

# **KKR Credit Income Fund**

ARSN 634 082 107

## **Appendix 4D**

### **Interim report**

**For the half-year ended 31 December 2020**

## Details of Reporting Period

This interim report is for the half-year ended 31 December 2020.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of KKR Credit Income Fund (the "Fund") announce the reviewed results of the Fund for the half-year ended 31 December 2020 as follows:

	<b>Half-year ended</b>	For the period
	<b>31 December 2020</b>	12 June 2019 to 31 December 2019
	<b>\$'000</b>	<b>\$'000</b>
Total investment income	<b>106,487</b>	12,042
Operating profit for the period	<b>97,178</b>	9,221

## Brief explanation of results

Total investment income for the half-year ended 31 December 2020 of \$106,486,977 was comprised primarily of a net unrealised losses on investments of \$532,938, net unrealised gains on forward currency contracts of \$90,979,599, realised losses on investments of \$3,646,151 and interest income of \$19,686,467.

## Distribution information

The distributions for the period were as follows:

	<b>Half-year ended</b>		For the period	
	<b>31 December 2020</b>		12 June 2019 to 31 December 2019	
	<b>\$'000</b>	<b>CPU*</b>	<b>\$'000</b>	<b>CPU*</b>
Distribution paid - 30 September	<b>9,220</b>	<b>2.5000</b>	-	-
Distribution payable - 31 December	<b>9,220</b>	<b>2.5000</b>	-	-
<b>Total distributions</b>	<b>18,440</b>		-	

\* Distribution is expressed as cents per unit in Australian Dollars.

Distributions declared during the period ended 31 December 2020 represented a return of capital to unitholders.

## Distribution Reinvestment Plan (DRP)

The Responsible Entity has established a Distribution Reinvestment Plan ("DRP") in relation to distributions. The Responsible Entity expects to make distributions on a quarterly basis. For such distributions, it is expected the record date will be the last ASX trading day of each quarter and the last day for electing into the DRP will be 5.00pm (Sydney time) on the first business day after the record date.

Units under the DRP are currently issued at the net asset value of a unit as determined in accordance with the Fund's constitution on the record date.

The DRP was suspended for the distributions declared during the period ended 31 December 2020.

## Net tangible assets

	<b>As at</b>	As at
	<b>31 December 2020</b>	30 June 2020
Net tangible assets per unit	<b>\$ 2.4515</b>	\$ 2.2377

## Control gained or lost over entities during the period

There was no gain or loss of control of entities during the current period.

## Details of associates and joint venture entities

The Fund did not have any interest in associates and joint venture entities during the current period.

## Other Information

The Fund is not a foreign entity.

**Independent review report**

This Appendix 4D is based on the half-year end financial statements which have been reviewed by the Fund's Auditors – Deloitte Touche Tohmatsu.

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# KKR Credit Income Fund

ARSN 634 082 107

## Interim report

For the half-year ended 31 December 2020

### Contents

	Page
Directors' report	1
Auditor's Independence declaration	5
Condensed statement of comprehensive income	6
Condensed statement of financial position	7
Condensed statement of changes in equity	8
Condensed statement of cash flows	9
Notes to the interim financial statements	10
Directors' declaration	25
Independent auditor's report to the unitholders of KKR Credit Income Fund	26

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this interim report is to be read in conjunction with any public announcements made in respect of KKR Credit Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers KKR Credit Income Fund as an individual entity. The Responsible Entity of KKR Credit Income Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18 Angel Place  
123 Pitt Street  
Sydney NSW 2000.

## Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of KKR Credit Income Fund (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the half year ended 31 December 2020.

### Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund's investment objective is to provide unitholders with an income stream as well as to achieve attractive long-term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified (by number of investments and across geographies and asset classes). These assets will typically have a high income component. The Fund seeks to achieve this objective by investing directly or indirectly in KKR Global Credit Opportunities Master Fund L.P. ("GCOF") and KKR Lending Partners Europe II (Euro) Unlevered SCSp ("EDL Euro Fund"), collectively referred to as the KKR Managed Funds.

As at 31 December 2020, the Fund's primary investment is in KKR Global Credit Opportunities Access Fund L.P. (the "GCOF Access Fund"), which in turn holds an investment in GCOF. For more information on the GCOF Access Fund and GCOF, refer to the most recent audited financial statements that have been lodged with ASX in accordance with ASX listing rules 4.8 and 4.9.

The Fund was constituted on 12 June 2019 and commenced operations on 15 November 2019.

The Fund did not have any employees during the half-year.

### Directors

The Directors of the Responsible Entity during the period and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Glenn Foster	Resigned as Director on 23 October 2020 and appointed as a Non-executive Director on 1 February 2021
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	
Simone Mosse	

### Review and results of operations

During the half-year, the Fund invested in accordance with investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

### Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended 31 December 2020	For the period 12 June 2019 to 31 December 2019
Operating profit for the half-year (\$'000)	<u>97,178</u>	<u>9,221</u>
Distributions paid and payable (\$'000)	<u>18,440</u>	-
Distributions (cents per unit)	<u>5.0000</u>	-

## Directors' report (continued)

### COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") continues to impact countries throughout the world. Given the ongoing nature of the outbreak, it is difficult to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on global economies, as well as the negative impact on investors, vendors and other business partners that may indirectly adversely affect the Fund.

### Significant changes in state of affairs

During the half-year ended 31 December 2020 the Fund invested €37.66 million of a total commitment to invest €234 million into EDL Euro Fund. As further described in "Matters subsequent to the end of the financial period", the Fund has begun a restructure of its indirect investment in GCOF. In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the half-year.

