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KKR - Q1 2012 KKR & Co. L.P. Earnings Conference Call

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PRESENTATION

Operator

Welcome to the KKR & Co. LP first quarter financial results conference call. (Operator Instructions). Today's call is being recorded. I would like to turn the call over to Craig Larson. Please go ahead.

Craig Larson - *KKR & Co. L.P. - IR*

Thank you, Tim. Welcome, everyone, to our first quarter, 2012 earnings call. Thank you for joining us. Also on today's call are Bill Janetschek, CFO, Scott Nuttall, Global Head of Capital and Asset Management.

As a reminder, this call will contain forward-looking statements which do not guarantee future events or performance. Please refer to our SEC filings for cautionary factors related to these statements. We will also refer to non-GAAP measures reconciled to GAAP figures in our press release.

This morning, we reported first quarter, after-tax economic net income per unit of $0.99, which is up from $0.33 last quarter and $0.96 in the first quarter of 2011. There were two key drivers, strong portfolio appreciation which drove ENI quarter over quarter and reduced transaction activity and fee income which partially offset that investment performance.

On the portfolio side, our private equity funds were up 9% for the quarter. This compares favorably to the 2% increase in Q4 and the 6.5% increase in the first quarter of 2011. Transaction activity was lower in the quarter and as a result, we had fewer transaction-related fees. We will discuss this in more detail shortly.

To help better frame how transaction activity impacts our financials we have introduced a new line in the press release called syndicated capital, at the bottom of page 9. This shows the capital we have syndicated where we earn economics outside of committed vehicles. This was combined with committed dollars invested on Page 6 to give you a sense of total activity in the quarter.

Thinking about this figure should help you better gauge transaction fees, which fluctuate, depending not only on funds and SMA capital that we deploy but on capital we syndicate in periods like the third and fourth quarter of last year when large controlled buyouts led to syndicated equity. You will see more invested in syndicated capital and, therefore, higher transaction fees. Finally, we announced a quarterly distribution of $0.15 per unit of which about $0.07 came from carry and $0.08 came from fee-related earnings.

This is the 8th consecutive quarter where you have seen cash carry in the distribution. Since cash carry has been a big topic of conversation with many of you we'll run through some additional details on our 2006 Fund around netting holes and the path to filling them. I will turn it over to Bill.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Thanks, Craig. Good morning, everyone. We ended the first quarter with record AUM of $62 billion and fee paying AUM of $47 billion.

Remember, these figures do not factor in the capital what we have raised for the North American 11 or NAXI fund or $2 billion of the Texas Teacher's mandate we won last fall. Book value per unit increased 5% to $8.67 from $8.29 at year-end. Looking at our segments, the private market was down from last quarter and last year.

This was because we completed fewer transactions in Q1, largely consistent with the global slowdown in M&A and IPO volume. This resulted in fewer transaction-related fees. We only closed on one control buy out in the first quarter, Capital Safety with an enterprise value of $1.2 billion.

To put that in perspective, given the many attractive opportunities we found during 2011, we closed on an unusually high $19 billion of private market transactions in the second half of last year which contributed a substantial amount of transaction fees. We also didn't have any exits in companies that pay monitoring fees this quarter. So we didn't have any termination payments.

These are lumpy but in Q1 of last year, we took Nielsen and HCA public which contributed $38 million to fee-related earnings. The 9% write-up in our private equity portfolio drove meaningfully higher accrued carry in the quarter, more than offsetting lower fee-related earnings and leading to ENI of $265 million. This is up almost 150% from Q4 but down slightly from last year when we had significant termination payments and strong fund performance.

In public market, fee-related earnings were $15 million. This was an increase of 30% from last quarter, primarily because of higher incentive fees earned in Q1. It was also an increase of 6% from last year as new capital raised drove fee-paying AUM 18% year-over-year. Management fees increased by 26% over the same period as much of that capital is in higher fee generating credit products.

Public markets ENI was $24 million. More than double Q4 ENI and up 50% from the same time last year. Investment performance drove the increase over both periods leading to the highest net carry we have ever had in this segment. We expect carry to be increasingly meaningful here as we deploy more capital and cross preferred return hurdles in more vehicles.

Our capital markets and principal activity segment is relatively correlated with our private market business because many capital markets fees are derived from private market activity and our balance sheet is primarily invested in our private equity deals. Fee-related earnings in this segment which come from our broker dealer business were $20 million. Because of the lower level of transaction activity, fee-related earnings were down from last quarter and last year.

ENI in this segment is heavily impacted by our balance sheet investments, which were up 9% in the quarter. This led to ENI of $438 million, an increase from Q4 when our balance sheet investments appreciated by only 3%. So across all of our segments, fee related earnings for the first quarter totaled $73 million, and ENI was $727 million.

Our distributable earnings for the quarter were augmented by carried interest. We exited Legrand in two cash carry funds. This represents a successful completion of that investment and we returned almost 5 times our cost to investors.

We also received the $2 per share special dividend from our investment in HCA, about half of which is in the carry-paying Millennium Fund. We completed a secondary in Jazz Pharmaceuticals which is also in the Millennium Fund. Between fee-related earnings and cash carry and other realizations, gross distributable earnings for the quarter totaled $111 million. That translates into a distribution of $0.15 per unit.

Keep in mind neither of these figures include income from our balance sheet. Finally, we have been getting more and more questions on the subject of when cash carry will be paid, especially from the 2006 Fund. So I want to spend some more time on this. Let's start with a reminder of how carry flows through out financials.

For our active private equity funds, none of which have a preferred return, if a fund is marked above cost in aggregate, we accrue carry through our P&L as those investments are written up or down. A fund can be marked above cost in total but still have some individual investments marked below costs. The aggregate amount by which these investments are marked below cost, net of cash profits from sales or on other investments is what we call the netting hole.

We don't pay cash carry if a fund has a netting hole.

