

# 3<sup>rd</sup> Quarter Earnings Conference Call & Strategic Update

KKR & Co. L.P.

October 27, 2015

## 3Q15 | Key Announcement

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- ▶ Strategic shift in our capital management priorities
  - Fixed distribution of \$0.16 per unit per quarter
  - \$500mm share buyback authorization

Note: The declaration and payment of any distributions including distributions made under KKR's new policy are subject to the discretion of the Board of Directors of the general partner of KKR, and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR or that any particular distribution will be paid.

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## Our Thinking

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**Employees own or control ~45% of KKR units**

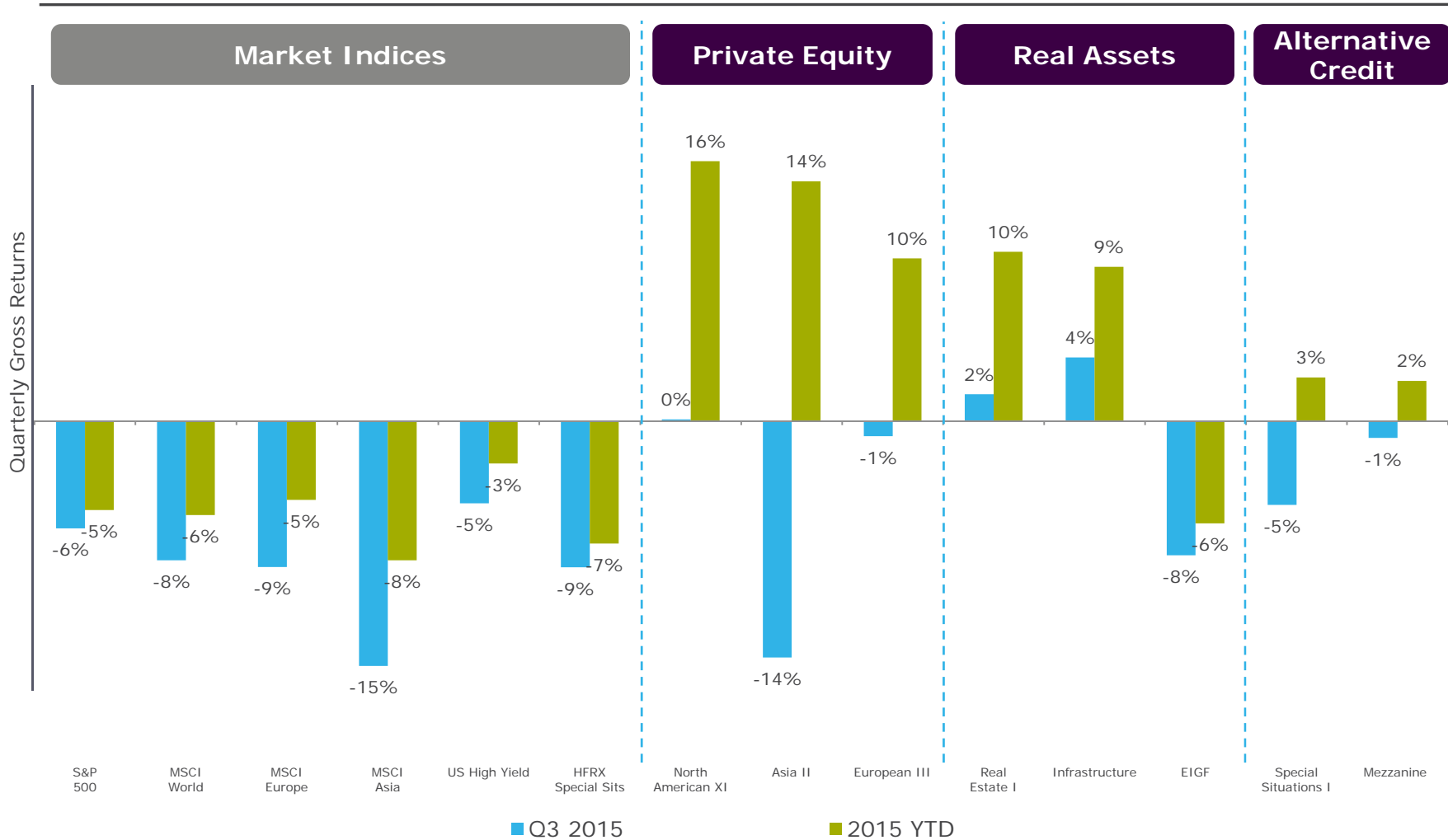
We believe the best way for us to create equity value is to **invest more in everything that we do** *including our units...*

