



The Trust Company (RE Services) Limited  
ABN 45 003 278 831, AFSL 235150

2 March 2020

The Manager  
ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### **KKR Credit Income Fund Investor Update**

We are pleased to provide investors with an update for the KKR Credit Income Fund (ASX: KKC).

Yours sincerely,

Kevin Razavi  
Senior Corporate Client Manager  
The Trust Company (RE Services) Limited

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The Trust Company (RE Services) Limited ABN: 45 003 278 831, AFSL: 235150 as Responsible Entity of the KKR Credit Income Fund (ARSN 634 082 107)

### **Important Information**

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](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.

# KKR Credit Income Fund Investor Update

2 March 2020



# Important Information

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## 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 (“Fund”). TTCRESL has appointed KKR to act as the manager of the Fund. 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 Fund issued by TTCRESL and the Fund’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 Fund 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 Fund’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 Fund’s business, plans and strategies. Forward-looking statements also include prospective financial information for the Fund. 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 Fund’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.

## Information about KKR

KKR Credit conducts its business through KKR Credit Advisors (US) LLC, an SEC-registered investment adviser, KKR Credit Advisors (Ireland) Unlimited Company, authorised and regulated by the Central Bank of Ireland, and KKR Credit Advisors (EMEA) LLP which is authorized and regulated by the Financial Conduct Authority in the United Kingdom.

References to “KKR Capstone” or “Capstone” are to all or any of KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited, and their affiliates, which are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of Kohlberg Kravis Roberts & Co. L.P (“KKR”). KKR Capstone operates under several consulting agreements with KKR and uses the “KKR” name under license from KKR. References to operating executives, operating experts, or operating consultants are to employees of KKR Capstone and not to employees of KKR. In this Document, the impact of initiatives in which KKR Capstone has been involved is based on KKR Capstone’s internal analysis and information provided by the applicable portfolio company. Impacts of such initiatives are estimates that have not been verified by a third party and are not based on any established standards or protocols. They may also reflect the influence of external factors, such as macroeconomic or industry trends, that are unrelated to the initiative presented.

General discussions contained within this Document regarding the market or market conditions represent the view of either the source cited or KKR. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns.

KKR Credit leverages the full resources of KKR, including its private equity professionals, KKR Capstone operating experts, its KKR Capital Markets professionals, its portfolio company management teams, its Senior Advisor network and its Global Public Affairs division in public markets investment activities for the KKR Credit platform. The use of such KKR personnel in the Fund’s investment activities may be limited or restricted in certain circumstances, pursuant to applicable law and KKR’s Confidential Information and Inside Information Barrier Policies and Procedures. Employees of KKR Credit Advisors (US) LLC, and KKR Capital Markets LLC located in the United States are dual employees of KKR.



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# Executive Summary

The KKR Credit Income Fund (“KKC” or “the Fund”) aims to provide Australian and New Zealand investors with attractive, risk-adjusted returns and access to KKR’s global credit investments

*Capital Preservation and Income Throughout the Market Cycle*

## Underlying funds focus on capital preservation

Through geographic and asset class diversification

## Income Diversification

Low expected correlation to Australian and global equities

## Targeting Income Through the Market Cycle

Target Total Return of 6 – 8%\* and Target Distribution of 4 – 6%\*\* per annum

## Alignment of Interests with Unitholders

KKR and its employees have ~\$US2.4bn invested in KKR’s credit strategies

## Highly Experienced KKR Credit Team

~130 dedicated credit investment professionals

# KKR Credit Income Fund (KKC)

Note: Please refer to “Important Information” for further information on target returns and KKR’s inside information barrier policies and procedures, which may limit the involvement of personnel in certain investment processes and discussions. \* Target medium-average total return net of fees and expenses incurred by the Fund, before tax. Past performance is not indicative of future results. As of December 31, 2019. \*\* Net of fees and expenses incurred by the Fund, but before tax, once the Fund deployed the offer proceeds into the KKR Funds which has been completed as of 31 January 2020.



# KKC Update

## Listing

KKC was listed on the ASX on 21 November 2019 and the Responsible Entity raised A\$925m from the initial offer of units in the Fund ("IPO")

## Deployment\*\*\*

Deployment of the IPO proceeds in the Global Credit Opportunities Fund ("GCOF") was quicker than anticipated and was completed by 31 January 2020

*Why is this good?* Quicker deployment means that cash was put to work earlier

## Distribution\*\*\*

We anticipate that KKC will declare its first distribution at the end of March 2020 and will pay the distribution in early April 2020. We expect the first distribution to be just below the low end of our expected range of 4-6% as KKC was ramping up during this period

## Performance

As of 31 January 2020	1 Month	3 Month	Inception to Date
Net Return Based on NTA (%)	+2.43%	+1.34%	+1.34%

	21Nov- 30 Nov'19	Dec-19	Jan-20	Inception to Date
Net Return Based on NTA (%)	-0.42%	-0.65%	+2.43%	+1.34%

**A\$925m**  
Capital Raised  
through IPO

**+1.34%**  
NTA Appreciation  
from 21 Nov'19 to  
31 Jan'20\*

**163**  
Issuers in  
Portfolio\*\*

**8.35%**  
Current Yield to  
Maturity on Underlying  
Assets (USD)\*\*

\*Past performance is not indicative of future results and portfolio characteristics are subject to change

\*\* Based on Global Credit Opportunities Fund assets as at 31 January 2020

\*\*\* All investments are subject to risk which means you may lose all or a portion of the amount you invest or you may otherwise achieve distributions and returns that are lower than any target distribution or target return. Before making an investment decision, it is important to understand the risks that affect the value of your investment. Investors should read the risks described in Section 8 of the PDS.

