KKR

Investor Day 2021

Tuesday, April 13th, 2021

Narrator: 00:00:10

Like all businesses in these extraordinary times, KKR has had to confront the profound economic repercussions of a global pandemic, along with considerable social and political upheaval. The resulting uncertainty has made today one of the most challenging times for global investors. Fortunately, over the last 40 plus years, we have built a platform to meet this moment. With our global reach and a team oriented, one firm culture, we have mobilized all our resources to support our employees, our portfolio companies and our public and private investors.

We have emerged a stronger firm, clear about the challenges we face today and optimistic about the future we will build together. Investors, colleagues and friends, welcome to KKR's 2021 Investor Day.

Craig Larson

Partner, Head of Investor Relations

00:01:16

Good morning, good afternoon, good evening. Welcome to KKR's 2021 Investor Day. My name is Craig Larson. I'm a partner, and I'm head of investor relations. We're all thrilled with the level of interest we've had in this morning's event. Thank you everybody for your continued interest in KKR and for joining us. Now, before we begin in earnest, it's my pleasure to review first our disclosure statement that's at the beginning of the presentation.

Our presentations today will contain forward looking statements which do not guarantee future events or performance, and actual results may differ materially. We will be referring to non GAAP measures over the course of the morning, that are reconciled to the most directly comparable GAAP figures, that are in the presentation and are also on our website. And the presentation materials contain other important information. For the further discussion of some of the risks that could affect results, please refer to the risk factor sections in our 10-K, as well as other SEC filings for additional cautionary factors.

We're really excited to be with you, even if only virtually. It's been fun preparing for this event because it's given us the opportunity to look back, and reflect on the growth that we've seen across the firm, while at the same time looking forward, we really believe we're as well positioned today as we've ever been. So in this vein, we thought we'd begin by looking back at our last Investor Day that was held in July, 2018, review the key messages from that event and update you on our progress.

So first, we spent a great deal of time in July 2018 focused on scaling, and how well positioned we were for continued growth. And that has played out over the last three years. Our flagship funds and strategies have continued to scale. Younger platforms for us like Core and Growth have flourished. And 2020 was a record fundraising year for us, with a lot more to come. We're nicely ahead of plan.

C-Corp conversion. We were the first in our industry to change our structure from a partnership to a corporation, and our 2018 Investor Day was only a week or so after that conversion had actually taken place. We felt the opportunities we saw from broadening our shareholder base comfortably outweighed the negative tax implications.

Fast forward to today. The number of institutions that own KKR stock has doubled. And while we really think the strong fundamental performance is really what has driven our stock price, as well as the significant outperformance you see on this page, we certainly think the conversion was an important catalyst in broadening the universe of investors that could consider KKR as a key equity holding. And looking forward, we continue to believe that we offer our shareholders a unique combination of growth and value.

And finally, in July 2018, we provided a framework in order for our earnings and book value to double over a five year period. And on the right hand side of the page, you see how we're tracking. Relative to the 8% framework figure, our fee paying AUM has grown at a 14% CAGR organically, and in total on a pro forma basis including Global Atlantic, the current CAGR of our fee paying AUM is 37%.

Transitioning to investment performance across our key asset classes. Gross performance has met or exceeded the numbers reviewed in July 2018. Mostly significantly, both from an AUM as well a carried interest standpoint, are the numbers you see for private equity and growth equity. Performance here of 22% is well ahead of the 17.5% framework figure, and several hundred basis points ahead of public indexes. When you look at the annualized total returns for the S&P 500, MSCI World and Russel 2000 indices, those figures are 16%, 13% and 11% respectively. Performance really has been quite strong.

So, in terms of our event today, we're pursuing a much more streamlined approach relative to our previous Investor Days. Joe Bae and Scott Nuttall, our co-presidents are going to begin with a strategic review across our businesses. We're pleased to have Allan Levine, Global Atlantic's Chairman and CEO introduce all of you to Global Atlantic personally, and Rob Lewin, our CFO, is going to wrap up with our financials. And at the end of the presentations, all five of us are going to be available for a Q&A session with the equity research community.

And in addition to this, if you have any questions you would be interested in our reviewing during that Q&A session, please feel free to email me directly. My email is Craig.Larson@kkr.com. And with that, it's my pleasure to turn things over to Scott Nuttall, our Co-President and Co-COO.

Scott?

Scott Nuttall

Co-President & Co-COO

00:06:04

Thank you, Craig, and thanks everybody for joining us today. Joe and I thought we would start by taking you through the four main takeaways we hope you have at the end of today's session. The first of those is that, from our vantage point, scaling is happening faster than we expected, and as a result, our fee related earnings opportunity is significant and it's highly visible. It's right in front of us. So, the scaling's been occurring and we see even more right in front of us today.

And a little bit of background first. So, we've scaled meaningfully since our last Investor Day, which was in July of 2018. You can see at that moment, we had about $176 billion of AUM. That scaled to $252 billion, or up 43% before the Global Atlantic acquisition, which scales us more meaningfully. So, you can see a 98% growth rate since July 2018 with GA. It's about $349 billion. And as a reminder, we are very fortunate. We are in an industry that is growing quickly. Alternative asset AUM has been growing at an 11% growth rate since 2004, as you can see on the slide. And if you look at the right hand side, you can see we've been growing faster than the industry itself. So, we have been actually growing at a 22% CAGR, with Global Atlantic. But, ex-GA, it's still been a 19% annual growth rate over this period of time.

So, we are growing faster than a fast growing industry. And what that's translated into is very significant growth in our management fees, and on the slide you can see, over the last five years, they've doubled from a bit over $700 million to a bit over a billion four. So, we've seen a 15% growth rate in our management over this period of time, and as you go from the left to the right, you can see they've become more diversified across our different major platforms.

So, the growth has resulted in management fee profile growing as well. But what's critically important and the big takeaway here is that we have even more growth to come. Now, why is that? We have spent the last 10 to 15 years, we believe building highly differentiated investment platforms. And as a reminder, our strategy is to only be in businesses where we believe we can be a top three player. Either we want to be there now, or we want a clear and credible path to get there.

And most of our strategies given their age, are not yet top three. But we believe that we have a path to make it happen. And we're much closer to that inflection point than we have ever been and many of our businesses are actually experiencing that inflection right now. So, let's talk about the businesses themselves. You can see 26 different investing businesses on this slide. And as you can tell from the aging, a number of these businesses have been started in the last 10 to 15 years or less.

And so, as we experienced our business at KKR, what we find is it takes 10 plus years to start to get to scale. And as you can see from this slide, we only have six of these 26 businesses that are over 10 years old. That means we have a lot of growth ahead of us. And the great thing is, we believe we can grow in these markets and the markets themselves are growing.

So, take a look, this just gives you a sense, for the market size across many of our businesses, where we are from an AUM standpoint and what our market share is. So, take the top line, private equity, $4.7 trillion dollar market. We're one of the largest players. We're already top three in this business. Our AUM only gives us a 4.2% market share, and you can see the rest of the slide as well. Low single digits, to mid-single digits market share.

If you look at the whole slide, $14 trillion market. Our market share is somewhere between two and two and a half percent. So, a lot of opportunity for us to grow our market share in an absolute way, and the market itself is growing very quickly. So, as we grow market share in growing markets, the growth opportunity is immense and we have many different ways to grow.

There's the traditional way, you know, Asia III, which was $9 billion, to Asia IV which we've just announced is $15 billion. We have that happening all across the firm. But the culture of the firm, the innovation of the firm, the connectedness of the enterprise has allowed us to create a lot of different adjacencies and a lot of new businesses out of observations that we see from existing businesses. Private equity is a great example.

In our private equity business, we were seeing opportunities that had lower risk and a bit lower reward, but were really great companies. We didn't have a place to put them. So, we created the Core Private Equity business. Healthcare PE was seeing opportunities to invest in companies that were young, and more growthful than the typical private equity investment. We didn't have a place to put it. So, we created Healthcare Growth, and so on. You can see this all across the enterprise, really facilitated by our culture.

But there's geographic expansion too. Many of our businesses were started in the US, and then we've taken them to Europe. We're now taking the rest of the businesses to Europe and to Asia critically. Infrastructure, real estate, private credit and otherwise, we're basically taking our businesses global, on the back of the incredible franchise that we have on the ground in Asia.

Our platforms have been able to expand dramatically. Real estate's a good example. We'll get into this later. We started that business with US real estate, opportunistic equity only. That business has now spawned nine different real estate strategies. It's global. Debt, equity, Core plus and more coming across a lot of different types of constructs for investors.

And it's not just investment platforms. It's also distribution. We started with just a US institutional sales force. It's now gone global. We've built out institutional globally insurance and retail capabilities and we've become much more solutions oriented, creating bespoke product for investors all around the world. And capital markets the same. That business started in 2007 as a private equity syndication. It's now global, multiple strategies, debt and equity and KKR and third parties now, which we'll talk about.

So, we have a lot of different ways to grow and a lot of different ways to win. And back to my point about top three. What does it mean in practice? For us to get to top three across several of our businesses, implies a huge opportunity for us to grow. This is just a few examples of that. Take real estate. Today, we're $27 billion of real estate AUM. The top player is $187 billion. You can see that's a seven times growth opportunity.

Look across the slide, infrastructure eight times. Credit we think we can double again, and so on. So, the scaling opportunity is immense. The visibility is also high. And so if you look back to last year, as an example, we raised $44 billion as a firm. That was up 72% over the prior year. But we have many more strategies coming to market now than we did at the beginning of 2020. And on the right hand side of the slide you can see what I mean. There's 23 different fundraises and strategies on that right hand side of the slide. Those are all in market, or coming to market shortly. So, over the course of 2021 and 2022. The consequence of that is our fundraising pipeline is very large and it's highly visible where we expect to raise capital in the near term.

The punchline is that we expect to raise over $100 billion in 2021 and 2022 combined. So, really this year and next. And here's where we think that can happen. $40 to $50 billion in private equity, $15 to $20 in infrastructure, $10 to $15 in real estate and $20 to $25 billion in credit. You put all that together, you get to $100+ billion dollar opportunity over the course of this year and next.

And all of that combined is why we have such confidence that we can comfortably exceed $2 per share in fee related earnings next year. Now, with that, let me turn it over to Joe to take you through the second big takeaway we hope you have from today.

Joe Bae

Co-President & Co-COO

00:13:52 Thanks Scott, and good morning everyone. The second main takeaway for today is to highlight our firm's strong and differentiated investment performance, across our global platform, which has allowed us to scale significantly and accelerate the pace of deployment over the last four to five years. In combination, we believe our business has very exciting latent earnings power in the form of unrealized carry and embedded balance sheet gains which will be monetized in the years ahead.

At KKR, we have a world class, global investment franchise that has been built and improved over the last 45 years. It all starts with an incredibly deep bench of talent, operating in a one firm culture which allows us to connect the dots and use the entire firm to source and evaluate unique investment opportunities. Over the past five years in particular, we have become more thematic in developing deep domain expertise in critical areas such as technology, ESG and life sciences.

We've become more disciplined in portfolio construction and risk management, and we've expanded significantly our value creation toolkit. With our global team of operational specialists at Capstone, and an extensive network of senior advisors. This has allowed us to become more nimble, entrepreneurial and forward leaning, particularly in periods of volatility like we had last year. In 2020, we had a record deployment year at KKR.

Today, we have a more focused, disciplined and institutionalized investment process than at any point in our history, which enables us to generate exceptional returns for our investors as well as continue to scale our business around the world and accelerate our pace of deployment.

Our investment performance over the last five years, has been highly differentiated in the marketplace. These returns are not merely a reflection of a strong stock market. Quite the contrary. Our recent performance is a direct result of our ability to attract and retain world class talent, build cohesive teams with ambitious goals and a laser focus on continuously improving our internal investment processes.

In private equity, our flagship US, European and Asian funds are generating collectively over a 30% return. In our long term core private equity strategy, we have delivered north of 20% IRR since inception. And in our portfolio of newer growth equity strategies, in technology, healthcare and ESG, our funds have generated exceptional performance, with fund level IRRs of 34%, 64% and 38% respectively.

Similarly, in our real assets platform, our infrastructure and real estate funds are providing very attractive, absolute and relative returns to investors. And finally, in our global credit businesses, our recently launched dislocation fund raised just last year, is off to a terrific start, while our private credit and direct lending strategies are delivering very solid performance. On the back of strong, underlying investment performance, we have been able to meaningfully scale and accelerate our investment activities. If you look at our capital deployment over the last decade, what you'll see is a relatively modest increase in deployment from 2010 to 2014 as we were just starting the seeding of many of the strategies that Scott referenced. However, since 2015, as many of our strategies have started to scale from Fund I to Fund II, to Fund III, you have seen a dramatic increase in the last five years, with our deployment growing at a 31% CAGR, with nearly $30 billion invested in 2020 alone.

Another way to think about this, is that our average deployment over the last four years has been $23 billion annually. That compares to just $9 billion a year during the prior four years. This presents a 2.6x increase in the commercial activity across the firm.

This acceleration of investment activity is critical to understanding the future potential earnings power at KKR. Since 2018, our total gross unrealized carry has more than doubled, from $2.3 billion, to $4.7 billion in 2020, representing a 42% CAGR over the last three years.

We have a very similar dynamic when you look at KKR's balance sheet in terms of improving investment performance, scaling of deployment and the growth in embedded unrealized gains. From a performance standpoint, average annual returns have increased from 13% over the last five years, 17% on a three year basis, and 18% last year alone.

Deployment in the last four years was at approximately $2.4 billion on the balance sheet. That compares very favorably to the $1.5 billion on average in the prior four years. This combination of strong performance and accelerating deployment has led to significant increases in embedded gains for the balance sheet.

Since 2018, our balance sheet embedded gains have grown from approximately $700 million to over $4.4 billion at the end of 2020, representing more than a six times increase in unrealized gains that will be monetized in the future. You can also see the growing importance of our core private equity strategy in driving long term compounding of our balance sheet.

As all of you know, in our carry generating businesses, there is a multiple year lag from the time we make a new investment to the time we sell these investments, typically four to six years later, which is when we crystallize carry and balance sheet earnings. Over the last three years, our realized carry interest was approximately $1 billion per year, reflecting the monetization of historical investments made four to six years ago when our deployment levels were significantly lower.

Going forward, our expectation is that realized carried interest will grow significantly based on the current levels of unrealized carry across the firm. Similarly, over the past three years, our realized investment income has averaged approximately $650 million per year, reflecting a much lower deployment pace four to six years ago. With the dramatic increase in unrealized balance sheet gains, we would expect our realized investment income to grow meaningfully in the years ahead.

So, the first key takeaway from this morning was that FRE growth will grow to over $2 per share by 2022. And the second key takeaway is the latent earnings power of our firm, with over $9.1 billion in total unrealized gains between carried interest and our balance sheet.

Scott, back over to you.

Scott Nuttall: 00:21:06

Thanks Joe. The third main takeaway is what Global Atlantic really does for the firm. The concept behind the acquisition of Global Atlantic is actually quite simple. At KKR we believe we can source best in class investments. GA is able to source low cost liabilities. The combination of the two is incredibly powerful. The transaction benefits are significant. First let me start with the management team. You're going to hear from our partner, Allan Levine later in this session, but it's really an exceptional team that has built this company. And we're really excited about what it is today, but even more excited about what we can build together with them going forward. The transaction immediately adds scale to several of our investing platforms and really accelerates our path to top three that we talked about earlier.

And there's multiple opportunities to drive growth for KKR on a go forward basis. Not only can we generate investment performance for GA, which will allow them to underwrite more annuities and life insurance and re-insure more blocks which leads to more AUM, but we believe there's product development and distribution opportunities working together as well.