Of our 7 active private equity funds, 4 are accruing carry and generally paying cash carry upon realization. These are our Europe; Millennium, Asia and China Growth Funds. One fund, Europe 2 is marked just below cost so it's not accruing or paying carry.

And two funds, '06 and Europe 3 are accruing carry because they are above cost but are not paying cash carry because they still have netting holes to fill. With funds like these, netting holes can be filled in two ways. Either the marked down investments get written back up or we monetize other investments in that fund and use the cash profit from those sales to fill the netting holes. Let's walk through an example of how this works using the '06 Fund.

The 2006 Fund is accruing carry because it's marked above cost, 1.3 times our cost the end of Q1 or 3.9 times on realized and partially realized investments. It isn't paying cash carry yet because certain companies in the fund like First Data are marked below cost. Prior sales on other comparable investments haven't completely filled the hole created by those write downs. Technically speaking, there are separate partnerships in the 06 Fund for domestic and foreign investments.

These partnerships do not net with each other so there are separate foreign and domestic netting holes. Let's walk through an example for the domestic partnership, which includes the majority of the write downs in the '06 Fund. Since the beginning of the year, we reduced the netting hole meaningfully through write-ups and sales. We wrote First Data up from .6 to .7 times cost which closed the gap by about $230 million.

In addition, $275 million of cash profit from the recent Dollar General secondary helped fill the hole. Offsetting this was our mark down in EFH which increased the netting hole by about $90 million. Factoring in all of the activity this year, the domestic partnership netting hole has been reduced to about $1.3 billion today. Now, to put that in perspective, the '06 Fund's remaining public domestically positions at March 31st prices were valued at $3.3 billion.

$2.4 billion of the $3.3 billion is profit. That's a $1.3 billion hole versus $2.4 billion of imbedded profits in just our public investments. That means if we sold only our public position, not only would we fill the netting hole.

We would have $1.1 billion of excess gain. So we would actually pay out over $120 million of cash carry or almost $0.20 a unit. These public numbers include our investment in Dollar General and HCA, which are marked at 4.6 and 3.2 times our costs. But they don't factor in the privately held companies that make up almost 65% of the remaining value of the '06 Fund domestic investment.

We feel that the '06 Fund is in a relatively strong position today, particularly when compared to other funds of its vintage. We are currently paying cash carry on almost $15 billion of private equity AUM and are getting closer to paying cash carry on another $17 billion as we continue to make progress in our '06 Fund. As I mentioned, none of the capital is subject to a preferred return.

Hopefully this gives you a little color as you think about carry and netting. I will now pass it over to Scott.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thanks, Bill. I thought today I would take you on a quick walk around the firm to give you a sense of the activity we are seeing across our business. I am going to start with private equity. We closed on two new transactions in the quarter, a controlled buy-out in the U.S. and a growth equity investment in Asia.

Those closings totaled $1.2 billion in enterprise value, of which we invested about $430 million of committed equity and syndicated an additional $170 million. Since quarter end, we have announced two new growth equity investments in Asia. As we look at our private equity business today, our transaction activity varies widely by region.

Europe is relatively slow. This is not surprising as new transaction volume tends to decline in periods of lower valuations and uncertainty. Having said that, Europe is not at all uniform. We are actually quite busy in spending time on transactions in the UK, Germany and Northern Europe.

But over all, the volume is down relative to a year ago. North America is more active than Europe with a few larger situations in the pipeline that are quite interesting to us. Two or three of our industry groups are quite busy but new deal activity in North America is also lower than it was a year ago. CEOs and Boards are focused on a fragile economic environment and big unanswered questions.

Where is the economy headed? What's going to happen in Europe? What's the impact of continuing regulatory change and the election? All of this uncertainty is weighing on people.

Asia has been and remains quite active. We have been busy in China and India in particular and have a robust pipeline across the region. So overall, the capital markets are open for the right transactions and we are looking at variety of private equity opportunities around the world. It's just very hard to predict how much will actually get done.

In terms of performance of the existing portfolio, the year has started off strong. Our PE funds were up 9% for the quarter including our public holdings which were up over 15%. This compares to the MSCI World which was up 12%. In aggregate, our contributed private equity funds are marked at 1.5 times cost.

So we have a lot of embedded value built in. And if you look at just the realized and partially realized investments in those funds, they are marked at the 2.9 times our cost. We have been busiest lately in PE on the monetization front. So far this year, we have partially monetized seven private equity investments returning over $1.5 billion to our funds.

And we continue to see opportunities to monetize our portfolio. So we are pleased with the continued progress we are making in our private equity business and off to a good start this year. Now moving on to energy and infrastructure, we have been quite active in the last few months. We announced another new deal in our natural resources fund and kicked off a royalty platform funded jointly by KFN and our balance sheet.

The goal here is to invest in mineral interests and overriding royalty interests in oil and gas based in the U.S. All told, we invested or committed to invest $600 million in our energy and infrastructure businesses in the first quarter alone. And we are pleased with the value creation progress as well as our energy and infrastructure funds were up 4% in the first quarter.

In real estate, we completed our first investment last week. We acquired a suburban mall called Yorktown Center for about $200 million. KKR equity check is about $75 million and will be funded by KFN and our balance sheet as you recall committed $300 to get the real estate strategy started before we raised a dedicated fund.

The Yorktown investment is an example of our one-firm approach at work. As our real estate team evaluated the deal, they worked with our private equity retail team to identify value creation opportunities for the property. This investment is a great first step in the organic build of a new platform for us. Now let me move to public markets.

Our more liquid credit strategies had a strong quarter maintaining their top quartile performance. During the quarter, our strategies were up 4% to 7%. Activity continues to be quite high in our alternative credit businesses, in Mezzanine, we deployed $55 million for the quarter, and in Special Situations we deployed $270 million.

We have also been busy stepping into the void left by the banks by lending to middle market companies, whose access to capital is now quite constrained. In this newer effort, we call direct lending, we've already deployed almost $150 million and are seeing a significant amount of activity in the robust pipeline. In the quarter, our alternative credit strategies were up 7%. Together, these platforms are enabling us to broaden our dialogue with investors and help them achieve their goals.