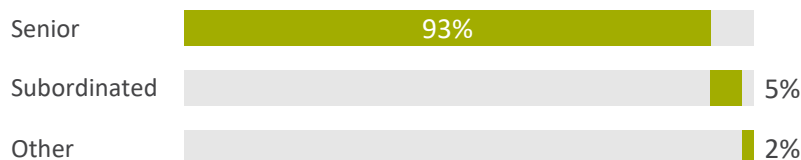


# KKC - Current Portfolio

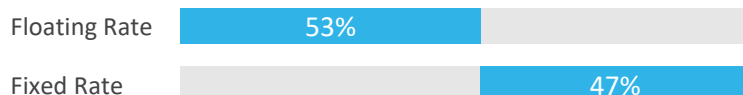
Diversified Portfolio of Income Generating Global Credit\*

**A\$126m**  
Committed, but not  
funded into European  
Direct Lending

## Senior vs. Subordinated



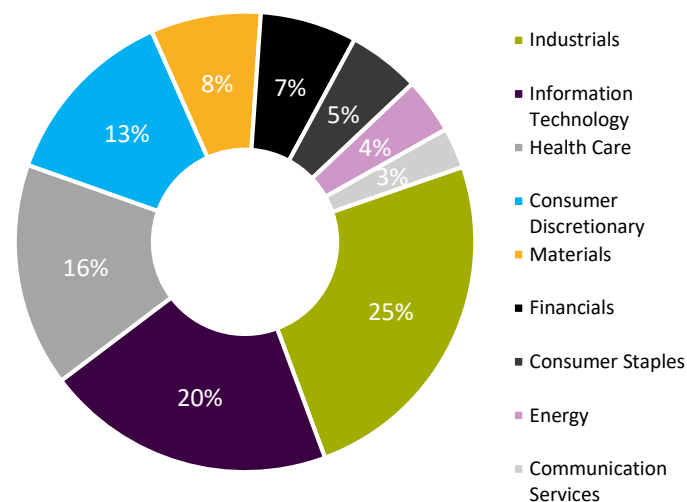
## Floating vs. Fixed Rate



## Geographic Split



## SECTOR DIVERSIFICATION



## OTHER PORTFOLIO DETAILS







Number of Issuers in Portfolio **	163
Asset Mix	100% Traded Credit**
Yield-to-Maturity on Underlying Assets	8.35%

\* This excludes the ~A\$126 currently invested by KKR Lending Partners Europe II (Euro) Unlevered SCSp on behalf of KKC into Europe Private Credit assets. Including this, the split is ~88% Traded Credit/12% Private Credit

Note: For illustrative purposes only. Investments by the Fund are not limited to the types listed above. The specific investments identified are not representative of all of the investments in which the Fund will directly or indirectly have an interest. \*As European Direct Lending invests over the next 2-3 years, the portfolio will shift more towards a 50/50 split between Traded Credit and Private Credit, and a 50/50 split US/EMEA split. \*\*Based on look through to KKC's underlying funds. Represents GCOF assets as of 31 January 2020

# Global Credit Opportunities Fund Investment Themes

KKR's strategy in GCOF is to deploy capital across investment themes that take advantage of credit market dislocations, spanning asset types and liquidity profiles

Themes	Expected Weighting	Description
<b>Dislocation / Relative Value</b>		<ul style="list-style-type: none"> <li>Higher-yielding investments resulting from market dislocation <ul style="list-style-type: none"> <li>Capital markets, asset class and credit dislocation</li> </ul> </li> </ul>
<b>Event Driven</b>		<ul style="list-style-type: none"> <li>Positions in securities with near term catalysts that are expected to appreciate in price <ul style="list-style-type: none"> <li>Refinancings, M&amp;A and ratings upgrades</li> </ul> </li> </ul>
<b>Proprietary Sourcing</b>		<ul style="list-style-type: none"> <li>Trades that leverage broader firm relationships with sponsors and Wall Street <ul style="list-style-type: none"> <li>Reverse inquiry, secondary opportunities and/or larger block trades, first look/anchor opportunities</li> </ul> </li> </ul>
<b>Stressed Credits</b>		<ul style="list-style-type: none"> <li>Investments in companies under financial strain that may have a restructuring need and/or out of favor industries that may be under market pressure</li> </ul>
<b>Structured Products</b>		<ul style="list-style-type: none"> <li>Structured products investments may include capital relief trades, structured transactions with a corporate credit feel and/or tranches of CLOs or other securitizations</li> </ul>
<b>Illiquidity Premium</b>		<ul style="list-style-type: none"> <li>Investment opportunities that offer a market premium, either in contractual rate or structure <ul style="list-style-type: none"> <li>Misunderstood businesses or industries, smaller, less liquid trades</li> </ul> </li> </ul>

Legend:



**Heavily-Weighted Strategies**



**Medium-Weighted Strategies**



**Lower-Weighted Strategies**



Note: For illustrative purposes only. Investments by the Fund are not limited to the types listed above. The specific investments identified reflect certain investment strategies and are not representative of all of the investments purchased, sold, or recommended for the Fund, and it should not be assumed that the investments in the companies identified was or will be profitable. There is no guarantee that the Fund will hold any or all of the securities identified. The specific portfolio companies identified are not representative of all of the securities purchased, sold or recommended for advisory clients, and it should not be assumed that the investment in the companies identified was or will be profitable.

# European Direct Lending Fund

KKR's European Direct Lending Fund seeks to provide senior secured capital to established upper-middle market companies

Originated financings to companies, primarily in Western Europe

Targeting private companies with EBITDA of €25mm+, with a particular focus on companies with EBITDA of €50-100mm

