KKR & Co. Inc.
First Quarter 2024 Earnings
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Presenters
Craig Larson, Partner & Head of Investor Relations
Rob Lewin, Chief Financial Officer
Scott Nuttall, Co-Chief Executive Officer

Q&A Participants
Craig Siegenthaler – Bank of America
Alex Blostein – Goldman Sachs
Bill Katz – TD Cowen
Brian McKenna – Citizens JMP
Glenn Schorr – Evercore
Patrick Davitt – Autonomous Research
Dan Fannon – Jefferies
Ben Budish – Barclays
Steven Chubak – Wolfe Research
Brian Bedell – Deutsche Bank
Michael Cyprys – Morgan Stanley

Operator
Ladies and gentlemen, thank you for standing by. Welcome to KKR's First Quarter 2024 Earnings Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the management's prepared remarks, the conference will be opened for questions. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I'd now like to the hand the call over to Craig Larson, Partner and Head of Investor Relations for KKR. Thank you. You may begin.

Craig Larson
Thank you, operator. Good morning, everyone. Welcome to our first quarter 2024 earnings call. This morning, as usual, I'm joined by Rob Lewin, our Chief Financial Officer, and Scott Nuttall, our Co-Chief Executive Officer.

We would like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our press release, which is available on the Investor Center section at kkr.com. And as a reminder, we report our segment numbers on an adjusted share basis. This call will contain forward-looking statements, which do not guarantee future events

or performance. Please refer to our earnings release and our SEC filings for cautionary factors about these statements.

We know many of you joined us for our 2024 Investor Day just three weeks ago. Thank you for spending the day with us. And for those of you who were unable to participate or are newer to KKR, we would encourage you to watch a replay of the webcast or review the Investor Day presentation and transcripts that are on the Investor Relations section of our website. There's a wealth of information, of course, across all of those materials.

And as a reminder, before getting to the numbers themselves, starting with this quarter, our financial reporting reflects the previously announced segment and financial metric changes. Of particular note - first, we closed on the remaining interest in Global Atlantic on January 2nd, and we now own 100% of GA. Second, we're now reporting a new segment, Strategic Holdings. Third, we've introduced a new financial metric, Total Operating Earnings, which consists of Fee Related Earnings, plus Insurance Segment and Strategic Holdings Operating Earnings. Total Operating Earnings represents the more recurring and stable portion of our earnings, and is a measure we look at to evaluate our performance as it reflects how our business model and how our financial profile has evolved. Our expectation is that Total Operating Earnings should approximate 70% of pre-tax earnings over time.

And finally, our Q1 financials reflect our revised compensation ratios, which deliver more FRE to our shareholders and drive even more alignment between our compensation model and the outcomes of our clients. And as a reminder, for additional detail, we posted recast financials in late March.

So now, turning to Q1 and our headline financial metrics. Fee Related Earnings per share for the quarter came in at $0.75; that's up 22% compared to Q1'23. Total Operating Earnings were $1.08 per share in the quarter. And Adjusted Net Income per share, which is after-tax, was $0.97, and that's up 20% year-over-year.

Looking at our financials in a little further detail, management fees in Q1 were $815 million. That's up 4% sequentially from last quarter. Net transaction and monitoring fees were $152 million, $116 of which were generated from our capital markets business. Our fee related compensation ratio was 17.5%, which is right at the midpoint of our target range. Other operating expenses were $145 million. You're seeing a continued focus on expense management. This number is down 4% compared to Q1 of 2023. But we expect this line item to increase modestly over the balance of the year, driven by continued investments in operations across KKR, alongside an increase in placement fees, given our active fundraising pipeline.

So in total for the quarter Fee Related Earnings were $669 million, or the $0.75 per share I mentioned a moment ago, and our FRE margin came in at 68%. That margin figure is up 700 basis points compared to Q1'23, and that's driven both by the change in our compensation framework as well as the strong expense management in the quarter.

Insurance Operating Earnings were $273 million. There are really two things to point out here. First, portfolio yields this quarter reflect elevated cash and more liquid assets at GA, and that's largely due to two sizable recent transactions with the MetLife and Manulife blocks closing in Q4'23 and Q1'24 respectively. So the full cost of those liabilities come onto the GA balance sheet at close, but it does take some time to redeploy those assets into our target portfolios, and that delay or that ramp, is expected, of course, and is built into our pricing for each of these deals.

And secondly we're seeing attractive investment opportunities in asset classes like Core plus real estate and infrastructure as our origination capabilities are presenting GA with attractive risk adjusted return opportunities. However, while these opportunities come with attractive long-term ROEs, near-term yields tend to be more modest.

And moving to our new segment, Strategic Holdings, and page 18 of the earnings release, remember, the segment today consists of our direct interest in our Core Private Equity portfolio, which is a long duration investment strategy with an expected hold period of 10 to 15 plus years, so 19 businesses that are well diversified and generally have durable defensive financial profiles alongside growing earnings.

