



Product Review

KKR Global Private Credit Fund (KIT AUD) — Class A Units

ISSUE DATE 09-09-2024

About this Review

ASSET CLASS REVIEWED	ALTERNATIVES
SECTOR REVIEWED	GROWTH ALTERNATIVES (MODERATE)
SUB SECTOR REVIEWED	PRIVATE DEBT
TOTAL FUNDS RATED	25

About this Fund

ASIC RG240 CLASSIFIED	YES
FUND REVIEWED	KKR GLOBAL PRIVATE CREDIT FUND (KIT AUD) - CLASS A UNITS
APIR CODE	CHN6906AU
PDS OBJECTIVE	THE FUND, VIA ITS INVESTMENT IN THE UNDERLYING FUND, AIMS TO GENERATE CURRENT INCOME AND, TO A LESSER EXTENT, LONG-TERM CAPITAL APPRECIATION PRIMARILY BY PURSUING DIRECT LENDING AND ASSET-BASED FINANCE STRATEGIES.
INTERNAL OBJECTIVE	TARGET 9-10% NET ANNUAL DISTRIBUTION FROM A DIVERSIFIED PORTFOLIO FOCUSED ON DOWNSIDE PROTECTION.
STATED RISK OBJECTIVE	TO PROVIDE COMPELLING RISK-ADJUSTED RETURNS.
DISTRIBUTION FREQUENCY	MONTHLY
FUND SIZE	\$140M (31/08/2024)
FUND INCEPTION	29-06-2024
ANNUAL FEES AND COSTS (PDS)	1.42% P.A.
RESPONSIBLE ENTITY	CHANNEL INVESTMENT MANAGEMENT LIMITED

About the Fund Manager

FUND MANAGER	KOHLBERG KRAVIS ROBERTS & CO. L.P. (KKR)
OWNERSHIP	KOHLBERG KRAVIS ROBERTS & CO L.P. (KKR)
ASSETS MANAGED IN THIS SECTOR	\$92.7BN (MARCH 2024)
YEARS MANAGING THIS ASSET CLASS	19

Investment Team

PORTFOLIO MANAGER	COMMITTEE BASED
INVESTMENT TEAM SIZE	100
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	DECENTRALISED

Investment process

INVESTMENT STRATEGY	SENIOR CORPORATE DEBT; ASSET BASED FINANCE
MARKET CAPITALISATION BIAS	UPPER MID-MARKET (US\$50M-100M EBITDA)
BENCHMARK	NONE
LIQUIDITY	ASSETS OF UNDERLYING FUND ARE ILLIQUID
CURRENCY EXPOSURE	FULLY HEDGED TO AS
LEVERAGE	YES - TYPICALLY 90-110%

Fund rating history

SEPTEMBER 2024	RECOMMENDED
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What this Rating means

The 'Recommended' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- Well established and sizeable private credit platform.
- Experienced and well resourced team.
- All facets of the process combined (deal sourcing, deal structuring, and execution) are considered to be strong.
- Well established operational governance, primarily valuation and deal allocation policies.

Weaknesses

- ABF track record is less established though supported by a well built out investment team.
- Fees are considered expensive in absolute terms, and the performance fees could be better structured.

Fund Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK	●		
CAPITAL VOLATILITY		●	
CREDIT RISK			●
INTEREST RATE RISK	●		
FOREIGN CURRENCY EXPOSURE	●		
LEVERAGE RISK		●	
SECURITY CONCENTRATION RISK		●	
SECURITY LIQUIDITY RISK			●
REDEMPTION RISK			●

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIometrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME			●

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY			●

We strongly recommend that potential investors read the product disclosure statement Lonsec Research Pty Ltd ABN 11 151 658 561 • AFSL No. 421 445 • This information must be read in conjunction with the warning, disclaimer, and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: DARRELL CLARK | APPROVED BY: MATTHEW FREEMAN

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Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS		●	
FEES VS. SUB-SECTOR		●	

