

Ares Dynamic Credit Allocation Fund, Inc.
Form N-Q
September 28, 2018

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

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)

Michael D. Weiner

Daniel J. Hall

2000 Avenue of the Stars

12th Floor

Los Angeles, California 90067
(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: July 31, 2018

ITEM 1. SCHEDULE OF INVESTMENTS.

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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments

July 31, 2018 (Unaudited)

| | Principal Amount | Value (a) |
|---|------------------|--------------|
| Senior Loans 34.1% (b)(g)(k) | | |
| Aerospace and Defense 2.6% | | |
| Air Methods Corp., Initial 1st Lien Term Loan, L+ 3.50%, 04/22/2024 (d) | \$ 1,875,000 | \$ 1,718,906 |
| Hensoldt Holding Germany GmbH, 1st Lien Term Loan B-3, (Germany), 3M EURIBOR + 3.25%, 3.25%, 02/28/2024 | 3,000,000 | 3,475,910 |
| Sequa Mezzanine Holdings, LLC, Initial 1st Lien Term Loan, 1M LIBOR + 5.00%, 7.07%, 11/28/2021 (c) | \$ 1,873,350 | 1,873,350 |
| Sequa Mezzanine Holdings, LLC, Initial 2nd Lien Term Loan, 1M LIBOR + 9.00%, 11.07%, 04/28/2022 (c) | 1,291,251 | 1,291,251 |
| StandardAero Aviation Holdings, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 3.75%, 5.83%, 07/07/2022 | 2,332,054 | 2,312,372 |
| | | 10,671,789 |
| Automotive 1.5% | | |
| CH Hold Corp., Initial 2nd Lien Term Loan, 1M LIBOR + 7.25%, 9.33%, 02/03/2025 (c) | 3,435,401 | 3,469,755 |
| Navistar, Inc., Tranche 1st Lien Term Loan B, 1M LIBOR + 3.50%, 5.60% 11/06/2024 | 2,632,733 | 2,632,733 |
| | | 6,102,488 |
| Banking, Finance, Insurance & Real Estate 3.0% | | |
| Asurion, LLC, 2nd Lien Term Loan B-2, 1M LIBOR + 6.50%, 8.58%, 08/04/2025 | 2,549,695 | 2,585,289 |
| Asurion, LLC, Replacement 1st Lien Term Loan B-6, 1M LIBOR + 3.00%, 5.08%, 11/03/2023 | 961,078 | 959,339 |
| Blackhawk Network Holdings, Inc., 1st Lien Term Loan B, 1M LIBOR + 3.00%, 5.07%, 06/15/2025 | 1,075,472 | 1,077,268 |
| Blackhawk Network Holdings, Inc., 2nd Lien Term Loan, 2M LIBOR + 7.00%, 9.19%, 06/15/2026 | 750,000 | 755,003 |
| Financiere CEP, Facility 1st Lien Term Loan B, (France), EURIBOR + 4.25%, 4.25%, 01/31/2025 | 3,000,000 | 3,431,764 |
| Gulf Finance, LLC, 1st Lien Term Loan B, 3M LIBOR + 5.25%, 08/25/2023 (d) | \$ 1,250,000 | 1,075,000 |
| Tortoise Investments, LLC, 1st Lien Term Loan, 1M LIBOR + 4.00%, 6.08%, 01/31/2025 (c) | 2,269,313 | 2,286,332 |
| | | 12,169,995 |
| Chemicals, Plastics & Rubber 0.6% | | |
| HII Holding Corp., 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.33%, 12/20/2019 | 981,348 | 979,709 |
| HII Holding Corp., 2nd Lien Term Loan, 1M LIBOR + 8.50%, 10.58%, 12/21/2020 (c) | 1,500,000 | 1,507,500 |
| | | 2,487,209 |
| Construction & Building 0.8% | | |
| Forterra Finance, LLC, Replacement 1st Lien Term Loan, 1M LIBOR + 3.00%, 5.08%, 10/25/2023 | 3,568,137 | 3,325,932 |
| Consumer Goods: Durable 0.6% | | |
| Froneri International PLC, 1st Lien Term Loan B, (Great Britain), EURIBOR + 2.63%, 2.63%, 01/31/2025 | 2,000,000 | 2,324,292 |
| Containers, Packaging & Glass 1.4% | | |
| Albea Beauty Holdings S.A., 1st Lien Term Loan, (Luxembourg), 6M LIBOR + 3.00%, 5.45%, 04/22/2024 | \$ 2,429,681 | 2,419,549 |
| BWAY Holding Co., Initial 1st Lien Term Loan, 3M LIBOR + 3.25%, 04/03/2024 (d) | 3,366,323 | 3,355,820 |
| | | 5,775,369 |
| Education 0.9% | | |

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| | | |
|---|-----------|------------|
| St. George's University, LLC, 1st Lien Delayed Draw Term Loan, L+ 3.50%, 07/17/2025 (c)(d)(f) | 1,077,053 | 5,385 |
| St. George's University, LLC, 1st Lien Term Loan B, 1M LIBOR + 3.50%, 5.58%, 07/17/2025 (c) | 3,461,955 | 3,479,264 |
| | | 3,484,649 |
| Energy: Oil & Gas 3.4% | | |
| California Resources Corp., 1st Lien Term Loan, 1M LIBOR + 10.38%, 12.44%, 12/31/2021 | 1,925,000 | 2,122,313 |
| California Resources Corp., Initial 1st Lien Term Loan, 1M LIBOR + 4.75%, 6.83%, 12/31/2022 | 1,051,984 | 1,068,636 |
| Chesapeake Energy Corp., Class A 1st Lien Term Loan, 1M LIBOR + 7.50%, 9.58%, 08/23/2021 | 4,750,000 | 4,961,375 |
| FTS International, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 4.75%, 6.83%, 04/16/2021 | 2,098,700 | 2,101,323 |
| GIP III Stetson I, L.P., Initial 1st Lien Term Loan, L+ 4.50%, 07/18/2025 (d) | 1,600,000 | 1,606,000 |
| Summit Midstream Partners Holdings, LLC, Facility 1st Lien Term Loan, 1M LIBOR + 6.00%, 8.08%, 05/13/2022 | 2,098,998 | 2,123,934 |
| | | 13,983,581 |
| Healthcare & Pharmaceuticals 7.4% | | |
| Albany Molecular Research, Inc., 2nd Lien Term Loan, 1M LIBOR + 7.00%, 9.08%, 08/30/2025 | 1,000,000 | 999,170 |
| Albany Molecular Research, Inc., Initial 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.33%, 08/30/2024 | 1,460,988 | 1,459,162 |
| Auris Luxembourg III S.A.R.L., 1st Lien Term Loan B, (Luxembourg), L+ 3.75%, 07/24/2025 (d) | 1,200,980 | 1,208,486 |