### Matters subsequent to the end of the financial period

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

As at 31 December 2020, the Fund was a party to a credit facility with JPMorgan Chase Bank, N.A. ("the Credit Facility"). The Fund entered into the Credit Facility to manage its liquidity, including to enable the Fund to meet its obligation to contribute capital to EDL Euro Fund while awaiting redemptions from the GCOF PPN and also to satisfy margin requirements in connection with its use of derivatives for foreign exchange hedging purposes, in addition to other short term working capital requirements.

The Fund has begun a restructure of its indirect investment in GCOF in order to procure a more favourable financing facility (the "Restructure") by offering security over its share of GCOF's underlying assets, rather than an interest in the GCOF fund. Effective 31 December 2020, GCOF Access Fund has submitted a request to redeem US \$532.9 million of its investment in GCOF. On 16 January 2021, GCOF satisfied the redemption request by transferring assets with a fair market value of US \$536.6 million from GCOF to two special purpose vehicles wholly owned by GCOF Access Fund:

- KKR GCOF Access Fund Funding L.P. ("Funding L.P.") holds transferred loans and bonds; and
- KKR GCOF Access Fund Holding L.P. holds structured credit assets and certain other assets that do not meet the eligibility criteria under the new secured financial facility ("Holding L.P.").

Funding L.P. and Holding L.P. are collectively referred to as the "GCOF Access Fund SPVs".

In connection with the Restructure, Funding L.P. has entered into a new secured financing facility with Bank of America, N.A. (the "Funding L.P. Credit Facility") on more favourable terms than the Fund's current Credit Facility. The Funding L.P. Credit Facility provides for loans to be made in U.S. Dollars, Euros, Great British Pounds, Canadian Dollars or Australian Dollars to an aggregate amount of US \$100 million. Interest on the Funding L.P. Credit Facility is generally based on London Interbank Offered Rate ("LIBOR"), or with respect to borrowings in Canadian Dollars or Australian Dollars, on a base rate applicable to such currency borrowing, plus a spread of 1.70% to 1.90%. The Funding L.P. Credit Facility matures on 23 October 2023.

As part of the Restructure, the GCOF Access Fund SPVs will each enter an identical agreement for KKR Credit Advisors (US) LLC ("KKR Credit Advisors") to manage the assets held by each SPV (the "SMAs"). KKR Credit Advisors currently manages GCOF and the key terms of the SMAs will be equivalent to the key terms of GCOF Access Fund's investment in GCOF. Therefore, the Investment Manager does not expect the risk profile of Fund's investment in the GCOF Access Fund to change materially.

Effective 27 January 2021, Funding L.P. borrowed US \$47,746,527 against the Funding L.P. Credit Facility. The proceeds of this borrowing were used by GCOF Access Fund to make a principal payment on the GCOF PPN. The Fund in turn used the principal proceeds to pay down in full and terminate the Fund's Credit Facility. GCOF Access Fund intends to redeem its remaining US \$109.6 million investment in GCOF in a similar manner effective 31 March 2021. Future liquidity needs of the Fund will be managed by drawdowns on the Funding L.P. Credit Facility, with the proceeds, used to pay down the GCOF PPN. Liabilities associated with the Funding L.P. Credit Facility will be reflected in the net asset value of GCOF Access Fund and the fair value of the GCOF PPN.

On 1 February 2021, Glenn Foster was appointed as a Non-executive Director.

## **Directors' report (continued)**

### **Matters subsequent to the end of the financial period (continued)**

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

### **Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund.

### **Indemnification and insurance of officers and auditors**

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act, 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### **Units in the Fund**

The movement in units on issue in the Fund during the half-year is disclosed in Note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the Statement of financial position and derived using the basis set out in Note 2 of the interim financial statements.

### **Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### **Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

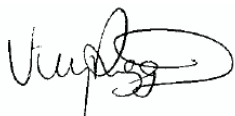
## Directors' report (continued)

### Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director



Sydney

26 February 2021



The Board of Directors  
The Trust Company (RE Services) Limited  
As the Responsible Entity of KKR Credit Income Fund  
Level 18, 123 Pitt Street  
Sydney NSW 2000

26 February 2021

Dear Board Members,

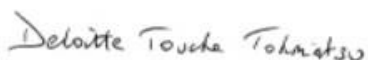
## KKR Credit Income Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of The Trust Company (RE Services) Limited as the Responsible Entity of KKR Credit Income Fund.

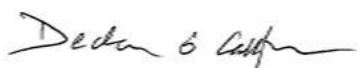
As lead audit partner for the review of the half-year financial report of KKR Credit Income Fund for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully,



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants

**KKR Credit Income Fund**  
**Condensed statement of comprehensive income**  
**For the half-year ended 31 December 2020**

**Condensed Statement of Comprehensive Income**

		Half-year ended 31 December 2020	For the period 12 June 2019 to 31 December 2019
	Notes	\$'000	\$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost		-	22
Investment income from financial assets at fair value through profit or loss		<b>19,686</b>	-
Net gains on financial instruments at fair value through profit or loss	4	<b>86,801</b>	12,020
<b>Total investment income</b>		<b>106,487</b>	12,042
<b>Expenses</b>			
Management fees	12	<b>3,896</b>	1,061
Performance fees	12	<b>452</b>	-
Listing expenses	8	-	1,594
Responsible Entity fees	12	<b>120</b>	31
Legal expenses		<b>1,189</b>	-
Custody and administration fees		<b>201</b>	35
Insurance expense		<b>298</b>	-
Remuneration to auditors		<b>235</b>	15
Borrowing facility costs	11	<b>2,834</b>	-
Other expenses		<b>84</b>	85
<b>Total expenses</b>		<b>9,309</b>	2,821
<b>Operating profit for the half-year</b>		<b>97,178</b>	9,221
<b>Profit for the half-year</b>		<b>97,178</b>	9,221
Other comprehensive income		-	-
<b>Total comprehensive income for the half-year</b>		<b>97,178</b>	9,221
<b>Earnings per unit for profit attributable to unitholders of the Fund</b>			
Basic and diluted earnings per unit in cents	10	<b>26.34</b>	2.49

