

Ares Dynamic Credit Allocation Fund, Inc.
Form N-Q
September 26, 2017

**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, 2017

ITEM 1. SCHEDULE OF INVESTMENTS.

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Ares Dynamic Credit Allocation Fund, Inc.

Schedule of Investments

July 31, 2017 (Unaudited)

| | Principal Amount | Value (a) |
|--|------------------|--------------|
| Senior Loans 38.5% (b) | | |
| Aerospace and Defense 3.4% | | |
| Air Methods Corporation, Initial 1st Lien Term Loan, 4.80%, 04/22/2024 | \$ 2,618,943 | \$ 2,609,122 |
| DAE Aviation Holdings, Inc., 1st Lien Term Loan, L+ 3.75%, 07/07/2022 (c) | 1,619,835 | 1,623,884 |
| Engility Holdings, Inc., 1st Lien Term B-2 Loan, 4.98%, 08/12/2023 | 1,277,206 | 1,292,264 |
| Hensoldt Holding Germany GmbH, Term Loan B, (Denmark), L+ 3.75%, 02/28/2024 (c) | 3,000,000 | 3,596,766 |
| Sequa Mezzanine Holdings LLC, Initial Loan 1st Lien, 6.81%, 11/26/2021 | \$ 1,892,273 | 1,906,465 |
| Sequa Mezzanine Holdings LLC, Initial Loan 2nd Lien, L+ 9.00%, 04/28/2022 (c) | 1,291,251 | 1,317,076 |
| StandardAero Aviation Holdings, Inc., 1st Lien Term Loan, 4.98%, 07/07/2022 | 1,739,759 | 1,753,173 |
| | | 14,098,750 |
| Automotive 0.7% | | |
| Bright Bidco B.V., 1st Lien Term Loan B, 5.50%, 06/28/2024 | 1,481,481 | 1,500,459 |
| CH Hold Corporation, 2nd Lien Term Loan, 8.48%, 02/01/2025 | 1,464,592 | 1,499,376 |
| | | 2,999,835 |
| Banking, Finance, Insurance & Real Estate 2.2% | | |
| Asurion, LLC, 2017 2nd Lien Term Loan, L+ 6.00%, 07/14/2025 (c) | 2,549,695 | 2,612,647 |
| Asurion, LLC, 2nd Lien Term Loan, 8.73%, 03/03/2021 | 3,000,000 | 3,003,750 |
| Asurion, LLC, Incremental B-5 1st Lien Term Loan, 4.23%, 11/03/2023 | 1,955,175 | 1,969,839 |
| Gulf Finance, LLC, Tranche B 1st Lien Term Loan, 6.55%, 08/25/2023 | 1,466,559 | 1,411,563 |
| | | 8,997,799 |
| Beverage, Food and Tobacco 0.5% | | |
| Candy Intermediate Holdings, Inc., Initial 1st Lien Term Loan, 5.80%, 06/15/2023 | 2,004,113 | 1,962,367 |
| | | |
| Business Equipment & Services 0.5% | | |
| CCC Information Services, Inc., 1st Lien Term Loan, 4.24%, 04/29/2024 | 499,875 | 500,815 |
| CCC Information Services, Inc., 2nd Lien Term Loan, 7.98%, 04/28/2025 | 1,425,532 | 1,465,632 |
| | | 1,966,447 |
| Chemicals, Plastics & Rubber 1.5% | | |
| HII Holding Corporation, 1st Lien U.S. Term Loan, 4.55%, 12/20/2019 | 991,733 | 993,796 |
| HII Holding Corporation, 2nd Lien Term Loan, 9.80%, 12/21/2020 | 1,500,000 | 1,520,625 |
| Kraton Polymers, LLC, Initial 1st Lien Term Loan, 5.23%, 01/06/2022 | 2,426,448 | 2,444,646 |
| PQ Corporation, Tranche B-1 1st Lien Term Loan, 5.56%, 11/04/2022 | 1,234,452 | 1,239,390 |
| | | 6,198,457 |
| Construction & Building 1.0% | | |
| Fairmount Santrol Inc. (fka Fairmount Minerals, Ltd.), New Tranche B-2 1st Lien Term Loan, 4.80%, 09/05/2019 | 2,339,940 | 2,192,524 |
| Forterra Finance, LLC, 1st Lien Term Loan B, L+ 3.00%, 10/25/2023 (c) | 2,096,859 | 2,012,104 |
| | | 4,204,628 |
| Consumer Goods: Durable 0.8% | | |
| Comfort Holding, LLC, 1st Lien Term Loan, 5.89%, 02/05/2024 | 946,994 | 879,520 |
| Comfort Holding, LLC, 2nd Lien Term Loan, 11.14%, 02/03/2025 | 1,263,158 | 1,035,790 |
| Unifrax I LLC, Initial USD 1st Lien Term Loan, 5.05%, 04/04/2024 | 1,483,871 | 1,498,710 |
| | | 3,414,020 |
| Consumer Goods: Non-Durable 0.7% | | |
| Diamond (BC) B.V., EUR 1st Lien Term Loan, L+ 3.25%, 07/25/2024 (c) | 1,363,636 | 1,620,583 |
| Diamond (BC) B.V., USD 1st Lien Term Loan, L+ 3.00%, 07/25/2024 (c) | \$ 1,258,065 | 1,259,109 |
| | | 2,879,692 |
| Containers, Packaging & Glass 1.0% | | |

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| | | |
|--|-----------|-----------|
| Berlin Packaging, LLC, Initial 2nd Lien Term Loan, 7.98%, 09/30/2022 | 750,000 | 759,375 |
| BWAY Holding Company, Initial 1st Lien Term Loan, 4.47%, 04/03/2024 | 1,500,000 | 1,507,500 |

