



KKR CREDIT INCOME FUND (ASX: KKC)

The KKR Credit Income Fund aims to provide Australian and New Zealand investors with attractive, risk-adjusted returns and access to a diversified portfolio of income generating alternative credit investments

KKC Investment Update

1 September 2020

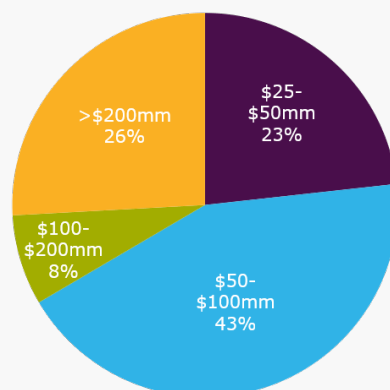
In this investment update, the Manager gives unitholders some further insight into the type of European Direct Lending deals that KKC has exposure to through its investment in the European Direct Lending Fund (“EDL”).

EDL currently has 16 investments in the portfolio [1]. These investments are diversified across geographies, sectors and currencies. The range of charts below illustrates the composition of these investments. All percentages relate to the percentage of the assets within the European Direct Lending Fund rather than being a percentage of the KKC portfolio.

Borrower Size (EBITDA)

KKR focuses on lending to the larger end of the European middle-market: 77% of borrowers have earnings before interest, depreciation and amortisation (EBITDA) of more than USD \$50m.

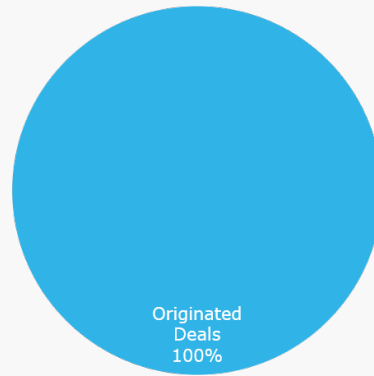
Source: Internal KKR management analysis as at 26 August 2020



Originated vs. Syndicated Credit

The European Direct Lending strategy focuses on lending through originated transactions (i.e. deals that are not publicly available to the market). KKR's team of originators is based in both London and Dublin and contains native speakers in multiple languages to allow them to originate deals across Europe. Although syndicated assets are not the focus of EDL's strategy, there is some flexibility to invest in syndicated assets in times of market volatility. EDL used this option back in March and April of this year where defensive credits priced down from ~100% to ~75% in two weeks. EDL bought and sold these assets within a ~2 month period and captured an attractive profit for the fund and its investors (the average multiple was 1.1x for these trades).

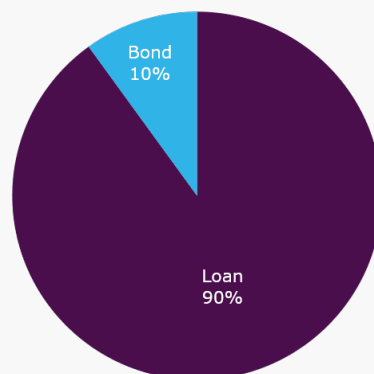
Source: Internal KKR management analysis as at 26 August 2020



Asset Type

The transactions are primarily structured as loans as private equity sponsors (who back the majority of the credits) tend to prefer issuing debt via loans over bonds as they provide greater flexibility for refinancing.

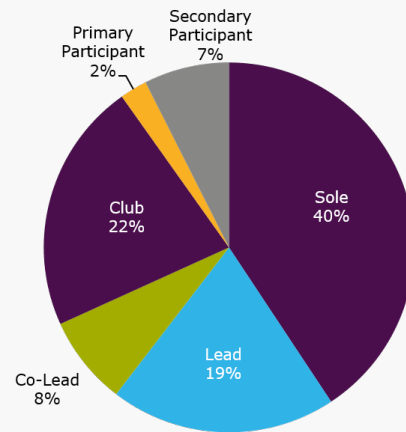
Source: Internal KKR management analysis as at 26 August 2020



KKR Role

KKR favours being the sole or lead lender in its European Direct Lending strategy as this can give KKR more “ball-control” when negotiating documents and economics. KKR has been the sole or lead lender in over two-thirds of the deals EDL has invested in. There have also been some deals where KKR has got access to private deals through its origination channels, although KKR was not the main driver of the deal.