And there's really multiple ways to win that come out of it. It's highly accretive to all of our financial metrics and we believe the growth opportunities will be both organic and inorganic on a go forward basis. But let me focus on one area in terms of the impact that GA has on KKR.

Really our assets. So on this slide you can see, our fee paying AUM grows by 48% as a result of the Global Atlantic transaction. Our perpetual capital increases by five times from $22 billion to $120 billion and it has a particularly large impact on two of our businesses. Our credit AUM doubles to $164 billion. And our real estate AUM actually goes up by 81% to $27 billion just as a result of the transaction closing.

So, the GA deal is highly impactful to us as, as a firm. So, if you think about the three takeaways so far, $2+ per share in fee related earnings in 2022, $9+ billion of unrealized gains, both carry and balance sheet, and now with GA, $98 billion and growing of perpetual capital added to the firm.

All of that leads to the fourth takeaway, which is that we expect significant acceleration of our after tax distributable earnings on a go forward basis. The result of all of these things working together, we believe, will be $4 to $5 per share in annual, after tax, DE in the 2023 to 2024 timeframe. So, let's step back again.

First takeaway. Scaling's happening faster than ever thought, and the opportunity ahead is highly visible and right in front of us. Second, our differentiated investment performance has led to a lot of latent earnings power. This isn't things that you believe that we're going to do in the future. This has already happened. The earnings power is already in the firm, with respect to carry and realized gains on the balance sheet yet to be monetized. Third, GA adds even more growth and turbocharges everything that we've just been talking about. And the result is $4 to $5 per share of after tax DE in 2023 to 2024.

We've been trying to think about how do we actually get this across to you. What's it feel like to have been in KKR for the last decade plus? And forgive the hokey slide, but this is the best we could come up with. It's really felt for the last 10 to 15 years, like we've been planting a lot of seeds and working really hard, toiling away. That's what it's felt like. With a view that if we did that well, it would pay off later. And where we sit today is we think the payoff is about to happen. Later is now. And you can see with everything that we're talking about, the visibility and all the work that's been done, all of this is right in front of us.

So, let's shift gears. What we're going to do now is talk a little bit about how we think about the life cycle of our businesses. And the life cycle of a platform within KKR. We have been seeding and growing a lot of businesses over the course of the last many years. In fact, if you look at the AUM growth from 2010 to 2020 as a firm, 57% of that AUM growth has come from businesses that did not exist 10 years ago. So, there's been a lot of happening inside the firm.

So, what we've done is we've really created a framework through which we can talk to you about this. And we've broken our platforms into four different phases: Early, which is kind of the formation, the seeding phase, Developing, kind of getting it going, Maturing, and then Scaled. And if you look on the slide, you can see we've kind of laid out what does this mean for all of our major line items in terms of our P&L and a little bit of color about the focus that we have a firm in these different phases.

So, the Early phase is Fund I. You're getting going. Management fees are modest. Capital markets fees are modest. Carry or performance income is non-existent, and you're drawing down capital from the balance sheet. In the Developing phase, you're in Fund II to III. Management fees start to grow a bit, capital markets fees are episodic but starting to show up. Performance income is starting to be relevant but probably more lumpy because it's in the early days, and it's still a draw on capital for the balance sheet for the most part. When you get into the Maturing phase, you're in Fund III, Fund IV. You're really starting to get more scale in management fees. Capital markets fees start to be more consistent and performance income and carry starts to grow and be much more consistent itself. And the balance sheet investment is actually starting to see some return of capital. And when you get to Scaled, you really get to Fund IV and beyond, and all of the line items are quite meaningful. Management fees, capital markets fees are quite meaningful and consistent, because you have a portfolio as well at that point. Carry and realized gains are significant and starting to be something that really shows up in the income statement in a very meaningful way.

So, that's how we think about the different stages, the four different stages of our businesses. So let's talk about where we are today. And what we've done here is now put our four major businesses on the slide, private equity, credit, real assets and capital markets. And you can see by area where we are. So, take private equity as the first example. It's our largest business, our longest standing business, but if you look at the right hand side, you can see, North American PE, Europe and Asia are all Scaled. But look at where we are in Early and Developing. There's a lot of parts of the private equity business, where we see a significant amount of growth ahead. We've been doing a lot of seeding and building, and you can see a lot of that business, by line item, most of it is in the early and developing phases.

Credit again, significant opportunities to grow across everything that you see on this slide, and we'll get into all this in more detail. Real assets, you can see the vast majority of the activity in real assets is in the early and developing phase. And capital markets, a business that has been around since 2007, there again, significant number of businesses that we think have a lot of growth ahead of them.

And so, this is a framework we're going to use to talk to you about each of our different businesses as a firm, and where we are, and where we think we can go from here and our areas of focus for the next several years. The punchline in terms of high level takeaway is that, over 50% of the AUM of KKR is not yet scaled. And that's part of the reason we have such confidence as we move from where we are, to top three in all these businesses, that we've got such a large opportunity ahead of us.

I'm going to now hand it over to Joe, who's just going to pick one of these line items. Our infrastructure business, and take you through a case study, as to what this looks like in practice. Joe?

Joe Bae: 00:28:50 Thanks, Scott. In the next section, I want to walk you through a specific case study on our global infrastructure business, to give you a more detailed understanding of how we approach building new businesses and investment platforms inside of KKR.

When we build new businesses, there are really four key building blocks for success. And when these four elements come together, they create powerful economics to the firm. First, when launching any new business, it's critical to start with great investment talent and leadership. One of the great strengths of KKR is our proven ability to recruit and integrate, world class talent across the globe. We then need to marry this talent with a differentiated investment strategy to establish credibility with investors and the marketplace. In infrastructure, we have built a strong 10 year track record, built around our initial Fund I and Fund II, where we've delivered high teens grossed returns, attractive multiples of divested capital, a strong annual cash dividend yield to five to six percent, and nearly a thousand basis points of outperformance to the relative public benchmarks.

With strong initial performance in our flagship funds, we've been able to significantly scale our infrastructure platform and launch highly accretive adjacent products. Our flagship infrastructure funds have grown from $1 billion in Fund I, to $3 billion in Fund II, to $7.2 billion in Fund III. And we're currently in the market raising our next flagship fund, which we expect will be significantly larger than Fund III. With strong investment performance and increased investor support, we've also been able to consistently improve the overall management fee and carry rates in our funds enhancing the overall economics of every new dollar that we raise.

So in addition to raising our next flagship fund this year, we were very active in 2020 launching two important product extensions. We raised our first time Asia infrastructure fund and also launched a diversified core infrastructure fund to participate in the large and growing market for the lower risk, lower return infrastructure investments. This new fund is a perpetual capital format with significant opportunities to scale. And in the future, we believe there is an exciting opportunity to continue to innovate and grow our platform in this area, particularly in the fields of energy transition and renewables, as well as expanding in the large scale infrastructure debt market.

Let me take a minute to talk about our first time Asia infrastructure fund. This is really a great example of how we've been able to leverage both our differentiated track record in the infra space and marry that with our dominant private equity platform in Asia. At $3.9 billion, this is the largest Asia focused infrastructure fund that's ever been raised. And I'm really glad to report that the business is off to a great start and is being recognized as a leader in the marketplace. From an AUM standpoint, our global infrastructure franchise has grown from $13 billion in 2018 to over $17 billion in 2020. As we raise capital for our next flagship fund and continue to scale our core infrastructure vehicle, we believe our AUM can nearly double again in the next two years to $30 plus billion.

Similarly, our infrastructure management fees have nearly doubled from $84 million in 2018 to $158 million in 2020. As our AUM continues to scale, we believe we'll be able to double management fees yet again in the next two years to approximately $275 to $300 million. The third major building block is ramping deployment and exiting early investments to start contributing to the firms realized carry and realized balance sheet investment income. In infrastructure, we have seen a dramatic increase in our annual deployment pace as we scaled our flagship funds and add a new products like Asia Infra and core infrastructure. As you can see our average deployment over the last four years was $1.6 billion per year, nearly four times higher than the average investment deployment in the prior four years. With this increased deployment pace, we have built significant future earnings potential. As we begin to monetize many of our Fund I and Fund II investments, as you can see in the chart below, for the first five years of our infrastructure business, we generated zero carry as all of our investments were brand new and seasoning. However, over the last five years, we have just begun to benefit from carry realizations and balance sheet gains. 2020 was an important inflection point for our infrastructure business. With over $200 million of cash carry generated from historical investments. The final building block in scaling a new investment platform relates to capturing greater economics through our capital markets franchise. We have seen a dramatic increase in KCM fees generated by our global infrastructure team as capital deployment and AUM have scaled. Over the last four years our infra business has generated on average $71 million per year of KCM revenues. That compares to just $8 million per year for the prior four years and barely $1 million a year when we first launched the strategy. As all four of these building blocks come together. The overall economic contribution to the firm can be quite powerful. AUM has grown from $0 in 2010 to $17 billion in 2020 with a visible path to $30+billion in the next two years. As our funds continue to scale and we continue to develop new adjacent products and strategies, we've seen management fees, capital markets fees grow rapidly, and more recently we're finally starting to see and get the benefit of significant earnings from realized carried interest and balance sheet gains.

From a standing start where this business had $0 revenues in 2010, we wound up in 2020 with nearly $550 million in revenue. And while we're very proud of these historical results, we're even more excited about the massive growth opportunities in the future. To put this in context, our infrastructure business today is only one quarter the size of our global PE business with multiple ways to grow and scale from here. So let me turn it back over to Craig.

Craig Larson: 00:36:02 Thanks, Joe. The case study we just ran through was one of my favorite parts of our materials today, because in the dialogue that we have with investors on a strategy like infrastructure there often tends to be a pretty narrow focus and that focus really is on the fundraising aspect. That's the topic where we see the most inbounds. And the questions will often be really specific: Is that strategy in the market? When might we see an initial close? I'm assuming that that fund could turn on somewhere in Q3 or Q4, does that sound reasonable?

And I understand that, that makes a lot of sense because everybody wants their models to be as tight as possible. But what we really were trying to bring to light through this case study - really three things. One, is the broad financial impact that you can see as a business reaches that inflection point, as it progresses through that life cycle of a platform that Scott introduced at the beginning of the section. It's management fees, it's carry, it's investment income and it's capital markets, all of those pieces combined.

Two alongside of the scaling of a benchmark flagship product, you see innovation. In the case of infrastructure again, it's more than just the flagship funds. It's Asia infrastructure, it's diversified core, that's again in a perpetual capital framework with a strategy like renewables infra on the horizon. And with all of these adjacencies with performance, we expect in turn to have opportunities to grow and scale these adjacencies in the framework of massive end markets. And the final point, when you go back to how Joe described our approach in building these franchises and those four building blocks – strong performance of flagship funds, scaling together with innovation, driving meaningful gains, and then finally using our unique model then to capture more of everything that we do – that aspect, those building blocks do not apply only to infrastructure. Far from it. We're almost like a machine as you think about our focus on executing our strategic growth plans across businesses. So we're going to transition now to a section focused on our four major businesses, private equity, credit, real assets, and capital markets. And we're going to review our strategic growth plans across all of them. And I think there's almost machine-like framework as you think about the attractive underlying growth on a standalone basis of these flagship funds and products and strategies amplified with layering, given, scaling, and innovation is something I expect or hope you'll gain a better appreciation of as we review each of the core business lines. And with that, I'll turn things back over to Joe.

Joe Bae: 00:38:46 Thanks Craig. Our private equity platform is the business KKR is best known for globally. It's the industry that Henry Kravis and George Roberts helped pioneer in the 1960s and '70s. It's a business where we have built a 45 year track record of delivering exceptional returns to our investors. We are a strong top three global player in this market with significant competitive differentiation in terms of experience, talent, sector specialization, geographic reach and scale. But most importantly, it's a business where we have some of the most exciting future growth opportunities through product innovation and adjacent strategies. Today our global private equity platform manages $113 billion in AUM. At the center of this business is our traditional large cap private equity strategy, which has grown to $88 billion in assets as we've expanded our strong U.S. franchise into Europe and then in Asia. Leveraging our dominant brand and track record in the space, we are building three very exciting adjacent strategies that are highly complementary and synergistic to our traditional PE business. We are leveraging the same investment talent, experience, sourcing channels and investment processes to create new growth avenues for KKR. This includes our long duration, core private equity franchise, a portfolio of growth equity products in technology, healthcare and ESG, and our customized portfolio solutions business, which provides an attractive alternative to traditional PE fund-of-funds products.

We have a very attractive portfolio of both large scale high margin, traditional private equity funds and newer higher growth strategies, which will help drive meaningfully the growth in our global franchise. Let me spend a couple of minutes on our flagship private equity business, where we have a 45 year track record again of exceptional consistent performance. We've delivered a 26% compounded annual return across 19 different funds through just about every economic cycle imaginable. We can now add COVID and pandemic resiliency to this list. This compares to a 12% return for the S&P 500 on a comparable basis, representing approximately a 1400 basis point of outperformance over four decades. What I love about this slide is that our absolute and relative outperformance in our most recent funds are stronger than ever. Our private equity platform continues to find ways to innovate, create competitive differentiation and drive alpha for our investors.

The misconception about our traditional private equity business is that given its current scale, that it's a lower growth mature business. Quite the contrary, as you can see on this slide below, our businesses in Asia, U.S. and in Europe have had a decade of significant scaling and asset growth. In Asia, we started with a $5.8 billion in Asia II. And we just recently closed our fourth fund at $15 billion. Similarly in the United States, we've gone from an $8.7 billion fund, two funds ago to a $13.5 billion dollar fund today. And we're currently in the market raising our next flagship fund for the United States, which we expect to be meaningfully larger.

In Europe, a similar trend, $3.5 billion, two cycles ago to $6.4 billion in Europe V with an expectation of raising Europe VI in the next 12 to 18 months. In our traditional private equity business, we have taken this regional approach versus a global fund approach. It has a lot of key benefits. It allows us to maximize our fundraising potential. It allows us to diversify our carry pools. It reduces the vintage risks across these different products, and we're less susceptible to a single point in the fundraising cycle. Let me spend one second on our Asia private equity fund at $15 billion at size again, this is the largest private equity fund ever raised in the region. It's also the largest private equity fund within our global flagship business.

I'll get to this later in the presentation, but this is one of the most distinctive parts of our firm in private equity. We have 15 years now on the ground building a very large scale business across all the major markets in Asia and for the fifth consecutive year, KKR has just been voted Large-Cap Firm of the Year. With the growth in our regional funds, what you've seen is a rapid acceleration of deployment. In the last four years, we deployed on average $8.4 billion across our traditional private equity business. That compares to $4.6 billion in the prior four years. So almost a doubling in investment activity. You can also see on this chart, the significant contribution of Asia PE in the last four years in particular.

So let me move to some of the new adjacent strategies. As Scott mentioned previously, a lot of the innovation that happens at KKR really comes when we can't find a home for great investment opportunities. And that's exactly the case with core private equity. Again, this is a long duration strategy where we expect to hold companies for 10 to 15 years, but the risk reward profile is very different than our opportunistic private equity funds. We're looking for mid-teens IRRs that we can compound for North of a decade. So we're looking for businesses with less disruption risk, very good cash flows, often consolidation opportunities and fragmented sectors. And we've put together an incredible portfolio of companies. It's diversified around the world. Our deployment pace has nearly tripled in the last four years alone from $1 billion to $2.8 billion.

And our returns inception today have been very strong with 21% gross IRRs. And, with a large participation of our balance sheet in this strategy, you can see the impact in terms of compounding book value. We have over $1.2 billion now of unrealized gains on our balance sheet from our core private equity business. The second growth vector for us in private equity is really this portfolio of growth equity funds that we've created really starting five years ago. With roughly $1 billion of AUM in 2016, we've now scaled that to over $8 billion of assets across three different strategies, which I'll get to in a second. It's our technology growth business, our healthcare growth business and our global impact business.