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| | Principal Amount | Value (a) |
|---|------------------|------------|
| Senior Loans (b) (continued) | | |
| Containers, Packaging & Glass (continued) | | |
| Fort Dearborn Holding Company, Inc., Initial 2nd Lien Term Loan, 9.80%, 10/21/2024 | \$ 625,000 | \$ 620,312 |
| Pregis Holding I Corporation, Term Loan, 4.80%, 05/20/2021 | 1,350,457 | 1,350,457 |
| | | 4,237,644 |
| Energy: Oil & Gas 3.9% | | |
| BCP Raptor, LLC, 1st Lien Term Loan B, 5.51%, 06/24/2024 | 2,100,000 | 2,107,875 |
| California Resources Corporation, Initial 1st Lien Loan, 11.60%, 12/31/2021 | 1,925,000 | 2,070,337 |
| Chesapeake Energy Corp., Class A 1st Lien Term Loan, 8.69%, 08/23/2021 | 4,750,000 | 5,095,562 |
| Chief Exploration & Development, LLC, 2nd Lien Term Loan, L+ 6.50%, 05/16/2021 (c) | 480,000 | 466,402 |
| Foresight Energy, LLC, 1st Lien Term Loan, 7.05%, 03/28/2022 | 1,620,938 | 1,562,179 |
| FTS International, Inc., Initial 1st Lien Term Loan, 5.98%, 04/16/2021 | 2,875,000 | 2,472,500 |
| MEG Energy Corporation, 1st Lien Term Loan B, 4.73%, 12/31/2023 | 1,416,698 | 1,408,736 |
| Pardus Oil & Gas, LLC, 2nd Lien Term Loan, 5.00%, 05/13/2022 (d),(e) | 164,252 | |
| Pardus Oil & Gas, LLC, Tranche A 1st Lien Term Loan, 13.00%, 11/12/2021 (d),(e) | 318,334 | 149,617 |
| Pardus Oil & Gas, LLC, Tranche B 1st Lien Term Loan, 13.00%, 11/12/2021 (d),(e),(j) | 107,898 | (57,186) |
| Summit Midstream Partners Holdings, LLC, 1st Lien Term Loan B, 7.23%, 05/13/2022 | 1,428,571 | 1,451,786 |
| | | 16,727,808 |
| Healthcare & Pharmaceuticals 3.1% | | |
| Albany Molecular Research, Inc., 1st Lien Term Loan, L+ 3.25%, 07/28/2024 (c) | 1,975,806 | 1,990,625 |
| Albany Molecular Research, Inc., 2nd Lien Term Loan, L+ 7.00%, 07/19/2025 (c) | 955,707 | 972,431 |
| Envigo Holdings, Inc., EUR 2017 1st Lien Term Loan, 9.80%, 11/03/2021 | 1,148,129 | 1,131,860 |
| Ethypharm SA, 1st Lien Term Loan B, (France), 3.50%, 07/21/2023 | 1,112,582 | 1,329,358 |
| Immucor, Inc., Extended 1st Lien Term Loan B, 6.24%, 06/15/2021 | \$ 2,928,367 | 2,966,201 |
| Press Ganey Holdings, Inc., Initial 1st Lien Term Loan, 4.48%, 10/21/2023 | 1,741,250 | 1,751,053 |
| Press Ganey Holdings, Inc., Initial 2nd Lien Loan, 8.48%, 10/21/2024 | 705,094 | 720,077 |
| Radnet Management, Inc., 2nd Lien Term Loan, 8.30%, 03/25/2021 | 1,809,967 | 1,819,017 |
| Valeant Pharmaceuticals International, Inc., 1st Lien Term Loan B, Series F-1, 5.98%, 04/01/2022 | 186,920 | 190,382 |
| | | 12,871,004 |
| High Tech Industries 4.8% | | |
| Applied Systems, Inc., 2nd Lien Term Loan, 7.80%, 01/24/2022 | 1,990,953 | 2,012,734 |
| Cologix Holdings, Inc., 2nd Lien Term Loan, 8.23%, 03/20/2025 | 2,400,000 | 2,422,512 |
| Colorado Buyer, Inc., 2nd Lien Term Loan, 8.42%, 05/01/2025 | 1,057,692 | 1,070,913 |
| Integrated Device Technology, Inc., 1st Lien Term Loan B, 4.23%, 04/04/2024 | 1,359,609 | 1,363,008 |
| Kemet Corporation, 1st Lien Term Loan B, 7.23%, 04/26/2024 | 2,045,415 | 2,053,085 |
| Oberthur Technologies Holding SAS (fka OT Frenchco 1 SAS), Facility B-1 EUR 1st Lien, (France), 3.75%, 01/10/2024 | 765,343 | 898,444 |
| Oberthur Technologies Holding SAS (fka OT Frenchco 1 SAS), Facility B-2 EUR 1st Lien, (France), 3.75%, 01/10/2024 | 1,234,657 | 1,449,376 |
| Rocket Software, Inc., 1st Lien Term Loan, 5.55%, 10/14/2023 | \$ 1,246,512 | 1,257,681 |
| Rocket Software, Inc., 2nd Lien Term Loan, 10.80%, 10/11/2024 | 1,103,014 | 1,103,014 |
| Techem AG GmbH, EUR 1st Lien Term Loan B, L+ 3.25%, 07/28/2024 (c) | 2,666,667 | 3,180,719 |
| Tibco Software, Inc., 1st Lien Term Loan B, 144A, 4.73%, 12/04/2020 | \$ 1,618,433 | 1,626,234 |
| Veritas US, Ltd., Repriced 1st Lien Term Loan B, 5.80%, 01/27/2023 | 1,496,250 | 1,512,709 |
| | | 19,950,429 |
| Hotel, Gaming & Leisure 0.9% | | |
| Affinity Gaming, LLC, 2nd Lien Term Loan, 9.48%, 01/31/2025 | 2,000,000 | 2,025,000 |
| Mohegan Tribal Gaming Authority, 1st Lien Term Loan B, 5.23%, 10/13/2023 | 1,496,241 | 1,513,388 |
| | | 3,538,388 |
| Industrials 0.3% | | |
| Dynacast International, LLC, 1st Lien Term Loan B-1, 4.55%, 01/28/2022 | 1,068,271 | 1,076,283 |
| Media: Advertising, Printing & Publishing 1.2% | | |
| Harland Clarke Holdings Corporation, 1st Lien Term Loan B6, 6.80%, 02/09/2022 | 2,484,277 | 2,494,835 |
| Lee Enterprises, Inc., 1st Lien Term Loan, 7.48%, 03/31/2019 | 291,554 | 291,190 |
| LSC Communications, Inc., 1st Lien Term Loan B, 7.23%, 09/30/2022 | 833,333 | 837,500 |

