PARTICIPANTS

Corporate Participants

Daniel Harris – Managing Director and Head of Public Investor Relations, The Carlyle Group LP
David M. Rubenstein – Founder and Co-Chief Executive Officer, The Carlyle Group LP
William E. Conway – Founder and Co-Chief Executive Officer, The Carlyle Group
Adena T. Friedman – Chief Financial Officer, The Carlyle Group

Other Participants

Kenneth B. Worthington – Analyst, JPMorgan Securities LLC
Robert Lee – Analyst, Keefe, Bruyette & Woods, Inc.
Michael R. Carrier – Analyst, Bank of America Merrill Lynch
Marc S. Irizarry – Analyst, Goldman Sachs & Co.
William R. Katz – Analyst, Citigroup Global Markets Inc. (Broker)
Brennan Hawken – Analyst, UBS Securities LLC
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Warren A. Gardiner – Analyst, Evercore Partners (Securities)
Patrick Davitt – Analyst, Autonomous Research US LP
Christian Bolu – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Brian B. Bedell – Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to The Carlyle Group's First Quarter 2014 Earnings Conference Call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions]. As a reminder, this conference call may be recorded.

I would now like to introduce your host for today's conference, Mr. Daniel Harris, Head of Investor Relations. Please go ahead, sir.

Daniel Harris, Managing Director and Head of Public Investor Relations, The Carlyle Group LP

Thank you, Charlotte. Good morning and welcome to Carlyle's first quarter of 2014 earnings call. With me on the call today are our Co-Chief Executive Officers, Bill Conway and David Rubenstein; and our Chief Financial Officer, Adena Friedman.

Earlier this morning, we issued a press release with our first quarter results. A copy of which is available on the Investor Relations portion of our website. Following our remarks, we will hold a question-and-answer session for analysts and institutional unitholders.

Please limit yourself to one question and then return to the queue for any follow-ups. And please contact Investor Relations following the call with any follow-up questions. This call is being webcast and a replay will be available on our website.

We will refer to certain non-GAAP financial measures during today's call. These measures should not be considered in isolation from, or as a substitute for, measures prepared in accordance with

Generally Accepted Accounting Principles. We have provided reconciliations of these measures to GAAP in our earnings release.

Any forward-looking statements made today do not guarantee future performance and undue reliance should not be placed on them. These statements are based on current management expectations and involve inherent risks and uncertainties, including those identified in the Risk Factors section of our Annual Report on Form 10-K that could cause actual results to differ materially from those indicated. Carlyle assumes no obligation to update any forward-looking statements at any time.

With that, let me turn it over to our Co-Chief Executive Officer, David Rubenstein.

David M. Rubenstein, Founder and Co-Chief Executive Officer

Thank you very much, Dan. Thank you for joining the call this morning. We're pleased to report today that after a strong fourth quarter and a strong full year in 2013, Carlyle is off to a robust start in 2014.

During the quarter, from our 2013 base, our investment pace improved, our portfolio continued to improve – to appreciate, our ability to achieve new fund investor commitments accelerated, a number of our funds achieved attractive exits, and several of our larger funds moved deeper into carry. Specifically, we produced $183 million in pre-tax distributable earnings for the quarter, up modestly from $171 million in the first quarter of 2013.

But more importantly, over the past 12 months, our distributable earnings are up 25% to $852 million. Our carry funds appreciated 6% in the quarter and 18% for the last 12 months. We raised new commitments of $5.5 billion, up from $4.7 billion raised in the first quarter of last year. We realized proceeds of $3.1 billion, lighter than the $4.1 billion realized in the first quarter of last year, but we still produced $249 million gross and $141 million net in realized performance fees.

We invested and committed $4.2 billion in equity, of which $1.1 billion was invested in the quarter and the remaining $3.1 billion will be invested in coming quarters when the relevant transactions close, and we achieved $322 million in economic net income in the quarter.

Bill and Adena will shortly provide more detail on certain aspects of this quarter's performance. Let me focus my comments on three areas: our progress over the past 12 months, the management team that we've assembled, and our fund raising activities.

Over the past 12 months, the firm has become much stronger by a great many of the metrics often used to measure firms like ours. We raised $23 billion in new capital for our funds, we saw our net accrued carry balance grow by 36% to $2 billion, 72% of the fair value of our carry fund investments is today in carry versus 66% a year ago.

Dry powder increased to $56 billion, $36 billion of which is in our carry funds at NGP. Our AUM increased by 13% from $176 billion to $199 billion. We generated $16.3 billion of realized proceeds. We transformed our Natural Resource Investments business into four separate and scalable teams and with growing investment capabilities and resources in the U.S. and abroad.

We built out a full service solutions business with the purchase of the remaining 40% stake in AlpInvest and then the acquisition of Metropolitan Real Estate, a real estate fund to funds platform and Diversified Global Asset Management, a hedge fund of funds platform.

Turning to our management team. Over the past several years, we have put in place a senior leadership team that should enable the firm to grow and thrive well beyond the time when the founders change the current roles of the firm. Bill, Dan and I are not planning to go anywhere for the foreseeable future, but we and our investors want to note that the future of the firm is stable and secure.

Our most recent announcement regarding Glenn Youngkin's promotion and Mike Cavanagh's appointments as Co-Presidents and Co-COOs is in line with our approach in recent years. Promoting individuals with long successful Carlyle track records and recruiting extremely talented individuals from outside Carlyle, who have Carlyle-type mindsets and capabilities.

As we noted in announcing this promotion and appointment, Carlyle has always felt comfortable in having a co-leadership type arrangement. The news accounts at the time of the announcement reflected, I think accurately, the high regard in which Glenn and Mike are held in the financial community. And the feedback we have received from our investors around the globe makes us believe that our investor base is quite pleased and comfortable with the decision we have made in this area.

We're also fortunate to have a strong group of investment professionals leading our funds. Many of these leaders have been at the firm for extended periods, which we believe confirm the attractiveness of the firm as a place to work and to build a career. On average, our fund heads have been at the firm for nine years and more than 15 of our fund heads have been with Carlyle for 10 or more years. This type of investment professional stability and experience has helped us achieve our investment returns and has been a large factor behind our fund raising success.

The roles played by our fund heads and the roles played by more than 700 other investment professionals in the firm are supplemented by the professionals of firm to lead various corporate functions and who also serve our management committee. In short, we think the firm has a wealth of talented next generation leaders throughout our core areas.

Many founder-led firms in all sectors, not just in the financial sector, have had trouble creating long-term transition plans. In our case, we have been methodically working on this challenge for years. While we do not claim that our current structure or eventual management transition plans achieve perfection, we do believe these aspects of our company are among the firm's real strengths.

And now let me discuss our fund raising progress. We are obviously pleased to see continued investor interest in and support for a variety of Carlyle offerings. More specifically, we routinely have a large number of new and successor funds in the market, our goal is to offer our fund investors a wide variety of strategies that they can choose to pursue depending on their own needs.

