

Ares Dynamic Credit Allocation Fund, Inc.
Form N-CSR
January 02, 2015

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)

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(Name and address of agent for service)

Registrant's telephone number, including area code: (310) 201-4200

Date of fiscal year end: October 31

Date of reporting period: October 31, 2014

Item 1. Report to Stockholders.

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

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

Annual Report

October 31, 2014

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

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Ares Management Funds

Letter to Shareholders

October 31, 2014 (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 a "fund") and the Ares Multi-Strategy Credit Fund, Inc. ("ARMF" or a "fund" and, collectively with ARDC, the "Funds"). We appreciate the trust and confidence that you have demonstrated in Ares through your investment in ARDC and ARMF.

Economic Conditions and Leveraged Finance Market Update

After relatively stable conditions within the capital markets throughout the first half of 2014 due to lower than anticipated interest rates, encouraging corporate earnings in the U.S., and a benign default environment, volatility returned in the third quarter of 2014 amid elevated geopolitical risks, declining commodity prices, and softer European economic data. Waning risk appetite and deteriorating investor sentiment weighed disproportionately on lower quality assets and cyclically sensitive industries through mid-October, but leveraged finance markets have since snapped back due to reports indicating improving U.S. economic growth and a continued accommodative stance taken by central banks globally. Therefore, market sentiment has improved recently and has been supported by improved technical conditions resulting from lower new issuance, retail inflows to bonds and abating outflows from loans. On a year-to-date basis ("YTD"), equities, as measured by the S&P 500, have outperformed credit returning 10.99% through October, compared to 2.73% and 4.79% for the Credit Suisse Leveraged Loan Index ("CSLLI") and the Merrill Lynch High Yield Master II Index ("H0A0"), respectively.

According to the advance estimate from the Bureau of Economic Analysis, the U.S. economy grew at a 3.5% annualized rate during the third quarter of 2014, beating consensus estimates as positive contributions from personal consumption expenditures, exports, nonresidential fixed investment, and government spending were key drivers of the above trend growth. In addition, employers added 214,000 jobs in October, which was weaker than many economists predicted, but the Bureau of Labor Statistics also made significant positive revisions to its August and September payroll readings. As a result, October marked the ninth straight monthly gain of more than 200,000 jobs. This job creation dropped the unemployment rate from 5.9% to 5.8%, the lowest level since before the recession. While the acceleration in hiring has done little to boost wages for American workers, overall the report reflects steady economic growth. Importantly, corporate fundamentals in the U.S. remain strong as 467 of S&P 500 companies reported third quarter earnings with 59% surprising on sales (+4.0% year-over-year) and 79% on earnings per share (9.1% year-over-year). As widely anticipated, given the strength of recent labor market and other economic indicators, the Federal Reserve (the "Fed") concluded its bond buying program in October. Despite the end to the Fed's latest round of quantitative easing, muted wage growth and persistently low inflation figures suggest the Fed can keep monetary policy on its current track. As such, we continue to support the view held by many economists and market participants alike that the Fed will initiate the first interest rate increase in the mid-2015 timeframe.

Performance of European capital markets has mirrored that of their U.S. counterparts YTD, as the Credit Suisse Western European Leveraged Loan Index and the Merrill Lynch European High Yield Index have returned 2.26% and 4.88% through October, respectively. European markets have recently suffered broad-based losses on increased concerns that the European Central Bank's ("ECB") stimulus measures would not be enough to revive the Eurozone economy. Inflation in the Eurozone rose slightly in October with the flash inflation figure reported to be 0.4%, up from 0.3% in September; however, inflation continues to be persistently well below target. Activity continues to remain sluggish as the Eurozone's private sector grew less rapidly in October according to data from Markit monthly

composite PMI. Responding to this weak domestic demand and slower growth for the global economy, European businesses cut jobs for the first time since November 2013, although the unemployment rate remained unchanged at 11.5% in September as compared to August. This dismal macroeconomic backdrop prompted the European Commission to announce in early November that it would cut its 2014 economic growth forecast to 0.8% from 1.2%. The current environment of low economic growth and low inflation prevalent in the Eurozone creates more incentive for the ECB to use more aggressive measures of monetary stimulus to reignite growth that has been lacking thus far. In early November, Mario Draghi, President of the ECB, reiterated the ECB's commitment to expanding the bank's balance sheet in order to provide more support for the flagging economy.

As it relates to the structured credit landscape, October proved to be an eventful month for collateralized loan obligations ("CLOs") both in terms of issuance and market developments. U.S. issuance totaled \$11.1 billion for the month contributing to \$104.6 billion YTD. Europe notched a respectable €1.8 billion, marking the third busiest month of the year (€11.9 billion YTD) according to S&P. This supply emerged despite persistent volatility in the global credit markets. Challenging arbitrage conditions in the U.S. remain, with AAAs in the 147-170 bps DM range versus European AAAs printing at 123-130 bps.¹ Furthermore, we saw a drop-off in CLO refinancing activity as pricing became uneconomic. With year-end rapidly

Ares Management Funds

Letter to Shareholders *(continued)*

October 31, 2014 (Unaudited)

approaching, research estimates were increased with current fiscal year-end 2014 market forecasts ranging \$115-125 billion in the U.S. and €10-15 billion in Europe. Supply forecasts for 2015 reflect an anticipated decline year-over-year in the U.S. and a pickup in Europe \$95-110 billion and €18 billion, respectively. Against this backdrop, the long-awaited risk retention rules were released in the U.S. on October 22nd. This spurred much debate and continues to remain the focal point for market participants as digestion of the rules' implications and alternative structures are discussed. Establishing a solution that allows managers to satisfy both U.S. and European risk retention requirements is the priority for market participants. In regards to the secondary CLO market, October marked the busiest month on record with over \$5 billion out for bid against the mid-month macro volatility.ⁱ The bulk of the volume came at the AAA level due to U.S. investors rotating out of 2012 vintage deals into higher yielding new issue deals and European accounts continuing to view 1.0 vintage AAAs as offering the best relative value in the asset-backed security space. We also saw a large amount of equity offered on lists while prices were supported by rising loan valuations, many did not trade. Across the tranches of the CLO capital structure, levels in U.S. CLO 1.0s were a touch wider while 2.0s widened significantly. Increased tiering amongst managers continues to be a theme, especially in the lower rated tranches of 2.0 capital structures.ⁱⁱⁱ Challenging new issue arbitrage conditions, especially given a firmer loan market, has caused several managers to postpone fourth-quarter deals, reducing new issue supply. As we head through December, we anticipate a retraction in spreads, especially for US single-A, triple-B and double-B tranches, which should help us end the year on a strong note. At current market levels, and given a constructive fundamental view of credit, we continue to remain firm in our view that CLOs continue to provide an attractive source of risk-adjusted returns on both a relative and absolute value perspective. For additional information about the instruments in which ARDC and ARMF invest, please refer to each Fund's respective prospectus and statement of additional information.

The downdraft and subsequent recovery of the credit markets during October has further highlighted the increased level of volatility prevalent in today's trading environment. As a proxy, the 10-Year Treasury yield began the month around 2.40%. In mid-October, at the height of the turmoil in capital markets, the 10-Year Treasury's yield tightened to 1.87%, before widening back out above 2.00% and closing the day just under 2.10%. This erratic trading marked the first time the 10-Year Treasury yields have been below 2.00% since June 2013. A stunning \$924 billion of U.S. Treasury bonds traded that day, the highest daily total in more than 10 years. Option adjusted spreads on the high yield index, as measured by the H0A0, gapped out 61 bps to 508 bps over Treasuries at its widest from the start of the month; however, they ended October tightening 9 bps from where they began. While a confluence of factors helped facilitate these gyrations, the make-up of below investment grade credit investors, with an increasing proportion of retail players (i.e., exchange traded funds and retail oriented mutual funds), has exacerbated this volatility. This has translated into more significant moves in quoted asset prices (up and down, though these prices are not necessarily transacted upon) sometimes on little news or changes in fundamental data. As a result of the volatility experienced in October, discounted names have emerged, and as such, we believe the probability for further market dislocations should remain elevated, especially as the Fed's quantitative easing initiative ends and the debate over when to make the first interest rate hike takes center stage. We continue to believe credit fundamentals will largely remain strong, but believe additional value will be rewarded to selective credit pickers, avoiding the overly aggressive terms without requisite compensation and identifying credit deterioration in advance of a market move. We expect outperformance to be awarded to those managers who focus on credit selection and mistake avoidance and understand the potential impact of broader interest rate moves with thorough bottom-up analysis, a practice that we believe Ares does particularly well. Overall, we continue to view the non-investment grade credit markets as an attractive asset class for capital deployment given the overall healthy credit environment and potential for current income generation.

Ares Dynamic Credit Allocation Fund, Inc.

ARDC is a closed-end fund that trades on the New York Stock Exchange under the symbol "ARDC", and is externally managed by Ares Capital Management II LLC (the "Advisor"), a subsidiary of Ares Management, 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 investment grade tranches of collateralized loan obligations. As of October 31, 2014, ARDC held approximately 46% of its Managed Assets in corporate bonds, more than 33% in senior loans, and just under 17% in structured credit, with the balance being in cash. As of October month-end, ARDC's investments included 132 issuers diversified across more than 30 distinct industries (based on Merrill Lynch industry classifications). The top five industry groups represented 44% of total holdings of ARDC while the top ten issuer holdings accounted for less than 15% of total portfolio holdings. ARDC has underperformed the CSLLI and the H0A0 for the YTD period ending October 31, 2014 on a Net Asset Value ("NAV") basis returning 1.79% versus 2.73% and 4.79% for the CSLLI and H0A0, respectively.

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Ares Management Funds

Letter to Shareholders *(continued)*

October 31, 2014 (Unaudited)

Ares Multi-Strategy Credit Fund, Inc.

ARMF is a closed-end fund that trades on the New York Stock Exchange under the symbol "ARMF", and is externally managed by the Advisor. ARMF's investment objective is to provide an attractive risk-adjusted level of total return, primarily through current income and, secondarily, through capital appreciation, by investing primarily in a broad, dynamically managed portfolio of below investment grade senior secured loans, high yield corporate bonds, other similar fixed-income instruments, including derivatives, collateralized loan obligations, and other asset backed securities. As of October 31, 2014, ARMF held approximately 46% of its Managed Assets in corporate bonds, 31% in senior loans, just over 15% in CLO debt securities, 2.4% in CLO equity and the balance in cash. As of October month-end, ARMF's investments included 105 issuers diversified across more than 30 distinct industries (based on Merrill Lynch industry classifications). The top five industry groups represented approximately 48% of total holdings of ARMF while the top ten issuer holdings accounted for less than 16% of total portfolio holdings. ARMF has performed in line with the CSLLI and has underperformed the H0A0 for the YTD period ending October 31, 2014 on a Net Asset Value ("NAV") basis returning 2.48% versus 2.73% and 4.79% for the CSLLI and H0A0, respectively.

In conclusion, we maintain strong conviction in the ARDC and ARMF portfolios and believe both funds continue 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 and ARMF. If you have any questions about either Fund, please call 1-877-855-3434, or visit the Funds' websites at www.arespublicfunds.com.

Best Regards,

Ares Capital Management II LLC

ⁱ Source: Goldman Sachs: "Secondary CLO Trading: October 2014 Month End Recap and Thoughts," November 10, 2014.

ⁱⁱ Source: Citi. "Global Structured Credit Strategy Who Should Manage My CLO After Risk Retention," November 7, 2014.

ⁱⁱⁱ Source: Barclays. "Barclays US CLO Weekly Recap: Week Ending 31-Oct-2014," November 3, 2014.

This article contains the opinions of the Adviser and does not represent a recommendation of any particular security, strategy or investment product. The opinions 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 article is distributed for educational purposes and should not be considered investment advice or an offer of any security for sale. Past performance is not indicative of future results and no representation is made that stated results will be replicated.

Ares Dynamic Credit Allocation Fund, Inc.

