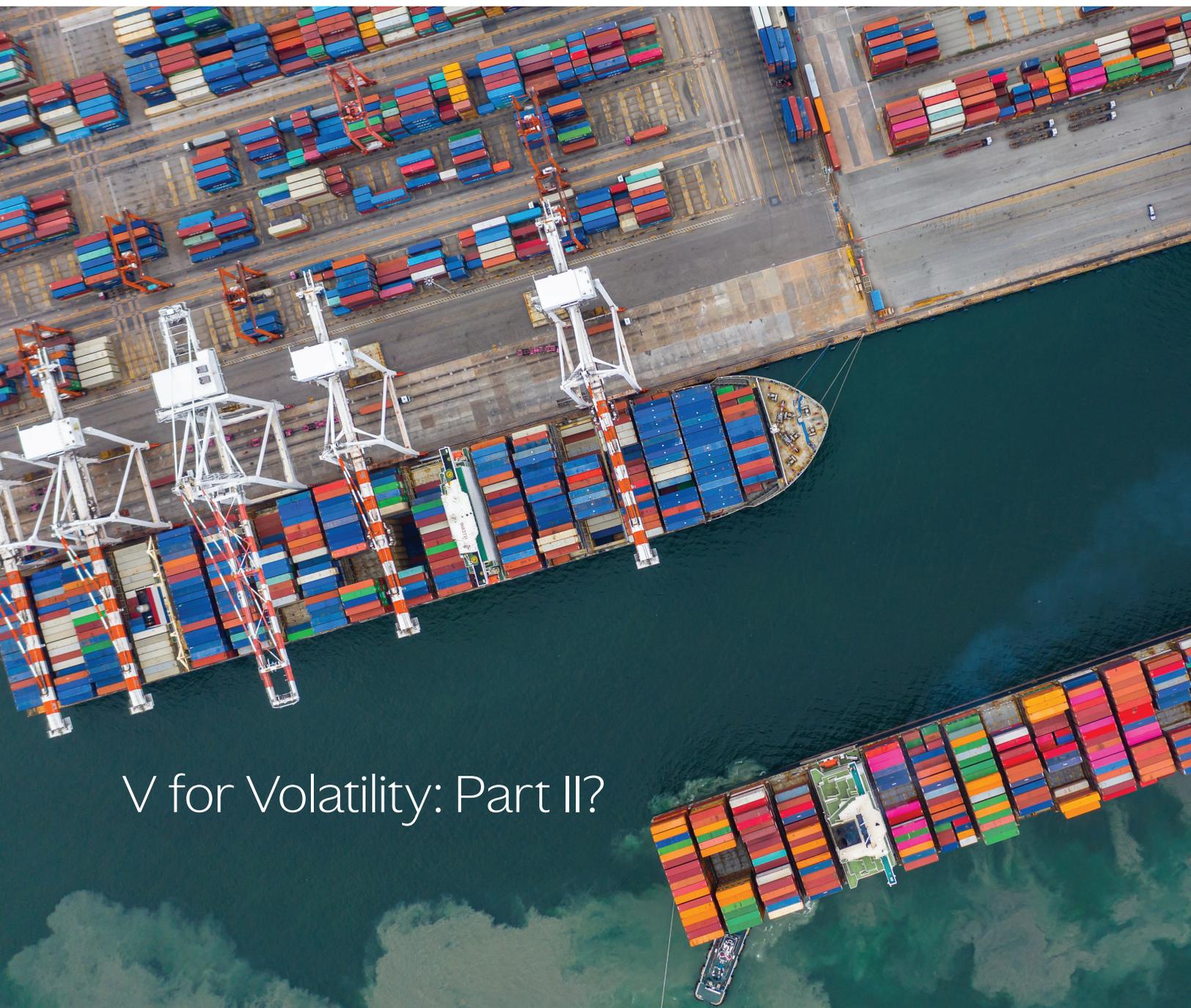


KKR Credit & Markets



V for Volatility: Part II?

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Versions of
Volatility

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System Update
Required

Written by:

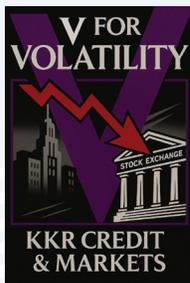


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This is our second rendition of V for Volatility, a symbolic nod to the Q1 2020 note we published under the same title, during what has proven to be the opening chapter of a lasting and historically significant regime change.



Executive Summary

At the start of 2025 we described Credit’s “iPhone moment” as a pivotal shift toward integration, simplicity, and the power of a single interface to unify market complexity. We also noted that while market sentiment remained optimistic heading into 2025, we were focused on the market tea leaves: rising geopolitical tensions, expanding fiscal deficits, sustained inflationary pressures, and looming tariffs. At the time, we viewed these signals as early hints of a potentially more complex environment ahead, even as broad market consensus leaned toward a surge of animal spirits carrying markets higher.

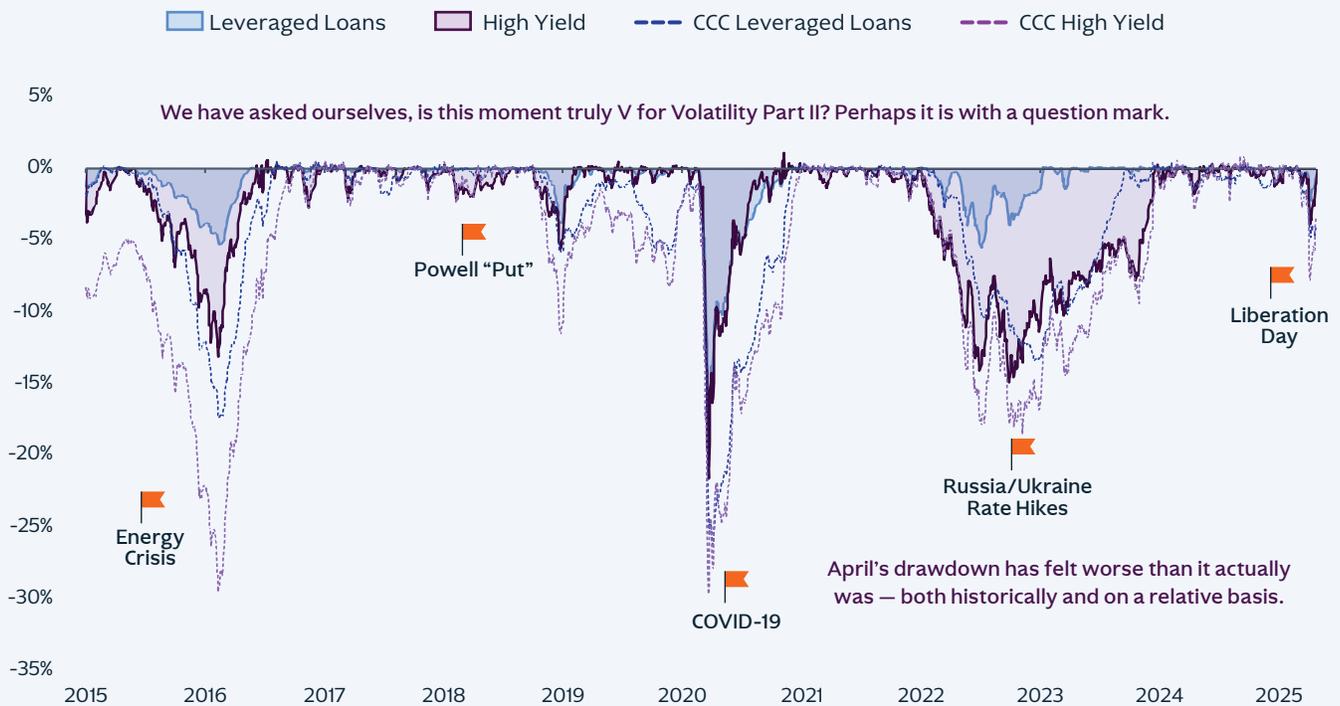
What few investors anticipated was just how disruptive one of those undercurrents — in particular tariffs — would become. Meanwhile, at KKR, we were increasingly attentive to signs that the tide might be changing. As the final days of the first quarter approached, the market’s tone shifted. Issuance slowed, deals began to stall, and attention turned to the anticipated reveal of “Liberation Day”. At the same time, we continued to grapple with the zealous yearn for yield, compressed spreads, and a persistent lack of supply. The deepening bifurcation between high-quality and storied credits was becoming harder to ignore.

