



Perpetual 

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

4 May 2020

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

INVESTOR UPDATE AS OF 4 MAY 2020

We are pleased to provide a copy of the Investor 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

Unit Registry – Boardroom Pty Ltd

Telephone: 1300 737 760 (within Australia)
+61 2 9290 9600 (outside Australia)

Email: enquiries@boardroomlimited.com.au

Website: www.kkcaustralia.com.au

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: 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

4 May 2020

Bifurcation (*Noun*)

- the division of something into two branches or parts.

"the fish gathered at the bifurcation of the river"

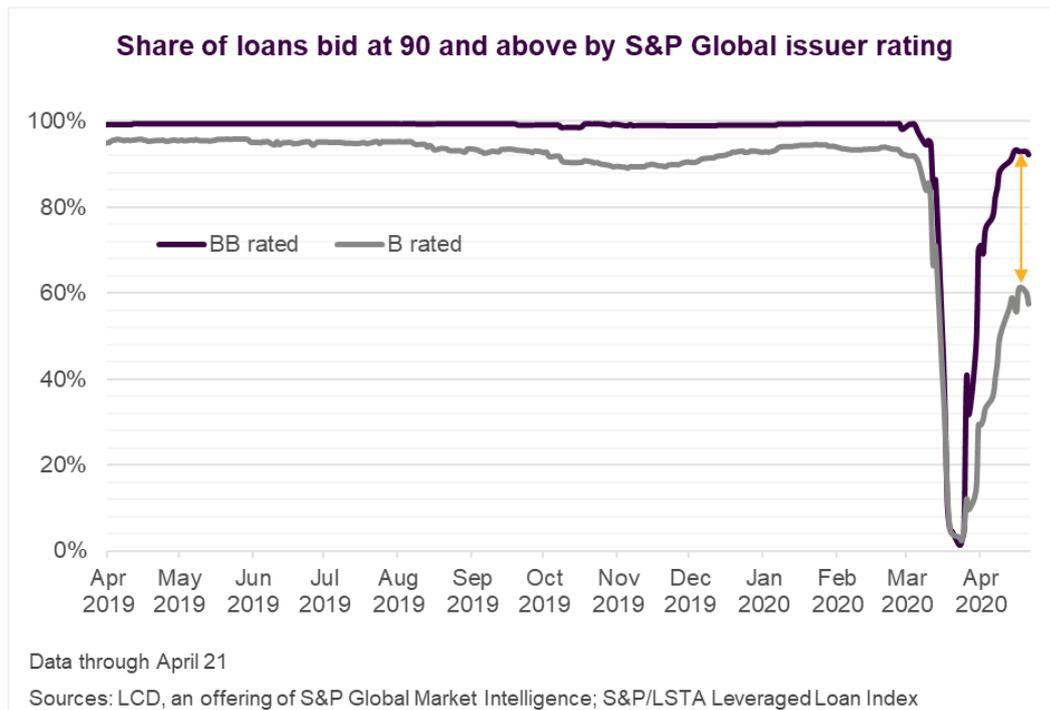
The Manager wishes to highlight a trend that it has been seeing in the US loan market where the pricing differential between B-rated and BB-rated loans [\[1\]](#) was much smaller pre-COVID-19 but has now widened. It's worth exploring this *bifurcation* and how it relates to the KKC portfolio via its investment in the Global Credit Opportunities Fund ("GCOF") [\[2\]](#).

US credit markets have bifurcated as investors have sought the relative safety of higher-rated assets. KKR believes this can create opportunities for the mispricing of assets, the value of which can be unlocked in the medium term.

As at 24 April 2020, across the US loan market, 57% of B-rated loans were priced at

90% or above, compared to 92% of BB-rated loans. This is in stark contrast to the same figures at the end of February, which had 92% of B-rated loans and 98% of BB-rated loans priced above 90% [2].

The chart below illustrates this increase in bifurcation between B-rated and BB-rated loans.



Source: S&P LCD as of 24 April 2020 [3]

The key takeaway here is that the pricing differential between B and BB loans has now widened as many investors have favoured the perceived safety of higher-rated assets.

KKR Credit has a strong track record of identifying opportunities which present themselves during market dislocations such as the one we are currently experiencing. The Manager has been repositioning the KKC portfolio to take advantage of this theme in anticipation of the pricing scenario “normalising” over the medium term.

To read previous KKC Investment Updates please visit the KKC Australia website [HERE](#)

[1] 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.

[2] Before making an investment decision in relation to KKC, it is important to understand the risks that can affect the value of your investment in KKC. Investors should read the risks described in Section 8 of the PDS.

[3] Source: S&P LCD as of 24 April 2020. S&P LCD has not provided its consent to the inclusion of this statement in this update. Ratings as rated by one of the major Rating Agencies.

About KKR



years of
experience



billion total assets
under management¹



billion credit assets
under management



KKR Investment
Professionals



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.

Important Information

General

This information has been prepared by KKR Australia Investment Management Pty Ltd ABN 42 146 164 454, AFSL 420 085 (the "Manager" or "KKR") and issued by Seed Partnerships Pty Ltd ABN 32 606 230 639 AFSL 492973 on behalf of the Manager and The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235150 ("TTCRESL"). TTCRESL is the responsible entity and issuer of units in the KKR Credit Income Fund ARSN 634 082 107 ("KKC" or the "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.

Information in this update

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.

You are receiving this email as you have opted to receive KKC updates. The Manager gathers and analyses non-personal data regarding the use of the KKC website (www.kkcaustralia.com.au) and advertisements, including domain names, number of hits, pages visited, length of user session, etc., to evaluate the usefulness of the site/advertisements. This data is collected for statistical purposes only and may be shared with TTCRESL and KKC's unit registry, Boardroom Pty Limited ABN 14 003 209 836. Your personal information is kept to provide you with this update. We may disclose your personal information to external parties who provide services to the Manager (for example, mail houses, and database management services) and, unless you tell us otherwise, your financial adviser. Otherwise, we will not disclose your personal information to any other external parties unless required by law.

You may be entitled to access information which the Manager holds about you. If you would like access or you do not want to receive other information, please contact the Manager.

The Manager's privacy policy is available on the KKC website www.kkcaustralia.com.au or by contacting the Manager as follows:

KKR Australia Investment Management Pty Ltd
Level 42, Gateway Building
1 Macquarie Place
Sydney NSW 2000
Kapil.Kirpalani@kk.com
+852 36027376

If you do not want to receive further updates, please [unsubscribe](#) here.

Unit Registry - Boardroom Pty Ltd - Grosvenor Place - Level 12, 225 George Street - Sydney, NSW 2000 - Australia