

Ares Dynamic Credit Allocation Fund, Inc.
Form N-14 8C
April 08, 2015

As filed with the Securities and Exchange Commission on April 8, 2015

Securities Act File No. 333-[]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. o

Post-Effective Amendment No. o

Ares Dynamic Credit Allocation Fund, Inc.

(Exact Name of Registrant as Specified in its Charter)

2000 Avenue of the Stars

12th Floor

Los Angeles, California 90067

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(Address of Principal Executive Offices)

(310) 201-4100

(Registrant's Telephone Number, including Area Code)

**Michael D. Weiner
Daniel J. Hall
2000 Avenue of the Stars
12th Floor
Los Angeles, California 90067
(310) 201-4100**

(Name and Address of Agent for Service)

Copies to:

P. Jay Spinola, Esq.

Willkie Farr & Gallagher LLP

**787 Seventh Avenue
New York, NY 10019**

Approximate Date of Proposed Public Offering: **As soon as practicable after this Registration Statement becomes effective under the Securities Act of 1933.**

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities being registered	Amount being registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(1)	Amount of Registration Fee(1)
Common Stock, (\$0.001 par value per share)	Not applicable	Not applicable	\$ 1,000,000	\$ 116.20

(1)

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Estimated pursuant to Rule 457 under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that the Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

**ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.
2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067**

For questions about the Joint Proxy Statement/Prospectus, please call [•]

[•], 2015

Dear Stockholder:

You are cordially invited to attend a joint special stockholder meeting (the **Special Meeting**) of Ares Multi-Strategy Credit Fund, Inc. (**ARMF**) and Ares Dynamic Credit Allocation Fund, Inc. (**ARDC**) and together with ARMF, the **Funds**, and each, a **Fund**), each a Maryland corporation, to be held at the offices of Ares Capital Management II LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, on [•], 2015 at [•] (Pacific time). Before the Special Meeting, I would like to provide you with additional background information and ask for your vote on important proposals affecting the Funds which are described in the enclosed Joint Proxy Statement/Prospectus.

Stockholders of ARMF will be asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting:

1. The reorganization of ARMF into ARDC (the **Reorganization**), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act of 1940 and the dissolution of ARMF under Maryland law.

The Board of Directors of ARMF recommends that you vote **FOR** the proposal.

Stockholders of ARDC will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting:

2(A). The issuance of additional shares of ARDC common stock in connection with the Reorganization;

2(B). The amendment of ARDC's fundamental investment restrictions with respect to (i) making loans and (ii) concentration; and

2(C). An amendment of ARDC's 80% investment policy.

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The Board of Directors of ARDC recommends that you vote **FOR** each proposal.

Your vote is important, regardless of the number of shares you own. Whether or not you plan to attend the Special Meeting in person, please read the Joint Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for authorizing proxies by touch-tone telephone or on the Internet. Your prompt response is needed to avoid follow-up mailings which would increase the costs paid by all stockholders.

If you do not authorize a proxy using one of these methods described above, you may be contacted by [●], our proxy solicitor, to authorize your proxy over the telephone.

As always, we appreciate your support.

Sincerely,

SETH J. BRUFISKY
Director, President and Chief Executive Officer of the Funds

Please vote now. Your vote is important.

To avoid the wasteful and unnecessary expense of further solicitation(s), we urge you to indicate your voting instructions on the enclosed proxy card, date and sign it and return it promptly in the postage-paid envelope provided, or record your voting instructions by telephone or via the internet, no matter how large or small your holdings may be. If you submit a properly executed proxy but do not indicate how you wish your shares to be voted, your shares will be voted FOR each proposal, as applicable. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares in order for your broker to vote your shares as you instruct at the Special Meeting.

[•], 2015

IMPORTANT NOTICE
TO STOCKHOLDERS OF
ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.

QUESTIONS & ANSWERS

Although we urge you to read the entire Joint Proxy Statement/Prospectus, we have provided for your convenience a brief overview of some of the important questions concerning the issues to be voted on at the joint special meeting of stockholders (the Special Meeting) of Ares Multi-Strategy Credit Fund, Inc. (ARMF) and Ares Dynamic Credit Allocation Fund, Inc. (ARDC) and together with ARMF, the Funds and each, a Fund).

