



Perpetual 

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

23 January 2020

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

## **MONTHLY INVESTMENT UPDATE AS OF 31 DECEMBER 2019**

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

Yours sincerely,

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

### **Contact Details**

Unit Registry – Boardroom Pty Ltd

Telephone: 1300 737 760 (within Australia)  
+61 2 9290 9600 (outside Australia)

Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
Website: [www.kkcaustralia.com.au](http://www.kkcaustralia.com.au)

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 (ASX:KCC)

Monthly Investment Update: As of 31 December 2019

## INVESTMENT OBJECTIVE

### KKC Overview

- The KKR Credit Income Fund (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 will 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. In addition to an income stream, the Trust aims to achieve attractive long-term capital appreciation over a full market cycle.
- The Trust seeks to deliver investors with a distribution yield of 4% - 6% per annum<sup>(1)</sup>, paid quarterly, and a medium-term average total return of 6% - 8% per annum.<sup>(2)</sup>

### KKR Overview

- Established in 1976, KKR is a leading global investment firm with industry-leading investment experience, in-depth industry knowledge, sophisticated processes for growing and improving businesses, and a strong culture committed to teamwork.
- As of 30 September 2019, KKR had \$208 billion of assets under management, \$70 billion of which sit within KKR Credit.<sup>(3)</sup>
- KKR has a global presence with offices in 20 cities across 4 continents, including Sydney, Australia.

## KEY TRUST INFORMATION as of 31 DECEMBER 2019

<b>Trust Name</b>	KKR Credit Income Fund (ARSN 634 082 107)
<b>ASX Code</b>	KKC
<b>ASX Listing</b>	21 November 2019
<b>Market Capitalisation</b>	A\$925.00 million
<b>Units on Issue</b>	370,000,000
<b>Investment Manager</b>	KKR Australia Investment Management Pty Ltd (ABN 42 146 164 454)
<b>Responsible Entity</b>	The Trust Company (RE Services) Limited (ABN 45 003 278 831)
<b>Management Fee</b>	0.88% per annum of the NTA, plus net GST of 0.022% per annum of the NTA
<b>Performance Fee</b>	Up to 5.125% of the net annualised return (inclusive of net GST), multiplied by the 'Adjusted NTA' with a hurdle of RBA cash rate plus 4.00% and subject to a high water mark <sup>(4)</sup>
<b>Asset Class</b>	Fixed Income, AUD Hedged

## UNIT PRICE & NTA as of 31 DECEMBER 2019

<b>Net Tangible Assets (NTA)</b>	A\$915,194,224
<b>ASX Unit Price</b>	A\$2.50
<b>NTA Per Unit</b>	A\$2.47
<b>Unit Pricing</b>	Monthly

## RESEARCH

**BondAdviser**

**INDEPENDENT**  
INVESTMENT RESEARCH

**Zenith**  
Investment Partners

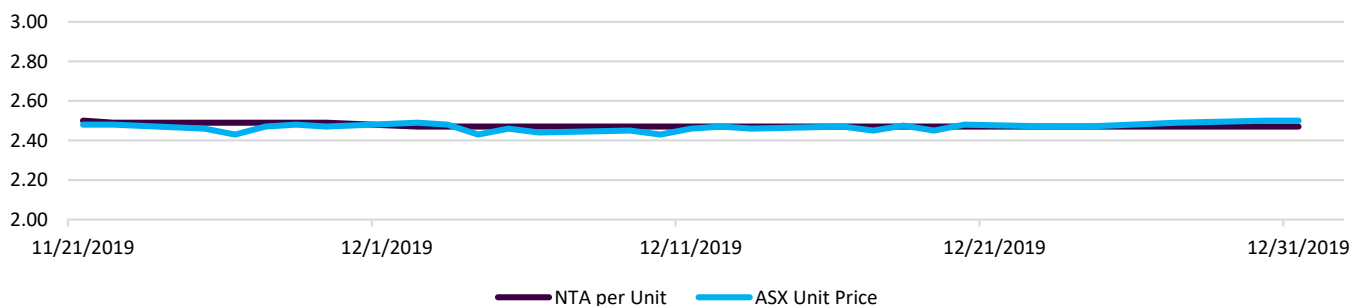
## FURTHER INFORMATION

### BOARDROOM

Phone: 1300-131-856 (Australia)  
 Phone: +612-9290-9688 (outside Australia)  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
 Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

