



Issued 10 December 2019. As of 3 December 2019, The Trust Company (RE Services) Limited (“Responsible Entity”) as responsible entity of the KKR Credit Income Fund (“Trust” or “KKC”) has deployed approximately A\$760 million, being approximately 82% of the proceeds raised under the initial public offering (“IPO”) of the Trust, into the KKR Global Credit Opportunities Fund (“GCOF”).¹ Deployment of the IPO proceeds into GCOF is ahead of schedule because of supportive market conditions. GCOF’s aggregate assets as of 3 December 2019 have a weighted average yield to maturity (“YTM”) of 8.31%.²

Overall, this is an exciting time to be deploying KKC capital into the GCOF strategy. As described below, periodic dislocations are creating opportunities to pivot to areas where there is mispricing in sub-sectors and asset classes— a space well suited for opportunistic credit investors. As the Trust continues to invest the IPO proceeds across the GCOF portfolio the focus will be on obtaining the best investment execution and value for its assets, scaling its long-term investment theses, and constructing a portfolio best positioned to capitalise on compelling upside while mitigating downside risk.

As witnessed throughout the year, loans continue to trade in a bifurcated fashion. Higher rated and lower yielding issuers are trading strongly while lower rated, but higher yielding issuers are trading below par. The Trust continues to take advantage of this market dynamic to lean into high conviction loan opportunities and scale its credit exposure to loans and bonds across the GCOF portfolio. In conjunction with its loan positioning, the Trust also continues to apply a similar methodology to its high yield positions by identifying mispriced credits that complement its portfolio construction. We have observed investors in the market broadly moving their capital away from riskier investments towards safer ones and seeking US high yield opportunities. As a result, the ICE BofAML US High Yield Master II Total Return Index Value (“**BAML HY Master II Index**”) has been up 12.07% year-to-date as of 30 November 2019 and assets in the senior portion of the capital structure (i.e. less risky assets) have become more expensive as spreads tighten to unprecedented levels – a similar phenomenon is also seen in loans.³

In addition, KKR Lending Partners Europe II (Euro) Unlevered SCSp. has committed to 6 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.

¹ Deployment in AUD assumes USD to AUD spot rate as of 3 December 2019 of 1.4603.

² This yield represents the views of KKR Credit as of 3 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.

³ Source: BAML HY Master II Index as of 30 November 2019.



The Trust's first distribution is expected to be announced in February 2020, with the first payment expected to be made within 10 days of the quarter ended 31 March 2020. This first distribution yield will represent interest income received and realised gains on the sale of securities in GCOF as of 31 December 2019.

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Important Information

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 ("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 Document

This information is only as current as the date indicated, and may be superseded by subsequent market events or for other reasons.

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