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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the KKR second-quarter 2016 earnings conference call. (Operator Instructions) As reminder, this conference is being recorded.

I will now hand the call over to Craig Larson, Head of Investor Relations for KKR. Craig, please go ahead.

Craig Larson - *KKR & Co. L.P. - Managing Director, IR*

Thanks, Tonya. Welcome to our second-quarter 2016 earnings call. Thank you for joining us. As usual, I'm joined by Bill Janetschek, our CFO, and Scott Nuttall, Global Head of Capital and Asset Management.

We'd like to remind everyone that we will refer to non-GAAP measures on the call which are reconciled to GAAP figures in our press release, which is available on the investors center section of kkr.com. This call will also contain forward-looking statements which do not guarantee future events or performance. Please refer to our SEC filings for cautionary factors related to these statements.

And like previous quarters, we have also posted a supplementary presentation to our website, which we will be referring to a number of times over the course of the call.

This morning, we reported our second-quarter results. Of note, we reported second-quarter economic net income of $249 million, which equates to $0.23 of after-tax economic net income per unit, and after-tax total distributable earnings of $508 million.

We have again announced our $0.16 per-unit distribution. And on the buyback front, in total, over the almost 9 months since we announced our $500 million authorization, we repurchased and canceled 33.9 million units and have about $60 million remaining under the authorization. And when we look at our payout ratio over these last three quarters, so looking at our distributions together with the buyback activity, our payout ratio actually exceeds 100% over this time period.

If you can turn to page 2 of the presentation, the page highlights the main themes in our business that we will be expanding on over the next 15 or 20 minutes. First, this was a strong distributable earnings quarter, given our monetization activity. And as noted on the page, the $508 million figure is the third-highest distributable earnings quarter we've had as a public company.

Second, we continue to have success from a fund-raising standpoint. Our AUM has increased 14% on a year-over-year basis, driven by the $34 billion of gross inflows over this period.

And finally, we believe we are exceptionally well positioned in this market environment. Fundamentally, having more dry powder than we have had at any point in our history to invest behind our ideas during volatile markets will be, we believe, a very good thing for our Firm over the long term.

And with that, I will turn it over to Bill.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Thanks, Craig. To set the stage for our results, I will start with our performance. As you can see on page 3 of our supplement, we had strong investment performance both on a quarterly and year-to-date basis across our carry paying fund.

Year to date, our three key flagship P/E funds -- NAXI, Asia II and Europe III -- outperformed relative benchmarks by 200 basis points to 1,900 basis points. Overall, our private equity portfolio was up 4.5% in the quarter, with the private portfolio contributing 6% growth and public securities contributing 3%. Within real assets, our real estate and infrastructure funds continue to perform and EIGF was up 10% in the quarter as underlying commodity prices rebounded.

Shifting to alternative credit, our benchmark special sits and mezz funds trailed both credit indices in the quarter, while Lending Partners II continue to perform. Focusing on total segment financials, management, monitoring, and transaction fees were $262 million, with management fees exceeding $200 million in the quarter for the first time. Year-over-year management fees were up 12%, reflecting our fee-paying AUM growth.

Performance income in the quarter was $329 million, up significantly over the last quarter. Strong unrealized marks, coupled with the pronounced level of realization activity across a large number of our portfolio investments, were the key contributors to this increase.

Page 4 highlights our realization activity. In total, realization events at 10 portfolio companies drove a 200% increase in cash carry compared to last quarter. On a blended basis, these exits were done at 3.2 times our cost, an IRR of 19%, and were diversified across geographies and type of exits.

Shifting to investment income, we had a strong realization quarter, driven primarily by a few of the same names that contributed to carry. Exits in Walgreens and HCA in particular drove the realized gain, given our sizable co-investment and fund exposure in these companies.

And turning to the expense side, cash compensation and benefits and other expenses were down modestly compared to Q2 2015. Bringing it all together, fee-related earnings came in at $138 million, our after-tax distributable earnings were $508 million, with reported pre-tax E&I of $201 million and after-tax E&I of $191 million.

Onto AUM and fee-paying AUM, page 5 of the supplement highlights the growth in AUM over the last 12 months. Our AUM has increased 14% over this period to $131 billion. This growth was primarily driven by $28 billion of organic capital raised during this time period.

The quality of the capital that we were raising is quite strong. Looking at this $28 billion, on a blended basis, roughly 80% is carry or incentive fee eligible and locked up for at least 8 years from inception. Also of note, the $131 billion includes roughly $20 billion of assets where we are not yet earning economics. So we haven't seen the impact in our management fees.

Fee-paying AUM has also grown nicely and is up 9% over the same time period. In the quarter, AUM increased by $5 billion behind continued fundraising activity in private and public markets. Net inflows in private equity, real estate, CLOs, our strategic partnerships, and a few of our liquid credit mandates were the big contributors.

Fee-paying AUM increased $1 billion in the quarter, despite our robust monetization activity. This leaves us with approximately $38 billion of dry powder as of June 30, a 48% increase year over year.

Moving on to deployment, we invested $1 billion of capital in private market. The largest contributors were private equity investment in a Swedish flooring business out of E4 and an infrastructure JV formed with Pemex out of [infra] II. In public markets, deployment was $1.1 billion, up nicely from last quarter. Looking forward, we have a nice pipeline of activity slated for the second half of the year.

There are two additional items I'd like to touch on. The first relates to Brexit and our exposure to the UK. In June, the vote to withdraw from the EU triggered a global selloff in equities, while the pound suffered its biggest fall in history and hit a 31-year low. While the full implications of the vote and its longer-term impact on markets remain to be seen and will play out over the coming years, let's run through our exposures.

First, on a fair value, exposure to the UK is quite modest. When looking at our global private equity portfolio, less than 2% of current fair value stems from portfolio companies which derive the majority of their revenues in or from the UK.

In terms of real estate and direct lending, while we do have exposure to the UK investments, their exposure to the Firm is immaterial. And in terms of currency at both the fund and portfolio Company level, as we have historically done, we've proactively hedged our currency exposure, so the impact from the movement of the pound at the end of the quarter was quite modest.

Finally, I would like to turn to the balance sheet. Our activity this quarter has been focused on increasing our liquidity. Given the volatility we've seen and expect to continue to see, we wanted to enhance our liquidity to position ourselves to take advantage of dislocations. And we have made a good amount of progress in the quarter.

Driven by monetization activity in the quarter and a second perpetual preferred stock offering, our cash and short-term investments have increased from $1.5 billion at the end of last quarter to $1.9 billion.