Fund Profile & Financial Data

October 31, 2014 (Unaudited)

Portfolio Characteristics as of 10.31.14

Weighted Average Floating Coupon ¹	5.31%
Weighted Average Bond Coupon ²	8.82%
Current Distribution Rate ³	8.33%
Dividend Per Share	\$ 0.117

1 The weighted-average gross interest rate on the pool of loans as of October 31, 2014.

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

3 The distribution rate is calculated based on latest declared monthly dividend annualized and divided by the closing market price of the Fund's shares as of October 31, 2014. The Fund currently estimates that such distributions have been paid entirely from investment income. However, to the extent any portion of the current distribution is paid from sources other than investment income (such as long-term capital gains or return of capital) the source(s) would be disclosed in a Section 19 notice located under the "Investor Documents" section of the Fund's website. These estimates should not be relied on for tax purposes. The Fund will send to investors a Form 1099-DIV for the calendar year that will define how these distributions should be reported for federal income tax purposes. The distribution rate alone is not indicative of Fund performance.

Top 10 Holdings⁴ as of 10.31.14

Flint Group	1.72%
Apidos	1.66%
Syniverse	1.52%
TMF Group	1.36%
Rite Aid Corp	1.35%
Air Medical Group Holdings LLC	1.34%
TransUnion	1.32%
Gala Coral Group Ltd	1.32%
Guala Closures S.P. A.	1.31%
Ferrellgas Partners	1.29%

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

Performance as of 10.31.14

	Market	NAV	Index**
1 Year	1.02%	3.54%	3.77%
Since Inception*	-1.60%	5.99%	5.10%

*Since Inception of fund (11/27/2012). Past performance is not indicative of future results

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.

**Credit Suisse Leveraged Loan Index is an unmanaged market value-weighted index designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market.

Portfolio Composition as of 10.31.14

This data is subject to change on a daily basis.

Fixed vs. Floating Rate as of 10.31.14

Industry Allocation⁵ as of 10.31.14

⁵ Merrill Lynch ML4 industry classifications weighted by market value. These values may be different than industry classifications in certain regulatory filings.

Ares Multi Strategy Credit Fund, Inc.

Fund Profile & Financial Data

October 31, 2014 (Unaudited)

Portfolio Characteristics as of 10.31.14

Weighted Average Floating Coupon ¹	6.00%
Weighted Average Bond Coupon ²	8.94%
Current Distribution Rate ³	9.00%
Dividend Per Share	\$0.1525

1 The weighted-average gross interest rate on the pool of loans as of October 31, 2014.

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

3 The distribution rate is calculated based on latest declared monthly dividend annualized and divided by the closing market price of the Fund's shares as of October 31, 2014. The Fund currently estimates that such distributions have been paid entirely from investment income. However, to the extent any portion of the current distribution is paid from sources other than investment income (such as long-term capital gains or return of capital) the source(s) would be disclosed in a Section 19 notice located under the "Investor Documents" section of the Fund's website. These estimates should not be relied on for tax purposes. The Fund will send to investors a Form 1099-DIV for the calendar year that will define how these distributions should be reported for federal income tax purposes. The distribution rate alone is not indicative of Fund performance.

Top 10 Holdings⁴ as of 10.31.14

TMF Group	1.75%
Gala Coral Group Ltd	1.69%
Alinta Energy Ltd	1.57%
Air Medical Group Holdings LLC	1.55%
Boyd Gaming	1.53%
ATLAS IV CLO	1.53%
Cent XVIII CLO LP	1.53%
Premier Foods	1.51%
Babson CLO Ltd	1.45%
LIN Television Corp	1.40%

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

Performance as of 10.31.14

	Market	NAV	Index**
1 Year	-10.53%	2.82%	3.77%
Since Inception*	-12.62%	2.50%	3.82%

*Since Inception of fund (10/28/13). Past performance is not indicative of future results

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.

**Credit Suisse Leveraged Loan Index is an unmanaged market value-weighted index designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market.

Portfolio Composition as of 10.31.14

This data is subject to change on a daily basis.

Fixed vs. Floating Rate as of 10.31.14

Industry Allocation⁵ as of 10.31.14

⁵ Merrill Lynch ML4 industry classifications weighted by market value. These values may be different than industry classifications in certain regulatory filings.

Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments

October 31, 2014

Floating Rate Term Loans 45.9%(b)

	Principal Amount	Value(a)
Aerospace & Defense 1.3%		
DAE Aviation Holdings, Inc., Initial Loan 2nd Lien, 7.75%, 08/05/2019	\$2,687,500	\$ 2,677,423
DAE Aviation Holdings, Inc., Tranche B-1 Loan (2018), 5.00%, 11/02/2018	249,204	248,815
Doncasters U.S., LLC, Term Loan 2nd Lien, 9.50%, 10/09/2020	1,241,379	1,233,620
		4,159,858
Automobile 1.1%		
TI Group Automotive Systems, LLC, Additional Term Loan, 4.25%, 07/02/2021	3,500,000	3,465,000
Banking, Finance & Insurance 0.8%		
Asurion, LLC, 2nd Lien Term Loan, L+7.50%, 03/03/2021(c)	2,500,000	2,538,125
Beverage, Food & Tobacco 1.0%		
Charger OpCo B.V., EUR Term Loan B, (Netherlands), L+3.50%, 06/30/2021(c)	€ 1,500,000	1,858,323
Charger OpCo B.V., US Term Loan B, (Netherlands), L+3.50%, 07/23/2021(c)	\$ 1,500,000	1,485,000
		3,343,323
Broadcasting & Entertainment 1.5%		
Clear Channel Communications, Inc., Tranche E Term Loan, L+7.50%, 07/30/2019(c)	2,500,000	2,400,775
TWCC Holding Corporation, Term Loan 2nd Lien, 7.00%, 06/26/2020	2,500,000	2,448,950
		4,849,725
Business Equipment & Services 1.6%		

Twelve Beeches Sarl, Facility B, (Luxembourg), 5.50%, 08/02/2019	£ 750,000	1,192,510
Twelve Beeches Sarl, Facility C, (Luxembourg), 5.50%, 08/02/2019	2,500,000	3,976,272
		5,168,782

Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value^(a)
Cable & Satellite TV 3.0%		
Altice Financing S.A., Term Loan, (Luxembourg), 5.50%, 07/02/2019	\$3,473,750	\$ 3,491,119
Promotora de Informaciones, S.A., Tranche 2, (Spain), L+2.60%, 12/10/2018 ^(c)	€2,250,000	3,616,779
Virgin Media SFA Finance Ltd., Facility E, (Great Britain), 4.25%, 06/30/2023	£1,575,000	2,498,076
		9,605,974
Chemicals, Plastics & Rubber 2.1%		
Colouroz Investment 1, GmbH, Initial Term Loan C, (Denmark), L+3.75%, 09/03/2021 ^(c)	\$ 499,908	488,035
Colouroz Investment 2, LLC, Initial Term B-2 Loan, L+3.75%, 09/03/2021 ^(c)	3,024,033	2,952,212
Colouroz Investment 2, LLC, Initial Term B-2 Loan 2nd Lien, 8.25%, 05/02/2021	1,500,000	1,425,000
Flint Group GmbH, Initial Euro Term Loan 2nd Lien, (Denmark), 8.25%, 05/02/2021	€ 784,306	941,400
Vertellus Specialties, Inc., Term Loan B, L+9.50%, 10/31/2019 ^(c)	\$1,000,000	965,000
		6,771,647
Consumer Products 1.1%		
True Religion Apparel, Inc., Initial Term Loan, 5.88%, 07/30/2019	2,902,500	2,655,788
True Religion Apparel, Inc., Initial Term Loan 2nd Lien, 11.00%, 01/30/2020	869,565	765,217
		3,421,005
Diversified & Conglomerate Services 2.3%		
Brickman Group, Ltd., LLC, Term Loan 2nd Lien,	3,747,750	3,681,003

7.50%, 12/17/2021

Language Line, LLC,
Tranche B Term Loan,

6.25%, 06/20/2016

1,837,456

1,832,917

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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value ^(a)
Syncreon Global Finance (US), Inc., Term Loan, 5.25%, 10/28/2020	\$1,985,000	\$ 1,975,075
		7,488,995
Electronics 1.0%		
Freescale Semiconductor, Inc., Tranche B-5 Term Loan, 5.00%, 01/15/2021	3,366,000	3,358,191
Grocery 2.3%		
Albertson's, LLC, Term Loan B4, 4.50%, 08/25/2021	2,400,000	2,400,432
GOBP Holdings, Inc., Initial Term Loan, L+4.75%, 10/21/2021 ^(c)	3,000,000	2,992,500
GOBP Holdings, Inc., Initial Term Loan, L+8.25%, 10/14/2022 ^(c)	1,893,000	1,874,070
		7,267,002
Healthcare, Education & Childcare 2.1%		
Al Garden B.V., Facility B1, (Netherlands), 4.20%, 02/13/2020	€5,500,000	3,131,874
BSN Medical Luxembourg Finance Holding Sarl, Term Loan (EUR), (Luxembourg), 4.25%, 08/28/2019	2,344,639	2,940,096
STHI Holdings, Inc., Initial Term Loan, 4.50%, 08/06/2021	\$ 714,286	709,821
		6,781,791
Hotels, Motels, Inns & Gaming 1.4%		
Scientific Games International, Inc., Initial Term B-2 Loan, 6.00%, 10/01/2021	4,500,000	4,402,485
Leisure, Amusement & Entertainment 0.7%		

Delta 2 (Lux) Sarl, Term Loan 2nd Lien, (Luxembourg), 7.75%, 08/08/2022	2,227,723	2,217,988
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Manufacturing 1.7%

Alliance Laundry Systems, LLC, Initial Term Loan 2nd Lien, 9.50%, 12/10/2019	2,069,693	2,074,868
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Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value ^(a)
Husky Injection Molding Systems, Ltd., 2nd Lien Term Loan, (Canada), 7.25%, 06/30/2022	\$1,900,000	\$ 1,857,250
Husky Injection Molding Systems, Ltd., Initial Term Loan, (Canada), 4.25%, 06/30/2022	1,544,106	1,517,733
		5,449,851

Oil & Gas 3.6%

Chief Exploration & Development, LLC, 2nd Lien Term Loan, 7.50%, 05/16/2021	1,350,000	1,296,000
Energy & Exploration Partners, LLC, Initial Loan, 7.75%, 01/22/2019	4,423,503	4,014,329
Quicksilver Resources, Inc., Term Loan 2nd Lien, 7.00%, 06/21/2019	2,500,000	2,245,825
Templar Energy, LLC, Incremental Term Loans 2nd Lien, 8.50%, 11/25/2020	4,392,268	3,957,434
		11,513,588

Personal Transportation 1.6%

Air Medical Holdings, LLC, B-1 Term Loan, 5.00%, 06/30/2018	3,318,167	3,320,921
Air Medical Holdings, LLC, Term Loan, 7.63%, 05/31/2018 ^(d)	2,000,000	1,975,000
		5,295,921

Personal, Food & Miscellaneous Services 0.2%

Weight Watchers International, Inc., Initial Tranche B-2 Term Loan, 4.00%, 04/02/2020	989,950	754,837
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Pipeline 1.6%

Atlas Energy, L.P., Loan, 6.50%, 07/31/2019	3,467,481	3,456,662
Crestwood Holdings, LLC, Tranche B-1 Term Loan, 7.00%, 06/19/2019	1,832,169	1,825,299
		5,281,961

Printing & Publishing 3.6%

Advanstar Communications, Inc., New 2nd Lien Term Loan, 9.50%, 06/05/2020	2,000,000	2,005,000
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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value^(a)
Dex Media East, LLC, Term Loan (2016), 6.00%, 12/30/2016	\$2,047,563	\$ 1,653,407
Dex Media West, LLC, Term Loan, 8.00%, 12/30/2016	2,467,286	2,204,520
F&W Media, Inc., Initial Term Loan, 7.75%, 06/30/2019	2,457,605	2,383,877
Lee Enterprises, Inc., Term Loan, 7.25%, 03/31/2019	1,736,809	1,738,980
Tribune Publishing Company, Initial Term Loans, 5.75%, 08/04/2021	1,528,090	1,516,629
		11,502,413
Retail Stores 5.2%		
Harbor Freight Tools USA, Inc., Initial Loans (TL), 4.75%, 07/26/2019	2,962,500	2,959,538
JC Penney Corporation, Inc., Term Loan, 6.00%, 05/22/2018	2,962,500	2,923,010
Neiman Marcus Group, Inc., Term Loan 1, 4.25%, 10/25/2020	4,950,094	4,882,030
Rite Aid Corporation, Second Priority Tranche 1 Term Loans, 5.75%, 08/21/2020	2,000,000	2,010,000
Rite Aid Corporation, Tranche 2 Term Loan, 4.88%, 06/21/2021	4,075,000	4,064,812
		16,839,390
Service & Equipment 0.3%		
Ship Luxco 3 Sarl, Facility B1A-II, (Luxembourg), 6.00%, 11/29/2019	£ 500,000	800,163
Technology 1.0%		
	\$1,500,000	1,477,500