Typically secured by first or second liens on a company's assets

KKR has been engaging in direct lending in the European market since 2012

European fundamentals and current economic backdrop remain constructive

**8+ Year**  
Direct Lending  
Track Record<sup>1</sup>

**\$US10.4bn**  
Deployed in  
European  
Private Credit<sup>2</sup>

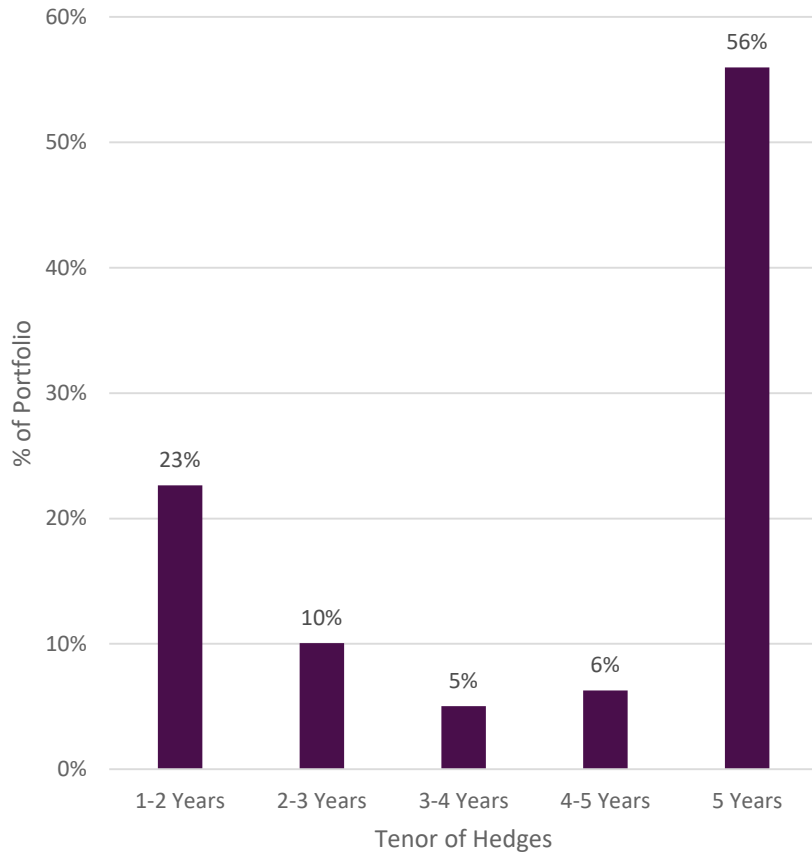


Past performance is no guarantee of future results. Please see Important Information for a discussion of the limitations of related performance. All information is as of December 31, 2019 unless otherwise stated. (1) KKR has been engaging in direct lending in the European market since 2012. However, this investment activity has taken place across various pools of capital, rather than through one single fund, and therefore a complete track record for this investment activity is unavailable. (2) Amount invested cumulatively in Private Credit in Europe as of 31 December 2019

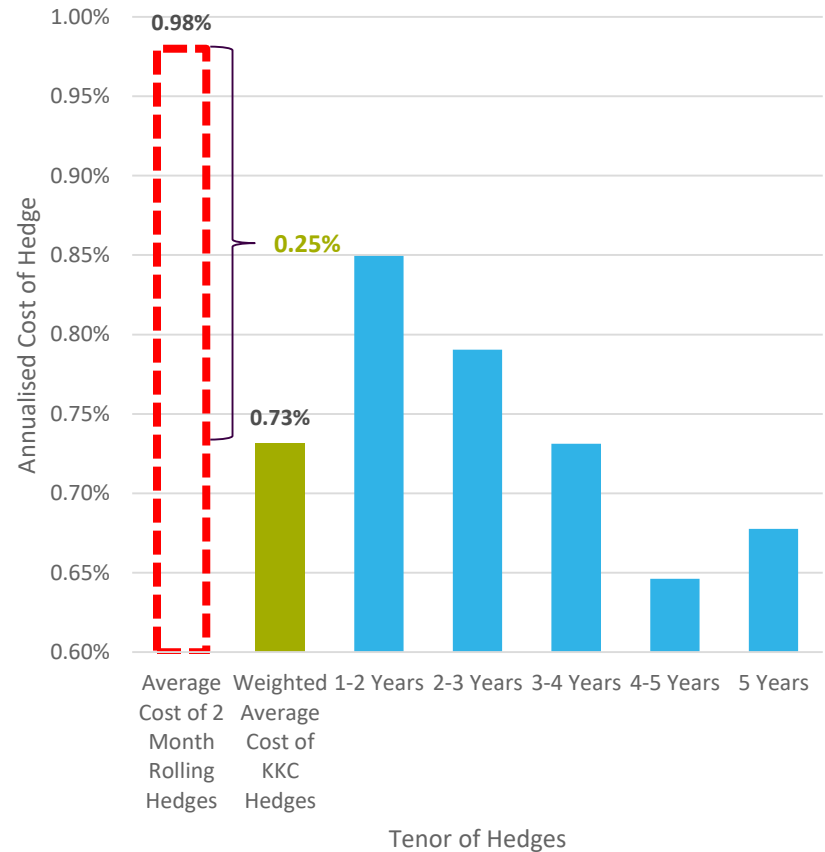


# How are we Hedging?

Majority of KKC's Hedges are Long Dated



KKR saved on Cost by going Long Dated



**KKR's decision to lock in long dated hedges has saved on cost but has created some monthly volatility. KKR believes the trade-off is worth it given the potential saving of 0.25% per annum**

# Market Update

# Companies in which the KKR Global Leveraged Credit Strategies invest demonstrate relatively steady revenue and EBITDA growth

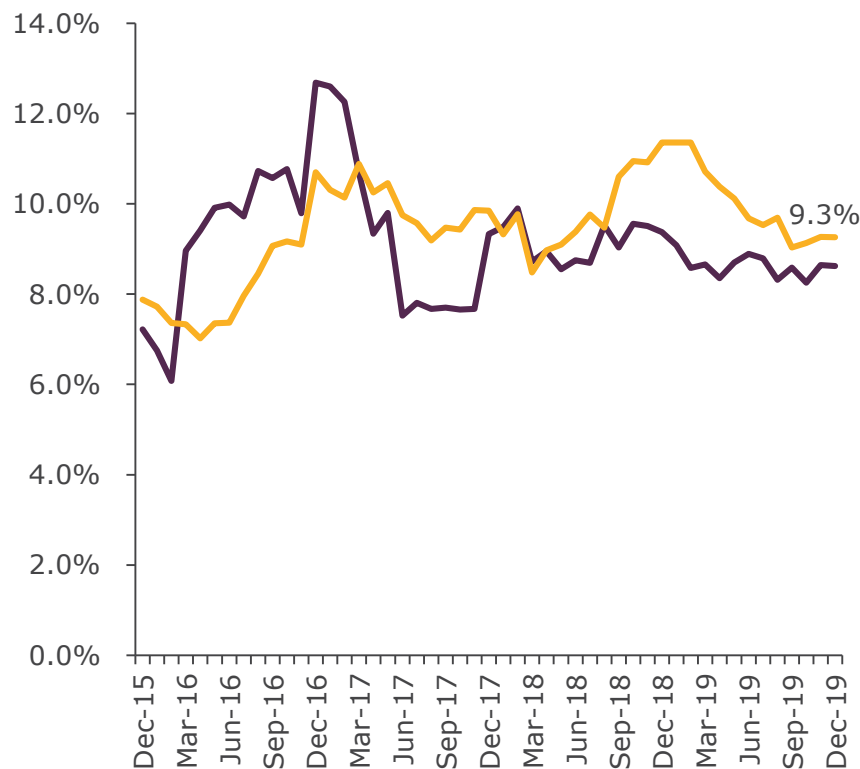
**Revenue Growth  
(KKR Global Leveraged Credit)**