Throughout the second half of 2024, we highlighted what we called a “non-obvious” market with dispersion already quietly taking hold beneath the surface. Some of this reflected the reality of ensuing rolling recessions, where different sectors, for example consumer goods or media, faced pressure at different times, creating an uneven but growing gap between the haves and have-nots. High-quality BBs were tightening toward historical tights, while CCC-rated credits began to drift wider, largely under the radar. Separately, we would be remiss not to acknowledge the exuberance across equity markets. Equity valuations were elevated, and the S&P 500 was trading around 22x forward earnings by Q1’25, which is considered expensive by historical standards. **Against that backdrop, a market shakeup was not inconceivable — it could be argued it was overdue.**

Then came the twist: headlines turned to tariffs — specifically those on China — directly impacting widely used consumer goods, including Apple’s iPhone. This was surely a different kind of disruption than we had in mind when we introduced Credit’s “iPhone moment” last quarter — this one simply made it more expensive. A reminder that market metaphors can often collide with reality. This time, the idea of a streamlined credit interface met a practical truth: even the most iconic systems can be exposed to policy and pricing power risks. The pressure that had been building in the markets found its release in rates. The 10-year U.S. Treasury yield surged toward its biggest five-day increase since 1982, followed closely by a sharp sell-off in the 30-year. Yields spiked, liquidity thinned, and what began as scattered signals became something closer to flashing warning lights. A good reminder for D.C. of the significant role a stable U.S. Treasury market plays.

As we reflect on the quarter and the early weeks of April, the moment carries a sense of déjà vu — a slight echo of March 2020. However, the difference this time is in the catalyst, structure, and response. Markets were truly shocked during COVID. The entire world froze with little line of sight to a resolution, a shock that impacted all. Today’s volatility is not the same. This is a policy-induced reaction, and while the mark-to-market volatility has been acute, including 10% intra-day swings not seen since the Great Financial Crisis (“GFC”), the structural backdrop is different. We have muscle memory and a playbook for this, and while risks remain, there is clarity regarding what needs to happen next. We are not navigating a global shutdown we are adjusting to a global risk recalibration. Nothing is linear on the way down. As such, we are positioning thoughtfully to reflect on the recalibrated risk environment.

EXHIBIT 1
Decade of Drawdowns: U.S. High Yield and U.S. Leveraged Loans



Source: Bloomberg, ICE BofAML, Morningstar LSTA Leveraged Loan Index as of April 28, 2025

This is our second rendition of V for Volatility, a symbolic nod to the [Q1 2020 note](#) we published under the same title, during what has proven to be the opening chapter of a lasting and historically significant regime change. Since then, markets have endured a cascade of macroeconomic, geopolitical and structural shifts that have broadened access to capital and reshaped its formats. The ground has moved and so have the guardrails. In that time, the case for fundamental credit selection, multi-asset platforms, and nimble portfolio construction has gone from a theoretical advantage to an essential operating necessity.

We have asked ourselves, is this moment truly V for Volatility Part II? Perhaps it is with a question mark. The shock is not universal; the landscape is far more uneven. But in its own way, the volatility is real and so is the opportunity it could create. In our view, volatility is no longer an exception — it is a persistent feature of the market environment that investors must be prepared to navigate. Nevertheless, in this environment, we believe strategy will outpace sentiment and structure prevail over speculation. **As Sir John Templeton aptly noted, “The four most dangerous words in investing are: ‘This time it’s different.’”** History rarely repeats perfectly, but it often rhymes, and the lessons of past volatility cycles remain essential to navigating what comes next.

As the quarter unfolded, many of the themes we discussed earlier this year continued to evolve, but with new twists. In this note, we reflect on how volatility has returned in a more targeted way, how credit has held its ground in a shifting landscape, and why the ability to navigate across platforms and structures matters more than ever for achieving a truly diversified portfolio.

With this framework in mind, we reflect on the themes that shaped our perspective this quarter:

- Versions of Volatility**
Not All Shocks are Created Equally
- Interface vs. Infrastructure**
When the Bond Market Speaks and Correlations Breakdown
- The Balance has Shifted**
Global Diversified Income Positioning

EXHIBIT 2

Q1 and Year-to-Date Returns Across Global Credit Markets



Source: Bloomberg, ICE BofAML, Morningstar LSTA Leveraged Loan Index, JPM CLOIE as of March 31, 2025 and April 15, 2025

Versions of Volatility: Not All Shocks Are Created Equally

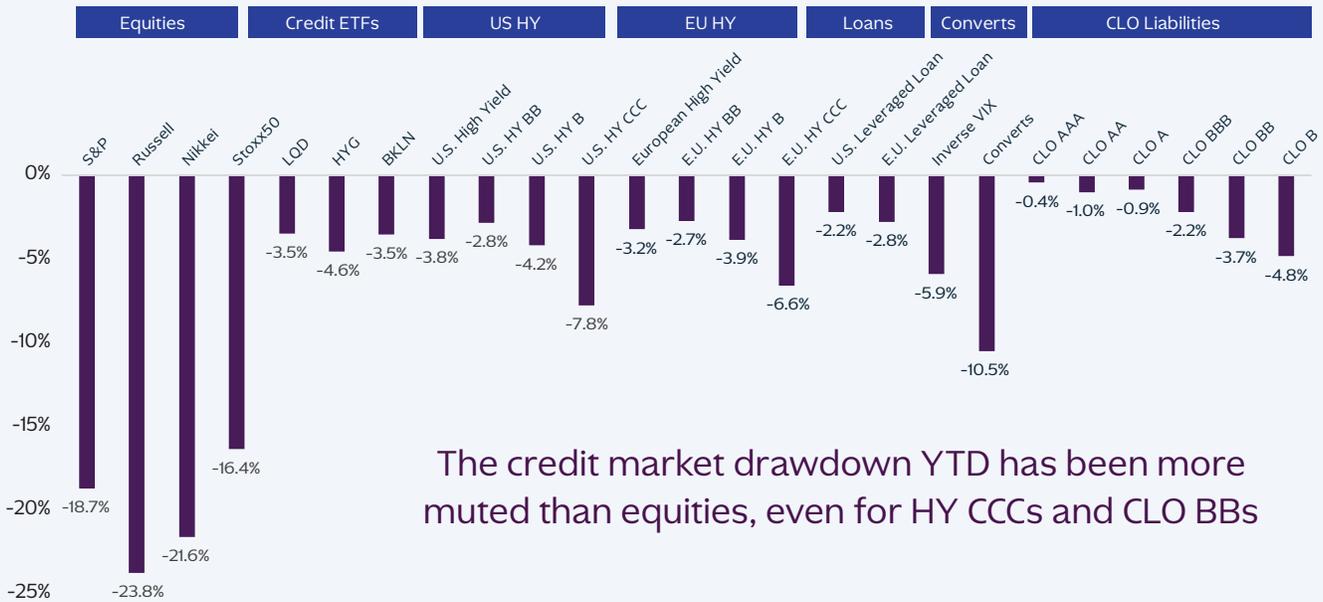
Not all shocks are created equally. Five years ago, volatility was indiscriminate — every asset, every sector, every region moved at once. And while there was no “App” for that kind of risk, the VIX and a few old-school signals have done the trick — at least for now. This latest wave has been different. While it has felt severe, we are structurally on better footing than we were five years ago.

