

# KKR's Kravis sees Asia promise amid global macro volatility

Henry Kravis, co-founder of KKR, emphasized the importance of Asia's rising middle class and the diversification of his firm's investment approach as continued volatility globally is likely to deliver both uncertainty and opportunity

**"I HAVE NO DOUBT THAT THERE WILL BE** more surprises and they will come in different parts of the world," Kravis said, fielding questions on Brexit and other macroeconomic issues at an event organized by The Women's Foundation in Hong Kong. "This is not a time for a lot of amateurs to be investing. There's more volatility than ever before. There are more black swans out there that seem to come up and bite when they're least expected."

Kravis said such periods of dislocation, however, presented opportunities and pointed to the investment upside of Asia's growing income levels, particularly in consumer areas such as food safety, agriculture, healthcare, financial services and environmental services. He also noted potential in Asian corporate carve-outs, emphasizing Japan as highly prospective ground for this approach.

KKR's purchase of a 10% stake in China-based white goods giant Qingdao Haier (QH), meanwhile, was offered as an example of regional advantages in rapid approvals and financing processes.

Kravis also pointed to QH as evidence of the prominent role of minority stakes in the KKR portfolio, noting that out of the firm's roughly 40 investments in China and India, only two control deals have been made. This strategy was put in the context of a broader evolution for the traditional buyout firm away from a strictly private equity business model into public markets, capital markets, credit and deal structures closer to VC-style investments.

"I like the credit because there is an absence of credit availability for certain kinds of companies," Kravis said. "I like the ability to provide growth capital - I'm not talking



venture capital, we're not in that business - but companies that are maybe in their fourth or fifth round of financing and need that expertise that KKR brings as an industrialist to help them in the later stages of their evolution."

The comments coincided with the release of KKR's sixth annual environmental, social and governance (ESG) report, which stressed an industry need to adapt to climate change, support best practices in agriculture and invest in disease prevention and infrastructure, the latter of which Kravis stressed as an underserved area.

"I've always been a big believer that if we don't take care of our own backyard, our own

communities and companies, then nobody else is going to do it. We cannot rely, nor should we rely, on the government to do it," he said. "If we're going to be a leader, we have to be a leader across lots of different areas, not just because we have top-quartile returns."

Recent ESG progress by KKR includes support for Glovax Biotech, a group offering affordable vaccines to low-income groups in the Philippines.

Separately, earlier this year, the firm closed a \$3.3 billion global special situations fund intended to target investments in distressed or event-driven situations. ▀