KKR & Co. Inc.
Third Quarter 2026 Earnings Conference Call
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Presenters
Craig Larson, Partner & Head of Investor Relations
Robert Lewin, Chief Financial Officer
Scott Nuttall, Co-Chief Executive Officer

Q&A Participants
Craig Siegenthaler - Bank of America
Glenn Schorr - Evercore
Alex Blostein - Goldman Sachs
Steven Chubak - Wolfe Research
Benjamin Budish - Barclays Bank
Michael Cyprys - Morgan Stanley
Dan Fannon - Jefferies
Bart Dziarski - RBC Capital Markets
Devin Ryan - Citizens Bank
Crispin Love - Piper Sandler
Brian Bedell - Deutsche Bank
Patrick Davitt - Autonomous Research
Dan Welden - Wells Fargo
Arnaud Giblat - BNP

Operator
Ladies and gentlemen, thank you for standing by. Welcome to KKR's Third Quarter 2026 Earnings Conference Call.

During today's presentation, all parties will be in a listen-only mode. Following management's prepared remarks, the conference will be open for questions. If anyone should require operator assistance during the conference, please press "*"and "0" on your telephone keypad. To ask a question, the command is "*"and "1" on your telephone keypad.

As a reminder, this conference is being recorded.

I will now hand the call over to Craig Larson, Partner and Head of Investor Relations for KKR. Craig, please go ahead.

Craig Larson
Thank you, Operator. Good morning, everyone. Welcome to our Third Quarter 2026 Earnings Call. This morning, as usual, I'm joined by Rob Lewin, our Chief Financial Officer, and Scott Nuttall, our Co-Chief Executive Officer.

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. 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.

First, beginning with our results for the quarter, once again, for the second consecutive quarter, we're reporting record results across all three of our headline financial metrics: Fee Related Earnings, Total Operating Earnings and Adjusted Net Income per share. And over the trailing 12 months, LTM results for all three of these metrics also again set historic highs.

Taking a closer look at Q3, Fee Related Earnings per share came in at $1.42. That's up 24% year-over-year. Total Operating Earnings per share of $1.88 are up 21%, year-over-year. Adjusted Net Income per share of $1.78 is up 26%, compared to Q3 of 2025.

Management fees in the quarter were $1.2 billion. Looking at management fees, excluding catch-up fees in all periods, management fees grew 16% year-over-year and were up 19% looking at the first nine months of 2026, compared to 2025. Visibility here remains healthy, as AUM that has not yet turned on and is not yet paying management fees ended the quarter at $75 billion with a blended fee rate of approximately 90 basis points. Since the start of the year, that $75 billion figure is up 24%.

Two additional items of note, just on the management fee side. First, it's worth highlighting our progress in Real Assets. Over the last three years, Fee Paying AUM has increased from $108 billion to $176 billion. That's an 18% CAGR with a blended fee rate, ex catch-up fees, that has increased every year alongside.

And second, looking even more broadly, in 2019 we earned $1.2 billion in management fees across the full year. Given the growth and diversification across KKR, we're generating this level of management fees now in a single quarter.

Back to our Q3 results. Total transaction and monitoring fees were $328 million in the quarter. Capital Markets fees reached $290 million. That's our third-highest quarterly result on record. And insurance related capital markets activity picked up nicely this quarter.

Fee Related Performance Revenues were $326 million and are up year over year, driven by our U.S. domiciles, Infrastructure and Private Equity K-Series vehicles. As a reminder, this is the

second quarter where the crystallization from Private Equity wealth is sitting within that FRPR line.

Turning to expenses, Fee Related Compensation was again at the midpoint of our guided range at 17.5% and other operating expenses for the quarter came in at $215 million.

In total, Fee Related Earnings were a record $1.3 billion or the $1.42 per share figure I mentioned a few moments ago. And our FRE margin came in just around 71%, also the highest we've reported in our history.

Insurance Segment Operating Earnings were $230 million. Excluding the impact of GA's annual actuarial assumption review and other related items, Insurance Operating Earnings would have been $257 million. As we have discussed on prior calls, Insurance Operating Earnings do not fully capture the broader impact of GA to KKR.

Page 17 of the Earnings Release details the management fees under our investment management agreement, fees from Ivy-related vehicles, where we now have over $60 billion of AUM that wouldn't exist without GA, as well as GA-related Capital Markets fees, again which picked up in Q3.

While we have been more disciplined throughout the first half of the year, given the competitive environment, we're still seeing really attractive all-in economics. And over the LTM, that Total Insurance Economic figure was $1.9 billion. That's net of compensation and that does not include, as a reminder, the impact of mark-to-market, as we report our insurance investment portfolio largely based on cash outcomes.

Turning now to Strategic Holdings. We delivered a strong quarter with $192 million of Operating Earnings, bringing the year-to-date total to $277 million. This puts us firmly on track to achieve our expectation of more than $350 million in Operating Earnings for full year 2026. Additionally, as you likely recall, we announced the sale of USI in the quarter, our most mature Strategic Holdings position that represents an exceptional outcome for our core Private Equity investors, as well as our shareholders. Rob is going to touch base on this transaction in greater detail in a few minutes.

Altogether, Total Operating Earnings which, as a reminder, represents the more recurring components of our earnings streams, were $1.88 per share. That's up 21%, year-over-year. And over the last 12 months, 84% of our total pre-tax segment earnings were driven by these more recurring earnings streams which, again, we feel demonstrates the durability of our model.

Moving now to investing earnings. Realized performance and investment income totaled $824 million and we had $71 million of net realized investment income in Strategic Holdings. And again, just to be clear, these results do not reflect the USI transaction, which is subject to

closing. After interest expense and taxes, Adjusted Net Income was just about $1.6 billion or $1.78 per share for the quarter.

Turning to investment performance on Page 10 of the Release. Q3 was a volatile quarter across markets. The yield on the 10-year Treasury surged by 80 basis points, the Russell 2000 declined 7% in Q3, and the S&P 500 ex the Mag7 declined by 2%. Against all of this volatility, our Private Equity portfolio was flat. Infrastructure has continued to be resilient, plus 4% in the quarter, while the opportunistic Real Estate portfolio declined 2%.

With high yield indices off 2% in Q3 and the LSTA plus 2%, our leveraged credit and alternative credit composites were up 1% and 3%, respectively.

Finally, I will spend a moment on some of our key operating metrics. On the investing side, we deployed $20 billion of capital in Q3, with activity really broad-based across geographies and asset classes.

This brings us to $98 billion of capital invested over the trailing 12 months, which is up 15% compared to the prior period. With a record $146 billion of dry powder available, we remain incredibly well-positioned to build our portfolio for the future.

