



Ares U.S. Real Estate Opportunity Fund IV, L.P. (“AREOF IV”)

Prepared for Pennsylvania State Employees' Retirement System

December 5th, 2023

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Ares Attendees



Andrew Holm

Mr. Holm is a Partner and Co-Head of U.S. Investments in Ares Real Estate, where he serves as a Co-Portfolio Manager of the U.S. opportunity funds and leads the group's equity investment activities across the Northeastern and Mid-Atlantic U.S. Additionally, he serves as a member of the Ares Real Estate Global and U.S. Development and Redevelopment Fund II Investment Committees and the Real Estate Debt Investment Committee. Prior to joining Ares in 2013, Mr. Holm was a Principal at AREA Property Partners, where he focused on sourcing and executing real estate investments across asset classes for AREA's equity and mezzanine debt businesses. Previously, he was an Analyst at Lazard in the real estate investment banking group. Mr. Holm serves on the Board of Trustees of the Ethical Culture Fieldston School. Mr. Holm holds a B.A., summa cum laude, from Harvard College in Government.



Merritt Hooper

Ms. Hooper is a Partner and Co-Head of Product Management and Investor Relations, Private Equity in the Ares Investor Relations Group. Prior to joining Ares in 1991, Ms. Hooper was a Senior Credit Analyst at Lion Advisors, L.P. (an affiliate of Apollo Management, L.P.), where she focused on portfolio management and strategy. Previously, Ms. Hooper was a Vice President at Columbia Savings and Loan, where she focused on investment management. Ms. Hooper serves on the executive and investment boards of Cedars-Sinai Medical Center in Los Angeles. Ms. Hooper holds a B.A. from the University of California, Los Angeles, in Mathematics and an M.B.A. from the University of California Los Angeles Anderson School of Management in Finance.

Ares Management

» With approximately \$378 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

Profile

Founded	1997
AUM	\$378bn
Employees	~2,640
Investment Professionals	~910
Global Offices	35+
Direct Institutional Relationships	~1,980
Listing: NYSE – Market Capitalization	\$30.2bn ¹

Global Footprint²



The Ares Differentiators

Power of a broad and scaled platform enhancing investment capabilities

Deep management team with integrated and collaborative approach

20+ year track record of compelling risk adjusted returns through market cycles

A pioneer and leader in leveraged finance, private credit and secondaries

	Credit	Real Assets	Private Equity	Secondaries	Other Businesses
AUM	\$250.1bn	\$64.8bn	\$35.5bn	\$23.0bn	\$4.2bn
Strategies	Direct Lending	Real Estate Equity	Corporate Private Equity	Private Equity Secondaries	Ares Insurance Solutions ³
	Liquid Credit	Real Estate Debt	Special Opportunities	Real Estate Secondaries	Ares Acquisition Corporation
	Alternative Credit	Infrastructure Opportunities		Infrastructure Secondaries	
	APAC Special Situations	Infrastructure Debt		Credit Secondaries	

Note: As of June 30, 2023. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser.

Past performance is not indicative of future results.

1. As of July 24, 2023.

2. New Delhi office is operated by a third party with whom Ares Asia maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.

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

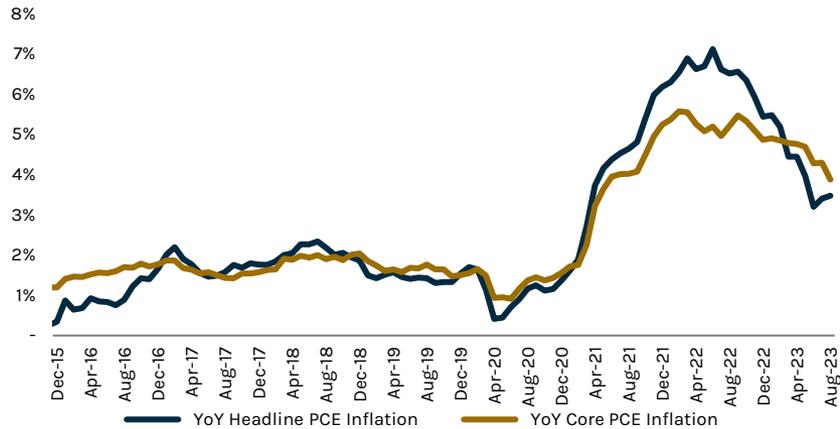


Real Estate Market Commentary

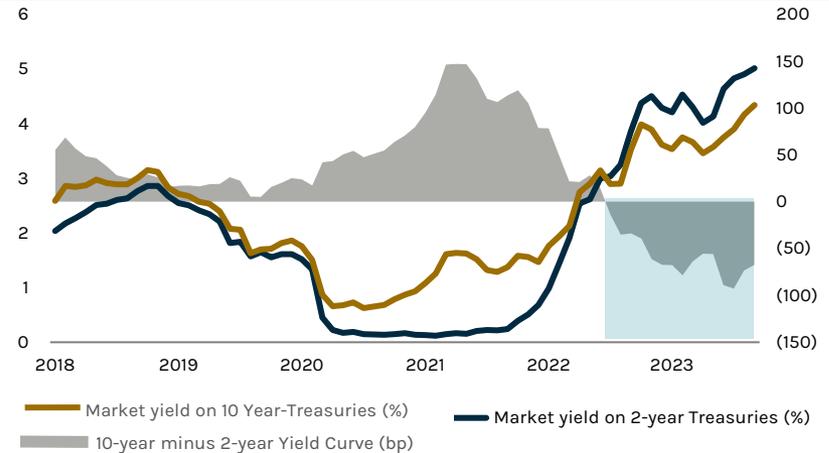
U.S. Real Estate Markets – Macro Overview

