THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

KKR - Q1 2018 KKR & Co LP Earnings Call

EVENT DATE/TIME: MAY 03, 2018 / 3:00PM GMT

CORPORATE PARTICIPANTS

Craig Larson *KKR & Co. L.P. - Head of Investor Relations*

Scott C. Nuttall *KKR & Co. L.P. - Co-President & Co-COO*

William J. Janetschek *KKR & Co. L.P. - Member & CFO*

CONFERENCE CALL PARTICIPANTS

Alexander Blostein *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

Andrew Disdier *Sandler O'Neill + Partners, L.P., Research Division - Director*

Brian Bedell *Deutsche Bank AG, Research Division - Director in Equity Research*

Christopher Harris *Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst*

Craig Siegenthaler *Crédit Suisse AG, Research Division - MD*

Devin Ryan *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Gerald O'Hara *Jefferies LLC, Research Division - Equity Analyst*

Kaimon Chung *Evercore ISI - Equity Analyst*

Leon G. Cooperman *Omega Advisors, Inc. - President, CEO & Chairman*

Michael Cyprys *Morgan Stanley, Research Division - Executive Director and Senior Research Analyst*

Michael Carrier *BofA Merrill Lynch, Research Division - Director*

Patrick Davitt *Autonomous Research - Analyst*

Robert Lee *Keefe, Bruyette, & Woods, Inc., Research Division - MD and Analyst*

William Katz *Citigroup Inc, Research Division - MD*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to KKR's First Quarter 2018 Earnings Conference Call. During today's presentation, all parties will be in a listen-only mode. Following management's prepared remarks, the conference will be open for your questions. (Operator Instructions) As a reminder, today's call is being recorded. I would now like to hand the call over to Craig Larson, Head of Investor Relations for KKR. Craig, please go ahead.

Craig Larson *- KKR & Co. L.P. - Head of Investor Relations*

Thanks, Amanda. Welcome to our First Quarter 2018 Earnings Call. Thank you everyone for joining us. As usual, I'm joined by Bill Janetschek, our CFO; and Scott Nuttall, our Co-President and Co-COO. We'd like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our press release which is available on the Investor Center section at kkr.com. This call will also contain forward-looking statements, which do not guarantee future events or performance, so please refer to our SEC filings for cautionary factors related to these statements. And importantly, like previous quarters, we've posted a supplementary presentation on our website that we'll be referring to over the course of the call. As you've likely seen in the press release, we've announced a change in our corporate structure from a partnership to a corporation effective July 1 of this year. On the call this morning, Scott will first walk you through the rationale behind the conversion and changes being made in conjunction with the conversion. Bill's then going to go through some details related to the transaction and then, Bill and I will review our results for the first quarter of the year. And with that, I'll turn it over to Scott.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Thanks, Craig, and thanks everybody for being on our call today. I'm going to spend a few minutes on what we're doing and why and because we think it is easy to over complicate these topics, I'm going to be brief. We like our strategy and our business model. We've been growing rapidly and we're generating attractive returns. Our stock price however has not performed in line with our fundamental performance. So we asked ourselves, why? After a number of conversations internally and with many of you over the last couple of years, the answer became fairly simple. Our stock has been too challenging to buy and too challenging to own. So many investors go elsewhere. So we've decided to make a number of changes to address those 2 challenges. In short, we want to be easier to buy and easier to own. I'm on Page 2 of the supplement. To become easier to buy, we're converting to a corporation. There are some technical things to do and we expect to be a C-Corp starting July 1st. That means no more K-1s. It also means we'll be eligible for more ETFs and indices. We'll also be paying a dividend like any other company. Following the conversion, we expect to set the dividend at $0.50 per share per year or about a 2.3% yield on our stock based on the current unit price. We expect to grow this dividend over time with performance and we'll revisit the level annually.

We believe by being a C-Corp with a yield above the broader market, we should be easy to buy for a large percentage of the buying universe. To become easier to own, we're making 3 other changes. The main theme as you will hear is simplification. First, we're going to simplify the way we talk about ourselves and our results. Historically, in our effort to be helpful, we believe we have given out too many metrics. So many that it may have been hard to know what matters most. From our standpoint in running the business day-to-day, there are 4 metrics that really matter: AUM, management fees, total distributable earnings, which we will define as DE less equity-based compensation, and book value per share, which reflects the mark-to-market of our balance sheet and our portfolio. So we're going to talk about those 4 metrics going forward.

Page 3 shows what our results have looked like through that lens. This means we will not be discussing ENI going forward. ENI will show up in our book value per share, which will reflect our accrued carry and the marks in our balance sheet just as it does today and it will be included in our 10-Ks and 10-Qs, but we will not be highlighting it on these calls. Instead, we will be focused on total distributable earnings, which is really our realized earnings. We get paid from our underlying fund investors and we pay our people when we generate cash outcomes. We do not get paid carry based on mark-to-market. We want the profit metric we discuss with you to be consistent with how we get paid by our fund investors and how we pay our people. Hence, the focus on DE. We will also be discussing our AUM, our management fees, our returns in our funds and our book value per share on a mark-to-market basis, all of which will reflect how our investments are performing and which are important drivers as you consider the trajectory of distributable earnings.

Second, we're going to give you DE detail through a quarter. We will periodically share with you what we have sold and the impact on that quarter's distributable earnings. We hope that will make DE easier to model. We know we have a lot going on and can be hard to cover. We want to do everything we can to fix that. This should result in fewer surprises and make us easier to understand.

Third, we're going to simplify the way we talk about and accrue our compensation. Our approach today is complicated. We have a compensation ratio on fees, a separate compensation ratio on carry, plus stock grants and no explicit compensation attributed to balance sheet performance. So we're going to simplify compensation as well. In normal environments, we expect a compensation load in the low-40s as a percentage of total segment revenues comprised of fees, realized carry and realized balance sheet income. This compensation ratio will include equity-based comp for our employees. Low-40s as a percentage of total segment revenues is about where we have been historically. So no overall change in compensation relative to where we have been. For example in 2017 on this basis, we were at 42%. The new approach will be easier to model and discuss together. And over time, as we continue to scale, we expect this compensation ratio to come down. This should help you understand how to think about our compensation, which is by far our biggest expense and will tie to how we discuss and report DE. And as part of all this, we're also increasing our buyback program so that we're authorized to repurchase up to $500 million of our shares. We expect to use the buyback to help keep our share count stable and offset compensation related equity grants.