Turning to fundraising, we raised $25 billion of new capital in the quarter and $116 billion over the trailing 12 months, with demand also quite widespread. Some highlights here for the quarter. Within Real Assets, we continue to see momentum. Early in Q3, we held the final close of the latest vintage of our flagship Global Infrastructure fund at $19.2 billion, eclipsing the prior $17 billion fund. We continue to make meaningful progress in raising capital for our Asia Infra strategy. On a combined basis, these efforts represent over $25 billion of committed capital, to date.

At Helix, Samsung committed $1 billion to this AI infrastructure strategy, contributing to the more than $11 billion in total commitments today.

Turning to Wealth, we brought in $3 billion of capital in Q3. That is up 11% from just last quarter, and K-Series AUM now stands at $45 billion. That's up 55% year-over-year, and on a year-to-date basis, AUM is up 32%. AUM at our K-Series Private Equity and Infrastructure vehicles have now reached $22 billion and $17 billion, respectively, in just three years. Lastly, in Credit, we raised $14 billion of capital in the quarter and continue to expect a record fundraising year for total third-party credit overall, and Private Credit, specifically.

In summary, we had another record quarter, and we have a great deal of momentum, again, as we look ahead. With that, I am pleased to turn the call over to Rob.

Robert Lewin
Thanks a lot, Craig, and thank you, everyone, for joining our call this morning. As Craig just walked through, our model continues to deliver consistent and differentiated results, with our key headline metrics all up north of 20%, year-on-year. I'm going to spend a bit of time this morning going through the activity that we are seeing across the firm, which is directly driving these record results.

Let me first start with our monetization activity, which has been a real bright spot for us. If I could turn you to Page 21 of the Earnings Release. We have already returned more capital to our clients in 2026 relative to any year in our history and that is excluding Q4 activity and the announced USI transaction.

This stands in sharp contrast to the muted monetization activity that we are seeing across our industry, and I think reflects both the performance of our portfolio and the benefits of our disciplined approach to linear deployment and portfolio construction.

Year-to-date, we have returned $31 billion to our clients across Private Equity, Real Assets, and Credit. And including announced transactions and activity completed since September 30th, we expect that figure to reach over $40 billion in 2026, exceeding our previous annual record by more than 50%.

Turning briefly to USI. In late August, we announced the sale of the business, which was our inaugural Core Private Equity investment. This transaction represents a really compelling outcome, both for our clients, as well as our shareholders, and we view it as a real proof point for KKR's business model and the long-term earnings that Strategic Holdings investment can provide for our business.

The sale is expected to deliver an approximately 6x multiple of our cost on the original 2017 investment, a 3.4x multiple on all KKR balance sheet capital, part of which was invested just last year and a roughly 33% premium to USI's unaffected valuation, last quarter.

And incremental to this are approximately $550 million of earnings generated over the life of the investment from realized carried interests, management fees, as well as capital markets transaction fees.

Upon closing, we expect to receive after-tax proceeds, or an incremental liquidity, of approximately $3.3 billion. In addition, we would expect to generate approximately $2 billion of Adjusted Net Income, which translates to a little over $2 per share.

USI demonstrates the significant value that can be created by leveraging KKR's core competencies, including our investment capabilities and our approach to capital allocation. We expect Strategic Holdings to continue building on this theme. As a reminder, Strategic Holdings represents KKR's direct ownership in companies that we believe are durable, less cyclical, and

well-positioned to compound value, over the long term. But we are always actively managing the portfolio and will sell companies when we believe doing so can create even more value.

In thinking through the sale of USI, we ultimately determined that we could reinvest the freed-up liquidity back into our business in a manner that will be accretive to our earnings per share, over the long term.

Which brings us to our capital allocation framework, which we view as critical to our long-term performance. As a reminder, we have four key tools available to us: Share Buybacks, Strategic Holdings, Strategic M&A and Insurance. These all take full advantage of the KKR ecosystem, and as a result, we have the potential for very high ROEs.

Importantly, our capital allocation approach does not assign a predetermined amount of capital spend into any one of those four buckets. Rather, our focus here is all about how we take that marginal dollar of cash flow and drive the most recurring, durable and growth-oriented earnings on a per-share basis. We believe capital allocation, in its own right, is a core competency of our management team. Given employees here own roughly 30% of our stock, this mindset is one that is highly aligned with our shareholders.

We believe that we have delivered a lot of value over time through strategically allocating our capital and are very confident in our ability to continue to do so into the future. With some of the volatility that we are witnessing across markets, the opportunity to reinvest the $3.3 billion of after-tax proceeds we're receiving from USI is becoming even more compelling.

Let me go through some examples of our recent activity here. First, as it relates to Share Buybacks, it is an area where we have leaned into, this year. Looking at activity from the beginning of Q3 through November 4th, we have repurchased or retired $567 million of stock. Since the start of the year, that number is over $900 million, with an average price of $92 per share.

From our seats, we see a very big disconnect between perception of our industry and our share price, relative to the durability and growth orientation of our business model and our execution. But ultimately, we have conviction that by buying back more shares, we will increase our long-term earnings per share. That is why you've seen us deploy into the opportunity here, and I note, that is both at the firm level and through purchases made directly by our co-CEOs and a number of our Directors, earlier in 2026.

Moving to Strategic Holdings, we have reiterated our $350 plus million and $1.1 plus billion guidance for 2026 and 2030, respectively, given the maturation of our existing portfolio, alongside what is an attractive pipeline of new investment opportunities. On this last point, you would have seen us recently leaning into the opportunity set here with our newest Strategic Holdings companies.

Integer, a leader in global medical device contract development, Gen II Fund Services, one of the largest providers of outsourced private markets fund administrative services in North America, a space we obviously know well and A1, a leading provider of residential garage door services. We are already well on our way to replenishing the foregone earnings from USI and feel we can grow the portfolio at a faster rate, given our pipeline.

As we continue to execute on Strategic Holdings, we have strong conviction that this engine of our business model will be a massive differentiator for us over the next decade plus.

Within Strategic M&A, we completed the acquisition of Arctos in May of this year. The business is already tracking well ahead of budget and we are seeing great momentum across the platform.

We closed Keystone last quarter at roughly $6 billion in total commitments, which is the largest first-time fund in the broader GP Solutions space. We just launched the latest vintage of Arctos' sports strategy, and we are making great progress on a new GP-led secondary strategy that we expect to launch in 2027. Altogether, we expect our new investing vertical called KKR Solutions to be a $100 plus billion AUM business, over time.

Finally, within Insurance, we were more selective in allocating capital here during the first half of 2026, given the competitive environment and the attractive opportunities elsewhere across our business. In the third quarter, however, we did see opportunities to write business at higher returns and began to lean back in. Total capital raised in Insurance was just north of $9 billion in the quarter. That is up 42% from Q2 and 53% from Q1.

