

KKR Credit Income Fund (ASX:KCC)

Monthly Investment Update: As of 30 November 2019

INVESTMENT OBJECTIVE

KKC Overview

- The KKR Credit Income Fund (the "Trust") aims to provide Australian and New Zealand investors with attractive, risk-adjusted returns and access to a diversified portfolio of income generating alternative credit investments through the Trust's investment across investment funds managed by the credit investment teams of Kohlberg Kravis Roberts & Co. L.P. ("KKR").
- These funds will comprise the Global Credit Opportunities Fund and the European Direct Lending Fund, which seek to take advantage of the attractive opportunities that KKR sees in the market. In addition to an income stream, the Trust aims to achieve attractive long-term capital appreciation over a full market cycle.
- The Trust seeks to deliver investors with a distribution yield of 4% - 6% per annum⁽¹⁾, paid quarterly, and a medium-term average total return of 6% - 8% per annum.⁽²⁾

KKR Overview

- Established in 1976, KKR is a leading global investment firm with industry-leading investment experience, in-depth industry knowledge, sophisticated processes for growing and improving businesses, and a strong culture committed to teamwork.
- As of 30 September 2019, KKR had \$208 billion of assets under management, \$70 billion of which sit within KKR Credit.⁽³⁾
- KKR has a global presence with offices in 20 cities across 4 continents, including Sydney, Australia.

KEY TRUST INFORMATION as of 30 NOVEMBER 2019

Trust Name	KKR Credit Income Fund (ARSN 634 082 107)
ASX Code	KKC
ASX Listing	21 November 2019
Market Capitalisation	A\$913.90 million
Units on Issue	370,000,000
Investment Manager	KKR Australia Investment Management Pty Ltd (ABN 42 146 164 454)
Responsible Entity	The Trust Company (RE Services) Limited (ABN 45 003 278 831)
Management Fee	0.88% per annum of the NTA, plus net GST of 0.22% per annum of the NTA
Performance Fee	Up to 5.125% of the net annualised return (inclusive of net GST), multiplied by the 'Adjusted NTA' with a hurdle of RBA cash rate plus 4.00% and subject to a high water mark ⁽⁴⁾
Asset Class	Fixed Income, AUD Hedged

UNIT PRICE & NTA as of 30 NOVEMBER 2019

Net Tangible Assets (NTA)	A\$921,153,736.80
ASX Unit Price	A\$2.47
NTA Per Unit	A\$2.49
Unit Pricing	Monthly

RESEARCH

BondAdviser

INDEPENDENT
INVESTMENT RESEARCH

Zenith
Investment Partners

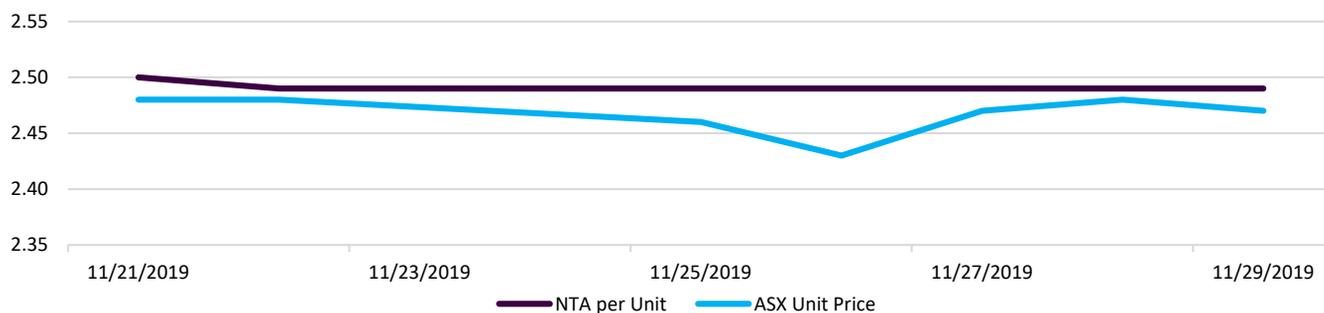
FURTHER INFORMATION

BOARDROOM

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KKR Credit Income Trust
www.kkcaustralia.com.au

NTA / UNIT AND UNIT PRICE PERFORMANCE



(1) Net of fees and expenses incurred by the Trust, but before tax, paid quarterly once the Trust has deployed the offer proceeds into the KKR Funds (expected to be by March 2020). The target distribution is only a target and may not be achieved. (2) Target medium-term average total return net of fees and expenses incurred by the Trust, before tax. The distribution yield over a given period may be lower than the total return in this period to the extent that the total return includes unrealised gain. Past performance is not indicative of future results. (3) The KKR Credit group is comprised of KKR Credit Advisors (US) LLC, KKR Alternative Investment Management and KKR Credit Advisors (EMEA) LLP. (4) This is a summary only – see PDS for more detail.

