KKR

PRIVATE WEALTH
Investment Playbook

MARCH 2023

Important Information

The views expressed in this presentation are the personal views of the speaker and do not necessarily reflect the views of Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR") itself. This presentation is not research and should not be treated as research. This presentation does not represent valuation judgments with respect to any financial instrument, issuer, security or sector that may be described or referenced herein and does not represent a formal or official view of KKR. This presentation is not intended to, and does not, relate specifically to any investment strategy or product that KKR offers. It is being provided merely to provide a framework to assist in the implementation of an investor's own analysis and an investor's own views on the topic discussed herein.

The views expressed reflect the current views of the speaker as of the date hereof and neither the speaker nor KKR undertakes to advise you of any changes in the views expressed herein. Opinions or statements regarding financial market trends are based on current market conditions and are subject to change without notice. References to a target portfolio and allocations of such a portfolio refer to a hypothetical allocation of assets and not an actual portfolio. The views expressed herein and discussion of any target portfolio or allocations may not be reflected in the strategies and products that KKR offers or invests, including strategies and products to which The speaker provides investment advice to or on behalf of KKR. It should not be assumed that the speaker has made or will make investment recommendations in the future that are consistent with the views expressed herein, or use any or all of the techniques or methods of analysis described herein in managing client or proprietary accounts. Further, the speaker may make investment recommendations and KKR and its affiliates may have positions (long or short) or engage in securities transactions that are not consistent with the information and views expressed in this document.

This presentation has been prepared solely for informational purposes. The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Charts and graphs provided herein are for illustrative purposes only. The information in this presentation has been developed internally and/or obtained from sources believed to be reliable; however, neither KKR nor the speaker guarantees the accuracy, adequacy or completeness of such information. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision.

There can be no assurance that an investment strategy will be successful. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. Target allocations contained herein are subject to change. There is no assurance that the target allocations will be achieved, and actual allocations may be significantly different than that shown here. This presentation should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy.

The information in this presentation may contain projections or other forward-looking statements regarding future events, targets, forecasts or expectations regarding the strategies described herein, and is only current as of the date indicated. 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. Performance of all cited indices is calculated on a total return basis with dividends reinvested. The indices do not include any expenses, fees or charges and are unmanaged and should not be considered investments.

The investment strategy and themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation. Please note that changes in the rate of exchange of a currency may affect the value, price or income of an investment adversely.

Neither KKR nor the speaker assumes any duty to, nor undertakes to update forward looking statements. No representation or warranty, express or implied, is made or given by or on behalf of KKR, the speaker or any other person as to the accuracy and completeness or fairness of the information contained in this presentation, and no responsibility or liability is accepted for any such information. By accepting this presentation in its entirety, the recipient acknowledges its understanding and acceptance of the foregoing statement.

The MSCI sourced information in this presentation is the exclusive property of MSCI Inc. (MSCI). MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI.

Financial Advisors should consult with their local legal and compliance teams before distributing to external clients.

Quarterly Takeaways

01 KKR sees the current global banking crisis as emanating from **market uncertainty** surrounding unrealized losses, uninsured deposits, and commercial office exposure on bank balance sheets. **More banking oversight** may be needed, and **global central banks may continue to increase policy rates**, albeit following a shallower and/or truncated path.

02 The crisis reaffirms our view that we have entered a **new macroeconomic regime** characterized by higher levels of inflation, higher rates, heightened geopolitical risks and slower, though positive, real economic growth.

03 Importantly, amid elevated inflation, we expect **real rates to remain low.**

04 To achieve return goals, investors are increasingly leaning into the **diversification, downside protection, illiquidity premium, and inflation hedging benefits provided by Alternatives.**

05 In the current market, there are more opportunities for private lenders as banks pull back lending. Against that backdrop **Private Credit and Real Estate Credit** returns are compelling, especially given downside protection benefits. Investors should also consider the current value offered in **Liquid Credit,** which can be used as a transitional bridge to a Private Credit allocation.

06 We believe **Infrastructure and select Real Estate** investments can support investors to protect purchasing power in a higher inflation environment.

07 **Private Equity** relative outperformance is greatest when public market volatility is highest, as a result, capital market dislocation may present significant opportunities.

08 We think investors should prioritize **thematic exposure** to climate change mitigation, the energy transition, shifting demographics, the housing supply/demand imbalance, and 'the security of everything'.

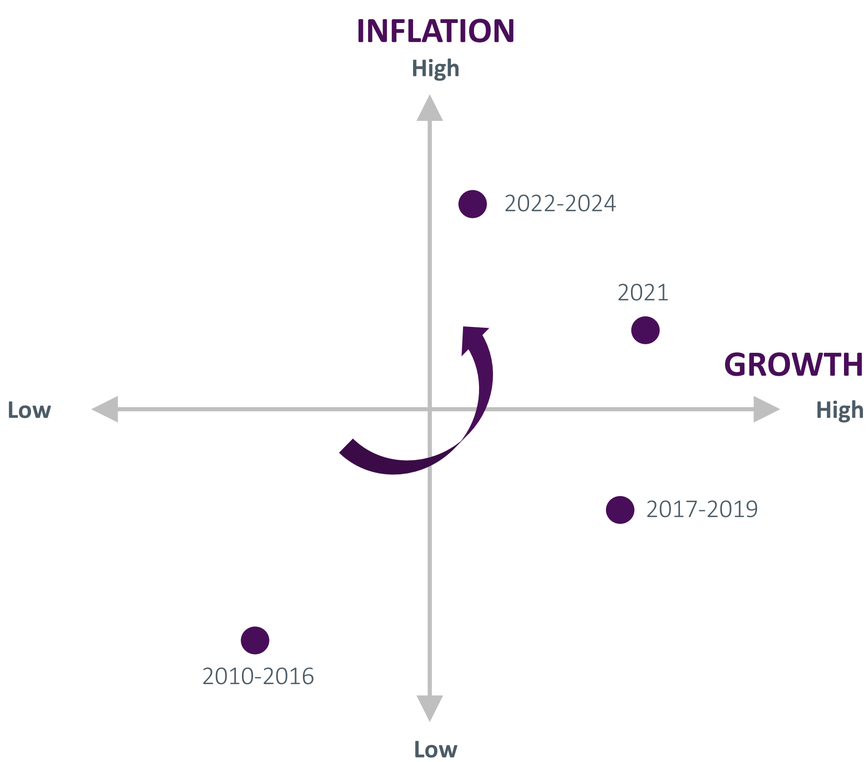
Downside protection is no guarantee against future losses.

Outlook for Global Growth

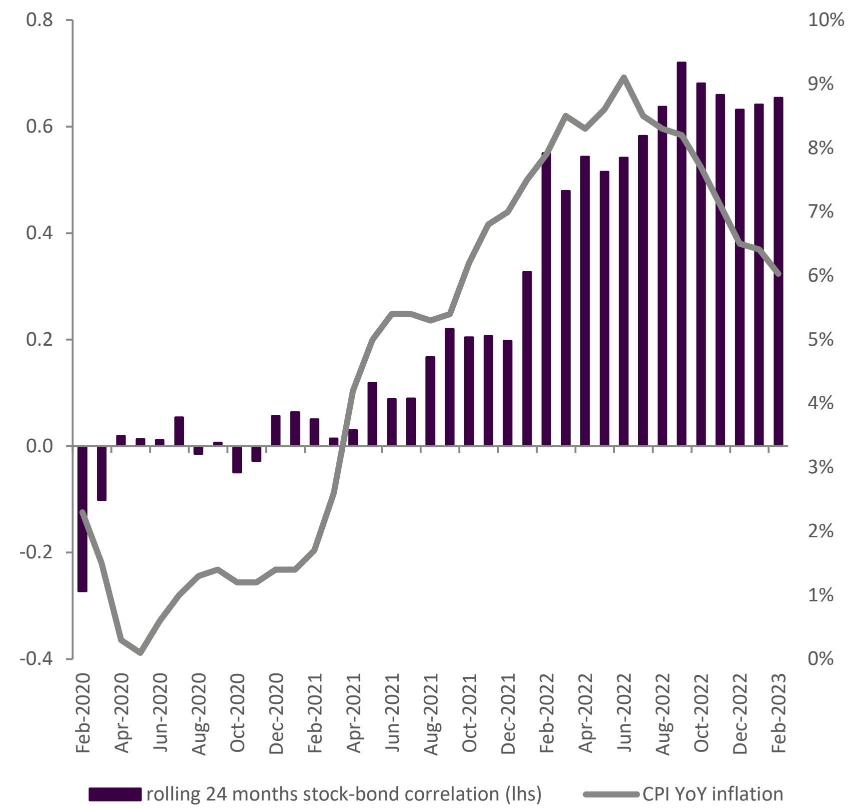
We Believe We Have Entered a New Regime for Investing

Henry McVey has asserted that in this higher inflation, slower growth macroeconomic regime investors should consider shifts to their existing asset allocation.

A Regime Change is Occurring



The Relationship Between Stocks and Bonds is Changing in This Inflationary Environment

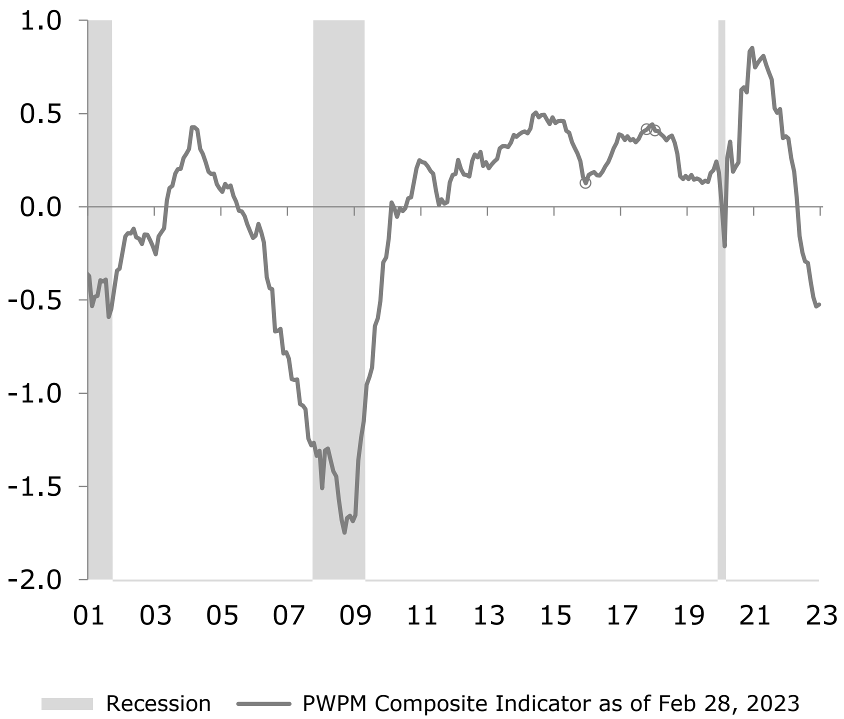


Note: Stocks refers to the S&P 500 and Bonds refers to the 10YR Treasury Yield. Left Chart –Data as at 3/01/2023. Source: KKR GMAA analysis. Right Chart –Data as at 2/28/2023. Source: KKR Portfolio Construction. No representation is made that the trends depicted or described above will continue.

Our Proprietary Cycle Indicator Suggests A Mild US Downturn

- Our Proprietary Indicator Suggests That Tight Financial Conditions Will Likely Lead To a Mild US Downturn Over The Next 12 Months

PWPM Composite Leading Indicator

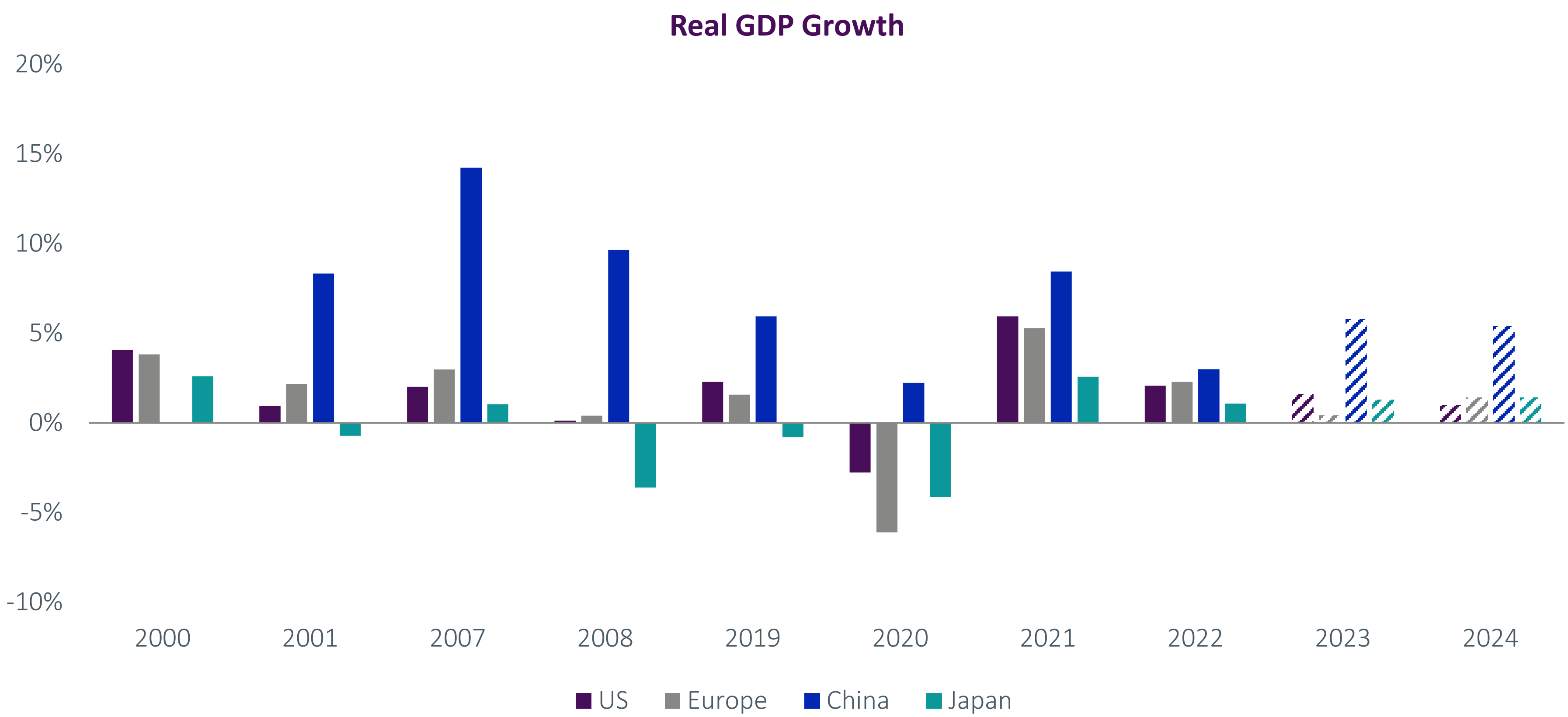


Components of PWPM Composite Leading Indicator

Note: PWPM refers to KKR's PWP Macro team. Data updated as at 02/28/2023. Source: KKR PWP Macro analysis.
No representation is made that the trends depicted or described above will continue.