Q: **Why is a stockholder meeting being held?**

A: *Stockholders of ARMF:* You are being asked to vote on the following proposal (Proposal 1): the reorganization (the Reorganization) of ARMF (such Fund being referred to herein at times as the Target Fund) into ARDC (such Fund being referred to herein at times as the Acquiring Fund), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act of 1940, as amended (the Investment Company Act) and the dissolution of ARMF under Maryland law, which is described in the enclosed Joint Proxy Statement/Prospectus. The term Combined Fund will refer to ARDC as the surviving Fund after the Reorganization, and assumes that the investment policy and restriction changes in Proposals 2(B) and 2(C) (described below) have been approved by ARDC stockholders. In the event the Reorganization is consummated, ARMF will terminate its registration under the Investment Company Act and then dissolve under Maryland law.

ARMF and ARDC have, and the Combined Fund will have, similar (but not identical) investment objectives, investment policies and investment restrictions. ARMF and ARDC have, and the Combined Fund will have, the same investment adviser, Ares Capital Management II LLC (the Adviser).

The consummation of the Reorganization is conditioned on the approval by ARDC stockholders of Proposals 2(A), 2(B) and 2(C) (described below). The Reorganization will be consummated if the stockholders of ARMF approve Proposal 1 and the stockholders of ARDC approve Proposals 2(A), 2(B) and 2(C). If the Reorganization is not consummated, then ARMF would continue to exist and operate on a stand-alone basis, though the Adviser may, in connection with ongoing management of ARMF, recommend alternative proposals to the Board of Directors of ARMF.

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In the event the Reorganization is consummated, stockholders of the Combined Fund, including former stockholders of ARMF, would be subject to the investment policies of the Combined Fund following the Reorganization. See *Comparison of the Funds* in the Joint Proxy Statement/Prospectus for a comparison of the Funds' investment objectives and significant investment strategies and operating policies.

Stockholders of ARDC: You are being asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting:

2(A). The issuance of additional shares of ARDC common stock in connection with the Reorganization of ARMF into ARDC if the Reorganization is approved by the stockholders of ARMF;

2(B). The amendment of ARDC's fundamental investment restrictions with respect to (i) making loans and (ii) concentration; and

2(C). The amendment of ARDC's 80% investment policy such that, under normal market conditions, at least 80% of ARDC's Managed Assets (as defined in the Joint Proxy Statement/Prospectus) will be invested in debt instruments, including (i) senior secured loans made to companies whose debt is rated below investment grade, (ii) corporate bonds that primarily consist of high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt instruments issued by entities commonly referred to as collateralized loan obligations (collectively, the ARDC Proposals).

The Reorganization will be consummated if the stockholders of ARMF approve Proposal 1 and the stockholders of ARDC approve the ARDC Proposals. If the Reorganization is not consummated, then ARDC would continue to exist and operate on a stand-alone basis. Proposals 2(B) and 2(C) are not contingent on the consummation of the Reorganization and, regardless

of whether the Reorganization is consummated, the changes to ARDC's fundamental investment restrictions and 80% investment policy would become effective immediately upon approval by ARDC's stockholders.

In the event the Reorganization is consummated, stockholders of the Combined Fund, including current stockholders of ARDC, would be subject to the investment policies of the Combined Fund following the Reorganization. See "Comparison of the Funds" in the Joint Proxy Statement/Prospectus for a comparison of the Funds' investment objectives and significant investment strategies and operating policies.

Q: Why is the Reorganization being recommended?

A: The Board of Directors of each Fund (each, a "Board" and together, the "Boards"), has determined that the Reorganization is in the best interests of the applicable Fund and that the interests of the existing stockholders of the of the Target Fund and the Acquiring Fund will not be diluted with respect to NAV as a result of the Reorganization. Each Board anticipates that the Reorganization will benefit the stockholders of the Target Fund and the Acquiring Fund by providing the potential for, among other things:

