Global Wealth
Investment Playbook

Highlights | 2Q24

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Quarterly Takeaways

01 We remain in a new regime of higher inflation and higher rates. Given the persistence of inflation, we do not believe the Fed will be able to cut rates until 2025 but several central banks, including the ECB and BoE, are likely to reduce rates this year.

02 Higher rates, elevated valuations, and concentration risk may pressure large cap US equity returns over the next five years versus history. European large cap equity returns may look more attractive given modest valuations. However, the lack of diversification remains a risk on both sides of the Atlantic.

03 Elevated inflation is driving a higher correlation between stocks and bonds compelling investors to find diversification elsewhere. We believe Alternatives remain a crucial area of opportunity to increase diversification, as well as boost returns, hedge against inflation, and reduce volatility.

04 In an individual's portfolio, Private Infrastructure can provide downside protection with an element of upside potential. Private Credit can be a reliable income boost. Private Equity can materially enhance total returns across rate environments. Finally, Private Real Estate remains a key diversifier and we are seeing more opportunities emerge on the equity side, in addition to credit.

05 Rising geopolitical tensions and election uncertainty will continue to drive elevated volatility. Investors should factor in these risks, but also seize the opportunity to lean into long term themes and diversify portfolios by region and sector.

We Believe Investors Need To Re-Assess Their Portfolios In This New Regime

New Macro Regime

- Higher Inflation And Rates
- Asynchronous Regional Cycle
- Slower Real Economic Growth

Implications For Asset Allocation

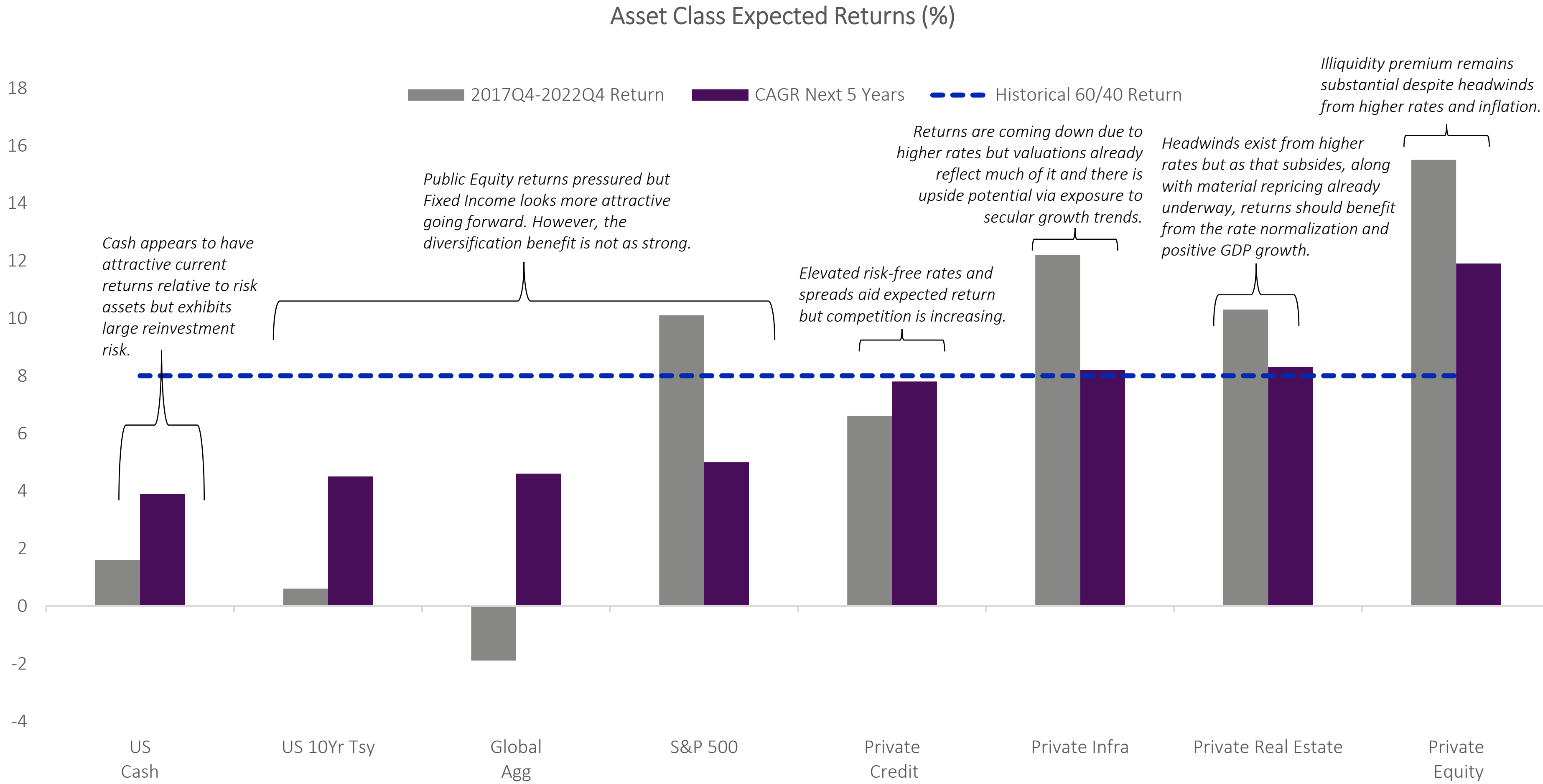
- Lower Asset Class Returns
- Shifts In Asset Class Correlations