*The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

## Condensed Statement of Financial Position

		As at	
		31 December 2020	30 June 2020
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		35,422	14,691
Due from brokers - receivable for securities sold		-	21,837
GST receivable		702	265
Prepaid insurance		-	231
Deferred financing cost	11	891	1,311
Financial assets at fair value through profit or loss	3,5	982,136	851,957
<b>Total assets</b>		<b>1,019,151</b>	<b>890,292</b>
<b>Liabilities</b>			
Management fees payable	12	680	1,787
Performance fees payable	12	452	-
Responsible Entity fees payable	12	58	110
Custody and administration fees payable		363	162
Distributions payable	9	9,220	9,235
Unit buyback payable		-	223
Other payables		1,747	2,925
Borrowing facility	11	60,832	557
Financial liabilities at fair value through profit or loss	3,6	41,709	48,944
<b>Total liabilities</b>		<b>115,061</b>	<b>63,943</b>
<b>Net assets attributable to unitholders - equity</b>	8	<b>904,090</b>	<b>826,349</b>

*The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.*

## Condensed Statement of Changes in Equity

		For the period 12 June 2019 to 31 December 2019
	Half-year ended 31 December 2020	
Notes	\$'000	\$'000
<b>Total equity at the beginning of the half-year</b>	<b>826,349</b>	-
<b>Comprehensive income for the half-year</b>		
Profit for the period	<u>97,178</u>	<u>9,221</u>
<b>Total comprehensive income for the half-year</b>	<u>97,178</u>	<u>9,221</u>
<b>Transactions with unitholders</b>		
Capital raising - Initial Public Offering (IPO)	8 -	925,000
Capital contribution	8 -	31,957
Unit buyback	8 (997)	-
IPO offer costs directly attributable to issuance of units	8 -	(30,363)
Distributions paid and payable	9 <u>(18,440)</u>	<u>-</u>
<b>Total transactions with unitholders</b>	<u>(19,437)</u>	<u>926,594</u>
<b>Total equity at the end of the half-year</b>	<u><b>904,090</b></u>	<u><b>935,815</b></u>

*The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**KKR Credit Income Fund**  
**Condensed statement of cash flows**  
**For the half-year ended 31 December 2020**

**Condensed Statement of Cash Flows**

	Half-year ended 31 December 2020	For the period June 12, 2019 to December 31, 2019
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	31,142	219
Purchase of financial instruments at fair value through profit or loss	(62,478)	(766,448)
Interest income received	19,686	22
Other income received	245	-
Management fees paid	(5,003)	-
Other expenses paid	(8,361)	-
<b>Net cash outflow from operating activities</b>	<b>(24,769)</b>	<b>(766,207)</b>
<b>Cash flows from financing activities</b>		
Proceeds from draw down on borrowing facility	62,646	-
Proceeds from capital raising - Initial Public Offering (IPO)	8 -	925,000
Payments on unit buyback	8 (1,220)	-
Distributions paid	9 (18,455)	-
<b>Net cash inflow from financing activities</b>	<b>42,971</b>	<b>925,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,202</b>	<b>158,793</b>
Cash and cash equivalents at the beginning of the period	14,691	-
Effects of foreign currency exchange rate changes on cash and cash equivalents	2,529	-
<b>Cash and cash equivalents at the end of the half-year/period</b>	<b>35,422</b>	<b>158,793</b>
<b>Supplemental disclosure of cash flow information and non-cash financing activities:</b>		
Draw down on borrowing facility for payment of unused commitment fees	1,729	-
Draw down on borrowing facility for payment of interest expense	693	-
Listing expenses paid by Investment Manager	-	(1,594)
IPO costs directly attributable to issuance of units paid by Investment Manager	-	(30,363)
Capital contribution from Investment Manager	-	31,957

*The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## Notes to the interim financial statements

### Contents

- 1 General information
- 2 Basis of preparation and accounting policies
- 3 Fair value measurement
- 4 Net gains on financial instruments at fair value through profit or loss
- 5 Financial assets at fair value through profit or loss
- 6 Financial liabilities at fair value through profit or loss
- 7 Derivative financial instruments
- 8 Net assets attributable to unitholders
- 9 Distributions to unitholders
- 10 Earnings per unit
- 11 Borrowing facility
- 12 Related party transactions
- 13 Operating segments
- 14 Events occurring after the reporting period
- 15 Contingent assets and liabilities and commitments

## **1 General information**

These interim financial statements cover KKR Credit Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on 12 June 2019, registered with Australian Securities and Investment Commission on 19 September 2019 and commenced operation on 15 November 2019. The Fund will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Fund was listed on the Australian Securities Exchange (ASX) on 19 November 2019 and is quoted under ticker code: KKC.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The interim financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The Responsible Entity is incorporated and domiciled in Australia.

The Investment Manager of the Fund is KKR Australian Investment Management Pty Ltd (ABN 42 146 164 454) (the "Investment Manager"). The Manager is an affiliate of Kohlberg Kravis Roberts & Co. L.P., a global alternative asset manager (together with its affiliates as applicable, "KKR").

