



Figures 18 and 19 compare our estimates vs. Consensus, with Figure 18 shown on an ENI per unit basis, and Figure 19 shown on a distribution per unit basis (comparable to dividend per share forecasts, as Consensus DE forecasts are not readily available with a sizeable population). The Figures show our estimates for ENI are generally below Consensus, while our distribution forecasts are generally above Consensus. This above-Consensus view on distributions forms our more optimistic view on the Alt space – to the extent we are correct, and we think upside surprises in distributable earnings over the coming quarters will be a positive catalyst for valuation improvement.

Figure 18: DB Forecasts for ENI per unit for the Alts vs. Consensus

Alts	4QCY2013			2014			2015		
	DB	Cons.	% diff	DB	Cons.	% diff	DB	Cons.	% diff
APO	\$0.82	\$0.80	1.9%	\$2.50	\$3.04	-17.7%	\$2.32	\$3.08	-24.8%
BX	\$0.84	\$0.82	2.3%	\$3.09	\$2.98	3.7%	\$3.24	\$3.42	-5.4%
CG	\$0.93	\$0.87	6.8%	\$2.70	\$3.17	-14.8%	\$2.89	\$3.41	-15.2%
KKR	\$0.96	\$0.89	8.4%	\$2.33	\$2.52	-7.5%	\$2.33	\$2.77	-15.8%
OAK	\$1.19	\$1.15	3.6%	\$4.36	\$4.80	-9.2%	\$4.67	\$4.83	-3.4%
Median			3.6%			-9.2%			-15.2%

Source: Thomson Reuters and Deutsche Bank

Figure 19: DB Forecasts for Distribution per unit for the Alts vs. Consensus

Alts	4QCY2013			2014			2015		
	DB	Cons.	% diff	DB	Cons.	% diff	DB	Cons.	% diff
APO	\$0.80	\$0.79	1.4%	\$3.06	\$2.48	23.3%	\$2.56	\$2.13	20.3%
BX	\$0.47	\$0.45	3.7%	\$1.95	\$1.78	9.3%	\$2.46	\$2.00	22.8%
CG	\$1.20	\$1.17	2.8%	\$2.22	\$2.03	9.3%	\$2.70	\$2.35	15.1%
KKR	\$0.39	\$0.39	-0.5%	\$1.58	\$1.44	10.0%	\$1.76	\$1.43	23.1%
OAK	\$0.91	\$0.92	-0.8%	\$3.78	\$3.75	0.9%	\$3.98	\$3.79	5.1%
Median			1.4%			9.3%			20.3%

Source: Thomson Reuters and Deutsche Bank

Our valuation methodology

While valuation methodologies using sum of the parts or DCF models can be intellectually rigorous, we think a more simplified P/E approach on *distributable earnings (DE)* will end up being a better indicator of the Alts' unit price performance over time. Our approach works in the following steps:

- Observe each of the Alts forward P/E on Consensus (ENI) over the past 12 months and last two years and compare to the S&P 500 to derive a relative P/E;
- Assess to what extent each Alts' relative P/E will improve or worsen (or stay the same) over the next 12 months vs. the prior 12-months, based on the variety of fundamental factors outlined in this report;
- Derive a target forward P/E for the S&P 500 12 months from now, which is 14.9x (based on DB equity strategy forecast for S&P 2015 EPS of \$125 and S&P ending prices of 1850 yearend 2014 and 2000 yearend 2015, which implies 1863 12-months from this report);
- Multiply our target relative P/E to derive a target absolute P/E;
- Apply this absolute P/E on our 2015 DE forecasts to derive where the units will trade on 1-year forward distributable earnings 12-months from now; hence where the units will trade on 2015 DE in Jan-2015.