- i. a lower total annual expense ratio than each of the Funds prior to the Reorganization (see "How will the Reorganization affect the fees and expenses of the Funds?" for additional information);
- ii. comparable (*i.e.*, slightly lower or higher) earnings, which is expected to allow each Fund's stockholders to maintain a distribution yield on net asset value (NAV) comparable to the distribution yield on NAV for each of the Funds prior to the Reorganization;
- iii. greater investment flexibility and investment options for the Combined Fund, including the potential for greater diversification of portfolio investments and the potential for additional sources of leverage, greater flexibility managing leverage and more competitive leverage terms;
- iv. greater secondary market liquidity for the Combined Fund's shares of common stock (common shares), which may result in tighter bid-ask spreads and better trade execution for stockholders when purchasing or selling the Combined Fund's common shares;
- v. benefits from having additional research coverage and an increased focus by investors on the Combined Fund;
- vi. effects on stockholders of the premium/discount to NAV; and
- vii. operating and administrative efficiencies, as the Combined Fund could have the ability to trade in larger positions and negotiate more favorable transaction terms, and certain fixed costs (e.g., printing and mailing of stockholder reports and proxy statements, legal expenses, audit fees and other expenses) would be spread across the larger asset base of the Combined Fund.

If the Reorganization of the Target Fund is not approved, the Adviser may, in connection with ongoing management of the Target Fund, recommend alternative proposals to the Board of the Target Fund.

Q: How will the Reorganization affect the fees and expenses of the Funds?

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A: The *pro forma* total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, including the incurrence of interest expense adjusted to reflect the annualized leverage ratios for each of ARMF and ARDC as of October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund at the anticipated leverage ratio for the Combined Fund are as follows:

ARMF	ARDC	Pro Forma Combined Fund
2.79%	2.47%	2.46%

Based on these total annual expense ratios, the Funds estimate that the completion of the Reorganization would result in a total annual expense ratio for the Combined Fund representing a reduction in the total annual expense ratio for the stockholders of ARMF and ARDC of 0.33% and 0.01%, respectively. When we use the term total annual expenses, we mean a Fund's total annual operating expenses (including interest expenses adjusted to reflect annualized leverage ratios). When we use the term total annual expense ratio, we mean a Fund's total annual expenses expressed as a percentage of its average net assets attributable to its common shares. There can be no assurance that future expenses will not increase or that any expense savings for either Fund will be realized.

Under each Fund's advisory agreement, the Adviser may seek reimbursement from the Funds for the costs of certain administrative services provided to the Funds by the Adviser and its affiliates. However, the Adviser contractually agreed to not seek reimbursement from the Funds for these administrative costs during the fiscal years ended October 31, 2013 and October 31, 2014. Commencing November 1, 2014, ARDC has been reimbursing the Adviser for these administrative costs. The Adviser will be permitted to seek administrative cost reimbursements from ARMF beginning November 1, 2015. The Adviser will not seek administrative cost reimbursements from the Combined Fund for the period from the date the Reorganization is consummated through October 31, 2015 for the administrative services incurred during that period that are allocable to the NAV of ARMF calculated in connection with the consummation of the Reorganization.

If the Adviser were permitted to seek reimbursement from the Funds for the costs of these administrative services during the fiscal year ended October 31, 2014, the Funds estimate that the *pro forma* total annual expense ratios (including the incurrence of interest expense at the annualized leverage ratios for each of ARMF and ARDC as of October 31, 2014 and the anticipated leverage ratio for the Combined Fund) would have been as follows:

[REDACTED]	[REDACTED]	[REDACTED]
3.42%	2.71%	2.69%

Based on these total expense ratios (including estimated Adviser reimbursements), if the Adviser were permitted to seek reimbursement from the Funds for the costs of certain administrative services provided to the Funds by the Adviser and its affiliates for the fiscal year ended October 31, 2014, the Funds estimate that the completion of the Reorganization would result in a total annual expense ratio for the Combined Fund representing a reduction in the total annual expense ratio for the stockholders of ARMF and ARDC of 0.73% and 0.02%, respectively. There can be no assurance that future expenses will not increase or that any expense savings for either Fund will be realized. The Adviser is not required to seek reimbursement of its costs for providing administrative services and may choose not to do so.

The contractual management fee rate of the Combined Fund will be 1.00%, which is equal to the current contractual management fee rates of each of ARMF and ARDC. Each Fund calculates its management fee on the basis of the Fund's Managed Assets (as defined in each Fund's advisory agreement). If a Fund uses leverage, the amount of fees paid to the Adviser for investment management services will be higher than if the Fund does not use leverage because the fees paid are calculated on the Fund's Managed Assets, which include assets purchased with leverage. The effective management fee for the Combined Fund, which takes into account expected borrowings of approximately 29% of the Managed Assets of the Combined Fund (after the leverage is incurred), is expected to be 1.41% of the Combined Fund's average daily net assets.

