PARTICIPANTS

Corporate Participants

William E. Conway – Founder and Co-Chief Executive Officer, The Carlyle Group

Other Participants

Marc S. Irizarry – Analyst, Goldman Sachs & Co.

MANAGEMENT DISCUSSION SECTION

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

Great. Okay. Moving right along, we are very pleased to welcome Bill Conway, Co-Founder, Co-CEO, and Managing Director of the Carlyle Group. Thank you for joining us today. Bill also is the CIO of the Private Equity Global Market Strategy. So let's jump right in here and waste no time. First of all, thank you for joining us this afternoon.

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

I'm happy to be here, Marc.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

Good.

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

Actually that's not true. I'm here.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

Happy you made it through whatever a little bit of snow is out there. But let's jump into the theme of capital deployment. One of the messages that we've – from what we've seen this year has been that this has been a slower year of capital deployment for the private equity business. Tell us, what you're doing at Carlyle in this environment where maybe it's tougher to do deals? A) I guess, what's leading to the perception around the shortage of LBOs and activity, and then what are you guys doing to make sure you put money to work for your investors?

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

Well, I think that it is tougher today to invest money. It's much easier to raise money and it's much easier to do exits than it is to invest the money today. Now, it's not uniform across the world, that there are some places when it's – where probably is reasonably easy to invest some of the money and that would be Europe for example. Although that's gradually changing, but Europe has been

hated for so long, and people have been afraid to go there that it's really been a pretty good place for us in the last year or so.

But it's tougher, too. I think we've tried to do some deals that are just a little different that we might not have done a few years ago. Examples would be the Beats headphone business, which is – we get asked more questions about Beats and Dr. Dre than we do probably any of the deals that we've done, but Beats is a big powerful fast growing company. Its revenues are about $1.2 billion. It's probably not the kind of business we would have done a few years ago.

We made a big investment last year in Genesee & Wyoming Railroad, which was a pipe, 5% preferred stock, $350 million that – to financed their acquisition of RailAmerica or helped them finance it. Probably wouldn't have done a big pipe into that kind of a deal, but we've since sold out last month of either October or November and made about 70% in a year. So it's a great deal, kind of different than what we would have done before.

I think private equity doesn't get much credit for its evolutionary skill. I think you have to change. What worked before might not work again. But for 25 years, we've found ways to invest the money. I think we can keep doing that.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

And then, when you look out to 2014 and maybe some of the conditions that existed in 2013, what do you think it will take for activity to really accelerate here into 2014? Are there one or two things that might change that or you think are standing in the way for deal activity to pick up?

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

Well, if you talk to your friends in investment banking, I know there's a wall and you can't talk to them, but if they weren't a wall and you could talk to them, they would tell you how they're not that busy and it's tough to find deals to do and everything else. To some extent it cuts from our standpoint two ways. On one hand, we don't have to compete as much with the strategics for the acquisitions. On the other hand, they're really sitting still. They're not doing anything. They're not doing many acquisitions. They're not – they don't buy many businesses from us when we're selling. We're just selling to another private equity firm or we're taking it public today, which was a different maybe a few years ago than it is now.

What's it going to take? I think the CEOs today and I'm a CEO too, so maybe I am a little guilty of this, have a situation where they're still infected and affected by 2008. And they worry. They look down in the chasm and they didn't like the way it looked. And they said, well, maybe I don't ever want to see that again. I think they may be a little more cautious. And plus you've had situations where stock prices have been okay, despite they're not doing deals to build and grow the value of their firms.

And so they may think, why bother to make acquisitions, if my stock can go up even if I don't do anything. I hope that it changes. I expect it will change. I have been surprised at the inactivity of strategic buyers and sellers over the last few years.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

And if you look at your public portfolio, you recently have seen a number of your companies, Home Depot Supply, CommScope IPO, and there's also information out there on a number of names.

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

Did Goldman lead those IPOs first?

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

No.

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

He's on the other side of the wall. [ph] He doesn't (04:57) know.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

We can check the filings on all of these [indiscernible] (05:03) et cetera, et cetera. So there is – when you look at your portfolios and you think about what stage are we in for harvesting the portfolios, there's a lot of concern about it's a little bit of a difficult environment to invest, but seems like a good environment to harvest. But how – when you look ahead, where is the portfolio in terms of the harvesting activity we should expect?