So in summary, we're making the following changes: C-Corp conversion with a $0.50 annual dividend that we expect to grow over time; simplified reporting with a focus on AUM, management fees, total distributable earnings and book value per share; DE detail through a quarter; a simplified compensation accrual; and a larger buyback program. We have a great business, culture and team. Our intention with all of the changes we're announcing today is to make us easier to understand, buy and own so that over time, our stock reflects that. And with that, I'm going to turn it over to Bill.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Thanks, Scott. I'm going to start by walking through some of the details related to the conversion. I'm on Page 4 of the supplement. As Scott mentioned, the conversion is going to become effective July 1 and is structured to be a tax-free transaction. Our last day of taxes of partnership will be June 30th and K-1s will be issued for the period January 1st through June 30th. There will be one final distribution of $0.17 per common unit related to the second quarter that will be paid in mid-August. Starting in the third quarter, we expect to pay dividends totaling $0.50 annually per share and instead of a Schedule K-1, shareholders will receive a Form-1099.

In terms of the financial impact of the conversion, our fee-related earnings are for the most part already taxed at a corporate tax rate, so the change in our structure will impact our carried interest and investment income and whether these income streams are taxed at the corporate or unitholder level. To try to help frame the numbers, we expect our effective tax rate on distributable earnings to increase over time from 7% today to approximately 22% over the next 5 years. These estimates are based on assumptions described on Page 14 of the supplemental deck. The lower tax rate we expect for the first few years is due to conversion creating a partial step-up in our balance sheet assets and accrued carry that will be realized as those assets as sold. In addition, we expect the conversion to create some goodwill, which reduces cash taxes as it is amortized over 15 years.

Finally to effect all the changes that we've discussed, you're going to see a couple of other items both related to tax planning around the conversion to a C-Corp. Neither has any meaningful economic impact on our company. First, in the second quarter, we expect to realize for DE purposes approximately $650 million of losses from some legacy balance sheet investments. These are largely old credit and energy investments that have already been marked-to-market through ENI and book value per share. Our definition of DE includes all realized gains and losses and although these investments were marked down already, the losses have not yet been realized for tax purposes. We are realizing these losses prior to the conversion. To be clear, this has zero impact on our actual cash flow, book value per share or ENI, but it will save our unitholders' cash taxes that they currently pay on flow-through income as we are still a partnership for the second quarter.

The second change relates to a filing you would see in mid-May related to some of our senior management shares in the company. As part of the conversion to C-Corp, there is an opportunity for our management team to give shares to charitable vehicles with an advantageous tax consequence. All proceeds from the ultimate sale of these shares will go to charity over time. Approximately 20 million shares are being earmarked for donation by our executive officers. This transfer will trigger a Form 4 filing in mid-May, so we didn't want you to be surprised. Essentially, our management team is planning to give $400 million worth of shares based on our current unit price to charity over time. This transfer will happen prior to the conversion and we will have to make an SEC filing to report it, but none of these shares will be sold into the market in the near-term. And to be clear, we have no near-term plans for the company to offer any primary shares. So let me repeat this, in mid-May, you will see a Form 4 filing for 20 million shares that will be donated to charity over time. None of these shares are being sold, none of the executive officers are selling shares anytime soon and the company is not planning to offer any primary shares.

Page 5 summarizes the key takeaways from changes we've announced today. We believe that these changes will make us easier to understand, buy and own. And one other announcement before I discuss first quarter results, we are going to be hosting an Investor Day on July 9th in New York. So we will get back to you soon with details. Shifting gears, let's turn to Page 7 of the supplement and review this quarter's results. We reported after-tax distributable earnings of $304 million for the quarter or $0.37 on a per adjusted unit basis and over the trailing 12 months, after-tax DE came in at $1.5 billion or $1.85 per adjusted unit. First quarter and trailing 12 month after-tax economic net income was $365 million and $1.8 billion, which translates into $0.42 and $2.15 of after-tax ENI per unit respectively.

Management fees for the quarter were up 21% on a year-over-year basis contributing to another strong fee related earnings quarter with $223 million of fee related earnings. That brings LTM fee related earnings to $868 million, up over 40% from the comparable prior period. Continued strong performance within capital markets was a key driver. In terms of other metrics we track closely, we experienced growth in both AUM and fee paying AUM as well as book value per unit, all of which were up nicely on both a quarter-over-quarter and year-over-year basis. We continue to believe that our overall performance is ultimately driven by the 5 things that we need to do well: generate investment performance, raise capital, find attractive new investments, monetize existing investments, and use our model to capture more economics from everything that we do. Craig will now touch on all 5 of these drivers. Craig?

Craig Larson *- KKR & Co. L.P. - Head of Investor Relations*

Thanks, Bill. In terms of investment performance, let's start there. Please take a look at Page 8 of the supplement that profiles our performance on an LTM basis across our flagship funds. In private equity, our 3 flagship funds appreciated 24% on a blended basis, that's approximately 1,000 basis points ahead of the S&P 500 and the MSCI World Indices over this time frame. Our real asset strategies are performing as well with our more mature real estate, infrastructure, and energy flagship funds up 10%, 20%, and 13% respectively and in credit, we saw strong performance in our Mezzanine and Special Sits II funds in particular. The HFRX special sits index has declined over the last 12 months compared to the plus 9% figure for Special Sits II you see on Page 8 and our Mezz fund has appreciated 30% over the trailing 12 months. And in terms of our balance sheet, the investment portfolio was up 3% in the quarter and it's up 10% on an LTM basis.

Turning to fund raising, in the first quarter, we raised $11 billion of new capital and over the trailing 12 months have raised over $40 billion of new capital. The largest contributor this quarter was our infrastructure strategy where we raised an initial $6 billion in connection with our next flagship infrastructure fund. This is a great example of a platform that's continued to scale. The $6 billion we've raised is already 2x the size of our most recent infra fund in a strategy where we see continued long-term secular growth opportunities. In public markets, inflows from our strategic partnerships as well as a number of leveraged credit SMAs were the key contributors. This quarter's figures do not reflect the impact of the FS transaction, which closed on April 9th and that's going to result in over $13 billion of additional fee paying AUM in next quarter's results.