Q: What happens if stockholders of the Target Fund do not approve the Reorganization and/or the stockholders of the Acquiring Fund do not approve the ARDC Proposals?

A: If these proposals are not approved the Funds will continue to operate as separate funds on a stand-alone basis. The Adviser may, in connection with ongoing management of the Target Fund, recommend alternative proposals to the Board of the Target Fund.

Q: How will the Reorganization be effected?

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A: Assuming Target Fund stockholders approve the Reorganization and Acquiring Fund stockholders approve the ARDC Proposals, the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and for common shares of the Acquiring Fund, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. The Target Fund will terminate its registration under the Investment Company Act after the completion of the Reorganization and other necessary filings. The Target Fund will then dissolve under Maryland law.

Stockholders of the Target Fund: You will become stockholders of the Acquiring Fund. You will receive newly issued common shares of the Acquiring Fund, par value \$0.001 per share, the aggregate NAV (not the market value) of which will equal the aggregate NAV (not the market value) of the common shares of the Target Fund you held immediately prior to the Reorganization, less the applicable costs of the Reorganization (though you may receive cash for fractional shares).

Stockholders of the Acquiring Fund: You will remain stockholders of ARDC, which will have additional common shares outstanding after the Reorganization. Following the Reorganization, ARDC will operate under the investment objective, policies, strategies and restrictions of the Combined Fund set out in the Joint Proxy Statement/Prospectus.

Q: Have common shares of the Target Fund and the Acquiring Fund historically traded at a premium or discount?

A: The common shares of each Fund generally have historically traded at a discount and, as of May [●], 2015, each Fund traded at a [discount] to its respective NAV.

To the extent the Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganization, Target Fund stockholders would have the potential for an economic benefit by the narrowing of the discount/premium. To the extent the Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganization, Target Fund stockholders may be negatively impacted if the Reorganization is consummated. The Acquiring Fund stockholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves. There can be no assurance that, after the Reorganization, common shares of the Combined Fund will trade at, above or below NAV. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganization.

Q: Will I have to pay any sales load, commission or other similar fees in connection with the Reorganization?

A: You will pay no sales loads or commissions in connection with the Reorganization. Regardless of whether the Reorganization is completed, however, the costs associated with the proposed Reorganization, including the costs associated with the stockholder meeting and the solicitation of proxies, will be borne directly by each of the respective Funds incurring the expense or will otherwise be allocated among the Funds proportionately or on another reasonable basis. Because of the expected expense savings and other benefits for each Fund, the Adviser recommended and the Boards have approved that each Fund be responsible for its own Reorganization expenses. See *Reasons for the Reorganization* in the attached Joint Proxy Statement/Prospectus. The expenses of the Reorganization are estimated to be \$407,500 for ARMF and \$407,500 for ARDC. The Adviser will not be responsible for any Reorganization expenses, including expenses related to Proposals 1, 2(A), 2(B) and 2(C).

Neither the Funds nor the Adviser will pay any expenses of stockholders arising out of or in connection with the Reorganization (e.g., expenses incurred by the stockholder as a result of attending the stockholder meeting, voting on the Reorganization or other action taken by the stockholder in connection with the Reorganization). The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein.

A stockholder's broker, dealer or other financial intermediary (each, a *Financial Intermediary*) may impose its own stockholder account fees for processing corporate actions which could be applicable in connection with the Reorganization. These stockholder account fees, if applicable, are not paid or otherwise remitted to the Funds or the Adviser. The imposition of such fees are based solely on the terms of a stockholder's account agreement with his, her or its Financial Intermediary and/or is in the discretion of the Financial Intermediary. Questions concerning any such stockholder account fees or other similar fees should be directed to a stockholder's Financial Intermediary.

Q: Will I have to pay any U.S. federal taxes as a result of the Reorganization?

A: The Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). If the Reorganization so qualifies, stockholders of the Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund common shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Fund will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganization. Neither the Acquiring Fund nor its stockholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to the Reorganization.

