KKR & Co. L.P.
Form 10-Q
November 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended September 30, 2017

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the Transition period from to .
Commission File Number 001-34820

KKR & CO. L.P.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware | 26-0426107 |
| (State or other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |

9 West 57th Street, Suite 4200
New York, New York 10019
Telephone: (212) 750-8300
(Address, zip code, and telephone number, including area code, of registrant's principal executive office.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | |
|---|---|---|---|---|
| Large accelerated filer x | Accelerated filer o | Non-accelerated filer o | Smaller reporting company o | Emerging growth company o |

(Do not check if a smaller
reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of November 1, 2017, there were 477,572,397 Common Units of the registrant outstanding.

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FORM 10-Q

For the Quarter Ended September 30, 2017

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of distributions on common or preferred units of KKR, the timing, manner and volume of repurchases of common units pursuant to a repurchase program, and the expected synergies from acquisitions, reorganizations, or strategic partnerships, may constitute forward-looking statements. Forward looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the benefits and anticipated synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission on February 24, 2017. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We do not undertake any obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise.

In this report, references to "KKR," "we," "us," "our" and "our partnership" refer to KKR & Co. L.P. and its consolidated subsidiaries. Prior to KKR & Co. L.P. becoming listed on the New York Stock Exchange ("NYSE") on July 15, 2010, KKR Group Holdings L.P. ("Group Holdings") consolidated the financial results of KKR Management Holdings L.P. and KKR Fund Holdings L.P. (together, the "KKR Group Partnerships") and their consolidated subsidiaries. On August 5, 2014, KKR International Holdings L.P. became a KKR Group Partnership. Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one KKR Group Partnership Unit. In connection with KKR's issuance of Series A Preferred Units and Series B Preferred Units, the KKR Group Partnerships issued preferred units with economic terms designed to mirror those of the Series A Preferred Units and Series B Preferred Units, respectively.

References to "our Managing Partner" are to KKR Management LLC, which acts as our general partner and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity of the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P., which we refer to as "KKR Holdings," and references to our "senior principals" are to our senior employees who hold interests in our Managing Partner entitling them to vote for the election of its directors.

References to non-employee operating consultants include employees of KKR Capstone and are not employees of KKR. KKR Capstone refers to a group of entities that are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR.

Prior to October 1, 2009, KKR's business was conducted through multiple entities for which there was no single holding entity, but were under common control of senior KKR principals, and in which senior principals and KKR's other principals and individuals held ownership interests (collectively, the "Predecessor Owners"). On October 1, 2009, we completed the acquisition of all of the assets and liabilities of KKR & Co. (Guernsey) L.P. (f/k/a KKR Private Equity Investors, L.P. or "KPE") and, in connection with such acquisition, completed a series of transactions pursuant to which the business of KKR was reorganized into a holding company structure. The reorganization involved a contribution of certain equity interests in KKR's business that were held by KKR's Predecessor Owners to the KKR Group Partnerships in exchange for equity interests in the KKR Group Partnerships held through KKR Holdings. We refer to the acquisition of the assets and liabilities of KPE and to our subsequent reorganization into a holding company structure as the "KPE Transaction."

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

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We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within "Condensed Consolidated Financial Statements (Unaudited)—Note 14. Segment Reporting" and later in this report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Segment Operating and Performance Measures" and "— Segment Balance Sheet."

This report uses the terms assets under management or AUM, fee paying assets under management or FPAUM, economic net income or ENI, fee related earnings or FRE, distributable earnings, capital invested, syndicated capital and book value. You should note that our calculations of these financial measures and other financial measures may differ from the calculations of other investment managers and, as a result, our financial measures may not be comparable to similar measures presented by other investment managers. These and other financial measures are defined in the section "Management's Discussion and Analysis of Financial Condition & Results of Operations—Segment Operating and Performance Measures" and "— Segment Balance Sheet."

References to "our funds" or "our vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR including CLO and CMBS vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common units outstanding, or to our common units outstanding on a fully exchanged and diluted basis, reflect (i) actual common units outstanding, (ii) common units into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) common units issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), and (iv) common units issuable pursuant to any equity awards actually granted from the KKR & Co. L.P. 2010 Equity Incentive Plan, which we refer to as our "Equity Incentive Plan." Our fully exchanged and diluted common units outstanding do not include (i) common units available for issuance pursuant to our Equity Incentive Plan for which equity awards have not yet been granted and (ii) common units which we have the option to issue in connection with our acquisition of additional interests in Marshall Wace.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)
(Amounts in Thousands, Except Unit Data)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Assets | | |
| Cash and Cash Equivalents | $ 2,436,566 | $ 2,508,902 |
| Cash and Cash Equivalents Held at Consolidated Entities | 1,329,735 | 1,624,758 |
| Restricted Cash and Cash Equivalents | 44,175 | 212,155 |
| Investments | 37,251,837 | 31,409,765 |
| Due from Affiliates | 484,004 | 250,452 |
| Other Assets | 2,759,322 | 2,996,865 |
| Total Assets | $ 44,305,639 | $ 39,002,897 |
| | | |
| Liabilities and Equity | | |
| Debt Obligations | $ 20,290,714 | $ 18,544,075 |
| Due to Affiliates | 379,809 | 359,479 |
| Accounts Payable, Accrued Expenses and Other Liabilities | 3,769,682 | 2,981,260 |
| Total Liabilities | 24,440,205 | 21,884,814 |
| | | |
| Commitments and Contingencies | | |
| | | |
| Redeemable Noncontrolling Interests | 570,134 | 632,348 |
| | | |
| Equity | | |
| Series A Preferred Units | | |
| (13,800,000 units issued and outstanding as of September 30, 2017 and December 31, 2016) | 332,988 | 332,988 |
| Series B Preferred Units | | |
| (6,200,000 units issued and outstanding as of September 30, 2017 and December 31, 2016) | 149,566 | 149,566 |
| KKR & Co. L.P. Capital - Common Unitholders | | |
| (473,134,387 and 452,380,335 common units issued and outstanding as of September 30, 2017 and December 31, 2016, respectively) | 6,380,654 | 5,457,279 |
| Total KKR & Co. L.P. Partners' Capital | 6,863,208 | 5,939,833 |
| Noncontrolling Interests | 12,432,092 | 10,545,902 |
| Total Equity | 19,295,300 | 16,485,735 |
| Total Liabilities and Equity | $ 44,305,639 | $ 39,002,897 |

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued) (UNAUDITED)
(Amounts in Thousands)

The following presents the portion of the consolidated balances presented in the condensed consolidated statements of financial condition attributable to consolidated variable interest entities (“VIEs”) as of September 30, 2017 and December 31, 2016. KKR's consolidated VIEs consist primarily of certain collateralized financing entities (“CFEs”) holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS”) and certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR’s general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR’s beneficial interest therein and any fees generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

| | September 30, 2017 | | |
|---|---|---|---|
| | Consolidated CFEs | Consolidated KKR Funds and Other Entities | Total |
| Assets | | | |
| Cash and Cash Equivalents Held at Consolidated Entities | $930,268 | $399,467 | $1,329,735 |
| Restricted Cash and Cash Equivalents | — | 8,928 | 8,928 |
| Investments | 15,500,898 | 8,934,607 | 24,435,505 |
| Due from Affiliates | — | 5,118 | 5,118 |
| Other Assets | 203,987 | 202,798 | 406,785 |
| Total Assets | $16,635,153 | $9,550,918 | $26,186,071 |
| | | | |
| Liabilities | | | |
| Debt Obligations | $15,083,900 | $817,069 | $15,900,969 |
| Accounts Payable, Accrued Expenses and Other Liabilities | 839,097 | 239,215 | 1,078,312 |
| Total Liabilities | $15,922,997 | $1,056,284 | $16,979,281 |

| | December 31, 2016 | | |
|---|---|---|---|
| | Consolidated CFEs | Consolidated KKR Funds and Other Entities | Total |
| Assets | | | |
| Cash and Cash Equivalents Held at Consolidated Entities | $1,158,641 | $466,117 | $1,624,758 |
| Restricted Cash and Cash Equivalents | 86,777 | 95,105 | 181,882 |
| Investments | 13,950,897 | 8,979,341 | 22,930,238 |
| Due from Affiliates | — | 5,555 | 5,555 |
| Other Assets | 153,283 | 430,326 | 583,609 |
| Total Assets | $15,349,598 | $9,976,444 | $25,326,042 |
| | | | |
| Liabilities | | | |
| Debt Obligations | $13,858,288 | $1,612,799 | $15,471,087 |

| | | | |
|---|---|---|---|
| Accounts Payable, Accrued Expenses and Other Liabilities | 722,714 | 316,121 | 1,038,835 |
| Total Liabilities | $14,581,002 | $1,928,920 | $16,509,922 |

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in Thousands, Except Unit Data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | |
| Fees and Other | $692,877 | $687,056 | $2,340,617 | $1,426,618 |
| Expenses | | | | |
| Compensation and Benefits | 368,513 | 358,161 | 1,234,317 | 780,062 |
| Occupancy and Related Charges | 15,267 | 16,405 | 44,150 | 49,159 |
| General, Administrative and Other | 146,467 | 136,551 | 421,522 | 413,437 |
| Total Expenses | 530,247 | 511,117 | 1,699,989 | 1,242,658 |
| Investment Income (Loss) | | | | |
| Net Gains (Losses) from Investment Activities | 108,779 | 735,144 | 1,085,655 | 9,089 |
| Dividend Income | 20,774 | 73,105 | 100,144 | 167,987 |
| Interest Income | 317,134 | 256,505 | 893,832 | 753,194 |
| Interest Expense | (211,959) | (255,105) | (597,403) | (607,812) |
| Total Investment Income (Loss) | 234,728 | 809,649 | 1,482,228 | 322,458 |
| Income (Loss) Before Taxes | 397,358 | 985,588 | 2,122,856 | 506,418 |
| Income Tax / (Benefit) | 18,420 | 10,826 | 77,500 | 18,761 |
| Net Income (Loss) | 378,938 | 974,762 | 2,045,356 | 487,657 |
| Net Income (Loss) Attributable to Redeemable Noncontrolling Interests | 20,876 | 3,121 | 64,196 | 4,616 |
| Net Income (Loss) Attributable to Noncontrolling Interests | 196,158 | 611,288 | 1,137,585 | 353,044 |
| Net Income (Loss) Attributable to KKR & Co. L.P. | 161,904 | 360,353 | 843,575 | 129,997 |
| Net Income Attributable to Series A Preferred Unitholders | 5,822 | 5,822 | 17,466 | 11,515 |
| Net Income Attributable to Series B Preferred Unitholders | 2,519 | 2,379 | 7,557 | 2,379 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders | $153,563 | $352,152 | $818,552 | $116,103 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit | | | | |
| Basic | $0.33 | $0.79 | $1.76 | $0.26 |
| Diluted | $0.30 | $0.73 | $1.63 | $0.24 |
| Weighted Average Common Units Outstanding | | | | |
| Basic | 471,758,886 | 445,989,300 | 463,941,084 | 448,149,747 |
| Diluted | 506,873,177 | 479,975,675 | 501,615,635 | 483,134,985 |

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(Amounts in Thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net Income (Loss) | $378,938 | $974,762 | $2,045,356 | $487,657 |
| Other Comprehensive Income (Loss), Net of Tax: | | | | |
| Foreign Currency Translation Adjustments | 10,001 | 2,452 | 47,097 | 679 |
| Comprehensive Income (Loss) | 388,939 | 977,214 | 2,092,453 | 488,336 |
| Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests | 20,876 | 3,121 | 64,196 | 4,616 |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests | 199,904 | 612,656 | 1,161,651 | 351,547 |
| Comprehensive Income (Loss) Attributable to KKR & Co. L.P. | $168,159 | $361,437 | $866,606 | $132,173 |

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
(Amounts in Thousands, Except Unit Data)

| | KKR & Co. L.P. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Units | Capital - Common Unitholders | Accumulated Other Comprehensive Income (Loss) | Total Capital - Common Units | Capital - Series A Preferred Units | Capital - Series B Preferred Units | Noncontrolling Interests | Total Equity | Redeem Noncont Interests |
| Balance at January 1, 2016 | 457,834,875 | $5,575,981 | $(28,799) | $5,547,182 | $— | $— | $43,731,774 | $49,278,956 | $188,62 |
| Net Income (Loss) | | 116,103 | | 116,103 | 11,515 | 2,379 | 353,044 | 483,041 | 4,616 |
| Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax) | | | 2,176 | 2,176 | | | (1,497) | 679 | |
| Deconsolidation of Funds | | | | — | | | (34,240,240) | (34,240,240) | |
| Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units | 4,655,059 | 54,674 | (480) | 54,194 | | | (54,194) | — | |
| Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units and Other | | (158) | (89) | (247) | | | | (247) | |
| Net Delivery of Common Units - Equity Incentive Plan | 5,098,522 | (28,234) | | (28,234) | | | | (28,234) | |
| Equity Based Compensation | | 148,257 | | 148,257 | | | 37,775 | 186,032 | |
| Unit Repurchases | (21,387,836) | (291,903) | | (291,903) | | | | (291,903) | |
| Equity Issued in connection with Preferred Unit | | | | — | 332,988 | 149,566 | | 482,554 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Offering | | | | | | | | | |
| Capital Contributions | | | | — | | | 1,948,552 | 1,948,552 | 223,739 |
| Capital Distributions | | (213,483 ) | | (213,483 ) | (11,515 ) | (2,379 ) | (1,164,758 ) | (1,392,135 ) | (21,774 |
| Balance at September 30, 2016 | 446,200,620 | $5,361,237 | $(27,192) | $5,334,045 | $332,988 | $149,566 | $10,610,456 | $16,427,055 | $395,21 |

| | KKR & Co. L.P. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Units | Capital - Common Unitholders | Accumulated Other Comprehensive Income (Loss) | Total Capital - Common Units | Capital - Series A Preferred Units | Capital - Series B Preferred Units | Noncontrolling Interests | Total Equity | Redeema Noncontr Interests |
| Balance at January 1, 2017 | 452,380,335 | $5,506,375 | $(49,096) | $5,457,279 | $332,988 | $149,566 | $10,545,902 | $16,485,735 | $632,348 |
| Net Income (Loss) | | 818,552 | | 818,552 | 17,466 | 7,557 | 1,137,585 | 1,981,160 | 64,196 |
| Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax) | | | 23,031 | 23,031 | | | 24,066 | 47,097 | |
| Changes in Consolidation | | | | — | | | (71,657 ) | (71,657 ) | (315,057 |
| Transfer of interests under common control (See Note 15) | | 12,269 | (1,988 ) | 10,281 | | | (10,281 ) | — | |
| Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units | 14,524,298 | 198,970 | (1,615 ) | 197,355 | | | (197,355 ) | — | |
| Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other | | (8,093 ) | 498 | (7,595 ) | | | | (7,595 ) | |
| Net Delivery of Common Units - Equity Incentive Plan | 6,229,754 | (37,304 ) | | (37,304 ) | | | | (37,304 ) | |
| Equity Based Compensation | | 149,840 | | 149,840 | | | 127,864 | 277,704 | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Unit Repurchases | | | | — | | | | — | |
| Capital Contributions | | | | — | | | 2,486,848 | 2,486,848 | 189,172 |
| Capital Distributions | | (230,785 ) | | (230,785 ) | (17,466 ) | (7,557 ) | (1,610,880 ) | (1,866,688 ) | (525 |
| Balance at September 30, 2017 | 473,134,387 | $6,409,824 | $(29,170) | $6,380,654 | $332,988 | $149,566 | $12,432,092 | $19,295,300 | $570,134 |