So technology - obviously this is a critical area for the firm to be a leader in. What we noticed in technology is we were seeing some really exciting growth businesses that quite frankly were too small for our main private equity fund. These are investments that range from $50 to $200 million in check size with great entrepreneurs and great sectors. And we want to participate that.

So in 2016, we raised our first growth fund at $700 million, in Fund II with great performance we were able to scale that triple the size of the fund to $2.1 billion. And as you can see, the returns have been very strong at 34% IRR. In the next 12 months, we expect to launch and raise our successor fund NGT III as well as our first time Asia fund. Moving to healthcare, this is an industry where KKR has over 20 years of dominant investing experience. Across large cap healthcare names, we saw a very similar trend in healthcare. A lot of innovation happening at the smaller end of the market and life sciences and biotech and medical devices. And we wanted to participate that, we have the teams, we have the reach, we have the sourcing channels. So in 2016, we raised our first time healthcare growth fund at $1.3 billion. Again, the performance here out of the box has been really strong. 64% IRR inception to date, and that's given us the ability to go raise our next healthcare growth fund, which we're in the market right now.

We've had initial set of closes at $2.8 billion and expect this to be a meaningfully sized fund. And finally global impact, sustainability and ESG is a huge priority for KKR. Scott's going to talk about that later today. We've been doing this for over a decade. In terms of working with our global portfolio companies to improve their ESG practices and sustainability practices. And we're now starting see ways to invest behind those themes. Again, these are generally smaller growth ideas and opportunities. So in 2019, we raised our first time Impact fund at $1.2 billion with tremendous support from our investors, all institutional investors around the world are looking for more exposure to this asset class. That first time fund again has very, very strong performance with 38% gross IRR since inception. And our expectation would be to raise the successor fund for Impact again in the next 12 to 18 months.

So when you put that all together with these three growth platforms, we've been able to meaningfully scale our deployment from roughly $100 million in 2016 to $1.7 billion in 2020.

And, finally, our customized portfolio solutions business. Again, this is an alternative to what the market was providing in terms of the traditional fund to funds business. We're able to highly customize and create bespoke product for institutional investors and large family offices. The product's designed not only for very attractive returns, but to minimize the cost and reduce the costs relative to fund-of-funds. We accomplish that with a diversified portfolio that invests in our core flagship funds, as well as a meaningful amount of co-invest in KKR deals and best in class third-party managers.

And the return since inception have been very strong at 20% gross IIRs. That's really allowed us to scale this business from our last Investor Day in July of 2018, from $1.3 billion to $3.8 billion today, a three times increase in just three years. So again, when you put both our flagship business, the heart of our private equity franchise, together with these new growth vectors, we've seen some very significant growth in our global business around a 16% CAGR. Today, we manage $113 billion of assets in global private equity, but we think there are more product extensions, continued scaling across all of these avenues, which will allow us to continue to grow this business at a double digit rate. Over to you, Scott.

Scott Nuttall: 00:50:06 Thank you, Joe. Now let's shift to our credit business. The platform itself has about $164 billion of assets under management as of now. It's broken down a little over $100 billion in leveraged credit, a bit over $50 billion in private credit and $8 billion in dislocated or opportunistic credit. But if you look back first, before we go forward, this is how the business has grown. You can see the business was created in 2004 and before Global Atlantic had scaled to about $78 billion of AUM at the end of last year, very attractive annual growth rates and really exceptional growth over time. And what you can see has happened is this AUM line has grown, our revenues have grown as well. So you can see on the chart, it kind of builds, the management fees for leveraged credit, then alternative credit capital markets transaction fees related to credit, start to show up, carry and performance income shows up as well.

So there's been really attractive historical growth in revenues alongside the AUM growth. If you put it simplistically, this business has more or less doubled its AUM and its revenues every three and a half to four years over time and that's before Global Atlantic. And GA has a very significant impact on the credit business. As you can see on this slide. In effect it doubles our AUM from $78 billion to $164 billion. And it's a significant ramp across a number of the different parts of our credit platform. And the GA transaction really creates this virtuous circle of growth because what happens is Global Atlantic can source low cost liabilities. And when it does that, it needs assets that have an attractive risk reward, largely with a yield and our origination platforms in credit generate those assets. So as we generate assets with attractive returns, that allows GA to go originate more low cost liabilities and so forth, and we do it again.

And as all of that happens, we build net income for GA and we build fee related earnings and profitability for KKR as a whole. So it's a really neat virtuous cycle that we've built here. So let's talk about the credit platform in the context of the life cycle that we talked about earlier, and you can see on the slide, how the business breaks down. Some scaled business, a number of developing immature and early business in Asia credit. And the strategy, the areas of focus, are pretty straightforward. We want to expand our Asia credit platform, which I'll come to in a second. We want to continue our success in dislocated and opportunistic credit. We want to scale our leveraged credit businesses, which have had great performance, and we want to grow our mezzanine and asset based finance platforms.

But first let's start with Asia credit. This is a newer business for us. We're actually in the market with a fund now. And just to give you the high level background, this is a business that we think can scale very dramatically over time. The GDP growth in the world is predominantly in Asia. So 60% of global GDP growth comes from Asia. Only 8% of global private credit AUM is actually in Asia. We think that will change over time. We think global private credit, the percentage from Asia will continue to increase. There's also more needs for private credit in the region. As private equity continues to be a larger and larger active player in Asia. And our positioning is really great. We have almost 200 people on the ground in Asia, across the eight offices. And given the one firm culture everybody's helping each other. Relationships are traveling. We're using our corporate relationships to go and source opportunities for Asia credit.

And we've already begun to be recognized – 2020 Asia Pacific Lender of the Year by Private Debt Investor. It's nice to have the early recognition. Even more importantly, we've sourced $1.4 billion of new investments since the beginning of 2019 in Asia credit and there's an attractive pipeline. Second, let's hit some of the developing businesses and I'll just hit a couple here just to give you a sense of what's in this category. Our leveraged credit business is an area of the platform that has had really strong performance. As you can see here, top quartile performance on a one, three, five and seven year basis. And this business has been scaling quite nicely. Five years ago, $14 billion now $35 billion, so significant growth. We've also had great performance in high yield, and this is an asset class that we haven't emphasized as much from a distribution standpoint, a sales standpoint and we are changing that now.

So we've had the same one, three, five, seven year, top quartile track record, and we're going to look to monetize that to a greater extent. So think of this area as an exceptional track record, GA adds $4 billion or so of assets to what's already on the slide. And you're going to see more sales resources be added here to continue to scale these numbers. Another part of this aspect of the platform is our dislocated and opportunistic credit business, about $8 billion of AUM. Last year we raised a $4 billion pool of capital over four months for dislocation. We did that through a fund and separate accounts. About 40% of the LPs were new to KKR. And the concept was let's go monetize the dislocation resulting from the pandemic, and we were able to move very, very quickly. And what this business does it really sits in the middle of the firm, so it can do credit on the corporate side real estate, it can do structured equity, it can do public investing and private investing.

So think of it as really monetizing what's in the middle of the firm and maybe doesn't fit elsewhere. And this is a business that we believe we can expand over time and continue with this theme and even broaden its mandate. Okay, now let's shift to the mature category. And what I'm going to do is hit one part of the platform here for a second, which is our asset based finance business. So this is a part of the business we've been quietly building for the last several years. And asset based finance is a huge market, $4.5 trillion in total size. That's expected to grow to $7 trillion by 2025. And so what we've done here is we've invested in or partnered with about 16 different specialty finance platforms that are actually originating all the asset classes that you can see on this slide.

And so far, we've had really nice performance, as you can see in the upper right. Now, these platforms that I'm mentioning actually have about 4,000 employees of their own, and they have about $100 billion of AUM. And what's been happening is they've been originating assets and selling a lot of those onto the market or partnering with third parties. And that's really important because those assets are actually quite attractive for Global Atlantic. So when you think about the power of the combination, asset based finance is a great example of this. So we've created these platforms at KKR or invested into them over time. And those originations now can go to GA and has about $20 billion of AUM in very similar asset classes and a lot of appetite for those originations. So we can now monetize those in a way that we never could, before it provides us with the ability to be a one-stop shop and a provider of solutions in a way we never could before. And generate other economics for the firm, including in capital markets.

So really exciting development for this part of the platform. On the scaled side, just quickly direct lending. This is a business that is also quite large. We're a top three player here already. This is an asset class that has about $1.1 trillion in total size. And that $1.1 trillion is expected to grow to $1.8 trillion by 2025. So another space that is large and growing quickly. We started in 2005. We've had really nice performance, as you can see on the left-hand side of the slide in our most recent fund in particular. And a lot of this business has evolved. We're making bigger investments in bigger companies and increasingly in a sole or lead role. So this is another platform that we believe we can grow over time. And it's largely done today in permanent capital format through our BDCs.

So let's step back. If you look at this business credit as a whole back in 2007, this is what we look like. We were just U.S. We were largely loans executed through CLOS and KKR Financial Holdings, which was a public permanent capital vehicle we controlled at the time. Now look where we are today. We've got all sorts of different ways to invest in credit, U.S., Europe and increasingly Asia, lots of different ways to scale and win. So we went from $11 billion of AUM in 2007 to $78 billion before GA to $164 billion after GA.

And not only have we scaled the ways that we can invest in credit and broaden the platform dramatically, we've also broadened the way that investors can invest with us. So it's now separately managed accounts, open-ended funds, 40 Act funds, draw down funds, closed end funds, permanent capital vehicles. There's lots of different ways that investors can invest with us in credit now. And so step back and remember what I said before. This is a business that has in effect been doubling its AUM and its revenues every three and a half to four years before we had all of this breadth. And before we had all of these ways for investors to invest with us and before the power of Global Atlantic. So we're highly confident that we can double the business again by virtue of what we've now created and the opportunity ahead of us. So the strategic growth plan for credit is very straightforward. We want to keep expanding in leverage credit monetize the great performance we've had. In private credit there's going to be a lot of different ways to grow, but in particular, Asia and asset based finance. We think we can scale further and dislocated an opportunistic credit, and we can integrate Global Atlantic, which makes us that much more powerful. And with that, let me hand it over to Joe to take up real assets.

Joe Bae: 00:59:20 Thanks, Scott, let me now turn our attention to KKR's global real assets platforms. When you take a big step back, what we're talking about here is the global real estate market, the global infrastructure market and the global energy market. These are enormous, enormous industries where 10 years ago, we were not even active players in investing in this space. So this is a platform that we're building that we think has tremendous growth potential for decades to come. Today we have $47 billion of AUM in our real assets platforms, and that's really in four different businesses. In real estate, we have an opportunistic equities business that has $10 billion of AUM. We have a real estate credit business today with $17 billion of AUM. As I've discussed previously, an infrastructure platform with $17 billion, and a $3 billion energy business.

When you look at the composition of our platform, many of these strategies, 11 out of the 13, are in the early and developing stages. We only have two businesses really, our US real estate equities business and our global infrastructure business that are in this maturing category about to get to scale. So tons of growth ahead of us. The other dynamic is that given the importance of yield in many of these strategies, we're raising capital in many of these new products in a perpetual capital format.

Let me spend a second on real estate first. Again, just a massive end market, globally, in real estate. This is a business in 2015 we were managing just $2 billion of AUM. And that's grown to $27 billion in 2020. It's split between $10 billion in equity and $17 billion in credit. Given the team we have in place, given the track record that we have seeded across credit and equity, and the brand of KKR and our growing investor base, there's no reason to believe that our real estate platform globally won't be $100+ billion over time.

Let me start on the equities side. This is really a mirror image to our global private equity footprint. We have a private equity business in real estate in the US, in Europe, and in Asia. And we are just rolling out a Core+ real estate strategy called KPPA. The initial performance has been very strong. In the US, our first two real estate funds have generated returns of 16% to 21%. And in Europe, Fund I is generating a 15% return.

That's allowed us to really scale each of these platforms over the last 5 to 10 years. In the US, we've gone from a $1.2 billion fund to a $1.9 billion Fund II, and we're currently in the market raising Fund III with an initial set of closes at $2.5 billion already. In Europe, again, we started with a relatively small first fund, at $700 million, we're in the market raising Fund II, have closed on over $1 billion to date, and expect that fund to be meaningfully higher.

In 2020, we closed on our first Asia real estate fund, at $1.7 billion. So we have the full suite now, in US, Europe, and Asia, of our opportunistic real estate product. Last year we also started raising KPPA, our Core+ fund, a permanent capital vehicle where we have $2 billion of capital raised already.

And as we've scaled these funds and launched all these adjacencies and geographic expansion, you've seen a meaningful acceleration of capital deployment. From roughly $200 million back in 2015, to $2.2 billion in 2020.

In real estate credit, again, a $17 billion asset class for us today, we have a family, a portfolio, of specialized credit products in the real estate space, and I'll talk about the impact GA will have in a second.

Our more mature products are off to a very, very good start. Again, many of these are yield oriented strategies targeting high single digit returns, and a very attractive risk reward product. RECOP and RECOP II has generated nearly a 10% cash yield since inception, and KREF, which is our publicly listed mortgage REIT is generating nearly a 9% dividend yield for investors.

Again, we expect to be able to continue to scale and raise successor funds across this full family of credit products. One of the most exciting things about our real estate credit business is the synergistic impact with Global Atlantic. As you can see on this chart, we operate a series of opportunistic funds in the real estate credit space.

In partnership with Global Atlantic, we could create something really special. A more diversified business with the ability to scale, with more product depth, and an ability to create large, customized solutions for institutional investors.

In total, when you run through our infrastructure business, our real estate equities, and real estate credit business, and energy businesses, we've seen a dramatic scaling of our real assets platforms in a very short period of time. We've grown from $12 billion of AUM just five years ago to roughly $47 billion of AUM today, a 41% CAGR. And the good news is, we're still in the first or second inning in terms of growth and scaling. Scott, over to you.

Scott Nuttall: 01:04:48 Thank you, Joe. Let's shift to our capital markets business, this is a business that last year had about $480 million of transaction fees for us. It's a bit of a distinct platform for KKR, and something that's pretty unique about our business model. As you can see on the page, a lot of different parts of this business are relatively young as well. A continuation of this theme that you're going to hear over and over.

Our areas of focus here are fairly straightforward, we have a number of opportunities to scale in businesses that are growing themselves, real assets and Core are just two good examples. We also have some emerging businesses, where we see a lot of upside, especially with GA, around structured finance as an example. We think our third party business can continue to grow. And as Asia grows for the firm, we expect capital markets will grow there as well. So lots of growth opportunities for KCM going forward.

But before we get into the forward, let's spend a minute looking back. This is a business that has evolved dramatically since its founding in 2007. So you can see here, the first five years averaged about $66 million of fees, as we were just getting going. About 23 deals per year on average, largely just KKR deals themselves. Second five years, the $66 goes to $172 million, and the number of deals per year goes from 23 to 88. So significant expansion as we start to take KCM global and start to embed it across all of our investment activities around the firm.

And then more recently, look at the last four years. The $172 goes to $490 of average revenues over the last four years, the number of deals per year doubles from 88 to 166. So a significant scaling again. We keep seeing these step function changes in KCM's growth as KKR grows.

And so if you get into the details a little bit, look at the first five years. You can see how the business broke down. It was largely traditional PE, and facilitating private equity transactions for KKR, initially in equity, and then into debt. And you can see, it was largely a North American business. Second five years, you start to see a bit of expansion. The third party business starts to become a bigger piece of the pie, and Europe and Asia grow as well.

And more recently, the last four years, you can see, it's become even more diversified. You can see infrastructure pick up, you can see real estate start to come into play, and it becomes more global again. Now 52% North America. And we think you're going to continue to see this trend around diversification.

