

# KKR Credit Income Fund (ASX:KCC)

Monthly Investment Update: As of 31 October 2020



<b>Net Tangible Assets (NTA)</b>	A\$870,660,178	<b>NTA Per Unit</b>	A\$2.36
<b>Unit Pricing</b>	Monthly	<b>ASX Unit Price</b>	A\$2.14

## FUND PERFORMANCE

As of 31 October 2020	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	Inception*
<b>Net Return Based on NTA (%)</b>	+1.38%	+2.96%	+14.75%	-5.87%	-	-	<b>-5.87%</b>
<b>Distribution (%)<sup>(1)</sup></b>	+0.00%	+1.07%	+2.21%	+2.42%	-	-	<b>+2.42%</b>
<b>Total Net Return</b>	+1.38%	+4.03%	+16.96%	-3.45%			<b>-3.45%</b>
<b>Distribution (A\$/Unit)</b>	0.0000	0.0250	0.0500	0.0553	-	-	<b>0.0553</b>

\* Inception of KCC was 21<sup>st</sup> November 2019

Month-end Net Return Based on NTA (%)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
<b>2020 Financial Year</b>					-0.42%	-0.65%	+2.43%	+0.75%	-21.93%	+2.90%	+6.82%	+1.99%	<b>-10.64%</b>
<b>2021 Financial Year</b>	+2.31%	+1.43%	+0.12%	+1.38%									<b>+5.33%</b>

Past performance is not indicative of future performance and the portfolio characteristics are subject to change.

## MONTHLY UPDATE

For the month of October 2020, the KKR Credit Income Fund (“KCC” or the “Trust”) recorded a month-end NTA return of +1.38%.

The performance of KKR’s European Direct Lending Fund (“EDL”) is included in KCC’s NTA. It has contributed a positive ~68bps to date. As EDL comprises illiquid direct lending assets, these assets (and therefore the EDL fund) are priced on a quarterly basis and the updated EDL performance metrics will be reflected in KCC’s final NTA each quarter. As a reminder, KCC represents ~21% of the buying power of the EDL fund.

US high yield bonds (“HYBs”) reported a positive return of +0.51% for October whereas US senior loans had a positive return of +0.18%<sup>2</sup>. The highest performing sectors in the HYB market were Transportation (+2.6%), Media (+2.0%) and Metals/Mining (+1.7%). In October, markets closed on a positive but cautious note ahead of the US elections in the first week of November.

US HYB mutual funds reported net inflows in October, following net outflows in September. Specifically, HY funds reported a USD\$3.9bn (A\$5.3bn) net inflow during the month<sup>2</sup>. Fund flows are an important metric to track as this creates demand for assets, impacting prices in the market.

It is worth noting that as EDL will account for a growing portion of KCC’s NTA performance each quarter as KCC matures, using the US public credit markets as a proxy for performance will become less relevant, although still a useful data point.

The Yield to Maturity for the underlying assets in KCC (which is inversely impacted by an increase in price), stood at 9.7% as of October month-end<sup>3</sup>. The current yield of the underlying assets in the portfolio was 7.0% as at month end<sup>4</sup>.

Some month to month changes in the underlying portfolio are described below. All these movements reference the portfolio change between 30 September 2020 and 31 October 2020:<sup>4</sup>

- the number of issuers in the portfolio increased slightly from 203 to 208;
- the concentration of the top 10 holdings increased from 24.1% to 25.2% as KKR added more to two of the top 5 positions;
- Industrials and Consumer Discretionary remain the two largest sectors at 28% and 24% respectively;
- With the introduction of EDL assets (which are primarily not rated), the ratings split has shifted; 34% of assets are rated B, 36% rated CCC and 17% of the portfolio is Not Rated<sup>5</sup>; and
- KCC’s exposure to senior assets currently stands at 92%.

There were no new deals in EDL during the month. EDL is ~34% net deployed across 17 privately originated assets. EDL did not sell or have any assets repaid during the month.