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

Okay. Couple of things, one, I would think one of the great strategic decisions Carlyle made was in 2010, 2011 and 2012, we invested a lot of money in U.S. buyouts. And those deals have been doing great and they, I believe, are going to continue to go great. So companies like CommScope, PPD, Axalta, which we bought from DuPont, Hamilton Sundstrand, Getty Images, BankUnited, there were a lot of businesses that we bought over that period of time that have really, really performed well. And I don't think we could re-create that portfolio again.

Now, one of the strategies at Carlyle is to get our companies public as soon as we can. As soon as they're ready, we try to get them public. So we have about a $62 billion private equity business and about a 25% of that is in public equities, and we are selling them all the time. Sometimes, I actually regret selling them because I look at what we're trying to buy and it's not as attractive as what we're trying to sell.

So, for example, this quarter, it's in the public domain, we've sold a big piece of Allison, sold a piece of Booz Allen, we sold a piece of Nielsen. As you mentioned, we did – we've done three or four IPOs, CommScope, CVC in Brazil and [ph] AmerCable (06:44) in France, there have been one or two others, and our strategy in getting this business public is that we're always unhappy with the opening price. We always think it should be worth more and don't they know how beautiful our baby is. And people think, well, your baby is ugly and we don't want to own your baby.

And so, they say there's a big overhang or that maybe there's not enough liquidity in stock or something. And what we tend to do then is sell some more and we're unhappy with that price too, but then we get more liquidity in the stock and the overhang goes down, and one of our strategies has generally been to sell all the way up. So we did it earlier this year with Hertz, which we're now out of. We did it with SS&C, which we're out of. We did it with Duncan, which we were – it takes four or five offerings to sell these companies once you get them public. And I think that's a big part

of our strategies. We're definitely in harvesting mode for that generation of companies that we have built, but on the other hand, we're adding companies to this public portfolio all the time when we take Moncler public or CommScope public or CVC public or some of the others.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

And I guess, maybe you could share with us the metric of where you saw that first sale, what the multiple is? And then related to that, what are the – when you think about the embedded gains that are in that portfolio today. Investors, obviously, in your stock, in Carlyle stock, are concerned about the distributions that they'll get off of those? And can you give us some perspective on the types of...

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

I'm a big investor in the Carlyle stock, so I'm concerned about those distributions, too. What I would say is that probably the best way to look at it is the accrued carry that Carlyle has. And believe me, the accounting for our business is a tough thing to really understand, the accounting. But in essence, if you liquidated everything at the FMB in which we carry it and you took our share of the profits on it, it's – $2.9 billion is what would go to Carlyle and its employees. The firm gets $1.6 billion and the employees would get $1.3 billion.

So if you think about that, you can really multiply that number by about five and so there's embedded gains of about $15 billion in the portfolio on average, and that takes into account offsetting winners and losers. And it's that's kind of a number as of September 30 and obviously, it changes all the time.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

Thank you for acknowledging the accounting because we struggle with that sometimes to figure out.

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

It is.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

And it's helpful to have that view.

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

Yeah. I'm trying to say, though, is it intentionally confusing or unintentionally confusing?

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

Time will tell, I guess.

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

Yeah.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

On interest rates, I think this is a – obviously a hot button issue, not just for your LPs, but I'd imagine for Carlyle itself as a business when you think about the types of businesses that you want to be in, the type of investing that you want to do, and also your portfolio companies. What are the – if we do have a sharp move higher in rates here, how should we think about the impact of that on your portfolio companies and also on your business?

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

Okay. First is it's not uniform across the business. If I were to break it down, let's say, into three broad categories, we have corporate private equity, real assets and real estate and then the hedge funds and various liquid products. Corporate private equity, in the range at which they might be expected to move, not much impact. Let's say, rates move from – on a buyout, they might be 5% today. Let's say, they move from 5% interest rates to 6%, 7%. You'd borrow a little less probably. I think it's incredibly or it's certainly a truism that at low rates you can borrow more than you can at high rates and still have the same risk adjusted risk in a business. Well, that didn't come out right, but you can still be taking the same risk with more debt because of the lower rate debt.

