

Ares Dynamic Credit Allocation Fund, Inc.  
Form N-CSR  
January 03, 2019

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-22535

ARES DYNAMIC CREDIT ALLOCATION FUND, INC.  
(Exact name of registrant as specified in charter)

2000 AVENUE OF THE STARS  
12TH FLOOR  
LOS ANGELES, CALIFORNIA  
(Address of principal executive offices)

90067  
(Zip code)

(Name and Address of Agent for Service)

Daniel J. Hall  
2000 Avenue of the Stars, 12th Floor  
Los Angeles, California 90067

Copy to:

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787 Seventh Avenue  
New York, New York 10019

Registrant's telephone number, including area code: (310) 201-4100

Date of fiscal year end: October 31

Date of reporting period: October 31, 2018

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**Item 1. Report to Stockholders.**

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**Ares Dynamic Credit Allocation Fund, Inc.  
(NYSE: ARDC)**

**Annual Report**

**October 31, 2018**

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report. If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically at any time by (i) calling 877-855-3434 toll-free or by sending an e-mail request to Ares Dynamic Credit Allocation Fund, Inc. Investor Relations Department at [ARDCInvestorRelations@aresmgmt.com](mailto:ARDCInvestorRelations@aresmgmt.com), if you invest directly with the Fund, or (ii) contacting your financial intermediary (such as a broker-dealer or bank), if you invest through your financial intermediary. You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by (i) calling 877-855-3434 toll-free or by sending an e-mail request to Ares Dynamic Credit Allocation Fund, Inc. Investor Relations Department at [ARDCInvestorRelations@aresmgmt.com](mailto:ARDCInvestorRelations@aresmgmt.com), if you invest directly with the Fund, or (ii) contacting your financial intermediary. Your election to receive reports in paper will apply to all funds held in your account, if you invest through your financial intermediary, or all funds held with the fund complex if you invest directly with the Fund.

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Ares Dynamic Credit Allocation Fund, Inc.

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Ares Dynamic Credit Allocation Fund, Inc.

## Letter to Shareholders

October 31, 2018 (Unaudited)

**Dear Shareholders,**

We would like to start by thanking you for your interest and participation in the Ares Dynamic Credit Allocation Fund, Inc. ("ARDC" or the "Fund"). We appreciate the trust and confidence that you have demonstrated in Ares through your investment in ARDC.

### **Economic Conditions and Leveraged Finance Market Update**

Global corporate credit markets delivered steady returns in September, closing out a decent quarter for both the loan and high yield asset classes and bringing calendar year-to-date returns through September 30, 2018 to a healthy 2.52% and 4.36%, respectively, for the ICE BofAML High Yield Master II Index ("H0A0") and Credit Suisse Leveraged Loan Index ("CSLLI"). During the third quarter, credit spreads continued to grind tighter against a backdrop of rising U.S. Treasury yields, easing pressure on Emerging Market currencies, positive developments on trade (excluding China) and climbing oil prices. However, volatility returned to global corporate credit markets in October and has accelerated throughout November. Due to a significant drop in WTI crude oil prices, a mixed beginning to third quarter earnings season, continuing trade and geopolitical headlines, and rising rates (i.e., 10-year U.S. Treasury reaching 3.25% intramonth in October), the global high yield markets came under pressure in October and posted negative returns of -1.64%, as measured by the H0A0, alongside sharp declines for global equities, which were down -6.84% as measured by the S&P 500 Index. Meanwhile, loans were resilient and managed to return 0.01% for the month of October as measured by the CSLLI, making loans one of the best performing asset classes calendar year-to-date through October month-end. Following a brief rally at the beginning of the month, selling intensified mid-November across equities and high yield bonds, eventually bleeding into the loan market as well. What began as a sell-off in technology stocks was exacerbated by an alarming decline in oil prices due to over-supply fears and reports that global economic growth showed signs of slowing as economic output in Japan and Germany contracted in the third quarter, while in October consumer spending in China hit its slowest pace in five months and bank lending fell<sup>1</sup>. The volatility experienced in November has sent high yield returns slightly negative on a year-to-date basis at -0.07% for the H0A0, while loan and equity returns remain positive at 3.51% and 5.11% for the CSLLI and S&P 500 Index, respectively, through November 30, 2018.

After stabilizing somewhat during the summer, interest rates have become a persistent headline concern once again this fall. Domestically, following a slow and quiet climb to the recent psychological barrier of 3.0%, the U.S. 10-year Treasury yield spiked approximately 18 bps in early October to 3.23%, the highest level since 2011. While the U.S. Federal Reserve ("Fed") was the first central bank to tighten monetary policy, the European Central Bank ("ECB") is not far behind and is expected to conclude its quantitative easing initiative at the end of 2018. The ECB has indicated its initial plans are to keep the lending rate at record lows until further into 2019, but this still foreshadows an environment in the foreseeable future where most of the world's major economic powers will be tightening their monetary policy regimes. The confluence of negative headlines and events that spooked the markets in October continued into early November with the highly anticipated mid-term elections threatening further volatility. The angst generated by the current Trump administration had led pundits to call for a "blue wave" to pass over both legislative houses of the U.S. government. While the election results didn't necessarily live up to the hype, Democrats were able to capture a majority within the House of Representatives. The new bipartisan government, as the Senate remains a Republican held majority, is widely expected to cause more gridlock in Washington. However, this may not pose a significant risk to U.S. markets as bipartisanship tends to curb excesses and unsound ambition by one party, thereby reducing political turmoil. Following the outcome of the elections, markets refocused on third quarter corporate

earnings. While fundamentals overall remain healthy, there is an increasing focus on forward guidance due to heightened trade war tensions, cost pressures, and a general late-cycle mentality. We have witnessed with increasing ferocity credit markets punishing earnings misses more than they reward better-than-expected performance, and we expect this trend to continue.

In regard to the CLO market, difficult arbitrage conditions have slowed the pace of new issue supply in recent months. While year-to-date 2018 global issuance of \$140.6 billion is tracking in line with full-year 2014 issuance of \$143.0 billion (a record year), there exists today something of a "buyers strike" on primary issue CLO equity. The proximate cause of all the trouble is the CLO debt spread widening stemming from heavy refinancing and reset activity, which stood at \$161.1 billion across 326 deals year-to-date as of October 31st. This supply has weighed heavily on primary issue spreads, making arbitrage conditions persistently difficult. Triple-A spreads have also been affected by higher hedging costs for non-U.S. investors, especially Japanese investors who have seen deteriorating relative value in U.S. CLOs vs. European CLOs as a result. Until and unless CLO debt spreads contract, we expect relatively modest new issue activity through year-end defined largely

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Ares Dynamic Credit Allocation Fund, Inc.

**Letter to Shareholders** *(continued)*

October 31, 2018 (Unaudited)

by captive risk-retention funds (facing different economics), off-market fees (banks and managers) and unsophisticated new entrants. We've seen this phenomenon begin to play out in October, with moderate global primary supply of ~\$11.9 billion and ~\$18.6 billion of refinancing and reset activity.<sup>2</sup> With a slow-down in refinancing and reset activity anticipated as the vast majority of "in-the-money" CLOs ripe for refinancing have been postponed until better debt execution markets appear, we expect CLO debt spreads to crest, if they haven't already, with a bias toward tightening heading into year-end. That said, we note the re-appearance of volatility generally across risk markets; the CLO market is almost never fully immune to this. To the extent volatility impacts the loan market in a more meaningful way, we see many scenarios that could lead to weaker markets in the near-term, creating some interesting trading opportunities. We have been active in positioning our portfolios into higher spread, higher yielding assets in response to supply-driven weakness. We are selectively participating in new issue and reset junior CLO debt tranches with expected returns in many cases close to where we saw secondary equity trading earlier this year. We continue to work selectively on new issue control equity with quality credit managers at attractive levels. We are starting to see some value again in secondary equity, and we continue to evaluate secondary equity opportunities with a bias toward longer deals with plenty of flexibility to take advantage of any future loan market volatility.

