



KKR's Henry McVey: New Investment Playbook Required

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New Mid-Year Report Provides Update on Global Macro Trends

NEW YORK--(BUSINESS WIRE)-- KKR today announced the release of its 2018 mid-year outlook piece by Henry McVey, Head of Global Macro and Asset Allocation (GMAA). In New Playbook Required, McVey outlines his perspective on the current investing environment and updates his asset allocation targets.

"From a macro and asset allocation perspective, we feel confident that we are on the cusp of a secular shift where a new playbook for investing may be required," Henry McVey says. "We now see a significant 'baton hand-off' in many of the markets that we cover from monetary policy towards fiscal stimulus — perhaps the most important shift in the last decade. This change in policy leads us to favor investments with greater linkages to the real economy — versus purely financial assets — than in the past."

McVey continues, "We also continue to see nationalist agendas, particularly as they relate to cross-border trade, supplanting more global ones. Against this backdrop, we now favor more upfront yield in the portfolio, we advocate shortening duration, and we place a premium on low cost liabilities. We also continue to view Asia as the world's incremental growth engine."

In his latest report, Henry McVey and his team note the following macroeconomic investment trends that are driving his team's thinking:

- Asset allocators and macro players must now invest through the lens of fiscal policy accommodation, not monetary policy accommodation, which has dominated the landscape since the Global Financial Crisis.
- Nationalist agendas are now aggressively being emphasized over global ones.
- The structural bid for yielding assets remains outsized, but we are further turning our focus towards hard assets that benefit more from nominal GDP.
- Buy complexity, sell simplicity. Similar to the late 1990s, we think that the market is giving investors a wonderful opportunity to buy complexity at a discount.
- We remain bullish on our 'Deconglomeration' thesis, and we continue to see a burst of corporate carve-outs across the globe.
- We are increasingly struck by how fast overall consumer behavior patterns are changing and continue to be bullish on our 'Experiences Over Things' thesis.
- While we continue to favor Emerging Markets over Developed Markets, we acknowledge that our mid-cycle pause thesis is playing out more intensely than we originally envisioned. As such, we continue to advocate more selectivity in the second phase of this secular bull market in Emerging Markets.

Key highlights of Mr. McVey's asset allocation framework include a substantial underweight to global government bonds, particularly at the long-end of the curve; an increasing overweight to Real Assets with Yield and Growth; the decision to remain equal-weight Public Equities by underweighting Turkey and adding to the U.S.; the addition of Grains (Corn) to the portfolio; and a decrease to Cash.

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). Earlier in his career he was a portfolio manager at Fortress Investment Group and chief U.S. investment strategist for Morgan Stanley. While at Morgan Stanley, Mr. McVey was also a member of the asset allocation committee and was the top-ranked asset management and brokerage analyst by Institutional Investor for four consecutive years before becoming the firm's strategist in January 2004. He earned his B.A. from the University of Virginia and an M.B.A. from the Wharton School of the University of Pennsylvania. Mr. McVey is a member of the TEAK Fellowship Board of Trustees after previously serving as co-chair of the board for five years. Henry is also a member of the Pritzker Foundation Investment Committee, a board member of the University of Virginia Investment Management Company (UVIMCO), a member of the national advisory board for the Jefferson Scholarship at the University of Virginia, and a member of the Council on Foreign Relations Corporate Leader Program.

About KKR

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