...and we have **\$14 billion of assets** on our balance sheet **to stand behind** a fixed distribution which today represents an effective 3.6% yield

Note: Assets of \$14 billion does not reflect liabilities and noncontrolling interests of \$3.5 billion. Effective yield based on KKR's closing price as of October 26, 2015.

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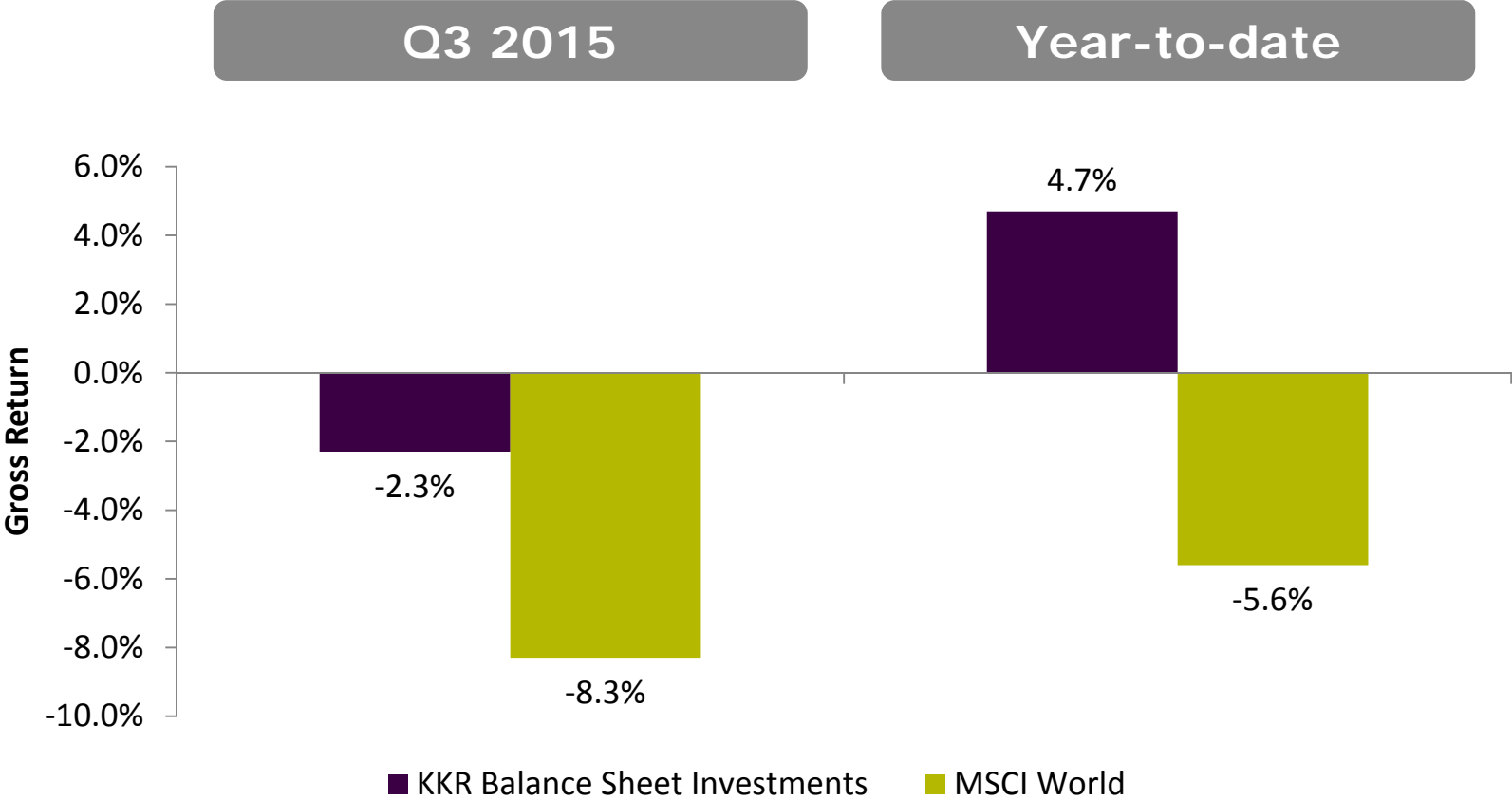
# \$1B+ Carry Paying Funds—Q3 and YTD Performance



