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KKR Credit & Markets

Investment Insights

Let There Be Compute!

Q3 2026 Market Review

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**“If you build it,
he will come”**

Field of Dreams

Executive Summary

California has a history of rewarding those willing to look beneath the surface. Gold in the rivers and oil beneath the ground. Each resource triggered a rush of capital, but the enduring value was rarely created by the natural resource alone. Much of it accrued to those who supplied the tools, financed the claims, and built the roads, railways, and pipelines that turned discovery into an economy. Investment in that infrastructure transformed what lay beneath the ground into an asset, a stream of cash flows, and ultimately something a balance sheet could capture. Two of the greatest capital rushes in American history were financed from this same corner of the California map. In 1849, the resource was gold, the tool was a pan. In 1892, when Edward Doheny sank the first commercial well in what is now downtown Los Angeles, the resource was oil and the tool was a derrick. In both cases, the natural resources sparked the rush, but the infrastructure around it determined how value scaled. The third rush, being financed as we write, is drilling for something more abstract but no less physical. It is drilling for compute. The value was never just the resource; it was often the pipes that moved it.

This is where our provocation begins. The scale of ambition embedded in the AI capex cycle requires a fuel supply that no single financing channel has ever delivered on its own. Hyperscaler balance sheets can fund part of it. Public debt and equity can fund another part. But the buildout will increasingly require scaled pools of capital such as asset-based finance, private investment grade, infrastructure capital and financing solutions that did not exist five years ago. At the same time, the buildout is also catalyzing innovation in the financing itself. New structures are emerging in real time as capital markets adapt to these assets, revenue streams, and risks. Even as we pen this note, leaders at

OpenAI, Anthropic and other frontier labs have highlighted the importance of pacing in advanced model development, a reminder that the trajectory of AI investment may evolve over time.

To be clear, at KKR we are believers and investors in this ambition and believe the U.S. has a leading role to play. But at today's scale and pace of expected investment, we think the availability of capital in the right form may become a live constraint. That is different from saying capital will run out. More broadly, the AI buildout reflects a uniquely powerful combination of technological leadership, deep capital markets, and an ecosystem capable of funding this innovation at scale, all of which reinforce our conviction in continuing to invest behind the theme. The question is not simply whether there is enough capital, but whether there is enough of the *right kind of capital*, arriving in the right form, at the right price, and with the right structural protections. In our view, the risk today is twofold: that capital becomes constrained, and that the discipline to deploy it fades.

The credit story compounds from there. Diversification is harder than it looks when the same short list of counterparties sit behind the equity book, the debt book, and increasingly the infrastructure supporting both. Power, chips, cooling, land, leases and financing often route back to the same handful of economic actors.

An allocator who believes they are diversified across strategies may ultimately be more diversified across wrappers than end issuers, sectors, or economic drivers. Historical correlations can also provide a false sense of comfort because the AI capex cycle is new. Exposures that appeared uncorrelated in the past may behave differently as they become increasingly dependent on the same underlying theme. Beneath them sits another layer of market plumbing, including securities lending, margin financing, guarantees, pledged collateral, and synthetic structures that can shape how risk transmits when markets move.

Compute as an investable asset class is still emerging, but the capital pattern at play is familiar. Capital tends to follow the strongest growth themes first. Institutionalizing infrastructure, pricing, ownership, and discipline tend to follow. Those are the mechanisms that determine whether a *rush* becomes a durable market.

This note takes a credit and capital markets lens to the AI buildout and asks three questions in sequence. Please note, the credit lens is undoubtedly different from the equity lens. Our focus is on how this large opportunity is financed, what supports repayment, and how the structure holds when the path changes.

The Rush

Is there enough of the right capital to finance the ambition being priced today?

The Field

Where does the interconnection actually reside, and what does that mean for the diversification investors believe they own?

The Discipline

What financing and underwriting discipline and pace can turn this rush into a durable market as the trajectory evolves, whether through regulation, capital constraints, infrastructure bottlenecks, or a natural slowing in the pace of the cycle?

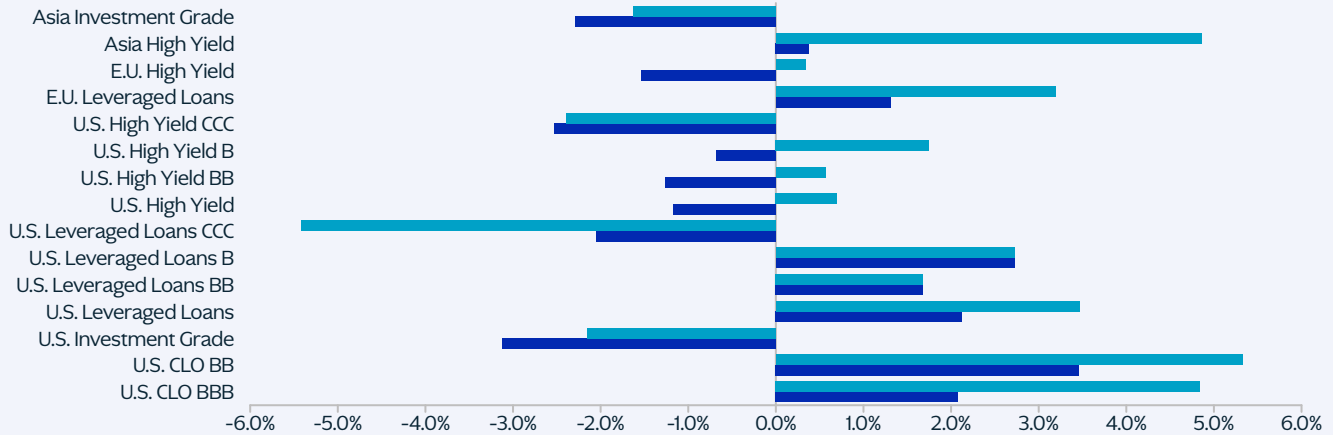
Our affirmative case sits in the answer to the third question. The financing tools this buildout needs are ones the credit markets have spent more than a decade developing: scaled origination, structural seniority, covenants, collateral analysis, and specialized underwriting. Just as important is the ability to draw on expertise across corporate credit, asset-based finance, private equity, and real assets as the risks increasingly cut across traditional asset-class boundaries. The front-page story is how much compute gets built. The credit story is about who gets paid if expectations change.

