

Ares Management, L.P. Reports Third Quarter 2017 Results



LOS ANGELES--Ares Management, L.P. (NYSE:ARES) today reported its financial results for its third quarter ended September 30, 2017.

"Ares generated record levels of fee related and distributable earnings during the third quarter driven by continued strong growth in our management fees and the partial monetization of several successful investments," said Tony Ressler, Chief Executive Officer of Ares. "Our investment performance and platform expansion has contributed to our strong fundraising with more than \$5 billion of inflows during the third quarter and over \$16 billion over the last 12 months."

"Our year to date double digit growth in our earnings and fee paying AUM metrics reflect our continuing strong business trends, including our ability to execute well in our core areas of fundraising, investing and harvesting gains," said Michael Arougheti, President of Ares. "As a result, we believe we are building the foundation for future value creation for our clients and unitholders."

Common Distribution

Ares declared a quarterly distribution of \$0.41 per common unit, payable on December 1, 2017 to common unitholders of record at the close of business on November 17, 2017.

Preferred Distribution

Ares declared a distribution of \$0.4375 per Series A Preferred Unit with a payment date of December 31, 2017 to preferred unitholders of record as of the close of business on December 15, 2017.

Additional Information

Ares issued a full detailed presentation of its third quarter 2017 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 Third Quarter 2017 Earnings Presentation. We also filed our Third Quarter 2017 Earnings Presentation on Form 8-K for the quarter ended September 30, 2017 with the U.S. Securities and Exchange Commission on November 3, 2017 and will file our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 with the U.S. Securities and Exchange Commission on November 6, 2017.

Conference Call and Webcast Information

Ares will host a conference call on November 3, 2017 at 11:00 a.m. ET to discuss second quarter 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 9668422 followed by the # sign and reference "Ares Management, L.P." 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 December 3, 2017 (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 10112890. An archived replay will also be available through December 3, 2017 on a webcast link located on the Home page of the Investor Resources section of our website.

About Ares Management, L.P.

Ares Management, L.P. is a publicly traded, leading global alternative asset manager with approximately \$106 billion of assets under management as of September 30, 2017 and more than 15 offices in the United States, Europe, Asia and Australia. Since its inception in 1997, Ares has adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares believes each of its three distinct but complementary investment groups in Credit, Private Equity and Real Estate is a market leader based on assets under management and investment performance. Ares was built upon the fundamental principle that each group benefits from being part of the greater whole. For more information, visit www.aresmgmt.com.

Forward-Looking Statements

Statements included herein may constitute “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. 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. Ares Management, L.P. undertakes no duty to update any forward-looking statements made herein or on the webcast/conference call.

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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Third Quarter 2017
Earnings Presentation



Important Notice

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 Management, L.P. (“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 Ares assumes no obligation to update or revise any such forward-looking statements.

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.

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. Further, such information, unless otherwise stated, is before giving effect to management and incentive fees and deductions for taxes. 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.

This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities of Ares.

Management uses certain non-GAAP financial measures, including assets under management, fee paying assets under management, economic net income and distributable earnings, 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.



Third Quarter Highlights

Assets Under Management

- Assets Under Management ("AUM") of \$105.6 billion
- Fee Paying AUM ("FPAUM") of \$72.4 billion
- Available Capital of \$25.8 billion
- AUM Not Yet Earning Fees that is available for future deployment of \$11.7 billion
- Raised \$5.5 billion in gross new capital with net inflows of \$4.3 billion⁽¹⁾ for the quarter ended September 30, 2017
- Capital deployment of \$5.0 billion for the quarter ended September 30, 2017, of which \$3.6 billion was related to our drawdown funds for the period

Financial Results

- Q3-17 GAAP net income attributable to Ares Management, L.P. of \$27.8 million
- Q3-17 GAAP basic and diluted earnings per common unit of \$0.26
- Q3-17 GAAP management fees of \$183.2 million⁽²⁾
- Q3-17 Unconsolidated management and other fees of \$194.8 million⁽²⁾
- Q3-17 Fee Related Earnings of \$58.0 million, resulting in a 30% Fee Related Earnings margin
- Q3-17 Performance Related Earnings of \$43.5 million
- Q3-17 Economic Net Income of \$101.4 million and after-tax Economic Net Income of \$0.40 per unit⁽³⁾

Distributable Earnings and Distributions

- Q3-17 Distributable Earnings of \$100.5 million
- Q3-17 after-tax Distributable Earnings of \$0.45 per common unit⁽⁴⁾
- Declared Q3-17 distributions of \$0.41 per common unit⁽⁵⁾ and \$0.4375 per preferred unit⁽⁶⁾

1. Net inflows represents gross commitments less redemptions.

2. Includes ARCC Part I Fees of \$24.0 million for the three months ended September 30, 2017. Difference between GAAP and Unconsolidated management fees represents \$5.5 million from Consolidated Funds that is eliminated upon consolidation. Other fees represents \$6.1 million primarily of transaction based fees in Credit funds.

3. Total pro forma units of 215,601,174 includes the sum of common units, Ares Operating Group Units that are exchangeable for common units on a one-for-one basis and the dilutive effects of the Company's equity-based awards. Please refer to slides 18 and 32 in this presentation for further information. After-tax Economic Net Income per unit is net of the preferred unit distribution.

4. After-tax Distributable Earnings per common unit is net of the preferred unit distribution.

5. Payable on December 1, 2017 to unitholders of record as of November 17, 2017.

6. Payable on December 31, 2017 to unitholders of record as of December 15, 2017.

Gross New Capital Commitments⁽¹⁾ – Third Quarter of 2017

\$ in millions	Q3 2017	Comments
Credit Group		
U.S. CLOs	\$1,645	Priced two new U.S. CLOs during the quarter
U.S. Direct Lending	968	New and additional equity (\$918mm) and debt (\$50mm) commitments to various funds and separately managed accounts
ARCC and affiliates	942	New debt commitments of \$885mm and affiliate equity commitments of \$57mm
E.U. Direct Lending	650	New equity commitments across two separately managed accounts
Junior Capital Private Direct Lending Fund	409	New equity commitments, bringing total commitments to \$2.0 billion. Since quarter end, we have raised additional equity commitments of \$1.2 billion, bringing total commitments to \$3.2 billion
Other Credit Funds	620	New and additional equity and debt commitments to various funds
Total Credit Group	\$5,234	
Real Estate Group		
U.S. Equity	\$246	Additional equity commitments to Ninth U.S. Value Add Fund, bringing total commitments to \$660, and to various co-investments
Total Real Estate Group	\$246	
Total	\$5,480	

1. Represents gross new commitments during Q3-17, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts.

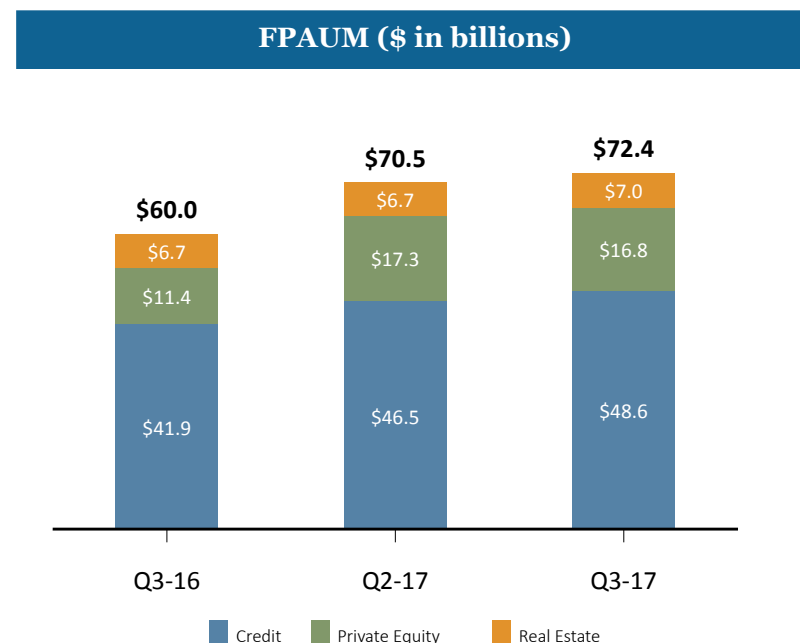
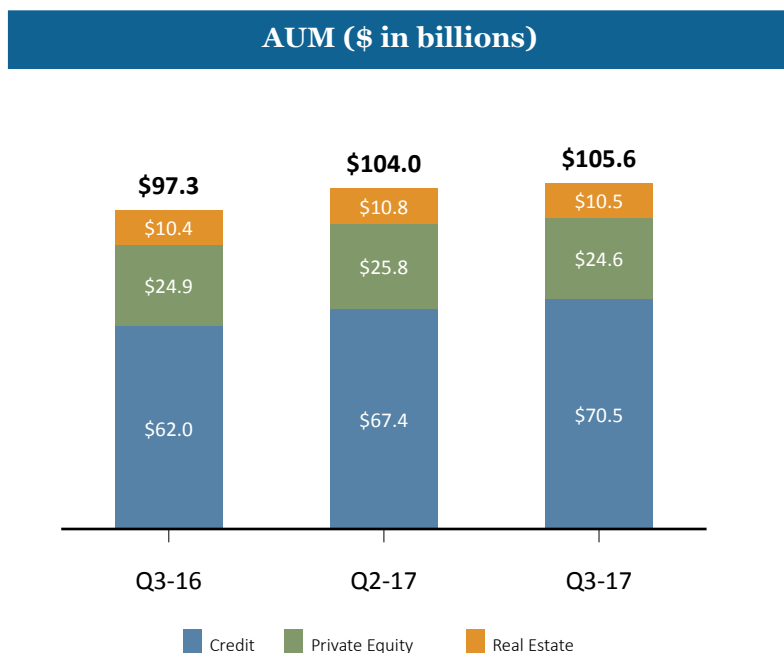
Assets Under Management

AUM of \$105.6 billion as of September 30, 2017 increased 8.5% year over year⁽¹⁾

- Q3-17 net new capital commitments of \$5.5 billion, including \$2.9 billion in equity commitments and \$2.6 billion in debt commitments
 - Of the \$5.5 billion in gross new capital commitments raised during the quarter, \$2.1 billion is already earning fees and another \$3.1 billion is expected to become FPAUM upon deployment
- AUM growth was partially offset by distributions/redemptions of \$3.4 billion⁽²⁾, primarily in funds past their reinvestment periods in the Private Equity and Real Estate Groups, and by reduction in leverage of \$1.9 billion, primarily due to paydowns in CLOs and the dissolution of ARCC's SSLP program

FPAUM of \$72.4 billion as of September 30, 2017 increased 20.6% year over year

- Increase in FPAUM was primarily attributable to management fees turning on for ACOF V (effective March 3, 2017), which includes \$7.6 billion of fee paying AUM and ARCC's acquisition of ACAS which included \$2.8 billion of fee paying AUM at acquisition