The Responsible Entity has contracted services to KKR Australia Investments Management Pty Limited to act as Investment Manager for the Fund (the "Investment Management Agreement"). The contracts are on normal commercial terms and conditions.

The investment objective is to provide Unitholders with an income stream as well as to achieve attractive long term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by a number of investments and across geographies and asset classes.

The Fund invests in income generating alternative credit investments managed by KKR's credit investment teams in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund also uses derivatives for hedging purpose. As at 31 December 2020, the Fund has invested in a profit participating note issued by KKR Global Credit Opportunities Access Fund L.P. (the "GCOF PPN"), which in turn invests in KKR Global Credit Opportunities Master Fund L.P. ("GCOF"). The Fund also has invested €37.66 million of a total commitment to invest €234 million into KKR Lending Partners Europe II (Euro) Unlevered SCSP ("EDL Euro Fund"). Together, GCOF and EDL Euro Fund are referred to as the KKR Managed Funds.

The interim financial statements were authorised for issue by the Directors on 26 February 2021. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Basis of preparation and accounting policies**

These interim financial statements have been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* in Australia. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Fund's 2020 annual financial report for the financial year ended 30 June 2020.

### ***Investment entity***

The Fund is considered to meet the definition of an 'Investment Entity' as described in AASB 10 'Consolidated Financial Statements'. Under AASB 10 an Investment Entity is required to hold its subsidiaries at fair value through the profit or loss rather than consolidate them. Subsidiaries are entities over which control is exercised. Control exists when the entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Fund has determined that it exercises control over GCOF Access Fund, however the Fund applies the investment entity exception available under AASB 10 and measures its subsidiaries at fair value through profit or loss.

Under the definition of an Investment Entity, as set out in AASB 10, an entity must satisfy all of the following three tests:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services; and
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

## **2 Basis of preparation and accounting policies (continued)**

The Fund satisfies the above three tests in consideration of the following factors:

- The Fund has multiple investors, having obtained funds from a diverse group of investors through its Initial Public Offering;
- The business purpose of the Fund is to provide unitholders with an income stream as well as to achieve attractive long term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by a number of investments and across geographies and asset classes; and
- The Fund measures and evaluates performance of its investments on a fair value basis which is most relevant for its unitholders.

The Fund's interim accounts clearly state its objective of investing directly into portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation. The Fund has reported its investments in GCOF PPN and EDL Euro Fund at fair value. EDL Euro Fund has a stated term of six years. The GCOF PPN matures in 2069 and can also be redeemed by giving notice at least 60 days before the end of the relevant quarter therefore has identifiable exit date. Based on the above, the Board concludes that the Fund meets the characteristics of an investment entity. This will be reassessed on an annual basis for changes in any of these criteria or characteristics.

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2020 that would be expected to have a material impact on the Fund.

## **3 Fair value measurement**

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and liabilities at fair value through profit or loss (FVTPL) (see Note 5 and 6)
- Derivative financial instruments (see note 7)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The determination of what constitutes 'observable' requires significant judgment by management. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.



### 3 Fair value measurement (continued)

The Fund's investments in the GCOF PPN and EDL Euro Fund are recorded at fair value as provided by the investment managers of the respective funds. The Fund has economic exposure to GCOF via its investment in the GCOF PPN. GCOF Access Fund used funds received from the issuance of the GCOF PPN to make investments in GCOF. GCOF Access Fund holds investments in GCOF and distributes income to the Fund as interest on the GCOF PPN. The value of the GCOF PPN will equal the fair value of GCOF Access Fund's investment in GCOF, less any liabilities of GCOF Access Fund. The GCOF Access Fund carries its investment in GCOF at fair value based on the Access Fund's proportionate interest in the partners' capital of GCOF. The GCOF portfolio is comprised primarily of bank loans and high yield bonds, the majority of which are classified as Level 2 investments and are valued daily using independent pricing services. For the remaining assets which are classified as Level 3, such assets are valued using independent valuation firms, who apply the appropriate valuation model depending on whether the asset is debt (generally, synthetic credit or re-underwriting analysis) or equity (generally, waterfall). As at 31 December 2020, approximately 90% of GCOF's investment portfolio consisted of bank loans and high yield bonds. The Fund's fair value of EDL Euro Fund as at 31 December 2020 is based on the Fund's proportionate interest in the net asset value of EDL Euro Fund. EDL Euro Fund invests primarily in originated senior loans to European corporate entities. The majority of these investments are classified as Level 3 investments and are valued using independent valuation firms, who apply the appropriate valuation model depending on whether the asset is debt (generally, synthetic credit or re-underwriting analysis) or equity (generally, waterfall).

The carrying value of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The fair value of the forward contracts is determined using quoted forward exchange rates at the reporting date.

#### **Recognised fair value measurement**

The following table presents the Fund's financial assets measured and recognised at fair value as at 31 December 2020 and 30 June 2020.

<b>As at 31 December 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Forward currency contracts	-	83,851	-	83,851
GCOF PPN	-	-	832,228	832,228
EDL Euro Fund	-	-	66,057	66,057
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>83,851</b>	<b>898,285</b>	<b>982,136</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Forward currency contracts	-	41,709	-	41,709
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>41,709</b>	<b>-</b>	<b>41,709</b>
<b>As at 30 June 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Forward currency contracts	-	106	-	106
GCOF PPN	-	-	845,668	845,668
EDL Euro Fund	-	-	6,183	6,183
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>106</b>	<b>851,851</b>	<b>851,957</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Forward currency contracts	-	48,944	-	48,944
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>48,944</b>	<b>-</b>	<b>48,944</b>

### 3 Fair value measurement (continued)

(i) *Transfers between levels*

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels during the reporting period.

