

In Brief

The Power of Credit

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In today's credit markets, resilience and adaptability have become defining traits. While volatility and dispersion continue to test investors, the underlying structure of credit has fundamentally evolved into a dynamic ecosystem that bridges public and private capital. This "In Brief" draws out the key themes explored in depth in our recent Quarterly Letter, [*The Power of Credit*](#), highlighting how partnership capital, private solutions, and the interplay between M&A and credit are shaping outcomes across geographies and sectors. As detailed in the full report, successful investing in this environment is less about chasing directional price moves and more about capturing high-quality income opportunities, pursuing creative capital solutions, and maintaining discipline as opportunity sets shift.

1

Markets have weathered volatility, but credit resilience is showing through, albeit with growing dispersion. Capital remains abundant, but net new supply is finite.

Credit markets have held up through volatility, but dispersion is rising. Most returns are coming from carry, not price moves. In this environment, being patient, selective, and disciplined pays off.

Why it matters: Investors should prioritize all-in yield and focus on high-quality carry trades in US high yield, structured credit, and APAC investment grade. Geographic diversification is essential as relative value becomes harder to find. The winners will be those who stay nimble and target resilient income streams.

2

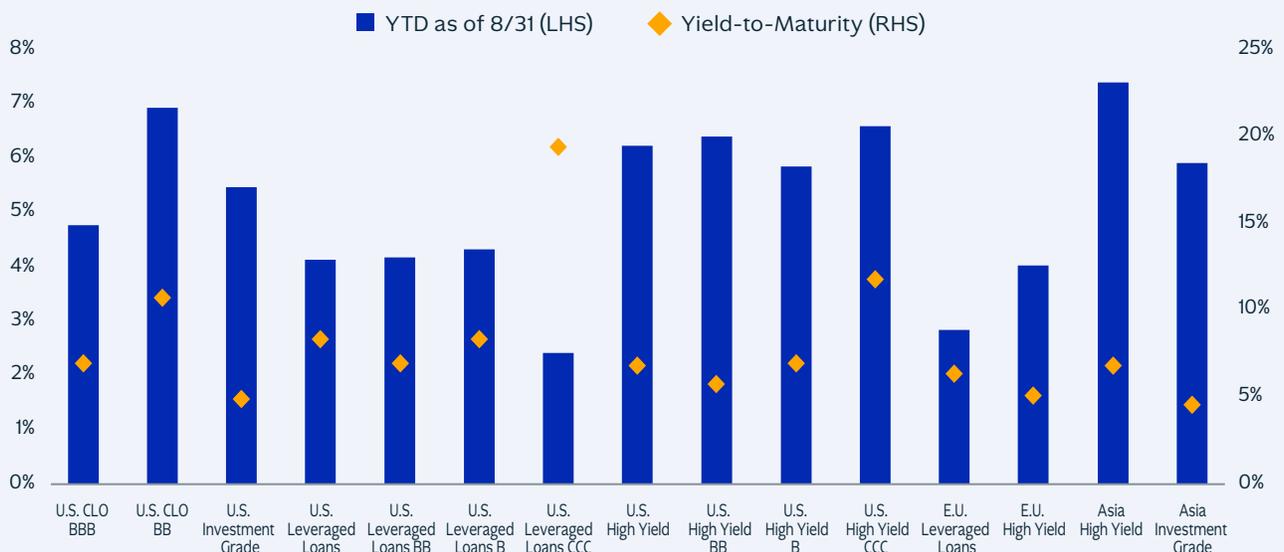
Private Solutions Are Driving Corporate Value

Corporate issuers are shifting toward private capital solutions for growth, M&A, and balance sheet flexibility. This is creating interesting risk-adjusted return opportunities unavailable in the public markets. In Private Equity we are leaning into carve-outs, and in credit we are leaning into capital solutions, asset-based finance (ABF) and partnership structures to unlock value via contractual return. For example, in capital solutions, we work with large established companies, often valued above \$3 billion and generating consistent earnings, that seek a long-term partner to support their strategic objectives. Because these transactions are contractual and structured, they can deliver equity-like returns while maintaining debt-like characteristics for investors.

EXHIBIT 1

Global Credit Remains a Resilient & Consistent Source of Income

Year-to-Date Returns Across Global Credit Markets



Source: S&P LSTA LL Index, Ice BofAML, JPMorgan CLLIE, Bloomberg and KKR Credit Analysis as of 8/31/2025

3

The rise of partnership capital for investment grade issuers

We believe this market is redefining what we like to call “Partnership Capital.” What was once viewed as a liquidity stopgap or signal of weakness is now a proactive strategy for both corporates and sponsors to unlock flexibility and drive value. This is contributing to a growing and evolving area of the market many refer to as “Private IG.” Investors can capture premium yields and more duration from proprietary investment grade origination. For example, we recently partnered with Harley-Davidson in an ABF transaction that helped transform its captive finance subsidiary into a capital-light business. Upon the news of the transaction, Harley-Davidson shares rose nearly 18% pre-market. This growing market offers stable, high-quality income with structuring and downside protection.

4

Heavy Demand, Light Supply: M&A and Capital Markets as Universal Enablers

The global demand for creative capital and solutions is intensifying, especially in APAC (India, Japan, Korea) where deal activity and structural transitions are accelerating. In Europe, upcoming securitization reforms could unlock substantial new supply for high grade ABF. Staying proactive and agile will position investors to capture these opportunities. Investors with a global mindset and the willingness to partner across platforms will be best positioned to capture outsized returns.

EXHIBIT 2

Partnership Capital Is Reshaping the M&A Landscape, Enabling Creative Solutions Across the Capital Structure for Both IG and Sub-IG Issuers

% Share of M&A by Acquirer



Source: Pitchbook | LCD and KKR Credit Analysis as of June 30, 2025

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