

Ares Dynamic Credit Allocation Fund, Inc.
Form N-2/A
October 03, 2012

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Securities Act Registration No. 333-172987
Investment Company Registration No. 811-22535

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

FORM N-2/A

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933 ^y**

**Pre-Effective Amendment No. 3
Post-Effective Amendment No. []**

**REGISTRATION STATEMENT
UNDER
THE INVESTMENT COMPANY ACT OF 1940 ^y**

Amendment No. 3

Ares Dynamic Credit Allocation Fund, Inc.

(Formerly known as Ares Senior Credit Strategies Fund, Inc.)
(Exact Name of Registrant as Specified in Charter)

**2000 Avenue of the Stars
12th Floor
Los Angeles, California 90067**
(Address of Principal Executive Offices)

(310) 201-4200
(Registrant's Telephone Number, Including Area Code)

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(310) 201-4200

(Name and Address of Agent for Service)

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Approximate Date of Proposed Public Offering:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. o

It is proposed that this filing will become effective (check appropriate box)

when declared effective pursuant to section 8(c)

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
Common Stock, (\$0.001 par value per share)	50,000 shares	\$20.00	\$1,000,000	\$116.10(2)

(1) Estimated solely for purpose of calculating the registration fee.

(2) This amount was previously paid with the initial filing.

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 dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE FUND (AS DEFINED BELOW) MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS 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
Preliminary Prospectus dated [], 2012

PROSPECTUS

, 2012

Shares

Ares Dynamic Credit Allocation Fund, Inc.

Common Stock \$20.00 per Share

Investment Objective. Ares Dynamic Credit Allocation Fund, Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company. The Fund's investment objective is to provide an attractive level of total return, primarily through current income and, secondarily, through capital appreciation. There can be no assurance that the Fund will be able to achieve its investment objective or structure its investment portfolio as anticipated.

Investment Strategy and Policies. The Fund will seek to achieve its investment objective by investing primarily in a broad, dynamically managed portfolio of (i) secured loans ("Senior Loans") made primarily to companies whose debt is rated below investment grade; (ii) corporate bonds ("Corporate Bonds") that are expected to be primarily high yield issues rated below investment grade; and (iii) debt securities issued by entities commonly referred to, and referred to herein, as collateralized loan obligations ("CLOs", and such debt securities, "CLO Debt Securities").

Under normal market conditions, at least 80% of the Fund's Managed Assets (as defined in this prospectus) will be invested in (i) Senior Loans and investments with similar economic characteristics (such as second lien loans and unsecured loans) and (ii) Corporate Bonds. The Fund expects initially that almost all of the Senior Loans and Corporate Bonds in which the Fund will invest will be rated below investment grade. Corporate Bonds rated below investment grade are often referred to as "high yield" securities. Senior Loans made to companies whose debt is rated below investment grade and high yield securities are often high risk and have speculative characteristics. Under normal market conditions, the Fund expects to invest up to 20% of its Managed Assets (as defined in this prospectus) in CLO Debt Securities. The underlying obligations collateralizing such CLO Debt Securities will principally be Senior Loans, diversified by industry and borrower. The Fund will invest only in CLO Debt Securities rated investment grade at the time of the Fund's investment.

Adviser. Ares Capital Management II LLC, the Fund's investment adviser (the "Adviser"), is an affiliate of Ares Management LLC ("Ares"). The Adviser will seek to implement the Fund's investment strategy through the application of several techniques, including: (i) investing in a diversified portfolio of loans and other debt investments across a broad range of industries with varying characteristics and return profiles; (ii) adhering to the established credit underwriting processes of Ares Management LLC, an affiliate of the Adviser, and doing substantial pre-investment credit analysis, utilizing publicly available credit and industry information as well as other information about the borrowers and issuers; (iii) monitoring the credit quality of the obligors in the Fund's investments and, as appropriate, on a risk adjusted return basis, selling investments in underperforming issuers; and (iv) holding cash and engaging in derivative credit and interest rate hedges. The Adviser will allocate the Fund's portfolio dynamically among investments in the various targeted credit markets to seek to manage interest rate and credit risk and the duration of the Fund's portfolio.