But the Global Economic Cycle is Asynchronous

- Our Global Macro team expects inflation-adjusted growth in Asia to hold up better than that in the US and Europe.
- The energy crisis in Europe and tightening financial conditions in the US are weighing on growth.
- Reopening policies in a variety of Asian countries should support growth.

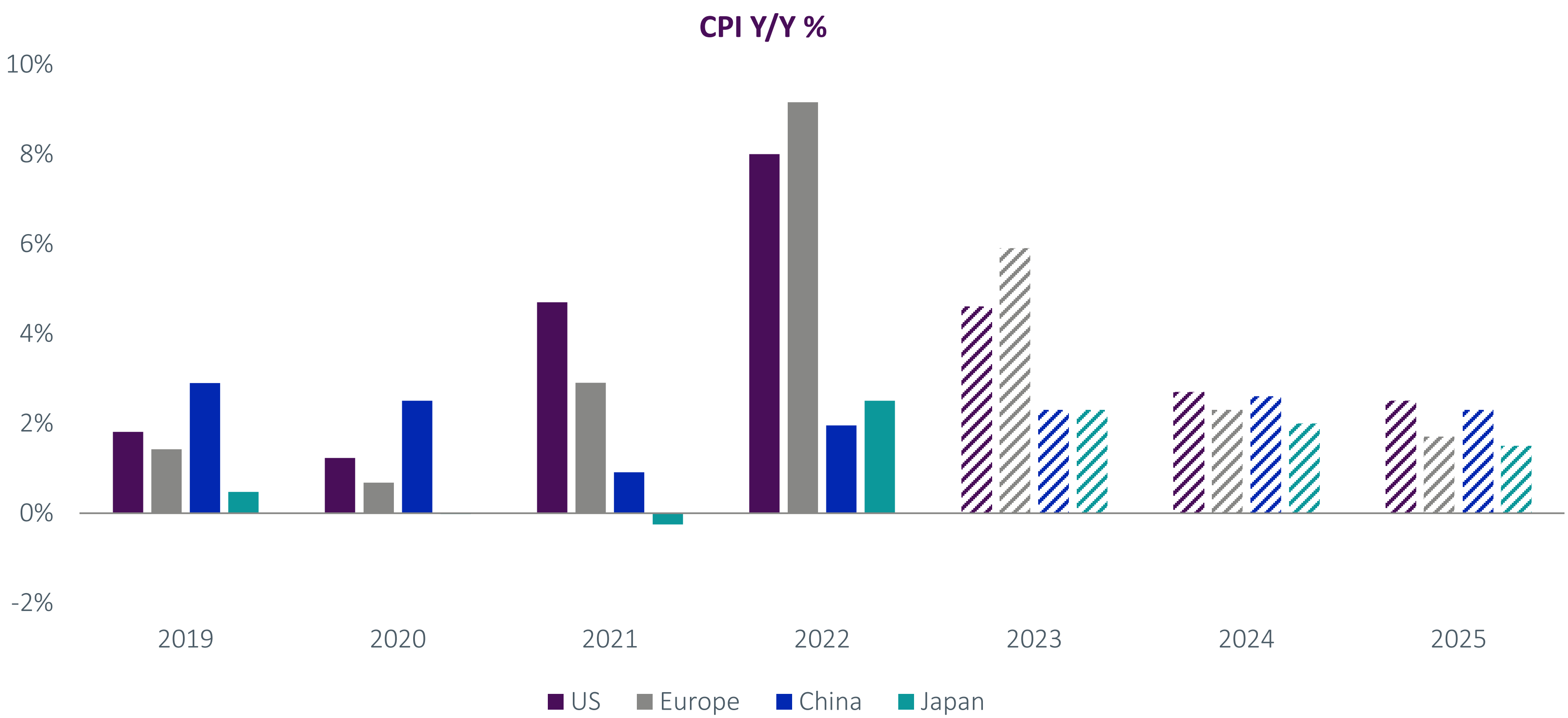


Note: KKR GMAA estimates for US, Euro Area, China, and Japan. Data as at 3/01/2023. Source: Haver, Bloomberg, IMF, KKR GMAA analysis.
No representation is made that the trends depicted or described above will continue.

KKR

We Predict Inflation to Remain Above Pre-Crisis Averages

- Our Global Macro team expects inflation to fall this year in the US & Europe, but the path will be volatile. Overall, we expect inflation is likely to remain elevated, contrary to market optimism.
- The structural labor shortage, insufficient housing supply, ongoing geopolitical conflicts and the energy transition are drivers of elevated inflation.
- Japan is also now transitioning from a long period of deflation to one of inflation, led by labor shortages and higher wages.

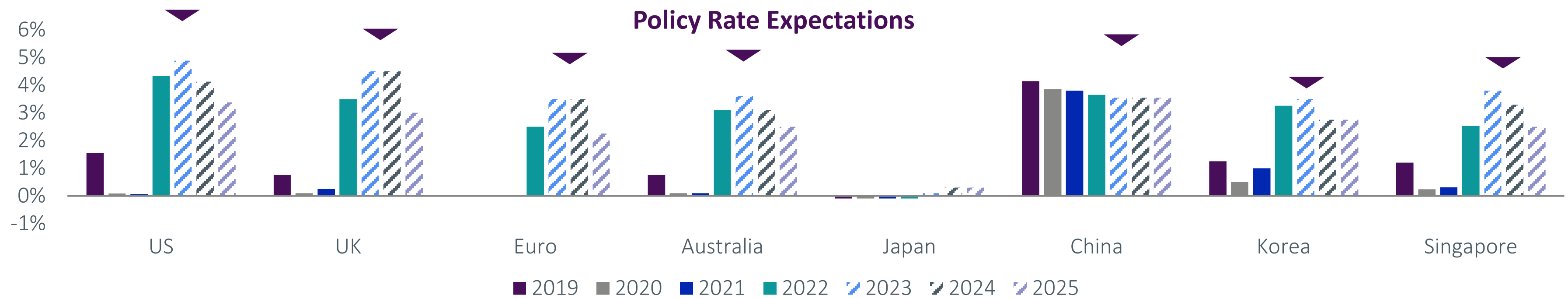


Data as at 3/01/2023. Source: Haver, KKR GMAA analysis.
No representation is made that the trends depicted or described above will continue.

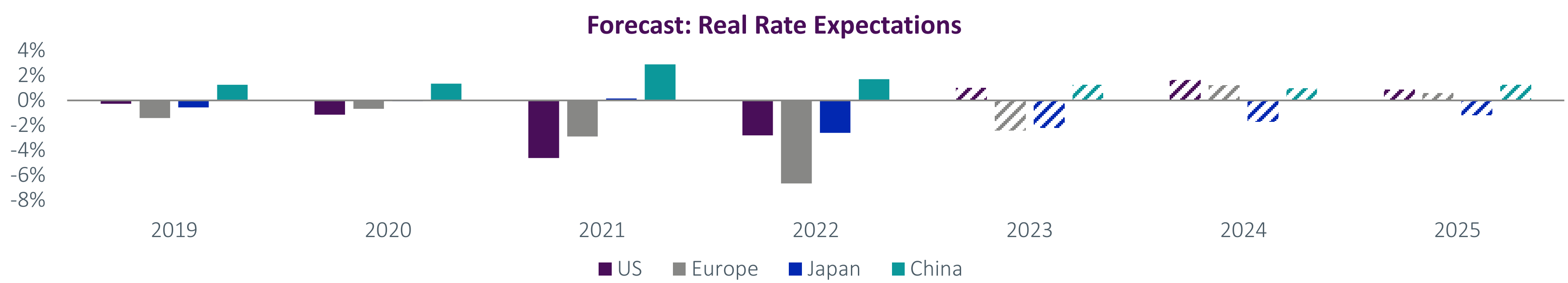
KKR

Our Global Macro Team Predicts Policy Rates Will Peak This Year, But Real Rates Should Remain Low

- Contrary to market expectations, policy rates will continue to rise this year as central banks strive to reduce inflation. Central banks may tighten more than they anticipate because of persistent inflation.
- This year, we expect the BOE to become the most hawkish and the BOJ to continue to normalize policy rates amidst elevated inflation, albeit from a low base.
- China may be unlikely to reduce its policy rates given the anticipation of higher inflation, but instead will use structural programs to support the property market, for example.



- Importantly, we expect real yields to remain low, which is the focus for investment.
- A low or negative inflation adjusted interest rate encourages more risk taking as investors seek to generate a return that exceeds the inflation rate.

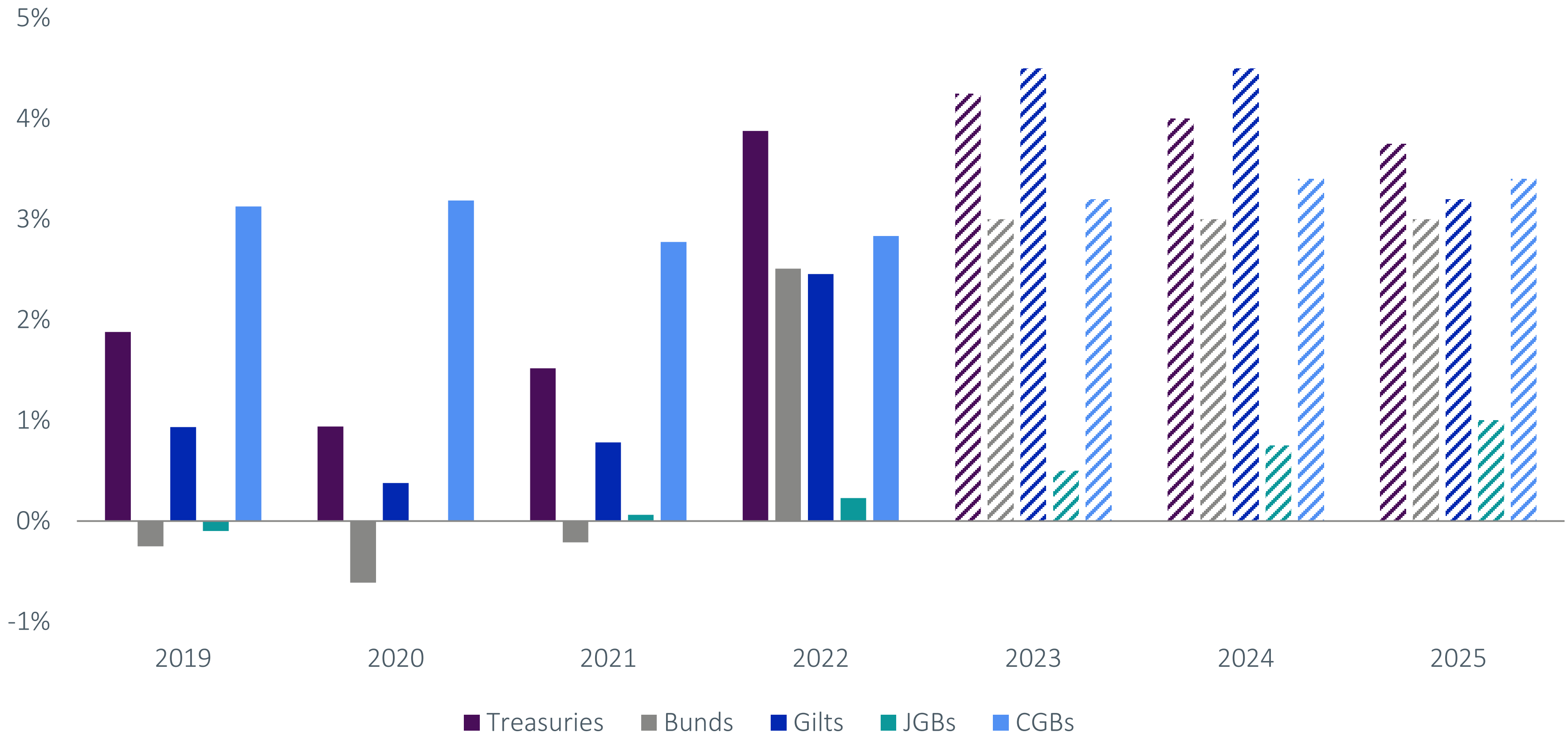


Note: US is Fed Funds, UK is the UK Official Bank Rate, Euro is the Euro-Area Main Refinancing Operations Minimum Bid Rate, Australia is the Central Bank Policy Rate, China is the LPR 1yr, Japan is the Central Bank Policy Rate, Korea is the Central Bank Policy Rate, and Singapore is the Singapore overnight Rate Average. Real Rates are proxied by CPI in the respective region subtracted from the respective policy rate. Data as at 1/06/2023. Source: Bloomberg., Haver, KKR GMAA analysis. No representation is made that the trends depicted or described above will continue.

