

## Fund Research

# KKR Global Credit Opportunities Fund (AUD)



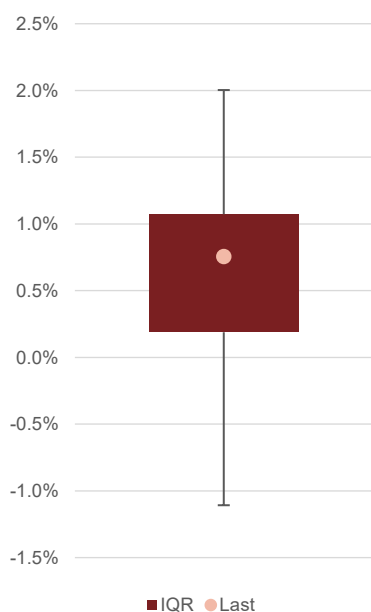
## Overview

The KKR Global Credit Opportunities Fund (AUD) (the 'Fund', or 'GCOF AUD') is an open-ended fund domiciled in Australia. The Fund offers investors exposure to global alternative credit opportunities sourced across the KKR credit platform. This largely comprises opportunities in the United States (US), but the Fund retains flexibility to also invest in Western Europe to execute the Manager's highest conviction investments across a vast opportunity set.

KKR Credit was launched in 2004 and has grown into a global platform providing investment and capital structure solutions with US\$288 billion of assets under management (AUM) across a team of 250 investment professionals (as at 31 December 2025). KKR initiated the Opportunistic Credit Strategy ('the Strategy') in 2008. GCOF AUD Fund is invested in accordance with this strategy through replicating the investment strategy of the pre-existing USD-denominated GCOF (the 'Underlying Fund', or 'GCOF'). The strategy is closing in on a 20-year track record with total AUM of US\$6.0bn.

The Fund's objective is to achieve an average pretax return of 5-7% per annum over the medium term (net of fees and expenses) and aims to outperform traditional fixed income investments through a market cycle. It invests primarily in debt instruments such as bank loans, high yield bonds, and structured credit (collateralised loan obligations). The Fund may also gain exposure to opportunistic assets when deemed appropriate, including structured equity and other equity-like investments, such as hybrid securities and convertibles. The opportunistic bucket also allows the Fund to purchase units of the listed KKR Credit Income Fund (ASX: KKC) when trading at a discount to NAV.

Figure 1. Monthly Returns\* Box Plot



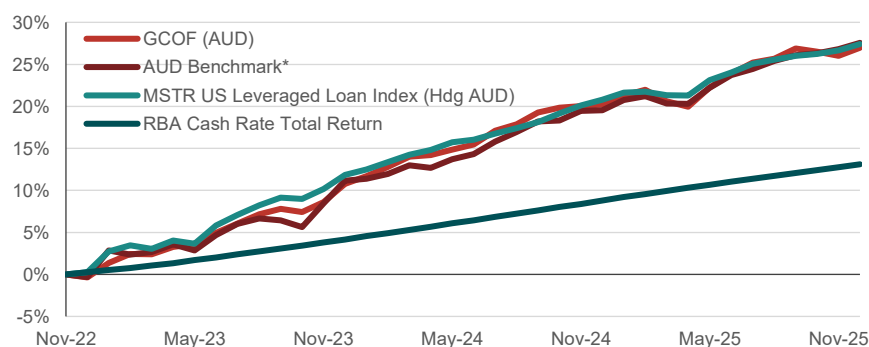
Source: BondAdviser, KKR. Annualised net monthly returns based on NTA. Since inception.

Figure 2. Monthly Net Returns\* (%)

| GCOF (AUD) | Jan  | Feb   | Mar   | Apr   | May  | Jun  | Jul  | Aug  | Sep  | Oct   | Nov   | Dec   | YTD   |
|------------|------|-------|-------|-------|------|------|------|------|------|-------|-------|-------|-------|
| 2026       | 0.34 | -0.46 |       |       |      |      |      |      |      |       |       |       | -0.12 |
| 2025       | 0.89 | 0.55  | -1.11 | -0.54 | 1.90 | 1.32 | 1.08 | 0.39 | 0.94 | -0.30 | -0.37 | 0.76  | 5.61  |
| 2024       | 0.81 | 0.99  | 1.07  | 0.19  | 0.56 | 0.54 | 1.39 | 0.67 | 1.19 | 0.47  | 0.17  | 0.18  | 8.54  |
| 2023       | 1.72 | 1.07  | -0.04 | 0.85  | 0.35 | 1.27 | 1.06 | 1.03 | 0.61 | -0.34 | 1.10  | 2.00  | 11.19 |
| 2022       |      |       |       |       |      |      |      |      |      |       |       | -0.36 | -0.36 |

Source: BondAdviser, KKR. As at 28 February 2026. \*Returns are monthly net total return based on NTA plus dividends. GCOF (AUD)'s returns are from inception on 14 December 2022 (not a complete month). YTD returns are compounded.

Figure 3. GCOF (AUD) Relative Cumulative Performance



Source: BondAdviser, KKR, Bloomberg. As at 31 December 2025. \*Calculated from cumulative net monthly returns of the Fund.