Leverage. The Fund currently anticipates utilizing leverage to seek to enhance the level of its current distributions to holders of shares of its common stock. The Fund may use leverage through borrowings, including loans from certain financial institutions and/or the issuance of debt securities, as well as through the issuance of shares of preferred stock. The Fund expects to initially incur leverage in an aggregate amount of approximately 33% of the Fund's Managed Assets (as defined herein and after the leverage is incurred) and 150% of the Fund's net assets (after the leverage is incurred). The use of leverage is a speculative technique that involves special risks. There can be no assurance that the Fund's leveraging strategy will be successful. See "Leverage", and "Risk Factors Principal Risks Relating to Fund Operations Leverage Risk".

No Prior History. The Fund is a newly formed entity and has no previous operating or trading history upon which you can evaluate the Fund's performance. Shares of closed-end management investment companies that are listed on an exchange, such as those of the Fund, frequently trade at prices that reflect a discount from their net asset values. If you purchase shares of the Fund's common stock in its initial public offering or otherwise and sell the shares on an exchange or otherwise, you may receive an amount that is less than: (1) the amount you paid for the shares and/or (2) the net asset value of the Fund's shares at the time of sale.

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Listing. It is anticipated that the Fund's common shares will be approved for listing on the New York Stock Exchange, subject to notice of issuance, under the ticker symbol "ARDC".

Investing in the Fund's common shares involves certain risks. You could lose some or all of your investment. See "Risk Factors" beginning on page 56 of this prospectus. Certain of these risks are summarized in "Prospectus Summary Risks Factors" beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to public	Sales load(1)	Proceeds to Fund(2)
Per Share	\$20.00	\$0.90	\$19.10
Total	\$		\$
Total assuming full exercise of the over-allotment option	\$		\$

- (1) The Adviser (and not the Fund) has agreed to pay from its own assets a structuring fee to each of UBS Securities LLC, [] and []. The Adviser has agreed to pay Destra Capital Investments LLC ("Destra") for distribution assistance in connection with the offering. The sum of all compensation to the underwriters in connection with this public offering of common shares, including the sales load, the structuring fees, the fees paid to Destra and all forms of additional payments to the underwriters, will not exceed []% of the total public offering price of the common shares sold in this offering. The structuring fees and the distribution assistance fees that are to be paid to Destra referenced in this footnote are not reflected in the sales load in the table above. See "Underwriting".
- (2) In addition to the sales load, the Fund will pay offering expenses of up to \$0.04 per common share, estimated to total \$ (\$ assuming full exercise of the over-allotment option). The Adviser or an affiliate of the Adviser has agreed to pay offering costs (other than sales loads) of the Fund in excess of \$0.04 per share. The estimated aggregate amount of offering costs to be paid by the Adviser will be \$ and the estimated amount per share of offering costs to be paid by the Adviser will be \$. The Adviser or an affiliate of the Adviser has agreed to pay all of the Fund's organizational expenses.

The underwriters expect to deliver the common shares to purchasers on or about _____, 2012.

UBS Investment Bank

This prospectus provides information that you should know about the Fund before investing. Please read this prospectus carefully and keep it for future reference. Information required to be in the Fund's statement of additional information is found in this prospectus. Additional information about the Fund has been filed with the Securities and Exchange Commission ("SEC") and is available upon written or oral request and without charge. Information about the Fund can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Call 1-202-551-8090 for information on the operation of the public reference room. This information also is available on the SEC's Internet site at <http://www.sec.gov> and copies may be obtained upon payment of a duplicating fee by writing the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549-0102. You may also email requests for these documents to publicinfo@sec.gov. For a free copy of the Fund's annual or semi-annual report (following the Fund's completion of an annual or semi-annual period, as applicable) or to request other information or ask questions about the Fund, please write to the Fund at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067 or call [] or visit the Fund's website at www.aresdc.com. All website addresses herein are inactive textual references, and the information from websites is not incorporated into this prospectus.

The Fund's common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

The underwriters named in this Prospectus may purchase up to additional common shares from the Fund at the public offering price, less the sales load, within 45 days after the date of this prospectus to cover overallotments.

You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date of this prospectus. The Fund's business, financial condition and prospects may have changed since the date of this prospectus.