And what's really happened is, not only have the revenues grown, and you can see on the slide, from $182 in 2016 to $490 on average the last four years, we're up 2.7 times. We've become much more diversified in terms of where those revenues have come from.

And really, the background for KCM's growth is similar to the story you've heard across all of these slides today. As KKR grows, KCM grows. So the biggest driver of capital markets for us is the scaling of our investing businesses. Deployment activity, monetization activity, and then the size of the portfolio. Where its financings, refinancings, repricings, acquisition finance, exits, there's opportunities for KKR capital markets.

It is not at all a surprise to us that our private equity business, our largest scale business, and our most active business by deployment and monetization activity and size of portfolio, is the largest contributor of capital markets revenues. It stands to reason, the more activity, the larger the portfolio, the more KCM's going to do. As you see growth across our real assets platform and our credit platform, you're going to continue to see KCM grow.

But it's not just the growth of our investing businesses where we see opportunity, it's also our third party business. It's also more of our businesses using the entire holistic model. And increasingly, we're on the lead left position, or either sole underwriter or lead left in a lot of the deals, which are much more lucrative for us.

And as all of that happens, revenues go up, diversification continues to increase, we got more ways to win, and the business becomes even more resilient. And it's a very high incremental margin business for us, given we're monetizing a lot of what is already resonant within the firm.

Scale begets scale. And so as you can see on this slide, this just shows KKR's capital deployment as a firm over time. The last ten or so years. And you can see at 19% CAGR. And look at capital markets transaction fees, this is the three year rolling average. 25% CAGR. So as KKR grows, KKR capital markets grows. And we expect that to continue to be the case.

And I wanted to show just a few more examples of this. This is happening all around the world and all across our businesses. But look at Asia. You can see how the KCM revenues in Asia have grown. $13 million initially, then $30, then $68. Joe already took you through infrastructure. $1, to $8, to $71. Look at core private equity, that business has grown dramatically, last year $46 million of capital markets revenues, and that business is just getting going.

And then the third party business has grown meaningfully as well. $55 million average going to $97 over the last four years. And this third party business is something that we believe we can scale meaningfully again from here. This is a business that is highly synergistic and sits within the firm, and actually connects a lot of our asset pools with third parties, and facilitates a lot of our transactions around the private credit and now GA platforms.

But you can see, the number of transactions for third parties has grown from 24 in 2016 to 84 last year. And if you look at the right hand side of the slide, what you can see is, the number of third party clients that we're transacting with has also grown dramatically. And here we're only counting a transaction once per year, even if we do more than one thing a year with a sponsor. But you can see, in 2016, eight different third party clients, last year, 47. And we expect these numbers to continue to go up and to the right. So a lot of opportunity to grow as KKR grows, and a lot of opportunity to grow with third party clients. Okay, now that we've covered all four major businesses of the firm, we want to shift gears a little bit and talk to you about some of the unique differentiators we believe we have here at KKR. And these are differentiators that we believe really cut across everything that we're doing.

So the first one of these we're going to talk about is Global Atlantic. So I'm not going to ask Allan Levine to take the stage, Allan is the chairman and CEO of Global Atlantic. He really has been involved from, with the business from inception. He was co-head of strategy at Goldman Sachs when the business was founded in 2004. And he has built the management team, and he has really built this great track record in business over the course of the last 16, 17 years. And they've really done a remarkable job.

We could not be more thrilled to be their partners and in business together, and we see a lot of opportunities to grow together. And we really think the combination of our two sets of capabilities is incredibly powerful. Allan, over to you.

Allan Levine

Chairman & CEO of Global Atlantic

Allan Levine: 01:11:30 Thank you Scott, for that very kind introduction. It's great to be with all of you here today, and to have the opportunity to share the Global Atlantic story, and more importantly, what the business looks like going forward with KKR. It's been nine months since we announced the transaction, and two months since we closed. It's been a real pleasure to get to know and work with Henry, George, Joe, Scott, and the rest of the KKR team.

I'm also pleased to report that the integration of our combined investment areas and the broader KKR Global Atlantic partnership is going very well. With that, let's turn to the next page. Let me start by providing a brief overview of Global

Atlantic. This is the page I like to refer to as the Global Atlantic 101 page. Over the past 15 years we have quietly and patiently built one of the fastest growing, highest returning US insurance businesses.

We have done that with a very focused strategy. We know exactly who we want to be, a leading US focused life and annuity business. We also know who we don't want to be, even though our name is Global, we're not international, we're not in property and casualty, accident and health, or long term care. As you're all aware, on February 1st we closed our transaction with KKR.

Today, Global Atlantic is owned approximately 60% by KKR, and approximately 40% by third party shareholders. Looking at the bottom of the page, investors are often surprised by the size, scale, and success of the business. We have over $90 billion of assets under management and growing. Because we have a focused strategy, we strive to be top three or top five in every business we compete. And we have achieved that in our two largest businesses.

We have generated consistent top quartile performance of 15% or more in AUM, AOE, and book value. We have strong financial profile and balance sheet. And I would note, that since the transaction was announced, we were placed on positive watch by two of our four rating agencies. And finally, core to everything that we do, we have leading risk and investment capabilities. We have been able to consistently outperform the industry, and I have even greater conviction in our ability to do that with KKR.

Now turning to the next slide, I wanted to provide a brief history of our business. In 2004 we were founded as the Goldman Sachs Reinsurance Group. By 2012, it had become clear that being an insurance company inside of a bank did not work from a capital perspective. And on May 1st, 2013, we had a successful separation raising money from 1,200 high net worth shareholders. At this point in the cycle, we as a leadership team had a view that the right strategy was combine our leading reinsurance business with a leading retail distribution franchise. So we quickly acquired two decade old insurance businesses. By 2015, we realized we had a fast growing, high returning US life and annuity business, and a subscale P&C business. So we made the strategic decision to sell our P&C business and deploy all of that capital into our life and annuity business.

Since 2015, we have been executing on and optimizing that same strategy. Heading into 2020, we raised $1 billion of third party capital to support a very strong reinsurance pipeline. In the fourth quarter, we put a substantial amount of that capital to work, closing three deals which increased our AUM by over $15 billion.

And finally, what I hope you take away from this page, is that when we separated from Goldman Sachs in May of 2013 we had $1.4 billion in book value. And in February of 2020, 7.5 years later, when we closed the KKR transaction we had $4.7 billion of book value. We've been able to over triple our capital without ever having a primary raise.

Turning to the next slide, let me spend a little bit more time on how we manage the business. In addition to having a very focused strategy, we also have a very straightforward business model. Everyone at Global Atlantic, and now KKR, has a role to play in helping us deliver long term shareholder value. If we grow our assets, manage our margins, and remain disciplined stewards of capital, we believe we can continue to produce top quartile results.

Starting with growing our assets, we have two lines of business, our retailer individual business, and our reinsurance or institutional business. Across these complementary businesses, we have multiple $1 billion plus opportunities to allocate capital across the cycle.

I will spend time on the next couple of pages covering each of those. Next, managing our margins, we have an easy to understand spread-based business model. If we buy a high quality, diversified, fixed income-oriented asset portfolio that is well matched to a stable, low cost, low risk liabilities, either as a result of product selection or structure, and we closely manage our expenses with significant benefits as we scale, we believe we can produce industry leading results.

From a capital perspective, we have a long established track record of allocating capital in an efficient way to the highest value opportunities, and more recently, we've begun to build our third party capital capabilities. Next, let's spend more time on our two lines of business.

First, our individual business, where we offer a suite of simple products designed to meet our customers' savings, protection, and income needs. We are focused on the fixed annuity space, which we view as having the fastest growing, best risk reward opportunity for Global Atlantic in KKR.

We sell our products in over 200 banks and broker dealers through a 150 person sales organization. Our team has very strong industry relationships, and the capability and experience to sell retirement, life, and hybrid products. Over the past five years, we have been a top five annuity player. Importantly, we have meaningful market share in many of the top platforms, including LPL Financial, Wells Fargo, and Morgan Stanley.

Beyond these firms, approximately 90% of our total sales have been through banks and broker dealers that we believe have higher barriers to entry and more stable economics. We view this positioning as a competitive advantage. Turning to our institutional business, here we provide customized solutions to help life and annuity companies meet their strategic, risk management, and capital goals.

At this point in the cycle, we believe this business has the highest risk reward opportunity and best growth profile. As you can see, in 2020 alone, over $100 billion of transactions were executed, and Global Atlantic captured meaningful share. Over the past 15 years, we have established a very strong track record as a leading client-focused franchise in the reinsurance space.

We've executed about two to three transactions a year, and have entered into transactions with over 20 firms. Most recently, that includes names like, Unum, Manulife, and Ameriprise. One of the stats our team is most proud of, is that over 40% of our clients are repeat counterparties. In addition to block reinsurance, we have recently entered into three adjacent institutional solutions. Flow reinsurance, pension risk transfer reinsurance, and funding agreements.

Today, each of these are multi-billion dollar opportunities for Global Atlantic. Looking forward, we believe our partnership with KKR provides for significant growth potential. Starting on the left, we remain very bullish on the fundamentals of our target markets. For life and annuity companies, the combination of historically low interest rates and tight credit spreads creates a challenging investing environment in which to deploy new money.

Next, from a demographic perspective, America's retiree population is growing and looking for downside protection and income solutions. Particularly in environments of heightened market volatility. Lastly, we believe we're in the middle innings of a major industry restructuring where over two-thirds of the top 25 players have either executed a reinsurance transaction, are undergoing strategic review, or considering M&A.

The demand for reinsurance solutions, as a tool to reduce risk or free up capital, is strong. And we believe Global Atlantic is one of the few franchises well positioned to capture this meaningful opportunity as it emerges. We believe the partnership with KKR will accelerate Global Atlantic's growth and enhance the same five themes that have driven our success to date.

First, our diversified US-focused business model where we can allocate capital over the cycle across our individual and institutional businesses, and life and annuity opportunities. That gets even better with KKR, with a long term strategic partner we can patiently allocate capital over the cycle, enter into adjacent lines of business, and create new products.

Second, our established footprint with financial intuitions with long standing distribution partners, including over 200 banks and broker dealers in the top 50 US life and annuity companies. Here, we have already benefited from KKR's C-suite relationships.

Third, risk and investment management core to everything we do. This is about people, process, and technology, all of which are enhanced by KKR's world class platform, which Scott and Joe spoke about earlier. KKR has expertise across asset classes and asset types that are a good fit for Global Atlantic, and can be originated in house with greater benefits of scale.

Fourth, our strong financial profile. This is about ratings, expense scale, and deep access to capital. We believe we can benefit from KKR's unparalleled access to capital and balance sheet as we grow and expand our business.

And finally, the key to our success is about our people and our culture. About half of our most senior team has been together for over decade, including our years at Goldman Sachs. Half of our new leaders joined because they believed in our vision, mission, and values. We are founders, owners, and partners in the business, and we have found a great partner with KKR. Our teams are aligned incredibly well, with similar cultures, consistent values, and a desire to capitalize on and benefit from the opportunity ahead.

Next, let's turn the slide to talk about the forward growth opportunities in greater detail. At Global Atlantic we have an incredibly methodical approach to growth, and we have ways to expand our client reach and expand or enter into adjacent businesses. Starting with our individual business, while we rank as a top five player, there is still room to grow between where we are and the number one player in the industry.

So when I think about expanding our client reach, we have a strong footprint across top annuity writers, but we are not in all of them. As an example, we just added a top 10 player, PNC Bank, and started selling in their system this quarter. And, we were able to achieve our top five ranking without a top 10 position in the independent distribution channel, a $40 billion market which is a growth opportunity for Global Atlantic in 2021.

Looking forward, we also believe there are strategic opportunities to build new products with KKR. And as I mentioned earlier, we have a sales force that is capable of selling multiple products. We are also focused on new potential markets, including the registered investment advisor space, and technology based distribution platforms.

Turning to our institutional business, here we have four distinct client solutions. Block, pension risk transfer, flow, and funding agreements. All of which are $1 billion plus opportunities. Our younger strategies, PRT, flow and funding agreements, have a lot of room to grow, from a client base and investor perspective. In January, we entered the funding agreement business and have already exceeded $1 billion in transactions.

On the block side, while we already achieved meaningful market share over the past 15 years, traditionally we have not been able to pursue the largest blocks. We are excited to have the opportunity to evaluate any size transaction partnering with KKR. Looking forward, we believe there are several adjacent lines we can enter, including other areas in the pension space, and other low risk, low cost, spread-based liabilities.

Moving to the right side of the page under margins and capital, we believe there are other areas of our business that can also drive growth. On the investment side, KKR can help us improve our inforce portfolio book yields and new business pricing. As I mentioned, we are beginning to see significant benefits of scale. For example, Global Atlantic today is only half the size of other top five annuity players.

And lastly, deep access to capital. With the benefit of KKR's balance sheet, the KKR capital markets team, and our co-investment vehicle Ivy, we have the ability to pursue a wide range of opportunities to grow. In closing, similar to Joe and Scott's presentations which left you with four themes, let me leave you with four themes that summarize why I have such conviction, and why I believe we're set up to win.

Number one, clear, compelling fundamentals, whether from a macro, demographic, or industry perspective. Two, Global Atlantic is very well positioned as a leading US life and annuity business to capture this market opportunity, and at the same time benefit from scale. Number three, every part of Global Atlantic gets better with KKR, particularly from an asset origination, capital, product, and thought leadership perspective.

So what does all that mean for KKR investors? It means the ability to generate strong AUM, AOE, and book value growth. Thank you for your time and attention, and I look forward to having the opportunity to spend more time with you in the future. With that, let me turn the presentation over to Joe.

Joe Bae: 01:25:16 Thanks Allan. The next differentiator that I want to talk about is our growing Asia franchise. Our firm went to Asia in 2005, really attracted by the macroeconomic growth opportunities in the region. China today represents around 30% of global GDP growth, with its neighboring countries representing 28%.

That growth is underpinned by an incredible demographic trend. In the US and Europe today, we have around 135 million millennials. In Asia-Pac, that number is 834 million millennials, over a six times greater amount. The spending of that generation is driving consumption in the Asia-Pac economies. By 2030, Asia will be the largest consumption market in the world, greater than the US and Europe combined.

So enormous opportunities for investment, and services, value added goods, education. And the great news for private equity, is Asia is under penetrated today. PE represents around 4.6% penetration in that part of the world, relative to 16.8% in the US, one-third the penetration rate.

So we saw the strategic opportunity in 2005, and decided to make a significant long term investment in the region. What we've built in the last 15 years is the most dominant and widespread platform in the region, nearly 200 executives spread across eight different offices in Asia. None of our peers have a footprint like this in the region.

And the track record has been exceptional. We've invested over $22 billion of capital over the last 15 years in 86 Pan-Asian private equity investments, and generated, a 22% gross return, close to a 19% net return. And significant outperformance to the MSCI Asia-Pac index, which has returned less than 6% over a comparable timeframe.

With strong performance we have been able to massively scale our private equity business, from an initial $4 billion fund back in 2007, to our recently closed $15 billion Fund IV in Asia. When I moved to Asia in '05 to start this business, I would have never imagined that Asia IV would be our largest global private equity fund.

But what's really exciting, is with this core business in PE hitting on all cylinders, we've been able to leverage the incredible team, the network we have in the region to create new opportunities and adjacent strategies. As we mentioned previously, last year we raised our first time Asia real estate fund, at $1.7 billion. We raised our first Asia infrastructure fund, at $3.8 billion. And there's more new product coming.

Scott talked about our Asia credit opportunity, where we're raising capital today. And in the next 12 months, we'll be launching our Asia and GT growth strategy. So when you look at our platform holistically in Asia, we've been able to grow AUM from $10 billion in 2016 to close to $40 billion today. And again, the bulk of that AUM today is in our flagship private equity business.