Allflex Holdings III, Inc., (U.S.), Initial Term Loan 2nd Lien, 8.00%, 07/19/2021		
Ship Midco, Ltd., Facility C1 (GBP), (Great Britain), 5.75%, 11/29/2019	£1,000,000	1,596,425
		3,073,925
Floating Rate Term Loans^(b) (continued)		
	Principal Amount	Value^(a)
Telecommunications 1.4%		
Eircom Finco Sarl, Facility B2 Loan, (Luxembourg), 4.59%, 09/30/2019	€815,000	\$ 4,543,289
Utilities 1.8%		
Alinta Energy Finance Pty, Ltd., Delayed Draw Term Loan, (Australia), L+5.38%, 08/13/2018 ^{(c)(e)}	\$ 372,877	98,989
Alinta Energy Finance Pty, Ltd., Term B Loan, (Australia), L+5.38%, 08/13/2019 ^(c)	5,649,915	5,696,978
		5,795,967
Waste Management 0.6%		
Waste Industries USA, Inc., Term B Loan, 4.00%, 03/17/2017	1,965,000	1,950,263
Total Floating Rate Term Loans		
(Cost: \$151,363,588)		147,641,459
Corporate Bonds 64.5%		
Aerospace & Defense 0.7%		
Spirit AeroSystems, Inc., 6.75%, 12/15/2020	2,197,000	2,328,820
Banking, Finance & Insurance 3.0%		
Innovia Group Finance PLC, 144A, (Great Britain), 5.08%, 03/31/2020 ^(f)	€0,093,000	3,816,634
TransUnion Holding Company, Inc., 9.63%, 06/15/2018 ^(d)	\$5,750,000	5,936,875
		9,753,509
Beverage, Food & Tobacco 1.8%		
Premier Foods Finance PLC, 144A, (Great Britain), 5.56%, 03/16/2020 ^(f)	£2,965,000	4,257,544
	977,000	1,404,688

Premier Foods Finance PLC, 144A, (Great Britain), 6.50%, 03/15/2021		5,662,232
Broadcasting & Entertainment 2.4%		
Belo Corporation, 7.25%, 09/15/2027	\$2,000,000	2,147,500
LIN Television Corporation, 6.38%, 01/15/2021	895,000	908,425

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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
LIN Television Corporation, 8.38%, 04/15/2018	\$4,338,000	\$ 4,516,942
		7,572,867
Buildings & Real Estate 2.1%		
BMBG Bond Finance S.C.A., 144A, (Luxembourg), 5.08%, 10/15/2020 ^(f)	€2,275,000	4,110,957
Interline Brands, Inc., 10.00%, 11/15/2018 ^(d)	\$2,521,000	2,628,142
		6,739,099
Business Equipment & Services 1.9%		
TMF Group Holding B.V., 144A, (Netherlands), 5.54%, 12/01/2018 ^(f)	€625,000	3,272,355
TMF Group Holding B.V., 144A, (Netherlands), 9.88%, 12/01/2019	2,250,000	2,861,531
		6,133,886
Cable & Satellite TV 5.4%		
AMC Networks, Inc., 7.75%, 07/15/2021	\$2,500,000	2,725,000
CCO Holdings, LLC, 7.00%, 01/15/2019	2,750,000	2,866,875
Intelsat Jackson Holdings SA, (Luxembourg), 8.50%, 11/01/2019	2,250,000	2,345,625
Unitymedia KabelBW GmbH, 144A, (Denmark), 9.63%, 12/01/2019	€4,000,000	5,261,549
Videotron, Ltd., (Canada), 9.13%, 04/15/2018	\$ 420,000	433,650
Ziggo Bond Co. B.V., 144A, (Netherlands), 8.00%, 05/15/2018	€700,000	3,661,475
		17,294,174
Cargo Transportation 0.8%		
Overseas Shipholding Group, Inc., 8.13%, 03/30/2018	\$2,500,000	2,518,750
Chemicals, Plastics & Rubber 1.3%		

Huntsman International, LLC, 8.63%, 03/15/2020	2,500,000	2,681,900
Vertellus Specialties, Inc., 144A, 9.38%, 10/01/2015	1,355,000	1,358,388
		4,040,288

Corporate Bonds (continued)

	Principal Amount	Value^(a)
Consumer Products 2.4%		
Elizabeth Arden, Inc., 7.38%, 03/15/2021	\$4,000,000	\$ 3,630,000
NBTY, Inc., 9.00%, 10/01/2018	4,000,000	4,155,000
		7,785,000
Containers, Packaging & Glass 2.6%		
Berry Plastics Corporation, 9.75%, 01/15/2021	3,375,000	3,767,344
Reynolds Group Issuer, Inc., 9.00%, 04/15/2019	2,900,000	3,030,500
Reynolds Group Issuer, Inc., 9.88%, 08/15/2019	1,500,000	1,629,375
		8,427,219
Diversified & Conglomerate Services 3.9%		
Abengoa Finance SAU, 144A, (Spain), 8.88%, 11/01/2017	2,500,000	2,728,125
Affinion Investments, LLC, 144A, 13.50%, 08/15/2018	4,060,000	3,410,400
Syncreon Group B.V., 144A, (Netherlands), 8.63%, 11/01/2021	3,000,000	2,932,500
United Rentals North America, Inc., 8.38%, 09/15/2020	3,300,000	3,572,250
		12,643,275
Electronics 2.1%		
Syniverse Holdings, Inc., 9.13%, 01/15/2019	6,500,000	6,825,000
Furnishings, Housewares Durable Consumables 1.2%		
Masonite International Corporation, 144A, (Canada), 8.25%, 04/15/2021	3,500,000	3,745,000
Healthcare, Education & Childcare 2.7%		
ConvaTec Finance International SA, 144A, (Luxembourg), 8.25%, 01/15/2019 ^(d)	2,240,000	2,287,880
IASIS Healthcare, LLC, 8.38%, 05/15/2019	2,000,000	2,110,000

Jaguar Holding Company I, 144A, 9.38%, 10/15/2017 ^(d)	4,000,000	4,095,000
Lantheus Medical Imaging, Inc., 9.75%, 05/15/2017	182,000	171,535
		8,664,415

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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Hotels, Motels, Inns & Gaming 8.6%		
Boyd Gaming Corporation, 9.13%, 12/01/2018	\$1,100,000	\$ 1,152,250
Gala Electric Casinos, PLC, 144A, (Great Britain), 11.50%, 06/01/2019	£3,000,000	4,988,879
Gala Group Finance, PLC, 144A, (Great Britain), 8.88%, 09/01/2018	556,200	927,606
Marina District Finance Company, Inc., 9.88%, 08/15/2018	\$4,943,000	5,202,507
Peninsula Gaming, LLC, 144A, 8.38%, 02/15/2018	4,000,000	4,220,000
Pinnacle Entertainment, Inc., 8.75%, 05/15/2020	3,000,000	3,187,500
Seneca Gaming Corporation, 144A, 8.25%, 12/01/2018	3,750,000	3,918,750
SNAI S.p.A., 144A, (Italy), 7.63%, 06/15/2018	€360,000	2,922,419
SNAI S.p.A., 144A, (Italy), 12.00%, 12/15/2018	1,000,000	1,259,039
		27,778,950
Mining, Steel, Non-Precious Metals 1.2%		
CONSOL Energy, Inc., 8.25%, 04/01/2020	\$1,500,000	1,582,500
Peabody Energy Corporation, 6.50%, 09/15/2020	2,250,000	2,143,125
		3,725,625
Oil & Gas 6.3%		
EP Energy, LLC, 9.38%, 05/01/2020	3,000,000	3,277,500
Ferrellgas Partners, L.P., 8.63%, 06/15/2020	5,581,000	5,804,240
Halcon Resources Corporation, 8.88%, 05/15/2021	3,000,000	2,460,000
Halcon Resources Corporation, 9.75%, 07/15/2020	1,438,000	1,199,831
	3,500,000	3,692,500

Laredo Petroleum, Inc., 9.50%, 02/15/2019		
Midstates Petroleum Company, Inc., 9.25%, 06/01/2021	3,500,000	2,975,000
Midstates Petroleum Company, Inc., 10.75%, 10/01/2020	500,000	445,000
Quicksilver Resources, Inc., 11.00%, 07/01/2021	1,000,000	510,000
		20,364,071

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Packaging 3.9%		
Albea Beauty Holdings S.A., 144A, (Luxembourg), 8.38%, 11/01/2019	\$4,630,000	\$ 4,930,950
GCL Holdings S.C.A., 144A, (Luxembourg), 9.38%, 04/15/2018	€ 4,000,000	5,224,969
Guala Closures S.p.A., 144A, (Italy), 5.57%, 11/15/2019 ^(f)	545,000	681,084
Packaging Dynamics Corporation, 144A, 8.75%, 02/01/2016	\$1,600,000	1,612,000
		12,449,003
Personal Transportation 0.2%		
Air Medical Group Holdings, Inc., 9.25%, 11/01/2018	705,000	736,725
Personal, Food & Miscellaneous Services 1.3%		
Pantry, Inc., 8.38%, 08/01/2020	4,055,000	4,257,750
Pipeline 0.7%		
Atlas Pipeline Partners, L.P., 5.88%, 08/01/2023	298,000	309,175
Crestwood Midstream Partners, L.P., 7.75%, 04/01/2019	500,000	525,625
Kinder Morgan, Inc., 144A, 5.63%, 11/15/2023	1,176,000	1,293,600
		2,128,400
Retail Stores 0.3%		
Hema Bondco I B.V., 144A, (Netherlands), 6.25%, 06/15/2019	€ 815,000	898,983
Service & Equipment 2.5%		
Ceridian, LLC, 144A, 8.13%, 11/15/2017	\$3,000,000	3,000,000

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First Data Corporation, 144A, 8.75%, 01/15/2022 ^(d)	2,500,000	2,731,250
First Data Corporation, 144A, 8.88%, 08/15/2020	2,223,000	2,406,397
		8,137,647
Technology 1.4%		
Epicor Software Corporation, 8.63%, 05/01/2019	4,215,000 Annual Report 2014	4,483,706

Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Telecommunications 2.6%		
Digicel, Ltd., 144A, (Bermuda), 8.25%, 09/01/2017	\$4,000,000	\$ 4,095,000
Level 3 Financing, Inc., 9.38%, 04/01/2019	2,000,000	2,137,500
Wind Acquisition Finance S.A., 144A, (Luxembourg), 5.34%, 04/30/2019 ^(f)	€ 750,000	941,911
Windstream Corporation, 7.75%, 10/15/2020	\$1,000,000	1,065,000
		8,239,411
Utilities 1.2%		
NRG Energy, Inc., 8.25%, 09/01/2020	3,500,000	3,784,375
Total Corporate Bonds (Cost: \$215,735,866)		207,118,180
Collateralized Loan Obligations/ Collateralized Debt Obligations 23.6%^(f)		
Banking, Finance & Insurance 2.2%		
Northwoods Capital XI Ltd., 144A, (Cayman Islands), 3.68%, 04/15/2025	2,500,000	2,301,295
West CLO 2013-1, Ltd., 144A, (Cayman Islands), 3.89%, 11/07/2025	3,000,000	2,810,421
WhiteHorse VII, Ltd., 144A, (Cayman Islands), 3.93%, 11/24/2025	2,000,000	1,905,956
		7,017,672
Structured Finance Obligations 21.4%		
AMMC CLO XIV, Ltd., 144A, (Cayman Islands), 3.90%, 07/27/2026	2,000,000	1,862,058
Apidos CLO XII, 144A, (Cayman Islands), 3.28%, 04/15/2025	4,000,000	3,718,068
Apidos CLO XIV, 144A, (Cayman Islands), 3.73%, 04/15/2025	4,000,000	3,764,208