Last year, we raised a large amount of money, $22 billion, a good portion of which was in our new U.S. buyout fund. This quarter, we continue to raise large amounts of money, but across a much more diversified set of funds. Specifically, we held interim closings on nine of those funds in the quarter, including our first closing on our seventh U.S. real estate fund at more than one-third of our target and closings on our new international energy fund, and latest vintage Europe, Asia, and Japan funds. We closed new-issue CLOs in the United States and Europe for a total $1.25 billion.

We held our final closing on our Sub-Saharan African fund reaching approximately $700 million of total commitments, well above our target of $500 million. We saw continued net inflows through our hedge funds, we strengthened our relationship with a number of sovereign wealth funds, of the 25 largest such funds, 22 invest in international private equity, 21 of these 22 now invest with us. And finally, I should add, that the five largest funds we have or will have in the market this year, are generally experiencing quite strong investor demand.

In summary, we had a strong quarter by nearly all of the metrics, by which we are measured. Our overall performance over the past 12 months has made us a much stronger firm than we were a year ago. Our management structure places us in a strong position over the foreseeable future and beyond. And our fund raising continues to grow at an attractive rate.

Now, let me ask Bill to comment.

William E. Conway, Founder and Co-Chief Executive Officer

Thank you, David. Let me start with the comment about the investment environment. Given the recent geopolitical and macroeconomic events, we are surprised at how ebullient credit markets have been in 2014.

The world continues to be awash in liquidity and investors are chasing yield seemingly regardless of credit quality and risk. Despite leverage levels in the United States increasing by almost a full turn over the past year, spreads between investment grade bonds and high yield bonds a few weeks ago were around 130 basis points, almost 250 basis points below the 20-year average. Thus, the market is not assigning a significant premium to risk your assets.

We continually ask ourselves whether the fundamentals in the global credit markets are healthy and sustainable. Frankly, we don't think so. What does this mean for our global investments? On the positive side, we're locking in low interest rates for our new investments and continuing to refinance existing debt.

For example, one of our newest investments, Signode Industrial expected to close in the second quarter, recently announced its acquisition financing at a blended interest cost of 4% and 3.25%, the lowest cost of financing we have seen in any industrial transaction. At the same time, historically low interest rates and a high appetite for risk are pushing up leverage levels and contributing to rising asset prices. This is good news if you are a seller, but bad news if you are a buyer. Given these dynamics, good deal judgment is paramount.

Despite the frothy investment environment, by focusing on Carlyle strengths like carve-outs and mid-market deals, we are off to a good start this year; investing or committing more than $4.2 billion in equity. Last year, we were very busy in China and Europe. We invested more than $1 billion in China, the most we've ever invested there in one year and closed seven investments in Europe. In contrast, this year so far we have been very active in announcing and closing deals in the United States. We've announced four carve-outs of global companies in the first quarter, two in the U.S. and one each in Asia and Europe.

In the United States, we've agreed to acquire Johnson & Johnson's Ortho-Clinical Diagnostics business for $4.1 billion in enterprise value. And also in the United States, we agreed to acquire the Industrial Package Group (sic) [Industrial Packaging Group] (11:12), now called Signode Industrial, from Illinois Tool Works for $3.2 billion in enterprise value.

In Asia, our U.S. and Asia firms teamed up to announce the largest LBO in Korea since 2008, when we announced our acquisition of ADT Korea from Tyco for $1.9 billion in enterprise value. And in Europe, in partnership with Schneider and PAI, we agreed to acquired Custom Sensors & Technologies from the French firm Schneider Electric, our first investment in our latest European buyout fund.

We have also signed or closed our second Sub-Saharan Africa investment in J&J Africa, a pan-African logistics company based in Mozambique; a minority investment in Vogue International, a U.S. based hair and personal care products manufacturer; three investments from our U.S. mid-market buyout fund including Traxys Group, a metals and minerals logistics and trading firm; Bonotel Exclusive Travel, a tour operator; and ECi, a Fort Worth based business management and e-commerce software solutions company. And a number of real estate investments in the United States with a growing focus on office and hotel properties.

Turning to our portfolio, the fair market value of our overall portfolio increased by 6% with corporate private equity growing by 8%, GMS carry funds by 3%, and real assets by 2%. Importantly, for public unitholders, the strongest performing funds included many of the large buyout or real assets funds that are either realizing or accruing significant amounts of carry. Our publically traded portfolio, which accounts for about 30% of our portfolio's total fair value increased by 8%. Within a challenging investment environment, the risk adjusted performance of our hedge funds was reasonably good.

Turning to realizations, of which there were about $3 billion in the first quarter, we continued to exit a number of the new investments in our publically traded portfolio. We sold shares in CommScope, Nielsen and Allison Transmission at multiples of invested capital in the two-and-a-half to three-and-a-half times range. We announced our exit of Bank United investment in our financial services in U.S. buyout funds at 2.7 times our original investment cost. We exited investments in Chimney, a Japanese restaurant chain; Tirumala, an India-based private dairy company; and a number of the U.S. and European real estate investments.

And we negotiated a partnership with Altice, a large European cable and telecommunications company in connection with the proposed merger between Numericable and SFR Mobile Communications Group in France. As part of the overall transaction, Carlyle sold 7.5% of Numericable to Altice, and then rolled over the remaining stake held by Carlyle into a stake in Altice.

In addition, we signed agreements to exit a number of investments. These included: we agreed to sell Veyance Technologies at Carlyle Partners IV manufacturer industrial hoses and conveyer belts. We agreed to sell an investment in our MENA fund, General Lighting Company in Saudi Arabia. And we agreed to sell our stake in Sermeta, a French manufacturer of heat exchangers in our third European buyout fund.

These transactions are scheduled to close later this year, and will help lay the foundation for sustained levels of distributions for our fund investors. After completing 15 IPOs in 2013, we did not have any companies go public in the first quarter, but we have a number lined up for the coming months, assuming markets stay open and attractive.

So what does all this activity mean? Despite paying out substantial amounts of realized performance fees, our net accrued carry balance continues to grow. We continue to realize significant levels of cash carry from our U.S. buyout funds and many of our other funds are now either realizing performance fees or will do so in the coming quarters.

In summary, we're particularly happy that our investment pace has picked up, our portfolio is performing well, and assuming attractive market conditions persist, we have laid the ground work for strong distributions for the years ahead.

Adena?

Adena T. Friedman, Chief Financial Officer

Thank you, Bill. My remarks today will focus on our financial results as well as an overview of the balance sheet capital raises we executed this quarter. As we highlighted in our release this morning, Carlyle generated $183 million in distributable earnings this quarter, up 7% from last year's first quarter. Distributable earnings for the quarter were driven by $141 million in net realized performance fees. Distributable earnings over the past 12 months of $852 million are up 25% over the prior 12 months.

Strong performance in our carry and hedge funds drove significant unrealized performance fees in the first quarter, and were the main driver of Carlyle's $322 million in economic net income. Carlyle generated $356 million in unrealized performance fees due to a 6% increase in the value of our carry funds. Notably, strength in the U.S and Europe buyouts drove those funds deeper into accrued carry.

Firm wide, our net accrued carry balance, which nets out performance fee based compensation and givebacks stood at $2 billion as of the quarter end, up 36% from $1.4 billion at the end of the first quarter 2013. Our net accrued carry equaled $6.16 per adjusted units.