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- KKR Global Private Credit Fund (KIT AUD) – Class A Units ('the Fund') aims to provide investors with access, through the Underlying Fund, to KKR's Private Credit Platform, providing AUD hedged exposure to a diversified portfolio of private credit securities with a wide variety of collateral types. The Fund targets a 9-10% net annual distribution from a diversified portfolio focused on downside protection.
- The Fund is managed by Kholberg Kravis Roberts & Co. L.P. ('KKR' or 'the Manager') and is an Australian registered unit trust that invests in an open-ended, commingled subfund of the KKR-Income Trust SCA SICAV-RAIF ('the Underlying Fund'), a Luxembourg company in the form of a partnership limited by shares. The Underlying Fund will seek to achieve its investment objective through direct investments, and indirectly through certain other KKR managed funds, including initially the KKR FS Income Trust ('K-FIT'), a regulated business development company ('BDC') under the U.S. Investment Company Act of 1940, as amended ('the US 1940 Act').
- The Fund will invest 95-100% of its capital into the Underlying Fund and between 0-5% in cash and cash equivalents.
- The Underlying Fund will primarily pursue investments within KKR Credit's Direct Lending (55-75% allocation) and Asset-Based Finance (ABF) strategies (25-35% allocation), but will also invest in broadly syndicated loans, high yield bonds and other liquid credit investments as appropriate.
- The direct lending programme lends to mid-market corporates, broadly defined as those with annual EBITDA of US\$50-150m at the time of investment. The ABF programme focuses on a number of sectors including consumer/mortgage finance, hard assets, commercial finance, and contractual cash flows.
- The Underlying Fund utilises leverage primarily for investment purposes. The Underlying Fund's anticipated level of leverage is a range of 90% to 110%. This leverage can be applied jointly or cross-collateralised with co investment vehicles or other funds of KKR, using structures such as revolving credit facilities or other debt facilities provided by lenders including KKR and the affiliates of the Underlying Fund Investment Manager.
- The Fund's PDS dated 4 June 2024 disclosed Annual Fees and Costs ('AFC') totalling 1.42175% p.a. This value comprises (1) Management Fees and Costs of 1.10925% p.a., (2) Performance Fees of 0.3125% p.a. and, (3) Net Transaction Costs of 0.00% p.a. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates.

- While the Fund itself does not charge a performance fee, performance fees charged by interposed vehicles comprise the above noted performance fee.
 - An Incentive Fee on Income: 0.00% until 31 March 2025 and thereafter 12.5% subject to a 5% annualised hurdle with a catch-up.
 - An Incentive Fee on Capital Gains: 12.5% of realized capital gains net of all unrealized capital losses and unrealized capital depreciation.

Redemptions

- Redemptions are available on a monthly basis and processed on the last calendar day of the month. Requests are to be received 10 business days prior to the redemption date and will be processed using the redemption date of the following month therefore approximately 44 Calendar Days notice is to be provided. The Responsible Entity has the right to suspend the redemption of units from the Trust.
- The assets of the Underlying Fund are generally expected to be illiquid. This will ultimately limit the ability of the Fund to redeem its holdings in the Underlying Fund (and by extension, limit the Responsible Entity's ability to accept redemptions in the Fund) and Investors should take this into consideration when deciding whether to invest in the Fund.
- Furthermore, permitted redemptions are generally limited to 5% of the net asset value of the Underlying Fund per calendar quarter. The Manager has the right to suspend redemptions or modify the redemption mechanism. A discretionary Early Redemption Deduction fee of up to 2% of the NAV of the shares being redeemed from the Underlying Fund may be applied in the first year of operation.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Lonsec notes that the Manager has produced a Target Market Determination (TMD), which forms part of the Responsible Entity's Design and Distribution Obligations for the Fund. Lonsec has collected the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers.
- Lonsec considers the Fund suitable for investors with a high tolerance for risk associated with complex structuring, leverage and sub-investment grade credit risk. It is suitable for high net worth, family office or private bank clients with large account balances. Investors should be aware that the Fund may experience periods of negative returns and that there is a risk of capital loss being incurred on their investment. Lonsec considers an allocation to Private Debt, best funded from the Growth or Alternative Growth portion of a well-diversified portfolio. It is suited for investors with an investment time horizon of at least five years.

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Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- This is Lonsec's initial review of the Fund.