10-year Government Bond Yields To Remain Higher Across Most Regions

- Long Term Bond Yields Have Now Surpassed Pre-Pandemic Levels, Which Has Made Credit – Offering Comparable Returns With Less Downside Risk – More Compelling

10YR Government Bond Yields

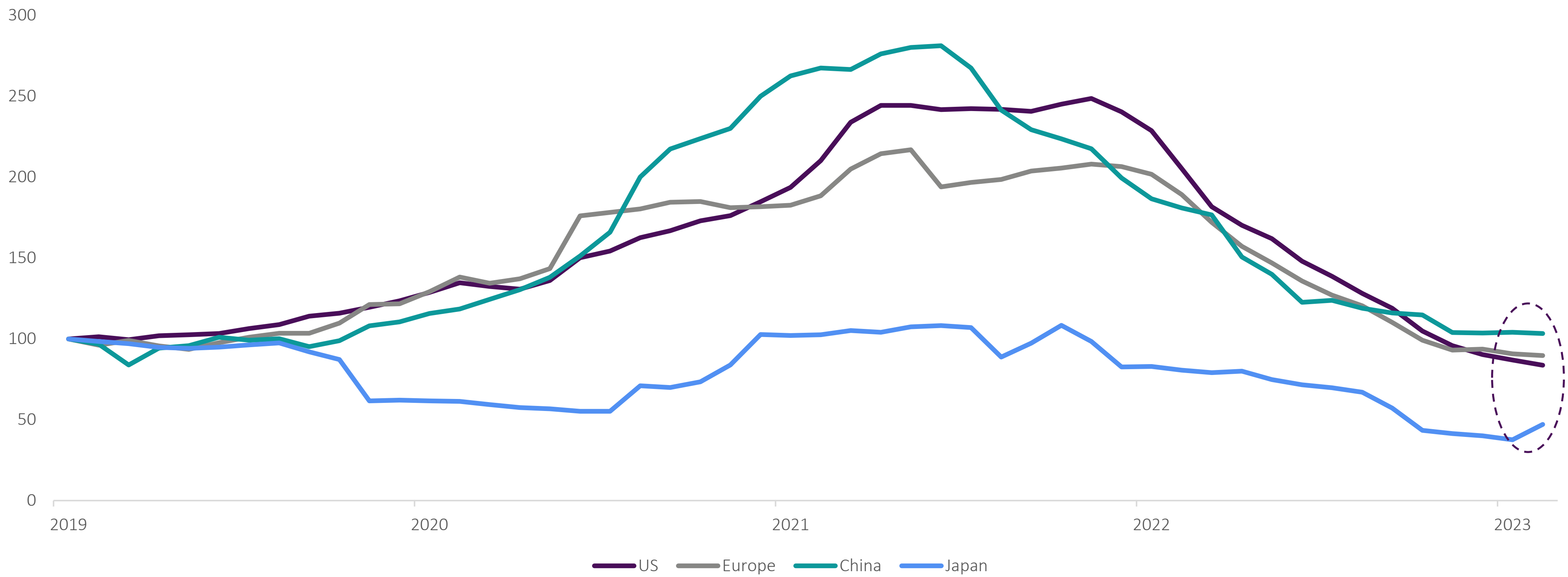


US data as at 3/01/2023. All other as at 12/14/2022. Source: KKR GMAA analysis. No representation is made that the trends depicted or described above will continue.

A Bifurcation in Credit Availability Exists Across Regions

- Tighter capital standards and higher loan loss reserve requirements are forcing financial institutions to hold more capital and issue fewer loans leading to a sharp decline in capital markets liquidity – especially for speculative borrowing.
- Liquidity is very constrained in the US, while capital markets in China have started to recover.
- China stepped in to reduce leverage in the property sector in late 2021, then reversed the policy in October 2022, and is now renewing capital markets support for developers.

Indexed Capital Markets Liquidity (TTM) (IPO, HY Bond, Leveraged Loan Issuance)



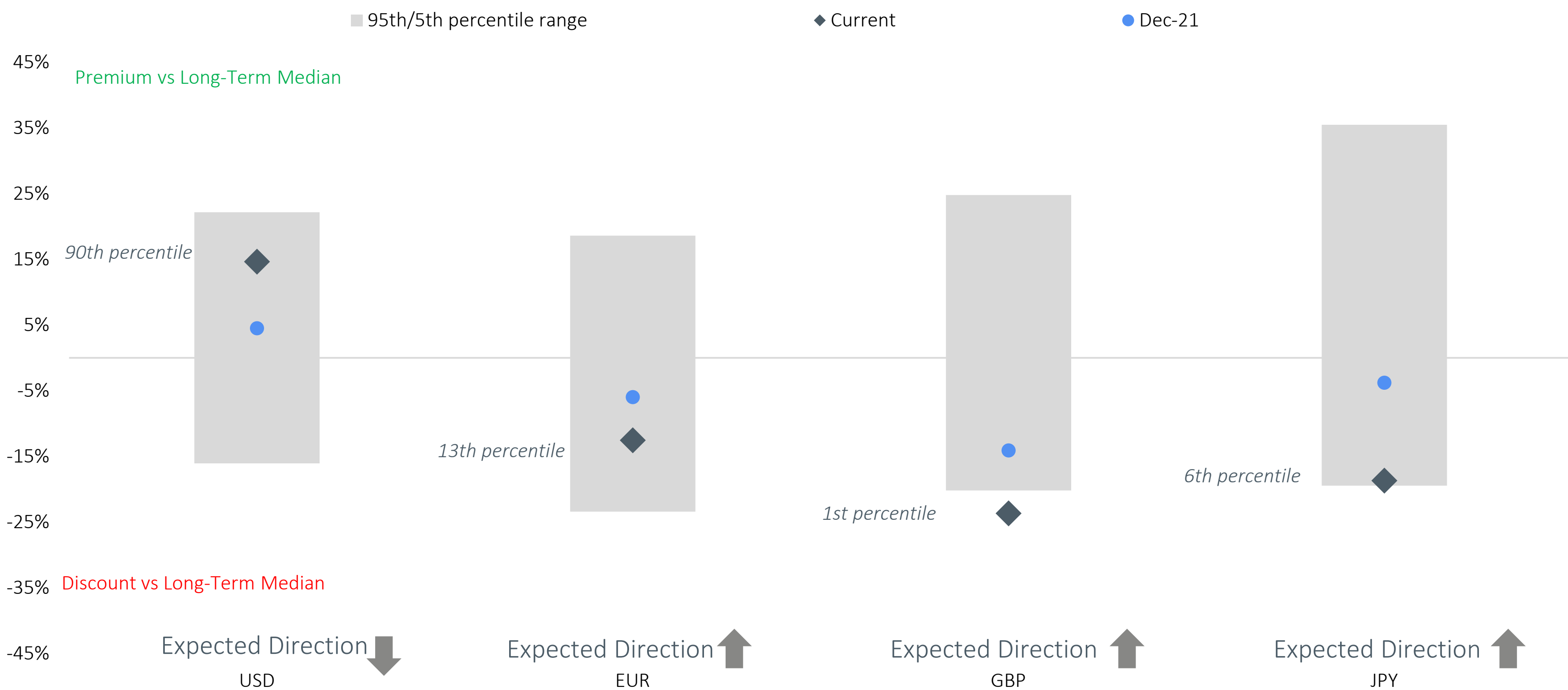
Data as at 2/28/2023. Source: Bloomberg, KKR GMAA, KKR PWP Macro analysis. No representation is made that the trends depicted or described above will continue.

KKR

Fed Tightening Has Driven The Dollar To Peak Levels

- Driven by the rapid pace of Fed tightening in 2022, as higher yields attracted global investors, the USD surged last year.
- Dollar softening/stabilization should follow the peak in Fed rates, supporting financial conditions globally.

G4 FX Premium (Discount) to Long-Term Median

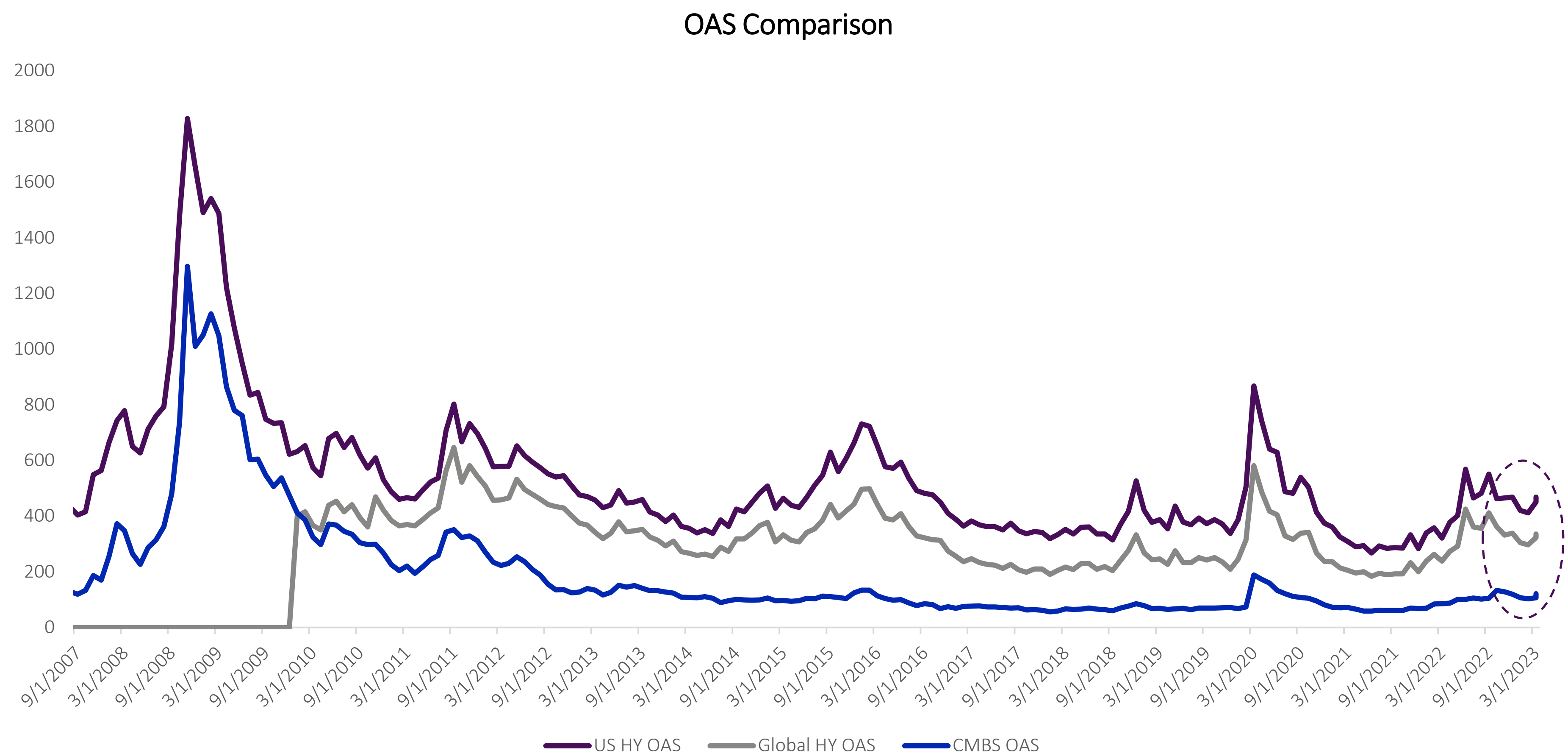


Note: Analysis based on monthly data from 1990 to present, Data as at 2/28/2023. Source: KKR GMAA analysis, Bloomberg

KKR

Notably Spreads Have Tightened Since The Start of The Year, Even Taking The Banking Crisis into Account