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in Thousands)

| | Nine Months Ended September 30, 2017 | 2016 |
|---|---|---|
| Operating Activities | | |
| Net Income (Loss) | $2,045,356 | $487,657 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Equity Based Compensation | 271,226 | 186,032 |
| Net Realized (Gains) Losses on Investments | 2,662 | (354,105) |
| Change in Unrealized (Gains) Losses on Investments | (1,088,317) | 345,016 |
| Carried Interest Allocated as a result of Changes in Fund Fair Value | (1,224,235) | (602,695) |
| Other Non-Cash Amounts | 11,121 | 29,465 |
| Cash Flows Due to Changes in Operating Assets and Liabilities: | | |
| Change in Cash and Cash Equivalents Held at Consolidated Entities | 367,713 | (56,992) |
| Change in Due from / to Affiliates | (230,948) | (157,793) |
| Change in Other Assets | (66,260) | (50,166) |
| Change in Accounts Payable, Accrued Expenses and Other Liabilities | 1,176,047 | 442,025 |
| Investments Purchased | (29,464,933) | (14,323,221) |
| Proceeds from Investments | 25,981,898 | 13,498,957 |
| Net Cash Provided (Used) by Operating Activities | (2,218,670) | (555,820) |
| Investing Activities | | |
| Change in Restricted Cash and Cash Equivalents | 167,980 | 32,953 |
| Purchase of Fixed Assets | (70,849) | (8,177) |
| Development of Oil and Natural Gas Properties | (1,041) | (1,588) |
| Net Cash Provided (Used) by Investing Activities | 96,090 | 23,188 |
| Financing Activities | | |
| Distributions to Partners | (230,785) | (213,483) |
| Distributions to Redeemable Noncontrolling Interests | (525) | (21,774) |
| Contributions from Redeemable Noncontrolling Interests | 189,172 | 223,739 |
| Distributions to Noncontrolling Interests | (1,610,880) | (1,164,758) |
| Contributions from Noncontrolling Interests | 2,482,649 | 1,726,529 |
| Issuance of Preferred Units (net of issuance costs) | — | 482,554 |
| Preferred Unit Distributions | (25,023) | (13,894) |
| Net Delivery of Common Units - Equity Incentive Plan | (37,304) | (28,234) |
| Unit Repurchases | — | (291,903) |
| Proceeds from Debt Obligations | 8,848,735 | 5,339,824 |
| Repayment of Debt Obligations | (7,557,245) | (4,353,147) |
| Financing Costs Paid | (8,550) | (3,761) |
| Net Cash Provided (Used) by Financing Activities | 2,050,244 | 1,681,692 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (72,336) | 1,149,060 |
| Cash and Cash Equivalents, Beginning of Period | 2,508,902 | 1,047,740 |
| Cash and Cash Equivalents, End of Period | $2,436,566 | $2,196,800 |

See notes to condensed consolidated financial statements.

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KKR & CO. L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued) (UNAUDITED)
(Amounts in Thousands)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| Supplemental Disclosures of Cash Flow Information | | |
| Payments for Interest | $577,428 | $600,701 |
| Payments for Income Taxes | $34,633 | $21,335 |
| Supplemental Disclosures of Non-Cash Investing and Financing Activities | | |
| Non-Cash Contributions of Equity Based Compensation | $277,704 | $186,032 |
| Non-Cash Contributions from Noncontrolling Interests | $4,199 | $222,023 |
| Debt Obligations - Net Gains (Losses), Translation and Other | $(460,740) | $(243,384) |
| Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units | $(7,595) | $(247) |
| Changes in Consolidation and Other | | |
| Cash and Cash Equivalents Held at Consolidated Entities | $(2,244) | $(270,458) |
| Restricted Cash and Cash Equivalents | $— | $(54,064) |
| Investments | $(174,906) | $(35,686,489) |
| Due From Affiliates | $(3,536) | $147,427 |
| Other Assets | $(298,097) | $(532,226) |
| Debt Obligations | $— | $(2,355,305) |
| Due to Affiliates | $— | $329,083 |
| Accounts Payable, Accrued Expenses and Other Liabilities | $(114,573) | $(129,348) |
| Noncontrolling Interests | $(71,657) | $(34,240,240) |
| Redeemable Noncontrolling Interests | $(315,057) | $— |

See notes to condensed consolidated financial statements.

KKR & CO. L.P.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(All Amounts in Thousands, Except Unit, Per Unit Data, and Except Where Noted)

## 1. ORGANIZATION

KKR & Co. L.P. (NYSE: KKR), together with its consolidated subsidiaries (“KKR”), is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate, credit and, through its strategic manager partnerships, hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR's portfolio companies. KKR invests its own capital alongside its partners' capital and provides financing solutions and investment opportunities through its capital markets business.

KKR & Co. L.P. was formed as a Delaware limited partnership on June 25, 2007 and its general partner is KKR Management LLC (the “Managing Partner”). KKR & Co. L.P. is the parent company of KKR Group Limited, which is the non-economic general partner of KKR Group Holdings L.P. (“Group Holdings”), and KKR & Co. L.P. is the sole limited partner of Group Holdings. Group Holdings holds a controlling economic interest in each of (i) KKR Management Holdings L.P. (“Management Holdings”) through KKR Management Holdings Corp., a Delaware corporation which is a domestic corporation for U.S. federal income tax purposes, (ii) KKR Fund Holdings L.P. (“Fund Holdings”) directly and through KKR Fund Holdings GP Limited, a Cayman Island limited company which is a disregarded entity for U.S. federal income tax purposes, and (iii) KKR International Holdings L.P. (“International Holdings”, and together with Management Holdings and Fund Holdings, the “KKR Group Partnerships”) directly and through KKR Fund Holdings GP Limited. Group Holdings also owns certain economic interests in Management Holdings through a wholly owned Delaware corporate subsidiary of KKR Management Holdings Corp. and certain economic interests in Fund Holdings through a Delaware partnership of which Group Holdings is the general partner with a 99% economic interest and KKR Management Holdings Corp. is a limited partner with a 1% economic interest. KKR & Co. L.P., through its indirect controlling economic interests in the KKR Group Partnerships, is the holding partnership for the KKR business.

KKR & Co. L.P. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, “KKR Group Partnership Units”) representing economic interests in KKR’s business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. (“KKR Holdings”), which is not a subsidiary of KKR. As of September 30, 2017, KKR & Co. L.P. held approximately 58.2% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 41.8% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings and/or principals exchange units in the KKR Group Partnerships for KKR & Co. L.P. common units or when KKR & Co. L.P. otherwise issues or repurchases KKR & Co. L.P. common units. The KKR Group Partnerships also have outstanding equity interests that provide for the carry pool and preferred units with economic terms that mirror the preferred units issued by KKR & Co. L.P.

### PAAMCO Prisma

On June 1, 2017, KKR completed its previously announced transaction to combine Pacific Alternative Asset Management Company, LLC (“PAAMCO”) and Prisma Capital Partners LP (“Prisma”), formerly known as KKR Prisma or KKR’s hedge fund solutions platform, to create PAAMCO Prisma Holdings, LLC ("PAAMCO Prisma"). PAAMCO Prisma is a leading liquid alternatives investment firm, which operates independently from KKR.

In connection with this transaction, KKR contributed $114.1 million of net assets, including intangible assets and an allocation of goodwill, in exchange for a 39.9% equity interest in PAAMCO Prisma and the right to receive certain payments from PAAMCO Prisma, the collective fair value of which was $131.6 million. KKR reports its investment in PAAMCO Prisma using the equity method of accounting. See Note 16 "Goodwill and Intangible Assets."

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of KKR & Co. L.P. have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements (referred to hereafter as the "financial statements"), including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the financial statements are presented fairly and that estimates made in preparing the financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The December 31, 2016 condensed consolidated balance sheet data was derived from audited consolidated financial statements included in KKR's Annual Report on Form 10-K for the year ended December 31, 2016, which include all disclosures required by GAAP. These financial statements should be read in conjunction with the audited consolidated financial statements included in KKR & Co. L.P.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

KKR & Co. L.P. consolidates the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds and certain other entities including CFEs. References in the accompanying financial statements to "principals" are to KKR's senior employees and non employee operating consultants who hold interests in KKR's business through KKR Holdings.
All intercompany transactions and balances have been eliminated.

### Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of fees, expenses and investment income (loss) during the reporting periods. Such estimates include but are not limited to the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

### Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements."

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and as such the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion periodically.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS.

Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment funds and vehicles that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying condensed consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying condensed consolidated statements of operations.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying condensed consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling

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interests are presented within Equity in the accompanying condensed consolidated statements of financial condition as noncontrolling interests.

Noncontrolling Interests

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

(i) third party fund investors in KKR's funds;
(ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds and 1% of KKR's other profits (losses) through and including December 31, 2015;
(iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;
(iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon;
(v) third parties in KKR's capital markets business;
(vi) holders of exchangeable equity securities representing ownership interests in a subsidiary of a KKR Group Partnership issued in connection with the acquisition of Avoca Capital ("Avoca"); and
(vii) holders of the 7.375% Series A LLC Preferred Shares of KKR Financial Holdings LLC ("KFN") whose rights are limited to the assets of KFN.

Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals in the KKR Group Partnerships. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. L.P. and are borne by KKR Holdings.

The following table presents the calculation of noncontrolling interests held by KKR Holdings:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Balance at the beginning of the period | $4,683,673 | $4,018,305 | $4,293,337 | $4,347,153 |
| Net income (loss) attributable to noncontrolling interests held by KKR Holdings (1) | 115,434 | 284,834 | 637,146 | 86,659 |
| Other comprehensive income (loss), net of tax (2) | 4,676 | 231 | 18,429 | (37) |
| Impact of the exchange of KKR Holdings units to KKR & Co. L.P. common units (3) | (43,553) | (22,930) | (184,254) | (53,908) |
| Equity based compensation | 23,807 | 7,822 | 127,864 | 27,469 |
| Capital contributions | 39 | 69 | 2,989 | 207 |
| Capital distributions | (58,347) | (57,420) | (177,701) | (176,632) |
| Transfer of interests under common control (See Note 15 "Equity") | — | — | 7,919 | — |

| | | | | |
|---|---|---|---|---|
| Balance at the end of the period | $4,725,729 | $4,230,911 | $4,725,729 | $4,230,911 |

(1) Refer to the table below for calculation of Net income (loss) attributable to noncontrolling interests held by KKR Holdings.

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(2) Calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(3) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. L.P. common units pursuant to the exchange agreement during the reporting period. The exchange agreement provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. L.P. common units.

Net income (loss) attributable to KKR & Co. L.P. after allocation to noncontrolling interests held by KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR Management Holdings Corp., is attributed based on the percentage of the weighted average KKR Group Partnership Units held by KKR and KKR Holdings, each of which holds equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. L.P. common units pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the KKR & Co. L.P. 2010 Equity Incentive Plan ("Equity Incentive Plan"), equity allocations shown in the condensed consolidated statement of changes in equity differ from their respective pro-rata ownership interests in KKR's net assets.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net income (loss) | $378,938 | $974,762 | $2,045,356 | $487,657 |
| Less: Net income (loss) attributable to Redeemable Noncontrolling Interests | 20,876 | 3,121 | 64,196 | 4,616 |
| Less: Net income (loss) attributable to Noncontrolling Interests in consolidated entities | 80,724 | 326,454 | 500,439 | 266,385 |
| Less: Net income (loss) attributable to Series A and Series B Preferred Unitholders | 8,341 | 8,201 | 25,023 | 13,894 |
| Plus: Income tax / (benefit) attributable to KKR Management Holdings Corp. | 6,063 | 3,187 | 30,571 | (8,376) |
| Net income (loss) attributable to KKR & Co. L.P. Common Unitholders and KKR Holdings | $275,060 | $640,173 | $1,486,269 | $194,386 |
| Net income (loss) attributable to noncontrolling interests held by KKR Holdings | $115,434 | $284,834 | $637,146 | $86,659 |

Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CFEs, equity method, carried interest and other investments. Investments denominated in currencies other than the entity's functional currency are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 "Investments."

The following describes the types of securities held within each investment class.

Private Equity - Consists primarily of equity investments in operating businesses, including growth equity investments.

Real Assets - Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

Credit - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), distressed and opportunistic debt and interests in unconsolidated CLOs.

Investments of Consolidated CFEs - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate mortgage loans held directly by the consolidated CMBS vehicles.

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Equity Method - Consists primarily of (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence under GAAP.

Carried Interest - Consists of carried interest from unconsolidated investment funds that are allocated to KKR as the general partner of the investment fund based on cumulative fund performance to date, and where applicable, subject to a preferred return.

Other - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

Investments held by Consolidated Investment Funds

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations.

Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas producing properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.

Investments in operating companies that are held through KKR’s consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas producing properties are generally classified as real asset investments.

Energy Investments held directly by KKR

Certain energy investments are made by KKR directly in working and royalty interests in oil and natural gas producing properties and not through investment funds. Oil and natural gas producing activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of the underlying statements of financial condition and statements of operations of the consolidated working interests on a gross basis and changes in the value of these working interests are not reflected as unrealized gains and losses in the consolidated statements of operations. Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with

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the carrying value of the related asset. Any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the condensed consolidated statements of operations.

Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method and other financial instruments not held through a consolidated investment fund with gains and losses recorded in net income. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the condensed consolidated statements of operations.

Equity Method

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. KKR’s share of earnings (losses) from these investments is reflected as a component of Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations. For equity method investments, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. As of September 30, 2017, equity method investees for which KKR reports financial results on a quarter lag include Marshall Wace LLP ("Marshall Wace") and USI, Inc. KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of equity method investments in private equity funds, real assets funds and credit funds, which are not consolidated, approximate fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

The carrying value of equity method investments in certain operating companies, which KKR is determined to exert significant influence under GAAP and for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR’s respective ownership percentage, less distributions.

Financial Instruments held by Consolidated CFEs

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR’s consolidated net income (loss) reflecting KKR’s own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLO entities, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

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Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Except for certain of KKR's equity method investments (see "Equity Method" above in this Note 2 "Summary of Significant Accounting Policies") and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities, credit investments and securities sold short.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

Level III - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

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Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level II Valuation Methodologies

Credit Investments: These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

Investments and Debt Obligations of Consolidated CLO Vehicles: Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Securities indexed to publicly-listed securities: The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

Restricted Equity Securities: The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

Derivatives: The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

Level III Valuation Methodologies

Investments and financial instruments categorized as Level III consist primarily of the following:

Private Equity Investments: KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive

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agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real Assets Investments: Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

Credit Investments: Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Other Investments: With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private equity investments when valuing these other investments.

Investments and Debt Obligations of Consolidated CMBS Vehicles: Under ASU 2014-13, KKR measures CMBS investments, which are reported within Investments of Consolidated CFEs on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

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Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

Level III Valuation Process

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies principally on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged by KKR with respect to investments classified as Level III. The valuation firm either provides a value, or provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted to their respective valuation sub-committees.

KKR has a global valuation committee comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's Co-Presidents and Co-Chief Operating Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. The global valuation committee is assisted by valuation sub-committees and investment professionals for each business strategy. All preliminary Level III valuations are reviewed and approved by the valuation sub-committees for private equity, real estate, energy and infrastructure, and credit, as applicable. For periods prior to the completion of the PAAMCO Prisma transaction, when Level III valuations were required to be performed on hedge fund investments, a valuation sub-committee for hedge funds reviewed these valuations. The valuation sub-committees are responsible for the review and approval of valuations in their respective business lines on a quarterly basis. The members of the valuation sub-committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments.

The global valuation committee provides general oversight of the valuation sub-committees. The global valuation committee is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. All valuations are subject to approval by the global valuation committee. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of the general partner of KKR & Co. L.P.

and are then reported to the board of directors.

Fees and Other

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) carried interest allocations to general partners of unconsolidated funds, (v) revenue earned by oil and gas-producing entities that are consolidated and (vi) consulting fees earned by consolidated entities that employ non-employee operating consultants.