And looking at KKR's share of these businesses, 2023 revenues were approximately $3.6 billion with EBITDA of $900-some-odd million. And given the maturing of the portfolio as well as the stability of operating performance, we anticipate these investments to be more regular dividend payers over time.

So operating earnings in the quarter were $21 million, driven by dividend activity. As we've stated previously, we expect Strategic Holdings Operating Earnings to be more modest in 2024. However, we expect that will change in a pretty significant way looking beyond '24 with operating earnings of $300 plus million by 2026, $600 plus by 2028 and $1 plus billion by 2030. Our visibility and the opportunities we see here are highly differentiated looking across our space. So putting all of that together, Total Operating Earnings were $1.08 per share.

Moving to investing earnings, realized performance income was $272 million and realized investment income was $135 million. This was primarily driven by secondary sales, strategic exits and realized carry from the Core Private Equity portfolio. So all together, Adjusted Net Income totaled $864 million or $0.97 per share.

Turning to investment performance, you can see this on page 10 of the earnings release. The private equity portfolio was up 5 in the quarter and up 19% in the last 12 months. Opportunistic real estate was up 1 in the quarter as well as up 1 in the LTM. The infrastructure portfolio was up 5 in the quarter and is up 16% over the trailing 12 months.

In credit in Q1, the leveraged credit composite was up 3%, and alternative credit composite was up 4%, and over the last 12 months, performance was plus 14 and plus 13% respectively. And given performance in Q1, our gross unrealized carried interest balance increased to $6.9 billion at 3/31. That's up 16% from the end of 2023 and over 50% from Q1 of '23.

And finally, consistent with historical practice and as we announced last quarter, we increased our dividend to $0.70 per share on an annualized basis or $0.175 per share per quarter beginning with Q1. This is now the fifth consecutive year we've increased our dividend since we changed our corporate structure, increasing our annualized dividend from $0.50 per share to $0.70 over this period of time.

And with that, I'm pleased to turn the call over to Rob.

Rob Lewin
Thanks a lot, Craig, and thank you all for joining our call this morning and for the many of you that spent time with us at our Investor Day a few weeks back.

I thought I would start this morning by going through some of our key operating metrics. During the quarter, we raised $31 billion of capital. That's almost $90 billion over the last 12 months. In just this quarter alone, we had attractive outcomes across each of our businesses. Our private equity and real asset businesses together raised $9 billion of capital across a number of strategies, and that's before any meaningful closes from our upcoming flagship raises. And our momentum in credit has really continued, with new capital raised totaling $21 billion, with most of the capital coming from our direct lending, asset-based finance, and leveraged credit strategies.

And looking more specifically at our K-Series vehicles, we raised almost $3 billion year-to-date through April 1, primarily in private equity and infrastructure. We also launched our private BDC in the quarter and are starting to see some real inflows here, as well.

Turning to capital invested, we deployed $14 billion in the quarter. Deployment within private markets was largely driven by infrastructure as well as real estate equity. And over half of the capital invested in the quarter came from credit, primarily across asset-based finance and direct lending. We are seeing a significant ramp in credit deployment, reflecting the overall growth of our credit platform.

Now, looking forward to Q2, we expect there to be a healthy pipeline of new deployment, given the activities we are seeing broadly across the firm. And over the course of the year, we do expect deployment to pick up meaningfully.

Before wrapping up this morning, I did want to spend a couple of minutes summarizing the key takeaways from our Investor Day a few weeks back. Scott and Joe led off our Investor Day with

a very simple message. While we have experienced a lot of growth, it feels like we are just getting started.

In terms of the key takeaways from the day, first, we provided medium-term guidance. Over the next 12 to 18 months, we expect to be raising capital for over 30 strategies, including a number of our flagships. We expect to raise $300 plus billion of capital over the course of 2024 through 2026.

In terms of our financial metrics, by 2026, we expect $4.50 plus per share of FRE, implying a CAGR of approximately 20%, $7 plus of Total Operating Earnings per share, and $7 to $8 per share of Adjusted Net Income, implying a CAGR of roughly 30%.

Second, looking ahead, we feel quite confident in our longer-term trajectory. We expect $15 plus of Adjusted Net Income per share in the next 10 years or less, with approximately 70% of these earnings to be more recurring in nature. Over the next five years, we also expect $25 plus billion of cash generation. We anticipate that this cash will get deployed across four key areas - Core Private Equity, share buybacks, strategic M&A, and insurance. Our model really gives us the confidence across all of these avenues of deployment. In each case, we have a strong track record of being able to deploy capital against high ROE opportunities that also generate recurring and growth-oriented earnings per share.