EXHIBIT 1

Returns Fan Out Across Credit Markets in 2026

Year-to-Date and Q3 Returns Across Global Credit Markets

■ YTD as of 9/25/26 ■ Q3 as of 9/25/26



Source: Morningstar LSTA LL Index, ICE BofA, JPMorgan CLLIE, Bloomberg and KKR Credit Analysis as of September 25, 2026

Setting the Scene

Global credit enters this note in a market that reads calmer on the surface than at any other point since the start of the year. Spreads remain within ranges investors have learned to regard as normal. Beneath them, however, dispersion is widening sharply. The compensation for stepping from higher-quality IG into BB credit has compressed toward historical lows, while the weakest parts of high yield are trading at increasingly large premiums to the rest of the market. Part of that resilience reflects a structural change in high yield itself. As we recently discussed in the [“High Yield’s Second Act: What AI Revealed About Credit Quality”](#), the HY market has quietly migrated up in quality, with a record share of bonds now rated BB and a growing portion of the index secured by collateral. That higher-quality composition has helped the market absorb pockets of stress more effectively. The index says calm, but individual credits, sectors, and financing channels increasingly say otherwise.

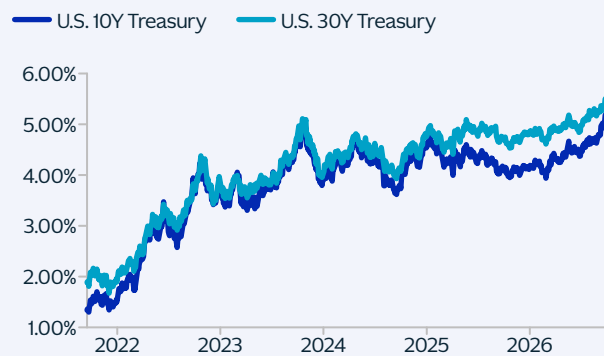
The September FOMC meeting reinforced KKR’s broader macro expectations. The Fed raised rates by 25 basis points as persistent inflation continues to demand attention, while long-term Treasury yields remain elevated. For credit

investors, the implication is fairly straightforward: one of the largest capital expenditure cycles in modern history is accelerating at a time when the cost of capital remains high and duration is once again an active source of risk, raising the importance of matching financing structures, asset lives, and expected cash flows.

EXHIBIT 2

Treasury Yields are Testing Multi-Year Highs

U.S. Treasury Yields Spike



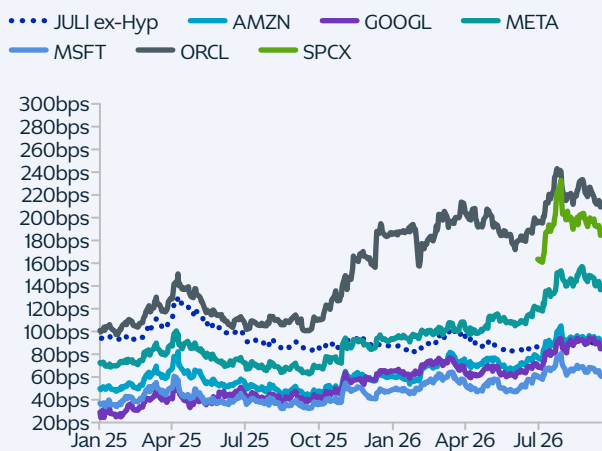
Source: Bloomberg as of September 25, 2026

We saw a version of that dynamic in software earlier this year with what many referred to as the “SAASpocalypse.” The repricing occurred in a matter of weeks in a corner of the market most allocators considered structurally sound, and software became the largest single detractor from performance across the leveraged finance complex. Yet software represents only about 3% of the roughly \$1.5 trillion U.S. high yield market, roughly 13% of leveraged loans, and more than 20% of a corporate private credit market of approximately \$1.9 trillion. Importantly, the sell-off was not accompanied by a broad deterioration in underlying fundamentals across the software and services sector, and in direct lending, despite heightened concerns around valuations and redemptions, mark-to-market movement was ultimately limited. The more consequential question is what a true fundamental sell-off could look like across an AI complex that is materially larger, more capital intensive, and more interconnected across public and private markets.

EXHIBIT 3

Individual Hyperscalers Continue to Tell Independent Stories as Spreads Widen

Investment Grade Ex-Hyperscalers vs Individual Hyperscalers Spreads



Source: JPMorgan US Liquid Index (JULI), Bloomberg, and KKR Credit Analysis as of September 17, 2026

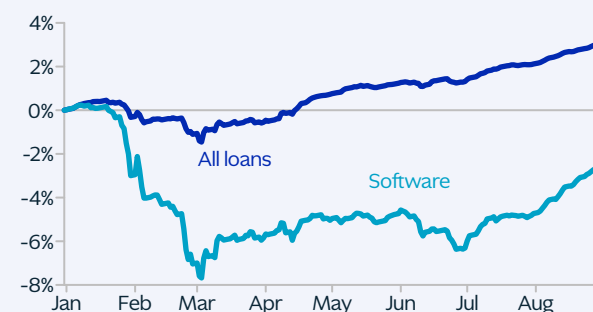
Move one layer deeper and the compression at the top of the market gives way to something very different. The high yield CCC to B spread ratio has reached an all-time high of 3.5x, with distressed spread levels hovering at ~2,600

basis points versus roughly 200 basis points over for non-distressed high yield.¹ This is dispersion in its clearest form, and it is a pattern we have been flagging since the end of 2024. Dispersion rarely announces itself through the index or front door. It shows up in asset selection, portfolio construction, and product exposure.

