

# **KKR Credit Income Fund**

ARSN 634 082 107

## **Appendix 4D**

**Interim report**

**For the half-year ended 31 December 2021**

### Details of Reporting Period

This interim report is for the half-year ended 31 December 2021.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of KKR Credit Income Fund (the "Fund") announce the reviewed results of the Fund for the half-year ended 31 December 2021 as follows:

Results for announcement to the market	Half-year ended		Decrease over corresponding period	
	31 December 2021	31 December 2020		
	\$'000	\$'000	\$'000	%
Total investment income	21,176	106,487	(85,311)	(80.11)
Operating profit	15,736	97,178	(81,442)	(83.81)

### Brief explanation of results

Total investment income for the half-year ended 31 December 2021 of \$21.2 million was comprised primarily of interest income of \$50.2 million, net unrealised losses on investments of \$18.9 million, \$0.2 million in realised losses on currency, net realised losses on forward currency contracts of \$7.5 million, and realised losses on investments of \$2.4 million.

### Distribution information

The distributions for the period were as follows:

	Half-year ended			
	31 December 2021		31 December 2020	
	\$'000	CPU*	\$'000	CPU*
Distribution paid - 31 July	3,600	1.00	-	-
Distribution paid - 31 August	3,600	1.00	-	-
Distribution paid - 30 September	3,599	1.00	9,220	2.50
Distribution paid - 31 October	3,578	1.00	-	-
Distribution paid - 30 November	3,550	1.00	-	-
Distribution payable - 31 December	<u>3,530</u>	1.00	<u>9,220</u>	2.50
<b>Total distributions</b>	<b><u>21,457</u></b>		<b><u>18,440</u></b>	

\* Distribution is expressed as cents per unit in Australian Dollars.

Distributions declared during the period ended 31 December 2020 represented a return of capital to unitholders.

### Distribution Reinvestment Plan

The Responsible Entity has established a Distribution Reinvestment Plan ("DRP") in relation to distributions. The Responsible Entity has made distributions on a monthly basis through the half-year ended 31 December 2021. For such distributions, it is expected the record date will be the last ASX trading day of each month and the last day for electing into the DRP will be 5.00pm (Sydney time) on the first business day after the record date.

Units under the DRP are currently issued at the net asset value of a unit as determined in accordance with the Fund's constitution on the record date.

The DRP was suspended for the distributions declared during the half-years ended 31 December 2021 and 2020 until further notice.

### Net tangible assets

	As at	
	31 December 2021	31 December 2020
Net tangible assets per unit	\$ 2.5064	\$ 2.4515

### Control gained or lost over entities during the period

There was no gain or loss of control of entities during the current period.

**Details of associates and joint venture entities**

The Fund did not have any interest in associates and joint venture entities during the current period.

**Other Information**

The Fund is not a foreign entity.

**Independent review report**

This Appendix 4D is based on the half-year end financial statements which have been reviewed by the Fund's Auditors – Deloitte Touche Tohmatsu.

# KKR Credit Income Fund

ARSN 634 082 107

## Interim report

### For the half-year ended 31 December 2021

#### Table of contents

	<b>Page</b>
Directors' report	1
Auditor's Independence Declaration	5
Condensed statement of profit or loss and other comprehensive income	6
Condensed statement of financial position	7
Condensed statement of changes in equity	8
Condensed statement of cash flows	9
Notes to the interim financial statements	10
Directors' declaration	17
Independent auditor's report to the unitholders of KKR Credit Income Fund	18

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this interim report is to be read in conjunction with any public announcements made in respect of KKR Credit Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers KKR Credit Income Fund as an individual entity. The Responsible Entity of KKR Credit Income Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18 Angel Place  
123 Pitt Street  
Sydney NSW 2000.

## Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 23150) is the responsible entity (the "Responsible Entity") of KKR Credit Income Fund (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the half-year ended 31 December 2021.

### Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund's investment objective is to provide unitholders with an income stream as well as to achieve attractive long-term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified (by number of investments and across geographies and asset classes). These assets will typically have a high income component. As set out in the Fund's product disclosure statement dated 19 September 2019 (as amended by the supplementary product disclosure statement dated 9 October 2019) (the "PDS"), the Fund seeks to achieve this objective by investing directly or indirectly in KKR Global Credit Opportunities Master Fund L.P. ("GCOF") and KKR Lending Partners Europe II (Euro) Unlevered SCSp ("EDL Euro Fund"), collectively referred to as the KKR Managed Funds.

As set out in the PDS, the Fund gained its exposure to GCOF by investing in a profit participating note (the "Access Fund PPN") issued by KKR Global Credit Opportunities Access Fund L.P. (the "Access Fund"). The Access Fund invests in loans and bonds through its ownership in KKR GCOF Access Fund Funding L.P., and invests in credit assets and certain other assets through its ownership in KKR GCOF Access Fund Holding L.P.

As at 31 December 2021, the Fund's investments are in the Access Fund and the EDL Euro Fund. For more information on the Access Fund and the EDL Euro Fund, refer to the most recent audited financial statements that have been lodged with the Australian Securities Exchange ("ASX") in accordance with ASX listing rules 4.8 and 4.9.

The Fund was constituted on 12 June 2019 and commenced operations on 15 November 2019.

There were no significant changes in the nature of the Fund's activities during the half-year.

The Fund is currently listed on the ASX under the code KKC.

The Fund did not have any employees during the half-year.

### Directors

The Directors of the Responsible Entity during the period and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

#### Name

Glenn Foster

Simone Mosse

Vicki Riggio

Phillip Blackmore    Alternate Director for Vicki Riggio

Richard McCarthy    Resigned as Director on 1 February 2022

### Units on issue

Units on issue in the Fund at half-year end are set out below:

	<b>As at</b>	
	<b>31 December 2021</b>	<b>30 June 2021</b>
	<b>No.</b>	<b>No.</b>
Units on issue	<b>352,848,832</b>	<b>359,975,286</b>

### Review and results of operations

During the half-year, the Fund invested in accordance with investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

## Directors' report (continued)

### Results

The performance of the Fund, as represented by the results of its operations, were as follows;

	Half-year ended	
	31 December 2021	31 December 2020
Operating profit (\$'000)	<u>15,736</u>	<u>97,178</u>
Distributions paid and payable (\$'000)	<u>21,457</u>	<u>18,440</u>
Distributions (cents per unit)	<u>6.00</u>	<u>5.00</u>

### Financial Position

As at 31 December 2021, the Fund's total assets amounted to \$930.6 million (30 June 2021: \$953.5 million).

Net Tangible Assets ("NTA") per unit as disclosed to the ASX were as follows:

	As at	
	31 December 2021	30 June 2021
At reporting period *	\$ 2.5064	\$ 2.5160

\* The above NTA per unit was the ex-price which includes 1.00 cent per unit distribution (2021: 2.50 cents per unit).

### COVID-19

The novel strain of coronavirus ("COVID-19") has caused, and continues to cause, severe disruptions to global economies. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on global economies, contributing to significant volatility in the financial markets, resulting in increased volatility in equity prices and lower interest rates, and causing furloughs and layoffs in the labour market. Although a number of vaccines for COVID-19 have been developed and deployed, the timing for widespread vaccination and immunity is uncertain, and these vaccines may be less effective against any new mutated strains of the virus that have started to spread globally.

Given the ongoing nature of the pandemic, at this time management cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on the Fund's business, financial performance and operating results. Management believes COVID-19's adverse impact on the Fund's business, financial performance and operating results will be significantly driven by a number of factors that management is unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on global economies; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability and distribution of treatments and vaccines for COVID-19; and the negative impact on our fund investors, vendors and other business partners that may indirectly adversely affect the Fund.

### Significant changes in state of affairs

As at 31 December 2021, the Fund has invested \$158.2 million (€101.1 million) of a total commitment to invest \$366.0 million (€234.0 million) into the EDL Euro Fund. In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the half-year.

### Matters subsequent to the end of the financial period

At the date of signing, the future impacts of COVID-19 on global and domestic economies, investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 1 February 2022, Richard McCarthy resigned as a director.