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INVESTMENT PERFORMANCE

As of 30 NOVEMBER 2019	1 MTH	1 YR	3 YR	5 YR	INCEPTION
Net Return Based on NTA (%)	-0.42%	-	-	-	-
Distribution (%)	-	-	-	-	-
Net Unit Price Return (%)	-1.20%				

MARKET AND INVESTMENT UPDATE

As of 30 November 2019, The Trust Company (RE Services) Limited (“Responsible Entity”) as responsible entity of the KKR Credit Income Fund (“Trust” or “KKC”) has deployed approximately A\$760 million, being approximately 83% of the proceeds raised under the initial public offering (“IPO”) of the Trust, into the KKR Global Credit Opportunities Fund (“GCOF”).⁽⁵⁾ Deployment of the IPO proceeds into GCOF is ahead of schedule because of supportive market conditions. GCOF’s aggregate assets as of 30 November 2019 have a weighted average yield to maturity (“YTM”) of 8.18%.⁽⁶⁾

Overall, this is an exciting time to be deploying KKC capital into the GCOF strategy. As described below, periodic dislocations are creating opportunities to pivot to areas where there is mispricing in sub-sectors and asset classes – a space well suited for opportunistic credit investors. As the Trust continues to invest the IPO proceeds across the GCOF portfolio the focus will be on obtaining the best investment execution and value for its assets, scaling its long-term investment theses, and constructing a portfolio best positioned to capitalise on compelling upside while mitigating downside risk.

As witnessed throughout the year, loans continue to trade in a bifurcated fashion. Higher rated and lower yielding issuers are trading strongly while lower rated, but higher yielding issuers are trading below par. The Trust continues to take advantage of this market dynamic to lean into high conviction loan opportunities and scale its credit exposure to loans and bonds across the GCOF portfolio. In conjunction with its loan positioning, the Trust also continues to apply a similar methodology to its high yield positions by identifying mispriced credits that complement its portfolio construction. We have observed investors in the market broadly moving their capital away from riskier investments towards safer ones and seeking US high yield opportunities. As a result, the ICE BofAML US High Yield Master II Total Return Index Value (“BAML HY Master II Index”) has been up 12.07% year-to-date as of 30 November 2019 and assets in the senior portion of the capital structure (i.e. less risky assets) have become more expensive as spreads tighten to unprecedented levels – a similar phenomenon is also seen in loans.⁽⁷⁾

In addition, KKR Lending Partners Europe II (Euro) Unlevered SCSp. has committed to 6 transactions and continues to ramp up. KKC is committing approximately 50% of the IPO proceeds to this fund to assist in portfolio and geographical diversification for KKC.

The Trust’s first distribution is expected to be announced in February 2020, with the first payment expected to be made within 10 days of the quarter ended 31 March 2020. This first distribution yield will represent interest income received and realised gains on the sale of securities in GCOF as of 31 December 2019.

There was no change in value of KKC’s underlying investments as of 30 November 2019 and the difference between the NTA of A\$2.49 on that date versus the original A\$2.50 issue price of KKC’s units predominantly reflects the net costs of implementing a hedging policy. KKC’s long-dated foreign exchange hedging program is intended to result in less NTA volatility over the long term relative to managing a shorter term hedge program due to lower relative cost and reduced potential for liquidity requirements.

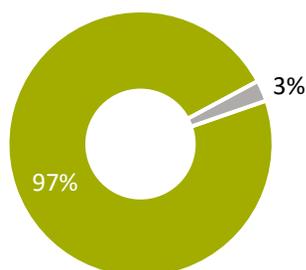
(5) Deployment in AUD assumes USD to AUD spot rate as of 30 November 2019 of 1.4756. (6) This yield represents the views of KKR Credit as of 30 November 2019 regarding the likely current yields of investments in GCOF over a full market cycle and is subject to change. There is no guarantee that the assumptions upon which estimated current yields are based will materialise as anticipated. Past performance is no guarantee of future results and the portfolio characteristics are subject to change. This YTM is inclusive of cash balances. (7) Source: BAML HY Master II Index as of 30 November 2019

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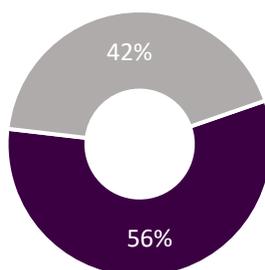
PORTFOLIO CONSTRUCTION⁽⁸⁾