Through and including , 2012 (the 25th day after the date of this prospectus), all dealers effecting transactions in the common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights some of the information included elsewhere in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" on page 56 of this prospectus and the other information included elsewhere in this prospectus. The information below is qualified in all respects by the more detailed information included elsewhere in this prospectus and in the Fund's Registration Statement filed with the U.S. Securities and Exchange Commission (the "SEC").

The Fund

Ares Dynamic Credit Allocation Fund, Inc. (the "Fund") is a corporation organized under the laws of the State of Maryland and registered with the SEC under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as a closed-end, non-diversified management investment company. Ares Capital Management II LLC (the "Adviser") serves as the Fund's investment adviser.

The Offering

The Fund is offering _____ shares of its common stock, par value \$0.001 per share ("common shares"), at \$20.00 per share through a group of underwriters (the "Underwriters") led by UBS Securities LLC. You must purchase at least 100 common shares in this offering. The Fund has given the Underwriters an option to purchase up to _____ additional common shares to cover orders in excess of _____ common shares. See "Underwriting".

Who May Wish to Invest

The Fund may be an appropriate investment for:

Long-term investors seeking attractive total return, primarily through current income and, secondarily, capital appreciation.

Fixed income investors seeking investment in a fixed income portfolio initially managed to seek short to moderate portfolio duration in light of market conditions.

Investors who believe interest rates and inflation may rise in the future and want the benefits that floating rate fixed income investments may offer.

Investors seeking access to the investment acumen of the Adviser and its affiliates. Investors should consider their investment goals, time horizons and risk tolerance before investing in the Fund. An investment in the Fund is not appropriate for all investors, and the Fund is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle.

Investment Objective

The Fund's investment objective is to provide an attractive level of total return, primarily through current income and, secondarily, through capital appreciation. There can be no assurance that the Fund will achieve its investment objective or be able to structure its investment portfolio as anticipated.

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Investment Strategies

The Fund's investment objective may be changed by the board of directors of the Fund (the "Board of Directors" or the "Board") on 60 days' prior written notice to shareholders. The Fund will seek to achieve its investment objective by investing primarily in a broad, dynamically managed portfolio of (i) secured loans ("Senior Loans") made to companies whose debt is rated below investment grade, (ii) corporate bonds ("Corporate Bonds") that are expected to be primarily high yield issues rated below investment grade, and (iii) debt securities issued by entities commonly referred to, and referred to herein, as collateralized loan obligations ("CLOs", and such debt securities, "CLO Debt Securities"). The Adviser will dynamically allocate the Fund's portfolio among investments in the various targeted credit markets to seek to manage interest rate and credit risk and the duration of the Fund's portfolio. Under normal market conditions, at least 80% of the Fund's Managed Assets (as defined below) will be invested in (i) Senior Loans and investments with similar economic characteristics (such as second lien loans and unsecured loans) and (ii) Corporate Bonds. Under normal market conditions, the Fund expects to invest up to 20% of its Managed Assets (as defined below) in CLO Debt Securities. The underlying obligations collateralizing such CLO Debt Securities will principally be Senior Loans, diversified by industry and borrower. "Managed Assets" means the total assets of the Fund (including any assets attributable to any preferred shares that may be issued or to indebtedness) minus the Fund's liabilities other than liabilities relating to indebtedness.

Senior Loans. Senior Loans generally hold a first lien priority and typically pay interest at rates that are determined periodically on the basis of a floating base lending rate, primarily the London-Interbank Offered Rate ("LIBOR"), plus a spread. Senior Loans are typically made to U.S. and, to a lesser extent, non-U.S. corporations, partnerships, limited liability companies and other business entities (together with issuers of Corporate Bonds and other debt securities, "Borrowers") which operate in various industries and geographical regions. Borrowers may obtain Senior Loans, among other reasons, to refinance existing debt, engage in acquisitions, pay dividends, recapitalize, complete leveraged buyouts and for general corporate purposes. Senior Loans rated below investment grade are sometimes referred to as "leveraged loans". The Fund may invest in Senior Loans through assignments of or, to a lesser extent, participations in Senior Loans. The Fund may utilize various types of derivative instruments, including total return swaps for the purpose of gaining exposure to Senior Loans.