## **Directors' report (continued)**

### **Matters subsequent to the end of the financial period (continued)**

During January 2022, the EDL Euro Fund issued a capital call notice to the Fund in the amount of €30.4 million. The Fund redeemed \$53.2 million (US Dollars) of its investment in the Access Fund PPN and funded the capital call on in February 2022.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

### **Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

### **Indemnification and insurance of officers and auditors**

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act, 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### **Units in the Fund**

The movement in units on issue in the Fund during the half-year is disclosed in Note 4 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the Condensed Statement of Financial Position at fair value.

### **Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### **Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

## **Directors' report (continued)**

### **Auditor's independence declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director \_\_\_\_\_

The Trust Company (RE Services) Limited

Sydney

28 February 2022



The Board of Directors  
The Trust Company (RE Services) Limited  
As the Responsible Entity of KKR Credit Income Fund  
Level 18, 123 Pitt Street  
Sydney NSW 2000

28 February 2022

Dear Board Members,

## KKR Credit Income Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of The Trust Company (RE Services) Limited as the Responsible Entity of KKR Credit Income Fund.


As lead audit partner for the review of the half-year financial report of KKR Credit Income Fund for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully,



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants

**KKR Credit Income Fund**  
**Condensed statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**

**Condensed Statement of Profit or Loss and Other Comprehensive Income**

		Half-year ended	
		31 December 2021	31 December 2020
	Notes	\$'000	\$'000
<b>Investment income</b>			
Investment income from financial assets at fair value through profit or loss ("FVTPL")		50,250	19,686
Net unrealised/realised (losses)/gains on financial assets and liabilities at FVTPL		<u>(29,074)</u>	<u>86,801</u>
<b>Total investment income</b>		<u>21,176</u>	<u>106,487</u>
<b>Expenses</b>			
Management fees	8	4,137	3,896
Insurance expense		391	298
Custody and administration fees		159	201
Responsible Entity fees	8	126	120
Remuneration to auditors		109	235
Legal expenses		90	1,189
Borrowing facility costs		-	2,834
Performance fees	8	-	452
Other expenses		<u>428</u>	<u>84</u>
<b>Total expenses</b>		<u>5,440</u>	<u>9,309</u>
<b>Operating profit</b>		<u>15,736</u>	<u>97,178</u>
<b>Profit</b>		15,736	97,178
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>15,736</u>	<u>97,178</u>
<b>Earnings per unit for profit attributable to unitholders of the Fund</b>			
Basic and diluted earnings per unit in cents	6	4.40	26.34

*The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

## Condensed Statement of Financial Position

		As at	
		31 December 2021	30 June 2021
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		11,831	4,178
GST receivable		21	248
Prepaid insurance		829	290
Financial assets at FVTPL	3	<u>917,893</u>	<u>948,824</u>
<b>Total assets</b>		<u><b>930,574</b></u>	<u><b>953,540</b></u>
<b>Liabilities</b>			
Management fees payable	8	3,386	674
Responsible Entity fees payable	8	124	65
Custody and administration fees payable		73	116
Distributions payable	5	3,530	9,010
Unit buyback payable		533	968
Performance fees payable	8	-	2,714
Other payables		222	334
Financial liabilities at FVTPL	3	<u>38,873</u>	<u>33,978</u>
<b>Total liabilities</b>		<u><b>46,741</b></u>	<u><b>47,859</b></u>
<b>Net assets attributable to unitholders - equity</b>	4	<u><b>883,833</b></u>	<u><b>905,681</b></u>

*The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.*

**KKR Credit Income Fund**  
**Condensed statement of changes in equity**  
**For the half-year ended 31 December 2021**

**Condensed Statement of Changes in Equity**

	Notes	Half-year ended	
		31 December 2021 \$'000	31 December 2020 \$'000
<b>Total equity at the beginning of the half-year</b>		<b>905,681</b>	826,349
<b>Comprehensive income</b>			
Profit for the half-year		<u>15,736</u>	<u>97,178</u>
<b>Total comprehensive income</b>		<u>15,736</u>	<u>97,178</u>
<b>Transactions with unitholders</b>			
Unit buyback	4	(16,127)	(997)
Distributions paid and payable	5	<u>(21,457)</u>	<u>(18,440)</u>
<b>Total transactions with unitholders</b>		<u>(37,584)</u>	<u>(19,437)</u>
<b>Total equity at the end of the half-year</b>		<u><u>883,833</u></u>	<u><u>904,090</u></u>