In addition to this, we completed two transactions this quarter worth spending a minute on. Through these transactions, we sold pools of assets from the balance sheet, a combination of private equity and alternative credit co-investments, growth equity investments, as well as CLO equity, to two separately managed accounts.

In return, we receive cash, continue participation in a significant portion of the upside of these investments, and new LP commitments within our growth equity strategies. We basically look at these transactions and think we sold 85% on the assets in these pools while retaining a significant portion of the upside in the assets that we sold.

We receive cash, which we will invest back into the Firm, and we help to solidify fundraising efforts with some of the new Fund I, which will help enhance our AUM, fee-paying AUM, management fees, and with performance, the carry line.

These transactions are another example of how we can utilize the balance sheet to help grow the Firm's profits. Specifically, in terms of the balance sheet as of June 30, the proceeds from these transactions, approximately $400 million in total, will positively impact our cash balances later this year.

And with that, I'll turn it over to Scott.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Thanks, Bill. And thanks, everybody, for joining our call. I'm going to take a bit of a different approach this quarter. As most of you are aware, our Firm and our model are different. Specifically, we have long-term locked-up capital not subject to redemption. Over 70% of our management fees come from capital that is locked up for at least eight years from inception, and we have a balance sheet with over $13 billion of assets.

Because of this dynamic, we operate and invest with a different view, a longer-term view. While most of the Street operates in increments of 90 days or less, our frame of reference and timeline in measuring performance is much longer.

Given this, I sometimes find we talk past each other. We all invest, but our time frames and perspectives are quite different. Over the last 12 months, it is felt that the market sentiment has played an increasing role in how our units trade in the public markets. And this sentiment has felt to us very short-term oriented in nature.

So this quarter, rather than run through what was marked up or down, we thought we would try reviewing our performance in a different way. By walking through a few of the more prevalent perceptions, questions, and concerns that we hear from you and how they relate to the performance of the Firm.

We've outlined each of these in our supplemental deck. So I'm going to start with the first one on page 6. And we hear this one quite often. Perception one: in volatile market environments, KKR won't be able to monetize investments and generate cash.

As Bill discussed, exit activity has actually been robust and helped drive over $500 million of distributable earnings this quarter. In fact, this quarter is the third-highest level of after-tax distributable earnings the Firm has ever generated and excludes four sizable portfolio company strategic sales, which have been announced and are expected to close in the second half of the year.

Slide 7 show some details behind this activity. Even in periods of market volatility, we are able to access strategic buyers and pursue public offerings across our portfolio and across geographies.

Our public holdings continue to account for a healthy worship of total P/E fair value: 40% or so as of June 30, despite sizable secondaries at some of our larger public companies during the quarter. This figure now includes US Foods, which successfully priced its IPO in Q2. Given our large portfolio of public holdings and the continuing strong strategic bid for assets, we've got good visibility on exits and carry generation.

Let's turn to perception two. Here's another one we hear: with markets near all-time highs, KKR won't be able to deploy meaningful capital within private markets.

Now please turn to page 9. Two thoughts here. First, on the left-hand side of the slide, you will see that while the S&P 500 may be up 4% in the last 12 months, it's certainly not reflective of performance across most global indices in the last year.

Many Asian and European equity markets are in the midst of a bear market, with indices in Japan and China all declining more than 20%. Many European indices have declined as well, between 10% and 20% over this time frame. And in the US, we've seen a divergence between small-cap and large-cap companies, with the Russell 2000 underperforming both the Dow Jones and the S&P 500 by over 700 basis points.

As we've said before, this type of backdrop is great for us. With patient capital and the added benefit of $38 billion of record dry powder, we feel well positioned to take advantage of opportunities that arise from this dislocation. In effect, when you have locked-up capital and a lot of dry powder to deploy, it's great news when assets get cheaper.

In addition, as the right-hand side of the page highlights, we have been actively deploying capital into this dislocation and have announced several pending transactions expected to close later this year. Our pipelines are full and our activity level is increasing.

So let's go to perception three, which we also hear quite frequently. Given volatility, your private equity returns are under pressure. So now I'm on page 11. As you can see, inception-to-date returns have been very strong, meaningfully outperforming the public markets, which bodes well for future distributable earnings and fundraising.

Outperformance in the private equity asset class is greatest in periods of time when the public markets are returning less than 10%. This is what we have been seeing in the market and expect to continue to see.

Let's turn to perception four. I'm now on slide 12. Given the current economic backdrop, revenue growth will be hard to come by in the coming years. Page 13 shows the growth in our management fee profile since 2010.

In the last five or so years, we see this figure increase at an annual rate of about 11%. Important to note here, the $775 million in management fees generated in the last 12 months excludes the impact of $20 billion of capital not yet earning fees, which will turn on over time.

If all of that was invested today at its blended fee rate of 131 basis points and we assume Americas XII reaches its hard cap, this would translate into $214 million in net incremental management fees per year. This is equivalent to about 30% of our annual management fees.

To be clear, as the $20 billion gets invested, some of the $775 million will run off. But we expect this dynamic to have a significant net impact on fee income over time.

Fee pressure is another topic that comes up in every recent investor meeting. On that, I will point you to the smaller chart on the same page, which uses Americas XII as an example. When Americas XII turns on and we continue to realize fees from NAXI post investment period, this will result in a net fee step-up of over 80% across these two vehicles.

And then looking at the totality of Americas XII's economics, we have retained, if not improved on, the blended economic profile on a pool of capital that should end up 40% larger than its predecessor fund. Given the success we've had in our fundraising and the significance of shadow AUM, we have never had greater visibility on management fee growth than we have today.

If you go to page 14, you will see the net growth across each of our major strategies since 2010. In each case, we have either launched or expanded our presence across these asset classes and believe with continued performance we have the opportunity to scale further from here.

Switching gears and turning to perception five. Since the change in your distribution policy, you have returned less to unitholders. We've fielded numerous questions on what we have been doing with our retained after-tax distributable earnings since announcing a fixed distribution back in October. Since we haven't returned nearly as much cash as we would have under a variable policy, where has it gone?

Well, on page 16, you will see that the opposite actually holds true. We have returned more capital to shareholders in the last three quarters than we would have under our old policy. $0.48 in distributions coupled with $484 million in share buybacks has translated into a payout ratio of over 100% of distributable earnings.

In effect, since October, we have used more than 100% of our cash flow for dividends and buybacks. We feel good with the progress we have made on this front. Our share count has come down, even with the issuance of units in connection with the Marshall Wace transaction.