On or prior to the closing date of the Reorganization (the Closing Date), the Target Fund will declare a distribution to its stockholders that, together with all previous distributions, will have the effect of distributing to the Target Fund's stockholders all of its investment company taxable income (computed without regard to the deduction for dividends paid), if any, through the Closing Date, all of its net capital gains, if any, through the Closing Date, and all of its net tax-exempt interest income, if any, through the Closing Date. Such a distribution will be taxable to the Target Fund's stockholders for U.S. federal income tax purposes.

The Funds' stockholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganization, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

Q: Why is the vote of stockholders of the Acquiring Fund being solicited in connection with the Reorganization?

A: Although the Acquiring Fund will continue its legal existence and operations after the Reorganization, the rules of the New York Stock Exchange (on which the Acquiring Fund's common shares are listed) require the Acquiring Fund's stockholders to approve the issuance of additional common shares in connection with the Reorganization. If the issuance of additional common shares of the Acquiring Fund is not approved, then the Reorganization will not occur.

In addition, ARDC is seeking to make certain changes to its investment policies and restrictions separate from the Reorganization. In this regard, the Investment Company Act requires the Acquiring Fund stockholders to approve the amendments to ARDC's fundamental investment restrictions and 80% investment policy. If approved, these changes will become effective regardless of whether the Reorganization is approved by the Acquiring Fund's stockholders. If these changes are not approved, then the Reorganization will not occur regardless of whether it is approved by the Target Fund's stockholders.

Q: How does the Board of my Fund suggest that I vote?

A: After careful consideration, the Board of your Fund unanimously recommends that you vote **FOR** each of the items proposed for your Fund.

Q: How do I authorize my proxy?

A: You may authorize your proxy by mail, phone or internet or cast your vote in person at the Special Meeting. To authorize a proxy by mail, please mark your vote on the enclosed proxy card and sign, date and return the card in the postage-paid envelope provided. If you choose to authorize a proxy by phone or internet, please refer to the instructions found on the proxy card accompanying this Joint Proxy Statement/Prospectus. To authorize a proxy by phone or internet, you will need the control number that appears on the proxy card. If you own shares of the Target Fund and the Acquiring Fund, please be sure to submit a proxy card for each Fund to ensure your votes are cast for each Fund.

Q: Whom do I contact for further information?

A: You may contact your financial advisor for further information. You may also call [•], the Funds' proxy solicitor, at [•].

Please vote now. Your vote is important.

To avoid the wasteful and unnecessary expense of further solicitation(s), we urge you to indicate your voting instructions on the enclosed proxy card, date and sign it and return it promptly in the postage-paid envelope provided, or record your voting instructions by telephone or via the internet, no matter how large or small your holdings may be. If you submit a properly executed proxy but do not indicate how you wish your shares to be voted, your shares will be voted FOR each proposal, as applicable. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares in order for your broker to vote your shares as you instruct at the Special Meeting.

**ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.**

**2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067**

[•]

NOTICE OF JOINT SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [•], 2015

Notice is hereby given that a joint special meeting of stockholders (the Special Meeting) of Ares Multi-Strategy Credit Fund, Inc. (ARMF or the Target Fund) and Ares Dynamic Credit Allocation Fund, Inc. (ARDC or the Acquiring Fund, and collectively with the Target Fund, the Funds and each, a Fund), each a Maryland corporation, will be held at the offices of Ares Capital Management II LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, on [•], 2015 at [•] (Pacific time) for the following purposes:

1. ARMF - The Reorganization of the Target Fund

Stockholders of Ares Multi-Strategy Credit Fund, Inc. (ARMF):

Proposal 1: The stockholders of ARMF are being asked to approve the reorganization of ARMF into ARDC pursuant to the Agreement and Plan of Reorganization between ARMF and ARDC (the Reorganization Agreement), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act of 1940 and the dissolution of ARMF under Maryland law. Pursuant to the Reorganization Agreement, the Target Fund would transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and shares of common stock (common shares) of the Acquiring Fund, after which those shares will be distributed by the Target Fund to the holders of its shares (the Reorganization) and the Target Fund will dissolve under Maryland law. The consummation of the Reorganization is contingent on the approval by the stockholders of ARDC of the proposals relating to ARDC described below.