As we continue to scale infrastructure, and real estate, and private credit, and tech growth, the growth opportunities in this part of the world, quite frankly, have no limits.

So let me now switch to the third topic, which is winning in technology. A bit part of what our firm has done differently in the last five years, is we've tried to get a lot more thematic in our approach to investing, not just in private equity, but across the board. So we have a framework that we've developed, and we continue to refine, like, what are the key themes that are going to really drive value creation around the world?

You don't need to be a genius to understand that technology is having a transformational impact everywhere. So what is our approach in this marketplace? We think we have some very unique attributes at KKR, which allow us to both access opportunities, source opportunities, and invest in a differentiated way.

First of all, is we have incredibly deep origination capability across a lot of the different industry groups that we invest in, whether that's financial services where we're doing fin tech, health care where we're doing bio tech, retail consumer where we're doing consumer internet, but there's just a tremendous network of opportunities that we've developed over the last 45 years.

Second, we have a large portfolio around the world. 200 portfolio companies that are all grappling with this fundamental issue of how technology is transforming their businesses. So we have those insights, we have those learnings, and we're able to target new technology investments to cater to those.

Third, unlike any other firm, we have global reach in the US, Europe, and Asia. So, we can take the lessons learned to see how technology is evolving in Asia and bring those lessons back to the US and vice versa. That's a tremendous advantage in this marketplace. And finally we've created this platform of growth funds in both technology and healthcare, which brings us closer to that innovation and the growth. So we've been active investors, particularly in asset classes like enterprise software, where we've put $6 billion to work in the last decade. And behind the consumer Internet opportunities, where we've invested over $4 billion in the last decade. So, when I think about our firm's relative performance and absolute performance in the last five years, a big part of the returns we've generated has been this pivot to technology and to digital.

To just put some numbers on, on the board here, if you look at our large-scale PE businesses, technology has become probably the single largest destination of capital in the last three years. In our Americas business it represents 38% of every dollar that we've invested in private equity. In Europe, an even greater 46% of our portfolio construction, and in Asia 34%, and in our core PE business globally, 26%.

This pivot towards technology and digital transformation is not just in our private equity business. When you look at our real asset platforms digital has been a major component of how we've invested. In real estate private equity, nearly 50% of our total deployment in the last three years has gone behind digital and tech themes. Primarily, industrial and logistic assets that cater to the growing e-commerce marketplace and commercial investments around technology innovation hubs. And in infrastructure one out of every $4 in the last three years has gone into digital plays: telecom infrastructure, wireless towers, fiber to the home and data centers. So, as you can see, technology is a critical industry focus of ours. If we're going to be leaving investors globally, we really need to be winners in this space, and we're devoting significant resources to this effort.

Scott, over to you

Scott Nuttall: 01:32:21 Thanks Joe.

The next unique differentiator we want to talk about is what we've been doing in ESG. Joe mentioned that we've been really focused on a number of themes around the firm. And ESG is one of those macro themes that we spend a significant amount of time on at KKR. In terms of background, this is an area that we really started to get very focused on back in 2008. And one of the first things we did was to create a partnership with the Environmental Defense Fund and begin working across our portfolio companies with EDF. And, in effect, it started with two companies, and has now expanded to 50 companies that partners in the Environmental Defense Fund. And what we do is we focus on the impact that our companies are having on the environment, and how do we make sure that we improve that over the course of our ownership? But that was just step one.

Step two, for example, in 2009 we became an early signatory of the UN Principles for Responsible Investment. But, as you can see on this slide, there's been a series of other things that we've done on the ESG front over time. It's now part of our DNA. So, ESG informs all the investment decisions that we make in every business all around the world. It is part of how we screen investments and look for opportunities. We want to make sure that we're being thoughtful about the impact that we have on all the stakeholders that our companies touch.

As we were doing this work, and building in this thought process into the DNA of the firm, what we began to find is there are really interesting themes within ESG that were creating opportunities that we really like. And you can see several of them on this slide. We've now deployed $7 billion behind these ESG themes across 40 different investments. Some of these have been done in our Impact fund. But a lot of them have been done outside the Impact fund, as we've been working to actually deploy capital behind everything that we've learned and have begun to see across everything that we're doing in ESG.

And we think this is just the beginning. You continue to see our Impact fund that Joe talked about continue to scale. And we'll scale that franchise over time meaningfully, we believe. But also, we think there's opportunity to create ESG themed alternative investment products across asset classes. So, more to come on this over time, but this is just the beginning of what we're doing in ESG and it really is a huge part of who we are as a firm.

The second thing I want to talk about in the ESG space is the Employee Engagement Model that was created. For those of you that were with us in July 2018, at our last investor day, you might remember Pete Stavros talking about this. This was something that was created by our industrialist team in private equity in the Americas. And what we've done here is we've actually given stock to employees of many of our companies with a view that is everybody's an owner, they're going to think like an owner. And they're going to be more engaged in value creation.

Fast forward, we've now done this several times. We've given away over $500 million of stock to over 20,000 non-management employees in our companies. And not a surprise, those companies have performed incredibly well because a more engaged workforce is focused on creating equity value. And that's something you'll continue to see us do.

So, a good example of the E part of ESG is what we've done with the Environmental Defense Fund. A good example of the S part of ESG is what we've done with our employee engagement model. We've also been focused on the G part of ESG, which is governance. And, as an example, one area of focus there is what are we doing with our boards of our portfolio companies? And there, we've been quite focused on making sure that those boards are more diverse themselves. We are big believers that the more diverse team makes better decisions. A more diverse board will help create a company that has more value. A more diverse investment team will make better investment decisions on the way in. And as we've been focused on diversity at our boards and within our own firm we've continued to see our, our performance improve and we believe that this will only continue going forward. So, we'll continue to be focused on the E, S and G elements of ESG and keep you posted on our progress over time.

The fifth differentiator I want to spend a minute on is our brand and track record, and how we think that leads to an opportunity for us with individual investors. There are very few firms in the world that have the brand that we do, and the track record that we do. We think both of those should be very attractive to individual investors over time. And we have just begun to scratch the surface in this space.

As we've been building out our sales teams over the course of the last decade plus, we really started with institutional investors. And have only more recently begun to focus on the individual investor. So, by monetizing the brand, and monetizing this track record in the individual space, we think there's a ton of upside. And just to give you a sense of the background for why we have that belief, if you look at this slide, in 2020 there's about $279 trillion of total potential client assets in the world. And just to dimensionalize those for you, $179 of the $279 is actually individual investors. And you can see it on the slide, 64% of that number is individuals.

But look at the right-hand side. Pension funds, where we have a large presence today, 30% of their assets are in alternatives. Endowments it's over 50%. Individual investors it's less than 5%. We believe that number is going to go up over time. And we believe that given our brand and our track record, really unique differentiators for us, we will be able to increase that number and participate in that to a great extent. And that's a lot of upside for us. So, what we’re doing now is we're starting to invest even more in our sales team focused on the individual. And that's an opportunity that we think will play out over the course of the next several years. That's not really baked into the '21/'22 numbers we talked about before, that'll sustain us for decades to come. Big opportunity for us going forward.

The last differentiator I want to talk about is something that really permeates everything that you've heard about today. It actually enables everything that you've heard about the day. It's our people and our culture. As we've referenced, we continue to run KKR as one firm. Everybody's in it together. There's one P&L for the entire enterprise and everybody helps each other.

You can see the main components of our culture and values on the slide. This is something that has been the case since 1976 with our founding. And it's something that will continue to be the case. We think it is something that makes KKR incredibly special, and allows us to do a lot of the things that we did around the world.

But why should you care? The reason you should care about this is that it actually allows us to do everything we've discussed. The culture of the firm allows us to build businesses and innovate. If you think about it, KKR was an innovation in and of itself in 1976. There was not even a term called private equity. The firm itself was an innovation. We've continued to stay incredibly innovative over time. And as our people see patterns, they see opportunities they can't access, we're all sharing that with each other. This one firm, fully connected culture that we've been built has allowed us to build the firm in the way that we have.

We have a lot of themes at KKR we talk about, one of those is connect the dots. We want to make sure that were all benefiting from what each other is seeing around the world. And that has worked incredibly well. So, when you think about what we've been doing, the business building we've been talking about, facilitated by the culture. The deployment activity last year where we were really able to lean into the dislocation in a very aggressive way, facilitated by the culture. The way that we've been building around the world and leveraging investments, and opportunities that we see with respect to specific companies that might start with equity and turn into credit, the opportunities travel. That does not happen if you run a siloed enterprise. And, critically, the way our model's been built: balance sheet, capital markets, third-party capital, all connected, monetizing ideas to a much greater extent, allows us to create economics in a highly efficient, low headcount way. All of that permeates everything we've done. So, the most important, unique differentiator for us is really our DNA, the people and the culture of our enterprise. And that will sustain us going forward.

Rob, over to you.

Rob Lewin

Chief Financial Officer

01:40:49 Thanks a lot Scott. And good morning everyone. And thanks so much for spending time with us today.

I'm going to focus my section on two main topics. The first is our financial model, building up to the $4 to $5 of DE target that Joe and Scott have brought you through a little earlier. The secondary area is our balance sheet, and a deeper dive on why this is such a unique differentiator for us. And, ultimately, a driver of meaningful profitability, as well as long-term compounding of book value.

So let's start with our financial model. You've heard this from us before, but there are really five things that are going to drive our near-term as well as our long-term financial and business performance. When we're getting three or four of these things right, our financial performance, on behalf of our investors, should be pretty good. But, right now, we believe we are operating at an extremely high level across all five measures, which is really what is leading to our confidence around our future financial performance.

So, let's start with our deployment. 2020 was record year. Our capital deployment of 30 billion was roughly 20% higher than it was in 2019. In turn, the thematic approach you heard earlier today around our deployment has led to very strong investment performance. That leads into monetizations. And given the combination of deployment, as well as performance, our outlook over the next several years feels very constructive, especially given the current market conditions.

The natural outgrowth of strong deployment and performance, as well as monetizations is fundraising. And 2020 was a record fundraising year for us as well, raising $44 billion of capital, which was up 70% from 2019. And you've just heard that we expect to raise over $100 billion of new capital over the next couple of years.

And lastly, when we use our unique business model, we get really good and differentiated outcomes. Our model allows for us to monetize more of our investment content in a way that others just aren't set up to do. So, for every dollar of investment we make we believe that our model, including our balance sheet and our capital markets business, allows for us to monetize a higher level of profitability.

When you break it down, our financial model is pretty simple to understand. Along the left-hand side of this page, you see the three major sources of revenue that are coming from our asset management segment: our fees, our realized performance income, which is principally our carried interest, and our realized investment income, which is the realized income from our balance sheet investments, whether through yield, dividends, or gains.

On the far right side of this slide, you see the profitability is that is generated from each area of revenue. I'll spend a few minutes shortly going into a little bit greater detail on each component. In addition to the main drivers of profitability from our asset management segment, going forward you're going to see a new segment from us, which is our insurance business. When added together with our asset management segment, this will drive KKR's distributable operating earnings.

I'll transition, now, to a buildup of our fees. Starting with our revenues and then moving to our profitability. Our management fees make up the bulk of our fee revenue, accounting for over $1.4 billion in 2020, or over $1.6 billion when you pro forma in the impact of the asset management relationship with Global Atlantic. The next biggest source of fee revenue has really been our capital markets business, which generated $480 million of revenue in 2000. The gray bar in the chart is made up of our transaction and monitoring fees. These fees tend to be a pretty stable source of revenue for the firm, and are somewhat correlated to our overall deployment. And the last component, which is relatively small today, but has the ability to be much larger for us in the future, is our fee related performance revenues. These fees are generally crystallized quarterly based on the yield of some of our perpetual capital vehicles. In aggregate, our fees grew about 13% in 2020. However, pro forma for our anticipated asset management relationship with GA, that growth would've been closer to 24%.

We believe we have really clear line of sight to exciting expansion of our free revenues, both in the near-term and the long-term. That growth is expected to come from multiple areas including an increase in our fee paying assets under management, which will directly drive management fee growth. In particular, the benefits of scaling new franchises here, and the compounding impact that that can have on our management fee growth should be a substantial driver of future fee revenue. We talked a lot about Global Atlantic today, but as GA continues to compound its book, as well as its asset base there should be significant opportunities for us to drive our $200 million of pro forma management fees much higher over time.

And lastly, our transaction activity, which we to expect to go higher over time given the increased breadth of our investing activities. This should help generate increased capital markets, as well as transaction fees for KKR.

We thought it would be helpful to go into a little bit of additional detail on our two largest forms of fee revenue. First, our management fees, and then I'll move on to our capital markets fees. So, starting with our management fees. These fees tend to be very stable and provide a meaningful amount of long-term visibility. The biggest driver of that is the long-term nature of our capital base. Over 40% of our AUM today is either perpetual, which means that it has an indefinite life to it, or it has multi-decade recycling provisions. And the final number on this page and maybe the most important number on the page, close to 90% of our AUM has a duration of at least eight years from inception and it is not subject to periodic redemptions.

Digging a layered deeper into our capital base, we've clearly made a significant investment elongating the duration of our AUM. Perpetual capital, which is now $120 billion, accounts for roughly a third of our total AUM, and 42% of our fee paying AUM. Our goal over the next several years is to get our perpetual capital to the $175 to $200+ billion range. To put that into context, at our last investor day, which was in 2018, our total perpetual capital was only $6 billion, or 3.5% of our AUM. This significant increase in perpetual capital has multiple benefits for us. But the biggest really include creating much more longevity to our capital base and franchise, and also a real ability for us to compound our AUM with performance. Said another way, perpetual capital organically grows on its own as we perform. It doesn't require additional capital be raised in order for us to grow our fee base.

We think this slide is just a great visual representation of our management fees, as it shows both our stability, building on the last page around the long duration of a capital base, as well as the potential to layer on additional growth on top. In some ways, we think there is some pretty good analogs between our management fees and the highest quality SaaS software companies. Our base management fees mostly have a long runway of stability. And then, on top of that, we have growth plans and each one of our business units that will layer on additional management fee revenue growth.

We've now taken that exact same chart, but forecasted it out to 2022. Our management fees are clearly the primary driver of KKR's trajectory of $2+ in FRE and beyond. But in order to get there, it's really going to need to be a mix of the highly recurring nature of our existing fees, as well as our forward growth plans. You can see in this chart, we expect a real inflection up across every major business at KKR.

And one last point on this slide before moving off. We have grouped our traditional private equity into one business here for simplicity. But the reality is that we have three separate PE businesses in the Americas, Europe and Asia, each with distinct people, strategies, funds, and investors. So, when you think about the diversification of our management fee base it really is extremely well diversified.

Moving on to our capital markets business. I thought Scott did a very good job, earlier today, giving the overview of our capital markets franchise and how it has evolved over the last decade plus, so I'm really going to focus today around our growth and how we drive the next five years of our platform.

The top three areas on the right-hand side, all in dark blue, represent areas where KKR's investment activities are expected to meaningfully expand. In order to capitalize on these opportunities, it's really about our continued build out of our capital markets expertise that follow this investment activity. The next real space for continued growth is likely to come from further geographic expansion at KKR. We have talked about this before, but we have every expectation that, over time, our Asia business can reach the size of our Americas business one day. Our capital markets platform should be a real beneficiary of this growth.

And the final area here is our continued opportunity to take market share with third-party clients. We think we have two big differentiators relative to others. The first, we have a unique model that really does leverage the best of KKR. And we also feel like we could attract the best in class talent across the world for our platform. The combination of these two things, we think will continue to yield big market share gains for us in the third-party space.