As of the end of the first quarter, 72% of the fair value of our investments was in funds in carry, up from 66% in Q1 of 2013, but down from 80% as of the fourth quarter, on a quarter-over-quarter basis, while our overall accrued carry balance increased, three of our smaller funds that were in catch-up as of the end of year-end, as of year-end 2013 fell out of carry in the quarter. All three funds have strong portfolios and are likely to re-enter our carry position in the coming periods.

Carlyle generated $37 million in fee-related earnings in the first quarter, lower by $2 million from both Q1 and Q4 of last year.

As I've done in prior quarters, I would like to provide a brief review of the factors affecting our fee-related earnings. First, over the past 26 years, we have used fee-related income to reinvest in our business. We are here to serve our fund investors and our reinvestment activity centers on hiring the best talent to generate strong investment returns and expand our capabilities. Investing in systems and technology to prove and prove our LPs experience and launching new funds and strategies to meet their evolving needs. All of these activities accrued to the long-term benefit of our fund investors and ultimately our unit holders.

Second, our fund raising activities create short-term cost, but long-term benefits and we continue to see that trend in our results. Specifically, in Q1 of this year, we incurred $6 million more in internal fund raising commissions than we did in Q1 of last year, primarily due to significant funds raised in our real asset segment.

There are two timing elements to that expense; A, we do not expect our full-year internal fund raising commissions to be significantly higher than last year. So we have front loaded some of that cost in the quarter. And B, of the dollars raised, a significant portion with Carlyle U.S. Real Estate Partner VII for which we did not turn on management fees. Therefore, we incurred the expense without the offsetting revenue benefit in the quarter. We do expect to commence fees in the fund in the second quarter, which will generate an incremental earnings benefit going forward.

Third, we charge transaction fees when deals close. Our first quarter revenues related to those fees were lower than a year before because many of the deals that we announced in Q1 won't close until later this year. And finally, exits drive realized performance fees, so they can create a small drag in our fee revenues when the exit activity comes from funds that cost management fees based on remaining invested capital. This will include most funds that have reached a significant harvesting fees.

In Q4 of 2013 of the $6.3 billion in realized proceeds generated by our carry funds, $5.5 billion were in from funds in which the effective 2014 fee basis will be reduced. But the profitable exits produce distributions for our unitholders and distributable earnings for our unitholders – I'm sorry, distributions for our fund investors and distributable earnings for our unit holders. And therefore, distributable earnings ultimately is the financial metric that defines our success. And our distributable earnings for the quarter and over the past 12 months have been strong.

Moving on to our capital rates for our balance sheet during the quarter. Carlyle issued approximately $303 million in secondary units and $146 million in primary units, and we also issued $206 million in net cash proceeds to be an add-on to our 30-year bond. These capital raises bolstered our cash on hand to fund future growth initiatives.

One specific opportunity to generate financial growth, we'll be exercising the options we acquired in the original NGP strategic investment to purchase 40% of the carry of NGP Fund X and all future NGP funds. We expect to exercise this option over the coming months. The revenue benefit over time should be significant based on NGP's strong track record and the current positive performance of NGP X, a fund that is deep in accrued carry position.

The cost of exercising the options will be approximately $100 million. We expect the investments to be highly accretive to unit holders in the long-term and the return to be well in excess of our weighted average cost of capital. We're very appreciative that our unit holders and debt holders continue to support Carlyle and as our partners share in our vision of growth and yield.

We intend to pursue accretive opportunities when they are in line with our fund investors interest, and with our own corporate strategy, as well as being accretive to unit holders with a return profile in excess of our weighted average cost of capital.

Consistent with prior quarters, The Carlyle's board has approved the issuance of $0.16 distribution to our unit holders with a record date of May 14 and a payout date of May 22.

As a reminder, with divesting event on May 2 of certain restricted units for internal employees, the total common units outstanding associated with the Q1 distribution payout is 66.9 million units and its number of adjusted units on a fully exchange basis at the end of the first quarter was 323.8 million units.

With that, let me turn it back over to David for some concluding remarks.

David M. Rubenstein, Founder and Co-Chief Executive Officer

So we had a strong first quarter and seem well positioned to achieve our goals for 2014 and beyond.

Now, we'll be pleased to take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question will be coming from the line of Ken Worthington from JPMorgan. Your line is open.

<Q – Ken Worthington – JPMorgan Securities LLC>: Hi, good morning. I wanted to talk about the equity capital market environment; it appears to become more uncertain with some recent transactions breaking deal price and other deal price ranges getting lowered. Do you think the M&A environment is strong enough to make up for a less robust IPO market should the weak capital markets persist if we look at the remainder of the year? And does the frothy credit market present a risk to the outlook for the M&A environment? Thank you.

<A – Bill Conway – The Carlyle Group>: Thanks, Ken, for the question. This is Bill. I'd say the following that the – focusing first if I can on the credit markets. The credit markets just in the last three weeks have been buffeted by what I consider some cross-currents. On the one hand by our calculations about 20 deals have actually flexed their pricing upward in the last three weeks. And these deals range in size from deals of a couple hundred million dollars to over $1 billion. Now, we're – of course the base rate is still very low, but the spread is increasing at least on those flexed deals, and that's far more flexed deals, frankly, than we saw in the last probably six months. So it's a big – that's maybe an exaggeration, but that is a large number of flexed deals.

On the other hand, the other cross-current, really frankly going in the opposite direction is what we saw on the Numericable deal, where we were a big shareholder in Numericable which is merging with SFR and Altice is kind of the controlling shareholder now. And they're taking us out and we're swapping part of our shares to shares in Altice. And they had to raise roughly $20 billion in financing. It was a combination of different maturities, it was floating and fixed, it was done in both the U.S. dollars and in euros. And the deal, my understanding was four times or five times oversubscribed. What that demonstrates is that, I think that for a large deal with a lot of liquidity that the deal is still attractive to the market, they're still searching for the yield and they'll go get it, particularly because they know they can trade out of it, if they want to or need to.

I think in terms of the question, in terms of the markets, the equity markets and the impact perhaps of M&A catching up with that, I would say, what's interesting that in the last year we did 15 IPOs, and so far this year in the first quarter, we didn't do any. I think that will change here in the second quarter, where we'll hopefully do some IPOs, but time will tell.

I am impressed by the recent strength in the M&A markets. You'll see it in the communications businesses and in the drug businesses, somewhat in the software businesses as well, with strategic transactions in M&A picking up. So I think it can partially offset it. But I think the equity markets – remember although they look a little bit less ebullient today than they may have a week or a month ago, I still think they're very, very attractive. I should also point out that just, I don't know if you guys have heard it well, we're on the call, but the U.S. GDP just came out, at reported for the first quarter estimate at only up 0.1%. And for what it's worth, we think that this is, it was hit a lot by the cold weather, we do not see this in our portfolio. We think the growth rate is running slightly under 2% today. Frankly, we thought the estimates were over estimating the third and fourth quarter of last year, what was happening with GDP, and the first quarter of this year, we think this is going to turn out to be an underestimate of what's really going on in the underlying portfolio.

