KKR
First Quarter 2022 Earnings
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Presenters
Craig Larson, Partner and Head of IR
Scott Nuttall, Co-CEO & Director
Robert Lewin, CFO

Q&A Participants
Alex Blostein - Goldman Sachs
Michael Cyprys - Morgan Stanley
Glenn Schorr - Evercore ISI
Bill Katz - Citigroup
Brian McKenna - JMP Securities
Patrick Davitt - Autonomous Research
Craig Siegenthaler - Bank of America Merrill Lynch
Brian Bedell - Deutsche Bank
Arnaud Giblat - BNP Paribas
Rufus Hone - BMO Capital Markets
Chris Kotowski - Oppenheimer
Finian O'Shea - Wells Fargo Securities
Robert Lee - KBW

Operator
Ladies and gentlemen, thank you for standing by. Welcome to KKR's first quarter 2022 earnings conference call. During this presentation, all parties will be in listen only mode. Following management's prepared remarks, the conference will open for questions. If anyone should require operator assistance during the conference, please press star zero from your telephone keypad. I'll now hand the call over to Craig Larson, Head of Investor Relations for KKR. Craig, please go ahead.

Craig Larson
Thank you, operator. Good morning, everyone. Welcome to our first quarter 2022 earnings call. This morning, I'm joined this morning by Scott Nuttall, our Co-Chief Executive Officer, and Rob Lewin, our CFO. We would like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our press release, which is available on the Investor Center section at kkr.com. And as a reminder, we report our segment numbers on an adjusted-share basis. This call will contain forward-looking statements, which do not guarantee future events or performance. Please refer to our earnings release and our SEC filings for cautionary factors about these statements.

So, we're pleased to be reporting strong results this morning. Fee-related earnings per share for the first quarter were $0.69, up 66% year-over-year, and as high a quarterly figure as we've ever reported. And after-tax DE per share came in at $1.10. That's up almost 50% compared to the first quarter of 2021 and is the second highest quarterly figure we've reported.

And when you look at the quarter, our results and our activities, you're seeing really four things.

First, you're seeing the strength and resiliency of our model, as well as our people. Despite all of the volatility and uncertainty, we're reporting strong results pretty much across every metric.

Second, as businesses inside KKR are growing and scaling, they're inflecting, and they're having a real impact on our numbers. In private markets, for example, our infrastructure and our real estate platforms of scale, so our real asset strategies comprised over half of both our fundraising and our deployment over the last 12 months.

Third, we're finding creative ways to enhance our strategic positioning. Last week we closed on the previously announced acquisition of a Japanese REIT business. It's one of the largest real estate platforms in the second largest real estate market in the world.

And finally, despite the volatility and increased uncertainty, our limited partners are continuing to entrust us with their capital. Strong investment performance has been a critical driver of all of the success that we've had here.

Now looking at a few topics in more detail, let's begin with fundraising. New capital raised in Q1 totaled $26 billion and $132 billion over the last 12 months. Of note, in private markets, both our global Infrastructure IV fund and North America Fund XIII held final closes in the first quarter. Including employee commitments, Infrastructure IV totaled $17 billion. That's over 2x larger than Infra III and North America XIII closed out at $19 billion, over 35% larger than its predecessor. Also, we're continuing to raise capital for our European private equity strategy. At this point, we are at $7.1 billion, already surpassing in size the prior European PE vintage, and it's worth highlighting the regional approach we've taken in our traditional private equity business with individual funds across the Americas, Asia, and Europe instead of having a single global fund. We think this allows us to maximize our fundraising potential. Committed capital across our three regional private equity funds currently exceeds $40 billion, and we're still raising capital for our European PE strategy. At the same time, it allows us to diversify our carry pools, reduces our vintage risk across these funds, and, importantly, we're less susceptible to the tone of the fundraising environment at a single point in time.

And in public markets, $9 billion of new capital raised is among the highest quarterly figures we reported. Activity here was widespread, including hedge funds and credit. In alternative credit, we raised capital across our asset-based finance, Asia credit, and direct lending strategies, private credit strategies in Europe and the next vintage of our opportunistic strategy. And in leveraged credit, we saw activity across a number of separately managed accounts and loan

strategies in addition to our CLO business where we issued our 41st US CLO in the quarter. Global Atlantic closed on a block transaction in the quarter, which contributed $3 billion. This is reflected in both private and public markets. And so, these fundraising efforts helped bring AUM to $479 billion and fee paying AUM to $371 billion, both up approximately 30% year-over-year.

Turning to investment activities, capital invested in the quarter totaled $21 billion. In private markets, our real assets platform invested $9 billion of capital, including $4.5 billion in real estate, driven by activity in our Americas and our European opportunistic equity strategies, as well as real estate credit. Our infrastructure platform invested over $3 billion of capital led by activity in the US and Asia, with $3.5 billion of PE deployment, relatively evenly spread across geographies. In public markets, GA’s really added to the pace of investment activity in private credit, most meaningfully in asset-based finance, as well as in direct lending. Spending a minute, actually, in asset-based finance, we invest in ABF across a number of pools of capital that are all looking for different risk reward, all the way from our private credit funds and our BDC platform to Global Atlantic. So, the addressable market for us and available investable capital has increased materially as our credit platform’s grown. We're excited about this. And deployment here has become meaningful. In the quarter, total ABF deployment was a little over $5 billion, and we had $2.4 billion in direct lending activity and Q1 alongside of this.

Now shifting to investment performance, you can see these details on page 7 of the press release. The private equity portfolio was marked down 5% in the quarter, which was right in line with a decline of the MSCI World. While over the last 12 months, the PE portfolio was up 19%, 800bps ahead of the MSCI World. In real assets, our portfolios continue to perform. In real estate, the opportunistic portfolio feels well positioned given its focus on industrial and multi-family themes. You see the opportunistic real estate portfolio appreciated 11% in the quarter and is up 30% over the last 12 months. And in infrastructure, a strategy in our view that's also well positioned in an inflationary environment, you see the portfolio appreciated 6% in the quarter, and it's up 11% over the last 12 months. On the credit side, leveraged credit was -2% for the quarter and up 3% over the last 12 months, essentially in line with broad high yields and leverage loan indices, while alternative credit was -1% in the quarter and up 9% LTM.