And number three, looking at our key themes, we made sure to highlight our diversified and purpose-built business model, asset management, plus insurance, plus strategic holdings, all working synergistically together to generate sustainable and significant P&L outcomes. And we have a lot of confidence in each of our three growth engines. In asset management, we have multiple paths to surpass a trillion of AUM over the next five years. In insurance, we have strong conviction that we could double Global Atlantic from here. And finally, strategic holdings, which is really an unconstrained market opportunity for us and where we have a real right to win. We expect to have a billion plus of annual operating earnings by 2030.

Our business model is built to drive compounding earnings over a very long period of time. And while the opportunity in front of us is a massive one, we do believe that we can achieve our outlined targets without having to build anything new. And we have a team and culture, as you would have heard from over 15 of our business leaders on April 10th, that both facilitates and accelerates our ability to achieve our strategic ambitions. So when you combine our business model together with our team and our culture, this is what distinctly differentiates KKR.

And with that, Scott, Craig and I are happy to take any questions.

Operator
Thank you. At this time, we'll be conducting a question and answer session. If you'd like to ask a question, please press star, one on your telephone keypad. We ask that analysts ask one question and get back into the queue if a follow up is necessary. A confirmation tone will

indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Our first question comes from Craig Siegenthaler with Bank of America. Please proceed with your question.

Craig Siegenthaler
Good morning, Scott, Rob. Hope everyone's doing well. Our question is on investing after Rob's healthy deployment commentary, but we wanted to focus specifically on private equity, as I think there's a lot more visibility in direct lending and ABF where you're seeing strength. But in private equity, we are watching some building your deployment pipeline. I think Cotiviti is probably the biggest upcoming transaction. And now the CLO markets and syndicated loan markets are back online, but the recent rise in the 10-year probably wasn't that helpful. So can you provide us some comments on the expected investing activity levels in just your private equity business over the coming quarters?

Craig Larson
Hey, Craig. It's Craig. Thanks for the question. Why don't I start? I'm sure Scott will have a couple of thoughts, also. First, and thanks for beginning in the way that you did. I think as Rob noted in our prepared remarks, the $1.1 billion of deployment you saw this quarter is not representative as we look at our activity. We've got a really healthy backlog of announced transactions.

And if anything, it was just a dynamic where a pretty modest amount of that activity closed in the 90 days ended March 31st. I think in terms of where we've been deploying capital, we could start probably with some of the themes we talked about at Investor Day. So, we talked about Asia as a region that we expect to drive meaningful opportunity for KKR for years to come.

We talked about Japan specifically. I think it's interesting, when you look at private equity in our real assets business, the largest deployment we had this quarter was out of Japan. In that instance, it was out of our Japanese REIT business as they closed on the acquisition of 30-some-odd logistics warehouses that, again, we had touched on. I think as you also look at some of the activity we have in corporate carve-outs and private equity, we love those opportunities where our operational resources and focus can really move the needle. So two of our larger pending investments are corporate carve-out transactions. That's one in Europe as well as one in the U.S. Those are again both traditional private equity.

And I think the other point, just to highlight in terms of broad deployment, we talked about at Investor Day again is infrastructure. And that's just an area, where we bring deep expertise and a global footprint. Our second largest investment in the quarter was to take private of a U.K. listed smart metering business. I'm sure some of you will remember that being a theme that we've invested behind and have had success historically. And again, as we look at our pipeline

of announced but not yet closed activity, infra continues to be particularly active with themes in digital, renewables, etc.

And again, activity here is global well beyond the U.S. I think those – some of the pending investments we have include companies based in Italy, Germany, Portugal, etc. So again, I think the main takeaway is a very healthy pipeline, and we're continuing to find opportunities to deploy capital.

Scott Nuttall
Yeah, the only thing I'd add, Craig, is, you know, we do think the M&A market's coming back. I think to your point, the leveraged credit markets opened up in January. We are starting to see this impact all of our businesses, to Craig's comments, but I'd say in particular private equity pipeline, which is up significantly. There's a lot of activity. What we've announced in Q1 is obviously backward looking, given it takes some time for these deals to close.

The Cotiviti deal that you mentioned actually closes today. So, I think you're going to see more of the announced deals get closed, and you're going to see more deals get announced as this pipeline turns into, you know, a real deal pipeline and turns into real deployment.

I think you're also going to see this on the monetization side. If the M&A market's picking up and the IPO markets are open, you're going to see us selling more assets, as well, refinancing more assets, and taking more companies public. So I think you're going to see more activity overall across private equity.

Craig Siegenthaler
Thanks, Scott.

Scott Nuttall
Sure.

Operator
Our next question is from Alex Blostein with Goldman Sachs. Please proceed with your question.