**Portfolio Performance and Positioning**

For the calendar year-to-date period ending October 31, 2018, ARDC has returned 3.03% based on Net Asset Value ("NAV"), which compares to 4.36% for the CSLLI and 0.84% for the H0A0. On a last twelve months basis through October 31, 2018, ARDC has returned 4.47% based on NAV, which compares to 4.89% for the CSLLI and 0.86% for the H0A0. However, it is important to note that given its flexible mandate and focus on senior secured bank loans, high yield bonds and CLOs, we believe there is no single established benchmark that reasonably lends itself to comparison with ARDC<sup>3</sup>.

Over the last year, we have increased ARDC's exposure to bonds by 236bps owing to the Fund's focus on income generation. The periodic bouts of rate volatility that we have seen over the last 12 months have allowed the Fund to pick up both longer-dated, higher-quality bonds that sold off as a result as well as shorter-dated, yield-to-call paper. Despite the 118bps increase in three-month LIBOR over the last year, ARDC has decreased its exposure to senior loans by 521bps as the preponderance of the loan market was trading above par until October and the potential for loan repricings reduced the value proposition of loans relative to bonds, particularly those that have sold-off on rate movements. The Fund's exposure to CLO debt and equity also increased by 139bps and 221bps, respectively, over the last year as we have been opportunistically adding double-B tranches and secondary equity positions as those widened during the third quarter of 2018. From a credit quality perspective, the Fund has moved up in quality, increasing double-BB exposure by 413bps and decreasing single-B and triple C exposure by 244bps and 309bps, respectively, over the last year, largely as a result of picking up double-B bonds opportunistically. Duration has remained relatively constant at 1.59 years as of October 31, 2018.

Into November, market sentiment continued to be negative. Investor apprehension remains elevated due to a combination of factors including a Fed that is in tightening mode while its balance sheet shrinks, slowing economic growth, trade tensions and political turmoil in the U.S. and abroad, declining oil prices, and multiple credit-specific events affecting the market over the past few weeks. While the Fed is poised to continue its rate hike campaign by likely raising interest rates for the fourth time this year in December, the number of anticipated Fed hikes in 2019 has been declining in the last few weeks, particularly following Fed Chairman Jerome Powell's more dovish comments on November 28th which spurred a temporary rally in the equity and credit markets. Despite a weaker-than-expected start



to earnings season, corporate cash flow remains robust and consumer demand remains strong as we approach the end of the year. Unemployment remains low and is expected to fall below 3.5% next year. Looking ahead, we expect to capitalize on the opportunity to buy attractive loans modestly under par and to have more negotiating leverage in both credit documentation and pricing in the primary loan market. In the high yield market, we believe spreads now more accurately reflect the balance between supportive issuer fundamentals and macroeconomic headwinds. As noted earlier, the re-appearance of volatility generally across risk markets could spill over to the CLO market and could create some interesting trading opportunities. Given these factors, we remain focused on maintaining a portfolio of high-quality of securities through careful credit selection as we look to stay ahead of negative headlines.

In conclusion, we maintain strong conviction in the ARDC portfolio and believe the Fund continues to be well positioned to take advantage of buying opportunities in both the new issue and secondary markets. We continue to believe that the ability to dynamically allocate is critical to successfully navigating an evolving market environment with headline and interest rate driven volatility. The increasing importance of credit selection (and avoidance) has become the primary driver of generating alpha, not only to avoid mistakes, but to uncover value in names that still possess total return potential. Looking ahead, we

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Ares Dynamic Credit Allocation Fund, Inc.

**Letter to Shareholders** *(continued)*

October 31, 2018 (Unaudited)

will remain focused on performing solid fundamental credit analysis and in depth due diligence in an effort to deliver attractive risk adjusted returns to our investors.

**Ares Dynamic Credit Allocation Fund, Inc.**

ARDC is a closed-end fund that trades on the New York Stock Exchange under the symbol "ARDC" and is externally managed by Ares Capital Management II LLC (the "Advisor"), a subsidiary of Ares Management Corporation. ARDC's investment objective is to provide an attractive level of total return, primarily through current income and, secondarily, through capital appreciation by investing in a broad, dynamically-managed portfolio of below investment grade senior secured loans, high yield corporate bonds and collateralized loan obligation securities.

On November 6, 2015, the Board of Directors (the "Board") of ARDC authorized the repurchase of shares of common stock of the Fund (the "Common Shares") on the open market when the Common Shares are trading on the New York Stock Exchange at a discount of 10% or more (or such other percentage as the Board may determine from time to time) from the net asset value ("NAV") of the Common Shares. The Fund may repurchase its outstanding Common Shares in open-market transactions at the Fund management's discretion. The Fund is not required to effect share repurchases. Any future purchases of Common Shares may not materially impact the discount of the market price of the Common Shares relative to their NAV and any narrowing of this discount that does result may not be maintained. Since inception of the program through October 31, 2018, we have repurchased 518,717 shares at an average price of \$13.08, representing an average discount of -15.2%.

On March 23, 2018, ARDC amended its non-fundamental investment policy to increase the Fund's ability to invest in CLO securities to 40% of managed assets from 30% previously, while also increasing the Fund's ability to invest in subordinated or residual tranches of CLO securities to 10% of managed assets from 7.5% previously.

Thank you again for your continued support of ARDC. If you have any questions about the Fund, please call 1-877-855-3434, or visit the Fund's website at [www.arespublicfunds.com](http://www.arespublicfunds.com).

Best Regards,

Ares Capital Management II LLC

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The Credit Suisse Leveraged Loan Index ("CSLLI") is designed to mirror the investable universe of the \$US-denominated leveraged loan market. The index inception is January 1992. The index frequency is daily, weekly and monthly. New loans are added to the index on their effective date if they qualify according to the following criteria: 1) Loan facilities must be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. If unrated, the initial spread level must be Libor plus 125 basis points or higher. 2) Only fully-funded term loan facilities are included. 3) The tenor must be at least one year. 4) Issuers must be domiciled in developed countries; issuers from developing countries are excluded.

The ICE BofAML US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$250 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (both with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities ("cocos") are excluded, but capital securities where conversion can be mandated by a regulatory authority, but which have no specified trigger, are included. Other hybrid capital securities, such as those issues that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, Eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD-eligible securities are excluded from the index.

<sup>1</sup> The Wall Street Journal, "Global Economic Slowdown Deepens.", November 15, 2018

<sup>2</sup> Source: S&P Capital IQ LCD. "Global Databank," October 31, 2018; "Global CLO Roundup: Spreads Tighten in U.S.; European Market Subdued," October 15, 2018; "S&P / LSTA Index Monthly," November 1, 2018.

<sup>3</sup> Past performance is not indicative of future results.

Ares Dynamic Credit Allocation Fund, Inc.

**Fund Profile & Financial Data**

October 31, 2018 (Unaudited)

**Portfolio Characteristics as of 10.31.18**

Weighted Average Floating Coupon <sup>1</sup>	6.75%
Weighted Average Bond Coupon <sup>2</sup>	7.97%
Current Distribution Rate <sup>3</sup>	8.62%
Dividend Per Share	\$0.1075

1 The weighted-average gross interest rate on the pool of loans as of October 31, 2018.

2 The weighted-average gross interest rate on the pool of bonds at the time the securities were issued.

3 Monthly dividend per share annualized and divided by the October 31, 2018 market price per share. The Fund's October 2018 distributions were comprised of net investment income and short-term capital gains. The distribution rate alone is not indicative of Fund performance. To the extent that any portion of the current distributions were estimated to be sourced from something other than income, such as return of capital, the source would have been disclosed in a Section 19(a) Notice located under the "Investor Information" section of the Fund's website. Please note that the distribution classifications are preliminary and certain distributions may be re-classified at year end. Please refer to year-end tax documents for the final classifications of the Fund's distributions for a given year.