Apidos CLO XV, 144A, (Cayman Islands), 3.48%, 10/20/2025	3,000,000	2,812,839
Atrium IX, 144A, (Cayman Islands), 3.74%, 02/28/2024	2,500,000	2,383,322

**Collateralized Loan Obligations/
Collateralized Debt Obligations^(f) (continued)**

	Principal Amount	Value^(a)
Cent CLO XVII, 144A, (Cayman Islands), 3.73%, 01/30/2025	\$4,000,000	\$ 3,791,880
Cent CLO XXI, Ltd., 144A, (Cayman Islands), 3.73%, 07/27/2026	2,000,000	1,852,114
Dryden Senior Loan Fund XXX, Ltd., 144A, (Cayman Islands), 3.43%, 11/15/2025	1,000,000	926,255
Finn Square CLO, Ltd., 144A, (Cayman Islands), 3.84%, 12/24/2023	4,500,000	4,295,925
Galaxy XV CLO, Ltd., 144A, (Cayman Islands), 3.63%, 04/15/2025	4,000,000	3,725,768
Galaxy XVI CLO, Ltd., 144A, (Cayman Islands), 3.58%, 11/16/2025	2,000,000	1,879,350
Greywolf CLO II, Ltd., 144A, (Cayman Islands), 4.06%, 04/15/2025	4,000,000	3,833,360
Halcyon Loan Advisors Funding 2013-1, Ltd., 144A, (Cayman Islands), 3.73%, 04/15/2025	4,000,000	3,704,348
ING IM CLO 2011-1, Ltd., 144A, (Cayman Islands), 3.53%, 06/22/2021	1,500,000	1,450,649
ING IM CLO 2013-1, Ltd., 144A, (Cayman Islands), 3.73%, 04/15/2024	3,000,000	2,793,714
Jamestown CLO IV, Ltd., 144A, (Cayman Islands), 3.73%, 07/15/2026	3,000,000	2,764,581
Mountain Hawk I CLO, Ltd., 144A, (Cayman Islands), 3.33%, 01/20/2024	3,000,000	2,747,868
Oak Hill Credit Partners X, Ltd., 144A, (Cayman Islands), 3.65%, 07/20/2026	3,000,000	2,798,244

OHA Credit Partners VIII, Ltd., 144A, (Cayman Islands), 3.73%, 04/20/2025	4,000,000	3,790,436
OHA Loan Funding 2013-1, Ltd., 144A, (Cayman Islands), 3.83%, 07/23/2025	4,000,000	3,769,196
OZLM Funding III, Ltd., 144A, (Cayman Islands), 4.13%, 01/22/2025	2,000,000	1,921,020

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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments (concluded)

October 31, 2014

**Collateralized Loan Obligations/
Collateralized Debt Obligations^(f)** (continued)

	Principal Amount	Value^(a)
OZLM Funding IV, Ltd., 144A, (Cayman Islands), 3.43%, 07/22/2025	\$2,500,000	\$ 2,292,777
Steele Creek CLO 2014-1, Ltd., 144A, (Cayman Islands), 3.63%, 08/21/2026	2,450,000	2,213,139
Venture XIII CLO, Ltd., 144A, (Cayman Islands), 3.78%, 06/10/2025	4,000,000	3,740,368
		68,831,487
Total Collateralized Loan Obligations/ Collateralized Debt Obligations (Cost: \$76,929,456)		75,849,159
Total Investments 134.0% (Cost: \$444,028,910)		\$ 430,608,798
Liabilities in Excess of Other Assets (34.0%)		(109,240,912)
Net Assets 100.0%		\$ 321,367,886

Footnotes:

(a) Investment holdings in foreign currencies are converted to U.S. Dollars using period end spot rates. All investments are in United States enterprises unless otherwise noted.

(b) Interest rates on floating rate term loans adjust periodically based upon a predetermined schedule. Stated interest rates in this schedule represents the "all-in" rate at period end.

(c) This position or a portion of this position represents an unsettled loan purchase. The interest rate will be determined at the time of settlement and will be based upon the London-Interbank Offered Rate ("LIBOR" or "L") or the applicable LIBOR floor plus a spread which was determined at the time of purchase.

(d) Pay-In-Kind security (PIK), which may pay interest/dividends in additional par/shares.

(e) Reported net of unfunded commitments, reduced by any upfront payments received if purchased at a discount, see Note 2.

(f) Variable rate coupon, rate shown as of October 31, 2014.

As of October 31, 2014, the aggregate cost of securities for federal income tax purposes was \$ 444,072,913.

Unrealized appreciation and depreciation on investments for federal income tax purposes are as follows:

Gross unrealized appreciation	\$ 1,699,629
Gross unrealized depreciation	(15,163,744)
Net unrealized depreciation	\$(13,464,115)

Abbreviations:

144A Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

CLO Collateralized Loan Obligation

Currencies:

€ Euro Currency

£ British Pounds

\$ U.S. Dollars

Ares Multi-Strategy Credit Fund, Inc.

Schedule of Investments

October 31, 2014

Floating Rate Term Loans 44.4%^(b)

	Principal Amount	Value ^(a)
Aerospace & Defense 1.7%		
DAE Aviation Holdings, Inc., Initial Loan 2nd Lien, 7.75%, 08/05/2019	\$1,175,000	\$ 1,170,594
DAE Aviation Holdings, Inc., Tranche B-1 Loan (2018), 5.00%, 11/02/2018	207,670	207,345
Doncasters U.S., LLC, Term Loan 2nd Lien, 9.50%, 10/09/2020	689,655	685,345
		2,063,284
Banking, Finance & Insurance 1.1%		
Asurion, LLC, 2nd Lien Term Loan, L+7.50%, 03/03/2021 ^(c)	1,250,000	1,269,063
Beverage, Food & Tobacco 1.3%		
Charger OpCo B.V., EUR Term Loan B, (Netherlands), L+3.50%, 06/30/2021 ^(c)	€ 750,000	929,161
Charger OpCo B.V., US Term Loan B, (Netherlands), L+3.50%, 07/23/2021 ^(c)	\$ 600,000	594,000
		1,523,161
Broadcasting & Entertainment 1.8%		
Clear Channel Communications, Inc., Tranche E Term Loan, L+7.50%, 07/30/2019 ^(c)	1,000,000	960,310
TWCC Holding Corporation, Term Loan 2nd Lien, 7.00%, 06/26/2020	1,250,000	1,224,475
		2,184,785
Business Equipment & Services 1.7%		
Twelve Beeches Sarl, Facility C, (Luxembourg), 5.50%, 08/02/2019	£1,250,000	1,988,136
Cable & Satellite TV 2.4%		
Altice Financing S.A., Term Loan, (Luxembourg),	\$1,488,750	1,496,194

5.50%, 07/02/2019		
Promotora de Informaciones, S.A., Tranche 2, (Spain), L+2.60%, 12/10/2018 ^(c)	€ 250,000	1,391,069
		2,887,263

Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value ^(a)
Chemicals, Plastics & Rubber 1.8%		
Colouroz Investment 1, GmbH, Initial Term Loan C, (Denmark), L+3.75%, 09/03/2021 ^(c)	\$ 51,949	\$ 50,715
Colouroz Investment 2, LLC, Initial Term B-2 Loan, 4.75%, 09/03/2021	314,250	306,787
Colouroz Investment 2, LLC, Initial Term B-2 Loan 2nd Lien, 8.25%, 05/02/2021	937,500	890,625
Flint Group GmbH, Initial Euro Term Loan 2nd Lien, (Denmark), 8.25%, 05/02/2021	€ 348,580	418,400
Vertellus Specialties, Inc., Term Loan B, L+9.50%, 10/31/2019 ^(c)	\$ 500,000	482,500
		2,149,027
Consumer Products 1.5%		
True Religion Apparel, Inc., Initial Term Loan, 5.88%, 07/30/2019	1,451,250	1,327,894
True Religion Apparel, Inc., Initial Term Loan 2nd Lien, 11.00%, 01/30/2020	500,000	440,000
		1,767,894
Diversified & Conglomerate Services 1.2%		
Syncreon Global Finance (US), Inc., Term Loan, 5.25%, 10/28/2020	1,488,750	1,481,306
Electronics 1.1%		
Smart Technologies ULC, Term B Loan, (Canada), 10.50%, 01/31/2018	1,387,500	1,352,813
Grocery 2.7%		
Albertson's, LLC, Term Loan B4, 4.50%, 08/25/2021	1,000,000	1,000,180
GOBP Holdings, Inc., Initial Term Loan, 5.75%, 10/21/2021	1,285,714	1,282,500

GOBP Holdings, Inc., Initial Term Loan, L+8.25%, 10/14/2022(c)	946,000	936,540
		3,219,220

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Ares Multi-Strategy Credit Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value ^(a)
Healthcare, Education & Childcare 0.3%		
STHI Holdings, Inc., Initial Term Loan, 4.50%, 08/06/2021	\$ 357,143	\$ 354,911
Hotels, Motels, Inns & Gaming 1.6%		
Scientific Games International, Inc., Initial Term B-2 Loan, 6.00%, 10/01/2021	2,000,000	1,956,660
Leisure, Amusement & Entertainment 0.9%		
Delta 2 (Lux) Sarl, Term Loan 2nd Lien, (Luxembourg), 7.75%, 08/08/2022	1,113,861	1,108,994
Manufacturing 1.7%		
Husky Injection Molding Systems, Ltd., 2nd Lien Term Loan, (Canada), 7.25%, 06/30/2022	1,300,000	1,270,750
Husky Injection Molding Systems, Ltd., Initial Term Loan, (Canada), 4.25%, 06/30/2022	767,072	753,971
		2,024,721
Oil & Gas 5.1%		
Chief Exploration & Development, LLC, 2nd Lien Term Loan, 7.50%, 05/16/2021	750,000	720,000
Energy & Exploration Partners, LLC, Initial Loan, 7.75%, 01/22/2019	2,211,752	2,007,165
Quicksilver Resources, Inc., Term Loan 2nd Lien, 7.00%, 06/21/2019	1,500,000	1,347,495
Templar Energy, LLC, Incremental Term Loans 2nd Lien, 8.50%, 11/25/2020	2,302,982	2,074,987

6,149,647

Personal Transportation 0.8%

Air Medical Holdings, LLC,

B-1 Term Loan,

5.00%, 06/30/2018

991,695

992,518

Personal, Food & Miscellaneous Services 1.6%

Weight Watchers International,

Inc.,

Initial Tranche B-2 Term Loan,

4.00%, 04/02/2020

2,474,874

1,887,092

Floating Rate Term Loans^(b) (continued)**Principal
Amount****Value^(a)****Pipeline 1.9%**

Atlas Energy, L.P., Loan,

6.50%, 07/31/2019

\$1,486,241

\$ 1,481,603

Crestwood Holdings, LLC,

Tranche B-1 Term Loan,

7.00%, 06/19/2019

730,381

727,642

2,209,245**Printing & Publishing 3.4%**

Dex Media East, LLC,

Term Loan (2016),

6.00%, 12/30/2016

1,259,393

1,016,960

Dex Media West, LLC,

Term Loan,

8.00%, 12/30/2016

1,277,393

1,141,351

F&W Media, Inc.,

Initial Term Loan,

7.75%, 06/30/2019

983,042

953,550

Lee Enterprises, Inc.,

Term Loan,

7.25%, 03/31/2019

964,894

966,100

4,077,961**Retail Stores 1.8%**

Rite Aid Corporation,

Second Priority Tranche 1 Term

Loans,

5.75%, 08/21/2020

2,170,000

2,180,850

Service & Equipment 0.7%

Ship Luxco 3 Sarl,

Facility B1A-II, (Luxembourg),

6.00%, 11/29/2019

£ 500,000

800,163

Technology 2.6%

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

Initial Term Loan 2nd Lien,

8.00%, 07/19/2021

\$1,500,000

1,477,500

Ship Midco, Ltd.,

Facility C1 (GBP), (Great

Britain),

£1,000,000

1,596,425

5.75%, 11/29/2019

3,073,925

Telecommunications 1.4%

Eircom Finco Sarl,
Facility B2 Loan, (Luxembourg),
4.59%, 09/30/2019

€1,400,000
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1,667,262

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Ares Multi-Strategy Credit Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Floating Rate Term Loans^(b) (continued)