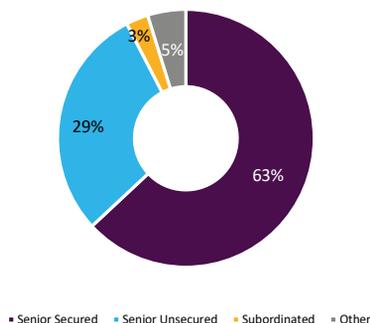
# KKR Credit Income Fund (ASX:KKC)

## Monthly Investment Update: As of 31 October 2020

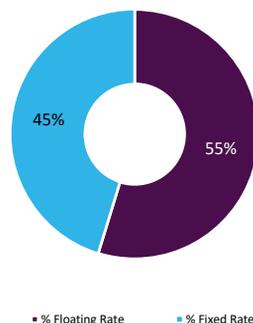


### PORTFOLIO CONSTRUCTION<sup>(4)</sup>

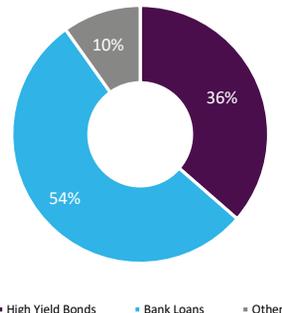
#### SENIOR vs. SUBORDINATED



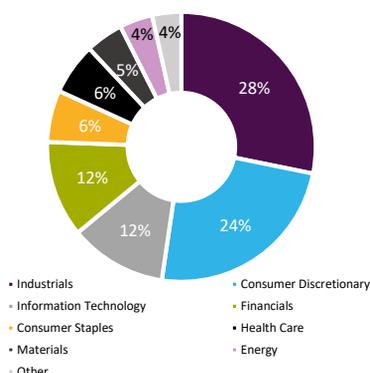
#### FLOATING vs. FIXED



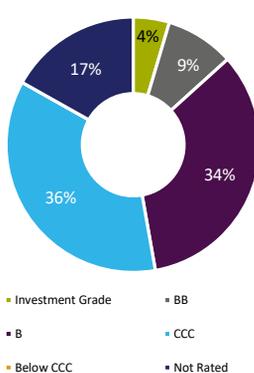
#### ASSET TYPE DIVERSIFICATION



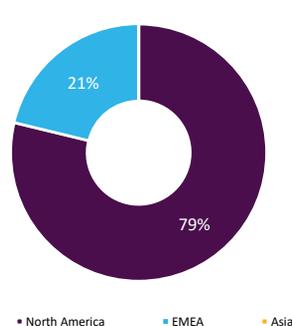
#### SECTOR DIVERSIFICATION



#### RATING DIVERSIFICATION<sup>(5)</sup>



#### GEOGRAPHIC DIVERSIFICATION



### OTHER PORTFOLIO DETAILS<sup>(4)</sup>

Number of Issuers <sup>(4)</sup>	Asset Mix	Yield-to-Maturity on Underlying Assets	Portfolio Interest Rate Duration	Average Price	Current Yield
208	87% Traded Credit / 13% EDL	9.7%	1.5	95.5	7.0%

### TOP 100 ISSUER SUMMARY: % OF PORTFOLIO

Top 10	Top 20	Top 25	Top 50	Top 100
25.2%	40.3%	46.7%	70.6%	99.6%

### TOP 10 HOLDINGS

Holding	Weight	Asset Type	Sector	Fixed/Floating	Security	Seniority	Country	Currency
1	3.4%	Loan	Industrials	Floating	Senior Secured	First Lien	United States	USD
2	3.3%	Bond	Consumer Discretionary	Fixed	Senior Secured	First Lien	United States	USD
3	3.1%	Bond	Industrials	Fixed	Senior Unsecured	Unsecured	United States	USD
4	3.0%	Bond	Information Technology	Fixed	Senior Unsecured	Unsecured	United States	USD
5	2.5%	Bond	Consumer Staples	Fixed	Senior Unsecured	Unsecured	United States	USD
6	2.4%	Loan	Information Technology	Floating	Senior Secured	First Lien	United States	USD
7	2.0%	Bond	Industrials	Fixed	Senior Secured	First Lien	United States	USD
8	1.9%	Loan	Consumer Discretionary	Floating	Senior Secured	First Lien	Poland	EUR
9	1.8%	Bond	Consumer Discretionary	Floating	Senior Secured	First Lien	United States	USD
10	1.7%	Bond	Consumer Discretionary	Fixed	Senior Unsecured	Unsecured	United States	USD
<b>25.2%</b>								

This investment update and the statistics surrounding the top 10 holdings in the KKR Credit Income Fund is provided solely for informational purposes. The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons.