Circling back to the acquisition of the Japanese REIT, which is now known as KJRM, the acquisition adds AUM, but it really goes far beyond that. It's a wonderfully strategic transaction for us across a number of areas of focus, including real estate, Asia, Perpetual Capital, as well as Private Wealth. And one final note here, as a piece of the financing for the acquisition, in April, we raised approximately $475 million equivalent of Japanese Yen-denominated notes across a range of maturities at a weighted average coupon of around 1.2%. And with that, I'll turn the call over to Rob.

Robert Lewin

Thanks a lot, Craig. I'll try and quickly step through our quarterly financials. Our management fees continue to scale at a really rapid pace, increasing by 46% in the LTM period to $2.3 billion

and reaching $625 million just for the quarter alone. Our management fee growth this quarter was really driven by the fundraising activity that Craig ran through. Of note, Europe XI entered its investment period in the quarter, and we had approximately $20 million of catch-up fees from the final closes of Americas XIII and Infra IV. Our capital raising success, alongside our investment activity, brought fee paying AUM to $371 billion, which is up 29% year-on-year. Our net transaction and monitoring fees were $306 million for the quarter, driven primarily by our capital markets franchise, which earned $255 million, almost $1 billion for the LTM period. The quarter's transactions consistent with past trends were diversified across clients, strategies, as well as geographies.

Our operating expenses totaled $126 million for the quarter. As discussed on previous calls, we would continue to expect modest increases here as we expand our footprint, invest in marketing and technology, and hopefully have our employees back out on the road and traveling. When you pull it all together, our fee related earnings this quarter increased to $600—excuse me, $605 million. That's up 66% compared to just a year ago. Moving down our income statement, our realized carried interest totaled $580 million in the quarter while realized investment income came in at $349 million. In any environment, we think these are very solid results. However, when you layer on the volatility in Q1, we were quite pleased in our ability to achieve this outcome and very much reflects the breadth and scale of our firm today. Turning to our insurance segment, we had a very solid quarter generating $116 million of operating earnings. In aggregate, our after-tax distributable earnings were $969 million for the first quarter, or a $1.10 per share.

I now want to turn to our balance sheet for a moment. During periods of market volatility, we'll hear from some who are concerned that the balance sheet increases our risk profile. That's not our perspective. It's actually quite the opposite, so we thought it'd be worthwhile explaining what we believe to be true, that having a balance sheet, especially one with the attributes of ours, is a meaningful differentiator and a real positive during periods of market dislocation. Let's begin with the liability side of our balance sheet, which we think is pretty unique and a real source of differentiation. We are very fortunate to have access to long-dated and low-cost liabilities. The average maturity of our recourse debt outstanding, including our recent Yen issuance, is approximately 20 years with a weighted average coupon of about 3.5%, and a 100% of that coupon is fixed. So, we have minimal duration risk, no exposure to margin calls, our after-tax cost of debt is less than 3%, and we have no risk around rising interest rates.

In terms of the asset side of our balance sheet, as you'd expect, we have a very deep commitment to asset allocation risk, which has helped deliver exceptional results for our shareholders. Over the last one, three, and five years, our annual returns have been 15%, 20% and 16% respectively. And as we go a layer deeper around KKR's investment portfolio, one of the key strategic decisions we made a number of years ago was to launch a Core private equity business. It's a great example of how we used our balance sheet to help create what we believe is today, the largest business of its kind and an important contributor to our management fees

and fee related earnings, as well as representing the largest allocation we have on the balance sheet today.

Core private equity is a long duration investment strategy. We expect to hold these investments for 10 to 15+ years and believe they carry a more modest risk return profile compared to traditional private equity. We're looking for mid-to-high teens gross IRRs that we can compound for north of a decade. These are businesses we believe have strong secular tailwinds with defensible market positions, solid cash flow dynamics, and, as a result, benefit from a more stable earnings profile. And with equity and fixed income indices, up 5%+ in the quarter, a key reason our balance sheet portfolio was flat in Q1, was the 3% appreciation in our Core portfolio. This portfolio is performing extremely well, and we believe has many of the right attributes to outperform if we go through a period of volatility and real inflation, including having real pricing power. Today, Core private equity accounts for 30% of our balance sheet investments, or $5.5 billion.

Now, we entered Core private equity, not only because we thought it would be a stable long-term compounder for our balance sheet, but also because it's highly synergistic with our overall business model. We were confident that we had the ability to become a global leader in Core PE asset management and that our capital markets business would be able to support these investments over time as they access both the debt and equity capital markets. So, from a standing start five years ago, we've put together this incredible global portfolio, which now number over 15 companies and growing, and with $32 billion of AUM that is third party capital together with balance sheet capital. We believe we have the largest Core PE asset management business in the world and a return since inception have been very strong with a gross IRR of 26%, which gives us the confidence that we'll be able to continue to scale the franchise.

And alongside the management fees we'll earn over the duration of these long dated investments, we are also entitled to an annual allocation of carried interest from our clients, which we earn every Q1. For 2021 performance alone, we generated approximately $250 million of carry, which is reflected in Q1 results. So, the opportunity for performance-related revenue can be a very significant one over time with continued compounding, deployment, and performance. Moreover, our Core portfolio companies have generated approximately 10% of capital markets fees over the last couple of years. And as the portfolio grows, we'd expect transaction activity to grow alongside it.

So, to recap, we have created an exposure on our balance sheet that has performed extremely well and has more stable return characteristics. And we have been able to meaningfully augment our asset level return by becoming the leading asset manager in the space and, therefore, creating a combination of incremental management fees and carry, as well as capital markets revenues. Given the increased scale and diversification of our balance sheet portfolio, we have decided to enhance our disclosure. In our 10-Q beginning this quarter, we will provide the 20 largest balance sheet positions with their cost and fair value instead of just our 5 largest investments. We think this will enhance transparency, and with 13 of the top 20 positions as of

March 31st being Core private equity investments, it will help highlight the performance of this portfolio going forward.

Now, turning back to our broader balance sheet strategy and the benefits it provides in periods of dislocation. We think this is the type of environment where our connected and collaborative business model excels. This was particularly evident in the first half of 2020 where I think we really outperformed. Having access to this additional source of capital when the market goes risk-off is hugely valuable, and we would bet all investment firms would love this additional source of liquidity in markets like these.

And finally, there's obviously a huge advantage of this capital base as we pursue strategic acquisitions. The best example of that, there's really no way that we would've been able to pursue Global Atlantic in early 2020 when capital markets were severely dislocated without the benefit of our capital base. And as Craig mentioned, we recently announced a highly strategic acquisition of a Japanese REIT manager where we funded the entirety of the $1.8 billion purchase price without issuing any equity. We understand the value of that limited dilution to all shareholders, especially right now, given our current trading price.