## Product Assessment

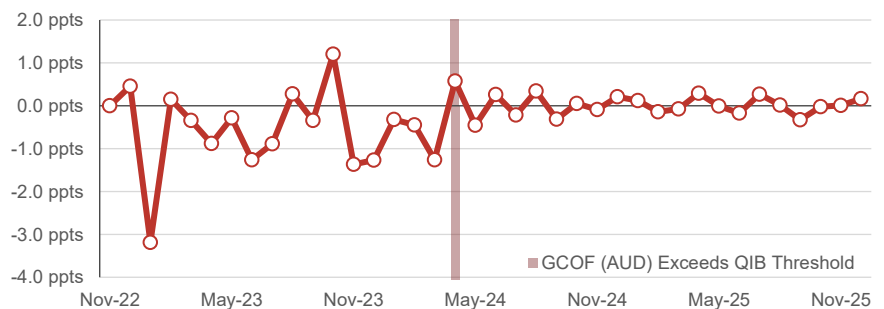
### Highly Recommended

The KKR Global Credit Opportunities Fund (AUD) allows investors to access some of the highest conviction trade ideas across the KKR credit platform. This is achieved by implementing the same strategy as the USD-denominated GCOF, a US\$4.1 billion flagship vehicle of the KKR Opportunistic Credit Strategy. The Fund has an 11-year track record and has generated a net return of 7.7% p.a. over the past decade (28 Feb 2026).

Since surpassing US\$100 million in AUM in March 2024, GCOF (AUD) has met the requirements to be an eligible Qualified Institutional Buyer (QIB), allowing the Fund to invest in 144a securities (high-yield bonds) – like its parent GCOF strategy. Historically, this has been a source of material deviations between the returns of the two vehicles. As Figure 4 illustrates, return dispersion has narrowed considerably since QIB status was attained, with GCOF (AUD) now generating returns broadly in line with its USD counterpart. The remaining variation is explained by hedging costs as well as a peripheral exposure to KKC. While we expect small ongoing discrepancies to continue, the return profiles should be broadly aligned going forward.

*Since obtaining QIB status in early 2024, the Fund has been able to access the full opportunity set available to the parent GCOF strategy, resulting in a closer alignment of returns.*

**Figure 4. Monthly Return Differential: GCOF (AUD) versus GCOF (USD)\***

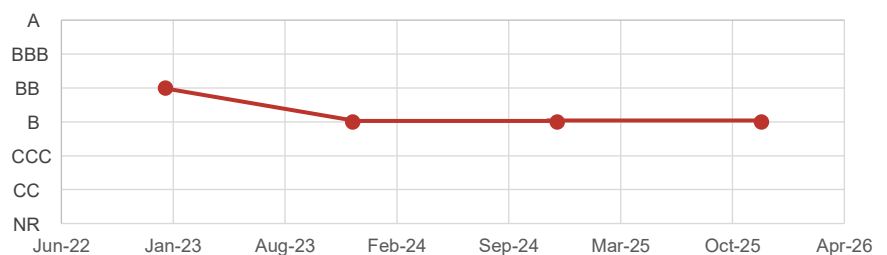


Source: BondAdviser, KKR. As at 28 February 2026. \*GCOF (AUD) monthly net returns less GCOF (USD).

The Fund has scaled rapidly since our prior review (GAV +71% y/y), which, along with reaching QIB status, has supported greater diversification. The portfolio is now composed of 294 assets across 226 issuers, with the average issuer accounting for ~0.4% of the portfolio. For context, the US fund is exposed to ~300 individual issuers. While we view this positively in light of the portfolio's single B weighted average credit rating (stable y/y), concentration is still a considerable risk. Roughly one quarter of the Fund remains invested across only 10 issuers, with almost 40% invested across 20 issuers. In our view, this must be contextualised against the high conviction nature of the strategy that has allowed the KKR Opportunistic Credit Strategy to consistently outperform relevant benchmarks.

*Underlying credit risk has remained stable, while diversification has grown with the Fund.*

**Figure 5. GCOF (AUD) Weighted Average Credit Rating**



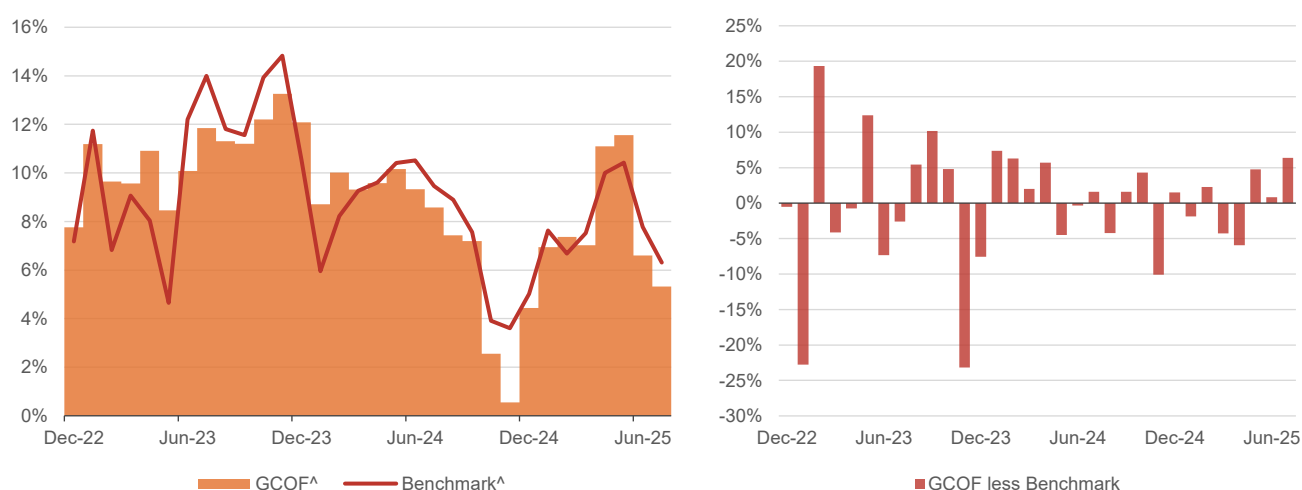
Source: BondAdviser, KKR. As at 28 February 2026.

Notably, performance continues to be supported by a sharp focus on capital preservation with the Manager’s extensive workout and restructuring capabilities resulting in low loss rates. The Underlying Fund has exhibited a 10-year average default rate of 1.7% with an average recovery rate of ~61%, implying an annual loss rate of 0.66%. This is impressive in comparison to the average loss rate of 1.26% for the JP Morgan High Yield Bond Index and 0.84% for the JP Morgan Leveraged Loan First Lien Index.

