



## 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 PERFORMANCE UPDATE

12 October 2022

Dear KKC Investor,

Given the recent performance of KKC we wanted to provide an update to investors regarding the asset quality and outlook for KKC.

**KKC is an opportunistic credit strategy investing predominately in senior secured credit, which have much more defensive characteristics than equity.** The Fund has a diversified exposure to the US and European markets and its portfolio contains traded credit (loans, bonds or other debt securities) by investing in KKR's Global Credit Opportunities strategy ("GCOF") and private credit from KKR's European Direct Lending ("EDL") Strategy.

Accordingly, we would like to provide you with five key points regarding KKC's strategy, performance and outlook:

1. **90% of the assets are senior in the capital structure and the strategy is short duration biased.**
2. **Historically GCOF has meaningfully outperformed following periods of market dislocation such as the prevailing market conditions.**

3. **KKC has historically lower default rates and higher recovery rates than the high yield index.** GCOF has delivered lower default rates (1.5% vs 2.4%) and higher recovery rates (76.1% vs 35.2%), than the high yield index which includes higher rate credits.
4. **GCOF's investment philosophy is ratings agnostic and invests in misunderstood credits with reliable cashflows; not distressed credits.** The underlying Investments are performing well and the positioning of KKC with a substantial allocation to lower rated credit (e.g. CCC) is deliberate not accidental. We believe this is the investment universe where KKR's credit platform excels in identifying opportunities misunderstood and mispriced by the market. There is a strong focus on downside protection and significant due diligence.
5. The Fund's managers have increased the distribution target for FY23 to 5.82% based on current NTA of \$2.2291. **The current portfolio's yield to maturity is ~11.5% per annum and the current income yield of the portfolio is ~8.2% per annum (as at 31 August 2022). The portfolio interest rate duration is 1.3 years.**

In summary, it is important investors understand where KKC investments sit in the capital structure. The vast majority of investments in KKC are senior secured, or have substantial covenants in place and typically short dated maturities.

We are confident that KKC is positioned to perform over a full market cycle.

You can also read the recent Livewire article titled 'The asset class with more upside than equities in FY23,' [here](#).



## KEY BENEFITS AND RISKS

## BENEFITS

The key benefits of investing in the Fund include:

- **Attractive Target Distribution**
- **Attractive Target Return**
- **Diversified exposure**
- **Alignment of interests with Unitholders**
- **KKR product access**
- **Highly experienced KKR Credit team**

## RISKS

Key risks include:

- **Allocation risk** in relation to the Investment Strategy
- **Illiquid and long term investments** in relation to the Investment Strategy
- **Potential conflicts of interests of the Responsible Entity and the Manager and its affiliates**
- Entities within the “**Perpetual Group**” may also act in various capacities for other funds or accounts, which may conflict with the role the Responsible Entity plays with respect to the Trust.
- **Market and economic risks** in relation to an investment in the Trust
- **Currency risk** in relation to an investment in the Trust
- **Pricing risk** in relation to an investment in the Trust
- **Liquidity risk** relating to Units in the Trust in relation to an investment in the Trust
- **Operational risk** in relation to an investment in the Trust
- **High yield investments risk** in relation to debt investments
- **Credit risk** in relation to debt investments
- **Interest rate risk** in relation to debt investments
- **Bankruptcy risk** in relation to debt investments

If you are uncertain as to whether an investment in the Trust is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.

## About KKR

46

years of  
experience

US\$491

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

US\$178

billion credit assets  
under management

+660

KKR Investment  
Professionals

US\$25

billion invested  
alongside our clients

(1) Figures as of 30 June, 2022. 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.

## 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) and Target Market Determination (TMD) 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](http://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. Any term not defined in this update has the same meaning as defined in the PDS.

*Copyright © 2022 Seed Partnerships Pty Ltd, All rights reserved. ABN 32 606 230 639 AFSL 492973*

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](http://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](http://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](mailto: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