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| | Principal Amount | Value (a) |
|---|------------------|--------------|
| Senior Loans (b) (continued) | | |
| Media: Advertising, Printing & Publishing (continued) | | |
| Tribune Publishing Company, Initial 1st Lien Term Loan, 5.98%, 08/04/2021 | \$ 1,380,000 | \$ 1,380,869 |
| | | 5,004,394 |
| Media: Diversified & Production 1.5% | | |
| Delta 2 (LUX) Sarl, 1st Lien Facility B-3 USD, (Luxembourg), L+ 3.25%, 02/01/2024 (c) | 1,820,513 | 1,829,943 |
| Delta 2 (LUX) Sarl, 2nd Lien Term Loan, (Luxembourg), 8.00%, 07/29/2022 | 300,000 | 300,321 |
| Equinox Holdings, Inc., 1st Lien Term Loan B, 4.48%, 03/08/2024 | 1,995,000 | 2,009,464 |
| Equinox Holdings, Inc., 2nd Lien Term Loan, 8.23%, 09/08/2024 | 2,050,000 | 2,085,875 |
| | | 6,225,603 |
| Metals & Mining 1.7% | | |
| Murray Energy Holdings Co, 1st Lien Term Loan B-2, 8.55%, 04/16/2020 | 3,452,072 | 3,352,824 |
| Peabody Energy Corporation, 1st Lien Exit Term Loan, 5.73%, 03/31/2022 | 2,822,004 | 2,845,286 |
| Zekelman Industries, Inc., 1st Lien Term Loan, 4.79%, 06/14/2021 | 594,015 | 596,985 |
| | | 6,795,095 |
| Printing and Publishing 0.7% | | |
| Dex Media, Inc., Closing Date 1st Lien Loan, 11.23%, 07/29/2021 | 2,928,110 | 3,015,953 |
| Retail 4.6% | | |
| Academy, Ltd., Initial 1st Lien Term Loan, 5.22%, 07/01/2022 | 1,500,000 | 1,172,340 |
| BJ's Wholesale Club, Inc., 2nd Lien Term Loan, 8.71%, 02/03/2025 | 1,724,138 | 1,678,879 |
| GOBP Holdings, Inc., 1st Lien Term Loan B, 4.80%, 10/21/2021 | 2,206,502 | 2,189,953 |
| GOBP Holdings, Inc., 2nd Lien Term Loan, 9.55%, 10/21/2022 | 2,500,000 | 2,510,425 |
| Harbor Freight Tools USA, Inc., Initial 1st Lien Loan, 4.48%, 08/18/2023 | 3,637,444 | 3,652,394 |
| J.C. Penney Corp., Inc., Initial 1st Lien Loan, 5.45%, 06/23/2023 | 2,437,500 | 2,421,510 |
| Petco Animal Supplies, Inc., 1st Lien Term Loan B, 4.31%, 01/26/2023 | 2,462,500 | 2,225,928 |
| Rite Aid Corporation, 2nd Priority Tranche 1 Term Loan, 5.99%, 08/21/2020 | 3,000,000 | 3,037,500 |
| True Religion Apparel, Inc., Initial 2nd Lien Term Loan, 11.02%, 01/30/2020 (d) (e) | 1,369,565 | 54,782 |
| | | 18,943,711 |
| Services: Business 0.8% | | |
| CASMAR (Australia) PTY, Ltd., Initial 1st Lien Term USD Loan, (Australia), 5.80%, 12/07/2023 | 882,413 | 891,237 |
| Solera, LLC, 2017 USD 1st Lien Term Loan B, 4.51%, 03/03/2023 | 1,481,251 | 1,490,598 |
| Xerox Business Services, LLC, 1st Lien Term Loan B, 5.23%, 12/07/2023 | 995,000 | 1,006,442 |
| | | 3,388,277 |
| Services: Consumer 0.6% | | |
| General Nutrition Centers, Inc., New 1st Lien Term Loan B, L+ 2.50%, 03/04/2019 (c) | 1,785,115 | 1,712,960 |
| St George's University, 1st Lien Term Loan, 5.49%, 07/06/2022 | 649,470 | 652,718 |
| | | 2,365,678 |
| Technology 0.6% | | |
| Allflex Holdings III, Inc., (U.S.), Initial 2nd Lien Term Loan, 8.31%, 07/19/2021 | 2,452,830 | 2,463,058 |
| Telecommunications 1.4% | | |
| Coral-US Co-Borrower, LLC, Add on 1st Lien Term Loan B-3, L+ 3.50%, 01/31/2025 (c) | 2,635,417 | 2,635,417 |
| Windstream Services, LLC, Tranche B-6 1st Lien Term Loan, 5.23%, 03/29/2021 | 2,977,500 | 2,944,003 |
| | | 5,579,420 |
| Total Senior Loans (Cost: \$158,787,660) | | 158,904,740 |
| Corporate Bonds 64.9% | | |
| Aerospace and Defense 2.3% | | |
| Air Methods Corp., 144A, 8.00%, 05/15/2025 | 2,491,000 | 2,469,204 |

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| | Principal Amount | Value (a) |
|--|------------------|--------------|
| Corporate Bonds (continued) | | |
| Aerospace and Defense (continued) | | |
| Bombardier, Inc., 144A, (Canada), 8.75%, 12/01/2021 | \$ 2,250,000 | \$ 2,553,750 |
| Engility Corporation, 8.88%, 09/01/2024 | 1,696,000 | 1,840,160 |
| Leidos, Inc., 7.13%, 07/01/2032 | 2,500,000 | 2,778,125 |
| | | 9,641,239 |
| Automotive 1.0% | | |
| Dana Financing Luxembourg Sarl, 144A, (Luxembourg), 6.50%, 06/01/2026 | 1,500,000 | 1,606,875 |
| Navistar International Corporation, 8.25%, 11/01/2021 | 2,500,000 | 2,520,313 |
| | | 4,127,188 |
| Banking, Finance, Insurance & Real Estate 3.4% | | |
| Ally Financial, Inc., 7.50%, 09/15/2020 | 2,500,000 | 2,831,250 |
| Builders FirstSource, Inc., 144A, 10.75%, 08/15/2023 | 5,500,000 | 6,338,750 |
| Summit Materials, LLC / Summit Materials Finance Corporation, 8.50%, 04/15/2022 | 4,325,000 | 4,865,625 |
| | | 14,035,625 |
| Beverage, Food and Tobacco 1.8% | | |
| Boparan Finance PLC, 144A, 5.50%, 07/15/2021 (i) | £ 1,000,000 | 1,299,984 |
| Clearwater Seafoods, Inc., 144A, (Great Britain), 6.88%, 05/01/2025 | \$ 600,000 | 640,500 |
| Iceland Bondco PLC, 144A, (Great Britain), 6.25%, 07/15/2021 | £ 1,500,000 | 2,058,732 |
| Premier Foods Finance PLC, 144A, 5.36%, 07/15/2022 (f) | 1,200,000 | 1,589,183 |
| Simmons Foods, Inc., 144A, 7.88%, 10/01/2021 | \$ 1,825,000 | 1,945,906 |
| | | 7,534,305 |
| Capital Equipment 0.4% | | |
| Welbilt, Inc., 9.50%, 02/15/2024 | 1,488,000 | 1,729,800 |
| Chemicals, Plastics & Rubber 3.9% | | |
| GCP Applied Technologies, 144A, 9.50%, 02/01/2023 | 5,875,000 | 6,690,156 |
| Kraton Polymers, LLC / Kraton Polymers Capital Corporation, 144A, 7.00%, 04/15/2025 | 909,000 | 977,175 |
| Kraton Polymers, LLC / Kraton Polymers Capital Corporation, 144A, 10.50%, 04/15/2023 | 1,750,000 | 2,034,375 |
| Tronox Finance, LLC, 6.38%, 08/15/2020 | 750,000 | 753,750 |
| Tronox Finance, LLC, 144A, 7.50%, 03/15/2022 | 3,250,000 | 3,404,375 |
| Venator Finance Sarl / Venator Materials Corporation, 144A, 5.75%, 07/15/2025 | 2,000,000 | 2,055,000 |
| | | 15,914,831 |
| Construction & Building 0.5% | | |
| International Lease Finance Corp., 8.88%, 09/01/2017 | 2,000,000 | 2,011,382 |
| Consumer Goods: Durable 1.5% | | |
| Manitowoc Co, Inc., 144A, 12.75%, 08/15/2021 | 1,470,000 | 1,661,100 |
| Nature s Bounty Co., 144A, 7.63%, 05/15/2021 | 1,500,000 | 1,616,250 |
| Spectrum Brands, Inc., 6.63%, 11/15/2022 | 2,975,000 | 3,112,594 |
| | | 6,389,944 |
| Containers, Packaging & Glass 2.6% | | |
| Ardagh Packaging Finance PLC, 144A, (Ireland), 7.25%, 05/15/2024 | 3,000,000 | 3,311,250 |
| Crown Cork & Seal Co., Inc., 7.38%, 12/15/2026 | 3,350,000 | 3,927,875 |
| Guala Closures SpA, 144A, (Italy), 4.75%, 11/15/2021 (f) | 3,000,000 | 3,589,915 |
| | | 10,829,040 |
| Energy: Oil & Gas 10.0% | | |
| Continental Resources, Inc., 5.00%, 09/15/2022 | \$ 1,000,000 | 990,620 |
| Denbury Resources, Inc., 144A, 9.00%, 05/15/2021 | 3,750,000 | 3,571,875 |
| Energy Transfer Equity, L.P., 7.50%, 10/15/2020 | 3,135,000 | 3,542,550 |
| Extraction Oil & Gas, Inc., 144A, 7.38%, 05/15/2024 (i) | 1,143,000 | 1,178,719 |
| Extraction Oil & Gas, Inc., 144A, 7.88%, 07/15/2021 | 3,000,000 | 3,131,250 |