**Top 10 Holdings<sup>4</sup> as of 10.31.18**

HCA Healthcare, Inc.	1.15%
Energy Transfer Equity, L.P.	1.13%
Immucor, Inc.	1.12%
The Manitowoc Company, Inc.	1.11%
Olin Corporation	1.09%
Bombardier Inc.	1.07%
Vizient, Inc.	1.07%
Tegna, Inc.	1.05%
EMI Music	1.03%
Lee Enterprises Inc	0.96%

4 Market value percentage may represent multiple instruments by the named issuer and/or multiple issuers being consolidated to the extent they are owned by the same parent company. These values may be different than the issuer concentrations in certain regulatory filings.

**Performance as of 10.31.18**

	Market	NAV
1 Month	-2.91%	-0.41%
Year to Date	-2.50%	3.03%
3 Years (annualized)	10.26%	8.87%
5 Years (annualized)	4.78%	5.51%
Since Inception**	3.30%	6.00%

\*\*Since Inception of fund (11/27/2012) and annualized. Source: Morningstar

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. Since Inception returns assume a purchase of common shares at the initial offering price of \$20.00 per share for market price returns or initial net asset value (NAV) of \$19.10 per share for NAV returns. Returns for periods of less than one year are not annualized. All distributions are assumed to be reinvested either in accordance with the dividend reinvestment plan (DRIP) for market price returns or NAV for NAV returns.

### **Portfolio Composition as of 10.31.18**

This data is subject to change on a daily basis. As of 10.31.18, the Fund held a negative traded cash balance of -1.83%.

### **Fixed vs. Floating Rate as of 10.31.18**

Excludes Equity and CLO Equity

### **Industry Allocation<sup>5</sup> as of 10.31.18**

<sup>5</sup> Merrill Lynch industry classifications weighted by market value. These values may be different than industry classifications in certain regulatory filings.



Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments**

October 31, 2018

**Senior Loans 32.1%(b)(c)(i)**

	Principal Amount	Value <sup>(a)</sup>
<b>Aerospace and Defense 2.2%</b>		
Air Methods Corp., Initial 1st Lien Term Loan B, 3M LIBOR + 3.50%, 5.89%, 04/22/2024	\$1,875,000	\$ 1,689,844
Hensoldt Holding Germany GmbH, 1st Lien Term Loan B-3, (Germany), 3M EURIBOR + 3.50%, 3.50%, 02/28/2024	€0,000,000	3,392,102
Sequa Mezzanine Holdings, LLC, Initial 1st Lien Term Loan, 3M LIBOR + 5.00%, , 7.41% 11/28/2021	\$1,868,619	1,842,926
StandardAero Aviation Holdings, Inc., Initial 1st Lien Term Loan A, 1M LIBOR + 3.75%, 6.05%, 07/07/2022	1,994,859	2,000,125
		<b>8,924,997</b>
<b>Automotive 1.5%</b>		
CH Hold Corp., Initial 2nd Lien Term Loan, 1M LIBOR + 7.25%, 9.55%, 02/03/2025 <sup>(d)</sup>	3,435,401	3,452,578
Navistar, Inc., Tranche 1st Lien Term Loan B, 1M LIBOR + 3.50%, 5.78%, 11/06/2024	2,626,118	2,628,298
		<b>6,080,876</b>
<b>Banking, Finance &amp; Insurance 1.1%</b>		
Blackhawk Network Holdings, Inc., 1st Lien Term Loan B, 3M LIBOR + 3.00%, 5.39%, 06/15/2025	1,072,783	1,073,459
Blackhawk Network Holdings, Inc., 2nd Lien Term Loan,	750,000	752,813

3M LIBOR + 7.00%, 9.38%, 06/15/2026 Financial & Risk U.S. Holdings, Inc., Initial 1st Lien Term Loan, L+ 3.50%, 10/01/2025 <sup>(e)</sup>	1,772,152	1,752,959
Gulf Finance, LLC, Tranche 1st Lien Term Loan B, 3M LIBOR + 5.25%, 7.64%, 08/25/2023	1,246,897	1,018,815
		<b>4,598,046</b>
<b>Business Equipment and Services 0.1%</b>		
Restaurant Technologies, Inc., Initial 1st Lien Term Loan, 3M LIBOR + 3.25%, 5.65%, 10/01/2025	521,739	523,043
<b>Senior Loans<sup>(b)(c)(i)</sup> (continued)</b>		
	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
<b>Chemical/Plastics 1.3%</b>		
HII Holding Corp., 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.55%, 12/20/2019	\$ 978,752	\$ 978,752
HII Holding Corp., 2nd Lien Term Loan, 1M LIBOR + 8.50%, 10.80%, 12/21/2020	1,500,000	1,497,195
Starfruit Finco B.V., Initial 1st Lien Term Loan, (Netherlands), 1M LIBOR + 3.25%, 5.51%, 10/01/2025	2,542,735	2,533,200
		<b>5,009,147</b>
<b>Conglomerates 0.7%</b>		
Immucor, Inc., 1st Lien Term Loan B-3, 3M LIBOR + 5.00%, 7.39%, 06/15/2021	2,891,762	2,935,139
<b>Consumer Durables 0.6%</b>		
Froneri International PLC, Facility 1st Lien Term Loan, (Great Britain), 3M EURIBOR + 2.63%, 2.63%, 01/31/2025	€0,000,000	2,269,707
<b>Consumer Products 0.5%</b>		



Albea Beauty Holdings S.A., 1st Lien Term Loan, (Luxembourg), 6M LIBOR + 2.75%, 5.20%, 04/22/2024	\$1,994,987	1,980,025
<b>Containers and Glass Products 0.8%</b>		
BWAY Holding Co., Initial 1st Lien Term Loan, 3M LIBOR + 3.25%, 5.66%, 04/03/2024	3,357,822	3,336,131
<b>Diversified Insurance 0.6%</b>		
Asurion, LLC, 2nd Lien Term Loan B-2, 1M LIBOR + 6.50%, 8.80%, 08/04/2025	1,549,695	1,589,600
Asurion, LLC, Replacement 1st Lien Term Loan B-6, 1M LIBOR + 3.00%, 5.30%, 11/03/2023	958,591	958,994
		<b>2,548,594</b>
<b>Diversified/Conglomerate Service 0.4%</b>		
NEP/NCP Holdco, Inc., Initial 1st Lien Term Loan, L+ 3.25%, 10/20/2025 <sup>(e)</sup>	1,630,000	1,635,705