» Chippy market ahead will create compelling investment opportunities

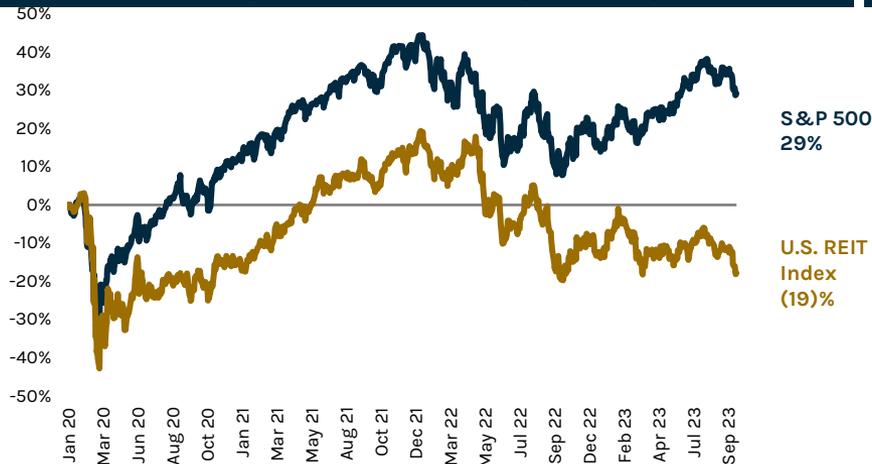
Inflation remains elevated



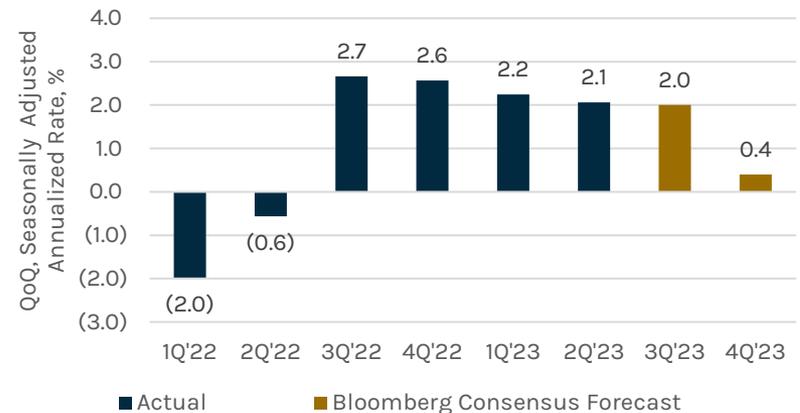
Inverted yield curve and 10-year at record highs



REIT prices have fallen significantly



GDP resilient despite market volatility



Source: 1) Bureau of Economic Analysis, as of September 2023; Board of Governors of the Federal Reserve System, as of September 2023; Green Street Advisors, as of September 2023; Bloomberg, as of September 2023. Note: For illustrative purposes only. There is no assurance the above trends will continue.

Where We See Opportunities

» Repricing has created exciting opportunities across U.S. and European Real Estate Equity and Debt

Direct RE Lending

Impact of rapidly rising rates has disrupted CRE lending, creating white space for non-bank lenders



Gap Capital

Higher cost of debt & reduced values create opportunities to provide gap capital (pref equity, mezz)



Forced Sellers

Open-end funds with redemptions, funds at end of life, banks selling loan portfolios



Discounted Assets

Assets that have been starved of cash flow since NOI is being used to pay interest and service debt



Distressed-to-Own

Asset-specific purchases where you can own the assets by purchasing distressed debt



Corporate Situations

Increased take-privates, corporate / REIT divestitures and joint ventures



For illustrative purposes only. Based on the views of the Ares Real Estate as of October 2023, unless otherwise noted. As such, our views are subject to change at any time. There is no guarantee or assurance investment objectives will be achieved.



