



KKR

Thoughts From the Road

LONDON AND SINGAPORE | October 2026

Over the past few weeks I spent time in London and Singapore meeting with politicians, policymakers, investors, business leaders, and clients. I came away with several views that are different from when I started my journey. **Most importantly, I now think that the global investment cycle is broader, more durable, and probably more Inflationary than even i had appreciated.** To be sure, AI remains an important growth driver (and we gained more confidence on the semiconductor cycle while in Asia), but Defense, Infrastructure, Energy, and supply chain resiliency are also now increasingly competing for the same capital, labor, and power.



Henry H. McVey
Head of Global Macro
& Asset Allocation, CIO
of KKR's Balance Sheet
henry.mcvey@kk.com

Aidan Corcoran
Managing Director,
Co-Head of Global Macro
aidan.corcoran@kk.com

Richard Bullock

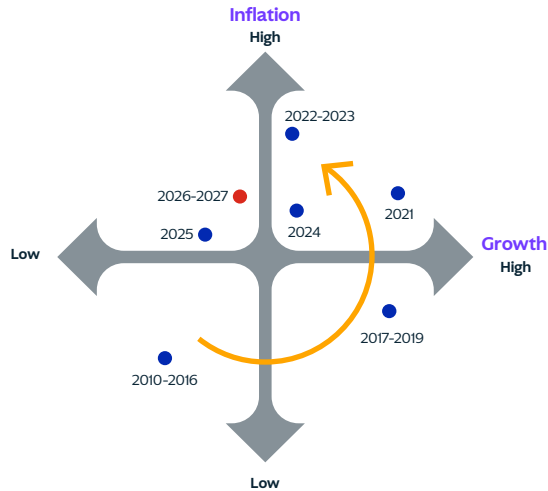
Bola Okunade

Asim Ali

Allen Liu

Exhibit 1: We Continue to Reinforce Our *Regime Change* Thesis of Structurally Higher Inflation

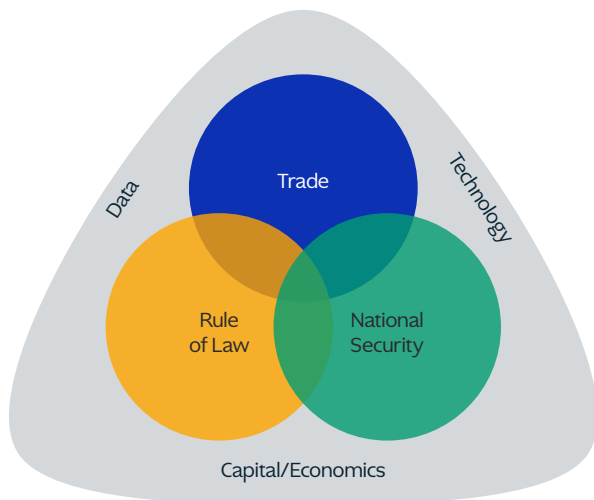
Low and High Growth and Inflation Regimes



Data as at May 30, 2026. Source: KKR Global Macro & Asset Allocation analysis.

Exhibit 2: National Security Is Now Bundled With Rule of Law and Economics/Trade, and Wrapped in the Complexity of Digitalization

Blurring of Lines Across Economics, Rule of Law, and National Security



Data as at May 30, 2026. Source: KKR Global Macro & Asset Allocation analysis.

So, not surprisingly, from a macro and asset allocation perspective, my travels only reinforced our *Regime Change* thesis. This cycle is increasingly being driven by fixed investment rather than leveraged consumption. More capital spending should continue to support greater productivity, real wages, and nominal growth. This trip also confirmed our view that inflation and interest rates will continue to have a 'higher resting heart rate', which was not the case during the era of Secular Stagnation. Finally, heightened geopolitics are leading to more economic choke points being leveraged for political gains than in the past.

Armed with these findings and data points from the trip, we are using this *Thoughts From the Road* to raise several of our short- and long-rate forecasts. One can see this in *Exhibit 4*. In terms of specifics, on the long end, we are lifting 10-Year forecasts for the bund, gilt, and JGB, while also increasing our forecast for 2026 ECB and Bank of England short-term interest rates. Importantly, the breadth of the investment boom is part of what is driving that change in our thinking.

Exhibit 3: Around the World, CEOs Surveyed View Supply Chain Disruptions and Geopolitical Uncertainties as Elevated Risks in 2026

External Factors Most Likely to Negatively Impact Businesses in 2026	GLOBAL CEOs	EUROPE CEOs	ASIA CEOs	US CEOs	JAPAN CEOs
Supply chain disruptions	41.6%	30.1%	38.5%	46.6%	50.6%
Energy shortages	19.8%	23.4%	23.1%	20.2%	27.0%
Export controls	17.3%	14.7%	23.2%	10.5%	14.6%
Having to stop selling products to certain regions	15.3%	20.1%	14.8%	12.1%	9.0%
Foreign investment restrictions	14.5%	19.5%	10.2%	12.1%	2.2%
Shortages of critical inputs	12.9%	12.6%	11.1%	18.6%	13.5%
Closure of ocean shipping choke points	12.0%	12.0%	16.3%	7.3%	12.4%
Semiconductor shortages	12.0%	13.7%	13.8%	10.1%	15.7%
Rare earths shortages	10.5%	12.1%	13.9%	10.5%	15.7%

Based on 771 CEOs responding. Source: The Conference Board, C-Suite Outlook 2026: Uncertainty and Opportunity (2026), <https://www.conference-board.org/publications/C-Suite-Outlook-2026-Uncertainty-and-Opportunity>.

Somewhat ironically, though, I am not convinced that higher-for-longer means higher forever. Indeed, I came home less convinced that markets are currently right to price in a long, consistent, unwavering series of near-term hikes. To this end, I note that forward curves around the globe now appear as disconnected to the upside from KKR's forecast in the out years as we have seen in quite some time (see Section I for more details).

Exhibit 4: Renewed Inflation, Fiscal Pressures and Continued Policy Normalization Are Pushing Our Global Rate Forecasts Modestly Higher

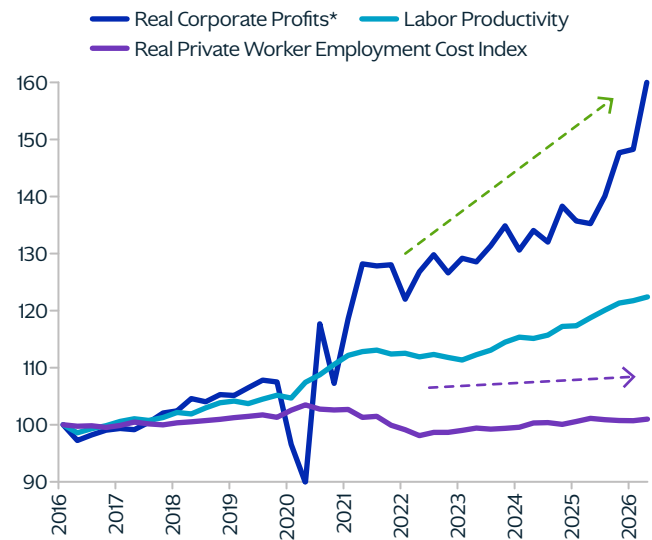
	Previous	Current (Sept-26)	Consensus
United States			
Fed Funds 2026YE Rate	No Change	4.13%	4.2%
10-Year UST Yield	No Change	5.1%	5.2%
Europe & U.K.			
European Central Bank 2026YE Rate	2.5%	2.75%	2.68%
Bank of England 2026YE Rate	3.75%	4.0%	3.8%
10-Year Bund Yield	3.25%	3.4%	3.5%
10-Year Gilt Yield	5.0%	5.25%	4.9%
Japan			
10-Year JGB Yield	3.0%	3.1%	3.125%

Data as at September 29, 2026. Source: KKR Global Macro & Asset Allocation analysis.