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

October 31, 2018

**Senior Loans**<sup>(b)(c)(i)</sup> (continued)

	Principal Amount	Value <sup>(a)</sup>
<b>Drugs 0.3%</b>		
Ethypharm S.A., 1st Lien Term Loan B, (France), 3M EURIBOR + 3.50%, 3.50%, 07/21/2023	€1,112,582	\$ 1,266,029
<b>Education 0.9%</b>		
St. George's University Scholastic Services, LLC, 1st Lien Term Loan, 1M LIBOR + 3.50%, 5.81%, 07/17/2025 <sup>(d)</sup>	\$3,461,955	3,496,574
St. George's University Scholastic Services, LLC, 1st Lien Delayed Draw Term Loan, 3M LIBOR + 3.50%, 5.84%, 07/17/2025 <sup>(d)(f)</sup>	1,077,053	10,771
		<b>3,507,345</b>
<b>Electronics 0.5%</b>		
Kemet Corp., Initial 1st Lien Term Loan, 1M LIBOR + 6.00%, 8.30%, 04/26/2024 <sup>(d)</sup>	1,917,576	1,936,752
<b>Food Service 0.5%</b>		
IRB Holding Corp., 1st Lien Term Loan B, L+ 3.25%, 02/05/2025 <sup>(e)</sup>	1,822,268	1,816,947
<b>Food/Drug Retailers 0.5%</b>		
General Nutrition Centers, Inc., 1st Lien Term Loan, 1M LIBOR + 7.00%, 9.31%, 12/31/2022	1,277,425	1,293,393
GOBP Holdings, Inc., Initial 1st Lien Term Loan, 3M LIBOR + 3.75%, 6.03%, 10/22/2025	808,426	806,405
		<b>2,099,798</b>
<b>Health Care 6.2%</b>		

Albany Molecular Research, Inc., 2nd Lien Term Loan, 1M LIBOR + 7.00%, 9.30%, 08/30/2025	1,000,000	1,000,830
Albany Molecular Research, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.55%, 08/30/2024	1,457,308	1,455,938
Auris Luxembourg III SARL, 1st Lien Term Loan B, (Luxembourg), L+ 3.75%, 07/24/2025 <sup>(e)</sup>	2,000,980	2,011,826
Concentra, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 6.50%, 8.78%, 06/01/2023	3,000,000	3,030,000
Envigo Laboratories, Inc., 1st Lien Term Loan, 3M LIBOR + 8.50%, 10.93%, 11/03/2021 <sup>(d)</sup>	1,133,836	1,136,670
<b>Senior Loans<sup>(b)(c)(i)</sup> (continued)</b>		
	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Gentiva Health Services, Inc., 2nd Lien Term Loan, 1M LIBOR + 7.00%, 9.31%, 07/02/2026	\$ 1,963,993	\$ 2,003,273
Gentiva Health Services, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 3.75%, 6.06%, 07/02/2025 <sup>(d)</sup>	2,927,248	2,938,225
Hanger, Inc., 1st Lien Term Loan, 1M LIBOR + 3.50%, 5.80%, 03/06/2025 <sup>(d)</sup>	3,855,625	3,841,167
Press Ganey Holdings, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 6.50%, 8.80%, 10/21/2024 <sup>(d)</sup>	316,898	318,482
Radiology Partners, Inc., 1st Lien Term Loan B, 3M LIBOR + 4.25%, 6.87%, 07/09/2025	2,000,000	2,006,260
Radiology Partners, Inc., 2nd Lien	211,288	(1,585)

Delayed Draw Term Loan, L + 7.75%, 07/09/2026 <sup>(f)</sup>		
Radiology Partners, Inc., 2nd Lien Term Loan B, 3M LIBOR + 7.25%, L+ 9.66%, 07/08/2026	1,712,601	1,699,756
Radnet Management, Inc., 1st Lien Term Loan B-1, 3M LIBOR + 3.75%, 6.19%, 06/30/2023	2,711,688	2,719,823
Universal Hospital Services, Inc., 1st Lien Term Loan B, L+ 3.00%, 10/18/2025 <sup>(d)(e)</sup>	734,428	738,100
		<b>24,898,765</b>
<b>Industrials 0.6%</b>		
Forterra Finance, LLC, Replacement 1st Lien Term Loan, 1M LIBOR + 3.00%, 5.30%, 10/25/2023	2,500,000	2,297,275
<b>Insurance 0.8%</b>		
Financiere CEP, 1st Lien Term Loan B, (France), 3M EURIBOR + 4.25%, , 4.25% 01/31/2025	€,000,000	3,369,188
<b>Leisure Goods/Activities/Movies 1.0%</b>		
Equinox Holdings, Inc., 1st Lien Term Loan B-1, 1M LIBOR + 3.00%, 5.30%, 03/08/2024	\$1,970,100	1,974,316
Equinox Holdings, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 7.00%, 9.30%, 09/06/2024	2,050,000	2,089,299
		<b>4,063,615</b>

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

October 31, 2018

**Senior Loans**<sup>(b)(c)(i)</sup> (continued)

	Principal Amount	Value <sup>(a)</sup>
<b>Oil and Gas 2.0%</b>		
California Resources Corp., 1st Lien Term Loan, 1M LIBOR + 10.38%, 12.67%, 12/31/2021	\$ 1,925,000	\$ 2,141,562
California Resources Corp., Initial 1st Lien Term Loan, 1M LIBOR + 4.75%, 7.04%, 12/31/2022	1,051,984	1,066,007
FTS International, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 4.75%, 7.05%, 04/16/2021	1,472,273	1,469,815
Summit Midstream Partners Holdings, LLC, Facility 1st Lien Term Loan, 1M LIBOR + 6.00%, 8.30%, 05/13/2022 <sup>(d)</sup>	1,988,304	2,000,731
Ultra Resources, Inc., 1st Lien Term Loan, 3M LIBOR + 3.00%, 5.47%, 04/12/2024	1,500,000	1,401,960
		<b>8,080,075</b>
<b>Publishing 0.9%</b>		
A-L Parent, LLC, Incremental 1st Lien Term Loan, L+ 3.25%, 12/01/2023 <sup>(d)(e)</sup>	1,346,240	1,344,558
A-L Parent, LLC, Initial 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.56%, 12/01/2023 <sup>(d)</sup>	183,608	183,608
Dex Media, Inc., 1st Lien Term Loan, 1M LIBOR + 10.00%, 12.31%, 07/29/2021	1,831,712	1,856,128
	34,848	34,804

Lee Enterprises, Inc., 1st Lien  
Term  
Loan, 1M LIBOR + 6.25%,  
8.54%, 03/31/2019<sup>(d)</sup>