Lonsec Opinion of this Fund

People and resources

- KKR is a large, well-resourced alternatives investment management firm with over 2,600 employees located across 26 offices globally. The group has over 46 years of private equity experience and is considered a highly credible manager in private markets. The group has significant depth of investment resources and personnel to draw upon, with high levels of private markets experience embedded within the team. As at March 2024, the firm had US\$578 billion in client AUM, including US\$93 billion in AUM across corporate credit and asset based finance. The KKR Group is US-listed (NYSE:KKR) and has a market cap in excess of US \$100bn as at June 2024. Lonsec does not consider business risk to be a material factor impacting the product.
- KKR has also developed an extensive resource platform that supports the daily activities of KKR's private markets business and provides a point of differentiation, for example the Global Macro and Asset Allocation (GMAA) works closely with the different regional and sector teams, helping to provide a top-down perspective on countries, industries and individual companies, which Lonsec believes provides advantages to the investment process. Overall, the level of resourcing is considered significant and towards the higher end of peers.
- The KKR Private Credit Investment Committee (KIT IC) will be primarily responsible for directing the Fund's participation in relevant investment opportunities. Potential investments receiving approval from the relevant strategy investment committee will be considered by the KIT IC. The KIT IC is comprised of senior and experienced investment professionals at KKR, including Head of Global Private Credit, Daniel Pietrzak. Lonsec views the level of experience across the KIT IC favourably, with team members bringing complementary skillsets and expertise in product development, due diligence and risk management. In aggregate, Lonsec believes the team has the necessary skills and expertise commensurate with the needs of the Fund.
- Underlying the KIT IC are regional/strategy ICs and individual KKR Credit Leaders, who lead individual specialist funds that source the individual transactions across KKR's credit platform. Lonsec views the quality of these teams as relatively high, with relatively long tenures at KKR. In addition, the level of governance in place to oversee individual deals and their ongoing monitoring is considered extensive. Furthermore, Lonsec considers the Manager's broad, global employee network to be a

key strength in being able to provide a consistent pipeline of investment opportunities and synergies.

- Alignment of interests with investors is considered high. The cash bonus, equity compensation, and "dollars at work" ("DAW") are discretionary, and DAW and equity awards are typically subject to a vesting period of several years. Compensation and other incentives are not formulaic, but rather judgment and merit driven, and are determined based on a combination of: overall Firm performance, individual contribution and performance (as assessed via the Firm's semi-annual review process as well as other inputs), business unit performance, and relevant market and competitive compensation practices for various businesses and the individual roles/responsibilities within each of those businesses.
- Given the size and depth of experience in the investment team, coupled with the committee-based decision-making structure, Lonsec considers key person risk to be low to moderate.

Research and portfolio construction

- The Fund aims to provide unitholders access to the best of KKR's credit platform, primarily its direct lending and asset based finance capabilities. The direct lending strategy focuses on upper mid-market borrowers in defensive sectors with the smaller allocation towards ABF adopting a multi-asset class approach focused on consumer/mortgage finance, hard assets, and commercial finance. Lonsec considers the majority of the portfolio to be reasonably high quality corporate private debt, with further edge and alpha generation in the ABF allocation where scale and captive origination channels are thought to be differentiated to peers.
- KKR Credit's platform leverages extensive relationships to source a wide range of investment opportunities across mid-market corporate loans and ABF. KKR's extensive track record and scale supports key relationships with private equity sponsors, the vast majority of corporate loans being sponsor backed. The screening process involves targeted due diligence covering financials, operations, industry dynamics, and management. KKR's processes and intellectual property is thought to enhance deal structuring. Post-investment, KKR employs active management through its Portfolio Management Committee (PMC), which closely monitors performance, addresses risks, and drives value creation. The approach is considered disciplined and repeatable and is believed to provide a competitive edge in structuring and managing private credit investments.
- The smaller allocation to ABF takes advantage of the Manager's significant ABF platform which is thought to be a key differentiating feature of the product compared to others in the market. ABF is expected to provide a yield pick-up as well as diversify risk within the portfolio. Origination channels are considered to be largely proprietary and include semi-captive to fully captive channels where KKR has some control or is the sole financing partner of the non-bank platform. While having a material presence in the ABF sector, KKR has a shorter track record and is less established relative to their direct lending platform, therefore a higher proportion of Lonsec's

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confidence is weighted towards the latter. The ABF platform commenced in 2016 and the first closed ended fund, ABFP I, was launched in 2020.

