

## KKR Global Private Credit Fund (KIT AUD)

Rating issued on 18 Mar 2025 | APIR: CHN6906AU

### Investment objective

To deliver an income distribution of between 9% p.a. and 10% p.a. (net of fees).

Manager	Kohlberg Kravis Roberts & Co. L.P.
Distributor	KKR Australia Investment Management
Sector	International Fixed Interest High Income
Investment Style	Active
RI Classification	Aware
Absolute Risk	High
Relative Risk	Opportunistic Credit
Investment Timeframe	5-6 Years
Benchmark	Bloomberg AusBond Bank Bill Index
Min Investment Amount	\$100,000
Redemption Frequency	Monthly
Income Distribution	Monthly
Fund Size (31 Dec 2024)	\$233.30M
Management Cost	1.25% p.a. Incl. GST
Performance Fee	N/A
Buy / Sell Spread	0.00% / 0.00%
Inception Date	30 Jun 2024

### Fund facts

- Open-ended vehicle that provides exposure to direct lending and asset-based finance investments
- High-quality investment team with deep lending experience
- Offered with monthly liquidity subject to 5% quarterly cap

### Viewpoint

The Fund, managed by New York-based Kohlberg Kravis Roberts & Co. L.P. (KKR), provides investors with exposure to direct lending and asset-based finance (ABF) investments. With a focus on upper middle-market borrowers operating in defensive sectors, KKR aims to deliver attractive floating rate returns above cash, with a strong focus on downside protection. In Zenith's opinion, KKR's track record of direct lending to performing borrowers and its ability to diversify the portfolio across private equity (PE) sponsors, industries, vintages and return drivers, positions the Fund as an attractive option in the International Fixed Interest - High Income sector.

The portfolio is managed by KKR's Private Credit Investment Committee (IC), which is led by Head of Global Private Credit, Daniel Pietrzak and comprises nine senior investment professionals. In our opinion, KKR's platform is well-structured, with a core of senior investment personnel supported by a large team of origination specialists. The team's ability to work with general partners and tailor financing solutions that both support business growth and protect the interests of investors, is a point of differentiation.

KKR targets an income distribution of between 9% p.a. and 10% p.a. (net of fees) and invests in a globally-diversified portfolio of privately originated loans and asset-based finance transactions, with the latter including consumer/mortgage finance, commercial finance, hard assets and contractual cashflows.

KKR targets those borrowers operating in defensive, non-cyclical sectors such as healthcare, consumer staples with average EBITDA of \$US 50 million to \$US 150 million. Further, a typical borrower is expected to display a leverage profile of approximately 4x to 5x (net debt / EBITDA) and interest coverage of 2x.

In our view, KKR's track record in private lending is impressive, noting significantly low incidences of default over the long-term. Furthermore, we believe that private lending is highly relationship based, with KKR's strong reputation in the global lending market contributing to the breadth and differentiated nature of its origination pipeline.

The portfolio is broadly managed with a long-term allocation of 55% to 75% to direct senior loans, 25% to 35% in ABF transactions and 5% to 10% in a publicly-traded credit sleeve, with the latter used to support the liquidity profile of the underlying portfolio.

Zenith highlights that the combination of direct lending and ABF provides exposure to a range of industries and sectors, and importantly, lowly correlated return drivers. For example, the performance of PE-back corporates is driven by the PE value creation cycle, earnings growth, EBIT profitability and free cashflow generation. While a mortgage originator is driven by the performance of the underlying collateral pool, borrower serviceability and structural features, such as cashflow waterfalls and triggers.

A key tenet of the investment strategy is the use of leverage, where the underlying investment exposure is increased by approximately \$0.9 to \$1.10x (i.e. for each \$1 of investment, \$1.90 to \$2.10 of assets are held), with investors benefiting from the difference between lending margins and the cost of borrowing, which is estimated to be in the range of 2% p.a. to 3% p.a.

Zenith highlights that the amount of leverage will change over time, in line with prevailing lending spreads and base rates. In our opinion, while the amount of leverage is high and increases the risk profile of the strategy, KKR's track record of minimising defaults and its preference for lending to non-cyclical industries, should ensure that the enhanced investment exposure is accretive to performance.



