



# 2011 Investment Management & Specialty Finance Conference

Scott C. Nuttall • June 7, 2011

## Drivers of KKR's Evolution

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### We wanted to:

Invest more behind ideas and relationships



Capture more from content we create



Bring ideas and products to more investors

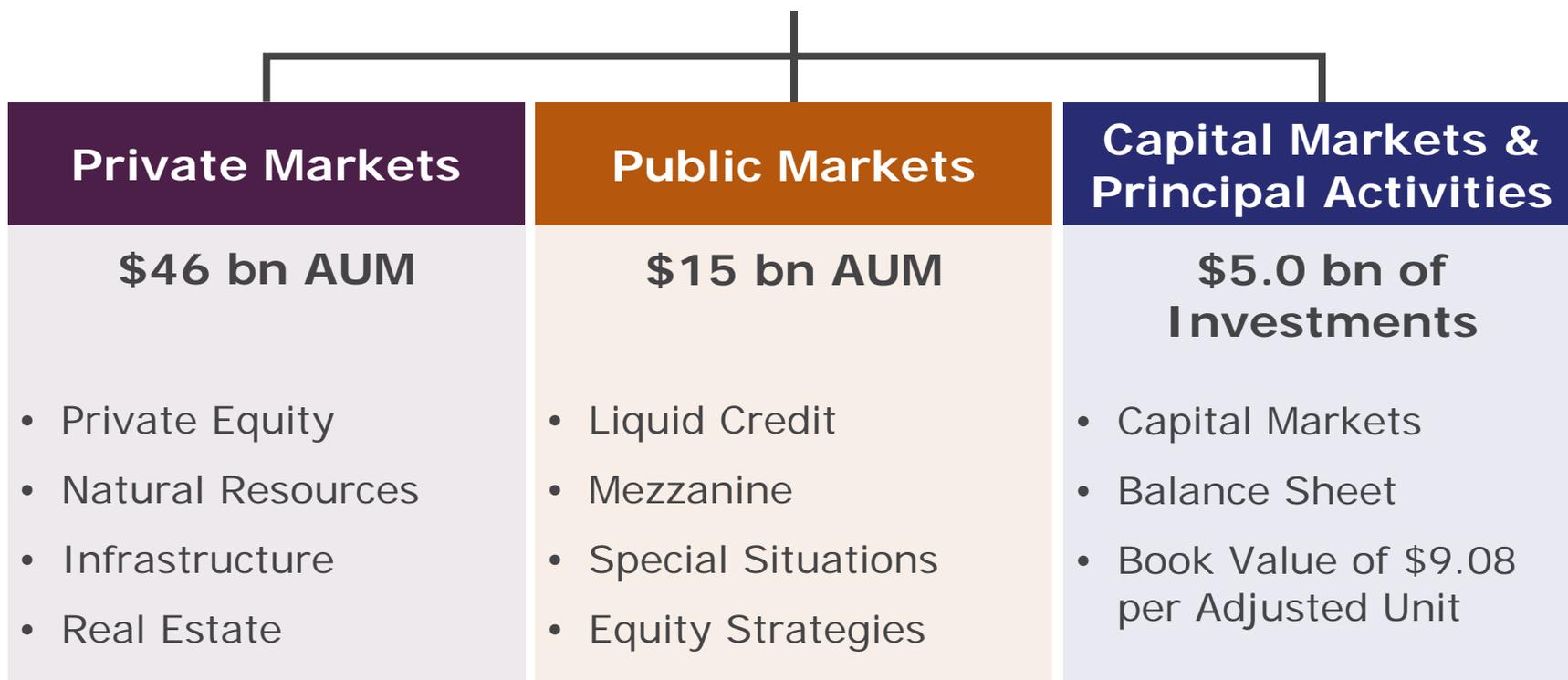


Invest our own capital / Seed new efforts

# Where We are Today

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# KKR



Note: Figures as of 3/31/2011.

