



Ares US Real Estate Opportunity Fund III, L.P. (“AREOF III”)
Market and Portfolio Update

Prepared for the Fresno County Employees Retirement Association
April 21, 2021

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Disclaimer (continued)

Coronavirus and Public Health Emergency Risks

As of March 17, 2020, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic. The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores, and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the Fund, the pricing and fair value of its investments and real estate assets and its subsidiaries, and could adversely affect the Fund's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on the Fund's and its subsidiaries' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact (i) the value and performance of the Fund and its investments, (ii) the ability of the Fund and/or its subsidiaries to continue to meet loan covenants or repay loans on a timely basis or at all, (iii) the ability of the Fund and/or its subsidiaries to repay their debt obligations, on a timely basis or at all or (iv) the Fund's ability to source, manage and divest investments and the Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Fund.

All unrealized performance information, investment strategy, and targeted returns presented throughout this presentation were prepared as of the dates indicated. Such information was prepared at such times in good faith based on a number of fundamental assumptions as of such dates, including assumptions relating to the broader economy, macro and applicable micro economic conditions, the geopolitical landscape, interest rates, availability and pricing of credit, liquidity and depth of transactional markets, health, population, and the environment, etc. With the unprecedented (and to date incurable) advancement of COVID-19, most of those assumptions at the current time appear to be materially off or in a state of suspension. Consequently, all unrealized performance information, the portions of the investment strategy which related to targeted returns, and valuations of current investments held within or warehoused for the Fund are at the time of this writing indeterminate, but presumed to be materially lower than those last presented. While in the medium to longer term the Manager believes the Fund should see attractive opportunities consistent with its larger investment themes and strategy, it will likely take some time for the markets to recover.

In addition, the operations of the Fund, its subsidiaries and investments, the General Partner and the Manager may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

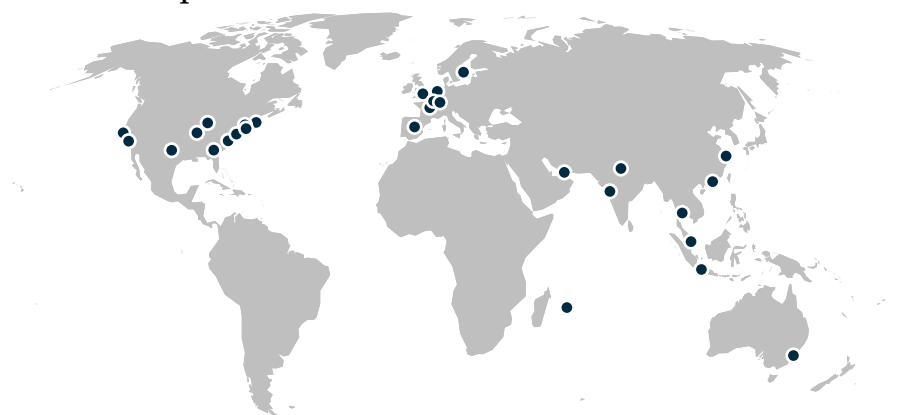
Overview of Ares Management

» With approximately \$197 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating integrated businesses across Credit, Private Equity, Real Estate and Strategic Initiatives

Profile

Founded	1997
AUM	\$197bn
Employees	1,450+
Investment Professionals	525+
Global Offices	25+
Direct Institutional Relationships	1,090+
Listing: NYSE – Market Capitalization	~\$14.2bn ¹

Global Footprint²



The Ares Edge

Founded with consistent credit based approach to investments

Deep management team with integrated and collaborative approach

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

Pioneer and a leader in leveraged finance and private credit

	Credit	Private Equity	Real Estate	Strategic Initiatives
AUM	\$145.5bn	\$27.4bn	\$14.8bn	\$9.3bn
Strategies	Direct Lending	Corporate Private Equity	Real Estate Equity	Ares SSG
	Liquid Credit	Infrastructure and Power	Real Estate Debt	Ares Insurance Solutions ³
	Alternative Credit	Special Opportunities		Ares Acquisition Corporation ⁴

Note: As of December 31, 2020. AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results.

1. As of March 24, 2021.

2. Jakarta and New Delhi offices are operated by third parties with whom Ares SSG maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.

