

**FSK** | FS KKR Capital Corp.

# **FS KKR Capital Corp.**

2022 Analyst & Investor Day

November 17, 2022

All information is as of September 30, 2022 unless otherwise noted

# Important Disclosure Notice

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Statements included herein may constitute “forward-looking” statements as that term is defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995, including statements with regard to future events or the future performance or operations of FS KKR Capital Corp. (“FSK”). Words such as “believes,” “expects,” “projects,” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, risks associated with possible disruption to FSK’s operations or the economy generally due to terrorism, natural disasters or pandemics such as COVID-19, future changes in laws or regulations and conditions in FSK’s operating area, the price at which shares of FSK’s common stock trade on the New York Stock Exchange, unexpected costs, charges or expenses resulting from the business combination transaction involving FSK and FS KKR Capital Corp. II (together with FSK, the “Companies”) and failure to realize the anticipated benefits of the business combination transaction involving the Companies. Some of these factors are enumerated in the filings the Companies made with the U.S. Securities and Exchange Commission (the “SEC”). The inclusion of forward-looking statements should not be regarded as a representation that any plans, estimates or expectations will be achieved. Any forward-looking statements speak only as of the date of this communication. Except as required by federal securities laws, FSK undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

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This presentation contains certain financial measures that have not been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). FSK uses these non-GAAP financial measures internally in analyzing financial results and believes that the presentation of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing FSK’s financial results with other business development companies.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures and should be read only in conjunction with FSK’s consolidated financial statements prepared in accordance with GAAP. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the End Notes included in this presentation and investors are encouraged to review the reconciliation in the table and the related End Notes.

Certain figures in this presentation have been rounded.

# Agenda

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Section	Presenter(s)
Welcome & Introductions	Robert Paun & Craig Larson
A Bridge from FSK's 2021 Investor Day	Steven Lilly
Economic Update	Henry McVey
Private Credit Industry Overview & Outlook	Daniel Pietrzak
KKR Credit Overview	KKR Credit Investment Team
FSK Overview	Daniel Pietrzak
FSK Portfolio Review & Capital Structure	Brian Gerson & Ryan Wilson
FSK: Observations & Outlook	Steven Lilly & Drew O'Toole
Questions & Discussion	All Speakers

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# FSK Management Team Speakers



## Daniel Pietrzak

Co-President and CIO,  
FSK

- Joined KKR in 2016
- Co-Head of KKR Private Credit
- Formerly Managing Director and Co-Head of Structured Finance at Deutsche Bank
- Prior experience includes Societe Generale and CIBC World Markets
- B.S., Lehigh University
- M.B.A., The Wharton School of the University of Pennsylvania



## Brian Gerson

Co-President,  
FSK

- Joined FS Investments in 2017
- Serves as Head of Private Credit at FS Investments
- Formerly Group Head and Managing Director at LStar Capital, the credit affiliate of Lone Star Funds
- Prior experience includes Solar Capital, CIBC World Markets, and Merrill Lynch
- B.A., Tufts University



## Steven Lilly

Chief Financial Officer,  
FSK

- Joined FS Investments in 2019
- Recognized three times by Institutional Investor as “One of America’s Best CFOs”
- Formerly Chief Financial Officer and member of the Board of Directors of Triangle Capital Corporation
- Board of Managers and Chairman of the Audit Committee of America First Multifamily Investors (NASDAQ:ATAX)
- Board of Governors, SBIA
- B.A., Davidson College



## Drew O'Toole

Co-Chief Operating Officer,  
FSK

- Joined FS Investments in 2014
- Prior experience includes Cambridge Associates
- B.S., University of Pittsburgh
- Chartered Financial Analyst



## Ryan Wilson

Co-Chief Operating Officer,  
FSK

- Joined KKR in 2006
- Chief Operating Officer of KKR Private Credit
- Prior experience includes PwC
- B.A., Wilfrid Laurier University
- M.Acc., University of Waterloo



## Robert Paun

Head of Investor Relations,  
FSK

- Joined FS Investments in 2018
- Formerly Senior Equity Research Analyst for Sidoti & Company
- Prior experience includes Affinion Group and Merrill Lynch
- B.S., Bucknell University

# KKR Investment Team Speakers



**Lauren Krueger**  
Managing Director,  
KKR Credit

- Joined KKR in 2018
- Leads KKR Credit's Restructuring and Governance team
- Prior experience includes Esopus Creek Advisors, D.E. Shaw Group, and Lazard Freres
- AB, Princeton University
- MBA, Columbia Business School



**George Mueller**  
Managing Director,  
KKR Credit

- Joined KKR in 2009
- Senior investment professional focused on origination
- Member of KKR Private Credit Investment Committee
- Prior experience includes Barclays Capital
- B.A., Vanderbilt University
- Chartered Financial Analyst



**Cathy Madigan**  
Managing Director,  
KKR Credit

- Joined KKR in 2019
- Senior investment professional focused on credit underwriting
- Member of KKR Private Credit Investment Committee
- Prior experience includes Deutsche Bank
- B.A., Mount Holyoke College



**Avi Korn**  
Managing Director,  
KKR Credit

- Joined KKR in 2018
- Co-Head of U.S. Asset Based Finance
- Member of KKR Private Credit Investment Committee
- Prior experience includes BlueMountain Capital and J.P. Morgan
- B.S., University of Pennsylvania



**Rony Ma**  
Managing Director,  
KKR Credit

- Joined KKR in 2011
- Senior investment professional focused on credit underwriting
- Member of KKR Private Credit Investment Committee
- Prior experience includes Deutsche Bank
- B.S. and B.A.S., University of Pennsylvania



**Alex Foreman**  
Managing Director,  
KKR Credit

- Joined KKR in 2018
- Senior investment professional focused on origination
- Prior experience includes Ares and Goldman Sachs
- B.B.A., Emory University



**Bobby Campbell**  
Managing Director,  
KKR Credit

- Joined KKR in 2019
- Senior investment professional focused on origination
- Prior experience includes Goldman Sachs
- B. A., Vanderbilt University



**Patrick Clancy**  
Director,  
KKR Credit

- Joined KKR in 2015
- Senior investment professional focused on origination, underwriting, and execution
- Leads Private Credit Transportation and Equipment investing
- Prior experience includes Morgan Stanley
- B. S., Georgetown University

# Key Themes for Today

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- 1 KKR Credit is a **leading player** in the private credit industry
- 2 FSK has **achieved** its 2021 Investor Day goals
- 3 Our platform has been built with **broad capabilities** and an **institutionalized focus**
- 4 FSK has built a **leading capital structure** within the BDC industry
- 5 We believe FSK represents an **attractive investment opportunity**



# A BRIDGE FROM FSK'S 2021 INVESTOR DAY

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# FSK: What We've Accomplished

## Since April 2018

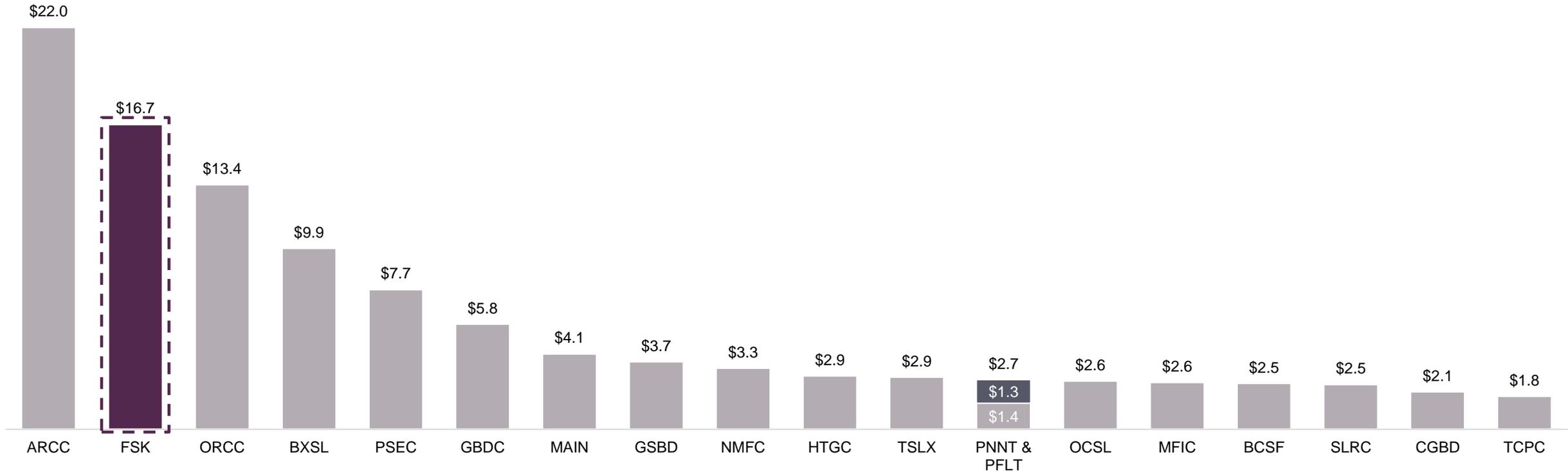
- Successfully merged six separate BDCs, creating a single BDC with ~\$17bn of assets
- Rotated ~90% of Legacy Advisor's income producing investments<sup>1</sup>
- Created one of the BDC Industry's leading capital structures (\$11bn+ in size)
- Expanded and enhanced investment team
- Invested ~\$21bn of capital with an unlevered asset level IRR of 8.5%<sup>2</sup>
- Paid dividends totaling \$12.69 per share<sup>3</sup>

## Since 2021 Investor Day

- Increased quarterly adjusted NII per share from \$0.61 to \$0.73<sup>4</sup>
- Significantly outperformed dividend expectations
- Issued \$1.75bn unsecured debt at a WACD of 2.7%
- Achieved target leverage
- Reduced both non-income and non-accrual assets

# FSK: A Leading BDC

Total Assets Under Management Ranked by Publicly Traded BDC Advisor/Manager (\$bn)<sup>1</sup>



FSK is the second largest publicly traded BDC as measured by total assets

# FS/KKR: A Global Advisor

**FS | KKR**

## Size & Scale

- ~\$17 billion publicly traded BDC within \$186 billion KKR Credit platform
- ~1,600 issuers across KKR Credit network
- FSK has direct involvement of over 250 professionals
- Ability to commit in size

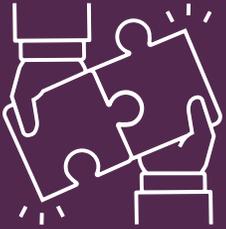
## Focus

- Investment structures:
  - Senior secured
  - Asset Based Finance
  - Junior capital
- Upper middle market:
  - \$50-\$150 million+ EBITDA
- Market leading businesses:
  - Pricing power
  - Defensive industries
- Preservation of capital:
  - Rigorous portfolio monitoring
  - Internal workout capabilities

## Global Market Reach

- Financial sponsor relationships across multiple countries
- Dedicated non-sponsor sourcing effort leveraging all of the KKR network
- Deep industry experience across KKR Credit platform
- ~110 investment professionals

# FS/KKR: Significant BDC Industry Involvement



**FS/KKR maintains significant involvement in our industry**



Maintain full-time lobbying presence in Washington D.C.



Direct involvement with potential AFFE legislation



Coordinated with the SEC regarding industry regulations



FSK is represented on the SBIA Board of Governors



Work with, partner with, and personally know key BDC industry participants



# ECONOMIC UPDATE

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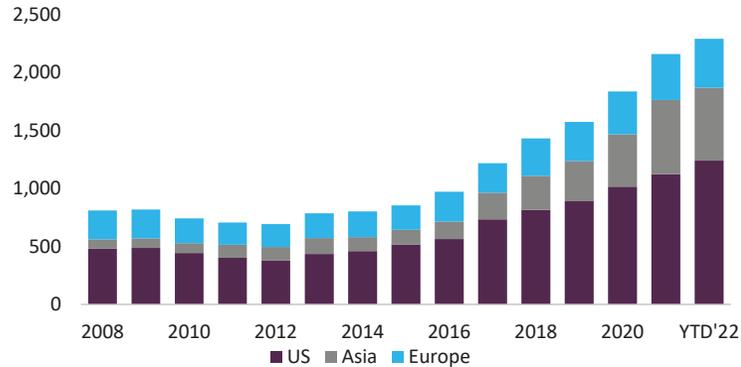


# PRIVATE CREDIT INDUSTRY OVERVIEW & OUTLOOK

# Private Credit Continues To Benefit From Favorable Tailwinds

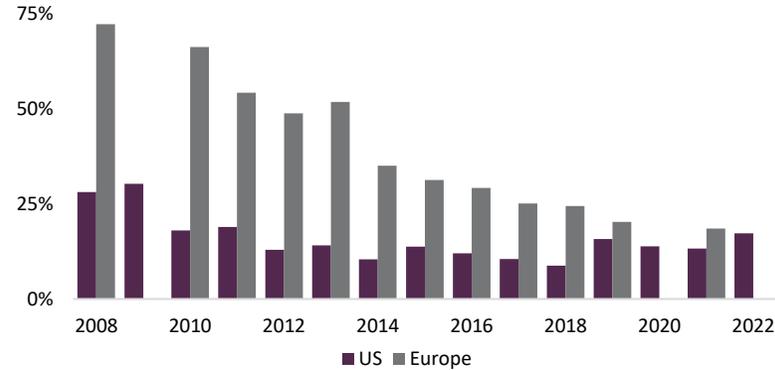
## Rise in Private Equity Dry Powder Creates Strong Demand for Private Credit

Private Equity Dry Powder<sup>1</sup>



## Banks Share of Lending Has Declined Materially

Banks Share of Total Primary Market Issuance<sup>2</sup>



## Continued Shift Away From Banks

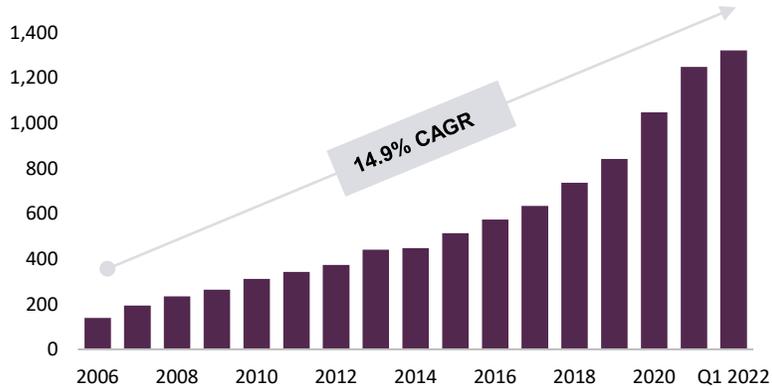
“ More Borrowers Turn to Private Markets for Credit | The Economist February 2022

“ Private Equity Turns to Direct Lenders as Leveraged Loans Dry Up | WSJ June 2022

“ Private Capital Markets to Double by 2027, Prequin Says | Bloomberg October 2022

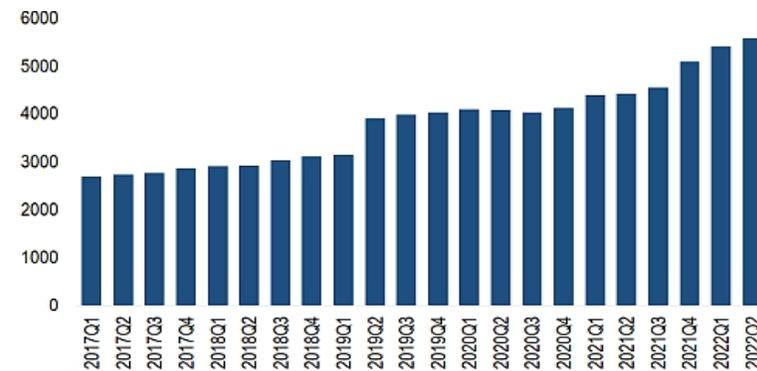
## Private Credit Is Growing Rapidly...

Private Credit AUM (\$bn)<sup>3</sup>



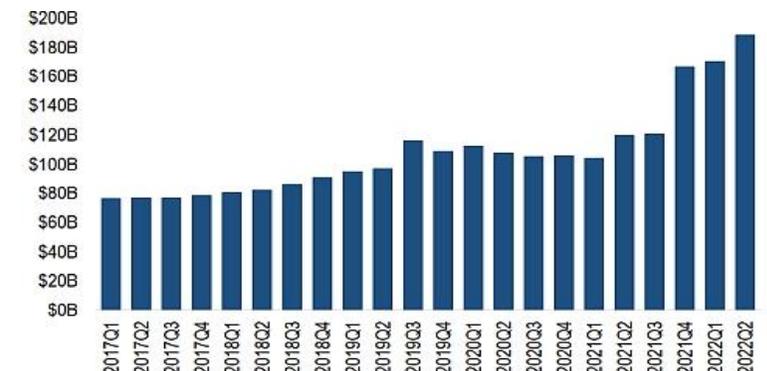
## As Is the BDC Industry in Terms of Issuers...

Total Number of Issuers (Debt Only) – BDCs<sup>4</sup>



## As Well As the Quantum and Size of Financings...

Total Par Amount – BDCs<sup>4</sup>



# Private Credit Offers Superior Structures and Enhanced Yields

## Private Credit Market Trends

1

Over time, Private Credit as an asset class has consistently produced 150-200bps of illiquidity premium

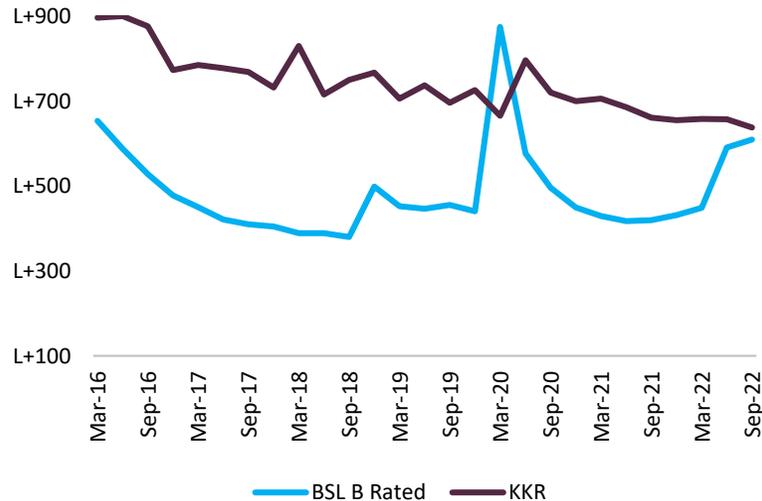
2

Equity cushion percentage remains attractive

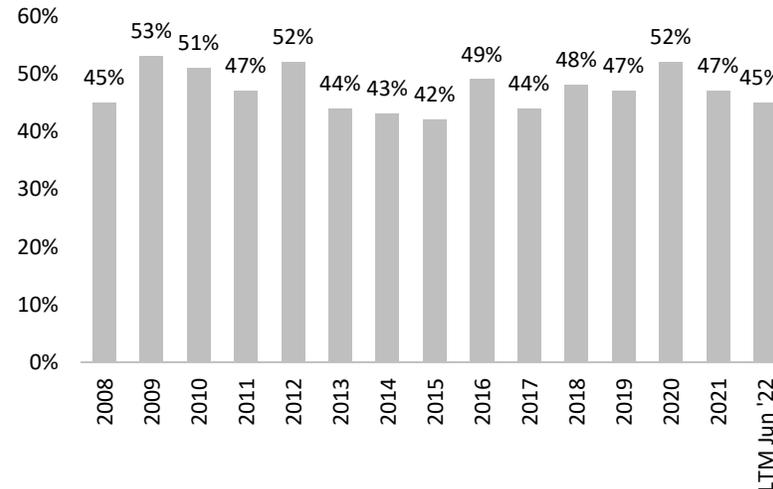
3

Private Credit documents provide more principal protection features

BSL vs. KKR Spreads<sup>1</sup>



Equity Contribution to LBOs<sup>2</sup>



Superior Structures

	Private Credit	Traded Credit
Documentation	✓	○
Collateral Heavy	✓	○
Information Rights	✓	○

# Why We Like the Current Lending Environment

	Jan-22		Nov-22		Change
Spread	550-575 bps	➤	650-675 bps	➤	+100 bps
OID & Fees	2.0%	➤	3.0%	➤	+1.0%
SOFR (3M) <sup>1</sup> / Floor	0.09% / 0.75%	➤	4.27% / 0.75%	➤	+3.52%
Projected IRR (4yr)	6.75%	➤	11.52%	➤	+4.77%

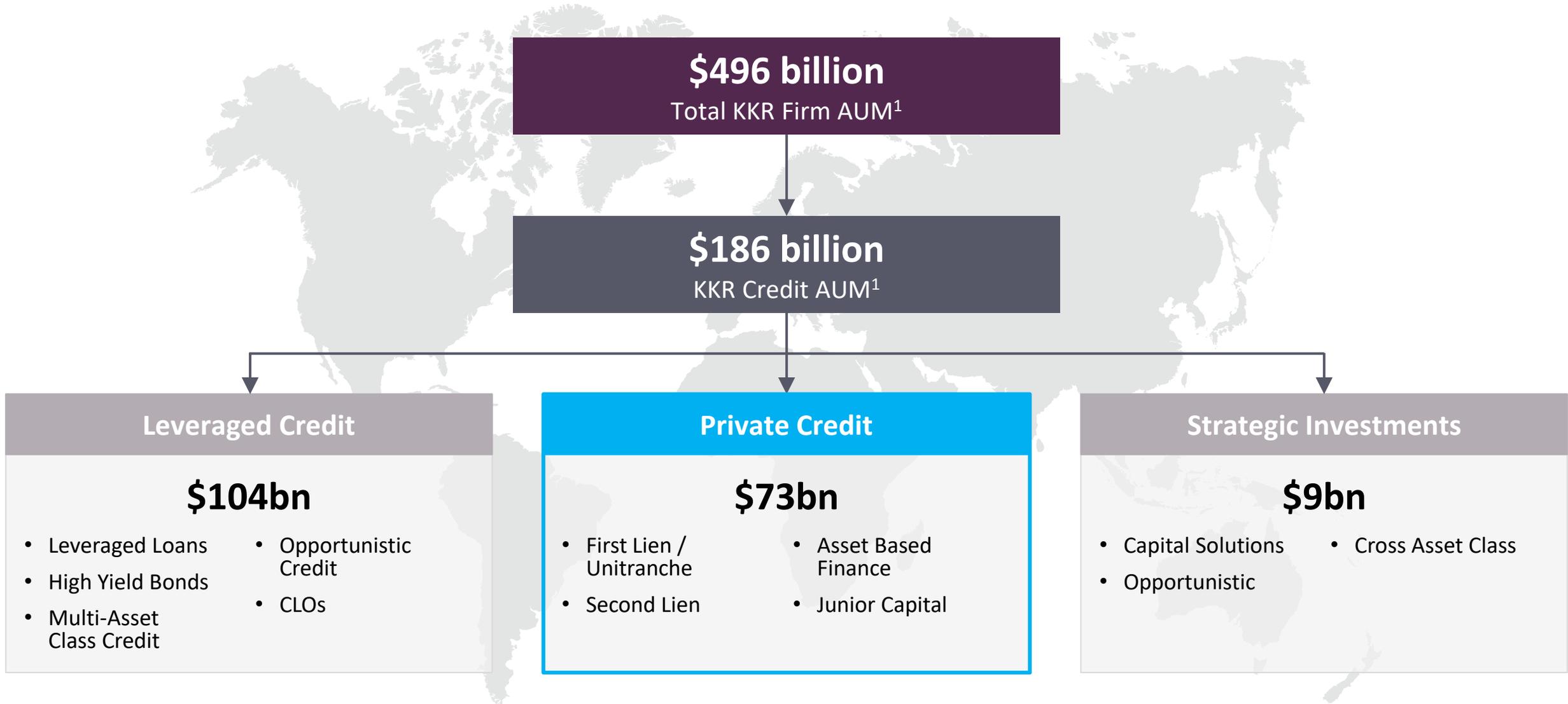
Incremental yield & improving structures result in compelling investment opportunities



# KKR CREDIT OVERVIEW

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# KKR Overview



# KKR Private Credit: Overview

**\$73 billion**  
Private Credit AUM

**25+**

Investment Committee  
Average Years of Experience

**~110**

Investment Professionals

## Direct Lending

- Directly originated and privately negotiated senior secured loans
- Upper middle market corporate borrowers

## Junior Capital

- Directly originated and privately negotiated subordinated debt and preferred stock financings

## Asset Based Finance

- Investments backed by diverse pools of financial and hard assets
- Multi-sector / asset class approach

## Broad Private Credit platform where size and scale matter

Control lender status across  
~87% of investments<sup>1</sup>

Integrated global resources and access  
to KKR Credit 'library' of ~1,600 issuers

