

KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 May 2020



Net Tangible Assets (NTA)	A\$810,462,133	NTA Per Unit	A\$2.19
Unit Pricing	Monthly	ASX Unit Price	A\$1.85

FUND PERFORMANCE

As of 31 May 2020	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	Inception
Net Return Based on NTA (%)	+6.82%	-14.19%	-12.02%	-	-	-	-12.38%
Distribution (%)⁽¹⁾	0.00%	0.21%	0.21%	-	-	-	+0.21%
Total Net Return	+6.82%	-13.98%	-11.81%				-12.18%
Distribution (A\$/Unit)	0.0000	0.0053	0.0053	-	-	-	0.0053

As of 31 May 2020	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	FYTD
Net Return Based on NTA (%)	-0.42%	-0.65%	+2.43%	+0.75%	-21.93%	+2.90%	+6.82%		-12.38%

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

MONTHLY UPDATE

For the month of May 2020, the KKR Credit Income Fund (“KKC or the Trust”) recorded a positive NTA return of +6.82%.

May was a positive month across US credit markets as US High Yield Bonds returned +4.6% and US loans were up +3.8% for the month². To note, the CCC rated assets in the market outperformed their BB and B rated counterparts and returned +5.8% and +5.2% for bonds and loans respectively^{2,4}.

Prices of assets surged despite the continued significant uncertainty related to the speed of economic recovery from the virus impact as well as a protest movement that swept the U.S. to a degree not seen in generations. The positive performance was instead buoyed by news of increased U.S. payroll figures and unemployment falling to ~13.3% (down from ~14.7% the previous month)². Many U.S. states reopened in mid-May, and some economists had been predicting the unemployment rate might hit 20%, but they seemed to underestimate the effect of the economy’s reopening, as well as programmes such as the Paycheck Protection Program, which steered USD\$660 billion in loans to medium and small businesses with incentives for rehiring employees.

The average price of the portfolio has increased to 90.3%, up from 85.6% as of the end of April. The Yield to Maturity for the underlying assets in KKC (which is inversely effected by increase in price), stood at 12.3% as of 31 May³.

Some month to month changes in the portfolio are described below. All these movements reference the portfolio change between 30 April 2020 and 31 May 2020:⁵

- the number of issuers in the portfolio reduced slightly from 175 to 173;
- the concentration of the top 10 holdings decreased slightly from 26.8% to 26.1%;
- Consumer Discretionary is now the largest sector at 23%, followed by Industrials at 22% and IT at 19%;
- KKC’s holdings in CCC rated assets⁴ decreased from 40% to 37%; and
- KKC’s exposure to senior assets remains broadly flat at ~92%.

The European Direct Lending Fund did not make any new investments during May 2020 not did it sell or have any assets repaid.

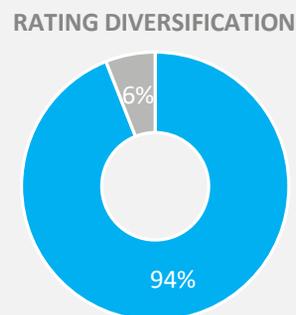
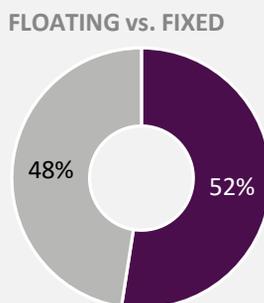
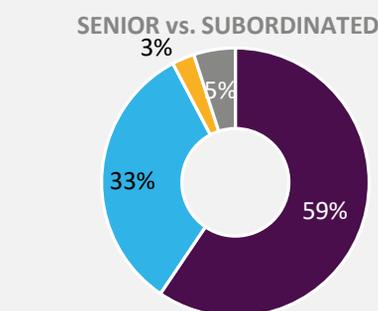
Buy-back: On 1 June 2020, an announcement was made by the Responsible Entity that it intends to undertake an on-market buy-back of KKC units. Commencing on 16 June 2020, the Responsible Entity has approval to buy-back up to 10% of the issued units in KKC, until 13 November 2020. This announcement can be viewed here on the ASX website: https://www.asx.com.au/asxpdf/20200601/pdf/44j8v08hv9z_bmh.pdf

KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 May 2020



PORTFOLIO CONSTRUCTION⁽⁵⁾

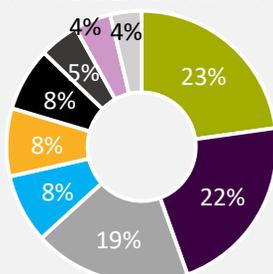


■ Senior Secured ■ Senior Unsecured ■ Subordinated ■ Other

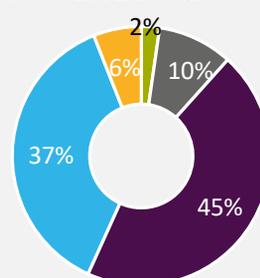
■ % Floating Rate ■ % Fixed Rate

■ North America ■ EMEA

SECTOR DIVERSIFICATION



RATING DIVERSIFICATION⁽⁴⁾



■ Consumer Discretionary ■ Industrials ■ Information Technology
 ■ Materials ■ Health Care ■ Consumer Staples
 ■ Energy ■ Financials ■ Communication Services

■ Investment Grade ■ BB ■ B ■ CCC and below ■ Not Rated

OTHER PORTFOLIO DETAILS⁽⁵⁾

Number of Issuers ⁽⁵⁾	Asset Mix	Yield-to-Maturity on Underlying Assets	Portfolio Duration	Average Price
173	100% Traded Credit*	12.3%	1.7	90.3

TOP 10 ISSUER SUMMARY: % OF PORTFOLIO

Top 10	Top 20	Top 25	Top 50	Top 100
26.1%	40.9%	47.2%	69.4%	91.3%

TOP 10 HOLDINGS

Holding	Weight	Asset Type	Sector	Fixed/Floating	Security	Seniority	Country	Currency
1	4.4%	Bond	Information Technology	Fixed	Senior Unsecured	Unsecured	United States	USD
2	3.3%	Loan	Materials	Floating	Senior Secured	First Lien	United States	USD
3	3.0%	Bond	Consumer Discretionary	Fixed	Senior Secured	First Lien	United States	USD
4	2.7%	Bond	Information Technology	Fixed	Senior Unsecured	Unsecured	United States	USD
5	2.7%	Loan	Consumer Staples	Floating	Senior Secured	First Lien	United States	USD
6	2.2%	Loan	Information Technology	Floating	Senior Secured	First Lien	United States	USD
7	2.2%	Bond	Industrials	Fixed	Senior Secured	First Lien	United States	USD
8	2.1%	Bond	Industrials	Fixed	Senior Unsecured	Unsecured	United States	USD
9	1.8%	Bond	Consumer Discretionary	Fixed	Senior Unsecured	Unsecured	United States	USD
10	1.7%	Bond	Consumer Discretionary	Fixed	Senior Secured	First Lien	Luxembourg	EUR
26.1%								

*As noted above, KKR has exposure (on a committed basis) to EDL. This excludes the ~A\$117 currently invested by KKR Lending Partners Europe II (Euro) Unlevered SCSP on behalf of KKR into EDL assets. Including this, the split is ~85% Traded Credit/15% Private Credit.

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 May 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⁽⁶⁾, paid quarterly in arrears, and a medium-term average total return of 6% - 8% per annum⁽⁷⁾.

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 31 March 2020, KKR had A\$336.5 billion of assets under management, of which A\$110.5 billion sits within KKR Credit.⁽⁸⁾
- KKR has a global presence with offices in 20 cities across 4 continents, including Sydney, Australia.

KEY TRUST INFORMATION AS AT 31 MAY 2020

Trust Name	KKR Credit Income Fund (ARSN 634 082 107)
ASX Code	KKC
ASX Listing	21 November 2019
Market Capitalisation	A\$684.5 million
Units on Issue	370,000,000
Investment Manager	KKR Australia Investment Management Pty Ltd (ABN 42 146 164 454)
Responsible Entity	The Trust Company (RE Services) Limited (ABN 45 003 278 831)
Management Fee	0.88% per annum of the NTA, plus net GST of 0.022% per annum of the NTA ⁽⁹⁾
Performance Fee	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 ⁽¹²⁾
Asset Class	Fixed Income, AUD Hedged

CONTACT INFORMATION

BOARDROOM

1300-131-856 (Australia)
 +612-9290-9688 (outside Australia)
www.boardroomlimited.com.au
enquiries@boardroomlimited.com.au

KKR CREDIT INCOME TRUST

www.kkcaustralia.com.au

RESEARCH



KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 May 2020



FOOTNOTES

- (1) Distribution % calculated as the distribution per unit divided by the closing NTA of the previous month.
- (2) Source: Bloomberg as of 31 May 2020. Bloomberg has not consented to the inclusion of this statement in this document.
- (3) This yield represents the views of KKR Credit as of 31 May 2020 regarding the likely current yields of investments in GCOF 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) Source: KKR as of 30 May 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.
- (5) Based on look through to KKC's underlying funds. Represents GCOF assets as of 31 May 2020.
- (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 (US) 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") 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 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.

For more information please refer to www.kkcaustralia.com.au