Between these two transactions alone, we expect to generate well north of $300 million of fee related earnings next year with most coming from Perpetual Capital. And we required relatively little equity dilution to be able to achieve that. So, we're using our balance sheet to generate really high ROEs while at the same time, creating additional FRE. And while supporting all this business building and inorganic activity, we've used the balance sheet to buyback our own stock. Since 2015, we have used $2.2 billion to repurchase or retire 85 million shares at a weighted average price of $25.50. So, hopefully that helps provide additional context around the balance sheet, including some examples of its strategic value and how that can enhance overall economic outcomes across different market environments. With that, let me hand it off to Scott.

Scott Nuttall
Thank you, Rob. It's been a dynamic three months since our last call, and there's certainly more information to process and uncertainty to navigate. While environments like this are anxiety creating for most, it is exactly times like this when the strength of our culture and business model becomes more apparent. Our connected firm and culture is excellent at making sure information travels and opportunities find the right pool of capital. With valuations down and costs of capital up, more companies need solutions that are not readily apparent, and our clients want more information. The result is the investments we make during times like these have the potential for higher returns, and our clients develop an even better understanding of what makes us special. Said another way, when dislocation occurs, you get a real sense for culture and investment acumen, and we feel incredibly well-positioned for this environment. We have record dry powder. We have clients that trust us. We have multiple growing businesses globally. We have sustained our connected culture, and we feel ready for what's next. I'm sure we'll talk more today about the macro and what all this means, but regardless of

speculation about near term rates, inflation, and the economy, we remain focused on executing our strategy and confident we will achieve the five-year plan we shared with you in November. With that, we're happy to take your questions.

Operator
Thank you. At this time, we'll be conducting a question-and-answer session. If you'd like to ask a question, please press star one from your telephone keypad, and a confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. So that we may address questions for as many participants as possible, we ask you limit yourself to one question and one follow up. One moment, please, while we pull for question. Thank you. Our first question will be coming from the line of Alex Blostein with Goldman Sachs. Please proceed with your question.

Alex Blostein
Thanks. Good morning, everybody. I was hoping we could start with fundraising comments. For the last couple of months, we've heard a lot and talked a lot about some of the crowdedness in the private equity space. It doesn't seem to be affecting you guys a whole lot given your comments on the latest fundraises, and obviously Europe is going quite well, as well. So, while I understand it's probably hard to generalize, but maybe you can help us sort of contextualize what are you hearing from LPs that's going well and maybe some of the areas as you look out for the next 12 to 18 months that could become more challenged with respect to your own fundraising efforts.

Scott Nuttall
Great. Thanks for the question, Alex. It's Scott. Good morning. We've heard some of the same comments you have regarding the environment. You're right. We're not really being impacted by this dynamic, but let me give you a little bit of color on what we're seeing and why that's the case. It is true. We are hearing from some LPs that they're seeing GPs come back to the market faster than expected and is a bit of a crowding effect. This is particularly true from our seats around the more traditional and institutional investors. So, think some of the public pension funds and some sovereign wealth, but importantly, it's the traditional investors in private equity proper. We're not hearing that about other alternative asset classes. We're also not hearing that from newer investors in the alternative asset class broadly defined including PE.

So, from our vantage point, we raised $26 billion in the first quarter, $132 billion in the last 12 months. And as a reminder, we raise almost all of our flagship private equity funds over the last couple years. So, it's a bit over $40 billion for that fund cycle. So, any private equity market crowding, it's just not impacting what we're doing today. If you look at where we're raising money this year, most of the dollars we're raising is around real estate, infrastructure, and credit where we have a lot of investor interest. If anything, we're seeing that interest go up as inflation and rates rise. So, we're really not experiencing that crowding dynamic for multiple reasons, and that's before you even get to the increased interest from Private Wealth and

insurance companies and all the new entrants that we've talked about in prior quarters. So, we continue to feel great about how we're positioned. We're not changing our plans for the year. And in terms of your question about what do we see, ya know kind of down the road that could impact us. There's nothing negative—we're kind of feeling a little bit like right now, real assets and credit are where you want to be, and we're lined up well against that.

Alex Blostein
Great. Thanks for that. And my follow up is around the wealth channel. And I know, Scott, you mentioned you guys are kind of continuing in your build out there. I wanted to go in on KREST a little bit, really strong investment performance. Looks like you guys are up 9%-ish year to date, and that's on the back of north of 20% of return last year. The pace has been slower than maybe some of us would've expected. So, wondering if you can talk to some of the hurdles that you might be facing in accelerating growth in KREST and getting it out on platforms and what would it take for that product to scale perhaps a little bit faster?

Craig Larson
Hey, Alex. This Craig. Why don't I start? And before we—why don't I take a step back even to just to begin. Look, we think overall the opportunity within Private Wealth to introduce these tailored democratized products is massive, and we think we're really well positioned against this really interesting asset class. And over time, we do expect to have democratized products really across all of our asset classes. And alongside of this, we're continuing to invest in sales, marketing, data, digital talent, etcetera. So, where we are today—and we do tend to look at these in a more aggregate basis. We've got the three broad democratized solutions. They're on multiple platforms. And on top of that, we have bespoke solutions. They're tailored for individual platforms. Looking across these products, we have about $5.6 billion of AUM. And I don't think we really want on these calls to get in the habit of giving individual updates on all of these. I think the overall takeaway that we want you to have is, one, we've got a great brand that we think in this channel is second to none, an exceptional long-term track record. I think that can be buttressed from some of the individual product track records that, again, appreciate you're noticing. We think we have a proven ability to innovate in product design, and we have strong relationships at all levels with these distribution partners. So, it's a really exciting long-term opportunity, and we actually feel great about the progress that we've made to date.

Alex Blostein
Great. Thanks very much.

Operator
Our next question is from the line of Michael Cyprys with Morgan Stanley. Please proceed with your question.

Michael Cyprys

Hey. Good morning. Thanks for taking the question. Just given everything going on from an inflationary backdrop, rising rates, supply chain bottleneck, so we're just hoping you could talk a little bit about how you see that impacting your portfolio companies, and maybe you could talk a little bit about how you're helping your portfolio companies manage through this environment. And if you could just update us on what sort of revenue and EBITDA growth trends you're seeing across your portfolios.