*The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## Condensed Statement of Cash Flows

		Half-year ended	
		31 December 2021	31 December 2020
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Investment income received		50,250	19,686
Proceeds from sale of financial instruments at FVTPL		24,799	30,497
Purchase of financial instruments at FVTPL		(17,785)	(62,478)
Performance fees paid		(2,714)	-
Other expenses paid		(1,711)	(8,361)
Management fees paid		(1,425)	(5,003)
Other income received		-	245
<b>Net cash inflow/(outflow) from operating activities</b>		<u>51,414</u>	<u>(25,414)</u>
<b>Cash flows from financing activities</b>			
Distributions paid	5	(26,937)	(18,455)
Payments on unit buyback	4	(16,562)	(1,220)
Proceeds from draw down on borrowing facility		-	62,646
<b>Net cash (outflow)/inflow from financing activities</b>		<u>(43,499)</u>	<u>42,971</u>
<b>Net increase in cash and cash equivalents</b>		<b>7,915</b>	<b>17,557</b>
Cash and cash equivalents at the beginning of the half-year		4,178	14,691
Effects of foreign currency exchange rate changes on cash and cash equivalents		(262)	3,174
<b>Cash and cash equivalents at the end of the half-year</b>		<u><b>11,831</b></u>	<u><b>35,422</b></u>
Supplemental disclosure of cash flow information and non-cash financing activities:			
Draw down on borrowing facility for payment of unused commitment fees		-	1,729
Draw down on borrowing facility for payment of interest expense		-	693

*The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## **Notes to the interim financial statements**

### **Contents**

- 1 General information
- 2 Basis of preparation and accounting policies
- 3 Fair value measurement
- 4 Net assets attributable to unitholders
- 5 Distributions to unitholders
- 6 Earnings per unit
- 7 Borrowing facility
- 8 Related party transactions
- 9 Events occurring after the reporting period
- 10 Contingent assets and liabilities and commitments

## 1 General information

These interim financial statements cover KKR Credit Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on 12 June 2019, registered with the Australian Securities and Investment Commission on 19 September 2019, and commenced operation on 15 November 2019. The Fund will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Fund was listed on the Australian Securities Exchange on 19 November 2019 and is quoted under ticker code: KKC.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of the Fund. The Responsible Entity has contracted services to KKR Australian Investment Management Pty Ltd (ABN 42 146 164 454) (the "Investment Manager"). The Investment Manager is an affiliate of Kohlberg Kravis Roberts & Co. L.P., a global alternative asset manager (together with its affiliates as applicable, "KKR"). The contracts are on normal commercial terms and conditions.

The investment objective is to provide unitholders with an income stream as well as to achieve attractive long term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by a number of investments and across geographies and asset classes.

The Fund invests in income generating alternative credit investments managed by KKR's credit investment teams in accordance with the product disclosure statement and the provisions of the Fund's Constitution. As at 31 December 2021, the Fund has invested in a profit participating note (the "Access Fund PPN") issued by KKR Global Credit Opportunities Access Fund L.P. (the "Access Fund"). The Access Fund invests in loans and bonds through its ownership in KKR GCOF Access Fund Funding L.P. ("Funding L.P."), and invests in credit assets and certain other assets through its ownership in KKR GCOF Access Fund Holding L.P. ("Holding L.P."). Funding L.P. and Holding L.P. are collectively referred to as the "Access Fund SPVs."

The Fund also has invested €101.1 million of a total commitment to invest €234.0 million into KKR Lending Partners Europe II (Euro) Unlevered SCSp (the "EDL Euro Fund"). Together, the Access Fund and the EDL Euro Fund are referred to as the KKR Managed Funds.

The interim financial statements were authorised for issue by the directors on 28 February 2022. The directors of the Responsible Entity (the "Directors") have the power to amend and reissue the financial statements.

## 2 Basis of preparation and accounting policies

These interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* in Australia. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Fund's annual financial report for the financial year ended 30 June 2021.

