



Perpetual 

The Trust Company (RE Services) Limited  
ABN 45 003 278 831, AFSL 235150

18 February 2020

The Manager  
ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

## MONTHLY INVESTMENT UPDATE AS OF 31 JANUARY 2020

We are pleased to provide investors with a monthly investment update for the KKR Credit Income Fund (ASX: KKC).

Yours sincerely,

Kevin Razavi  
Senior Corporate Client Manager  
The Trust Company (RE Services) Limited

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The Trust Company (RE Services) Limited ABN: 45 003 278 831, AFSL: 235150 as Responsible Entity of the KKR Credit Income Fund (ARSN 634 082 107)

### Important Information

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](http://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.

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 January 2020

## INVESTMENT UPDATE

As of 31 January 2020	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	Inception
<b>Net Return Based on NTA (%)</b>	+2.43%	+1.34%	-	-	-	-	<b>+1.34%</b>

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	FYTD
<b>Net Return Based on NTA (%)</b>	-0.42%	-0.65%	+2.43%	-	-	-	-	-	<b>+1.34%</b>

Past performance is no guarantee of future results and the portfolio characteristics are subject to change.

<b>Net Tangible Assets (NTA)</b>	A\$937,414,714	<b>NTA Per Unit</b>	A\$2.53
<b>Unit Pricing</b>	Monthly	<b>ASX Unit Price</b>	A\$2.46

## Monthly Performance

The KKR Credit Income Fund (“Trust” or “KKC”) had a positive NTA performance of +2.43% in January based on the performance of KKR Global Credit Opportunities Fund (“GCOF”). As investors will be aware, KKR is seeking to invest with a value bias and seeks to select names that it believes represent best relative value in traded credit markets. There was a significant flight to quality in the first three quarters of 2019 before KKC was launched. This resulted in a large part of the market becoming richly valued and an another part of the market bifurcated and undervalued. This provided a good environment for KKC to deploy capital in late 2019 and has resulted in the positive performance to date. For example, the top contributors to KKC in the month on a sector basis included Healthcare, Capital Goods and Technology; these are all segments that require careful due diligence due to regulatory, cyclical or product complexities. These have been a fertile ground for our deployment and all contributed strongly to a positive month. KKC’s aggregate underlying assets as of 31 January 2020 had a weighted average yield to maturity (“YTM”) of 8.35%<sup>(1)</sup> which KKR believes offers investors attractive risk-adjusted return and the ability to generate attractive cash coupons.

Looking at the broader traded credit market in the US, bank loans and high-yield bonds returned +0.53% and -0.02% during January, respectively. Early to mid January returns were positive before worries around the coronavirus dampened the equity markets towards the end of the month, therefore having a knock-on effect into the US traded credit markets. High yield bond mutual flows (generally a proxy for investor sentiment towards the high yield market) reported a second consecutive inflow, their 10<sup>th</sup> inflow in the last 13 months, which is positive.

As a fundamental-focused credit manager with deep resources to analyze credits, KKR is open to examining companies that the market may be shunning, and KKR believes from our analysis that there has been an indiscriminate rally in up-markets and a “flight to quality” in down-markets. We continue to look at credit opportunities through a critical fundamental lens and feel well positioned to take advantage of continued volatility and spread dispersion as we still see dislocated situations that can offer strong risk adjusted return potential.

## Deployment

As of 31 January 2020, The Trust Company (RE Services) Limited (“Responsible Entity”) as responsible entity of the KKC has invested the cash raised under the initial public offering (“IPO”) of the Trust into GCOF. Deployment of the IPO proceeds into GCOF was ahead of schedule because of continued supportive market conditions described above. In addition, the European Direct Lending Fund has funded nine transactions and continues to see an attractive pipeline of new deals which the investment team are evaluating. As a reminder, KKC has committed to but not funded its share in the European Direct Lending Fund as it will be funded over time (2-3 years in total). However, the attractive feature of not having funded yet is that KKC will be entitled to its pro-rata share of any assets and any net income generated to date, despite not having funded any capital yet. We expect the final close for European Direct Lending Fund to occur in mid-2020. At this point, KKC will begin to fund its commitment and there should be a positive gain for KKC from these currently off-book investments when final close of the European Direct Lending Fund occurs. These nine assets are not yet included in the portfolio charts on the following page as they have not yet been funded by KKC (but the investments are accruing interest payments for KKC’s benefit).

## Distribution Expectation

We anticipate that KKC will declare its first distribution at the end of March 2020, and will pay the distribution in early April 2020.

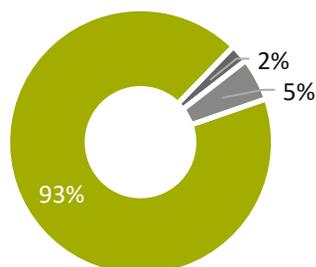
(1) This yield represents the views of KKR Credit as of 31 January 2020 regarding the likely current yields of investments in GCOF over a full market cycle and is subject to change. There is no guarantee that the assumptions upon which estimated current yields are based will materialise as anticipated. This YTM is inclusive of cash balances.