All told, capital inflows in the quarter contributed to $59 billion of dry powder at quarter-end, which is up from Q4 despite a healthy level of deployment of activity. And we have $25 billion of capital commitments that become fee paying on an as-invested basis at a weighted average rate of approximately 100 basis points. Shifting to new investments, we invested $3.7 billion across businesses and geographies in the first quarter. Private markets deployment was $2.4 billion anchored by a sizable investment out of our core strategy and we are also active in Asia Private Equity with approximately $900 million invested across a number of opportunities. In public markets, we invested $1.4 billion coming primarily from investments made both in direct lending as well as in special sits.

Moving to monetizations, we've continued to see a healthy level of exit activity across our private equity business. For the quarter, we completed a number of secondaries which coupled with several strategic sales resulted in over $200 million in cash carry in Q1. On a blended basis, the PE exits were done at approximately 2x our cost. As Scott mentioned, we will give additional DE detail through a quarter. As we stand here today, the after-tax DE impact of monetizations that have closed or that we expect to close in the second quarter is approximately $250 million or $0.30 per distributable unit. And finally, the last thing we need to do well is use our model of AUM, capital markets and balance sheet to capture greater economics for our investors and the firm from all of our activities. Our capital markets business has continued to remain active to start the year. In Q1, the team executed approximately 50 transactions and activity was broad-based. Approximately 80% of activity was debt related with the largest revenue components coming from financings related to our investments in Air Medical as well as PetVet.

Page 9 of the supplement summarizes our core fundamentals across the 5 categories that Bill mentioned earlier. The power of our model is again evident in our results and we're pleased with the progress and the momentum we're seeing across the firm. And with that, we're ready for your questions. Since the number of people in the queue is actually pretty sizable, we'd ask that you limit yourself to one question as well as a follow-up if necessary and then return to the queue if there are any other items that would be helpful for us to address. And with that, Amanda, we're ready for the first question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from the line of Craig Siegenthaler of Credit Suisse.

Craig Siegenthaler - *Crédit Suisse AG, Research Division - MD*

Thanks, good morning. It's actually Craig Siegenthaler, Credit Suisse here. I just wanted to follow up on the index adds and corporate governance. I believe there are no changes to corporate governance or voting rights. So I was just wondering what are your plans or objectives for index additions and could you allocate some voting rights into the flow to qualify for the Russell 1000.

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

Hey Craig, it's Craig, let me begin. First, just to be clear, we are not checking the box, if you will from a taxation standpoint. So what we are doing is an actual conversion of the partnership into a corporation and I think this actually will be helpful to us from an index standpoint. To answer your question, we think the indices that we'll be eligible for fall into 2 broad categories and should result in at least 20 million shares of demand in our stock. The first of those are the total market indices. So there are index providers, S&P would be an example that have changed their guidelines over the past year and won't currently consider companies that have more than one share class for inclusion in some of their indices, but in their total market indices, companies like ours with more than a single share class are eligible for inclusion so that's the first category. And the second are those that are benchmarked off of CRISP data. So CRISP stands for The Center for Research in Security Prices, so Vanguard most specifically has a number of indices that are benchmarked off of CRISP data. And incremental to all of that are areas like Smart Beta. So Smart Beta at the year-end -- at the end of 2017 exceeded $1 trillion for the first time, U.S. equities being the largest piece of this asset pool and again as a publicly traded partnership, I don't think we've been relevant with -- I don't think we've been relevant to those strategies. And from a voting right standpoint, it's actually interesting when you think of us versus most equities, there's actually really clear alignment. Employees own 40% of the company and when I think of all the dialogue that we've had with our shareholders since we announced last quarter that we are considering a conversion, I think we've proven that we engage and listen to our shareholders and value their thoughts and perspectives. So for us the structure and the framework works and certainly we will have the ability to change this in the future if we think that's what makes sense.

Craig Siegenthaler - *Crédit Suisse AG, Research Division - MD*

Great color Craig. And just one quick follow-up. It was nice to see that you're moving away from ENI, but just to be clear, going forward, the sell-side should now send total distributable EPS to first call going forward, right?

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

Yes, Craig. That's correct. We're not going to report ENI or after-tax ENI in our press release. So when I think of the first notes that I know that you want to publish when a press release comes out that earnings metric would need to be that distributable earnings figure less equity-based comp because the ENI figure is not going to be in the press release.

Operator

Our next question comes from the line of Patrick Davitt of Autonomous Research.

Patrick Davitt - *Autonomous Research - Analyst*

Could you talk a little bit more about the decision not to break out fee earnings anymore, which it looks like you're doing given it was my concern that this could mask the higher value of that stream and cause investors just to kind of default to a price to book framework for your stock without kind of giving an extra value for that stream.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Patrick, this is Bill. We're not contemplating changing the reporting of the income streams. So we will still be reporting fee income, we will still be reporting transaction fees, monitoring fees, performance income and balance sheet earnings, but over that, on the TDE basis as opposed to an ENI basis. The one thing that we will be doing and Scott referenced this earlier is from a compensation point of view, we are going to be talking about one compensation ratio as opposed to having it in 3 places.

Patrick Davitt - *Autonomous Research - Analyst*

So there -- but there won't be a separate expense is guess what I'm getting to.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

There will be revenue up on top and there is going to be expenses down below no different than how we report it right now.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

I mean said another way, Patrick, I think because you'll still be able to calculate a fee related earnings number off what we're going to report going forward.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

So, Patrick to belabor the point, if you go to Page 7 and this is just ENI or Page 8 which is TDE, when we give out compensation, compensation will be one number, which will include stock-based comp, we'll report occupancy and we'll report other operating expenses.

Operator

Our next question comes from the line of Robert Lee of KBW.