We have positioned the business to respond quickly to changes in the market, including the rate environment. To put that into perspective, on the retail side, new business volumes reached $3.4 billion in the quarter, compared to $4.5 billion, across the entire first half of 2026. That third quarter pace implies an annualized run rate of approximately $13.5 billion and we've been picking up momentum.

Looking at just September and October, we've been run rating approximately $20 billion annually. So, we are encouraged by the activity in Insurance, and importantly, we have been able to grow volumes while maintaining our discipline on returns and capital allocation.
Additionally, at GA, tying back to where I started my comments around monetization activity, we do expect a sizable gain from the sale of a railcar equipment lessor, which we announced in October. That transaction is expected to generate over $200 million of operating earnings when it closes, which we expect in the first quarter of 2027.

Taking a step back, we are very pleased with the progress that we have made across our business. We are generating meaningfully higher earnings from a more diversified business, and that progress is showing up in our results. We have now delivered record earnings in each of the last two quarters.

Our forward indicators are as strong as they have ever been. Dry powder, uncalled capital not yet earning fees and Embedded Gains are all at or near record levels, giving us confidence in the earnings growth ahead. With that momentum and the expected contribution from the USI sale, we believe that we are well positioned to deliver a third consecutive quarter with record ANI per share to close out the year.

By our next earnings call, KKR will have fully transitioned to a traditional one-share, one-vote governance structure, following the sunset of the super voting rights held by our Co-Founders, Henry Kravis and George Roberts. This represents another important milestone in KKR's journey as a public company, with shareholders benefiting not only from very strong financial and operating performance, but also from enhanced governance rights.

With that, I'm going to hand the call over to Scott.

Scott Nuttall
Thanks, Rob. Hi, everybody. Thanks for joining our call today. There's a lot being written about our industry and most of it is not flattering. We think what is missing is a broader historical context, so I thought today we would share our perspective through the lens of our 50 years of experience.

The first thing we want to do is acknowledge all of the noise and complexity that have made it so difficult for the market to understand what's really happening. This year alone, we have heard worries about software, private credit, private wealth, private equity monetizations, insurance affiliate issues, the impact of higher interest rates, and the consequence of all of the aforementioned on overall returns and the ability to raise scale capital. There has been a lot thrown at you and no shortage of things to worry about.

As you just heard, despite all of this noise and all of these questions, we continue to report record results. It's not just this quarter and not just some metrics. This will be a record year for us across all of our headline financial metrics, including monetizations, both profit realized for and cash distributed back to our investors. The momentum going forward is strong.

How do we square the broader private market sentiment with our performance? Herein lies the opportunity for a broader historical perspective to make sense of all of this.

When you step back, we think there are two things going on. First, alternative asset managers have not been public companies for very long. Most of us came public around the time of the financial crisis, or thereafter, so the market's ability to learn about our business model has been limited by the market environment, over the last 16 years.

As we have discussed on prior calls, the first 10 of those years were a benign environment with low interest rates, low inflation and multiples expanding. It was a relatively straightforward period in which to generate returns, especially investing in levered equity. The last six years,

however, have been more complicated, with a pandemic, rising rates and inflation, two wars, tariffs, and anxiety about both the downside and the opportunity set afforded by AI.

Speaking of history and to put a finer point on it, the average 10-year Treasury yield since KKR was founded in 1976 is 5.8%. The average Treasury yield since the beginning of 2010 is 2.7%. Said simply, today's Treasury rate at around 5% is less than the 50-year average since KKR was founded.

The market has only known our space in a public context in a 2% to 3% or lower interest rate environment, until very recently, so your experience set is different than ours. We generated strong returns for our investors before 2010 and in much higher interest rate environments than the one we're in right now. But the public market has not had the benefit of experiencing that yet and uncertainty and fear tend to be very powerful emotions.

Part of why we like this period of time is that it will provide you with the opportunity to get to know us and our business better and we can move from theory to more of a shared lived experience. Second, our strong belief is that you only know if you're good in this business once you have been able to invest through a few cycles.

What makes this time particularly challenging to understand is that we have not had a normal recession or cycle in the United States, for example, for 16 years. You have to go back to the financial crisis and the one prior to that was in 2001, around the time of the telecom bubble.

Most of the opportunity the public markets have had to get to know our space has been in an environment where we haven't had a real cycle, and everyone is learning together, both the public markets and, we believe, a number of the younger entrants in the private markets.

In the past, we've talked about the fact that the private markets industry was about $3 trillion in size at the time of the financial crisis. That number today is in excess of $15 trillion. That sounds like a lot of growth, but it's about 12% per year.

Through our lens, what is more important to understand is the number of participants in the industry that have experienced investing through cycles. That's where the numbers get far more interesting. As best we can tell, over 65% of the participants in the private markets industry were formed after 2009. They were not even in existence at the time of the Global Financial Crisis. Said another way, only 35% of the market participants have experienced a real recession or cycle.

If you want to go back further to the 2001 recession, less than 20% of the market participants were in business at that time. Said simply, 65% of the firms in our industry have not experienced a real cycle and over 80% were not around at the time of the 2001 recession.
That is a lot of new players.

Most investors are experiential learners. What is happening now, we believe, is that many market participants, a majority, are learning by doing and some of their results will reflect the fact that they have not invested through a cycle before. We expect many of them will learn from it, and like us, get better from the experience. Some will disappear. Where we are different is that we have been around for 50 years. We've seen not only the financial crisis and the 2001 recession, but you can go back further to the early 1990s real estate crisis. We've seen oil shocks. We've seen the recession of the early 1980s. We've seen a 20% plus prime rate.

We've been able to invest and learn over the course of many cycles, over the last five decades and most of the firms operating in our space have not. That is a critical distinction in our view. We try to be a learning organization. A lot of the mistakes that other people are making now, we made a couple decades ago or more, and we changed our investment process to reflect the mistakes we made and become better all-weather, through-cycle investors. That, we believe, is what is showing up in our results.

Another reason we like this time is that it gives you an opportunity to see what's different about us and that benefit of experience. But there's not just an educational benefit to all of this. It's also a fundamental positive for our business momentum. The good news for us in this now K-shaped industry is that the happy part of the K is taking market share from the less happy part of the K. We are raising more capital now than we ever have and we are finding a significantly magnified focus by global investors on through-cycle investment acumen.

The result is more concentrated commitments by our clients with firms like ours that are performing through the noise and we anticipate this dynamic will accelerate going forward.

We say all this with a lot of humility and acknowledging that we will continue to make mistakes and we will continue to learn. We say all this acknowledging we do not get everything right, but we are working to get better at what we do. We believe we are making progress and we are pleased to see that progress in our results.

