

Ares Dynamic Credit Allocation Fund, Inc.  
Form N-CSRS  
July 06, 2017

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)

Copy to:

Daniel J. Hall  
2000 Avenue of the Stars, 12th Floor  
Los Angeles, California 90067  
(Name and address of agent for service)

P. Jay Spinola, Esq.  
Willkie Farr & Gallagher LLP  
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: April 30, 2017

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**Item 1. Report to Stockholders.**

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

**Semi-Annual Report**

**April 30, 2017**

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Ares Dynamic Credit Allocation Fund, Inc.

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Ares Dynamic Credit Allocation Fund, Inc.

## Letter to Shareholders

April 30, 2017 (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**

Year-to-date through April, 2017 has largely been a continuation of robust returns in the non-investment grade credit market. The period began with a sustained risk-on rally following the surprise victory of President Trump and enthusiastic expectations regarding the potential benefits of his economic policies. Through the first two months of 2017, the S&P 500 had already returned an impressive 5.9%. Similarly, non-investment grade credit, as measured by the Bank of America Merrill Lynch High Yield Master II Index ("H0A0") and Credit Suisse Leveraged Loan Index ("CSLLI"), returned 2.9% and 1.1%, respectively. However, fears regarding an oversupply in oil and political uncertainty out of Washington led to a temporary reversal in sentiment during March. The market swiftly shrugged off this indigestion as oil prices rebounded and news resurfaced regarding Trump's proposed tax reforms. Amidst this strong technical backdrop, corporate fundamentals have buoyed performance as companies within the S&P 500 reported a return to earnings growth after seven straight quarters of decline. The Federal Reserve ("Fed") narrative reiterated only gradual increases in the Fed funds rate with only one increase after their mid-March meeting, which markets have ultimately cheered. Nonetheless, real rates in the market have remained largely unchanged in the wake of a record repricing wave across the leveraged finance market with over \$100 billion in loans repricing in January alone.<sup>1</sup> Despite these headwinds in the loan market, the CSLLI has notched positive returns every month year-to-date as renewed CLO issuance has exacerbated demand for floating rate assets. Regardless of political uncertainty domestically and abroad, volatility hit a two decade low giving investors the incentive to reach deeper into the risk spectrum. Consistent with much of 2016, riskier assets for both loans and bonds drove performance. Year-to-date through April, the H0A0, CSLLI and S&P 500 have returned 3.9%, 1.6% and 7.2%, respectively, marking a convincing continuation of the rally beginning last February 2016.

Capital markets demonstrated resiliency in the face of mixed economic data releases as credit assets continued to benefit from supportive technicals and a dip in Treasury yields. The U.S. Department of Commerce released the first advance estimate of U.S. GDP in late April, reporting the economy expanded at a 0.7% annualized rate during the first quarter of 2017, its weakest pace in three years. Over the past few years the trend has been for the first quarter of the year to produce weaker than normal growth figures; the Fed even dismissed the data as only "likely to be transitory". However, there are increasing signs that economic growth in the U.S. is moderating with the Commerce Department reporting consumer spending had the slowest first quarter since 2009. This deceleration in consumer spending includes rather sluggish figures for durable goods (i.e. autos), an area that had been experiencing strong growth since last year. Additionally the U.S. Bureau of Labor Statistics reported that consumer prices fell by 0.3% in March after hitting a five year peak, now edging below the Fed's inflation target of 2.0%. However, consumers remain in fair shape, evidenced by personal incomes rising again in March by 0.2%. Employment data supports that fact pattern, with the U.S. Department of Labor reporting that 211,000 jobs were added during the month of April, which exceeded the 185,000 estimate and nearly tripled March's hiring total. Regardless of the dip in inflation, most economists believe that the Fed is now close to achieving its dual mandate, and is widely expected to hike its benchmark lending rate by another quarter point at the June meeting. Odds of a hike increased following release of the jobs report, with probability of a June interest rate increase reaching 78% according to futures markets. On a brighter note, corporate

earnings for the first quarter of 2017 have been largely positive. According to Factset, 83% of the S&P 500 companies have reported earnings through May 5 and of those firms, 75% reported earnings per share above consensus estimates. By and large the market has shrugged off these mixed economic indications and remains intently focused on regulatory reform and corporate income tax relief, but as recent history has demonstrated, there is no guarantee the proposed changes by the Trump Administration will actually bear fruit for the U.S. economy.

Despite geopolitical headlines looming over the region throughout most of 2017, the European markets exhibited strong performance with the BofA Merrill Lynch European High Yield Index ("HE00") and the Credit Suisse Western European Leveraged Loan Index ("WELLI") gaining 2.78% and 2.04%, respectively, year-to-date through April. Eurozone growth had accelerated at the end of 2016 with EuroStat reporting a full year 2016 GDP growth of 1.7% for the region. Additionally, Britain's Office of National Statistics reported U.K. GDP grew by 0.6% over the fourth quarter of 2016 contributing to overall economic growth of about 2.0% for the calendar year. Economic expansion has broadened on the continent thus far in 2017. The European composite of surveys of purchasing managers ("PMI") used to measure activity in the manufacturing and services sectors rose to 56.8 in April, a six year high, while core inflation within the region reported a 1.2% increase in

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Ares Dynamic Credit Allocation Fund, Inc.

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

April 30, 2017 (Unaudited)

April, the highest mark since March 2013. Although these figures show positive signs of growth, they are still below the ECB's target growth rates. As a result, Mario Draghi and the ECB have been steadfast in their dovish commitment to accommodative monetary policy despite mounting pressure from Germany to begin a tapering policy. Headlines concerning the region, however, largely focused on the future of a united Europe. In March Theresa May invoked Article 50 in order to formally notify the European Union of the U.K.'s intent to leave the E.U. triggering little fanfare regardless of all the media attention. The difficult task of negotiating this withdrawal remains and will require a myriad of regulation and trade agreements, set to begin in late May or early June with a deadline to conclude by October 2018. This is undoubtedly an aggressive timeline, and the political landscape within Europe has the potential to dramatically change over the next year. Elections in the Netherlands and France expected to bring upheaval from the far right and unnerve incumbents fell flat. The "Frexit" election hype featuring Macron and Le Pen led to a sweeping victory for centrist Macron and little more to discuss. Even though results of the contrary would have likely injected more volatility to the region, the Macron victory brought volatility to all-time lows across the globe. Thus, while prospects for a united and economically robust Europe seem brighter than in many years past, there still remain many unknowns regarding the full economic and political impact of "Brexit" and timeline of accommodative monetary policy.

