

30 JUN 2023 Naimish Keswani

KKR launches PE vehicle for US private wealth clients

- Manager expects private wealth to account for 30% to 50% of capital raising
- Similar "democratized" strats already active in real estate and infrastructure
- Credit vehicle to launch later this year

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KKR has launched its first open-ended private equity vehicle geared towards private wealth clients and individual investors in the US, With Intelligence understands.

The KKR Private Equity Conglomerate (K-PEC) will provide accredited US investors a pathway to investing in KKR's institutional private equity strategies, which have traditionally been inaccessible to non-institutional clients.

The \$510bn manager has been focused on democratizing its strategies for the private wealth channel, which has historically accounted for 15% of overall fundraising.

"Over time, we expect all private wealth focused capital will account for 30% to 50% of the capital that we raise as a firm, and along this path, we will continue to expand our footprint in the democratized access vehicle space," said CFO Rob Lewin in February this year.

K-PEC is structured as a holding company, which will own KKR's portfolio companies in joint ventures with its institutional private equity funds, the shares of which will then be offered to investors, similar to an evergreen or open-ended fund.

According to regulatory filings, KKR's traditional private equity, middle market, core equity, growth equity, and global impact strategies will be a part of the offering.

Joint ventures and portfolio companies will make up 80% of the vehicle's assets, while the other 20% will consist of a liquidity portfolio to facilitate redemption requests.

Europe/APAC Counterpart

KKR has a corresponding vehicle for the UK, Europe, and APAC market, named KKR Private Markets Equity Fund (K-PRIME), which follows a Luxembourg fund structure and has been active since the beginning of the year.

“We are pleased that since our last earnings call, our democratized private equity vehicle outside the U.S. raised over \$400 million on just one platform at its first close, which will show up in our Q2 results,” CFO Lewin said during the company’s Q1 2023 earnings results in May.

K-PRIME has a net IRR target of 12% to 15%.

The vehicle has a management fee of 1% of NAV for 5 years on subscriptions made in the first year since launch, and offers quarterly liquidity of up to 5% of aggregate NAV per quarter. There is also a short-term credit facility of 30% of NAV for liquidity management.

Investments are subjected to a soft lock, and there’s a 5% early redemption fee on shares redeemed within 24 months. Minimum investment in the vehicle stands at \$25,000.

Elsewhere, KKR also has a similar infrastructure strategy for private wealth, which is slated to hold a first close during the summer, with its international counterpart holding a close shortly after.

The manager will also launch a credit vehicle later this year.

KKR declined to comment.

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