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For the three and nine months ended September 30, 2017 and 2016, respectively, fees and other consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Management Fees | $178,942 | $152,491 | $517,393 | $468,390 |
| Transaction Fees | 181,280 | 113,056 | 581,410 | 277,776 |
| Monitoring Fees | 41,848 | 23,367 | 145,203 | 99,388 |
| Fee Credits | (70,641) | (46,975) | (207,396) | (106,506) |
| Carried Interest | 337,459 | 414,864 | 1,224,235 | 602,695 |
| Incentive Fees | 2,519 | 3,800 | 3,637 | 6,045 |
| Oil and Gas Revenue | 12,441 | 16,191 | 47,096 | 47,977 |
| Consulting Fees | 9,029 | 10,262 | 29,039 | 30,853 |
| Total Fees and Other | $692,877 | $687,056 | $2,340,617 | $1,426,618 |

All revenues presented in the table above, except for oil and gas revenue and certain transaction fees earned by KKR's Capital Markets business, are earned from KKR investment funds and portfolio companies. Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

Management Fees

Management fees are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement. Management fees earned from private equity funds and certain investment funds are based upon a percentage of capital committed or capital invested during the investment period, and thereafter generally based on remaining invested capital or net asset value. For certain other investment funds, CLOs, and separately managed accounts, management fees are based upon the net asset value, gross assets or as otherwise defined in the respective agreements.

Management fees received from KKR’s consolidated funds and vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR’s allocated share of the net income from KKR’s consolidated funds and vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not have an effect on the net income (loss) attributable to KKR or KKR partners’ capital.

Transaction Fees

Transaction fees are earned by KKR primarily in connection with successful investment transactions and capital markets activities. Transaction fees are recognized in the period when the transaction closes. Fees are typically paid on or shortly after the closing of a transaction.

In connection with pursuing successful portfolio company investments, KKR receives reimbursement for certain transaction related expenses. Transaction related expenses, which are reimbursed by third parties, are typically deferred until the transaction is consummated and are recorded in Other Assets on the consolidated statements of financial condition on the date incurred. The costs of successfully completed transactions are borne by the KKR investment funds and included as a component of the investment’s cost basis. Subsequent to closing, investments are recorded at fair value each reporting period as described in the section above titled “Investments”. Upon reimbursement from a third party, the cash receipt is recorded and the deferred amounts are relieved. No fees or expenses are recorded for these reimbursements.

Monitoring Fees

Monitoring fees are earned by KKR for services provided to portfolio companies and are recognized as services are rendered. These fees are generally paid based on a fixed periodic schedule by the portfolio companies either in advance or in arrears and are separately negotiated for each portfolio company.

In connection with the monitoring of portfolio companies and certain unconsolidated funds, KKR receives reimbursement for certain expenses incurred on behalf of these entities. Costs incurred in monitoring these entities are classified as general,

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administrative and other expenses and reimbursements of such costs are classified as monitoring fees. In addition, certain monitoring fee provisions may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

Fee Credits

Agreements with the fund investors of certain of its investment funds require KKR to share with these fund investors an agreed upon percentage of certain fees, including monitoring and transaction fees received from portfolio companies ("Fee Credits"). Fund investors receive Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain fund-related expenses and generally amount to 80% for older funds, or 100% for our newer funds, of allocable monitoring and transaction fees after fund-related expenses are recovered, although the actual percentage may vary from fund to fund as well as among different classes of investors within a fund.

Carried Interest

For certain investment fund structures, carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized as revenue, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for a fund have been fully reversed. KKR is not obligated to pay guaranteed returns or hurdles, and therefore, cannot have negative carried interest over the life of a fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the condensed consolidated statements of financial condition.

Incentive Fees

Incentive fees earned on the performance of certain hedge fund structures are recognized based on fund performance, subject to the achievement of minimum return levels, and/or high water marks, in accordance with the respective terms set out in each fund's governing agreements. Incentive fee rates generally range from 5% to 20%. KKR does not record performance based incentive fees until the end of each fund's measurement period (which is generally one year) when the performance based incentive fees become fixed and determinable.

Oil and Gas Revenue Recognition

Oil and gas revenues are recognized when production is sold to a purchaser at fixed or determinable prices, when delivery has occurred and title has transferred and collectability of the revenue is reasonably assured. The oil and gas producing entities consolidated by KKR follow the sales method of accounting for natural gas revenues. Under this method of accounting, revenues are recognized based on volumes sold, which may differ from the volume to which the entity is entitled based on KKR's working interest. An imbalance is recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced owners to recoup their entitled share through future production. Under the sales method, no receivables are recorded when these entities have taken less than their share of production and no payables are recorded when it has taken more than its share of production unless reserves are not sufficient.

Consulting Fees

Consulting fees are earned by certain consolidated entities that employ non employee operating consultants from providing advisory and other services to portfolio companies and other companies and are recognized as the services are rendered. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

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Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers Topic 606 (“ASU 2014-09”) which has subsequently been amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2017-13. These ASUs outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Revenue recorded under ASU 2014-09 will depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. Early adoption will be permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. A full retrospective or modified retrospective approach is required.

Carried interest is a capital allocation to the general partner based on fund performance, and where applicable, subject to a preferred return to limited partners. KKR has concluded that capital allocation-based carried interest represents income from equity method investments that is not in the scope of ASU 2014-09. Accordingly, in connection with the adoption of ASU 2014-09, KKR will account for such carried interest as a financial instrument under the equity method of accounting within the scope of ASC 323, Investments - Equity Method and Joint Ventures (“ASC 323”). In accordance with ASC 323, KKR will record equity method income (losses) based on the change in KKR’s proportionate claim on the net assets of the investment fund, including performance-based capital allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. As carried interest and the related general partner investments are considered to be a single unit of account under KKR’s new accounting policy, the equity method income associated with the general partner interests will be combined with the associated carried interest and reported in a single line within the statement of operations. KKR expects to apply this change in accounting on a full retrospective basis. The pattern and amount of recognition under the new policy is not expected to differ materially from KKR’s existing recognition. As it pertains to incentive fees, KKR expects the recognition of incentive fees, which are a form of variable consideration, to be deferred until such fees are no longer subject to significant reversal, which is consistent with KKR’s existing recognition treatment. Additionally, KKR is currently in the process of implementing the new revenue guidance and is continuing to evaluate the effect this guidance will have on other revenue streams. KKR expects to adopt the new revenue recognition guidance effective January 1, 2018.

Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Liabilities (“ASU 2016-01”). The amended guidance (i) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at fair value; (iii) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amended guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amended guidance related to equity securities without readily determinable fair values (including the disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

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Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The guidance retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous GAAP. For operating leases, a lessee is required to do the following: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the Statement of Financial Condition, (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and (c) classify all cash payments within operating activities in the statement of cash flows. The guidance is effective for fiscal periods beginning after December 15, 2018. Early application is permitted. KKR is currently evaluating the impact of this guidance on the financial statements.

Investments

In March 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting ("ASU 2016-07"), which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for all entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted for all entities. Entities are required to apply the guidance prospectively to increases in the level of ownership interest or degree of influence occurring after the ASU’s effective date. Additional transition disclosures are not required upon adoption. This guidance has been adopted as of January 1, 2017 and did not have a material impact on KKR's results of operations or financial condition.

Equity-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Shared-Based Payment Accounting ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. KKR adopted ASU 2016-09 on January 1, 2017 and will apply prospective application. In connection with this adoption, the most significant impacts to KKR relate to the following: (i) with respect to the tax impact of equity based compensation charges, KKR has accounted for the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes as an income tax expense or benefit in the statement of operations, (ii) KKR has classified this difference with other income tax cash flows as an operating activity in the statement of cash flows and (iii) KKR has made an election to continue to estimate the number of equity compensation awards that are expected to vest, net of forfeitures, over the life of an equity award and not account for forfeitures as they occur.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted. KKR is currently evaluating the impact of this guidance on the financial statements.

Cash Flow Classification

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The amended guidance adds or clarifies guidance on eight cash flow matters: (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle. The

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guidance in the ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable if retrospective application would be impracticable. KKR is currently evaluating the impact of this guidance on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which amends the guidance to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The amended guidance requires the following: (i) restricted cash and restricted cash equivalents should be included in the cash and cash-equivalents balances in the statement of cash flows; (ii) changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows; (iii) a reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents; and (iv) the nature of the restrictions must be disclosed for material restricted cash and restricted cash equivalents amounts. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented. KKR is currently evaluating the impact of this guidance on the financial statements.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which removed the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. KKR is currently evaluating the impact of this guidance on the financial statements.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (“ASU 2017-01”). This guidance amends the definition of a business and provides a threshold which must be considered to determine whether a transaction is an asset acquisition or a business combination. ASU 2017-01 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted. KKR is currently evaluating the impact of this guidance on the financial statements.

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit’s carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity’s testing of reporting units for goodwill impairment; and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is allowed for entities as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. KKR is currently evaluating the impact of this guidance on the financial statements.

Other Income

In February 2017, the FASB issued ASU No. 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The ASU conforms the derecognition guidance on nonfinancial assets with the model for transactions in the new revenue standard (ASC 606, as amended). The effective date of the new guidance is aligned with the requirements in the new revenue standard, which is effective for annual and interim reporting periods beginning after December 15, 2017. The ASU allows an entity to use a full or modified retrospective adoption approach. KKR is currently evaluating the impact of this guidance on the financial statements.

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Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities (“ASU 2017-08”). This guidance amends the amortization period for certain purchased callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. The guidance does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted and the guidance when adopted should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

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3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following tables summarize total Net Gains (Losses) from Investment Activities for the three and nine months ended September 30, 2017 and 2016, respectively:

| | Three Months Ended September 30, 2017 | | | Three Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total |
| Private Equity [1] | $74,483 | $ 77,299 | $151,782 | $172,390 | $ 37,465 | $209,855 |
| Credit and Other [1] | (46,946 ) | 35,882 | (11,064 ) | (262,826 ) | 256,137 | (6,689 ) |
| Investments of Consolidated CFEs [1] | (83,797 ) | 43,905 | (39,892 ) | (18,697 ) | 40,049 | 21,352 |
| Real Assets [1] | 24,479 | 56,217 | 80,696 | 28,803 | 70,700 | 99,503 |
| Foreign Exchange Forward Contracts and Options [2] | (26,043 ) | (69,046 ) | (95,089 ) | 41,254 | (63,997 ) | (22,743 ) |
| Securities Sold Short [2] | (7,785 ) | 14,369 | 6,584 | 232,448 | 29,545 | 261,993 |
| Other Derivatives [2] | (148 ) | (5,049 ) | (5,197 ) | (17,224 ) | 14,472 | (2,752 ) |
| Debt Obligations and Other [3] | 18,343 | 2,616 | 20,959 | 112,469 | 62,156 | 174,625 |
| Net Gains (Losses) From Investment Activities | $(47,414 ) | $ 156,193 | $108,779 | $288,617 | $ 446,527 | $735,144 |

| | Nine Months Ended September 30, 2017 | | | Nine Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total |
| Private Equity [1] | $202,549 | $ 372,335 | $574,884 | $370,266 | $ (412,303 ) | $(42,037 ) |
| Credit and Other [1] | (633,145 ) | 740,499 | 107,354 | (284,992 ) | (104,028 ) | (389,020 ) |
| Investments of Consolidated CFEs [1] | (88,677 ) | 71,952 | (16,725 ) | (239,502 ) | 547,099 | 307,597 |
| Real Assets [1] | (34,208 ) | 233,608 | 199,400 | 41,158 | 66,927 | 108,085 |
| Foreign Exchange Forward Contracts and Options [2] | (7,975 ) | (311,427 ) | (319,402 ) | 41,829 | (75,398 ) | (33,569 ) |
| Securities Sold Short [2] | 497,926 | 66,037 | 563,963 | 231,474 | (10,343 ) | 221,131 |
| Other Derivatives [2] | (6,027 ) | (10,602 ) | (16,629 ) | (35,613 ) | 40,081 | 4,468 |
| Debt Obligations and Other [3] | 66,895 | (74,085 ) | (7,190 ) | 229,485 | (397,051 ) | (167,566 ) |
| Net Gains (Losses) From Investment Activities | $(2,662 ) | $ 1,088,317 | $1,085,655 | $354,105 | $ (345,016 ) | $9,089 |

(1) See Note 4 "Investments."
(2) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."
(3) See Note 10 "Debt Obligations."

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4. INVESTMENTS

Investments consist of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Private Equity | $3,896,535 | $2,915,667 |
| Credit | 6,427,635 | 4,847,936 |
| Investments of Consolidated CFEs | 15,500,898 | 13,950,897 |
| Real Assets | 2,278,699 | 1,807,128 |
| Equity Method | 3,524,781 | 2,728,995 |
| Carried Interest | 2,697,294 | 2,384,177 |
| Other | 2,925,995 | 2,774,965 |
| Total Investments | $37,251,837 | $31,409,765 |

As of September 30, 2017 and December 31, 2016, there were no investments which represented greater than 5% of total investments. In addition, as of September 30, 2017 and December 31, 2016, investments totaling $18.6 billion and $16.1 billion, respectively, were pledged as direct collateral against various financing arrangements. See Note 10 "Debt Obligations." The majority of the securities underlying private equity investments represent equity securities.

Carried Interest

Carried interest allocated to the general partner in respect of performance of investment funds that are not consolidated were as follows:

| | | | |
|---|---|---|---|
| Balance at December 31, 2016 | $ | 2,384,177 | |
| Carried Interest Allocated as a result of Changes in Fund Fair Value | 1,224,235 | | |
| Cash Proceeds Received | (911,118 | | ) |
| Balance at September 30, 2017 | $ | 2,697,294 | |

5. FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of KKR's assets and liabilities by the fair value hierarchy. Carried Interest and Equity Method Investments for which the fair value option has not been elected have been excluded from the tables below.

Assets, at fair value:

| | September 30, 2017 | | | |
|---|---|---|---|---|
| | Level I | Level II | Level III | Total |
| Private Equity | $1,194,887 | $93,524 | $2,608,124 | $3,896,535 |
| Credit | — | 1,694,761 | 4,732,874 | 6,427,635 |
| Investments of Consolidated CFEs | — | 10,090,782 | 5,410,116 | 15,500,898 |
| Real Assets | 36,751 | 39,948 | 2,202,000 | 2,278,699 |

| | | | | | |
|---|---|---|---|---|---|
| Equity Method | — | 205,460 | 555,538 | | 760,998 |
| Other | 1,117,473 | 38,511 | 1,770,011 | | 2,925,995 |
| Total | 2,349,111 | 12,162,986 | 17,278,663 | | 31,790,760 |
| | | | | | |
| Foreign Exchange Contracts and Options | — | 100,460 | — | | 100,460 |
| Other Derivatives | — | 7,020 | 55,877 | (1) | 62,897 |
| Total Assets | $2,349,111 | $12,270,466 | $17,334,540 | | $31,954,117 |

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(1) Includes derivative assets that were valued using a third party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Level I | Level II | Level III | Total |
| Private Equity | $1,240,108 | $116,000 | $1,559,559 | $2,915,667 |
| Credit | — | 1,557,575 | 3,290,361 | 4,847,936 |
| Investments of Consolidated CFEs | — | 8,544,677 | 5,406,220 | 13,950,897 |
| Real Assets | — | — | 1,807,128 | 1,807,128 |
| Equity Method | — | 220,896 | 570,522 | 791,418 |
| Other | 994,677 | 12,715 | 1,767,573 | 2,774,965 |
| Total | 2,234,785 | 10,451,863 | 14,401,363 | 27,088,011 |
| | | | | |
| Foreign Exchange Contracts and Options | — | 240,627 | — | 240,627 |
| Other Derivatives | — | 81,593 | — | 81,593 |
| Total Assets | $2,234,785 | $10,774,083 | $14,401,363 | $27,410,231 |

Liabilities, at fair value:

| | September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Level I | Level II | Level III | | Total |
| Securities Sold Short | $810,698 | $— | $— | | $810,698 |
| Foreign Exchange Contracts and Options | — | 243,595 | — | | 243,595 |
| Unfunded Revolver Commitments | — | — | 13,912 | (1) | 13,912 |
| Other Derivatives | — | 28,421 | 50,400 | (2) | 78,821 |
| Debt Obligations of Consolidated CFEs | — | 9,788,717 | 5,295,183 | | 15,083,900 |
| Total Liabilities | $810,698 | $10,060,733 | $5,359,495 | | $16,230,926 |

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Level I | Level II | Level III | | Total |
| Securities Sold Short | $644,196 | $3,038 | $— | | $647,234 |
| Foreign Exchange Contracts and Options | — | 75,218 | — | | 75,218 |
| Unfunded Revolver Commitments | — | 9,023 | — | | 9,023 |
| Other Derivatives | — | 44,015 | 56,000 | (2) | 100,015 |
| Debt Obligations of Consolidated CFEs | — | 8,563,547 | 5,294,741 | | 13,858,288 |
| Total Liabilities | $644,196 | $8,694,841 | $5,350,741 | | $14,689,778 |

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR’s Level III credit investments.