- The Underlying Fund invests as a co-investor alongside KKR's closed ended funds, leading to a cleaner and simpler ownership structure and is expected to reduce the layers of fees seen in some peers who invest as a limited partner into external primary and secondary private credit funds. Lonsec highlights that performance of the Fund is heavily reliant on the skill of the investment team in selecting appropriate loans, conducting appropriate due diligence and underwriting risk appropriately.
- The Underlying Fund uses leverage for investment purposes and aims to operate with one turn of leverage (leverage ratio of 90-110%), though Lonsec notes higher leverage is allowable under the PDS. Leverage only applies to corporate lending and not ABF. One turn of leverage is considered to be aligned with other global offerings under Lonsec's coverage, though its use introduces a potential increase in risks and drawdowns while also increasing expected returns.
- The Fund was inceptioned in June 2024 and has seen early favourable inflows upwards of A\$140m. The Underlying Fund is US\$280m in size (both Aug 24) and accesses US based direct lending and Asset Based Finance (ABF) through investment in a US Business Development Company (K-FIT). The Underlying Fund will also co-invest alongside KKR funds in European direct lending and ABF. In aggregate this provides a diversified global exposure to private credit aiming to allocate 55-75% towards direct lending and 25-35% in ABF. Once at steady state, regional allocations should be broadly United States: 50-70%; Europe 30-40%; Asia 0-10%. Reaching the targeted steady state is dependent on fund raising and deal sourcing.
- Favourably, the Underlying Fund provides immediate exposure to a diversified portfolio of private assets via its investment in K-FIT, which is an efficient way of gaining access to a pool of loans that has been ramping since August 2022. K-FITs US\$444m portfolio (March 24) is spread across 50 issuers with a median EBITDA of US\$134M. The ramping of K-FIT and KIT has been assisted through the use of a third party warehouse. This is seen as a strength in managing deployment as the Fund scales. The warehouse will continue to be used as required, though achieving scale will likely mean more deals are allocated in full to K-FIT or KIT. Lonsec views the overall structure favourably as it allows the Fund to benefit from the scale and resources of the Manager.

ESG integration

- The Manager does not source general external ESG data instead relying on collecting its own ESG data based on metrics specific to this asset class. This is appropriate given the nature of the strategy. The Manager performs little internal ESG research for this Fund. Transparency on the transmission from research to portfolio construction is limited. While ESG risks are reflected at the point of investment, there is no clear portfolio level ESG monitoring or management, with all activity focused on individual loans. There are no signs that company engagement

on ESG issues is a component of the Manager's current investment approach for this Fund.

Risk management

- The Portfolio Monitoring Unit (PMU) stands out as a key strength in KKR's approach to ongoing credit oversight. The specialised team is a key foundation of the monitoring process, offering a comprehensive approach to managing investments. By continuously tracking a wide range of data from financial performance to compliance reporting, the PMU ensures that key metrics in the ongoing management of the loan portfolio are monitored. Oversight enhances the overall risk management strategy and positions KKR to respond quickly and effectively to any changes in portfolio dynamics.
- Risk is expected to be managed through diversification and is considered a key focus of the team, noting the mandate is broad and dynamic by design. The Manager aims to maximise geographic and collateral diversification, spreading risk and avoiding concentration in any single sector or region.
- That said, the Underlying Fund has not adopted any specific investment restrictions, limits or guidelines, with the exception that the Underlying Fund will generally not make investments where the 'country of risk' of the relevant issuer is an emerging market jurisdiction. All else equal, firmer guidance would be preferred, especially with regards liquidity and concentration.

Fees

- Lonsec considers the total fee load for the Fund (AFC of 1.42175% p.a.) to be moderate compared to peers with fees across the sub-sector having the potential to be material.
- While the Fund itself does not charge a performance fee, there are estimated interposed vehicle performance fees of 0.3125% p.a. included in the AFC with the incentivisation structure comprised of two components independent of each other, one based on income generation and one based on capital gains. Lonsec notes the hurdle rate is towards the lower end of the peer group and would prefer a more meaningful hurdle rate to be instated, especially in an environment where cash rates have moved considerably higher.
- The buy/sell spread is set at 0.00%/0.00%, and as net transaction costs disclosed under the RG97 reporting regime are estimated to be 0.00% p.a.