## Fund analysis

### Fund characteristics

Constraint	Value (Guide only)
Asset-based finance	25% to 35%
Senior US direct lending	35% to 45%
Senior EU/Asia direct lending	20% to 30%
Traded credit	5% to 10%
US exposure	50% to 70%
Europe exposure	30% to 40%
Asia exposure	0% to 10%

### Investment objective and philosophy

KKR seeks to deliver an income distribution of between 9% p.a. and 10% p.a. (net of fees), with a focus on protecting capital. To achieve this, the strategy invests in a globally-diversified portfolio of privately originated loans and asset-based finance transactions, with the latter including consumer/mortgage finance, commercial finance, hard assets and contractual cashflows.

The underlying portfolio primarily invests in direct loans (55% to 75%), which typically rank as the most senior in a capital structure, with the first claim on company assets in the event of a default or bankruptcy proceedings. These loans typically generate a return of SOFR plus 5% p.a. with the return comprising an upfront discount (referred to as OID) and an ongoing, floating rate margin above SOFR.

The direct loan exposure is complemented by an asset-based financing (ABF) sleeve which include investments secured by pools of financial and hard assets. This could include investing in mezzanine tranches of warehouse facilities through the provision of funding to loan originators in a range of sectors, including cars, residential mortgages and credit card receivables. Funding is provided to facilitate the growth of loan pools, before ultimately being securitised and re-packaged as asset-backed securities (ABS).

Zenith highlights that the combination of direct lending and ABF provides exposure to a range of industries and sectors, and importantly, lowly correlated return drivers. For example, the performance of PE-back corporates is driven by the PE value creation cycle, earnings growth, EBIT profitability and free cashflow generation. While a mortgage originator is driven by the performance of the underlying collateral pool, borrower serviceability and structural features, such as cashflow waterfalls and triggers.

#### Investment process

The investment process commences with the sourcing and origination of lending opportunities, which are identified from a mix of channels, including PE sponsors, non-sponsored corporates, financial advisors and other lead direct lending partners.

KKR targets those borrowers operating in defensive, non-cyclical sectors such as healthcare, consumer staples with average

EBITDA of \$US 50 million to \$US 150 million. Further, a typical borrower is expected to display a leverage profile of approximately 4x to 5x (net debt / EBITDA) and interest coverage of 2x, both of which align with an issuer credit quality of B to B- (based on an S&P methodology).

In our view, KKR's track record in private lending is impressive, noting significantly low incidences of default over the long-term. Furthermore, we believe that private lending is highly relationship based, with KKR's strong reputation in the global lending market contributing to the breadth and differentiated nature of its origination pipeline.

### Portfolio applications

Corporate loans typically involve lenders providing capital to borrowers to fund a range of business activities, including mergers and acquisitions, capital expenditure and general working capital. These assets have a priority claim over equity in a company's capital structure and are secured by the assets of the firm. Similarly, asset-based finance involves private, often proprietary investments backed by large diversified pools of financial and hard assets, with the underlying assets supported by contractual and recurring cashflows.

KKR aims to provide investors with monthly liquidity (subject to a quarterly cap of 5% of NAV) diversified across direct lending and asset-based finance, which historically has exhibited low correlations to other fixed income allocations.

The Fund may be appropriate for investors seeking exposure to a higher yielding strategy. From a portfolio perspective, the Fund is suitable as a component of a well-diversified portfolio and is considered most appropriate as a satellite exposure to fixed income.

Notwithstanding the more conservative nature of KKR's lending process, there is potential for moderate to high levels of volatility, with the potential for capital losses. As such, Zenith recommends taking a medium to long-term investment timeframe. We caution against the Fund being used by investors with short term liquidity needs.

The Fund utilises a feeder fund structure, where the Australian unit trust invests in an underlying Fund domiciled in Luxembourg. Zenith recommends investors seek tax advice regarding the tax implications of a feeder fund structure.

### Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Aware
Has Responsible Investment Policy	Yes
PRI Status	
PRI Signatory	Yes

\*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact



# Absolute performance

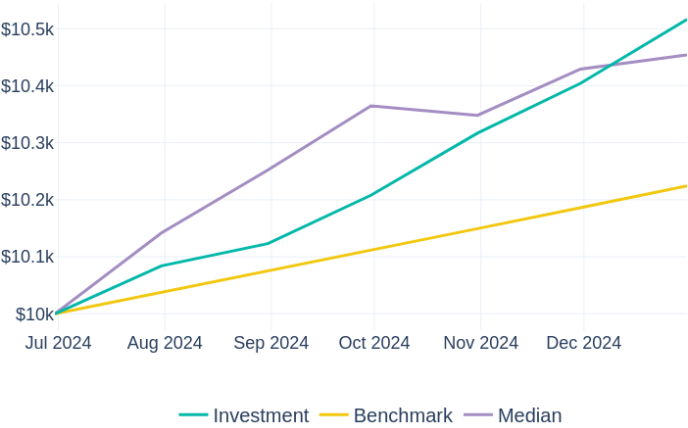
Performance as at 31 Dec 2024

## Monthly performance history (% , net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2024							0.84%	0.39%	0.84%	1.07%	0.85%	1.08%	5.16%	2.24%

