



May 11, 2016

KKR Releases "China: Mounting Macro Paradox" by Henry H. McVey

New Macro Report Discusses Key Investment-Related Concerns in China

NEW YORK--(BUSINESS WIRE)-- KKR, a leading global investment firm, today released *China: Mounting Macro Paradox*, a new macro Insights piece by Henry H. McVey, Head of Global Macro and Asset Allocation ("GMAA").

"A recent visit to China gives us more assurance that there is a base rate of economic growth that the government will - using a variety of monetary and fiscal tools - work hard to achieve in 2016," Henry McVey said. "However, our bigger picture conclusion remains that the Chinese economy is structurally slowing, driven by disinflation, declining incremental returns, demographic headwinds, and the law of large numbers. How these transitions unfold have major implications not only for China, but also for a global economy that now relies on one country, China, for more than one-third of total GDP growth."

In *China: Mounting Macro Paradox*, Henry McVey discusses the following short-term and long-term investment conclusions:

1. As it relates to the short term, we are lifting our 2016 GDP forecast for China to 6.5% from 6.3%. This change represents the team's first uptick in forecasted Chinese GDP growth since arriving at KKR in 2011.
2. Longer-term, however, we do not think that the recent stimulus can help the Chinese economy to re-establish a higher sustained growth rate.
3. Corporate credit growth remains outsized relative to GDP, which has implications for - among others - the country's banks, insurers, and brokers.
4. There is no "One China" anymore, as the country's economy is undergoing a massive transition.
5. To offset the slowdown in global trade and flows, China is also repositioning its export economy to take market share in higher value-added services.
6. China Inc.: Coming to a theater near you. Without question, this trip's consensus view centered on the desire by many Chinese business leaders to acquire companies, properties, and experiences outside of China.

Links to access this note 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 on iTunes: click [here](#).
- ┆ For an archive of previous publications of Insights and Thoughts From the Road: click [here](#).

About Henry McVey

Henry H. McVey (New York) 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. 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). Prior to that, 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 the top ranked asset management and brokerage analyst by Institutional Investor for four consecutive years before becoming the firm's strategist. 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 serves as co-chair of the TEAK Fellowship board of trustees and is a member of the Pritzker Foundation and Lincoln Center Investment Committees.

About KKR

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners' capital and brings opportunities to others through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE:KKR), please visit KKR's website at www.kkr.com and on Twitter [@KKR Co.](https://twitter.com/KKR_Co)

The views expressed herein are the personal views of Henry McVey of KKR, as Head of the Global Macro and Asset Allocation, and do not necessarily reflect the views of KKR. References to "we", "us," and "our" refer to Mr. McVey and/or KKR's Global Macro and Asset Allocation team, as context requires, and not to KKR. This information is not research and should not be treated as research. It does not represent valuation judgments with respect to any financial instrument, issuer, security or sector that may be described or referenced herein and does not represent a formal or official view of KKR. It is being provided merely to provide a framework to assist in the implementation of an investor's own analysis and an investor's own views on the topic discussed herein. There can be no assurance that an investment strategy will be successful. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. This information should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. References to a target portfolio and allocations are hypothetical allocation of assets and not reflect an actual portfolio. The views expressed herein and discussion of any target portfolio or allocations may not be reflected in the strategies and products that KKR offers or invests, including strategies and products to which Mr. McVey provides investment advice to or on behalf of KKR. It should not be assumed that Mr. McVey has made or will make investment recommendations in the future that are consistent with the views expressed herein, or use any or all of the techniques or methods of analysis described herein in managing client or proprietary accounts. This release may contain projections or other forward-looking statements. Neither KKR nor Mr. McVey assumes any duty to update such statements.



View source version on [businesswire.com](http://www.businesswire.com/news/home/20160511005397/en/): <http://www.businesswire.com/news/home/20160511005397/en/>

Media:

KKR

Kristi Huller, +1 212-230-9722

media@kkr.com

Source: KKR

News Provided by Acquire Media