I also came away from this trip even more focused on the widening gaps across countries, companies, and consumers. In particular, cost-of-living pressures remain meaningful for lower- and middle-income households everywhere. This cruel reality is not just a developed market or developing market story, and it is prevalent across the U.S., the U.K., Singapore, and even India and Malaysia. At the same time, many large companies and asset owners are benefiting from higher investment, greater productivity, and higher profits. One can see this in Exhibit 5. This particular disconnect remains central to our overall Divergence Conundrum thesis, which we detailed in our Mid-Year Outlook (See *The Divergence Conundrum*).

Exhibit 5: Divergence Conundrum: Corporate Profits Have Surged on the Back of Strong Productivity. However, Wages Have Not Kept Up, Which is Amplifying the Cost of Living Headwinds for Consumers Who Don't Own Equities

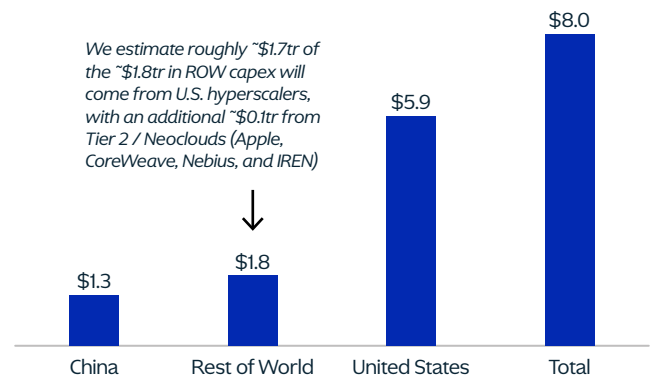
Real Corporate Profits vs. Labor Costs (Rebased to 1Q16 = 100)



With IVA and CC Adjusted before taxes, deflated by CPI. Data as at September 30, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

Exhibit 6: About 30% of U.S. Hyperscaler Capex Is Occurring Outside the U.S.

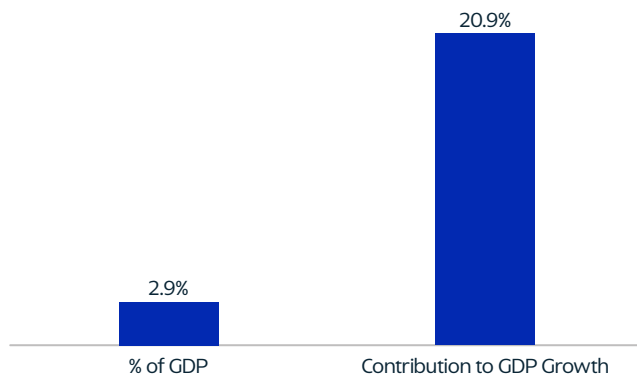
2026-30e Global Capex by Destination, US\$



Data as at September 30, 2026. Source: 10-Ks, KKR Global Macro & Asset Allocation analysis.

Exhibit 7: A Segment Representing About One Tenth of the TOPIX Index Is Producing More Than One Third of Its Profit Growth

AI, Datacenter, and Semiconductor Value Chain Impact on 2025 Japan GDP Growth



Data as at March 31, 2026. Source: TOPIX, Bloomberg.

So, what changed in my thinking after all this travel? Beyond the idea that we need to boost our rates forecast, six things stood out:

1. The global investment boom is broader than I thought.

AI is only one part of a much larger spending cycle that now includes Defense, Infrastructure, Energy, and supply-chain resiliency. This strengthens our conviction that nominal growth, inflation, and rates will have a higher resting heart rate than they did during Secular Stagnation.

2. Europe is more resilient than I expected, but the composition of growth matters. Specifically, Business Investment, Defense, Infrastructure, and regional trade are increasingly doing more of the work, while consumers and housing remain constrained. Germany is now trading more with Eastern Europe and less with China, and countries like the U.K. are seeing a surge in business fixed investment, even as traditional capital expenditures such as housing lag.

3. The next 12 months in Europe will bring an action-packed political agenda and election calendar, with some potential concerns already being reflected in government bond markets. Without question, we are closely watching bond yields in France; we do not see the risk as a 2011-redo, as there are more safeguards in place today. However, the path ahead will not be easy, as budgets need to be tightened. On the corporate side,

we would use any dislocations linked to government sovereignty issues to increase exposure to some of our most important regional investment themes, including the Resurgence of the Periphery, Retirement Savings, Renewables, and the Security of Everything.

4. In Asia, the AI opportunity is broader than chips.

Japan, in particular, reinforced for me how much value sits upstream in equipment, materials, chemicals, power, and related infrastructure. Just consider that in 2025 AI-affiliated activities in Japan accounted for less than 3% of GDP but contributed more than 20% of the country's GDP growth.

5. Korea's corporate reform story looks even more investable than it did before this trip. We spent more time discussing reform in Korea than Japan, which itself was a notable change from prior visits. We also heard of incremental improvements in the Singapore story, especially as it relates to financial services.

6. Global allocators want more exposure to Asia, especially across Infrastructure, Equities (both Public and Private), and Credit. Yet, their allocations are still below their benchmarks, we believe. Until recently, the change in China's trajectory over the past decade dominated investor thinking. However, many are now looking for ways to invest behind the region's mega themes, including Intra-Asia Trade, Consumption Upgrades, Corporate Reform, and Decarbonization. Therein lies the opportunity, we believe.

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SECTION I

Europe

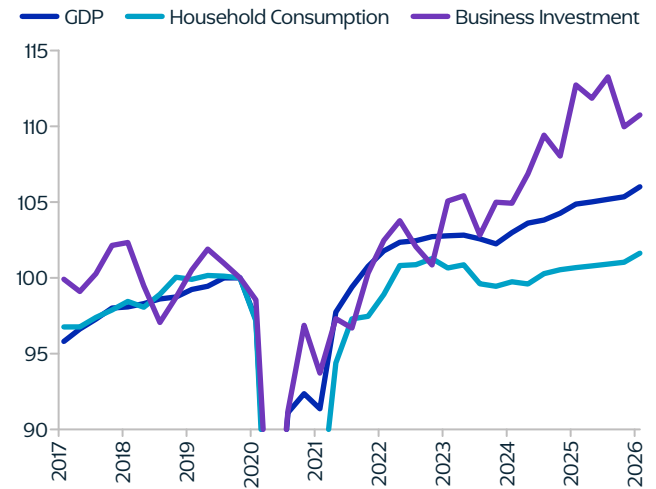
Europe: What Changed in My Thinking. I went to London expecting rates and energy to dominate the discussion, and they did. What I had underappreciated was not just the resilience of European growth, but the way higher energy and security needs, regionalization, and infrastructure spending are themselves helping drive stronger fixed investment and a different growth mix.