1. As of September 30, 2017, 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.

2. For Q3-17, distributions totaled approximately \$2.2 billion and redemptions totaled approximately \$1.2 billion.



AUM, FPAUM and Management Fees Duration

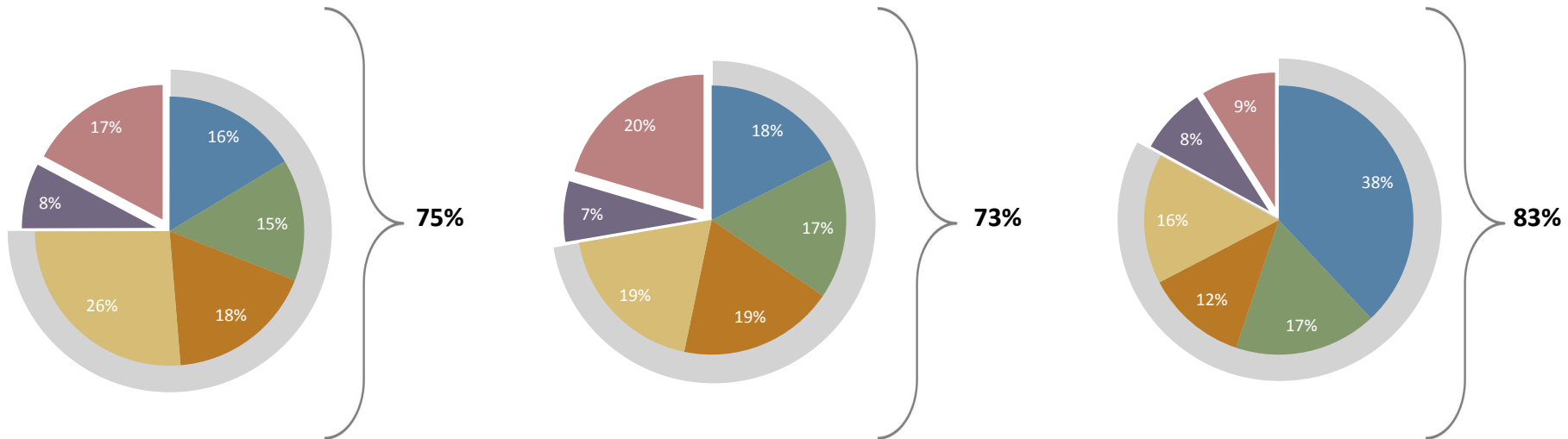
As of September 30, 2017, approximately 75% of AUM and 73% of FPAUM had a duration longer than 3 years, from which FPAUM generated 83% of management fees in Q3 2017

- Within our Managed Accounts category, 57% of AUM and 64% of FPAUM has been with the firm longer than 3 years as of September 30, 2017

AUM: \$105.6 billion

FPAUM: \$72.4 billion

Management Fees: \$188.6 million



■ Permanent Capital
 ■ 10 or more years
 ■ 7 to 9 years
 ■ 3 to 6 years
 ■ Fewer Than 3 years
 ■ Managed Accounts



Incentive Eligible AUM and Incentive Generating AUM

Incentive Eligible AUM of \$60.4 billion as of September 30, 2017 increased by 18.1% year over year

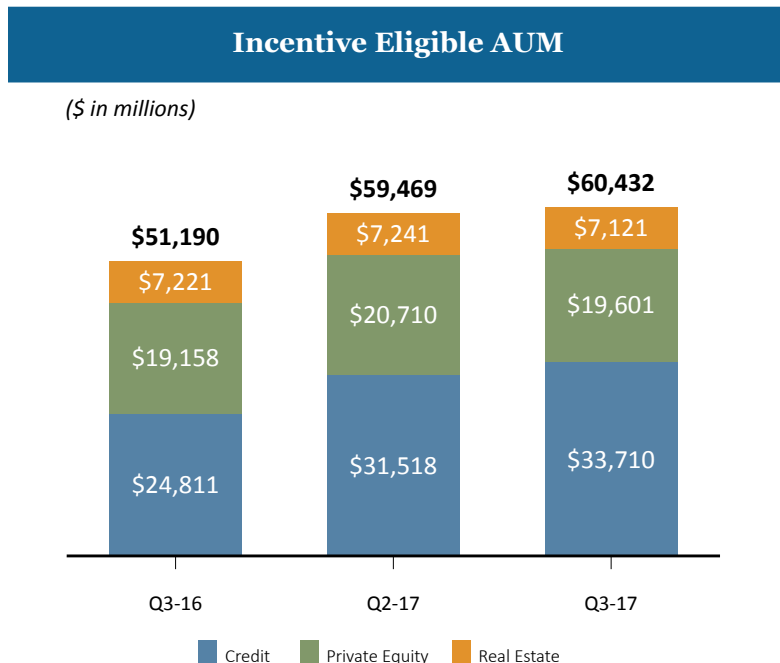
- The increase was driven by ARCC (primarily from ARCC's acquisition of ACAS), as well as increases across U.S. and E.U. direct lending

Incentive Generating AUM of \$21.7 billion as of September 30, 2017 increased by 27.5% year over year

- The increase was primarily driven by additional funds exceeding their hurdle rates in our Private Equity, Credit and Real Estate Groups, as well as additional deployment of capital for existing funds already in excess of their hurdle rates prior to September 30, 2017

Of the \$38.0 billion of incentive eligible AUM that is currently invested, 57.1% is incentive generating

- Excluding the capital gains fee potential from the largely debt oriented ARCC portfolio, 82.7% of incentive eligible AUM that is currently invested is incentive generating



Q3-17 Incentive Generating to Incentive Eligible AUM Reconciliation

(\$ in millions)

	Credit	Private Equity	Real Estate	Total
Incentive Generating AUM	\$10,115	\$8,281	\$3,343	\$21,739
+ Uninvested IEAUM	10,073	9,969	2,348	22,390
+ IEAUM below hurdle	1,755	1,351	1,430	4,536
+ ARCC Part II Fees below Hurdle ⁽¹⁾	11,767	-	-	11,767
Incentive Eligible AUM	\$33,710	\$19,601	\$7,121	\$60,432

1. ARCC Part II Fees are paid when the cumulative aggregate net capital gains exceed cumulative aggregate realized capital losses and aggregate unrealized capital depreciation less any amounts paid in previous periods. As of September 30, 2017, the cumulative aggregate net capital gains were below the required hurdle by approximately 0.8% of the underlying portfolio plus cash of \$11.8 billion.

Available Capital and AUM Not Yet Earning Fees

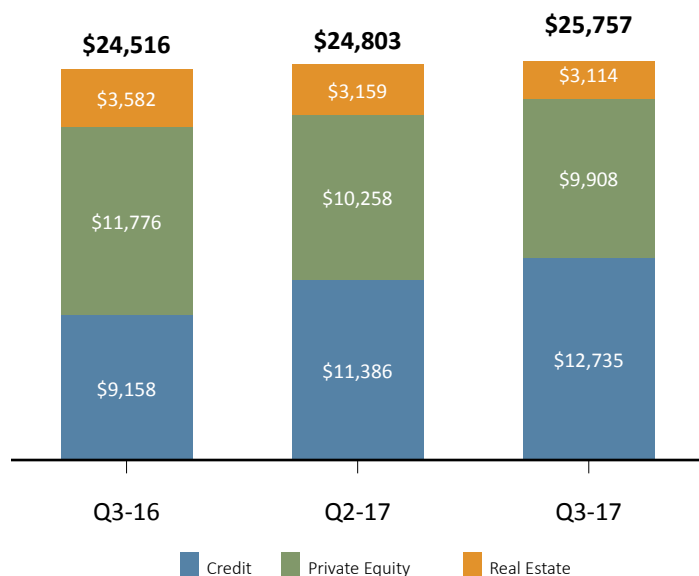
Available Capital of \$25.8 billion as of September 30, 2017 increased 5.1% year over year

- The increase was primarily driven by new and additional commitments to U.S. direct lending funds, which was partially offset by capital deployment in the Credit, Private Equity and Real Estate groups

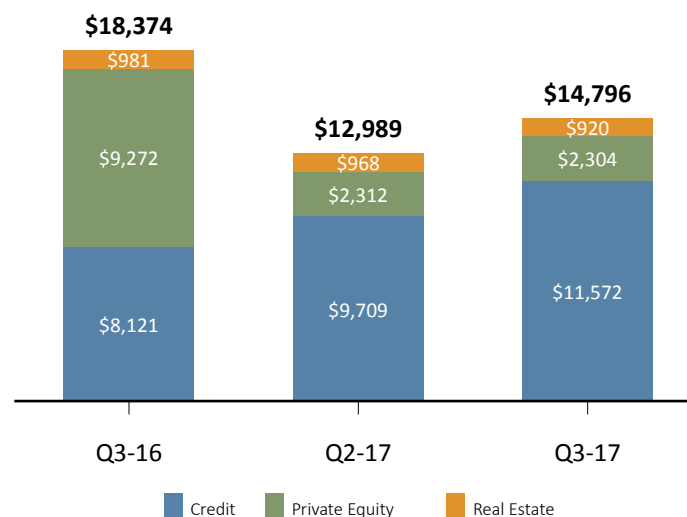
AUM Not Yet Earning Fees of \$14.8 billion as of September 30, 2017 decreased 19.5% year over year

- AUM Not Yet Earning Fees decreased from \$18.4 billion as of Q3-16 to \$14.8 billion as of Q3-17
- The decrease was primarily driven by \$7.6 billion of FPAUM for ACOF V which began to pay management fees in Q1 2017 and was partially offset by new AUM Not Yet Earning fees raised during the past year, primarily in the Credit Group

Available Capital (\$ in millions)



AUM Not Yet Earning Fees (\$ in millions)



AUM Not Yet Earning Fees

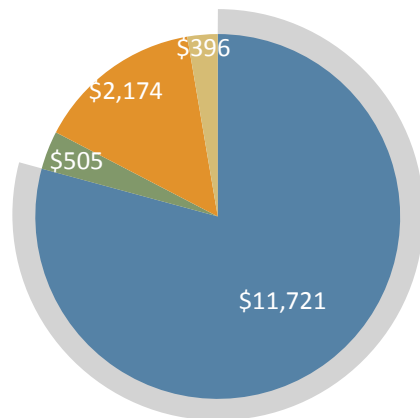
As of September 30, 2017, AUM Not Yet Earning Fees of \$14.8 billion could generate approximately \$159.0 million in potential incremental annual management fees, of which \$121.4 million relates to the \$11.7 billion of AUM available for future deployment*

\$11.7 billion of AUM Not Yet Earning Fees was available for future deployment as of September 30, 2017

- The \$11.7 billion includes approximately \$7.3 billion relating to U.S. and E.U. direct lending funds, \$1.9 billion in private equity funds, and \$1.1 billion in structured credit funds, among other funds

AUM Not Yet Earning Fees: \$14.8 billion

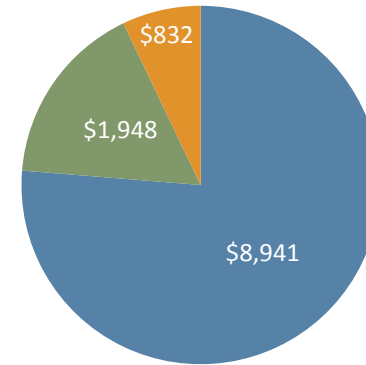
AUM Not Yet Earning Fees Available for Future Deployment: \$11.7 billion



(\$ in millions)



\$11.7 billion of AUM Not Yet Earning Fees was available for future deployment as of September 30, 2017



(\$ in millions)

- Capital Available for Future Deployment
- Capital Available for Deployment for Follow-on Investments⁽¹⁾
- Available Capital Currently in Funds Unlikely to Be Drawn Due to Leverage Targets and Restrictions
- Funds in or Expected to Be in Wind-down

- Credit
- Private Equity
- Real Estate

*No assurance can be made that such results will be achieved. Assumes the AUM Not Yet Earning Fees as of September 30, 2017 is invested and such fees are paid on an annual basis. Does not reflect any associated reductions in management fees from certain funds, some of which may be material. Reference to \$159.0 million includes approximately \$32.6 million in potential incremental management fees from deploying undrawn/available credit facilities at ARCC (in excess of 0.75X leverage), which may not be drawn due to leverage target limitations and restrictions. Excludes any potential ARCC Part I Fees.