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Corporate Bonds. An issuer of Corporate Bonds typically pays the investor a fixed rate of interest and must repay the amount borrowed on or before maturity. The investment return of Corporate Bonds reflects interest on the security and changes in the market value of the security. The market value of a Corporate Bond generally may be expected to rise and fall inversely with interest rates. The value of intermediate- and longer-term Corporate Bonds normally fluctuates more in response to changes in interest rates than does the value of shorter-term Corporate Bonds. The market value of a Corporate Bond also may be affected by investors' perceptions of the creditworthiness of the issuer, the issuer's performance and perceptions of the issuer in the market place. There is a risk that the issuers of Corporate Bonds may not be able to meet their obligations on interest or principal payments at the time called for by an instrument. The Fund may utilize various types of derivative instruments, including swaps, for the purpose of gaining exposure to Corporate Bonds.

CLOs. A CLO generally holds a portfolio consisting principally (typically, 80% or more of its assets) of loan obligations. CLOs are created to reappportion the risk and return characteristics of a portfolio of underlying assets. The CLO securitizes payment claims arising out of its portfolio of underlying assets and issues debt securities with payment characteristics linked to the underlying assets. The redemption of the securities issued by the CLO typically occurs from the cash flow generated by the portfolio of underlying assets. The vast majority of CLOs are actively managed by an independent investment manager.

The Fund expects to invest in CLO Debt Securities issued by CLOs that principally hold Senior Loans, diversified by industry and borrower. It is also possible that the underlying obligations of CLOs in which the Fund invests will include (i) Subordinated Loans, (ii) debt tranches of other CLOs, and (iii) equity securities incidental to investments in Senior Loans. The cash flows on the underlying obligations will primarily determine the payments to holders of CLO Debt Securities. CLO Debt Securities typically have floating interest rates. CLOs issue debt securities in tranches with different payment characteristics and different credit ratings. The tranches of CLO Debt Securities senior to the "residual" or lowest tranche (called the "rated tranches") are generally assigned credit ratings by one or more nationally recognized statistical rating organizations. Residual tranches are the most junior tranches and do not receive ratings. The Fund will not invest in residual tranches of CLO Debt Securities and will invest only in tranches of CLO Debt Securities rated investment grade at the time of the Fund's investment. Though, if any CLO Debt Security held by the Fund is downgraded to a below investment grade rating, the Fund may

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exchange such CLO Debt Security for another CLO Debt Security that is rated below investment grade.

Subordinated Loans. The Fund may also invest in subordinated loans ("Subordinated Loans"). Subordinated loans generally have the same characteristics as Senior Loans except that such loans are subordinated in payment and/or lower in lien priority to first lien holders.

Denomination. The Fund may invest in U.S. dollar and non-U.S. dollar denominated loans and securities of Borrowers located anywhere in the world, and of Borrowers that operate in any industry.

Credit Rating. Senior Loans, Corporate Bonds and other instruments considered below investment grade are those that, at the time of investment, are rated "Ba1" or lower by Moody's Investors Service, Inc. ("Moody's"), "BB+" or lower by Standard & Poor's Corporation Ratings Group ("S&P") or "BB+" or lower by Fitch Ratings, Inc. ("Fitch"), or, if unrated, are judged by the Adviser to be of comparable credit quality. Senior Loans rated below investment grade are sometimes referred to as "leveraged loans". In addition, the Corporate Bonds in which the Fund invests are expected to be primarily rated below investment grade. Corporate Bonds rated below investment grade are commonly referred to as "high yield" securities and regarded as having predominately speculative characteristics with respect to an issuer's capacity to pay interest and repay principal. Although many of the Fund's investments may consist of securities and other instruments rated below investment grade, the Fund reserves the right to invest in debt securities and loans of any credit rating.