The USD-denominated GCOF (incepted in January 2015) has produced net annualised returns of 3.9%, 9.8%, and 6.1% over the 1-year, 3-year, and 5-year periods (to 28 February 2026). While the 1-year return has underperformed, over the 3 and 5-year periods the Fund has generated excess returns of roughly 100bps against the Manager’s internal benchmark, comprising an equal blend between the Morningstar LSTA US Leveraged Loan Index / ICE BofA US High Yield Index.

In comparison, GCOF (AUD) has achieved a net return of 7.38% per annum over a 3-year period, exceeding the Fund’s 5-7% pretax net return target. However, the Fund has underperformed its internal benchmark (the blend described above hedged into AUD) by 37bps over the same period. We argue that this has been driven by the inability of GCOF (AUD) to fully replicate the parent strategy, rather than any deficiency in the Manager’s investment process.

**Figure 6. GCOF (AUD) Performance vs Benchmark\***



Source: BondAdviser, KKR. As at 31 December 2025. \*GCOF (AUD) Net and AUD Benchmark. ^Calculated as a 6-month rolling average of compound monthly returns.

Looking ahead, we believe the Fund is well-positioned to navigate a potential deterioration in credit conditions as well as ongoing volatility. The Manager’s rigorous investment process supports disciplined issuer selection, while KKR’s ability to act as a liquidity provider during periods of market stress creates a source of return that is difficult to replicate without scale and conviction.

With the Fund continuing to meet all criteria under the BondAdviser Alternative Investment Fund Research Methodology, we re-affirm our assessment of **Highly Recommended**.

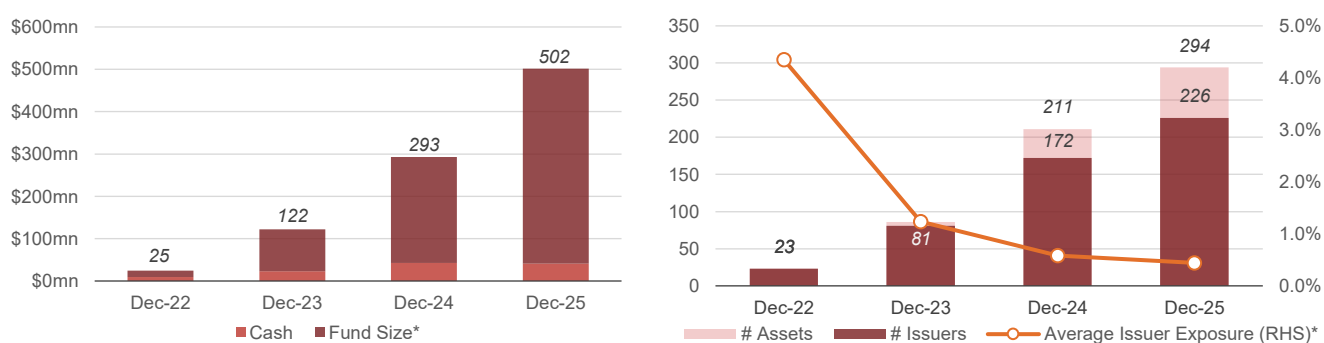
## Portfolio Risk Management

The Fund invests primarily in high yield and alternative credit, with a broad mandate that extends to equities (common and preferred stock) and equity-like instruments (warrants and mezzanine CLO tranches). This flexibility allows the Fund to pursue attractive risk-adjusted returns across the market cycle, with capital preservation as a central pillar of the investment strategy.

Since inception in December 2022, the Fund has scaled meaningfully, with the gross asset value (GAV) now exceeding \$500 million – up 20-fold over 3 years. Over the 12-months to 31 December 2025, the number of assets has risen by 39.3% to 294, while the number of issuers has grown by 31.4% to 226. Accordingly, the average issuer (excluding cash) now represents ~0.4% of the portfolio. That said, as GCOF (AUD) has scaled and now closely resembles the USD fund, we would not necessarily expect diversification to continue to grow apace with future GAV growth.

Like equities, fixed income losses are bound at zero. However, unlike equities the upside is capped at the return of interest and principal. Put differently, debtors don't participate in the upside when a business outperforms; and thus, capital losses are infrequently offset by winners. This describes the asymmetric nature of fixed income investing and justifies extensive diversification at the asset and issuer level. In this context, we view the growth of the Fund as a significant credit positive.

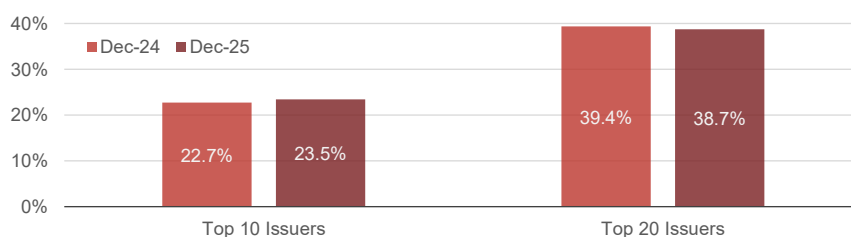
**Figure 7. Fund Size | Underlying Diversification**



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

That said, the portfolio has maintained meaningful concentration in its top 10 issuers: 22.7% in December 2024 versus 23.5% in December 2025. While this represents a material level of concentration risk, these positions reflect the Manager's highest-conviction ideas and are, in principle, a primary source of alpha. This is consistent with the Fund's mandate – and ultimately what investors are paying for: a manager with the conviction to take concentrated positions at points of market dislocation in pursuit of strong risk-adjusted returns.