SENIOR vs. SUBORDINATED



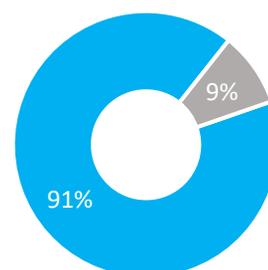
■ Senior ■ Subordinated

FLOATING vs. FIXED



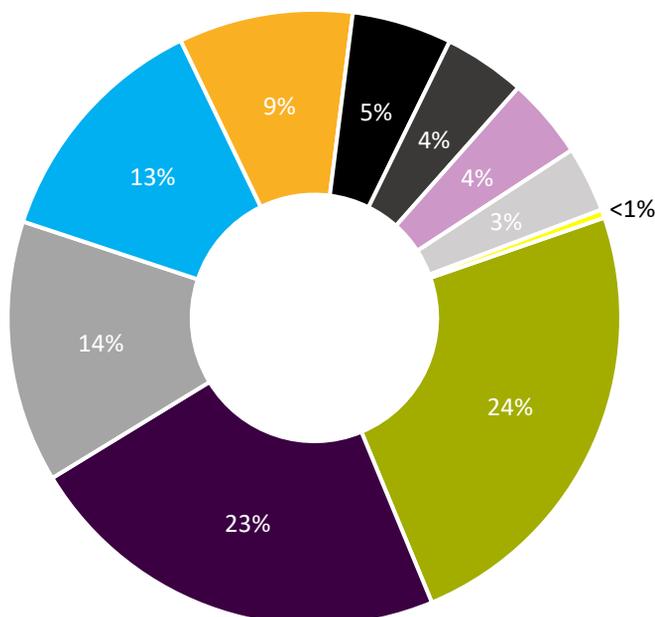
■ Floating Rate ■ Fixed Rate

GEOGRAPHIC SPLIT



■ North America ■ EMEA

SECTOR DIVERSIFICATION



■ Industrials
■ Information Technology
■ Health Care
■ Consumer Discretionary
■ Materials
■ Financials
■ Consumer Staples
■ Communication Services
■ Energy
■ Real Estate

OTHER PORTFOLIO DETAILS⁽⁸⁾

Number of Holdings ⁽⁹⁾	204
Asset Mix	100% Traded Credit
Yield-to-Maturity	9.30%
Yield-to-Worst	9.21%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
Net Return Based on NTA (%)	-	-	-	-	-0.42%	-	-	-	-	-	-	-	-0.42%

(8) Based on GCOF assets as of 30 November 2019. (9) Based on look through to the Trust's underlying funds. Represents GCOF assets as of 30 November 2019.

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Important Information

General

This information has been prepared by KKR Australia Investment Management Pty Ltd ABN 42 146 164 454, AFSL 420 085 (“KKR”) and issued by The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235150 (“TTCRESL”). TTCRESL is the responsible entity and issuer of the KKR Credit Income Fund ARSN 634 082 107 (“Trust”). TTCRESL has appointed KKR to act as the manager of the Trust. This update is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not indicative of future performance. This information is believed to be accurate at the time of compilation and is provided in good faith. This information may contain information contributed by third parties. KKR and TTCRESL do not warrant the accuracy or completeness of any information contributed by a third party.

Before making any investment decisions you should consider the Product Disclosure Statement (PDS) for the Trust issued by TTCRESL and the Trust’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.kkcaustralia.com.au or can be obtained by calling 1300-131-856 within Australia.

None of KKR, its affiliates or its related bodies corporate, or any company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the Trust or the return of an investor’s capital. This information does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of the Trust’s units.

Information in this Document

This information is only as current as the date indicated, and may be superseded by subsequent market events or for other reasons.

This information may contain projections or other forward-looking statements and comments regarding future events, including targets or expectations regarding the Trust’s business, plans and strategies. Forward-looking statements also include prospective financial information for the Trust. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar words that involve risks and uncertainties. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is no assurance that such events or targets will be achieved. A number of important factors could cause the Trust’s actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, and many of these factors are beyond the control of TTCRESL and KKR. This information is not a promise or representation as to the future and past performance is not a guarantee of future performance. Statements or assumptions in this information as to future matters may prove to be incorrect and may be superseded by subsequent market events or for other reasons. You acknowledge that the circumstances may change and that this information may become outdated as a result.

You should make your own independent assessment of this information and seek your own independent professional advice in relation to the information and any action taken on the basis of the information.