3,419,098

**Retailers (Except Food and Drug) 1.4%**

Academy, Ltd., Initial 1st Lien  
Term

Loan, 1M LIBOR + 4.00%,  
6.27%, 07/01/2022

1,070,626

795,614

Action Holding B.V., 1st Lien

Term Loan,

(Netherlands), 3M EURIBOR +  
3.50%,

3.50%, 03/08/2025

€,050,000

3,444,530

Petco Animal Supplies, Inc., 1st  
Lien

Term Loan, 3M LIBOR + 3.25%,  
5.78%, 01/26/2023

\$1,756,808

1,355,377

5,595,521

**Senior Loans<sup>(b)(c)(i)</sup> (continued)**

**Principal  
Amount**

**Value<sup>(a)</sup>**

**Service & Equipment 1.7%**

CASMAR Holdings Pty., Ltd.,  
Initial 1st Lien Term Loan,  
(Australia),

3M LIBOR + 4.50%,  
6.79%, 12/08/2023

\$ 871,327

\$ 810,334

CD&R Firefly Bidco, Ltd., Facility  
1st Lien Term Loan, (Great  
Britain),

3M GBP LIBOR + 4.50%,  
5.32%, 06/23/2025

£2,000,000

2,551,008

GFL Environmental, Inc., 1st  
Lien Term

Loan B, (Canada), L +2.75,  
05/30/2025<sup>(e)</sup>

\$3,512,397

3,455,321

6,816,663

**Technology 4.1%**

Allflex Holdings III, Inc., (U.S.),  
Initial

2nd Lien Term Loan,  
3M LIBOR + 7.00%,  
9.48%, 07/19/2021

2,216,981

2,220,440

Applied Systems, Inc., 2nd Lien  
Term

Loan, 3M LIBOR + 7.00%,  
9.39%, 09/19/2025

516,129

523,613

1,625,440

1,630,528

Applied Systems, Inc., Initial 1st Lien Term Loan, 3M LIBOR + 3.00%, 5.39%, 09/19/2024		
Diebold Nixdorf, Inc., 1st Lien Term Loan A, L + 9.25%, 08/30/2022 <sup>(e)</sup>	2,158,836	2,261,381
GlobalLogic Holdings, Inc., 1st Lien Delayed Draw Term Loan, L + 3.25%, 08/01/2025 <sup>(d)(f)</sup>	138,340	692
GlobalLogic Holdings, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.55%, 08/01/2025 <sup>(d)</sup>	968,379	973,221
Pi U.S. Mergerco, Inc., Facility 1st Lien Term Loan, 1M LIBOR + 3.50%, 5.80%, 01/03/2025	3,595,504	3,579,791
Rocket Software, Inc., 1st Lien Term Loan, 3M LIBOR + 3.75%, 6.14%, 10/14/2023	1,388,822	1,390,211
Rocket Software, Inc., 2nd Lien Term Loan, 3M LIBOR + 9.50%, 11.89%, 10/14/2024	1,603,014	1,611,830
Verifone Systems, Inc., 2nd Lien Term Loan, 3M LIBOR + 8.00%, 10.32%, 08/20/2026	615,385	613,077
Verifone Systems, Inc., Initial 1st Lien Term Loan, 3M LIBOR + 4.00%, 6.32%, 08/20/2025	1,500,000	1,498,500
		<b>16,303,284</b>

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

October 31, 2018

**Senior Loans**<sup>(b)(c)(i)</sup> (continued)

	Principal Amount	Value <sup>(a)</sup>
<b>Telecommunications 0.9%</b>		
Coral-U.S. Co-Borrower, LLC, 1st Lien Term Loan B-4, 1M LIBOR + 3.25%, 5.55%, 01/30/2026	\$ 1,500,000	\$ 1,498,320
Intelsat Jackson Holdings S.A., 1st Lien Term Loan B-4, (Luxembourg), 1M LIBOR + 4.50%, 6.79%, 01/02/2024	703,125	727,734
Intelsat Jackson Holdings S.A., Tranche 1st Lien Term Loan B-3, (Luxembourg), 1M LIBOR + 3.75%, 6.04%, 11/27/2023	1,300,000	1,300,000
		<b>3,526,054</b>
<b>Total Senior Loans</b> (Cost: \$129,159,082)		<b>128,837,819</b>
<b>Corporate Bonds 68.6%</b>		
<b>Aerospace and Defense 4.2%</b>		
Air Methods Corp., 144A, 8.00%, 05/15/2025 <sup>(c)</sup>	2,491,000	1,868,250
Bombardier, Inc., 144A, (Canada), 7.50%, 12/01/2024 <sup>(c)</sup>	2,000,000	2,032,500
Bombardier, Inc., 144A, (Canada), 7.75%, 03/15/2020 <sup>(c)</sup>	1,500,000	1,556,250
Bombardier, Inc., 144A, (Canada), 8.75%, 12/01/2021 <sup>(c)</sup>	2,250,000	2,418,750
Engility Corp., 8.88%, 09/01/2024	3,000,000	3,243,750
Leidos, Inc., 7.13%, 07/01/2032	2,500,000	2,681,250
StandardAero Aviation Holdings, Inc., 144A, 10.00%, 07/15/2023 <sup>(c)</sup>	2,750,000	2,960,705
		<b>16,761,455</b>
<b>Automotive 1.7%</b>		



Gates Global, LLC, 144A, 6.00%, 07/15/2022 <sup>(c)</sup>	1,600,000	1,592,000
Goodyear Tire and Rubber Co., 8.75%, 08/15/2020	3,522,000	3,781,747
Penske Automotive Group, Inc., 5.75%, 10/01/2022	1,250,000	1,267,188
		<b>6,640,935</b>
<b>Banking, Finance &amp; Insurance 1.0%</b>		
Ally Financial, Inc., 7.50%, 09/15/2020	2,500,000	2,650,000
<b>Corporate Bonds (continued)</b>		
	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Ally Financial, Inc., 8.00%, 03/15/2020	\$ 1,250,000	\$ 1,315,625
		<b>3,965,625</b>
<b>Broadcast Radio and Television 2.2%</b>		
Belo Corp., 7.25%, 09/15/2027	5,750,000	5,908,125
Tribune Media Co., 5.88%, 07/15/2022	3,000,000	3,037,500
		<b>8,945,625</b>
<b>Building &amp; Development 2.2%</b>		
KB Home, 8.00%, 03/15/2020	3,500,000	3,661,875
Summit Materials, LLC, 8.50%, 04/15/2022	5,000,000	5,275,000
		<b>8,936,875</b>
<b>Business Equipment and Services 2.2%</b>		
Frontdoor, Inc., 144A, 6.75%, 08/15/2026 <sup>(c)</sup>	2,500,000	2,550,000
Genesys Telecommunications Laboratories Inc., 144A, 10.00%, 11/30/2024 <sup>(c)</sup>	4,750,000	5,153,750
TIBCO Software, Inc., 144A, 11.38%, 12/01/2021 <sup>(c)</sup>	1,000,000	1,060,000
		<b>8,763,750</b>
<b>Cable and Satellite Television 6.1%</b>		
Altice France S.A., 144A, (France), 7.38%, 05/01/2026 <sup>(c)</sup>	2,500,000	2,392,975
Altice Financing S.A., 144A, (Luxembourg), 7.50%, 05/15/2026 <sup>(c)</sup>	1,500,000	1,410,000
Altice Finco S.A., 144A, (Luxembourg), 8.13%, 01/15/2024 <sup>(c)</sup>	1,500,000	1,473,750
Altice France S.A., 144A, (France), 8.13%, 02/01/2027 <sup>(c)</sup>	769,000	761,310

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CCO Holdings, LLC, 144A, 5.75%, 02/15/2026 <sup>(c)</sup>	2,500,000	2,475,000
Cequel Communications Holdings I, LLC, 144A, 7.50%, 04/01/2028 <sup>(c)</sup>	2,450,000	2,539,352
Cequel Communications Holdings I, LLC, 144A, 7.75%, 07/15/2025 <sup>(c)</sup>	550,000	581,625

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

October 31, 2018

**Corporate Bonds** (continued)

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
CSC Holdings, LLC, 8.63%, 02/15/2019	\$2,000,000	\$ 2,020,000
CSC Holdings, LLC, 144A, 10.13%, 01/15/2023 <sup>(c)</sup>	1,000,000	1,087,900
CSC Holdings, LLC, 144A, 10.88%, 10/15/2025 <sup>(c)</sup>	1,760,000	2,030,600
DISH DBS Corp., 7.88%, 09/01/2019	2,500,000	2,574,500
Hughes Satellite Systems Corp., 7.63%, 06/15/2021	3,001,000	3,182,560
Quebecor Media, Inc., (Canada), 5.75%, 01/15/2023	2,000,000	2,005,000
		<b>24,534,572</b>
<b>Chemical/Plastics 4.0%</b>		
Aruba Investments, Inc., 144A, 8.75%, 02/15/2023 <sup>(c)</sup>	2,500,000	2,550,000
Blue Cube Spinco, Inc., 9.75%, 10/15/2023	5,500,000	6,118,750
CF Industries, Inc., 7.13%, 05/01/2020	3,125,000	3,250,000
Kraton Polymers, LLC, 144A, 7.00%, 04/15/2025 <sup>(c)</sup>	909,000	852,187
Platform Specialty Products Corp., 144A, 6.50%, 02/01/2022 <sup>(c)</sup>	2,625,000	2,661,094
Starfruit Finco B.V., 144A, (Netherlands), 8.00%, 10/01/2026 <sup>(c)</sup>	800,000	776,000
		<b>16,208,031</b>
<b>Computers &amp; Electronics 1.0%</b>		
Dell International, LLC, 144A, 6.02%, 06/15/2026 <sup>(c)</sup>	4,000,000	4,144,995
<b>Conglomerates 0.8%</b>		
Immucor, Inc., 144A, 11.13%, 02/15/2022 <sup>(c)</sup>	3,261,000	3,346,601
<b>Consumer Products 0.5%</b>		
Yell Bondco PLC, 144A, (Great Britain), 8.50%, 05/02/2023 <sup>(c)</sup>	£1,750,000	2,134,353
<b>Containers and Glass Products 1.9%</b>		

