

KKR Credit Income Fund (ASX:KKC)

Monthly Investment Update: As of 31 January 2024

Net Tangible Assets (NTA)	A\$788,113,854	NTA Per Unit	A\$2.44	Distribution Yield (NTA)	8.19%
Distribution Frequency	Monthly	ASX Unit Price	A\$2.26	Distribution Yield (Unit Price)	8.85%

Fund Performance

As of 31 January 2024	1 Month	3 Month	6 Month	1 Year	2 Year Annualised	3 Year Annualised	Inception* Annualised	Inception* Cumulative
Total Returns (Net)	+0.79%	+5.34%	+6.90%	+14.04%	+5.30%	+5.33%	+4.16%	+18.89%
Distribution (% of NTA)⁽¹⁾	+0.68%	+2.09%	+4.18%	+7.24%	+6.27%	+5.58%	+4.62%	+21.15%

* Inception of KKC was 21st November 2019

Distribution Based on Closing NTA ⁽¹⁾ (%)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
Previous Financial Year	+0.49%	+0.48%	+0.48%	+0.49%	+0.49%	+0.49%	+0.49%	+0.48%	+0.47%	+0.47%	+0.47%	+0.47%	+5.77%
Current Financial Year	+0.71%	+0.70%	+0.70%	+0.69%	+0.71%	+0.70%	+0.68%	-	-	-	-	-	+4.89%

For a full list of distributions made since Inception, please visit the Investor Centre at www.kkcaustralia.com.au. Past performance is not indicative of future performance and the portfolio characteristics are subject to change.

Portfolio Update:

- KKC delivered a 0.79% return in January. Loans outperformed High Yield Bonds over the month and lower rated assets outperformed across both sectors.
- The weighted average price of the underlying KKC assets in the portfolio stood at 95.0% of par as at month end. The Yield to Maturity, which is inversely related to prices, stood at 11.1% and the current yield of the underlying assets in the portfolio was 10.2%⁽³⁾.
- European Direct Lending (EDL) had no new additions or realizations over the month. EDL represents ~47% of KKC's portfolio invested as at month end. A case study on one of our EDL deals can be found on page 3.

Distribution Update:

- KKC declared a distribution of A\$0.0167 (8.19% of NTA) for the month. This is in line with the announced FY24 distribution estimate of A\$0.20. As of 31 January, ASX Unit Price of A\$2.26, this represents a yield of ~8.85%⁽²⁾.

Market Update:

- High Yield bonds provided a flat return of 0.02%⁽⁸⁾ in January as investors weighed tight valuations against a patient, data-dependent Federal Reserve. Loans returned +0.67%⁽⁹⁾ in January as investors focused on a historical surge in refinancing and repricing activity.

Attribution Analysis

MTD Performance Drivers		YTD Performance Drivers			
	Top Contributors	Top Detractors		Top Contributors	Top Detractors
By Rating	CCC B BB	-	By Rating	CCC B BB	-
By Sector	Leisure Services Media	Insurance Basic Industry	By Sector	Leisure Services Media	Insurance Basic Industry