Product

- The Fund is a registered managed investment scheme ('MIS') for which Channel Investment Management Limited is the Responsible Entity ('RE'). The RE is responsible for operating and managing the MIS, holds an ASFL and as such is required to comply with its ASFL and RE obligations as outlined under the Corporations Act. The use of an external RE is Lonsec's preferred operating model.
- The Fund invests into an underlying Luxembourg domiciled SICAV fund, which itself, invests into further structures that hold the underlying investments made by the Manager. Lonsec considers this structure to have a higher degree of legal structuring risk than a traditional Australian managed investment scheme. While noting its

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inherent complexity, Lonsec has gained sufficient comfort in the structure as this is a familiar structure for KKR and many other offshore unlisted asset managers, having been employed for a number of years here in Australia and with offshore clients.

- Furthermore, investing in private debt poses unique operational challenges, stemming from the lack of liquid markets for the individual investments. Investors should carefully consider the monthly-withdrawals and possibility of withdrawals being limited or suspended at times.
- The Fund has well-defined and consistently applied policies and procedures for asset valuation, with robust oversight from arms-length valuation committees or professionals. Regular valuations are conducted based on reliable and accepted methodologies, instilling higher confidence in asset pricing. The valuation professionals involved are highly experienced, and external audits of valuations are regularly performed. Private debt valuation methodologies comply with accounting standards and incorporate credit risk considerations at both the market and security levels, enhancing reliability.
- The Fund has a well-defined and transparent investment allocation policy that ensures equitable treatment of unitholders vis-à-vis institutional investors in other vehicles. Allocation methodologies and decision-making processes are clearly articulated with proprietary tools used. Unitholders consistently have access to all firm deals on an equal footing with other strategies, provided these meet the risk mandates of the Fund.

Performance

- The Fund was launched on June 2024 and therefore has yet to attain performance history over the stated time horizon to which it is judged.

Overall

- The Fund has been initiated with a 'Recommended' rating. This is supported by KKR's well established and sizeable private credit platform and the experience and overall levels of resourcing of the investment team.
- All facets of the process combined (deal sourcing, deal structuring, and execution) are considered to be strong. Moreover, well established operational governance, primarily valuation and deal allocation policies are considered favourably.
- The smaller allocation to asset based finance, while supported by some proprietary sourcing and captive origination, has a shorter track record. Fees, as with many private markets funds, are expensive, and the terms of the performance fee could be better structured.

People and Resources

Corporate overview

Kohlberg Kravis Roberts & Co. L.P. ('KKR' or 'the Manager') is an alternatives investment management firm with over 46 years of private equity experience and is considered one of the leading firms in this sector. The Manager was responsible for US\$578bn in AUM as of March 2024, of which US\$93 billion was across corporate credit and asset based finance.

KKR has over 2,600 employees located across 26 offices worldwide including North America, Europe, Asia Pacific, South America and the Middle East. The Manager has over 46 years of private equity experience and is considered one of the leading firms in this sector. The KKR Group is US-listed (NYSE:KKR) and has a market cap in excess of US\$100bn as at 30 June 2024. Channel Investment Management Limited ('CIML', 'Responsible Entity', 'RE') is a trustee/responsible entity of the Fund. Channel Capital Pty Ltd provides investment services across multiple asset classes and is the holding company of CIML.

Size and experience

NAME	POSITION	EXPERIENCE
		INDUSTRY / FIRM
DANIEL PIETRZAK*	PARTNER	27 / 8
CHRISTOPHER SHELTON*	PARTNER	25 / 20
MICHAEL SMALL*	PARTNER	28 / 3
GEORGE MUELLER*	PARTNER	19 / 14
VARUN KHANNA*	PARTNER	21 / 8
LAUREN KRUEGER*	MANAGING DIRECTOR	25 / 6
RONY MA*	MANAGING DIRECTOR	15 / 13
AVI KORN*	MANAGING DIRECTOR	24 / 6
CHRISTOPHER MELLIA*	MANAGING DIRECTOR	21 / 3

*KKR Private Credit Investment Committee Members

Alignment

KKR's remuneration structure is designed to align employee interests with the firm's global objectives. The firm uses a single global profit and loss statement to determine compensation, fostering teamwork and shared accountability. Senior executives receive a base salary, with eligibility for cash bonuses, equity compensation, and discretionary "dollars at work" (DAW) in KKR fund investments. These incentives, typically subject to a vesting period, are merit-driven and based on overall firm performance, individual contributions, and competitive market practices. This approach reinforces KKR's core values and encourages alignment between employee and firm success.