	Principal Amount	Value ^(a)
Utilities 2.3%		
Alinta Energy Finance Pty, Ltd., Delayed Draw Term Loan, (Australia), L+5.38%, 08/13/2018 ^{(c)(d)}	\$ 174,037	\$ 46,202
Alinta Energy Finance Pty, Ltd., Term B Loan, (Australia), L+5.38%, 08/13/2019 ^(c)	2,636,027	2,657,985
		2,704,187
Total Floating Rate Term Loans (Cost: \$55,065,218)		53,074,088
Corporate Bonds 65.8%		
Banking, Finance & Insurance 2.9%		
Innovia Group Finance PLC, 144A, (Great Britain), 5.08%, 03/31/2020 ^(e)	€1,550,000	1,912,636
TransUnion Holding Company, Inc., 9.63%, 06/15/2018 ^(f)	\$1,500,000	1,548,750
		3,461,386
Beverage, Food & Tobacco 2.2%		
Premier Foods Finance PLC, 144A, (Great Britain), 5.56%, 03/16/2020 ^(e)	£1,485,000	2,132,361
Premier Foods Finance PLC, 144A, (Great Britain), 6.50%, 03/15/2021	\$ 317,000	455,769
		2,588,130
Broadcasting & Entertainment 2.0%		
LIN Television Corporation, 8.38%, 04/15/2018	2,312,000	2,407,370
Buildings & Real Estate 2.5%		
BMBG Bond Finance S.C.A., 144A, (Luxembourg), 5.08%, 10/15/2020 ^(e)	€1,250,000	1,569,068
Interline Brands, Inc., 10.00%, 11/15/2018 ^(f)	\$1,313,000	1,368,802
		2,937,870

Business Equipment & Services 2.5%

TMF Group Holding B.V., 144A, (Netherlands), 5.54%, 12/01/2018 ^(e)	€ 875,000	1,090,785
TMF Group Holding B.V., 144A, (Netherlands), 9.88%, 12/01/2019	1,500,000	1,907,687
		2,998,472

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Cable & Satellite TV 4.7%		
AMC Networks, Inc., 7.75%, 07/15/2021	\$1,000,000	\$ 1,090,000
Intelsat Jackson Holdings SA, (Luxembourg), 8.50%, 11/01/2019	1,250,000	1,303,125
Unitymedia KabelBW GmbH, 144A, (Denmark), 9.63%, 12/01/2019	€ 1,500,000	1,973,081
Ziggo Bond Co. B.V., 144A, (Netherlands), 8.00%, 05/15/2018	900,000	1,220,491
		5,586,697

Chemicals, Plastics & Rubber 1.6%

Huntsman International, LLC, 8.63%, 03/15/2020	\$1,000,000	1,072,760
Vertellus Specialties, Inc., 144A, 9.38%, 10/01/2015	817,000	819,043
		1,891,803

Consumer Products 2.6%

Elizabeth Arden, Inc., 7.38%, 03/15/2021	1,750,000	1,588,125
NBTY, Inc., 9.00%, 10/01/2018	1,500,000	1,558,125
		3,146,250

Containers, Packaging & Glass 1.9%

Berry Plastics Corporation, 9.75%, 01/15/2021	1,125,000	1,255,781
Reynolds Group Issuer, Inc., 9.00%, 04/15/2019	1,000,000	1,045,000
		2,300,781

Diversified & Conglomerate Services 2.7%

Affinion Investments, LLC, 144A, 13.50%, 08/15/2018	1,275,000	1,071,000
Syncreon Group B.V., 144A, (Netherlands), 8.63%, 11/01/2021	750,000	733,125
United Rentals North America, Inc.,	1,300,000	1,407,250

8.38%, 09/15/2020

3,211,375

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Ares Multi-Strategy Credit Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Electronics 2.9%		
NeuStar, Inc., 4.50%, 01/15/2023	\$1,500,000	\$ 1,297,500
Syniverse Holdings, Inc., 9.13%, 01/15/2019	2,129,000	2,235,450
		3,532,950
Furnishings, Housewares Durable Consumables 1.1%		
Masonite International Corporation, 144A, (Canada), 8.25%, 04/15/2021	1,250,000	1,337,500
Healthcare, Education & Childcare 2.3%		
ConvaTec Finance International SA, 144A, (Luxembourg), 8.25%, 01/15/2019 ^(f)	1,120,000	1,143,940
Jaguar Holding Company I, 144A, 9.38%, 10/15/2017 ^(f)	1,500,000	1,535,625
Lantheus Medical Imaging, Inc., 9.75%, 05/15/2017	90,000	84,825
		2,764,390
Hotels, Motels, Inns & Gaming 12.2%		
Boyd Gaming Corporation, 9.13%, 12/01/2018	500,000	523,750
Gala Electric Casinos, PLC, 144A, (Great Britain), 11.50%, 06/01/2019	£1,250,000	2,078,700
Gala Group Finance, PLC, 144A, (Great Britain), 8.88%, 09/01/2018	495,900	827,040
Marina District Finance Company, Inc., 9.88%, 08/15/2018	\$2,000,000	2,105,000
Mohegan Tribal Gaming Authority, 144A, 11.00%, 09/15/2018	2,000,000	1,980,000
Peninsula Gaming, LLC, 144A, 8.38%, 02/15/2018	2,000,000	2,110,000
	1,250,000	1,328,125

Pinnacle Entertainment, Inc., 8.75%, 05/15/2020		
Seneca Gaming Corporation, 144A, 8.25%, 12/01/2018	1,250,000	1,306,250
SNAI S.p.A., 144A, (Italy), 7.63%, 06/15/2018	€1,118,000	1,384,434
SNAI S.p.A., 144A, (Italy), 12.00%, 12/15/2018	750,000	944,279
		14,587,578

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Mining, Steel, Non-Precious Metals 1.0%		
Peabody Energy Corporation, 6.50%, 09/15/2020	\$1,250,000	\$ 1,190,625
Oil & Gas 6.6%		
EP Energy, LLC, 9.38%, 05/01/2020	1,250,000	1,365,625
Ferrellgas Partners, L.P., 8.63%, 06/15/2020	1,687,000	1,754,480
Halcon Resources Corporation, 8.88%, 05/15/2021	1,000,000	820,000
Halcon Resources Corporation, 9.25%, 02/15/2022	1,000,000	812,500
Halcon Resources Corporation, 9.75%, 07/15/2020	217,000	181,059
Laredo Petroleum, Inc., 9.50%, 02/15/2019	1,500,000	1,582,500
Midstates Petroleum Company, Inc., 10.75%, 10/01/2020	1,500,000	1,335,000
		7,851,164
Packaging 4.9%		
Albea Beauty Holdings S.A., 144A, (Luxembourg), 8.38%, 11/01/2019	1,634,000	1,740,210
GCL Holdings S.C.A., 144A, (Luxembourg), 9.38%, 04/15/2018	€1,500,000	1,959,363
Guala Closures S.p.A., 144A, (Italy), 5.57%, 11/15/2019 ^(e)	150,000	187,455
Packaging Dynamics Corporation, 144A, 8.75%, 02/01/2016	\$2,000,000	2,015,000
		5,902,028
Personal Transportation 1.4%		
Air Medical Group Holdings, Inc., 9.25%, 11/01/2018	1,600,000	1,672,000

Personal, Food & Miscellaneous Services 1.3%

Pantry, Inc., 8.38%, 08/01/2020	1,442,000	1,514,100
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Pipeline 0.7%

Atlas Pipeline Partners, L.P., 5.88%, 08/01/2023	119,000	123,463
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Crestwood Midstream Partners, L.P., 7.75%, 04/01/2019	250,000	262,812
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Ares Multi-Strategy Credit Fund, Inc.

Schedule of Investments (continued)

October 31, 2014

Corporate Bonds (continued)

	Principal Amount	Value ^(a)
Kinder Morgan, Inc., 144A, 5.63%, 11/15/2023	\$ 470,000	\$ 517,000
		903,275
Retail Stores 0.4%		
Hema Bondco I B.V., 144A, (Netherlands), 6.25%, 06/15/2019	€ 445,000	490,856
Service & Equipment 1.6%		
First Data Corporation, 144A, 8.75%, 01/15/2022 ^(f)	\$1,000,000	1,092,500
First Data Corporation, 144A, 8.88%, 08/15/2020	750,000	811,875
		1,904,375
Technology 1.8%		
Epicor Software Corporation, 8.63%, 05/01/2019	2,000,000	2,127,500
Telecommunications 0.6%		
Digicel, Ltd., 144A, (Bermuda), 8.25%, 09/01/2017	750,000	767,813
Utilities 1.4%		
NRG Energy, Inc., 8.25%, 09/01/2020	1,500,000	1,621,875
Total Corporate Bonds (Cost: \$82,701,846)		78,698,163
Collateralized Loan Obligations/ Collateralized Debt Obligations 25.7%		
Banking, Finance & Insurance 1.8%		
Northwoods Capital X, Ltd., 144A, (Cayman Islands), 4.84%, 11/04/2025 ^(e)	2,000,000	1,732,274
West CLO 2013-1, Ltd., 144A, (Cayman Islands), 11/07/2025	500,000	410,345
		2,142,619
Structured Finance Obligations 23.9%		
AMMC CLO XIII, Ltd., 144A, (Cayman Islands), 5.03%, 01/26/2026 ^(e)	2,000,000	1,771,774
	1,000,000	876,516

AMMC CLO XIV, Ltd.,
144A, (Cayman Islands),
5.15%, 07/27/2026^(e)

**Collateralized Loan Obligations/
Collateralized Debt Obligations** *(continued)*

	Principal Amount	Value^(a)
Apidos CLO XVI, 144A, (Cayman Islands), 4.73%, 01/19/2025 ^(e)	\$2,000,000	\$ 1,727,102
Atlas Senior Loan Fund IV, Ltd., 144A, (Cayman Islands), 3.68%, 02/17/2026 ^(e)	1,000,000	910,993
Atlas Senior Loan Fund IV, Ltd., 144A, (Cayman Islands), 4.93%, 02/17/2026 ^(e)	2,000,000	1,711,654
Babson CLO, Inc., 2007-I, 144A, (Cayman Islands), 01/18/2021	1,000,000	728,987
Babson CLO, Ltd., 2013-II, 144A, (Cayman Islands), 4.73%, 01/18/2025 ^(e)	2,000,000	1,762,802
Cent CLO XVIII, Ltd., 144A, (Cayman Islands), 4.83%, 07/23/2025 ^(e)	3,000,000	2,621,382
Cent CLO XXI, Ltd., 144A, (Cayman Islands), 3.73%, 07/27/2026 ^(e)	1,000,000	926,057
Flatiron CLO 2013-1, Ltd., 144A, (Cayman Islands), 5.13%, 01/17/2026 ^(e)	1,750,000	1,565,233
ING IM CLO 2012-1, Ltd., 144A, (Cayman Islands), 5.43%, 03/14/2022 ^(e)	2,000,000	1,967,326
Jamestown CLO IV, Ltd., 144A, (Cayman Islands), 5.23%, 07/15/2026 ^(e)	2,000,000	1,736,350
LCM XIII, L.P., 144A, (Cayman Islands), 01/19/2023	875,000	654,540
Madison Park Funding IV, Ltd., (Cayman Islands), 03/22/2021	700,000	1,070,533
Mountain Hawk III CLO, Ltd., 144A, (Cayman Islands), 5.08%, 04/18/2025 ^(e)	2,000,000	1,763,032
Nautique Funding, Ltd., 144A, (Cayman Islands), 04/15/2020	1,300,000	759,328
	2,000,000	1,820,340

Octagon Investment Partners XVIII, Ltd., 144A, (Cayman Islands), 5.48%, 12/16/2024 ^(e)		
OHA Credit Partners VI, Ltd., 144A, (Cayman Islands), 4.53%, 05/15/2023 ^(e)	750,000	663,824
OZLM Funding V, Ltd., 144A, (Cayman Islands), 4.98%, 01/17/2026 ^(e)	2,000,000	1,735,396

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Ares Multi-Strategy Credit Fund, Inc.