Robert Lee - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and Analyst*

Great, thanks, good morning guys and congratulations on pulling the trigger. I guess, my 2 questions, first one is maybe talking a little bit about the capital return policy and maybe specifically the dividend. I understand starting at $0.50, but -- and the change to a DE construct, which I think is good, but as you think about growth over time, is that going to be or should we think that's going to be linked more closely to say growth in the management fee component of it or is it not going to be that hard and fast. Just trying to get a sense of how we should think of or how you're thinking of that over time?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Hey, Rob, this is Bill. It will not be manically focused on fee growth as we think about our future dividend. The way we think about it today and the way we have thought about it historically is that from a capital management point of view, we want to pay out a reasonable distribution old way dividend new way to our unitholders, but we want to take that excess and continue to put excess earnings on to the balance sheet and continue to compound and grow book value.

Robert Lee - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and Analyst*

This maybe the follow-up, just maybe really more point of curiosity as much as anything, but how much or how big an influence was the fact that you had this -- let's call it a balance sheet strategy and that because you're able to -- not that it's a good thing to have losses, but of course, you're able to recognize some losses and get the step up in basis that that creates some tax benefits that allow you to kind of ease the transition to a higher tax rate. I mean, to what degree does that kind of really play a larger role in your conversion decision?

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Zero. Hey Rob, it's Scott. Let me just give you maybe a little bit more background. So zero to do with tax planning or anything about recognizing losses for the balance sheet had no impact on the thought process. It just made sense to do that once we decided to convert, but the broader background maybe to share just to give you all a little bit of color is we've been a publicly traded partnership for nearly 8 years on the New York Stock Exchange. When we listed, we had $55 billion of AUM, we now have almost $200 billion. Our book value per share was about $6, it's now $14.50. So this is a much bigger discussion, our stock price has really just not grown at the same pace as our company. So we really spent the last 8 years working to sort out why and if you think back, we've worked on articulating our story, we thought about reporting changes, we went out and tried to find new investors with many of you. We worked with back offices of mutual funds to help them operationalize K-1s but honestly after 8 years of effort, it's not clear we've made a lot of lasting progress. So where this is really coming from is us stepping back and simplifying our thought process about what's been going on. So the high level is the best we can sort out over 60% of the capital investing in the U.S. equity markets cannot or will not buy PTPs and if you think about where flows have been going, it's been going to passive smart beta indices none of which invest in PTPs. So in other words, virtually 100% of net flows could not or would not buy us and 60% of existing capital can't buy us. So, you kind of step way back and it's no wonder it's been hard. So it kind of became clear to us that we've been fishing in a small pond with a slow leak and wondering why we weren't catching anything. Then it was pretty clear there was a big ocean nearby with a lot of fish that might like our bait, so we started thinking about moving over to the ocean and then we asked our largest shareholders, what do they think, what's their advice and that was virtually all consistent that moving to the ocean was a good idea. And so that's really the background, it's got nothing to do with tax planning or anything else, it's really coming from a place of what I said before that we really like what we've built and we want to keep building for the very long-term and we're moving and like any move there's cost, there's risk associated with it, but we're confident that it's the right thing for the long-term to be easier to own and so we're now going to go out and try to find partners and shareholders who believe in us and what we're building and so just always remember, we own 40% of the company, we're not running the place for annual cash flow to the people in the firm, we're focused on long-term equity value creation and so we think this change is in service of that equity value creation and creating a long-term value, which is where our focus is. So, no is the short answer to your question and that's the longer answer.

Operator

Our next question comes from the line of Michael Carrier of Bank of America.

Michael Carrier - *BofA Merrill Lynch, Research Division - Director*

Just maybe, first question just on the fundraising not only this quarter, but the last couple of quarters, you guys have been coming in very strong and it's not -- you don't have your U.S. flagship fund in the market. I just wanted to get a better sense on what's driving it and then even the outlook, we know there is a lot of positive trends for alternatives but even relative to the peers seems like some of these your newer buckets, newer strategies are just garnering a lot more than maybe we would have expected.

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

Hey, Mike, it's Craig. Thanks for the compliment and you're right, it has been a very busy 12 months for us, as I said, that new capital raise figure is over $40 billion. Just to give you a little bit of color on that, $25 billion of that has come from private markets and of that, 70% has come from core, infrastructure and our private equity strategies. So I think when we think of those, you are right. Two of those 3 are ones that probably or may not have been front of mind for people even a couple of years ago. The other $15 billion is within public markets and that $15 billion is actually really diversified. It's fundraising across a number of strategies, credit opportunities, lending partner strategies, SMAs as well as the strategic partnerships. In terms of where we're active currently from an episodic standpoint, it includes infrastructure, European private equity, energy income and growth and direct lending both in the U.S. and Europe and this is in addition to areas where we look to raise capital on a more continuous basis includes the CLO business, the leverage credit platforms in the U.S. and Europe as well as the BDCs and the hedge fund partnerships. And then, finally just from our fee paying AUM standpoint and a management fee standpoint as you think about our model, it's worth remembering that we have $25 billion of capital that will become fee-paying on an as-invested basis at a weighted average rate of 100 basis points. So all of that is the granularity. I think the other slide, that I guess I point you to is Slide 15 that's in the presentation and if you take a step back from all of that granularity over the what we've done in the last 12 months and where we're fundraising, I think your point is very well taken. When you look at the alternatives as a whole, we are fortunate to be in an industry that we think there are secular trends and we think those secular trends are going to continue. So you've seen as an industry, double-digit rates with continued expectations for the industry as a whole to continue to grow and continue to grow very nicely and when you think of where we are in that framework, we've continued to gain share and I think when we look at the various areas that we have and the continued scaling opportunities for us, it does continue to keep us excited about what this could mean for us over the long-term.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Hey Michael, it's Scott. The only thing I'd add is look last 4 years, we've raised over $100 billion, but I think what's particularly exciting is, if you think about where we've been, there's been a lot of fund one, fund two dynamic the last several years and so we've been able to do that while going through that early startup phase for a number of different businesses and while also growing our investor base. We don't talk about it enough, but we've really expanded our investor base materially, it's up 3x over the course of the last 8 years and we think we can grow it materially from here. So I think it's a combination of several things, but we feel optimistic especially now that we've scaled a number of these businesses and we continue to grow the investors. There's more to come, but Slide 15 tells the story pretty well.

Operator

Our next question is from the line of Glenn Schorr of Evercore.