Research Approach

Overview

INVESTMENT TYPE	SENIOR LOANS
REGIONAL FOCUS	NORTH AMERICA
ORIGINATION CHANNELS	NETWORK E.G. PE SPONSORS; PROPRIETARY/ CAPTIVE CHANNELS WITHIN ABF; OTHER INTERMEDIARIES
RESEARCH PROCESS	PROPRIETARY FUNDAMENTAL RESEARCH

Sourcing

KKR Credit leverages its extensive relationships to provide KIT with a strong pipeline of investment opportunities. These are sourced from various channels, including private equity sponsors, non-sponsored corporates, financial advisors, banks, brokers, and family offices.

Screening

Once an opportunity is identified, KKR Credit conducts an initial screening to assess its viability. This includes

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evaluating key risks and determining if the investment aligns with KIT's criteria and offers potential attractive returns. A screening memo and credit research analysis are prepared for further review by the Investment Committee.

Underwriting & Investment Committee

After completing any additional due diligence, a formal recommendation is presented to the Investment Committee. Upon approval, KKR Credit collaborates with the company's management team to finalize the investment structure and terms, focusing on securing superior risk-adjusted returns.

Active Management

Post-investment, the Private Credit Investment Team works with the Portfolio Management Committee (PMC) to monitor and maximize value. The PMC meets quarterly to review investments, address key operational issues, and implement strategies to resolve potential problems. KKR aims to maintain influence by leading lender groups, enhancing control over investment outcomes.

Portfolio Construction

Overview

DECISION MAKING	COMMITTEE BASED
FUND BENCHMARK	BENCHMARK UNAWARE
TYPICAL NO OF HOLDINGS	200 SECURITIES (IN STEADY STATE)
MARKET CAPITALISATION BIAS	UPPER MID-MARKET (DIRECT LENDING)

KITs investment strategy will be implemented, directly or indirectly, through two private credit strategies.

Direct lending (55%-75%)

Direct lending typically involves investments in the most senior tranches of a corporate capital structure, usually in the form of unitranche or first and second lien loans negotiated privately with middle-market and larger borrowers. KIT's strategy focuses on senior secured corporate debt in the U.S. and Europe, targeting cash-flow-resilient businesses with EBITDA above \$50 million. In Asia-Pacific, where KKR sees less competition and a supply-demand gap, KIT will seek similar direct lending opportunities, leveraging KKR's strong regional presence for proprietary deal flow.

Asset Based Finance (25%-35%)

The strategy emphasises directly originated private ABF investments, deriving returns from contractual cash flows tied to large pools of hard and financial assets. Sectors include consumer finance, royalties, aircraft leasing, and real estate development. KIT leverages KKR Credit's data and global reach to identify themes. Most investments are proprietary and illiquid, with occasional opportunistic plays in traded debt. KIT's approach is driven by market inefficiencies, aiming for differentiated, risk-adjusted returns across diverse sectors.

Traded Credit (5%-10%)

A mix of broadly syndicated loans, high yield bonds and other liquid credit investments as appropriate.

Risk Management

Risk limits

INDEPENDENT RISK MONITORING	YES
FREQUENCY OF MONITORING	NOT STATED
SINGLE POSITION LIMITS (MIN/MAX)	NOT STATED
INDUSTRY LIMITS (MIN/MAX)	NOT STATED
DERIVATIVES	YES (HEDGING PURPOSES)
CASH	0-5%
LEVERAGE	TYPICALLY 90-110% (UNDERLYING FUND)

KKR Credit monitors its investment portfolio to ensure KIT has acceptable industry balance, using industry and market metrics as key indicators. By monitoring KIT's investment portfolio for industry balance, KKR Credit seeks to reduce the effects of economic downturns associated with any particular industry or market sector. Notwithstanding KIT's

intent to invest across a variety of industries, it may from time to time hold securities of a single portfolio company that comprises more than 5.0% of its total assets and/or more than 10.0% of the outstanding voting securities of the portfolio company.