So I don't think in private equity over any kind of a range that I would foresee happening much of an impact. In real estate, I think that a lot depends on why the interest rates go up. If the interest rates go up because the economy is getting stronger and rents are rising, are the rents rising faster than the interest rates are rising, is a way to think about it. If interest rate's just going up because they're going up and the economy isn't stronger and rents aren't going up, then that would be negative for the real estate businesses that we own.

And in terms of the global market strategies business, which is our hedge funds, our distressed business, mezzanine, we have a BDC and we have some about $20 billion worth of CLOs, I would say that business would have variable impacts. So I think, generally, the CLOs would do better with higher interest rates. I would say, generally the hedge funds – we have a long, short credit hedge fund, Claren Road, which is about $8 billion, an emerging market hedge fund, ESG, which is about $5 billion or $6 billion. I'm not privy to exactly how they've positioned themselves for a move upward in rates. My guess is that they would be somewhat slight beneficiaries of a movement upward in rates, but I don't know that.

And finally, I would say I don't expect rates to go up. So I think if – there was a big paper that was done by the Fed about a month or so ago by this – one of their chief staff guys, and what it did was it took – tried to balance the twin goals of the Fed of unemployment being low and inflation being not too high, and then it said, what's the right interest rate policy for the Fed to follow to meet the best of those goals. And that paper said that interest rates are going to stay near zero till 2017. And then, you have the Fed's going to taper, obviously.

And the Fed, I think, is going to be in a world where it is going to test the power of its mouth over its actions. Its mouth is going to say, we want rates to stay low, there's no reason for rates to go up. And its actions are going to be, we're going to start to taper. And the question is can their talk offset

what happens with the taper. And I think, generally, the Fed will do what it wants to do. I think they can keep rates here low and I think they will for a long time.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

And take us through your funding conditions right now for deals. What are you seeing? Are we back to – we hear a lot more about cov-lite and different risks being taken around loans. But where are multiples for LBOs and what is sort of the deal financing environment look like from your point of view and...?

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

It's a great financing environment, particularly in the United States, although Europe has gotten much better as well. In the United States, they'll lend us more than we'll borrow, banks generally won't today. I would say that spreads are higher than they were in 2007, 2008 maybe by 100 basis points or so. I would say, the amount of leverage you can put on a deal is similar to what you could put on in 2007 and 2008, but the absolute rate is so much lower than it was in 2007 and 2008. And that was my point I was trying to make before inarticulately about the relative level of rates.

I would say every deal that's getting done today is cov-lite. It's just the lessons of the past have been forgotten, I think. I exaggerate, but not by much really. Generally, all the deals are being done, limited amortization, few covenants and it sets up the ability, of course, to do a recap and do it all over again. So I think that it's exceptionally good.

I would say also that one of the rates you can look at is the rate on the CLO AAA tranche. And that has actually moved lower in Europe than it is in the United States now, which is the first time that's happened in a long time. But I think that credit conditions are remarkably easy, I would say. And that's also true in a world that's strange. And by that I mean, 20 years ago or 10 years ago, let's see, you want to borrow $1 billion, there would be 20 people lined up say, I'll take it all and this is the price.

Today, there's a lot fewer people who say, I'll do it all and here is the price. There's maybe only four or five big players who will step up and do $1 billion. But even with that lower competition, there's still plenty of competition. I mean, if you need me to testify before antitrust agencies about the amount of competition in the banking industry, I can do it. There's plenty of that.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

All right. One of the things that we've seen dramatically in the asset management industry has been solutions based firms being set up to do more. Obviously, you've been acquisitive since the IPO...

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

Right.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

... most recently with your purchase of Diversified Global Asset Management and Metropolitan and et cetera. Take us through your business strategy. Are you moving to diversify Carlyle away from

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private equity because it's a defensive move or is it an offensive move for you in response to what you see from your clients?

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

Well, first of all, I'd say Carlyle's the biggest in private equity and we have a great private equity business, and the private equity business is the best business in the world. If you can make – if you can exceed the hurdle, you get 20% of the profits. With 8% preferred return, you get 20%. And it is a great business. And the more of that you can have, the better, assuming you can get over the hurdle.