Ardagh Packaging Finance PLC, 144A, (Ireland), 7.25%, 05/15/2024 <sup>(c)</sup>	\$3,000,000	3,015,000
Crown Cork & Seal Co., Inc., 7.38%, 12/15/2026	4,350,000	4,654,500
		<b>7,669,500</b>

**Corporate Bonds (continued)**

	Principal Amount	Value <sup>(a)</sup>
<b>Diversified/Conglomerate Service 0.8%</b>		
Nielsen Finance, LLC, 144A, 5.00%, 04/15/2022 <sup>(c)</sup>	\$2,000,000	\$ 1,947,500
West Corp., 144A, 8.50%, 10/15/2025 <sup>(c)</sup>	1,500,000	1,353,750
		<b>3,301,250</b>
<b>Drugs 1.2%</b>		
Bausch Health Cos., Inc., 144A, (Canada), 5.63%, 12/01/2021 <sup>(c)</sup>	1,000,000	983,750
Bausch Health Cos., Inc., 144A, (Canada), 7.50%, 07/15/2021 <sup>(c)(i)</sup>	3,577,000	3,630,655
		<b>4,614,405</b>
<b>Electronics 1.3%</b>		
First Data Corp., 144A, 7.00%, 12/01/2023 <sup>(c)</sup>	4,000,000	4,148,000
Open Text Corp., 144A, (Canada), 5.63%, 01/15/2023 <sup>(c)</sup>	924,000	931,069
		<b>5,079,069</b>
<b>Electronics/Electric 0.9%</b>		
Solera, LLC, 144A, 10.50%, 03/01/2024 <sup>(c)</sup>	3,479,000	3,774,819
<b>Energy 1.8%</b>		
Extraction Oil & Gas, Inc., 144A, 7.38%, 05/15/2024 <sup>(c)</sup>	2,143,000	2,009,063
Williams Cos., Inc., 7.88%, 09/01/2021	1,250,000	1,376,330
Williams Cos., Inc., 8.75%, 03/15/2032	2,850,000	3,731,074
		<b>7,116,467</b>
<b>Equipment Leasing 0.8%</b>		
United Rentals North America, Inc., 6.50%, 12/15/2026	3,000,000	3,032,970
<b>Food Products 1.1%</b>		
Dole Food Co., Inc., 144A, 7.25%, 06/15/2025 <sup>(c)</sup>	2,000,000	1,920,000
Lamb Weston Holdings, Inc., 144A, 4.88%, 11/01/2026 <sup>(c)</sup>	1,750,000	1,688,750



Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** *(continued)*

October 31, 2018

**Corporate Bonds** *(continued)*

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Simmons Foods, Inc., 7.75%, 01/15/2024	\$ 660,000	\$ 666,600
		<b>4,275,350</b>
<b>Food Service 0.5%</b>		
Arby's Restaurant Group, Inc., 144A, 6.75%, 02/15/2026 <sup>(c)</sup>	2,000,000	1,915,000
<b>Health Care 7.3%</b>		
Acadia Healthcare Co., Inc., 5.63%, 02/15/2023	875,000	876,094
Acadia Healthcare Co., Inc., 6.50%, 03/01/2024	167,000	169,756
Air Medical Group Holdings, Inc., 144A, 6.38%, 05/15/2023 <sup>(c)</sup>	2,000,000	1,797,500
DJO Finance Corp., 144A, 8.13%, 06/15/2021 <sup>(c)</sup>	2,000,000	2,013,400
DJO Finance Corp., 10.75%, 04/15/2020	750,000	736,875
HCA, Inc., 6.50%, 02/15/2020	1,250,000	1,290,625
HCA, Inc., 7.50%, 02/15/2022	1,750,000	1,898,750
HCA, Inc., 7.69%, 06/15/2025	3,000,000	3,277,500
MPH Acquisition Holdings, LLC, 144A, 7.13%, 06/01/2024 <sup>(c)</sup>	1,250,000	1,269,775
RegionalCare Hospital Partners Holdings, Inc., 144A, 8.25%, 05/01/2023 <sup>(c)</sup>	3,000,000	3,168,750
Sotera Health Holdings, LLC, 144A, 6.50%, 05/15/2023 <sup>(c)</sup>	3,000,000	2,932,500
Surgery Center Holdings, Inc., 144A, 8.88%, 04/15/2021 <sup>(c)</sup>	1,500,000	1,541,250
Tenet Healthcare Corp., 7.00%, 08/01/2025	375,000	367,826
	2,125,000	2,212,656

Tenet Healthcare Corp., 8.13%, 04/01/2022		
Vizient, Inc., 144A, 10.38%, 03/01/2024 <sup>(c)</sup>	5,500,000	5,981,250
		<b>29,534,507</b>
<b>Industrial Equipment 2.7%</b>		
Manitowoc Co., Inc., 144A, 12.75%, 08/15/2021 <sup>(c)</sup>	5,750,000	6,202,812
<b>Corporate Bonds (continued)</b>		
	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Welbilt, Inc., 9.50%, 02/15/2024	\$4,398,000	\$ 4,749,840
		<b>10,952,652</b>
<b>Leisure Goods/Activities/Movies 1.5%</b>		
Life Time Fitness, Inc., 144A, 8.50%, 06/15/2023 <sup>(c)</sup>	2,745,000	2,841,075
Netflix, Inc., 144A, 5.88%, 11/15/2028 <sup>(c)</sup>	1,250,000	1,228,125
Six Flags Entertainment Corp., 144A, 5.50%, 04/15/2027 <sup>(c)</sup>	2,250,000	2,134,688
		<b>6,203,888</b>
<b>Lodging and Casinos 4.2%</b>		
GEO Group, Inc., 5.88%, 01/15/2022	2,625,000	2,595,469
GEO Group, Inc., 6.00%, 04/15/2026	1,432,000	1,310,280
Golden Nugget, Inc., 144A, 8.75%, 10/01/2025 <sup>(c)</sup>	2,500,000	2,568,750
MGM Resorts International, 8.63%, 02/01/2019	5,250,000	5,289,375
Scientific Games International, Inc., 6.63%, 05/15/2021	3,750,000	3,628,125
Scientific Games International, Inc., 10.00%, 12/01/2022	1,250,000	1,306,250
		<b>16,698,249</b>
<b>Metals &amp; Minerals 1.3%</b>		
Hudbay Minerals, Inc., 144A, (Canada), 7.63%, 01/15/2025 <sup>(c)</sup>	2,000,000	2,010,000
Teck Resources, Ltd., 144A, (Canada), 8.50%, 06/01/2024 <sup>(c)</sup>	2,955,000	3,206,175
		<b>5,216,175</b>
<b>Nonferrous Metals/Minerals 1.3%</b>		
Freeport-McMoRan, Inc., 6.88%, 02/15/2023	2,500,000	2,618,125

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New Gold, Inc., 144A, (Canada), 6.25%, 11/15/2022 <sup>(c)</sup>	1,750,000	1,522,500
Peabody Energy Corp., 144A, 6.00%, 03/31/2022 <sup>(c)</sup>	960,000	955,200
		<b>5,095,825</b>