Strong alignment of interest with  
~\$1.4 billion of KKR capital committed  
to private credit strategies<sup>2</sup>

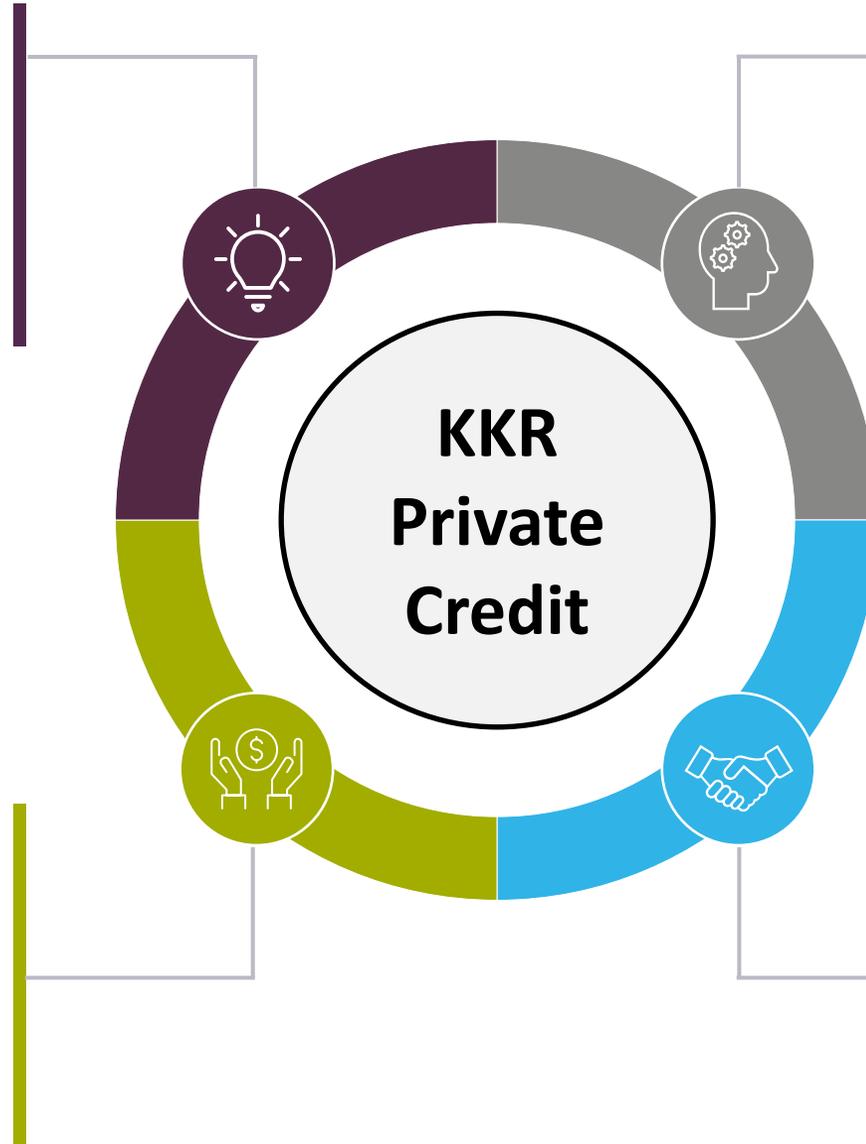
# KKR Private Credit: Fundamentals

## Platform

- Ownership is in our DNA
- Seasoned team
- Broad capabilities

## Origination

- Focus on Direct Origination
- Multiple originations channels
- Benefits of incumbency



## Investing

- Fundamental cash flow based credit investors
- “PE Style” due diligence
- High-touch portfolio monitoring

## Partnership

- Investors
- Borrowers
- Sponsors

# KKR Private Credit: A Growing Asset Class



Private Credit as an asset class has been growing at an annualized rate of 14.9% since 2006<sup>1</sup>



As of 2021, 72% of endowments & pension funds had allocations to Private Credit<sup>2</sup>



61% of endowments & pension funds anticipate increasing their allocations to private credit and infrastructure during the next 12-24 months<sup>2</sup>



We believe Private Credit as an asset class is poised to continue its meaningful growth

**Private Credit will continue to be a key pillar of growth for KKR**



# KKR CREDIT: ORIGINATION

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# Corporate Credit Overview

## Corporate Lending Strategy

- Seeks to achieve better risk-adjusted returns through:
  - Upper middle-market borrowers (generally \$50mm+ EBITDA, larger for more junior investments)
  - Control of transaction structure and terms
- Global footprint and origination capability (U.S., Europe, Australia)
- Scaled business and significant incumbent borrower base
- Full capital solutions partner to leading sponsored and non-sponsored relationships
- Global investment team of ~110 investment professionals

## Alignment of Interest

- KKR's Balance Sheet and employees have \$1.4 billion committed to Private Credit<sup>1</sup>

## Capital Base

**\$31 billion**

AUM<sup>2</sup>

## Experience and Scale

**2005**

Inception Date

**~450**

Transactions Completed<sup>3</sup>

**~\$49 billion**

Assets Deployed<sup>4</sup>

**0.8%**

Annualized Loss Rate<sup>5</sup>

## Large, Diverse Borrowers

**\$102 & \$387mm**

Average First Lien & Junior Credit EBITDA<sup>6</sup>

## Conservative Leverage

**55% & 54%**

Average First Lien & Junior Credit LTV<sup>7</sup>

## Transaction Control

Maintaining control and driving terms

**91%**

Controlling Lending Position<sup>8</sup>

## Inflation Protection

**95%+**

First lien loans have floating interest rates, typically with rate floors

## Access to All of KKR

Partnering with KKR means access to all of the Firm's global resources and expertise

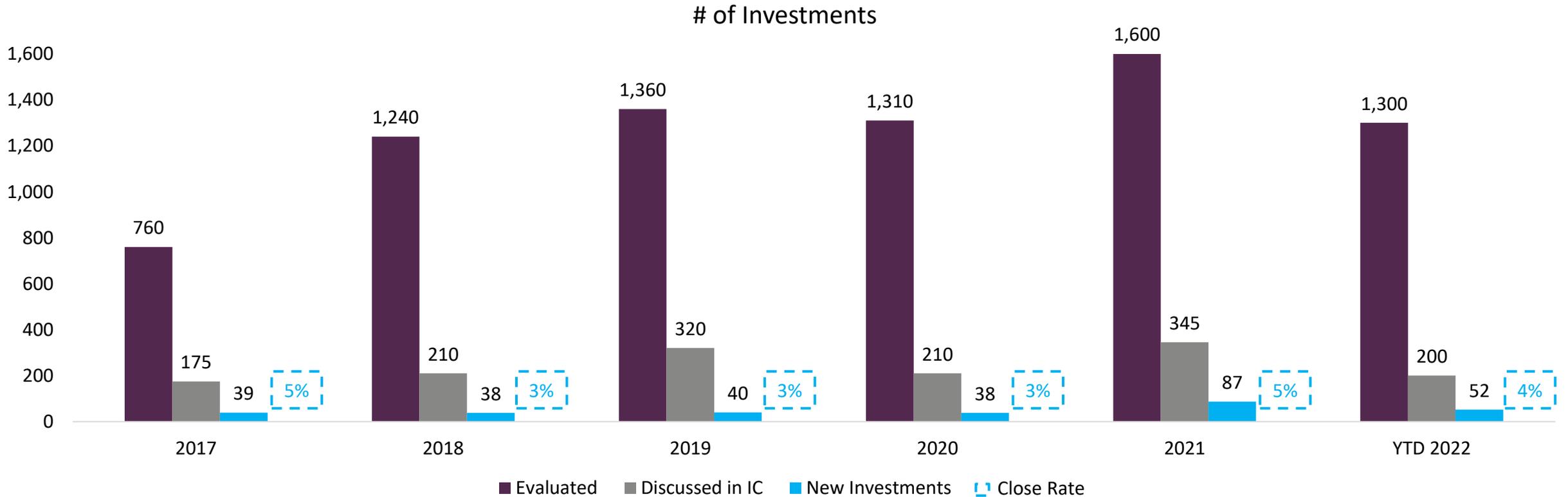
# KKR Private Credit: Origination Capabilities

Our dedicated origination resources engage in multiple sourcing avenues



# KKR Private Credit: Origination Capabilities

~7,600 Investments Evaluated and \$47bn Closed Over the Last 5+ Years<sup>1</sup>



# KKR Private Credit: How We Go-To-Market

## Our Approach

- Strong brand and established market reputation
- Origination conducted within an experienced investment team
- Ability to invest across range of company size & up and down the capital structure
- Deep diligence approach, drawing on all aspects of KKR
- Size of our footprint - we have likely seen the company or a similar one before and have a house view

## What We Deliver

- Comprehensive capital solutions at scale
- Transaction leadership
- Execution speed and certainty
- Customized investment structuring to allow flexibility while mitigating risk
- Long-term partner with ability to grow
- Access to KKR industry leading experts such as Global Macro, ESG, Public Affairs, KKR Capstone

## Consistent Growth

- 15+** **Years**  
Comprehensive capital solutions at scale
- 3.0x** **Growth**  
in sponsor relationships 2016-2022
- 1.9x** **Growth**  
in non-sponsor deals reviewed 2019-2022
- ~75%** repeat sponsor investments LTM
- 2.5x** **Growth**  
in borrower relationships 2016-2022<sup>1</sup>

KKR is uniquely positioned to provide issuers with solutions across their financing needs

# KKR Private Credit: Power of Incumbency

## Breadth of Footprint

- > Private credit issuer portfolio: ~330 companies totaling \$73bn
- > Leveraged credit issuer portfolio: ~1,000 companies totaling \$104bn
- > Credit investment professionals: ~190
- > Other KKR investment professionals: ~450

## Results

~40%  
incumbent investments  
since 2020<sup>1</sup>

## Advantages

- > Positively selecting new investments
- > Deep knowledge of the businesses
- > Relationships with the management team
- > Ability to move with certainty and conviction

Relationships built on over 15 years of Credit investing and 46 years of building KKR's brand

# Why Borrowers and Portfolio Companies Partner With Us

## More than a Lender - A Value-Added Capital Solutions Provider

### Comprehensive capital solutions at scale

- KKR has led an estimated 50% of \$1bn+ transactions in the US between 2020-2022
- Full suite of credit solutions for borrowers (senior debt, junior capital, Asset Based Finance) supported by KKR's balance sheet

### Long-standing Sponsor and "C-Suite" Relationships

- 740+ investment professionals and advisors across the firm have deep relationships
- "Like and Trust" built over KKR's 46-year history

### Access to KKR full capabilities

- Global Macro, ESG, Public Affairs experts and non-Credit Investment teams
- Full-service capital markets function
- Unique knowledge and capabilities across sectors and geographies

### Scaled Asset Based Platform

- Thematic approach with deep industry expertise
- Platform relationships provide a network effect
- Debt sourcing and structuring capabilities and relationships

## Sample Portfolio Companies

### Direct Lending



### Asset Based Finance

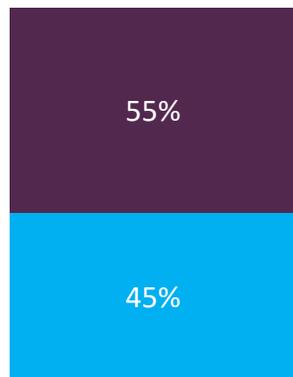


# Case Study: Lipari

## Transaction Overview

- In January 2019, KKR Credit provided an initial Unitranche Term Loan to support HIG Capital’s (“HIG”) acquisition of Lipari
- KKR Credit supported Lipari’s M&A strategy under HIG’s ownership with additional capital
- KKR Credit engaged HIG early on a potential sales process and provided a financing package to support it
- In October 2022, Littlejohn & Co’s acquired Lipari from HIG and KKR Credit served as lead investor in the \$860 million financing
- Our investment thesis is based on (i) Lipari’s diversified product offering and customer base, (ii) exposure to a stable, recession-resilient end-market, (iii) strong financial performance and consistent organic growth across customers, end-markets and products, and (iv) a strong track record of accretive M&A and integration

## Capital Structure at Investment



■ Debt ■ Equity

## Company Overview

- Lipari Foods (“Lipari”) is a food distributor that sources, manufactures and distributes into the US grocery market
- Lipari has 9,900+ customers including independent supermarkets, national grocers, and convenience stores



<b>Sponsor</b>	Littlejohn & Co.
<b>Investment</b>	
<b>Date of Investment</b>	Q4 2022
<b>KKR Private Credit Investment</b>	\$295mm
<b>KKR Role</b>	Lead
<b>Use of Proceeds</b>	Acquisition Financing
<b>EBITDA</b>	~\$100mm
<b>Facilities</b>	<b>First Lien Credit Facilities</b>
<b>Facility Size</b>	\$860mm
<b>Coupon</b>	SOFR+650bps
<b>Floor</b>	1.0%
<b>OID / Fees</b>	3.0%
<b>Call Protection</b>	103, 101, 101
<b>Covenants</b>	Total Net Leverage



# KKR CREDIT: INVESTMENT PROCESS

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# KKR Credit Investment Philosophy

KKR Credit utilizes a fundamental investment approach and leverages proprietary resources to generate attractive risk-adjusted returns



## Dedicated Sourcing

- “Single-platform sourcing”
- Long-standing relationships with a wide network of issuers and sponsors
- Direct corporate sourcing effort leveraging all of KKR relationships
- Experienced, dedicated sourcing professionals
- Ability to leverage the full KKR Platform and its network, including the Senior Advisor network and KKR Capstone



## Capital Preservation

- Steward investors’ capital as if it were our own
- Recognize that credit investing comes with limited upside (par) and asymmetric downside risk
- Require detailed, proprietary research for any credit considered for portfolio inclusion
- Re-underwrite portfolio on a quarterly basis, resulting in low default statistics



## Active Portfolio Management

- Investment decisions are predicated on a clear thesis
- Deep due diligence and a distinguished competitive advantage required before credit investing
- Re-evaluate and re-underwrite each credit during quarterly Portfolio Management Committee meetings
- Ongoing re-evaluation of portfolio structure and risk measures
- Rigorous valuation process focuses on transparency and accuracy

# Benefits of the Upper Middle Market

Our Direct Lending strategy primarily targets the upper end of the middle market, which we believe to be more defensive and more resilient through various market cycles

## Financial Sponsor Backing

- Sponsors provide professional management, oversight, and alignment
- Lenders maintain a direct relationship with sponsors
- Sponsors operate with a committed pool of capital that they can use for workout initiatives or to address liquidity needs

## Industry Leading Borrowers

- More established companies with diversified customer and supplier bases, multiple revenue streams, and various paths for organic and inorganic growth
- Greater pricing power, which is especially critical during periods of rising inflation

## Experienced Management Teams

- Management teams tend to be more experienced and can navigate effectively through changing market cycles and downturns

## Stronger Credit Profiles

- According to LCD, from 1995 to 2021, companies with EBITDA of \$50-\$99mm have a **10% lower rate of default** than companies with EBITDA of \$0-\$49mm<sup>1</sup>
- According to LCD, from 1995 to 2021, companies with EBITDA of \$100mm or greater have a **31% lower rate of default** than companies with EBITDA of \$0-\$49mm<sup>1</sup>

“A larger-scale business is usually associated with a stronger market position, a better ability to weather financial downturn, more established operations, and a more stable outlook.”

- Moody's Analytics

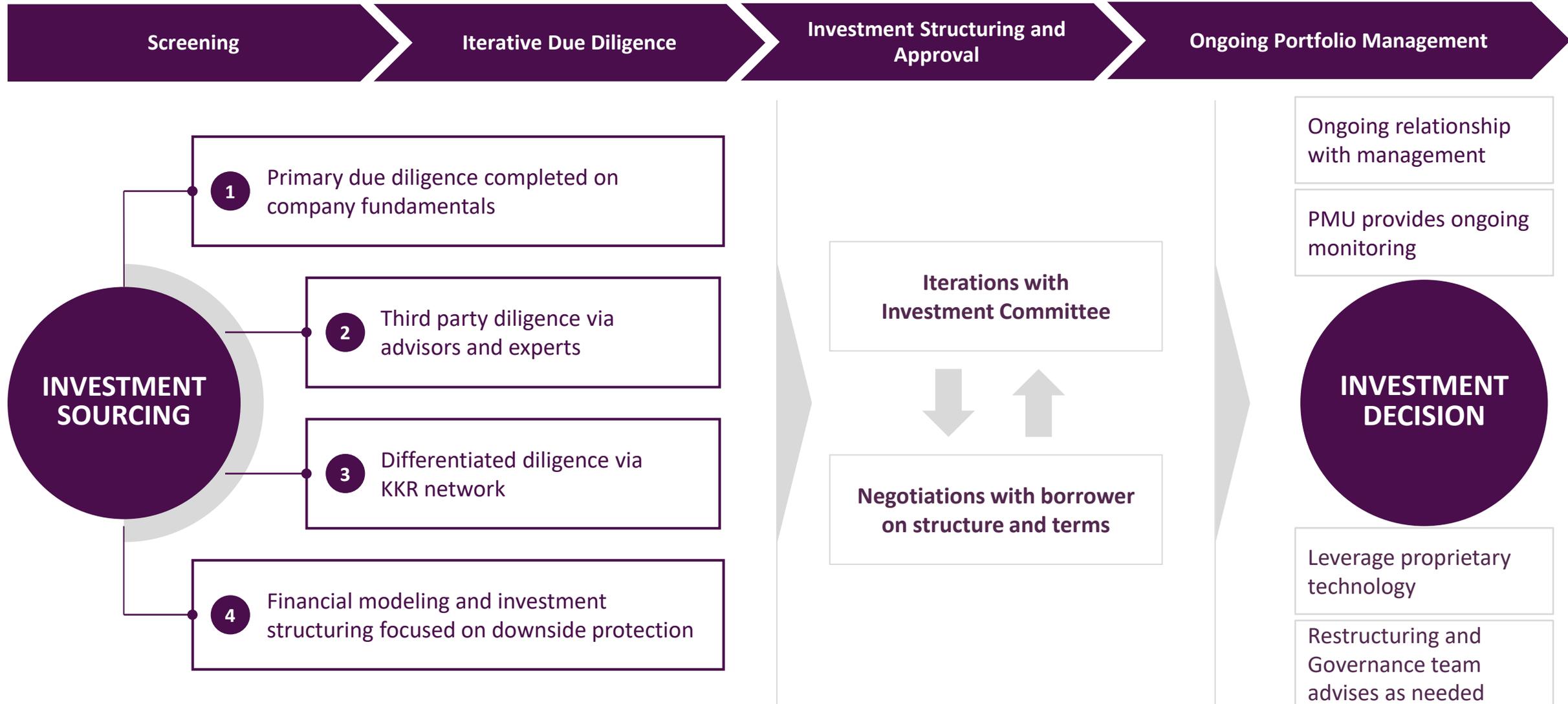
“We can easily find empirical evidence showing small companies have a higher default risk”

- S&P Global

“We see a significant decrease in default rates for companies with total assets above \$100 million”

- Moody's Analytics

# KKR Private Credit: Leveraging the Strength of Our Platform



# KKR Private Credit: “PE Style” Due Diligence

Investment diligence is a bottoms up and fundamentals focused underwriting process

## Company Diligence

- Focus on durability and sustainability of company’s cash flows
- Revenue model focus areas: contracted/visible volumes, diversified customer base, pricing power, etc.
- Cost model focus areas: fixed vs. variable costs, diversified supplier base, cost inflation sensitivity, etc.
- Diligence performed directly with management teams and sponsor/non-sponsor partners

## Industry Diligence

- Focus on company’s value proposition and market positioning as well as health of underlying industry
- End market focus areas: pace of market growth or decline, potential regulatory, technology, or other macroeconomic risks
- Competitive landscape focus areas: market shares, customer wallet shares, risk of new entrants, switching costs
- Diligence performed via company, sponsor/non-sponsor partners and third-party experts

## Unique KKR Diligence

- Liquid Credit team may have invested in company / industry
- Private Equity team may have diligenced the company / industry
- Current or prior KKR PE portfolio companies may have industry views
- KKR Capstone may have subject matter expertise (e.g. carve-outs)
- KKR Global Institute may have insights into related geopolitical items
- KKR Global Macro may help inform our top-down or macro views

KKR’s investment process combines multiple touchpoints within the firm

# KKR Private Credit: ESG Approach

## Dedicated Team with Deep Expertise

1

Investment team partners with Global KKR ESG Team Members

## Proprietary ESG Scoring

2

ESG scorecards are managed within KKR's internal credit monitoring systems

## Investment Process

3

ESG analysis and scores are discussed as part of KKR Credit's robust Investment Process.

## Ongoing Monitoring

4

Deal teams are responsible for ESG analysis, scoring and ongoing monitoring

### Integration

KKR has developed a team of internal "Subject Matter Experts" who partner across the investment teams and geographies on the integration and management of ESG issues

### Framework

KKR has been a signatory of the Principles for Responsible Investment ("PRI") since 2009, we are guided by the Sustainability Accounting Standards Board ("SASB") at the investment level, and our climate strategy is informed by the Taskforce on Climate-related Financial Disclosures ("TCFD") recommendations

### Partnership

History of partnering with extensive network of leading non-governmental organizations and other thought leaders

# Portfolio Monitoring Unit: Overview

The PMU lies at the center of KKR's credit ecosystem to monitor, analyze, and report on the health of portfolio companies

Ensures consistent, comparable analysis across portfolios and borrowers

Enhances governance, risk management, data quality

**Portfolio Monitoring Unit ("PMU")** is a dedicated team of credit analysts responsible for ongoing credit monitoring and unbiased assessment



Team of 16 credit analysts



Supplement monitoring by original deal team



Unbiased, consistent monitoring of Private Credit portfolio



Drives valuation process

# Portfolio Review Process

Institutionalized, consistent and real time monitoring to identify potential underperformance, trends for future underwrites, and developing incumbent opportunities

## PMC Resources and Toolkit

Credit QB – Internal system aggregates credit information



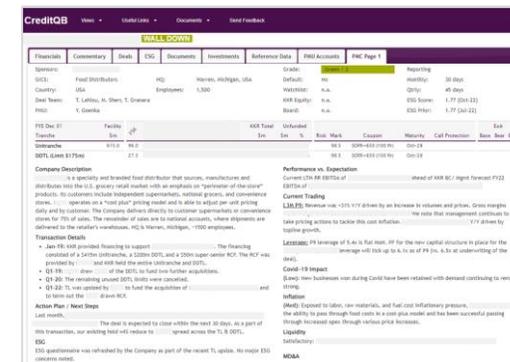
Monthly financial and key documents maintained in our internal system for assessment of financial trends and performance



Risk team portfolio reviews

## Process

Real time summaries of issuer updates



Regularly scheduled meetings

- Quarterly review – re-underwrite 100% of our investments
- 2x week office hours – review watch list names, forum to review amendments, any topics to be elevated



Frequent deal team interactions with management and sponsors

# KKR: Creating Value Across Our Portfolio Companies

KKR has over 14 years experience directly helping portfolio companies realize value from procurement

## KKR Programs



Dedicated team of experienced procurement professionals to work directly with portfolio companies since 2007



Through a combination of direct engagement, cross portfolio programs, and use of third parties, we have delivered significant value for our portfolio companies

**Immediate Cost Benefit**

**Enterprise Level Program Support**

**Increased Supply Protections**

## Total Firmwide Value Created Since 2007

- ✓ \$2.4bn of run rate cost reduction across entire KKR portfolio
- ✓ 170 portfolio companies engaged
- ✓ 1,800 different initiatives
- ✓ Direct, indirect, and capex related spend
- ✓ Over 40 pre-negotiated and ready to deploy cross portfolio programs



# KKR CREDIT: RESTRUCTURING AND GOVERNANCE

**FSK** | FS KKR Capital Corp.

# KKR Private Credit: Restructuring and Governance Overview

Founded in 2017, the Global Restructuring and Governance Team partners with underperforming companies

## What We Do

- **Identify** situations early
- **Turnaround** underperforming businesses
- Focus on **risk reduction** and **preservation of capital**
- Establish and **optimize** ultimate path to **exit**
- Leverage KKR's **ownership expertise** and **operational capabilities**

## Team Experience

Professionals have joined from...