**Figure 8. Issuer Concentration\***

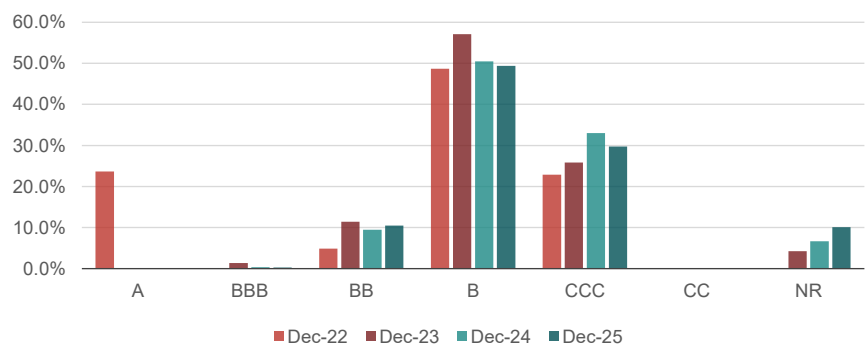


Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

Greater diversification is also significant in the context of a predominant weighting to sub-investment grade credits, which carry a greater probability of default. As the portfolio has scaled, the weighted average credit rating has remained consistent – estimated at single B. Over the 12-months to 31 December 2025, the most notable change in terms of the underlying distribution is the 3.4ppt increase in non-rated (NR) assets to 10.1%. This likely reflects a similar 2.7ppt y/y increase in equity exposures to 4.5% (ex. cash) – ostensibly the result of restructurings over the period. While this is certainly worth watching, we are not concerned at current levels.

Investors should also note that the Fund seeks investments with a perceived credit rating lag, and as such, the current exposure may not accurately reflect the true quality of the underlying portfolio.

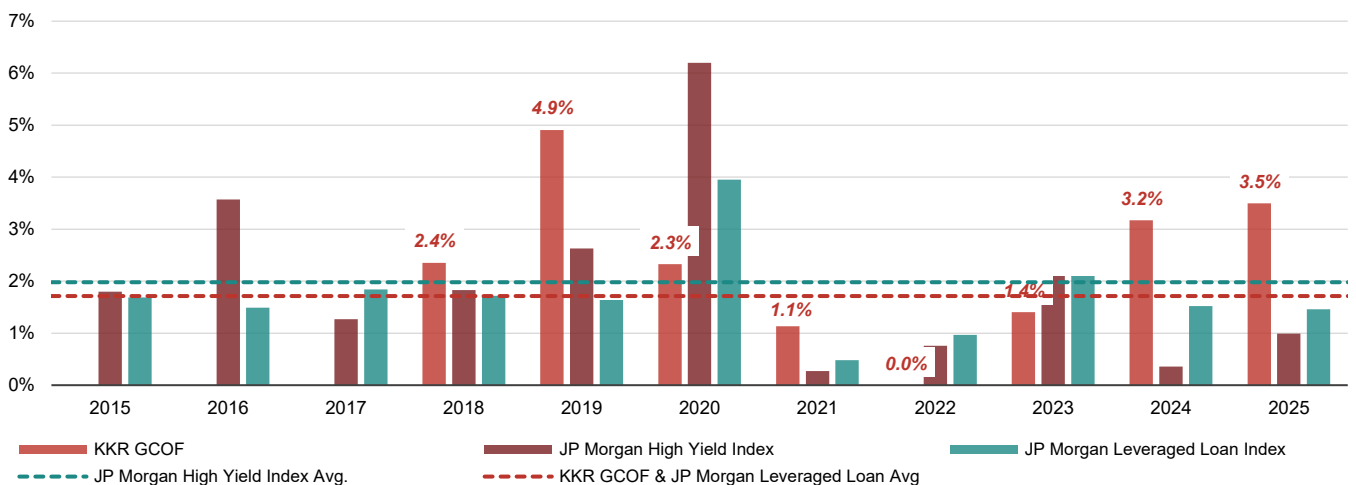
**Figure 9. Underlying Credit Quality\***



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

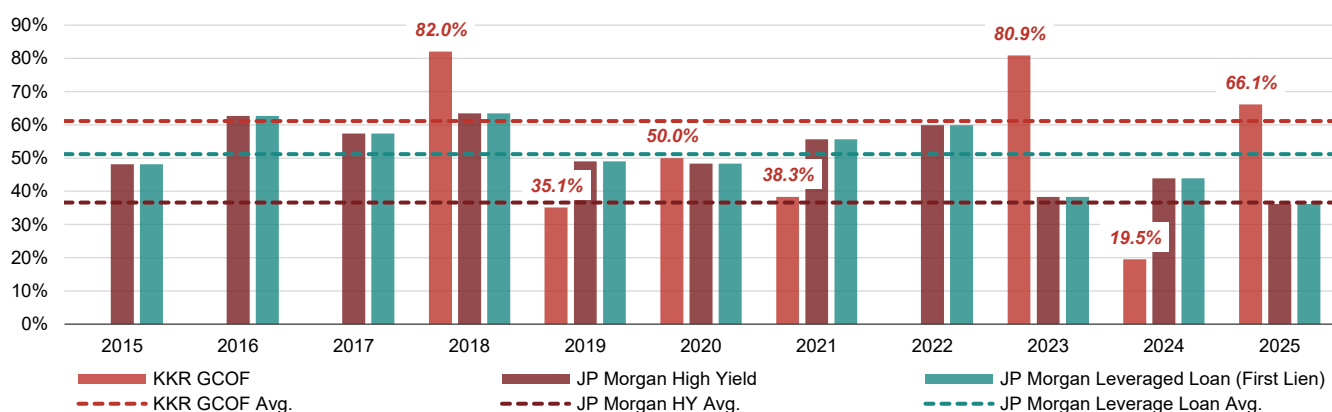
Additionally, we take comfort in KKR’s demonstrable restructuring and workout capabilities. Since 2015, GCOF has demonstrated a default rate less than that of high yield and in line with leveraged loan markets, along with significantly stronger recovery rates. The Fund has an average default rate of 1.7% and an average recovery rate of 61.1% (on a cost basis), implying an average expected loss of 0.66%. This compares favourably to the JP Morgan High Yield Bond Index and JP Morgan Leveraged Loan First Lien Index, with average expected losses of 1.26% and 0.84%, respectively.