Looking forward, we expect to retain a meaningful portion of our cash flow to invest back into the Firm to ensure we have the flexibility to invest behind and support our ideas and growth initiatives.

Finally, I would like to draw your attention to perception number six. Given the way your units have traded, your business must be facing headwinds. The last 12 months have been a volatile period. And from a shareholder return perspective, none of us at KKR are pleased with the performance of our units over this time frame.

If you would turn your attention to slide 18, you will see a list of fundamentals which we track closely and the growth we have experienced since last June. As you can see on the slide, dry powder is up 48%, AUM is up 14%, fee-paying AUM is up 9%, and our LP base has grown by 8%, with over 70 new LPs in total.

These metrics are driven by the progress we've made fundraising, highlighted on the right-hand side of the page. LTM new capital raised of $28 billion is the highest figure we've reported in any 12-month period and is quite broad-based across strategies.

While these are just a few broad stats to highlight, from our seats, this dynamic feels very good, particularly given our longer-term lens. In essence, we feel our model is performing well. When we walk the halls and take employees' temperatures on their outlook for the trajectory of the Firm, reactions and opinions are very positive and tend to center around three simple but powerful themes.: we are well positioned for growth; our differentiated model allows us to be entrepreneurial and nimble when others can't be; and the opportunity set that lies ahead is an exciting one.

We continue to believe that market volatility is great for us. And similarly believe that over the long term, public market sentiment and the price of our units will catch up with the positive fundamentals we see across our Firm.

With that, we're happy to take your questions.

Craig Larson - *KKR & Co. L.P. - Managing Director, IR*

And Tonya, before we turn it directly over to you, if we could ask everyone just to please limit themself to one question and a follow-up. We do have quite a long list of folks in the queue.

And with that, we are ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Glenn Schorr, Evercore.

Glenn Schorr - *Evercore ISI - Analyst*

Not sure if I missed it, but you noted all those post-2Q monetization activity. Did you mention the distributable earnings associated with it?

Bill Janetschek - *KKR & Co. L.P. - CFO*

What we did highlight is based upon those transactions and assuming that they all do close, that it is going to drive roughly about $250 million of distributable earnings in the second half of 2016.

Glenn Schorr - *Evercore ISI - Analyst*

Okay, awesome. Thanks. And the other one -- just wanted a little more color on your comments about the debt and preferred issuances. You mentioned wanting greater liquidity and flexibility. You seem to have a lot.

So maybe expand on that or maybe just help us think through where you draw the line of how much is enough. Or is this just an ongoing you will build it, and you want to keep a cap at, say, $1 billion of pure liquidity?

Bill Janetschek - *KKR & Co. L.P. - CFO*

Well, Glenn, it's going to ebb and flow. As I mentioned, we started the third quarter at $1.5 billion. We had nice monetizations, and so that's $1.9 billion. During the quarter, we did take the opportunity to top up that perpetual preferred. We originally did something at 355. We added another 145 to get that up to the 500.

We like liquidity in this type of environment. And to the extent that there's going to be dislocations, we want to have the ability to have that cash and take on those types of opportunities. Keep in mind cash is probably one of the best hedges you could possibly have.

So I wouldn't say that we're going to continue to grow that dollar amount continually. But keep in mind that as we sell investments and redeploy that capital back into our balance sheet, we do expect the balance sheet to grow over time. And so cash as a percentage of that total by just default will continue to grow.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Yes. The only other thing I mentioned, Glenn, is that if you look at the press release, you'll see actually the uncalled commitments we have to our underlying funds has actually doubled over the last year or so. So they are about $2.6 billion now. So we also keep an eye on that as we think about how much liquidity to have.

Glenn Schorr - *Evercore ISI - Analyst*

All right. That's fair. Thank you; appreciate it.

Operator

Ken Hill, Barclays.

Ken Hill - *Barclays Capital - Analyst*

I wanted to hone in on energy here. I think last quarter, it was a pretty decent drag, and this quarter seems to be pretty good. So wondering if you can provide some updates on how that is progressing in 3Q.

And then just thinking about that exposure longer term, it's not a small exposure for you now. But there seem to be a lot of interesting opportunities in the market. So wondering if you could maybe speak to those opportunities and how you are thinking about the concentration there longer term.

Bill Janetschek - *KKR & Co. L.P. - CFO*

At a high level, energy, when you think about what that impact was on the balance sheet this quarter, it drove about $40 million of earnings. One thing we could call out is if you take a look at page 11, we actually disclose one of our oil and gas investments. And you can see that that was up roughly about 12% this quarter or roughly $70 million.

And obviously, with the rebound in commodity prices and especially how we model our investments, if you go out to where the two- and three-year forward curve was, that was up about 15%. And so you would imagine that you could see that come through our P&L, [15%], that we had that rebound in the commodity price.

You are right. When you look at the balance sheet, we do have a good amount of exposure. But when you look at that total over the total size of our balance sheet portfolio, we are pretty comfortable from an asset allocation percentage to the amount that we've done in energy right now.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

I would just point you to a couple other stats. Energy is about less than 2% of our global private equity portfolio, less than 4% of (technical difficulty). And direct energy, anyway, is less than 6% of the balance sheet. So on a relative to indices basis, we're actually underexposed.

We did have a very good quarter in Q2 as we saw some of the marks we took in Q1 bounce back pretty materially. We do have dry powder in our energy income and growth fund and we are looking for opportunities.

To date, we've found a couple of things to do, but we continue to be patient as some of the opportunities actually seem to the reflecting a forward curve ahead of the forward curve. And so we are waiting for things to come back to earth a bit more. But we have got capital to be opportunistic when we see something we like.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Just to give you a number on that -- because Scott is right; we do have a good amount of dry powder. That number on the energy platform is in excess of $2 billion.

Ken Hill - *Barclays Capital - Analyst*

Okay. Appreciate the color there. The other thing I liked was the UK commentary earlier in the call. I was wondering if you could maybe talk about that in Europe more generally. I think last quarter, you guys talked about good long-term performance in private equity, but also areas like credit, real estate, infrastructure. Wondering if any of those look more appetizing now post Brexit.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

I think there are a lot of interesting opportunities across Europe. I would expect UK activity to be down. In the UK, specifically, we are going to be cautious. We frankly don't think that valuations have come down to reflect the uncertainty in the market.

There's clearly more political uncertainty in Europe, but we are finding more opportunities, as we discussed last quarter, to work with the banks, as an example, to help them with some of the assets that they have on their balance sheet. We think that's a big opportunity for us. We are spending time in real estate. We see opportunities in private equity on the Continent in particular.