I hope this explanation helps as you decipher all of the information coming out about our industry and all of the varied stories being written about our space. I hope it helps to put our results in context and allows you to better understand the confidence we have in our own future. As I said last quarter, the best response to pessimism is performance. We get that. Our focus is on continuing to perform for everybody counting on us, including you, our fellow shareholders and partners.

With that, we are happy to take your questions.

Operator
Thank you. At this time, we will be conducting a question and answer session. If you would like to ask a question, please press "*" and "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*" and "2" if you would like to

remove your question from the queue. We ask that analysts only ask one question and return to the queue if they have a follow-up. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the "*" keys.

One moment, please, while we poll for questions. Our first question comes from Craig Siegenthaler with Bank of America. Your line is now live.

Craig Siegenthaler
Thanks. Good morning, Scott, Rob. Hope everyone is doing well. We have a set of questions on Global Atlantic and I heard your comments that you're leaning into growth at GA, and we saw the inflow acceleration in 3Q. But can you talk about what changed from June 30th to September 30th? How much of this was the 10 year U.S. Treasury yield, given the natural rate sensitivity of GA? Have you been leaning into high yielding segments of the AI adjacency verticals, like GPU financing? Sorry, just one more. I know there is a bunch here, but you have some long-term goals in place, duration extensions, reallocation to alts within GA. Where are you in that trajectory?

Robert Lewin
Great. Good morning, Craig. Let us start going through those one by one. Probably a combination of us will tackle some of your questions. As it relates to the first one, we saw a better opportunity to invest in the quarter and I think that came from a number of different factors. We did see the rate movement upward and we have positioned the business to respond very quickly to that.

At the same time, you would have seen some movement in fixed income spreads, and so the left-hand side of the balance sheet moved in our direction, and we didn't see competition move necessarily as quick as it relates to pricing. We have spent now a number of years making sure that our liabilities and investing teams are synced up literally to the day and we were able to respond pretty quickly to that environment. That'd be point one.

As it relates to duration of our assets, you absolutely would have seen us continue to extend the duration of our assets. If I'm looking at year-to-date numbers, through 2026, 93% of our liabilities five plus years in duration, 63% seven plus years in duration. Compare those numbers to 2024, 75% five year and only 37% seven year. So we're extending the duration of liabilities, and in tandem, we're continuing to modestly increase the pace at which we move the book of assets to an alternative portfolio, roughly 2% of our portfolio today.

We can see that getting closer to industry average, but that's going to happen over time. Industry average is closer to 5% to 8%. But as we've mentioned it multiple times on these calls, we're going to do this in a way that's prudent and in a way that matches the extension of the duration of our liabilities, which we continue to work through.

Scott Nuttall
Hey, Craig.

Robert Lewin
Go ahead, Scott. Please.

Scott Nuttall
Just one other thing I would add is, I think we talked in the past about a big focus the last 12 to 24 months has been having our investment teams globally source these structured alternatives deals that we think are very attractive and fit nicely, investment-grade opportunities that fit into the GA balance sheet. Some of those just take several weeks or months to actually gestate and be able to close. Part of what's also going on and feeding what Rob's talking about is we've got a significantly increased pipeline and a magnified focus across the firm that's really taking hold.

Craig Larson
Operator, we'll go to the next question.

Operator
Our next question comes from Glenn Schorr with Evercore. Your line is now live.

Glenn Schorr
Hello. Thanks very much. One of the conversations I get into a bunch is on quality of earnings, and people look at a quarter like this and say, "Okay, you have all those records, but some of the beat today is transaction fees, Strategic Holdings, FRPR, performance fees, but management fee and insurance earnings are decelerating." They do not like that mix.

You've spoken to part of it, but I do want to give you a chance to respond to the aggregate, but I want to specifically focus on transaction fees. I think you were one of the first to enhance the quality and the scale of the platform. You make a lot of money from it, but people somehow discount that as lesser class than a management fee.

Maybe get your perspective on how to think about that over the next couple of years in terms of per dollar of AUM, per dollar of deployment with all your dry powder. Is there lots of white space? I just wanted to get your big-picture thoughts on quality of earnings. I really appreciate it. Thanks.

Robert Lewin
Yeah. Thanks for the question, Glenn. It is Rob. I'll start. We've positioned our firm very much on purpose to be able to have multiple ways to positively impact the P&L, and you listed off a bunch in your response, and we think that is important. Multiple different ways for us to be able to utilize our model to be able to achieve outcomes, first and foremost for our clients,

policyholders, and shareholders. And you're seeing some of that flow through our earnings over the past couple of quarters.

As it relates specifically to your question on transaction fees, I think you're getting into Capital Markets fees. We look at the scale of the business we have created in capital markets and its breadth.

When I talk about breadth, I can talk about it by geography, I could talk about it by client coverage, I can also talk about it around product. You think about insurance related Capital Markets fees on the product side, structured products can add into that. Think on the geography side, big opportunity for us in Asia Pacific. And on the client side, we've got a very significant effort to cover both the sponsor and corporate community, that we think provides just an additional layer of growth for that business.

Interestingly, if you look at our Capital Markets business and you maybe look at a decade ago, you would have seen very significant peaks and valleys. Based on what I just went through, I think we've brought up the floor in that business pretty dramatically, over the years.

Go back in history, 2023 and 2024, the capital markets in both of those years were largely shut. You did not see a lot of leveraged finance activity and in each of those years, we generated $600 plus million of Capital Markets Fees. Obviously, in a more robust capital markets environment, you are seeing us deliver much better results. I think the key for us is, are we building a business that is both durable, can protect fees on the downside? We think the answer is yes. Then are we building a business that has multiple growth levers in front of it? We also think the answer is yes there too.

Back to where you started this question, Glenn, lots of different ways to positively impact the P&L. That is our business model, and we believe we're delivering on that.

Scott Nuttall
Hey, Glenn. It's Scott. The only thing I would add, maybe just a little bit of color. As you know, with the Capital Markets business, we're monetizing the deal flow that we have inherent in the firm to a much greater extent. I really do view these as recurring. If you look at kind of the activity level across the firm, it is recurring and it is an incredibly high flow-through margin, because we don't have a lot of people that are doing this. A lot of the deal work is already being done by the deal teams.

If you look at it, we habitually are syndicating $10 to $20 billion plus of equity a year. You add on top of that the financing and refinancing across the embedded portfolio, which is always busy. Then you add on top of that the third-party business, which also feeds Direct Lending and other parts of our credit business, plus IPOs, plus secondaries, plus on top of that, to your question about white space, Global Atlantic/Insurance and these big, structured alt deals.