**KKR Credit Income Trust**  
[www.kkcaustralia.com.au](http://www.kkcaustralia.com.au)

## NTA / UNIT AND UNIT PRICE PERFORMANCE



(1) Net of fees and expenses incurred by the Trust, but before tax, paid quarterly once the Trust has deployed the offer proceeds into the KKR Funds (expected to be by March 2020). The target distribution is only a target and may not be achieved. (2) 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 gain. Past performance is not indicative of future results. (3) The KKR Credit group is comprised of KKR Credit Advisors (US) LLC, KKR Alternative Investment Management and KKR Credit Advisors (EMEA) LLP. (4) This is a summary only – see PDS for more detail.

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 December 2019

## INVESTMENT PERFORMANCE

As of 31 DECEMBER 2019	1 MTH	1 YR	3 YR	5 YR	INCEPTION
<b>Net Return Based on NTA (%)</b>	-0.65%	-	-	-	-1.06%
<b>Distribution (%)</b>	-	-	-	-	-
<b>Net Unit Price Return (%)</b>	1.21%	-	-	-	0.00%

## MARKET AND INVESTMENT UPDATE

As of the time of this release, The Trust Company (RE Services) Limited (“Responsible Entity”) as responsible entity of the KKR Credit Income Fund (“Trust” or “KKC”) has fully deployed the proceeds raised under the initial public offering (“IPO”) of the Trust into the KKR Global Credit Opportunities Fund (“GCOF”), being approximately A\$925 million. Deployment of the IPO proceeds into GCOF is ahead of schedule because of continued supportive market conditions. GCOF’s aggregate assets as of 31 December 2019 have a weighted average yield to maturity (“YTM”) of 7.89%.<sup>(5)</sup>

In addition, KKR Lending Partners Europe II (Euro) Unlevered SCSp. has committed to 10 transactions and continues to ramp up. KKC is committing approximately 50% of the IPO proceeds to this fund to assist in portfolio and geographical diversification for KKC.

As unitholders may recall, the value of the GCOF investment made by KKC is accounted for on a one-month lag given the timing difference between the publication of the NTA and GCOF publishing final returns. As a result, the 31 December 2019 NTA for KKC includes the value of GCOF at the end of November 2019. Given KKC was launched on 21 November 2019, the uplift in value of the assets included in the 31 December 2019 NTA includes A\$0.0041 of uplift for the relatively short period from 21 November to 30 November 2019 (which also encompassed the US Thanksgiving holiday).

The reduction in NTA at launch on 21 November 2019 of A\$2.5000 to A\$2.4735 as of 31 December 2019 is primarily due to the costs of hedges and mark-to-market movement in hedges (such costs and mark-to-market movements in aggregate being A\$0.0249). KKC is investing primarily in USD investments at present. There was a sharp change in the foreign currency exchange (“FX”) spot rate between AUD and USD since the launch of KKC in mid-November and the end of December (US\$1 was worth approximately A\$1.47 in mid-November but reduced to approximately A\$1.42 by 31 December 2019). The investments made so far by KKC were hedged using foreign exchange forwards. A foreign exchange forward is an agreement between KKC and other counterparties to purchase AUD against selling USD at a fixed rate on an agreed upon date in the future. This allows KKC to hedge the risk of currency fluctuations. As a result of entering into a hedging program, there was no significant loss in value on the US investments in AUD terms. However, there is a cost to entering into these hedge contracts and these forward contracts are also subject to mark-to-market volatility. It is these factors that have been primarily responsible for the change in the NTA. Roughly half of this estimated A\$0.0249 change was due to unrealised mark-to-market movement in the hedge contract values in December, notably after the RBA decided not to implement a rate cut on December 2nd. The rest of the estimated A\$0.0249 cost was due to costs and initial upfront charges of entering into these contracts.