Opportunities In Private Assets

- Increased Importance Of Alternatives
- Control-Equity/Real Assets Outperformance
- Regional Diversification

We Believe This Period Will Be An Opportune Time To Adjust Portfolio Construction And Lean Into Private Markets

- 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, higher borrowing costs, and slower real economic growth, investors may need to diversify into alternative asset classes.



Data as at 12/31/2023. Note: Capital markets assumptions are average across all quartiles annualized total returns. Forecasts represent five-year annualized total return expectations. For private asset classes (Private Credit, Private Infra, Private Real Estate, and Private Equity), returns are net of Fee/Carry. Note that we have altered our Private Credit methodology to exclude fund-level leverage, which has lowered total return on a go forward basis. Source: Cambridge Associates, Bloomberg, KKR Global Macro, Balance Sheet and Risk analysis. Compound Annual Growth Rate (CAGR) measures an investment's growth rate, assuming profits are reinvested at the end of each period. Private Real Estate modeled using the Cambridge Associates Real Estate Index. Private Infrastructure modeled using the Cambridge Associates Infrastructure Index. Private Equity modeled using the Cambridge Associates Private Equity Index. Private Credit modeled using the Cliffwater Direct Lending Index. No representation is made that the trends depicted or described above will continue. For Financial Advisor Use Only.