In terms of our expenses, it's pretty straightforward. We've previously announced that our expectation is to pay compensation at a rate of 20% to 25% of our total fee revenues. We are also very focused on balancing the need to keep our operating expenses down by continuing to invest in growth. Historically, our other operating expenses as a percentage of total fee revenue, has really been in the 15% to 20% range. We'd expect to continue to operate within this range, but it could be closer to the top end this year given some of the foreign investments we are making across technology, as well as distribution.

If you run through the math, our FRE margin has been in the 60% range. Even with the addition of these additional investment areas that I just referenced, we believe that having some margin expansion opportunity over the next few years should still be something that we can accomplish.

I wasn't planning to spend much time on this slide at all. The punchline of everything we just went through is that we believe we have a real clear path to comfortably exceed $2 of FRE per share in 2022. And, as you've heard throughout the day so far, we have a lot of the building blocks already in place to drive continued FRE growth well beyond 2022.

The next two parts of our revenue, our realized performance income, and our realized investment income, really follow similar themes. As you heard earlier, there is a significant amount of latent earnings that reside in our business today. I'm going to try and provide you with some additional detail here, so that you could better understand that. Let's start with our realized performance income, where we have two principal drivers. The largest of which is our carried interest, which is our profit allocation for successful investments that are realized.

The second component of our realized performance income comes from incentive fees which are driven by asset management products that pay out based on quarterly or annual performance metrics. As you can see, on this chart, our realized performance income was relatively flat in 2020 versus 2019. However, that really doesn't tell the full story, or give much of an indication for how we expect this revenue line item to perform in the future. One helpful data point that we thought we would include here on this page is the dollar amount of unrealized carried interest during the year. You can see this in the blue box on the right-hand side of the page. This step up in unrealized carry is driven both by our historical deployment, and our strong investment performance over the current year. The $2.2 billion figure will definitely have some year-to-year volatility based on our performance. But we do think that it also gives a better sense for the run rate potential of our realized performance income over time. In terms of expenses, it is really solely compensation here, which we expect to be in the 60% to 70% range of realized performance income.

Moving to our growth drivers for realized performance income, I'll walk you through some of the detail on the following page. But today, we manage over two times as much AUM that is carry eligible than we did five years ago. Our deployment has increased by 3 to 4 times over that same time period. And our performance, as we've talked about, has been quite strong. So, the growth algorithm from there is pretty straightforward. You take a greater amount of AUM that is eligible for carry, a meaningful step up in deployment, and you multiply that by our strong performance and we think that should equal a sizable step up in our ability to generate realized performance income, assuming the markets are receptive. So, a lot of the go forward growth here is really about having some market opportunities to realize this performance on investments that are already in the ground.

To be clear, we don't need the market to be a straight line up to be able to capitalize on this. In fact, we don't even need meaningfully up markets. What we do need are periods of time where there is less volatility and public equity, or private equity markets are reasonably open, and receptive to monetizations.

This page really highlight some of the points I was just making. You can see that our AUM that is carry eligible has increased by greater than two times over the last five years. And then, you layer on our deployment, which has really followed suit with record amounts of capital deployed in each of 2018, '19 and '20. If you think about how most of our funds work it's really the deployment that we made going back 4 to 6 years that is going to drive current year carry. Based on this data, as well as our performance it should, hopefully, give you all a lot of confidence around where our carried interest can go in the future.

Our realized investment income is much the same story as realized performance income with, probably, even more upside. While our revenue here was actually pretty flat in 2020 versus 2019, much the same as our realized performance income slide, this doesn't tell the whole story. So, on the right-hand side off the page, like we did on the prior slides, we included our unrealized investment income in 2020. On top of the $645 million of realized gains, we had an additional $1.7 billion of unrealized gains as a result of dollars that had been previously deployed where their performance hasn't yet shown up in realized investment income.

The difference between $2.3 billion and $645 million is pretty wide, so I'm going to try and give you a bit of historical context that I think will help explain what's driving that difference. Around six years ago, we made the strategic decision as a firm that we really want to transition our balance sheet from generating more realized, or more regular realized, investment revenue to one that could compound gains over a much longer period of time. I think it's safe to say that we feel more strongly today than we did at the time that that was clearly the right decision for KKR, and our shareholders.

However, the clear offset to making a decision like that is that there's going to be a period of time, especially as you're going through this transition, where you're generating less realized investment income. The best analytical example I can give to illustrate that point is that over the last three years we have averaged a 17% return on our balance sheet investments. However, the realized cash return on these same investments and over the same period of time has only been 6%. Now, even with flat performance going forward, which we don't expect, that dynamic will reverse at some point and our realized cash income should catch up to our accrued investment performance. In terms of our expenses the only expense allocated to this revenue stream is a 10% to 20% success based compensation ratio.

Now, the decision to compound gains is a long-term one for us. However, we're starting to get further along in our transition period. So, we would expect to see additional realized investment income flowing through our P&L over the coming years. That's really the first growth driver that you see on this page. Other growth drivers here include, of course, continued investment performance, which is critical. In addition, our expectation is to continue to retain a significant amount of our earnings going forward. By doing so, that's going to provide us with some additional deployment opportunities. And, over time, additional revenue opportunities as well.

I do really like this page a lot, as I think it does a really good job summarizing the visibility we have and, therefore, the confidence we have in our ability to drive performance length revenue. As you can see on the left-hand side of the chart our realized carried interest has been flat to down over the last three years. However, our accrued carry on our balance sheet, at the same time, has more than doubled and has never been higher in our history as a public company. It's even more extreme on the right-hand side of the page, which looks at our investment income. This revenue line item has been virtually flat for three years. However, the embedded gains on our balance sheet are up six times to $4.4 billion, also never been higher in our history, providing a significant amount of forward visibility.

The last element of our financial model is our 60%, or approximately 60% ownership share of GA's earnings. In 2020, our share of GA's earnings would've been just over $380 million. But as you think about your go forward models here, there were some tax benefits in 2020 that aren't replicable going forward. So, we do think the more simple framework we provided in our last earnings call is a good way to think about the expected financial impact of GA on KKR's earnings going forward. And so, what we said last quarter is if you assume GA's book value is approximately $5 billion and they are able to generate a 12% to 13% ROE, then that should translate into roughly $360 to $390 million of after-tax operating earnings for our 60% stake.

Now, I want to bring you back to our summary page really of what we expect of ourselves. I think you can break this down into a few pieces. We talked about our visibility to get to $2 plus of FRE per share with runway for significant growth post 2022. You have heard a lot about the latest earnings that sits within our carried interest and investment income. This information has probably been pretty accessible in the past, but I think maybe we haven't done as good a job as we could really bringing it to life. Hopefully after today, you have a better sense of the opportunity there. And finally, we think both the fee opportunity, as well as the incremental adjusted operating earnings from GA can be really significant and exciting. We have a great deal of confidence around Allan and the GA management team's ability to execute, both on an organic as well as on an inorganic basis.

And when you pull all that together, our expectation is that we could generate $4 to $5 of after-tax DE per share in the 2023 to 2024 timetable. But here's the really neat part of those numbers. Much of the hard work here has already been done. You can see that when you look at the component pieces. We clearly have a lot of the visibility we need in our ability to generate fundraising and fees over the next few years. The track records, our talent and our investor relationships are all in place for us to raise $100 billion of AUM over the next couple of years. While we still have a substantial amount of work in front of us to optimize the integration of GA, I'd say the hard work around identifying that deal, partnering with the team and consummating the transaction is now behind us.

And as we look at the deployment and performance that's required to maximize our latent carry and balance sheet earnings, much of that is already in the ground and performing well. While we will definitely need markets to cooperate in order to realize some of our investments, as I mentioned earlier, we don't require straight lineup markets. We just need some windows where there are aspects of the global markets that are open and receptive to monetizations. So in a lot of ways, I think if you look back at the presentation that Joe and Scott gave you earlier this morning around scaling our franchise, to me, that's more about our ability to grow well beyond the 2023 and 2024 timeframe. So our job as a management team is to go out and really execute on the opportunity in front of us.

And then hopefully we're going to be back here in front of you in 2023 or 2024, and talking about how we could double our earnings again to $8 to $10 per share over the next five years after that. That's really our ambition. And we feel strongly that we have both the business model, as well as the people in place to be able to achieve it. We're now just focused on the execution and the path towards getting there. I thought it also made sense to separately spend a bit of time today discussing KKRs balance sheet in some greater depth. First, let's go back and take a little bit of a look at history. For the first several years that KKR was a public company, we had a distribution policy or a dividend policy that paid up most of our free cash flow in dividends.

At the end of 2015, we made a strategic decision that our shareholders of which our employees are by far the largest, would be better served by retaining more of our free cash flow to reinvest back into the KKR platform. What you have seen since then is really a robust acceleration in our book value per share, which has grown at a 17% CAGR since 2016, in spite of also paying out almost $3 of dividends. I also really do like this slide quite a bit, as I think it speaks to why our balance sheet is so unique and such a powerful source of economic growth for our shareholders. Number one, and by far the most important, our balance sheet has access to what we think are the best in class global investment teams and portfolio management in the world. But our balance sheet has no fixed cost allocated against it.

All of our fixed operating expenses are allocated to our fee revenues today. The only costs that we allocate to our balance sheet is an expected 10% to 20% success-based compensation load. As you've now heard a few times today, our current embedded gain on the balance sheet is roughly $4.4 billion. And we believe our investments have some real momentum behind them. And finally, our balance sheet has access to long dated and low cost liabilities. The average maturity of our recourse debt is approximately 20 years with a weighted average coupon of about 3.7%. When you take a step back, there's really nothing else like this. I don't think you're going to find that in the private markets. There's been literally trillions of dollars that have poured into asset classes, like the ones our balance sheet has exposure to, and those investors regularly pay north of a 1% fixed management fee and a 20% carry.

And none of those products start off with 4.4 billion of embedded gains or have access to 20 to 40 year financing with low interest rates. I think if you look at the public markets you're going to see probably is pretty similar dynamic. As a starting point, how many other balance sheets have access to the types of returns we have been able to generate. And whether they do or don't, they almost certainly have a meaningful amount of fixed costs. And in many cases, probably a much less variable and higher compensation load. And none of that even accounts for all of the ways that our balance sheet can positively impact KKR’s business strategically. As a management team, we have understood this dynamic for a long time and clearly value our balance sheet holdings at a meaningful premium to its NAV. And that's why we continue to reinvest a lot of our excess capital back into our business.

So here's a snapshot of the types of opportunities that are regularly available to our balance sheet. We get asked a lot, how do you use your balance sheet or how do you choose which of these paths to pursue? And what I'd say is that it really is a very dynamic process and one that we're constantly evaluating with the ultimate goal of driving capital allocation to the best return opportunities that are available. And when you think about KKR and the people who work here, we really do think that type of skill set is one that is a core competency of ours. So whether that's supporting our funds or seeding new strategies or driving further growth across our capital markets franchise, or finding compelling M&A opportunities like a Global Atlantic, or taking our excess capital to buy back shares. We're constantly having that conversation and evaluating all of these opportunities and are confident that we'll be able to dynamically shift capital to the most compelling all-in ROE opportunity.

Next, I thought it would be helpful to spend a few minutes on some specific examples around how our balance sheet has really driven highly strategic and economic outcomes. The first example is our acquisition of GA. But I think to really understand the value our balance sheet brought to the table for this acquisition, you need to bring yourself back to the spring of 2020. Our due diligence here started in earnest really in that March- April 2020 timeframe. As you all know, the debt and equity capital markets were obviously heavily dislocated through that period of time. However, we knew this acquisition could be highly compelling as a long-term strategic add on. So we really adamant that we weren't going to let a period of dislocation get in the way of our ability to create a very favorable deal dynamic. But we were only able to do that because we had the wherewithal to underwrite a $4.5 billion purchase price.

It's not easy to do that at any point in time, but certainly not back in the spring and early summer of 2020. And then as you can see on this page, on the right-hand side of this page, through our capital markets business, we successfully syndicated 40% of the GA acquisition to co-investors who are partnering with us in the continued growth, as well as the development of Global Atlantic. Scott had previously walked you through a number of those strategic and operating benefits of the GA acquisition. So we thought a very simple snapshot of the financial impact of the deal could be helpful in terms of its impact on our enterprise. Our final purchase price was around $3 billion for our approximate 60% share of GA. However, in order to consummate the deal, we actually only needed to raise $1.15 billion of equity as the rest was funded from a $750 million debt offering and cash on hand.

When we announced the transaction, we talked about getting to a $500 million all in profitability target as a run rate at the end of year one. We remain on target to be able to achieve that if not outperform. If you look up in the top left of this chart, these are highly compelling economic ROEs on any basis, either as a percentage of total purchase price, and especially as a return on our equity funding. And we do think they show the power that M&A can have on our business. We continue to spend a ton of time and energy trying to position ourselves to take advantage of other M&A opportunities that can drive substantial value to our shareholders. Another great example of how we have used our balance sheet over the last few years is around launching our core investment strategy. This is an asset class that is very synergistic with where we want our balance sheet to be positioned. Very much around long-term compounding.

So we partnered with a very small number of investors. Our investors so far, have put up about $8 billion of capital and KKR has put up about $3.5 billion. The punchline is that in a short period of time, we have gone from pretty much no presence in an asset class to now being one of the biggest in the world in something that is highly synergistic with our business model. We are now a meaningful investor in a number of companies on our balance sheet that we think are great long-term compounders of capital. We also have substantial third-party investors that have come alongside of us, who are paying us fee and carry. And we now have a whole set of portfolio companies that can be potential clients for our capital markets franchise. These are all businesses that are likely to be long-term issuers in the debt and equity capital markets.

I really don't think that there is any way that we'd be able to build such a substantial business, at least not this quickly, and with this type of synergy across our platform, without the benefit of our balance sheet. We think the growth potential from here can be really substantial and we are looking forward to using a similar playbook for how we build out our core plus real estate, as well as our core infrastructure product offerings. And finally, some of the highest ROEs from our balance sheet over time have been to buy back our own stock. Since 2015, we have used $1.5 billion to repurchase or retire 75 million shares at a weighted average cost of just over $20 per share.

So as you think about your models and what would drive our book value per share over time, it's actually pretty simple and I'll break it into a few parts. You start with the profitability, that's coming from our third party asset management business. Here it's the fees and the performance revenue. Sometimes I think this aspect gets lost a little bit. But our asset management profitability is a big driver of our ability to compound capital. Then you need to look at the performance of the assets that sit on our balance sheet. And finally how Global Atlantic is able to compound its balance sheet of which we own 60%. All of the above is really intended to generate retained earnings that allow us to grow, reinvest and compound balance sheet, hopefully for a very long period to come.

One of the other questions that we get asked a lot is where book value per share could go over the next several years. We're not planning to get into predictions or forecasts on that today, but we thought we'd give you some simple data to think through. Over the last few years, we have grown our book value per share to 17% CAGR. Now, if you look at those inputs on the prior page, the things that really drive book value per share, and you make the assumption that with all of these tools, we can compound at a 14% CAGR going forward. So that's roughly 300 basis points less than our history. That 14% CAGR would yield approximately $45 of book value per share in year five and approximate $85 a book value per share in year 10.

This is not a statement as to whether or not we're going to achieve those numbers, we may do better, we may do worse. But you don't have to believe a lot, at least relative to our history, as well as how we're positioned as a franchise today, in order to be able to achieve this kind of outcome. It's probably worth pausing on these numbers for a minute. At the same time, I also want to refer you back to an earlier slide in the deck where I showed the amount of perpetual AUM that we currently manage and talked about our goal of getting to $175 to $200+ billion over the next several years. We do think that this combination of a robust balance sheet on one hand and a substantial amount of perpetual capital on the other does many things for us. The first, it certainly increases the longevity of KKR as a franchise and mitigates a lot of the more typical risks associated with capital raising.