Schedule of Investments (concluded)

October 31, 2014

**Collateralized Loan Obligations/
Collateralized Debt Obligations** (continued)

	Principal Amount	Value^(a)
Symphony CLO IV, Ltd., (Cayman Islands), 07/18/2021	\$ 500,000	\$ 425,077
Venture XIII CLO, Ltd., 144A, (Cayman Islands), 5.53%, 06/10/2025 ^(e)	1,500,000	1,366,500
		28,564,746
Total Collateralized Loan Obligations/ Collateralized Debt Obligations (Cost: \$31,818,876)		30,707,365
Total Investments 135.9% (Cost: \$169,585,940)		\$162,479,616
Liabilities in Excess of Other Assets (35.9%)		(42,936,977)
Net Assets 100.0%		\$119,542,639

Footnotes:

(a) Investment holdings in foreign currencies are converted to U.S. Dollars using period end spot rates. All investments are in United States enterprises unless otherwise noted.

(b) Interest rates on floating rate term loans adjust periodically based upon a predetermined schedule. Stated interest rates in this schedule represents the "all-in" rate at period end.

(c) This position or a portion of this position represents an unsettled loan purchase. The interest rate will be determined at the time of settlement and will be based upon the London-Interbank Offered Rate ("LIBOR" or "L") or the applicable LIBOR floor plus a spread which was determined at the time of purchase.

(d) Reported net of unfunded commitments, reduced by any upfront payments received if purchased at a discount, see Note 2.

(e) Variable rate coupon, rate shown as of October 31, 2014.

(f) Pay-In-Kind security (PIK), which may pay interest/dividends in additional par/shares.

As of October 31, 2014, the aggregate cost of securities for federal income tax purposes was \$ 169,586,031.

Unrealized appreciation and depreciation on investments for federal income tax purposes are as follows:

Gross unrealized appreciation	\$ 229,021
Gross unrealized depreciation	(7,335,436)
Net unrealized depreciation	\$(7,106,415)

Abbreviations:

144A Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

CLO Collateralized Loan Obligation

Currencies:

€ Euro Currency

£ British Pounds

\$ U.S. Dollars

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Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Statements of Assets and Liabilities

October 31, 2014

	Ares Dynamic Credit Allocation Fund, Inc.	Ares Multi-Strategy Credit Fund, Inc.
Assets:		
Investments, at value (cost \$444,028,910 and \$169,585,940, respectively)	\$ 430,608,798	\$ 162,479,616
Cash	14,830,110	3,900,369
Cash denominated in foreign currency, at value (cost \$10,647,831 and \$4,868,601, respectively)	10,568,624	4,848,528
Receivable for securities sold	15,970,805	8,621,464
Interest and principal receivable	5,812,002	2,321,966
Deferred debt issuance cost	185,314	148,632
Prepaid expenses	2,426	8,418
Total assets	477,978,079	182,328,993
Liabilities:		
Line of credit outstanding	134,005,755	54,414,368
Payable for securities purchased	21,927,430	7,985,391
Payable for investment advisory fees	386,123	146,000
Payable for interest expense	58,057	36,822
Payable for administration, custodian and transfer agent fees	47,975	20,743
Payable for investor support fees	38,612	17,425
Payable for commitment fee	5,553	1,373
Accrued expenses and other payables	140,688	164,232
Total liabilities	156,610,193	62,786,354
Net assets	\$ 321,367,886	\$ 119,542,639
Net assets consist of:		
Paid-in capital	\$ 327,040,118	\$ 123,963,326
Accumulated net realized gain on investments and foreign currency	3,130,267	259,480
Net unrealized appreciation/(depreciation) on investments and foreign currency	(8,802,499)	(4,680,167)
Net assets	\$ 321,367,886	\$ 119,542,639
Common shares:		
Shares outstanding (authorized 1 billion shares of each Fund of \$0.001 par value)	17,166,012	5,204,200

Net asset value per share	\$	18.72	\$	22.97
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Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Statements of Operations

For the year ended October 31, 2014

	Ares Dynamic Credit Allocation Fund, Inc.	Ares Multi-Strategy Credit Fund, Inc.
Investment income:		
Interest	\$ 30,015,309	\$ 11,473,664
Expenses:		
Investment advisory fees (Note 6)	4,705,479	1,695,230
Interest expense (Note 5)	1,862,987	600,821
Investor support fees (Note 6)	478,351	203,332
Administration, custodian and transfer agent fees (Note 6)	378,029	153,253
Insurance expense	268,768	116,536
Legal fees	292,455	255,000
Amortization of debt issuance cost (Note 5)	186,340	79,912
Audit fees	97,000	103,700
Directors fees	80,000	80,000
Printing expense	63,000	61,500
Commitment fee expense (Note 5)	20,630	17,222
Other expenses	191,291	83,048
Total expenses	8,624,330	3,449,554
Net investment income	21,390,979	8,024,110
Net realized and change in unrealized gain/(loss) on investments and foreign currency		
Net realized gain on investments	2,170,503	1,175,594
Net realized loss on foreign currency	(621,574)	(972,439)
Net change in unrealized appreciation/(depreciation) on investments	(18,243,125)	(6,923,789)
Net change in unrealized appreciation/(depreciation) on foreign currency	7,246,103	2,426,158
Net realized and change in unrealized loss on investments and foreign currency	(9,448,093)	(4,294,476)
Total increase in net assets resulting from operations	\$ 11,942,886	\$ 3,729,634

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Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Statements of Changes in Net Assets

For the periods shown

	Ares Dynamic Credit Allocation Fund, Inc.		Ares Multi-Strategy Credit Fund, Inc.	
	Year Ended	Period Ended	Year Ended	Period Ended
	October 31, 2014	October 31, 2013 ^(a)	October 31, 2014	October 31, 2013 ^(b)
Increase (decrease) in net assets from operations:				
Net investment income/(loss)	\$ 21,390,979	\$ 18,680,892	\$ 8,024,110	\$ (59,134)
Net realized gain on investments and foreign currency	1,548,929	5,541,142	203,155	784
Net change in unrealized appreciation/(depreciation) on investments and foreign currency	(10,997,022)	2,194,523	(4,497,631)	(182,536)
Net increase/(decrease) from operations	11,942,886	26,416,557	3,729,634	(240,886)
Distributions to shareholders from:				
Net investment income	(24,101,066)	(20,079,948)	(7,936,405)	
Increase (decrease) in net assets from operations and distributions	(12,158,180)	6,336,609	(4,206,771)	(240,886)
Share transactions:				

Proceeds from sale of shares		326,879,000		123,890,000
Value of distributions reinvested		210,457		
Net increase from share transactions		327,089,457		123,890,000
Total increase (decrease) in net assets	(12,158,180)	333,426,066	(4,206,771)	123,649,114
Net Assets, beginning of period	333,526,066	100,000	123,749,410	100,296
Net Assets, end of period	\$ 321,367,886	\$ 333,526,066	\$ 119,542,639	\$ 123,749,410
Undistributed net income/Distributions in excess of net investment income/(loss)	\$ (2,710,087)	\$	\$ 29,355	\$ (58,350)

(a) For the period from November 27, 2012 (commencement of operations) to October 31, 2013.

(b) For the period from October 28, 2013 (commencement of operations) to October 31, 2013.

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Statements of Cash Flows

For the year ended October 31, 2014

	Ares Dynamic Credit Allocation Fund, Inc.	Ares Multi-Strategy Credit Fund, Inc.
Operating activities:		
Net increase in net assets from operations	\$ 11,942,886	\$ 3,729,634
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in)/provided by operating activities:		
Purchases of investments	(478,301,299)	(384,758,012)
Proceeds from the sale of investments	513,430,688	254,983,237
Amortization and accretion of discounts and premiums, net	495,908	399,070
Net realized gain on investments	(2,170,503)	(1,175,594)
Net realized (gain)/loss on foreign currency	621,574	972,439
Net change in unrealized appreciation on investments	18,243,125	6,923,789
Net change in unrealized depreciation on foreign currency	(7,246,103)	(2,426,158)
Changes in operating assets and liabilities:		
Receivable for securities sold	9,491,063	(8,506,680)
Interest and principal receivable	(265,513)	(1,760,360)
Deferred debt issuance cost	42,386	(148,632)
Prepaid expenses	(2,426)	(8,418)
Payable for securities purchased	(30,040,779)	(31,726,040)
Payable for investment advisory fees	(13,520)	142,596
Payable for interest expense	(30,917)	36,822
Payable for commitment fee	717	1,373
Payable for investor support fees	(9,345)	17,017
Payable for administration, custodian and transfer agent fees	18,156	20,284
Accrued expenses and other payables	(35,126)	109,369
Offering costs paid for sale of shares		(260,000)
	36,170,972	(163,434,264)

Net cash (used in)/provided by
operating activities

Financing activities:

Borrowings on line of credit	108,386,288	81,901,388
Paydowns on line of credit	(106,577,574)	(24,930,482)
Distributions paid common shareholders net	(24,101,066)	(7,936,405)
Net cash (used in)/provided by financing activities	(22,292,352)	49,034,501
Effect of exchange rate changes on cash	(421,610)	(1,101,636)
Net increase/(decrease) in cash	13,457,010	(115,501,399)

Cash:

Beginning of period	11,941,724	124,250,296
End of period	\$ 25,398,734	\$ 8,748,897

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	\$ 1,893,904	\$ 563,999
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Ares Dynamic Credit Allocation Fund, Inc.

Financial Highlights

For the periods shown

	Year Ended October 31, 2014	Period Ended October 31, 2013 ^(a)
Net asset value, beginning of period	\$ 19.43	\$ 19.10
Income from investment operations:		
Net investment income	1.24	1.09
Net realized and change in unrealized gain (loss)	(0.55)	0.45
Total from investment operations	0.69	1.54
Less distributions declared to shareholders:		
From net investment income	(1.40)	(1.17)
Capital share transactions:		
Common share offering costs charged to paid-in capital		(0.04)
Net asset value common shares, end of period	\$ 18.72	\$ 19.43
Market value common shares, end of period	\$ 16.86	\$ 18.05
Net asset value total return ^(b)	3.54%	8.04%
Market value total return ^(d)	1.02%	(4.03)%
Ratios to average net assets/supplemental data:		
Net assets, end of period (in 000's)	\$ 321,368	\$ 333,526
Expenses, inclusive of interest expense and amortization of debt issuance costs	2.58%	2.18% ^(c)
Expenses, exclusive of interest expense and amortization of debt issuance costs	1.97%	1.74% ^(c)
Net investment income	6.40%	5.74% ^(c)
Portfolio turnover rate	96.01%	189.46% ^(c)

(a) For the period from November 27, 2012 (commencement of operations) to October 31, 2013.

(b) Based on net asset value per share. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Total return is not annualized for periods less than one year.

(c) Not annualized.

(d) Based on market value per share (beginning market value common shares \$20.00). Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Total return is not annualized for periods less than one year.

Ares Multi-Strategy Credit Fund, Inc.

Financial Highlights

For the periods shown

	Year Ended October 31, 2014	Period Ended October 31, 2013 ^(a)
Net asset value, beginning of period	\$ 23.78	\$ 23.88
Income from investment operations:		
Net investment income (loss)	1.55	(0.01)
Net realized and change in unrealized loss	(0.83)	(0.04)
Total from investment operations	0.72	(0.05)
Less distributions declared to shareholders:		
From net investment income	(1.53)	
Capital share transactions:		
Common share offering costs charged to paid-in capital		(0.05)
Net asset value common shares, end of period	\$ 22.97	\$ 23.78
Market value common shares, end of period	\$ 20.34	\$ 24.39
Net asset value total return ^(b)	2.82%	(0.29)%
Market value total return ^(d)	(10.53)%	(2.44)%
Ratios to average net assets/supplemental data:		
Net assets, end of period (in 000's)	\$ 119,543	\$ 123,749
Expenses, inclusive of interest expense and amortization of debt issuance costs	2.77%	0.05% ^(c)
Expenses, exclusive of interest expense and amortization of debt issuance costs	2.23%	0.05% ^(c)
Net investment income	6.45%	(0.05)% ^(c)
Portfolio turnover rate	150.42%	0.30% ^(c)

(a) For the period from October 28, 2013 (commencement of operations) to October 31, 2013.