**Figure 10. GCOF Historical Default Rates**



Source: BondAdviser, KKR. As at 31 December 2025.

**Figure 11. GCOF Historical Recovery Rates**



Source: BondAdviser, KKR. As at 31 December 2025.

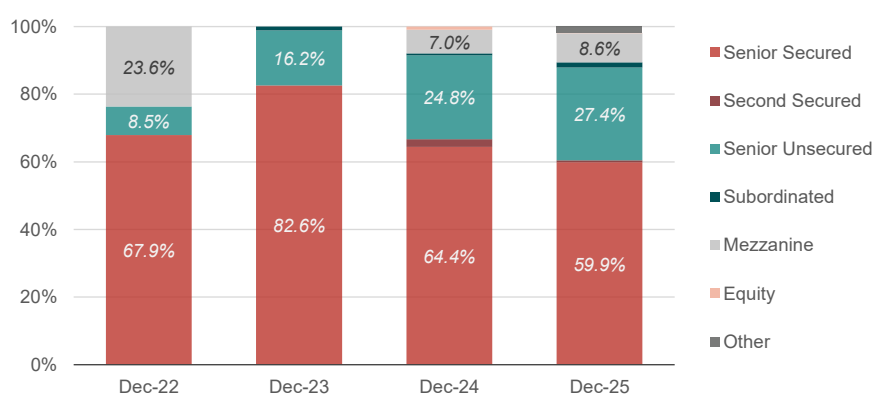
**Figure 12. Average Expected Losses**

| Averages            | Default Rate | Loss Given Default | Implied Loss Rate |
|---------------------|--------------|--------------------|-------------------|
| GCOF                | 1.71%        | 38.9%              | 0.66%             |
| JPM High Yield      | 1.98%        | 63.4%              | 1.26%             |
| JPM Leveraged Loans | 1.71%        | 48.8%              | 0.84%             |

Source: BondAdviser, KKR. As at 31 December 2025.

Supporting GCOF’s recovery rate is the portfolio’s majority exposure to senior secured positions. As of 31 December 2025, the weighting stood at roughly 60% (down 4ppts y/y). Senior secured positions sit at the top of the capital structure, carrying the first legal claim on a borrower’s assets and benefiting from specific collateral backing. This ensures repayment is prioritised over all other creditors, resulting in materially higher recovery rates than subordinated or unsecured instruments.

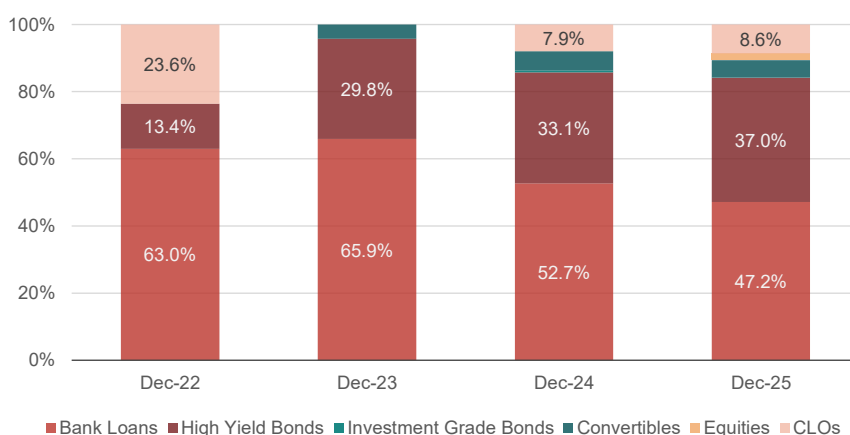
**Figure 13. Exposure Across the Capital Stack\***



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

In terms of asset mix, the Fund remains predominantly invested in bank loans and high-yield bonds, accounting for ~80% of the portfolio (ex. cash). While this is broadly consistent with 31 December 2024, we remind investors that the Fund is unconstrained in terms of asset mix (except for the 20% bucket in opportunistic assets), and thus, this composition can change significantly as the Manager allocates to where it sees optimal risk-adjusted opportunities.

**Figure 14. Underlying Asset Mix\***



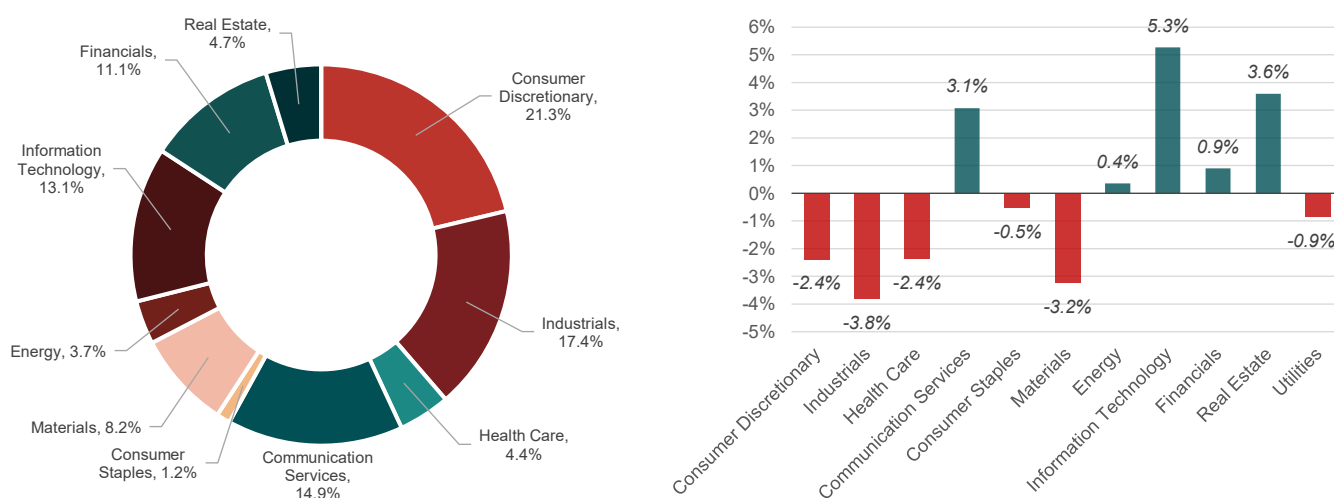
Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