Ares U.S. Real Estate
Opportunity Fund IV, L.P.
("AREOF IV")

Executive Summary

1

Fund Overview

Launched in May 2022, AREOF IV is the fourth vintage in Ares Real Estate's opportunistic series

- AREOF IV is targeting **\$3.0 billion** in commitments and held its initial close in Q4 2022
- The Fund seeks to achieve a target net IRR of **15-17%**¹⁴
- At this time, AREOF IV is targeting a final close on **December 21st, 2023**

2

Opportunistic Strategy

AREOF IV will follow an opportunistic investment strategy designed to identify and capitalize on changing market conditions

- The three pillars of the AREOF series strategy are distress, repositioning, and development
- We are focused on distressed and special situations in the near term given current market conditions. We continue to be highly dynamic across our three strategy pillars, and the final composition of AREOF IV will depend on the market environment over the duration of the investment period

3

Four Year Investment Horizon

AREOF IV has a four-year investment window that extends through the end of 2026

- The fund is favorably positioned with ample dry powder and a four-year window with which to capitalize on market conditions, which allows Ares to be highly disciplined in its transaction selection
- In addition to having new programmatic JVs with existing AREOF III partners ready to move forward, we are focused on an expanding universe of over-levered properties requiring gap equity and stalled projects in need of rescue capital

4

Why Now?

We believe the current environment represents a compelling moment to be forming opportunistic capital

- Inflation has induced higher rate and credit contraction, which has ended the post-GFC expansion and created what we believe is an attractive window to buy into secular strength at values that may represent cyclical lows
- Impact of the Fed's rate hikes continues to spread through the economy, sidelining levered buyers and arresting transaction activity
- Ares' advantage resulting from extensive sourcing and lending relationships, deal flow and infrastructure of Ares' broader platform to originate on a proprietary basis

All investments involve risk, including loss of principal. Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Please refer to the fund's offering memorandum for a full description of partnership terms and for further information about the material risks of the fund discussed herein.

Ares Real Estate

» Global real estate investment manager with vertically integrated operating platform that seeks to generate compelling risk-adjusted performance through market cycles

\$49 BN

Real Estate
AUM

240

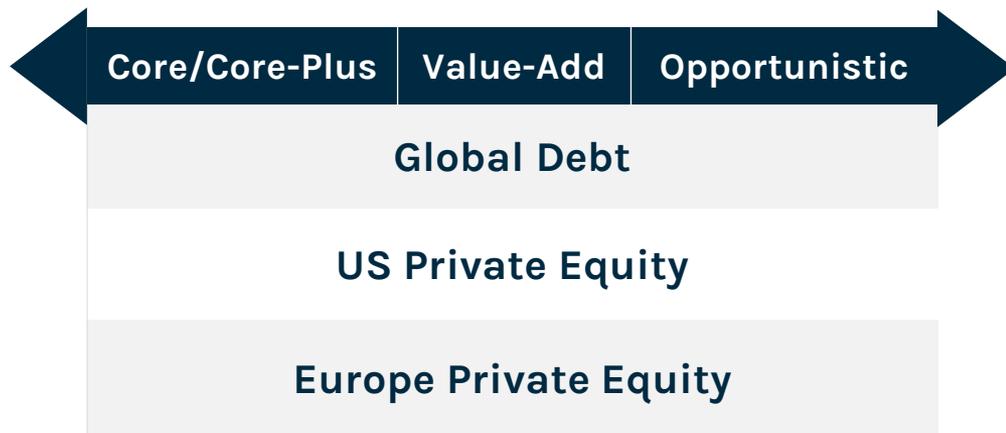
Investment
Professionals

16

Offices and Market
Coverage Locations

502

Real Estate
Investments Globally



**Scaled Real Estate Platform
Experienced Across All Sectors**

**Cycle-Tested & Collaborative
Team with Local Networks**

**Specialized 170+ Industrial-
Focused Platform**

**Real Time Corporate & Market
Insights**

**Key
Advantages**

As of June 30, 2023, unless otherwise noted. All investments involve risk, including loss of principal. References to “risk-adjusted performance” are not guarantees against loss of investment capital or value. Returns may increase or decrease as a result of currency fluctuations.

Large, Cycle-Tested U.S. Real Estate Equity Team

Collaborative team of over 200 real estate professionals in 12 offices with local sourcing & management and centralized business infrastructure

Ares Real Estate Global Leadership – 26 Average Years of Experience

Bill Benjamin* Partner, Global Head of RE 37 Years	Julie Solomon* Partner, Global COO 23 Years	David Roth* Partner, Co-Head of US 38 Years	Bryan Donohoe* Partner, Co-Head of US 23 Years	Jay Glaubach* Partner, Co-Head US Inv 25 Years	Andrew Holm* Partner, Co-Head US Inv 18 Years	Howard Huang* Partner, CIO Div US Equity 34 Years	
Dwight Merriman* Partner, Chair of Industrial 39 Years	Dave Fazekas* Partner, Head of Industrial 25 Years	Todd Farrell* Partner, Head of Multifamily Development 32 Years	Marshall Hayes* Partner, Head of US Multifamily 24 Years	JB Gerber* Partner, Head of US Debt Orig 18 Years	Wilson Lamont* Partner, Co-Head of EU 23 Years	John Ruane* Partner, Co-Head of EU 23 Years	Kevin Cahill* Partner, Head of EU Inv 19 Years
Alastair McDonnell* Partner, Head EU Inv Ops 24 Years	Philip Moore* Partner, Head EU RE Debt 19 Years	Tae-Sik Yoon* Partner, CFO 28 Years	Elaine McKay* Partner, Co-Head US Inv Op 16 Years	Scott Recknor* Partner, Co-Head US Inv Op 29 Years	Keith Kooper Partner, Co-Gen Counsel 22 Years	Josh Widoff Partner, Co-Gen Counsel 27 Years	Daniel Taylor Partner, Prod Mgmt & IR 18 Years