(ii) *Fair value measurement using significant unobservable inputs (level 3)*

The following table presents the movement in level 3 financial instruments for the half-year ended 31 December 2020 and period ended 30 June 2020.

<b>31 December 2020</b>	<b>GCOF PPN \$'000</b>	<b>EDL Euro Fund \$'000</b>
Opening balance	845,668	6,183
Purchases	-	62,478
Sales	(10,464)	-
Realised losses recognised in the condensed statement of comprehensive income	(768)	-
Net unrealised losses recognised in the condensed statement of comprehensive income (including foreign currency movements)	<u>(2,208)</u>	<u>(2,604)</u>
<b>Closing balance</b>	<b><u>832,228</u></b>	<b><u>66,057</u></b>
Total unrealised (losses)/gains for the half-year included in the condensed statement of comprehensive income for level 3 financial assets and liabilities held at the end of the half-year	<u>(51,163)</u>	<u>3,579</u>
 <b>30 June 2020</b>	 <b>GCOF PPN \$'000</b>	 <b>EDL Euro Fund \$'000</b>
Purchases	918,466	-
Sales	(21,837)	-
Realised losses recognised in the Statement of profit or loss and other comprehensive income	(2,006)	-
Net unrealised (losses)/gains recognised in the Statement of profit or loss and other comprehensive income (including foreign currency movements)	<u>(48,956)</u>	<u>6,183</u>
<b>Closing balance</b>	<b><u>845,668</u></b>	<b><u>6,183</u></b>
Total unrealised (losses)/gains for the period included in the Statement of comprehensive income for financial assets and liabilities held at the end of the period	<u>(48,956)</u>	<u>6,183</u>

(iii) *Valuation inputs and relationships to fair value*

The level 3 financial instrument noted above were acquired during the period and in the absence of a market observable price for the securities. The cost of acquisition is considered to be the best estimate of the fair value at the acquisition date.

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements. See (i) and (ii) above for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Relationship of unobservable inputs to fair value
<b>As at 31 December 2020</b>			
GCOF PPN	832,228	Net asset value of the fund and percentage of the fund owned	Higher the net asset value, higher the value of investment
EDL Euro Fund	66,057	Net asset value of the fund and percentage of the fund owned	Higher the net asset value, higher the value of investment

### 3 Fair value measurement (continued)

#### (iii) Valuation inputs and relationships to fair value (continued)

	Fair value \$'000	Unobservable inputs	Relationship of unobservable inputs to fair value
As at 30 June 2020			
GCOF PPN	845,668	Net asset value of the fund and percentage of the fund owned	Higher the net asset value, higher the value of investment
EDL Euro Fund	6,183	Net asset value of the fund and percentage of the fund owned	Higher the net asset value, higher the value of investment

#### (iv) Valuation processes

The Fund's investments in EDL Euro Fund and the GCOF PPN are measured at fair value. The primary valuation inputs are the net asset value of the funds, provided by the manager of respective funds, and the percentage of the fund owned.

#### (v) Fair values of other financial instruments

Cash and cash equivalents, receivables and payables are measured at amortized cost in the Statement of financial position. Due to their short-term nature, the carrying amounts of cash and cash equivalents, receivables and payables are assumed to approximate fair value.

### 4 Net gains on financial instruments at fair value through profit or loss

Net gains recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Half-year ended 31 December 2020 \$'000	For the period 12 June 2019 to 31 December 2019 \$'000
<b>Financial assets</b>		
Net realised (losses)/gains on financial assets at fair value through profit or loss (including foreign currency movements)	(3,646)	219
Net unrealised gains on financial assets at fair value through profit or loss (including foreign currency movements)	<u>90,447</u>	<u>11,801</u>
<b>Total net gains on financial instruments at fair value through profit or loss</b>	<u><b>86,801</b></u>	<u><b>12,020</b></u>

## 5 Financial assets at fair value through profit or loss

	As at	
	31 December 2020	30 June 2020
	\$'000	\$'000
<b>Financial assets at fair value through profit or loss</b>		
Forward currency contracts	83,851	106
GCOF PPN	832,228	845,668
EDL Euro Fund	66,057	6,183
<b>Total financial assets at fair value through profit or loss</b>	<b>982,136</b>	<b>851,957</b>

## 6 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2020	30 June 2020
	\$'000	\$'000
<b>Financial liabilities at fair value through profit or loss</b>		
Forward currency contracts	41,709	48,944
<b>Total financial liabilities at fair value through profit or loss</b>	<b>41,709</b>	<b>48,944</b>

## 7 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and may include:

- Hedging to protect investments of the Fund against a fluctuation in foreign currency exchange rates.
- Hedging to protect other assets and liabilities of the Fund against a fluctuation in foreign currency exchange rates.
- Hedging to protect income generated by the Fund's investments against a fluctuation in foreign currency exchange rates.