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| | Principal Amount | Value (a) |
|--|------------------|--------------|
| Corporate Bonds (continued) | | |
| Energy: Oil & Gas (continued) | | |
| Foresight Energy, LLC, 144A, 11.50%, 04/01/2023 | \$ 2,250,000 | \$ 2,120,625 |
| FTS International, Inc., 6.25%, 05/01/2022 | 500,000 | 433,750 |
| FTS International, Inc., 144A, 8.75%, 06/15/2020 (f) | 1,975,000 | 2,004,625 |
| Gibson Energy, Inc., 144A, (Canada), 6.75%, 07/15/2021 | 825,000 | 851,812 |
| Laredo Petroleum, Inc., 7.38%, 05/01/2022 | 4,475,000 | 4,637,219 |
| MEG Energy Corp., 144A, (Canada), 6.50%, 01/15/2025 | 780,000 | 754,650 |
| MEG Energy Corp., 144A, (Canada), 7.00%, 03/31/2024 | 1,000,000 | 822,500 |
| Midstates Petroleum Company, Inc., 9.25%, 06/01/2021 | 3,500,000 | |
| Midstates Petroleum Company, Inc., 10.75%, 10/01/2020 | 2,000,000 | |
| Newfield Exploration Co, 5.63%, 07/01/2024 | 2,000,000 | 2,097,500 |
| Rowan Cos, Inc., 7.38%, 06/15/2025 | 3,000,000 | 2,827,500 |
| Targa Resources Partners L.P., 6.75%, 03/15/2024 | 1,500,000 | 1,623,750 |
| Weatherford International, Ltd., 9.63%, 03/01/2019 | 1,000,000 | 1,080,000 |
| Weatherford International, Ltd., 144A, 9.88%, 02/15/2024 | 1,766,000 | 1,894,035 |
| Williams Cos, Inc., 7.88%, 09/01/2021 | 1,250,000 | 1,462,500 |
| Williams Cos, Inc., 8.75%, 03/15/2032 | 2,500,000 | 3,218,750 |
| WPX Energy, Inc., 7.50%, 08/01/2020 | 2,736,000 | 2,927,520 |
| | | 41,171,750 |
| Healthcare & Pharmaceuticals 5.0% | | |
| DJO Finance, LLC, 144A, 8.13%, 06/15/2021 | 3,163,000 | 2,981,127 |
| Greatbatch, Ltd., 144A, 9.13%, 11/01/2023 | 1,500,000 | 1,645,695 |
| HCA, Inc., 5.25%, 04/15/2025 | 1,500,000 | 1,627,500 |
| IASIS Healthcare, LLC, 8.38%, 05/15/2019 | 2,500,000 | 2,509,375 |
| Immucor, Inc., 144A, 11.13%, 02/15/2022 | 2,750,000 | 2,877,875 |
| MPH Acquisition Holdings, LLC, 144A, 7.13%, 06/01/2024 | 1,250,000 | 1,353,125 |
| Tenet Healthcare Corporation, 8.00%, 08/01/2020 | 2,250,000 | 2,286,562 |
| Valeant Pharmaceuticals International, Inc., 144A, 6.75%, 08/15/2021 | 1,250,000 | 1,181,250 |
| Valeant Pharmaceuticals International, Inc., 144A, 7.00%, 10/01/2020 | 1,000,000 | 987,500 |
| Valeant Pharmaceuticals International, Inc., 144A, (Canada), 6.13%, 04/15/2025 | 500,000 | 425,625 |
| Valeant Pharmaceuticals International, Inc., 144A, (Canada), 6.75%, 08/15/2018 | 510,000 | 510,638 |
| Valeant Pharmaceuticals International, Inc., 144A, (Canada), 7.50%, 07/15/2021 | 2,250,000 | 2,188,125 |
| | | 20,574,397 |
| High Tech Industries 3.6% | | |
| Diebold Nixdorf, Inc., 8.50%, 04/15/2024 | 1,100,000 | 1,200,375 |
| Genesys Telecommunications Laboratories Inc, 144A, 10.00%, 11/30/2024 | 3,500,000 | 3,972,500 |
| Microsemi Corporation, 144A, 9.13%, 04/15/2023 | 2,931,000 | 3,370,650 |
| TIBCO Software, Inc., 144A, 11.38%, 12/01/2021 | 1,000,000 | 1,098,750 |
| Veritas US, Inc. / Veritas Bermuda, Ltd., 144A, 10.50%, 02/01/2024 | 2,000,000 | 2,215,000 |
| Western Digital Corporation, 10.50%, 04/01/2024 | 1,500,000 | 1,775,625 |
| Western Digital Corporation, 144A, 7.38%, 04/01/2023 | 1,000,000 | 1,097,500 |
| | | 14,730,400 |
| Hotel, Gaming & Leisure 1.6% | | |
| Jack Ohio Finance, LLC, 144A, 6.75%, 11/15/2021 | 1,000,000 | 1,042,500 |
| Jack Ohio Finance, LLC, 144A, 10.25%, 11/15/2022 | 1,865,000 | 2,051,500 |
| MGM Resorts International, 8.63%, 02/01/2019 | 1,000,000 | 1,097,500 |
| Mohegan Tribal Gaming Authority, 144A, 7.88%, 10/15/2024 | 2,222,000 | 2,346,988 |
| | | 6,538,488 |
| Media: Advertising, Printing & Publishing 2.2% | | |
| EMI Music Publishing Group North America Holdings, Inc., 144A, 7.63%, 06/15/2024 | 2,900,000 | 3,219,000 |
| Harland Clarke Holdings Corporation, 144A, 9.25%, 03/01/2021 | 1,250,000 | 1,228,125 |
| Lee Enterprises, Inc., 144A, 9.50%, 03/15/2022 | 4,375,000 | 4,522,656 |
| | | 8,969,781 |