U.S. Equity Investment & Asset Management Team – 48 Professionals

Sam Averbach Managing Director Los Angeles	Hewitt Engram Managing Director Atlanta	Cal NeSmith Managing Director Denver	Pat Ragin Managing Director Atlanta
Cindy True Managing Director New York	Kurt Baker Principal Atlanta	Eliot Fierberg Principal Connecticut	Jeff Haag Principal Denver
Brian Lindenberg Principal Denver	Ryan Schierberl Principal Los Angeles	Ron Wallach Principal Atlanta	Evan Baum Vice President New York
Parker Gillcash Vice President Atlanta	Gabriel Gonzales Vice President Los Angeles	Scott Hopkins Vice President Denver	Shauna Mulvihill Vice President Connecticut
Jon San Antonio Vice President Los Angeles	Forest Sonnenfeldt Vice President New York		

Sr. Associate (4) Associate (9) Analyst (17)

U.S. Industrial Investment & Asset Management – 45 Professionals

Gregg Boehm Managing Director Newport Beach	Marty Edmonson Managing Director Chicago	Enoch Hayase Managing Director Atlanta	Mace McClatchy Managing Director Dallas
Kyle O'Connor Managing Director New Jersey	Steve Young Managing Director Newport Beach	Joshua Abells Principal Seattle	Mellissa Barrett Principal Dallas
Crystal Hammer Principal Newport Beach	Lauren Huber Principal New Jersey	Mike Iozzia Principal New Jersey	Lindsay Kindlon Principal Chicago
Alicia Light Principal Newport Beach	Joel Wicks Principal Newport Beach	Nick Willenbrock Principal Denver	Eric Torgerson Principal Denver
Nielsen Koepfgen Vice President Dallas	Cathleen Meyer Vice President Seattle	Ben Seliner Vice President Newport Beach	Amber Stratton Vice President New Jersey
Nick Thomas Vice President New Jersey	Alisia Kemper Vice President Atlanta		

Sr. Associate (6) Associate (5) Analyst (12)

30+ RE Debt Professionals



40+ European RE Professionals



170+ Industrial Platform



100+ Investment Operations



25 Portfolio Management



25+ IR & Data/Analytics



20+ Legal & Tax



50+ Accounting & Reporting



50 ESG Champions



Market Foresight

Credibility and Scale

Local Sourcing and Management

Centralized Investment and Business Infrastructure

Ares U.S. Opportunistic Real Estate Strategy

» Dynamic investment mandate designed to capitalize on changing market conditions

1

Pursue Distressed and Special Situations

- Aim to capitalize on market dislocation and inefficiencies by recapitalizing distressed transactions, pursuing programmatic arbitrage opportunities and investing in scalable platforms



CARS



Front Yard Residential

2

Enhance and Reposition Assets and Portfolios

- Seek to improve asset quality, occupancy and rents through hands-on repositioning, renovation and/or lease-up



Texas A&M Student Housing



Ritz-Carlton Kapalua

3

Develop Core-Quality Assets

- Pursue substantially de-risked developments in high-growth submarkets of major metro areas with a focus on core product types