KKR

# Our Earnings Streams

	FY 2010	1Q 2011	
<b>Fee Related Earnings</b> 	\$318 mm	\$126 mm	<ul style="list-style-type: none"> <li>• Long-dated and recurring</li> </ul>
<b>Net Carried Interest</b> 	\$608 mm	\$188 mm	<ul style="list-style-type: none"> <li>• All PE funds but one accruing carry</li> </ul>
<b>Balance Sheet Investment Income<sup>(1)</sup></b>	\$1,214 mm	\$429 mm	<ul style="list-style-type: none"> <li>• 100% of investment gains</li> </ul>
<b>Economic Net Income</b>	\$2,140 mm	\$743 mm	Cash distributed as realized: \$0.60/unit from fiscal 2010 earnings \$0.21/unit for 1Q 2011

(1) Reduced by income attributable to noncontrolling interests.

## Two Observations on Valuation

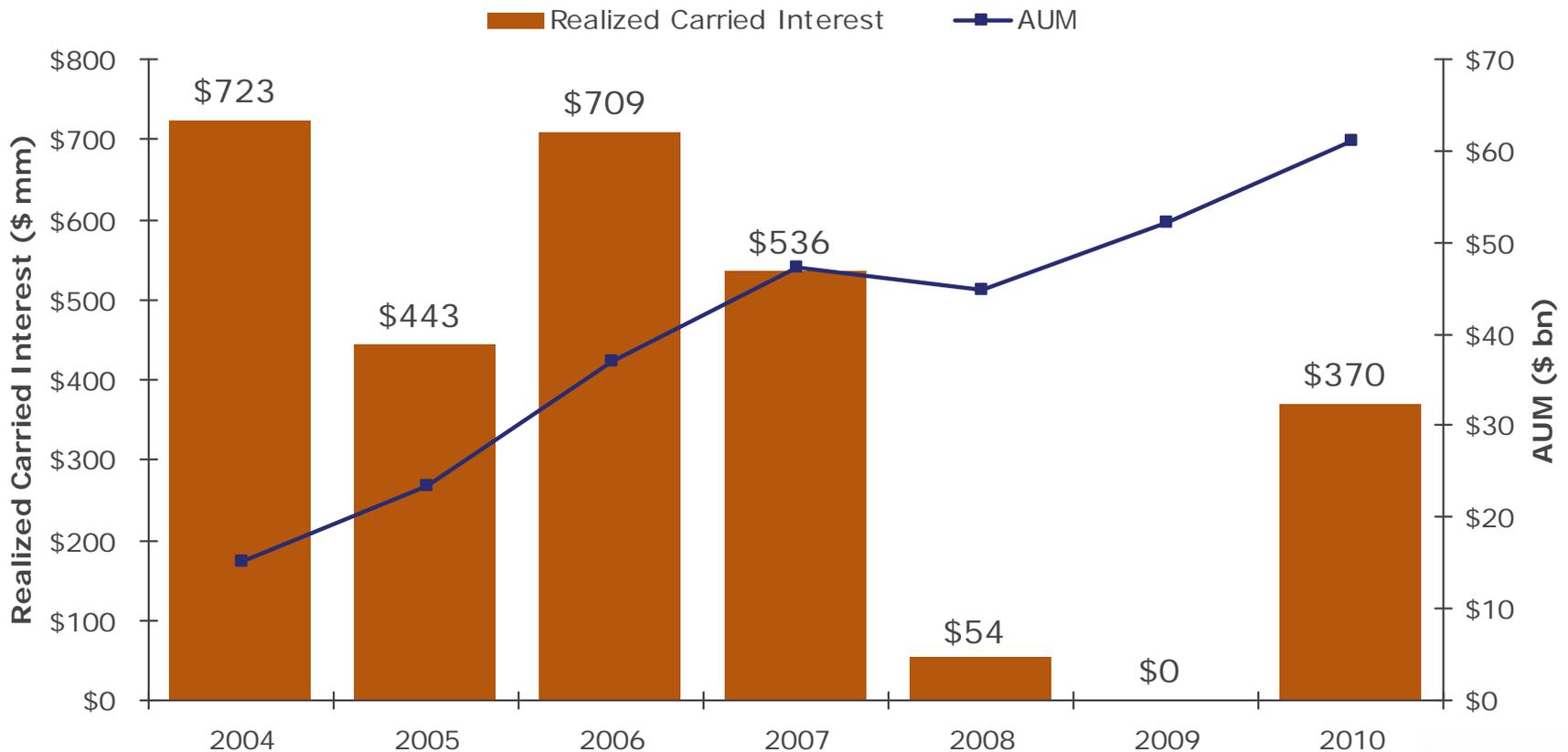
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- 1** Market is putting little value on carry
- 2** Market is putting little to no value on our ability to grow