Kaimon Chung - *Evercore ISI - Equity Analyst*

Hi, this is Kaimon Chung for Glenn Schorr. Just want to get a better sense of what drove the performance of the marks this quarter. It came in stronger than what I've expected given your holdings and maybe just some color on the underlying company portfolio trends like revenue and EBITDA growth.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Go ahead Craig, why don't you take that?

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

So, Kai, when you look at the performance of our publics in the private equity portfolio, they were down 6.5% in the quarter. So you're right, the overall portfolio as a whole was positive, that's in a quarter where both the MSCI and the S&P 500 were both down, so that strengthen in the overall portfolio, It did come from the private portion from a mark standpoint. In terms of the second part of your question on revenue and EBITDA, every quarter we go through the global private equity portfolio and look as best as we can on an apples-to-apples basis, the revenue and EBITDA growth across the portfolio and we weight those statistics on the remaining fair value. The broad trends across the portfolio have remained consistent. On a percentage basis, we're continuing to see low double-digit revenue growth and EBITDA growth across the portfolio. So it's nice to see these continued trends on a global basis.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Yes, basically the operational performance offset some multiple contraction when you look at it on the whole, but it was a strong operational performance quarter.

Kaimon Chung - *Evercore ISI - Equity Analyst*

If I could do a follow up. So your ROE was 14% the last 12 months and if I recall correctly, it's been about 15% over the last 3, why wouldn't that be higher for an asset manager like you even with your balance sheet model and what your expectations over the next cycle?

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Could you ask the first part of your question again?

Kaimon Chung - *Evercore ISI - Equity Analyst*

Just your ROE has been about 14% maybe, 15% over the last 3 years, why wouldn't that be higher and where do you expect that to go?

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Are we talking return on equity?

Kaimon Chung - *Evercore ISI - Equity Analyst*

Yes.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Okay, I'd say, over time we'd expect that to continue to be strong and potentially go up. I mean what we're focused on is the fact that we do -- while we do have over half of our capital now is in non-private equity. A lot of those businesses are not yet generating significant carried interest. As they mature, we expect that will change, which will continue to drive the return on equity for the overall enterprise up, all else equal. So we'll talk about this more when we're all together in July at the Investor Day, but we've got reason to be optimistic that the return on equity will continue to be attractive and with performance, grow.

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

And I think Kai, if you look at Page 3 for a second, you see some of what you're talking about, like what I think of as the earnings power of the firm, I think the 2 most important statistics for us are in the top left hand part of Page 3 in the AUM and the bottom left hand part are book value per unit. So I think when you look at our AUM and the success that we've had fundraising, the earnings power of the firm in my mind has increased unquestionably over the last couple of years, but we're still deploying a lot of that capital. So if we're successful from a performance standpoint, you should see that bottom right-hand part follow suit.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

And when you look at it just in this particular quarter, not to pile on, but when you look at where the book value is growing , it's actually up 3% in the quarter. Now we focus more longer-term, but just again on the quarter, it was up 3% in a very challenging market. So when you look at the ROE from a TDE point of view and an ROE from an ENI point of view, I think the results as of December 31st on an LTM basis and as of March 31st is still pretty attractive.

Operator

Our next question is from the line of Devin Ryan of JMP Securities.

Devin Ryan - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

I guess first question here, it sounds like one of the maybe secondary drivers behind the conversion decision is a more attractive M&A currency and I'm curious if that's something you've actually heard in the past from potential targets and then whether you can expand a little bit on the comment on whether there is any implication or maybe read through we should kind of be making around appetite for M&A post conversion.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Thanks, Devin. It's Scott. I'd say that the short answer is we have heard in the past that PTP units are not an attractive M&A currency. So it has been something that we have been told in the past and I'd say it's broader than just M&A currency, I think there's other types of more flexible financing that we could now do as a C-Corp that's very difficult to do as a PTP. So there's nothing that we would point you to as imminent, but more flexibility to continue to scale our efforts globally is a good thing and some of the conversations we've had were those, where that came up as a road block will no longer be the case. So, we'll -- the focus is primarily organic growth still, but we have looked from time to time at larger opportunities where having a real M&A currency would be valuable and we now have the ability to pursue those more aggressively.

Devin Ryan - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Terrific. Great color there. And then just a follow-up, this is may be difficult, but is this just another great quarter for capital markets, it sounds like the outlook there is still positive, and I know last year was really a high bar and a great year, but last quarter, I think we spoke about the potential being something still quite a bit higher than 2016. So just trying to think about for our model and what that business looks like right now, should we be thinking about something still kind of between '16 and '17 or is maybe the backdrop as good as it was last year or even better for some reason?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Hey, Devin. This is Bill. We really don't want to give guidance on capital markets per se because when you think about it, every single quarter, we're starting from ground zero, but when you think about where we've gone in capital markets from particularly focused in the U.S. to now in Europe and now in Asia and growing our third party business, I don't want to say that this is the new new. Your reference to '16 and '17 being so much different, but we have a lot more irons in the fire and so we are able to transact in a much bigger way today than we did in 2016 and 2015. So I'm cautiously optimistic on the progress of our capital markets business prospectively. For example, when you talk about this quarter's number, which is in excess of another $100 million this quarter and when you look at the page -- if you look at Page 10 in the press release, which is reflecting 3 solid quarters with an excess of $100 million. In this quarter, 35% actually came from third party business and so we're getting a lot of traction in an area that was in its infancy stages only a couple of years ago. So a long-winded way of me saying that we're not going to give you guidance as to how to model this, but we are very optimistic around our capital markets business.

Devin Ryan - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Appreciate it. Figured I'd try.

Operator

Our next question comes the line of that Will Katz of Citigroup.