1. Despite speaking with a vocal group of local Euro-skeptics, I again came away more constructive on European growth (see our July 2026 *Thoughts From the Road: Europe*). My colleague Aidan Corcoran's view that growth would hang in there, despite higher oil prices and heightened geopolitics, has been the right one for quite some time. He has been particularly bullish on the periphery countries; in addition, he notes that high savings, low unemployment, and especially better business investment are providing more support than I expected. As a team, we see all of these remaining tailwinds into 2027.
2. For investors, that combination broadens the opportunity set. Retirement Savings/Security, Logistics, Infrastructure, Renewables, Industrials, Cybersecurity, and Health & Wellness all look positioned to grow above trend.
3. In terms of what I am watching that could go bump in the night, France's fiscal position, political uncertainty, housing, and other rate-sensitive sectors remain important fault lines that investors must consider as they think about their exposures in this region.

The bigger surprise to me, and the change in my thinking that I would emphasize, is the composition of that growth. Higher rates are still weighing on consumers and housing, but Business Investment, Defense, Infrastructure, Energy, and regionalization are carrying more of the load. In the U.K., for example, real business investment is now roughly 10% above pre-COVID levels even as household consumption remains under pressure. In Germany, security and supply chain priorities are pulling more capital towards infrastructure, industrial capacity, and trade links within Europe.

Exhibit 8: U.K. Businesses Have Been Actively Deploying Capital, With Real Business Investment Running 10% Above Pre-COVID Levels. Meanwhile, Household Consumption Continues to Lag

U.K.: GDP, Consumption, Investment Real, Q419 = 100



Data as at March 30, 2026. Source: ONS.

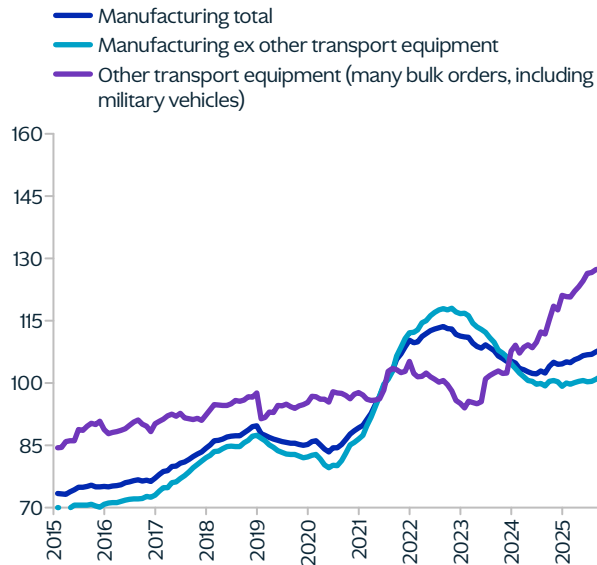
More Regionalization Is Also Reinforcing Fixed Investment.

I have been talking for some time about the rise of regional trading blocs in Asia, but it increasingly feels as though geopolitics is accelerating a similar trend in Europe. Companies and countries are reorganizing supply chains, trade relationships, and capital spending around regional rather than purely global considerations. Germany is a good example. We are seeing a meaningful increase in exports of machinery, computer equipment, and other industrial goods to Poland and neighboring European markets, while exports to China continue to weaken. At the same time, Defense related orders are rising sharply. In my view, these are not separate stories. They are part of the same shift towards more fixed investment in industrial capacity, infrastructure, transportation, logistics, and energy security.

Companies and countries are re-organizing supply chains, trade relationships, and capital spending around regional rather than purely global considerations.

Exhibit 9: German Defense Orders Are Providing a Powerful Industrial Tailwind

German Manufacturing Order Volumes (2021=100)



Data as at July 31, 2026. Source: Statistisches Bundesamt.

Exhibit 10: European Exports to China Have Fallen Below GFC-Era Levels

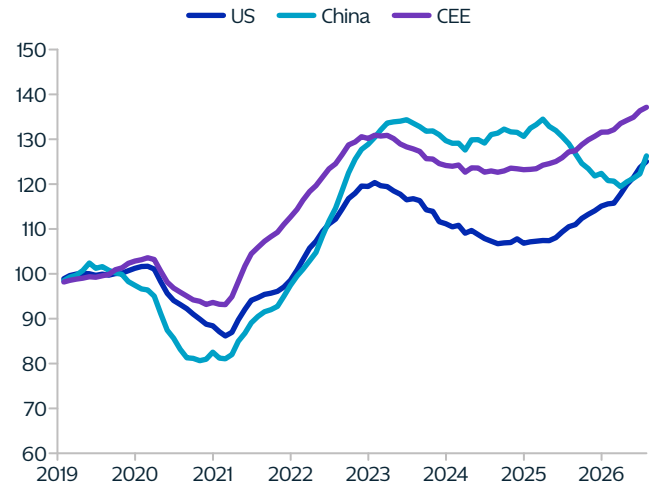
Euro Area: Real Exports by Destination (2021=100)



Data as at July 31, 2026. Source: Eurostat.

Exhibit 11: Eastern Europe Is Now Outpacing the U.S. and China as an Export Destination for Germany

Germany: Goods Exports to Key Partners, 2019 = 100



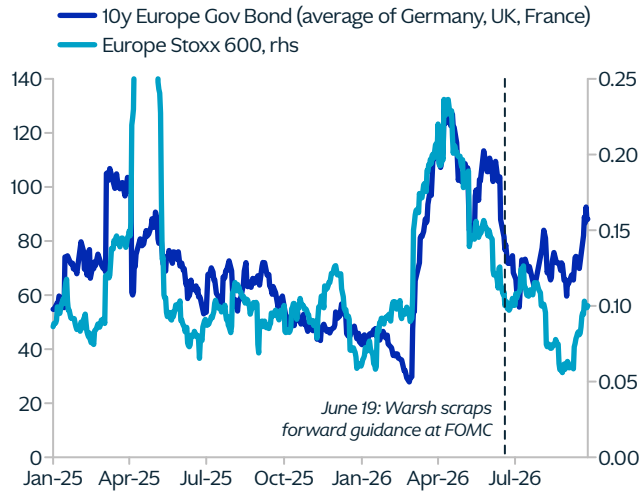
CEE refers to top 4 Eastern Europe destinations: Poland, Hungary, Slovakia, Czechia. Data as at July 31, 2026. Source: Deutsche Bundesbank.

On the interest rate front, there was a clear view among European investors and traders that Chair Warsh's decision to move away from forward guidance is unnerving global bond markets in a way that I do not hear nearly as much in my U.S. discussions on Federal Reserve policy. The concern is that less policy visibility is translating into higher bond volatility, which in turn is forcing both dealers and allocators to reduce risk as risk limits are breached. One can see this in *Exhibits 12 and 13*, respectively.