We raised approximately $550 million of additional capital in the quarter, most of which was for new public market strategies. Dialogue on our next Asian fund and our first co-mingled special situation fund remain promising. We also continue to round up investors for NAXI and will keep you updated on our progress in the coming quarters.

As you know it's hard to look at our business in any given quarter and draw too many conclusions from an earnings, investment activity or capital-raising stand point. But as we step back and look at where we were a year ago, we are seeing really good progress in value creation and our portfolio and in the growth of our newer businesses.

I want to share some statistics over the last year. In the last 12 months, our private equity portfolio has grown revenue and EBITDA 9% and 7% in line with the performance we have cited in the past few quarters. But if you actually weight the performance by the amount of equity exposure we have to each company, the numbers are even better.

On that weighted basis, we are up 12% at the revenue line and 8% in EBITDA. We completed $21 billion in new private market transactions, deploying about $5 billion of equity capital, syndicating an additional $2 billion. We returned about $5 billion in cash to our funds, much of that through the twelve public equity offerings we have done in the last year. About 30% of our funds are now in public stocks and, therefore, closer to monetizations.

We have continued to see very strong progress in performance across all of our non-private equity businesses including energy and infrastructure and our public market strategies. We have had a meaningful first close on our NAXI fund and continue to build momentum.

We have launched capital raising for our Asian private equity, Direct Senior Lending and Special Situations Strategies and are bringing fundraising to a close for our infrastructure and natural resources funds. And we have meaningfully scaled capital for our newer efforts. As a reminder a year ago, our energy and infrastructure commitments were $1.9 billion. They are now $3.7 billion. We have basically doubled the size of the non-private equity energy business in the last year.

Our alternative credit commitments have grown from $2.4 billion to $3.3 billion in that period of time or 35% growth in a year. And we've done all of this while launching our hedge fund efforts and our real estate effort.

So looking at our business today, our portfolios are performing, cash carry is starting to flow, and we are moving closer to generating meaningfully more and our new businesses are scaling. As a firm, we are focused on executing our strategy and working to create value for our investors and fellow shareholders. Thanks again for joining our call. We are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We will take our first question from Michael Kim with Sandler O'Neill.

Michael Kim - *Sandler O'Neill - Analyst*

Hey, guys. Good morning. First, I know you have been active in terms of some secondary offerings more recently, but is there a sense that a more powerful realization cycle, if you will, may be pushed back a bit given kind of the ongoing volatility in the broader markets?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Hey, Michael. It's Scott. I would say, break the answer into pieces on that.

I would say we have 30% of our portfolio in our private equity funds is in public stocks. And as you know, we have been quite active doing secondaries. Dollar General, Nielsen being the two most recent ones.

We have a number of companies that are trading at a significant multiple of our costs, where I think the ability to continue to monetize those positions is pretty straightforward and fairly readily available. And we'll, of course, determine when it makes sense but those companies are trading at levels that it makes sense to continue to monetize and it will be measured. I think the volatility, though, does create some potential hindrance to exit.

The IPO has been an open and shut market. We don't have anything imminent from an IPO standpoint but in this environment, it maybe is a little bit harder to access the IPO market. And then the secondary exit strategy is obviously the third way we exit investments and we'll see.

We've actually seen more strategic exit activity, clearly on the energy side with the El Paso deal that we recently announced just the most recent example but there is more strategic dialogue. If volatility continues, some to slow down but we have actually found we are returning quite a bit of cash back to our LPs and private equity business and our access to capital and ability to monetize it has been pretty good.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Michael, this is Bill. Just a clarifying point, we returned $750 million to our LPs in the first quarter. That did not include Dollar General or Nielsen because those took place in the latter days of March. And so the distribution didn't take place until the second quarter and that number was roughly about $700 million.

Likewise, those secondaries weren't included in the cash carry distributing in the first quarter. That, you will see come through in the second quarter. Nielsen is in our Millennium Fund, and because that's in a cash carry fund, that's going to equate to about a $0.01 a share. In addition, Dollar General, although that's in the '06 Fund and although you wouldn't expect to receive any cash carry, when we made that investment we had some co-investments we were entitled to some carry and you will see about a $0.01 come through as well. So $0.02 from Nielsen and Dollar General in the second quarter.

Michael Kim - *Sandler O'Neill - Analyst*

Got it. That's helpful. And then maybe in terms of the real estate business, does the first deal suggest that maybe you are more focused on the retail sector or is the mandate pretty broad and more opportunistic in nature and now that they have got their first deal under their belts, any change in kind of timeline as it relates to, you know, potentially raising a dedicated fund at some point down the road?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thanks, Michael. I think in terms of the mandate, no, it's not retail-specific. It happened to be the first transaction that closed within the space.

So the mandate is quite broad. I say opportunistic equity and mezzanine and debt transaction as well. The team is quite busy. We are investing off of our balance sheet.

We committed $300 million for the strategy but we are investing out of KKR Financial and several fit into our special situations vehicles. Think of it really as three pools of capital today before we launch our dedicated fund effort. In terms of timing, yeah, we will give you an update as we roll through the rest of the year.

No update on timing on that. The team is quite busy looking at transactions. They have access to capital out of those three pools. You will continue to see us announce transactions in the coming months.

Michael Kim - *Sandler O'Neill - Analyst*

Understood Okay. And then just finally, how much of a factor is sort of equity syndication in terms of deal float? Do you feel like you have got somewhat of a competitive advantage sourcing deals because you are able to write bigger equity checks as a result of the syndicate?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

I think it is helpful. I think when you are talking to a Management Team or a Board to be able to actually speak for a larger equity check, and in most instances, we are able to say we can speak for the entire amount ourselves. I think that is an advantage relative to having to go put together a syndicate of a variety of different firms. So it helps us keep transactions more confidential. It helps us get things done more quickly and I think it is a selling point.