William Katz - *Citigroup Inc, Research Division - MD*

Bill, just maybe one for you, perhaps, as you think about the so -- I will call it the amortization schedule and the normalization of your tax rate as a C-Corp, is there anyway to sort of sense how we should think about that tax rate over the next couple of years and is it sort of the exit tax rate would be 20% some odd or are there other type of planning things that you can do as you look out over the next few years that could sort of potentially dull the dilution if you will.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Hey, Bill. That's a very good question and to be honest, I could give you high level color now but that will change over time, because what will not be known is how that step-up is being allocated either to assets or to carry or to amortization until the transaction closes. So even though it's a tax-free transaction for our unitholders, we do get this step up, which will reduce taxes certainly in the near-term. The way I think about it very simply is that right now on average, our TDE tax rate has been about 7%. Over time, it will grow to 22% and so over the next few quarters, once we go C-Corp and as we're selling those assets, it could well be that from a TDE perspective, there isn't going to be a lot of tax to pay in the first few years. Once we ramp up and then we start investing in assets after we go C-Corp, those assets once all that carry, once crystallized would be at 22%. So the way to think about it and what we'll suggest and we'll keep you updated along the way is to think about we're at 7% now and in over 5 years, we're going to be at 22%. So every year, we would assume that our effective tax rate is going to go up by 300 basis points, again it's not linear, we can't tell you what that number is until July and even then it's going to be incredibly hard to predict, but back of the envelope and for modeling purposes, I recommend that's what you use Bill.

William Katz - *Citigroup Inc, Research Division - MD*

Okay that's helpful and maybe just one quick follow-up just technical, you mentioned you're going to keep everyone abreast of sort of your pace of DE as you go through the quarter, is that going to be on a standard release date or is that going to be more of an idiosyncratic as things occur?

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Probably more idiosyncratic as exits occur and to be clear, what we're talking about providing through the quarter Bill is some sense of what's been happening quarter-to-date, an incremental update to get to that point for realized gains and realized carry. So that's the stuff that we'll be sharing with you through the quarter, much like we do on these calls, we'll just keep you updated over the course of a quarter as opposed to just doing it on the call.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Right, and Bill remember we're in this together, so this is going to be how we're going to report prospectively and so we'll try this out for a couple of quarters. We'd love to take any sort of input or advice from everyone that covers us to try to get the information as crisp as possible certainly around quarter-end.

Operator

Your next question is from the line of Alex Blostein of Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

Quite another sort of technical question first. So I guess, as we think about the $500 million authorization maybe taking a step back, how are you guys planning to use that. I know in the past it was largely to offset share count dilution but in times of equity market volatility, could we guys so you be more aggressive on that? So that's part 1. And I guess part 2, just as I think about the share count for kind of the DE calculation starting, you guys going fully C-Corp sort of what's the right number to jump off of?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Okay, I'll cover the first one first and the second one second. As it relates to the buyback right now, we have roughly about $290 million authorized. We're increasing that to $500 million. What we've said historically and what we're going to say today is that we are going to use that buyback to actually focus on shares that are granted to our employees to make sure that we're not diluting the public. We're also increasing the size just so we have availability that in market dislocation, we have the ability to react to any sort of market disruption, but again, there's nothing new as it relates to this buyback as opposed to the buyback we already had in place.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

But I would say Alex, we have the ability to be aggressive when the opportunity is there. So we've bought $500 million or $600 million back over time including retirements for tax cancellation and if you look at the average price at which that was done, it was somewhere between $14 and $15. So we've tended to lean in when the market opportunity is there and I think you should expect that to continue.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

And as it relates to what share count to you use as far as TDE is concerned, if you look at Page 24 of the press release, we give you information where we layout what the adjusted unit eligible for distribution is and so the way to think about that, that should be steady state for the quarters where shares aren't being invested when one shares are vested, you'll see a modest increase in those shares and that occurs in April and October, but that's why you don't see much as way of movement in our total share count from December 31st to March 31st.

Alexander Blostein - *Goldman Sachs Group Inc., Research Division - Lead Capital Markets Analyst*

Got it, thanks for that. And I guess the second question, just more I guess strategic away from the conversion. As I look at the FS investment that closed I guess earlier, can you guys remind us what sort of contribution you expect to get from both a management fee perspective and an FRE perspective and I guess more importantly, synergistically with the rest of the business, would you mind spending a minute on kind of how that can help the business grow as a whole as being part of now KKR and I guess particularly just related to the capital market activity what we might see out of it?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Sure, Alex, this is Bill. I'll take the first and then I'll let Scott handle the second. When we announced the transaction of FS, we put out a press release and said that on a full run rate basis, the income pick-up from additional capital that we'll now be managing with FS would be approximately $120 million and that, to be clear, includes not only management fees but incentive fees. We didn't give out any details on that and don't expect to give it right now, but we'll be more than happy to report next quarter and the quarter after that, more or less the progress of that new JV we've got with Franklin Square, but we're really excited to be partnering with them.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

So I'd say in terms of the second question, look, the partnership provides us with a number of strategic benefits I'd say the biggest of which is just scale. Where we're seeing the best risk-reward in private credit is at the larger end of the market. So there's been more competition that's come into the small end, but when you're talking about transactions $300 million to $1 billion, there's just not a lot of players that can compete in that space. So now with a combined BDC platform, which is roughly $18 billion plus the other pools that we have, we're amongst the largest in that space and so what we're able to do is have our private credit investment teams including our FS partners partner with our capital markets team to be aggressively pursuing large scale transactions and what that means is more origination for private credit and more syndication and underwriting opportunity for capital markets and at a high level, that's what we're pursuing and we've already seen thus far a meaningful pick-up in terms of private credit origination as a result of the partnership even though we just closed.

Operator

Our next question is from the line of Brian Bedell of Deutsche Bank.

Brian Bedell - *Deutsche Bank AG, Research Division - Director in Equity Research*

Most of my questions have been asked and answered, but just a couple of more on the C-Corp conversion again congrats on that, I think to an extent of course I think Bill, you were talking about on the last earnings call, sort of the hurdle rates where you thought this would be sort of a breakeven move to do this and I think you said at 2 multiple turns, just want to go back, I think the stock was around $24 around that time were you thinking of multiple on consensus ENI and that would -- if that were the case, that would imply something in the high-$20s of where you would think your stock ought to be to sort of view this as successful. I just want to see if that's about right and overall kind of what time frame would you be expecting that?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

I mean nothing really has changed this quarter compared to last quarter when we gave you a little color. I mean the way to think about this, if you want to focus on ENI and because prospectively, we're not going to be from a dilution point of view, our effective tax rate from an ENI perspective is similarly about 6% or 7% and so from an ENI perspective, that number will go up to 22. So the dilution from an ENI perspective, you're going to see about 15%. So you can do the math on what our stock price is to figure out what that multiple difference is. From a TDE point of view, it's a little better only for the fact that when you think about the cash taxes that we're going to have to pay because they are going to ramp up over time. Actually, the dilution is going to be a lot better and you should see the dilution going from right now if we are at 7%, we go to 10%, dilution is only going to be about 3%, but again, that will ramp up over time.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