\*Bloomberg AusBond Bank Bill Index

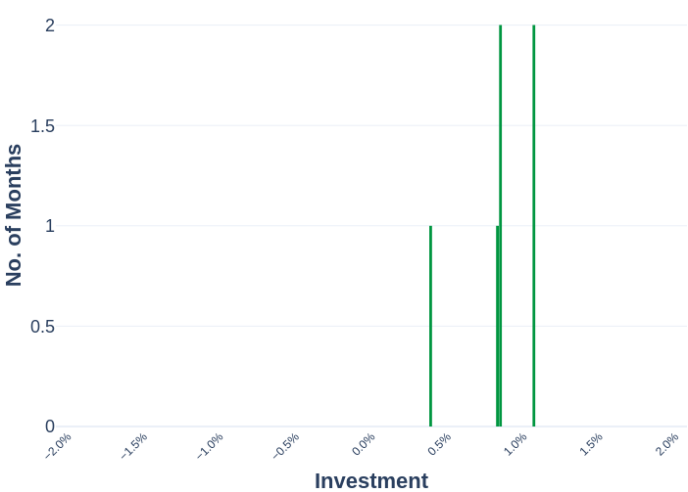
## Growth of \$10,000



## Risk / return

Insufficient data for this chart

## Monthly histogram



## Minimum and maximum returns (% p.a.)





## Absolute performance analysis

Instrument	1 Mth	3 Mths	6 Mths	Inception
<b>Investment</b>	<b>1.08%</b>	<b>3.02%</b>	<b>5.16%</b>	<b>5.16%</b>
Income	0.83%	2.52%	5.07%	5.07%
Growth	0.25%	0.50%	0.09%	0.09%
<b>Benchmark</b>	<b>0.38%</b>	<b>1.12%</b>	<b>2.24%</b>	<b>2.24%</b>
<b>Median</b>	<b>0.24%</b>	<b>0.86%</b>	<b>4.54%</b>	<b>4.54%</b>
<b>Cash</b>	<b>0.38%</b>	<b>1.12%</b>	<b>2.24%</b>	<b>2.24%</b>

## Ranking within sector (p.a.)

Ranking within Sector	Inception
Fund Ranking	1 / 1
Quartile	-

## Absolute risk

Instrument
<b>Standard Deviation (% p.a.)</b>
Investment
Benchmark
Median
<b>Downside Deviation (% p.a.)</b>
Investment
Benchmark
Median

## Absolute risk/return ratios

Instrument
<b>Sharpe Ratio (p.a.)</b>
Investment
Benchmark
Median
<b>Sortino Ratio (p.a.)</b>
Investment
Benchmark
Median

Zenith benchmarks funds in the 'International Fixed Interest - High Income' peer group against the Bloomberg AusBond Bank Bill Index. While this benchmark may not be consistent with the one adhered to by all rated participants, it has been adopted to provide investors with a common reference point against which similarly structured strategies may be assessed.

The following commentary is current as at 31 January 2025.

The Fund targets net distributions of approximately 9% p.a. to 10% p.a.

Given the Fund's recent inception date (June 2024), there is insufficient history to draw any meaningful conclusions on its absolute performance.

Notwithstanding this, Zenith highlights that KKR has demonstrated proficiency in managing direct lending and asset-based finance strategies, generating returns in line with expectations.