Alex Blostein
Good morning, everyone. Thanks for the question, as well. I wanted to go back to some of the targets you laid out at the Investor Day and really speaking to the $25 billion of cash flow you expect to generate over the next five years. Rob, I know you mentioned several buckets, which are not that different. They're fairly consistent with kind of how you allocated capital historically. But I was wondering if you could comment on the mix specifically and sort of your priorities within those four buckets that you mentioned earlier. And I guess as part of that, when you think about growth and strategic holdings and incremental capital that you'll deploy

there, how much of that is likely to be driven to sort of allocation to existing portfolio companies versus new investments?

Rob Lewin
Great, and thanks a lot for the question, Alex. So – you did mention this. I think the most important thing as it relates to capital allocation is to have a consistent framework, and we've had a really consistent framework for some time with one overriding objective, and that's to use our excess free cash flow to drive durable and recurring and growth-oriented earnings per share and to do so, by leveraging our platform at really high ROEs. And I think the only thing that's really changed is, at our Investor Day, we outlined, you know, the opportunity to generate $25 billion plus of cash generation over the course of the next five years. And it's just a huge opportunity for us.

In terms of bucketing across the four main areas of deployment, Core Private Equity, share buybacks, insurance and strategic M&A, we don't have a fixed percentage by design, and it's really about being able to allocate that capital base nimbly to the opportunities that drive the highest return and the highest amount of earnings per share over a long period of time. That's our focus. That's what we think we're really good at.

As it relates to your question on strategic holdings, you know, we outlined a path to a $1 billion plus of Strategic Holdings Operating Earnings by 2030. It's something that we're confident in. We've got real visibility on where that's going to come from. I do think there's the opportunity, if we see investments for us to be able to make in strategic holdings to drive that number north of that over time, as we allocate capital, but again, no fixed percentage is how we're thinking about it. And I think that's a good thing, frankly, because I think it allows us to go after the highest returning and most ROE friendly and earnings per share friendly opportunities that exist.

Alex Blostein
Thank you.

Operator
Our next question comes from Bill Katz with TD Cowen. Please proceed with your question.

Bill Katz
Okay. Thank you very much. Obviously, a noticeable step up in your gross sales, generally speaking, and if you just run rate this number, you're already north of your $300 billion number, so not that a few weeks changes the argument. But, hey, I was just sort of wondering if you could speak to the sequential change, particularly in the credit portfolio where you're seeing really good momentum, and maybe tie in the insurance opportunity with that, and I'll leave it there? Thank you.

Craig Larson

Hey, Bill, it's Craig. Why don't I start? So I think there are a couple of things here. First, probably worth highlighting investor interest in private credit as that continues to feel very good. So I think in direct lending, spreads have come in certainly, but if you look at a new direct lending deal, given where base rates are in three months SOFR, that's still a 10%+ piece of paper.

And in ABF, there's just a number of really positive macro tailwinds, as Chris Sheldon again walked through a handful of weeks ago, and within that part, we're active in both investment grade ABF in addition to opportunistic. And so private credit for KKR at March 31 was $93 billion of AUM. These are big businesses for us. A year ago, we were at $76 billion, so we've seen a 22% increase year-over-year. So I think that's the first part.

And then the second part, which ties into your question, is fundraising in our activities, because you're right, we are seeing growth in fundraising in a number of different ways for us, and it's broad, which is great to see. It's institutional, it's private wealth, it's insurance, it's across multiple forms of capital, traditional funds, SMAs, evergreen vehicles, other perpetual forms of capital. And it's in the U.S., and it's outside the U.S.

And I think that breadth of activity is really what you see in in our activity this quarter. Direct lending, we raised evergreen capital both in the U.S. and Europe, opportunistic asset-based finance capital raised. Asia private credit, we raised capital. Again, this is another area where we're constructive on the opportunity in how we're positioned, given the strength of our Asia franchise.

And in our K-Series suite of products, we just launched our private BDC strategy. So I think you could think of that almost as upside from where we are here. So it does feel like we have a healthy amount of momentum, and it's broad based across the firm.

Scott Nuttall
Hey, Bill, it's Scott. The only thing I'd add is, in addition to the organic fundraising that Craig ran through from third parties, we mentioned in the Investor Day this symbiotic relationship between Global Atlantic and our credit business in particular. We're definitely seeing that show up in the numbers, as well. And it's also allowing us to scale our third party insurance AUM, as well, at the same time. So it really does feed credit, and it has historically.

What I think you're going to see over time, though, and Craig mentioned this, is that we are going to see GA also starting to do more across asset classes like real estate and infrastructure, especially on the Core side. And as we mentioned last November when we announced that we're going to 100% ownership of Global Atlantic, that's one of the opportunities that we saw. We're just getting after that now. So I think you'll see it not only show up in credit, but in some of the real assets lines, as well.

Bill Katz
Thank you.

Scott Nuttall
Thank you.

Operator
Our next question is from Brian McKenna with Citizens JMP. Please proceed with your question.