And probably the biggest up side, is that all of this capital is biased to grow as our performance grows. So we can reinvest proceeds and naturally compounds our balance sheet and assets under management organically. This is really on top of everything else that we have gone through today, around our ability to scale both our asset management, as well as our capital markets franchises. That's why we have so much conviction that this combination of balance sheet and third-party perpetual capital is unique and one that we think in its own right, is going to lead to very substantial value creation for our shareholders for decades to come. That concludes our presentation today. On behalf of everybody at KKR, thank you so much for investing so much time with us, and we look forward to now taking some of your questions.

Q&A

Craig Larson: Great. Thank you. And now we're excited to transition to the Q&A portion of our event this morning. I'm joined by Scott Nuttall, Joe Bae, Allan Levine, and Rob Lewin. Now for the Q&A portion, the five of us are not wearing masks. Now, we all have been tested over the past several weeks for the coronavirus, most recently, yesterday morning and again this morning, and all of us have tested negative. And from a production standpoint in the room, we have a very limited crew here and everybody is socially distanced and also has tested negative for the coronavirus. Now I know that we have a handful of people who are prompted and ready to ask an audio question. While we make sure that everyone gets in the queue, we're going to ask our first question, actually one that has been emailed directly to us.

It's a two-parter and it comes from Bill Katz at Citi. Rob, the first part is one for you. How might dividend policy or capital return shift as KKR's platform further scales and given the $4-$5 of after-tax DE looking out a couple of years into 2023-2024, could investors assume a higher potential payout rate or faster reduction in shares, as you think about capital allocation?

Rob Lewin: Thanks, Craig. And thanks a lot, Bill. Our capital allocation policy is really unchanged. And so the way we're going to view, you know, our dividend policy is much the same as we have in the past. Annually, we're going to evaluate our dividend which we've done the last couple of years and we've increased it in each of the last three years as we've evaluated it. And then going forward, you know, each year, we're going to look at that as the largest single shareholder in KKR, which the employees and management are.

That's really the lens of which we're going to look at dividend policy going forward. I think our yield right now is a little over 1%, S%P 500 mid 1% range. And then overall, as you think about capital allocation, you know, that's very much a dynamic process here at KKR. I mentioned this in my presentation, you know, we think it is a real core competency of ours to make sure that we're nimble and we can move our capital around to the highest ROE opportunities. You know, one of which are share buybacks, which has been a big tool that we've used in the past to increase ROE for our shareholders.

And we'd expect that to be the case in the future as well. But there's many other opportunities we have to take our excess capital and reinvest it back into our business for growth. But I think the most important message in all of these things is the employee base, KKR, owns a little bit more than 30% of the company and is very much aligned to figuring out how we maximize our return for all shareholders with our excess capital.

Craig Larson: And the second part of that, Scott, I think is directed towards you. And it's as it relates to the $100+ billion that we expect to raise in 2021-2022, as well as, as we think about our current fundraising activity, are we seeing any shifts or changes in LP demands or LP composition from a fundraising standpoint?

Scott Nuttall: Thanks for the question, Bill. Look, I think the high level answer is, you know, we're continuing to see a robust demand from LPs, really all types, across products. And it's been really hard for investors to find return in the public markets, both equities and credit, especially those that are focused on looking for yield. And so we're finding more and more investors shifting a larger percentage of their investment portfolio to alternatives. We expect that will continue. Some of the themes that we see, we're seeing more robust demand from insurance investors. We're seeing more demand, as we mentioned in the prepared remarks, from retail or individual investors.

There's a lot of interest in anything that's yield based. So think yield based real assets, infrastructure, real estate are good examples and a significant amount of interest in Asia as investors are looking for ways to get in front of a bunch of those macro tailwinds that Joe mentioned. So it continues to be broad-based and probably more robust than even the last time we spoke. But those are some of the themes that we're seeing lately.

Craig Larson: Great. And so why don't we now transition to one of the calls from the audio link.

Glenn Schorr: Craig it's Glenn Schorr, how are you?

Craig Larson: Good, Glenn, how are you?

Glenn Schorr: Great.

Craig Larson: Good. Hear your voice.

Glenn Schorr: So my question, look, you outlined a ton of growth across KKR and maybe the scaling of everything we'll take care of this question, but my question is GA has a lot of growth ahead of it as well. Organic and plenty of inorganic opportunities out there. The market recently spoken and kind of drew a line in the sand of how big is too big for an insurance platform. Just curious how you think about any limitations in terms of size, how big you let GA get and how you think about that. Thanks.

Craig Larson: And for everybody that's Glen Schorr from Evercore. Scott, do you want to take a first crack at that?

Scott Nuttall: Sure. I'm happy to, thanks for the question, Glenn. I think, you know, the way we constructed our transaction, as you know, is we are majority owner of Global Atlantic. So it's a bit over 60% give or take ownership. You should expect that over time as GA grows there's a possibility we'll be putting more capital into GA. But overall we would expect co-investors to be alongside us for the foreseeable future so that 60% could drift up a little bit. But our expectation is that we'll retain majority but there's no current expectation to go to anything, you know, in terms of close to 100%. And if you think of Global Atlantic in the size of overall KKR, that's an important thing to understand.

This is a meaningful investment for our balance sheet, it’s about $3 billion. But when you look at the size of the balance sheet, you look at the size of our overall enterprise, you look at the size of our market cap, and you think about all the different ways that we have to grow, we see meaningful growth opportunities for KKR at large, including Global Atlantic. So we think there's an opportunity for GA to continue to grow and to stay at a reasonably consistent percentage of the overall value of KKR. So said another way we think we can win everywhere, including with GA. And we think the combination of a majority interest where we can consolidate our share of earnings, which is a really attractive return for the balance sheet in and of itself, plus the asset management economics creates a really attractive ROE for us as a firm. And so we're just going to continue with that strategy and the great work Allan and the team have done in terms of building the enterprise. And hopefully we can help from here.

Craig Larson: Thank you, Glenn, again for that. For everybody on the line, if you wouldn't mind, when you introduce yourself just for the benefit of everybody in the audience giving your name and your firm, that would be great. And why don't we continue with our next audio call.

Alex Blostein: Hi everybody. It's Alex Blostein from Goldman Sachs thanks for the presentation and all the details for the businesses, very helpful. I guess as we tie all these pieces together, I was hoping you could give us a sense of what you expect KKR's organic management fee growth to be over the next five years. So clearly, you know, you're benefiting from a large fundraising supercycle today and that's going to take you through 2022, but given you highlighted a number of other areas with significant runway, maybe you can give us again a sense of how you think about the management fee growth beyond the flagships.

And I know Rob mentioned some FRE margin expansion on top of that as well. So maybe you can kind of help us tie these pieces together or kind of a, you know, five year out FRE growth dynamics. Thanks.

Rob Lewin: Sure. Thanks a lot, Alex. And good morning. So first thing is we had just given our FRE guidance, for next year – for 2022, over the last several weeks. And so as we thought about, you know, updating that number we didn't think it was appropriate right now. But certainly as we get closer to hopefully achieving the $2+ per share FRE target, you know, over the next, you know, several quarters, we'll update that number. But as you think longer term which is where I know your question was geared towards, I think back to what Scott and Joe went through this morning, I'd also think about out Allan's presentation where he focused on how GA can grow over time and what that kind of impact has on KKR and its fee revenue.

All of that presentation or much of that presentation was very much geared towards post 2022. And so we have very meaningful line of sight, I think, to robust growth, you know, over and above our, you know, $2+ of FRE target in 2022. And that's something that we think we can achieve over the next number of years. And so the math that we look at, you know, as a clear path, going from two plus to three over time. And we're not going to get it to timetables on achieving them in this call. But we certainly see that and that's visible to us based on, you know, the pipeline of fundraisers that we have today, you know, and our ability to drive margin expansion in the future.

Craig Larson: Thank you, Alex, why don't we go to the next to the next question.

Craig Siegenthaler: This is Craig Siegenthaler from Credit Suisse. Good morning, and very nice job on the presentations today.

Scott Nuttall: Thanks Craig.

Craig Larson: Thanks Craig. We appreciate it.

Craig Siegenthaler:

So I had a question on C-Corp conversion and voting rights, and I wanted to get KKR's updated view on the full C-Corp structure where one share would equal one vote. And you know, is this something KKR could eventually migrate to just given how the votes are structured today? And also this process could also potentially accelerate your addition to the S&P 500.

Craig Larson: Craig, why don't I take that one and thanks for the question. Look, I think from a structure standpoint, we have a structure that we think works really well. We think it works well for LPs. We think it works well for our employees. We think it works well for our public shareholders. And when we look at the performance we've seen in the stock since C-Corp conversion, it does feel to us as though the market's beginning to recognize all of the opportunities that we have for continued growth when you look at the performance profile that you've seen over that timeframe. And I think the good news for us is that when we look at our ownership composition and look at that quite broadly, companies inside the S&P 500, outside of the S&P 500, I think in particular, within the mutual fund framework, we see lots of opportunities for us to continue to expand our presence within those mutual funds across mutual funds, within mutual funds, et cetera.

So there's continued opportunities for us to continue to see our shareholder base expand. But again, I think the key takeaway is we think we have a structure that works really well. Again, thanks for the question and why don't we go to the next audio question?

Rob Lee: Hi, it's Rob Lee.

Craig Larson: Morning Rob.

Rob Lee: Hi, thanks for taking my question and thanks for the thorough presentation and hope everyone's doing well. I mean clearly investment performance has been strong, you know, the past number of years as you've out, and that's obviously helping to drive demand, but can you maybe touch on, you know, given your continued growth and expansion of your strategies, you know, how you go about maintaining kind of your investment culture. I mean, maybe how you reorganize your investment process and how, and any changes you see there, because at the end of the day, that is the key to your growth aspirations.

Craig Larson: And for everybody, this is Rob Lee from KBW. Rob, thanks again for the question. Joe, do you want to kick us off?

Joe Bae: Happy to do that. Thank you, Rob. Good morning. As I mentioned in my presentation this morning, I do think, you know, as a 45 year old investment firm, we are continuously evolving our investment practices and disciplines to make sure we have that top tier performance. You know, a lot of it has to do with talent. We continue to invest very heavily around the world, across all our strategies in terms of recruitment of great world-class investment talent. That's number one. I think, secondly, we've gotten a lot more thematic in the last three to five years in particular, this pivot to technology investing across all of our businesses has been a major return driver for us and performance driver. So we're going deeper in the themes and the sectors that we really think have meaningful long term growth potential.

And we went through some of that in the presentation this morning. I think the third area is really trying to look forward in areas like ESG, as Scott mentioned, where it's not just the right theme, but it's trying to build a strategy that's differentiated in the marketplace. That again, it's people, it's our interaction with the market and the specific sub-sectors that we're targeting. So I think as long as we continue to do those things really, really proactively, we'll be able to maintain very, very strong returns going forward.

Craig Larson: Great. Thank you. I'm going to read a question that's been emailed is from Jerry O'Hara at Jefferies. Scott perhaps one that you could comment on with respect to fundraising, when you think about fundraising in a post pandemic environment, might the trend towards consolidating relationships among a select few providers, help us with the opportunity to try to perhaps scale newer initiatives or subscale initiatives that might not have the duration of track record, is that dynamic something that could help us?

Scott Nuttall: Thanks for the question, Jerry. The short answer is yes, I think you're right. This is an environment where brand really matters, relationships really matter. And we're finding an opportunity to scale the size of our relationships with a number of our investors. And so we've talked in the past about these strategic partnerships, or even just partnerships that expand across asset classes and across geographies, we see more and more opportunities like that. Certainly in the COVID environment, we think has caused investors to accelerate their consolidation of relationships and wanting to do more with fewer. And as we mentioned, the combination of our brand and our investment performance, and frankly, the breadth of our relationships is allowing us to benefit from all of those dynamics.

Craig Larson: Great. And why don't we take another question through the audio feed.

Jeremy Campbell: Hey, it's Jeremy Campbell from Barclays. Maybe just a couple on Global Atlantic. Allan, it looks like there was a little less than $10 billion of non-block more organic-looking growth in 2020. I know you touched on some of the expansion opportunities, is there any way to think about what annual production could look like from here in a non-block perspective? And then, Rob, maybe if you can remind us does that $2+ FRE guide contemplate any block acquisitions on a go-forward basis?

Allan Levine: Great. Thank you, Jeremy, for the question. As far as organic growth goes, you're right, as I mentioned in the presentation, we see across both our individual and institutional businesses tremendous opportunities for growth on the individual side through adding distribution partners and innovations to the independent space, and clearly in our younger strategies on the institutional side, we see a lot of room to grow. What I point you to is our track record over the last five to seven years, we've been able to consistently double assets.

I think our view is, we have a good potential to do that, but ultimately whether it's year to year or over that period of time, it's going to really depend on competitive dynamics, the market, and then ultimately the returns we can achieve. We've always been as much about generating and focusing on AOE as book value growth as we are in top-line AUM. So thank you for the question.

Rob Lewin: Jeremy, just following up on the second part of your question, our $2+ of FRE target does not include, you know, any meaningful or outsize block activity. There's the regular way institutional business that GA benefits from, but nothing on top of that.

Craig Larson: And we have two questions from two of our larger shareholders. First one, Scott for you, relates to the secondaries business. So some of your larger competitors have announced acquisitions in the secondary business or have hired experienced secondary teams. How are we thinking about this strategic opportunity given all of the other growth opportunities that we're focused on currently?

Scott Nuttall: Thanks for the question. The secondary space is one that we continue to spend time on and as we've mentioned in prior calls, it's a space that we've looked at both organically and inorganically as to what's the right way to enter and grow. So nothing to share with you today, I would just say that we continue to be quite proactive in our analysis of that question and are looking at opportunities on both fronts, but we'll share with you what we intend to do when we're ready, but in due course.

Craig Larson: And the second question Rob, is one for you, as it relates to the $2+ of FRE that we're expecting next year, how much of that do we think will come from the capital market segment?

Rob Lewin: Sure. Thanks Craig. So we don't have an explicit target around how much of the $2+ is going to come from capital markets, but I'll say a couple of things. One, we've got a ton of avenues on the fee side of things to drive to the $2+. I think the predominant one is going to be the visibility that we have on management fees, and that's going to certainly help drive us towards that goal and beyond. As it relates to capital markets specifically, we think it's a really resilient business. We outlined a couple of times today the different avenues that we think we have for growth there, and so it will certainly be a meaningful contributor as well. But the predominant driver is really our management fee growth.

Craig Larson: Great. And now why don’t we go back to the audio feed.

Chris Kotowski: Hello, it's Chris Kotowski from Oppenheimer.

Craig Larson: Morning Chris. We can hear you just fine. How are you?

Chris Kotowski: Okay, great. Thank you for taking my question. You highlighted your infrastructure business as being one of the ones that had really gotten to kind of a, you know, critical mass and scalability. And you know, traditionally as I understand it, you've been dealing mainly with municipalities and private sector, you know, energy infrastructure, pipelines, power transmission, that kind of thing. And I was wondering, does the Biden administration infrastructure bill, you know, change the way you think about deploying a Fund IV, and I guess, you know, specifically I'm wondering does it change the processes, opportunities and risks, you know, and I think, you know, last year from all the various COVID funding programs, we found private equity kind of reluctant to participate in a lot of those programs. Does that carry on to the infrastructure bill, or do you think there's going to be very significant opportunities there for you?

Craig Larson: Sure. Thanks Chris for the question. Scott, do you want to take a first crack?

Scott Nuttall: Sure. Happy to, and then Joe you can add on. I think that the short answer Chris is, we don't expect it's going to impact our strategy meaningfully. As you noted, we've been incredibly active across all parts of the infrastructure space around the world and you know, one consistent theme is that governments are underfunded and, you know, to the extent there is a new infrastructure program implemented. I would just view that as potential incremental opportunity for us. But certainly what we laid out in today's session is not reliant upon anything happening in terms of an infrastructure bill, but it could be more opportunity for us going forward.