In any given week, we have got multiple different transactions that are kind of working their way through the Capital Markets business, and I do view that as highly recurring. To Rob's point, you can see the baseline of that business continue to increase. I really appreciate the question, because I don't really think the market fully understands what I just said, and we see significant growth opportunities ahead.

Craig Larson
We'll go to the next question.

Operator
Our next question comes from Alex Blostein with Goldman Sachs. Your line is now live.

Alex Blostein
Hey, everybody. Good morning. Thank you for the question. So, lots of developments in the last week or two related to the AI ecosystem broadly and KKR generally has been a bit more measured and kind of picking your spots as you lean into it. But it's helpful to maybe kind of mark-to-market where your sort of AI-related infrastructure exposure sits between both your credit business and your equity-related businesses.

And I guess more importantly, as you think about the forward growth and if we see moderation in deployment opportunities related to any sort of data center restrictions, how impactful could that be on your forward growth? Thank you.

Scott Nuttall
Great, Alex. It's Scott. First off, congratulations.

Alex Blostein
Thank you.

Scott Nuttall
Let me start. At the highest level, and I appreciate you asking the question, so I'm going to go high altitude because I think it is important context. AI is a very large opportunity. We think we're really well-positioned to benefit, but we're also cognizant of the risks. And like any set of developments like this, we think money will be made and money will be lost.

Our thinking is grounded in three things. First, recognition that no one knows how this will play out. This level of spend this fast is unprecedented. And we think it's important to approach all of this with a lot of humility.

Second, we try to stay focused on what we're authentically good at. We find in moments like this, which are a mix of excitement and confusion, it's important to stay grounded in what we do well, so we do not drift. Third thing I'd say, it is important to set a goal. Our goal has been that in 10 years, we want to look back and be proud of how we protected our clients' capital

and realized profit for them by leveraging what I referenced before, what we're authentically good at. So, we want to be proud of the body of work regardless of how all this plays out.

Through that lens, we've been doing a few things. And I know your question is focused on Data Centers, but it's broader than just data centers, is kind of how we have thought about what is going on here. First thing you need to do when you have a disruptive technology, in our experience, is get out of the way of disruption.

We did an inventory of what we owned four or five years ago, and looked at everything through the lens of where is AI an opportunity, a threat, or a question mark If it was a threat or a question mark, we decided to try to get out of the way. And so we sold some businesses that we were worried about, but that's probably an important part of this. You got to make sure you do not get disrupted. We learned that from what happened with the internet advent.

Second, we recognize we own some assets today that are really benefiting in an outsized way from what is going on with AI. We've been selling those in some cases. This year, KOKUSAI is a good example in Japan, semiconductor equipment business. CoolIT, we've talked about. We sold KOKUSAI for roughly 20x our investors' cost, CoolIT for 15x. Maybe if we had held them longer, we could have done better than that, but those are pretty good outcomes.

And third, to your question, we've been trying to judiciously deploy capital into new opportunities, but trying to do that with a long-term mindset and an eye to portfolio construction, diversification, and deployment pacing. So, we've done roughly $45 billion of equity investments in digital infra to date, roughly $40 billion of equity in power deals so far, but we're staying diversified.

So the seven data center platforms we have, they aggregate 6% of our Infrastructure AUM. And when you take those investments plus other things we have across the firm, including Global Atlantic, it aggregates 1% to 2% of total firm AUM. And we're trying to be appropriately careful, right? So, a lot of the offtake is for Cloud, not AI.

When we bought CyrusOne five years ago, as an example, that was predicated on Cloud. AI was all upside. Ninety percent of our long-term lease exposures are to governments or investment-grade hyperscalers, 3% are to neoclouds, just to size it for you. We've also been trying to think about how do we develop new capital, new approaches to this space. We talked in the past about Helix, which is more of a one-stop shop. It's got power, data centers and equipment all in one offering to work with hyperscalers.

As I said, our overall expectation is that money will be made and lost, but we're trying to lean on our experience. That means get out of the way where you need to, sell a bit early, that's better than a bit late, and focus on your downside and be ready to be opportunistic if some run into trouble. That's usually where some of the most interesting opportunities arise. Craig, anything you want to add?

Craig Larson
Nope, I think that's great. We'll go to the next question.

Operator
Our next question comes from Steven Chubak with Wolfe Research. Your line is now live.

Steven Chubak
Hi. Good morning, Scott and Rob, and thanks for taking my question. I wanted to ask on the management fee outlook. Ticking through the list of upcoming fundraising campaigns, Asia Infra should continue to raise early in the first half next year. You have Asia Private Equity in Europe, which will generate inflows through 2027 and 2028. But zooming out, we are entering a period beginning in 2027 of lighter campaign contributions following a very active super cycle. I was hoping you could speak to the expected contribution from non-campaign fundraising ahead and how it informs your outlook for management fee growth heading into 2027.

Robert Lewin
Hey, Steven. It's Rob. I'm glad you asked about management fees. Maybe take a step back. This has been a real strength of our franchise, but I want to be clear about how we think about that strength, that it's not just focused on one line item here either.

If you look back in history, and we'll come to the future in a second, we've clearly had really robust management fee growth over the past several years. You look since the end of 2022, we've compounded here at roughly a 17% level. We're proud of that as a management team, but we're also proud of a few other things that I'd say go in tandem with management fee growth. Number one is diversification. Prior to the closed transaction with Arctos, we had roughly a third of our management fees coming from each one of our three business lines. A third from Private Equity, Real Assets, and Credit and Liquid Strategies.

Number two, we've done so while simultaneously increasing the duration of our capital. Today, 54% of our capital is now perpetual or 15 plus years in duration. We spent a lot of time talking about that. Most importantly, as you think about management fees, we've ensured that our management fees drop to the bottom line. So, 17% compounded growth since 2022. Our OpEx has compounded at 10% during that time. Because of a shift we have made in our comp ratios, our Fee Related Comp has compounded at 2% during that time. So we've taken the 17% management fee growth and translated that into 22% FRE growth. That's what's really important.

I think if you think about our business model, we spend a lot of time on these calls talking about it. We want to be great in areas that we are already present. And to your question, we see a lot of room for growth across our platform. We have $75 billion of AUM not yet earning fees. That's a record number for us, and that's up 24% just from the beginning of the year.

At the same time, we don't want to be all things to all people in asset management. We've said that for a while now. We're not going to start something new unless it could be really scalable and we think we can be uniquely great at it. As a result, we're not the platform that's going to go down market for that last dollar of management fee growth.

But what we do know is that our strategy is going to yield maximum efficiency as it relates to how we translate management fee growth into FRE growth. That's what we care the most about, because we do not think our model requires a lot more operating complexity or people intensity to be able to achieve those results.

