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KKR

CREDIT INCOME FUND

KKC Investment Update

11 March 2025

Dear KKC Investor,

In this month's Manager insights, we are pleased to share KKR's Credit & Markets Outlook report for 2025, read the full report here: [**KKR Credit & Markets Outlook Report for 2025**](#).

Additionally, we've provided commentary below on KKR's Global Credit Opportunities Fund (GCOF) and highlight the key drivers for returns in 2024. Currently, KKC's portfolio is 58% invested in GCOF.

GCOF AUD Fund Performance

In 2024, we saw strong credit markets against a backdrop of sound corporate fundamentals, historic levels of demand that outweighed ample supply, and a more accommodating Federal Reserve. Additionally, the market provided ample opportunities for multi-asset managers focused on capturing relative value across the debt spectrum, driven by high levels of dispersion driven by both technical conditions (e.g. CLOs derisking loans during resets) as well as idiosyncratic credit stories.

What drove GCOF performance in 2024?

Carry over Convexity:

- From an asset allocation perspective, we were overweight floating rate instruments because of their ability to generate stable, high levels of current income as a result of elevated base rates amid economic uncertainty.

Credit Selections in Specific Sectors:

- We invested in telecommunication companies who had specific exposure to building infrastructure to serve AI, but we were careful in our credit selection as this trend did not benefit all players equally. Notable Issuers were Level 3 Financing & Zayo Group
- Following our rolling recession thematic, Healthcare was able to have a strong recovery this year as the sector worked through labor wage pressures. Notable Issuers were Drive Devilbiss Healthcare & Lifepoint Hospitals.
- As a continuation of our late COVID-19 recovery thematic, we are still seeing consumer demand for experiences coming out of COVID era shutdowns. Notable Issuers were Carnival, NCL & Merlin Entertainment

Short Maturity and Event Driven Positions (GCOF):

- We took high concentration, high conviction bets on select issuers with near term maturities that were likely to be refinanced. Many of these positions played out and we received capital back at par and played in the issuers' new issuance. Notable issuers were Varsity Brands, SRS Distribution, Yak Access.

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

48	US\$624	US\$242	~700	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 30 September, 2024. 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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General

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