Southeast Multifamily

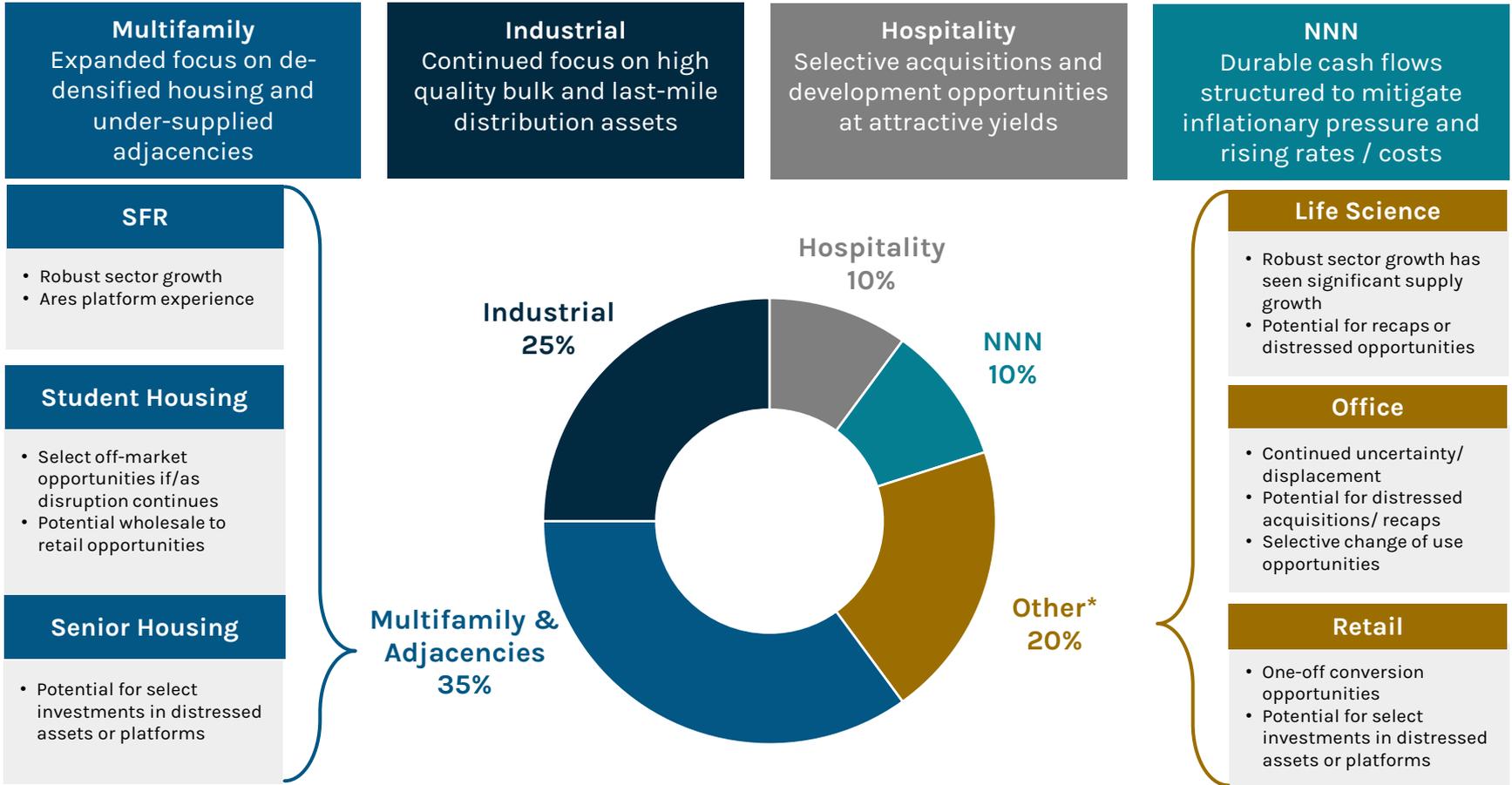


Tropical Logistics

Represents transactions previously completed by Ares Real Estate in AREOF III. Shown for illustrative purposes only. There is no guarantee or assurance investment objectives will be achieved. The examples shown here are not necessarily indicative of opportunities that may be available in the future.

AREOF IV Portfolio Construction

» AROF IV will continue the opportunistic series' legacy of dynamically allocating across property types and strategies



Based on the views of Ares Real Estate as of June 2023. Our views are subject to change at any time. There is no guarantee or assurance investment objectives will be achieved.
*Other includes ground lease, life science, mixed-use, office, retail. Diversification does not assure profit or protect against market loss.

Ares U.S. Opportunistic Real Estate Track Record

» Demonstrated track record that has met or exceeded target returns across cycles

- The AREOF Series achieves a blended **gross IRR of 20% (net IRR of 14%)** as of June 30, 2023, across \$2.2 billion of invested capital^{1,2,5}
- AREOF III achieves a **gross IRR of 22%** (net IRR of 15%) at fair values as of June 30, 2023, and is substantially committed to approximately \$1.6 billion closed and in-closing investments*
- Predecessor vehicles AREOF II and AREOF have generated **~\$1.3 billion in proceeds**,⁹ representing 146% of invested equity⁹
- Larger fund sizes have **unlocked differentiated opportunities** that have been accretive to the funds
- Leverage of 62% LTV across the portfolio⁶

Main Vehicles

As of June 30, 2023 (in millions)

Vehicle	Vintage ⁷	Activity	Total Equity ⁸	Co-Invests	Main Vehicles	Invested Equity ⁹	Realized Proceeds ¹⁰	Liquidation Value ¹¹	Total Value ¹²	Fair Value Returns	
										Gross / Net IRR ^{2,3,5}	Gross / Net EM ^{2,3,5}
AREOF III	2019*	Substantially Committed	\$2,226	\$529	\$1,697	\$1,272	\$520	\$1,079	\$1,598	22% / 15%	1.3x / 1.2x
AREOF II	2015	Harvesting	\$1,001	\$586	\$415	\$353	\$467	\$188	\$654	30% / 25%	1.9x / 1.7x
AREOF	2012	Fully Realized	\$730	\$211	\$518	\$546	\$849	\$0	\$849	17% / 11%	1.6x / 1.4x
Total¹			\$3,957	\$1,326	\$2,631	\$2,171	\$1,835	\$1,266	\$3,102	20% / 14%	1.4x / 1.3x

*AREOF III held its first close in December 2019 and is therefore classified as a 2019 vintage. The fund, however, commenced investment activity in 2020. Past performance is not indicative of future results. Returns may increase or decrease as a result of currency fluctuations. Please refer to endnotes on pages 19-20 for detailed information regarding the methodology used to calculate the performance information in this table. All investments involve risk, including loss of principal. *Invested and Committed Equity includes amounts that are committed to investments where future fundings may be subject to certain conditions being met or other prerequisites. If such conditions or prerequisites are not met, committed amounts may not all be funded, and these amounts could decrease.