The structured credit market has been a bright spot for investors thus far in 2017. Fears regarding the impact of risk retention on new issuance were short lived. Following a subdued January in which issuance totaled \$1.4 billion across 3 deals, global CLO issuance through April 30, 2017 has totaled \$32.3 billion across 60 deals, versus \$17.6 billion across 45 deals in the prior year period.<sup>2</sup> Despite voracious investor demand for CLOs, most managers report that opportunity and value in the loan market is their greatest challenge when working to create a new CLO to meet that demand. This is largely a result of conditions within the leveraged loan market as spreads compressed and the market underwent a record repricing wave. Year-to-date through April leveraged loan volume in the U.S. totaled \$427 billion; however, 75% of this volume was comprised of borrowers refinancing their debt.<sup>3</sup> Thus, CLOs have had difficulty, amongst stiff competition from mutual fund demand, to obtain fresh collateral for new issuance. Consequently, CLO managers have been urgently refinancing to maintain their arbitrage amidst this difficult market environment. In an unprecedented refinancing wave in the CLO market, there have been 153 CLOs reset or refinanced through April 30, 2017 compared to only 2 in the prior year period.<sup>4</sup> The result has been intense compression in liabilities with AAA spreads tightening by approximately 25bps since the beginning of the year. Similarly, liabilities have been stretched to longer reinvestment periods with some managers allowed to reinvest for 6 years, the longest reinvestment period seen since the financial crisis. On the risk retention front, the vast majority of managers have opted to take a 20% horizontal stake in the equity rather than 5% vertical strips in each tranche. However, three recently priced deals have utilized a novel approach to the vertical positioning that references a second layer of securitization-like notes. Industry experts believe this innovation may open the flood gates for additional managers to utilize the vertical option going forward. While the primary CLO market has witnessed an abundance of new issuance, the secondary market has experienced a dearth of supply. Trading in the secondary market for April 2017 saw the lowest volumes since December 2011 with a mere \$1.4 billion versus an average of \$2.9 billion over the last twelve months.<sup>5</sup> Much of this is a result of paper trading at or above par and limiting new opportunities to the primary market. We expect these market dynamics to persist so long as the loan market continues to reprice and see spreads compress.

With the results of the French election in favor of the established, moderate form of government, the EU avoided a potential unwind that would most likely have created havoc in the world's capital markets. This was one identifiable event in 2017 that had the potential to create market instability in what has been a fairly mundane and orderly market thus far. Even the Trump Administration, initially thought to stir turmoil with its ambitious legislative agenda, has



generated a historically low level of volatility beyond very short episodic blips. In early May the CBOE Volatility Index or "VIX", a widely regarded measure for market anxiety, hit lows not seen since 1993, indicating that most participants are shrugging off any political rhetoric and honing focus on positive corporate earnings and steady predictable global growth. Most of the instability this year has been centered on the commodity space, as we recently witnessed the price of oil dropping over 4% in early May, although even those dislocations have shortened in duration with value investors armed with "dry powder" stepping in to form a bottom.<sup>6</sup> Given the benign inflationary environment, a patient stance from the Fed to tighten monetary policy and the lack of a visibly overheated sector, we believe there is a lower probability for a severe market dislocation within credit. That said, there is no certainty that the relative calm experienced thus far will continue and unexpected idiosyncratic events could provide opportunities to source paper at discounted levels. The strength in demand has shortened the amount of time dislocations linger and we believe the ability to execute on opportunities in credits that may have been overly punished or are trading at spreads inconsistent with their fundamental risk profile will benefit nimble managers.

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Ares Dynamic Credit Allocation Fund, Inc.

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

April 30, 2017 (Unaudited)

**Portfolio Performance and Positioning**

For the calendar year-to-date period through April 30, ARDC has returned 4.50% based on Net Asset Value ("NAV"), which compares to 1.1% for the Credit Suisse Leveraged Loan Index ("CSLLI") and 2.9% for the Bank of America Merrill Lynch High Yield Master II Index ("H0A0"). On a last twelve months basis through April 30, ARDC has returned 20.26% based on NAV, which compares to 8.2% for the CSLLI and 13.7% 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.

Over the past year, ARDC continued to increase its allocation to CLO debt and equity to 27.7% as of April 30, 2017 from 24.2% as of April 30, 2016, as we believe these assets offered the best relative value to source investment opportunities. From an industry perspective, over the last twelve months we significantly increased exposure to Metals & Mining to 7.0% from 1.0% as those industries experienced meaningful recoveries following the 2015/2016 dislocation. Year to date through April, we have focused on income and high coupon investments across asset classes as price appreciation has become more difficult to source within non-investment grade credit. Nonetheless, the Fund is prepared to capitalize on exogenous shocks to the market that may create the opportunity for price appreciation.

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 the 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 April 30, 2017, the Fund has repurchased 518,334 shares at an average price of \$13.08, representing an average discount of -15.2%.

**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 "Adviser"), a subsidiary of Ares Management, L.P. 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.

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 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. 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

*Note: The opinions of the Adviser expressed herein are subject to change without notice. Information contained herein has been obtained from sources believed to be reliable, but is not guaranteed. This material may contain "forward-looking" information that is not purely historical in nature. No representations are made as to the accuracy of such information or that such information will be realized. Actual events or conditions are unlikely to be consistent with, and may differ materially from, those assumed. Past performance is not indicative of future results. Ares does not undertake any obligation to publicly update or review any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by law.*

<sup>1</sup> S&P Global Market Intelligence: LCD News "January Repricings Smash Record as Issuance Tops \$100B".

<sup>2</sup> Source: S&P Capital IQ LCD. "Global Databank," April 28, 2017.

<sup>3</sup> Source: "Asset Backed Alert" May 19, 2017.

<sup>4</sup> Source: S&P Capital IQ LCD. "Global Databank," April 28, 2017.

<sup>5</sup> Source: Goldman Sachs. "GS CLO Secondary: April 2017 Month End Recap and Thoughts 'Glacier'," May 5, 2017.

<sup>6</sup> Source: Bloomberg: Price of U.S. West Texas Intermediate Crude Futures (WTI) from May 1, 2017 to May 4, 2017.

Ares Dynamic Credit Allocation Fund, Inc.

**Fund Profile & Financial Data**

April 28, 2017 (Unaudited)

**Portfolio Characteristics as of 4.28.17**

Weighted Average Floating Coupon <sup>1</sup>	6.29%
Weighted Average Bond Coupon <sup>2</sup>	8.05%
Current Distribution Rate <sup>3</sup>	7.59%
Dividend Per Share	\$0.1025

1 The weighted-average gross interest rate on the pool of loans as of April 28, 2017.

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 April 28, 2017 market price per share. The Fund's April 2017 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 4.28.17**

Anglo American Capital, PLC	1.18%
GCP Applied Technologies, Inc.	1.15%
Rite Aid Corp	1.13%
Builders FirstSource, Inc.	1.13%
Madison Park Funding Ltd	1.10%
FMG Resources Pty Ltd	1.06%
Atrium CDO	0.97%
LCM 23 CLO, Ltd.	0.97%
JC Penney Corp Inc.	0.96%
Kraton Polymers LLC	0.95%

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 4.28.17**

	Market	NAV
1 Month	1.83%	0.80%
Year to Date	10.28%	4.68%
3 Years (annualized)	4.87%	4.50%
Since Inception**	3.54%	5.94%

\*\*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 4.28.17**

**Fixed vs. Floating Rate as of 4.28.17**

**Industry Allocation<sup>5</sup> as of 4.28.17**

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

This data is subject to change on a daily basis.



Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments**

April 30, 2017 (Unaudited)

**Senior Loans 36.0%(b)**

	Principal Amount	Value <sup>(a)</sup>
<b>Aerospace and Defense 2.5%</b>		
Air Methods Corporation, Initial Term Loan, L+ 3.50%, 04/05/2024 <sup>(c)</sup>	\$2,618,943	\$ 2,615,669
Engility Corporation, Term B-2 Loan, 4.75%, 08/12/2023	1,325,735	1,334,021
Hensoldt Holding Germany, GmbH, Term Loan B, (Denmark), 3.75%, 02/28/2024	€2,000,000	2,197,422
Sequa Corporation, Initial Loan 1st Lien, L+ 5.50%, 11/26/2021 <sup>(c)</sup>	\$1,392,273	1,406,196
Sequa Corporation, Initial Loan 2nd Lien, L+ 9.00%, 04/28/2022 <sup>(c)</sup>	1,015,282	1,031,780
Standard Aero Aviation Holdings, Inc., 1st Lien Term Loan, L+ 4.25%, 07/07/2022 <sup>(c)</sup>	1,744,186	1,747,238
		<b>10,332,326</b>
<b>Automotive 0.7%</b>		
CH Hold Corporation, 2nd Lien Term Loan, L+ 7.25%, 02/01/2025 <sup>(c)</sup>	1,464,592	1,490,223
Lumileds Holding B.V., Term Loan B, L+ 4.50%, 03/15/2024 <sup>(c)</sup>	1,481,481	1,498,148
		<b>2,988,371</b>
<b>Banking, Finance, Insurance &amp; Real Estate 1.6%</b>		
Asurion, LLC, 2nd Lien Term Loan, 8.50%, 03/03/2021	3,000,000	3,043,740
Asurion, LLC, Incremental B-5 Term Loan, 4.75%, 11/03/2023	1,960,075	1,974,775
Gulf Finance, LLC, Tranche B Term Loan,	1,492,500	1,488,769

6.25%, 08/25/2023

**6,507,284****Beverage, Food and Tobacco 0.5%**Candy Intermediate Holdings,  
Inc.,

Initial 1st Lien Term Loan,

5.65%, 06/15/2023

2,009,174

1,965,233

**Senior Loans<sup>(b)</sup> (continued)****Principal  
Amount****Value<sup>(a)</sup>****Business Equipment & Services 0.5%**

CCC Information Services, Inc.,

2017 1st Lien Term Loan,

L+ 3.00%, 04/29/2024<sup>(c)</sup>

\$ 499,875

\$ 497,500

CCC Information Services, Inc.,

2017 2nd Lien Term Loan,

L+ 6.75%, 04/28/2025<sup>(c)</sup>

1,425,532

1,452,261

**1,949,761****Chemicals, Plastics & Rubber 2.1%**

HII Holding Corporation,

1st Lien U.S. Term Loan,

4.40%, 12/20/2019

994,329

1,000,544

HII Holding Corporation,

2nd Lien Term Loan,

9.75%, 12/21/2020

1,500,000

1,515,000

Inovyn Finance PLC,

2021 EUR Term Loan B,

(Great Britain),

4.50%, 05/15/2021

€ 1,563,207

1,710,323

Inovyn Finance PLC,

Term Loan B, (Great Britain),

L+ 3.00%, 05/15/2024<sup>(c)</sup>

666,667

729,408

Kraton Polymers, LLC,

Initial Term Loan,

5.00%, 01/06/2022

\$ 2,426,448

2,459,957

PQ Corporation,

Tranche B-1 Term Loan,

5.25%, 11/04/2022

1,237,562

1,251,930

**8,667,162****Construction & Building 0.4%**

Fairmount Santrol Inc.

(fka Fairmount Minerals, Ltd.),

New Tranche B-2 Term Loan,

4.50%, 09/05/2019

1,745,478

1,714,932

**Consumer Goods: Durable 0.9%**

Comfort Holding, LLC,

1st Lien Term Loan,

5.78%, 02/05/2024

949,367

949,965

Comfort Holding, LLC,

2nd Lien Term Loan,

1,263,158

1,212,632



11.03%, 02/03/2025

Unifrax Corporation,  
Initial USD Term Loan,  
4.90%, 04/04/2024

1,483,871

1,486,349

**3,648,946**

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

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

	Principal Amount	Value <sup>(a)</sup>
<b>Consumer Goods: Non-Durable 0.4%</b>		
G-III Apparel Group, Ltd., Initial Term Loan, 6.25%, 12/01/2022	\$1,773,399	\$ 1,740,893
<b>Containers, Packaging &amp; Glass 0.3%</b>		
Berlin Packaging, LLC, Initial 2nd Lien Term Loan, 7.75%, 09/30/2022	750,000	748,748
Fort Dearborn Holding Company, Inc., Initial 2nd Lien Term Loan, 9.65%, 10/21/2024	625,000	618,750
		<b>1,367,498</b>
<b>Energy: Electricity 0.1%</b>		
Pike Corporation, Initial Term Loan, 4.75%, 03/10/2024	571,429	577,143
<b>Energy: Oil &amp; Gas 3.9%</b>		
California Resources Corporation, Initial Loan, 11.38%, 12/31/2021	1,925,000	2,115,094
Chesapeake Energy Corp., Class A Term Loan, 8.55%, 08/23/2021	3,500,000	3,778,915
Foresight Energy, LLC, Term Loan, 6.75%, 03/28/2022	1,625,000	1,568,629
FTS International, Inc., Initial Term Loan, 5.75%, 04/16/2021	2,875,000	2,494,063
MEG Energy Corporation, 2017 Term Loan B, 4.68%, 12/31/2023	1,420,248	1,420,958
Pardus Oil & Gas, LLC, 2nd Lien Term Loan, 5.00%, 05/13/2022 <sup>(d)(e)</sup>	156,403	
Pardus Oil & Gas, LLC, Tranche A 1st Lien Term Loan, 13.00%, 11/12/2021 <sup>(d)(e)</sup>	298,969	221,237