Robert Lewin
Hey, Mike. It's Rob. Thanks for the question. So, as we're looking across our portfolio today, obviously like others, we're seeing a stickier inflation environment. There's three things that we're watching quite a bit. One is labor availability and wage inflation. We're certainly seeing that across our portfolio on a global basis. In particular, in the US, we're focused on housing. Short supply there due to underbuilding over the last 15 years, especially as millennials now are moving their way into prime home ownership years. And then the last thing that I think is creating the stickiness is just an underspend on CapEx related to energy supply, which is going to continue put pressure on pricing there.

Now, the one thing that we're definitely seeing on the other side of this across our portfolios is an easing around supply chain. And so, as we look at 2022, our expectation on inflation is we're going to be in the 7% to 8% range. We do see that moderating into 2023. There's a lot of work that we're doing across our portfolio right now to share best practices. Obviously, a lot of work for years has gone into interest rate hedging, and that continues given a potential increase here in rates going forward. But you would've heard us on these calls and in other forums for a long period of time talking about these potential inflationary trends. We feel really good about how we've set up the broader portfolio. As you look at the underlying revenue and earnings growth across our portfolio, it continues to be exceptionally strong, and we feel really good with how we've positioned the overall portfolio going forward.

Scott Nuttall
Hey, Michael. It's Scott. Let me just add a couple things. As you know, we have taken this thematic approach the last several years. One of the things that we have been focused on, besides some of the very specific themes we've discussed in the past, is we knew at some point inflation would show up. So, we've been quite focused on investing in businesses all around the world that have real pricing power, and that's part of the reason I think you've seen the portfolio perform well. And in terms of your question about how we're helping our portfolio companies, in addition to the very specific procurement programs and other things that we do to kind of be able to use our scale thoughtfully, we're making sure that they have access to the information that we have, that the information is traveling. They can see what we're seeing across the markets, and I think that's helped them get ahead of what is kind of happening in some of these supply chains. And the portfolio is performing well. Our stats through last year in revenue and EBITDA, in a lot of parts of what we're doing, up 20%, 30%, we continue to see very strong trends in the first quarter despite the macro backdrop.

Michael Cyprys
Great. And just as a follow up question, just around rising rates, I was hoping maybe you could help frame for us how you see rising rates impacting different parts of your business. Maybe just in credit, maybe you could help us understand what portion of the credit book is floating rate. And then, when we look at GA, how should we think about the sort of repricing of that portfolio there in terms of rising rate benefit? And then, on the fixed rate side, how to think about the timeframe for that? And is there any sort of risk around the liabilities rescinding—customer rescission activity in a higher rate environment?

Rob Lewin
Yeah, of course. All good questions. Thanks, Mike. So, there's obviously a lot of pros and cons across our business as it relates to a rising rate environment. But on balance, we feel like we're relatively pretty well positioned. You reference that we've got a very sizable credit business. Most of our leveraged credit AUM is floating rate in nature. Most of our private credit AUM is also floating rate in nature. And so, as interest rates go up, our returns will go up. And as you know, most of our fund products, our hurdles are fixed. So, the likelihood of earning additional incentive fees goes up, as well. On the whole, as we look at Global Atlantic—and there's some puts and takes. We think a rising rate environment over time is largely a net positive to Global Atlantic. And what you can see, certainly, is rising rates impacting the fixed income book you referenced, but our assets and liabilities are very well matched at Global Atlantic. And so, as interest rates rise, the value of your liabilities effectively offset the degradation and value in your assets in a rising rate environment. I think the other important point to note across KKR, and I reference this in our prepared remarks, think about our own liability structure. We've set ourselves up a 20-year duration capital that's all fixed in nature at less than a 3% after-tax cost of debt. And then I think the last thing that we think about at KKR in this kind of a rising rate environment, increased volatility in the markets, potential for multiples to come down is we sit on $115 billion of dry powder across the firm. That's a record number for us and really allows us, I think, to be on our front foot as it relates to investing through this period of time.

Michael Cyprys
Great. Thank you.

Scott Nuttall
Thank you.

Operator
The next question is from the line of Glenn Schorr with Evercore. Please proceed with your questions.

Glenn Schorr
Hello, there. Thanks. So, question. Capital markets and transaction fees were pretty good, pretty darn resilient considering the environment. But the markets, got a little worse in April. So, I wonder if you could just help talk through, exits down, but deployment is good,

diversification is good. Tell us what to expect, because I feel like people discount it as a component of management fees, but it's a big piece, and it seems to be more resilient than some think. Thanks.

Robert Lewin
Yeah. Hey, Glenn. It's Rob I'll start off here. So, last quarter what we talked about on this call was that we felt like in normal functioning markets, our capital markets is a plus or minus $200 million a quarter type of revenue business. Now, in Q4 of last year and Q1 of this year, we were on the plus side of that. Probably a couple things in Q1 this year that we were expecting in Q2 that probably got pulled forward a bit, but I think what's more important is that not mistaking—and I think you reference this in your question, not mistaking the quarter-to-quarter variability in our income with the durability of our franchise, as well as its growth prospects.

And what you've seen, I think, over the last number of years is both, highly durable pipeline to potentially generate fees, a broadening of transactions and just lots of growth areas. And those growth areas are going to come from continuing to follow KKR's own growth. I referenced Core private equity a little bit earlier, but there's a number of different opportunities like that across the firm. And obviously we believe we're going to continue to be able to take a lot of share given our business model and our access to talent with third party clients, as well. And so, as we think about that business and the future, we're very excited to continue to invest behind that, and we see a lot of growth over the next number of years.

Glenn Schorr
That's great. Something you said during the prepared was interesting on ABF deployment I think you said $5 billion with—at an average fee. So, the question I have is your—do you expect to be increasing the ramp in terms of ABF both growth and deployment on a quarter basis, and is that going to increase and give a higher steady fee flow coming up from that? I'm just curious on how big of a contributor can that get to.

Craig Larson
Yeah, Glenn. It's Craig. Why don't I start? Thanks for the question, and honestly, we probably don't spend enough time talking about the platform that we've built here. So, first taking a step back, ABF is a massive market. So, it's $4.5 trillion in size, and it's expected to go to $7+ trillion over the coming four or five years, by, in comparison, the high yield market is a $1.5 trillion market. So, we're already talking about a market that is multiples of the high yield market with better growth prospects. And much like leverage lending to corporates, look ABF plays a critical part in the financing market. So, it's helping finance day-to-day operations through mortgages, credit cards, receivables, financings, equipment leasing, etc. And what you have is, alongside of this massive market, you have high barriers to entry and honestly, in our view, a lack of scaled capital. So, we're finding attractive risk return, and, at the same time, we also like the diversification on top of regular way or away from regular way traded credit. So, in terms of us in our approach, really three things of note. One, as we noted during the prepared remarks, we have different pools of capital, and we're looking for different risk rewards. So, that's all the

way from private credit funds in the BDC to Global Atlantic. So, the addressable market is huge. Our available capital has increased materially. And so, to your point, this is why you're seeing this ramp in deployment for us.