EXHIBIT 4

The Software Repricing Still has Room to Recover

U.S. Leveraged Loan Returns vs Software Loans



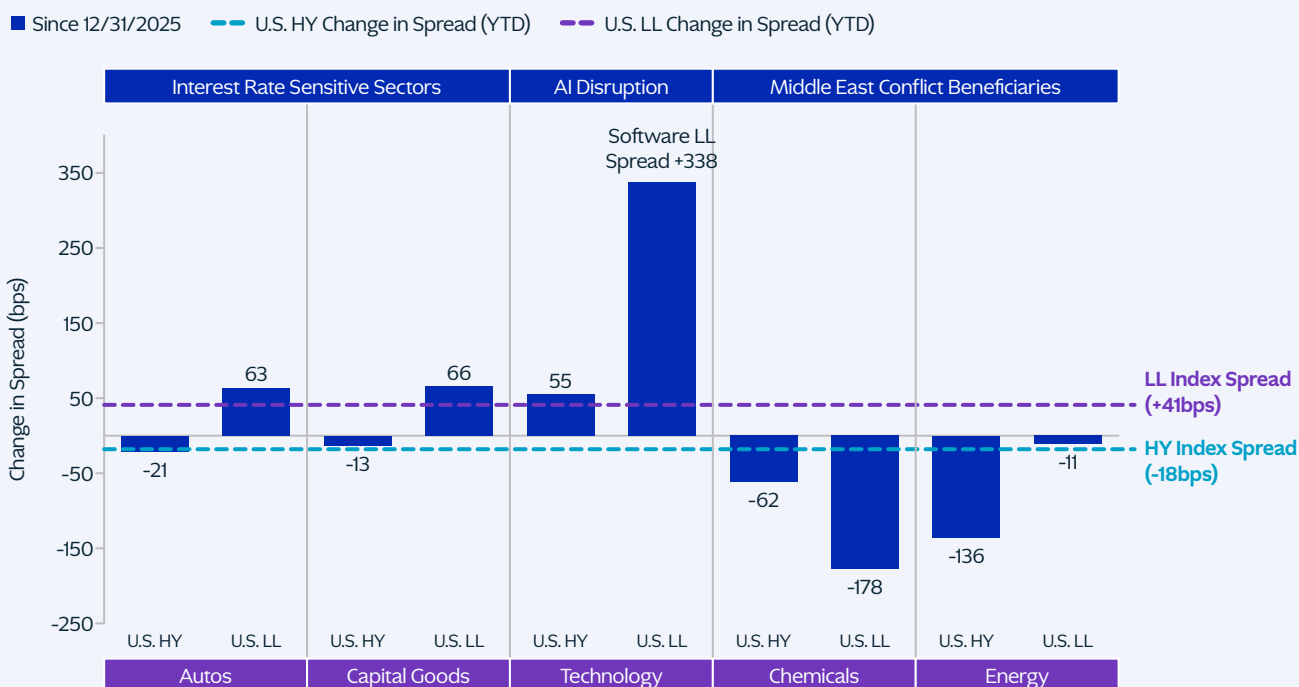
Sources: PitchBook | LCD; Morningstar; S&P Dow Jones Indices - Data through Aug. 31, 2026

AI is amplifying that divergence. Technology equipment, software, semiconductors, and data center construction are becoming increasingly important contributors to U.S. fixed investment, while capex across much of the rest of the economy is running at a low-growth or contractionary pace. The result is an unusually concentrated investment cycle, with capital increasingly drawn toward the segment of the economy with the strongest growth narrative. At the same time, the scale is materially larger: AI infrastructure CapEx is projected at roughly \$7.6-8T trillion through 2030, while AI-linked exposure could ultimately approach 20% of the investment grade index. As that concentration grows, so too do the linkages across issuers, financing channels, infrastructure, and end markets.² The result is a market in which seemingly distinct exposures are increasingly driven by the same underlying economics. That is the environment in which the plumbing gets tested

EXHIBIT 5

Distinct Drivers are Contributing to Dispersion in Leveraged Credit

Spread Performance by Sector



Source: PitchBook LCD, BofA Global Research, ICE Data Indices, Bloomberg and KKR Credit analysis as of August 31, 2026.

U.S. HY spreads are based on OAS; U.S. LL spreads are based on 3-year discounted spread. U.S. HY Technology is compared with U.S. LL Software.

The Rush

Every rush begins with similar asymmetry: ambition often moves faster than the infrastructure required to support it. In 1849, wagons crossed the plains carrying tools, dry goods, and the assumption that whatever lay in the Sierra Hills would be worth the passage. In 1892, when Doheny hit oil in what would become downtown LA, the derricks went up before the pipes went in. The buildout rarely waits for the arithmetic to be worked out, but as investors, we know the arithmetic eventually has to work. That makes the puzzle equal parts exciting, but complex. The AI buildout reflects the same asymmetry, only at a speed and scale the earlier rushes would barely recognize.

Tech capex is now large enough to impact macro forecasts and not just equity valuations. U.S. technology capex has

risen from ~5.2% of GDP a year ago to 5.8% today, and the forward pipeline for data-center spending specifically points to continued outsized growth through 2027.³ If historical correlations to NVIDIA data center GPU sales hold, total tech-linked capex could reach almost 9% of GDP. We are not taking that extrapolation at face value, but the direction of travel is unambiguous. Fixed investment for the broader economy improves through 2027 on that trajectory, and technology equipment, software, semiconductor spending, and data center construction do essentially all of that lifting.

We believe this is an arms race in the truest sense of the term. Capital is flowing toward the AI theme with a force that is rarely seen in a single sector, and we believe the buildout represents a once in a generation industrial transformation. But the next two to three years will also begin to separate winners from losers in ways that may be difficult to unwind later. In this case, first-mover advantage is not simply

marketing language when it comes to compute capacity, power interconnection, land, and financing. These are all constrained by time as well as capital, reinforcing why the rush is so real.

Which brings us to the multi-trillion-dollar question: what is the true financing capacity required to support this industrial transformation and over what time frame? Estimates for AI infrastructure capex through 2030 sit at ~\$7.6 - \$8 trillion today.⁴ Traditional U.S. public IG capacity, measured by the amount of the largest hyperscalers could issue before approaching a 3% single-name issuer max index weight,⁵ is roughly \$1.7 trillion. That difference is \$6.3 trillion. We do not view the \$6.3 trillion as a forecast of private financing demand. We view it as a measure of how much of the buildout may ultimately need to be funded through a combination of internally generated cash flow and financing outside the most obvious public IG and equity markets. That can include private IG, ABF, infrastructure debt, structured solutions and financing structures that may not even exist yet. The point is not that one market must fill the gap, but that the financing mix will have to broaden, diversify, and innovate.