This year began on a familiar note: Investor confidence was back, inflation was easing, rate cuts were expected, persistent supply-demand imbalances continued to underpin technical strength, and markets were seemingly ready to run. However, the narrative started to shift. Beneath the surface of strong equity performance and robust gross loan volume of \$477 billion¹ globally in Q1, the foundation began to shift. Loan volumes were supported in part by a three-year high in M&A; however, M&A was

still relatively low, especially compared to post-election expectations. In the U.S., repricings continued to dominate, accounting for over 50% of activity, alongside nearly 20% from refinancings. Europe posted its strongest start to the year since the GFC. Globally, new-money loan issuance (excluding repricings and refinancings) totaled \$230 billion,² marking the fastest start to a year since 2021.

CLO issuance also opened with momentum, extending the pace set in 2024. Q1 global volume came in at \$66.8 billion³ across 135 deals pushing AAA spreads to the tightest levels of the CLO 2.0 era (110-115bps). Yet the strength at the surface masked growing underlying fatigue. As we highlighted throughout 2024, the technical backdrop was already stretched, and by late Q1 new issue AAA spreads widened meaningfully, moving from the tight to effectively no-bid for several weeks before settling in the +130-135bps context, which is still tight on a relative basis. Secondary trades widened even more, and for the first time since early 2022, we observed a persistent disconnect between primary and secondary AAAs, a divergence that as a rule rarely lasts.

EXHIBIT 3
Year-to-Date Max Drawdown



The credit market drawdown YTD has been more muted than equities, even for HY CCCs and CLO BBs

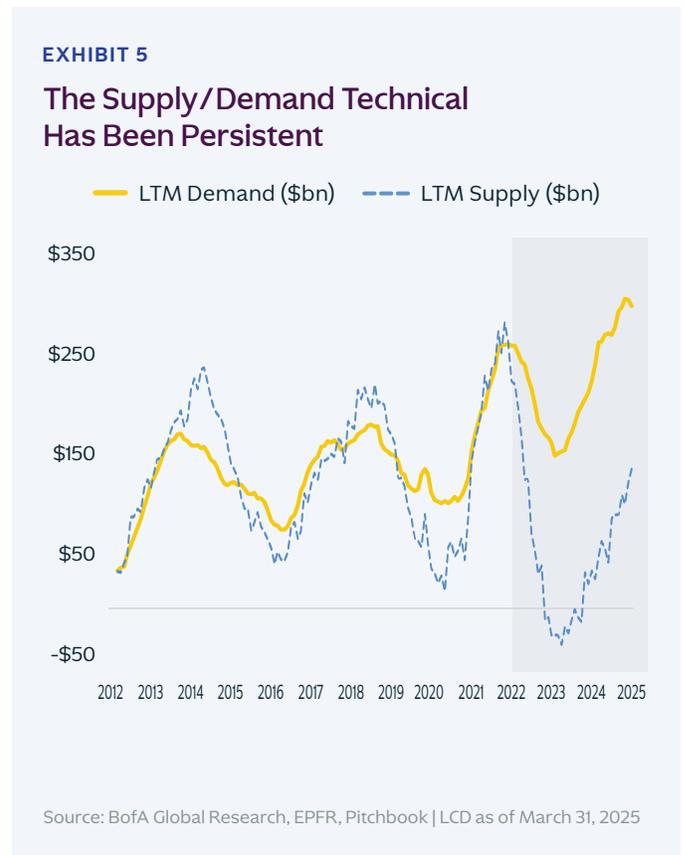
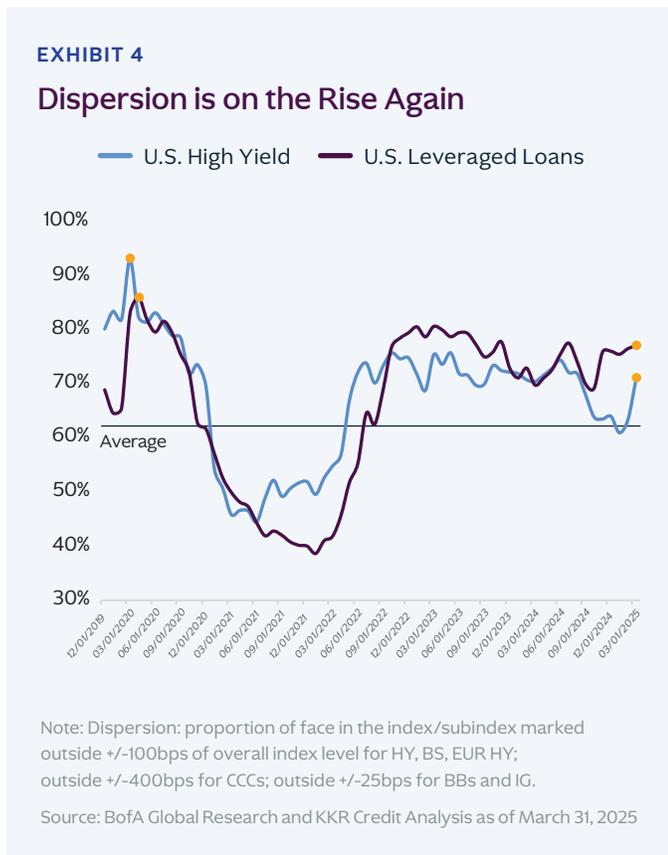
Source: Bloomberg, ICE BofAML, Morningstar LSTA Leveraged Loan Index, JPM CLOIE as of April 11, 2025

As investor sentiment faded and growth expectations cooled, the markets reminded everyone how quickly the tone can change. By March, U.S. loan volume had dropped to just \$47.7 billion⁴ the second-lowest monthly total in 15 months. The repricing engine stalled, investor demand softened, and volatility returned. Several deals were sidelined or forced to flex wider to cross the finish line. Leveraged loans still managed to post modest Q1 gains with the U.S. returning +0.48% and Europe +0.99%⁵ as of March 31, 2025. However, those gains began to retreat as the post-Liberation Day equity sell-off took hold. The immediate flight to quality, combined with gapping bid prices in single B and CCC names, dragged the loan market into negative territory and reignited growing dispersion.