(2) Includes options issued in connection with the acquisition of the 24.9% equity interest in Marshall Wace and its affiliates to increase KKR's ownership interest to 39.9% in periodic increments from 2017 to 2019. The option is valued using a Monte-Carlo simulation valuation methodology. Key inputs used in this methodology that require estimates include Marshall Wace's dividend yield, assets under management volatility and equity volatility. See

Note 19 "Subsequent Events."

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The following tables summarize changes in investments and debt obligations reported at fair value for which Level III inputs have been used to determine fair value for the three and nine months ended September 30, 2017 and 2016, respectively:

| | Three Months Ended September 30, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Level III Investments | | | | | | | Level III Debt Obligations |
| | Private Equity | Credit | Investments of Consolidated CFEs | Real Assets | Equity Method | Other | Total | Debt Obligations of Consolidated CFEs |
| Balance, Beg. of Period | $2,394,498 | $3,865,070 | $5,447,250 | $2,423,419 | $571,575 | $1,771,627 | $16,473,439 | $5,333,203 |
| Transfers Out Due to Deconsolidation of Funds | — | — | — | — | — | — | — | — |
| Transfers In | — | — | — | — | — | — | — | — |
| Transfers Out | — | (4,187) | — | — | — | — | (4,187) | — |
| Asset Purchases / Debt Issuances | 98,955 | 1,112,297 | — | 62,453 | 4,457 | 35,700 | 1,313,862 | — |
| Sales / Paydowns | (56,193) | (224,135) | (17,022) | (361,451) | (28,864) | (45,887) | (733,552) | — |
| Settlements | — | 27,528 | — | — | — | — | 27,528 | (17,022) |
| Net Realized Gains (Losses) | 7,182 | (6,896) | — | 24,479 | 6,282 | (29,943) | 1,104 | — |
| Net Unrealized Gains (Losses) | 163,682 | (27,876) | (20,112) | 53,100 | 2,088 | 38,514 | 209,396 | (20,998) |
| Change in Other Comprehensive Income | — | (8,927) | — | — | — | — | (8,927) | — |
| Balance, End of Period | $2,608,124 | $4,732,874 | $5,410,116 | $2,202,000 | $555,538 | $1,770,011 | $17,278,663 | $5,295,183 |
| Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date | $163,682 | $(40,131) | $(20,112) | $68,239 | $5,225 | $38,514 | $215,417 | $(20,998) |

Three Months Ended September 30, 2016
Level III Investments

| | Private Equity | Credit | Investments of Consolidated CFEs | Real Assets | Equity Method | Other | Total | Level III Debt Obligations Debt Obligations of Consolidated CFEs |
|---|---|---|---|---|---|---|---|---|
| Balance, Beg. of Period | $1,231,868 | $2,672,179 | $5,615,342 | $1,819,709 | $477,219 | $1,495,697 | $13,312,014 | $5,506,281 |
| Transfers Out Due to Deconsolidation of Funds | — | — | — | — | — | — | — | — |
| Transfers In | — | 1,677 | — | — | — | — | 1,677 | — |
| Transfers Out | — | — | — | — | — | — | — | — |
| Asset Purchases / Debt Issuances | 253,736 | 616,041 | — | 59,963 | — | 46,233 | 975,973 | — |
| Sales / Paydowns | (43,789) | (168,342) | (8,993) | (164,419) | (725) | (16,677) | (402,945) | — |
| Settlements | — | 24,296 | — | — | — | — | 24,296 | (8,993) |
| Net Realized Gains (Losses) | 17,386 | (518) | — | 28,803 | 225 | (1,173) | 44,723 | — |
| Net Unrealized Gains (Losses) | 29,884 | 67,753 | (61,670) | 70,700 | 28,465 | 54,798 | 189,930 | (61,697) |
| Change in Other Comprehensive Income | — | 5,926 | — | — | — | — | 5,926 | — |
| Balance, End of Period | $1,489,085 | $3,219,012 | $5,544,679 | $1,814,756 | $505,184 | $1,578,878 | $14,151,594 | $5,435,591 |
| Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date | $46,895 | $67,140 | $(61,670) | $70,700 | $28,465 | $54,798 | $206,328 | $(61,697) |

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| | Nine Months Ended September 30, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Level III Investments | | | | | | | Level III Debt Obligations |
| | Private Equity | Credit | Investments of Consolidated CFEs | Real Assets | Equity Method | Other | Total | Debt Obligations of Consolidated CFEs |
| Balance, Beg. of Period | $1,559,559 | $3,290,361 | $5,406,220 | $1,807,128 | $570,522 | $1,767,573 | $14,401,363 | $5,294,741 |
| Transfers Out Due to Deconsolidation of Funds | — | (95,962) | — | — | — | — | (95,962) | — |
| Transfers In | — | — | — | — | — | — | — | — |
| Transfers Out | — | (4,187) | — | — | — | (1,496) | (5,683) | — |
| Asset Purchases / Debt Issuances | 923,460 | 2,056,195 | — | 667,681 | 15,589 | 259,204 | 3,922,129 | — |
| Sales / Paydowns | (228,676) | (942,459) | (34,957) | (469,092) | (49,842) | (188,623) | (1,913,649) | — |
| Settlements | — | 46,653 | — | — | — | — | 46,653 | (34,957) |
| Net Realized Gains (Losses) | 7,871 | (109,525) | — | (34,208) | 6,908 | (53,384) | (182,338) | — |
| Net Unrealized Gains (Losses) | 345,910 | 476,920 | 38,853 | 230,491 | 12,361 | (13,263) | 1,091,272 | 35,399 |
| Change in Other Comprehensive Income | — | 14,878 | — | — | — | — | 14,878 | — |
| Balance, End of Period | $2,608,124 | $4,732,874 | $5,410,116 | $2,202,000 | $555,538 | $1,770,011 | $17,278,663 | $5,295,183 |
| Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date | $345,910 | $367,269 | $38,853 | $175,183 | $15,498 | $(13,263) | $929,450 | $35,399 |

| | Nine Months Ended September 30, 2016 | |
|---|---|---|
| | Level III Investments | Level III Debt Obligations |

| | Private Equity | Credit | Investments of Consolidated CFEs | Real Assets | Equity Method | Other | Total | Debt Obligations of Consolidated CFEs |
|---|---|---|---|---|---|---|---|---|
| Balance, Beg. of Period | $18,903,538 | $5,012,355 | $— | $4,048,281 | $891,606 | $2,581,188 | $31,436,968 | $— |
| Transfers Out Due to Deconsolidation of Funds | (17,856,098) | (2,354,181) | — | (2,628,999) | — | (984,813) | (23,824,091) | — |
| Transfers In | — | 45,427 | 4,343,829 | — | — | — | 4,389,256 | 4,272,081 |
| Transfers Out | (104,000) | (760) | — | — | (311,270) | — | (416,030) | — |
| Asset Purchases / Debt Issuances | 507,812 | 1,170,140 | 1,026,801 | 513,734 | 18,992 | 249,903 | 3,487,382 | 990,450 |
| Sales / Paydowns | (43,789) | (648,416) | (23,910) | (237,176) | (61,111) | (147,495) | (1,161,897) | — |
| Settlements | — | 74,474 | — | — | — | — | 74,474 | (23,910) |
| Net Realized Gains (Losses) | 17,386 | (9,113) | — | 41,158 | (1,766) | (8,588) | 39,077 | — |
| Net Unrealized Gains (Losses) | 64,236 | (74,384) | 197,959 | 77,758 | (31,267) | (111,317) | 122,985 | 196,970 |
| Change in Other Comprehensive Income | — | 3,470 | — | — | — | — | 3,470 | — |
| Balance, End of Period | $1,489,085 | $3,219,012 | $5,544,679 | $1,814,756 | $505,184 | $1,578,878 | $14,151,594 | $5,435,591 |
| Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date | $81,247 | $(74,997) | $197,959 | $77,758 | $(31,267) | $(135,067) | $115,633 | $196,970 |

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Total realized and unrealized gains and losses recorded for Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying condensed consolidated statements of operations.

The following table summarizes the fair value transfers between fair value levels for the three and nine months ended September 30, 2017 and 2016:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Assets, at fair value: | | | | |
| Transfers from Level I to Level II (1) | $53,416 | $— | $53,416 | $73,600 |
| Transfers from Level II to Level I (4) | $33,634 | $— | $33,634 | $— |
| Transfers from Level II to Level III (2) | $— | $1,677 | $— | $4,389,256 |
| Transfers from Level III to Level II (3) | $4,187 | $— | $4,187 | $312,030 |
| Transfers from Level III to Level I (4) | $— | $— | $1,496 | $104,000 |
| | | | | |
| Liabilities, at fair value: | | | | |
| Transfers from Level II to Level III (5) | $— | $— | $— | $4,272,081 |

(1) Transfers out of Level I into Level II are principally attributable to certain investments that are no longer valued using a publicly traded market price.

(2) Transfers out of Level II into Level III are principally attributable to certain investments that experienced an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.

(3) Transfers out of Level III into Level II are principally attributable to certain investments that experienced a higher level of market activity during the period and thus were valued using observable inputs.

(4) Transfers out of Level III and Level II into Level I are attributable to portfolio companies that are valued using their publicly traded market price.

(5) Transfers out of Level II into Level III are principally attributable to debt obligations of CMBS vehicles due to an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.

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The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments and debt obligations that are measured at fair value and categorized within Level III as of September 30, 2017:

| | Fair Value September 30, 2017 | Valuation Methodologies | Unobservable Input(s) (1) | Weighted Average (2) | Range | Impact to Valuation from an Increase in Input (3) |
|---|---|---|---|---|---|---|
| Private Equity | $2,608,124 | | | | | |
| Private Equity | $1,154,227 | | Illiquidity Discount | 9.2% | 5.0% - 15.0% | Decrease |
| | | Inputs to market comparables, discounted cash flow and transaction price | Weight Ascribed to Market Comparables | 48.3% | 0.0% - 50.0% | (4) |
| | | | Weight Ascribed to Discounted Cash Flow | 49.6% | 0.0% - 100.0% | (5) |
| | | | Weight Ascribed to Transaction Price | 2.1% | 0.0% - 100.0% | (6) |
| | | Market comparables | Enterprise Value/LTM EBITDA Multiple | 13.6x | 6.4x - 26.1x | Increase |
| | | | Enterprise Value/Forward EBITDA Multiple | 11.9x | 5.7x - 22.0x | Increase |
| | | Discounted cash flow | Weighted Average Cost of Capital | 9.6% | 6.8% - 13.8% | Decrease |
| | | | Enterprise Value/LTM EBITDA Exit Multiple | 10.6x | 5.6x - 14.9x | Increase |
| Growth Equity | $1,453,897 | | Illiquidity Discount | 10.9% | 8.0% - 20.0% | Decrease |
| | | Inputs to market comparables, discounted cash flow and milestones | Weight Ascribed to Market Comparables | 26.9% | 0.0% - 100.0% | (4) |
| | | | Weight Ascribed to Discounted Cash Flow | 4.9% | 0.0% - 75.0% | (5) |
| | | | Weight Ascribed to Milestones | 68.2% | 0.0% - 100.0% | (6) |
| | | Scenario Weighting | Base | 51.9% | 30.0% - 80.0% | Increase |
| | | | Downside | 22.1% | 5.0% - 40.0% | Decrease |
| | | | Upside | 26.0% | 10.0% - 45.0% | Increase |
| Credit | $4,732,874 | | Yield | 11.6% | 3.6% - 37.6% | Decrease |
| | | Yield Analysis | Net Leverage | 4.9x | 0.6x - 20.7x | Decrease |
| | | | EBITDA Multiple | 10.1x | 0.1x - 17.1x | Increase |

| | | | | | | |
|---|---|---|---|---|---|---|
| Investments of Consolidated CFEs | $5,410,116 (9) | | | | | |
| Debt Obligations of Consolidated CFEs | $5,295,183 | Discounted cash flow | Yield | 5.5% | 1.9% - 27.9% | Decrease |
| Real Assets | $2,202,000 (10) | | | | | |
| Energy | $1,097,636 | Discounted cash flow | Weighted Average Cost of Capital | 10.1% | 9.2% - 16.1% | Decrease |
| | | | Average Price Per BOE (8) | $38.97 | $31.77 - $41.84 | Increase |
| Real Estate | $881,465 | Inputs to direct income capitalization and discounted cash flow | Weight Ascribed to Direct Income Capitalization | 34.3% | 0.0% - 100.0% | (7) |
| | | | Weight Ascribed to Discounted Cash Flow | 65.7% | 0.0% - 100.0% | (5) |
| | | Direct income capitalization | Current Capitalization Rate | 5.8% | 2.9% - 8.7% | Decrease |
| | | Discounted cash flow | Unlevered Discount Rate | 9.2% | 4.5% - 20.0% | Decrease |
| Other | $1,770,011 | | Illiquidity Discount | 10.4% | 5.0% - 15.0% | Decrease |
| | | Inputs to market comparables, discounted cash flow and transaction price | Weight Ascribed to Market Comparables | 27.1% | 0.0% - 100.0% | (4) |
| | | | Weight Ascribed to Discounted Cash Flow | 48.3% | 0.0% - 100.0% | (5) |
| | | | Weight Ascribed to Transaction Price | 24.6% | 0.0% - 100.0% | (6) |
| | | Market comparables | Enterprise Value/LTM EBITDA Multiple | 10.1x | 0.1x - 17.4x | Increase |
| | | | Enterprise Value/Forward EBITDA Multiple | 9.9x | 4.6x - 15.1x | Increase |
| | | Discounted cash flow | Weighted Average Cost of Capital | 11.3% | 5.5% - 21.1% | Decrease |
| | | | Enterprise Value/LTM EBITDA Exit Multiple | 6.4x | 1.9x - 11.5x | Increase |

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(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest taxes depreciation and amortization.

(2) Inputs were weighted based on the fair value of the investments included in the range.

(3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

(4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.

(5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach and transaction price.

(6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price results in a lower valuation than the market comparables approach and discounted cash flow approach.

(7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.

(8) The total energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent, or BOE, is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 86% liquids and 14% natural gas.

(9) KKR measures CMBS investments on the basis of the fair value of the financial liabilities of the CMBS vehicle. See Note 2 "Summary of Significant Accounting Policies."

(10) Includes one Infrastructure investment for $222.9 million that was valued using a discounted cash flow analysis. The significant inputs used included the weighted average cost of capital 7.7% and the enterprise value/LTM EBITDA Exit Multiple 12.0x.