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| | Principal Amount | Value (a) |
|--|------------------|--------------|
| Corporate Bonds (continued) | | |
| Media: Broadcasting & Subscription 9.8% | | |
| Altice Financing S.A., 144A, (Luxembourg), 6.63%, 02/15/2023 | \$ 1,000,000 | \$ 1,059,375 |
| Altice Financing S.A., 144A, (Luxembourg), 7.50%, 05/15/2026 | 2,000,000 | 2,217,600 |
| Belo Corp., 7.25%, 09/15/2027 | 5,000,000 | 5,693,750 |
| CSC Holdings, LLC, 8.63%, 09/15/2017 | 2,053,000 | 2,065,831 |
| CSC Holdings, LLC, 8.63%, 02/15/2019 | 2,000,000 | 2,190,000 |
| CSC Holdings, LLC, 144A, 10.88%, 10/15/2025 | 1,260,000 | 1,571,850 |
| Lamar Media Corp., 5.38%, 01/15/2024 | 2,000,000 | 2,105,000 |
| Midcontinent Communications, 144A, 6.88%, 08/15/2023 | 1,750,000 | 1,896,825 |
| SFR Group SA, 144A, (France), 7.38%, 05/01/2026 | 5,000,000 | 5,412,500 |
| Sinclair Television Group, Inc., 6.13%, 10/01/2022 | 2,000,000 | 2,070,000 |
| Sirius XM Radio, Inc., 144A, 5.38%, 04/15/2025 | 1,500,000 | 1,575,000 |
| Tribune Media Co, 5.88%, 07/15/2022 | 3,000,000 | 3,142,500 |
| Univision Communications, Inc., 144A, 6.75%, 09/15/2022 | 2,000,000 | 2,077,500 |
| Virgin Media Secured Finance PLC, 144A, (Great Britain), 5.25%, 01/15/2026 | 2,000,000 | 2,080,000 |
| Wave Holdco LLC, 144A, PIK, 8.25%, 07/15/2019 (g) | 1,000,000 | 1,010,500 |
| WaveDivision Escrow, LLC, 144A, 8.13%, 09/01/2020 | 4,000,000 | 4,120,000 |
| | | 40,288,231 |
| Media: Diversified & Production 0.7% | | |
| Life Time Fitness, Inc., 144A, 8.50%, 06/15/2023 | 2,745,000 | 2,926,856 |
| Metals & Mining 8.2% | | |
| Anglo American Capital PLC, 144A, (Great Britain), 9.38%, 04/08/2019 | 6,000,000 | 6,703,140 |
| Constellium NV, 144A, (Netherlands), 8.00%, 01/15/2023 | 2,500,000 | 2,631,250 |
| First Quantum Minerals, Ltd., 144A, (Canada), 7.25%, 04/01/2023 | 2,500,000 | 2,575,000 |
| First Quantum Minerals, Ltd., 144A, (Canada), 7.50%, 04/01/2025 | 1,500,000 | 1,539,750 |
| FMG Resources August 2006 Pty, Ltd., 144A, (Australia), 9.75%, 03/01/2022 | 5,250,000 | 5,965,050 |
| Freeport-McMoRan, Inc., 6.50%, 11/15/2020 | 1,500,000 | 1,543,125 |
| Freeport-McMoRan, Inc., 6.88%, 02/15/2023 | 1,500,000 | 1,627,500 |
| Grinding Media, Inc., 144A, 7.38%, 12/15/2023 | 1,100,000 | 1,185,250 |
| Hudbay Minerals, Inc., 144A, (Canada), 7.63%, 01/15/2025 | 3,000,000 | 3,292,500 |
| Murray Energy Corp, 144A, 11.25%, 04/15/2021 | 2,000,000 | 1,518,380 |
| Peabody Energy Corporation, 144A, 6.00%, 03/31/2022 | 960,000 | 979,200 |
| Peabody Energy Corporation, 144A, 6.38%, 03/31/2025 | 350,000 | 353,500 |
| Teck Resources, Ltd., 144A, (Canada), 8.50%, 06/01/2024 | 1,500,000 | 1,740,000 |
| Zekelman Industries, Inc., 144A, 9.88%, 06/15/2023 | 1,850,000 | 2,095,125 |
| | | 33,748,770 |
| Retail 1.9% | | |
| JC Penney Corporation, Inc., 8.13%, 10/01/2019 | 923,000 | 1,007,224 |
| L Brands, Inc., 6.75%, 07/01/2036 | 1,000,000 | 950,000 |
| L Brands, Inc., 8.50%, 06/15/2019 | 4,000,000 | 4,410,000 |
| PetSmart, Inc., 144A, 8.88%, 06/01/2025 | 1,443,000 | 1,367,242 |
| | | 7,734,466 |
| Services: Business 1.8% | | |
| Ashtead Capital, Inc., 144A, 6.50%, 07/15/2022 | 2,000,000 | 2,075,000 |
| Conduent Finance, Inc., 144A, 10.50%, 12/15/2024 | 1,750,000 | 2,047,500 |
| Solera, LLC, 144A, 10.50%, 03/01/2024 | 3,000,000 | 3,450,000 |
| | | 7,572,500 |
| Telecommunications 1.2% | | |
| Digicel Group, Ltd., 144A, (Bermuda), 8.25%, 09/30/2020 | 2,750,000 | 2,636,563 |
| Sprint Communications Inc., 6.90%, 05/01/2019 | 1,000,000 | 1,063,750 |
| Sprint Corp., 7.63%, 02/15/2025 | 1,000,000 | 1,127,500 |
| | | 4,827,813 |