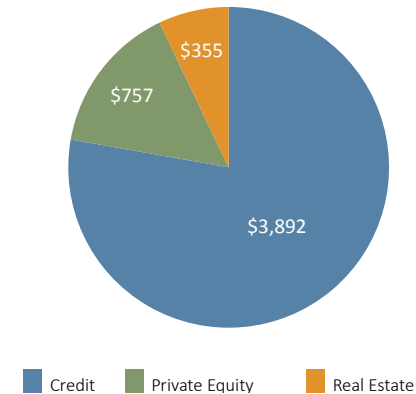
1. Capital available for deployment for follow-on investments represents capital committed to funds that are past their investment periods but for which capital is available to be called for follow-on investments in existing portfolio companies. There is no assurance such capital will be invested.

Capital Deployment⁽¹⁾

- **Total gross invested capital during Q3-17 of \$5.0 billion compared to \$2.7 billion in Q3-16**
 - Of the total amount, \$3.6 billion was related to deployment in our drawdown funds compared to \$1.8 billion for the same period in 2016
 - Of our drawdown funds, the most active investment strategies were U.S. and E.U. Direct Lending and Private Equity
- **Total gross invested capital for the nine months ended September 30, 2017 of \$12.5 billion compared to \$7.4 billion for the nine months ended September 30, 2016**
 - Of the total amount, \$9.7 billion was related to deployment in drawdown funds compared to \$5.3 billion for the same period in 2016

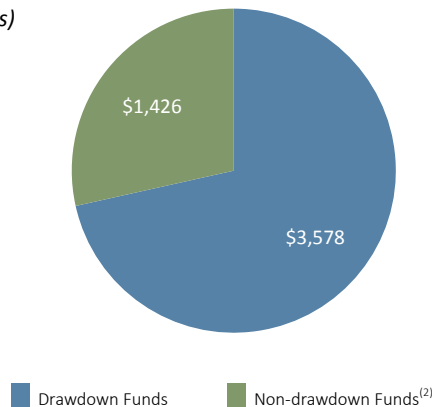
Q3-17 Capital Deployment Breakdown: \$5.0 billion

(\$ in millions)



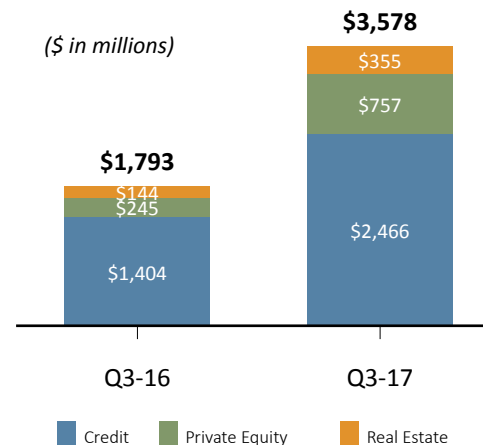
Q3-17 Capital Deployment by Type: \$5.0 billion

(\$ in millions)



Q3-17 Capital Deployment in Drawdown Funds: \$3.6 billion

(\$ in millions)



Q3-17 Strategies

- U.S. Direct Lending
- E.U. Direct Lending
- Corporate Private Equity
- U.S. Real Estate Equity
- E.U. Real Estate Equity
- Structured Credit

1. Capital deployment figures exclude deployment from permanent capital vehicles.
 2. Non-drawdown funds includes new capital deployed by managed accounts and CLOs but excludes recycled capital.

GAAP Statements of Operations

\$ in thousands, except share data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Management fees (includes ARCC Part I Fees of \$24,036, \$76,436 and \$33,260, \$90,884 for the three and nine months ended September 30, 2017 and 2016, respectively)	\$183,177	\$163,609	\$535,990	\$480,563
Performance fees	87,008	164,482	480,204	337,686
Administrative and other fees	13,486	7,369	43,024	22,761
Total revenues	\$283,671	\$335,460	\$1,059,218	\$841,010
Expenses				
Compensation and benefits	\$129,347	\$111,916	\$384,905	\$335,249
Performance fee compensation	58,637	123,173	361,044	253,739
General, administrative and other expenses	47,104	38,197	145,193	116,845
Transaction support expense	—	—	275,177	—
Expenses of the Consolidated Funds	\$19,039	10,088	27,472	11,014
Total expenses	\$254,127	\$283,374	\$1,193,791	\$716,847
Other income (expense)				
Investment income and net interest expense (includes interest expense of \$5,343, \$15,576 and \$4,136, \$13,819 for the three and nine months ended September 30, 2017 and 2016, respectively)	\$(1,831)	\$(1,681)	\$(6,218)	\$(47)
Other income (expense), net	(2,492)	23,042	16,826	33,956
Net realized and unrealized gain on investments	7,209	19,358	39,943	21,349
Investment income and net interest income of the Consolidated Funds (includes interest expense of \$28,127, \$86,324 and \$26,413, \$67,469 for the three and nine months ended September 30, 2017 and 2016, respectively)	20,054	8,737	41,675	25,759
Net realized and unrealized gain (loss) on investments of the Consolidated Funds	35,940	23,883	55,263	(5,723)
Total other income	\$58,880	\$73,339	\$147,489	\$75,294
Income before taxes	\$88,424	\$125,425	\$12,916	\$199,457
Income tax expense (benefit)	4,552	7,641	(28,459)	7,868
Net income	\$83,872	\$117,784	\$41,375	\$191,589
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	\$18,195	\$7,861	25,403	(3,064)
Less: Net income attributable to redeemable interests in Ares Operating Group entities	—	107	—	456
Less: Net income (loss) attributable to non-controlling interests in Ares Operating Group entities	37,839	66,511	(20,610)	116,404
Net income attributable to Ares Management, L.P.	\$27,838	\$43,305	\$36,582	\$77,793
Preferred equity distributions paid	5,425	6,751	16,275	6,751
Net income attributable to Ares Management, L.P. common unitholders	\$22,413	\$36,554	\$20,307	\$71,042
Net income attributable to Ares Management, L.P. per common unit:				
Basic	\$0.26	\$0.45	\$0.22	\$0.87
Diluted	\$0.26	\$0.43	\$0.22	\$0.86
Weighted-average common units				
Basic	82,166,852	80,793,984	81,704,815	80,741,460
Diluted	82,166,852	84,464,591	81,704,815	82,667,049
Distribution declared and paid per common unit	\$0.31	\$0.28	\$0.72	\$0.63



ENI and Other Measures Financial Summary

\$ in thousands, except share data (unless otherwise noted)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Management fees ⁽¹⁾	\$188,628	\$168,796	12%	\$550,969	\$494,076	12%
Other fees	6,144	751	NM	16,998	2,777	NM
Compensation and benefits expenses ⁽²⁾	(104,782)	(97,338)	8%	(309,238)	(290,176)	7%
General, administrative and other expenses ⁽³⁾	(32,011)	(26,874)	19%	(100,640)	(82,729)	22%
Fee Related Earnings	\$57,979	\$45,335	28%	\$158,089	\$123,948	28%
Net performance fees	\$30,929	\$42,032	(26)%	\$124,347	\$85,385	46%
Net investment income	12,523	29,365	(57)%	52,904	33,898	56%
Performance Related Earnings	\$43,452	\$71,397	(39)%	\$177,251	\$119,283	49%
Economic Net Income	\$101,431	\$116,732	(13)%	\$335,340	\$243,231	38%
(-) Unrealized net performance fees	\$(7,081)	\$2,973	NM	\$61,676	\$11,387	NM
(-) Unrealized net investment income (loss)	(8,331)	35,242	NM	22,979	22,517	2%
(-) Non-core/non-recurring other items ⁽⁴⁾	16,392	11,782	39%	39,633	24,491	62%
Distributable Earnings	\$100,451	\$66,735	51%	\$211,052	\$184,836	14%
Preferred unit distribution	\$(5,425)	\$(6,751)	(20)%	\$(16,275)	\$(6,751)	141%
Distributable Earnings, net of preferred unit distribution	\$95,026	\$59,984	58%	\$194,777	\$178,085	9%
After-tax Distributable Earnings per common unit, net of preferred unit distribution⁽⁵⁾	\$0.45	\$0.23	96%	\$0.92	\$0.70	31%
After-tax Economic Net Income, net of preferred unit distribution	\$87,318	\$98,198	(11)%	\$298,953	\$208,479	43%
After-tax Economic Net Income per unit, net of preferred unit distribution⁽⁶⁾	\$0.40	\$0.46	(13)%	\$1.39	\$0.97	43%
Other Data						
Total fee revenue⁽⁷⁾	\$219,557	\$210,828	4%	\$675,316	\$579,461	17%
Effective management fee rate⁽⁸⁾	1.03%	1.12%		1.06%	1.10%	

1. Includes ARCC Part I Fees of \$24.0 million and \$33.3 million for the three months ended September 30, 2017 and 2016, respectively, and \$76.4 million and \$90.9 million for the nine months ended September 30, 2017 and 2016, respectively.
2. Includes compensation and benefits expenses attributable to OMG of \$27.6 million and \$26.0 million for the three months ended September 30, 2017 and 2016, respectively, and \$84.9 million and \$77.2 million for nine months ended September 30, 2017 and 2016, respectively.
3. Includes G&A expenses attributable to OMG of \$18.4 million and \$13.4 million for the three months ended September 30, 2017 and 2016, respectively, and \$56.7 million and \$44.6 million for the nine months ended September 30, 2017 and 2016, respectively, which are not allocated to an operating segment.
4. Non-core/non-recurring other items includes one-time acquisition costs, non-cash depreciation and amortization and placement fees and underwriting costs associated with selected strategies. See slide 13 in this presentation for additional details.
5. After income tax Distributable Earnings attributable to common unitholders per unit calculation uses total common units outstanding, assuming no exchange of Ares Operating Group Units.
6. Units of 215,601,174 includes the sum of common units, Ares Operating Group Units that are exchangeable for common units on a one-for-one basis and the dilutive effects of the Company's equity-based awards.
7. Total fee revenue is calculated as management fees plus net performance fees.
8. Effective management fee rate represents the quotient of management fees and the aggregate fee bases for the quarters presented. The effective rate shown excludes the effect of one-time catch-up fees.



GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Economic Net Income and Fee Related Earnings:				
Income before taxes	\$88,424	\$125,425	\$12,916	\$199,457
Adjustments:				
Amortization of intangibles	3,651	6,378	14,200	20,762
Depreciation expense	3,468	2,148	9,458	5,940
Equity compensation expenses	18,091	8,476	52,097	27,185
Acquisition and merger-related expenses	2,878	(17,611)	258,722	(17,054)
Placement fees and underwriting costs	4,495	2,202	14,317	4,886
Offering costs	33	—	688	—
Other non-cash expense, net	—	(1,728)	—	(1,728)
(Income) loss before taxes of non-controlling interests in consolidated subsidiaries	(216)	—	407	—
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(19,393)	(8,558)	(27,465)	3,783
Economic Net Income	\$101,431	\$116,732	\$335,340	\$243,231
Unconsolidated performance fee income - realized	\$(178,989)	\$(132,837)	\$(261,924)	\$(220,790)
Unconsolidated performance fee income - unrealized	89,423	(32,368)	(223,467)	(118,334)
Unconsolidated performance fee compensation expense - realized	140,979	93,778	199,253	146,792
Unconsolidated performance fee compensation expense - unrealized	(82,342)	29,395	161,791	106,947
Unconsolidated net investment (income) loss	(12,523)	(29,365)	(52,904)	(33,898)
Fee Related Earnings	\$57,979	\$45,335	\$158,089	\$123,948
Unconsolidated performance fee – realized	\$178,989	\$132,837	\$261,924	\$220,790
Unconsolidated performance fee compensation expense – realized	(140,979)	(93,778)	(199,253)	(146,792)
Unconsolidated investment and other income realized, net	20,855	(5,877)	29,922	11,381
Adjustments:				
One-time acquisition costs	(2,818)	(145)	(3,701)	(489)
Dividend equivalent	(4,223)	(2,045)	(9,428)	(3,799)
Equity income	397	36	533	883
Income tax (expense) benefit	(1,753)	(5,278)	(2,571)	(10,260)
Placement fees and underwriting costs	(4,495)	(2,202)	(14,317)	(4,886)
Non-cash depreciation and amortization	(3,468)	(2,148)	(9,458)	(5,940)
Offering costs	(33)	—	(688)	—
Distributable Earnings	\$100,451	\$66,735	\$211,052	\$184,836
Performance Related Earnings				
Economic Net Income	\$101,431	\$116,732	\$335,340	\$243,231
Less: Fee Related Earnings	(57,979)	(45,335)	(158,089)	(123,948)
Performance Related Earnings	\$43,452	\$71,397	\$177,251	\$119,283

Note: This table is a reconciliation of income (loss) before provision for income taxes on a consolidated basis to ENI, FRE, PRE and DE on Unconsolidated basis, which shows 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.



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

\$ in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Performance fee and net investment income reconciliation:				
Unconsolidated performance fee income - realized	\$178,989	\$132,837	\$261,924	\$220,790
Performance fee income - realized earned from Consolidated Funds	—	—	(8,086)	—
Performance fee - realized reclass ⁽¹⁾	(981)	(2,170)	(2,181)	(5,053)
Performance fee income - realized	\$178,008	\$130,667	\$251,657	\$215,737
Unconsolidated performance fee income - unrealized	\$(89,423)	\$32,368	\$223,467	\$118,334
Performance fee income - unrealized earned from Consolidated Funds	(1,371)	(799)	4,327	74
Performance fee - unrealized reclass ⁽¹⁾	(206)	2,246	753	3,541
Performance fee income - unrealized	\$(91,000)	\$33,815	\$228,547	\$121,949
Unconsolidated net investment income	\$12,523	\$29,365	\$52,904	\$33,898
Net investment income from Consolidated Funds	45,254	24,632	73,675	20,670
Performance fee - reclass ⁽¹⁾	1,187	(76)	1,428	1,512
Change in value of contingent consideration	(60)	17,690	20,156	17,486
Other non-cash expense	—	1,728	—	1,728
Offering costs	(33)	—	(688)	—
Income before taxes of non-controlling interests in consolidated subsidiaries	9	—	14	—
GAAP total other income	\$58,880	\$73,339	\$147,489	\$75,294

Note: These tables are a reconciliation of consolidated performance fee income, realized and unrealized performance fee income and net investment income to unconsolidated basis, which assist in the reconciliation of GAAP Net Income (Loss) to Fee Related Earnings and Distributable Earnings. 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 fees for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Condensed Consolidated Statements of Operations.

Credit Group⁽¹⁾

- Management and other fees increased 8% (after giving effect to ARCC Part 1 fee waiver) for Q3-17 compared to Q3-16, primarily driven by deployment in new U.S. and E.U. direct lending strategies and a 16% increase in FPAUM
- Performance Related Earnings decreased by \$8.5 million in Q3-17 from Q3-16, primarily driven by reduced market appreciation in Credit Strategies Fund and syndicated loan funds compared to a strong Q3-16, offset slightly by strong returns in our E.U. direct lending credit funds
- Distributable Earnings decreased by \$8.4 million for Q3-17 compared to Q3-16, primarily driven by lower net realized performance fees, partially offset by increases in fee related earnings and net realized investment income

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q3-17	Q3-16	% Change	YTD 2017	YTD 2016	% Change
Management and other fees ⁽³⁾	\$125,846	\$116,074	8%	\$370,013	\$333,121	11%
Fee Related Earnings	\$72,444	\$63,578	14%	\$204,600	\$178,670	15%
Net performance fees	\$15,043	\$14,647	3%	\$25,013	\$23,249	8%
Investment income	4,543	11,988	(62)%	11,464	31,263	(63)%
Interest expense	(3,277)	(1,831)	79%	(8,800)	(6,729)	31%
Net investment income	1,266	10,157	(88)%	2,664	24,534	(89)%
Performance Related Earnings	\$16,309	\$24,804	(34)%	\$27,677	\$47,783	(42)%
Economic Net Income	\$88,753	\$88,382	<1%	\$232,277	\$226,453	3%
Distributable Earnings	\$73,120	\$81,542	(10)%	\$204,402	\$221,357	(8)%
AUM (\$ in billions)	\$70.5	\$62.0	14%			
FPAUM (\$ in billions)	\$48.6	\$41.9	16%			

14%

Q3-17 increase in
Fee Related Earnings

16%

Q3-17 increase in
FPAUM

E.U. Direct Lending: 3.8%⁽⁴⁾
High Yield: 3.1%⁽⁵⁾
Syndicated Loans: 1.5%⁽⁵⁾

Q3-17 gross returns

Note: Past performance is not indicative of future results. The Credit Group had ~225 investment professionals, over 1,500 portfolio companies and 142 active funds as of September 30, 2017.

1. Segment results are shown before the unallocated support costs of the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

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

3. Includes ARCC Part I Fees of \$24.0 million and \$33.3 million for Q3-17 and Q3-16, respectively, and \$76.4 million and \$90.9 million for Q3-17 YTD and Q3-16 YTD, respectively. The 2017 amounts are net of the \$10 million ARCC-ACAS transaction fee waiver.

4. The net return for E.U. direct lending is 2.8% for Q3-17. Gross and net returns for E.U. direct lending are represented by a composite made up of the ACE II and ACE III 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 are 3.5% and 2.7% for Q3-17. Returns in the chart are shown for the Euro-denominated composite as it is the larger of the two composites. 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, if applicable, or any other expenses. Net returns are reduced by applicable management fees, accrued carried interest, if applicable, and other expenses.

5. Net performance returns: 1.4% for U.S. Syndicated Loan funds and 3.0% for U.S. High Yield funds. Performance for Syndicated Loans is represented by our U.S. Bank Loan Aggregate Composite. Performance for High Yield is represented by our U.S. High Yield composite.



Private Equity Group⁽¹⁾

- Management and other fees increased 46% for Q3-17 compared to Q3-16, primarily attributable to ACOF V, which began paying management fees in March 2017. This increase was partially offset by the reduction in management fees attributable to the step down in fee rate and fee basis for ACOF IV in connection with the launch of ACOF V
- Performance Related Earnings for Q3-17 decreased by \$30.3 million from Q3-16, primarily driven by a lower net performance fees and net investment income in our corporate private equity strategies compared to a strong Q3-16
- Distributable Earnings increased by \$30.3 million for Q3-17 compared to Q3-16, primarily driven by increases in fee related earnings and net realized performance fees. Q3-17 realizations included the partial monetization of private and public holdings across ACOF III and IV

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q3-17	Q3-16	% Change	YTD 2017	YTD 2016	% Change
Management and other fees	\$51,762	\$35,492	46%	\$148,686	\$112,083	33%
Fee Related Earnings	\$27,851	\$14,870	87%	\$84,626	\$55,038	54%
Net performance fees	\$6,220	\$24,890	(75)%	\$71,544	\$55,345	29%
Investment income	6,976	18,750	(63)%	46,307	22,143	109%
Interest expense	(1,229)	(1,399)	(12)%	(4,139)	(4,201)	(1)%
Net investment income	5,747	17,351	(67)%	42,168	17,942	135%
Performance Related Earnings	\$11,967	\$42,241	(72)%	\$113,712	\$73,287	55%
Economic Net Income	\$39,818	\$57,111	(30)%	\$198,338	\$128,325	55%
Distributable Earnings	\$75,809	\$45,481	67%	\$145,696	\$104,162	40%
AUM (\$ in billions)	\$24.6	\$24.9	(1)%			
FPAUM (\$ in billions)	\$16.8	\$11.4	47%			

87%

Q3-17 increase in Fee Related Earnings

67%

Q3-17 increase in Distributable Earnings

Q3-17: (0.1%)

LTM: 29.2%

Gross return in Corporate Private Equity portfolio⁽³⁾

Note: Past performance is not indicative of future results. The Private Equity Group had ~95 investment professionals, 32 portfolio companies, 63 U.S. Power and Energy Assets and 21 active funds and related co-investment vehicles as of September 30, 2017.