Brian McKenna
Thanks. Good morning, everyone. So just a two-parter here on Core Private Equity. So first, is the $20 million in net dividends in the first quarter a good quarterly baseline for the remainder of this year, or should we expect some growth off of that? And then bigger picture, I'm curious if interest is picking up at all from LPs around the strategy, specifically as the portfolio continues to mature here while dividends are also set to increase notably in the coming years?

Rob Lewin
Hey, Brian, it's Rob. I'll start off. Plus or minus $20 million Strategic Holdings Operating Earnings, pretty good level to model for the remainder of the year. You know, as we move forward and get closer to $300 plus million by 2026, I think you'll see a little bit more stability in that line item quarter-to-quarter. Might bump around a little bit in 2024, but plus or minus $20 million is about right.

As it relates to our Core Private Equity strategy, listen, we are the largest Core Private Equity manager today globally by a good margin. We think we've built – because of our investment teams, our geographic reach, our industry depth, our collaborative culture, we've really built a best-in-class franchise, and it's something that, you know, I think we'd certainly be excited about continuing to partner with our clients on over time.

Scott Nuttall
Yeah, I think to the second question Brian, we haven't been out actively marketing Core Private Equity. We've got plenty of dry powder in the pools that we managed today. The next thing we'll be talking about with our investors on the PE side is going to be Americas private equity. So, we'll give you an update as those conversations commence.

Brian McKenna
Helpful. Thank you, guys.

Scott Nuttall
Thank you.

Rob Lewin
Thanks, Brian.

Operator

Our next question is from Glenn Schorr with Evercore ISI. Please proceed with your question.

Glenn Schorr
Hi, thanks very much. So you have a lot of growth in a lot of places. You mentioned no need to build anything new, but I'll ask the question anyway. Secondaries is just about the only area where you're not either scaled or well on the way to being scaled. I'm just curious, if there's a plan, how important is it to LPs and for you, or is that just a nice to have over time area? Thanks.

Rob Lewin
Yeah, Glenn, it's Rob. I'll start. I think you hit on it in your last remarks there. It is not a need to have for us. And so, we want to be in businesses where there are large addressable markets, and we've got conviction we can be a top three player. Of course, over time, we've looked at the secondary space. You could assume that most every M&A transaction that's happened in the secondary space has come across our desk here, and either we determined it wasn't the right partner to be a top three player, or we determined that we just weren't willing to pay the price that was a prevailing price in the market.

And so we're perfectly comfortable focusing on the aspects of our business that we're already in today. With that focus, we think we can be uniquely great at the things that we've already started, and that provides more than enough running room for growth going forward.

Glenn Schorr
Thanks, Rob.

Rob Lewin
Thanks, Glenn.

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

Patrick Davitt
Hi, good morning, everyone. Could you give a little bit more specificity or color on the gross and net flows at GA in 1Q, and within the gross side, the mix of channels? And then more broadly, it looks like all of the bigger PRT or pensioners transfer deals this year have gone to more traditional insurance players. So I want to get your thoughts on to what extent the lawsuits and regulatory focus on that issue are stifling the opportunity for the more alts-backed insurers? Thank you.

Rob Lewin
Yeah, sure. Thanks for the question, Patrick. So I'd say that, if you look at the flows at GA this quarter, probably about 75% from the institutional side of our business, give or take. Again,

that's inclusive of the big block transaction that we did in the quarter with Manulife. We've had really good momentum on the individual side of our business, as well, with very strong sales both in Q4 of '23 and again in Q1 of 2024.

And then on the PRT side, pension risk transfer side, you know, we've talked about this as being a medium to long-term opportunity at GA. We really, coming into this year, did not have very much exposure here at all, but we have a team assembled against the opportunity, and we continue to believe that it's a really big opportunity, given the capability of our institutional reinsurance platform, for us to be able to take some share again, starting off with a very low base.

Operator
Our next question is from Dan Fannon with Jefferies. Please proceed with your question.

Dan Fannon
Thanks. Good morning. I guess just to follow up on the GA business, seems like the cash and the block transactions kind of reduced returns a little bit in the quarter. Could you talk about the current, you know, operating environment for those returns based upon, you know, the business you're seeing today?

Rob Lewin
Sure, Dan. It's Rob. I'll start. So, you know, what we're seeing in the GA business is really strong performance, really strong operating performance, and really an even stronger outlook for the future. What happened in Q1 or what transpired from a P&L perspective in Q1, very much by design – you know, when you complete two very large block deals north of $20 billion of assets, you know, you're going to take on the cost of those liabilities day one. But we really have a 12 to 18-month period where we've modeled redeployment of the assets into higher yielding investments, and we're operating at higher levels of cash balance. That was point one.

Point two is a really interesting one. Scott started to touch on it a little bit earlier. You know, we're seeing a really interesting opportunity in Core and Core plus real estate right now. There is just almost no Core and Core plus real estate capital out there, and we're able to create really attractive unlevered returns by leaning into that asset class. But one of the downsides of leaning into that asset class is a near-term downside in that the running yields on those investments tend to be in the 4, 4.5% range. But we think those investments will certainly more than pay off in terms of the longer-term ROEs that they could generate.

