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## Company summary

KKR & Co. (KKR) is a global alternative asset management firm. The company's businesses offer a broad range of investment management services to institutional fund investors. KKR operates in 3 segments, Private Markets, Public Markets, and Capital Markets. The Private Markets segment involves investing institutional capital in private equity and other investments, while the Public Markets segment manages largely liquid investments through a variety of strategies. The Capital Markets segment operates the firm's balance sheet investments and provides capital markets services to its portfolio companies and third parties.

Founded in 1976 by Co-CEOs Henry Kravis & George Roberts, along with Jerome Kohlberg, KKR is a pioneer of the modern private equity firm, starting out as a leveraged buyout shop that grew into core private equity. From an investing perspective, we see KKR's core philosophy as a more traditional fundamental equity investor, with a focus on deep industry knowledge, but willing to make very concentrated bets with an attempt to leverage high conviction ideas to a greater extent than peers. This has permeated the firm's culture from the start and continues today, most recently exemplified by its balance sheet growth strategy), which is differentiated from peers.

With more concentrated positions and its balance sheet strategy, we view KKR risk profile as the highest among these five Alts. Although we see the merits of the strategy – investing to a greater extent alongside its LPs, enabling flexibility to deploy capital more nimbly, and leveraging its investment acumen into stronger potential earnings (while also improving consistency of a recurring distribution), the greater balance sheet size is likely to drive considerably more earnings volatility and restrain KKR's P/E to levels below peers. That said, we view the valuation debate as the most controversial in this stock within the group, with good arguments on both sides. Also, like peers, KKR is diversifying into more fee-based business that may enable a steadier DE profile over the longer-term, albeit with a more volatile ENI profile. Overall, we do not see a significant positive valuation catalyst currently, especially with the recent market sell-off, and the higher risk profile drives our Hold rating for now.