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 October 2020



## KKC OVERVIEW

The Trust aims to provide investors with attractive, risk-adjusted returns and access to a diversified portfolio of income generating alternative credit investments through the Trust's investment across investment funds managed by the credit investment teams of Kohlberg Kravis Roberts & Co. L.P. ("KKR").

These funds initially comprise the Global Credit Opportunities Fund and the European Direct Lending Fund, which seek to take advantage of the attractive opportunities that KKR sees in the market. The Trust's investment objective is to provide an income stream as well as to achieve attractive long-term capital appreciation over a full market cycle.

The Trust seeks to deliver investors with a distribution yield of 4% - 6% per annum<sup>(6)</sup>, paid quarterly in arrears, and a medium-term average total return of 6% - 8% per annum<sup>(7)</sup>.

## KKR OVERVIEW

Established in 1976, KKR is a leading global investment firm with industry-leading investment experience, in-depth industry knowledge, sophisticated processes for growing and improving businesses, and a strong culture committed to teamwork.

As of 30 September 2020, KKR had A\$321.5 billion of assets under management, of which A\$103 billion sits within KKR Credit.<sup>(8)</sup>

KKR has a global presence with offices in 20 cities across 4 continents, including Sydney, Australia.

## KEY TRUST INFORMATION AS AT 31 OCTOBER 2020

<b>Trust Name</b>	KKR Credit Income Fund (ARSN 634 082 107)
<b>ASX Code</b>	KKC
<b>ASX Listing</b>	21 November 2019
<b>Market Capitalisation</b>	A\$789.2 million
<b>Units On Issue</b>	368,792,808
<b>Investment Manager</b>	KKR Australia Investment Management Pty Ltd (ABN 42 146 164 454)
<b>Responsible Entity</b>	The Trust Company (RE Services) Limited (ABN 45 003 278 831)
<b>Management Fee</b>	0.88% per annum of the NTA, plus net GST of 0.022% per annum of the NTA <sup>(9)</sup>
<b>Performance Fee</b>	Up to 5.125% of the net annualised return (inclusive of net GST, less RTIC), multiplied by the 'Adjusted NAV' with a hurdle of RBA cash rate plus 4.00% and subject to a high water mark <sup>(10)</sup>
<b>Asset Class</b>	Fixed Income, AUD Hedged

## CONTACT INFORMATION

### BOARDROOM

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### KKR CREDIT INCOME TRUST

www.kkcaustralia.com.au

## RESEARCH

BondAdviser

Independent  
Investment Research

Zenith  
Investment Partners

# KKR Credit Income Fund (ASX:KCC)

## Monthly Investment Update: As of 31 October 2020



### FOOTNOTES

- (1) Distribution % calculated as the distribution per unit divided by the closing NTA of the previous month. The multi period calculations sum the dividend yields received and does not compound them.
- (2) Source: JP Morgan as of 31 October 2020. JP Morgan has not consented to the inclusion of this statement in this document.
- (3) This yield represents the views of KKR Credit as of 31 October 2020 regarding the likely current yields of investments in GCOF and EDL over a full market cycle and is subject to change. There is no guarantee that the assumptions upon which estimated current yields are based will materialise as anticipated. This YTM is inclusive of cash balances.
- (4) Based on look through to KCC's underlying funds. Represents GCOF and EDL assets as of 31 October 2020.
- (5) Source: KKR as of 31 October 2020. 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.
- (6) Net of fees and expenses incurred by the Trust, but before tax, paid quarterly. The target distribution is only a target and may not be achieved.
- (7) Target medium-term average total return net of fees and expenses incurred by the Trust, before tax. The distribution yield over a given period may be lower than the total return in this period to the extent that the total return includes unrealised gains. Investors should review the Risk summary set out in Section 1 and Section 8 of the PDS for important information regarding Target Total Returns and the Trust's ability to achieve them. Past performance is not indicative of future results.
- (8) The KKR Credit group is comprised of KKR Credit Advisors (US) LLC, KKR Alternative Investment Management and KKR Credit Advisors (EMEA) LLP. AUM is updated quarterly in line with KKR's public filings.
- (9) This is a summary only – see section 9 of the PDS for more detail.

### Important Information

#### GENERAL

This information has been prepared by KKR Australia Investment Management Pty Ltd ABN 42 146 164 454, AFSL 420 085 (“KKR” or “The Manager”) and issued by The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235150 (“TTCRESL”). TTCRESL is the responsible entity and issuer of the KKR Credit Income Fund ARSN 634 082 107 (“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](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 Document

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.