Note: The strategies shown above consist of KKR's strategies that generate carry. The funds shown within each strategy represent the flagship funds within each sub-strategy with at least \$1 billion in committed capital (as such, managed accounts, the Natural Resources Fund which had a Q3 2015 return of -31% and a 2015 YTD return of -33% and Direct Lending I which had a Q3 2015 return of -1.2% and a 2015 YTD return of 3.2%, have been excluded); provided, however, in the case of our European, Infrastructure and Special Situations strategies, the predecessor funds are presented, as the most recent funds have begun investing for less than one year. Specifically, for Private Equity the funds represent the flagship funds within each major geographic region. For a complete list of our carry paying funds, see the Investment Vehicle Summary on page 15 of KKR's third quarter earnings release, dated October 27, 2015.



# KKR Balance Sheet Investment Performance—Q3 and YTD



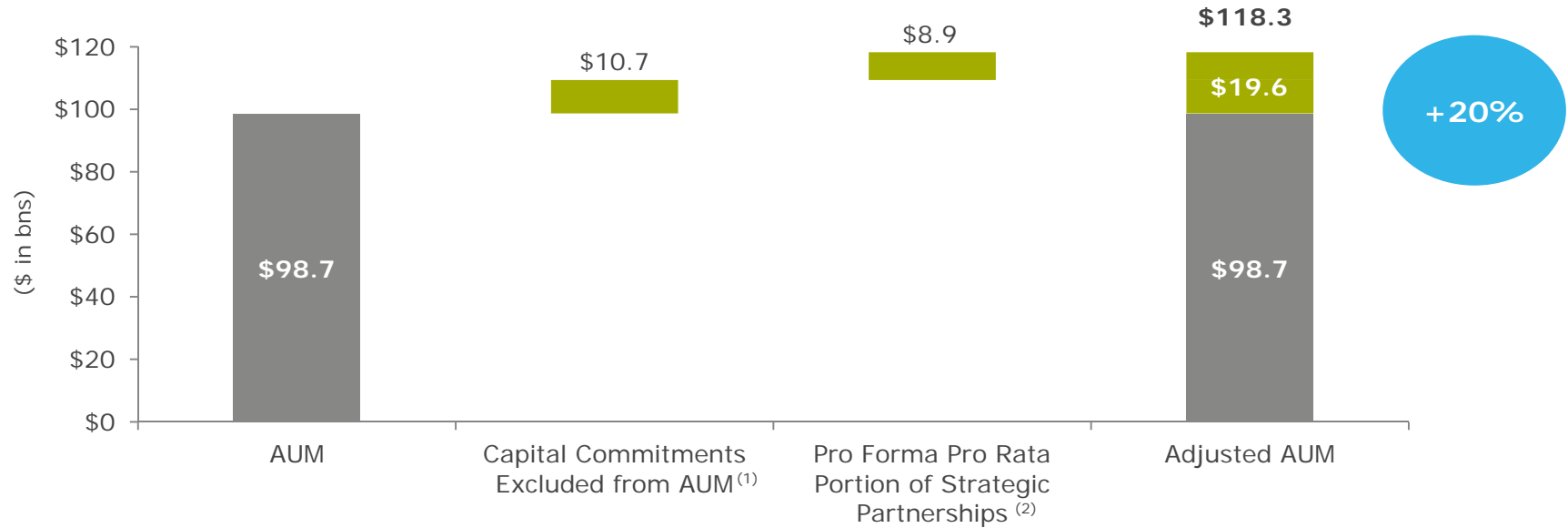
**Strong outperformance relative to broad market indices**