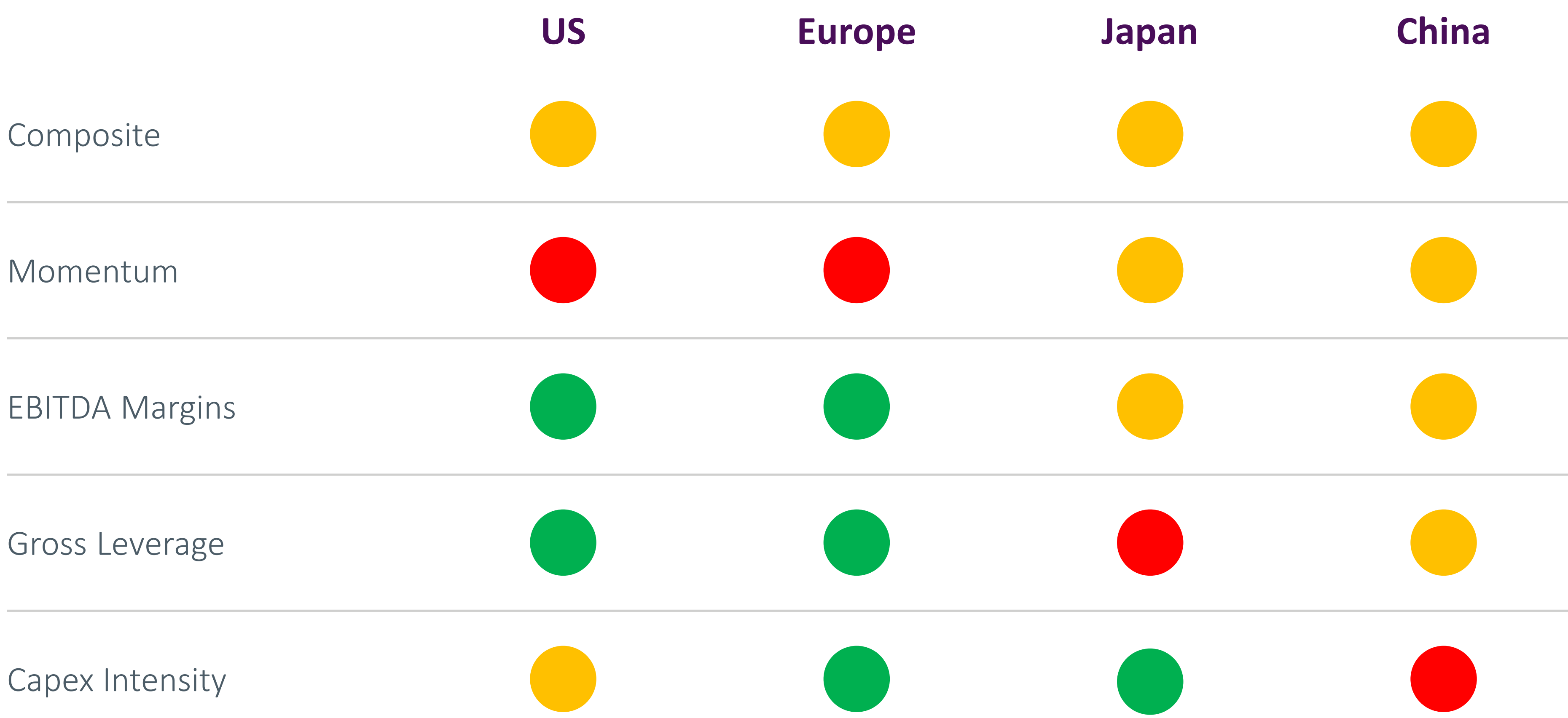
- Credit spreads have widened only to 4Q22 levels, which were not sufficient to stem inflation then
- Until the most recent dislocation, investors had generally become more comfortable taking on risk as energy prices peaked, the pace in the tightening of financial conditions had eased and 4Q earnings growth has held up better than expected



Note: OAS-to-Treasury for all except Global HY where OAS-to-Swap is used. Data as at 3/14/2023. Source: Bloomberg, KKR PWP Macro analysis. No representation is made that the trends depicted or described above will continue.

Current Global Corporate Scorecard

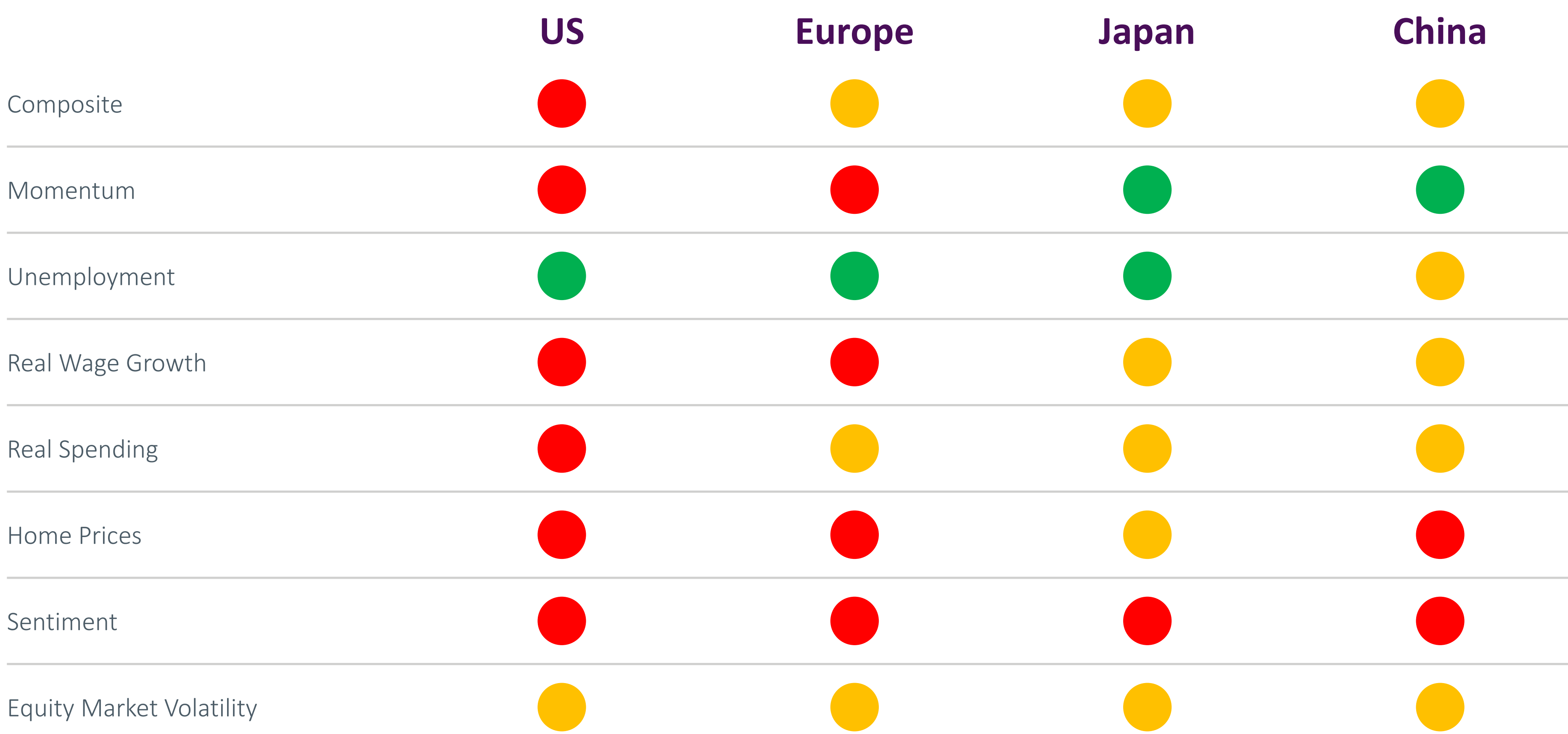
- Our proprietary corporate scorecard signals caution on the fundamentals across regions.
- Fundamentals are cooling most notably in the US amid tightening financial conditions while they are proving more resilient in China as it benefits from Covid reopening, further evidence of this bifurcation.



Note: Composite is the weighted average of the fundamental indicators in our model. Momentum refers to the direction of travel for selected fundamentals relative to 3Q22. Green refers to fundamentals in top 1/3rd percentile within timeframe, yellow refers to fundamentals in the middle 1/3rd percentile range, and red refers to fundamentals in the bottom 1/3rd percentile range. Data since 4Q10, as at 4Q22. Source: Bloomberg, KKR PWP Macro analysis.

Current Global Consumer Scorecard

- Our proprietary consumer scorecard also suggests caution across major geographies.
- That said, the consumer sector appears to be strengthening in Japan and China, while weakening in the US and Eurozone.



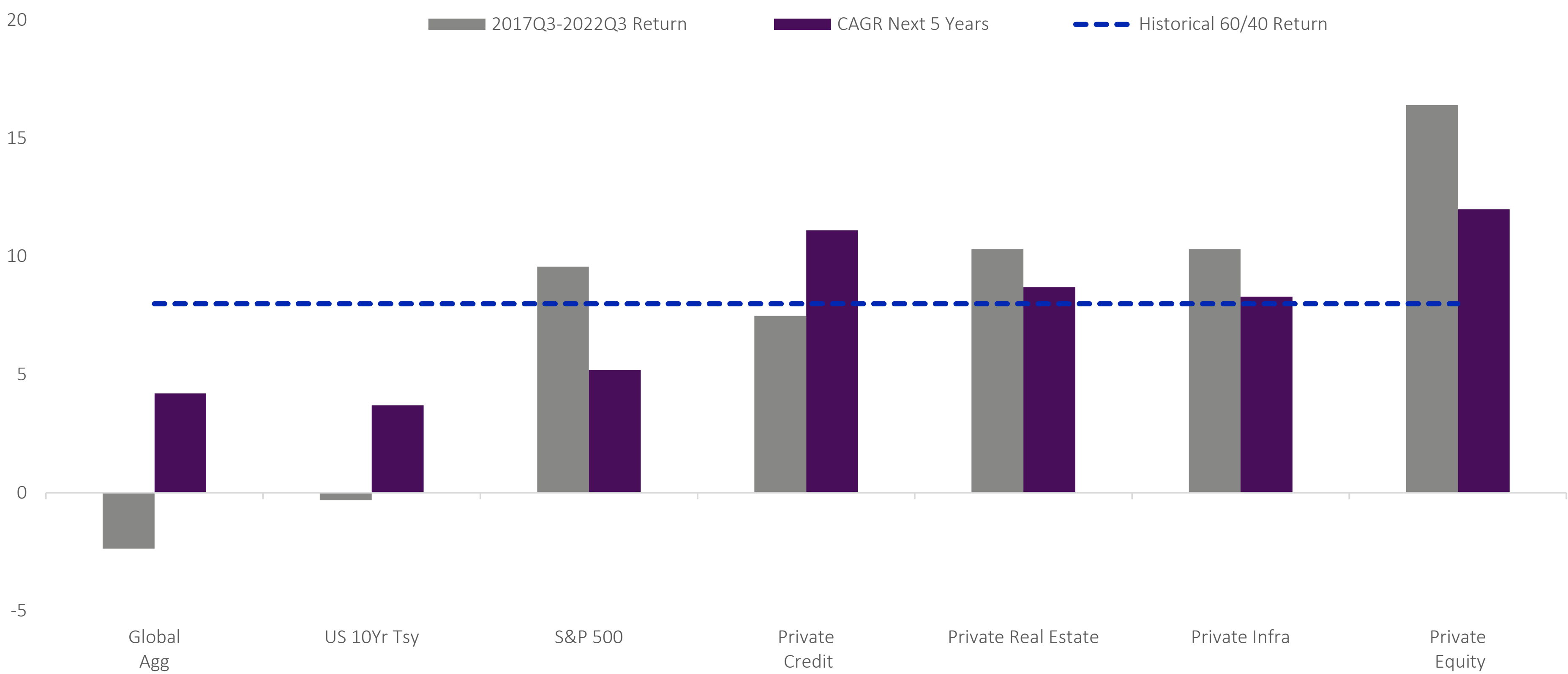
Note: Composite is the weighted average of the fundamental indicators in our model. Momentum refers to the direction of travel relative to December 2021. Data from 12/31/2010 to 12/31/2022 (or latest available).
Source: Bloomberg, FRED, KKR PWP Macro analysis.

Investment Implications

Alternative Assets May Be Key To Meeting Future Goals

- Over the past 10 years, 60/40 portfolios returned an average of ~8%.
- To achieve close to that return over the next five years amid elevated inflation, borrowing costs, and slower growth, investors may need to diversify into alternative asset classes.

Private Market Expected Returns (%)



Data as at 3/06/2023. Source: KKR GMAA, KKR PWP Macro analysis. No representation is made that the trends depicted or described above will continue.

We Believe Investors Need to Rethink Portfolio Construction As Correlations Between Asset Classes Are Shifting

- Diversification can allow investors to increase returns without increasing risk.
- Equities are currently exhibiting a high correlation across asset classes except Real Estate Equity. Private Credit also exhibits a low correlation to Bonds.

Rolling 12 Quarters Correlation Matrix	Equities	Bonds	Infrastructure	Private Credit	Private Equity	Real Estate Equity	Real Estate Credit
Equities	1.00						
Bonds	0.65	1.00					
Infrastructure	0.78	0.47	1.00				
Private Credit	0.81	0.25	0.80	1.00			
Private Equity	0.91	0.68	0.80	0.85	1.00		
Real Estate Equity	-0.24	-0.51	0.21	0.04	-0.20	1.00	
Real Estate Credit	0.70	0.86	0.41	0.37	0.70	-0.38	1.00