So there's a significant amount of opportunity in Europe, despite the market uncertainty and the political uncertainty. We are just watching valuations. It seems like valuations are a bit high, so we are going to be patient. We've got a lot of dry powder to move quickly when we see something that we like.

Ken Hill - *Barclays Capital - Analyst*

Fair enough. Thanks for taking my questions.

Operator

Alex Blostein, Goldman Sachs.

Alex Blostein - *Goldman Sachs - Analyst*

Scott, a follow-up to your discussion around -- your comment around expectation to keep a more meaningful portion of your [deal] on balance sheet going forward. Should we think about the payout that we have seen over the course of this quarter? Is there something a little tough, if 40% is a decent run rate, as we think about the buyback going forward?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

I'm not sure I'm going to point you to a specific payout ratio on a go-forward basis, Alex. Let me tell you how we think about it. And appreciate the question.

But if we revisit the history a little bit, last October when we announced the change in the distribution policy and we announced this $500 million authorization, we said you should expect us to use that likely over the course of 12 months.

We've used about 90% in about 9 months. We also said that we would be using buybacks to offset dilution and control our share count. Since that period of time, the share count has actually come down, even though we used some shares for the Marshall Wace transaction. So I would tell you that the fact that we used over 100% of our distributable earnings in the last nine months for dividends and buybacks, I would not expect that to be the norm.

What I would point you to is that -- is the statement we've made and will remake now is that you should expect us to control our share count over time. And so as you model out the share count, I would just keep it flat over time. It doesn't mean we are going to be active in every period. We're not going to forecast payouts, but I think that's the best way to reflect it in your models.

Alex Blostein - *Goldman Sachs - Analyst*

Understood. Thanks for that. And then a question for you guys around the credit business with respect to the balance sheet. So if we look at the balances quarter over quarter, they are down a little bit across a number of different buckets, some of the special situations and the CLOs.

Any color, especially in light of generally pretty benign, it looks like, environment in the second quarter for credit strategies with high yield generally rallying and some many [bears] taking pretty meaningful positive marks there? So just trying to get a little more color whether some of that was a transfer to a balance sheet or sale or what the underlying credits have done in that portfolio.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Well, I wouldn't look at the balances because I think that could be misleading because we have actually been monetizing some of that portfolio, in particular the CLO equity portfolio. So credit actually had a very nice quarter, as CLOs were up over 4% in the quarter. Credit overall on the balance sheet was up 2.2% in the quarter.

So you need to adjust for the fact you are seeing realizations move those balances around a little bit. So I'd say it was a very nice quarter, reflective of the broader underlying markets and how we manage the portfolios.

Alex Blostein - *Goldman Sachs - Analyst*

Got you. [Some more shell activity there]. Got it. Cool, thanks.

Operator

Chris Harris, Wells Fargo.

Chris Harris - *Wells Fargo Securities, LLC - Analyst*

The $400 million sale of assets off the balance sheet to separate accounts -- I didn't quite follow that. Did that happen post Q2, I guess is the first part of the question. And then the second part of the question is maybe you guys could talk a little bit about strategically the thought process behind that and whether it's the start of a process perhaps to simplify your balance sheet in a more significant way.

Bill Janetschek - *KKR & Co. L.P. - CFO*

The transaction itself did take place by the close of Q2. However, the proceeds were not received by the end of Q2. And so that's why I alluded to the fact that you will see approximately $400 million come in in the second half of the year.

And a way to think about this is we had assets on our balance sheet and we were fortunate enough to enter into two transactions with two separate parties where they wanted a preferred return. But to the extent that we beat that preferred return, they were willing to give us significant profit participation above that preferred return.

So the way we looked at it, we sold roughly 85% of the assets that we had on the balance sheet. And some of those assets -- as I mentioned, it was in private equity; it was in credit. As we've started to ramp up our growth strategy, and that would be in technology and in healthcare, we had actually invested a good amount on the balance sheet, and we had two investors that were willing to participate in those strategies, it seemed like a win-win for them and for us.

And again, roughly 85% of the assets got sold with significant participation on the upside to the extent that we have performance. And I would think that as we have the balance sheet that we have and we will continue to use it strategically as we add additional assets and we come across investors who want to participate in those assets and we can work out economic arrangements that are good for them and us, we will continue to do this.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

The second part of your question, Chris, here's how I think about it. We've said in the past and we really believe the balance sheet is a true strategic weapon for us.

And the way we use it has evolved. So initially, it started seeding new strategies, and that's how we built a number of these new businesses over the last five or six years. And we've talked in the past about this drop-down strategy, where we would do investments on balance sheet, drop those into the funds as the next piece of technology.

I would say transactions like this are just the continuing evolution of how we use the balance sheet. So what we really did was to take assets on balance sheet, raise liquidity, but keep a lot of upside. So in effect, converted those to more asset-management-like assets with a very high incremental carry while also raising new capital for some of our newer strategies. So we think the ROE on that type of transaction for us is very high.

In terms of where we are going with the balance sheet, look, if you think about it, when we did the merger with KPE, we were an all-TE balance sheet, basically. And then we have been converting that balance sheet to get more liquid, using that to seed new strategies.

Then we did KFN. We have been liquidating some of those assets and redeploying those into higher-returning opportunities. And I would expect that you will continue to see us evolve the balance sheet strategy. It probably will get a bit simpler. You will see we made a big commitment, for example, to the Americas XII fund, as an example.

So you will see more in our funds. And we will keep you updated as we continue to use the balance sheet to seed some of these newer ideas and also to create more asset-management-type flows for us using the balance sheet as seed.

Bill Janetschek - *KKR & Co. L.P. - CFO*

And Chris, one more follow-up on this. It was not only a balance sheet play. To the extent that there was one particular investor that was interested in healthcare and technology, in addition to transacting with us based on the balance sheet assets, they also made a primary commitment to that strategy on a go-forward basis. So it was a way for us to raise additional AUM in lockstep with selling those assets.

Chris Harris - *Wells Fargo Securities, LLC - Analyst*

Thanks, guys.

Operator

Bill Katz, Citi.

Bill Katz - *Citigroup - Analyst*

Just coming back to capital management and maybe free cash flow priorities, as you look out over the next 12 months -- I know you hedged a little bit in terms of the (technical difficulty) for a payout, how do you work through where your stock is trading right now with the very strong fundamentals and the perception issues that you called out in your prepared remarks versus redeployment into other businesses?