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

4. Proceeds raised in the IPO of special purpose acquisition companies (SPACs) are not included in AUM.



Ares Real Estate Group

» Global real estate equity and debt platform that combines local relationships, differentiated market intelligence, and deep property-level experience to invest across the U.S. and Europe

\$14.8 Billion Total AUM

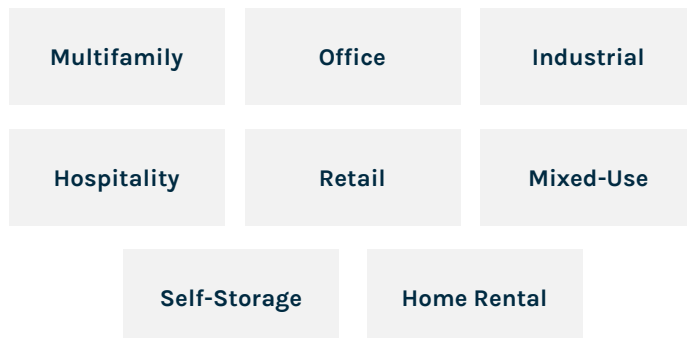
- 14 Partners averaging 24 years of experience
- ~85 investment professionals
- PERE Top 20 Real Estate Manager by 2015-2020 Equity Raised¹
- Rated Special Servicing Platform 2016-2020 by FitchRatings¹

U.S. and European Real Estate Strategies Across the Risk Spectrum

	U.S. Equity	European Equity	U.S. Debt	
AUM	\$4.4bn	\$4.8bn	\$5.6bn	\$14.8bn
Strategies	Opportunistic	Opportunistic	Opportunistic	Higher Risk
	Value-Add	Value-Add	Value-Add	
			Core	Lower Risk

Global Real Estate Portfolio Diversified by Property Sectors and Markets

Experience Across Property Sectors



Global Market Coverage with Local Presence⁴



Note: As of December 31, 2020. Please see the Notes at the end of this presentation.

1. The performance, awards/ratings noted herein relate only to selected funds/strategies and may not be representative of any given client's experience and should not be viewed as indicative of Ares' past performance or its funds' future performance. All investments involve risk, including loss of principal.
2. Includes Ares Management Corporation ("ARES") principal and originating offices where real estate activities take place.
3. In Madrid, Frankfurt, and Colorado, Ares Real Estate Group does not maintain a physical office, but has an investment professional located in this market.

Market Tested Investment Strategy

Distressed and Special Situations

- Aim to capitalize on market dislocation, including rescuing overleveraged / undercapitalized projects, providing liquidity to distressed sellers and recapitalizing stalled projects



DC Office



Ground Lease Aggregation

Reposition Undermanaged Assets

- Seek to improve asset quality, occupancy and rents and infuse capital for lease-up, renovation, or repositioning



Texas Student Housing



DC Office

Develop Core-Quality Assets

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



Southeast Multifamily



Las Vegas Industrial

Represents transactions previously completed by Ares Real Estate Group. Shown for illustrative purposes only. There is no guarantee or assurance investment objectives will be achieved.