While Consumer Discretionary remains the largest exposure (~21%), it has moderated by 2.4ppts y/y over the 12-months to 31 December 2025 – extending a broader trend away from the sector. While Consumer Discretionary is somewhat susceptible to the volatile macroeconomic backdrop, the Manager’s sector-agnostic approach ensures capital is deployed toward the most compelling value opportunities.

Moreover, broad sector headwinds can be a source of opportunity for the Fund – widening credit spreads and flow-induced dislocations allow the Manager to act as a liquidity provider during selloffs, acquiring credits at prices below intrinsic value. In this context, present opportunities could stem from selling pressure in private credit or in the capital light software sector – which are both facing negative sentiment associated with potential disruption caused by artificial intelligence (AI).

KKR’s analysts are organised by industry rather than functioning as generalists, enabling deep fundamental research across each sector exposure. In our view, this structure underpins the Manager’s ability to identify mispriced credits and navigate periods of market volatility with greater conviction. In light of this, we would expect strong performance in the current environment.

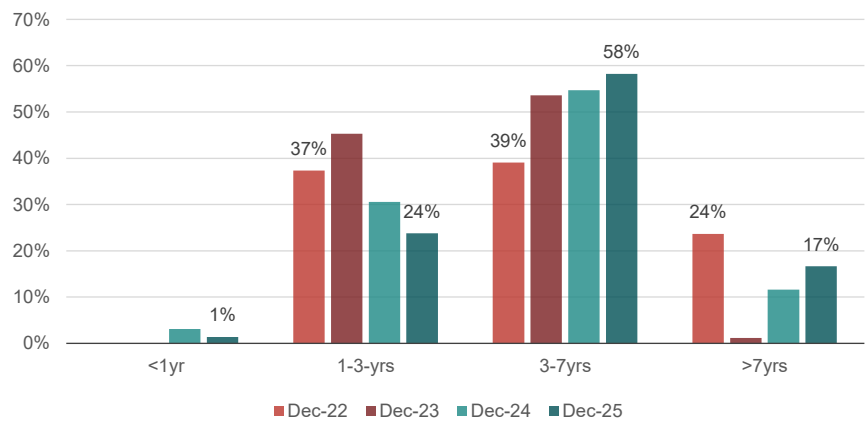
**Figure 15. Underlying Sector Mix | 12-Month Change\***



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

Against a backdrop of persistent volatility, currently characterised by heightened geopolitical tensions, an oil shock, persistent inflation, uncertainty surrounding monetary policy and the emergence of AI (to name a few), the ability to act decisively is as important as the ability to identify an opportunity. In this context, the Fund holds a material cash position, equivalent to ~8% of the portfolio. For GCOF, this ensures that the Manager can deploy capital when credits become mispriced, rather than becoming a forced seller at inopportune moments. Given that only ~1% of the underlying assets are set to mature in the next 12-months – typically a source of internal liquidity - this cash balance becomes especially important. Notably, this must be balanced against the performance drag associated with cash versus deployed capital.

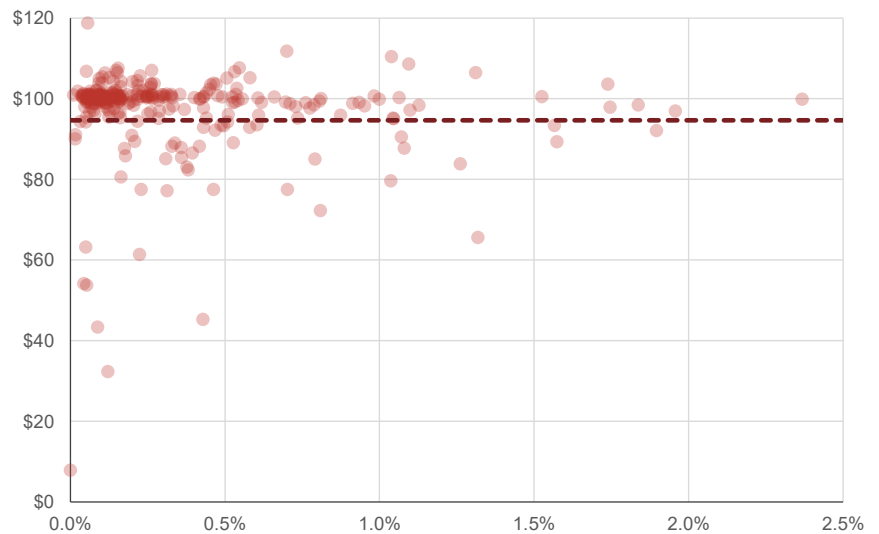
**Figure 16. Maturity Profile\***



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

A further, if less dependable, source of liquidity lies in performing assets acquired at a material discount to par. The Manager has identified positions of this nature as candidates for selective liquidation – proceeds from which could be redeployed into sectors that fall out of favour and present more compelling entry points. The portfolio's weighted average capital price of ~\$95 provides credence to this claim.