But to be clear Brian, what we're talking about is what you need to believe from a multiple expansion standpoint for the stock to stay where it is as opposed to have an increase in the stock. That's what we were saying on the last call, I think given -- our focus is TDE, we're expecting low single-digit dilution to after-tax TDE per share in the near-term based on Page 13. And I do think, even though it shows up on Page 13, it's worth articulating again, our fee-related earnings are already taxed as a C-Corp and historically, we haven't had conversations about our balance sheet trading as a multiple of earnings, so really you're kind of down to this question of what happens on the tax rate on carry and balance sheet gains, but the bottom line for us is we believe the near-term is interesting, but this is much more about the long-term opportunity we have to build our firm and find more like-minded partners and shareholders.

Brian Bedell - *Deutsche Bank AG, Research Division - Director in Equity Research*

And then maybe just following on that, I think obviously, your strategy is not changing, but just want to sort to be clear as to whether the conversion changes anything you do -- clearly in M&A it may because it may lead you to do more acquisitions that you have a better currency or a more attractive currency. Does it change the way you think about compensation across the firm or any other operational characteristics?

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

No, I think the only thing we're trying to do is simplify as we discussed and that's where this low-40s percentage of total segment revenues on a realized basis comes from. So we're just packaging what we've been doing more simply as opposed to making a change.

Operator

And our next question comes from the line of Gerry O'Hara of Jefferies.

Gerald O'Hara - *Jefferies LLC, Research Division - Equity Analyst*

I suppose one more on the topical conversion, should the tax structure change at some point in the future and I guess in an adverse fashion, would you still have the ability to switch it back to a partnership structure or should we really think about this -- consistent with your recent comments in more of an effectively permanent decision as you are thinking about the long-term?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Gerry, this is Bill. We'll be really brief on this, we converted to C-Corp and we plan it to be a C-Corp, but very specifically to answer your question, technically, there is an ability to un-convert, but if we were to do that, we would actually have to get shareholder approval.

Gerald O'Hara - *Jefferies LLC, Research Division - Equity Analyst*

And then switching gears a little bit back to the fundraising, kind of touching on the first close, for the follow-on infrastructure fund, I believe you noted $6 billion in size. Can you maybe talk a little bit about the demand for that fund, new versus existing LPs and perhaps elaborate on what the opportunity set looks like, is it focused strictly on U.S. or potentially global in breadth. That'd be helpful. Thank you.

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

Hey Joe, it's Craig. Just from a fundraising standpoint, we can't give a whole lot of details as we are in the midst of that fundraising. To answer some of the questions and as we think about the platform as a whole, I think there are 3 things to remember, one, we've been delivering attractive results for a decade, two, as we think about our definition of infrastructure, it's very disciplined, it's risk-based. We're looking for critical infrastructure globally with a focus on downside protection and I think the third piece is that we've proven we can navigate complexities whether that's establishing creative partnerships, situations where we have unique operational capabilities or sector specialization I think we've, in a number of cases have found situations with complexity and we can turn it into something simple. So I think those are today things that LPs have recognized and have been helpful for us in raising the capital that we have -- that we have raised to date.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

I'd say that the strategy for the firm is global and maybe the way to answer your question is, if you look at our recent funds more broadly, we've seen a quarter to half of the investors in these funds being new to the strategy or new to the firm. So we continue, as I said before, to expand the investor base.

Operator

Our next question is from the line of Chris Harris of Wells Fargo.

Christopher Harris - *Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst*

So, if DE is the new primary metric we should be focusing on and I appreciate that metric can still bop around quite a lot from year-to-year, but if we look at your information here on Slide 3, it's sort of implying a 3% annual growth rate, so just wondering do you guys think you can drive a more consistent higher growth rate than that because it seems like you might need to, to get kind of the valuation that you want here as a C-Corp.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

You're talking about the DE bottom right on Slide 3?

Christopher Harris - *Wells Fargo Securities, LLC, Research Division - Director and Senior Equity Research Analyst*

Correct.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

So I think you got to -- you'd have to kind of parse through what's going on there. Chris. So really, there was a period of time especially kind of in the early years, '13 through '16, because you remember how we came public. We reverse merged basically the private KKR into the public KPE vehicle and so there is a period of time in there, '13 through '16 in particular where we were monetizing balance sheet gains coming out of the crisis from investments that were in private equity that we just happened to kind of merge into it at an attractive price. So if you disaggregate what's going on on that chart, what you'd see is the management fee and transaction fee component, upper right going up, you'd see carry going up and then you'd see more of a lumpy kind of an elevated balance sheet gain period and most of those outsized gains have now been harvested. So if you kind of normalize for that, you'd see a much faster growth rate in the bottom right and so the way we look at it is we're going to be continuing to grow our management fees. We think we can continue to grow our carry and as I said before, there is a lot of latent carry opportunity in our non-private equity businesses in particular, a lot of dollars in the ground that aren't yet generating cash carry and are just starting to now and then we believe the balance sheet now is at more of a steady run rate as opposed to that outsized period of gains. So what we're going to be talking to you about going forward is really the 3 forms of cash revenue, fee, carry, balance sheet and we think we're at a point now where you are going to see a much faster trajectory going forward all else equal, but July we'll walk through all of that in a great amount of detail with you.

Operator

Our next question is from the line of Andrew Disdier of Sandler O'Neill.