(b) Based on net asset value per share. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Total return is not annualized for periods less than one year.

(c) Not annualized.

(d) Based on market value per share (beginning market value common shares \$25.00). Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Total return is not annualized for periods less than one year.

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements

October 31, 2014

(1) Organization

Ares Dynamic Credit Allocation Fund, Inc. ("ARDC") and Ares Multi-Strategy Credit Fund, Inc. ("ARMF") (individually, a "Fund" or, collectively, the "Funds") are corporations incorporated under the laws of the State of Maryland and registered with the U.S. Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as closed-end, non-diversified, management investment companies, and intend to qualify each year to be treated as Regulated Investment Companies under Subchapter M of the Internal Revenue Code of 1986, as amended. ARDC and ARMF commenced operations on November 27, 2012 and October 28, 2013, respectively. Ares Capital Management II LLC (the "Adviser") serves as the investment adviser to the Funds. The Funds' common shares are listed on the New York Stock Exchange ("NYSE") and trade under the ticker symbols "ARDC" and "ARMF", respectively.

Investment Objective

ARDC's investment objective is to provide an attractive risk-adjusted level of total return, primarily through current income and, secondarily, through capital appreciation. The Fund seeks 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 ("CLO Debt Securities") issued by entities commonly referred to, and referred to herein, as collateralized loan obligations ("CLOs"). 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.

ARMF's investment objective is to provide an attractive risk-adjusted level of total return, primarily through current income and, secondarily, through capital appreciation. The Fund seeks 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) securities issued by entities commonly referred to, and referred to herein, as CLOs including investments in subordinated tranches of CLO 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.

(2) Significant Accounting Policies

Accounting Estimates

The funds are investment companies that follow the accounting and reporting guidance of Accounting Standards Codification Topic 946 applicable to investment companies. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires the Adviser to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates and such differences may be material.

Investments Valuation

All investments in securities are recorded at their estimated fair value, as described in Note 3.

Revolving loan, bridge loan and delayed draw term loan agreements

For investment purposes, the Funds have entered into certain loan commitments which may include revolving loan, bridge loan, partially unfunded term loan and delayed draw term loan agreements ("Unfunded loan commitments"). Unfunded loan commitments purchased at a discount/premium may include cash received/paid for the amounts representing such discounts/premiums. Unfunded loan commitments are agreements to participate in the lending of up to a specified maximum amount for a specified period. As of October 31, 2014, the fair value of the loans disclosed in the Schedule of Investments does not include unfunded commitments, which total \$276,994 and \$129,285 for ARDC and ARMF, respectively.

Interest Income

Interest income is recorded on an accrual basis to the extent that such amounts are expected to be collected, and adjusted for accretion of discounts and amortization of premiums. The Funds may have investments that contain payment-in-kind ("PIK") provisions. The PIK interest, computed at the contractual rate specified, is added to the principal balance and adjusted cost of the investments and recorded as interest income.

Discounts and Premiums

Discounts and premiums on securities purchased are accreted/amortized over the life of the respective security using the effective interest method. The adjusted cost of investments represents the original cost adjusted for PIK interest and the accretion of discounts and amortization of premiums.

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements *(continued)*

October 31, 2014

Investment Transactions, Related Investment Income and Expenses

Investment transactions are accounted for on the trade date. Interest income, adjusted for amortization of premiums and accretion of discounts on investments, is earned from settlement date and is recorded on the accrual basis. Realized gains and losses are reported on the specific identification method. Expenses are recorded on the accrual basis as incurred.

Foreign Currency Transactions

Amounts denominated in foreign currencies are translated into U.S. dollars on the following basis: (i) investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates effective on the date of valuation; and (ii) purchases and sales of investments and income and expense items denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates prevailing on transaction dates.

The Funds do not isolate that portion of the results of operations resulting from the changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included within the net realized and unrealized gain on investments in the Statements of Operations.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates of securities transactions, and the difference between the amounts of income and expense items recorded on the Funds' books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from the changes in fair values of assets and liabilities, other than investments in securities at year end, resulting from changes in exchange rates.

Investments in foreign companies and securities of foreign governments may involve special risks and considerations not typically associated with investing in U.S. companies and securities of the U.S. government. These risks include, among other things, revaluation of currencies, less reliable information about issuers, different transactions clearance and settlement practices, and potential future adverse political and economic developments. Moreover, investments in foreign companies and securities of foreign governments and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies and the U.S. government.

Offering Expenses

The Adviser or an affiliate of the Adviser agreed to pay all offering costs (other than sales loads) incurred in connection with the Funds' initial offering in excess of \$0.04 and \$0.05 per share for ARDC and ARMF, respectively. Offering costs incurred by the Funds were \$686,000 and \$260,000 for ARDC and ARMF, respectively, in connection with the Funds' Initial Public Offering and are reported on the Statements of Changes in Net Assets as an offset to Proceeds from sale of shares.

Dividends and Distributions

The Funds intend to make regular monthly cash distributions of all or a portion of their net investment income available to common shareholders. The Funds intend to pay common shareholders at least annually all or substantially all of their net investment income after the payment of interest owed with respect to notes or other forms of leverage utilized by the Funds. The Funds intend to pay any capital gains distributions at least annually.

The distributions for any full or partial year might not be made in equal amounts, and one distribution may be larger than another. Each Fund will make distributions only if authorized by its Board of Directors and declared by the Fund out of assets legally available for these distributions. Each Fund may pay a special distribution at the end of each calendar year. This distribution policy may, under certain circumstances, have certain adverse consequences to each Fund and its shareholders because it may result in a return of capital to shareholders, which would reduce the Fund's net asset value and, over time, potentially increase the Fund's expense ratios. If a Fund distributes a return of capital, it means that the Fund is returning to shareholders a portion of their investment rather than making a distribution that is funded from the Fund's earned income or other profits. The Board of Directors may elect to change either Fund's distribution policy at any time.

Organizational Expenses

The Adviser or an affiliate of the Adviser paid all of the Funds' organizational expenses. As a result, organizational expenses of the Funds are not reflected in the Funds' financial statements.

Commitments

In the normal course of business, the Funds' investment activities involve executions, settlement and financing of various transactions resulting in receivables from, and payables to, brokers, dealers and the Funds' custodian. These activities may expose the Funds to risk in the event that such parties are unable to fulfill contractual obligations. Management does not anticipate any material losses from counterparties with whom it conducts business. Consistent

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements *(continued)*

October 31, 2014

with standard business practice, the Funds enter into contracts that contain a variety of indemnifications, and are engaged from time to time in various legal actions. The maximum exposure of the Funds under these arrangements and activities is unknown. However, the Funds expect the risk of material loss to be remote.

Income Taxes

The Funds intend to distribute all or substantially all of their taxable income and to comply with the other requirements of Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

The Funds may elect to incur an excise tax if it is deemed prudent by the Board from a cash management perspective or in the best interest of shareholders due to other facts and circumstances. For the income earned up to December 31, 2013, a U.S. federal excise tax of \$138,871 and \$26,970 was paid for ARDC and ARMF, respectively.

As of October 31, 2014, the Funds had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Funds file a U.S. federal income tax return annually after their fiscal year-end, which is subject to examination by the Internal Revenue Service for a period of three years from the date of filing.

Net investment income and net realized gains and losses may differ for financial statement and tax purposes because of temporary or permanent book/tax differences. These differences are primarily due to differing treatments for foreign currency gains and losses, distributions, excise taxes paid, paydown gains and losses, losses due to wash sales, late year ordinary loss deferrals, and consent fees. To the extent these differences are permanent, reclassifications are made to the appropriate capital accounts in the fiscal period that the differences arise. On the Statement of Assets and Liabilities, the following reclassifications were made:

Ares Dynamic Credit Allocation Fund, Inc.

	\$
Undistributed net investment income	2,710,087
Accumulated net realized gain/(loss)	(2,571,216)
Additional paid-in capital/(reduction)	(138,871)

Ares Multi-Strategy Credit Fund, Inc.

	\$
Undistributed net investment income	(29,355)
Accumulated net realized gain/(loss)	56,325
Additional paid-in capital/(reduction)	(26,970)

The character of distributions made during the fiscal period from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. In addition, due to the timing of dividend distributions, the fiscal period in which amounts are distributed may differ from the fiscal period that the income or realized gains or losses were recorded by the Funds.

The character of distributions paid during the fiscal year ended October 31, 2014 was as follows:

Ares Dynamic Credit Allocation Fund, Inc.

	\$
Ordinary income	24,101,066
Capital gain	

Ares Multi-Strategy Credit Fund, Inc.

	\$
Ordinary income	7,936,405
Capital gain	

As of October 31, 2014, the components of accumulated earnings (deficit) on a tax basis were as follows:

Ares Dynamic Credit Allocation Fund, Inc.

	\$
Undistributed ordinary income	1,864,587
Undistributed capital gains	1,309,683
Accumulated capital and other losses	
Other undistributed ordinary losses	
Net unrealized depreciation	(8,846,502)
Total accumulated earnings	(5,672,232)

Ares Multi-Strategy Credit Fund, Inc.

	\$
Undistributed ordinary income	259,571
Undistributed capital gains	
Accumulated capital and other losses	
Other undistributed ordinary losses	
Net unrealized depreciation	(4,680,258)
Total accumulated deficit	(4,420,687)

Under the Regulated Investment Company Modernization Act of 2010, the Funds are permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period.

The funds had no capital loss carryovers as of October 31, 2014.

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements *(continued)*

October 31, 2014

(3) Investments

Fair Value Measurements

The Funds follow the provisions of *Fair Value Measurements and Disclosures* under U.S. GAAP, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. This standard defines fair value and establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value and expands disclosures about assets and liabilities measured at fair value. *Fair Value Measurements and Disclosures* defines "fair value" as the amount for which an investment could be sold in an orderly transaction between market participants at the measurement date in the principal or most advantageous market of the investment. The hierarchal disclosure framework establishes a three-tier hierarchy to maximize the use of observable data and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 unadjusted quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including a single broker quote or the Fund's own assumptions in determining the fair value of investments)

The fair value of the Funds' investments are primarily estimated based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. The Funds' custodian obtains prices from independent pricing services based on an authorized pricing matrix as approved by each Fund's Board of Directors. The Adviser has internal controls in place that support its reliance on information

received from third-party pricing sources. For any securities, if market or dealer quotations are not readily available, or if the Adviser determines that a quotation of a security does not represent a fair value, then the security is valued at a fair value as determined in good faith by the Adviser and will be classified as Level 3. In such instances, the Adviser will use valuation techniques consistent with the market or income approach to measure fair value and will give consideration to all factors which might reasonably affect the fair value.

Bank loans and corporate debts: The fair value of bank loans and corporate debt is estimated based on quoted market prices, forward foreign exchange rates, dealer quotations or alternative pricing sources supported by observable inputs

and are generally classified within Level 2 or 3. The Adviser obtains prices from independent pricing services which generally utilize broker quotes and may use various other pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data. If the pricing services are only able to obtain a single broker quote or utilize a pricing model the securities will be classified as Level 3. If the pricing services are unable to provide prices, the Adviser will attempt to obtain one or more broker quotes directly from a dealer and price such securities at the last bid price obtained; such securities are classified as Level 3.

Collateralized loan obligations: The fair value of CLOs is estimated based on various valuation models of third-party pricing services as well as internal models. The valuation models generally utilize discounted cash flows and take into consideration prepayment and loss assumptions, based on historical experience and projected performance, economic factors, the characteristics and condition of the underlying collateral, comparable yields for similar securities and recent trading activity. These securities are classified as Level 3.

The Adviser is responsible for all inputs and assumptions related to the pricing of securities. The Adviser has internal controls in place that support its reliance on information received from third-party pricing sources. As part of its internal controls, the Adviser obtains, reviews and tests information to corroborate prices received from third-party pricing sources. For any securities, if market or dealer quotations are not readily available, or if the Adviser determines that a quotation of a security does not represent a fair value, then the security is valued at a fair value as determined in good faith by the Adviser and will be classified as Level 3. In such instances, the Adviser will use valuation techniques consistent with the market or income approach to measure fair value and will give consideration to all factors which might reasonably affect the fair value. The main inputs into the Adviser's valuation model for these Level 3 securities

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements (continued)

October 31, 2014

include earnings multiples (based on the historical earnings of the issuer) and discounted cash flows. The Adviser may also consider original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments as well as other liquidity, credit and market risk factors. Models will be adjusted as deemed necessary by the Adviser.