2. ARDC - The Issuance of Additional Common Shares of the Acquiring Fund and Changes to the Acquiring Fund's Fundamental Investment Restrictions and 80% Investment Policy

Stockholders of Ares Dynamic Credit Allocation Fund, Inc. (ARDC):

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Proposal 2(A): The stockholders of ARDC are being asked to approve the issuance of additional common shares of ARDC in connection with the Reorganization. The consummation of the Reorganization is contingent on this proposal, the approval by the Target Fund of the Reorganization Agreement and the approval by Acquiring Fund stockholders of the changes to the Acquiring Fund's fundamental investment restrictions and the changes to the Acquiring Fund's 80% investment policy.

Proposal 2(B): The stockholders of ARDC are being asked to approve a change to ARDC's Fundamental Investment Restriction number 5, relating to the Fund's making of loans, and to approve a change to ARDC's Fundamental Investment Restriction number 6, relating to the Fund's concentration policy.

Proposal 2(C): The stockholders of ARDC are being asked to approve a change to the ARDC's investment policy such that, under normal market conditions, at least 80% of its Managed Assets (as defined in the Joint Proxy Statement/Prospectus) will be invested in debt instruments, including (i) senior secured loans made to companies whose debt is rated below investment grade, (ii) corporate bonds that are expected to be primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations (such policy, the New ARDC 80% Policy).

Proposals 2(B) and 2(C) are not contingent on the consummation of the Reorganization and, regardless of whether the Reorganization is consummated, the changes to ARDC's fundamental investment restrictions and the New ARDC 80% Policy would become effective upon approval by ARDC's stockholders.

Stockholders of each Fund of record as of the close of business on [•], 2015 are entitled to vote at the Special Meeting or any adjournment, postponement or delay thereof.

THE BOARD OF DIRECTORS (EACH, A BOARD) OF EACH OF THE FUNDS RECOMMENDS THAT YOU VOTE YOUR SHARES BY INDICATING YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATING AND SIGNING SUCH PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED

FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES, OR BY RECORDING YOUR VOTING INSTRUCTIONS BY AUTHORIZING A PROXY BY TELEPHONE OR VIA THE INTERNET.

THE BOARD OF ARMF UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE REORGANIZATION OF ARMF PURSUANT TO THE REORGANIZATION AGREEMENT AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS, INCLUDING THE TRANSFER OF ALL OF THE ASSETS OF ARMF TO ARDC AND THE DEREGISTRATION OF ARMF AS AN INVESTMENT COMPANY PURSUANT TO THE INVESTMENT COMPANY ACT OF 1940 AND THE DISSOLUTION OF ARMF UNDER MARYLAND LAW.

THE BOARD OF ARDC UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES OF ARDC IN CONNECTION WITH THE REORGANIZATION.

FOR THE CHANGES TO ARDC S FUNDAMENTAL INVESTMENT RESTRICTIONS NUMBERS 5 AND 6.

FOR THE NEW ARDC 80% POLICY.

IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, WE ASK THAT YOU MAIL YOUR PROXY CARD OR RECORD YOUR VOTING INSTRUCTIONS BY AUTHORIZING A PROXY BY TELEPHONE OR VIA THE INTERNET PROMPTLY.

By order of the Boards of Directors of the Funds

DANIEL J. HALL
Secretary

[•], 2015

YOUR VOTE IS IMPORTANT.

**PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE
ENCLOSED PROXY CARD OR BY RECORDING YOUR VOTING INSTRUCTIONS BY AUTHORIZING A PROXY BY
TELEPHONE OR VIA THE INTERNET, NO MATTER HOW MANY SHARES YOU OWN.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [•], 2015.**

THE JOINT PROXY STATEMENT/PROSPECTUS FOR THIS MEETING IS AVAILABLE AT:

[•]

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The information in this joint proxy statement/prospectus is not complete and may be changed. Ares Dynamic Credit Allocation Fund, Inc. may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED April 8, 2015

JOINT PROXY STATEMENT/PROSPECTUS

**ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.**

**2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067**

For questions about the Joint Proxy Statement/Prospectus, please call [•]

JOINT SPECIAL MEETING OF STOCKHOLDERS

[•], 2015

This Joint Proxy Statement/Prospectus is furnished to you as a stockholder of (i) Ares Multi-Strategy Credit Fund, Inc. (ARMF or the Target Fund) and/or (ii) Ares Dynamic Credit Allocation Fund, Inc. (ARDC or the Acquiring Fund and, together with ARMF, each a Fund and together the Funds). ARMF and ARDC are each corporations organized under the laws of the State of Maryland and registered as non-diversified, closed-end investment companies under the Investment Company Act of 1940, as amended (the Investment Company Act). A joint special meeting (the Special Meeting) of stockholders of ARMF and ARDC will be held at the offices of Ares Capital Management II LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, on [•], 2015 at [•] (Pacific time) to consider the proposals listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment or postponement thereof, the Board of Directors of each Fund (each, a Board) recommends that you vote your shares of common stock (common shares) by completing and returning the enclosed proxy card or by recording your voting instructions by authorizing a proxy by telephone or via the Internet. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is [•], 2015.

