⁽²⁾

Total Direct Institutional Investors: 878



1. Most recent data available as of January 21, 2020.
2. As of April 8, 2019 for ARCC, February 26, 2019 for ACRE and April 15, 2019 for ARDC.

RI and Other Measures –Financial Data⁽¹⁾

\$ in thousands	Year ended December 31,		
	2019	2018	2017
Credit Group ⁽²⁾	\$713,853	\$564,899	\$481,466
Private Equity Group	211,614	198,182	198,498
Real Estate Group	87,063	73,663	64,861
Management fees	\$1,012,530	\$836,744	\$744,825
Other fees	\$18,078	\$24,288	\$22,431
Compensation and benefits expenses	(528,207)	(456,255)	(413,735)
General, administrative and other expense	(178,742)	(149,465)	(136,531)
Fee Related Earnings	\$323,659	\$255,312	\$216,990
Realized net performance income	\$112,136	\$105,610	\$75,457
Realized net investment income	67,691	34,474	32,993
Realized Income	\$503,486	\$395,396	\$325,440
Other Data			
Total Fee Revenue ⁽³⁾	\$1,142,744	\$966,642	\$842,713
Management fees as % of total fees	89 %	87 %	88 %
Fee Related Earnings as % of Realized Income	64 %	65 %	67 %

1. Unconsolidated results represent the operating segments plus the Operation Management Group but exclude the effect of Consolidated Funds.

2. Includes ARCC Part I Fees of \$164.4 million, \$128.8 million and \$105.5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

3. Total Fee Revenue is calculated as the total of management fees, other fees and realized net performance income.

GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis

\$ in thousands	Year ended December 31,		
	2019	2018	2017
Realized Income and Fee Related Earnings:			
Income before taxes	\$425,180	\$184,341	\$149,859
Adjustments:			
Depreciation and amortization expense ⁽¹⁾	40,602	25,087	30,481
Equity compensation expense	97,691	89,724	69,711
Acquisition and merger-related expense	16,266	2,936	259,899
Deferred placement fees	24,306	20,343	19,765
Other (income) expense, net ⁽²⁾	(460)	13,489	(1,042)
Expense of non-controlling interests in consolidated subsidiaries	2,951	3,343	1,739
Income before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(39,174)	(20,643)	(62,705)
Unconsolidated performance (income) loss - unrealized	(303,142)	247,212	(325,915)
Unconsolidated performance related compensation - unrealized	206,799	(221,343)	237,392
Unconsolidated net investment (income) loss - unrealized	32,467	50,907	(53,744)
Realized Income	\$503,486	\$395,396	\$325,440
Unconsolidated performance fee income - realized	\$(402,518)	\$(357,207)	\$(317,787)
Unconsolidated performance related compensation - realized	290,382	251,597	242,330
Unconsolidated net investment income - realized	(67,691)	(34,474)	(32,993)
Fee Related Earnings	\$323,659	\$255,312	\$216,990

Note: This table is a reconciliation of income before provision for income taxes on a consolidated basis to RI and FRE on unconsolidated basis, which reflects the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group.

1. The year ended December 31, 2019 includes a \$20.0 million non-cash impairment charge on certain intangible assets.

2. The year ended December 31, 2018 includes a \$11.8 million payment to ARCC for rent and utilities for the years ended 2017, 2016, 2015 and 2014, and the first quarter of 2018.

GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis (cont'd)

\$ in thousands	Year ended December 31,		
	2019	2018	2017
Performance income and net investment income reconciliation:			
Carried interest allocation	\$621,872	\$42,410	\$620,454
Incentive fees	69,197	63,380	16,220
Carried interest allocation and incentive fees	\$691,069	\$105,790	\$636,674
Performance income - realized earned from Consolidated Funds	\$13,851	\$4,000	\$8,089
Performance income - reclass ⁽¹⁾	740	205	1,936
Unconsolidated performance (income) loss - unrealized	(303,142)	247,212	(325,915)
Performance income - unrealized earned from Consolidated Funds	—	—	(2,997)
Performance income - realized	\$402,518	\$357,207	\$317,787
Total consolidated other income			
	\$122,539	\$96,242	\$174,674
Net investment income from Consolidated Funds	(130,396)	(115,151)	(153,810)
Performance income - reclass ⁽¹⁾	(740)	(205)	(1,936)
Principal investment income	44,320	1,047	89,031
Change in value of contingent consideration	—	—	(20,156)
Other (income) expense, net	(460)	1,653	(1,042)
Other income of non-controlling interests in consolidated subsidiaries	(39)	(19)	(24)
Investment (income) loss - unrealized	24,542	50,809	(55,487)
Interest and other investment loss - unrealized	7,925	98	1,743
Total realized net investment income	\$67,691	\$34,474	\$32,993

Note: These tables reconcile consolidated carried interest allocation and incentive fees reported in accordance with GAAP to unconsolidated realized performance income and consolidated GAAP other income to unconsolidated realized net investment income. These reconciliations show the results of the reportable segments on a combined basis together with the Operations Management Group. Management believes that this presentation is more meaningful than a reconciliation to the reportable segments on a segment basis because such reconciliation would exclude the Operations Management Group. Differences may arise due to rounding.

1. Related to performance income for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within net realized and unrealized gains (losses) on investments in Ares' Consolidated Statements of Operations.

