

KKC Investment Update

7 July 2023

Dear KKC Investor,

We are pleased to share a video update from Jeremiah Lane, Partner, Credit at KKR. Jeremiah provides an overview of KKC's recent distribution and buyback announcement and gives a market and portfolio update.

Watch the full video [here](#), or read the summary below.

Key Changes to KKC Distribution & Buyback

KKC recently announced it would be increasing its target distribution in the fiscal year 2024 to 20c per annum per unit. This is a 52% increase from last year's distribution.

As at 31 May 2023, this represents an annualised distribution yield of:

- 8.6% based on NTA; or
- 10.8% based on unit price.

KKC has confidence the new distribution is sustainable based on the underlying portfolio's current yield of 10.2% and taking into consideration the fees and costs associated with KKC.

Other recent key news was the cessation of KKC's buyback program. This decision was taken as KKC believes the total return opportunity of portfolio assets is compelling and the increase in distributions payable to investors is a better use of income.

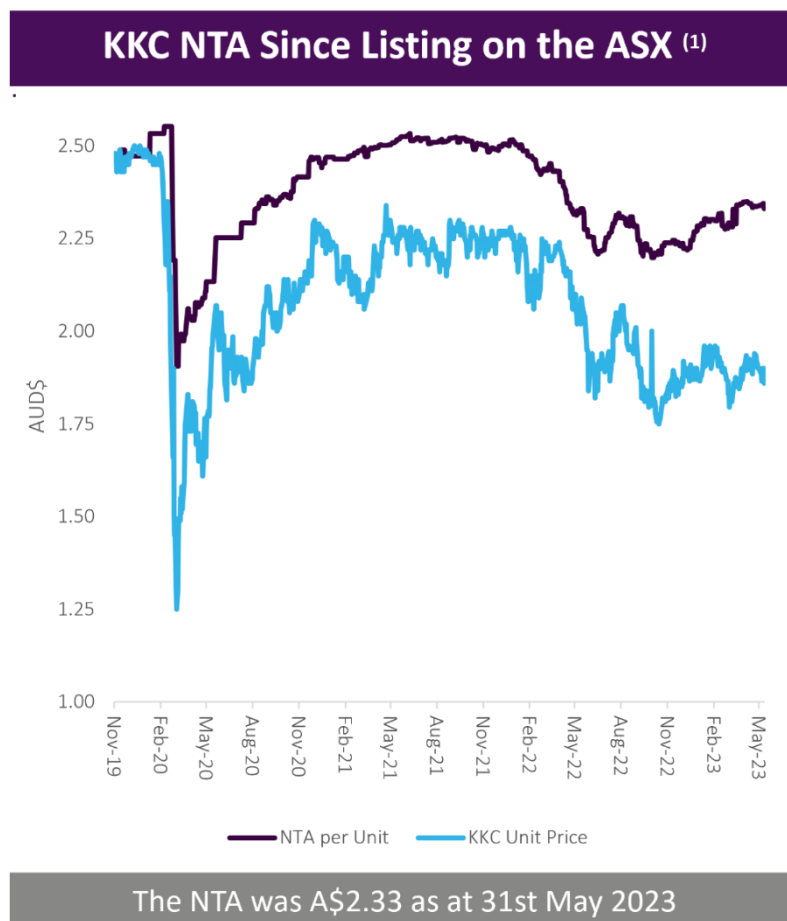
Under the buy back program, approximately AU\$100m of KKC units were repurchased

since IPO at a discount to the prevailing NTA. Whilst the buy back program is no longer in place, KKC is continuing to investigate other alternatives to reduce KKC's trading discount to NTA.

KKC Performance Update

KKC's performance has been strong this financial year. Using the NTA and distribution, its YTD performance has been 7.7% to end of May 2023.

We recognise that KKC's NTA has been volatile. KKC managed to recapture its original NTA during 2021, and although the market declined again in 2022, we have already begun the process of recapturing the NTA.



European Direct Lending Deployment

As a reminder, KKC began life fully invested in traded credit and has successfully executed its strategy to deploy funds into its European Direct Lending (EDL) strategy. Today, approximately 57% of the portfolio is in traded credit, with the remaining 43% deployed via the EDL strategy. While opportunities for private loans via EDL took longer

to deploy to, we have now achieved the allocation in line with the objectives we set when KKC was initially offered to investors in 2019.

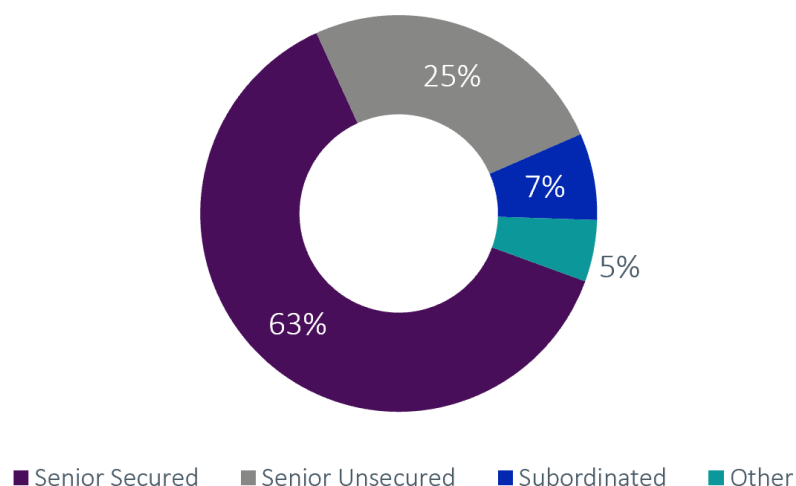
Portfolio Snapshot

The portfolio we've structured is also consistent with what we planned in terms of asset class, and geographic distribution and composition. KKC has exposure to unrated loans however it is important to note that whilst private debt investments are not typically rated by agencies such as Moody's and S&Ps these investments are high in the capital structure.

The portfolio has the capital structure exposure we planned, with about two thirds invested in senior secured credit. All KKC's private credit investments are senior secured and on the traded credits side, it's a mixture of senior secured and unsecured credit.

In general, we see a good opportunity for sustained appreciation in the portfolio to recover to par NTA or above over time. We have already seen a recovery from last year's disruption and expect more to come if we continue to be successful in allocating into strong credit investment opportunities.

Capital Structure Exposure²



Attractive Market Opportunity

We believe there is a very attractive market opportunity set right now and KKC is well

positioned to benefit from current market volatility. Yields for HY credit in US are at 8.5%. On a 10-year basis, only 10% of the days over last 10 years have you been more than 8.5% yield in HY assets. Most of those days were periods of significant disruption such as COVID.

On the bank loan side, where we have floating rate exposure, we also have a portfolio trading below par. Here, we can get 10.5% yield in bank loans. Again, over the last decade, there have only been 2% of days where the market has been at 10.5% yield or more.

It's this market opportunity that gives us conviction we can sustain a much higher distribution rate in FY24, as just announced.

(1) Source: KKR, Bloomberg, ASX as at 31 May 2023. Bloomberg and the ASX have not consented to the inclusion of this data in this document.

(2) Excludes cash and derivatives.

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

47	US\$510	US\$197	~720	US\$25
years of experience	billion total assets under management ¹	billion credit assets under management	KKR Investment Professionals	billion invested alongside our clients ²

(1) Figures as of 31 March, 2023. 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 or can be obtained by calling 1300-131-856 within Australia. None of KKR, its affiliates or its related corporate bodies, 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

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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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