Ares Dynamic Credit Allocation Fund, Inc.

The following is a summary of the inputs used as of October 31, 2014, in valuing the Fund's investments carried at fair value:

	Level 1 Quoted Prices (\$)	Level 2 Other Significant Observable Inputs (\$)	Level 3 Significant Unobservable Inputs (\$)	Total (\$)
Floating Rate Term Loans		134,701,591	12,939,868	147,641,459
Corporate Bonds		207,118,180		207,118,180
Collateralized Loan Obligations/ Collateralized Debt Obligations			75,849,159	75,849,159
Total Investments		341,819,771	88,789,027	430,608,798

The following is a reconciliation of the Fund's investments in which significant unobservable inputs (Level 3) were used in determining fair value.

For the year ended October 31, 2014:

	Floating Rate Term Loans (\$)	Corporate Bonds (\$)	Collateralized Loan Obligations/ Collateralized Debt Obligations (\$)	Total (\$)
Balance as of 10/31/13	24,888,248	5,003,397	77,524,340	107,415,985
Purchases ^(a)	11,537,188	480,938	16,375,680	28,393,806
Sales ^(b)	(18,608,597)	(5,510,930)	(18,048,125)	(42,167,652)

Realized gain/ (loss) and net change in unrealized appreciation/ (depreciation)	(140,736)	53,304	(309,542)	(396,974)
Accrued discounts/ (premiums)	46,265	(26,709)	306,806	326,362
			Collateralized Loan Obligations/ Collateralized Debt Obligations	
	Floating Rate Term Loans (\$)	Corporate Bonds (\$)	Obligations (\$)	Total (\$)
Transfers in to Level 3				
Transfers out of Level 3	(4,782,500)			(4,782,500)
Balance as of 10/30/14	12,939,868		75,849,159	88,789,027
Net change in unrealized appreciation/ (depreciation) from Investments held as of 10/31/14	(46,763)		(542,612)	(589,375)

Investments were transferred into and out of Level 3 and into and out of Level 2 during the year ended October 31, 2014 due to changes in the quantity and quality of information obtained to support the fair value of each investment as assessed by the Adviser.

(a) Purchases include paid-in-kind interest and securities received from restructure.

(b) Sales include principal redemptions.

The valuation techniques used by the Adviser to measure fair value as of October 31, 2014 maximized the use of observable inputs and minimized the use of unobservable inputs. The valuation techniques and significant amounts of unobservable inputs used in the valuation of the Fund's Level 3 securities are outlined in the table below.

	Fair Value (\$)	Valuation Technique	Unobservable Inputs	Range
Assets				
Investments in securities				
Floating Rate Term Loans	12,939,868	Broker quotes and/or 3rd party pricing services	N/A	N/A

Collateralized Loan Obligation/ Collateralized Debt Obligation	75,849,159	Broker quotes and/or 3rd party pricing services	N/A		N/A
Total Level 3 Investments	88,789,027				

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Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements (continued)

October 31, 2014

Ares Multi-Strategy Credit Fund, Inc.

The following is a summary of the inputs used as of October 31, 2014, in valuing the Fund's investments carried at fair value:

	Level 1 Quoted Prices (\$)	Level 2 Other Significant Observable Inputs (\$)	Level 3 Significant Unobservable Inputs (\$)	Total (\$)
Floating Rate Term Loans		46,833,379	6,240,709	53,074,088
Corporate Bonds		78,698,163		78,698,163
Collateralized Loan Obligations/ Collateralized Debt Obligations			30,707,365	30,707,365
Total Investments		125,531,542	36,948,074	162,479,616

The following is a reconciliation of the Fund's investments in which significant unobservable inputs (Level 3) were used in determining fair value.

For the year ended October 31, 2014:

	Floating Rate Term Loans (\$)	Corporate Bonds (\$)	Collateralized Loan Obligations/ Collateralized Debt Obligations (\$)	Total (\$)
Balance as of 10/31/13	1,243,750	4,031,250	684,793	5,959,793
Purchases ^(a)	6,412,932	655,500	31,576,327	38,644,759
Sales ^(b)	(138,807)	(2,119,246)	(591,087)	(2,849,140)
Realized gain/ (loss) and net change in unrealized appreciation/	(47,818)	(47,915)	(1,106,305)	(1,202,038)

(depreciation)				
Accrued discounts/ (premiums)	14,402	(19,589)	143,637	138,450
Transfers in to Level 3				
Transfers out of Level 3	(1,243,750)	(2,500,000)		(3,743,750)
Balance as of 10/30/14	6,240,709		30,707,365	36,948,074
			Collateralized Loan Obligations/ Collateralized Debt Obligations	
	Floating Rate Term Loans (\$)	Corporate Bonds (\$)	Obligations (\$)	Total (\$)

Net change in unrealized appreciation/ (depreciation) from Investments held as of 10/31/14	(51,106)		(1,106,305)	(1,157,411)
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Investments were transferred into and out of Level 3 and into and out of Level 2 during the year ended October 31, 2014 due to changes in the quantity and quality of information obtained to support the fair value of each investment as assessed by the Adviser.

(a) Purchases include paid-in-kind interest and securities received from restructure.

(b) Sales include principal redemptions.

The valuation techniques used by the Adviser to measure fair value as of October 31, 2014 maximized the use of observable inputs and minimized the use of unobservable inputs. The valuation techniques and significant amounts of unobservable inputs used in the valuation of the Fund's Level 3 securities are outlined in the table below.

	Fair Value (\$)	Valuation Technique	Unobservable Inputs	Range
Assets				
Investments in securities				
Floating Rate Term Loans	6,240,709	Broker quotes and/or 3rd party pricing services	N/A	N/A
Collateralized Loan Obligation/ Collateralized	30,707,365	Broker quotes and/or 3rd party pricing services	N/A	N/A

Debt Obligation Total Level							
3 Investments	36,948,074						
(4) Common Stock							

Common share transactions were as follows:

Ares Dynamic Credit Allocation Fund, Inc.

	Year Ended October 31, 2014	
	Shares	Amount (\$)
Common shares outstanding beginning of year	17,166,012	327,189,457
Common shares outstanding end of year	17,166,012	327,189,457

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Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements (continued)

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Ares Multi-Strategy Credit Fund, Inc.

	Year Ended October 31, 2014	
	Shares	Amount (\$)
Common shares outstanding beginning of year	5,204,200	123,990,296
Common shares outstanding end of year	5,204,200	123,990,296

(5) Credit Facility

On October 2, 2014, ARDC and ARMF entered into amended credit agreements with State Street Bank and Trust (the "Lender") in which the Lender agreed to make loans up to \$150 million and \$62 million, respectively, to the Funds under revolving credit facilities (the "Credit Facility") secured by certain assets of each Fund. Loans under each Credit Facility generally bear interest at the applicable LIBOR rate plus 0.85%. Unused portions of each Credit Facility will accrue a commitment fee equal to an annual rate of 0.10% if 75% of each Credit Facility is utilized or 0.20% if less than 75% of each Credit Facility is utilized. Upfront fees including related legal expenses incurred by each Fund in connection with each Credit Facility were deferred and are amortized on an effective yield method over a two-year period. These amounts are included in the Statements of Operations as Amortization of debt issuance cost. The Funds entered into these credit agreements to have the ability, if necessary, to purchase investments. The fair value of ARDC's and ARMF's borrowings under each Credit Facility approximates the carrying amount presented in the accompanying Statement of Assets and Liabilities based on a yield analysis and remaining maturities for which ARDC and ARMF have determined would be categorized as Level 2 in the fair value hierarchy.

The weighted average outstanding daily balance of all loans during the year from November 1, 2013 to October 31, 2014 was approximately \$136,414,360 and \$49,459,764 with average borrowing costs of 1.38% and 1.34% for ARDC and ARMF, respectively. As of October 31, 2014, the amounts outstanding under this Credit Facility were \$134,005,755 and \$54,414,368 for ARDC and ARMF, respectively.

(6) Investment Advisory and Other Agreements

The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Adviser is an affiliate of Ares Management, L.P. ("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.

The Adviser provides certain investment advisory and administrative services to the Funds pursuant to separate investment advisory agreements with the Funds (each an "Investment Advisory Agreement"). Pursuant to its Investment Advisory Agreement, each Fund has agreed to pay the Adviser a management fee at an annual rate of 1.00% of the average daily value of the Funds' Managed Assets. For ARDC, "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. For ARMF, "Managed Assets" means the total assets of

the Fund (including any assets attributable to any shares of preferred stock that may be issued by the Fund or to money borrowed, including as a result of notes or other debt securities that may be issued by the Fund) minus the sum of (i) accrued liabilities of the Fund (other than liabilities for money borrowed and principal on notes and other debt securities issued by the Fund), (ii) any accrued and unpaid interest on money borrowed and (iii) accumulated dividends on any outstanding shares of common stock and preferred stock issued by the Fund. The liquidation preference of any preferred stock issued by ARMF is not considered a liability for this calculation. In addition to each Fund's advisory services, the Adviser or any of its affiliates provides certain administrative services, including accounting, legal, compliance, clerical or administrative services, to the Funds at the request of the Funds. For ARDC, the Adviser has the right to be reimbursed for such costs, provided that no such reimbursement shall be payable by the Funds in respect of costs of the Adviser or its affiliates incurred prior to November 1, 2014. For ARMF, the Adviser has contractually agreed until October 31, 2015 to not seek reimbursement from ARMF for costs of the Adviser and its affiliates for providing certain non-advisory services to ARMF. The contractual agreement may be terminated by the Adviser at any time upon 30 days' notice to ARMF. The total expenses incurred for the year ended October 31, 2014 were \$4,705,479 and \$1,695,230 for ARDC and ARMF, respectively.

The Funds have engaged State Street Bank and Trust Company ("State Street") to serve as the Funds' administrator, custodian and transfer agent. Under the service agreements between State Street and the Funds, State Street provides certain administrative services necessary for the operation of the Funds. Such services include maintaining certain Fund books and records, providing accounting and tax services and preparing certain regulatory filings. State Street also performs custodial, fund accounting and portfolio accounting services, as well as transfer agency and dividend paying services with respect to the common shares. The Funds pay State Street for these services. The total expenses incurred for the year ended October 31, 2014 were \$378,029 and \$153,253 for ARDC and ARMF, respectively.

Ares Dynamic Credit Allocation Fund, Inc.
Ares Multi-Strategy Credit Fund, Inc.

Notes to Financial Statements *(continued)*

October 31, 2014

The Funds have retained Destra Capital Investments LLC ("Destra") to provide investor support services in connection with the on-going operation of the Funds. Such services include providing ongoing contact with respect to the Funds and their performance with financial advisors that are representatives of broker-dealers and other financial intermediaries, communicating with the NYSE specialist for the Funds' common shares, and with the closed-end Fund analyst community regarding the Funds on a regular basis, and developing and maintaining a website for the Funds. The Funds pay Destra 0.12% of Managed Assets for the first year of operation and 0.10% thereafter. The terms of this agreement shall be in effect for an initial period of two years and shall thereafter continue for successive one year periods. The total expenses incurred for the year ended October 31, 2014 was \$478,351 and \$203,332 for ARDC and ARMF, respectively.

(7) Investment Transactions

For the year ended October 31, 2014, the cost of purchases and proceeds from sales of securities, excluding short obligations, were as follows:

	Cost of Investments Purchased	Proceeds from Investments Sold
	\$	\$
Ares Dynamic Credit Allocation Fund, Inc.	440,522,817	490,433,335
Ares Multi-Strategy Credit Fund, Inc.	366,772,520	241,022,945

(8) Subsequent Events

The Adviser has evaluated the impact of all subsequent events on the Funds through the date the financial statements were issued and has determined that there were the following subsequent events:

Ares Dynamic Credit Allocation Fund, Inc.

The following common share distributions were declared on October 13, 2014:

Ex-Date: November 18, 2014
Record Date: November 20, 2014
Payable Date: November 28, 2014
Per Share Amount: \$0.117