 WEXFORD

 Rothschild & Co

 Paul Weiss

 JONES DAY

 DE Shaw & Co

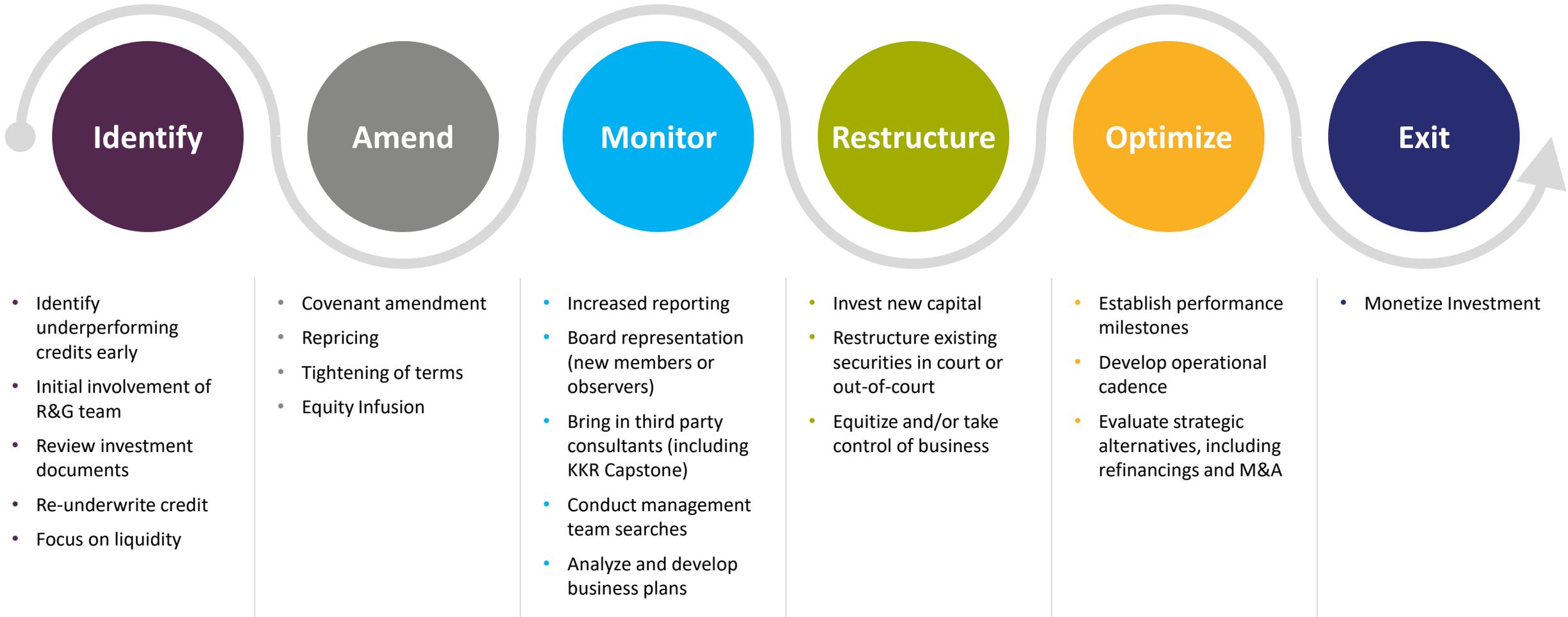
 MOELIS & COMPANY

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## How We Do It

- Identify and monitor watchlist credits
- Proactively assign R&G team members to work with deal teams of underperforming credits
- KKR demonstrated ability to own portfolio companies creates ability to communicate with sponsors on equal footing
- Typical Actions:
  - Take a board observer role or appoint new board members
  - Bring in third party consultants
  - Conduct management team searches
- In a comprehensive restructuring, we may:
  - Invest new capital
  - Restructure existing debt securities
  - Equitize debt and take control of the business

# KKR Private Credit: Restructuring Workflow



# Case Studies

	Company Overview	Restructuring Team Impact	Outcome
	<p><b>Production Resource Group</b> is a global provider of comprehensive, customized solutions for the live event, entertainment and hospitality industries</p>	<ul style="list-style-type: none"> <li>• Influenced deal terms and economics, provided guidance on future governance and structure and drove operational and financial due diligence</li> <li>• Through KKR's board representation, drove the company's value creation plan and strategic initiatives</li> <li>• KKR team member appointed Chief Transformation Officer</li> </ul>	<ul style="list-style-type: none"> <li>• On track to produce record EBITDA in 2022 and is well positioned for profitable growth beyond</li> <li>• Since restructuring team's involvement, KKR's investment on mark to market basis has improved by ~93% (from Q3 2020 to Q3 2022)</li> </ul>
	<p><b>Sound United</b> is a leading innovator of premium, high-performance audio products with global iconic brands</p>	<ul style="list-style-type: none"> <li>• Advised on terms of restructuring, governance rights and pro forma capital structure as well as evaluating acquisition opportunities</li> <li>• Through KKR's board representation, supported management team by providing guidance on key operational / financial / strategic considerations</li> <li>• Actively involved and supported sale process</li> </ul>	<ul style="list-style-type: none"> <li>• Refinanced all debt and paid dividend to equity holders (including KKR)</li> <li>• The sale process marked a successful conclusion that generated aggregate returns for KKR's original mezzanine investment of approx. 2.75x MOIC</li> </ul>
	<p><b>Micronics Filtration Holdings</b> is a worldwide expert in high-quality filter products and services</p>	<ul style="list-style-type: none"> <li>• Restructuring of KKR's position to PIK securities provided liquidity runway to materially improve quality of earnings</li> <li>• Shaped terms of the restructuring and governance rights with KKR holding 2 board seats (inclusive of one independent) and favorable equity rights</li> </ul>	<ul style="list-style-type: none"> <li>• The improvement in earnings allowed Micronics to effectuate a merger with National Filter Media, which enabled FSK to achieve a paydown which reflected a full recovery on its pre-restructuring TL, versus a trough mark of 56%</li> <li>• Ultimately, FSK earned approx. 1.6x MOIC and an 8.9% IRR over the life of its investments</li> </ul>



# KKR CREDIT: ASSET BASED FINANCE

**FSK** | FS KKR Capital Corp.

# Asset Based Finance Overview

## Asset Based Finance Strategy

- Targets attractive risk-adjusted returns through:
  - Diverse exposure to investments backed by large and diversified pools of financial and hard assets
  - Multi-strategy and asset class approach
  - Downside protection through diversification and negotiated transaction controls
- Certain captive KKR platforms supporting loan origination
- Attractive income generation and diversification away from corporate credit risk

## Alignment of Interest

- KKR's Balance Sheet and employees have >\$225 million committed to Asset Based Finance<sup>1</sup>

## Capital Base and Returns

**\$35 billion**

Asset-Based Finance AUM<sup>3</sup>

**12.1%**

Composite Asset Return<sup>4</sup>

## Experience and Scale

**2016**

Inception Date

**58**

Transactions Completed<sup>4</sup>

### Large, Diverse Opportunity

Estimated addressable market of \$5.2tn and growing<sup>2</sup>

### Downside Protection

Collateral that can protect principal risk and appreciate with inflation

### Portfolio Diversification

Exposure to diversified sectors not correlated to general corporate credit

### High Barriers to Entry

Less competitive pressure on returns coupled with greater negotiating power

### Attractive Income

Underlying assets produce recurring, often contractual, cash flows

# Asset Based Finance: Focus Areas

- ✓ Privately originated and negotiated investments
- ✓ Seeking illiquidity and structuring premiums (return/income) versus liquid credit assets

- ✓ Focus on thematic investing in underserved, hard-to-access, and mispriced assets
- ✓ Multi-asset class approach to identify the best relative value across four key segments

## Consumer/Mortgage Finance



Auto Lending



Consumer Loans



Granular Secured NPLs



Mortgage Related

## Contractual Cash Flows



Intellectual Property



Life Settlements



Risk Transfer Transactions



Royalties

## Hard Assets



Aircraft Leasing



Containers



Railcars



Single Family Rental

## Small-Medium Enterprise (SME)



Developmental Loans



Receivables Financing



Equipment Leases

# Case Studies: Asset Based Finance



## Home Partners of America

### Transaction Overview

- Investments in single family rental homes which provides customers with a unique option to purchase the home over a certain time period
- KKR Credit has been an investor in HPA since June 2014; HPA Core JV was formed in April 2019 as a \$1bn equity joint venture to acquire assets

### Investment Thesis

- Diversification across geography and employer
- HPA's centralized and highly scalable property management teams
- Nominal rents are highly durable through market cycles
- Lack of single family housing inventory has created a supply-demand imbalance

### Investment Status

- In September 2022, we closed the sale of KKR Credit's stake in Home Partners of America Core JV generating a gross IRR of 30% and gross MOIC of 1.96x over a ~3.5 year investment period to FSK



## JET EDGE

### Transaction Overview

- Premier private aviation services platform that provides aircraft management, private jet charter, and jet sales
- Through 4 separate transactions, KKR supported JetEdge through a \$225mm Term Loan and a \$40mm Preferred Equity investment, which came with penny warrants and a board seat

### Investment Thesis

- Scaled and differentiated business model
- Market Tailwinds: robust demand growth as more customers shift to flying private for health, efficiency and other reasons
- Downside protection: our term loan and preferred equity investments were both fully covered by the value of the aircraft the company owned with meaningful and growing equity value below our instruments

### Investment Status

- In March 2022, Jet Edge signed an agreement to sell itself to a strategic buyer, which resulted in FSK fully exiting its equity interest, resulting in a gross MOIC of 2.4x on the preferred equity investment. In addition, the term loan has begun paying down.



# FSK OVERVIEW

**FSK** | FS KKR Capital Corp.

# FSK: Overview

Publicly traded business development company focused on investing in upper middle-market companies

## FSK Corporate Overview

**\$5.6bn** | Market Cap<sup>1</sup>

**13.8%** | Annualized Dividend Yield (Stock)<sup>2</sup>

**10.8%** | Annualized Dividend Yield (NAV)<sup>3</sup>

**1.19x** | Net Leverage<sup>4</sup>

**\$2.7bn** | Available Liquidity<sup>5</sup>

## Investment Portfolio Summary

**\$15.8bn** | Portfolio Size

**195** | Portfolio Companies<sup>6</sup>

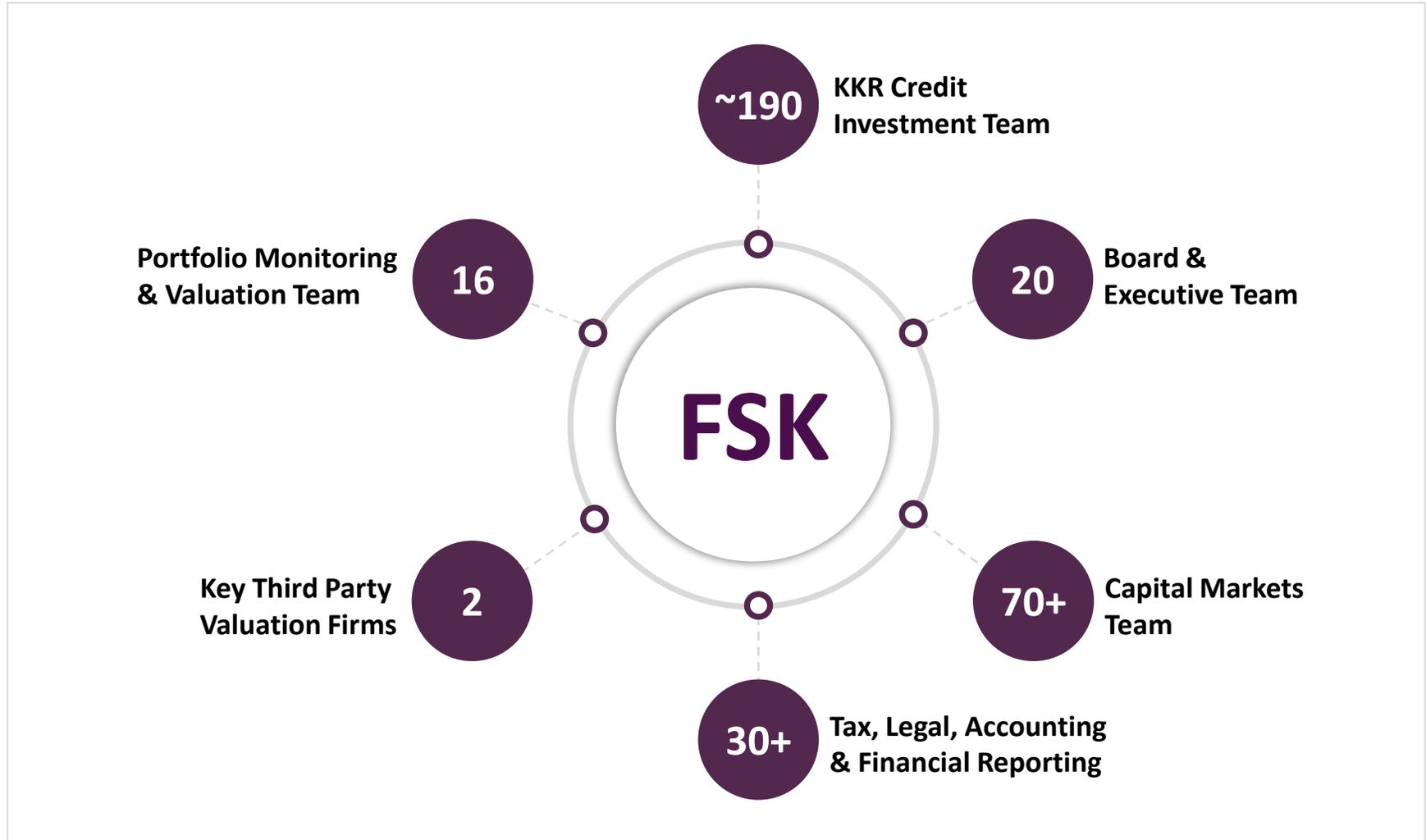
**22** | Industries

**19%** | Top 10 Concentration<sup>7</sup>

**10.4%** | Weighted Average Yield<sup>8</sup>

# FSK: Operating Approach

FSK operates with the direct involvement of over 250 professionals



# FSK: Portfolio Construction

## First Lien Loans

- Unitranche structures
- Typical pricing of S+650-675
- Typical leverage of 5.0x
- Documentation heavy
- Target control positions
- Focus on inclusion of financial covenants

## Credit Opportunities Partners JV, LLC

- \$4.0bn in assets (would equate to the 8<sup>th</sup> largest publicly traded BDC as measured by total assets)
- Portfolio generates annual NII available for distribution of ~\$200mm
- Generates significant recurring dividend income
- 84% of COPJV fair value is in first lien loans or ABF investments

## Asset Based Finance

- Investments focused on portfolios of financial and hard assets
- Limited competition within a growing investment sector
- Target IRRs of 12%+, with strong downside protection

## Junior Capital

- Second lien and subordinated debt with typical pricing of S+800-1000
- Preferred equity typical pricing of S+1000-1200, with significant sponsor equity commitments
- Focus on larger companies
- 16.0% of total portfolio with a weighted average yield of 11.7% and average EBITDA of \$277mm<sup>1</sup>

## Equity

- Equity co-investment & restructured equity
- Originated equity investments totaling 1.0%<sup>2</sup>
- Restructured equity investments totaling 1.4%<sup>2</sup>

# FSK Investment Portfolio Overview – JV Look Through

**90%**

of debt investments are floating rate<sup>1</sup>

**17%**

FV in top 10 investments

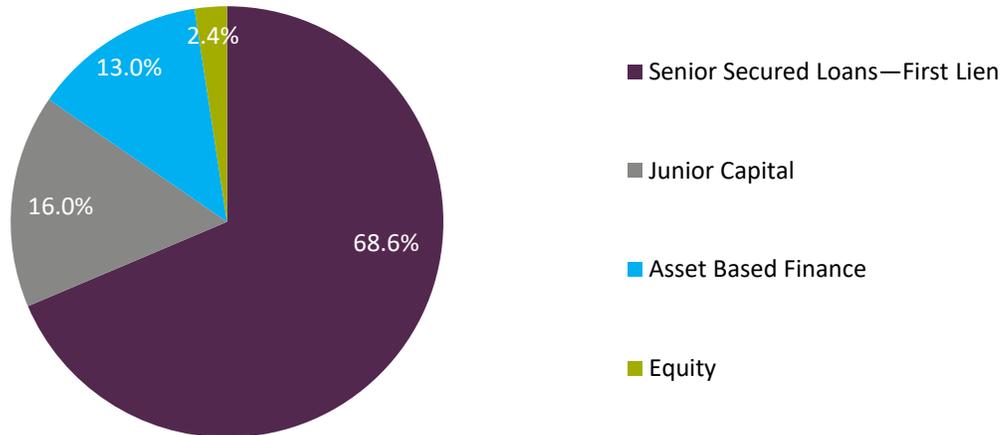
**78%**

of investments in senior secured debt

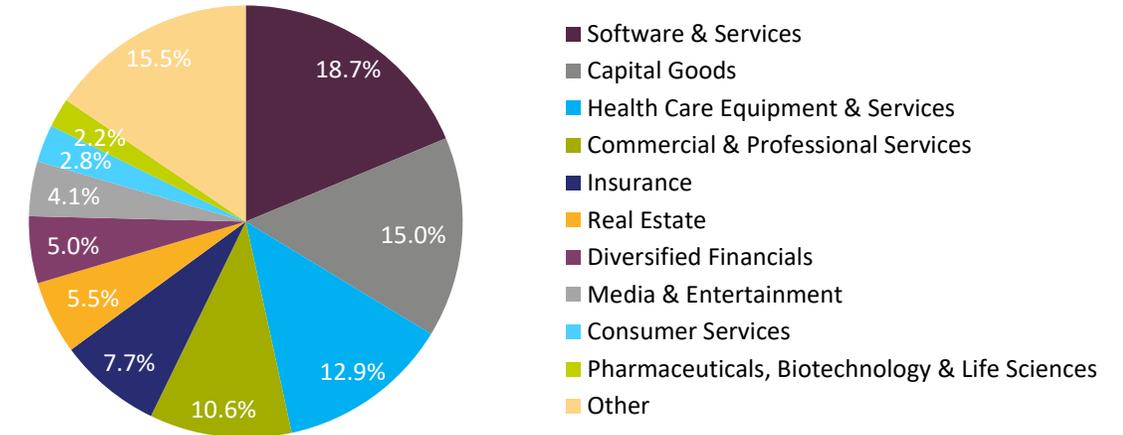
**\$207mm / 6.2x**

Wtd. average portfolio company EBITDA & leverage<sup>2</sup>

## Security Exposure (by fair value)



## Sector Exposure (by fair value)



**Total Investment Portfolio at Fair Value on a Look Through Basis: \$18.0bn**

# First Lien Senior Secured Loans Overview



Represents 68% of total deployment by FS/KKR Advisor



~\$14bn of total fundings to over 190 borrowers

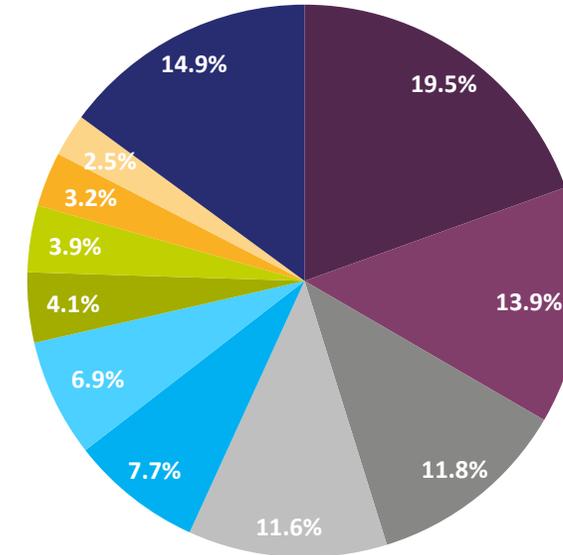


Weighted average leverage at time of underwriting of 5.4x<sup>1</sup>



Weighted average LTVs at origination of 49% (2018 to current)<sup>1</sup>

FS/KKR Advisor First Lien Deployment by Industry (by fair value)



- Software & Services
- Health Care Equipment & Services
- Capital Goods
- Commercial & Professional Services
- Insurance
- Consumer Services
- Diversified Financials
- Household & Personal Products
- Pharmaceuticals, Biotechnology & Life Sciences
- Food, Beverage & Tobacco
- Other

# Credit Opportunities Partners JV, LLC Overview

FSK's joint venture with South Carolina Retirement Systems Group Trust ("SCRS")

## Key Portfolio Benefits

- Facilitates greater ability to maximize KKR's investment funnel
- Yield enhancing nature provides for senior secured focus

## Key Statistics

- Scaled investment vehicle with total AUM of \$4.0bn
- Uncalled growth equity totaling \$640mm (\$560mm allocated to FSK)

## Key Terms of the Partnership

- FSK and SCRS share voting control 50% / 50%
- Equity ownership 87.5% FSK / 12.5% SCRS
- FSK provides day-to-day administrative oversight

## Key Attributes

**0.02% & 0.04%**

Non-accruals based on fair value & cost

**13.2%**

Average yield on FSK's investment<sup>1</sup>

**10.0%**

Weighted average annual yield on accruing debt investments<sup>2</sup>

**125**

Number of portfolio companies

**~\$200mm**

Per year of run rate dividend to FSK

**95.4%**

Floating rate debt investments<sup>3</sup>

**1.18x**

Net debt-to-equity ratio<sup>4</sup>

**21**

Industries

# Asset Based Finance: FSK Focus Areas

- ✓ Privately originated and negotiated investments
- ✓ Seeking illiquidity and structuring premiums (return/income) versus liquid credit assets
- ✓ Focus on thematic investing in underserved, hard-to-access, and mispriced assets
- ✓ Multi-asset class approach to identify the best relative value across four key segments

## Consumer/Mortgage Finance



Auto Lending



Consumer Loans



Mortgage Related

## Contractual Cash Flows



Life Settlements



Risk Transfer Transactions



Royalties

## Hard Assets



Aircraft Leasing



Single Family Rental

## Small-Medium Enterprise (SME)



Receivables Financing



Equipment Leases

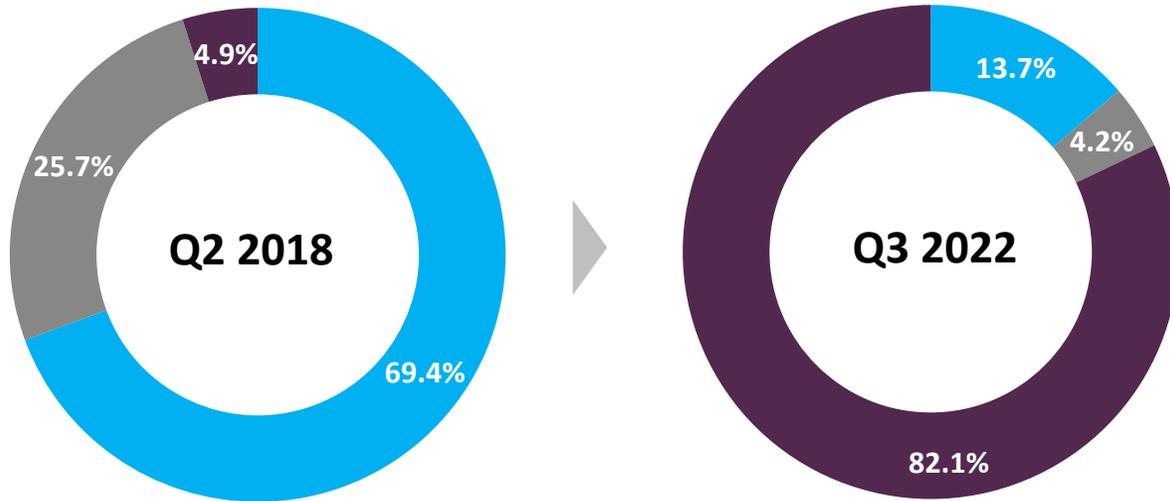


# FSK PORTFOLIO REVIEW & CAPITAL STRUCTURE

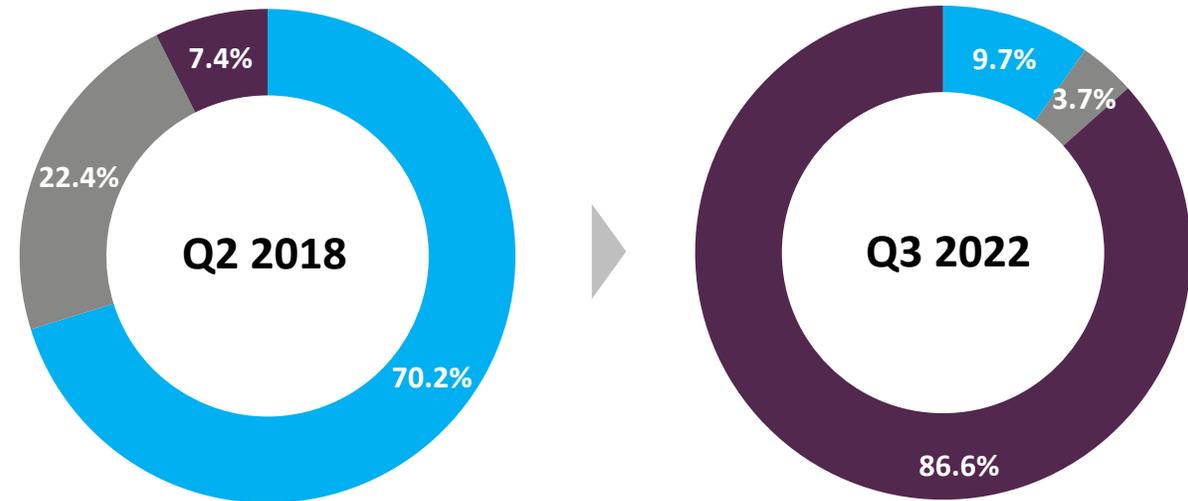
**FSK** | FS KKR Capital Corp.