The ultimate question here is: why wouldn't you be buying back a ton of stock at these levels? What's the holdback here?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Thanks for the question, Bill. I'm not going to revisit some of the topics I hit before. From my perspective, the buyback conversation has really taken on a bit of a life of its own. And I found that we are talking more about buyback than we are about our business and how we can grow and where we see opportunity from here.

So I think that's why we are pointing you to the comment. We're not going to predict this. Model our share count flat. That's what you should expect on a go-forward basis from us over time. And we are going to leave it at that for now.

We clearly see opportunities. We talked about all the different opportunities we see in the market to invest for return. You've seen the commitments we've made to our underlying funds. We want to keep liquidity for that. But over the long term, just expect our share count flat, and we will keep you updated on our performance on the balance sheet and in our funds.

Bill Katz - *Citigroup - Analyst*

Okay. Thanks for that. So another related question then would be is there any thought to revisit the fixed nature of the dividend distribution?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

No change. I think if you go back to the earnings call we had last October where we announced this change in policy, we said fixed distribution, which we are underwriting, over time that could go up based on our earnings trajectory of the Firm. And we are going to use the capital we retain for buybacks and to invest more in what we do every day.

And that's really what we have been doing. It has been heavier on the buybacks the last nine months. I think over time, you will see it balance out more. But really no change from what we said last October.

Bill Katz - *Citigroup - Analyst*

Okay. Thank you for taking my questions, guys.

Operator

Brian Bedell, Deutsche Bank.

Brian Bedell - *Deutsche Bank - Analyst*

Thanks for all the extra disclosure in the presentation. It's really, really good. The first question is just on the timing of the $20 billion that are not yet earning fees. You gave some good disclosure on the NAXI. But maybe just a little bit more color on the timeline of when you think that that might turn on. And I realize it does depend on deployment.

Bill Janetschek - *KKR & Co. L.P. - CFO*

And you are spot on: it all depends on deployment. And when we are talking about NAXI and Americas XII, where we are about, say, 75% invested in NAXI. And so once NAXI goes from the investment period to the post investment period, that is when we return on $10.5 billion of that $20 billion. And you would expect that to be invested over a period of anywhere in between three and five years.

As it relates to the other $10-billion-plus, a lot of that is raised, but has yet to be invested in products like Special Sits II and Direct Lending II. And so we expect the time horizon of that capital, which we have and will go from AUM to fee-paying AUM, to take place over the next two or three years.

Brian Bedell - *Deutsche Bank - Analyst*

Right, okay. And then just maybe -- the fundraising has been very strong in the first half of this year. Maybe if you could speak a little bit about what is deploying for the second half of the year from a fundraising perspective.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Sure, Brian. There's a lot of different things going on. So we have several funds in the market still from the more episodic funds. So Americas XII you should expect to wrap up here in the second half. We are still in the market with our second real estate opportunistic fund, our second mezzanine fund, which we call our private credit opportunities.

Growth equity in the technology space; various things going on in real estate credit. And then we've got -- coming down the pike, we've got Global Direct Lending III, and then at some point, the Asia III. And you saw in the slide the very strong performance we've had in our Asia private equity platform. So a lot of things in market; a number coming.

We've also got a number of things going on in the more continuously raised side of things, including our hedge fund strategies and our strategic partnership with Marshall Wace and with [nifilla]. And then on the leveraged credit front, a lot happening: high-yield leverage loans, CLOs, and [separate] accounts. So a pretty continuous process across multiple different strategies and geographies.

Brian Bedell - *Deutsche Bank - Analyst*

Okay. The pace has been very strong in the first half. We should expect that to just moderate from the very robust pace in second half, I would think. Right?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Well, I think if you look at the last 12 months, it has been pretty equal between private markets and public markets: $13 billion, $14 billion each. There is some lumpiness, as you know, in the private market side, in particular. So I would expect that number is probably a bit elevated due to the Americas XII raise.

But as Asia III rolls on, hopefully we can raise significant capital there as well. But I'd say it's probably a little elevated because of Americas XII. Everything else, I'd say, is relatively normal course.

Brian Bedell - *Deutsche Bank - Analyst*

Okay. Great, great. Thanks so much.

Operator

Devin Ryan, JMP Securities.

Devin Ryan - *JMP Securities - Analyst*

Just coming back to the slide deck here, performance of the major industry indices outside the US is obviously challenging. Touched on the UK and Europe a bit. In Asia, which the industries have been the hardest hit, maybe from a higher starting point, I'm just trying to get some perspective around whether you feel a sense of urgency over there, just given that markets are off quite a bit, to get capital deployed to take advantage. Or is it more just a mean reversion in valuations, so we shouldn't really expect a big acceleration there?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

It's hard to predict deployment. But I will tell you that one of the reasons we are so upbeat about the Asia platform is the performance that we've seen. You can see on slide 11 how the Asia II private equity fund, as an example, has performed relative to the MSCI Asia-Pacific, so 2,600 basis points of outperformance net.

So what we are finding is we are seeing opportunities in private equity that really don't show up in the public markets. These are a lot of times growth equity opportunities, non-core subsidiary sales. And so we do see opportunities there. Hopefully, the valuation backdrop in the public markets will bring prices down further and give us opportunities.

But we have been very focused on deploying capital in Asia where we see value. And that will continue to be the case. I would just say the valuation backdrop just makes it more helpful and hopefully over time can motivate more activity once it finds a level.

Devin Ryan - *JMP Securities - Analyst*

Great, thanks. And then with respect to the $0.16 quarterly distribution today against that context, the $20 billion of capital commitments not earning fees yet, and obviously the commentary around the visibility there and the management fees, should we think about the timing of the stairstep higher in the distribution really coming on as the fees are turned on just in conjunction? Or is it some that just you will evaluate at the end of the year and then think through what the distribution should be?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

It's more the latter. It's something that we are going to evaluate over time. I think we are thinking of it more in a traditional corporate context and keeping an eye on any potential pass-through tax liability we are sending to our individual shareholders. So we will revisit that more or less annually and keep you updated.

Devin Ryan - *JMP Securities - Analyst*

Got it. Thanks, guys.

Operator

Craig Siegenthaler, Credit Suisse.

Craig Siegenthaler - *Credit Suisse - Analyst*

I just want to circle back on Asia II. The fund is performing really well, especially relative to public markets. And I just want to see what you characterize as the key investing themes that have benefited your portfolio of companies and maybe differentiate that from some of the things we are seeing from our US investments.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Sure. So I'd say a few different going on. One is that, as I mentioned a minute ago, I think looking at the public markets, especially in places like China, really what you've got is a lot of SOE, state-owned enterprise type companies that -- it's not really where we spend our time.