Michael Kim - *Sandler O'Neill - Analyst*

Okay.

Bill Janetschek - *KKR & Co. L.P. - CFO*

And this is Bill, just a clarifying point; If you go to Page 9 in the press release, Craig mentioned earlier, we also have a line in our earnings release now called "Syndicated Capital," the last line on Page 9 and that just shows you the capital we actually syndicated in the three respective quarters where we were entitled to some sort of transaction fee.

Michael Kim - *Sandler O'Neill - Analyst*

Got it. Thanks for taking my questions.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thank you.

Operator

We will take our next question from Patrick Davitt with Bank of America Merrill Lynch.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Good morning, guys.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Hey, Patrick.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

The public holdings and realization timeline, can you give us a little bit more color on what factors go into that decision process? And are there any restrictions in terms of your deals with those companies in terms of how much you can sell in the timeline of selling?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Patrick, it's Scott. In terms of the public holdings, you know, there is not really much restriction when you do a secondary, the underwriters tend to ask for a lock-up. So it tends to run. 30 to 90 days. 30 to 90 days so, you know, it's difficult to do more than one secondary a quarter.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Yes.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

But, you know, so there is not much by way of restriction in terms of the timeline realizations which really is more dictating the timing is how is the company performing? How is the stock performing? You know, we view our jobs as making sure that the public market investors in our portfolio companies make money on each trade.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Yes.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

So the ideal situation is one like Dollar General where you take the company public. Our view is that should be the lowest, the stock price ever sees and just continue to do secondaries as the stock price continues to go up and as the company continues to perform. But the timeline is really determined by us and Management in discussions with the Boards of each of those respective companies but we find usually, you know, we own a company privately for a good three years, we will take it public and do a small secondary or no secondary in the offering and then it tends to take, you know, two to five years to move out of a public position depending upon the size.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Right. Okay.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

What would be done over the last couple of years with, you know, for instance, our, at one time private position in Avago which we took public and we have done five or six secondaries and Dollar General, over the past two years, we have done certainly more than a couple .

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Okay. Great. Thanks. You mentioned, you know, the revenue and EBITDA growth trends you have seen. Can you give us an idea of what the, what the trend has been there in terms of what you are seeing from a macro standpoint kind of over the last few months as, you know, the Europe concerns, where they are head and people are talking about the fiscal clip in the second half. Are you seeing slowing to the growth trends in the portfolio?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Not meaningfully, no. And frankly, we would have expected, frankly more pressure in particular in Europe, the European portfolio has held up pretty well over the course of the last 12 months. I think a lot of that, frankly, is that we don't have exposure to most of the affected countries and a lot of where we are seeing strength is kind of our businesses in Germany, exporting to Asia.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Okay.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

But a lot of our portfolio in Europe continues to perform quite nicely. Asia is growing, North America continues to perform and, you know, I think if you look back over the last few quarters, the 9% revenue, 7% EBITDA has been pretty consistent with where we have been for the last few quarters. No big change in trajectory.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Great. And, you know, you recently hired John Mack. Was that triggered by some opportunity you see specifically until financial services? Could you kind of elaborate on what kind of projects you are kind of targeting for him?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Sure. Just to give you a little bit of background, we have about 25 senior advisors at KKR and, you know, they are close relationships of the firm, typically have been former in some instances current CEOs of companies who get involved with us in a variety of different ways through these strategy for the firm could be working with us in portfolio company context. Some of our senior advisors sit on the boards of our companies.

So some sit on our portfolio management committee so John is a good friend of the firm, been a very close friend for a number of years and as he was thinking about what to do next, we just started conversations about what we were trying to build at KKR. I think we got excited about ways he could be helpful. I think it could be across a variety of different areas including helping us think through strategically where we want to go next in terms of thinking about how to help on the fundraising side and, also, clearly, helping us source and think about investments giving his myriad of CEO relationships. I think it can be pretty broad-based.

Patrick Davitt - *Bank of America Merrill Lynch - Analyst*

Okay. Thank you.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thank you.

Operator

We will take our next question from Matt Kelley with Morgan Stanley.

Matt Kelley - *Morgan Stanley - Analyst*

Thank you, guys. Thanks for taking my question. So first, I wanted to ask you for an update on the number of LPs that you have and kind of the progress you are making in terms of your cross-selling efforts and when you think the next major shift would be. Is it a real estate fund? Or is it as you get bigger on the credit side?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Hey, Matt. It's Scott. I would say number of LPs hasn't changed significantly since last quarter so call it circa 400. It's not going to move quarter to quarter.

Where I think you will start to see more of a change in that number is going to be when we have closings for final closings for North American 11 fund, our Asia 2 fund, our special situations fund and then over time, real estate and others. So I think when you have got kind of the more private markets type fund, closing you will see more of a change in that number. And then the cross selling efforts, I think will be more evident when we get to those final closes. Sometime over the next several quarters will be able to give you a more fulsome update.

Bill Janetschek - *KKR & Co. L.P. - CFO*

We have been building up our client and partner group. That team has come onboard over the past two to three years. To the extent that, you know, they continue to go out and meet clients, it takes awhile to develop the relationships that they bring in new LPs. So they have been doing this now over the past couple of years, and we should see now an uptick in the number of LPs that might come in to the public side or the private side fund because of that effort. We are also still hiring a couple of people away from the U.S. as specifically in Europe and Asia as we build up that distribution team. And obviously, if they do their job, the LPs will follow.

Matt Kelley - *Morgan Stanley - Analyst*

Okay. And one quick follow up on that, then; In terms of the incremental new LP, would we see some of your larger private funds start to close? A lot of the dynamic that's talked about in the industry is pension funds from sovereign wealth. How big of an impact are new high-net worth clients and that sort of things for you guys?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

It's a great question. Until a couple of years ago, we did not proactively target high net worth and family/office market. And so what we did starting 18 or 24 months ago, heck I think there is a big opportunity for us there where we're now spending a significant amount of time with high net worth individuals and with family offices and getting good traction. In terms of the number, a smaller ticket size but there will be more I hope investors that we add. So early days so far, so good.

