



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

18 February 2022

Dear KKC Investor,

This month in our KKC Manager Insights, we are pleased to share a video from Jeremiah Lane, a partner and portfolio manager within the KKR Credit team.

Jeremiah talks about KKC's portfolio performance through the recent period of credit market volatility, sparked by the US Federal Reserve signalling its intention to raise interest rates soon.



Jeremiah highlights three important points for investors:

1. The KKC portfolio is performing well

Firstly, the KKC portfolio is performing well through this period. There have been no new defaults and Net Tangible Assets has not been significantly affected, declining only 1%.

The change in the performance of the actual assets is relatively muted compared to the disappointing fall in the market driven unit price.

2. Volatility plays into KKC's strategy well

Secondly, the sources of the credit market volatility play into KKC's strategic portfolio construction. The areas of greatest stress in the market are areas where KKC doesn't invest heavily.

For example, BB rated credit opportunities have underperformed most of the market, due to their susceptibility to volatility. KKC has been deliberate in limiting its exposure to the BB part of the market, preferring single B and triple C opportunities.

Conversely, about half KKC's traded assets are loans which are up year to date because they have floating interest rates and earn more interest when the Federal Reserve interest rate is higher. This has helped to protect the portfolio.

3. KKC has a long-term track record of out-performance

Lastly, the KKR Opportunistic Credit strategy has a long-term track record of outperformance and remains highly differentiated. This is born out in comparisons of KKC's portfolio performance versus the relevant benchmarks (ICE BofA US High Yield Index and S&P LSTA Index) where we have outperformed in all the relevant periods: 1 month, 3 months, 6 months and 1 year.



Jeremiah Lane

Partner, Credit Investing Team, *San Francisco*

Jeremiah Lane, a partner and portfolio manager within the KKR Credit team, talks about the KKC portfolio's performance through the recent period of credit market volatility.

We will continue to progress the Opportunistic Credit strategy for KKC which is well positioned to withstand this current volatility. As planned, we will also continue to rotate out of US assets and into European private credit assets as we identify incremental private credit deals.

Watch the video, [here](#).

About KKR

+45

years of
experience

US\$471

billion total assets
under management¹

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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