## Relative performance

### Excess returns

Statistic	1 Mth	3 Mths	6 Mths	Inception
Excess Return	0.70%	1.91%	2.92%	2.92%
Monthly Excess (All Mkts)	100.00%	100.00%	100.00%	100.00%
Monthly Excess (Up Mkts)	100.00%	100.00%	100.00%	100.00%
Monthly Excess (Down Mkts)	0.00%	0.00%	0.00%	0.00%

### Capture ratios (% p.a.)

Statistic	1 Mth	3 Mths	6 Mths	Inception
Downside Capture	0.00%	0.00%	0.00%	0.00%
Upside Capture	286.05%	269.09%	227.44%	227.44%

### Tracking error (% p.a.)

Instrument
Investment
Median

### Information ratio

Instrument
Investment
Median

### Beta statistics

Statistic
Beta
R-Squared
Correlation

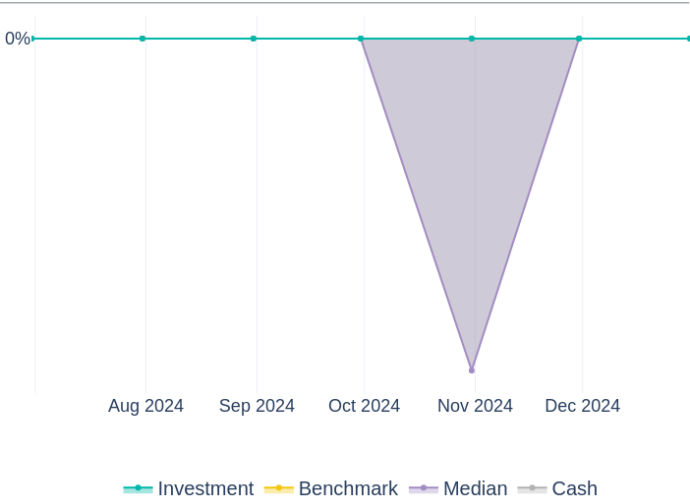
The following commentary is current as at 31 January 2025.

Zenith seeks to identify funds which can outperform their index in greater than 50% of months in all market conditions as we believe this represents a persistence of manager skill.

Given the Fund's recent inception date (June 2024), there is insufficient history to draw any meaningful conclusions on its relative performance.

### Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



The following commentary is current as at 31 January 2025.

Given the Fund's recent inception date (June 2024), there is insufficient history to draw any meaningful conclusions on its drawdown profile.



## Fund commentary

### Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks:

**Key person risk:** Given the collegiate nature of the IC, Zenith considers key person risk to be relatively moderate. That said, if Daniel Pietrzak, Head of Global Private Credit, were to depart, this would warrant a reassessment of our rating.

**Valuation risk:** Given the idiosyncratic nature of loans investing coupled with the limited secondary market, valuation risk is considered high for the Fund. While KKR has a robust and clearly defined valuation policy, there is a risk that the realisable value of securities may not align with the mark-to-market value carried by KKR.

**Limited redemption risk:** Investors are subject to a cap on redemptions of 5% of the Fund's net asset value per quarter, processed on a 'pro rata basis'. As such, there is no guarantee that investor redemption requests will be satisfied in a timely manner.

**Liquidity risk:** As an over-the-counter 'private market', liquidity can vary significantly through different market conditions. Investors should be aware that while the Fund offers monthly liquidity, in certain market conditions KKR may be unable to meet redemption requests. Given the liquidity risks associated with the asset class, Zenith believes that the Fund should not be relied upon as a short-term liquidity vehicle.

**Leverage risk:** The underlying investments to which the Fund is exposed to may use financing to manage their lending commitments and ultimately achieve their investment objectives. This may magnify gains and losses on underlying holdings.

**Asset class risk:** Although the Fund offers diversity in terms of regions, sectors, issuers, securities and maturities, the majority of the portfolio is exposed to the performance of the loan market. As such, a key risk to the performance of the Fund is a significant deterioration in this market, which could eventuate due to an economic shock (e.g. 2007-2009) or a general deterioration in the economic and credit environment.

**Structuring risk:** The Fund is structured as a domestic feeder fund which invests into an offshore structure (i.e., Luxembourg-based). The use of interposed entities introduces additional structuring, complexity and regulatory risk, while also reducing the proximity between the responsible entity and the underlying investment portfolio. Zenith recommends investors seek their own personal tax advice with respect to the suitability of the structure.

### Security/asset selection

The asset origination process is overseen by dedicated direct lending and ABF teams, which are responsible for identifying lending opportunities and completing due diligence in each of their sectors. The following section outlines the approach of each of the teams.

### Direct lending

Lending proposals that pass through the initial screening stage are subject to detailed due diligence, including financial modelling and a qualitative review of the PE sponsor, company, management and the broader industry. Ultimately, the origination team is responsible for forming a view on a borrowers' ability to service the loan and repay KKR at maturity.