Maturity and Duration. The Fund may invest in debt securities of any maturity, including perpetual securities, and does not manage its portfolio seeking to maintain a targeted dollar-weighted average maturity level. While the Fund may invest in securities of any duration, the Fund initially will seek to manage its portfolio to a short to moderate duration of approximately three months to five years. While the Fund generally expects its portfolio to have a duration within this range under normal market conditions, the duration of the portfolio may, at any time, be outside of this range depending on market conditions. The Adviser will dynamically allocate the Fund's portfolio among investments in the various targeted credit markets to seek the targeted duration of the Fund's portfolio in light of market conditions. The Fund does not have a fixed duration target, and the portfolio's duration may vary significantly over time based on the Adviser's assessment of the current market conditions. In comparison to maturity (which is the date on which the issuer of a debt security or a borrower of a loan is obligated to repay the principal amount), duration is a measure of the price volatility

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of a debt security or loan as a result of changes in market interest rates, based on the weighted average timing of the security's or loan's expected principal and interest payments. Duration is expressed as a number of years but differs from maturity in that it considers a security's or loan's yield, coupon payments, principal payments and call features in addition to the amount of time until the security or loan matures. As the value of a security or loan changes over time, so will its duration. Prices of securities or loans with longer durations tend to be more sensitive to interest rate changes than securities or loans with shorter durations. There can be no assurance that the Fund's duration management strategies will be successful in helping the Fund to achieve its investment objectives.

For a more complete discussion of the Fund's portfolio composition, see "The Fund's Investments".

Investment Process

The Adviser is an affiliate of Ares Management LLC ("Ares"). In making its investment decisions, the Adviser has adopted Ares' long-standing, consistent credit-based investment approach that was developed over 20 years ago by its founders. Specifically, the Adviser's investment philosophy, portfolio construction and portfolio management involve an assessment of the overall macroeconomic environment, financial markets and company-specific research and analysis. Its investment approach emphasizes capital preservation, low volatility and minimization of downside risk. In addition to engaging in extensive due diligence from the perspective of a long-term investor, the Adviser's approach seeks to reduce risk as further described below.

The Adviser will dynamically manage the Fund's portfolio by allocating the portfolio among investments in the various targeted credit markets in a manner that seeks to manage interest rate and credit risk and the duration of the Fund's portfolio. The term "dynamically manage" refers to the method of investment allocation that the Adviser will use to manage the Fund's assets and according to which the Adviser will evaluate and adjust, based on its analysis of the then current market environment and outlook, the Fund's portfolio of Senior Loans, Corporate Bonds, CLO Debt Securities and other permitted investments. The Adviser will seek to implement this dynamic allocation strategy with the intention of responding to changing market conditions and outlook, and achieving attractive risk-adjusted returns throughout the credit cycle. The Adviser believes that as market conditions change, so should the Fund's investment allocations. In addition,

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the Adviser may allocate portions of the Fund's portfolio to investments that it believes to be pre-disposed to positive event risk or to have attractive relative value characteristics given then current market conditions. The Adviser believes that reallocating investments in this way will opportunistically emphasize those investments and categories of investments best suited to the then current market environment and outlook. There can be no assurance that the Adviser will seek to allocate the Fund's investments in any particular manner or that the Fund will be able to structure its investment portfolio as desired in any given market environment.

The Adviser's investment process is rigorous, proactive and continuous. Close monitoring of each investment in the portfolio provides foresight for making buy, sell and hold decisions. The Adviser utilizes what it believes to be a conservative approach that focuses on credit fundamentals, collateral coverage, structural seniority and relative value. The Adviser may also employ sector analysis to assess industry trends and characteristics that may impact a Borrower's potential future ability to generate cash, as well as profitability, asset values, financial needs and potential liabilities. The Adviser takes a disciplined approach to its credit investment selection process in which criteria used by the Adviser in credit selection may include an evaluation of whether a loan or debt security is adequately collateralized or over-collateralized and whether it is covered by sufficient earnings and cash flow to service the Borrower's indebtedness on a timely basis. The Adviser also takes into consideration the credit ratings of Borrowers in evaluating potential investments, but credit ratings are generally not the primary or determinative factor in the investment selection process. The Adviser also expects to gain exposure to Borrowers across a broad range of industries and of varying characteristics and return profiles.

When identifying prospective investment opportunities, the Adviser currently intends to focus primarily on the following attributes:

Strong franchises and sustainable competitive advantage. When identifying potential investment opportunities, the Adviser favors well-established companies with strong franchises and sustainable competitive advantages. The Adviser intends to invest in Borrowers that it believes have developed strong positions within their markets and exhibit the potential to maintain sufficient cash flows and revenues to service their obligations in a range of economic environments. The Adviser will seek Borrowers that it believes possess advantages in scale, scope, customer loyalty, product pricing or product quality versus their competitors.

