

# KKR Credit Income Fund (ASX:KCC)

Monthly Investment Update: As of 30 September 2021



<b>Net Tangible Assets (NTA)</b>	A\$907,965,159	<b>NTA Per Unit</b>	A\$2.52
<b>Unit Pricing</b>	Monthly	<b>ASX Unit Price</b>	A\$2.27

## FUND PERFORMANCE

As of 30 September 2021	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	Inception*
<b>Total Returns (Net)</b>	+0.89%	+1.52%	+3.96%	+12.53%			<b>+7.53%</b>
Distribution <sup>(1)</sup>	+0.40%	+1.19%	+2.18%	+4.22%	-	-	<b>+6.64%</b>
Distribution (A\$/Unit)	0.0100	0.0300	0.0550	0.1050	-	-	<b>0.1603</b>

\* Inception of KCC was 21<sup>st</sup> November 2019

Distribution Based on Closing NAV <sup>1</sup> (%)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
<b>2020 Financial Year</b>					-	-	-	-	+0.21%	-	-	+1.14%	<b>+1.35%</b>
<b>2021 Financial Year</b>	-	-	+1.07%	-	-	+1.03%	-	-	+1.01%	-	-	+0.99%	<b>+4.10%</b>
<b>2022 Financial Year</b>	-	+0.79%	+0.40%										<b>+1.19%</b>

Distribution frequency changed from quarterly to monthly in July 2021 with the first monthly payment made in August 2021. Past performance is not indicative of future performance and the portfolio characteristics are subject to change.

## MONTHLY UPDATE

For the month of September 2021, the KKR Credit Income Fund (“KCC” or the “Trust”) recorded a total net return of +0.89%<sup>2</sup>.

KCC declared a distribution of A\$0.01 (+0.40%<sup>1</sup>) for September. This is the third of KCC’s monthly distributions in line with the updated distribution policy. KCC expects investors to receive A\$0.01 per month for the current financial year<sup>2</sup>.

As announced on 15 September 2021, KCC commenced a buy-back on 29 September 2021, and has also begun the process to consider the establishment of an Australian unlisted credit fund. The unlisted credit fund is expected to have the ability to purchase KCC units.

US high yield bonds (“HYBs”) reported a return of +0.20% and US senior loans also reported a gain of +0.69%<sup>3</sup> during the month. The larger monthly performance in loans was partly driven by increased demand for floating rate assets given continued inflation worries by market participants.

The Yield to Maturity for the underlying assets in KCC (which is inversely impacted by an increase in price), stood at 7.2% as of August month-end<sup>4</sup>. The weighted average price of assets in the portfolio stands at 100.3%. The current yield of the underlying assets in the portfolio was 6.9% as at month end<sup>4</sup>.

Some month to month changes in the underlying portfolio are as follows. All these movements reference the portfolio change between 31 August 2021 and 30 September 2021:<sup>5</sup>

- The number of issuers in the portfolio increased marginally to 174;
- The concentration of the top 10 holdings increased slightly to 22.1%. Movement in the top 10 relates to the calling/repayment of US logistics business Kenan Advantage’s fixed rate bond. KCC’s top 10 holdings are further detailed on the next page;
- The proportion of floating rate assets increased to 65%. Loans and other floating rate assets can act as a natural hedge vs. rising rates as the coupons are generally based on 3-month LIBOR (i.e. quarterly rate reset or duration of ~0.25yrs). The portfolio is still intentionally overweight floating rate assets and the portfolio currently has a low duration of 1.4 years compared to ~4 years for the bond market as a whole;
- Consumer Discretionary and Industrials remain the two largest sectors at 26% and 25% respectively; and
- KCC’s exposure to senior assets currently stands at 90%.

EDL did not participate in any new deals during the month but it did participate in an add-on to an existing position in a Swedish software business. There were no realisations during the month.

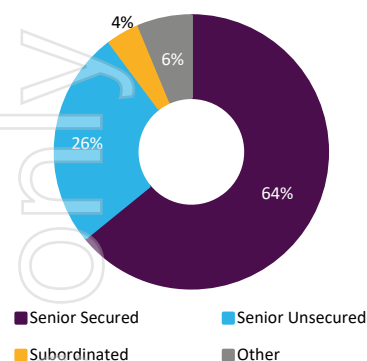
EDL was ~42% net deployed (on a Cost basis) across 20 privately originated assets as at month end.