Risk monitoring

KKR Credit implements a comprehensive risk management strategy, beginning with rigorous due diligence to identify potential risks before investment. This includes analyzing business, financial, legal, and regulatory factors. Investments require approval from KKR Credit's Investment Committee. Post-investment, ongoing monitoring is conducted by the Portfolio Monitoring Unit (PMU), which tracks financial data and compliance. KKR Credit actively engages with stakeholders to maintain portfolio company performance and uses an investment rating system to evaluate returns, ensuring continuous oversight and anticipation of negative credit events. This approach aims to mitigate risks and optimize investment outcomes.

The Investment Committee considers risks on a portfolio-wide basis, using proprietary and external tools like Bloomberg and RiskMetrics. KKR's independent Portfolio Construction and Risk Management team monitors duration, sector exposure, undergoes stress-testing using advanced methodologies, ensuring adherence to guidelines and informed decision-making. This approach allows KKR to manage risks effectively across diverse investment strategies.

Risks

Please read the PDS for a full list of risks.

Market Risk

Movements in financial markets due to economic, environmental or political conditions, or from general market sentiment, will result in the value of the Fund's underlying assets, and hence the value of your investment, moving up or down.

Redemption risk

Investors should be aware that while the Fund provides a redemption facility, redemptions are subject to restrictions. An investment in the Fund is therefore not suitable for investors who require immediate liquidity

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from their investment. Investors may be exposed to securities which are thinly traded or illiquid in nature. It may not be possible to sell such securities in a timely fashion or at a price at which is perceived to be at fair value.

Credit Investment Risk

Credit investments may be secured, partially secured or unsecured and may have speculative characteristics. Changes in interest rates generally will cause the value of credit investments to vary inversely to such changes meaning that changes in prevailing market interest rates could negatively affect the value of such investments. In a changing interest rate environment, the Fund may not be able to manage this risk effectively.

Leverage risk

The Underlying Fund will (and generally expects to) employ leverage as a strategy for its investment purposes. The Underlying Fund is expect to borrow, provide credit support or guarantee loans or other extensions of credit for investments and other related purposes, including, without limitation, by entering into one or more revolving credit facilities or any other debt or leverage facility or facilities or other loans or extensions of credit provided by one or more lenders, which could include KKR, the Underlying Fund Investment Manager and their respective affiliates.

Valuation risk

The overall performance of the Fund will depend in part on the acquisition price paid by the Underlying Fund for its investments, and, where applicable, on the acquisition prices paid by portfolio entities for their investments. Valuations of investments, when reported by their respective sponsors, may not be indicative of current or ultimate, realisable values.

Currency risk

The Fund invests in wide range of securities denominated in a variety of foreign currencies. A rise in the relative value of the Australian dollar vis-à-vis the currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor's perspective. Additionally, hedging cash flows (losses) may materially impact the liquidity profile of the Fund. Typically, the share class of the Fund in which this Fund invests will typically be hedged back into Australian dollars.

Legal Structuring Risk

Complex legal structures with layers of inter-posed legal vehicles can give rise to conflicts of interest between related funds. Although not common, funds may also bear higher pro rata share of expenses and costs incurred by other interrelated or parallel legal vehicles in relation to activity of other classes of funds or portfolio companies, e.g. through financing facilities or guarantees associated with hedging.

Quantitative Performance Analysis

The Product commenced on June 2024. As Lonsec prefers to consider performance over longer time periods, it will continue to monitor the performance of the Product as a more significant track record develops.

Glossary

Total return ‘Top line’ actual return, after fees
Excess return Return in excess of the benchmark return
Standard deviation Volatility of monthly Absolute Returns
Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst drawdown The worst cumulative loss (‘peak to trough’) experienced over the period assessed
Time to recovery The number of months taken to recover the Worst Drawdown
Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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