However, it is not a big fee generating business. And in fact, when we started the business, the goal actually on the fees was to have the fees in the private equity business to be zero. The investors wanted Carlyle to have enough revenue to cover its costs, make nothing on fees and make everything on the carry. And I think Wall Street values fees more than they value carry and it's kind of for me this – it's required a brain transplant in some ways, because if you think about it, all my life I was trying to convert ordinary income into capital gains income and pay the lower taxes on it. And of course, what people want today is they want the ordinary income. They want the fee income. And it's worth more in some market sense than is the carry income.

The solutions business and the GMS business are moves in that direction because they're both fee generating businesses. Now, they are – to some extent, they help our customers, who can invest, and many of our customers, they invest across all platform. I think about 60% of our money in private equity, for example comes from people who are in six or more funds. So they're in a lot of funds.

The solutions business is designed to, let's say, people want to have a specific problem solved. They want to have a certain pile of money in 2020 or they have a certain goal. And that's what we're trying to do through DGAM, through Metropolitan, through AlpInvest, through the businesses we have. And really AlpInvest, for example, cannot invest in Carlyle deals. The people who own AlpInvest or did own AlpInvest, they can, but AlpInvest can't. So far, it's our least significant business. We hope to change that over the next few years, but hope for the other businesses keep getting better too.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

And then on the overall performance, I guess, of emerging markets and your presence there, what's your view on the EM as a business across all your businesses? I guess, there's a lot of misperceptions around what's sort of near term opportunities are versus long term strategic business rationale for EM investing for you guys?

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

Well, as you know, we've been in EM a long time, and we've made billions of dollars there for our investors. And in fact, about one out of every of 12 people who works for Carlyle is in China. So we're focused on emerging markets. I would even say, maybe you don't want to put China in the emerging market category. In some ways, it's emerged, but in other ways, it's emerging.

I would say we'd make a mistake to treat all emerging markets the same. I would say that I expect that when they do taper, when the Fed does taper, that it will hurt emerging markets. I think many people think that the last time the Fed threatened to taper, emerging markets cratered for a while.

And then Bernanke said, well, I change my mind or I'm not going to do that or whatever, and then emerging markets bounced back and so have many of the markets. And I think it's reasonable, people could say, well, this time will be different that when they're better prepared and they won't be as affected by tapering. I think that the last time when emerging markets went down, everything went down. The currency went down. The equities went down. The debt went down. It was a real punishing time.

As I said before, I don't think all emerging markets are the same. I think that when they do taper that some of the emerging markets will be more negatively affected than others, at least for short period of time. And the ones that will be most hurt would be people like Turkey and Brazil. The ones that would be least affected would be like China. China has the ability to fight. Some of the others are so reliant on outside market, so I think they'd be negatively hurt by it.

So I think not all emerging markets are the same. I think when tapering occurs, it will hurt many of them. I think that that will lead to opportunities there, though.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

So questions from the audience? In the right side here, my right.

QUESTION AND ANSWER SECTION

<A – Bill Conway – The Carlyle Group>: From the man from Turkey.

<Q – Marc Irizarry – Goldman Sachs & Co.>: There's a microphone coming around this way.

<Q>: At the beginning you mentioned the opportunities to invest in Sothern Europe. Could you please tell me a bit more about what you're seeing, what the opportunities are? What the competition is for those assets? What kind of IRRs you could achieve there?

<A – Bill Conway – The Carlyle Group>: In the last year, we've done nine different deals in Europe. They've been in both Northern and Southern Europe. They've been across industries. I'd say, maybe there's been one area of emphasis, it's healthcare. Other areas are industrial, but – and perhaps also consumer brands. I would say we generally are focused on many businesses in Europe that aren't just dependant on Europe. So, for example, a business like Moncler is when we bought it virtually all of its business was in Europe. Yet, today its biggest business is in Asia, more than half of the business, I think, is in Asia today. And yet, it's thought to be a European company.

I think we found the competition to be a lot less in Europe. When we started doing these deals in Europe, maybe a year, year and a half ago, the differential between a European price and an American price was 25%. That is the European company was 25% cheaper than the American company. Today, that differential is 17% or something like that. We think that there should be a differential between where Europe trades and where the U.S. trades. The U.S. is less risky, the U.S. has better energy situation, the U.S. has the dollar, and the U.S. has many, many other assets. The Europe has its problems and then it has the risk that there won't be a euro, perhaps a smaller risk than it was a few years ago, but still a risk. And Europe also grows a lot more slowly than the United States. So I think that Europe should be cheaper and it is cheaper than United States.