Pardus Oil & Gas, LLC, Tranche B 1st Lien Term Loan, 13.00%, 11/12/2021 <sup>(d)(e)(f)</sup>	107,898	(28,053)
Summit Midstream Holdings, LLC, Term Loan B, 7.02%, 05/13/2022	1,428,571	1,453,571
Western Refining, Inc., 2016 Incremental Term Loan, 5.50%, 06/23/2023	2,765,813	2,769,270
		<b>15,793,684</b>

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

	Principal Amount	Value <sup>(a)</sup>
<b>Healthcare &amp; Pharmaceuticals 2.0%</b>		
Envigo Holdings, Inc., Term Loan, 9.53%, 11/03/2021	\$1,150,988	\$ 1,148,110
Ethypharm SA, EUR 2017 Term Loan B, (France), 3.50%, 07/21/2023	€1,112,582	1,225,183
Immucor, Inc., Term B-2 Loan, 5.00%, 08/17/2018	\$1,244,154	1,239,178
Press Ganey Holdings, Inc., Initial 2nd Lien Loan, 8.25%, 10/21/2024	705,094	717,433
Press Ganey Holdings, Inc., Initial Term Loan, 4.25%, 10/21/2023	1,745,625	1,745,625
Radnet Management, Inc., 2nd Lien Term Loan, 8.00%, 03/25/2021	1,809,967	1,819,017
Valeant Pharmaceuticals International, Inc., Term Loan B, Series F-1, L+ 5.74%, 04/01/2022 <sup>(c)</sup>	213,043	214,263
		<b>8,108,809</b>
<b>High Tech Industries 4.4%</b>		
Applied Systems, Inc., 2nd Lien Term Loan, 7.65%, 01/24/2022	1,990,953	2,004,233
Cologix, Inc., 2017 2nd Lien Term Loan, 8.00%, 03/20/2025	2,400,000	2,419,008
Colorado Buyer, Inc., 2nd Lien Term Loan, L+ 7.25%, 03/14/2025 <sup>(c)</sup>	1,057,692	1,060,781
	1,423,050	1,431,062

Diebold, Inc.,  
 USD Term B Loan,  
 5.50%, 11/06/2023

Integrated Device Technology,  
 Inc.,

Term Loan B,  
 6.00%, 04/04/2024

1,363,017

1,366,424

Kemet Electronic Corporation,  
 Initial Term Loan B,

L+ 6.00%, 04/26/2024<sup>(c)</sup>

2,045,415

1,994,279

Oberthur Technologies Holding  
 SAS (fka OT Frenchco 1 SAS),

Facility B-1 EUR, (France),  
 3.75%, 01/10/2024

€ 765,343

834,201

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

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

	Principal Amount	Value <sup>(a)</sup>
Oberthur Technologies Holding SAS (fka OT Frenchco 1 SAS), Facility B-2 EUR, (France), 3.43%, 01/10/2024 <sup>(f)</sup>	€ 234,657	\$ 148
Optiv Security, Inc., 2nd Lien Term Loan, 8.25%, 01/31/2025	\$ 666,667	675,833
Rocket Software, Inc., Term Loan, 5.40%, 10/14/2023	1,249,652	1,259,411
Rocket Software, Inc., Term Loan, 10.65%, 10/11/2024	1,103,014	1,115,699
Tibco Software, Inc., 2017 Term Loan B, 5.50%, 12/04/2020	1,500,000	1,513,125
TierPoint, LLC, 2017 1st Lien Term Loan, L+ 3.75%, 05/06/2024 <sup>(c)</sup>	2,083,333	2,091,146
		<b>17,765,350</b>
<b>Hotel, Gaming &amp; Leisure 0.9%</b>		
Affinity Gaming, 2nd Lien Term Loan, 9.27%, 01/31/2025	2,000,000	2,013,760
Mohegan Tribal Gaming Authority, Term Loan B, 5.00%, 10/13/2023	1,500,000	1,508,745
		<b>3,522,505</b>
<b>Industrials 0.3%</b>		
Dynacast International, LLC, Term Loan B-1, 4.50%, 01/28/2022	1,071,004	1,072,342
<b>Media: Advertising, Printing &amp; Publishing 0.9%</b>		
F&W Media, Inc., Initial Term Loan, 10.75%, 06/30/2019 <sup>(d)</sup>	1,932,560	985,605
Lee Enterprises, Inc., Term Loan, 7.25%, 03/31/2019	353,753	353,311

LSC Communications, Inc., Term Loan B, 7.00%, 09/30/2022	833,333	840,625
Tribune Publishing Company, Initial Term Loan, 5.75%, 08/04/2021	1,400,000	1,393,000
		<b>3,572,541</b>

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

	Principal Amount	Value <sup>(a)</sup>
<b>Media: Diversified &amp; Production 1.5%</b>		
Delta 2 (LUX) Sarl, 2nd Lien Term Loan, (Luxembourg), 8.07%, 07/29/2022	\$ 700,000	\$ 706,125
Delta 2 (LUX) Sarl, Facility B-3 USD, (Luxembourg), 4.57%, 02/01/2024	1,500,000	1,501,500
Equinox Holdings, Inc., 2017 2nd Lien Term Loan, 8.00%, 09/08/2024	2,050,000	2,075,625
Equinox Holdings, Inc., 2017 Term Loan, 4.25%, 03/08/2024	2,000,000	2,014,160
		<b>6,297,410</b>
<b>Metals &amp; Mining 1.4%</b>		
Murray Energy Corporation, Term Loan B-2, 8.40%, 04/16/2020	3,461,243	3,300,676
Peabody Energy Corporation, Exit Term Loan, 5.50%, 03/31/2022	1,936,108	1,940,949
Zekelman Industries, Inc., Term Loan, 4.91%, 06/14/2021	595,508	602,022
		<b>5,843,647</b>
<b>Printing and Publishing 0.4%</b>		
Dex Media, Inc., Closing Date Loan, 11.00%, 07/29/2021	1,463,110	1,492,372
<b>Retail 5.5%</b>		
Academy, Ltd., Initial Term Loan, 5.17%, 07/01/2022	2,475,469	1,701,885
Action Holding B.V., EUR Term Loan B, (Netherlands), 4.25%, 02/25/2022	€ 650,000	711,945
BJ's Wholesale Club, Inc., 2017 2nd Lien Term Loan,	\$1,724,138	1,726,655

8.50%, 02/03/2025		
GOBP Holdings, Inc., 1st Lien Term Loan, 5.15%, 10/21/2021	2,212,032	2,216,633
GOBP Holdings, Inc., 2nd Lien Term Loan, 9.40%, 10/21/2022	1,750,000	1,742,702