The table above excludes equity method investments in the amount of $555.5 million, comprised primarily of interests in real estate joint ventures, which were valued using Level III value methodologies which are generally the same as those shown for real estate investments.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

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6. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Assets | | |
| Private Equity | $573,555 | $96,721 |
| Credit | 3,338,434 | 1,392,525 |
| Investments of Consolidated CFEs | 15,500,898 | 13,950,897 |
| Real Assets | 400,991 | 247,376 |
| Equity Method | 760,998 | 791,418 |
| Other | 374,271 | 240,343 |
| Total | $20,949,147 | $16,719,280 |
| | | |
| Liabilities | | |
| Debt Obligations of Consolidated CFEs | $15,083,900 | $13,858,288 |
| Total | $15,083,900 | $13,858,288 |

The following tables present the realized and net change in unrealized gains (losses) on financial instruments on which the fair value option was elected for the three and nine months ended September 30, 2017 and 2016, respectively:

| | Three Months Ended September 30, 2017 | | | Three Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total |
| Assets | | | | | | |
| Private Equity | $2,981 | $(6,692) | $(3,711) | $— | $(446) | $(446) |
| Credit | 6,878 | (10,835) | (3,957) | (31,310) | 12,376 | (18,934) |
| Investments of Consolidated CFEs | (83,797) | 43,905 | (39,892) | (18,697) | 40,049 | 21,352 |
| Real Assets | 12,611 | 10,498 | 23,109 | 2,945 | (2,051) | 894 |
| Equity Method | 6,282 | (29) | 6,253 | 225 | 42,525 | 42,750 |
| Other | (5,457) | 12,348 | 6,891 | (762) | (11,016) | (11,778) |
| Total | $(60,502) | $49,195 | $(11,307) | $(47,599) | $81,437 | $33,838 |
| | | | | | | |
| Liabilities | | | | | | |
| Debt Obligations of Consolidated CFEs | 13,403 | 24,483 | 37,886 | 107,844 | 68,658 | 176,502 |
| Total | $13,403 | $24,483 | $37,886 | $107,844 | $68,658 | $176,502 |

| | Nine Months Ended September 30, 2017 | | | Nine Months Ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total | Net Realized Gains (Losses) | Net Unrealized Gains (Losses) | Total |
| Assets | | | | | | |
| Private Equity | $3,670 | $33,803 | $37,473 | $— | $(2,744) | $(2,744) |
| Credit | (401,720) | 74,003 | (327,717) | (26,293) | (29,662) | (55,955) |
| Investments of Consolidated CFEs | (88,677) | 71,952 | (16,725) | (239,502) | 547,099 | 307,597 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Real Assets | 12,425 | 58,108 | 70,533 | 2,945 | 8,544 | 11,489 |
| Equity Method | 6,908 | (3,075) | 3,833 | (1,766) | (58,572) | (60,338) |
| Other | (27,602) | 25,158 | (2,444) | (2,578) | (30,013) | (32,591) |
| Total | $(494,996) | $259,949 | $(235,047) | $(267,194) | $434,652 | $167,458 |
| Liabilities | | | | | | |
| Debt Obligations of Consolidated CFEs | 53,849 | (30,490) | 23,359 | 210,386 | (378,505) | (168,119) |
| Total | $53,849 | $(30,490) | $23,359 | $210,386 | $(378,505) | $(168,119) |

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7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. PER COMMON UNIT

For the three and nine months ended September 30, 2017 and 2016, basic and diluted Net Income (Loss) attributable to KKR & Co. L.P. per common unit were calculated as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders | $153,563 | $352,152 | $818,552 | $116,103 |
| Basic Net Income (Loss) Per Common Unit | | | | |
| Weighted Average Common Units Outstanding - Basic | 471,758,886 | 445,989,300 | 463,941,084 | 448,149,747 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Basic | $ 0.33 | $ 0.79 | $ 1.76 | $ 0.26 |
| Diluted Net Income (Loss) Per Common Unit | | | | |
| Weighted Average Common Units Outstanding - Basic | 471,758,886 | 445,989,300 | 463,941,084 | 448,149,747 |
| Weighted Average Unvested Common Units and Other Exchangeable Securities | 35,114,291 | 33,986,375 | 37,674,551 | 34,985,238 |
| Weighted Average Common Units Outstanding - Diluted | 506,873,177 | 479,975,675 | 501,615,635 | 483,134,985 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit - Diluted | $ 0.30 | $ 0.73 | $ 1.63 | $ 0.24 |

Weighted Average Common Units Outstanding—Diluted primarily includes unvested equity awards that have been granted under the Equity Incentive Plan as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Weighted Average KKR Holdings Units Outstanding | 341,214,527 | 357,528,999 | 346,716,489 | 358,853,469 |

For the three and nine months ended September 30, 2017 and 2016, KKR Holdings units have been excluded from the calculation of Net Income (Loss) attributable to KKR & Co. L.P. per common unit - diluted since the exchange of these units would not dilute KKR’s respective ownership interests in the KKR Group Partnerships.

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## 8. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consist of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Unsettled Investment Sales [1] | $200,470 | $144,600 |
| Receivables | 172,788 | 49,279 |
| Due from Broker [2] | 819,492 | 1,084,602 |
| Oil & Gas Assets, net [3] | 258,431 | 276,694 |
| Deferred Tax Assets, net | 281,583 | 286,948 |
| Interest Receivable | 215,338 | 158,511 |
| Fixed Assets, net [4] | 341,800 | 283,262 |
| Foreign Exchange Contracts and Options [5] | 100,460 | 240,627 |
| Intangible Assets, net [6] | 17,438 | 135,024 |
| Goodwill [6] | 83,500 | 89,000 |
| Derivative Assets | 62,897 | 81,593 |
| Deferred Transaction Related Expenses | 56,322 | 17,688 |
| Prepaid Taxes | 46,085 | 46,996 |
| Prepaid Expenses | 30,150 | 17,761 |
| Deferred Financing Costs | 8,747 | 10,507 |
| Other | 63,821 | 73,773 |
| Total | $2,759,322 | $2,996,865 |

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) Represents amounts held at clearing brokers resulting from securities transactions.

(3) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization.

(4) Net of accumulated depreciation and amortization of $153,053 and $141,911 as of September 30, 2017 and December 31, 2016, respectively. Depreciation and amortization expense of $3,710 and $4,121 for the three months ended September 30, 2017 and 2016, respectively, and $11,774 and $12,025 for the nine months ended September 30, 2017 and 2016, respectively, is included in General, Administrative and Other in the accompanying condensed consolidated statements of operations.

(5) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments.

(6) See Note 16 “Goodwill and Intangible Assets.”

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Amounts Payable to Carry Pool (1) | $1,131,071 | $987,994 |
| Unsettled Investment Purchases (2) | 811,340 | 722,076 |
| Securities Sold Short (3) | 810,698 | 647,234 |
| Derivative Liabilities | 78,821 | 100,015 |
| Accrued Compensation and Benefits | 269,826 | 20,764 |
| Interest Payable | 150,781 | 114,894 |
| Foreign Exchange Contracts and Options (4) | 243,595 | 75,218 |
| Accounts Payable and Accrued Expenses | 131,556 | 114,854 |
| Deferred Rent | 18,789 | 19,144 |
| Taxes Payable | 32,271 | 12,514 |
| Redemptions Payable | — | 4,021 |
| Due to Broker (5) | — | 83,206 |
| Other Liabilities | 90,934 | 79,326 |
| Total | $3,769,682 | $2,981,260 |

(1) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.

(2) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.

(3) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying condensed consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments.

(5) Represents amounts owed for securities transactions initiated at clearing brokers.

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9. VARIABLE INTEREST ENTITIES

Consolidated VIEs

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies" and which are predominately CFEs and certain investment funds. The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn capital gains, current income or both in exchange for management and performance based fees or carried interest. KKR’s investment strategies for these VIEs differ by product; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

Unconsolidated VIEs

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated include certain investment funds sponsored by KKR and certain CLO vehicles.

Investments in Unconsolidated Investment Funds

KKR’s investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR’s maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest, which was approximately $4.2 billion at September 30, 2017. Accordingly, disaggregation of KKR’s involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of September 30, 2017, KKR's commitments to these unconsolidated investment funds was $2.3 billion. KKR has not provided any financial support other than its obligated amount as of September 30, 2017.

Investments in Unconsolidated CLO Vehicles

KKR provides collateral management services for, and has made nominal investments in, certain CLO vehicles that it does not consolidate. KKR’s investments in the unconsolidated CLO vehicles, if any, are carried at fair value in the consolidated statements of financial condition. KKR earns management fees, including subordinated collateral management fees, for managing the collateral of the CLO vehicles. As of September 30, 2017, combined assets under management in the pools of unconsolidated CLO vehicles were $0.5 billion. KKR’s maximum exposure to loss as a result of its investments in the residual interests of unconsolidated CLO vehicles is the carrying value of such investments, which was $1.0 million as of September 30, 2017. CLO investors in the CLO vehicles may only use the assets of the CLO to settle the debt of the related CLO, and otherwise have no recourse against KKR for any losses sustained in the CLO structures.

As of September 30, 2017 and December 31, 2016, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|

| | | |
|---|---|---|
| Investments | $4,151,598 | $3,632,162 |
| Due from (to) Affiliates, net | 134,308 | (60,604) |
| Maximum Exposure to Loss | $4,285,906 | $3,571,558 |

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10. DEBT OBLIGATIONS

KKR borrows and enters into credit agreements and issues debt for its general operating and investment purposes. Additionally, certain of KKR's consolidated investment funds borrow to meet financing needs of their operating and investing activities. KKR consolidates and reports KFN's debt obligations which are non-recourse to KKR beyond the assets of KFN.

Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are limited for their intended use by the borrowing investment fund. KKR’s obligations with respect to these financing arrangements are generally limited to KKR’s pro-rata equity interest in such funds.

In addition, certain consolidated CFE vehicles issue debt securities to third party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR’s borrowings consisted of the following:

| | September 30, 2017 | | | | December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financing Available | Borrowing Outstanding | Fair Value | | Financing Available | Borrowing Outstanding | Fair Value | |
| Revolving Credit Facilities: | | | | | | | | |
| Corporate Credit Agreement | $1,000,000 | $— | $— | | $1,000,000 | $— | $— | |
| KCM Credit Agreement | 488,256 | — | — | | 500,000 | — | — | |
| KCM Short-Term Credit Agreement | 750,000 | — | — | | — | — | — | |
| Notes Issued: | | | | | | | | |
| KKR Issued 6.375% Notes Due 2020 (1) | — | 498,243 | 556,655 | (10) | — | 497,804 | 562,960 | (10) |
| KKR Issued 5.500% Notes Due 2043 (2) | — | 491,412 | 564,560 | (10) | — | 491,158 | 502,800 | (10) |
| KKR Issued 5.125% Notes Due 2044 (3) | — | 990,283 | 1,081,200 | (10) | — | 990,009 | 955,240 | (10) |
| KFN Issued 5.500% Notes Due 2032 (4) | — | 367,852 | 377,656 | | — | — | — | |
| KFN Issued 7.500% Notes Due 2042 (5) | — | — | — | | — | 123,008 | 116,699 | (11) |
| KFN Issued Junior Subordinated Notes (6) | — | 235,684 | 201,400 | | — | 250,154 | 210,084 | |
| Other Consolidated Debt Obligations: | | | | | | | | |
| Fund Financing Facilities and Other (7) | 2,028,972 | 2,623,340 | 2,623,340 | (12) | 2,039,532 | 2,333,654 | 2,333,654 | (12) |
| CLO Senior Secured Notes (8) | — | 9,499,495 | 9,499,495 | | — | 8,279,812 | 8,279,812 | |
| CLO Subordinated Notes (8) | — | 289,222 | 289,222 | | — | 283,735 | 283,735 | |
| CMBS Debt Obligations (9) | — | 5,295,183 | 5,295,183 | | — | 5,294,741 | 5,294,741 | |
| | $4,267,228 | $20,290,714 | $20,488,711 | | $3,539,532 | $18,544,075 | $18,539,725 | |

(1)

$500 million aggregate principal amount of 6.375% senior notes of KKR due 2020. Borrowing outstanding is presented net of i) unamortized note discount and ii) unamortized debt issuance costs of $1.1 million and $1.4 million as of September 30, 2017 and December 31, 2016, respectively.

(2) $500 million aggregate principal amount of 5.500% senior notes of KKR due 2043. Borrowing outstanding is presented net of i) unamortized note discount and ii) unamortized debt issuance costs of $3.8 million and $3.9 million as of September 30, 2017 and December 31, 2016, respectively.

(3) $1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044. Borrowing outstanding is presented net of i) unamortized note discount (net of premium) and ii) unamortized debt issuance costs of $8.4 million and $8.6 million as of September 30, 2017 and December 31, 2016, respectively.

(4) KKR consolidates KFN and thus reports KFN's outstanding $375 million aggregate principal amount of 5.500% senior unsecured notes due 2032. Borrowing outstanding is presented net of i) unamortized note discount and ii) unamortized debt issuance costs of $4.6 million as of September 30, 2017. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

(5) KKR consolidates KFN and thus reports KFN's outstanding $115 million aggregate principal amount of 7.500% senior notes due 2042. These senior notes were redeemed in April 2017. Borrowing outstanding is presented net of unamortized note premium as of December 31, 2016.

(6) KKR consolidates KFN and thus reports KFN's outstanding $264.8 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 3.8% and the weighted average years to maturity is 19.3 years as of September 30, 2017. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

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(7) Certain of KKR's consolidated investment funds have entered into financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners. The weighted average interest rate is 2.9% and 2.4% as of September 30, 2017 and December 31, 2016, respectively. In addition, the weighted average years to maturity is 3.8 years and 2.4 years as of September 30, 2017 and December 31, 2016, respectively.

(8) CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(9) CMBS debt obligations are carried at fair value and are classified as Level III within the fair value hierarchy. See Note 5 "Fair Value Measurements."

(10) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.

(11) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.

(12) Carrying value approximates fair value given the fund financing facilities' interest rates are variable.

Revolving Credit Facilities

KCM Short-Term Credit Agreement

On June 29, 2017, KKR Capital Markets ("KCM") entered into a 364-day revolving credit agreement (the "KCM Short-Term Credit Agreement") with a major financial institution for use in KKR's capital markets business. This financial institution also provides the existing KCM Credit Agreement. The KCM Short-Term Credit Agreement provides for revolving borrowings of up to $750 million, expires on June 28, 2018, and ranks pari passu with the KCM Credit Agreement. Borrowings under the KCM Short-Term Credit Agreement may only be used to facilitate the settlement of debt transactions syndicated by KKR's capital markets business. Obligations under the KCM Short-Term Credit Agreement are limited solely to entities involved in KKR's capital markets business, and liabilities under the KCM Short-Term Credit Agreement are non-recourse to other parts of KKR.

If a borrowing is made under the KCM Short-Term Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the borrowing is a Eurocurrency loan, it will be based on a LIBOR rate plus an applicable margin ranging between 1.25% and 2.50%, depending on the duration of the loan. If the borrowing is an alternate base rate loan, it will be based on a base rate plus an applicable margin ranging between 0.25% and 1.50%, depending on the duration of the loan.

For the three and nine months ended September 30, 2017, $145 million was borrowed and repaid under the KCM Short-Term Credit Agreement.

Notes Issuances and Redemptions

KFN Issued 5.500% Notes Due 2032

On March 30, 2017, KFN issued $375.0 million par amount of 5.500% Senior Unsecured Notes ("KFN 2032 Senior Unsecured Notes") in a private placement, resulting in net proceeds to KFN of $368.6 million. Interest on the KFN 2032 Senior Unsecured Notes is payable semi-annually on March 30th and September 30th. The KFN 2032 Senior Unsecured Notes will mature on March 30, 2032. KFN may redeem the KFN 2032 Senior Unsecured Notes in whole, but not in part, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption on or after March 30, 2022 and annually thereafter, after providing notice to noteholders of such redemption not less than 30 and no more than 60 business days prior to such redemption date. At any time prior to March 30, 2022, KFN may redeem the KFN 2032 Senior Unsecured Notes in whole, but not in part, at a redemption price equal to (i) 100% of the outstanding principal amount, (ii) plus accrued and unpaid interest to, but excluding, the date of redemption, (iii) plus the excess, if any, of (a) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes (as if the Notes matured on March 30, 2022), discounted to the redemption date on a semi-annual basis (assuming a 360-day year of twelve 30-day months) at a rate equal to the sum of the applicable treasury rate plus 50 basis points, minus accrued and unpaid interest, if any, on the KFN 2032 Senior Unsecured Notes being redeemed to, but excluding, the redemption date over (b) the principal amount of the KFN 2032 Senior Unsecured Notes being redeemed.