% L3M vs Prior Year

% LTM vs Prior Year

**EBITDA Growth  
(KKR Global Leveraged Credit)**



% L3M vs Prior Year

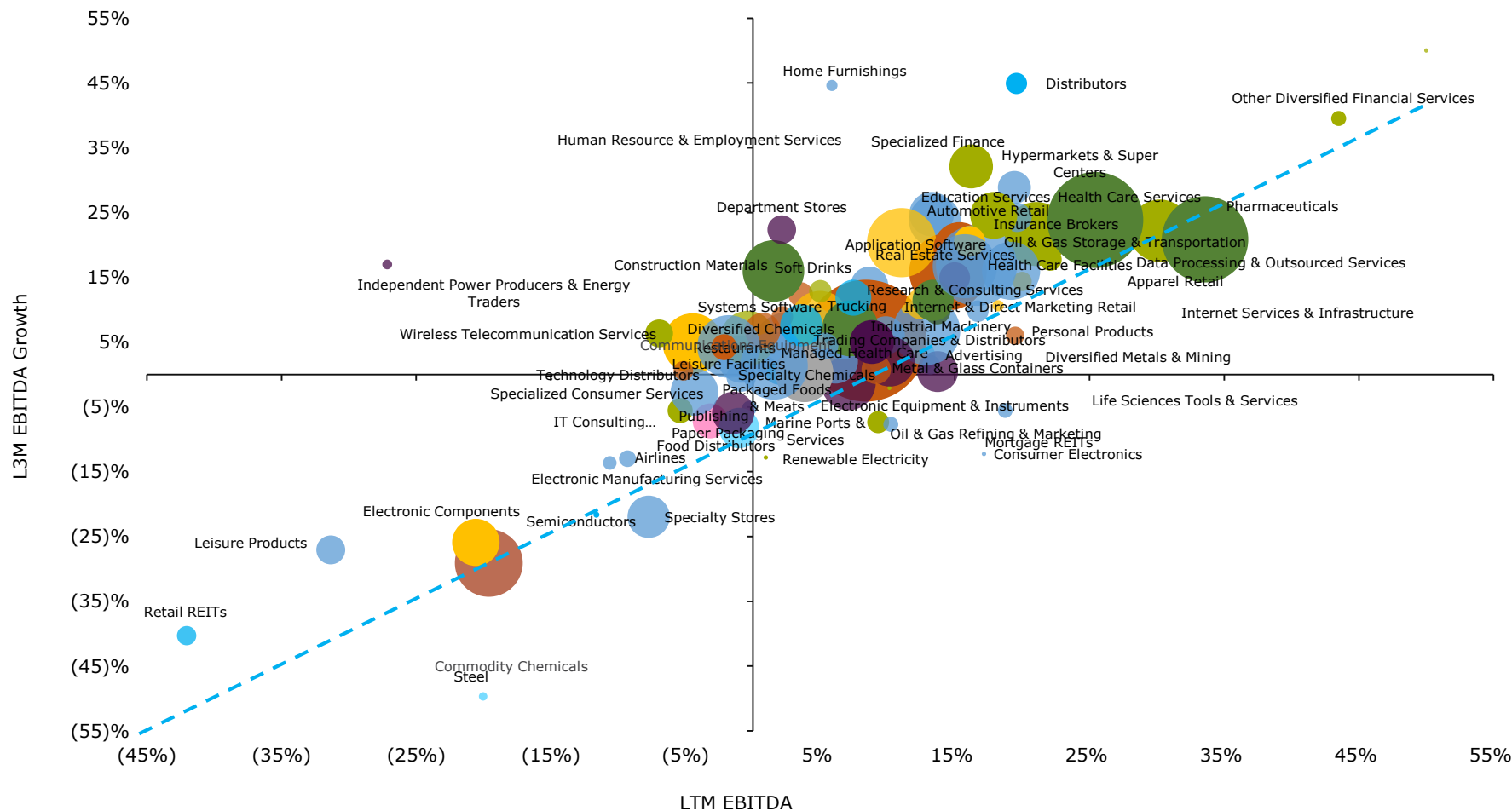
% LTM vs Prior Year

**Stable growth is important for Credit investments as it allows a company to naturally de-lever as EBITDA grows over the maturity of the loan (generally 3-5 years)**

Source: KKR Credit Analysis as of December 31, 2019.

# When the Companies in which the KKR Global Leveraged Credit Strategies invest are broken down by sub-industry, there is dispersion

