



KKR Releases “Hot Spots” by Henry McVey

August 6, 2019

New Macro Report Delves into Implications of Important Geopolitical Regions for Investors Today

NEW YORK--(BUSINESS WIRE)-- KKR today announced the release of Hot Spots, a new macro Insights piece by Henry McVey, Head of Global Macro and Asset Allocation (GMAA), wherein McVey and his team share their learnings from a recent trip to Beijing and London, two of the most important geopolitical “hot spots” for investors these days.

“Both China and the United Kingdom are enduring long, drawn-out discussions around their roles as trading partners as well as destinations for foreign capital... Amidst the heightened uncertainty we witnessed, we now see some emerging opportunities,” Henry McVey says.

In his latest report, McVey emphasizes that we are living in an increasingly complicated world – one that requires investment flexibility, including operational expertise as well as the ability to move up and down the capital structure at different points in the cycle.

In the piece, McVey outlines several key investment conclusions from his trip. They are as follows:

- **Our key takeaway was that there may or may not be a headline win around trade eventually, but the global competitive landscape has shifted permanently across both continents**, particularly as the geopolitical and strategic importance of technological prowess across industries increases. If we are right, then a different investment playbook than what worked for the last 25 years is now required.
- **We remain of the view that rates are likely to stay lower for longer, which has huge investment implications for both individual and institutional savers.** In terms of the global inflation outlook, our travels lead us to believe that we are stuck somewhere between disinflation and deflation. Recent weakness in China’s currency will only exacerbate this trend, we believe.
- **China continues to be the most innovative technology market that we visit each year, while Europe is trying to close the gap.** Driven by 330 million millennials that are coming of age, the opportunity around Big Data, Artificial Intelligence, and 5G remains outsized within both the consumer and corporate segments of China. Meanwhile, in Europe we think that Berlin has clearly emerged as the Continent’s Silicon Valley, and the significant opportunity set that we see across private Technology investments in the region make us even more bullish that European Private Equity can handily outperform European Public Markets.
- **We expect more geopolitical volatility ahead, and we now assign a 50% probability to a Hard Brexit.** The potential temporary dysfunction from a disorderly departure, particularly as it relates to business uncertainty in the private sector, likely deserves more attention than it is getting from investors.
- **Given the uncertainty, we think that the opportunity to buy complexity at a discount remains outsized.** Interestingly, Asia seems to be gaining on Europe in terms of the ability to transact. Our conversations in Beijing with senior executives now lead us to believe that there is a forthcoming wave of deconglomeratization in China that could soon rival what we are seeing in Europe these days.

“In our latest report, our message is to spend the extra time to learn about the ‘hot spots’ around the world, and with this knowledge, discern where to lean in and lean out in the coming quarters, as periodic dislocations inevitably bubble up. Complexity and uncertainty breed opportunity for those who are prepared,” Henry McVey concludes.

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.

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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Source: KKR