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| | Principal Amount | Value (a) |
|---|------------------|--------------|
| Senior Loans (b)(g)(k) (continued) | | |
| Healthcare & Pharmaceuticals (continued) | | |
| Concentra, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 6.50%, 8.60%, 06/01/2023 | \$ 3,000,000 | \$ 3,035,010 |
| Envigo Laboratories, Inc., 1st Lien Term Loan, 3M LIBOR + 8.50%, 10.84%, 11/03/2021 (c)(e) | 1,136,694 | 1,136,694 |
| Ethypharm S.A., 1st Lien Term Loan B, (France), EURIBOR + 3.50%, 3.50%, 07/21/2023 | 1,112,582 | 1,295,560 |
| Gentiva Health Services, Inc., 2nd Lien Term Loan, L + 7.00%, 07/02/2026 (c)(d) | \$ 1,963,993 | 1,998,363 |
| Gentiva Health Services, Inc., Initial 1st Lien Term Loan, L+ 3.50%, 07/02/2025 (c)(d) | 2,927,248 | 2,949,202 |
| Hanger, Inc., 1st Lien Term Loan, 1M LIBOR + 3.50%, 5.58%, 03/06/2025 (c) | 3,865,313 | 3,850,818 |
| Immucor, Inc., 1st Lien Term Loan B-3, 2M LIBOR + 5.00%, 7.17%, 06/15/2021 | 2,899,083 | 2,929,291 |
| Press Ganey Holdings, Inc., 1st Lien Term Loan, 1M LIBOR + 2.75%, 4.83%, 10/23/2023 | 1,497,211 | 1,496,747 |
| Press Ganey Holdings, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 6.50%, 8.58%, 10/21/2024 (c) | 316,898 | 320,067 |
| Radiology Partners, Inc., 1st Lien Term Loan B, 3M LIBOR + 4.25%, 6.59%, 07/09/2025 (c) | 3,000,000 | 2,970,000 |
| Radiology Partners, Inc., 2nd Lien Delayed Draw Term Loan, L+ 7.75%, 07/09/2026 (c)(d)(f) | 557,709 | (5,577) |
| Radiology Partners, Inc., 2nd Lien Term Loan B, 3M LIBOR + 7.25%, 9.59%, 07/08/2026 (c) | 1,866,179 | 1,847,518 |
| Radnet Management, Inc., 1st Lien Term Loan B-1, 3M LIBOR + 3.50%, 5.85%, 06/30/2023 | 2,749,351 | 2,762,245 |
| | | 30,253,256 |
| High Tech Industries 1.8% | | |
| Applied Systems, Inc., 2nd Lien Term Loan, 3M LIBOR + 7.00%, 9.33%, 09/19/2025 | 516,129 | 531,293 |
| Applied Systems, Inc., Initial 1st Lien Term Loan, 3M LIBOR + 3.00%, 5.33%, 09/19/2024 | 1,629,545 | 1,634,303 |
| Kemet Corp., Initial 1st Lien Term Loan, 1M LIBOR + 6.00%, 8.08%, 04/26/2024 (c) | 1,943,144 | 1,962,576 |
| Rocket Software, Inc., 1st Lien Term Loan, 3M LIBOR + 3.75%, 6.08%, 10/14/2023 | 1,392,311 | 1,398,117 |
| Rocket Software, Inc., 2nd Lien Term Loan, 3M LIBOR + 9.50%, 11.83%, 10/14/2024 (c) | 1,603,014 | 1,603,014 |
| | | 7,129,303 |
| Media: Advertising, Printing & Publishing 0.4% | | |
| A-L Parent, LLC, Incremental Term Loan, L+ 3.25%, 12/01/2023 (c)(d) | 1,346,240 | 1,351,289 |
| A-L Parent, LLC, Initial 1st Lien Term Loan, 1M LIBOR + 3.25%, 5.33%, 12/01/2023 | 184,075 | 184,765 |
| Lee Enterprises, Inc., 1st Lien Term Loan, 1M LIBOR + 6.25%, 8.33%, 03/31/2019 (c) | 45,032 | 44,976 |
| | | 1,581,030 |
| Media: Broadcasting & Subscription 0.5% | | |
| Intelsat Jackson Holdings S.A., 1st Lien Term Loan B-3, (Luxembourg), 1M LIBOR + 3.75%, 5.83%, 11/27/2023 | 1,300,000 | 1,303,458 |
| Intelsat Jackson Holdings S.A., 1st Lien Term Loan B-4, (Luxembourg), 1M LIBOR + 4.50%, 6.58%, 01/02/2024 | 703,125 | 736,088 |
| | | 2,039,546 |
| Media: Diversified & Production 1.0% | | |
| Equinox Holdings, Inc., 1st Lien Term Loan B-1, 1M LIBOR + 3.00%, 5.08%, 03/08/2024 | 1,975,075 | 1,982,482 |
| Equinox Holdings, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 7.00%, 9.08%, 09/06/2024 | 2,050,000 | 2,094,854 |
| | | 4,077,336 |
| Metals & Mining 0.5% | | |
| Murray Energy Corp., 1st Lien Term Loan B-2, 1M LIBOR + 7.25%, 9.33%, 10/17/2022 | 1,986,626 | 1,857,495 |
| | | |
| Printing and Publishing 0.6% | | |
| Dex Media, Inc., 1st Lien Term Loan, 1M LIBOR + 10.00%, 12.08%, 07/29/2021 | 2,258,795 | 2,300,198 |
| | | |
| Retail 3.1% | | |
| Academy, Ltd., Initial 1st Lien Term Loan, 1M LIBOR + 4.00%, 6.09%, 07/01/2022 | 1,483,605 | 1,223,974 |
| GOBP Holdings, Inc., 1st Lien Term Loan, 1M LIBOR + 3.50%, 5.58%, 10/21/2021 | 2,184,382 | 2,180,297 |
| GOBP Holdings, Inc., Initial 2nd Lien Term Loan, 1M LIBOR + 8.25%, 10.33%, 10/21/2022 | 2,500,000 | 2,500,000 |
| J.C. Penney Corp., Inc., 1st Lien Term Loan, 3M LIBOR + 4.25%, 6.57%, 06/23/2023 | 1,951,613 | 1,882,897 |

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| | | | |
|--|----|-----------|------------|
| Peer Holding III B.V., 1st Lien Term Loan, (Netherlands), 3M EURIBOR + 3.50%, 3.50%, 03/08/2025 | | 3,050,000 | 3,482,181 |
| Petco Animal Supplies, Inc., 1st Lien Term Loan, 3M LIBOR + 3.25%, 5.61%, 01/26/2023 | \$ | 1,760,045 | 1,261,371 |
| | | | 12,530,720 |
| Service & Equipment 0.6% | | | |
| CD&R Firefly Bidco, Ltd., 1st Lien Term Loan B1, L+ 4.50%, 06/23/2025 (d) | £ | 2,000,000 | 2,586,937 |