1. Segment results are shown before the unallocated support costs of the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

2. This table is a financial summary only. See slides 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 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, if applicable, or any other expenses including taxes. Net returns are reduced by applicable management fees, accrued carried interest, if applicable, and other expenses. Net returns for corporate private equity portfolio was (0.9%) for Q3-17 and 20.8% for the last twelve months. 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 5% for Q3-17 compared to Q3-16, primarily driven by run-off and liquidations in vintage funds in the U.S. equity strategy, partially offset by new fundraising for E.U. and U.S. equity strategies
- Performance Related Earnings increased by \$2.2 million for Q3-17 compared to Q3-16, primarily driven by continued strong appreciation in E.F. IV and other equity strategies in the U.S. and Europe
- Distributable Earnings decreased by \$1.7 million for Q3-17 compared to Q3-16, primarily driven by a decline in fee related earnings, partially offset by an increase in net realized investment income

Financial Summary and Highlights⁽²⁾

\$ in thousands	Q3-17	Q3-16	% Change	YTD 2017	YTD 2016	% Change	
Management and other fees	\$17,164	\$17,981	(5)%	\$49,268	\$51,649	(5)%	54% YTD increase in Economic Net Income
Fee Related Earnings	\$3,641	\$6,233	(42)%	\$10,473	\$12,081	(13)%	
Net performance fees	\$9,666	\$2,495	287%	\$27,790	\$6,791	NM	4% Q3-17 growth in FPAUM
Investment income	1,946	6,774	(71)%	6,145	9,997	(39)%	
Interest expense	(396)	(242)	64%	(1,257)	(788)	60%	U.S. Equity: 5.5% E.U. Equity: 3.8% Q3-17 Gross Returns ⁽³⁾
Net investment income	1,550	6,532	(76)%	4,888	9,209	(47)%	
Performance Related Earnings	\$11,216	\$9,027	24%	\$32,678	\$16,000	104%	
Economic Net Income	\$14,857	\$15,260	(3)%	\$43,151	\$28,081	54%	
Distributable Earnings	\$4,736	\$6,408	(26)%	\$12,596	\$16,867	(25)%	
AUM (\$ in billions)	\$10.5	\$10.4	1%				
FPAUM (\$ in billions)	\$7.0	\$6.7	4%				

Note: Past performance is not indicative of future results. The Real Estate Group had ~75 investment professionals, 170 properties and 42 active funds as of September 30, 2017.

1. Segment results are shown before the unallocated support costs of the Operations Management Group. See "GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis" on slides 13-14.

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

3. Returns are gross time-weighted rates of return and do not reflect the deduction of management fees or carried interest, or fund expenses, if applicable. Gross return for U.S. equity is represented by U.S. Fund VIII and gross return for E.U. 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. The gross returns are for the U.S. dollar denominated feeder fund as that is the larger of the two feeders. Gross returns do not reflect the deduction of management fees, carried interest, if applicable, or any other expenses including taxes. The funds shown represent the significant funds with at least 2 years from initial investment. Net returns are reduced by applicable management fees, accrued carried interest, if applicable, and other expenses. Net returns for U.S. equity and E.U. equity were 4.1% and 2.7% for Q3-17.

The gross and net returns for the Euro denominated feeder fund were 3.9% and 3.0% for Q3-17.



Economic Net Income per Unit Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Economic Net Income per unit				
Economic Net Income before taxes	\$101,431	\$116,732	\$335,340	\$243,231
Entity level foreign, state and local taxes	(1,753)	(5,280)	(2,572)	(10,262)
Economic Net Income after entity level foreign, state and local taxes	\$99,678	\$111,452	\$332,768	\$232,969
Economic Net Income per unit⁽¹⁾	\$0.46	\$0.52	\$1.54	\$1.09
After-tax Economic Net Income, net of preferred unit distribution				
Economic Net Income after entity level, foreign, state and local taxes	\$99,678	\$111,452	\$332,768	\$232,969
Preferred unit distribution ⁽²⁾	(5,425)	(6,751)	(16,275)	(6,751)
Economic Net Income, net of preferred unit distribution	94,253	104,701	316,493	226,218
Income tax provision ⁽³⁾	(6,935)	(6,503)	(17,540)	(17,739)
After-tax Economic Net Income, net of preferred unit distribution	\$87,318	\$98,198	\$298,953	\$208,479
After-tax Economic Net Income per unit⁽¹⁾	\$0.40	\$0.46	\$1.39	\$0.97
After-tax Economic Net Income per common unit				
Economic Net Income, net of preferred distribution	\$94,253	\$104,701	\$316,493	\$226,218
x Common ownership %	38.69%	37.98%	38.57%	37.92%
Economic Net Income attributable to common unitholders	\$36,469	\$39,765	\$122,057	\$85,793
Income tax provision ⁽³⁾	(6,935)	(6,503)	(17,540)	(17,739)
After-tax Economic Net Income attributable to common unitholders	\$29,534	\$33,262	\$104,517	\$68,054
After-tax Economic Net Income per common unit	\$0.35	\$0.40	\$1.26	\$0.83

1. Pro forma units of 215,601,174 includes the sum of common units, Ares Operating Group Units that are exchangeable for common units on a one-for-one basis and the dilutive effects of the Company's equity-based awards.

2. The Company has 12,400,000 of 7% Series A Preferred Units outstanding as September 30, 2017.

3. The provision for income taxes on ENI was calculated by multiplying (1) Ares Management, L.P.'s share of ENI that is subject to corporate level taxes (reduced by the interest expense attributable to an intercompany loan between Ares Management, L.P. and a corporate subsidiary) by (2) those subsidiaries' effective corporate tax rate.

Distributable Earnings per Unit Data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Distributable Earnings per Ares Operating Group Unit⁽¹⁾ outstanding				
Distributable Earnings	\$100,451	\$66,735	\$211,052	\$184,836
Preferred unit distribution ⁽²⁾	(5,425)	(6,751)	(16,275)	(6,751)
Distributable Earnings, net of preferred unit distribution	\$95,026	\$59,984	\$194,777	\$178,085
x Ares Operating Group Units ⁽¹⁾ ownership %	61.29%	61.75%	61.35%	61.98%
Distributable Earnings attributable to Ares Operating Group Units⁽¹⁾	\$58,241	\$37,040	\$119,498	\$110,380
Distributable Earnings per Ares Operating Group Unit outstanding⁽¹⁾	\$0.45	\$0.28	\$0.92	\$0.83
Distributable Earnings per common unit outstanding				
Distributable Earnings, net of preferred unit distribution	\$95,026	\$59,984	\$194,777	\$178,085
x Common unitholder ownership %	38.71%	38.25%	38.65%	38.02%
Distributable Earnings attributable to common unitholders	\$36,785	\$22,944	\$75,279	\$67,705
Current provision for income taxes ⁽³⁾	—	(4,008)	—	(11,269)
After-tax Distributable Earnings attributable to common unitholders	\$36,785	\$18,936	\$75,279	\$56,436
Distributable Earnings per common unit, net of preferred unit distribution	\$0.45	\$0.23	\$0.92	\$0.70
Distribution declared per common unit	\$0.41	\$0.20	\$0.85	\$0.63

1. Exchangeable into common units.

2. The Company has 12,400,000 of 7% Series A Preferred Units outstanding as September 30, 2017.

3. The current provision for income taxes of Ares Management, L.P. on Distributable Earnings (DE) represents the current provision for income taxes on pre-tax net income or loss (reduced by the pro forma interest expense attributable to an intercompany loan between Ares Management, L.P. and a corporate subsidiary).

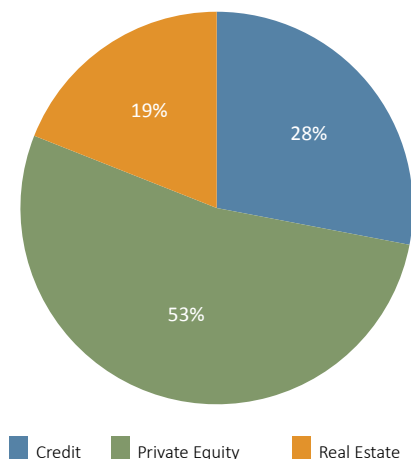


Balance Sheet

- Substantial balance sheet value related to investments in Ares managed vehicles and net performance fees receivable**
 - \$186.4 million in cash and cash equivalents, \$486.0 million in debt obligations with \$110.0 million drawn against our \$1.065 billion revolving credit facility as of September 30, 2017
 - As of September 30, 2017, investments reported on a GAAP basis were \$584.7 million. On an unconsolidated basis, investments were \$747.0 million⁽¹⁾
 - As of September 30, 2017, gross performance fees receivable reported on a GAAP basis were \$997.6 million. On an unconsolidated basis, performance fees receivable were \$1.0 billion⁽²⁾
 - As of September 30, 2017, net performance fees receivable reported on a GAAP basis were \$217.4 million. On an unconsolidated basis, performance fees receivable were \$221.4 million⁽²⁾
 - As of September 30, 2017, net performance fees receivable reported on a GAAP basis increased 35.0% compared to the fourth quarter of 2016. On an unconsolidated basis, net performance fees receivable increased 30.7% compared to the fourth quarter of 2016.

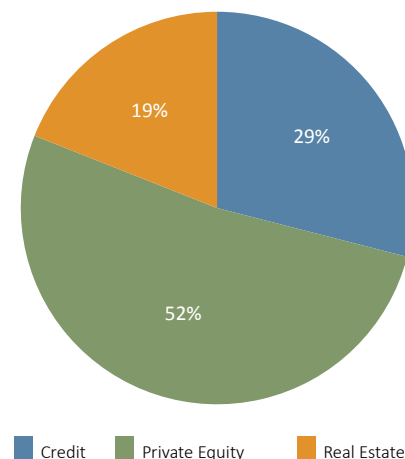
Net Performance Fees Receivable by Group – GAAP

Q3 2017: \$217.4 million



Net Performance Fees Receivable by Group – Unconsolidated

Q3 2017: \$221.4 million



- As of September 30, 2017, \$68.7 million was invested in non-Ares managed vehicles. Difference between GAAP and unconsolidated investments represents investments of \$162.3 million in Consolidated Funds that are eliminated upon consolidation.
- Difference between GAAP and unconsolidated gross and net performance fees receivable of \$4.0 million represents fees earned from Consolidated Funds that are eliminated upon consolidation.