The second point is, we've been busy. So, last year deployment exceeded $15 billion, including GA, $5 billion this quarter. So, yes, this is—as the overall credit platform has grown, this becomes a really interesting area for us. And third, and this is important, we've partnered with 15 or so specially finance platforms globally, and those folks who are originating opportunities, that from our view again, are otherwise difficult to access. So, these platforms have 5,000 employees over a $100 billion of AUM. They're global, it's across industries, and they're helping us access attractive risk return. So, again, we've built this unique platform, which allows us to have confidence when we think of the forward origination. So, it's becoming a growing and interesting part of the firm, no question.

Glenn Schorr
Thanks, Craig. Appreciate it.

Operator
The next question is from the line of Bill Katz with Citigroup. Please receive your question.

Bill Katz
Okay. Thank you very much for taking the questions. Look forward to looking through that Q a little bit later on. In terms of maybe going into the new course since the dynamics have changed pretty dramatically first quarter to second quarter, even within the period, can you talk a little bit about where you've seen the opportunity to deploy quarter to date? And then I was wondering if you could speak a little bit to maybe the monetization activity and how the decline in the private equity and the net accrued carry sequentially might impact the opportunity for that realization outlook. Thank you.

Craig Larson
Thanks, Bill. It's Craig. Why don't I start on deployment, and then Rob will give the monetization update? Look, deployment is a meaty question. So, you have inflation interest rates, outlook for economic growth, all being front of mind for us as they have been for some time. And alongside of that, we expect a number of rate hikes this year with central banks shrinking the balance sheet. So, against these topics, we're expecting more volatility. So, what are the implications of this? One, as a firm, we need to be as connected as ever, and we need to continue to be thematic. So, in terms of areas of focus for us, a couple of thoughts. One, you've already heard this from what Rob and Scott said earlier but get long pricing power. So, with labor shortages, higher input costs, we think companies with pricing power are advantaged.

Number two, own more collateral-based cash flows. So, we believe real assets investments that can keep up with nominal GDP are interesting. So, that's infrastructure, real estate asset-based finance, and you heard this again in the prepared remarks. When you look at private—when

we're asked about deployment, it often tends to be with a private equity lens for us. So, if you look in, both last year and, as well as in the first quarter, private equity deployment as a percentage of our firm has been a teens percentage. And so, as the breadth of the firm's increased, you've seen these real assets become materially greater for us in terms of deployment. So, when you look at real assets in terms of private markets deployment, real assets worth 55% of private markets deployment in 2021, 67% of deployment in the first quarter of this year. Three, digitization automation logistics. We're in the midst of an innovation boom in disruption and technological change from our standpoint is going tocontinue.

Four, security, including energy security, data, payment, cyber, all areas, and these are areas where we think we bring a unique lens and a lot of industry expertise. And then five, we're in many ways a savings bull market. And in Asia, you have a billion millennials who want to build a safety net through increased savings for the families. So, that means themes like nesting, retirement products, financial planning, all should benefit. And I think the other point in this, again, I would just touch on relates to culture, and this I'd reinforce something that Scott had touched on. But we have a culture that's wonderfully connected, and our view when dislocation occurs—that some—solutions for companies become less apparent, and that's when you get a real sense for culture and acumen. And we think we have a culture that really allows us to stay wonderfully connected and allows us to be on our front foot in these periods.

Robert Lewin
Hey, Bill. It's Rob. Let me follow up on your question around returns and monetization. You referenced our Q1 returns in private equity. Just want to put that into context for a bit. We were up 46% in 2021 in PE. And so, we gave back about five points in Q1, but over the last 15 months, our PE portfolio’s still up around 40%. And as you think about that decline, quarter-on-quarter, the down five points, we actually had a position at 12/31 that was marked at about 24x multiple of money that traded down about 40% in the quarter, still marked at 14x multiple of money, still a fantastic investment for us at 3/31 and represented a good chunk of that decline.

In terms of the impact around monetization, we feel great about our monetization pipeline right now, certainly relative to where we are from the overall volatility in the markets. And so, you saw a very healthy Q1 monetization revenue number. And as we head into Q2 here, based on transactions that have happened or that we have line of sight to either through signed deals and LOIs or equivalent, we already have line of sight to $600+ million of revenue that we feel good about. And I think this represents a couple things. One, just the overall breadth of KKR's portfolio today, global nature, different products, and two, that underlying strength of our portfolio that we've talked about. Now, like all quarters, there's definitely some risk in some of these deals happening, but at the same time, given the strength of the pipeline I referenced, there's some upside to these numbers, as well. And just in terms of character of revenue, assuming that we're able to achieve these numbers, I'd say about ballpark 75% of that revenue would come from realized performance revenue, and then the balance would come from realized investment income. Hopefully that helps provide a bit of color there, Bill.

Bill Katz
That's super helpful. And then just as a follow up, I'm not sure if you, Rob or Scott, you want to chime in, but there's been some conversation around some budding regulation in the insurance side. I guess there's sort of a split house between your peers about whether having a balance sheet is a good or a bad thing with that. I just appreciate your ownership of GA's maybe slightly different to all that. Can you talk a little bit about how you might see any regulatory risk in the insurance business and any pros or cons that were opportunities that might surface for you as a result? Thank you.

Robert Lewin
Hey, Bill. It's Rob. So, we talked a bit about this last call. I'd say really no new update from us. What we're focused on, what Global Atlantic's focused on is continuing to have a really close and transparent relationship with its regulators. We know that the regulatory community continues to gather information and industry feedback, and we want to make sure that Global Atlantic's a part of that. Beyond that, there's not a ton that we can comment on other to say that we really don't anticipate many changes to the business model of trying to thoughtfully invest behind the long-term promises that we've made to policy holders. And so, we feel again overall very constructive around the Global Atlantic relationship with its regulators and are focused on continuing that type of transparency in the future.

Operator
The next question comes from the line of Brian McKenna with JMP Securities. Please proceed with your questions.

Brian McKenna
Great. Thanks. If we annualize the first quarter FRE, you're at a $2.75 run rate for 2022. And as you noted before, back in November, you updated your FRE target to $4 plus in five years or by 2026. So, if you're approaching $3 FRE this year, are you willing to move forward this five-year timeline at all?