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

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

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Harbor Freight Tools USA, Inc., Initial 1st Lien Loan, 4.24%, 08/18/2023	\$3,674,466	\$ 3,663,002
J.C. Penney Corp., Inc., Initial Loan, 5.30%, 06/23/2023	2,453,125	2,448,538
Petco Animal Supplies, Inc., 2017 Term Loan B, 4.17%, 01/26/2023	2,468,750	2,230,367
Rite Aid Corporation, 2nd Priority Tranche 1 Term Loan, 5.75%, 08/21/2020	4,170,000	4,176,505
Rite Aid Corporation, Tranche 2 Term Loan, 4.88%, 06/21/2021	1,575,000	1,576,481
True Religion Apparel, Inc., Initial 2nd Lien Term Loan, 11.00%, 01/30/2020 <sup>(d)</sup>	1,369,565	150,652
		<b>22,345,365</b>
<b>Services: Business 2.5%</b>		
CASMAR (Australia) PTY, Ltd., Initial Term USD Loan, (Australia), 5.68%, 12/07/2023	884,630	895,688
Cypress Semiconductor Corp., 2016 Incremental Term Loan, 4.74%, 07/05/2021	2,406,250	2,428,315
Micron Technology, Inc., Term Loan, 3.50%, 04/26/2022	1,736,875	1,747,487
Solera, LLC, 2017 USD Term Loan B, 4.25%, 03/03/2023	1,485,000	1,495,083
Travelport Finance (Luxembourg) S.a.r.l., Term Loan B, (Luxembourg), 4.29%, 09/02/2021	2,500,001	2,517,851
Xerox Business Services, LLC, Term Loan B,	997,500	1,014,128



4.99%, 12/07/2023

**10,098,552****Services: Consumer 0.3%**

General Nutrition Centers, Inc.,

New Term Loan B,

L+ 2.50%, 03/04/2019<sup>(c)</sup>

810,842

746,315

St. Georges University,

Term Loan,

6.40%, 07/06/2022

657,886

664,057

**1,410,372****Senior Loans<sup>(b)</sup> (continued)****Principal  
Amount****Value<sup>(a)</sup>****Technology 0.6%**

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

Initial 2nd Lien Term Loan,

8.16%, 07/19/2021

\$2,500,000

\$ 2,492,975

**Telecommunications 1.4%**

CenturyLink, Inc.,

Bridge Term Loan,

L+ 5.00%, 02/08/2018<sup>(c)(f)</sup>

2,500,000

LSF9 Atlantis Holdings, LLC,

2017 Term Loan,

L+ 6.00%, 05/01/2023<sup>(c)</sup>

2,775,575

2,775,575

Windstream Services, LLC,

Tranche B-6 Term Loan,

5.00%, 03/29/2021

2,985,000

3,002,731

**5,778,306****Total Senior Loans**

(Cost: \$148,527,775)

**147,053,779****Corporate Bonds 60.9%****Aerospace and Defense 2.2%**

Air Methods Corp., 144A,

8.00%, 05/15/2025

2,260,000

2,243,050

Bombardier, Inc., 144A,

(Canada),

8.75%, 12/01/2021

2,250,000

2,503,125

Engility Corp., 144A,

8.88%, 09/01/2024

1,600,000

1,708,000

Leidos, Inc.,

7.13%, 07/01/2032

2,500,000

2,715,625

**9,169,800****Automotive 0.8%**

Dana Financing Luxembourg

Sarl,

144A, (Luxembourg),

6.50%, 06/01/2026

1,500,000

1,571,250

Navistar International

Corporation,

1,525,000

1,544,063

8.25%, 11/01/2021		<b>3,115,313</b>
<b>Banking, Finance, Insurance &amp; Real Estate 2.8%</b>		
Builders FirstSource, Inc., 144A, 10.75%, 08/15/2023	5,500,000	6,421,250
Summit Materials, LLC / Summit Materials Finance Corporation, 8.50%, 04/15/2022	4,325,000	4,854,812
		<b>11,276,062</b>

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

**Corporate Bonds** (continued)

	Principal Amount	Value <sup>(a)</sup>
<b>Beverage, Food and Tobacco 1.1%</b>		
Albertsons Cos, LLC, 144A, 6.63%, 06/15/2024	\$ 610,000	\$ 623,725
Boparan Finance PLC, RegS, (Great Britain), 5.50%, 07/15/2021	£1,000,000	1,294,949
Clearwater Seafoods, Inc., 144A, (Great Britain), 6.88%, 05/01/2025	\$ 600,000	621,000
Iceland Bondco PLC, 144A, (Great Britain), 6.25%, 07/15/2021	£1,500,000	2,012,954
		<b>4,552,628</b>
<b>Chemicals, Plastics &amp; Rubber 3.9%</b>		
GCP Applied Technologies, 144A, 9.50%, 02/01/2023	\$5,750,000	6,555,000
Kraton Polymers, LLC / Kraton Polymers Capital Corporation, 144A, 7.00%, 04/15/2025	909,000	954,450
Kraton Polymers, LLC / Kraton Polymers Capital Corporation, 144A, 10.50%, 04/15/2023	1,750,000	2,016,875
PQ Corp., 144A, 6.75%, 11/15/2022	2,000,000	2,169,980
Tronox Finance, LLC, 6.38%, 08/15/2020	750,000	762,187
Tronox Finance, LLC, 144A, 7.50%, 03/15/2022	3,250,000	3,396,250
		<b>15,854,742</b>
<b>Construction &amp; Building 0.8%</b>		
Aer Cap Global Aviation Trust, 8.88%, 09/01/2017	2,000,000	2,047,670
Tutor Perini Corporation, 144A, 6.88%, 05/01/2025	1,000,000	1,050,000
		<b>3,097,670</b>
<b>Consumer Goods: Durable 0.4%</b>		
	1,500,000	1,593,750

NBTY, Inc., 144A,  
7.63%, 05/15/2021

**Containers, Packaging & Glass 2.6%**

Ardagh Packaging Finance PLC,  
144A, (Ireland),

7.25%, 05/15/2024 3,000,000 3,266,250

Crown Cork & Seal Co., Inc.,

7.38%, 12/15/2026 3,350,000 3,886,000

**Corporate Bonds (continued)**

	Principal Amount	Value <sup>(a)</sup>
Guala Closures SpA, 144A, (Italy), 4.75%, 11/15/2021 <sup>(9)</sup>	€3,000,000	\$ 3,326,769
		<b>10,479,019</b>