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KFN Issued 7.500% Notes Due 2042

On April 24, 2017, KFN redeemed all of its outstanding 7.500% Senior Notes due 2042 (the "KFN 2042 Senior Notes") for cash, in accordance with the optional redemption provisions provided in the documents governing the KFN 2042 Senior Notes. The redemption price was equal to 100% of the principal amount of the KFN 2042 Senior Notes plus unpaid interest accrued thereon to, but excluding, the redemption date, in accordance with the terms of the KFN 2042 Senior Notes.

Other Consolidated Debt Obligations

Debt Obligations of Consolidated CFEs

As of September 30, 2017, debt obligations of consolidated CFEs consisted of the following:

| | Borrowing Outstanding | Weighted Average Interest Rate | | Weighted Average Remaining Maturity in Years |
|---|---|---|---|---|
| Senior Secured Notes of Consolidated CLOs | $9,499,495 | 2.7 | % | 11.6 |
| Subordinated Notes of Consolidated CLOs | 289,222 | (1) | | 11.5 |
| Debt Obligations of Consolidated CMBS Vehicles | 5,295,183 | 4.4 | % | 26.9 |
| | $15,083,900 | | | |

(1) The subordinated notes do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of September 30, 2017, the fair value of the consolidated CFE assets was $16.6 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

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## 11. INCOME TAXES

The consolidated entities of KKR are generally treated as partnerships or disregarded entities for U.S. and non-U.S. tax purposes. The taxes payable on the income generated by partnerships and disregarded entities are generally paid by the fund investors, unitholders, principals and other third parties who beneficially own such partnerships and disregarded entities and are generally not payable by KKR. However, certain consolidated entities are or are treated as corporations for U.S. and non-U.S. tax purposes and are therefore subject to U.S. federal, state and/or local income taxes and/or non-U.S. taxes at the entity-level. In addition, certain consolidated entities which are treated as partnerships for U.S. tax purposes are subject to the New York City Unincorporated Business Tax or other local taxes.

The effective tax rates were 4.64% and 1.10% for the three months ended September 30, 2017 and 2016, respectively, and 3.65% and 3.70% for the nine months ended September 30, 2017 and 2016, respectively. The effective tax rate differs from the statutory rate primarily due to the following: (i) a substantial portion of the reported net income (loss) before taxes is not attributable to KKR but rather is attributable to noncontrolling interests held in KKR's consolidated entities by KKR Holdings or by third parties, (ii) a significant portion of the amount of the reported net income (loss) before taxes attributable to KKR is from certain entities that are not subject to U.S. federal, state or local income taxes and/or non-U.S. taxes, and (iii) certain compensation charges attributable to KKR are not deductible for tax purposes.

During the three and nine month period ended September 30, 2017, there were no material changes to KKR's uncertain tax positions and KKR believes there will be no significant increase or decrease to the uncertain tax positions within 12 months of the reporting date.

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12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity based compensation for the three and nine months ended September 30, 2017 and 2016, respectively.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Equity Incentive Plan Units | $54,921 | $50,270 | $149,840 | $148,257 |
| KKR Holdings Principal Awards | 17,622 | 7,425 | 89,869 | 21,138 |
| Other Exchangeable Securities | — | 3,460 | — | 10,306 |
| Discretionary Compensation | 6,185 | 397 | 37,995 | 6,331 |
| Total [(1)] | $78,728 | $61,552 | $277,704 | $186,032 |

(1) Includes $6,478 of equity based charges for the three and nine months ended September 30, 2017 related to employees of equity method investees. Such amounts are included in Net Gains (Losses) from Investment Activities in the condensed consolidated statements of operations.

Equity Incentive Plan

Under the Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. L.P. common units. Vested awards under the Equity Incentive Plan dilute KKR & Co. L.P. common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

The total number of common units that may be issued under the Equity Incentive Plan is equivalent to 15% of the number of fully diluted common units outstanding, subject to annual adjustment. Equity awards have been granted under the Equity Incentive Plan and are generally subject to service based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold common unit equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. L.P. common units on the date of grant, discounted for the lack of participation rights in the expected distributions on unvested units. Beginning with the financial results reported for the first quarter of 2017, KKR intends to make quarterly distributions to common unitholders of $0.17 per common unit per quarter or $0.68 per year. Therefore, for units granted on or after January 1, 2017, the discount for lack of participation rights in the expected distributions on unvested units is based on the $0.68 annual distribution. KKR has made equal quarterly distributions to holders of its common units of $0.16 per common unit per quarter or $0.64 per year in respect of financial results reported for the first quarter of 2016 through the fourth quarter of 2016. Accordingly, for units granted subsequent to December 31, 2015 but before January 1, 2017, the discount for the lack of participation rights in the expected distributions on unvested units was based on the $0.64 annual distribution. The discount range for awards granted prior to December 31, 2015 was based on management’s estimates of future distributions that the unvested equity awards would not be entitled to receive between the grant date and the vesting date which ranged from 8% to 56%.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 8% annually based upon expected turnover by class of recipient.

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As of September 30, 2017, there was approximately $275.6 million of estimated unrecognized expense related to unvested awards. That cost is expected to be recognized as follows:

| Year | Unrecognized Expense (in millions) |
|---|---|
| Remainder of 2017 | $ 40.1 |
| 2018 | 128.7 |
| 2019 | 75.4 |
| 2020 | 23.9 |
| 2021 | 5.1 |
| 2022 | 1.5 |
| 2023 | 0.9 |
| Total | $ 275.6 |

A summary of the status of unvested awards granted under the Equity Incentive Plan from January 1, 2017 through September 30, 2017 is presented below:

| | Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Balance, January 1, 2017 | 37,498,333 | $ 13.85 |
| Granted | 3,635,101 | 15.67 |
| Vested | (8,326,078 ) | 14.79 |
| Forfeited | (1,734,984 ) | 13.72 |
| Balance, September 30, 2017 | 31,072,372 | $ 13.82 |

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.2 years.

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plan is presented below:

| Vesting Date | Units |
|---|---|
| October 1, 2017 | 3,855,649 |
| April 1, 2018 | 9,848,499 |
| October 1, 2018 | 3,262,341 |
| April 1, 2019 | 6,816,127 |
| October 1, 2019 | 1,839,242 |
| April 1, 2020 | 3,721,944 |
| October 1, 2020 | 611,015 |
| April 1, 2021 | 638,955 |
| October 1, 2021 | 211,172 |
| April 1, 2022 | 85,084 |
| October 1, 2022 | 91,172 |
| October 1, 2023 | 91,172 |
| | 31,072,372 |

KKR Holdings Awards

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into common units of KKR & Co. L.P. on a one-for one basis. As of September 30, 2017 and 2016, KKR Holdings owned approximately 41.8% or 339,845,707 and 44.4%, or 356,686,744 units respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested.

Because KKR Holdings is a partnership, all of the 339,845,707 KKR Holdings units have been legally allocated, but the allocation of 10,402,858 of these units has not been communicated to each respective principal and the final allocation and terms of vesting for these units are subject to change and the exercise of judgment by the general partner of KKR Holdings. It was therefore determined that the grant date and service inception date had not occurred and these units do not yet meet the criteria for recognition of compensation expense.

The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co L.P. common units on the date of grant. KKR determined this to be the best evidence of fair value as a KKR & Co. L.P. common unit is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of a KKR & Co. L.P. common unit. Specifically, units in both KKR Holdings and KKR & Co. L.P. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a KKR & Co. L.P. common unit on a one-for-one basis.

In February 2016, approximately 28.9 million KKR Holdings units were granted that were originally subject to market condition and service-based vesting that were subsequently modified in November 2016 to eliminate the market condition vesting and instead require only service-based vesting in equal annual installments over a five year period. At the date of modification, total future compensation expense amounted to $320.9 million, net of estimated forfeitures, to be recognized over the remaining vesting period of the modified awards.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR common units on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in the KKR Group Partnerships.

KKR Holdings Awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. Beginning with the financial results reported for the first quarter of 2017, KKR intends to make quarterly distributions to common unitholders of $0.17 per common unit per quarter or $0.68 per year. Therefore, for awards granted on or after January 1, 2017, the discount for lack of participation rights in the expected distributions on unvested units is based on the $0.68 annual distribution. KKR has made equal quarterly distributions to holders of its common units of $0.16 per common unit per quarter or $0.64 per year in respect of financial results reported for the first quarter of 2016 through the fourth quarter of 2016. Accordingly, for awards granted subsequent to December 31, 2015 but before January 1, 2017, the discount for the lack of participation rights in the expected distributions on unvested units was based on the $0.64 annual distribution.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 8% annually based on expected turnover by class of recipient.

As of September 30, 2017, there was approximately $207.2 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

| Year | Unrecognized Expense (in millions) |
|---|---|
| Remainder of 2017 | $ 17.4 |
| 2018 | 63.0 |
| 2019 | 57.3 |
| 2020 | 52.4 |
| 2021 | 17.1 |
| Total | $ 207.2 |

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A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2017 through September 30, 2017 is presented below:

| | Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Balance, January 1, 2017 | 28,245,886 | $ 12.10 |
| Granted | — | — |
| Vested | (5,968,939 ) | 13.97 |
| Forfeited | (1,537,807 ) | 11.76 |
| Balance, September 30, 2017 | 20,739,140 | $ 11.59 |

The weighted average remaining vesting period over which unvested awards are expected to vest is 2.0 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

| Vesting Date | Units |
|---|---|
| October 1, 2017 | 93,486 |
| April 1, 2018 | 824,999 |
| May 1, 2018 | 4,820,000 |
| April 1, 2019 | 349,143 |
| May 1, 2019 | 4,820,000 |
| April 1, 2020 | 191,512 |
| May 1, 2020 | 4,820,000 |
| May 1, 2021 | 4,820,000 |
| | 20,739,140 |

Other Exchangeable Securities

As of October 1, 2016, all equity securities of a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. both of which are exchangeable into common units of KKR & Co. L.P. on a one-for-one basis issued in connection with the acquisition of Avoca ("Other Exchangeable Securities") have either vested or forfeited, and there is no unrecognized expense associated with Other Exchangeable Securities as of September 30, 2017.

Discretionary Compensation

KKR employees and certain employees of certain consolidated entities are eligible to receive discretionary cash bonuses. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain principals are currently borne by KKR Holdings. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings.

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13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Amounts due from portfolio companies | $ 105,277 | $ 66,940 |
| Amounts due from unconsolidated investment funds | 371,726 | 170,219 |
| Amounts due from related entities | 7,001 | 13,293 |
| Due from Affiliates | $ 484,004 | $ 250,452 |

Due to Affiliates consists of:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Amounts due to KKR Holdings in connection with the tax receivable agreement | $ 141,891 | $ 128,091 |
| Amounts due to unconsolidated investment funds | 237,418 | 230,823 |
| Amounts due to related entities | 500 | 565 |
| Due to Affiliates | $ 379,809 | $ 359,479 |

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## 14. SEGMENT REPORTING

KKR operates through four reportable business segments. These segments, which are differentiated primarily by their business objectives and investment strategies, are presented below. These financial results represent the combined financial results of the KKR Group Partnerships on a segment basis. KKR earns the majority of its fees from subsidiaries located in the United States.

### Private Markets

Through KKR’s Private Markets segment, KKR manages and sponsors private equity funds and co-investment vehicles, which invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. KKR also manages and sponsors investment funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy and real estate.

### Public Markets

KKR operates and reports its combined credit and hedge funds businesses through the Public Markets segment. KKR’s credit business invests capital in leveraged credit strategies, including leveraged loans, high yield bonds and opportunistic credit, and alternative credit strategies including special situations and private credit opportunities, such as mezzanine or private credit opportunities, direct lending, and revolving credit investment strategies. KKR’s hedge funds business consists of strategic manager partnerships with third party hedge fund managers in which KKR owns minority stakes.

### Capital Markets

KKR’s global capital markets business supports the firm, portfolio companies, and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing for transactions, placing and underwriting securities offerings and providing other types of capital markets services.

### Principal Activities

Through KKR's Principal Activities segment, we manage the firm’s assets and deploy capital to support and grow our businesses.

KKR's Principal Activities segment uses its balance sheet assets to support KKR's investment management and capital markets businesses, including to make capital commitments as general partner to its funds, to seed new businesses or investments for new funds or to bridge capital selectively for its funds’ investments.

The Principal Activities segment also provides the required capital to fund the various commitments of KKR's Capital Markets business or to meet regulatory capital requirements.

### Key Performance Measure - Economic Net Income (“ENI”)

ENI is used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR’s reportable business segments. The reportable segments for KKR’s business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings and as such represents the business in total. In addition, KKR’s reportable segments are presented without giving effect to the consolidation of the funds that KKR manages.

ENI is a measure of profitability for KKR's reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. ENI is comprised of total segment revenues; less total segment expenses and certain economic interests in KKR's segments held by third parties.

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The following tables present the financial data for KKR's reportable segments:

| | As of and for the Three Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Private Markets | Public Markets | Capital Markets | Principal Activities | Total Reportable Segments |
| Segment Revenues | | | | | |
| Management, Monitoring and Transaction Fees, Net | | | | | |
| Management Fees | $153,841 | $79,113 | $— | $— | $232,954 |
| Monitoring Fees | 14,342 | — | — | — | 14,342 |
| Transaction Fees | 82,258 | 11,469 | 85,440 | — | 179,167 |
| Fee Credits | (59,854) | (10,893) | — | — | (70,747) |
| Total Management, Monitoring and Transaction Fees, Net | 190,587 | 79,689 | 85,440 | — | 355,716 |
| | | | | | |
| Performance Income (Loss) | | | | | |
| Realized Incentive Fees | — | 4,074 | — | — | 4,074 |
| Realized Carried Interest | 419,438 | — | — | — | 419,438 |
| Unrealized Carried Interest | (96,571) | 36,933 | — | — | (59,638) |
| Total Performance Income (Loss) | 322,867 | 41,007 | — | — | 363,874 |
| | | | | | |
| Investment Income (Loss) | | | | | |
| Net Realized Gains (Losses) | — | — | — | 76,053 | 76,053 |
| Net Unrealized Gains (Losses) | — | — | — | (50,902) | (50,902) |
| Total Realized and Unrealized | — | — | — | 25,151 | 25,151 |
| Interest Income and Dividends | — | — | — | 70,557 | 70,557 |
| Interest Expense | — | — | — | (45,613) | (45,613) |
| Net Interest and Dividends | — | — | — | 24,944 | 24,944 |
| Total Investment Income (Loss) | — | — | — | 50,095 | 50,095 |
| | | | | | |
| Total Segment Revenues | 513,454 | 120,696 | 85,440 | 50,095 | 769,685 |
| | | | | | |
| Segment Expenses | | | | | |
| Compensation and Benefits | | | | | |
| Cash Compensation and Benefits | 63,482 | 16,257 | 16,924 | 33,958 | 130,621 |
| Realized Performance Income Compensation | 176,075 | 1,630 | — | — | 177,705 |
| Unrealized Performance Income Compensation | (36,379) | 16,553 | — | — | (19,826) |
| Total Compensation and Benefits | 203,178 | 34,440 | 16,924 | 33,958 | 288,500 |
| Occupancy and Related Charges | 8,537 | 1,535 | 760 | 3,840 | 14,672 |
| Other Operating Expenses | 42,376 | 7,672 | 6,293 | 14,176 | 70,517 |
| Total Segment Expenses | 254,091 | 43,647 | 23,977 | 51,974 | 373,689 |
| | | | | | |
| Income (Loss) attributable to noncontrolling interests | — | — | 1,046 | — | 1,046 |
| | | | | | |
| Economic Net Income (Loss) | $259,363 | $77,049 | $60,417 | $(1,879) | $394,950 |
| | | | | | |
| Total Assets | $2,123,892 | $1,313,920 | $458,269 | $11,451,918 | $15,347,999 |