# Portfolio Rotation Analysis: Advisor

## Total Portfolio Advisor Rotation since Q2 2018<sup>1</sup>



## Income Producing Asset Advisor Rotation since Q2 2018<sup>1</sup>



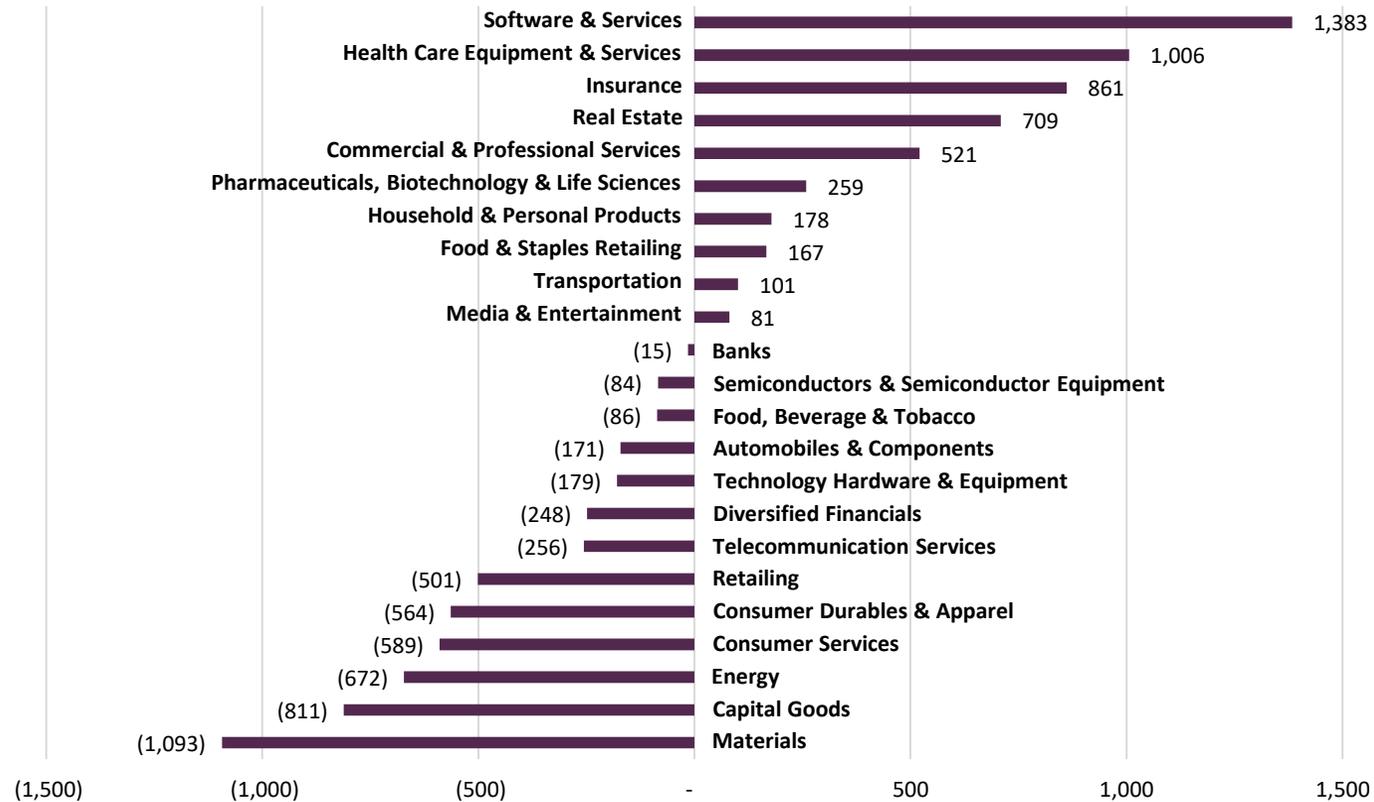
■ Prior Advisor ■ KKR ■ FS/KKR Advisor

Investments originated by KKR and the FS/KKR Advisor have increased from 31% to 86% of the total portfolio and from 30% to 90% of total income producing assets

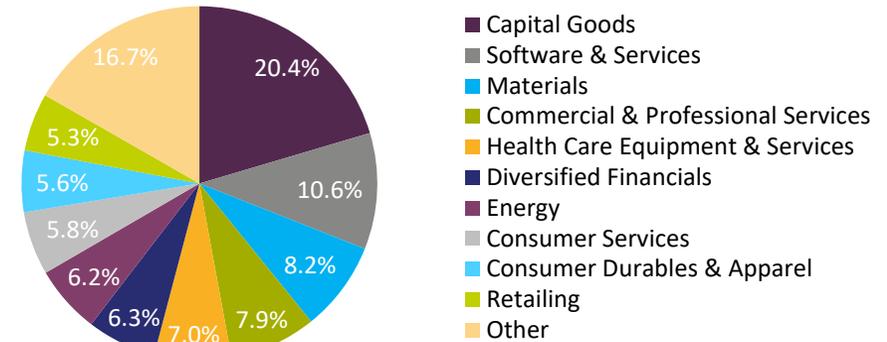
# Portfolio Rotation Analysis: Industry

Significant portfolio rotation has emphasized defensive industries and de-emphasized more cyclical industries

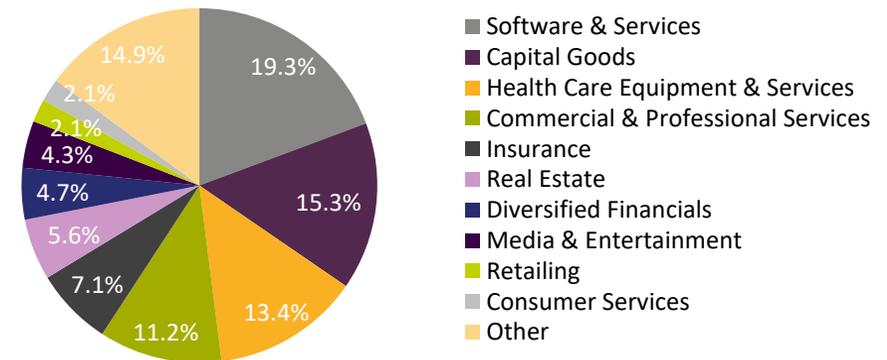
## Market Value Change By Industry From Q2 2018 to Q3 2022<sup>1</sup>



## Top 10 Industries Q2 2018<sup>1</sup>



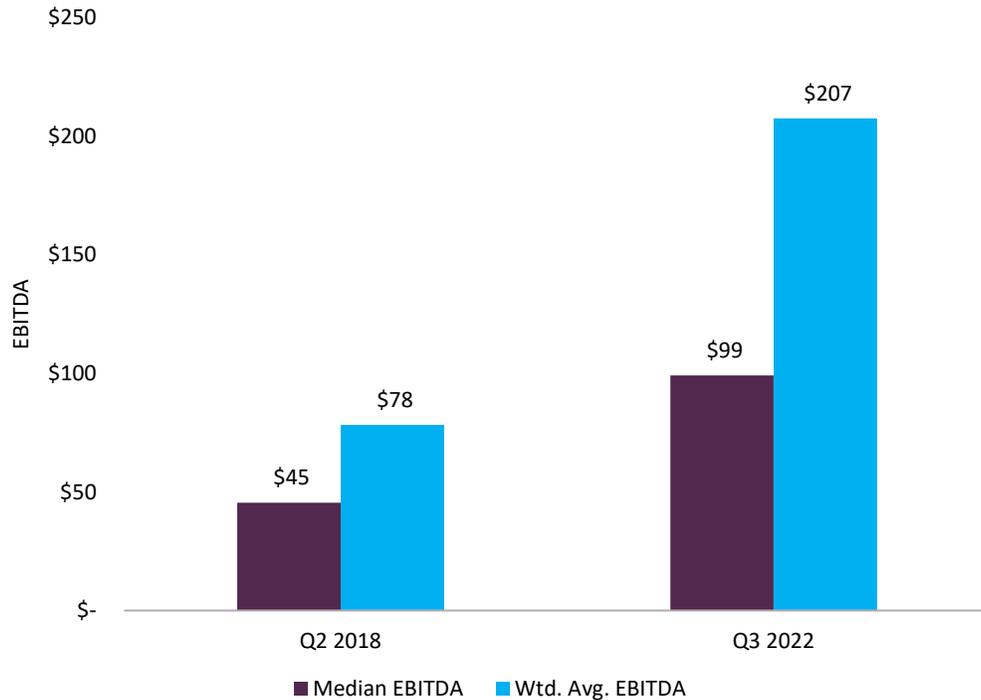
## Top 10 Industries Q3 2022<sup>1</sup>



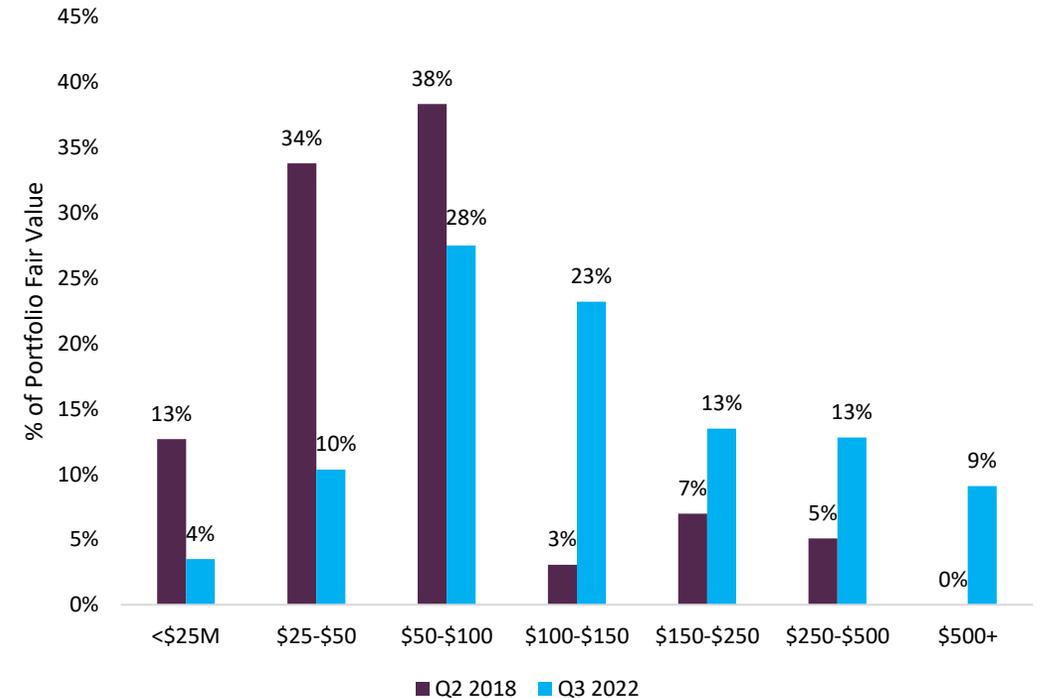
# Portfolio Rotation Analysis: EBITDA

The FSK portfolio has been positioned with a focus on upper middle market borrowers

## Portfolio Company Size<sup>1</sup>



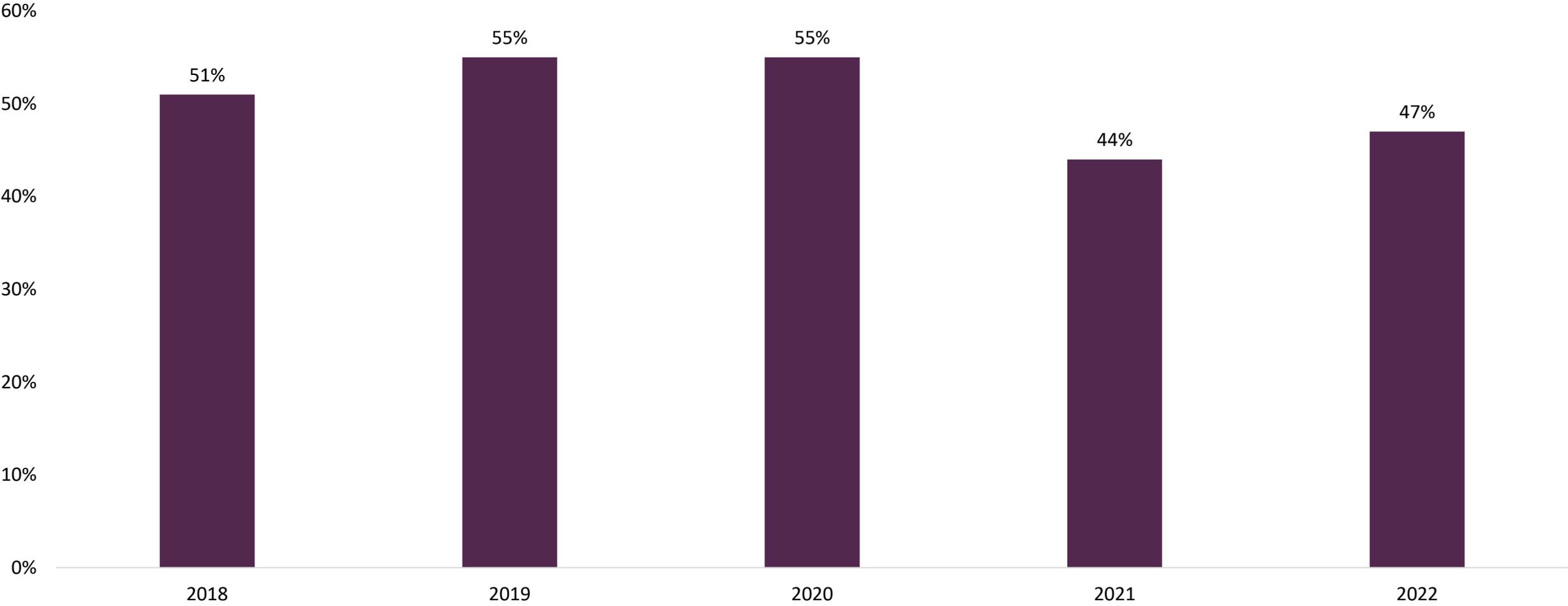
## Portfolio Distribution by Company Size<sup>1</sup>



~58% of our portfolio companies generate \$100+ million of annual EBITDA versus only 15% in 2018

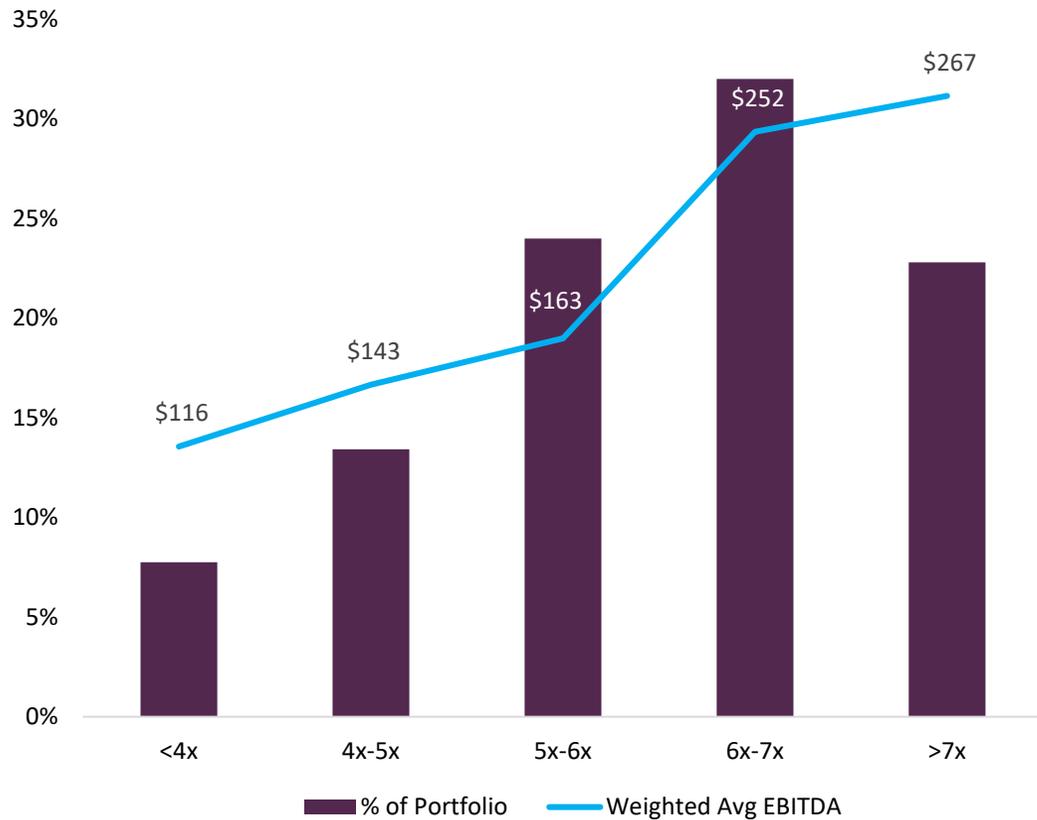
# Portfolio Analysis: Loan to Value

Loan to Value by Vintage<sup>1</sup>

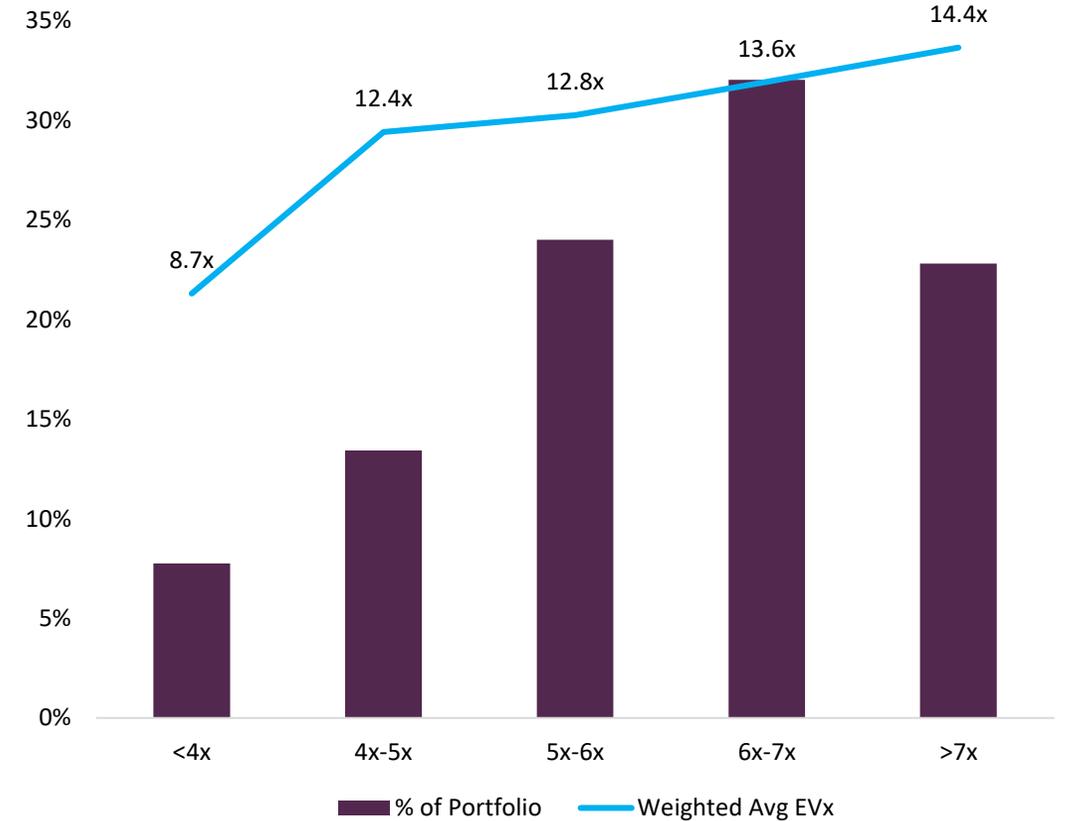


# Portfolio Analysis: Leverage Statistics

## Debt Multiple vs. EBITDA<sup>1</sup>



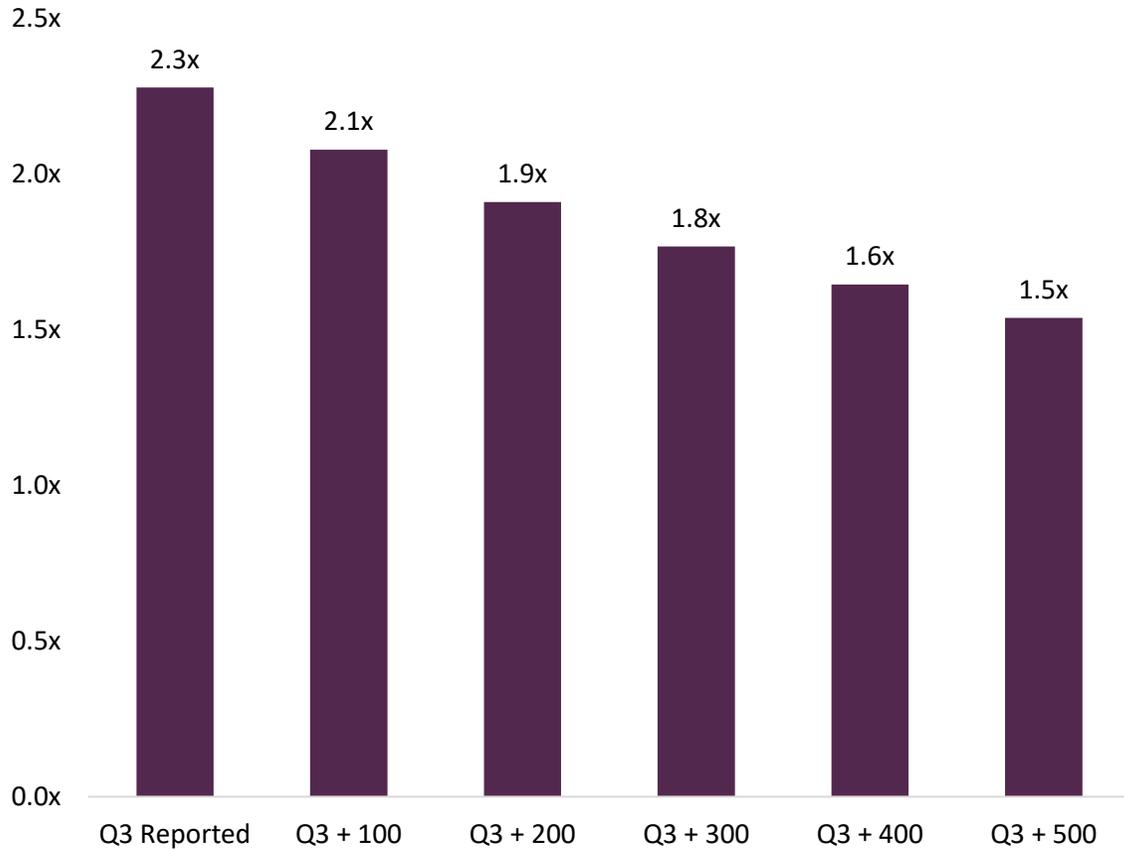
## Debt Multiple vs. EV Multiple<sup>1</sup>