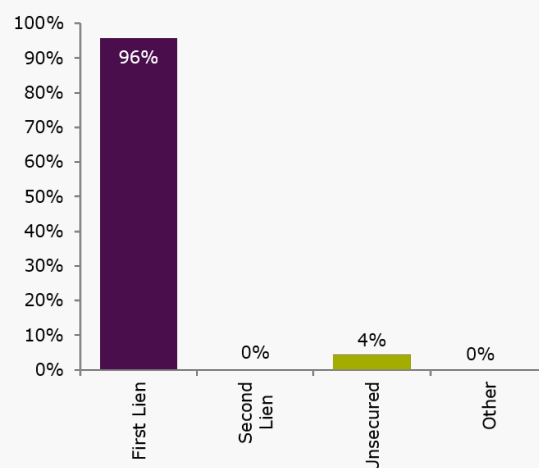
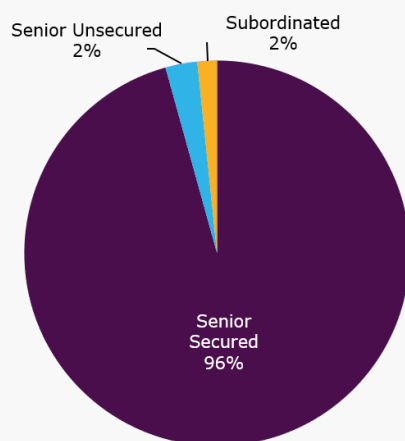
Source: Internal KKR management analysis as at 26 August 2020



Seniority

EDL’s mandate is to primarily lend at the top of the capital structure to performing businesses. The strategy does not seek to take additional risk or look for additional return by lending into mezzanine tranches or provide rescue financing. The size of the business dictates whether it is in the syndicated market (where KKR’s Global Credit Opportunities Fund operates) or in the middle market (where EDL invests).

Source: Internal KKR management analysis as at 26 August 2020

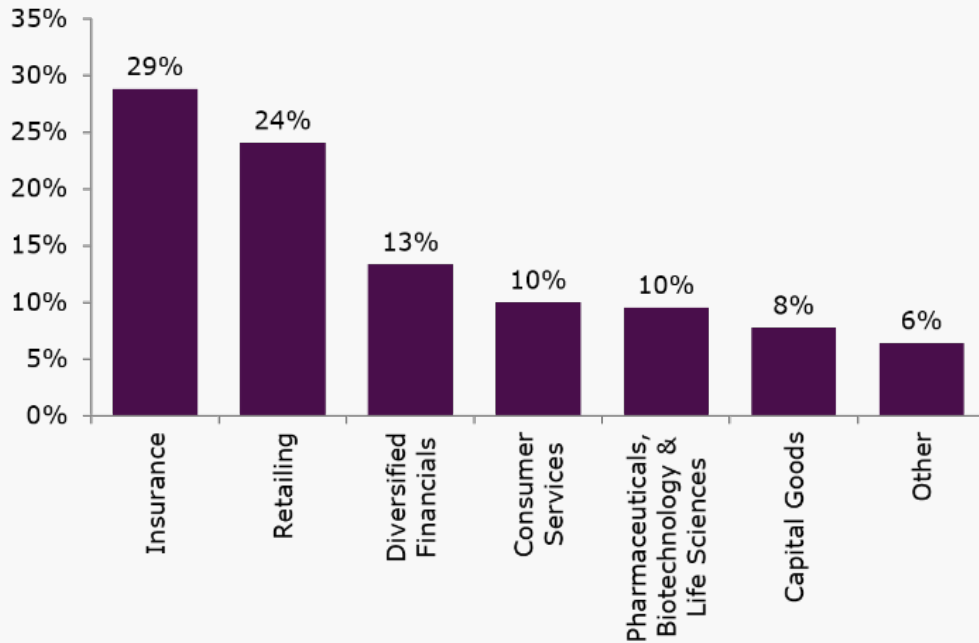


Sector Diversification

The portfolio is diversified across a number of sectors. The “Retailing” exposure comprises a discount retailer and two online car retail platforms, all of which EDL is

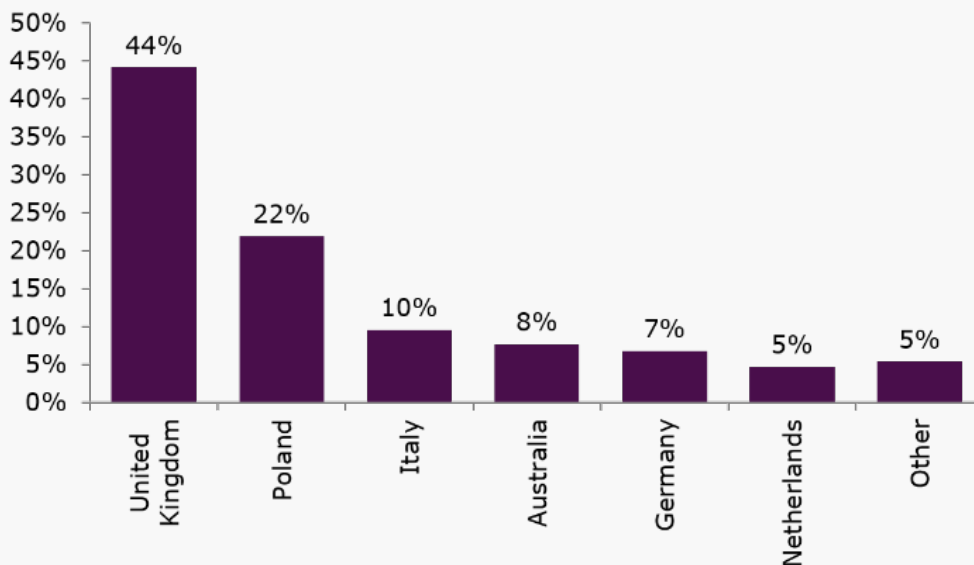
comfortable with lending to in a Covid environment. KKR also considers the consistency of cash flows that an insurance business benefits from attractive, given the customer base tends to be sticky, even in times of volatility.