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Investing in stable Borrowers with cash flows that are dependable and predictable. The Adviser intends to invest in Borrowers it believes to be stable and well established with cash flows that are dependable and predictable. The Adviser believes these attributes evidence Borrowers that may be well positioned to maintain consistent cash flow to service and repay their obligations and maintain growth in their businesses or market share. The Adviser currently does not expect to invest significantly in start-up companies, companies in turnaround situations or companies with speculative business plans, although the Fund is permitted to do so.

Management teams with demonstrated track records and economic incentive. The Adviser intends to focus on investments in which the Borrower has an experienced management team with an established track record of success and economic incentives to succeed.

Investments in industries with positive long-term dynamics. The Adviser will seek to invest the Fund's assets broadly among Borrowers and industries with positive long-term dynamics, thereby potentially reducing the risk that a downturn in any one company or industry will have a disproportionate effect on the value of the Fund's portfolio.

Rates of return commensurate with the perceived risks. The Adviser and its affiliates have extensive experience investing in a wide variety of securities for leveraged companies with a diverse set of terms and conditions. The Fund believes this approach and experience enables the Adviser to identify attractive investment opportunities throughout economic cycles and across a company's capital structure so the Fund can make investments consistent with its stated investment objective while seeking appropriate risk adjusted returns.

Securities or investments that are structured with protective terms and covenants. The Adviser will seek investments that seek to permit the Borrower to operate its business while balancing the need to assure repayment of the Fund's investment through protective terms and covenants. In managing the Fund's portfolio, the Adviser will engage in regular and periodic monitoring of credit risk with a goal toward the early identification, and sale, of Senior Loans, Corporate Bonds and other investments with potential credit problems. This monitoring process may include reviewing (i) a Borrower's financial resources and operating history; (ii) a comparison of a Borrower's current operating results with the Adviser's initial investment thesis for the investment and initial expectations for the performance of the obligation; (iii) a Borrower's sensitivity to economic conditions; (iv) the performance of a Borrower's management; (v) a Borrower's

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debt maturities and borrowing requirements; (vi) a Borrower's interest and asset coverage; and (vii) the relative value of an investment based on a Borrower's anticipated cash flow or where other comparable assets are trading in the market.

The Adviser also expects to gain exposure to Borrowers across a broad range of industries and of varying characteristics and return profiles, as well as active management of such investments in light of current economic developments and trends. The Fund may take certain actions if short-term interest rates increase or market conditions otherwise change (or if the Fund anticipates such an increase or change) and the Fund's use of leverage, if any, begins (or is expected) to adversely affect common shareholders. In order to attempt to offset such a negative effect of leverage on common shareholders, the Fund may shorten the average maturity of its investment portfolio (by investing in short-term securities), may reduce its indebtedness or unwind other leveraged transactions, or may engage in interest rate hedging arrangements.

Temporary Defensive Investments

For temporary defensive purposes or in order to reduce the Fund's leverage exposure or to keep the Fund's cash fully invested, including during the period when the net proceeds of the offering of common shares are being invested, or at other times deemed appropriate by the Adviser, the Fund may deviate from its investment strategies and objective. During such periods, the Fund may invest all or a portion of its Managed Assets in U.S. Government securities, including bills, notes and bonds differing as to maturity and rates of interest that are either issued or guaranteed by the Treasury or by U.S. Government agencies or instrumentalities; non-U.S. Government securities which have received the highest investment grade credit rating, certificates of deposit issued against funds deposited in a bank or a savings and loan association; commercial paper; bankers' acceptances; bank time deposits; shares of money market funds; credit-linked notes or repurchase agreements with respect to any of the foregoing. It is impossible to predict when, or for how long, the Fund will use these strategies. There can be no assurance that such strategies will be successful. The Fund is not required to adopt defensive positions or hedge its investments and may choose not to do so even in periods of extreme market volatility and economic uncertainty.