Note: Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority investments in subsidiaries that operate KKR's asset management and other businesses, including the general partner interests in KKR's investment funds. KKR Balance Sheet Investment Performance is calculated on a quarterly basis and represents gross investment income (total investment income plus interest expense) divided by the beginning investment balance. KKR Balance Sheet Investment Performance figures exclude cash. MSCI Index data reflects total return, including dividends.



# Our Adjusted AUM Profile

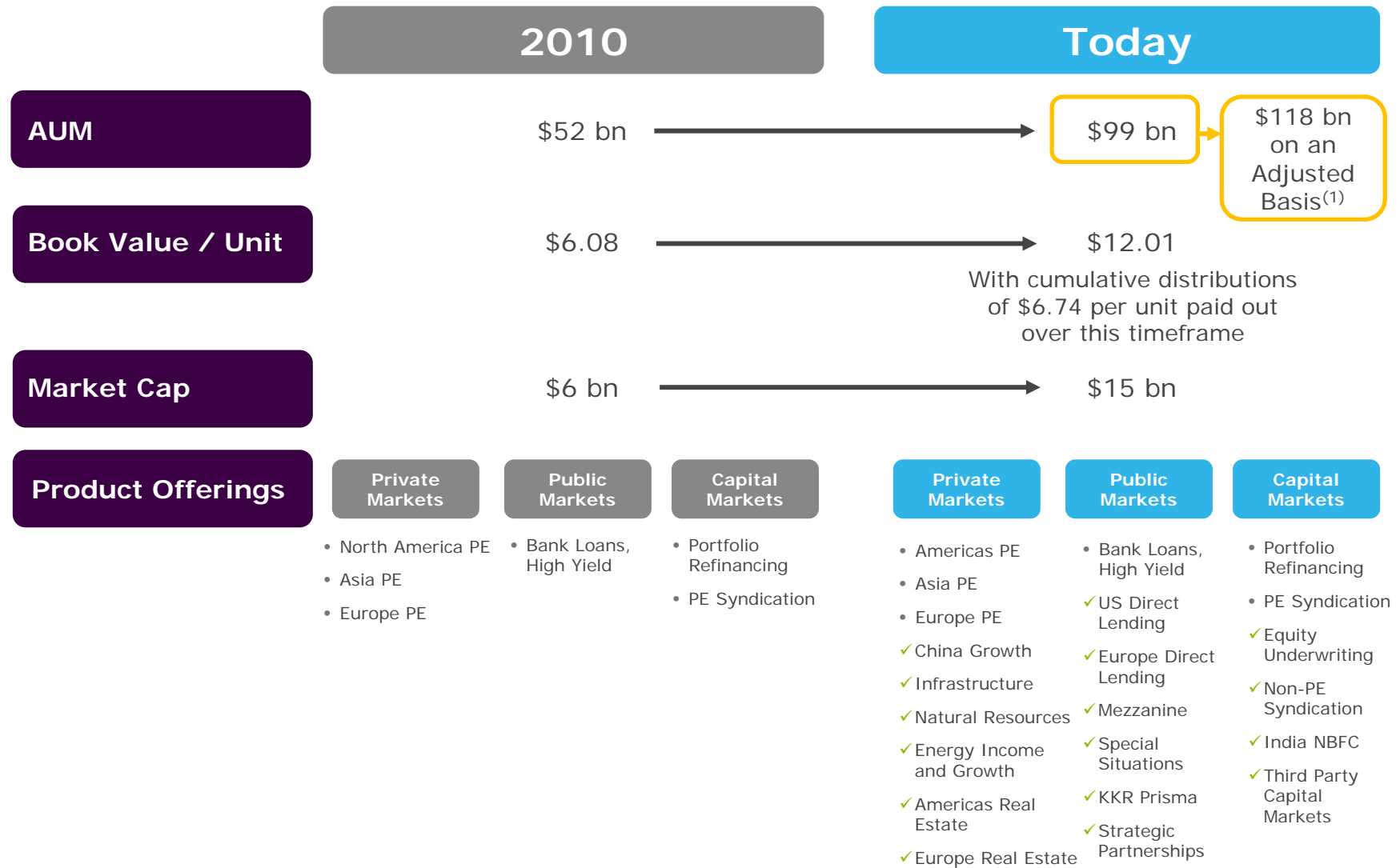
## Assets Under Management



**\$118 bn Adjusted AUM with Incremental \$14 bn of Balance Sheet Assets**

(1) Capital Commitments excluded from AUM refers to commitments in connection with private and public markets investment vehicles for which we are currently not earning management fees or carried interest. Such commitments will not contribute to AUM unless and until we are entitled to receive fees or carried interest in accordance with our definition of AUM.  
 (2) Pro Rata Portion of Strategic Partnerships represents a portion of the AUM managed by entities in which KKR holds a minority stake and is calculated based on KKR's percentage stake in such entities multiplied by such entity's respective AUM or FPAUM, as applicable. Figure shown pro forma for Marshall Wace transaction which is subject to customary closing conditions.