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| | Principal Amount | Value (a) |
|---|------------------|--------------------|
| Corporate Bonds (continued) | | |
| Transportation: Consumer 0.5% | | |
| Air Medical Group Holdings, Inc., 144A, 6.38%, 05/15/2023 | \$ 2,000,000 | \$ 1,920,000 |
| Utilities: Electric 1.0% | | |
| Dynergy, Inc., 7.63%, 11/01/2024 | 1,250,000 | 1,232,813 |
| Dynergy, Inc., 144A, 8.00%, 01/15/2025 | 1,500,000 | 1,485,000 |
| NRG Energy, Inc., 7.25%, 05/15/2026 | 1,375,000 | 1,454,062 |
| NRG Energy, Inc., 7.88%, 05/15/2021 | 142,000 | 146,260 |
| | | 4,318,135 |
| Total Corporate Bonds (Cost: \$257,862,169) | | 267,534,941 |
| Collateralized Loan Obligations 36.7% (h) | | |
| Collateralized Loan Obligations Debt 27.4% | | |
| AMMC CLO XIX, Ltd., (Cayman Islands), 8.30%, 10/15/2028 (f) | 2,000,000 | 2,022,676 |
| AMMC CLO XIII, Ltd., (Cayman Islands), 8.26%, 07/24/2029 (f) | 2,000,000 | 2,000,000 |
| AMMC CLO XIV, Ltd., (Cayman Islands), 8.66%, 07/25/2029 (f) | 1,250,000 | 1,249,963 |
| Apidos CLO XI, Ltd., (Cayman Islands), 8.95%, 01/17/2028 (f) | 1,500,000 | 1,528,773 |
| Atlas Senior Loan Fund IV, Ltd., (Cayman Islands), 5.88%, 02/17/2026 (f) | 2,000,000 | 1,946,226 |
| Atlas Senior Loan Fund VI, Ltd., (Cayman Islands), 6.50%, 10/15/2026 (f) | 1,000,000 | 981,181 |
| Avery Point VII CLO, Ltd., (Cayman Islands), 7.90%, 01/15/2028 (f) | 350,000 | 355,357 |
| Babson CLO, Ltd. 2016-1, (Cayman Islands), 7.86%, 04/23/2027 (f) | 2,000,000 | 2,014,958 |
| Bain Capital Credit CLO 2016-2, (Cayman Islands), 8.34%, 01/15/2029 (f) | 2,000,000 | 2,035,834 |
| Benefit Street Partners CLO IV, Ltd., (Cayman Islands), 8.56%, 01/20/2029 (f) | 2,500,000 | 2,558,132 |
| Cent CLO XVIII, Ltd., (Cayman Islands), 5.91%, 07/23/2025 (f) | 3,000,000 | 2,881,068 |
| Clear Creek CLO, Ltd., (Cayman Islands), 7.06%, 04/20/2027 (f) | 1,000,000 | 1,000,077 |
| Crestline Denali CLO XV, Ltd., (Cayman Islands), 8.54%, 04/20/2030 (f) | 3,875,000 | 3,796,349 |
| restricted | 1,000,000 | 941,729 |
| Denali Capital CLO XI, Ltd., 2015-1A E, (Cayman Islands), 7.26%, 04/20/2027 (f) | 2,000,000 | 1,765,884 |
| Denali Capital CLO XI, Ltd., 2015-1X D, (Cayman Islands), 6.76%, 04/20/2027 (f) | 460,000 | 433,195 |
| Denali Capital CLO XII, Ltd., 2016-1A E, (Cayman Islands), 9.05%, 04/15/2028 (f) | 5,000,000 | 5,010,025 |
| Dorchester Park CLO, Ltd., (Ireland), 7.56%, 01/20/2027 (f) | 4,000,000 | 3,787,504 |
| Dryden XLII Senior Loan Fund, (Cayman Islands), 8.55%, 07/15/2027 (f) | 1,500,000 | 1,514,551 |
| Galaxy XX CLO, Ltd., (Cayman Islands), 6.81%, 07/20/2027 (f) | 3,500,000 | 3,456,747 |
| Goldentree Loan Opportunities XI, Ltd., (Cayman Islands), 6.85%, 04/18/2027 (f) | 1,000,000 | 1,000,221 |
| Halcyon Loan Advisors Funding 2015-1, Ltd., (Cayman Islands), 6.96%, 04/20/2027 (f) | 750,000 | 719,861 |
| Halcyon Loan Advisors Funding 2015-3, Ltd., (Cayman Islands), 7.25%, 10/18/2027 (f) | 2,500,000 | 2,402,782 |
| Highbridge Loan Management 2015-7, Ltd., (Cayman Islands), 8.68%, 11/15/2026 (f) | 650,000 | 650,146 |
| Jamestown CLO IV, Ltd., (Cayman Islands), 6.30%, 07/15/2026 (f) | 2,000,000 | 1,846,526 |
| Jamestown CLO VI, Ltd., (Cayman Islands), 5.92%, 02/20/2027 (f) | 900,000 | 854,863 |
| LCM XV, L.P., (Cayman Islands), 7.69%, 07/20/2030 (f) | 1,850,000 | 1,849,549 |
| LCM XXIII, Ltd., (Cayman Islands), 8.36%, 10/20/2029 (f) | 3,000,000 | 3,061,290 |
| Magnetite XIV, Ltd., (Cayman Islands), 7.80%, 07/18/2028 (f) | 4,000,000 | 3,767,520 |
| Mountain Hawk III CLO, Ltd., (Cayman Islands), 6.15%, 04/18/2025 (f) | 2,000,000 | 1,855,620 |
| Oaktree CLO 2014-1, (Cayman Islands), 7.48%, 05/13/2029 (f) | 5,000,000 | 4,742,610 |
| Octagon Investment Partners XXVIII, Ltd., (Cayman Islands), 7.81%, 10/24/2027 (f) | 2,000,000 | 2,005,852 |
| Octagon Investment Partners XV, Ltd., (Cayman Islands), 8.31%, 07/19/2030 (f) | 1,500,000 | 1,500,000 |
| OHA Credit Partners VII, Ltd., (Cayman Islands), 8.67%, 11/20/2027 (f) | 2,850,000 | 2,899,681 |
| OHA Credit Partners XI, Ltd., (Cayman Islands), 9.41%, 10/20/2028 (f) | 2,000,000 | 2,007,796 |
| OZLM XI, Ltd., (Cayman Islands), 6.71%, 01/30/2027 (f) | 1,250,000 | 1,229,768 |
| OZLM XIV, Ltd., (Cayman Islands), 7.65%, 01/15/2029 (f) | 4,500,000 | 4,512,163 |
| Silver Creek CLO, Ltd., (Cayman Islands), 6.56%, 07/20/2030 (f) | 1,000,000 | 953,600 |
| Steele Creek CLO 2015-1, Ltd., (Cayman Islands), 10.02%, 05/21/2029 (f) | 3,000,000 | 2,972,268 |
| Steele Creek CLO 2016-1, Ltd., (Cayman Islands), 8.00%, 06/15/2028 (f) | 3,000,000 | 3,000,963 |
| TCI-Cent CLO 2016-1, Ltd., (Cayman Islands), 8.07%, 12/21/2029 (f) | 2,000,000 | 2,015,578 |
| THL Credit Wind River 2015-2 CLO, Ltd., (Cayman Islands), 9.10%, 10/15/2027 (f) | 2,000,000 | 1,999,864 |