Leverage

The Fund currently anticipates utilizing leverage to seek to enhance the level of its current distributions to holders of shares of its common stock. The Fund may engage in leverage to the maximum extent permitted by law for investment and other general corporate purposes. The Fund expects to initially incur leverage in an aggregate amount of approximately 33% of the Fund's Managed Assets (after the leverage is incurred)

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and 150% of the Fund's net assets (after the leverage is incurred). As used in this prospectus, "net assets" are determined by subtracting any liabilities (including borrowings for investment purposes) from the total value of the Fund's portfolio investments and other assets. As discussed further in this prospectus, the Fund's ability to use leverage will be limited by the Investment Company Act and any agreements on debt limitations or asset coverage requirements imposed on the Fund by its lenders or necessary to obtaining ratings on any preferred stock or debt issued by the Fund. The Fund may issue preferred shares and/or notes or other forms of indebtedness, and it may also borrow funds from banks and other financial institutions. The Fund may also gain leverage synthetically through swaps and other Derivatives. To the extent that the Fund segregates assets against or covers such positions in accordance with interpretations of the staff of the SEC, the Fund's obligations under such transactions will not be considered senior securities representing indebtedness under the Investment Company Act and will not be included in calculating the aggregate amount of leverage for purposes of the 33% policy set forth above.

The issuance of preferred shares or the use of borrowings or Derivatives to leverage the common shares can create risks, including increased variability of the Fund's net income, distributions and/or net asset value in relation to market changes. Changes in the value of the Fund's portfolio, including securities bought with the proceeds of leverage, will be borne entirely by common shareholders. All costs and expenses related to any form of leverage used by the Fund will be borne entirely by common shareholders. Increases and decreases in the value of the Fund's portfolio will be magnified if the Fund uses leverage. In particular, leverage may magnify interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those types of securities rise (or fall). During periods when the Fund is using leverage, the fees paid to the Adviser for advisory services will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund's Managed Assets, which includes the assets purchased through leverage. In such case, the Adviser may have a financial incentive to increase the Fund's use of leverage, which constitutes an inherent conflict of interest. In addition, the fees paid to the Adviser are borne exclusively by common shareholders. It is expected that preferred shareholders, noteholders and any lenders to the Fund will not bear any expenses of the Fund. The Fund's leveraging strategy, if utilized, may not be successful. See "Leverage" and "Risk Factors Principal Risks Relating to Fund Operations Leverage Risk".

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Investment Adviser

The Fund may seek to arrange a floating rate credit facility (the "Credit Facility") with one or more banks or other financial institutions pursuant to which the Fund would be entitled to borrow funds from time to time in accordance with the terms of the Credit Facility. Any such borrowings, as well as the issuance of notes or other forms of indebtedness, would constitute financial leverage and would be subject to the 300% asset coverage requirements imposed by the Investment Company Act described above with respect to the amount of the borrowings and the Fund's ability to declare dividends and distributions or purchase its capital stock. The Fund may choose not to enter into a Credit Facility. See "Leverage".

The Adviser is an affiliate of Ares and leverages off of Ares' entire investment platform and benefits from the significant capital markets, trading and research expertise of all of Ares' investment professionals. As of June 30, 2012, Ares has 231 investment professionals covering current investments in approximately 1,100 companies across over 30 industries. The Fund's portfolio management team is comprised of members of Ares' Capital Markets Group. Founded in 1997, Ares is a global alternative asset manager and SEC registered investment adviser with approximately \$54 billion of total committed capital under management and approximately 520 employees as of June 30, 2012.

Ares specializes in managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the acquisition and management of Senior Loans, high yield securities, mezzanine debt and special situation investments. Ares' private equity activities focus on providing flexible, junior capital to middle-market companies. Ares has the ability to invest across a capital structure, from senior floating rate debt to common equity. This flexibility, combined with Ares' "buy and hold" philosophy, enables Ares to structure an investment to meet the specific needs of a company rather than the less flexible demands of the public markets.

The Adviser will receive a monthly fee at the annual rate of 1.00% of the average daily value of the Fund's Managed Assets. During periods when the Fund is using leverage, the fees paid to the Adviser will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund's Managed Assets, which includes the assets purchased through leverage. See "Management of the Fund Investment Advisory and Management Agreement".