Sub-Industry Momentum

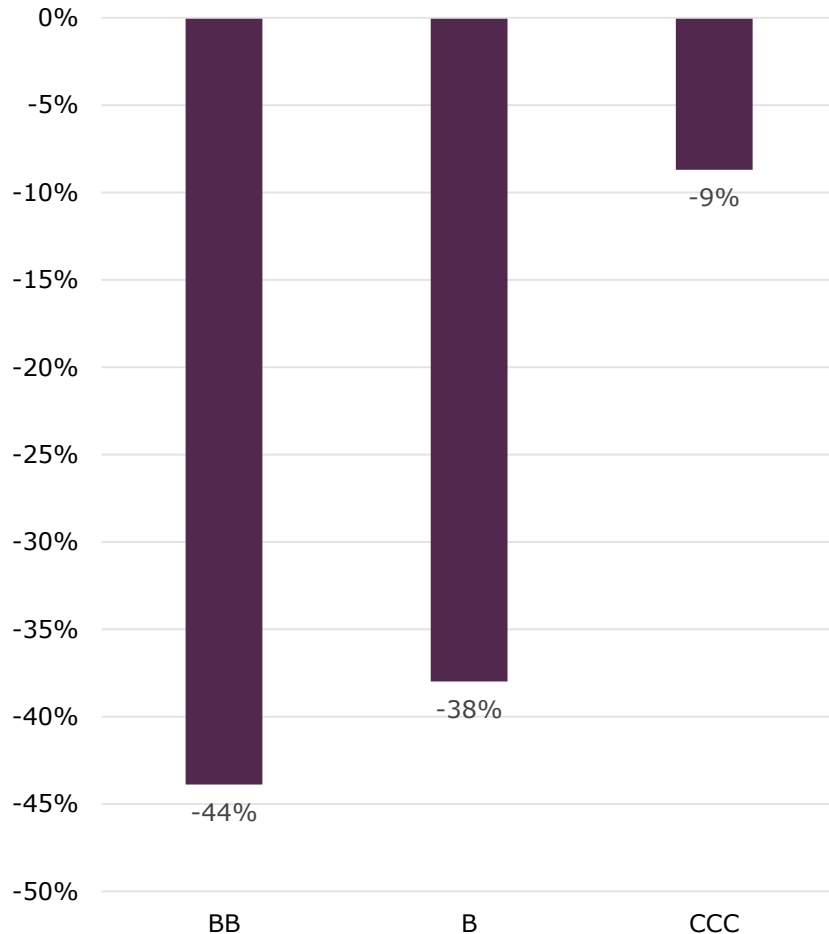


**It is this dispersion, or varied performance, among companies that creates buying opportunities for KKR**

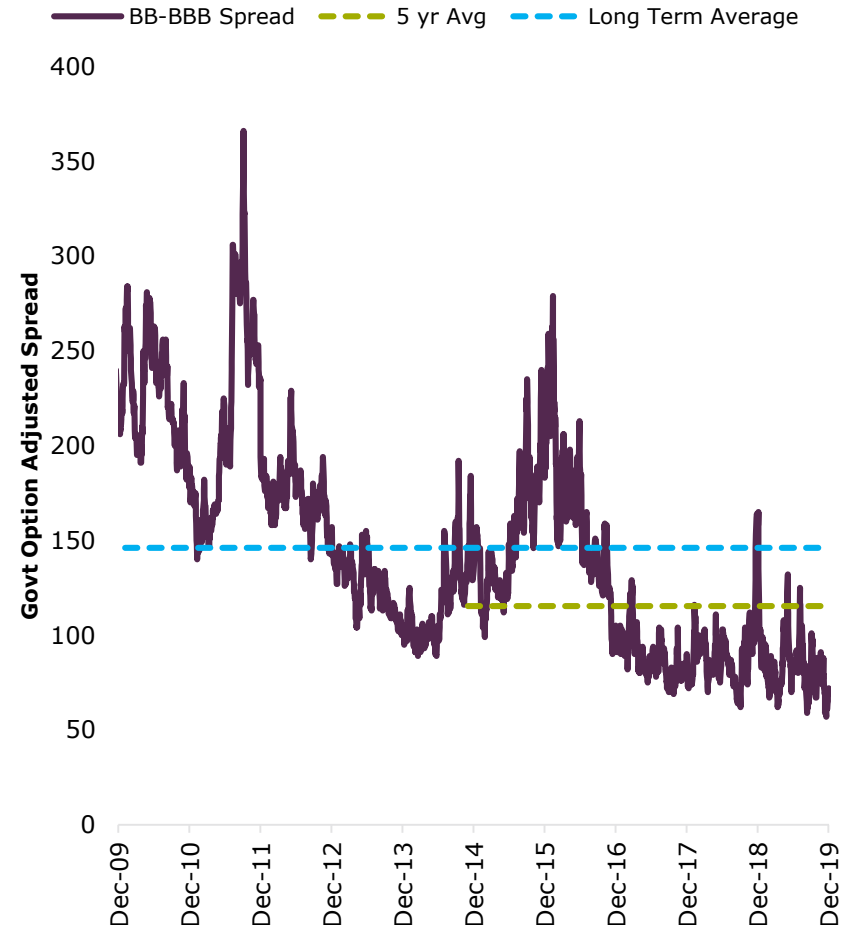
Source: KKR Credit Analysis as of December 31, 2019.

# The Flight to Quality Trade Has Gained Velocity

Change in Spread Since January 2019<sup>(1)</sup>



BB-BBB Spread at Historical Lows

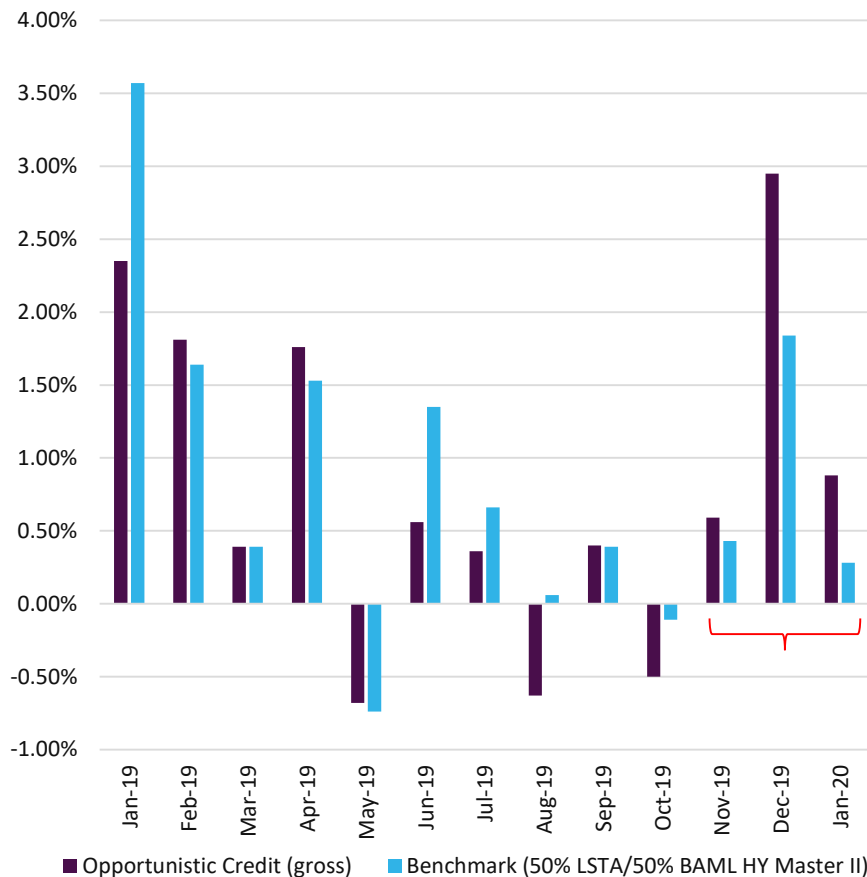


**Investors have flocked towards buying higher quality assets (e.g. borrowers with a BB credit rating). This creates an opportunity for investors like KKR willing to do the work and understand borrowers with a B or CCC credit rating**

BAML HY Govt OAS from December 31, 2018 to December 31, 2019. The ICE BofAML Option-Adjusted Spreads (OASs) are the calculated spreads between an index of all bonds in a given rating category and a spot Treasury curve (e.g. US Govt. bonds). Bank of America Merrill Lynch ("BAML") has not provided its consent to the use of this data in this document. Source: KKR Credit Analysis and BAML as of December 31, 2019. Bank of America Merrill Lynch ("BAML") has not provided its consent to the use of this data in this document.