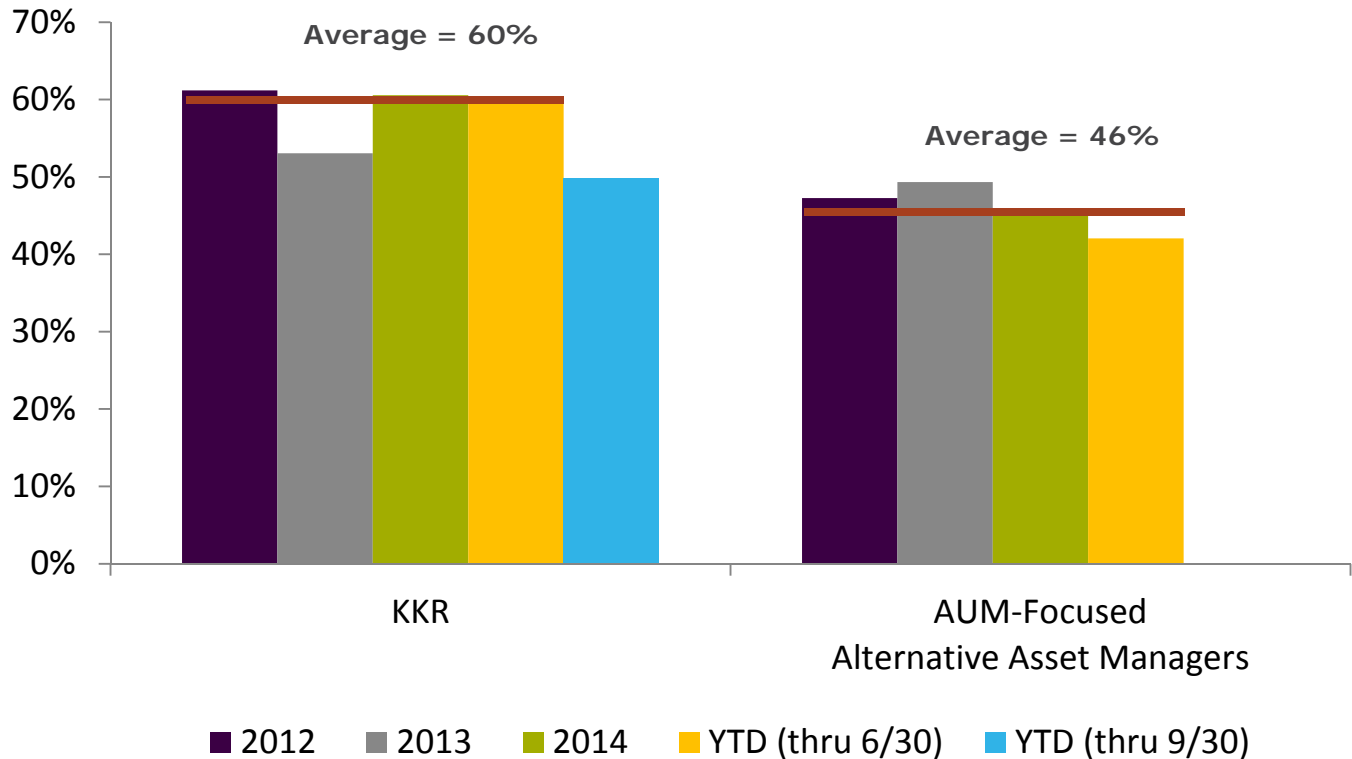
# Our Progress Since 2010



Note: 2010 Reflects beginning of year. Today reflects 9/30/2015 except market cap which is as of 10/16/15.  
 1) See page 6 for adjustments for capital commitments excluded from AUM and pro forma pro rata portion of strategic partnerships.

# Margin Comparison

## Pre-Tax ENI Margin Comparison



## KKR operates at a higher margin

Note: Reflects Pre-Tax ENI less equity-based compensation. AUM-Focused Alternative Asset Managers reflects the average figures for three publicly-traded alternative asset managers with similar strategies, each with AUM in excess of \$150 billion as of June 30, 2015.





## Balance Sheet Investment Returns Have Been Strong

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	2010	2011	2012	2013	2014	YTD 2015
Annual Return:	32.1%	4.8%	25.3%	23.4%	10.9%	4.7%