DEI at Ares

Our Diversity, Equity & Inclusion Strategy

Diversity, Equity & Inclusion (“DEI”) is a strategic pillar integrated across talent processes and global business practices at Ares. Our Diversity, Equity & Inclusion framework and strategy harness the power of difference to be a force for good and contribute to the long-term success of Ares, the companies in which we invest, and the communities in which we operate.

We prioritize our DEI objectives in partnership with our DEI Council and through participation in external initiatives in the broader alternative asset management industry. This is part of our commitment to being an industry leader in creating a more inclusive and equitable society and economy. Our strategy is centered on three core pillars and is informed by Ares’ strategic objectives and regular data analysis.



Note: There is no assurance all activities / elements outlined will pertain to every investment.

Communities

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

Industry Partnerships

Ares is committed to being a leader in our industry

Management Leadership for Tomorrow

For over 20 years, MLT has supported employers in their journey towards racial equity by providing talent recruitment, retention and overall DEI strategy assistance



Institutional Limited Partners Association

Ares is a founding member of ILPA's Diversity in Action initiative



CEO Action for Diversity and Inclusion

Michael Arougheti pledged to advance diversity and inclusion within Ares

CEO ACTION FOR DIVERSITY & INCLUSION

Milken Institute

Ares joined the Center for Financial Markets, DEI in Asset Management Executive Council



Corporate Partnerships

We partner with organizations that are leading change

Girls who Invest

Partnership focused on bringing more women into portfolio management & leadership



Additional Key Partners



Philanthropy

Giving is in our DNA and an important part of Ares culture

AltFinance

Ares co-founded a non-profit, AltFinance: Investing in Black Futures, with two alternative asset managers. AltFinance's mission is focused on attracting and developing HBCU students for professional opportunities in the alternative asset management industry



Employee Resource Group Charitable Giving Program



Not all initiatives or partnerships shown are applicable to all investment strategies.



Endnotes

Endnotes

Please refer to the Fund's Private Placement Memorandum, available in the data room [here](#), for further information regarding Risk Factors and Conflicts of Interest associated with the Fund.