Maybe lastly, on the point as we are talking about business model, because I think it's important, I think it is worth remembering that this strategy has much more focus to it and it is also much more compatible with keeping our small collaborative culture which, in turn, is what we think generates a lot of our investment alpha which, in turn, makes the flywheel continue to perpetuate. Hopefully, that is helpful in terms of how we think about it big picture.

A lot of specifics that, of course, go into any one year, but that is how we approach this topic of management fee growth. Really, it's a translation into durable management fee growth over time and bottom line results.

Craig Larson
Operator, let's go to the next question.

Operator
Our next question comes from Benjamin Budish with Barclays Bank. Your line is now live.

Benjamin Budish
Hi, good morning, and thanks for taking my question. I wanted to ask a few follow-ups on the back of, I think, Craig's question from earlier on the insurance side. I guess you talked about the allocation to alts. I'm curious if you could also spend a bit of time talking about your allocation to investment-grade Private Credit on the fixed income side.

You guys mentioned earlier that the Capital Markets fees related to GA had kind of stepped up this quarter. Curious if you could unpack that a little bit. I know that's been sort of part of the thesis, sort of another place that KKR can benefit more broadly. What did you see in Q3? How can we think about that scaling up over time as well? Thank you.

Craig Larson
Hey, Ben, it's Craig. Why don't I start? I think look at the starting point here, I think I'd even take it up a level as it relates to ratings and capital position. Looking across the four agencies, GA has been affirmed or upgraded by all four of these agencies over the last 18 months. Capital position remains really strong, ahead of its RBC range, lots of liquidity. I think when we look at

GA's portfolio as a whole, diversified by asset class, industry sector, geography, issuer, quality of the portfolio remains high, 94% NAIC 1 or 2.

Now, to your question, we do get asked a lot about GA's exposure to privately originated fixed income. You may have seen on GA's website, as it relates to where you see the bondholder presentations, we've actually added quite a bit of disclosure.

I think to summarize some of that disclosure, of GA's adjusted investment assets, around 4% of that is invested in senior secured direct lending. If someone is more narrowly focused on the non-IG rated portion of that piece of the pie, the number's lower. The non-investment grade rated portion of that's around 1% of adjusted invested assets. Again, it's a small piece.

I think if you look back more holistically, when you look at where we've chosen to invest in risk assets, it's really been this first lien senior secured risk. We've been less focused on the equity bucket, for instance. So I think, again, looking at the portfolio as a whole, GA would have more limited equity exposure relative to peers. I think as it relates to the overall investment portfolio and on this topic, those are some of the things that give us comfort.

Robert Lewin
Hey, Ben, let me follow up real quickly on your question on capital markets. We've talked about it being a very significant opportunity for our business model. In the quarter, we generated plus or minus, $50 million of revenue and insurance related Capital Markets Fees. As Scott mentioned, we started to see some of those structured alts come to fruition. I think that, in particular, is a big opportunity for the broader platform, inclusive of capital markets syndication.

Scott Nuttall
Yeah, we've shared in the past, we expect that to be several hundred million of capital markets revenues a year. That continues to be our expectation.

Craig Larson
We will go to the next question.

Operator
Our next question comes from Michael Cyprys with Morgan Stanley. Your line is now live.

Michael Cyprys
Hi, good morning. Thanks for taking the question. Just wanted to circle back to capital allocation and the $3.3 billion of USI sale proceeds. Heard you outlined four areas for potential allocation of capital there. Just curious how you're weighing those different opportunities where, incrementally, you're seeing, at the margin, more attractive opportunities, how to maybe buybacks most immediately.

Just curious, what's the timeframe for putting that capital back to work? And with the recent Strategic Holdings investments, how should we think about the contribution of dividends from holdings into 2027 and 2028, given the newer investments you've made?

Robert Lewin
Great. Thanks, Mike. Listen, it's a dialogue that we are having absolutely all the time, as it relates to capital allocation. We have no fixed dollar amount or percentage to go to any, against any one of our four buckets of capital allocation. It is really all about how we take that margin dollar free cash flow and deploy it in a way that generates the most amount of earnings per share that are both durable and growth oriented. That's our goal, and variables are going to be changing all the time.

As we talked through, as an example, we saw variables shift a little bit in the quarter on insurance, and we started to allocate more capital there. Share Buybacks, obviously an area where we've allocated real capital in the quarter and for the year. Our expectation is that could be an interesting and compelling opportunity for our shareholders, going forward.

As it relates to your question on Strategic Holdings and USI, we've already announced three new investments. I touched on those in my prepared remarks. One has already closed in Q4. Taken together, we would expect these three investments to generate roughly half of USI's anticipated operating earnings by 2028, and nearly match it by 2030. In short, we've not even closed on USI yet, and we already have investments that would largely replace the 2030 earnings that we were expecting from USI by deploying less capital than what USI will return. So feel good about the body of work in Strategic Holdings.

I said we'll continue to keep you updated on capital allocation, but the one constant that you will hear from us as a management team is consistency in approach. How we allocate our capital as a result can shift, depending on how variables evolve across any number of things in our business.

Scott Nuttall
Yeah, Mike, it's Scott. Just one thing I'd add. If you go back to April 2024 when we had our Investor Day, one of the things we shared is that we saw a path to $15 plus per share of ANI in 10 years or less. Call that 2034 or earlier. What we're really doing as we look at these capital allocation questions is thinking about where can we generate the biggest impact on that $15 plus outcome.

The good news is, right now, Buybacks are accretive and look good, Strategic Holdings are accretive and look good, and Insurance is accretive and looks good. So we're able to have a pretty good debate around how and where to allocate amongst those three, but they all look quite attractive. Some are more attractive immediately, some are more attractive longer term, but it falls in the good problem category.

Craig Larson
Rob, let's move on to the next question.

Operator
Our next question comes from Mike Brown with UBS. Your line is now live.

Mike Brown
Okay, great. Thanks for taking my question. KKR is returning more than $40 billion to clients in 2026 and so you're exceeding your prior annual record. How deep is the remaining monetization pipeline here? As we look out to 2027, is the 20% plus level that consensus is baking in for Realized Performance Revenues achievable given the current market conditions? Given you've given a view into 4Q, can you maybe help frame the monetization level that you are expecting to see for the fourth quarter, based on what you know currently?

Robert Lewin
Yeah, sure. Mike, let me take those questions. As we look forward to our monetization visibility, obviously, that number is quite robust with USI. It's $3.5 plus billion over the next couple of quarters. That would be split roughly 75% Realized Investment Income, 25% Realized Performance Revenue. Ex-USI, the number is about $600 million. About 85% of that $600 million is going to be Realized Investment Income or other forms of revenue that have a similar comp load, so a high flow through to that $600 million.