# KKR Credit Income Fund (ASX:KKC)

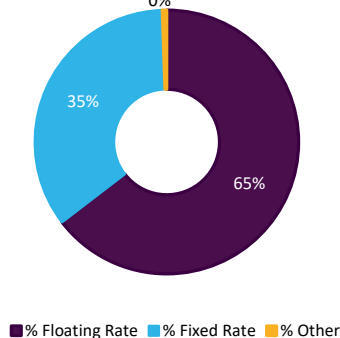
## Monthly Investment Update: As of 30 September 2021

### PORTFOLIO CONSTRUCTION<sup>(5)</sup>

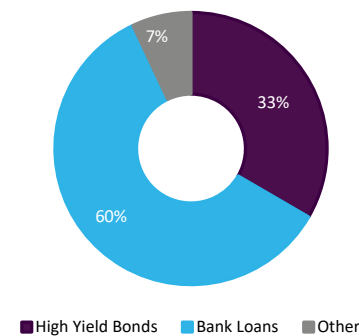
#### SENIOR vs. SUBORDINATED



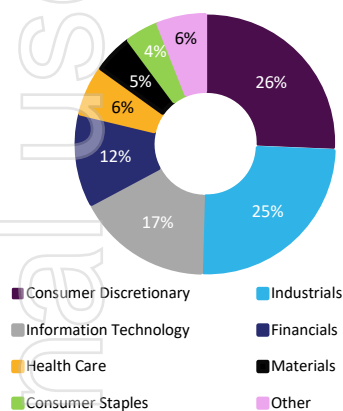
#### FLOATING vs. FIXED



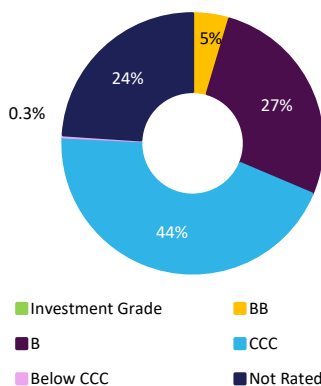
#### ASSET TYPE DIVERSIFICATION



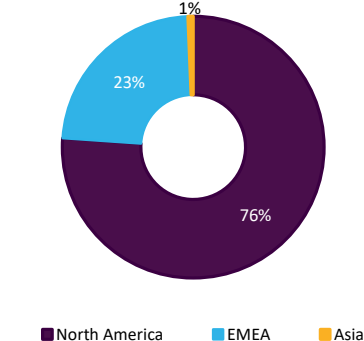
#### SECTOR DIVERSIFICATION



#### RATING DIVERSIFICATION<sup>(6)</sup>



#### GEOGRAPHIC DIVERSIFICATION



### OTHER PORTFOLIO DETAILS<sup>(5)</sup>

Number of Issuers <sup>(4)</sup>	Asset Mix	Yield-to-Maturity on Underlying Assets	Portfolio Interest Rate Duration	Average Price	Current Yield on Underlying Assets
174	82% Traded Credit / 18% EDL	7.2%	1.4	100.3	6.9%

### TOP 100 ISSUER SUMMARY: % OF PORTFOLIO

Top 10	Top 20	Top 25	Top 50	Top 100
22.1%	36.7%	43.0%	66.9%	92.6%

### TOP 10 HOLDINGS

Holding	Weight	Type	Sector	Fixed/Floating	Security	Seniority	Country	Currency
Douglas Holding AG	3.3%	Bond	Specialty Stores	Fixed	Senior Secured	First Lien	Germany	EUR
Sequa Corp	3.2%	Loan	Aerospace & Defense	Floating	Senior Secured	First Lien	United States	USD
Misys Ltd	3.1%	Loan	Application Software	Floating	Senior Secured	Second Lien	United States	USD
Varsity Brands Inc	2.3%	Bond	Apparel, Accessories & Luxury	Floating	Senior Secured	First Lien	United States	USD
Carnival Corp	1.8%	Bond	Hotels, Resorts & Cruise Lines	Fixed	Senior Unsecured	Unsecured	United States	USD
Vantage Specialty	1.8%	Loan	Specialty Chemicals	Floating	Senior Secured	First Lien	United States	USD
LBM Borrower LLC	1.7%	Bond	Building Products	Fixed	Senior Unsecured	Second Lien	United States	USD
Solera LLC	1.7%	Loan	Application Software	Floating	Senior Secured	Second Lien	United States	USD
Ardonagh Group	1.6%	Bond	Insurance Brokers	Fixed	Senior Unsecured	Unsecured	United Kingdom	USD
National Financial	1.6%	Bond	Insurance Brokers	Fixed	Senior Unsecured	Unsecured	United States	USD
<b>22.1%</b>								

This investment update and the statistics surrounding the top 10 holdings in the KKR Credit Income Fund is provided solely for informational purposes. The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons.