1. The aggregated performance of AREOF, AREOF II and AREOF III reflect the aggregate fair value returns of these investment vehicles as of June 30, 2023, but such performance returns do not reflect any single investor's performance. Aggregate performance results have inherent limitations, and no representation is being made that any investor will or is likely to achieve profits similar to those shown. Given Ares did not offer a single investment vehicle that held the full interest in all of the assets of AREOF, AREOF II and AREOF III, an investor was not able to invest in these assets as presented and no individual investor has achieved the investment performance indicated herein.
2. **Gross IRR and Gross EM:** Gross IRR is an internal rate of return generally based on aggregate periodic cash flow activities made or anticipated to be made between a specific vehicle and its investment (or portfolio of investments, as applicable), including cash flows attributable to any sales, dispositions, reinvestment of proceeds, financing and/or refinancing and operating activities. Gross EM is generally the sum of proceeds received or anticipated to be received by a vehicle from its investment (or portfolio of investments, as applicable) plus the applicable value of the vehicle's investments (as further described below), divided by the aggregate dollars the vehicle invested or projects to invest in such investment (or portfolio of investments, as applicable). Notwithstanding the forgoing, Gross IRR and Gross EM figures for realized investments are calculated based on actual cash flows and are not based on projections or fair values. Gross IRRs and EMs do not reflect or include the impact of applicable management fees, performance fees or carried interest, fund level expenses, working capital, use of subscription financing and other expenses (collectively, "Fund-Level Expenses"). Gross IRR and EM figures take into account the vehicle's use of investment-level leverage.
3. **Net IRR and Net EM:** Net IRR is an internal rate of return generally based on aggregate periodic cash flow activities between a specific vehicle and its limited partners. Net EM is generally the sum of all distributions made or anticipated to be made to the limited partners of the vehicle plus the anticipated value of the vehicle's investments (as further described below), divided by the aggregate dollars contributed or projected to be contributed by the limited partners to the vehicle. Notwithstanding the forgoing, Net IRR and Net EM figures for vehicles that have realized their investment(s) are calculated based on actual cash flows. Net IRRs and EMs generally include the impact of Fund-Level Expenses. Each of AREOF, AREOF II and AREOF III utilized a credit facility during the capital raising period and for general cash management purposes. Net IRRs would be lower had AREOF, AREOF II and AREOF III called capital from limited partners instead of utilizing the credit facility. The General Partner and any of its affiliates that do not bear management fee or carried interest are excluded for purposes of calculating the Net IRR and Net EM. The net returns for AREOF reflect full management fees charged under the vehicle's governing documents and do not reflect any management fee breaks granted to limited partners. The net returns for AREOF II and AREOF III reflect the blended returns after taking into account any management fee breaks granted to limited partners, and therefore as of June 30, 2023 net returns for AREOF II based on full management fees are 26.68% (which is 0.27% lower than the blended return for AREOF II) and net returns for AREOF III based on full management fees are 36.0% (which is 1.21% lower than the blended return for AREOF III). The returns presented herein reflect the returns of the main entry point of AREOF, AREOF II, and AREOF III, as applicable, and do not reflect the return of any feeder or parallel vehicle. The return earned by investors may vary materially from those presented. The implied net asset level return is calculated by applying a fee reduction to the gross return based on the ratio between the fund's actual gross and net return and applies that ratio to the gross asset level return to derive the implied net return. Ares believes this is the appropriate approach to derive an approximate net return given Ares does not allocate expenses to specific investments.
4. **Loss Ratio:** represents Equity Invested less Realized Proceeds for all AREOF, AREOF II and AREOF III investments that have been realized at a less than 1.0x EM divided by the total equity invested by the fund as of June 30, 2023.
5. **Fair Value IRRs and EMs:** Fair Value IRRs and EMs are calculated as described in notes b and c assuming the vehicle's remaining investment (or investments, as applicable) were liquidated at fair values as of June 30, 2023 and proceeds were distributed accordingly. Fair values are based on the manager's estimates of the fair market value of any unrealized investments. The manager is responsible for the valuation policies, processes and procedures related to the fair value of real estate investments and valuations are performed quarterly on an internal basis and are reviewed by external auditors on an annual basis at year-end as part of a vehicle's annual financial audit. Fair value determinations, and particularly fair value determinations of private investments, are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates. As a result, determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed and may differ materially from the values that the vehicle may ultimately realize. There can be no assurance that fair values will be achieved.
6. **Loan-to-Value ("LTV"):** Loan-to-Value is the ratio of a loan to the market value of the underlying property when stabilized, measured on a portfolio basis. LTV is based on the Fund's share of debt for invested deals as of June 30, 2023. The use of leverage magnifies the potential for gain or loss on the amount invested and may increase the risk of investments.
7. **Fund Vintage:** reflects (i) with respect to AREOF, the date of the fund's first investment because while AREOF held its initial closing in 2008, it did not commence investment activity until 2012 as a result of market conditions, and (ii) with respect to AREOF II and AREOF III, the date of initial closing of capital commitments.
8. **Vehicle Size or Equity Raised:** reflects the aggregate amount of capital committed to, in each case, AREOF, AREOF II, AREOF III and their co-investment vehicles as of June 30, 2023.
9. **Equity Invested:** represents the amount of equity invested into investments (including reinvestment of capital) that have closed as of June 30, 2023, not including amounts attributable to any financing or refinancing.
10. **Realized Proceeds:** reflects the positive cash flow received from distributions and sale proceeds.
11. **Liquidation Value:** represents the manager's fair value marks for each investment at June 30, 2023. Fair value marks are not a reliable indicator of future performance and no guarantee or assurance is given that such proceeds or returns will be achieved or that an investment will not result in a loss.
12. **Total Value:** reflects the sum of Realized Proceeds and Liquidation Value at June 30, 2023.

Endnotes

13. **Inception Date:** means, for each Related Vehicle, the year of initial closing. With respect to AREOF and AREOF II, the Inception Date is the same as the Fund Vintage.
14. **Target Returns:** Target returns are not a reliable indicator of future performance and no guarantee or assurance is given that such that performance objectives will be achieved. Actual results may differ materially from the target returns presented herein. Any investment involves significant risk, including the loss of principal. The target returns are provided solely to evaluate the return potential and risk profile of an investment in the Fund. Target net returns are not based on modeled expectations or specific criteria and assumptions, but rather what we believe we may achieve given current market conditions, which may differ from actual events or conditions. Actual gross returns will be reduced by any applicable management fees, performance fees/carried interest and other expenses. Target net returns assume the deduction of any relevant management fees, performance fees and other expenses or transaction costs/expenses.
15. Inclusive of \$1.6 billion in commitments to AREOF IV, of which \$1.1 billion of capital has been unlocked as of June 30, 2023.

Summary of Vehicle Definitions

- **AREOF** means Ares US Real Estate Opportunity Fund, LP.
- **AREOF II** means Ares Real Estate Development and Redevelopment Fund II, LP.
- **AREOF III** means Ares US Real Estate Opportunity Fund III, LP.

Risk Factors

General Risks of Real Estate Investment

All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. No assurances can be given that the fair market value of any real estate investments held by the Fund will not decrease in the future or that the Fund will recognize full value for any investment that the Fund is required to sell for liquidity reasons.

Important Investment Considerations and Risks of Investing.

An investment in the value-add or opportunistic strategy entails a significant degree of risk and, therefore, should be undertaken only by investors capable of evaluating the risks of the strategy and bearing the risks it represents. Vehicle returns are unpredictable and, accordingly, the value-add strategy investment program is not suitable as the sole investment vehicle for an investor. There can be no assurance that the value-add strategy will meet its investment objectives or otherwise be able to successfully carry out its investment program. An investor should only invest in the value-add strategy if such investor is able to withstand a total loss of its investment.