Corporate Data

Board of Directors

Michael Arougheti

Co-Founder and President of Ares

Paul G. Joubert

Founding Partner of EdgeAdvisors and Investing Partner in Common Angels Ventures

David Kaplan

Co-Founder and Partner of Ares, Co-Head of Private Equity Group

John Kissick

Co-Founder and Former Partner of Ares

Michael Lynton

Former Chief Executive Officer of Sony Entertainment

Dr. Judy D. Olian

Dean of UCLA Anderson School of Management and the John E. Anderson Chair in Management

Antony P. Ressler

Co-Founder, Chairman and Chief Executive Officer of Ares

Bennett Rosenthal

Co-Founder and Partner of Ares, Co-Head of Private Equity Group

Executive Officers

Michael Arougheti

Co-Founder and President

Kipp deVeer

Partner

David Kaplan

Co-Founder and Partner

Michael McFerran

Executive Vice President, Chief Financial Officer

Antony P. Ressler

Co-Founder and Chief Executive Officer

Bennett Rosenthal

Co-Founder and Partner

Michael Weiner

Executive Vice President, Chief Legal Officer of Ares

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Securities Listing

NYSE: ARES
NYSE: ARES PR A



Appendix



Financial Details – Segments

Three Months Ended September 30, 2017

\$ 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 \$24,036)	\$120,178	\$51,313	\$17,137	\$—	\$188,628
Other fees	5,668	449	27	—	6,144
Compensation and benefits	(46,551)	(19,256)	(11,398)	(27,577)	(104,782)
General, administrative and other expenses	(6,851)	(4,655)	(2,125)	(18,380)	(32,011)
Fee Related Earnings	\$72,444	\$27,851	\$3,641	\$(45,957)	\$57,979
Performance fees - realized	\$3,296	\$173,304	\$2,389	\$—	\$178,989
Performance fees - unrealized	33,033	(142,822)	20,366	—	(89,423)
Performance fee compensation - realized	(1,466)	(138,657)	(856)	—	(140,979)
Performance fee compensation - unrealized	(19,820)	114,395	(12,233)	—	82,342
Net performance fees	\$15,043	\$6,220	\$9,666	\$—	\$30,929
Investment income—realized	\$6,206	\$14,268	\$1,997	\$18	\$22,489
Investment income (loss)—unrealized	(1,123)	(8,421)	(767)	4,357	(5,954)
Interest and other investment income (expense)	(540)	1,129	716	26	1,331
Interest expense	(3,277)	(1,229)	(396)	(441)	(5,343)
Net investment income	\$1,266	\$5,747	\$1,550	\$3,960	\$12,523
Performance Related Earnings	\$16,309	\$11,967	\$11,216	\$3,960	\$43,452
Economic Net Income	\$88,753	\$39,818	\$14,857	\$(41,997)	\$101,431
Distributable Earnings	\$73,120	\$75,809	\$4,736	\$(53,214)	\$100,451

Three Months Ended September 30, 2016

\$ 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 \$33,260)	\$115,794	\$35,183	\$17,819	\$—	\$168,796
Other fees	280	309	162	—	751
Compensation and benefits	(45,222)	(16,697)	(9,459)	(25,960)	(97,338)
General, administrative and other expenses	(7,274)	(3,925)	(2,289)	(13,386)	(26,874)
Fee Related Earnings	\$63,578	\$14,870	\$6,233	\$(39,346)	\$45,335
Performance fees - realized	\$22,422	\$108,245	\$2,170	\$—	\$132,837
Performance fees - unrealized	11,152	16,569	4,647	—	32,368
Performance fee compensation - realized	(7,241)	(86,537)	—	—	(93,778)
Performance fee compensation - unrealized	(11,686)	(13,387)	(4,322)	—	(29,395)
Net performance fees	\$14,647	\$24,890	\$2,495	\$—	\$42,032
Investment income (loss)—realized	\$588	\$11,267	\$(511)	\$(20,005)	\$(8,301)
Investment income—unrealized	5,460	7,066	6,211	15,979	34,716
Interest and other investment income	5,940	417	714	15	7,086
Interest expense	(1,831)	(1,399)	(242)	(664)	(4,136)
Net investment income (loss)	\$10,157	\$17,351	\$6,532	\$(4,675)	\$29,365
Performance Related Earnings	\$24,804	\$42,241	\$9,027	\$(4,675)	\$71,397
Economic Net Income	\$88,382	\$57,111	\$15,260	\$(44,021)	\$116,732
Distributable Earnings	\$81,542	\$45,481	\$6,408	\$(66,696)	\$66,735

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 13-14.



Financial Details – Segments

Nine Months Ended September 30, 2017					
\$ 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 \$76,436)	\$354,179	\$147,559	\$49,231	\$—	\$550,969
Other fees	15,834	1,127	37	—	16,998
Compensation and benefits	(142,647)	(50,862)	(30,848)	(84,881)	(309,238)
General, administrative and other expenses	(22,766)	(13,198)	(7,947)	(56,729)	(100,640)
Fee Related Earnings	\$204,600	\$84,626	\$10,473	\$(141,610)	\$158,089
Performance fees - realized	\$19,957	\$238,084	\$3,883	\$—	\$261,924
Performance fees - unrealized	41,062	118,162	64,243	—	223,467
Performance fee compensation - realized	(8,649)	(189,571)	(1,033)	—	(199,253)
Performance fee compensation - unrealized	(27,357)	(95,131)	(39,303)	—	(161,791)
Net performance fees	\$25,013	\$71,544	\$27,790	\$—	\$124,347
Investment income—realized	\$9,049	\$17,564	\$4,153	\$3,217	\$33,983
Investment income (loss)—unrealized	16	25,479	(77)	222	25,640
Interest and other investment income	2,399	3,264	2,069	1,125	8,857
Interest expense	(8,800)	(4,139)	(1,257)	(1,380)	(15,576)
Net investment income	\$2,664	\$42,168	\$4,888	\$3,184	\$52,904
Performance Related Earnings	\$27,677	\$113,712	\$32,678	\$3,184	\$177,251
Economic Net Income	\$232,277	\$198,338	\$43,151	\$(138,426)	\$335,340
Distributable Earnings	\$204,402	\$145,696	\$12,596	\$(151,642)	\$211,052

Nine Months Ended September 30, 2016					
\$ 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 \$90,884)	\$332,182	\$111,100	\$50,794	\$—	\$494,076
Other fees	939	983	855	—	2,777
Compensation and benefits	(135,068)	(46,556)	(31,327)	(77,225)	(290,176)
General, administrative and other expenses	(19,383)	(10,489)	(8,241)	(44,616)	(82,729)
Fee Related Earnings	\$178,670	\$55,038	\$12,081	\$(121,841)	\$123,948
Performance fees - realized	\$44,624	\$171,024	\$5,142	\$—	\$220,790
Performance fees - unrealized	(1,544)	109,848	10,030	—	118,334
Performance fee compensation - realized	(9,978)	(136,761)	(53)	—	(146,792)
Performance fee compensation - unrealized	(9,853)	(88,766)	(8,328)	—	(106,947)
Net performance fees	\$23,249	\$55,345	\$6,791	\$—	\$85,385
Investment income (loss)—realized	\$390	\$14,641	\$412	\$(20,093)	\$(4,650)
Investment income (loss)—unrealized	9,256	(1,030)	7,943	4,460	20,629
Interest and other investment income (expense)	21,617	8,532	1,642	(53)	31,738
Interest expense	(6,729)	(4,201)	(788)	(2,101)	(13,819)
Net investment income (loss)	\$24,534	\$17,942	\$9,209	\$(17,787)	\$33,898
Performance Related Earnings	\$47,783	\$73,287	\$16,000	\$(17,787)	\$119,283
Economic Net Income	\$226,453	\$128,325	\$28,081	\$(139,628)	\$243,231
Distributable Earnings	\$221,357	\$104,162	\$16,867	\$(157,550)	\$184,836

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 13-14.

AUM and FPAUM Rollforward

Q3-17 Total AUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q2-17 Ending Balance	\$67,447	\$25,770	\$10,792	\$104,009
Acquisitions	—	—	—	—
Commitments	5,227	—	246	5,473
Capital reductions	(1,890)	(1)	—	(1,891)
Distributions/redemptions	(1,422)	(1,372)	(642)	(3,436)
Changes in fund value	1,115	178	197	1,490
Q3-17 Ending Balance	\$70,477	\$24,575	\$10,593	\$105,645
QoQ change	\$3,030	(\$1,195)	(\$199)	\$1,636

Q3-17 Total FPAUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q2-17 Ending Balance	\$46,509	\$17,292	\$6,654	\$70,455
Acquisitions	—	—	—	—
Commitments	2,434	—	245	2,679
Subscriptions/deployment/increase in leverage	1,229	86	249	1,564
Distributions/redemptions/decrease in leverage	(2,354)	(502)	(216)	(3,072)
Changes in fund value	816	(67)	60	809
Change in fee basis	(12)	(25)	—	(37)
Q3-17 Ending Balance	\$48,622	\$16,784	\$6,992	\$72,398
QoQ change	\$2,113	(\$508)	\$338	\$1,943

LTM Total AUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q3-16 Ending Balance	\$62,044	\$24,876	\$10,397	\$97,317
Acquisitions	3,605	—	—	3,605
Commitments	14,219	473	1,329	16,021
Capital reductions	(8,139)	(5)	(128)	(8,272)
Distributions/redemptions	(4,187)	(3,450)	(1,579)	(9,216)
Changes in fund value	2,935	2,681	574	6,190
Q3-17 Ending Balance	\$70,477	\$24,575	\$10,593	\$105,645
YoY change	\$8,433	(\$301)	\$196	\$8,328

LTM Total FPAUM Rollforward (\$ in millions)				
	Credit	Private Equity	Real Estate	Total
Q3-16 Ending Balance	\$41,862	\$11,365	\$6,730	\$59,957
Acquisitions	2,789	—	—	2,789
Commitments	5,509	8,071	673	14,253
Subscriptions/deployment/increase in leverage	4,354	953	763	6,070
Distributions/redemptions/decrease in leverage	(8,229)	(1,648)	(908)	(10,785)
Changes in fund value	2,125	(404)	126	1,847
Change in fee basis	212	(1,553)	(392)	(1,733)
Q3-17 Ending Balance	\$48,622	\$16,784	\$6,992	\$72,398
YoY change	\$6,760	\$5,419	\$262	\$12,441

Credit

- AUM increased by 4.5% from Q2-17, primarily driven by new capital commitments to syndicated loans and direct lending strategies, partially offset by paydowns in U.S. syndicated loans (within CLOs) and other credit funds
- FPAUM increased by 4.5% from Q2-17, primarily driven by new commitments to syndicated loans strategy and deployment in direct lending funds paid on invested capital, largely offset by paydowns in U.S. syndicated loans (within CLOs) and other credit funds

Private Equity

- AUM decreased by 4.6% from Q2-17 driven by distributions from ACOF III and ACOF IV
- FPAUM decreased by 2.9% from Q2-17, driven by distributions from ACOF III and ACOF IV

Real Estate

- AUM decreased by 1.8% from Q2-17, primarily driven by distributions from E.U. equity strategies, largely offset by new commitments to Ninth U.S. Value Add Fund
- FPAUM increased by 5.1% from Q2-17, primarily driven by new commitments to Ninth U.S. Value Add Fund and deployment in U.S. equity funds, partially offset by distributions from our U.S. and E.U. equity strategies



AUM and FPAUM by Strategy⁽¹⁾

Strategy (\$ in billions)	AUM	% AUM	FPAUM	% FPAUM
Credit				
Syndicated Loans	\$17.2	24%	\$15.9	33%
High Yield	4.6	7%	4.6	10%
Credit Opportunities	3.4	5%	2.8	6%
Structured Credit	4.6	7%	3.4	7%
U.S. Direct Lending ⁽²⁾	29.0	40%	15.7	32%
E.U. Direct Lending	11.7	17%	6.2	12%
Total Credit Group	\$70.5	100%	\$48.6	100%
Private Equity				
Corporate Private Equity				
ACOF V	\$8.0	33%	\$7.6	45%
ACOF IV	5.3	22%	2.9	18%
ACOF III	4.3	17%	1.5	9%
ACOF I-II	0.5	2%	—	0%
ACOF Asia	0.2	1%	0.1	0%
U.S. Power and Energy Infrastructure				
EIF I-IV and Co-investment Vehicles	3.8	15%	3.2	19%
EIF V	0.9	4%	0.8	5%
Special Situations				
Special Situations	1.6	6%	0.7	4%
Private Equity Group	\$24.6	100%	\$16.8	100%
Real Estate				
U.S. Equity	\$4.8	45%	\$3.4	48%
E.U. Equity	2.8	26%	2.5	36%
Debt	2.9	29%	1.1	16%
Real Estate Group	\$10.5	100%	\$7.0	100%
Total	\$105.6		\$72.4	

1. As of September 30, 2017.

2. AUM includes ARCC, IHAM, and SDLP AUM of \$14.5 billion, \$3.9 billion, and \$1.8 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 September 30, 2017.