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 30 September 2021



## KKC OVERVIEW

The Trust aims to provide investors with attractive, risk-adjusted returns and access to a diversified portfolio of income generating alternative credit investments through the Trust's investment across strategies managed by the credit investment teams of Kohlberg Kravis Roberts & Co. L.P. ("KKR").

These strategies comprise the Global Opportunistic Credit strategy and European Direct Lending strategy, which seek to take advantage of the attractive opportunities that KKR sees in the market. The Trust's investment objective is to provide an income stream as well as to achieve attractive long-term capital appreciation over a full market cycle.

The Trust seeks to deliver investors with a distribution yield of 4% - 6% per annum<sup>(2)</sup>, paid monthly in arrears. KKC has announced that for the financial year ended June 2022, KKC is targeting a distribution of +4.8% based on the issue NTA per unit of A\$2.50<sup>2</sup> (12c per year). The Trust continues to target a medium-term average total return of 6% - 8% per annum<sup>(7)</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 June 2021, KKR had A\$569.6 billion of assets under management, of which A\$225.7 billion sits within KKR Credit.<sup>(8)</sup>

KKR has a global presence with offices in 21 cities across 4 continents, including Sydney, Australia. KKR employs ~155 investment professionals in the Credit business.

KKC represents the largest pool of capital for KKR's Australian business and KKR now has two permanent members of its Client Partner Group based in Sydney. The Client Partner Group is responsible for client and market engagement across KKR's breadth of funds and strategies.

## KEY TRUST INFORMATION AS AT 30 SEPTEMBER 2021

<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\$816.8 million
<b>Units On Issue</b>	359,834,870
<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 <sup>(9)</sup>
<b>Performance Fee</b>	Up to 5.125% of the net annualised return (inclusive of net GST, less RTIC), multiplied by the 'Adjusted NAV' with a hurdle of RBA cash rate plus 4.00% and subject to a high water mark <sup>(9)</sup>
<b>Asset Class</b>	Fixed Income, AUD Hedged

## CONTACT INFORMATION

### BOARDROOM

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

### KKR CREDIT INCOME TRUST

www.kkcaustralia.com.au

## RESEARCH

BondAdviser

Independent  
Investment Research

Zenith  
Investment Partners

# KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 30 September 2021



## FOOTNOTES

- (1) Distribution % calculated as the distribution per unit divided by the closing NTA of the previous month. The multi period calculations sum the dividend yields received and does not compound them.
- (2) Net of fees and expenses incurred by the Trust, but before tax. The target distribution is only a target and may not be achieved. 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 can affect the value of your investment. Investors should read the risks described in Section 8 of the PDS.
- (3) Source: JP Morgan as of 30 September 2021. JP Morgan has not consented to the inclusion of this statement in this document.
- (4) This yield represents the views of KKR Credit as of 30 September 2021 regarding the likely current yields of investments in KKC's GCOF-style SMA and EDL 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. These YTM and current yield figures exclude cash balances.
- (5) Based on look through to KKC's underlying funds. Represents GCOF strategy and EDL assets as of 30 September 2021.
- (6) Source: KKR as of 30 September 2021. Credit ratings are statements of opinion of a relevant credit agency about the likelihood of a borrower to meet its interest and principal payment and repayment obligations when they fall due. Credit ratings are not statements of fact or recommendations to purchase, hold or sell securities. Credit ratings do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied upon as investment advice.
- (7) Target medium-term average total return net of fees and expenses incurred by the Trust, before tax. The distribution yield over a given period may be lower than the total return in this period to the extent that the total return includes unrealised gains. Investors should review the Risk summary set out in Section 1 and Section 8 of the PDS for important information regarding Target Total Returns and the Trust's ability to achieve them. Past performance is not indicative of future results.
- (8) The KKR Credit group is comprised of KKR Credit Advisors (US) LLC, KKR Alternative Investment Management and KKR Credit Advisors (EMEA) LLP. AUM is updated quarterly in line with KKR's public filings.
- (9) This is a summary only – see section 9 of the PDS for more detail.

## Important Information

### GENERAL

This information has been prepared by KKR Australia Investment Management Pty Ltd ABN 42 146 164 454, AFSL 420 085 ("KKR" or "The Manager"), and authorized for release 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. Any term not defined in the document has the same meaning as defined in the PDS.

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.

### 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.

Any term not defined in this document has the same meaning as defined in the PDS.

For more information please refer to [www.kkcaustralia.com.au](http://www.kkcaustralia.com.au)