So much like how you hear us talking about investing in the near-term for benefits in the long-term across everything we do, that would be a really good example where you could see some dilution to ROEs in the near-term, but we think that are more than going to benefit Global Atlantic, its policyholders, ultimately our shareholders in the long-term, given the attractive risk-adjusted returns we're seeing there.

Scott Nuttall
Yeah, the only thing I'd add, Dan, is that none of this is a surprise. I mean, we closed on $23 billion worth of block transactions, and when we price these deals, we assume there's going to be a ramp period. So that's proceeding as we expected. I think the business overall is performing incredibly well. Both on the institutional side and the individual parts of GA, we're seeing a significant amount of growth and a significant amount of opportunity. And I think to the crux of your question, so far, the dollars that are getting deployed in the investment portfolio, we're hitting our target return levels. So it's just a rotation, and it'll take a little bit of time to get this money to work, but we feel very good about the progress and the trajectory.

Dan Fannon
Great, thank you.

Scott Nuttall
Thank you.

Operator
The next question comes from Ben Budish with Barclays. Please proceed with your question.

Ben Budish
Hi, good morning, and thanks for taking the question. Just following up on the topic of GA and some maybe modeling tidbits, so that's very helpful commentary in terms of the time it takes to redeploy some of those assets. I'm wondering if you could talk a little bit about the pace of growth and the cost of insurance. It looks like, you know, quarter-over-quarter, it goes up as kind of the book turns over a little bit, but I guess how should we think about that just as we, you know, forecast longer term?

And then similarly, from a high-level perspective, I think in the past, you've kind of talked about, you know, guiding us to think about book value growth and your target mid-teens ROE. Just trying to think about how we should – or how we should be thinking about that, given you're now talking about the opportunity to accelerate longer-term growth. I know it hasn't been that long since you've owned 100% of GA, but just wondering if that's still the right framework or any other considerations, and then that other piece on the cost of insurance side? Thank you.

Rob Lewin
Yeah, great. So starting on the cost of insurance, and I think you really hit on it as you see the rotation in a higher interest rate environment, our crediting spreads have, of course, gone up. So have the yields that we're able to generate on the investment side of the portfolio. So being able to generate that spread continues to really exist in the business. So you'll continue to see I think an upward draft on crediting spreads for a little bit, and then ultimately, it'd be a function of where interest rates shake out.

In terms of our longer term ROE, the numbers, I think the continued right range to be able to forecast Global Atlantic is really in that long-term 14 to 15% pre-tax ROE range. Nothing has changed there. We feel really good about the liabilities that we're able to source in the marketplace. We've talked about our management team really feeling like they're best-in-class at being able to source simple, easy to understand, transparent liabilities at scale. I'll take our investment platforms up against anybody's globally in being able to put those liabilities to work.

Ben Budish
Thank you very much.

Scott Nuttall
Thank you.

Operator
Our next question is from Steven Chubak with Wolfe Research. Please proceed with your question.

Steven Chubak
Hey, good morning.

Scott Nuttall
Good morning.

Steven Chubak
So wanted to ask on the credit deployment, and maybe just zooming in on the ABF opportunity, the U.S. banks have started to indicate greater appetite or willingness to pursue synthetic risk transfers just in an effort to alleviate some of their capital pressures. You know, it's an area where historically they've been much less active in the European banks. And was hoping you could just speak to the engagement levels with some of your U.S. bank partners, how you see the ABF deployment opportunity unfolding, specifically within the SRT market that maybe just more broadly across the ABF landscape?

Craig Larson
Steven, why don't I start first. I think as it relates to SRTs, it is a market we are active in. It fits, in our view, very well with our ABF strategy. We're knowledgeable across a host of assets, and we do like to partner with the banks. As you note, I think that activity has mainly been EU focused. It does feel like we are starting to see more activity in the U.S. It also seems like the potential opportunity set could be expanding. I do think the most common underlying assets for SRTs have been in corporate loans, fund finance facilities, consumer term loans, does feel like banks are beginning to explore opportunities across other asset classes.

And then I think the other point that you touched on, which is very important, is just this big macro tailwind we're seeing and that opportunity that affords – it affords us and our team.

Again, you look at the growth in our ABF platform as a whole, we're over $50 billion of AUM at this point in time. That's both opportunistic together with more investment grade focused ABF strategies. And in terms of total deployment in a quarter like this one, you know, we've, you know, overall as a firm have deployed a little over, you know, round numbers, $3.5 billion of ABF activity in Q1, which is a pretty elevated pace for us. So activity does continue to feel like it's at a healthy level.