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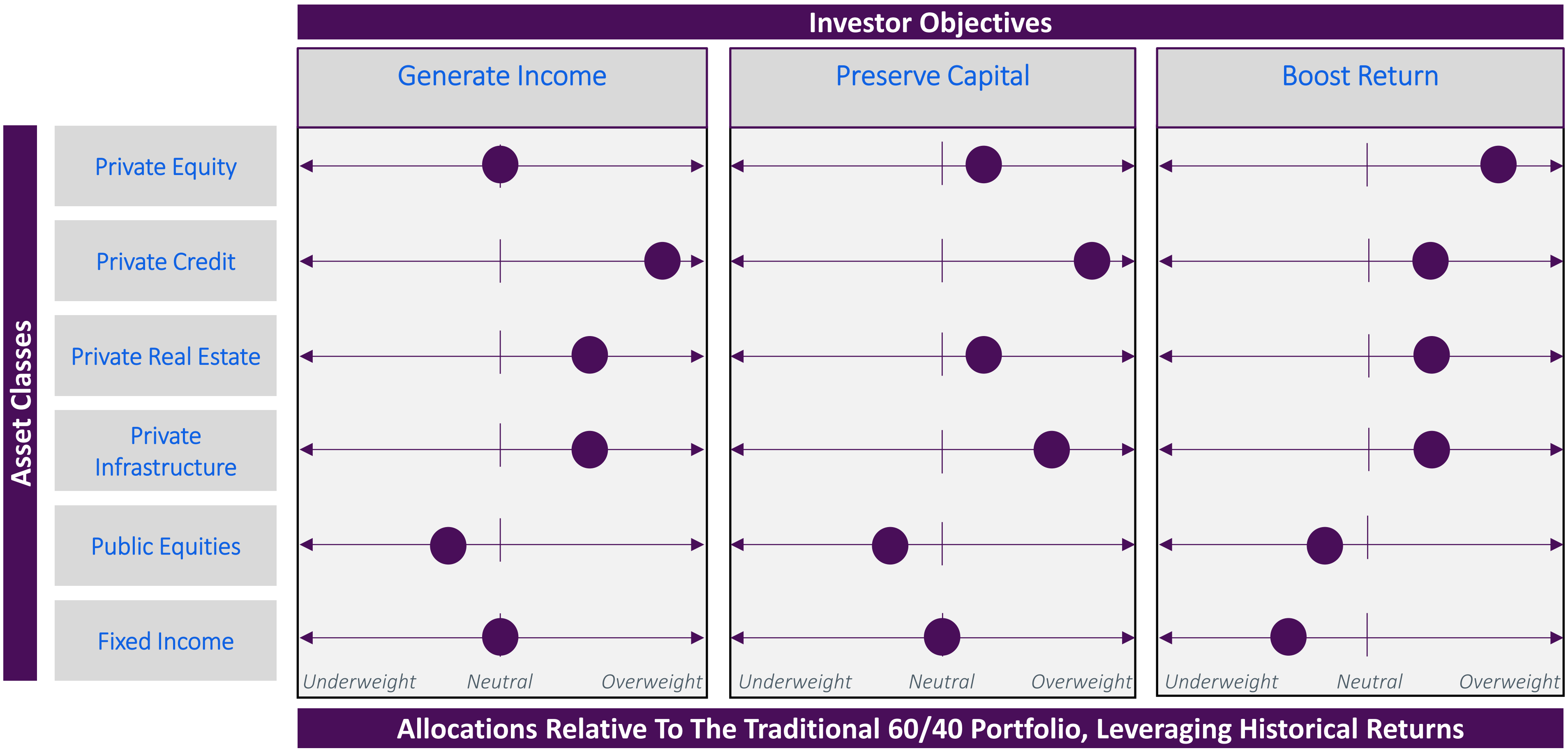
Relative to the Traditional 60/40 Portfolio, Investors Can Tilt Asset Class Exposure To Increase Return And Reduce Vol

- The incorporation of investor preferences is an integral step in the strategic asset allocation process.
- To incorporate Alternatives into an existing traditional 60/40 portfolio, it is important to thoughtfully reduce allocations to equities and fixed income in a manner consistent with portfolio objectives (i.e., reducing fixed income more than equities when incorporating Alternatives into the 'Boost Return' objective) and to consider asset class performance, volatility, and correlations between asset classes.



Note: Allocation tilts shown are relative to an existing 60/40 Portfolio consisting of 60% Public Equities and 40% Fixed Income. Optimization analysis performed using the S&P 500 for Public Equities, the Bloomberg Global Aggregate for Fixed Income, the Cambridge Associates Benchmark for Private Equity, the Cliffwater Direct Lending Index for Private Credit, the Cambridge Associate Global Infrastructure Benchmark for Private Infrastructure, and the Cambridge Associates Real Estate Index for Private Real Estate. Source: Cambridge, Bloomberg, KKR GBR analysis. Past performance does not guarantee future results. No specific KKR products referenced. For Financial Advisor Use Only.

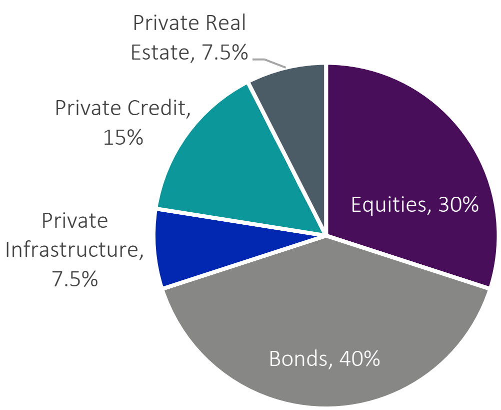
Alternative Asset Classes Have Historically Helped Investors Generate Income, Preserve Capital, And Boost Returns

- Today, many investor portfolios still resemble the traditional 60/40 portfolio, but investors are increasingly looking to enhance their portfolios with Alternatives to achieve their investment objectives in this new macroeconomic regime.
- Through optimization techniques applied to historical asset class returns, return volatility, and cross-correlations, we back tested the output confirming the incorporation of Alternatives, aligning with investor preferences, has historically enhanced the relevant objective.