Balance Sheet Investments by Strategy

\$ in thousands	September 30, 2017	December 31, 2016
Credit		
Syndicated Loans*	\$205,586	\$140,667
Credit Opportunities	4,476	4,035
Structured Credit	12,431	9,004
U.S. Direct Lending	55,945	37,696
E.U. Direct Lending	48,773	44,882
Credit Group	\$327,211	\$236,284
Private Equity		
ACOF I - II	\$4,006	\$5,503
ACOF III	114,674	97,549
ACOF IV	34,990	37,308
ACOF Asia	75,682	71,769
U.S. Power & Energy Infrastructure	11,067	17,361
Special Situations	24,063	27,927
Private Equity	\$264,482	\$257,417
Real Estate		
U.S. Equity	\$73,364	\$62,208
E.U. Equity	13,203	13,077
Real Estate	\$86,567	\$75,285
Operations Management Group		
Other	\$68,730	\$53,229
Other	\$68,730	\$53,229
Total	\$746,990	\$622,215

Note: Reflects the balance sheet of Ares Management, L.P. and its consolidated subsidiaries, excluding the effect of Consolidation.

*Through investments in Ares CLOs.

Significant Fund Performance Metrics*

The following table presents the performance data for significant funds in the Credit Group that are not drawdown funds:

As of September 30, 2017									
	Year of Inception	AUM (in millions)	Returns (%) ⁽¹⁾						Primary Investment Strategy
			Current Quarter		Year-To-Date		Since Inception ⁽²⁾		
			Gross	Net	Gross	Net	Gross	Net	
Credit									
ARCC ⁽³⁾	2004	\$14,479	N/A	1.9%	N/A	7.3%	N/A	11.7%	U.S. Direct Lending
Sub-advised Client A ⁽⁴⁾	2007	733	3.0%	2.9%	7.5%	7.3%	8.1%	7.7%	High Yield
ELIS XI ⁽⁴⁾	2013	726	1.4%	1.3%	3.8%	3.4%	3.6%	3.1%	Syndicated Loans
Separately Managed Account Client A ⁽⁴⁾	2015	1,138	1.9%	1.8%	8.6%	8.2%	6.8%	6.4%	Structured Credit
Separately Managed Account Client B ⁽⁴⁾	2016	825	1.7%	1.6%	6.3%	6.0%	7.4%	7.0%	High Yield

Note: Past performance is not indicative of future results. AUM and Net Returns as of September 30, 2017 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 nine months ended September 30, 2017 or comprised 1% or more of the Company's total FPAUM as of September 30, 2017, 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*

The following table presents the performance data for our significant funds, all of which are drawdown funds:

As of September 30, 2017												
Credit												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitment	Cumulative Invested Capital	Realized Proceeds ⁽⁵⁾	Unrealized Value ⁽⁶⁾	Total Value	MOIC		IRR		Primary Investment Strategy
								Gross ⁽⁷⁾	Net ⁽⁸⁾	Gross ⁽⁹⁾	Net ⁽¹⁰⁾	
ACE II ⁽¹¹⁾	2013	\$1,492	\$1,216	\$972	\$390	\$843	\$1,233	1.3x	1.2x	10.3%	7.5%	E.U. Direct Lending
ACE III ⁽¹²⁾	2015	5,070	2,822	1,686	74	1,810	1,884	1.2x	1.1x	18.5%	13.7%	E.U. Direct Lending
Private Equity												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitment	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 III	2007	\$906	\$1,350	\$1,808	\$1,753	\$860	\$2,613	1.5x	1.4x	8.1%	5.5%	U.S. Power and Energy Infrastructure
ACOF III	2008	4,340	3,510	3,867	5,952	4,021	9,973	2.6x	2.2x	31.1%	23.1%	Corporate Private Equity
USPF IV	2010	1,873	1,688	1,815	749	1,677	2,426	1.3x	1.2x	10.8%	7.3%	U.S. Power and Energy Infrastructure
ACOF IV	2012	5,342	4,700	3,806	2,438	4,119	6,557	1.7x	1.6x	23.7%	16.0%	Corporate Private Equity
ACOF V*	2017	8,006	7,850	971	12	1,004	1,016	1.0x	0.9x	N/A	N/A	Corporate Private Equity
EIF V ^{(7)*}	2015	884	801	290	76	339	415	1.4x	1.6x	N/A	N/A	U.S. Power and Energy Infrastructure
Real Estate												
(\$ in millions)	Year of Inception	AUM	Original Capital Commitment	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	\$1,040	\$1,302	\$985	\$384	\$933	\$1,317	1.3x	1.2x	20.0%	13.4%	E.U. Real Estate Equity
EPEP II ^{(8)*}	2015	704	747	255	113	200	313	1.2x	1.2x	N/A	N/A	E.U. Real Estate Equity

Note: Past performance is not indicative of future results. AUM and Net Returns as of September 30, 2017 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 nine months ended September 30, 2017 or comprised 1% or more of the Company's total FPAUM as of September 30, 2017, 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 historical information, 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 and (ii) such time the fund is 50% or more invested.



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. Gross returns do not reflect the deduction of management fees or any other expenses. Net returns are calculated by subtracting the applicable management fee from the gross returns on a monthly basis.
5. 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.
6. 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.
7. 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 performance fees. The gross MoIC is before giving effect to management fees, performance fees as applicable and other expenses.
8. 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 performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
9. 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 performance fees. The cash flow dates used in the gross IRR calculation are based on the actual dates of the cash flows. The net IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
10. 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 who does not pay management fees or performance fees. 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, performance fees 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 have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
11. ACE II is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net IRR and gross and net MoIC presented in the chart are for the U.S. dollar denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the Euro denominated feeder fund are 12.7% and 9.6%, respectively. The gross and net MoIC for the Euro 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 II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate. The variance between the gross and net MoICs and the net IRRs for the U.S. dollar denominated and Euro denominated feeder funds is driven by the U.S. GAAP mark-to-market reporting of the foreign currency hedging program in the U.S. dollar denominated feeder fund. The feeder fund will be holding the foreign currency hedges until maturity, and therefore is expected to ultimately recognize a gain while mitigating the currency risk associated with the initial principal investments.
12. ACE III is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC presented in the chart are for the Euro denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the U.S. dollar denominated feeder fund are 18.1% and 13.3%, respectively. The gross and net MoIC for the U.S. dollar denominated feeder fund are 1.2x and 1.1x, 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.

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.
2. Unrealized value represents the fair market 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 is before giving effect to management fees, performance fees as applicable and other expenses.
4. The net MoIC for the U.S. power and energy infrastructure funds 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 those interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
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 month-end. The gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
6. The net IRR for the U.S. power and energy infrastructure funds 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. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRR for the corporate private equity funds is an annualized since inception net 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. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would have been lower had such fund called capital from its limited partners instead of utilizing the credit facility. Cash flows used in the net IRR calculations are assumed to occur at month end. For all funds, the net IRRs are calculated after giving effect to management fees, performance fees 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. Including the timing on contribution and distributions to and from the corporate private equity funds, net investor IRRs since inception for ACOF III is 22.3% and for ACOF IV is 15.2%.
7. The Gross MoIC is lower than the Net MoIC due to the fund's utilization of a credit facility to fund an investment that is currently under construction and not generating cash flow.

Significant Fund Performance Metrics Endnotes (cont'd)

Real Estate

1. Realized proceeds include distributions of operating income, sales and financing proceeds received.
2. Unrealized value represents the fair market 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, performance fees as applicable and other expenses.
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 who does not pay management fees or performance fees or has such fees rebated outside of the fund. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
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, performance fees as applicable, and other expenses.
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, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance fees 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, performance fees 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 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 chart are for the U.S. dollar denominated parallel fund as that is the larger of the two funds. The gross and net IRRs for the Euro denominated parallel fund are 20.3% and 13.9%, respectively. The gross and net MoIC for the Euro denominated parallel fund are 1.3x and 1.2x, 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. EPEP II is made up of dual currency investors and Euro currency investors. The gross and net MoIC presented in the chart are for dual currency investors as dual currency investors represent the largest group of investors in the fund. Multiples exclude foreign currency gains and losses since dual currency investors fund capital contributions and receive distributions in local deal currency (GBP or EUR) and therefore, do not realize foreign currency gains or losses. The gross and net MoIC for the Euro currency investors, which include foreign currency gains and losses, are 1.2x and 1.1x, 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 EPEP II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

Weighted Average Unit Information

	Q3-17		Q3-16	
	GAAP Units	Adjusted Common Units ⁽³⁾	GAAP Units	Adjusted Common Units ⁽³⁾
Ares Management, L.P. weighted average common units	82,166,852	82,166,852	80,793,984	80,793,984
Ares Operating Group Units exchangeable into common units ⁽¹⁾	130,192,448	—	130,852,861	—
Dilutive effect of unvested restricted common units ⁽²⁾	3,241,874	1,254,358	3,670,608	1,393,918
Total Pro Forma Units	215,601,174	83,421,210	215,317,453	82,187,902

1. Represents units exchangeable for Ares Management, L.P. common units on a one-for-one basis.

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

3. Represents proportional dilutive impact based upon the percentage of Ares Operating Group owned by Ares Management, L.P. (38.69% and 37.98% as of September 30, 2017 and 2016, respectively).