On a look-forward basis, there are no predictions as it relates to 2027. Lots of different things that can impact where we are. But our Embedded Gains across our platform today at 9/30 stand at $18 billion. That is up around 60% over the past three years and that has happened while, I think it is fair to say, that we have outpaced the industry on monetizations, which clearly have a negative drag to that $18 billion.

So feel good about how we are positioned heading into 2027 and we'll of course see how the market performs and where it makes sense to monetize on behalf of our clients.

Craig Larson
Operator, let's go to the next question.

Operator
Our next question comes from Dan Fannon with Jefferies. Your line is now live.

Dan Fannon
Thanks. Good morning. I was hoping to get an update on your outlook for Private Wealth and your K-Series suite of products, and just where you are in the distribution rollout, and as we think about more products into next year, other things that are in the pipeline or planned at this point.

Craig Larson
Hey, Dan. It's Craig. Why don't I start? Look, I think in terms of the progress, in some ways, we think the statistics speak for themselves. So AUM was $45 billion at September 30. That's up 55% relative to a year ago, on a year-to-date basis, up over 30%. And we think those are pretty positive numbers. Think of all the volatility, all the angst, all the headlines on Wealth, and AUM over the first nine months of the year is up a pretty healthy amount.

Six of our eight strategies, if you look more recently, had positive flows in the quarter. And for the two that were negative, one was negative $4 million and the second was negative $15 million. So again, I think all of those statistics speak very positively about our franchise, about the brand, about the distribution, about the investments we've made, about this being a global opportunity.

To your point on new products, we're not done yet, so we don't have anything to announce at the moment in terms of incremental products and strategies, but stay tuned. I think the Wealth platforms, themselves, remain very interested in the engagement that we have as it relates to this very topic, and opportunities that we see to continue to expand the K-Series into additional directions. We'll go to the next question.

Operator
Our next question comes from Bart Dziarski with RBC Capital Markets. Your line is now live.

Bart Dziarski
Good morning. Thanks for taking the question. I wanted to ask around, in an incrementally higher rate environment, how you're evolving or adapting the value creation plans to ensure performance in Private Equity is maintained. You talked about a through the cycle acumen, and you've got operational DNA, so just wanted to see how you're thinking about that in the current environment for Private Equity. Thanks.

Scott Nuttall
Hey, Bart. Scott. I'll take a shot. First thing I would say is, back to the prepared remarks, we don't view this as a kind of a strange environment with rates where they are. We kind of view this as more of a return to normalcy. If you kind of put on a chart the 10 year Treasury yield back to 1976, you'll see what I mean. The strange period was the 10 plus years where it was kind of really low, close to zero.

So, we don't think we need to meaningfully evolve our value creation tools. We keep adding more, clearly, but what you tend to also find in a period of time like this, where rates are a little bit higher than maybe they've been, is your entry multiple probably on the margin can be a bit lower.

What happens when you think about buying a business or an asset, when rates are really low, you probably need to think about whether rates are going to be higher when you exit. And the

answer is probably yes. So, you're probably assuming you're going to have multiple contraction over the course of your ownership period. In a period of time like this, maybe that's less the case.

But our ability to kind of invest in good assets and companies and make them great is something that we have been systematically developing over the course of the three-plus decades I've been here, and I think we're much better at it now than we've ever been. And I think that is the case, regardless if the rates are 1%, 5%, or 7%.

If you need to know what I'm talking about, take a look at a buyout model. Sensitize every 100 basis points of interest rate move, what does that mean to your overall returns? You may pay down a little bit less debt, but that happens one time. If you can take a business and double its profitability, you get a multiple on every incremental dollar of that profitability that you create, It's much more powerful than any impact of interest rate moves.

In a way, if you can buy lower and keep creating value, we actually think the return opportunity is at least as compelling as it's been. I appreciate you asking the question, because unless you have actually been around our industry before the financial crisis, you do not know what I am talking about. That's what actually the math shows you and that has been our experience.

Operator
Our next question comes from Devin Ryan with Citizens Bank. Your line is now live.

Devin Ryan
Great. Good morning, Scott, Rob, and Craig. I want to take the realization conversation from a slightly different angle. You drew the contrast of the record capital being returned by KKR to your investors this year, in a year where the industry is not doing a great job of that, which is part of this K-shaped narrative. It would just be great to make this a little bit more tangible.

How much are LPs actually realizing the differentiation? Is it bringing new LPs to KKR? Is it speeding up fundraising, improving cross-sell? What areas of the business are you seeing the most positive sentiment? I'm just trying to get to maybe more of the specific implications of that outperformance and what it means beyond what we are seeing in the actual financials today. Thanks.

Scott Nuttall
Hey, Devin. It's Scott. I just came off the road, kind of Europe, Middle East, Asia. We are definitely hearing about this from our investors. They're noticing that firms, and we're not alone, but firms like ours that have a broader, longer experience set are giving more cash back, and the portfolios are performing a lot better than some others.

Keep in mind, in a kind of a more normal environment, the difference between a top quartile performer in Private Equity and bottom quartile can be 1,600 or 1,800 basis points. You want to

be with top quartile managers. We think that kind of differential is actually going to go up as we head into the next few years.

So, no doubt, the color when you're in these meetings is say, "Wow, you guys are doing something different." That's why you hear the optimism in our voice. We had 2010 through 2020 that we felt we were doing the right things, portfolio construction, linear pacing, being really thoughtful about diversification and the risks we were taking that had been informed by prior cycles we'd been through.

It did not matter, because there was a rising tide and everybody looked smart. That was a period of time it was really straightforward to confuse a bull market with brains, right? The reason that we're having more fun right now is that you can actually see a huge difference in kind of how we built portfolios relative to how some others have built portfolios in our space.

That's showing up in capital raising, so you can see kind of what's happened in most recent Private Equity and Infra funds in particular. You can see that showing through. It's clearly showing how we're differentiated, and so it's a much less frustrating time for us right now. But appreciate the question.

Operator
Our next question comes from Crispin Love with Piper Sandler. Your line is now live.

Crispin Love
Really, but curious if you can share your initial thoughts on the midterm elections from last week. The market seems to be trying to figure it out, but wondering your view, potential impacts to KKR and the alternatives, broadly. Could be related to data centers or just other areas worth calling out.

Robert Lewin
Hey, Crispin. One of the really nice things about our business model is the long duration of our capital. As we think about our investment periods, in most cases, they outlast political cycles and we remind our teams of that, all of the time. Certainly, there could be some volatility coming out of the midterms, and sitting here with substantial dry powder, I think that can be a real advantage for our platform, our people, our access to capital.

We'll watch what transpires, but the benefit of our business model is we get to focus on the long term and take advantage on behalf of our clients any kind of short-term volatility.

Operator
Our next question comes from Brian Bedell with Deutsche Bank. Your line is now live.