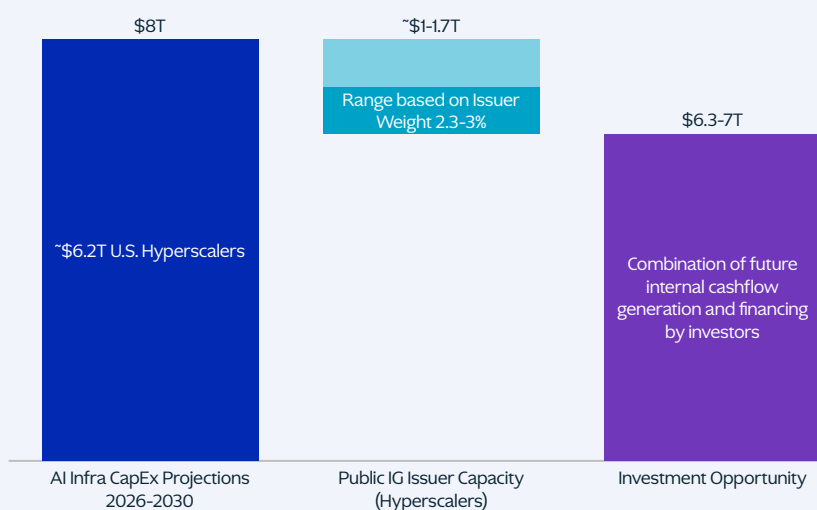
We believe the AI buildout is real and the investing opportunity is enormous. That is exactly why discipline matters. In cycles this powerful, capital can often outrun execution.

Which leaves one important question: is the market ready for this?

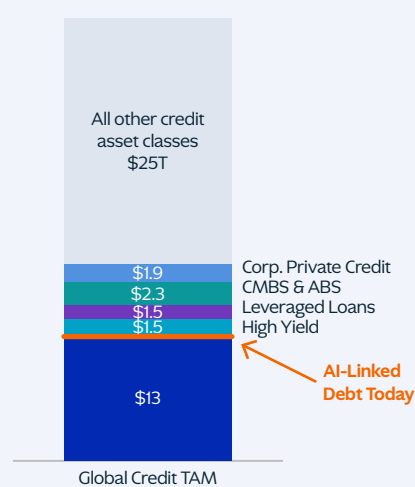
EXHIBIT 6

AI CapEx will Require the Full Depth of the Global Credit Markets

Current CapEx Projections & Public IG Capacity Suggest Financing Gap



\$45 Trillion Global Credit TAM (\$T)



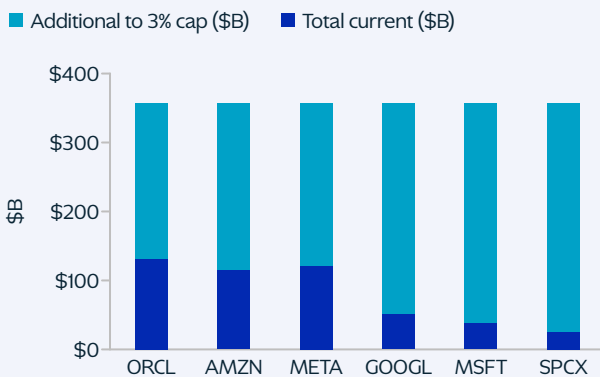
Source: JPMorgan Research, Goldman Sachs Research, BofA Global Research, Pitchbook, Bloomberg, KKR Global Macro & Asset Allocation and KKR Credit Analysis as of August 31, 2026

The public IG constraint also illustrates why the form of capital matters. If each of the five largest hyperscalers reaches the max 3% weight in the index, those five names alone will comprise 15% of the IG index before accounting for lessor, captive-finance, or other paper economically linked to the same tenants. The 29-year average for the highest issuer exposure in the IG index is 2.6%.⁶ AI-linked debt outstanding today is approximately \$600 billion, or 6.3% of the U.S. IG market⁷, on a base that is growing every week. From an end-investor perspective, passive and index-oriented portfolios may already contain more AI exposure than the headline allocation suggests. Investors may therefore be taking meaningful exposure to the theme without having made an explicit portfolio decision to do so. That is why we believe understanding the underlying sources of AI-linked risk across portfolios is increasingly important

EXHIBIT 7

What Does Capacity Really Look Like?

Hyperscaler IG Capacity by Issuer: Current debt (obligor + related DC) vs to 3% Max Issuer Weight Cap (\$B)



Source: JPMorgan Research, Goldman Sachs Research, BofA Global Research, Pitchbook, Bloomberg and KKR Credit Analysis as of August 31, 2026

We see three broad paths between now and 2030. In the first, free cash flow lags the pace of capex and balance sheets absorb more of the difference, with third-party capital raised to meet the remaining funding need. That may be manageable initially, but over time it becomes increasingly relevant to ratings, leverage and financing capacity. In the second, operating-company free cash flow begins to catch up with capex commitments as revenues

scale and the companies grow into the investment already underway. That would be the most constructive outcome, but it's not yet where we are today, with free cash flow still negative across many users and important parts of the buildout. The third path is a combination of the first two: growth remains healthy, but not fast enough to fully absorb the current pace of investment, forcing the ambition to rebase against a longer time horizon. Each path has different implications for the credit being underwritten today, particularly around duration, leverage, collateral value, and refinancing risk. And across all three, we would expect the cycle to increasingly separate winners from losers, albeit with volatility along the way.

The good news is that the financing mix is already beginning to broaden. AI-linked issuance was ~\$189 billion in 2025⁸, and AI-related credit issuance has more than doubled year-over-year. More important than volume is the composition: hyperscalers are issuing in foreign currencies to broaden the investor base, secured high-yield structures are emerging, and private-placement financing tied to chip purchases is becoming a meaningful category. Some of these structures barely existed at scale a year ago. The buildout is spinning up financing instruments faster than the market can establish historical loss curves for them.