Source: Internal KKR management analysis as at 26 August 2020



Geographic Diversification

The UK remains the largest constituent of both the European middle market as a whole as well as in EDL's portfolio. The Manager would expect the allocation to the UK to reduce as EDL continues to deploy capital. EDL has the option of investing up to 10% of its total size into non-European Economic Area borrowers.



Source: Internal KKR management analysis as at 26 August 2020

The Manager anticipates the final close of EDL is likely to occur in September. Following the final close, the Manager will know KKC's precise proportional holding in EDL. Once EDL issues a capital call to KKC, KKC's investment in EDL will be reflected in the NTA of KKC [2]. As at 30 June 2020, EDL had a positive net asset value (NAV) as income and realised gains received up to that point by EDL were in excess of any unrealised mark to market valuation decreases on the underlying assets within EDL.

For further detail on EDL, please see the prior [investor update](#) from 27 May where you will find a Q&A on EDL.

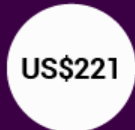
[1] For illustrative purposes only. The specific assets identified are not representative of all securities purchased or sold by KKC or the underlying funds, and it should not be assumed that the investment in the assets identified was or will be profitable. Past performance is not indicative of future performance.

[2] Before making an investment decision in relation to KKC, it is important to understand the risks that can affect the value of your investment in KKC. Investors should read the risks described in Section 8 of the PDS.

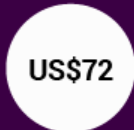
About KKR



years of
experience



billion total assets
under management¹



billion credit assets
under management



KKR Investment
Professionals



billion invested
alongside our clients²

Figures as of 30 June, 2020. 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. Includes investments/commitments made by KKR's balance sheet, KKR employees and other affiliates. Investments made by current and former KKR employees are retained by those individuals personally. Includes unfunded commitments made by individuals.

Important Information

General

This information has been prepared by KKR Australia Investment Management Pty Ltd ABN 42 146 164 454, AFSL 420 085 (the "Manager" or "KKR") and issued by Seed Partnerships Pty Ltd ABN 32 606 230 639 AFSL 492973 on behalf of the Manager and The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235150 (the "Responsible Entity" or "TTCRESL"). TTCRESL is the responsible entity and issuer of units in the KKR Credit Income Fund ARSN 634 082 107 ("KKC" or the "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 update

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.

Copyright © 2020 Seed Partnerships Pty Ltd, All rights reserved. ABN 32 606 230 639 AFSL 492973

You are receiving this email as you have opted to receive KKC updates. The Manager gathers and analyses non-personal data regarding the use of the KKC website (www.kkcaustralia.com.au) and advertisements, including domain names, number of hits, pages visited, length of user session, etc., to evaluate the usefulness of the site/advertisements. This data is collected for statistical purposes only and may be shared with TTCRESL and KKC's unit registry, Boardroom Pty Limited ABN 14 003 209 836. Your personal information is kept to provide you with this update. We may disclose your personal information to external parties who provide services to the Manager (for example, mail houses, and database management services) and, unless you tell us otherwise, your financial adviser. Otherwise, we will not disclose your personal information to any other external parties unless required by law.

You may be entitled to access information which the Manager holds about you. If you would like access or you do not want to receive other information, please contact the Manager.

The Manager's privacy policy is available on the KKC website www.kkcaustralia.com.au or by contacting the Manager as follows:

KKR Australia Investment Management Pty Ltd

Level 42, Gateway Building

1 Macquarie Place

Sydney NSW 2000

Kapil.Kirpalani@kkc.com

+852 36027376

If you do not want to receive further updates, please [unsubscribe](#) here.

Unit Registry - Boardroom Pty Ltd · Grosvenor Place · Level 12, 225 George Street · Sydney, NSW 2000 · Australia