Matt Kelley - *Morgan Stanley - Analyst*

One last question from me. Just in terms of you talked a lot about the secondaries on the IPO side, what's your sense as to the market with a lot of uncertainty, I am curious to get your thoughts on why more IPOs aren't happening? Is it because of the risk discount that goes into the decision on the investors' side? Or what are the kind of dynamic are you are seeing there?

Bill Janetschek - *KKR & Co. L.P. - CFO*

I think it's probably a couple of different things some of it's timing. Our company is ready. What's the pipeline look like. How many companies are trying to access the markets which, as you know, moves in cycles.

Another thing that happens is when you have a meaningful move in the market up or down, there tends to be a bit of a chilling effect because frankly companies that are going public think they are worth much more all of a sudden. Investors want time to figure out if they are prepared to buy at the new level in the new company. Obviously if the markets go down, you have got the opposite effect of companies deciding to wait. I think, also, the most important thing that goes on is what's been the most recent experience investors have had in the IPOs in which they have invested. Very important as to whether, you know, the first several weeks the stocks are moving up or down.

And in our experience, if you've got a number of IPOs completed where investors have lost money, they tend to pull back and wait and try to get to a better market and then them become very price-sensitive as a result. I think what we are working through right now, you have had a number of IPOs that frankly have under performed investors' expectations, especially with the recent volatility of the market over the last few weeks. That puts a chilling effect on things for a bit. As I said, it's a bit of a week to week market as those different dynamics inter play with one another.

Matt Kelley - *Morgan Stanley - Analyst*

Great. Thank you very much.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Sure.

Operator

We will take our next question from Michael Carrier with Deutsche Bank.

Michael Carrier - *Deutsche Bank - Analyst*

Thanks, guys. The disclosure that you gave around the '06 Fund, that was very helpful. I guess, you know, once you give one, we will look for, you know, all of the information, but do you have like a similar information on either, you know, the international side or on Europe, like two or three? And it's just trying to gauge, you know, when we can, you know, see the $15 billion, you know, double, you know, in terms of the private equity segment, you know, being able to generate the cash carry?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

You are right. Once we gave out the domestic number, we knew you were going to ask for the international number. That be it is small in comparison, only about $125 million. We are talking about the international for the '06 Fund.

As it relates to Europe 2, we are not going to give that number out. Only for the fact that the fund is not accruing carry. So until the fund actually crosses at the cost level and starts accruing carry, the netting hole is meaningless for us. As the fund performs and that information is helpful to you, we will give that information out.

Michael Carrier - *Deutsche Bank - Analyst*

Okay. All right. That's helpful. And then, maybe on the same, you know, that the process, when we think of distributable earnings, you know, in looking at, you know, sort of that transition and, also, your fee-related earnings and that being paid out, like how should we think about that, you know, going forward. Obviously, you know, it's going to be somewhat volatile and how do you guys think of the profile, you know, going forward?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Sure. It's Scott, I would tell you I think this is a really important topic. As, you know, kind of the metrics continue to evolve across our industry. And so we know it has been a more recent focus.

We do talk about distributable earnings and the way we define distributable earnings is our fee-related earnings plus our realized cash carry and that's why we are giving the disclosure on the netting holes because, you know, obviously, understanding how and when carry flows is an important part of that, but we are frankly different from some of our competitors in that we also have our balance sheet which is by comparison, quite large. And our balance sheet is every quarter realizing capital gains and generating yield in cash, as we have disclosed this in this press release historically, we have not included the cash flow from our balance sheet in our definition of distributable earnings because as you know, we are take that cash and using it to seed new businesses like real estate or hedge fund platforms, et cetera.

If you were to include it, Michael, you end up with quite a different answer. So one of the things we will look at in future quarters is how best to disclose this but to give you a sense for the quantum, if you just look in Q1, we generated $111 million of distributable earnings from our fees and our cash carry. Our balance sheet in the quarter generated another $53 million just to give you a sense and then, also with a Dollar General and Nielsen secondaries that we did right around quarter end, it would have been another $150 million of realized capital gains for our balance sheet.

And so as we think about distributable earnings as kind of the overall cash earnings profile of the enterprise, $111 million is how we currently define it as fees plus carry, but if you did fees plus carry plus balance sheet, you actually would have been more like $315 million. So it's quite a big difference, and so we'll try to do a better job in the future of disclosing that to you so you understand the cash earnings profile of the firm and just to give you a sense for last year, we had $600 million of distributable earnings. If you included the balance sheet gains realized capital gains on the balance sheet, closer to $800 million. So it's quite a big difference. Does that help?

Michael Carrier - *Deutsche Bank - Analyst*

Yeah. That's helpful and then, I guess, just on the balance sheet, you know, when you think about the amount of cash it generates or capital it generates, again, at what point or, you know, what size? Obviously it's going to depend upon the opportunities and the expansion plans, but when do you say, okay? We really don't need all of that, we can start paying out 25% of it or a part of it.

Bill Janetschek - *KKR & Co. L.P. - CFO*

We are very, very focused on that $800 on the balance sheet, $500 million of debt. Remember if you take a look at page 3 on the press release, we've got about $600 million of committed but uninvested capital that is the responsibility of the general partner then as Scott mentioned earlier we have committed $300 million to real estate to Asia 2, NAXI, a commitment to our energy platform. We will make a commitment to special situations.

When you add that up, that number crosses over $1.7 billion and the final point on that the question is, is the balance sheet too big? One thing to keep in mind is that approximately 70% of the stock is held by KKR Executives. If you are going to ask that question, we are going to get asked that question internally as well. So we will be prudent about how we monitor the capital balance.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

I think, Michael, we look at it every quarter. Right now, I think the punch line is we see a lot of opportunities to use those gains and recycle that capital back into very high return on capital opportunities to scale the firm. But over time, as we continue to scale these newer businesses for us, if that calculus changes, we are obviously to take a look at it.