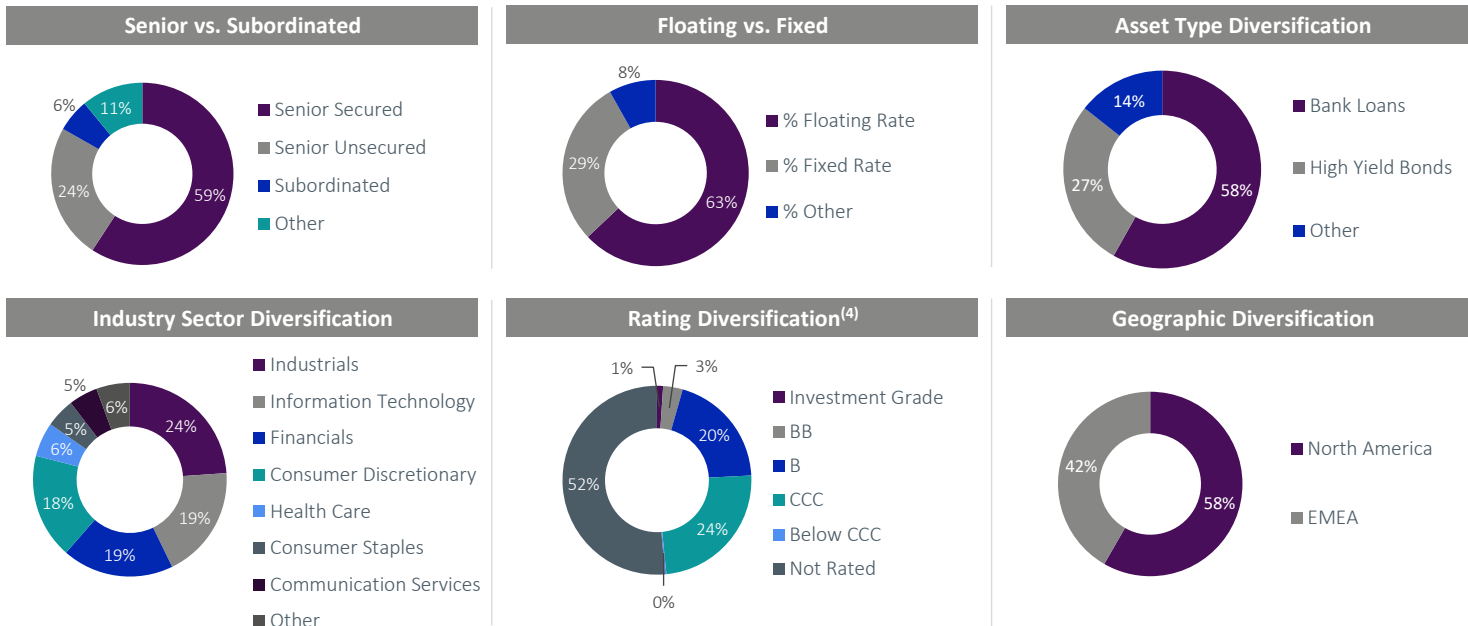
Uploaded to ASX on 26/02/2024

For more information please refer to www.kkcaustralia.com.au

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Portfolio Construction⁽⁴⁾



Other Portfolio Details⁽³⁾

Number of Issuers ⁽³⁾	Asset Mix	Yield-to-Maturity on Underlying Assets	Portfolio Interest Rate Duration	Average Price	Current Yield on Underlying Assets
199	53% Traded Credit / 47% Private Credit	11.1%	0.9	95.02	10.2%

Top 100 Issuer Summary: % of Portfolio

Top 10	Top 20	Top 25	Top 50	Top 100
17.6%	32.2%	38.4%	62.2%	92.0%

Top 10 Holdings

Holding	Weight	Type	Sector	Fixed/Floating	Security	Seniority	Country	Currency
Ardonagh Group	1.94%	Loans	Insurance Brokers	Fixed / Floating	Senior Secured	First Lien	United Kingdom	GBP
ICE	1.91%	Loans	Biotechnology	Floating	Senior Secured	First Lien	Italy	EUR
esPublico	1.83%	Loans	Application Software	Floating	Senior Secured / Subordinated	First Lien / Unsecured	Spain	EUR
Advania Sverige AB	1.79%	Loans	IT Consulting & Other Services	Floating	Senior Secured	First Lien	Sweden	SEK
PIB Inc	1.78%	Loans	Insurance Brokers	Floating	Senior Secured	First Lien	United Kingdom	GBP
PSAV Inc	1.77%	Loans	IT Consulting & Other Services	Floating / Floating	Senior Secured / Subordinated	Unsecured	United States	USD
National Financial	1.71%	Bond	Insurance Brokers	Fixed	Subordinated	Unsecured	United States	USD
Wella Corp/The	1.69%	Loans	Personal Care Products	Floating	Senior Secured	First Lien	Switzerland	GBP
HKA	1.61%	Loans	Research & Consulting Services	Floating	Senior Secured	First Lien	United Kingdom	USD
NEP Broadcasting	1.60%	Loans	Broadcasting	Floating	Subordinated	Unsecured	United States	USD
	17.63%							

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. For more information please refer to www.kkcaustralia.com.au

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Portfolio Case Study



Company Overview

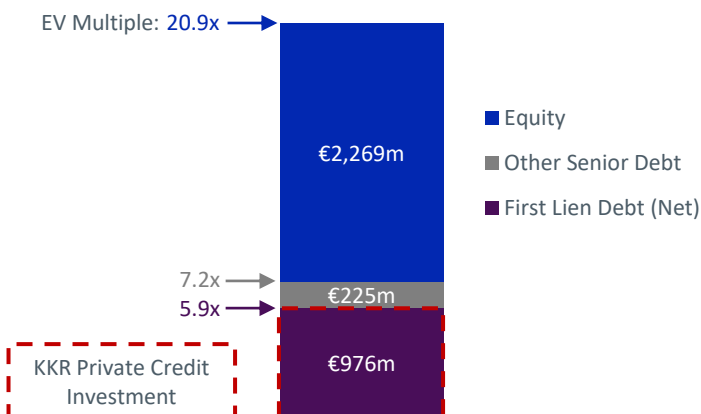
- AutoScout24 GmbH ("AS24") is a leading pan-European on-line vehicle classifieds platform with a core focus on Germany. The customer base includes professional dealers, commercial resellers, private resellers and buyers.