<Q – Ken Worthington – JPMorgan Securities LLC>: Awesome. Thank you for all of the color.

<A – Bill Conway – The Carlyle Group>: Sure.

Operator: Thank you. Our next question will be coming from the line of Robert Lee from KBW. Your line is open.

<Q – Rob Lee – Keefe, Bruyette & Woods, Inc.>: All right. Thanks, good morning everyone.

<A – Bill Conway – The Carlyle Group>: Good morning, Rob.

<Q – Rob Lee – Keefe, Bruyette & Woods, Inc.>: I guess, my question is may be for Bill, I mean and I guess maybe David somewhat. But you talked about kind of the – you're finding opportunity but the more challenging investment environment, I think, David, in the presentation you gave a couple of months ago you talked about returns on PE, generally being still way above market returns, but maybe more in the mid-teens range. So how is that impacting how you underwrite transactions? Has there been any change? Or do you have to kind of adjust your own expectations now when you underwrite a deal?

<A – David Rubenstein – The Carlyle Group LP>: What I had said for those who didn't know what I was talking about that in the presentation or may not have been there was that I think that investor expectations of rates of return have probably come down a bit in the last year or two. And as we raise money, I think investors today would say, if I can get a net internal rate of return on my private equity investments of 15% or 16% or 17%, I'm very, very happy. 10 years ago, they might have wanted something in the low-20%s as a net internal rate of return.

And therefore, because investors have lowered their expectations a bit, and they don't see other attractive alternatives, we had found in other firms as well, but fund raising is still pretty brisk, and I think that's in part, because people think we can get these kinds of rates of return.

As to how we underwrite the deals, Bill?

<A – Bill Conway – The Carlyle Group>: I'd say the following; first of all, although the investors may be willing to settle for a somewhat lower internal rate of return, that hasn't been what we've been willing to settle for. For 10 years, we've been telling our investors that it will be very difficult for us to sustain the levels of return that we have been able to sustain. And for 10 years actually, I've been wrong, we have been able to sustain those kinds of rates of return.

In terms of our underwriting process, I would say that today, and of course remember, we invest all over the world, and we invest in lots of different asset classes. And so it's a little difficult to generalize, and in addition of course, not every deal has got the same risk profile, at least expected risk profile as we see it. But in general, I would say we are still trying to underwrite our returns in the corporate private equity business with a gross internal rates of return in excess of 20%.

<Q – Rob Lee – Keefe, Bruyette & Woods, Inc.>: Great. And...

<A – Bill Conway – The Carlyle Group>: That means – so one thing I would say, sometimes one of the areas that we really have focused on a lot frankly is these large corporate carve-outs, the Axalta business, which was the DuPont Paint business we bought from DuPont, or the Ortho-Clinical Diagnostics business we're buying from J&J, or the business we bought last year from the Hamilton Sundstrand business that we bought from UTC, and others.

We've focused really on that business. It's a tough, dirty job to take a big division out of a giant big co., and set it off on its own. We think we know what we're doing, we have a very good track record of doing that. We're looking for opportunities in that space. It's a lot of hard work, but hopefully, we can do it and earn attractive returns.

<Q – Rob Lee – Keefe, Bruyette & Woods, Inc.>: Great. Maybe as my follow-up, Bill, I guess a month or so ago you announced the new head of your private client group and David, you definitely talked about the high net worth market as being a key mark you want to grow and get more penetration, if you maybe could just update us on some of the initiatives there and maybe your progress to-date?

<A – Bill Conway – The Carlyle Group>: You're referring Jeff Holland, who joined us, who is heading our group there. And he has a wealth of experience in dealing with retail investment products and also in dealing with people who help people like us raise that kind of money, often large commercial and investment banks, who have so-called feeder funds that they often used to raise money for our products.

Jeff just started, so I don't want to say exactly what he will do, but we are looking at products that will be geared exclusively to – for those – that was thunder for those who might have heard that. We're looking for products that are exclusively for retail investors. So a lot of what we're raising right now is money from retail investors who are coming into products that are for all types of investors.

So in other words, right now, we are raising a lot of money for our funds from retail investors, high net worth typically, and they are coming into the same funds that the institutional investors are coming into. But we have work underway, and we will be having some more things that are focused only on retail or high net worth investors because they sometimes have different investment interest than the institutional investors, and we don't have anything to announce today, but we expect to be fairly active in this area.

Operator: Thank you. [Operator Instructions]. Our next question will be coming from the line of Mike Carrier from Bank of America. Your line is open.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Thanks. Adena, you gave some color on the fee related earnings, I was just curious, on GMS, was there anything on the fee that weigh on that this quarter? And then when you look on the performance side, it just seems like that performance like the comp ratio out of the performance fees, just seemed like it was higher, and it seems like when we look at it year-over-year, it's more meaningfully higher. So I didn't know if like some of the recent transactions, there's been anything that's more nuanced or has it been just certain funds you'll have different comp ratios that are just making that shift from quarter-to-quarter.

<A – Adena Friedman – The Carlyle Group>: Sure. So I'll address both and I just want to confirm your question on comp ratio is related to the full firm or just the GMS?

<Q – Mike Carrier – Bank of America Merrill Lynch>: The GMS was more on just the fee revenues. The overall comp ratio was for the full firm.

<A – Adena Friedman – The Carlyle Group>: Okay. Great. So with GMS, there were some episodic fees that we perceived last – first quarter of last year and fourth quarter of last year, related to winding down a certain CLOs and those fees generated, it was about $7 million in the first quarter of last year and $5 million in the fourth quarter of last year. We just did not have that kind of – those types of fees, those episodic fees occurred this quarter. We also had some catch-up revenues associated with finishing up the fund raising for CSP last year and that fund is fully raised at this point.

So those types of episodic fees that we experienced last year, we're just not – we're not seeing more of. Where we are seeing benefit in GMS and growth in the management fees is in the AUM. On the hedge funds they continue to have the growth in AUM year-over-year.

And then also the BDC that we launched. We're investing it now and so that's a vehicle that's paid on invested capital and so as we invest that fund, we'll see fees continue to grow there. So we definitely have progress in the segment, it's just the episodic fees didn't recur.

With regard to the comp ratio, I think, it's probably good for me to give you a little bit of a breakdown of the increasing cash compensation from Q1 of last year to Q1 of this year. If we look at it, it's about $31 million increase in cash comp. And of the $31 million, about 40% of that is result is an increase in solutions, which is primarily due to the acquisitions we completed after Q1 of last year. So that specifically is the majority that we acquired from the remaining stake in AlpInvest as well as the acquisitions of Metropolitan and DGAM. So as those things came online we essentially acquired people that comes with the related compensation.

But we also acquired income, and so that income is also accruing to our benefits. And so that's 40% of the increase. About 20% of the increase or $6 million has to do with the timing on the fund raising commissions that I mentioned, where we just had significant commissions particularly related to raising U.S. Real Estate VII and international energy this quarter.