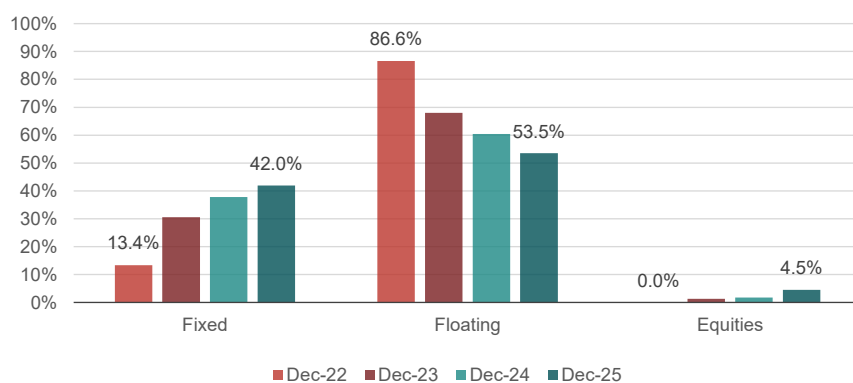
**Figure 17. Capital Price Versus Weighting\***



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

Finally, interest rate risk. The portfolio has rotated meaningfully toward fixed-rate exposure since December 2022 – floating rate weightings have fallen from ~87% to ~53%, with fixed-rate instruments rising from ~13% to ~42%. In a tight spread environment, this shift is intuitive: with credit spreads offering limited incremental compensation for risk, fixed-rate instruments allow the Manager to lock in attractive all-in yields. The residual floating-rate allocation meanwhile provides a natural hedge against a higher-for-longer rate environment, where elevated base rates continue to support income generation without introducing duration risk. Taken together, the current positioning reflects a pragmatic balance between yield capture and rate sensitivity.

**Figure 18. Interest Rate Mix\***



Source: BondAdviser, KKR. As at 31 December 2025. \*Excluding cash.

## Fund Governance

There have been **no material changes** to fund governance since our last report.

The structure of the Trust has not changed and is outlined in our initiation report (see page 18 of [GCOF \(AUD\) Initiation Report – 8 September 2022](#)).

## Quantitative Analysis

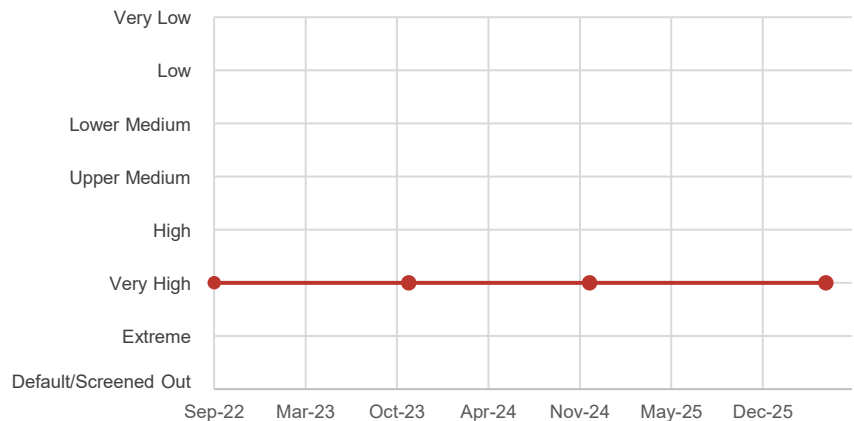
Our Quantitative Analysis simulates the portfolio under two scenarios: (1) a benign economic environment to understand how the portfolio would perform under standard conditions, and (2) a distressed scenario where downward credit migrations are more prevalent and recoveries are lower, as seen during the GFC.

Under the benign scenario, the portfolio performs well, with no negative returns modelled in the simulation, and a median modelled return of 8.24%, reflecting higher income from a higher yielding portfolio of sub-investment grade credits. In terms of downside protection under a benign scenario, the 99% and 95% VaR is 5.25% and 5.84% respectively, exhibiting strong downside protection in well-functioning markets. Having over 226 individual issuers provides greater diversification benefits, limiting negative skew in the return distribution profile.

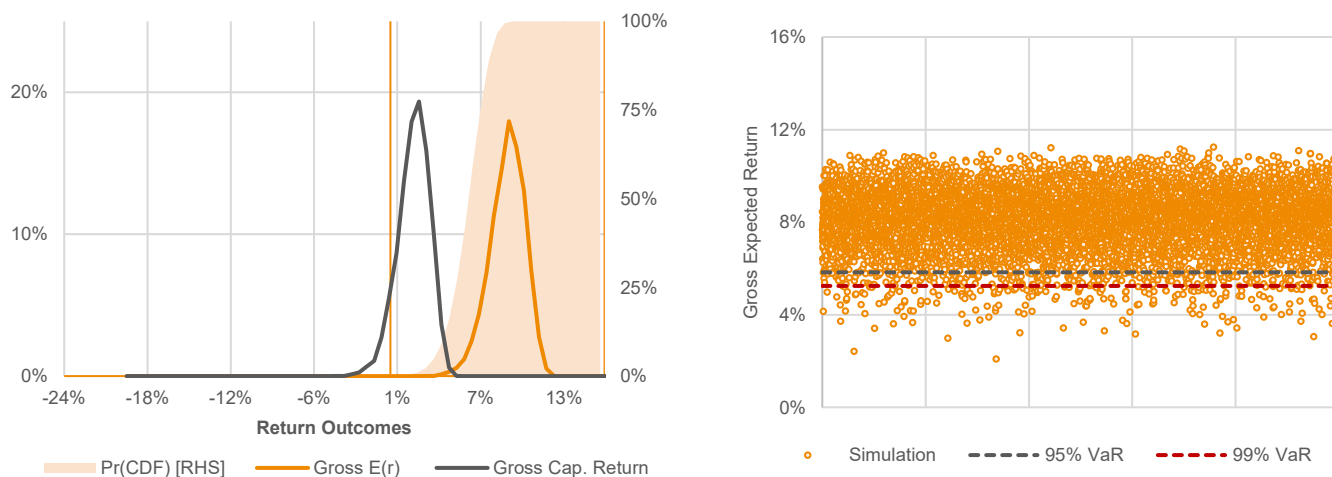
Our distressed modelling shows some downside protection with a 99% and 95% VaR of -10.15% and -8.14% respectively, but overall, our modelling suggests poor return outcomes in a GFC-like scenario. This is broadly in line with our prior review. While this reflects extremely punitive conditions, it does give insight into how the portfolio may perform when exposed to materially distressed economic conditions. We also note that these modelled outcomes do not consider manager experience in credit selection and workout capabilities, which can help to avoid defaults and drive better loss given default outcomes.