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| | Principal Amount | Value (a) |
|--|------------------|-------------|
| Senior Loans (b)(g)(k) (continued) | | |
| Services: Business 0.2% | | |
| CASMAR Holdings Pty., Ltd., Initial 1st Lien Term Loan, (Australia), 3M LIBOR + 4.50%, 5.50%, 12/08/2023 (c) | \$ 873,544 | \$ 832,051 |
| Services: Consumer 0.3% | | |
| General Nutrition Centers, Inc., 1st Lien Term Loan, 1M LIBOR + 7.00%, 9.08%, 12/31/2022 | 1,277,425 | 1,313,359 |
| Technology 1.3% | | |
| Allflex Holdings III, Inc., (U.S.), Initial 2nd Lien Term Loan, 3M LIBOR + 7.00%, 9.35%, 07/19/2021 | 2,273,585 | 2,277,382 |
| GlobalLogic Holdings, Inc., 1st Lien Delayed Draw Term Loan, L+ 3.25%, 06/25/2025 (c)(d) | 138,340 | 138,686 |
| GlobalLogic Holdings, Inc., Initial 1st Lien Term Loan, L+ 3.75%, 08/27/2025 (c)(d) | 968,379 | 970,800 |
| Uber Technologies, Inc., 1st Lien Term Loan, 1M LIBOR + 4.00%, 6.10%, 04/04/2025 | 1,956,522 | 1,966,911 |
| | | 5,353,779 |
| Telecommunications 1.2% | | |
| Coral-U.S. Co-Borrower, LLC, 1st Lien Term Loan B-4, 1M LIBOR + 3.25%, 5.33%, 01/30/2026 | 1,500,000 | 1,499,625 |
| Pi U.S. Mergerco, Inc., Facility 1st Lien Term Loan B-1, 1M LIBOR + 3.50%, 5.58%, 01/03/2025 | 3,604,538 | 3,575,269 |
| | | 5,074,894 |
| Utilities: Oil & Gas 0.4% | | |
| TVC Albany, Inc., 1st Lien Term Loan, L+ 3.50%, 06/19/2025 (d) | 1,500,000 | 1,497,495 |
| Total Senior Loans (Cost: \$138,541,998) | | 138,752,203 |
| Corporate Bonds 68.6% | | |
| Aerospace and Defense 4.2% | | |
| Air Methods Corp., 144A, 8.00%, 05/15/2025 (k) | 2,491,000 | 2,042,620 |
| Bombardier, Inc., 144A, (Canada), 7.50%, 12/01/2024 (k) | 2,000,000 | 2,127,500 |
| Bombardier, Inc., 144A, (Canada), 7.75%, 03/15/2020 (k) | 1,500,000 | 1,582,500 |
| Bombardier, Inc., 144A, (Canada), 8.75%, 12/01/2021 (k) | 2,250,000 | 2,483,437 |
| Engility Corp., 8.88%, 09/01/2024 | 3,000,000 | 3,217,500 |
| Leidos, Inc., 7.13%, 07/01/2032 | 2,500,000 | 2,672,425 |
| StandardAero Aviation Holdings, Inc., 144A, 10.00%, 07/15/2023 (k) | 2,750,000 | 2,956,250 |
| | | 17,082,232 |
| Automotive 1.3% | | |
| Goodyear Tire and Rubber Co., 8.75%, 08/15/2020 | 1,741,000 | 1,904,219 |
| Penske Automotive Group, Inc., 5.50%, 05/15/2026 | 2,250,000 | 2,188,125 |
| Penske Automotive Group, Inc., 5.75%, 10/01/2022 | 1,250,000 | 1,276,275 |
| | | 5,368,619 |
| Banking, Finance, Insurance & Real Estate 4.1% | | |
| Ally Financial, Inc., 7.50%, 09/15/2020 | 2,500,000 | 2,684,375 |
| Ally Financial, Inc., 8.00%, 03/15/2020 | 1,250,000 | 1,331,250 |
| KB Home, 8.00%, 03/15/2020 | 3,500,000 | 3,718,750 |
| Summit Materials, LLC, 8.50%, 04/15/2022 | 6,200,000 | 6,665,000 |
| WeWork Companies, Inc., 144A, 7.88%, 05/01/2025 (k) | 2,500,000 | 2,431,250 |
| | | 16,830,625 |
| Beverage, Food and Tobacco 0.5% | | |
| Arby's Restaurant Group, Inc., 144A, 6.75%, 02/15/2026 (k) | 2,000,000 | 1,900,000 |
| Cable & Satellite TV 0.8% | | |
| Altice France SA, 144A, 8.13%, 02/01/2027 (k) | 769,000 | 785,418 |
| CCO Holdings, LLC, 144A, 5.75%, 02/15/2026 (k) | 2,500,000 | 2,484,375 |
| | | 3,269,793 |

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| | Principal Amount | Value (a) |
|---|------------------|--------------|
| Corporate Bonds (continued) | | |
| Capital Equipment 1.2% | | |
| Welbilt, Inc., 9.50%, 02/15/2024 | \$ 4,398,000 | \$ 4,804,815 |
| Chemicals, Plastics & Rubber 3.4% | | |
| Aruba Investments, Inc., 144A, 8.75%, 02/15/2023 (k) | 2,500,000 | 2,562,500 |
| Blue Cube Spinco, Inc., 9.75%, 10/15/2023 | 5,500,000 | 6,228,750 |
| CF Industries, Inc., 7.13%, 05/01/2020 | 2,250,000 | 2,381,512 |
| Kraton Polymers, LLC, 144A, 7.00%, 04/15/2025 (k) | 909,000 | 936,270 |
| Tronox, Inc., 144A, 6.50%, 04/15/2026 (k) | 1,539,000 | 1,527,458 |
| | | 13,636,490 |
| Consumer Goods: Durable 2.0% | | |
| Manitowoc Co., Inc., 144A, 12.75%, 08/15/2021 (k) | 5,420,000 | 5,989,100 |
| Spectrum Brands, Inc., 6.63%, 11/15/2022 | 1,950,000 | 2,008,500 |
| | | 7,997,600 |
| Containers, Packaging & Glass 2.4% | | |
| Ardagh Packaging Finance PLC, 144A, (Ireland), 7.25%, 05/15/2024 (k) | 3,000,000 | 3,127,500 |
| Crown Cork & Seal Co., Inc., 7.38%, 12/15/2026 | 4,350,000 | 4,698,000 |
| Guala Closures SpA, 144A, (Italy), 3M EURIBOR + 4.75%, 4.75%, 11/15/2021 (g)(k) | 1,500,000 | 1,772,907 |
| | | 9,598,407 |
| Electronics 0.2% | | |
| Open Text Corp., 144A, 5.63%, 01/15/2023 (k) | \$ 924,000 | 945,945 |
| Energy: Oil & Gas 8.0% | | |
| Calfrac Holdings, L.P., 144A, 8.50%, 06/15/2026 (k) | 2,500,000 | 2,415,625 |
| Denbury Resources, Inc., 144A, 9.00%, 05/15/2021 (k) | 3,750,000 | 3,989,063 |
| Energy Transfer Equity, L.P., 7.50%, 10/15/2020 | 5,725,000 | 6,111,437 |
| Extraction Oil and Gas, Inc., 144A, 7.38%, 05/15/2024 (k) | 1,143,000 | 1,200,150 |
| FTS International, Inc., 6.25%, 05/01/2022 | 1,500,000 | 1,495,815 |
| Great Western Petroleum, LLC, 144A, 9.00%, 09/30/2021 (k) | 3,000,000 | 3,075,000 |
| Newfield Exploration Co., 5.63%, 07/01/2024 | 2,000,000 | 2,100,000 |
| Newfield Exploration Co., 5.75%, 01/30/2022 | 1,500,000 | 1,563,750 |
| Rowan Cos., Inc., 7.38%, 06/15/2025 | 2,000,000 | 1,927,500 |
| Targa Resources Partners L.P., 6.75%, 03/15/2024 | 1,500,000 | 1,582,500 |
| Weatherford International, Ltd., (Bermuda), 9.88%, 02/15/2024 | 2,000,000 | 2,030,000 |
| Williams Cos., Inc., 7.88%, 09/01/2021 | 1,250,000 | 1,387,500 |
| Williams Cos., Inc., 8.75%, 03/15/2032 | 2,850,000 | 3,740,625 |
| | | 32,618,965 |
| Healthcare & Pharmaceuticals 8.3% | | |
| Acadia Healthcare Co., Inc., 5.63%, 02/15/2023 | 875,000 | 881,562 |
| Acadia Healthcare Co., Inc., 6.50%, 03/01/2024 | 167,000 | 169,923 |
| Bausch Health Companies, Inc., 144A, (Canada), 5.63%, 12/01/2021 (k) | 1,000,000 | 990,000 |
| Bausch Health Companies, Inc., 144A, (Canada), 7.50%, 07/15/2021 (k) | 2,250,000 | 2,295,000 |
| Centene Corp., 4.75%, 01/15/2025 | 1,497,000 | 1,495,129 |
| DJO Finance Corp., 144A, 8.13%, 06/15/2021 (k) | 2,000,000 | 2,055,000 |
| DJO Finance Corp., 10.75%, 04/15/2020 | 750,000 | 742,500 |
| Envision Healthcare Corp., 144A, 6.25%, 12/01/2024 (k) | 2,500,000 | 2,662,500 |
| HCA, Inc., 5.25%, 04/15/2025 | 1,000,000 | 1,021,875 |
| HCA, Inc., 6.50%, 02/15/2020 | 1,250,000 | 1,301,000 |
| HCA, Inc., 7.50%, 02/15/2022 | 625,000 | 686,719 |
| HCA, Inc., 7.69%, 06/15/2025 | 3,000,000 | 3,300,000 |
| Immucor, Inc., 144A, 11.13%, 02/15/2022 (k) | 3,000,000 | 3,015,000 |
| MPH Acquisition Holdings, LLC, 144A, 7.13%, 06/01/2024 (k) | 1,250,000 | 1,293,750 |