I think this dynamic is particularly important at the long end of the curve. As yields move higher, I would not be surprised to see other central banks consider steps similar to the Bank of England's recent decision to suspend QT. I am generally not a proponent of market intervention, but the combination of large fiscal deficits, heavy government issuance, and elevated rate volatility creates a more challenging backdrop for sovereign bond markets. There is also still a meaningful overhang from global allocators that bought long duration government bonds heading into COVID and continue to carry substantial unrealized losses that will need to be dealt with over the coming months or years.

Exhibit 12: Since Fed Chair Warsh Scrapped Forward Guidance, Global Bond Markets Have Been Unnerved...

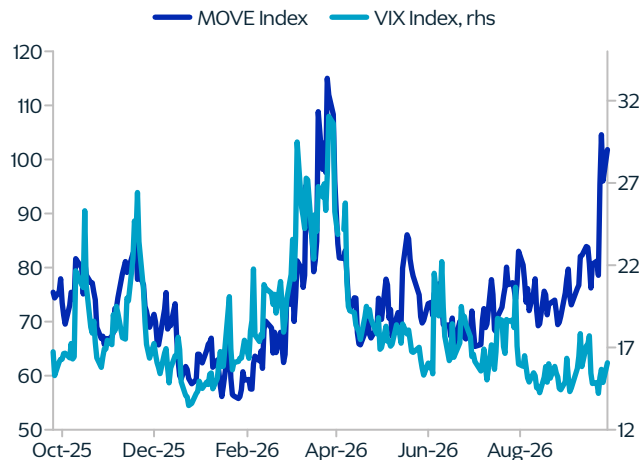
Europe: Equity vs. Bond Volatility, Realized, 30-Days



Europe bond average of the U.K., France, Germany. Data as at September 24, 2026. Source: Bloomberg.

Exhibit 13: ...and Bond Volatility Has Been Running High, Especially Relative to Equities

Bond Market vs. Equity Market Volatility



The MOVE index reflects the level of volatility in U.S. Treasury futures. Data as at September 28, 2026. Source: Bloomberg.

A recent flashpoint in government bond markets is France, the country we heard the most caution on in Europe from local investors. Political deadlock has prevented successive governments from cutting deficits, and spreads to Germany have spiked to Eurozone wides in recent weeks.

The Transmission Protection Mechanism (TPM) remains the ECB's key mechanism to contain spreads, but until the European Commission can attest that French fiscal policy is on a sustainable trajectory (which will require some political progress) the ECB's hands will be tied.

We do not think that the worst case scenario will be a ten-year yield with a 7% handle. That scenario would likely catalyze a fiscal correction, which the ECB could then stand behind through the TPM. In our mind, the worst case would be that spreads stay around current levels for an extended period of time, dragging on economic activity but not sufficiently elevated to force discipline on policymakers.

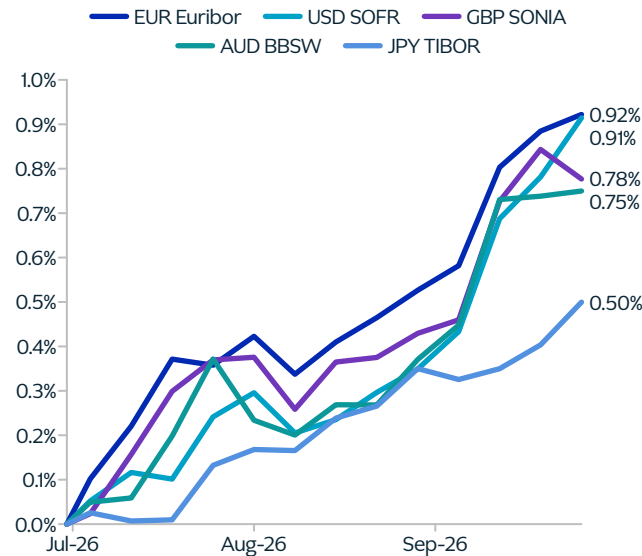
Meanwhile, at the short end, markets are pricing successive hikes across Developed Markets. Since June 30, two-year forward-rate expectations have risen roughly 50-100 basis points, with the largest moves in the U.S. and U.K. The breadth and speed of the repricing suggest the front end may now be discounting something more restrictive than our base case.

In our mind, the worst case would be that spreads stay around current levels for an extended period of time, dragging on economic activity but not sufficiently elevated to force discipline on policymakers.

Exhibit 14: Our Rates Outlook Remains Hawkish, But It Is Less So Than the Now Consensus Now Thinks

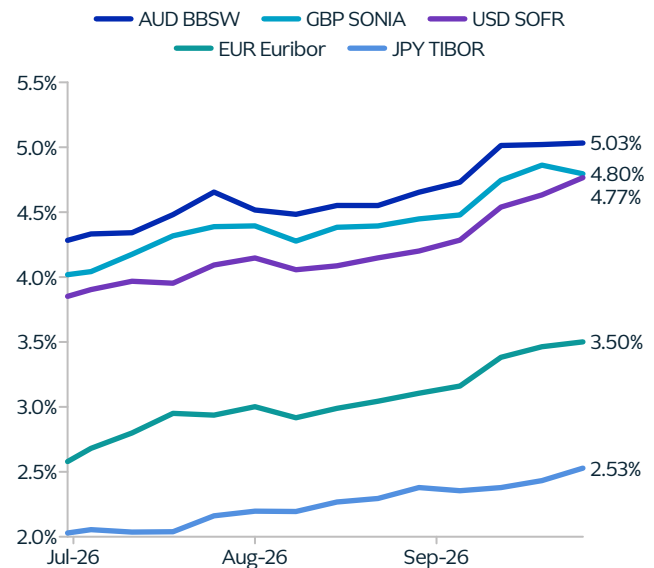
Year	US Rates (SOFR)		EU Rates (EURIBOR)		UK Rates (SONIA)		AU Rates (BBSW)		Japan Rates (TIBOR)	
	Spot: 3.85%		Spot: 2.44%		Spot: 3.73%		Spot: 4.42%		Spot: 1.08%	
	Base	Fwds	Base	Fwds	Base	Fwds	Base	Fwds	Base	Fwds
2026e	4.13%	4.39%	2.80%	3.08%	4.05%	4.22%	4.60%	4.81%	1.50%	1.53%
2027e	4.38%	4.74%	2.80%	3.43%	3.80%	4.69%	4.60%	4.91%	1.75%	2.14%
2028e	4.38%	4.54%	2.55%	3.34%	3.30%	4.54%	4.10%	4.81%	1.75%	2.38%
2029e	3.38%	4.43%	2.55%	3.27%	3.30%	4.51%	3.85%	4.81%	1.75%	2.60%
2030e	3.38%	4.40%	2.55%	3.26%	3.30%	4.55%	3.85%	4.86%	1.75%	2.83%
2031e	3.38%	4.44%	2.55%	3.29%	3.30%	4.63%	3.85%	5.00%	1.75%	3.04%
2032e	3.38%	4.47%	2.55%	3.34%	3.30%	4.73%	3.85%	5.11%	1.75%	3.25%
# Hikes / (Cuts) Priced by 2029e	1.9 Cuts	2.3 Hikes	0.4 Hikes	3.3 Hikes	1.7 Cuts	3.1 Hikes	2.3 Cuts	1.6 Hikes	2.7 Hikes	6.1 Hikes

Data as at September 25, 2026. KKR Global Macro & Asset Allocation analysis.