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THL Credit Wind River 2015-2 CLO, Ltd., (Cayman Islands), 7.00%, 10/15/2027 (f)

4,000,000

3,988,480

| | Principal Amount | Value (a) |
|---|------------------|--------------|
| Collateralized Loan Obligations (h) (continued) | | |
| Collateralized Loan Obligations Debt (continued) | | |
| THL Credit Wind River 2016-1 CLO, Ltd., (Cayman Islands), 8.80%, 07/15/2028 (f) | \$ 3,500,000 | \$ 3,543,715 |
| THL Credit Wind River 2016-2 CLO, Ltd., (Cayman Islands), 7.65%, 11/01/2028 (f) | 1,750,000 | 1,755,878 |
| TICP CLO III, Ltd, (Cayman Islands), 6.86%, 01/20/2027 (f) | 4,000,000 | 3,904,528 |
| Venture CDO, Ltd., (Cayman Islands), 7.47%, 10/20/2029 (f) | 1,000,000 | 950,000 |
| Venture XXIV CLO, Ltd., (Cayman Islands), 8.03%, 10/20/2028 (f) | 700,000 | 701,778 |
| Venture XXVII CLO, Ltd., (Cayman Islands), 7.53%, 07/20/2030 (f) | 2,025,000 | 1,975,871 |
| Voya CLO 2017-3, Ltd., (Cayman Islands), 7.52%, 07/20/2030 (f) | 1,950,000 | 1,922,581 |
| Wellfleet CLO 2015-1, Ltd., (Cayman Islands), 8.66%, 10/20/2027 (f) | 1,500,000 | 1,444,613 |
| Wellfleet CLO 2016-2, Ltd., (Cayman Islands), 8.31%, 10/20/2028 (f) | 1,000,000 | 1,011,776 |
| West CLO 2014-2, Ltd., (Cayman Islands), 7.34%, 01/16/2027 (f) | 2,750,000 | 2,513,893 |
| | | 112,841,863 |
| Collateralized Loan Obligations Equity 9.3% | | |
| Atlas Senior Loan Fund III, Ltd., (Cayman Islands), 08/18/2025 | 1,500,000 | 660,386 |
| Atrium CLO VII, (Cayman Islands), 11/16/2022 | 1,600,000 | 9,600 |
| Carlyle Global Market Strategies CLO 2013-4, Ltd., (Cayman Islands), 10/15/2025 | 1,259,000 | 653,908 |
| Carlyle Global Market Strategies CLO 2014-3, Ltd., (Cayman Islands), 07/27/2026 | 1,000,000 | 733,808 |
| Carlyle US CLO 2017-3, Ltd., (Cayman Islands), 07/20/2029 (i) | 1,750,000 | 1,575,000 |
| Cedar Funding IV CLO, Ltd., (Cayman Islands), 10/23/2026 | 4,000,000 | 3,797,740 |
| Cedar Funding V CLO, Ltd., (Cayman Islands), 07/17/2028 | 1,500,000 | 1,253,447 |
| Cedar Funding VI CLO, Ltd., (Cayman Islands), 10/20/2028 | 2,000,000 | 1,826,068 |
| Dryden XXXVII Senior Loan Fund, (Cayman Islands), 04/15/2027 | 1,000,000 | 714,805 |
| Goldentree Loan Opportunities VI, Ltd., (Cayman Islands), 04/17/2022 (e) | 1,500,000 | |
| Halcyon Loan Advisors Funding 2017-1, Ltd., (Cayman Islands), 06/25/2029 | 1,750,000 | 1,532,832 |
| LCM XII, L.P., (Cayman Islands), 10/19/2022 | 1,000,000 | 529,530 |
| LCM XIII, L.P., (Cayman Islands), 01/19/2023 | 2,175,000 | 1,338,869 |
| LCM XV, L.P., (Cayman Islands), 08/25/2024 | 5,875,000 | 3,554,381 |
| LCM XXIII, Ltd., (Cayman Islands), 10/20/2029 | 3,100,000 | 2,427,049 |
| Madison Park Funding IV, Ltd., (Cayman Islands), 03/22/2021 | 3,700,000 | 4,616,671 |
| Madison Park Funding XII, Ltd., (Cayman Islands), 07/20/2026 | 4,000,000 | 2,787,068 |
| Oaktree CLO, Ltd. 2015-1A, (Cayman Islands), 10/20/2027 | 4,000,000 | 2,800,276 |
| OHA Credit Partners VII, Ltd., (Cayman Islands), 11/20/2027 | 2,000,000 | 1,479,330 |
| OHA Loan Funding 2013-1, Ltd., (Cayman Islands), 07/23/2025 | 3,000,000 | 1,852,149 |
| Race Point VIII CLO, Ltd., (Cayman Islands), 02/20/2030 | 3,000,000 | 1,776,300 |
| Vibrant CLO VI, Ltd., (Cayman Islands), 06/20/2029 | 1,500,000 | 1,392,470 |
| Voya CLO 2017-2, (Cayman Islands), 06/07/2030 | 1,000,000 | 904,727 |
| West CLO 2013-1, Ltd., (Cayman Islands), 11/07/2025 | 500,000 | 239,429 |
| | | 38,455,843 |
| Total Collateralized Loan Obligations (Cost: \$143,031,489) | | 151,297,706 |
| | Shares | |
| Common Stocks 1.7% | | |
| Energy: Oil & Gas 1.1% | | |
| Energy & Exploration Partners, LLC, (e) (k) | 402 | |
| Halcon Resources Corp., (k) | 292,519 | 1,918,925 |
| Templar Energy, LLC, Class A Common Equity, | 145,457 | 581,827 |
| Templar Energy, LLC, Class A Preferred Equity, | 216,949 | 2,006,782 |
| | | 4,507,534 |
| Printing and Publishing 0.3% | | |
| Dex Media, Inc., (k) | 266,744 | 1,160,336 |
| Services: Business 0.3% | | |
| Affinion Group Holdings, Inc., (k) | 87,683 | 1,139,879 |
| Total Common Stocks (Cost: \$15,117,709) | | 6,807,749 |

| | Principal Amount | Value (a) |
|--|------------------|----------------|
| Warrants 0.0% | | |
| Energy: Oil & Gas 0.0% | | |
| Midstates Petroleum Company, Inc., (e)(k) | \$ 17,882 | \$ 2,146 |
| Total Investments - 141.8% | | |
| (Cost: \$576,030,157) | | \$ 584,547,282 |
| Liabilities in Excess of Other Assets - (41.8%) | | (172,233,429) |
| Net Assets - 100.0% | | \$ 412,313,853 |