Robert Lewin
It's Rob. Thanks a lot for the question. Listen, we don't spend honestly a ton of time thinking about FRE near-term target. It's not how we manage our business. And so, I think what you're less likely to get from us is a continual update around where we see FRE going in the short term. But what I would tell you is that we will update you hopefully very continually on how we see our business trending. And hopefully what you've heard from us is the level of excitement we have across our firm today. We have so much more momentum today than we had even 6 or 12 months ago. You look at many of the big product raises we've had over the last 6 or 12 months, we've well exceeded the fundraising targets that we had for those. We're likely to have, as Scott mentioned, close to 30 products in the market over the course of the next 12 months, many of which are poised to scale in areas like infrastructure, real estate, and floating rate credit, areas where we're seeing real secular growth. Obviously Global Atlantic's market positioning and where they're situated from a growth perspective is much better than when we

underwrote that transaction two years ago and had a lot of momentum across our capital markets business, as I referenced. So, our expectation is for really robust near-term and long-term FRE growth. And hopefully that helps give you a little bit of color without providing continual updates around FRE targets.

Scott Nuttall
Yeah. The only color I'd add, Brian, is historically, if you look back, when we've shared kind of a view as to where we might end up, we've had a tendency to outperform. Our intention is to continue that record.

Brian McKenna
Yeah. Got it. Helpful. And then could you talk about the mix of your net unrealized carried interest? How much of the $4.2 billion is tied to traditional private equity products? And then how much is related to newer strategies that have expanded meaningfully over the past several years? And then how should we think about that mix evolving over time?

Rob Lewin
Yeah, it's a good question. I'd say it's still very much weighted towards our traditional private equity products, our regional private equity products today, but you are starting to see a climb in our unrealized carried interest in infrastructure and real estate in particular. And as we think about mix as we look forward to what that can become over time, we certainly see a much higher percentage of our realized carried interest coming from areas like infrastructure and real estate and parts of our credit business.

Brian McKenna
Thank you, guys.

Operator
Our next question is from the line of Patrick Davitt with Autonomous Research. Please proceed with your question.

Patrick Davitt
Good morning, everyone. Most of my questions have been asked. Could you maybe walk through the economic impact of KJR in particular to AUM and fee earnings and maybe also frame how its organic growth has tracked over the last few periods?

Rob Lewin
Sure. It's Rob. So, what we've announced is, at current exchange rates, I think close to $14-ish billion of incremental AUM, that's all Perpetual Capital to managed REITs in the Japan market. We see a lot of opportunity to grow that franchise in Japan. We see a real opportunity to leverage that team and their strength in the Japan markets for the benefit of both our Core plus franchise in Japan, as well as our opportunistic franchise in the region. So, we believe we should be able to raise more capital from those strategies as a result of this transaction. And lastly, we're setting up our capital markets business to make sure that we're able to support the

franchise locally in Japan as they pursue acquisitions on quite a regular or basis, as well as refinancings. In terms of the economic implications, what we said is that our expectation is on a synergized basis. we should be able to deliver around a $100 million of incremental FRE from that platform in 2023.

Patrick Davitt
Great. Thanks. And then how has the organic growth looked?

Rob Lewin
It's been strong, and they've done a couple things I think really well. One, they launched the second REIT, which has had a good market following trading at a really nice level relative to book, and their organic flows have been strong, as well. So, this is a business that was started not all that long ago by Mitsubishi and UBS together. And so, really it's been—their entire growth has been organic in nature.

Patrick Davitt
Great. Thanks. And then one quick follow up on the $600 million pipeline. Is that what you expect to close in 2Q, or is that kind of a two quarter view?

Rob Lewin
No, that's a one quarter view based on what we have line of sight on today. So, that would be all Q2.

Patrick Davitt
Great. Thank you.

Operator
Our next questions is coming from the line of Craig Siegenthaler with Bank of America. Please proceed with your question.

Craig Siegenthaler
Thank you. Good morning, everyone. So, I was looking for a state of the union on your Pan Asia business, especially given the Japanese REIT acquisition, and you also have a pretty big pipeline of fundraising in your Asian products over the near term. But what I was really looking for is what were the real strategic merits of the Japanese REIT acquisition, including cross-sell? And then also, how is your China business faring following some of the decoupling between the West and China? And I know I asked a few questions in there. So, I'm just not going to ask the follow up.

Rob Lewin
Thanks, Craig. Maybe I'll start, and Craig will chip in here along the way. In terms of just state of the union to our Asia Pac business, we've talked about this in prior calls, we have every expectation that, over time, our Asia Pac business will be as big as our US business. And we're

investing behind that deal, and I think the acquisition of the Japanese REIT manager is very much consistent with that overall theme. Just to put some numbers around it. I think at the end of 2019, we had about $20 billion of AUM in Asia Pac. Two plus years forward proforma for the acquisition, we're close to $55 billion. So, almost a tripling of our AUM in a short period of time. I think we've got a lot of competitive advantages in the region, and we've got a real opportunity to take advantage of that head start we have. The access we have to talent really across the region to be able to drive further growth.

In terms of the strategic merits of the acquisition, honestly, that piece of it was a really short conversation. We want to be able to double down on our lead in Asia. We've got ambitions to really be able to scale our real estate business, both in Asia Pac and in Japan, the second largest real estate market in the world and globally. We want access to more Perpetual Capital at the firm, as well as different avenues to be able to reach Private Wealth investors. And so, this acquisition, really was something from a strategic perspective, made a ton of sense as we were evaluating it. Craig, you want to hit on--.

Craig Larson
Yeah. Craig, on China, a couple of thoughts. One, I think, look, China—investing in China has become more complex, and so we think it's critical to have the right resources in order to navigate the complexity. So, we think it's—you need a best in class local team, but you need more. We think it's important to have specialized resources like our public affairs team, like our Global Institute to help navigate that complexity. So, we think China is going to continue to be a critical long-term engine of global growth. So, it's a very important market, no question. And we think we bring unique skills and a differentiated approach to that market. Now, I think when you look at where we've been investing, a lot of it has been behind themes like domestic consumption. So, we remain committed to being a leading investor domestically in China, and we want to help leading local firms to continue to grow and prosper, and we think we're well positioned. And to give you a sense just a significance overall as a firm, when you look at our exposure, it does remain quite modest just given the breadth of our firm today. So, investments in China from an AUM standpoint are probably a little over 1% of our AUM, just to give you a sense of scale.