Yet as we write this note, one dynamic continues to stand out: carry remains a key stabilizer, especially during more

uncertain times, by muting mark-to-market losses and reinforcing credit's resilience relative to public equities. It also validates a theme we have remained focused on over the past several quarters: the enduring power of compounding income. In an environment where price action can be volatile and uneven, consistent, stable income remains a critical anchor.

One dynamic continues to stand out: carry remains a key stabilizer, especially during uncertain times, reinforcing credit's resilience relative to public equities.



Notably, European leveraged credit outperformed the U.S. in Q1 and has continued to show relative strength during the April sell-off. We believe Europe remains compelling from a relative value perspective and this relative strength is underpinned by structural fundamentals. A key driver of this stability is the region’s comparatively conservative use of leverage, particularly at the sovereign and corporate levels. An additional factor behind this relative stability is the lower share of daily liquidity vehicles – such as mutual funds and ETFs – in the European market. This reality has

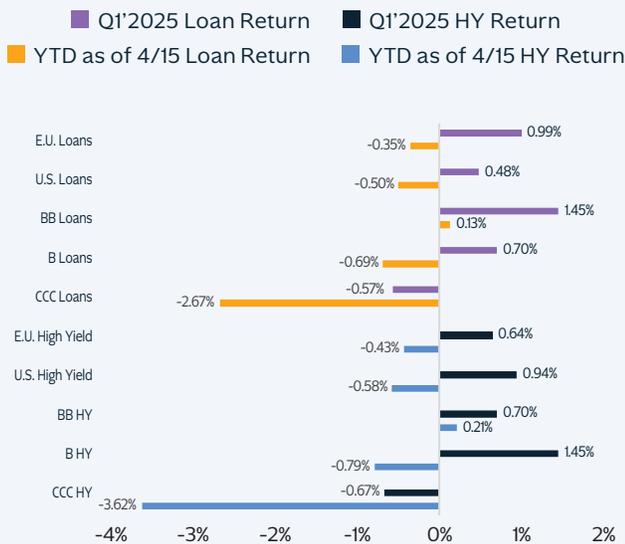
We believe European Credit’s underappreciated resilience will remain a bright spot offering durable investment opportunities and a compelling source of diversified income

reduced the technical risk of sharp, flow-driven drawdowns that can be commonly triggered by forced selling in more retail-heavy markets. We will revisit this theme later in the note.

On the fixed rate side, high yield was not immune to the shifting sentiment either. March 2025 marked the weakest monthly return (-1.07%) since October 2023, as investors weighed risks from an escalating trade tension, slowing growth, and sticky inflation. Despite market volatility, capital markets remained active and functional. Gross new issue volume totaled \$68.3 billion, with \$17.1bn in net issuance, up +14% year-over-year.⁶ But the composition of that issuance said more than the size. Approximately 58% of Q1’s high yield supply carried at least one double-B rating⁷ the highest share since the GFC while just 2% came from CCC issuers. That tilt up in quality also drove a rise in senior unsecured issuance, which at \$41 billion outpaced secured issuance by more than 50%.⁸ The move higher in quality also reflected investor caution. To put that into historical perspective, the high yield index consisted of ~30% BB assets before the GFC, while today it is over 50% BB.

EXHIBIT 6

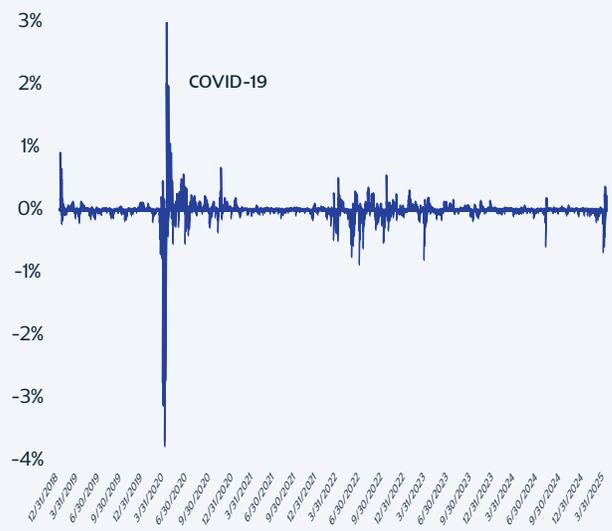
Dispersion by Returns and Ratings



Source: Morningstar LSTA Leveraged Loan Index and KKR Credit Analysis as of March 31, 2025

EXHIBIT 7

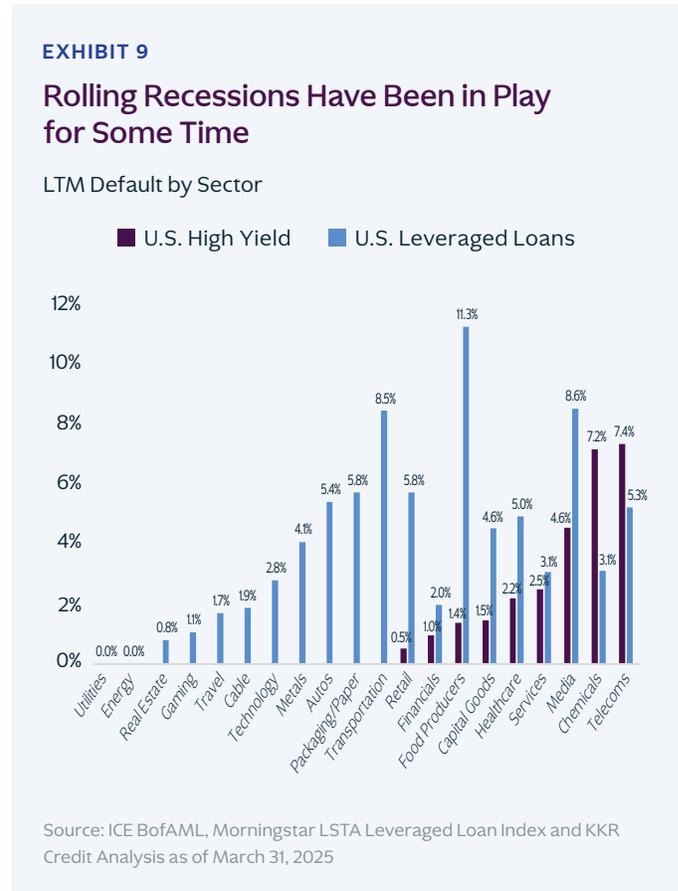
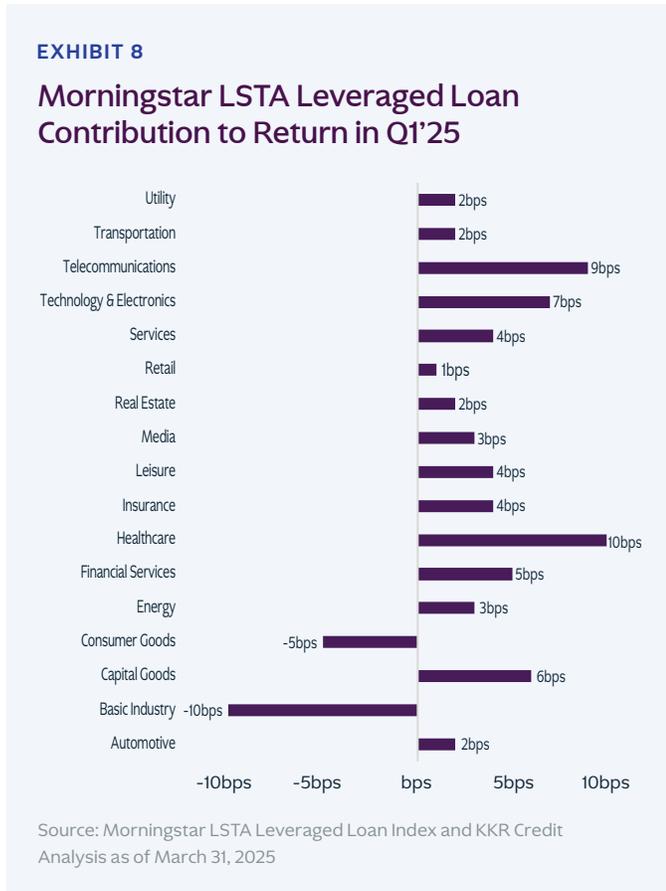
U.S. Leveraged Loan Daily Price Return