**Energy: Oil & Gas 8.9%**

Chesapeake Energy Corp.,  
144A,

8.00%, 01/15/2025 \$ 513,000 507,229

Denbury Resources, Inc.,

5.50%, 05/01/2022 500,000 372,500

Denbury Resources, Inc., 144A,

9.00%, 05/15/2021 3,000,000 3,165,000

Energy Transfer Equity, L.P.,

7.50%, 10/15/2020 3,135,000 3,532,753

EP Energy, LLC,

9.38%, 05/01/2020 1,250,000 1,182,812

EP Energy, LLC, 144A,

8.00%, 11/29/2024 1,000,000 1,046,250

EP Energy, LLC / Everest

Acquisition Finance, Inc., 144A,  
8.00%, 02/15/2025 875,000 780,938

Extraction Oil & Gas Holdings,

LLC,  
144A, 7.88%, 07/15/2021 3,000,000 3,142,500

Foresight Energy, LLC /

Foresight

Energy Finance Corporation,

144A,  
11.50%, 04/01/2023 2,250,000 2,140,312

FTS International, Inc.,

6.25%, 05/01/2022 500,000 432,500

FTS International, Inc., 144A,

8.63%, 06/15/2020<sup>(9)</sup> 1,975,000 1,994,750

Gibson Energy, Inc.,

144A, (Canada),  
6.75%, 07/15/2021 825,000 860,063

Laredo Petroleum, Inc.,

7.38%, 05/01/2022 3,000,000 3,116,250

780,000 770,250

MEG Energy Corp., 144A, (Canada), 6.50%, 01/15/2025		
MEG Energy Corp., 144A, (Canada), 7.00%, 03/31/2024	1,500,000	1,338,750
Newfield Exploration Co, 5.63%, 07/01/2024	2,000,000	2,113,760
Rowan Cos, Inc., 144A, 7.38%, 06/15/2025	2,000,000	1,975,000
Targa Resources Partners L.P., 6.75%, 03/15/2024	1,500,000	1,635,000
Williams Cos, Inc., 7.88%, 09/01/2021	1,250,000	1,464,062

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

**Corporate Bonds** (continued)

	Principal Amount	Value <sup>(a)</sup>
Williams Cos, Inc., 8.75%, 03/15/2032	\$2,500,000	\$ 3,237,500
WPX Energy, Inc., 7.50%, 08/01/2020	1,500,000	1,590,000
		<b>36,398,179</b>
<b>Healthcare &amp; Pharmaceuticals 5.2%</b>		
BioScrip, Inc., 8.88%, 02/15/2021	3,250,000	2,746,250
DJO Finance, LLC,, 144A, 8.13%, 06/15/2021	3,163,000	2,791,347
Greatbatch, Ltd., 144A, 9.13%, 11/01/2023	1,500,000	1,575,000
HCA, Inc., 5.25%, 04/15/2025	1,500,000	1,612,035
HCA, Inc., 8.00%, 10/01/2018	1,500,000	1,614,375
IASIS Healthcare, LLC, 8.38%, 05/15/2019	2,500,000	2,437,500
Immucor, Inc., 11.13%, 08/15/2019	2,750,000	2,756,875
Tenet Healthcare Corporation, 8.00%, 08/01/2020	2,250,000	2,295,742
Valeant Pharmaceuticals International, Inc., 144A, 7.00%, 10/01/2020	2,125,000	1,864,688
Valeant Pharmaceuticals International, Inc., 144A, (Canada), 6.13%, 04/15/2025	500,000	369,125
Valeant Pharmaceuticals International, Inc., 144A, (Canada), 6.75%, 08/15/2018	510,000	508,725
Valeant Pharmaceuticals International, Inc., 144A, (Canada), 7.50%, 07/15/2021	1,000,000	827,500
		<b>21,399,162</b>
<b>High Tech Industries 2.7%</b>		
	1,100,000	1,226,500

Diebold, Inc., 8.50%, 04/15/2024		
Genesys Telecommunications Laboratories Inc, 144A, 10.00%, 11/30/2024	2,250,000	2,492,156
Microsemi Corporation, 144A, 9.13%, 04/15/2023	2,931,000	3,370,650
TIBCO Software, Inc., 144A, 11.38%, 12/01/2021	1,000,000	1,107,500
<b>Corporate Bonds</b> (continued)		
	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Western Digital Corporation, 10.50%, 04/01/2024	\$1,500,000	\$ 1,766,250
Western Digital Corporation, 144A, 7.38%, 04/01/2023	1,000,000	1,095,000
		<b>11,058,056</b>
<b>Hotel, Gaming &amp; Leisure 2.2%</b>		
Gateway Casinos and Entertainment, Ltd., 144A, 8.25%, 03/01/2024	333,000	340,493
Jack Ohio Finance, LLC, 144A, 6.75%, 11/15/2021	1,000,000	1,045,000
Jack Ohio Finance, LLC, 144A, 10.25%, 11/15/2022	1,865,000	2,021,194
MGM Resorts International, 8.63%, 02/01/2019	1,000,000	1,105,000
MGM Resorts International, 11.38%, 03/01/2018	2,000,000	2,160,000
Mohegan Tribal Gaming Authority, 144A, 7.88%, 10/15/2024	2,222,000	2,274,772
		<b>8,946,459</b>
<b>Media: Advertising, Printing &amp; Publishing 1.5%</b>		
EMI Music Publishing Group North America Holdings, Inc., 144A, 7.63%, 06/15/2024	1,400,000	1,547,000
Lee Enterprises, Inc., 144A, 9.50%, 03/15/2022	4,375,000	4,604,688
		<b>6,151,688</b>
<b>Media: Broadcasting &amp; Subscription 10.2%</b>		
Altice Financing S.A., 144A, (Luxembourg), 6.63%, 02/15/2023	1,000,000	1,058,750
Altice Financing S.A., 144A, (Luxembourg), 7.50%, 05/15/2026	2,000,000	2,160,000
	5,000,000	5,400,000

Belo Corp., 7.25%, 09/15/2027		
CSC Holdings, LLC, 8.63%, 09/15/2017	2,053,000	2,109,457
CSC Holdings, LLC, 8.63%, 02/15/2019	2,000,000	2,203,100
CSC Holdings, LLC, 144A, 10.88%, 10/15/2025	500,000	600,625

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Ares Dynamic Credit Allocation Fund, Inc.