And for U.S. Real Estate VII we just didn't see the fees turn on yet, because the predecessor fund is still finishing up its investment period. So that will show some benefit going forward. And that is, as is said before, a timing issue as opposed to an absolute increase. And then another $6 million or so relates to running in a promotions and merit increases, and I think that's something that you'll see every year where we have about a 4% increase in comp just related to ongoing developments within our existing team, and that, as I said, that's about 20% of the increase, and then the last 20% has to do with new people.

So we had the full-year effect of some people coming in from 2013 as well as some early hires in 2014. So if I were just to sum it up, we had about more than half of it, was more technical in nature in terms of the increasing comps year-over-year, and about 40% of it really is growing – just the growing employee base that we have in terms of growth in comp and growth in people.

Operator: Thank you. Our next question will be coming from the line of Marc – I apologize – Irizarry from Goldman Sachs. Your line is open.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Great, thanks. Marc Irizarry, Goldman Sachs. Just maybe some more color on the funds that slipped out of accrued carry mode. If I look at the table and the disclosure around the couple of funds that look like they're no longer accruing carry, can you give some perspective on those funds where the reversals of the accrual was it driven by private market valuations or are there some public comps in there? Just trying to get a sense of how much of a change, I guess, in the carry ratio or the funds that are in carry, that in carry ratio how much of that delta was really driven by the few funds crossing back over?

<A – Adena Friedman – The Carlyle Group>: Sure. So if you – on page 26 of the release, we do provide a remaining fair value analysis. And the funds – the specific funds that were in carry last quarter, effectively didn't catch-up last quarter and are no longer in carry, are Carlyle Asia Growth Partners IV, and then you've got Carlyle Equity Opportunity Fund I as well as Renew II. And those are the three funds that crossed back out.

In terms of – starting with actually Carlyle Equity Opportunity Fund I, that actually crossed out because we made some big new investments in that fund, and when we marked those investments upon entry into the fund, they tend to be marked at [ph] cost management (37:58) transaction fees, and so that just drove down the valuation technically.

The rest of that portfolio is doing extremely well. It just happens to do when you burn in big new investments that tends to be what happens when the fund is early in its carry life, and that's an early fund. So it will be a while before we start to harvest significantly out of that fund.

In terms of Carlyle Asia Growth Partners IV, the majority of the change in the values there are based on the public markets and that fund is heavily invested in China and India, and the markets and those regions, the emerging markets were really mixed, and so just depending on what public securities we owned in that fund that definitely swung the valuation in that fund this quarter.

And then Renew II is primarily a private mark and that just has to do with – that fund has been toggling in and out for several quarters and I would expect it will continue to do that and it's a relatively small in our Riverstone portfolio.

<A – Bill Conway – The Carlyle Group>: Remember also that – this is Bill – if a fund is not fully invested and you do a new investment in that fund, if the fund wasn't carrying, was achieving at least let's say the preferred return and paying back the expenses, then it can slip out of carry just because you did a new deal and you valued it roughly at cost.

Operator: Thank you. Our next question will be coming from the line of Bill Katz from Citi. Your line is open.

<Q – Bill Katz – Citigroup Global Markets Inc. (Broker)>: Okay. Thank you very much. I appreciate you taking the question. Just given the addition of Mr. Cavanagh to the executive suite, I'm still wondering about any type of change of strategic direction or incremental opportunity that that addition may offer? Thank you.

<A – David Rubenstein – The Carlyle Group LP>: Look, we're very pleased that Mike has agreed to join us and he'll be actually starting I think in June. We don't really see it as any change in our strategy of what we're going to pursue. We would like to just strengthen our next generation leadership and also strengthen our current management structure, and that's what really it did. But it shouldn't be seen as we're going in a different direction than we were before. Obviously, Mike can bring some great values to us, and he'll have contacts and insights that may be we didn't have before. But you shouldn't read into it that we're going in direction A which is different than where we were before.

Operator: Thank you. Our next question will be coming from the line Brennan Hawken from UBS. Your line is open.

<Q – Brennan Hawken – UBS Securities LLC>: Good morning. So in the real asset section just hoping to flush out maybe the continued losses in the investment income there, I know that's been a, sort of repeating issue here and last quarter you indicated that felt fully accrued from a tax perspective for Europe, so curious whether or not some of the losses this quarter had anything to do with that item? And maybe if you could help us out with how much is attributable to LatAm and Europe, if those are still the two trouble spots? And then whether or not maybe Renew II going into claw-back might have had something to do there? And then finally how long you might think Adam Metz it would take him to get that turnaround really going for that division? Sorry about the multiple parts I just don't want to get chastised by the operator for the follow-up.

<A – David Rubenstein – The Carlyle Group LP>: Let me start with that. Given how many funds we have to be honest that we have so few that really needs a kind of a special attention or turnaround is really surprising. A biggest fund that we have to really focus on is our second European real estate fund and some of the problems that we saw in the European real estate market.

Adam was brought into help with that turnaround and also to do other things for us with international real estate. He has worked pretty hard on effectuating some improvements there. There's nothing yet that we can sight that is going to say immediately be a turnaround that will reverse some of the problems we've had. But I do think that Adam is an extraordinarily talented and well-respected real estate person and we're very happy to have him. And I think we will see improvements in the not too distant future, but nothing immediately. Adena or Bill?

<A – Adena Friedman – The Carlyle Group>: Sure. So on the investment income, there is no further effect coming from the tax position in Europe, flowing through the numbers in the quarter. As we said, we felt fully reserved on that based on the facts that we currently have related to that matter. So the $18.5 million of investment loss, about half of that really comes from the continued losses that we have in the real estate investment in Latin America and I had mentioned on the last quarter call that that will continue to be a loss that flows through our financials because we're consolidating net investment due to the way that we funded it, and that company is currently operating at a loss. And so that will continue – you'll continue to see that coming through.

The other half is coming from just a change in the value of a loan that we – that the balance sheet made to this Europe II fund, the Carlyle Europe Real Estate Partners II fund that David just mentioned and that that value will fluctuate based on the underlying value of the assets there, so just we had some change in the asset values there and therefore it took down the value of the mezz, so – the loan. But those are the changes and that will sometimes be positive and sometimes be negative, kind of depending on how that portfolio is progressing.

<Q – Brennan Hawken – UBS Securities LLC>: Thanks for the color.

Operator: Thank you. Our next question will be coming from the line of Michael Kim from Sandler O'Neill. Your line open.

<Q – Michael Kim – Sandler O'Neill & Partners LP>: Hey, guys. Good morning. Just wanted to follow up with Adena on the recent capital raises. Just wondering if you could walk through in maybe a bit more detail in terms of how you're thinking about capital needs going forward, you mentioned the NGP option. But just beyond that, any color on how you're thinking about the mix or the balance, if you will, between sort of GP commitments versus just having some dry powder available for further bolt-on acquisitions. And then related to that, any color on sort of what you're seeing in terms of the M&A environment, in terms of supply pricing, or just the competitive landscape more broadly?