Source: ICE BofAML, Morningstar LSTA Leveraged Loan Index and KKR Credit Analysis as of March 31, 2025

This pattern also reflects a reality we have been underwriting toward for some time – slowing economic growth. Another reason defaults have started to rise is sector-specific stress. Many of the areas facing elevated defaults – such as telecom, media, cable, and retail – are grappling with long-term secular decline. Separately, we are seeing inflationary pressures push new fault lines through sectors

like food producers, capital goods, healthcare, services and industrials. This is consistent with the rolling recession dynamic, where pressure does not hit all sectors at once, but moves unevenly through the economy. As a result, the volatility we are seeing has not been uniform but rather sector-driven and unequal.



We continue to see inflationary pressures push new fault lines through sectors such as capital goods and services, for example. This is consistent with the rolling recession dynamic, where pressure does not hit all sectors at once, but moves unevenly through the economy.

Interface vs. Infrastructure: When the Bond Market Speaks and Correlations Break Down

By late March, attention had already begun to drift from monetary policy to broader macro signals. The March 20 Federal Open Market Committee meeting brought few surprises: the Fed held rates at 4.5% and signaled a slower pace of quantitative tightening.⁹ Growth forecasts were revised downward, and core inflation expectations nudged up — from 2.5% to 2.8% — in line with KKR’s Regime Change thesis. But the real inflection point came just days later, on April 2: the announcement of the next wave of tariffs — Liberation Day.

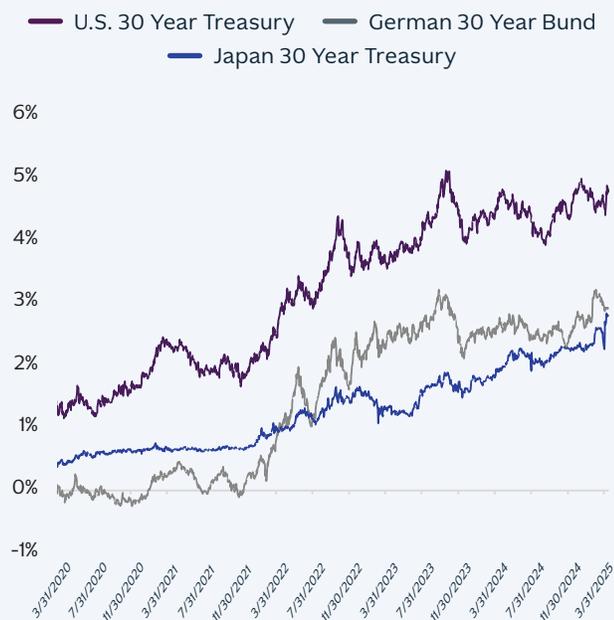
The highly anticipated tariff announcement triggered an immediate repricing across global markets. Bid-ask levels widened, revealing how acutely tuned markets remain to policy shocks. A wide swath of sectors — Capital Goods,

Autos, Electronics — led the sell-off, a clear escalation targeting the sectors that collectively represent nearly 80% of the U.S. goods trade deficit. However, despite a drawdown that marked the third-fastest bear market since WWII, ~\$7 trillion remains parked in money market funds, and record levels of dry powder are still abundant. In moments like these, the message is clear: When the bond market speaks, the world pauses to listen.

But the clearest message came from the long end of the Treasury curve on April 8-9. A “V” for violent repricing pushed the 2-year to 30-year spread above 100bps for the first time since early 2022. Treasury volatility surged, price discovery evaporated, and investment grade spreads opened another 5-15bps wider on already thin volumes. Correlations were breaking down and this was not short-term discomfort but rather it was a risk repricing with a new premium being assigned across assets. This was not March 2020 in structure, but in spirit it rhymed. The bond market was blinking red, and the vigilantes were back.