*The Fund holds the following derivative financial instruments:*

### *Forward currency contracts*

Forward currency contracts are primarily used by the Fund to manage against foreign currency risks on its investment in GCOF PPN which is denominated in US dollars. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

## 7 Derivative financial instruments (continued)

The Fund's derivative financial instruments at half-year end are detailed below (amounts in Australian Dollars unless otherwise noted):

	As at							
	31 December 2020		30 June 2020		Fair values		Fair values	
	Contract/ Notional Sell \$'000	Contract/ Notional Buy \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional Sell \$'000	Contract/ Notional Buy \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts (Expiry Feb 2021- Jan 2025)	US\$ 671,366	950,369	81,651	-	US\$ 647,666	917,979	106	(26,310)
Forward currency contracts (Expiry Feb 2021- Feb 2022)	209,073	US\$ 129,310	-	(41,709)	153,579	US\$ 90,310	-	(22,634)
Forward currency contracts (Expiry Nov 2024)	€35,783	61,230	2,200	-			-	-
			<u>83,851</u>	<u>(41,709)</u>			<u>106</u>	<u>(48,944)</u>

## 8 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	Half-year ended 31 December 2020 No.'000	For the period 12 June 2019 to 31 December 2019 No.'000	Half-year ended 31 December 2020 \$'000	For the period 12 June 2019 to 31 December 2019 \$'000
Opening balance	369,280	-	826,349	-
Capital raising - Initial Public Offering (IPO)	-	370,000	-	925,000
Unit buyback	(487)	-	(997)	-
Capital contribution	-	-	-	31,957
IPO offer costs directly attributable to issuance of units	-	-	-	(30,363)
Distributions paid and payable	-	-	(18,440)	-
Profit for the half-year/period	-	-	97,178	9,221
<b>Closing balance</b>	<b>368,793</b>	<b>370,000</b>	<b>904,090</b>	<b>935,815</b>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

### IPO costs

During the period 12 June 2019 to 30 June 2020, the Fund incurred costs of \$31,957,299 in connection with the IPO, comprised of \$1,593,858 of listing expenses recorded as listing expenses in the statement of comprehensive income and \$30,363,441 of costs directly attributable to the issuance of units that were recorded as a reduction of the proceeds from the IPO in the condensed statement of changes in equity. In accordance with the terms of the Investment Management Agreement, the Investment Manager agreed to pay in full out of its own pocket all upfront establishment fees, costs and expenses of the IPO to ensure that the net assets per unit at the beginning of the day on which trading of units commenced on the ASX was not less than the subscription price of \$2.50 per unit.

### Unit buyback

487,550 units representing 0.13% of issued capital were bought back in the on-market buyback during December 2020. The units were purchased for an aggregate amount of \$996,599.

### Capital risk management

The Fund manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to unitholders. The Fund's principal use of cash raised is to fund investments as well as ongoing operational expenses.

The directors monitor and review the broad structure of the Fund's capital on an ongoing basis. As at 31 December 2020, the capital structure consists of net assets attributable to unitholders - equity only. There are no externally imposed capital requirements.

## 9 Distributions to unitholders

The distributions during the period were as follows:

	Half-year ended 31 December 2020 \$'000	CPU	For the period 12 June 2019 to 31 December 2019 \$'000	CPU
Distribution paid - 30 September	9,220	2.5000	-	-
Distributions payable - 31 December	9,220	2.5000	-	-
	<b>18,440</b>		<b>-</b>	

## 10 Earnings per unit

Basic earnings per unit amounts are calculated by dividing operating profit before distributions by the weighted average number of units outstanding during the period.

Diluted earnings per unit are the same as basic earnings per unit as there are no options at the end of the reporting period.

	<b>Half-year ended 31 December 2020</b>	For the period 12 June 2019 to 31 December 2019
Operating profit for the period \$'000	<b>97,178</b>	9,221
Weighted average number of units in issue \$'000	<b><u>368,957</u></b>	<u>370,000</u>
Basic and diluted earnings per unit in cents	<b><u><u>26.34</u></u></b>	<u><u>2.49</u></u>

## 11 Borrowing facility

The Fund entered into a credit agreement with JPMorgan Chase Bank, N.A. ("the Credit Facility"). The Credit Facility provides for loans to be made in U.S. dollars to an aggregate amount of \$100 million. The Credit Facility matures on 15 May 2022, with an option for the Fund to request a one-year extension. Interest on the Credit Facility is based on London Interbank Offered Rate ("LIBOR"), plus a spread of 6.00%. The weighted average interest rate on borrowings made during the period ended 31 December 2020 is 6.30%. The Fund also pays a commitment fee of 3.00% per annum on any unused commitment amounts. The Fund incurred legal fees and other direct costs totalling \$1.30 million in connection with the Credit Facility. As at 31 December 2020, the Fund was in compliance with the terms of the Credit Facility.

	<b>As at 31 December 2020</b>		
	<b>Drawn US\$'000</b>	<b>Undrawn US\$'000</b>	<b>Total US\$'000</b>
<b>Secured</b>			
Borrowing facility	<u>46,932</u>	<u>53,068</u>	<u>100,000</u>
Total secured borrowings	<u>46,932</u>	<u>53,068</u>	<u>100,000</u>
	<b>As at 30 June 2020</b>		
	<b>Drawn US\$'000</b>	<b>Undrawn US\$'000</b>	<b>Total US\$'000</b>
<b>Secured</b>			
Borrowing facility	<u>383</u>	<u>99,617</u>	<u>100,000</u>
Total secured borrowings	<u>383</u>	<u>99,617</u>	<u>100,000</u>

The components of finance costs for the period are as follows:

	<b>Half-year ended 31 December 2020 \$'000</b>	<b>For the period 12 June 2019 to 31 December 2019 \$'000</b>
Interest expense	761	-
Commitment fees	1,752	-
Amortisation of loan transaction costs	<u>321</u>	-
Total borrowing facility costs	<u>2,834</u>	-

The total borrowing costs incurred and amortised for the period are as follows:

	<b>Half-year ended 31 December 2020 \$'000</b>	<b>For the period 12 June 2019 to 31 December 2019 \$'000</b>
Opening balance	1,311	-
Costs incurred*	(99)	-
Amortisation of loan transaction costs	<u>(321)</u>	-
Closing balance	<u>891</u>	-

\* Deferred costs were reduced during the period as actual expenses were less than amounts previously estimated.