Exhibit 15: Short-Term Rate Expectations Are Up Approximately 50 to 100 Basis Points QTD...**QTD Change in Short Term Rate Expectations, 2-Years Forward**

Data as at September 26, 2026. Source: Bloomberg.

So, what's my bottom line? I am more convinced that inflation and rates have a higher resting heart rate this cycle.

Exhibit 16: ...While for 2-Years Forwards, Bank of Japan Up the Least at Around 50 Basis Points**Short-Term Rate Expectations, 2-Years Forward**

Data as at September 26, 2026. Source: Bloomberg.

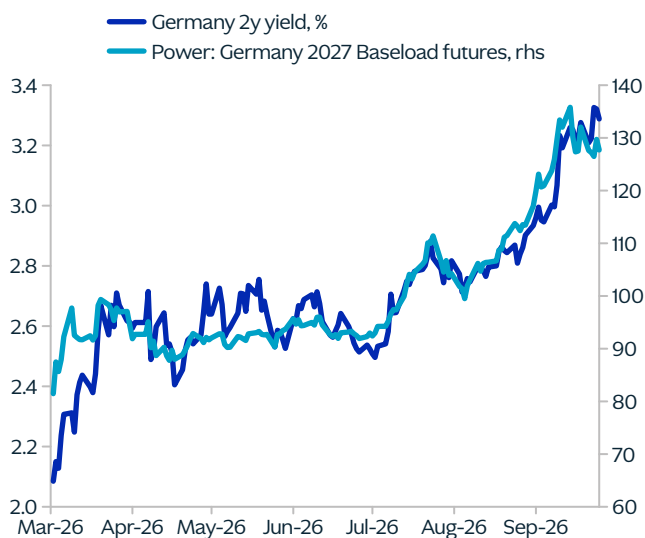
So, what's my bottom line? I am more convinced that inflation and rates have a higher resting heart rate this cycle, but less convinced that the market has the near-term path right. I think of this as an adjustment cycle, where central banks take back some of the emergency easing delivered in 2025, rather than a repeat of the outright tightening cycle we experienced in 2021. Said differently, structurally higher rates and too many near-term hikes can both be true.

Importantly, one of the clearest differences across the Atlantic is the role of energy in monetary policy. To be sure, energy costs are important to every economy, but in the U.S. these days investors tend to focus more intently on the inflationary implications of the AI buildout and investment boom. In Europe, by comparison, energy is more closely linked to geopolitics and war.

There are several reasons for this difference. First, European central banks have a more singular focus on inflation than the Federal Reserve's dual mandate of growth and inflation. Second, energy costs are both higher and a larger share of household spending. So, there is more concern about the second order effect of lingering and pass-through costs linked to energy. Third, Europe remains much more exposed to geopolitical shocks through its dependence on imported energy, with the EU importing roughly 57% of its energy needs, while the U.S. is a net energy exporter. So, somewhat paradoxically, the same energy challenge that is helping drive investment in Europe can also keep monetary policy tighter. Not surprisingly, the relationship between European power prices and front end rates has become extraordinarily tight (*Exhibit 17*).

Exhibit 17: The Relationship Between European Power Prices and Front-End Rates Has Become Extraordinarily Tight

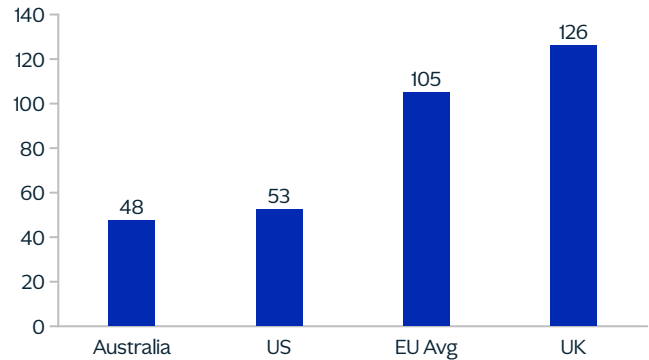
Europe: Front End Rates vs. Power



Data as at September 25, 2026. Source: Bloomberg.

Exhibit 18: Wholesale Power Prices in Europe Are Double Those In the U.S.

Wholesale Power Prices by Region, 1H 2026, USD/MWh



Data as at June 30, 2026. Source: IEA.

To be sure, energy costs are important to every economy, but in the U.S. these days investors tend to focus more intently on the inflationary implications of the AI buildout and investment boom. In Europe, by comparison, energy is more closely linked to geopolitics and war.

SECTION II

Asia

Asia: What Changed in My Thinking. In Asia, where I was joined by my colleagues Changchun Hua and Richard Bullock for parts of my trip, the biggest change in my thinking was not that AI investment is large. It was how broadly the benefits are spreading across countries, industries, and the capital structure.

Also, Asia's capital markets appear to be entering a new phase. Banks still dominate, but Structured Alternatives, Private Investment Grade, convertibles, preferred securities, Liquid Credit, Private Credit, and Asset-Based Finance are all becoming more relevant as companies seek more customized capital.

For investors, these changes point to several areas of opportunity: Corporate reforms in Korea and Japan should create more complex opportunities for Private Equity. At the same time, sectors such as Education, Hospitals, and Health & Wellness should continue to benefit from the consumer upgrade, while logistics, datacenters, power, and energy transportation remain important Infrastructure themes. Finally, higher rates and lower public REIT valuations could also create more public-to-private opportunities heading into 2027, we believe.

What did not change? IPO buyers remain selective, China remains a powerful deflationary competitor, and cost-of-living pressures are still blunting the consumer story in parts of the region. The opportunity set is broadening, but dispersion is broadening with it.

Three observations from the trip that most changed or strengthened my thinking are:

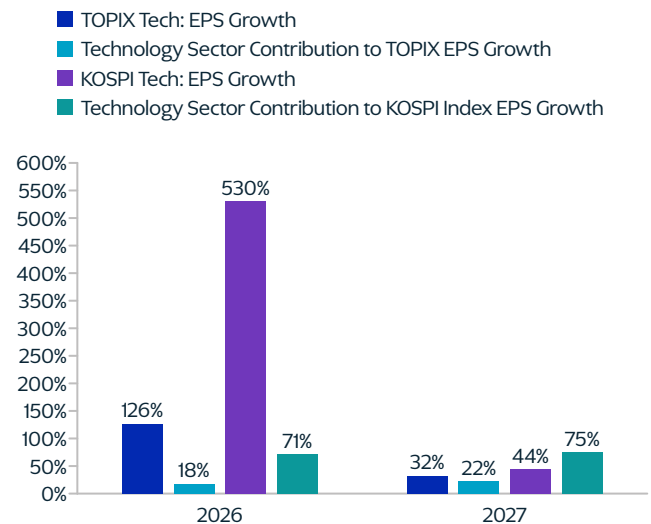
1. AI Capex Is Broader Than I Appreciated. We now see global AI-related compute spending of about \$8 trillion from 2026 to 2030, with U.S. hyperscalers accounting for more than 75%. One can see this in *Exhibit 19*. The financing actually looks manageable, given the strong growth in EBITDA these companies are enjoying. The more interesting question, and the one this trip helped clarify for me, is who will capture the economics as that capital gets deployed. In Europe, the focus was less on direct semiconductor earnings exposure and more on

the infrastructure required to support the AI buildout, particularly power availability and energy costs.