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission, and in accordance with that Corporations Instrument, amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### **Investment entity**

The Fund is considered to meet the definition of an 'Investment Entity' as described in AASB 10 *Consolidated Financial Statements*. Under AASB 10, an Investment Entity is required to hold its subsidiaries at fair value through profit or loss ("FVTPL") rather than consolidate them. Subsidiaries are entities over which control is exercised. Control exists when the entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Fund has determined that it exercises control over the Access Fund, however the Fund applies the investment entity exception available under AASB 10 and measures its subsidiaries at FVTPL.

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2021 that would be expected to have a material impact on the Fund.

Certain prior period amounts have been reclassified to conform to the current year's presentation. Such reclassifications had no impact on the comprehensive income that was previously reported.

### 3 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Access Fund PPN
- EDL Euro Fund
- Derivative financial instruments

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The determination of what constitutes 'observable' requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The Fund's investments in the Access Fund PPN and the EDL Euro Fund are recorded at fair value as provided by the investment managers of the respective funds.

The Fund has economic exposure to the Access Fund via its investment in the Access Fund PPN. The Access Fund used funds received from the issuance of the Access Fund PPN to make investments in the GCOF. The Access Fund's investment in GCOF was then converted into investments in the Access Fund SPVs as a result of a restructuring event during the year ended 30 June 2021. The Access Fund holds investments in the Access Fund SPVs and distributes income to the Fund as interest on the Access Fund PPN. The value of the Access Fund PPN will equal the fair value of the Access Fund's investment in the Access Fund SPVs, less any liabilities of the Access Fund. The Access Fund carries its investment in the Access Fund SPVs at fair value based on the Access Fund's proportionate interest in the partners' capital of the Access Fund SPVs. The Access Fund SPVs' portfolios are comprised primarily of bank loans and high yield bonds, the majority of which are classified as Level 2 investments and are valued daily using independent pricing services. For the remaining assets which are classified as Level 3, such assets are valued using independent valuation firms, who apply the appropriate valuation model depending on whether the asset is debt (generally, synthetic credit or re-underwriting analysis) or equity (generally, waterfall). As at 31 December 2021, approximately 90% of the Access Fund SPVs' investment portfolio consisted of bank loans and high yield bonds.

The Fund's fair value of the EDL Euro Fund as at 31 December 2021 is based on the Fund's proportionate interest in the net asset value of the EDL Euro Fund. The EDL Euro Fund invests primarily in originated senior loans to European corporate entities. The majority of these investments are classified as Level 3 investments and are valued using independent valuation firms, who apply the appropriate valuation model depending on whether the asset is debt (generally, synthetic credit or re-underwriting analysis) or equity (generally, waterfall).

The carrying value of other receivables and payables are assumed to approximate their fair values due to the short term nature of these financial instruments. The fair value of the forward contracts is determined using quoted forward exchange rates at the reporting date.



### 3 Fair value measurement (continued)

#### *Recognised fair value measurement*

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2021 and 30 June 2021.

<b>As at 31 December 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at FVTPL</b>				
Forward currency contracts	-	34,507	-	34,507
Access Fund PPN	-	-	719,174	719,174
EDL Euro Fund	-	-	164,212	164,212
<b>Total financial assets at FVTPL</b>	<b>-</b>	<b>34,507</b>	<b>883,386</b>	<b>917,893</b>
<b>Financial liabilities at FVTPL</b>				
Forward currency contracts	-	38,873	-	38,873
<b>Total financial liabilities at FVTPL</b>	<b>-</b>	<b>38,873</b>	<b>-</b>	<b>38,873</b>
<b>As at 30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at FVTPL</b>				
Forward currency contracts	-	46,456	-	46,456
Access Fund PPN	-	-	741,574	741,574
EDL Euro Fund	-	-	160,794	160,794
<b>Total financial assets at FVTPL</b>	<b>-</b>	<b>46,456</b>	<b>902,368</b>	<b>948,824</b>
<b>Financial liabilities at FVTPL</b>				
Forward currency contracts	-	33,978	-	33,978
<b>Total financial liabilities at FVTPL</b>	<b>-</b>	<b>33,978</b>	<b>-</b>	<b>33,978</b>

#### *Fair value measurement using significant unobservable inputs (level 3).*

The following table presents the movement in level 3 financial instruments for the half-year ended 31 December 2021 and the year ended 30 June 2021.