Scott Nuttall
Yeah, part of the reason, Steven, that we spent so much time on this part of the business at the Investor Day is we do think this is a really interesting and sizable opportunity. Direct lending is really interesting, as well, in private credit, but asset-based finance is a much larger market, probably a $5 trillion market on its way to $7 to $8 trillion. And it encompasses a significant number of asset classes, and you really need to have scale to be able to do it well.

And so we talked about our 19 or 20 platforms, better part of 7,000 people working at those platforms. I think you're going to see that business continue to scale at an attractive pace. And pleasingly, we're also seeing institutional investors understand this part of credit much more than they did a few years ago.

So we are seeing this trend spread from Europe to the U.S. on the risk transfer side. I think that just speaks to the fact that, you know, the deployment opportunity will continue to be robust, and banks are trying to free up capital, whether it's for M&A or to redeploy into other areas that they find interesting. So we've got plenty of opportunity here.

Steven Chubak
That's great color. Thanks for taking my question.

Scott Nuttall
Thank you.

Operator
Our next question is from Brian Bedell with Deutsche Bank. Please proceed with your question.

Brian Bedell
Oh, great, thanks. Good morning, folks. Thanks for taking my question, also. Maybe switching gears the capital markets business, I think you performed a little bit better than you had indicated at the conference, Rob, I think back in March for 1Q. Maybe if you could just talk about I guess the near-term trajectory in 2Q what you're seeing so far and more broadly longer term, given the improvement in leveraged credit markets and M&A activity and of course the structural growth in your credit business, including in the asset-based finance area, maybe just your confidence on, you know, getting back to say an $800 million plus run rate level and even a timeline to get to call it $1 billion plus annual level provided markets are conducive for that?

Rob Lewin
Yeah, Brian, a few thoughts. One, if you look back at 2022 and 2023, really tough operating conditions for our capital markets business. And for much of that time, capital markets on the equity side, on the leveraged finance side were largely shut. And our business generated, you know, ballpark $600 million of revenue in each of those two years. And so we're really proud of the durability of the franchise that we created.

As I look at our pipelines today, for the remainder of 2024, and we get updated pipelines weekly, you know, our pipelines are a lot better today than they were this time last year. Now, there's a lot to go execute on between now and the end of the year, but the forward indicators for our capital markets business sitting here in early May are definitely better than they were, you know, in May of 2023.

And then more to your question around the longer term, you know, if you look back in 2021, our capital markets business generated, you know, ballpark $850 million of revenue. And clearly, you had buoyant capital markets that helped in 2021, but you look at KKR today as a firm, you know, we do more today than we did in 2021. I believe, you know, we have greater market share with our third party clients than we did in 2021. And we've talked about the real opportunity to scale what we're doing in coordination with Global Atlantic.

So when you combine all that, we continue to be really optimistic about what we're going to be able to create over the next several years with our capital markets franchise, that it's truly a unique business relative to any of our competitors out there right now.

Scott Nuttall
Yeah. So, Brian, we've been in this business since 2006. And over that period of time, what you see is that, you know, the revenue tends to be quite correlated with deployment and monetization, especially in private equity and infrastructure. So if you go back to the prior discussion around the fact that our pipelines have picked up significantly, especially in those areas, and we're seeing more activity on the monetization side, as well, as the markets open up and strategic buyers come back, I think that bodes well.

We had $800 million plus of revenues at KCM at a period of time where we had less dry powder, we had less overall AUM, we had less firm activity. So as the markets open back up, our expectation is we'll do better than that, but it's going to be somewhat dependent on deployment and monetizations across the firm. But it looks pretty good as we sit here today.

Brian Bedell
Yeah, no, that's great color. Thank you.

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

Michael Cyprys
Great. Thank you. Just wanted to ask on ABF, you guys have had a lot of success. Heard the $50 billion ABF AUM figure, 19 platforms, $20 billion originations I think last year. Just hoping you could talk more around the steps and actions you guys are taking to drive the originations meaningfully higher. How much of that do you think, you know, would be coming from more resources that are adding to the existing platforms versus – or do you see a bigger needle mover from adding more platforms over time? And maybe you could talk about your vision around how you see this evolving over the next five years. Thank you.

Craig Larson
So why don't I start, Mike. I think you hit on a lot of the key points. I think that the asset-based finance business for us as a whole has just changed really dramatically post the Global Atlantic acquisition. And this is a business where scale begets scale. And so I think we've seen real advantages of partnering with GA, partnering with additional third party clients.

And then an important part of that have been all the platforms that Scott had mentioned and that Chris Sheldon had run through over the course of our Investor Day. And I think specifically, when you look at those 18, 19 platforms, they're global. As Scott mentioned, 7,000 people, some-odd people helping us source and originate unique deal flow for the benefit of our clients as we look forward from here. Will we look to grow that universe of platforms? I'm sure the answer to that is yes.