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| | Principal Amount | Value (a) |
|--|------------------|--------------|
| Corporate Bonds (continued) | | |
| Healthcare & Pharmaceuticals (continued) | | |
| Sotera Health Holdings, LLC, 144A, 6.50%, 05/15/2023 (j)(k) | \$ 1,642,000 | \$ 1,666,630 |
| Surgery Center Holdings, Inc., 144A, 8.88%, 04/15/2021 (k) | 1,500,000 | 1,541,250 |
| Tenet Healthcare Corp., 8.13%, 04/01/2022 | 2,125,000 | 2,263,125 |
| Tenet Healthcare Corp., 144A, 7.00%, 08/01/2025 (k) | 375,000 | 376,406 |
| Vizient, Inc., 144A, 10.38%, 03/01/2024 (k) | 5,500,000 | 6,036,250 |
| | | 33,793,619 |
| High Tech Industries 3.2% | | |
| Dell International, LLC, 144A, 6.02%, 06/15/2026 (k) | 4,000,000 | 4,228,519 |
| Diebold Nixdorf, Inc., 8.50%, 04/15/2024 | 2,600,000 | 2,392,000 |
| Genesys Telecommunications Laboratories Inc., 144A, 10.00%, 11/30/2024 (k) | 4,750,000 | 5,272,500 |
| TIBCO Software, Inc., 144A, 11.38%, 12/01/2021 (k) | 1,000,000 | 1,080,000 |
| | | 12,973,019 |
| Hotel, Gaming & Leisure 3.7% | | |
| GEO Group, Inc., 5.88%, 01/15/2022 | 2,000,000 | 2,020,000 |
| GEO Group, Inc., 6.00%, 04/15/2026 | 1,432,000 | 1,396,200 |
| Golden Nugget, Inc., 144A, 8.75%, 10/01/2025 (k) | 2,500,000 | 2,593,750 |
| MGM Resorts International, 8.63%, 02/01/2019 | 5,250,000 | 5,367,075 |
| Scientific Games International, Inc., 6.63%, 05/15/2021 | 3,750,000 | 3,792,187 |
| | | 15,169,212 |
| Media: Advertising, Printing & Publishing 3.3% | | |
| EMI Music Publishing Group North America Holdings, Inc., 144A, 7.63%, 06/15/2024 (k) | 5,392,000 | 5,803,140 |
| Lee Enterprises, Inc., 144A, 9.50%, 03/15/2022 (k) | 5,175,000 | 5,382,000 |
| Yell Bondco PLC, 144A, (Great Britain), 8.50%, 05/02/2023 (k) | £ 1,750,000 | 2,250,937 |
| | | 13,436,077 |
| Media: Broadcasting & Subscription 6.0% | | |
| Belo Corp., 7.25%, 09/15/2027 | \$ 5,750,000 | 5,879,375 |
| Cequel Communications Holdings I, LLC, 144A, 7.50%, 04/01/2028 (k) | 2,450,000 | 2,525,460 |
| CSC Holdings, LLC, 8.63%, 02/15/2019 | 2,000,000 | 2,052,500 |
| CSC Holdings, LLC, 144A, 10.13%, 01/15/2023 (k) | 1,000,000 | 1,100,000 |
| CSC Holdings, LLC, 144A, 10.88%, 10/15/2025 (k) | 1,760,000 | 2,041,600 |
| DISH DBS Corp., 7.88%, 09/01/2019 | 2,500,000 | 2,590,625 |
| Hughes Satellite Systems Corp., 7.63%, 06/15/2021 | 3,001,000 | 3,218,572 |
| Intelsat Jackson Holdings S.A., 144A, (Luxembourg), 8.00%, 02/15/2024 (k) | 2,000,000 | 2,110,000 |
| Tribune Media Co., 5.88%, 07/15/2022 | 3,000,000 | 3,015,000 |
| | | 24,533,132 |
| Media: Diversified & Production 1.1% | | |
| Life Time Fitness, Inc., 144A, 8.50%, 06/15/2023 (k) | 2,745,000 | 2,861,663 |
| Six Flags Entertainment Corp., 144A, 5.50%, 04/15/2027 (k) | 1,500,000 | 1,468,125 |
| | | 4,329,788 |
| Metals & Mining 3.6% | | |
| First Quantum Minerals, Ltd., 144A, (Canada), 7.25%, 04/01/2023 (k) | 1,528,000 | 1,533,730 |
| First Quantum Minerals, Ltd., 144A, (Canada), 7.50%, 04/01/2025 (k) | 1,000,000 | 1,006,250 |
| Freeport-McMoRan, Inc., 5.40%, 11/14/2034 | 500,000 | 458,750 |
| Freeport-McMoRan, Inc., 6.88%, 02/15/2023 | 2,500,000 | 2,675,000 |
| Hudbay Minerals, Inc., 144A, (Canada), 7.63%, 01/15/2025 (k) | 2,000,000 | 2,065,000 |
| Murray Energy Corp., 144A, 12.00%, 04/15/2024 (k) | 925,000 | 712,250 |
| Peabody Energy Corp., 144A, 6.00%, 03/31/2022 (k) | 960,000 | 988,800 |
| Teck Resources, Ltd., 144A, (Canada), 8.50%, 06/01/2024 (k) | 2,955,000 | 3,254,194 |