	1 Year	2 Year	3 Year	4 Year	5 Year	Since 2010
IRR:	3.7%	11.5%	13.6%	16.5%	15.5%	17.2%

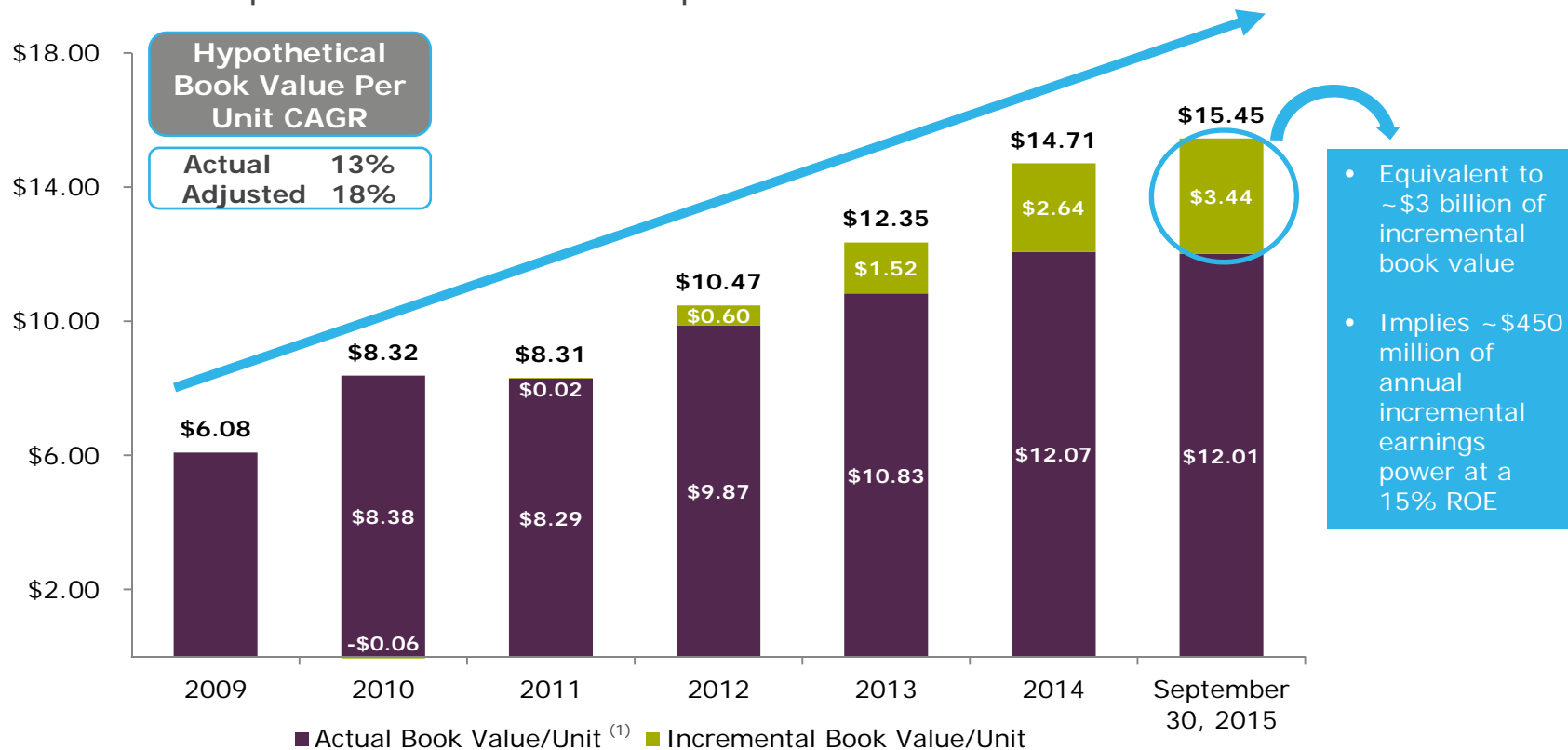
**17.2% annual balance sheet investment return since 2010**

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## Our Re-Imagined Past

- Beginning on January 1, 2010, \$0.64 annual distribution per unit
- Retained capital reinvested and compounded at balance sheet rate



**18% Adjusted Book Value/Unit CAGR since 2010**

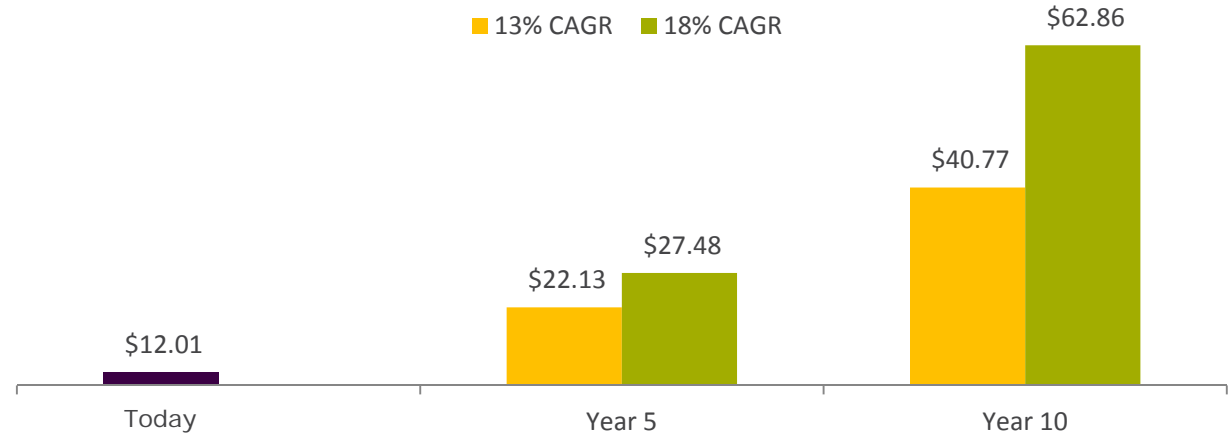
Note: The incremental book value shown above is being presented for illustrative purposes only. Incremental book value has been prepared on the basis of the assumptions set forth above. Specifically, it assumes that incremental retained capital was retained and deployed at a return equivalent to the historical return on investments held on the balance sheet for the respective periods. These assumptions are hypothetical and not representative of any actual or anticipated results. Actual results and events may differ materially from the assumptions underlying this example. There can be no assurance that the incremental book value shown will reflect actual financial results, and actual results may be substantially different from those illustrated herein.