Detailed modelling of historical and pro forma financial statements is performed to assist with analysing revenue, profitability and free cashflow. Further, leverage, interest coverage and fixed charge obligations are assessed to ensure there is a clear pathway for debt repayment at loan maturity.

A qualitative assessment of the company includes meetings with operating partners of the PE sponsor and senior management of the company, a review of the industry structure, competitive positioning and a peer group comparison with respect to key financial metrics and operating margins.

Zenith highlights the inherent conservatism of KKR's process, including its punitive approach to stress testing revenue and profitability metrics and also what it allows PE sponsors to include in pro forma add backs (i.e. potential cost savings, synergies etc).

During this stage of the investment process, the team can leverage other divisions within KKR, including its Capital Markets, Global Macro & Asset Allocation and PE teams. To augment its research, the investment team engages third party experts, which can include accounting due diligence firms and/or using industry experts to provide independent views on a sector, competitive positioning and to identify potential product obsolescence or technology risk.

Following due diligence, the IC is presented with a formal recommendation for approval. Once the IC has determined that the company is suitable for investment, the team finalises the structure and terms of the loan document to provide the best opportunities for superior risk-adjusted returns.

### Asset-based finance

The asset-based finance strategy focuses on directly originated, non-corporate lending opportunities, targeting gross returns of approximately 13% p.a. to 16% p.a. With a broad opportunity set, KKR seeks the most attractive relative value and risk-adjusted returns from each of the verticals, including consumer/mortgage finance (e.g. auto loans), contractual cashflows (e.g. royalties) and hard assets (e.g. aircraft leasing).

The type of transaction varies including portfolio acquisitions where a pool of loans are acquired at a discount and investors receive cashflows over the duration of the holding period. Further, KKR can also make platform investments, where it holds a minority equity stake in an originator and provides ongoing funding to a platform or warehouse structure.





Subject to the nature of the transaction, the ABF team utilises a suite of proprietary tools to analyse the cashflow profiles of potential funding opportunities, with a focus on the amount of excess spread (or cashflow) flowing through the structure. These cashflows are stress tested using a range of scenarios, including potential defaults, recovery rates and rate of prepayment, to produce a coverage of expected losses, which ultimately forms the basis of a recommendation.

Zenith notes that KKR's ability to directly negotiate deal terms and pool parameters adds a layer of risk mitigation, allowing it to tailor its risk exposures and build in more structural protection features for its investors. The level of specialisation involved in this aspect of the process is considered a competitive advantage, noting the team's deep understanding of asset origination processes.

In Zenith's opinion, KKR's due diligence approach is well-structured and applied consistently across borrowers. Further, its ability to driver and negotiate key pricing terms, covenant and security packages is a key strength of the process.

### Responsible investment approach

KKR has been a signatory to the United Nations Principles for Responsible Investment since 2009.

KKR has an established Responsible Investment Policy that was last updated in June 2023. The firm's senior leadership provides ultimate oversight of its responsible investment efforts, while an internal Global Public Affairs team, represents the core of the ESG related expertise. Where applicable, the IC oversees ESG issues that are material to an investment, both on a pre and post-investment basis.

Where ESG risk has the potential to impact a company's earnings and profitability, it will be considered as part of the due diligence process. When material issues are identified, they will typically be explored and discussed at the IC, with the option of appointing specialist ESG advisors to undertake additional due diligence. In the instance where ESG-related risks have been identified, a detailed remediation plan will be outlined and agreed upon, and remain a standing item for the IC until resolution.

In Zenith's opinion, while ESG is considered as part of the due diligence process, the approach is less invasive relative to the broader peer group.

### Portfolio construction

Portfolio construction is the responsibility of the Private Credit IC, with all investments decisions requiring unanimous approval. The portfolio is constructed to achieve diversification across a range of factors, including lending purposes, regions and industries (i.e. consumer/mortgage finance, commercial finance, hard assets and contractual cashflows within the asset-based finance sleeve). Each lending purpose has a different risk/return profile, term-to-maturity and is supported by a mix of covenants and lending protection mechanisms.

The portfolio is broadly managed with a long-term allocation of 55% to 75% to direct senior loans, 25% to 35% in ABF transactions and 5% to 10% in a publicly-traded credit sleeve, with the latter used to support the liquidity profile of the underlying portfolio.