<b>31 December 2021</b>	<b>Access Fund</b>	<b>EDL Euro Fund</b>
	<b>PPN</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance</b>	<b>741,574</b>	<b>160,794</b>
Purchases	17,730	-
Sales	(32,344)	-
Realised losses recognised in the Condensed Statement of Profit or Loss and Other Comprehensive Income (including foreign currency movements)	(2,413)	-
Net unrealised (losses)/gains recognised in the Condensed Statement of Profit or Loss and Other Comprehensive Income (including foreign currency movements)	(5,373)	3,418
<b>Closing balance</b>	<b>719,174</b>	<b>164,212</b>
Total unrealised (losses)/gains for the period included in the Condensed Statement of Profit or Loss and Other Comprehensive Income for level 3 financial assets and liabilities held at the end of the period	(6,520)	3,430

During the half-year ended 31 December 2021, the EDL Euro Fund made a deemed distribution of \$39.5 million (€25.1 million) to the Fund and this amount was immediately reinvested as a capital contribution to the EDL Euro Fund from the Fund.

### 3 Fair value measurement (continued)

This non-cash deemed distribution and subsequent reinvestment did not impact the Fund's financial position or closing balance of the Fund's investment in the EDL Euro Fund as at 31 December 2021.

30 June 2021	Access Fund	
	PPN \$'000	EDL Euro Fund \$'000
Opening balance	845,668	6,183
Purchases	43,147	160,726
Sales	(172,958)	-
Realised losses recognised in the Statement of Profit or Loss and Other Comprehensive Income (including foreign currency movements)	(22,092)	-
Net unrealised gains/(losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income (including foreign currency movements)	<u>47,809</u>	<u>(6,115)</u>
Closing balance	<u>741,574</u>	<u>160,794</u>
Total unrealised (losses)/gains for the period included in the Statement of Profit or Loss and Other Comprehensive Income for level 3 financial assets and liabilities held at the end of the period	<u>(1,147)</u>	<u>68</u>

### 4 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the half-years were as follows:

	Half-year ended			
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	No.'000	No.'000	\$'000	\$'000
Opening balance	359,975	369,280	905,681	826,349
Unit buyback	(7,126)	(487)	(16,127)	(997)
Distributions paid and payable	-	-	(21,457)	(18,440)
Profit for the half-year	<u>-</u>	<u>-</u>	<u>15,736</u>	<u>97,178</u>
<b>Closing balance</b>	<b><u>352,849</u></b>	<b><u>368,793</u></b>	<b><u>883,833</u></b>	<b><u>904,090</u></b>

### 5 Distributions to unitholders

The distributions during the half-year were as follows:

	Half-year ended			
	31 December 2021		31 December 2020	
	\$'000	CPU*	\$'000	CPU*
Distribution paid - 31 July	3,600	1.00	-	-
Distribution paid - 31 August	3,600	1.00	-	-
Distribution paid - 30 September	3,599	1.00	9,220	2.50
Distribution paid - 31 October	3,578	1.00	-	-
Distribution paid - 30 November	3,550	1.00	-	-
Distributions payable - 31 December	<u>3,530</u>	<u>1.00</u>	<u>9,220</u>	<u>2.50</u>
	<b><u>21,457</u></b>		<b><u>18,440</u></b>	

\* Distribution is expressed as cents per unit amount in the Australian Dollar.

## 6 Earnings per unit

Basic earnings per unit amounts are calculated by dividing operating profit before distributions by the weighted average number of units outstanding during the period.

Diluted earnings per unit are the same as basic earnings per unit as there are no options at the end of the reporting period.

	Half-year ended	
	31 December 2021	31 December 2020
Operating profit for the period \$'000	15,736	97,178
Weighted average number of units in issue '000	<u>357,554</u>	<u>368,957</u>
Basic and diluted earnings per unit in cents	<u>4.40</u>	<u>26.34</u>

## 7 Borrowing facility

The Fund's credit agreement with JPMorgan Chase Bank, N.A. was terminated during the year ended 30 June 2021. A new credit agreement was made between KKR GCOF Access Fund Funding L.P. and Bank of America, N.A., which is disclosed in the annual financial report. The Fund has no borrowings outstanding as at 31 December 2021.