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| | Principal Amount | Value (a) |
|---|------------------|--------------------|
| Corporate Bonds (continued) | | |
| Metals & Mining (continued) | | |
| Zekelman Industries, Inc., 144A, 9.88%, 06/15/2023 (k) | \$ 1,850,000 | \$ 2,021,125 |
| | | 14,715,099 |
| Pipeline 0.3% | | |
| Blue Racer Midstream, LLC / Blue Racer Finance Corp., 144A, 6.63%, 07/15/2026 (k) | 1,275,000 | 1,284,563 |
| Services: Business 2.0% | | |
| First Data Corp., 144A, 7.00%, 12/01/2023 (k) | 4,000,000 | 4,185,000 |
| Solera, LLC, 144A, 10.50%, 03/01/2024 (k) | 3,479,000 | 3,846,930 |
| | | 8,031,930 |
| Services: Consumer 1.1% | | |
| Dole Food Co., Inc., 144A, 7.25%, 06/15/2025 (k) | 2,000,000 | 1,965,000 |
| Lamb Weston Holdings, Inc., 144A, 4.88%, 11/01/2026 (k) | 1,750,000 | 1,721,563 |
| Simmons Foods, Inc., 144A, 7.75%, 01/15/2024 (k) | 660,000 | 679,800 |
| | | 4,366,363 |
| Telecommunications 4.8% | | |
| Altice Financing S.A., 144A, 7.50%, 05/15/2026 (k) | 1,500,000 | 1,460,400 |
| Altice Finco S.A., 144A, (Luxembourg), 8.13%, 01/15/2024 (k) | 1,500,000 | 1,526,250 |
| Digicel Group, Ltd., 144A, (Bermuda), 8.25%, 09/30/2020 (k) | 3,000,000 | 2,182,500 |
| GTT Communications, Inc., 144A, 7.88%, 12/31/2024 (k) | 2,001,000 | 1,980,990 |
| SFR Group S.A., 144A, (France), 7.38%, 05/01/2026 (k) | 2,500,000 | 2,471,875 |
| Sprint Capital Corp., 6.90%, 05/01/2019 | 1,000,000 | 1,020,500 |
| Sprint Corp., 7.63%, 03/01/2026 | 1,425,000 | 1,478,437 |
| Sprint Spectrum Co, LLC, 144A, 4.74%, 03/20/2025 (k) | 1,000,000 | 992,500 |
| Sprint Spectrum Co, LLC, 144A, 5.15%, 03/20/2028 (k) | 1,000,000 | 992,500 |
| T-Mobile USA, Inc., 6.38%, 03/01/2025 | 3,500,000 | 3,648,750 |
| T-Mobile USA, Inc., 6.50%, 01/15/2026 | 1,500,000 | 1,573,125 |
| | | 19,327,827 |
| Transportation: Cargo 1.0% | | |
| XPO Logistics, Inc., 144A, 6.50%, 06/15/2022 (k) | 4,125,000 | 4,238,438 |
| Transportation: Consumer 0.5% | | |
| Air Medical Group Holdings, Inc., 144A, 6.38%, 05/15/2023 (k) | 2,000,000 | 1,829,268 |
| Utilities: Electric 1.6% | | |
| Dynegy, Inc., 7.63%, 11/01/2024 | 1,250,000 | 1,339,437 |
| Dynegy, Inc., 144A, 8.00%, 01/15/2025 (k) | 1,500,000 | 1,629,375 |
| NRG Energy, Inc., 6.25%, 07/15/2022 | 1,000,000 | 1,031,250 |
| NRG Energy, Inc., 7.25%, 05/15/2026 | 2,500,000 | 2,662,500 |
| | | 6,662,562 |
| Total Corporate Bonds (Cost: \$278,971,938) | | 278,744,388 |
| Collateralized Loan Obligations 38.0% (c)(h)(k) | | |
| Collateralized Loan Obligations - Debt 27.0% (g) | | |
| AMMC CLO XI, Ltd., (Cayman Islands), 3M LIBOR + 5.80%, 8.14%, 04/30/2031 | 2,000,000 | 1,966,568 |
| AMMC CLO XI, Ltd., (Cayman Islands), 3M LIBOR + 7.95%, 10.29%, 04/30/2031 | 500,000 | 487,668 |
| AMMC CLO XIII, Ltd., (Cayman Islands), 3M LIBOR + 6.95%, 9.29%, 07/24/2029 | 2,000,000 | 2,032,170 |
| AMMC CLO XIV, Ltd., (Cayman Islands), 3M LIBOR + 7.35%, 9.69%, 07/25/2029 | 1,250,000 | 1,283,988 |
| AMMC CLO XIX, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.34%, 10/15/2028 | 2,000,000 | 2,022,666 |
| AMMC CLO XXII, Ltd., (Cayman Islands), 3M LIBOR + 5.50%, 7.84%, 04/25/2031 | 3,000,000 | 2,929,545 |
| Apidos CLO XI, Ltd., (Cayman Islands), 3M LIBOR + 7.65%, 9.99%, 01/17/2028 | 1,500,000 | 1,510,812 |
| Apidos CLO XX, Ltd., (Cayman Islands), 3M LIBOR + 5.70%, 8.04%, 07/16/2031 | 2,000,000 | 1,979,294 |
| Apidos CLO XX, Ltd., (Cayman Islands), 3M LIBOR + 8.70%, 11.04%, 07/16/2031 | 850,000 | 834,726 |