I'd say that, all of the deals we did, I think every one of the nine is at or above its business case for when we bought it. I hope that'll continue. There were five buyouts, three growth capital deals and a distressed investment we made during that period of time. I think Southern Europe may be more attractive than Northern Europe, because it's more – people are more afraid and there's less competition there. And by that I mean one should never confuse the economic environment with the investment environment. The economic environment can be bad and the investment environment can be good and vice-versa. Is that responsive?

<Q – Marc Irizarry – Goldman Sachs & Co.>: And here, [ph] Andrew (24:12).

<Q>: Thanks. I just wanted to ask, if you give any high level thoughts on the real estate side of your business? You just made a hire of Adam Metz, who – from my neck of the world is kind of a legend, which seem like a really powerful hire, and was wondering what your plans were in that space?

<A – Bill Conway – The Carlyle Group>: I think Adam Metz is great. His job is to square away our international real estate business. In the U.S., we have a real estate business that is really focused almost exclusively on what we'll call opportunistic real estate. It is focused on individual projects. We might – we wouldn't buy Hilton Hotel, but we might buy the New York Hilton. So we're very focused asset by asset in that business. Typical funds have over 100 assets in them. They are very diversified. We're on our seventh U.S. real estate fund now, which is being raised, it'll be $3 billion or $4 billion, I think, something in that range. And the first six funds have really had a great record. So I think there we're in good shape.

In Europe and in Asia, our businesses have done so well. And so one of the reasons we bought Adam in was to really fix that. Adam Metz had run General Growth Properties. He'd taken it – I

guess he joined it after the bankruptcy and really had just done a fabulous job for the shareholders, and we have really high hopes that he can help us rebuild that business. Our first fund in Europe did well and after that hasn't done as well. So we really felt we need to jump start it and bring in some new talent.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Questions?

<A – Bill Conway – The Carlyle Group>: I think he'd be pleased to know that he is a legend, however.

<Q – Marc Irizarry – Goldman Sachs & Co.>: On the left here [indiscernible] (25:56)

<Q>: Thanks. Could you just speak a little bit about some of the recent acquisitions you've done and maybe what was the process of getting to the point where you're ready to announce an agreement with someone like Diversified Global Asset Management? And what is it about those firms that you're bringing in that really are a good match for Carlyle, and what are the next steps for the group?

<A – Bill Conway – The Carlyle Group>: So you're talking about not acquisitions done by our funds, but acquisitions done by the firm?

<Q – Marc Irizarry – Goldman Sachs & Co.>: Firm.

<Q>: Yeah, by the firm.

<A – Bill Conway – The Carlyle Group>: Yeah. Well, first of all, I'd say one advantage of the [indiscernible] (26:25) for Carlyle is that many of these firms, not so much the two you mentioned, are owned by other financial institutions. So, for example, when we bought NGP, Natural Gas Partners, we bought that from Barclays. And when we bought Trust Company of the West, which we actually did do in the fund, TCW, we bought that from Société Générale. And so one – a benefit has been a [indiscernible] (26:50) that, some – I think if you can buy good assets from banks that really have to sell them, I think that's an advantage.

In terms of the other businesses, the two you mentioned, Metropolitan and DGAM, they were built to develop the solutions business, solve a problem for a particular sophisticated investor who needs the skills that can be provided by those kinds of big hedge funds. The deals we've done have all been accretive. Hopefully that'll continue. Hopefully, at least, they've been modeled to be accretive, who knows that they will be accretive, I think they will be. You have a follow on question? They took – did they take your microphone away from you?

<Q>: [indiscernible] (27:31)

<Q – Marc Irizarry – Goldman Sachs & Co.>: If we could just get at the retail and high net worth business, I think you guys at your Analyst Day a few weeks ago, your Investor Day I should say, you laid out retail alternatives and liquid alternatives as one of the many things that you guys intend to do over the course of time.