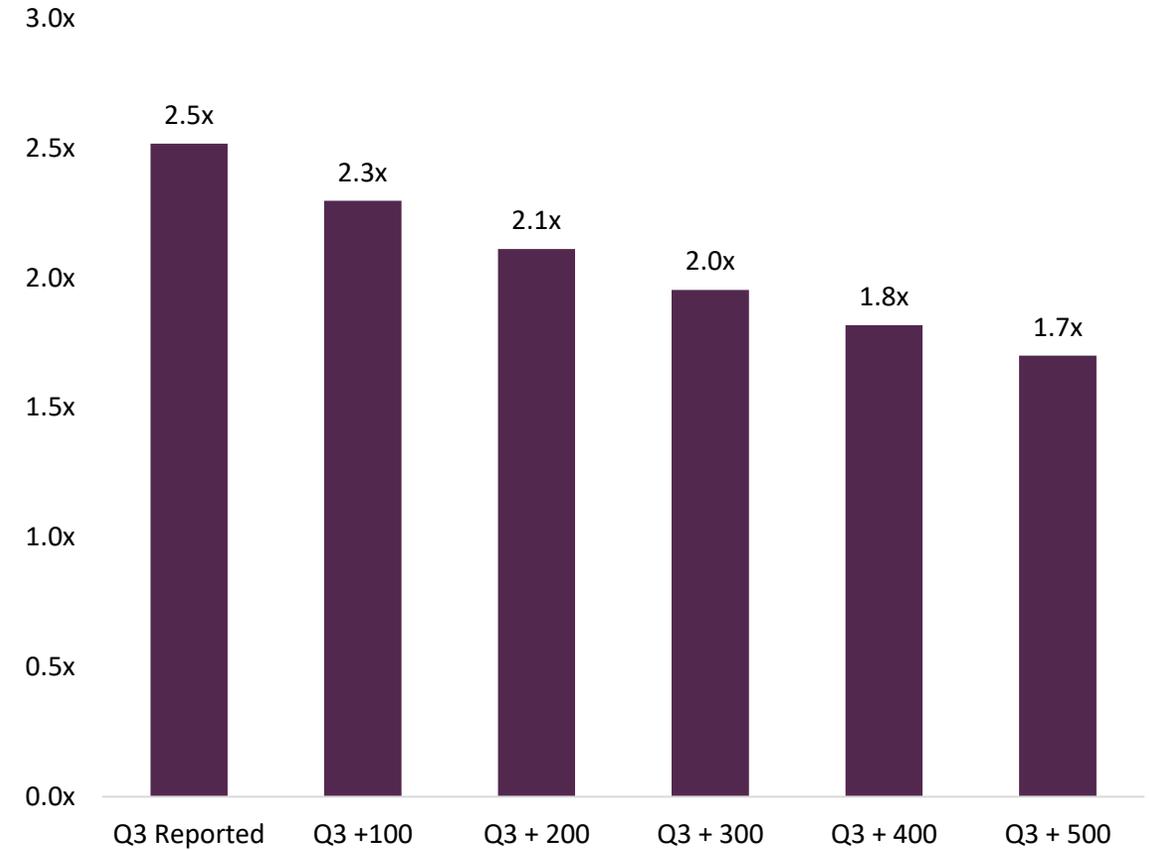
Higher leverage correlates with larger companies

# Portfolio Analysis: Interest Coverage Sensitivity

## Interest Coverage Analysis – Median<sup>1</sup>



## Interest Coverage Analysis – Weighted Average<sup>2</sup>

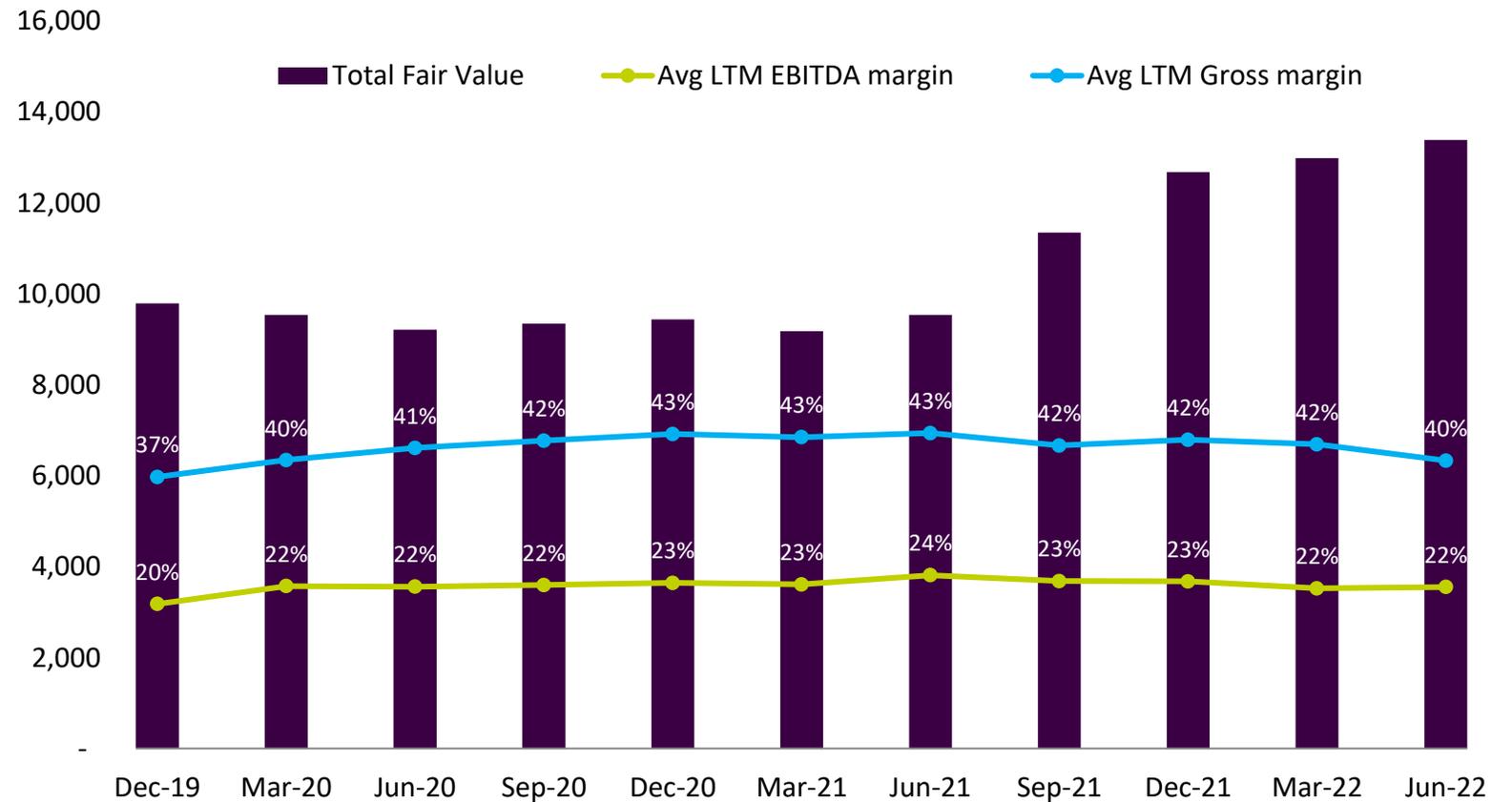


# Portfolio Analysis: Financial Performance



## Despite high inflation

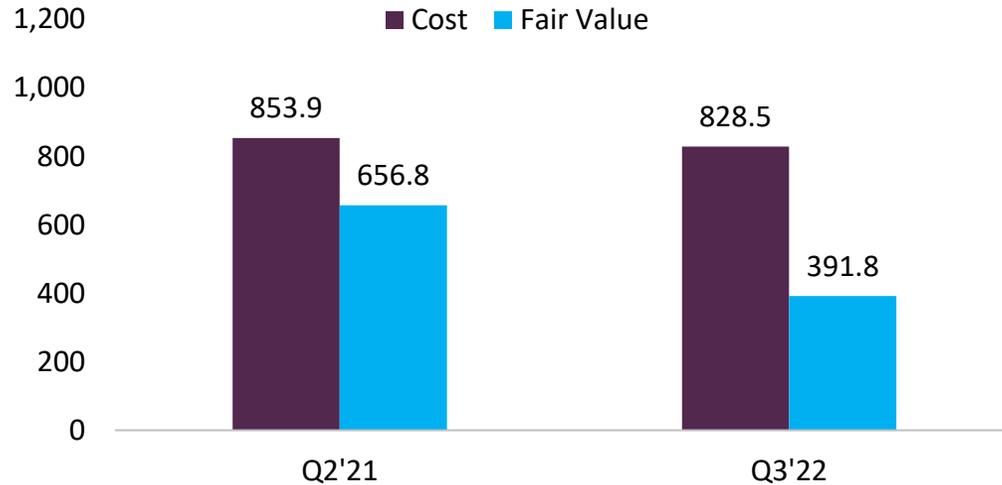
the average Gross margins and EBITDA margins of our portfolio companies across the Direct Lending portfolio have been broadly stable to up over time<sup>1</sup>



Weighted average year-over-year Q3 EBITDA growth of 12% across portfolio companies in which we have invested since the establishment of the FS/KKR Advisor in April of 2018

# Portfolio Analysis: Non-Accruals & Non-Income Producing Assets

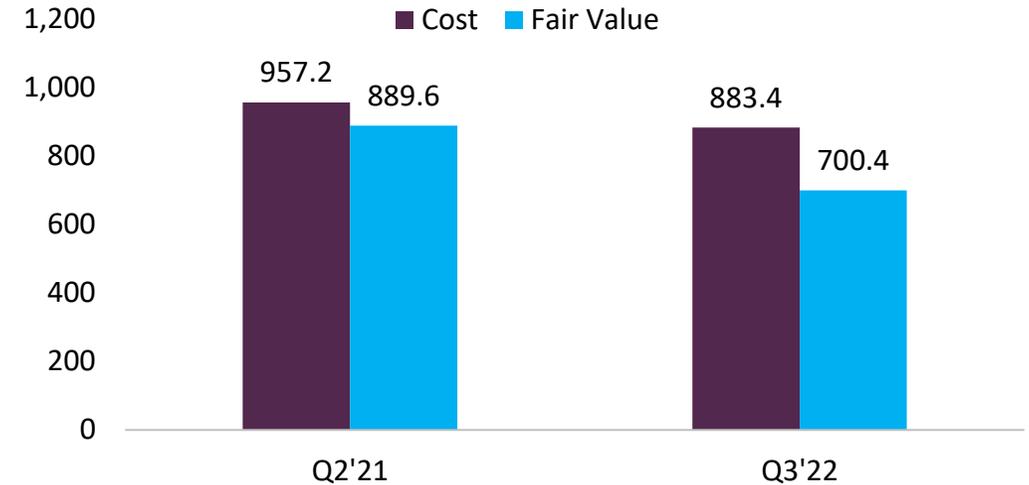
## Non-Accruals



## Fair Value Roll-Forward

<b>June 30, 2021</b>	<b>\$657</b>
Sale / Exit Proceeds	(171)
Restructure Proceeds	(263)
Net Additions	271
Net MTM / Realized Gains (Losses)	(102)
<b>September 30, 2022</b>	<b>\$392</b>

## Non-Income Producing

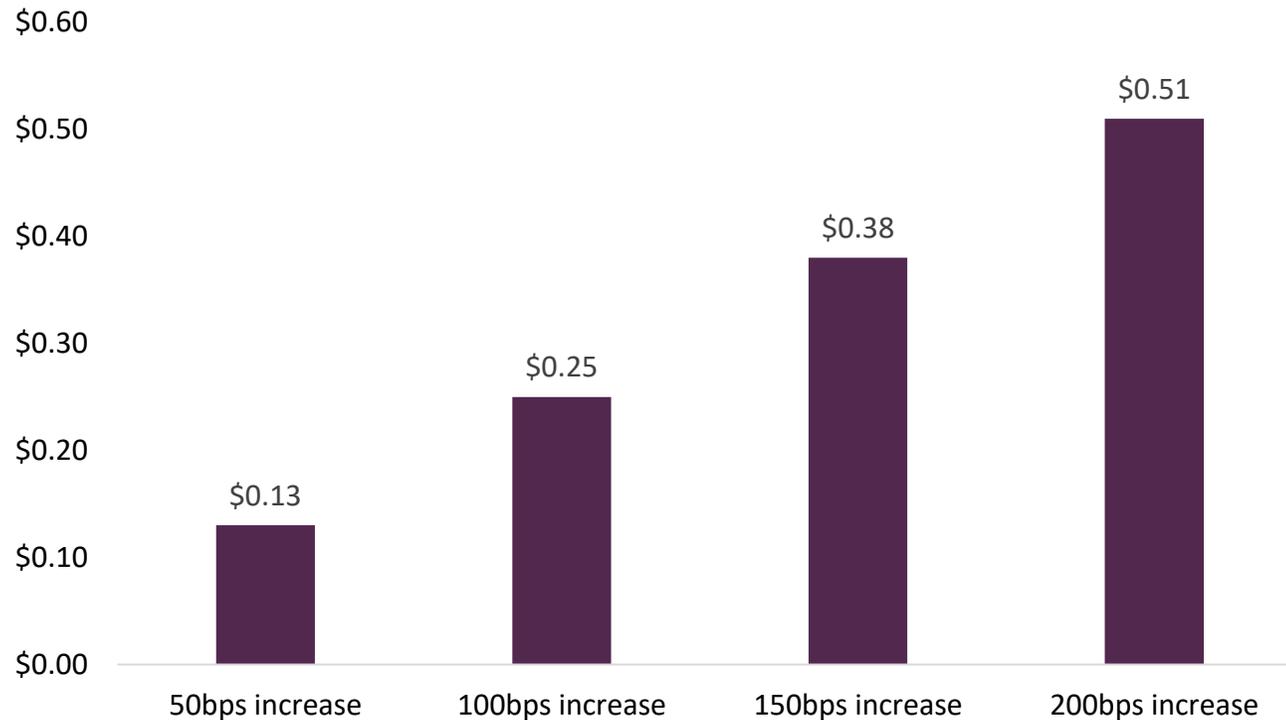


## Fair Value Roll-Forward

<b>June 30, 2021</b>	<b>\$890</b>
Sale / Exit Proceeds	(595)
Restructure Proceeds	(65)
Net Additions	255
Net MTM / Realized Gains (Losses)	215
<b>September 30, 2022</b>	<b>\$700</b>

# Positive Impacts of a Rising Rate Environment

Approximate Annual Earnings Per Share Impact with an Increase in Base Rates from September 30, 2022<sup>1</sup>



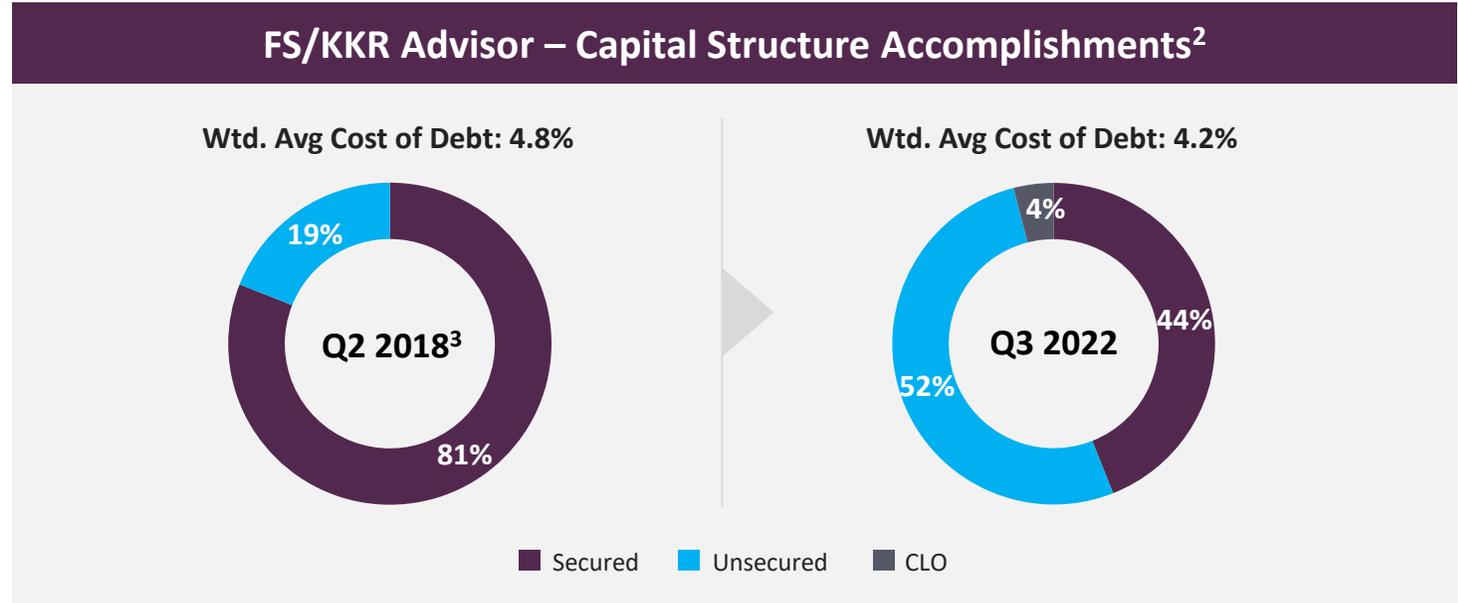
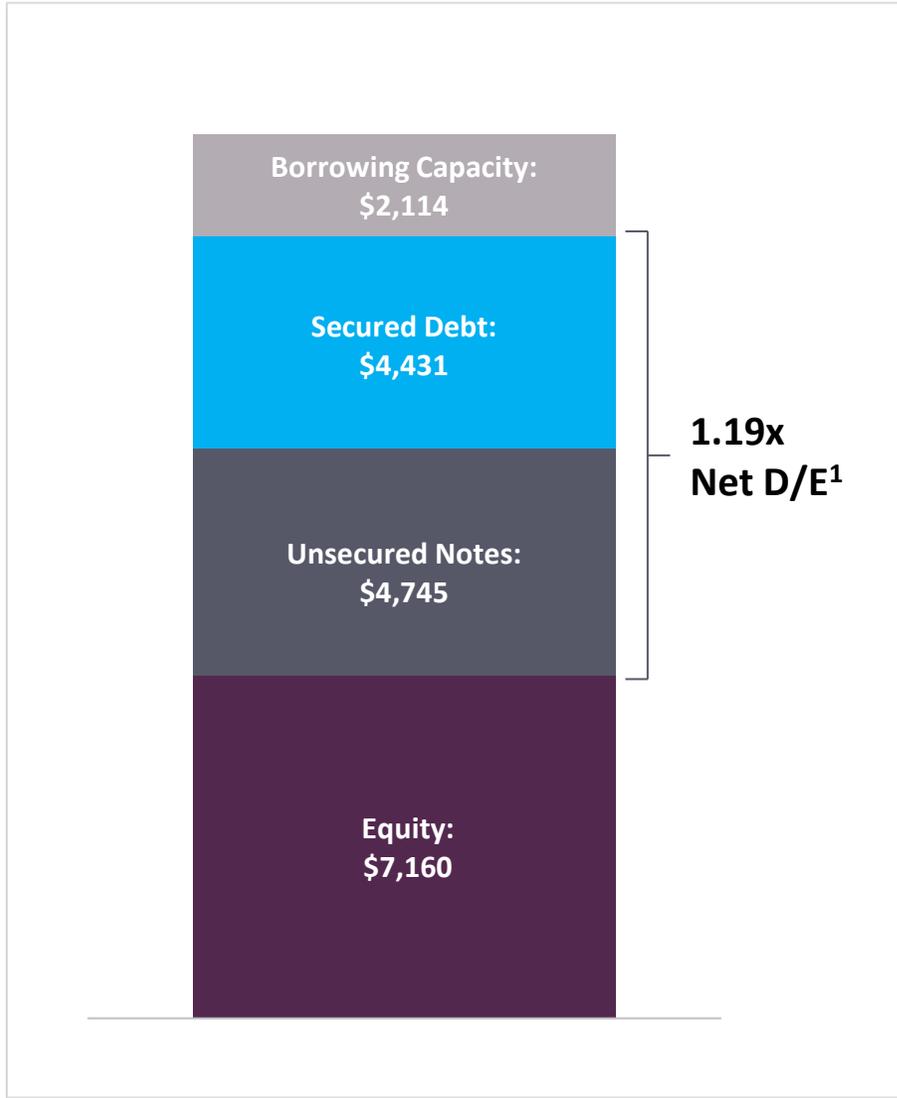
89% floating rate debt investments<sup>2</sup>

52% fixed rate debt<sup>3</sup>

Targeted net debt to equity 1.00x-1.25x

**A 200bps increase in rates equates to an additional \$0.51 of NII per share on an annual basis**

# Capital Structure: Overview



- ✓ **Created flexible structure with \$2.75bn of available capital<sup>4</sup>**
- ✓ **Demonstrated access to capital markets**
  - Issued one of the largest revolvers in the BDC industry
  - Issued nearly \$5.0bn of unsecured notes across 10 bonds at FSK and another \$525mm at COPJV
  - Issued into the CLO market
- ✓ **Extended maturities while lowering borrowing costs**
  - Weighted average maturity ladder is 4.0 years as of September 30, 2022, compared to 2.2 years prior to FS/KKR Advisor managing FSK

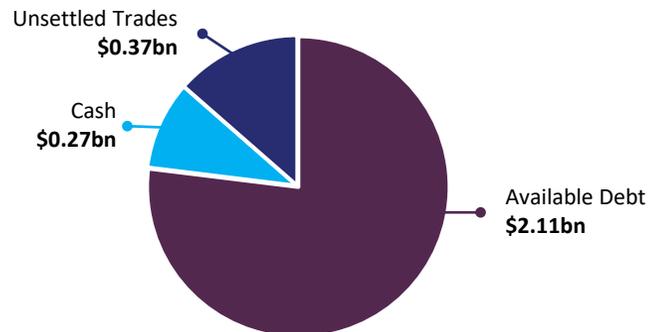
# Capital Structure: Key Principles

## Conservatively Structured

- 52% of drawn leverage is unsecured
- 71% of drawn leverage is not subject to MTM tests
- Target leverage set at 1.00-1.25x
  - Provides cushion to regulatory leverage cap
  - Provides flexibility to be both defensive and aggressive during times of dislocation

## Significant Liquidity

9/30/2022 Liquidity: \$2.75bn



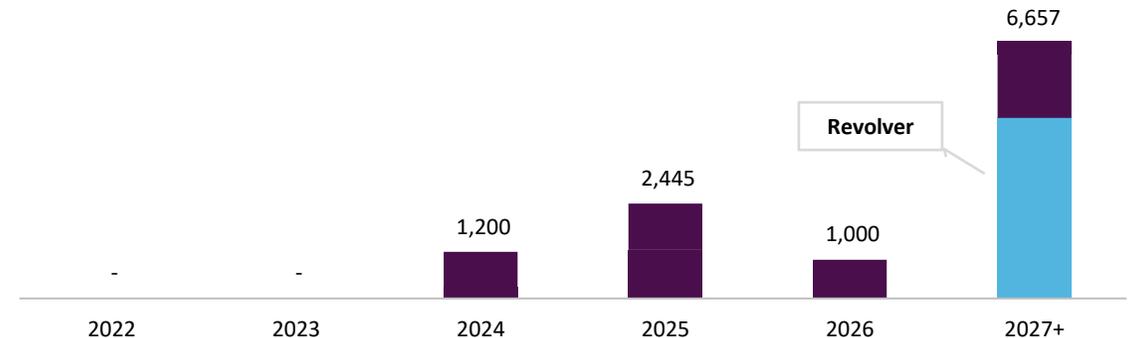
## Maintaining Our Investment Grade Rating

Enhances access to capital market solutions

	Rating	Outlook
	Baa3	Stable
	BBB-	Stable
	BBB	Stable

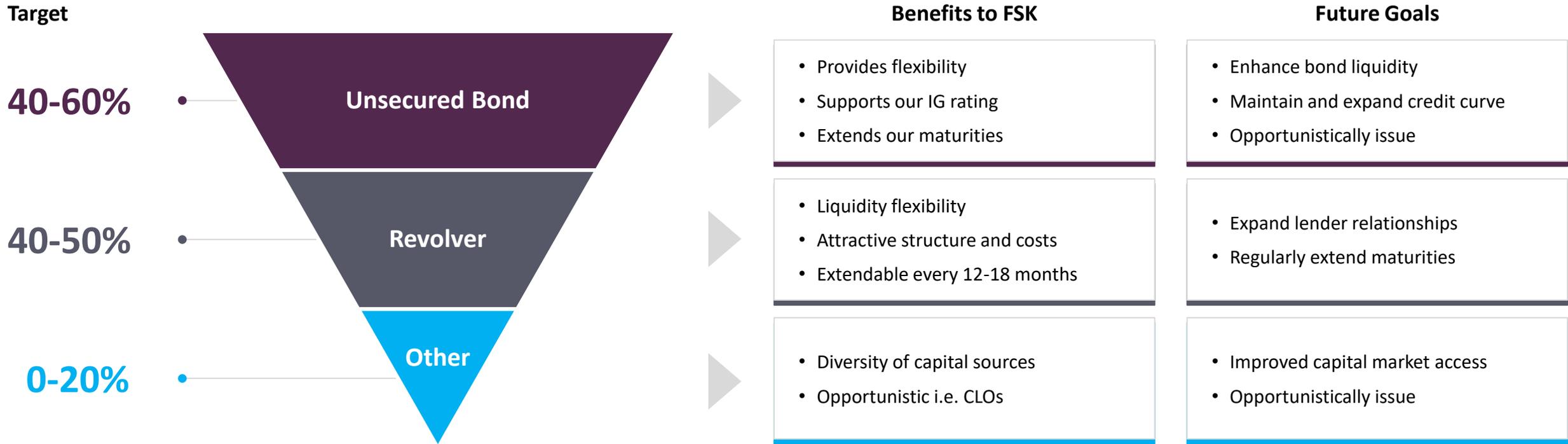
## Long Term Maturity Ladder

100% of our liabilities mature 2024 and beyond



# Capital Structure: Looking Forward

Well positioned with no short-term needs, which allows us to be opportunistic and focus on our long-term goals