Michael Carrier - *Deutsche Bank - Analyst*

Okay. Thanks a lot, guys.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thanks.

Operator

We will take our next question from Marc Irizarry with Goldman Sachs

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Marc Irizarry - *Goldman Sachs - Analyst*

Scott, how are you? Just on Europe, I want to talk about the investing environment out there. You know, in particular Europe 3, you know, I guess you started in '08, 55%. Putting out money elsewhere. How do we think about two things? One the investment pace out there in Europe and then, two, you know, as you go out to, to raise funds for NAXI, the piece of capital employment in Europe 3 does that have ant impact to raise funds and other strategists?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thanks, Mark I think Europe, it's an interesting environment right now. You know, whenever kind of stock markets move down materially and you have the kind of macro uncertainty there is in Europe, there tends to be a bit of a chilling effect for a period of time on our private equity business. We went through this in 2008, 2009 in North America.

And so there tends to be a period of time to recalibrate their sense of value. And so there are less new transactions to follow for a specific period of time. That's why, frankly our funds are set up in private equity so we have six years to deploy the capital so you can work through periods of time like this because if you think about it for a company to do something voluntarily, it's not likely in a period of distress and significant uncertainty they are going to want to do that. What tends to happen is that you work with companies that are more focused because they have to be focused on doing something.

The distressed business for us is quite busy in Europe today for that reason, both in terms of providing rescue capital and looking at portfolios off the bank balance sheet. Our special situations business is quite busy. Our mezzanine business is very busy as is direct lending as the banks have pulled back from the corporate lending market. So we are busy across all of those fronts.

But, you know, we are not anxious about our ability to get Europe 3 to work as we sit here today. That investment period runs out in 2014. So we've got time to put the remaining capital to work, and I don't think it's going to have a chilling effect on other fundraising efforts. Certainly the slow down in new deal activity in Europe in the last several months has not had an impact on our conversations around North America or Asia.

Marc Irizarry - *Goldman Sachs - Analyst*

Just in terms of European LPs, which I am presuming is in a, you know, isn't a big part of your business. Maybe you could just mention, you know, how big the money sourced in Europe is for you and if you are seeing any weakness there in terms of fund raising activity potentially.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Sure. Actually our European investor base is not as big as we would like it to be, frankly but if you look at Europe in the Middle East together, the market is probably give or take 20% of our overall capital base and so we are working hard at continuing to expand that, but we are finding that investors in Europe despite some of the market turmoil, they are continuing to be active.

A lot of them invest on a global basis so their portfolios are quite global in nature and they are, like we are finding around the rest of the world, looking for ways to generate excess return. We are actually having a number of good dialogs with investors in Europe and the Middle East. Certainly they have the overall environment weighing on their minds but in some cases, that's accelerating their move to, you know, invest outside Europe, which is being helpful to us as we have been raising money as you know largely outside of Europe for the last couple of years.

Marc Irizarry - *Goldman Sachs - Analyst*

Great. Thanks.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thank you.

Operator

We will take our next question from Bill Katz with Citigroup.

Bill Katz - *Citi Group - Analyst*

Thanks, everybody. Coming back to the economics of the business a little bit seems to be a recurrent theme from quarter to quarter. And week to week. Commenting on two things.

Number one, just what you are hearing from the LP, you are sending back a firm out of capital bank to LPs, what you are sensing on two parts. The first part is just explicit pricing on the management fee and then be, maybe the management fee versus carry and then secondarily the next within fuel related earnings and is there any pressure on further give-up on monitoring and transaction fees? Thank you.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Sure. Thanks, Bill. Right. We have been giving a lot of cash back to our LPs. We haven't really seen much a change in the dialogue log on the pricing front as we have launched and had our close to the NAXI fund as we have launched our Asia two capital raising process, there has not really been a change, Bill, in terms of the management fee level relative to the last funds for those two region options.

So the management fee is basically the same set-up as we had last time for '06 and for Asia 1. So no real change there. No change on the carry except as a reminder that we have now introduced a hurdle into our funds, which is basically us conforming with the market to try to increase our LP base because we found there were a number of investors who would not invest in funds that did not have a hurdle. So that's the one change we have made but we made that decision a long while ago. So and in terms of the push on transaction and monitoring fees, no real change.

You know, we've got two classes now for our North American fund. We've got an 80/20 class so 80% of the transaction and monitoring fees go to the LPs. 20% goes to the GP. No change, but one thing we have done is we have also offered another class, which is 100/0 so the LPs can get 100% of transaction and monitoring fees.

We would get zero percent but if they take that class, we get a higher management fee. So the overall economics to us even out depending upon which class they go to. We are ambivalent. There has been no change in terms of that real dialogue either.

Bill Katz - *Citi Group - Analyst*

That's exceptionally helpful. This is last question. I apologize. On the NAXI fund, you says you have a hurdle rate is it simply a minimum return to investors or in other words the reason I am asking the question is. If you were to get into a realization period, is there anything kind of minimum that has to be paid to the LP or just once you cross that return profile, you are then he will eligible to take full realizations?

Bill Janetschek - *KKR & Co. L.P. - CFO*

That's a good question, Bill. With regard to any particular investment in a particular fund, what you will have to do is for that particular investment return cost, return the 7% preferred return on that and anything above that would go 80/20. Keep in mind that with the preferred return, it works the same with a netting. So if you have a fund with a couple of investments that are written down, the way it would work, you have to return cost for those investments and then you would have to look to the netting hole, take care of that and then you would have to fill the preferred return before your actually entitled to profit participation.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

One thing to clarify, Bill, to make sure you have got it, the 7% hurdle that we have in the NAXI fund, there is a full catch-up, so the way it works is if we have got returns to the LPs that are above the 7%, the return comes 100% to us, the carry comes 100% to us so we catch up to a 20% carry and then it goes 80/20. We have been in business now 36 years come May 1st and we have never had a fund with a return of less than 12. So, you know, we feel pretty good our ability to clear that 7% hurdle over time.