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| | Principal Amount | Value (a) |
|---|------------------|--------------|
| Collateralized Loan Obligations (c)(h)(k) (continued) | | |
| Collateralized Loan Obligations - Debt (g) (continued) | | |
| Babson CLO, Ltd. 2016-1, (Cayman Islands), 3M LIBOR + 6.55%, 8.90%, 04/23/2027 | \$ 2,000,000 | \$ 1,999,990 |
| Bain Capital Credit CLO 2016-2, (Cayman Islands), 3M LIBOR + 7.04%, 9.38%, 01/15/2029 | 2,000,000 | 2,018,436 |
| Benefit Street Partners CLO IV, Ltd., (Cayman Islands), 3M LIBOR + 7.25%, 9.60%, 01/20/2029 | 2,500,000 | 2,532,480 |
| BlueMountain CLO 2016-3, Ltd., (Cayman Islands), 3M LIBOR + 6.85%, 9.19%, 11/15/2027 | 1,500,000 | 1,514,637 |
| California Street CLO IX, L.P. 2012-9A, (Cayman Islands), 3M LIBOR + 7.18%, 9.52%, 10/16/2028 | 2,000,000 | 2,015,450 |
| Canyon Capital CLO, Ltd., 144A (Cayman Islands), 3M LIBOR + 5.75%, 7.80%, 07/15/2031 | 750,000 | 737,212 |
| Carlyle Global Market Strategies CLO 2012-4, Ltd., (Cayman Islands), 3M LIBOR + 7.51%, 9.86%, 01/20/2029 | 2,000,000 | 2,030,848 |
| Crestline Denali CLO XV, Ltd., (Cayman Islands), 3M LIBOR + 7.35%, 9.70%, 04/20/2030 | 3,875,000 | 3,917,261 |
| Denali Capital CLO XI, Ltd., 2015-1A D, (Cayman Islands), 3M LIBOR + 5.45%, 7.80%, 04/20/2027 | 1,000,000 | 990,301 |
| Denali Capital CLO XI, Ltd., 2015-1A E, (Cayman Islands), 3M LIBOR + 5.95%, 8.30%, 04/20/2027 | 2,000,000 | 1,841,682 |
| Denali Capital CLO XI, Ltd., 2015-1X D, (Cayman Islands), 3M LIBOR + 5.45%, 7.80%, 04/20/2027 | 460,000 | 455,538 |
| Denali Capital CLO XII, Ltd., 144A (Cayman Islands), 3M LIBOR + 5.90%, 8.24%, 04/15/2031 | 5,000,000 | 5,003,695 |
| Dryden XLIII Senior Loan Fund, (Cayman Islands), 3M LIBOR + 6.10%, 8.45%, 07/20/2029 | 4,000,000 | 3,988,152 |
| Dryden XXVI Senior Loan Fund, (Cayman Islands), 3M LIBOR + 5.54%, 7.89%, 04/15/2029 | 2,000,000 | 1,974,798 |
| Halcyon Loan Advisors Funding 2015-1, Ltd., (Cayman Islands), 3M LIBOR + 5.65%, 8.00%, 04/20/2027 | 750,000 | 750,648 |
| Highbridge Loan Management 2013-2, Ltd., (Cayman Islands), 3M LIBOR + 8.25%, 10.60%, 10/20/2029 | 2,250,000 | 2,251,633 |
| Highbridge Loan Management 2014-4, Ltd., (Cayman Islands), 3M LIBOR + 7.36%, 9.70%, 01/28/2030 | 2,000,000 | 1,972,046 |
| ICG U.S. CLO 2018-2, Ltd., (Cayman Islands), 3M LIBOR + 5.75%, 8.09%, 07/22/2031 (e) | 1,200,000 | 1,188,000 |
| LCM XV, L.P., (Cayman Islands), 3M LIBOR + 6.50%, 8.86%, 07/20/2030 | 1,850,000 | 1,871,558 |
| LCM XXIII, L.P., (Cayman Islands), 3M LIBOR + 7.05%, 9.40%, 10/20/2029 | 3,000,000 | 3,036,135 |
| Magnetite XIV, Ltd., (Cayman Islands), 3M LIBOR + 6.50%, 8.83%, 07/18/2028 | 4,000,000 | 3,999,756 |
| Mountain Hawk III CLO, Ltd., (Cayman Islands), 3M LIBOR + 4.85%, 7.18%, 04/18/2025 | 2,000,000 | 1,890,704 |
| Neuberger Berman CLO XVII, Ltd. 2014-17A, (Cayman Islands), 3M LIBOR + 6.55%, 8.90%, 04/22/2029 | 1,000,000 | 1,005,622 |
| Northwoods Capital XII-B, Ltd., 3M LIBOR + 5.79%, 8.13%, 06/15/2031 | 2,000,000 | 1,937,604 |
| Oaktree CLO 2014-1, (Cayman Islands), 3M LIBOR + 6.30%, 8.66%, 05/13/2029 | 5,000,000 | 5,011,125 |
| Octagon Investment Partners XV, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.34%, 07/19/2030 | 1,500,000 | 1,520,935 |
| Octagon Investment Partners XXVIII, Ltd., (Cayman Islands), 3M LIBOR + 6.50%, 8.84%, 10/24/2027 | 2,000,000 | 2,009,238 |
| OHA Credit Partners VII, Ltd., (Cayman Islands), 3M LIBOR + 7.50%, 9.83%, 11/20/2027 | 2,850,000 | 2,880,321 |
| OHA Credit Partners XI, Ltd., (Cayman Islands), 3M LIBOR + 8.10%, 10.45%, 10/20/2028 | 2,000,000 | 2,001,838 |
| OZLM XI, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.34%, 10/30/2030 | 2,750,000 | 2,824,173 |
| OZLM XIX, Ltd., (Cayman Islands), 3M LIBOR + 6.60%, 8.95%, 11/22/2030 | 2,000,000 | 2,026,094 |
| Silver Creek CLO, Ltd., (Cayman Islands), 3M LIBOR + 6.40%, 8.75%, 07/20/2030 | 1,000,000 | 1,003,704 |
| | 3,000,000 | 2,997,951 |

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| | | |
|---|-----------|-------------|
| Steele Creek CLO 2015-1, Ltd., (Cayman Islands), 3M LIBOR + 8.85%, 11.18%, 05/21/2029 | | |
| Steele Creek CLO 2016-1, Ltd., (Cayman Islands), 3M LIBOR + 5.75%, 8.09%, 06/15/2031 | 3,000,000 | 2,949,000 |
| TCI-Cent CLO 2016-1, Ltd., (Cayman Islands), 3M LIBOR + 6.75%, 9.09%, 12/21/2029 | 2,000,000 | 2,017,080 |
| THL Credit Wind River 2015-2 CLO, Ltd., (Cayman Islands), 3M LIBOR + 7.80%, 10.14%, 10/15/2027 | 2,000,000 | 2,003,754 |
| THL Credit Wind River 2016-2 CLO, Ltd., (Cayman Islands), 3M LIBOR + 6.48%, 8.84%, 11/01/2028 | 1,750,000 | 1,759,905 |
| Venture XXIV CLO, Ltd. 2016-24A, (Cayman Islands), 3M LIBOR + 6.72%, 9.07%, 10/20/2028 | 700,000 | 703,897 |
| Venture XXVI CLO, Ltd. 2017-26A, (Cayman Islands), 3M LIBOR + 6.80%, 9.15%, 01/20/2029 | 1,000,000 | 1,009,820 |
| Venture XXVII CLO, Ltd. 2017-27A, (Cayman Islands), 3M LIBOR + 6.35%, 8.70%, 07/20/2030 | 2,025,000 | 2,036,324 |
| Venture XXVIII CLO, Ltd. 2017-28A, (Cayman Islands), 3M LIBOR + 6.16%, 8.51%, 10/20/2029 | 1,000,000 | 1,003,979 |
| Venture XXVIII CLO, Ltd. 2017-28AX, (Cayman Islands), 3M LIBOR + 6.16%, 8.51%, 10/20/2029 | 3,000,000 | 3,011,937 |
| Voya CLO 2017-3, Ltd., (Cayman Islands), 3M LIBOR + 6.20%, 8.55%, 07/20/2030 | 1,950,000 | 1,967,380 |
| Wellfleet CLO 2016-2, Ltd., (Cayman Islands), 3M LIBOR + 7.00%, 9.35%, 10/20/2028 | 1,000,000 | 1,004,486 |
| Wellfleet CLO 2017-2, Ltd., (Cayman Islands), 3M LIBOR + 6.75%, 9.10%, 10/20/2029 | 2,000,000 | 2,035,070 |
| | | 109,749,634 |
| Collateralized Loan Obligations - Equity 11.0% | | |
| Allegro CLO 2017-1A, Ltd., (Cayman Islands), 16.22%, 10/16/2030 | 2,000,000 | 1,883,908 |
| Allegro CLO VIII, Ltd., (Cayman Islands), 11.30%, 07/15/2031 (e)(j) | 3,500,000 | 2,983,750 |
| AMMC CLO XXI, Ltd., (Cayman Islands), 12.79%, 11/02/2030 | 500,000 | 398,445 |
| Atlas Senior Loan Fund III, Ltd., (Cayman Islands), 10.15%, 11/17/2027 | 1,800,000 | 870,763 |
| Carlyle Global Market Strategies CLO 2013-4, Ltd., (Cayman Islands), 28.62%, 01/15/2031 | 1,259,000 | 808,492 |
| Carlyle Global Market Strategies CLO 2017-3, Ltd., (Cayman Islands), 14.94%, 07/20/2029 | 1,750,000 | 1,481,924 |
| Cedar Funding IV CLO, Ltd., (Cayman Islands), 21.73%, 07/23/2030 | 4,000,000 | 3,226,964 |