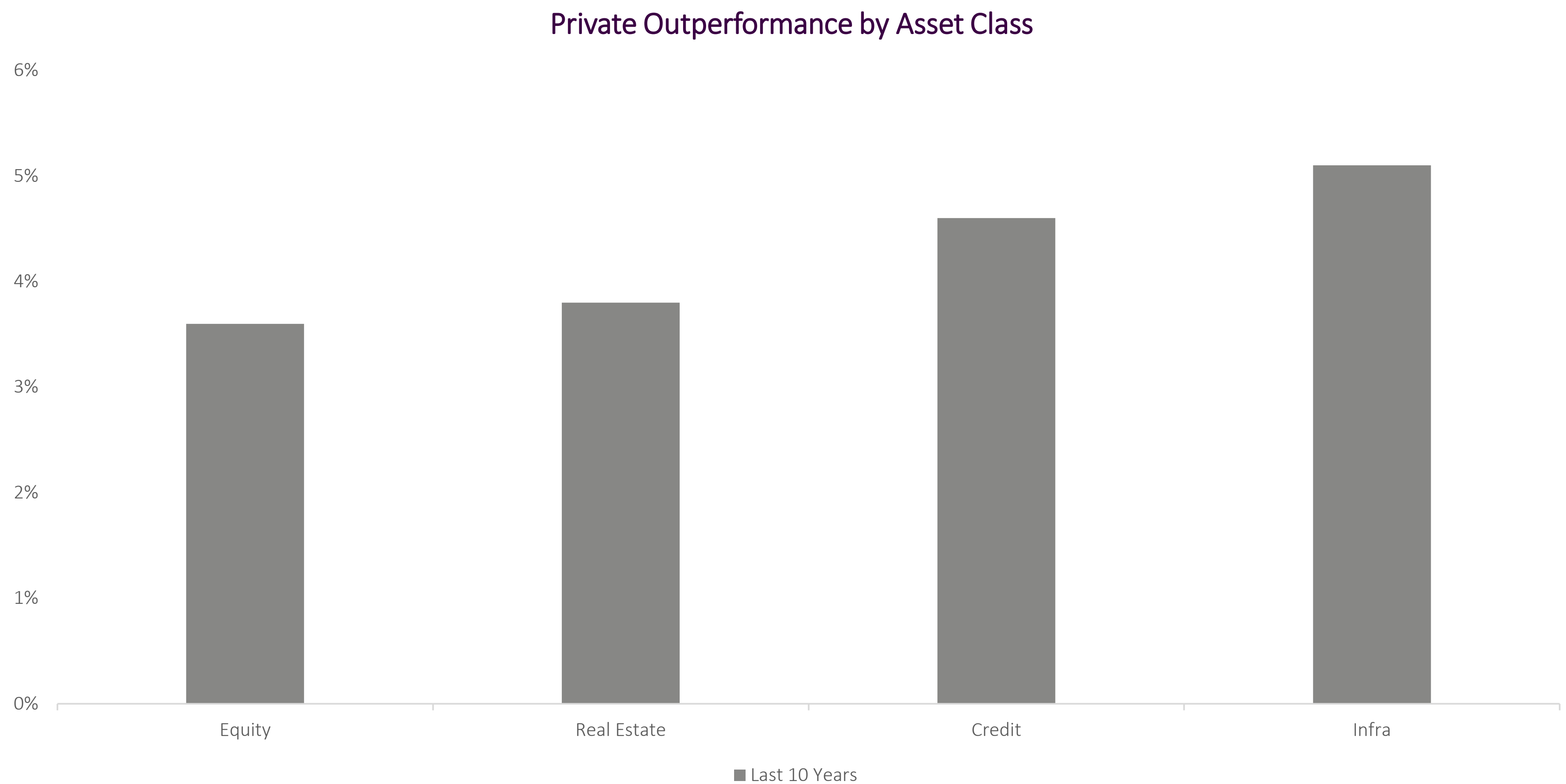
- Notably, the correlation between equities and bonds continues to rise.

Directional Correlation Matrix (TTM)	Equities	Bonds	Infrastructure	Private Credit	Private Equity	Real Estate Equity	Real Estate Credit
Equities							
Bonds	↑						
Infrastructure	↓	↑					
Private Credit	↓	↑	↓				
Private Equity	↑	↑	↓	↓			
Real Estate Equity	↓	↓	↑	↓	↓		
Real Estate Credit	↑	↑	↑	↓	↑	↑	

Note: Data from 3/31/2020 to 12/30/2022. Equities refers to the S&P 500, Bonds refers to the Global Agg, Private Equity refers to Cambridge Associates Benchmark, Private Credit refers to the Cliffwater Direct Lending Index, Real Estate Equity refers to Green Street US Commercial Real Estate, Real Estate Credit refers to Giliberto-Levy Commercial Mortgage Index, and Private Infrastructure refers to Cambridge Associates Benchmark. Source: KKR PWP Macro analysis. No representation is made that the trends depicted or described above will continue.

Private Outperformance Over Public Securities Is High

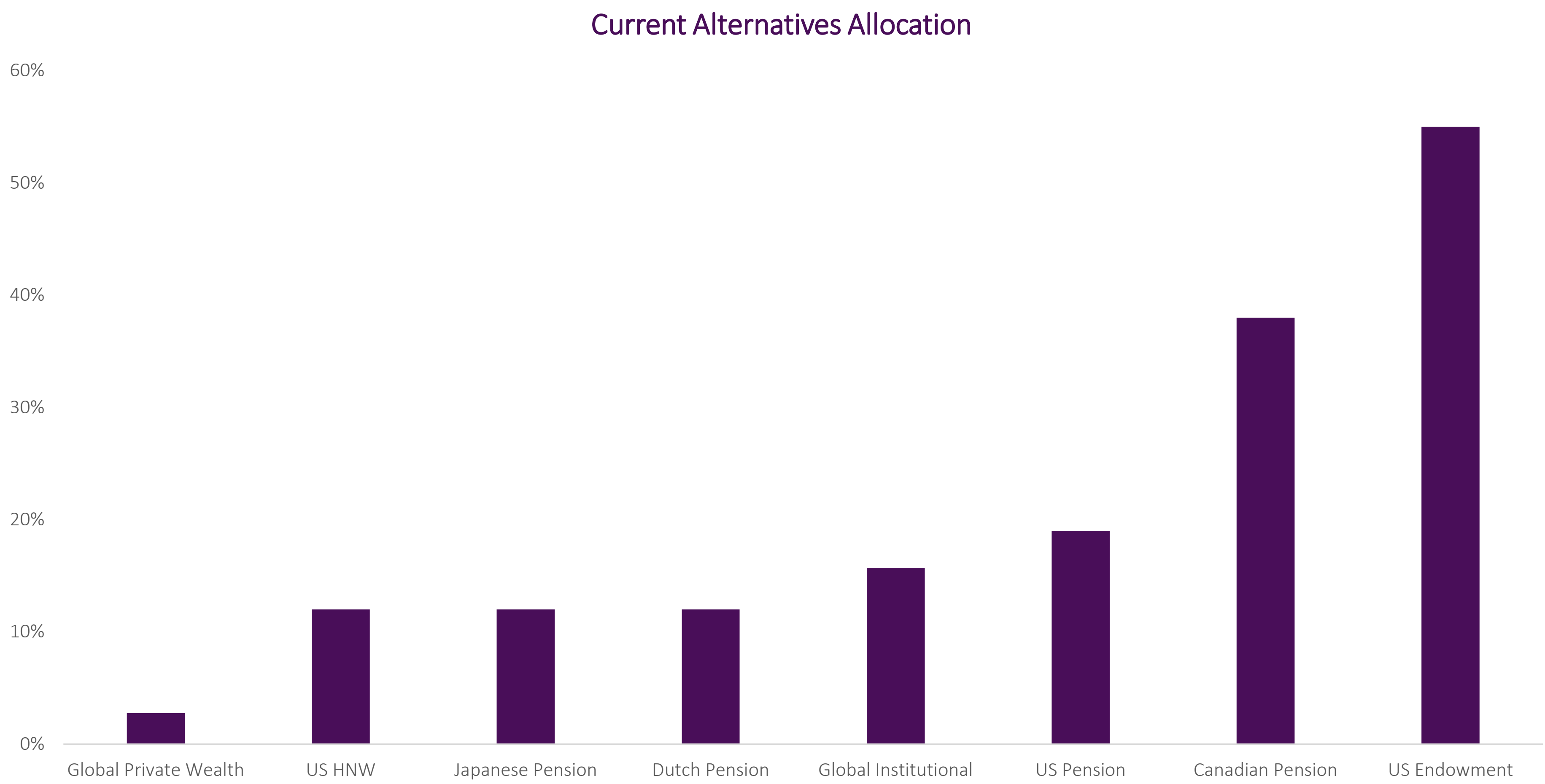
- The Excess Return of Private Asset Classes Relative to Their Public Alternative Has Been Material Over the Last 10 Years



Data as at 9/30/2022. Source: Standard & Poor's, Cambridge Associates, Bloomberg, KKR GMAA analysis.

Investors Are Increasing Allocations To Alternatives

- Investors of Different Types Are Leaning into Alternatives to Reduce Volatility, Support Income Growth, and Maximize Risk-Adjusted Returns



Note: Alternatives defined as allocation to assets other than public equities, public bonds, or cash. Hedge fund allocations are considered Alternatives. Source: The Cerulli Report—U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2022: Shifts in Alternative Allocations, Thinking Ahead Institute, Indefi, 2022 NACUBO-TIAA Study of Endowments, Bain, KKR PWP Macro analysis.

KKR's Liquidity Unconstrained Alternative to the 60/40

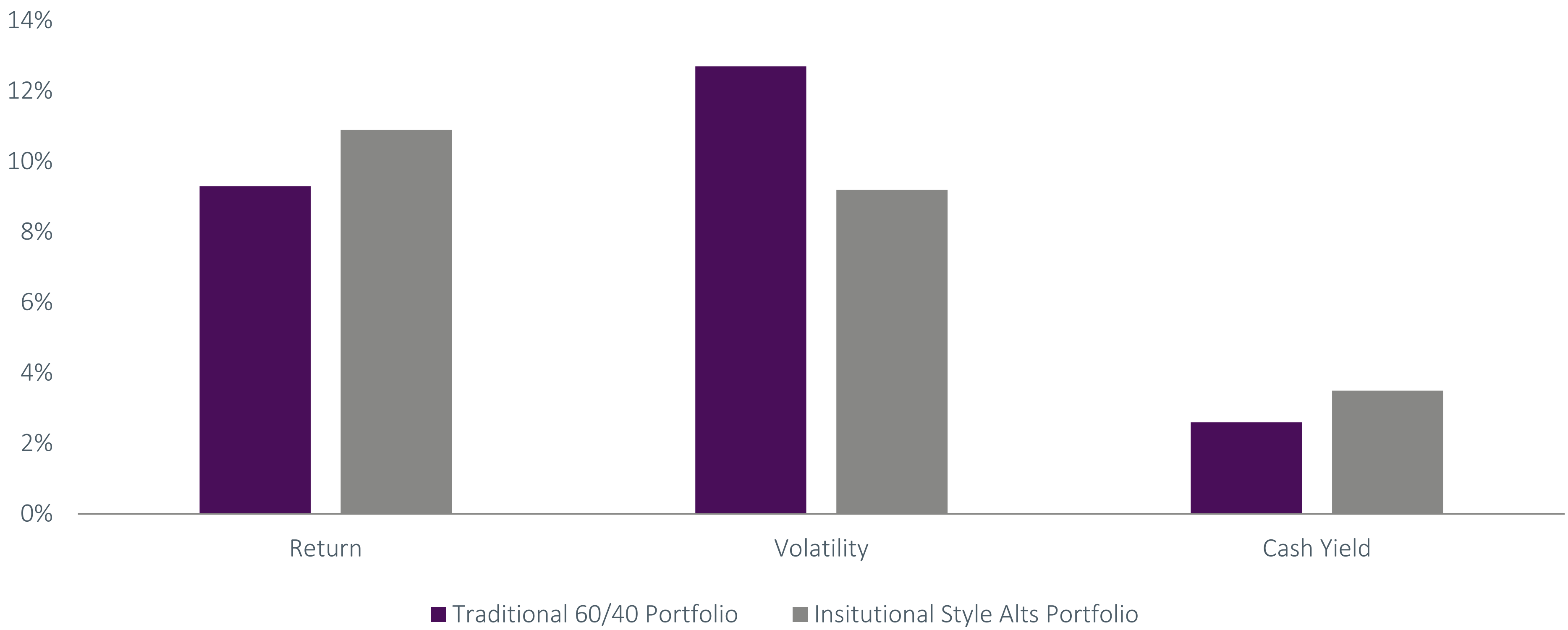
- KKR's CIO and Head of Portfolio Construction Propose a Model Institutional Portfolio to Maximize the Benefits of the Illiquidity Premium

Source: KKR Portfolio Construction analysis, KKR Insights: Regime Change: The Role of Private Equity in the 'Traditional' Portfolio, March 2023. https://www.kkr.com/global-perspectives/publications/regime-change-role-private-equity-traditional-portfolio

KKR

Giving Up Liquidity Has Led To Higher Risk Adjusted Returns

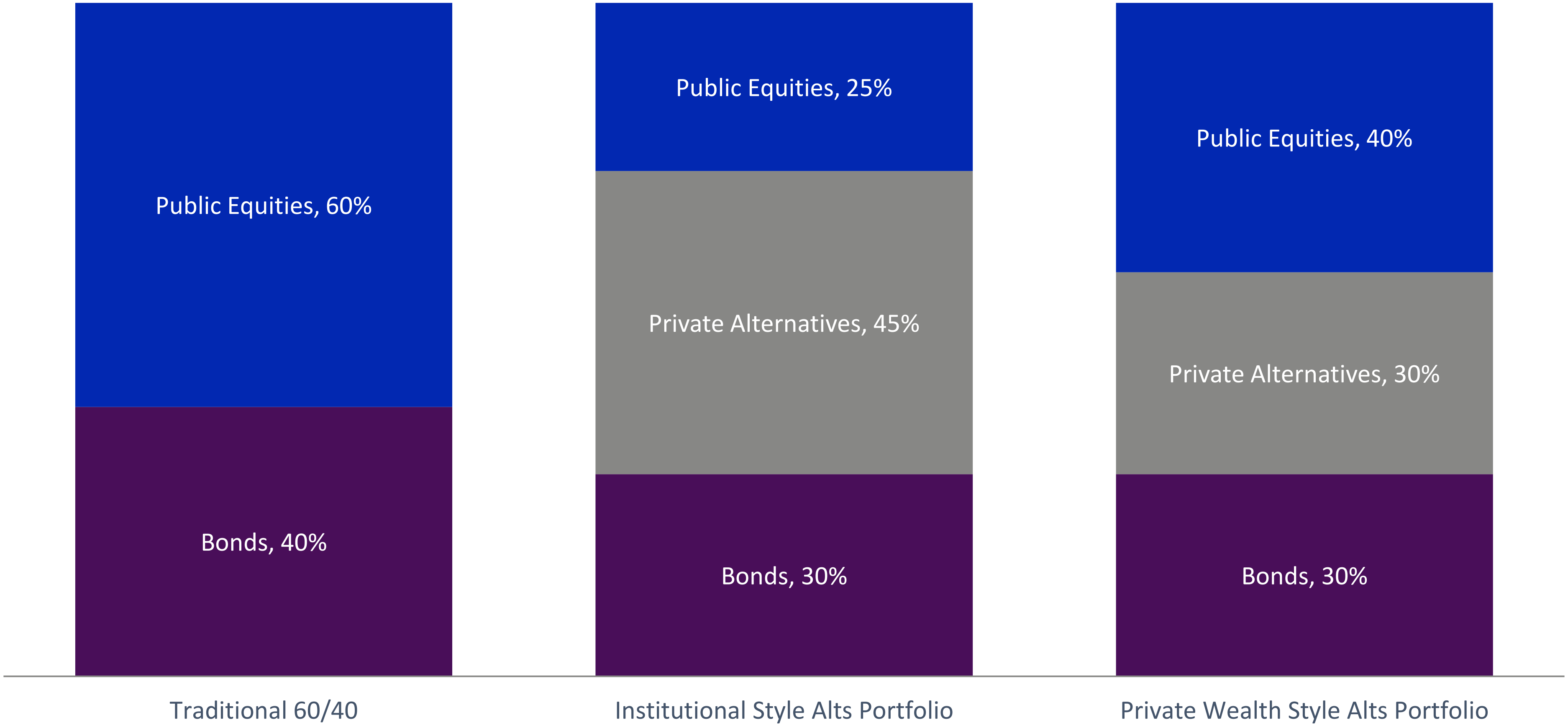
- KKR's Institutional Style Alts Portfolio Achieved over 1.5% of Excess Performance with over 3% Less Volatility and Nearly 1% of Excess Cash Yield Relative to the Traditional 60/40 Portfolio