The purposes of the Special Meeting are:

- 1. ARMF - The Reorganization of the Target Fund**

Stockholders of Ares Multi-Strategy Credit Fund, Inc. (ARMF):

Proposal 1: The stockholders of ARMF are being asked to approve the reorganization of ARMF into ARDC pursuant to the Agreement and Plan of Reorganization between ARMF and ARDC (the Reorganization Agreement), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act and the dissolution of ARMF under Maryland law. Pursuant to the Reorganization Agreement, the Target Fund would transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and common shares of the Acquiring Fund, after which those shares will be distributed by the Target Fund to the holders of its shares (the Reorganization) and the Target Fund will dissolve under Maryland law. The consummation of the Reorganization is contingent on the approval by the stockholders of ARDC of the proposals relating to ARDC described below.

2. ARDC - The Issuance of Additional Common Shares of the Acquiring Fund and Changes to the Acquiring Fund's Fundamental Investment Restrictions and 80% Investment Policy

Stockholders of Ares Dynamic Credit Allocation Fund, Inc. (ARDC):

Proposal 2(A): The stockholders of ARDC are being asked to approve the issuance of additional common shares of ARDC in connection with the Reorganization. The consummation of the Reorganization is contingent on this proposal, the approval by the Target Fund of the Reorganization Agreement and the approval by the stockholders of the Acquiring Fund of the changes to the Acquiring Fund's fundamental investment restrictions and the changes to the Acquiring Fund's 80% investment policy.

Proposal 2(B): The stockholders of ARDC are being asked to approve a change to ARDC's Fundamental Investment Restriction number 5, relating to the Fund's making of loans, and to approve a change to ARDC's Fundamental Investment Restriction number 6, relating to the Fund's concentration policy.

Proposal 2(C): The stockholders of ARDC are being asked to approve a change to the ARDC's investment policy such that, under normal market conditions, at least 80% of its Managed Assets (as defined in the Joint Proxy Statement/Prospectus) will

be invested in debt instruments, including (i) senior secured loans made to companies whose debt is rated below investment grade, (ii) corporate bonds that are expected to be primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations (such policy, the New ARDC 80% Policy).

Proposals 2(B) and 2(C) are not contingent on the consummation of the Reorganization and, regardless of whether the Reorganization is consummated, the changes to ARDC's fundamental investment restrictions and the New ARDC 80% Policy would become effective upon approval by ARDC's stockholders. Proposals 2(A), 2(B) and 2(C) are collectively referred to as the ARDC Proposals.

Stockholders of each Fund of record as of the close of business on [•], 2015 are entitled to vote at the Special Meeting or any adjournment, postponement or delay thereof.

ARDC will be the Fund surviving the Reorganization. The term Combined Fund refers to ARDC as the surviving Fund after the Reorganization, and assumes that the investment policy and restriction changes in Proposals 2(B) and 2(C) (described below) have been approved by ARDC stockholders.

The Reorganization proposes to combine two Funds that currently have similar (but not identical) investment objectives and investment policies. Pursuant to the Reorganization Agreement, the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and for common shares of the Acquiring Fund, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. The Target Fund will terminate its registration under the Investment Company Act after the completion of the Reorganization. The Combined Fund will continue to operate after the Reorganization as a registered, closed-end management investment company. In connection with the Reorganization, the stockholders of the Acquiring Fund are being asked to approve the issuance of additional common shares of the Acquiring Fund. Separate from the proposals regarding the Reorganization, ARDC is seeking to amend certain of its fundamental investment restrictions and make changes to its current 80% investment policy. These changes, if approved, will provide ARDC with greater flexibility in selecting its investments similar to the investment flexibility currently available to ARMF.