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| | Principal Amount | Value (a) |
|--|------------------|-----------------------|
| Collateralized Loan Obligations (c)(h)(k) (continued) | | |
| Collateralized Loan Obligations - Equity (continued) | | |
| Cedar Funding V CLO, Ltd., (Cayman Islands), 14.26%, 07/17/2031 | \$ 1,546,000 | \$ 1,490,324 |
| Cedar Funding VI CLO, Ltd., (Cayman Islands), 11.52%, 10/20/2028 | 2,000,000 | 1,852,920 |
| Cedar Funding VIII CLO, Ltd., (Cayman Islands), 12.25%, 10/17/2030 | 2,000,000 | 1,623,482 |
| Crestline Denali CLO XVI, Ltd. 2018-1A, (Cayman Islands), 14.51%, 01/20/2030 | 2,000,000 | 1,791,934 |
| Halcyon Loan Advisors Funding 2017-1, Ltd., (Cayman Islands), 12.63%, 06/25/2029 | 1,750,000 | 1,452,260 |
| ICG U.S. CLO 2018-2, Ltd., (Cayman Islands), 11.30%, 07/22/2031 (e) | 3,500,000 | 3,206,700 |
| LCM XIII, L.P., (Cayman Islands), 7.17%, 01/19/2023 | 2,175,000 | 1,135,835 |
| LCM XV, L.P., (Cayman Islands), 19.23%, 07/20/2030 | 5,875,000 | 2,967,339 |
| LCM XXIII, L.P., (Cayman Islands), 10.06% 10/20/2029 | 3,100,000 | 2,046,322 |
| Madison Park Funding XII, Ltd., (Cayman Islands), 7.32%, 07/20/2026 | 4,000,000 | 2,808,820 |
| Mariner CLO 2018-5, Ltd., (Cayman Islands), 11.30%, 04/25/2031 | 2,567,500 | 2,378,632 |
| Oaktree CLO, Ltd. 2015-1A, (Cayman Islands), 24.29%, 10/20/2027 | 4,000,000 | 3,121,156 |
| OHA Credit Partners VII, Ltd., (Cayman Islands), 11.14%, 11/20/2027 | 2,000,000 | 1,401,596 |
| OZLM XIX, Ltd. 2017-19A, (Cayman Islands), 13.84%, 11/22/2030 | 2,440,000 | 2,013,996 |
| OZLM XXI, Ltd. 2017-21A, (Cayman Islands), 15.63%, 01/20/2031 | 1,750,000 | 1,477,117 |
| Vibrant CLO VI, Ltd., (Cayman Islands), 12.51%, 06/20/2029 | 1,500,000 | 1,270,022 |
| Voya CLO 2017-2, (Cayman Islands), 12.90%, 06/07/2030 | 1,000,000 | 777,888 |
| West CLO 2013-1, Ltd., (Cayman Islands), 0.00%, 11/07/2025 | 500,000 | 175,462 |
| | | 44,646,051 |
| Total Collateralized Loan Obligations (Cost: \$150,782,241) | | 154,395,685 |
| | Shares | Value (a) |
| Common Stocks 1.1% (k) | | |
| Energy: Oil & Gas 0.8% | | |
| Halcon Resources Corp. (i) | 292,519 | 1,143,749 |
| Templar Energy, LLC, Class A Common Equity (c)(i) | 145,457 | 130,911 |
| Templar Energy, LLC, Class A Preferred Equity (c)(e)(l) | 235,016 | 2,145,700 |
| | | 3,420,360 |
| Services: Business 0.3% | | |
| Affinion Group Holdings, Inc. (i) | 87,683 | 1,212,919 |
| Total Common Stocks (Cost: \$14,686,417) | | 4,633,279 |
| Total Investments 141.8% | | |
| (Cost: \$582,982,594) | | \$ 576,525,555 |
| Liabilities in Excess of Other Assets - (41.8%) | | (169,939,327) |
| Net Assets - 100.0% | | \$ 406,586,228 |

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 represent the all-in rate as of July 31, 2018.

(c) Investments categorized as a significant unobservable input (Level 3) (See Note 3 of the Notes to Schedule of Investments).

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(d) 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.

(e) Security valued at fair value using methods determined in good faith by or under the direction of the board of directors.

(f) As of July 31, 2018, Ares Dynamic Credit Allocation Fund, Inc. (the Fund) had entered into the following commitments to fund various revolving and delayed draw senior secured and subordinated loans. Such commitments are subject to the satisfaction of certain conditions set forth in the documents governing these loans and there can be no assurance that such conditions will be satisfied. See Note 2 of the Notes to Schedule of Investments for further information on revolving and delayed draw loan commitments.

| Unfunded security | Total revolving and delayed draw loan commitments | Less: drawn commitments | Total undrawn commitments |
|---|--|-------------------------|------------------------------|
| Radiology Partners, Inc. | \$ 557,709 | \$ | \$ 557,709 |
| St. George's University Scholastic Services, LLC | 1,077,053 | | 1,077,053 |
| Total | \$ 1,634,762 | \$ | \$ 1,634,762 |

(g) Variable rate coupon rate shown as of July 31, 2018.

(h) Collateralized Loan Obligations are all issued as 144A securities.

(i) Non-income producing security as of July 31, 2018.

(j) When-Issued or delayed delivery security based on typical market settlement convention for such security.

(k) All of the Fund's Senior Loans, Collateralized Loan Obligations, Common Stocks and Corporate Bonds issued as 144A, which as of July 31, 2018 represented 109.4% of the Fund's net assets or 72.6% of the Fund's total assets, are subject to legal restrictions on sales.

(l) Payment-in-kind security, which may pay interest/dividends in additional par/shares.

As of July 31, 2018, the aggregate cost of securities for Federal income tax purposes was \$583,141,892.

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

| | |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$ 10,943,775 |
| Gross unrealized depreciation | (17,560,112) |
| Net unrealized depreciation | \$ (6,616,337) |

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 Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments

July 31, 2018 (Unaudited)

(1) Organization

Ares Dynamic Credit Allocation Fund, Inc. (NYSE: ARDC) (ARDC or Fund) is a corporation 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 a closed-end, management investment company, and intends to qualify each year to be treated as a Regulated Investment Company (RIC), under Subchapter M of the Internal Revenue Code of 1986, as amended. The Fund operates as a diversified investment company under the Investment Company Act. The Fund commenced operations on November 27, 2012. Ares Capital Management II LLC (the Adviser) was registered as a Registered Investment Adviser with the SEC on June 9, 2011 and serves as the investment adviser to the Fund.

Investment Objective and Policies

The Fund's investment objective is to seek 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) senior secured loans (Senior Loans) made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds (Corporate Bonds) that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) securities issued by entities commonly referred to as collateralized loan obligations (CLOs) and other asset-backed securities. The Fund's investments in CLOs may include 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. Under normal market conditions, the Fund will not invest more than (i) 40% of its Managed Assets in CLOs and other asset-backed securities, or (ii) 10% of its Managed Assets in subordinated (or residual) tranches of CLO securities. 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.

(2) Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), and includes the accounts of the Fund. The Fund is an investment company following accounting and reporting guidance in Financial Accounting Standards (FASB) Accounting Standards Codification (ASC) Topic 946, *Financial Services - Investment Companies*. The Adviser makes 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 fair value, as described in Note 3.