As we mentioned, the addressable financing opportunity is therefore broader than any single market suggests. Corporate credit, asset-based finance, infrastructure debt, project finance, private placements, and structured solutions each fit different parts of the AI buildout. Corporate credit can finance large unsecured issuers. Asset-based finance can match capital to equipment leases, contracted cash flows, and physical infrastructure. Structured markets can finance bespoke assets or solve for bespoke risks that do not fit conventional corporate or asset-based underwriting. At the end of the day, it is often all the same underlying risk.

In aggregate, we have confidence the capital exists. The harder question is whether it arrives in the right structure, on terms that properly allocate the risk, and at a pace that matches the economics of the assets being financed. That is where opportunity and underwriting discipline begin to converge.

The Field

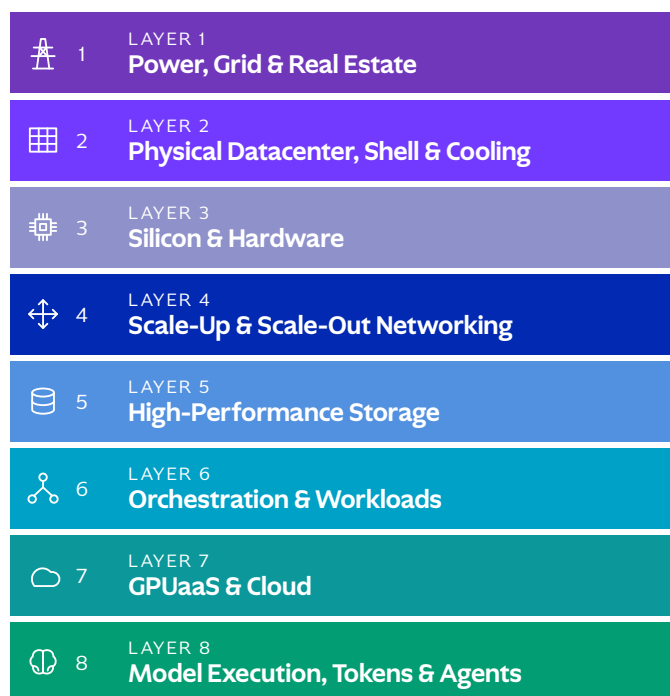
Every rush is defined by its geography. Gold claims clustered around rivers. Oil wells are clustered around fields and pipelines. What appeared dispersed from a distance often converged on the same infrastructure underneath. The AI buildout is running on the same pattern with different chemistry. The market looks like a broad theme from a distance. Up close, the field narrows quickly, with many seemingly distinct exposures converging on the same infrastructure, counterparties, and economic dependencies.

A useful way to hold the field is as a stack. At the base sit power, grid infrastructure, and real estate. Above them are data center shells and cooling, followed by silicon, networking, and storage. Above those sit orchestration and compute-as-a-service, and ultimately the models, tokens and agents the infrastructure was built to produce. And let's not forget about space! Every layer is a credit somewhere. The question is where the economics accrue, where the risks concentrate, and which obligations ultimately depend on the same counterparties.

Most of the market still builds and finances each layer of that stack separately: power from one party, the shell from another, connectivity from a third. We saw an opportunity to bring a more integrated approach to the AI buildout, which led us to launch [Helix](#). Helix builds on nearly two decades of KKR Infrastructure investing and brings together capabilities across the physical stack powering AI and cloud, including data centers, power, and connectivity. Rather than financing each layer independently, the platform is designed to assess the opportunity holistically by combining capital, physical infrastructure, technology, and operating expertise around the specific needs of the customer. Our founding partnerships with NVIDIA and Vistra, coupled with the experience and scale of KKR's global infrastructure team, bring together expertise across the physical asset base alongside the technology, power, capital, and operating requirements across the stack. As the buildout accelerates, concentration can become more consequential when those dependencies are not actively managed. We believe the ability to understand how power, site, connectivity, technology, and capital interact, and to solve for the technical requirements across those layers in an integrated way, will become increasingly important.

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The AI Infrastructure Stack



Source: KKR Infrastructure

The physical field starts with power. U.S. data center demand is projected to reach roughly 8.5% of America's peak power demand by 2027, more than double the 4.1% share in 2025.⁹ A meaningful share of future capacity may sit behind the meter¹⁰, while the remainder is concentrating in a relatively small number of markets.

The constraints extend beyond generation. Grid interconnection queues in key data center markets now run 8-12 years, which equates to multiple generations of GPU hardware.¹¹ The workforce is also tight – U.S. power and grid trades need to add more than half a million additional workers by 2030 to meet the buildout.¹² Beyond the physical and workforce constraints, regulatory and community pressure on data center siting is rising too. These are not simply operating issues. They are also underwriting variables. Timing, power availability, water access, permitting, and technological obsolescence can all affect whether projected cash flows arrive on schedule.

The infrastructure that carries compute is inseparable from the infrastructure that powers it, and both require capital commitments that only a limited set of counterparties can currently support. That is where the concentration question becomes more interesting. Thirty-one issuers account for more than half a trillion dollars of outstanding bonds across the hyperscaler and AI complex, and five names represent more than half of that total.¹³ Importantly, this is not the same capital structure as prior investment cycles. Thirteen of the thirty-one issuers are investment grade, and they carry roughly 90% of the outstanding balance. Within the remaining high yield exposure, 82% is secured project finance rather than corporate unsecured.

The challenge is that AI concentration changes materially depending on how exposure is measured. We think investors should look through at least four lenses, each of which produces a different answer.

