



Perpetual 

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

16 March 2020

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

MONTHLY INVESTMENT UPDATE AS OF 29 FEBRUARY 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

Contact Details

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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 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:KCC)

Monthly Investment Update: As of 29 February 2020

INVESTMENT UPDATE

As of 29 February 2020	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	Inception
Net Return Based on NTA (%)	0.75%	2.53%	-	-	-	-	+2.10%

As of 29 February 2020	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	FYTD
Net Return Based on NTA (%)	-0.42%	-0.65%	2.43%	0.75%	-	-	-	-	+2.10%

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

Net Tangible Assets (NTA)	A\$944,444,075	NTA Per Unit	A\$2.55
Unit Pricing	Monthly	ASX Unit Price	A\$2.29

Monthly Performance

For the month of February, the KKR Credit Income Fund (“Trust” or “KCC”) recorded a positive NTA return of +0.75%. This result reflects KCC’s investment in the Global Credit Opportunities Fund (“GCOF”) and its return from January. This was a strong result when the indexes for US bank loans returned +0.56% and high-yield bonds returned +0.01% for January.

KKR estimates that KCC’s aggregate underlying assets as of 29 February 2020 had a weighted average yield to maturity (“YTM”) of 8.80%⁽¹⁾ which KKR believes offers investors attractive risk-adjusted return and the ability to generate attractive distributions within the target range of 4-6% annually^{1,2}. February was a challenging month for investors as the impacts of Covid-19 transcended investment markets. Mass citizen lockdowns, significant disruption to the global supply chain and concerns surrounding the impact of declining consumer demand saw markets sold off indiscriminately, albeit equity markets so far have seen a much greater decline than credit markets. Central banks globally, and almost in unison, responded with base-rate cuts. GCOF is a strategy designed to be flexible and nimble, and mandated to take advantage of market volatility. The last week of February was an example of an opportunity and KKR was extremely active across our credit platform. Portfolio managers added net risk, taking advantage of forced sellers in the market, primarily driven by retail-oriented funds.

KKR remains vigilant in the assessment of new risk and prudent with its allocation, as volatility is likely to persist with the impact of the virus remaining unknown. Presently, KKR is opportunistically adding to well liked assets that have traded lower but should have limited impact from the Covid-19 virus (i.e. US based companies with most exposure to US consumers). KKR will continue to take advantage of market volatility and focus on high quality companies in defensive sectors. At the time of writing, there has been a significant reduction in oil prices. The KCC portfolio has been significantly underweight in the energy sector since inception. Today, KCC has 4% exposure to this sector.

With respect to the rest of the portfolio:

- We continue to be focused on senior debt at the top of the capital structure;
- GCOF has low exposure to Asian consumer facing and travel businesses which appear most at risk from the virus;
- The majority of the GCOF portfolio is focused on more defensive sectors such as Healthcare, Services, Software and Capital Goods which are less exposed to obvious negative impacts from the virus; and
- GCOF has low exposure to the energy and travel/leisure sectors, with no exposure to companies operating airlines or cruise ships.

Finally, we note that the KCC unit price has been impacted by the broad market sell-off. The underlying assets of KCC are credit instruments, and as such, have not seen a sell off to the same extent as the equity markets.

Deployment

No additional investments were made in the European Direct Lending portfolio during February. As a reminder, KCC has exposure (on a committed basis) to nine assets which are not yet included in the portfolio charts on the following page, as they have not yet been funded by KCC (but the investments are accruing interest payments for KCC’s benefit).

Distribution Expectation

We anticipate that KCC will declare its first distribution at the end of March 2020, to be paid in early April 2020. We expect this first distribution to be just below the low end of our expected range of 4-6% as it reflects the period when KCC was initially ramping.

- (1) This yield represents the views of KKR Credit as of 29 February 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.
- (2) 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. All investments are subject to risk which means you may lose all or a portion of the amount you invest or you may otherwise achieve distributions and returns that are lower than any target distribution or target return. Before making an investment decision, it is important to understand the risks that can affect the value of your investment. Investors should read the risks described in Section 8 of the PDS.

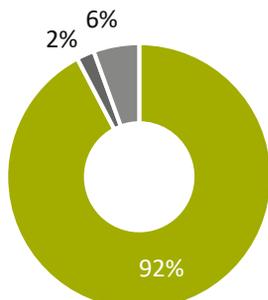
For more information please refer to www.kkcaustralia.com.au

KKR Credit Income Fund (ASX:KCC)

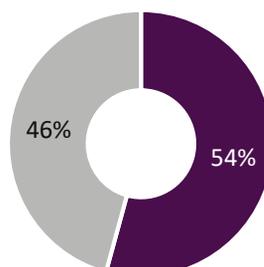
Monthly Investment Update: As of 29 February 2020

PORTFOLIO CONSTRUCTION as of 29 February 2020⁽²⁾

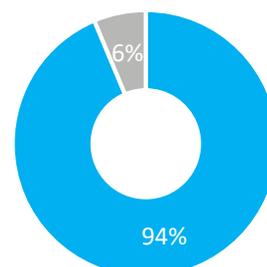
SENIOR vs. SUBORDINATED



FLOATING vs. FIXED



GEOGRAPHIC DIVERSIFICATION

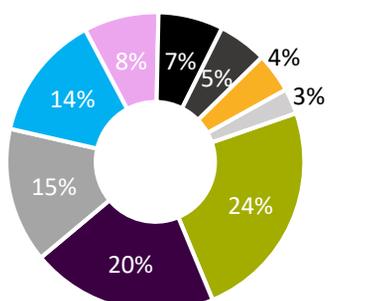


■ Senior ■ Subordinated ■ Other

■ % Floating Rate ■ % Fixed Rate

■ North America ■ EMEA

SECTOR DIVERSIFICATION



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

OTHER PORTFOLIO DETAILS⁽²⁾

Number of Issuers ⁽³⁾	165
Asset Mix	100% Traded Credit*
Yield-to-Maturity on Underlying Assets	8.80%

*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 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⁽⁴⁾, paid quarterly, and a medium-term average total return of 6% - 8% per annum.⁽⁵⁾

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 A\$311.6 billion of assets under management, of which A\$104.4 billion sits within KKR Credit.⁽⁶⁾
- KKR has a global presence with offices in 20 cities across 4 continents, including Sydney, Australia.

(2) Based on GCOF assets as of 29 February 2020. (3) Based on look through to KKC's underlying funds. Represents GCOF assets as of 29 February 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:KCC)

Monthly Investment Update: As of 29 February 2020

KEY TRUST INFORMATION as of 29 February 2020

Trust Name	KKR Credit Income Fund (ARSN 634 082 107)
ASX Code	KCC
ASX Listing	21 November 2019
Market Capitalisation	A\$847.30 million as at 29 February 2020
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 0.022% per annum of the NTA ⁽⁸⁾
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 ⁽⁸⁾
Asset Class	Fixed Income, AUD Hedged

(8) This is a summary only – see section 9 of the PDS for more detail.

CONTACT INFORMATION	RESEARCH
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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.

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