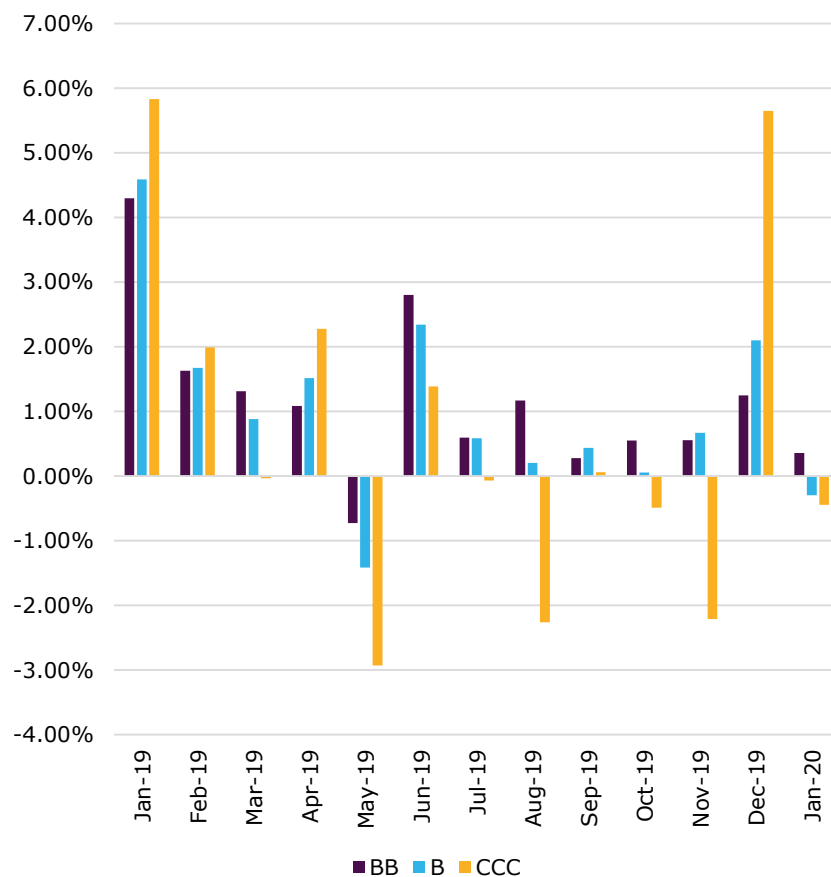
# Performance in the Market is not Uniform

## Month on Month Performance vs. Benchmark



Note: As of January 31, 2020. The “Opportunistic Credit (gross)” returns shown here are for KKR’s Opportunistic Credit Composite, of which GCOF is the larger constituent. Its benchmarks is 50%/50% split of the US loan index (LSTA) and US HY bond index as the GCOF fund is approximately a 50%/50% split between loans and bonds

## Performance by Bond Rating



Note: BAML US HY Index as of January 31, 2020. This index aims to re-create the performance of all US HY Bonds

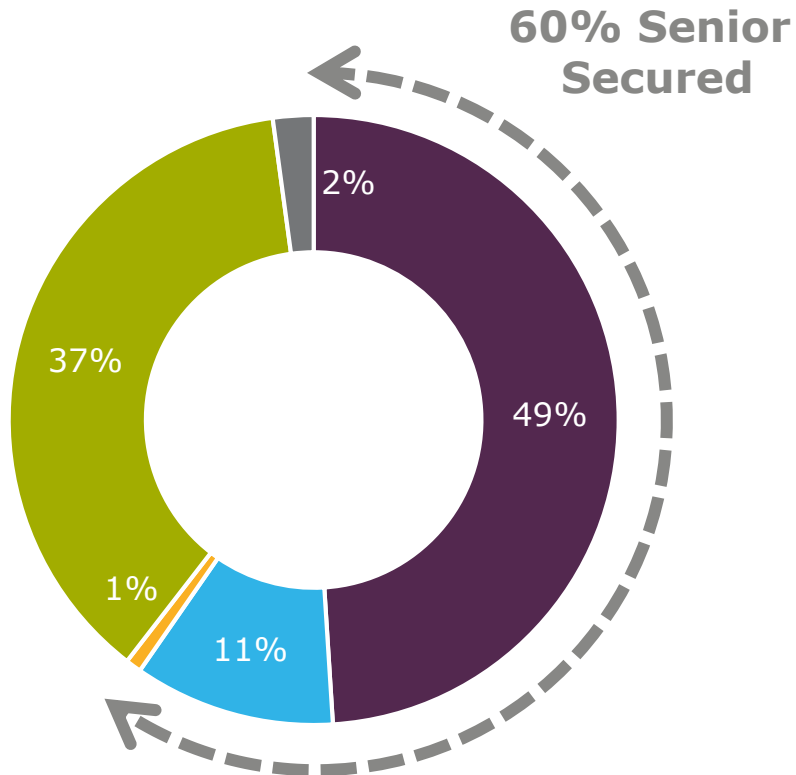
**Value oriented approach has delivered meaningful outperformance versus index approach since IPO**

Bank of America Merrill Lynch (“BAML”) or LSTA have not provided their consent to the use of this data in this document.

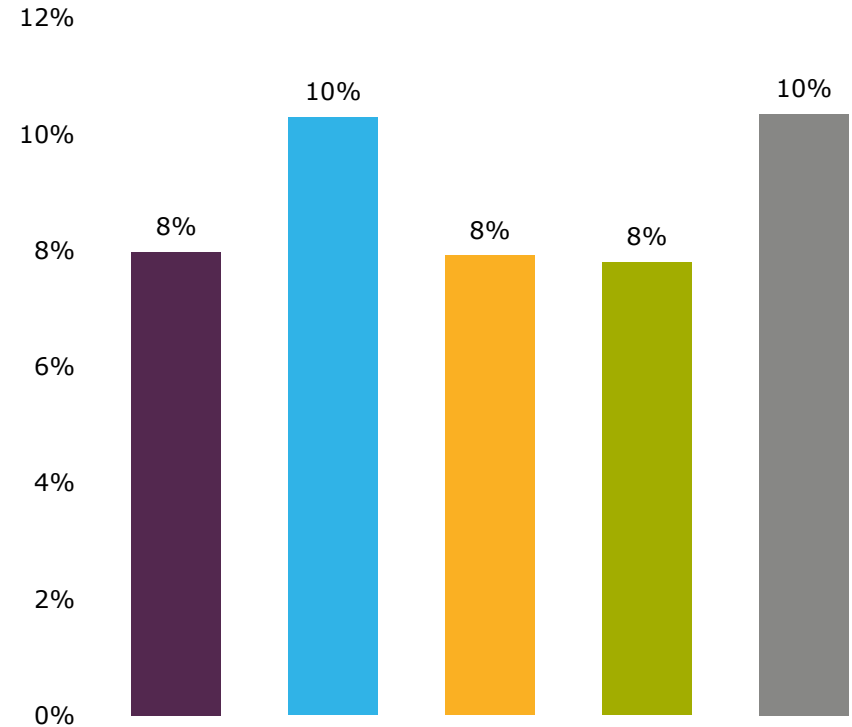


# Focus on Downside Protection

Seniority



Yield to Maturity ("YTM")