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 as of July 31, 2017.
- (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) See Note 3 regarding defaulted securities.
- (e) Security valued at fair value using methods determined in good faith by or under the direction of the board of directors.
- (f) Variable rate coupon rate shown as of July 31, 2017.
- (g) Pay-In-Kind security (PIK), which may pay interest/dividends in additional par/shares.
- (h) Collateralized Loan Obligations are all issued as 144A securities.
- (i) When-Issued or delayed delivery security based on typical market settlement convention for such security.
- (j) Reported net of unfunded commitments, reduced by any upfront payments received if purchased at a discount, see Note 2.
- (k) Non-income producing security as of July 31, 2017.

As of July 31, 2017, the aggregate cost of securities for Federal income tax purposes was \$576,048,871. Unrealized appreciation and depreciation on investments for Federal income tax purposes are as follows:

| | |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 23,781,175 |
| Gross unrealized depreciation | (15,282,764) |
| Net unrealized appreciation | \$ 8,498,411 |

Abbreviations:

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

CDO Collateralized Debt Obligation

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, 2017 (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, non-diversified, 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 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.

(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 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 estimated value, as described in Note 3.

Revolving loan, bridge loan and delayed draw term loan agreements

For investment purposes, the Fund has 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 July 31, 2017, the fair value of the loans disclosed in the Schedule of Investments does not include unfunded loan commitments, which total \$107,898.

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.

Investment Transactions

Investment transactions are accounted for on the trade date.

Ares Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments (Continued)

July 31, 2017 (Unaudited)

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 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 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 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.

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.

(3) Defaulted Securities

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectable. As of July 31, 2017, the aggregate value of those securities was \$92,431 representing 0.02% of the Fund's net assets. The Fund no longer accrues income on securities for which income has been deemed uncollectable. Additionally, the Fund provides an estimate for losses on interest of receivable. Such securities have been identified on the accompanying Schedule of Investments.

(4) 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 hierarchical 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 hierarchical 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.

Ares Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments (Continued)

July 31, 2017 (Unaudited)

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 for 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 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.

Ares Dynamic Credit Allocation Fund, Inc.

Notes to Schedule of Investments (Continued)

July 31, 2017 (Unaudited)

The following is a summary of the inputs used as of July 31, 2017, 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 | \$ | \$ 142,087,566 | \$ 16,817,174 | \$ 158,904,740 |
| Corporate Bonds | | 267,534,941 | | 267,534,941 |
| Collateralized Loan Obligations | | | 151,297,706 | 151,297,706 |
| Common Stocks | 1,918,925 | | 4,888,824 | 6,807,749 |
| Warrants | | | 2,146 | 2,146 |
| Total Investments | \$ 1,918,925 | \$ 409,622,507 | \$ 173,005,850 | \$ 584,547,282 |

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 period from October 31, 2016 through July 31, 2017:

| | Senior Loans | Corporate Bonds | Collateralized Loan Obligations | Common Stock | Warrants | Total |
|---|---------------|-----------------|------------------------------------|-----------------|--------------|----------------|
| Balance as of 10/31/16 | \$ 16,689,470 | \$ 3,418,626 | \$ 139,112,685 | \$ 4,722,098 | \$ 1,231,130 | \$ 163,942,879 |
| Purchases (a) | 12,004,075 | | 73,378,151 | 47,674 | 1,231,130 | 86,661,030 |
| Sales (b) | (3,360,093) | (3,419,170) | (75,241,317) | (151,098) | | (82,171,678) |
| Net realized and unrealized gains | (848,593) | (25,361) | 13,312,793 | 270,150 | (1,228,984) | 11,480,005 |
| Accrued discounts/(premiums) | (9,915) | 25,905 | 735,394 | | | 751,384 |
| Transfers in to Level 3 | 4,181,718 | | | | | 4,181,718 |
| Transfers out of Level 3 | (11,839,488) | | | | | (11,839,488) |
| Balance as of 07/31/17 | \$ 16,817,174 | \$ | \$ 151,297,706 | \$ 4,888,824 | \$ 2,146 | \$ 173,005,850 |
| Net change in unrealized appreciation/(depreciation) from Investments held as of 07/31/17 | (182,455) | | 6,632,967 | 1,753,052 | (1,228,984) | 6,974,580 |

Investments were transferred into and out of Level 3 and into and out of Level 2 during the period ended July 31, 2017 due to changes in the quantity and quality of information obtained to support the fair value of each investment as assessed by the Adviser.

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

(b) Sales include principal redemptions.

Ares Dynamic Credit Allocation Fund, Inc.**Notes to Schedule of Investments (Continued)****July 31, 2017 (Unaudited)**

The valuation techniques used by the Adviser to measure fair value as of July 31, 2017 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.

| Investments in securities | Fair Value | Valuation Technique | Unobservable Inputs | Range |
|----------------------------------|-----------------------|---|----------------------------|---------------------------|
| Senior Loans | \$ 16,669,961 | Liquidation Analysis | N/A | N/A |
| Senior Loans | 92,431 | Liquidation Analysis | Price Per Barrel | \$ 40-45 Per Barrel total |
| Senior Loans | 54,782 | EU Market Multiple Analysis | Discount Rate | 5x |
| Collateralized Loan Obligations | 151,297,706 | Broker Quotes and/or 3rd Party Pricing Services | N/A | N/A |
| Common Stock | 4,888,824 | Broker Quotes and/or 3rd Party Pricing Services | N/A | N/A |
| Warrants | 2,146 | Broker Quotes and/or 3rd Party Pricing Services | N/A | N/A |
| Total Level 3 Investments | \$ 173,005,850 | | | |

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.

ITEM 2. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer 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 at a reasonable level of assurance based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this report on Form N-Q as 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, as amended.

(b) There were no significant 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 29, 2017

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 29, 2017

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

Date: September 29, 2017