Joe Bae: Yeah. I would just add there are three big sectors that we invest in infrastructure. There's clearly the digital infrastructure that we talked about today – that's the towers, the data centers and fiber – roughly 25% of all the dollars. And again, I think that's less impacted by the Biden plan. The second sector is really renewable energy and this energy transition theme, which we think has massive long term tailwinds to it. And again, there could be more incentives more government programs to help facilitate investment in this area, and that would be a net positive for us in terms of the government program. And the third as you said, is around midstream. It's been a big part of our Infrastructure II, a smaller part of Infrastructure III, and we expect that's going to continue to be an area of focus for us.

Craig Larson: Thank you, Chris. Why don't we go to the next audio question?

Patrick Davitt: Hey, can you hear me?

Craig Larson: Yes, we can.

Patrick Davitt: Hey, it's Patrick Davitt, from Autonomous Research. A couple of times in, in the presentation you mentioned GA adding I think \$98-99 billion of AUM, which is a good 10% higher than I think what you said in the 4Q release. Is that incremental organic growth since the announcement or something else that's happened there?

Rob Lewin: Yeah. Hey, Patrick it's Rob, thanks for the question. We went through a, as you would any acquisition, purchase accounting process and that's really mark to market outcome of the purchase accounting process drove, you know, I would say most of that growth, and then there was some additional organic growth on top of it to get to the 98.

Craig Larson: Thank you, Patrick. Our next question, from Chris Brown at JP Morgan. Just as it relates to SPACs, do we think of SPACs as more of an opportunity or as more of a threat? Rob, do you want to start us off there?

Rob Lewin: Sure. And Joe's been close to it as well, and I'm sure Joe will have some views. Listen, I think largely speaking we see it as a real opportunity to potentially monetize some of our investments. No doubt, it could increase the level of competition the market for new assets, but when you think about it, a lot of where our capital deployment is going to go in the future, it's very much around taking businesses private and keeping them private, and SPACs is very much around, you know, businesses going public.

And so we think probably more opportunity as it relates to an overall, you know, deployment and monetization perspective on a net basis than there is competition, and then obviously there's an opportunity for us to raise incremental capital. We just announced the completion of our first SPAC product and, you know, hopefully there's the opportunity over time to do additional raises that could be beneficial to our platform. So we do think, largely speaking, it's an opportunity for us.

Craig Larson: Why don't we go back to a question that's come in through email and we'll go back to the audio in a second. Joe, a question for you from Brian Bedell at Deutsche Bank, and it's really a question on investment returns. And I think when you go through the presentations and you look at the investment returns that we've been able to deliver on behalf of our LPs, they really do seem quite strong, which is wonderful. Just a question longer term, are we concerned, given the amount of capital that seems to be being raised more broadly, do we have a concern that there's too much capital chasing scarcer investment opportunities that looking forward over the next handful of years could reduce the gross return opportunity or profile versus prior years?

Joe Bae: Well, I guess what I would say on that is, you know, our investment returns if you want to think about what's the secret sauce behind all of this across the firm and across all the various different platforms. I think the fundamental investment culture of this firm is really geared around this one firm culture. Like the connectivity of all of our investment professionals, all of our executives, which is really allowing us to invest not just more capital every year, but really create these investment themes, the portfolio construction, making sure the best ideas travel around the world, and all of our colleagues across private markets and credit working together to create these unique opportunities.

So that fundamental investment culture I think is super strong today, it's something we've invested heavily into over the last five years in particular. So I think our investment returns will continue to be very, very strong. We need to stay very, very nimble in terms of how we think about allocating capital to different sectors at different points in time, and we also need to be able to swing capital globally. There could be great opportunities in Asia at one point in time, great opportunities in the US and Europe and across different parts of the capital structure. And that's a big part of how we generate the alpha, and if we could execute that well, I think our investment returns will be strong going forward.

Craig Larson: Great. Why don't we go back to the audio line?

Mike Carrier: Good morning. It's Mike Carrier from Bank of America, and thanks for all the information and taking the question. There's been a lot of focus, you know, on rates and inflation lately. So if rates continue to move higher and inflation picks up more significantly, based on your historical perspective, just how do you think that will impact, you know, either the outlook for performance or fundraising, if at all? Thanks a lot.

Craig Larson: Thanks, Mike. Rob, do you want to kick us off on that one?

Rob Lewin: Yeah, sure. Thanks a lot Mike, and appreciate the question. So I think maybe where I'll start with in that question is, you know, where we think, you know, rates are going and why they're going there. And so, you know, our perspective is that more likely than not rates are going to continue to tick up, but we see them ticking up on the back of very robust economic growth. And so as we look out a few years it certainly wouldn't surprise us if we're in a negative real interest rate environment, which I think, largely speaking, is constructive to our business. You know, there are of course scenarios where you're getting more elevated level of rates and for all kinds of reasons, and then the question there is, how is our business, you know, positioned? And we think on a relative basis that we've got quite good positioning.

The first reason is you look at our credit business, it's really large today – north of $160 billion of capital. Quite a bit of our credit business has floating rate exposure. So as interest rates rise, our absolute return goes up and our fixed return hurdles in these funds are static. And so all things equal in a rising rate environment we should be making more incentive fees across our credit business. Second is our exposure to Global Atlantic. Largely speaking, I think GA is probably biased to do better financially in a rising rate environment.

And then I think you'd probably look to KKR as our own funding. And I mentioned this in my presentation earlier, the average duration of our debt is roughly 20 years and we have a fixed cost of capital that is south of 4%. And so when you think of the value of that liability stream in a rising rate environment, we think it's quite high. And you add it all together, including the culture. I think Joe said of being really nimble and being able to move up and down the capital structure and having a big liquid balance sheet to be able to take advantage of potential dislocation, you know, for sure there are negatives of a rising rate environment, but we think we're set up, you know, really well to be able to navigate this.

Craig Larson: And why don't we Allan, I think there's probably a handful of our investors will be more familiar from a rising rate environment, how that impacts our business. How do you think of GA from a rising rate standpoint?

Allan Levine: Similar to what Rob said, it's a net positive. I think about our individual business, our view is that demand will increase as rates go up as the type of products that we can provide are more attractive. On the institutional side, we think this is a net positive across the board, but even more so for our block business where the ability for insurance companies to do transaction just becomes a lot more creative and we think we're well positioned to be able to take advantage of that.

Craig Larson: Great. Another question from a large shareholder of ours Scott, relates to the individual investor opportunity. So thank you for highlighting the opportunity and given investor needs in this very low rate environment, making additional investments in distribution certainly seems to make a lot of sense. Scott, just a question if we could elaborate as it relates more to the strategy, any broad objectives that we might have in how GA might potentially fit in the framework and how we think about that opportunity in the long term.

Scott Nuttall: Yeah. Thanks for the question. I'd say the individual investor opportunity as I mentioned in the prepared remarks is one that we think is immense for us and real opportunity for us to monetize the brand and the performance in a differentiated way. Just to give you context last several quarters about 10%-20% of the money that we've been raising has been coming from individual investors. We have doubled the size of our team focused on the individual investor over the last 12 months, and you should expect that team to continue to grow, and as the team grows, we think the opportunity for us to scale will grow as well.

In terms of some of the themes, it's not only our flagship funds that we've been raising, which we get onto a different bank platforms all around the world. It's also increasingly continuously offer product, whether it's in credit or real estate and other strategies over time. So we're not only investing in facing off against more individual investors, we're also bringing more product and creating more product that's tailored to the individual investor, both in registered and non-registered format. And to the good question and the point embedded within it, if you think about what Global Atlantic does, they are really in an indirect way facing off against the individual investor as well.

The investor in the kind of the underlying annuity or life product is largely a 50 or 60 year old individual who's planning for their retirement. And so we have, by virtue of the partnership and with Global Atlantic now much more distribution that over time I think that, you know, nothing in the numbers that we shared with you today, but there's an opportunity over time for us together to think about whether there's product we could create and access that distribution, or if there's other ways that together we can bring more product to that end investor. So that's an upside opportunity for us that we're excited to explore over time together.

Craig Larson: Great. Why don't we go back to the audio feed?

Alex Blostein: Great. It's Alex again from Goldman, thanks for taking the follow up. Question around GA for Allan and probably Scott. To Allan, you talk about how GA benefits from being part of KKR, makes a ton of sense. I was hoping we could hit on this from a different angle and spend a couple of minutes on how GA can help KKR, but specifically in terms of third-party fundraising. So just thinking through, you know, fee paying AUM not related to GAs insurance business. Retail is obviously one of these opportunities Scott you just talked about, but outside of retail are there others, and if there are, maybe help us think about the timeframes and the addressable markets within those areas.

Allan Levine: Yeah. Thank you for the question. I'll start it off and then I'll flip it over to Scott. So I think the most obvious, which we commented on was, you know, GA’s 150 person sales force covering 200 banks and broker dealers, 150,000 financial advisors. This we think is a long term potential opportunity that we could jointly leverage. And there, you know, what I'd say is there's so many opportunities that we're focused on right now, prioritization becomes something incredibly important. But think about that long term. You know, on top of that, Global Atlantic has a broad based set of relationships whether that's in the private or public side. And again, what we're finding as we trade notes is there's the opportunity to share relationships broadly defined between these organizations that could result in future fundraising opportunities as well. And then again, as we look forward, as we think about expanding our business into new lines or into new geographies, again, longer term, we think there's opportunities for KKR to partner with us that could ultimately result in additional capital raise. What else Scott?

Scott Nuttall: Yeah. I'd say, Alex thanks for the question. The only thing I would add, in addition to kind of the ability to create new product together and potentially distribute what we already do, or those new products to the GA and investor. I think the partnership with Global Atlantic is just making us better investors on behalf of insurance companies. So before Global Atlantic we had $34 billion or so of AUM that we managed on behalf of insurers, but now we are in this business in a much different and larger way. And so what we're finding is even in the couple months since we closed and the month since we announced the transaction, it's a very different dialogue that we're having with insurers around the world. We're much more practitioner with them, than a practitioner for them. And so that's allowed us to stand in their shoes to a different extent.

And it's one of the things we don't talk enough about is Global Atlantic had its own really talented investment team the vast majority of which have joined KKR now. So we actually have a larger team out originating assets focused on the insurance space. That is a new thing that we have inside the firm, we did not have a year ago. And so that's making us better investors for insurers as well. So we think it will help not only the individual investor initiative, but also our insurance, you know, coverage initiative as well as we continue to grow the AUM in that space away from Global Atlantic.

Craig Larson: We have a question, a couple of questions from Mike Cyprys at Morgan Stanley. Rob, the first one is for you and relates to the compensation guidance framework that we gave. Given the updated comp ranges, how do we think about coming out at the top end or the bottom end of the range, and how are we going to think about that perspectively, given the fee, the carry as well as the investment income ranges that we discussed and outlined for the first time last quarter?

Rob Lewin: Great. Thanks a lot Mike. I think point number one, we're very much focused on making sure in all operating environments that we could, you know, maintain, you know, our compensation ratios inside of the ranges that we provided. In terms of where we'll be in those ranges, I think it's going to depend on a number of different factors, certainly as a base case, you know, we're envisioning the midpoint of the range. Over time as we perform, you know, hopefully we'll be able to drive that down towards the lower end of the range, but that's going to come over time and with performance. But I think that, the main message here Mike is that we are, our intention in, in all operating environments is really to be able to be able to operate within the range that we provided.

Craig Larson: And the second question relates to return on equity. Why don't I take this one? And the question from Mike is, what sort of ROE profile should our business generate? Looking at our targets, it seems to imply it's about a 9-11% cash ROE, does that seem about right? And I think it's an interesting question and it kind of reinforces a lot of what we went through in the presentation. As we think about and evaluate ROE, we actually look at that on a marked basis. So we'll look at the change in our book value over a 12 month period, we'll add the cash dividends that we paid out, that's our numerator, and our denominator is the average book value over that 12 month period. And so if you look at the ROE that we generated in 2020, the number was 23%. And if you look at the ROE we generated the year prior, it was 24%.

So as we think about that metric, that is how we think about that and actually value that performance of the firm. The point that you raise is an interesting one, is that much like you've seen in carry where you've seen more accrued carry relative to it being paid out. In the same dynamic in balance sheet as it relates to significant balance sheet gains on a market basis and less realized balance sheet income, you see that also in the framework of this ROE. So whereas we've generated a very attractive 20%+ ROE on a marked basis over the last couple of years, you're right, you've seen that cash number actually be quite a bit lower than that. And we think over time we can actually look again to achieve that good balance and look to see attractive book value compounding that remains really important to us.

But at the same time, we think there's an opportunity across the firm to see an acceleration in the cash earnings, and I think that's what we've hopefully been one of the things that we've tried to communicate over the balance of the day. And why don't we go back to... Okay, I'm being told let's not go back to the audio (laughs). We do have another question. Joe, why don't you take a crack at this?

Joe Bae: Sure.

Craig Larson: This is again from a long-term shareholder of ours. The infrastructure case study was really helpful in framing the opportunity and what we can see financially as the platform scales. As we look forward if we had to think through a platform that could scale from where we are today to one that you'd see $500+ million in revenues in the next handful of years, what would be an example of a platform that comes to mind and that people can watch that development?

Joe Bae: Sure. I mean, infrastructure is just one example of what we have achieved so far in terms of getting to that scale. I could have put up Asia there, Asia private equity, it would have been a very similar trajectory to infrastructure, but when we think about going forward, there are probably two businesses I'd focus on, real estate as we mentioned is just an absolutely massive asset class that we're just getting started in. Next 5-10 years, I would expect that to have as big if not bigger, a bigger opportunity than infrastructure in terms of scaling. And the second is really around our core investing products, whether that's core private equity, core infrastructure, and our core real estate businesses combined. I think that group of family of products has massive opportunity to scale.

Craig Larson: Great. And we have a question from Chris Harris at Wells Fargo. Rob, just broadly curious what you feel is the appropriate amount of leverage on the business, and do you have any kind of a target leverage ratio in mind, whether that's as a percentage of FRE or any other metric?

Rob Lewin: Sure. Thanks Chris. So I'll, I'll start off by saying our credit rating and we're rated A by S&P and Fitch as an important, I think for KKR, and something we're focused on. In terms of, you know, leverage ratios, we look at a number of different things, we do look at a multiple of fees, we look at a multiple of aggregate EBITDA given the diversification of some of our performance linked revenues, you know, metric, we spend a lot of time looking at as a management team, you know, is our debt to equity ratio. So when you actually think about, for a second I want to tie it back to something Craig said, you know, we generated, you know, last couple of years a low to mid 20s ROE. We did that with, you know, somewhere between 0.2 and 0.3 times debt to equity. And so we've got a very low level of leverage especially given that it's got 20 year duration on it and maturity on it. And even with that, a low level of leverage have been able to generate, you know, ROEs that are north of 20%, and we think that combination is pretty unique. So we pay attention to all of those things, we talk about it quite a bit, we absolutely think there'll be opportunities to access the debt markets in the future with increased growth, but we're focused on those measures and we're focused on our rating.

Craig Larson: Great. Thank you Chris. And with that, why don't I just turn things over to Scott for some final thoughts?

Scott Nuttall: I just want to first off thank everybody for joining us today, you know, we hope today gave you a good sense of the opportunities that we believe we have in front of us, and as a result, the growth that we think is achievable over the course of the next several years. We greatly appreciate all the questions, your focus and interest and your partnership and your trust. We really appreciate your ideas and input, so please don't be shy in terms of other questions that you have and other ideas you have as to how we can continue to do even better. We thank you for everything and have a great rest of your day.