First Lien

Second Lien

Senior Secured  
Bonds

Senior  
Unsecured

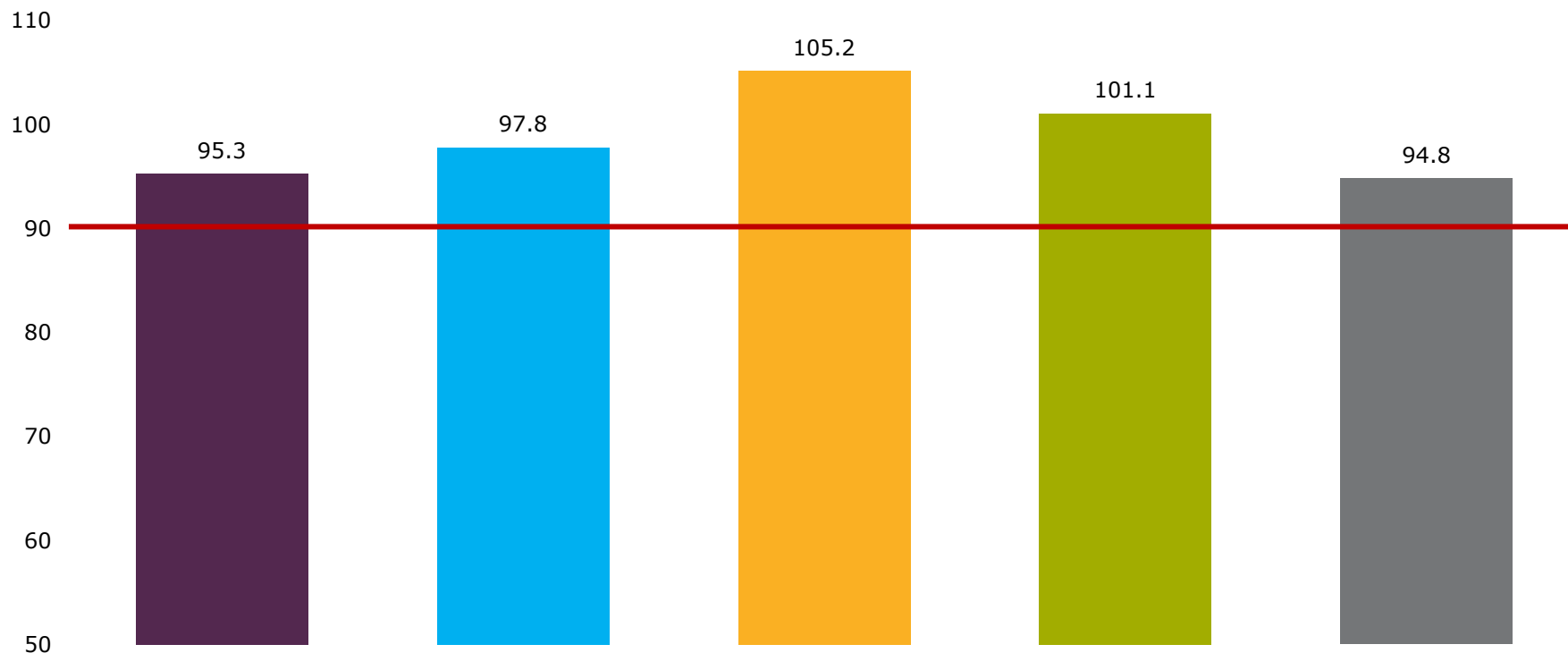
Subordinated

**The majority (60%) of the GCOF portfolio is senior secured i.e. KKR is the first lender to receive security over the assets of the borrower**

Note: As of December 31, 2019. Chart exclude cash, derivatives and structured products.  
(1) Excludes Equity and Structured Products

# Average Prices all above 90% of Par Value

Average Price of GCOF Assets split into its differing Asset Buckets



- All buckets trade above 90% of Par Value. Par Value = 100%



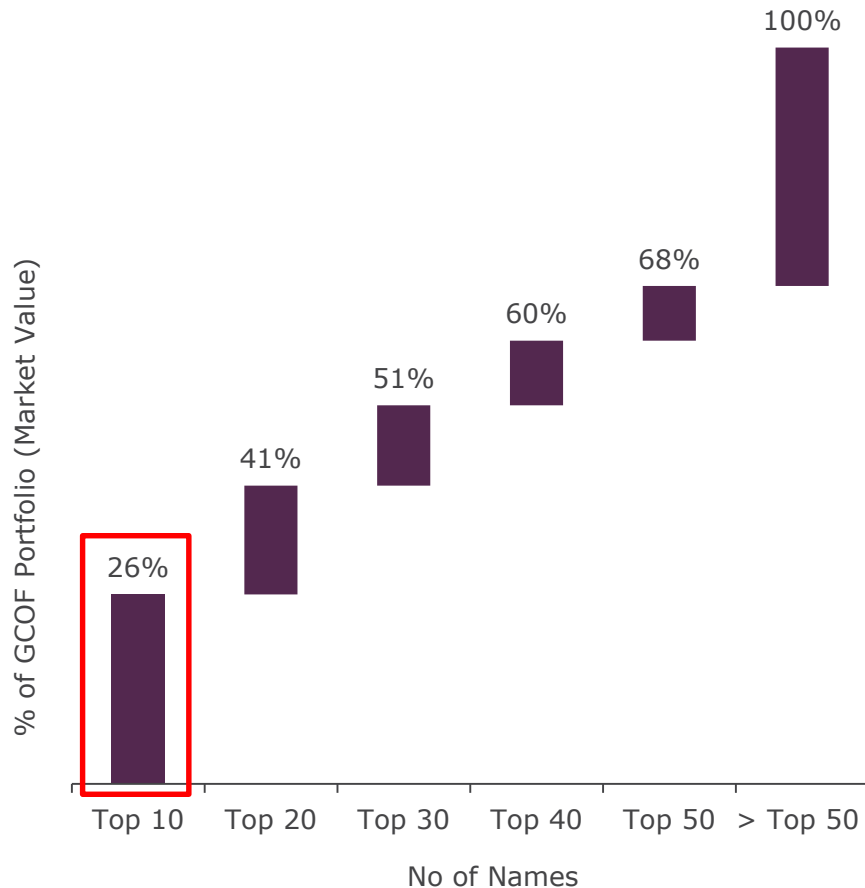
**GCOF does not target distressed borrowers to generate returns. The average price in each of the asset categories is above 90% and, in KKR's opinion, 90% is the upper price range of a distressed asset**

Note: As of December 31, 2019. Chart excludes cash, derivatives and structured products.