In the U.S. and Korea, semiconductors remain a disproportionate driver of earnings growth, supported by strong demand, constrained capacity, and robust pricing. In Japan, the impacts are more upstream, but no less impressive.

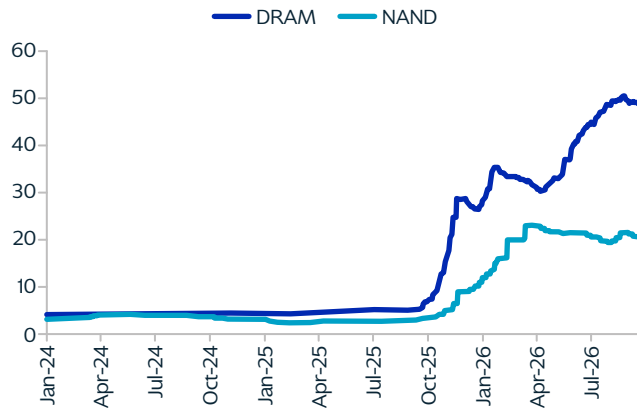
Exhibit 19: Semiconductors Are Doing Much of the Heavy Lifting for Earnings Growth in Both Japan and Korea

Technology Sector, Estimate Y/y % Change and % Contribution to TOPIX (Japan) and KOSPI (South Korea) EPS Growth



Data as at August 6, 2026. Source: Bloomberg, Refinitiv, FactSet, Morgan Stanley Research, KKR Global Macro & Asset Allocation analysis.

Higher rates and lower public REIT valuations could also create more public-to-private opportunities in Asia heading into 2027, we believe.

Exhibit 20: Memory Prices Have Surged in the Last Year**Memory Price, USD**

Data as at September 25, 2026. Source: Bloomberg.

So, what are we watching? Memory pricing remains elevated. A decline would lower the cost of compute and help broaden AI adoption, but it would also challenge one of the market's largest current earnings drivers. As we mentioned earlier, we heard several reports that pricing will remain firm until at least the start of 2028.

The AI trade is also more broad-based. Japan was the clearest example of the second derivative impact that I have been underestimating. Specifically, it does not dominate the chip layer, but it has enormous leverage upstream, particularly in semiconductor manufacturing equipment, materials, and chemicals. In fact, Japan has about 30% of global share in equipment and close to 50% in materials and chemicals. Put differently, chips made by TSMC, Samsung, or SK Hynix are likely to rely somewhere upstream on Japanese equipment or materials. Japan captures the AI buildout more indirectly than the headline chip producers.

Meanwhile, the numbers help frame the opportunity. Of a representative \$8 billion in datacenter-related spending, we estimate that about \$1 billion, or 12%, flows to Japanese suppliers. Around \$0.7 billion comes from materials and substrates, about \$0.2 billion from production equipment, and only about \$0.1 billion from the chips themselves, where Japan holds just 5% to 10% share. This pattern is important. Japan's overall capture rate of about 12% may look modest relative to its 30% to 50% share in some of its strongest niches such as silicon wafers and photoresists. However, our research shows that this reality largely

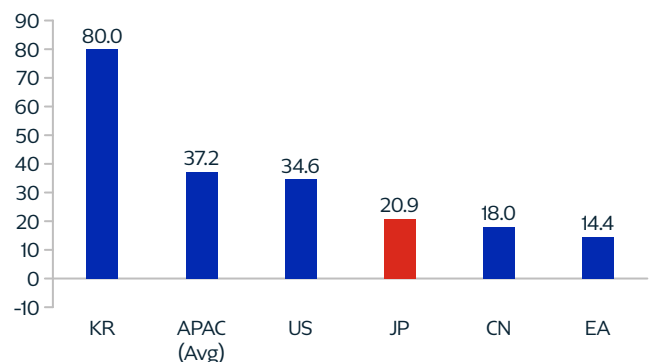
reflects the fact that chips, rather than equipment or materials, account for the largest share of overall spending.

The macro data tell a similar story. While the AI, datacenter, and semiconductor value chain accounts for only 2.9% of Japan's GDP, it contributed 20.9% of 2025 GDP growth, or roughly seven times its economic weight. The same pattern is visible in public markets. This group of approximately 80 companies represents only 10% of TOPIX revenue and 17% of net profit, yet it is already generating 14% of TOPIX revenue growth and 34% of net profit growth. Put differently, a segment representing about one tenth of the index is producing more than one third of its profit growth.

Employment is more modest in scale, but the composition is telling. Core semiconductor technical roles account for only about 0.4% of Japan's workforce, rising to approximately 4.4% on a broader electronics and IT measure. Importantly, software and services employment already outweigh hardware manufacturing by about 2.5x, suggesting that the next leg of AI-related job growth may increasingly extend beyond factory floors and into services.

My takeaway is that Japan may sit outside the core chip layer, but it has much more leverage to the AI investment cycle than its semiconductor share suggests. With localization likely to remain a policy priority, I think that parts of the Japan story are still underappreciated.

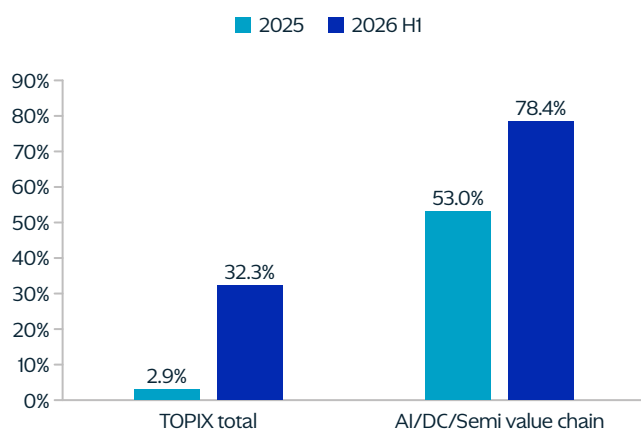
Exhibit 21: The AI, Datacenter, and Semiconductor Value Chain Accounted for Just 2.9% of Japan's GDP in 2025, Yet Drove 20.9% of GDP Growth

AI/Datacenter Contribution to GDP Growth, 2025, %

Data as at December 31, 2025. Source: Nomura, KKR Global Macro & Asset Allocation analysis.

Exhibit 22: Japan's AI Value Chain Is Spurring a New Wave of Earnings Growth

Japan Listed Companies: Net Profit Margin Over Trailing 12 Months, % Y/y



Data as at June 30, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

2. Korea Corporate Reform Moved Up My List. This trip, we spent more time on corporate reform in Korea than Japan. Korea has rightly attracted attention for semiconductors, but I came away thinking the emerging reform story deserves considerably more investor attention.

At the moment, the catalyst we are watching most closely is 'bear-hug' M&A legislation, modeled on Japan's METI guidelines, which would require boards to disclose and formally evaluate unsolicited takeover bids on behalf of all shareholders rather than solely on behalf of potentially more entrenched insiders. Our contacts on the ground put the odds of passage at 60% to 70%, high enough that we think the probability may still be underappreciated.