Additional Information

Distributions	Targeted Net Returns ⁽¹⁾	Investor Base as a % of AUM ⁽¹⁾
<ul style="list-style-type: none"> • Ares declared a quarterly distribution of \$0.41 per common unit, payable on December 1, 2017 to common unitholders of record at the close of business on November 17, 2017 • Ares declared a distribution of \$0.4375 per Series A Preferred Unit with a payment date of December 31, 2017 to preferred unitholders of record as of the close of business on December 15, 2017 	<p>Credit Group:</p> <ul style="list-style-type: none"> • Syndicated Loans and High Yield Bonds: Benchmark Outperformance⁽²⁾ • Credit Opportunities: 8-12% • Structured Credit: 5-15% • Direct Lending: 5-15%⁽⁵⁾ <p>Real Estate Group:</p> <ul style="list-style-type: none"> • Real Estate Debt: 5-12% • Real Estate Equity: 12-18% <p>Private Equity Group:</p> <ul style="list-style-type: none"> • Corporate Private Equity: 18-22% • U.S. Power and Energy Infrastructure: 15-17% • Special Situations: 15-20% 	<p>Public Entity & Related: 21%</p> <ul style="list-style-type: none"> • 600+ institutional investors⁽³⁾ • 200,000+ retail investors across our public funds⁽⁴⁾ <p>Institutional Intermediated: 13%</p> <p>Institutional Direct: 66%</p> <ul style="list-style-type: none"> • Pension: 43% • SWF: 14% • Bank/Private Bank: 12% • Investment Manager: 5% • Insurance: 16% • Endowment: 2% • Other: 8% <p>Total Direct Institutional Investors: 759</p>

No assurance can be made that such results will be achieved.

1. As of September 30, 2017, unless otherwise noted.
2. Ares bank loan and high yield strategies are typically benchmarked against the Credit Suisse Leveraged Loan Index (“CSLLI”) and the BofA Merrill Lynch U.S. High Yield Master II Index (“H0A0”), respectively. While the other credit strategies cited above are absolute return focused, our bank loan and high yield funds seek to outperform these respective indices over market cycles. Q3-17 returns for the CSLLI and the H0A0 were 1.1% and 2.0%, respectively. NOTE: Certain of Ares funds are not benchmarked against any particular index due to fund specific portfolio constraints.
3. Most recent data available as of July 24, 2017.
4. As of March 9, 2017 for ARCC, April 12, 2017 for ACRE and April 28, 2017 for ARDC.
5. Includes funds managed or co-managed by Ares. Also includes funds managed by IHAM, a wholly owned portfolio company of ARCC, and a registered investment adviser.



ENI and Other Measures – Financial Data⁽¹⁾

\$ in thousands	Year ended December 31,	
	2016	2015
Credit Group	\$444,664	\$432,769
Private Equity Group	147,790	152,104
Real Estate Group	66,997	66,045
Management fees⁽²⁾	\$659,451	\$650,918
Other fees	\$12,351	\$4,599
Compensation and benefits expenses ⁽³⁾	(384,715)	(360,622)
General, administrative and other expense ⁽⁴⁾	(114,737)	(117,903)
Fee Related Earnings	\$172,350	\$176,992
Net performance fees	\$133,624	\$41,912
Net investment income (loss)	51,009	(2,526)
Performance Related Earnings	\$184,633	\$39,386
Economic Net Income	\$356,983	\$216,378
Other Data		
Total Fee Revenue	\$793,075	\$692,830
Distributable Earnings	\$264,306	\$230,589
Management Fees as % of Total Fees	83%	94%
Fee Related Earnings as % of Economic Net Income	48%	82%
Fee Related Earnings as % of Distributable Earnings	65%	77%

1. Unconsolidated results represent the operating segments plus OMG but exclude the effect of Consolidated Funds.

2. Includes ARCC Part I Fees of \$121.2 million and \$121.5 million for the years ended December 31, 2016 and 2015, respectively.

3. Compensation and benefits expenses include expense reimbursements of \$23.9 million and \$21.6 million for the years ended December 31, 2016 and 2015, respectively, that were previously presented as administrative and other fees.

4. G&A expenses include expense reimbursements of \$3.0 million and \$4.4 million for the years ended December 31, 2016 and 2015, respectively, that were previously presented as administrative and other fees.

GAAP to Non-GAAP Reconciliation – Unconsolidated Reporting Basis

\$ in thousands	Year ended December 31,	
	2016	2015
Economic Net Income and Fee Related Earnings:		
Income before taxes	\$297,920	\$81,484
Adjustments:		
Amortization of intangibles	26,638	46,227
Depreciation expense	8,215	6,942
Equity compensation expenses	39,065	32,244
Acquisition and merger-related expenses	(16,902)	34,864
Placement fees and underwriting costs	6,424	8,825
Other non-cash expense, net	(1,728)	110
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(2,649)	5,682
Economic Net Income	\$356,983	\$216,378
Unconsolidated performance fee income - realized	(\$292,998)	(\$121,948)
Unconsolidated performance fee income - unrealized	(228,472)	(31,647)
Unconsolidated performance fee compensation expense - realized	198,264	65,191
Unconsolidated performance fee compensation expense - unrealized	189,582	46,492
Unconsolidated net investment (income) loss	(51,009)	2,526
Fee Related Earnings	\$172,350	\$176,992
Unconsolidated performance fee – realized	\$292,998	\$121,948
Unconsolidated performance fee compensation expense – realized	(198,264)	(65,191)
Unconsolidated investment and other income, net	33,244	24,836
Less:		
One-time acquisition costs	(841)	(2,916)
Dividend equivalent	(5,323)	(3,337)
Equity (income) loss	870	(758)
Income tax expense	(16,089)	(5,208)
Placement fees and underwriting costs	(6,424)	(8,825)
Non-cash depreciation and amortization	(8,215)	(6,952)
Distributable Earnings	\$264,306	\$230,589
Performance Related Earnings		
Economic Net Income	\$356,983	\$216,378
Less: Fee Related Earnings	(172,350)	(176,992)
Performance Related Earnings	\$184,633	\$39,386

Note: This table is a reconciliation of income before provision for income taxes on a consolidated basis to ENI, FRE, PRE and DE on unconsolidated basis, which shows 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.



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

\$ in thousands	Year ended December 31,	
	2016	2015
Performance fee and net investment income reconciliation:		
Unconsolidated performance fee income - realized	\$292,998	\$121,948
Performance fee income - realized earned from Consolidated Funds	—	(1,769)
Performance fee - realized reclass ⁽¹⁾	(7,367)	(6,472)
Performance fee income - realized	\$285,631	\$113,707
Unconsolidated performance fee income - unrealized	\$228,472	\$31,647
Performance fee income - unrealized earned from Consolidated Funds	(1,139)	6,187
Performance fee - unrealized reclass ⁽¹⁾	4,888	(926)
Performance fee income - unrealized	\$232,221	\$36,908
Unconsolidated net investment income (loss)	\$51,009	(\$2,526)
Net investment income from Consolidated Funds	42,244	25,702
Performance fee - reclass ⁽¹⁾	2,479	7,398
Change in value of contingent consideration	17,675	21,064
Other non-cash expense	1,728	(110)
Merger-related expenses	—	(15,446)
GAAP total other income	\$115,135	\$36,082

Note: These tables are a reconciliation of consolidated performance fee income, realized and unrealized performance fee income and net investment income to an unconsolidated basis, which assist in the reconciliation of GAAP Net Income to fee related earnings and distributable earnings. 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 fees for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Condensed Consolidated Statements of Operations.

Glossary

ARCC Part I Fees	ARCC Part I Fees refers to a quarterly performance fee on the investment income from ARCC.
ARCC Part II Fees	ARCC Part II Fees refers to fees based on ARCC's net capital gains, which are paid annually.
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 represents subordinated notes (equity) plus all drawn and undrawn debt tranches.
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.
Distributable Earnings	Distributable earnings (or "DE"), a non-GAAP measure, is an operating metric that assesses our performance without the effects of our consolidated funds and the impact of unrealized income and expenses, which generally fluctuate with fair value changes. Among other things, this metric also is used to assist in determining amounts potentially available for distribution. However, the declaration, payment, and determination of the amount of distributions to unitholders, if any, is at the sole discretion of our Board of Directors, which may change our distribution policy at any time. Distributable earnings is calculated as the sum of Fee Related Earnings, realized performance fees, realized performance fee compensation, realized net investment and other income, and is reduced by expenses arising from transaction costs associated with acquisitions, placement fees and underwriting costs, expenses incurred in connection with corporate reorganization and depreciation. Distributable earnings differs from income before taxes computed in accordance with GAAP as it is typically presented before giving effect to unrealized performance fees, unrealized performance fee compensation, unrealized net investment income, amortization of intangibles, and equity compensation expense. DE is presented prior to the effect of income taxes attributable to Ares Holdings Inc, and to distributions made to our preferred unitholders, unless otherwise noted.
Economic Net Income	Economic net income (or "ENI"), a non-GAAP measure, is an operating metric used by management to evaluate total operating performance, a decision tool for deployment of resources, and an assessment of the performance of our business segments. ENI 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, and (e) certain other items that we believe are not indicative of our total operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers and acquisitions and capital transactions, placement fees and underwriting costs and expenses incurred in connection with corporate reorganization.



Glossary (cont'd)

Fee Paying Assets Under Management	Fee paying AUM (or “FPAUM”) refers to the AUM on 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, refers to a component of ENI that 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 adjusts for the items included in the calculation of ENI and excludes performance fees, performance fee compensation, investment income from our Consolidated Funds and non-consolidated funds and certain other items that we believe are not indicative of our performance.
Gross Invested Capital	Gross Invested Capital refers to the aggregate amount of new 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.
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 fee revenue. It generally represents the NAV of our funds for which we are entitled to receive a performance fee, excluding capital committed by us and our professionals (which generally is not subject to a performance fee). With respect to ARCC, only ARCC Part II Fees may be generated from IGAUM .
Incentive Eligible Assets Under Management	Incentive eligible AUM (or “IEAUM”) refers to the AUM of our funds that are eligible to produce performance fee revenue, regardless of whether or not they are currently generating performance fees. It generally represents the NAV plus uncalled equity of our funds for which we are entitled to receive a performance fee, excluding capital committed by us and our professionals (which generally is not subject to a performance fee).
Net Inflows of Capital	Represents 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 five independent, shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, 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 our Operations Management Group, and we believe that this information enhances the ability of unitholders to analyze our performance.

Glossary (cont'd)

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 Fees	Performance fees refers to fees we earn based on the performance of a fund, which are 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.
Performance Related Earnings	Performance related earnings (or "PRE"), a non-GAAP measure, is used to assess our investment performance net of performance fee compensation. PRE differs from income (loss) before taxes computed in accordance with GAAP as it only includes performance fees, performance fee compensation and total investment and other income that we earn from our Consolidated Funds and non-consolidated funds.
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, which 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.
Senior Secured Loan Fund LLC	Senior Secured Loan Fund LLC (or "SSLP") is a program co-managed by a subsidiary of Ares through which ARCC co-invests with affiliates of General Electric Company.
Syndicated Loans Strategy	Syndicated loans strategy refers to a diversified portfolio of liquid, traded non-investment grade secured loans to corporate issuers, including an allocation to syndicated middle market loans.
Total Fee Revenue	Total fee revenue refers to the sum of segment management fees and net performance fees.