In terms of security-level diversification, the portfolio currently holds approximately 130 issuers with an average position size of 1% to 2%. Position sizing is determined by the size of the loan, maturity profile of the existing portfolio, achieving sector diversification and managing the unfunded commitment of the strategy.

A key tenet of the investment strategy is the use of leverage, where the underlying investment exposure is increased by approximately \$0.9 to \$1.10x (i.e. for each \$1 of investment, \$1.90 to \$2.10 of assets are held). Portfolio leverage is funded by a mix of revolvers and traditional term loan facilities, with investors benefiting from the difference between lending margins and the cost of financing, which is estimated to be in the range of 2% p.a. to 3% p.a.

Zenith highlights that the amount of leverage will change over time, in line with prevailing lending spreads, base rates and the IC's broader risk appetite. In our opinion, while the amount of leverage is high and increases the risk profile of the strategy, KKR's track record of minimising defaults and its preference for lending to non-cyclical industries, should ensure that the enhanced investment exposure is accretive to performance.

To manage potential redemptions, the portfolio is structured with a liquidity sleeve (5% to 10%), comprising a liquid cash and credit portfolio, managed by KKR's Global Treasury team and KKR Leveraged Credit team, respectively. Under steady state, KKR expect the allocation to the liquidity sleeve to be close to 10%.

The portfolio offers an AUD share class which is fully hedged and rebalanced regularly. Hedging generally occurs through FX forwards with quarterly settlements.

Overall, Zenith considers KKR's portfolio construction process to be well-structured and consistent with attaining the investment objective. Furthermore, we consider the complementary nature of the direct lending and asset-based finance investment mix, along with KKR's application of leverage, to be key areas of differentiation. Most notably, the combination embeds diversification across borrowers, industries, sectors and return drivers.

### Risk management

The risk management process is largely an outworking of the quality and depth of the due diligence process, where the deal teams are responsible for identifying potential investment, operational and governance risks. The identification and mitigation of these risks are included in the investment proposal and are discussed at the IC.

Following approval, all portfolio holdings are re-underwritten and re-evaluated in the quarterly Portfolio Management Committee meetings. In addition, KKR uses an investment rating system to characterise and monitor the expected level of returns on each investment, ranging from a scale of one (i.e. performing) to four (i.e. underperforming), with higher rated investments requiring closer monitoring.



Risk is further controlled by a Portfolio Monitoring Unit (PMU), which is a dedicated team of approximately 25 credit analysts responsible for ongoing credit monitoring and assessment. Typically, the PMU tracks all available information for each investment made such as financial information and compliance reporting. Zenith is supportive of the PMU function, noting that it is a prudent way to enhance governance and risk management controls.

KKR Credit has a dedicated team of eight risk managers with dual reporting lines to the portfolio managers and KKR's Market Risk Committee. They are embedded within the investment teams and utilise a number of risk management tools including FactSet, Black Mountain, Risk Metrics and Credit QB.

In terms of external oversight, the underlying fund is subject to the governance and compliance structures of the responsible entity, Channel Investment Management Limited (Channel). As the responsible entity, Channel has formulated a monitoring and review process to ensure adherence to service agreements, including minimum standards.

In Zenith's opinion, one of the most significant risks to the Fund pertains to valuation risk, or more specifically the determination of fair value of each underlying investment. To this end, all loans are reviewed by an external accounting firm, which is responsible for providing an independent assessment of each underlying investment.

While KKR has a clearly defined set of valuation policies, the private nature of the underlying asset class means that valuations are less readily available than assets that trade in public markets. Zenith will continue to monitor this going forward, noting that KKR has well-documented policies and procedures.

Overall, Zenith believes KKR's risk management framework is sound and consistent with best practice.

## Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	1.88% p.a.	1.00% p.a.
Management Fees and Costs	1.25% p.a.	0.94% p.a.
Transaction Costs	0.63% p.a.	0.07% p.a.
Performance fees	N/A	0.05%
Performance fees description	N/A	
Management Cost	1.25% p.a.	0.85% p.a.
Buy / Sell spread	0.00% / 0.00%	0.14% / 0.15%

*All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).*

The sector average is based on the average management fee of all funds within the International Fixed Interest - High Income sector as surveyed by Zenith.

In Zenith's opinion, while the Fund's fee structure is high in absolute terms, it is consistent with the nature of the asset class and the management intensity required to achieve the return target.

Furthermore, KKR passes the Original Issuer Discount (OID) through to investors. Zenith highlights that the treatment of OIDs differs across the peer group, with some lenders passing all benefits on to investors, while others retain a portion of the fee.

