



## KKR CREDIT INCOME FUND (ASX: KKC)

The KKR Credit Income Fund 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

# KKC Investment Update: Video Interview with Portfolio Manager

21 April 2022

Dear KKC Investor,

This month Jeremiah Lane, a partner and portfolio manager within the KKR Credit team spoke with Glenn Freeman from Livewire Markets.



In the interview, Jeremiah talks to KKC's outlook for the credit markets as real rates begin to trend upward, provides an update on how the portfolio is positioned and speaks to further opportunities.

### 1. Outlook for credit markets

Jeremiah highlights that ultimately the US Federal Reserve raising interest rates will be an opportunity for KKC.

This is because KKC has been deliberate in limiting its exposure to the BB part of the market, as these assets are more sensitive to interest changes in rates. The

weakness in the BB market also causes a negative sentiment on high yield market overall, which allows KKR to find opportunities to take concentrated positions in a few names at cheap prices in single B and triple C opportunities which are much less impacted by interest rate rises.

## **2. A focus on durability of cashflows and downside protection**

Jeremiah states that KKC is well positioned to capitalise on this dynamic through its traded credit strategy. KKC targets assets that are “cheap” as a result of the negative sentiment that has come into the market or a technical trading factor causing a loan or bond, particularly in the primary market, to price wider than expected. KKR continues to find these opportunities with companies that have the right characteristics including durability of cashflows and downside protection.

For example, playing into the bank loan market, which due to technical factors has become soft. Bank loans in the market today are priced approximately 125 basis points wider on a spread basis compared to the end of last year.

## **3. The opportunity in 'no man's land'**

Lastly, Jeremiah spoke about no man's land which talks to the two primary buyer bases in the credit markets: index-orientated buyers who are trying to slightly outperform a benchmark and absolute return seekers who tend to focus on opportunities yielding more than 10%.

KKC is dedicated to identifying opportunities that have fallen out of favour with the index buyer, but not enough to be interesting to the absolute return buyer. KKC continues to hunt in this segment and believes it offers a way of generating superior risk adjusted returns.



Watch the video, [here](#).

## About KKR

**+45**

years of  
experience

**US\$471**

billion total assets  
under management<sup>1</sup>

**US\$187**

billion credit assets  
under management

**+600**

KKR Investment  
Professionals

**US\$32**

billion invested  
alongside our clients

(1) Figures as of 31 December 2021. 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 and other affiliates. Investments made by current and former KKR employees are retained by those individuals personally. Includes unfunded commitments made by individuals.



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