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

<Q – Marc Irizarry – Goldman Sachs & Co.>: And I think your colleagues have been on records – record talking about the defined contribution of 401(k) option, if you will, for private equity over the course of time. Is that a move when we think about the defined benefit world and your investors that you started the business with and where you're going? Is this a defensive move to find other ways to gather assets, because the DB plans are shrinking in relevance and these other areas are

growing, or is this sort of more of an offensive strategy for you to get into the retail business, if you will?

<A – Bill Conway – The Carlyle Group>: Having access to the retail investors I think has – compared to the big sophisticated investors, somebody, let's say, wants to come into your fund that's going to put $500 million in the fund. They want everything. They want free co-invest. They want to pay a lower rate. They want their reports delivered every Thursday on blue paper. And they get what they want. And an advantage of the retail investors is, if you can get enough of them, they pay the highest prices and they can help you to some extent offset the power of the big investors. They can also sometimes jumpstart a fund. They can help with the fundraising.

Now, when we go get those retail investors, particularly when they come through a feeder fund, let's say, Goldman Sachs approaches their high net worth customers and says, would you like to invest in Carlyle's European buyout fund? They might raise hundreds of millions of dollars for us in that kind of situation and be well paid for doing it. From our standpoint, either we get money we wouldn't have gotten otherwise, we can jumpstart our fundraising, which can be helpful. I do think that the retail investors are just a lot bigger pile of money than all the other piles of money you can get from investors.

The fastest growing parts of our – on the distribution side, that is the fundraising side of our business, have been sovereign wealth and retail. And the retail takes a lot of different forms. It's mutual fund like products, although private equity doesn't lend itself to that very well. It's a BDC. There's a registered investment company and then there's a feeder funds, which is, to-date, has been the most active in what we've done. I guess, I see it as both offensive and defensive and you know I'd say that. It's offensive because you just go get money from them. It's defensive because if you don't get it, somebody else is going to get it. So you might as well go get your share in it. It's a big pile.

And you're right, the biggest investor, I think, in Carlyle is still the defined benefit plans, the big state pension funds. And I believe that that part, though, is shrinking, and the two parts that are growing are the sovereign wealth funds and the retail.

<Q – Marc Irizarry – Goldman Sachs & Co.>: Questions from audience?

<Q>: Just one more, if I can, [indiscernible] (31:05).

<A – Bill Conway – The Carlyle Group>: Maybe you can.

<Q>: [indiscernible] (31:07) The performance of your energy strategies, at your Investor Day, again, you spent, I think, a lot of time going through energy as one of the themes and hedge funds. And take us through a little bit of the – what you've done with your energy business, some of the acquisitions you've made there? And how integral that is when you're going out, the real asset piece, how integral that is to portfolio allocations into Carlyle's business model?

<A – Bill Conway – The Carlyle Group>: Energy is one of the biggest businesses in the world and obviously, the impact on America, what's happening in the energy businesses, is immense. Imagine being a European chemical manufacturer or European aluminum or cement or things that are big energy users. I think that America has a big advantage, but set that aside. What we have done is we bought Natural Gas Partners, I mentioned. We own 55% of that or we will own 55% of that when we exercise an option we have. They have had 10 funds before we bought it and every one of the 10 funds made it to carry. And I've been investing a long time, and when 10 funds in a row reach carry, I think that says something about their investment performance.

We started up a business from scratch, our international energy business, with somebody that we'd work with 10 or so years ago, made us a lot of money. He made a lot for himself. He put $100

million personally into the fund. So it was really great. We have a big energy mezz business that we built from scratch. The banks really have moved out of lending to energy. We call it energy mezz, but most of the loans entered our senior loans.

So, we're putting some pieces in the board. People may not know that 15 years ago Carlyle was really involved in the creation of Riverstone and we were the founding partner in Riverstone with the team. Over time, our stake in the business lessened and we decided to split up and go our separate ways. And so we had to do it all over again and start up a new business, which we're doing now with these pieces that we've done.

Marc S. Irizarry, Analyst, Goldman Sachs & Co.

Great. Well, we'll leave it at that. Thank you very much for your time.

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

Thanks, Marc. Good seeing you. Thank you, Marc. Thanks a lot. Thanks for [indiscernible] (33:22)

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