Uncertainty of Fair Value.

Fair value returns presented herein are based on manager's estimate of fair values for unrealized investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of an asset depends to a great extent on economic and other conditions beyond the control of the manager. Further, valuations do not necessarily represent the price at which a real estate investment would sell since definitive market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. As such, the fair value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between the fair value and the ultimate sales price could be material.

Allocation of Investment Opportunities

The General Partner, Ares Management and their affiliates may, from time to time, be presented with investment opportunities that fall within the Fund's investment objectives and the investment objectives of one or more funds managed by Ares. In the event the Manager determines that the Fund and one or more funds managed by Ares should participate in the same investment opportunity at the same time, the Manager shall allocate such investment opportunity in accordance with Ares' Investment Allocation Policy. None of the General Partner, the Manager or Ares Management or their affiliates has any affirmative obligation to offer any investments to the Fund or to inform the Fund before offering investments to any other fund managed by Ares. A copy of Ares' Investment Allocation Policy is available upon request.

Co-Investments

The Fund may co-invest in the same investment opportunity together with other funds managed by Ares and in certain circumstances in a side-by-side, programmatic and/or joint venture basis with, or offer co-investment opportunities to co-investors. The commitment of co-investors to an investment may be substantial and such investments may involve risks not present in investments where such co-investors are not involved. Further, it is possible that a co-investor may experience financial, legal or regulatory difficulties, may at any time have economic, tax or business interests or goals that are inconsistent with those of the Fund, may take a different view from Ares or the General Partner as to the appropriate strategy for an investment, or may be in a position to take action contrary to the Fund's investment objectives. Additionally, the Fund's position could also be diluted or subordinated by subsequent investments of co-investors. Finally, the Fund may in certain circumstances be liable for the actions or omissions of co-investors.

Principal Interest Risk between Ares Funds

Ares Management and its affiliates may invest in different parts of the capital structure of a real estate asset in which the Fund invests therefore their respective interests may diverge significantly in the case of financial distress of such real estate asset. There can be no assurance that the terms of or the return on the Fund's investment will be equivalent to or better than the terms of or the returns obtained by Ares or any Ares fund(s) participating in such transactions.

Transactions with Ares Affiliates

The Fund may retain affiliates of Ares to perform certain services, as well as engage certain companies in which an affiliate and/or a fund managed by Ares holds an equity interest to provide services with respect to any or all of the Fund's investments and/or engage certain companies in which the Fund holds an equity interest to provide services with respect to any or all of the Fund's investments or an investment held by an affiliate and/or a fund managed by Ares. The fee potential for affiliates of Ares, both current and future, inherent in a particular transaction could constitute a conflict of interest as it may be an incentive for the Manager to seek to refer or recommend a transaction to the Fund.

Material Non-Public Information

Ares, the Manager, the General Partner, the Fund investment professionals and certain of their officers, directors, employees, agents and affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Due to these restrictions, the Fund may not be able to initiate a transaction that it might otherwise have initiated and may not be able to dispose of an investment that it otherwise might have disposed.

Principal Transactions, Borrowing, and Cross-Transactions

Ares and its affiliates may engage in transactions with the Fund and its investments for its own account. Ares and its affiliates may retain management and/or other fees as well as income and may otherwise profit from such transactions. With regards to cross-transactions, there can be no assurance another transaction could not be made on more favorable terms or that a purchaser would not pay more for the sale of an investment. While such cross-transactions generally will not require the consent of the Fund under applicable law, cross-transactions may result in conflicts of interests, as the Fund may not receive the same price as if such buy and sell transactions were exposed to market forces.

Warehoused Investments

Prior to or in connection with the initial closing, the General Partner or its affiliates may, directly or indirectly, enter into contracts to acquire one or more investments with the intent of warehousing such investments for the Fund, and the General Partner may designate such investments as warehoused target investments for the Fund., with an expectation that upon receipt of entitlements and completion of satisfactory due diligence, the investment will be closed into the Fund. Such warehoused investments shall be transferred to the Fund at or promptly after the initial closing for an amount equal to the cost of such investment plus interest thereon at a rate determined by the General Partner, compounded annually, with respect to the equity invested in such warehoused investment, calculated as of the date of the acquisition of such investment.

Illiquidity of Investments

The investments to be made by the Fund are likely to be illiquid, and it is unlikely that there will be a public market for any of the investments held by the Fund. The illiquid nature of the Fund's investments will limit the Fund's ability to respond to changes in economic and other conditions. While an investment may be disposed of at any time, the Fund may hold an interest in one or more investments that the Manager believed could be exited prior to the end of the Fund's term, but for a variety of economic, legal, political or other reasons remain unsold on the date on which the Fund will be dissolved, either by expiration of the Fund's term or otherwise.

Please refer to the Fund's Private Placement Memorandum for further information regarding Risk Factors and Conflicts of Interest associated with the Fund.



 ARES