Craig Siegenthaler
Craig, Rob, that was perfect. Thank you.

Operator
Thank you. Our next question comes in the line of Brian Bedell with Deutsche Bank. Please proceed with your questions.

Brian Bedell
Great. Thanks. Good morning, folks. That was my question on Asia, as well. So, that's—I think that was a good detail. Can you hear me?

Craig Larson
We can hear you, yeah.

Brian Bedell
Great. Okay. So, then I'll just do one, as well. Going back to Craig, I think what you said in the prepared remarks on enhancing fee related earnings with other creative ideas like KJR, but maybe if you can just talk about what you view as maybe the pipeline for doing more acquisitions to enhance—to grow the FRE inorganically and how important is Private Wealth management within that thought process?

Robert Lewin
Sure, Brian. It's Rob. I'll take that. So, when we evaluate anything for our balance sheet, the first measure that we're going to look at always is going to be what drives the highest and best ROE over a long period of time. Now, given how we're situated, I think with our brand and our track record and our access to distribution, there's a lot of inorganic asset management activity where we think we can help make those businesses better. Maybe they can help make us better. And ultimately that's what's going to drive the highest ROE. And that's what you saw, I think, in the acquisition we closed last week. That's what you saw in our partnership with Global Atlantic, and we've got multi different examples of that over the years.

And so, we've got a team that's very much focused on how we can really leverage the core competencies we have here at KKR to be able to continue to drive ROE, and we think a lot of times that's going to lend itself to incremental FRE, as well. But that's not necessarily going to be the primary driver here of any transaction. But you're certainly seeing that as it relates to the things that we've done, inorganically over the last number of years. The last point on inorganic growth, while we're going to be focused on it and it's something that we think is a real opportunity here long term as referenced earlier in the call that we had a couple of targets we had put out there $4 plus of FRE, $7 plus of TDE, that was on an in—that was on a organic basis. And so, anything that we would do from an inorganic perspective on the FRE side should certainly be accretive to that.

Scott Nuttall
Yeah. The only thing I would add, Brian, is I think the point we're trying to get across, as well—we'll continue to remain active looking at inorganic opportunities, and that's something we'll keep you updated on. But if you just look back, I think what we're trying to say is, the balance sheet has allowed us to pursue those with minimal equity issuance while also buying back 10% of our outstanding shares since 2015. And if you think about it, Marshall Wace, Franklin Square, Global Atlantic, what we talked about with Core, now the J-REIT, that's over $200 billion of AUM that was bought with minimal equity dilution and using the balance sheet as that strategic weapon. And a lot of the things that we've done that I listed have been done during periods of time where there's some dislocation or some volatility.

Brian Bedell

That's great color. Thank you very much.

Scott Nuttall
Thank you.

Operator
Thank you. Our next question is from the line of **Arnaud Giblat** with BNP Paribas. Please proceed with your question.

Arnaud Giblat Oh, yeah. Good morning. Thanks for taking the question. Just a quick follow up on the on the M&A question. I'm just wondering if you could comment a bit more generally about corporate M&A in the market in general, given what you're saying about certain pockets of the market being more congested on the fundraising side, and also maybe a more challenging market for GP IPOs. Generally, are you seeing a bigger pipeline of potential deals at the industry level?

Robert Lewin
Hey, Arnaud. It's Rob. We weren't able to hear all of that question. I think as it relates to corporate M&A and the pipeline we're seeing. Certainly, a lot of activity across the GP space, and I think we get to take a look at quite a bit of it. But inorganic activity in our space, particularly inorganic activity that requires integration is hard. And so, while we'll look at a lot and there's quite a bit that crosses our desk and the pipeline is full, I think the likelihood of any one of these deals happening is still relatively low. And so, we've been fortunate that we've been able to do some large things over the years. We would anticipate being able to do that in the future, especially given that the size of the M&A pipeline, but it's also not a need to do for us either. I think we're in a fortunate position where we've got a lot of avenues to organically really grow our business, but if we can find something where we can use our balance sheet to complement what we're doing and drive additional growth, we're certainly going to look at that.

Scott Nuttall
Yeah. Arnaud, this is Scott. The only thing I would add, if it's corporate M&A from a third party capital investing for our funds standpoint, as Craig mentioned that deployment's been active, the pipelines are busy, and there are public to private dialogues happening. So, it's not as much fun to be a public company right now. And so, that's part of the pipeline that we're seeing build up. In terms of, for the firm itself, dialogue continues. It's been active, and I think in an environment like this probably makes people think it—maybe it's not such a bad idea that—to be part of a larger firm that has a lot of different ways to win and raise capital and invest. So, we're active on both fronts.

Arnaud Giblat Great. Thank you.

Operator

Thank you. The next question is from the line of Rufus Hone with BMO Capital Markets. Please proceed with your question.

Rufus Hone
Great. Good morning. Thanks for taking my question. I wanted to come back to your comments around the balance sheet. And I hear you on the differentiation and the optionality it offers, but it seems like many investors haven't given you full credit for the balance sheet yet. So, would you consider capping the size of the balance sheet at some point or pursuing other strategic options if the market doesn't give you credit for your balance sheet over the long term? Thank you.

Rob Lewin
Yeah, Rufus. Thanks for the question. I think the first thing to consider as you think about our balance sheet strategy is that it's very much an aligned strategy. KKR employees are the largest group of shareholders in the firm own almost 30% of KKR. So, we start from a very aligned perspective. And as we sit here today, we see more opportunities to leverage the broader platform and ecosystem of KKR to drive ROE with that capital inside of KKR. And so long as that continues and we're able to drive additional ROE on that capital base for the benefit of all shareholders, then you're going to see a consistent strategy. To the extent that that changes over time where we're not seeing that attractive level of return, then obviously we might have a different strategy. But certainly as we sit here today, we are highly convicted in the way that we're operating the opportunities we see and the long-term accretion that we're able to create for all shareholders by virtue of the capital base that we have.

Scott Nuttall
Yeah. The only thing I'd add, Rufus, is, if you think about the job we have—get to think about how do we double the stock price as quickly as possible? How do we double our market cap as quickly and thoughtfully as possible given the risks we're taking? And the reason that we built the model that we have is that we believe, with the combination of third party capital plus our own capital invested alongside, we can create that next $50 billion and then the next $100 billion of market cap after that with greater line of sight and more confidence. So, no, the answer to the question is, no, we're not planning to cap it. But over time, if the market doesn't certainly appreciate the model of the way that we do, we have lots of different things that we can do to express our view on that. We've been buying back stock. We've been making acquisitions and converting balance sheet into fee-related earnings. There's lots of different things that we can do strategically with that balance sheet, but that's really where it's coming from. How do we get the market cap from $50 billion to $100 and then $200 and so forth.