*(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform).*

## About the fund manager

### Organisation

KKR was founded in 1976 by Jerome Kohlberg, Henry Kravis and George Roberts with its origins as a private equity firm. In 2010, the firm listed on the New York Stock Exchange and over time, has expanded its business activities and currently includes a Private, Public and Capital Markets divisions. While each business unit operates autonomously, a range of support functions are shared across the business including: KKR Capstone - a dedicated business unit that works closely with portfolio managers to extract operational efficiencies across portfolio companies; and a Stakeholder Management team, which is responsible for ensuring that all investment transactions are executed and managed in accordance with best practice.

A key tenet of KKR's value proposition is the level of co-investment with investors, which has exceeded \$US 25 billion, including both the firm's proprietary investments and capital invested by employees. Zenith is supportive of the level of commitment, which in our opinion, aligns the interests of investors to that of portfolio managers.

As at 31 December 2024, KKR managed approximately \$US 638 billion in client assets.

Of this, \$US 109 billion is invested across its private credit platform.

KKR managed \$US 105 billion (as at 31 January 2025) in direct lending and asset-based finance strategies, which included \$A 264 million in the Fund.

### Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Daniel Pietrzak	Partner, Head of Global Private Credit	28	9	New York, USA
Michael Small	Partner, Credit & Markets	29	4	London, UK
Ryan Wilson	Managing Director, Credit & Markets	27	19	San Francisco, USA





Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Ian Anderson	Managing Director, Credit & Markets	18	11	London, UK
David Krancnblum	Director, Credit & Markets	17	3	Paris, France
Jason Phillips	Director, Credit & Markets	11	7	Sydney, Australia

Led by Daniel Pietrzak, KKR's Global Private Credit platform comprises over 100 professionals spread across the firm's direct lending and asset-based finance divisions. The investment teams are broadly divided along geographic lines, with both the asset-based finance and direct lending teams generalist-based in terms of lending coverage.

Pietrzak originally joined KKR in 2016, having previously been a Managing Director and Co-Head of Deutsche Bank's structured finance business across the Americas and Europe. Zenith considers Pietrzak to be an experienced private debt investor, with a long track record of originating loan assets through a range of credit cycles.

The investment teams are supported by a well-defined governance structure, with a number of committee's responsible for both approving investments and monitoring the composition and performance of underlying portfolios. At the highest level, a Credit Portfolio Management Committee is ultimately responsible for the performance of all KKR funds, including adherence with guidelines and limits.

At the strategy level, the Global Private Credit Investment Committee meets twice weekly, and is responsible for approving and maintaining eligible loans for the portfolio. Zenith is supportive of KKR's structure, noting the additional layer of governance from the committee approach. While each committee is effectively a sub-set of senior professionals, the centralised decision-making structure ensures that all proposals are rigorously tested prior to approval.

At the Fund level, however, a governing body of six is responsible for overseeing the implementation of the investment strategy and ensuring the portfolio is managed in accordance with its stated objectives. Most notably, the body includes Pietrzak, Michael Small, Partner, Credit & Markets and Ian Anderson, Managing Director, Credit & Markets.

Small is based in London, and is responsible for European private corporate credit and is a portfolio manager for the firm's global junior debt and European direct lending strategies. In addition, he is a member of a number of committees, including the Global Private Credit IC and European Private Credit IC, among others. Prior to joining KKR, Small was a Partner at Park Square Capital, where he served on the IC, helping establish the credit opportunities and direct lending businesses.

Anderson joined the firm in 2014, focusing on both private debt origination and capital solutions and is also a member of the European Private Credit IC. Prior to joining KKR, Anderson held a senior role at Lazard, advising on M&A transactions and restructurings.

Zenith notes that all members of the portfolio management team have direct responsibility and input on portfolio deployment and liquidity management. In Zenith's opinion, the collective team is of high quality, with complementary backgrounds and experience. Further, we believe each member is suitably experienced to manage the Fund.

KKR's remuneration structure is based on a global approach where firm-wide profitability is used as the basis for all incentive payments. Senior members of the investment team receive an industry-benchmarked salary and are also eligible for a cash bonus and equity. The cash bonus/equity component is discretionary and reflects a combination of firm and business unit performance, individual contribution and the performance of underlying funds managed.