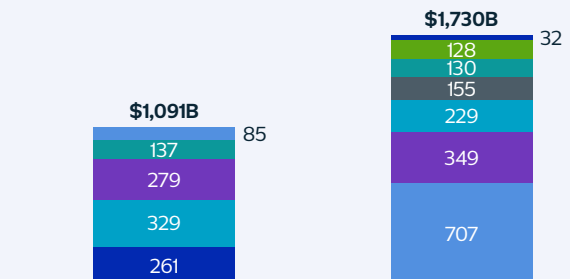
- **THE OBLIGOR BASIS** captures direct unsecured bonds of the named issuer only. AI-related IG debt on this measurement is ~6.3% of the ICE U.S. Investment Grade index¹⁴, which is the narrowest measure.
- **THE LESSEE BASIS** adds data center debt where hyperscalers guarantee the lease (i.e. the corporate guarantee). From this lens, technology has surpassed the U.S. banks as the largest sector in the JPMorgan JULI¹⁵ index at 11.6%. The credit reality of a data center bond with a Meta or Alphabet lease guarantee is closer to corporate risk than project finance risk in a stressed scenario.
- **THE ECONOMIC BASIS** adds the off-balance sheet lease and capacity commitments. There is approximately \$1.1 trillion of leases at the hyperscalers not yet commenced, and rating agency debt adjustments for the sector are running at approximately half a trillion dollars against year-end 2026.¹⁶
- **THE REVENUE LINKAGE** basis adds issuers whose revenue depends materially on hyperscaler capex. This is the broadest measure and it captures the through-line most invisible to portfolio measurement. AI factor exposure across IG has roughly doubled from 3-6% year to date. At the outer bound, and using the equity method, ~40% of the S&P 500 is now AI-linked when measured on revenue and earnings sensitivity. Technology has accounted for approximately a third of net high-grade issuance on a year-to-date basis as well.

EXHIBIT 8

The Economic Footprint is Larger than Rated Debt

■ ORCL ■ MSFT ■ META ■ AMZN ■ GOOGL
■ NVDA ■ AVGO

Leases Not Yet Commenced Purchase Commitments



Source: Company Filings, Morgan Stanley Research as of September 15, 2026

Running the same portfolio through these four lenses can produce materially different conclusions about concentration. In our view, obligor exposure is necessary but not the full story. Lessee exposure should inform hard concentration limits, while broader economic exposure should be monitored as part of portfolio construction. Managing only to the named obligor can understate how much of a portfolio ultimately depends on the same economic outcome. That is the central portfolio construction challenge of the AI buildout. The legal entity form of the exposure may differ, whether through a corporate guarantee, offtake agreement, or financing structure, but the underlying economic dependency can still converge on the same counterparty or outcome.

Credit quality is materially higher than either the late-1990s telecom buildout or the mid-2000s housing cycle at comparable moments in their arcs.

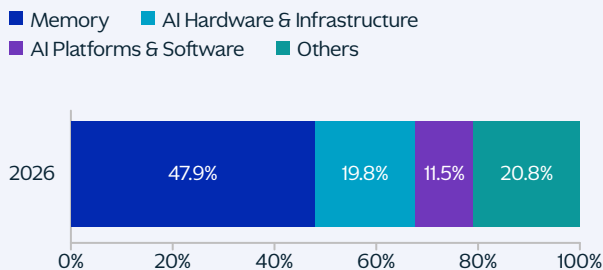
For many years we have highlighted the technical constraints that can arise from passively managed, rules-based models and equity-linked vehicles. Their impact on demand and outflows in public markets is abundantly apparent during drawdowns or bouts of mark-to-market volatility, and it is where risk transmits fastest from equity into credit. This cycle has taken that transmission mechanism and amplified it.

As an example, roughly \$96 billion of single-stock leveraged ETF exposure is now concentrated in the AI universe, with four memory-chip names alone accounting for nearly half of the total.¹⁷ Levered ETFs hold about 1% of ETF assets and drive about 16% of daily trading value. A small pool of levered capital sitting on top of a much larger market. But it is important to remember that when equity volatility hits, it does not stay in the equity. It moves through the ecosystem and accelerates across asset classes and portfolios.

EXHIBIT 9

Passive and Levered Flows are Amplifying AI Concentration

Single-Stock Leveraged ETF Exposure by Category (% of total)



Source: Bloomberg and KKR Credit Analysis as of August 31, 2026

Earlier this year, software offered a useful preview of what this can look like in practice. A widely tracked JPMorgan U.S. dollar HY AI basket moved from 44 basis points tighter than the broad U.S. HY index in late May to 116 basis points wider by the end of August, a 160 basis point relative move in thirteen weeks. Yet the broad HY index barely changed.

The point is not simply that the AI basket sold off. It is that a concentrated thematic cohort experienced a meaningful

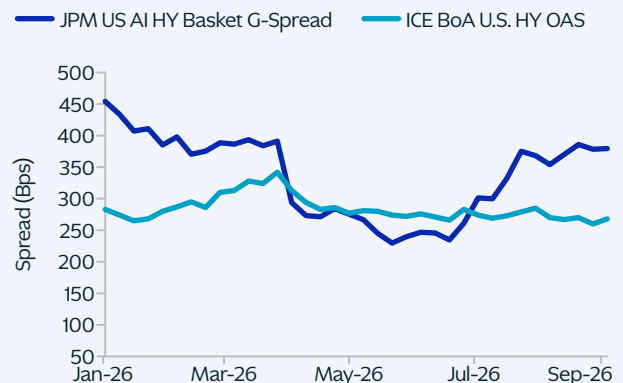
repricing that the broad index largely concealed. Annualized volatility in the basket ran at roughly twice that of broad high yield over the same period. Loans told an even sharper story. Technology and electronics loan spreads widened by more than 200 basis points¹⁸ from the start of the year and remained elevated even as parts of the equity narrative recovered.

We tested what is driving that relationship by separating high yield spread moves into an AI signal, represented by the Magnificent 7, and the rest of the equity market. The AI signal has remained important all year, while the influence of the broader market has fallen by roughly half. Put simply, AI is accounting for more of what moves credit today because the rest of the market is accounting for less. And because the relationship appears to move at the same time, rather than with a meaningful lag, it offers limited advance warning for allocators.

EXHIBIT 10

AI High Yield Diverges from Broader Index

AI HY G-Spread vs U.S. HY Index OAS (bps)



Source: KKR Credit Analysis and JPAIUHYS Index (J.P. Morgan USD HY AI Liquid Basket, G-Spread bp), HOAO (ICE BofA US HY Index OAS bp) as of September 4, 2026

The same pattern shows up in the broad index. The correlation appears to be strengthening. High yield's relationship to the S&P 500 has grown noticeably tighter across every window we look at, while the market breadth has narrowed materially over the same period. What that means in practice is that the broad equity index no longer

reflects the full breadth of the market and has tilted to reflect the AI theme itself. Credit is now tracking that theme more closely than it has at any point in the last five years.