I'd say one big theme has been for us investing in growth companies that are basically exposed to the growth of the middle class and the rise of the consumer. We are finding a lot of opportunities off the beaten track. We have a big team in China, where we see those opportunities.

We have also been investing -- another theme would be in areas like food safety or environmental safety. We've made several investments in things like dairy farms, pork producers, chicken producers, focused on food safety. Environmental safety has also been a big theme for us in Asia and in China in particular.

If you go across the region, from there, you'll go to Japan. One of the things that we've liked is the opening up of Japan, so the private equity style investing in particular. A recent transaction, relatively recent transaction, was Panasonic Healthcare, which we bought in partnership with Panasonic. They actually rolled an interest into the buyout.

And we've used that as a platform to go make acquisitions on a cross-border basis. So we bought a business from a buyer not long ago using Panasonic as a platform for that. So that would be another example.

We also bought Pioneer's DJ equipment business not long ago; a similar theme in terms of finding opportunities in Japan. And increasingly, we are spending time in places like Indonesia as well, where we announced a recent transaction and we've got more in the pipeline.

So again, these are not deals that you are normally going to read about. They are smaller on an average basis than a lot of what you see in the US. But they are a lot more growth; specifically, a lot less leverage, if any leverage. And we are helping these companies get to the next stage of development and oftentimes ultimately the capital markets. Hopefully, that's a little bit of color that's helpful.

Bill Janetschek - *KKR & Co. L.P. - CFO*

One thing I'd add on that is that when you do look at the performance of that portfolio broadly, that performance you see is very broad-based. So when we look in a quarter like this, it's always nice when you see a nice percentage, a high percentage of companies that actually perform well in the quarter and not being reliant only on one or two specific themes. The performance has been (technical difficulty).

Craig Siegenthaler - *Credit Suisse - Analyst*

Thanks for all the detail there. And I just have one follow-up, and you touched on this a little bit earlier. But the GP interest in Americas XII is 9.5%, which is well above your other funds. I know your free cash flow generation, X the dividend, is much higher now. But how do you think about how much capital to allocate in the fundraising process?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

It's a good question. Look, I'll just give you a sense for it that the $1 billion or so that you see in the table there, we still expect Americas XII to hit its $12 billion hard cap. And then with the balance sheet investment plus individuals' investments, we expect to be over $13 billion for that fund. That will impact your percentage a little bit.

But we look at it in a relatively straightforward way, which is we think that it's going to generate quite attractive returns. And we'd like to have some of the balance sheet exposed to that. It's part of our strategy as a firm is to own more of what we do every day.

And so as we look at our asset allocation models and where we want to take the balance sheet over time, that's how we got to that $1 billion figure. We do the same thing for every strategy that we launch. And we look at it on an overall ROE basis. So it's the same approach we've taken to other funds and we will continue to on a go-forward basis.

Operator

Ann Dai, KBW.

Ann Dai - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks for taking my question. I'm calling in for Rob Lee. I was hoping to go back to fundraising and focus more specifically on hedge funds. So year-to-date performance in the aggregate has been not great broadly for hedge funds. And we are continuing to see flow pressures.

So would you be able to provide some color on how the environment has been for capital raising in your own hedge-fund-oriented strategies and the strategic partnerships? And then any detail around performance in those strategies?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Sure, Ann. Happy to help. Clearly, the industry has been going through a relatively difficult time and getting a bit smaller and working hard to justify what it does. We do think that there is a real place for this in a portfolio, in particular for managers that have a real competitive and differentiated advantage.

In terms of the questions you've asked, in terms of capital access, we have seen growth in the first half in our strategic partners. We don't disclose AUM or performance by partner. But in aggregate, we have seen growth in AUM, both for the strategic partnerships that we have. And Marshall Wace and nifilla are the two largest, and Marshall Wace by far the largest partnership that we have. And also for Prisma, we've seen good fundraising on the growth side, which has been offset by some outflows.

So we feel like we are more than holding our own in this environment. I think that it is a period of washout a bit for the industry. It's probably long term healthy. And we just need to continue to perform and spend time with our clients and make sure that they understand the competitive advantage that we have.

And so that's how we are approaching it. I think it will be ultimately good for us long term and we have been able to grow in aggregate through the course of the last 6 to 12 months. So we are pleased with how we have been doing on a relative-to-the-industry basis.

Bill Janetschek - *KKR & Co. L.P. - CFO*

And just to give you a little more color around that, when you take a look at AUM that we have raised over the three-month period and six-month period, when you combine our hedge-fund-to-fund platform, which is Prisma, plus the strategic partnerships that we have like Marshall Wace, the capital that we raise this quarter was in excess of $1 billion. And over the last 6 months, it was $2.5 billion. So we are seeing inflows into the space.

Ann Dai - *Keefe, Bruyette & Woods, Inc. - Analyst*

Great. Thanks so much.

Operator

Chris Kotowski, Oppenheimer.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

I'm looking at page 13 of your press release, where you have your fee-paying AUM roll forward. And I'm just trying to think about how the $46 billion in private equity would increase just with what we know.

So I guess if Fund XII turned on, you would add $10.6 billion, you subtract the $1 billion that you put in yourself, and then the stepdown on NAXI is like -- so you would end up with like $53 million-$54 billion?

Bill Janetschek - *KKR & Co. L.P. - CFO*

Yes. And so the way we are thinking about it, when -- you are just talking very specifically about NAXI and then Americas both turning on, we think we are actually going to see and hit a $12 billion hard cap or LP money. So as far as fee-paying AUMs, you see that number go up by 12.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay. And then you mentioned a tech, healthcare, and venture capital kind of fund that you are working on. Are those three separate funds? Or is it one fund? And roughly how much from your balance sheet investments are you putting into that? And how much external money do you anticipate raising?

Bill Janetschek - *KKR & Co. L.P. - CFO*

Right now, the numbers aren't that big. But just to address the question, as it relates to CMP growth, we actually have a fund and we are raising capital for that right now. It's not showing up on the fund table yet only for the fact that it's early stages.

And so we would expect to raise anywhere in between $500 million and $750 million in that fund upon its close. And once that does take place, you will see that in the fund table. And the amount that we will commit to that strategy is roughly going to be $150 million.

As it relates to healthcare growth, that is not a strategy where we are raising capital from third-party investors right now. And that's the beauty of the balance sheet. We are making those investments off the balance sheet directly.

I mentioned earlier through an SMA we've had the ability now to get a commitment from an SMA to invest side-by-side with us in that healthcare space. But over time, the assumption will be that -- and this will again be over time -- we will more likely than not raise a dedicated healthcare [growth line].

