



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

8 July 2020

In this communication, the Manager provides additional commentary and more detailed data, on a topic discussed in the 13th May 2020 KKC Investment Update: bifurcation of assets within the US loan market across different rating groups [\[1\]](#).

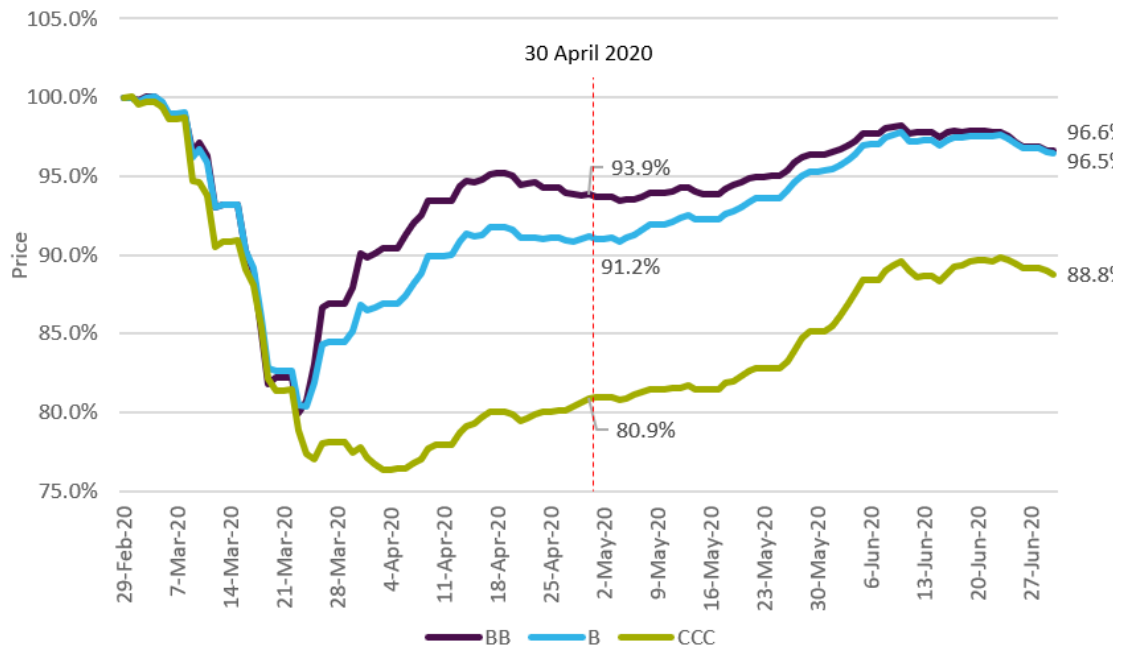
With June data now available, the chart from the 13th May 2020 update showing the large divergence in performance has been updated to include performance to 30th June 2020. The 30th April 2020 data points have been included in the chart for reference.

A hypothetical investment in the market on 1st March 2020 in BB and B rated loans would have been worth 96.6% and 96.5%, respectively, at 30th June 2020 after these assets recovered most of their value post their mid-March trough [\[1\]\[2\]\[3\]](#).

CCC returns, although having the best relative performance over the recovery period, were lower than BB and B returns, with the same investment in CCC rated loans only worth 88.8% as at the end of June 2020 [\[1\]\[2\]\[3\]](#).

This demonstrates that CCC rated assets are still underperforming their higher-rated

peers [\[1\]](#). Although some of the sell-off can be attributed to higher credit risk, the Manager still believes that investors have been indiscriminate in their selling of CCC assets, and this can create opportunities.



The returns shown are for the market's different rating groupings and exclude any hypothetical trading costs or bid/ask spreads. Source: S&P Global Market Intelligence as of 30 June 2020. S&P Global Market Intelligence has not consented to the inclusion of this chart in this update.

As set out in the 13th May 2020 update, the Manager believes that the gap between BB and B assets with CCC is due to the buyer base of these assets, namely asset managers, and that the unwillingness of asset managers to buy CCC assets revolves around asset manager style and mandate constraints limits within their portfolios. This technical supply/demand imbalance can provide an opportunity for investors such as KKC that are not bound by restrictive investment guidelines to invest into these assets at attractive prices [\[4\]](#).

By KKR Credit maintaining an allocation to, and continuing to search for opportunities in CCC rated assets, the Manager believes investors such as KKC may experience greater upside as a result of the contraction in the bifurcation between different rated assets over the medium-term [\[4\]](#).

For further details on the original update, please see the link below:

- [Investment Update as of 13 May 2020](#)

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] Source: S&P LCD as of 30 June 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.

[3] For illustrative purposes only. The specific assets identified are not representative of all of the securities purchased or sold by KKC or the underlying funds, and it should not be assumed that the investment in the assets identified was or will be profitable.

[4] Past performance is not indicative of future performance. 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.

About KKR

44+

years of
experience

US\$207

billion total assets
under management¹

US\$68

billion credit assets
under management

470+

KKR Investment
Professionals

US\$19

billion invested
alongside our clients

Figures as of 31 March, 2020. 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. 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.



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 (the "Responsible Entity" or "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.

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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:

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