This is why we think the same portfolio needs to be measured through more than one lens. The broad index can read one way, while the AI cohort another. It is not incorrect, just incomplete. But scale changes the equation. Software offered a preview in a smaller and less interconnected ecosystem. The AI complex is broader by design, linking equity, credit, infrastructure, power, real estate, and private markets. At the scale outlined earlier, a repricing could travel further, change correlations more quickly, and test liquidity across multiple parts of the capital structure at once.

AI exposure requires deliberate measurement and active portfolio management. Legal obligors, lease guarantees, off-balance sheet commitments, revenue dependencies, and market-structure linkages can all lead back to the same economic theme. Diversification begins with understanding what drives repayment, not what the label says. For credit investors, that means not only understanding where the risk truly sits, but maintaining the dry powder and flexibility to lean in when volatility creates better entry points.

AI exposure requires deliberate measurement and active portfolio management.

The Discipline

The people who endured through the California rush were not always the ones who arrived first. Many were the ones who came later, understood the terrain, and built the infrastructure the first wave ultimately relied upon. Pacing and patience were the muscles needed. The value often emerged in the second look, once the geography was clearer and the economics began to reveal themselves. That distinction is relevant today. Investors do not need to discover the theme to necessarily participate in the upside. They do, however, need to be positioned and ready for the opportunity to lean in.

Three key questions are live for us in the AI complex today, and every underwriting decision ultimately turns on one or all of them: credit, price, and dispersion.

The first is credit: what ultimately supports repayment, and where does that risk sit in the capital structure.

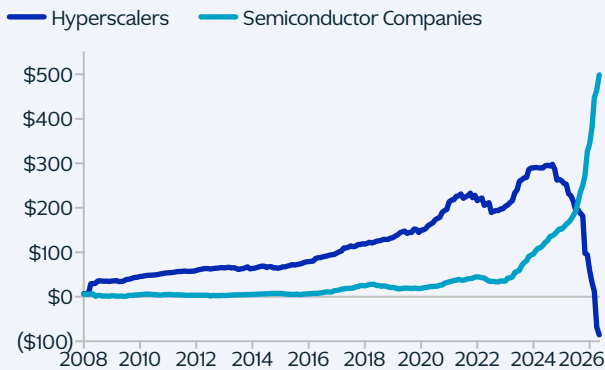
The second is price: even if the secular thesis is right, are we being adequately compensated for the risk at today's entry point? The secular thesis can be right while the entry price is still wrong. For a credit investor, that does not argue for avoiding the theme. It argues for pacing. If the market re-rates, we want to be positioned as a buyer rather than forced into a defensive posture. That requires dry powder, conviction, and a framework for knowing which credits become attractive at which levels.

The third question is dispersion: as the AI buildout evolves, which assets, business models and financing structures ultimately prove durable, and which do not? That starts with compute itself. As many market participants have highlighted, not every application needs frontier-level power, and not every model needs to be trained or run on it. Training represents the large upfront capital commitment. Inference is where recurring demand and economics ultimately have to prove themselves. As enterprises and consumers determine what they actually need, workloads may move across the compute stack. Smaller models, open weight models, and less expensive infrastructure can satisfy meaningful portions of demand.

EXHIBIT 11

Cash Flows are Following the Compute Stack

12-Month Forward Free Cash Flow (\$B)



Source: Bloomberg and KKR Global Macro & Asset Allocation Analysis as of September 2, 2026

That matters for credit because changes in workload mix can change chip pricing, utilization, collateral values, and the economics of the companies that financed themselves around uniformly premium compute. The winners and losers within the theme will increasingly be determined by how well the capital structure, asset base, and demand profile match one another. The tailwind can remain intact while dispersion increases underneath it. That is exactly where credit selection and structure become most important.

None of this means we think the opportunity is smaller than the narrative suggests. We think the opposite. This is one of the largest industrial buildouts in modern American history. It will reshape the composition of equity and credit markets, the geography of power and infrastructure, and the flow of capital across borders. It will land in ways the next generation of allocators will study.

If we are not prudent, we shouldn't underestimate the volatility and potential knock-off effects that could ensue.

The software sell-off earlier this year offered a reminder of what can happen when capital gets ahead of itself and valuations disconnect from fundamentals. The AI complex is more forgiving than software in some ways and less forgiving in others. Chips depreciate on a schedule that does

not care about the enterprise sales cycle. Data centers take years to build. Power interconnection is a physical constraint that capital cannot buy its way through. Supply chains for the specialized components sit inside a handful of vendors. When a mistake occurs in something this capital-intensive, you cannot always cut back to health if the cash burn is too far ahead of the operating reality. The answer is to remain disciplined.

That brings us to the underwriting framework. On NVIDIA's most recent earnings call, Jensen Huang described compute as revenue. Increasingly, market participants ([ourselves included](#)) are referring to compute as an asset class – that distinction is important. If compute increasingly behaves as a productive asset capable of generating recurring revenue rather than simply as a technology cost, traditional underwriting frameworks may need to evolve with it. This shifts the underwriting lens from the resale value of the physical asset to the continuation value and durability of the revenue stream it supports.

In that sense, compute is not simply an input to the credit. In some structures, it will be part of the credit itself. That is why investing in this space requires true specialization across infrastructure, real estate, credit and equity.

That reframing carries directly into how we categorize the AI complex. We have organized our thinking by tiers of exposure, defined by dependency rather than by sector or rating.

- **Tier One: AI-dependent credits.** These businesses depend directly on the capital availability and commercial success of AI. Hyperscalers, data centers, and model builders fall into this category. AI is central to the revenue or financing thesis.
- **Tier Two: AI-sensitive credits.** These businesses are materially influenced by the AI cycle but retain meaningful diversification elsewhere. Semiconductors, networking, hardware, and software often fall into this group. AI is a major driver, but not the only one.
- **Tier Three: AI-beneficiary credits.** These businesses benefit from AI-related capital spending but do not depend on AI for the viability of the business model. Utilities, power generation, construction, and selected insurance adjacencies can sit here.

