

KKR Finds Ultra High Net Worth Investor Coming of Age

New Survey and Macro Report Highlight Opportunities and Challenges of the High Net Worth Market

NEW YORK--(BUSINESS WIRE)-- KKR, a leading global investment firm, today released *The Ultra High Net Worth Investor: Coming of Age*, a new macro Insights piece by [Henry H. McVey](#), KKR's Head of Global Macro and Asset Allocation ("GMAA"), in collaboration with [Jim Burns](#), Head of the Individual Investor Business for KKR.

"As our client base has diversified, we are not only engaging with allocators who serve as fiduciaries for large pensions but also with sophisticated individual investors, many of whom have or run large family offices," Henry McVey said. "Not surprisingly, the investment objectives of KKR's average Ultra High Net Worth investor can be quite different from the objectives of the traditional pension, endowment, or foundation."

To better understand the changing dynamics of the Ultra High Net Worth ("HNW") market, McVey and Burns conducted a proprietary survey of and interviews with over 50 KKR Ultra High Net Worth clients, including several family offices, to delve deeper into the key opportunities and challenges that the HNW market now faces.

In *The Ultra High Net Worth Investor: Coming of Age*, they outline important trends they discovered in surveying the Ultra HNW market, a unique subset of individual investor clients that KKR now serves on a global basis:

- | The average KKR Ultra HNW investor surveyed has a much different profile than the average individual or institutional investor: Many are operating sizeable businesses, view investing more on an absolute return basis, and value deal sourcing
- | Ultra HNW accounts maintain a sophisticated approach to global asset allocation that tends to include a diversified, multi-asset class portfolio with a heavy weighting in Alternatives
- | In recent years, Ultra HNW accounts have been earning strong returns, harnessing structural themes to their benefit, including:
 - | Embracing capital markets dislocation
 - | Being early to take advantage of a shifting landscape in the banking system
 - | Taking advantage of the illiquidity premium in areas like Private Credit and Private Equity to earn strong absolute returns

However, according to McVey and Burns, there are some potential asset allocation "storm clouds" ahead:

- | Current Ultra HNW asset allocation positioning appears to make more sense for the environment we just left - and not necessarily the one to which we could be headed
- | Beyond potentially lower absolute returns, the Sharpe ratio, or return per unit of risk, could be poised to fall
- | Many Ultra HNW investors appear over-indexed to their local markets, the U.S. in particular

Nonetheless, McVey and Burns find there is no doubt, the high end of the HNW market, including the family office market, has "come of age."

"These investors are using increasingly sophisticated products, becoming more global, and learning to leverage their competitive advantages in the marketplace. Coupled with strong growth, this market should remain a dynamic one for the coming years. And if we are right about the macroeconomic backdrop that we laid out in our [Outlook for 2017: Paradigm Shift](#), then Ultra High Net Worth individuals and family offices are in an excellent position for the Paradigm Shift we are envisioning."

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](#).

- 1 To download the KKR Insights app [for iOS click here](#), and [for Android click here](#).
- 1 For an archive of previous publications please visit www.KKRinsights.com.

About Henry McVey

Henry H. McVey joined KKR in 2011 and is Head of the Global Macro and Asset Allocation team. Mr. McVey also serves as Chief Investment Officer for the Firm's Balance Sheet and is Head of the Private Market and Balance Sheet Risk team. 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 Investment Committee. He is also a member of the national advisory board for the Jefferson Scholarship at the University of Virginia and a member of the Council on Foreign Relations Corporate Leader Program.

About Jim Burns

Jim Burns joined KKR in 2010 and is a member of the Client and Partner Group, where he leads KKR's Individual Investor Business globally. Prior to joining KKR, Mr. Burns was a managing director in the private wealth management division of Morgan Stanley, where he worked for nearly thirteen years and held a variety of positions, most recently as head of the Eastern United States for private wealth management. Mr. Burns holds a B.A., Phi Beta Kappa, from Emory University and an M.B.A. from Harvard Business School. Mr. Burns serves as a member of the board of trustees for Emory University and sits on the Investment Committee for the University's Endowment. He is a member of the board of trustees for the Convent of the Sacred Heart in New York; a member of the board of trustees for the Harvard Business School Club of New York; and is a former trustee both of The McCallie School in Chattanooga, Tennessee, and the Emory College Alumni Board.

About KKR

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