Transaction Overview

- In Q1 2020, Hellman & Friedman ("H&F") acquired the company from Scout24 for €2.9 billion (~21x EV / EBITDA).
- KKR Credit have been lenders to AS24 in both the 1L and 2L across the firm since original transaction and know the business, sector and H&F well.
- KKR Credit has twice provided private 1L loans to AS24, during periods of market volatility, to undertake strategic and accretive acquisitions:
 - In July 2020, KKR Credit was the sole provider of a €50 million 1L loan in support of the acquisition of LeasingMarkt, a German classifieds platform for leasing new and used cars.
 - In March 2022, H&F approached KKR Credit with an additional €85 million financing opportunity to support the purchase of AUTOProff, Denmark's leading B2B car trading platform.
- Our investment thesis is based on: (i) leading branded business in the high quality on-line auto classified market; (ii) recurring revenue base with high forward visibility; (iii) strong cash conversion; (iv) proven incremental growth model leveraging the benefits of the platform; and (v) strong backing by a top tier sponsor with substantial equity investment.

Capital Structure at Investment

Based on FY21E Pro Forma EBITDA of €166 million



Company	
Country	Germany
Industry	Internet & Direct Marketing Retail
Sponsor	Hellman & Friedman

Investment	
Date of Investment	July 2022
Date of Maturity	March 2025
KKR Private Credit Investment	€85m
KKR Role	Sole
Use of Proceeds	Acquisition Financing
Revenue at Add-On	€282m
EBITDA at Add-On	€166m
EV at Add-On	€3,470m

Facilities	First Lien Term Loan
Facility Size	€85m
KKR Private Credit Investment	€85m
Currency	EUR
Coupon (bps)	E+500bps
Floor	0.0%
OID	2.0%
Call Protection	102, par
Covenants	Cov-lite

Note: The specific investment identified is 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 company identified was or will be profitable. There is no guarantee that the strategy will hold any or all of the securities identified. Our investment thesis is subject to change. In instances where our view on the issuer changes, the KKC portfolio may adjust its positioning. Please refer to "Important Information" at the end of this report for further information on KKR's inside information barrier policies and procedures. Please note that all third party trademarks included in this report are registered trademarks of the company represented by such trademark and such companies have no affiliation with KKR except as indicated. For illustrative purposes only. For more information please refer to www.kkcaustralia.com.au

KKR Credit Income Fund (ASX:KKC)

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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.

KKC has announced that for the financial year ending June 2024, KKC is targeting a distribution of +8.6% based on the issue NTA per unit of A\$2.3308⁽²⁾ (20.0c per year). The Trust continues to target a medium-term average total return of 6% - 8% per annum⁽⁵⁾ through the market cycle.

The Trust is appropriate for investors seeking income distribution to be used as a satellite allocation within a portfolio where the investor has a 5+ year investment timeframe and a medium to high risk/return profile. Investors should refer to the Target Market Determination ([TMD](#)) document for further information.

KKR Overview

Established in 1976, KKR is a global investment firm with industry-leading investment experience, a pioneering attitude to ESG management and a strong culture committed to teamwork.

As of 31 December 2023, KKR had A\$811.5 billion of assets under management, of which A\$321.5 billion sits within KKR Credit.⁽⁶⁾

KKR has a global presence with offices in 26 cities across 4 continents, including Sydney, Australia. KKR employs approximately 165 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 31 January 2024

Trust Name	KKR Credit Income Fund (ARSN 634 082 107)
ASX Code	KKC
ASX Listing	21 November 2019
Market Capitalisation	728,926,571
Units On Issue	322,533,881
Investment Manager	KKR Australia Investment Management Pty Ltd (ABN 42 146 164 454)
Responsible Entity	The Trust Company (RE Services) Limited (ABN 45 003 278 831)
Management Fee	0.88% per annum of the NTA, plus net GST of 0.022% per annum of the NTA ⁽⁷⁾
Performance Fee	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 ⁽⁸⁾
Asset Class	Fixed Income, AUD Hedged

CONTACT INFORMATION

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INDEPENDENT
INVESTMENT RESEARCH

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INVESTMENT PARTNERS

For more information please refer to www.kkcaustralia.com.au

KKR

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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) Represents KKR estimates of the yields of the portfolio's underlying assets, excluding cash, as of 31 January 2024.
- (4) Source: KKR as of 31 January 2024. 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.
- (5) 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.
- (6) 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.
- (7) This is a summary only – see section 9 of the PDS for more detail.
- (8) High Yield Bond returns represented by ICE BofA US High Yield Master II Index.
- (9) Leveraged Loan returns represented by Morningstar LSTA US Leveraged Loan Index.

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) and Target Market Determination (TMD) 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 corporate bodies, 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.

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