On 27 January 2021, the Fund terminated the credit facility. In connection with the termination, the Fund incurred a make-whole fee of US \$475,000 and fully amortised the remaining deferred financing costs of \$891,114. See note 14 for additional information.



## **12 Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

### **Key management personnel**

Key management personnel includes persons who were directors of the Responsible Entity at any time during the financial period as follows:

#### **Name**

Glenn Foster	Resigned as Director on 23 October 2020 and appointed as a Non-executive Director on 1 February 2021
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	
Simone Mosse	

No other persons with responsibility for planning, directing and controlling the activities of the Responsible Entity of the Fund, directly or indirectly during the financial period.

### **Transactions with key management personnel**

There were no transactions with key management personnel during the reporting period.

### **Other transactions with the Fund**

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Fund during the reporting period and there were no material contracts involving management personnel's interests existing at period end.

### **Key management personnel unitholdings**

As at 31 December 2020, no key management personnel held units in the Fund.

### **Key management personnel compensation**

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### **Responsible Entity's/Investment Manager's fees and other transactions**

The Investment Manager of the Fund is KKR Australian Investment Management Pty Ltd. The Investment Manager is entitled to receive a management fee at the rates stipulated in the Fund's governing documents.

The transactions during the reporting period and amounts payable at period end between the Fund, and the Responsible Entity and the Investment Manager were as follows

## 12 Related party transactions (continued)

### Responsible Entity's/Investment Manager's fees and other transactions (continued)

	Half-year ended 31 December 2020 \$	For the period 12 June 2019 to 31 December 2019 \$
Investment management fees for the period	3,895,947	1,061,378
Total fees payable to the Investment Manager at period end	679,866	1,061,378
Performance fees for the period	452,024	-
Performance fees payable at period end	452,024	-
Responsible Entity fees for the period	120,444	30,738
Fees payable to the Responsible Entity at period end	57,861	30,738

The Responsible Entity, The Trust Company (RE Services) Limited, is entitled to receive a Responsible Entity fee based on the Net Assets Value of the Fund and is also entitled to be paid remuneration for Additional Fund Administration services in the manner and at the time as set out in Investment Management Agreement. The Responsible Entity's fees are calculated and accrued monthly and paid quarterly in arrears.

The Investment Manager, KKR Australian Investment Management Pty Ltd, receives management fees of 0.88% per annum (plus net GST) of the Net Asset Value of the Fund. In accordance with the Fund's Product Disclosure Statement dated 19 September 2019, the Net Asset Value of the Fund means deducting from the total value of assets of the Fund all liabilities, which includes declared but unpaid distributions, calculated in accordance with the Responsible Entity's Unit pricing and Valuation Policy and Australian Accounting Standards (AAS). The management fees are calculated and accrued daily and paid monthly in arrears.

The Investment Manager is also entitled to receive a performance fee, which is dependent on the Fund exceeding a return hurdle and high water mark over a given calculation period. The first calculation period began on the date of allotment of units and ended on June 30, 2020. Each successive calculation period will begin on the day after the end of the preceding calculation period, and continue until the earlier of the next June 30 or the date immediately before the date on which there is a further issuance of new units or a redemption of units. As of 31 December 2020, the Fund has recorded a performance fee liability of \$452,024.

### Related party unitholdings

During or since the end of the reporting period, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the reporting period.

## 12 Related party transactions (continued)

### Related party investments

The Fund held the following investments which were also managed by the Investment Manager, or its related parties as at 31 December 2020:

31 December 2020 Investment	Face value/Capital contribution \$	Interest Held %	Fair Value \$
GCOF PPN	US\$601,585,482	100% <sup>1</sup>	832,228,317
EDL Euro Fund	€37,665,996 <sup>3</sup>	62.8% <sup>2</sup>	66,056,834

<sup>1</sup>The Fund holds 100% of the profit participating note issued by the GCOF Access Fund.

<sup>2</sup>The Fund holds a 62.8% interest in EDL Euro Fund on a committed basis as at 31 December 2020. On 1 July 2020, the Fund reduced its commitment to EDL Euro Fund to €234 million from an initial commitment of €284 million.

<sup>3</sup>The Fund Capital contribution to EDL Euro Fund as at 31 December 2020.

The Fund held the following investments which were also managed by the Investment Manager, or its related parties as at 30 June 2020:

30 June 2020 Investment	Face value \$	Interest Held %	Fair Value \$
GCOF PPN	US\$609,227,377	100% <sup>1</sup>	845,667,770
EDL Euro Fund	€ -	67% <sup>2</sup>	6,182,595

<sup>1</sup>The Fund holds 100% of the profit participating note issued by the GCOF Access Fund.

<sup>2</sup>The Fund holds a 67% interest in EDL Euro Fund on a committed basis as at 30 June 2020.

## 13 Operating segments

The Fund is organised into one main operating segment with only one key function, being the investment of funds in income generating alternative credit investments. The Fund has access to global credit opportunities sourced through proprietary KKR channels and invests into KKR Managed Funds, which are generally open to institutional investors. It expects to earn revenue from interest income on the GCOF PPN, available from proceeds of the GCOF Access Fund, and distributions from EDL Euro Fund.