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

October 31, 2018

**Corporate Bonds** (continued)

	Principal Amount	Value <sup>(a)</sup>
<b>Oil and Gas 3.6%</b>		
Calfrac Holdings, LP, 144A, 8.50%, 06/15/2026 <sup>(c)</sup>	\$2,500,000	\$ 2,250,000
Denbury Resources, Inc., 144A, 9.00%, 05/15/2021 <sup>(c)</sup>	3,750,000	3,904,687
FTS International, Inc., 6.25%, 05/01/2022	1,500,000	1,430,625
Great Western Petroleum, LLC, 144A, 9.00%, 09/30/2021 <sup>(c)</sup>	3,000,000	2,850,000
Rowan Cos., Inc., 7.38%, 06/15/2025	2,000,000	1,900,000
Vine Oil and Gas, LP, 144A, 9.75%, 04/15/2023 <sup>(c)</sup>	679,000	648,445
Weatherford International, Ltd., (Bermuda), 9.88%, 02/15/2024	2,000,000	1,560,000
		<b>14,543,757</b>
<b>Pipeline 1.9%</b>		
Blue Racer Midstream, LLC, 144A, 6.63%, 07/15/2026 <sup>(c)</sup>	1,275,000	1,294,125
Energy Transfer Equity, LP, 7.50%, 10/15/2020	6,000,000	6,352,500
		<b>7,646,625</b>
<b>Publishing 2.8%</b>		
EMI Music Publishing Group North America Holdings, Inc., 144A, 7.63%, 06/15/2024 <sup>(c)</sup>	5,392,000	5,789,660
Lee Enterprises, Inc., 144A, 9.50%, 03/15/2022 <sup>(c)</sup>	5,175,000	5,336,719
		<b>11,126,379</b>
<b>Service &amp; Equipment 0.1%</b>		
GFL Environmental, Inc., 144A, (Canada), 5.38%, 03/01/2023 <sup>(c)</sup>	565,000	518,388
<b>Steel 0.5%</b>		
Zekelman Industries, Inc., 144A, 9.88%, 06/15/2023 <sup>(c)</sup>	1,850,000	1,970,250
<b>Surface Transport 0.9%</b>		

XPO Logistics, Inc., 144A, 6.50%, 06/15/2022 <sup>(c)</sup>	3,500,000	3,587,500
<b>Technology 0.2%</b>		
Iron Mountain U.S. Holdings, Inc., 144A, 5.38%, 06/01/2026 <sup>(c)</sup>	815,000	749,800
<b>Corporate Bonds (continued)</b>		
	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
<b>Telecommunications 1.6%</b>		
Intelsat Jackson Holdings S.A., 144A, (Luxembourg), 8.00%, 02/15/2024 <sup>(c)</sup>	\$2,000,000	\$ 2,092,500
Sprint Capital Corp., 6.90%, 05/01/2019	1,000,000	1,013,090
Sprint Corp., 7.63%, 03/01/2026	1,425,000	1,482,000
Sprint Spectrum Co., LLC, 144A, 4.74%, 03/20/2025 <sup>(c)</sup>	1,000,000	998,750
Sprint Spectrum Co., LLC, 144A, 5.15%, 03/20/2028 <sup>(c)</sup>	1,000,000	1,000,000
		<b>6,586,340</b>
<b>Telecommunications/Cellular Communications 1.8%</b>		
Digicel Group, Ltd., 144A, (Bermuda), 8.25%, 09/30/2020 <sup>(c)</sup>	3,000,000	2,145,030
T-Mobile USA, Inc., 6.38%, 03/01/2025	3,500,000	3,609,375
T-Mobile USA, Inc., 6.50%, 01/15/2026	1,500,000	1,578,750
		<b>7,333,155</b>
<b>Utilities 0.7%</b>		
Dynegy, Inc., 7.63%, 11/01/2024	1,219,000	1,289,093
NRG Energy, Inc., 7.25%, 05/15/2026	1,500,000	1,593,750
		<b>2,882,843</b>
<b>Total Corporate Bonds</b>		
(Cost: \$280,083,482)		<b>275,807,980</b>
<b>Collateralized Loan Obligations 40.7%<sup>(c)(d)(h)</sup></b>		
<b>Collateralized Loan Obligations Debt 27.6%<sup>(b)</sup></b>		
AMMC CLO XI, Ltd., (Cayman Islands), 3M LIBOR + 5.80%, 8.32%, 04/30/2031	2,000,000	1,987,218
AMMC CLO XI, Ltd., (Cayman Islands), 3M LIBOR +	500,000	487,892

7.95%, 10.47%, 04/30/2031 AMMC CLO XIII, Ltd., (Cayman Islands), 3M LIBOR + 6.95%, 9.44%, 07/24/2029	2,000,000	2,046,642
AMMC CLO XIV, Ltd., (Cayman Islands), 3M LIBOR + 7.35%, 9.84%, 07/25/2029	1,250,000	1,275,478

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

October 31, 2018

**Collateralized Loan Obligations**<sup>(c)(d)(h)</sup> (continued)

	Principal Amount	Value <sup>(a)</sup>
AMMC CLO XIX, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.44%, 10/15/2028	\$2,000,000	\$ 2,013,436
AMMC CLO XXII, Ltd., (Cayman Islands), 3M LIBOR + 5.50%, 7.99%, 04/25/2031	3,000,000	2,950,563
Apidos CLO XI, Ltd., (Cayman Islands), 3M LIBOR + 7.65%, 10.10%, 01/17/2028	1,500,000	1,500,352
Apidos CLO XX, Ltd., (Cayman Islands), 3M LIBOR + 5.70%, 8.14%, 07/16/2031	2,000,000	1,994,902
Apidos CLO XX, Ltd., (Cayman Islands), 3M LIBOR + 8.70%, 11.14%, 07/16/2031	850,000	835,057
Bain Capital Credit CLO 2016-2, (Cayman Islands), 3M LIBOR + 7.04%, 9.48%, 01/15/2029	2,000,000	2,013,602
Benefit Street Partners CLO IV, Ltd., (Cayman Islands), 3M LIBOR + 7.25%, 9.72%, 01/20/2029	2,500,000	2,515,502
BlueMountain CLO, Ltd. 2016-3, (Cayman Islands), 3M LIBOR + 6.85%, 9.16%, 11/15/2027	1,500,000	1,499,982
California Street CLO IX, LP 2012-9A, (Cayman Islands), 3M LIBOR + 7.18%, 9.62%, 10/16/2028	2,000,000	2,005,236
Canyon Capital CLO, Ltd., (Cayman Islands), 3M LIBOR +	750,000	737,569

5.75%, 8.19%, 07/15/2031 Crestline Denali CLO XV, Ltd., (Cayman Islands), 3M LIBOR + 7.35%, 9.82%, 04/20/2030	3,875,000	3,902,834
Denali Capital CLO XII, Ltd., (Cayman Islands), 3M LIBOR + 5.90%, 8.34%, 04/15/2031	5,000,000	5,003,110
Dryden XL Senior Loan Fund, (Cayman Islands), 3M LIBOR + 5.75%, 8.06%, 08/15/2031	1,500,000	1,485,422
Dryden XLIII Senior Loan Fund, (Cayman Islands), 3M LIBOR + 6.10%, 8.57%, 07/20/2029	4,000,000	3,988,492
Dryden XXVI Senior Loan Fund, (Cayman Islands), 3M LIBOR + 5.54%, 7.98%, 04/15/2029	2,000,000	1,996,834
Goldentree Loan Opportunities X, Ltd., (Cayman Islands), 3M LIBOR + 5.65%, 8.12%, 07/20/2031	1,750,000	1,749,933
<b>Collateralized Loan Obligations<sup>(c)(d)(h)</sup> (continued)</b>		