## 8 Related party transactions

Arrangements between the fund and its related parties and affiliates are disclosed in the annual financial report. The transactions during the half-year and amounts payable at half-year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Half-year ended	
	31 December 2021	31 December 2020
	\$	\$
Investment management fees	4,137,131	3,895,947
Total fees payable to the Investment Manager	3,385,631	679,866
Performance fees	-	452,024
Performance fees payable	-	452,024
Responsible Entity fees	126,330	120,444
Fees payable to the Responsible Entity	123,831	57,861

### Related party unitholdings

During and since the end of the reporting period, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the reporting period.

On 1 February 2022, Richard McCarthy resigned from the Responsible Entity's board of Directors.

## 8 Related party transactions (continued)

### Related party investments

The Fund held the following investments which were also managed by the Investment Manager, or its related parties as at 31 December 2021 and 30 June 2021:

31 December 2021 Investment	Face value/Capital contribution \$	Interest Held %	Fair Value \$
Access Fund PPN	US\$ 499,331,127	100%	719,174,181
EDL Euro Fund	€101,128,491	62.80%	164,211,912
30 June 2021 Investment	Face value \$	Interest Held %	Fair Value \$
Access Fund PPN	US\$ 509,979,579	100%	741,573,894
EDL Euro Fund	€101,128,491	62.80%	160,794,088

## 9 Events occurring after the reporting period

At the date of signing, the future impacts of COVID-19 on global and domestic economies, investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 1 February 2022, there were changes to the composition of the Responsible Entity's board of Directors. Please refer to Note 8 for further details of those changes.

During January 2022, the EDL Euro Fund issued a capital call notice to the Fund in the amount of €30.4 million. The Fund redeemed \$53.2 million (US Dollars) of its investment in the Access Fund PPN and funded the capital call in February 2022.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or could significantly affect:

- i. the operations of the Fund in future financial years, or
- ii. the results of those operations in future financial years, or
- iii. the state of affairs of the Fund in future financial years, or
- iv. items reported in the financial statements.

## 10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets or liabilities as at 31 December 2021. As at 31 December 2021, the remaining unfunded commitment to EDL Euro Fund is €132.9 million (30 June 2021: €132.9 million).

## Directors' declaration

In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of KKR Credit Income Fund:

- (a) the financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director \_\_\_\_\_

The Trust Company (RE Services) Limited

Sydney

28 February 2022

## Independent Auditor's Review Report to the Unitholders of KKR Credit Income Fund

### **Conclusion**

We have reviewed the half-year financial report of KKR Credit Income fund (the "Fund"), which comprises the condensed statement of financial position as at 31 December 2021, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration by the directors of The Trust Company (RE Services) Limited (the "Responsible Entity") as set out on pages 6 to 17.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of KKR Credit Income Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

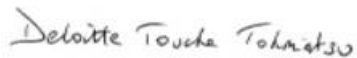
### **Directors' Responsibilities for the Half-year Financial Report**

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibilities for the Review of the Half-year Financial Report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 28 February 2022

**DIRECTORY****RESPONSIBLE ENTITY**

The Trust Company (RE Services) Limited

ABN 45 003 278 831

**REGISTERED OFFICE**

Level 18, Angel Place

123 Pitt Street

Sydney NSW 2000

**DIRECTORS**

Glenn Foster

Simone Mosse

Vicki Riggio

Phillip Blackmore

**COMPANY SECRETARIES**

Gananatha Minithantri

Sylvie Dimarco

Mary Kapota

**AUSTRALIAN SECURITIES EXCHANGE CODE**

ASX:KKC

**UNIT REGISTRY**

Boardroom Pty Limited

Grosvenor Place

Level 12, 225 George Street

Sydney, NSW 2000

Australia

**WEBSITE**

[www.kkcaustralia.com.au](http://www.kkcaustralia.com.au)