Rufus Hone
Understood. And as a quick follow up, any thoughts around shifting the compensation mix between FRE and carry to a greater extent? Thank you.

Robert Lewin

No, is the short answer, Rufus. I think we feel good about the compensation structure that we put in place now a little bit more than a year ago. I think it's working really well for our firm, making sure we've got alignment in the right place between our employees, our shareholders, and our limited partners, and we think that balance is about right for us right now.

Operator
Thank you. Our next question is from the line of Chris Kotowski with Oppenheimer. Please proceed with your question.

Chris Kotowski
Yeah. Good morning. I like Craig's formulation of the state of the union overview. And I wonder if we could have something similar on your approach to energy investing because you have had four different energy or natural resource dedicated funds. None of them are investing, and obviously fossil fuels has been just a terrible place to be for most of the last decade. And people were wondering whether it would ever be an investible sector again. Now there's obviously a big capital need there, but at the same time, you've kind of got to navigate your ESG commitments. And I guess I'm wondering if you can explain the rules of the road as you see them between investing in fossil fuels versus new energy transition and how you plan to thread that needle.

Craig Larson
Sure. Chris, great question. Why don't I start? It's Craig. So, look, at a high level, we're committed to investing in the energy transition and the shift to clean energy. So, reflecting this, we invest in a diverse range of energy sources. So, let's touch first on renewables. So, think, global clean energy developers and operators, we've been increasingly active in this space, and you've seen that across really a number of strategies, including areas for us like infrastructure, as well as our impact business. Now, alongside of that is conventional energy, and our activity here is really being done through a permanent capital vehicle that we own a teens percentage of that's called Crescent Energy. And we think Crescent can become a real leader in developing best in class ESG programs in addition to creating significant equity value. We receive management fees that increase over time as Crescent scales its business. It’s incentive fee eligible based on the total return of the equity. And from a business standpoint, Crescent has low leverage. It's free cash flow positive, has an excellent team in place, and it is operating in an area that we think there's real M&A opportunities. So, that's our overall approach. Hopefully that gives you a better sense.

Chris Kotowski
Yeah. And just I was curious of about the idea of like a traditional fossil fuel dedicated fund. Is that an idea in the marketplace that has come and gone?

Craig Larson
I think—and maybe this is a—this gets perhaps into a little bit of a history lesson around Crescent, honestly, Chris. So, in 2020, we traded in an entity that was called Independence

Energy, and through that, we had combined our energy income and growth fund some energy investments from the balance sheet, co-investment assets, and those were contributed together with investments from an insurance client, and that formed Independence Energy. And then what you saw five or six months ago, it was in December of 2021 was we merged that entity with a public E&P company to form Crescent. So, Crescent is a $2.6 billion market cap company. Again, we own a teens percentage, but what really Crescent is, is the next step, and it's the next evolution of those dedicated funds for us. So, that's really the—that's how our views and our focus is really—we expect will be through Crescent.

Scott Nuttall
Yeah, there's no plans, Chris, for a traditional fossil fuels fund. We haven't actually invested in conventional oil and gas in our private equity fund since 2018. Don't have any plans to—really the work we're doing is through Crescent on the more conventional side and focused on improving the ESG footprint of every investment that they make, and the team is doing a great job around that. And then, as Craig mentioned, we're doing a lot in renewables across infrastructure, asset-based finance through GA and otherwise. So, those are some of the areas of focus right now.

Chris Kotowski
Okay. Thank you. That's it for me.

Scott Nuttall
Thank you.

Operator
Our next question is on the line of Finian O'Shea with Wells Fargo. Please proceed with your questions.

Finian O'Shea
Hi. Good morning. Mostly asked and answered for me, as well. But if you haven't updated us on today's call on the Private Wealth progress, do you have any highlights for upcoming product rollout type ideas or progress in relationships on—across the retail channels?

Craig Larson
So, Fin. again, we actually feel great about the progress we've made. Rome wasn't built in a day, and how we're positioned against this opportunity—nothing to announce right at the moment as it relates to incremental products. But again, over time, we expect to have democratized products across all of our asset classes, and we're investing in all of the areas that we think it takes to be successful in this channel, reflecting that point of view. We said a couple of quarters ago that we think new capital raised from individuals is going to be a third to half of new capital raised for us as a firm in the medium term and no change in that outlook or point of view for us. It's just a really exciting opportunity that, when we look at our brand, our long-term

track record, the ability that we have to innovate and product design and the relationships we have, we just think we're really well-positioned against this enormous market.

Finian O'Shea
Great. Thank you.

Operator
Our final question comes into the line of Robert Lee with KBW. Please proceed with your questions.

Robert Lee
Thanks so much, and thanks so much for your patience this morning with all the questions. So, just had one last quick one. Many of your peers have either acquired or has started to build organically a secondaries or solutions capabilities if you will. Can you just remind us of your interest in that business segment, which is I think not a place you've—traditionally you've been focused on? But it seems to be a hot sector for across the industry and for many peers.

Rob Lewin
Yeah. Hey, Rob. It is certainly a sector we continue to look at. It is not a need to do type of acquisition for us. But if we find a platform that we've got conviction can be a top three player, that we can help make them better, they can help make us better, and valuation makes sense, it certainly could be something that we could pursue in the future. And so—yeah, we've got—as I mentioned earlier, we've got a team that looks across different inorganic opportunities of the firm as we line up different potential sub-sectors of the asset management space. Clearly the addressable market and the secondary space is quite large. But from our perspective, it's got to work for us, and it's got to be something that we've got a lot of conviction is going to fit in well within our firm, which, in part, is going to require it to be a top three player. And so, we'll continue to keep you updated, of course, on our progress and our thinking, but that's where we are right now.

Robert Lee
Okay. Great. Fair enough. Thanks for your patience this morning.

Scott Nuttall
Thank you. Our pleasure. Thanks, Rob.

Operator
Thank you. At this time, we've reached the end of our question-and-answer session. I'll now hand the call back to management for closing remarks.

Craig Larson

Thank you, everybody, for your time and patience this morning and your interest in KKR. We look forward to following up with many of you directly, and if not, we look forward to giving you our next update in 90 days or so. Thanks again.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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