Bill Katz - *Citi Group - Analyst*

Happy anniversary. Thank you.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thank you. Thanks, Bill.

Operator

We will take our next question from Chris Kotowski with Oppenheimer & Company .

Chris Kotowski - *Oppenheimer & Co. - Analyst*

I am not sure if you can answer this but whatever color you might give is helpful. And just, you know, it's nice that your unrealized gains in the '06 Fund would be enough to cover the netting hole. But, you know, obviously I think the ideal way to recover, fill the netting hole would be to recover value from First Data and EFH. And, can you comment at all on what your efforts are in that area or how you are in that area. How we can assess the progress on that.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Sure, thanks Chris, Scott. I would characterize our efforts as significant and ongoing. We completely agree with your comment. Just the best way to assess how we are doing frankly is to look at the public disclosures of those two companies in particular.

Because and frankly most of the companies in the '06 Fund and in many of our funds put out their own public disclosures given that they have public debt. They will be putting out press releases on a quarterly basis. We will do our best as we can on these calls to give you an update on how the big movers are doing. First Data we obviously wrote up this quarter, the company just major work had 11% EBITDA growth last year, 16% in the fourth quarter and has been moving the right direction and frankly, the public comparables have been up for that company, so that's definitely been moving the right director us as of late.

EFH, given what's happened with natural gas prices, less encouraging. The company operationally has been doing a very good job and has actually been growing profitability but natural gas hedges are going to roll off. I think that's what the market is very anxious about and so, you know, we will give you updates from time to time. There aren't any other really big holes in the '06 Fund. Those two, I think, are probably the two to focus on and, you know, that's a little bit of color for you.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

All right. Thank you. That's it for me.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Thank you

Operator

We will take our next question from Howard Chen with Credit Suisse.

Howard Chen - *Credit Suisse - Analyst*

Hi, good morning, everyone.

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Good morning.

Howard Chen - *Credit Suisse - Analyst*

Scott, just to follow up on that last comment you made, just given all of the activity and energy in natural resources, how do you think about, one, the pipeline and, two, can you discuss what's different in your minds about this cycle compared to EFH where natural gas action certainly weighed on the investment?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Sure, Howard. I would say a few different things. One, you have to recognize we are doing different things in the energy space on a variety of different fronts. So we are really investing across the complex.

You know, as an example, our natural resources platform which we call KNR, that is an entity that we've been making these oil and gas investments through and really what we have been doing there is buying conventional oil and gas fields from the majors. And they have largely been taking the proceeds from those sales and investing those in their investment in shale but one thing we have been doing is locking in the forward curve at this much lower natural gas level and really hedging our cash flows at a much lower level than when we completed the EFH transaction and frankly locking in cash back to our investors. So the way I would look at it in effect kind of averaging down prices from a natural gas standpoint as we make newer investments.

We have been making a number of pipeline investments. You saw what happened with the El Paso investment so to some extents frankly where we have those exposures we are frankly locking in the natural gas forward curve at a lower level and then over time, we do think that natural gas prices will go back up. Today, you've got a significant difference between the natural gas price level and the U.S. versus the rest of the world. And we think over time, technology, O&G facilities, et cetera, will develop and those levels will even out so we kind of like investing at this part of the cycle. I would say that's one of the big differences in terms of timing relative to when we did the EFH transaction which natural gas was at a much higher level.

Howard Chen - *Credit Suisse - Analyst*

Got it. That's helpful. Shifting over to the public market business, I had a few questions. Which vehicles generated that $9 million of carry this quarter and how much of the AUM is externally raised versus putting balance sheet to work and what's your outlook for additional external raises.

Bill Janetschek - *KKR & Co. L.P. - CFO*

The $9 million of carry was largely generated by our special situations vehicles this quarter which as you can see on Page 17, we've got about $2 billion of committed capitol today in special situations and so that, those are now above their hurdle. Some of those vehicles. So that's what's coming through. It does not yet benefit from our mezzanine fund which is still a bit below its hurdle given its early days. So it's largely special situations that pertains to Q1.

And with respect to the overall amount of capital from the balance sheet versus third party, the vast majority of it is from the third party investors so we invest $16 billion from AUM of that business. I would tell you the vast majority of it is from third parties and in terms of the trajectory, we feel good about it. These are large young markets as you know and we continue to scale our high yield business, leverage loan business, our originated lending business in both mezz and direct lending and in special situations as you know, we are on the road right now with a new fund. So we are very optimistic about our ability to scale our credit business because we think there is lots of room to run in a very deep market and we have had great performance and then the other part of the public markets business is our equity hedge fund transform which is relatively early days.

Howard Chen - *Credit Suisse - Analyst*

Great. Thanks. Drilling in to one piece of that, I find our comments on the progress of the direct lending opportunity really interesting. You know, how large do you see that opportunity set? How quickly do you think you can ramp up that $150 million figure and who are you competing with in that market today?

Bill Janetschek - *KKR & Co. L.P. - CFO*

I think we are probably going to be constrained there, Howard, more, by how much capital we can raise as opposed to the opportunities set in the market. What we are finding is that, you know, there is a lot of middle market companies that frankly their coverage officers from the big banks are gone. And so they've got needs for capital. They have refinancing that they need to complete, and so in a number of instances, the way this starts is we will be out talking to them, you know, out of our mezzanine business and they say, that's great, we would love to talk to you about mezz but can you talk to us on the senior loan front because we don't have anybody that used to lend to us still around we decided there was a big opportunity there. We were sourcing opportunities without any capital and that's why we created the fund. It's too early to predict how big it's going to be. The opportunity is it's clearly in the billions but it is a relatively new asset class for institutional investors.