Strong Seed Portfolio With Dry Powder To Seek To Capitalize On Market

\$1.7B

total fund size

\$715M

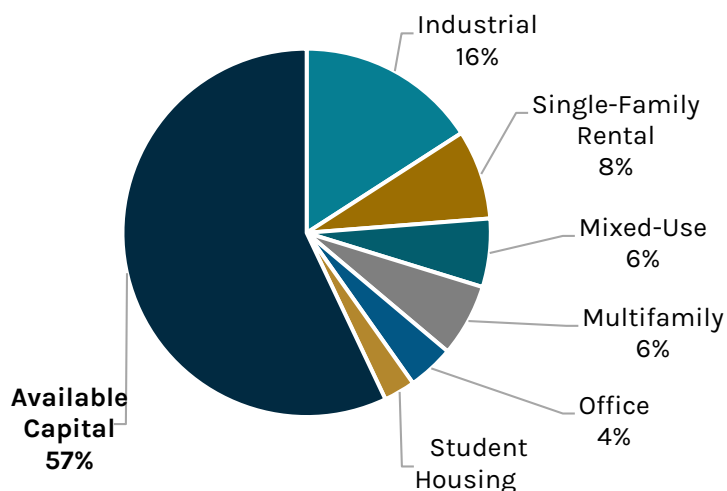
equity committed
to nine transactions¹

\$982M

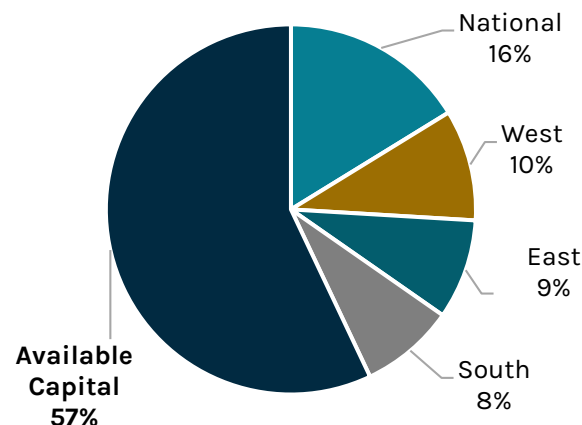
dry powder in an
early-cycle environment

Current Portfolio Construction

Closed and In-Closing Investments by Sector²



Closed and In-Closing Investments by Geography²



Diversification does not assure profit or protect against market loss.







1. Equity Committed: represents the amount of equity invested into investments (including reinvestment of capital) that have closed as of December 31, 2020, not including amounts attributable to any financing or refinancing, and projected future equity that has been committed by the vehicle to such investments.

Amounts that are projected to be invested in investments are based on the manager's assumptions, which may differ materially from actual events or conditions.

2. Based on equity committed to nine closed and in-closing transactions against total fund size of \$1.7 billion.

Divergent Sector Performance Driven By Unique Impacts of COVID-19

» The pandemic is fueling unprecedented changes in use patterns across asset classes, informing Ares' distinct approach to each

Sector	Real Estate Post-COVID-19	Rating ¹
Industrial	<ul style="list-style-type: none"> Surging demand from accelerated e-commerce penetration, aided by shortening supply chains and domestic/regional stockpiling of critical goods 	
Multifamily	<ul style="list-style-type: none"> We believe the asset class will remain resilient with strong demand, though urban/suburban dynamics and collection statistics warrant per-asset scrutiny 	
Adjacent Sectors	<ul style="list-style-type: none"> Demand drivers accelerating as asset classes continue to mature into institutional sectors with steady growth and yield drivers 	
Office	<ul style="list-style-type: none"> Despite future uncertainty, we believe hybrid in-person/remote work will persist and expect de-densification to continue to impact layouts, locations and footprints 	
Hospitality	<ul style="list-style-type: none"> We believe leisure travel will recover first as lengthening shut-downs have led to significant operating shortfalls for owners and operators 	
Retail	<ul style="list-style-type: none"> Secular decline of brick and mortar retail has resulted in dramatic space compression and a wide divergence between retail sub-sectors (e.g. malls vs. grocery anchored retail) 	

Forecasts are inherently limited and should not be relied upon as indicators of actual or future results.

Based on Ares' Real Estate Group's current observations of the market as of April 2021. There is no guarantee or assurance investment objectives will be achieved. The situation surrounding COVID-19 is fluid and developing rapidly. As such, our views are subject to change at any time. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Actual events or conditions are unlikely to be consistent with, and may differ materially from, those assumed.

1. Classified according to Ares' proprietary methodology based on available data. Green circles indicate sectors that we believe are experiencing tailwinds as result of changes created by, or accelerated by, COVID-19; orange circles represent sectors that we believe are exhibiting a more uncertain outlook as a result of COVID-19; red circles represent sectors that are experiencing significant headwinds due to COVID-19 and as a result are unlikely to be sectors that Ares seeks to target. The assumptions underlying this proprietary methodology are subject to change, may not prove to be true and actual risks may be different than the classifications presented herein. Accordingly, no representation or warranty is made in respect of this information.

A photograph of a modern industrial building with a glass facade, illuminated from within, set against a twilight sky with clouds. The building has multiple stories and a curved design.

Las Vegas Industrial *Case Study*

As of December 31, 2020 unless otherwise noted. The case study presented herein represents the largest investment of AREOF III located in the West region of the United States and is not representative of all investments made by this fund, some of which had differing performance results. The Manager believes that the case study showcases an asset class, market, and theme, which the opportunistic strategy will seek to invest in; however, it should not be assumed that investments made in the future will be profitable or will equal the performance of the investment discussed herein.