Andrew Disdier - *Sandler O'Neill + Partners, L.P., Research Division - Director*

So I understand you're focused on the long-term and Scott, I'm not sure if you just alluded to or not, but it seems like you can still be tactical in nature until July. So as I think about the commentary around the tax step up tied to realizations of balance sheet assets and accrued carry, thinking kind of First Data and I think they're off of lock up too, and then two, the dynamic of taking DE losses on legacy assets thereby saving unitholders cash taxes, I mean does that imply that we could see a step up in realizations in this shorter time frame that you may or may not have been holstering thereby lowering tax leakage and then growing book value at a kind of more advantageous rate or at least is the incentive there.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Andrew, this is Bill. Tax planning is important, but it isn't the only driver of what we're doing. Once we've decided to make this conversion, we're optimizing certain things that we can do, but to your point about First Data, we hold that investment, we like that investment, we wouldn't try to force anything unnaturally just to save some taxes. So the business model comes first and around that business model to the extent that we can be proactive and plan accordingly around saving taxes for our unitholders in the company, that's what we'll be doing in between now and June 30th for sure.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Yes, everything is normal course. The only thing that we're telling you today is what we expect to be other than normal course between now and July 1. So no other changes to our approach.

Andrew Disdier - *Sandler O'Neill + Partners, L.P., Research Division - Director*

And then one quick follow-up, on $0.30 or $250 million of I think DE, is that post-tax or pre-tax?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

For this quarter, it is pre-tax and post-tax because there is really no tax per se that's paid on carry or balance sheet earnings.

Operator

Our next question is from the line of Michael Cyprys of Morgan Stanley.

Michael Cyprys - *Morgan Stanley, Research Division - Executive Director and Senior Research Analyst*

Just sticking with the C-Corp conversion topic. It sounds like you're converting the entire structure. Just wanted to confirm that I heard you right there that you're changing the entire legal entity structure there as opposed to just filing as a C-Corp which we saw elsewhere. Just curious if you could help us understand what that entails, what sort of changes do you need to make to effect that sort of change, what actions are you taking to make that happen?

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

Hey Mike, it's Craig. So the actual conversion itself is a -- the public company is converting from a partnership to a corporation. So we're not -- what we're not doing is we're not checking the box and we're not electing to be taxed as a corporation, but keeping the public entity as a partnership. So the public entity itself again is converting from a partnership to a corporation and alongside with that, we will file a certificate of conversion in Delaware to effect that change.

Michael Cyprys - *Morgan Stanley, Research Division - Executive Director and Senior Research Analyst*

Okay and just a follow-up on, in the context of this conversion, just curious how and to what extent it impacts that you're thinking about your balance sheet strategy and the types of investments that you'd be able to make or maybe would be more attractive or less attractive to make off the balance sheet in the past you would compound the balance sheet pre-tax and now, you would be compounding it post tax, how does that impact the overall thinking of strategy there?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

No changing in overall thinking. We're going to be running the business on July 1st no different than that we were running it on June 25th.

Operator

Our next question is from the line of Lee Cooperman of Omega Advisors.

Leon G. Cooperman - *Omega Advisors, Inc. - President, CEO & Chairman*

Thank you very much. I was getting the impression you didn't want to talk to anybody that spends money on the buy side. I'd like to make a suggestion which is consistent with the changes you announced this morning and to be clear, I speak both as an owner of KKR and an even larger owner of First Data, you basically made a comment, Scott, that the stock price has not performed in line with fundamental performance and you wanted to move from a leaky pond to an ocean. My suggestion is that there is no reason for First Data to have dual class voting shares and the elimination of that would take you from a leaky pond to an ocean because S&P has said, they will not include in the index basically dual voting shares anymore. So what I'd like you to take under advisement and if you want to comment now, I'd be interested is why not eliminate dual voting shares and move from a leaky pond to an ocean because Frank Bisignano has done an excellent job in First Data, it's a major investment for you guys and for us and I think it would be very salutary in its impact. Thank you for listening.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Thank you, Lee and appreciate your partnership on both KKR and First Data. I think we have a completely shared and aligned view on the wonderful job Frank and the team have done at First Data. Happy to chat with you about any and all topics including that one, but it's certainly something we're looking at, love to chat with you about it and we'll continue to look at, but thank you for your partnership and your comments.

Operator

Our next question is from the line of Patrick Davitt of Autonomous Research.

Patrick Davitt - *Autonomous Research - Analyst*

My question is on the differential in mark on the balance sheet versus the PE portfolio. I understand there's a different ownership of First Data, but just curious if there is anything you'd point to that drove such a big gap between the 2 marks because it was a lot better than I was expecting on the balance sheet.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Which investment in particular Patrick?

Patrick Davitt - *Autonomous Research - Analyst*

No the balance sheet broadly, it seemed to be a lot better than I was expecting.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

The performance of the balance sheet?

Patrick Davitt - *Autonomous Research - Analyst*

Yes.

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

Well, when you look at the performance, we have mentioned earlier that the performance was up about 3%, we talked about the PE fund being up about 0.4, but when you take a look at a couple of the investments that we show on Page 12 of the press release, you could see that it was a nice increase with USI, there was a nice increase with WMIH and so we had some significant large size positions on the balance sheet this quarter that actually again on a mark-to-market basis did relatively well, but more importantly, when you take a look at all of the investments on the balance sheet, when I look across all of the platforms and I'm looking at the top left from private equity all the way down to credit, all performed at or better than benchmark this quarter.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

Yes, we had good quarter in real assets, in credit, in growth equity, a lot of the PE investments, it was just a good quarter all around, Patrick.

Patrick Davitt - *Autonomous Research - Analyst*

But USI is a private position, right?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

It is, yes.

Patrick Davitt - *Autonomous Research - Analyst*

Was there something that changed that allowed that to step up so much?

William J. Janetschek - *KKR & Co. L.P. - Member & CFO*

We've held it for the better part of 9 months and we don't really comment specifically on portfolio company details when we go through our valuation process, but suffice to say something good must be happening if we wrote it up.

Scott C. Nuttall - *KKR & Co. L.P. - Co-President & Co-COO*

If you follow up with the media USI have made a couple of acquisitions, Patrick.

Operator

Thank you and at this time, this does conclude the question-and-answer session. I would like to turn the call back over to Mr. Craig Larson.

Craig Larson - *KKR & Co. L.P. - Head of Investor Relations*

Amanda, thank you and thank you everybody for joining our phone call. Please obviously follow up with us directly if you have any additional questions and we hope to see everybody July 9th at our Investor Day. Thanks again.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does concludes the program. You may now disconnect. Everyone have a great day.

Editor

COMPANY DISCLAIMER - THE COMPANY HAS NOT VERIFIED THE ACCURACY OR COMPLETENESS OF THIS TRANSCRIPT.