The Fund continues to have foreign exposures as it invests in Funds which operate internationally. The Fund invested in the GCOF PPN and EDL Euro Fund as detailed at Note 5.

## **14 Events occurring after the reporting period**

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

As at 31 December 2020, the Fund was a party to a credit facility with JPMorgan Chase Bank, N.A. ("the Credit Facility"). The Fund entered into the Credit Facility to manage its liquidity, including to enable the Fund to meet its obligation to contribute capital to EDL Euro Fund while awaiting redemptions from the GCOF PPN and also to satisfy margin requirements in connection with its use of derivatives for foreign exchange hedging purposes, in addition to other short term working capital requirements.

The Fund has begun a restructure of its indirect investment in GCOF in order to procure a more favourable financing facility (the "Restructure") by offering security over its share of GCOF's underlying assets, rather than an interest in the GCOF fund. Effective 31 December 2020, GCOF Access Fund has submitted a request to redeem US \$532.9 million of its investment in GCOF. On 16 January 2021, GCOF satisfied the redemption request by transferring assets with a fair market value of US \$536.6 million from GCOF to two special purpose vehicles wholly owned by GCOF Access Fund:

- KKR GCOF Access Fund Funding L.P. ("Funding L.P.") holds transferred loans and bonds; and
- KKR GCOF Access Fund Holding L.P. holds structured credit assets and certain other assets that do not meet the eligibility criteria under the new secured financial facility ("Holding L.P.").

Funding L.P. and Holding L.P. are collectively referred to as the "GCOF Access Fund SPVs".

In connection with the Restructure, Funding L.P. has entered into a new secured financing facility with Bank of America, N.A. (the "Funding L.P. Credit Facility") on more favourable terms than the Fund's current Credit Facility. The Funding L.P. Credit Facility provides for loans to be made in U.S. Dollars, Euros, Great British Pounds, Canadian Dollars or Australian Dollars to an aggregate amount of US \$100 million. Interest on the Funding L.P. Credit Facility is generally based on London Interbank Offered Rate ("LIBOR"), or with respect to borrowings in Canadian Dollars or Australian Dollars, on a base rate applicable to such currency borrowing, plus a spread of 1.70% to 1.90%. The Funding L.P. Credit Facility matures on 23 October 2023.

As part of the Restructure, the GCOF Access Fund SPVs will each enter an identical agreement for KKR Credit Advisors (US) LLC ("KKR Credit Advisors") to manage the assets held by each SPV (the "SMAs"). KKR Credit Advisors currently manages GCOF and the key terms of the SMAs will be equivalent to the key terms of GCOF Access Fund's investment in GCOF. Therefore, the Investment Manager does not expect the risk profile of Fund's investment in the GCOF Access Fund to change materially.

Effective 27 January 2021, Funding L.P. borrowed US \$47,746,527 against the Funding L.P. Credit Facility. The proceeds of this borrowing were used by GCOF Access Fund to make a principal payment on the GCOF PPN. The Fund in turn used the principal proceeds to pay down in full and terminate the Fund's Credit Facility. GCOF Access Fund intends to redeem its remaining US \$109.6 million investment in GCOF in a similar manner effective 31 March 2021. Future liquidity needs of the Fund will be managed by drawdowns on the Funding L.P. Credit Facility, with the proceeds, used to pay down the GCOF PPN. Liabilities associated with the Funding L.P. Credit Facility will be reflected in the net asset value of GCOF Access Fund and the fair value of the GCOF PPN.

On 1 February 2021, Glenn Foster was appointed as a Non-executive Director.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or could significantly affect:

- i. the operations of the Fund in future financial years, or
- ii. the results of those operations in future financial years, or
- iii. the state of affairs of the Fund in future financial years, or
- iv. items reported in the financial statements.

## **15 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets or liabilities as at 31 December 2020. On 1 July 2020, the Fund agreed to reduce its commitment to EDL Euro Fund to €234 million. As at 31 December 2020, the remaining unfunded commitment to EDL Euro Fund is €196,334,004.

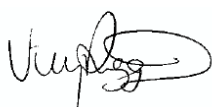
## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director



The Trust Company (RE Services) Limited

Sydney

26 February 2021

## Independent Auditor's Review Report to the Unitholders of KKR Credit Income Fund

### Conclusion

We have reviewed the half-year financial report of KKR Credit Income fund (the "Fund"), which comprises the condensed statement of financial position as at 31 December 2020, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration by the directors of The Trust Company (RE Services) Limited (the "Responsible Entity") as set out on pages 6 to 25.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of KKR Credit Income Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Directors' Responsibilities for the Half-year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

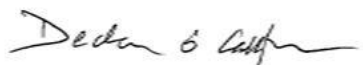
## *Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan  
Partner  
Chartered Accountants  
Sydney, 26 February 2021

## **DIRECTORY**

### **RESPONSIBLE ENTITY**

The Trust Company (RE Services) Limited

ABN 45 003 278 831

### **REGISTERED OFFICE**

Level 18, Angel Place

123 Pitt Street

Sydney NSW 2000

### **DIRECTORS**

Glenn Foster

Vicki Riggio

Richard McCarthy

Simone Mosse

Phillip Blackmore (Alternate)

### **COMPANY SECRETARIES**

Gananatha Minithantri

Sylvie Dimarco

### **AUSTRALIAN SECURITIES EXCHANGE CODE**

ASX:KKC

### **UNIT REGISTRY**

Boardroom Pty Limited

Grosvenor Place

Level 12, 225 George Street

Sydney, NSW 2000

Australia

### **WEBSITE**

[www.kkcaustralia.com.au](http://www.kkcaustralia.com.au)