This selected case study is shown for illustrative purposes only and is not necessarily representative of all transactions of a given type and are intended to be illustrative of some of the types of opportunistic investments that Ares would make. Past Performance is not indicative of future results. There can be no assurance that Ares will be able to obtain comparable returns or achieve its investment objectives. Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Actual events or conditions are unlikely to be consistent with, and may differ materially from, those assumed.

Las Vegas Industrial

» Development of 1.1MM SF of bulk distribution industrial product in an infill Las Vegas submarket



Key Metrics

Investment Date: February 2020

Location: Las Vegas, NV

Sector: Industrial

Size: 1.1MM SF

Investment Theme: Industrial development in strong MSA

Investment Summary and Rationale

- Investment in the development of 1.1MM SF of bulk distribution/warehouse space along the I-15 Freeway
- Two add-on investments comprising an additional 572K SF in process, with one closed and the other expected to close in Q2 2021
- Aim to capitalize on robust supply/demand fundamentals both in the local market and across the southwestern region of the United States

Value Drivers

- Strong Las Vegas market benefiting from in-migration driven by unaffordability and space constraints facing the Inland Empire
- Complex land assemblage and preferred basis
- Construction risk mitigation

Investment Status

- Lease executed with a major ecommerce company for 78% of space and an additional 13% leased to a Fortune 500 packaging company
- Construction commenced in Q4 2020 with expected completion in Q3 2021

As of December 31, 2020 unless otherwise noted. Please refer to the notes on page 9. This case study represents the first industrial transaction in AREOF III and the largest transaction made by the fund to date in the West region of the U.S. Investments shown are for illustrative purposes only and are not representative of all fund investments made by AREOF III. There can be no assurance that AREOF III will achieve its investment objectives. Forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.

Las Vegas Industrial

Construction Photos



A background image of a city skyline at dusk or dawn, with several tall skyscrapers illuminated by their lights. The sky is a mix of blue and orange.

Endnotes

Ares Real Estate Group Slide (Page 5)

- PERE 100: Ares ranked 16th out of 100. Ranking applies to the Ares Real Estate Group related to selected funds managed therein. The PERE 100 measures equity raised between January 1, 2015 and March 31, 2020 for direct real estate investment through closed-ended, commingled real estate funds and co-investment vehicles that invest alongside these funds. The vehicles must give the general partner discretion over capital and investment decisions and excludes club funds, separate accounts and joint ventures where the general partner does not have discretion over capital and investments. Also excluded are funds with strategies other than real estate value-added and opportunistic (such as core and core-plus), funds not directly investing in real estate (such as fund of funds and debt funds) and funds where the primary strategy is not real estate-focused (such as general private equity funds). Ares did not pay a participation or licensing fee in order to be considered for the PERE 100 ranking.
- Fitch Ratings assigned a commercial real estate loan level special servicer rating of 'CLLSS2-' to Ares Commercial Real Estate Servicer LLC ("ACRES") as of July 13, 2020. To be considered for a Fitch rating, Ares paid Fitch a standard, contracted fee for initial and ongoing evaluation. The rating assigned by Fitch Ratings was solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Fitch Ratings assigns ratings to commercial mortgage special servicers on a scale ranging from Level 1 through Level 5, each of which are described below:
 - Level 1 Servicer Rating: Servicers demonstrating the highest standards in overall servicing ability.
 - Level 2 Servicer Rating: Servicers demonstrating high performance in overall servicing ability.
 - Level 3 Servicer Rating: Servicers demonstrating proficiency in overall servicing ability.
 - Level 4 Servicer Rating: Servicers lacking proficiency due to a weakness in one or more areas of servicing ability.
 - Level 5 Servicer Rating: Servicers demonstrating limited or no proficiency in servicing ability

Risk Factors

Important Investment Considerations and Risks of Investing.

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

Uncertainty of Projected Returns.

Projected returns are by their nature inherently subject to risk and are dependent upon a number of factors, many of which are not within the control of the vehicle. Some of the factors that will affect the results to be achieved include future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, the availability and cost of financing, timing and manner of sale, all of which may reduce future operating proceeds and/or sales proceeds. While the manager believes that the bases for the projections set forth herein are reasonable given the circumstances in which they were made, it is likely that actual events will differ from the manager's assumptions such that actual results of a vehicle will similarly differ from those presented herein and such differences may be material. Accordingly, there can be no assurance that the projected results stated herein will be achieved, and actual results of a vehicle may vary significantly from such projections.

Uncertainty of Fair Value.

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

 ARES