



KKR Releases “Regime Change: The Benefits of Private Credit in the ‘Traditional’ Portfolio”

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New Macro Report Reiterates the Need for a New Approach to Portfolio Construction

NEW YORK--(BUSINESS WIRE)-- KKR, a leading global investment firm, today announced the release of *Regime Change: The Benefits of Private Credit in the ‘Traditional’ Portfolio* by Henry McVey, CIO of KKR’s Balance Sheet and Head of Global Macro and Asset Allocation (GMAA) and Racim Allouani, Head of Portfolio Construction, Investment Risk Management and Quantitative Analysis at KKR. The latest *Insights* piece follows the publication of *Regime Change: Enhancing the ‘Traditional’ Portfolio*, which urged investors to reexamine the traditional 60/40 portfolio construction model in order to protect their pricing power in a new investing environment. In the new piece, McVey and Allouani continue to assert that increasing allocations to more inflation resilient assets such as Private Credit, Infrastructure and Real Estate can enhance risk-adjusted returns over the long-term. They also note that the case for allocating assets to Private Credit is even stronger now than it was earlier this year.

“We continue to believe that, in the new macroeconomic regime we have entered, the positive correlation between stocks and bonds will likely be problematic over the long-term for the traditional 60/40 portfolio. Now is the time to rethink approaches to asset allocation, including expanding more into Private Credit, given the most recent pullback by traditional lending institutions,” said McVey and Allouani.

McVey and Allouani offer the following investment conclusions:

- While the traditional 60/40 portfolio could snap back in the short-term, a longer-term breakdown in the correlation between equities and bonds puts investors in a different regime for asset allocation.
- A 40/30/30 equities-bonds-alternatives allocation offers more diversification and inflation protection for the macroeconomic environment ahead.
- Now is a particularly attractive time to allocate capital to Private Credit, which is benefitting from a variety of factors, including traditional lenders pulling back, improved lending terms, higher absolute yields and access to higher quality counterparties.
- Because building a 10% position in Private Credit could take multiple quarters, we believe that investors should consider the current value offered in Liquid Credit, including CLO liabilities.
- Institutional and individual investors may look for different ways to implement this view, including through drawdown funds, business development companies, interval funds, loans and CLO liabilities exchange traded funds.

Links to access this report in full 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 our May 2022 note, 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, Balance Sheet and Risk team. Mr. McVey also serves as Chief Investment Officer for the Firm’s Balance Sheet, oversees Firmwide Market Risk at KKR, and co-heads KKR’s Strategic Partnership Initiative. 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 Racim Allouani

Racim Allouani joined KKR in 2015 and oversees Portfolio Construction, Investment Risk Management and Quantitative Analysis across KKR Private and Public Markets. Prior to joining KKR, he spent five years at the hedge fund of Lombard Odier as a senior quantitative portfolio analyst and risk manager, covering equity and credit long/short strategies. Prior to that, he was at Arden Asset Management, a fund of hedge funds, in the portfolio optimization group. Mr. Allouani also previously held positions at Deutsche Bank in equity research and Bank West LB in fixed income research. Learn more about Mr. Allouani [here](#).

About KKR

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