So it's hard to predict how much capital we are going to be able to raise there. But it's clearly a focus as we sit here today and the pipeline is building given the dynamic. In terms of the competitive set, in some instances, you are competing with commercial banks but frankly that's a minority of the situations. It's usually other private lenders like us that we find that we are competing with and in some instances, frankly, there is little to no competition given the supply dynamic, I laid out.

Howard Chen - *Credit Suisse - Analyst*

Very interesting. Thank you for all of the color.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Thanks a lot.

Operator

We will take our next question from Roger Freeman with Barclays. Roger Freeman from Barclays your line is now open.

Roger Freeman - *Barclays - Analyst*

Hi, can you hear me now?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

Yeah. We are here.

Bill Janetschek - *KKR & Co. L.P. - CFO*

We can hear you, Roger.

Roger Freeman - *Barclays - Analyst*

Good morning. Coming back to a couple of other questions that have been asked, on Europe, so you have kind of mentioned some distressed direct lending, mezz and, also, I think, mentioned Germany, northern Europe, UK where you are active. Those are better markets. I am trying to just curious, just sort of what the opportunities are. Is it sort of this whole issue about lack of available capital to finance even better parts of Europe and that's where you are finding opportunity?

Bill Janetschek - *KKR & Co. L.P. - CFO*

No, I would say that, in particular, Roger, that's really related to our private equity business. I put that more in the regular way. You know, when the company is in distress and has issues, it tends to be more of a special situations opportunity. When a company needs a debt capital that tends to fall to our originated credit platforms. What I was referring to there is we were seeing regular way private activity, public to private companies selling non-core subsidiaries in some instances, but very particular instances secondary buyouts where there is another private equity firm that wants to sell an asset. So it's more regular way opportunities like that that we are seeing in those markets.

Roger Freeman - *Barclays - Analyst*

Okay. How is the financing for those sorts of deals as we generally hear financing, debt financing in Europe is very difficult. Are you getting financing from U.S. banks?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

In some instances we are getting financing from U.S. banks. Largely, though, it's European banks. The European market, the senior lending market for the right transaction, we are able to raise secure debt. The issue is that there is not much of a high-yield market today, it's been quite open and shut.

It was completely shut which is why frankly we are so business in our mezzanine business in Europe because there hasn't been a high-yield market and frankly it started to open up again. Think of it as the secured part of the transaction coming from European banks and to a lesser extents global banks and depending upon the month, more likely the mezzanine market.

Roger Freeman - *Barclays - Analyst*

Is there then an opportunity to actually for you to finance partially finance some of your own deals from the mezz fund?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

There is that opportunity but given that the inherent conflicts. We have actually done it in certain instances. We just can't drive the pricing on those trenches of our capital structures.

Roger Freeman - *Barclays - Analyst*

Okay. Then coming back to the comment about the IPO market and the challenges there, you know, clearly there is a different sort of expectations on what will companies with investors want to pay, do you think any of that has to do with some of the dispersion even in market returns this year because, you know, Mark S & P for example looks like it is a lot stronger than it has been given the concentration from financials and a couple of tech companies?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

I think it's frankly a bit of a mixed bag. I think there are some sectors that have done pretty well. Some that have done less well. I think it's largely driven by the experience of certain IPOs. Yeah. You know, works really well if you priced it appropriately and everybody makes money.

If folks are trying to get that last $0.10 and the market doesn't like it and in particular, bad economic news the next week and it trades down that puts a chilling effect on the overall market. Maybe we should sit back and wait. It clearly increases prices. If you take the company public at a level, it's probably relevant to inherent value, make them feel good about it because we have a lot of stock to sell. That's how we approached it with our businesses. You don't always get it right.

Roger Freeman - *Barclays - Analyst*

Okay. And then lastly, just back on the balance sheet and, you know, sort of weighing deployment of capital, do you have what's the hurdle rate you think about hurdle rate you think about , returning it? I presume it's lower, it's lower than sort of historical rates of return on your funds, just given the, you know, actual expectations of your LPs, but is there sort of a, I mean, is there a formal process for thinking about that?

Scott Nuttall - *KKR & Co. L.P. - Global Head, Capital & Asset Management*

We tracked the balance sheet very closely. We think about this a lot. The way we look at our business right now is we have a big opportunity to scale our firm into a variety of different parts. The capital markets that are left vacant by, the traditional providers moving away or going out of business so as we think about it today, using the balance sheet to capital seed the direct business, hedge fund business, a $2 trillion market, you know, these are very large markets. And so, if you can put up $100 million or so dollars and raise several billion over time to generate fee and carry from, the ROEs are extraordinarily high.

And so we are a long way from being at a point where it gets to a level where it's anything other than sensible to continue to capitalize these newer efforts. We will update you. We don't have a specific number. Right now, the returns that we are generating in our balance sheet investment are very, very high.

Roger Freeman - *Barclays - Analyst*

The investments, you know, from really the KPE, are those, are we getting into a heightened realization cycle, given just the seasoning of those investments?

Bill Janetschek - *KKR & Co. L.P. - CFO*

Sure. Because remember when the transaction closed, you know, three, almost three years ago -- right. We were predominantly weighted to private equity. What we have been doing now as Scott mentioned is we do have monetization off of the balance sheet and we're taking that capital and redeploying it into strategic ventures which have a high return on investment, but you can see that every single quarter, the cash balance has been relatively stable of anywhere between $700 million and a billion, so we are getting investments and cash but to get to my point earlier, we need that liquidity in order to see these new strategies.

Roger Freeman - *Barclays - Analyst*

Thank you for the clarity.

THOMSON REUTERS

Bill Janetschek - *KKR & Co. L.P. - CFO*

Thank you.

Operator

There are no other questions in cue. I will turn it back to our speakers for closing remarks.

Craig Larson - *KKR & Co. L.P. - IR*

Thank you, everyone for joining us. We look forward to speaking to you after our next quarter.

Operator

That concludes today's conference call. We appreciate your participation.

Editor

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