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

April 30, 2017 (Unaudited)

**Corporate Bonds** *(continued)*

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Lamar Media Corp., 5.38%, 01/15/2024	\$2,000,000	\$ 2,110,000
Midcontinent Communications, 144A, 6.88%, 08/15/2023	1,750,000	1,876,875
SFR Group SA, 144A, (France), 7.38%, 05/01/2026	5,000,000	5,256,250
Sinclair Television Group, Inc., 6.13%, 10/01/2022	2,000,000	2,090,220
Sirius XM Radio, Inc., 144A, 5.38%, 04/15/2025	1,500,000	1,539,375
Tribune Media Co, 5.88%, 07/15/2022	3,000,000	3,151,560
Virgin Media Secured Finance PLC, 144A, (Great Britain), 5.25%, 01/15/2026	2,000,000	2,025,000
Wave Holdco LLC, 144A, PIK, 8.25%, 07/15/2019 <sup>(h)</sup>	1,000,000	1,005,000
WaveDivision Holdings, LLC, 144A, 8.13%, 09/01/2020	4,000,000	4,120,000
Wide Open West Finance, LLC, 10.25%, 07/15/2019	4,713,000	4,901,520
		<b>41,607,732</b>
<b>Media: Diversified &amp; Production 0.5%</b>		
Life Time Fitness, Inc., 144A, 8.50%, 06/15/2023	2,000,000	2,125,000
<b>Metals &amp; Mining 8.0%</b>		
Alcoa Nederland Holding B.V., 144A (Netherlands), 6.75%, 09/30/2024	1,000,000	1,094,000
Anglo American Capital PLC, 144A, (Great Britain), 9.38%, 04/08/2019	6,000,000	6,750,000
Constellium NV, 144A, (Netherlands), 8.00%, 01/15/2023	2,500,000	2,583,750
First Quantum Minerals, Ltd., 144A, (Canada), 7.25%, 05/15/2022	500,000	515,000

First Quantum Minerals, Ltd., 144A, (Canada), 7.25%, 04/01/2023	2,500,000	2,545,313
First Quantum Minerals, Ltd., 144A, (Canada), 7.50%, 04/01/2025	1,500,000	1,530,000
FMG Resources August 2006 Pty, Ltd., 144A, (Australia), 9.75%, 03/01/2022	5,250,000	6,040,781
<b>Corporate Bonds</b> (continued)		

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Freeport-McMoRan Inc, 144A, 6.50%, 11/15/2020	\$1,500,000	\$ 1,541,250
Freeport-McMoRan Inc, 144A, 6.88%, 02/15/2023	750,000	789,375
Grinding Media, Inc., 144A, 7.38%, 12/15/2023	600,000	640,080
Hudbay Minerals, Inc., 144A, (Canada), 7.25%, 01/15/2023	544,000	578,680
Hudbay Minerals, Inc., 144A, (Canada), 7.63%, 01/15/2025	2,000,000	2,142,500
Murray Energy Corporation, 144A, 11.25%, 04/15/2021	2,000,000	1,500,000
Peabody Energy Corporation, 144A, 6.00%, 03/31/2022	460,000	469,200
Peabody Energy Corporation, 144A, 6.38%, 03/31/2025	350,000	355,250
Teck Resources, Ltd., 144A, (Canada), 8.50%, 06/01/2024	1,500,000	1,738,125
Zekelman Industries, Inc., 144A, 9.88%, 06/15/2023	1,850,000	2,090,500
		<b>32,903,804</b>
<b>Retail 2.5%</b>		
JC Penney Corporation, Inc., 8.13%, 10/01/2019	2,782,000	3,032,380
L Brands, Inc., 6.75%, 07/01/2036	1,000,000	968,750
L Brands, Inc., 8.50%, 06/15/2019	4,000,000	4,460,000
Rite Aid Corp., 144A, 6.13%, 04/01/2023	690,000	683,100
	1,000,000	921,207

Under Armour, Inc., 3.25%, 06/15/2026		<b>10,065,437</b>
<b>Services: Business 1.8%</b>		
Ashtead Capital, Inc., 144A, 6.50%, 07/15/2022	2,000,000	2,077,500
Conduent Finance, Inc., 144A, 10.50%, 12/15/2024	1,750,000	2,030,000
Solera, LLC, 144A, 10.50%, 03/01/2024	3,000,000	3,423,750
		<b>7,531,250</b>

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

**Corporate Bonds** (continued)

	Principal Amount	Value <sup>(a)</sup>
<b>Telecommunications 1.8%</b>		
Digicel Group, Ltd., 144A, (Bermuda), 8.25%, 09/30/2020	\$2,750,000	\$ 2,516,250
Frontier Communications Corp., 11.00%, 09/15/2025	2,250,000	2,168,438
Sprint Capital Corp., 6.90%, 05/01/2019	1,000,000	1,068,750
Sprint Corp., 7.63%, 02/15/2025	1,000,000	1,116,250
Uniti Group, Inc. / Uniti Fiber Holdings, Inc. / CSL Capital, LLC, 144A, 7.13%, 12/15/2024 <sup>(i)</sup>	555,000	563,325
		<b>7,433,013</b>
<b>Utilities: Electric 1.0%</b>		
Dynegy, Inc., 7.63%, 11/01/2024	1,250,000	1,143,750
Dynegy, Inc., 144A, 8.00%, 01/15/2025	1,500,000	1,376,250
NRG Energy, Inc., 7.25%, 05/15/2026	1,375,000	1,405,938
NRG Energy, Inc., 7.88%, 05/15/2021	142,000	145,550
		<b>4,071,488</b>
<b>Total Corporate Bonds</b> (Cost: \$241,439,238)		<b>248,830,252</b>
<b>Collateralized Loan Obligations 38.7%<sup>(i)</sup></b>		
<b>Collateralized Loan Obligations Debt 28.9%</b>		
AMMC CLO XIV, Ltd., (Cayman Islands), 5.96%, 07/27/2026 <sup>(g)</sup>	1,500,000	1,416,690
Apidos CLO XI, Ltd., (Cayman Islands), 8.81%, 01/17/2028 <sup>(g)</sup>	1,500,000	1,506,074
Atlas Senior Loan Fund IV, Ltd., (Cayman Islands), 5.74%, 02/17/2026 <sup>(g)</sup>	2,000,000	1,941,878
	1,000,000	962,663

Atlas Senior Loan Fund VI, Ltd., (Cayman Islands), 6.36%, 10/15/2026 <sup>(9)</sup>		
Atrium XI, (Cayman Islands), 6.25%, 10/23/2025 <sup>(9)</sup>	5,590,000	5,506,273
Avery Point VII CLO, Ltd., (Cayman Islands), 7.76%, 01/15/2028 <sup>(9)</sup>	350,000	351,688
Babson CLO, Ltd. 2016-1, (Cayman Islands), 7.70%, 04/23/2027 <sup>(9)</sup>	2,000,000	2,005,586
<b>Collateralized Loan Obligations<sup>(i)</sup> (continued)</b>		