EXHIBIT 10

Long-End Rates Reprice Globally

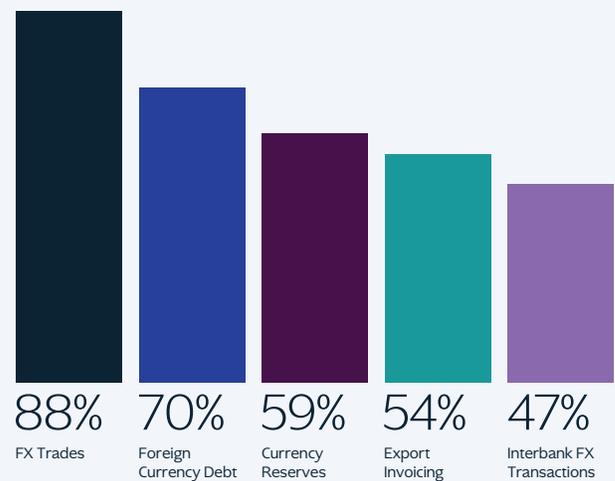


Source: Bloomberg as of April 15, 2025

EXHIBIT 11

Global Trade and Finance Still Anchored by the Dollar

U.S. Dollar Share



Source: Bloomberg as of April 15, 2025

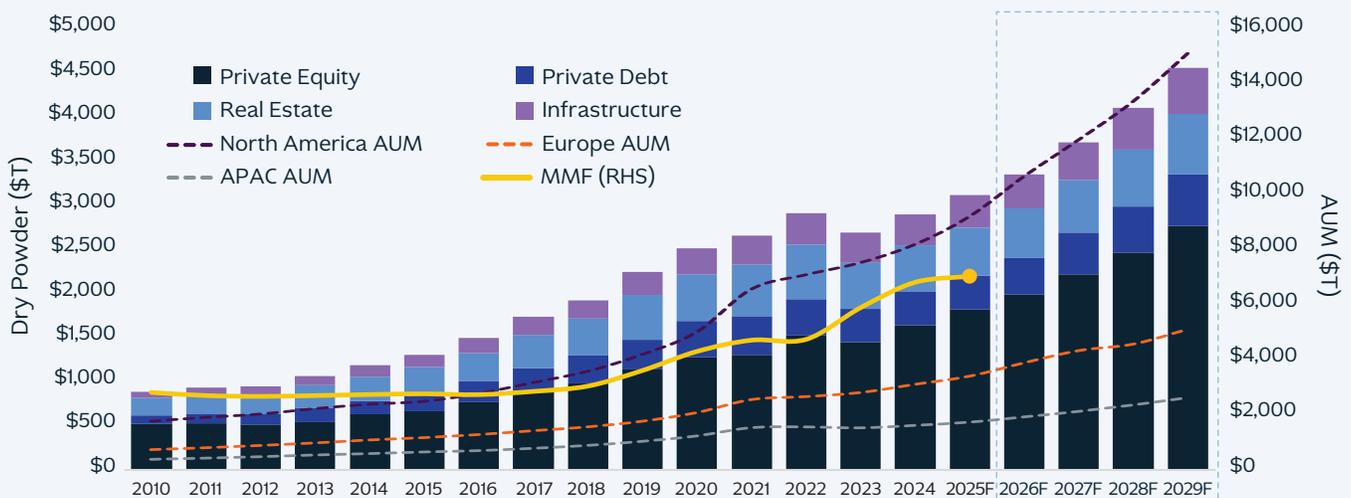
What unsettled markets was not just the speed of the move, but its tone. This did not feel mechanical or liquidity-driven. It felt intentional and risk-driven, which was exacerbated by the market interface. Investors were de-risking across asset classes by choice, not necessity. We believe this volatility would not have been so severe in the flip-phone era when there were more silos across the market ecosystem and interface. It is in fact the global nature of markets today and the connectivity of the interface that made this volatility feel severe. The backdrop helps explain why: the U.S., after leading post-COVID fiscal expansion, is now pursuing consolidation. Meanwhile, fiscal momentum is building elsewhere.

As we noted last quarter in *“And One More Thing in Credit”*, Asia-Pacific stands out as both a diversification lever and a “next upgrade” opportunity – too large to ignore and increasingly well-positioned in a world where relative fiscal strength matters. Europe, too, is stepping forward. Germany is preparing a new round of fiscal support, and as both we and Henry McVey noted in *recent work* on European credit resilience, the region is now more actively deploying its own policy tools – setting the stage for a more constructive environment. This regional divergence is already beginning to shape capital flows and expectations.

Globally, the opportunity set is widening, and one area we are focused on is the shifting drivers of stimulus. In the U.S., fiscal headwinds are accruing, with DOGE and tariffs both expected to weigh on growth. Meanwhile, Europe led by Germany, and China are moving in the opposite direction, stepping up fiscal easing at a critical moment. Fiscal tailwinds abroad are emerging as a real potential offset to the pressure building stateside, and we believe they are creating a more supportive backdrop for select international credit opportunities. In Europe specifically, a combination of fiscal support, conservative leverage, and attractive relative value is drawing capital toward take-privates, refinancings, and bespoke non-bank solutions. Across Asia-Pacific, tariff-driven dislocations in April gave way to early signs of stabilization. Real-money accounts and local buyers have returned to the bid, particularly in cross-border strategies. Japan, as we noted in our outlook last quarter, is showing meaningful signs of transformation – with corporate reform, governance alignment, and a growing appetite for tailored capital. These regional developments are not anecdotes, they are signals, and we believe a catalyst for increased intra-Asia trade.

EXHIBIT 12

Patient Capital Awaits: \$3T in Dry Powder, \$14T in Global Alternative AUM and ~\$7T in Money Market Funds



Source: Preqin, Bloomberg and KKR Credit Analysis as of April 15, 2025

A parallel we think worth highlighting is the role of foreign exchange (FX) markets. In March 2020, a rapid run on dollars triggered violent FX swings, margin calls, collateral mismatches, and waves of forced selling—particularly from foreign-denominated accounts. That liquidity crunch cascaded into credit markets, turning price makers into price takers. Today’s environment has echoes of that moment, but with critical differences. This is not a liquidity crisis, but a risk reset. The system is holding, and importantly, this does not resemble 2008. Banks are not over-levered on bad risk. (Even SVB and First Republic were about liquidity mismatch, not credit quality.)

Fund flows also are reinforcing that tone. U.S. high yield and loan funds have unwound approximately \$11.5 billion and \$12.9 billion, respectively, as of April 17.¹⁰ Despite this, the credit market has not experienced the same kind of dislocation seen in prior stress episodes. This is notable, reflecting a market that is repricing in real time, digesting policy shocks, assessing funding stress, and recalibrating expectations. There is still patient capital on the sidelines.

Yet amid the noise, there are stabilizers. Credit today is a more mature and institutional asset class than it was five to seven years ago. Many of the most active lenders are not banks, but asset managers. The asset-based finance (“ABF”), direct lending and capital solutions space is now greater in scale than the traditional corporate high yield bond and leveraged loan bond market. Financing options have expanded — across public and private channels, balance sheet and off-balance sheet, direct and structured — and that evolution has added a layer of resilience, which is positive. We have discussed the structural evolution of credit markets before, moments like this show it in action.

At the same time, supply-demand imbalances remain unresolved and we will inevitably see deeper sectoral and rating dispersion. M&A volumes are still muted. Years of being trained to “buy the dip” have left capital quick to return. Some of that capital is patient, some of it is opportunistic, some of it is what we like to call “tourists” – when total return buyers start stepping in. Risk appetite has not disappeared, it is recalibrating and we believe that is healthy. The focus should not be on spread alone or whether the deal

is going to be public or private. It should be on the quality of the issuer, deal structure and durability of cashflows. In this environment, compounding in a diversified, risk-adjusted way is not just attractive, it is essential.

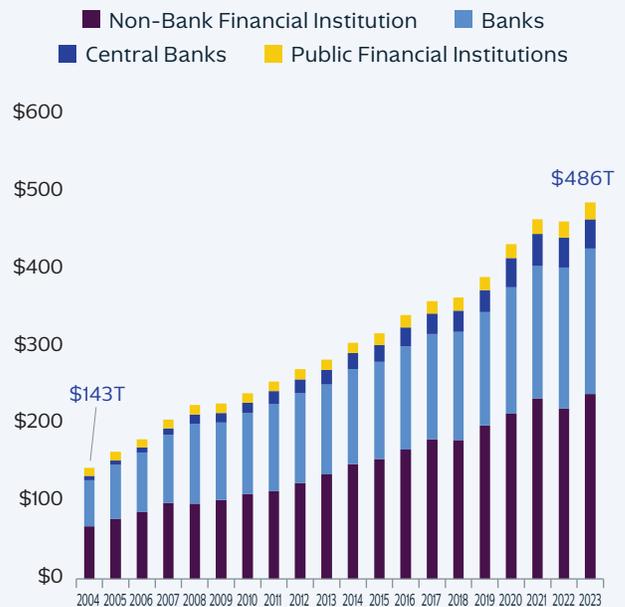
MACRO INSIGHTS

As our colleague Henry McVey has noted, the shifting fiscal leadership from the U.S. to Europe and Asia — alongside deepening trade tensions and persistent supply chain uncertainty — marks a notable reversal from the post-COVID macro alignment.