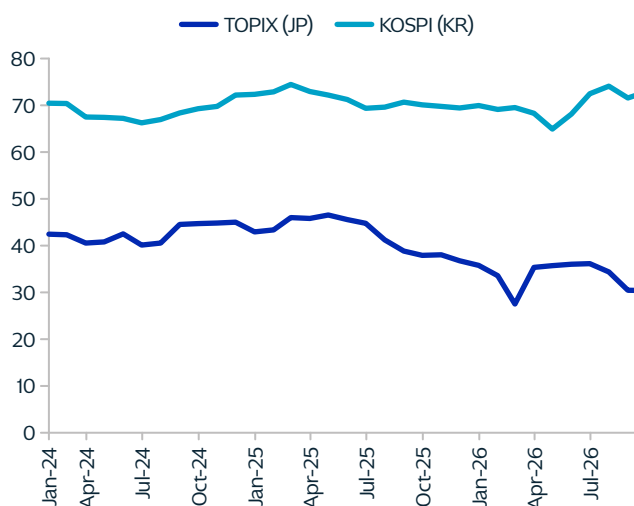
That said, we would caution against viewing legislation alone as sufficient. Passing a bill is an important step, but board independence, the National Pension Service's expanding role in voting disclosure, and the judiciary's enforcement capacity will ultimately determine whether legislative momentum translates into a durable re-rating. In our view, that makes this a multi-year process rather than a single catalyst, which is why we think the opportunity remains in its early stages.

Put together, the fundamentals support staying constructive on this theme. Return on equity in both Japan and Korea has been converging towards U.S. levels since the 2020 trough, although a meaningful gap remains. TOPIX and KOSPI are still near 10% to 14%, compared with more than 20% for the S&P 500.

Our bottom line: The opportunity to apply parts of the corporate reform playbook to Korea looks more compelling after this trip, although we do not assume that the story will replicate Japan exactly. Korea has less excess cash but far more companies trading below book value. Nevertheless, while the tools may differ, the direction of travel looks increasingly similar.

Exhibit 23: The Share of Low P/B Companies Remains High in Japan and Korea

Share of Listed Companies with P/B Ratio <1, %

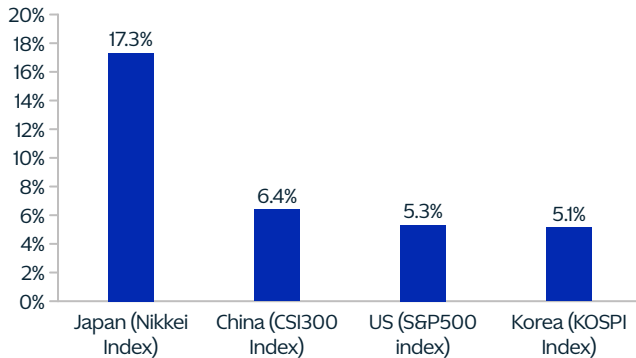


Data as at September 27, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

I left Korea thinking the emerging reform story deserves considerably more investor attention.

Exhibit 24: Deployment of Cash on Corporate Balance Sheets Is the Current Focus in Japan

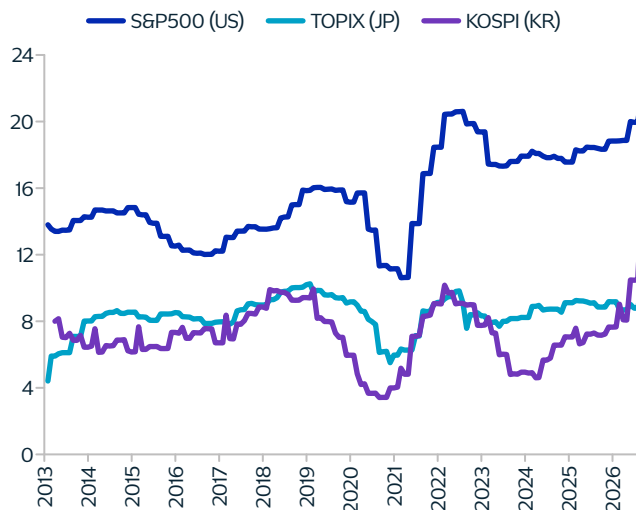
Cash as a % of Total Assets



Data as at December 31, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

Exhibit 25: ROE in Japan and Korea Is Catching Up, Though a Gap with the U.S. Remains

Return-on-Equity, %

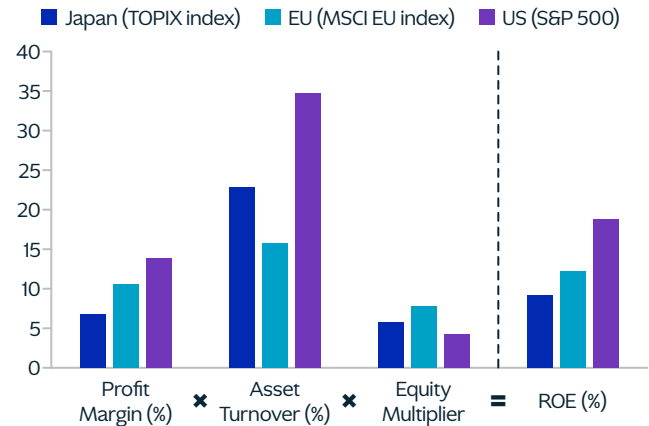


Data as at August 31, 2026. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

The consumer upgrade thesis remains one of our strongest structural views on India.

Exhibit 26: Profit Margins Need to Be Addressed for Further ROE Improvement

DuPont Analysis of ROE



Data as at December 31, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

3. The Consumer Upgrade Is Intact, but More Uneven Than I Thought. Elsewhere across Asia, the story is less about governance reform and more about structural growth, rising incomes, and increasing divergence across markets.

India remains one of the clearest examples of how patient, structural reform can pay off over a decade rather than a quarter. Since 2014, the reform agenda, including GST simplification, the Insolvency and Bankruptcy Code, labor market formalization, and a sustained Infrastructure buildout, has quietly reset the country's growth ceiling. The economy has now crossed \$4 trillion, and we think it is on track to double again over the next ten years. Importantly, we do not see this as a story that has run its course. There is still meaningful upside to be unlocked from reforms already on the books, not just from new ones yet to come.

The consumer upgrade thesis remains one of our strongest structural views on India, although we acknowledge a near-term pause while oil remains around \$100. What stands out to us, however, is how differently New Delhi has managed this shock relative to many of its Emerging Market peers. Rather than allowing energy inflation to flow directly into household budgets, government policy has done a good job of shielding the consumer, which should continue to help limit the impact

on discretionary spending relative to prior oil shocks.

On the external side, services exports continue to surprise to the upside. Global Capability Centers are increasingly taking the baton from traditional IT services as an important growth engine. We would also push back on the view that AI is a threat to Indian IT. Our sense from the road is the opposite. As these IT companies embed AI into their service delivery systems, we think it is likely to become the next leg of growth rather than only a source of disruption.

Southeast Asia reinforced the same point. Singapore, Malaysia, and Vietnam are benefiting from AI infrastructure and China+1, while the Philippines, Indonesia, and Thailand are more exposed to energy headwinds and sit further from the AI capex cycle.