Glossary

ARCC Part I Fees	ARCC Part I Fees refers to a quarterly performance income on the net investment income from ARCC. Such fees from ARCC are classified as management fees as they are paid quarterly, predictable and recurring in nature, not subject to contingent repayment and are typically cash settled each quarter.
ARCC Part II Fees	ARCC Part II Fees refers to fees that are paid in arrears as of the end of each calendar year when the cumulative aggregate realized capital gains exceed the cumulative aggregate realized capital losses and aggregate unrealized capital depreciation, less the aggregate amount of ARCC Part II Fees paid in all prior years since inception.
Ares Operating Group Units	Ares Operating Group Unit refers to, collectively, a partnership unit in each of the Ares Operating Group entities.
Assets Under Management	Assets Under Management (or “AUM”) refers to the assets we manage. For our funds other than CLOs, our AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund-level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). For our funds that are CLOs, our AUM is equal to initial principal amounts adjusted for paydowns.
AUM Not Yet Earning Fees	AUM Not Yet Earning Fees, also referred to as Shadow AUM, is our AUM that is not currently generating fees and is eligible to earn management fees upon deployment.
Available Capital	Available Capital is comprised of uncalled committed capital and undrawn amounts under credit facilities and may include AUM that may be canceled or not otherwise available to invest (also referred to as “Dry Powder”).
Consolidated Funds	Consolidated Funds refers collectively to certain Ares-affiliated funds, related co-investment entities and certain CLOs that are required under GAAP to be consolidated in our consolidated financial statements.
Fee Paying Assets Under Management	Fee Paying AUM (or “FPAUM”) refers to the AUM from which we directly earn management fees. Fee Paying AUM is equal to the sum of all the individual fee bases of our funds that directly contribute to our management fees.
Fee Related Earnings	Fee Related Earnings (or “FRE”), a non-GAAP measure, is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it excludes performance income, performance related compensation, investment income from our Consolidated Funds and non-consolidated funds and certain other items that we believe are not indicative of our operating performance.
Gross Invested Capital	Gross Invested Capital refers to the aggregate amount of capital invested by our funds during a given period, and includes investments made by our draw-down funds and permanent capital vehicles (and affiliated funds) and new capital raised and invested by our open-ended managed accounts, sub-advised accounts and CLOs, but excludes capital that is reinvested (after receiving repayments of capital) by our open-ended managed accounts, sub-advised accounts and CLOs.

Glossary (cont'd)

Incentive Eligible Assets Under Management	Incentive Eligible AUM (or “IEAUM”) refers to the AUM of our funds from which performance income may be generated, regardless of whether or not they are currently generating performance income. It generally represents the NAV plus uncalled equity or total assets plus uncalled debt, as applicable, of our funds for which we are entitled to receive a performance income, excluding capital committed by us and our professionals (from which we generally do not earn performance income). With respect to ARCC's AUM, only ARCC Part II Fees may be generated from IEAUM.
Incentive Generating Assets Under Management	Incentive Generating AUM (or “IGAUM”) refers to the AUM of our funds that are currently generating, on a realized or unrealized basis, performance income. It generally represents the NAV or total assets of our funds, as applicable, for which we are entitled to receive performance income, excluding capital committed by us and our professionals (from which we generally do not earn performance income). ARCC is only included in IGAUM when Part II Fees are being generated.
Net Inflows of Capital	Net Inflows of Capital refers to net new commitments during the period, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts, as well as equity offerings by our publicly traded vehicles minus redemptions from our open-ended funds, managed accounts and sub-advised accounts.
Operations Management Group	In addition to our three segments, we have an Operations Management Group (the “OMG”) that consists of shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations, information technology, strategy and relationship management, legal, compliance and human resources. The OMG's expenses are not allocated to our three reportable segments but we consider the cost structure of the OMG when evaluating our financial performance. Our management uses this information to assess the performance of our reportable segments and OMG, and we believe that this information enhances the ability of shareholders to analyze our performance.
Our Funds	Our funds refers to the funds, alternative asset companies, co-investment vehicles and other entities and accounts that are managed or co-managed by the Ares Operating Group, and which are structured to pay fees. It also includes funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of ARCC, and a registered investment adviser.
Performance Income	Performance income refers to income we earn based on the performance of a fund that is generally based on certain specific hurdle rates as defined in the fund's investment management or partnership agreements and may be structured as either an incentive fee or as carried interest.
Permanent Capital	Permanent capital refers to capital of our funds that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law. Such funds currently consist of Ares Capital Corporation (“ARCC”), Ares Commercial Real Estate Corporation (“ACRE”), and Ares Dynamic Credit Allocation Fund, Inc. (“ARDC”); such funds may be required, or elect, to return all or a portion of capital gains and investment income.

Glossary (cont'd)

Realized Income

Realized Income (or “RI”), a non-GAAP measure, is an operating metric used by management to evaluate performance of the business based on operating performance and the contribution of each of the business segments to that performance, while removing the fluctuations of unrealized income and expenses, which may or may not be eventually realized at the levels presented and whose realizations depend more on future outcomes than current business operations. RI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate actions, (e) unrealized gains and losses related to performance income and investment performance and (f) certain other items that we believe are not indicative of our operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers, acquisitions and capital transactions, underwriting costs and expenses incurred in connection with corporate reorganization. Beginning in 2018, placement fees are no longer excluded but are deferred to match the period over which management fees are recognized. Prior to the introduction of RI, management used distributable earnings for this evaluation. Management believes RI is a more appropriate metric to evaluate Ares' current business operations.

Senior Direct Lending Program

Senior Direct Lending Program (or “SDLP”) is a program co-managed by a subsidiary of Ares through which ARCC co-invests with Varagon Capital Partners.

Total Fee Revenue

Total Fee Revenue refers to the total of segment management fees, other fees and realized net performance income. Beginning in the third quarter of 2019, Total Fee Revenue was revised to include other fees. Prior year periods have been modified to conform to the current period presentation.