Commitments and Contingencies

In the normal course of business, the Fund's investment activities involve executions, settlement and financing of various transactions resulting in receivables from, and payables to, brokers, dealers and the Fund's custodian. These activities may expose the Fund 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 with standard business practice, the Fund enters into contracts that contain a variety of indemnifications, and is engaged from time to time in various legal actions. The maximum exposure of the Fund under these arrangements and activities is unknown. However, the Fund expects the risk of material loss to be remote.

Ares Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments (Continued)

July 31, 2018 (Unaudited)

Commitments to extend credit include loan proceeds the Fund is obligated to advance, such as delayed draws or revolving credit arrangements. Commitments generally have fixed expiration dates or other termination clauses. Unrealized gains or losses associated with unfunded commitments are recorded in the financial statements and reflected as an adjustment to the fair value of the related security in the Schedule of Investments. The par amount of the unfunded commitments is not recognized by the Fund until it becomes funded. As of July 31, 2018, the value of loans disclosed in the Schedule of Investments does not include unfunded commitments, which total \$1,634,762.

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 payment-in-kind (PIK) interest and the accretion of discounts and amortization of premiums.

Investment Transactions

Investment transactions are accounted for on the trade date.

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 Fund does 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 (loss) 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 Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from the

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changes in fair values of assets and liabilities, other than investments in securities at period 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 transaction 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.

The Fund may enter into forward foreign currency exchange contracts for operational purposes and to protect against adverse exchange rate fluctuations. A forward foreign currency contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date. The Fund may also enter into these contracts for purposes of increasing exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. The net U.S. dollar value of foreign currency underlying all contractual commitments held by the Fund and the resulting unrealized appreciation or depreciation are determined using foreign currency exchange rates from an independent pricing service. The Fund is subject to the credit risk that the other party will not complete the obligations of the contract. The fair values of the forward foreign currency exchange contracts are obtained from an independent pricing source.

Ares Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments (Continued)

July 31, 2018 (Unaudited)

(3) Investments

Fair Value Measurements

The Fund follows the provisions of ASC 820, *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. ASC 820 defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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** Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access

- **Level 2** Valuations based on quoted prices in markets that are not active or which all significant inputs are observable either directly or indirectly

- **Level 3** Valuations based on inputs that are unobservable and significant to the overall fair value measurement

In addition to using the above inputs in investment valuations, the Fund continues to employ a valuation policy that is consistent with the provisions of ASC 820. Consistent with its valuation policy, the Fund evaluates the source of inputs, including any markets in which the Fund's investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. The Fund's valuation policy considers the fact that because there may not be a readily available market value for the investments in the Fund's portfolio, therefore, the fair value of the investments may be determined using unobservable inputs.

The investments classified as Level 1 or Level 2 are typically valued based on quoted market prices, forward foreign exchange rates, dealer quotations or alternative pricing sources supported by observable inputs. 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. 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

Ares Dynamic Credit Allocation Fund, Inc.**Notes to Schedule of Investments (Continued)****July 31, 2018 (Unaudited)**

information to corroborate prices received from third-party pricing sources. For any security, 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 from 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 following is a summary of the inputs used as of July 31, 2018, 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 |
|---------------------------------|----------------------------|---|--|-----------------------|
| Senior Loans | \$ | \$ 102,868,889 | \$ 35,883,314 | \$ 138,752,203 |
| Corporate Bonds | | 278,744,388 | | 278,744,388 |
| Collateralized Loan Obligations | | | 154,395,685 | 154,395,685 |
| Common Stock | 1,143,749 | 1,212,919 | 2,276,611 | 4,633,279 |
| Total Investments | \$ 1,143,749 | \$ 382,826,196 | \$ 192,555,610 | \$ 576,525,555 |

Ares Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments (Continued)

July 31, 2018 (Unaudited)

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 nine months ended July 31, 2018:

| | Senior Loans | Collateralized Loan Obligations | Common Stock | Warrants | Total |
|--|---------------|------------------------------------|--------------|----------|----------------|
| Balance as of October 31, 2017 | \$ 13,356,837 | \$ 147,531,396 | \$ 2,384,970 | \$ 2,146 | \$ 163,275,349 |
| Purchases (a) | 20,578,729 | 55,801,321 | 180,670 | | 76,560,720 |
| Sales (b) | (3,518,852) | (48,764,110) | | (94) | (52,283,056) |
| Net realized and unrealized gain/ (loss) | 74,575 | (425,919) | (289,029) | (2,052) | (642,425) |
| Net accrued discounts | 18,177 | 252,997 | | | 271,174 |
| Transfers in to Level 3 | 8,136,093 | | | | 8,136,093 |
| Transfers out of Level 3 | (2,762,245) | | | | (2,762,245) |
| Balance as of July 31, 2018 | \$ 35,883,314 | \$ 154,395,685 | \$ 2,276,611 | \$ | \$ 192,555,610 |
| Net change in unrealized appreciation/(depreciation) from Investments held as of July 31, 2018 | \$ 109,231 | \$ (817,012) | \$ (289,029) | \$ | \$ (1,050,820) |

(a) Purchases include PIK interest and securities received from restructure.

(b) Sales include principal redemptions.

Investments were transferred into and out of Level 3 and into and out of Level 2 during the period ended July 31, 2018 due to changes in the quantity and quality of information obtained to support the fair value of each investment as assessed by the Adviser.

There were no transfers between Level 1 and 2 during the period. It is the Fund's policy to recognize transfers into and out of all levels at the end of the reporting period.

The valuation techniques used by the Adviser to measure fair value as of July 31, 2018 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.

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| Assets | Fair Value | Valuation Technique | Unobservable Inputs | Range |
|----------------------------------|-----------------------|---|--------------------------|--------------|
| Investments in securities | | | | |
| Senior Loans | \$ 34,746,620 | Broker Quotes and/or 3rd Party Pricing Services | N/A | N/A |
| Senior Loans | 1,136,694 | Other | Expected proceeds | \$100 |
| Collateralized Loan Obligations | 147,017,235 | Broker Quotes and/or 3rd Party Pricing Services | N/A | N/A |
| Collateralized Loan Obligations | 7,378,450 | Other | Recent Transaction Price | \$85.25-\$99 |
| Common Stock | 130,911 | Broker Quotes and/or 3rd Party Pricing Services | N/A | N/A |
| Common Stock | 2,145,700 | Market Approach (Other) | Other | \$9.13 |
| Total Level 3 Investments | \$ 192,555,610 | | | |

ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive and principal financial officers have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective, as of a date within 90 days of the filing date of this Form N-Q based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d)) under the 1940 Act that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

The following exhibits are attached to this Form N-Q

| Exhibit NO. | Description of Exhibit |
|--------------------|---|
| 3 (a) (1) | Certification of Principal Executive Officer pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 |
| 3 (a) (2) | Certification of Principal Financial Officer pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): Ares Dynamic Credit Allocation Fund, Inc.

By: /s/ Seth J. Brufsky
Seth J. Brufsky
President and Chief Executive Officer

Date: September 24, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Seth J. Brufsky
Seth J. Brufsky
President and Chief Executive Officer

Date: September 24, 2018

By: /s/ Scott Lem
Scott Lem
Chief Financial Officer

Date: September 24, 2018