<A – Adena Friedman – The Carlyle Group>: Sure. So with regards to the capital raises, I think that I would start by saying that as a publically traded partnership, it is very efficient to the unit holders for us to distribute earnings. And I think that we do that because of the fact that we have an efficient way of streaming the income to you. We think that that's something we want to maintain. And so we look at the fact that we are fundamentally a yield stock and we continue to expect to be one. But at the same time we want to fund growth. And as a result, we've used the capital market as a means to fund our growth both in terms of the investments in our funds, and I'll go to that in a second, as well as strategic investments we want to make for the firm like the NGP option and other bolt-on acquisitions that we will probably continue to do over time.

And so I think that – so you could see that we try to use the balance of equity and debt and we'll do that opportunistically depending on the health of those markets and how accessible they are to us, and what we're funding in terms of the types of growth that we're funding. So that's something that we would look at it as a means to fund top fund growth.

In terms of investments in our funds, if you think about it, we're making 1% investment into all of our funds. And if for instance over the last several quarters, we've invested about $8 billion and we're making 1% investment in our funds, then you'd expect that we would have kind of somewhere around an $80 million investment intake putting into the funds over time until those funds starts to distribute back to us.

So it will become a self-sustaining exercise over time. But I think that right now, we're building up the investment balance in our balance sheet and that will be a cash outflow for a period of time. It's obviously a very high return activity for us, it's well in excess of the [ph] WAC (46:21), and that's what we will be measuring ourselves on in addition to providing accretion to our unit holders from anything we do. So those are the types of – that's how we see the use of the capital markets.

I don't know if you want to add [indiscernible] (46:34).

<A – David Rubenstein – The Carlyle Group LP>: Just to add to that financial service industry acquisitions are not always the easiest to do. And I know all of you probably are familiar with some that haven't worked out throughout the recent years and for other large firms. In our case, we've actually been pretty successful in making the acquisitions that we made, they've worked out I think quite well and our return on invested equity there has been quite high. And so we are going to be continuously looking for other good opportunities that fit within our overall strategy of the businesses we want to be in.

<A – Bill Conway – The Carlyle Group>: Was your question about acquisitions by Carlyle or acquisitions in the broader investment environment?

<A – David Rubenstein – The Carlyle Group LP>: We'll move on.

Operator: Our next question will be coming from the line of Warren Gardiner from Evercore Partners. Your line is open.

<Q – Warren Gardiner – Evercore Partners (Securities)>: Hi, good morning. So I was just wondering if you guys could give us a little more color on where maybe NGP X stands in terms of maybe an IRR or MOIC?

<A – Adena Friedman – The Carlyle Group>: As of right now, because we don't own the carry in that fund, we don't publish the returns in that fund. But as we go forward, we would expect once we exercise the option that it will be included in our fund tables. As a general matter, I can say that the fund is doing quite well and it has a strong IRR. It's finishing up its investments – its investment period and they are – they have launched the fund raising for Fund XI, I mean is going well.

<A – David Rubenstein – The Carlyle Group LP>: And perhaps we wouldn't exercise the option if the funds were not doing well.

<A – Adena Friedman – The Carlyle Group>: Right.

<Q – Warren Gardiner – Evercore Partners (Securities)>: Of course. Okay. Fair enough. Thank you.

<A – Adena Friedman – The Carlyle Group>: Thank you.

Operator: Thank you. Our next question will be coming from the line of Patrick Davitt from Autonomous. Your line is open.

<Q – Patrick Davitt – Autonomous Research US LP>: Hey, good morning. On the – so you have now seven of the [ph] CEP funds accruing carry, but only three with LTM realized carry and IRRs are getting fairly – it was getting a fair amount of gap between that 8% bogey and where they are now. I was just kind of curious how you think we should think about that three catching up with the seven and what the timeline for that might be?

<A – Bill Conway – The Carlyle Group>: Sure. I'll take that one. As we explained I think at the earnings day and maybe even on the last earnings call, we have a – it's not a total science to determine when exactly we're going to take carry. The investors obviously hate it when you go into claw-back and so that for example our gross accrued carry is about $3.8 billion and our gross claw-back is about $40 million. So we avoid claw backs and that makes us maybe a little conservative when we're going to start taking the carry.

I would point you in the earnings release, obviously, and I think you've got it to the gap on, maybe in pages 26 and 27, of where the – let me see. And if you look for example that Europe III, which is a very good example. Total sum fund size was $5.3 billion. We've really – it's fully invested now at just under $5 billion, total fair value of $7.9 billion and a 1.6 multiple. Then that's the fund in total.

Then when you go to the remaining fair value analysis, you can see on CEP III, that the remaining fair value actually exceeds the average fair value of the fund at 1.7 times. And you can do some of the multiplication yourself.

I would expect that fund would be taking cash carry within a year. It is obviously a big fund when you have a €5 billion. It's a lot of money and hopefully we can move that into taking cash carry in that period of time.

Asia III is another one, although the gap is not as great there between the unrealized MOIC and the remaining fair value, it's another big fund. It is performing very well. It is exceeding its hurdle. It's another fund that I think will be on a similar kind of timeframe as well.

Remember also that although somebody might say, well, did he say it was going to be in 2014 or in 2015, he said within a year or so? And the answer is no, he didn't say either of those things. We actually manage our business kind of on a little longer perspective rather than a fairly artificial data of one quarter end or other. We look at what's happening.

I'd say one other big thing. In order to realize carry, it takes a realization of that. If a fund is – you invest $1 billion and it's worth $2 billion, and you've gotten up your way over the preferred return, you've returned all the expenses, everything is great, well you can't take any carry until you have a realization of that, something has to happen, you have to start selling that investment.

So I think it is a good thing if I would also recommend in order to get a handle on some of these things to look at the 10 largest positions that Carlyle has in the public markets where we have five of them exceed $1 billion in size, CommScope, Booz Allen, Pattern Energy, Allison and Numericable and HD Supply is just under $1 billion.

And it's public information when we are selling these positions, and you can see which fund they're in, and the impact it can have when we start to sell those shares. So I'll be looking for realization events. And I think you're right to look at the gap between the realized MOIC and the unrealized MOIC, and the remaining fair value of the capital.

<Q – Patrick Davitt – Autonomous Research US LP>: So the key takeaway being that the gap in those MOICs is more important than the gap of the IRR from the preferred return?

<A – Bill Conway – The Carlyle Group>: They're both important, but I'd tell you, partly it depends on the timing of the fund, life of the fund.

<Q – Patrick Davitt – Autonomous Research US LP>: Right.

<A – Bill Conway – The Carlyle Group>: You get close to the end of fund, it shifts a little bit to which becomes the more important. It's interesting also that these funds generally require exceeding the preferred return. And so what happens also is when you sell an asset that is a big asset and you don't cover the whole preferred return on that, it can make it look like the entire fund is moving out of realized carry. It's kind of a strange mathematics, but generally you're right, look at both of those things and you're on the right track as to what we're doing.

<Q – Patrick Davitt – Autonomous Research US LP>: Okay. Thank you.

Operator: Thank you. Our next question will be coming from the line of Christian Bolu from Credit Suisse. Your line is open.

<Q – Christian Bolu – Credit Suisse Securities (USA) LLC (Broker)>: Thank you and good morning, everyone. As dry powder continues to build and is now equivalent to roughly 40% of fee pay in AUM, in light of your comments on the frothiness of the market, at what point do you think you'll get some pushback from LPs when you try to raise new commitments?