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 January 2020

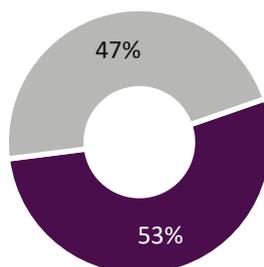
## PORTFOLIO CONSTRUCTION as of 31 January 2020<sup>(2)</sup>

**SENIOR vs. SUBORDINATED**



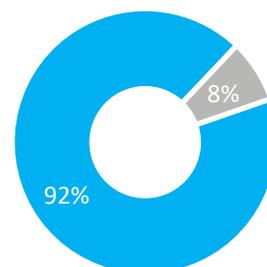
■ Senior ■ Subordinated ■ Other

**FLOATING vs. FIXED**



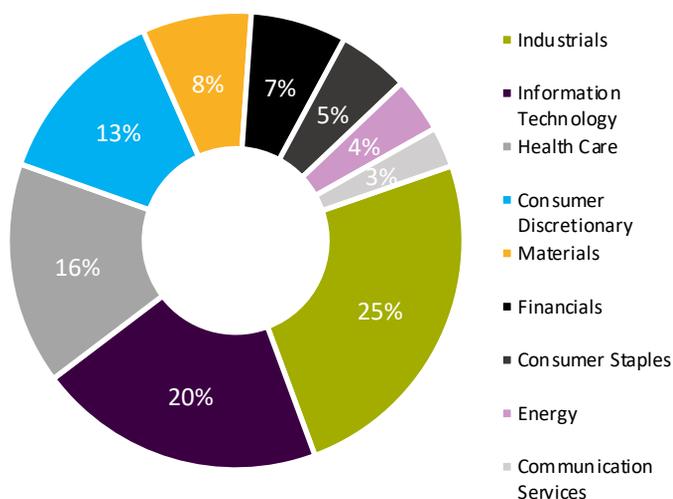
■ % Floating Rate ■ % Fixed Rate

**GEOGRAPHIC SPLIT**



■ North America ■ EMEA

**SECTOR DIVERSIFICATION**



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

## OTHER PORTFOLIO DETAILS<sup>(7)</sup>

<b>Number of Holdings<sup>(3)</sup></b>	221
<b>Asset Mix</b>	100% Traded Credit*
<b>Yield-to-Maturity on Underlying Assets</b>	8.35%

\* This excludes the ~A\$126 currently invested by KKR Lending Partners Europe II (Euro) Unlevered SCSp on behalf of KKC into Europe Private Credit assets. Including this, the split is ~88% Traded Credit/12% Private Credit

## KKC Overview

- The KKR Credit Income Fund (the "Trust") aims to provide 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<sup>(4)</sup>, paid quarterly, and a medium-term average total return of 6% - 8% per annum.<sup>(5)</sup>

## 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 31 December 2019, KKR had \$218 billion of assets under management, \$73 billion of which sit within KKR Credit.<sup>(6)</sup>
- KKR has a global presence with offices in 20 cities across 4 continents, including Sydney, Australia.

(2) Based on GCOF assets as of 31 January 2020. (3) Based on look through to the Trust's underlying funds. Represents GCOF assets as of 31 January 2020. (4) 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. (5) 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. (6) The KKR Credit group is comprised of KKR Credit Advisors (US) LLC, KKR Alternative Investment Management and KKR Credit Advisors (EMEA) LLP. AUM is updated quarterly in line with KKR's public filings.

# KKR Credit Income Fund (ASX:KKC)

## Monthly Investment Update: As of 31 January 2020

### KEY TRUST INFORMATION as of 31 January 2020

<b>Trust Name</b>	KKR Credit Income Fund (ARSN 634 082 107)
<b>ASX Code</b>	KKC
<b>ASX Listing</b>	21 November 2019
<b>Market Capitalisation</b>	A\$910.20 million as at 31 January 2020
<b>Units on Issue</b>	370,000,000
<b>Investment Manager</b>	KKR Australia Investment Management Pty Ltd (ABN 42 146 164 454)
<b>Responsible Entity</b>	The Trust Company (RE Services) Limited (ABN 45 003 278 831)
<b>Management Fee</b>	0.88% per annum of the NTA, plus net GST of 0.022% per annum of the NTA
<b>Performance Fee</b>	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 <sup>(7)</sup>
<b>Asset Class</b>	Fixed Income, AUD Hedged

(7) This is a summary only – see PDS for more detail.

#### FURTHER INFORMATION

##### BOARDROOM

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##### KKR Credit Income Trust

[www.kkcaustralia.com.au](http://www.kkcaustralia.com.au)

#### RESEARCH







#### General

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#### 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.

#### Important Information