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| | As of and for the Three Months Ended September 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Private Markets | Public Markets | Capital Markets | Principal Activities | Total Reportable Segments |
| Segment Revenues | | | | | |
| Management, Monitoring and Transaction Fees, Net | | | | | |
| Management Fees | $117,795 | $83,713 | $— | $— | $201,508 |
| Monitoring Fees | 11,091 | — | — | — | 11,091 |
| Transaction Fees | 53,223 | 10,748 | 47,383 | — | 111,354 |
| Fee Credits | (37,127) | (10,265) | — | — | (47,392) |
| Total Management, Monitoring and Transaction Fees, Net | 144,982 | 84,196 | 47,383 | — | 276,561 |
| Performance Income (Loss) | | | | | |
| Realized Incentive Fees | — | 3,659 | — | — | 3,659 |
| Realized Carried Interest | 350,469 | — | — | — | 350,469 |
| Unrealized Carried Interest | 53,339 | 17,012 | — | — | 70,351 |
| Total Performance Income (Loss) | 403,808 | 20,671 | — | — | 424,479 |
| Investment Income (Loss) | | | | | |
| Net Realized Gains (Losses) | — | — | — | 170,078 | 170,078 |
| Net Unrealized Gains (Losses) | — | — | — | 136,740 | 136,740 |
| Total Realized and Unrealized | — | — | — | 306,818 | 306,818 |
| Interest Income and Dividends | — | — | — | 71,185 | 71,185 |
| Interest Expense | — | — | — | (47,506) | (47,506) |
| Net Interest and Dividends | — | — | — | 23,679 | 23,679 |
| Total Investment Income (Loss) | — | — | — | 330,497 | 330,497 |
| Total Segment Revenues | 548,790 | 104,867 | 47,383 | 330,497 | 1,031,537 |
| Segment Expenses | | | | | |
| Compensation and Benefits | | | | | |
| Cash Compensation and Benefits | 47,858 | 22,022 | 7,803 | 24,284 | 101,967 |
| Realized Performance Income Compensation | 157,688 | 1,463 | — | — | 159,151 |
| Unrealized Performance Income Compensation | 22,588 | 6,805 | — | — | 29,393 |
| Total Compensation and Benefits | 228,134 | 30,290 | 7,803 | 24,284 | 290,511 |
| Occupancy and Related Charges | 9,248 | 2,570 | 330 | 3,729 | 15,877 |
| Other Operating Expenses | 32,031 | 8,894 | 3,552 | 10,646 | 55,123 |
| Total Segment Expenses | 269,413 | 41,754 | 11,685 | 38,659 | 361,511 |
| Income (Loss) attributable to noncontrolling interests | — | — | 760 | — | 760 |
| Economic Net Income (Loss) | $279,377 | $63,113 | $34,938 | $291,838 | $669,266 |
| Total Assets | $1,835,166 | $1,179,955 | $403,609 | $10,119,919 | $13,538,649 |

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| | As of and for the Nine Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Private Markets | Public Markets | Capital Markets | Principal Activities | Total Reportable Segments |
| Segment Revenues | | | | | |
| Management, Monitoring and Transaction Fees, Net | | | | | |
| Management Fees | $419,606 | $251,201 | $— | $— | $670,807 |
| Monitoring Fees | 58,072 | — | — | — | 58,072 |
| Transaction Fees | 237,392 | 41,040 | 300,235 | — | 578,667 |
| Fee Credits | (177,254) | (33,894) | — | — | (211,148) |
| Total Management, Monitoring and Transaction Fees, Net | 537,816 | 258,347 | 300,235 | — | 1,096,398 |
| | | | | | |
| Performance Income (Loss) | | | | | |
| Realized Incentive Fees | — | 8,384 | — | — | 8,384 |
| Realized Carried Interest | 890,310 | — | — | — | 890,310 |
| Unrealized Carried Interest | 305,945 | 71,762 | — | — | 377,707 |
| Total Performance Income (Loss) | 1,196,255 | 80,146 | — | — | 1,276,401 |
| | | | | | |
| Investment Income (Loss) | | | | | |
| Net Realized Gains (Losses) | — | — | — | 162,684 | 162,684 |
| Net Unrealized Gains (Losses) | — | — | — | 461,111 | 461,111 |
| Total Realized and Unrealized | — | — | — | 623,795 | 623,795 |
| Interest Income and Dividends | — | — | — | 195,275 | 195,275 |
| Interest Expense | — | — | — | (134,348) | (134,348) |
| Net Interest and Dividends | — | — | — | 60,927 | 60,927 |
| Total Investment Income (Loss) | — | — | — | 684,722 | 684,722 |
| | | | | | |
| Total Segment Revenues | 1,734,071 | 338,493 | 300,235 | 684,722 | 3,057,521 |
| | | | | | |
| Segment Expenses | | | | | |
| Compensation and Benefits | | | | | |
| Cash Compensation and Benefits | 183,943 | 58,991 | 57,053 | 105,591 | 405,578 |
| Realized Performance Income Compensation | 374,335 | 3,354 | — | — | 377,689 |
| Unrealized Performance Income Compensation | 126,677 | 30,485 | — | — | 157,162 |
| Total Compensation and Benefits | 684,955 | 92,830 | 57,053 | 105,591 | 940,429 |
| Occupancy and Related Charges | 24,174 | 5,140 | 2,052 | 11,082 | 42,448 |
| Other Operating Expenses | 97,255 | 24,244 | 15,320 | 40,265 | 177,084 |
| Total Segment Expenses | 806,384 | 122,214 | 74,425 | 156,938 | 1,159,961 |
| | | | | | |
| Income (Loss) attributable to noncontrolling interests | — | — | 3,810 | — | 3,810 |
| | | | | | |
| Economic Net Income (Loss) | $927,687 | $216,279 | $222,000 | $527,784 | $1,893,750 |
| | | | | | |
| Total Assets | $2,123,892 | $1,313,920 | $458,269 | $11,451,918 | $15,347,999 |

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| | As of and for the Nine Months Ended September 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Private Markets | Public Markets | Capital Markets | Principal Activities | Total Reportable Segments |
| Segment Revenues | | | | | |
| Management, Monitoring and Transaction Fees, Net | | | | | |
| Management Fees | $354,376 | $245,349 | $— | $— | $599,725 |
| Monitoring Fees | 52,126 | — | — | — | 52,126 |
| Transaction Fees | 114,021 | 17,768 | 144,214 | — | 276,003 |
| Fee Credits | (93,042) | (16,230) | — | — | (109,272) |
| Total Management, Monitoring and Transaction Fees, Net | 427,481 | 246,887 | 144,214 | — | 818,582 |
| | | | | | |
| Performance Income (Loss) | | | | | |
| Realized Incentive Fees | — | 9,897 | — | — | 9,897 |
| Realized Carried Interest | 749,194 | 3,838 | — | — | 753,032 |
| Unrealized Carried Interest | (131,386) | (3,370) | — | — | (134,756) |
| Total Performance Income (Loss) | 617,808 | 10,365 | — | — | 628,173 |
| | | | | | |
| Investment Income (Loss) | | | | | |
| Net Realized Gains (Losses) | — | — | — | 370,594 | 370,594 |
| Net Unrealized Gains (Losses) | — | — | — | (725,699) | (725,699) |
| Total Realized and Unrealized | — | — | — | (355,105) | (355,105) |
| Interest Income and Dividends | — | — | — | 253,756 | 253,756 |
| Interest Expense | — | — | — | (144,497) | (144,497) |
| Net Interest and Dividends | — | — | — | 109,259 | 109,259 |
| Total Investment Income (Loss) | — | — | — | (245,846) | (245,846) |
| | | | | | |
| Total Segment Revenues | 1,045,289 | 257,252 | 144,214 | (245,846) | 1,200,909 |
| | | | | | |
| Segment Expenses | | | | | |
| Compensation and Benefits | | | | | |
| Cash Compensation and Benefits | 142,500 | 61,193 | 23,374 | 72,689 | 299,756 |
| Realized Performance Income Compensation | 317,178 | 5,493 | — | — | 322,671 |
| Unrealized Performance Income Compensation | (47,377) | (1,347) | — | — | (48,724) |
| Total Compensation and Benefits | 412,301 | 65,339 | 23,374 | 72,689 | 573,703 |
| Occupancy and Related Charges | 27,212 | 7,252 | 1,901 | 11,121 | 47,486 |
| Other Operating Expenses | 95,166 | 28,102 | 10,870 | 32,404 | 166,542 |
| Total Segment Expenses | 534,679 | 100,693 | 36,145 | 116,214 | 787,731 |
| | | | | | |
| Income (Loss) attributable to noncontrolling interests | — | — | 2,002 | — | 2,002 |
| | | | | | |
| Economic Net Income (Loss) | $510,610 | $156,559 | $106,067 | $(362,060) | $411,176 |
| | | | | | |
| Total Assets | $1,835,166 | $1,179,955 | $403,609 | $10,119,919 | $13,538,649 |

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The following tables reconcile the most directly comparable financial measures calculated and presented in accordance with GAAP to KKR's total reportable segments:

Fees and Other

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Fees and Other | $692,877 | $687,056 | $2,340,617 | $1,426,618 |
| Plus: Management fees relating to consolidated funds and placement fees | 54,012 | 49,017 | 153,414 | 131,335 |
| Less: Fee credits relating to consolidated funds | 106 | 417 | 3,752 | 2,766 |
| Plus: Net realized and unrealized carried interest - consolidated funds | 22,341 | 5,956 | 43,782 | 15,581 |
| Plus: Total investment income (loss) | 50,095 | 330,497 | 684,722 | (245,846 ) |
| Less: Revenue earned by oil & gas producing entities | 12,441 | 16,191 | 47,096 | 47,977 |
| Less: Reimbursable expenses | 27,506 | 12,064 | 87,131 | 46,583 |
| Less: Other | 9,587 | 12,317 | 27,035 | 29,453 |
| Total Segment Revenues | $769,685 | $1,031,537 | $3,057,521 | $1,200,909 |

Expenses

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Total Expenses | $530,247 | $511,117 | $1,699,989 | $1,242,658 |
| Less: Equity based compensation | 72,250 | 61,552 | 271,226 | 186,032 |
| Less: Reimbursable expenses and placement fees | 37,508 | 18,255 | 132,491 | 72,887 |
| Less: Operating expenses relating to consolidated funds, CFEs and other entities | 21,858 | 20,141 | 56,517 | 85,093 |
| Less: Expenses incurred by oil & gas producing entities | 10,725 | 17,782 | 34,826 | 56,000 |
| Less: Intangible amortization | 2,473 | 22,112 | 13,901 | 35,640 |
| Less: Other | 11,744 | 9,764 | 31,067 | 19,275 |
| Total Segment Expenses | $373,689 | $361,511 | $1,159,961 | $787,731 |

Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders | $153,563 | $352,152 | $818,552 | $116,103 |
| Plus: Preferred Distributions | 8,341 | 8,201 | 25,023 | 13,894 |
| Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P. | 115,434 | 284,834 | 637,146 | 86,659 |
| Plus: Non-cash equity-based charges | 78,728 | 61,552 | 277,704 | 186,032 |
| Plus: Amortization of intangibles, placement fees and other, net (1) | 20,464 | (48,299 ) | 57,825 | (10,273 ) |
| Plus: Income tax (benefit) | 18,420 | 10,826 | 77,500 | 18,761 |
| Economic Net Income (Loss) | $394,950 | $669,266 | $1,893,750 | $411,176 |

(1) Other primarily represents the statement of operations impact of the accounting convention differences for (i) direct interests in oil & natural gas properties outside of investment funds and (ii) certain interests in consolidated CLOs and other entities. On a segment basis, direct interests in oil & natural gas properties outside of investment funds are carried at fair value with changes in fair value recorded in Economic Net Income (Loss) and certain interests

in consolidated CLOs and other entities are carried at cost. See Note 2 "Summary of Significant Accounting Policies" for the GAAP accounting for these direct interests in oil and natural gas producing properties outside investment funds and interests in consolidated CLOs and other entities.

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The items that reconcile KKR’s total reportable segments to the corresponding consolidated amounts calculated and presented in accordance with GAAP for net income (loss) attributable to redeemable noncontrolling interests and income (loss) attributable to noncontrolling interests are primarily attributable to the impact of KKR Holdings L.P., KKR's consolidated funds and certain other entities.

Assets

| | As of September 30, | |
|---|---|---|
| | 2017 | 2016 |
| Total Assets | $44,305,639 | $37,984,599 |
| Less: Impact of consolidation of funds and other entities (1) | 27,524,641 | 23,013,503 |
| Less: Carry pool reclassification from liabilities | 1,131,071 | 1,121,510 |
| Less: Impact of KKR Management Holdings Corp. | 301,928 | 310,937 |
| Total Segment Assets | $15,347,999 | $13,538,649 |

(1) Includes accounting basis difference for oil & natural gas properties of $19,358 and $5,966 as of September 30, 2017 and 2016, respectively.

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15. EQUITY

Reorganization of India Capital Markets and Corporate NBFC

On March 30, 2017, KKR reorganized KKR's Indian capital markets and credit asset management businesses, to create KKR India Financial Investments Pte. Ltd. or "KIFL". KKR owns 60% of KIFL. This reorganization transaction was accounted for as a transfer of interests under common control, and the difference between KKR's carrying value before and after the transaction was treated as a reallocation of equity interests, and no gain or loss was recognized in the consolidated financial statements. This reallocation amounted to an increase to KKR's equity of $10.3 million and to KKR Holdings of $7.9 million.

Unit Repurchase Program

Since October 27, 2015, KKR has authorized a total of $750.0 million to repurchase its common units, of which $459.0 million has been spent to repurchase 31.7 million common units as of October 23, 2017. Under this common unit repurchase program, common units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. See condensed consolidated statements of changes in equity for the amount of common units repurchased during the nine months ended September 30, 2016. There were no common units repurchased pursuant to this program during the nine months ended September 30, 2017.

Distribution Policy

Under KKR's distribution policy for its common units, KKR intends to make equal quarterly distributions to holders of its common units in an amount of $0.17 per common unit per quarter. The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR or that any particular distribution policy will be maintained.

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## 16. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

As of December 31, 2016, the carrying value of goodwill was $89.0 million, which was allocated to Public Markets and Principal Activities in the amounts of $59.0 million and $30.0 million, respectively. As part of the PAAMCO Prisma transaction that occurred on June 1, 2017, goodwill of $5.5 million was included in determining the gain on the contribution of Prisma to PAAMCO Prisma. In accordance with ASC 350, the amount of goodwill included in the gain calculation was based on the relative fair values of Prisma, which was integrated in Public Markets, and the remaining portion of Public Markets. Subsequent to this transaction the remaining carrying value of goodwill in Public Markets and Principal Activities is $53.5 million and $30.0 million, respectively, as of September 30, 2017.

Goodwill is recorded in Other Assets in the condensed consolidated statements of financial condition. All of the goodwill is currently expected to be deductible for tax purposes. See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

### Intangible Assets

Intangible Assets, Net consists of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Finite-Lived Intangible Assets | $ 74,524 | $ 251,768 |
| Accumulated Amortization | (57,086 ) | (116,744 ) |
| Intangible Assets, Net | $ 17,438 | $ 135,024 |

Changes in Intangible Assets, Net consists of the following:

| | Nine Months Ended September 30, 2017 |
|---|---|
| Balance, Beginning of Period | $ 135,024 |
| Amortization Expense | (13,891 ) |
| Foreign Exchange | 1,938 |
| Other [1] | (105,633 ) |
| Balance, End of Period | $ 17,438 |

(1) Represents the removal of intangible assets in connection with the PAAMCO Prisma transaction.

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## 17. COMMITMENTS AND CONTINGENCIES

### Debt Covenants

Borrowings of KKR contain various debt covenants. These covenants do not, in management’s opinion, materially restrict KKR’s operating business or investment strategies as of September 30, 2017. KKR is in compliance with its debt covenants in all material respects as of September 30, 2017.