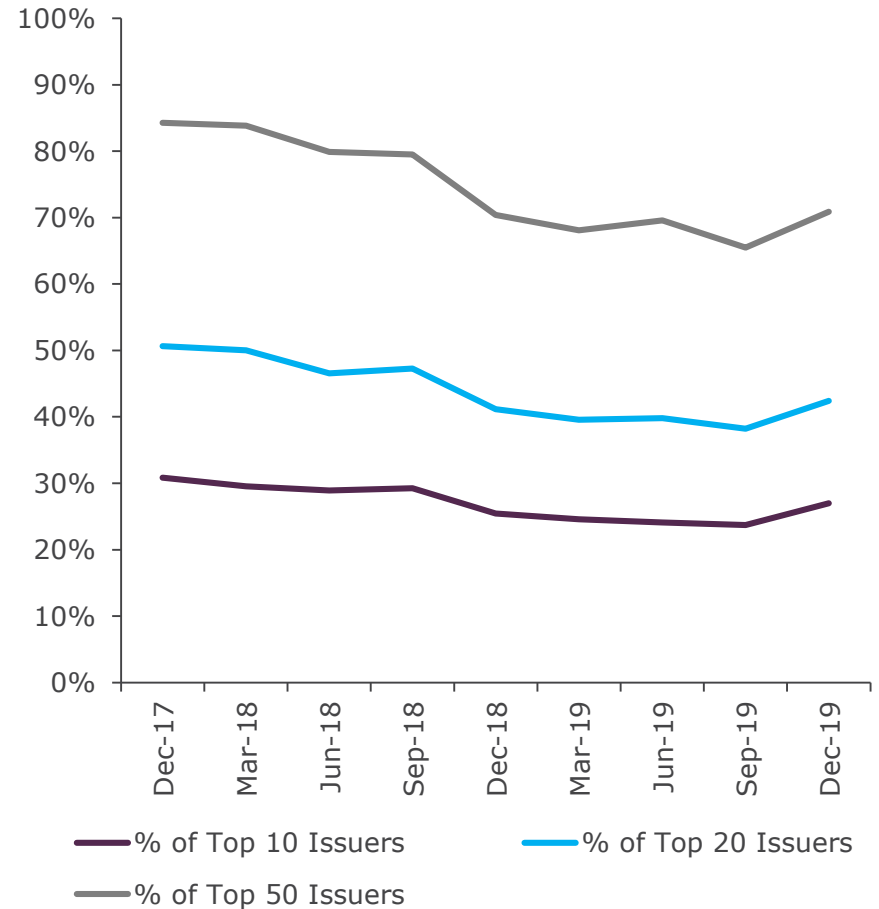
# Concentration is Key to Outperformance

Position Concentration



Note: As of December 31, 2019.

Position Concentration Trend



Note: As of December 31, 2019.



**GCOF does not “buy the market” to generate excess returns. GCOF invests in a concentrated portion of the market where KKR believes the assets are mispriced for their risk**

# Appendix

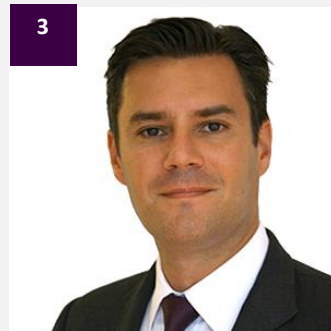
# KKC Investment Team



1



2



3



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## KKC Investment Committee

**1** **CHRIS SHELDON**  
Partner, Traded Credit  
**KKC Co-Portfolio Manager**  
(San Francisco)

**2** **FRANCES LIM**  
Managing Director, Global  
Macro & Asset Allocation  
**KKC Co-Portfolio Manager**  
(New York)

**3** **MATTHIEU BOULANGER**  
Partner, Private Credit  
**KKC Key Business Head**  
(London)

**4** **JEREMIAH LANE**  
Partner, Traded Credit  
**KKC Key Business Head**  
(San Francisco)

## Key Client Servicing Contacts



**DIANE RAPOSIO**  
Partner, Capital  
Markets & Client and  
Partner Group



**KEVIN MCMAHON**  
Managing Director,  
Credit Strategies Team

## Additional Client Servicing Contacts

**AARON DALRYMPLE**  
Director, Credit Strategies Team

**RORY O'FARRELL**  
Director, Credit Strategies Team

The KKC Investment Team has access to the collaborative expertise of ~130 dedicated credit investment professionals located in 20 offices around the globe

# Ongoing Shareholder Communication



Monthly Fact Sheets



Media



Half yearly investor presentations



Industry conferences



Half & full year financial results



Independent research



Monthly NTA announcement



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

# About KKR

In today's complex global economy, KKR believes success depends on the flexibility to collaborate on shared opportunities and the strength to work together through challenges.

*A Leading Global Alternative Investment Firm*

**\$US218bn**

in total assets under management<sup>(1)</sup>



KKR Australia office opened in **2007**

**\$US3.3bn**

in capital raised from Australian clients



**~\$US20bn** invested alongside our clients<sup>(2)</sup>



## KKR's Global Presence

20 cities across 4 continents

**\$US73bn**

credit assets under management



**465+**

Investment professionals across both private and public markets



**130** dedicated credit investment professionals

**43+ years**

of experience and a strong track record of performance



## One Firm Approach

KKR leverages the best talent and investment expertise across the Firm



## Culture of Innovation

KKR's Firm culture promotes new solutions in a rapidly evolving investment landscape



Note: As of 31 December 2019. (1) 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, KKR Capstone, and other affiliates. Investments made by current and former KKR employees and KKR Capstone are retained by those individuals personally. Includes unfunded commitments made by individuals. KKR Capstone is not an affiliate or subsidiary of KKR. Please see Important Information at the beginning of this presentation for additional disclosure regarding KKR Capstone.