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

And Chris, just on the first point you asked, as it relates to NAXI and the impact of when Americas XII turns on. From a fee-paying standpoint, right now NAXI is at the full size of the committed fund. When it's in the post-investment period, it will be based off of remaining costs.

So as of June 30, we had roughly $4.8 billion, $4.7 billion of remaining costs with still over $3 billion of uncalled commitments. So you might see a modest decline from a fee-paying standpoint again once it enters the post-investment period.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay. And when I look at page 9 of the presentation, there's $2 billion of deployments that are pending. Is most of that in NAXI or is that spread through the funds?

Bill Janetschek - *KKR & Co. L.P. - CFO*

It's spread throughout the funds. But a predominant number is coming from that NAXI. So if you take a look at the top three investments that were shown on page 9, those are all going to be net NAXI investments.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay. And do you have an estimate of time when NAXI -- when XII turns on?

Bill Janetschek - *KKR & Co. L.P. - CFO*

Hard to predict. There's a lot of ebbs and flows. Right now, I would say that based upon signed commitments, we are about, say, 80% committed with that fund. We still need to size up how much we're going to need for reserve before we go from NAXI to Americas XII. But I would say that it would probably be, conservatively, something that will take place in the first half or probably first quarter of 2017.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Okay, great. Thank you.

Operator

Mike Carrier, Bank of America.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Scott, maybe just on the performance, the private equity performance is strong overall. I think on the exits, the [mogues] were strong. Yet there's a lot of macro uncertainty out there.

So can you just talk about maybe the performance on the public versus the private side? And then more importantly, just any insight you can give on how the portfolio is performing, whether it's on like EBITDA or revenue growth. Just what you guys look at?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Sure. Happy to, Mike. It's a good question. But I think we have been able to see monetizations coming from a variety of different places. But in terms of the second part of your question, on portfolio company performance it's actually been quite good.

So in last 12 months, 7% or so of revenue growth, 8% EBITDA growth. So 7% on the top line, 8% on the bottom line. If you look at that relative to the markets that have been having earnings declines year over year, we think there's a lot of very good things happening idiosyncratically within our portfolio based on the operational improvements we are able to make.

And it really has been coming from a lot of different places. So we talked about the secondaries. We talked last quarter about some of the strategic exits that we've seen, in particular on a global basis to buyers in Japan and China. And we've also been using the capital markets. So where you've seen us do dividend yields, dividend recaps, within the portfolio.

So I'd say it all starts with good operating fundamental performance within the portfolio, and then a pretty robust bid on -- from strategic buyers and jumping through the capital markets windows when they are open. There has been volatility, but we have seen the debt markets open. We jump through them when they are. And you have seen us take companies public, like US Food, when the IPO markets open. So I think you will see a lot of that continue.

The reason that we've highlighted the 40% in public companies in the P/E portfolio is we think we have a lot of access to liquidity going forward. And a good portion of our portfolio, 60% or so, is now valued in excess of 1.5 times cost; over 40% in excess of 2 times cost. And so the portfolio is quite mature. So hopefully, that's a little bit of color that's helpful for you.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Yes, no, that's helpful. And then just had a quick follow-up, maybe for Bill. Just on the transactions that you did on the balance sheet into like separate accounts, I don't know if you can look at it and say how much volatility did those investments create in the past? I'm just trying to figure out why those assets being -- what the decision was.

And then -- and this could be for Bill or Scott. But when you think about capital deployment, it seems like whenever you get close to your buyback authorization -- and not to you guys, but everyone -- that question comes up. On the flipside, seems like over the past three to five years, you guys have been investing in a lot of growth areas.

So maybe just spend a little bit of time. When we think about strategic investments, like Marshall Wace versus putting some commitment in Fund XII or other strategic investments in companies, just where do you see the opportunities if the buyback base is going to be a bit slower in the near term.

Bill Janetschek - *KKR & Co. L.P. - CFO*

I'll take the first question, which was a heck of a lot shorter than the second question. But the punch line there is that, yes, there is some volatility. The assets that we had on the balance sheet, that we move those into these new separately managed accounts, we mark to market every single quarter.

I would say that when you take a look at the healthcare and the growth ones, in particular, because they are somewhat relatively new, as we've held those assets over the last 12 to 18 months, you wouldn't see a lot of volatility there. But on some of the more aged credit assets that we've had, you could see a little bit of volatility.

But that honestly didn't come into any sort of thought process when we were trying to think about what to do with these assets. It just so happens that in conversations with these two investors, again, it just seemed like the right thing to do for us and for them, which is why we moved forward.

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Yes. I'd say on the balance sheet [deal, Mike], I'd say was largely done from a position of strength. We viewed it has an interesting opportunity to access more capital for the Firm, both LP capital and more for the balance sheet.

So the only thing in there that we have been working to reduce our exposure and have talked about in the past is CLO equity. But we like the assets in there. That's why we wanted to keep the upside in the transactions that we structure.

For the last part of your question, the capital deployment, it's hard to give you a precise answer on that. We have used the balance sheet, as you pointed out, to create fee-related earnings and carry opportunity for ourselves.

And if you look at page 14 of the deck, and this is why I think it's really important that people look at the overall model as a collective as opposed to the individual fees carry balance sheet in a discrete basis, page 14, I think, a picture worth 1,000 words.

We have used the balance sheet to fund a lot of this growth and speed strategies that have allowed us to access third-party capital. That's why our fee-paying AUM has doubled in the last five years. That's why you've seen the growth that you've seen.

And so we use the balance sheet to help create fee and carry flow. And then we look at the returns on the capital we are deploying in aggregate, including those fee profits and carry profits.

But having said all that, if you look at the last 12 months, the two biggest uses of cash flow from the balance sheet have been distributions and share repurchases. By far the two biggest uses. And then after that, you'd see Marshall Wace and you'd see our funding our GP commitments in our funds. And so that's what we have been using it for. That's how we think about it.

When we have opportunities like we see on page 14 to seed and create these new businesses and scale them quickly and enhance the ROE for all of us as shareholders -- and remember, we own 45% of the stock -- we are going to use the balance sheet to do that. But as of late, we have been using it mostly for dividends and buybacks.

Mike Carrier - *BofA Merrill Lynch - Analyst*

Okay, it makes sense. Thanks a lot.

Operator

Michael Cyprys, Morgan Stanley.