### Funding Commitments

As of September 30, 2017, KKR had unfunded commitments consisting of $2,937.4 million to its active private equity and other investment vehicles. In addition to the uncalled commitments to KKR's investment funds, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in its Principal Activities segment, and (ii) underwriting transactions, debt financing, and syndications in KKR's Capital Markets segment. As of September 30, 2017, these commitments amounted to $93.4 million and $255.7 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for KKR's Capital Markets segment are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown. Our capital market business entered into an arrangement that reduces our risk when underwriting certain debt transactions. In the case of purchases of investments or assets in our Principal Activities segment, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

### Contingent Repayment Guarantees

The partnership documents governing KKR’s carry-paying funds, including funds relating to private equity, infrastructure, energy, real estate, mezzanine, direct lending and special situations investments, generally include a “clawback” provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the “KPE Transaction”), as of September 30, 2017, $47.3 million of carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their September 30, 2017 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been $1,990.7 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund’s investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR’s investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners’ clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of $223.6 million. Through investment realizations, the principals' potential exposure has been reduced to $72.2 million as of September 30, 2017. Using valuations as of September 30, 2017, $19.7 million would be due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and persons who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.

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Indemnifications and Other Guarantees

KKR may incur contingent liabilities for claims that may be made against it in the future. KKR enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of KKR's investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that KKR has made. In addition, KKR has also provided credit support to certain of its subsidiaries' obligations in connection with a limited number of investment vehicles that KKR manages. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and KKR has also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of another investment vehicle. KKR has also provided credit support regarding repayment obligations to third party lenders to certain of its employees, excluding its executive officers, in connection with their personal investments in KKR investment funds and to a strategic partner regarding the ownership of its business. KKR also may become liable for certain fees payable to sellers of businesses or assets if a transaction does not close, subject to certain conditions, if any, specified in the acquisition agreements for such businesses or assets. KKR's maximum exposure under these arrangements is currently unknown and KKR's liabilities for these matters would require a claim to be made against KKR in the future.

Litigation

From time to time, KKR is involved in various legal proceedings, lawsuits and claims incidental to the conduct of KKR's business. KKR's business is also subject to extensive regulation, which may result in regulatory proceedings against it.

KKR currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non U.S. governmental and regulatory agencies, including but not limited to the SEC, Department of Justice, state attorney generals, Financial Industry Regulatory Authority, or FINRA, and the U.K. Financial Conduct Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings against KKR or its personnel.

Moreover, in the ordinary course of business, KKR is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR's funds.

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupportable, unexplained or uncertain; (iii) discovery may not have been started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved; or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss.

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. As of such date, based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR’s financial results in any particular period.

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## 18. REGULATORY CAPITAL REQUIREMENTS

KKR has registered broker-dealer subsidiaries which are subject to the minimum net capital requirements of the SEC and the FINRA. Additionally, KKR entities based in London and Dublin are subject to the regulatory capital requirements of the U.K. Financial Conduct Authority and the Central Bank of Ireland, respectively. In addition, KKR has an entity based in Hong Kong which is subject to the capital requirements of the Hong Kong Securities and Futures Ordinance, an entity based in Tokyo subject to the capital requirements of Financial Services Authority of Japan, and two entities based in Mumbai which are subject to capital requirements of the Reserve Bank of India and the Securities and Exchange Board of India. All of these entities have continuously operated in excess of their respective minimum regulatory capital requirements.
The regulatory capital requirements referred to above may restrict KKR's ability to withdraw capital from its registered broker-dealer entities. At September 30, 2017, approximately $141.6 million of cash at KKR's registered broker-dealer entities may be restricted as to the payment of cash dividends and advances to KKR.

## 19. SUBSEQUENT EVENTS

### Common Unit Distribution

A distribution of $0.17 per KKR & Co. L.P. common unit was announced on October 26, 2017, and will be paid on November 21, 2017 to common unitholders of record as of the close of business on November 6, 2017. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

### Preferred Unit Distributions

A distribution of $0.421875 per Series A Preferred Unit has been declared as announced on October 26, 2017 and set aside for payment on December 15, 2017 to holders of record of Series A Preferred Units as of the close of business on December 1, 2017.

A distribution of $0.406250 per Series B Preferred Unit has been declared as announced on October 26, 2017 and set aside for payment on December 15, 2017 to holders of record of Series B Preferred Units as of the close of business on December 1, 2017.

### Investment in Marshall Wace

Due to the exercise of one of the options agreed to between Marshall Wace and KKR, KKR expects to acquire an additional 5.0% interest in Marshall Wace in the fourth quarter of 2017. The acquisition is expected to be completed with a combination of cash and common units.

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## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of KKR & Co. L.P., together with its consolidated subsidiaries, and the related notes included elsewhere in this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the Securities and Exchange Commission on February 24, 2017 (our "Annual Report"), including the audited consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained therein. The historical condensed consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward looking statements and involves numerous risks and uncertainties, including those described under “Cautionary Note Regarding Forward-looking Statements” and “Risk Factors" in this report, our Annual Report and other quarterly reports. Actual results may differ materially from those contained in any forward looking statements.

### Overview

We are a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate, growth equity, credit and, through our strategic manager partnerships, hedge funds. We aim to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation in our portfolio companies. We invest our own capital alongside the capital we manage for fund investors and provide financing solutions and investment opportunities through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 310 private equity investments in portfolio companies with a total transaction value in excess of $555 billion as of September 30, 2017. We have grown our firm by expanding our geographical presence and building businesses in areas, such as leveraged credit, alternative credit, hedge funds, capital markets, infrastructure, energy, real estate and growth equity. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. These efforts build on our core principles and industry expertise, allowing us to leverage the intellectual capital and synergies in our businesses, and to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We conduct our business with offices throughout the world, providing us with a pre-eminent global platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction, incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income from investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base, an integrated global investment platform, the expertise of operating consultants, senior advisors and other advisors and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders.

These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of September 30, 2017, approximately 78% of our fee paying assets under management are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

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## Business Segments

### Private Markets

Through our Private Markets segment, we manage and sponsor private equity funds and co-investment vehicles that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. Our private equity investment strategies include traditional private equity, growth equity and core private equity. We also manage and sponsor investment funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy and real estate. These funds, vehicles and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC registered investment adviser. As of September 30, 2017, the segment had $87.6 billion of AUM and FPAUM of $61.7 billion, consisting of $47.5 billion in private equity and $14.2 billion in real assets (including infrastructure, energy and real estate) and related strategies.

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The table below presents information as of September 30, 2017 relating to our current private equity, growth equity and real asset funds and other investment vehicles for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values or distributions occurring after September 30, 2017.

| | Investment Period [1] | | Amount ($ in millions) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Start Date | End Date | Commitment | Uncalled Commitments [2] | Percentage Committed by General Partner | Invested | Realized | Remaining Cost [3] | Remaining Fair Value |
| Private Markets | | | | | | | | | |
| Private Equity and Growth Equity | | | | | | | | | |
| Asian Fund III [4] | 4/2017 | 4/2023 | $ 9,000.0 | $ 9,000.0 | 5.6% | $— | $— | $— | $— |
| Americas Fund XII [4] | 1/2017 | 1/2023 | 13,500.0 | 13,500.0 | 7.2% | — | — | — | 5.6 |
| Health Care Strategic Growth Fund [4] | 12/2016 | 12/2021 | 1,214.9 | 1,214.9 | 12.3% | — | — | — | — |
| Next Generation Technology Growth Fund [4] | 3/2016 | 3/2021 | 658.9 | 431.3 | 22.5% | 227.6 | — | 227.6 | 325.1 |
| European Fund IV [4] | 12/2014 | 12/2020 | 3,537.4 | 1,507.5 | 5.6% | 2,059.6 | 29.2 | 2,038.7 | 2,629.8 |
| Asian Fund II [4] | 4/2013 | 4/2017 | 5,825.0 | 1,012.7 | 1.3% | 5,782.0 | 1,469.1 | 4,749.0 | 7,070.8 |
| North America Fund XI [4] | 9/2012 | 1/2017 | 8,718.4 | 874.2 | 2.9% | 9,268.2 | 4,344.4 | 6,743.5 | 11,525.2 |
| China Growth Fund | 11/2010 | 11/2016 | 1,010.0 | — | 1.0% | 1,010.0 | 565.0 | 665.3 | 801.4 |
| E2 Investors (Annex Fund) | 8/2009 | 11/2013 | 195.8 | — | 4.9% | 195.8 | 195.7 | 18.1 | 1.7 |
| European Fund III | 3/2008 | 3/2014 | 6,165.5 | 838.2 | 4.6% | 5,327.3 | 6,989.1 | 2,029.3 | 3,427.6 |
| Asian Fund | 7/2007 | 4/2013 | 3,983.3 | — | 2.5% | 3,945.9 | 7,681.6 | 813.8 | 917.2 |
| 2006 Fund | 9/2006 | 9/2012 | 17,642.2 | 337.7 | 2.1% | 17,304.5 | 26,586.4 | 4,957.8 | 6,960.9 |
| European Fund II | 11/2005 | 10/2008 | 5,750.8 | — | 2.1% | 5,750.8 | 8,467.3 | — | 58.4 |
| Millennium Fund | 12/2002 | 12/2008 | 6,000.0 | — | 2.5% | 6,000.0 | 13,305.4 | 444.9 | 610.6 |
| Total Private Equity and Growth Equity | | | 83,202.2 | 28,716.5 | | 56,871.7 | 69,633.2 | 22,688.0 | 34,334.3 |
| Co-Investment Vehicles and Other [4] | Various | Various | 6,674.1 | 1,830.0 | Various | 5,042.9 | 2,712.0 | 3,686.4 | 4,848.5 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total Private Equity and Growth Equity | | | 89,876.3 | 30,546.5 | | 61,914.6 | 72,345.2 | 26,374.4 | 39,182.8 |
| Real Assets | | | | | | | | | |
| Energy Income and Growth Fund (4) | 9/2013 | 9/2018 | 1,974.2 | 667.7 | 12.9% | 1,336.5 | 284.1 | 1,072.6 | 1,132.7 |
| Natural Resources Fund | Various | Various | 887.4 | 2.8 | Various | 884.6 | 113.4 | 794.9 | 151.9 |
| Global Energy Opportunities (4) | Various | Various | 979.2 | 613.2 | Various | 405.5 | 59.0 | 291.0 | 315.0 |
| Global Infrastructure Investors (4) | 9/2011 | 10/2014 | 1,040.2 | 59.9 | 4.8% | 1,011.3 | 844.8 | 604.2 | 775.9 |
| Global Infrastructure Investors II (4) | 10/2014 | 10/2020 | 3,045.4 | 1,820.2 | 4.1% | 1,412.3 | 192.9 | 1,221.0 | 1,532.5 |
| Real Estate Partners Americas (4) | 5/2013 | 5/2017 | 1,229.1 | 363.3 | 16.3% | 993.7 | 776.0 | 562.2 | 631.9 |
| Real Estate Partners Americas II (4) | 5/2017 | (5) | 782.7 | 782.7 | 19.2% | — | — | — | — |
| Real Estate Partners Europe (4) | 9/2015 | 6/2020 | 721.2 | 594.7 | 9.2% | 132.6 | 12.0 | 125.4 | 158.1 |
| Real Estate Credit Opportunity Partners (4) | 2/2017 | 2/2019 | 1,090.0 | 918.0 | 4.6% | 172.0 | — | 172.0 | 184.4 |
| Co-Investment Vehicles and Other | Various | Various | 1,401.9 | 11.8 | Various | 1,390.1 | 511.9 | 1,387.7 | 1,799.8 |
| Real Assets | | | $13,151.3 | $ 5,834.3 | | $7,738.6 | $2,794.1 | $6,231.0 | $6,682.2 |
| Unallocated Commitments | | | 3,041.1 | 3,041.1 | Various | — | — | — | — |
| Private Markets Total | | | $106,068.7 | $ 39,421.9 | | $69,653.2 | $75,139.3 | $32,605.4 | $45,865.0 |

(1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund’s capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund’s governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors or (ii) the date on which the last investment was made.

(2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on September 30, 2017, in the case of uncalled commitments.

(3) The remaining cost represents the initial investment of the general partner and limited partners, with the limited partners' investment reduced for any return of capital and realized gains from which the general partner did not receive a carried interest.

(4) The "Invested" and "Realized" columns include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.

(5) Three years from final closing date.



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The tables below present information as of September 30, 2017 relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. The information presented under Total Investments includes all of the investments made by the specified investment vehicle, while the information presented under Realized/Partially Realized Investments includes only those investments that have been disposed of or have otherwise generated disposition proceeds or current income including dividends that have been distributed by the relevant fund. This data does not reflect additional capital raised since September 30, 2017 or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. Past performance is no guarantee of future results.

| | Amount | | Fair Value of Investments | | | | | |
|---|---|---|---|---|---|---|---|---|
| Private Markets Investment Funds | Commitment | Invested [5] | Realized [5] | Unrealized | Total Value | Gross IRR [5] | Net IRR [5] | Multiple of Invested Capital [5] |
| ($ in millions) | | | | | | | | |
| Total Investments | | | | | | | | |
| Legacy Funds [1] | | | | | | | | |
| 1976 Fund | $ 31.4 | $ 31.4 | $ 537.2 | $ — | $ 537.2 | 39.5 % | 35.5 % | 17.1 |
| 1980 Fund | 356.8 | 356.8 | 1,827.8 | — | 1,827.8 | 29.0 % | 25.8 % | 5.1 |
| 1982 Fund | 327.6 | 327.6 | 1,290.7 | — | 1,290.7 | 48.1 % | 39.2 % | 3.9 |
| 1984 Fund | 1,000.0 | 1,000.0 | 5,963.5 | — | 5,963.5 | 34.5 % | 28.9 % | 6.0 |
| 1986 Fund | 671.8 | 671.8 | 9,080.7 | — | 9,080.7 | 34.4 % | 28.9 % | 13.5 |
| 1987 Fund | 6,129.6 | 6,129.6 | 14,949.2 | — | 14,949.2 | 12.1 % | 8.9 % | 2.4 |
| 1993 Fund | 1,945.7 | 1,945.7 | 4,143.3 | — | 4,143.3 | 23.6 % | 16.8 % | 2.1 |
| 1996 Fund | 6,011.6 | 6,011.6 | 12,476.9 | — | 12,476.9 | 18.0 % | 13.3 % | 2.1 |
| Subtotal - Legacy Funds | 16,474 | 16,474.5 | 50,269.3 | — | 50,269.3 | 26.1 % | 19.9 % | 3.1 |
| Included Funds | | | | | | | | |
| European Fund (1999) [2] | 3,085.4 | 3,085.4 | 8,757.7 | — | 8,757.7 | 26.9 % | 20.2 % | 2.8 |
| Millennium Fund (2002) | 6,000.0 | 6,000.0 | 13,305.4 | 610.6 | 13,916.0 | 21.9 % | 16.0 % | 2.3 |
| European Fund II (2005) [2] | 5,750.8 | 5,750.8 | 8,467.3 | 58.4 | 8,525.7 | 6.1 % | 4.5 % | 1.5 |
| 2006 Fund (2006) | 17,642 | 17,304.5 | 26,586.4 | 6,960.9 | 33,547.3 | 11.5 % | 8.9 % | 1.9 |
| Asian Fund (2007) | 3,983.3 | 3,945.9 | 7,681.6 | 917.2 | 8,598.8 | 19.0 % | 13.7 % | 2.2 |
| European Fund III (2008) [2] | 6,165.5 | 5,327.3 | 6,989.1 | 3,427.6 | 10,416.7 | 16.9 % | 11.6 % | 2.0 |
| E2 Investors (Annex Fund) (2009) [2] | 195.8 | 195.8 | 195.7 | 1.7 | 197.4 | 0.2 % | (0.5 )% | 1.0 |
| China Growth Fund (2010) | | | | | | | | |