<A – David Rubenstein – The Carlyle Group LP>: Pushback with respect to?

<Q – Christian Bolu – Credit Suisse Securities (USA) LLC (Broker)>: I'm just trying to reason your commitments given you already have so much dry powder on hand already.

<A – Bill Conway – The Carlyle Group>: Well, investors don't really look at our dry powder. I mean, that's something that you and people who do what you do look at, and we look at it as well. But each investor looks at his or her own fund, and what fund they're going to go into and what kind of rate of return they're going to get, they don't really look at our overall dry powder, they really look at our track record. So I don't think we're getting pushback from that factor.

Right now, we've seen a lot of interest in our funds. And as I've [ph] shown (54:11) – some of you have heard me say probably lot more times than you want, 60% of our capital comes from investors or six or more of our funds. And as a result, we find going back to investors already with us is very, very productive and they don't really focus on how much dry powder we have, they tend to focus on whether we can invest the money in a sensible period of time and get the rate of return that they want. And generally, that's been pretty good for us and I think for the entire industry. Industry right now is experiencing pretty good fund raising numbers, and I think we reflect that.

<A – David Rubenstein – The Carlyle Group LP>: I think also it's a function of – it's really I would think of it as dry powder per investment strategy or per fund. If you raise $10 billion fund, if you are three years into a five-year investment period, and you've invested 10% of the fund, that's dry powder that everybody is very concerned with. Are you going to be able to get the full fund invested is the question. Remember, the $56 billion as well about $20 billion of it is in the solutions business, which is a different kind of dry powder that's being put together there, than the dry powder in the other funds. So people also look at it fund by fund. Tell me about my fund, its earnings, its preferred return, its expense ratio, its covering, its capital, when you're going to sell that deal, when you're going to give me a distribution or realization, not so much about the overall.

<A – Bill Conway – The Carlyle Group>: One final point I'd make on this is that, when you have a large amount of dry powder, it does help you get deals sometimes. People come to people who have the capacity to put forth their large sums of money out, and we are fortunate to have a fair amount of capital. So we are seeing deals all over the world, where people come to us and say, we know you have the money to do this, we'd like you to consider this deal, and it's been a big advantage for us I think having this kind of dry powder.

<Q – Christian Bolu – Credit Suisse Securities (USA) LLC (Broker)>: Great. Thanks for all the color.

Operator: Thank you. Our next question will be coming from the line of Mike Carrier from Bank of America. Your line is open.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Well, thanks for taking the call. Hey, Adena, when I asked the comp question, I was actually talking about the performance or the incentive comp versus the base comp. So I just wanted to find out if you had any color on that, because it looks like the ratio you picked up this quarter, and I know it had been varied by funds and all that kind of stuffs or maybe it was something related to that.

And then, Bill, just on your M&A comment, I was just wondering, when you look at the sectors and where you guys are invested, is there any activity that you would say is picking up many more than other sectors or more than the overall market where you may be better positioned or is it much more of a broader comment for the overall business?

<A – Bill Conway – The Carlyle Group>: Okay. Let me start first on the investment environment and what sectors look particularly strong or less so. First of all, we invest all over the world, but I'll concentrate my comments on the United States, which is where we have a lot of the industry specialization. I would say that of the businesses we have, industrial has obviously been very strong, partly it's a function of the U.S. energy revolution, but we've been very busy.

We did the Signode deal as part of that business, the Axalta deal was part of that business, the ADT deal was in that field as well, Allison Transmission is in the industrial business. So we've been very strong in the industrial side. And that's of course where there are carve-outs as people are trying to optimize their own business and what businesses do they want to invest in and grow. Frankly when something is a little bit of a corporate orphan to a big strategic, sometimes it's pretty attracted to somebody like us. So that would be number one.

I'd say number two frankly is healthcare. In that business, we've obviously been successful with Manor Care in the past and PPD, which we did a couple of years ago. And of course, the Ortho-Clinical business from Johnson & Johnson at a purchase price over $4 billion is obviously a very big deal as well. It's another carve-out we have to take a big company out of another even bigger company as well.

Consumer, we see some action there as well. There is action all over the portfolio. But I had to cite two businesses, I would probably say industrial and healthcare are most active today in terms of both recent deals done and the pipeline.

<A – Adena Friedman – The Carlyle Group>: And Mike, with regards to your comp ratio question, thank you for clarifying, sorry I didn't understand it before. But on performance fee related compensation versus total performance fees, the ratio is going to change quarter-over-quarter and I'll give you a little bit of an explanation of it. But this quarter it was about 50%, whereas the first quarter of last year was around 60%. And the reason for that is going to be the composition of the carry.

So where is the carry coming from? In corporate private equity, you're going to see a relatively consistent 45% comp to 55%, coming to the firm, 45% going to the [indiscernible] (59:27) and that's going to be relatively consistent quarter-over-quarter by design.

Whereas if you look at total market strategy, it really depends on where the performance fees are coming from. So in the hedge funds, we recognized proportionate consolidation of our hedge funds. But we do have comp against those funds, those fees as well. And that ratio is going to change quarter-over-quarter just depending on how the performance is doing and it's not a fixed ratio. Whereas in the carry funds and that segment, it is a 55%/45% split.

So in this particular quarter most of the performance fees came from the hedge funds because the GMS carry funds increased 3% versus 9% in the first quarter of last year. But the ratio is just going to be different. We – that's not as much of a science. And I think that with real assets, remember that Riverstone, when we have carry that comes from Riverstone, we have no compensation offsets, and we did have some carry in the first quarter of last year. We did not have carry coming off of Riverstone in the first quarter of this year. And so the comp ratio is going to be different than it would be in the prior quarters.

And then lastly in solutions, I just want to remind you AlpInvest, the legacy business of AlpInvest, they received 85% of the carry on all the legacy carry that they owned coming into the acquisition back in 2011, and they received 60% on a go-forward basis on investments they've done since then. So that ratio should improve over time in terms of how much we end up keeping, but for the most part, they had very strong performance in the first quarter of this year versus the first quarter of last year. And so they are bigger part of our total performance fees, and they end up with a very high ratio, comp ratio against that based on the legacy deal that we did with them.

So I hope that explains the details, but it will fluctuate every quarter, and every segment has its own characteristics.

<Q – Mike Carrier – Bank of America Merrill Lynch>: Yeah. Thanks for the color. Thanks.

Operator: Thank you. Our next question will be coming from the line of Brian Bedell from Deutsche Bank. Your line is open.

<Q – Brian Bedell – Deutsche Bank Securities, Inc.>: Great, thanks for taking my question, most have been answered but one on just fundraising, that used to go pretty well, the question would be, are you – it looks like you're on track to exceed the $15 billion to $20 billion guidance that you have for the full year? And then maybe if you could talk about some of the funds that you're in the market for in the near-term or is the first quarter [ph] pace is (01:01:56) running ahead of schedule? Thank you.