Flash Macro: Tariffs 2.0

EXHIBIT 13

Total Global Financial Assets (\$T)



Source: Financial Stability Board Report 2024 and KKR Credit Analysis as of March 31, 2025

The Balance Has Shifted: Global Income Diversification

The market is not merely repricing risk assets – it is also reweighting capital allocation. Volatility has drawn sharper lines around which structures work, where flexibility is valued, and how risk premia are being compensated. Do not be fooled by the headlines: this is not a simple rotation. It is a recalibration and will take some time to play out.

The balance of global credit is shifting, across public and private markets, senior and junior, structured and traditional formats, and region by region. In this equation, a day can often feel like a year. The pace of change across policy, pricing, and positioning has accelerated. While broad variables such as supply chain exposure and input costs are visible, the full outcomes of trade policy and their impact remain fluid and uncertain for now. For lenders and investors, these risks can be assessed and managed, but for companies the challenge can be far more complex.

The real story is the shift in how credit is being structured to meet real needs on both sides of the table

Although diversification of supply chains gained momentum because of the pandemic, the reality is that after decades of offshoring, reshaping global operations is neither simple nor immediate. In many cases, this uncertainty may hasten the divergence between companies that can adapt and those that were already under pressure. We also believe it will require capital to move more deliberately while platforms evolve in step, hence our original iPhone metaphor.

Meanwhile, we continue to see the toggle between syndicated and private markets in M&A and LBO financing. This was novel in 2022-23, but now is steady state, just like direct lending has now become an evergreen allocation in one's portfolio. The ability to underwrite and structure across formats is what will drive momentum, particularly in a

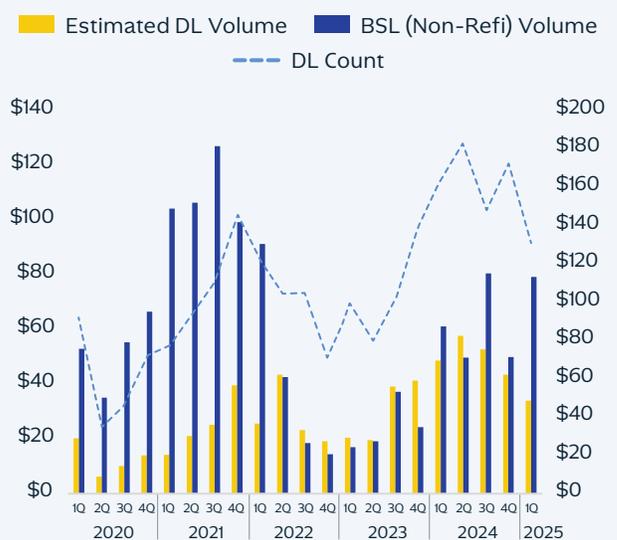
market where traditional issuance remains well below expectations. That shortfall only underscores the importance of creative origination and integrated connectivity across platforms.

This reweighting is showing up through multiple channels. Capital solutions remain relevant, not as a fallback, but as a proactive tool for corporates seeking flexibility without dilution or loss of control. For investors, these transactions can offer enhanced yield, embedded downside protection, and meaningful engagement with issuers. Structured alternatives, including early-stage private investment grade, operate similarly: providing long-dated, tailored capital at terms that can outperform public markets on both structure and alignment. Asset-based finance continues to deliver secured, cash-generating exposure, often with less sensitivity to broad market volatility. These are not fringe strategies; they reflect a shift in how credit is being structured to meet real needs on both sides of the table.

EXHIBIT 14

Continued Demand for Credit Across Channels

Direct Lending & Broadly Syndicated Leveraged Loan Volume



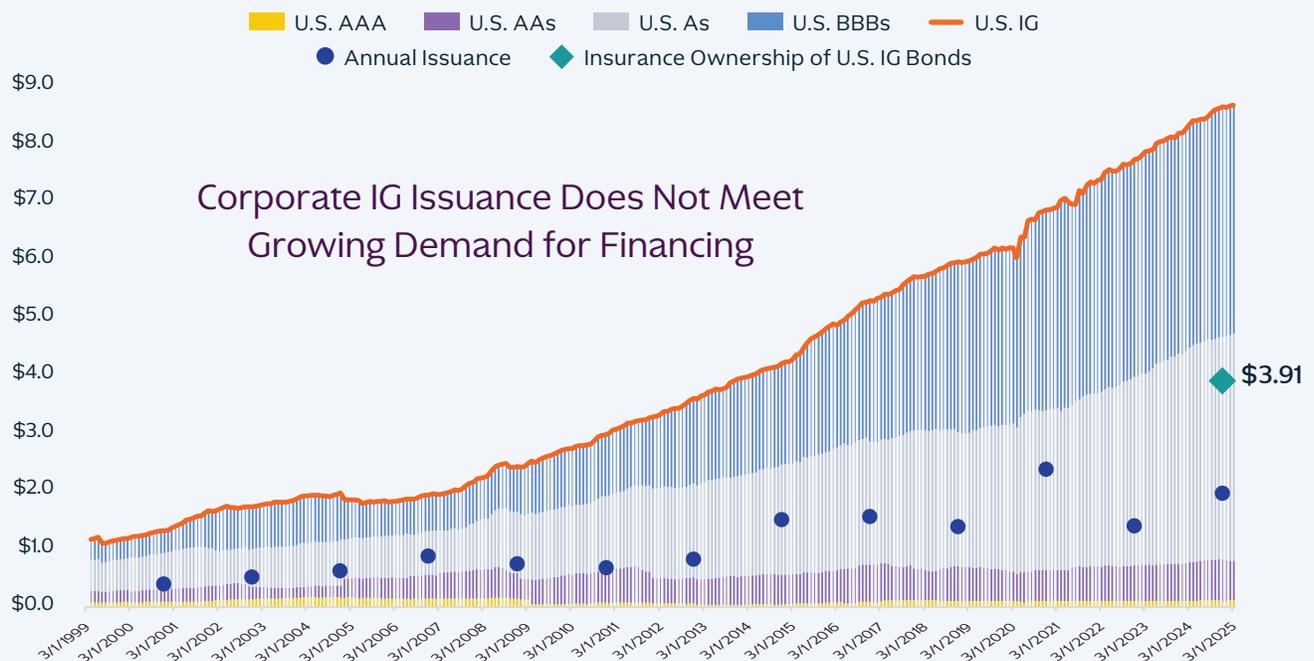
Source: Pitchbook | LCD and KKR Credit Analysis as of March 31, 2025

The traditional investment grade market is also evolving. The corporate universe has nearly tripled over the past five years, while financing demand continues to outpace supply. The IG market dwarfs the size of the leveraged loan and high yield market combined. Much like the early days of direct lending, when markets organically created optionality and gave issuers and sponsors more tools to transact, growth followed. We are now starting to see similar dynamics take shape within the IG space. Private, structured alternatives are opening new lanes for investors seeking broader exposure, more alignment, yield pickup and less benchmark distortion. Recent market dynamics have only accelerated this trend. As traditional parts of the market slow, demand for more diversified income solutions and origination is rising. Importantly, the trend we have been tracking toward more capital-light business models is also expanding the investable universe. As companies continue to move away from balance sheet-intensive strategies, a broader set of high-quality assets, which were previously inaccessible to private capital, are now becoming available.