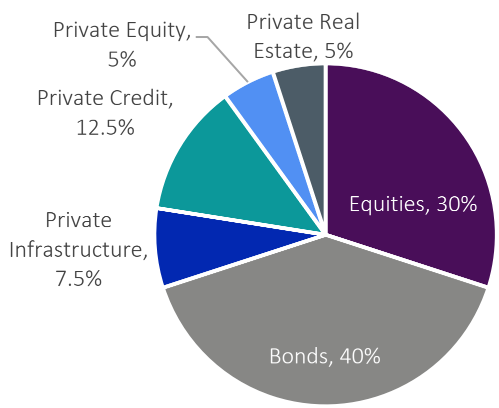
KKR Alts Enhanced Framework For Wealth

Objective: Increase income potential of portfolio while maintaining liquidity	**Objective:** Receive loss protection and inflation hedging benefits	**Objective:** Boost the return potential of the portfolio

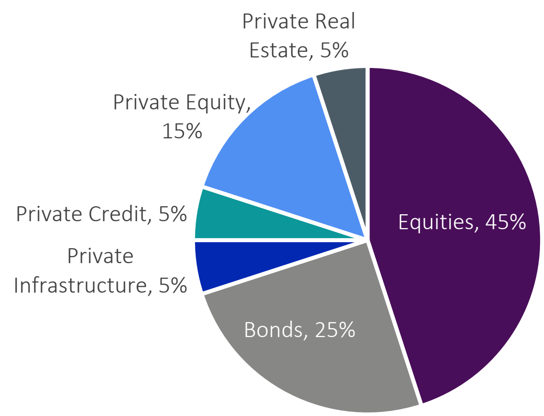
Alts Enhanced – Generate Income



Alts Enhanced – Preserve Capital



Alts Enhanced - Boost Return



	Generate Income	Preserve Capital	Boost Return
Historical Performance vs 60 / 40:	• Income +1.6% • Liquidity ↓	• Volatility -2.4% • Liquidity ↓	• Return +1.1% • Liquidity ↓
Traditional	• Reallocate from the Public Equity tranche to more yield, inflation protection and diversification in Alternatives. Maintain substantial Bond allocation	• Reduce portfolio volatility by tilting some Public Equities exposure to Alts. Maintain substantial Bond allocation given downside protection	• Increase the return potential of the portfolio by tilting Bond allocation towards Equities
Alts	• Increase Private Credit allocation given predictable and high streams of cash flow, followed by Infra & Private Real Estate (yield may emanate from RE Credit vs Equity) for both additional yield and diversification	• Increase allocation to Private Credit given potential for downside protection followed by Private Infrastructure which benefits from lower volatility and inflation-hedging attributes	• Overweight Private Equity to boost total return, followed by Real Assets

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Source: KKR GBR analysis. **Note:** Optimization and historical analysis performed using the S&P 500 for Public Equities, the Bloomberg Global Aggregate for Fixed Income, the Cambridge Associates Benchmark for Private Equity, the Cliffwater Direct Lending Index for Private Credit, the Cambridge Associate Global Infrastructure Benchmark for Private Infrastructure, and the Cambridge Associates Real Estate Index for Private Real Estate. Income modeled for Public Equity using S&P 500 12M gross dividend yield, Private Equity proxied using S&P Small Cap 12M gross dividend yield, Private Infrastructure proxied using S&P Infrastructure 12M gross dividend yield from 2006 onwards and 1990-2006 back filled using S&P Utilities, Public Credit based on Bloomberg US Agg yield to worst, Private Credit using Cliffwater Direct Lending Index Income Return, Private Real Estate based on Green Street All-sector Equal-weighted cap rate. Source: Cambridge, Bloomberg, KKR GBR analysis. No specific KKR products referenced. For Financial Advisor Use Only.