<A – David Rubenstein – The Carlyle Group LP>: Of course, if I say we're ahead of pace and I set a high bar, then I don't – I won't be able to say how we've exceeded our targets later on. I don't want to say, we're ahead. We are in pretty good shape. We did $22 billion last year. I think we projected we would do around $20 billion this year, but I think we may well do more, but I don't want to guarantee it.

The funds that we have in the market that are experiencing enormous demand are our international energy fund, and that is the first fund, but it's somewhat unique, because there aren't a lot of international energy funds or i.e. they don't invest in the United States. And we have a very talented person leading that fund and that one will do quite well. Our U.S. real estate fund, our seventh one is meeting very strong demand as well. Our fourth Asian fund is, I believe going to exceed our target and that's in pretty good shape as well.

We think that our European buyout fund, which is doing quite well now is going to do well in the market. And we've had a number of large buyout funds in the market and it's hard to have an infinite number of buyout funds in the market at the same time. The U.S. fund is out of the market, I think the Asia fund will be out of the market in the not too distant future, and a lot of our energies can also now focus on the Europe buyout fund, and that'll be pretty attractive.

NGP has its own marketing team that works closely with us, but I believe that that as you heard it earlier, is in pretty good shape and will be very attractive as it raises money. We have a lot of other funds, I won't go through all of them now, but I'd say that inventors have money, they're more discerning than they might have been five years ago in some respects, they negotiate somewhat harder than they did in some areas. But generally I think investors have money to deploy and I see it more ebullient now than I did in the last two or three years.

<Q – Brian Bedell – Deutsche Bank Securities, Inc.>: And does it seem like it's more than the fund raising demands, the demand for investments is sort of exceeding your ability to invest? In other words, turning down investments to some degree?

<A – David Rubenstein – The Carlyle Group LP>: Well, I wouldn't say that. Bill?

<A – Bill Conway – The Carlyle Group>: I wouldn't say that either. David and I periodically argue whether or not he is better at his job or I'm better at my job in terms of putting the money to work. It varies all over the world by fund and by product. But I think it's pretty well in balance that the market actually figures out the better one [ph] will (01:04:28) give you money that you're not going to able to invest in unrealistic returns as well. So they look at the team, they look at the market environment, they look at the opportunity, perhaps the competition. And all those things considered, I would say they're in balance pretty well.

<A – David Rubenstein – The Carlyle Group LP>: The argument is that I think Bill is doing a better job than I am doing and he thinks I'm doing a better job than he is doing. In other words, it's not that we're arguing each of us is doing our job better, it's the other way around.

<Q – Brian Bedell – Deutsche Bank Securities, Inc.>: It's great. Great. Thanks very much.

Operator: Thank you. Our next question will be coming from the line of Bill Katz from Citi. Your line is open.

<Q – Bill Katz – Citigroup Global Markets Inc. (Broker)>: Yeah. Thanks so much. [ph] If you allow me (01:05:06), it's a two part question. The first part is, maybe update your thoughts on the ability to penetrate further into the U.S. retail channel? And secondly, you mentioned with all the growth capital you're raising [ph] some of the seed investments (01:05:17), sort of curious, when you look at your product set of where you feel like you might be somewhat deficient? Thank you.

<A – David Rubenstein – The Carlyle Group LP>: Well, raising retail products from a firm that has the kind of background we have is going to take a long time. It's not overnight that you can evolve the kind of products that we will want to evolve in our space, just for the retail market. So it's not, nothing that's going to dramatically change our composition of the firm overnight. But we brought in somebody as you heard, who is going to focus us on that, and we have a lot of things in the works, but nothing that I think on the next quarter or so we're going to dramatically change our earnings, but it is an area that we're focused on because increasingly retail investors are not happy with some of the products they have had over recent years from other areas, and now they think that firms like ours can justify the kind of rate to return that they want, they can achieve them. But it takes some time and I wouldn't expect overnight to see any dramatic change here.

<A – Adena Friedman – The Carlyle Group>: Yeah. And then in terms of the acquisition environment, Bill, I think, that as we've always said, we're going to be opportunistic. And I think that if we look at where we have been doing acquisitions, I think there will continue to be opportunities in those spaces generally. In GMS, we've been active with the hedge funds and if we find some very creative and interesting and scalable hedge fund strategies we would probably continue to look at that spaces and the credit space there.

I think that in solutions, we've done a fair amount, I don't think we'd see something that's imminent, but that would be an area that we would continue to look at how we grow our capabilities. And I would say in international real estate that has both – we look at both buy and build there, so that's just – we're always looking at how we're going to continue to reposition that business.

<Q – Bill Katz – Citigroup Global Markets Inc. (Broker)>: Yeah. Thank you for taking all my questions today.

<A – David Rubenstein – The Carlyle Group LP>: And one more.

Operator: Thank you. Our last question will be coming from the line of Patrick Davitt from Autonomous. Your line is open.

<Q – Patrick Davitt – Autonomous Research US LP>: Hey, thanks for the follow-up. I just wanted to ask a question given your position in DC I think you have a unique kind of perspective on this stuff. The last few weeks we've been hearing about increasing regulatory focus on so called hidden fees that maybe LPs don't know about that you charge your portfolio companies or whatnot, not you in particular but the industry. The wording was quite vague I'm wondering if you have any thoughts or insight as to what exactly they're looking at and if at all it could be an issue for you and/or the industry?

<A – Adena Friedman – The Carlyle Group>: Well, I would say that we do not anticipate that that would be an issue for us. I think that what they're talking about has to deal with transaction fees and portfolio advisory fees that are charged [ph] out to the (01:08:04) portfolio companies and whether or not they're disclosing those fees appropriately to their LPs, that they have the right amount of sharing of those fees with their LPs, and just making sure that they're being – they're being open and honest with their LPs around the charging of those fees and making sure those fees are – are not – they're not overcharging.

So I think we feel quite confident that we do not – or not take collectors of those fees, we do it when we can – but we don't – we don't try to drive our business based on it and we've been very disclosive to our LPs. And we have actually had a recent visit from the SEC just on a normal five-year basis, they do that for all the investment advisors and we feel confident that that we have done things the right way and in that regard for sure.

<A – David Rubenstein – The Carlyle Group LP>: Yeah. I'd say that, every twice a year with our big funds, we meet with the biggest investors in the fund on an international advisory committee. And as part of that, we do a big portfolio review and investment environment review, as well as we do a very transparent, this is how we value the portfolio, this is our valuation methodology, these are all the fees that we charge the portfolio companies, these are the expenses, frankly what we have to rebate to them. The rebate rate is obviously very high today, or 100% in terms of lot of things. So I would say, I worry about a lot of things, but that's not one of them.

<Q – Patrick Davitt – Autonomous Research US LP>: Okay, great. Thank you.

Operator: Thank you. And that concludes our Q&A session for today. I would like to turn the call back over to Mr. Harris.

Daniel Harris, Managing Director and Head of Public Investor Relations, The Carlyle Group LP

Thanks everybody for your time and attention today during the call. If you do have any follow-up questions, please feel free to reach out to me after the call. And we do look forward to speaking with you again next quarter. Thank you.

Operator: Ladies and gentlemen thank you for participating in today's conference. This does concludes the program. And you may all disconnect. Everyone have a great day.