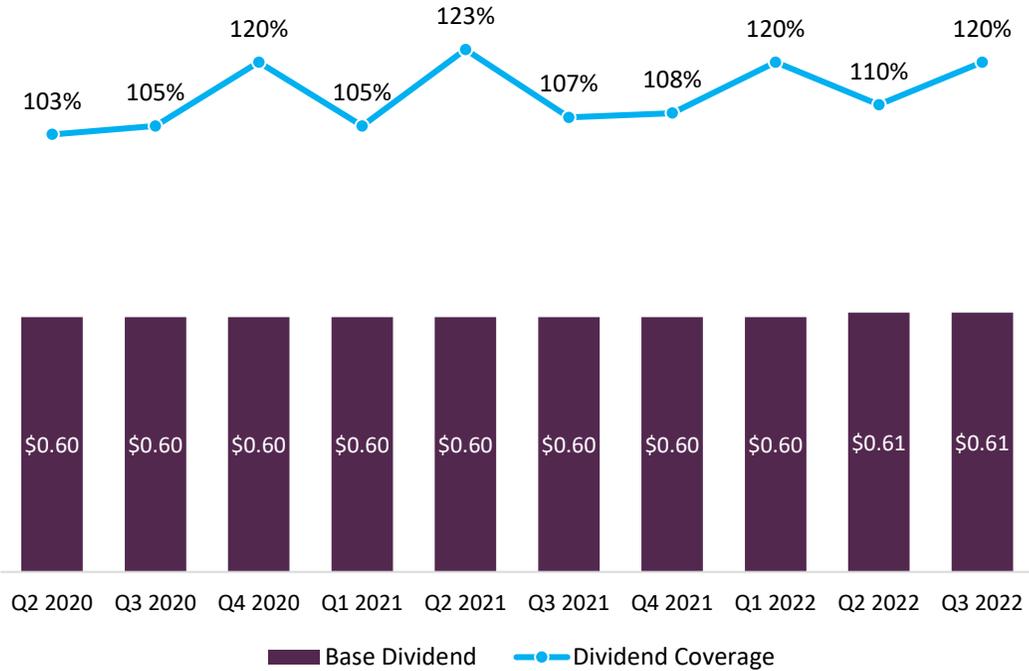
Maintaining and enhancing our investment grade ratings will continue to be a major focus going forward



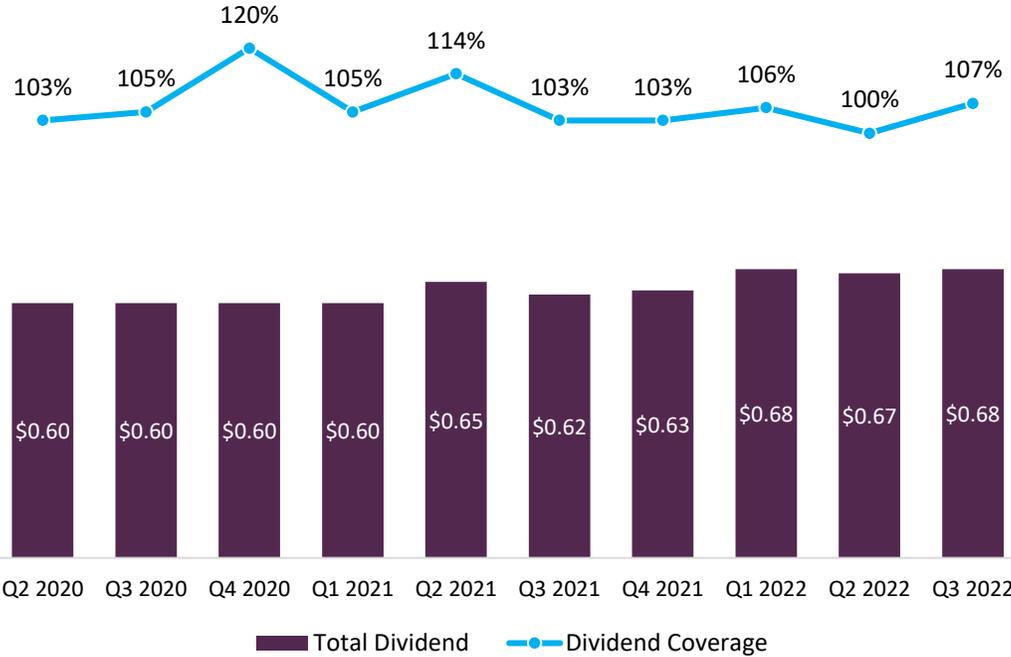
# FSK: OBSERVATIONS & OUTLOOK

# Consistent Dividend Coverage Since Implementing Current Strategy

Base Dividend Coverage<sup>1</sup>



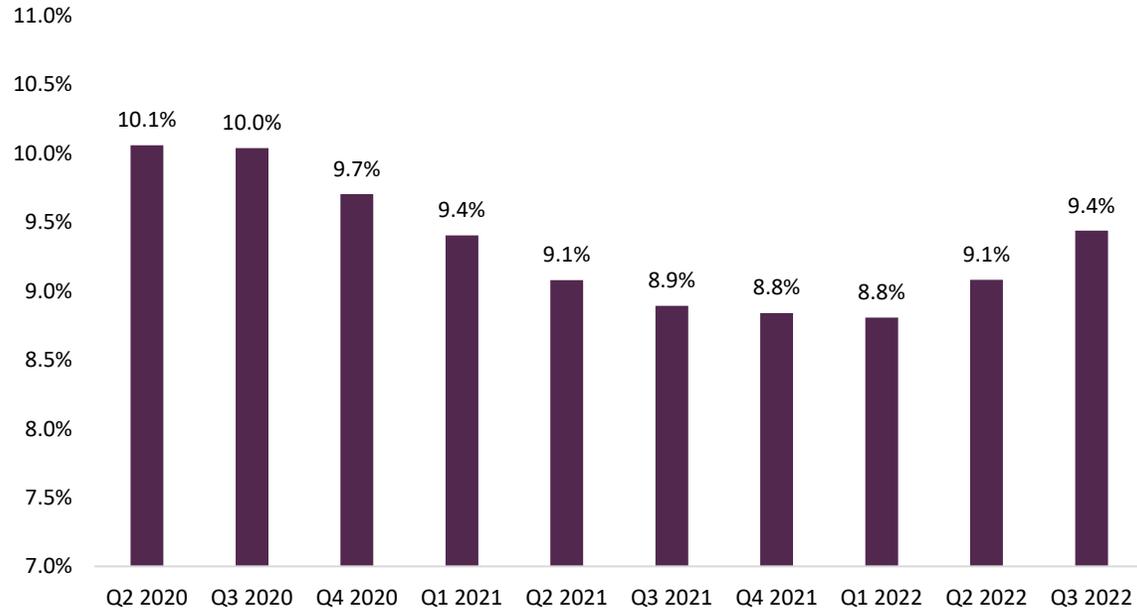
Total Dividend Coverage<sup>2</sup>



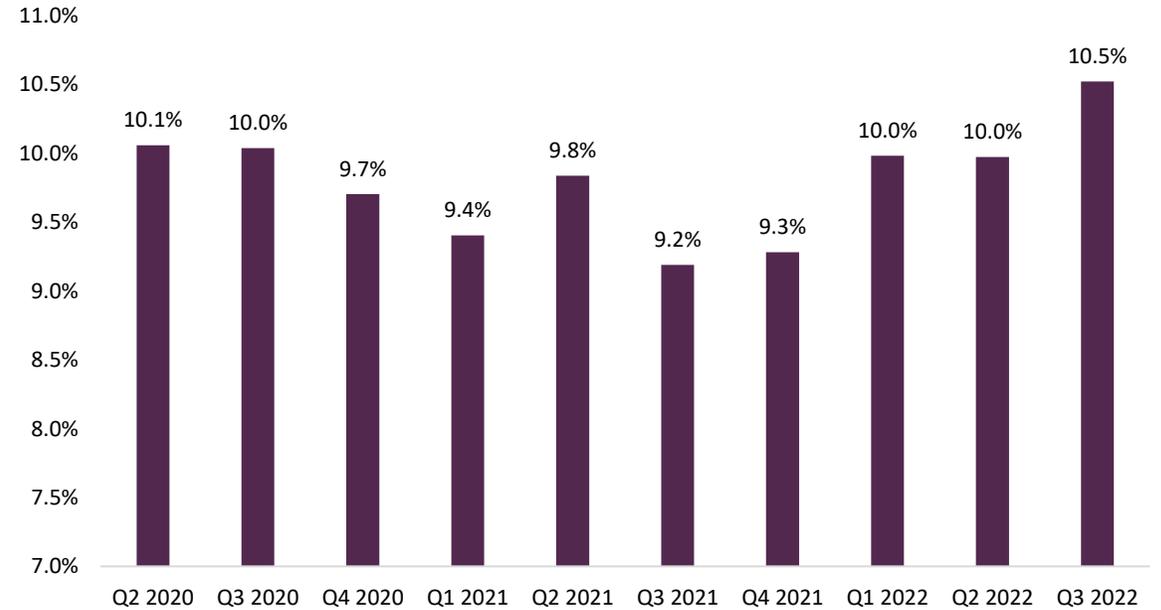
FSK has created a reputation as a BDC which earns its base dividend while simultaneously delivering additional income to shareholders on a quarterly basis

# FSK: Quarterly Dividend Yield / NAV

## Base Dividend Yield / NAV<sup>1</sup>



## Total Dividend Yield / NAV<sup>2</sup>



FSK has generated average base and total dividend yields of 9.3% and 9.8% over the last 10 quarters

# Q4 2022 Guidance

	Q3-2022 Results	Q4-2022 Guidance
Interest Income (GAAP)	318	347
Joint Venture Dividend Income	50	53
Other Dividend and Fee Income	43	31
<b>Total Investment Income</b>	<b>411</b>	<b>431</b>
Investment Advisory Fees & Expenses	61	61
Subordinated Income Incentive Fees <sup>1</sup>	25	24
Interest Expense	96	110
Other G&A Expenses	12	11
Excise Tax	1	17
<b>Total Operating Expenses</b>	<b>195</b>	<b>223</b>
<b>Net Investment Income (GAAP)</b>	<b>216</b>	<b>208</b>
Net Merger Accretion	(12)	(12)
Excise Tax	1	17
<b>Net Investment Income (Adjusted)</b>	<b>205</b>	<b>213</b>
<b>NII per share</b>	<b>\$0.76</b>	<b>\$0.74</b>
<b>Adjusted NII per share</b>	<b>\$0.73</b>	<b>\$0.75</b>

# Discernible Updates: Q1 2023 Outlook



# Characteristics of a Successful BDC

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1

Maintain a **sound dividend policy**

*Maximize quarterly pay-out ratio while still covering full dividend paid with NII*

2

Originate **high quality investments**

*Maximize investment returns while balancing risk and preserving NAV*

3

Create a **strong balance sheet**

*Utilize significant unsecured, fixed rate capital to create well laddered capital structure*

4

Communicate with the **utmost transparency**

*Create a pattern of fulsome disclosure, both written and verbal, to communicate openly to investors*

5

**For FSK: Rotate remaining legacy portfolio**

*Maximize returns and NAV while simultaneously moving away from legacy positions*

The FS/KKR Advisor has accomplished items 1 through 4 and has achieved ~90% of item 5

# Potential Future Return Analysis

Investment Portfolio	80% Price to NAV	85% Price to NAV	90% Price to NAV	95% Price to NAV	100% Price to NAV
Implied Price <sup>1</sup>	\$20.24	\$21.51	\$22.77	\$24.04	\$25.30
1 year	16.7%	23.1%	29.6%	36.0%	42.4%
2 year	14.2%	17.0%	19.7%	22.4%	25.0%
3 year	13.0%	14.7%	16.3%	17.8%	19.4%
4 year	12.1%	13.3%	14.4%	15.4%	16.4%
5 year	11.5%	12.3%	13.1%	13.8%	14.6%

All scenarios assume constant quarterly distribution of \$0.68 per share and entry point of \$19.68 per share<sup>2</sup>

**We believe FSK represents an attractive investment opportunity, especially considering only ~10% of our yielding investment portfolio remains to be rotated**

# Final Thoughts

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FSK is continuing to build a track record of communicating with clarity and achieving its stated corporate goals

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Our strong fixed rate oriented capital structure provides stability, while our floating rate based investment portfolio provides NII upside opportunities

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The FS/KKR Advisor originated assets continue to generate strong investment results

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As legacy investments continue to decline, the quality of our quarterly NII has increased

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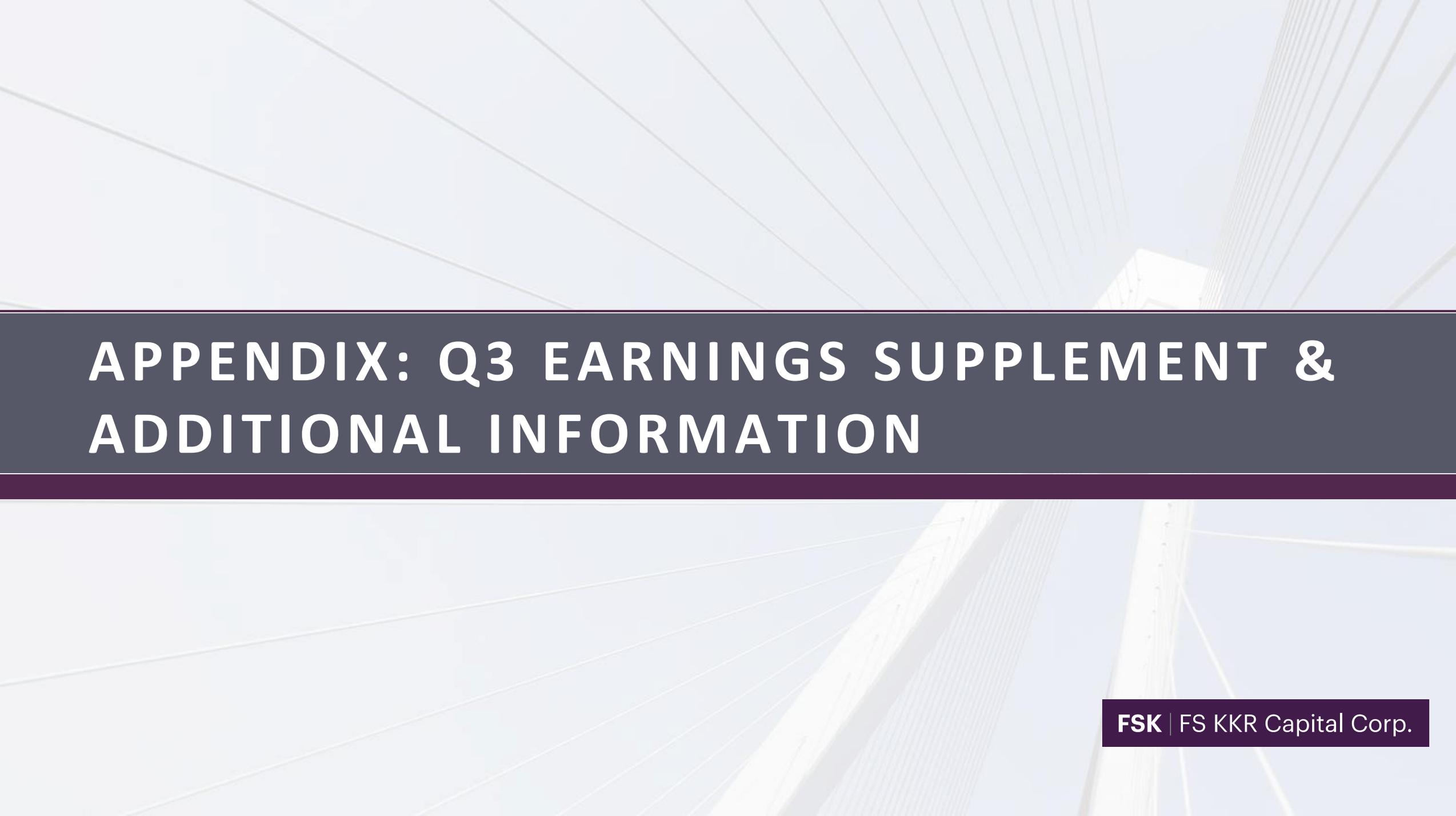


We believe FSK represents an attractive investment opportunity across multiple forward-looking scenarios

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# QUESTIONS & DISCUSSION



# APPENDIX: Q3 EARNINGS SUPPLEMENT & ADDITIONAL INFORMATION

# Financial Results

(Dollar amounts in millions, except per share data)

	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
NII per share	\$0.71	\$0.66	\$0.77	\$0.71	\$0.76
Adjusted NII per share <sup>(1)</sup>	\$0.64	\$0.65	\$0.72	\$0.67	\$0.73
Net realized and unrealized gains (losses) per share	\$0.24	(\$0.02)	\$0.02	(\$0.96)	(\$1.21)
Adjusted net realized and unrealized gains (losses) per share	\$0.31	\$0.03	\$0.07	(\$0.92)	(\$1.17)
Net increase (decrease) in net assets resulting from operations (earnings per share)	\$0.95	\$0.64	\$0.79	(\$0.26)	(\$0.45)
Total stockholder distributions declared per share	\$0.62	\$0.63	\$0.68	\$0.67	\$0.68
Net asset value per share at period end	\$27.14	\$27.17	\$27.33	\$26.41	\$25.30
Weighted average shares outstanding (in millions)	285.1	284.9	284.3	283.9	283.2
Shares outstanding, end of period (in millions)	285.1	284.5	284.1	283.5	283.0
Total investments at fair value	\$15,824	\$16,101	\$16,554	\$16,178	\$15,792
Total assets	\$16,620	\$17,228	\$17,985	\$17,189	\$16,716
Cash <sup>(2)</sup>	\$241	\$377	\$369	\$269	\$266
Total debt <sup>(3)</sup>	\$8,511	\$9,179	\$9,879	\$9,347	\$9,176
Debt-to-equity, Net <sup>(4)</sup>	1.03x	1.07x	1.12x	1.15x	1.19x
Adjusted NII / total stockholder distributions declared	103%	103%	106%	100%	107%

1. See the End Notes for a reconciliation between NII and Adjusted NII.

2. Includes cash, restricted cash, and cash denominated in foreign currency.

3. Principal amount outstanding.

4. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.

# Portfolio Highlights

<i>(Dollar amounts in millions)</i>	As of and for Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Investment at Fair Value:</b>					
First Lien Senior Secured Loans	61.2%	60.7%	59.9%	61.9%	61.9%
Second Lien Senior Secured Loans	10.6%	9.7%	8.6%	8.0%	7.9%
Other Senior Secured Debt	0.9%	0.7%	0.7%	0.7%	0.7%
Subordinated Debt	0.6%	0.7%	0.5%	0.5%	1.6%
Asset Based Finance	12.6%	13.9%	13.2%	13.1%	11.6%
Credit Opportunities Partners JV, LLC	8.8%	8.7%	8.9%	9.3%	9.3%
Preferred Equity <sup>(1)</sup>	2.4%	2.6%	4.2%	3.9%	4.7%
Equity/Other	2.9%	3.0%	4.0%	2.6%	2.3%
<b>Total Investments</b>	<b>\$15,824</b>	<b>\$16,101</b>	<b>\$16,554</b>	<b>\$16,178</b>	<b>\$15,792</b>
Number of portfolio companies <sup>(2)</sup>	190	189	193	192	195
<b>Interest Rate Type:<sup>(3)</sup></b>					
% Floating Rate	88.1%	87.2%	87.1%	87.4%	89.1%
% Fixed Rate	11.9%	12.8%	12.9%	12.6%	10.9%
<b>Net Interest Margin:</b>					
Weighted average annual yield on accruing debt investments <sup>(4)</sup>	8.1%	8.4%	8.3%	9.2%	10.4%
Weighted average interest rate on borrowings <sup>(5)</sup>	3.2%	3.0%	3.1%	3.5%	4.2%

1. Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.

2. Does not look through to FSK's portfolio companies held solely in COPJV. COPJV is a joint venture between FSK and South Carolina Retirement Systems Group Trust (SCRS).

3. Represents interest rates on debt investments (see FSK's Quarterly Report on Form 10-Q for the definition of debt investments) at US\$ fair value. Floating Rate includes variable interest rates on Asset Based Finance investments that can change quarter to quarter.

4. Excludes the impact of the Merger. Excluding the impact of the Merger, FSK's weighted average annual yield on all debt investments was 9.7% as of September 30, 2022. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments and weighted average annual yield on all debt investments. On a GAAP basis, FSK's weighted average annual yield was 11.1% on accruing debt investments and 10.3% on all debt investments as of September 30, 2022.

5. Includes the effect of non-usage fees.

# FSK Investment Portfolio Overview

**195**

portfolio companies<sup>(1)</sup>

**19%**

FV in top-10 portfolio companies<sup>(2)</sup>

**71%**

of investments in senior secured debt<sup>(2)</sup>

**\$99mm / 6.0x**

median portfolio company EBITDA & leverage<sup>(3)</sup>

**89%**

of debt investments are floating rate<sup>(4)</sup>

**10.4%**

wtd. avg. annual yield on accruing debt investments<sup>(5)</sup>

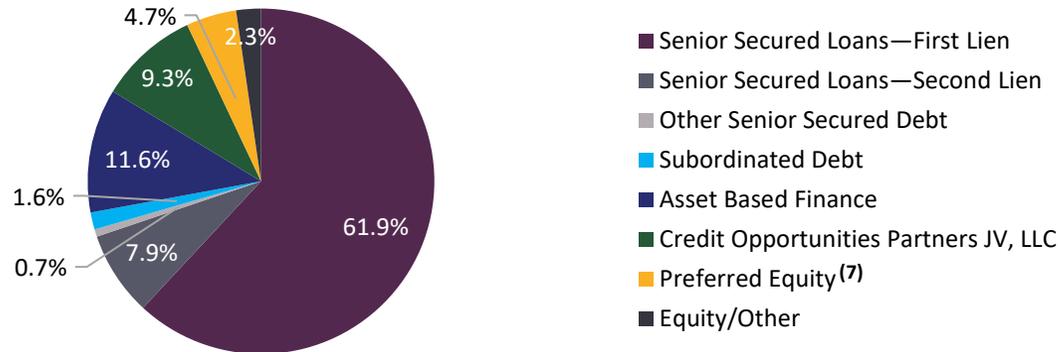
**2.5%**

non-accrual rate at FV

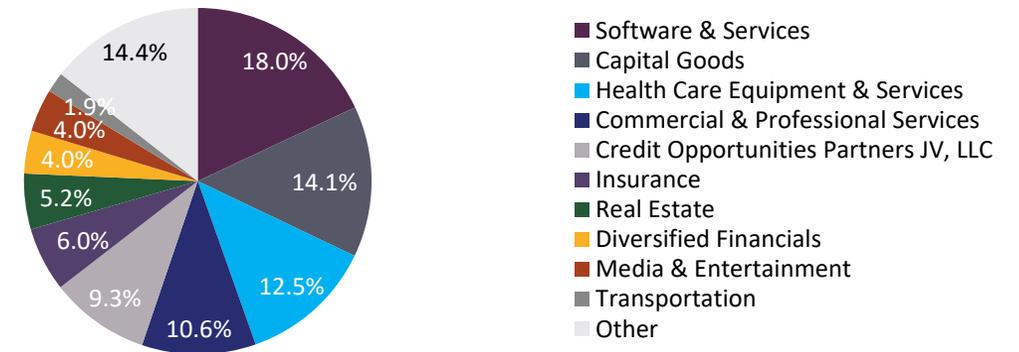
**~80%**

lead, co-lead, or sole origination<sup>(6)</sup>

## Security Exposure (by fair value)



## Sector Exposure (by fair value)

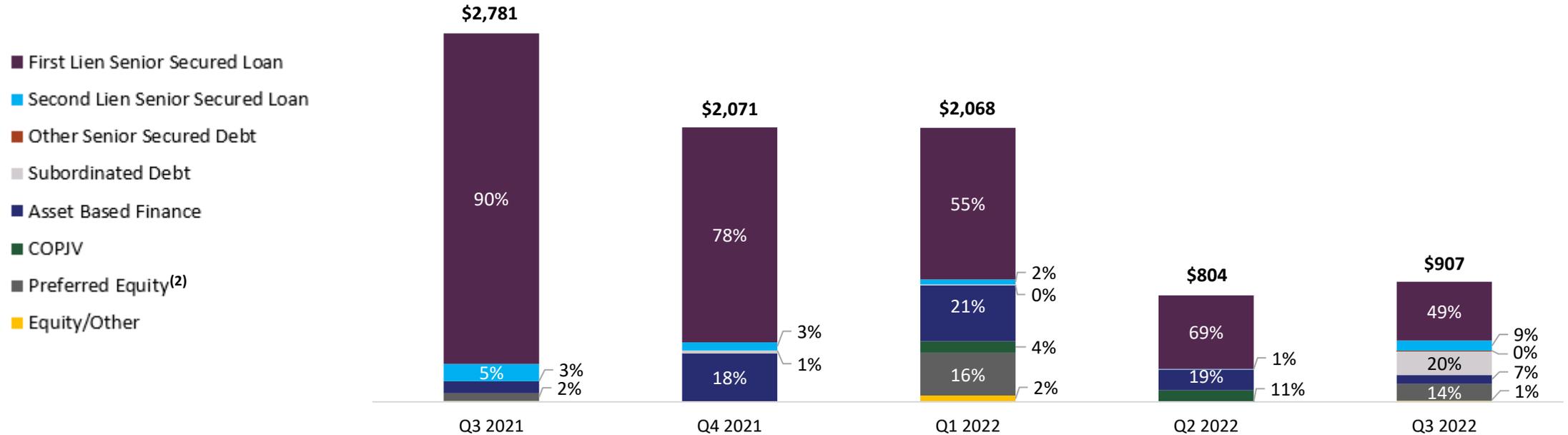


**Total Investment Portfolio at Fair Value: \$15.8bn**

- Does not look through to FSK's portfolio companies held solely in COPJV.
- Figure excludes the impact of FSK's investment in COPJV.
- Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded.
- See FSK's Quarterly Report on Form 10-Q for its definition of debt investments.
- Excludes the impact of the Merger. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments. On a GAAP basis, FSK's weighted average annual yield on accruing debt investments was 11.1% as of September 30, 2022.
- Figure based on fair value of Direct Origination investments only. KKR & BDC accounts' participation, KKR Capital Markets' involvement, and deal teams leading the negotiations/structuring are all considered when determining the Origination Role.
- Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.

