



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

14 January 2020

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

MONTHLY NET TANGIBLE ASSET ESTIMATE

Net Tangible Assets (NTA) backing per unit of the KKR Credit Income Fund (ASX: KKC).

AS AT CLOSE OF BUSINESS	NTA PER UNIT*
31 December 2019	\$2.4735

*All figures are stated in Australian dollars (AUD) unless otherwise stated. All figures are unaudited and approximate. Past performance is not indicative of the future performance of the Trust.

Note to Unitholders

As unitholders may recall, the value of the KKR Global Credit Opportunities Fund ("GCOF") investment made by KKC is accounted for on a one-month lag given the timing difference between the publication of the Net Tangible Assets ("NTA") and GCOF publishing its final returns. As a result, the 31 December 2019 NTA for KKC includes the value of GCOF at the end of November 2019. Given KKC was launched on 21 November 2019 the uplift in value of the assets included in the 31 December 2019 NTA includes the uplift for the relatively short period from 21 November to 30 November 2019 (which also encompassed the US Thanksgiving holiday). This uplift is shown in the row labelled A in the table below.

As can be seen in the table below, the reduction in NTA is primarily due to the costs of hedges and mark-to-market movement in hedges (see C in the table). KKC is investing primarily in USD investments at present. There was a sharp change in the foreign currency exchange ("FX") spot rate between AUD and USD since the launch of KKC in mid-November and the end of December (US\$1 was worth approximately A\$1.47 in mid-November but reduced to approximately A\$1.42 by 31 December 2019). The investments made so far by KKC were hedged using foreign exchange forwards. A foreign exchange forward is an agreement between KKC and other counterparties to purchase AUD against selling USD at a fixed rate on an agreed upon date in the future. This allows KKC to hedge the risk of currency fluctuations. As a result of entering into a hedging program, there was no significant loss in value on the US investments in AUD terms (see B in the table). However, there is a cost to entering into these hedge contracts and these forward contracts are also subject to mark-to-market volatility. It is these factors that have been primarily responsible for the change in the NTA. Roughly half of this estimated A\$0.0249 change was due to unrealised mark-to-market movement in the hedge contract values in December, notably after the RBA decided not to implement a rate cut on December 2nd. The rest of the estimated A\$0.0249 cost was due to costs and initial upfront charges of entering into these contracts.

Finally we should note that the deployment pace has been good and we do expect a positive contribution to NTA from asset values in the month of December 2019. For example, US High Yield assets (as represented by the BAML HY Master II Index) returned over 2% in December alone and US bank loans (as represented by the S&P LSTA Leveraged Loan Index) returned over 1.5%. As a result we estimate that the 31 December 2019 value for GCOF, to be included in the January 2020 NTA for KKC, may add A\$0.03-0.05 to NTA (although the January NTA may also be impacted by expenses and mark-to-market movements on the forward contracts since 31 December 2019).

Factor	Estimated Impact (A\$) from 21 November – 31 December 2019
Beginning NTA at launch	2.5000
Increase in USD value of assets in November (A)	+0.0041
Losses from foreign currency exchange rate movements (B)	-0.0024
Expenses	-0.0033
Costs of hedges and mark-to-market movement in hedges (C)	-0.0249
NTA as at 31 December 2019	<u>2.4735</u>

Yours sincerely,

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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

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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.

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