Source: KKR Portfolio Construction analysis, KKR Insights: Regime Change: The Role of Private Equity in the 'Traditional' Portfolio, March 2023. https://www.kkr.com/global-perspectives/publications/regime-change-role-private-equity-traditional-portfolio

In the 40/30/30 Portfolio, Investors Trade Return In Favor of Increased Liquidity

- The 40/30/30 Portfolio is Not as High Returning as the More Alternatives Focused Institutional Style Portfolio but is Higher Returning – and often with Less Risk – than the Traditional 60/40 Portfolio



Source: KKR Portfolio Construction analysis, KKR Insights: Regime Change: The Role of Private Equity in the 'Traditional' Portfolio, March 2023. https://www.kkr.com/global-perspectives/publications/regime-change-role-private-equity-traditional-portfolio

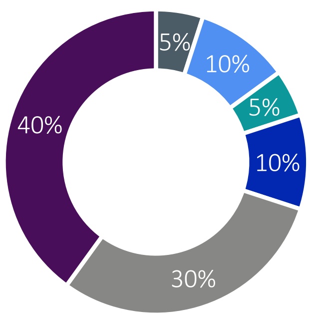
KKR

Goals Oriented Asset Allocation Tradeoffs

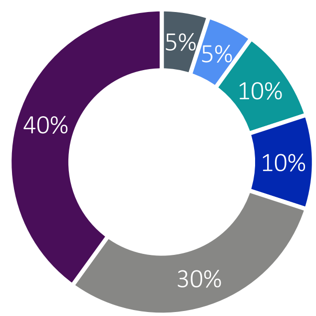
- Investors can adjust the Alternatives asset allocation to achieve specific benefits.
- A higher PE allocation offers higher risk-adjusted returns driven by company value creation and the illiquidity premium.
- Overweighting Infrastructure and Private Credit allocations provides income and downside protection.
- Increased allocation to Infrastructure and Real Estate helps investors generate income and protect purchasing power.

Allocating the 30%

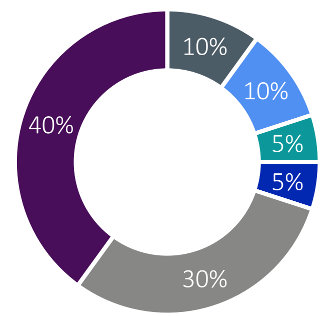
Maximize Income



Protect Downside



Maximize Returns



■ Equities ■ Bonds ■ Private Credit ■ Private Infrastructure ■ Private Real Estate ■ Private Equity

Maximize Income

- Elevated yields available in Private Credit
- Wide mortgage spreads and cap rate repricing provide attractive yields/income in Real Estate
- Infrastructure provides both current income and strong inflation hedging

Protect Downside

- Private Credit & Infrastructure historically experience shallow drawdowns and fast recovery periods
- Private Real Estate Credit provides diversification and attractive returns at a lower level of risk

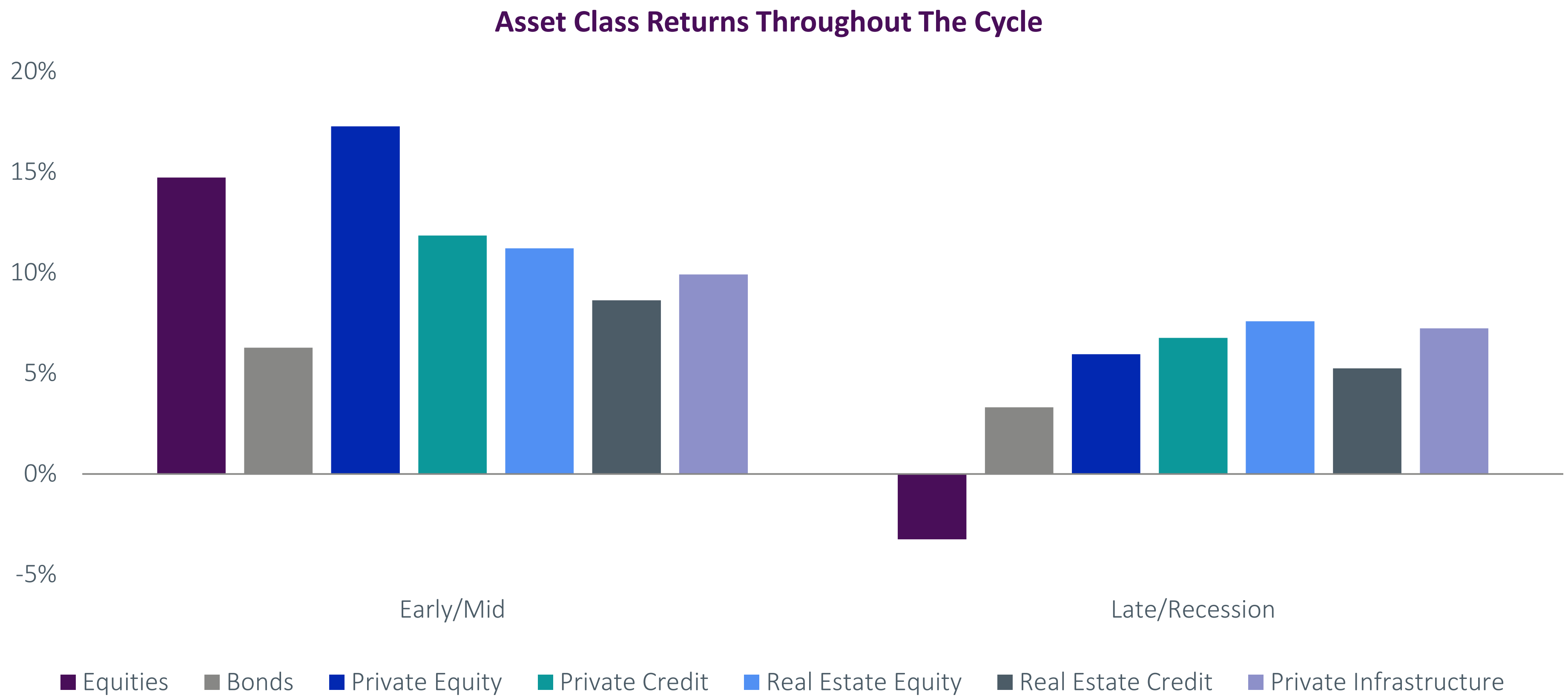
Maximize Returns

- Maximize returns via an outsize allocation to private equity
- Public market volatility creates opportunities in PE
- Manager selection can drive massive outperformance

Source: KKR PWP Macro analysis. Downside protection is no guarantee against future losses.

Investors Can Optimize Returns By Adjusting Tilts Depending on the Business Cycle Phase

- During late cycle periods, Infrastructure tends to stand among the strongest performing asset classes as risk sensitive assets start to come under pressure.
- In a recessionary environment, Bonds and collateral-based cash flow-based asset classes like Real Estate and Infrastructure tend to be more resilient.
- Risk-sensitive assets like Private Equity tend to perform the best heading into a new cycle.



Note: Asset class total returns are represented by indexes from Haver, Bloomberg, Cambridge Associates, Cliffwater, Green Street. Equities refers to the Russell 2000, Bonds refers to the Global Agg, Private Equity refers to Cambridge Associates Benchmark, Private Credit refers to the Cliffwater Direct Lending Index, Real Estate Equity refers to Green Street US Commercial Real Estate, Real Estate Credit refers to Giliberto-Levy Commercial Mortgage Index, and Private Infrastructure refers to Cambridge Associates Benchmark. Source: KKR PWP Macro analysis.

KKR

Asset Class Selection

Incorporating Private Infrastructure Into the Wealth Portfolio

Investors can leverage Infrastructure for both steady capital appreciation, income generation and downside protection. In higher inflation environments, Infrastructure protects purchasing power.

Benefits

- **Downside risk protection** given essential nature of asset base where yield is often contracted/ regulated e.g., water utilities
- **Inflation linkage of cash flows**
- **Replacement value** of assets increases as nominal GDP rises and populations grow
- Operating businesses where **value creation** is a real opportunity

Considerations

- Liquidity Management
- Sub-sectors exhibit very different profiles, so **asset selection** is important
- Volume-driven or GDP-correlated infra is more volatile versus contracted/regulated infra
- Government and regulatory agenda can impact outcomes
- Contract structure/duration

Secular Drivers

- **Decarbonization** - Reduce the carbon intensity of traditional fossil fuel energy infrastructure e.g., solar & wind assets and electricity distribution
- **Deconsolidation** - Industrials and corporates seek to create value and operational efficiency by divesting non-core assets
- **Digitization** - Data is the fastest growing commodity in the world with global IP traffic expected to increase by 26% CAGR e.g., fiber optics and cell towers

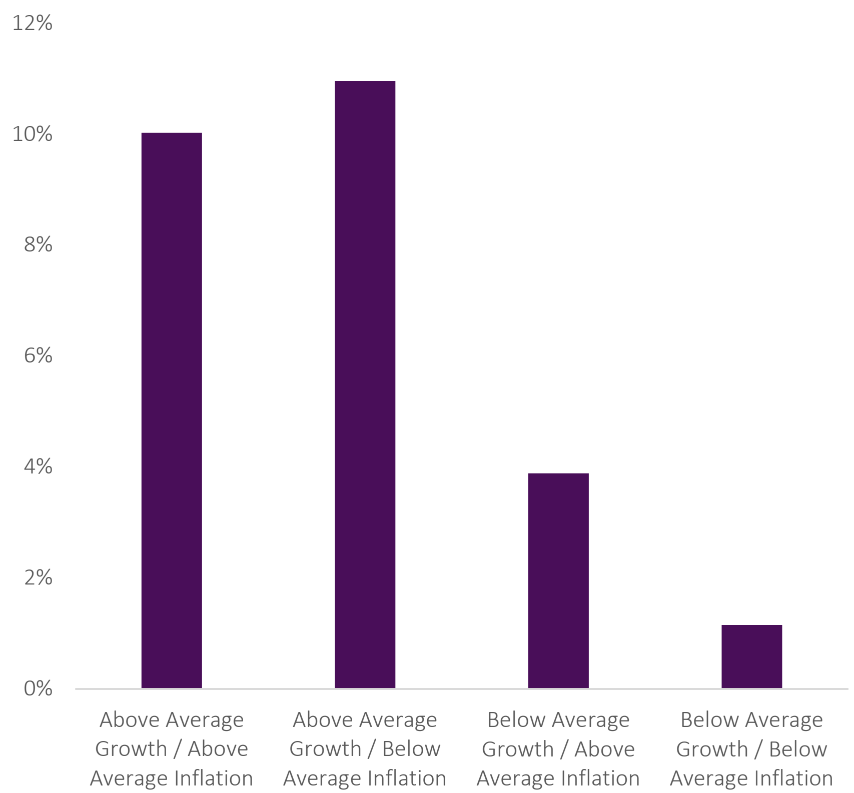
KKR

Downside protection is no guarantee against future losses.