# Quarterly Investment Activity

## Asset Mix of New Purchases<sup>(1)</sup>



Portfolio Roll (\$ in millions)	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
Investment Purchases	\$2,781	\$2,071	\$2,068	\$804	\$907
Sales and Redemptions <sup>(3)</sup>	(1,806)	(1,855)	(1,673)	(906)	(951)
<b>Net Investment Activity</b>	<b>\$975</b>	<b>\$216</b>	<b>\$395</b>	<b>(\$102)</b>	<b>(\$44)</b>
Net Sales to COPJV	364	1,005	554	87	300
<b>Adjusted Net Investment Activity</b>	<b>\$1,339</b>	<b>\$1,221</b>	<b>\$949</b>	<b>(\$15)</b>	<b>\$256</b>

1. Any amount less than 0.5% is reflected as zero.
2. Included within Equity/Other in FSK's Quarterly and Annual Reports on Form 10-Q and 10-K, respectively.
3. Includes net sales to COPJV.

# Net Asset Value Bridge



Note: Per share data derived using the weighted average shares outstanding during the period, except NAV per share, which is based on shares outstanding at the end of the period. Numbers may not sum due to rounding.

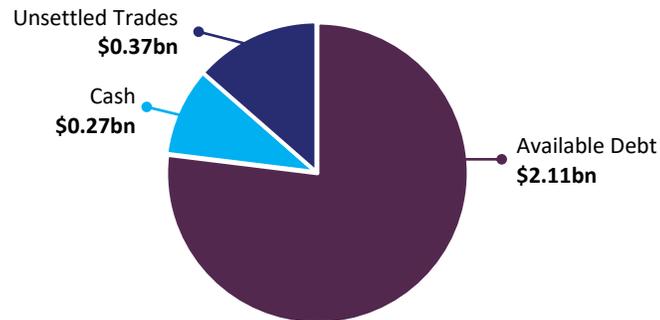
# Capital Structure: Overview

## Key Highlights

- 1.19x Net Debt-to-Equity as of September 30, 2022, compared to 1.15x as of June 30, 2022<sup>(1)</sup>
- 4.21% weighted average effective rate on borrowings as of September 30, 2022, compared to 3.51% as of June 30, 2022<sup>(2)</sup>
- Rated Investment Grade by Moody's (Baa3) Stable, Fitch (BBB-) Stable & Kroll (BBB) Stable
- 52% of drawn leverage is unsecured as of September 30, 2022

## Liquidity Analysis

9/30/2022 Liquidity: \$2.75bn

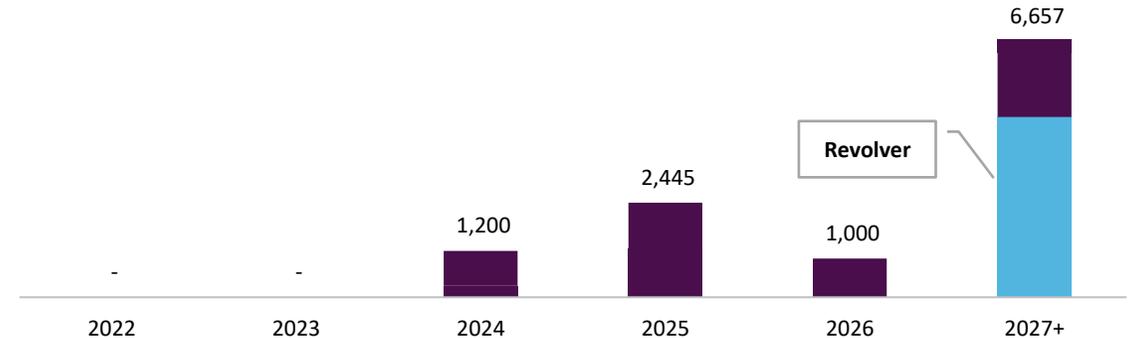


## Capital Structure Overview

Funding Source	Committed	Outstanding	Undrawn	Maturity	Wtd. Avg. Rate
Senior Secured Revolver due 2027	4,655	2,665	1,978 <sup>(3)</sup>	5/17/2027	S+1.75% - 1.88%
Additional Bilateral Facilities	1,550	1,414	136	Various	Various
<b>Total Secured</b>	<b>6,205</b>	<b>4,079</b>	<b>2,114</b>		
FS KKR MM CLO 1	352	352	-	1/15/2031	L+1.85% - 3.01%
<b>Total CLO</b>	<b>352</b>	<b>352</b>	<b>-</b>		
4.625% Notes due 2024	400	400	-	7/15/2024	4.625%
1.650% Notes due 2024	500	500	-	10/12/2024	1.650%
4.125% Notes due 2025	470	470	-	2/1/2025	4.125%
4.250% Notes due 2025	475	475	-	2/14/2025	4.250%
8.625% Notes due 2025	250	250	-	5/15/2025	8.625%
3.400% Notes due 2026	1,000	1,000	-	1/15/2026	3.400%
2.625% Notes due 2027	400	400	-	1/15/2027	2.625%
3.250% Notes due 2027	500	500	-	7/15/2027	3.250%
3.125% Notes due 2028	750	750	-	10/12/2028	3.125%
<b>Total Unsecured</b>	<b>4,745</b>	<b>4,745</b>	<b>-</b>		
<b>TOTAL</b>	<b>11,302</b>	<b>9,176</b>	<b>2,114</b>		<b>4.21%<sup>(2)</sup></b>

## Long Term Maturity Ladder

100% of our liabilities mature 2024 and beyond



1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.  
 2. Weighted average effective interest rate on borrowings, including the effect of non-usage fees.  
 3. Amount available for borrowing reduced by any standby letters of credit issued. As of September 30, 2022, \$12mm of such letters of credit have been issued.

# Credit Opportunities Partners JV, LLC Overview

## FSK's joint venture with South Carolina Retirement Systems Group Trust (SCRS)

- > **Primarily senior secured assets**

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- > **Key Portfolio Benefits**
  - Allows FSK to access the full capabilities of KKR platform
  - Yield enhancing

---

- > **Key Terms of the Partnership**
  - FSK and SCRS share voting control 50% / 50%
  - Equity ownership 87.5% FSK / 12.5% SCRS
  - FSK provides day-to-day administrative oversight

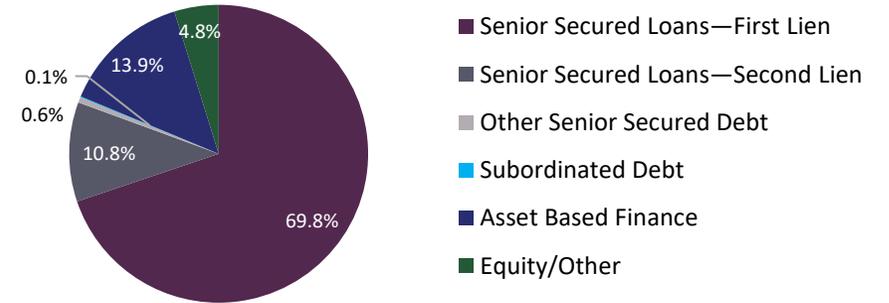
## September 30, 2022 update

- > **Portfolio**
  - Fair value of investments was \$3.6bn
  - 95% floating rate debt investments

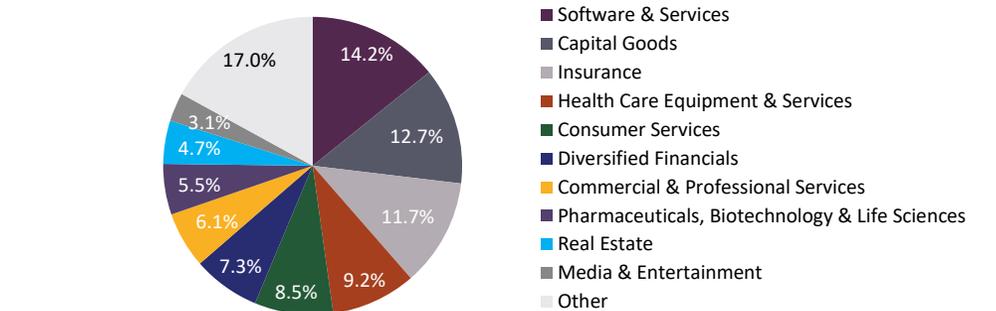
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- > **Key stats**
  - NAV of \$1.7bn (FSK's equity of COPJV was \$1.5bn)
  - \$640mm of uncalled equity capital (\$560mm allocated to FSK)
  - 1.18x net debt-to-equity ratio<sup>(1)</sup>

## Security Exposure (by fair value)

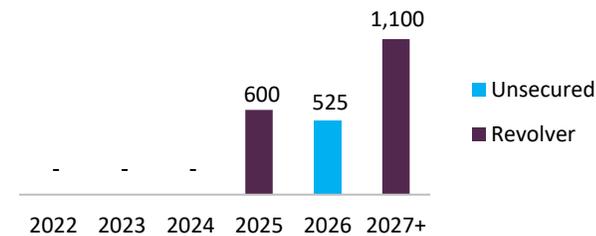


## Sector Exposure (by fair value)



## Capital Structure

### Long Term Maturity Ladder



**Total debt:** committed \$2.2bn, funded \$1.8bn

**Unsecured debt:** 24% committed, 29% drawn

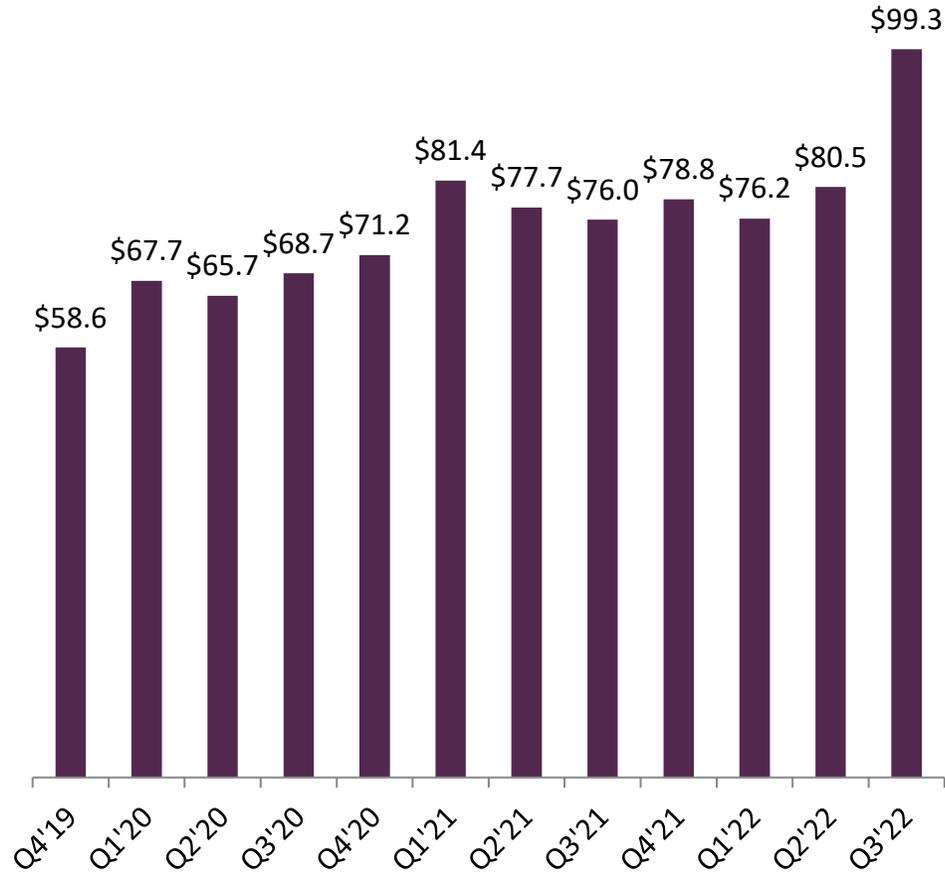
**Wtd. average interest rate on borrowings:** 4.51%<sup>(2)</sup>

1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.

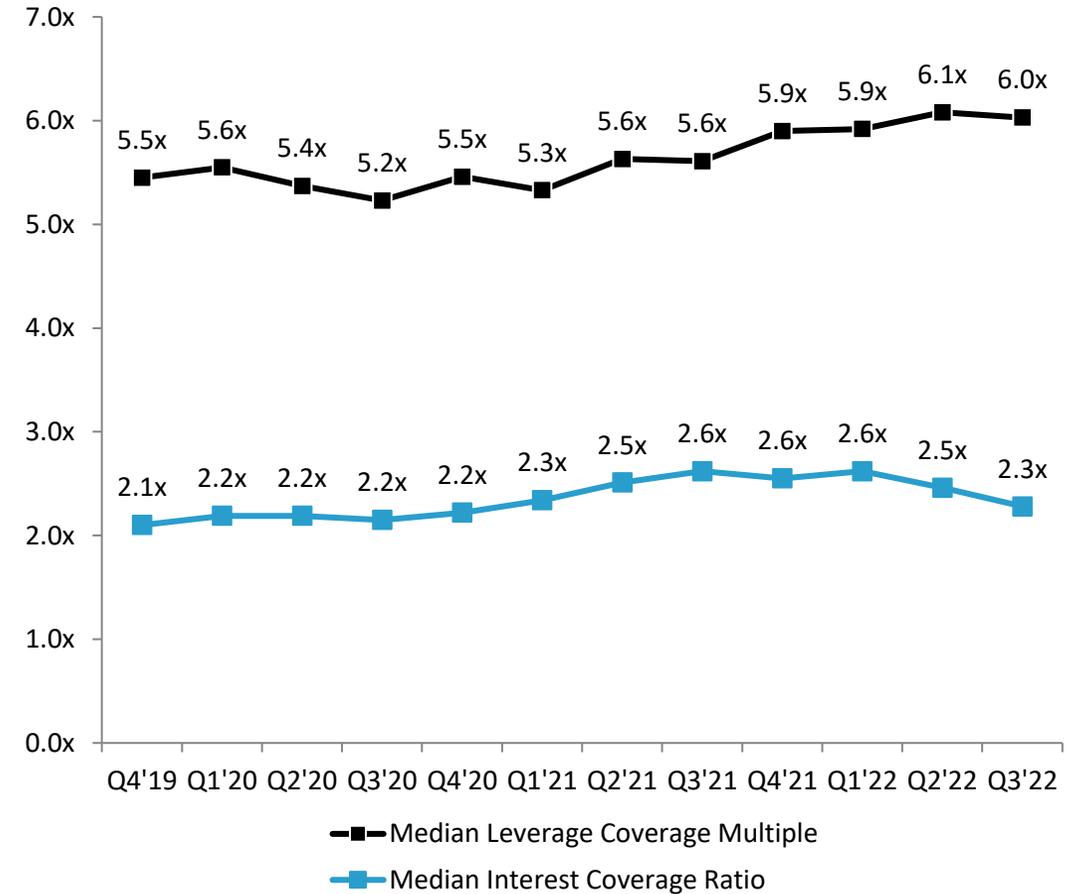
2. Includes the effect of non-usage fees.

# Direct Origination Investments EBITDA and Credit Statistics

Direct Origination Portfolio Company Median EBITDA



Direct Origination Portfolio Company Coverage Ratios



Note: Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Prior periods are shown pro forma for the Merger. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. The weighted average Direct Origination portfolio company EBITDA was \$207.4 million as of September 30, 2022.

# Operating Results

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
Total investment income	\$360	\$364	\$396	\$379	\$411
Net expenses	(159)	(163)	(176)	(176)	(194)
<b>Net investment income before taxes</b>	<b>\$201</b>	<b>\$201</b>	<b>\$220</b>	<b>\$203</b>	<b>\$217</b>
Excise taxes	-	(12)	-	-	(1)
<b>Net investment income</b>	<b>\$201</b>	<b>\$189</b>	<b>\$220</b>	<b>\$203</b>	<b>\$216</b>
Plus: excise taxes	-	12	-	-	1
Plus: net merger accretion and one-time expenses <sup>(1)</sup>	(20)	(16)	(14)	(13)	(12)
<b>Adjusted net investment income<sup>(2)</sup></b>	<b>\$181</b>	<b>\$185</b>	<b>\$206</b>	<b>\$190</b>	<b>\$205</b>
Total net unrealized and realized gains (losses)	69	(5)	5	(273)	(343)
Realized loss on extinguishment of debt	-	(3)	-	-	-
Provision for taxes on realized gains on investments	-	-	-	(3)	-
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$270</b>	<b>\$181</b>	<b>\$225</b>	<b>(\$73)</b>	<b>(\$127)</b>
<b>Per Share:</b>					
Net investment income	\$0.71	\$0.66	\$0.77	\$0.71	\$0.76
Adjusted net investment income <sup>(2)</sup>	\$0.64	\$0.65	\$0.72	\$0.67	\$0.73
Net increase (decrease) in net assets results from operations	\$0.95	\$0.64	\$0.79	(\$0.26)	(\$0.45)
Stockholder distributions	\$0.65	\$0.62	\$0.63	\$0.68	\$0.67
Weighted average shares outstanding (millions)	285.1	284.9	284.3	283.9	283.2
Shares outstanding, end of period (millions)	285.1	284.5	284.1	283.5	283.0

1. Net merger accretion represents a reversal of all Merger-related accretion for the specified period.

2. Adjusted net investment income is a non-GAAP financial measure. Adjusted net investment income is presented for all periods as GAAP net investment income excluding (i) the accrual for the capital gains incentive fee for realized and unrealized gains; (ii) excise taxes; (iii) the impact of accretion resulting from merger accounting; and (iv) certain non-recurring operating expenses that are one-time in nature and are not representative of ongoing operating expenses incurred during FSK's normal course of business (referred to herein as one-time expenses). FSK uses this non-GAAP financial measure internally in analyzing financial results and believes that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing its financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.

# Operating Results Detail

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Investment income:</b>					
Interest income	\$239	\$245	\$261	\$247	\$279
Payment-in-kind interest income	35	37	43	40	39
Fee income	31	26	29	13	26
Total dividend and other income	55	56	63	79	67
<b>Total investment income</b>	<b>\$360</b>	<b>\$364</b>	<b>\$396</b>	<b>\$379</b>	<b>\$411</b>
<b>Operating expenses:</b>					
Investment advisory fees & expenses	58	60	62	63	61
Interest expense	70	73	77	83	96
Incentive fees <sup>(1)</sup>	20	19	25	22	25
Other operating expenses	11	11	12	8	12
<b>Total operating expenses</b>	<b>\$159</b>	<b>\$163</b>	<b>\$176</b>	<b>\$176</b>	<b>\$194</b>
Net investment income before taxes	201	201	220	\$203	\$217
Income taxes, including excise taxes	-	(12)	-	-	(1)
<b>Net investment income</b>	<b>\$201</b>	<b>\$189</b>	<b>\$220</b>	<b>\$203</b>	<b>\$216</b>
Total net unrealized and realized gains (losses)	69	(5)	5	(273)	(343)
Realized loss on extinguishment of debt	-	(3)	-	-	-
Provision for taxes on realized gains on investments	-	-	-	(3)	-
<b>Net increase in net assets resulting from operations</b>	<b>\$270</b>	<b>\$181</b>	<b>\$225</b>	<b>(\$73)</b>	<b>(\$127)</b>

1. Net of the \$15 million incentive fee waiver beginning in Q3 2021. The Advisor has agreed to waive income incentive fees in the amount of \$15 million per quarter for the first six full fiscal quarters of operations following the closing of the Merger.

# Balance Sheet

(Dollar amounts in millions, except per share data)	As of				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Assets</b>					
Total investments, at fair value	\$15,824	\$16,101	\$16,554	\$16,178	\$15,792
Cash	229	258	362	232	264
Foreign currency, at fair value	12	119	7	37	2
Receivable for investments sold and repaid	365	567	856	498	425
Income receivable	163	153	176	190	165
Unrealized appreciation on foreign currency forward contracts	6	9	10	24	39
Deferred financing costs	15	16	15	24	22
Prepaid expenses and other assets	6	5	5	6	7
<b>Total Assets</b>	<b>\$16,620</b>	<b>\$17,228</b>	<b>\$17,985</b>	<b>\$17,189</b>	<b>\$16,716</b>
<b>Liabilities</b>					
Payable for investments purchased	\$57	\$2	\$33	\$27	\$57
Debt	8,492	9,142	9,835	9,306	9,137
Unrealized depreciation on derivative instruments	1	1	1	0	-
Shareholders' distributions payable	186	176	179	193	190
Interest Payable	55	70	66	77	67
Other liabilities <sup>(1)</sup>	93	107	104	99	105
<b>Total Liabilities</b>	<b>\$8,884</b>	<b>\$9,498</b>	<b>\$10,218</b>	<b>\$9,702</b>	<b>\$9,556</b>
<b>Total Net Assets</b>	<b>\$7,736</b>	<b>\$7,730</b>	<b>\$7,767</b>	<b>\$7,487</b>	<b>\$7,160</b>
<b>Net Asset Value per Share</b>	<b>\$27.14</b>	<b>\$27.17</b>	<b>\$27.33</b>	<b>\$26.41</b>	<b>\$25.30</b>

1. Includes accrued performance-based incentive fees, accrued investment advisory fees, accrued directors' fees, administrative expenses payable and deferred tax liabilities.