Is that a number that's going to be, you know, 2x what it is today two years from now? I wouldn't want you to think anything along those lines. But I think there's continued opportunity for us to continue to build and drive scale. And one of the other important points, again, as Scott mentioned a few minutes ago, it does feel like client knowledge of this opportunity is one that's been increasing dramatically.

You know, it felt to us like infrastructure and direct lending and these other asset classes, there was a period of time where it took some real education on the part of our clients, and that education can come in baby steps. And ABF is a unique asset class because it's been around for a long, long time, but it's really not been a distinct asset class as many of our clients have thought about their portfolios.

So at the same point in time that our strategic position is one that's increased dramatically and improved dramatically, it just feels like that knowledge level with our clients is coming up the curve at the same time. And I think that's what you're seeing in our results.

Scott Nuttall
Yeah, Michael, it's Scott. I think we're going to – we'll add more platforms, probably not as many as we have. We will add resources to the existing platforms. But remember, these businesses are already out in the market sourcing investment opportunity. And so to some

extent, you know, the way I think about it is we're capital constrained, not opportunity constrained.

So to the extent we continue to scale our capital base here, we can do more with the existing origination platforms we've already set up. And, you know, it's less about needing to add a lot of resources as opposed to just taking more advantage of the flow we're already seeing. And as Craig said, now that private credit has become a better understood part of what we do, as private credit allocations get created, more work is getting done on this part of the space.

And so, we're seeing allocations to direct lending and ABF as part of that continue to pick up. And we've seen this across other asset classes; there's pattern recognition. As those allocations get created and people look to get to the number that they picked, what we tend to see on the back of that is quite a bit of capital formation. So we feel like we're ready for that.

Michael Cyprys
Great. Thank you.

Scott Nuttall
Thank you.

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

Patrick Davitt
Hey. Thanks for the follow-up. Could you give us the updated visible announced but not closed realization revenue number? And then more broadly, I guess we've got some conflicting messages out there about how good the realization environment really is, overall sense that you're still pretty constructive. So maybe just update us on what's driving your confidence and maybe what you think is – why your tone is diverging from what we've heard from some other players out there? Thank you.

Rob Lewin
Great. Thanks for the follow-up, Patrick. So today, we've got north of $400 million of visible pipeline as it relates to monetization, call that roughly 60% carry, 40% investment income. You know, as you noted, our pipelines are pretty healthy. As we look at that $400 million, I should be clear, it's not certain all of that's going to close in Q2. Some of that's got some regulatory approvals as part of that.

But as we look at our pipelines, they are better on the monetization side that they've been at any point over the past 12 to 18 months. Can't really comment on what others are saying. I could just comment on what we're feeling across the firm. And I'm not sure to be all that much

of a surprise. We're seeing the leveraged finance market come back. You're starting to see CLO formation sit behind the leveraged finance market.

And that all creates additional dry powder in the system for deal activity, which is the fuel to greater monetization. And so we'll see. There's a lot to get done in order to monetize the pipeline. But at least for KKR, you know, we're feeling, you know, relatively constructive versus, you know, where we had been maybe 12 months ago at this time.

Scott Nuttall
Yeah, and, Patrick, I'd say we don't know why you're hearing a bit of a different tone. Maybe the markets themselves have a little bit of fragility. There's geopolitical risk, there's, you know, a good amount of angst about the macro; that could be part of it. Our comments are based on kind of the environment continuing like we see it right now. But if something happened, exogenous shocks, then sure, it could change the environment.

But, you know, it could be that our portfolio is maybe more global than some, maybe more mature across aspects of what we invested than some. But we're seeing it. This isn't just speculation; we can see it and feel it in terms of the live discussions we're having.

Craig Larson
And only part – Patrick, I'd add on to both of those comments – really relate to that investment performance aspect of this – you know, you look at our gross unrealized carry, that number is up 50% year-over-year. That's a pretty big increase, recognizing both the value creation we've seen, together with the fact that we've been in a more modest realization environment.

And I think when you look at some of the underlying statistics, as Scott said, we've got a healthy amount of the portfolio that's pretty seasoned. So roughly 50% of that would be four years or greater as we look at the maturity of the private equity portfolio. But then you've got to layer in investment performance alongside of that. So almost 30% of that is marked at two times or greater. And somewhere between 55 and 60% is marked at 1.5 times cost and greater.

So I think you have this combination of maturing portfolio together with strong investment performance that, as we look forward, gives us confidence in, again, ultimately seeing that flow through to our financials.

Patrick Davitt
Helpful. Thanks.

Scott Nuttall
Thank you.

Operator

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

Craig Larson
We'd just like to really thank everybody for the time that you've invested in KKR. When we think of the announcements we made in November, at the Investor Day just a few weeks ago, and then together with our Q4 and Q1 earnings, you know, we've been very active in taking a lot of mind share from everyone. So thanks for your investment in understanding KKR better. And please follow up with us directly with any follow-on questions. Thanks so much.

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

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