We Believe There Is A Compelling Case for Infrastructure In a Recessionary Environment With Elevated Inflation

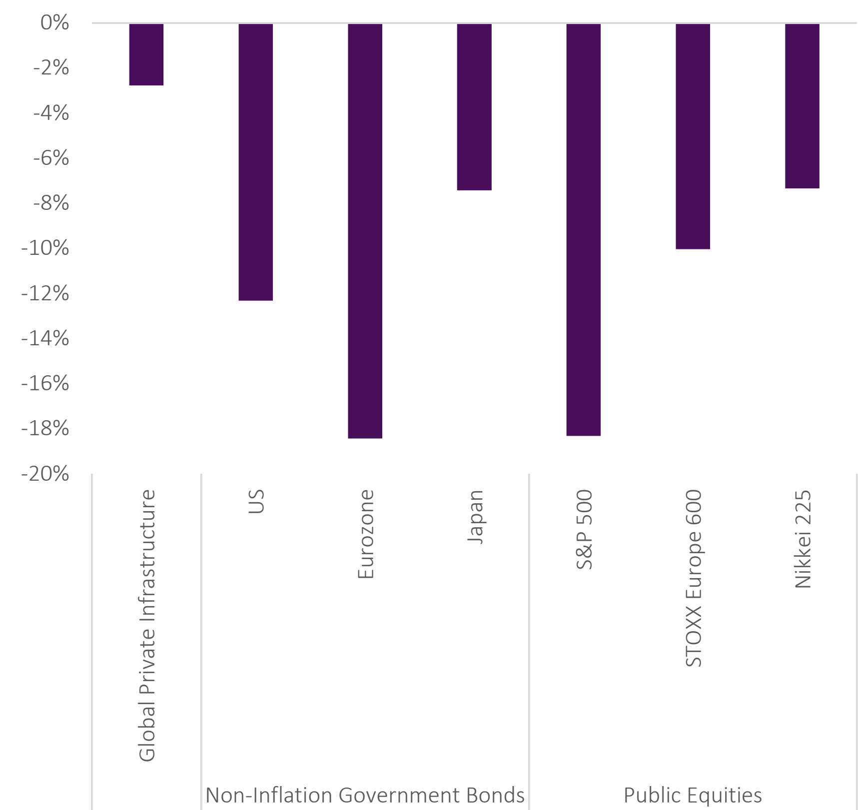
- Inflation Linked Cash Flows Allow Infrastructure To Outperform During Periods of Elevated Inflation

Infrastructure Returns



- Essential Nature of Asset Base With Contracted Yield Provides Downside Protection

Performance in 2022



Left chart – Note: Data from 2000 to 2022 using average annual returns. Above Average Growth defined as > 2% and Below Average Growth as < 2%. Above Average Inflation defined as > 2.5% and Below Average as < 2.5%. Source: Cambridge Associates All Global Private Infrastructure Index, KKR Portfolio Construction analysis. Right chart – Note: Value-Weighted Infra300 Index in USD. Non-Inflation Government Bonds refers to the Bloomberg U.S. Treasury Total Return Unhedged Index in the US, the FTSE Eurozone Government Bond Index in the Eurozone, and the FTSE Japan Government Bond Index in Japan. Source: Edhec, Bloomberg, KKR PWP Macro analysis. No representation is made that the trends depicted or described above will continue.

Global Private Equity Investing

Maximizes risk-adjusted returns particularly when public equity markets are more challenged

Benefits

- Historical **~3% excess return over public equities** for the median manager. However, manager selection can drive significant outperformance as **manager dispersion averages ~12.5%**
- Company **value creation lever has historically yielded a 4.4% excess EBITDA growth** versus public **companies**
- Market volatility may create opportunities this year

Considerations

- Liquidity Management
- Elevated financing costs drives need for creativity in deal structuring
- Dry powder available across the industry creates potential for high competition
- Higher input costs and rates will be a headwind for some company business models

Secular Drivers

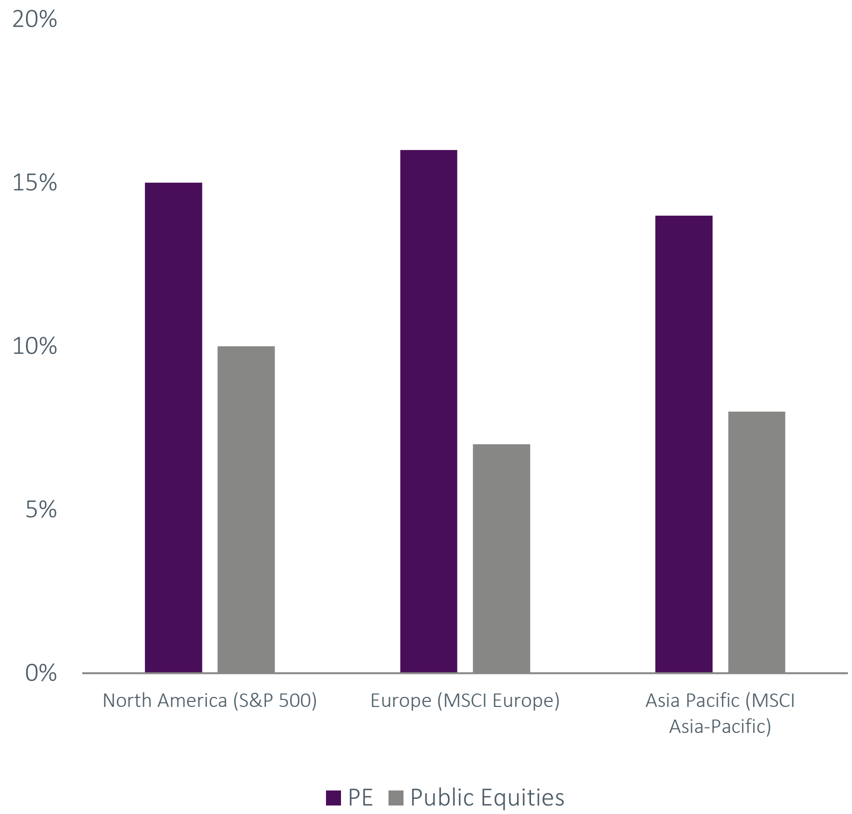
- Demographics
- Digitization
- Housing supply/ demand imbalances
- Health & Wellness
- Security of everything

Note: (i.e.. the difference between top and bottom quartile vintages is wider than for Active Public Equities Managers at 5%). Source: Cambridge Associates, KKR Portfolio Construction analysis, KKR PWP Macro Analysis. There are several risks associated with private equity strategies that must be considered before investing.

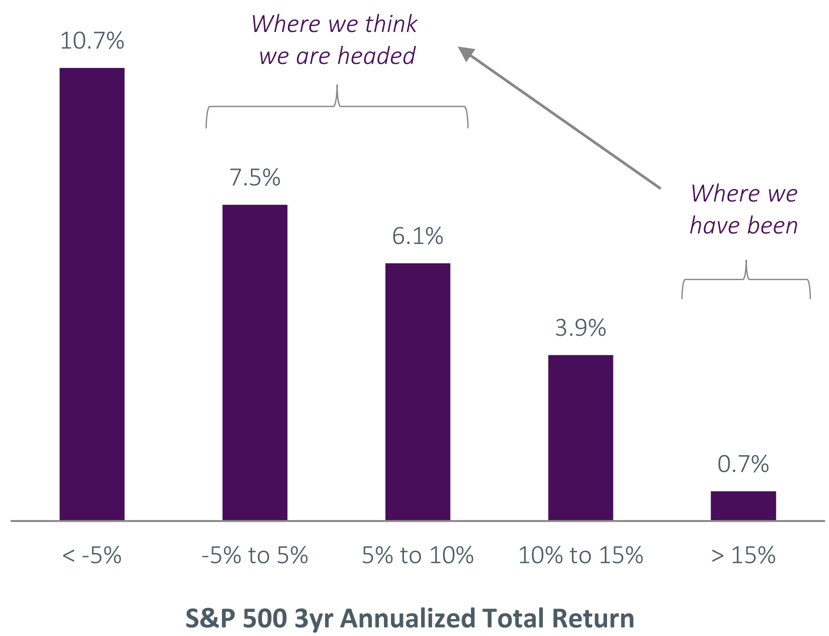
Public Equity Market Dislocation is Creating Opportunities for Private Equity

- Across geographies, Private Equity returns tend to exceed Public Equity returns.
- The excess return of Private Equity is highest when Public Equity market volatility is highest.

PE vs Public IRR last 20 years (as of Q321)



Avg. 3yr Annualized Excess Total Return of U.S. Private Equity Relative to S&P 500 Across Public Market Return Regimes



Left chart – Note: Public Equities IRR is calculated as a modified public market equivalent (mPME), which is defined as the returns that an investor would achieve by deploying the PE cash flows into public equity markets. Data as at 9/30/2022. Source: Cambridge Associates, Bain, Bloomberg, KKR Portfolio Construction analysis. Right chart –Data as at 11/30/2022. Source: Cambridge Associates, Pitchbook, KKR GMAA analysis. No representation is made that the trends depicted or described above will continue.

Global Private Real Estate Investing

We believe investors can leverage real estate equity and credit to achieve steady returns throughout the cycle.

Benefits

- Potential hedge against inflation via **collateral-based cash flows**
- Opportunity to gain exposure via **equity or credit**
- Broad opportunity set in large, global asset class with **multiple sub-sectors** e.g., logistics, multifamily
- Significant **portfolio diversification** benefits

Considerations

- Liquidity management
- Shifts in secular trends e.g., commercial office
- Impact of higher borrowing costs on transaction volume
- Capital market driven repricing against solid fundamentals should create opportunities
- Lenders market amidst elevated borrowing costs

Secular Drivers

- **Consumer Behavior** – e.g., work-from-home creates propensity to rent
- **Demographic Shifts** – e.g., migration patterns and aging population create population inflows to markets
- **Corporate Strategy** – e.g., supply chain security and on-shoring creates domestic demand for space

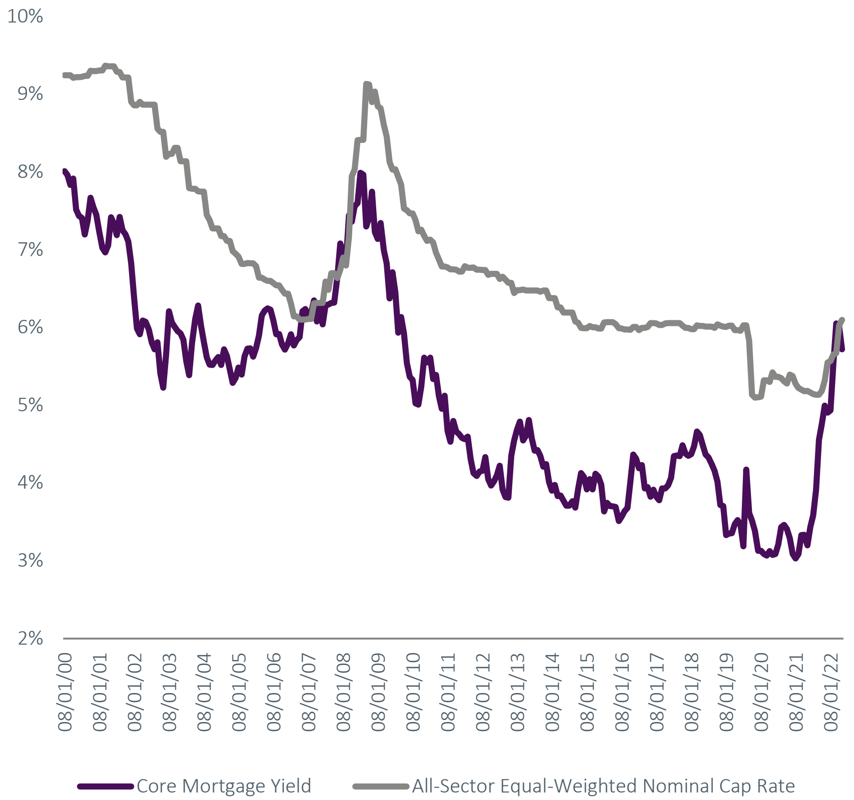
There are several risks associated private equity real estate strategies that must be considered before investing.

Private Real Estate Credit Provides Comparable Returns to Private Real Estate Equity with Less Risk

- Unlevered Mortgage Yields Are Currently on Par with the Real Estate Equity Cap Rates

- Repricing in the US and Europe Has Created Opportunities

Mortgage Yields vs Capitalization Rates



Real Estate Valuation Percentiles (Relative to Historical Average Since 2009)

Left chart – Data since 09/30/2000 through 12/31/2022. Right chart - Data since 09/01/2009 through 12/31/2022, except Korea Private Office data as at 09/01/2022. Source: Green Street, Giliberto-Levy, KKR PWP Macro analysis. No representation is made that the trends depicted or described above will continue.

KKR

Global Private Credit Investing

Today's market presents compelling opportunities for credit to generate accretive income with structural and contractual downside protections we have not seen in over a decade.

Benefits

- Obtain exposure to credit risk with typically **greater control and lender protections** than available in the public markets
- In a higher rate environment, increasing exposure to floating rate assets helps **boost the income-generating** component of the fixed income allocation
- Benefit from **inflation protection** in credit backed by hard collateral e.g., real estate, aircraft and railcars, in particular
- Increased **diversification benefit** versus traditional fixed income
- Flexibility to invest opportunistically across the **credit spectrum**

Considerations

- Liquidity Management
- Rising default risk requires prudent credit selection
- Elevated rates support increased exposure to floating versus fixed rate credit given impact of inflation on fixed rate credit
- At current government yields, bonds are offering a compelling value proposition
- Time to build sizeable positions can create a need for **liquid credit** to gain exposure

Secular Drivers

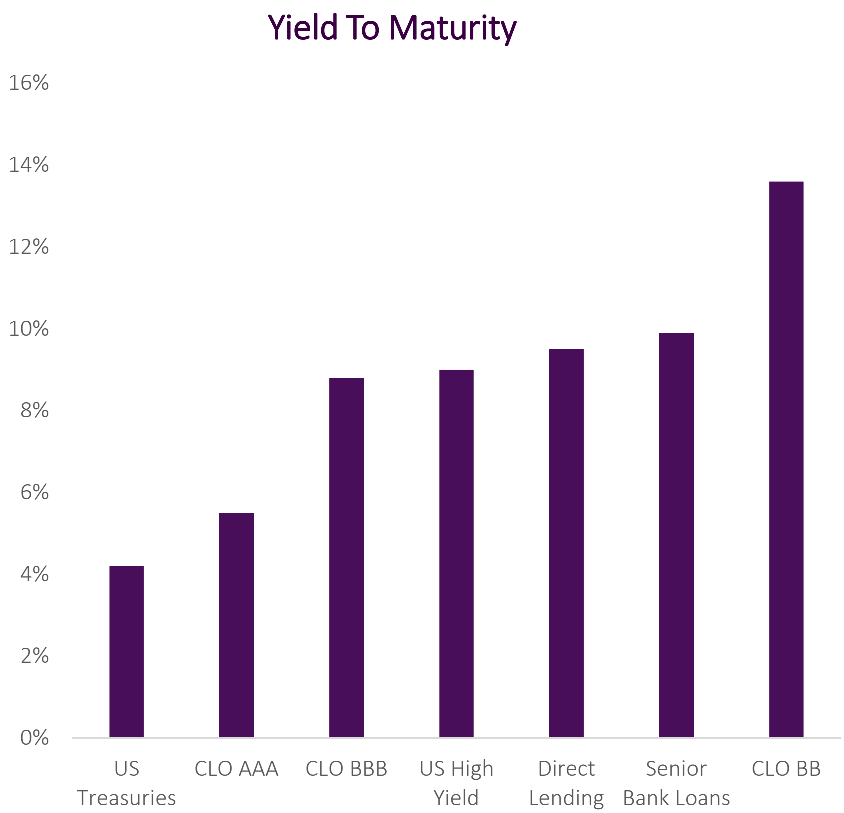
- As traditional lenders face regulatory requirements to increase loan loss reserves, constraints in their ability to extend credit is creating opportunities for private credit
- In the current macro backdrop investors can underwrite higher quality assets with lower leverage at attractive yields
- Compelling yield in a higher rate environment amidst elevated government yields boosted by the illiquidity premium