In terms of the risk score, the portfolio benefits from diversification by asset, but the majority of assets are B or CCC-rated, which is the riskiest of the high yield spectrum. As such, our risk score remains at **'Very High'**.

**Figure 19. Risk Score**

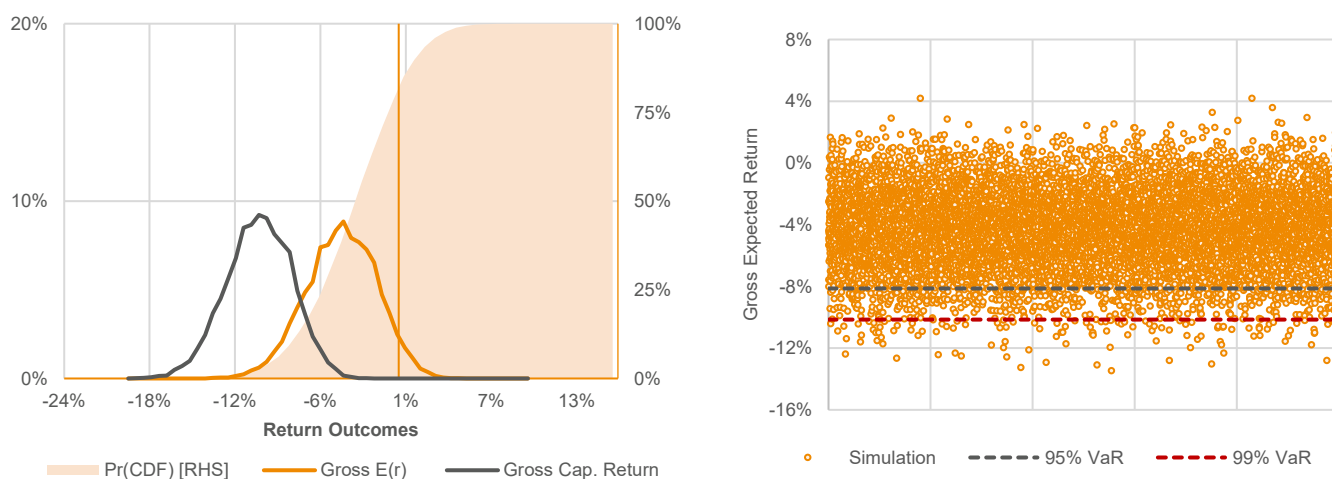


### Scenario 1. Baseline Asset Assessment



Source: BondAdviser Estimates. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated. For a more detailed explanation of the methodology, please [contact](#) BondAdviser.

### Scenario 2. Stressed Asset Assessment



Source: BondAdviser Estimates. Excludes impact of management and origination fees. Gross capital returns excludes the value of coupons/income and is only modelling impairment or loss given default, based on historical credit data from Moody's. Impact of traded price is not simulated.

## Reporting History

[GCOF \(AUD\) Update Report – 19 March 2025](#)

[GCOF \(AUD\) Update Report – 15 December 2023](#)

[GCOF \(AUD\) Initial Report – 8 September 2022](#)

## Alternative Investment Fund Research Methodology

[Click here to view](#)

## Important Information

BondAdviser has acted on information provided to it and our research is subject to change based on legal offering documents. This research is for informational purposes only. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

The content of this report is not intended to provide financial product advice and must not be relied upon or construed as such. The statements and/or recommendations contained in this report are our opinions only. We do not express any opinion on the future or expected value of any Security and do not explicitly or implicitly recommend or suggest an investment strategy of any kind.

This report has been prepared based on available data to which we have access. Neither the accuracy of that data nor the research methodology used to produce the report can be guaranteed or warranted. Some of the research used to create the content is based on past performance. Past performance is not an indicator of future performance. We have taken all reasonable steps to ensure that any opinion or recommendation contained in the report is based on reasonable grounds. The data generated by the research is based on methodology that has limitations; and some of the information in the reports is based on information from third parties.

We do not therefore guarantee the currency of the report. If you would like to assess the currency, you should compare the report with more recent characteristics and performance of the assets mentioned within it. You acknowledge that investment can give rise to substantial risk and a product mentioned in the reports may not be suitable to you.

**BondAdviser will receive a licensing fee from the Manager and/or its advisors in relation to this research report. BondAdviser Asset Management, BondAdviser, or investment vehicles which either control, may invest in the Fund.**

You should obtain independent advice specific to your particular circumstances, make your own enquiries and satisfy yourself before you make any investment decisions or use the report for any purpose. This report provides general information only. There has been no regard whatsoever to your own personal or business needs, your individual circumstances, your own financial position or investment objectives in preparing the information.

We do not accept responsibility for any loss or damage, howsoever caused (including through negligence), which you may directly or indirectly suffer in connection with your use of this report, nor do we accept any responsibility for any such loss arising out of your use of, or reliance on, information contained in or accessed through this report.

© 2026 Bond Adviser Pty Limited. All rights reserved.

**Report created on 5 June 2026.**