Risk Factors

General. Investing in the Fund's common shares involves certain risks and the Fund may not be able to achieve its intended results for a variety of reasons, including, among others, the possibility that the Fund may not be able to

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structure its investments as anticipated. Because the value of your investment in the Fund will fluctuate, there is a risk that you will lose money. Your investment will decline in value if, among other things, the value of the Fund's investments decreases. The value of your common shares also will be affected by the Fund's ability to successfully implement its investment strategy, as well as by market, economic and other conditions. As with any security, complete loss of investment is possible.

Investment and Market Risk. An investment in the Fund's common shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in the Fund's common shares represents an indirect investment in the portfolio of Senior Loans, Corporate Bonds and other securities and loans owned by the Fund, and the value of these securities and loans may fluctuate, sometimes rapidly and unpredictably. For instance, as evidenced by the global economic downturn, the secondary markets for Senior Loans and investments with similar economic characteristics (such as second lien loans and unsecured loans) and Corporate Bonds can experience sudden and sharp price swings, which can be exacerbated by large or sustained sales by major investors in these markets, a high-profile default by a major borrower, movements in indices tied to these markets or related securities or investments, or a change in the market's perception of Senior Loans, Corporate Bonds and investments with similar economic characteristics (such as second lien loans and unsecured loans). At any point in time, an investment in the Fund's common shares may be worth less than the original amount invested, even after taking into account distributions paid by the Fund, if any, and the ability of common shareholders to reinvest dividends. The Fund anticipates using leverage, which will magnify the Fund's risks and, in turn, the risks to the Fund's common shareholders.

Senior Loans Risk. The Senior Loans in which the Fund will invest will primarily be rated below investment grade, but may also be unrated and of comparable credit quality. As a result, the risks associated with such Senior Loans are generally similar to the risks of other below investment grade fixed income instruments, although Senior Loans are senior and typically secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investments in below investment grade Senior Loans are considered speculative because of the credit risk of the Borrowers. Such Borrowers are more likely than investment grade Borrowers to default on their payments of interest and principal owed to the Fund, and such defaults could reduce the Fund's net asset value and income distributions. An economic downturn would generally lead to a

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higher non-payment rate, and a Senior Loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect the Senior Loan's value. Senior Loans are subject to a number of risks described elsewhere in this prospectus, including liquidity risk and the risk of investing in below investment grade fixed income instruments.

Senior Loans are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the Fund. There can be no assurance that the liquidation of any collateral securing a Senior Loan would satisfy the Borrower's obligation in the event of non-payment of scheduled interest or principal payments, whether when due or upon acceleration, or that the collateral could be liquidated, readily or otherwise. In the event of bankruptcy or insolvency of a Borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral, if any, securing a Senior Loan. The collateral securing a Senior Loan, if any, may lose all or substantially all of its value in the event of the bankruptcy or insolvency of a Borrower. Some Senior Loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate such Senior Loans to presently existing or future indebtedness of the Borrower or take other action detrimental to the holders of Senior Loans including, in certain circumstances, invalidating such Senior Loans or causing interest previously paid to be refunded to the Borrower. Additionally, a Senior Loan may be primed in bankruptcy, which reduces the ability of the holders of the Senior Loan to recover on the collateral.

There may be less readily available information about most Senior Loans and the Borrowers thereunder than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act, or registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Borrowers subject to the periodic reporting requirements of Section 13 of the Exchange Act. Senior loans may be issued by companies that are not subject to SEC reporting requirements and these companies, therefore, do not file reports with the SEC that must comply with SEC form requirements and in addition are subject to a less stringent liability disclosure regime than companies subject to SEC reporting requirements. As a result, the Adviser will rely primarily on its own evaluation of a Borrower's credit quality rather than on any available independent sources. Therefore, the Fund will be particularly dependent on the analytical abilities of the Adviser.

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The secondary trading market for Senior Loans may be less liquid than the secondary trading market for registered investment grade debt securities. No active trading market may exist for certain Senior Loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Fund may not be able to sell Senior Loans quickly or at a fair price. To the extent that a secondary market does exist for certain Senior Loans, the ma