Since 2020, volatile capital markets and tighter bank lending have redefined global capital formation. Yet tens of thousands of corporates globally still rely on just two channels: public debt and banks. A modest shift — just 1% of that universe — toward private structured IG would represent tens of billions in new issuance annually. We believe that shift is already underway. Insurance companies today hold exposure to nearly half of the U.S. IG bond market¹¹ and are increasingly seeking solutions that provide both duration and yield outside of transactional assets. The challenge of obtaining duration and protecting yield through transactional assets, such as traded investment grade credit, has become increasingly pronounced. As a result, we are seeing more partnerships between insurance platforms and asset managers to create more directly originated, tailored, private solutions. As insurers look to credit to diversify portfolios and match liabilities, they cannot always rely on public markets alone to meet demand in scale.

EXHIBIT 15

U.S. IG Market is \$8.6T Today and the Global Market Stands at ~13T



Source: BofA Global Research, SIFMA and KKR Credit Analysis as of April 15, 2025

This is where “private” IG is gaining traction. To reiterate, this is not a new concept. Private placements have been around for over a decade, and the underlying asset types and risk profile are the same, it is now simply offered in private form to third party investors. The key distinction lies in the liquidity profile. For sponsors and corporates, it offers scale and flexibility. For allocators, it offers contractual returns, downside protection, and alignment with liability-sensitive mandates. These are not just higher-yielding bonds, they are purpose-built instruments that sit at the intersection of structure, protection, and performance. Their appeal is not about beating benchmarks, it is about building consistency in a regime that demands it.

We are still in the early innings, but the direction is clear: As corporate needs evolve and institutional capital seeks stability, the channels between them are shifting. Private, structured, IG is not replacing public markets, it is complementing them – offering more ways to transact with scale, structure, and control.

The common thread through all of this is structure, both in how deals are built and how platforms are designed. We saw this play out with the rise of capital solutions, and we are seeing it again with the early momentum in private IG and structured alternatives. These are not asset classes; they are origination capabilities. We believe capturing these

opportunities requires teams designed to operate across mandates, across cycles, and across silos. In our view and experience, this is relevant for everyone: the sell side, the buy side, investors and allocators alike.

The idea that structure follows strategy is not just an operating principle, it is now an investment priority. As credit markets evolve, so must the teams that deploy capital. In our view, a team-centric model that fosters both specialization and cross-functional coordination is no longer optional. It is what enables platforms to move quickly between traditional fixed income, capital solutions, private IG, and structured alternatives. Interestingly, recent McKinsey research confirms what we have known at KKR for nearly 5 decades: that team-focused organizations can create value and drive efficiency gains, suggesting that such alignments are not just cultural, but competitive.¹²

The broader takeaway holds across the credit spectrum: specialization, discipline and fundamental underwriting should drive results. These are not plug-and-play markets. They require purpose-built tools, targeted sourcing, and integrated execution. Whether in investment grade, structured credit, or global relative value, dedicated expertise enables sharper underwriting, faster decision making, and more precise deployment.

As credit markets evolve, so must the teams that deploy the capital. A team-centric model that fosters both specialization and cross-functional coordination is no longer optional in our view.

System Update Required

As volatility continues to be more embedded in the market landscape, the focus is shifting from reaction to readiness. We are not just seeing risk repriced, we are seeing capital reweighted. Across public and private markets, across geographies and structures, the next leg of opportunity will come from platforms that are equipped to move with purpose and precision.

This is not about discarding what has worked. It is about enhancing how we deploy capital and building more resilient portfolios through specialization, alignment, and global connectivity. The continued evolution of the global capital markets underscores that credit is not just one market, but many – and a combination of specialization and agility is increasingly the thread that can tie them together.

No one will be immune if we experience a hard landing. But there are ways to prepare. Across the investment spectrum, we believe there is room to innovate, through thoughtful structuring, closer alignment between capital and issuers, and deeper cross-platform collaboration.

Credit often acts as a leading indicator for market stress ahead. Yet today, it is playing a different role. In this environment, credit has not been the signal for disruption, but rather, it is part of the solution. It will be a critical tool for helping companies transition and adapt through uncertainty, while offering investors access to more resilient, stable income streams. It is a reminder that even in periods of change, the right structures can deliver not just protection, but opportunity.

In moments such as these, the timeless tale of markets reminds us: there is no 'App' for certainty. But with the right mix of human ingenuity, partnership, and a touch of creativity, we can stay ahead of the curve. Markets do not stay static. Sitting on the sidelines is not a strategy, it is a missed opportunity. We believe staying invested, staying diversified, and staying intentional is what allows capital to keep compounding – even in a regime defined by volatility.

System Upgrade Failed...

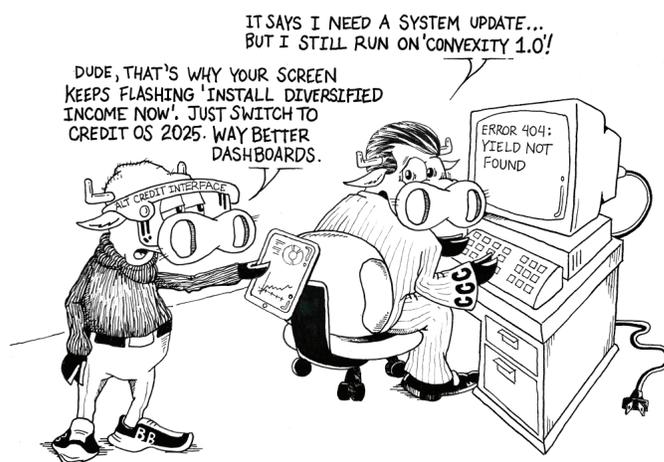


Illustration by: Jerry Capria, KKR Credit.

We remain optimistic and ready for what is to come - not because the path is easy, but because we believe we are positioned to navigate evolving markets with adaptability and the strength of a purpose built platform. We are focused on what we can control and have a lot of practice being comfortable being uncomfortable.

Thank you to our investors, partners and readers for your continued trust and partnership. As always, we welcome your feedback on our letter and are grateful for the opportunity to discuss our market views with our readers.

Christopher A. Sheldon

Footnotes

1. Pitchbook | LCD, JPMorgan Research and KKR Credit Analysis as of March 31, 2025
2. Pitchbook | LCD, JPMorgan Research and KKR Credit Analysis as of March 31, 2025
3. Pitchbook | LCD and KKR Credit Analysis as of March 31, 2025
4. Pitchbook | LCD and KKR Credit Analysis as of March 31, 2025
5. Morningstar LSTA LL Index as of March 31, 2025
6. Pitchbook | LCD and KKR Credit Analysis as of March 31, 2025
7. Pitchbook | LCD, BofAML Research and KKR Credit Analysis as of March 31, 2025
8. Pitchbook | LCD, BofAML Research and KKR Credit Analysis as of March 31, 2025
9. Federal Open Market Committee Minutes March 18-19
10. Lipper, JPMorgan Research as of April 17, 2025
11. BofA Global Research as of June 30, 2024
12. All about teams: A new approach to organizational transformation, December 9 2024.

Disclaimer

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