# Historical Realized Gross Carried Interest

Carry has historically contributed a substantial proportion of firm economics

Nearly \$3 bn of Carry Realized Since 2004



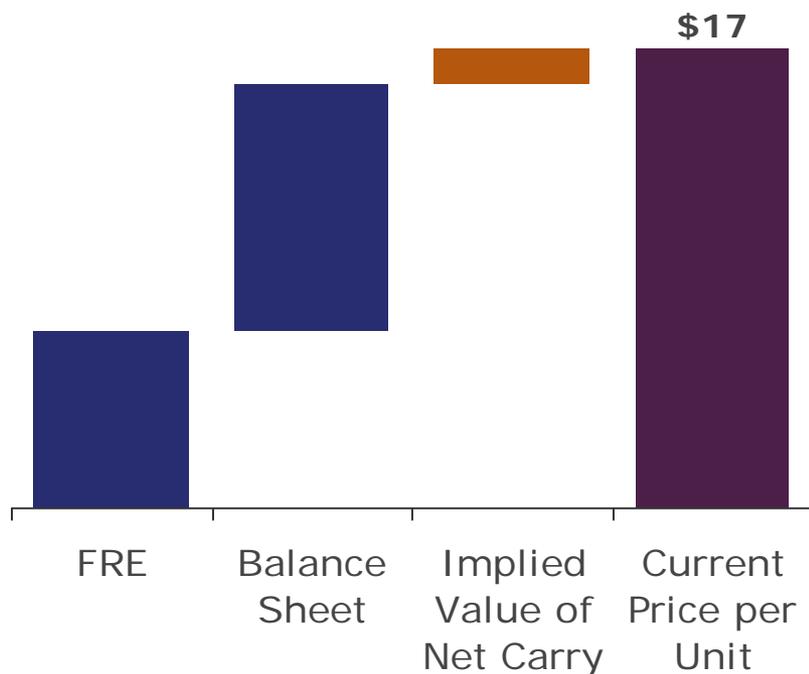
Note: Past performance is no guarantee of future results.

KKR

# The Valuation Gap

Current trading continues to imply a substantial discount on the value of carried interest

## Illustrative SOTP Valuation



## Why is Carry Valuable?

- Nearly \$50 bn of carry-paying AUM
  - Approximately \$45 bn has no preferred return
- Gross private equity IRR of 26% since inception<sup>(1)</sup>
- Positive outlook for current investments
  - Millennium Fund: 2.3-2.5x<sup>(2)</sup>
  - 2006 Fund: 1.75-2.0x<sup>(2)</sup>

Note: Past performance is no guarantee of future results. See Legal Disclosures about forward-looking statements.

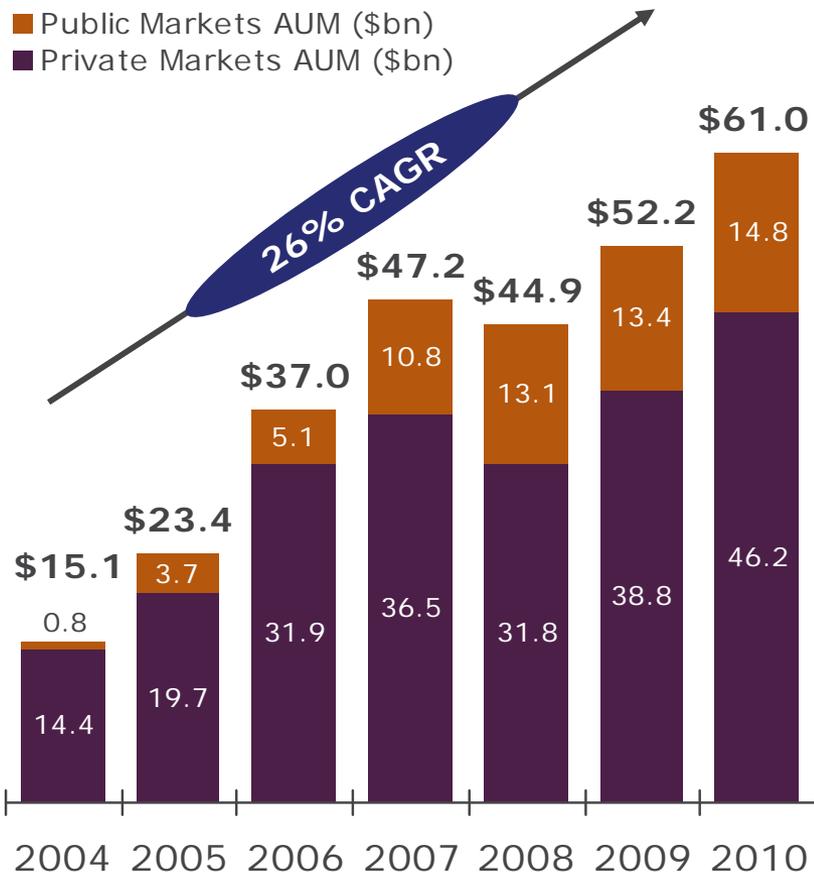
(1) Gross IRR is calculated based on KKR's private equity funds from inception in 1976 through 3/31/2011 with at least 36 months of investment activity.

