



## KKR Releases Mid-Year Macro Outlook Report

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Henry McVey Believes Investors Should “Stick to the Plan” in a Volatile Market

NEW YORK--(BUSINESS WIRE)-- KKR today announced the release of its 2019 mid-year outlook piece by Henry McVey, Head of Global Macro and Asset Allocation (GMAA). In *Stick to the Plan*, McVey discusses the current investing environment, including the recent spike in geopolitical concerns. Despite these headwinds, he and his team continue to see an attractive path forward for investors who “stick to the plan” by continuing to invest heavily behind macro themes.

“With all the geopolitical ‘noise’ swirling around these days, there is a growing propensity in the investment community to react quickly to near-term news flows, or even head to the sidelines until there is greater visibility. Our view: stick to the plan,” Henry McVey says.

In his latest report, McVey emphasizes that while overall portfolio risks are higher these days, low-rates, de-levered financial institutions and accommodative central banks should help to prevent a 2007-type downturn. Therefore, he advocates:

- Owning more cash-flowing assets linked to nominal GDP;
- Favoring more Opportunistic Credit and Special Situations strategies that have the flexibility to lean into dislocations;
- Embracing complexity through a variety of investment disciplines, including Energy, Private Equity, Real Estate and Infrastructure; and
- Remaining overweight the short-end of the interest rate curve, as he sees more room for yield compression.

McVey and his team outline the following key themes influencing their thinking for the second half of 2019 and beyond:

1. **Remain bullish on deconglomeratization, or carve-outs.** Complexity associated with large corporate multinationals divesting non-core subsidiaries is substantial, but carve-outs often have the potential to unlock significant value, particularly as it relates to cash flow generation.
2. **The ‘Yearn for Yield’ underscores the structural reinvestment risk that has emerged for income-oriented investors.** Own more cash-flowing assets linked to nominal GDP, build more flexibility across mandates, and shorten duration where appropriate.
3. **Lean into periodic dislocations and growing dispersions.** The capital markets are increasingly giving investors multiple opportunities to lean into dislocation to buy mispriced assets. The recent increase in dispersions should be an additional tailwind to this theme.
4. **Own secular growth stories that are ‘Cash Flow Compounders’ amidst slowing nominal GDP.** With China’s nominal GDP falling, overall nominal GDP growth has suffered mightily. In this environment we think that more investors will migrate towards secular growth stories where there is a meaningful potential for cash flow to compound.

The report also details the GMAA team’s updated asset allocation positions, as well as their key calls for the remainder of the year, including: the potential for the Fed cutting rates twice, a more conservative multiple for the S&P 500 relative to current real rate environment, and a greater than 50% chance that President Trump imposes the next \$325 billion in tariffs on China.

Links to access this report as well as an archive of Henry McVey's previous publications follow:

- To read the latest Insights, click [here](#).
- To download a PDF version, click [here](#).
- To download the KKR Insights app [for iOS click here](#), and [for Android click here](#).
- For an archive of previous publications please visit [www.KKRinsights.com](http://www.KKRinsights.com).

### **About Henry McVey**

Henry H. McVey joined KKR in 2011 and is Head of the Global Macro and Asset Allocation team. Mr. McVey also serves as Chief Investment Officer for the Firm's Balance Sheet and oversees Firmwide Market Risk at KKR. As part of these roles, he sits on the Firm's Investment Management & Distribution Committee and the Risk & Operations Committee. Prior to joining KKR, Mr. McVey was a managing director, lead portfolio manager and head of global macro and asset allocation at Morgan Stanley Investment Management (MSIM). Learn more about Mr. McVey [here](#).

### **About KKR**

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