(1) See Appendix for a reconciliation to the comparable GAAP metrics.

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# Our Re-Imagined Future

## Hypothetical Book Value Per Unit



## Hypothetical Gross Investment IRR

	Year 5	
Book Value / Unit	\$22.13	13% CAGR
ROE	15%	KKR Target: mid-to-high teens on a firmwide basis. This figure has averaged over 20% since 2010
Implied ENI / Unit	\$3.32	
Valuation Range	10x-12x P/E	
Year 5 Price / Unit	\$33 - \$40	
• Current Price / Unit	\$18	
<b>Hypothetical IRR</b>	<b>16% – 20%</b>	

Note: Hypothetical IRR assumes a purchase price of \$18 per unit with annual distributions of \$0.64 per unit. The book value and hypothetical IRR model shown above are being presented for illustrative purposes only. The financial results have been prepared on the basis of the specific assumptions set forth above, which assumptions are hypothetical and not representative of any actual or anticipated results. Actual results and events may differ materially from the assumptions underlying this example. There can be no assurance that the book value, IRR or other results shown will reflect actual financial results, and actual results may be substantially different from those illustrated herein. The target ROE stated above constitutes a forward looking statement. See Important Information regarding forward looking statements.

## Long-Term Objectives

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- ▶ Grow profits and book value to create an additional \$20+ billion of market cap
- ▶ Control headcount growth and limit complexity
- ▶ Control share count
- ▶ Limit shareholder dilution
- ▶ Keep ROE Attractive
- ▶ Limit Leverage

**We believe today's announcements further align our business model with these objectives and will help us accomplish each in the future**

Note: The long-term objectives stated above constitute forward looking statements. See Important Information regarding forward looking statements.

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## In Summary

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# Appendix

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## Appendix: Reconciliation of KKR & Co. L.P. Partners' Capital (GAAP Basis) to Book Value per Adjusted Unit

	As Of						
	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	September 30, 2015
<b>KKR &amp; Co. L.P. partners' capital</b>	<b>1,013,849</b>	<b>\$1,326,493</b>	<b>\$1,328,698</b>	<b>\$2,004,359</b>	<b>\$2,722,010</b>	<b>\$5,382,691</b>	<b>\$5,658,646</b>
Noncontrolling interests held by KKR Holdings L.P.	3,072,360	4,346,388	4,342,157	4,981,864	5,116,761	4,661,679	4,482,900
Equity impact of KKR Management Holding Corp. and other	66,675	52,745	39,729	(29,039)	(76,171)	73,855	90,017
<b>Book value</b>	<b>4,152,884</b>	<b>5,725,626</b>	<b>5,710,584</b>	<b>6,957,184</b>	<b>7,762,600</b>	<b>10,118,225</b>	<b>10,231,563</b>
Adjusted units	683,007,420	683,037,420	689,392,861	704,780,484	716,676,699	838,020,974	851,670,762
<b>Book value per adjusted unit</b>	<b>\$6.08</b>	<b>\$8.38</b>	<b>\$8.29</b>	<b>\$9.87</b>	<b>\$10.83</b>	<b>\$12.07</b>	<b>\$12.01</b>

Note: Amounts in thousands, except common unit and per common unit amounts.

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# Legal Disclosures

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