(2) Fund return projections reflect gross returns over the lives of the referenced funds and are as of May 20, 2011. The ranges of outcomes for gross multiples of capital are provided for illustrative purposes only. Gross multiples of capital may end up below or above this range. Outcomes for the funds are subject to numerous assumptions and contingencies, and the actual results of the funds may therefore differ materially from the ranges described.

# Growth Opportunities

## Meaningful AUM Growth...

## ...Doesn't Yet Reflect Impact of Newest Value Drivers



- Scaling of:
  - Natural Resources
  - Infrastructure
  - Mezzanine
  - Special Situations
- Building of:
  - Long/Short Equity
  - Real Estate
- Client & Partner Group: growing investor base and cross-sell
- Balance sheet: growth accelerator

Note: See Legal Disclosures about forward-looking statements.

# New Strategies Open the Door to Enormous Growth Potential

- Buyouts - \$912 bn
- Leveraged Loans - \$1,000 bn
- Distressed PE - \$150 bn
- Real Estate - \$1,000 bn
- High Yield - \$1,200 bn
- Mezzanine - \$70 bn
- Hedge Funds - \$1,600 bn
- Other - \$100 bn

## Old World

\$912 bn market



## New World

\$6,000 bn market



Note: Market opportunity represents approximate market size for identified strategies based on Preqin, JP Morgan, and KKR estimates. Actual size may vary.

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# Reconciliation of Fee Related Earnings and Economic Net Income to Net Income Attributable to KKR & Co. L.P.

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(Amounts in thousands)	Year Ended 12/31/2010	Quarter Ended 3/31/2011
<b>Total reportable segments fee related earnings</b>	<b>\$318,322</b>	<b>\$126,203</b>
Investment income	1,825,880	617,977
Less: Income attributable to noncontrolling interests	(4,409)	(1,660)
<b>Economic net income (loss)</b>	<b>\$2,139,793</b>	<b>\$742,520</b>
Income taxes	(75,360)	(30,783)
Amortization of intangibles and other, net	(7,785)	(1,286)
Non-cash equity based charges	(824,193)	(141,982)
Allocation to noncontrolling interests held by KKR Holdings L.P.	(899,277)	(408,904)
<b>Net (income) loss attributable to KKR &amp; Co. L.P.</b>	<b>\$333,178</b>	<b>\$159,565</b>

# Reconciliation of GAAP Common Units Outstanding to Adjusted Units

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	<b>As of 12/31/2010</b>	<b>As of 3/31/2011</b>
<b>GAAP Common Units Outstanding - Basic</b>	<b>212,770,091</b>	<b>216,317,787</b>
Unvested Common Units <sup>(1)</sup>	30,000	30,000
<b>GAAP Common Units Outstanding - Diluted</b>	<b>212,800,091</b>	<b>216,347,787</b>
KKR Holdings Units <sup>(2)</sup>	470,237,329	466,689,633
<b>Adjusted Units</b>	<b>683,037,420</b>	<b>683,037,420</b>

(1) Represents equity awards granted under the KKR & Co. L.P. 2010 Equity Incentive Plan. The issuance of common units of KKR & Co. L.P. pursuant to awards under its equity incentive plan dilutes KKR common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business.

(2) Common units that may be issued by KKR & Co. L.P. upon exchange of units in KKR Holdings L.P. for KKR common units.