Despite this, December continued to be an exciting time to deploy KKC capital into the GCOF strategy. For example, US high yield assets as represented by the ICE BofAML US High Yield Master II Total Return Index Value (“BAML HY Master II Index”) returned over 2% in December alone.<sup>(6)</sup> As a result we estimate that the 31 December 2019 value for GCOF, to be included in the January 2020 NTA for KKC, may add A\$0.03-0.05 to NTA (although the January NTA may also be impacted by expenses and mark-to-market movements on the forward contracts since 31 December 2019).

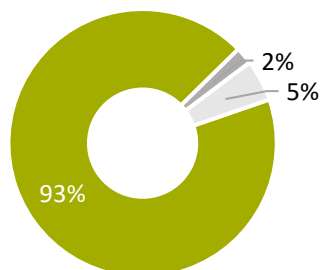
(5) This yield represents the views of KKR Credit as of 31 December 2019 regarding the likely current yields of investments in GCOF over a full market cycle and is subject to change. There is no guarantee that the assumptions upon which estimated current yields are based will materialise as anticipated. Past performance is no guarantee of future results and the portfolio characteristics are subject to change. This YTM is inclusive of cash balances. (6) Source: BAML HY Master II Index as of 31 December 2019.

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 December 2019

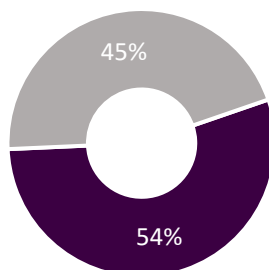
## PORTFOLIO CONSTRUCTION<sup>(8)</sup>

### SENIOR vs. SUBORDINATED



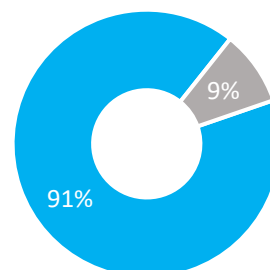
■ Senior ■ Subordinated ■ Other

### FLOATING vs. FIXED



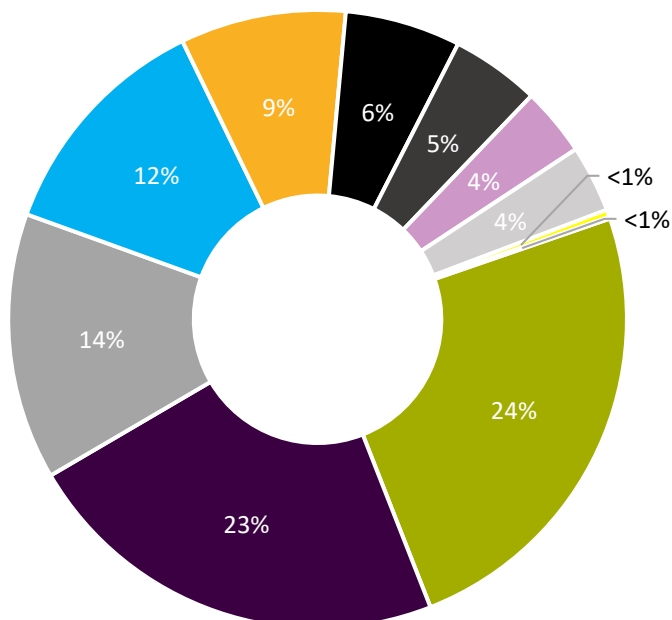
■ Floating Rate ■ Fixed Rate

### GEOGRAPHIC SPLIT



■ North America ■ EMEA

## SECTOR DIVERSIFICATION



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

## OTHER PORTFOLIO DETAILS<sup>(7)</sup>

Number of Holdings <sup>(8)</sup>	219
Asset Mix	100% Traded Credit
Yield-to-Maturity	7.89%
Yield-to-Worst	7.48%

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
Net Return Based on NTA (%)	-	-	-	-	-0.42%	-0.65%	-	-	-	-	-	-	-1.06%

(7) Based on GCOF assets as of 31 December 2019. (8) Based on look through to the Trust's underlying funds. Represents GCOF assets as of 31 December 2019.

# KKR Credit Income Fund (ASX:KKC)

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### General

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### 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.