# Quarterly Gain/Loss Information

<i>(Dollar amounts in millions, except per share data)</i>	For The Three Months Ended				
	9/30/21	12/31/21	3/31/22	6/30/22	9/30/22
<b>Realized gain/loss</b>					
Net realized gain (loss) on investments:					
Non-controlled/unaffiliated investments	\$60	\$50	(\$26)	\$177	\$16
Non-controlled/affiliated investments	139	(11)	(6)	45	51
Controlled/affiliated investments	(2)	9	-	(39)	(4)
Net realized gain (loss) on foreign currency forward contracts	-	-	5	2	2
Net realized gain (loss) on foreign currency	(1)	(3)	1	6	5
<b>Total net realized gain (loss)</b>	<b>\$196</b>	<b>\$45</b>	<b>(\$26)</b>	<b>\$191</b>	<b>\$70</b>
<b>Unrealized gain/loss</b>					
Net change in unrealized appreciation (depreciation) on investments:					
Non-controlled/unaffiliated investments	(\$49)	(\$48)	(\$40)	(\$251)	(\$283)
Non-controlled/affiliated investments	(104)	29	30	(71)	(99)
Controlled/affiliated investments	11	(37)	37	(184)	(69)
Net change in unrealized appreciation (depreciation) on foreign currency forward contracts	5	4	1	15	15
Net change in unrealized gain (loss) on foreign currency	10	2	3	27	23
<b>Total net unrealized gain (loss)</b>	<b>(\$127)</b>	<b>(\$50)</b>	<b>\$31</b>	<b>(\$464)</b>	<b>(\$413)</b>
<b>Total net realized and unrealized gain (loss)</b>	<b>\$69</b>	<b>(\$5)</b>	<b>\$5</b>	<b>(\$273)</b>	<b>(\$343)</b>

# FSK Legacy Portfolio Income Producing Investments

Issuer	Asset Class	Industry	Fair Value	Quarterly NII/Share <sup>1</sup>
PSKW LLC (dba ConnectiveRx)	First Lien Senior Secured Loan	Health Care Equipment & Services	\$292.5	\$0.02
Production Resource Group LLC	First Lien Senior Secured Loan	Media & Entertainment	248.3	0.02
Greystone Equity Member Corp	First Lien Senior Secured Loan	Diversified Financials	188.9	0.01
Galaxy Universal LLC	First Lien Senior Secured Loan	Consumer Durables & Apparel	116.6	0.01
JW Aluminum Co	Equity/Other	Materials	105.4	0.02
JW Aluminum Co	Other Senior Secured Debt	Materials	78.5	0.01
Monitronics International Inc	First Lien Senior Secured Loan	Commercial & Professional Services	66.3	0.01
Propulsion Acquisition LLC	First Lien Senior Secured Loan	Capital Goods	60.0	0.00
Global Jet Capital LLC	Asset Based Finance	Commercial & Professional Services	49.1	0.00
ATX Networks Corp	First Lien Senior Secured Loan	Capital Goods	41.1	0.00
Gracent LLC	First Lien Senior Secured Loan	Health Care Equipment & Services	39.5	0.00
HM Dunn Co Inc	First Lien Senior Secured Loan	Capital Goods	35.6	0.00
Industry City TI Lessor LP	First Lien Senior Secured Loan	Consumer Services	27.5	0.00
Warren Resources Inc	First Lien Senior Secured Loan	Energy	18.6	0.00
ATX Networks Corp	Subordinated Debt	Capital Goods	16.6	0.00
Byrider Finance LLC	Asset Based Finance	Automobiles & Components	10.5	0.00
Sungard Availability Services Capital Inc	First Lien Senior Secured Loan	Software & Services	4.5	0.00
NewStar Clarendon Fund CLO LLC	Asset Based Finance	Diversified Financials	3.5	0.00
Income Producing Equity (5 investments)	Equity/Other	Various	20.9	-
<b>Total Income Producing Legacy Investments</b>			<b>\$1,423.9</b>	<b>\$0.12</b>

# Q3 2022 Non-Accruals

Issuer	Asset Class	Industry	Fair Value
Global Jet Capital LLC	Asset Based Finance	Commercial & Professional Services	\$ 232.0
5 Arch Income Fund 2 LLC	First Lien Senior Secured Loan	Diversified Financials	62.4
NBG Home	First & Second Lien Senior Secured Loans	Consumer Durables & Apparel	28.1
Belk Inc	First & Second Lien Senior Secured Loans	Retailing	16.6
KKR Central Park Leasing Aggregator L.P.	Asset Based Finance	Capital Goods	16.3
Byrider Finance LLC	Second Lien Senior Secured Loan	Automobiles & Components	14.8
Matchesfashion Ltd	First Lien Senior Secured Loan	Consumer Durables & Apparel	6.2
ThermaSys Corp	First Lien Senior Secured Loan	Capital Goods	5.7
Cimarron Energy Inc	First Lien Senior Secured Loan	Energy	3.5
Advanced Lighting Technologies Inc	Second Lien Senior Secured Loan	Materials	3.2
Sequel Youth & Family Services LLC	First Lien Senior Secured Loan	Health Care Equipment & Services	1.6
Angelica Corp	Other Senior Secured Debt	Health Care Equipment & Services	0.9
Sungard Availability Services Capital Inc	First & Second Lien Senior Secured Loans	Software & Services	0.5
Hilding Anders	Subordinated Debt	Consumer Durables & Apparel	-
<b>Total Non-Accruals</b>			<b>\$391.8</b>



# END NOTES

# End Notes

## Slide 8 – FSK: What We’ve Accomplished

1. Effective as of April 9, 2018, FB Income Advisor, LLC, FSK’s former investment adviser resigned and FS/KKR Advisor, LLC (FS/KKR Advisor) entered into an investment advisory agreement with FSK.
2. Includes all investments originated by the FS/KKR Advisor since April 2018. Does not include the impact of leverage. Uses the market value plus any accrued interest as of September 30, 2022 as the ending amount for investments that are still in the portfolio. Not representative of shareholder returns.
3. Dividends per share retroactively adjusted to reflect the 4 to 1 reverse stock split effective June 15, 2020. Includes dividends and special distributions from June 2018 through September 2022. The payment of future distributions on FSK’s shares of common stock is subject to the discretion of FSK’s board of directors and applicable legal restrictions and, therefore, there can be no assurance as to the amount or timing of any such future distributions.
4. Per share data derived using the weighted average shares outstanding as of September 30, 2022. Adjusted net investment income is a non-GAAP financial measure. Adjusted net investment income is presented for all periods as GAAP net investment income excluding the estimated impact of accretion resulting from merger accounting. FSK uses this non-GAAP financial measure internally in analyzing financial results and believes that the use of this non-GAAP financial measure is useful to investors as an additional tool to evaluate ongoing results and trends and in comparing its financial results with other business development companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP.

## Slide 8 – FSK: What We’ve Accomplished (cont.)

A reconciliation of GAAP net investment income to adjusted net investment income can be found below:

	Three Months Ended	
	Q3-21 Guidance	September 30, 2022
GAAP net investment income per share	\$ 0.69	\$ 0.76
Accretion resulting from merger accounting	\$ (0.08)	\$ (0.04)
Excise Taxes	\$ -	\$ 0.01
Adjusted net investment income per share	\$ 0.61	\$ 0.73

## Slide 9 – FSK: A Leading BDC

1. GBDC, PNNT & PFLT as of June 30, 2022.

## Slide 14 – Private Credit Continues to Benefit From Favorable Tailwinds

1. Preqin as of August 1, 2022.
2. Pitchbook LCD as of June 30, 2022. Given the lack of European primary issuance, LCD did not track enough observations to compile a meaningful sample for 2009, 2020, and YTD 2022. As a result, the primary market investor charts for Europe are not updated for 2009, 2020 and YTD 2022.
3. Preqin as of March 31, 2022.
4. Leveraged Commentary & Data (“LCD”) as of June 30, 2022.

# End Notes

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## Slide 15 – Private Credit Offers Superior Structures and Enhanced Yields

1. Bloomberg, Morningstar LSTA Leveraged Loan Index BSL B Rated as of September 30, 2022. KKR Spread information is weighted average based on cost of KKR & FS/KKR Direct Lending floating rate originations in FSK. Assumes 2% fees & OID amortized over 4 years. Non-LIBOR spreads converted to LIBOR based upon the alternative base rate's LTM average difference to LIBOR.
2. PitchBook LCD as of June 2022.

## Slide 16 – Why We Like the Current Lending Environment

Note: KKR Credit internal portfolio data as of November 2022. There is no guarantee that any fund will exhibit any of the described anticipated investment characteristics, use of proceeds or investor benefits. Target returns are presented for discussion purposes only and reflect KKR Credit's current view as at the date of this presentation. Target returns are subject to uncertainties, changes and risks in the market which are beyond the control of KKR Credit. KKR Credit assumes no responsibility to update the target returns presented herein and there is no guarantee that these will be achieved.

1. Jan-22 3M SOFR rate as of January 3, 2022. Nov-22 3M SOFR rate as of November 11, 2022.

## Slide 18 – KKR Overview

1. Please see "Important Information" for a description of Assets Under Management calculation.

## Slide 19 – KKR Private Credit: Overview

1. Based on weighted average KKR Credit role in KKRLP III & KKRLP IV, excluding broadly syndicated loans. Controlling Lender Position includes Sole, Lead and Co-Lead roles.
2. Represents KKR balance sheet and employee commitment to KKR's private credit funds. Includes balance sheet and employee commitments across all private credit commingled, separately managed account, and BDC structures.

## Slide 21 – KKR Private Credit: A Growing Asset Class

1. Compounded annual growth rate based on Preqin Private Credit AUM data as of March 31, 2022.
2. Nuveen, Think EQUilibrium, 2022 Global Institutional Investor Study.

## Slide 23 – Corporate Credit Overview

Note: Please see "Important Information" for a discussion of the limitations of related performance. The above is provided for information purposes only and it shall not be intended as an offer or solicitation to invest in any KKR fund or strategies. Past performance is no guarantee of future results.

1. Represents KKR balance sheet and employee commitment to KKR's private credit funds. Includes balance sheet and employee commitments across all private credit commingled, SMA and BDC structures.

# End Notes

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## Slide 23 – Corporate Credit Overview (cont.)

2. Presentation Corporate Credit AUM includes \$28.7bn Direct Lending AUM and \$1.8bn Junior Debt AUM as of September 30, 2022. See “Important Information” for information regarding the calculation of AUM.
3. Includes new direct lending deals completed across our Funds, BDCs and SMAs and junior debt deals as of November 2022. Add-ons excluded.
4. Direct lending asset deployed since 2005 (the date of our first direct lending investment through September 30, 2022).
5. Calculated from 2010 through June 30, 2022. Includes only KKR & FS / KKR originated direct lending and originated private opportunistic credit debt activity. Default rate is constant default rate. Total recovery calculated as local currency cash on cash for the life of the defaulted investment and may include defensive investments made after default. Total recovery may include interest, fees, principal proceeds, and other related income or expenses. Loss rate is Default Rate \* (1-total recovery).
6. First lien metrics based on KKRLP III portfolio weighted average EBITDA as of September 30, 2022. Junior credit metrics based on the weighted average EBITDA of KKR’s junior credit track record as of June 30, 2022.
7. First lien metrics based on KKRLP III portfolio simple average LTV as of September 30, 2022. Junior credit metrics based on the simple average LTV of KKR’s junior credit track record as of June 30, 2022.
8. Based on weighted average KKR Credit role in KKRLP III, excluding broadly syndicated loans as of September 30, 2022. Controlling Lender Position includes Sole, Lead and Co-Lead roles. A weighted average is an average in which each quantity to be averaged is assigned a weight.

## Slide 25 – KKR Private Credit: Origination Capabilities

1. YTD 2022 data shown as of September 30, 2022. Number of deals funded includes new investments made across KKR private credit funds as well as portfolios and excludes add-ons. 2021 and YTD 2022 New Private Credit Investments deal count excludes Core ABF new investments.

## Slide 26 – KKR Private Credit: How We Go-To-Market

1. Number of borrowers are across our Direct Lending funds.

## Slide 27 – KKR Private Credit: Power of Incumbency

1. Includes committed investments across all Private Credit pools of capital, inclusive of FSK, commingled strategies and global separately managed accounts.

## Slide 28 – Why Borrowers and Portfolio Companies Partner With Us

Note: The specific investments/portfolio companies identified are not representative of all of investments purchased, sold or recommended for KKR Funds, and it should not be assumed that the investment in the companies identified was or will be profitable

## Slide 31 – KKR Credit Investment Philosophy

Note: Portfolio managers may use some or all of the techniques described above or herein. Please refer to "Important Information" for further information on KKR’s inside information barrier policies and procedures, which may limit the involvement of personnel in certain investment processes and discussions as well as for additional disclosure regarding KKR Capstone.

# End Notes

## Slide 32 – Benefits of the Upper Middle Market

1. LCD Default Review Q3 2022. Comprises loans closed between 1995 and Q3 2021.

## Slide 44 – Asset Based Finance Overview

1. Represents KKR Balance Sheet and employee commitments to PCOP II and ABFP made to date. PCOP II made both ABF investments and Corporate Mezzanine Investments.
2. Source: Integer Advisors and KKR Credit research estimates on latest available data as of September 30, 2022, sourced from country-specific official / trade bodies as well as company reports. Represents the global stock of private financial assets originated and held by non-banks, related to household (including mortgages) and business credit. Excludes loans securitized or sold to agencies and assets acquired in capital markets or through other secondary/ syndicated channels.
3. See “Important Information” for information regarding the calculation of AUM.
4. Represents the ABF Composite. The ABF composite performance aggregates all Asset-Based Finance investments made across all KKR investment vehicles since January 2016 when the initial ABF investment was made, and does not represent the investment experience of a single investor in respect of a single fund. No representation or warranty is made as to the reasonableness of the assumptions made in preparing the composite performance information described herein or that all assumptions used in achieving the returns have been stated or fully considered. Changes in the assumptions may have a material impact on the hypothetical returns presented. Past performance is not indicative of future results.

## Slide 48 – FSK: Overview

1. Based on November 11, 2022 market close of \$19.68.

## Slide 48 – FSK: Overview (cont.)

2. The annualized dividend yield based on the market stock price uses Q3 2022 declared dividend of \$0.68 per share annualized, divided by FSK’s closing market price of \$19.68 as of November 11, 2022. The annualized distribution rate and amount shown may be rounded. The payment of future distributions on FSK’s shares of common stock is subject to the discretion of FSK’s board of directors and applicable legal restrictions and, therefore, there can be no assurance as to the amount or timing of any such future distributions.
3. Annualized dividend yield based on NAV uses Q3 2022 declared dividend of \$0.68 per share annualized, divided by ending Q3 2022 NAV per share of \$25.30.
4. Net debt-to-equity is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.
5. Liquidity is unused capacity on funding vehicles, plus cash and foreign currency and net payable/receivable for investments purchased/sold and repaid as of September 30, 2022.
6. Does not look through to FSK’s portfolio companies held solely in COPJV.
7. Figure excludes the impact of FSK’s investment in COPJV.
8. Excludes the impact of the Merger. Excluding the impact of the Merger, FSK’s weighted average annual yield on all debt investments was 9.7% as of September 30, 2022. See FSK’s Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments and weighted average annual yield on all debt investments. On a GAAP basis, FSK’s weighted average annual yield was 11.1% on accruing debt investments and 10.3% on all debt investments as of September 30, 2022.

# End Notes

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## Slide 50 – FSK: Portfolio Construction

1. Looks through to FSK's portfolio companies held solely in COPJV. Weighted average yield on accruing debt investments excludes the impact of the Merger. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments. Simple average EBITDA, based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded.
2. Looks through to FSK's portfolio companies held solely in COPJV.

## Slide 51 – FSK Investment Portfolio Overview – JV Look Through

1. Based on fair value. "Debt Investments" means investments that pay or are expected to pay a stated interest rate, stated dividend rate or other similar stated return.
2. Weighted average based on fair value. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded.

## Slide 52 – First Lien Senior Secured Loans Overview

Note: Advisor formed in April 2018. Prior periods are shown pro forma for the Merger. Looks through to portfolio companies held solely in COPJV.

## Slide 52 – First Lien Senior Secured Loans Overview (cont.)

1. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. Weighted average based on cost. Direct Lending strategy only for FS/KKR originated first lien senior secured loans.

## Slide 53 – Credit Opportunities Partners JV, LLC Overview

1. Average yield on FSK's investment in COPJV based on cost since inception of partnership with SCRS.
2. See FSK's Quarterly Report on Form 10-Q for additional information on the calculation of weighted average annual yield on accruing debt investments.
3. "Debt Investments" means investments that pay or are expected to pay a stated interest rate, stated dividend rate or other similar stated return.
4. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.

## Slide 56 – Portfolio Rotation Analysis: Advisor

1. Advisor formed in April 2018. Q2 2018 period pro-forma for the Merger; Does not look-through to underlying investments in COPJV.

# End Notes

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## **Slide 57 – Portfolio Rotation Analysis: Industry**

1. Advisor formed in April 2018. Q2 2018 period pro-forma for the Merger. Looks through to portfolio companies held solely in COPJV.

## **Slide 58 – Portfolio Analysis: EBITDA**

1. Looks through to FSK's portfolio companies held solely in COPJV. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. Q2 2018 period pro-forma for the Merger. Weighted average based on fair value of investments.

## **Slide 59 – Portfolio Analysis: Loan to Value**

1. Yearly information is the weighted average loan to value at inception based on cost for all FS/KKR direct lending originated debt investments. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded.

## **Slide 60 – Portfolio Analysis: Leverage Statistics**

1. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. Weighted average based on market value.

## **Slide 61 – Portfolio Analysis: Interest Coverage Sensitivity**

1. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. Assumes static EBITDA for all periods.
2. Weighted average based on fair value. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. Assumes static EBITDA for all periods.

## **Slide 62 – Portfolio Analysis: Financial Performance**

1. Based on underlying Direct Origination corporate investments using most recently reported financial information and may include pro forma adjustments. Prior periods are shown pro forma for the Merger. Certain Asset Based Finance, Equity/Other and portfolio companies with negative or de minimis EBITDA are excluded. Direct Lending strategy only.

## **Slide 64 – Positive Impacts of a Rising Rate Environment**

1. Assumes no changes in the composition of our investment portfolio, including the accrual status of our investments, and our financing arrangements in effect as of September 30, 2022. Past performance is not indicative of future results. Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all.
2. Based on fair value. "Debt Investments" means investments that pay or are expected to pay a stated interest rate, stated dividend rate or other similar stated return.
3. Based on amount outstanding.

# End Notes

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## Slide 65 – Capital Structure: Overview

1. Net debt-to-equity ratio is debt outstanding, net of cash and foreign currency and net payable/receivable for investments purchased/sold and repaid, divided by net assets.
2. Based on drawn leverage, includes the effect of non-usage fees.
3. Q2 2018 period pro-forma for the merger of CCT, FSKR, FSIC III, FSIC IV, and CCT II with and into FSK.
4. Includes cash & foreign currency (\$266mm), net unsettled trades (\$368mm), and available debt (\$2,114mm).

## Slide 69 – Consistent Dividend Coverage Since Implementing Current Strategy

1. Adjusted net investment income per share divided by base dividend per share declared in the period
2. Adjusted net investment income per share divided by total dividend per share declared in the period

## Slide 70 – FSK: Quarterly Dividend Yield / NAV

1. Annualized base dividend per share declared dividend by average Net Asset Value per share.
2. Annualized total dividend per share declared dividend by average Net Asset Value per share.

## Slide 71 – Q4 2022 Guidance

1. Net of the \$15 million incentive fee waiver beginning in Q3 2021. The Advisor has agreed to waive income incentive fees in the amount of \$15 million per quarter for the first six full fiscal quarters of operations following the closing of the Merger.

## Slide 72 – Discernible Updates: Q1 2023 Outlook

1. Q1 2023 includes two fewer days than Q4 2022.
2. Represents the estimated quarterly impact of a 67 basis point increase in interest rates. 3-month SOFR has increased from approximately 3.59% as of September 30, 2022 to approximately 4.27% as of November 11, 2022.

## Slide 74 – Potential Future Return Analysis

Note: Projections and forward looking statements are not reliable indicators of future events and no guarantee or assurance is given that such activities will occur as expected or at all. Target returns are presented for discussion purposes only and reflect the Advisor's current view as at the date of this presentation. Target returns are subject to uncertainties, changes and risks in the market which are beyond the control of the Advisor. The Advisor assumes no responsibility to update the target returns presented herein and there is no guarantee that these will be achieved.

1. Multi-year returns are annualized.

# End Notes

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## **Slide 74 – Potential Future Return Analysis (cont.)**

2. Represents FSK's closing market price of \$19.68 per share as of November 11, 2022.  
The payment of future distributions on FSK's shares of common stock is subject to the discretion of FSK's board of directors and applicable legal restrictions and, therefore, there can be no assurance as to the amount or timing of any such future distributions.

## **Slide 90 – FSK Legacy Portfolio Income Producing Investments**

1. Per share data derived using the weighted average shares outstanding as of September 30, 2022. May not sum due to rounding.

# Key Terms

Term	Definition
“ABF”	Asset Based Finance investments, which derive returns from recurring, often contractual cash flows of, diversified pools of underlying hard and financial assets;
“AFFE”	Acquired Fund Fees and Expenses rule which requires registered funds, such as open-end funds, that invest in other funds to include a separate AFFE line item in the fees and expenses table contained in their prospectus;
“AUM”	Assets Under Management;
“BDC”	Business development company (“BDC”) is a special closed end investment vehicle that is registered under the Investment Company Act of 1940 (“1940 Act”);
“BSL”	Broadly Syndicated Loan;
“CAGR”	Compound Annual Growth Rate;
“CLO”	Collateralized Loan Obligation;
“COPJV”	Credit Opportunities Partners, JV LLC;
“Direct Lending”	Investment in directly negotiated and originated private senior secured corporate debt transactions;
“EBITDA”	Earnings Before Income, Taxes, Depreciation and Amortization;
“ESG”	Environmental, Social, and Governance;
“EV”	Enterprise Value;
“FV”	Fair Value;
“GAAP”	Generally Accepted Accounting Principles;
“IC”	Investment Committee;
“IG”	Investment Grade;
“IRR”	Internal Rate of Return;
“KKR Credit”	KKR Credit (US) LLC;
“LBO”	Leveraged Buyout;
“LIBOR”	London Inter-Bank Offered Rates;
“LTM”	Last Twelve Months;

# Key Terms

Term	Definition
“LTV”	Quotient obtained by dividing a company’s (i) aggregate indebtedness by the (ii) value of the asset securing the loan;
“M&A”	Mergers and Acquisitions;
“Merger”	The merger of CCT, FSKR, FSIC III, FSIC IV, and CCT II with and into FSK (the "Merger");
“MOIC”	Multiple On Invested Capital;
“MTM”	Mark To Market;
“NAV”	Net Asset Value;
“NII”	Net Investment Income;
“OID”	Original Issue Discount, which results in a discount from the notional or par value of the asset;
“PE”	Private Equity;
“PIK”	Payment-In-Kind;
“PMU”	KKR Credit Portfolio Monitoring Unit;
“Private Credit”	Debt that is primarily originated by KKR versus investments in broadly syndicated bank debt;
“R&G”	KKR Credit Restructuring and Governance team;
“SBIA”	Small Business Investor Alliance;
“SEC”	Securities and Exchange Commission;
“SOFR”	<a href="#">Secured Overnight Financing Rate</a> administered by the Federal Reserve Bank of New York;
“WACD”	Weighted Average Cost of Debt;

# Important Information

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The data and information presented are for informational purposes only. The information contained herein should be treated in a confidential manner and may not be transmitted, reproduced or used in whole or in part for any other purpose, nor may it be disclosed without the prior written consent of KKR Credit. KKR Credit currently conducts its activities through the following advisory entities: KKR Credit Advisors (US) LLC ("KKR Credit Advisors US"), which is authorized and regulated by the SEC, KKR Credit Advisors (Ireland) Unlimited Company, which is authorized and regulated by the Central Bank of Ireland, and KKR Credit Advisors (UK) LLP, which is authorized and regulated by the Financial Conduct Authority. By accepting this material, the Recipient agrees not to distribute or provide this information to any other person and to return it promptly upon request.

Target returns are hypothetical in nature and are shown for illustrative, informational purposes only. This summary is not intended to forecast or predict future events, but rather to indicate the returns for the asset classes indicated herein that KKR Credit has observed in the market generally over the course of an investment cycle. It does not reflect the actual or expected returns of any potential investment of FSK (the "Fund") and does not guarantee future results. The target returns are based upon KKR Credit's view of the potential returns for investments to be made by the Fund, are not meant to predict the returns of the Fund, and are subject to the following assumptions: KKR Credit considers a number of factors, including, for example, observed and historical market returns relevant to the applicable asset class available for investment to the Fund, projected cash flows, relevant other market dynamics (including interest rate and currency markets), anticipated leverage, and liquidity constraints. Certain of the assumptions have been made for modeling purposes and are unlikely to be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered. Changes in the assumptions may have a material impact on the projected returns presented. Unless otherwise indicated, all data is shown before management fees, incentive fees, applicable expenses, taxes and does not account for the effects of inflation. Management fees, incentive fees and potential expenses are not considered and would reduce returns. Actual results experienced by investors may vary significantly from the target returns shown. Target Returns May Not Materialize.

The information in this presentation may contain projections or other forward-looking statements regarding future events, targets or expectations regarding the Fund (or other KKR Credit funds or accounts) or the strategies described herein. There is no assurance that such events or targets will be achieved, and may be significantly different from that shown here. The information in this presentation, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. The targeted returns presented herein are hypothetical in nature and are shown for illustrative, informational purposes only. Such targeted returns are not intended to forecast or predict future events, but rather to indicate the returns for investments that KKR Credit expects to seek to achieve on the Fund's overall portfolio of investments.

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