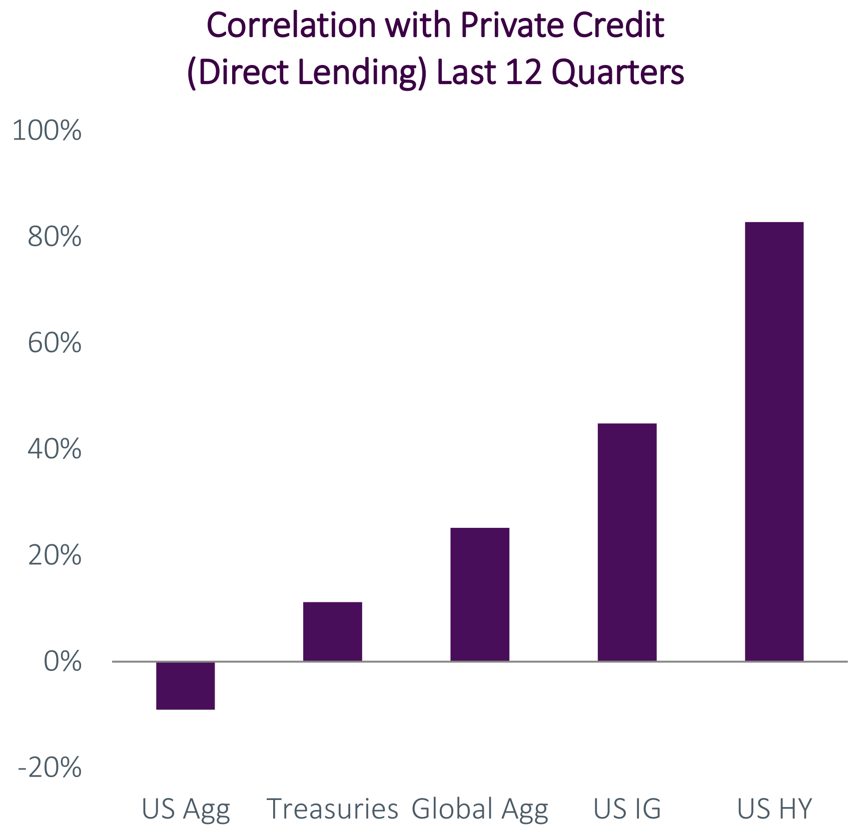
KKR

Source: KKR Insights: Regime Change: The Benefits of Private Credit in the 'Traditional' Portfolio, December 2022. https://www.kkr.com/global-perspectives/publications/regime-change-benefits-private-credit-traditional-portfolio. There are several risks associated with global private credit strategies that must be considered before investing.

Multiple Areas of Private Credit Offer A Compelling Value Proposition Today

- Private Credit provides strong downside protection and diversification compared to traditional asset classes.
- Today many parts of Private Credit offer a compelling yield and diversification proposition that traditional fixed income often cannot match, we believe.

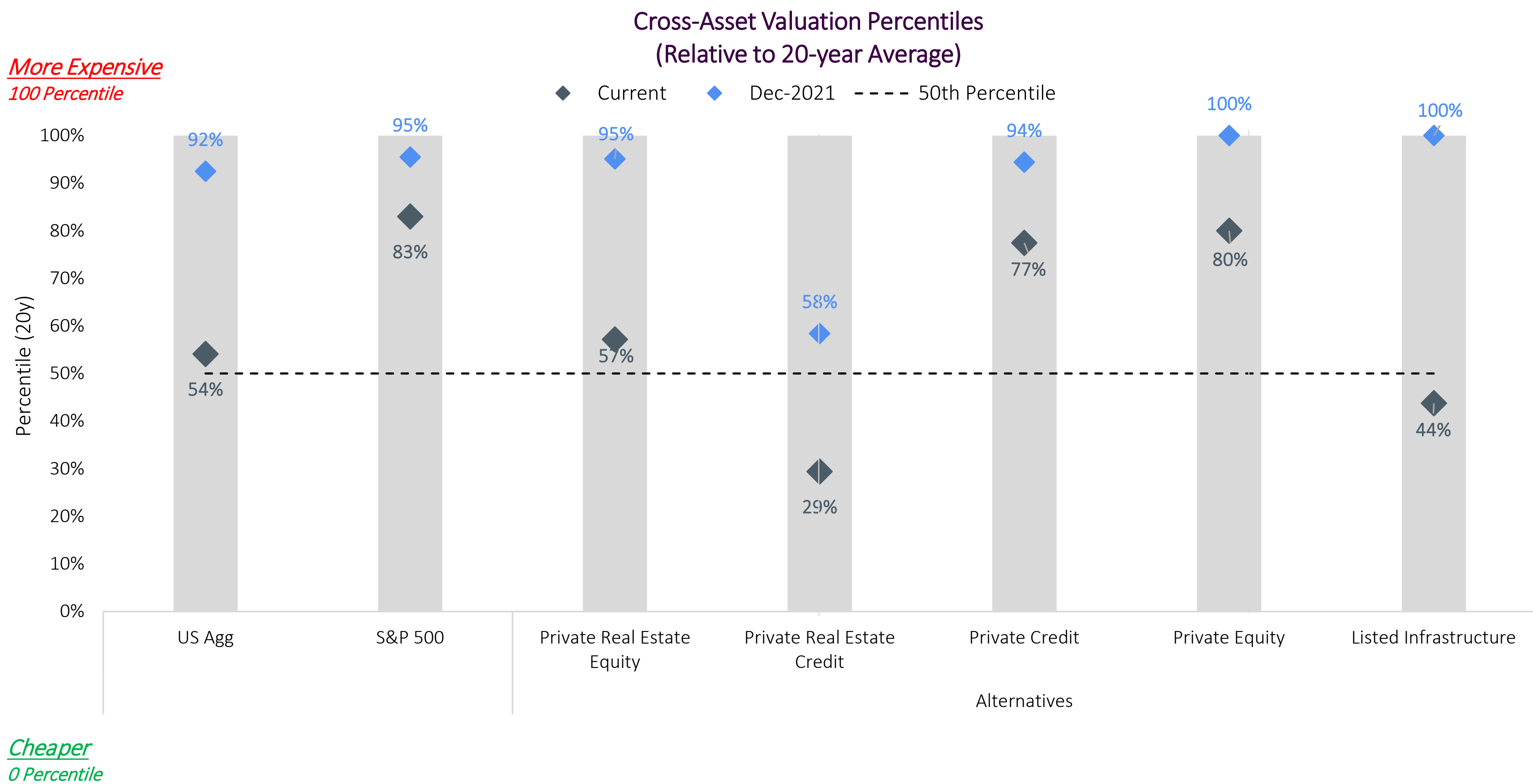




Note: Direct Lending is represented by the Cliffwater Direct Lending Index. High Yield is represented by the ICE BofAML U.S. High Yield Index. Senior Bank Loans are represented by the S&P/LSTA Leveraged Loan Index. U.S. Treasuries are represented by the ICE BofAML 10-Year U.S. Treasury Index, US Investment Grade represented by the Bloomberg US Corporate Total Return Index, US Agg represented by the Bloomberg US Agg Total Return Value Index, and Global Agg represented by the Bloomberg Global-Aggregate Total Return Index. CLO AAA, CLO BBB. CLO BB yields are as at 1/31/2023. Data unless otherwise noted as at 12/31/2022. Source: Bloomberg, Cliffwater, Cambridge Associates, KKR GMAA, KKR Portfolio Construction, KKR PWP Macro analysis. Downside protection is no guarantee against future losses.

Determining the Right Entry Point

- Valuations for Alternatives Have Reset More Than Large Cap Equities, Which Has Created Opportunities



Note: S&P 500 refers to NTM P/E; UST, credit refer to spreads; private real estate refers to nominal cap rate; private real estate credit refers to mortgage spreads; listed infrastructure refers to dividend yield. Data as at 2/28/2023 for all except Private Credit & Equity where available data is as at 09/30/2022; percentiles from 2002-date where available. Source: Bloomberg, Haver Analytics, ICE-BofAML Bond Indices, Green Street, Cambridge Associates, Giliberto-Levy, KKR GMAA analysis, KKR PWP Macro analysis.

Quarterly Takeaways

01 KKR sees the current global banking crisis as emanating from **market uncertainty** surrounding unrealized losses, uninsured deposits, and commercial office exposure on bank balance sheets. **More banking oversight** may be needed, and **global central banks may continue to increase policy rates**, albeit following a shallower and/or truncated path.

02 The crisis reaffirms our view that we have entered a **new macroeconomic regime** characterized by higher levels of inflation, higher rates, heightened geopolitical risks and slower, though positive, real economic growth.

03 Importantly, amid elevated inflation, we expect **real rates to remain low.**

04 To achieve return goals, investors are increasingly leaning into the **diversification, downside protection, illiquidity premium, and inflation hedging benefits provided by Alternatives.**

05 In the current market, there are more opportunities for private lenders as banks pull back lending. Against that backdrop **Private Credit and Real Estate Credit** returns are compelling, especially given downside protection benefits. Investors should also consider the current value offered in **Liquid Credit,** which can be used as a transitional bridge to a Private Credit allocation.

06 We believe **Infrastructure and select Real Estate** investments can support investors to protect purchasing power in a higher inflation environment.

07 **Private Equity** relative outperformance is greatest when public market volatility is highest, as a result, capital market dislocation may present significant opportunities.

08 We think investors should prioritize **thematic exposure** to climate change mitigation, the energy transition, shifting demographics, the housing supply/demand imbalance, and 'the security of everything'.

KKR

Downside protection is no guarantee against future losses.

Appendix

By The Numbers - Macro

	Current as of February 2023	December 2023 Forecast (Base Case)
S&P 500	4120	4150
US 10 Year	3.80%	4.25%

S&P 500 Price Target Scenarios				
	Base (50% Prob)	Bear (35% Prob)	Bull (15% Prob)	Weighted Average
Current = 3,950				
2023 Year-End Target	**4,150**	**3,060**	**4,730**	**3,855**
P/E on 2024 EPS	17.7x	15.1x	18.6x	17.0x
2024 Year-End Target	**4,390**	**3,100**	**5,060**	**4,039**
P/E on 2025 EPS	17.3x	14.2x	18.6x	16.5x
2021a EPS	$209	$209	$209	$209
2022e EPS	$222	$221	$224	$222
2023e EPS	$200	$182	$238	$200
2024e EPS	$235	$202	$255	$227

- As we see it, ERP at ~5.6% is elevated vs history, a contrarian indicator of strong future performance
- But, even after recent credit spread compression, excess risk premia to HY spreads is only just returning to historically average levels of ~120bps
- KKR's multi-factor EPS model calls for a fall in EPS of ~10%, driven by still high oil prices, a weakening USD, direction of credit spreads, slowing ISM index, level of consumer confidence, higher policy rates, and other factors
- On multiples, large caps trading ~18x is not necessarily cheap vs the long term average so, in our view, value creation going forward will not be from multiple expansion as there will be sustainable alternatives to equities in a higher for longer rate environment, giving less reason to bid up equities and limiting animal spirits

Note: Data as at 11/21/2022. Forecast as at 3/03/2023. Source: KKR GMAA analysis.

By The Numbers – Portfolio Construction

	Return	Volatility	Sharpe Ratio	△ vs. 60/40	% Liquid Asset	Cash Yield
All Periods by Portfolio						
60/40	9.3%	12.7%	0.73	-	100%	2.6%
40/30/30	9.6%	9.6%	1.001	+0.26	70%	3.6%
Private Wealth	10.6%	10.6%	1.00	+0.27	70%	3.2%
Institutional	10.9%	9.2%	1.18	+0.45	55%	3.5%
High Inflation by Portfolio						
60/40	1.5%	12.5%	0.12	-	100%	2.6%
40/30/30	4.3%	8.8%	0.49	+0.36	70%	3.7%
Private Wealth	5.3%	9.1%	0.57	+0.45	70%	3.2%
Institutional	6.9%	8.6%	0.80	+0.68	55%	3.5%
Low Inflation by Portfolio						
60/30	11.0%	11.5%	0.96	-	100%	2.6%
40/30/30	10.5%	9.1%	1.16	+0.21	70%	3.6%
Private Wealth	11.5%	10.2%	1.13	+0.18	70%	3.1%
Institutional	11.4%	9.3%	1.23	+0.27	55%	3.5%

Source: KKR Portfolio Construction analysis, KKR Insights: Regime Change: The Role of Private Equity in the 'Traditional' Portfolio, March 2023. https://www.kkr.com/global-perspectives/publications/regime-change-role-private-equity-traditional-portfolio