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Halcyon Loan Advisors Funding, Ltd. 2015-1, (Cayman Islands), 3M LIBOR + 5.65%, 8.12%, 04/20/2027	\$ 750,000	\$ 750,057
Highbridge Loan Management, Ltd. 2013-2, (Cayman Islands), 3M LIBOR + 8.25%, 10.72%, 10/20/2029	2,250,000	2,221,924
Highbridge Loan Management, Ltd. 2014-4, (Cayman Islands), 3M LIBOR + 7.36%, 9.87%, 01/28/2030	2,000,000	1,972,620
ICG U.S. CLO, Ltd. 2018-2, (Cayman Islands), 3M LIBOR + 5.75%, 8.07%, 07/22/2031	1,200,000	1,188,935
LCM XV, LP, (Cayman Islands), 3M LIBOR + 6.50%, 8.97%, 07/20/2030	1,850,000	1,872,759

LCM XVII, LP, (Cayman Islands), 3M LIBOR + 6.00%, 8.43%, 10/15/2031	3,750,000	3,749,599
LCM XXIII, LP, (Cayman Islands), 3M LIBOR + 7.05%, 9.52%, 10/20/2029	3,000,000	3,080,949
Mountain Hawk III CLO, Ltd., (Cayman Islands), 3M LIBOR + 4.85%, 7.29%, 04/18/2025	2,000,000	1,895,314
Neuberger Berman CLO XVII, Ltd. 2014-17A, (Cayman Islands), 3M LIBOR + 6.55%, 9.02%, 04/22/2029	1,000,000	1,003,689
Northwoods Capital XII-B, Ltd., (Cayman Islands), 3M LIBOR + 5.79%, 8.13%, 06/15/2031	2,000,000	1,938,920
Oaktree CLO, Ltd. 2014-1, (Cayman Islands), 3M LIBOR + 6.30%, 8.64%, 05/13/2029	5,000,000	5,007,530
Octagon Investment Partners XV, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.45%, 07/19/2030	1,500,000	1,533,487
Octagon Investment Partners XXVIII, Ltd., (Cayman Islands), 3M LIBOR + 6.50%, 8.99%, 10/24/2027	2,000,000	2,000,622
OHA Credit Partners VII, Ltd., (Cayman Islands), 3M LIBOR + 7.50%, 9.82%, 11/20/2027	2,850,000	2,852,380
OHA Credit Partners XI, Ltd., (Cayman Islands), 3M LIBOR + 7.90%, 01/20/2032 <sup>(9)(i)</sup>	2,750,000	2,709,194

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

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**Collateralized Loan Obligations**<sup>(c)(d)(h)</sup> (continued)

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
OHA Credit Partners XI, Ltd., (Cayman Islands), 3M LIBOR + 8.10%, 10.57%, 10/20/2028	\$2,000,000	\$ 2,000,776
OZLM XI, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.52%, 10/30/2030	2,750,000	2,809,694
Silver Creek CLO, Ltd., (Cayman Islands), 3M LIBOR + 6.40%, 8.87%, 07/20/2030	1,000,000	1,002,770
Steele Creek CLO, Ltd. 2015-1, (Cayman Islands), 3M LIBOR + 8.85%, 11.16%, 05/21/2029	3,000,000	2,998,443
Steele Creek CLO, Ltd. 2016-1, (Cayman Islands), 3M LIBOR +5.75%, 8.08%, 06/15/2031	3,000,000	2,950,101
TCI-Cent CLO, Ltd. 2016-1, (Cayman Islands), 3M LIBOR + 6.75%, 9.26%, 12/21/2029	2,000,000	2,006,526
THL Credit Wind River CLO, Ltd. 2015-2, (Cayman Islands), 3M LIBOR + 7.80%, 10.24%, 10/15/2027	2,000,000	2,003,692
THL Credit Wind River CLO, Ltd. 2016-2, (Cayman Islands), 3M LIBOR + 6.48%, 8.82%, 11/01/2028	1,750,000	1,749,996
Venture 28A CLO, Ltd., (Cayman Islands), 3M LIBOR + 6.16%, 8.63%, 10/20/2029	3,000,000	3,006,120
Venture XXIV CLO, Ltd. 2016-24A, (Cayman Islands), 3M LIBOR + 6.72%,	700,000	702,189

9.19%, 10/20/2028 Venture XXVI CLO, Ltd. 2017-26A, (Cayman Islands), 3M LIBOR + 6.80%, 9.27%, 01/20/2029	1,000,000	1,013,534
Venture XXVII CLO, Ltd. 2017-27A, (Cayman Islands), 3M LIBOR + 6.35%, 8.82%, 07/20/2030	2,025,000	2,033,471
Venture XXVIII CLO, Ltd. 2017-28A, (Cayman Islands), 3M LIBOR + 6.16%, 8.63%, 10/20/2029	1,000,000	1,002,040
Vibrant CLO X, Ltd., (Cayman Islands), 3M LIBOR + 6.19%, 8.63%, 10/20/2031	3,000,000	2,967,789
Voya CLO, Ltd. 2013-3, (Cayman Islands), 3M LIBOR + 5.90%, 8.34%, 10/18/2031 <sup>(g)</sup>	2,750,000	2,750,000
Voya CLO, Ltd. 2017-3, (Cayman Islands), 3M LIBOR + 6.20%, 8.67%, 07/20/2030	1,950,000	1,966,259
<b>Collateralized Loan Obligations<sup>(c)(d)(h)</sup> (continued)</b>		

	Principal Amount	Value <sup>(a)</sup>
Wellfleet CLO, Ltd. 2017-2, (Cayman Islands), 3M LIBOR + 6.75%, 9.22%, 10/20/2029	\$2,000,000	\$ 2,025,260
		<b>110,756,695</b>
<b>Collateralized Loan Obligations Equity 13.1%</b>		
Allegro CLO VIII, Ltd., (Cayman Islands), 13.01%, 07/15/2031	3,500,000	3,100,146
Allegro CLO, Ltd. 2017-1A, (Cayman Islands), 13.75%, 10/16/2030	2,000,000	1,882,316
AMMC CLO XXI, Ltd., (Cayman Islands), 11.74%, 11/02/2030	500,000	403,258
Atlas Senior Loan Fund III, Ltd., (Cayman Islands), 11.99%, 11/17/2027	1,800,000	886,849
Carlyle Global Market Strategies CLO, Ltd. 2013-4, (Cayman Islands),	1,259,000	783,602



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27.99%, 01/15/2031 Carlyle Global Market Strategies CLO, Ltd. 2018-3, (Cayman Islands), 13.01%, 10/15/2030 <sup>(9)</sup>	3,222,500	2,642,450
Carlyle Global Market Strategies CLO, Ltd. 2017-3, (Cayman Islands), 12.70%, 07/20/2029	1,750,000	1,456,961
Cedar Funding IV CLO, Ltd., (Cayman Islands), 19.70%, 07/23/2030	4,000,000	3,185,292
Cedar Funding V CLO, Ltd., (Cayman Islands), 18.50%, 07/17/2031	1,546,000	1,455,115
Cedar Funding VI CLO, Ltd., (Cayman Islands), 12.34%, 10/20/2028	2,000,000	1,952,246
Cedar Funding VIII CLO, Ltd., (Cayman Islands), 10.07%, 10/17/2030	2,000,000	1,623,750
Crestline Denali CLO XVI, Ltd. 2018-1A, (Cayman Islands), 13.15%, 01/20/2030	2,000,000	1,774,374
Dryden 57 CLO, Ltd., (Cayman Islands), 14.78%, 05/15/2031		