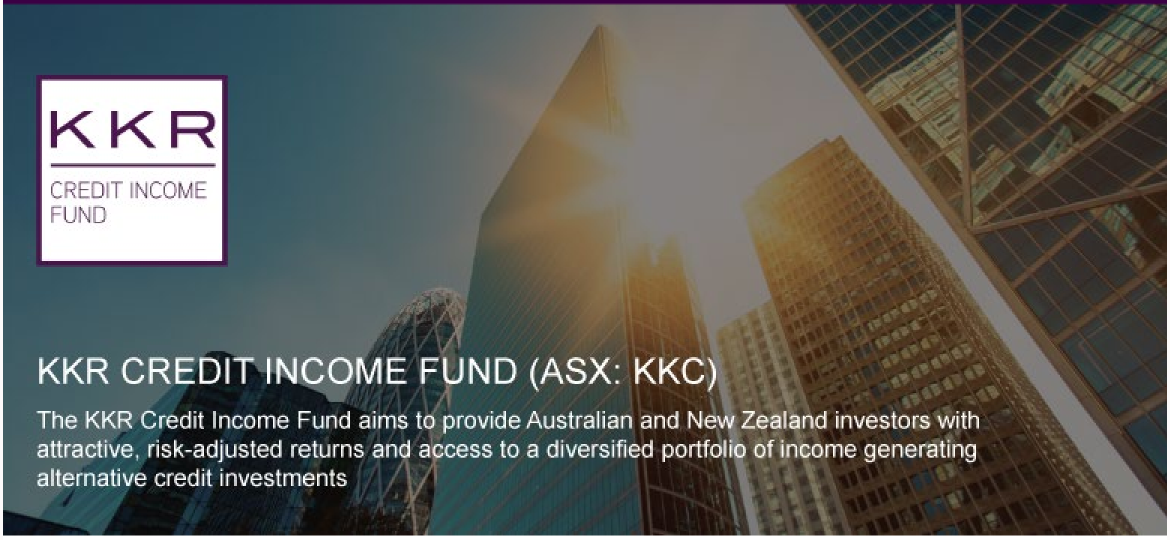

KKC Investment Update

20 April 2020

For the benefit of unitholders and given the upheaval we've seen in the global credit markets over the past quarter stemming from the impacts of COVID-19, we wanted to share some of our insights from an in-depth report created by KKR's **Head of Leveraged Credit Chris Sheldon** and his team, titled **"V is for Volatility"**, which touches on subjects related to KKC's underlying investments.

This pandemic has truly rocked the markets in a way we have not seen since the Global Financial Crisis (GFC). Although it's difficult to fully quantify the depths of the financial aftershocks that will inevitably reverberate through the US economy and the US consumer, there continues to be opportunities to reposition and lean into dislocated opportunities.

Our insights are:

- ***Volatility has a Capital "V" Right Now***: March brought the largest daily decline in the loan market on record with -3.74% occurring on 18th March 2020 **[1]**. There are only four instances on record where daily losses exceeded -3%, all of which occurred in March 2020 [2]. Prior to COVID-19, the top three largest loan losses occurred during the GFC. More volatility is expected.

- ***Rating Agencies are Being Proactive***: The severe recent volatility coupled with the growing reality that many companies now have uncertain future cash flow potential has catalysed a spike in downgrades by the rating agencies. The rating agencies are being extremely proactive and will continue to play strong defense in assessing credit risk across the market [3].
- ***Prepare to be Nimble***: The ability to be agile and not be constrained by daily liquidity requirements, rating limitations or sector sensitives can present opportunities. Fundamentals also remain key.

In terms of KKC, the period from 21 February 2020 to the end of March 2020 was one of the most volatile periods in the history of the US traded credit markets. The loan market was down ~14.0% over this period and the value of the high-yield bond market dropped almost 15.3% over the same period [4]. These market drops had a significant effect on the pricing of the Global Credit Opportunities Fund's (GCOF) portfolio. However, it is important to note GCOF's strategy is designed to seek to take advantage of opportunities in a more concentrated manner compared to the US leveraged credit indices [5]. We welcome you to read more in the monthly investment update for KKC **here**.

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[1] S&P LCD as of 31 March 2020

[2] S&P LCD as of 31 March 2020

[3] Credit ratings are statements of opinion of a relevant credit agency about the likelihood of a borrower to meet its interest and principal payment and repayment obligations when they fall due. Credit ratings are not statements of fact or recommendations to purchase, hold or sell securities. Credit ratings do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied upon as investment advice.

[4] Bloomberg as of 1 April 2020. Bloomberg has not consented to the inclusion of this statement in this document

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

About KKR

43+ years of experience

US$218 billion total assets under management[1]

US$73 billion credit assets under management

465+ KKR Investment Professionals

US$20 billion invested alongside our clients

Figures as of 31 December, 2019. Represents assets managed by KKR or its strategic partners (on a proportionate basis) as to which KKR is entitled to receive a fee or carried interest (either currently or upon deployment of capital) and proprietary general partner capital. (2) Includes investments/commitments made by KKR's balance sheet, KKR employees, KKR Capstone, and other affiliates. Investments made by current and former KKR employees and KKR Capstone are retained by those individuals personally. Includes unfunded commitments made by individuals. KKR Capstone is not an affiliate or subsidiary of KKR.

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