Zooming out, we remain constructive on the region. Capital markets are growing deeper, currencies are now more flexible, and reserve positions are healthier than when I started going to Asia in the mid-1990s. What has changed for me is the degree of dispersion within the positive structural stories that we are seeing across various countries.

Exhibit 27: Reform Driven Formalization Has Lowered the Risk Premium On Indian Cash Flows and Underpins the Durability of the 10-11% Nominal GDP Path

Major Reform Milestones Under Modi, 2014 to Present

Aadhaar / JAM (2014)

13bn + digital IDs enabling direct benefit transfers

Payments Reform (2016)

Demonetization + UPI launch; formalized flows; now ~49% of global RTP volume

Insolvency and Bankruptcy Code (2016)

Time bound insolvency; stronger creditor rights

GST (2017)

Unified 17 taxes into one national market; widened tax base

PLI Scheme, (2020)

Incentivized domestic manufacturing; Supports China + 1

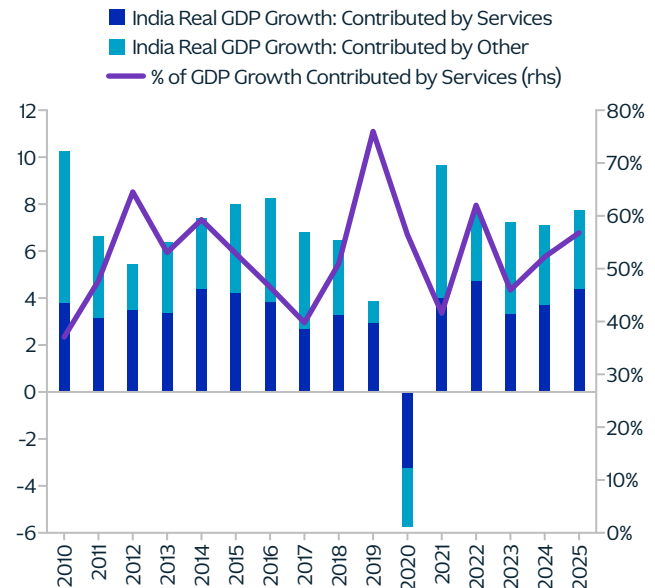
Government Capex ~2x (Since 2021)

Capex ~10.5% > ~20% of budget; crowds in private capital

Data as at July 31, 2026. Source: Ministry of Finance; KKR Global Macro & Asset Allocation analysis.

Exhibit 28: Services Are Driving More Than Half of India's Real GDP Growth

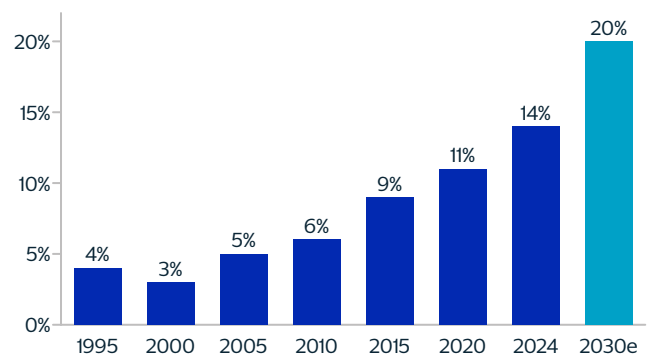
India Real GDP Y/y Growth



Data as at December 31, 2025. Source: India Central Statistics Office; KKR Global Macro & Asset Allocation analysis.

Exhibit 29: China+1 Relocation and Rising Productivity Make ASEAN a Structural FDI Beneficiary, Supporting Real Assets and Domestic Consumption Private Equity

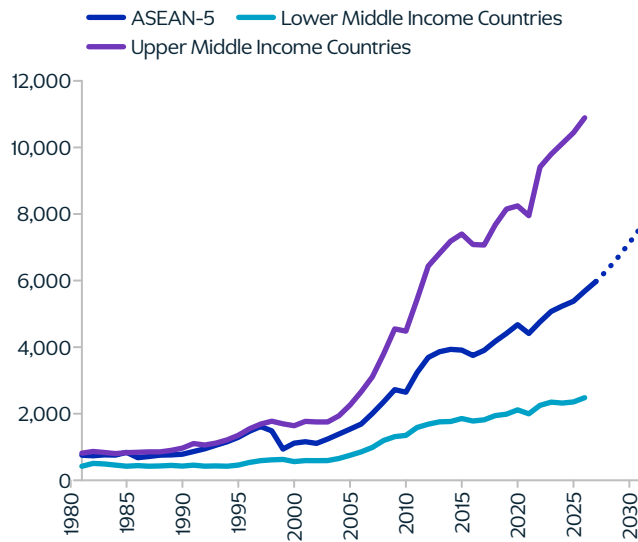
SE Asia Share of Global FDI Inflows, %



Data as at December 31, 2025. Source: UNCTAD, KKR Global Macro & Asset Allocation analysis.

Exhibit 30: Southeast Asian Countries Are On Track to Attain Upper Middle-Income Status

GDP per Capita, US\$



Data as at April 14, 2026. Source: IMF, United Nations, World Bank, KKR Global Macro & Asset Allocation analysis.

The consumer upgrade thesis remains one of our strongest structural views on India, although we acknowledge a near-term pause while oil remains around \$100. What stands out to us, however, is how differently New Delhi has managed this shock relative to many of its Emerging Market peers.

SECTION III

Conclusion

So, what is my bottom line? There are several key take-aways from our trip:

1. Europe's GDP is shifting more towards fixed investment. This change is important, and it represents an important change in how we are thinking about where capital is being deployed. In sum, think more Capex over Consumption than in the past.
2. In Asia, we gained more conviction around four mega-themes: consumption upgrades, AI-enablers, corporate reform, and intra-Asia trade.

From an asset allocation perspective, we think the trip reinforced what we have been saying for some time. Specifically, outside of government bonds, I remain pro-risk in our stance across both Public and Private markets. Earnings are strong enough to overcome higher interest. Focus on the relationship between higher nominal GDP/ EPS and nominal interest rates; don't just look at nominal interest rates in isolation. Otherwise, an investor could miss the important transition we are making from Secular Stagnation to the *Regime Change* we have been laying out for several years. Bigger fiscal deficits, heightened geopolitics, a messy energy transition, and supply chain shocks remains the fundamental drivers of our framework.

That said, we came away from this trip with greater conviction that the global investment cycle is broader, more durable, and more inflationary than I had appreciated. As such, we still want to underweight government bonds overweight Real Assets, and own more productivity-driven corporate reform stories across Global PE. Finally, in Credit, we want to lean into Capital Solutions and stay up the quality curve in Liquid Credit. Now is not the time to stretch down the quality curve. Using education parlance, we are in an environment where a B is A, but a C could be a F.

Otherwise, an investor could miss the important transition we are making from Secular Stagnation to the *Regime Change* we have been laying out for several years. Bigger fiscal deficits, heightened geopolitics, a messy energy transition, and period supply chain stocks remains the fundamental drivers of our framework.

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Kohlberg Kravis Roberts & Co. L.P.
30 Hudson Yards
New York, New York 10001
+1 (212) 750.8300
www.kkr.com