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Bain Capital Credit CLO 2016-2, 8.20%, 01/15/2029 <sup>(9)</sup>	\$2,000,000	\$ 2,022,004
Benefit Street Partners CLO IV, Ltd., (Cayman Islands), 8.41%, 01/20/2029 <sup>(9)</sup>	2,500,000	2,522,735
Cent CLO XVIII, Ltd., (Cayman Islands), 5.75%, 07/23/2025 <sup>(9)</sup>	3,000,000	2,789,892
Cent CLO XXIII, Ltd., (Cayman Islands), 6.56%, 04/17/2026 <sup>(9)</sup>	2,750,000	2,637,049
Clear Creek CLO, Ltd., (Cayman Islands), 6.91%, 04/20/2027 <sup>(9)</sup>	1,000,000	988,869
Denali Capital CLO XI, Ltd., 2015-1A D, (Cayman Islands), 6.61%, 04/20/2027 <sup>(9)</sup>	1,000,000	940,608
Denali Capital CLO XI, Ltd., 2015-1A E, (Cayman Islands), 7.11%, 04/20/2027 <sup>(9)</sup>	2,000,000	1,685,320
Denali Capital CLO XI, Ltd., 2015-1X D, (Cayman Islands), 6.61%, 04/20/2027 <sup>(9)</sup>	460,000	432,680
Denali Capital CLO XII, Ltd., 2016-1A E, (Cayman Islands), 8.91%, 04/15/2028 <sup>(9)</sup>	5,000,000	5,013,410
Dorchester Park CLO, Ltd., (Ireland), 6.41%, 01/20/2027 <sup>(9)</sup>	625,000	625,114
Dorchester Park CLO, Ltd., (Ireland), 7.41%, 01/20/2027 <sup>(9)</sup>	4,000,000	3,735,216
Dryden XXXVII Senior Loan Fund, (Cayman Islands), 6.56%, 04/15/2027 <sup>(9)</sup>	1,250,000	1,242,983
	1,500,000	1,512,012

Dryden XLII Senior Loan Fund, (Cayman Islands), 8.41%, 07/15/2027 <sup>(9)</sup>		
Galaxy XIX CLO, Ltd., (Cayman Islands), 6.25%, 01/24/2027 <sup>(9)</sup>	800,000	783,998
Galaxy XX CLO, Ltd., (Cayman Islands), 6.66%, 07/20/2027 <sup>(9)</sup>	3,500,000	3,421,915
Goldentree Loan Opportunities X, Ltd., (Cayman Islands), 6.36%, 07/20/2027 <sup>(9)</sup>	1,500,000	1,455,687
Goldentree Loan Opportunities XI, Ltd., (Cayman Islands), 6.71%, 04/18/2027 <sup>(9)</sup>	1,000,000	995,018
Halcyon Loan Advisors Funding 2013-1, Ltd., (Cayman Islands), 4.66%, 04/15/2025 <sup>(9)</sup>	4,000,000	3,931,652
Halcyon Loan Advisors Funding 2015-1, Ltd., (Cayman Islands), 6.81%, 04/20/2027 <sup>(9)</sup>	750,000	718,939

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Ares Dynamic Credit Allocation Fund, Inc.

**Schedule of Investments** (continued)

April 30, 2017 (Unaudited)

**Collateralized Loan Obligations<sup>(i)</sup>** (continued)

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Halcyon Loan Advisors Funding 2015-3, Ltd., (Cayman Islands), 7.11%, 10/18/2027 <sup>(g)</sup>	\$2,500,000	\$ 2,385,987
Highbridge Loan Management 2015-7, Ltd., (Cayman Islands), 8.54%, 11/15/2026 <sup>(g)</sup>	650,000	647,749
Jamestown CLO IV, Ltd., (Cayman Islands), 6.16%, 07/15/2026 <sup>(g)</sup>	2,000,000	1,804,360
Jamestown CLO VI, Ltd., (Cayman Islands), 5.80%, 02/20/2027 <sup>(g)</sup>	900,000	820,641
LCM XXIII, Ltd., (Cayman Islands), 8.16%, 10/20/2029 <sup>(g)</sup>	3,000,000	3,067,278
Madison Park Funding XIII, Ltd., (Cayman Islands), 6.03%, 01/19/2025 <sup>(g)</sup>	5,250,000	5,153,725
Madison Park Funding XIV, Ltd., (Cayman Islands), 5.78%, 07/20/2026 <sup>(g)</sup>	2,750,000	2,679,699
Madison Park Funding XVII, Ltd., (Cayman Islands), 6.61%, 07/21/2027 <sup>(g)</sup>	1,500,000	1,486,460
Magnetite XIV, Ltd., (Cayman Islands), 7.66%, 07/18/2028 <sup>(g)</sup>	4,000,000	3,764,528
Mountain Hawk III CLO, Ltd., (Cayman Islands), 6.01%, 04/18/2025 <sup>(g)</sup>	2,000,000	1,832,910
Northwoods Capital X, Ltd., (Cayman Islands), 5.63%, 11/04/2025 <sup>(g)</sup>	2,000,000	1,900,178
Octagon Investment Partners 28, Ltd., (Cayman Islands), 7.65%, 10/24/2027 <sup>(g)</sup>	2,000,000	2,004,910
Octagon Investment Partners XVIII, Ltd., (Cayman Islands), 6.29%, 12/16/2024 <sup>(g)</sup>	2,600,000	2,599,919

OHA Credit Partners VII, Ltd., (Cayman Islands), 8.55%, 11/20/2027 <sup>(9)</sup>	2,850,000	2,900,556
OHA Credit Partners XI, Ltd., (Cayman Islands), 9.26%, 10/20/2028 <sup>(9)</sup>	2,000,000	2,009,256
OZLM VII, Ltd., (Cayman Islands), 6.16%, 07/17/2026 <sup>(9)</sup>	2,750,000	2,632,206
OZLM XI, Ltd., (Cayman Islands), 6.44%, 01/30/2027 <sup>(9)</sup>	1,250,000	1,218,983
OZLM XIV, Ltd., (Cayman Islands), 7.51%, 01/15/2029 <sup>(9)</sup>	4,500,000	4,501,323
<b>Collateralized Loan Obligations<sup>(i)</sup> (continued)</b>		

	<b>Principal Amount</b>	<b>Value<sup>(a)</sup></b>
Steele Creek CLO 2016-1, Ltd., (Cayman Islands), 7.88%, 06/15/2028 <sup>(9)</sup>	\$3,000,000	\$ 2,973,099
THL Credit Wind River 2015-2 CLO, Ltd., (Cayman Islands), 6.86%, 10/15/2027 <sup>(9)</sup>	4,000,000	3,979,244
THL Credit Wind River 2016-1 CLO, Ltd., (Cayman Islands), 8.66%, 07/15/2028 <sup>(9)</sup>	3,500,000	3,554,383
THL Credit Wind River 2016-2 Clo, Ltd., (Cayman Islands), 7.37%, 11/01/2028 <sup>(9)</sup>	1,750,000	1,747,795
TICP CLO III, Ltd, (Cayman Islands), 6.71%, 01/20/2027 <sup>(9)</sup>	4,000,000	3,902,604
Venture XXIV CLO, Ltd., (Cayman Islands), 7.88%, 10/20/2028 <sup>(9)</sup>	700,000	701,138