To retain staff over the long-term, bonus payments are vested over multiple years and also include a portion that invests in underlying KKR funds under a system internally referred to as 'dollars at work'. In simple terms, the 'dollars at work' structure means that the economic return derived from the KKR investments changes over time, in line with each employees' overall contribution to performance. In our opinion, the approach embeds a strong co-alignment of interest with investors, ensuring investment performance and remuneration are closely tied.

In our opinion, KKR's Global Private Credit platform is well-structured, with a core of senior investment personnel supported by a large team of origination specialists. The team's ability to work with general partners and tailor financing solutions, that both support business growth and protect the interests of investors is a point of differentiation.

## About the sector

### Sector characteristics

The Zenith 'International Fixed Interest – High Income' sub-sector consists of all funds that invest predominantly in the higher-yielding sectors of the global fixed interest market. These sectors typically include high yield, emerging market debt, securitised loans and private debt. The category includes funds that invest in specific underlying markets or a combination of each. Given the idiosyncratic nature of the sectors, managers commonly add value through security selection and/or sector rotation.

Zenith benchmarks all funds in this space against the Bloomberg AusBond Bank Bill Index. However, Zenith only uses this benchmark as a common reference point and it may not be reflective of the underlying benchmark used by many managers in this category.

It should be noted that the Bloomberg AusBond Bank Bill Index is typically used as a benchmark to measure the investment performance of a passively managed short-term cash portfolio. The index has an average term to maturity of approximately 45 days. It comprises 13 domestic bank bills of equal face value, each with a maturity seven days apart.

Given the funds in the 'International Fixed Interest – High Income' sector invest in longer dated, higher default risk securities, they will potentially display higher downside volatility relative to the Zenith assigned index (i.e. while the index is used



as a performance benchmark, it should not be used as an indication of the risk involved in investing in the sector).

## Sector risks

Funds within the 'International Fixed Interest – High Income' sub-sector are exposed to the following broad risks:

**Market risk:** Changes in economic, technological, environmental or political conditions and market sentiment may lead to a decline in general security prices and overall market volatility. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.

**Interest rate risk:** Fixed interest securities are generally sensitive to changes in interest rates. An increase in interest rates may result in a fall in the value of these securities, while a decrease in interest rates can result in an increase in value.

**Credit spread risk:** In addition to being sensitive to general interest rate changes, non-government securities are also sensitive to changes in credit spreads (commonly the difference in yield between a government bond and a corporate bond). A widening of spreads results in a fall in the value of these securities.

**Default risk:** Given fixed interest securities represent loans to borrowers (including governments, banks and companies) there is a risk that these borrowers may default on interest or principal repayments. Default risk is often reflected in credit ratings assigned by various credit agencies, which are subject to change.

**Currency risk:** In addition to being exposed to general market risk, investments in international markets are exposed to changes in the value of the Australian dollar relative to other foreign currencies. This may lead to increased volatility, independent of market moves. While fixed interest funds typically hedge their foreign investments back into Australian dollars, there can be no guarantee that the funds will be hedged at all times or that a manager will be successful in employing the hedge.

**Liquidity risk:** Fixed interest markets can experience periods of illiquidity, which can result in difficulties in buying or selling securities without adversely impacting the price.

**Derivative risk:** Derivatives are commonly employed by fixed interest managers to hedge currency and other risks and/or as an alternative to direct purchases or sales of underlying assets. There are multiple risks associated with the use of derivatives; for example, the value of the derivative may not move in line with the underlying asset, counterparties to the derivative may not be able to meet payment obligations or a particular derivative may be difficult or costly to trade.

**Leverage risk:** Many derivatives have a leverage component. While leverage offers the opportunity to magnify gains, it may additionally magnify losses. An associated risk with leverage and magnification of gains/losses is that the portfolio's volatility may increase as a result. Investors need to be cognisant that the Fund may exhibit more volatility than one that is unlevered.

## Administration and operations

Responsible Entity	Channel Investment Management Limited
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## Zenith rating

### Report certification

Date of issue: 18 Mar 2025

Role	Analyst	Title
Analyst	Rodney Sebire	Head of Alternatives & Global Fixed Interest
Sector Lead	Rodney Sebire	Head of Alternatives & Global Fixed Interest

### Association & relationship

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### Rating history

As At	Rating
18 Mar 2025	Recommended
22 Jul 2024	Recommended
02 Jul 2024	Not Rated - Screened Out

*Last 5 years only displayed. Longer histories available on request.*

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.



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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

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