Brian Bedell
Great. Thanks. Good morning, folks. Thanks for taking my question. I just want to come back to Cap Markets. Just in terms of the longer-term trajectory of that business, obviously, you've had fantastic growth out of that historically. The last three years, including this year, is hovering more around that $1 billion level.

If you can talk about what you see as the potential inflection to grow that from here on an annual basis. You mentioned, of course, having a better contribution from GA over time, and I think you also mentioned, geographically, you're looking at opportunities in Asia, and what other things, I guess, on the client coverage side and product might also help inflection. I don't know if you're able to comment on 4Q, and what you're seeing in Cap Markets for this upcoming 4Q as well.

Robert Lewin
Sure. Let me start with business building, which we think is a pretty exciting opportunity. I'd really bucket it into four areas, Brian, for us. Number one, as KKR does more around the world and deploys more capital, we think that should be a real benefit to our capital markets platform, given the resources that we have built out on the ground across the world.

Number two, we have talked of the opportunity around insurance-related Capital Markets fees. Scott talked about the several hundred million dollar annual type of opportunity. We are making progress, but we are certainly not there but believe with our platform and what we have created, that is certainly an attainable target for us.

Third piece of it, where I think we have got a very differentiated approach, is on third-party capital markets. The way we approach our third-party clients across the world is really with our Private Credit capital, alongside our capital markets expertise. So, we can go to clients and be able to hold their capital structures through our Private Credit business, distribute their capital structures through our Capital Markets business and often, it's a combination of the two. That is a very unique approach to third-party client coverage, where we can pull everything together.

We know that middle market buyouts, as an example, have been slower. That won't stay slow forever, given the amount of dry powder on the sideline, and we're really well-positioned there.

The fourth area, you hit on it in your question, is going to be Asia-Pac. As the Asia-Pac markets continue to mature and become more institutionalized, think that is an opportunity for our leading platform in the region.

In terms of Q4, listen, we have got a, I would say, a healthy pipeline heading into the quarter. Hopefully, we'll finish out a strong year here, but we will see how that pipeline materializes and go through that in some detail with you on our Q4 call.

Operator
Our next question comes from Patrick Davitt with Autonomous Research. Your line is now live.

Patrick Davitt
Hi, everyone. Since you're leaning into KKR's age and experience on the call today, I want to ask another historical perspective question related to the AI opportunity. A lot of the naysayers like to point to the fiber build-out of the late 1990s as a corollary to what's happening today with the AI infrastructure build-out. As you look at the nature of the investments you and others are doing today, I think it would be helpful to get your historical perspective on that specific comparison and why you think this is a different and/or better investment opportunity than what you saw back then. Thank you.

Scott Nuttall
Hey, Patrick, it is Scott. Thanks for the question. I think it is different. I mean, I get that some aspects of it could rhyme, but if you think about back at the time of the fiber build-out, we were largely just an equity-focused firm, largely just Private Equity. So, a pretty small percentage of the opportunity was kind of relevant to what we did at the time.

Obviously now, with the capabilities we have across, in particular, Infrastructure and Credit, and the ability that we can invest and do invest meaningfully in investment-grade opportunities, I think that is a critical distinction. The opportunity set now, if you think about the risks we are taking, as I mentioned, we're really focused on being on the other side of highly profitable investment-grade hyperscalers and governments around the world.

So, as we think about the risk that we are taking as all this develops, it is quite a bit different than maybe what other people might be taking. Certainly, there is some aspects of it that, if you think about people that are building data centers on spec; we don't do that. If you think about folks that are taking risks with companies that are less investment-grade in terms of their status and less cash flow that they develop from other parts of their business, we've been more cautious on that front in aggregate than the market at large.

So, I really do think it is about how you approach it, and given the tools we have now, I feel quite good about the risks that we are taking and for the downside protection that we will have as part of how we're doing this.

But it has some similarities, and I think if you are taking those types of risks we're not, that is where I think you better make sure you are getting the reward. Because back to what I said, nobody really knows how this is going to play out, and that's just not what we do.

Operator
Our next question comes from Dan Welden with Wells Fargo. Your line is now live.

Dan Welden
Hi, good morning. I had a question on Real Estate. You talked about North American Real Estate Equity as a deployment driver this quarter, and I wondered if you could elaborate on where you think you can underwrite the most attractive returns, right now. You talked in the past about some of the best opportunities in sort of one-off high-quality assets with motivated sellers. Are you beginning to see a broadening in the market opportunity and a greater deployment opportunity in real estate? Thanks.

Craig Larson
Hey, Dan, it's Craig. Why don't I start? Look, we started our Real Estate business back in 2013. If you look at where we are today, we've got about $85 billion of AUM split pretty equally between credit and equity, again, with professionals now on a global basis.

I think your point is well taken in terms of the opportunity today. Real Estate's always been a cyclical asset class, and in our view, in pockets, you're seeing some very positive fundamentals. So, I think you're seeing a decline in supply across in favor assets where you're seeing positive demand. In our view, there are opportunities to buy assets below replacement cost and that's with inflation expected to continue to impact new supply at the same time.

I think all else equal in this asset class, look, you'd rather put capital to work with a 10 year Treasury at 4.85% versus a 2% Treasury environment. So I think while capital formation has still been difficult, the investing environment for this vintage actually still feels pretty good to us. I think for those clients that have an appetite for some cyclicality and some volatility, we're constructive on this environment.

Operator
Our next question comes from Arnaud Giblat with BNP. Your line is now live.

Arnaud Giblat
Yes, good morning. I was wondering if you could give an update on the 401(k) opportunity and how the results of the midterm elections might have changed the timeline here. Thank you.

Craig Larson
Hi, Arnaud, it's Craig. Why don't I start? Thanks for the question, and thank you for being patient. Look, I think we've talked a lot on these calls historically about 401(k) and about retirement, broadly. You won't be surprised to hear that we think there's a lot of industrial logic to introducing alts as individuals invest behind their future retirement and as they're thinking about asset allocations, decades out. And we welcome the DOL's efforts to provide some greater clarity on how 401(k) plans can access private investments in an effort of enhancing diversification, as well as risk-adjusted returns at the same time.

We think this shows progress. We think it's going to take some time but again, we remain very constructive on what this can mean for us, over the long term. So, I don't think you need to

adjust your models for Q4 of 2026, but as we think about the long term, we think this has an opportunity to be another meaningful tailwind for us and our industry.

Operator
We have reached the end of the question and answer session. I would now like to turn the call back over to Craig Larson for closing comments.

Craig Larson
Rob, first, thank you for your help in a longer call. Thank you, everybody, for your interest in KKR. Please feel free to reach out directly if you have any questions. Otherwise, we look forward to speaking with everyone in 90 days or so. Thank you so much.

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

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