Michael Cyprys - *Morgan Stanley - Analyst*

Thanks for taking the question. Just to follow up on the last point, on capital deployment strategy, I think you mentioned earlier cash [view that] as the best hedge in this environment. Maybe you could talk a little bit about how are you thinking about strategic M&A from the balance sheet perspective.

You've done the Marshall Wace transaction. What other product or distribution gap do you feel you have at this point that perhaps that cash could be put to use through that sort of opportunity?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

I'll take that one. For strategic M&A, I think the way we are looking at the Firm is we don't feel like we need to create new legs to the stool. We created the real estate business, as an example, four or five years ago. We don't see another real estate, another big asset class that we want to build a business in.

So really now it's about scaling what we've started. And if you look at page 14 of the supplemental materials and you think about the size of the end markets and the infrastructure space, real estate, credit, hedge funds, these are massive spaces where our market share is still pretty low.

So I think you could see us do more tuck-in type strategic M&A. Remember, a couple, few years ago, we did the Avoca acquisition in Europe, which added to our leverage credit platform. I think you could see more things like that across our different asset classes that allows it to accelerate growth or gives us more of a presence in a specific market where we see opportunity, like we see European credit.

I would not expect us to do a lot more strategic partnerships. As I've mentioned in the past on hedge funds, we want to scale through our partnership with Marshall Wace as opposed to doing more of those.

So I would say on strategic M&A it is probably going to be more tuck-in. And then over time, see if we find things that we like for the balance sheet and bigger scale. But less likely to be big outright acquisitions; probably a little bit smaller things from time to time when we really like it.

We are burdened by the integration risk. This is a hard space to make acquisitions and integrate them well. And so they will probably be few and far between.

Michael Cyprys - *Morgan Stanley - Analyst*

Okay, great. That's helpful. And if I could just follow up one last question here. Certainly your presentation this morning helpful in terms of addressing some investor perceptions here from realizations to deployment.

How are you thinking about the key risks or concerns you have here that you are most focused on, whether it's on performance -- certainly, the returns have been good historically. What are the key risk returns that you have on future returns. And then also on the realization. It's a robust environment in 2Q. What do you see as the key risks as you move forward over the next 12 months?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

I think it's easy to overcomplicate what we do. If we generate strong investment returns, raising capital is more fun and relatively straight forward. And carry goes up, fees go up, and the balance sheet performs better.

And so our focus is investment performance. In the first instance, we have the saying here: performance, performance, performance. We say it three times every time we say it inside the Firm because it really is just a critical part of the job every single day.

And so we are focused on that. And that is not a risk, per se, but it's just the most important thing we've got to get right. And so there's nothing that we see on the horizon that causes us to have concern about that. But that is a primary area of focus.

The other thing that we are spending a lot of time on is spending time with our investors. It is a very tricky environment for investing. The world is not used to ever having a period of time where there is $10 trillion of negative yielding assets.

And we are spending a lot of time with our limited partners, both long-standing and newer ones and prospects, talking about this investing environment. And I think they are having a hard time figuring out where to put their capital to generate attractive returns. We see that as an opportunity for us to be differentiated and value-added. And so we're spending quite a bit of time there.

So it's more about just getting those things right, Michael, than anything that we are necessarily overly concerned about, besides the day to day stuff. We have to keep our license to operate. We are very focused on making sure we operate best in class on all fronts. And we have great teams in the Firm focused on making sure that we all do that. But that's how we think about it. We got to perform and do a great job for our clients.

Michael Cyprys - *Morgan Stanley - Analyst*

Super. Thank you.

Operator

Patrick Davitt.

Patrick Davitt - *Autonomous Research LLP - Analyst*

I just have one quick one left. I think in the past, you've pushed back on the idea of expecting significant fee-earning margin improvement. When we think about this slide 13 and the big jump from North America XII coming in and the fact that you don't have what I imagine was a pretty big headwind going from 2006 to NAXI, given how much smaller NAXI was, why shouldn't we expect a big pop in that, particularly when XII turns on?

Bill Janetschek - *KKR & Co. L.P. - CFO*

Very specifically around that, you will see margin improvement when we go from net NAXI to Americas XII, only for the fact that all of the cost or a majority of the costs are already there. So you will see a big uptick in management fees and you will see margin improvements.

Patrick Davitt - *Autonomous Research LLP - Analyst*

Fair enough. Thank you.

Operator

Robert Lee, KBW.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks for taking Ann's question before. I just had one follow-up. I know a strategic initiative for you guys going back five-plus years has been to expand your LP base along with obviously the number of strategies.

So can you maybe just update us? If we look at Americas XII, maybe some kind of metrics, what you are seeing in terms of mix between existing and new clients to KKR. And maybe any kind of color around -- and I'm sure it's something you track -- like how many of your LPs now have invested in multiple products versus, say, three, four years ago?

Scott Nuttall - *KKR & Co. L.P. - Head of Global Capital and Asset Management Group*

Great. Happy to take that, Robert. So just by way of update, we now have about 950 investors across the Firm. And that has continued to grow. When we really in earnest began creating our market efforts, that number was closer to 300 or 325. So we've seen good growth; we still see a lot of opportunity for growth.

The cross-sell statistic is about 1.7 products per customer right now. If you about it, when you add a number of customers, you normally at them at one product each. So adding a lot of clients, we have kept that 1.7 times more or less constant as growth with existings has offset adding the new clients.

Our top 40 will average between three and four products, just to give you a sense for the opportunity ahead of us. And critically, we only have about a third of our clients in more than one product with us.

So we think that's a massive opportunity for us. There's taking the 950 to a higher number. But then there's also the incremental opportunity of doing more with the 950 that we have, especially given two-thirds of them are only in one strategy with us.

So a lot of opportunity. We track this closely. And I think a big part of the reason you've seen the fundraising success we have is we have been expanding the investor base across the Firm. So if you look, as an example, at the last seven or eight funds that we've closed, about 40% on average of number of LPs in these funds have been new to the Firm. So it has been a huge part of building the Firm out.

If you look at Americas XII so far, you would see that about 35% of the LPs in that fund so far are actually new. The dollars are going to be more weighted, given the early closes to existing LPs. But the number of LPs coming with us is about 35%.

So hopefully, that's helpful color. But we do see this as a big opportunity for us and why we are so focused on just generating returns and doing a great job for these investors, including helping them think through this environment.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Great. That was very helpful. Thanks for taking my question.

Operator

And I'm showing no further questions. I would now like to turn the call back over to management for closing remarks.

Bill Janetschek - *KKR & Co. L.P. - CFO*

Thank you, everybody, for joining us. We look forward to chatting next quarter.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for your participation and have a wonderful day.