The objective of the framework is simple: a portfolio can carry meaningful AI exposure even when relatively few line items are labeled “AI”. Hence, portfolio construction and measuring dependency across tiers can reveal concentrations that sector classifications alone miss.

Which brings us to how we translate this into portfolio construction. We view this cycle as a high-grading exercise, not a binary decision about whether to own AI risk.

We prefer expressions of the theme that combine contractual revenue, structural protections, real collateral, durable competitive positioning, and diversified end markets. In many cases, those characteristics can be found toward the base of the stack (i.e. the picks and shovels of the physical field), where infrastructure and physical assets benefit from the buildout without requiring the same assumptions about residual technology value.

Direct hyperscaler and data center credit can also be attractive, but not at every price and not in every structure. At the more speculative end of the stack, where issuers

depend on continuous access to capital markets to fund growth, a valuation reset can become a refinancing or solvency problem much more quickly. The objective is to own parts of the theme where the structure compensates for any uncertainty.

If the market re-rates, credits we are watching patiently today can become opportunities tomorrow. We want to be in a position to buy when volatility creates better entry points and risk is more appropriately priced. Discipline is what gives us the flexibility to express conviction when the market presents the opportunity.

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Six Criteria for Underwriting AI-Linked Credit



01

Off-Taker Quality



02

Asset & Project Risk



03

Structural Protection



04

Sponsor & Operator Quality



05

Liquidity & Capital Structure



06

Relative Value

A Second Look

History has taught us that every rush eventually separates what was built for the moment from what was built to last. We believe the AI buildout is real, the scale is enormous, and the investment cycle is still in its early stages. That is precisely what makes the opportunity so compelling.

At the center of our credit thesis are three considerations. First, capital has to keep pace with ambition, not simply in quantity, but in the right form and with structures capable of absorbing changes in the trajectory. Second, the scale and interconnectedness of the AI ecosystem mean that seemingly distinct exposures can ultimately depend on the same counterparties, revenue streams, infrastructure, and economic outcomes, making portfolio construction paramount. Third, discipline matters precisely because the opportunity is so large. The secular thesis can remain intact even as individual credits, structures, and entry points diverge.

Together, those three considerations define the second look. The first look sees the size of the opportunity. The second asks whether the capital, infrastructure and underwriting are prepared for the pace at which it is developing. The stakes on getting that right are significant and the risks require prudence. ***Spreads do not widen politely when supply and demand fall out of alignment.***

That is why we believe the second look carries significance. Credit markets have spent decades evolving to finance new asset classes and structures. The opportunity in credit is not simply to finance more compute, but to help determine which parts of the buildout can become durable, deep markets. That requires distinguishing temporary scarcity from sustainable demand, contractual cash flow from narrative, and collateral value from technological obsolescence. There will be winners and losers, as there are in every cycle and every market segment. What excites us is that many of the capabilities this buildout requires are already at our doorstep: scaled capital, origination, micro and macro portfolio construction, a collaborative culture spanning a diversified global platform with specialized teams across corporate credit, asset-based finance, private equity, real assets, and insurance.

Bob & Carl Compete to Keep Pace!

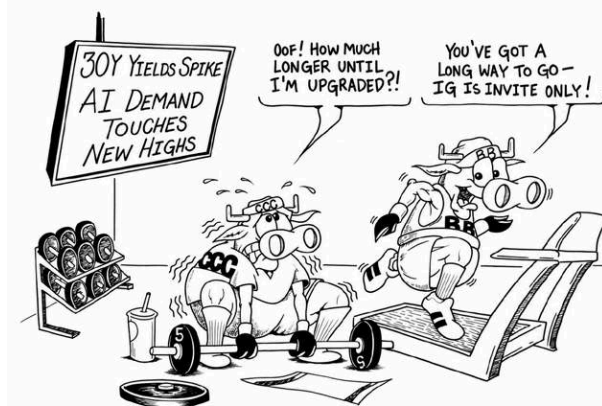


Illustration by Jerry Capria, KKR Credit

Let there be compute!

But let there be discipline.

Christopher A. Sheldon

Endnotes

- 1 ICE BoA U.S. HY Index, Bloomberg, as of September 15, 2026
- 2 Source is: JPMorgan Research, Morgan Stanley Research, Goldman Sachs Research and BoA Global Research as of September 15, 2026
- 3 KKR Global Macro & Asset Allocation, 'Divergence Conundrum,' Midyear 2026
- 4 JPMorgan, Goldman Sachs, Morgan Stanley, KKR Global Macro & Asset Allocation, and KKR Credit Analysis as of August 31, 2026
- 5 JPMorgan Research, KKR Global Macro & Asset Allocation, and KKR Credit Analysis as of August 31, 2026
- 6 JPMorgan Research as of July 31, 2026
- 7 ICE COA0 on Obligor basis as of July 31, 2026
- 8 Morgan Stanley Research, Pitchbook, Dealogic and Bloomberg As of December 31, 2025
- 9 Goldman Sachs Global Institute Research, Harnessing AI for the Real Economy as of August 31, 2026
- 10 Morgan Stanley Research as of August 31, 2026
- 11 Goldman Sachs Research as of August 31, 2026
- 12 Goldman Sachs Global Institute Research as of August 31, 2026
- 13 JPMorgan Research and KKR Credit Analysis as of July 31, 2026
- 14 ICE BoA Corporate Bond Index COA0 and KKR Credit Analysis as of August 31, 2026
- 15 The JULI index stands for the JPMorgan US Liquid Index, which is a benchmark fixed-income index that tracks the performance of the most liquid, investment-grade corporate bonds in the United States market as of September 17 2026
- 16 Morgan Stanley Research, S&P Global and KKR Credit Analysis as of September 15, 2026
- 17 Bloomberg and KKR Credit Analysis as of August 15, 2026
- 18 Morningstar LSTA and KKR Credit Analysis as of August 31, 2026

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